



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

# FORTRESS MINERALS LIMITED

2QFY2020 Results Presentation

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# 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 high grade iron ore concentrate

# MANAGEMENT TEAM



## 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



2016



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

2017



- ✓ 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

2018



- ✓ Commercial production of high grade iron ore concentrate 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

1<sup>st</sup> Quarter  
FY 2020



- ✓ **Listed on the Catalist Board** of SGX-ST in March 2019
- ✓ First iron ore miner listed on SGX
- ✓ S\$15.0 million gross proceeds raised
- ✓ Resource upgraded to 6.19 Mt at **East, Valley & West Deposits.**
- ✓ First interim dividend for FY2020 equal to the 12.1% profit of FY2019

2<sup>nd</sup> Quarter  
FY 2020



- ✓ Installation of additional ball mills and related machinery to increase steady-state processing capacity from 40,000 WMT to 50,000 WMT per month, target completion in 2Q FY2020
- ✓ Additional ball mills and related machinery successfully commissioned in **August 2019**

3<sup>rd</sup> Quarter  
FY 2020



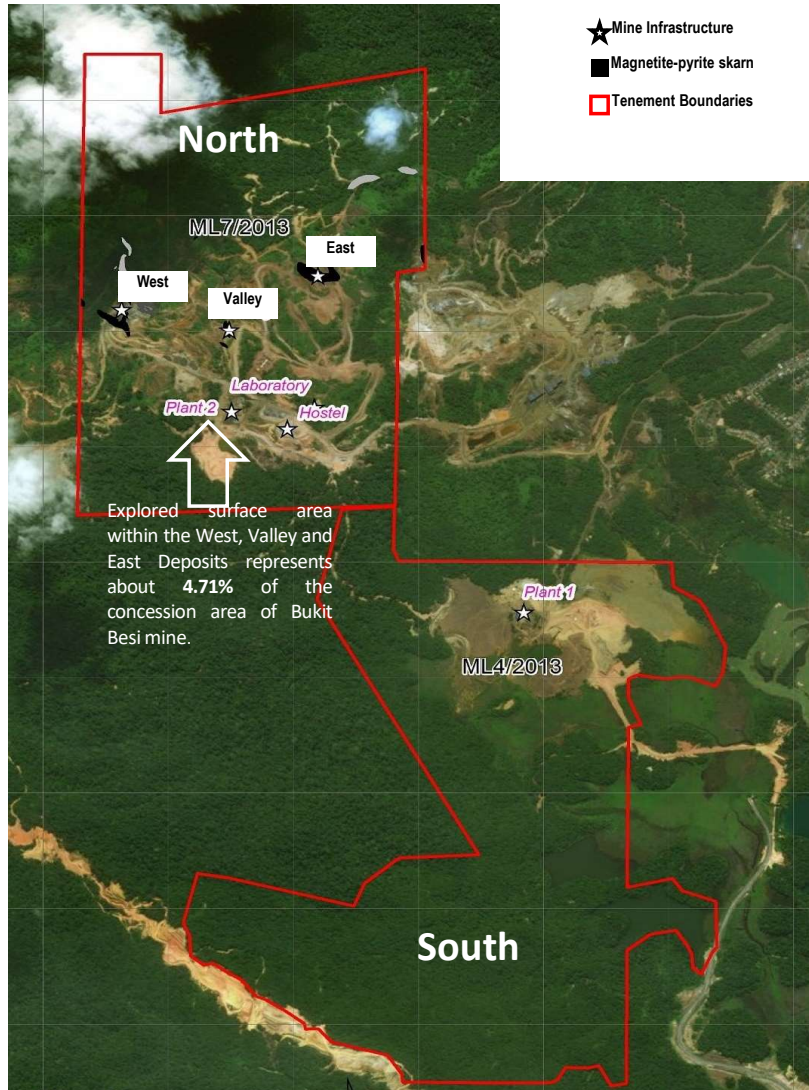
- ✓ Engineering team continues to fine tune and optimise production efficiency, productivity, quality and overall competency
- ✓ Exploration and geological works to enhance JORC Mineral Resource at East, Valley & West Deposits on-going

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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 high grade iron ore concentrate

# MINERAL RESOURCE – A CLOSER LOOK



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West, Valley and East Deposits are <5% of total concession area (526.2 ha)



