ISR CAPITAL LIMITED
(Registration No: 200104762G)

UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2018 ("Q12018")

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	3 Months ended 31/03/2018	3 Months ended 31/03/2017	Inc/ (Dec)
	S$	S$	%
Revenue	**166,432**	-	N/A
Other income	**687**	1,962	(65.0)
Employee benefits expense	**(160,492)**	(252,368)	(36.4)
Depreciation	**(12,803)**	(13,101)	(2.3)
Other operating expenses	**(202,792)**	(205,961)	(1.5)
Finance costs	**(88)**	(823)	(89.3)
Loss before tax	**(209,056)**	(470,291)	(55.5)
Income tax expense	**(161,384)**	-	N/A
Loss for the period, representing total comprehensive loss for the period	**(370,440)**	(470,291)	(21.2)
Loss attributable to:			
Owners of the Company	**(370,440)**	(470,291)	(21.2)
Total comprehensive loss attributable to:			
Owners of the Company	**(370,440)**	(470,291)	(21.2)

Notes to the Consolidated Income Statement

Loss, net of tax is arrived after (charging)/crediting the following items:

	Group		
	3 Months ended 31/03/2018	3 Months ended 31/03/2017	Inc/ (Dec)
	S$	S$	%
Interest income on debt securities and bank deposits	**166,503**	164	(101,426)
Rental and operating leases	**(22,518)**	(24,093)	(7.0)
Income tax expense – under provision in respect of prior years	**(161,384)**	-	N/A

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
	S$	S$	S$	S$
ASSETS				
Current assets				
Cash and cash equivalents	**578,972**	646,422	**571,620**	632,273
Trade receivables	**742,507**	576,075	**-**	-
Other receivables	**59,204**	49,401	**59,204**	49,401
Amounts due from subsidiaries	**-**	-	**7,878,259**	6,514,399
Financial assets, available-for-sale	**1**	1	**-**	-
Debt securities	**5,859,617**	5,322,075	**-**	-
Other current assets	**37,845**	47,260	**37,845**	47,260
	7,278,146	6,641,234	**8,546,928**	7,243,333
Non-current assets				
Investments in subsidiaries	**-**	-	**7**	7
Investment in a joint venture	**1,340,000**	670,000	-	-
Property, plant and equipment	**177,012**	189,815	**167,012**	178,315
	1,517,012	859,815	**167,109**	178,322
Total assets	**8,795,158**	7,501,049	**8,713,947**	7,421,655
LIABILITIES				
Current liabilities				
Other payables	**251,108**	449,606	**191,061**	298,809
Finance lease liabilities	**2,335**	9,255	**2,335**	9,255
Convertible redeemable bonds	**1,016,810**	50,148	**1,016,810**	50,148
	1,270,253	509,009	**1,210,206**	358,212
Non-current liabilities				
Deferred income tax liabilities	**13,912**	13,912	**2,954**	2,954
	13,912	13,912	**2,954**	2,954
Total liabilities	**1,284,165**	522,921	**1,213,160**	361,166
NET ASSETS	**7,510,993**	6,978,128	**7,500,787**	7,060,489
EQUITY				
Share capital	**36,801,251**	35,868,655	**36,801,251**	35,868,655
Capital reserves	**132,482**	161,773	**132,482**	161,773
Currency translation reserve	**406**	406	**-**	-
Accumulated losses	**(29,423,146)**	(29,052,706)	**(29,432,946)**	(28,969,939)
Total equity attributable to owners of the Company	**7,510,993**	6,978,128	**7,500,787**	7,060,489

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

The Group has finance lease liabilities and convertible redeemable bonds amounting to S$2,335 and S$1,016,810 respectively as at 31 March 2018.

	Group 31/03/2018		Group 31/12/2017	
Finance lease liabilities	**Secured S$**	**Unsecured S$**	**Secured S$**	**Unsecured S$**
Amount repayable in one year or less	2,335	-	9,255	-
Amount repayable after one year	-	-	-	-
	2,335	-	9,255	-
Convertible redeemable bonds				
Amount repayable in one year or less	-	1,016,810	-	50,148

