



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

# FORTRESS MINERALS LIMITED

FY2019 RESULTS BRIEFING

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# BUSINESS INTRODUCTION

## COMPANY PROFILE



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

## KEY MANAGEMENT



### Dato' Sri Ivan Chee

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

**Executive Director & Chief  
Executive Officer**



### Ng Mun Fey

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

**Executive Director & Chief  
Operating Officer**



### Fionne Chua

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

**Financial Controller**

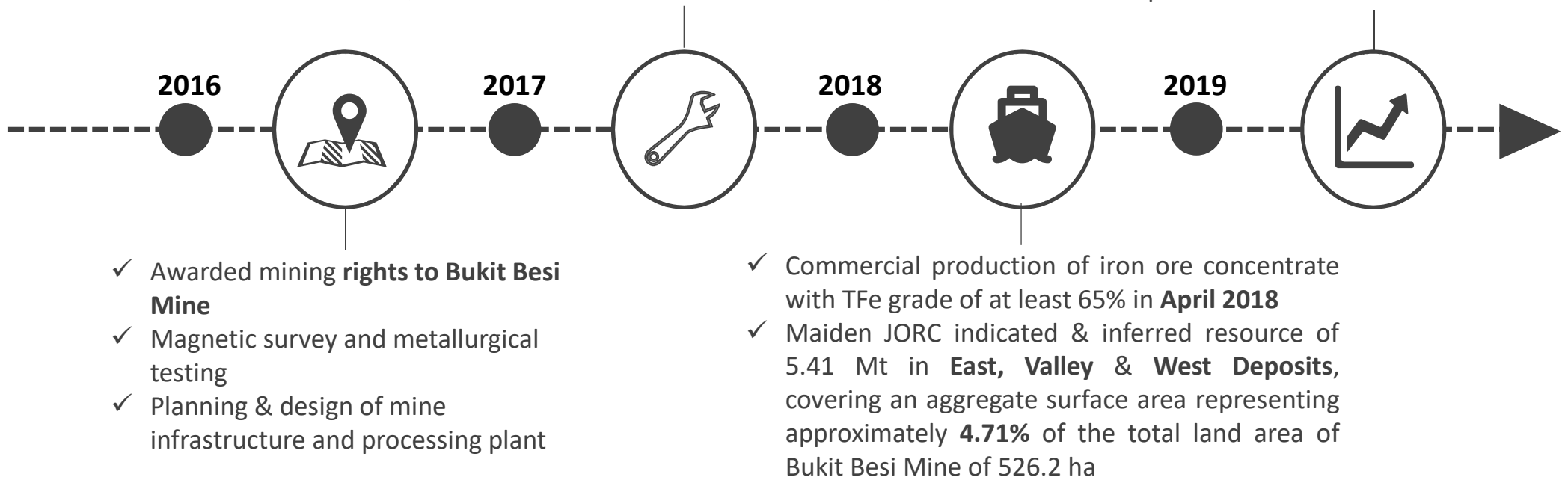
## OUR MILESTONES



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

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



## FY2019 HIGHLIGHTS



### Commenced Iron Ore Production

**April 2018**

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



### Completed Maiden JORC Report

**August 2018**

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



### Listed on the Catalist Board of SGX-ST

**March 2019**

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

### Production Ramp-Up in Progress

**April 2019**

- ✓ Construction of two additional ball mills is in progress
- ✓ Steady-state processing capability is expected to increase from 40,000WMT to 50,000WMT
- ✓ Exploration is on-going, JORC report is updated

