

PRESS RELEASE

Fortress Minerals delivers firm performance amidst challenging environment; EBITDA up 52.9% to US\$8.1 million for 2Q FY2023

- Revenue for 2Q FY2023 increased by 55.4% year-on-year (“yoy”) to US\$15.5 million, driven by 131.5% increase in volume sold as the Cermat Aman Sdn Bhd (“CASB”) mine commenced production in July 2022 and the Group recovered from the five-week lockdown in 2Q FY2022.
- Gross profit margin remained resilient at 71.9% for 2Q FY2023 with greater cost efficiencies achieved from higher volume sold, which were partially offset by the lower realised selling price.
- Net cash flow generated from operating activities was 42.1% higher yoy at US\$9.0 million for 2Q FY2023 with strong EBITDA margins of 52.1%.
- Group delivers on strategic expansion plans and remains in a strong position to capitalise on synergies and efficiently ramp up production to remain resilient.

SINGAPORE, 5 October 2022 – Fortress Minerals Limited (the “Company” or “Fortress Minerals”) and its subsidiaries (collectively the “Group”), a high-grade iron ore concentrate producer and exporter from Malaysia, today announced the financial results for the second quarter and six months ended 31 August 2022 (“2Q FY2023 and 1H FY2023”).

Financial Highlights

	2Q FY2023	2Q FY2022	Change %	1H FY2023	1H FY2022	Change %	Full year FY2022
Sales volume (DMT*)	160,185	69,181	131.5	281,610	189,847	48.3	357,446
Average realised selling price (US\$/DMT)	97.05	141.82	(31.6)	106.86	142.57	(25.0)	121.27
Average unit cost (US\$/WMT#)	24.91	24.55	1.5	28.01	25.18	11.2	25.46
<i>(US\$'000)</i>							
Revenue	15,518	9,985	55.4	30,116	27,268	10.4	43,366
Gross profit	11,151	8,123	37.3	21,461	22,027	(2.6)	33,381
Gross profit margin	71.9%	81.4%	(9.5)	71.3%	80.8%	(9.5)	77.0%
Other operating income	138	149	(7.3)	274	302	(9.3)	363
Selling & distribution expenses	(1,709)	(767)	122.6	(3,360)	(2,489)	35.0	(4,799)
Other operating expenses	(2,523)	(2,791)	(9.6)	(4,653)	(5,295)	(12.1)	(8,701)
Administrative expenses	(509)	(381)	33.6	(925)	(825)	12.1	(813)
Finance costs	(247)	(191)	29.1	(467)	(223)	109.4	(788)
Net profit after income tax (NPAT)	4,861	3,281	48.1	9,053	10,481	(13.6)	13,881
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,084	5,287	52.9	14,980	15,606	(4.0)	23,466

* DMT denotes Dry Metric Tonnes

WMT denotes Wet Metric Tonnes

Operational and Financial Review

Fortress Minerals showed strength amidst headwinds in the global macroeconomic environment, delivering a firm operational performance.

The Group reported a 10.4% yoy increase in revenue to US\$30.1 million for 1H FY2023, driven by higher volume sold in 2Q FY2023. The Group commenced production at the CASB mine in July 2022 which assisted in the ramp up of production and volume sold for 2Q FY2023 as compared to 2Q FY2022 which was impacted by the five-week Phase 1 nationwide Total Lockdown under the National Recovery Plan by the Malaysian Government. Sales volume increased 131.5% to 160,185 DMT and 48.3% to 281,610 DMT for 2Q FY2023 and 1H FY2023 respectively, despite the decrease in global demand for iron ore. This underscores the Group's strong relationships in the region and the demand from regional steel mills.

The increase in revenue was partially offset by lower average realised selling price of US\$106.86/DMT for 1H FY2023 compared to US\$142.57/DMT in the corresponding period last year. At the same time, average unit cost of sales increased 11.2% yoy to US\$28.01/WMT for 1H FY2023, mainly due to higher inflation of production costs. This was mitigated by greater cost efficiencies attained in 2Q FY2023, which saw only a slight increase in average unit cost of sales of 1.5% yoy to US\$24.91/WMT.

Consequently, gross profit margin was 71.3% for 1H FY2023 compared to 80.8% for 1H FY2022.

EBITDA and NPAT for 2Q FY2023 increased 52.9% to US\$8.1 million and 48.1% to US\$4.9 million respectively, bringing 1H FY2023 EBITDA and NPAT to US\$15.0 million and US\$9.1 million, respectively. Earnings per share for 1H FY2023 was 1.81 US cents.

