FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Condensed Interim Financial Statements for the First Quarter and Three Months Ended 31 May 2023 ("1Q FY2024")

Background

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 mineral resources. On 28 June 2023, the Company obtained the approval of its shareholders for the diversification of the Group's business to include the mining of manganese, copper, nickel, cobalt, zinc, lead, tin, chromite, tungsten, gold, silver and other minerals (the "**New Minerals**") and the trading in iron ore and the New Minerals mined or sourced from third parties.

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 First Quarter and Three Months ended 31 May 2023

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

		Group		
		Three months ended		
	Note	31 May 2023 US$	31 May 2022 US$	Change %
Revenue	3	13,252,330	14,598,012	(9.2)
Cost of sales		(4,970,738)	(4,287,925)	15.9
Gross profit		8,281,592	10,310,087	(19.7)
Interest income		33,420	5,550	502.2
Other operating income		69,669	135,139	(48.4)
Selling and distribution expenses		(1,393,922)	(1,651,703)	(15.6)
Other operating expenses		(2,721,798)	(2,130,667)	27.7
Administrative expenses		(613,129)	(415,674)	47.5
Finance costs		(270,964)	(220,423)	22.9
Profit before income tax	4	3,384,868	6,032,309	(43.9)
Income tax expense	5	(881,509)	(1,839,967)	(52.1)
Profit for the financial period		2,503,359	4,192,342	(40.3)
Profit/(Loss) attributable to:				
Owners of the Company		2,510,079	4,200,601	(40.2)
Non-controlling interests		(6,720)	(8,259)	(18.6)
		2,503,359	4,192,342	(40.3)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		(1,673,271)	(2,300,863)	(27.3)
Total comprehensive income for the financial period, net of tax		830,088	1,891,479	(56.1)
Total comprehensive income/(loss) for the financial period attributable to:				
Owners of the Company		831,832	1,899,564	(56.2)
Non-controlling interests		(1,744)	(8,085)	(78.4)
		830,088	1,891,479	(56.1)
Earnings per share attributable to owners of the Company (cents)				
- Basic and diluted	6	0.48	0.84	(42.9)

nm – not meaningful

Condensed interim statements of financial position

	Note	Group 31 May 2023 US$	Group 28 February 2023 US$	Company 31 May 2023 US$	Company 28 February 2023 US$
ASSETS					
Non-current assets					
Investments in subsidiaries		-	-	43,202,184	43,202,161
Exploration and evaluation assets		2,914,330	6,501,873	-	-
Mining properties	8	42,928,833	40,128,657	-	-
Plant and equipment	9	22,080,474	22,911,961	-	-
Right-of-use assets	10	1,418,855	682,770	-	-
Deferred tax assets		-	-	-	-
Intangible asset		2,924,572	3,010,462	-	-
		72,267,064	73,235,723	43,202,184	43,202,161
Current assets					
Inventories		4,329,314	4,672,007	-	-
Trade receivables		4,096,142	3,914,647	-	-
Other receivables, deposits and prepayments		5,979,813	4,534,959	2,029	-
Amounts due from subsidiaries		-	-	10,847,935	7,861,118
Current income tax receivables		673,337	196,637	-	-
Financial assets at fair value through profit or loss		5,577,768	1,466,377	3,777,768	-
Cash and bank balances	11	4,769,917	5,669,596	2,172,683	2,063,001
		25,426,291	20,454,223	16,800,415	9,924,119
Total assets		97,693,355	93,689,946	60,002,599	53,126,280
EQUITY AND LIABILITIES					
Equity					
Share capital	12	28,995,034	22,463,273	28,995,034	22,463,273
Other reserves		(9,642,878)	(7,964,631)	-	-
Retained earnings		50,251,322	47,741,243	18,675,139	17,152,427
		69,603,478	62,239,885	47,670,173	39,615,700
Non-controlling interests		(26,927)	(25,183)	-	-
Total equity		69,576,551	62,214,702	47,670,173	39,615,700
Non-current liabilities					
Bank borrowings	14	6,097,474	7,734,972	4,697,974	5,934,968
Lease liabilities	14	73,651	52,133	-	-
Deferred tax liabilities		3,265,769	3,577,057	-	-
Other payables		2,220,851	2,250,031	2,220,851	2,250,031
		11,657,745	13,614,193	6,918,825	8,184,999
Current liabilities					
Banks borrowings	14	7,008,481	7,129,528	4,947,974	4,947,974
Lease liabilities	14	1,357,479	627,985	-	-
Trade payables		748,964	1,250,832	-	-
Other payables and accruals		7,264,445	8,759,330	444,689	358,231
Amounts due to directors		398	36,757	-	-
Amounts due to subsidiaries		-	-	20,853	19,301
Current income tax payables		79,292	56,619	85	75
		16,459,059	17,861,051	5,413,601	5,325,581
Total liabilities		28,116,804	31,475,244	12,332,426	13,510,580
Total equity and liabilities		97,693,355	93,689,946	60,002,599	53,126,280

