



# FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

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## Unaudited Financial Statement and Dividend Announcement for the Second Quarter Ended 31 August 2020 (“2Q FY2021”)

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### **Background**

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

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

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

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

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

	Group			Group		
	Three Months Ended			Six Months Ended		
	31 August 2020 US\$	31 August 2019 US\$	Change %	31 August 2020 US\$	31 August 2019 US\$	Change %
Revenue	12,985,431	7,782,685	66.9	20,075,788	13,624,016	47.4
Cost of sales	(2,920,742)	(2,381,845)	22.6	(4,966,998)	(4,213,518)	17.9
Gross profit	10,064,689	5,400,840	86.4	15,108,790	9,410,498	60.6
Other operating income	221,582	53,957	310.7	212,400	416,821	(49.0)
Selling and distribution expenses	(1,806,379)	(494,465)	265.3	(2,365,272)	(1,054,216)	124.4
Other operating expenses	(1,103,605)	(988,500)	11.6	(2,386,534)	(1,853,425)	28.8
Administrative expenses	(141,966)	(294,008)	(51.7)	(414,895)	(1,550,936)	(73.3)
Finance costs	(12,535)	(17,215)	(27.2)	(22,715)	(17,862)	27.2
Profit before income tax	7,221,786	3,660,609	97.3	10,131,774	5,350,880	89.3
Income tax expense	(1,540,316)	(1,142,638)	34.8	(2,291,960)	(1,742,247)	31.6
<b>Profit for the financial period attributable to owners of the Company</b>	<b>5,681,470</b>	<b>2,517,971</b>	<b>125.6</b>	<b>7,839,814</b>	<b>3,608,633</b>	<b>117.3</b>
<i>Other comprehensive income</i>						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Exchange differences on translating foreign operations	961,127	(98,215)	nm	460,767	(305,650)	nm
Other comprehensive income/(loss) for the financial period, net of tax	961,127	(98,215)	nm	460,767	(305,650)	nm
<b>Total comprehensive income for the financial period attributable to owners of the Company</b>	<b>6,642,597</b>	<b>2,419,756</b>	<b>174.5</b>	<b>8,300,581</b>	<b>3,302,983</b>	<b>151.3</b>

