FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Condensed Interim Financial Statements for the Fourth Quarter and Full Year Ended 28 February 2023 (“4Q FY2023” and “FY2023”)

Background

Fortress Minerals Limited (the “**Company**”) and its subsidiary companies (the “**Group**”) is a high-grade iron ore producer based in Malaysia. The Group is principally in the business of exploration, mining, production and sale of iron ore.

The Group presently produces high grade iron ore mined from its Bukit Besi mine and Cermat Aman Sdn Bhd (the “**CASB**”) mine in Malaysia, and sells its iron ore primarily to steel mills in Malaysia and trading companies in the People’s Republic of China.

The Group had on 7 April 2021 completed the acquisition of the entire issued and paid-up capital of Fortress Mengapur Sdn Bhd and its subsidiaries (“**Fortress Mengapur**”), which comprises the entire tenements held by its subsidiaries, namely CASB and Star Destiny Sdn Bhd (the “**SDSB**”), which covers approximately 951.68 hectares, save for the free digging oxide magnetite iron materials contained in the topsoil at certain areas of Mining lease no. ML. 8/2011 in respect of the mining land (the “**Third-Party Iron Ore Interests**”). Following the completion of the acquisition of Fortress Mengapur, the Group’s total mining and exploration land area is approximately 1,477.88 hectares.

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

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

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

Part I – Condensed Interim Financial Statements for the Fourth Quarter and Full Year ended 28 February 2023 ("4Q FY2023" and "FY2023")

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

		Group Three months ended			Group Twelve months ended		
	Note	**28 February 2023 US$**	**28 February 2022 US$**	**Change %**	**28 February 2023 US$**	**28 February 2022 US$**	**Change %**
Revenue	3	12,178,784	5,233,806	132.7	53,547,150	43,366,218	23.5
Cost of sales		(3,558,024)	(1,939,406)	83.5	(15,795,541)	(9,985,320)	58.2
Gross profit		8,620,760	3,294,400	161.7	37,751,609	33,380,898	13.1
Interest income		18,990	3,102	512.2	33,297	12,992	156.3
Other operating income		(432,826)	(153,103)	182.7	435,845	362,808	20.1
Selling and distribution expenses		(2,055,729)	(438,754)	368.5	(6,833,410)	(4,798,596)	42.4
Other operating expenses		(2,443,700)	(1,255,442)	94.6	(9,175,357)	(8,701,482)	5.4
Administrative expenses		24,154	300,579	(92.0)	(1,855,974)	(813,295)	128.2
Fair value loss on contingent consideration		(1,786,924)	-	100.0	(1,786,924)	-	100.0
Finance costs		(277,463)	(377,314)	(26.5)	(1,012,514)	(787,993)	28.5
Profit before income tax	4	1,667,262	1,373,468	21.4	17,556,572	18,655,332	(5.9)
Income tax expense	5	(1,070,341)	(805,151)	32.9	(4,964,391)	(4,774,618)	4.0
Profit for the financial period		596,921	568,317	5.0	12,592,181	13,880,714	(9.3)
Profit/(Loss) attributable to:							
Owners of the Company		601,650	562,933	6.9	12,613,670	13,892,410	(9.2)
Non-controlling interests		(4,729)	5,384	nm	(21,489)	(11,696)	83.7
		596,921	568,317	5.0	12,592,181	13,880,714	(9.3)
Other comprehensive income							
<u>Item that may be reclassified subsequently to profit or loss:</u>							
Exchange differences on translating foreign operations		(138,738)	(968,420)	(85.7)	(3,520,649)	(1,739,490)	102.4
Total comprehensive income for the financial period, net of tax		458,183	(400,103)	nm	9,071,532	12,141,224	(25.3)
Total comprehensive income/(loss) for the financial period attributable to:							
Owners of the Company		462,506	(405,625)	nm	9,091,741	12,152,828	(25.2)
Non-controlling interests		(4,323)	5,522	nm	(20,209)	(11,604)	74.2
		458,183	(400,103)	nm	9,071,532	12,141,224	(25.3)
Earnings per share attributable to owners of the Company (cents)							
- Basic and diluted	6	0.12	0.11	9.1	2.52	2.78	(9.4)

nm – not meaningful

Condensed interim statements of financial position

	Note	Group		Company	
		28 February 2023 US$	28 February 2022 US$	28 February 2023 US$	28 February 2022 US$
ASSETS					
Non-current assets					
Investments in subsidiaries		-	-	43,492,161	43,506,085
Exploration and evaluation assets		6,501,873	3,569,637	-	-
Mining properties	8	40,128,657	41,154,609	-	-
Plant and equipment	9	22,911,961	23,394,351	-	-
Right-of-use assets	10	682,770	2,540,359	-	-
Deferred tax assets		-	337,581	-	-
Goodwill		3,267,053	3,267,053	-	-
		73,492,314	74,263,590	43,492,161	43,506,085
Current assets					
Inventories		4,672,007	3,104,477	-	-
Trade receivables		3,914,647	1,317,621	-	-
Other receivables, deposits and prepayments		4,534,959	6,388,783	-	-
Amounts due from subsidiaries		-	-	7,861,118	7,500,000
Current income tax receivables		196,637	49,072	-	-
Financial assets at fair value through profit or loss		1,466,377	-	-	-
Cash and bank balances	11	5,669,596	6,911,225	2,063,001	2,609,992
		20,454,223	17,771,178	9,924,119	10,109,992
Total assets		93,946,537	92,034,768	53,416,280	53,616,077
EQUITY AND LIABILITIES					
Equity					
Share capital	12	22,463,273	22,463,273	22,463,273	22,463,273
Other reserves		(7,714,468)	(4,192,539)	-	-
Retained earnings		48,238,237	38,534,497	17,442,427	13,251,741
		62,987,042	56,805,231	39,905,700	35,715,014
Non-controlling interests		(25,183)	(20,504)	-	-
Total equity		62,961,859	56,784,727	39,905,700	35,715,014
Non-current liabilities					
Banks borrowings	15	7,734,972	15,757,516	5,934,968	12,132,942
Lease liabilities	15	52,133	568,963	-	-
Deferred tax liabilities		3,086,492	3,484,378	-	-
Other payables		2,250,031	393,471	2,250,031	393,471
		13,123,628	20,204,328	8,184,999	12,526,413
Current liabilities					
Banks borrowings	15	7,129,528	6,356,953	4,947,974	4,947,974
Lease liabilities	15	627,985	1,918,110	-	-
Trade payables		1,250,832	985,838	-	-
Other payables and accruals		8,759,329	4,986,980	358,231	394,836
Amount due to a shareholder		36,757	-	-	-
Amounts due to subsidiaries		-	-	19,301	31,806
Current income tax payables		56,619	797,832	75	34
		17,861,050	15,045,713	5,325,581	5,374,650
Total liabilities		30,984,678	35,250,041	13,510,580	17,901,063
Total equity and liabilities		93,946,537	92,034,768	53,416,280	53,616,077

