



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

# FORTRESS MINERALS LIMITED

3QFY2020 Results Presentation

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01

# BUSINESS INTRODUCTION



- 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



## 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**

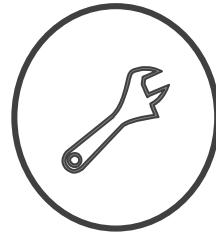
# OUR MILESTONES

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



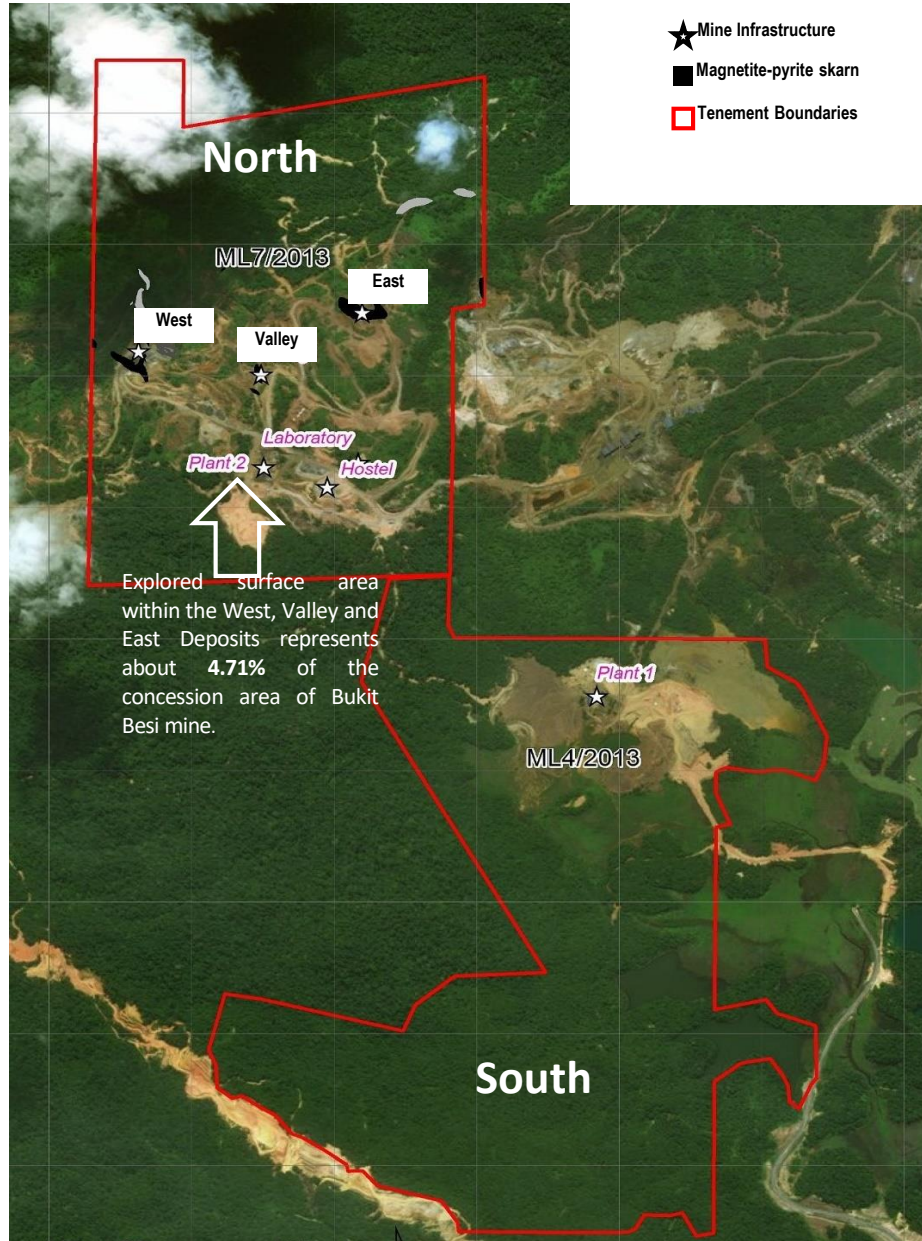
- ✓ Engineering team continues to fine tune and optimise production efficiency, productivity, quality and overall competency
- ✓ Exploration and geological works to enhance JORC Mineral Resource at East, Valley & West Deposits on-going

