ISR CAPITAL LIMITED

(Company Registration No. 200104762G)
(Incorporated in the Republic of Singapore)
(the "Company")

MATERIAL VARIANCES BETWEEN THE UNAUDITED FULL YEAR FINANCIAL RESULTS ANNOUNCEMENT AND THE AUDITED FINANCIAL STATEMENTS IN RESPECT OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The board of directors of ISR Capital Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's unaudited full year financial results announcement for the financial year ended 31 December 2018 ("FY2018") released by the Company on 31 March 2019 (the "**Unaudited FY2018 Financial Statements**").

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Company wishes to announce that, subsequent to the release of the Unaudited FY2018 Financial Statements on 31 March 2018 and the restatement of the Consolidated Statement of Financial Position as at 31 December 2018 that was announced on 15 May 2019 together with the Unaudited Financial Statements for the First Quarter ended 31 March 2019, the group auditors have, upon finalisation of their audit, proposed certain reclassifications and adjustments which the Group has adopted accordingly.

Details and clarification of the variances are summarised as follows:-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group 2018		Variances		
	Unaudited[(a)] S$	**Audited S$**	**S$'000**	**%**	**Note**
Currency translation differences arising from consolidation	-	(31,311)	(31)	N.M	1
Other comprehensive loss for the year, net of tax	-	(31,312)	(31)	N.M.	
Total comprehensive loss for the year	**(2,100,307)**	**(2,131,618)**	**(31)**	**1.5**	
Total comprehensive loss attributable to the equity holders of the Company	**(2,100,307)**	**(2,131,618)**	**(31)**	**1.5**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Group 2018		Variances		
	Unaudited (Restated)[(b)] S$	**Audited S$**	**S$'000**	**%**	**Note**
Non-current assets					
Intangible assets	17,380,404	7,953,827	(9,427)	(54.2)	2
Total non-current assets	20,567,316	11,140,739	(9,427)	(45.8)	
Total assets	20,824,322	11,397,745	(9,427)	(45.3)	
Net assets	**12,889,684**	**3,463,108**	**(9,427)**	**(73.1)**	
Equity					
Fair value reserve	-	(7,779,920)	(7,780)	N.M.	3
Currency translation reserve	(258,525)	(30,905)	228	(88.0)	1
Accumulated losses	(31,153,013)	(23,373,093)	7,780	(25.0)	3
Total equity attributable to owners of the Company	**6,544,164**	**6,771,784**	**228**	**3.5**	1
Non-controlling interests	6,345,520	(3,308,676)	(9,654)	(152.1)	2
Total equity	**12,889,684**	**3,463,108**	**(9,427)**	**(73.1)**	2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group 2018		Variances		
	Unaudited[a] S$	**Audited S$**	**S$'000**	**%**	**Note**
Fair value reserve					
Balance at 1 January 2018, as restated	-	(7,779,919)	(7,780)	N.M	3
Balance at 31 December 2018	-	(7,779,920)	(7,780)	N.M	
Currency translation reserve					
Currency translation differences arising from consolidation	(435,359)	-	435	(100)	1
Other comprehensive loss for the year	-	(31,311)	(31)	N.M.	
Balance at 31 December 2018	(435,953)	(30,905)	405	(92.9)	
Accumulated losses					
Balance at 1 January 2018, as restated	(29,052,706)	(21,272,787)	7,780	(26.8)	3
Balance at 31 December 2018	(31,153,013)	(23,373,093)	7,780	(25.0)	
Non-controlling interest					
Acquisition of a subsidiary	4,221,298	(3,308,676)	(7,530)	(178.4)	2
Balance at 31 December 2018	4,221,298	(3,308,676)	(7,530)	(178.4)	

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group 2018		Variances		
	Unaudited[a] S$	**Audited S$**	**S$'000**	**%**	**Note**
Cash flows from operating activities					
Changes in working capital: Other payables	(6,712,397)	(7,312,398)	(600)	8.9	4
Cash used in operating activities	(2,215,089)	(2,815,088)	(600)	27.1	
Net cash used in operating activities	(2,376,248)	(2,976,247)	(600)	25.2	
Cash flows from financing activities					
Advances from bond subscriber	-	600,000	600	N.M.	4
Net cash provided by financing activities	2,810,624	3,410,624	600	21.3	