Condensed interim statements of changes in equity

Group	Note	Share capital US$	Capital reserve US$	Foreign currency translation reserve US$	Merger reserve US$	Retained earnings US$	Equity attributable to owners of the Company US$	Non-controlling interests US$	Total equity US$
Balance at 1 March 2022		**22,463,273**	**383,615**	**(1,010,178)**	**(3,565,976)**	**38,534,497**	**56,805,231**	**(20,504)**	**56,784,727**
Profit/(loss) for the financial period		-	-	-	-	12,613,670	12,613,670	(21,489)	12,592,181
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	(3,521,929)	-	-	(3,521,929)	1,280	(3,520,649)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(3,521,929)	-	-	(3,521,929)	1,280	(3,520,649)
Total comprehensive (loss)/income for the financial period		-	-	(3,521,929)	-	12,613,670	9,091,741	(20,209)	9,071,532
Transactions with owners									
Effect of change of interest in a subsidiary		-	-	-	-	(15,530)	(15,530)	15,530	-
FY2022 Final dividend paid	13	-	-	-	-	(2,894,400)	(2,894,400)	-	(2,894,400)
Total transactions with owners		-	-	-	-	(2,909,930)	(2,909,930)	15,530	(2,894,400)
Balance at 28 February 2023		**22,463,273**	**383,615**	**(4,532,107)**	**(3,565,976)**	**48,238,237**	**62,987,042**	**(25,183)**	**62,961,859**

Condensed interim statements of changes in equity (continued)

Group	Note	Share capital US$	Capital reserve US$	Foreign currency translation reserve US$	Merger reserve US$	Retained earnings US$	Equity attributable to owners of the Company US$	Non-controlling interests US$	Total equity US$
Balance at 1 March 2021		**22,463,273**	**383,615**	**729,404**	**(3,565,976)**	**28,407,131**	**48,417,447**	**(8,905)**	**48,408,542**
Profit/(loss) for the financial period		-	-	-	-	13,892,410	13,892,410	(11,696)	13,880,714
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	(1,739,582)	-	-	(1,739,582)	92	(1,739,490)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(1,739,582)	-	-	(1,739,582)	92	(1,739,490)
Total comprehensive (loss)/income for the financial period		-	-	(1,739,582)	-	13,892,410	12,152,828	(11,604)	12,141,224
Transactions with owners									
Issuance of shares to non-controlling interests by a subsidiary		-	-	-	-	-	-	5	5
FY2021 Interim dividend paid	13	-	-	-	-	(3,765,044)	(3,765,044)	-	(3,765,044)
Total transactions with owners		-	-	-	-	(3,765,044)	(3,765,044)	5	(3,765,039)
Balance at 28 February 2022		**22,463,273**	**383,615**	**(1,010,178)**	**(3,565,976)**	**38,534,497**	**56,805,231**	**(20,504)**	**56,784,727**

Condensed interim statements of changes in equity (continued)

Company	Notes	Share capital US$	Retained earnings US$	Total equity US$
Balance at 1 March 2022		**22,463,273**	**13,251,741**	**35,715,014**
Profit for the financial period representing total comprehensive income for the financial period		-	7,085,086	7,085,086
Distribution to owners				
Dividend paid	13	-	(2,894,400)	(2,894,400)
Total transaction with owners		-	(2,894,400)	(2,894,400)
Balance at 28 February 2023		**22,463,273**	**17,442,427**	**39,905,700**

Company	Notes	Share capital US$	Retained earnings US$	Total equity US$
Balance at 1 March 2021		**22,463,273**	**5,945,417**	**28,408,690**
Profit for the financial period representing total comprehensive income for the financial period		-	11,071,368	11,071,368
Distribution to owners				
Dividend paid	13	-	(3,765,044)	(3,765,044)
Total transaction with owners		-	(3,765,044)	(3,765,044)
Balance at 28 February 2022		**22,463,273**	**13,251,741**	**35,715,014**

Condensed interim consolidated statements of cash flows

	Note	Group Twelve months ended 28 February 2023 US$	28 February 2022 US$
Operating activities			
Profit before income tax		17,556,572	18,655,332
Adjustments for:			
Amortisation of mining properties		747,826	417,851
Bad debts written off		5,399	-
Depreciation of plant and equipment		2,935,502	2,643,961
Depreciation of right-of-use assets		1,649,361	973,863
Interest expenses		1,012,514	787,993
Interest income		(33,297)	(12,992)
Fair value loss on contingent consideration		1,786,924	-
Plant and equipment written off		7,116	-
Gain on disposal of plant and equipment		(14,816)	(34,318)
Modification of lease contracts		8,942	5,949
Unrealised foreign exchange loss/(gain)		688,805	(365,851)
Operating cash flow before working capital changes		26,350,848	23,083,726
Working capital changes:			
Inventories		(807,915)	(1,678,515)
Trade and other receivables		(1,944,478)	7,736,450
Trade and other payables		4,310,627	(523,631)
Cash generated from operations		27,909,082	28,618,030
Income tax paid		(5,409,150)	(5,920,422)
Income tax refunded		6,070	-
Net cash flow generated from operating activities		22,506,002	22,697,608
Investing activities			
Additions of exploration and evaluation assets		(3,124,548)	(336,938)
Additions of mining properties		(1,727,257)	(7,104,103)
Additions of plant and equipment		(3,908,224)	(7,822,800)
Purchase consideration for acquisition of subsidiaries		-	(21,000,000)
Acquisition of additional shares in a subsidiary from non-controlling interests		(5)	-
Proceeds from disposal of plant and equipment		38,767	131,614
Purchase of financial asset at fair value through profit or loss, net		(1,448,889)	-
Interest received		15,810	12,992
Net cash flow used in investing activities		(10,154,346)	(36,119,235)
Financing activities			
Interest paid		(959,033)	(723,711)
Increase in short-term deposit pledged		(975)	(2,000,796)
Proceed from bank borrowing		-	23,300,000
Repayments of bank borrowings		(7,437,246)	(4,863,776)
Repayment of lease liabilities		(2,104,340)	(1,585,088)
Issuance of new ordinary shares to non-controlling interests		-	5
Dividends paid		(2,894,400)	(3,765,044)
Net cash flow (used in)/ generated from financing activities		(13,395,994)	10,361,590
Net change in cash and cash equivalents		(1,044,338)	(3,060,037)
Effects of exchange rate changes on cash and cash equivalents		(198,266)	170,204
Cash and cash equivalents at beginning of financial year		4,910,429	7,800,262
Cash and cash equivalents at end of financial year	11	3,667,825	4,910,429

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 twelve months ended 28 February 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 twelve months ended 28 February 2023 have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore ("ASC"). The condensed interim financial statements do not include all the information and disclosures required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the period ended 30 November 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

4Q FY2023	**Iron Ore US$**	**Others US$**	**Group US$**
Revenue			
External customers, representing total revenue	12,178,784	-	12,178,784
Results:			
Interest income	1,253	17,737	18,990
Gain on disposal of plant and equipment	63	-	63
Amortisation of mining properties	(131,896)	-	(131,896)
Depreciation of right-of-use assets	(580,040)	-	(580,040)
Depreciation of plant and equipment	(1,026,827)	-	(1,026,827)
Interest expense	(277,463)	-	(277,463)
Segment profit/(loss)	1,754,725	(87,463)	1,667,262
Assets:			
Additions to non-current assets	1,561,246	-	1,561,246
Segment assets	93,885,307	61,230	93,946,537
Segment liabilities	(30,759,597)	(225,081)	(30,984,678)