nm – not meaningful

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

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

	Group			Group		
	Three Months Ended			Six Months Ended		
	31 August 2020 US\$	31 August 2019 US\$	Change  %	31 August 2020 US\$	31 August 2019 US\$	Change  %
<i>Selling and distribution expenses:</i>						
Commission expense	247,330	51,069	384.3	265,018	152,435	73.9
Handling and transportation expense	318,031	94,827	235.4	528,755	307,445	72.0
Ocean freight	618,579	-	nm	618,579	-	nm
Royalty expense	579,982	346,917	67.2	890,088	592,683	50.2
<i>Other operating expenses:</i>						
Upkeep of machinery	306,560	327,872	(6.5)	578,975	504,093	14.9
Upkeep of motor vehicles	185,535	149,677	24.0	310,817	330,267	(5.9)
<i>Administrative expenses:</i>						
Donations	25,493	6,004	324.6	32,649	14,088	131.8
Foreign exchange loss, net	-	114,275	nm	-	364,894	nm
Listing expenses	-	-	nm	-	937,193	nm
Loss on disposal of plant and equipment	-	2,809	nm	-	2,809	nm
<i>Other operating income:</i>						
Foreign exchange gain, net	(135,763)	-	nm	(343)	-	nm
Gain on disposal of plant and equipment	-	-	nm	(3,346)	-	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 August 2020 US\$	29 February 2020 US\$	31 August 2020 US\$	29 February 2020 US\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments in subsidiaries	-	-	11,405,670	11,405,647
Exploration and evaluation assets	2,552,156	2,321,853	-	-
Mining properties	6,222,650	6,343,918	-	-
Plant and equipment	13,548,923	13,498,301	-	-
Right-of-use assets	444,135	529,741	-	-
	<u>22,767,864</u>	<u>22,693,813</u>	<u>11,405,670</u>	<u>11,405,647</u>
<b>Current assets</b>				
Inventories	1,330,371	864,727	-	-
Trade receivables	8,154,304	3,393,708	-	-
Other receivables, deposits and prepayments	7,234,580	2,141,848	3,774,839	-
Amounts due from subsidiaries	-	-	3,832,143	4,346,240
Cash and bank balances	5,773,341	10,242,507	3,890,831	7,807,721
	<u>22,492,596</u>	<u>16,642,790</u>	<u>11,497,813</u>	<u>12,153,961</u>
<b>Total assets</b>	<u>45,260,460</u>	<u>39,336,603</u>	<u>22,903,483</u>	<u>23,559,608</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	22,463,273	22,463,273	22,463,273	22,463,273
Other reserves	(3,155,044)	(3,615,811)	-	-
Retained earnings	17,993,009	10,728,012	389,679	1,034,422
<b>Total equity</b>	<u>37,301,238</u>	<u>29,575,474</u>	<u>22,852,952</u>	<u>23,497,695</u>
<b>Non-current liabilities</b>				
Bank borrowings	93,267	34,359	-	-
Lease liabilities	28,209	150,456	-	-
Deferred tax liabilities	1,546,223	1,466,788	-	-
	<u>1,667,699</u>	<u>1,651,603</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Bank borrowings	72,936	37,983	-	-
Lease liabilities	471,986	393,553	-	-
Trade payables	380,126	377,755	-	-
Other payables and accruals	4,086,432	2,550,341	39,216	52,162
Amounts due to shareholders	-	4,495,457	-	-
Amounts due to subsidiaries	-	-	23	-
Current income tax payable	1,280,043	254,437	11,292	9,751
	<u>6,291,523</u>	<u>8,109,526</u>	<u>50,531</u>	<u>61,913</u>
<b>Total liabilities</b>	<u>7,959,222</u>	<u>9,761,129</u>	<u>50,531</u>	<u>61,913</u>
<b>Total equity and liabilities</b>	<u>45,260,460</u>	<u>39,336,603</u>	<u>22,903,483</u>	<u>23,559,608</u>

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

**Amount repayable in one year or less, or on demand**

As at 31 August 2020		As at 29 February 2020	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
72,936	471,986	37,983	4,889,010

**Amount repayable after one year**

As at 31 August 2020		As at 29 February 2020	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
93,267	28,209	34,359	150,456

**Details of any collateral**

The Group's secured borrowings as at 31 August 2020 comprised finance lease liabilities, which are secured over the Group's motor vehicles. The net carrying amounts of the motor vehicles as at 31 August 2020 amounted to US\$0.3 million (29 February 2020: US\$0.1 million).

