



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

FORTRESS MINERALS LIMITED

FY2019 RESULTS BRIEFING

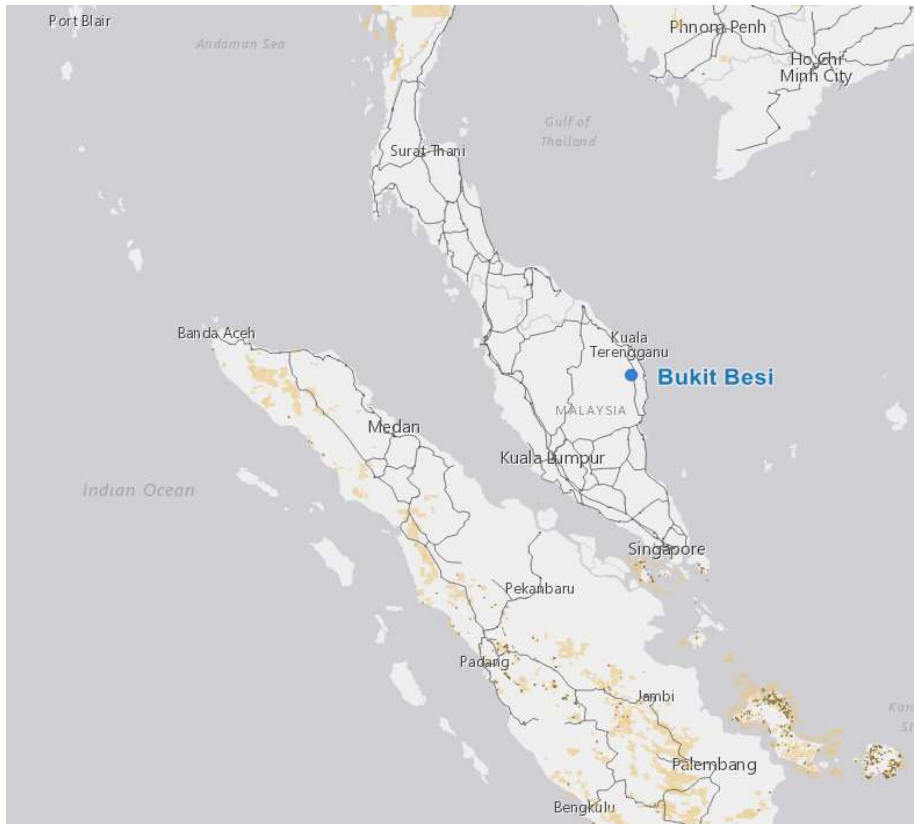
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01