Condensed interim statements of changes in equity

Group	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$	Total equity US$
Balance at 1 March 2023	**22,463,273**	**383,615**	**(4,782,270)**	**(3,565,976)**	**47,741,243**	**62,239,885**	**(25,183)**	**62,214,702**
Profit/(loss) for the financial period	-	-	-	-	2,510,079	2,510,079	(6,720)	2,503,359
Other comprehensive income/(loss) for the financial period								
Exchange differences on translating foreign operations	-	-	(1,678,247)	-	-	(1,678,247)	4,976	(1,673,271)
Total comprehensive (loss)/income for the financial period	-	-	(1,678,247)	-	2,510,079	831,832	(1,744)	830,088
Transactions with owners								
Issuance of new ordinary shares	6,531,761	-	-	-	-	6,531,761	-	6,531,761
Total transactions with owners	6,531,761	-	-	-	-	6,531,761	-	6,531,761
Balance at 31 May 2023	**28,995,034**	**383,615**	**(6,460,517)**	**(3,565,976)**	**50,251,322**	**69,603,478**	**(26,927)**	**69,576,551**

Condensed interim statements of changes in equity (continued)

Group	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$	Total equity US$
Balance at 1 March 2022	**22,463,273**	**383,615**	**(1,010,178)**	**(3,565,976)**	**38,534,497**	**56,805,231**	**(20,504)**	**56,784,727**
Profit/(loss) for the financial period	-	-	-	-	4,200,601	4,200,601	(8,259)	4,192,342
Other comprehensive income/(loss) for the financial period								
Exchange differences on translating foreign operations	-	-	(2,301,037)	-	-	(2,301,037)	174	(2,300,863)
Total comprehensive (loss)/income for the financial period	-	-	(2,301,037)	-	4,200,601	1,899,564	(8,085)	1,891,479
Balance at 31 May 2022	**22,463,273**	**383,615**	**(3,311,215)**	**(3,565,976)**	**42,735,098**	**58,704,795**	**(28,589)**	**58,676,206**

Condensed interim statements of changes in equity (continued)

Company	Share capital US$	Retained earnings US$	Total equity US$
Balance at 1 March 2023	**22,463,273**	**17,152,427**	**39,615,700**
Profit for the financial period representing total comprehensive income for the financial period	-	1,522,712	1,522,712
Transactions with owners			
Issuance of new ordinary shares	6,531,761	-	6,531,761
Balance at 31 May 2023	**28,995,034**	**18,675,139**	**47,670,173**

Company	Share capital US$	Retained earnings US$	Total equity US$
Balance at 1 March 2022	**22,463,273**	**13,251,741**	**35,715,014**
Profit for the financial period representing total comprehensive income for the financial period	-	794,922	794,922
Balance at 31 May 2022	**22,463,273**	**14,046,663**	**36,509,936**

Condensed interim consolidated statements of cash flows

	Note	Group Three months ended 31 May 2023 US$	 31 May 2022 US$
Operating activities			
Profit before income tax		3,384,868	6,032,309
Adjustments for:			
Amortisation of mining properties		82,072	78,733
Depreciation of plant and equipment		327,741	385,387
Depreciation of right-of-use assets		116,797	185,382
Interest expenses		270,964	220,423
Interest income		(33,420)	(5,550)
Gain on disposal of plant and equipment		(45,411)	-
Gain on modification of lease contracts		(377)	(1,134)
Unrealised foreign exchange loss/(gain)		84,951	(84,173)
Operating cash flow before working capital changes		4,188,185	6,811,377
Working capital changes:			
Inventories		1,529,832	890,729
Trade and other receivables		(2,391,753)	(3,188,786)
Trade and other payables		(1,204,807)	2,506,277
Cash generated from operations		2,121,457	7,019,597
Income tax paid		(1,612,919)	(1,162,116)
Net cash flow generated from operating activities		508,538	5,857,481
Investing activities			
Additions of exploration and evaluation assets		(242,494)	(2,316,505)
Additions of mining properties		(244,361)	(208,859)
Additions of plant and equipment		(737,668)	(2,238,477)
Proceeds from disposal of plant and equipment		51,451	-
Purchase of financial asset at fair value through profit or loss, net		(4,092,431)	-
Interest received		14,460	5,550
Net cash flow used in investing activities		(5,251,043)	(4,758,291)
Financing activities			
Interest paid		(262,243)	(220,423)
Increase in short-term deposit pledged		(256)	(256)
Repayments of bank borrowings		(1,895,821)	(1,431,994)
Repayments of lease liabilities		(487,263)	(484,803)
Proceed from issuance of new ordinary shares		6,531,761	-
Net cash flow generated from/(used in) financing activities		3,886,178	(2,137,476)
Net change in cash and cash equivalents		(856,327)	(1,038,286)
Effects of exchange rate changes on cash and cash equivalents		(43,608)	71,107
Cash and cash equivalents at beginning of financial period		3,667,825	4,910,429
Cash and cash equivalents at end of financial period	11	2,767,890	3,943,250

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 ended 31 May 2023 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 period ended 31 May 2023 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 annual financial statements for the year ended 28 February 2023.

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 2023. 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 2023.

