



A LEADING MALAYSIAN HIGH-GRADE
IRON ORE CONCENTRATE
PRODUCER AND EXPORTER

FORTRESS MINERALS LIMITED

1QFY2020 Results Presentation

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01

BUSINESS INTRODUCTION

COMPANY PROFILE



- We are an iron ore producer and exporter headquartered in Malaysia
- Our principal business activities include exploration, mining, production and sale of iron ore concentrate
- Currently producing high grade iron ore concentrate from East, Valley and West Deposits in Bukit Besi mine
- We are focused on production of iron ore concentrate with TFe grade of at least 65.0%

KEY MANAGEMENT



Dato' Sri Ivan Chee

- Responsible for overall management and operations of the Group, including formulating, implementing and monitoring the Group's strategic directions, growth plans, financial and risk management
- Extensive experience in civil and structural engineering and mining industry

Executive Director & Chief Executive Officer



Ng Mun Fey

- Responsible for the overall management and day-to-day operations of the Bukit Besi Mine, including heading the Group's marketing, geology, mining, processing and other supporting divisions

Executive Director & Chief Operating Officer



Fionne Chua

- Responsible for all finance and accounting operations of the Group
- Coordinates and directs the preparation of the budget, financial forecast, reports and financial statements and coordinates the preparation of regulatory reporting
- A Chartered Accountant with more than 10 years of relevant experience

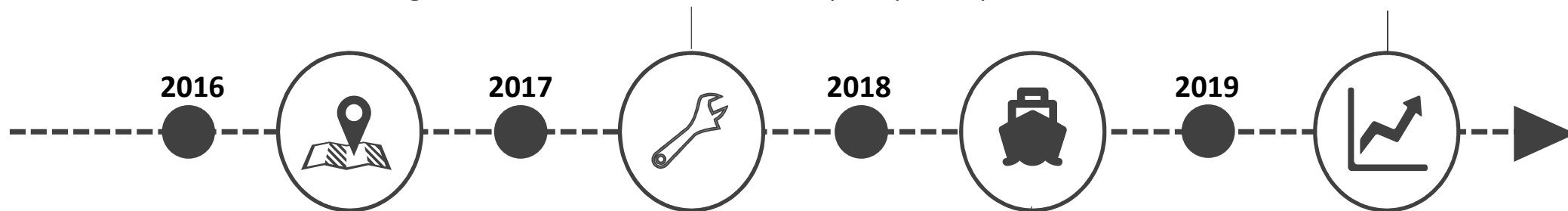
Financial Controller

OUR MILESTONES



- ✓ Completed JORC **drilling campaign** on East, Valley & West Deposits
- ✓ Constructed mine infrastructure and processing plant with a **steady-state production of 40,000 wet metric tonnes (“WMT”) a month**
- ✓ Blasting and excavation of over-burden to open up mine pit

- ✓ **Listed on the Catalist Board** of SGX-ST in March 2019
- ✓ S\$15.0 million gross proceeds raised
- ✓ **First interim dividend** for FY2020 equal to the 12.1% profit of FY2019



- ✓ Awarded mining **rights to Bukit Besi Mine**
- ✓ Magnetic survey and metallurgical testing
- ✓ Planning & design of mine infrastructure and processing plant

- ✓ Commercial production of iron ore concentrate with TFe grade of at least 65% in **April 2018**
- ✓ Maiden JORC indicated & inferred resource of 5.41 Mt in **East, Valley & West Deposits**, covering an aggregate surface area representing approximately **4.71%** of the total land area of Bukit Besi Mine of 526.2 ha

FY2019 HIGHLIGHTS



Commenced Iron Ore Production

April 2018

- ✓ Started commercial production of iron ore concentrate with TFe grade of at least 65.0%
- ✓ Steady-state production of 40,000WMT per month



Completed Maiden JORC Report

August 2018

- ✓ Indicated and inferred resource of 5.41 Mt in the East, Valley and West Deposits
- ✓ It covers an aggregate surface area representing approximately 4.71% of the total land area of the Bukit Besi Mine of 526.2ha



Listed on the Catalist Board of SGX-ST

March 2019

- ✓ S\$15.0 million in gross proceeds were raised to increase minerals resource and processing capabilities
- ✓ First iron ore mining company listed on SGX-ST

