



# FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

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## Unaudited Condensed Interim Financial Statements for the Third Quarter and Nine Months Ended 30 November 2022 (“3Q FY2023”)

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### **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 Third Quarter and Nine Months ended 30 November 2022**

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

		<b>Group</b>			<b>Group</b>		
		<b>Three months ended</b>			<b>Nine months ended</b>		
	<b>Note</b>	<b>30 November 2022 US\$</b>	<b>30 November 2021 US\$</b>	<b>Change %</b>	<b>30 November 2022 US\$</b>	<b>30 November 2021 US\$</b>	<b>Change %</b>
Revenue	3	11,252,842	11,052,551	1.8	41,368,366	38,132,412	8.5
Cost of sales		(3,582,844)	(2,805,446)	27.7	(12,237,517)	(8,045,914)	52.1
Gross profit		7,669,998	8,247,105	(7.0)	29,130,849	30,086,498	(3.2)
Interest income		4,868	3,348	45.4	14,307	9,890	44.7
Other operating income		595,139	265,145	124.5	868,671	515,911	68.4
Selling and distribution expenses		(1,417,404)	(2,058,716)	(31.2)	(4,777,681)	(4,359,842)	9.6
Other operating expenses		(2,078,158)	(2,150,761)	(3.4)	(6,731,657)	(7,446,040)	(9.6)
Administrative expenses		(954,970)	(340,573)	180.4	(1,880,128)	(1,113,874)	68.8
Finance costs		(267,722)	(187,543)	42.8	(735,051)	(410,679)	79.0
Profit before income tax	4	3,551,751	3,778,005	(6.0)	15,889,310	17,281,864	(8.1)
Income tax expense	5	(609,509)	(946,685)	(35.6)	(3,894,050)	(3,969,467)	(1.9)
<b>Profit for the financial period</b>		2,942,242	2,831,320	3.9	11,995,260	13,312,397	(9.9)
<b>Profit/(Loss) attributable to:</b>							
Owners of the Company		2,945,757	2,842,027	3.6	12,012,020	13,329,477	(9.9)
Non-controlling interests		(3,515)	(10,707)	(67.2)	(16,760)	(17,080)	(1.9)
		2,942,242	2,831,320	3.9	11,995,260	13,312,397	(9.9)
<b>Other comprehensive income</b>							
<u>Item that may be reclassified</u>							
<u>subsequently to profit or loss:</u>							
Exchange differences on translating foreign operations		51,829	186,111	(72.2)	(3,381,911)	(771,070)	338.6
Total comprehensive income for the financial period, net of tax		2,994,071	3,017,431	(0.8)	8,613,349	12,541,327	(31.3)
<b>Total comprehensive income/(loss) for the financial period attributable to:</b>							
Owners of the Company		2,997,909	3,028,193	(1.0)	8,629,235	12,558,453	(31.3)
Non-controlling interests		(3,838)	(10,762)	(64.3)	(15,886)	(17,126)	(7.2)
		2,994,071	3,017,431	(0.8)	8,613,349	12,541,327	(31.3)
Earnings per share attributable to owners of the Company (cents)							
- Basic and diluted	6	0.59	0.57	3.5	2.40	2.67	(10.1)

