ISR CAPITAL LIMITED

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

RESPONSE TO SGX QUERIES

The Board of Directors (the "**Board**") of ISR Capital Limited (the "**Company**" and together with its subsidiaries, the "**Group**") 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 26 April 2019 in relation to the Company's announcement dated 25 April 2019 (the "**Announcement**").

Query by SGX-ST:

1. We refer to the Company's announcement on 25 April 2019 titled "Response to SGX Queries" (the "Announcement"). In the Company's response to question 1(iii)(d) relating to Stage 3A "that, in relation to the completion of stage 3A and 3B, SHR securing an additional pipeline of projects of not less than US$600,000 and US$1,000,000 respectively requiring Hi-Rel engineering / testing services to SHR; and" refers to additional US$600000 Pipeline but in Company's response, phase 2 and 3 in total cumulative pipeline is not more than US$600,000.
   i. Please explain how did this meet the condition for payment under Stage 3A.
   ii. If it did not, why had the board continued to make payment to SHR?
   iii. Was this approved by shareholders? If so, the board had deviated from what shareholders had approved.
   iv. Why did the Company not seek shareholders' approval for the deviation?
   v. Please explain why the Company is intending to proceed to make further payments to SHR noting that they had been unable to get contracts.
   vi. Please disclose the projects that SHR had successfully completed since Company made payments to SHR. Of the accumulated US$600k projects obtained by SHR up to Stage 3, how much of these have been completed to-date?

Company's Response:

(i) As disclosed in the Company's response to question no. 1(iii) in the Company's response to SGX queries on 25 April 2019, the total projects presented/reported on 17 October 2017 for the completion of Stage 2 investment was US$280,000 while the total projects/orders presented/reported on 28 December 2017 for the completion of Stage 3A investment was US$370,555. The accumulated pipeline of projects presented on the completion date of Stage 2 and Stage 3A investments was more than US$600,000. As previously mentioned in the Company's response to question no. 11(iii) in the Company's response to SGX queries on 2 April 2018, the projects presented for Stage 2 and Stage 3A then included orders that were secured, projects with letters of intent and projects with request for quotes from SHR's key customer base where such projects were targeted for completion in the last quarter of 2017 or in 2018. As also previously mentioned in the Company's response to question no. 5(i) in the Company's response to SGX queries on 15 April 2018, 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 initially 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. However, as mentioned in Annex 1 to the responses to SGX queries on 25 April 2019, some of these projects/order were subsequently cancelled or postponed and SHR has to-date completed total orders of US$100,075 while orders that are confirmed but not yet completed total US$107,500. As such, the remaining orders to be fulfilled and completed by SHR for Stage 2 and 3A are approximately US$443,000. The Group has agreed with SHR that it will have to complete the remaining orders of US$443,000 to fulfil its obligations under Stage 2 and 3A and obtain additional confirmed orders of US$400,000 before the Group is able to progress to Stage 3B Investment.

(ii) Please refer to the response to question no. 1(i) above.

(iii) Please refer to the Company's announcement on 18 September 2017 entitled "Entry into an Investment and Shareholders' Agreement in relation to Straits Hi-Rel Pte Ltd" (the "Announcement"). Shareholders were then advised to refer to section 6 of the Announcement for the relative figures under Rule 1006 of the Listing Manual. Based on the relative figures computed in the Announcement, the Investment did not require shareholders' approval but it was a disclosable transaction under Chapter 10 of the Listing Manual. As shareholders' approval were not required, there was no deviation by the Board from what shareholders had previously approved as this was not applicable.

(iv) Please refer to the response to question no. 1(iii) above.

(v) As mentioned in the response to question no. 1(i) above, the Group has agreed with SHR that it will have to complete the remaining orders of US$443,000 to fulfil its obligations under Stage 2 and 3A and obtain additional confirmed orders of US$400,000 before the Group is able to progress to Stage 3B Investment. Until then, the Group will not be making any further investments into SHR.

