



PRESS RELEASE

**Fortress Minerals sees record quarter for 1Q FY2022;
 Net profit after tax increases by 233.6% to US\$7.2 million**

- Revenue of US\$17.3 million outpaced the comparative period by 143.8%, driven by 61.6% increase in sales volume with record average realised selling price of iron ore of US\$143/DMT.
- Superior gross profit margin of 80.5% achieved, supported by strong iron ore prices and sustained low average unit cost of sales with higher production volume.
- EBITDA increased 188.0% year-on-year (“yoy”) to US\$10.3 million with strong net cash flow generated from operating activities of US\$9.3 million during the period.

SINGAPORE, 14 July 2021 – Fortress Minerals Limited (the “Company” or “Fortress Minerals”) and its subsidiaries (collectively the “Group”), a high-grade iron ore concentrate producer and exporter from Malaysia, today announced the financial results for the financial period ended 31 May 2021 (“1Q FY2022”).

Financial Highlights

	1Q FY2022	1Q FY2021	Change %	FY2021
Sales volume (DMT*)	120,665	74,661	61.6	452,756
Average realised selling price (US\$/DMT)	143.00	94.97	50.6	105.43
Average unit cost of sales (US\$/WMT*)	25.55	24.88	2.7	22.62
Revenue (US\$'000)	17,283	7,090	143.8	47,718
Gross profit (US\$'000)	13,905	5,044	175.7	36,466
Gross profit margin	80.5%	71.1%	9.4	76.4%
Other operating income (US\$'000)	157	75	109.3	412
Selling & distribution expenses (US\$'000)	1,732	559	209.8	(4,911)
Other operating expenses (US\$'000)	2,505	1,413	77.3	(7,273)
Administrative expenses (US\$'000)	434	228	90.4	(1,274)
Finance costs (US\$'000)	32	10	220.0	(62)
Net profit after tax (NPAT)(US\$'000)	7,200	2,158	233.6	18,245
Earnings before interest, tax, depreciation and amortisation (EBITDA) (US\$'000)	10,335	3,589	188.0	26,560

* DMT denotes Dry Metric Tonnes

* WMT denotes Wet Metric Tonnes

Operational and Financial Review

The Group continued to operate safely in 1Q FY2022 throughout the COVID-19 pandemic with strong underlying operational performance and excellent throughput achieved at its Bukit Besi Mine.

The Group achieved record revenue of US\$17.3 million for 1Q FY2022, exceeding the financial period ended 31 May 2020 (“1Q FY2021”) by 143.8% yoy, underpinned by resilient demand from regional steel mill customers and robust pricing environment with higher average realised selling price of iron ore up by 50.6% yoy to US\$143.00/DMT.

With the Group’s continuous improvement in productivity, production volume increased by 60.8% yoy to 132,251 WMT, with sustained low average unit cost of sales of US\$25.55/WMT in 1Q FY2022, albeit a marginal increase of 2.7% which was mainly due to the strengthening of the Malaysian Ringgit (“RM”) currency against the US Dollar (“US\$”) currency by 4.9% which affected the overall costs of sales, the majority of which is denominated in RM.

Reliable productivity performance coupled with expanded sales volumes and strong pricing of iron ore, yielded a superior gross profit margin of 80.5% for 1Q FY2022.

Our operations continued to generate excellent underlying earnings for 1Q FY2022, with the Group’s EBITDA and NPAT increasing 188.05% yoy to US\$10.3 million and increasing 233.6% yoy to US\$7.2 million, respectively. Earnings per share grew by 234.9% yoy to 1.44 US cents as compared to 1Q FY2021.

On the back of the strong growth in earnings, the Group recorded a positive working capital position of US\$12.7 million with strong net cash flow from operating activities of US\$9.3 million. The Group’s net asset value per share improved to 10.22 US cents as at 31 May 2021 from 9.68 US Cents as at 28 February 2021, supported by the Group’s business resilience and strong balance sheet.

Dato’ Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals, commented, *“The team has performed extremely well to deliver yet another record quarter for Fortress Minerals. In 1Q FY2022, we endeavoured to outperform on sales volumes while keeping strong operating profits. We have continued to demonstrate the resilience of our business model by achieving excellent margins, exceptional underlying earnings, and strong cash flows.”*

Following the Ministry of International Trade and Industry’s decision to reopen most sectors in several states where the Group operates in, the Group’s mining and production operations have gradually returned to normalcy since 5 July 2021. We remain highly committed to protecting the health and wellbeing of our workforce during the ongoing COVID-19 pandemic as we get back on track to continue to meet the strong demand from our customers.”