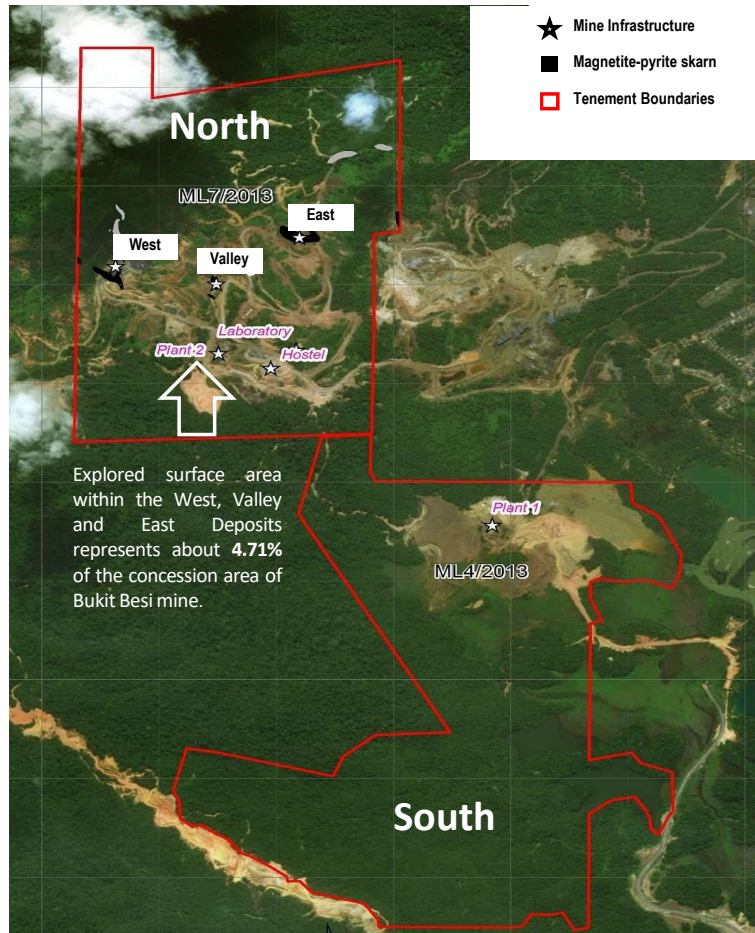


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# BUKIT BESI MINE OVERVIEW



## BUKIT BESI MINE - OVERVIEW



**Location:** Terengganu, Malaysia

**Total Concession Area:** 526.2ha open pit

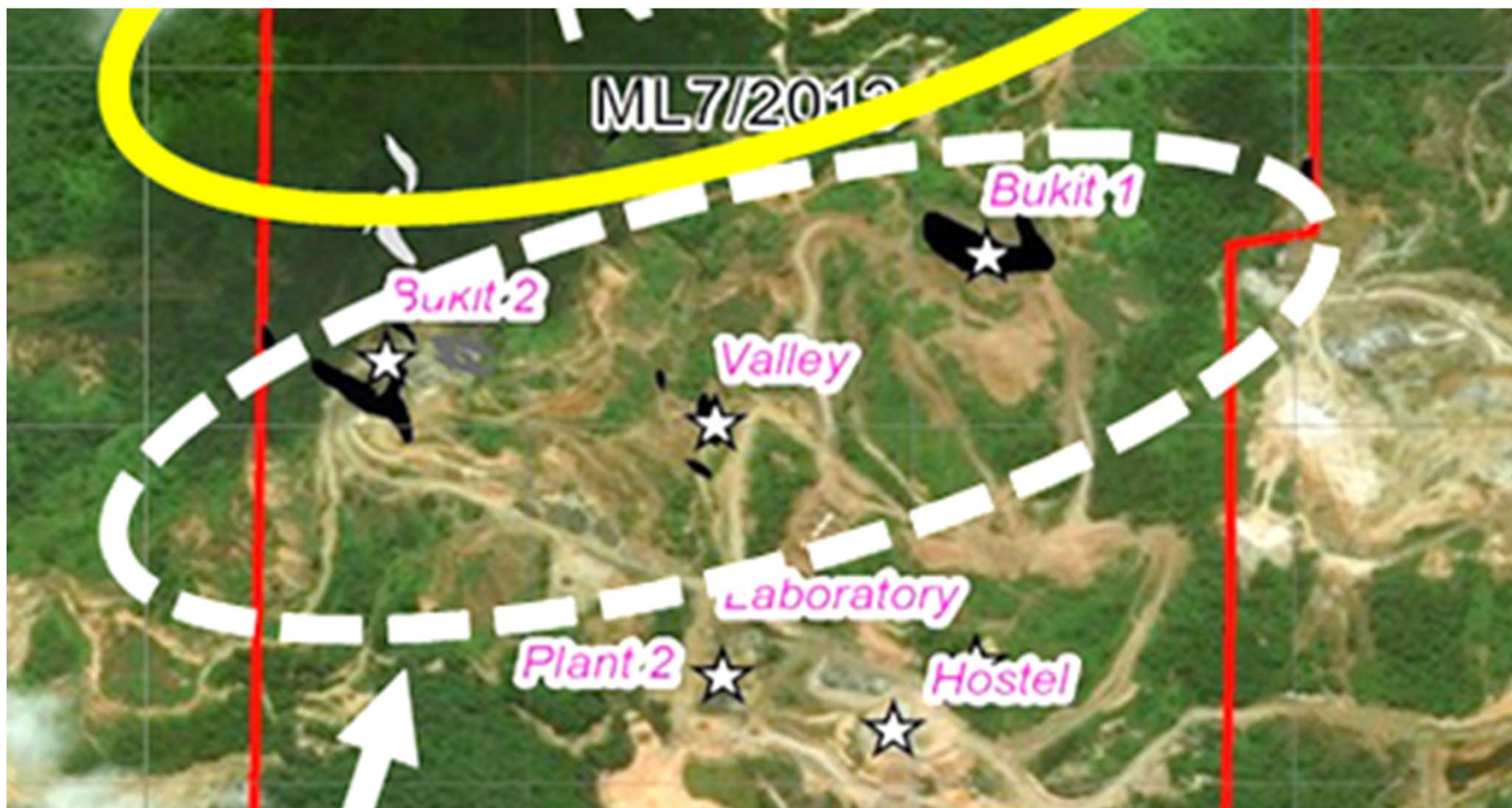
**Nearby Airports:** Airports in Kuantan and Kuala Terengganu (approximately 1.5 hours drive);