*nm – not meaningful*

## Condensed interim statements of financial position

	Note	Group		Company	
		30	28	30	28
		November 2022 US\$	February 2022 US\$	November 2022 US\$	February 2022 US\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investments in subsidiaries		-	-	43,618,432	43,506,085
Exploration and evaluation assets		6,090,880	3,569,637	-	-
Mining properties	8	39,764,204	41,154,609	-	-
Plant and equipment	9	23,422,542	23,394,351	-	-
Right-of-use assets	10	1,414,579	2,540,359	-	-
Deferred tax assets		698,480	337,581	-	-
Goodwill		3,267,053	3,267,053	-	-
		<u>74,657,738</u>	<u>74,263,590</u>	<u>43,618,432</u>	<u>43,506,085</u>
<b>Current assets</b>					
Inventories		4,014,602	3,104,477	-	-
Trade receivables		1,553,730	1,317,621	-	-
Other receivables, deposits and prepayments		4,748,781	6,388,783	-	-
Amounts due from subsidiaries		-	-	7,565,247	7,500,000
Current income tax receivables		60,870	49,072	-	-
Cash and bank balances	11	9,008,559	6,911,225	2,229,380	2,609,992
		<u>19,386,542</u>	<u>17,771,178</u>	<u>9,794,627</u>	<u>10,109,992</u>
<b>Total assets</b>		<u>94,044,280</u>	<u>92,034,768</u>	<u>53,413,059</u>	<u>53,616,077</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	12	22,463,273	22,463,273	22,463,273	22,463,273
Other reserves		(7,575,324)	(4,192,539)	-	-
Retained earnings		47,636,624	38,534,497	18,027,885	13,251,741
		<u>62,524,573</u>	<u>56,805,231</u>	<u>40,491,158</u>	<u>35,715,014</u>
Non-controlling interests		(20,897)	(20,504)	-	-
<b>Total equity</b>		<u>62,503,676</u>	<u>56,784,727</u>	<u>40,491,158</u>	<u>35,715,014</u>
<b>Non-current liabilities</b>					
Banks borrowings	15	9,372,837	15,757,516	7,171,961	12,132,942
Lease liabilities	15	292,670	568,963	-	-
Deferred tax liabilities		3,465,674	3,484,378	-	-
Other payables		393,471	393,471	393,471	393,471
		<u>13,524,652</u>	<u>20,204,328</u>	<u>7,565,432</u>	<u>12,526,413</u>
<b>Current liabilities</b>					
Banks borrowings	15	7,229,519	6,356,953	4,947,974	4,947,974
Lease liabilities	15	1,092,048	1,918,110	-	-
Trade payables		606,455	985,838	-	-
Other payables and accruals		7,439,976	4,986,980	404,185	394,836
Amounts due to subsidiaries		-	-	4,245	31,806
Current income tax payables		1,647,954	797,832	65	34
		<u>18,015,952</u>	<u>15,045,713</u>	<u>5,356,469</u>	<u>5,374,650</u>
<b>Total liabilities</b>		<u>31,540,604</u>	<u>35,250,041</u>	<u>12,921,901</u>	<u>17,901,063</u>
<b>Total equity and liabilities</b>		<u>94,044,280</u>	<u>92,034,768</u>	<u>53,413,059</u>	<u>53,616,077</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\$
<b>Balance at 1 March 2022</b>		<b>22,463,273</b>	<b>383,615</b>	<b>(1,010,178)</b>	<b>(3,565,976)</b>	<b>38,534,497</b>	<b>56,805,231</b>	<b>(20,504)</b>	<b>56,784,727</b>
<b>Profit/(loss) for the financial period</b>		-	-	-	-	12,012,020	12,012,020	(16,760)	11,995,260
<b>Other comprehensive income</b>									
Exchange differences on translating foreign operations		-	-	(3,382,785)	-	-	(3,382,785)	874	(3,381,911)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(3,382,785)	-	-	(3,382,785)	874	(3,381,911)
<b>Total comprehensive (loss)/income for the financial period</b>		-	-	(3,382,785)	-	12,012,020	8,629,235	(15,886)	8,613,349
<b>Transactions with owners</b>									
Effect of change of interest in a subsidiary		-	-	-	-	(15,493)	(15,493)	15,493	-
FY2022 Final dividend paid	13	-	-	-	-	(2,894,400)	(2,894,400)	-	(2,894,400)
<b>Total transactions with owners</b>		-	-	-	-	(2,909,893)	(2,909,893)	15,493	(2,894,400)
<b>Balance at 30 November 2022</b>		<b>22,463,273</b>	<b>383,615</b>	<b>(4,392,963)</b>	<b>(3,565,976)</b>	<b>47,636,624</b>	<b>62,524,573</b>	<b>(20,897)</b>	<b>62,503,676</b>

## 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\$
<b>Balance at 1 March 2021</b>		<b>22,463,273</b>	<b>383,615</b>	<b>729,404</b>	<b>(3,565,976)</b>	<b>28,407,131</b>	<b>48,417,447</b>	<b>(8,905)</b>	<b>48,408,542</b>
<b>Profit/(loss) for the financial period</b>		-	-	-	-	13,329,477	13,329,477	(17,080)	13,312,397
<b>Other comprehensive income</b>									
Exchange differences on translating foreign operations		-	-	(771,024)	-	-	(771,024)	(46)	(771,070)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(771,024)	-	-	(771,024)	(46)	(771,070)
<b>Total comprehensive (loss)/income for the financial period</b>		-	-	(771,024)	-	13,329,477	12,558,453	(17,126)	12,541,327
<b>Transactions with owners</b>									
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)
<b>Total transactions with owners</b>		-	-	-	-	(3,765,044)	(3,765,044)	5	(3,765,039)
<b>Balance at 30 November 2021</b>		<b>22,463,273</b>	<b>383,615</b>	<b>(41,620)</b>	<b>(3,565,976)</b>	<b>37,971,564</b>	<b>57,210,856</b>	<b>(26,026)</b>	<b>57,184,830</b>

## **Condensed interim statements of changes in equity (continued)**

	Notes	Share capital US\$	Retained earnings US\$	Total equity US\$
<b><u>Company</u></b>				
<b>Balance at 1 March 2022</b>		<b>22,463,273</b>	<b>13,251,741</b>	<b>35,715,014</b>
Loss for the financial period representing total comprehensive loss for the financial period		-	7,670,544	7,670,544
<b>Distribution to owners</b>				
Dividend paid	13	-	(2,894,400)	(2,894,400)
<b>Total transaction with owners</b>		-	(2,894,400)	(2,894,400)
<b>Balance at 30 November 2022</b>		<b>22,463,273</b>	<b>18,027,885</b>	<b>40,491,158</b>

