Fortress Minerals Limited

FY2020 Full Year Results Presentation

Singapore

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01 Business Introduction

Company Profile

Malaysia’s Leading High-Grade Iron Ore Concentrate Mine

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

Management team

Talents whom responsible for the stewardship and long-term sustainable success of the Group

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

Significant Milestones

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2016

- ✓ Awarded mining **rights to Bukit Besi Mine**
- ✓ Magnetic survey and metallurgical testing
- ✓ Planning & design of mine infrastructure and processing plant

2017

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

2018

- ✓ Commercial production of high-grade iron ore concentrate in **April 2018**
- ✓ Maiden JORC indicated & inferred resource of 5.41 Mt in **East, Valley** & **West Deposits**, covering an aggregate surface area representing approximately **4.71%** of the total land area of Bukit Besi Mine of 526.2 ha

Significant Milestones (continued)

1st Quarter FY 2020

- ✓ **Listed on the Catalist Board** of SGX-ST in March 2019
- ✓ First iron ore miner listed on SGX, successfully raising S$15.0 million
- ✓ Resource upgraded to 6.19 Mt at **East, Valley & West Deposits.**
- ✓ 1st interim dividend for FY2020 of 0.16 SG cents per share or S$800,000~ 9.2% of FY2020 NPAT

2nd & 3rd Quarter FY 2020

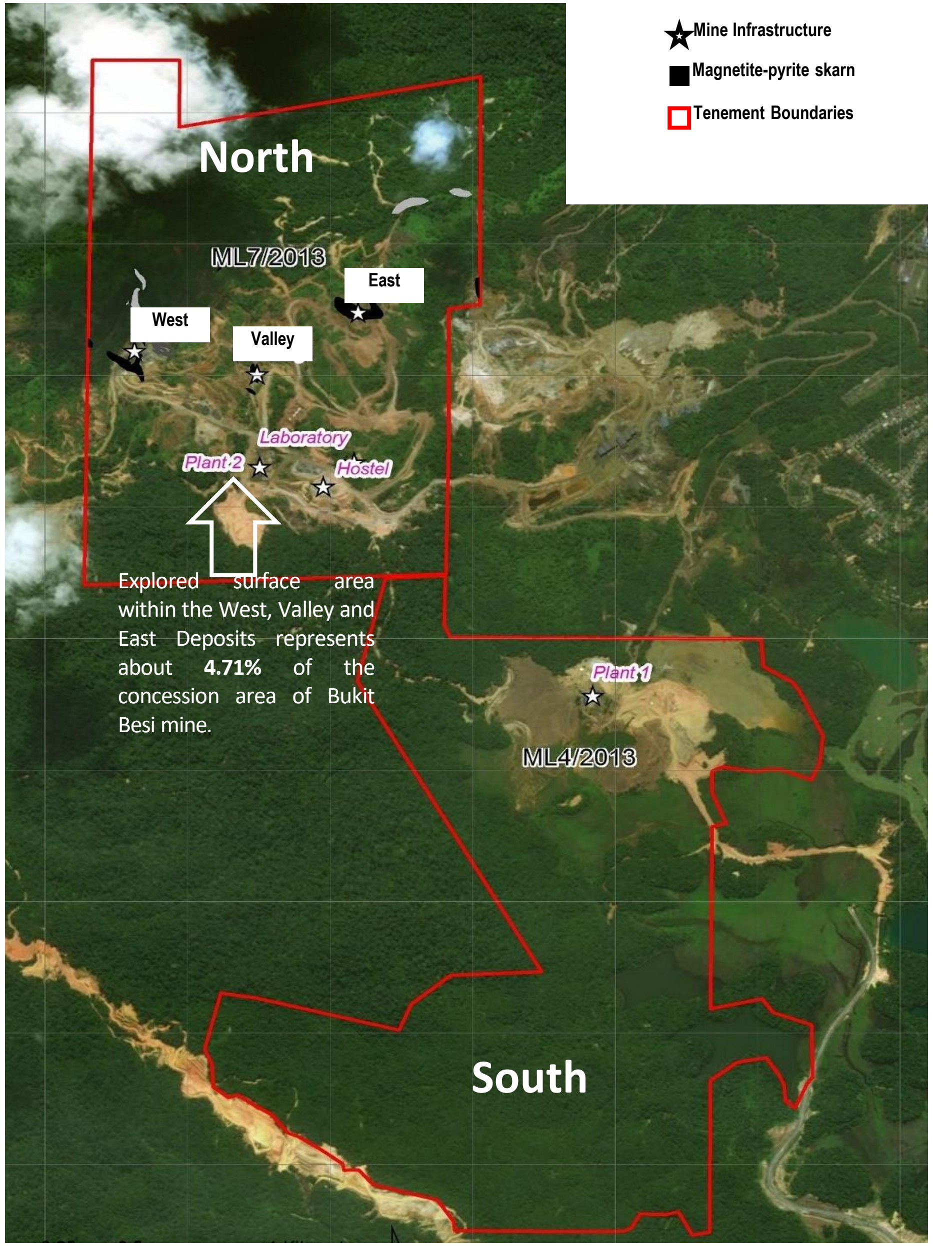
- ✓ Additional ball mills & related machinery to increase steady-state processing capacity from 40,000 WMT to 50,000 WMT/month, successfully commissioned in **Aug 2019**
- ✓ 2nd interim dividend for FY2020 of 0.20 SG cents per share or S$1.0 mil ~11.3% of FY2020 NPAT