4Q FY2022	**Iron Ore US$**	**Others US$**	**Group US$**
Revenue			
External customers, representing total revenue	5,233,806	-	5,233,806
Results:			
Interest income	2,852	250	3,102
Gain on disposal of plant and equipment	(58,822)	-	(58,822)
Amortisation of mining properties	3,662	-	3,662
Depreciation of right-of-use assets	(367,020)	20,439	(346,581)
Depreciation of plant and equipment	(467,957)	5,168	(462,789)
Interest expense	(659,951)	282,637	(377,314)
Segment profit/(loss)	1,081,629	291,839	1,373,468
Assets:			
Additions to non-current assets	21,369,530	(49,945)	21,319,585
Segment assets	91,425,572	609,196	92,034,768
Segment liabilities	(34,855,171)	(394,870)	(35,250,041)

3. Segment and revenue information (continued)

3.1 Reportable segments (continued)

FY2023	Iron Ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	53,547,150	-	53,547,150
Results:			
Interest income	14,796	18,501	33,297
Gain on disposal of plant and equipment	14,816	-	14,816
Amortisation of mining properties	(747,826)	-	(747,826)
Depreciation of right-of-use assets	(1,649,361)	-	(1,649,361)
Depreciation of plant and equipment	(2,935,502)	-	(2,935,502)
Interest expense	(1,012,514)	-	(1,012,514)
Segment profit/(loss)	18,236,099	(679,527)	17,556,572
Assets:			
Additions to non-current assets	11,306,878	-	11,306,878
Segment assets	93,885,307	61,230	93,946,537
Segment liabilities	(30,759,597)	(225,081)	(30,984,678)

FY2022	Iron Ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	43,366,218	-	43,366,218
Results:			
Interest income	12,156	836	12,992
Gain on disposal of plant and equipment	34,318	-	34,318
Amortisation of mining properties	(417,851)	-	(417,851)
Depreciation of right-of-use assets	(973,863)	-	(973,863)
Depreciation of plant and equipment	(2,643,961)	-	(2,643,961)
Interest expense	(787,993)	-	(787,993)
Segment profit/(loss)	19,500,132	(844,800)	18,655,332
Assets:			
Additions to non-current assets	54,710,228	-	54,710,228
Segment assets	91,425,572	609,196	92,034,768
Segment liabilities	(34,855,171)	(394,870)	(35,250,041)

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3. Segment and revenue information (continued)

3.2 Disaggregation of revenue

Group	Three months ended 28 February 2023 US$	Three months ended 28 February 2022 US$	Twelve months ended 28 February 2023 US$	Twelve months ended 28 February 2022 US$
Geographical information:				
Malaysia	10,102,155	5,233,806	49,888,098	39,740,877
People's Republic of China	2,076,629	-	3,659,052	3,625,341
	12,178,784	5,233,806	53,547,150	43,366,218
Timing of revenue recognition:				
At a point in time	12,178,784	5,233,806	53,547,150	43,366,218

Seasonality of operations

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

3.3 A breakdown of sales as follows:

Group		FY2023 US$	FY2022 US$	Change %
(a)	Sales reported for first half year	30,115,524	27,267,929	10.4
(b)	Operating profit after tax before deducting non-controlling interests reported for first half year	9,053,018	10,481,079	(13.6)
(c)	Sales reported for second half year	23,431,626	16,098,289	45.6
(d)	Operating profit after tax before deducting non-controlling interests reported for second half year	3,539,163	3,399,635	4.1

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4. Profit before income tax

4.1 Significant items

Group	Three months ended 28 February 2023 US$	Three months ended 28 February 2022 US$	Twelve months ended 28 February 2023 US$	Twelve months ended 28 February 2022 US$
Income				
Foreign exchange gain, net	-	69,525	-	69,525
(Loss)/Gain on disposal of plant and equipment, net	63	(58,822)	14,816	34,318
Expenses				
Amortisation of mining properties	131,896	(3,662)	747,826	417,851
Depreciation charge of:				
- plant and equipment	1,026,827	462,789	2,935,502	2,643,961
- right-of-use assets	580,040	346,581	1,649,361	973,863
Fair value loss on contingent consideration	1,786,924	-	1,786,924	-
Foreign exchange loss, net	2,850	(127,664)	334,137	-
Interest expenses on:				
- borrowings	267,862	355,732	959,034	723,711
- lease liabilities	9,601	21,582	53,480	64,282
Commission expense	70,638	273,041	963,683	717,814
Handling and transportation	524,879	(37,646)	1,535,038	812,798
Ocean freight	674,615	(4,718)	1,332,700	1,616,360
Royalty expense	761,791	184,516	2,870,150	1,505,015
Upkeep of machinery	714,017	203,409	2,218,077	1,659,864
Upkeep of motor vehicles	194,431	180,690	809,279	849,029

4.2 Related party transactions

Material transactions with related parties are as follows:

Group	Three months ended 28 February 2023 US$	Three months ended 28 February 2022 US$	Twelve months ended 28 February 2023 US$	Twelve months ended 28 February 2022 US$
Transaction with a major shareholder of the Company				
Purchase of motor vehicle	36,825	-	36,825	-
Transactions with entities of common major shareholder of the Company				
Lease payments to:				
-Webcon Sdn Bhd	-	-	-	2,879
-Webcon Venture Sdn Bhd	13,706	10,009	48,798	33,593

4. Profit before income tax (continued)

4.2 Related party transactions (continued)

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**		**Twelve months ended**	
	28 February 2023 US$	**28 February 2022 US$**	**28 February 2023 US$**	**28 February 2022 US$**
Directors' fees	119,719	109,380	470,195	441,066
Salaries and other emoluments	672,993	713,014	3,036,453	2,532,951
Contributions to defined contribution plans	87,914	77,965	192,823	133,454
Social security contributions	132	147	470	455
	880,758	900,506	3,699,941	3,107,926

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**		**Twelve months ended**	
	28 February 2023 US$	**28 February 2022 US$**	**28 February 2023 US$**	**28 February 2022 US$**
Current income tax expense	745,039	1,118,292	4,781,261	5,165,642
Deferred tax relating to origination/ (reversal) of temporary differences	325,302	(313,141)	183,130	(391,024)
Income tax expense recognised in profit or loss	1,070,341	805,151	4,964,391	4,774,618

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6. Earnings per ordinary share ("EPS")

Group	Three months ended		Twelve months ended	
	28 February 2023 US$	28 February 2022 US$	28 February 2023 US$	28 February 2022 US$
Net profit attributable to owners of the Company (US$)	601,650	562,933	12,613,670	13,892,410
Weighted average number of ordinary shares	500,000,000	500,000,000	500,000,000	500,000,000
Basic and diluted EPS (US cents)	0.12	0.11	2.52	2.78

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 28 February 2023 and 28 February 2022:

	Group		Company	
	28 February 2023 US$	28 February 2022 US$	28 February 2023 US$	28 February 2022 US$
Financial assets carried at amortised cost				
Trade receivables	3,914,647	1,317,621	-	-
Other receivables and deposits (excluding prepayments)	2,610,016	2,606,628	-	-
Amounts due from subsidiaries	-	-	7,861,118	7,500,000
Cash and bank balances	5,669,596	6,911,225	2,063,001	2,609,992
Total financial assets	12,194,259	10,835,474	9,924,119	10,109,992
Financial assets carried at fair value				
Financial assets at FVTPL	1,466,377	-	-	-
Presented as				
Current assets	13,660,636	10,835,474	9,924,119	10,109,992
Financial liabilities carried at amortised cost				
Bank borrowings	14,864,500	22,114,469	10,882,942	17,080,916
Lease liabilities	680,118	2,487,073	-	-
Trade payables	1,250,832	985,838	-	-
Other payables and accruals	8,626,102	4,753,602	225,004	161,458
Amounts due to subsidiaries	-	-	19,301	31,806
	25,421,552	30,340,982	11,127,247	17,274,180
Financial liabilities carried at fair value				
Contingent consideration*	2,383,258	626,849	2,383,258	626,849
Total financial liabilities	27,804,810	30,967,831	13,510,505	17,901,029
Presented as				
Non-current liabilities	10,037,136	16,719,950	8,184,999	12,526,413
Current liabilities	17,767,674	14,247,881	5,325,506	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 28 February 2023, 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 28 February 2023 reflected this development.

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

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following presented the financial liability measured at fair value.

	Fair value measurement using			
	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
28 February 2023				
Group and Company				
Contingent consideration	-	-	2,383,258	2,383,258
28 February 2022				
Group and Company				
Contingent consideration	-	-	626,849	626,849

8. Mining properties

During the financial year ended 28 February 2023, the Group incurred additions of mining properties expenditures amounting to US$1.7 million (28 February 2022: US$7.1 million).

9. Plant and equipment

Acquisitions and disposals

During the financial year ended 28 February 2023, the Group acquired plant and equipment with cost of US$5.0 million (28 February 2022: US$10.1 million), excluding capitalisation of depreciation charge of right-of use assets and motor vehicles of US$0.4 million (28 February 2022: US$0.5 million).

Plant and equipment with net book value of US$23,951 (28 February 2022: US$97,296) were disposed by the Group during the financial year ended 28 February 2023, resulting in a net gain on disposal of US$14,816 (28 February 2022: US$34,318.

10. Right-of-use assets

The Group leases office space, hostels, storage space and motor vehicles in Malaysia. During the financial year ended 28 February 2023, the Group recognised addition of right-of-use assets for motor vehicles and premises amounting to US$1.3 million (28 February 2022: US$4.0 million).

The Group renegotiated and modified existing lease contracts for a few motor vehicles during the financial year ended 28 February 2023 which were accounted for as a lease modification with decrease to the right-of-use assets and lease liabilities of US$963,425 (28 February 2022: US$233,248) and US$954,483 (28 February 2022: US$227,299) respectively, resulting in loss on modification of lease contracts of US$8,942 (28 February 2022: US$5,949).

11. Cash and bank balances

	Group		**Company**	
	28 February 2023 US$	**28 February 2022 US$**	**28 February 2023 US$**	**28 February 2022 US$**
Cash at banks	3,139,183	4,845,853	61,230	609,196
Cash on hand	35,856	60,636	-	-
Short-term deposits	2,494,557	2,004,736	2,001,771	2,000,796
	5,669,596	6,911,225	2,063,001	2,609,992

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

	Group	
	28 February 2023 US$	**28 February 2022 US$**
Cash and bank balances as above	5,669,596	6,911,225
Less: Short-term deposit pledged	(2,001,771)	(2,000,796)
Cash and cash equivalents as per consolidated statement of cash flows	3,667,825	4,910,429

12. Share capital

	Group and Company			
	28 February 2023		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 28 February 2023. There were no subsidiary holdings during and as at the end of the current financial period reported on.

13. Dividends

	Group	
	28 February 2023 US$	28 February 2022 US$
Ordinary dividends paid:		
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	
	28 February 2023 US$	28 February 2022 US$	28 February 2023 US$	28 February 2022 US$
Net asset value ("NAV") (US$)	62,987,042	56,805,231	39,905,700	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)	12.60	11.36	7.98	7.14

15. Borrowings and lease liabilities

	Group		Company	
	28 February 2023 US$	**28 February 2022 US$**	**28 February 2023 US$**	**28 February 2022 US$**
Repayable within one year or on demand				
Secured	7,129,528	6,356,953	4,947,974	4,947,974
- Bank borrowings				
Unsecured				
- Lease liabilities	627,985	1,918,110	-	-
	7,757,513	8,275,063	4,947,974	4,947,974
Repayable after one year				
Secured				
- Bank borrowings	7,734,972	15,757,516	5,934,968	12,132,942
Unsecured				
- Lease liabilities	52,133	568,963	-	-
	7,787,105	16,326,479	5,934,968	12,132,942

The Group's secured borrowings as at 28 February 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$3.1 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	
	28 February 2023 US$	**28 February 2022 US$**
Capital expenditures contracted but not provided for		
- Plant and equipment	258,515	186,886

17. Subsequent events

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

Part II – Other information required by Appendix 7C of the Catalist Rules

1. Review

The condensed interim statements of financial position of Fortress Minerals Limited and its subsidiaries as at 28 February 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 fourth quarter and financial year then ended and the selected explanatory notes (the "Condensed Interim financial Statements") have not been audited or reviewed by the Company's auditors.

The Group's latest audited financial statements for the financial year ended 28 February 2022 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

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

<u>Revenue</u>

Below is a summary of the iron ore sales performance of the Group for the financial year ended 28 February 2023 ("**FY2023**") and the comparative financial year ended 28 February 2022 ("**FY2022**").

	FY2023	FY2022	Increase/ (Decrease) (%)
Sold (**DMT***)	546,076	357,446	52.8
Revenue realised [(1)] **(US$)**	53,535,798	43,339,893	23.5
Average realised selling price **(US$/DMT)**	98.04	121.27	(19.1)

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

As shown in the table above, the Group recorded revenue of US$53.5 million in FY2023, being 23.5% or US$10.2 million higher than FY2022 due to higher volume sold in the current financial year.

The increase was partially impacted due to a lower average realised selling price of US$98.04/DMT recorded in FY2023, a decrease of 19.1% or US$23.21/DMT due to the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices weakening in FY2023 as compared to FY2022.

Cost of sales

	FY2023	FY2022	Increase/ (Decrease) (%)
Sold **(WMT*)**	598,741	392,230	52.7
Cost of sales **(US$)**	15,795,541	9,985,320	58.2
Average unit cost of sales **(US$/WMT)**	26.38	25.46	3.6

* WMT denotes Wet Metric Tonnes

The Group's cost of sales increased by 58.2% to US$15.8 million in 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 3.6% or US$0.92/WMT to US$26.38/WMT in FY2023. This was attributable to the increase in cost of sales of US$5.8 million or 58.2% and mitigated by the increase in production volume of 206,511WMT or 52.7%, resulting in an improvement in cost efficiency.

