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 2017

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 11 April 2018 in relation to the Company's full year results for the financial year ended 31 December 2017 announced on 1 March 2018:

Query by SGX-ST:

1. We refer to the Company's announcement on 2 April 2018 (the "Announcement") and the Company's responses to question 2.

    i) Please provide the rationale for extending the maturity of these loans to Tantalum Holding (Mauritius) Ltd ("THM") and Tantalus Rare Earths AG ("TRE AG").
    ii) Please provide details on whether the borrower is in a position to repay the loan on due date notwithstanding the "Continuing Security" and provide the basis to substantiate.
    iii) Please explain how is the share pledge of 60% in THM for a loan of S$6mil considered a "continuing security" when the Company is in the process of acquiring this remaining 60% for only S$2,989,029.
    iv) Was the loan taken into consideration for the purpose of the calculation of Listing Rule 1006? If not, please set out the relative figures.
    v) What happens to the loans when the Company completes the acquisition of 60% of THM.
    vi) Is repaying of the loans a condition before the acquisition of 60% of THM can be completed? If not, please explain.

Company's Response:

i) The loan to THM has not been fully disbursed. As at 31 March 2018, approximately $660,000 of the loan has not been utilised. The maturity date of the loan to TRE AG has not been extended, which remains on 31 December 2018.

ii) Following the completion of the Proposed Acquisition, subject to, *inter alia*, the Board's approval and any changes in the political and economic climate, the Company may direct THM to explore other ways of repaying the loan, including but not limited to converting part or all of the loan into equity of THM or to repay the loan once mining operations have commenced and TREM is in a revenue-generating position.

iii) According to the Technical Report issued by Behre Dolbear Australia Pty Limited ("BDA") dated 21 September 2017, BDA valued the project at between US$25.2 and US$74.5 million, with a most likely value of US$48.1 million. Thus, the most likely value of 60% of the project would be approximately US$28.86 million. The Company is of the view that the share pledge of 60% in THM for a loan of S$6 million will still be a continuing security in the event of any termination event as stated in the facility agreement.

iv) No, the loan was not taken into consideration for the purpose of the calculation of Listing Rule 1006. The relative figures as disclosed previously are as follows:

Rule 1006	Basis	Relative Figure
(a)	Net asset value of the assets to be disposed of compared to the Group's net asset value.	Not applicable to an acquisition of assets
(b)	The net profits attributable to the assets acquired compared with the Group's net profits.	Not applicable as THM (the "Target Company") and its wholly-owned subsidiary, Tantalum Rare Earth Malagasy s.a.r.l.u. (the "Operating Company"), have not commenced production, and have, therefore, no profits.
(c)	The aggregate value of the consideration for the Proposed Acquisition as compared with the Company's market capitalisation as at 15 December 2017, being the Market Day immediately preceding the date of the ALA LPD	29%, based on a purchase consideration of S$2,989,029 compared with a market capitalisation of S$10,256,997 as at 15 December 2017. In the event that the S$6 million loan to THM is taken into consideration, the relative figure would be 87.6%.
(d)	Number of Consideration Shares to be issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities of the Company previously in issue	26.6% as at LPD, based on a total of 747,257,307 new shares to be issued, at an issue price of S$0.004 per Consideration Share
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable to an acquisition of assets

v) Please refer to our response to (ii) above.

vi) The repayment of the loan is not a condition before the acquisition of 60% of THM. As mentioned in our response to (ii) above, subject to the political and economic climate, the Company may explore other ways of repaying the loan, including but not limited to converting part or all of the loan into equity of THM, or to repay the loan once mining operations have commenced and TREM is in a revenue-generating position.

Query by SGX-ST:

2. "Debt securities" amounted to S$5.32 million in FY2017 and S$3.47 million in FY2016. It was disclosed that "(t)he issuer of the debt securities is ISR Global Pte Ltd, a wholly-owned subsidiary of ISR Capital Limited".

   i) If the loan is 100% owned by ISR Global Pte Ltd, please explain why is the drawdown by THM and TRE AG.
   ii) Is this S$5.32mil part of the S$6mil loan to THM and the Euro320K loan to TRE AG? If not, what are the terms of the loan of S$5.32mil?
   iii) In response to question 3, the Company replied that it had extended a S$1.43mil of Debt Securities to THM. Is the S$1.43mil part of the S$5.32mil or S$6mil loan to THM?

