



# FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

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## Unaudited Financial Statement and Dividend Announcement for the Third Quarter Ended 30 November 2019 (“3Q FY2020”)

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### Background

Fortress Minerals Limited (the “**Company**”) was incorporated in Singapore on 13 November 2017 under the Companies Act (Chapter 50) of Singapore as a private company limited by shares under the name of “Fortress Minerals Pte. Ltd.”. The Company was converted into a public company and renamed “Fortress Minerals Limited” on 20 February 2019. The Company and its subsidiaries (the “**Group**”) were formed pursuant to a restructuring exercise (the “**Restructuring Exercise**”) prior to its initial public offering (“**IPO**”) and listing on the Catalist of the SGX-ST on 27 March 2019. The Restructuring Exercise was completed on 8 March 2019. Please refer to the Company’s Offer Document dated 19 March 2019 (the “**Offer Document**”) for further details on the Restructuring Exercise.

The combined financial statements of the Group are a combination or aggregation of the financial statements of the Company and its subsidiaries which are under common control. The combined financial statements of the Group for the financial period ended 30 November 2018 and financial year ended 28 February 2019 of the Group have been prepared in a manner similar to the “pooling-of-interest” method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiaries relationship was not established until after the Company formally acquired the share capital of the subsidiaries subsequent to the financial year ended 28 February 2019.

**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.**

	<b>Group</b>			<b>Group</b>		
	<b>Three Months Ended</b>			<b>Nine Months Ended</b>		
	<b>30 November 2019 US\$</b>	<b>30 November 2018 US\$</b>	<b>Change %</b>	<b>30 November 2019 US\$</b>	<b>30 November 2018 US\$</b>	<b>Change %</b>
Revenue	4,106,485	3,331,085	23.3	17,730,501	9,903,129	79.0
Cost of sales	(1,738,491)	(1,572,036)	10.6	(5,952,009)	(4,228,205)	40.8
Gross profit	2,367,994	1,759,049	34.6	11,778,492	5,674,924	107.6
Other operating income	296,922	79	375,750.6	594,053	1,988,921	(70.1)
Selling and distribution expenses	(365,845)	(1,048,058)	(65.1)	(1,420,061)	(3,262,059)	(56.5)
Other operating expenses	(1,265,692)	(576,528)	119.5	(3,119,117)	(1,180,963)	164.1
Administrative expenses	(122,178)	(280,830)	(56.5)	(1,553,424)	(624,412)	148.8
Finance costs	(13,107)	-	nm	(30,969)	(738)	4,096.3
Profit/(Loss) before income tax	898,094	(146,288)	nm	6,248,974	2,595,673	140.7
Income tax expense	(146,943)	(994)	14,683.0	(1,889,190)	(735,487)	156.9
<b>Profit/ (Loss) for the financial period attributable to owners of the Company</b>	<b>751,151</b>	<b>(147,282)</b>	<b>nm</b>	<b>4,359,784</b>	<b>1,860,186</b>	<b>134.4</b>
<i>Other comprehensive income</i>						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Exchange differences on translating foreign operations	123,130	(16,713)	nm	(182,520)	(181,185)	0.7
Other comprehensive income/ (loss) for the financial period, net of tax	123,130	(16,713)	nm	(182,520)	(181,185)	0.7
<b>Total comprehensive income/ (loss) for the financial period attributable to owners of the Company</b>	<b>874,281</b>	<b>(163,995)</b>	<b>nm</b>	<b>4,177,264</b>	<b>1,679,001</b>	<b>148.8</b>

nm – not meaningful

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

Profit/ (Loss) before taxation is stated after charging/ (crediting) the following:

	Group			Group		
	Three Months Ended			Nine Months Ended		
	30 November 2019 US\$	30 November 2018 US\$	Change %	30 November 2019 US\$	30 November 2018 US\$	Change %
<i>Selling and distribution expenses:</i>						
Commission expense	44,474	1,877	2,269.4	196,909	38,411	412.6
Royalty expense	213,766	158,853	34.6	806,449	641,703	25.7
Handling and transport expense	32,930	313,546	(89.5)	340,375	937,453	(63.7)
Ocean freight	-	478,670	nm	-	1,618,030	nm
<i>Other operating expenses:</i>						
Upkeep of machinery	276,025	178,725	54.4	780,118	458,605	70.1
Upkeep of motor vehicles	181,961	161,463	12.7	512,228	172,163	197.5
<i>Administrative expenses:</i>						
Donations	-	-	nm	14,405	15,680	(8.1)
Listing expenses	-	230,167	nm	937,193	406,731	130.4
Foreign exchange loss, net	-	16,371	nm	126,324	90,960	38.9
Loss on disposal of plant and equipment	781	-	nm	3,590	1,435	150.2
<i>Other operating income:</i>						
Foreign exchange gain, net	(238,570)	-	nm	-	-	nm
Proceed from sales of iron ore	-	-	nm	(354,103)	(2,041,317)	(82.7)

