



FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Financial Statement and Dividend Announcement for the Full Financial Year Ended 29 February 2020

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 year ended 28 February 2019 (“**FY2019**”) 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		
	Twelve Months Ended		
	29 February 2020 US\$	28 February 2019 US\$	Change %
Revenue	25,925,041	20,629,121	25.7
Cost of sales	(8,645,043)	(7,594,779)	13.8
Gross profit	17,279,998	13,034,342	32.6
Other operating income	686,866	2,001,721	(65.7)
Selling and distribution expenses	(2,080,877)	(5,356,724)	(61.2)
Other operating expenses	(4,531,313)	(1,570,230)	188.6
Administrative expenses	(1,775,395)	(1,293,192)	37.3
Finance costs	(42,721)	(7,157)	496.9
Profit before income tax	9,536,558	6,808,760	40.1
Income tax expense	(3,039,112)	(1,914,636)	58.7
Profit for the financial year attributable to owners of the Company	6,497,446	4,894,124	32.8
<i>Other comprehensive income</i>			
<u>Item that may be reclassified subsequently to profit or loss:</u>			
Exchange differences on translating foreign operations	(567,714)	(89,289)	535.8
Other comprehensive loss for the financial year, net of tax	(567,714)	(89,289)	535.8
Total comprehensive income for the financial year attributable to owners of the Company	5,929,732	4,804,835	23.4

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

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

	Group		
	Financial Year Ended		
	29 February 2020 US\$	28 February 2019 US\$	Change %
<i>Selling and distribution expenses:</i>			
Commission expense	312,235	241,410	29.3
Royalty expense	1,205,179	1,183,068	1.9
Handling and transport expense	446,870	1,490,251	(70.0)
Ocean freight	-	2,432,614	nm
<i>Other operating expenses:</i>			
Upkeep of machinery	957,746	567,769	68.7
Upkeep of motor vehicles	702,751	249,784	181.3
<i>Administrative expenses:</i>			
Donations	19,610	15,939	23.0
Listing expenses	929,683	756,887	22.8
Foreign exchange loss, net	175,821	318,936	(44.9)
Loss on disposal of plant and equipment	3,594	1,390	158.6
<i>Other operating income:</i>			
Proceeds from sales of iron ore	(354,103)	(2,000,920)	(82.3)

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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	
	29 February 2020 US\$	28 February 2019 US\$	29 February 2020 US\$	28 February 2019 US\$
ASSETS				
Non-current assets				
Investment in subsidiaries	-	-	11,405,647	1
Exploration and evaluation asset	2,321,853	403,005	-	-
Mining properties	6,343,918	6,973,060	-	-
Plant and equipment	13,498,301	11,365,523	-	-
Right-of-use assets	529,741	-	-	-
	<u>22,693,813</u>	<u>18,741,588</u>	<u>11,405,647</u>	<u>1</u>
Current assets				
Inventories	864,727	438,908	-	-
Trade receivables	3,393,708	2,097,620	-	-
Other receivables, deposits and prepayments	2,141,848	1,672,938	-	-
Amounts due by subsidiaries	-	-	4,346,240	-
Cash and bank balances	10,242,507	2,129,428	7,807,721	6,388
	<u>16,642,790</u>	<u>6,338,894</u>	<u>12,153,961</u>	<u>6,388</u>
Total assets	<u>39,336,603</u>	<u>25,080,482</u>	<u>23,559,608</u>	<u>6,389</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	22,463,273	268,407	22,463,273	734
Other reserves	(3,615,811)	517,879	-	-
Retained earnings/ (Accumulated losses)	10,728,012	5,562,386	1,034,422	(1,073,155)
Total equity/ (total deficit)	<u>29,575,474</u>	<u>6,348,672</u>	<u>23,497,695</u>	<u>(1,072,421)</u>
Non-current liabilities				
Deferred tax liabilities	1,466,788	504,898	-	-
Amounts due to shareholders	-	15,721,339	-	-
Borrowing	34,359	-	-	-
Lease liabilities	150,456	-	-	-
	<u>1,651,603</u>	<u>16,226,237</u>	<u>-</u>	<u>-</u>
Current liabilities				
Borrowing	37,983	-	-	-
Lease liabilities	393,553	-	-	-
Trade payables	377,755	256,797	-	-
Other payables and accruals	2,550,341	1,960,382	52,162	359,567
Amounts due to shareholders	4,495,457	-	-	-
Amount due to a related party	-	-	-	719,243
Current tax liabilities	254,437	288,394	9,751	-
	<u>8,109,526</u>	<u>2,505,573</u>	<u>61,913</u>	<u>1,078,810</u>
Total liabilities	<u>9,761,129</u>	<u>18,731,810</u>	<u>61,913</u>	<u>1,078,810</u>
Total equity and liabilities	<u>39,336,603</u>	<u>25,080,482</u>	<u>23,559,608</u>	<u>6,389</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 29 February 2020		As at 28 February 2019	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
37,983	4,889,010	-	-

