



FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Condensed Interim Financial Statements for the Second Quarter and Six Months Ended 31 August 2024 (“2Q FY2025”)

Background

Fortress Minerals Limited (“**Fortress**” or the “**Company**” and collectively with its subsidiaries, the “**Group**”) is principally in the business of exploration, mining, production and sale of iron ore of low level of impurities. All of our iron ore are efficiently priced in the United States Dollar against international iron ore indexes as practiced world-wide.

The Group is enhancing its production capabilities and expanding its mineral resources at the Bukit Besi mine. It is also developing a new integrated processing plant at the CASB mine and advancing its prospecting efforts in Sabah through various phases of mineral exploration.

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.

Fortress is committed to our team’s safety and values of integrity, sustainability, empowerment, and prosperity. Our team drives the business to achieve our vision of excelling in mineral exploration through strategic insights and alliances, addressing regional client demands, and maintaining ethical excellence.

Fortress Minerals Limited (OAJ: SGX) has been listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) since 27 March 2019.

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

Part I – Condensed Interim Financial Statements for the Second Quarter and Six Months ended 31 August 2024 (“2Q FY2025”)

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

		Group			Group		
		Three months ended			Six months ended		
	Note	31 August 2024 US\$	31 August 2023 US\$	Change %	31 August 2024 US\$	31 August 2023 US\$	Change %
Revenue	3	15,516,913	17,319,936	(10.4)	25,293,266	30,572,266	(17.3)
Cost of sales		(5,251,523)	(5,869,999)	(10.5)	(7,901,162)	(10,840,737)	(27.1)
Gross profit		10,265,390	11,449,937	(10.3)	17,392,104	19,731,529	(11.9)
Other income		1,497,783	47,432	3,057.7	1,612,931	150,521	971.6
Selling and distribution expenses		(1,907,989)	(2,315,591)	(17.6)	(3,110,151)	(3,709,513)	(16.2)
Other operating expenses		(3,061,873)	(2,628,029)	16.5	(5,316,925)	(5,349,827)	(0.6)
Administrative expenses		(621,809)	(300,020)	107.3	(944,789)	(913,149)	3.5
Finance costs		(153,674)	(263,596)	(41.7)	(332,703)	(534,560)	(37.8)
Profit before income tax	4	6,017,828	5,990,133	0.5	9,300,467	9,375,001	(0.8)
Income tax expense	5	(1,481,485)	(1,409,940)	5.1	(2,452,095)	(2,291,449)	7.0
Profit for the financial period		4,536,343	4,580,193	(1.0)	6,848,372	7,083,552	(3.3)
Profit/(Loss) attributable to:							
Owners of the Company		4,458,851	4,581,104	(2.7)	6,776,308	7,091,183	(4.4)
Non-controlling interests		77,492	(911)	nm	72,064	(7,631)	nm
		4,536,343	4,580,193	(1.0)	6,848,372	7,083,552	(3.3)
Other comprehensive income							
<u>Item that may be reclassified subsequently to profit or loss:</u>							
Exchange differences on translating foreign operations		5,012,505	(287,026)	nm	5,707,638	(1,960,297)	nm
Total comprehensive income for the financial period, net of tax		9,548,848	4,293,167	122.4	12,556,010	5,123,255	145.1
Total comprehensive income/(loss) for the financial period attributable to:							
Owners of the Company		9,451,122	4,294,016	120.1	12,462,688	5,125,848	143.1
Non-controlling interests		97,726	(849)	nm	93,322	(2,593)	nm
		9,548,848	4,293,167	122.4	12,556,010	5,123,255	145.1
Earnings per share attributable to owners of the Company (cents)							
- Basic and diluted	6	0.85	0.88	(3.4)	1.29	1.36	(5.1)

nm – not meaningful

Condensed interim statements of financial position

	Note	Group		Company	
		31 August 2024 US\$	29 February 2024 US\$	31 August 2024 US\$	29 February 2024 US\$
ASSETS					
Non-current assets					
Investments in subsidiaries		-	-	43,014,921	43,014,921
Exploration and evaluation assets		6,216,127	4,977,668	-	-
Mining properties	8	44,344,227	41,589,686	-	-
Plant and equipment	9	25,925,524	21,211,697	-	-
Right-of-use assets	10	466,769	1,436,973	-	-
Intangible asset		3,128,503	2,834,372	-	-
		<u>80,081,150</u>	<u>72,050,396</u>	<u>43,014,921</u>	<u>43,014,921</u>
Current assets					
Inventories		7,107,831	3,135,168	-	-
Trade receivables		3,186,727	7,205,929	-	-
Other receivables, deposits and prepayments		5,271,029	4,197,106	-	-
Amounts due from subsidiaries		-	-	15,027,241	13,372,073
Current income tax receivables		1,117,254	754,860	-	-
Financial assets at fair value through profit or loss (“FVTPL”)		1,971,701	2,196,115	1,971,499	2,196,115
Cash and bank balances	11	8,287,738	7,681,409	2,163,024	2,073,664
		<u>26,942,280</u>	<u>25,170,587</u>	<u>19,161,764</u>	<u>17,641,852</u>
Total assets		<u>107,023,430</u>	<u>97,220,983</u>	<u>62,176,685</u>	<u>60,656,773</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	12	28,995,034	28,995,034	28,995,034	28,995,034
Other reserves		(5,703,521)	(11,389,901)	-	-
Retained earnings		58,373,343	54,639,963	27,238,758	23,130,320
		<u>81,664,856</u>	<u>72,245,096</u>	<u>56,233,792</u>	<u>52,125,354</u>
Non-controlling interests		250,904	1,496	-	-
Total equity		<u>81,915,760</u>	<u>72,246,592</u>	<u>56,233,792</u>	<u>52,125,354</u>
Non-current liabilities					
Bank borrowings	15	2,392,269	1,918,301	-	986,994
Lease liabilities	15	72,878	205,331	-	-
Deferred tax liabilities		4,287,913	3,543,846	-	-
Other payables		2,294,970	2,309,552	2,294,970	2,309,552
		<u>9,048,030</u>	<u>7,977,030</u>	<u>2,294,970</u>	<u>3,296,546</u>
Current liabilities					
Banks borrowings	15	5,552,436	6,939,565	3,460,981	4,947,974
Lease liabilities	15	399,859	1,270,384	-	-
Trade payables		996,676	1,180,197	-	-
Other payables and accruals		9,096,346	7,593,013	160,900	245,618
Amounts due to directors		-	1,529	-	-
Amounts due to subsidiaries		-	-	21,914	41,199
Current income tax payables		14,323	12,673	4,128	82
		<u>16,059,640</u>	<u>16,997,361</u>	<u>3,647,923</u>	<u>5,234,873</u>
Total liabilities		<u>25,107,670</u>	<u>24,974,391</u>	<u>5,942,893</u>	<u>8,531,419</u>
Total equity and liabilities		<u>107,023,430</u>	<u>97,220,983</u>	<u>62,176,685</u>	<u>60,656,773</u>