*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	
	30 November 2019 US\$	28 February 2019 US\$	30 November 2019 US\$	28 February 2019 US\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	3,833,650	1
Exploration and evaluation asset	2,375,111	403,005	-	-
Mining properties	6,538,708	6,973,060	-	-
Plant and equipment	13,609,058	11,365,523	-	-
Right-of-use assets	632,569	-	-	-
	<u>23,155,446</u>	<u>18,741,588</u>	<u>3,833,650</u>	<u>1</u>
<b>Current assets</b>				
Inventories	576,017	438,908	-	-
Trade receivables	1,439,497	2,097,620	-	-
Other receivables, deposits and prepayments	959,704	1,672,938	-	-
Amount due by a subsidiary	-	-	9,530,706	-
Cash and bank balances	12,506,943	2,129,428	9,462,404	6,388
	<u>15,482,161</u>	<u>6,338,894</u>	<u>18,993,110</u>	<u>6,388</u>
<b>Total assets</b>	<u>38,637,607</u>	<u>25,080,482</u>	<u>22,826,760</u>	<u>6,389</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	22,463,273	268,407	22,463,273	734
Other reserves	(3,230,617)	517,879	-	-
Retained earnings/ (Accumulated losses)	8,590,350	5,562,386	310,217	(1,073,155)
<b>Total equity/ (total deficit)</b>	<u>27,823,006</u>	<u>6,348,672</u>	<u>22,773,490</u>	<u>(1,072,421)</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	1,321,912	504,898	-	-
Amounts due to shareholders	6,353,404	15,721,339	-	-
Borrowings	44,635	-	-	-
Lease liabilities	455,212	-	-	-
	<u>8,175,163</u>	<u>16,226,237</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Borrowings	37,962	-	-	-
Lease liabilities	189,244	-	-	-
Trade payables	317,305	256,797	-	-
Other payables and accruals	1,752,702	1,960,382	46,023	359,567
Amount due to a related party	-	-	-	719,243
Current tax liabilities	342,225	288,394	7,247	-
	<u>2,639,438</u>	<u>2,505,573</u>	<u>53,270</u>	<u>1,078,810</u>
<b>Total liabilities</b>	<u>10,814,601</u>	<u>18,731,810</u>	<u>53,270</u>	<u>1,078,810</u>
<b>Total equity and liabilities</b>	<u>38,637,607</u>	<u>25,080,482</u>	<u>22,826,760</u>	<u>6,389</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 30 November 2019		As at 28 February 2019	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
37,962	189,244	-	-

**Amount repayable after one year**

As at 30 November 2019		As at 28 February 2019	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
44,635	6,808,616	-	15,721,339

**Details of any collateral**

The Group's secured borrowings as at 30 November 2019 comprised hire purchase payables, which are secured over the Group's motor vehicles. The net carrying amounts of the motor vehicles as at 30 November 2019 amounted to US\$0.1 million (28 February 2019: US\$ Nil).

The Group's unsecured borrowings as at 30 November 2019 comprise interest free amounts owing to shareholders and lease liabilities.

The Group's unsecured borrowings as at 28 February 2019 comprise interest free amounts owing to shareholders.

