

FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Financial Statement and Dividend Announcement for the Full Financial Year Ended 28th February 2019

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 years ended 28 February 2018 (“**FY2018**”) and 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.

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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		
	28/02/2019 US\$ (Unaudited)	28/02/2018 US\$ (Audited)	Change %
Revenue	20,629,121	-	nm
Cost of sales	<u>(7,594,779)</u>	<u>-</u>	<u>nm</u>
Gross profit	13,034,342	-	nm
Other operating income	2,001,721	958,575	108.8
Selling & distribution costs	(5,356,724)	-	nm
Other operating expenses	(1,570,230)	(535,065)	193.5
Administrative expenses	(1,293,192)	(398,869)	224.2
Finance costs	<u>(7,157)</u>	<u>(381,850)</u>	<u>(98.1)</u>
Profit / (loss) before tax	6,808,760	(357,209)	nm
Income tax expense	<u>(1,912,870)</u>	<u>(54,184)</u>	<u>3,430.3</u>
Profit / (loss) for the financial year attributable to owners of the Company	4,895,890	(411,393)	nm
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange difference on translating foreign operation	<u>(89,295)</u>	<u>222,411</u>	<u>nm</u>
Other comprehensive income for the financial year, net of tax	<u>(89,295)</u>	<u>222,411</u>	<u>nm</u>
Total comprehensive income for the financial year attributable to owners of the Company	<u>4,806,595</u>	<u>(188,982)</u>	<u>nm</u>

nm – Not meaningful

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

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

	Group		
	Financial Year Ended		
	28 February 2019	28 February 2018	Change
	US\$	US\$	%
	Unaudited	Audited	
Administrative expenses:			
Donations	15,939	1,589	903.1
Office rental	21,693	27,307	(20.6)
Unrealised foreign exchange (gain)/loss, net	(32,850)	16,791	nm
Depreciation of plant and equipment	6,682	10,263	(34.9)
Amortisation of mining properties	325,946	-	nm
(Loss) / gain on disposal of plant and equipment	(1,390)	633	nm

nm – Not meaningful

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	28 February 2019 US\$ (Unaudited)	28 February 2018 US\$ (Audited)	28 February 2019 US\$ (Unaudited)	28 February 2018 US\$ (Audited)
ASSETS				
Non-current assets				
Exploration & evaluation assets	403,006	-	-	-
Mining properties	6,973,060	7,009,136	-	-
Plant and equipment	11,365,523	7,301,357	-	-
Investment in subsidiaries	-	-	1	-
	<u>18,741,589</u>	<u>14,310,493</u>	<u>1</u>	<u>-</u>
Current assets				
Inventories	438,908	222,901	-	-
Trade receivables	2,097,620	51,844	-	-
Other receivables, deposits and prepayments	1,672,938	2,359,180	-	-
Current income tax recoverable	-	142,446	-	-
Cash and bank balance	2,129,428	40,956	6,388	1
	<u>6,338,894</u>	<u>2,817,327</u>	<u>6,388</u>	<u>1</u>
Total assets	<u>25,080,483</u>	<u>17,127,820</u>	<u>6,389</u>	<u>1</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	268,408	267,675	734	1
Other reserves	517,873	607,168	-	-
Retained earnings/(Accumulated losses)	5,564,152	668,262	(1,083,014)	(227,184)
Total equity	<u>6,350,433</u>	<u>1,543,105</u>	<u>(1,082,280)</u>	<u>(227,183)</u>
Non Current liabilities				
Borrowings	-	16,585	-	-
Deferred tax liability	503,138	54,703	-	-
Amount due to shareholders	15,721,339	-	-	-
	<u>16,224,477</u>	<u>71,288</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	256,797	-	-	-
Other payables and accruals	1,960,382	786,445	369,426	1,509
Amount due to a related party	-	660,634	719,243	225,675
Amount due to shareholders	-	14,060,255	-	-
Current tax liabilities	288,394	-	-	-
Borrowings	-	6,093	-	-
	<u>2,505,573</u>	<u>15,513,427</u>	<u>1,088,669</u>	<u>227,184</u>
Total liabilities	<u>18,730,050</u>	<u>15,584,715</u>	<u>1,088,669</u>	<u>227,184</u>
Total equity and liabilities	<u>25,080,483</u>	<u>17,127,820</u>	<u>6,389</u>	<u>1</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 28 February 2019		As at 28 February 2018	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
-	-	6,093	14,060,255