Production Ramp-Up in Progress

July 2019

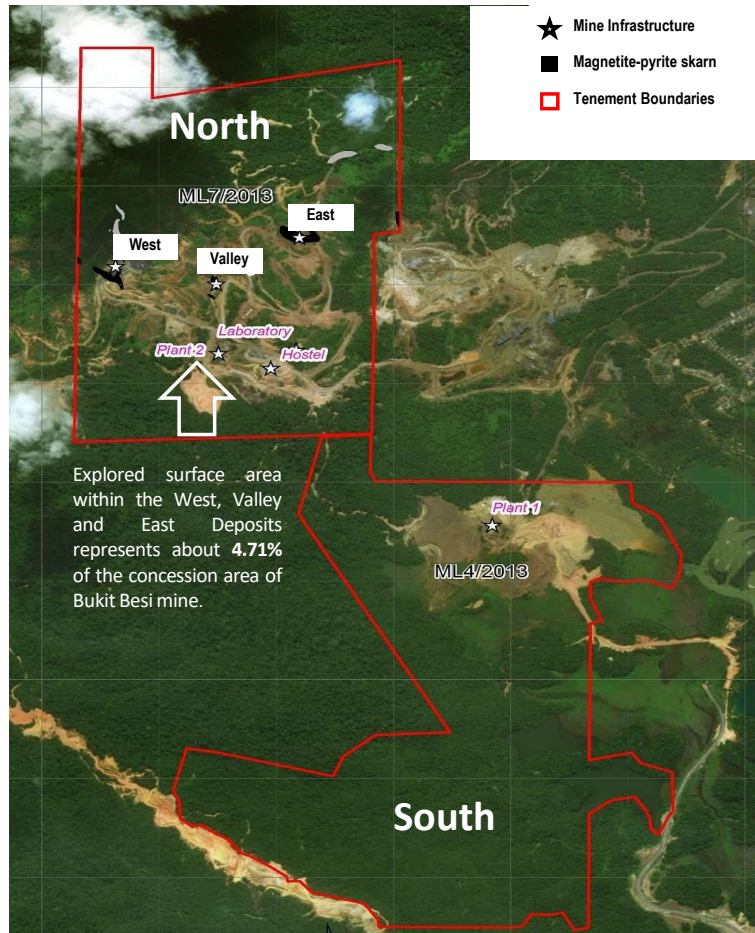
- ✓ Installation of two additional ball mills is completed
- ✓ Steady-state processing capability is expected to increase from 40,000WMT to 50,000WMT
- ✓ Commercial production is expected to commence in **2Q2020**



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BUKIT BESI MINE OVERVIEW

BUKIT BESI MINE - OVERVIEW



Location: Terengganu, Malaysia

Total Concession Area: 526.2ha open pit

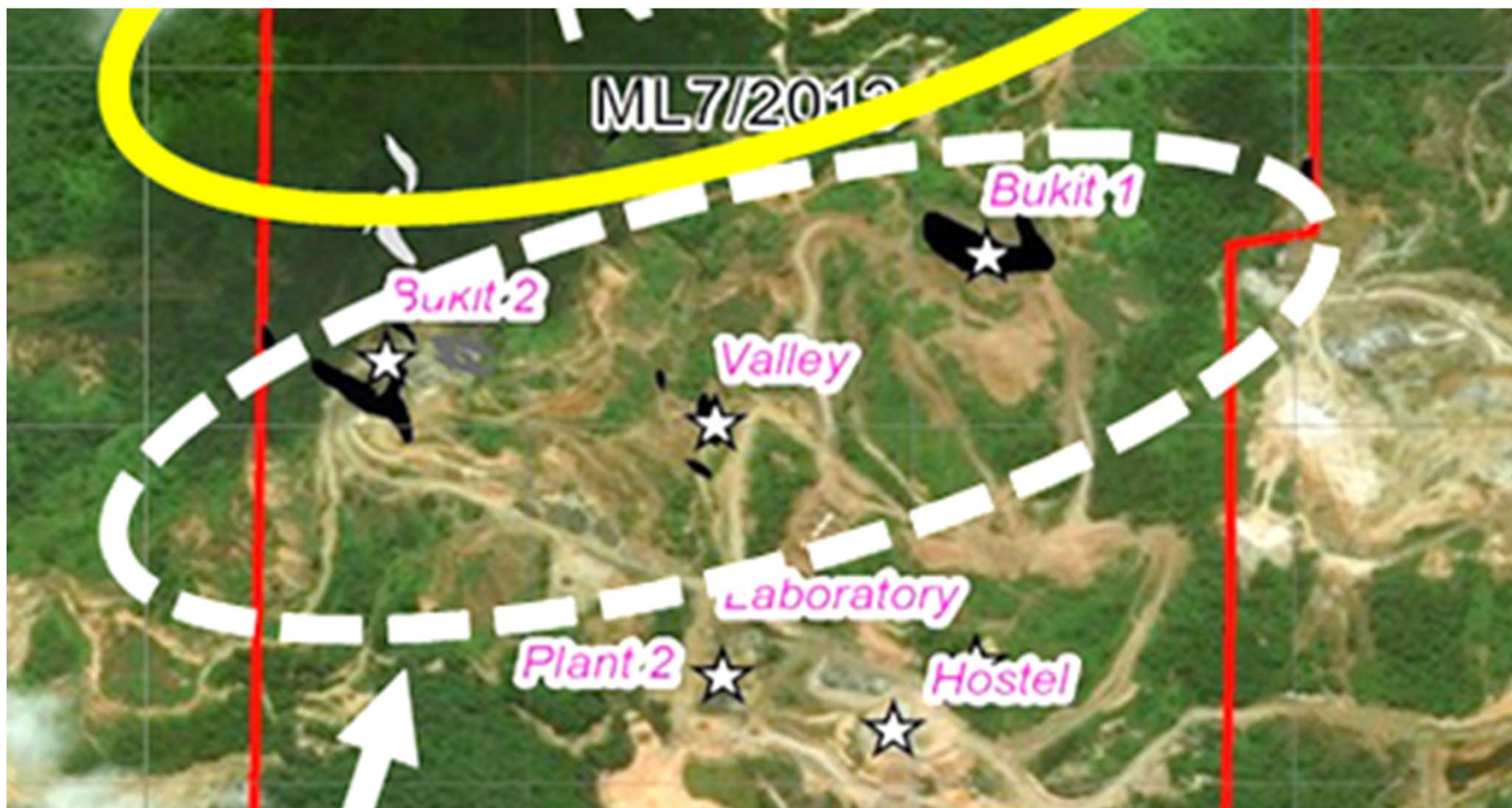
Nearby Airports: Airports in Kuantan and Kuala Terengganu (approximately 1.5 hours drive);