Gross profit and gross profit margin

Gross profit for FY2023 of US$37.8 million was US$4.4 million higher than FY2022 as a result of the abovementioned reasons. In contrast, gross profit margin decreased 6.5% to 70.5% in FY2023 mainly attributable to the decline in average realised selling price.

Other operating income

The Group's other operating income increased by US$0.1 million to US$0.4 million in FY2023. The increase was mainly driven by the increase in realised gain on foreign exchange in FY2023 as compared to FY2022.

Selling and distribution expenses

Selling and distribution expenses increased by US$2.0 million to US$6.8 million in FY2023, primarily due to the increase in royalty, commission and transport charges in FY2023 as compared to FY2022 which is in tandem with the increase in sales volume for the current financial year.

Other operating expenses

The Group's other operating expenses comprise mainly of employee benefits expenses and plants maintenance expenses. Other operating expenses increased by US$0.5 million to US$9.2 million in FY2023 which was primarily due to increase in employee benefits expenses of US$0.2 million and plants maintenance expenses of US$0.3 million as a result from the increase production volume for the current financial year.

Administrative expenses

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

Administrative expenses increased by US$1.1 million to US$1.9 million in FY2023 primarily due to increase in unrealised foreign exchange losses of US$0.7 million.

Fair value loss on contingent consideration

Fair value loss on contingent consideration of US$1.8 million is due to an adjustment to recognise the fair value changes of gross revenue royalty (Refer to Part I Note 7).

Finance costs

Finance costs comprised interest expenses on banks borrowings and lease liabilities. The increase of US$0.2 million was mainly attributable to the rising interest rates for bank borrowing granted to the Group to finance part of the acquisition of Fortress Mengapur.

Income tax expense

Income tax expense increased by US$0.2 million to US$5.0 million in FY2023. The increase was due to the non-deductibility of certain expenses arising in FY2023.

The Group's effective tax rate in FY2023 was 28.3%, which is higher than the Group's applicable tax rate of 24% mainly due to non-deductibility of certain expenses and losses in certain subsidiaries that are not available to offset against taxable profits in other subsidiaries within the Group.

Profit after income tax

Our Group profit after income tax decreased by US$1.3 million or 9.3% to US$12.6 million from US$13.9 million in 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 28 February 2023 and 28 February 2022.

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

<u>Non-current assets</u>

Non-current assets comprise exploration and evaluation assets, mining properties, plant and equipment, right-of-use assets, deferred tax assets and goodwill. The Group's non-current assets decreased by US$0.8 million to US$73.5 million as at 28 February 2023 due to the reasons below.

Mining properties decreased by US$1.0 million to US$40.1 million as at 28 February 2023. The decrease is primarily attributable to:

- amortisation charges of US$0.9 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 in mining properties 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$1.7 million.

Plant and equipment decreased by US$0.5 million (net of the effect of exchange translation differences of US$1.7 million and of depreciation charges of US$3.8 million) to US$22.9 million as at 28 February 2023. The decrease was mitigated by the increase in:

- construction work-in-progress of processing plants in the CASB mine amounting to US$3.2 million; and

- additions of fleet truck and machineries acquired amounting to US$0.9 million and US$0.8 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$1.9 million to US$0.7 million as at 28 February 2023. The decrease was attributable to:

- depreciation charges amounting to US$2.1 million;

- modifications of lease contracts for motor vehicles amounting to US$1.0 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 in right-of-use assets was partially cushioned by the addition of lease contracts for motor vehicles amounting to US$1.3 million.

Deferred tax assets decreased by US$0.3 million to NIL as at 28 February 2023. The decrease was due to the decrease in deductible temporary differences as at 28 February 2023.

The decrease in non-current assets was offset by the increase in exploration and evaluation assets by US$2.9 million to US$6.5 million as at 28 February 2023, which was mainly attributable to the payment of relevant tenement fees imposed under the mining leases approvals for SDSB at Mengapur of US$2.2 million and on-going exploration activities undertaken by the Group at Bukit Besi of US$0.4 million and Mengapur of US$0.6 million in FY2023.

The goodwill arising from the acquisition of Fortress Mengapur amounting to US$3.3 million remain unchanged as at 28 February 2023.

<u>Current assets</u>

As at 28 February 2023, the Group's current assets remained solid and stood at US$20.5 million compared to US$17.8 million as at 28 February 2022. The increase was mainly attributable to the increase in inventories by US$1.6 million, increase in trade receivables by US$2.6 million contributed by the billing for sales towards the end of FY2023 and increase in financial assets at fair value through profit or loss of US$1.5 million which comprise of a money-market fund which was offset by:

(i) decrease in other receivables, deposits and prepayments by US$1.9 million which was mainly attributable to the decrease in prepayments to suppliers for purchase of plant and equipment of US$1.4 million; and

(ii) decrease in cash and bank balances of US$1.2 million.

<u>Non-current liabilities</u>

As at 28 February 2023, the Group's non-current liabilities decreased by US$7.1 million to US$13.1 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$8.0 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$0.5 million to current liabilities based on its maturity profile.

The decrease was partially cushioned by the increase in non-current fair value on contingent consideration of US$1.8 million.

Current liabilities

As at 28 February 2023, the Group's current liabilities increased by US$2.9 million from US$15.0 million as at 28 February 2022 to US$17.9 million.

The increase was primarily due to the:

(i) reclassification from non-current bank borrowings and lease liabilities of US$8.0 million and US$0.5 million respectively;

(ii) increase in other payables of US$3.8 million mainly due to accruals for staff costs and expenses such as royalty, transport charges and utilities for the month of February 2023; and

(iii) increase in amount due to a director and shareholder of US$36,757 for the purchase of motor vehicle during the financial year ended 28 February 2023.

The increase was partially offset by the:

(i) decrease in current income tax payables of US$0.7 million due to provision for income tax of US$4.7 million and offset with payment of tax instalments of US$5.4 million paid to tax authorities in FY2023; and

(ii) repayment of bank borrowings and lease liabilities of US$7.4 million and US$2.1 million made in FY2023.

Working capital

Our Group recorded a positive working capital position of US$2.6 million as at 28 February 2023 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 FY2023, the Group's net cash generated from operating activities decreased to US$22.5 million as compared to US$22.7 million in FY2022.

The decrease in operating cash flow of US$0.2 million, after adjusting for working capital inflow of US$1.6 million was mainly attributable to the lower collections from trade and other receivables but partially mitigated by the lower payments made to trade and other payables in FY2023.

In FY2023, the Group's net cash flow used in investing activities decreased by US$25.9 million to US$10.2 million as compared to the net cash flow used of US$36.1 million in FY2022. The decrease was primarily attributable to:

- decrease in purchase consideration for acquisition of subsidiaries of US$21.0 million;

- decrease in capital expenditure investments for both the CASB mine and Bukit Besi mine in mining properties and plant and equipment amounting to US$5.4 million and US$3.9 million respectively; and offset by

- increase in capital expenditure investments in exploration and evaluation assets of US$2.8 million; and

- increase in purchase of financial assets carried at fair value through profit or loss of US$1.5 million.

