

REENOVA INVESTMENT HOLDING LIMITED

(Incorporated in the Republic of Singapore | Company Reg. No.: 200104762G)

Website: www.reenovagroup.com

SGX Stock Code: **5EC**

**RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF-YEAR
FINANCIAL PERIOD ENDED 30 JUNE 2021**

The Board of Directors (the “**Board**”) of Reenova Investment Holding 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 17 August 2021 in relation to the Company’s Second Quarter and Half Year Unaudited Financial Statements for the Financial Period Ended 30 June 2021 announced on 14 August 2021.

Query by SGX-ST:

1. We refer to the Company’s unaudited condensed interim financial statements for the second quarter and half-year financial period ended 30 June 2021 (the “1H FY2021 FS”).
 - i. We note a 3.3% increase in employee benefits expense in the 6 months period ending 30 June 2021 of \$501,024. Please disclose the identities of these employees and elaborate on the high costs of employee benefits expenses despite the lack of operations in the group.
 - ii. We note losses attributable to non-controlling interests of \$418,792 in the 6 months ending 30 June 2021. Please disclose a breakdown of the respective entities in the Group to which these losses are attributable to and how much of the losses are attributable to those entities. Please also disclose the identities of the non-controlling interests for those entities and their shareholding %.
 - iii. We note a recovery of legal fees of \$71,478 due to a receipt of funds from Straits Hi-Rel Pte Ltd (“SHR”) for the recharge of its share of legal fees pertaining to the investment and shareholders’ agreement. Please provide more details of this recharge, including a background of the agreements that resulted in the recharge.

Company's Response:

- 1.i. The increase in employee benefit expense in the 6 months period ended 30 June 2021 was mainly due to the write-back of allowance for unutilised leave of approximately S\$40,000 in HY2020, where there was no such write-back in HY2021, and this was partially offset by resignation of staff subsequent to HY2020.
- 1.ii. The entity to which the losses are attributable to is Tantalus Rare Earths AG (“**TRE AG**”) which owns 25% of Reenova Holding (Mauritius) Limited (“**RHM**”).
- 1.iii. The recharge mainly relates to the recovery of legal fees incurred in preparing the investment and shareholders’ agreement between the Group’s wholly-owned subsidiary, Infiniti Advantage Pte Ltd, the original shareholders of SHR and SHR.

Query by SGX-ST:

2. We refer to the Company's going concern assumption in its Basis of Preparation under Section 2 of its 1H FY2021 FS, as well as SGX RegCo's questions on the Company's ability to operate as a going concern announced on 16 October 2020 which the Company responded to on 19 October 2020.
 - i. Please provide an update of the US\$30 million term loan that the Company announced was expected to be finalised by the fourth quarter of FY2020.
 - ii. What specific fundraising options (if any) is the Company exploring and what stage of negotiations are these specific fundraising options currently at?
 - iii. Is the offtake agreement entered into and announced by the Company on 26 November 2020 with Sinosteel Epoch (Beijing) International Trading Co., Ltd. still valid? Is there a long-stop date for the Company to meet the Conditions Precedent? Please also disclose the condition precedents already met (if any), the outstanding conditions yet to be met, and the timeline for meeting these outstanding conditions.
 - iv. What other specific opportunities (if any) is the Company exploring to generate revenue streams and what stage of negotiations are these opportunities currently at?
 - v. It is indicated that the Group has implemented various cost containment measures. However, the net cash outflow from operating activities for the first half of FY2021 is still over S\$1 million. This is higher than the Group's cash balance of S\$673,698 as at 30 June 2021, indicating that the Group does not have sufficient cash on hand to enable it to sustain its operations for the next half year. This is also discounting the fact that the Group also owes creditors over \$5.5 million which has been long outstanding. Given all the factors above, why is the Company still of the view that it is able to operate as a going concern for the next 12 months?
 - vi. Trading in the shares of the Company has been suspended since 16 November 2020 pursuant to going concern issues under Listing Rule 1303(3). Please be reminded that under Listing Rule 1304(1), the Company must submit a proposal (or proposals) to the Exchange with a view to resuming trading in its securities ("resumption proposals") within 12 months of the date of suspension. If no resumption proposals are received to enable trading to resume within 12 months of the date of suspension, the Exchange may remove the issuer from the Official List. Please provide an update on the Company's resumption proposals (if any).