4th Quarter FY 2020

- ✓ **Further increase of** Bukit Besi Mine's JORC mineral resource estimates to **7.18 Mt from 6.19 Mt further extending mine life.**
- ✓ Proposed final dividend of FY2020 of 0.16 SG cents per share or S$800,000
- ✓ Total FY2020 dividend pay-out 0.52 SG cents per share ~ 29.3% of FY2020 NPAT

02
Bukit Besi Mine Overview

Bukit Besi Mine- Overview



Location: Terengganu, Malaysia

Total Concession Area: 526.2ha open pit

Nearby Airports: Airports in Kuantan and Kuala Terengganu (approximately 1.5 hours drive); Kemaman Port (approximately 86km)

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

Products: Magnetite high grade iron ore concentrate

Mineral Resource – A closer look

Growing resource base and Overall *Fe* increasing despite yearly depletion

West, Valley and East Deposits are <5% of total concession area (526.2 ha)

*MT denotes million tonnes

RESOURCE SUMMARY:

Deposit Area	Resource Category	7 Aug 2018		28 Feb 2019		29 Feb 2020	
		Net Attributable to the Group					
		Tonnes (Mt)*	Grade (% Fe)	Tonnes (Mt)*	Grade (% Fe)	Tonnes (Mt)*	Grade (% Fe)
West	Indicated	0.37	42.20	0.34	41.44	0.36	40.74
West	Inferred	2.55	39.60	2.42	39.33	2.25	38.99
Valley	Inferred	1.36	46.40	2.24	46.33	3.61	46.67
East	Inferred	1.13	40.70	1.18	41.05	0.96	41.29
Total		5.41	41.70	6.19	42.31	7.18	43.25

Bukit Besi Mine Production Process

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Step 1
Blasting of the identified location