In FY2023, the Group's net cash flow used in financing activities was US$13.4 million as compared to the net cash flow from financing activities of US$10.4 million in FY2022. The decrease of US$23.8 million was primarily due to:

- absence of proceeds for bank borrowings of US$23.3 million to finance part of the acquisition of Fortress Mengapur and capital expenditure for CASB mine;

- increase in repayments of banks borrowings of US$2.6 million in accordance to the fixed repayment schedules;

- increase in payments of lease liabilities of US$0.5 million; and offset by

- decrease in dividends paid and short-term deposit pledged of US$0.9 million and US$2.0 million respectively.

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 1% year-on-year for January to February 2023[1]. China, the world's largest steel-producing country, posted a 6% increase for January to February 2023 compared to the corresponding period last year to 168.7 million tonnes. This has been largely attributable to the China government's move to lift tough COVID-19 containment measures, resulting in an anticipation for higher domestic steel demand in the market. High iron ore prices are driven by a "stronger-than-expected" recovery in China's economy and lower supply from the world's two biggest exporters, Australia and Brazil, of the steel raw material[2]. Pent-up demand and low supply may return to normal levels in the second half of the year, which may cap the upside potential. China's turn toward steel scrap may also curtail iron ore consumption.[3]

India, the second-largest global steel producer is expected to increase steel production throughout 2023, as demand for steel in both domestic and international market is expected to increase[4], fuelled by government support for infrastructure-led economic growth in the country. The country officials have recently approved the formation of 13 task forces to identify action points for each aspect of green steel production and adoption of sustainable manufacturing processes[5], in its push towards achieving net zero by 2070.

In Malaysia, its economy growth is expected to ease and to expand at a more moderate pace amid a challenging external environment. Domestic demand will continue to drive growth, supported by the continued recovery in the labour market and the realisation of multi-year investment projects[6].

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

On 6 March 2023, the Group announced that its subsidiaries, 65%-owned Saga Mineral Sdn. Bhd. ("**SMSB**") and 51%-owned Kencana Primary Sdn. Bhd. ("**KPSB**"), were granted new prospecting licences in the Telupid and Tongod areas of Sabah, East Malaysia to prospect for nickel, copper and cobalt minerals. Exploration activities in these two areas are expected to commence in May 2023. As part of the Group's strategic growth efforts to invest prudently through the cycle and to enhance long-term shareholder value, the prospecting licences offers the Group the opportunity to expand its commodities profile and diversify its revenue streams.

Concurrently, the Group continues to build up its production capabilities at the Cermat Aman Sdn. Bhd. ("**CASB**") mine, which commenced production in July 2022. The Group is looking to add a new integrated processing plant which will enhance production capability at the CASB mine and enable the Group to produce high grade iron ore, copper and pyrrhotite concentrate previously documented in the CASB mine's Mineral Resource Estimate as at 28 February 2022.

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[1] The World Steel Association, 23 March 2023 February 2023 crude steel production

[2] Reuters, 21 February 2023: Column: Iron ore prices jabbed higher by prongs of China demand, supply woes

[3] CNBC, 31 March 2023: China's steel demand is set to slow. That could dent iron ore prices by nearly 30%

[4] Oilprice.com, 3 April 2023: India's Steel Industry Is Set to Boom This Year

[5] Economic Times, 4 April 2023: Steel Minister approves forming 13 task forces to identify aspects of green steel production

[6] Bank Negara Malaysia, 10 February 2023: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2022

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 will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

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

There was no change in the issued and paid-up share capital of the Company from 30 November 2022 up to 28 February 2023. The Company's share capital was US$22,463,273 comprising 500,000,000 shares as at 28 February 2023 and 30 November 2022.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 28 February 2023 and 28 February 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 28 February 2023	**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 28 February 2023 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?

Yes

Name of dividend	Final dividend
Dividend type	Cash
Dividend amount per share	S$0.0080 per ordinary share
Tax rate	Tax exempt one tier

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

Yes

Name of dividend	Final dividend
Dividend type	Cash
Dividend amount per share	S$0.0080 per ordinary share
Tax rate	Tax exempt one tier

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

The proposed final dividend is one-tier tax exempt.

d) Date payable

The proposed final dividend will be paid at the date to be announced in due course, subject to shareholders' approval at the forthcoming annual general meeting to be convened at a later date.

e) Books closure date

The book closure date for the proposed final dividend will be announced in due course.

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

Not applicable.

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 FY2023, there were no interested person transactions of S$100,000 and above.

13. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

The Group only has 1 operating segment, and the factors leading to any material changes in contribution to the Group's revenue and earnings has been disclosed in Para 2 of Part II – Other information required by Appendix 7C of the Catalist Rules above.

14. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2023		**FY2022**	
	US$	**S$**	**US$**	**S$**
Ordinary shares (tax exempt 1-tier)				
- Final [1,2,3]	3,105,734	4,186,529	-	-
- Final [4,5]	-	-	2,894,400	4,000,000
Total Annual Dividend	**3,105,734**	**4,186,529**	**2,894,400**	**4,000,000**

(1) The proposed final tax-exempt dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company.
(2) Based on total number of issued shares excluding treasury shares of 523,316,100 shares following the completion of the placement on 10 April 2023.
(3) Based on exchange rate of USD/SGD 1.3480 as at 28 February 2023.
(4) Based on exchange rate of USD/SGD 1.3819 as at 28 July 2022.
(5) Based on total number of issued shares excluding treasury shares of 500,000,000 shares as at 28 February 2023.

15. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tan Seng Kim	68	Brother in law of our CEO, Chee Yew Fei	Company director of Fortress Mining Sdn Bhd since 2017.	Not applicable
Yeow Boon Ban	46	Brother in law of our CEO, Chee Yew Fei	Company director cum maintenance manager of Fortress Mining Sdn Bhd since 2017. Primarily responsible for all mine site repair and maintenance activities.	Not applicable

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

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

Use of net proceeds	Amount allocated	Amount utilised	Balance
	S$'000	S$'000	S$'000
Further development of the CASB mine, including continuing and future exploration and geology work, as well as addition of a new integrated processing plant	5,200	(1,000) [1]	4,200
Prospecting expenditures in relation to the two prospecting licenses in Sabah	3,500	(260) [2]	3,240
Total	**8,700**	**(1,260)**	**7,440**

(1) utilised for payment for purchase of machinery parts for the new integrated processing plant.
(2) utilised for payment of licensing fees.

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.

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.

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

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

During 4Q 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	0.42	0.22
Cost of sales	3.56	4.16
Selling and distribution costs	2.06	2.86
Total	**6.04**	**7.24**

During 4Q FY2023, the Group's cost of sales was lower than the projected amount by US$0.6 million which was due to lower production volume and lower production costs incurred as compared to the forecast previously.

In 4Q FY2023, the selling and distribution costs were lower than the projected amount by US$0.8 million, primarily due to lower royalty and commission expenses which are in line with the lower production volume.

The Group utilised more than planned funds in exploration and evaluation activities in 4Q FY2023 as the Group had incurred unplanned costs in relation to the 2 new prospecting licences granted to the Group in the Telupid and Tongod areas of Sabah, East Malaysia to prospect for nickel, copper and cobalt minerals.