Kemaman Port (approximately 86km)

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

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

## WEST/VALLEY/EAST DEPOSITS – A CLOSER LOOK



## BUKIT BESI MINE – OVERVIEW



### PRE-IPO

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

### APRIL 2019

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

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

- Considerable exploration upside potential within the mine as only approximately <5% of the mining area has been explored
- Theoretical three-year mine life, subject to updates when new resource is found

# BUKIT BESI MINE – PRODUCTION PROCESS



**Step 1**  
Blasting of the identified location



Rock surface after blasting

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



Removal of blasted material

**Step 3**  
Crushing process



The crushing plant

**Step 4**  
Concentrate processing



Magnetic separator



Grinding ball mills



Froth floatation cells



The processing plant



Drying of iron ore concentrate



Iron ore fine/lump stockpile

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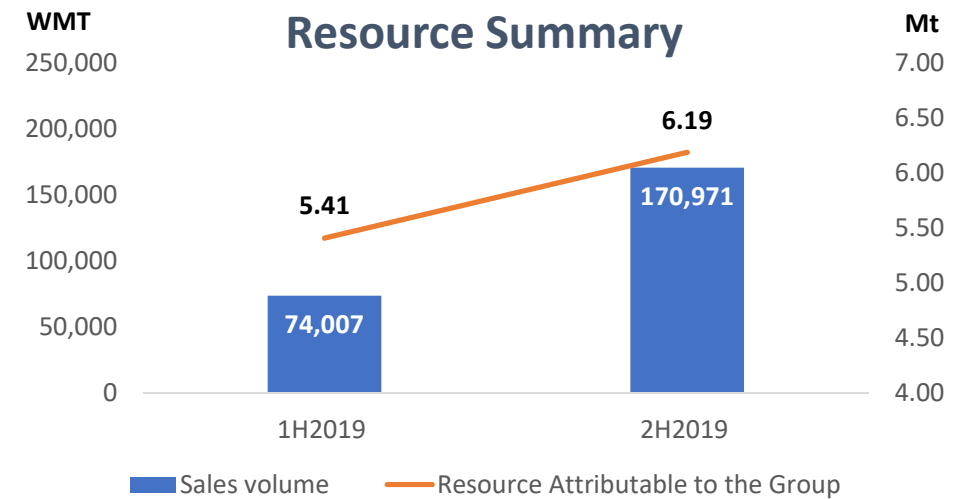
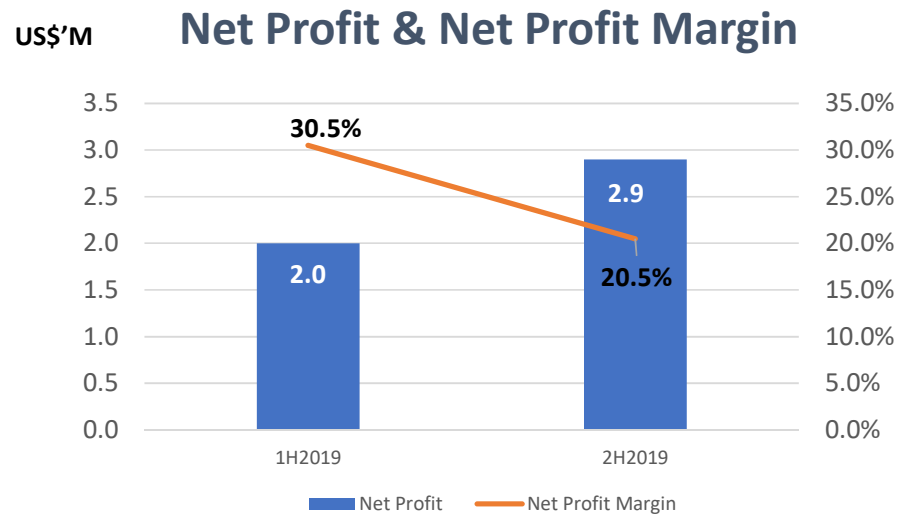
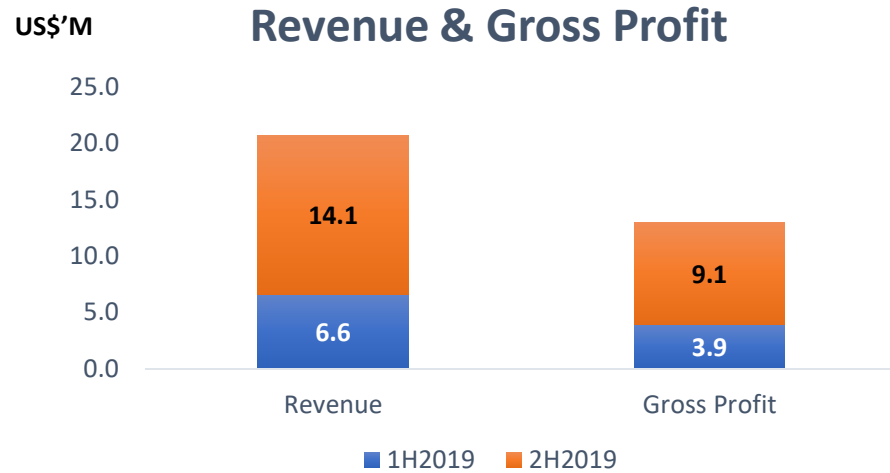
# FINANCIAL HIGHLIGHTS

# FY2019 SNAPSHOT



## Production Review

<b>Average Selling Price</b>	<b>US\$84.21</b>
COGS/WMT	US\$31.00
Gross Profit/WMT	US\$53.21



## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

US\$'000	Unaudited		
	1H2019	2H2019	FY2019
Revenue	6,572	14,057	20,629
Gross profit	3,916	9,118	13,034
Gross profit Margin	59.6%	64.9%	63.2%
Other operating income	2,069	(67)	2,002
Operating expenses	(3,244)	(4,984)	(8,227) <sup>1</sup>
<b>Net profit after tax(NPAT)</b>	<b>2,007</b>	<b>2,889</b>	<b>4,896</b>
<b>Adjusted net profit</b>	-	-	<b>5,759</b> <sup>2</sup>
<b>Adjusted net profit margin</b>	-	-	<b>27.9%</b>
Basic and diluted EPS (US cents)	0.48	0.69	1.17 <sup>3</sup>

1. Operating Expenses comprise Selling and distribution expenses and Administrative expenses

2. +Excluding IPO expenses of US\$0.23 million for 1H2019 and US\$0.633 million for 2H2019

3 This is derived from weighted average no of shares issued for the restructuring exercise (418,749,584)

## UNAUDITED PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

US\$'000	FY2018	FY2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Exploration & evaluation assets	-	403
Mining properties	7,009	6,973
Plant and equipment	7,301	11,365
<b>Total Non-current Assets</b>	<b>14,310</b>	<b>18,741</b>
<b>Current assets</b>		
Inventories	223	439
Trade receivables	52	2,098
Other receivables, deposits and prepayment	2,359	1,673
Current income tax recoverable	142	-
Cash and bank balances	41	2,129
<b>Total Current Assets</b>	<b>2,817</b>	<b>6,339</b>
<b>Total assets</b>	<b>17,127</b>	<b>25,080</b>



