FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Financial Statement and Dividend Announcement for the First Quarter Ended 31st May 2019 ("1Q FY2020")

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 31 May 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.

	Group		
	Three Months Ended		
	31 May 2019 US$	31 May 2018 US$	Change %
Revenue	5,841,331	-	nm
Cost of sales	(1,831,673)	-	nm
Gross profit	4,009,658	-	nm
Other operating income	420,222	2,166,945	(80.6)
Selling and distribution expenses	(559,751)	(805,038)	(30.5)
Other operating expenses	(864,925)	(212,872)	306.3
Administrative expenses	(1,314,286)	(78,226)	1,580.1
Finance costs	(647)	(427)	51.5
Profit before income tax	1,690,271	1,070,382	57.9
Income tax expense	(599,609)	(274,437)	118.5
Profit for the financial period attributable to owners of the Company	1,090,662	795,945	37.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operation	(207,435)	(70,665)	193.5
Other comprehensive income for the financial period, net of tax	(207,435)	(70,665)	193.5
Total comprehensive income for the financial period attributable to owners of the Company	883,227	725,280	21.8

nm – not meaningful

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

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

	Group		
	Three Months Ended		
	31 May 2019 US$	31 May 2018 US$	Change %
Selling and distribution expenses:			
Commission expense	101,366	36,577	177.1
Royalty expense	245,767	149,455	64.4
Handling and transport expense	212,618	242,882	(12.5)
Ocean freight	-	369,036	nm
Other operating expenses:			
Upkeep of machinery	176,221	71,505	146.4
Upkeep of motor vehicles	180,590	4,743	3,707.5
Administrative expenses:			
Donations	8,084	-	nm
Listing expenses	937,193	30,659	2,956.8
Foreign exchange loss, net	250,619	3,497	7,066.7
Amortisation of mining properties	103,502	95,752	8.1
Loss on disposal of plant and equipment	-	1,435	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 2019 US$	28 February 2019 US$	31 May 2019 US$	28 February 2019 US$
ASSETS				
Non-current assets				
Investment in subsidiaries	-	-	3,833,650	1
Exploration and evaluation assets	714,630	403,005	-	-
Mining properties	6,660,964	6,973,060	-	-
Plant and equipment	11,962,431	11,365,523	-	-
Right-of-use assets	30,806	-	-	-
	19,368,831	18,741,588	3,833,650	1
Current assets				
Inventories	531,338	438,908	-	-
Trade receivables	4,817,599	2,097,620	-	-
Other receivables, deposits and prepayment	1,802,646	1,672,938	147,135	-
Amount due by a subsidiary	-	-	9,529,568	-
Cash and bank balances	9,849,763	2,129,428	9,299,158	6,388
	17,001,346	6,338,894	18,975,861	6,388
Total assets	36,370,177	25,080,482	22,809,511	6,389
EQUITY AND LIABILITIES				
Equity				
Share capital	22,463,273	268,407	22,463,273	734
Other reserves	(3,255,532)	517,879	-	-
Retained earnings/ (Accumulated losses)	6,061,128	5,562,386	173,499	(1,073,155)
Total equity / (total deficit)	25,268,869	6,348,672	22,636,772	(1,072,421)
Non-current liabilities				
Lease liabilities	12,870	-	-	-
Deferred tax liabilities	594,932	504,898	-	-
Amount due to shareholders	8,099,867	15,721,339	-	-
	8,707,669	16,226,237	-	-
Current liabilities				
Trade payables	236,176	256,797	-	-
Other payables and accruals	1,833,766	1,960,382	172,739	359,567
Amount due to a related party	-	-	-	719,243
Current tax liabilities	306,641	288,394	-	-
Lease liabilities	17,056	-	-	-
	2,393,639	2,505,573	172,739	1,078,810
Total liabilities	11,101,308	18,731,810	172,739	1,078,810
Total equity and liabilities	36,370,177	25,080,482	22,809,511	6,389

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 2019		As at 28 February 2019	
Secured US$	Unsecured US$	Secured US$	Unsecured US$
-	17,056	-	-

Amount repayable after one year

As at 31May 2019		As at 28 February 2019	
Secured US$	Unsecured US$	Secured US$	Unsecured US$
-	8,112,737	-	15,721,339

Details of any collateral

The Group's unsecured borrowings as at 31 May 2019 are interest free amounts owing to shareholders and lease liabilities.