Company's Response:

i) As disclosed previously, the debt securities issued by ISR Global Pte. Ltd. relate to the loans granted by ISR Global Pte. Ltd. (as lender) to THM and TRE AG. THM and TRE AG made the drawdowns as borrowers.

ii) Yes, the debt securities of S$5.32 million comprised the loans extended to THM and TRE AG as at 31 December 2017.

iii) THM has made drawdowns of S$1.43 million during the financial year ended 31 December 2017 ("**FY2017**"), which formed part of the debt securities of S$5.32 million as at 31 December 2017. The drawdowns of S$1.43 million made by THM during FY2017 were made as part of the loan that was extended to THM by ISR Global Pte. Ltd for up to S$6 million.

Query by SGX-ST:

3. In the Company's response to question 9 of the Announcement, "Construction" expense amounts to S$1.28mil and "Permit related consultancy and related expenses" amounts to S$1.88mil.

   i) Please provide an update on the construction undertaken and the stage of completion of the construction.
   ii) Please provide breakdown and details of these permits that were consulted and disclose to whom were these payments made to.

Company's Response:

i) The Company was informed by THM that the construction was related to the repair and maintenance of the existing access roads at the concession area. Due to the weather conditions of Madagascar and especially during the rainy season, the clay roads at the concession site require constant maintenance in order to access the area.

ii) The Company understands that the "Permit related consultancy and related expenses" relate to expenses incurred in relation to the preparation work for the pilot production activity, which has not commenced; supervising and managing the related Environmental Impact Assessment ("**EIA**") work; managing the process for renewal of the PR Licence as well as developing and progressing the Project in Madagascar. An EIA is required prior to the commencement of the pilot production. The expenses include:

   a. Consultancy fees for management and advisory services including managing the EIA process for pilot study, following through the renewal of the exploration permit and further development of the Project in Madagascar;

   b. Fauna and flora surveys, soil sample analysis, aerial survey; and

   c. Drafting fees for the EIA.

   The Company understands that the "Permit related consultancy and related expenses" were incurred by TREM in the course of their business. Without obtaining prior consents from the parties and reviewing the documents which may have certain confidentiality provisions, TREM is unable to publicly disclose the identities of the parties to whom these payments were made.

Query by SGX-ST:

4. In the Announcement, it was also disclosed that "THM has drawn down approximately S$4.9 million as at 31 December 2017". Please reconcile this amount to the S$5.32mil mentioned in respect to question 3(i).

Company's Response:

The debt securities of S$5.32 million as at 31 December 2017 comprised outstanding loans to THM and TRE AG of approximately S$4.9 million and S$421,000 respectively.

Query by SGX-ST:

5. It was disclosed that "The projects presented for Stage 2 and Stage 3A included orders that are secured, projects with letters of intent and projects with request for quotes from SHR's key customer base where such projects are targeted for completion in the last quarter of 2017 or in 2018. In the U.S. electronics service industry (where SHR's major customers are located), there is no industry standard for "non-revocable" orders".

   i) Please explain why would letters of intent be deemed to meet the requirements under the investment agreement of SHR having secured a "pipeline" of projects worth US$1mil and allowed to drawdown S$670,000 from the Company.
   ii) How is allowing SHR to drawdown when no agreements have been signed be deemed to have met the conditions under the investment and shareholders Agreement with SHR?
   iii) Please provide details on when will these projects worth US$1mil commence and when are they expected to be completed.
   iv) Please provide the breakdown and quantify for each "letters of intent" and "request for quotes".
   v) Please explain why would request for quotes be acceptable by the Company when under the contract terms it was stated that SHR must secure a pipeline of projects.
   vi) Please also explain why request for quotes be deemed as securing pipeline of projects that would meet the conditions for the drawdown of funds under the SHR agreement.
   vii) It was disclosed that "there is no industry standard for "non-revocable" orders". Please elaborate on what this means.