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 note:

- *Impairment assessment of mining 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 mining assets taking into consideration the remaining estimated mining resource, production costs, iron ore prices and continuation of the production activities.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below:

- *Amortisation of mining properties*

  Mining properties are amortised on a unit of production basis over the economically recoverable resources of the mine concerned except for the mining rights which is amortised over the term of permit. Management have engaged external expert to review and revise the estimates of the recoverable resources of the mines and remaining useful life and residual values of mining properties at the end of each reporting date. Any changes in estimates of the recoverable resource of the mine and, the useful life and residual values of the mining properties would impact the amortisation charges and consequently affect the Group's financial performance.

- *Impairment of goodwill arising from acquisition of Fortress Mengapur Group*

  Management determines whether goodwill is impaired at least on an annual basis and whenever there is an indication that they are impaired. The process of evaluating potential impairment of goodwill requires significant judgements and assumptions. Management estimates the recoverable amount of the cash-generating-unit ("CGU") to which the goodwill has been allocated. Recoverable amount of the CGU is determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to discount rate used for the discounted cash flow model as well as the expected future cash inflows. Any excess of the carrying values over the discounted future cash flows are recognised as impairment loss in profit or loss.

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 and investment holding activities 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 income to the Group.

3.1 Reportable segments

1Q FY2024	Iron Ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	13,252,330	-	13,252,330
Results:			
Interest income	1,236	32,184	33,420
Gain on disposal of plant and equipment	45,411	-	45,411
Amortisation of mining properties	(82,072)	-	(82,072)
Depreciation of right-of-use assets	(116,797)	-	(116,797)
Depreciation of plant and equipment	(327,741)	-	(327,741)
Interest expense	(270,964)	-	(270,964)
Segment profit/(loss)	3,640,264	(255,396)	3,384,868
Assets:			
Additions to non-current assets	1,694,642	-	1,694,642
Segment assets	93,742,902	3,950,453	97,693,355
Segment liabilities	(27,805,256)	(311,548)	(28,116,804)

1Q FY2023	Iron Ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	14,598,012	-	14,598,012
Results:			
Interest income	5,294	256	5,550
Amortisation of mining properties	(78,733)	-	(78,733)
Depreciation of right-of-use assets	(185,382)	-	(185,382)
Depreciation of plant and equipment	(385,387)	-	(385,387)
Interest expense	(220,423)	-	(220,423)
Segment profit/(loss)	6,194,924	(162,615)	6,032,309
Assets:			
Additions to non-current assets	5,012,428	-	5,012,428
Segment assets	94,495,650	227,054	94,722,704
Segment liabilities	(35,171,963)	(874,535)	(36,046,498)

3.2 Disaggregation of revenue

Group	Three months ended 31 May 2023 US$	Three months ended 31 May 2022 US$
Geographical information:		
Malaysia	13,252,330	13,015,589
People's Republic of China	-	1,582,423
	13,252,330	14,598,012
Timing of revenue recognition:		
At a point in time	13,252,330	14,598,012

Seasonality of operations

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

4. Profit before income tax

4.1 Significant items

Group	Three months ended 31 May 2023 US$	Three months ended 31 May 2022 US$
Income		
Gain on disposal of plant and equipment	45,411	-
Expenses		
Amortisation of mining properties	82,072	78,733
Depreciation charge of:		
- plant and equipment	327,741	385,387
- right-of-use assets	116,797	185,382
Foreign exchange loss, net	268,960	151,092
Interest expenses on:		
- borrowings	262,243	201,868
- lease liabilities	8,721	18,555
Commission expense	285,992	256,577
Handling and transportation	324,564	336,351
Ocean freight	-	679,042
Royalty expense	752,723	312,741
Upkeep of machinery	740,068	391,447
Upkeep of motor vehicles	183,712	176,956

4. Profit before income tax (continued)

4.2 Related party transactions

Material transactions with related parties are as follows:

Group	**Three months ended**	
	31 May 2023 US$	**31 May 2022 US$**
Transactions with shareholder cum director		
Lease payments to:		
-Webcon Venture Sdn Bhd	13,422	9,805

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**	
	31 May 2023 US$	**31 May 2022 US$**
Directors' fees	129,937	109,989
Salaries and other emoluments	615,363	666,946
Contributions to defined contribution plans	54,134	36,291
Social security contributions	130	108
	799,564	813,334

(the remainder of this page is intentionally left blank)

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**	
	31 May 2023 US$	**31 May 2022 US$**
Current income tax expense	1,144,559	1,938,094
Deferred tax relating to reversal of temporary differences	(263,050)	(98,127)
Income tax expense recognised in profit or loss	881,509	1,839,967

6. Earnings per ordinary share ("EPS")

Group	**Three months ended**	
	31 May 2023 US$	**31 May 2022 US$**
Net profit attributable to owners of the Company (US$)	2,510,079	4,200,601
Weighted average number of ordinary shares	520,704,187	500,000,000
Basic and diluted EPS (US cents)	0.48	0.84

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.

