

ISR CAPITAL LIMITED
(Company Registration No. 200104762G)
(Incorporated in the Republic of Singapore)
(the "**Company**")

ACQUISITION OF 40.1% of ISSUED AND PAID-UP SHARE CAPITAL OF TANTALUM HOLDING (MAURITIUS) LTD, AND CONSEQUENTLY ALL OF THE 60% SHAREHOLDING HELD BY THE VENDOR

1 INTRODUCTION & SUMMARY

- 1.1 The Board of ISR Capital Limited ("**Company**" or "**Purchaser**") refers to the announcements dated 10 June 2016 ("**Earlier Announcement**"), and wishes to announce that the Company has on 30 June 2016 entered into a second sale and purchase agreement ("**Second Sale and Purchase Agreement**") with REO Magnetic Pte. Ltd. ("**Vendor**"), a private limited company incorporated in Singapore, under which, subject to the terms and conditions of the Share Sale and Purchase Agreement, the Company has agreed to purchase the remaining 40.1% of the Vendor's total shareholding in the Target Company (the "**Additional Acquisition**").
- 1.2 All defined terms used in this announcement have the same meaning as given in the Earlier Announcement, unless specifically defined in this announcement. Shareholders, please read this announcement in conjunction with the Earlier Announcement.
- 1.3 As disclosed in the Earlier Announcement, the Target Company owns 100% of the Operating Company. The Operating Company holds a permit to explore and develop the Project. The Project is situated in the eastern part of the Ampasindava Peninsula, the province of Antsiranana, in the Republic of Madagascar, an island nation off the coast of Southeast Africa in the Indian Ocean.
- 1.4 The purchase consideration of the Additional Acquisition is agreed at S\$26,733,333 ("**Additional Purchase Consideration**") which when aggregated with the Purchase Consideration of S\$13,266,667 (under the earlier announced Acquisition) will amount to S\$40,000,000 (the "**Total Consideration**"). The Total Consideration will be wholly satisfied by the allotment and issue by the Company to the Vendor of such number of new ordinary shares (the "**Consideration Shares**") in share capital of the Company at an issue price per Consideration Share of S\$0.10 ("**Issue Price**"), which in aggregate is equal to the Total Consideration. The Issue Price per Consideration Share represents a premium of approximately 7.0% over the VWAP of each share of the Company traded for the full market day immediately prior to the signing of the Second Sale and Purchase Agreement.
- 1.5 The Purchase Consideration was arrived at on a willing buyer, willing seller basis, taking into account the resource statement contained in the Technical Report issued by SGS Canada Inc., dated 20 October 2014 (the "**2014 Technical Report**") and an updated report issued also by SGS Canada Inc., dated 10 June 2016 ("**Updated Report**").

- 1.6 The Additional Acquisition together with the Acquisition are classified a “**Major Transaction**” as defined under Chapter 10 of the Listing Manual. Therefore, in accordance with Rule 1014 of the Listing Manual, the Company is required to seek the approval of shareholders for the Acquisition. Please refer to paragraph 7.1 for a determination of the relative thresholds, calculated in accordance with Rule 1006 of the Listing Manual.

2 OVERVIEW OF THE ACQUISITION

2.1 Information on the Vendor

- 2.1.1 As disclosed in the Earlier Announcement, the Vendor is a company incorporated in Singapore. The shareholders of the Vendor comprise Singaporean investors and foreign investors experienced and interested in the mineral, oil and gas industry.

The Vendor's Shareholding in Target is currently a total of 60%. After the Acquisition and the Additional Acquisition, the Company will hold 60% of the Target Company and the other 40% will be held by TRE AG.

2.2 Information on Target Company and Operating Company

Please refer to the Earlier Announcement for information on the Target and Operating Companies.

2.3 Information on the Project

Please refer to the Earlier Announcement for information on the Project. As mentioned above, an updated technical report was issued by SGS on 10 June 2016. The estimated base case resource has not been varied or diminished by the Updated Report. A copy of the 2014 Technical Report and the Updated Report are available for inspection by shareholders for a period of 30 days from the date of this announcement.