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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		Group Nine Months Ended	
	30 November 2019 US\$	30 November 2018 US\$	30 November 2019 US\$	30 November 2018 US\$
<b>Operating activities</b>				
Profit/ (Loss) before income tax	898,094	(146,288)	6,248,974	2,595,673
Adjustments for:				
Amortisation of mining properties	74,115	81,714	268,230	225,926
Depreciation of plant and equipment	1,861	525	4,456	2,519
Depreciation of right-of-use assets	99,687	-	217,764	-
Interest expenses	13,107	-	30,969	738
Interest income	(50,071)	-	(110,172)	(221)
Issue of shares in satisfaction of professional fees	-	-	786,946	-
Loss on disposal of plant and equipment	781	-	3,590	1,435
Plant and equipment written off	-	-	849	-
Unrealised foreign exchange loss	7,049	63,005	236,372	215
<b>Operating cash flow before working capital changes</b>	<b>1,044,623</b>	<b>(1,044)</b>	<b>7,687,978</b>	<b>2,826,285</b>
Working capital changes:				
Inventories	553,063	(409,153)	1,257,591	(1,491,609)
Trade and other receivables	972,469	(439,185)	1,320,746	(332,800)
Trade and other payables	(715,806)	408,081	(21,644)	285,332
<b>Cash generated from/ (used in) operations</b>	<b>1,854,349</b>	<b>(441,301)</b>	<b>10,244,671</b>	<b>1,287,208</b>
Income tax paid	(268,949)	(53,682)	(1,005,347)	(173,711)
<b>Net cash flow generated from/ (used in) operating activities</b>	<b>1,585,400</b>	<b>(494,983)</b>	<b>9,239,324</b>	<b>1,113,497</b>
<b>Investing activities</b>				
Additions of exploration and evaluation assets	(851,714)	-	(1,988,150)	-
Additions of mining properties	-	(1,594)	-	(664,456)
Additions of plant and equipment	(1,091,765)	(308,796)	(3,976,139)	(2,354,816)
Proceeds of disposal of plant and equipment	30,137	-	52,218	36,202
Interest received	50,071	-	110,172	221
<b>Net cash flow used in investing activities</b>	<b>(1,863,271)</b>	<b>(310,390)</b>	<b>(5,801,899)</b>	<b>(2,982,849)</b>
<b>Financing activities</b>				
Interest paid	(13,107)	-	(30,969)	(738)
(Repayments to)/ Advances from shareholders	(1,835,348)	-	(1,835,348)	2,288,693
Repayments of lease liabilities	(95,246)	-	(205,877)	-
Net drawdown/ (repayments) of borrowings	11,873	-	82,596	(22,559)
Dividends paid	(739,900)	-	(1,331,820)	-
Proceeds from issuance of ordinary shares	-	-	11,098,500	733
Shares issue expenses	-	-	(550,117)	-
<b>Net cash flow (used in)/ generated from financing activities</b>	<b>(2,671,728)</b>	<b>-</b>	<b>7,226,965</b>	<b>2,266,129</b>
Net change in cash and cash equivalents	(2,949,599)	(805,373)	10,664,390	396,777
Effects of exchange rate changes on cash and cash equivalents	19,125	1,006	(286,875)	(2,922)
Cash and cash equivalents at beginning of financial period	15,437,417	1,239,178	2,129,428	40,956
Cash and cash equivalents at end of financial period	12,506,943	434,811	12,506,943	434,811

**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\$
<b>Balance at 1 March 2019 *</b>	<b>268,407</b>	<b>383,615</b>	<b>134,264</b>	-	<b>5,562,386</b>	<b>6,348,672</b>
<b>Profit for the financial period</b>	-	-	-	-	1,090,662	1,090,662
<u>Other comprehensive income</u>						
Exchange difference on translating foreign operation	-	-	(207,435)	-	-	(207,435)
Other comprehensive loss for the financial period, net of tax	-	-	(207,435)	-	-	(207,435)
<b>Total comprehensive income for the financial period</b>	-	-	(207,435)	-	1,090,662	883,227
<b>Contributions by and distributions to owners</b>						
Issue of shares to owners pursuant to the restructuring exercise	10,896,182	-	-	(3,565,976)	-	7,330,206
Issue of shares in satisfaction of professional fees	925,583	-	-	-	-	925,583
Issue of placement shares	11,098,500	-	-	-	-	11,098,500
Share issue expense	(725,399)	-	-	-	-	(725,399)
FY2020 First interim dividends declared and paid	-	-	-	-	(591,920)	(591,920)
<b>Total transactions with owners</b>	<b>22,194,866</b>	-	-	<b>(3,565,976)</b>	<b>(591,920)</b>	<b>18,036,970</b>
<b>Balance at 31 May 2019</b>	<b>22,463,273</b>	<b>383,615</b>	<b>(73,171)</b>	<b>(3,565,976)</b>	<b>6,061,128</b>	<b>25,268,869</b>
<b>Profit for the financial period</b>	-	-	-	-	2,517,971	2,517,971
<u>Other comprehensive income</u>						
Exchange difference on translating foreign operation	-	-	(98,215)	-	-	(98,215)
Other comprehensive loss for the financial period, net of tax	-	-	(98,215)	-	-	(98,215)
<b>Total comprehensive income for the financial period</b>	-	-	(98,215)	-	2,517,971	2,419,756
<b>Balance at 31 August 2019</b>	<b>22,463,273</b>	<b>383,615</b>	<b>(171,386)</b>	<b>(3,565,976)</b>	<b>8,579,099</b>	<b>27,688,625</b>