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**

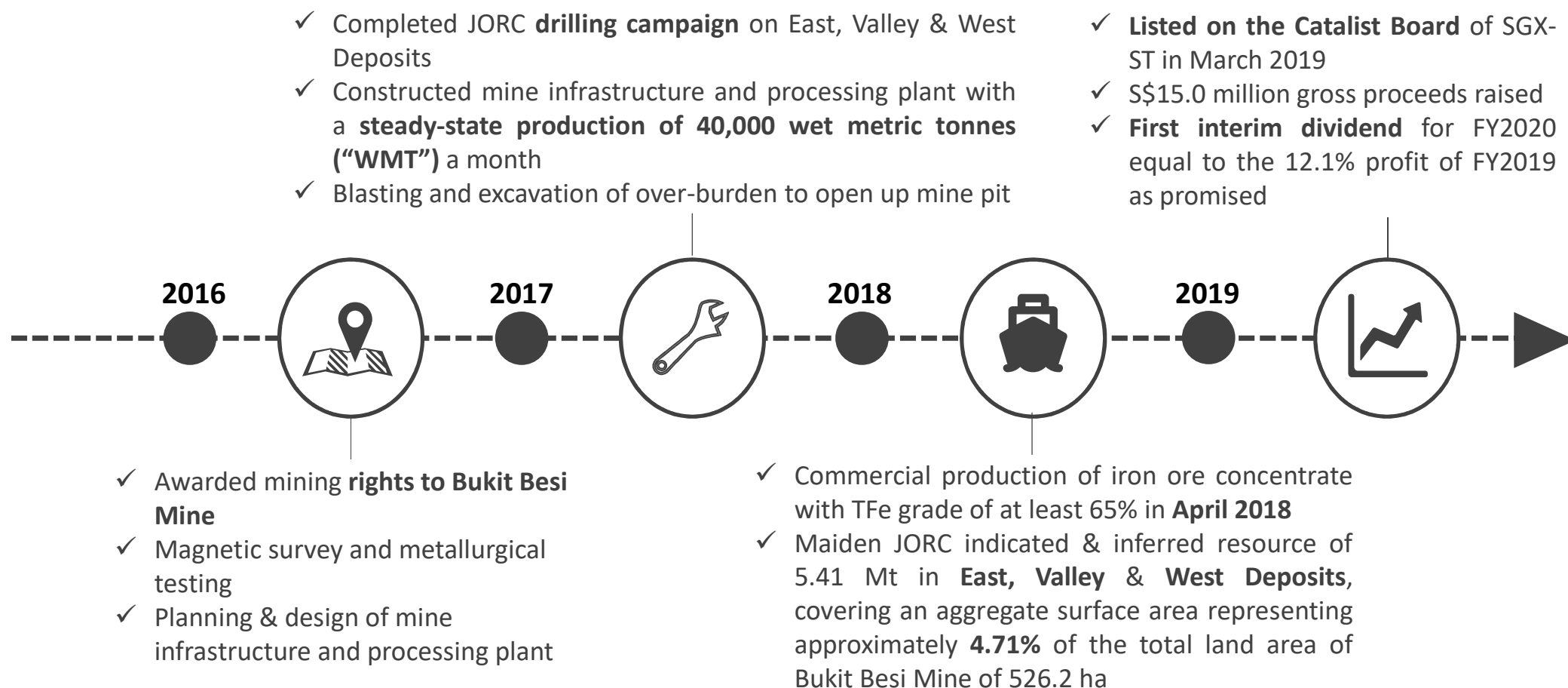


Fionne Chua

- 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



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