Condensed interim statements of changes in equity

<u>Group</u>	Note	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Merger reserve US\$	Retained earnings US\$	Equity attributable to owners of the Company US\$	Non-controlling interests US\$	Total equity US\$
Balance at 1 March 2024		28,995,034	383,615	(8,207,540)	(3,565,976)	54,639,963	72,245,096	1,496	72,246,592
Profit/(loss) for the financial period		-	-	-	-	6,776,308	6,776,308	72,064	6,848,372
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	5,686,380	-	-	5,686,380	21,258	5,707,638
Other comprehensive (loss)/income for the financial period, net of tax		-	-	5,686,380	-	-	5,686,380	21,258	5,707,638
Total comprehensive (loss)/income for the financial period		-	-	5,686,380	-	6,776,308	12,462,688	93,322	12,556,010
Transactions with owners									
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	84,520	84,520
Acquisition of additional interests in a subsidiary with no change in control		-	-	-	-	(640,242)	(640,242)	(258)	(640,500)
Issuance of new ordinary shares of a subsidiary to non-controlling interest		-	-	-	-	-	-	71,824	71,824
FY2024 Final dividend paid	13	-	-	-	-	(2,402,686)	(2,402,686)	-	(2,402,686)
Total transactions with owners		-	-	-	-	(3,042,928)	(3,042,928)	156,086	(2,886,842)
Balance at 31 August 2024		28,995,034	383,615	(2,521,160)	(3,565,976)	58,373,343	81,664,856	250,904	81,915,760

Condensed interim statements of changes in equity (continued)

<u>Group</u>	Note	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Merger reserve US\$	Retained earnings US\$	Equity attributable to owners of the Company US\$	Non-controlling interests US\$	Total equity US\$
Balance at 1 March 2023		22,463,273	383,615	(4,782,270)	(3,565,976)	47,741,243	62,239,885	(25,183)	62,214,702
Profit/(loss) for the financial period		-	-	-	-	7,091,183	7,091,183	(7,631)	7,083,552
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	(1,965,335)	-	-	(1,965,335)	5,038	(1,960,297)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(1,965,335)	-	-	(1,965,335)	5,038	(1,960,297)
Total comprehensive (loss)/income for the financial period		-	-	(1,965,335)	-	7,091,183	5,125,848	(2,593)	5,123,255
Transactions with owners									
Issuance of new ordinary shares		6,531,761	-	-	-	-	6,531,761	-	6,531,761
FY2023 Final dividend paid	13	-	-	-	-	(3,149,157)	(3,149,157)	-	(3,149,157)
Total transactions with owners		6,531,761	-	-	-	(3,149,157)	3,382,604	-	3,382,604
Balance at 31 August 2023		28,995,034	383,615	(6,747,605)	(3,565,976)	51,683,269	70,748,337	(27,776)	70,720,561

Condensed interim statements of changes in equity (continued)

	Notes	Share capital US\$	Retained earnings US\$	Total equity US\$
<u>Company</u>				
Balance at 1 March 2024		28,995,034	23,130,320	52,125,354
Profit for the financial period representing total comprehensive income for the financial period		-	6,511,124	6,511,124
Transaction with owners				
Dividend paid	13	-	(2,402,686)	(2,402,686)
Balance at 31 August 2024		28,995,034	27,238,758	56,233,792

	Notes	Share capital US\$	Retained earnings US\$	Total equity US\$
<u>Company</u>				
Balance at 1 March 2023		22,463,273	17,152,427	39,615,700
Profit for the financial period representing total comprehensive income for the financial period		-	6,511,040	6,511,040
Transactions with owners				
Issuance of new ordinary shares		6,531,761	-	6,531,761
Dividend paid	13	-	(3,149,157)	(3,149,157)
Total transactions with owners		6,531,761	(3,149,157)	3,382,604
Balance at 31 August 2023		28,995,034	20,514,310	49,509,344

Condensed interim consolidated statements of cash flows

	Note	Group	
		Six months ended	
		31 August 2024 US\$	31 August 2023 US\$
Operating activities			
Profit before income tax		9,300,467	9,375,001
Adjustments for:			
Amortisation of mining properties		302,861	414,044
Depreciation of plant and equipment		1,026,399	1,487,208
Depreciation of right-of-use assets		457,212	726,070
Interest expenses		332,703	534,560
Interest income		(82,987)	(7,473)
Distribution from financial assets at FVTPL		(74,734)	(31,768)
Fair value gain on financial assets at FVTPL		(6,172)	(38,319)
Deposits written off		4,713	-
Loss/(Gain) on disposal of plant and equipment		109,791	(44,701)
Modification of lease contracts		(31,688)	(1,503)
Unrealised foreign exchange (gain)/loss		(1,010,991)	171,734
Operating cash flow before working capital changes		10,327,574	12,584,853
Working capital changes:			
Inventories		(1,694,756)	2,343,202
Trade and other receivables		5,482,740	(2,161,987)
Trade and other payables		(1,511,018)	(2,519,385)
Cash generated from operations		12,604,540	10,246,683
Income tax paid		(2,162,399)	(2,493,369)
Income tax refunded		-	48,885
Net cash flow generated from operating activities		10,442,141	7,802,199
Investing activities			
Additions of exploration and evaluation assets		(690,683)	(1,512,368)
Additions of mining properties		(263,748)	(166,220)
Additions of plant and equipment		(1,790,415)	(1,358,947)
Acquisition of subsidiaries, net of cash acquired		84,520	-
Acquisition of additional interests in a subsidiary with no change in control		(640,500)	-
Proceeds from disposal of plant and equipment		421,312	50,646
Purchase of financial asset at fair value through profit or loss, net		230,586	(4,462,787)
Interest received		82,987	7,473
Distribution income received		74,734	31,768
Net cash flow used in investing activities		(2,491,207)	(7,410,435)
Financing activities			
Interest paid		(311,642)	(510,594)
Increase in short-term deposit pledged		(11,647)	(491)
Repayments of bank borrowings		(4,113,953)	(3,730,365)
Repayment of lease liabilities		(907,178)	(1,029,898)
Proceed from issuance of new ordinary shares		-	6,531,761
Proceed from issuance of new ordinary shares of a subsidiary to non-controlling interest		71,824	-
Dividends paid		(2,402,686)	(3,149,157)
Net cash flow used in financing activities		(7,675,282)	(1,888,744)
Net change in cash and cash equivalents		275,652	(1,496,980)
Effects of exchange rate changes on cash and cash equivalents		319,030	205,398
Cash and cash equivalents at beginning of financial period		5,678,660	3,667,825
Cash and cash equivalents at end of financial period	11	6,273,342	2,376,243