Amount repayable after one year

As at 29 February 2020		As at 28 February 2019	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
34,359	150,456	-	15,721,339

Details of any collateral

The Group's secured borrowings as at 29 February 2020 comprised bank borrowings which are secured over the Group's motor vehicles. The net carrying amounts of the motor vehicles as at 29 February 2020 amounted to US\$0.1 million (28 February 2019: US\$ Nil).

The Group's unsecured borrowings as at 29 February 2020 comprised interest free amounts owing to shareholders and lease liabilities.

The Group's unsecured borrowings as at 28 February 2019 comprised 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	
	Twelve Months Ended	
	29 February	28 February
	2020	2019
	US\$	US\$
Operating activities		
Profit before income tax	9,536,558	6,808,760
Adjustments for:		
Amortisation of mining properties	376,176	325,946
Depreciation of plant and equipment	1,950,918	6,682
Depreciation of right-of-use assets	315,226	-
Gains on modification of lease contracts	(208)	-
Interest expenses	42,721	7,157
Interest income	(146,632)	(214)
Issue of shares in satisfaction of professional fees	786,946	-
Loss on disposal of plant and equipment	3,594	1,390
Plant and equipment written off	831	-
Unrealised foreign exchange gain	(7,113)	(32,850)
Operating cash flow before working capital changes	12,859,017	7,116,871
Working capital changes:		
Inventories	(419,951)	833,454
Trade and other receivables	(1,842,636)	(1,453,073)
Trade and other payables	654,787	1,468,000
Amount owing to a related party	-	(637,027)
Cash generated from operations	11,251,217	7,328,225
Income tax paid	(2,232,170)	(1,033,968)
Income tax refunded	168,965	-
Net cash flow generated from operating activities	9,188,012	6,294,257
Investing activities		
Additions of exploration and evaluation assets	(1,933,683)	(404,417)
Additions of mining properties	-	(550,353)
Additions of plant and equipment	(4,420,313)	(5,481,381)
Proceeds of disposal of plant and equipment	29,536	35,092
Interest received	146,632	214
Net cash flow used in investing activities	(6,177,828)	(6,400,845)
Financing activities		
Interest paid	(42,721)	(7,157)
(Repayments to)/ advances from shareholders	(3,316,929)	2,218,552
Repayments of lease liabilities	(297,566)	-
Net repayments of borrowings	(22,063)	(21,868)
Dividends paid	(1,331,820)	-
Proceeds from issuance of ordinary shares	11,098,500	733
Shares issue expenses	(550,117)	-
Net cash flow generated from financing activities	5,537,284	2,190,260
Net change in cash and cash equivalents	8,547,468	2,083,672
Effects of exchange rate changes on cash and cash equivalents	(434,389)	4,800
Cash and cash equivalents at beginning of financial year	2,129,428	40,956
Cash and cash equivalents at end of financial year	<u>10,242,507</u>	<u>2,129,428</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\$
Balance at 1 March 2019 *	268,407	383,615	134,264	-	5,562,386	6,348,672
Profit for the year	-	-	-	-	6,497,446	6,497,446
<u>Other comprehensive income</u>						
Exchange difference on translating foreign operation	-	-	(567,714)	-	-	(567,714)
Other comprehensive loss for the financial year, net of tax	-	-	(567,714)	-	-	(567,714)
Total comprehensive income for the financial year	-	-	(567,714)	-	6,497,446	5,929,732
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
Shares issue expenses	(725,399)	-	-	-	-	(725,399)
Dividends declared and paid	-	-	-	-	(1,331,820)	(1,331,820)
Total transactions with owners	22,194,866	-	-	(3,565,976)	(1,331,820)	17,297,070
Balance at 29 February 2020	22,463,273	383,615	(433,450)	(3,565,976)	10,728,012	29,575,474

*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.