## UNAUDITED PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

US\$'000	FY2018	FY2019
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	268	268
Other reserves	607	518
Retained earnings	668	5,564
<b>Total equity</b>	<b>1,543</b>	<b>6,350</b>
<b>Non-current liabilities</b>		
Borrowings	16	-
Deferred tax liability	55	503
Amount owing to shareholders	-	15,721
<b>Total Non-current liabilities</b>	<b>71</b>	<b>16,224</b>
<b>Current liabilities</b>		
Trade payables	-	257
Other payables and accruals	786	1,960
Amount due to a related party	661	-
Amount due to shareholder	14,060	-
Provision for taxation	-	288
Borrowings	6	-
<b>Total Current-liabilities</b>	<b>15,513</b>	<b>2,506</b>
<b>Total liabilities</b>	<b>15,584</b>	<b>18,730</b>
<b>Total equity and liabilities</b>	<b>17,127</b>	<b>25,080</b>
NAV per Share <sup>1</sup> (US cents)	0.31	1.27

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

## UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOWS



	<b>FY2018</b>	<b>FY2019</b>
Net cash flow (used in)/generated from operations	(456,964)	6,931,284
Net cash flow used in investing activities	(10,800,699)	(6,400,845)
Net cash flow generated from financing activities	11,248,034	1,553,233
Net change in cash and cash equivalents	(9,629)	2,083,672
Effects of exchange rate changes on cash and cash equivalents	4,794	4,800
Cash and cash equivalents at beginning of financial year	45,791	40,956
Cash and cash equivalents at end of financial year	40,956	2,129,428

## DIVIDENDS



**First interim dividends for FY2020:**

**0.16 Singapore Cent<sup>1</sup>**

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

Not less than 20% of NPAT

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

FY2019

FY2020

FY2021

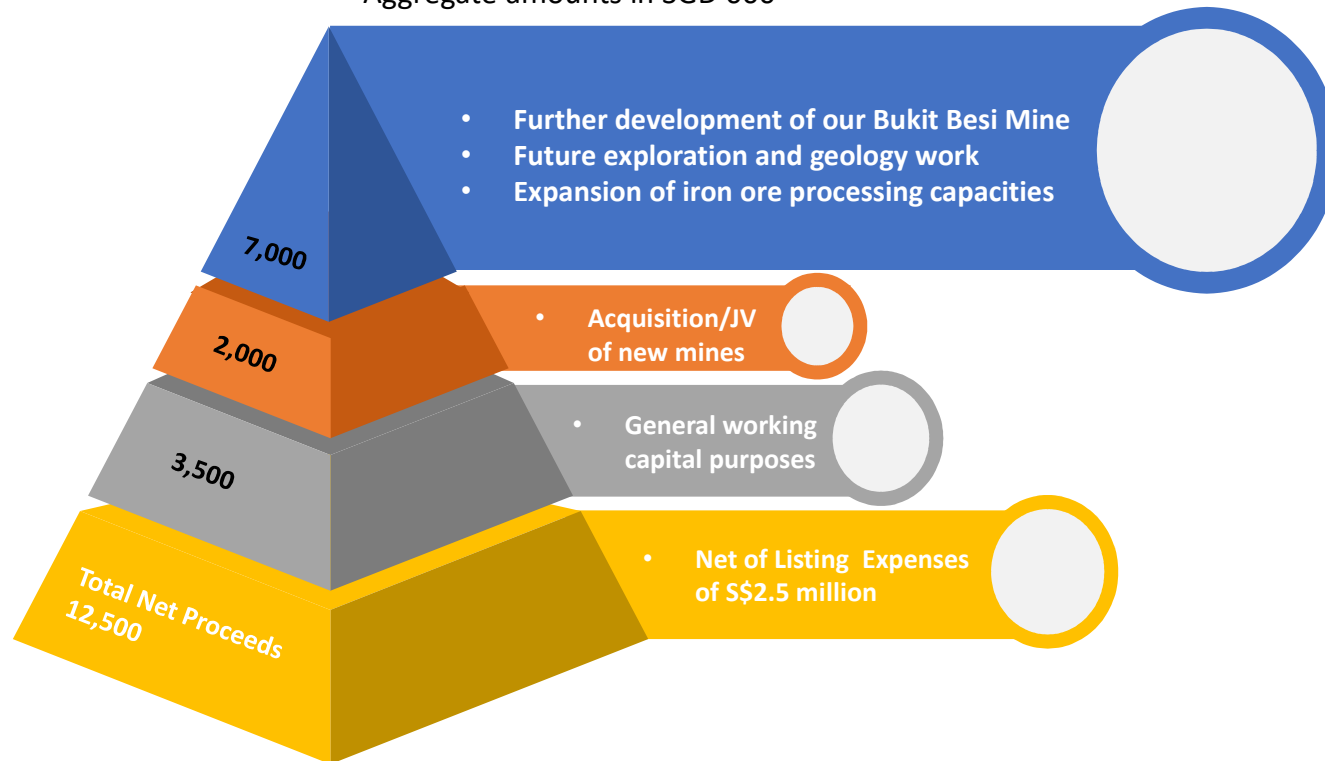
<sup>1</sup> As disclosed in page 68 of the Company's Offer Document, our Directors intended to recommend and distribute dividends of not less than 10% of the Group's net profit after tax ("NPAT") for FY2019 subject to, inter-alia, the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, our development plans and other factors as our Directors may, in their absolute discretion, deem appropriate ("Dividend Factors").