Kemaman Port (approximately 86km)

Supporting Infrastructure: Mobile networks, water and electricity, state roads and highways

Products: Magnetite iron ore concentrate with TFe grade of 65.0% and above

WEST/VALLEY/EAST DEPOSITS – A CLOSER LOOK



BUKIT BESI MINE – OVERVIEW

AS AT 7 AUGUST 2018

Area	Category	Net attributable to the Group	
		Tonnes (Mt)	Grade (% Fe)
West Deposit	Indicated Resource	0.37	42.20
West Deposit	Inferred Resource	2.55	39.60
Valley Deposit	Inferred Resource	1.36	46.40
East Deposit	Inferred Resource	1.13	40.70
Total		5.41	41.70

AS AT 28 FEBRUARY 2019

Area	Category	Net attributable to the Group	
		Tonnes (Mt)	Grade (% Fe)
West Deposit	Indicated Resource	0.34	41.44
West Deposit	Inferred Resource	2.42	39.33
Valley Deposit	Inferred Resource	2.24	46.33
East Deposit	Inferred Resource	1.18	41.05
Total		6.19	42.31



LOCATION	TERENGGANU, MALAYSIA
Total concession Area	526.2ha
Explored areas	West, Valley and East Deposits (<5% of Concession Area)

- Considerable exploration upside potential within the mine as only approximately <5% of the mining area has been explored
- Theoretical three-year mine life, subject to updates when new resource is found
- Drilling and exploration is currently ongoing at East/West/Valley deposits

BUKIT BESI MINE – PRODUCTION PROCESS



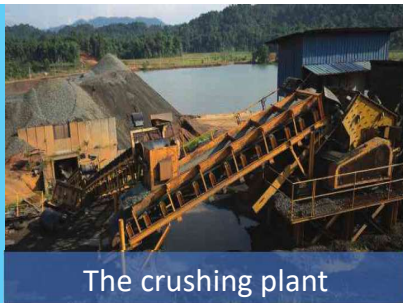
Step 1
Blasting of the identified location



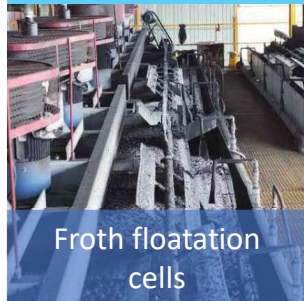
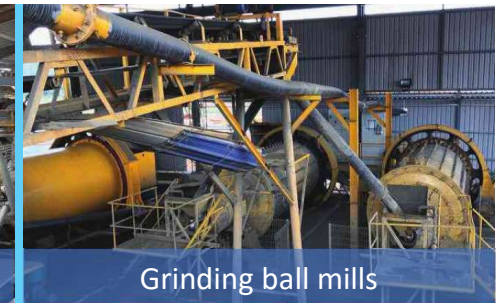
Step 2
Removal and stockpiling of blasted materials