Rock surface after blasting

Step 2
Removal and stockpiling of blasted materials

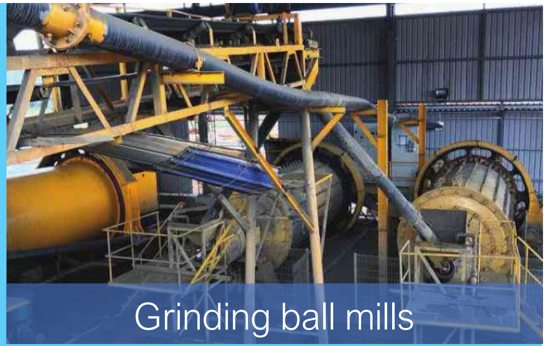
Removal of blasted material


Step 3
Crushing process


The crushing plant

Step 4
Concentrate processing


Magnetic separator


Grinding ball mills


Forth floatation cells


The processing plant


Drying of iron ore concentrate


Iron ore fine/lump stockpile

04 Financial results

A strong performance in FY2020

Solid performance supported by strong underlying profitability

US$ 13.5 million
Underlying Group Adjusted EBITDA*

US$7.8 million
Adjusted Net profit after tax*

US$ 25.9 million
269,615DMT Delivered
Group Revenue/
Sales volume

S$ 2.6 million or
29.3%** of NPAT
Dividends paid to shareholders/
Dividends pay-out ratio**

US$17.3million or **66.7%**
Gross profit
Gross profit margin

34.8%
Return on capital employed
“ROCE” ***

US$ 4.5 million
Capital assets invested

US$ 1.9 million
Spent on exploration and
evaluation

^ DMT denotes *dry metric tonnes*
* Excluding the effect on foreign exchange loss of US$0.4 million and IPO expenses of US$0.9 million
** Including proposed final dividend of S$800,000.
*** Return on Capital Employed (ROCE) is defined as annualised adjusted (* above) profit before tax and interest divided by average capital employed (operating assets before net debt)

Iron
26
Fe
55.845

Financial performance

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Operating metrics

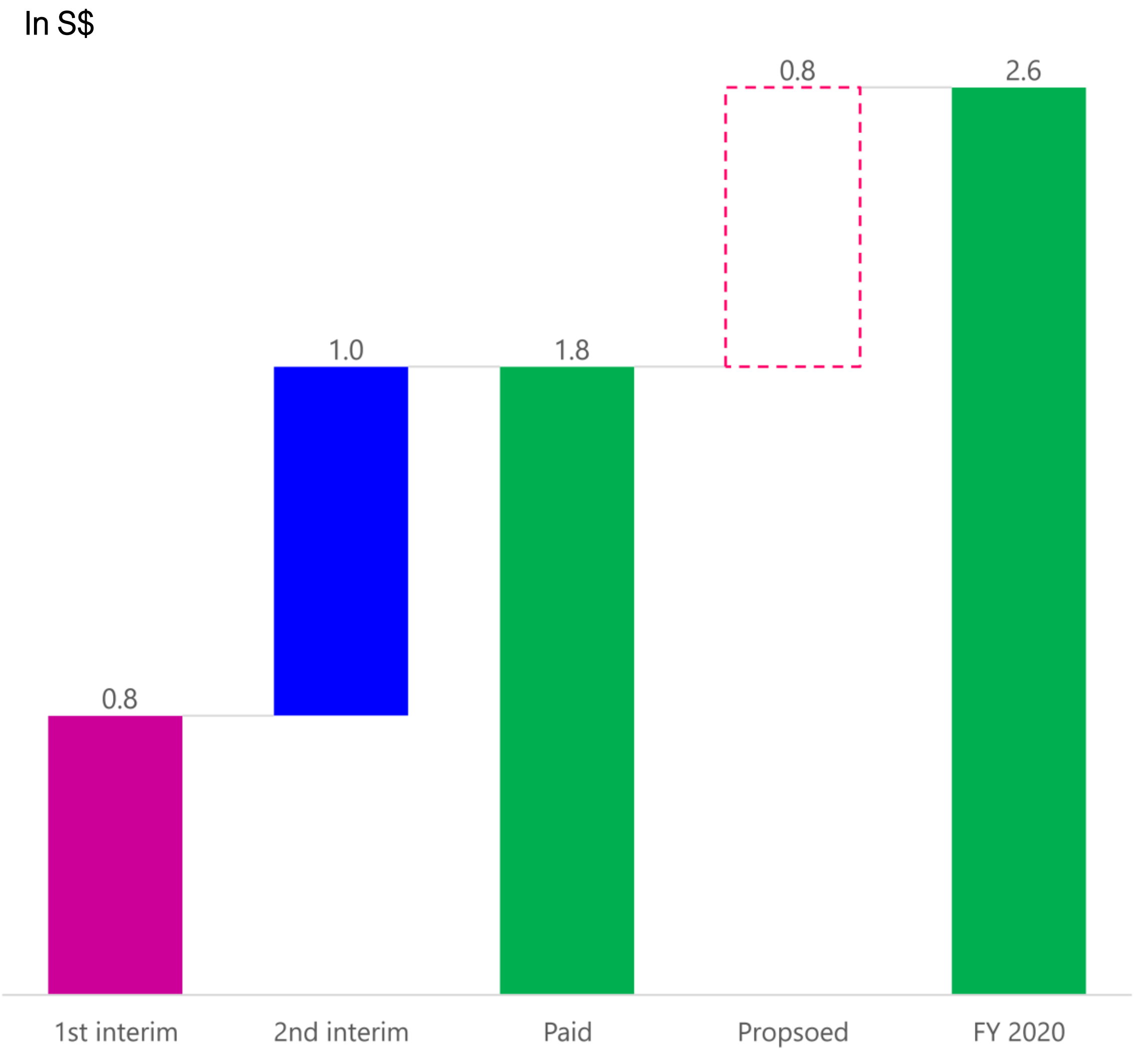
	2020	2019	Change	
Average Platts* 65% price/DMT ** IODEX 65% Fe CFR North China of Platts Daily Iron Ore Assessments price indices*	105.99	90.82	+16.7%	• Platts 65% has been consistently strong throughout FY2020.
Average realised price/DMT	95.93	89.65	+7.0%	• Ave Realised price +7.0% or US$6.28/dmt. Direct contribution to revenue growth.
Sales volume (DMT)	269,615	223,859	+20.4%	• Volume +45,756 DMT from recently expanded processing capacity.
Average unit cost/WMT	28.81	30.99	-7.0%	• Expanded production capacity and cost management strategies improved economies of scale.

