

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

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Unless otherwise defined, all capitalised terms used in this announcement which are not defined shall have the meanings ascribed to them in the announcement of the Company dated 1 August 2017 (“1 August Announcement”) in relation to the Supplemental Agreement entered into between the Company and the Vendor on 31 July 2017.

The Board of Directors (the “**Board**”) of ISR Capital Limited (the “**Company**”) 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 2 August 2017 in relation to the entry into the Supplemental Agreement as announced in the 1 August Announcement.

Query by SGX-ST:

1. *In the Company’s 1 August 2017 announcement (the “Announcement”), it was disclosed that the Company “in the event that the total number of issued ordinary shares in the capital Company (excluding treasury shares) increases during the period from the date of the Supplemental Agreement up to the date preceding the date of submission by the Company of the additional listing application to the SGX-ST (“Latest Practicable Date”), the Issue Price shall be adjusted to be the VWAP of the Shares traded on the full market day preceding the Latest Practicable Date (“Adjusted Issue Price”) (“Adjustment”), resulting in the revised consideration of the Proposed Acquisition being adjusted”. Please:-*
 - a. *elaborate if this adjustment will include any issuance of shares for conversion of convertibles or for any acquisition or issuance of shares announced previously but Company has not yet submitted the additional listing application (“ALA”) to the Exchange. Please quantify; and*
 - b. *disclose by way of illustration how the Consideration will be revised when the Company submits an additional listing application to the Exchange.*

Company's Response:

1(a): As at the date of this announcement, save for the additional listing application (“**ALA**”) to be submitted in respect of the Consideration Shares to be issued pursuant to the Proposed Acquisition (“**Proposed Acquisition ALA**”), there are no shares to be issued pursuant to (i) a conversion of convertibles (ii) satisfying the consideration for any acquisition and (iii) any potential issuance of shares, that the Company had previously announced, for which the Company has yet to submit an ALA.

In the event of an Adjustment, the revised consideration of the Proposed Acquisition will be adjusted to the extent that (i) the Issue Price shall be the VWAP of the Shares traded on the full market day preceding the Latest Practicable Date and (ii) the number of Consideration Shares to

be issued shall be derived by taking 29% of the total number of Shares of the Company as at the Latest Practicable Date (including any Outstanding Conversion Shares (as defined below)). Please refer to the illustration in the response to Query 1(b) below.

1(b): The Revised Consideration for the Proposed Acquisition will only be adjusted ("**Adjusted Revised Consideration**") if the total number of issued ordinary shares in the capital of the Company increases ("**Increased Shares**") during the period from the date of the Supplemental Agreement up to the date preceding the submission by the Company of the Proposed Acquisition ALA (other than by reason of the issuance of any shares pursuant to the conversion of the Outstanding Bonds (as defined below)).

In such instance, the Adjusted Revised Consideration will be derived as follows:

$$\text{Adjusted Revised Consideration} = P \times C$$

Where:

P = adjusted Issue Price, which shall be the VWAP of the Shares traded on the full market day preceding the Latest Practicable Date; and

C = adjusted Consideration Shares, which shall be derived by taking 29% of the total number of Shares as at the Latest Practicable Date (including the Outstanding Conversion Shares and the Increased Shares).

Query by SGX-ST:

2. *It was disclosed in the Announcement that “(i)n the event of an Adjustment, the total consideration payable for the Proposed Acquisition shall be fully satisfied by the allotment and issue of such number of Consideration Shares at the Adjusted Issue Price to the Vendor on Completion Date such that the Vendor shall hold such number of Shares derived by taking 29% of the total number of Shares (including convertible securities on an as converted basis but excluding treasury shares) of the Company as at the Latest Practicable Date, provided that the total number of Consideration Shares issued shall not exceed 29% of the total number of Shares in the Company as at Completion Date).”*

Please disclose what is the indicative number of convertible securities on an as converted basis used in calculating the 674, 757,307 shares.

Company's Response:

As at the date of this Announcement, an aggregate of S\$8,000,000 2% convertible redeemable bonds due 2018 ("**Convertible Bonds**") have been issued and of this, Convertible Bonds of S\$50,000 remain outstanding ("**Outstanding Bonds**") and are yet to be converted into Shares of the Company. The Outstanding Bonds are potentially convertible into 12,500,000 Shares in the Company ("**Outstanding Conversion Shares**") which were taken into consideration when deriving the number of Consideration Shares.