Amount repayable after one year

As at 28 February 2019		As at 28 February 2018	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
-	15,721,339	16,585	-

Details of any collateral

The Group's secured borrowings as at 28 February 2018 comprised finance lease liabilities, which are secured over the Group's motor vehicle. The motor vehicle was disposed on April 2018. The net carrying amounts of the motor vehicle as at 28 February 2019 amounted to NIL (28 February 2018: US\$24,518).

The Group's unsecured borrowings as at 28 February 2019 and 28 February 2018 are 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	
	28/02/2019 US\$ (Unaudited)	28/02/2018 US\$ (Audited)
Operating activities		
Profit / (loss) before tax	6,808,760	(357,209)
Adjustments for:		
Depreciation of plant and equipment	6,682	10,263
Amortisation of mining properties	325,946	-
Interest expense	7,157	381,850
Interest income	(214)	(192)
Unrealised foreign exchange (gain)/loss	(32,850)	16,791
Loss/(gain) of disposal of plant and equipment	1,390	(633)
Operating profit before working capital changes	7,116,871	50,870
Working capital changes:		
Inventories	833,454	(207,043)
Trade and other receivables	(1,453,073)	(720,514)
Trade and other payables	1,468,000	87,636
Amount owing to a related party	-	613,634
Cash generated from/(used in) operations	7,965,252	(175,417)
Tax paid	(1,033,968)	(281,547)
Net cash flow generated from/(used in) operating	6,931,284	(456,964)
Investing Activities		
Additions of exploration and evaluation assets	(404,417)	(1,210,406)
Additions to mine properties	(550,353)	(4,948,601)
Additions of plant and equipment	(5,481,381)	(4,734,016)
Proceeds on disposal of exploration and evaluation assets	-	83,109
Proceeds on disposal of plant and equipment	35,092	9,023
Interest received	214	192
Net cash flow used In investing activities	(6,400,845)	(10,800,699)
Financing activities		
Net repayment of borrowings	(21,868)	(4,794)
Interest paid	(7,157)	(381,850)
Proceeds from issuance of shares	733	2
Repayment to ultimate holding company	-	(1,425,285)
Repayment to related party	(637,027)	-
Advance from shareholders	2,218,552	13,059,961
Net cash flow generated from financing activities	1,553,233	11,248,034
Net change in cash and cash equivalents	2,083,672	(9,629)
Effects of exchange rate changes on cash and cash	4,800	4,794
Cash and cash equivalents at beginning of financial year	40,956	45,791
Cash and cash equivalents at end of financial year	2,129,428	40,956

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.

	Share capital US\$	Retained earnings US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Total equity US\$
<u>Group (Unaudited)</u>					
At 1 March 2018	267,675	668,262	383,615	223,553	1,543,105
Profit for the financial year	-	4,895,890	-	-	4,895,890
<u>Other comprehensive income</u>					
Exchange difference on translating foreign operation	-	-	-	(89,295)	(89,295)
Other comprehensive income for the financial year, net of tax	-	-	-	(89,295)	(89,295)
Total comprehensive income for the financial year	-	4,895,890	-	(89,295)	4,806,595
Contributions by owners					
Issuance of shares	733	-	-	-	733
Total transactions with owners	733	-	-	-	733
At 28 February 2019	<u>268,408</u>	<u>5,564,152</u>	<u>383,615</u>	<u>134,258</u>	<u>6,350,433</u>

	Share capital US\$	Retained earnings US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Total equity US\$
<u>Group (Audited)</u>					
At 1 March 2017	267,673	1,079,655	383,615	1,142	1,732,085
Loss for the financial year	-	(411,393)	-	-	(411,393)
<u>Other comprehensive income</u>					
Exchange difference on translating foreign operation	-	-	-	222,411	222,411
Other comprehensive income for the financial year, net of tax	-	-	-	222,411	222,411
Total comprehensive income for the financial year	-	(411,393)	-	222,411	(188,982)
<u>Contributions by owners</u>					
Issuance of shares	2	-	-	-	2
Total transactions with owners	2	-	-	-	2
At 28 February 2018	<u>267,675</u>	<u>668,262</u>	<u>383,615</u>	<u>223,553</u>	<u>1,543,105</u>