[a] - As announced by the Company via SGXNET on 31 March 2019
[b] - As restated and announced by the Company via SGXNET on 15 May 2019
N.M.- Not meaningful

Explanatory Notes:

1 The variances arose due to the following:
   i. The financial statements of Tantalum Rare Earth Malagasy S.A.R.L.U. ("**TREM**") for FY2018 should be translated based on Malagasy Ariary ("MGA") 1 : EUR 0.00025 rather than MGA 1 : EUR 0.0002, which was inadvertently used for the translation of its unaudited financial statements for FY2018 that was announced on 31 March 2019. This was subsequently corrected in the Company's announcement on 15 May 2019;
   ii. Recomputation of currency translation differences resulting from the changes made in Note 2; and
   iii. The currency translation differences arising from consolidation was inadvertently classified as part of equity in the Unaudited FY2018 Financial Statements and was subsequently reclassified as part of other comprehensive loss for the year.

Explanatory Notes:

2 The auditor of TREM was of the view that the development costs of approximately S$17.38 million that were previously capitalised in the Unaudited FY2018 Financial Statements should be expensed off or reclassified to equity (i.e., accumulated losses) instead. The auditor was of the view that the fair value of the development costs that were capitalised under intangible assets were dependent on the future cashflows of the Madagascar rare earth project. The auditor noted that TREM has approximately another 2.5 years to undertake the necessary activities such as feasibility study, environment impact assessment, etc, in order to apply for a full mining licence. Given the uncertainties surrounding the Madagascar rare earth project as at 31 December 2018, the auditor was of the view that the development costs that were previously capitalised in FY2017 and the years before that, should be reclassified to equity/accumulated losses and the development costs that were capitalised in FY2018 should be expensed off. Following the reclassification of the development costs that were previously capitalised, goodwill of S$7.95 million was recognised on consolidation of Tantalum Holding (Mauritius) Ltd ("**THM**") and its subsidiary, TREM. Goodwill is classified as intangible assets. Consequently, intangible assets as at 31 December 2018 was reduced to S$7.95 million (audited) as compared to S$17.38 million (unaudited and restated, as announced on 15 May 2019); total equity was reduced to S$3.46 million (audited) as compared to S$12.89 million (unaudited and restated) and non-controlling interests changed from S$6.35 million (unaudited and restated) to (S$3.31 million) (audited).

However, please note that the above position may change following the conclusion of the Purchase Price Allocation exercise that would need to be completed by 27 December 2019.

3 Upon the adoption of SFRS(I) 9 *Financial Instruments*, the Group had to re-measure its currently held available-for-sale ("AFS") quoted and unquoted equity securities at Fair Value Through Other Comprehensive Income ("FVOCI"), which meant that the cumulative impairment charge of S$7.78 million that was previously recognised in profit or loss would now be reclassified from the accumulated losses to the fair value adjustment reserve as at 1 January 2018. Please note that this change did not have any impact on the Group's consolidated statement of profit or loss and other comprehensive income.

4 This variance arose as a result of the classification of advances from bond subscriber of S$600,000 as cash flows from financing activities instead of cash flows from operating activities.

While the above reclassifications and adjustments did not significantly affect the Consolidated Statement of Profit or Loss and Other Comprehensive Income for FY2018, these changes resulted in the net assets and total equity of the Group as at 31 December 2018 to decrease by S$9.43 million from S$12.89 million (unaudited and restated) to S$3.46 million (audited). Consequently, the net assets value per ordinary share as at 31 December 2018 decreased by 0.3 Singapore cent from 0.41 Singapore cent (unaudited and restated) to 0.11 Singapore cent (audited) .

By Order of the Board
ISR Capital Limited

Chen Tong
Executive Chairman and Director

13 June 2019