Step 3
Crushing process



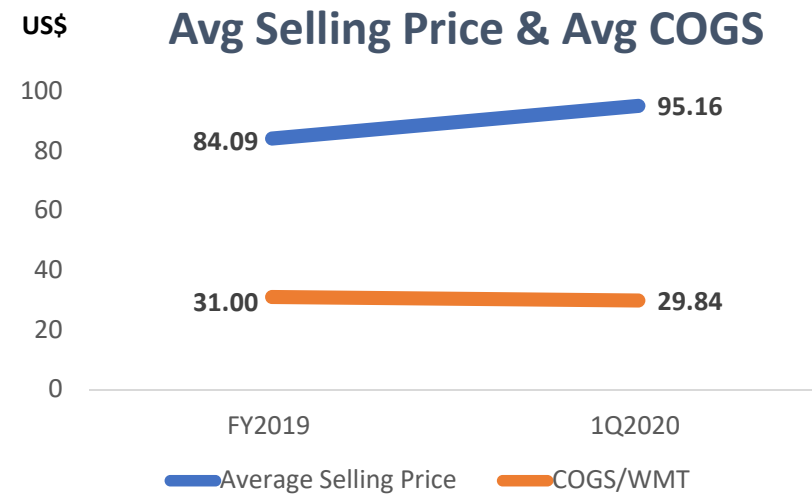
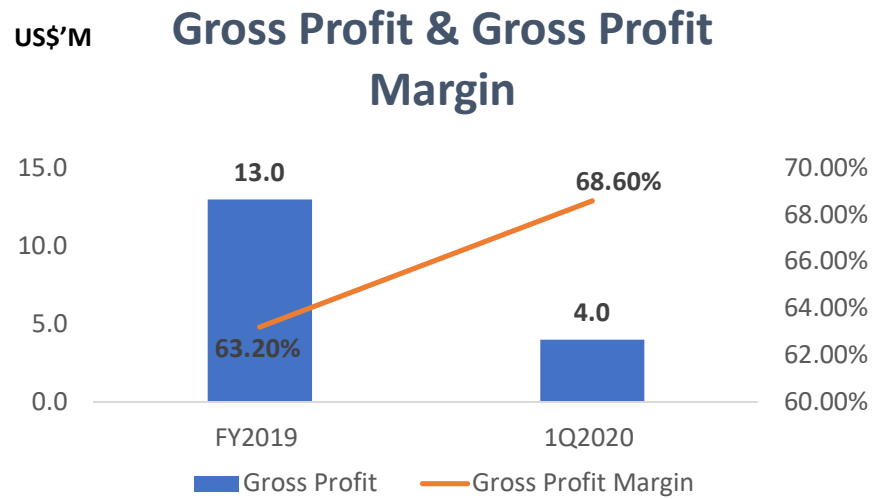
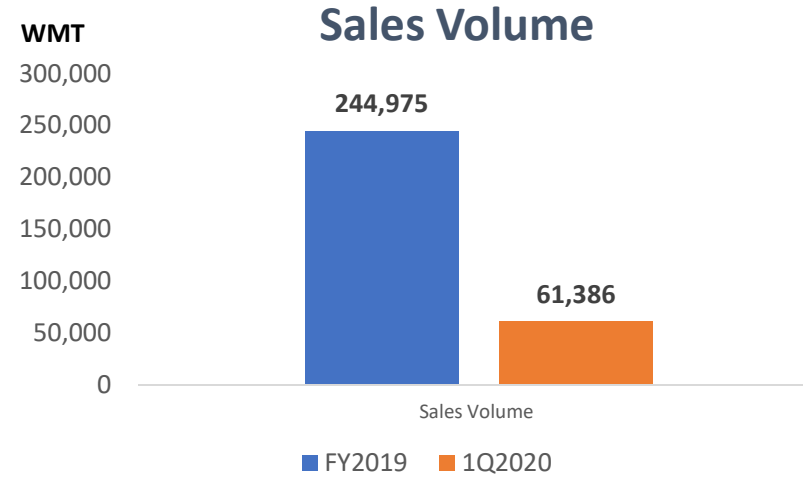
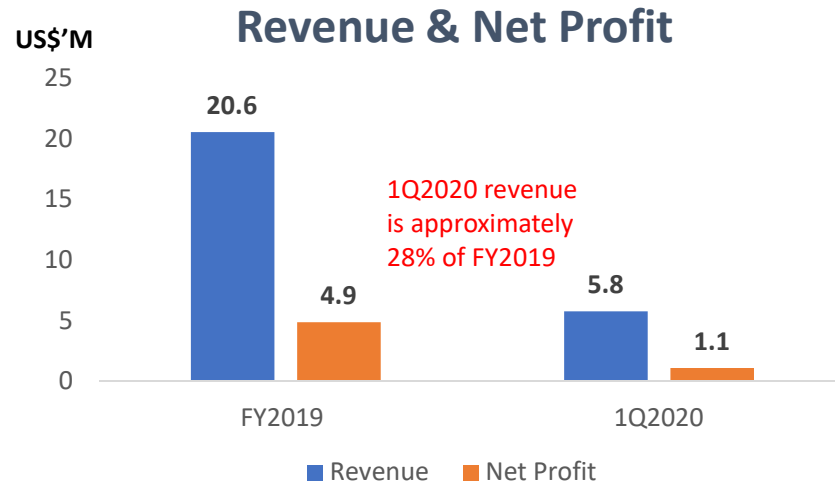
Step 4
Concentrate processing