	Share capital US\$	Accumulated losses US\$	Total US\$
<u>Company (Unaudited)</u>			
At 1 March 2018	1	(227,184)	(227,183)
Loss for the financial year, representing total comprehensive income for the financial period	-	(855,830)	(855,830)
Contributions by owners			
Issuance of shares	733	-	733
Total transactions with owners	733	-	733
At 28 February 2019	734	(1,083,014)	(1,082,280)

	Share capital US\$	Accumulated losses US\$	Total US\$
<u>Company (Audited)</u>			
At 13 November 2017 (date of incorporation)	1	-	1
Loss for the financial year, representing total comprehensive income for the financial period	-	(227,184)	(227,184)
At 28 February 2018	1	(227,184)	(227,183)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, 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

	Number of Issued Shares	Issued and paid-up share capital (US\$)
At date of incorporation, 13 November 2017 ⁽¹⁾	1	1
Issue of new ordinary shares ("Shares")	999	733
Issued and paid-up share capital as at 28 February 2019	1,000	734
<u>Subsequent to 28 February 2019</u>		
Issued of Shares pursuant to the Restructuring Exercise	418,749,000	11,163,855
Issued of Shares in satisfaction of professional fees	6,250,000	925,583
Pre-Placement issued and paid-up share capital	425,000,000	12,090,172
Issue of Placement shares	75,000,000	10,398,500 ⁽²⁾
Post-Placement issued and paid-up share capital	500,000,000	22,488,672

Notes:

- (1) At the date of incorporation on 13 November 2017, the Company had 1 share with issued and paid-up capital of S\$1.
- (2) Takes into account the capitalization of listing expenses of approximately US\$0.7 million against share capital.

The Company did not have any outstanding options, convertibles securities or treasury shares as at 28 February 2019 and 28 February 2018. There were no subsidiary holdings as at 28 February 2019 and 28 February 2018.

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 28 February 2019 (Unaudited)	As at 28 February 2018 (Audited)

Total number of issued shares excluding treasury shares

1,000	1
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The Company did not have any treasury shares as at 28 February 2018 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 qualifications or emphasis of a matter).

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 2018 as set out in the Company’s Offer Document dated 19 March 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), on 1 March 2018 and has reported its first set of financial information under SFRS(I)s for the financial year ended 28 February 2019. In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS (I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The Group has also concurrently applied new major accounting standards (1) SFRS (I) 9 Financial instruments and (2) SFRS (I) 15 revenue from Contracts with Customers. The adoption of the new financial reporting framework did not have any significant impact on the financial statements of the Group for the current financial reporting period.

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).

Profit/(Loss) per ordinary share (“EPS”/”LPS”)	Group Twelve months ended	
	28 February 2019	28 February 2018
Net profit/ (loss) attributable to owners of the Company (US\$)	4,895,890	(411,393)
Weighted average number of ordinary shares	418,749,584	418,749,000
Basic and fully diluted EPS (US cents)	1.17	(0.10)

For comparative purposes, EPS/(LPS) for financial years ended 28 February 2019 and 28 February 2018 have been calculated based on profit / (loss) attributable to owners of the Company and our Company's weighted average number of shares and the 418,749,000 shares issued for the Restructuring Exercise as set out in the Company's Offer Document dated 19 March 2019.

The basic and diluted EPS/(LPS) are the same as the Company and the Group did not have any potentially dilutive instruments for the respective financial periods.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and**
- (b) immediately preceding financial year.**

	Group		Company	
	28 February 2019 (Unaudited)	28 February 2018 (Audited)	28 February 2019 (Unaudited)	28 February 2018 (Audited)
Net asset value ("NAV") (US\$)	6,350,433	1,543,105	(1,082,280)	(227,183)
Total number of issued shares excluding treasury shares [#]	500,000,000	500,000,000	500,000,000	500,000,000
NAV per Share (US cents)	1.27	0.31	(0.22)	(0.05)

[#]NAV per share is computed based on the NAV 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**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review for the performance of the Group for the 12 months ended 28 February 2019 as compared to the 12 months ended 28 February 2018.