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 six months ended 31 August 2024 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 six months period ended 31 August 2024 have been prepared in accordance with the Singapore Financial Reporting Standards (International) 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 since the last audited annual financial statements for the financial year ended 29 February 2024.

The condensed interim financial statements of the Group have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) 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 Company’s functional currency.

2.1 New and amended standards adopted by the Group

The Group has adopted all the applicable new and revised SFRS(I)s and Interpretations of SFRS(I) (“SFRS(I) INTs”) that are mandatory for the accounting periods beginning on or after 1 March 2024. 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 financial year ended 29 February 2024.

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 note:

- *Impairment assessment of mining 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 mining 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 are 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, the useful life, and residual values of the mining properties would impact the amortisation charges and consequently affect the Group's financial performance.

2. Basis of preparation (continued)

2.2 Use of judgements and estimates (continued)

- *Impairment of goodwill arising from acquisition of Fortress Mengapur Group*

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. The 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 the discount rate used for the discounted cash flow model as well as the expected future cash inflows. Any excess of the carrying value over the discounted future cash flows are recognised as impairment loss in profit or loss.

- *Expected credit loss (“ECL”) allowance on other receivables and deposits*

Management monitors and assess at each reporting date on any indicator of significant increase in credit risk on other receivables and deposits, by considering forward looking information using industry market data and customer profile. For those where the credit risk has not increased significantly since initial recognition, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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 and investment holding activities which are not included within reportable segment as they are not separately reported to the CODM and they contribute minor amounts of income to the Group.

3. Segment and revenue information (continued)

3.1 Reportable segments

1 June 2024 to 31 August 2024	Iron Ore US\$	Others US\$	Group US\$
Revenue			
External customers, representing total revenue	15,516,913	-	15,516,913
Results:			
Interest income from financial institutions	61,569	-	61,569
Distribution from financial assets at FVTPL	38,274	-	38,274
Fair value gain on financial assets at FVTPL	2,760	-	2,760
Loss on disposal of plant and equipment	(36,081)	-	(36,081)
Amortisation of mining properties	(270,898)	-	(270,898)
Depreciation of right-of-use assets	(256,906)	-	(256,906)
Depreciation of plant and equipment	(772,089)	-	(772,089)
Interest expense	(153,674)	-	(153,674)
Segment profit/(loss)	6,221,939	(204,111)	6,017,828
Assets:			
Additions to non-current assets	3,548,082	-	3,548,082
Segment assets	106,874,801	148,629	107,023,430
Segment liabilities	(25,009,812)	(97,858)	(25,107,670)
1 June 2023 to 31 August 2023	Iron Ore US\$	Others US\$	Group US\$
Revenue			
External customers, representing total revenue	17,319,936	-	17,319,936
Results:			
Interest income from financial institutions	5,981	-	5,981
Distribution from financial assets at FVTPL	18,800	-	18,800
Fair value gain on financial assets at FVTPL	19,359	-	19,359
Gain on disposal of plant and equipment	(710)	-	(710)
Amortisation of mining properties	(331,972)	-	(331,972)
Depreciation of right-of-use assets	(609,273)	-	(609,273)
Depreciation of plant and equipment	(1,159,467)	-	(1,159,467)
Interest expense	(263,596)	-	(263,596)
Segment profit/(loss)	6,107,994	(117,861)	5,990,133
Assets:			
Additions to non-current assets	3,525,151	-	3,525,151
Segment assets	96,639,624	224,738	96,864,362
Segment liabilities	(25,953,218)	(190,583)	(26,143,801)

3. Segment and revenue information (continued)

3.1 Reportable segments (continued)

	Iron Ore US\$	Others US\$	Group US\$
1 March 2024 to 31 August 2024			
Revenue			
External customers, representing total revenue	25,293,266	-	25,293,266
Results:			
Interest income from financial institutions	82,987	-	82,987
Distribution from financial assets at FVTPL	74,734	-	74,734
Fair value gain on financial assets at FVTPL	6,172	-	6,172
Loss on disposal of plant and equipment	(109,791)	-	(109,791)
Amortisation of mining properties	(302,861)	-	(302,861)
Depreciation of right-of-use assets	(457,212)	-	(457,212)
Depreciation of plant and equipment	(1,026,399)	-	(1,026,399)
Interest expense	(332,703)	-	(332,703)
Segment profit/(loss)	9,683,096	(382,629)	9,300,467
Assets:			
Additions to non-current assets	5,951,934	-	5,951,934
Segment assets	106,874,801	148,629	107,023,430
Segment liabilities	(25,009,812)	(97,858)	(25,107,670)
	Iron Ore US\$	Others US\$	Group US\$
1 March 2023 to 31 August 2023			
Revenue			
External customers, representing total revenue	30,572,266	-	30,572,266
Results:			
Interest income from financial institutions	7,473	-	7,473
Distribution from financial assets at FVTPL	31,768	-	31,768
Fair value gain on financial assets at FVTPL	38,319	-	38,319
Gain on disposal of plant and equipment	44,701	-	44,701
Amortisation of mining properties	(414,044)	-	(414,044)
Depreciation of right-of-use assets	(726,070)	-	(726,070)
Depreciation of plant and equipment	(1,487,208)	-	(1,487,208)
Interest expense	(534,560)	-	(534,560)
Segment profit/(loss)	9,716,074	(341,073)	9,375,001
Assets:			
Additions to non-current assets	5,219,793	-	5,219,793
Segment assets	96,639,624	224,738	96,864,362
Segment liabilities	(25,953,218)	(190,583)	(26,143,801)