02

# 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



fortress

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



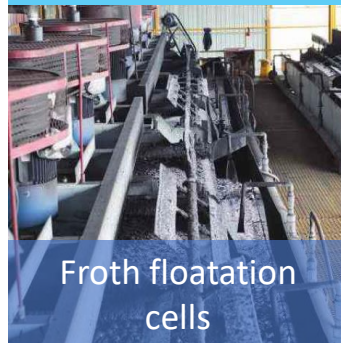
**Step 2**  
Removal and  
stockpiling of  
blasted materials



**Step 3**  
Crushing  
process



**Step 4**  
Concentrate  
processing



04

# FINANCIAL HIGHLIGHTS

# QUARTERLY PERFORMANCE HIGHLIGHTS



## Robust Sales Volume

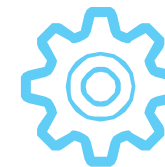
❖ **48,121 DMT** in 3Q,  
30.5.% increase YoY

❖ **US\$4.1 million**  
revenue generated,  
23.3% increase YoY,  
despite a lower average  
realised selling price.

❖ Second Interim  
Dividend of **0.20**  
**Singapore cents**,  
representing 22.9% of  
9M FY2020 net profit  
after tax



## Dividend Payout



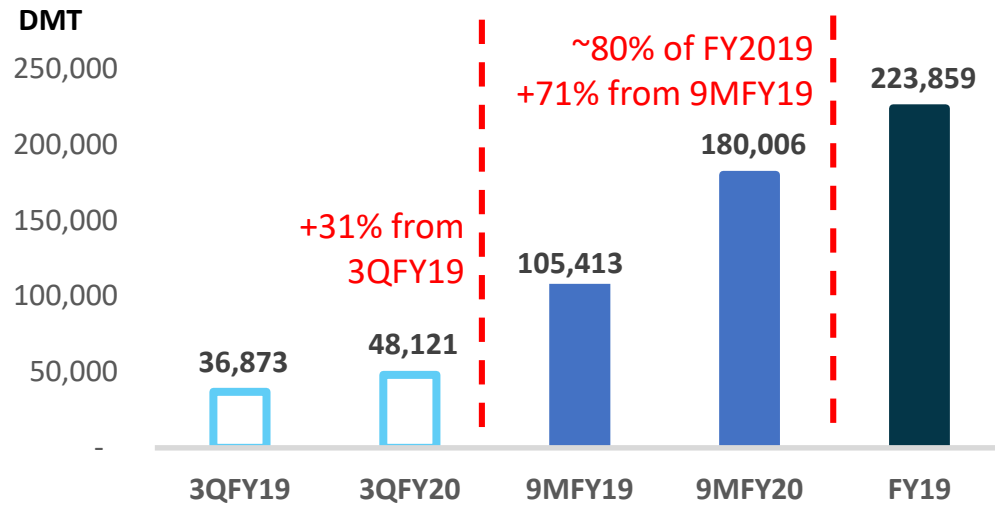
## Capital Expenditure

❖ **US\$1.9 million**  
invested in exploration  
and evaluation assets  
and plant and equipment  
in 3Q FY2020

