



FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Condensed Interim Financial Statements for the Fourth Quarter and Full Year Ended 28 February 2022 (“4Q FY2022” and “FY2022”)

Background

Fortress Minerals Limited (the “**Company**”) and its subsidiary companies (the “**Group**”) is a high-grade iron ore concentrate producer based in Malaysia. The Group is principally in the business of exploration, mining, production and sale of iron ore concentrates. The Group presently produces magnetite high grade iron ore concentrates mined from the East, Valley and West Deposits in its Bukit Besi Mine in Malaysia, and sells its iron ore concentrates primarily to steel mills in Malaysia and trading companies in the People’s Republic of China.

The Company has on 7 April 2021 completed the acquisition of the entire issued and paid-up share capital of Fortress Mengapur Sdn. Bhd. (formerly known as Monument Mengapur Sdn. Bhd.) and its subsidiaries (“**Fortress Mengapur**”). Following the completion of the acquisition, Fortress Mengapur has become a wholly-owned subsidiary of the Company.

Fortress Mengapur comprises the entire tenements held by its subsidiaries, namely Cermat Aman Sdn Bhd (the “**CASB**”) and Star Destiny Sdn Bhd (the “**SDSB**”), which cover approximately 951.68 hectares, save for the free digging oxide magnetite iron materials contained on the topsoil at certain areas of Mining lease no. ML. 8/2011 in respect of the mining land (the “**Third-Party Iron Ore Interests**”).

Fortress Mengapur’s tenements contains iron ore, copper, gold and silver Inferred Mineral Resource. At this juncture, the Group will focus on the magnetite mining potential. Material that contains other minerals, if encountered during mining, will be stockpiled for future processing. In the event that the Group decides to venture into production of minerals other than magnetite, which would result in a significant change in the risk profile of the Group at that time, the Company will seek the separate approval of its Shareholders at an extraordinary general meeting to be convened at such time, prior to commencing such operations.

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 (the “**IPO**”) was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”).

For more information, please visit <https://fortress.sg>

Part I – Condensed Interim Financial Statements for the Fourth Quarter and Full Year ended 28 February 2022 (“4Q FY2022” and “FY2022”)

Condensed interim consolidated statement of profit or loss and other comprehensive income

		Group			Group		
		Three months ended			Twelve months ended		
	Note	28 February 2022 US\$	28 February 2021 US\$	Change %	28 February 2022 US\$	28 February 2021 US\$	Change %
Revenue	3	5,233,806	17,338,896	(69.8)	43,366,218	47,718,246	(9.1)
Cost of sales		(1,939,406)	(3,715,370)	(47.8)	(9,985,320)	(11,251,832)	(11.3)
Gross profit		3,294,400	13,623,526	(75.8)	33,380,898	36,466,414	(8.5)
Interest income		3,102	3,871	(19.9)	12,992	39,047	(66.7)
Other operating income		148,384	72,770	103.9	663,876	85,407	677.3
Selling and distribution expenses		(438,753)	(2,020,372)	(78.3)	(4,798,596)	(4,911,132)	(2.3)
Other operating expenses		(1,255,442)	(3,192,347)	(60.7)	(8,701,482)	(7,273,726)	19.6
Administrative expenses		(907)	(440,187)	(99.8)	(1,114,363)	(986,212)	13.0
Finance costs		(377,314)	(26,829)	1,306.4	(787,993)	(62,033)	1,170.3
Profit before income tax	4	1,373,470	8,020,432	(82.9)	18,655,332	23,357,765	(20.1)
Income tax expense	5	(305,151)	(1,952,986)	(84.4)	(4,274,618)	(5,112,441)	(16.4)
Profit for the financial period		1,068,319	6,067,446	(82.4)	14,380,714	18,245,324	(21.2)
Profit/(Loss) attributable to:							
Owners of the Company		1,073,641	6,075,632	(82.3)	14,392,410	18,253,936	(21.2)
Non-controlling interests		(5,322)	(8,186)	(35.0)	(11,696)	(8,612)	35.8
		1,068,319	6,067,446	(82.4)	14,380,714	18,245,324	(21.2)
Other comprehensive income							
<u>Item that may be reclassified</u>							
<u>subsequently to profit or loss:</u>							
Exchange differences on translating foreign operations		(786,236)	31,252	nm	(1,743,417)	1,162,555	nm
Total comprehensive income for the financial period, net of tax		282,083	6,098,698	(95.4)	12,637,297	19,407,879	(34.9)
Total comprehensive income/(loss) for the financial period attributable to:							
Owners of the Company		287,323	6,107,167	(95.3)	12,648,901	19,416,790	(34.9)
Non-controlling interests		(5,240)	(8,469)	(38.1)	(11,604)	(8,911)	30.2
		282,083	6,098,698	(95.4)	12,637,297	19,407,879	(34.9)
Earnings per share attributable to owners of the Company (cents)							
- Basic and diluted	6	0.21	1.22	(82.8)	2.88	3.65	(21.1)

nm – not meaningful

Condensed interim statements of financial position

	Note	Group		Company	
		28	28	28	28
		February 2022 US\$	February 2021 US\$	February 2022 US\$	February 2021 US\$
ASSETS					
Non-current assets					
Investments in subsidiaries		-	-	43,506,085	12,402,992
Exploration and evaluation assets		3,569,637	3,306,243	-	-
Mining properties	8	41,154,609	6,162,325	-	-
Plant and equipment	9	23,394,351	16,605,126	-	-
Right-of-use assets	10	2,540,359	211,216	-	-
Deferred tax assets		337,581	-	-	-
Goodwill	11	3,267,053	-	-	-
		<u>74,263,590</u>	<u>26,284,910</u>	<u>43,506,085</u>	<u>12,402,992</u>
Current assets					
Inventories		3,104,477	1,029,105	-	-
Trade receivables		1,317,621	11,208,481	-	-
Other receivables, deposits and prepayments		6,388,783	13,519,229	-	9,000,050
Amounts due from subsidiaries		-	-	7,500,000	2,463,813
Current income tax receivables		125,153	20,403	-	-
Cash and bank balances	12	6,911,225	7,800,262	2,609,992	4,590,919
		<u>17,847,259</u>	<u>33,577,480</u>	<u>10,109,992</u>	<u>16,054,782</u>
Total assets		<u>92,110,849</u>	<u>59,862,390</u>	<u>53,616,077</u>	<u>28,457,774</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	13	22,463,273	22,463,273	22,463,273	22,463,273
Other reserves		(4,196,466)	(2,452,957)	-	-
Retained earnings		39,034,497	28,407,131	13,251,741	5,945,417
		<u>57,301,304</u>	<u>48,417,447</u>	<u>35,715,014</u>	<u>28,408,690</u>
Non-controlling interests		(20,504)	(8,905)	-	-
Total equity		<u>57,280,800</u>	<u>48,408,542</u>	<u>35,715,014</u>	<u>28,408,690</u>
Non-current liabilities					
Banks borrowings	16	15,757,516	1,301,895	12,132,942	-
Lease liabilities	16	568,963	35,289	-	-
Contingent consideration	7	626,849	-	626,849	-
Deferred tax liabilities		3,484,378	1,384,724	-	-
		<u>20,437,706</u>	<u>2,721,908</u>	<u>12,759,791</u>	<u>-</u>
Current liabilities					
Banks borrowings	16	6,356,953	652,881	4,947,974	-
Lease liabilities	16	1,918,110	200,422	-	-
Trade payables		985,838	420,167	-	-
Other payables and accruals		4,753,602	5,851,693	161,458	45,836
Amounts due to subsidiaries		-	-	31,806	-
Current income tax payables		377,840	1,606,777	34	3,248
		<u>14,392,343</u>	<u>8,731,940</u>	<u>5,141,272</u>	<u>49,084</u>
Total liabilities		<u>34,830,049</u>	<u>11,453,848</u>	<u>17,901,063</u>	<u>49,084</u>
Total equity and liabilities		<u>92,110,849</u>	<u>59,862,390</u>	<u>53,616,077</u>	<u>28,457,774</u>