Financial metrics

US$'000	2020	2019	Change	
Revenue	25,925	20,629	+ 25.7%	• Increase in sale volume and average selling price (*As discussed above*)
Gross profit	17,280	13,034	+32.6%	• Higher average selling prices realised and the lower average unit cost of sales
Gross profit margin	66.7%	63.2%	+3.5%	
Adjusted EBITDA	13,530[1]	8,987[2]	+50.6%	• Absence of ocean freight and stevedoring charges as product sales in FY2020 were made to domestic steel mills.
Adjusted NPAT	7,784[1]	5,659[2]	+37.5%	
Free operating cash flow	10,243	2,129	+381.0%	• Increase in profit of US$2.7million and net IPO proceed receipt of US$10.5 million

1. Excluding the effects on foreign exchange loss of US$0.4 million and IPO expenses of US$0.9 million for financial year ended 29 February 2020.
2. Excluding the effect on foreign exchange loss of US$8,169 and IPO expenses of US$0.8 million for financial year ended 28 February 2019.

Dividend Distribution for FY2020



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.

Dividends distribution in FY2020

- First interim dividend of S$0.8 million or 0.16 SG cents per share paid in September 2019 .
- Second interim dividend of S$1.0 million or 0.20 SG cents per share paid in November 2019
- Total *paid* out in FY2020 represents 20.5% of NPAT.
- *Proposed final dividend of S$0.8 million or 0.16 SG cents per share* to be approved in forthcoming AGM.
- Total shareholders returns of S$2.6 million in full year FY2020 or 29.30% of NPAT