3. Segment and revenue information (continued)

3.2 Disaggregation of revenue

Group	Three months ended		Six months ended	
	31 August 2024 US\$	31 August 2023 US\$	31 August 2024 US\$	31 August 2023 US\$
Geographical information:				
Malaysia	13,445,217	15,487,413	23,221,570	28,739,743
People's Republic of China	2,071,696	1,832,523	2,071,696	1,832,523
	<u>15,516,913</u>	<u>17,319,936</u>	<u>25,293,266</u>	<u>30,572,266</u>
Timing of revenue recognition:				
At a point in time	<u>15,516,913</u>	<u>17,319,936</u>	<u>25,293,266</u>	<u>30,572,266</u>

Seasonality of operations

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

4. Profit before income tax

4.1 Significant items

Group	Three months ended		Six months ended	
	31 August 2024 US\$	31 August 2023 US\$	31 August 2024 US\$	31 August 2023 US\$
Income				
Foreign exchange gain/(loss), net	675,212	(37,009)	681,573	(305,969)
(Loss)/Gain on disposal of plant and equipment, net	(36,081)	(710)	(109,791)	44,701
Expenses				
Amortisation of mining properties	270,898	331,972	302,861	414,044
Depreciation charge of:				
- plant and equipment	772,089	1,159,467	1,026,399	1,487,208
- right-of-use assets	256,906	609,273	457,212	726,070
Interest expenses on:				
- borrowings	147,150	248,351	310,832	510,594
- lease liabilities	6,524	15,245	21,871	23,966
Commission expense	106,773	441,433	201,263	727,425
Handling and transportation	695,842	683,880	1,216,433	1,008,444
Royalty expense	1,051,231	1,150,851	1,635,687	1,903,574
Upkeep of machinery	583,131	632,333	1,007,469	1,372,401
Upkeep of motor vehicles	180,760	239,910	412,371	423,622

4. Profit before income tax (continued)

4.2 Related party transactions

Material transactions with related parties are as follows:

Group	Three months ended		Six months ended	
	31 August 2024 US\$	31 August 2023 US\$	31 August 2024 US\$	31 August 2023 US\$
Transactions with entities of common major shareholder of the Company				
Lease payments to:				
-Webcon Venture Sdn Bhd	13,033	13,002	25,709	26,424

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		Six months ended	
	31 August 2024 US\$	31 August 2023 US\$	31 August 2024 US\$	31 August 2023 US\$
Directors' fees	173,723	121,189	361,332	251,126
Salaries and other emoluments	1,032,029	603,144	1,860,314	1,218,507
Contributions to defined contribution plans	72,939	51,884	143,962	106,018
Social security contributions	251	125	496	255
	1,278,942	776,342	2,366,104	1,575,906

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		Six months ended	
	31 August 2024 US\$	31 August 2023 US\$	31 August 2024 US\$	31 August 2023 US\$
Current income tax expense	981,788	1,442,612	1,901,435	2,587,171
Deferred tax relating to (reversal)/ origination of temporary differences	499,697	(32,672)	550,660	(295,722)
Income tax expense recognised in profit or loss	1,481,485	1,409,940	2,452,095	2,291,449

6. Earnings per ordinary share (“EPS”)

Group	Three months ended		Six months ended	
	31 August 2024 US\$	31 August 2023 US\$	31 August 2024 US\$	31 August 2023 US\$
Net profit attributable to owners of the Company (US\$)	4,458,851	4,581,104	6,776,308	7,091,183
Weighted average number of ordinary shares	523,316,100	520,704,187	523,316,100	520,704,187
Basic and diluted EPS (US cents)	0.85	0.88	1.29	1.36

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 31 August 2024 and 29 February 2024:

	Group		Company	
	31 August 2024 US\$	29 February 2024 US\$	31 August 2024 US\$	29 February 2024 US\$
Financial assets carried at amortised cost				
Trade receivables	3,186,727	7,205,929	-	-
Other receivables and deposits (excluding prepayments)	2,273,295	2,193,895	-	-
Amounts due from subsidiaries	-	-	15,027,241	13,372,073
Cash and bank balances	8,287,738	7,681,409	2,163,024	2,073,664
	13,747,760	17,081,233	17,190,265	15,445,737
Financial assets carried at fair value				
Financial assets at FVTPL	1,971,701	2,196,115	1,971,499	2,196,115
Total financial assets	15,719,461	19,277,348	19,161,764	17,641,852
Presented as				
Current assets	15,719,461	19,277,348	19,161,764	17,641,852

7. **Financial assets and financial liabilities** (continued)

	Group		Company	
	31 August 2024	29 February 2024	31 August 2024	29 February 2024
	US\$	US\$	US\$	US\$
Financial liabilities carried at amortised cost				
Banks borrowings	7,944,705	8,857,866	3,460,981	5,934,968
Lease liabilities	472,737	1,475,715	-	-
Trade payables	996,676	1,180,197	-	-
Other payables and accruals	9,029,174	7,525,841	93,729	178,446
Amounts due to directors	-	1,529	-	-
Amounts due to subsidiaries	-	-	21,914	41,199
	18,443,292	19,041,148	3,576,624	6,154,613
Financial liability carried at fair value				
Contingent consideration *	2,362,141	2,376,724	2,362,141	2,376,724
Total financial liabilities	20,805,433	21,417,872	5,938,765	8,531,337
Presented as				
Current liabilities	16,045,316	16,984,688	3,643,795	5,234,791
Non-current liabilities	4,760,117	4,433,184	2,294,970	3,296,546

* As part of the acquisition of the entire issued and paid-up share capital in Fortress Mengapur Group 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 Fortress Mengapur Group.

As at 31 August 2024, the condition of Fortress Mengapur Group 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 31 August 2024 reflected this development.