Condensed interim statements of changes in equity

<u>Group</u>	<u>Note</u>	----- Attributable to owners of the Company -----						<u>Non-controlling interests</u> US\$	<u>Total equity</u> US\$
		<u>Share capital</u> US\$	<u>Capital reserve</u> US\$	<u>Foreign currency translation reserve</u> US\$	<u>Merger reserve</u> US\$	<u>Retained earnings</u> US\$	<u>Equity attributable to owners of the Company</u> US\$		
Balance at 1 March 2021		22,463,273	383,615	729,404	(3,565,976)	28,407,131	48,417,447	(8,905)	48,408,542
Profit for the financial year		-	-	-	-	14,392,410	14,392,410	(11,696)	14,380,714
<u>Other comprehensive income</u>									
Exchange differences on translating foreign operations		-	-	(1,743,509)	-	-	(1,743,509)	92	(1,743,417)
Other comprehensive (loss)/income for the financial year, net of tax		-	-	(1,743,509)	-	-	(1,743,509)	92	(1,743,417)
Total comprehensive (loss)/income for the financial year		-	-	(1,743,509)	-	14,392,410	12,648,901	(11,604)	12,637,297
<u>Transactions with owners</u>									
Issuance of shares to non-controlling interests of a subsidiary		-	-	-	-	-	-	5	5
FY2021 Interim dividend paid	14	-	-	-	-	(3,765,044)	(3,765,044)	-	(3,765,044)
Total transactions with owners		-	-	-	-	(3,765,044)	(3,765,044)	5	(3,765,039)
Balance at 28 February 2022		22,463,273	383,615	(1,014,105)	(3,565,976)	39,034,497	57,301,304	(20,504)	57,280,800

Condensed interim statements of changes in equity (continued)

<u>Group</u>	Note	----- Attributable to owners of the Company -----							Total equity US\$
		Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Merger reserve US\$	Retained earnings US\$	Equity attributable to owners of the Company US\$	Non-controlling interests US\$	
Balance at 1 March 2020		22,463,273	383,615	(433,450)	(3,565,976)	10,728,012	29,575,474	-	29,575,474
Profit for the financial year		-	-	-	-	18,253,936	18,253,936	(8,612)	18,245,324
<u>Other comprehensive income</u>									
Exchange differences on translating foreign operations		-	-	1,162,854	-	-	1,162,854	(299)	1,162,555
Other comprehensive income/(loss) for the financial year, net of tax		-	-	1,162,854	-	-	1,162,854	(299)	1,162,555
Total comprehensive income for the financial year		-	-	1,162,854	-	18,253,936	19,416,790	(8,911)	19,407,879
<u>Transactions with owners</u>									
Issuance of shares to non-controlling interest of a subsidiary		-	-	-	-	-	-	6	6
FY2020 Final dividend paid	14	-	-	-	-	(574,817)	(574,817)	-	(574,817)
Total transactions with owners		-	-	-	-	(574,817)	(574,817)	6	(574,811)
Balance at 28 February 2021		<u>22,463,273</u>	<u>383,615</u>	<u>729,404</u>	<u>(3,565,976)</u>	<u>28,407,131</u>	<u>48,417,447</u>	<u>(8,905)</u>	<u>48,408,542</u>

Condensed interim statements of changes in equity (continued)

<u>Company</u>	Notes	Share capital US\$	Retained earnings US\$	Total equity US\$
Balance at 1 March 2021		22,463,273	5,945,417	28,408,690
Profit for the financial year representing total comprehensive income for the financial year		-	11,071,368	11,071,368
Distribution to owners				
Dividend paid	14	-	(3,765,044)	(3,765,044)
Total transaction with owners		-	(3,765,044)	(3,765,044)
Balance at 28 February 2022		22,463,273	13,251,741	35,715,014

<u>Company</u>	Notes	Share capital US\$	Retained earnings US\$	Total equity US\$
Balance at 1 March 2020		22,463,273	1,034,422	23,497,695
Profit for the financial year representing total comprehensive income for the financial year		-	5,485,812	5,485,812
Distribution to owners				
FY2020 Final dividend paid	14	-	(574,817)	(574,817)
Total transaction with owners		-	(574,817)	(574,817)
Balance at 28 February 2021		22,463,273	5,945,417	28,408,690

Condensed interim consolidated statements of cash flows

	Note	Group	
		Twelve months ended	
		28 February 2022 US\$	28 February 2021 US\$
Operating activities			
Profit before income tax		18,655,332	23,357,765
Adjustments for:			
Amortisation of mining properties		549,730	432,318
Depreciation of plant and equipment		3,118,608	2,364,949
Depreciation of right-of-use assets		1,437,346	342,595
Interest expenses		787,993	62,033
Interest income		(12,992)	(39,047)
Impairment losses on trade receivables		11,938	-
Gain on disposal of plant and equipment		(34,318)	(29,537)
Modification of lease contracts		5,949	(149)
Unrealised foreign exchange (gain)/ loss		(365,851)	398,584
Operating cash flow before working capital changes		24,153,735	26,889,511
Working capital changes:			
Inventories		(2,112,313)	(58,035)
Trade and other receivables		7,736,450	(10,136,277)
Trade and other payables		(523,631)	3,183,346
Cash generated from operations		29,254,241	19,878,545
Income tax paid		(5,920,422)	(4,093,879)
Income tax refunded		-	586
Net cash flow generated from operating activities		23,333,819	15,785,252
Investing activities			
Additions of exploration and evaluation assets		(382,078)	(717,012)
Additions of mining properties		(7,182,561)	-
Additions of plant and equipment		(8,336,145)	(3,151,035)
Purchase consideration for acquisition of subsidiaries		(21,000,000)	(9,000,000)
Proceeds from disposal of plant and equipment		131,614	130,985
Interest received		12,992	39,047
Net cash flow used in investing activities		(36,756,178)	(12,698,015)
Financing activities			
Interest paid		(787,993)	(62,033)
Repayments to shareholders		-	(4,691,694)
Increase in short-term deposit pledged		(2,000,796)	-
Proceed from bank borrowing		23,300,000	-
Repayments of banks borrowings		(4,863,776)	(51,825)
Repayments of lease liabilities		(1,507,076)	(525,372)
Issuance of new ordinary shares to non-controlling interests		5	6
Dividends paid		(3,765,044)	(574,817)
Net cash flow generated from/(used in) financing activities		10,375,320	(5,905,735)
Net change in cash and cash equivalents		(3,047,039)	(2,818,498)
Effects of exchange rate changes on cash and cash equivalents		157,206	376,253
Cash and cash equivalents at beginning of financial year		7,800,262	10,242,507
Cash and cash equivalents at end of financial year	12	4,910,429	7,800,262

Notes to the condensed interim consolidated financial statements

1. Corporate information

Fortress Minerals Limited (the “Company”) is incorporated and domiciled in Singapore and whose shares are publicly listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

These condensed interim financial statements as at and for the three months and twelve months ended 28 February 2022 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are:

- (a) acquisition of mines, mining rights, metalliferous land, quarries and trading in minerals;
- (b) transport of iron ore and minerals;
- (c) contractors for drilling and blasting works, other site preparation activities and mining work; and
- (d) provide support across the Group’s financial accounting, payroll, information technology, purchasing, corporate services and others.

2. Basis of preparation

The condensed interim financial statements for the three months and twelve months ended 28 February 2022 have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore (“ASC”). The condensed interim financial statements do not include all the information and disclosures required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last interim financial statements for the period ended 30 November 2021.

The condensed interim financial statements of the Group have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

The condensed interim financial statements have been prepared on a going concern basis, since the directors have verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the Group’s ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period.

The condensed interim financial statements are presented in United States dollar (“US\$”), which is the Group’s functional currency.

2.1 New and amended standards adopted by the Group

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards (“SFRS”) and Interpretations of Financial Reporting Standards (“INT FRS”) that are mandatory for the accounting periods beginning on or after 1 March 2021. The adoptions of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group for the current financial period reported on.

2. Basis of preparation (continued)

2.2 Use of judgements and estimates

The preparation of the Group's condensed interim financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 28 February 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- *Acquisition of subsidiaries*

The fair value of the consideration transferred (including contingent consideration) and the fair value of the assets and liabilities acquired as at acquisition date.