With the strong growth in earnings, net cash flow generated from operating activities was up by 42.1% yoy to US\$9.0 million for 2Q FY2023, with net cash flow generated from operating activities for 1H FY2023 at US\$14.9 million.

The Group's commitment to growing its operations strategically and through the cycle continues to fuel growth prospects and maximise long-term shareholder value.

Net asset value per share increased to 11.91 US cents as at 31 August 2022 compared to 11.36 US cents as at 28 February 2022, supported by the Group's business resilience and strong balance sheet.

Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals, commented, *"Our experience has enabled us to tap into our next phase of growth efficiently and to deliver a strong set of results. Despite the headwinds in the broader global economy, we have done well to leverage our capabilities and captured synergies in our enlarged operations and between our quality assets."*

As the region moves to endemicity, the normalisation of economic activity underpins regional demand for our product. We look to continue safe and smooth operations at our assets, and to remaining resilient as we provide sustainable growth to our shareholders."

Market outlook

Global crude steel production declined 5.4% year-on-year for January to July 2022.¹ The decrease in global crude steel production follows a slowing economy in China and a property market crisis which has impacted demand. Adding to this are repeated COVID-19 lockdowns that have disrupted business operations of property sector, which accounts for one third of China's steel consumption.² Consequently, iron ore prices declined 34.7% from March to August 2022.³ The approaching winter season may also see further steel output cuts in China.⁴

¹ The World Steel Association, 23 August 2022: [July 2022 crude steel production](#)

² Nikkei Asia, 7 September 2022: [China's steel industry at a crossroads as long winter looms](#)

³ Platts: 65% Fe CFR North China Index, March – August 2022

⁴ S&P Global, 14 September 2022: [China's winter output cuts may give limited boost to steel markets](#)

In Malaysia, the economy is projected to expand further for the remainder of the year. Domestic demand continued to strengthen, underpinned by the steady recovery in labour market conditions and ongoing policy support.⁵ The higher growth was also reflective of normalising economic activity as the country moved towards endemicity and reopened international borders.

Demand for the Group's iron ore concentrate from regional steel mills remains strong and is well supported by the offtake agreement with a third-party domestic steel mill in Malaysia announced on 12 October 2021. Increased focus on high grade magnetite iron ore continues to underpin demand, supported by efforts to decarbonise the global iron ore and steel industry and support the energy transition.

Operational developments

Commencement of production of Cermat Aman Sdn Bhd (“CASB”) mine on 1 July 2022 has added production capabilities in the same key mineral resource. The ramp up of operations is progressing well and the Group continues to leverage the synergies such as existing downstream distribution lines and the ability to better match customers' specific demands to plan its production between its two producing assets. This will enable the Group to extract further efficiencies against the backdrop of rising inflation and operating costs.

The Board and management have considered the uncertainties and challenges in the current environment and the effect on the Group's 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.

The Group continues to seek opportunities to grow its commodities portfolio in a disciplined manner 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 continues to seek opportunities to grow its commodities portfolio responsibly and in a disciplined manner 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 continues to explore 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.

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This press release should be read in conjunction with the related announcements uploaded by Fortress Minerals Limited on SGXNet.

This press release 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 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg

⁵ Bank Negara Malaysia, 12 August 2022: [Economic and Financial Developments in Malaysia in the Second Quarter of 2022](#)

About Fortress Minerals Limited (SGX: OAJ)

Fortress Minerals Limited (the “**Company**”) and its subsidiary companies (the “**Group**”) is a high-grade iron ore producer based in Malaysia. The Group is principally in the business of exploration, mining, production and sale of iron ore.

The Group presently produces high grade iron ore mined from its Bukit Besi mine and Cermat Aman Sdn Bhd (the “**CASB**”) mine in Malaysia, and sells its iron ore primarily to steel mills in Malaysia and trading companies in the People’s Republic of China.

The Group had on 7 April 2021 completed the acquisition of the entire issued and paid-up capital of Fortress Mengapur Sdn Bhd and its subsidiaries (“Fortress Mengapur”), which comprises the entire tenements held by its subsidiaries, namely CASB and Star Destiny Sdn Bhd (the “SDSB”), which covers approximately 951.68 hectares, save for the free digging oxide magnetite iron materials contained in the topsoil at certain areas of Mining lease no. ML. 8/2011 in respect of the mining land (the “Third-Party Iron Ore Interests”). Following the completion of the acquisition of Fortress Mengapur, the Group’s total mining and exploration land area is approximately 1,477.88 hectares.

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.

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

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