FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Condensed Interim Financial Statements for the Second Quarter and Six Months Ended 31 August 2022 (“2Q FY2023”)

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

The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 27 March 2019. The initial public offering of the Company (the “**IPO**”) was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”).

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

Part I – Condensed Interim Financial Statements for the Second Quarter and Six Months ended 31 August 2022

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

		Group Three months ended			Group Six months ended		
	Note	31 August 2022 US$	31 August 2021 US$	Change %	31 August 2022 US$	31 August 2021 US$	Change %
Revenue	3	15,517,512	9,984,624	55.4	30,115,524	27,267,929	10.4
Cost of sales		(4,366,748)	(1,862,017)	134.5	(8,654,673)	(5,240,468)	65.2
Gross profit		11,150,764	8,122,607	37.3	21,460,851	22,027,461	(2.6)
Interest income		3,889	2,885	34.8	9,439	6,542	44.3
Other operating income		138,393	149,767	(7.6)	273,532	302,482	(9.6)
Selling and distribution expenses		(1,708,574)	(767,425)	122.6	(3,360,277)	(2,489,194)	35.0
Other operating expenses		(2,522,832)	(2,790,615)	(9.6)	(4,653,499)	(5,295,280)	(12.1)
Administrative expenses		(509,484)	(381,255)	33.6	(925,158)	(825,016)	12.1
Finance costs		(246,906)	(191,181)	29.1	(467,329)	(223,136)	109.4
Profit before income tax	4	6,305,250	4,144,783	52.1	12,337,559	13,503,859	(8.6)
Income tax expense	5	(1,444,574)	(863,301)	67.3	(3,284,541)	(3,022,780)	8.7
Profit for the financial period		4,860,676	3,281,482	48.1	9,053,018	10,481,079	(13.6)
Profit/(Loss) attributable to:							
Owners of the Company		4,865,662	3,287,486	48.0	9,066,263	10,487,451	(13.6)
Non-controlling interests		(4,986)	(6,004)	(16.9)	(13,245)	(6,372)	107.9
		4,860,676	3,281,482	48.1	9,053,018	10,481,079	(13.6)
Other comprehensive income							
Item that may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations		(1,132,877)	(214,129)	429.1	(3,433,740)	(957,183)	258.7
Total comprehensive income for the financial period, net of tax		3,727,799	3,067,353	21.5	5,619,278	9,523,896	(41.0)
Total comprehensive income/(loss) for the financial period attributable to:							
Owners of the Company		3,731,762	3,073,349	21.4	5,631,326	9,530,260	(40.9)
Non-controlling interests		(3,963)	(5,996)	(33.9)	(12,048)	(6,364)	89.3
		3,727,799	3,067,353	21.5	5,619,278	9,523,896	(41.0)
Earnings per share attributable to owners of the Company (cents)							
- Basic and diluted	6	0.97	0.66	47.0	1.81	2.10	(13.8)

nm – not meaningful

Condensed interim statements of financial position

	Note	Group 31 August 2022 US$	Group 28 February 2022 US$	Company 31 August 2022 US$	Company 28 February 2022 US$
ASSETS					
Non-current assets					
Investments in subsidiaries		-	-	43,618,390	43,506,085
Exploration and evaluation assets		5,817,555	3,569,637	-	-
Mining properties	8	39,924,112	41,154,609	-	-
Plant and equipment	9	23,605,513	23,394,351	-	-
Right-of-use assets	10	1,447,129	2,540,359	-	-
Deferred tax assets		600,791	337,581	-	-
Goodwill		3,267,053	3,267,053	-	-
		74,662,153	74,263,590	43,618,390	43,506,085
Current assets					
Inventories		2,974,018	3,104,477	-	-
Trade receivables		4,266,678	1,317,621	-	-
Other receivables, deposits and prepayments		4,040,814	6,388,783	-	-
Amounts due from subsidiaries		-	-	7,537,151	7,500,000
Current income tax receivables		56,027	49,072	-	-
Cash and bank balances	11	7,925,264	6,911,225	3,456,576	2,609,992
		19,262,801	17,771,178	10,993,727	10,109,992
Total assets		93,924,954	92,034,768	54,612,117	53,616,077
EQUITY AND LIABILITIES					
Equity					
Share capital	12	22,463,273	22,463,273	22,463,273	22,463,273
Other reserves		(7,627,476)	(4,192,539)	-	-
Retained earnings		44,690,698	38,534,497	16,760,818	13,251,741
		59,526,495	56,805,231	39,224,091	35,715,014
Non-controlling interests		(16,890)	(20,504)	-	-
Total equity		59,509,605	56,784,727	39,224,091	35,715,014
Non-current liabilities					
Banks borrowings	15	12,205,379	15,757,516	9,658,955	12,132,942
Lease liabilities	15	73,032	568,963	-	-
Deferred tax liabilities		3,374,851	3,484,378	-	-
Other payables		393,471	393,471	393,471	393,471
		16,046,733	20,204,328	10,052,426	12,526,413
Current liabilities					
Banks borrowings	15	6,817,742	6,356,953	4,947,974	4,947,974
Lease liabilities	15	1,317,181	1,918,110	-	-
Trade payables		1,534,588	985,838	-	-
Other payables and accruals		6,427,074	4,986,980	386,778	394,836
Amounts due to subsidiaries		-	-	793	31,806
Current income tax payables		2,272,031	797,832	55	34
		18,368,616	15,045,713	5,335,600	5,374,650
Total liabilities		34,415,349	35,250,041	15,388,026	17,901,063
Total equity and liabilities		93,924,954	92,034,768	54,612,117	53,616,077