- *Impairment of exploration and evaluation assets, plant and equipment, mining properties and right-of-use assets*

The Group assesses these assets at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is determined as the higher of fair value less costs to sell and value in use. In determining if there are indicators of impairment of these assets, judgement is used to consider if there are external and internal sources of information that indicates these assets may be impaired. The Group has determined that there are no indications of impairment on exploration and evaluation assets, plant and equipment, mining properties and right-of-use assets, taking into consideration the remaining estimated mining resource, production costs, iron ore prices and continuation of the production activities. The carrying amount of exploration and evaluation assets, plant and equipment, mining properties and right-of-use assets as at 28 February 2022 were US\$3,569,637 (28 February 2021: US\$3,306,243), US\$14,315,020 (28 February 2021: US\$16,605,126), US\$5,472,822 (28 February 2021: US\$6,162,325) and US\$2,057,795 (28 February 2021: US\$211,216) respectively.

(the remainder of this page is intentionally left blank)

3. Segment and revenue information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (“CODM”). Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The Group has one (1) reportable segment being iron ore. The Group’s reportable segment is as follows:

- (i) Iron ore – exploration, mining, drilling and blasting works, production and sales of iron ore; and
- (ii) Others – Group’s remaining minor trading, investment holding activities and provision of support services across the Group, which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

3.1 Reportable segments

	Iron ore	Others	Group
FY2022	US\$	US\$	US\$
Revenue			
External customers, representing total revenue	43,366,218	-	43,366,218
Results:			
Interest income	12,156	836	12,992
Gain on disposal of plant and equipment	34,318	-	34,318
Amortisation of mining properties	(549,730)	-	(549,730)
Depreciation of right-of-use assets	(1,437,346)	-	(1,437,346)
Depreciation of plant and equipment	(3,118,608)	-	(3,118,608)
Interest expense	(787,993)	-	(787,993)
Segment profit/(loss)	19,448,106	(792,774)	18,655,332
Assets:			
Additions to non-current assets	54,784,492	-	54,784,492
Segment assets	91,501,653	609,196	92,110,849
Segment liabilities	(34,668,557)	(161,492)	(34,830,049)
FY2021			
Revenue			
External customers, representing total revenue	47,718,246	-	47,718,246
Results:			
Interest income	23,365	15,682	39,047
Gain on disposal of plant and equipment	29,537	-	29,537
Amortisation of mining properties	(432,318)	-	(432,318)
Depreciation of right-of-use assets	(342,595)	-	(342,595)
Depreciation of plant and equipment	(2,364,949)	-	(2,364,949)
Interest expense	(62,033)	-	(62,033)
Segment profit/(loss)	23,867,397	(509,632)	23,357,765
Assets:			
Additions to non-current assets	6,262,091	-	6,262,091
Segment assets	54,336,991	5,525,399	59,862,390
Segment liabilities	(11,402,492)	(51,356)	(11,453,848)

3. Segment and revenue information (continued)

3.1 Reportable segments (continued)

4Q FY2022	Iron ore US\$	Others US\$	Group US\$
Revenue			
External customers, representing total revenue	5,233,806	-	5,233,806
Results:			
Interest income	2,852	250	3,102
Loss on disposal of plant and equipment	(58,822)	-	(58,822)
Amortisation of mining properties	(128,217)	-	(128,217)
Depreciation of right-of-use assets	(830,503)	20,439	(810,064)
Depreciation of plant and equipment	(942,604)	5,168	(937,436)
Interest expense	(659,951)	282,637	(377,314)
Segment profit/(loss)	(1,205,264)	2,578,734	1,373,470
Assets:			
Additions to non-current assets	21,443,794	(49,945)	21,393,849
Segment assets	91,501,653	609,196	92,110,849
Segment liabilities	(34,668,557)	(161,492)	(34,830,049)
4Q FY2021	Iron ore US\$	Others US\$	Group US\$
Revenue			
External customers, representing total revenue	17,338,896	-	17,338,896
Results:			
Interest income	3,680	191	3,871
Gain on disposal of plant and equipment	334	-	334
Amortisation of mining properties	(126,532)	-	(126,532)
Depreciation of right-of-use assets	(77,398)	-	(77,398)
Depreciation of plant and equipment	(707,816)	-	(707,816)
Interest expense	(26,829)	-	(26,829)
Segment profit/(loss)	8,429,772	(409,340)	8,020,432
Assets:			
Additions to non-current assets	3,952,703	-	3,952,703
Segment assets	54,336,991	5,525,399	59,862,390
Segment liabilities	(11,402,492)	(51,356)	(11,453,848)

(the remainder of this page is intentionally left blank)

3. Segment and revenue information (continued)

3.2 Disaggregation of revenue

Group	Three months ended		Twelve months ended	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
Geographical information:				
Malaysia	5,233,806	15,608,781	39,740,877	39,896,749
People's Republic of China	-	1,730,115	3,625,341	2,700,486
Vietnam	-	-	-	5,121,011
	<u>5,233,806</u>	<u>17,338,896</u>	<u>43,366,218</u>	<u>47,718,246</u>
Timing of revenue recognition:				
At a point in time	<u>5,233,806</u>	<u>17,338,896</u>	<u>43,366,218</u>	<u>47,718,246</u>

Seasonality of operations

The Group's business is not affected significantly by seasonal or cyclical factors during the financial period.

3.3 A breakdown of sales as follows:

<u>Group</u>	FY2022	FY2021	Change
	US\$	US\$	%
(a) Sales reported for first half year	27,267,929	20,075,788	35.8
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	10,481,079	7,839,814	33.7
(c) Sales reported for second half year	16,098,289	27,642,458	(41.8)
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	3,899,635	10,405,510	(62.5)

(the remainder of this page is intentionally left blank)

4. Profit before income tax

4.1 Significant items

Group	Three months ended		Twelve months ended	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
Income				
Foreign exchange gain, net	-	54,085	-	-
(Loss)/Gain on disposal of plant and equipment, net	(58,822)	334	34,318	29,537
Expenses				
Amortisation of mining properties	128,217	126,532	549,730	432,318
Depreciation charge of:				
- plant and equipment	937,436	707,816	3,118,608	2,364,949
- right-of-use assets	810,064	77,398	1,437,346	342,595
Foreign exchange loss, net	112,996	-	69,525	193,188
Interest expenses on:				
- borrowings	355,731	21,045	723,711	29,472
- lease liabilities	21,582	5,784	64,282	32,561
Commission expense	273,040	413,027	717,813	785,201
Handling and transportation	(37,647)	521,946	812,798	1,134,987
Ocean freight	-	471,064	1,616,360	1,097,732
Royalty expense	184,516	563,891	1,505,015	1,725,568
Upkeep of machinery	203,409	431,382	1,659,864	1,395,409
Upkeep of motor vehicles	180,690	212,952	849,029	845,533

4.2 Related party transactions

Material transactions with related parties are as follows:

Group	Three months ended		Twelve months ended	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
Transactions with entities of common major shareholder of the Company				
Lease payments to:				
-Webcon Sdn Bhd	-	5,037	2,879	17,779
-Webcon Venture Sdn Bhd	10,009	-	33,593	-

Key management personnel remuneration

Key management personnel are directors of the Company and subsidiaries and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly, or indirectly. The details of their remunerations are as follows:

Group	Three months ended		Twelve months ended	
	28	28	28	28
	February	February	February	February
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
Directors' fees	109,380	49,504	441,066	183,378
Salaries and other emoluments	627,717	1,832,003	2,447,654	2,418,752
Contributions to defined contribution plans	75,528	42,318	131,017	81,298
Social security contributions	110	284	418	480
	<u>812,735</u>	<u>1,924,109</u>	<u>3,020,155</u>	<u>2,683,908</u>

5. Income tax expense

The Group calculates the period's income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

Group	Three months ended		Twelve months ended	
	28	28	28	28
	February	February	February	February
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
Current income tax expense	618,292	1,820,098	4,665,642	5,253,637
Deferred tax relating to reversal of temporary differences	(313,141)	132,888	(391,024)	(141,196)
Income tax expense recognised in profit or loss	<u>305,151</u>	<u>1,952,986</u>	<u>4,274,618</u>	<u>5,112,441</u>