The Group's unsecured borrowings as at 31 August 2020 comprised lease liabilities (29 February 2020: lease liabilities and 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 Six Months Ended	
	31 August 2020 US\$	31 August 2019 US\$	31 August 2020 US\$	31 August 2019 US\$
<b>Operating activities</b>				
Profit before income tax	7,221,786	3,660,609	10,131,774	5,350,880
Adjustments for:				
Amortisation of mining properties	142,327	90,613	205,634	194,115
Depreciation of plant and equipment	557,280	1,535	1,080,624	2,595
Depreciation of right-of-use assets	131,042	113,617	213,131	118,077
Interest expenses	12,535	17,215	22,715	17,862
Interest income	(3,774)	(59,234)	(32,465)	(60,101)
Share-based payment expenses	-	-	-	786,946
Loss/(Gain) on disposal of plant and equipment	-	2,809	(3,346)	2,809
Plant and equipment written off	-	849	-	849
Unrealised foreign exchange loss	151,469	149,016	139,477	229,323
<b>Operating cash flow before working capital changes</b>	<b>8,212,665</b>	<b>3,977,029</b>	<b>11,757,544</b>	<b>6,643,355</b>
Working capital changes:				
Inventories	(567,029)	401,793	(429,964)	704,528
Trade and other receivables	(7,987,921)	3,244,690	(9,834,536)	348,277
Trade and other payables	939,187	829,569	1,440,239	694,162
<b>Cash generated from operations</b>	<b>596,902</b>	<b>8,453,081</b>	<b>2,933,283</b>	<b>8,390,322</b>
Income tax paid	(542,421)	(272,405)	(1,273,946)	(736,398)
Income tax refunded	-	-	586	-
<b>Net cash flow generated from operating activities</b>	<b>54,481</b>	<b>8,180,676</b>	<b>1,659,923</b>	<b>7,653,924</b>
<b>Investing activities</b>				
Additions of exploration and evaluation assets	(123,364)	(806,654)	(178,754)	(1,136,436)
Additions of plant and equipment	(549,231)	(1,510,253)	(821,115)	(2,884,374)
Proceeds from disposal of plant and equipment	-	22,081	17,802	22,081
Interest received	3,774	59,234	32,465	60,101
<b>Net cash flow used in investing activities</b>	<b>(668,821)</b>	<b>(2,235,592)</b>	<b>(949,602)</b>	<b>(3,938,628)</b>
<b>Financing activities</b>				
Interest paid	(12,535)	(17,215)	(22,715)	(17,862)
Repayments to shareholders	(2,606,990)	-	(4,561,456)	-
Net (repayments of)/proceed from bank borrowings	(19,161)	70,723	(28,200)	70,723
Repayment of lease liabilities	(151,725)	(105,891)	(196,875)	(110,631)
Proceeds from issuance of new ordinary shares	-	-	-	11,098,500
Shares issue expenses	-	-	-	(550,117)
Dividends paid	(574,817)	-	(574,817)	(591,920)
<b>Net cash flow (used in)/ generated from financing activities</b>	<b>(3,365,228)</b>	<b>(52,383)</b>	<b>(5,384,063)</b>	<b>9,898,693</b>
Net change in cash and cash equivalents	(3,979,568)	5,892,701	(4,673,742)	13,613,989
Effects of exchange rate changes on cash and cash equivalents	264,770	(305,047)	204,576	(306,000)
Cash and cash equivalents at beginning of financial period	9,488,139	9,849,763	10,242,507	2,129,428
Cash and cash equivalents at end of financial period	<u>5,773,341</u>	<u>15,437,417</u>	<u>5,773,341</u>	<u>15,437,417</u>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

<u>Group</u>	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Merger reserve US\$	Retained earnings US\$	Total equity US\$
<b>Balance at 1 March 2020</b>	22,463,273	383,615	(433,450)	(3,565,976)	10,728,012	29,575,474
<b>Profit for the financial period</b>	-	-	-	-	2,158,344	2,158,344
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	-	-	(500,360)	-	-	(500,360)
Other comprehensive loss for the financial period, net of tax	-	-	(500,360)	-	-	(500,360)
<b>Total comprehensive income for the financial period</b>	-	-	(500,360)	-	2,158,344	1,657,984
<b>Balance at 31 May 2020</b>	<u>22,463,273</u>	<u>383,615</u>	<u>(933,810)</u>	<u>(3,565,976)</u>	<u>12,886,356</u>	<u>31,233,458</u>
<b>Profit for the financial period</b>	-	-	-	-	5,681,470	5,681,470
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	-	-	961,127	-	-	961,127
Other comprehensive income for the financial period, net of tax	-	-	961,127	-	-	961,127
<b>Total comprehensive income for the financial period</b>	-	-	961,127	-	5,681,470	6,642,597
<b>Distribution to owners</b>						
FY2020 Final dividend paid	-	-	-	-	(574,817)	(574,817)
<b>Total transaction with owners</b>	-	-	-	-	(574,817)	(574,817)
<b>Balance at 31 August 2020</b>	<u>22,463,273</u>	<u>383,615</u>	<u>27,317</u>	<u>(3,565,976)</u>	<u>17,993,009</u>	<u>37,301,238</u>

<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>	268,407	383,615	134,264	-	5,562,386	6,348,672
<b>Profit for the financial period</b>	-	-	-	-	1,090,662	1,090,662
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	-	-	(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
Shares issue expenses	(725,399)	-	-	-	-	(725,399)
FY2020 First interim dividend declared and paid	-	-	-	-	(591,920)	(591,920)
<b>Total transactions with owners</b>	22,194,866	-	-	(3,565,976)	(591,920)	18,036,970
<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 differences on translating foreign operations	-	-	(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>

