



FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Condensed Interim Financial Statements for the Second Quarter and Six Months Ended 31 August 2023 (“2Q 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 Group**”), 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 Group, the Group’s total mining and exploration land area is approximately 1,477.88 hectares.

Fortress Mengapur Group’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 Second Quarter and Six Months ended 31 August 2023

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

	Note	Group Three months ended			Group Six months ended		
		31 August 2023 US\$	31 August 2022 US\$	Change %	31 August 2023 US\$	31 August 2022 US\$	Change %
Revenue	3	17,319,936	15,517,512	11.6	30,572,266	30,115,524	1.5
Cost of sales		(5,869,999)	(4,366,748)	34.4	(10,840,737)	(8,654,673)	25.3
Gross profit		11,449,937	11,150,764	2.7	19,731,529	21,460,851	(8.1)
Interest income		44,140	3,889	1035.0	77,560	9,439	721.7
Other operating income		3,292	138,393	(97.6)	72,961	273,532	(73.3)
Selling and distribution expenses		(2,315,591)	(1,708,574)	35.5	(3,709,513)	(3,360,277)	10.4
Other operating expenses		(2,628,029)	(2,522,832)	4.2	(5,349,827)	(4,653,499)	15.0
Administrative expenses		(300,020)	(509,484)	(41.1)	(913,149)	(925,158)	(1.3)
Finance costs		(263,596)	(246,906)	6.8	(534,560)	(467,329)	14.4
Profit before income tax	4	5,990,133	6,305,250	(5.0)	9,375,001	12,337,559	(24.0)
Income tax expense	5	(1,409,940)	(1,444,574)	(2.4)	(2,291,449)	(3,284,541)	(30.2)
Profit for the financial period		4,580,193	4,860,676	(5.8)	7,083,552	9,053,018	(21.8)
Profit/(Loss) attributable to:							
Owners of the Company		4,581,104	4,865,662	(5.8)	7,091,183	9,066,263	(21.8)
Non-controlling interests		(911)	(4,986)	(81.7)	(7,631)	(13,245)	(42.4)
		4,580,193	4,860,676	(5.8)	7,083,552	9,053,018	(21.8)
Other comprehensive income							
Item that may be reclassified							
subsequently to profit or loss:							
Exchange differences on translating foreign operations		(287,026)	(1,132,877)	(74.7)	(1,960,297)	(3,433,740)	(42.9)
Total comprehensive income for the financial period, net of tax		4,293,167	3,727,799	15.2	5,123,255	5,619,278	(8.8)
Total comprehensive income/(loss) for the financial period attributable to:							
Owners of the Company		4,294,016	3,731,762	15.1	5,125,848	5,631,326	(9.0)
Non-controlling interests		(849)	(3,963)	(78.6)	(2,593)	(12,048)	(78.5)
		4,293,167	3,727,799	15.2	5,123,255	5,619,278	(8.8)
Earnings per share attributable to owners of the Company (cents)							
- Basic and diluted	6	0.88	0.97	(9.3)	1.36	1.81	(24.9)

nm – not meaningful

Condensed interim statements of financial position

	Note	Group		Company	
		31 August 2023 US\$	28 February 2023 US\$	31 August 2023 US\$	28 February 2023 US\$
ASSETS					
Non-current assets					
Investments in subsidiaries		-	-	43,202,206	43,202,161
Exploration and evaluation assets		4,495,864	6,501,873	-	-
Mining properties	8	42,379,313	40,128,657	-	-
Plant and equipment	9	22,423,636	22,911,961	-	-
Right-of-use assets	10	1,615,802	682,770	-	-
Intangible asset		2,909,382	3,010,462	-	-
		<u>73,823,997</u>	<u>73,235,723</u>	<u>43,202,206</u>	<u>43,202,161</u>
Current assets					
Inventories		3,322,899	4,672,007	-	-
Trade receivables		5,118,370	3,914,647	-	-
Other receivables, deposits and prepayments		4,224,507	4,534,959	1,262	-
Amounts due from subsidiaries		-	-	11,145,623	7,861,118
Current income tax receivables		28,600	196,637	-	-
Financial assets at fair value through profit or loss		5,967,483	1,466,377	3,904,548	-
Cash and bank balances	11	4,378,506	5,669,596	2,227,001	2,063,001
		<u>23,040,365</u>	<u>20,454,223</u>	<u>17,278,434</u>	<u>9,924,119</u>
Total assets		<u>96,864,362</u>	<u>93,689,946</u>	<u>60,480,640</u>	<u>53,126,280</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	12	28,995,034	22,463,273	28,995,034	22,463,273
Other reserves		(9,929,966)	(7,964,631)	-	-
Retained earnings		51,683,269	47,741,243	20,514,310	17,152,427
		<u>70,748,337</u>	<u>62,239,885</u>	<u>49,509,344</u>	<u>39,615,700</u>
Non-controlling interests		(27,776)	(25,183)	-	-
Total equity		<u>70,720,561</u>	<u>62,214,702</u>	<u>49,509,344</u>	<u>39,615,700</u>
Non-current liabilities					
Bank borrowings	15	5,100,770	7,734,972	3,460,981	5,934,968
Lease liabilities	15	66,459	52,133	-	-
Deferred tax liabilities		3,224,165	3,577,057	-	-
Other payables		2,202,410	2,250,031	2,202,410	2,250,031
		<u>10,593,804</u>	<u>13,614,193</u>	<u>5,663,391</u>	<u>8,184,999</u>
Current liabilities					
Banks borrowings	15	7,067,249	7,129,528	4,947,974	4,947,974
Lease liabilities	15	1,573,376	627,985	-	-
Trade payables		557,316	1,250,832	-	-
Other payables and accruals		6,291,575	8,759,330	323,748	358,231
Amounts due to directors		395	36,757	-	-
Amounts due to subsidiaries		-	-	36,121	19,301
Current income tax payables		60,086	56,619	62	75
		<u>15,549,997</u>	<u>17,861,051</u>	<u>5,307,905</u>	<u>5,325,581</u>
Total liabilities		<u>26,143,801</u>	<u>31,475,244</u>	<u>10,971,296</u>	<u>13,510,580</u>
Total equity and liabilities		<u>96,864,362</u>	<u>93,689,946</u>	<u>60,480,640</u>	<u>53,126,280</u>