Company's Response:

- 2.i. There has been no progress on the potential term loan of US\$30 million as the Company was not in a position to meet the terms and conditions set out by the potential lender. Accordingly, no agreement was reached between the parties.
- 2.ii. The Company is currently working with a corporate finance adviser to reach out to potential investors, some of whom have signed a non-disclosure agreement with the Company, and whom we expect will be conducting due diligence activities soon. The Company will make further announcements to update shareholders on material developments as they arise.
- 2.iii. As far as the Company is concerned, the off-take agreement between Reenova Global Pte. Ltd. ("**Reenova Global**") and Sinosteel Epoch (Beijing) International Trading Co., Ltd (the "**Buyer**") dated 26 November 2020 is still valid. However, there was no long stop date specified in the off-take agreement. As announced on 26 November 2020, the conditions precedent ("**CPs**") are set out as follows:

The obligation of the Buyer to purchase the Committed Quantity shall be subject to the fulfilment (or waiver) of the following conditions:

- (a) the delivery of 10 samples weighing 20 kilograms (kg) in total from Reenova Global to the Buyer (the "**Samples**"); and

- (b) the results of a chemical analysis exercise over the chemical composition of the Samples:
 - (i) being deemed by an independent surveyor to have met the quality requirements for the PRC market based on the standards set out in GB/T 20169-2015 Mixed Rare Earth Oxide of Ion-Absorbed Type Rare Earth Ore (jointly issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and the Standardisation Administration of the PRC); and
 - (ii) as approved by the Buyer's end customer or user. (collectively, the "**Conditions**").

As at the date of this announcement, none of the CPs have been met as the Group was unable to commence pilot production activities due to the travel restrictions imposed by the Madagascar Government to-date. The timeline for meeting these outstanding conditions would depend on when international travel to Madagascar could resume and when the Company is able to secure additional funding to further develop the Rare Earth Project.

- 2.iv. The Company is having preliminary discussions on an opportunity to trade in rare earth oxides. Details have not been finalised and the Company will make further announcements to update shareholders on material developments as they arise.
- 2.v. As announced on 14 August 2021, the Company will continue to prudently monitor its cashflows. The Company is expected to be faced with challenges in meeting certain obligations within the next 12 months in view of its negative net current liabilities position. As and when the situation calls for it, the Company will negotiate for payment periods in excess of 12 months. As alternative funding arrangements are still being explored, the Company is of the view that, at this point in time, there is no compelling reason to present a scenario other than on a going concern basis. The Company remains hopeful that additional funding could be secured for the Rare Earth Project and expects to have greater clarity on its funding position in the coming quarter. The Company will make further announcements to update shareholders on material developments as they arise.
- 2.vi. As alternative funding arrangements are still being explored, the Company remains hopeful that additional funding could be secured for the Rare Earth Project. Once funding is secured, the Company will reach out to the Exchange and submit a proposal (or proposals) to the Exchange with a view to resuming trading in its securities before the expiry date of 12 months from the date of suspension.

Query by SGX-ST:

- 3. We refer to the pilot production expenses incurred for the first half of the financial year 2021 of S\$7,734, as well as the Company's previous response to SGX queries announced on 24 May 2021 in which the Company stated that the pilot production expenses of S\$4,543 was incurred in the first quarter of the financial year 2021 to "organise public meeting with the locals in Ambanja, Madagascar, to obtain their support for pilot production".
 - i. What was the additional expense of S\$3,191 incurred for in the second quarter of the financial year 2021?
 - ii. Please provide an update on the public meeting with the locals in Ambanja, Madagascar for its pilot production and the date where the Company expects to be able to sign an agreement with the locals to proceed with the commercialization of the mine.
 - iii. Please disclose the costs to be incurred by the Company to obtain the locals' agreement so as to allow the Company to proceed with the commercialisation of the mine.

- iv. Please elaborate on the state of affairs of the mining environment in the same area viz, receptiveness or resistance by the local communities, the ease of obtaining mining licenses to commercialise mines recently. If the Company is unable to garner support from the locals, please elaborate on the plans how the company intends to begin pilot production on the Rare Earth Project.

