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 FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 24 March 2017 in relation to the Company's Full Year Results for the financial year ended 31 December 2016 announced on 1 March 2017:

Query by SGX-ST:

1) It was disclosed that "(r)evenue decreased by approximately S$2.64 million or 88.3% from S$2.99 million for the year ended 31 December 2015 ("FY2015") to S$350,000 for the year ended 31 December 2016 ("FY2016"). Revenue for FY2015 comprised management consultancy fees earned by a subsidiary, and there was no such revenue for FY2016." Please provide details on:-
   i) The consultancy fees;
   ii) Which subsidiary had earned these fees; and
   iii) Why there are no such fees in FY2016.

Company's Response:

i) Please see response to Query No. 4(ii)(a) below.

ii) The subsidiary that had earned these fees was Dynamic Return (Singapore) Pte Ltd.

iii) The landscape for advisory and consulting was very challenging during FY2016. In addition, the Group had also decided to embark and focus on the proposed acquisition of 60% stake in Tantalum Holding (Mauritius) Ltd in mid-2016.

Query by SGX-ST:

2) In the Income Statement, "Other losses, net" amounted to S$131,060. It was disclosed that "(o)ther losses for FY2016 were due mainly to the impairment loss on financial assets, available-for-sale ("AFS") of S$115,000 and loss on disposal of AFS financial assets of S$16,000. The impairment was incurred as a result of prolonged decline in the fair value of a quoted investment". Please provide details on the impairment loss on AFS amounting to S$115K and the AFS financial assets which were disposed that resulted in a loss on disposal of S$16K.

Company's Response:

The impairment loss on AFS of S$115,000 and loss of disposal of AFS of S$16,000 both relate to the impairment loss and loss recognised on the disposal of the ordinary shares issued by a former sub-tenant, MMP Resources Limited ("MMPRL"), which is a SGX-listed company, as settlement of outstanding rental and amounts due to the Group. As announced on 15 January 2016, pursuant to a settlement agreement dated 15 January 2016 that entered into between MMPRL and the Company, MMPRL had

allotted and issued 26,509,030 new ordinary shares of MMPRL to the Group at an issue price of S$0.0098 per share at the end of January 2016. The Group subsequently sold 16,400,200 shares at S$0.006 per share during the financial year, recognising a loss on disposal of S$16,400. The MMPRL shares held by the Group during the year were impaired as the MMPRL shares dropped to S$0.003 per share as at 31 December 2016 due to prolonged decline in its fair value during the year, thus, giving rise to a total impairment loss of approximately S$115,000, which was recognised by the Group for the year ended 31 December 2016.

Query by SGX-ST:

3) In the Income Statement, "Other income" amounted to S$290,733. It was disclosed that "(o)ther income for FY2015 pertains mainly to a gain arising from the disposal of a former subsidiary. There was no such income for FY2016. In addition, there were rental income and photocopier leasing income earned from the former subsidiary recorded for FY2015 but there was no such income for FY2016. Please:-
   i) Disclose the identity of the former subsidiary mentioned; and
   ii) Provide a breakdown quantifying the items that contributed to the "Other income".

Company's Response:

i) The former subsidiary was Infiniti Asset Management Pte Ltd (now known as Kingsbridge Capital Pte Ltd). The disposal of the former subsidiary was completed on 6 March 2015.

ii) The breakdown of "Other Income" for FY2016 is as follows:

	Group		
	2016	2015	
	S$	S$	
Interest income on bank deposits and trading account	**1,008**	274	
Rental income	**235,002**	274,973	*
Interest on outstanding rental	**-**	14,005	
Gain on disposal of subsidiary	**-**	179,247	
Write-back of allowance for impairment on amount due from former subsidiary	**35,856**	-	
Sundry income	**18,867**	64,219	**
	290,733	532,718	

* Includes rental income of S$42,290 earned from a former subsidiary (i.e., Infiniti Asset Management Pte Ltd) recorded for FY2015 but there was no such income for FY2016.

** Includes photocopier leasing income of S$9,734 and accounting fee income of S$43,724 earned from a former subsidiary (i.e., Infiniti Asset Management Pte Ltd) recorded for FY2015 but there was no such income for FY2016.