Group	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 1 March 2018 *	267,675	383,615	223,553	668,262	1,543,105
Profit for the financial year	-	-	-	4,894,124	4,894,124
<u>Other comprehensive income</u>					
Exchange differences on translating foreign operations	-	-	(89,289)	-	(89,289)
Other comprehensive loss for the financial year, net of tax	-	-	(89,289)	-	(89,289)
Total comprehensive income for the financial year	-	-	(89,289)	4,894,124	4,804,835
Contributions by and distributions to owners					
Issue of shares	733	-	-	-	733
Restructuring exercise	(1)	-	-	-	(1)
Total transactions with owners	<u>732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>732</u>
Balance at 28 February 2019*	<u>268,407</u>	<u>383,615</u>	<u>134,264</u>	<u>5,562,386</u>	<u>6,348,672</u>

*For the Group's comparative figures for 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\$	(Accumulated losses)/ Retained earnings US\$	(Total deficit)/ Total equity US\$
Balance at 1 March 2019	734	(1,073,155)	(1,072,421)
Profit for the financial year representing total comprehensive income for the financial year	-	3,439,397	3,439,397
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
Shares issue expenses	(725,399)	-	(725,399)
Dividends declared and paid	-	(1,331,820)	(1,331,820)
Total transactions with owners	22,462,539	(1,331,820)	21,130,719
Balance at 29 February 2020	22,463,273	1,034,422	23,497,695

<u>Company</u>	Share capital US\$	Accumulated losses US\$	Total deficit US\$
Balance at 1 March 2018	1	(227,184)	(227,183)
Loss for the financial year representing total comprehensive loss for the financial year	-	(845,971)	(845,971)
Contributions by owners			
Issue of shares	733	-	733
Total transaction with owners	733	-	733
Balance at 28 February 2019	734	(1,073,155)	(1,072,421)

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.

Share Capital

There was no change in the issued and paid-up share capital of the Company from 30 November 2019 up to 29 February 2020. The Company's share capital was US\$22,463,273 comprising 500,000,000 shares as at 29 February 2020 and 30 November 2019.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 29 February 2020 and 28 February 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 29 February 2020	As at 28 February 2019

Total number of issued shares excluding treasury shares

500,000,000	1,000
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The Company did not have any treasury shares as at 29 February 2020 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 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.

(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 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 assets of US\$849,932 and increase in lease liabilities of US\$849,932.

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 Twelve months ended	
	29 February 2020	28 February 2019
Earnings per ordinary share (“EPS”)		
Net profit attributable to owners of the Company (US\$)	6,497,446	4,894,124
Weighted average number of ordinary shares	494,774,590	418,749,584
Basic and fully diluted EPS (US cents)	1.31	1.17

For comparative purposes, EPS for the financial year ended 28 February 2019 has been calculated based on profit attributable to owners of the Company and the 418,750,000 shares in issue pursuant to 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 years.

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	
	29 February 2020 (Unaudited)	28 February 2019 (Audited)	29 February 2020 (Unaudited)	28 February 2019 (Audited)
Net asset / (liability) value (“NAV”) / (“NLV”) (US\$)	29,575,474	6,348,672	23,497,695	(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)	5.92	1.27	4.70	(0.21)

[#]NAV/(NLV) per share is computed based on the NAV/(NLV) 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**

Revenue

	FY2020	FY2019	Increase (%)
Sold (DMT*)	269,615	223,859	20.4
Revenue realised ⁽¹⁾ (US\$)	25,864,833	20,068,916	28.9
Average realised selling price (US\$/DMT)	95.93	89.65	7.0

⁽¹⁾ Excluding effect of foreign exchange and transportation income.