The Group's unsecured borrowings as at 28 February 2019 are 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 31 May 2019 US$	Group Three Months ended 31 May 2018 US$
Operating activities		
Profit before income tax	1,690,271	1,070,382
Adjustments for:		
Depreciation of plant and equipment	6,388	444
Depreciation of right-of-use assets	4,460	-
Amortisation of mining properties	103,502	95,752
Interest expense	647	427
Interest income	(867)	(221)
Issue of shares in satisfaction of professional fee	786,946	-
Unrealised foreign exchange loss / (gain)	111,624	(56,187)
Loss on disposal of plant and equipment	-	1,435
Operating cashflows before working capital changes	2,702,971	1,112,032
Working capital changes:		
Inventories	302,735	(1,556,122)
Trade and other receivables	(2,896,413)	223,479
Trade and other payables	(135,407)	206,043
Amount owing to a related party	-	(657,951)
Cash used in operations	(26,114)	(672,519)
Income tax paid	(463,993)	(76,890)
Net cash flow used in operating activities	(490,107)	(749,409)
Investing activities		
Additions of exploration and evaluation assets	(329,782)	-
Additions to mine properties	-	(608,663)
Additions of plant and equipment	(1,374,121)	(234,024)
Proceeds of disposal of plant and equipment	-	36,245
Interest received	867	221
Net cash flow used in investing activities	(1,703,036)	(806,221)
Financing activities		
Net drawdown of borrowings	-	17,798
Repayment of lease liabilities	(4,740)	-
Interest paid	(647)	(427)
Advances from shareholders	-	2,546,025
Dividends paid	(591,920)	-
Proceeds from issuance of ordinary shares	11,098,500	-
Share issue expense	(586,762)	-
Net cash flow generated from financing activities	9,914,431	2,563,396
Net change in cash and cash equivalents	7,721,288	1,007,766
Effects of exchange rate changes on cash and cash equivalents	(953)	25,248
Cash and cash equivalents at beginning of financial period	2,129,428	40,956
Cash and cash equivalents at end of financial period	9,849,763	1,073,970

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.

	Share capital US$	Capital reserve US$	Foreign currency translation reserve US$	Merger reserve US$	Retained earnings US$	Total equity US$
<u>Group</u>						
Balance at 1 March 2019 *	268,407	383,615	134,264	-	5,562,386	6,348,672
Profit for the financial period	-	-	-	-	1,090,662	1,090,662
<u>Other comprehensive income</u>						
Exchange difference on translating foreign operation	-	-	(207,435)	-	-	(207,435)
Other comprehensive income 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	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)
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

*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.

	Share capital US$	Capital reserve US$	Foreign currency translation reserve US$	Retained earnings US$	Total equity US$
Group					
Balance at 1 March 2018 *	267,675	383,615	223,553	668,262	1,543,105
Profit for the financial period	-	-	-	795,945	795,945
Other comprehensive income					
Exchange difference on translating foreign operation	-	-	(69,818)	-	(69,818)
Other comprehensive income for the financial period, net of tax	-	-	(69,818)	-	(69,818)
Total comprehensive income for the financial period	-	-	(69,818)	795,945	726,127
Balance at 31 May 2018	267,675	383,615	153,735	1,464,207	2,269,232

*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.