(the remainder of this page is intentionally left blank)

6. Earnings per ordinary share (“EPS”)

Group	Three months ended		Twelve months ended	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
Net profit attributable to owners of the Company (US\$)	1,073,641	6,075,632	14,392,410	18,253,936
Weighted average number of ordinary shares	500,000,000	500,000,000	500,000,000	500,000,000
Basic and diluted EPS (US cents)	0.21	1.22	2.88	3.65

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

7. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and of the Company as at 28 February 2022 and 28 February 2021:

	Group		Company	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
Financial assets carried at amortised cost				
Trade receivables	1,317,621	11,208,481	-	-
Other receivables and deposits (excluding prepayments)	2,606,629	10,346,797	-	9,000,050
Amounts due from subsidiaries	-	-	7,500,000	2,463,813
Cash and bank balances	6,911,225	7,800,262	2,609,992	4,590,919
Total financial assets	10,835,475	29,355,540	10,109,992	16,054,782
Presented as				
Current assets	10,835,475	29,355,540	10,109,992	16,054,782

(the remainder of this page is intentionally left blank)

	Group		Company	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
Financial liabilities carried at amortised cost				
Banks borrowings	22,114,469	1,954,776	17,080,916	-
Lease liabilities	2,487,073	235,711	-	-
Trade payables	985,838	420,167	-	-
Other payables and accruals	4,753,602	5,851,693	161,458	45,836
Amounts due to subsidiaries	-	-	31,806	-
	<u>30,340,982</u>	<u>8,462,347</u>	<u>17,274,180</u>	<u>45,836</u>
Financial liabilities carried at fair value				
Contingent consideration*	626,849	-	626,849	-
	<u>30,967,831</u>	<u>8,462,347</u>	<u>17,901,029</u>	<u>45,836</u>
Total financial liabilities				
	<u>30,967,831</u>	<u>8,462,347</u>	<u>17,901,029</u>	<u>45,836</u>
Presented as				
Current liabilities	14,014,503	7,125,163	5,141,238	45,836
Non-current liabilities	16,953,328	1,337,184	12,759,791	-

* The Company had finalised the purchase price allocation report for the acquisition of Fortress Mengapur. Accordingly, the fair value of the contingent consideration had been recognised in the condensed interim financial statements which were approved for issue by the Board of Directors. Subsequent changes in fair value of contingent consideration will be recognised in profit or loss.

Contingent consideration

As part of the acquisition of the entire issued and paid-up share capital in Fortress Mengapur with Monument Mining Limited (the "Vendor"), the Company had also on the same date entered into a royalty agreement with the Vendor for the payment of royalties by the Company at the rate of 1.25% of gross revenue on all mineral products produced in forms ready for sale from the area within the boundaries of the entire tenements held by the subsidiaries namely CASB and SDSB, save for Third-Party Iron Ore Interests. This portion of the consideration was determined to be contingent, as it is based on the performance of the subsidiaries acquired.

As at 28 February 2022, the condition of the acquired subsidiaries showed that it is highly probable that the performance indicator would be achieved due to continuous development of mining activities. Hence, the fair value of the contingent consideration determined at 28 February 2022 reflected this development.

The fair value is determined using the discounted cash flow (DCF) method.

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following presented the financial liability measured at fair value.

	Fair value measurement using			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
28 February 2022				
Group and Company				
Contingent consideration	-	-	626,849	626,849

There were no financial assets and financial liabilities measured at fair value for the financial year ended 28 February 2021.

8. Mining properties

During the financial year ended 28 February 2022, the Group incurred additions of mining properties expenditures amounting to US\$7.2 million (28 February 2021: Nil), excluding mining properties acquired through a business combination (Note 11).

9. Plant and equipment

Acquisitions and disposals

During the financial year ended 28 February 2022, the Group acquired plant and equipment with cost of US\$10.1 million (28 February 2021: US\$5.1 million), excluding plant and equipment acquired through a business combination (Note 11) and capitalisation of depreciation charge of right-of use assets and motor vehicles of US\$0.2 million (28 February 2021: Nil).

Plant and equipment with net book value of US\$97,296 (28 February 2021: US\$100,950) were disposed by the Group during the financial year ended 28 February 2022, resulting in a net gain on disposal of US\$34,318 (28 February 2021: US\$29,537).

10. Right-of-use assets

The Group leases office space, hostels, storage space and motor vehicles in Malaysia with only fixed payment over the lease terms. During the financial year ended 28 February 2022, the Group recognised addition of right-of-use assets for motor vehicles and premises amounting to US\$4.0 million (28 February 2021: US\$0.3 million).

The Group renegotiated and modified existing lease contracts for a few motor vehicles during the financial year ended 28 February 2022 which were accounted for as a lease modification with decrease to the right-of-use assets and lease liabilities of US\$233,248 (28 February 2021: US\$66,402) and US\$227,299 (28 February 2021: US\$66,551) respectively, resulting in loss on modification of lease contracts of US\$5,949 in the current financial year and gain on modification of lease contracts of US\$149 in the prior financial year.

11. Business Combination: Goodwill

Acquisition of Fortress Mengapur

On 7 April 2021, the Group completed the acquisition of the entire issued and paid-up share capital of Fortress Mengapur, a group of companies incorporated and domiciled in Malaysia, holding tenements that contain iron ore, copper, gold and silver Inferred Mineral Resources.

During the financial year, the Group completed the purchase price allocation (“PPA”) arising from the acquisition of Fortress Mengapur and recognised final goodwill of US\$3,267,053.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Fortress Mengapur for approximately an eleven months period from the acquisition date.

The fair values of the identifiable assets and liabilities of Fortress Mengapur as at the date of acquisition were:

	Group US\$
Purchase consideration	
Cash paid	30,000,000
Contingent consideration (Note 7)	626,849
	<u>30,626,849</u>
Assets/(Liabilities)	
Plant and equipment	500,000
Mining properties	28,995,430
Other receivable and deposit	64,098
Deferred tax liabilities	(2,199,732)
	<u>27,359,796</u>
Goodwill arising on acquisition	<u><u>3,267,053</u></u>

Analysis of cash flows on acquisition

Investments in subsidiaries	30,626,849
Cash deposit paid in previous financial year	(9,000,000)
Contingent consideration	<u>(626,849)</u>
Net cash outflow of the Group on acquisition during the year	<u>(21,000,000)</u>

From the date of acquisition up to 28 February 2022, Fortress Mengapur has incurred a net loss before tax of US\$312,522 to the Group. There is no effect to the Group's consolidated revenue and consolidated profit for the financial year ended 28 February 2022 had Fortress Mengapur been acquired from 1 March 2021 as Fortress Mengapur is dormant from 1 March 2021 to the date of acquisition.

The goodwill recognised is primarily attributed to the ability of the Group to sustain and grow our business by increasing resources through new discoveries and the ability to capture unique synergies that can be realised from managing a portfolio of both acquired and existing mines in our business units.

The goodwill is not deductible for income tax purposes.

Transaction costs, comprising legal fees and due diligence costs of US\$36,220 (financial year ended 28 February 2021: US\$205,236) have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

12. Cash and bank balances

	Group		Company	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
Cash at banks	4,849,793	7,513,902	609,196	4,590,919
Cash on hand	60,636	21,473	-	-
Short term deposits	2,000,796	264,887	2,000,796	-
	<u>6,911,225</u>	<u>7,800,262</u>	<u>2,609,992</u>	<u>4,590,919</u>

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the followings:

	Group	
	28 February 2022 US\$	28 February 2021 US\$
Cash and bank balances as above	6,911,225	7,800,262
Less: Short term deposit pledged	<u>(2,000,796)</u>	<u>-</u>
Cash and cash equivalents per consolidated statement of cash flows	<u>4,910,429</u>	<u>7,800,262</u>

13. Share capital

	Group and Company			
	As at		As at	
	28 February 2022		28 February 2021	
	Number of shares	Amount US\$	Number of shares	Amount US\$
Total number of issued shares excluding treasury shares	500,000,000	22,463,273	500,000,000	22,463,273

The Company did not have any treasury shares as at 28 February 2022. There were no subsidiary holdings during and as at the end of the current financial period reported on.

