

ANNOUNCEMENT OF UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF-YEAR PERIOD ENDED 30 JUNE 2018

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			6 months ended		
	30/06/2018	30/06/2017	Inc/(Dec)	30/06/2018	30/06/2017	Inc/(Dec)
	S\$	S\$	%	S\$	S\$	%
Revenue	180,498	-	N.M	346,930	-	N.M
Other losses, net	-	(10,109)	(100.0)	-	(10,109)	(100.0)
Other income	724	2,200	(67.1)	1,411	4,162	(66.1)
Employee benefits expense	(161,046)	(172,770)	(6.8)	(321,538)	(425,138)	(24.4)
Depreciation	(12,802)	(13,263)	(3.5)	(25,605)	(26,364)	(2.9)
Other operating expenses	(222,695)	(274,873)	(19.0)	(425,487)	(480,832)	(11.5)
Finance costs	(148)	(1,358)	(89.1)	(236)	(2,181)	(89.2)
Loss before tax	(215,469)	(470,173)	(54.2)	(424,525)	(940,462)	(54.9)
Income tax expense	-	-	-	(161,384)	-	N.M
Loss for the period, representing total comprehensive loss for the period	(215,469)	(470,173)	(54.2)	(585,909)	(940,462)	(37.7)
Loss attributable to:						
Owners of the Company	(215,469)	(470,173)	(54.2)	(585,909)	(940,462)	(37.7)
Total comprehensive loss attributable to:						
Owners of the Company	(215,469)	(470,173)	(54.2)	(585,909)	(940,462)	(37.7)

N.M.: Not Meaningful

Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Group					
	3 months ended			6 months ended		
	30/06/2018	30/06/2017	Inc/(Dec)	30/06/2018	30/06/2017	Inc/(Dec)
	S\$	S\$	%	S\$	S\$	%
Interest income on debt securities and bank deposits	180,498	-	N.M	346,930	-	N.M
Rental and operating leases	(22,546)	(24,368)	(7.0)	(45,064)	(48,461)	(7.0)
Income tax expense – under provision in respect of prior years	-	-	-	(161,384)	-	N.M

N.M.: Not Meaningful

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	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
	S\$	S\$	S\$	S\$
ASSETS				
Current assets				
Cash and cash equivalents	834,968	646,422	827,876	632,273
Trade receivables	923,006	576,075	-	-
Other receivables	45,325	49,401	45,325	49,401
Amounts due from subsidiaries	-	-	8,293,935	6,514,399
Financial assets, available-for-sale	1	1	-	-
Debt securities	6,221,182	5,322,075	-	-
Other current assets	16,990	47,260	16,990	47,260
	8,041,472	6,641,234	9,184,126	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	164,210	189,815	155,710	178,315
	1,504,210	859,815	155,717	178,322
Total assets	9,545,682	7,501,049	9,339,843	7,421,655
LIABILITIES				
Current liabilities				
Other payables	269,344	449,606	195,120	298,809
Finance lease liabilities	-	9,255	-	9,255
Convertible redeemable bonds	977,165	50,148	977,165	50,148
	1,246,509	509,009	1,172,285	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	1,260,421	522,921	1,175,239	361,166
NET ASSETS	8,285,261	6,978,128	8,164,604	7,060,489
EQUITY				
Share capital	37,816,578	35,868,655	37,816,578	35,868,655
Capital reserve	106,892	161,773	106,892	161,773
Currency translation reserve	406	406	-	-
Accumulated losses	(29,638,615)	(29,052,706)	(29,758,866)	(28,969,939)
Total equity attributable to owners of the Company	8,285,261	6,978,128	8,164,604	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 Nil and S\$977,165 respectively as at 30 June 2018.

	Group			
	30/06/2018		31/12/2017	
Finance lease liabilities	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Amount repayable in one year or less	-	-	9,255	-
Amount repayable after one year	-	-	-	-
	-	-	9,255	-
Convertible redeemable bonds				
Amount repayable in one year or less	-	977,165	-	50,148

Details of any collateral

Not applicable.

