



FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Financial Statement and Dividend Announcement for First Quarter Ended 31 May 2020

Background

Fortress Minerals Limited (the “**Company**”) and its subsidiary companies (the “**Group**”) is a high-grade iron ore concentrate producer based in Malaysia. The Group is principally in the business of exploration, mining, production and sale of iron ore concentrates. The Group presently produces magnetite high grade iron ore concentrates mined from the East, Valley and West Deposits in its Bukit Besi Mine in Malaysia, and sells its iron ore concentrates primarily to steel mills in Malaysia and trading companies in the People’s Republic of China.

The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 27 March 2019. The initial public offering of the Company (the “**IPO**”) was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”).

For more information, please visit <https://fortress.sg>

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Three Months Ended		
	31 May 2020 US\$	31 May 2019 US\$	Change %
Revenue	7,090,357	5,841,331	21.4
Cost of sales	(2,046,256)	(1,831,673)	11.7
Gross profit	5,044,101	4,009,658	25.8
Other operating income	75,299	420,222	(82.1)
Selling and distribution expenses	(558,893)	(559,751)	(0.2)
Other operating expenses	(1,412,546)	(864,925)	63.3
Administrative expenses	(227,793)	(1,314,286)	(82.7)
Finance costs	(10,180)	(647)	1,473.4
Profit before income tax	2,909,988	1,690,271	72.2
Income tax expense	(751,644)	(599,609)	25.4
Profit for the financial period attributable to owners of the Company	2,158,344	1,090,662	97.9
<i>Other comprehensive income</i>			
<u>Item that may be reclassified subsequently to profit or loss:</u>			
Exchange differences on translating foreign operations	(500,360)	(207,435)	141.2
Other comprehensive loss for the financial period, net of tax	(500,360)	(207,435)	141.2
Total comprehensive income for the financial period attributable to owners of the Company	1,657,984	883,227	87.7

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit before income tax is stated after charging/ (crediting) the following:

	Group		
	Three Months Ended		
	31 May 2020 US\$	31 May 2019 US\$	Change %
<i>Selling and distribution expenses:</i>			
Commission expense	17,688	101,366	(82.6)
Royalty expense	310,106	245,767	26.2
Handling and transport expense	210,724	212,618	(0.9)
<i>Other operating expenses:</i>			
Upkeep of machinery	272,397	176,221	54.6
Upkeep of motor vehicles	125,282	180,590	(30.6)
<i>Administrative expenses:</i>			
Donations	7,156	8,084	(11.5)
Listing expenses	-	937,193	nm
Foreign exchange loss, net	85,990	250,619	(65.7)
<i>Other operating income:</i>			
Gain on disposal of plant and equipment	3,312	-	nm
Sales of semi-processed iron ore	-	354,103	nm