(the remainder of this page is intentionally left blank)

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 31 May 2023 and 28 February 2023:

	Group		Company	
	31 May 2023 US$	28 February 2023 US$	31 May 2023 US$	28 February 2023 US$
Financial assets carried at amortised cost				
Trade receivables	4,096,142	3,914,647	-	-
Other receivables and deposits (excluding prepayments)	2,376,316	2,610,016	2,029	-
Amounts due from subsidiaries	-	-	10,847,935	7,861,118
Cash and bank balances	4,769,917	5,669,596	2,172,683	2,063,001
	11,242,375	12,194,259	13,022,647	9,924,119
Financial assets carried at fair value				
Financial assets at FVTPL	5,577,768	1,466,377	3,777,768	-
Total financial assets	16,820,143	13,660,636	16,800,415	9,924,119
Presented as				
Current assets	16,820,143	13,660,636	16,800,415	9,924,119

	Group		Company	
	31 May 2023 US$	28 February 2023 US$	31 May 2023 US$	28 February 2023 US$
Financial liabilities carried at amortised cost				
Banks borrowings	13,105,955	14,864,500	9,645,948	10,882,942
Lease liabilities	1,431,130	680,118	-	-
Trade payables	748,964	1,250,832	-	-
Other payables and accruals	7,131,218	8,626,103	311,463	225,004
Amounts due to directors	398	36,757	-	-
Amounts due to subsidiaries	-	-	20,853	19,301
	22,417,665	25,458,310	9,978,264	11,127,247
Financial liability carried at fair value				
Contingent consideration *****	2,354,077	2,383,258	2,354,077	2,383,258
Total financial liabilities	24,771,742	27,841,568	12,332,341	13,510,505
Presented as				
Current liabilities	16,379,766	17,804,432	5,413,516	5,325,506
Non-current liabilities	8,391,976	10,037,136	6,918,825	8,184,999

7. **Financial assets and financial liabilities** (continued)

* As part of the acquisition of the entire issued and paid-up share capital in Fortress Mengapur Group from 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 free digging oxide magnetite iron materials contained on the top soil at certain areas of the tenement held by CASB in accordance with the terms thereof. This portion of the consideration was determined to be contingent, as it is based on the performance of Fortress Mengapur Group.

As at 31 May 2023, the condition of Fortress Mengapur Group 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 31 May 2023 reflected this development.

The fair value is determined using the discounted cash flow method. This is a level 3 fair value measurement.

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			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$	**US$**	**US$**	**US$**
Group				
31 May 2023				
<u>Financial asset</u>				
Financial asset at FVTPL	-	5,577,768	-	5,577,768
<u>Financial liability</u>				
Contingent consideration	-	-	2,354,077	2,354,077
28 February 2023				
<u>Financial asset</u>				
Financial asset at FVTPL	-	1,466,377	-	1,466,377
<u>Financial liability</u>				
Contingent consideration	-	-	2,383,258	2,383,258

7. Financial assets and financial liabilities (continued)

Fair value hierarchy (continued)

	Fair value measurement using			
	Level 1 **US$**	**Level 2** **US$**	**Level 3** **US$**	**Total** **US$**
Company				
31 May 2023				
Financial asset				
Financial asset at FVTPL	-	3,777,768	-	3,777,768
Financial liability				
Contingent consideration	-	-	2,354,077	2,354,077
28 February 2023				
Financial liability				
Contingent consideration	-	-	2,383,258	2,383,258

8. Mining properties

During the three months ended 31 May 2023, the Group incurred additions of mining properties expenditures amounting to US$0.2 million (31 May 2022: US$0.2 million).

9. Plant and equipment

Acquisitions and disposals

During the three months ended 31 May 2023, the Group acquired plant and equipment with cost of US$0.7 million (31 May 2022: US$2.2 million), excluding capitalisation of depreciation charge of right-of use assets and motor vehicles of US$16,158 (31 May 2022: US$213,170).

Plant and equipment with net book value of US$6,040 (31 May 2022: Nil) were disposed by the Group during the three months ended 31 May 2023, resulting in a net gain on disposal of US$45,411 (31 May 2022: Nil).

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 period ended 31 May 2023, the Group recognised addition of right-of-use assets for motor vehicles and premises amounting to US$0.2 million (31 May 2022: Nil).

The Group renegotiated and modified existing lease contracts for a few motor vehicles during the three months ended 31 May 2023 which were accounted for as a lease modification with increase to the right-of-use assets and lease liabilities of US$1.1 million (31 May 2022: US$2,258) and US$1.1 million (31 May 2022: US$1,124) respectively, resulting in gain on modification of lease contracts of US$377 (31 May 2022: US$1,134).

11. Cash and bank balances

	Group		Company	
	31 May 2023 US$	28 February 2023 US$	31 May 2023 US$	28 February 2023 US$
Cash at banks	2,709,570	3,139,183	170,656	61,230
Cash on hand	44,232	35,856	-	-
Short term deposits	2,016,115	2,494,557	2,002,027	2,001,771
	4,769,917	5,669,596	2,172,683	2,063,001

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

	Group	
	31 May 2023 US$	28 February 2023 US$
Cash and bank balances as above	4,769,917	5,669,596
Less: Short term deposit pledged	(2,002,027)	(2,001,771)
Cash and cash equivalents per consolidated statement of cash flows	2,767,890	3,667,825

12. Share capital

	Group and Company			
	As at 31 May 2023		As at 28 February 2023	
	Number of shares	Amount US$	Number of shares	Amount US$
Total number of issued shares excluding treasury shares	523,316,100	28,995,034	500,000,000	22,463,273

The Company did not have any treasury shares as at 31 May 2023. There were no subsidiary holdings during and as at the end of the current financial period reported on.