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FINANCIAL HIGHLIGHTS

1Q FY2020 SNAPSHOT



STATEMENT OF COMPREHENSIVE INCOME FOR THE GROUP

US\$'000	Unaudited		
	1Q FY2020	1Q FY2019	FY2019
Revenue	5,841	-	20,629
Gross profit	4,010	-	13,034
Gross profit margin	68.6%	-	63.2%
Other operating income	420	2,167	2,002
Selling and distribution expenses	(560)	(805)	(5,357)
Other operating expenses	(865)	(213)	(1,570)
Administrative expenses	(1,314)	(78)	1,293
Net profit after tax (NPAT)	1,091	796	4,896
Adjusted net profit	2,270¹	821²	5,749³
Adjusted net profit margin	38.9%	-	27.9%
Basic and diluted EPS (US cents)	0.23	0.19	1.17

1. Excluding one-off IPO expense of US\$0.9 million and unrealised foreign exchange loss of US\$0.2 million for 1Q FY2020.

2. Excluding one-off IPO expenses of US\$ 0.3 million and unrealised gain of US\$6,044 for 1H FY2019 .

3. Excluding one-off IPO expenses of US\$ 0.9 million and unrealised gain of US\$8,170 for FY2019.

STATEMENT OF FINANCIAL POSITION FOR THE GROUP



	31 May 2019	28 February 2019
ASSETS		
Non-current assets		
Exploration & 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	-
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
Cash and bank balances	9,849,763	2,129,428
Equity		
Share capital	22,463,273	268,407
Other reserves	(3,255,532)	517,879
Retained earnings	6,061,128	5,562,386

STATEMENT OF FINANCIAL POSITION FOR THE GROUP



	31 May 2019	28 February 2019
Non-current liabilities		
Lease liabilities	12,870	-
Deferred tax liabilities	594,932	504,898
Amount due to shareholders	8,099,867	15,721,339
Current liabilities		
Lease liabilities	17,056	-
Trade payables	236,176	256,797
Other payables and accruals	1,833,766	1,960,382
Current tax liabilities	306,641	288,394
NAV per Share¹ (US cents)	5.05	1.27

1. NAV per share is computed based on the NAV of our Group and our Company's post-IPO share capital of 500,000,000 shares

STATEMENT OF CASH FLOWS FOR THE GROUP



	1Q FY2020	1Q FY2019	FY2019
Net cash flow (used in) / generated from operating activities	(490,107)	(749,409)	6,294,257
Net cash flow used in investing activities	(1,703,036)	(806,221)	(6,400,845)
Net cash flow generated from financing activities	9,914,431	2,563,396	2,190,260
Net change in cash and cash equivalents	7,721,288	1,007,766	2,083,672
Effects of exchange rate changes on cash and cash equivalents	(953)	25,248	4,800
Cash and cash equivalents at beginning of financial period / year	2,129,428	40,956	40,956
Cash and cash equivalents at end of financial period / year	9,849,763	1,073,970	2,129,428

DIVIDENDS



First interim dividends for FY2020:

0.16 Singapore Cent¹

Directors intend to recommend not less than 15% of the Group's NPAT for FY2020

Not less than 20% of NPAT

S\$800,000 or 12.1% of FY2019 NPAT paid as Interim for FY2020

FY2019

FY2020

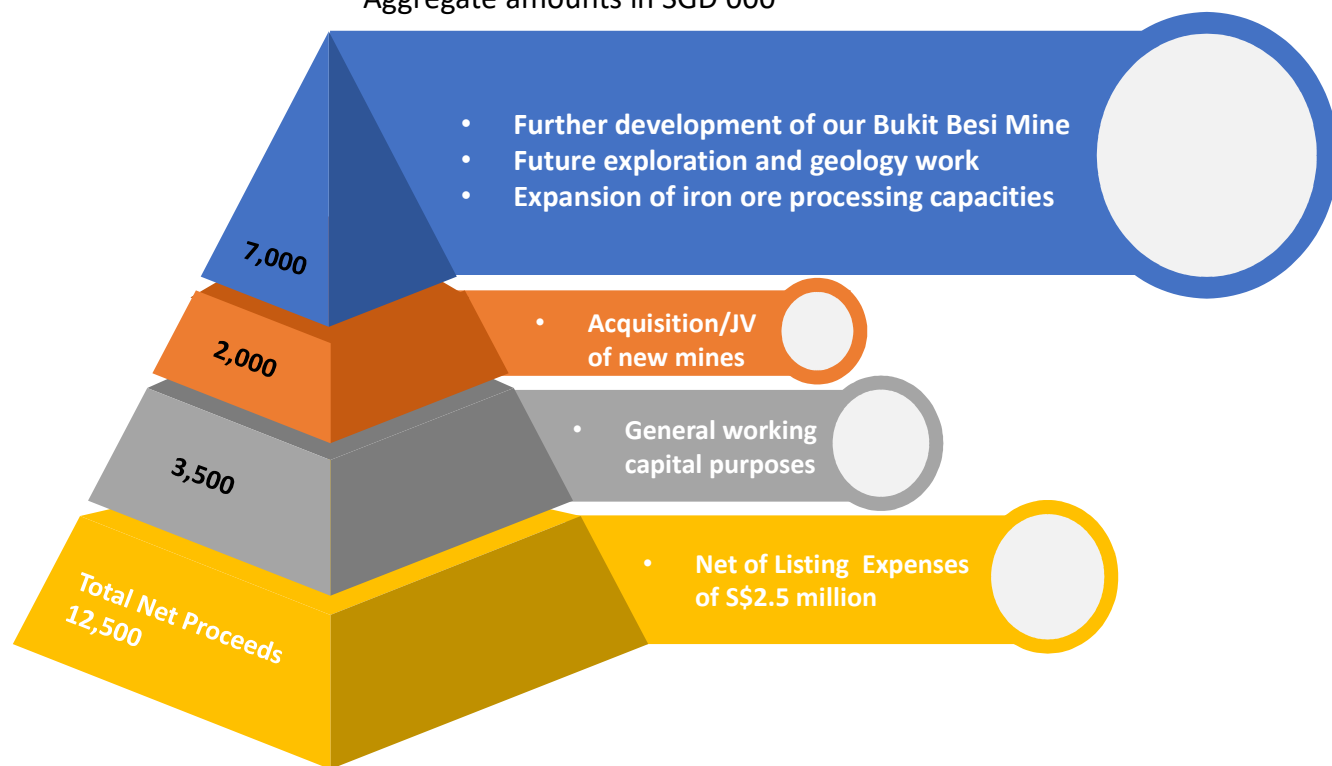
FY2021

¹ As disclosed in page 68 of the Company's Offer Document, our Directors intended to recommend and distribute dividends of not less than 10% of the Group's net profit after tax ("NPAT") for FY2019 subject to, inter-alia, the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, our development plans and other factors as our Directors may, in their absolute discretion, deem appropriate ("Dividend Factors"). However, as our Restructuring Exercise was not completed as at 28 February 2019, our company (as an investment holding entity) was not profitable for FY2019. Subsequent thereto and with the successful completion of the Restructuring Exercise during the first quarter of financial ending 29 February 2020 ("FY2020"), the Directors had declare and paid a one-tier tax exempt first interim dividend of 0.16 Singapore cents per share for FY2020 ("First Interim Dividend"), amounting to S\$800,000 representing approximately 12.1% of the Group's NPAT for FY2019. For the avoidance of doubt, this First Interim Dividend will be in addition to the Directors' intention to further declare and distribute dividends of not less than 15% of the Group's NPAT for FY2020 as previously set out in page 68 of the Offer Document, subject always to the Dividend Factors.