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

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



Production Ramp-Up in Progress

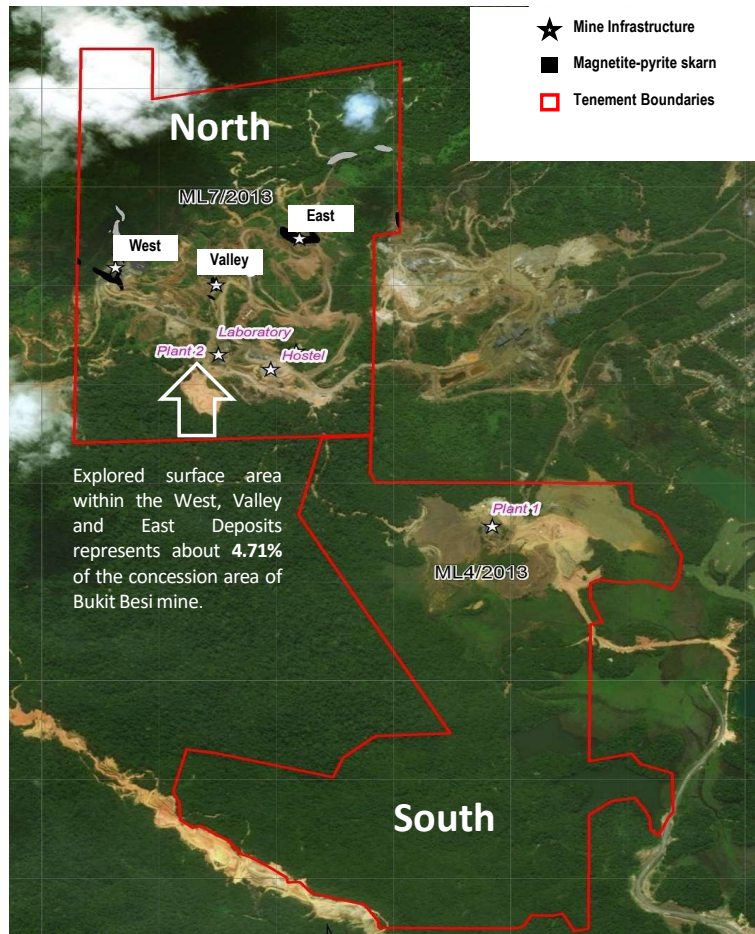