(vi) Please refer to the table presented in Annex 1 to the Company's response to SGX queries on 25 April 2019. Based on this table, the orders completed to-date total US$100,075 while the orders that are confirmed but not yet completed total US$107,500.

Query by SGX-ST:

2. In the Announcement, "Development cost" amounts to S$19,155,573. Please provide a breakdown of the type of costs included in this Development cost.

Company's Response:

The Development cost consist of exploration-related costs, with the more significant costs being construction of access roads/bridges; material equipment, site equipment; repairs and maintenance of site, vehicles and equipment; rental of vehicles, camp, office, laboratory and store at site; consultancy fees; staff personnel cost; gas and fuel; and exchange gains and losses. Please note that the audit of TREM is ongoing and there may be further audit adjustments/reclassifications arising from the audit of TREM.

Query by SGX-ST:

3. In response to question 3(i) to (iv), the Company did not provide a breakdown for the material amount of $4,761,021 which the Company categorized as "other payables ". As this amount is material, please provide details of the items included in the amount of $ 4,761,021.

Company's Response:

Please refer to the breakdown of material items of Other Payables in the Company's response to question no. 3(i) to (iv) on page 5 of the Company's response to SGX queries on 25 April 2019.

Query by SGX-ST:

4. It was disclosed in the Announcement that the loan to TRE AG was S$679,135. Please provide a breakdown of the use of proceeds for the $679,135 loan to TRE AG.

Company's Response:

The Company understands that the proceeds were used for general corporate and working capital purposes such as payment of rent, legal fees, AGM related fees and salaries and also to settle litigation related to the sale of THM shares to REOM.

Query by SGX-ST:

5. Please disclose Listing Rule 1006 ratios under the TRE loan noting that the Company extended the loan to TRE knowing that TRE will be unable to repay the loan, the Company was expecting to receive the THM shares as security and the loan is already in default.

Company's Response:

The Company would like to clarify that (i) when it extended the loan to TRE AG, it would not have known with certainty that TRE AG would be unable to repay the loan; and (ii) the Group did not extend the loan to TRE AG as a means for the Group to invest in THM or to acquire any interest in THM. Such loan was provided to TRE AG for the purposes as described in the Company's response to question no. 4(vi) on page 5 and 6 of the Company's response to SGX queries on 25 April 2019. In addition, as set out in the secured facility agreements between TRE AG and ISR Global Pte Ltd, had THM been successful in completing the sale of its shareholding of 40% in THM (the "THM Sale"), the loan from ISR Global Pte Ltd to TRE AG would have been immediately cancelled and TRE AG would have been required to repay the loans, together with accrued interests, to ISR Global Pte Ltd on the date falling 90 days after the completion date of the THM Sale. As the provision of the loans is not an acquisition nor a realisation/disposal, and the Group did not extend the loan to TRE AG as a means for the Group to invest in THM or to acquire any interest in THM, the Company is of the view that Chapter 10 of the Listing Manual is not relevant. Accordingly the table below setting out the Listing Rule 1006 ratios under the TRE loan is for shareholders' information only.

Rule 1006	Basis	Relative Figure
(a)	Net asset value of the assets to be disposed of compared to the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable to an acquisition of assets
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	(17.6%) based on the unaudited consolidated net loss (i.e. loss before income tax) of THM for the financial year ended 31 December 2018 ("FY2018") of approximately S$341,000 attributable to the shareholding interest of 15% in THM due to the impending enforcement of the share pledges by the Group as compared with the Group's unaudited net loss (i.e. loss before income tax) of S$1,938,923 for FY2018 as announced on 31 March 2019.
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	5.6%, based on a consideration of S$679,135 compared with a market capitalisation of S$12,022,019 as at 3 May 2019.
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable.
(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.