## RESOURCE SUMMARY:

Deposit Area	Resource Category	7 Aug 2018		28 Feb 2019	
		Net Attributable to the Group			
		Tonnes (Mt)		Grade (% Fe)	
West	Indicated	0.37	42.20	0.34	41.44
West	Inferred	2.55	39.60	2.42	39.33
Valley	Inferred	1.36	46.40	2.24	46.33
East	Inferred	1.13	40.70	1.18	41.05
<b>Total</b>		<b>5.41</b>	<b>41.70</b>	<b>6.19</b>	<b>42.31</b>

# BUKIT BESI MINE – PRODUCTION PROCESS



**Step 1**  
Blasting of the identified location



Rock surface after blasting

**Step 2**  
Removal and stockpiling of blasted materials



Removal of blasted material

**Step 3**  
Crushing process



The crushing plant

**Step 4**  
Concentrate processing



Magnetic separator



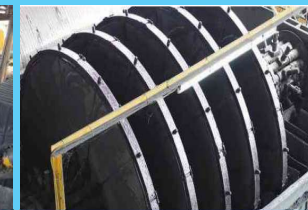
Grinding ball mills



Froth floatation cells



The processing plant



Drying of iron ore concentrate



Iron ore fine/lump stockpile

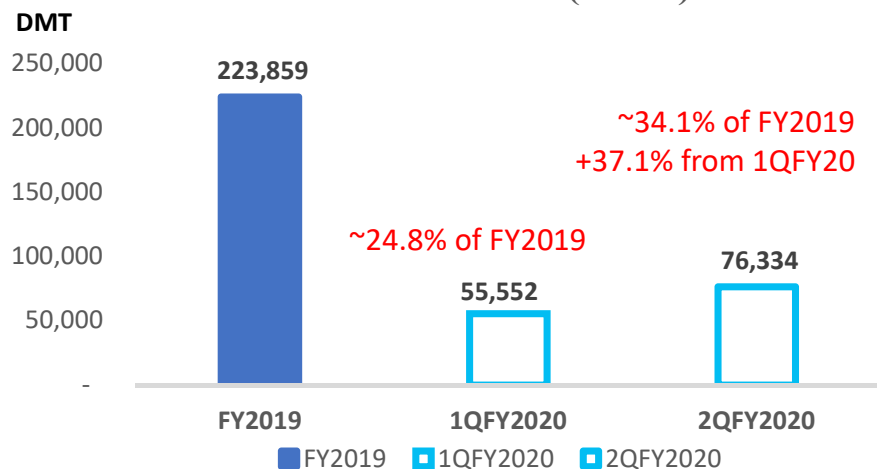
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# FINANCIAL HIGHLIGHTS

