FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Condensed Interim Financial Statements for the First Quarter and Three Months Ended 31 May 2022 ("1Q FY2023")

Background

Fortress Minerals Limited (the "**Company**") and its subsidiary companies (the "**Group**") 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 high grade iron ore concentrates mined from the East, Valley and West Deposits in its Bukit Besi Mine in Malaysia, and sells its iron ore concentrates primarily to steel mills in Malaysia and trading companies in the People's Republic of China.

The Company has 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**"). Following the completion of the acquisition, Fortress Mengapur has become a wholly-owned subsidiary of the Company.

Fortress Mengapur comprises the entire tenements held by its subsidiaries, namely Cermat Aman Sdn Bhd (the "**CASB**") and Star Destiny Sdn Bhd (the "**SDSB**"), which cover approximately 951.68 hectares, save for the free digging oxide magnetite iron materials contained on the topsoil at certain areas of Mining lease no. ML. 8/2011 in respect of the mining land (the "**Third-Party Iron Ore Interests**").

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

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

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

Part I – Condensed Interim Financial Statements for the First Quarter and Three Months ended 31 May 2022

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

		Group		
		Three months ended		
	Note	31 May 2022 US$	31 May 2021 US$	Change %
Revenue	3	14,598,012	17,283,305	(15.5)
Cost of sales		(4,287,925)	(3,378,451)	26.9
Gross profit		10,310,087	13,904,854	(25.9)
Interest income		5,550	3,657	51.8
Other operating income		135,139	153,170	(11.8)
Selling and distribution expenses		(1,651,703)	(1,731,533)	(4.6)
Other operating expenses		(2,130,667)	(2,504,666)	(14.9)
Administrative expenses		(415,674)	(434,452)	(4.3)
Finance costs		(220,423)	(31,955)	589.8
Profit before income tax	4	6,032,309	9,359,075	(35.5)
Income tax expense	5	(1,839,967)	(2,159,480)	(14.8)
Profit for the financial period		4,192,342	7,199,595	(41.8)
Profit/(Loss) attributable to:				
Owners of the Company		4,200,601	7,199,965	(41.7)
Non-controlling interests		(8,259)	(370)	2,132.2
		4,192,342	7,199,595	(41.8)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		(2,300,863)	(743,052)	209.7
Other comprehensive loss for the financial period, net of tax		(2,300,863)	(743,052)	209.7
Total comprehensive income/(loss) for the financial period attributable to:				
Owners of the Company		1,899,564	6,456,911	(70.6)
Non-controlling interests		(8,085)	(368)	2,097.0
		1,891,479	6,456,543	(70.7)
Earnings per share attributable to owners of the Company (cents)				
- Basic and diluted	6	0.84	1.44	(41.7)

nm – not meaningful

Condensed interim statements of financial position

	Note	31 May 2022 US$	28 February 2022 US$	31 May 2022 US$	28 February 2022 US$
ASSETS					
Non-current assets					
Investments in subsidiaries		-	-	43,506,085	43,506,085
Exploration and evaluation assets		5,743,376	3,569,637	-	-
Mining properties	8	40,011,737	41,154,609	-	-
Plant and equipment	9	24,010,186	23,394,351	-	-
Right-of-use assets	10	1,964,430	2,540,359	-	-
Deferred tax assets		408,618	337,581	-	-
Intangible asset		3,267,053	3,267,053	-	-
		75,405,400	74,263,590	43,506,085	43,506,085
Current assets					
Inventories		2,737,934	3,104,477	-	-
Trade receivables		5,664,918	1,317,621	-	-
Other receivables, deposits and prepayments		4,917,802	6,388,783	-	-
Amounts due from subsidiaries		-	-	7,517,035	7,500,000
Current income tax receivables		52,348	49,072	-	-
Cash and bank balances	11	5,944,302	6,911,225	2,228,106	2,609,992
		19,317,304	17,771,178	9,745,141	10,109,992
Total assets		94,722,704	92,034,768	53,251,226	53,616,077
EQUITY AND LIABILITIES					
Equity					
Share capital	12	22,463,273	22,463,273	22,463,273	22,463,273
Other reserves		(6,493,576)	(4,192,539)	-	-
Retained earnings		42,735,098	38,534,497	14,046,663	13,251,741
		58,704,795	56,805,231	36,509,936	35,715,014
Non-controlling interests		(28,589)	(20,504)	-	-
Total equity		58,676,206	56,784,727	36,509,936	35,715,014
Non-current liabilities					
Bank borrowings	15	13,918,151	15,757,516	10,895,948	12,132,942
Lease liabilities	15	340,638	568,963	-	-
Deferred tax liabilities		3,421,376	3,484,378	-	-
Other payables		393,471	393,471	393,471	393,471
		18,073,636	20,204,328	11,289,419	12,526,413
Current liabilities					
Banks borrowings	15	6,597,464	6,356,953	4,947,974	4,947,974
Lease liabilities	15	1,591,386	1,918,110	-	-
Trade payables		1,652,059	985,838	-	-
Other payables and accruals		6,600,974	4,986,980	481,020	394,836
Amounts due to subsidiaries		-	-	22,833	31,806
Current income tax payables		1,530,979	797,832	44	34
		17,972,862	15,045,713	5,451,871	5,374,650
Total liabilities		36,046,498	35,250,041	16,741,290	17,901,063
Total equity and liabilities		94,722,704	92,034,768	53,251,226	53,616,077