13. Net Asset Value

	Group		Company	
	31 May 2023	28 February 2023	31 May 2023	28 February 2023
Net asset value ("NAV") (US$)	69,603,478	62,239,885	47,670,173	39,615,700
Total number of issued shares excluding treasury shares	523,316,100	500,000,000	523,316,100	500,000,000
NAV per Share (US cents)	13.30	12.45	9.11	7.92

14. Borrowings and lease liabilities

	Group		Company	
	31 May 2023 US$	28 February 2023 US$	31 May 2023 US$	28 February 2023 US$
Repayable within one year or on demand				
Secured				
- Banks borrowings	7,008,481	7,129,528	4,947,974	4,947,974
Unsecured				
- Leases liabilities	1,357,479	627,985	-	-
	8,365,960	7,757,513	4,947,974	4,947,974
Repayable after one year				
Secured				
- Banks borrowings	6,097,474	7,734,972	4,697,974	5,934,968
Unsecured				
- Leases liabilities	73,651	52,133	-	-
	6,171,125	7,787,105	4,697,974	5,934,968

The Group's secured borrowings as at 31 May 2023 comprised:

(i) banks 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$2.9 million (28 February 2023: US$3.1 million); and

(ii) bank borrowings which were used to finance part of the acquisition of Fortress Mengapur are secured via a 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 11).

15. Capital commitments

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

	Group	
	31 May 2023 US$	28 February 2023 US$
Capital expenditures contracted but not provided for		
- Plant and equipment	65,678	258,515

16. Subsequent events

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

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 31 May 2023 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 three months 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 2023 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

<u>Condensed interim consolidated statement of profit or loss and other comprehensive income</u>

<u>Revenue</u>

Below is a summary of the iron ore sales performance of the Group for the financial period ended 31 May 2023 ("**1Q FY2024**") and the comparative financial period ended 31 May 2022 ("**1Q FY2023**").

	1Q FY2024	1Q FY2023	Increase/ (Decrease) (%)
Sold (**DMT***)	126,324	121,425	4.0
Revenue realised [1] **(US$)**	13,254,486	14,546,695	(8.9)
Average realised selling price **(US$/DMT)**	104.92	119.80	(12.4)

* DMT denotes Dry Metric Tonnes
(1) Excluding effect of foreign exchange.

The Group achieved lower revenue of US$13.3 million in 1Q FY2024, a reduction from 1Q FY2023 by 8.9% or US$1.2 million, resulting from a decrease in average realised selling price.

Sales volume increased by 4.0% or 4,899DMT in 1Q FY2024 with 126,324DMT of iron ore product sold, reflecting resilient demand from regional markets and higher production volume achieved.

The overall decrease in revenue resulted from a lower average realised selling price of US$104.92/DMT recorded in 1Q FY2024, a decrease of 12.4% or US$14.88/DMT due to the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices weakening in 1Q FY2024 as compared to 1Q FY2023.

Cost of sales

	1Q FY2024	1Q FY2023	Increase/ (Decrease) (%)
Sold **(WMT*)**	138,722	133,662	3.8
Cost of sales **(US$)**	4,970,738	4,287,925	15.9
Average unit cost of sales **(US$/WMT)**	35.83	32.08	11.7

* WMT denotes Wet Metric Tonnes

The Group's average unit cost of sales increased by 11.7% or US$3.75/WMT to US$35.83/WMT in 1Q FY2024, which was driven by higher inflation of production costs in 1Q FY2024 as a result of increased electricity tariff rates and labour costs.

Gross profit and gross profit margin

Gross profit for 1Q FY2024 of US$8.3 million was 19.7% or US$2.0 million lower than 1Q FY2023, with a gross profit margin of 62.5% (1Q FY2023: 70.6%) which is primarily reflective of lower average realised selling price, coupled with higher unit cost driven by rising production costs in 1Q FY2024.

Other operating income

The Group's other operating income decreased by US$65,470 to US$69,669 in 1Q FY2024. The decrease was mainly due to the absence of one-off unrealised gain on foreign currency translation in 1Q FY2024 as compared to 1Q FY2023.

Selling and distribution expenses

Selling and distribution expenses decreased by US$0.3 million to US$1.4 million in 1Q FY2024, primarily due to the absence of ocean freight charges as there was no export of sales to China in 1Q FY2024 as compared to 1Q FY2023. However, the decrease was offset by the increase in royalty expenses arising from the increase in royalty rate for the Bukit Besi mine set by the state government of Terengganu during 2Q FY2023 to better reflect the current market conditions of the iron ore market.

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$0.6 million to US$2.7 million in 1Q FY2024 primarily due to the increase in plants maintenance expenses of US$0.5 million in 1Q FY2024 as a result of higher upkeep and maintenance of machineries.

Administrative expenses

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

Administrative expenses increased by US$0.2 million to US$0.6 million in 1Q FY2024 primarily due to a one-off donation of US$0.1 million made to a charity foundation as part of our on-going initiative to support our local communities.