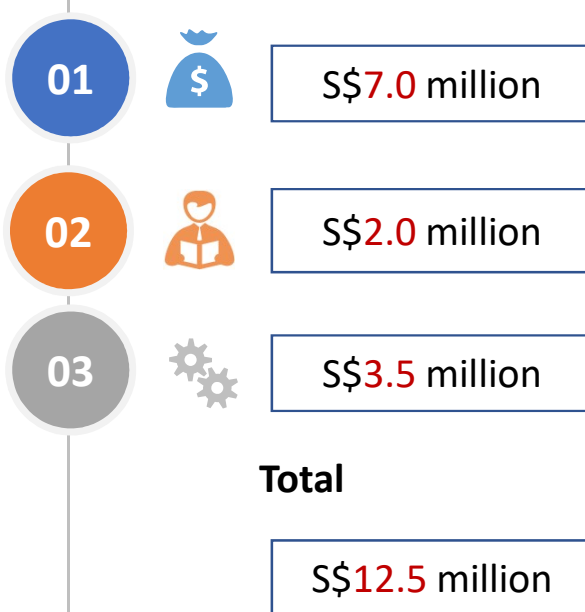
FUTURE PLANS AND USE OF PROCEEDS



Aggregate amounts in SGD'000



Balance as at 10 July 2019



***All S\$12.5 million unutilised and placed in interest bearing bank deposits**

03

INDUSTRY OVERVIEW



Update on Iron Ore Supply

- ✓ Global seaborne iron market continues to witness persistent supply disruptions from the dam disaster in Brazil and cyclones at the main iron ore shipping ports in Australia²
- ✓ Australia government forecasts Global shipments will **contract 4.2%** to 1.53 billion tons this year as exports from **Brazil slump 5%** and **Australia's flows drop 2.5%**¹

1. Bloomberg Terminal Article "Iron Ore Tests \$120 as Australia Lays Bare Global Market Squeeze"
 2. Fastmarket Article "Iron ore mart complexity shows value of derivatives <https://www.amm.com/Article/3881854/Iron-ore-mart-complexity-shows-value-of-derivatives.html>

BRAZIL IRON ORE EXPORTS

Month (2019)	Volume (million tonnes)	Year-on-year change (%)
January	33.16	▲ 8.4%
February	28.93	▲ 21.6%
March	22.18	▼ 25.9%
April	18.34	▼ 29.1%
May	29.02	▼ 20%

Source: Brazil ministry of industry and foreign trade, MDIC

PORT HEDLAND, AUSTRALIA, IRON ORE EXPORTS

Month (2019)	Volume (million tonnes)	Year-on-year change (%)
January	41.8	▲ 1.7
February	39.1	▲ 1.5
March	36.4	▼ 13.5
April	42	▼ 1.4
May	46.2	▲ 2.9

Source: Pilbara Ports Authority

Source: Fastmarkets²



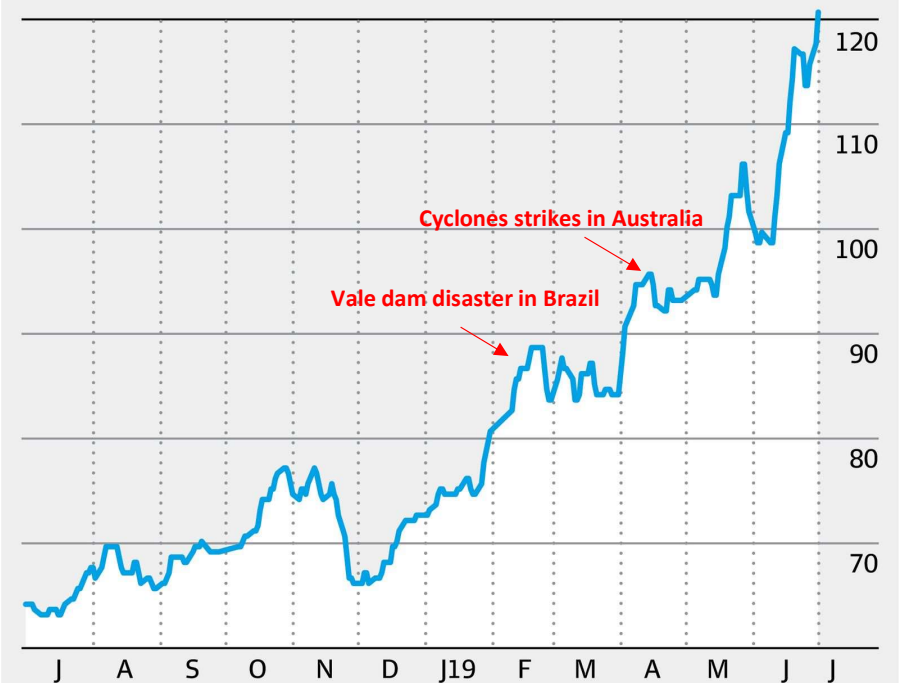
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Update on Iron Ore Price

- ✓ Iron ore prices hit 5 year high as supply concerns wage on²
- ✓ According to a recent report from Australia's chief economist, the shortfall in iron ore supply stemming from the Vale incident is set to last at least two years²
- ✓ Fortress will continue to benefit from favorable price trend