Combined Statements of Comprehensive Income

Revenue

During FY2019, our Group produced and sold 244,975 wet metric tonnes (“WMT”) of high grade iron ore concentrate and generated a revenue of US\$20.6 million. On average, our Group realised a revenue of US\$84.09 per WMT.

No revenue was generated during FY2018 as commercial production at our Bukit Besi mine only commenced in April 2018.

Cost of sales

Our Group’s cost of sales during FY2019 was US\$7.6 million resulting in an average cost of US\$31.00 per WMT following the commencement of commercial production of our high grade iron ore concentrate at our Bukit Besi mine in April 2018. Our Group did not incur any cost of sales during FY2018.

Gross profit and gross profit margin

Our gross profit for FY2019 was US\$13.0 million resulting in a gross profit margin of 63.2%. As FY2019 was our Group’s maiden year of commercial production, our production and cost efficiencies and hence our profitability margins were impacted by factors including but not limited to initial production ramp-ups, gestation period and economies of scale.

Other operating income

Our Group’s other operating income increased by US\$1.0 million from US\$1.0 million in FY2018 to US\$2.0 million in FY2019. The increase was generated from a one-off sale of semi-processed iron ore produced from the trial runs of our Bukit Besi mine’s processing plant prior to commercial production in April 2018.

Selling and distribution expenses

During FY2019, our Group incurred US\$5.4 million of selling and distribution expenses. None was incurred during FY2018.

The expense was mainly incurred on (i) ocean freight charges of US\$2.4 million; (ii) handling and transportation charges of US\$1.5 million; and (iii) mining royalty and tribute of US\$1.2 million.

Other operating expenses

Our Group’s other operating expenses increased by US\$1.1 million from US\$0.5 million in FY2018 to US\$1.6 million in FY2019. Other operating expenses comprise mainly of costs relating to the upkeep of site, machinery, motor vehicles and equipment at our Bukit Besi mine. The increase is in line with the commencement of commercial production at our Bukit Besi mine in April 2018.

Administrative expenses

During FY2019 our Group's administrative expenses increased by US\$0.9 million from US\$0.4 million in FY2018 to US\$1.3 million in FY2019. The increase was mainly attributable to (i) IPO related expenses of US\$0.6 million; and (ii) realised loss on foreign exchange of US\$0.3 million.

Finance costs

Our Group's finance costs during FY2019 was negligible as compared to the US\$0.4 million incurred during FY2018. The finance costs incurred during FY2018 was primarily attributable to the unwinding of fair value gain on amounts due to shareholders. No such gains or losses were incurred during FY2019.

Profit / (Loss) before taxation

During FY2019, our Group's profit before taxation increased by US\$7.2 million from a loss before taxation of US\$0.4 million in FY2018 to a profit before taxation of US\$6.8 million in FY2019.

The turnaround was a direct consequence of the commencement of commercial production at our Bukit Besi mine in April 2018.

Income tax expense

Our Group incurred income tax expense of US\$1.9 million in FY2019 comprising of current year taxation and deferred taxation, resulting in an effective tax rate of 28.1% as certain expenses incurred by our group were not deductible for tax determination purposes. No tax expense was incurred during FY2018.

Combined Statements of Financial Position

Non-current assets

Non-current assets as at 28 February 2019 stood at US\$18.7 million comprising of exploration and evaluation assets, mining properties and plant and equipment.

Exploration and evaluation assets increased by US\$0.4 million attributable to the on-going exploration activities at our Bukit Besi mine during the year.

Mining properties remained fairly consistent at US\$7.0 million. During the financial year US\$0.6 million was incurred to enhance our Group's mining properties while US\$0.3 million was amortised.

Plant and equipment increased by US\$4.1 million to US\$11.4 million as at 28 February 2019 from US\$7.3 million as at 28 February 2018. The increase was attributable to additions of plant and equipment and motor vehicles at our Bukit Besi mine of US\$5.1 million before a depreciation charge of US\$1.1 million during the financial year.