April 2019

- ✓ 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

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

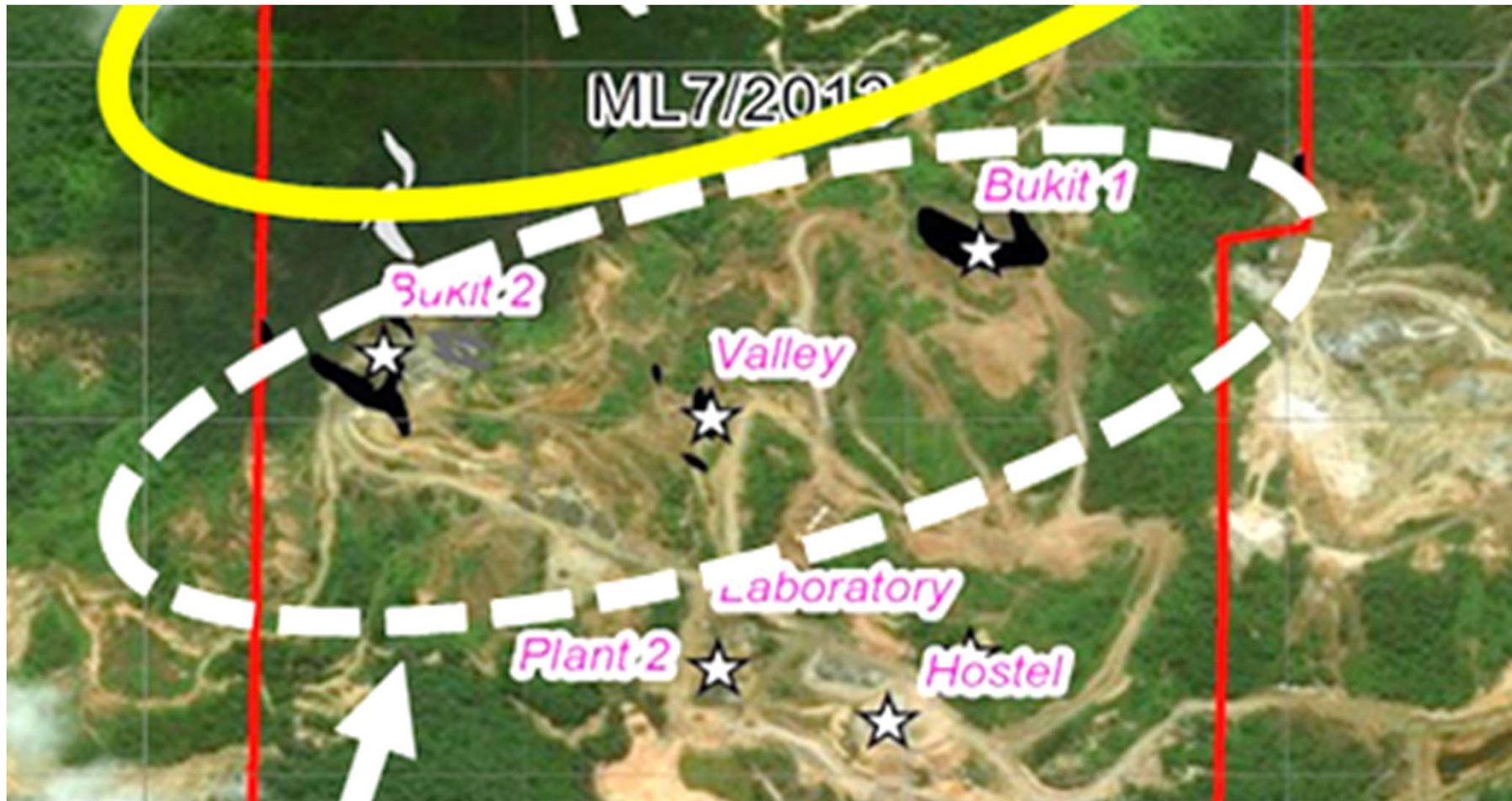
Terengganu (approximately 1.5 hours drive);