Iron ore price (\$US/tonne)



SOURCE: BLOOMBERG

Source: 1. Bloomberg

2. Iron Investing News <https://investingnews.com/daily/resource-investing/base-metals-investing/iron-investing/iron-prices-year-high-supply-concerns/>

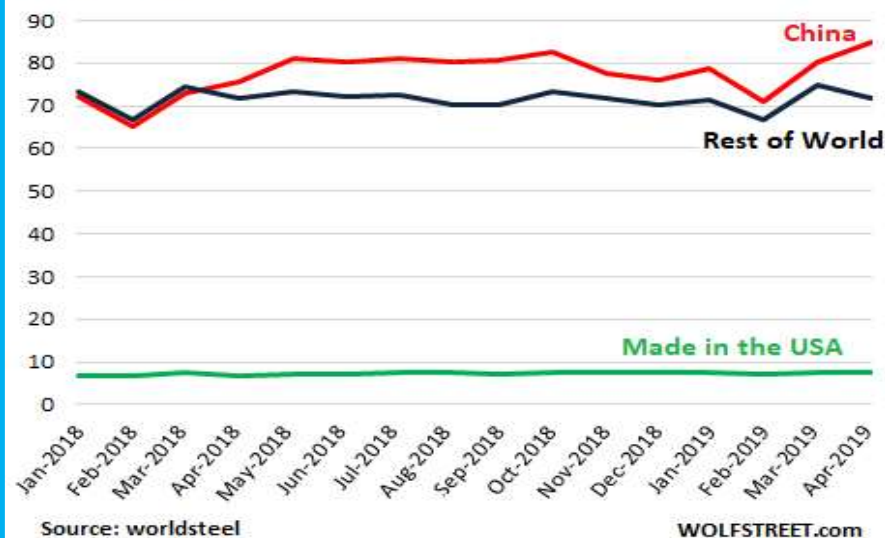
PRC's Demand for High-Grade Iron Ore Likely to Remain Strong

- ✓ Our primary market, the PRC, is the world's largest steelmaker and consumer of iron ore
- ✓ 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 2019¹
- ✓ PRC's pollution control policy tightened so steel producers prefer the use of higher grade iron ore in order to enhance production yield and meet emission norms²

1. Xinhua Net Article "China steel output, prices rise in May"
http://www.xinhuanet.com/english/2019-06/30/c_138186467.htm
2. Fastmarket Article "Iron ore mart complexity shows value of derivatives"
<https://www.amm.com/Article/3881854/Iron-ore-mart-complexity-shows-value-of-derivatives.html>

CRUDE STEEL PRODUCTION

Monthly Crude Steel Production:
China v. Rest of World, and USA
Millions of tonnes



COMPETITIVE ADVANTAGE

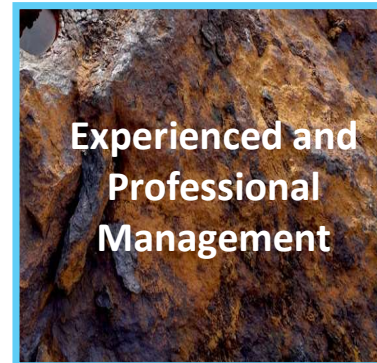


- ✓ Iron ore concentrate with TFe content of at least 65%
- ✓ Low levels of impurities which would command premium prices against lower grades



- ✓ Key contributing factors to our competitiveness
- ✓ Favourable geological conditions and cost advantage
- ✓ Access to good public infrastructure
- ✓ Close proximity to two steel mills in Malaysia

- ✓ Considerable exploration upside potential within Bukit Besi Mine with less than 5% of the surface area explored
- ✓ Mining rights granted to the Group valid up till early 2033
- ✓ Capacity expansion ongoing



- ✓ Experienced in-house team in resource prospecting, exploration, mining and processing
- ✓ Experience in dealing with the local and state regulatory authorities
- ✓ Good and lasting relationships with various government agencies of the mining industry

SHARE STATISTICS



Bloomberg Code: FMIL SP	SGX: OAJ	
Share Price	S\$0.255	
Market Capitalization	S\$127.5 million	
Free Float	75.0 million	
P/E ratio	0.81	
Interim Gross Dividend Yield	0.63%	
NAV Per Share	5.05 US Cents = 6.85 Singapore Cents	
Total Issued Shares	500 million	
Substantial Shareholders	Insiders	50.25%
	Selangor Dredging Berhad	30.99%

Source: Bloomberg data on 8 July 2019

PRICE TREND





THANK YOU!

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