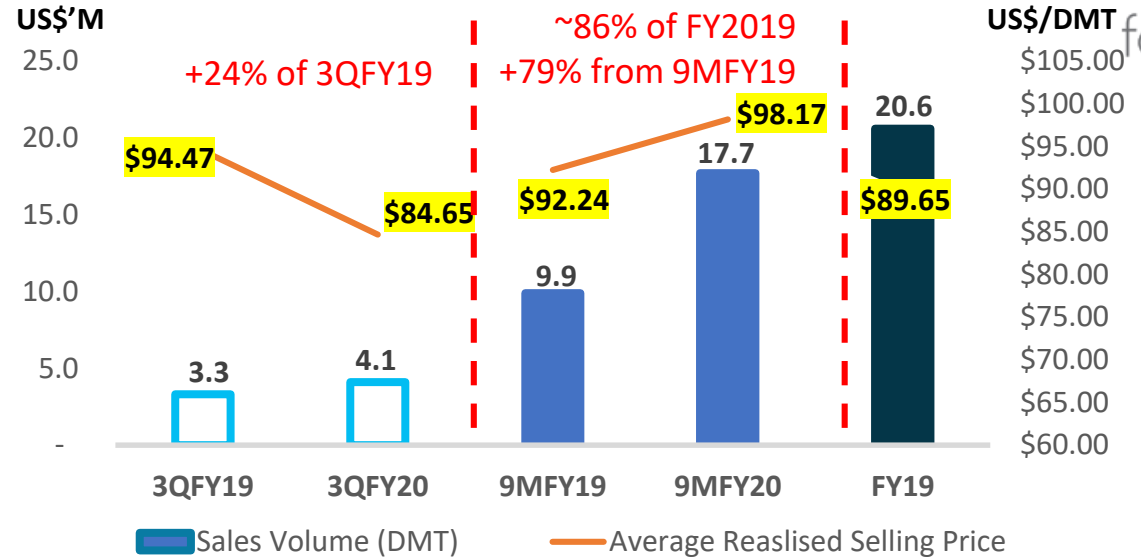
# FINANCIAL SNAPSHOT



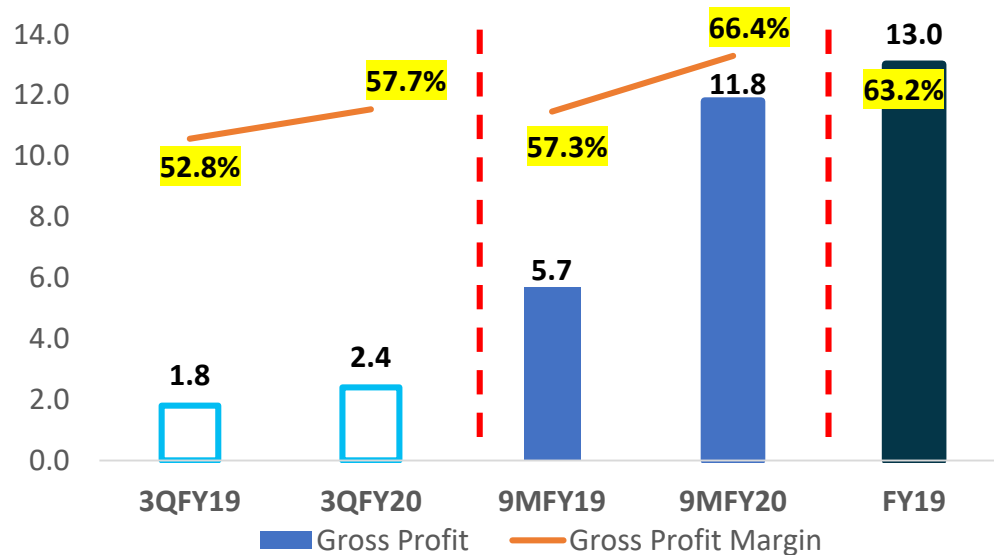
## Sales Volume (DMT)