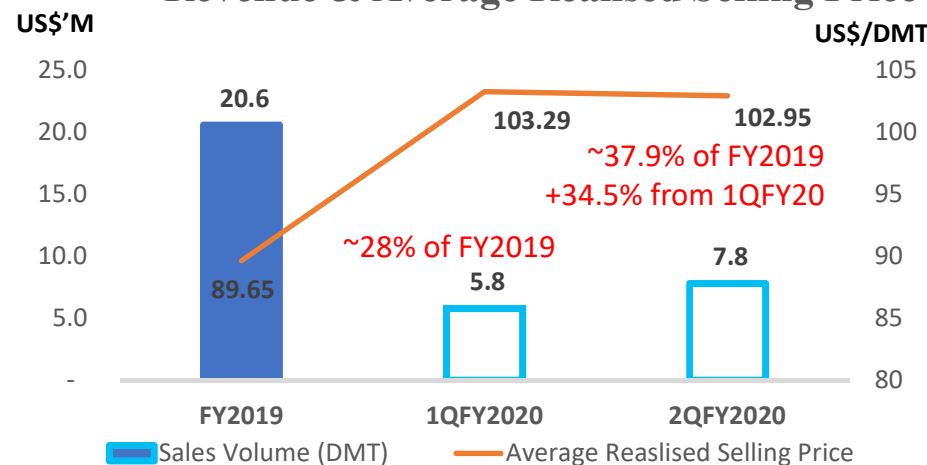
# FINANCIAL SNAPSHOT



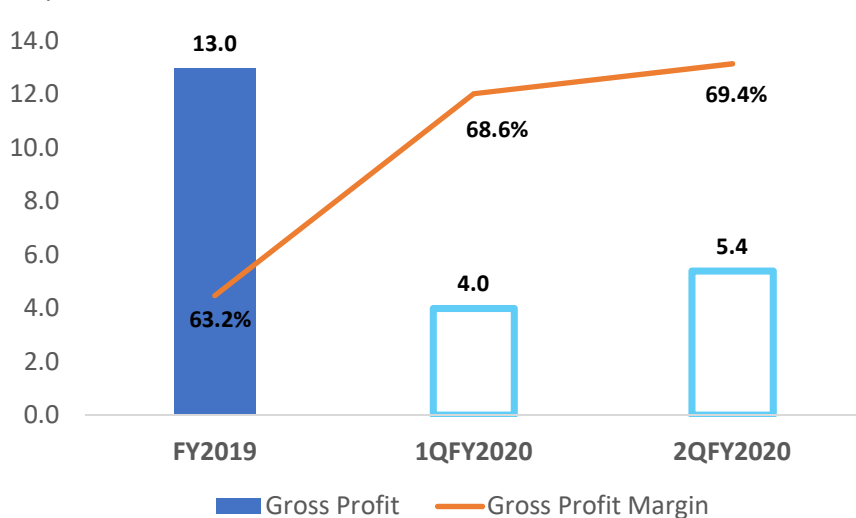
## Sales Volume (DMT)



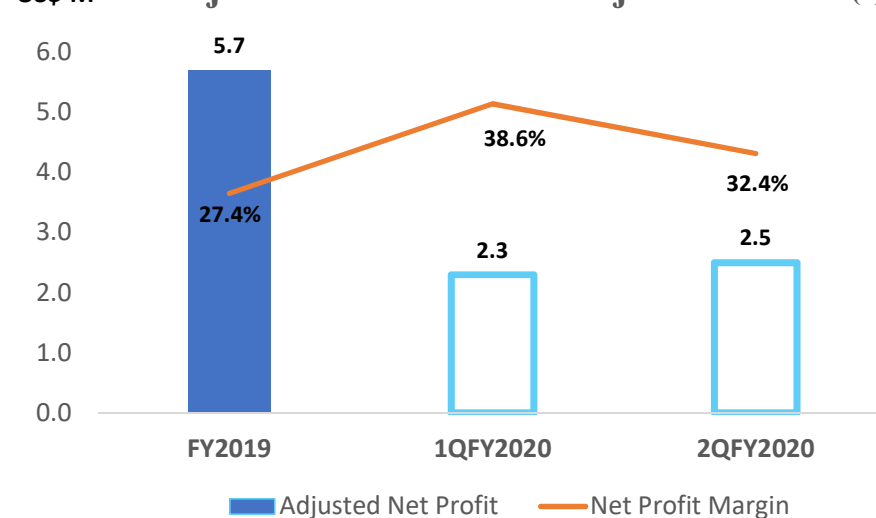
## Revenue & Average Realised Selling Price