Kemaman Port (approximately 86km)

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

Products: Magnetite 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 (Mt)	Grade (% 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
Total		5.41	41.70

APRIL 2019

Area	Category	Net attributable to the Group	
		Tonnes (Mt)	Grade (% 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
Total		6.19	42.31



LOCATION	TERENGGANU, MALAYSIA
Total concession Area	526.2ha
Explored areas	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

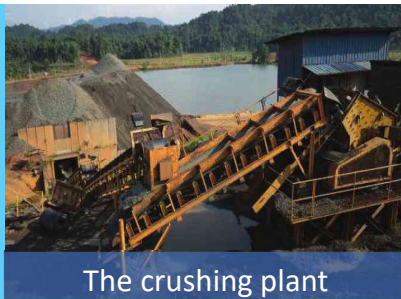
Step 1 Blasting of the identified location



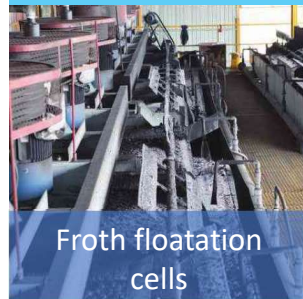
Step 2 Removal and stockpiling of blasted materials



Step 3 Crushing process



Step 4 Concentrate processing



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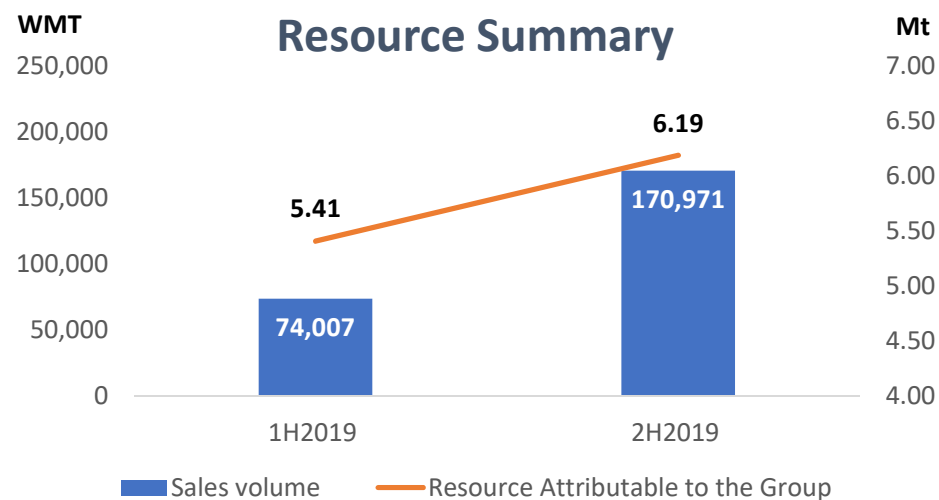
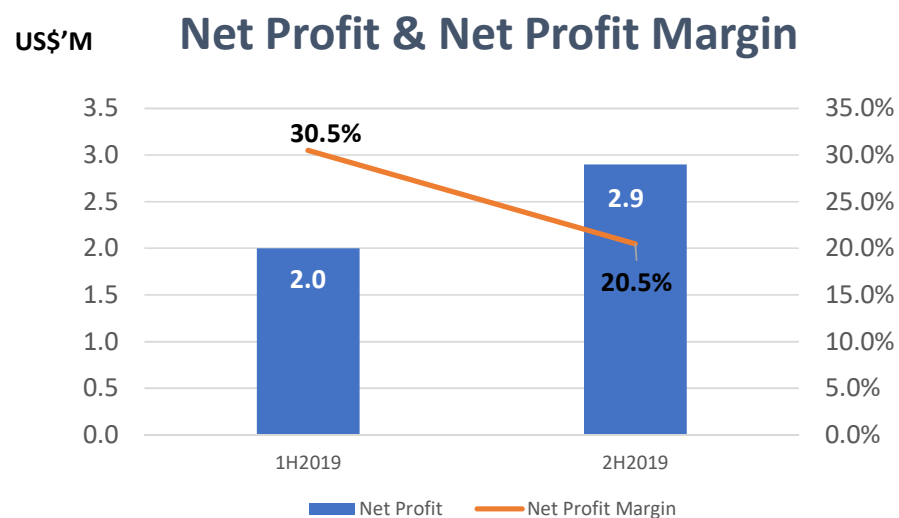
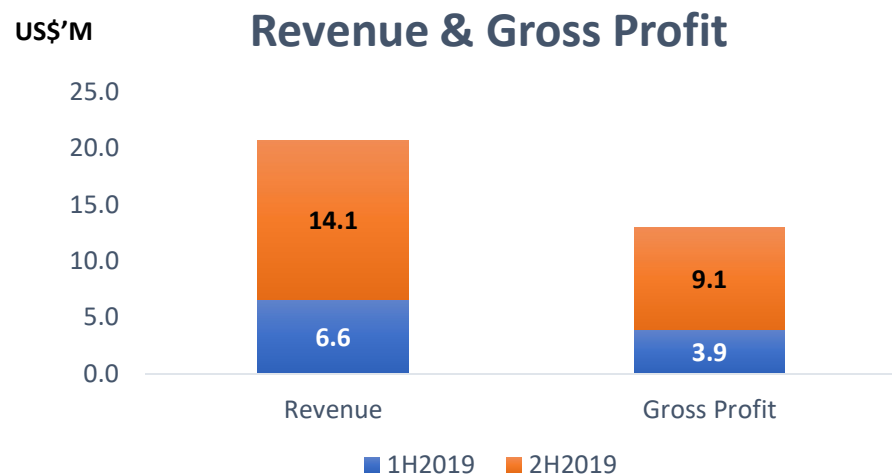
FINANCIAL HIGHLIGHTS