	Notes	Share capital US\$	Retained earnings US\$	Total equity US\$
<b><u>Company</u></b>				
<b>Balance at 1 March 2021</b>		<b>22,463,273</b>	<b>5,945,417</b>	<b>28,408,690</b>
Loss for the financial period representing total comprehensive loss for the financial period		-	6,363,337	6,363,337
<b>Distribution to owners</b>				
Dividend paid	13	-	(3,765,044)	(3,765,044)
<b>Total transaction with owners</b>		-	(3,765,044)	(3,765,044)
<b>Balance at 30 November 2021</b>		<b>22,463,273</b>	<b>8,543,710</b>	<b>31,006,983</b>

## Condensed interim consolidated statements of cash flows

	Note	Group		Group	
		Three months ended	Three months ended	Nine months ended	Nine months ended
		30	30	30	30
		November	November	November	November
		2022	2021	2022	2021
		US\$	US\$	US\$	US\$
<b>Operating activities</b>					
Profit before income tax		3,551,751	3,778,005	15,889,310	17,281,864
Adjustments for:					
Amortisation of mining properties		294,045	195,873	615,930	421,513
Depreciation of plant and equipment		708,668	830,204	1,908,675	2,181,172
Depreciation of right-of-use assets		406,180	318,793	1,069,321	627,282
Interest expenses		267,722	187,543	735,051	410,679
Interest income		(4,868)	(3,348)	(14,307)	(9,890)
Gain on disposal of plant and equipment		805	(37,608)	(14,753)	(93,140)
Modification of lease contracts		418	6,305	4,418	4,286
Unrealised foreign exchange gain		537,162	(42,007)	1,125,006	(110,216)
<b>Operating cash flow before working capital changes</b>		<b>5,761,883</b>	<b>5,233,760</b>	<b>21,318,651</b>	<b>20,713,550</b>
Working capital changes:					
Inventories		(723,486)	(530,437)	(71,579)	(385,673)
Trade and other receivables		2,186,067	3,726,658	403,039	6,768,563
Trade and other payables		(480,624)	(3,116)	2,013,119	(676,679)
<b>Cash generated from operations</b>		<b>6,743,840</b>	<b>8,426,865</b>	<b>23,663,230</b>	<b>26,419,761</b>
Income tax paid		(1,270,511)	(1,970,715)	(3,331,226)	(4,334,969)
Income tax refunded		-	-	6,070	-
<b>Net cash flow generated from operating activities</b>		<b>5,473,329</b>	<b>6,456,150</b>	<b>20,338,074</b>	<b>22,084,792</b>
<b>Investing activities</b>					
Additions of exploration and evaluation assets		(215,809)	(92,692)	(2,705,466)	(250,797)
Additions of mining properties		(98,615)	(121,176)	(1,140,856)	(6,121,841)
Additions of plant and equipment		(637,148)	(1,735,613)	(3,674,348)	(6,018,005)
Purchase consideration for acquisition of subsidiaries		(111,215)	-	(111,215)	(21,000,000)
Acquisition of additional shares in a subsidiary from non-controlling interests		-	-	(5)	-
Proceeds from disposal of plant and equipment		56,054	41,273	77,293	118,964
Interest received		4,868	3,348	14,307	9,890
<b>Net cash flow used in investing activities</b>		<b>(1,001,865)</b>	<b>(1,904,860)</b>	<b>(7,540,290)</b>	<b>(33,261,789)</b>
<b>Financing activities</b>					
Interest paid		(256,179)	(187,543)	(691,172)	(410,679)
Increase in short-term deposit pledged		(253)	(253)	(745)	(2,000,566)
Proceed from bank borrowing		-	-	-	21,000,000
Repayments of bank borrowings		(2,737,534)	(461,270)	(5,642,435)	(487,627)
Repayment of lease liabilities		(517,807)	(168,909)	(1,568,610)	(1,049,122)
Issuance of new ordinary shares to non-controlling interests		-	-	-	5
Dividends paid		-	-	(2,894,400)	(3,765,044)
<b>Net cash flow (used in)/ generated from financing activities</b>		<b>(3,511,773)</b>	<b>(817,975)</b>	<b>(10,797,362)</b>	<b>13,286,967</b>
Net change in cash and cash equivalents		959,691	3,733,315	2,000,422	2,109,970
Effects of exchange rate changes on cash and cash equivalents		123,351	141,944	96,167	246,426
Cash and cash equivalents at beginning of financial period		5,923,976	6,281,399	4,910,429	7,800,262
Cash and cash equivalents at end of financial period	11	<u>7,007,018</u>	<u>10,156,658</u>	<u>7,007,018</u>	<u>10,156,658</u>

## **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 nine months ended 30 November 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 nine months ended 30 November 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 interim financial statements for the period ended 31 August 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