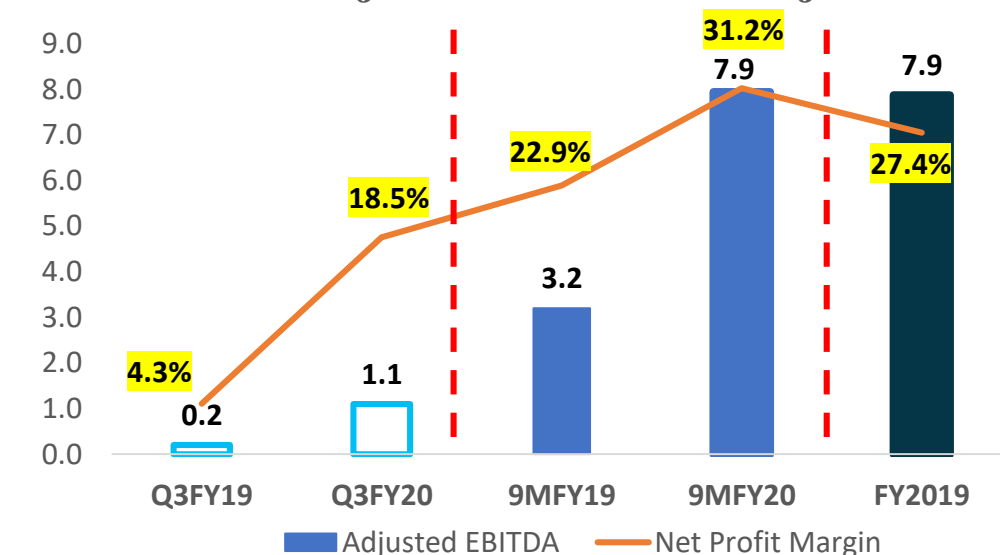
## Revenue & Average Realised Selling Price



## Gross Profit & GP %



## Adjusted EBITDA & Adjusted NP % (1)



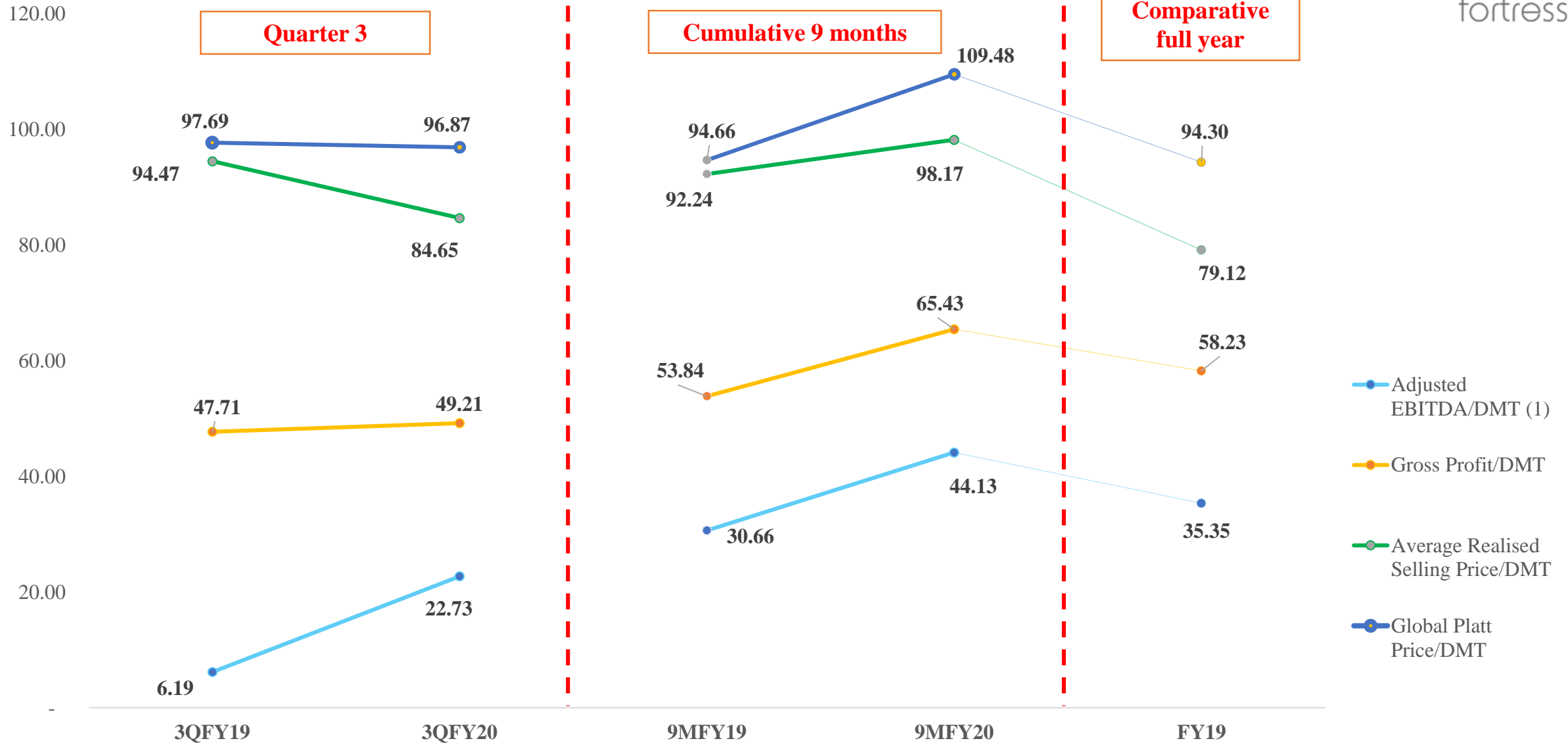
(1) Adjusted EBITA and net profit excluding the effect of foreign exchange & IPO expenses and computed based on Group's revenue basis.

