



REENOVA INVESTMENT HOLDING LIMITED

(formerly known as ISR Capital Limited)

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

SGX Stock Code: 5EC

RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

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 additional information in response to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in their email dated 6 January 2020 in relation to the Company's Unaudited Financial Statements for the Third Quarter and Nine-Month financial period ended 30 September 2019 announced on 14 November 2019.

Query by SGX-ST:

1. We refer to Reenova Investment Holding / the Company's announcement dated 14 November 2019 and titled "Financial Statements and Related Announcement: Third Quarter Results". As at the date of this query, the final purchase price allocation ("**PPA**") exercise over Reenova Holding (Mauritius) Limited (fka Tantalum Holding (Mauritius) Ltd) and its wholly owned subsidiary, Tantalum Rare Earth Malagasy S.A.R.L.U., should have been completed as at 31 December 2019. Based on the current information relating to the completed PPA known to the Company, management and Board of Directors, please disclose if there will be any significant impact to the fair value allocation and consequently goodwill that will be reported for the 31 December 2019 Results.

Company's Response:

1. As previously announced, the Group engaged Ernst & Young Ltd, Mauritius to perform a Purchase Price Allocation ("**PPA**") exercise in respect of the Group's 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 "**Acquisition**").

Following the completion of the PPA exercise, Ernst & Young Ltd, Mauritius concluded on an enterprise value range of USD19.8 million to USD34.6 million with an average value of USD27.2 million. Accordingly, the fair values of assets and liabilities of RHM and Reenova Rare Earth (Malagasy) S.A.R.L.U. (formerly known as Tantalum Rare Earth (Malagasy) S.A.R.L.U.) on 28 December 2018 (the "**Acquisition Date**") shall be adjusted based on the results of the PPA exercise and consequently, the Group will record a bargain purchase arising from the Acquisition. The Group is currently preparing the unaudited consolidated financial statements for the financial year ended 31 December 2019 and is in the process of making the necessary adjustments to reflect the bargain purchase in its comparatives for the financial year ended 31 December 2018.

Query by SGX-ST:

2. Please provide the breakdown, elaborate on the nature of each of the material underlying transactions and disclose the identities of the counterparties of the following figures in the Consolidated Statement of Cash Flows:
 - a. Impairment loss on other receivables of S\$24,058
 - b. Reversal of impairment loss on trade and other receivables of (\$750,619)
 - c. Change in other payables of \$2,647,768

Company's Response:

- 2(a) We would like to clarify that the impairment loss on other receivables in the Consolidated Statement of Cash Flows for the 9 month-period ended 30 September 2019 (“**9M FY2019**”) should have been stated as S\$2,696 instead of S\$24,058. This relates to the impairment loss on other receivables from related parties listed as follows:
 - (i) Daisuke Sasaki Asia Fashion Fund Pte. Ltd.;
 - (ii) DSAFF (Singapore) Pte. Ltd. (a wholly-owned subsidiary of Daisuke Sasaki Asia Fashion Fund Pte. Ltd.); and
 - (iii) DSAFF Production Pte. Ltd. (a wholly-owned subsidiary of DSAFF (Singapore) Pte Ltd).

These related parties have a common director who is the Executive Chairman of the Company. Correspondingly, the changes in working capital for trade and other receivables and other current assets in the Consolidated Statement of Cash Flows for 9M FY2019 should have been stated as S\$49,791 instead of S\$28,429.

- 2(b) The reversal of impairment loss on trade and other receivables of (S\$750,619) was due to reversal of impairment on debt securities and accrued interest due from Tantalus Rare Earths AG (“**TRE AG**”) as the Group enforced the share pledge agreements between ISR Global Pte. Ltd. (now known as Reenova Global Pte. Ltd.) and TRE AG for loans totalling EUR420,000 (equivalent to S\$679,135) and accrued interest of S\$71,484. As a result of the enforcement of the share pledge agreements, the Group acquired an additional 15% shareholding in Reenova Holding (Mauritius) Limited (formerly known as Tantalum Holding (Mauritius) Ltd) on 15 May 2019. Please refer to the Company’s announcement on “Enforcement of Pledges” that was made via SGXNet on 7 June 2019.
- 2(c) The change in other payables of S\$2,647,768 was mainly due to the reclassification of the amount payable of S\$2,989,029 – the purchase consideration for the acquisition of 60% shareholding in Reenova Holding (Mauritius) Limited (formerly known as Tantalum Holding (Mauritius) Ltd) to the Company’s share capital account following the issuance and allotment of shares to REO Magnetic Pte. Ltd. on 3 January 2019.

Query by SGX-ST:

3. Please provide a breakdown of the consultancy fees of \$717,405 recorded in “other operating expenses”, disclosing the identities of the consultants, what is the nature of the consultancy, and how much was each consultant paid.

Company's Response:

3. The breakdown of the consultancy fees of S\$717,405 recorded in “other operating expenses” is set out in the table below:

No.	Name of Third Party Consultant	Amount (S\$)	Nature
1.	One Target	651,225	Performing the role of a project manager for the rare earth project in Madagascar, which includes providing the necessary technical and managerial services.
2.	Pankrot Holdings Oy	45,900	Acting as a member of the board of Tantalum Holding (Mauritius) Ltd (now known as Reenova Holding (Mauritius) Limited). Contract was terminated with effect from 30 September 2019.
3.	Qualex S.A.R.L.	9,419	Provision of accounting services to Reenova Rare Earth (Malagasy) S.A.R.L.U. (“RREM”)
4.	Equation S.A.R.L.	10,861	Provision of human resource and payroll services to RREM

Total: 717,405

Query by SGX-ST:

4. It is noted that the Group is in a significant net current liability position. How does the Group intend to pay off its creditors and is it able to operate as a going concern? Please provide the Board of Director’s views and basis to substantiate the conclusion.

Company's Response:

4. The Group is deliberating its investment in Straits Hi-Rel Pte. Ltd. Concurrently, the Company is actively seeking financing via external borrowings and exploring the possibility of raising funds through the capital markets including placements and/or rights issue. Upon obtaining sufficient funding, the Group will commence the next phase of work such as conducting a feasibility study (which includes pilot production and on-site geological topography), completing the environmental impact assessment, and relevant engineering studies; enabling the Group to apply for a full mining licence before November 2021. The Group will then commence commercial production when it obtains the full mining licence. The Company will make further announcements to update shareholders as and when appropriate.

Query by SGX-ST:

5. The proceeds raised from issuance of convertible redeemable bonds of S\$12.05 million as at 30 September 2019 includes an amount of S\$8.336 million utilized for investments and general corporate purposes. Of the \$8.336 million, \$2.48 million was extended as loans by the Company to Reenova Holding (Mauritius) Limited (fka Tantalum Holding (Mauritius) Ltd) and \$653,000 to Tantulus Rare Earths AG. Please disclose the breakdown for the utilization of the remaining amount of S\$5.2 million.

Company's Response:

5. The details of the utilisation of the remaining amount of S\$5.2 million are as follows:

	S\$'million
Investment in Straits Hi-Rel Pte. Ltd. (utilised in FY2017 and FY2018)	1.340
Loan to PT Permata Selaras Mandiri (utilised in FY2015 and FY2016)	3.108
Project and investment-related expenses (utilised between FY2015 to FY2018)	0.752
Total:	5.200

On behalf of the Board

Reenova Investment Holding Limited

Chen Tong
Executive Chairman

9 January 2020