Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of ISR Capital Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 48 to 117.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(1)Purchase Price Allocation to be completed

The Group acquired 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") on 28 December 2018 (the "Acquisition date").

A Purchase Price Allocation ("PPA") exercise is expected to be conducted by an external expert subsequent to the financial reporting date. This is in compliance with Singapore Financial Reporting Standard (International) 3 *Business Combinations*, which allows the Group to complete the assessment of PPA within a year. The formal PPA exercise is expected to be completed the latest by 27 December 2019.

Prior to the completion of the formal PPA exercise, the Group has performed a provisional PPA exercise. The provisional PPA exercise has resulted in an element of goodwill amounting to S$7,952,042. A formal PPA exercise is likely to attribute fair value to the respective assets acquired and liabilities assumed which could cause the residual goodwill value to change.

In view of the above, we were unable to obtain sufficient appropriate audit evidence, subject to completion of the formal PPA exercise, with respect to:

i. The fair value of identifiable intangible asset, if any;
ii. The fair value of the liabilities assumed of S$10,059,387;
iii. The accuracy of the non-controlling interest of S$3,308,676; and
iv. The goodwill recognised of S$7,952,042.

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Basis for Disclaimer of Opinion (Cont'd)

(2) Going Concern

During the financial year ended 31 December 2018, the Group incurred a net loss of S$2.1 million, recorded net operating cash outflows of S$3.0 million and net current liabilities of S$6.7 million. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

TREM, which is now owned by the Group following the acquisition of the 60% stake in THM on 28 December 2018, has successfully renewed the exploration licence of the greenfield rare earth mine on 6 November 2018. The renewal is valid for a three (3) year term from 6 November 2018 to 5 November 2021.

The financial statements have been prepared on a going concern basis as the Directors are of the view that the Group will be able:

(a) to bring the greenfield rare earth mine to commercialization and revenue generation upon the Group's successful application for a full mining licence by November 2021; and
(b) to raise sufficient capital to support the above project.

The validity of the going concern basis on which the financial statements are prepared depends on the Directors' assessment of the Group's ability to operate as a going concern as set forth above. The assumptions are premised on future events, the outcome of which are inherently uncertain.

Accordingly, we were unable to assess the appropriateness of the management's use of the going concern assumption in the preparation of the financial statements. The financial statements of the Group and the Company have been prepared on a going concern basis, which assumes that the Group and the Company will continue in operation at least for a period of twelve months from the reporting date. This means that the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue in operation in the foreseeable future. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the balance sheet. In addition, the Group and the Company may have to provide for further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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Responsibilities of Management and Directors for the Financial Statements (Cont'd)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 6 June 2019