nm – not meaningful

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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 May 2020 US\$	29 February 2020 US\$	31 May 2020 US\$	29 February 2020 US\$
ASSETS				
Non-current assets				
Investment in subsidiaries	-	-	11,405,647	11,405,647
Exploration and evaluation assets	2,329,110	2,321,853	-	-
Mining properties	6,099,507	6,343,918	-	-
Plant and equipment	12,974,838	13,498,301	-	-
Right-of-use assets	439,628	529,741	-	-
	<u>21,843,083</u>	<u>22,693,813</u>	<u>11,405,647</u>	<u>11,405,647</u>
Current assets				
Inventories	716,584	864,727	-	-
Trade receivables	5,129,685	3,393,708	-	-
Other receivables, deposits and prepayments	2,215,756	2,141,848	-	-
Amounts due from subsidiaries	-	-	5,247,739	4,346,240
Cash and bank balances	9,488,139	10,242,507	6,806,193	7,807,721
	<u>17,550,164</u>	<u>16,642,790</u>	<u>12,053,932</u>	<u>12,153,961</u>
Total assets	<u>39,393,247</u>	<u>39,336,603</u>	<u>23,459,579</u>	<u>23,559,608</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	22,463,273	22,463,273	22,463,273	22,463,273
Other reserves	(4,116,171)	(3,615,811)	-	-
Retained earnings	12,886,356	10,728,012	878,506	1,034,422
Total equity	<u>31,233,458</u>	<u>29,575,474</u>	<u>23,341,779</u>	<u>23,497,695</u>
Non-current liabilities				
Bank borrowings	23,847	34,359	-	-
Lease liabilities	55,112	150,456	-	-
Deferred tax liabilities	1,446,796	1,466,788	-	-
	<u>1,525,755</u>	<u>1,651,603</u>	<u>-</u>	<u>-</u>
Current liabilities				
Bank borrowings	37,418	37,983	-	-
Lease liabilities	453,269	393,553	-	-
Trade payables	194,541	377,755	-	-
Other payables and accruals	3,284,434	2,550,341	106,604	52,162
Amounts due to shareholders	2,414,339	4,495,457	-	-
Current income tax payable	250,033	254,437	11,196	9,751
	<u>6,634,034</u>	<u>8,109,526</u>	<u>117,800</u>	<u>61,913</u>
Total liabilities	<u>8,159,789</u>	<u>9,761,129</u>	<u>117,800</u>	<u>61,913</u>
Total equity and liabilities	<u>39,393,247</u>	<u>39,336,603</u>	<u>23,459,579</u>	<u>23,559,608</u>

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

Amount repayable in one year or less, or on demand

As at 31 May 2020		As at 29 February 2020	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
37,418	2,867,608	37,983	4,889,010

Amount repayable after one year

As at 31 May 2020		As at 29 February 2020	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
23,847	55,112	34,359	150,456

Details of any collateral

The Group's secured borrowings as at 31 May 2020 and 29 February 2020 comprised bank borrowings which are secured over the Group's motor vehicles. The net carrying amounts of the motor vehicles as at 31 May 2020 amounted to US\$0.2 million (29 February 2020: US\$0.1 million).

The Group's unsecured borrowings as at 31 May 2020 and 29 February 2020 comprised interest free amounts due to shareholders and lease liabilities.

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

	Group	
	Three Months Ended	
	31 May	31 May
	2020	2019
	US\$	US\$
Operating activities		
Profit before income tax	2,909,988	1,690,271
Adjustments for:		
Amortisation of mining properties	63,307	103,502
Depreciation of plant and equipment	523,344	6,388
Depreciation of right-of-use assets	82,089	4,460
Gain on disposal of plant and equipment	(3,312)	-
Interest expenses	10,180	647
Interest income	(28,691)	(867)
Share-based payment expenses	-	786,946
Unrealised foreign exchange (gain)/loss	(11,161)	111,624
	<u>3,545,744</u>	<u>2,702,971</u>
Operating cash flow before working capital changes		
Working capital changes:		
Inventories	137,065	302,735
Trade and other receivables	(1,846,615)	(2,896,413)
Trade and other payables	501,052	(135,407)
	<u>2,337,246</u>	<u>(26,114)</u>
Cash generated from/(used in) operations		
Income tax paid	(731,525)	(463,993)
Income tax refunded	586	-
	<u>1,606,307</u>	<u>(490,107)</u>
Net cash flow from/(used in) operating activities		
Investing activities		
Additions of exploration and evaluation assets	(55,390)	(329,782)
Additions of plant and equipment	(271,884)	(1,374,121)
Proceeds from disposal of plant and equipment	16,937	-
Interest received	28,691	867
	<u>(281,646)</u>	<u>(1,703,036)</u>
Net cash flow used in investing activities		
Financing activities		
Interest paid	(10,180)	(647)
Repayments of bank borrowings	(9,039)	-
Repayments of lease liabilities	(45,150)	(4,740)
Repayments to shareholders	(1,954,466)	-
Proceeds from issuance of new ordinary shares	-	11,098,500
Shares issue expenses	-	(586,762)
Dividend paid	-	(591,920)
	<u>(2,018,835)</u>	<u>9,914,431</u>
Net cash flow (used in)/from financing activities		
Net change in cash and cash equivalents	(694,174)	7,721,288
Effects of exchange rate changes on cash and cash equivalents	(60,194)	(953)
Cash and cash equivalents at beginning of financial period	10,242,507	2,129,428
Cash and cash equivalents at end of financial period	<u>9,488,139</u>	<u>9,849,763</u>

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.