Condensed interim statements of changes in equity

Group	Note	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		-	-	-	-	9,066,263	9,066,263	(13,245)	9,053,018
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	(3,434,937)	-	-	(3,434,937)	1,197	(3,433,740)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(3,434,937)	-	-	(3,434,937)	1,197	(3,433,740)
Total comprehensive (loss)/income for the financial period		-	-	(3,434,937)	-	9,066,263	5,631,326	(12,048)	5,619,278
Transactions with owners									
Effect of change of interest in a subsidiary		-	-	-	-	(15,662)	(15,662)	15,662	-
FY2022 Final dividend paid	13	-	-	-	-	(2,894,400)	(2,894,400)	-	(2,894,400)
Total transactions with owners		-	-	-	-	(2,910,062)	(2,910,062)	15,662	(2,894,400)
Balance at 31 August 2022		**22,463,273**	**383,615**	**(4,445,115)**	**(3,565,976)**	**44,690,698**	**59,526,495**	**(16,890)**	**59,509,605**

Condensed interim statements of changes in equity (continued)

Group	Note	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 2021		**22,463,273**	**383,615**	**729,404**	**(3,565,976)**	**28,407,131**	**48,417,447**	**(8,905)**	**48,408,542**
Profit/(loss) for the financial period		-	-	-	-	10,487,451	10,487,451	(6,372)	10,481,079
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	(957,191)	-	-	(957,191)	8	(957,183)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(957,191)	-	-	(957,191)	8	(957,183)
Total comprehensive (loss)/income for the financial period		-	-	(957,191)	-	10,487,451	9,530,260	(6,364)	9,523,896
Transactions with owners									
Issuance of shares to non-controlling interests by a subsidiary		-	-	-	-	-	-	5	5
FY2021 Interim dividend paid	13	-	-	-	-	(3,765,044)	(3,765,044)	-	(3,765,044)
Total transactions with owners		-	-	-	-	(3,765,044)	(3,765,044)	5	(3,765,039)
Balance at 31 August 2021		**22,463,273**	**383,615**	**(227,787)**	**(3,565,976)**	**35,129,538**	**54,182,663**	**(15,264)**	**54,167,399**

Condensed interim statements of changes in equity (continued)

Company	Notes	Share capital US$	Retained earnings US$	Total equity US$
Balance at 1 March 2022		**22,463,273**	**13,251,741**	**35,715,014**
Loss for the financial period representing total comprehensive loss for the financial period		-	6,403,477	6,403,477
Distribution to owners				
Dividend paid	13	-	(2,894,400)	(2,894,400)
Total transaction with owners		-	(2,894,400)	(2,894,400)
Balance at 31 August 2022		**22,463,273**	**16,760,818**	**39,224,091**

Company	Notes	Share capital US$	Retained earnings US$	Total equity US$
Balance at 1 March 2021		**22,463,273**	**5,945,417**	**28,408,690**
Loss for the financial period representing total comprehensive loss for the financial period		-	6,655,475	6,655,475
Distribution to owners				
Dividend paid	13	-	(3,765,044)	(3,765,044)
Total transaction with owners		-	(3,765,044)	(3,765,044)
Balance at 31 August 2021		**22,463,273**	**8,835,848**	**31,299,121**

