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

ENTRY INTO FACILITY AGREEMENT WITH TANTALUM HOLDING (MAURITIUS) LTD – RESPONSE TO SGX QUERIES RELATING TO THE ISSUANCE OF SIDE LETTER

Unless otherwise defined, all terms used herein shall bear the same meanings as in the Company's announcements dated 26 September 2016 and 3 November 2016.

The board of directors (the "**Board**") of the Company (together with its subsidiaries, the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in its email dated 4 November 2016 in respect of the Company's announcement dated 3 November 2016 on the side letter issued by the Company's wholly owned subsidiary, ISR Global Pte. Ltd. ("**ISR Global**") in relation to the facility agreement dated 26 September 2016 (the "**Facility Agreement**"), and wishes to respond as follows:

1. ***Please disclose if, and when, THM has drawn down the first S$3,000,000 under the Loan. As such, please also disclose the Maturity Date of the Loan.***

   THM has drawn down an aggregate amount of US$1.25 million on 29 September 2016 and 7 October 2016 (equivalent to approximately S$1,713,200 based on an weighted average exchange rate of US$1 : S$1.3706) of the Loan. THM has issued a third draw down notice on 24 October 2016 for the sum of US$1.25 million, which has yet to be advanced to THM as the requested draw down amount would cause the aggregate draw down amount of the Loan to exceed the first tranche of the Loan.

   Pursuant to the terms of the Facility Agreement dated 26 September, 2016, the Maturity Date of the Loan is the date falling 12 months from the date immediately following the first drawdown date of the Loan, i.e. 29 September 2016.

2. ***Please disclose the Board's views, with the concurrence of the Audit Committee, on whether and why it is in the best interests of the Company to waive the condition for THM to have first obtained the environmental licences and permits required to commence pilot production (the "Permits") before the second tranche of S$3,000,000 can be drawn down.***

   The Board has been informed that THM requires the second tranche of the Loan amounting to S$3,000,000 as a progressive step towards obtaining the Permits, and that the Operating Company requires the Permits to commence extraction of rare earth oxides ("**Pilot Production**") pursuant to the exploration permit that it holds. Waiver of the condition precedent relating to the Permits is therefore necessary for the Operating Company to progress towards obtaining the Permits under an accelerated programme of development. The Permits would enable and accelerate the development of the Project and increase the value of Project. Funding drawn down and to be drawn down will primarily be used to support the 7,500 tonne bulk sampling programme and the submission of the amendment to the current permit for the Pilot Plant Project. Construction of the Pilot Plant requires long lead items to be ordered in the first quarter of the financial year ending 31 December 2017 ("**Q1 2017**") to allow logistical solutions to be developed. Overall any funding delay could place at risk the supply chain and approvals for the Pilot Plant. As the value of the Operating Company and the Project would be enhanced upon commencement of Pilot Production, and

having considered that the Company has, subject to shareholders' approval, committed to acquire 60.0% of the issued and paid-up share capital of THM, the Board, with the concurrence of the Audit Committee, is of the view that it is in the best interests of the Company to proceed as quickly as possible to get to the Pilot Production stage, and therefore, the waiver of the condition precedent is a business decision the Company has made.

3. ***Please disclose the amount required to obtain the Permits, and whether the second tranche will draw down be restricted to this amount. If draw down amount is not restricted, please also disclose the reasons for not restricting the draw down amount.***

   The Board has been informed that the amount required to obtain the Permits is approximately US$7.1 million. The current outstanding amount exceeds the second tranche of the Loan, as such the second tranche drawdown amount is not restricted.

   The Company has been in discussions with THM on accelerating the development of the Project and the capital and working capital requirement is now expected to be US$7.1 million to get to that stage of development where the Permits are issued. The Company is in negotiation to increase the total loan amount to THM, subject to terms and conditions satisfactory to the Company.

4. ***Please disclose when the Company expects THM to obtain the Permits, and whether there is a significant risk that such Permits may not be obtained.***

   The Company understands from THM that it expects to submit the amendment to the current Permits application allowing for the construction and operation of the Pilot Plant in December 2016 based on THM's current schedule. The submission will be supported by the Environmental Impact Assessment completed by the internationally recognized environmental consultants, Gaia International.

   The Company understands from THM that there are no significant risks to the Permits not being approved as THM has addressed all 147 items highlighted by the National Environmental Office in the scope of work submitted earlier in the year.

   THM is expected to obtain the Permits in Q1 2017.

5. ***Please disclose the cash balance of THM, and whether it is able to operate as a going concern. Please provide the basis for the Board's views.***

   The cash balance of THM as at 31 October 2016, based on the bank statements of THM provided to the Company, is approximately US$196,000. The Board is of the view that THM is able to operate as a going concern based on a letter of financial support from THM's current shareholder, REO Magnetic Pte. Ltd.

   THM is a holding company of the Operating Company, Tantalum Rare Earth Malagasy S.A.R.L. Most of the funding (whether working or capital in nature) is required at the Operating Company level. As THM is expected to become a subsidiary of the Company, the Company will fund THM and ensure it remains a going concern.

   In connection with the proposed acquisition of 60% of the issued and paid-up share capital of THM (the "**Proposed Acquisition**"), the Board notes that the Proposed Acquisition requires the Company's shareholders' approval, and that the Company has submitted the draft shareholder's circular regarding the Proposed Acquisition to the SGX-ST, originally on 13 September 2016. The Company's solicitors received a response from SGX-ST on 30 September 2016 requesting for a resubmission on the basis that the independent valuation report submitted by the Company was issued by a sole practitioner. The Company

resubmitted the circular with a new independent valuation report issued by Al Maynard and Associates, Australia (which is not a sole practitioner) to SGX-ST on 20 October 2016. The Company is presently awaiting the response of the SGX-ST in relation to the draft circular. The Company will convene an extraordinary general meeting to seek shareholders' approval for the Proposed Acquisition in due course.

6. ***Please disclose whether the accounts of THM been audited. If so, please disclose the auditor and its views on whether THM is a going concern.***

   The accounts of THM have been audited by Morison (Mauritius), Chartered Certified Accountants. The Company has requested a statement from THM's auditors and will disclose the content of the statement when it has been received.

By Order of the Board

ISR CAPITAL LIMITED

Quah Su-Yin
Chief Executive Officer and Executive Director

8 November 2016