## Gross Profit & GP %



## Adjusted Net Profit & Adjusted NP % (1)



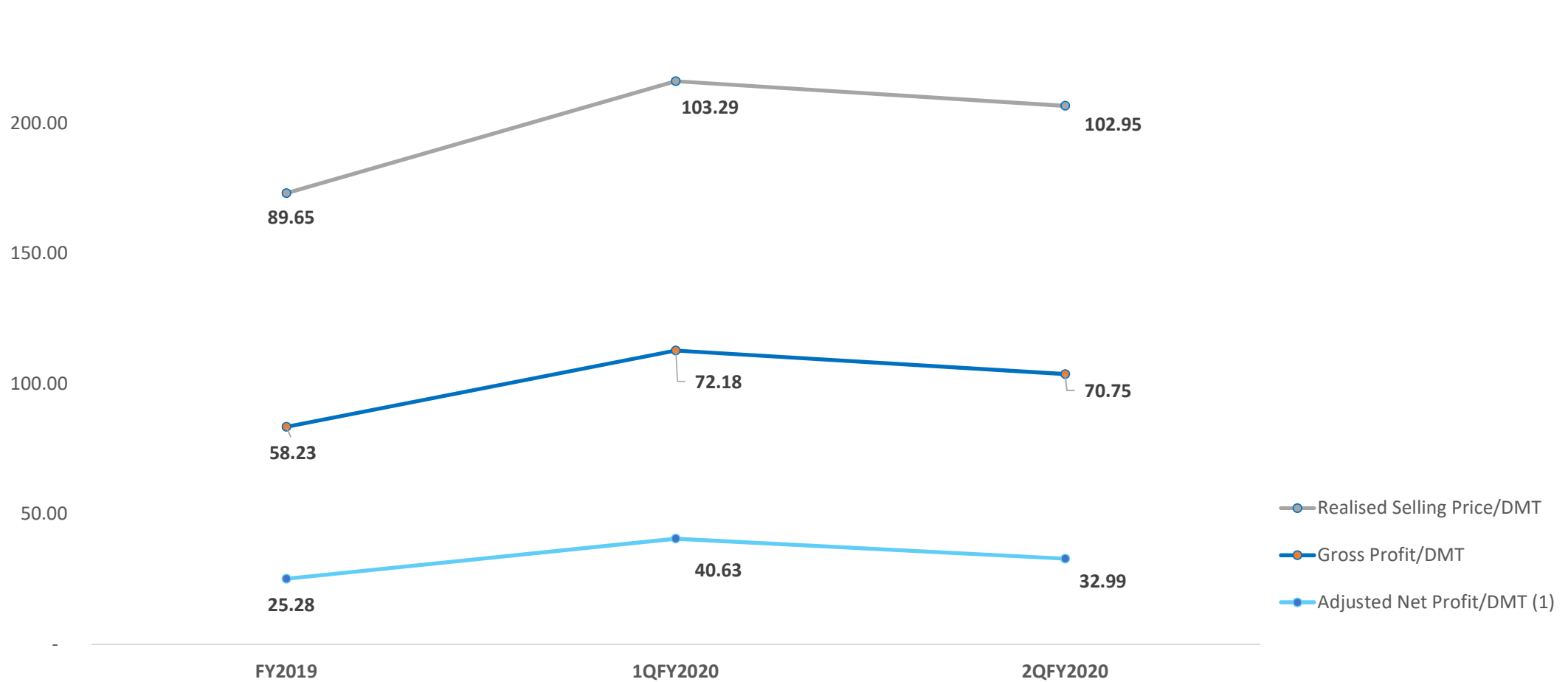
(1) Adjusted net profit excluding the effect of foreign exchange & IPO expenses and computed based on Group's revenue basis.

## 2Q FY2020 FINANCIALS – OPERATIONAL EFFICIENCY



US\$/DMT  
250.00

### Operational Efficiency (In US\$/DMT)



(1) Adjusted net profit excluding the effect of foreign exchange and IPO expenses.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE GROUP

US\$'000	1H FY2020	1H FY2019	Change (%)
Revenue	13,624	6,572	107.3
Gross profit	9,410	3,916	140.3
Gross profit margin	69.1%	59.6%	15.9
Other operating income	417	2,070	(79.9)
Selling and distribution expenses	(1,054)	(2,306)	(54.3)
Other operating expenses	(1,853)	(604)	(206.8)
Administrative expenses	(1,551)	(332)	367.2
Finance costs	(18)	(1)	1,700.0
<b>Net profit after tax (NPAT)</b>	<b>3,609</b>	<b>2,007</b>	<b>79.8</b>
<b>Adjusted net profit</b>	<b>4,775(1)</b>	<b>2,194(2)</b>	<b>121.77</b>
<b>Adjusted net profit margin</b>	<b>35.0%(1)</b>	<b>33.4%(2)</b>	<b>3.9</b>
Basic and diluted EPS (US cents)	0.74	0.48	54.2

1. Excluding the effect on foreign exchange loss of US\$0.2 million and IPO expenses of US\$0.9 million for 1H FY2020.

2. Excluding the effect on foreign exchange gain of US\$10,147 million and IPO expenses of US\$0.1 million for 1H FY2019.

## STATEMENT OF FINANCIAL POSITION FOR THE GROUP



US\$'000	31 August 2019	28 February 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Exploration & evaluation asset	1,525	403
Mining properties	6,529	6,973
Plant and equipment	12,929	11,366
Right-of-use assets	721	-
<b>Current assets</b>		
Inventories	597	439
Trade receivables	1,474	2,098
Other receivables, deposits and prepayment	1,871	1,673
Cash and bank balances	15,437	2,129
<b>Equity</b>		
Share capital	22,463	268
Other reserves	(3,354)	518
Retained earnings	8,579	5,562