# 3Q FY2020 FINANCIALS – OPERATIONAL EFFICIENCY



US\$/DMT

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



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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE GROUP

US\$'000	9M FY2020	9M FY2019	Change (%)
Revenue	17,730	9,903	79.0
Gross profit	11,778	5,675	107.6
Gross profit margin	66.4%	57.3%	9.1
Other operating income	594	1,989	(70.1)
Selling and distribution expenses	(1,420)	(3,262)	(56.5)
Other operating expenses	(3,119)	(1,181)	164.1
Administrative expenses	(1,553)	(624)	148.8
Finance costs	(31)	(1)	4,096.3
<b>Net profit after tax (NPAT)</b>	<b>4,360</b>	<b>1,860</b>	<b>134.4</b>
<b>Adjusted net profit</b>	<b>5,533<sup>(1)</sup></b>	<b>2,267<sup>(2)</sup></b>	<b>144.1</b>
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	7,944	3,232	145.8
<b>Adjusted net profit margin</b>	<b>31.2%<sup>(1)</sup></b>	<b>22.9%<sup>(2)</sup></b>	<b>36.2</b>
Basic and diluted EPS (US cents)	0.88	0.44	100.0

1. Excluding the effects on foreign exchange loss of US\$0.24 million and IPO expenses of US\$0.94 million for 9 months ended 30 November 2019.

2. Excluding the effect on IPO expenses of US\$0.41 million for 9 months ended 30 November 2018.



# STATEMENT OF FINANCIAL POSITION FOR THE GROUP



**US\$'000** **30 November 2019** **28 February 2019**

## ASSETS

### Non-current assets

Exploration & evaluation asset	2,375	403
Mining properties	6,539	6,973
Plant and equipment	13,609	11,366
Right-of-use assets	633	-

### Current assets

Inventories	576	439
Trade receivables	1,439	2,098
Other receivables, deposits and prepayment	960	1,673
Cash and bank balances	12,507	2,129

### Equity

Share capital	22,463	268
Other reserves	(3,230)	518
Retained earnings	8,590	5,562

# STATEMENT OF FINANCIAL POSITION FOR THE GROUP



US\$'000	30 November 2019	28 February 2019
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,322	505
Amounts due to shareholders	6,354	15,721
Borrowings	45	-
Lease liabilities	455	-
<b>Current liabilities</b>		
Borrowings	38	
Lease liabilities	189	-
Trade payables	317	257
Other payables and accruals	1,753	1,960
Current tax liabilities	342	288
NAV per Share <sup>1</sup> (US cents)	5.56	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