<u>Group</u>	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Merger reserve US\$	Retained earnings US\$	Total equity US\$
<b>Balance at 1 September 2019</b>	22,463,273	383,615	(171,386)	(3,565,976)	8,579,099	27,688,625
<b>Profit for the financial period</b>	-	-	-	-	751,151	751,151
<u>Other comprehensive income</u>						
Exchange difference on translating foreign operation	-	-	123,130	-	-	123,130
Other comprehensive income for the financial period, net of tax	-	-	123,130	-	-	123,130
<b>Total comprehensive income for the financial period</b>	-	-	123,130	-	751,151	874,281
<b>Contributions by and distributions to owners</b>						
FY2020 Second interim dividends declared and paid	-	-	-	-	(739,900)	(739,900)
<b>Total transaction with owners</b>	-	-	-	-	(739,900)	(739,900)
<b>Balance at 30 November 2019</b>	<b>22,463,273</b>	<b>383,615</b>	<b>(48,256)</b>	<b>(3,565,976)</b>	<b>8,590,350</b>	<b>27,823,006</b>

\*For the Group's comparative figures in the financial year ended 28 February 2019, the share capital of the Group 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.



<u>Group</u>	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Retained earnings US\$	Total equity US\$
<b>Balance at 1 March 2018 *</b>	<b>267,675</b>	<b>383,615</b>	<b>223,553</b>	<b>668,262</b>	<b>1,543,105</b>
<b>Profit for the financial period</b>	-	-	-	795,945	795,945
<u>Other comprehensive income</u>					
Exchange difference on translating foreign operation	-	-	(70,665)	-	(70,665)
Other comprehensive loss for the financial period, net of tax	-	-	(70,665)	-	(70,665)
<b>Total comprehensive income for the financial period</b>	-	-	(70,665)	795,945	725,280
<b>Balance at 31 May 2018*</b>	<b>267,675</b>	<b>383,615</b>	<b>152,888</b>	<b>1,464,207</b>	<b>2,268,385</b>
<b>Profit for the financial period</b>	-	-	-	1,211,523	1,211,523
<u>Other comprehensive income</u>					
Exchange difference on translating foreign operation	-	-	(93,806)	-	(93,806)
Other comprehensive loss for the financial period, net of tax	-	-	(93,806)	-	(93,806)
<b>Total comprehensive income for the financial period</b>	-	-	(93,806)	1,211,523	1,117,717
<b>Contributions by owners</b>					
Issue of shares	733	-	-	-	733
<b>Total transactions with owners</b>	<b>733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>733</b>
<b>Balance at 31 August 2018*</b>	<b>268,408</b>	<b>383,615</b>	<b>59,082</b>	<b>2,675,730</b>	<b>3,386,835</b>

<u>Group</u>	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Retained earnings US\$	Total equity US\$
<b>Balance at 31 August 2018*</b>	<b>268,408</b>	<b>383,615</b>	<b>59,082</b>	<b>2,675,730</b>	<b>3,386,835</b>
<b>Loss for the financial period</b>	-	-	-	(147,282)	(147,282)
<u>Other comprehensive income</u>					
Exchange difference on translating foreign operation	-	-	(16,713)	-	(16,713)
Other comprehensive loss for the financial period, net of tax	-	-	(16,713)	-	(16,713)
<b>Total comprehensive loss for the financial period</b>	-	-	(16,713)	(147,282)	(163,995)
<b>Balance at 30 November 2018*</b>	<b>268,408</b>	<b>383,615</b>	<b>42,369</b>	<b>2,528,448</b>	<b>3,222,840</b>

\*For the Group's comparative figures for the financial year ended 28 February 2018, financial periods ended 31 May 2018, 31 August 2018 and 30 November 2018 respectively, the share capital of the Group 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.

<u>Company</u>	Share capital US\$	(Accumulated losses)/ Retained earnings US\$	(Total deficit)/ Total equity US\$
<b>Balance at 1 March 2019</b>	734	(1,073,155)	(1,072,421)
<b>Profit for the financial period representing total comprehensive income for the financial period</b>	-	1,246,654	1,246,654
<b>Contributions by and distributions to owners</b>			
Issue of shares to owners pursuant to the restructuring exercise	11,163,855	-	11,163,855
Issue of shares in satisfaction of professional fees	925,583	-	925,583
Issue of placement shares	11,098,500	-	11,098,500
Shares issue expenses	(725,399)	-	(725,399)
<b>Total transactions with owners</b>	22,462,539	-	22,462,539
<b>Balance at 31 May 2019</b>	<b>22,463,273</b>	<b>173,499</b>	<b>22,636,772</b>
<b>Profit for the financial period representing total comprehensive income for the financial period</b>	-	315,775	315,775
<b>Contributions by and distributions to owners</b>			
FY2020 First interim dividends declared and paid	-	(591,920)	(591,920)
<b>Total transaction with owners</b>	-	(591,920)	(591,920)
<b>Balance at 31 August 2019</b>	<b>22,463,273</b>	<b>(102,646)</b>	<b>22,360,627</b>
<b>Profit for the financial period representing total comprehensive income for the financial period</b>	-	1,152,763	1,152,763
<b>Contributions by and distributions to owners</b>			
FY2020 Second interim dividends declared and paid	-	(739,900)	(739,900)
<b>Total transaction with owners</b>	-	(739,900)	(739,900)
<b>Balance at 30 November 2019</b>	<b>22,463,273</b>	<b>310,217</b>	<b>22,773,490</b>