\*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>Company</u>	Share capital US\$	Retained earnings US\$	Total equity US\$
<b>Balance at 1 March 2020</b>	22,463,273	1,034,422	23,497,695
<b>Loss for the financial period representing total comprehensive loss for the financial period</b>	-	(155,916)	(155,916)
<b>Balance at 31 May 2020</b>	<u>22,463,273</u>	<u>878,506</u>	<u>23,341,779</u>
<b>Profit for the financial period representing total comprehensive income for the financial period</b>	-	85,990	85,990
<b>Distribution to owners</b>			
FY2020 Final dividend paid	-	(574,817)	(574,817)
<b>Total transaction with owners</b>	-	(574,817)	(574,817)
<b>Balance at 31 August 2020</b>	<u>22,463,273</u>	<u>389,679</u>	<u>22,852,952</u>

<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>Distribution to owners</b>			
FY2020 First interim dividend 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>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

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

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

There were no treasury shares and subsidiary holdings as at 31 August 2020 and 31 August 2019.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Company	
As at 31 August 2020	As at 29 February 2020

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

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

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

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

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

2. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

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

Not applicable, as the latest financial statements were not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

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

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the Group's audited financial statements for the year ended 29 February 2020.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards ("SFRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 March 2020. The adoptions of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group for the current financial period reported on.

**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).**

Earnings per ordinary share ("EPS")	Group Three months ended		Group Six months ended	
	31 August 2020	31 August 2019	31 August 2020	31 August 2019
Net profit attributable to owners of the Company (US\$)	5,681,470	2,517,971	7,839,814	3,608,633
Weighted average number of ordinary shares	500,000,000	500,000,000	500,000,000	489,605,978
Basic and diluted EPS (US cents)	1.14	0.50	1.57	0.74

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 August 2020	29 February 2020	31 August 2020	29 February 2020
Net asset value ("NAV") (US\$)	37,301,238	29,575,474	22,852,952	23,497,695
Total number of issued shares excluding treasury shares	500,000,000	500,000,000	500,000,000	500,000,000
NAV per Share (US cents)	7.46	5.92	4.57	4.70

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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 31 August 2020 ("2Q FY2021") and the comparative 3 months ended 31 August 2019 ("2Q FY2020").

	2Q FY2021	2Q FY2020	Increase/ (Decrease) (%)
Revenue realised <sup>(1)</sup> (US\$)	13,004,327	7,858,830	65.5
Sold (DMT*)	135,482	76,334	77.5
Average realised selling price (US\$/DMT)	95.99	102.95	(6.8)

\* DMT denotes Dry Metric Tonnes

(1) Excluding effect of foreign exchange on translation of sales for FY2021 (FY2020: Excluding effects of foreign exchange on translation of sales and transportation income)

The Group's revenue realised increased to US\$13.0 million in 2Q FY2021, 65.5% higher than 2Q FY2020, which was driven by higher volume sold and partly cushioned by lower average realised selling price.

Sale volume grew strongly in 2Q FY2021 with 135,482 DMT of iron ore sold, an increase of 77.5% over 2Q FY2020, underpinned by strong demand in regional steel mills and an increase in export to China and Vietnam in 2Q FY2021.

Average realised selling price decreased by US\$6.96/DMT to US\$95.99/DMT in 2Q FY2021 attributable to pricing discount granted to customers which was partially cushioned by an increase in the benchmark IODEX 65% Fe CFR North China of Platts Daily Iron Ore Assessments price indices.

Cost of sales

	2Q FY2021	2Q FY2020	Increase/ (Decrease) (%)
Cost of sales (US\$)	2,920,742	2,381,845	22.6
Sold (WMT*)	148,751	85,739	73.5
Average unit cost of sales (US\$/WMT)	19.64	27.78	(29.3)

\* WMT denotes Wet Metric Tonnes

The Group's average unit cost trimmed by 29.3% or US\$8.14/WMT from US\$27.78/WMT in 2Q FY2020 to US\$19.64/WMT in 2Q FY2021 which was achieved through improved economies of scale arising from higher production volume.