Details of any collateral

The Group's finance lease liability as at 31 March 2018 was secured by the motor vehicle.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	3 months ended 31/03/2018	3 months ended 31/03/2017
	S$	S$
Cash flows from operating activities		
Net loss for the period	**(370,440)**	(470,291)
Adjustments for:		
Depreciation	**12,803**	13,101
Hire purchase interest expense	**88**	823
Interest income	**(166,547)**	(164)
Impairment loss on other receivables	**3,603**	-
Income tax expense	**161,384**	-
Operating cash flows before working capital changes	**(359,109)**	(456,531)
Changes in working capital:		
Trade and other receivables and other current assets	**(3,990)**	140,829
Other payables	**(198,498)**	(192,309)
Cash flows used in operating activities	**(561,597)**	(508,011)
Interest received	**114**	164
Income tax paid, net	**(161,384)**	-
Net cash used in operating activities	**(722,867)**	(507,847)
Cash flows from investing activities		
Debt securities extended to third party	**(97,350)**	-
Debt securities extended to a related party	**(440,193)**	-
Investment in a joint venture	**(670,000)**	-
Net cash used in investing activities	**(1,207,543)**	-
Cash flows from financing activities		
Hire purchase interest paid	**(88)**	(823)
Proceeds from issuance of convertible redeemable bonds	**1,900,000**	1,900,000
Share issue expense	**(30,032)**	(30,193)
Repayment of finance lease liabilities	**(6,920)**	(10,751)
Net cash provided by financing activities	**1,862,960**	1,858,233
Net (decrease)/ increase in cash and cash equivalents	**(67,450)**	1,350,386
Cash and cash equivalents at beginning of financial period	**646,422**	1,223,132
Cash and cash equivalents at end of financial period	**578,972**	2,573,518
List of significant non-cash transactions:		
Conversion of convertible redeemable bonds to ordinary shares	**962,628**	1,519,729

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital	Capital reserve	Currency translation reserve	Accumulated Losses	Total equity attributable to owners of the Company
	S$	S$	S$	S$	S$
Balance at 1 January 2018	35,868,655	161,773	406	(29,052,706)	6,978,128
Issuance of new ordinary shares	962,628	-	-	-	962,628
Share issue expense	(30,032)	-	-	-	(30,032)
Convertible redeemable bonds – equity component	-	(29,291)	-	-	(29,291)
Loss for the year, representing total comprehensive loss	-	-	-	(370,440)	(370,440)
Balance at 31 March 2018	**36,801,251**	**132,482**	**406**	**(29,423,146)**	**7,510,993**
Balance at 1 January 2017	32,074,968	188,135	406	(27,632,021)	4,631,488
Issuance of new ordinary shares	1,519,729	-	-	-	1,519,729
Share issue expense	(30,193)	-	-	-	(30,193)
Convertible redeemable bonds – equity component	-	(1,529)	-	-	(1,529)
Loss for the year, representing total comprehensive loss	-	-	-	(470,291)	(470,291)
Balance at 31 March 2017	**33,564,505**	**186,606**	**406**	**(28,102,312)**	**5,649,204**

Company

	Share capital	Capital reserve	Accumulated losses	Total equity
	S$	S$	S$	S$
Balance at 1 January 2018	35,868,655	161,773	(28,969,939)	7,060,489
Issuance of new ordinary shares	962,628	-	-	962,628
Share issue expense	(30,032)	-	-	(30,032)
Convertible redeemable bonds – equity component	-	(29,291)	-	(29,291)
Loss for the year, representing total comprehensive loss	-	-	(463,007)	(463,007)
Balance at 31 March 2018	**36,801,251**	**132,482**	**(29,432,946)**	**7,500,787**

Company

	Share capital	Capital reserve	Accumulated losses	Total equity
	S$	S$	S$	S$
Balance at 1 January 2017	32,074,968	188,135	(27,433,025)	4,830,078
Issuance of new ordinary shares	1,519,729	-	-	1,519,729
Share issue expense	(30,193)	-	-	(30,193)
Convertible redeemable bonds – equity component	-	(1,529)	-	1,529
Loss for the year, representing total comprehensive loss	-	-	(374,873)	(374,873)
Balance at 31 March 2017	**33,564,504**	**186,606**	**(27,807,898)**	**5,946,270**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share capital has increased by S$932,596 as at 31 March 2018 arising from the conversion of convertible redeemable bonds with a face value of S$1,000,000 into 250,000,000 conversion shares.

The number of shares that may be potentially issued on conversion of the outstanding convertible redeemable bonds of S$1,016,810 (with a face value of S$1,050,000) as at 31 March 2018 is 262,500,000 conversion shares (31 March 2017: 112,500,000 conversion shares).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares excluding treasury shares as at 31 March 2018 and 31 December 2017 are 2,814,249,336 and 2,564,249,336 respectively.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as stated in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the most recently audited annual financial statements for the financial year ended 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the applicable Financial Reporting Standards ("FRS") which became effective for the financial year beginning on or after 1 January 2018. The adoption of these new and revised FRS has no material effect for the current financial period.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	3 months ended 31/03/2018	3 months ended 31/03/2017
(Loss)/earnings per ordinary share of the group after deducting any provision for preference dividends (Singapore cents per share):		
(a) Based on weighted average number of ordinary shares on issue; and	(0.01)	(0.03)
(b) On a fully diluted basis	(0.01)	(0.03)
Weighted average number of ordinary shares outstanding for basic loss per share	2,780,262,316	1,865,713,136

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Net asset value per ordinary share based on issued share capital at the end of:	0.27 cents	0.27 cents	0.27 cents	0.28 cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

I) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue increased to S$166,000 for the period ended 31 March 2018 ("Q12018") due to interest income earned on debt securities. The Group did not record revenue for the corresponding period in the previous year ("Q12017").

