

PRESS RELEASE

## Fortress Minerals closes maiden year of high-grade iron ore production with net profit of US\$4.9 million for FY2019

- Revenue increases 113.9% from US\$6.6 million for 1H2019 to US\$14.1 million for 2H2019, mainly driven by increased production, assisted by higher iron ore prices
- Gross profit increases 132.8% from US\$3.9 million for 1H2019 to US\$9.1 million for 2H2019, with gross profit margin increasing from 59.6% for 1H2019 to 64.9% for 2H2019 due to greater economies of scale
- Declares first interim dividend of 0.16 Singapore cents for FY2020, representing 12.1% of Group's FY2019 NPAT
- With continued favourable high-grade iron ore outlook and an enlarged resource estimate, Group continues expansion plans to increase production capacity; improvements expected to kick in by 1H2020

**SINGAPORE, 30 April 2019 – 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, on 29 April 2019 announced its results for the financial year ended 28 February 2019 (“FY2019”).

### Financial Highlights

	1H2019	2H2019	Change	FY2019
Sales volume (WMT)	74,007	170,971	131.0%	244,975
Average selling price per WMT (USD)	-	-	-	84.21
	1H2019	2H2019	Change	FY2019
	US\$'000	US\$'000	%	US\$'000
Revenue	6,572	14,057	113.9	20,629
Gross profit	3,916	9,118	132.8	13,034
Gross profit margin	59.6%	64.9%	5.3 ppt	63.2%
Other operating income	2,069	(67)	-	2,002
Operating expenses <sup>1</sup>	3,244	4,984	53.6	8,227
Net Profit After Tax (NPAT)	2,007	2,889	43.9	4,896
Adjusted Net Profit <sup>+</sup>	-	-	-	5,759
Adjusted Net Profit Margin <sup>+</sup>	-	-	-	27.9%

<sup>1</sup>Operating Expenses comprise Selling and distribution expenses and Administrative expenses

<sup>+</sup>Excluding IPO expenses of US\$0.23 million for 1H2019 and US\$0.633 million for 2H2019

ppt: percentage points

As the commercial production of high-grade iron ore at Bukit Besi mine commenced in April 2018, the Group recorded no revenue in FY2018. The Group recorded a total revenue of US\$20.6 million and sales volume of 244,975 wet metric tonnes (“WMT”) of high-grade iron ore concentrate at an average price of US\$84.21 per WMT for FY2019. The Group’s revenue, mainly generated from its primary market the People’s Republic of China (“PRC”), surged 113.9% from 1H2019 to US\$14.0 million for 2H2019. This was due to production beginning only in the second month of 1H2019 and increased production in 2H2019, compounded by higher iron ore price in 2H2019.

Gross profit increased 132.8% from US\$3.9 million for 1H2019 to US\$9.1 million for 2H2019, with gross profit margin improving from 59.6% for 1H2019 to 64.9% for 2H2019. As a large portion of the Group’s operating costs are fixed which do not increase significantly with the increase in revenue, the Group is able to benefit from greater economies of scale of production.

Other operating income comprised mainly sale of semi-processed iron ore prior to the commissioning of the processing plant on 1 April 2018, realised foreign exchange gain and interest income. The Group did not sell any semi-processed iron ore in 2H2019.

Operating expenses, which comprise selling and distribution expenses and administrative expenses increased 53.6% from US\$3.2 million for 1H2019 to US\$5.0 million for 2H2019. Selling and distribution expenses increased due to higher ocean freight charges, handling and transportation charges and mining royalty and tribute, in line with revenue increase. Administrative expenses increased mainly due to higher IPO expenses of US\$0.6 million in 2H2019 (1H2019: US\$0.2 million) and a loss on foreign exchange.

Net profit increased 43.9% from US\$2.0 million for 1H2019 to US\$2.9 million for 2H2019. Net profit margin for 1H2019 was 30.5% compared to 20.5% for 2H2019. The lower net profit margin for 2H2019 was a result of higher IPO expenses in 2H2019 and higher other operating income in 1H2019.

Overall net profit for the year, excluding IPO expenses, was US\$5.8 million for FY2019 with an adjusted net profit margin of 27.9%.

Earnings per share for FY2019 was 1.17 US cents and net asset value per share was 1.27 US cents for FY2019.