<u>Group</u>	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Merger reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 1 March 2020	22,463,273	383,615	(433,450)	(3,565,976)	10,728,012	29,575,474
Profit for the financial period	-	-	-	-	2,158,344	2,158,344
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	-	-	(500,360)	-	-	(500,360)
Other comprehensive loss for the financial period, net of tax	-	-	(500,360)	-	-	(500,360)
Total comprehensive income for the financial period	-	-	(500,360)	-	2,158,344	1,657,984
Balance at 31 May 2020	<u>22,463,273</u>	<u>383,615</u>	<u>(933,810)</u>	<u>(3,565,976)</u>	<u>12,886,356</u>	<u>31,233,458</u>

Group	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Merger reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 1 March 2019 ⁽¹⁾	268,407	383,615	134,264	-	5,562,386	6,348,672
Profit for the financial period	-	-	-	-	1,090,662	1,090,662
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	(207,435)	-	-	(207,435)
Other comprehensive loss for the financial period, net of tax	-	-	(207,435)	-	-	(207,435)
Total comprehensive income for the financial period	-	-	(207,435)	-	1,090,662	883,227
Contributions by and distributions to owners						
Issue of shares to owners pursuant to the restructuring exercise ⁽²⁾	10,896,182	-	-	(3,565,976)	-	7,330,206
Issue of shares pursuant to an initial public offering exercise ⁽²⁾	12,024,083	-	-	-	-	12,024,083
Shares issue expenses	(725,399)	-	-	-	-	(725,399)
Dividend declared and paid	-	-	-	-	(591,920)	(591,920)
Total transactions with owners	22,194,866	-	-	(3,565,976)	(591,920)	18,036,970
Balance at 31 May 2019	22,463,273	383,615	(73,171)	(3,565,976)	6,061,128	25,268,869

(1) The share capital of the Group as at 1 March 2019 represents the aggregated value of the issued and fully paid-up share capital of Fortress Minerals Limited, Fortress Resources Pte. Ltd. and Fortress Mining Sdn. Bhd.

(2) The Group was formed pursuant to a restructuring exercise (the “**Restructuring Exercise**”) prior to its initial public offering and listing on the Catalist of the SGX-ST on 27 March 2019. The Restructuring Exercise was completed on 8 March 2019.

<u>Company</u>	Share capital US\$	Retained earnings US\$	Total equity US\$
Balance at 1 March 2020	22,463,273	1,034,422	23,497,695
Loss for the financial period representing total comprehensive loss for the financial period	-	(155,916)	(155,916)
Balance at 31 May 2020	<u>22,463,273</u>	<u>878,506</u>	<u>23,341,779</u>

<u>Company</u>	Share capital US\$	(Accumulated losses)/ Retained earnings US\$	(Total deficit)/ Total equity US\$
Balance at 1 March 2019	734	(1,073,155)	(1,072,421)
Profit for the financial period representing total comprehensive income for the financial period	-	1,246,654	1,246,654
Contributions by and distributions to owners			
Issue of shares to owners pursuant to the restructuring exercise	11,163,855	-	11,163,855
Issue of shares pursuant to an initial public offering exercise	12,024,083	-	12,024,072
Shares issue expenses	(725,399)	-	(725,399)
Total transactions with owners	22,462,539	-	22,462,539
Balance at 31 May 2019	<u>22,463,273</u>	<u>173,499</u>	<u>22,636,772</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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

There was no change in the issued and paid-up share capital of the Company from 29 February 2020 up to 31 May 2020. The Company's share capital was US\$22,463,273 comprising 500,000,000 shares as at 31 May 2020 and 29 February 2020.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 31 May 2020 and 31 May 2019.

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.