Query by SGX-ST:

4) It was disclosed that the increase in "Other operating expenses" was mainly due to the impairment loss on debt securities of S$3.67 million and impairment loss on trade and other receivables of S$2.38 million incurred for FY2016.

   i) Please provide details on these debt securities which amount to S$3.67 million and the identity of the debtor who is unwilling to repay this amount;

   ii) On 16 August 2016, in a response to one of questions raised by the Exchange on the Company's Half Year Financial Statements, it was disclosed by the Company that trade receivables of S$2.382 million comprised management consultancy fee receivables of S$2.275 million and interest receivable on debt securities of approximately S$107,000. The

debtors were not able to repay the Company on time; however, they have represented their intent to repay. Please disclose:-

a) The identity of these debtors and details of the management consultancy transaction;
b) Why these debtors are unable to pay now;
c) Whether there are any other outstanding amount owed by these debtors; and
d) Steps taken by the management to recover these trade and other receivables.

Company's Response:

i) The debt securities of S$3.67 million pertain to the extension of a debt facility by Dynamic Return (Singapore) Pte Ltd ("DRSPL" or the "Lender"), a wholly owned subsidiary of ISR Capital Limited, to PT Permata Selaras Mandiri ("PT PSM" or the "Borrower") for a principal amount of up to S$5 million based on a tenure of 5 years from the date of first drawdown of the debt facility at an interest rate of 12% per annum payable quarterly on the outstanding principal amount and an arrangement fee of 5% to be deducted upfront at the point of disbursement of funds. Subsequent drawdowns will be at the sole discretion of the Lender and are subject to the terms and conditions set out in the debt facility agreement. Mr Harun Abidin, being the co-founder and controlling shareholder of PT PSM has provided a personal guarantee for all amounts owing by the Borrower to the Lender. The total amount drawn down as at 31 December 2016 was S$3.67 million.

ii)a) The identify of these debtors and details of the management consultancy transaction are as follows:

(a) Name of Debtor	**31 December 2016**	30 June 2016	**Details of transactions**	**(b) Reasons why these debtors are unable to repay**	**(c) Any other outstanding amount owed by these debtors**	**(d) Steps taken by management to recover these trade and other receivables**
	S$	S$				
Management consultancy fee receivable from:						
1. Apexis Offshore Limited	**1,685,419**	1,678,900	Dynamic Return (Singapore) Pte Ltd ("DRSPL") was engaged as exclusive management consultant and introducer in connection with the proposed sale of one of the debtor's subsidiary.	The debtor is unable to pay the remaining outstanding management consultancy fee as the sale did not complete and has since lapsed.	No other outstanding amount owed by the debtor as at 31 December 2016.	Legal letter of demand has been sent to the debtor. The Group is currently in discussions with its legal advisers to decide on the next course of legal action to take against the debtor.
2. Primeforth Renewable Energy Limited	**546,216**	546,216	DRSPL was engaged as exclusive management consultant in connection with the proposed engineering, procurement and construction ("EPC") contract between the debtor and one of the debtor's clients.	The debtor is unable to pay the remaining outstanding management consultancy fee as there are uncertainties surrounding the EPC project as the debtor's client is still in the process of seeking financing from bankers.	No other outstanding amount owed by the debtor as at 31 December 2016.	Legal letter of demand has been sent to the debtor. The Group is currently in discussions with its legal advisers to decide on the next course of legal action to take against the debtor.
3. Mr Harun	**50,000**	50,000	DRSPL was	The BOT	No other	Legal letter of