Condensed interim statements of changes in equity

<u>Group</u>	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 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		-	-	-	-	7,091,183	7,091,183	(7,631)	7,083,552
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	(1,965,335)	-	-	(1,965,335)	5,038	(1,960,297)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(1,965,335)	-	-	(1,965,335)	5,038	(1,960,297)
Total comprehensive (loss)/income for the financial period		-	-	(1,965,335)	-	7,091,183	5,125,848	(2,593)	5,123,255
Transactions with owners									
Issuance of new ordinary shares		6,531,761	-	-	-	-	6,531,761	-	6,531,761
FY2023 Final dividend paid	13	-	-	-	-	(3,149,157)	(3,149,157)	-	(3,149,157)
Total transactions with owners		6,531,761	-	-	-	(3,149,157)	3,382,604	-	3,382,604
Balance at 31 August 2023		28,995,034	383,615	(6,747,605)	(3,565,976)	51,683,269	70,748,337	(27,776)	70,720,561

Condensed interim statements of changes in equity (continued)

<u>Group</u>	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
<u>Other comprehensive income</u>									
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
<u>Transactions with owners</u>									
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)

	Notes	Share capital US\$	Retained earnings US\$	Total equity US\$
<u>Company</u>				
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		-	6,511,040	6,511,040
Transactions with owners				
Issuance of new ordinary shares		6,531,761	-	6,531,761
Dividend paid	13	-	(3,149,157)	(3,149,157)
Total transactions with owners		6,531,761	(3,149,157)	3,382,604
Balance at 31 August 2023		<u>28,995,034</u>	<u>20,514,310</u>	<u>49,509,344</u>

	Notes	Share capital US\$	Retained earnings US\$	Total equity US\$
<u>Company</u>				
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		-	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		<u>22,463,273</u>	<u>16,760,818</u>	<u>39,224,091</u>

