

PRESS RELEASE

## Fortress Minerals reports resilient performance; EBITDA stable at US\$5.2 million and net profit up 3.9% to US\$2.9 million for 3Q FY2023

- Revenue increased 1.8% year-on-year (“yoy”) to US\$11.3 million and 8.5% yoy to US\$41.4 million for 3Q FY2023 and 9M FY2023 respectively driven by the increase in volume sold from the Cermat Aman Sdn Bhd (“CASB”) mine and the Group’s recovery following the five-week lockdown in 2Q FY2022.
- Net cash flow generated from operating activities for 9M FY2022 remained robust at S\$20.3 million, supported by strong EBITDA margins of 48.8%.
- The Group remains well positioned to capture demand as economic activity in the region looks to normalise while leveraging increasing synergies in production and distribution.

**SINGAPORE, 11 January 2023 – 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 three months and nine months ended 30 November 2022 (“3Q FY2023 and 9M FY2023”).

### Financial Highlights

	3Q FY2023	3Q FY2022	Change %	9M FY2023	9M FY2022	Change %	Full year FY2022
Sales volume (DMT*)	131,539	126,131	4.3	413,150	315,977	30.8	357,446
Average realised selling price (US\$/DMT)	85.81	87.44	(1.9)	100.16	120.56	(16.9)	121.27
Average unit cost (US\$/WMT#)	24.84	20.22	22.8	27.00	23.19	16.4	25.46
<i>(US\$'000)</i>							
Revenue	11,253	11,053	1.8	41,368	38,132	8.5	43,366
Gross profit	7,670	8,247	(7.0)	29,131	30,086	(3.2)	33,381
Gross profit margin	68.2%	74.6%	(6.4)	70.4%	78.9%	(8.5)	77.0%
Other operating income	595	265	124.5	869	516	68.4	363
Selling & distribution expenses	(1,417)	(2,059)	(31.2)	(4,778)	(4,360)	9.6	(4,799)
Other operating expenses	(2,078)	(2,151)	(3.4)	(6,732)	(7,446)	(9.6)	(8,701)
Administrative expenses	(955)	(341)	180.4	(1,880)	(1,114)	68.8	(813)
Finance costs	(268)	(188)	42.8	(735)	(411)	79.0	(788)
Net profit after income tax (NPAT)	2,942	2,831	3.9	11,995	13,312	(9.9)	13,881
Earnings before interest, tax, depreciation and amortisation (EBITDA)	5,223	5,307	(1.6)	20,204	20,913	(3.4)	23,466

\* DMT denotes Dry Metric Tonnes

# WMT denotes Wet Metric Tonnes

## **Operational and Financial Review**

Fortress Minerals' strategic growth plan continues to garner momentum as demand from its strong network of customers remains resilient.

For 3Q FY2023 and 9M FY2023, the Group recorded a 1.8% and an 8.5% yoy increase in revenue to US\$11.3 million and US\$41.4 million respectively due to higher volume of iron ore sold. In addition to the robust demand from regional steel mills, the Group was further supported by the commencement of production at the CASB mine in July 2022 which raised production and sales volume. Sales volume for 3Q FY2023 and 9M FY2023 rose 4.3% to 131,539 DMT and 30.8% to 413,150 DMT respectively.

The increase in revenue was partially offset by a 1.9% yoy decline in the average realised selling price to US\$85.81/DMT for 3Q FY2023, as the benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices moderated from the corresponding period last year. With the increased sales volume, cost of sales increased 27.7% to US\$3.6 million for 3Q FY2023; average unit cost of sales rose 22.8% yoy to US\$24.84/WMT. The cost increases were partially mitigated by a 5,491WMT or 4.0% increase in total production volume for 3Q FY2023 which yielded cost efficiencies for the Group.

Consequently, the Group reported a gross profit margin of 70.4% for 9M FY2023 as compared to 78.9% for 9M FY2022.

Overall, NPAT for 3Q FY2023 rose 3.9% yoy to US\$2.9 million while EBITDA remained relatively stable at US\$5.2 million, bringing 9M FY2023 NPAT and EBITDA to US\$12.0 million and US\$20.2 million respectively. Earnings per share for 9M FY2023 stands at 2.40 US cents.

The Group's net asset value per share rose to 12.50 US cents as at 30 November 2022 compared to 11.36 US cents as at 28 February 2022, supported by the Group's growth efforts, business resilience and strong balance sheet.

The Group remains committed to disciplined capital management and growing its operations strategically to maximise long-term value for its shareholders.

Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals, commented, *"Our resilient performance continues to be driven by the healthy local demand from regional steel mills. This also underscores the deep relationships we have formed with our long-term customers."*

*We have achieved production at the CASB mine this year, and we will continue to optimise the plant and ramp up production. This will continue to position us favourably to capture growth as the region moves towards endemicity and normalisation of economic activity.*

*We remain focused on operational excellence and maintaining safe and smooth operations at our assets as we maximise long-term value for our shareholders."*

## **Market outlook**

Global crude steel production declined 3.7% yoy for January to November 2022<sup>1</sup>. China, the world's largest steel-producing country, posted a 6.6% decline in November 2022 from October 2022 to 74.5 million tons. This has largely been attributable to nationwide virus controls, the ongoing property crisis, and the start of winter pollution curbs which kept China's steel industry on the back foot. Iron ore prices have rallied sharply in recent weeks in anticipation of China's reopening, but a pick-up in end use will depend on government stimulus measures and a stabilisation in the real estate market, as well as its emergence from the worst of the current wave of COVID-19 infections<sup>2</sup>. Amidst expectations of China's reopening, iron ore prices surged 21.5% from September to December 2022<sup>3</sup>.

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<sup>1</sup> The World Steel Association, 22 December 2022: [November 2022 crude steel production](#)

<sup>2</sup> Bloomberg, 15 December 2022: [China Cuts Steel Output Again as Covid Zero and Property Crisis Sap Demand](#)

<sup>3</sup> Platts: 65% Fe CFR North China Index, September 2022 – December 2022

India, the second-largest global steel producer reiterated ambitious expansion plans of doubling production capacity by 2030<sup>4</sup>, emphasising the growing role of steel as the foundational force for the development of a nation. At the same time, country officials have also urged the Indian steel industry to move towards green and low carbon emitting production processes as the country works towards its vision of achieving its net zero target by 2070.

In Malaysia, Prime Minister Dato' Seri Anwar Ibrahim sees encouraging economic performance, expecting the country's gross domestic product to exceed earlier projections, in line with the country's reopening and shift to a COVID-19 endemic phase.<sup>5</sup>

Demand for the Group's iron ore concentrate from regional steel mills remains strong. Increased focus on high grade magnetite iron ore continues to underpin demand, supported by efforts to decarbonise the global iron ore and steel industry.

### **Operational developments**

The latest CASB mine which commenced production on 1 July 2022 has enabled the Group to raise production in the same key mineral resource to fulfil its strong current pipeline of orders. The increase in production capacity will also position the Group well to capture demand as the regional economy reopens following the peak of the COVID-19 pandemic and transitions to normalcy. Having diversified its operations between two production assets, the Group is better able to plan its production between its two plants and leverage the synergies such as downstream distribution lines to match its customers' specific demand and needs.

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 prudently 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 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.

**\*\*End\*\***

*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.*

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<sup>4</sup> Hellenic Shipping News, 23 December 2022: [India plans to double steel production capacity by 2030](#)

<sup>5</sup> Reuters, 20 December 2022: [Malaysia's 2022 GDP growth very likely to beat forecasts - PM](#)

## **About Fortress Minerals Limited (SGX: OAJ)**

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.

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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