<u>Company</u>	Share capital US\$	Accumulated losses US\$	Total deficit US\$
Balance at 1 March 2018	1	(227,184)	(227,183)
Loss for the financial period representing total comprehensive loss for the financial period	-	(24,716)	(24,716)
Balance at 31 May 2018	<u>1</u>	<u>(251,900)</u>	<u>(251,899)</u>
Loss for the financial period representing total comprehensive loss for the financial period	-	(189,020)	(189,020)
Contributions by owners			
Issue of shares	733	-	733
Total transaction with owners	733	-	733
Balance at 31 August 2018	<u>734</u>	<u>(440,920)</u>	<u>(440,186)</u>
Loss for the financial period representing total comprehensive loss for the financial period	-	(230,332)	(230,332)
Balance at 30 November 2018	<u>734</u>	<u>(671,252)</u>	<u>(670,518)</u>

**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 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.**

There was no change in the issued and paid-up share capital of the Company from 31 August 2019 up to 30 November 2019. The Company's share capital was S\$22,463,273 comprising 500,000,000 shares as at 30 November 2019 and 31 August 2019.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 30 November 2019 and 30 November 2018.

**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 30 November 2019	As at 28 February 2019

Total number of issued shares excluding treasury shares

500,000,000	1,000
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The Company did not have any treasury shares as at 30 November 2019 and 28 February 2019.

**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 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 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 combined financial statements for the financial year ended 28 February 2019.

- 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 a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s) 16 *Leases*, on 1 March 2019. SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use (ROU) asset). The Group has applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities at 1 March 2019. The effects on adoption of SFRS(I) 16 on 1 March 2019 resulted in the increase in right-of-use assets of US\$1,318,050 and increase in lease liabilities of US\$1,318,050.

**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		Group Nine months ended	
	30 November 2019	30 November 2018	30 November 2019	30 November 2018
Earnings per ordinary share ("EPS")				
Net profit/ (loss) attributable to owners of the Company (US\$)	751,151	(147,282)	4,359,784	1,860,186
Weighted average number of ordinary shares	500,000,000	418,750,000	493,045,455	418,749,447
Basic and fully diluted EPS (US cents)	0.15	(0.04)	0.88	0.44

For comparative purposes, EPS for the financial period ended 30 November 2018 has been calculated based on (loss)/ profit attributable to owners of the Company and the 418,750,000 shares in issue pursuant to the Restructuring Exercise.

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	
	30 November 2019	28 February 2019	30 November 2019	28 February 2019
Net asset / (liability) value ("NAV") / ("NLV") (US\$)	27,823,006	6,348,672	22,773,490	(1,072,421)
Total number of issued shares excluding treasury shares <sup>#</sup>	500,000,000	500,000,000	500,000,000	500,000,000
NAV / (NLV) per Share (US cents)	5.56	1.27	4.55	(0.21)

<sup>#</sup>NAV/(NLV) per share is computed based on the NAV/(NLV) of our Company and Group and our Company's post-IPO share capital of 500,000,000 shares.

**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

Illustrated below is the summary of iron ore sales performance of the Group for the 3 months ended 30 November 2019 (“**3Q FY2020**”) and the comparative 3 months ended 30 November 2018 (“**3Q FY2019**”).

	3Q FY2020	3Q FY2019	Increase/ (Decrease) (%)
Sold ( <b>WMT</b> )	53,815	40,267	33.6
Sold ( <b>DMT</b> )	48,121	36,873	30.5
Revenue realised <sup>(1)</sup> ( <b>US\$</b> )	4,073,596	3,483,197	16.9
Average realised selling price ( <b>US\$/DMT</b> )	84.65	94.47	(10.4)

<sup>(1)</sup> Actual revenue realised excluding effect of foreign exchange on translation of sales from foreign operation and transportation income.

During 3Q FY2020, the Group sold 48,121 DMT of its high-grade iron ore concentrates as compared to 36,873 DMT in 3Q FY2019 representing an increase of 30.5%. The increase is driven by higher demand from our local steel mills for our high-grade iron ore concentrates.