No dividend was recommended for FY2019 as the restructuring exercise was not completed as at the financial year ended 28 February 2019. However, the Directors are pleased to declare a first interim dividend of 0.16 Singapore cent per Share for FY2020, representing 12.1% of Group’s FY2019 NPAT. This is in line with the Group’s intention to recommend and distribute dividends of not less than 10% of the Group’s NPAT for FY2019. This first interim dividend will be in addition to the dividends of not less than 15% of the Group’s NPAT for FY2020 which the Directors intend to recommend and distribute for FY2020.

### **Updated Mineral Resource**

Independent consultants, SRK Consulting (Australasia) Pty Ltd (SRK) prepared updated Mineral Resource estimates to include new drilling information and mining depletion as at 28 February 2019 which shows a total indicated and inferred mineral resources of 6.19MT at TFe grade of 42.3% and above.



## **Outlook and Future Plans**

During FY2019, the Group observed that the iron ore concentrate industry remained buoyant especially towards the 4Q2019 following disruptions to mining infrastructure at major producing countries. These disruptions escalated seaborne iron ore prices, achieving new levels especially in the last six months. The price escalation was further compounded by the heightened demand for seaborne high-grade iron ore concentrate from the PRC.

Without doubt, the Group's high-grade iron ore concentrate benefitted from the combined effect of favourable prices and heightened demand. Going forward the Group believes that the industry will remain buoyant given the continuous healthy demand from customers in Malaysia and the PRC. The Group continues to intensify efforts to optimise its production yield and overall cost efficiencies in anticipation of production volume returning to normalcy at major producing countries and any unfavourable changes to seaborne iron ore prices.

During FY2019, the Group commenced construction of two additional ball mills and related machinery at the Bukit Besi processing plant to increase the steady state processing capacity of high-grade iron ore concentrate from 40,000 metric tonnes per month to 50,000 metric tonnes per month. Construction and installation activities are underway, with production tests and trial runs expected to commence in May 2019 and commercial production targeted to commence in 2Q2020. Upon commercial production, the Group expects to increase its production and sale quantity.

The Group will continue to carry out exploration and evaluation activities at its East, Valley and West Deposits. The Group will also continue to explore various opportunities to acquire, enter into joint venture and/or provide mining contracting services both in Malaysia and the region.

**Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals**, commented on the performance and outlook of the Group, *"FY2019 has been a milestone year for the Group, first beginning our production and then successfully listing on the SGX-ST. It is inspiring to see our maiden year of iron ore production end on a positive note, as we managed to ramp up our production in such a short time, generate an impressive level of profit out of the limited concession area we have explored, and enlarged our mineral resource. Due to the completion of the restructuring exercise after FY2019, we were not able to recommend dividends for FY2019, however, we are pleased to declare a one-tier tax exempt first interim dividend of 0.16 Singapore cents per Share for FY2020 which amounts to S\$800,000 representing approximately 12.1% of the Group's NPAT for FY2019. This will be in addition to what we have planned for FY2020.*

*Looking ahead, we will continue our best efforts to develop new markets and new customers, and optimise our operation and cost structures to achieve greater efficiency and improve performance. We have already begun to diversify our customer base with sales to a local steel mill to cover both domestic and seaborne markets and we aim to capitalise on our large exploration potential at Bukit Besi Mine.*

*With favourable market conditions, shareholders' support and the efforts of our professional management team, we hope to see a fulfilling year of achievement ahead."*

- END -



fortress

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

*Fortress Minerals Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 27 March 2019. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). This Press Release has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Press Release. This Press Release has not been examined nor approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this press release, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this Press Release. The contact person for the Sponsor is Ms Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).*

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

Fortress Minerals 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 iron ore concentrates with TFe grade of 65.0% and above, mined from the East, Valley and West Deposits in its Bukit Besi Mine, and sells its iron ore concentrates primarily to steel mills and trading companies in the PRC and Malaysia.

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

### **Issued for and on behalf of Fortress Minerals Ltd. By Financial PR**

For more information please contact:

Romil Singh

Email: [romil@financialpr.com.sg](mailto:romil@financialpr.com.sg)

Jonathan Yeoh

Email: [jonathanyeoh@financialpr.com.sg](mailto:jonathanyeoh@financialpr.com.sg)

Ralph Chen

Email: [qihang@financialpr.com.sg](mailto:qihang@financialpr.com.sg)

Tel: +65 6438 2990