## STATEMENT OF FINANCIAL POSITION FOR THE GROUP



US\$'000	31 August 2019	28 February 2019
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,191	505
Amounts due to shareholders	8,048	15,721
Borrowings	40	-
Lease liabilities	542	-
<b>Current liabilities</b>		
Borrowings	31	
Lease liabilities	187	-
Trade payables	947	257
Other payables and accruals	1,845	1,960
Current tax liabilities	565	288
NAV per Share <sup>1</sup> (US cents)	5.54	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

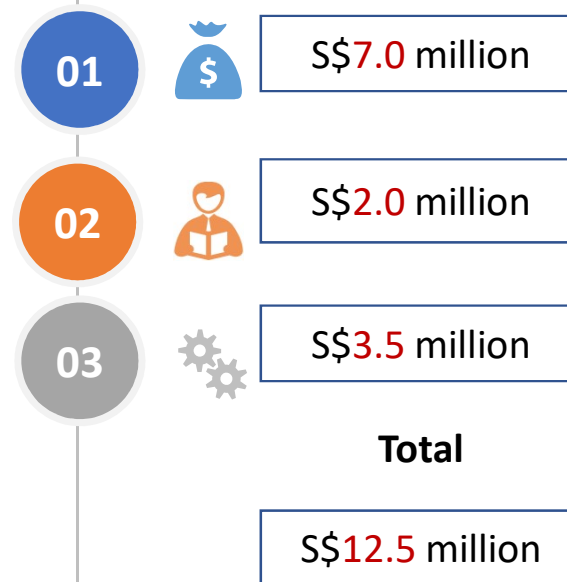
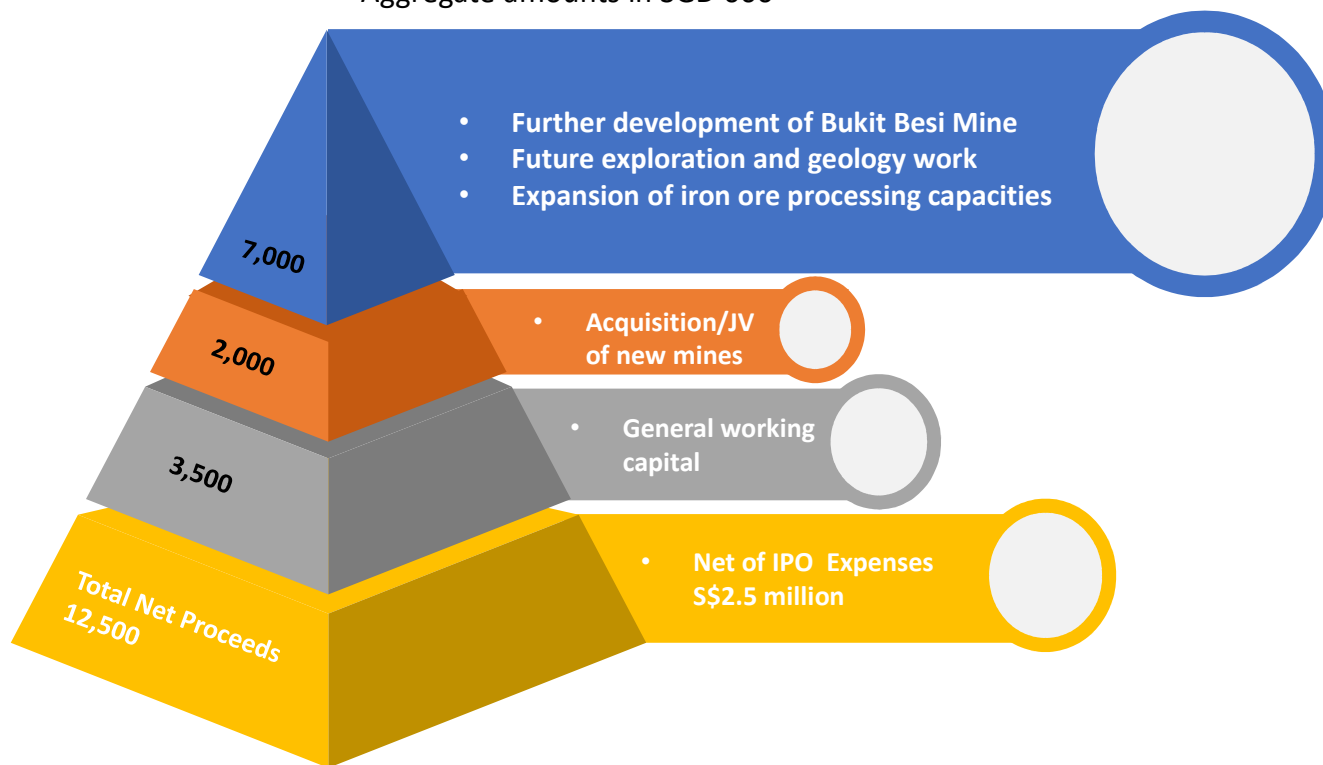