14. Dividends

	Group and Company	
	28 February 2022	28 February 2021
	US\$	US\$
Ordinary dividends paid:		
In respect of financial year ended 28 February 2021		
- interim one-tier tax exempt dividend of 1.00 Singapore cents (equivalent to 0.75 US cents) per ordinary share	3,765,044	-
In respect of financial year ended 29 February 2020		
- final one-tier tax exempt dividend of 0.16 Singapore cents (equivalent to 0.11 US cents) per ordinary share	-	574,817
	<u>3,765,044</u>	<u>574,817</u>

15. Net Asset Value

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
Net asset value ("NAV") (US\$)	57,301,304	48,417,447	35,715,014	28,408,690
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)	<u>11.46</u>	<u>9.68</u>	<u>7.14</u>	<u>5.68</u>

16. Borrowings and lease liabilities

	Group		Company	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
<u>Repayable within one year or on demand</u>				
Secured				
- Bank borrowings	6,356,953	652,881	4,947,974	-
Unsecured				
- Leases liabilities	1,918,110	200,422	-	-
	<u>8,275,063</u>	<u>853,303</u>	<u>4,947,974</u>	<u>-</u>

	Group		Company	
	28 February 2022 US\$	28 February 2021 US\$	28 February 2022 US\$	28 February 2021 US\$
<u>Repayable after one year</u>				
Secured				
- Bank borrowings	15,757,516	1,301,895	12,132,942	-
Unsecured				
- Leases liabilities	568,963	35,289	-	-
	<u>16,326,479</u>	<u>1,337,184</u>	<u>12,132,942</u>	<u>-</u>

The Group's secured borrowings as at 28 February 2022 comprised:

- (i) bank borrowings which were used to finance the purchase of certain plant and equipment and are secured over certain of the Group's motor vehicles and machinery with carrying amounts amounted to US\$2.0 million (28 February 2021: US\$2.5 million); and
- (ii) bank borrowings which were used to finance part of the acquisition of Fortress Mengapur and charge over all new monies securities comprising assignments of proceeds from certain subsidiaries for all monies payable under the borrowing facility and a short term deposit pledged (Note 12).

(the remainder of this page is intentionally left blank)

17. Capital commitments

As at the end of reporting period, commitments in respect of capital expenditures are as follows:

	Group	
	28 February 2022 US\$	28 February 2021 US\$
Capital expenditures contracted but not provided for - Plant and equipment	186,886	574,817

18. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

(the remainder of this page is intentionally left blank)

Part II – Other information required by Appendix 7C of the Catalist Rules

1. Review

The condensed interim statements of financial position of Fortress Minerals Limited and its subsidiaries as at 28 February 2022 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for fourth quarter and financial year then ended and the selected explanatory notes (the “Condensed Interim financial Statements”) have not been audited or reviewed by the Company’s auditors.

The Group’s latest audited financial statements for the financial year ended 28 February 2021 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2. 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

Condensed interim consolidated statement of profit or loss and other comprehensive income

Revenue

Below is a summary of the iron ore sales performance of the Group for the financial year ended 28 February 2022 (“FY2022”) and the comparative financial year ended 28 February 2021 (“FY2021”).

	FY2022	FY2021	Increase/ (Decrease) (%)
Sold (DMT*)	357,446	452,756	(21.1)
Revenue realised ⁽¹⁾ (US\$)	43,339,893	47,734,053	(9.2)
Average realised selling price (US\$/DMT)	121.27	105.43	15.0

* DMT denotes Dry Metric Tonnes

⁽¹⁾ Excluding effect of foreign exchange.

The Group recorded revenue of US\$43.3 million in FY2022, being 9.2% or US\$4.4 million lower than FY2021 due to lower volume sold as the Group was focused on overburden stripping and heavy maintenance work during machineries’ downtime at its Bukit Besi mine, and establishing operations at the CASB mine to prepare for commencement of operations in 1Q FY2023.

The decrease was partially cushioned by a higher average realised selling price of US\$121.27/DMT recorded in FY2022, an increase of 15.0% or US\$15.84/DMT due to the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices strengthening in FY2022 as compared to FY2021.

Cost of sales

	FY2022	FY2021	Increase/ (Decrease) (%)
Sold (WMT*)	392,230	497,369	(21.1)
Cost of sales (US\$)	9,985,320	11,251,832	(11.3)
Average unit cost of sales (US\$/WMT)	25.46	22.62	12.6

* WMT denotes Wet Metric Tonnes

The Group's cost of sales curtailed by 11.3% to US\$10.0 million in FY2022 which is in tandem with the lower sales volume. The Group's average unit cost of sales increased by 12.6% or US\$2.84/WMT to US\$25.46/WMT in FY2022, which was attributable to the greater reduction in production volume of 105,139WMT or 21.1% as compared to the decrease in cost of sales of US\$1.3 million or 11.3%.

Gross profit and gross profit margin

Gross profit for FY2022 of US\$33.4 million was US\$3.1 million lower than FY2021 as a result of the abovementioned reasons. In contrast, gross profit margin increased 0.6% to 77.0% in FY2022 mainly attributable to the higher realised selling price in FY2022.

Other operating income

The Group's other operating income increased by US\$0.5 million to US\$0.6 million in FY2022. The increase was mainly driven by an increase in unrealised foreign exchange gain caused by strengthening of exchange rate movement of USD against MYR for USD denominated bank balances held by Malaysian subsidiaries.

Selling and distribution expenses

Selling and distribution expenses decreased by US\$0.1 million to US\$4.8 million in FY2022, primarily due to the lower royalty and commission expenses which are in line with lower sales volume achieved in FY2022.

Other operating expenses

The Group's other operating expenses comprise mainly of employee benefits expenses and plants maintenance expenses. Other operating expenses increased by US\$1.4 million to US\$8.7 million in FY2022. The increase was primarily due to:

- increase in payroll expenses by US\$0.2 million respectively in tandem with increase in the total headcount of employees to support business expansion activities; and
- increase in consumables and site operating costs of US\$0.6 million and maintenance of plant and vehicles of US\$0.4 million which is in line with the additions of plant and equipment and expansion activities in Mengapur site.

Administrative expenses

Administrative expenses comprise mainly of miscellaneous expenses incurred to provide support for general business activities.

Administrative expenses increased by US\$0.1 million to US\$1.1 million in FY2022 primarily due to increase in stamping fees for acquisition of shares in Fortress Mengapur.

Finance costs

Finance costs comprised interest expenses on banks borrowings and lease liabilities. The increase was mainly attributable to:

- interest expense paid of US\$0.6 million for a bank borrowing granted to the Group to finance part of the acquisition of Fortress Mengapur; and
- interest expenses for lease liabilities and bank borrowings amounting to an aggregate of US\$0.2 million for additional lease contracts on motor vehicles and purchase of additional truck fleets.

Income tax expense

Income tax expense decreased by US\$0.8 million to US\$4.3 million in FY2022. The decrease was primarily due to decrease in lower profit before tax generated in FY2022.

Excluding the effect of prior year's under provision of income tax expenses of US\$0.1 million, the Group's effective tax rate in FY2022 was 22.7%, which is broadly in line with the Group's applicable tax rate of 24.0%.

Profit after income tax

Our Group profit after income tax decreased by US\$3.8 million or 21.2% to US\$14.4 million from US\$18.2 million in FY2021 as a result of the aforementioned reasons.

(the remainder of this page is intentionally left blank)

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The comparative performance of the assets and liabilities listed below is based on the financial statements as at 28 February 2022 and 28 February 2021.

Condensed interim statements of financial position

Non-current assets

Non-current assets comprise exploration and evaluation assets, mining properties, plant and equipment, right-of-use assets, deferred tax assets and goodwill. The Group's non-current assets increased by US\$48.0 million to US\$74.3 million as at 28 February 2022 due to the reasons below.

Exploration and evaluation assets increased by US\$0.3 million to US\$3.6 million as at 28 February 2022, reflecting on-going exploration activities undertaken by the Group during FY2022.

