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## PRESS RELEASE

# Fortress Minerals continues to deliver in 3Q FY2021 with strong gross profit margin of 75.1% and EBITDA of US\$5.9 million

- The Group's iron ore sales increased by 93.8% to 93,246 DMT in 3Q FY2021 compared to 48,121 DMT in 3Q FY2020 in line with favourable operating environment and strong domestic market demands.
- Strong gross profit margin of 75.1% attributable to increased volume sold and higher pricing for high-grade iron ore concentrate.
- Strong underlying EBITDA of US\$5.9 million and positive working capital of US\$20.1 million generated free cash flow of US\$10.3 million as at 30 November 2020.

**SINGAPORE, 11 January 2021 – Fortress Minerals Limited** (the “Company” or “Fortress Minerals” and together with its subsidiaries the “Group”), a high-grade iron ore concentrates producer and exporter from Malaysia, today announced the financial results for the three months and nine months financial period ended 30 November 2020 (“3Q FY2021”).

## Financial Highlights

	3Q FY2021	3Q FY2020	Change %	9M FY2021	9M FY2020	Change %	Full year FY2020
Sales volume (DMT*)	93,246	48,121	93.8	303,389	180,006	68.5	269,615
Average realised selling price (US\$/DMT)	110.06	84.65	30.0	100.06	98.17	1.9	95.93
Average unit cost (US\$/WMT#)	25.26	32.30	(21.8)	22.65	29.62	(23.5)	28.81
(US\$'000)							
Revenue	10,304	4,106	150.9	30,379	17,730	71.3	25,925
Gross profit	7,734	2,368	226.6	22,843	11,778	93.9	17,280
Gross profit margin	75.1%	57.7%	17.4	75.2%	66.4%	8.8	66.7%
Other operating income	121	297	(59.2)	334	594	(43.9)	687
Selling & distribution expenses	525	366	43.6	2,891	1,420	103.6	2,081
Other operating expenses	1,695	1,266	33.9	4,081	3,119	30.9	4,531
Administrative expenses	417	122	241.2	832	1,553	(46.5)	1,775
Finance costs	13	13	(4.7)	35	31	13.7	43
Net profit after income tax (NPAT)	4,338	751	477.5	12,178	4,360	179.3	6,497
Earnings before interest, tax, depreciation and amortization (EBITDA)	5,947	1,087	447.1	17,656	7,944 <sup>(1)</sup>	122.3	13,530 <sup>(2)</sup>

\* DMT denotes Dry Metric Tonnes

# WMT denotes Wet Metric Tonnes

- (1) Excluding the effect on foreign exchange loss of US\$0.24 million and effect on IPO expenses of US\$0.9 million for 9M FY2020.
- (2) Excluding the effect on foreign exchange loss of US\$0.4 million and IPO expenses of US\$0.9 million for FY2020.

## **Operational and Financial Review**

Fortress had a strong quarter in 3Q FY2021. The Group registered higher revenue of US\$10.3 million, with 93,246 DMT of iron ore concentrate sold during 3Q FY2021. The increase is attributable to a favourable operating environment, strong domestic market demand and a higher average realised selling price of US\$110.06/DMT, a 30.0% surge from the average realised selling price of US\$84.65/DMT during 3Q FY2020.

Productivity gains arising from the higher production volume during the quarter under review had improved average unit cost by US\$7.04/WMT or 21.8% compared to 3Q FY2020 to US\$25.26/WMT.

All the favourable operational and market conditions have translated into the strong gross profit margin of 75.1% in 3Q FY2021, up from 57.74% from 3Q FY2020.

In 3Q FY2021, the Group delivered a strong EBITDA of US\$5.9 million and NPAT of US\$4.3 million, with respective EBITDA and NPAT margins of 57.9% and 40.1%.

The Group's NPAT for 9M FY2021 of US\$12.2 million has already exceeded FY2020's full year NPAT of US\$6.5 million.

Fortress's operations generated positive free cash flow of US\$10.3 million in 3Q FY2021 supported by robust underlying EBITDA and our balance sheet remained strong, with positive working capital strengthening to US\$20.1 million as at 30 November 2020.

Earnings per share ("EPS") for 3Q FY2021 clocked at 0.87 US cents, an increase of 480% over 3Q FY2020. The Group's net asset value per share further improved to 8.46 US cents in 3Q FY2021, demonstrating the Group's healthy financial performance.

## **Outlook and Future Plans**

Demand for high-grade iron ore concentrate has been strong and the Group remains optimistic that the demand will remain healthy following our new "Off-take Agreement" as announced in October 2020. The Off-take Agreement secures a 400,000 WMT revenue order book volume until 31 August 2021 for the Group.

On 8 January 2021, the Company had entered into a conditional share purchase agreement (the "SPA") with Monument Mining Limited (the "Vendor") for the acquisition of the entire issued and paid-up share capital (the "Sale Shares") in Monument Mengapur Sdn. Bhd. (the "Target") for a cash consideration of US\$30,000,000 (the "Consideration") in accordance with the terms and conditions of the SPA (the "Proposed Acquisition"). In connection with the Proposed Acquisition, the Company has also on even date entered into a royalty agreement (the "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 Target's subsidiaries namely Cermat Aman Sdn. Bhd. ("CASB") and Star Destiny Sdn. Bhd. ("SDSB"), save for free digging oxide magnetite iron materials contained on the top soil at certain areas of the tenement held by CASB, subject to the completion of the Proposed Acquisition and in accordance with the terms thereof.

The Board is of the view that the Proposed Acquisition is in the best interest of the Company as the Group's total magnetite resource will increase from approximately 7.18 million tons (from its Bukit Besi mine as of February 2020) to 17.93 million tons. The Company believes that the Proposed Acquisition will bolster the Company's objective to become a significant regional player in the iron ore industry and its efforts to explore and develop a number of iron ore assets across Malaysia as well as complement its existing portfolio of advanced iron ore projects.

The Proposed Acquisition is subject to, amongst others, shareholders' approval at an extraordinary general meeting to be convened and is expected to be completed by Q1 FY2022.

For further details on the Proposed Acquisition, please refer to the announcement dated 11 January 2021 released by the Company on SGXNET. The Company will make the necessary announcement(s) via SGXNET if and when there are any material developments on the aforementioned.

Notwithstanding the Proposed Acquisition, the Group continues to explore various opportunities to acquire and/or enter into joint ventures to expand its portfolio of mining assets as well as provide mining contracting services both in Malaysia and the region.

Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals, commented on the 3Q FY2021 performance and outlook of the Group, *"The present strong operating environment during the quarter under review has contributed positively to Fortress Minerals. We remain confident in the demand for our high-grade iron ore concentrate while we continue to focus on our long-term strategy to further elevate our Group's production capacity, productivity and efficiency."*

**\*\* End \*\***

*This press release should be read in conjunction with the related announcements uploaded by Fortress Minerals Limited on SGXNet. Fortress Minerals Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "Exchange") on 27 March 2019. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").*

*This press release has been reviewed by the Company's Sponsor. It has not been examined or approved by 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](mailto:sponsorship@ppcf.com.sg)*

### **About Fortress Minerals Limited (SGX: OAJ)**

Fortress Minerals is a high-grade 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.

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

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