US\$'000	1H FY2020	1H FY2019
Net cash flow generated from operating activities	7,654	1,608
Net cash flow used in investing activities	(3,939)	(2,672)
Net cash flow generated from financing activities	9,899	2,266
Net change in cash and cash equivalents	13,614	1,202
Effects of exchange rate changes on cash and cash equivalents	(306)	(4)
Cash and cash equivalents at beginning of financial period	2,129	41
Cash and cash equivalents at end of financial period	15,437	1,239

# USE OF IPO PROCEEDS – STATUS IN 2QFY2020



Aggregate amounts in SGD'000



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

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# INDUSTRY OVERVIEW



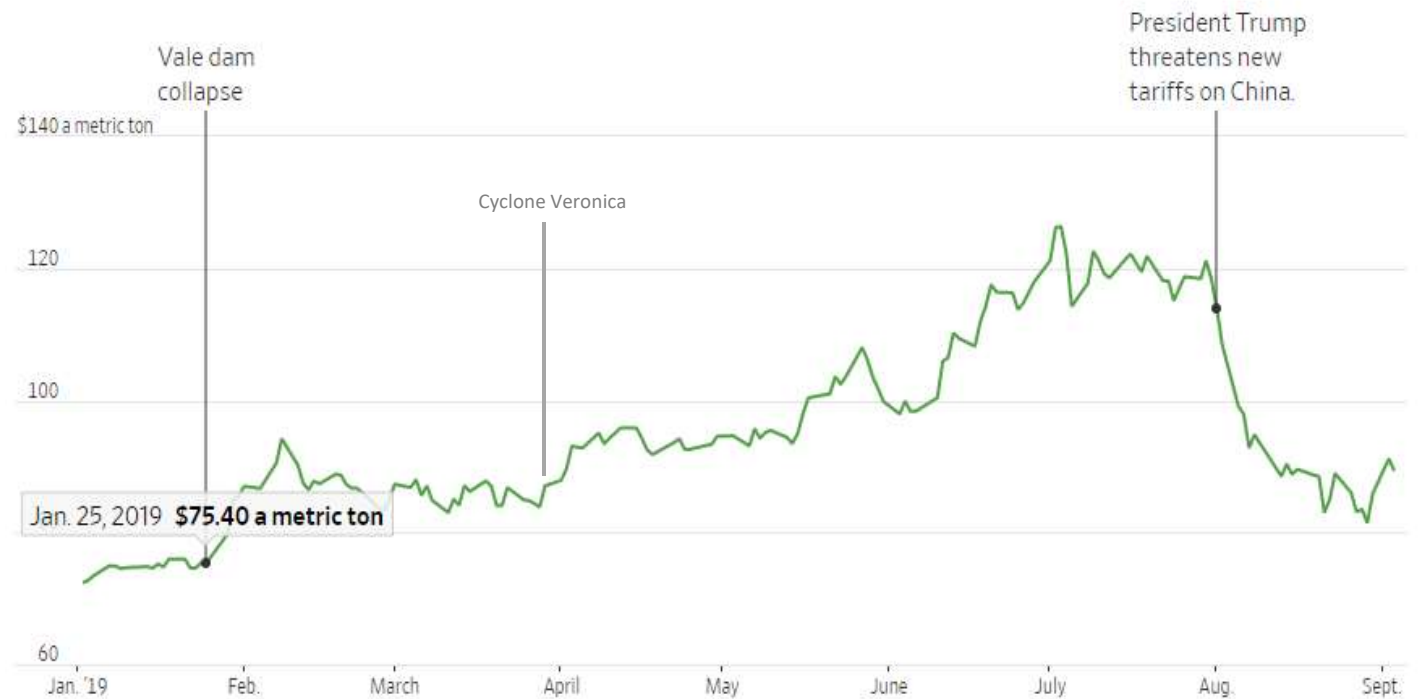
fortress

## Update on Iron Ore Prices

- Prices volatile during 2019 due to supply disruptions
- Fortress, as a **high-grade** iron ore concentrate producer, enjoys niche position especially during supply disruptions
- High grade iron ore concentrate enjoys premium pricing.