3 Key terms of the Acquisition

- 3.1 Sale Shares: On and subject to the terms and conditions of the Sale and Purchase Agreement, the Company will acquire from the Vendor an additional 40.1% of the Vendor's Shareholding in the Target, which acquisition will result in the Company holding on completion 60% of the Target Company.
- 3.2 Purchase Consideration: The Company and the Vendor have agreed that the Vendor's Shareholding in Target (i.e., the whole of the 60% shareholding in Target Company held by the Vendor) is valued at Singapore Dollars Forty Million (S\$40,000,000) ("**Total Agreed Value**"), and on that basis, a further consideration of Singapore Dollars Twenty Six Million

Seven Hundred and Thirty Three Thousand, Three Hundred and Thirty Three (S\$26,733,333) will be paid. Completion of the Additional Acquisition and the Acquisition will now be completed at the same time, upon satisfaction of all conditions precedent (as set out in paragraph 3.5 below).

3.3 **Adjustment:** Since an independent valuation report is required under the Listing Manual and is a condition precedent of the Second Sale and Purchase Agreement, the provision for adjustment to the purchase consideration has been deleted by mutual agreement.

3.4 **Payment:** The Total Consideration will be paid by the Company at completion of the by way of the allotment and issue of Consideration Shares at the Issue Price (i.e., S\$0.10) for each Consideration Share. The issue price represents a premium of approximately 7.0% over the VWAP for each share of the Company traded on the SGX-ST immediately prior to the date of the Second Sale and Purchase Agreement was signed.

3.5 **Conditions:** The Company will not complete the Acquisition and the Additional Acquisition if any of the following conditions is not satisfied:

3.5.1 the completion of due diligence investigations, including but not limited to the affairs, operations, businesses, assets (including the concessions and Permits), liabilities (including tax liabilities), contracts, financial condition, accounts, results, prospects and the legal, technical, accounting, financial and tax affairs of the Seller, the Target Company and the Operating Company by the Company, the results of which are satisfactory to the Company at its sole discretion;

3.5.2 each of the Vendor, Target Company and the Operating Company (i) having given full access and made available promptly to the Company and its respective advisers all information and documents (including, without limitation, books of account, financial and other records, contracts and external auditors' work papers) requested by the Company or any such authorized person for the purpose of the Company's due diligence and (ii) having authorized and directed its officers and employees and requested its auditors and other advisers to co-operate, and to be available for discussions with the Company for the purpose of or in connection with the Company's due diligence and any of the transactions or matters contemplated herein;

3.5.3 the receipt of the Updated Technical Report, such updated report not materially varying the inferred, indicated and measured resource as reported under the 2014 Technical Report;

3.5.4 all approvals, consents, licences, permits, waivers and exemptions (collectively, "**Approvals**") for the sale and purchase of the Sale Shares and the transactions contemplated under this agreement having being granted by third parties including all legislative, executive, regulatory, judicial or other authorities in Singapore or any other jurisdiction to the Vendor, or the Target Company or the Operating Company (as the case may be) and where any such Approval is subject to conditions, such conditions being reasonably acceptable to the Company, and if

such conditions are required to be fulfilled before the completion date of the purchase of the Sale Shares, they are so fulfilled, and such Approvals remaining in full force and effect;

- 3.5.5 the receipt by the Buyer of an in-principal approval in writing given by the SGX-ST for the additional listing application for the listing and quotation of the Consideration Shares, and where there are any conditions stipulated in such approval, they are reasonably acceptable to the Company and the Vendor, and if required to be fulfilled prior to completion of the purchase of the Sale Shares, they are so fulfilled;
 - 3.5.6 all board of directors resolutions and such other corporate approvals having been obtained by the Company for the Acquisition and the Additional Acquisition;
 - 3.5.7 shareholders' approval having been received by the Company for the Acquisition and the Additional Acquisition at an extraordinary general meeting to be convened ("EGM");
 - 3.5.8 the receipt by the Company of an independent valuation report which shall be acceptable to the Company in its sole discretion;
 - 3.5.9 a cash flow budget and liquidity plan having been agreed on by the Company with the Vendor and/or the Target Company;
 - 3.5.10 there being no prohibition against any transaction contemplated under the Acquisition and the Additional Acquisition issued by any Authority;
 - 3.5.11 the satisfaction of all conditions precedent set forth in the Sale and Purchase Agreement and the completion of the Sale and Purchase Agreement and the Second Sale and Purchase Agreement on the same day;
 - 3.5.12 there not having been at any time hereafter any material adverse change in respect of the Vendor, the Target Company and/or the Operating Company; and
 - 3.5.13 all representations, warranties and undertakings of the Vendor and (where applicable) in respect of the Target Company and/or the Operating Company under the Sale and Purchase Agreement and Second Sale and Purchase Agreement being complied with, and remaining true, accurate and complete in all material respects as at their simultaneous completion.
- 3.6 Moratorium: The Vendor has agreed to and will provide a deed of undertaking to the Company on completion of the Acquisition and the Additional Acquisition agreeing to and undertaking not to sell or transfer any of the Consideration Shares issued for a period of twelve (12) months from the date of their issue.
- 3.7 Appointment to board of Target Company: The Company has a right to appoint up to 2 nominees as directors of the Target Company.