Market Outlook

The outlook of iron ore remains attractive with global crude steel production up 14.5% year-on-year for January to May 2021.¹ The Group remains positive on the demand for iron ore as global economic recovery continues, supported by the scale of stimulus that has been deployed by policy makers, in addition to governments focusing on infrastructure spending to stimulate the economy.

The demand from regional steel mill customers remains robust and there has been a noticeable pick up in sales of iron ore. The Group will continue to capitalise on the current robust iron ore price performance and focus on boosting iron ore deliveries.

The Group anticipates that regional steel production will grow in tandem with economic and population growth, underpinned by policymakers signalling their commitment to providing various economic

¹ World Steel Association: [May 2021](#) crude steel production

stimulus and an expansionary fiscal policy in the medium term, which in turn is expected to drive continued demand for iron ore.

Operational Developments

On 3 July 2021, the Malaysian Senior Minister (Security Cluster) announced that several states in Malaysia, which includes the states where the Group's mining sites are located in, will enter into Phase 2 of the movement control under the National Recovery Plan (“NRP”)². Under Phase 2 of the NRP, worker capacity has been raised to 80% and employers must ensure physical distancing and adherence to the standard operating procedures at all times.

On 5 July 2021, the operations of the Group's Bukit Besi Mine and Mengapur Mine had resumed, subject to the aforementioned conditions being adhered to by the Group.

As such, the Group's mining activities have gradually returned to normalcy. The Group continues to adhere to the standard operating procedures at all times, have in place strict protocols and a range of measures to keep its operating environment safe for its people. These include social distancing and increased cleaning and sanitisation regimes.

The Group will focus on ramping up production in its Bukit Besi Mine and expediting the development phase at Mengapur. With the resumption of preparation works for the commencement of mining operations at Mengapur, the Group will endeavour to commence production of iron ore at Mengapur at the end of the financial year ending 28 February 2022 (“FY2022”), as per initially planned.

As the majority of the Group's operational staff are from the local communities which are in proximity to the Bukit Besi and Mengapur operations, the Group envisions minimal workforce supply constraints in the resumption of its operations and for the staff to support both sites in a cost efficient manner.

Leveraging on the Group's expertise and experience, applying a disciplined approach to capital allocation, and balancing exploration and production activities, the Group aims to continue to reliably grow value and returns for its shareholders in the long term.

The Board and management have considered the uncertainties and challenges arising from the COVID-19 pandemic and assessed the impact of the outbreak on its 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 via acquisitions, joint ventures and/or provide mining contracting services both in Malaysia and in the region, where its strong capabilities provide it a competitive edge to tap on the growing demand.

****End****

This press release should be read in conjunction with the related announcements uploaded by Fortress Minerals Limited on SGXNet.

This press release 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 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg

About Fortress Minerals Limited (SGX: OAJ)

Fortress Minerals is an iron ore concentrate producer based in Malaysia. The Group is principally in the business of exploration, mining, production and sale of iron ore concentrates. The Group presently produces magnetite iron ore concentrates with TFe grade of 65.0% and above, mined from the East, Valley and West Deposits in its Bukit Besi Mine, and sells its iron ore concentrates primarily to steel mills and trading companies in Malaysia.

The Group had on 7 April 2021 completed the acquisition of the entire issued and paid-up share capital of Fortress Mengapur Sdn. Bhd. (formerly known as Monument Mengapur Sdn. Bhd.) and its subsidiaries (“**Fortress Mengapur**”), which comprises the entire tenements held by its subsidiaries, namely Cermat Aman Sdn Bhd and Star Destiny Sdn Bhd. Following the completion of the acquisition, Fortress Mengapur has become a wholly-owned subsidiary of the Company. Fortress Mengapur’s tenements contains iron ore, copper, gold and silver Inferred Mineral Resources. At this juncture, the Group continues to focus on the magnetite iron ore mining and intends to stockpile other minerals, if encountered during potential mining, for future processing.

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

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