Condensed interim consolidated statements of cash flows

	Note	Group Three months ended		Group Six months ended	
		31 August 2023 US\$	31 August 2022 US\$	31 August 2023 US\$	31 August 2022 US\$
Operating activities					
Profit before income tax		5,990,133	6,305,250	9,375,001	12,337,559
Adjustments for:					
Amortisation of mining properties		331,972	243,152	414,044	321,885
Depreciation of plant and equipment		1,159,467	814,620	1,487,208	1,200,007
Depreciation of right-of-use assets		609,273	477,759	726,070	663,141
Interest expenses		263,596	246,906	534,560	467,329
Interest income		(44,140)	(3,889)	(77,560)	(9,439)
Loss/(Gain) on disposal of plant and equipment		710	(15,558)	(44,701)	(15,558)
Modification of lease contracts		(1,126)	5,134	(1,503)	4,000
Unrealised foreign exchange loss/(gain)		86,783	(117,634)	171,734	(201,807)
Operating cash flow before working capital changes		8,396,668	7,955,740	12,584,853	14,767,117
Working capital changes:					
Inventories		813,370	(238,822)	2,343,202	651,907
Trade and other receivables		229,766	1,405,758	(2,161,987)	(1,783,028)
Trade and other payables		(1,314,578)	777,117	(2,519,385)	3,283,394
Cash generated from operations		8,125,226	9,899,793	10,246,683	16,919,390
Income tax paid		(880,450)	(898,599)	(2,493,369)	(2,060,715)
Income tax refunded		48,885	6,070	48,885	6,070
Net cash flow generated from operating activities		7,293,661	9,007,264	7,802,199	14,864,745
Investing activities					
Additions of exploration and evaluation assets		(1,269,874)	(173,152)	(1,512,368)	(2,489,657)
Additions of mining properties		78,141	(833,382)	(166,220)	(1,042,241)
Additions of plant and equipment		(621,279)	(798,723)	(1,358,947)	(3,037,200)
Acquisition of additional shares in a subsidiary from non-controlling interests		-	(5)	-	(5)
Proceeds from disposal of plant and equipment		(805)	21,239	50,646	21,239
Purchase of financial asset at fair value through profit or loss, net		(370,356)	-	(4,462,787)	-
Interest received		24,781	3,889	39,241	9,439
Net cash flow used in investing activities		(2,159,392)	(1,780,134)	(7,410,435)	(6,538,425)
Financing activities					
Interest paid		(248,351)	(233,125)	(510,594)	(434,993)
Increase in short-term deposit pledged		(235)	(236)	(491)	(492)
Repayments of bank borrowings		(1,834,544)	(1,472,907)	(3,730,365)	(2,904,901)
Repayment of lease liabilities		(542,635)	(547,445)	(1,029,898)	(1,050,803)
Dividends paid		(3,149,157)	(2,894,400)	(3,149,157)	(2,894,400)
Proceed from issuance of new ordinary shares		-	-	6,531,761	-
Net cash flow used in financing activities		(5,774,922)	(5,148,113)	(1,888,744)	(7,285,589)
Net change in cash and cash equivalents		(640,653)	2,079,017	(1,496,980)	1,040,731
Effects of exchange rate changes on cash and cash equivalents		249,006	(98,291)	205,398	(27,184)
Cash and cash equivalents at beginning of financial period		2,767,890	3,943,250	3,667,825	4,910,429
Cash and cash equivalents at end of financial period	11	2,376,243	5,923,976	2,376,243	5,923,976

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 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 and six months ended 31 August 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 since the last audited annual financial statements for the period 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 segment as they are not separately reported to the CODM and they contribute minor amounts of income to the Group.

3.1 Reportable segments

	Iron Ore	Others	Group
	US\$	US\$	US\$
1 June 2023 to 31 August 2023			
Revenue			
External customers, representing total revenue	17,319,936	-	17,319,936
Results:			
Interest income	5,725	38,415	44,140
Loss on disposal of plant and equipment	(710)	-	(710)
Amortisation of mining properties	(331,972)	-	(331,972)
Depreciation of right-of-use assets	(609,273)	-	(609,273)
Depreciation of plant and equipment	(1,159,467)	-	(1,159,467)
Interest expense	(263,596)	-	(263,596)
Segment profit/(loss)	6,146,409	(156,276)	5,990,133
Assets:			
Additions to non-current assets	3,525,151	-	3,525,151
Segment assets	92,733,814	4,130,548	96,864,362
Segment liabilities	(25,953,218)	(190,583)	(26,143,801)
1 June 2022 to 31 August 2022			
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)

3. Segment and revenue information (continued)

3.1 Reportable segments (continued)

	Iron Ore	Others	Group
1 March 2023 to 31 August 2023	US\$	US\$	US\$
Revenue			
External customers, representing total revenue	30,572,266	-	30,572,266
Results:			
Interest income	6,961	70,599	77,560
Gain on disposal of plant and equipment	44,701	-	44,701
Amortisation of mining properties	(414,044)	-	(414,044)
Depreciation of right-of-use assets	(726,070)	-	(726,070)
Depreciation of plant and equipment	(1,487,208)	-	(1,487,208)
Interest expense	(534,560)	-	(534,560)
Segment profit/(loss)	9,786,673	(411,672)	9,375,001
Assets:			
Additions to non-current assets	5,219,793	-	5,219,793
Segment assets	92,733,814	4,130,548	96,864,362
Segment liabilities	(25,953,218)	(190,583)	(26,143,801)
1 March 2022 to 31 August 2022			
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)

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3. Segment and revenue information (continued)

3.2 Disaggregation of revenue

Group	Three months ended		Six months ended	
	31 August 2023 US\$	31 August 2022 US\$	31 August 2023 US\$	31 August 2022 US\$
Geographical information:				
Malaysia	15,487,413	15,517,512	28,739,743	28,533,101
People's Republic of China	1,832,523	-	1,832,523	1,582,423
	<u>17,319,936</u>	<u>15,517,512</u>	<u>30,572,266</u>	<u>30,115,524</u>
Timing of revenue recognition:				
At a point in time	<u>17,319,936</u>	<u>15,517,512</u>	<u>30,572,266</u>	<u>30,115,524</u>