However, as our Restructuring Exercise was not completed as at 28 February 2019, our company (as an investment holding entity) was not profitable for FY2019. Subsequent thereto and with the successful completion of the Restructuring Exercise during the first quarter of financial ending 29 February 2020 ("FY2020"), the Directors are pleased to declare a one-tier tax exempt first interim dividend of 0.16 Singapore cents per share for FY2020 ("First Interim Dividend"), amounting to S\$800,000 representing approximately 12.1% of the Group's NPAT for FY2019. For the avoidance of doubt, this First Interim Dividend will be in addition to the Directors' intention to further declare and distribute dividends of not less than 15% of the Group's NPAT for FY2020 as previously set out in page 68 of the Offer Document, subject always to the Dividend Factors. Further details of the book closure date and the payment date of this First Interim Dividend will be announced in due course.

# FUTURE PLANS AND USE OF PROCEEDS



Aggregate amounts in SGD'000



**Balance as at 2 May 2019**

01		S\$7.0 million
02		S\$2.0 million
03		S\$3.5 million
<b>Total</b>		S\$12.5 million

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

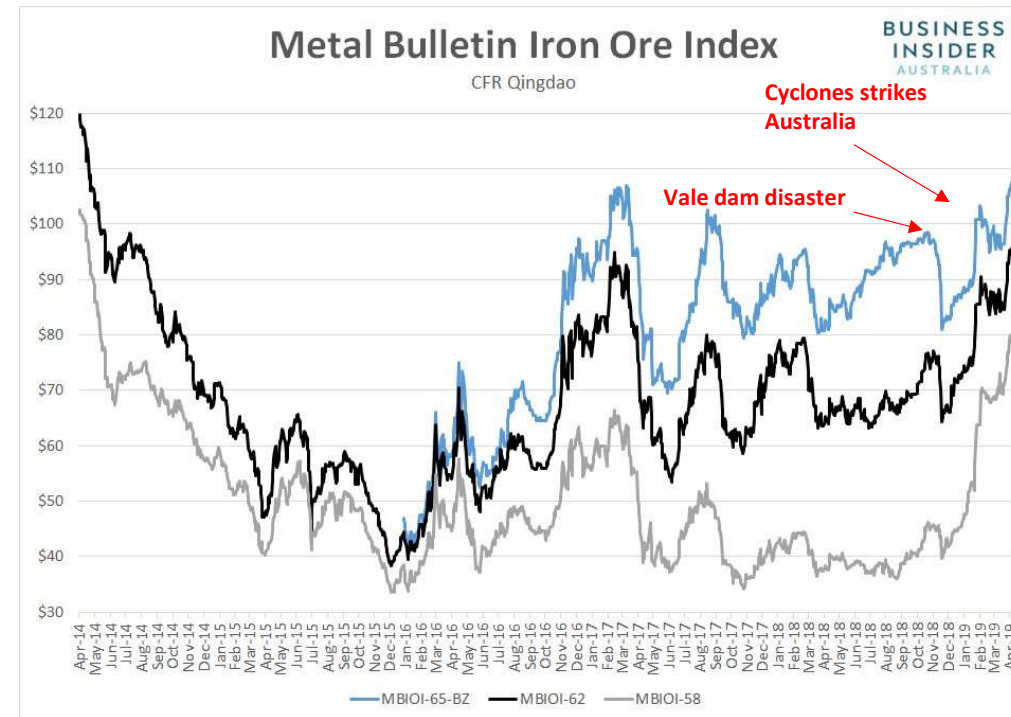
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# INDUSTRY OVERVIEW