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	
	6 months ended	
	30/06/2018	30/06/2017
	S\$	S\$
Cash flows from operating activities		
Net loss for the period	(585,909)	(940,462)
Adjustments for:		
Depreciation	25,605	26,364
Hire purchase interest expense	88	1,571
Convertible redeemable bond interest	93	609
Interest income	(347,070)	(474)
Impairment loss on other receivables	3,603	-
Impairment loss on financial assets, available-for-sale	-	10,109
Income tax expense	161,384	-
Operating cash flows before working capital changes	(742,206)	(902,283)
Changes in working capital:		
Trade and other receivables and other current assets	30,742	157,497
Other payables	(180,264)	(215,062)
Cash used in operating activities	(891,728)	(959,848)
Interest received	140	474
Income tax paid, net	(161,384)	-
Net cash used in operating activities	(1,052,972)	(959,374)
Cash flows from investing activities		
Debt securities extended to third party	(97,350)	(392,845)
Debt securities extended to a related party	(801,757)	-
Purchase of property, plant and equipment	-	(2,750)
Investment in a joint venture	(670,000)	-
Net cash used in investing activities	(1,569,107)	(395,595)
Cash flows from financing activities		
Hire purchase interest paid	(88)	(1,571)
Proceeds from issuance of convertible redeemable bonds	2,850,000	2,850,000
Share issue expense	(30,032)	(30,193)
Repayment of finance lease liabilities	(9,255)	(21,578)
Net cash flows provided by financing activities	2,810,625	2,796,658
Net increase in cash and cash equivalents	188,546	1,441,689
Cash and cash equivalents at beginning of financial period	646,422	1,223,132
Cash and cash equivalents at end of financial period	834,968	2,664,821
List of significant non-cash transactions:		
Conversion of convertible redeemable bonds to ordinary shares (Note A)	1,977,955	2,851,674

Note A:

During the period ended 30 June 2018, the convertible redeemable bonds issued by the Company were converted into 595.83 million ordinary shares with a present value of S\$1,977,955 (with face value totaling S\$2.05 million).

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
	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	1,977,955	-	-	-	1,977,955
Share issue expense	(30,032)	-	-	-	(30,032)
Convertible redeemable bonds – equity component	-	(54,881)	-	-	(54,881)
Loss for the year, representing total comprehensive loss for the period	-	-	-	(585,909)	(585,909)
Balance at 30 June 2018	37,816,578	106,892	406	(29,638,615)	8,285,261

Balance at 1 January 2017	32,074,968	188,135	406	(27,632,021)	4,631,488
Issuance of new ordinary shares	2,851,674	-	-	-	2,851,674
Share issue expense	(30,193)	-	-	-	(30,193)
Convertible redeemable bonds – equity component	-	(3,068)	-	-	(3,068)
Loss for the year, representing total comprehensive loss for the period	-	-	-	(940,462)	(940,462)
Balance at 30 June 2017	34,896,449	185,067	406	(28,572,483)	6,509,439

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	1,977,955	-	-	1,977,955
Share issue expense	(30,032)	-	-	(30,032)
Convertible redeemable bonds – equity component	-	(54,881)	-	(54,881)
Loss for the year, representing total comprehensive loss for the period	-	-	(788,927)	(788,927)
Balance at 30 June 2018	37,816,578	106,892	(29,758,866)	8,164,604

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	2,851,674	-	-	2,851,674
Share issue expense	(30,193)	-	-	(30,193)
Convertible redeemable bonds – equity component	-	(3,068)	-	(3,068)
Loss for the year, representing total comprehensive loss for the period	-	-	(679,733)	(679,733)
Balance at 30 June 2017	34,896,449	185,067	(28,112,758)	6,968,758

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\$1,015,327 in Q2 2018 arising from conversion of convertible redeemable bonds with a face value of S\$1,050,000 into 262,500,000 conversion shares. Share capital has increased by S\$1,977,955 in HY2018 arising from conversion of convertible redeemable bonds with a face value of S\$2,050,000 into 595,833,333 conversion shares.