Company	
As at 31 May 2020	As at 29 February 2020

Total number of issued shares excluding treasury shares	500,000,000	500,000,000
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The Company did not have any treasury shares as at 31 May 2020 and 29 February 2020.

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

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

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 Company's auditors.

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion (This is not required for any audit issue that is a material uncertainty relating to going concern). –

(a) Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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 disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the audited consolidated financial statements for the financial year ended 29 February 2020.

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 and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 29 February 2020, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 March 2020 as follows:

Definition of a Business

Definition of Material

Interest Rate Benchmark Reform

Insurance Contracts

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to References to the Conceptual Framework in SFRS(I) Standards

COVID-19 – Related Rent Concessions
Classification of Liabilities as Current or Non-current

The above new SFRS(I)s, interpretations, and amendments to SFRS(I)s are not expected to have a significant impact on the Group’s consolidated financial statements and of the Company’s statement of financial position.

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.

- (a) Based on the weighted average number of ordinary shares in issue; and**
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Group	
	Three months ended	
Earnings per ordinary share (“EPS”)	31 May 2020	31 May 2019
Net profit attributable to owners of the Company (US\$)	2,158,344	1,090,662
Weighted average number of ordinary shares	500,000,000	478,328,804
Basic and fully diluted EPS (US cents)	0.43	0.23

The basic and diluted EPS are the same as the Company and the Group did not have any potentially dilutive instruments for the respective financial periods.

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 May 2020 (Unaudited)	29 February 2020 (Audited)	31 May 2020 (Unaudited)	29 February 2020 (Audited)
Net asset value (“NAV”) (US\$)	31,233,458	29,575,474	23,341,779	23,497,695
Total number of issued shares excluding treasury shares	500,000,000	500,000,000	500,000,000	500,000,000
NAV per Share (US cents)	6.25	5.92	4.67	4.70

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

Revenue

	1Q FY2021	1Q FY2020	Increase/ (Decrease) (%)
Sold (DMT*)	74,661	55,552	34.4
Revenue realised ⁽¹⁾ (US\$)	7,090,357	5,737,945	23.6
Average realised selling price (US\$/DMT)	94.97	103.29	(8.1)

* DMT denotes Dry Metric Tonnes

⁽¹⁾ Excluding effect of foreign exchange and transportation income

Despite having to cease all business activities from 18 March 2020 to 28 April 2020 due to the nationwide imposition of COVID-19 related movement control order ("MCO") in Malaysia, the Group sold 74,661 DMT of high-grade iron ore concentrate in the three months financial period ended 31 May 2020 ("1Q FY2021"), representing an increase of 19,109 DMT or 34.4% as compared to the 55,552 DMT sold in the three months financial period ended 31 May 2019 ("1Q FY2020"). Demand for the group's products from local steel mills remained strong throughout the quarter.

However, fluctuations in the IODEX 65% Fe CFR North China of Platts Daily Iron Ore Assessments price indices in 1Q FY2021 lowered the Group's average realised selling price by 8.1% from US\$103.29/DMT in 1Q FY2020 to US\$94.97/DMT in 1Q FY2021.

Cost of sales

	1Q FY2021	1Q FY2020	Increase/ (Decrease) (%)
Sold (WMT*)	82,256	61,386	34.0
Cost of sales (US\$)	2,046,256	1,831,673	11.7
Average unit cost of sales (US\$/WMT)	24.88	29.84	(16.6)

* WMT denotes Wet Metric Tonnes

The Group's trimmed average unit costs by 16.6% or US\$4.96/WMT from US\$29.84/WMT in 1Q FY2020 to US\$24.88/WMT in 1Q FY2021 primarily by achieving improved economies of scale through higher production volume.

Gross profit and gross profit margin

During 1Q FY2021, the Group realised a gross profit of approximately US\$5.0 million as compared to approximately US\$4.0 million in 1Q FY2020, reflecting an increase of approximately US\$1.0 million or 25.8%. Gross profit margin increased by 2.5% from 68.6% in 1Q FY2020 to 71.1% in 1Q FY2021.