FY2019 SNAPSHOT



Production Review

Average Selling Price	US\$84.21
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) ¹
Net profit after tax(NPAT)	2,007	2,889	4,896
Adjusted net profit	-	-	5,759 ²
Adjusted net profit margin	-	-	27.9%
Basic and diluted EPS (US cents)	0.48	0.69	1.17 ³

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
ASSETS		
Non-current assets		
Exploration & evaluation assets	-	403
Mining properties	7,009	6,973
Plant and equipment	7,301	11,365
Total Non-current Assets	14,310	18,741
Current assets		
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
Total Current Assets	2,817	6,339
Total assets	17,127	25,080

UNAUDITED PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

US\$'000	FY2018	FY2019
EQUITY AND LIABILITIES		
Equity		
Share capital	268	268
Other reserves	607	518
Retained earnings	668	5,564
Total equity	1,543	6,350
Non-current liabilities		
Borrowings	16	-
Deferred tax liability	55	503
Amount owing to shareholders	-	15,721
Total Non-current liabilities	71	16,224
Current liabilities		
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	-
Total Current-liabilities	15,513	2,506
Total liabilities	15,584	18,730
Total equity and liabilities	17,127	25,080
NAV per Share ¹ (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



	FY2018	FY2019
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 Cent¹

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

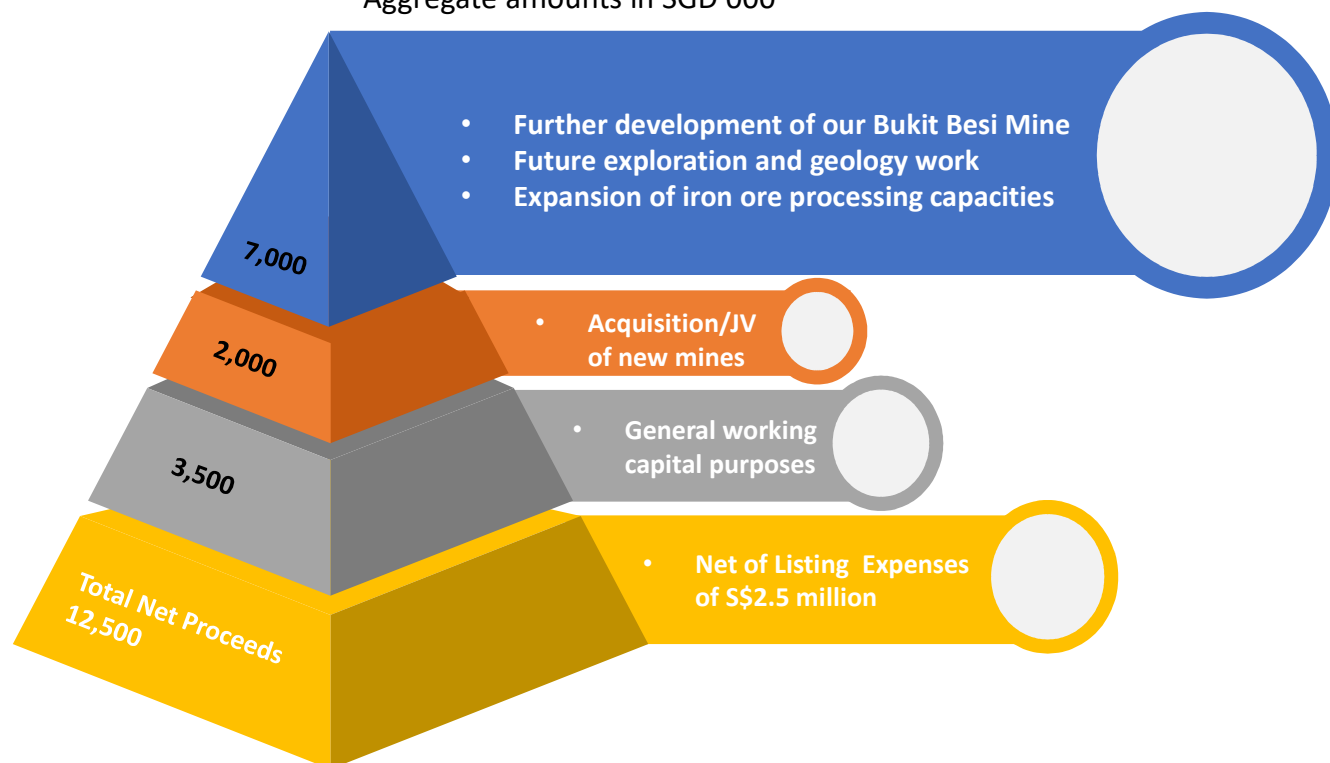
FY2021

¹ 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



- Further development of our Bukit Besi Mine
- Future exploration and geology work
- Expansion of iron ore processing capacities