The number of shares that may be potentially issued on conversion of the outstanding convertible redeemable bonds of S\$977,165 (with a face value of S\$1,000,000) as at 30 June 2018 is 333,333,333 conversion shares (30 June 2017: 12,500,000 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 30 June 2018 and 31 December 2017 are 3,160,082,669 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 neither been audited nor 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		6 months ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
(Loss) 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)	(0.02)	(0.02)	(0.05)
(b) On a fully diluted basis	(0.01)	(0.02)	(0.02)	(0.05)
Weighted average number of ordinary shares outstanding for basic loss per share	2,818,187,065	2,259,853,732	2,763,052,283	1,924,470,330

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	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Net asset value per ordinary share based on issued share capital at the end of:	0.26 cents	0.27 cents	0.26 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Revenue increased to S\$180,000 during the three-month period from 1 April 2018 to 30 June 2018 (“Q2 2018”) and \$347,000 during the half-year period from 1 January 2018 to 30 June 2018 (“HY2018”) due to interest income earned on debt securities. The Group did not record any revenue for the corresponding periods in Q2 2017 and HY2017.

Other losses – net

The Group did not record other losses for Q2 2018 and HY2018. Other losses of approximately S\$10,000 in Q2 2017 and HY2017 were due mainly to the impairment loss on financial assets available-for-sale.

Other income

Other income decreased by approximately S\$1,500 or 67.0% from S\$2,200 for Q2 2017 to S\$700 for Q2 2018; and decreased by approximately S\$2,800 or 66.1% from S\$4,200 for HY2017 to S\$1,400 for HY2018. This was due to the decrease in wage credits from the Inland Revenue Authority of Singapore ("IRAS"), MOM-Special Employment credits and MOM-Temporary Employment credits received in Q2 2018 and HY2018 as compared to Q2 2017 and HY2017.

Employee benefits expense

Employee benefits expense decreased by approximately S\$12,000 or 6.8% from S\$173,000 for Q2 2017 to S\$161,000 for Q2 2018; and decreased by approximately S\$103,000 or 24.4% from S\$425,000 for HY2017 to S\$322,000 for HY2018. This was mainly due to the reduction in headcount from six employees in Q2 2017 and HY2017 to four employees in Q2 2018 and HY2018.

Finance costs

Finance costs decreased by approximately S\$1,210 or 89.1% from S\$1,360 for Q2 2017 to S\$150 for Q2 2018; and decreased by approximately S\$1,940 or 89.2% from S\$2,180 for HY2017 to S\$240 for HY2018. This was mainly due to the decreasing interest on the reducing hire purchase motor vehicle loan balance as a result of monthly repayments. The hire purchase loan was fully paid off in April 2018.

Loss before tax

Loss before tax decreased by approximately S\$255,000 or 54.2% from S\$470,000 for Q2 2017 to S\$215,000 for Q2 2018 and decreased by approximately S\$515,000 or 54.9% from S\$940,000 for HY2017 to S\$425,000 for HY2018. This was mainly due to the increase in interest income of S\$180,000 in Q2 2018 and \$347,000 in HY2018.

Income tax expense

Income tax expense increased to S\$161,000 for HY2018 due to an under-provision of prior years' income tax expense, which the Group is disputing with IRAS. The Group did not record any income tax expense for Q2 2017 and HY2017.

II) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents

Cash and cash equivalents increased by approximately S\$189,000 or 29.2% from S\$646,000 as at 31 December 2017 to S\$835,000 as at 30 June 2018. The increase was mainly due to net cash flows of S\$2.81 million generated by financing activities and partially offset by net cash flows used in operating activities and investing activities of S\$1.05 million and S\$1.57 million, respectively.

Trade receivables

Trade receivables increased by approximately S\$347,000 or 60.2% from S\$576,000 as at 31 December 2017 to S\$923,000 as at 30 June 2018. The increase was mainly due to the interest accrued on debt securities.

Debt securities

Debt securities increased by approximately S\$899,000 or 16.9% from S\$5.32 million as at 31 December 2017 to S\$6.22 million as at 30 June 2018. This was due to further drawdown of S\$802,000 on the existing facility by Tantalum Holding (Mauritius) Ltd and S\$97,000 on existing facility by Tantalus Rare Earths AG in HY2018.