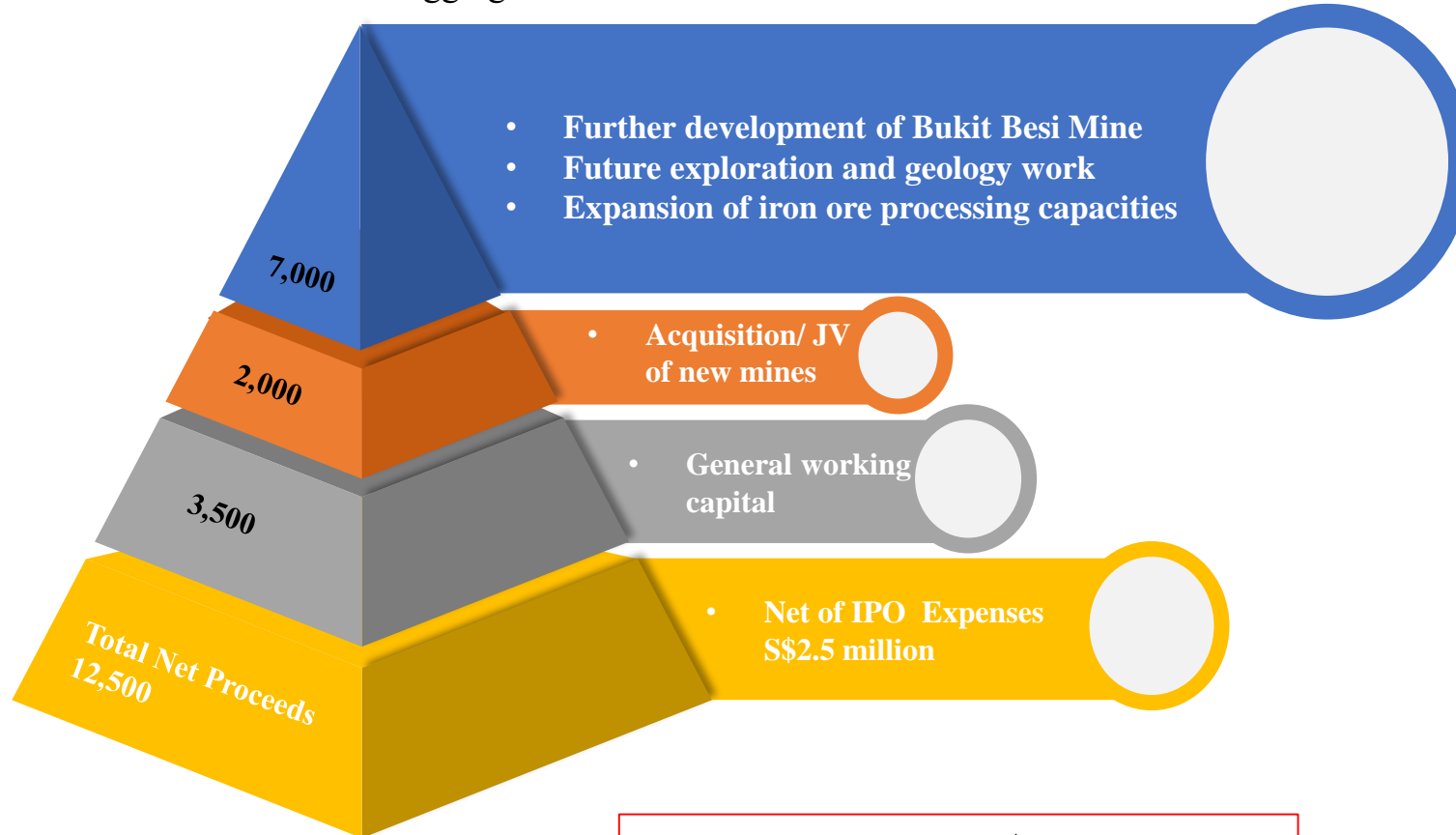
# STATEMENT OF CASH FLOWS FOR THE GROUP



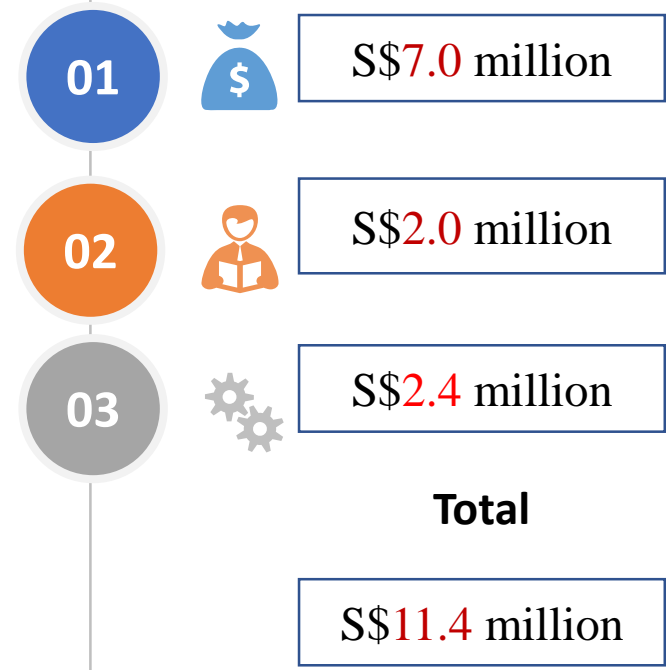
US\$'000	9M FY2020	9M FY2019
Net cash flow generated from operating activities	9,239	1,113
Net cash flow used in investing activities	(5,802)	(2,983)
Net cash flow generated from financing activities	7,227	2,266
Net change in cash and cash equivalents	10,664	396
Effects of exchange rate changes on cash and cash equivalents	(286)	(2)
Cash and cash equivalents at beginning of financial period	2,129	41
Cash and cash equivalents at end of financial period	12,507	435

# USE OF IPO PROCEEDS – STATUS IN 3Q FY2020

Aggregate amounts in SGD'000