(a) Name of Debtor	31 December 2016	30 June 2016	Details of transactions	(b) Reasons why these debtors are unable to repay	(c) Any other outstanding amount owed by these debtors	(d) Steps taken by management to recover these trade and other receivables
Abidin			engaged as exclusive management consultant to solicit a potential investor and/or joint venture partner for the debtor in respect of a Build-Operate-Transfer of a mine-mouth coal fired power plant (the "BOT Project").	Project has yet to commence and may not materialise.	outstanding amount owed by the debtor as at 31 December 2016.	demand has been sent to the debtor. The Group is currently in discussions with its legal advisers to decide on the next course of legal action to take against the debtor.
Sub-total:	**2,281,635**	2,275,116				
Interest on debt securities receivable from:						
1. PT Permata Selaras Mandiri	**105,864***	105,864	This pertains to interest outstanding and receivable from the debtor in relation to the debt facility extended by DRSPL to the debtor.	The debtor is in the Oil and Gas sector and was affected by the slowdown in the industry. The debtor has since indicated that they do not have sufficient cash flows to make repayments and they have defaulted on their interest payments to-date.	Had the recognition of interest not been suspended for the third and fourth quarters of FY2016, the total interest (including default interest) owing by and claimable from the debtor as at 31 December 2016 is S$338,564. In addition to interest outstanding, the debtor also owes principal amount outstanding of S$3.67 million as at 31 December 2016.	Legal letters of demand have been sent to the debtor and the personal guarantor. The Group is currently in discussions with its legal adviser to decide on the next course of legal action to take against the debtor and the personal guarantor.
Total trade receivables	**2,387,499**	2,380,980				

* Recognition of interest for the third and fourth quarters of FY2016 have been suspended in accordance with the requirements of Financial Reporting Standards as the debtor has defaulted on their payment of interest for FY2016.

ii)b) Please see response to Query No. 4(ii)(a) above.

ii)c) Please see response to Query No. 4(ii)(a) above.

ii)d) Please see response to Query No. 4(ii)(a) above.

Query by SGX-ST:

5) In the Balance Sheet, it was disclosed that decrease in "Debt securities (non-current)" was due to full impairment of the existing debt facility as at 31 December 2016. Please provide the management's rationale for the full impairment of this debt facility.

Company's Response:

The debt securities of S$3.67 million extended to PT Permata Selaras Mandiri ("PT PSM") as at 31 December 2016 was fully impaired as PT PSM has defaulted and failed to make interest payments that were due from them during the year. Further, PT PSM has indicated that they do not have sufficient cash flows to make repayments. The Company has since sent legal demand letters to PT PSM and Mr Harun Abidin as the personal guarantor for the debt facility and are presently in discussions with its legal adviser to decide on the next course of legal action to take against PT PSM and Mr Harun Abidin.

Query by SGX-ST:

6) In Paragraph 10, it was disclosed that "(f)ollowing the signing of the sale and purchase agreements to take a 60% stake in Tantalum Holding (Mauritius) Ltd ("THM") in mid-2016, the Group is currently awaiting regulatory and shareholder approvals for the acquisition". Please provide details of the regulatory approval that have been submitted and the status of the licence pending the approvals.

Company's Response:

The Company wishes to clarify that the Company is in the process of commissioning a third independent valuation report for the concession that hosts critical rare earth oxides in Madagascar. Once the valuation work is completed and the valuation report is issued by the independent valuer, the Company will re-submit the revised draft circular on the proposed acquisition of the 60% stake in THM (the "Proposed Acquisition") together with the third independent valuation report to the SGX for their review and clearance before the Company can convene an extraordinary general meeting to seek shareholders' approval on the Proposed Acquisition.

Query by SGX-ST:

7) It was disclosed that the Group is evaluating various options to continue as a going concern. For the purpose of determining if Rule 1303(3)(c) should apply, please provide the following information:-

   (i) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view; and

   (ii) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue.

Company's Response:

(i) The Company has recently raised S$950,000 (net of arrangement fees) through the issuance of Sub-Tranche 1 of Tranche 2 convertible redeemable bonds to Premier Equity Fund (which has exercised their option to subscribe for Tranche 2 Bonds for a principal sum of S$5,000,000).

The Board of Directors is of the opinion that the issuance of Tranche 2 convertible redeemable bonds should enable the Company and the Group to continue to operate as a going concern for the next 12 months.

(ii) The Board of Directors confirms that all material disclosures have been provided for trading of the Company's shares to continue.

BY ORDER OF THE BOARD

Chen Tong
Executive Chairman

27 March 2017