Company's Response:

- 3.i. The additional expense of S\$3,191 for the second quarter of the financial year 2021 was a result of a reclassification of line items from the following expenses to pilot production expenses which were actually incurred in Q1 FY2021 rather than Q2 FY2021:

Description	Amount (S\$)
Employees benefit expenses	1,307
Office utilities and expenses	201
Others (meals, printing and stationery)	1,683
Total	3,191

The Company would like to clarify that there were no pilot production expenses incurred in Q2 FY2021.

- 3.ii. RREM held two public meetings – one in November 2020 and the other in January 2021 – with the local territorial administrative authorities and the locals with the objective of seeking their acceptance/agreement in relation to the activities, including pilot production and social programmes, to be carried out. During the recent public meeting, RREM organised and conducted a one-day workshop to raise awareness and educate the locals living in the area where the production trial is planned to be carried out. Following the conclusion of these public meetings, the local authorities and the locals have provided their approval/support for RREM carry out the production trial in the proposed area.
- 3.iii. During the recent public meetings, the locals requested for RREM to refurbish/reconstruct a schoolhouse and two small bridges. In addition, the locals would like RREM to continue providing free medical consultations and cares through weekly visits by RREM's appointed doctor. The cost to be incurred by the Group in this respect is estimated to be in the region of S\$20,000 to S\$30,000.
- 3.iv. Following the public meetings, we believe the local authorities and the locals are more open and supportive/receptive towards the Rare Earth Project. The Group plans to embark on a public relations/communications program to continue to create awareness and educate the locals about the pilot production activities and the Group's plans to minimise the impact of pilot production on the environment, the social and economic benefits that the Rare Earth Project will bring to the locals and also to allay any fears that the locals may have about the Rare Earth Project.

Query by SGX-ST:

4. The Company announced on 19 August 2020 that it had appointed Ramboll Environ Africa (Pty) Ltd to assist in providing environmental impact assessment services for the pilot production area.
 - i. Please provide an update of the environmental impact work done by Ramboll Environ Africa (Pty) Ltd and whether there has been any findings on the environmental impact of pilot production.
 - ii. When will the Company be able to determine whether the Rare Earth Project will meet environmental requirements and what would happen if such requirements are not met?
 - iii. Please disclose the further steps, the cost and the respective timelines that the Company will need and the hurdles it must overcome take before it is able to commercialise the Madagascar mine. To disclose the expiry dates of the mining concession and the mining permit/license.

Company's Response:

- 4.i. The environmental impact work by Ramboll Environ Africa (Pty) Ltd is currently put on hold due to the continued closure of the Madagascar borders to travellers from overseas.
- 4.ii. This will depend on data from the pilot production activities, which unfortunately, are currently put on hold due to the travel restrictions imposed by the Madagascar Government. With data from the pilot production activities, the Group will be able to modify its production plan until the environmental requirements are met.
- 4.iii. RREM needs to obtain the full mining licence (*Permis de Exploitation* or “**PE Licence**”) before it can mine commercially. We are following up closely with the Madagascar Government on the outcome of our application for PE Licence.

As disclosed previously, the Group requires approximately US\$15,000,000 to complete environmental impact assessment and social studies, feasibility and engineering studies, and to further scale up its production capabilities in preparation for the receipt of full mining licence and commercial production.

The current exploration licence will expire on 5 November 2021. We are in the midst of working with our lawyers in Madagascar to submit an application to the Madagascar Government to seek an extension of the exploration licence by another two (2) years due to the COVID-19 pandemic, which has prevented the Group from commencing pilot production activities.

Query by SGX-ST:

- 5. Noting the liquidation of the former JV partner TRE AG, please disclose the identity of the new minority shareholder that will take the place of TRE AG in RHM and comment on their ability to fund their portion of 25% in the exploration and development of the mining to prepare the mine for commercial production.

Company's Response:

- 5. The Company is not aware of any significant progress in the insolvency proceedings of TRE AG. TRE AG is still the registered holder of the remaining 25% stake of RHM as at 22 August 2021 and the Company is not aware of any new minority shareholder that will take the place of TRE AG in RHM.

On behalf of the Board

Reenova Investment Holding Limited

Chen Tong
Executive Chairman

22 August 2021