*Update in 3QFY20: S\$1.1 million was utilised for working capital purposes*



Remaining S\$11.4 million **unutilised**, placed in interest bearing **bank deposits in Singapore**

03

# INDUSTRY OVERVIEW

## Update on Iron Ore Prices

- Iron ore price has been declining from the peak in July, however it crept back in recent months due to China's pledge in the infrastructure spending (Source 1)
- Fortress, as a **high-grade** iron ore concentrate producer, enjoys niche position especially during declining prices.
- High grade iron ore concentrate enjoys premium pricing.

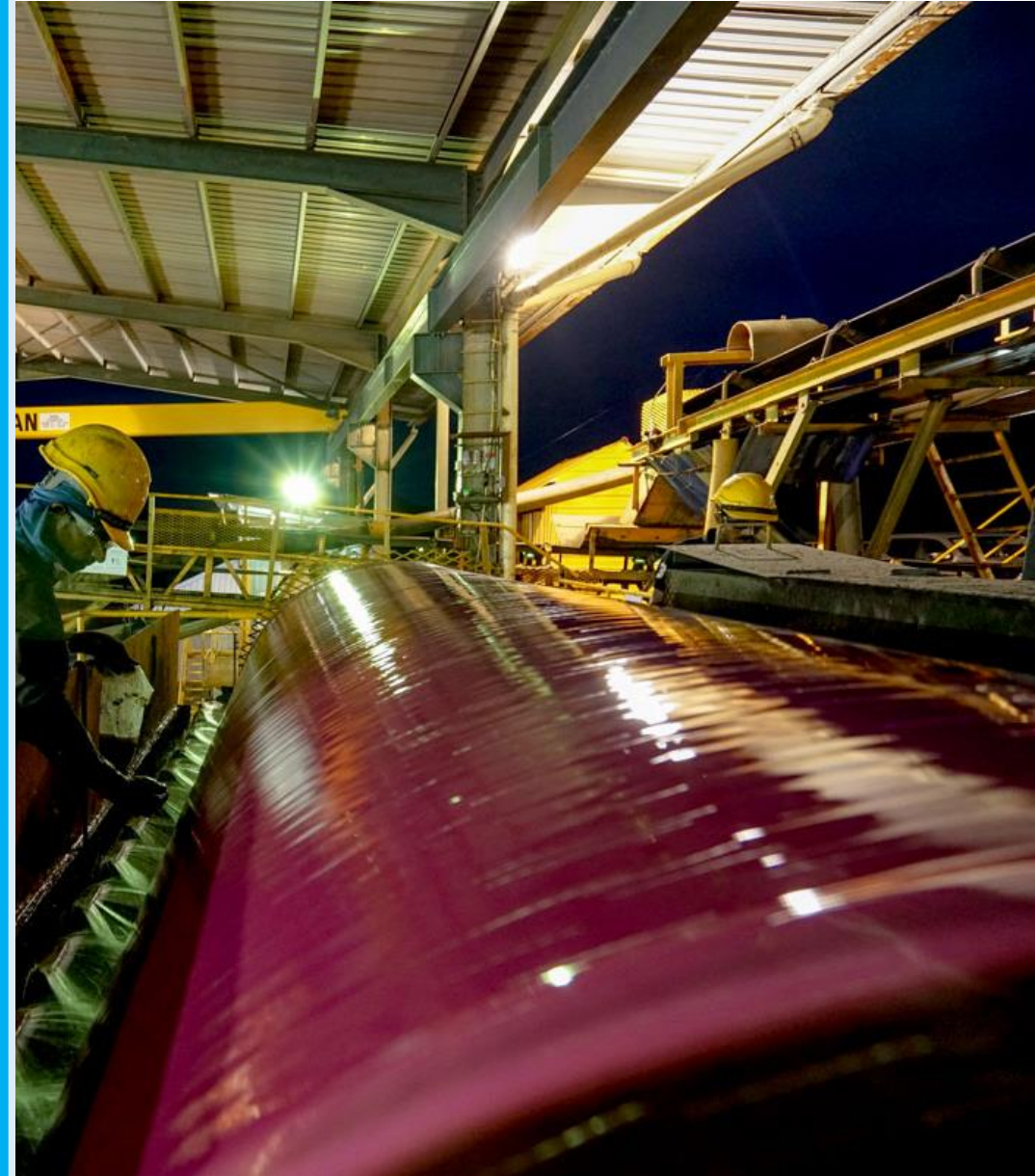
Source1: <https://www.businesslive.co.za/bd/companies/mining/2019-12-10-iron-ore-market-gone-nuts-sows-confusion/>