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 2023 US\$	31 August 2022 US\$	31 August 2023 US\$	31 August 2022 US\$
Income				
(Loss)/Gain on disposal of plant and equipment, net	(710)	15,558	44,701	15,558
Expenses				
Amortisation of mining properties	331,972	243,152	414,044	321,885
Depreciation charge of:				
- plant and equipment	1,159,467	814,620	1,487,208	1,200,007
- right-of-use assets	609,273	477,759	726,070	663,141
Foreign exchange loss, net	37,009	86,791	305,969	237,883
Interest expenses on:				
- borrowings	248,351	233,126	510,594	434,994
- lease liabilities	15,245	13,780	23,966	32,335
Commission expense	441,433	336,609	727,425	593,186
Handling and transportation	683,880	375,971	1,008,444	712,322
Ocean freight	-	(11,883)	-	667,159
Royalty expense	1,150,851	996,857	1,903,574	1,309,598
Upkeep of machinery	632,333	830,096	1,372,401	1,221,543
Upkeep of motor vehicles	239,910	262,108	423,622	439,064

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 2023 US\$	31 August 2022 US\$	31 August 2023 US\$	31 August 2022 US\$
Transactions with entities of common major shareholder of the Company				
Lease payments to:				
-Webcon Venture Sdn Bhd	13,002	12,214	26,424	22,019

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 2023 US\$	31 August 2022 US\$	31 August 2023 US\$	31 August 2022 US\$
Directors' fees	121,189	125,481	251,126	235,470
Salaries and other emoluments	603,144	1,148,418	1,218,507	1,815,364
Contributions to defined contribution plans	51,884	35,020	106,018	71,311
Social security contributions	125	104	255	212
	776,342	1,309,023	1,575,906	2,122,357

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 2023 US\$	31 August 2022 US\$	31 August 2023 US\$	31 August 2022 US\$
Current income tax expense	1,442,612	1,669,330	2,587,171	3,607,424
Deferred tax relating to (reversal)/ origination of temporary differences	(32,672)	(224,756)	(295,722)	(322,883)
Income tax expense recognised in profit or loss	1,409,940	1,444,574	2,291,449	3,284,541

6. Earnings per ordinary share (“EPS”)

Group	Three months ended		Six months ended	
	31 August 2023 US\$	31 August 2022 US\$	31 August 2023 US\$	31 August 2022 US\$
Net profit attributable to owners of the Company (US\$)	4,581,104	4,865,662	7,091,183	9,066,263
Weighted average number of ordinary shares	520,704,187	500,000,000	520,704,187	500,000,000
Basic and diluted EPS (US cents)	0.88	0.97	1.36	1.81

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 2023 and 28 February 2023:

	Group		Company	
	31 August 2023 US\$	28 February 2023 US\$	31 August 2023 US\$	28 February 2023 US\$
Financial assets carried at amortised cost				
Trade receivables	5,118,370	3,914,647	-	-
Other receivables and deposits (excluding prepayments)	2,252,266	2,610,016	1,262	-
Amounts due from subsidiaries	-	-	11,145,623	7,861,118
Cash and bank balances	4,378,506	5,669,596	2,227,001	2,063,001
	11,749,142	12,194,259	13,373,886	9,924,119
Financial assets carried at fair value				
Financial assets at FVTPL	5,967,483	1,466,377	3,904,548	-
Total financial assets	17,716,625	13,660,636	17,278,434	9,924,119
Presented as				
Current assets	17,716,625	13,660,636	17,278,434	9,924,119

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

	Group		Company	
	31 August 2023	28 February 2023	31 August 2023	28 February 2023
	US\$	US\$	US\$	US\$
Financial liabilities carried at amortised cost				
Banks borrowings	12,168,019	14,864,500	8,408,955	10,882,942
Lease liabilities	1,639,835	680,118	-	-
Trade payables	557,316	1,250,832	-	-
Other payables and accruals	6,158,348	8,626,103	190,522	225,004
Amounts due to directors	395	36,757	-	-
Amounts due to subsidiaries	-	-	36,121	19,301
	20,523,913	25,458,310	8,635,598	11,127,247
Financial liability carried at fair value				
Contingent consideration *	2,335,636	2,383,258	2,335,636	2,383,258
Total financial liabilities	22,859,549	27,841,568	10,971,234	13,510,505
Presented as				
Current liabilities	15,489,910	17,804,432	5,307,843	5,325,506
Non-current liabilities	7,369,639	10,037,136	5,663,391	8,184,999

* 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 August 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 August 2023 reflected this development.

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

7. Financial assets and financial liabilities (continued)

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			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Group				
31 August 2023				
<u>Financial asset</u>				
Financial asset at FVTPL	-	5,967,483	-	5,967,483
<u>Financial liability</u>				
Contingent consideration	-	-	2,335,636	2,335,636
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
Company				
31 August 2023				
<u>Financial asset</u>				
Financial asset at FVTPL	-	3,904,548	-	3,904,548
<u>Financial liability</u>				
Contingent consideration	-	-	2,335,636	2,335,636
28 February 2023				
<u>Financial liability</u>				
Contingent consideration	-	-	2,383,258	2,383,258

8. Mining properties

During the six months ended 31 August 2023, the Group incurred addition of mining properties expenditures amounting to US\$0.2 million (31 August 2022: US\$1.0 million).