The Group’s average realised selling price decreased by 10.4% from US\$94.47/DMT in 3Q FY2019 to US\$84.65/DMT in 3Q FY2020 due to volatility in the IODEX 65% Fe CFR North China of Platts Daily Iron Ore Assessments price indices.

The increase in tonnage sold was offset by the decrease in average realised selling price, resulting in the Group’s revenue realised increasing by 16.9% to US\$4.1 million in 3Q FY2020 as compared to US\$ 3.5 million in 3Q FY2019.

Cost of sales

Illustrated below is the production cost management of the Group for 3Q FY2020 and 3Q FY2019.

	3Q FY2020	3Q FY2019	Increase/ (Decrease) (%)
Sold ( <b>WMT</b> )	53,815	40,267	33.6
Production cost incurred and recognised in cost of sales ( <b>US\$</b> )	1,738,491	1,572,036	10.6
Average unit cost achieved ( <b>US\$/WMT</b> )	32.30	39.04	(17.3)



The Group's continuous effort towards enhancing economies of scale during 3Q FY2020 has lowered average unit costs by 17.3% or US\$6.74/WMT from US\$39.04/WMT in 3Q FY2019 to US\$32.30/WMT in 3Q FY2020.

#### Gross profit and gross profit margin

Gross profit performance remains robust and the Group registered US\$2.4 million of gross profit in 3Q FY2020 as compared to US\$1.8 million in 3Q FY2019, reflecting an increase of 34.6%. Gross profit margin improved by 4.9% from 52.8% in 3Q FY2019 to 57.7% in 3Q FY2020.

The increase in both gross profit and gross profit margin are primarily driven by the increase in production volume, offset by the decrease in average realised selling price during the period under review.

#### Other operating income

Our Group's other operating income comprises mainly foreign exchange gain and interest income earned from surplus funds placed with financial institutions in 3Q FY2020. Other operating income increased by US\$0.3 million as compared to 3Q FY2019. The increase is driven by an increase in interest income arising from the placement of the IPO proceeds and foreign exchange gains due to appreciation of SGD against USD.

#### Selling and distribution expenses

Selling and distribution expenses decreased by US\$0.6 million from US\$1.0 million in 3Q FY2019 to US\$0.4 million in 3Q FY2020. The decrease was mainly due to the absence of ocean freight and stevedoring charges as product sales in 3Q FY2020 were made to domestic steel mills.

#### Other operating expenses

Our Group's other operating expenses increased by US\$0.7 million from US\$0.6 million in 3Q FY2019 to US\$1.3 million in 3Q FY2020. Other operating expenses comprise mainly of costs relating to the employee benefits expenses, upkeep and maintenance of site machineries, motor vehicles and equipment at our Bukit Besi mine. The overall increase is mainly due to:

- (i) increase in unscheduled plant improvements and maintenance expenditures of US\$0.4 million; and
- (ii) increase in employee benefits expense by US\$0.2 million.

### Income tax expense

Income tax expense increased from US\$994 in 3Q FY2019 to US\$0.1 million in 3Q FY2020. Excluding the effect of prior year's under provision of income tax expenses of US\$93,333, the effective income tax expenses for 3Q FY2020 amounts to US\$0.2 million, with an effective tax rate of 26.8% for 3Q FY2020 and 0.7% for 3Q FY2019.

The increase in 3Q FY2020 is consistent with higher taxable profit generated and higher deferred tax liabilities recognised by a foreign subsidiary on tax benefit over capital allowances for acquisition of plants and machineries.

The Group's effective tax rate of 26.8% in 3Q FY2020 was higher than the applicable tax rate due to the effect of unrealised foreign exchange differences and other miscellaneous expenses incurred which were not deductible for tax determination purposes.

### Profit/ (Loss) after tax

Our Group registered a profit after tax of US\$0.8 million in 3Q FY2020 as compared to a loss after tax of US\$0.1 million in 3Q FY2019 as a result of the aforementioned.

The Group had recorded an unrealised foreign exchange loss of US\$7,049 in 3Q FY2020 and US\$63,005 in 3Q FY2019. In addition, our Group had recorded a one-off listing expense of US\$0.2 million in 3Q FY2019 for the Company's IPO and listing on the Catalist of the SGX-ST. There was no listing expense incurred in 3Q FY2020 since the listing was successfully completed in 1Q FY2020. Unrealised foreign exchange loss and listing expenses were recorded under "Administrative Expenses" in the Income Statement.

Excluding the impact of the aforementioned items, the profit after income tax for 3Q FY2020 would be US\$0.8 million and US\$0.1 million in 3Q FY2019.

