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PRESS RELEASE

Fortress Minerals reports 1Q FY2023 results; EBITDA decreased by 33.2% to US$6.9 million

- Revenue decreased by 15.5% to US$14.6 million year-on-year ("**yoy**"), mainly due to weaker average benchmark prices compared to 1Q FY2022.
- Gross profit margin remained resilient at 70.6% but was impacted by higher average unit cost of sales due to higher inflation of production costs.
- Net cash flow generated from operating activities was US$5.9 million during the period, backed by strong EBITDA margins of 47.3%.
- Next phase of strategic growth is underway with the commencement of production at the Cermat Aman Sdn. Bhd. ("**CASB**") mine on 1 July 2022; ready for positive contribution in FY2023.

SINGAPORE, 6 July 2022 – 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 2022 ("**1Q FY2023**").

Financial Highlights

	1Q FY2023	1Q FY2022	Change %	FY2022
Sales volume (DMT*)	121,425	120,665	*0.6*	357,446
Average realised selling price (US$/DMT)	119.80	143.00	*(16.2)*	121.27
Average unit cost of sales (US$/WMT^)	32.08	25.55	*25.6*	25.46
Revenue (US$'000)	14,598	17,283	*(15.5)*	43,366
Gross profit (US$'000)	10,310	13,905	*(25.9)*	33,381
Gross profit margin	*70.6%*	*80.5%*	*(9.9)*	*77.0%*
Other operating income (US$'000)	141	157	*(10.2)*	*376*
Selling & distribution expenses (US$'000)	(1,652)	(1,732)	*(4.6)*	(4,799)
Other operating expenses (US$'000)	(2,131)	(2,505)	*(14.9)*	(8,701)
Administrative expenses (US$'000)	(416)	(434)	*(4.3)*	(813)
Finance costs (US$'000)	(220)	(32)	*589.8*	(788)
Net profit after tax (NPAT)(US$'000)	4,192	7,200	*(41.8)*	13,881
Earnings before interest, tax, depreciation and amortisation (EBITDA) (US$'000)	6,902	10,335	*(33.2)*	23,479

* DMT denotes Dry Metric Tonnes
^ WMT denotes Wet Metric Tonnes

Operational and Financial Review

Fortress Minerals persevered through the disruptions in the year prior and saw its strategic growth plans come to fruition entering FY2023.

The Group reported revenue of US$14.6 million for 1Q FY2023, which was 15.5% lower yoy mainly due to the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices weakening in 1Q FY2023 as compared to 1Q FY2022. Average realised selling price for 1Q FY2023 was resilient at US$119.80/DMT as compared to US$143.00/DMT in the corresponding period last year.

Demand during the quarter was robust, supported by regional steel mill customers. Sales volume for 1Q FY2023 was 121,425 DMT which was an increase of 760 DMT or 0.6% as compared to 1Q FY2022. Average unit cost of sales increased 25.6% to US$32.08/WMT in 1Q FY2023 mainly due to higher inflation of production costs as a result of rising diesel prices. The Group partially offsets transport costs with its in-house fleet of trucks and will continue to take a disciplined approach to cost controls to mitigate the impact.

Consequently, gross profit margin was lower at 70.6% for 1Q FY2023 compared to 80.5% for 1Q FY2022.

The Group's EBITDA and NPAT was US$6.9 million and US$4.2 million for 1Q FY2023, respectively. Earnings per share was 0.84 US cents.

Net asset value per share increased to 11.74 US cents as at 31 May 2022 compared to 11.36 US cents as at 28 February 2022, supported by the Group's growth efforts, business resilience and strong balance sheet. The Group remains committed to growing its business to sustain growth and improve long-term shareholder value.

Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals, commented, *"We continue to leverage our experience to build our business to remain resilient through the cycle. Our growth strategies are beginning to come to fruition, and we will continue to focus on disciplined cost and capital management to ensure that our growth is sustainable.*

Production at the CASB mine has commenced and we are in an even stronger position to deliver value added growth to our shareholders in the long term. We remain well-supported by our quality assets, the robust local demand and the deep relationships we have built in the region."

Market Outlook

Global crude steel production declined 7.1% year-on-year for January to April 2022.[1] The decrease in global crude steel production follows reports of steel mills in China cutting production as Chinese authorities sought to limit pollution over winter and during the Winter Olympic Games in the city. Weaker-than-expected global growth, particularly with China being impacted by strict pandemic restrictions, looks to slow global steel demand growth for 2022 and subsequently the demand for iron ore in the short term. Iron ore prices declined 12.0% from March to May 2022 amidst these expectations.[2]

The pace of recovery of global iron ore demand will very much be dependent on the expected economic growth, and visibility of the recovery will likely improve as global infrastructure spending picks up.

In Malaysia, the economy is expected to improve further this year with the easing of restrictions, reopening of international borders and implementation of investment projects. Growth is projected at 5.3% to 6.3%, underpinned by stronger domestic demand, continued expansion in external demand, and further improvement in the labour market.[3]

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[1] The World Steel Association, 24 May 2022: April 2022 crude steel production
[2] Platts: 65% Fe CFR North China Index, March – May 2022
[3] Bank Negara Malaysia, 13 May 2022: Economic and Financial Developments in Malaysia in the First Quarter of 2022

Demand for the Group's iron ore concentrate from regional steel mills remains strong and is well-supported by the offtake agreement announced on 12 October 2021. The underlying theme of a low-carbon transition in the steel industry to support a low-carbon future continues to support demand for higher grade iron ore in the long-term as higher grade iron ore produces reduced greenhouse gas emissions and raises blast furnace productivity.

Operational Developments

Safety remains a top concern to ensure business continuity and the Group continues to ensure safe operating measures remain in place at its work sites to maintain operational efficiencies. This is a key focus against the backdrop of rising inflation and operating costs.

The CASB mine was tested and commissioned during the quarter and production at the CASB mine commenced on 1 July 2022 with the CASB mine expected to contribute positively to the Group in FY2023. The additional production capabilities in the same key mineral resource will help the Group realise synergies as it leverages existing downstream distribution lines. It will also provide the ability to better match customers' specific demands and plan its production between its two producing assets to drive cost savings and extract further efficiencies.

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 in a disciplined manner via acquisitions, joint ventures and/or providing mining contracting services both in Malaysia and in the region, where its strong capabilities provide it a competitive edge to tap on the demand.

The Group continues to explore various fund-raising opportunities to enhance its cash balances for its operational needs. The Group will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

****End****

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

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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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