9. Plant and equipment

Acquisitions and disposals

During the six months ended 31 August 2023, the Group acquired plant and equipment with cost of US\$1.4 million (31 August 2022: US\$3.0 million), excluding capitalisation of depreciation charge of right-of use assets and motor vehicles of US\$15,905 (31 August 2022: US\$0.2 million).

Plant and equipment with net book value of US\$5,945 (31 August 2022: US\$5,681) were disposed by the Group during the six months ended 31 August 2023, resulting in a net gain on disposal of US\$44,701 (31 August 2022: US\$15,558).

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 2023, the Group recognised addition of right-of-use assets for motor vehicles and premises amounting to US\$0.7 million (31 August 2022: US\$0.6 million).

The Group renegotiated and modified existing lease contracts for a few motor vehicles during the six months ended 31 August 2023 which were accounted for as a lease modification with increase to the right-of-use assets and lease liabilities of US\$1,348,297 and US\$1,346,794 respectively, resulting in gain on modification of lease contracts of US\$1,503 in the current financial period. In the prior financial period, there was a lease modification with decrease to the right-of-use assets and lease liabilities of US\$556,709 and US\$552,709 respectively, resulting in loss on modification of lease contracts of US\$4,000.

11. Cash and bank balances

	Group		Company	
	31 August 2023 US\$	28 February 2023 US\$	31 August 2023 US\$	28 February 2023 US\$
Cash at banks	2,339,347	3,139,183	224,739	61,230
Cash on hand	35,796	35,856	-	-
Short-term deposits	2,003,362	2,494,557	2,002,262	2,001,771
	<u>4,378,505</u>	<u>5,669,596</u>	<u>2,227,001</u>	<u>2,063,001</u>

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

	Group	
	31 August 2023 US\$	28 February 2023 US\$
Cash and bank balances as above	4,378,505	5,669,596
Less: Short-term deposit pledged	<u>(2,002,262)</u>	<u>(2,001,771)</u>
Cash and cash equivalents as per consolidated statement of cash flows	<u>2,376,243</u>	<u>3,667,825</u>

12. Share capital

	Group and Company			
	31 August 2023		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 August 2023. There were no subsidiary holdings during and as at the end of the current financial period reported on.

13. Dividends

	Group	
	31 August 2023 US\$	28 February 2023 US\$
<u>Ordinary dividends paid:</u>		
In respect of financial year ended 28 February 2023:		
- Final one-tier tax exempt dividend of 0.80 Singapore cents (equivalent to 0.60 US cents) per ordinary share	3,149,157	-
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
	3,149,157	2,894,400

14. Net Asset Value

	Group		Company	
	31 August 2023 US\$	28 February 2023 US\$	31 August 2023 US\$	28 February 2023 US\$
Net asset value (“NAV”) (US\$)	70,748,337	62,239,885	49,509,344	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)	13.52	12.45	9.46	7.92

15. Borrowings and lease liabilities

	Group		Company	
	31 August 2023 US\$	28 February 2023 US\$	31 August 2023 US\$	28 February 2023 US\$
<u>Repayable within one year or on demand</u>				
Secured				
- Banks borrowings	7,067,249	7,129,528	4,947,974	4,947,974
Unsecured				
- Leases liabilities	1,573,376	627,985	-	-
	<u>8,640,625</u>	<u>7,757,513</u>	<u>4,947,974</u>	<u>4,947,974</u>
<u>Repayable after one year</u>				
Secured				
- Banks borrowings	5,100,770	7,734,972	3,460,981	5,934,968
Unsecured				
- Leases liabilities	66,459	52,133	-	-
	<u>5,167,229</u>	<u>7,787,105</u>	<u>3,460,981</u>	<u>5,934,968</u>

The Group's secured borrowings as at 31 August 2023 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\$3.3 million (28 February 2023: US\$3.1 million); and
- (ii) bank borrowings which were used to finance part of the acquisition of Fortress Mengapur Group 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 2023 US\$	28 February 2023 US\$
Capital expenditures contracted but not provided for		
- Plant and equipment	<u>265,582</u>	<u>258,515</u>

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 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 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 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

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

Revenue

Below is a summary of the iron ore sales performance of the Group for the financial period ended 31 August 2023 (“2Q FY2024”) and the comparative financial period ended 31 August 2022 (“2Q FY2023”).

	2Q FY2024	2Q FY2023	Increase/ (Decrease) (%)
Sold (DMT*)	186,587	160,185	16.5
Revenue realised ⁽¹⁾ (US\$)	17,243,858	15,546,113	10.9
Average realised selling price (US\$/DMT)	92.42	97.05	(4.8)

* DMT denotes Dry Metric Tonnes

⁽¹⁾ Excluding effect of foreign exchange.

As shown in the table above, the Group recorded revenue of US\$17.2 million in 2Q FY2024, being 10.9% or US\$1.7 million higher than 2Q FY2023 due to higher volume sold in the current financial period.