		3Q FY2020 US\$	3Q FY2019 US\$
Profit/ (Loss) after income tax		751,151	(147,282)
Unrealised foreign exchange loss	("A")	7,049	63,005
Listing expenses	("B")	-	230,167
Profit after income tax excluding A&B		<u>758,200</u>	<u>145,890</u>

**(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 30 November 2019 and 28 February 2019.

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 increased by US\$4.5 million from US\$18.7 million as at 28 February 2019 to US\$23.2 million as at 30 November 2019.

Exploration and evaluation assets increased by US\$2.0 million to US\$2.4 million as at 30 November 2019 from US\$0.4 million as at 28 February 2019. The increase primarily reflects the on-going exploration activities at our Bukit Besi Mine.

Mining properties reduced at a slower pace, standing at US\$6.5 million as at 30 November 2019 and US\$7.0 million as at 28 February 2019. The decrease was mainly due to the effect of amortisation expenses of US\$0.3 million and the effect of exchange rate changes of US\$0.2 million.

Plant and equipment increased by US\$2.2 million (net of depreciation charge of US\$1.4 million and effect on exchange rate changes of US\$0.3 million) to US\$13.6 million as at 30 November 2019 from US\$11.4 million as at 28 February 2019. The increase in plant and equipment was primarily due to additions of major fleets of plants and trucks vehicles which is in line with the Group's planned capital expenditure for FY2020.

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

Current assets

As at 30 November 2019, our Group's current assets stood at US\$15.5 million, an increase of US\$9.2 million from US\$6.3 million as at 28 February 2019. The increase was mainly due to an increase in cash and cash equivalents of US\$10.4 million to US\$12.5 million as at 30 November 2019 from US\$2.1 million as at 28 February 2019 which was primarily contributed by the IPO net proceeds received during 1Q FY2020.

The increase is partially offset by decrease in net trade and other receivables, deposits and prepayments by US\$1.4 million which was due to prompt collection from contract customers and utilisation of prepayments against the settlement of payables balances upon goods delivered and services rendered.

### Non-current liabilities

As at 30 November 2019, our Group's non-current liabilities was curtailed by US\$8.0 million to US\$8.2 million from US\$16.2 million as at 28 February 2019. The decrease was offset by the increase in deferred tax liabilities of US\$0.8 million and long-term borrowings of US\$0.5 million which comprise both lease liabilities and hire purchase payables.

The overall decrease was mainly due to the novation of MYR30.0 million (approximately US\$7.6 million) of the shareholders' loans to the holding company in consideration of the allotment and issuance of the Company's shares to each pre-restructuring Fortress Mining Sdn Bhd's shareholders respectively. The remaining amount of US\$8.1 million due to shareholders ("**Remaining Shareholders' Loan**") is unsecured and interest free. All shareholders have committed not to demand any repayment for a period of 18 months commencing from 27 March 2019.

Having taken into consideration the general financial and business conditions, results of operations, earnings, capital expenditure, cash flow requirements and development plans of the Group, the Audit Committee ("**AC**") had on 9 July 2019 approved a repayment of the Remaining Shareholders' Loan at MYR2.5 million per month for the period from September 2019 to April 2020 and MYR3.5 million per month for the period from May 2020 to August 2020 (the "**Proposed Repayment**"). The Proposed Repayment is subject to the AC's review on a quarterly basis and as and when there is a material change in circumstances.

Following the Proposed Repayment, the Remaining Shareholders' Loan has been reduced to US\$6.4 million in 3Q FY2020 after quarterly repayments of US\$1.8 million.

### Current liabilities

As at 30 November 2019, our Group's current liabilities increased slightly by US\$0.1 million from US\$2.5 million as at 28 February 2019 to US\$2.6 million as at 30 November 2019.

The increase was mainly due to an increase in lease liabilities and trade payables of US\$0.2 million and US\$0.1 million respectively. The former is the result of the adoption of SFRS(I) 16 on new finance leases entered into during the nine months for the financial period ended 30 November 2019 whereas the latter is caused by the increase in credit purchases which is line with the Group's expansion activities. The increase was partially cushioned by a reduction in other payables' balances by US\$0.1 million which was primarily due to utilisation of prepayments against settlement of other payables' balances.

### Working capital

Our Group recorded a positive working capital position of US\$12.8 million as at 30 November 2019, compared to US\$3.8 million as at 28 February 2019 as a result of the above.