	<b>Iron Ore</b>	<b>Others</b>	<b>Group</b>
<b>1 September 2022 to 30 November 2022</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Revenue</b>			
External customers, representing total revenue	11,252,842	-	11,252,842
<b>Results:</b>			
Interest income	4,615	253	4,868
Gain on disposal of plant and equipment	(805)	-	(805)
Amortisation of mining properties	(294,045)	-	(294,045)
Depreciation of right-of-use assets	(406,180)	-	(406,180)
Depreciation of plant and equipment	(708,668)	-	(708,668)
Interest expense	(267,722)	-	(267,722)
Segment profit/(loss)	3,751,822	(200,071)	3,551,751
<b>Assets:</b>			
Additions to non-current assets	1,643,443	-	1,643,443
Segment assets	93,816,934	227,346	94,044,280
Segment liabilities	(31,339,216)	(201,388)	(31,540,604)
<b>1 September 2021 to 30 November 2021</b>			
<b>Revenue</b>			
External customers, representing total revenue	11,052,551	-	11,052,551
<b>Results:</b>			
Interest income	3,348	-	3,348
Gain on disposal of plant and equipment	37,608	-	37,608
Amortisation of mining properties	(195,873)	-	(195,873)
Depreciation of right-of-use assets	(308,573)	(10,220)	(318,793)
Depreciation of plant and equipment	(825,296)	(4,908)	(830,204)
Interest expense	(52,862)	(134,681)	(187,543)
Segment profit/(loss)	3,870,435	(1,039,115)	2,831,320
<b>Assets:</b>			
Additions to non-current assets	1,915,762	33,719	1,949,481
Segment assets	91,476,355	2,832,581	94,308,936
Segment liabilities	(13,366,049)	(23,758,057)	(37,124,106)

### 3. Segment and revenue information (continued)

#### 3.1 Reportable segments (continued)

	<b>Iron Ore</b>	<b>Others</b>	<b>Group</b>
<b>1 March 2022 to 30 November 2022</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Revenue</b>			
External customers, representing total revenue	41,368,366	-	41,368,366
<b>Results:</b>			
Interest income	13,543	764	14,307
Gain on disposal of plant and equipment	14,753	-	14,753
Amortisation of mining properties	(615,930)	-	(615,930)
Depreciation of right-of-use assets	(1,069,321)	-	(1,069,321)
Depreciation of plant and equipment	(1,908,675)	-	(1,908,675)
Interest expense	(735,051)	-	(735,051)
Segment profit/(loss)	16,481,374	(592,064)	15,889,310
<b>Assets:</b>			
Additions to non-current assets	9,745,632	-	9,745,632
Segment assets	93,816,934	227,346	94,044,280
Segment liabilities	(31,339,216)	(201,388)	(31,540,604)
<b>1 March 2021 to 30 November 2021</b>			
<b>Revenue</b>			
External customers, representing total revenue	38,132,412	-	38,132,412
<b>Results:</b>			
Interest income	9,304	586	9,890
Gain on disposal of plant and equipment	93,140	-	93,140
Amortisation of mining properties	(421,513)	-	(421,513)
Depreciation of right-of-use assets	(606,843)	(20,439)	(627,282)
Depreciation of plant and equipment	(2,176,004)	(5,168)	(2,181,172)
Interest expense	(128,042)	(282,637)	(410,679)
Segment profit/(loss)	16,135,773	(2,823,376)	13,312,397
<b>Assets:</b>			
Additions to non-current assets	33,340,698	49,945	33,390,643
Segment assets	91,476,355	2,832,581	94,308,936
Segment liabilities	(13,366,049)	(23,758,057)	(37,124,106)

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### 3. Segment and revenue information (continued)

#### 3.2 Disaggregation of revenue

Group	Three months ended		Nine months ended	
	30 November 2022 US\$	30 November 2021 US\$	30 November 2022 US\$	30 November 2021 US\$
<b>Geographical information:</b>				
Malaysia	11,252,842	9,288,512	39,785,943	34,496,491
People's Republic of China	-	1,764,039	1,582,423	3,635,921
	<u>11,252,842</u>	<u>11,052,551</u>	<u>41,368,366</u>	<u>38,132,412</u>
<b>Timing of revenue recognition:</b>				
At a point in time	<u>11,252,842</u>	<u>11,052,551</u>	<u>41,368,366</u>	<u>38,132,412</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		Nine months ended	
	30 November 2022 US\$	30 November 2021 US\$	30 November 2022 US\$	30 November 2021 US\$
<b>Income</b>				
Foreign exchange gain, net	-	51,192	-	-
(Loss)/Gain on disposal of plant and equipment, net	(805)	37,608	14,753	93,140
<b>Expenses</b>				
Amortisation of mining properties	294,045	195,873	615,930	421,513
Depreciation charge of:				
- plant and equipment	708,668	830,204	1,908,675	2,181,172
- right-of-use assets	406,180	318,793	1,069,321	627,282
Foreign exchange loss, net	93,404	-	331,287	127,664
Interest expenses on:				
- borrowings	256,178	165,485	691,172	367,979
- lease liabilities	11,544	22,058	43,879	42,700
Commission expense	299,859	119,841	893,045	444,773
Handling and transportation	297,837	407,576	1,010,159	850,444
Ocean freight	(9,074)	982,985	658,085	1,621,078
Royalty expense	798,761	506,636	2,108,359	1,320,499
Upkeep of machinery	282,517	215,338	1,504,060	1,456,455
Upkeep of motor vehicles	175,784	256,374	614,848	668,339