Condensed interim consolidated statements of cash flows

	Note	Group Three months ended 31 August 2022 US$	Group Three months ended 31 August 2021 US$	Group Six months ended 31 August 2022 US$	Group Six months ended 31 August 2021 US$
Operating activities					
Profit before income tax		6,305,250	4,144,783	12,337,559	13,503,859
Adjustments for:					
Amortisation of mining properties		243,152	88,624	321,885	225,640
Depreciation of plant and equipment		814,620	647,746	1,200,007	1,350,968
Depreciation of right-of-use assets		477,759	217,235	663,141	308,489
Interest expenses		246,906	191,181	467,329	223,136
Interest income		(3,889)	(2,885)	(9,439)	(6,542)
Gain on disposal of plant and equipment		(15,558)	-	(15,558)	(55,934)
Modification of lease contracts		5,134	-	4,000	(2,035)
Unrealised foreign exchange gain		(117,634)	(101,351)	(201,807)	(65,470)
Operating cash flow before working capital changes		7,955,740	5,185,333	14,767,117	15,482,111
Working capital changes:					
Inventories		(238,822)	(153,551)	651,907	144,764
Trade and other receivables		1,405,758	1,803,441	(1,783,028)	3,041,905
Trade and other payables		777,117	546,720	3,283,394	(673,563)
Cash generated from operations		9,899,793	7,381,943	16,919,390	17,995,217
Income tax paid		(898,599)	(1,044,546)	(2,060,715)	(2,364,254)
Income tax refunded		6,070	-	6,070	-
Net cash flow generated from operating activities		9,007,264	6,337,397	14,864,745	15,630,963
Investing activities					
Additions of exploration and evaluation assets		(173,152)	(51,939)	(2,489,657)	(158,105)
Additions of mining properties		(833,382)	(6,000,665)	(1,042,241)	(6,000,665)
Additions of plant and equipment		(798,723)	(4,161,110)	(3,037,200)	(4,282,392)
Purchase consideration for acquisition of subsidiaries		-	-	-	(21,000,000)
Acquisition of additional shares in a subsidiary from non-controlling interests		(5)	-	(5)	-
Proceeds from disposal of plant and equipment		21,239	-	21,239	75,370
Interest received		3,889	2,885	9,439	6,542
Net cash flow used in investing activities		(1,780,134)	(10,210,829)	(6,538,425)	(31,359,250)
Financing activities					
Interest paid		(233,125)	(191,181)	(434,993)	(223,136)
Repayments to shareholders		-	-	-	-
Increase in short-term deposit pledged		(236)	(2,000,313)	(492)	(2,000,313)
Proceed from bank borrowing		-	-	-	21,000,000
Repayments of bank borrowings		(1,472,907)	(119,963)	(2,904,901)	(318,718)
Repayment of lease liabilities		(547,445)	(449,527)	(1,050,803)	(587,852)
Issuance of new ordinary shares to non-controlling interests		-	-	-	5
Dividends paid		(2,894,400)	-	(2,894,400)	(3,765,044)
Net cash flow (used in)/ generated from financing activities		(5,148,113)	(2,760,984)	(7,285,589)	14,104,942
Net change in cash and cash equivalents		2,079,017	(6,634,416)	1,040,731	(1,623,345)
Effects of exchange rate changes on cash and cash equivalents		(98,291)	87,891	(27,184)	104,482
Cash and cash equivalents at beginning of financial period		3,943,250	12,827,924	4,910,429	7,800,262
Cash and cash equivalents at end of financial period	11	5,923,976	6,281,399	5,923,976	6,281,399

Notes to the condensed interim consolidated financial statements

1. Corporate information

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

These condensed interim financial statements as at and for the three months and six months ended 31 August 2022 comprise the Company and its subsidiaries (collectively, the "Group").

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

The principal activities of the subsidiaries are:

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

2. Basis of preparation

The condensed interim financial statements for the three months and six months ended 31 August 2022 have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore ("ASC"). The condensed interim financial statements do not include all the information and disclosures required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last audited annual financial statements for the period ended 28 February 2022.

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 2022. 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 2022.

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

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

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

  The Group assesses these assets at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is determined as the higher of fair value less costs to sell and value in use. In determining if there are indicators of impairment of these assets, judgement is used to consider if there are external and internal sources of information that indicates these assets may be impaired. The Group has determined that there are no indications of impairment on exploration and evaluation assets, plant and equipment, mining properties and right-of-use assets, taking into consideration the remaining estimated mining resource, production costs, iron ore prices and continuation of the production activities.

The 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*

  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 used for extrapolation purposes. 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, investment holding activities and provision of support services across the Group, which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

3.1 Reportable segments

1 June 2022 to 31 August 2022	Iron Ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	15,517,512	-	15,517,512
Results:			
Interest income	3,634	255	3,889
Gain on disposal of plant and equipment	15,558	-	15,558
Amortisation of mining properties	(243,152)	-	(243,152)
Depreciation of right-of-use assets	(477,759)	-	(477,759)
Depreciation of plant and equipment	(814,620)	-	(814,620)
Interest expense	(246,906)	-	(246,906)
Segment profit/(loss)	6,534,628	(229,378)	6,305,250
Assets:			
Additions to non-current assets	3,089,761	-	3,089,761
Segment assets	92,469,666	1,455,288	93,924,954
Segment liabilities	(34,261,893)	(153,456)	(34,415,349)

1 June 2021 to 31 August 2021	Iron Ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	9,984,624	-	9,984,624
Results:			
Interest income	2,885	-	2,885
Amortisation of mining properties	(88,624)	-	(88,624)
Depreciation of right-of-use assets	(207,008)	(10,227)	(217,235)
Depreciation of plant and equipment	(647,486)	(260)	(647,746)
Interest expense	(43,224)	(147,957)	(191,181)
Segment profit/(loss)	3,890,129	(608,647)	3,281,482
Assets:			
Additions to non-current assets	30,645,911	84,324	30,730,235
Segment assets	87,457,056	3,133,462	90,590,518
Segment liabilities	(13,552,768)	(22,870,351)	(36,423,119)