## **Statements of Cash Flow**

In 3Q FY2020, our Group recorded US\$1.6 million net cash generated from operating activities as compared to net cash used in 3Q FY2019 of US\$0.5 million. The increase in net cash generated from operating activities is largely due to the increase in operating profit before working capital changes of US\$1.0 million, adjusted for positive working capital inflows of US\$0.8 million, mainly attributable to the decrease in inventories and trade and other receivables of US\$0.6 million and US\$1.0 million respectively, coupled with the increase in trade and other payable of US\$0.7 million.

Increase in working capital is jointly contributed by robust sales that curtailed inventory holding and prompt collection received from customers that allowed working capital cash flow achieve optimum liquidity level.

During 3Q FY2020, our Group incurred an aggregate sum of US\$1.9 million on exploration and evaluation assets and plant and equipment at our Bukit Besi mine as compared to US\$0.3 million during 3Q FY2019. The increase is consistent with the Group's on-going exploration and development program at Bukit Besi mine.

The Group's net cash flow used in financing activities stood at US\$2.7 million in 3Q FY2020 in contrast to nil cash flow in 3Q FY2019. The increase is largely due to repayments of long-term advances owing to shareholders amounting to US\$1.8 million as discussed above coupled with payout of second interim dividends of US\$0.7 million followed by repayments of lease liabilities amounting to US\$95,246.

**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.**

The Group expects demand for Bukit Besi's high-grade iron ore concentrate from the two major domestic steel mills to remain robust at improving average selling prices. However, the Group remains cautiously optimistic in the near term in relation to the pricing trend of our high-grade iron ore concentrates. The Group will continue its efforts to enhance operational efficiency at our Bukit Besi mine. At the same time, our Group is also on the constant lookout for acquisition and/or joint venture opportunities in the region.

**11. Dividend**

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

Yes

Dividend declared and paid

Name of dividend	Second interim dividend
Dividend type	Cash
Dividend amount per share	S\$0.0020 per ordinary share
Tax rate	Tax exempt one tier

- b) **Corresponding period of the immediately preceding financial year:** Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

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

The second interim dividend is one-tier tax exempt.

- d) **Date payable**

The second interim dividend has been paid on 20 November 2019.

- e) **Book closure date**

The book closure date for the second interim dividend was on 7 November 2019.

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

Not applicable.

- 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 3Q FY2020, 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)

On 27 March 2019, our Company received S\$12.5 million (net of IPO expenses of S\$2.5 million) as IPO net proceeds. 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	-	7,000
Acquisition, joint venture and/or development of new mines	2,000	-	2,000
General working capital purposes	3,500	(1,108) <sup>(1)</sup>	2,392
<b>Total</b>	<b>12,500</b>	<b>(1,108)</b>	<b>11,392</b>

<sup>(1)</sup> The Group had utilised the net proceeds allocated to working capital for Group's monthly staff costs, monthly tax instalment and payment to suppliers.

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 (the "Offer Document") in relation to the IPO of the Company on Catalist board 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: -**

In 3Q FY2020, funds/cash was mainly used for the following production activities, as compared to the projections: -

<b>Purpose</b>	<b>Amount (US\$ million)</b>	
	Actual	Projected
Exploration and evaluation activities	0.85	0.58
Cost of sales	1.74	2.43
Selling and distribution costs	0.37	0.55
<b>Total</b>	<b>2.96</b>	<b>3.56</b>

Following our updated Mineral Resource estimates as at 28 February 2019, our Group has intensified our exploration and evaluation efforts during 3Q FY2020. This has resulted in the increase in our Group's expenditure on exploration and evaluation activities of US\$0.3 million compared with the projected amount.

During 3Q FY2020, our Group's cost of sales decreased by US\$0.7 million as compared to projected amount primarily due to the Group's continuous effort in monitoring cost efficiency.

The decrease in selling and distribution costs by approximately US\$0.2 million from the projected amount was mainly due to the absence of ocean freight and stevedoring charges as product sales in 3Q FY2020 were made to domestic steel mills.

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

<b>Purpose</b>	<b>Amount (US\$ million)</b>
Exploration and evaluation activities	0.43
Cost of sales	1.94
Selling and distribution costs	0.54
<b>Total</b>	<b>2.91</b>

Our Group continues to carry out exploration and evaluation activities at its East, Valley and West Deposits during the fourth quarter of FY2020 ("4Q FY2020"). 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.**

During 3Q FY2020, our Group has continued to carry out exploration and evaluation activities at our East, Valley and West Deposits at our Bukit Besi mine. These exploration and evaluation activities include ground and air-borne geological surveys, sampling, exploration and laboratory assay activities. All of these activities are being undertaken by our in-house team of geologist. 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 3Q FY2020 to be false or misleading in any material aspect.

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

Dato' Sri Ivan Chee Yew Fei  
Chief Executive Officer  
8 January 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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