* DMT denotes Dry Metric Tonnes

The Group sold 269,615 DMT of high-grade iron ore concentrate in FY2020, representing an increase of 45,756 DMT or 20.4% as compared to the 223,859 DMT sold in FY2019. The increase in sales volume is consistent with the expanded processing capacity during FY2020 due to the installation of additional ball mills and related machineries which were successfully commissioned in FY2020, coupled with a consistent strong demand from domestic steel mills.

The Group's average realised selling price increased by 7.0% from US\$89.65/DMT in FY2019 to US\$95.93/DMT in FY2020 as a result of favourable price movement from IODEX 65% Fe CFR North China of Platts Daily Iron Ore Assessments price indices.

Both the increase in sales volume and average selling price have resulted in the increase of our Group's revenue realised from US\$20.1 million in FY2019 to US\$25.9 million in FY2020.

Cost of sales

	FY2020	FY2019	Increase/ (Decrease) (%)
Sold (WMT*)	300,053	245,038	22.5
Cost of sales (US\$)	8,645,043	7,594,779	13.8
Average unit cost of sales (US\$/WMT)	28.81	30.99	(7.0)

* WMT denotes Wet Metric Tonnes

The Group's average unit costs decreased by 7.0% or US\$2.18/WMT from US\$30.99/WMT in FY2019 to US\$28.81/WMT in FY2020.

The improvement in average unit costs of sales was principally derived from the expanded production capacity and the continuous implementation of productivity improvement and cost management strategies adopted by the Group since FY2019, resulting in improved economies of scale.

Gross profit and gross profit margin

During FY2020, the Group realised a gross profit of US\$17.3 million as compared to US\$13.0 million in FY2019, reflecting an increase of US\$4.3 million or 32.6%. Gross profit margin improved by 3.5% from 63.2% in FY2019 to 66.7% in FY2020.

The increase in both gross profit and gross profit margin are directly attributable to the higher average selling prices realised and the lower average unit cost of sales achieved during FY2020.

Other operating income

In FY2020, our Group's other operating income was derived from sales of semi-processed iron ore from the trial runs of our additional processing plant and related processing equipment at Bukit Besi and interest income earned from funds placed with financial institutions.

Other operating income decreased by US\$1.3 million in FY2020 which was mainly due to lower income as a result of lower quantity from the sale of semi-processed iron ore in FY2020 by US\$1.6 million as compared to the quantity derived from trial runs prior to commercial production sold in FY2019. The reduction was partially compensated by an increase in interest income arising from the placement of the IPO proceeds.

Selling and distribution expenses

Selling and distribution expenses decreased by US\$3.3 million from US\$5.4 million in FY2019 to US\$2.1 million in FY2020. The decrease was mainly due to the absence of ocean freight and stevedoring charges as product sales in FY2020 were made solely to domestic steel mills.

Other operating expenses

The Group's other operating expenses increased by US\$2.9 million from US\$1.6 million in FY2019 to US\$4.5 million in FY2020. Other operating expenses comprise mainly of employee benefits expenses and upkeep and maintenance of plant and equipment at our Bukit Besi mine.

The US\$2.9 million increase comprise an increase of US\$1.5 million in plant improvements and maintenance expenditures, a US\$0.9 million increase in employee benefits expenses and a US\$0.5 million of key management personnel's performance incentive expenses incurred during FY2020. These additional expenditures are in line with our Group's expanded business activities after our Company's Initial Public Offering ("IPO") and listing on the Catalist board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in late March 2019.

Administrative expense

Administrative expenses increased by US\$0.5 million from US\$1.3 million in FY2019 to US\$1.8 million in FY2020. Administrative expenses mainly comprise one-off listing expenses, other professional fees, miscellaneous expenses incurred to provide general business support activity and foreign exchange loss.

The increase is mainly attributable to following:

- (i) increase of US\$0.2 million in one-off listing expenses incurred for the IPO exercise and listing on the Catalist board of the SGX-ST;
- (ii) increase of US\$0.2 million for professional fees incurred post-listing; and
- (iii) increase of US\$0.1 million on miscellaneous expenses which is in line with the Group's business expansion activity.