### Gross profit and gross profit margin

Gross profit for 2Q FY2021 was US\$10.1 million, an increase of US\$4.7 million or 86.4% as compared to 2Q FY2020. The gross profit margin performed strongly at 77.5% in 2Q FY2021 driven by high volume sold, coupled with lower average unit cost achieved from improved productivity.

### Other operating income

The Group's other operating income in 2Q FY2021 increased by US\$0.2 million as compared to 2Q FY2020, which was primarily driven by the favourable exchange rate movement of SGD against MYR and USD on foreign-currency denominated banks balances.

### Selling and distribution expenses

Selling and distribution expenses increased by US\$1.3 million from US\$0.5 million in 2Q FY2020 to US\$1.8 million in 2Q FY2021. The increase is attributable to:

- (i) increase in royalty, commission, handling and transportation expenses by US\$0.7 million which is in line with higher volume sold; and
- (ii) addition of ocean freight charges of US\$0.6 million incurred for export sales.

### Other operating expenses

The Group's other operating expenses comprise mainly of employee benefits expenses and plants maintenance expenses. Our Group's other operating expenses increased by US\$0.1 million from US\$1.0 million in 2Q FY2020 to US\$1.1 million in 2Q FY2021.

The overall increase is mainly due to an increase in maintenance of plants and vehicles of US\$0.1 million which is in line with high throughput productivity achieved in 2Q FY2021 to ensure the continued optimisation of the capacity of processing plants and vehicles without hindrance.

### Administrative expenses

Administrative expenses decreased by US\$0.2 million from US\$0.3 million in 2Q FY2020 to US\$0.1 million in 2Q FY2021. Administrative expenses comprise mainly of miscellaneous expenses incurred to provide general business support activity and foreign exchange loss.

The decrease is primarily due to the absence of realised foreign exchange loss driven by the favourable exchange rate movement of SGD against MYR and USD denominated banks balances.

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### Income tax expense

Income tax expense increased from US\$1.1 million in 2Q FY2020 to US\$1.5 million in 2Q FY2021, with an effective tax rate of 21.3% for 2Q FY2021. The increase is in line with the higher profit before income tax generated during the quarter under review.

The Group's effective tax rate of 21.3% in 2Q FY2021 was lower than the Group's applicable tax rate of 24.0% primarily due to the effect of lower tax rate on the Singapore group of companies.

### Profit after tax

Our Group profit after tax increased by US\$3.2 million from US\$2.5 million in 2Q FY2020 to US\$5.7 million in 2Q FY2021 due to the reasons stated above.

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

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

### Non-current assets

Non-current assets as at 31 August 2020 stood at US\$22.8 million, an increase of approximately US\$0.1 million from US\$22.7 million as at 29 February 2020, comprising exploration and evaluation assets, mining properties, plant and equipment and right-of-use assets.

Exploration and evaluation assets increased by US\$0.2 million which is in line with on-going exploration activities carried out at the Group's Bukit Besi mine throughout 2Q FY2021.

Mining properties decreased by US\$0.1 million from US\$6.3 million as at 29 February 2020 to US\$6.2 million as at 31 August 2020 primarily due to the effect of amortisation of mining properties.

Plant and equipment remain at US\$13.5 million after accounting for an additional capital investment of US\$1.0 million and the effect on exchange rate changes of US\$0.1 million which was partially offset by depreciation charge of US\$1.1 million. The addition was attributable to the expansion of truck fleet and continuous reinvestment in the Bukit Besi mine.

Right-of-use assets at the Group level refers to the leases of office, hostels premises and machineries for use at our Bukit Besi mine. The decrease was attributable to the effect of depreciation charges.

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### Current assets

As at 31 August 2020, our Group's current assets increased by US\$5.9 million to US\$22.5 million from US\$16.6 million as at 29 February 2020. The increase was mainly due to:

- (i) an increase in trade receivables by US\$4.8 million which is in line with higher sales transacted and completion of sales contracts with customers at the end of the quarter;
- (ii) an increase in non-trade receivables by US\$5.1 million which is attributable to payment of a refundable deposit to a third party for a mine evaluation for due diligence assessments and prepayments to suppliers amounting to US\$4.0 million and US\$1.1 million, respectively; and
- (iii) an increase in inventories by US\$0.4 million as a result of continuous production of high-quality iron ore concentrates to cater for on-going demand from customers.