- Acquisition/JV of new mines

- General working capital purposes

- Net of Listing Expenses of S\$2.5 million

Balance as at 2 May 2019

01



S\$7.0 million

02



S\$2.0 million

03



S\$3.5 million

Total

S\$12.5 million

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

03

INDUSTRY OVERVIEW

INDUSTRY OVERVIEW

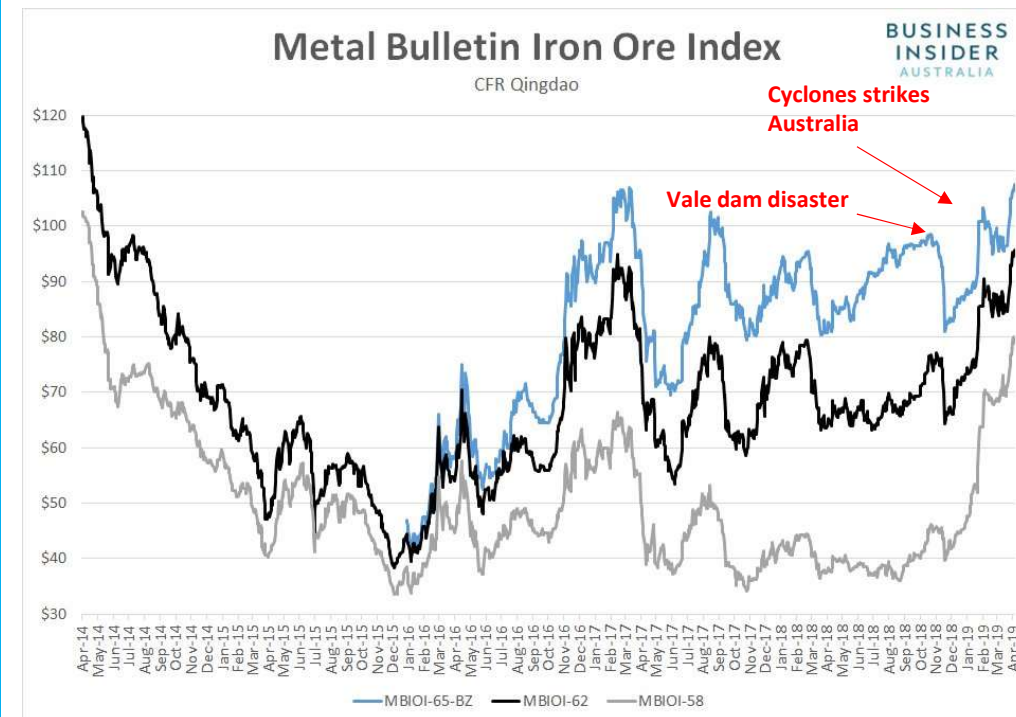


Market Update on Iron Ore

- ✓ 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



fortress



Source: Business Insider Australia

INDUSTRY OVERVIEW



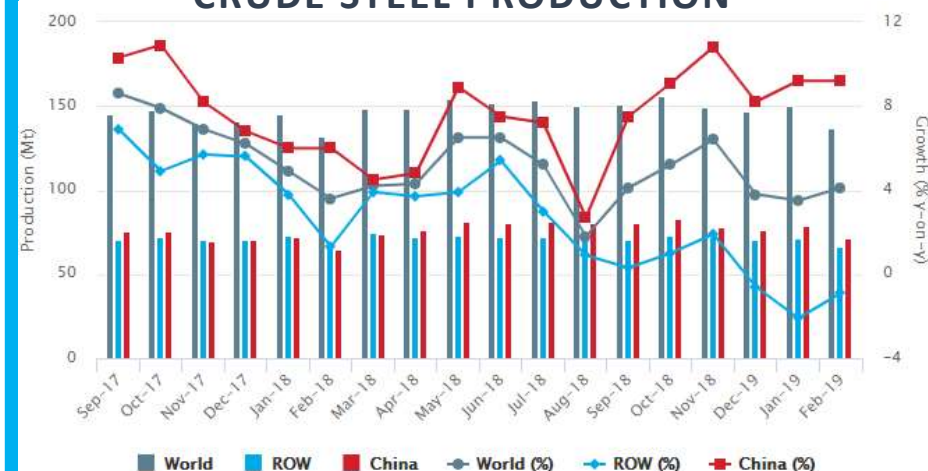
PRC's Demand for High-Grade Iron Ore Likely to Remain Strong

- ✓ 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



fortress

CRUDE STEEL PRODUCTION



Source: World Steel Association

ESTIMATES FOR THE DEMAND OF STEEL FROM BELT & ROAD INITIATIVES

BHP	150 Mt
BLOOMBERG	272 Mt
POSCO RESEARCH INSTITUTE	30 Mt/Year

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

COMPETITIVE ADVANTAGE

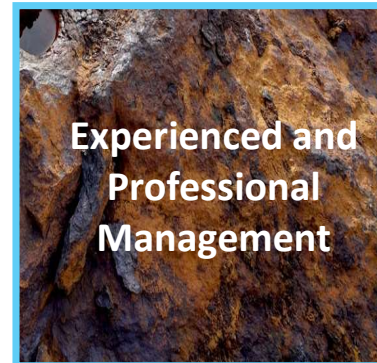


- ✓ Iron ore concentrate with TFe content of at least 65%
- ✓ Low levels of impurities which would command premium prices against lower grades



- ✓ 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



Bloomberg Code	SGX: OAJ	
Share Price	S\$0.245	
Market Capitalization	S\$122.5 million	
Free Float	75.0 million	
P/E ratio	18.5x	
Dividend Yield	0.65%	
NAV Per Share	1.27 US Cents = 1.71 Singapore Cents	
Total Issued Shares	500 million	
Substantial Shareholders	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

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THANK YOU!

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