Income tax expense

Income tax expense increased from US\$1.9 million in FY2019 to US\$3.0 million in FY2020. Excluding the effect of prior year's under provision of income tax expenses of US\$0.4 million, the effective income tax expenses for FY2020 amounts to US\$2.6 million, with an effective tax rate of 26.8% for FY2020.

The increase in FY2020 is consistent with higher taxable profit generated and higher deferred tax liabilities recognised by a foreign subsidiary on tax benefit over capital allowances for acquisition of plants and machineries.

The Group's effective tax rate of 26.8% in FY2020 was higher than the applicable tax rate due to the effect of unrealised foreign exchange differences and other miscellaneous and listing expenses incurred which were not deductible for tax determination purposes.

Profit after income tax

In FY2020, our Group's profit after tax increase by US\$1.6 million or 32.8% to US\$6.5 million from US\$4.9 million in FY2019 as a result of the aforementioned.

Excluding the impact of the following one-off expenses, the profit after income tax for FY2020 would be US\$7.8 million and US\$5.7 million in FY2019:

		FY2020 US\$	FY2019 US\$
Profit after income tax		6,497,446	4,894,124
Unrealised foreign exchange loss	("A")	356,914	8,169
Listing expenses	("B")	929,683	756,887
Profit after income tax excluding A&B		<u>7,784,043</u>	<u>5,659,180</u>

(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 29 February 2020 and 28 February 2019.

Non-current assets

Non-current assets comprise exploration and evaluation assets, mining properties, plant and equipment and right-of-use assets. The Group's non-current assets increased by US\$4.0 million from US\$18.7 million as at 28 February 2019 to US\$22.7 million as at 29 February 2020.

Exploration and evaluation assets increased by US\$1.9 million to US\$2.3 million as at 29 February 2020 from US\$0.4 million as at 28 February 2019. The increase primarily reflects the on-going exploration activities at our Bukit Besi Mine.

Mining properties reduced at a slower pace, standing at US\$6.3 million as at 29 February 2020 and US\$7.0 million as at 28 February 2019. The decrease was mainly due to the effect of amortisation expenses of US\$0.4 million and the effect of exchange rate changes of US\$0.3 million.

Plant and equipment increased by US\$2.1 million (net of depreciation charge of US\$2.0 million and effect on exchange rate changes of US\$0.3 million) to US\$13.5 million as at 29 February 2020 from US\$11.4 million as at 28 February 2019. The additional investment in major fleets of plants and truck vehicles is consistent with the Group's strategy to continuously optimise production capacity and efficiency.

Right-of-use assets at the Group level refers to the leases of office and hostels premises and machineries used at our Bukit Besi mine.

Current assets

As at 29 February 2020, our Group's current assets stood at US\$16.6 million, an increase of US\$10.3 million from US\$6.3 million as at 28 February 2019.

The increase was mainly due to following:

- (i) increase in cash and cash equivalents of US\$8.1 million to US\$10.2 million as at 29 February 2020 from US\$2.1 million as at 28 February 2019 which was primarily contributed by the IPO net proceeds received during 1Q FY2020;
- (ii) increase in trade receivables by US\$1.3 million which was attributable to the growth in sale to domestic steel mills;
- (iii) increase in other receivables by US\$0.5 million as a result of a refundable deposit placed with a supplier for the purchase of materials; and
- (iv) increase in inventories by US\$0.4 million which is consistent with our overall growth in processing volume and revenue.

Non-current liabilities

As at 29 February 2020, our Group's non-current liabilities decreased by US\$14.5 million to US\$1.7 million from US\$16.2 million as at 28 February 2019.

The decrease was primarily due to the reclassification of the remaining US\$4.5 million of Shareholders' Loan from non-current liabilities to current liabilities as at 29 February 2020.

Following our Audit Committee's ("AC") approval on 9 July 2019 for the Group to repay MYR2.5 million per month for the period from September 2019 to April 2020 and MYR3.5 million per month for the period from May 2020 to August 2020 towards the Shareholders' Loan, our Group had repaid US\$3.3 million during FY2020. This repayment plan is subject to the AC's review on a quarterly basis and as and when there is a material change in circumstances. The remaining sum of US\$4.5 million of Shareholders Loan as at 29 February 2020 remains unsecured, interest free and the shareholders have committed not to demand any repayment for a period of 18 months commencing from 27 March 2019.