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

7. Financial assets and financial liabilities (continued)

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			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Group				
31 August 2024				
<u>Financial asset</u>				
Financial asset at FVTPL	-	1,971,701	-	1,971,701
<u>Financial liability</u>				
Contingent consideration	-	-	2,362,141	2,362,141
29 February 2024				
<u>Financial asset</u>				
Financial asset at FVTPL	-	2,196,115	-	2,196,115
<u>Financial liability</u>				
Contingent consideration	-	-	2,376,724	2,376,724
Company				
31 August 2024				
<u>Financial asset</u>				
Financial asset at FVTPL	-	1,971,499	-	1,971,499
<u>Financial liability</u>				
Contingent consideration	-	-	2,362,141	2,362,141
29 February 2024				
<u>Financial asset</u>				
Financial asset at FVTPL	-	2,196,115	-	2,196,115
<u>Financial liability</u>				
Contingent consideration	-	-	2,376,724	2,376,724

8. Mining properties

During the six months ended 31 August 2024, the Group incurred addition of mining properties expenditures amounting to US\$0.3 million (31 August 2023: US\$0.2 million) reflecting the Group's ongoing commitment to improve existing mines and sustain mining operations.

9. Plant and equipment

Acquisitions and disposals

During the six months ended 31 August 2024, the Group acquired plant and equipment with cost of US\$1.8 million (31 August 2023: US\$1.4 million), excluding capitalisation of depreciation charge of right-of use assets and motor vehicles of US\$15,905 in the previous financial period ended 31 August 2023. There is no capitalisation of depreciation charge during the current financial period ended 31 August 2024.

Plant and equipment with net book value of US\$0.3 million (31 August 2023: US\$5,945) were disposed of by the Group during the financial period ended 31 August 2024, resulting in a net loss on disposal of US\$0.1 million (31 August 2023: Net gain on disposal of US\$44,701).

10. Right-of-use assets

The Group leases office space, hostels, storage space and motor vehicles in Malaysia. During the six months ended 31 August 2024, the Group recognised addition of right-of-use assets for motor vehicles and premises amounting to US\$0.4 million (31 August 2023: US\$0.7 million).

The Group renegotiated and modified existing lease contracts for motor vehicles during the six months ended 31 August 2024 which were accounted for as a lease modification with decrease to the right-of-use assets and lease liabilities of US\$590,994 and US\$622,682 (31 August 2023: increase of US\$1,348,297 and US\$1,346,794) respectively, resulting in gain on modification of lease contracts of US\$31,688 (31 August 2023: US\$1,503).

11. Cash and bank balances

	Group		Company	
	31 August 2024 US\$	29 February 2024 US\$	31 August 2024 US\$	29 February 2024 US\$
Cash at banks	6,130,660	4,549,852	148,628	70,915
Cash on hand	142,682	27,657	-	-
Short-term deposits	2,014,396	3,103,900	2,014,396	2,002,749
	<u>8,287,738</u>	<u>7,681,409</u>	<u>2,163,024</u>	<u>2,073,664</u>

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

	Group	
	31 August 2024 US\$	29 February 2024 US\$
Cash and bank balances as above	8,287,738	7,681,409
Less: Short-term deposit pledged	<u>(2,014,396)</u>	<u>(2,002,749)</u>
Cash and cash equivalents as per consolidated statement of cash flows	<u>6,273,342</u>	<u>5,678,660</u>

12. Share capital

	Group and Company			
	31 August 2024		29 February 2024	
	Number of shares	Amount US\$	Number of shares	Amount US\$
Total number of issued shares excluding treasury shares	523,316,100	28,995,034	523,316,100	28,995,034

The Company did not have any treasury shares as at 31 August 2024. There were no subsidiary holdings during and as at the end of the current financial period reported on.

13. Dividends

	Group	
	31 August 2024 US\$	29 February 2024 US\$
<u>Ordinary dividends paid:</u>		
In respect of financial year ended 29 February 2024:		
- Final one-tier tax exempt dividend of 0.60 Singapore cents (equivalent to 0.46 US cents) per ordinary share	2,402,686	-
In respect of financial year ended 28 February 2023:		
- Final one-tier tax exempt dividend of 0.80 Singapore cents (equivalent to 0.60 US cents) per ordinary share	-	3,149,157
	<u>2,402,686</u>	<u>3,149,157</u>

14. Net Asset Value

	Group		Company	
	31 August 2024 US\$	29 February 2024 US\$	31 August 2024 US\$	29 February 2024 US\$
Net asset value (“NAV”) (US\$)	81,664,856	72,245,096	56,233,792	52,125,354
Total number of issued shares excluding treasury shares	523,316,100	523,316,100	523,316,100	523,316,100
NAV per Share (US cents)	<u>15.61</u>	<u>13.81</u>	<u>10.75</u>	<u>9.96</u>

15. Borrowings and lease liabilities

	Group		Company	
	31 August 2024 US\$	29 February 2024 US\$	31 August 2024 US\$	29 February 2024 US\$
<u>Repayable within one year or on demand</u>				
Secured				
- Bank borrowings	5,552,436	6,939,565	3,460,981	4,947,974
Unsecured				
- Leases liabilities	399,859	1,270,384	-	-
	<u>5,952,295</u>	<u>8,209,949</u>	<u>3,460,981</u>	<u>4,947,974</u>
<u>Repayable after one year</u>				
Secured				
- Bank borrowings	2,392,269	1,918,301	-	986,994
Unsecured				
- Leases liabilities	72,878	205,331	-	-
	<u>2,465,147</u>	<u>2,123,632</u>	<u>-</u>	<u>986,994</u>

The Group's secured borrowings as at 31 August 2024 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\$5.8 million (29 February 2024: US\$3.0 million); and
- (ii) bank borrowings which were used to finance part of the acquisition of Fortress Mengapur Group 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	
	31 August 2024 US\$	29 February 2024 US\$
Capital expenditures contracted but not provided for		
- Plant and equipment	161,400	310,329

17. Subsequent events

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

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

1. Review

The condensed interim statements of financial position of Fortress Minerals Limited and its subsidiaries as at 31 August 2024 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 the second quarter and six months 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 29 February 2024 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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

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

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

Revenue

Below is a summary of the iron ore sales performance of the Group for the financial period ended 31 August 2024 (“2Q FY2025”) and the comparative financial period ended 31 August 2023 (“2Q FY2024”).

	2Q FY2025	2Q FY2024	Increase/ (Decrease) (%)
Sold (DMT*)	175,078	186,587	(6.2)
Revenue realised ⁽¹⁾ (US\$)	15,486,582	17,243,858	(10.2)
Average realised selling price (US\$/DMT)	88.46	92.42	(4.3)

* DMT denotes Dry Metric Tonnes

⁽¹⁾ Excluding effect of foreign exchange.