Finance costs

Finance costs comprised interest expenses on banks borrowings and lease liabilities. The increase was mainly attributable to an increase of interest expense paid of US$0.1 million for a bank borrowing granted to the Group to finance part of the acquisition of Fortress Mengapur.

Income tax expense

Income tax expense decreased by US$1.0 million to US$0.9 million in 1Q FY2024. The decrease was in line with lower profit before tax generated in 1Q FY2024.

The Group's effective tax rate in 1Q FY2024 was 26.0% which is higher than the Group's applicable tax rate of 24% mainly due to non-deductibility of certain expenses and losses in certain subsidiaries that are not available to offset against taxable profits in other subsidiaries within the Group.

Profit after income tax

In 1Q FY2024, the Group's profit after income tax decreased by US$1.7 million or 40.3% to US$2.5 million from US$4.2 million in 1Q FY2023 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 31 May 2023 and 28 February 2023.

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 and goodwill. The Group's non-current assets decreased by US$0.9 million from US$73.2 million as at 28 February 2023 to US$72.3 million as at 31 May 2023.

Exploration and evaluation assets decreased by US$3.6 million to US$2.9 million as at 31 May 2023, mainly due to the reclassification of US$3.8 million to mining properties as we have started developing and mining the exploration area at the Bukit Besi mine in 1Q FY2024 which however, was mitigated by the on-going exploration activities undertaken by the Group at the CASB mine of US$0.1 million and the Sabah exploration areas of US$0.1 million in 1Q FY2024.

Mining properties increased by US$2.8 million to US$42.9 million as at 31 May 2023. The increase is primarily attributable to the:

- reclassification of US$3.8 million from exploration and evaluation assets; and

- mining development expenditure incurred to gain access to mineral deposits and for mine processing purposes at the CASB mine amounting to US$0.2 million.

However, the increase was partially cushioned by the following:

- amortisation charges of US$0.3 million; and

- the effects of exchange translation differences of US$0.9 million due to the weakening of exchange rate movement of RM against USD.

Plant and equipment decreased by US$0.8 million due to the effects of exchange translation differences of US$0.7 million and depreciation charges of US$1.1 million, to US$22.1 million as at 31 May 2023 from US$22.9 million as at 28 February 2023. The decrease was partially cushioned by the:

- construction work-in-progress of processing plants in the CASB mine amounting to US$0.4 million; and

- additions of fleet truck and machineries acquired amounting to US$0.4 million and US$0.1 million respectively.

Right-of-use assets at the Group level refers to the leases of motor vehicles, machineries, office and hostels premises for use at both the Bukit Besi and CASB mine. Right-of-use assets increased by US$0.7 million to US$1.4 million as at 31 May 2023, which was attributable to a modification of lease terms which amounted to US$1.1 million but was partially mitigated by the depreciation charges amounting to US$0.5 million.

The goodwill arising from the acquisition of Fortress Mengapur had decreased by US$0.1 million to US$2.9 million as at 31 May 2023 due to the effects of exchange translation differences from the weakening of exchange rate movement of RM against USD.

<u>Current assets</u>

As at 31 May 2023, the Group's current assets remained solid and stood at US$25.4 million compared to US$20.5 million as at 28 February 2023. The increase was mainly attributable to the following:

- increase in trade receivables by US$0.2 million contributed by the billing for sales towards the end of 1Q FY2024;

- increase in other receivables, deposits and prepayments by US$1.4 million which was mainly attributable to the increase in prepayments to suppliers for purchase of plant and equipment of US$1.4 million;

- increase in financial assets at fair value through profit or loss by US$4.1 million which comprise of money-market funds in 1Q FY2024.

However, it was partially cushioned by:

- a decrease in cash and bank balances of US$0.9 million which was primarily due to purchase of plant and equipment in CASB and repayments of borrowings and payables; and

- a decrease in inventories by US$0.3 million driven by an increase in inventory traffic on production and consumable inventories as a result of higher sales volume achieved.

<u>Non-current liabilities</u>

As at 31 May 2023, the Group's non-current liabilities decreased by US$1.9 million to US$11.7 million from US$13.6 million as at 28 February 2023.

The decrease was mainly due to the:

(i) decrease in non-current bank borrowings as a result of the reclassification of non-current bank borrowings of US$1.6 million to current liabilities based on its maturity profile; and

(ii) decrease in deferred tax liabilities of US$0.3 million which was due to realisation of tax credits against profit generated for the current financial period.

<u>Current liabilities</u>

As at 31 May 2023, the Group's current liabilities decreased by US$1.4 million from US$17.9 million as at 28 February 2023 to US$16.5 million.

The decrease was primarily due to the:

(i) repayment of bank borrowings and lease liabilities of US$1.9 million and US$0.5 million respectively made in 1Q FY2024; and

(ii) decrease in trade and other payables of US$2.0 million due to higher repayments made in 1Q FY2024.

The decrease was offset by the reclassification from non-current bank borrowings of US$1.6 million and addition of lease liabilities from new and modification leases of US$1.3 million.

Working capital

Consequent to the Group's profitability and positive net operating cashflow, the Group continues to record a positive working capital position of US$9.0 million as at 31 May 2023 as compared to US$2.6 million as at 28 February 2023.