3. Segment and revenue information (continued)

3.1 Reportable segments (continued)

1 March 2022 to 31 August 2022	Iron Ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	30,115,524	-	30,115,524
Results:			
Interest income	8,928	511	9,439
Gain on disposal of plant and equipment	15,558	-	15,558
Amortisation of mining properties	(321,885)	-	(321,885)
Depreciation of right-of-use assets	(663,141)	-	(663,141)
Depreciation of plant and equipment	(1,200,007)	-	(1,200,007)
Interest expense	(467,329)	-	(467,329)
Segment profit/(loss)	12,729,552	(391,993)	12,337,559
Assets:			
Additions to non-current assets	8,102,189	-	8,102,189
Segment assets	92,469,666	1,455,288	93,924,954
Segment liabilities	(34,261,893)	(153,456)	(34,415,349)

1 March 2021 to 31 August 2021	Iron Ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	27,267,929	-	27,267,929
Results:			
Interest income	6,209	333	6,542
Gain on disposal of plant and equipment	55,934	-	55,934
Amortisation of mining properties	(225,640)	-	(225,640)
Depreciation of right-of-use assets	(298,262)	(10,227)	(308,489)
Depreciation of plant and equipment	(1,350,708)	(260)	(1,350,968)
Interest expense	(222,534)	(602)	(223,136)
Segment profit/(loss)	11,692,906	(1,211,827)	10,481,079
Assets:			
Additions to non-current assets	30,645,911	84,324	30,730,235
Segment assets	87,457,056	3,133,462	90,590,518
Segment liabilities	(13,552,768)	(22,870,351)	(36,423,119)

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3. Segment and revenue information (continued)

3.2 Disaggregation of revenue

Group	Three months ended		Six months ended	
	31 August 2022 US$	31 August 2021 US$	31 August 2022 US$	31 August 2021 US$
Geographical information:				
Malaysia	15,517,512	9,984,624	28,533,101	25,407,520
People's Republic of China	-	-	1,582,423	1,860,409
	15,517,512	9,984,624	30,115,524	27,267,929
Timing of revenue recognition:				
At a point in time	15,517,512	9,984,624	30,115,524	27,267,929

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		Six months ended	
	31 August 2022 US$	31 August 2021 US$	31 August 2022 US$	31 August 2021 US$
Income				
Gain on disposal of plant and equipment, net	15,558	-	15,558	55,934
Expenses				
Amortisation of mining properties	243,152	88,624	321,885	225,640
Depreciation charge of:				
- plant and equipment	814,620	647,746	1,200,007	1,350,968
- right-of-use assets	477,759	217,235	663,141	308,489
Foreign exchange loss, net	86,791	15,861	237,883	127,664
Interest expenses on:				
- borrowings	233,126	173,416	434,994	202,494
- lease liabilities	13,780	17,765	32,335	20,642
Commission expense	336,609	77,923	593,186	324,932
Handling and transportation	375,971	328,035	712,322	630,937
Ocean freight	(11,883)	-	667,159	638,093
Royalty expense	996,857	336,950	1,309,598	813,864
Upkeep of machinery	830,096	777,082	1,221,543	1,241,117
Upkeep of motor vehicles	262,108	129,769	439,064	411,964

4. Profit before income tax (continued)

4.2 Related party transactions

Material transactions with related parties are as follows:

Group	Three months ended		Six months ended	
	31 August 2022 US$	31 August 2021 US$	31 August 2022 US$	31 August 2021 US$
Transactions with entities of common major shareholder of the Company				
Lease payments to:				
-Webcon Sdn Bhd	-	4,335	-	8,670
-Webcon Venture Sdn Bhd	12,214	10,115	22,019	10,115

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		Six months ended	
	31 August 2022 US$	31 August 2021 US$	31 August 2022 US$	31 August 2021 US$
Directors' fees	125,481	112,563	235,470	220,990
Salaries and other emoluments	1,148,418	498,374	1,815,364	1,342,770
Contributions to defined contribution plans	35,020	19,193	71,311	36,206
Social security contributions	104	111	212	197
	1,309,023	630,241	2,122,357	1,600,163

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		Six months ended	
	31 August 2022 US$	31 August 2021 US$	31 August 2022 US$	31 August 2021 US$
Current income tax expense	1,669,330	769,081	3,607,424	3,097,991
Deferred tax relating to (reversal)/ origination of temporary differences	(224,756)	94,220	(322,883)	(75,211)
Income tax expense recognised in profit or loss	1,444,574	863,301	3,284,541	3,022,780

6. Earnings per ordinary share ("EPS")

Group	Three months ended 31 August 2022 US$	Three months ended 31 August 2021 US$	Six months ended 31 August 2022 US$	Six months ended 31 August 2021 US$
Net profit attributable to owners of the Company (US$)	4,865,662	3,287,486	9,066,263	10,487,451
Weighted average number of ordinary shares	500,000,000	500,000,000	500,000,000	500,000,000
Basic and diluted EPS (US cents)	0.97	0.66	1.81	2.10

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

7. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and of the Company as at 31 August 2022 and 28 February 2022:

	Group		Company	
	31 August 2022 US$	28 February 2022 US$	31 August 2022 US$	28 February 2022 US$
Financial assets carried at amortised cost				
Trade receivables	4,266,678	1,317,621	-	-
Other receivables and deposits (excluding prepayments)	2,528,954	2,606,628	-	-
Amounts due from subsidiaries	-	-	7,537,151	7,500,000
Cash and bank balances	7,925,264	6,911,225	3,456,576	2,609,992
Total financial assets	14,720,896	10,835,474	10,993,727	10,109,992
Presented as				
Current assets	14,720,896	10,835,474	10,993,727	10,109,992
Financial liabilities carried at amortised cost				
Bank borrowings	19,023,121	22,114,469	14,606,929	17,080,916
Lease liabilities	1,390,213	2,487,073	-	-
Trade payables	1,534,588	985,838	-	-
Other payables and accruals	6,193,696	4,753,602	153,400	161,458
Amounts due to subsidiaries	-	-	793	31,806
	28,141,618	30,340,982	14,761,122	17,274,180
Financial liabilities carried at fair value				
Contingent consideration*	626,849	626,849	626,849	626,849
Total financial liabilities	28,768,467	30,967,831	15,387,971	17,901,029
Presented as				
Non-current liabilities	16,096,585	16,719,950	5,335,545	12,526,413
Current liabilities	12,671,882	14,247,881	10,052,426	5,374,616

7. Financial assets and financial liabilities (continued)

* As part of the acquisition of the entire issued and paid-up share capital in Fortress Mengapur 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 the subsidiaries acquired.

As at 31 August 2022, the condition of the acquired subsidiaries showed that it is highly probable that the performance indicator would be achieved due to continuous development of mining activities. Hence, the fair value of the contingent consideration determined at 31 August 2022 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$**
31 August 2022				
Group and Company				
Contingent consideration	-	-	626,849	626,849
28 February 2022				
Group and Company				
Contingent consideration	-	-	626,849	626,849

8. Mining properties

During the six months ended 31 August 2022, the Group incurred additions of mining properties expenditures amounting to US$1.0 million (31 August 2021: US$6.0 million).

9. Plant and equipment

Acquisitions and disposals

During the six months ended 31 August 2022, the Group acquired plant and equipment with cost of US$3.0 million (31 August 2021: US$4.3 million), excluding capitalisation of depreciation charge of right-of use assets and motor vehicles of US$0.2 million (31 August 2021: US$0.2 million).

Plant and equipment with net book value of US$5,681 (31 August 2021: US$19,436) were disposed by the Group during the six months ended 31 August 2022, resulting in a net gain on disposal of US$15,558 (31 August 2021: US$55,934).

10. Right-of-use assets

The Group leases office space, hostels, storage space and motor vehicles in Malaysia. During the six months ended 31 August 2022, the Group recognised addition of right-of-use assets for motor vehicles and premises amounting to US$0.6 million (31 August 2021: US$2.8 million).

The Group renegotiated and modified existing lease contracts for a few motor vehicles during the six months ended 31 August 2022 which were accounted for as a lease modification with decrease to the right-of-use assets and lease liabilities of US$556,709 (31 August 2021: US$26,460) and US$552,709 (31 August 2021: US$28,495) respectively, resulting in loss on modification of lease contracts of US$4,000 in the current financial period and gain on modification of lease contracts of US$2,035 in the prior financial year.

11. Cash and bank balances

	Group		**Company**	
	31 August 2022 US$	**28 February 2022 US$**	**31 August 2022 US$**	**28 February 2022 US$**
Cash at banks	2,973,191	4,845,853	1,455,288	609,196
Cash on hand	36,962	60,636	-	-
Short-term deposits	4,915,111	2,004,736	2,001,288	2,000,796
	7,925,264	6,911,225	3,456,576	2,609,992

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

	Group	
	31 August 2022 US$	**28 February 2022 US$**
Cash and bank balances as above	7,925,264	6,911,225
Less: Short-term deposit pledged	(2,001,288)	(2,000,796)
Cash and cash equivalents as per consolidated statement of cash flows	5,923,976	4,910,429

12. Share capital

	Group and Company			
	31 August 2022		28 February 2022	
	Number of shares	Amount US$	Number of shares	Amount US$
Total number of issued shares excluding treasury shares	500,000,000	22,463,273	500,000,000	22,463,273

The Company did not have any treasury shares as at 31 August 2022. There were no subsidiary holdings during and as at the end of the current financial period reported on.