Statement of Comprehensive Income for the Group

US$'000	FY2020	FY2019	Change (%)
Revenue	25,925	20,629	25.7
Gross profit	17,280	13,034	32.6
Gross profit margin	66.7%	63.2%	3.5
Other operating income	687	2,002	(65.7)
Selling and distribution expenses	(2,081)	(5,357)	(61.2)
Other operating expenses	(4,531)	(1,570)	188.6
Administrative expenses	(1,775)	(1,293)	37.3
Finance costs	(43)	(7)	496.9
Net profit after tax (NPAT)	**6,497**	**4,894**	**32.8**
Adjusted net profit after tax	7,784[1]	5,659[2]	37.5
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	13,530	8,987	50.6
Basic and diluted EPS (US cents)	1.31	1.17	12.0

- Increase in sale volume (*45,756 DMT*) & average SP (*+7.0% / US$6.28/dmt*)
- Higher average selling prices realised and the lower average unit cost of sales (-7% or US$2.18/wmt)
- Lower quantity of semi-processed iron ore sold
- Absence of oversea transportation cost as sales were made solely to domestic steel mills.
- Increase of US$1.5 million in plants maintenance & payroll expense.
- One off listing expenses of US$0.9 million.
- Increase due to lease interest on adoption of SFRS (1) 16 *Leases*.
- Strong margin from higher sales and lower cost coupled with discipline cost control increase underlying earning and EPS.

1. Excluding the effects on foreign exchange loss of US$0.4 million and IPO expenses of US$0.9 million for financial year ended 29 February 2020.
2. Excluding the effect on foreign exchange loss of US$8,169 and IPO expenses of US$0.8 million for financial year ended 28 February 2019.

Statements of Financial Position for the Group

US$'000	29 February 2020	28 February 2019	
ASSETS			
Non-current assets			
Exploration & evaluation asset	2,322	403	• Intensified upon resource estimate increase to 7.18 Mt from 6.19 Mt.
Mining properties	6,344	6,973	• Reduction due to annual amortisation effect,
Plant and equipment	13,498	11,366	• Additional investment to optimise production capacity and efficiency.
Right-of-use assets	530	-	• Lease of machineries and premises upon adoption of SFRS (I) 16.
Current assets			
Inventories	865	439	• Consistent with overall growth in processing volume and revenue.
Trade receivables	3,394	2,098	• Growth in sale to domestic steel mills due to strong demand.
Other receivables, deposits and prepayments	2,141	1,673	• Increase in prepayments to suppliers in line with business expansion activity.
Cash and bank balances	10,243	2,129	• Due to net IPO proceed receipts of US$10.5million and increase in profit.
Equity			
Share capital	22,463	268	• Increase upon shares issuance upon listing on SGX on 27 March 2019.
Other reserves	(3,616)	518	• Merger reserve from Group restructuring and foreign exchange reserve.
Retained earnings	10,728	5,562	• Higher sales, lower unit cost coupled with discipline cost control contribute to positive growth in earnings.

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Statements of Financial Position for the Group

US$'000	29 February 2020	28 February 2019	
Non-current liabilities			
Deferred tax liabilities	1,467	505	• Timing difference on tax benefit claimed on additions of PPE invested.
Amounts due to shareholders	-	15,721	• Reduction due to repayments (US$3.3 million) & reclassify to current liabilities.
Borrowing	35	-	• Related to additions vehicles acquired under borrowing facility.
Lease liabilities	150	-	• Lease of machineries and premises upon adoption of SFRS(I) 16.
Current liabilities			
Borrowing	38	-	
Lease liabilities	394	-	
Trade payables	378	257	• Increase in credit purchases in line with business expansion activity.
Other payables and accruals	2,550	1,960	• Accrual of a director incentive payment and higher royalty accrued in line with higher sales generated.
Amounts due to shareholders	4,496	-	• Due to the effect of reclassification (*As explained above*)
Current tax liabilities	254	288	• Increase in underlying earnings result higher taxable profit chargeable for tax.
NAV per Share[1] (US cents)	5.92	1.27	• Increase in underlying earnings as explained in Income Statement Section.