Condensed interim consolidated statements of cash flows

In 1Q FY2024, the Group's net cash generated from operating activities decreased to US$0.5 million as compared to the US$5.9 million in 1Q FY2023.

The decrease in operating cash flow of US$5.4 million, after adjusting for working capital outflows of US$2.1 million was mainly attributable to the higher repayments made to trade and other payables in 1Q FY2024.

In 1Q FY2024, the Group's net cash flow used in investing activities increased by US$0.5 million to US$5.3 million as compared to the net cash flow used of US$4.8 million in 1Q FY2023. The increase was primarily attributable to:

- the increase in purchase of financial asset at FVTPL which comprise of money market funds of US$4.1 million in 1Q FY2024; and
- partially cushioned by the decrease in payments made for the additions of exploration and evaluation assets and plant and equipment of US$2.1 million and US$1.5 million respectively.

In 1Q FY2024, the Group's net cash flow generated from financing activities was US$3.9 million as compared to the net cash flow used in financing activities of US$2.1 million in 1Q FY2023. The increase of US$6.0 million was primarily due to issuance of new ordinary shares of US$6.5 million. However, the increase was mitigated by the higher repayments of bank borrowings of US$0.5 million in 1Q FY2024.

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 1.2% year-on-year for January to May 2023[1]. China, the world's largest steel-producing country, posted a 1.6% increase for January to May 2023 compared to the corresponding period last year to 444.6 million tonnes.

[1] The World Steel Association, 21 June 2023 May 2023 crude steel production

This had been attributable to strong demand from Asia and Africa boosting steel exports, offsetting a months-long slump in the country's huge property sector which pushed steel prices to three-year lows in May[2]. A pick-up in construction of China-backed projects abroad after a three-year hiatus due to the COVID-19 pandemic also contributed to higher exports. While iron ore rebounded strongly in early 2023 after falling more than 50% in the second half of 2022, prices are expected to moderate over the next five years[3].

India, the second-largest global steel producer is expected to grow its steel consumption by 7.5% during the current fiscal year to March 2024, boosted by rising demand from the domestic construction, railways and capital goods sector.[4] The government aims to reach an annual steel production of 300 million tons by 2030, up from approximately 125 million tons presently[5].

The Indian Steel Association (ISA) and the ASEAN Iron and Steel Council (AISC) have also signed a memorandum of understanding (MoU) for bilateral cooperation between the Indian and ASEAN steel industries.[6] The MoU is expected to be a positive development for the global steel industry, helping to ensure the industry is able to meet the growing demand for steel in a sustainable way.

Malaysia's economy continues to strengthen, growing 5.6% year-on-year for January to March 2023, outperforming economists' expectations. This was mainly driven by domestic demand, with further improvement in the labour market and continued expansion in wages supporting private consumption[7]. Malaysia's economy is expected to expand in a range of 4% to 5% in 2023, underpinned by strong domestic demand despite international turbulence.

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.

<u>Operational developments</u>

The Group was granted two new prospecting licences to subsidiaries of Fortress Minerals, 65%-owned Saga Mineral Sdn. Bhd. ("**SMSB**") and 51%-owned Kencana Primary Sdn. Bhd. ("**KPSB**"), to prospect for nickel, copper and cobalt minerals. Exploration activities in these two areas had commenced in May 2023. The prospecting licences offer the opportunity to expand the Group's commodities profile and diversify its revenue streams.

On 4 April 2023, the Group entered into a new nine-month offtake agreement with a third-party domestic steel mill in Malaysia for approximately 270,000 wet metric tonnes ("**WMT**") of iron ore. This is a testament to the consistent demand for the Group's high grade iron ore concentrate, efficient business operations, and strong business relationships with its customers.

The Group is continuing its efforts on the exploration and evaluation in the East, Valley and West Deposits at the Bukit Besi Mine, to ensure that it has sufficient Mineral Resources for cost-efficient growth. Concurrently, the Group is building up its production capabilities at the Cermat Aman Sdn Bhd ("**CASB**") mine, with the addition of a new integrated processing plant. This will enable the Group to produce high grade iron ore, copper and pyrrhotite concentrate.

---

[2] Reuters, 29 June 2023: China steel exports seen surging to seven-year high as home demand wilts

[3] Mining.com, 4 April 2023: Iron ore price expected to ease over next 5 years on slower demand growth and more supply

[4] Reuters. 27 May 2023: India's steel demand to grow 7.5% in 2023-24, industry body says

[5] Oilprice.com, 20 Jun 2023: India Is Becoming A New Powerhouse In Global Steel Production

[6] Construction World, 30 May 2023: ISA, AISC sign MoU for steel industry cooperation.

[7] Nikkei Asia, 12 May 2023: Malaysia GDP up 5.6% in Q1, topping forecasts as inflation settles

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 explore various fund-raising opportunities to enhance its cash balances for its operational needs. The Group will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

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.

The issued and paid-up share capital of the Company from 28 February 2023 up to 31 May 2023 had increased by 23,316,100 shares to 523,316,100 shares pursuant to the placement of 23,316,100 placement shares, which was completed on 10 April 2023. The Company's share capital was US$28,995,034 comprising 523,316,100 shares as at 31 May 2023 and US$22,463,273 comprising 500,000,000 shares as at 28 February 2023.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 31 May 2023 and 31 May 2022.