Current assets

As at 28 February 2019, our Group's current assets increased by US\$3.5 million to US\$6.3 million from US\$2.8 million as at 28 February 2018. The increase was mainly due to:

- (a) an increase in trade receivables of US\$2.0 million which is in line with the sale of our high grade iron ore concentrate to third party customers; and
- (b) an increase in cash and cash equivalents of US\$2.1 million as at 28 February 2019 from US\$40,956 as at 28 February 2018;
- (c) an increase in inventories of US\$0.2 million comprising of iron ore and consumables following our Group's commercial production at our Bukit Besi mine in April 2018.

However, the increase was partially offset by a decrease in other receivables, deposits and prepayments of US\$0.7 million due to the recoupment of tribute prepayment of US\$0.3 million and GST input tax claim of US\$0.3 million.

Non-current liabilities

As at 28 February 2019, our non-current liabilities of US\$16.2 million comprised of deferred tax liability of US\$0.5 million and amount due to shareholders of US\$15.7 million.

Following the completion of our Group's Restructuring Exercise and IPO on 8 March 2019 and 27 March 2019 respectively, a sum of US\$7.3 million of the US\$15.7 million was capitalised and fully satisfied with the allotment of new shares in our Company. Post capitalisation, the amount due to shareholders has decreased from US\$15.7 million to US\$8.4 million.

The remaining amount of US\$8.4 million due to shareholders is unsecured, interest free and long term in nature as all of the shareholders have committed not to demand any repayment for a period of 18 months commencing from 27 March 2019. However, the Group may repay the same at any time and in such amounts as it deems fit, provided always that any repayment shall be made on a pro rata basis subject to the approval in writing by the Audit Committee, after taking into consideration the Group's earnings, capital expenditure, cash flow requirements and development plans at the time of repayment.

Current liabilities

As at 28 February 2019, our Group had current liabilities of US\$2.5 million as compared to US\$15.5 million as at 28 February 2018. This was mainly due to:

- (a) a decrease of US\$15.7 million in amount due to shareholders following a reclassification of the US\$8.4 million of amounts due to shareholders from current to non-current liabilities.
- (b) a decrease of approximately US\$0.7 million in amount owing to a related party as a result of repayment during the financial year.

- (c) The decrease was partly offset by an increase of US\$0.8 million in other payables and accruals comprising mainly of royalty and tribute charges incurred during the financial year. The increase is in line with the increase in our Group's revenue during the financial year.

Working capital

Our Group recorded a positive working capital position of US\$3.8 million as at 28 February 2019, compared to a negative working capital position of US\$12.7 million as at 28 February 2018.

The negative working capital position as at 28 February 2018 was mainly attributable to the amount of US\$14.1 million due to shareholders being classified as current liabilities.

Following the completion of our Restructuring Exercise on 8 March 2019 and IPO on 27 March 2019, US\$7.3 million of the US\$15.7 million previously recognised as non-current liabilities as at 28 February 2019 had been capitalised with the allotment of new shares in the capital of our Company. Post capitalisation, the amount due to shareholders has decreased to US\$8.4 million.

Combined Statements of Cash Flow

In FY2019, our Group generated US\$6.9 million from our operating activities as compared to a negative US\$0.5 million in FY2018. The positive cash inflow was attributable to our Group's profitability following the commercial production at our Bukit Besi mine in April 2018.

During FY2019, our Group continued to invest an aggregate sum of US\$6.4 million into mining properties and plant and equipment at our Bukit Besi mine as compared to US\$10.8 million during FY2018.

Net cash generated from financing activities amounted to US\$1.6 million and US\$11.2 million in FY2019 and FY2018 respectively, attributable mainly to cash advance from shareholders of US\$2.2 million in FY2019 and US\$13.0 million in FY2018 to fund our Group's working capital.

As at 28 February 2019, our Group had cash and cash equivalents of US\$2.1 million as compared to US\$40,956 as at 28 February 2018.

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

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.

Save as disclosed above, there were no other 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.

During FY2019, our management has observed that the iron ore concentrate industry has remained buoyant especially towards the 4QFY2019 following disruptions to mining infrastructure at major producing countries. These disruptions have escalated seaborne iron ore prices, achieving new levels especially during the last 6 months. The price escalation is further compounded by the heightened demand for seaborne high grade iron ore concentrate from the Peoples’ Republic of China (“**PRC**”).