The increase in both gross profit and gross profit margin are mainly driven by a higher sale volume and a lower average unit cost of sales achieved in 1Q FY2021.

Other operating income

In 1Q FY2021, our Group's other operating comprise mainly of interest income earned from funds placed with financial institutions. The overall decrease of US\$0.3 million in 1Q FY2021 was due to the absence of a one-off sale of semi-processed iron ore of US\$0.4 million generated during 1Q FY2020 which was offset by an increase in interest income of US\$27,824.

Other operating expenses

The Group's other operating expenses comprise mainly of employee benefits expenses and plants maintenance expenses. Other operating expenses increased by US\$0.5 million from US\$0.9 million in 1Q FY2020 to US\$1.4 million in 1Q FY2021.

The increase was primarily due to the continuous payout of employees' payroll expenses for our daily remunerated site workers as mandated by the Malaysian Government, throughout the temporary cessation of business brought about by the MCO. An increase in plant maintenance expense by US\$40,868 which is in line with the productivity resumption in our Bukit Besi Mine partially contributed to the increase in other operating expenses.

Administrative expense

Administrative expenses decreased by US\$1.1 million from US\$1.3 million in 1Q FY2020 to US\$0.2 million in 1Q FY2021. Administrative expenses comprise mainly of miscellaneous expenses incurred to provide general business support activity and foreign exchange loss.

The decrease is mainly attributable to following:

- (i) absence of one-off listing expenses in 1Q FY2021. During 1Q FY2020 an amount of US\$0.9 million was incurred as listing expenses; and
- (ii) decrease in realised foreign exchange loss by US\$0.2 million driven by overall fluctuations of SGD against USD on SGD-denominated banks balances.

Income tax expense

Income tax expense increased from US\$0.6 million in 1Q FY2020 to US\$0.8 million in 1Q FY2021, with an effective tax rate of 25.8% for 1Q FY2021.

The increase in 1Q FY2021 is in line with the increase in profit before income tax generated during the quarter under review.

The Group's effective tax rate of 25.8% in FY2021 was higher than the applicable tax rate due to certain expenses which are non-tax deductible.

Profit after income tax

In 1Q FY2021, our Group's profit after income tax increase by US\$1.1 million or 97.9% to US\$2.2 million from US\$1.1 million in 1Q FY2020 as a result of the aforementioned.

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The comparative performance of the assets and liabilities listed below is based on the financial statements as at 31 May 2020 and 29 February 2020.

Non-current assets

Non-current assets comprise exploration and evaluation assets, mining properties, plant and equipment and right-of-use assets. The Group's non-current assets decreased by US\$0.9 million from US\$22.7 million as at 29 February 2020 to US\$21.8 million as at 31 May 2020.

Exploration and evaluation assets remained at US\$2.3 million as at 31 May 2020 as minimal exploration activities were undertaken during the quarter under review.

Mining properties had reduced by US\$0.2 million from US\$6.3 million as at 29 February 2020 to US\$6.1 million as at 31 May 2020 primarily due to annual amortisation.

Plant and equipment decreased by US\$0.5 million (net of depreciation charge of US\$0.5 million and effect on exchange rate changes of US\$0.5 million) to US\$12.9 million as at 31 May 2020 from US\$13.5 million as at 29 February 2020. The decrease was primarily due to annual depreciation charges effect which was partially compensated by the addition of new plant and equipment.

Right-of-use assets at the Group level refers to the leases of office, hostels premises and machineries for use at our Bukit Besi mine.

Current assets

As at 31 May 2020, our Group's current assets strengthened by US\$1.0 million to US\$17.6 million as compared to US\$16.6 million as at 29 February 2020.

The increase was primarily attributed to an increase in trade receivables by US\$1.7 million which is in line with the increase in sales and was partially offset by the following:

- (i) decrease in inventories by US\$0.1 million driven by an increase in inventory traffic on production and consumable inventories as a result from higher sales volume achieved coupled with resumption of operational efficiency; and
- (ii) decrease in cash and banks balances by US\$0.8 million which was primarily due to increase in trade receivables balances coupled with prompt debts repayments to shareholders, borrowings and payables.