The increase was partially impacted due to a lower average realised selling price of US\$92.42/DMT recorded in 2Q FY2024, a decrease of 4.8% or US\$4.63/DMT due to the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices weakening in 2Q FY2024 as compared to 2Q FY2023.

Cost of sales

	2Q FY2024	2Q FY2023	Increase/ (Decrease) (%)
Sold (WMT*)	205,733	175,330	17.3
Cost of sales (US\$)	5,869,999	4,366,748	34.4
Average unit cost of sales (US\$/WMT)	28.53	24.91	14.5

* WMT denotes Wet Metric Tonnes

The Group's cost of sales increased by 34.4% to US\$5.9 million in 2Q FY2024 which is in tandem with the higher sales volume. The Group's average unit cost of sales increased by 14.5% or US\$3.62/WMT to US\$28.53/WMT in 2Q FY2024, which was driven by higher inflation of certain production costs in 2Q FY2024 coupled with the increase in production volume of 30,403WMT or 17.3%.

Gross profit and gross profit margin

Gross profit for 2Q FY2024 of US\$11.5 million was US\$0.3 million higher than 2Q FY2023 as a result of the abovementioned reasons. In contrast, gross profit margin decreased 5.8% to 66.1% in 2Q FY2024 mainly attributable to the lower average realised selling price and higher average unit cost of sales in 2Q FY2024.

Interest income

Interest income increased by US\$40,251 to US\$44,140 in 2Q FY2024. The increase was consistent with the increase in financial assets at FVTPL as at 31 August 2023 which comprise money market funds.

Other operating income

The Group's other operating income decreased by US\$0.1 million to US\$3,292 in 2Q FY2024. The decrease was mainly driven by the absence in unrealised foreign exchange gains in 2Q FY2024 as compared to 2Q FY2023.

Selling and distribution expenses

Selling and distribution expenses increased by US\$0.6 million to US\$2.3 million in 2Q FY2024, primarily due to the higher royalty expenses and transport charges which are in line with higher sales volume achieved in 2Q FY2024.

Other operating expenses

The Group's other operating expenses comprise mainly employee benefits expenses and plants maintenance expenses. Other operating expenses increased by US\$0.1 million to US\$2.6 million in 2Q FY2024 which was primarily due to the increase in employee benefits expenses by US\$0.2 million but was partially mitigated by the decrease in upkeep of machineries by US\$0.1 million due to lesser spare parts of machineries purchased in 2Q FY2024.

Administrative expenses

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

Administrative expenses decreased by US\$0.2 million to US\$0.3 million in 2Q FY2024 primarily due to decrease in realised foreign exchange losses.

Finance costs

Finance costs comprised interest expenses on banks borrowings and lease liabilities which remained relatively constant as compared to 2Q FY2023.

Income tax expense

Income tax expense decreased by US\$34,634 to US\$1.4 million in 2Q FY2024. The decrease was in line with lower profit before tax generated in 2Q FY2024.

The Group's effective tax rate in 2Q FY2024 was 23.5%, 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 decreased by US\$0.3 million or 5.8% to US\$4.6 million from US\$4.9 million in 2Q FY2023 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 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 increased by US\$0.6 million from US\$73.2 million as at 28 February 2023 to US\$73.8 million as at 31 August 2023.

Exploration and evaluation assets decreased by US\$2.0 million to US\$4.5 million as at 31 August 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\$0.2 million and the Sabah exploration areas of US\$1.6 million as at 31 August 2023.

Mining properties increased by US\$2.3 million to US\$42.4 million as at 31 August 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\$0.6 million; and
- the effects of exchange translation differences of US\$1.0 million due to the weakening of exchange rate movement of RM against USD.

Plant and equipment decreased by US\$0.5 million due to the effects of exchange translation differences of US\$0.9 million and depreciation charges of US\$2.2 million, to US\$22.4 million as at 31 August 2023 from US\$22.9 million as at 28 February 2023. The decrease was partially cushioned by the:

- additions of office equipment and furniture and fittings amounting to US\$0.2 million;
- 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\$1.5 million and US\$0.4 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\$0.9 million to US\$1.6 million as at 31 August 2023, which was attributable to addition and modification of lease terms which amounted to US\$2.0 million but was partially mitigated by the depreciation charges amounting to US\$1.0 million.

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

Current assets

As at 31 August 2023, the Group's current assets remained solid and stood at US\$23.0 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\$1.2 million contributed by the billing for sales towards the end of 2Q FY2024;
- decrease in other receivables, deposits and prepayments by US\$0.3 million which was mainly attributable to the higher collection from other receivables of US\$0.3 million in 2Q FY2024;
- increase in financial assets at fair value through profit or loss by US\$4.5 million which comprise money-market funds as at 31 August 2023.

However, it was partially cushioned by:

- a decrease in cash and bank balances of US\$1.3 million which was primarily due to purchase of plant and equipment and repayments of borrowings and payables; and
- a decrease in inventories by US\$1.3 million driven by an increase in inventory traffic on production and consumable inventories as a result of higher sales volume achieved.