The overall decrease was partially offset by the increase in deferred tax liabilities of US\$1.0 million and long-term borrowing of US\$0.2 million comprising both lease liabilities and borrowing.

Current liabilities

As at 29 February 2020, our Group's current liabilities increased by US\$5.6 million from US\$2.5 million as at 28 February 2019 to US\$8.1 million.

The increase was primarily due to:

- (i) the reclassification of the remaining US\$4.5 million of Shareholders' Loan from non-current liabilities to current liabilities as at 29 February 2020 as explained above;
- (ii) increase in trade and other payables by US\$0.7 million mainly as a result from the provision of annual incentive bonus of key management personnel approximately US\$0.5 million pursuant to the service agreement; and
- (iii) increase in lease liabilities and borrowing by US\$0.4 million for lease of vehicles and premises as well as vehicles purchased under borrowing facility.

Working capital

Consequent to our Group's profitability and positive net operating cashflow during FY2020, our Group recorded a positive working capital position of US\$8.5 million as at 29 February 2020, compared to US\$3.8 million as at 28 February 2019.

Statements of Cash Flow

In FY2020, our Group recorded US\$9.2 million net cash generated from operating activities as compared to US\$6.3 million in FY2019. The increase was largely due to the increase in operating profit before working capital changes of US\$12.9 million, adjusted for working capital outflows of US\$1.6 million, comprising of increase in inventories and trade and other receivables by US\$0.4 million and US\$1.8 million respectively. An increase of US\$0.7 million in trade and other payables also contributed to the overall position.

The Group's net cash flow used in investing activities for FY2020 and FY2019 stood at US\$6.2 million and US\$6.4 million respectively. During FY2020, our Group incurred US\$6.3 million on exploration and evaluation assets and plant and equipment at our Bukit Besi mine as compared to US\$5.9 million during FY2019. The increase is consistent with the Group's on-going exploration and development program at Bukit Besi mine.

The Group's net cash flow generated from financing activities for FY2020 and FY2019 stood at US\$5.5 million and US\$2.2 million respectively. The increase of US\$3.3 million was attributable to:

- (i) receipt of US\$10.5 million (net of shares issuance expenses of US\$0.6 million) being net proceeds from issuance of ordinary shares following the Group's successful listing on the Catalist board of the SGX-ST on 27 March 2019.

The increase was partly offset by:

- (i) repayment of US\$3.3 million towards Shareholders' Loan as discussed above;
- (ii) distribution of US\$1.3 million of dividends; and
- (iii) repayments of US\$0.3 million towards lease liabilities.

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

The Company's board of directors (the "Directors") have previously declared their intentions to recommend and distribute dividends of not less than 15% of the Group's net profit after tax for FY2020 as set out in page 68 of the Company's offer document dated 19 March 2019.

Since the Company's listing on the Catalist board of the SGX-ST in the first quarter of FY2020, the Group has declared and distributed two interim dividends, amounting to a total of 0.36 Singapore cents per share, aggregating S\$1.8 million (approximately US\$1.3 million) ("Interim Dividend"). The Directors had further proposed a one-tier tax exempt final dividend of 0.16 Singapore cents per share for FY2020 ("Final Dividend") amounting to S\$0.8 million, subject to shareholders' approval at the forthcoming annual general meeting.

The Interim Dividend and Final Dividend when paid, will total 0.52 Singapore cents per share amounting to S\$2.6 million (approximately US\$1.9 million) representing a dividend payout ratio of 29.3% of net profit after tax for the financial year ended 29 February 2020. This payout ratio exceeds the 15% payout ratio as previously targeted by the Group.

Save for the above, there was 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.

Following the Malaysian government’s announcement on the implementation of the nationwide restricted movement control order under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 (the “Order”), effective 18 to 31 March 2020 and subsequently extended to 28 April 2020 (“Effective Period”), the Group had ceased all mining activities at our Bukit Besi mine throughout the Effective Period.