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 31 May 2023	**As at 28 February 2023**
Total number of issued shares excluding treasury shares	523,316,100	500,000,000

The Company did not have any treasury shares as at 31 May 2023 and 28 February 2023.

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 2023.

10. Dividend information

a) Current financial period reported on

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended for the current reporting period.

b) Corresponding period of the immediately preceding financial year

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

No dividend has been declared or recommended for the corresponding reporting period.

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

Not applicable.

d) Date payable

Not applicable.

e) Books closure date

Not applicable.

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

No dividend has been declared or recommended during 1Q FY2024 to enable the Group to conserve cash for its working capital purposes.

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 1Q FY2024, there were no interested person transactions of S$100,000 and above.

13. 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)).

14. Use of proceeds pursuant to Rule 704(30)

On 10 April 2023, our Company received S$8.7 million (net of placement expenses of S$0.3 million) as placement net proceeds. As at the date of this announcement, the status on the use of the placement net proceeds is as follows:

Use of net proceeds	**Amount allocated**	**Amount utilised**	**Balance**
	S$'000	S$'000	S$'000
Further development of the CASB mine, including continuing and future exploration and geology work, as well as addition of a new integrated processing plant	5,200	(1,000) [(1)]	4,200
Prospecting expenditures in relation to the two prospecting licenses in Sabah	3,500	(1,000) [(2)]	2,500
Total	**8,700**	**(2,000)**	**6,700**

(1) utilised for payment for purchase of machinery parts for the new integrated processing plant.
(2) utilised for payment of licensing fees, operating expenses and employee benefit expenses.

The above utilisation of the placement proceeds is in accordance with the intended use as stated in the Company's announcement dated 20 March 2023 in relation to the placement of 23,316,100 new ordinary shares in the capital of the Company.

At the appropriate juncture, our Group will deploy the remaining placement proceeds as the Group intends to further develop the CASB mine and undertake exploration activities in Sabah. Pending such deployment, funds have been placed in interest bearing deposits with licenced banks in Singapore and Malaysia.

The Company will make periodic announcements on the utilisation of the proceeds from the placement as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its quarterly and full year financial statements.

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

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

During 1Q FY2024, 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	0.24	0.33
Cost of sales	4.97	6.42
Selling and distribution costs	1.39	2.89
Total	**6.60**	**9.64**

During 1Q FY2024, the Group's cost of sales was lower than the projected amount by US$1.5 million as a result of the higher than projected closing inventory as at 1Q FY2024.

In 1Q FY2024, the selling and distribution costs were lower than the projected amount by US$1.5 million, primarily due to the absence of ocean freight charges as there was no export sales in 1Q FY2024.

The Group utilised less than planned funds in exploration and evaluation activities in 1Q FY2024 as the Group prioritised on its production to meet on-going and continuous sales orders received during the quarter under review.

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

Purpose	Amount (US$ million)
Exploration and evaluation activities	0.65
Cost of sales	5.10
Selling and distribution costs	2.07
Total	**7.82**

The Group will continue its exploration and evaluation activities at its East, Valley and West Deposits of Bukit Besi Mine, tenements held by Fortress Mengapur and prospecting areas in Sabah during the second quarter of FY2024 ("**2Q FY2024**").

The Group expects to incur higher exploration and evaluation costs in 2Q FY2024 from the projected expenditures to be incurred for exploration activities in Sabah.

Total exploration and evaluation expenses, cost of sales, and selling and distribution costs expected to be incurred are as tabulated above.

16. Negative Confirmation by the Board pursuant to Rule 705(6)(b) of Catalist 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.

17. 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.

The Group has continued to carry out exploration and evaluation activities at our East, Valley and West Deposits at Bukit Besi mine, tenements held by Fortress Mengapur and prospecting areas in Sabah. These exploration and evaluation activities include ground and air-borne geological survey, sampling, exploration and laboratory assay activities. All of these activities are being undertaken by our in-house team of geologists. Cost incurred for these exploration and evaluation activities are as tabulated in Section 15 above.

(the remainder of this page is intentionally left blank)

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

Incorporation of FM Nickel Sdn. Bhd. ("FM Nickel")

The Company has, on 18 April 2023, incorporated a wholly-owned subsidiary in Malaysia known as FM Nickel Sdn. Bhd. ("**FM Nickel**").

The share capital of FM Nickel is RM100.00. The intended principal activity of FM Nickel is for acquisition of mines, mining rights, quarries and trading in minerals. However, FM Nickel has remained dormant since its date of incorporation.

The incorporation of FM Nickel was funded through internal resources and will not have any material impact on the net tangible assets and earnings per share of the Group for the financial year ending 28 February 2024.

BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED

Dato' Sri Ivan Chee
Chief Executive Officer
12 July 2023

*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 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.

Confirmation by the Board

On behalf of the Board of Directors of the Company, we the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the 3-months period ended 31 May 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dato' Sri Ivan Chee Executive Director	Ng Mun Fey Executive Director

Singapore
12 July 2023