13. Dividends

	Group	
	31 August 2022 US$	28 February 2022 US$
<u>Ordinary dividends paid:</u>		
In respect of financial year ended 28 February 2022:		
- Final one-tier tax exempt dividend of 0.80 Singapore cents (equivalent to 0.58 US cents) per ordinary share	2,894,400	-
In respect of financial year ended 28 February 2021:		
- Interim one-tier tax exempt dividend of 1.00 Singapore cents (equivalent to 0.75 US cents) per ordinary share	-	3,765,044
	2,894,400	3,765,044

14. Net Asset Value

	Group		Company	
	31 August 2022 US$	28 February 2022 US$	31 August 2022 US$	28 February 2022 US$
Net asset value ("NAV") (US$)	59,526,495	56,805,231	39,224,091	35,715,014
Total number of issued shares excluding treasury shares	500,000,000	500,000,000	500,000,000	500,000,000
NAV per Share (US cents)	11.91	11.36	7.84	7.14

15. Borrowings and lease liabilities

	Group		Company	
	31 August 2022 US$	28 February 2022 US$	31 August 2022 US$	28 February 2022 US$
Repayable within one year or on demand				
Secured				
- Bank borrowings	6,817,742	6,356,953	4,947,974	4,947,974
Unsecured				
- Lease liabilities	1,317,181	1,918,110	-	-
	8,134,923	8,275,063	4,947,974	4,947,974
Repayable after one year				
Secured				
- Bank borrowings	12,205,379	15,757,516	9,658,955	12,132,942
Unsecured				
- Lease liabilities	73,032	568,963	-	-
	12,278,411	16,326,479	9,658,955	12,132,942

The Group's secured borrowings as at 31 August 2022 comprised:

(i) bank borrowings which were used to finance the purchase of certain plant and equipment and are secured over certain of the Group's motor vehicles and machinery with carrying amounts amounted to US$3.2 million (28 February 2022: US$3.5 million); and

(ii) bank borrowings which were used to finance part of the acquisition of Fortress Mengapur and charge over all new monies securities comprising assignments of proceeds from certain subsidiaries for all monies payable under the borrowing facility and a short-term deposit pledged (Note 11).

16. Capital commitments

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

	Group	
	31 August 2022 US$	28 February 2022 US$
Capital expenditures contracted but not provided for		
- Plant and equipment	342,526	186,886

17. 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 August 2022 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for six 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 2022 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 August 2022 ("**2Q FY2023**") and the comparative financial period ended 31 August 2021 ("**2Q FY2022**").

	2Q FY2023	2Q FY2022	Increase/ (Decrease) (%)
Sold (**DMT***)	160,185	69,181	131.5
Revenue realised [(1)] **(US$)**	15,546,113	9,811,243	58.5
Average realised selling price **(US$/DMT)**	97.05	141.82	(31.6)

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

As shown in the table above, the Group recorded revenue of US$15.5 million in 2Q FY2023, being 58.5% or US$5.7 million higher than 2Q FY2022 due to higher volume sold in the current financial period. The lower sales volume in 2Q FY2022 was impacted by the enforcement of Phase 1 nationwide Total Lockdown under the National Recovery Plan ("NRP") by the Malaysian Government for approximately five weeks.

The increase was partially impacted due to a lower average realised selling price of US$97.05/DMT recorded in 2Q FY2023, a decrease of 31.6% or US$44.77/DMT due to the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices weakening in 2Q FY2023 as compared to 2Q FY2022.

Cost of sales

	2Q FY2023	2Q FY2022	Increase/ (Decrease) (%)
Sold **(WMT*)**	175,330	75,860	131.1
Cost of sales **(US$)**	4,366,748	1,862,017	134.5
Average unit cost of sales **(US$/WMT)**	24.91	24.55	1.5

* WMT denotes Wet Metric Tonnes

The Group's cost of sales increased by 134.5% to US$4.4 million in 2Q FY2023 which is in tandem with the higher sales volume. The Group's average unit cost of sales increased by 1.5% or US$0.36/WMT to US$24.91/WMT in 2Q FY2023. This was attributable to the increase in cost of sales of US$2.5 million or 134.5% and mitigated by the increase in production volume of 99,470WMT or 131.1%, resulting in greater cost efficiency obtained.

Gross profit and gross profit margin

Gross profit for 2Q FY2023 of US$11.2 million was US$3.1 million higher than 2Q FY2022 as a result of the abovementioned reasons. In contrast, gross profit margin decreased 9.5% to 71.9% in 2Q FY2023 mainly attributable to the lower realised selling price in 2Q FY2023.

Other operating income

The Group's other operating income decreased by US$11,374 to US$0.1 million in 2Q FY2023. The slight decrease was mainly driven by the absence in government grants received in 2Q FY2023 as compared to 2Q FY2022.

Selling and distribution expenses

Selling and distribution expenses increased by US$0.9 million to US$1.7 million in 2Q FY2023, primarily due to the higher royalty expenses which are in line with higher sales volume achieved in 2Q FY2023.

Other operating expenses

The Group's other operating expenses comprise mainly of employee benefits expenses and plants maintenance expenses. Other operating expenses decreased by US$0.3 million to US$2.5 million in 2Q FY2023 which was primarily due to the absence of reclassification of payout of employees' payroll expenses for our daily remunerated site workers from cost of sales to operating expenses of US$0.6 million, throughout the temporary cessation of business brought about by the NRP as implemented by the Malaysian Government in 2Q FY2022.

The decrease was partially mitigated by the increase in expenses such as consumables, upkeep of machineries and motor vehicles amounting to US$0.3 million.

Administrative expenses

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

Administrative expenses increased by US$0.1 million to US$0.5 million in 2Q FY2023 primarily due to increase in realised foreign exchange losses.