#### 4. Profit before income tax (continued)

##### 4.2 Related party transactions

Material transactions with related parties are as follows:

Group	Three months ended		Nine months ended	
	30 November 2022 US\$	30 November 2021 US\$	30 November 2022 US\$	30 November 2021 US\$
<b>Transactions with entities of common major shareholder of the Company</b>				
Lease payments to:				
-Webcon Sdn Bhd	-	-	-	5,775
-Webcon Venture Sdn Bhd	13,073	10,107	35,092	23,584

##### *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		Nine months ended	
	30 November 2022 US\$	30 November 2021 US\$	30 November 2022 US\$	30 November 2021 US\$
Directors' fees	115,006	110,696	350,476	331,686
Salaries and other emoluments	548,096	477,167	2,363,460	1,819,937
Contributions to defined contribution plans	33,598	19,283	104,909	55,489
Social security contributions	126	111	338	308
	696,826	607,257	2,819,183	2,207,420

#### 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		Nine months ended	
	30 November 2022 US\$	30 November 2021 US\$	30 November 2022 US\$	30 November 2021 US\$
Current income tax expense	428,798	949,358	4,036,222	4,047,350
Deferred tax relating to origination/ (reversal) of temporary differences	180,711	(2,673)	(142,172)	(77,883)
Income tax expense recognised in profit or loss	609,509	946,685	3,894,050	3,969,467

## 6. Earnings per ordinary share (“EPS”)

Group	Three months ended		Nine months ended	
	30 November 2022 US\$	30 November 2021 US\$	30 November 2022 US\$	30 November 2021 US\$
Net profit attributable to owners of the Company (US\$)	2,945,757	2,842,027	12,012,020	13,329,477
Weighted average number of ordinary shares	500,000,000	500,000,000	500,000,000	500,000,000
Basic and diluted EPS (US cents)	0.59	0.57	2.40	2.67

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 30 November 2022 and 28 February 2022:

	Group		Company	
	30 November 2022 US\$	28 February 2022 US\$	30 November 2022 US\$	28 February 2022 US\$
<b>Financial assets carried at amortised cost</b>				
Trade receivables	1,553,730	1,317,621	-	-
Other receivables and deposits (excluding prepayments)	2,803,453	2,606,628	-	-
Amounts due from subsidiaries	-	-	7,565,247	7,500,000
Cash and bank balances	9,008,559	6,911,225	2,229,380	2,609,992
<b>Total financial assets</b>	<b>13,365,742</b>	<b>10,835,474</b>	<b>9,794,627</b>	<b>10,109,992</b>
<b>Presented as</b>				
Current assets	13,365,742	10,835,474	9,794,627	10,109,992
<b>Financial liabilities carried at amortised cost</b>				
Bank borrowings	16,602,356	22,114,469	12,119,935	17,080,916
Lease liabilities	1,384,718	2,487,073	-	-
Trade payables	606,455	985,838	-	-
Other payables and accruals	7,237,114	4,753,602	201,323	161,458
Amounts due to subsidiaries	-	-	4,245	31,806
	25,830,643	30,340,982	12,325,503	17,274,180
<b>Financial liabilities carried at fair value</b>				
Contingent consideration*	596,333	626,849	596,333	626,849
<b>Total financial liabilities</b>	<b>26,426,976</b>	<b>30,967,831</b>	<b>12,921,836</b>	<b>17,901,029</b>
<b>Presented as</b>				
Non-current liabilities	10,058,978	16,719,950	7,565,432	12,526,413
Current liabilities	16,367,998	14,247,881	5,356,404	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 30 November 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 30 November 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\$
<b>30 November 2022</b>				
<b>Group and Company</b>				
Contingent consideration	-	-	596,333	596,333
<b>28 February 2022</b>				
<b>Group and Company</b>				
Contingent consideration	-	-	626,849	626,849

## 8. Mining properties

During the nine months ended 30 November 2022, the Group incurred additions of mining properties expenditures amounting to US\$1.1 million (30 November 2021: US\$6.2 million).

## 9. Plant and equipment

### Acquisitions and disposals

During the nine months ended 30 November 2022, the Group acquired plant and equipment with cost of US\$4.1 million (30 November 2021: US\$8.0 million), excluding capitalisation of depreciation charge of right-of use assets and motor vehicles of US\$0.4 million (30 November 2021: US\$0.3 million).