Non-current liabilities

As at 31 August 2023, the Group's non-current liabilities decreased by US\$3.0 million to US\$10.6 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\$2.6 million to current liabilities based on its maturity profile; and
- (ii) decrease in deferred tax liabilities of US\$0.4 million which was due to realisation of tax credits against profit generated for the current financial period.

Current liabilities

As at 31 August 2023, the Group's current liabilities decreased by US\$2.3 million from US\$17.9 million as at 28 February 2023 to US\$15.5 million.

The decrease was primarily due to the:

- (i) repayment of bank borrowings and lease liabilities of US\$3.7 million and US\$1.0 million respectively made as at 31 August 2023; and
- (ii) decrease in trade and other payables of US\$3.2 million due to higher repayments made in 2Q FY2024.

The decrease was offset by the drawdown of hire purchase borrowings of US\$1.2 million, reclassification from non-current bank borrowings of US\$2.6 million and addition of lease liabilities from new and modification leases of US\$2.0 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\$7.5 million as at 31 August 2023 as compared to US\$2.6 million as at 28 February 2023.

Condensed interim consolidated statements of cash flows

In 2Q FY2024, the Group's net cash generated from operating activities decreased to US\$7.3 million as compared to the US\$9.0 million in 2Q FY2023.

The decrease in operating cash flow of US\$1.7 million, after adjusting for working capital outflows of US\$2.2 million was mainly attributable to the lower collections from trade and other receivables coupled with the higher repayments made to trade and other payables in 2Q FY2024.

In 2Q FY2024, the Group's net cash flow used in investing activities increased by US\$0.4 million to US\$2.2 million as compared to the net cash flow used of US\$1.8 million in 2Q FY2023. The increase was primarily attributable to:

- the increase in payments made for the addition of exploration and evaluation assets of US\$1.1 million in 2Q FY2024; and
- the increase in purchase of financial asset at FVTPL which comprise money market funds of US\$0.4 million in 2Q FY2024.

The increase was partially offset by:

- the decrease in payments made for the additions of mining properties and plant and equipment of US\$0.9 million and US\$0.2 million respectively.

In 2Q FY2024, the Group's net cash flow used in financing activities was US\$5.8 million as compared to US\$5.2 million in 2Q FY2023. The increase of US\$0.6 million was primarily due to the higher repayments of bank borrowings of US\$0.4 million and higher dividend payments of US\$0.2 million in 2Q 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.

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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 increased 2.2% yoy for January to August 2023¹. China, the world's largest steel-producing country, posted a 2.6% increase for January to August 2023 compared to the corresponding period last year to 712.9 million tonnes.

China is anticipated to experience an upsurge in steel demand in the coming years, driven by the long-term economic growth prospects and forecasts based on the growth patterns and trajectories of key industries. However, it is expected that the surge in steel demand over the past decades will reach its peak in the near future in China².

In late July, China's steel-making industry intensified its production controls by requiring some mills to suspend operation of at least one blast furnace until the end of July, cutting about 488,200 tons of hot metal output from blast furnaces. Additionally, only half of Chinese steel mills were operating at a profit at the end of August, compared to around two-thirds in late July³. This move reflects the government's efforts to reduce steel production and carbon emissions⁴.

In India, steel growth in the second-largest global steel producer witnessed a 3.2% yoy increase during the first five months of the year and it anticipates a sustained growth rate of 9% to early double digits until 2025⁵. This growth is expected to be driven by infrastructure projects, planned capital expenditures, and India's inherent natural growth rate of 6 per cent to 7 per cent. Moreover, the imposition of an anti-dumping duty on Chinese steel wheels by New Delhi is expected to boost local manufacturing and reduce prices⁶.

Malaysia's economy is expected to achieve a growth rate of 4% to 5% in 2023⁷ and is targeting an annual growth rate of at least 5% through 2025⁸. This economic growth will be driven by a concerted effort to accelerate the transition to high-value industries and increased investments.

Additionally, the Malaysian government has recently launched The New Industrial Master Plan 2030 ("NIMP 2030") to chart the strategic direction of the country's manufacturing sector for the next seven years. The NIMP 2030 lays out a broad policy framework that will serve as a policy guide for Malaysia's industrial development, with the goal of elevating the manufacturing sector's value to RM587.5 billion by 2030⁹.

The Group's iron ore concentrate continues to experience strong demand from regional steel mills, primarily due to the need for high-grade magnetite iron ore. This demand is further bolstered by ongoing global initiatives to reduce carbon emissions within the iron ore and steel industry.

¹ The World Steel Association, 25 September 2023: [August 2023 crude steel production](#)

² POSCO Research Institute: [Chindia steel industry forecast in 2040](#).

³ Reuters, 15 September 2023: [China's August crude steel output lower, mills' profit margins shrink](#)

⁴ Reuters, 15 August 2023: [China's July crude steel output eases on production curbs](#).