Finance costs

Finance costs comprised interest expenses on banks borrowings and lease liabilities. The increase of US$55,725 was mainly attributable to interest expense paid and amortisation of transaction costs for bank borrowing granted to the Group to finance part of the acquisition of Fortress Mengapur.

Income tax expense

Income tax expense increased by US$0.5 million to US$1.4 million in 2Q FY2023. The increase was in line with higher profit before tax generated in 2Q FY2023.

The Group's effective tax rate in 2Q FY2022 was 22.9%, which is broadly in line with the Group's applicable tax rate of 24.0%.

Profit after income tax

Our Group profit after income tax increased by US$1.6 million or 48.1% to US$4.9 million from US$3.3 million in 2Q FY2022 as a result of the aforementioned reasons.

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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 August 2022 and 28 February 2022.

<u>Condensed interim statements of financial position</u>

<u>Non-current assets</u>

Non-current assets comprise exploration and evaluation assets, mining properties, plant and equipment, right-of-use assets, deferred tax assets and goodwill. The Group's non-current assets increased by US$0.4 million to US$74.7 million as at 31 August 2022 due to the reasons below.

Exploration and evaluation assets increased by US$2.2 million to US$5.8 million as at 31 August 2022, which was mainly attributable to the payment of relevant tenement fees imposed under the mining leases approvals for SDSB at Bukit Mengapur of US$2.2 million and on-going exploration activities undertaken by the Group at Bukit Besi of US$0.3 million in 2Q FY2023 which however, was mitigated by the effect of exchange translation differences.

Mining properties decreased by US$1.2 million to US$39.9 million as at 31 August 2022. The decrease is primarily attributable to:

- amortisation charges of US$0.4 million; and

- the effects of exchange translation differences of US$2.0 million due to the weakening of exchange rate movement of RM against USD.

The decrease was partially cushioned by the mining development expenditure incurred to gain access to mineral deposits and for mine processing purposes at the CASB mine amounting to US$1.1 million.

Plant and equipment increased by US$0.2 million (net of the effect of exchange translation differences of US$1.6 million and of depreciation charges of US$1.8 million) to US$23.6 million as at 31 August 2022. The increase was primarily due to:

- construction work-in-progress of processing plants in the CASB mine amounting to US$3.0 million; and

- additions of fleet truck and machineries acquired amounting to US$0.4 million and US$0.2 million respectively.

Right-of-use assets at the Group level refers to the leases of motor vehicles, machineries, office and hostels premises for the use at both the Bukit Besi and CASB mine. Right-of-use assets decreased by US$1.1 million to US$1.4 million as at 31 August 2022. The decrease was attributable to:

- depreciation charges amounting to US$1.0 million;

- modifications of lease contracts for motor vehicles amounting to US$0.6 million; and

- the effects of exchange translation differences of US$0.1 million due to the weakening of exchange rate movement of RM against USD.

The decrease was partially cushioned by the addition of lease contracts for motor vehicles amounting to US$0.6 million.

Deferred tax assets increased by US$0.3 million to US$0.6 million as at 31 August 2022 from US$0.3 million as at 28 February 2022. The increase was due to the increase in provision of key management personnel's performance incentive for FY2023.

The goodwill arising from the acquisition of Fortress Mengapur amounting to US$3.3 million remain unchanged as at 31 August 2022.

Current assets

As at 31 August 2022, the Group's current assets remained solid and stood at US$19.3 million compared to US$17.8 million as at 28 February 2022. The increase was mainly attributable to the increase in trade receivables by US$3.0 million contributed by the billing for sales towards the end of 2Q FY2023 and increase in cash and bank balances of US$1.0 million which was offset by:

(i) decrease in other receivables, deposits and prepayments by US$2.4 million which was mainly attributable to the decrease in prepayments to suppliers for purchase of plant and equipment of US$2.3 million; and

(ii) decrease in inventories by US$0.2 million driven by an increase in inventory traffic on production and consumable inventories as a result of higher sales volume achieved coupled with resumption of operational efficiency.

Non-current liabilities

As at 31 August 2022, the Group's non-current liabilities decreased by US$4.2 million to US$16.0 million from US$20.2 million as at 28 February 2022.

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$3.6 million to current liabilities based on its maturity profile;

(ii) decrease in non-current lease liabilities as a result of the reclassification of non-current lease liabilities of US$0.5 million to current liabilities based on its maturity profile; and

(iii) decrease in deferred tax liabilities of US$0.1 million which was due to realisation of tax credits against profit generated for the current financial period.

Current liabilities

As at 31 August 2022, the Group's current liabilities increased by US$3.4 million from US$15.0 million as at 28 February 2022 to US$18.4 million.

The increase was primarily due to the:

(i) reclassification from non-current bank borrowings and lease liabilities of US$3.6 million and US$0.5 million respectively;

(ii) increase in trade payables of US$0.5 million for purchase of consumables;

(iii) increase in other payables of US$1.4 million mainly due to accruals for staff costs and expenses such as royalty, transport charges and utilities for 2Q FY2023; and

(iv) increase in current income tax payables of US$1.5 million due to provision for income tax of US$3.6 million and offset with payment of tax instalments of US$2.1 million paid to tax authorities in 2Q FY2023.