Plant and equipment with net book value of US\$62,540 (30 November 2021: US\$25,824) were disposed by the Group during the nine months ended 30 November 2022, resulting in a net gain on disposal of US\$14,753 (30 November 2021: US\$93,140).

## 10. Right-of-use assets

The Group leases office space, hostels, storage space and motor vehicles in Malaysia. During the nine months ended 30 November 2022, the Group recognised addition of right-of-use assets for motor vehicles and premises amounting to US\$1.1 million (30 November 2021: US\$4.0 million).

The Group renegotiated and modified existing lease contracts for a few motor vehicles during the nine months ended 30 November 2022 which were accounted for as a lease modification with decrease to the right-of-use assets and lease liabilities of US\$567,765 (30 November 2021: US\$130,665) and US\$563,347 (30 November 2021: US\$126,379) respectively, resulting in loss on modification of lease contracts of US\$4,418 (30 November 2021: US\$4,286).

## 11. Cash and bank balances

	Group		Company	
	30 November 2022	28 February 2022	30 November 2022	28 February 2022
	US\$	US\$	US\$	US\$
Cash at banks	2,812,467	4,845,853	227,839	609,196
Cash on hand	34,952	60,636	-	-
Short-term deposits	6,161,140	2,004,736	2,001,541	2,000,796
	<u>9,008,559</u>	<u>6,911,225</u>	<u>2,229,380</u>	<u>2,609,992</u>

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

	Group	
	30 November 2022	28 February 2022
	US\$	US\$
Cash and bank balances as above	9,008,559	6,911,225
Less: Short-term deposit pledged	<u>(2,001,541)</u>	<u>(2,000,796)</u>
Cash and cash equivalents as per consolidated statement of cash flows	<u>7,007,018</u>	<u>4,910,429</u>



## 12. Share capital

	Group and Company			
	30 November 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 30 November 2022. There were no subsidiary holdings during and as at the end of the current financial period reported on.

## 13. Dividends

	Group	
	30 November 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	
	30 November 2022 US\$	28 February 2022 US\$	30 November 2022 US\$	28 February 2022 US\$
Net asset value (“NAV”) (US\$)	62,524,573	56,805,231	40,491,158	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)	12.50	11.36	8.10	7.14

## 15. Borrowings and lease liabilities

	Group		Company	
	30 November 2022	28 February 2022	30 November 2022	28 February 2022
	US\$	US\$	US\$	US\$
<u>Repayable within one year or on demand</u>				
<b>Secured</b>	7,229,519	6,356,953	4,947,974	4,947,974
- Bank borrowings				
<b>Unsecured</b>				
- Lease liabilities	1,092,048	1,918,110	-	-
	<u>8,321,567</u>	<u>8,275,063</u>	<u>4,947,974</u>	<u>4,947,974</u>
<u>Repayable after one year</u>				
<b>Secured</b>				
- Bank borrowings	9,372,837	15,757,516	7,171,961	12,132,942
<b>Unsecured</b>				
- Lease liabilities	292,670	568,963	-	-
	<u>9,665,507</u>	<u>16,326,479</u>	<u>7,171,961</u>	<u>12,132,942</u>

The Group's secured borrowings as at 30 November 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\$3.6 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	
	30 November 2022	28 February 2022
	US\$	US\$
Capital expenditures contracted but not provided for		
- Plant and equipment	<u>141,952</u>	<u>186,886</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 Catalyst Rules

### 1. Review

The condensed interim statements of financial position of Fortress Minerals Limited and its subsidiaries as at 30 November 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 nine 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

#### 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 30 November 2022 (“3Q FY2023”) and the comparative financial period ended 30 November 2021 (“3Q FY2022”).

	3Q FY2023	3Q FY2022	Increase/ (Decrease) (%)
Sold (DMT*)	131,539	126,131	4.3
Revenue realised <sup>(1)</sup> (US\$)	11,287,722	11,028,544	2.4
Average realised selling price (US\$/DMT)	85.81	87.44	(1.9)

\* DMT denotes Dry Metric Tonnes

<sup>(1)</sup> Excluding effect of foreign exchange.

As shown in the table above, the Group recorded revenue of US\$11.3 million in 3Q FY2023, being 2.4% or US\$0.3 million higher than 3Q FY2022 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\$85.81/DMT recorded in 3Q FY2023, a decrease of 1.9% or US\$1.63/DMT due to the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices weakening in 3Q FY2023 as compared to 3Q FY2022.

### Cost of sales

	3Q FY2023	3Q FY2022	Increase/ (Decrease) (%)
Sold (WMT*)	144,262	138,771	4.0
Cost of sales (US\$)	3,582,844	2,805,446	27.7
Average unit cost of sales (US\$/WMT)	24.84	20.22	22.8

\* WMT denotes Wet Metric Tonnes

The Group's cost of sales increased by 27.7% to US\$3.6 million in 3Q FY2023 which is in tandem with the higher sales volume and inflation of certain production costs. The Group's average unit cost of sales increased by 22.8% or US\$4.62/WMT to US\$24.84/WMT in 3Q FY2023. This was attributable to the increase in cost of sales of US\$0.8 million or 27.7% and mitigated by the increase in production volume of 5,491WMT or 4.0%, resulting in an improvement in cost efficiency.