Our Group is committed to recommencing mining activities as soon as the Order is lifted. While the Group expects the Order to adversely impact the earnings per share and net asset value per share of the Group for the financial year ending 28 February 2021 (“FY2021”) (the “Financial Performance”), at this stage, the Group is unable to quantify nor determine the extent of the financial impact on its Financial Performance for FY2021.

Moving forward, the economic landscape remains uncertain due to the on-going development of COVID-19. However, the Group remains cautiously optimistic as countries impacted by the pandemic had begun to launch large scale liquidity and economic stimulus policies to cushion their respective economies.

11. Dividend

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

Yes

Proposed dividend

Name of dividend	Final 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.

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

The proposed final dividend is one-tier tax exempt.

d) Date payable

The proposed final dividend will be paid at the date to be announced in due course, subject to shareholders' approval at the forthcoming annual general meeting to be convened at a later date.

e) Book closure date

The book closure date for the proposed final dividend will be announced in due course.

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 FY2020, there were no interested person transactions of S\$100,000 and above.

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PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR RESULTS ANNOUNCEMENT

14. **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

	Iron ore US\$	Unallocated US\$	Group US\$
<u>FY2020</u>			
Revenue			
External customers, representing total revenue	25,925,041	-	25,925,041
Results:			
Interest income	19,957	126,675	146,632
Amortisation of mining properties	(376,176)	-	(376,176)
Depreciation of plant and equipment	(1,950,918)	-	(1,950,918)
Depreciation of right-of-use assets	(315,226)	-	(315,226)
Interest expense	(42,721)	-	(42,721)
Segment profit/(loss)	10,916,312	(1,379,754)	9,536,558
Assets:			
Additions to non-current assets	6,353,996	-	6,353,996
Segment assets	31,510,308	7,826,295	39,336,603
Segment liabilities	(5,201,724)	(4,559,405)	(9,761,129)
<u>FY2019</u>			
Revenue			
External customers, representing total revenue	20,629,121	-	20,629,121
Results:			
Interest income	-	214	214
Amortisation of mining properties	(325,946)	-	(325,946)
Depreciation of plant and equipment	(6,682)	-	(6,682)
Interest expense	(7,157)	-	(7,157)
Segment profit/(loss)	7,654,730	(845,970)	6,808,760
Assets:			
Additions to non-current assets	6,436,151	-	6,436,151
Segment assets	25,074,094	6,388	25,080,482
Segment liabilities	2,650,905	16,080,905	18,731,810

Geographical Information

The Group's revenue for FY2020 is solely derived from Malaysia as follows:-

Segment by area	FY2020 US\$	FY2019 US\$
Malaysia	25,925,041	4,764,581
Peoples' Republic of China	-	15,864,540
Total	25,925,041	20,629,121

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

During FY2020, our Group continued to mine and sell high-grade iron ore concentrate to domestic steel mills. There has been no material change in contributions to our Group's revenue, earnings by operating segments.

16. A breakdown of sales as follows:

<u>Group</u>	FY2020	FY2019	Change
	US\$	US\$	%
(a) Sales reported for first half year	13,624,016	6,572,044	107.3
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	3,608,633	2,007,468	79.8
(c) Sales reported for second half year	12,301,025	14,057,077	(12.5)
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	2,888,813	2,886,656	0.1

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2020		FY2019	
	US\$	S\$	US\$	S\$
Ordinary shares (tax-exempt 1- tier)				
- First interim	591,920	800,000	-	-
- Second interim	739,900	1,000,000	-	-
- Final ^(1,2)	572,410	800,000	-	-
Total Annual Dividend	1,904,230	2,600,000	-	-

(1) The proposed final tax-exempt dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company.

(2) Based on exchange rate of USD/SGD 1.3976 as at 29 February 2020.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tan Seng Kim	65	Brother in law of our CEO, Chee Yew Fei	Company director cum human resource director of Fortress Mining Sdn Bhd since 2017. Primarily responsible for the human resource and administration matters.	Not applicable
Yeow Boon Ban	43	Brother in law of our CEO, Chee Yew Fei	Company director cum maintenance manager of Fortress Mining Sdn Bhd since 2017. Primarily responsible for all mine site repair and maintenance activities.	Not applicable

19. 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) ⁽¹⁾	-
Total	12,500	(3,500)	9,000

⁽¹⁾ Utilised for the payment of operating expenses, employee benefits 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 (the "Offer Document") in relation to the IPO of the Company on Catalist board of SGX-ST.