As shown in the table above, the Group recorded revenue of US\$15.5 million in 2Q FY2025, being 10.2% or US\$1.7 million lower than 2Q FY2024 due to lower volume sold in the current financial period. This was partially due to the Group focusing on improving operational efficiency. Additionally, the Group adjusted its inventory strategy in response to declining price trends, allowing for greater flexibility in adapting to changing market conditions.

The decrease was further impacted by the lower average realised selling price of US\$88.46/DMT recorded in 2Q FY2025, a decrease of 4.3% or US\$3.96/DMT due to the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices weakening in 2Q FY2025 as compared to 2Q FY2024.

Cost of sales

	2Q FY2025	2Q FY2024	Increase/ (Decrease) (%)
Sold (WMT*)	191,372	205,733	(7.0)
Cost of sales (US\$)	5,251,523	5,869,999	(10.5)
Average unit cost of sales (US\$/WMT)	27.44	28.53	(3.8)

* WMT denotes Wet Metric Tonnes

The Group's cost of sales decreased by 10.5% to US\$5.3 million in 2Q FY2025. The Group's average unit cost of sales decreased by 3.8% or US\$1.09/WMT to US\$27.44/WMT in 2Q FY2025, which was driven by a higher production volume achieved during the current financial period as compared to 2Q FY2024, which allowed the Group to benefit from economies of scale.

Gross profit and gross profit margin

As a result of the abovementioned reasons, gross profit for 2Q FY2025 of US\$10.3 million was US\$1.2 million lower than 2Q FY2024 and gross profit margin remained fairly consistent at 66.2% in 2Q FY2025.

Other income

The Group's other income increased by US\$1.5 million to US\$1.5 million in 2Q FY2025. The increase was mainly driven by the increase in unrealised gain on foreign exchange differences by US\$1.0 million due to the strengthening of exchange rate movement of RM against USD. Additionally, the increase was partially due to US\$0.4 million in compensation received from the termination of a contract by third parties with a subsidiary.

Selling and distribution expenses

Selling and distribution expenses decreased by US\$0.4 million to US\$1.9 million in 2Q FY2025, primarily due to the decrease in royalty and commission of US\$0.1 million and US\$0.3 million respectively which is consistent with the lower volume sold in 2Q FY2025.

Other operating expenses

The Group's other operating expenses comprise mainly employee benefits expenses and plant maintenance expenses. Other operating expenses increased by US\$0.4 million to US\$3.1 million in 2Q FY2025 which was primarily due to the increase in employee benefits expenses by US\$0.2 million and plant maintenance expenses by US\$0.2 million.

Administrative expenses

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

Administrative expenses increased by US\$0.3 million to US\$0.6 million in 2Q FY2025 primarily due to the increase in realised losses on foreign exchange differences by US\$0.3 million due to the strengthening of exchange rate movement of RM against USD.

Finance costs

Finance costs comprised interest expenses on bank borrowings and lease liabilities which had decreased by US\$0.1 million to US\$0.2 million in 2Q FY2025 mainly due to repayment of principal amounts on bank borrowings.

Income tax expense

Income tax expense increased by US\$0.1 million to US\$1.5 million in 2Q FY2025.

The Group's effective tax rate in 2Q FY2025 was 25.9%, 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, thus the inability to offset against taxable profits in other subsidiaries within the Group.

Profit after income tax

Our Group's profit after income tax in 2Q FY2025 remained fairly consistent at US\$4.5 million 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 31 August 2024 and 29 February 2024.

Condensed interim statements of financial position

Non-current assets

Non-current assets comprise exploration and evaluation assets, mining properties, plant and equipment, right-of-use assets and goodwill. The Group's non-current assets increased by US\$8.0 million from US\$72.1 million as at 29 February 2024 to US\$80.1 million as at 31 August 2024.

Exploration and evaluation assets increased by US\$1.2 million to US\$6.2 million as at 31 August 2024, mainly due to the on-going exploration activities undertaken by the Group at the CASB mine of US\$0.2 million and the Sabah exploration areas of US\$0.6 million as at 31 August 2024. The increase was also partially due to the effects of exchange translation differences of US\$0.5 million due to the strengthening of exchange rate movement of RM against USD.

Mining properties increased by US\$2.8 million to US\$44.3 million as at 31 August 2024. The increase is primarily attributable to the:

- mining development expenditure incurred to gain access to mineral deposits and for mine processing purposes at the CASB mine amounting to US\$0.3 million; and
- the effects of exchange translation differences of US\$3.1 million due to the strengthening of exchange rate movement of RM against USD.

However, the increase was partially offset by the amortisation charges of US\$0.6 million.

Plant and equipment increased by US\$4.7 million to US\$25.9 million as at 31 August 2024 from US\$21.2 million as at 29 February 2024. The increase was mainly due to the following:

- construction work-in-progress of processing plants in the Bukit Besi and CASB mine amounting to US\$1.2 million and US\$0.3 million, respectively;
- additions of motor vehicles amounting to US\$2.8 million; and
- effects of exchange translation differences of US\$2.6 million.

The increase was partially offset by the depreciation charges of US\$2.1 million.

Right-of-use assets at the Group level refers to the leases of motor vehicles, machineries, office and hostels premises for use at both the Bukit Besi and CASB mine. Right-of-use assets decreased by US\$1.0 million to US\$0.5 million as at 31 August 2024, which was attributable to modification of lease terms which amounted to US\$0.2 million and depreciation charges amounting to US\$0.9 million.

The intangible asset comprised the goodwill arising from the acquisition of Fortress Mengapur Group. The intangible asset increased by US\$0.3 million to US\$3.1 million as at 31 August 2024 due to the effects of exchange translation differences from the strengthening of exchange rate movement of RM against USD.

Current assets

As at 31 August 2024, the Group's current assets increased by US\$1.8 million to US\$26.9 million compared to US\$25.2 million as at 29 February 2024. The increase was mainly attributable to the following:

- increase in inventories by US\$4.0 million is attributed to an increase in production and consumable inventories, driven by a higher production volume relative to the achieved sales volume;
- increase in other receivables, deposits and prepayments by US\$1.1 million which was mainly attributable to the higher prepayments to suppliers for purchase of plants and equipment of US\$1.0 million in 2Q FY2025;
- increase in current income tax receivables by US\$0.4 million in 2Q FY2025 is attributed to higher tax installments paid to tax authorities compared to the tax provision for the same financial period; and
- increase in cash and bank balances of US\$0.6 million was primarily due to the net cash flow generated from operating activities being higher than the net cash flow used in investing and financing activities in 2Q FY2025.