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

Purpose	**Amount (US$ million)**
Exploration and evaluation activities	0.33
Cost of sales	6.42
Selling and distribution costs	2.89
Total	**9.64**

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 first quarter of FY2024 ("**1Q FY2024**").

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

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

The Board confirms that to the best of their knowledge, nothing has come to their attention which may render the above information provided to be false or misleading in any material aspect.

19. 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.

Bukit Besi

In the 2022 calendar year, just over 6,700m of resource definition drilling was completed from 84 drillholes to support the magnetite mining operations at Bukit Besi.

An update of the Bukit Besi Mineral Resource estimate was prepared from drill datasets dated 28 February 2023 and a mine survey dated 30 December 2022. The drilling, sampling, survey, and estimation methodologies are described in a Summary Qualified Person's Report (Rev1 dated 26 April 2023). Please refer to the announcement dated 26 April 2023 released by the Company on SGXNet.

Leesa Collin, Principal Geologist and Director of MinOre Consulting Pty Ltd ("MinOre"), our independent consultant, has prepared the 2023 Mineral Resource estimate updates for the Bukit Besi deposits to include new drilling information and mining depletion as of 28 February 2023. The Mineral Resource estimates are prepared and reported in accordance with the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC") guidelines. The Mineral Resource tabulation is formatted following the requirements in Appendix 7D of the Catalist Rules.

The updated and depleted MRE for the Bukit Besi Iron Project is 6.7 million tonnes grading 44.16 % iron, with a reporting date of 28 February 2023. The MRE is classified as Indicated and Inferred following the JORC guidelines on a qualitative basis, considering numerous factors, including data quality (in particular sample recovery), geological complexity, data coverage, estimation validation and limited magnetite mass recovery data.

Bukit Besi Mineral Resource tabulation – 28 February 2023*

Area	JORC Category	Mineral type	Gross attributable to ML7/2013		Net attributable to Fortress		Change from previous update (%)	Remarks
			Tonnes (Mt)	Grade (Fe%)	Tonnes (Mt)	Grade (Fe%)		
West	Indicated	Iron	0.42	46.42	0.42	46.42	93.2	None
East	Indicated	Iron	0.16	37.60	0.16	37.60	na	1
Sub-Total	Indicated	Iron	0.57	44.03	0.57	44.03	151.5	None
West	Inferred	Iron	0.88	44.55	0.88	44.55	-15.4	None
Valley	Inferred	Iron	4.62	45.25	4.62	45.25	24.0	None
East	Inferred	Iron	0.66	36.16	0.66	36.16	17.8	None
Sub-Total	Inferred	Iron	6.13	44.17	6.13	44.17	15.7	None
Total Indicated + Inferred		Iron	6.73	44.16	6.73	44.16	21.3	None

Notes:

* Based on a block cut-off grade of 10% Fe and magnetic susceptibility greater than 100 and sulphur less than 10%. Some discrepancies may occur due to rounding.

* No Ore Reserves or Mineral Reserves stated. Mineral Resources that are not Ore Reserves or Mineral Reserves do not have demonstrated economic viability. The Mineral Resource is limited to within the tenement boundary. Some discrepancies may occur due to rounding.

1 Classification update due to additional infill drilling within the East pit.

Competent Person Statement

The Competent Person responsible for the preparation and reporting of the Group's Bukit Besi Mineral Resource estimates is Leesa Collin, who is a Director and Principal Geologist of MinOre Consulting Pty Ltd. Leesa has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Leesa Collin consents to the inclusion in this announcement of the matters based on her information in the form and context in which they appear.

Cautionary Note

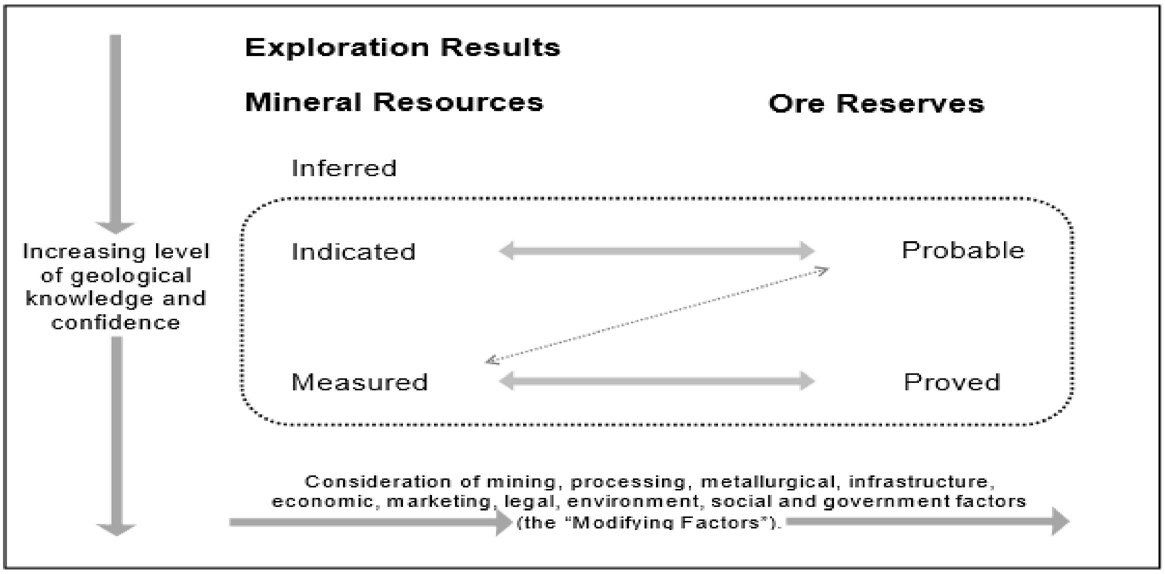
MinOre cautions that there is a low level of geological and data confidence associated with Inferred Mineral Resources. There is no certainty that Fortress will realise any mine schedule based on these resources. The general uncertainties associated with targets, resources and reserve estimates are presented below.

Classification	Estimate Range (90% confidence limit) #1
Proven/Probable Reserves	± 5 to 10 %
Measured Mineral Resources	± 10 to 20 %
Indicated Mineral Resource	± 30 to 50 %
Inferred Mineral Resources	± 50 to 100 %
Exploration Target	+ 100 %

Note: #1 Source: SRK (2019a)

Further technical studies, infill drilling, and improvements in current drilling and geology processes may increase the Mineral Resource classification. The confidence in the estimate of Inferred Mineral Resources is not sufficient to allow the results of the application of technical and economic parameters used for detailed planning in Pre-Feasibility (JORC Clause 39) or Feasibility (JORC Clause 40) Studies. For this reason, there is no direct link from an Inferred Mineral Resource to any category of Ore Reserves; that is, Ore Reserves cannot be estimated from Inferred Mineral Resources.

General relationship between Exploration Results, Mineral Resources and Ore Reserves



Mengapur

As part of the acquisition of Mengapur, an independent qualified person's report containing, amongst others, an updated Mineral Resource Estimate as at 26 October 2020 ("**2020 MRE Update**"), was uploaded onto SGXNET on 1 February 2021 as an Appendix to the Circular to Shareholders dated 1 February 2021. The 2020 MRE Update separated the iron resources into massive magnetite and brecciated magnetite mineralisation domains and the copper resources into pyrrhotite-hosted and skarn-hosted mineralisation domains. The Company completed the acquisition of Fortress Mengapur on 7 April 2021.