1. NAV per share is computed based on the NAV of our Group and our Company's post-IPO share capital of 500,000,000 shares

Statement of Cash Flows for the Group

US$'000	29 February 2020	28 February 2019
Net cash flow generated from operating activities	9,188	6,294
Net cash flow used in investing activities	(6,177)	(6,401)
Net cash flow generated from financing activities	5,537	2,190
Net change in cash and cash equivalents	8,548	2,083
Effects of exchange rate changes on cash and cash equivalents	(434)	5
Cash and cash equivalents at beginning of financial year	2,129	41
Cash and cash equivalents at end of financial year	10,243	2,219

- Increase in operating profit of US$12.9 million after adjusted working capital outflows of US$1.6 million.
- US$6.3 million of EEA and PPE invested as part of Group's exploration and development program
- Net IPO receipt of US$10.5 million, debts repayments of US$3.6 million and US$1.3 million dividends paid.
- SGD and MYR denominated cash and banks.

Use of IPO proceeds – Status in FY2020

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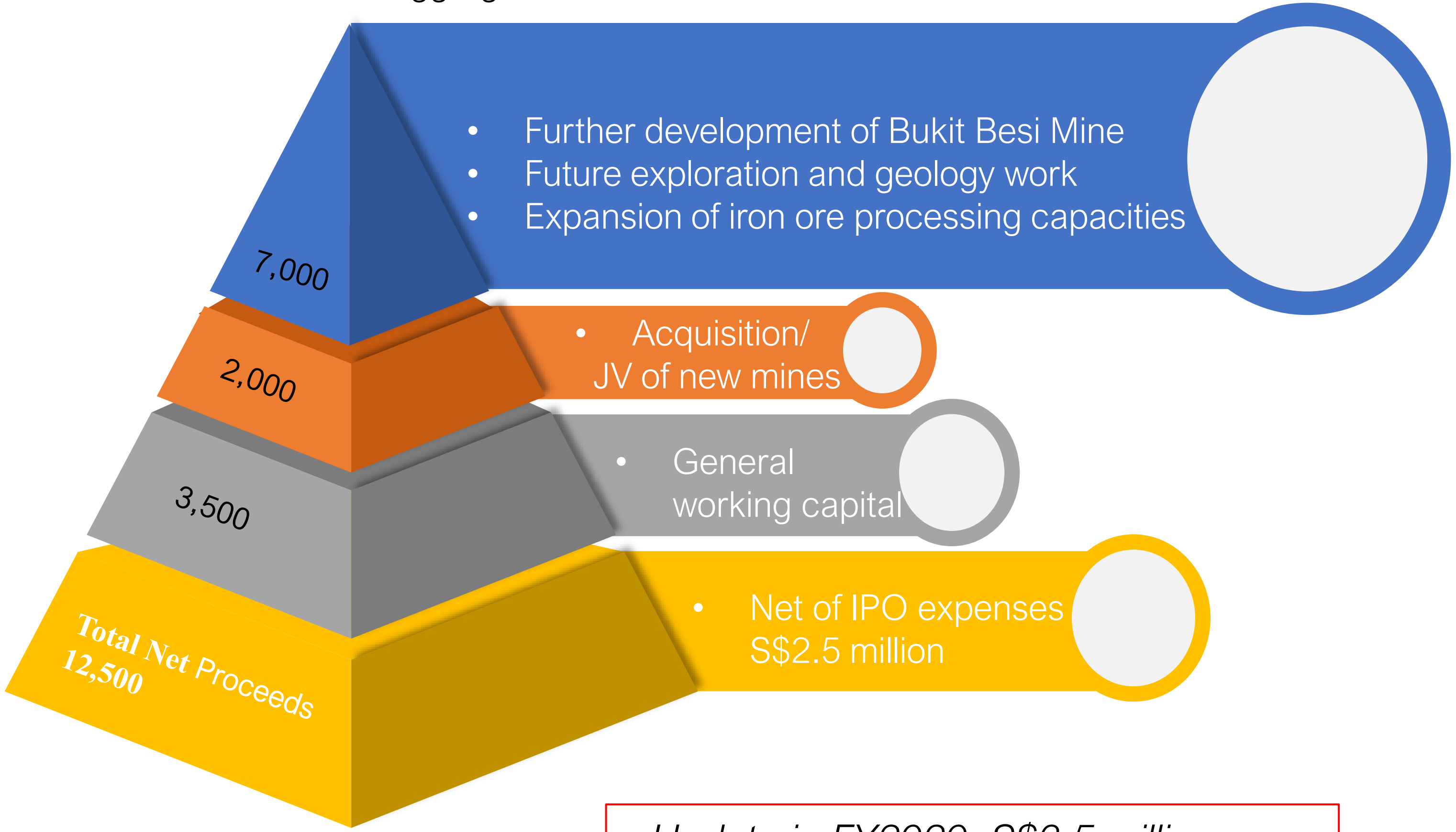
Aggregate amounts in S$'000