Query by SGX-ST:

6. In the Announcement, it was disclosed that TRE AG required a loan to "settle a legal dispute regarding the resolution of its extraordinary general meeting on 11 April 2016 which approved the sale of its shares in THM to REOM, failing which, the sale may be invalidated and may consequently further complicate the Company's proposed acquisition of 60% of THM from REOM".
   i. As the sale of sales is to REOM, why didn't REOM fund TRE AG for the dispute?
   ii. Please provide details of the dispute and how it may invalidate the sale of shares in THM.
   iii. Please also disclose how has this issue been settled after the payment of $ 679,135 by the company to TRE AG.

Company's Response:

(i) TRE AG had also approached REOM for a loan then. The Company understands that REOM required some time to arrange the funds required for the loan and deliberate on the matter internally. However, as TRE AG required the loan urgently and the Company was in a position to provide the necessary funds to lend to TRE AG, the Company proceeded to discuss and negotiate the terms and extend the loan to TRE AG first. As the legal matter was subsequently settled, the loan from REOM was no longer required.

(ii) The Company noted that the dispute arose from certain minority shareholders raising a legal challenge against the resolution passed by a majority of TRE AG's shareholders at its extraordinary general meeting on 11 April 2016 which approved the proposed sale of its shares in THM to REOM. The Company understands that if the ruling were in favour of the claimants, there was a possibility that the sale of THM shares to REOM may be deemed invalid. The Company also noted that the legal matter was subsequently resolved out of court with the claimants agreeing to drop the legal suit.

(iii) Please refer to the responses to questions no. 4 and 6(ii) above. Part of the proceeds from the loan from ISR Global Pte Ltd to TRE AG were used to settle the litigation relating to the sale of THM shares to REOM where the parties have agreed for the legal matter to be resolved out of court with the claimants agreeing to drop the legal suit.

Query by SGX-ST:

7. Please provide further information on:-
   i. the insolvency proceedings of TRE AG;
   ii. the latest financial statements of TRE AG;
   iii. who has been appointed as the liquidators; and
   iv. Please provide an update on when the Company can exercise its security over THM shares.

Company's Response:

(i) The Company is unable to provide information on the status of the insolvency proceedings of TRE AG and the appointment of the liquidator of TRE AG. In any case, regardless of the status of the insolvency proceedings and appointment of the liquidator of TRE AG, TRE AG has defaulted on the repayment of the loan and interests payable to ISR Global Pte Ltd and accordingly, ISR Global Pte Ltd is in the process of enforcing the share pledges from TRE AG in accordance with the terms of the facility and share pledge agreements between ISR Global Pte Ltd and TRE AG.

(ii) Please refer to the following URL link: http://www.tre-ag.com/~/media/Files/T/Tantalus-Rare-Earths/Attachments/pdf/jahresabschluss-2017.pdf for TRE AG's financial statements for the year ended 31 December 2017. The financial statements were however provided in the German language.

(iii) Please refer to the response to question no. 7(i) above.

(iv) Under Clause 6.1 of the Share Pledge Agreements between ISR Global Pte. Ltd. ("**ISR**") and Tantalus Rare Earths AG ("**TRE AG**") dated 17 August 2017 and 12 June 2018 respectively (collectively referred to as the "**Share Pledges**"), ISR as the Pledgee may, if an Event of Default has occurred and is continuing, exercise all the powers and rights conferred by law and take whatever action that it deems necessary to protect or enforce its right under the Share Pledges, including but not limited to completing the blank share transfer instrument and selling or transferring the THM Shares as permitted by law. However, it is a prerequisite under the Share Pledges that ISR, as the Pledgee, shall notify TRE AG **not less than 5 days** prior to the sale or transfer of the THM shares. In that respect, ISR has served notices of enforcement of the Share Pledges by email and by registered post on 24 April 2019 (the "**Notices of Enforcement**"). After a period of at least 5 days from receipt of the Notices of Enforcement by TRE AG, ISR will proceed with the enforcement of the Share Pledges by selling or transferring the THM Shares as permitted by the laws of Mauritius.

On Behalf of the Board
ISR Capital Limited

Chen Tong
Executive Chairman

4 May 2019