	Share capital US$	(Accumulated losses) / retained profits US$	Total equity US$
<u>Company</u>			
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 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)
Total transaction with owners	22,462,539	-	22,462,539
Balance at 31 May 2019	22,463,273	173,499	22,636,772

	Share capital US$	(Accumulated losses) US$	(Total deficit) US$
<u>Company</u>			
Balance at 1 March 2018	1	(227,184)	(227,183)
Loss for the financial period representing total comprehensive income for the financial period	-	(24,716)	(24,716)
Balance at 31 May 2018	1	(251,900)	(251,899)

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.

Share Capital

	Number of Issued Shares	**Issued and paid-up share capital (US$)**	
Issued and paid-up share capital as at 28 February 2019	1,000	734	
Issuance of shares pursuant to the Restructuring Exercise	418,749,000	11,163,855	
Issuance of shares in satisfaction of professional fees	6,250,000	925,583	
Pre-Placement issued and paid-up share capital	425,000,000	12,090,172	
Issuance of Placement shares	75,000,000	10,373,101	(1)
Post-Placement issued and paid-up share capital as at 31 May 2019	500,000,000	22,463,273	

Note:

(1) Takes into account the capitalisation of listing expenses of approximately US$0.7 million against share capital.

The Company did not have any outstanding options, convertibles securities or treasury shares as at 31 May 2019 and 31 May 2018. There were no subsidiary holdings as at 31 May 2019 and 31 May 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 31 May 2019	As at 28 February 2019
Total number of issued shares excluding treasury shares	500,000,000	1,000

The Company did not have any treasury shares as at 31 May 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 asset of US$30,806 and increase in lease liabilities of US$29,926.

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 2019	31 May 2018
Net profit attributable to owners of the Company (US$)	1,090,662	795,945
Weighted average number of ordinary shares	478,328,804	418,749,001
Basic and fully diluted EPS (US cents)	0.23	0.19

For comparative purposes, EPS for the financial period ended 31 May 2018 has been calculated based on profit attributable to owners of the Company and the 418,749,001 shares issued for 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	
	31 May 2019	28 February 2019	31 May 2019	28 February 2019
Net asset / (liability) value ("NAV") / ("NLV") (US$)	25,268,869	6,348,672	22,636,772	(1,072,421)
Total number of issued shares excluding treasury shares#	500,000,000	500,000,000	500,000,000	500,000,000
NAV / NLV per Share (US cents)	5.05	1.27	4.53	(0.21)

#NAV per share is computed based on the NAV 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

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

Review for the performance of the Group for the 3 months ended 31 May 2019 ("1Q FY2020") as compared to the 3 months ended 31 May 2018 ("1Q FY2019).

<u>Combined Statements of Comprehensive Income</u>

<u>Revenue</u>

In 1Q FY2020, our Group produced and sold 61,386 wet metric tonnes ("**WMT**") of high grade iron ore concentrate and generated a revenue of US$5.8 million. On average, our Group realised a revenue of US$95.16 per WMT.

No revenue was generated in 1Q FY2019 as commercial production at our Bukit Besi mine only commenced in April 2018 and the first shipment of the high grade iron ore concentrate was made during the second quarter of FY2019 ("2Q FY2019").

Cost of sales

Our Group's cost of sales in 1Q FY2020 was US$1.8 million resulting in an average cost of US$29.84 per WMT. Our Group did not incur any cost of sales in 1Q FY2019 as all production costs incurred was recognised as inventory then. Our Group's first shipment of iron ore concentrate was made during 2Q FY2019.

Gross profit and gross profit margin

Our gross profit for 1Q FY2020 was US$4.0 million resulting in a gross profit margin of 68.6%. The improved margin was attributable to the optimisation of our production and cost efficiencies during FY2020 being our Group's second year of commercial production. During 1Q FY2019, our Group's production and cost efficiencies were impacted by factors including but not limited to initial production ramp-ups, gestation period and economies of scale.