### Gross profit and gross profit margin

Gross profit for 3Q FY2023 of US\$7.7 million was US\$0.5 million lower than 3Q FY2022 as a result of the abovementioned reasons. In contrast, gross profit margin decreased 6.0% to 68.2% in 3Q FY2023 mainly attributable to the increase in cost of sales in 3Q FY2023.

### Other operating income

The Group's other operating income increased by US\$0.3 million to US\$0.6 million in 3Q FY2023. The increase was mainly driven by the increase in realised gain on foreign exchange in 3Q FY2023 as compared to 3Q FY2022.

### Selling and distribution expenses

Selling and distribution expenses decreased by US\$0.6 million to US\$1.4 million in 3Q FY2023, primarily due to the absence of ocean freight charges in 3Q FY2023 as compared to 3Q FY2022.

### Other operating expenses

The Group's other operating expenses comprise mainly of employee benefits expenses and plants maintenance expenses. Other operating expenses decreased slightly by US\$0.1 million to US\$2.1 million in 3Q FY2023. There is no significant movement in the other operating expenses as compared to the previous corresponding period.

### Administrative expenses

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

Administrative expenses increased by US\$0.6 million to US\$1.0 million in 3Q FY2023 primarily due to increase in unrealised foreign exchange losses.

### Finance costs

Finance costs comprised interest expenses on banks borrowings and lease liabilities. The increase of US\$80,179 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 decreased by US\$0.3 million to US\$0.6 million in 3Q FY2023. The decrease was in line with lower profit before tax generated in 3Q FY2023.

The Group's effective tax rate in 3Q FY2022 was 24.5%, 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 increased by US\$0.1 million or 3.9% to US\$2.9 million from US\$2.8 million in 3Q 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 30 November 2022 and 28 February 2022.

**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, deferred tax assets and goodwill. The Group's non-current assets increased by US\$0.4 million to US\$74.7 million as at 30 November 2022 due to the reasons below.

Exploration and evaluation assets increased by US\$2.5 million to US\$6.1 million as at 30 November 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 3Q FY2023 which however, was mitigated by the effect of exchange translation differences.

Mining properties decreased by US\$1.4 million to US\$39.8 million as at 30 November 2022. The decrease is primarily attributable to:

- amortisation charges of US\$0.7 million; and
- the effects of exchange translation differences of US\$1.8 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\$28,191 (net of the effect of exchange translation differences of US\$1.6 million and of depreciation charges of US\$2.8 million) to US\$23.4 million as at 30 November 2022. The increase was primarily due to:

- construction work-in-progress of processing plants in the CASB mine amounting to US\$3.1 million; and
- additions of fleet truck and machineries acquired amounting to US\$0.8 million and US\$0.5 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 30 November 2022. The decrease was attributable to:

- depreciation charges amounting to US\$1.5 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\$1.1 million.

Deferred tax assets increased by US\$0.4 million to US\$0.7 million as at 30 November 2022 from US\$0.3 million as at 28 February 2022. The increase was due to the increase in deductible temporary differences as at 30 November 2022.

The goodwill arising from the acquisition of Fortress Mengapur amounting to US\$3.3 million remain unchanged as at 30 November 2022.

#### Current assets

As at 30 November 2022, the Group's current assets remained solid and stood at US\$19.4 million compared to US\$17.8 million as at 28 February 2022. The increase was mainly attributable to the increase in inventories by US\$0.9 million, increase in trade receivables by US\$0.2 million contributed by the billing for sales towards the end of 3Q FY2023 and increase in cash and bank balances of US\$2.1 million which was offset by:

- (i) decrease in other receivables, deposits and prepayments by US\$1.6 million which was mainly attributable to the decrease in prepayments to suppliers for purchase of plant and equipment of US\$1.8 million.

#### Non-current liabilities

As at 30 November 2022, the Group's non-current liabilities decreased by US\$6.7 million to US\$13.5 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\$6.4 million to current liabilities based on its maturity profile; and
- (ii) decrease in non-current lease liabilities as a result of the reclassification of non-current lease liabilities of US\$0.3 million to current liabilities based on its maturity profile.

### Current liabilities

As at 30 November 2022, the Group's current liabilities increased by US\$3.0 million from US\$15.0 million as at 28 February 2022 to US\$18.0 million.

The increase was primarily due to the:

- (i) reclassification from non-current bank borrowings and lease liabilities of US\$6.4 million and US\$0.3 million respectively;
- (ii) increase in other payables of US\$2.5 million mainly due to accruals for staff costs and expenses such as royalty, transport charges and utilities for 3Q FY2023; and
- (iii) increase in current income tax payables of US\$0.9 million due to provision for income tax of US\$4.5 million and offset with payment of tax instalments of US\$3.3 million paid to tax authorities in 3Q FY2023.