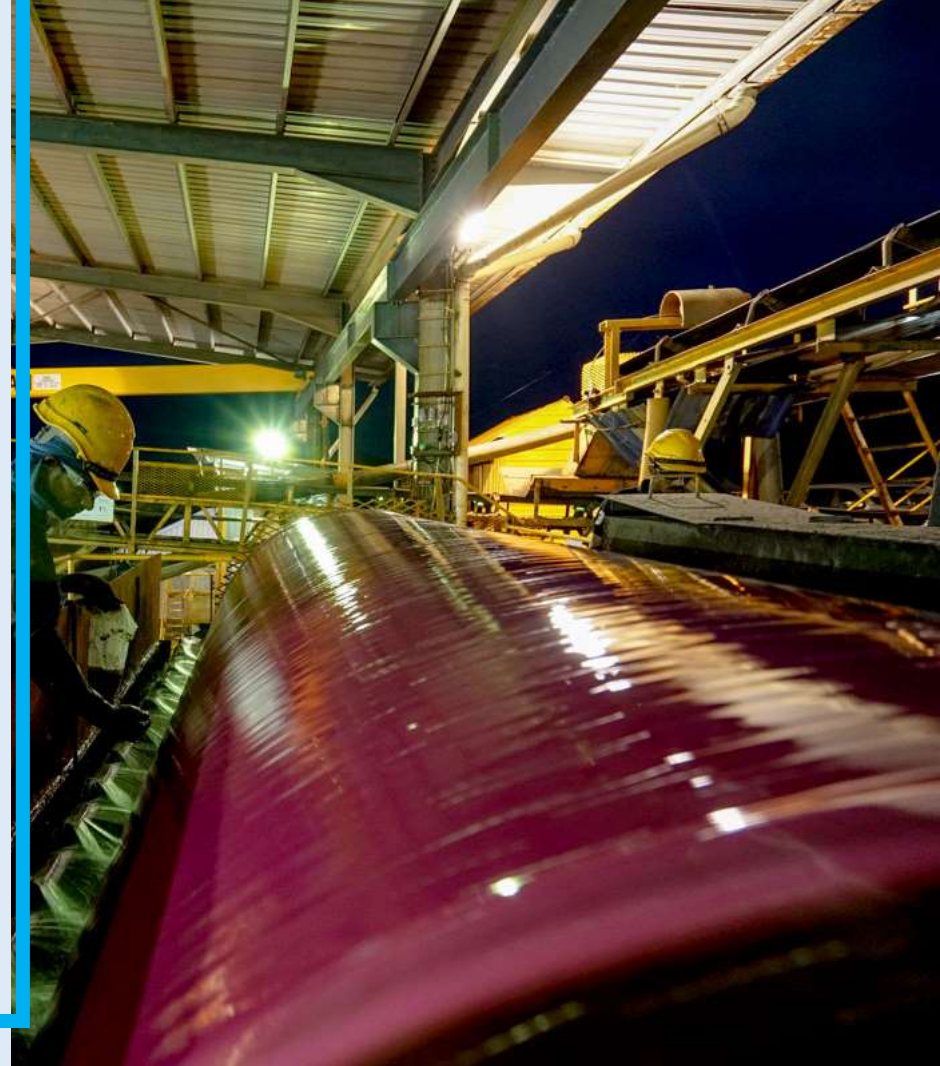
Spot iron-ore price



Source S&P Global Platts

### Key Market Demand– Malaysia

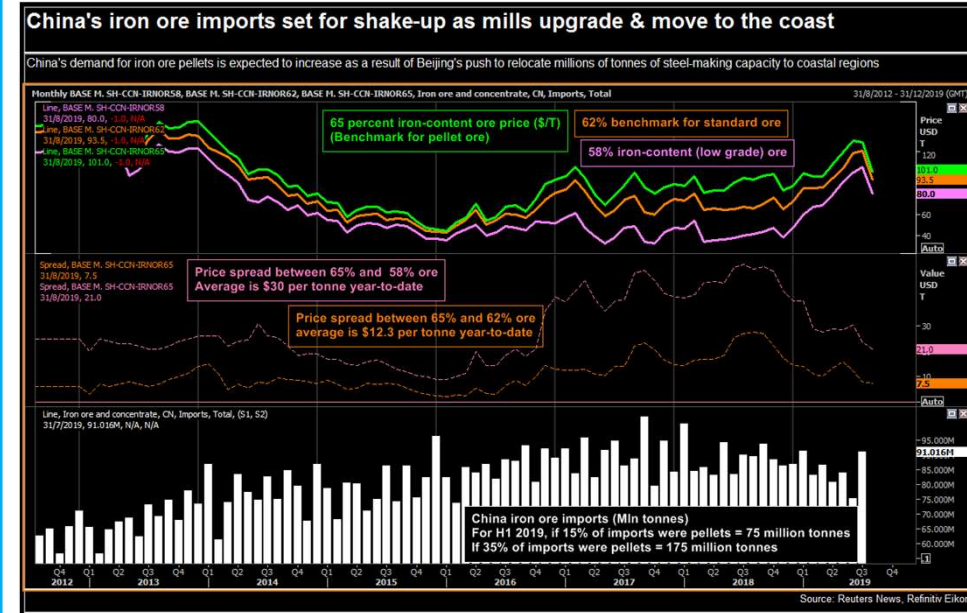
- Regional steel demand remain robust
- Fortress revenue for last 2 quarters generated from two local steel mills in Malaysia:
  - 1Q FY2020 - 61,386 WMT (55,552 DMT)
  - 2Q FY2020 - 85,739 WMT (76,334 DMT)
- Iron ore consumption of the two steel mills in east coast of peninsula Malaysia exceeds our capacity to supply the iron ore
- Local steel mills favour our high-grade iron ore concentrate
- Daily trucking to steel mills enhances cost and logistical efficiencies as compared to seaborne derived revenue



## Key Market Demand – China

- Ever tightening of pollution control continues to promote healthy demand of high-grade iron ore concentrate
- Broad customer base and strong relations in China built by Fortress' experienced team throughout the years
- Fortress is well-positioned to ride on the healthy Chinese demand

Source 1 : (Reuters) <https://www.reuters.com/article/us-china-ironore-analysis/pellet-pivot-china-develops-taste-for-high-grade-iron-ore-as-coastal-furnaces-fire-up-idUSKCN1VA0CX>