The increase is offset by a decrease in cash and cash equivalents of US\$4.4 million to US\$5.8 million as at 31 August 2020 from US\$10.2 million as at 29 February 2020 which was mainly attributable to higher receivables balance as stated in the foregoing coupled with full settlement of amounts owing to shareholders amounting to US\$4.5 million.

### Non-current liabilities

As at 31 August 2020, our Group's non-current liabilities comprising bank borrowings, lease liabilities and deferred tax liabilities remain at US\$1.7 million, as a result of an increase in deferred tax liabilities and bank borrowings due to taxable temporary differences on capital allowance claimed for plants and equipment and the purchase of truck fleet and vehicles respectively, which were largely offset by a decrease in non-current lease liabilities arising from reclassification of lease liabilities into current liabilities based on its maturity profile.

### Current liabilities

As at 31 August 2020, our Group's current liabilities was curtailed by US\$1.8 million from US\$8.1 million as at 29 February 2020 to US\$6.3 million. The decrease was due to the full settlement of amounts owing to shareholders of US\$4.5 million and was cushioned by the following:

- (i) an increase in other payables by US\$1.5 million which is in line with higher production throughput activities;
- (ii) an increase in current income tax payable of US\$1.0 million in tandem with the increase in profit before income tax; and
- (iii) increase in lease liabilities and bank borrowings of US\$0.1 million as a result from purchase of truck fleet and vehicles.

### Working capital

Our Group recorded a positive working capital position of US\$16.2 million as at 31 August 2020, compared to US\$8.5 million as at 29 February 2020 as a result of the above.

## **Statements of Cash Flow**

In 2Q FY2021, our Group recorded net cash generated from operating activities of US\$54,481 as compared to US\$8.2 million in 2Q FY2020, after accounting for increase in operating profit before working capital changes of US\$8.2 million and adjusted for working capital outflow of US\$7.6 million. The decrease is mainly attributable to the increase in trade and other receivables and inventories of US\$8.0 million and US\$0.6 million respectively which was partly cushioned by the increase in trade and other payable of US\$0.9 million.

During 2Q FY2021, our Group incurred an aggregate sum of US\$0.7 million in additions of exploration and evaluation assets and plant and equipment at our Bukit Besi mine as compared to US\$2.3 million during 2Q FY2020. The decrease was mainly due to major processing plants being successfully commissioned in 2Q FY2020 which resulted in optimum capital expenditures reinvestment in 2Q FY2021 to ensure continuous optimisation of processing plants.

The Group's net cash flow used in financing activities increased in 2Q FY2021 by US\$3.3 million to US\$3.4 million as compared to 2Q FY2020 of US\$52,383. Higher cash outflow from financing activities in 2Q FY2021 is jointly contributed by full repayments to shareholders and of the payment of final dividend in respect of FY2020 of US\$2.6 million and US\$0.6 million, respectively.

**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.**

Notwithstanding the uncertainties surrounding the global and regional economic outlook and recovery progression due to the Covid-19 pandemic, the Group remains positive that the demand for our high-grade iron ore concentrate continues to remain strong as signalled from our healthy sales order books.

As steel makers seek to reduce their carbon intensity of production <sup>(1)</sup>, the Group anticipates that there will be increasing demand from regional steel mills on high-grade iron ore concentrates as steel makers will evolve to place an even higher relative value on higher quality iron ore concentrate that will increase blast furnace productivity and reduce emissions intensity of steel production.

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The Board and management of the Company have considered the uncertainties and challenges arising from the Covid-19 pandemic on the Group's operations and assessed that the trade receivables of the Group still remain healthy and there are no indications that the credit quality of trade receivables have deteriorated. Further, with the present price of iron ore and the cash reserve of the Group, the Group is of the view that adequate funds are available for the Group's operating requirements and for the purposes of meeting the Group's debt obligations for the next 12 months.

The Group continues to grow and unlock further options in our high-grade iron ore concentrate portfolio within our Bukit Besi mine and intends to acquire, enter into joint venture and / or develop new mines as and when the opportunity arises. The Company will make the necessary announcement(s) via SGXNET if and when there are any material developments on the aforementioned.