Company's Response:

i) The letters of intent ("**LOIs**") and memorandums of understanding ("**MOUs**") were deemed acceptable from key customers during Stage 2 and Stage 3A as SHR was setting up and establishing their presence in Singapore while at the same time trying to secure new jobs. Some customers had reservations and stated that secured orders would not follow until SHR had formally established their office in Singapore, while other customers requested for certain audits to be conducted after SHR was formally established prior to entering into a firm contract. Thus, funding from the Company was required to allow SHR to establish its presence in Singapore and the funding had allayed some of the concerns the customers had, which might have assisted in securing some of the LOIs and MOUs which SHR had obtained.

ii) The conditions in the agreement with SHR states that funding will be provided upon "receiving satisfactory evidence that SHR has secured a pipeline of projects". The Company understands that, as with any newly-incorporated companies, it may be difficult and challenging for potential customers to enter into binding agreements with companies without a prior track record. The funding was required to, amongst others, set up the company, secure an office site, payment of registration fees and acquiring relevant licenses, initial legal and accounting fees, etc.

iii) As Stage 3B of the investment has not been funded, SHR has currently presented a pipeline of projects worth US$600,000. The remaining US$400,000 pipeline of projects will be secured prior to the disbursement of the funds in Stage 3B. The pipeline projects secured as at Stage 3A are expected to be completed in 2018, depending on the progress of the LOIs and secured contracts and further subject to any unexpected delays.

iv) 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 LOIs and request for quotes as SHR had entered into 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.

v) Please refer to the responses to Question No. 5(i) and (ii) above.

vi) Please refer to the responses to Question No. 5(i) and (ii) above.

vii) The Company understands from SHR that there is no precedent for "non-revocable orders" in the industry and SHR, being a start-up company, has no negotiating leverage against its international multi-national corporation customers to demand such a clause within the agreements.

Query by SGX-ST:

6. In the Announcement, it was disclosed that "(t)he attempted hostile takeover by Broadcom early this year has caused disruptions to the approval and release of project purchase orders by Qualcomm". Please elaborate on what this means. Is Qualcomm still a major customer and do any of the pipeline projects include and projects with Qualcomm?

Company's Response:

The Company was informed by SHR that it is unable to respond directly to any questions regarding the Qualcomm and Broadcom situation as SHR is bound by the terms of its non-disclosure agreement with Qualcomm. Further, SHR has been cautioned against making any statements relating to Qualcomm.

Query by SGX-ST:

7. It was also disclosed that the Company "understands that the application renewal is currently pending the approval and signature of the Minister of Mines and the Prime Minister of Madagascar".

i) As no approval has been granted and the PR Licence had expired 1 year ago in January 2017, please explain why did the Company proceed to extend the loans to THM and TRE AG when no exploration can be undertaken or work done;
ii) What happens if the license is not granted; and
iii) What are the conditions for the extension of the license.

Company's Response:

i) In relation to the PR Licence, the Company had requested for an opinion ("**Legal Opinion**") from Lexel Juridique & Fiscal, an independent law firm operating in Madagascar, which stated that TREM has an absolute and unconditional right under the Mining Code of Madagascar to renew the PR Licence. TREM had submitted an application for the renewal of the PR Licence and the national mining cadastral office has, on 8 December 2016, acknowledged receipt of the application. The loans were provided to enable THM and TRE AG to fund its ordinary working capital.

ii) As mentioned in (i) above, the Legal Opinion stated that TREM has an absolute and unconditional right under the Mining Code of Madagascar to renew the PR Licence. Thus, the Company understands that the renewal will eventually be granted.

iii) The conditions for the renewal of the PR Licence include:

a. Commencing research activities;

b. Obtaining environmental authorisation / permits relating to the activities carried out under the PR Licence;

c. Criteria concerning the Operating Company and its manager; and

d. Payment of the annual mining administration fees for the previous year.

Query by SGX-ST:

8. In the Announcement, the Company mentioned that it "plans to commence work on the next phase of the Project which includes trial leaching and pilot production, further testwork, conducting feasibility studies and engineering studies (such as engineering design and project construction), environmental impact assessments and carrying out fund-raising exercises. TREM will have to convert the PR Licence into a PE mining licence before any commercial production can commence".

   Please disclose how much the above action items will cost and quantify where the funding will come from.

Company's Response:

As the works have not commenced, the Company is unable to determine the cost required at this stage. Based on preliminary estimates, it may require a further US$10 to US$15 million to complete the above-mentioned work, which will be funded by the Company.

BY ORDER OF THE BOARD

Chen Tong
Executive Chairman

15 April 2018