Update in FY2020: S$3.5 million was utilised for working capital purposes

01	S$7.0 million
02	S$2.0 million
03	utilised
Total	S$9.0 million

Remaining S$9.0 million **unutilised,** placed in interest bearing **bank deposits** in **Singapore**

04 Industry overview

Iron Ore Demand – Malaysia

- We are the high-grade iron ore producer in Malaysia and enjoy a competitive advantage in this niche and attractive market.
- High-grade iron ore is preferred by steel mills:
  i. High *Fe* content with low gangue (1) reduce the slag (2) volume, decrease the fuel rate and *increase productivity in blast furnace.*
  ii. Decrease carbon dioxide omission and more *environmentally friendly*.
  iii. *Improvement in sintering* (3) productivity.
  iv. *Decrease in steel production cost* and *increase in steel yield* due to lower level of Phosphorus (4) in High *Fe* iron ore.
- The demand for our Group high-grade iron ore by local steel mills customers exceed our production capability as our customer's production capacity could achieve yearly 3.5 Million tonnes.
- Domestic steel mill prefer to buy from regional market:
  i. Just-in-time supply seamless production processes.
  ii. Close distance with suppliers compared to long lead time oversea purchases which is more cost advantage in term of saving oversea transportation and handling
  iii. Opportunity for working capital reduction as upfront payment can be avoided and settlement made after delivery completion.
  iv. Quality control inspection. Opportunity to inspect the product at the stockyard (prior goods acceptance).

Reference
1 Commercially worthless materials that surrounds or impurities
2 Process for impurities separation from raw ore
3 Shaping process to form solid mass of materials with extremely high melting points
4. High level of P could impact the strength of low-alloy steel