Other operating income

Our Group's other operating income decreased by US$1.8 million from US$2.2 million in 1Q FY2019 to US$0.4 million in 1Q FY2020. The decrease was mainly attributable to an income of US$2.2 million contributed by a one-off sale of 32,998 WMT semi-processed iron ore produced from the trial runs of our Bukit Besi mine's processing plant prior to commercial production in April 2018. In 1Q FY2020 our Group also had an income contributed by a one-off sale of 5,193 WMT semi-processed iron ore produced from the trial runs of our new ball mills at our Bukit Besi mine.

Selling and distribution expenses

In 1Q FY2020, our Group incurred US$0.6 million of selling and distribution expenses compared to US$0.8 million in 1Q FY2019 representing a decrease of US$0.2 million. The decrease was mainly due to the absence of ocean freight and stevedoring charges in 1Q FY2020 as product sales during 1Q FY2020 were made to domestic steel mills.

Other operating expenses

Our Group's other operating expenses increased by US$0.7 million from US$0.2 million in 1Q FY2019 to US$0.9 million in 1Q FY2020. Other operating expenses comprise mainly of costs relating to the employee benefits expense, upkeep of site machinery, motor vehicles and equipment at our Bukit Besi mine. The overall increase is in line with the increase of our Group's business activities.

Administrative expenses

During 1Q FY2020, our Group's administrative expenses increased by US$1.2 million from US$78,226 in 1Q FY2019 to US$1.3 million in 1Q FY2020. The increase was mainly attributable to:

(i) increase in unrealised foreign exchange loss of US$0.2 million due to the fluctuation of SGD against USD as our Company's cash and bank balances are predominantly denominated in SGD; and

(ii) a one-off listing expense of US$0.9 million for the Company's initial public offering ("IPO") and listing on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Both of the abovementioned factors have impacted our Group's profitability during 1Q FY2020. (See paragraph entitled "Profit after income tax" below for further analysis)

Income tax expense

Our Group incurred income tax expense of US$0.6 million in 1Q FY2020 comprising of current year taxation and deferred taxation, resulting in an effective tax rate of 35.5% which was higher than the applicable tax rate of 24% of the Group. The higher effective tax rate is due to listing expenses and other expenses incurred by our Group which were not deductible for tax determination purposes.

Profit after income tax

Our Group profit after income tax increased by US$0.3 million to US$1.1 million in 1Q FY2020 from US$0.8 million in 1Q FY2019 due to the reasons stated above.

As discussed under "Administrative expenses" above, our Group had recorded an unrealised foreign exchange loss of US$0.2 million in 1Q FY2020 as well as the one-off listing expenses of US$0.9 million for the Company's IPO and listing on the Catalist of the SGX-ST in 1Q FY2020. In comparison, there was a US$6,044 unrealised foreign exchange gain in 1Q FY2019.

Excluding the impact of the aforementioned items, the profit after income tax for 1Q FY2020 would be US$2.3 million compared to US$0.8 million for 1Q FY2019.

		1Q FY2020 US$	1Q FY2019 US$
Profit after income tax		1,090,662	795,945
Unrealised foreign exchange loss/(gain)	*("A")*	242,113	(6,044)
Listing expenses	*("B")*	937,193	30,659
Profit after income tax excluding *A&B*		2,269,968	820,560

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Combined Statements of Financial Position

The comparative performance of the assets and liabilities listed below is based on financial statements as at 31 May 2019 and 28 February 2019.

Non-current assets

Non-current assets as at 31 May 2019 stood at US$19.4 million, an increase of US$0.7 million from US$18.7 million as at 28 February 2019, comprising of exploration and evaluation assets, mining properties, plant and equipment and right-of use asset.

Exploration and evaluation assets increased by US$0.3 million to US$0.7 million as at 31 May 2019 from US$0.4 million as at 28 February 2019 mainly attributable to the on-going exploration activities at our Bukit Besi mine during 1Q FY2020.