Source Markets Insider  
<https://markets.businessinsider.com/commodities/iron-ore-price>

## Key Market Demand– Malaysia

- Regional steel demand remain robust
- Fortress generated revenue from the sales to two local steel mills in Malaysia for the last 3 quarters::
  - **1Q FY2020 - 55,552 DMT**
  - **2Q FY2020 - 76,334 DMT**
  - **3Q FY2020 - 48,121 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

- The premium Chinese steel mills are willing to pay for high-grade iron ore has widened in recent months, due to recovery in profitability and desire to maximise output (Source1)
- 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

Source1: (Reuters)<https://www.reuters.com/article/us-column-russell-ironore-china/high-grade-iron-ore-outperforms-as-china-steel-margins-recover-russell-idUSKBN1Y20FB>

## 65% IRON ORE REGAINS PREMIUM

Price of 65, 62 and 58 percent iron ore in China



Source: Argus Media, Refinitiv Eikon Reuters graphic/Clyde Russell 28/11/19



Source: Reuters News, Refinitiv Eikon



# COMPETITIVE ADVANTAGE



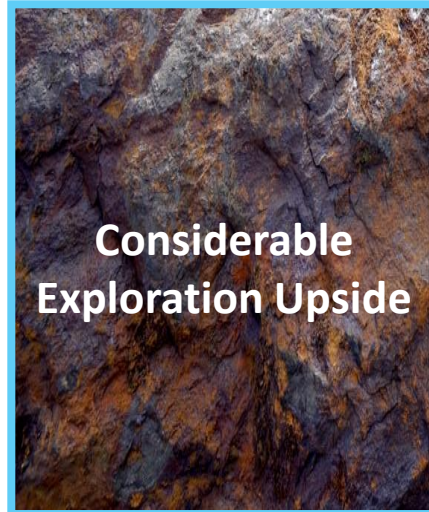
fortress

- ✓ 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\$0.23
Market Capitalization	~S\$115.0M
Free Float	76.3M
P/E ratio	14.57x
Dividend yield	0.87%
NAV Per Share	7.50 Singapore Cents
Shares Outstanding	500M

Source: Bloomberg Data at 7 Jan 2020

# PRICE TREND



Source: Bloomberg Data at 7 Jan 2020

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**THANK YOU!**

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