However, it was partially offset by the:

- decrease in trade receivables by US\$4.0 million due to a lower outstanding trade receivables as at 31 August 2024 which is consistent with the lower sales volume in the final month of 2Q FY2025 as compared to 4Q FY2024; and
- decrease in financial assets at fair value through profit or loss by US\$0.2 million which comprise money-market funds as at 31 August 2024.

Non-current liabilities

As at 31 August 2024, the Group's non-current liabilities increased by US\$1.0 million to US\$9.0 million from US\$8.0 million as at 29 February 2024.

The increase was mainly due to the increase in deferred tax liabilities of US\$0.7 million and the increase in non-current bank borrowings of US\$0.5 million from the drawdown of hire purchase borrowings in 2Q FY2025.

Current liabilities

As at 31 August 2024, the Group's current liabilities decreased by US\$0.9 million from US\$17.0 million as at 29 February 2024 to US\$16.1 million.

The decrease was primarily due to the repayment of bank borrowings and lease liabilities of US\$4.1 million and US\$0.9 million respectively made in 2Q FY2025.

However, it was offset by the drawdown of hire purchase borrowings of US\$2.8 million and the increase in trade and other payables of US\$1.3 million due to lower repayments made in 2Q FY2025.

Working capital

Consequent to the Group's profitability and positive net operating cashflow, the Group continues to record a positive working capital position of US\$10.9 million as at 31 August 2024 as compared to US\$8.2 million as at 29 February 2024.

Condensed interim consolidated statements of cash flows

In 2Q FY2025, the Group's net cash generated from operating activities increased to US\$10.4 million as compared to US\$7.8 million in 2Q FY2024.

The operating cash flow before working capital changes decreased by US\$2.3 million to US\$10.3 million as compared to US\$12.6 million in 2Q FY2024. However, after adjusting for the increased working capital inflows of US\$4.6 million, which was mainly attributable to the higher collection from trade and other receivables of US\$7.6 million and lower repayments made to trade and other payables of US\$1.0 million in 2Q FY2025. This was mitigated by the increased inventory levels of US\$4.0 million.

In 2Q FY2025, the Group's net cash flow used in investing activities decreased by US\$4.9 million to US\$2.5 million as compared to US\$7.4 million in 2Q FY2024. The decrease was primarily attributable to:

- decrease in capital expenditure investments for the mining and exploration activities of the Group in Bukit Besi mine, CASB mine and prospecting areas in Sabah amounting to US\$0.3 million;
- decrease in purchase of financial asset at FVTPL which comprise money market funds of US\$4.7 million in 2Q FY2025; and
- increase in proceeds from disposal of plant and equipment of US\$0.4 million in 2Q FY2025.

The decrease was mitigated by the purchase consideration paid to acquire additional shares in a subsidiary from non-controlling interests of US\$0.6 million.

In 2Q FY2025, the Group's net cash flow used in financing activities was US\$7.7 million as compared to US\$1.9 million in 2Q FY2024. The increase of US\$5.8 million was primarily due to the absence of proceeds from issuance of new ordinary shares as compared to 2Q FY2024. This was partially offset by the decrease in dividends paid by US\$0.7 million as compared to 2Q FY2024.

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 decreased by 1.5% yoy for January to August 2024¹. China, the global leading steel producer, also saw a decline of 3.3% yoy decrease to 691.4 million tonnes over the same period¹.

The combination of reduced domestic production and weakening domestic demand is leading to increased exports from China. China's monthly steel exports are projected to rise to 8.7 million mt in 2024, up from 7.7 million mt in 2023². The increase in exports of semi-finished and finished steel products and high level of inventories continue to be a factor in lower global steel prices and consequently iron ore demand.

Production from India however has increased 6.5% yoy to 98.5 million tonnes for January to August 2024¹, buoyed by domestic demand.

Southeast Asia is projected to experience a 3.7% increase in steel demand, reaching 76.5 million mt in 2024.³ This is supported by strong private consumption and infrastructure and construction projects, tourism recovery and as inflation approaches its targets³. The Malaysian Iron and Steel Industry Federation (MISIF) expects domestic steel consumption in Malaysia to rise between 8.3 million tonnes and 9.0 million tonnes this year, bolstered by investments in data centres, the expansion of the semiconductor industry, and infrastructure projects like the Penang light rail transit⁴.

Malaysia's economy grew 5.9% in Q2 2024, driven by strong domestic demand and export expansion⁵. This exceeds Q1's 4.2% growth and marks the highest rate since early 2023, signaling strong demand for iron ore. The construction sector saw higher activities with growth of 17.3 percent. In line with this, Manufacturing output grew 4.7 percent in second quarter, an improvement from first quarter's 1.9 percent growth⁵.

Overall, the Group continues to see resilient domestic demand compared to global trends and is well supported by its enlarged offtake agreements with domestic steel mills. In the long term, demand for high-grade iron ore will likely persist as countries aim to reduce emissions amidst decarbonisation efforts in the steel industry.

Operational developments

On 27 June 2024, the Group secured two new 12-month offtake agreements with an independent domestic steel mill in Malaysia. These agreements, totalling approximately 552,000 WMT, will run concurrently from 1 July 2024 to 30 June 2025. This is a testament to the consistent demand for the Group's high grade iron ore concentrate, efficient business operations, and strong business relationships with its customers.