Mining properties remained fairly consistent, standing at US$6.7 million as at 31 May 2019 and US$7.0 million as at 28 February 2019. The increase was mainly due to amortisation expenses of US$0.1 million and the effect of exchange rate changes of US$0.2 million.

Plant and equipment increased by US$0.6 million to US$12.0 million as at 31 May 2019 from US$11.4 million as at 28 February 2019. The increase was attributable to additions of plant and equipment of US$1.0 million before a depreciation charge of US$0.4 million during the financial period.

Right-of-use assets at the Group level refers to assets recognised on operating leases of the Group as lessee, in accordance to SFRS(I) 16 adopted on 1 March 2019. The right-of-use assets as at 31 May 2019 was mainly related to the leases of the office and hostels occupied by the Group in various locations. There was no operating lease as lessee at the company level. More details on adoption of SFRS(I) 16 are included in Note 5.

Current assets

As at 31 May 2019, our Group's current assets increased by US$10.7 million to US$17.0 million from US$6.3 million as at 28 February 2019. The increase was mainly due to:

(a) an increase in trade receivables of US$2.7 million which is in line with the sale of our high grade iron ore concentrate to third party customers; and

(b) an increase in cash and cash equivalents of US$7.7 million to US$9.9 million as at 31 May 2019 from US$2.1 million as at 28 February 2019 pursuant to IPO net proceeds received during 1Q FY2020.

Non-current liabilities

As at 31 May 2019, our Group's non-current liabilities decreased by US$7.5 million to US$8.7 million from US$16.2 million as at 28 February 2019. The 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 shares to each pre-structuring Fortress Mining Sdn Bhd's shareholders respectively. Post capitalisation, the amount due to shareholders has decreased from US$15.7 million to US$8.1 million.

The remaining amount of US$8.1 million due to shareholders is unsecured and interest free. All of the shareholders have committed not to demand any repayment for a period of 18 months commencing from 27 March 2019. However, the Group may repay the same at any time and in such amounts as it deems fit, provided always that any repayment shall be made on a pro rata basis subject to the approval in writing by the Audit Committee, after taking into consideration the Group's earnings, capital expenditure, cash flow requirements and development plans at the time of repayment.

Current liabilities

As at 31 May 2019, our Group had current liabilities of US$2.4 million as compared to US$2.5 million as at 28 February 2019. This was mainly due to the decrease in other payables and accruals.

Working capital

Our Group recorded a positive working capital position of US$14.6 million as at 31 May 2019, compared to US$3.8 million as at 28 February 2019 as a result of the above.

Combined Statements of Cash Flow

In 1Q FY2020, our Group recorded US$0.5 million net cash used in operating activities as compared to US$0.7 million in 1Q FY2019. The decrease in net cash used in operating activities is mainly due to operating profit before working capital changes of US$2.7 million, adjusted for working capital outflows of US$2.7 million, mainly attributable to the increase in trade and other receivables to US$2.9 million and decrease in trade and other payables of US$0.1 million, partially offset by a decrease in inventories of US$0.3 million.

During 1Q FY2020, our Group continued to invest an aggregate sum of US$1.7 million into exploration and evaluation assets and plant and equipment at our Bukit Besi mine as compared to US$0.8 million during 1Q FY2019

Net cash generated from financing activities amounted to US$ 9.9 million in 1Q FY2020 as compared to US$2.6 million in 1Q FY2019, attributable mainly to net US$10.5 million gathered from IPO proceeds from issuance of placement shares after deducting share issue expense. This is partially offset by the first interim dividends of US$0.6 million paid.

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

There were 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.

During 1Q FY2020, the impact from supply disruptions in the world's major iron ore producing countries was witnessed on the global iron ore seaborne market.