4 ISSUE OF CONSIDERATION SHARES AS PAYMENT

- 4.1 The Consideration Shares to be issued in payment of the Total Consideration will be issued upon the specific approval of shareholders to be obtained at the EGM.
- 4.2 The Issue Price for each Consideration Share is at a premium of approximately 7.0% to the VWAP for each share traded for the full market day prior to the date of the Sale and Purchase Based on the Issue Price, the total number of Consideration Shares to be issued to the Vendor would be 400,000,000 on completion. This represent approximately 26.8% of the Company's issued and paid-up share capital as at the date of this announcement and approximately 21.1% of the enlarged issued and paid-up share capital of the Company following completion of the issuance of the Consideration Shares.
- 4.3 The Vendor does not hold any shares in the Company and is not a related or associated or sister company of the Company's substantial shareholders.

5 RATIONALE FOR THE ACQUISITION

- 5.1 The Board is of the view that an investment into the Project is a good opportunity to acquire a stake-holding in an asset that will be in high demand and whose end products are required for a wide spectrum of applications, especially in the fields of green technology such as electric cars.
- 5.2 While the Company has rebounded in financial year 2015 from incurring overall losses and recorded a modest profit, it has been in search of an opportunity that is sustainable in the future, will provide a regular stream of revenue to the Company, and in turn return value to shareholders.
- 5.3 In deciding to acquire the entire 60% stake from the Vendor, the Board has taken into consideration the Updated Report and a preliminary indicative valuation provided by the Company's advisors. The Company is in the process of commissioning an independent valuation report, which is a condition precedent to the Company's obligation to complete Additional Acquisition.
- 5.4 Notwithstanding the Updated Report and the preliminary indicative valuation report, the Company would like to caution shareholders that the Project is still in its exploration stages, and there is no certainty or guarantee that production of rare earth oxides hosted by the Project will be successful or eventually viable economically.
- 5.5 The Board also wishes to announce that it is progressing on a proposed project management agreement with the Target Company, under which the Company will provide certain services to the Operating Company to enable the Target Company to better carry out its research and development of the Project. To that end, the Company is also in discussions with various talents in the mining industry to engage them to assist the Company in its project management endeavours. The Company recognises on completion of the Acquisition and the Additional Acquisition, as between TRE AG and itself, it will have

to take the lead in ensuring the success of the Project. The Company will notify shareholders as and when it has reached agreements with the Target Company regarding its role as project manager.

6 APPOINTMENT OF EMPIRE CAPITAL PARTNERS PTY LTD AS CORPORATE ADVISORS

- 6.1 The Company is also pleased to inform shareholders that it has appointed Empire Capital Partners Pty Ltd ("Empire Capital Partners") as corporate advisors for the Company's acquisition of the Project. Empire Capital Partners will also lead and manage a fund raising exercise for up to S\$30 million. The funds are expected to be utilised for the Project's use in the planned pilot production of rare earth oxides and further development.
- 6.2 Empire Capital Partners is a boutique corporate advisory firm in Perth, Australia and holds a financial services licence for wholesale banking in Australia.

7 RELATIVE FIGURES AS SET OUT IN RULE 1006 OF THE LISTING MANUAL

- 7.1 The relative figures for the Acquisition as computed using the applicable bases of comparison set out in Rule 1006 of the Listing Manual 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 asset value	Not applicable as the Target Company and the Operating Company have not commenced production, and have, therefore, no profits.
(c)	The aggregate value of the consideration for the Acquisition as compared with the Company's market capitalisation as at 29 June 2016, being the market day immediately preceding the date of the Sale and Purchase Agreement	29.1%, based on a purchase consideration of S\$40,000,000 compared with a market capitalisation of S\$137,416,821 as at 29 June 2016.
(d)	Number of Consideration Shares to be issued by the Company as consideration for the Acquisition, compared with the number of equity securities of the Company previously in issue	26.8%, based on a total of 400,000,000 new shares to be issued, at an issue price of S\$0.10 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

- 7.2 As the relative figures under Rule 1006(c) and Rule 1006(d) of Chapter 10 of the Listing Manual exceed 20%, the Acquisition and the Additional Acquisition (when aggregated) constitute a “**Major Transaction**” as defined under Rule 1010, and is subject to approval of shareholders.