Without doubt our Group’s high grade iron ore concentrate has benefitted from the combined effect of favourable prices and heightened demand. Going forward our Group believe the industry will remain buoyant given the continuous healthy demand from our customers both in Malaysia and the PRC. Our Group continues to intensify our effort to optimise our production yield and overall cost efficiencies in anticipation of production volume returning to normalcy at major producing countries and any unfavourable changes to seaborne iron ore prices.

During FY2019, the Group commenced construction of 2 additional ball mills and related machinery at our Bukit Besi processing plant to increase our high grade iron ore concentrate’s steady state processing capacity from 40,000 metric tonnes per month to 50,000 metric tonnes per month. As at the date of this announcement, all construction and installation activities are progressing as scheduled. Production tests and trial runs are expected to commence during May 2019 while commercial production is targeted during

the second quarter of FY2020. Upon commercial production, the Group expects to increase its production and sale quantity.

During FY2019, our Group continues to carry out exploration and evaluation activities at its East, Valley and West Deposits. For details of our Group's updated Mineral Resource estimates, please refer to Section 23 below.

The Group also continued to explore various opportunities to acquire, enter into joint venture and/or provide mining contracting services both in Malaysia and the region during the period under review. However these opportunities remain exploratory at this juncture. Should any of the opportunities crystallises, our Group will inform shareholders at appropriate juncture.

On 19 April 2019, Fortress Mining Sdn Bhd, a wholly-owned subsidiary of the Company, had declared an interim dividend of MYR12.0 million to the Company. In turn, our Directors are pleased to declare a one-tier tax exempt first interim dividend of 0.16 Singapore cents per Share for FY2020, as mentioned in Section 9 of this announcement.

11. Dividend

a) Current financial period reported on

No dividend has been declared or recommended for FY2019. Please refer to Section 9 above.

b) Corresponding period to immediately preceding financial year

No dividend has been declared or recommended for FY2018.

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

Not applicable. No dividend has been declared or recommended for FY2019 and FY2018.

d) Date payable

Not applicable.

e) Book closure date

Not applicable.

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

As mentioned in section 11 of this announcement, no dividend has been recommended for FY2019 as our Restructuring Exercise was not completed as at 28 February 2019 resulting in our Company (as an investment holding entity) not being profitable for FY2019.

Subsequent thereto and with the successful completion of the Restructuring Exercise during the first quarter of 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.

Further details of the book closure date and the payment date of the First Interim Dividend will be announced in due course.

- 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 IPT. Other than the interested person transactions as disclosed on pages 212 to 224 of the Company’s Offer Document dated 19 March 2019, there were no interested person transactions of S\$100,000 and above during FY2019.

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

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

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15. **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	Bauxite (Discontinued operation)	Unallocated	Total
	US\$	US\$	US\$	US\$
<u>FY2019 (Unaudited)</u>				
Revenue				
External customers, Representing total revenue	20,629,121	-	-	20,629,121
Results:				
Interest income	-	-	214	214
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	25,074,095	-	6,388	25,080,483
Segment liabilities	2,649,145	-	16,080,905	18,730,050
<u>FY2018 (Audited)</u>				
Revenue				
External customers, Representing total revenue	-	-	-	-
Results:				
Interest income	-	-	192	192
Depreciation of plant and equipment	(201)	-	(10,062)	(10,263)
Interest expense	-	-	(381,850)	(381,850)
Segment profit	571,591	-	(928,800)	(357,209)
Assets:				
Additions to non-current assets	10,870,790	-	123,880	10,994,670
Segment assets	16,550,962	161,054	415,804	17,127,820
Segment liabilities	1,436,136	-	14,148,579	15,584,715

Geographical Information

The Group's revenue is mainly derived from the People's Republic of China and Malaysia as follows:-

Segment by area	FY2019 US\$'000	FY2018 US\$'000
Malaysia	4,764	-
Peoples' Republic of China	15,865	-
Total	20,629	-

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

During 4QFY2019, our Group commenced selling our high grade iron ore concentrate to a steel mill operating in Malaysia. In line with our production ramp up, our Group will continue to diversify our customer base with a view of optimising our operating efficiencies and overall profitability.