Source: Reuters News, Refinitiv Eikon

## COMPETITIVE ADVANTAGE

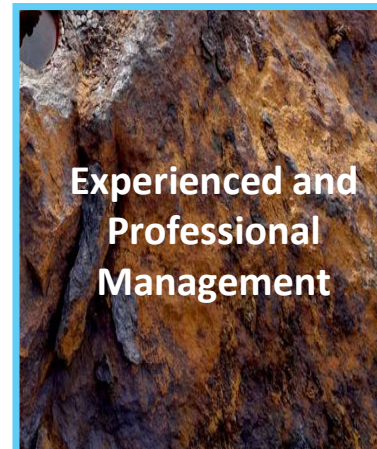
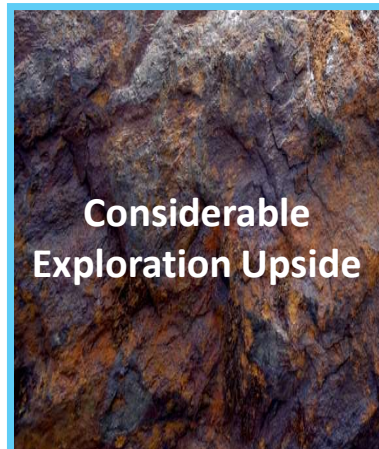


- ✓ High grade Iron ore concentrate
- ✓ Low levels of impurities which would command premium prices against lower grades



- ✓ 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 with strong demand

- ✓ 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
- ✓ Stronger processing capacities



- ✓ 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\$0.21

Market Capitalization ~105M

Free Float 327.5M

P/E ratio 13 times

Dividend yield 0.76%

NAV Per Share 5.54 US Cents

Shares Outstanding 500M

Substantial Shareholders	Periods	At IPO	1QFY2020	2QFY2020	Now	Net increase
	Management	50.25%	50.25%	50.25%	50.25%	-
	Selangor Dredging Berhad	32.45%	32.45%	32.45%	33.19%	0.74%
	Western Capital	1.05%	1.30%	1.3042%	1.3082%	0.2582%

Source: Bloomberg Data

# PRICE TREND



Source: Bloomberg Data



**THANK YOU!**

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