Mining properties increased by US\$35.0 million to US\$41.2 million as at 28 February 2022. The increase is primarily attributable to:

- mining assets acquired of US\$29.0 million, which arose from the acquisition of Fortress Mengapur; and
- mine development expenditures of US\$7.2 million incurred to gain access to mineral deposits and for mine processing purposes at the CASB mine.

The increase was partially cushioned by the effect of amortisation charge and exchange translation differences amounting to US\$0.5 million and US\$0.6 million respectively.

Plant and equipment increased by US\$6.8 million (net of the effect of exchange translation differences of US\$0.6 million and of depreciation charges of US\$3.1 million) to US\$23.4 million as at 28 February 2022. The increase was primarily due to:

- plant and equipment acquired of US\$0.5 million arising from the acquisition of Fortress Mengapur;
- construction work-in-progress of processing plants in the CASB mine amounting to US\$6.5 million; and
- additions of fleet truck and machineries acquired amounting to US\$2.0 million.

Right-of-use assets at the Group level refers to the leases of motor vehicles, machineries, office and hostels premises for the use at both the Bukit Besi and CASB mine. Right-of-use assets increased by US\$2.3 million to US\$2.5 million as at 28 February 2022, which was attributable to additions of lease contracts for motor vehicles amounting to US\$4.0 million and also cushioned by the depreciation charges during the financial year amounting to US\$1.4 million.

Deferred tax assets of US\$0.3 million recognised as at 28 February 2022 was derived from the provision of key management personnel's performance incentive for FY2022.

The Group recognised goodwill arising from the acquisition of Fortress Mengapur amounting to US\$3.3 million as at 28 February 2022.

Current assets

As at 28 February 2022, the Group's current assets remained solid and stood at US\$17.8 million compared to US\$33.6 million as at 28 February 2021. The reduction was mainly attributable to the following:

- (i) decrease in trade receivables by US\$9.9 million contributed by prompt collection from contract customers;
- (ii) decrease in other receivables, deposits and prepayments by US\$7.1 million which was mainly attributable to the transfer of US\$9.0 million from the escrow account to the vendors of Fortress Mengapur upon completion of the acquisition of Fortress Mengapur on 7 April 2021.

The decrease is partially cushioned by an increase in prepayments to suppliers for purchase of plant and equipment of US\$1.5 million; and

- (iii) decrease in cash and bank balances by US\$0.9 million which was primarily due to repayments of borrowings and payables offset by prompt collection from contract customers.

The overall decrease in current assets is further cushioned by:

- an increase in inventories by US\$2.1 million to meet on-going high demand from regional steel mill customers.
- an increase in current income tax receivables by US\$0.1 million which was primarily due to higher income tax instalments paid to tax authorities as compared to the lesser provision for tax computed for FY2022.

Non-current liabilities

As at 28 February 2022, the Group's non-current liabilities increased by US\$17.8 million to US\$20.4 million from US\$2.7 million as at 28 February 2021.

The increase was mainly due to:

- (i) addition of a non-current bank borrowing of US\$14.5 million for the purpose of financing the acquisition of Fortress Mengapur and capital expenditure for Mengapur mine;
- (ii) reclassification of non-current lease liabilities of US\$0.5 million from current liabilities to non-current liabilities based on its maturity profile; and

- (iii) increase in deferred tax liabilities of US\$2.3 million arising from the acquisition of Fortress Mengapur.

Current liabilities

As at 28 February 2022, the Group's current liabilities increased by US\$5.7 million from US\$8.7 million as at 28 February 2021 to US\$14.4 million.

The increase was primarily due to:

- (i) addition of a current bank borrowing of US\$5.7 million used to finance the acquisition of Fortress Mengapur and capital expenditure for Mengapur mine;
- (ii) increase in current lease liabilities of US\$1.7 million which is in tandem with additions of lease contracts entered for motor vehicles and additional truck fleet purchased; and
- (iii) increase in trade payables of US\$0.6 million for purchase of consumables.

The increase was further cushioned by:

- decrease in other payables of US\$1.1 million reflective of prompt payments to suppliers based on its credit terms; and
- decrease in current income tax payables of US\$1.2 million which was in tandem with the lower profit before income tax generated by the Group for the twelve months period ended 28 February 2022.

Working capital

Our Group recorded a positive working capital position of US\$3.5 million as at 28 February 2022 as compared to a positive working capital position of US\$24.8 million as at 28 February 2021.

(the remainder of this page is intentionally left blank)

Condensed interim consolidated statements of cash flows

In FY2022, the Group's net cash generated from operating activities increased by US\$7.5 million to US\$23.3 million from US\$15.8 million in FY2021 after accounting for increase in operating profit before working capital changes of US\$2.4 million and adjusted for working capital inflow of US\$5.1 million.

The working capital inflow is primarily due to prompt collection from customers and was partially mitigated by the increase in inventory to meet on-going high demand from regional steel mill customers.

During FY2022, the Group's net cash flow used in investing activities increased by US\$24.1 million to US\$36.8 million as compared to the net cash flow used of US\$12.7 million in FY2021. The increase was primarily attributable to:

- increase of US\$21.0 million was due to the residual consideration paid to the vendors of Fortress Mengapur upon the completion of the acquisition of the entire issued and paid-up share capital of Fortress Mengapur;
- increase in capital expenditure investments for both the CASB mine and Bukit Besi mine in mining properties and plant and equipment amounting to US\$7.2 million and US\$8.3 million respectively; and offset by
- decrease in advance payment of purchase consideration of US\$9.0 million paid to the vendor of Fortress Mengapur.

In FY2022, the Group's net cash flow from financing activities was US\$10.4 million as compared to the net cash flow used in financing activities of US\$5.9 million in FY2021. The increase of US\$16.3 million was primarily due to:

- absence of full settlement of shareholders loan of US\$4.7 million;
- proceeds received from bank borrowings of US\$21.0 million to finance part of the acquisition of Fortress Mengapur;
- proceeds received from bank borrowings of US\$2.3 million to finance capital expenditure for CASB mine; and

The increase was further cushioned by:

- increase in repayments of banks borrowings and lease liabilities of US\$4.8 million and US\$1.0 million respectively in accordance to the fixed repayment schedules;
- increase in interest expenses paid of US\$0.7 million in tandem with increase in banks borrowings and lease liabilities; and
- increase in short term deposit pledged with the bank of US\$2.0 million for bank borrowings for the purpose of financing the acquisition of Fortress Mengapur.

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

There was no forecast or prospect statement previously disclosed to shareholders.

4. 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.

Market outlook

Global crude steel production declined 5.5% year-on-year for January to February 2022.¹ The latest lockdowns in China in cities affected by Covid-19 continue to add to China's supply chain challenges, disrupting construction activities and steel transactions in the near-term. However, China's renewed focus on propping up the economy continues to buoy iron ore prices as expectations rise for more infrastructure activity to soften China's economic slowdown. China has also set 2030 as the new deadline for peak-emissions for the steelmaking sector, against an earlier target of 2025². Despite the slowdown in steel production, iron ore prices have continued to rise on the back of these expectations, increasing 29.5% from December 2021 to February 2022.³

On 8 March 2022, the Malaysian government announced that Malaysia is transitioning to the endemic phase from 1 April 2022. The swift vaccine rollout and implementation of economic policy support measures during the pandemic looks to have put the economy on the path of recovery, with the Ministry of Finance expecting 5.5% to 6.5% gross domestic product (GDP) growth for 2022.⁴

Demand for the Group's iron ore concentrate from regional steel mills remains strong and is well-supported by the offtake agreement announced on 12 October 2021. The key underlying theme of decarbonisation in the steel industry also continues to support demand for higher grade iron ore in the long-term as lower impurities fulfil the needs of regional steel makers seeking to reduce greenhouse gas emissions and raise blast furnace productivity. The Group's high grade iron ore continues to be a favourable determining factor in pricing and appetite for iron ore.

Operational developments

The Group continues to work hard to ensure safe operations at its work sites and improve operational efficiencies, against the backdrop of the pandemic and rising inflation and operating costs as a result of the Russia-Ukraine conflict.

Iron ore production and sales for the Group remain strong and the Group's growth prospects are well-supported by efforts to invest in growing its portfolio sustainably. Committed to pursuing long-term growth prospects and disciplined cost controls to maintain operational excellence to meet ongoing and continuous demand, the CASB mine remains on track to commence production in the first quarter of the financial year ending 28 February 2023 ("1Q FY2023"). This will position the Group well to capture oncoming demand as the global economy recovers.