Other current assets

Other current assets decreased by approximately S\$30,000 or 64.0% from S\$47,000 as at 31 December 2017 to S\$17,000 as at 30 June 2018. This was mainly due to monthly prepayments being expensed off in HY2018.

Property, plant and equipment

Property, plant and equipment decreased by approximately S\$26,000 or 13.5% from S\$190,000 as at 31 December 2017 to S\$164,000 as at 30 June 2018. The decrease was due to depreciation charges for HY2018.

Other payables

Other payables decreased by S\$180,000 or 40.1% from S\$450,000 as at 31 December 2017 to S\$269,000 as at 30 June 2018. The decrease was mainly due to payments of accrued operating expenses for FY2017 as well as payment of provision for bonus (AWS) in Q1 2018.

Convertible redeemable bonds

Convertible redeemable bonds increased by S\$927,000 or 1,848.6% from S\$50,000 as at 31 December 2017 to S\$977,000 as at 30 June 2018, due mainly to the issuance of convertible bonds in Q2 2018. The face value of the bonds, which amount to S\$1.0 million, represents a present value of S\$977,000 at an effective interest rate of 5.5% p.a.

Share capital

Share capital increased by approximately S\$1.95 million or 5.4% from S\$35.87 million as at 31 December 2017 to S\$37.80 million as at 30 June 2018. This was mainly due to the conversion of bonds with a face value of S\$2.05 million into ordinary shares during HY2018, and partially offset by share issue expense of approximately S\$30,000.

III) CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents increased by approximately S\$189,000 or 29.2% from S\$646,000 as at 31 December 2017 to S\$835,000 as at 30 June 2018. The increase was mainly due to net cash flows of S\$2.81 million generated by financing activities and partially offset by net cash flows used in operating activities and investing activities of S\$1.05 million and S\$1.57 million, respectively.

STATUS ON THE UTILISATION OF PROCEEDS RAISED FROM ISSUANCE OF CONVERTIBLE REDEEMABLE BONDS OF S\$12,000,000 AS AT 30 JUNE 2018

The Company refers to the net proceeds of approximately S\$11.10 million raised from the issuance of convertible redeemable bonds as at 30 June 2018.

As at 30 June 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	7,424*
General working capital	2,850**
Total net proceeds raised from issuance of convertible redeemable bonds	<u>10,274</u>

* Including loans provided to Tantalum Holding (Mauritius) Ltd and Tantalus Rare Earths AG of S\$1.90 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	1,309
Office and warehouse rental	268
Directors' fees	315
Professional fees (including legal, secretarial, investor relations)	238
Listing related expenses	130
Office expenses	59
Repair and maintenance	31
Insurance premiums	75
Others	425
Total	<u>2,850</u>

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.

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. The Group announced on 14 May 2018 that it is working with SHR to determine a timeline for the final two stages of investment.

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 regulatory 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.

As announced on 28 June 2018, the Group has entered into a fourth supplemental agreement to extend the acquisition's long-stop date to 31 December 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 regulatory approval.

The Group remains committed to mining rare earths, which are used for diverse applications such as specialised magnets for smartphones, electric vehicles, wind turbines and portable X-ray equipment. In July 2018, the U.S. administration imposed levies of 10% on Chinese rare earth elements and compounds as part of its ongoing trade war with the People's Republic of China ("PRC"). As the PRC is the U.S.' largest provider of rare earths and controls over 90% of production worldwide, it has the potential to disrupt the global supply chain and force buyers to seek alternative producers. The Group will continue to monitor international political and economic developments for any possible impact on rare earth production outside the PRC.

The Group announced on 3 January 2018 that its 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 specialty 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 exceeding US\$600,000 that, barring any unforeseen circumstances, should be fulfilled by Q1 2019. Given the lack of similar capabilities in the region, the Group believes this investment has good potential for growth.

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 half year ended 30 June 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 Half Year 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 second quarter and half year ended 30 June 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

13 August 2018