REENOVA INVESTMENT HOLDING LIMITED

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

Website: **www.reenovagroup.com**

SGX Stock Code: **5EC**

QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL

The Board of Directors (the "**Board**") of Reenova Investment Holding Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcements:

(1) dated 4 December 2019 in relation to the Company being placed on the Financial Entry Criteria Watch-list under Listing Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") with effect from 4 December 2019;

(2) dated 16 November 2020 in relation to the request for trading suspension under Listing Rule 1303(3) pursuant to the letter from SGX RegCo dated 16 October 2020;

(3) dated 1 March 2021 in relation to the Group's unaudited financial statements for the fourth quarter ("**Q4 FY2020**") and full financial year ended 31 December 2020 ("**FY2020**") for a detailed update on the Group's financial position.

Pursuant to Rule 1313(2) of the Listing Manual of SGX-ST, the Board wishes to provide an update in respect of Q4 FY2020 as follows:

(1) The Company had on 26 November 2020 entered into an offtake agreement with Sinosteel Epoch (Beijing) International Trading Co., Ltd. (中钢新元（北京）国际贸易有限公司) (the "**Buyer**") for the sale of the lesser of 800 tonnes or 20% of rare earth oxides extracted from the Group's 238km^2 rare earth concession located in north-western Madagascar, Africa (the "**Rare Earth Project**") for each calendar year for a term of three years, subject to the fulfilment of conditions. The Buyer also has an option to provide financing of up to US$25 million to the Group to enable it to progress beyond the initial pilot production phase.

(2) The Company had on 26 February 2021 appointed METC Engineering (Pty) Ltd ("**METC Engineering**"), an engineering design house that designs and builds metallurgical plants for mines, to manage and complete a pre-feasibility study for a plant with an annual production capacity of 2,000 tonnes of rare earth oxides product with a 92% grade ("**TREO ⩾ 92%**"), at its initial stage of commercialisation ("**Phase 1 Commercial Plant**"). The pre-feasibility study will provide estimates on the capital expenditure and operating expenses for Phase 1 Commercial Plant, which allows the Group to stage the progress towards commercialisation.

(3) The Board will continue to monitor the Group's developments and prospects, as well as its financial position, and review the options available to the Group for the satisfaction of the exit criteria of the SGX-ST Watch-list and that will best serve the interests of the Company's shareholders.

Please refer to the unaudited financial statements of the Group for Q4 FY2020 and FY2020 announced on SGXNet on 1 March 2021 for a detailed update on the Group's financial position. As of 31 December 2020, the Group had a net asset value of approximately S$26.6 million.

(4) The Group's next quarterly update pursuant to Rule 1313(2) of the Listing Manual will be announced by 15 May 2021.

Update on Future Direction and Other Material Developments

Amid the geopolitical uncertainties and ongoing COVID-19 pandemic, the Group remains committed in bringing the greenfield Rare Earth Project to commercial production. The Group continues to put in its best efforts to prepare for the commencement of pilot production in 2021.

According to Adamas Intelligence, global passenger battery electric vehicles ("**EV**"), plug-in hybrid EV, and hybrid EV sales are expect to collectively increase by 20% to 40% year-on-year, translating to a 30% to 50% year-on-year increase in permanent magnet demand in 2021. Roskill estimates that rare earth elements from all automotive applications, including drivetrains for EV or hybrid EV models to reach 12.75 kilotonnes of rare earth oxides in 2021, an increase of approximately 26.5% year-on-year. These trends bode well for the Group, going forward.
(Ref: https://investingnews.com/daily/resource-investing/critical-metals-investing/rare-earth-investing/rare-earth-outlook/)

Nevertheless, the Group is mindful of the operating environment and concerns for the Rare Earth Project. It has tapped on internationally recognised expertise to assist in bringing the greenfield Rare Earth Project towards commercial production. These engagements include (i) Ramboll Environ Africa (Pty) Ltd to assist in providing environmental impact assessment services, (ii) YQS ARC Limited to set up and operate the pilot production, and (iii) METC Engineering to provide pre-feasibility study for Phase 1 Commercial Plant, which are expected to carry out their engaged activities upon travel resumption in 2021.

The rare earth oxides samples generated from the pilot production will be provided to potential buyers for their testing and negotiations for offtake agreements, which will improve the Group's financial position. Meanwhile, the Company continues to engage in active discussions with potential lenders to achieve sufficient funding for the commercialisation phase of the Rare Earth Project and to demonstrate that it is able to operate as a going concern.

As announced on 19 October 2020, the Group can continue with the pilot production phase until it receives an official response to its application for the full mining licence. Hence, the Group does not need to cease operations upon the expiration of its current exploration licence in November 2021.

The Company will make further announcements to update shareholders as and when appropriate.

By Order of the Board
REENOVA INVESTMENT HOLDING LIMITED

Chen Tong
Executive Chairman

1 March 2021