The Group will continue to leverage on its expertise and experience to employ disciplined cost and capital management measures to ensure sustainable growth and long-term value for its shareholders.

The Board and management have considered the uncertainties and challenges arising from the COVID-19 pandemic and assessed the impact of the outbreak on its operations and are of the view that adequate funds are available for the Group's operating requirements for the purposes of meeting its debt obligations for the next 12 months. Customer order books remain healthy and the Group continues to closely monitor the credit quality of its customers to ensure the recoverability of the receivables.

¹ World Steel Association, 22 March 2022: [February 2022 crude steel production](#)

² Bloomberg, 8 February 2022: [Iron Ore Smashes \\$150 After Beijing Eases Steel's Green Targets](#)

³ Platts: 65% Fe CFR North China Index, December 2021 – February 2021

⁴ The Edge, 22 March 2022: [OECD forecasts Malaysia economy to grow 6% in 2022](#)

The Group continues to seek opportunities to grow its commodities portfolio responsibly via acquisitions, joint ventures and/or providing mining contracting services both in Malaysia and in the region, where its strong capabilities provide it a competitive edge to tap on the demand. The Group is also currently exploring various fund-raising opportunities to enhance its cash balances for operational needs. The Group will update shareholders via SGXNET as and when there are any material developments on the aforementioned. The Company will also be seeking shareholders' approval for the adoption of a share buy-back mandate at an extraordinary general meeting to be convened in due course.

- 5. Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the issued and paid-up share capital of the Company from 30 November 2021 up to 28 February 2022. The Company's share capital was US\$22,463,273 comprising 500,000,000 shares as at 28 February 2022 and 30 November 2021.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 28 February 2022 and 28 February 2021.

- 6. 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 2022	As at 28 February 2021
Total number of issued shares excluding treasury shares	500,000,000	500,000,000

The Company did not have any treasury shares as at 28 February 2022 and 28 February 2021.

- 7. 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.

8. 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.

9. 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 Section 2.1 of Part I above, 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 consolidated financial statements for the financial year ended 28 February 2021.

10. Dividend information

a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Yes

Name of dividend	Final dividend
Dividend type	Cash
Dividend amount per share	S\$0.0080 per ordinary share
Tax rate	Tax exempt one tier

After careful deliberation, the Board has recommended a one-tier tax exempt dividend of S\$0.0080 per ordinary share as compared to S\$0.0100 per ordinary share in FY2021 so as to conserve cash for its working capital purposes in view of lower revenue and profits attained in FY2022 compared to FY2021.

b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes

Name of dividend	Interim dividend
Dividend type	Cash
Dividend amount per share	S\$0.0100 per ordinary share
Tax rate	Tax exempt one tier

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

The proposed final dividend is one-tier tax exempt.

d) Date payable

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

e) Books closure date

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

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

Not applicable.

12. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs. In FY2022, there were no interested person transactions of S\$100,000 and above.

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

The Group only has 1 operating segment, and the factors leading to any material changes in contribution to the Group's revenue and earnings has been disclosed in Para 2 of Part II – Other information required by Appendix 7C of the Catalist Rules above.

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

	FY2022		FY2021	
	US\$	S\$	US\$	S\$
Ordinary shares (tax exempt 1-tier)				
- Interim	-	-	3,765,044	5,000,000
- Final ^(1,2)	2,941,825	4,000,000	-	-
Total Annual Dividend	2,941,825	4,000,000	3,765,044	5,000,000

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

⁽²⁾ Based on exchange rate of USD/SGD 1.3597 as at 28 February 2022.

15. **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	67	Brother in law of our CEO, Chee Yew Fei	Company director of Fortress Mining Sdn Bhd since 2017.	Resigned from the position of human resource director with effect from 1 March 2021.
Yeow Boon Ban	45	Brother in law of our CEO, Chee Yew Fei	Company director cum maintenance manager of Fortress Mining Sdn Bhd since 2017. Primarily responsible for all mine site repair and maintenance activities.	Not applicable

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

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

During 4Q FY2022, funds/cash was mainly used for the following production activities, as compared to the projections: -

Purpose	Amount (US\$ million)	
	Actual	Projected
Exploration and evaluation activities	0.13	2.20
Cost of sales	1.94	3.10
Selling and distribution costs	0.50	0.80
Total	2.57	6.10

During 4Q FY2022, the Group's cost of sales and the selling and distribution costs was lower than the projected amount by US\$0.2 million which was due to lower production volume in 4Q FY2022.

The Group utilised less than planned funds in exploration and evaluation activities in 4Q FY2022 as the Group was focused on overburden stripping and heavy maintenance work during the machineries' downtime at its Bukit Besi mine, and establishing operations at the CASB mine to prepare for commencement of operations in 1Q FY2023.

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

Purpose	Amount (US\$ million)
Exploration and evaluation activities	2.45
Cost of sales	4.79
Selling and distribution costs	1.85
Total	9.09

Our Group will continue its exploration and evaluation activities at its East, Valley and West Deposits of Bukit Besi Mine during the first quarter of FY2023 (“**1Q FY2023**”).

The Group expects to incur additional exploration and evaluation costs of approximately US\$2.3 million on mining land and approvals from the Pejabat Pengarah Tanah dan Galian Pahang (“**PTG**”) for mining leases for areas of 380 hectares, 188.3 hectares and 198.28 hectares at the Compartment 110 and part of compartments 108, 109, 111 and 112 of Hutan Simpan Berkelah at Bukit Mengapur, Mukim Hulu Lepar, District of Kuantan, State of Pahang, Malaysia (“**Exploration Land**”) for a period of 12 years (“**ML Approvals**”) held by the Fortress Mengapur Group to support mine planning and mineral processing. This includes ML Approvals fees issued by PTG.

Total exploration and evaluation expenses expected to be incurred in 1Q FY2023 is as tabulated above.

The Group expects to incur ocean freight and handling charges during 1Q FY2023, which would contribute to the Group's cost of sales and selling and distribution costs, as there were export sales after the end of FY2022 which had been completed by April 2022.

17. Negative Confirmation by the Board pursuant to Rule 705(6)(b) of Catalyst Rules

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.

18. 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.

Bukit Besi

In the 2021 calendar year, just over 3,000m of resource definition drilling was completed from 42 drillholes to support the magnetite mining operations at Bukit Besi.

An update of the Bukit Besi Mineral Resource estimate was prepared from drill datasets dated 28 February 2022 and a mine survey dated 05 January 2022. The drilling, sampling, survey, and estimation methodologies are unchanged from the previous Mineral Resource update as at 28 February 2021 (“**2021 Mineral Resource update**”). The 2021 Mineral Resource update was included in the Group’s FY2021 financial results, which was announced on the SGXNET on 21 April 2021 and is available from the Company’s website. The announcement includes the JORC Table 1 and summary information, both of which remain applicable for the FY2022 Mineral Resource update.

Leesa Collin, Principal Geologist and Director of MinOre Consulting Pty Ltd (“MinOre”), our independent consultants, has prepared the 2022 Mineral Resource estimate to include new drilling information and mining depletion as of 28 February 2022. The Mineral Resource estimates are prepared and reported in accordance with the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (“JORC”) guidelines. The following summary of the Bukit Besi Mineral Resources is formatted following the requirements set out in Appendix 7D of the Catalyst Rules.

The updated and depleted MRE for the Bukit Besi Iron Project is 5.41 million tonnes grading 45.34 % iron, with a reporting date of 28 February 2022. The MRE is classified as Indicated and Inferred following the JORC guidelines on a qualitative basis, considering numerous factors including data quality, geological complexity, data coverage, estimation validation and limited magnetite mass recovery data.