Non-current liabilities

As at 31 May 2020, our Group's non-current liabilities decreased marginally by US\$0.1 million to US\$1.5 million from US\$1.6 million as at 29 February 2020 due to our scheduled repayments of debts instruments on bank borrowings and lease liabilities.

Current liabilities

As at 31 May 2020, our Group's current liabilities decreased by US\$1.5 million from US\$8.1 million as at 29 February 2020 to US\$6.6 million.

The decrease was primarily due to our scheduled repayments to shareholders and settlements of trade payables amounting to US\$2.0 million and US\$0.2 million respectively which was partially offset by an increase in other payables and accruals by US\$0.7 million due to the resumption of production towards the end of 1Q FY2021 which resulted in the normalisation of business expenditures to its ordinary business capacity.

Working capital

Consequent to our Group's profitability and positive net operating cashflow as at 31 May 2020, our Group recorded a positive working capital position of US\$10.9 million as at 31 May 2020 as compared to US\$8.5 million as at 29 February 2020.

Statements of Cash Flow

In 1Q FY2021, our Group recorded US\$1.6 million in net cash generated from operating activities as compared to the net cash used of US\$0.5 million in 1Q FY2020. The change of US\$2.1 million was driven by an increase in operating profit before working capital changes of US\$1.2 million, adjusted for working capital outflows of US\$1.2 million.

In 1Q FY2021, our Group used a net US\$0.3 million in investing activities as compared to the net cash flow used of US\$1.7 million in 1Q FY2020. The Group incurred an aggregate cost of US\$0.3 million on exploration and evaluation assets as well as plant and equipment at our Bukit Besi mine as compared to US\$1.7 million during 1Q FY2020 following the commissioning of certain machineries during the quarter under review.

In 1Q FY2021, the Group used a net US\$2.0 million in financing activities as compared to a net cash flow generated amounting to US\$9.9 million in 1Q FY2020. The decrease of US\$11.9 million was primarily attributable to the:

- (i) Absence of a one-off receipt of US\$10.5 million of net proceeds from issuance of ordinary shares following the Company's listing on the Catalist board of the SGX-ST in 1Q FY2020; and
- (ii) Prompt repayments of debts instruments on bank borrowings, lease liabilities and to shareholders aggregating to US\$2.0 million to reduce the Group's overall net debt position in order to reinforce liquidity and working capital.

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

There was no forecast or prospect statement previously disclosed to shareholders.

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.

Our Group's mining, processing and business activities have returned to normalcy since 29 April 2020. The Group had implemented new protocols for our people and is taking a range of measures to keep our environment safe such as social distancing and boosting cleaning and sanitising regime.

As majority of our operational staff are from the local community in Bukit Besi, the Group faced minimal supply disruption constraints during the resumption of its operations as the production assembly line can be synchronised efficiently by our proximity labour workforce. The Group has been continuing to deliver products to our domestic steel mills customers.

Going forward, our Group remains cautiously optimistic as the iron ore market remains volatile. The management has considered the uncertainties and challenges arising from the COVID-19 pandemic and assessed the impact of the outbreak on its operations, and is of the view that adequate funds are available for the Group's operating requirements and meeting its debt obligations. Our customer order books remain healthy and the Group continues to monitor the credit quality of our customers to ensure the recoverability of the receivables.

The Group continues to seek opportunities through acquisitions, joint ventures and/or provide mining contracting services both in Malaysia and in the region.

11. Dividend

- a) **Current financial period reported on:** Any dividend declared 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?

Yes.

Dividend declared and paid in 1Q FY2020 is as follows:

Name of dividend	First interim dividend
Dividend type	Cash
Dividend amount per share	S\$0.0016 per ordinary share
Tax rate	Tax exempt one tier

- c) **Whether the dividend is before tax, net of tax or tax exempt**

Not applicable.

- d) **Date payable**

Not applicable.