The increase was offset by the repayment of bank borrowings and lease liabilities of US$3.0 million and US$1.1 million made in 2Q FY2023.

Working capital

Our Group recorded a positive working capital position of US$0.9 million as at 31 August 2022 as compared to a positive working capital position of US$2.7 million as at 28 February 2022.

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Condensed interim consolidated statements of cash flows

In 2Q FY2023, the Group's net cash generated from operating activities increased to US$9.0 million as compared to US$6.3 million in 2Q FY2022.

The increase in operating cash flow of US$2.7 million, after adjusted for working capital outflow of US$0.3 million was mainly attributable to the higher collection from trade receivables which is in line with the higher volume sold in 2Q FY2023.

In 2Q FY2023, the Group's net cash flow used in investing activities decreased by US$8.4 million to US$1.8 million as compared to the net cash flow used of US$10.2 million in 2Q FY2022. The decrease was primarily attributable to the decrease in capital expenditure investments for both the CASB mine and Bukit Besi mine in mining properties and plant and equipment amounting to US$5.1 million and US$3.3 million respectively.

In 2Q FY2023, the Group's net cash flow from financing activities was US$5.1 million as compared to the net cash flow used in financing activities of US$2.8 million in 2Q FY2022. The increase of US$2.3 million was primarily due to:

- final dividend paid in respect of financial year ended 28 February 2022 amounting to US$2.9 million in 2Q FY2023;

- increase in repayments of banks borrowings of US$1.4 million in accordance to the fixed repayment schedules;

The increase was cushioned by the decrease in short-term deposit pledged with the bank of US$2.0 million for bank borrowings as compared to 2Q FY2022.

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.

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4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Market outlook

Global crude steel production declined 5.4% 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 the 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]

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 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 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.

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

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.

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

There was no change in the issued and paid-up share capital of the Company from 31 May 2022 up to 31 August 2022. The Company’s share capital was US$22,463,273 comprising 500,000,000 shares as at 31 August 2022 and 31 May 2022.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 31 August 2022 and 31 August 2021.

6. To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Company	
	As at 31 August 2022	**As at 28 February 2022**
Total number of issued shares excluding treasury shares	500,000,000	500,000,000

The Company did not have any treasury shares as at 31 August 2022 and 28 February 2022.

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 2022.

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 2Q FY2023 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 2Q FY2023, 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 funds/cash by mineral, oil and gas companies pursuant to Rule 705(6)

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

During 2Q FY2023, 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	0.17	0.21
Cost of sales	4.37	3.24
Selling and distribution costs	1.71	1.28
Total	**6.25**	**4.73**

During 2Q FY2023, the Group's cost of sales was higher than the projected amount by US$1.13 million which was consistent with the higher production volume achieved in 2Q FY2023.

In 2Q FY2023, the selling and distribution costs were higher than the projected amount by US$0.4 million, primarily due to higher royalty and commission expenses which are in line with higher sales volume achieved in 2Q FY2023.

The Group utilised less than planned funds in exploration and evaluation activities in 2Q FY2023 as a result the Group prioritising 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	0.26
Cost of sales	4.91
Selling and distribution costs	2.13
Total	**7.30**

The Group will continue its exploration and evaluation activities at its East, Valley and West Deposits of Bukit Besi Mine as well as tenements held by Fortress Mengapur during the third quarter of FY2023 ("**3Q FY2023**").

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

15. 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.

16. 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 as well as tenements held by Fortress Mengapur. 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 14 above.

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

Acquisition of Fortress Drilltech Sdn. Bhd. ("FDTSB")

The Company has on 1 July 2022, acquired 20 ordinary shares (representing 20% of the shareholding) in the share capital of FDTSB from unrelated parties, Chua Wan Aik and Tan Yan Yih for a consideration of RM20.00 fully paid, being the book value of the shares in the books of FDTSB.

The objective of FDTSB is of the intention to carry on business as contractors for drilling and blasting works, other site preparation activities and mining work of any kind. The current share capital of FDTSB is RM100.00.

The acquisition of FDTSB is not expected to have any significant impact on the net tangible assets and earnings per share of the Group for the financial year ending 28 February 2023.

Incorporation of Fortress Cu Sdn. Bhd. ("Fortress Cu")

The Company has, on 29 June 2022, incorporated a wholly-owned subsidiary in Malaysia known as Fortress Cu Sdn. Bhd. ("**Fortress Cu**").

The share capital of Fortress Cu is MYR100.00. The intended principal activity of Fortress Cu is for acquisition of mines, mining rights, quarries and trading in minerals. However, Fortress Cu has remained dormant since its date of incorporation.

The incorporation of Fortress Cu 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 2023.

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BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED

Dato' Sri Ivan Chee
Chief Executive Officer
5 October 2022

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

The contact person for the Sponsor is Ms Jennifer Tan, 16 Collyer Quay, #10-00 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 and 6-months period ended 31 August 2022 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
5 October 2022