⁵ The Hindu Business Line, 9 August 2023: [State of the Economy. 'India's stainless steel industry set for robust growth'](#)

⁶ Reuters, 12 September 2023: [India's steel mills expect wheel prices to ease after anti-dumping duty on China](#)

⁷ The Straits Times, 1 September 2023: [Malaysia launches new industrial master plan, set to crank up economic reforms after state polls](#)

⁸ Reuters, 11 September 2023: [Malaysia targets at least 5% economic growth annually until 2025](#)

⁹ New Straits Times, 1 September 2023: [PM rolls out New Industrial Master Plan 2030](#)

Operational developments

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 Group and prospecting areas in Sabah. These efforts ensure adequate Mineral Resources in the medium to long term to support continued cost-efficient growth. Additionally, the Group is enhancing its production capabilities at the Cermat Aman Sdn Bhd ("CASB") mine by the addition of a new integrated processing plant. This strategic move will enable the Group to produce high-grade iron ore, copper, and pyrrhotite concentrate.

The Board and management have considered the uncertainties and challenges in the current environment and the effect on the Group's operations and are of the view that adequate funds are available for the Group's operating requirements for the purposes of meeting its debt obligations for the next 12 months. Customer order books remain healthy and the Group continues to closely monitor the credit quality of its customers to ensure the recoverability of the receivables.

The Group continues to seek opportunities to grow its commodities portfolio prudently and in a disciplined manner via acquisitions, joint ventures and/or providing mining contracting services both in Malaysia and in the region, where its strong capabilities provide a competitive edge to tap on the demand.

The Group continues to explore various fund-raising opportunities to enhance its cash balances for operational needs when required. 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 August 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 August 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 August 2023 and 31 August 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 August 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 August 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.

10. Dividend information (continued)

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 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 2Q 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)).

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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	(1,076) ⁽¹⁾	4,124
Prospecting expenditures in relation to the two prospecting licenses in Sabah	3,500	(1,897) ⁽²⁾	1,603
Total	8,700	(2,973)	5,727

⁽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.

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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 2Q 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	1.27	0.65
Cost of sales	5.87	5.10
Selling and distribution costs	2.32	2.07
Total	9.46	7.82

During 2Q FY2024, the Group's cost of sales was higher than the projected amount by US\$0.77 million due to unplanned higher production volume achieved in 2Q FY2024.

In 2Q FY2024, the selling and distribution costs were higher than the projected amount by US\$0.25 million, primarily due to higher royalty and commission expenses which are in line with higher sales volume achieved in 2Q FY2024.

The Group utilised more than planned funds in exploration and evaluation activities in 2Q FY2024 mainly attributable to the consideration paid in connection with the prospecting licenses in Sabah of US\$1.2 million had been capitalised as exploration and evaluation assets in 2Q FY2024.

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

Purpose	Amount (US\$ million)
Exploration and evaluation activities	0.71
Cost of sales	5.07
Selling and distribution costs	2.05
Total	7.83

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 Group and prospecting areas in Sabah during the third quarter of FY2024 ("3Q FY2024").

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 Catalyst 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 Group 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.

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

Incorporation of FM Gold Sdn. Bhd. (“FM Gold”)

The Company has, on 7 June 2023, incorporated a wholly-owned subsidiary in Malaysia known as FM Gold Sdn. Bhd. (“FM Gold”).

The share capital of FM Gold is MYR100.00. The intended principal activity of FM Gold is for investment holding purposes. However, FM Gold has remained dormant since its date of incorporation.

The incorporation of FM Gold 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 29 February 2024.

Acquisition of Alfa Wijaya Sdn. Bhd. (“Alfa Wijaya”)

A wholly-owned subsidiary of the Company, FM Gold Sdn. Bhd., has on 15 June 2023, acquired 195,000 ordinary shares (representing 65% of the shareholding) in the share capital of Alfa Wijaya from an unrelated party, Venture Submarine Sdn. Bhd. for a cash consideration of RM5,500,000, of which RM195,000 has been paid-to-date upon transfer of shares. The balance consideration of RM5,305,000 is to be paid once the condition precedents are fulfilled.

The purchase consideration was arrived at after arm's length negotiations, on a willing buyer-willing seller basis after taking into consideration, among other things, the potential earnings and future prospects of Alfa Wijaya and the mining rights to be acquired by Alfa Wijaya.

The intended principal activity of Alfa Wijaya is for acquisition of mines, mining rights, quarries and trading in minerals. However, Alfa Wijaya has remained dormant since December 2020 when it ceased business operations. The current share capital of Alfa Wijaya is RM300,000 and Alfa Wijaya has a shareholders' fund of RM50 as at the acquisition date.

The acquisition of Alfa Wijaya 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 29 February 2024.

Save as disclosed above, there was no incorporation of new entities, other acquisitions and realisation of shares during 2Q FY2024.

**BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED**

Dato' Sri Ivan Chee
Chief Executive Officer
12 October 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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. 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 Foo Jien Jieng, 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 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 October 2023