The increase was offset by the repayment of bank borrowings and lease liabilities of US\$5.6 million and US\$1.6 million made in 3Q FY2023.

### Working capital

Our Group recorded a positive working capital position of US\$1.4 million as at 30 November 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 3Q FY2023, the Group's net cash generated from operating activities decreased to US\$5.5 million as compared to US\$6.5 million in 3Q FY2022.

The increase in operating cash flow of US\$1.3 million, after adjusted for working capital outflow of US\$3.0 million was mainly attributable to the higher payments made to trade and other payables in 3Q FY2023.

In 3Q FY2023, the Group's net cash flow used in investing activities decreased by US\$0.9 million to US\$1.0 million as compared to the net cash flow used of US\$1.9 million in 3Q 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\$22,561 and US\$1.1 million respectively.

In 3Q FY2023, the Group's net cash flow used in financing activities was US\$3.5 million as compared to the net cash flow used in financing activities of US\$0.8 million in 3Q FY2022. The increase of US\$2.7 million was primarily due to:

- increase in repayments of banks borrowings of US\$2.3 million in accordance to the fixed repayment schedules; and
- increase in payments of lease liabilities of US\$0.3 million.

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

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

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

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

**Operational developments**

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

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

The Group continues to seek opportunities to grow its commodities portfolio prudently and in a disciplined manner via acquisitions, joint ventures and/or providing mining contracting services both in Malaysia and in the region, where its strong capabilities provide a competitive edge to tap on the demand. The Group continues to explore various fund-raising opportunities to enhance its cash balances for operational needs. The Group will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

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

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

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

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

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

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 August 2022 up to 30 November 2022. The Company's share capital was US\$22,463,273 comprising 500,000,000 shares as at 30 November 2022 and 31 August 2022.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 30 November 2022 and 30 November 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 30 November 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 30 November 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 3Q 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 3Q 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 3Q 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	0.22	0.26
Cost of sales	3.58	4.91
Selling and distribution costs	1.41	2.13
<b>Total</b>	<b>5.21</b>	<b>7.30</b>

During 3Q FY2023, the Group’s cost of sales was lower than the projected amount by US\$1.3 million which was due to unplanned maintenance on machineries in 3Q FY2023 resulting in a lower production volume as compared to the production volume forecasted previously.

In 3Q FY2023, the selling and distribution costs were lower than the projected amount by US\$0.7 million, primarily due to lower royalty and commission expenses which are in line with the explanation provided above.

The Group utilised less than planned funds in exploration and evaluation activities in 3Q 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: -**

<b>Purpose</b>	<b>Amount (US\$ million)</b>
Exploration and evaluation activities	0.22
Cost of sales	4.16
Selling and distribution costs	2.86
<b>Total</b>	<b>7.24</b>

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 fourth quarter of FY2023 (“4Q 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 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.

**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 Saga Mineral Sdn. Bhd. (“SMSB”)**

A wholly-owned subsidiary of the Company, Fortress Cu Sdn. Bhd., has on 1 September 2022, acquired 130,000 ordinary shares (representing 65% of the shareholding) in the share capital of SMSB from an unrelated party, Aston Solutions Sdn. Bhd. for a cash consideration of RM5,000,000 being RM500,000 paid upon transfer of shares and the balance consideration of RM4,500,000 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 SMSB and the mining rights to be acquired by SMSB.

The intended principal activity of SMSB is for acquisition of mines, mining rights, quarries and trading in minerals. However, SMSB has remained dormant since its date of incorporation. The current share capital of SMSB is RM200,000 and SMSB has a capital deficiency of RM3,000 as at 30 November 2022.

The acquisition of SMSB 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 Ni Sdn. Bhd. (“Fortress Ni”)**

The Company has, on 25 October 2022, incorporated a wholly-owned subsidiary in Malaysia known as Fortress Ni Sdn. Bhd. (“Fortress Ni”).

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

The incorporation of Fortress Ni 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.

**Incorporation of Fortress SiO2 Sdn. Bhd. (“Fortress SiO2”)**

The Company has, on 26 October 2022, incorporated a wholly-owned subsidiary in Malaysia known as Fortress SiO2 Sdn. Bhd. (“Fortress SiO2”).

The share capital of Fortress SiO2 is RM100.00. The intended principal activity of Fortress SiO2 is for acquisition of mines, mining rights, quarries and trading in minerals. However, Fortress SiO2 has remained dormant since its date of incorporation.

The incorporation of Fortress SiO2 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.

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

Dato' Sri Ivan Chee  
Chief Executive Officer  
11 January 2023

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

*The contact person for the Sponsor is Ms Jennifer Tan, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.*

**Confirmation by the Board**

On behalf of the Board of Directors of the Company, we the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the 3-months and 9-months period ended 30 November 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  
11 January 2023