Bukit Besi Mineral Resource tabulation – 28 February 2022*

Area	JORC Category	Mineral type	Gross attributable to ML7/2013		Net attributable to Fortress		Change from previous update (%)	Remarks
			Tonnes (Mt)	Grade (Fe%)	Tonnes (Mt)	Grade (Fe%)		
West	Indicated	Iron	0.22	44.95	0.22	44.95	-16.2	None
West	Inferred	Iron	1.04	44.70	1.04	44.70	-8.3	None
Valley	Inferred	Iron	3.57	47.16	3.57	47.16	-3.0	None
East	Inferred	Iron	0.58	35.32	0.58	35.32	-30.4	None
Total Indicated + Inferred		Iron	5.41	45.34	5.41	45.34	-7.6	None

Notes:

- * Based on a block cut-off grade of 10% Fe and magnetic susceptibility greater than 100 and sulphur less than 10%. Some discrepancies may occur due to rounding.
- * No Ore Reserves or Mineral Reserves stated. Mineral Resources that are not Ore Reserves or Mineral Reserves do not have demonstrated economic viability. The Mineral Resource is limited to within the tenement boundary. Some discrepancies may occur due to rounding.

Mengapur

As part of the acquisition of Mengapur, an independent qualified person's report containing, amongst others, an updated Mineral Resource Estimate as at 26 October 2020 ("2020 MRE Update"), was uploaded onto SGXNET on 1 February 2021 as an Appendix to the Circular to Shareholders dated 1 February 2021. The 2020 MRE Update separated the iron resources into massive magnetite and brecciated magnetite mineralisation domains and the copper resources into pyrrhotite-hosted and skarn-hosted mineralisation domains. The Company completed the acquisition of Fortress Mengapur on 7 April 2021.

In the 2021 calendar year, the Company drilled 34 infill drillholes for 3,275m with sample analysis completed at both Bukit Besi and the Company's newly commissioned Mengapur laboratory. The Company is in the process of calibrating its internal laboratory analytical results to the historical analytical results achieved using different methodologies. Additionally, the Company is also completing a check assay program between the Mengapur laboratory and an external NATA certified laboratory to ensure the Mengapur analytical methods are of the accuracy and precision required for inclusion in a Mineral Resource estimate. As these work programs are still in progress, the Mineral Resources as at 28 February 2022 are unchanged from 26 October 2020.

Leesa Collin, working as an Associate Consultant of the independent qualified person, Valuation and Resource Management Pty Ltd, prepared the 2020 MRE Update and reported them in accordance with JORC guidelines. The following summary of the Mengapur Mineral Resources is formatted following the requirements set out in Appendix 7D of the Catalist Rules.

Mengapur Inferred Mineral Resource tabulation – 28 February 2022*

JORC Category	Mineral Type	Gross Attributable to Licences ¹						Net Attributable to Fortress						Change from previous update (%)	Remarks
		Tonnes (Mt)	Grade Fe (%)	Grade Cu (%)	Grade Au (g/t)	Grade Ag (g/t)	Grade S (%)	Tonnes (Mt)	Grade Fe (%)	Grade Cu (%)	Grade Au (g/t)	Grade Ag (g/t)	Grade S (%)		
Inferred	Skarn-hosted (Cu, Ag)	8.63	20.07	0.64	0.08	13.90	2.54	8.63	20.07	0.64	0.08	13.90	2.54	0%	2
	Pyrrhotite-hosted (Cu, Au, S, Fe)	6.21	30.62	0.67	0.31	5.80	16.08	6.14	30.62	0.67	0.31	5.80	16.08	0%	2
	Massive Magnetite (Fe)	5.27	31.04	0.08	0.11	2.42	2.79	5.27	31.04	0.08	0.11	2.42	2.79	0%	3
	Brecciated Magnetite (Fe, Au)	5.48	36.19	0.19	0.26	6.54	0.17	5.45	36.19	0.19	0.26	6.54	0.17	0%	3
Total Inferred Copper		14.83	24.49	0.65	0.18	10.52	8.19	14.77	24.46	0.65	0.18	10.53	8.19	0%	2
Total Inferred Magnetite		10.75	33.67	0.14	0.19	4.52	1.45	10.72	33.65	0.14	0.19	4.52	1.46	0%	3

Notes:

1. A non-material portion of the resources in CASB are in the 'red free-digging' soils and attributable to Phoenix Lake Sdn Bhd (PLSB) and ZCM Minerals Sdn Bhd (ZCM)
 2. The copper Mineral Resources reported above a 0.5% Cu cut-off.
 3. The magnetite Mineral Resources reported above a 25% Fe cut-off.
- * No Ore Reserves or Mineral Reserves stated. Mineral Resources that are not Ore Reserves or Mineral Reserves do not have demonstrated economic viability. The Mineral Resource is limited to within the CASB and SDSB boundaries. Some discrepancies may occur due to rounding.

Competent Person Statement

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

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.

Cautionary Note

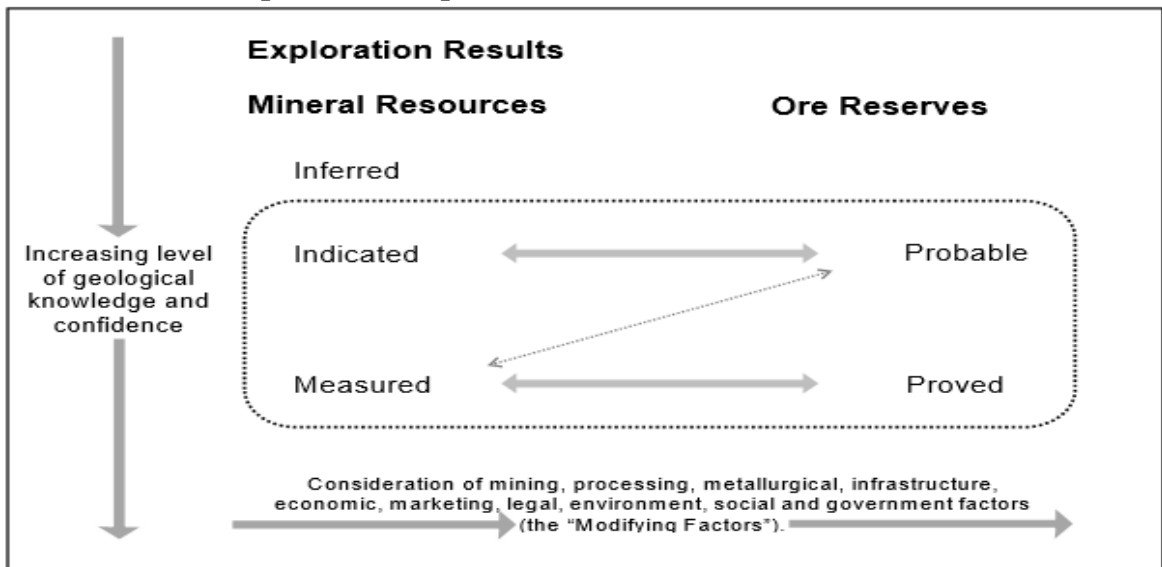
MinOre cautions that there is a low level of geological and data confidence associated with Inferred Mineral Resources. There is no certainty Fortress will realise any mine schedule based on these resources. The general uncertainties associated with targets, resource and reserve estimates are presented below.

Classification	Estimate Range (90% confidence limit) #1
Proven/Probable Reserves	± 5 to 10 %
Measured Mineral Resources	± 10 to 20 %
Indicated Mineral Resource	± 30 to 50 %
Inferred Mineral Resources	± 50 to 100 %
Exploration Target	+ 100 %

Note: #1 Source: SRK (2019a)

Further technical studies, infill drilling, and improvements in current drilling and geology processes may increase the Mineral Resource classification. The confidence in the estimate of Inferred Mineral Resources is not sufficient to allow the results of the application of technical and economic parameters used for detailed planning in Pre-Feasibility (JORC Clause 39) or Feasibility (JORC Clause 40) Studies. For this reason, there is no direct link from an Inferred Mineral Resource to any category of Ore Reserves; that is, Ore Reserves cannot be estimated from Inferred Mineral Resources.

General relationship between Exploration Results, Mineral Resources and Ore Reserves



19. 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).

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

Not applicable. There was no incorporation of new entities, acquisitions and realisation of shares during 4Q FY2022.

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

Dato' Sri Ivan Chee
Chief Executive Officer
27 April 2022

This announcement has been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited ("the Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

The contact person for the Sponsor is Ms Jennifer Tan, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.