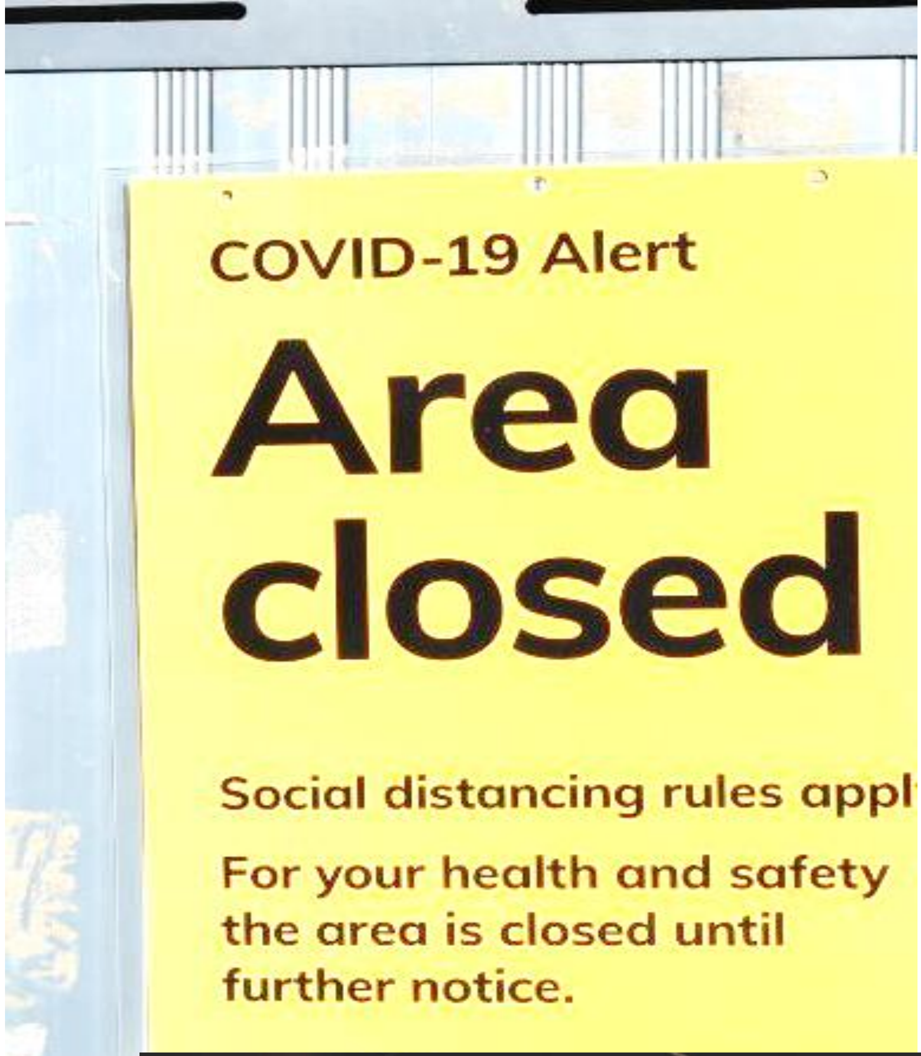
Uncertainty- The Covid-19 Impact to Our Industry

Most businesses are frozen, *presently.*

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.

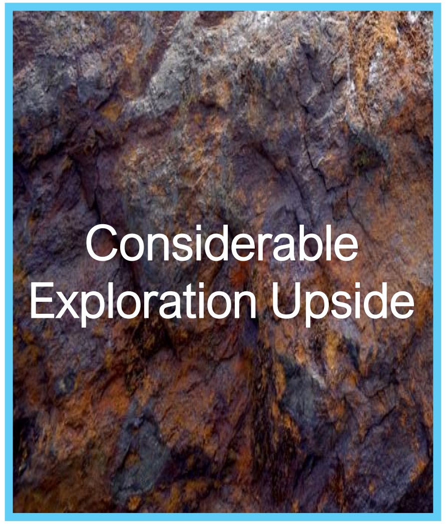


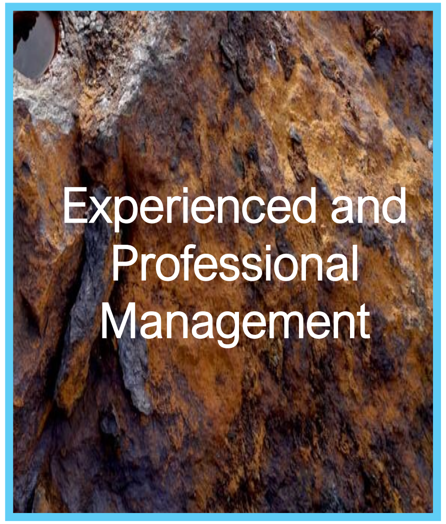
Competitive Advantage

- ✓ Low levels of impurities which would command premium prices against lower grades
- ✓ The *unique* characteristics of our high-grade iron ore (Fe 65% and above) improved steel mills' capacity utilisation and drove up demand of high-grade ores

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

- ✓ Considerable exploration upside potential within Bukit Besi Mine with less than 5% of the surface area explored
- ✓ Long life assets with mining rights granted to the Group valid up till early 2033
- ✓ Steady production and solid processing capacities





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

THANK YOU!

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