8 FINANCIAL EFFECTS OF THE ACQUISITION

- 8.1 The financial effects of the Acquisition set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Company following completion of the purchase of the Sale Shares.

- 8.2 The financial effects of the Acquisition on (i) the consolidated net tangible assets attributable to Shareholders (“**NTA**”) for each share of the Company (“**Share**”); and (ii) the consolidated earnings for each Share attributable to shareholders (“**EPS**”) of the Company were prepared based on the audited consolidated financial statements of the Company for FY2015 and subject to the following assumptions:

- 8.2.1 the financial effects of the Acquisition on the consolidated NTA per Share were computed assuming that the Acquisition was effected on 31 December 2015;
- 8.2.2 the financial effects of the Acquisition on the consolidated EPS of the Company were computed assuming the Acquisition was effected on 1 January 2015;
- 8.2.3 the expenses in connection with the Acquisition have been disregarded;
- 8.2.4 the independent valuation report would support an estimated economic value of at least S\$40,000,000 in total for all of the rare earths oxides hosted by the licence perimeter area covered by the exploration permit held by the Operating Company; and
- 8.2.5 no earnings/profits generated as the Target Company and the Operating Company have not commenced production.

- 8.3 **Financial effects on issued share capital:** When issued, the Consideration Shares will comprise of 400,000,000 Shares and will represent approximately 26.8% of all Shares as at the date of this announcement, and approximately 21.1% of the enlarged issued and paid-up share capital of the Company following completion of the issuance of the Consideration Shares. Following completion of the issuance of the Consideration Shares, the Company’s issued and paid-up share capital will increase from 1,493,661,100 Shares as at the date of this announcement to 1,893,661,100 Shares.

8.4 Financial effects on consolidated NTA:

	Before the Acquisition	After the Acquisition
Consolidated NTA as at FY2015 (S\$'000)	3,007	43,007*
Number of Shares as at FY2015 ('000)	401,500	801,500
Consolidated NTA per Share as at FY2015 (cents)	0.75	5.37

* Based on the assumption stated in 8.2.4 above.

8.5 Financial effects on consolidated EPS

	Before the Acquisition	After the Acquisitions
Consolidated net earnings attributable to Shareholders for FY2015 (S\$'000)	667	667**
Weighted average number of Shares as at FY2015 ('000)	250,610	650,610
Consolidated EPS for FY2015 (cents)	0.27	0.10

* Based on the assumption stated in 8.2.5 above.

9 INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

- 9.1 None of the Directors has any interest, direct or indirect, in the Acquisition other than their respective shareholdings in the Company. However, the Company would like to inform shareholders that Mr. David Rigoll, its non-executive director, was a director of TRE-AG and the Target Company and had been a shareholder of TRE-AG. Mr. Rigoll no longer holds any shares in TRE-AG, and is no longer a director of TRE-AG and the Target Company. To the best information, belief and knowledge of the Company and its Directors, no controlling shareholder of the Company has any interest, direct or indirect, in the Acquisition and the Additional Acquisition, other than through their respective shareholdings in the Company.

10 RESPONSIBILITY STATEMENT

- 10.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.
- 10.2 Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11 DOCUMENT FOR INSPECTION

- 11.1 A copy of the Sale and Purchase Agreement, the Second Sale and Purchase Agreement, the 2014 Technical Report and the Updated Report will be made available for inspection during normal business hours at the Company's registered office at 20 Martin Road, #10-01, Seng Kee Building, Singapore 239070 for three (3) months from the date of this announcement.

12 CAUTION IN TRADING

- 12.1 Shareholders are advised to exercise caution in trading their shares as the Acquisition is subject to conditions as set out above in paragraph 3.5 to be fulfilled and there is no certainty that all of the conditions will be satisfied (or waived, as the case may be) or that the Acquisition and the Additional Acquisition will be completed. The Company will make the necessary announcement when there is further development that is material for disclosure.
- 12.2 Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt as to the actions they should take.

By Order of the Board
ISR CAPITAL LIMITED

Quah Su-Yin

Chief Executive Officer and Executive Director

1 July 2016