Other income

Other income decreased by approximately S$1,300 or 65.0% from S$1,962 for Q12017 to S$687 for Q12018. This was due to the decrease in IRAS wage credits and MOM - Special Employment credits received in Q12018 compared to Q12017.

Employee benefits expense

Employee benefits expense decreased by approximately S$92,000 or 36.4% from S$252,000 for Q12017. This was mainly due to the reduction in headcount from 6 employees in Q12017 to 4 employees in Q12018.

Finance costs

Finance costs decreased by approximately S$700 or 89.3% from S$800 for Q12017 to S$90 for Q12018. This was mainly due to the decreasing interest on reduced hire purchase motor vehicle loan balance as a result of monthly repayments.

Loss before tax

Loss before tax decreased by approximately S$261,000 or 55.5% from S$470,000 for Q12017 to S$209,000 for Q12018. This was mainly due to the increase in interest income of S$166,000 and decrease in employee benefits expense for Q12018.

Income tax expense

Income tax expense increased to S$161,000 for Q12018 due to an under-provision of prior years' income tax expense, which the Group is disputing with the Inland Revenue Authority of Singapore ("IRAS"). The Group's tax agent is currently assisting to draft responses to queries raised by IRAS for the past four years of assessment. The Group did not record income tax expense for Q12017.

II) CONSOLIDATED BALANCE SHEET

Cash and cash equivalents

Cash and cash equivalents decreased by approximately S$67,000 or 10.4% from S$646,000 as at 31 December 2017 to S$579,000 as at 31 March 2018. The decrease was mainly due to net cash flows used in operating activities and investing activities of S$723,000 and S$1.21 million, respectively, and was partially offset by net cash flows of S$1.86 million generated by financing activities.

Trade receivables

Trade receivables increased by approximately S$166,000 or 28.9% from S$576,000 as at 31 December 2017 to S$$743,000 as at 31 March 2018. The increase was mainly due to the interest accrued on debt securities.

Other receivables

Other receivables increased by approximately S$10,000 or 77.6% from S$49,000 as at 31 December 2017 to S$59,000 as at 31 March 2018. This was mainly due to the increase in GST receivables in Q12018.

Debt securities

Debt securities increased by approximately S$538,000 or 10.1% from S$5.32 million as at 31 December 2017 to S$5.86 million as at 31 March 2018. This was due to further drawdowns of S$440,000 and S$98,000 on existing facility agreements by Tantalum Holding (Mauritius) Ltd and Tantalus Rare Earths AG, respectively, in Q12018.

Other current assets

Other current assets decreased by approximately S$9,000 or 19.9% from S$47,000 as at 31 December 2017 to S$38,000 as at 31 March 2018. This was mainly due to monthly prepayments being expensed off in Q12018.

Property, plant and equipment

Property, plant and equipment decreased by approximately S$13,000 or 6.7% from S$190,000 as at 31 December 2017 to S$177,000 as at 31 March 2018. The decrease was due to depreciation charges for Q12018.

Other payables

Other payables decreased by S$198,000 or 48.7% from S$450,000 as at 31 December 2017 to S$251,000 as at 31 March 2018. The decrease was mainly due to payments of accrued operating expenses for FY2017 as well as payment of provision for bonus (AWS) in Q12018.

Finance lease liabilities

Finance lease liabilities as at 31 March 2018 arose due to the hire purchase of a motor vehicle in FY2013. The hire purchase of the motor vehicle subsequently matured in April 2018.

Convertible redeemable bonds

Convertible redeemable bonds increased by S$967,000 or 1,927.6% from S$50,000 as at 31 December 2017 to S$1.02 million as at 31 March 2018, due mainly to the issuance of convertible bonds in Q12018. The face value of the bonds, which amount to S$1.05 million, represents a present value of S$967,000 at an effective interest rate of 5.5% p.a.

Share capital

Share capital increased by approximately S$933,000 or 2.6% from S$35.87 million as at 31 December 2017 to S$36.80 million as at 31 March 2018. This was mainly due to the conversion of bonds with a face value of S$1 million into ordinary shares during Q12018, and partially offset by share issue expense of approximately S$30,000.

III) CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents decreased by approximately S$67,000 or 10.4% from S$646,000 as at 31 December 2017 to S$579,000 as at 31 March 2018. The decrease was mainly due to the net cash flows used in operating activities and investing activities of S$723,000 and S$1.21 million, respectively, and was partially offset by net cash flows of S$1.86 million generated by financing activities.

STATUS ON THE UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF CONVERTIBLE REDEEMABLE BONDS OF S$11,000,000 AS AT 31 MARCH 2018

The Company refers to the net proceeds of approximately S$10.16 million raised from the issuance of convertible redeemable bonds as at 31 March 2018.

As at 31 March 2018, the status on the use of the net proceeds raised from the issuance of convertible redeemable bonds in S$'000 is as follows:

	Amount utilised S$'000
Investments and general corporate purposes	7,023*
General working capital	2,561**
Total net proceeds raised from issuance of convertible redeemable bonds	9,584

* Including loans provided to Tantalum Holding (Mauritius) Ltd and Tantalus Rare Earths AG of S$1.54 million and S$502,000 respectively.

** The breakdown of the amount utilised for general working capital is as follows:

	S$'000
Wages and salaries and other short-term employee benefits and employer's contributions to Central Provident Fund	1,153
Office and warehouse rental	241
Directors' fees	276
Professional fees (including legal, secretarial, investor relations)	210
Listing related expenses	119
Office expenses	52
Repair and maintenance	28
Insurance premiums	73
Others	409
Total	2,561

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group did not make a forecast in its previous prospect statement; hence, there is no variance to comment upon. The Group did, however, indicate that it had entered into sale and purchase agreements to acquire a 60%-stake in a rare earths project in Madagascar. Announcements on this proposed investment were made on 10 June 2016 and 1 July 2016.

As announced on 18 September 2017, the Group had on 17 September 2017 entered into an Investment and Shareholders Agreement with Straits Hi-Rel Pte Ltd ("SHR") and the original shareholders of SHR to invest up to S$2.68 million and acquire a 25%-stake in SHR across five stages. As announced on 28 December 2017, Stage 3 of the investment has been split into Stage 3A and Stage 3B, with Stage 3A completed on 3 January 2018. The investment will conclude on completion of Stage 4.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group is awaiting approval for Share Sale and Purchase Agreements ("SPAs") pertaining to the proposed acquisition of a 60% stake in Tantalum Holding (Mauritius) Ltd ("THM"). THM owns 100% of Tantalum Rare Earth Malagasy s.a.r.l.u., which holds an exploration licence for a concession that hosts critical rare earth oxides in Madagascar. On 1 March 2018, the Group entered into a third supplemental agreement to extend the acquisition's long-stop date to 30 June 2018. Upon completing the acquisition, THM will be ISR's main operating entity. The Group will seek shareholder approval for the acquisition once it has obtained the necessary regulatory approval.

The Group remains committed to mining rare earths, which are used for diverse applications such as specialised magnets for electric vehicles, wind turbines and portable X-ray equipment. China – which controls over 90% of the global rare earth market – recently slashed its production quota for the first half of 2018 to 70% of the corresponding period in 2017. Despite possible short-term volatility, the move has the potential to drive up prices and benefit rare earth producers outside China, such as THM.

As announced on 3 January 2018, the Group's wholly-owned subsidiary Infiniti Advantage Pte. Ltd. has completed Stage 3A of its investment in high-reliability engineering services provider Straits Hi-Rel Pte. Ltd ("SHR"), which commenced operations at its Singapore facility in March 2018. The Group had previously agreed to invest up to S$2.68 million for a 25%-stake in SHR based on certain milestones, and is currently working with SHR to determine a timeline for the remaining stages of investment.

SHR's engineering services include speciality testing and back-end manufacturing for integrated chips and electronic modules used in the automotive, energy (oil and gas) and industrial sectors. It has secured a project pipeline worth approximately US$600,000 that, barring any unforeseen circumstances, should be fulfilled in 2018.

11. Dividend

(a) Current Financial Period Reported On

Any interim (final) dividend declared (recommended) for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared / recommended for the quarter ended 31 March 2018.

13. Interested Person Transactions

The Group has no general mandate for interested person transactions under Rule 920(1) of the SGX-ST Listing Manual.

14. Negative Assurance Confirmation On First Quarter Financial Results Pursuant To Rule 705(5) Of The Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results for the first quarter ended 31 March 2018 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the SGX Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers pursuant to Rule 720(1) of the SGX Listing Manual.

BY ORDER OF THE BOARD

CHEN TONG
Executive Chairman and Executive Director

14 May 2018