Since the acquisition in 2021, the Company has drilled 48 infill drillholes for 5,391 metres with sample analysis completed at both Bukit Besi and the Company's newly commissioned Mengapur laboratory. The updated MRE has incorporated this drilling with the existing drill data. Only drill data generated by Fortress and the previous owner Monument has been used to generate the pyrrhotite and magnetite resources. The skarn hosted copper resources were initially informed by only the Fortress and

Monument data, any uninformed areas of the estimate after the initial pass were then informed by the lower confidence historic drilling completed prior to Monument's ownership of the deposit. Any material informed by the pre-Monument data was classified as Inferred. Any material classified as Indicated Resources has only been informed by the Fortress and Monument data.

The Mineral Resource is limited to within the CASB and SDSB mining lease boundaries and is also constrained within an optimised pit shell based on the recovery of copper only, no value was attributed to iron hosted by the magnetite units or the gold and silver or any other materials present on the mining leases. The parameters used in the pit optimisation were high level assumptions provided by Fortress based on the limited metallurgical test work to date. The parameters used are presented below;

- Costs
    - Mining cost – US$1.15/t rock
    - Process cost US$10.27/t ore
    - Selling cost – US$23.82/t Cu conc
- Recoveries
    - Cu – 85%
- Price
    - US$10,000/t Cu
    - Cu Payability – 83%
- Slopes
    - 45 degrees
- Min grade – 0.3% Cu

Previously the copper mineralisation has been reported at a cut-off grade of 0.5% copper, which accounts for the increase in the copper resource. The reduction in the magnetite resource is a reflection of reporting the resource within the optimised pit shell based on the copper mineralisation.

Michael Andrew, working as an Executive Consultant with Snowden Optiro, prepared the 2023 MRE Update and reported them in accordance with JORC guidelines. The following summary of the Mengapur Mineral Resources is formatted following the requirements set out in Appendix 7D of the Catalist Rules. More information can be found in the Summary QPR announced via SGXNET on 26 April 2023.

Mengapur Mineral Resource Estimate as at 28 February 2023

Classification	Cut-off grade	Mineralisation	Gross Attributable to Licences						Nett Attributable to Fortress						Change from previous update	Remarks
			Tonnes	Grade Fe	Grade Cu	Grade Au	Grade Ag	Grade S	Tonnes	Grade Fe	Grade Cu	Grade Au	Grade Ag	Grade S	Tonnes	
			Mt	%	%	g/t	g/t	%	Mt	%	%	g/t	g/t	%	%	
Indicated	0.3 % Cu	Skarn Cu	20.3	20.76	0.41	0.12	7.26	4.6	20.3	20.76	0.41	0.12	7.26	4.6	No Indicated previously Reported	No Indicated previously Reported
		Pyrrhotite Cu	0.7	29.11	0.55	0.28	3.48	14.14	0.7	29.11	0.55	0.28	3.48	14.14		
		Sub Total	**21**	**21.03**	**0.42**	**0.13**	**7.13**	**4.92**	**21**	**21.03**	**0.42**	**0.13**	**7.13**	**4.92**		
	25% Fe	Skarn Magnetite	0.34	27.66	0.13	0.09	1.52	6.23	0.34	27.66	0.13	0.09	1.52	6.23		
		Breccia Magnetite	0.01	46.28	0.21	0.23	5.66	0.13	0.01	46.28	0.21	0.23	5.66	0.13		
		Sub Total	**0.34**	**28.01**	**0.13**	**0.09**	**1.6**	**6.12**	**0.34**	**28.01**	**0.13**	**0.09**	**1.6**	**6.12**		
Inferred	0.3 % Cu	Skarn Cu	7.93	22.39	0.41	0.13	8.42	4.62	7.93	22.39	0.41	0.13	8.42	4.62	-8%	Change in cut off from 0.5 Cu % to 0.3 Cu% and classification change
		Pyrrhotite Cu	6.96	29.26	0.6	0.27	3.56	13.75	6.96	29.26	0.6	0.27	3.56	13.75	13%	
		Sub Total	**14.89**	**25.6**	**0.5**	**0.19**	**6.15**	**8.89**	**14.89**	**25.6**	**0.5**	**0.19**	**6.15**	**8.89**	0%	
	25% Fe	Skarn Magnetite	1.38	27.8	0.13	0.12	1.35	5.89	1.38	27.8	0.13	0.12	1.35	5.89	-74%	Reported within optimsed pit shell
		Breccia Magnetite	0.38	41.51	0.2	0.17	6.04	0.19	0.38	41.51	0.2	0.17	6.04	0.19	-93%	
		Sub Total	**1.76**	**30.75**	**0.14**	**0.13**	**2.36**	**4.67**	**1.76**	**30.75**	**0.14**	**0.13**	**2.36**	**4.67**	-84%	
Total	0.3 % Cu	**Total Cu**	**35.89**	**22.93**	**0.45**	**0.16**	**6.72**	**6.56**	**35.89**	**22.93**	**0.45**	**0.16**	**6.72**	**6.56**	143%	Change in cut off grade
	25% Fe	**Total Magnetite**	**2.1**	**30.3**	**0.14**	**0.13**	**2.24**	**4.9**	**2.1**	**30.3**	**0.14**	**0.13**	**2.24**	**4.9**	-80%	Reported within optimsed pit shell

Notes:
Some discrepancies may occur due to rounding.

Competent Person Statement

The Competent Person responsible for the preparation and reporting of the Mengapur Mineral Resource Estimate is Michael Andrew, who is an Executive Consultant with Snowden Optiro, mining industry consultants. Michael Andrew has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Michael Andrew is a Fellow of the Australian Institute of Mining and Metallurgy (Membership No 111172)

Michael Andrew consents to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

20. 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).

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

Acquisition of Kencana Primary Sdn. Bhd. ("KPSB")

A wholly-owned subsidiary of the Company, Fortress Ni Sdn. Bhd., has on 1 December 2022, acquired 408,000 ordinary shares (representing 51% of the shareholding) in the share capital of KPSB from an unrelated party, Majestic Islands Sdn. Bhd. for a cash consideration of RM5,450,000 being RM950,000 paid upon transfer of shares and RM2,000,000 paid upon prospecting license obtained, amounting to total of RM2,950,000 paid-to-date. The balance consideration of RM2,500,000 is payable once the mining lease and operation license are obtained.

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 KPSB and the mining rights to be acquired by KPSB.

The intended principal activity of KPSB is for acquisition of mines, mining rights, quarries and trading in minerals. However, KPSB has remained dormant since its date of incorporation. The current share capital of KPSB is RM800,000 and KPSB has a shareholders' fund of RM10 as at the acquisition date.

The acquisition of KPSB did not have any significant impact on the net tangible assets and earnings per share of the Group for the financial year ended 28 February 2023.

Save as disclosed above, there was no incorporation of new entities, other acquisitions and realisation of shares during 4Q FY2023.

BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED

Dato' Sri Ivan Chee
Chief Executive Officer
26 April 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.