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.

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

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

In the fourth quarter of FY2020 (“4Q FY2020”), funds/cash was mainly used for the following production activities, as compared to the projections: -

Purpose	Amount (US\$ million)	
	Actual	Projected
Exploration and evaluation activities	-	0.43
Cost of sales	2.69	1.94
Selling and distribution costs	0.66	0.54
Total	3.35	2.91

During 4Q FY2020, our Group's cost of sales increased by US\$0.8 million as compared to projected amount primarily due to the higher volume of production and sales quantity than previously anticipated.

The increase in selling and distribution costs by approximately US\$0.2 million from the projected amount was mainly due to the increase in sales quantity during 4Q FY2020 than previously anticipated.

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

Purpose	Amount (US\$ million)
Exploration and evaluation activities	0.10
Cost of sales	1.79
Selling and distribution costs	0.20
Total	2.09

As mentioned in section 10, the Group has ceased all mining activities at our Bukit Besi mine throughout the Effective Period. However, the Group is committed to recommencing the mining activities as soon as the Order is lifted.

21. 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.

22. 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 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 include ground and air-borne geological surveys, sampling, exploration and laboratory assay activities. All of these activities are being undertaken by our in-house team of geologist.

Our independent consultants, SRK Consulting (Australasia) Pty Ltd (“SRK”) have utilised the information derived from these exploration and evaluation activities to update our Bukit Besi Mine’s annual Mineral Resource estimates (which include new drilling information and mining depletion) as at 29 February 2020. The Mineral Resource estimates are prepared and reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves, the JORC Code (2012).

SRK’s updated Mineral Resource estimates have resulted in an overall increase in our Bukit Besi Mine’s mineral ore resource estimates (which include new drilling information and mining depletion) to 7.18 Mt (“million tonne”) as at 29 February 2020 from 6.19 Mt as at 28 February 2019, representing an increase of 0.99 Mt or 18.6% more particularly tabulated below.

Bukit Besi Mineral Resource tabulation as at 29 February 2020

Area	Category	Mineral type	Gross attributable ML7/2013		Net attributable to Fortress			Remarks
			Tonnes (Mt)	Grade (Fe%)	Tonnes (Mt)	Grade (Fe%)	Change from previous update (%)	
West	Indicated	Iron	0.36	40.74	0.36	40.74	4.0	None
West	Inferred	Iron	2.25	38.99	2.25	38.99	-7.9	None
Valley	Inferred	Iron	3.61	46.67	3.61	46.67	62.5	None
East	Inferred	Iron	0.96	41.29	0.96	41.29	-18.0	None
Total Indicated + Inferred		Iron	7.18	43.25	7.18	43.25	18.6	None

Notes:

*Based on a block cut-off grade of 10% Fe, and magnetic susceptibility greater than 100 and sulphur less than 10%.

The Competent Person responsible for the preparation and reporting of the Group’s Mineral Resource estimates is Leesa Collin (“Leesa”) who is a full-time employee of SRK Consulting (Australasia) Pty Ltd. Leesa has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

Note: Leesa Collin consents to the inclusion in this announcement of the matters based on her information in the form and context in which they appear.

23. 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).

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

24. Incorporation of Fortress Dredging Sdn Bhd (“FDSB”).

The Company has, on 20 February 2020, incorporated a wholly-owned subsidiary in Malaysia, FDSB.

The share capital of FDSB is MYR2.00. The intended principal activity of FDSB is extraction, dredging and dealing of industrial sand, acquisition of mines, mining rights, metalliferous land, quarries and dealing in minerals. However, FDSB has remained dormant since the date of its incorporation.

The incorporation of FDSB did not have any significant impact on the net tangible assets per share and earnings per share of the Group for the financial year ended 29 February 2020.

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

Dato' Sri Ivan Chee
Chief Executive Officer
22 April 2020

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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