Query by SGX-ST:

3. *It was also disclosed that “Accordingly, subject to the Adjustment, the total consideration for the Proposed Acquisition is equivalent to a value of S\$4,520,874 (the "Revised Consideration"), which shall be fully satisfied by the issue and allotment of 674,757,307 Consideration Shares to the Vendor at the initial Issue Price of S\$0.0067 per Consideration Share. The Revised Consideration was arrived at on a willing buyer and willing seller basis, after taking into consideration the revised indicative fair value of the Project in Madagascar”. Please:-*
- a. elaborate on the reason for the reduction in the value of the acquisition from S\$40 million to S\$4,520,874;*
 - b. elaborate if the 674,757,307 number of Consideration Shares is the maximum number of shares that may be issued;*
 - c. provide details on when the final number of shares to be issued will be fixed;*
 - d. Please quantify the maximum number of shares that can be issued under the Supplemental Agreement.*

Company's Response:

3(a): The Purchase Consideration of S\$40,000,000 in June 2016 was arrived at on a willing buyer, willing seller basis, after taking into account the resource statement contained in the Technical Report issued by SGS Canada Inc., dated 20 October 2014 (the “**2014 Technical Report**”) and an updated report issued also by SGS Canada Inc., dated 10 June 2016 (“**Updated Report**”). The Company has since engaged a third independent valuer who is in the midst of finalising the draft valuation report, which ascribes a much lower fair value to the Project in Madagascar. The Company will make an announcement once the valuation report has been finalised and issued by the independent valuer.

3(b): Assuming that (i) no additional new Convertible Bonds are issued from the date hereof up to the Latest Practicable Date and (ii) the Company does not issue any additional ordinary shares from the date hereof up to the Latest Practicable Date (other than pursuant to the conversion of the Outstanding Bonds), the maximum number of Consideration Shares based on the terms and conditions of the Supplemental Agreement would be 674,757,307 Shares..

3(c): Based on the terms and conditions of the Supplemental Agreement, the number of Consideration Shares is not expected to be adjusted after the Latest Practicable Date. In the event the number of Consideration Shares is subject to any Adjustment during the Adjustment Period, the Company shall release an announcement on the same as soon as practicable to update all Shareholders.

3(d): Assuming that (i) no additional new Convertible Bonds are issued from the date hereof up to the Latest Practicable Date and (ii) the Company does not issue any additional ordinary shares from the date hereof up to the Latest Practicable Date (other than pursuant to the conversion of the Outstanding Bonds), the maximum number of Consideration Shares based on the terms and conditions of the Supplemental Agreement would be 674,757,307 Shares.

Query by SGX-ST:

4. *In the assumptions used for the assessment of the financial effects of the Proposed Acquisition, it was disclosed that “the expenses in connection with the Proposed Acquisition have been disregarded”. Please quantify the expenses or the estimated expenses in connection with the Proposed Acquisition and also show the financial impact on the EPS and NTA if these expenses were included in the calculations.*

Company's Response:

The expenses incurred to-date in connection with the Proposed Acquisition are estimated to be approximately S\$350,000. The financial effects of these expenses on the consolidated NTA per Share as at 31 December 2016 and on the consolidated EPS for FY2016 are illustrated below as follows:

Financial effects on consolidated NTA:

	Before the Proposed Acquisition	After the Proposed Acquisition (disregarding estimated expenses, as announced on 1 August 2017)	After the Proposed Acquisition (after taking into account estimated expenses of approximately S\$350,000)	Difference
Consolidated NTA as at 31 December 2016 (S\$'000)	4,631	9,152	8,802	(350)
Number of Shares as at 31 December 2016 ('000)	1,564,249	2,239,006	2,239,006	-
Consolidated NTA per Share as at 31 December 2016 (cents)	0.30	0.41	0.39	(0.02)

Financial effects on consolidated EPS:

	Before the Proposed Acquisition	After the Proposed Acquisition (disregarding estimated expenses, as announced on 1 August 2017)	After the Proposed Acquisition (after considering estimated expenses of approximately S\$350,000)	Difference
Consolidated net earnings attributable to Shareholders for FY2016 (S\$'000)	(8,277)	(8,277)	(8,627)	(350)
Weighted average number of Shares for FY2016 ('000)	1,148,340	1,823,097	1,823,097	-
Consolidated EPS for FY2016 (cents)	(0.72)	(0.45)	(0.47)	(0.02)

Query by SGX-ST:

5. *In the assumptions used for the assessment of the financial effects of the Proposed Acquisition, it was mentioned that the Operating Company has not commenced production. Please disclose what is the current state of exploration of the Operating Company.*

Company's Response:

There have been limited exploration activities by the Operating Company in the past months pending the negotiations of the Supplemental Agreement between the Vendor and the Company. Following the entry into the Supplemental Agreement between the Vendor and the Company, the Company is currently working towards receiving a completed valuation report from the independent valuer and pursuing the completion of the Proposed Acquisition.

BY ORDER OF THE BOARD

Chen Tong
Executive Chairman

6 August 2017