## Market Update on Iron Ore

- ✓ Current iron ore prices have hit multi-year highs due to supply disruptions such as the dam disaster in Brazil and cyclones at the main iron ore shipping ports in Australia
- ✓ Industry leaders such as Rio Tinto and BHP cut their production forecast for 2019 due to disruptions and damage to port facilities after the cyclone
- ✓ Fortress continues to benefit from higher prices as a result of the supply deficit



Source: Business Insider Australia

# INDUSTRY OVERVIEW

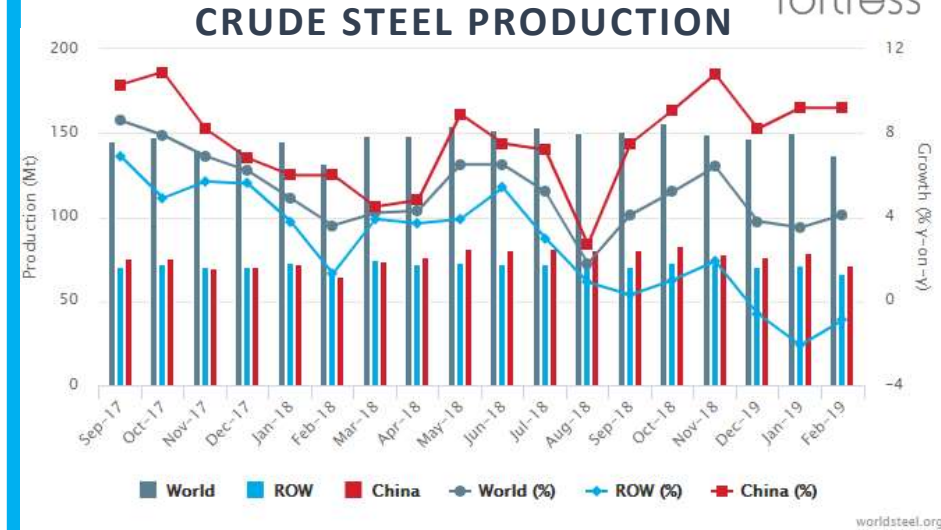


## PRC's Demand for High-Grade Iron Ore Likely to Remain Strong

- ✓ Our primary market, the PRC, is the world's largest steelmaker and consumer of iron ore
- ✓ PRC's iron ore imports are expected to remain at a high level of 1,000 Mt annually
- ✓ To address the problems of pollution and overcapacity of the steel industry, PRC government aims to cut down steel production capacity via closing out inefficient or smaller steel mills
- ✓ Steel producers prefer the use of higher grade iron ore in order to enhance production yield and reduce pollution



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Source: World Steel Association

### ESTIMATES FOR THE DEMAND OF STEEL FROM BELT & ROAD INITIATIVES

<b>BHP</b>	150 Mt
<b>BLOOMBERG</b>	272 Mt
<b>POSCO RESEARCH INSTITUTE</b>	30 Mt/Year

Source: Research Report "Steel Market Development" by Organization for Economic Co-operation and Development

## COMPETITIVE ADVANTAGE



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



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

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



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



## SHARE STATISTICS



<b>Bloomberg Code</b>	<b>SGX: OAJ</b>	
<b>Share Price</b>	S\$0.245	
<b>Market Capitalization</b>	S\$122.5 million	
<b>Free Float</b>	75.0 million	
<b>P/E ratio</b>	18.5x	
<b>Dividend Yield</b>	6.53%	
<b>NAV Per Share</b>	1.27 US Cents = 1.71 Singapore Cents	
<b>Total Issued Shares</b>	500 million	
<b>Substantial Shareholders</b>	Insiders	50.25%
	Selangor Dredging Berhad	30.99%

\*P/E ratio calculated based on share price and USD-SGD exchange rate on 30 April 2019



**THANK YOU!**

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