(1) Source: <https://www.amm.com/Article/3783106/High-grade-ore-demand-drives-up-prices.html>

## 11. Dividend

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

None.

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

None.

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

Not applicable.

d) **Date payable**

Not applicable.

e) **Book closure date**

Not applicable.

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

No dividend has been declared or recommended during 2Q FY2021 to enable the Group to conserve cash for working capital purpose and/or such other purposes as the Board may deem fit at the appropriate juncture.

**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 2Q FY2021, there were no interested person transactions of S\$100,000 and above.

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

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

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

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

<b>Use of proceeds</b>	<b>Amount allocated</b>	<b>Amount utilised</b>	<b>Balance</b>
	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	(4,124) <sup>(1)</sup>	2,876
Acquisition, joint venture and/or development of new mines	2,000	-	2,000
General working capital purposes	3,500	(3,500) <sup>(2)</sup>	-
<b>Total</b>	<b>12,500</b>	<b>(7,624)</b>	<b>4,876</b>

<sup>(1)</sup> utilised for payment of exploration and geology work and expansion of iron ore processing capacities.

<sup>(2)</sup> utilised for payment of operating expenses, employee benefit expenses and taxes.

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

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

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

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

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

In 2Q FY2021, funds/cash was mainly used for the following activities, as compared to the projections: -

Purpose	Amount (US\$ million)	
	Actual	Projected
Exploration and evaluation activities	0.22	0.10
Cost of sales	2.92	2.41
Selling and distribution costs	1.81	0.67
<b>Total</b>	<b>4.95</b>	<b>3.18</b>

Following our updated Mineral Resource Estimates as at 29 February 2020, our Group intensified our exploration and evaluation efforts during 2Q FY2021. This had resulted in the increase of our Group's expenditures on exploration and evaluation activities of US\$0.1 million compared to the projected amount.

During 2Q FY2021, our Group's cost of sales increased by US\$0.5 million as compared to projected amount primarily due to increase in production volume which is in tandem with higher volume sold.

The increase in selling and distribution costs by approximately US\$1.1 million from the projected amount was mainly due to high sales volume and addition of ocean freight charges incurred in 2Q FY2021 for export sales.

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

Purpose	Amount (US\$ million)
Exploration and evaluation activities	0.30
Cost of sales	3.20
Selling and distribution costs	0.50
<b>Total</b>	<b>4.00</b>

Our Group will continue to carry out exploration and evaluation activities at its East, Valley and West Deposits during the third quarter of FY2021 ("3Q FY2021"). Exploration and evaluation expenses expected to be incurred is as tabulated above.

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

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

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

During 2Q FY2021, 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 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 2Q FY2021 to be false or misleading in any material aspect.

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

**20. Acquisition of Fortress Metals Sdn. Bhd. (“FMSB”)**

The Company has on 28 July 2020, acquired 50 ordinary shares (representing 50% of the shareholding) in the share capital of FMSB from Sinocore Energy Trading (M) Sdn. Bhd. for a consideration of RM50.00 fully paid, being the book value of the shares in the books of FMSB.

The remaining 50% of the shareholding in FMSB which is held by Fortress Industries Sdn. Bhd., the indirect wholly owned subsidiary of the Company, has been assigned and transferred on 28 July 2020 to the Company for a consideration of RM50.00 fully paid, being the book value of the shares in the books of FMSB.

The objective of FMSB is of the intention to carry out trading of iron ore, manganese, copper, tin and gold. The current share capital of FMSB is RM100.00 and it remains dormant since being acquired.

The acquisition of FMSB is not expected to have any significant impact on the net assets per share and earnings per share of the Group for the financial year ending 28 February 2021.

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

Dato' Sri Ivan Chee Yew Fei  
Chief Executive Officer  
7 October 2020

*Fortress Minerals Limited (the “Company”) was listed on Catalist of the Singapore Exchange Securities Trading Limited 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 reviewed by the Company’s Sponsor. It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “Exchange”) and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.*

*The contact person for the Sponsor is Ms. Jennifer Tan, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg).*

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