The supply shortage is evident by the declining iron ore inventory at China's ports, trimmed production guidelines from top miners and Australian iron ore exports dropping for the first time since 2001[1]. Moving from an undersupply situation takes time and that drove the iron ore prices to 5-year high in recent months. [2]

China, the Group's primary market, still maintained a huge appetite for iron ore imports due to its infrastructure stimulus and huge consumption of steel. The crude steel production in China posted a 10.2 percent year-on-year increase to 192.49 million tonnes for the first five months in 2019[3].

Despite all sales being made to local steel mills in Malaysia during 1Q FY2020, China will remain as the Group's major market. The Group will continue to tap on the growth opportunities in China market through tightening the bonds and establishing connections with old and new customers respectively.

In addition to the China market, the demand for high-grade iron ore in Malaysia remains robust. The Group generated all of its US$5.8 million revenue from Malaysia market during 1Q FY2020 and enjoyed a decreased selling and distribution expenses as a result of lower logistics expenses. Capitalizing on the cost efficiencies, the Group will continue to expand its customer base locally to diversify revenue streams.

Against the backdrop of favourable iron ore market outlook, the demand for Group's high-grade iron ore concentrate is expected to remain healthy in the short to medium term. This is further supported by stringent pollution control regulations on China's steel mills resulting in industry players continuing to optimise their production yield and cost efficiency[4].

[1] According to Australia Financial Review: https://www.afr.com/business/mining/iron-ore/iron-ore-tops-us123-t-as-australian-exports-set-to-fall-20190702-p5237n

[2] According to Bloomberg: https://www.bloomberg.com/news/articles/2019-06-10/top-steelmaker-warns-of-price-hikes-as-iron-ore-near-5-year-high

[3] According to Xinhua Net: http://www.xinhuanet.com/english/2019-06/30/c_138186467.htm

[4] According to Fastmarkets: https://www.amm.com/Article/3881854/Iron-ore-mart-complexity-shows-value-of-derivatives.html

Going forward, the Group will continue to leverage on its favourable geographical location and cost advantage of Bukit Besi Mine and press on with the effort to optimise production yield and cost efficiencies, allowing the Group to withstand future market fluctuations.

The Group will also continue to explore within and beyond the East, West and Valley deposits to identify new resources. At the same time, the Group will also keep a keen eye on potential acquisition or joint venture opportunities to bolster resources level.

11. Dividend

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

Yes

Dividends declared and paid

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

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

No dividend has been declared or recommended for 1Q FY2019.

c) **Whether the dividend is before tax, net of tax or tax exempt**
The first interim dividend is one-tier tax exempt.

d) **Date payable**
The first interim dividend has been paid on 31/05/19.

e) **Book closure date**
The book closure date for the first interim dividend was on 21/05/2019.

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 1Q 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	-	3,500
Total	**12,500**	**-**	**12,500**

None of the IPO net proceeds have been utilised as at the date of this announcement. Pending the deployment of the IPO net proceeds, the funds are currently 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 1Q FY2020, fund/cash was mainly used for the following production activities, as compared to the projections: -

-

Purpose	Amount (US$ million)	
	Actual	Projected
Exploration and evaluation activities	0.33	0.09
Cost of sales	1.83	1.35
Selling and distribution costs	0.56	0.55
Total	**2.72**	**1.99**

Following our updated Mineral Resource estimates as at 28 February 2019, our Group has intensified our exploration and evaluation efforts during 1Q FY2020. This has resulted in the increase in our Group's expenditure on exploration and evaluation activities of US$0.24 million compared with the projected amount.

During 1Q FY2020 our Group's cost of sales increased by US$0.48 million as compared to projected amount primarily due to the overall increase in production tonnages.

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

Purpose	Amount (US$ million)
Exploration and evaluation activities	0.41
Cost of sales	2.06
Selling and distribution costs	0.78
Total	**3.25**

Our Group will continue to carry out exploration and evaluation activities at its East, Valley and West Deposits during the second quarter of FY2020 ("**2Q 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 1Q 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 including ground and air-borne geological survey, 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 1Q 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
9 July 2019

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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