- e) **Date on which Registrable Transfers received by the Company will be registered before entitlements to the dividend are determined**

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended during 1Q FY2021 for the Group to strengthen its working capital position.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs. In 1Q FY2021, there were no interested person transactions of S\$100,000 and above.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that undertakings have been procured from the Board of Directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

15. Use of proceeds pursuant to Rule 704(30)

As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:

Use of proceeds	Amount allocated	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
Further development of our Bukit Besi mine, including continuing and future exploration and geology work, as well as expansion of iron ore processing capacities.	7,000	(124) ⁽¹⁾	6,876
Acquisition, joint venture and/or development of new mines	2,000	-	2,000
General working capital purposes	3,500	(3,500) ⁽²⁾	-
Total	12,500	(3,624)	8,876

⁽¹⁾ utilised for payment of exploration and geology work.

⁽²⁾ utilised for payment of operating expenses, employee benefit expenses and taxes.

The above utilisation of the IPO proceeds is in accordance with the intended use as stated in the Company's offer document dated 19 March 2019 in relation to the initial public offering of the Company on the Catalist of the Singapore Stock Exchange Securities Trading Limited.

At the appropriate juncture, our Group will deploy the remaining IPO proceeds as the Group intends to acquire, enter into joint venture and/or develop new mines as and when the opportunity arises. Pending such deployment, funds have been placed in interest bearing deposits with licenced banks in Singapore.

The Company will make periodic announcements on the utilisation of the proceeds from the IPO as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its quarterly and full year financial statements.

16. Use of funds/cash by mineral, oil and gas companies pursuant to Rule 705(6)

i. Use of funds/cash for the quarter: -

During 1Q FY2021, funds/cash was mainly used for the following production activities, as compared to the projections: -

Purpose	Amount (US\$ million)	
	Actual	Projected
Exploration and evaluation activities	0.01	0.10
Cost of sales	2.05	1.79
Selling and distribution costs	0.56	0.20
Total	2.62	2.09

During 1Q FY2021, our Group utilised an additional US\$0.5 million of funds in our production activities which is in line with the unanticipated higher production and sales volume during the quarter under review. The Group utilised less than planned funds in exploration and evaluation activities as such activities were impacted by the nationwide imposition of MCO by the Malaysian Government.

ii. Projection on the use of funds/cash for the next immediate quarter, including material assumptions: -

Purpose	Amount (US\$ million)
Exploration and evaluation activities	0.10
Cost of sales	2.41
Selling and distribution costs	0.67
Total	3.18

Our Group will continue to carry out exploration and evaluation activities at its East, Valley and West Deposits during the second quarter of FY2021 (“2Q FY2021”). Exploration and evaluation expenses expected to be incurred is as tabulated above.

17. Negative Confirmation by the Board pursuant to Rule 705(6)(b) of Catalist Listing Manual.

The Board confirms that to the best of their knowledge, nothing has come to their attention which may render the above information provided to be false or misleading in any material aspect.

- 18. Pursuant to Rule 705(7) - Details of exploration (including geophysical surveys), development and/or production activities undertaken by the issuer and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.**

Our Group's exploration, mining and processing activities at Bukit Besi mine have returned to normalcy since 29 April 2020.

All intended and planned exploration and evaluation activities including ground and airborne geological survey, sampling, exploration and laboratory assay activities are continuing as scheduled.

Cost incurred for these exploration and evaluation activities are as tabulated in Section 16 above.

- 19. Negative confirmation by the Board pursuant to Rule 705(5)**

To the best of the Board of Directors' knowledge, nothing has come to their attention which may render the unaudited financial results for 1Q FY2021 to be false or misleading in any material aspect.

- 20. PART III – ADDITIONAL INFORMATION REQUIRED PURSUANT TO CATALIST RULE 706A**

Not applicable. There is no information pursuant to Catalist Rule 706A to be disclosed for 1Q FY2021.

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**BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED**

Dato' Sri Ivan Chee
Chief Executive Officer
8 July 2020

Fortress Minerals Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 27 March 2019. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

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