¹ The World Steel Association, 24 September 2024: [August 2024 crude steel production - worldsteel.org](https://www.worldsteel.org/en/donors-and-partners/2024/09/24/august-2024-crude-steel-production/)

² Southeast Asia Iron and Steel Institute, 23 September 2024: [Global steel market faces imbalance amid surging Chinese exports, outlook pessimistic: Irepas | SE AISI](https://seaisi.org/2024/09/23/global-steel-market-faces-imbalance-amid-surging-chinese-exports-outlook-pessimistic-irepas-seaisi/)

³ Southeast Asia Iron and Steel Institute, 23 May 2024: [Steel demand in Southeast Asia to grow by 3.7% y/y in 2024 – SE AISI](https://seaisi.org/2024/05/23/steel-demand-in-southeast-asia-to-grow-by-3-7-y/y-in-2024-seaisi/)

⁴ Southeast Asia Iron and Steel Institute, 2 July 2024: [Data centre boom, chip industry expansion expected to boost local steel demand](https://seaisi.org/2024/07/02/data-centre-boom-chip-industry-expansion-expected-to-boost-local-steel-demand/)

⁵ McKinsey & Co, 3 September 2024: [Southeast Asia quarterly economic review: Q2 2024 | McKinsey](https://www.mckinsey.com/industries/steel/our-insights/southeast-asia-quarterly-economic-review-q2-2024)

The Group continued to enhance its production capabilities at its Bukit Besi mine. The recent addition of two new ball mills synergises with the construction of a new crushing plant featuring efficient equipment integrated with advanced technology, strategically positioned to support future scalable operations. The new crushing plant is expected to be commissioned in FY2026. The Group continues to further develop its East, Valley and West deposits at the Bukit Besi mine to expand its mineral resource for cost-efficient growth.

The Group also has completed the development of flowsheet and engineering design of the plant at the Cermat Aman Sdn Bhd (“CASB”) mine. Following this, we will initiate the tendering process for the next phase, which involves the preparation of construction drawings. Ultimately, the Group looks to develop a new integrated processing plant at the CASB mine which will produce copper concentrate, pyrrhotite concentrate and high-grade iron ore concentrates.

The Group continues to make progress on its two prospecting licences granted to its subsidiaries, 65%-owned Saga Mineral Sdn. Bhd. (“SMSB”) and 65%-owned Kencana Primary Sdn. Bhd. (“KPSB”). At SMSB, the Group is currently in Phase 3 “Detailed mapping” to conduct detailed mapping, trenching, pitting and further mineral studies. This allowed the Group to narrow findings and focus on selective areas with indication of copper, iron and gold mineralisation.

At KPSB, the Group is now in its final stages of Phase 1 “Reconnaissance Survey”, showing progress in identifying large laterite zones with nickel potential. After this, it will progress to Phase 2, the “Prospecting” works stage, to narrow down target areas for the upcoming trenching and pitting program in Phase 3 “Detailed mapping”.

The Group continues to seek opportunities to grow its commodities portfolio prudently and in a disciplined manner via acquisitions, joint ventures and/or providing mining contracting services both in Malaysia and in the region, where its strong capabilities provide a competitive edge to tap on the demand.

The Group continues to explore various fund-raising opportunities to enhance its cash balances for operational needs when required. 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 29 February 2024 to 31 August 2024. The Company’s share capital was US\$28,995,034 comprising 523,316,100 shares as at 31 August 2024 and 29 February 2024.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 31 August 2024 and 31 August 2023.

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 31 August 2024	As at 29 February 2024
Total number of issued shares excluding treasury shares	<u>523,316,100</u>	<u>523,316,100</u>

The Company did not have any treasury shares as at 31 August 2024 and 29 February 2024.

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 29 February 2024.

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10. Dividend information

a) Current financial period reported on

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended for the current reporting period.

b) Corresponding period of the immediately preceding financial year

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

No dividend has been declared or recommended for the corresponding reporting period.

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

Not applicable.

d) Date payable

Not applicable.

e) Books closure date

Not applicable.

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

No dividend has been declared or recommended during 2Q FY2025 to enable the Group to conserve cash for its working capital purposes.

12. If the Group has obtained a general mandate from shareholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs. In 2Q FY2025, there were no interested person transactions of S\$100,000 and above.

13. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that undertakings have been procured from the Board of Directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)).

14. 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.

15. 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 re-allocated	Amount utilised	Balance
	S\$'000	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	(800)	(2,192) ⁽¹⁾	2,208
Prospecting expenditures in relation to the two prospecting licenses in Sabah	3,500	800	(3,977) ⁽²⁾	323
Total	8,700	-	(6,169)	2,531

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

(2) utilised for payment for purchase of plant and equipment, licensing fees, operating expenses and employee benefit expenses.

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 and Malaysia.

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.

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

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

During 2Q FY2025, 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	0.39	0.30
Cost of sales	5.25	4.50
Selling and distribution costs	1.91	2.16
Total	7.55	6.96

During 2Q FY2025, the Group's cost of sales was higher than the projected amount by US\$0.75 million due to inflation which affected certain production costs during the current financial period.

In 2Q FY2025, the selling and distribution costs were lower than the projected amount by US\$0.25 million, primarily due to lower royalty and commission expenses which are in line with lower sales volume in 2Q FY2025 as compared to the projected sales volume.

The Group utilised substantially the funds as planned in exploration and evaluation activities in 2Q FY2025 on the on-going exploration activities undertaken by the Group at the CASB mine and the Sabah exploration areas during the quarter under review.

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

Purpose	Amount (US\$ million)
Exploration and evaluation activities	0.30
Cost of sales	4.00
Selling and distribution costs	1.50
Total	5.80

The Group will continue its exploration and evaluation activities at its East, Valley and West Deposits of Bukit Besi Mine, tenements held by Fortress Mengapur Group and prospecting areas in Sabah during the third quarter of FY2025 ("3Q FY2025").

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

- 17. Pursuant to Rule 705(7) - Details of exploration (including geophysical surveys), development and/or production activities undertaken by the issuer and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.**

The Group has continued to carry out exploration and evaluation activities at our East, Valley and West Deposits at Bukit Besi mine, tenements held by Fortress Mengapur Group and prospecting areas in Sabah. These exploration and evaluation activities include ground and air-borne geological survey, sampling, exploration and laboratory assay activities. All of these activities are being undertaken by our in-house team of geologists. Cost incurred for these exploration and evaluation activities are as tabulated in Section 16 above.

- 18. PART III – ADDITIONAL INFORMATION REQUIRED PURSUANT TO CATALIST RULE 706A**

There was no incorporation of new entities, other acquisitions and realisation of shares during 2Q FY2025.

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

Dato' Sri Ivan Chee
Chief Executive Officer
10 October 2024

*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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. 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 Foo Jien Jieng, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.

Confirmation by the Board pursuant to Catalist Rule 705(6)(b)

On behalf of the Board of Directors of the Company, we the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the 3-months and 6-months ended 31 August 2024 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dato' Sri Ivan Chee
Executive Director

Ng Mun Fey
Executive Director

Singapore
10 October 2024