17. A breakdown of sales as follows:

	FY2019 US\$'000	FY2018 US\$'000	Change %
<u>Group</u>			
(a) Sales reported for first half year	6,572.0	-	100
(b) Operating profit/(loss) after tax before deducting minority interests reported for first half year	2,007.5	(545.9)	nm
(c) Sales reported for second half year	14,057.1	-	100
(d) Operating profit after tax before deducting minority interests reported for second half year	2,888.4	134.5	2,047.5

nm – Not meaningful

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

	FY2019 US\$	FY2018 US\$
Ordinary shares (tax exempt 1- tier)		
- Interim	-	-
- Final (Proposed)	-	-
Total Annual Dividend	-	-

No dividends were declared for FY2019 and FY2018.

19. **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	64	Brother in law of our CEO, Chee Yew Fei	Company director cum human resource director of Fortress Mining Sdn Bhd Primarily responsible for the human resource and administration matters.	Not applicable
Yeow Boon Ban	42	Brother in law of our CEO, Chee Yew Fei	Company director cum maintenance manager of Fortress Mining Sdn Bhd Primarily responsible for all mine site repair and maintenance activities.	Not applicable

20. 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
Total	12,500	-	12,500

None of the IPO net proceeds have been utilised as at the date of this announcement. Pending the deployment of the IPO net proceeds, the funds are currently 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.

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

Actual use of funds/cash for 4Q FY2019

Purpose	4QFY 2019	FY2019
	US\$	US\$
Exploration and evaluation activities	141,500	403,006
Cost of sales	1,013,800	7,594,779
Selling and distribution costs	1,224,300	5,356,724
Total	2,379,600	13,354,509

During 4QFY2019, the Group continued to carry out exploration and evaluation activities at its East, Valley and West Deposits to update the Mineral Resource estimates of our Bukit Besi mine and incurred expenditure as tabulated above.

Projection on the use of funds/cash in 1Q FY2020, including material assumptions

Purpose	1QFY2020
	US\$
Exploration and evaluation activities	85,000
Cost of sales	1,350,000
Selling and distribution costs	550,000
Total	<u>1,985,000</u>

Our Group continues to carry out exploration and evaluation activities at its East, Valley and West Deposits during the first quarter of FY2020 (“1QFY2020”). Exploration and evaluation expenses expected to be incurred is as tabulated above.

22. 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.

23. 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.

In April 2018, our Group commenced commercial production of high grade iron ore concentrate at our Bukit Besi mine. In aggregate, our Group has produced and sold 244,975 WMT of high grade iron ore concentrate during FY2019. Our cost of sales during FY2019 was US\$7.6 million. As FY2019 was our Group’s maiden year of commercial production, no projection nor estimates were made previously.

Throughout FY2019, our Group continued to carry out exploration and evaluation activities at our East, Valley and West Deposits at our Bukit Besi mine. Cost incurred for these exploration and evaluation activities are as tabulated in Section 21 above.

Independent consultants, SRK Consulting (Australasia) Pty Ltd (SRK) prepared updated Mineral Resource estimates to include new drilling information and mining depletion as at 28 February 2019.

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).

Bukit Besi Mineral Resource tabulation as at 28 February 2019

Deposit	Category	Mineral type	Gross attributable to ML7/2013		Net attributable to Fortress			Remarks
			Tonnes (Mt)	Grade (Fe%)	Tonnes (Mt)	Grade (Fe%)	Change from previous update (%)	
West	Indicated	Iron	0.34	41.44	0.34	41.44	-10%	None
West	Inferred	Iron	2.42	39.33	2.42	39.33	-6%	None
Valley	Inferred	Iron	2.24	46.33	2.24	46.33	64%	None
East	Inferred	Iron	1.18	41.05	1.18	41.05	5%	None
Total Indicated + Inferred		Iron	6.19	42.31	6.19	42.31	16%	None

Note:

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

The Competent Person (CP) responsible for the preparation and reporting of the Mineral Resource estimates is Leesa Collin who is a full-time employee of SRK Consulting (Australasia) Pty Ltd (SRK). 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.

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

Dato' Sri Ivan Chee Yew Fei
Chief Executive Officer
29 April 2019

*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, for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement. 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 Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the information, 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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