Condensed interim statements of changes in equity

Group	Note	Share capital US$	Capital reserve US$	Foreign currency translation reserve US$	Merger reserve US$	Retained earnings US$	Equity attributable to owners of the Company US$	Non-controlling interests US$	Total equity US$
		|-------- Attributable to owners of the Company					--------|		
Balance at 1 March 2022		**22,463,273**	**383,615**	**(1,010,178)**	**(3,565,976)**	**38,534,497**	**56,805,231**	**(20,504)**	**56,784,727**
Profit/(loss) for the financial period		-	-	-	-	4,200,601	4,200,601	(8,259)	4,192,342
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	(2,301,037)	-	-	(2,301,037)	174	(2,300,863)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(2,301,037)	-	-	(2,301,037)	174	(2,300,863)
Total comprehensive (loss)/income for the financial period		-	-	(2,301,037)	-	4,200,601	1,899,564	(8,085)	1,891,479
Balance at 31 May 2022		**22,463,273**	**383,615**	**(3,311,215)**	**(3,565,976)**	**42,735,098**	**58,704,795**	**(28,589)**	**58,676,206**

Condensed interim statements of changes in equity (continued)

Group	**Note**	**Share capital US$**	**Capital reserve US$**	**Foreign currency translation reserve US$**	**Merger reserve US$**	**Retained earnings US$**	**Equity attributable to owners of the Company US$**	**Non-controlling interests US$**	**Total equity US$**
Balance at 1 March 2021		**22,463,273**	**383,615**	**729,404**	**(3,565,976)**	**28,407,131**	**48,417,447**	**(8,905)**	**48,408,542**
Profit/(loss) for the financial period		-	-	-	-	7,199,965	7,199,965	(370)	7,199,595
Other comprehensive income									
Exchange differences on translating foreign operations		-	-	(743,054)	-	-	(743,054)	2	(743,052)
Other comprehensive (loss)/income for the financial period, net of tax		-	-	(743,054)	-	-	(743,054)	2	(743,052)
Total comprehensive (loss)/income for the financial period		-	-	(743,054)	-	7,199,965	6,456,911	(368)	6,456,543
Transactions with owners									
Issuance of shares to non-controlling interests by a subsidiary		-	-	-	-	-	-	5	5
FY2021 Interim dividend paid	13	-	-	-	-	(3,765,044)	(3,765,044)	-	(3,765,044)
Total transactions with owners		-	-	-	-	(3,765,044)	(3,765,044)	5	(3,765,039)
Balance at 31 May 2021		**22,463,273**	**383,615**	**(13,650)**	**(3,565,976)**	**31,842,052**	**51,109,314**	**(9,268)**	**51,100,046**

Condensed interim statements of changes in equity (continued)

Company	**Notes**	**Share capital US$**	**Retained earnings US$**	**Total equity US$**
Balance at 1 March 2022		**22,463,273**	**13,251,741**	**35,715,014**
Profit for the financial period representing total comprehensive income for the financial period		-	794,922	794,922
Balance at 31 May 2022		**22,463,273**	**14,046,663**	**36,509,936**

Company	**Notes**	**Share capital US$**	**Retained earnings US$**	**Total equity US$**
Balance at 1 March 2021		**22,463,273**	**5,945,417**	**28,408,690**
Loss for the financial period representing total comprehensive loss for the financial period		-	(506,843)	(506,843)
Distribution to owners				
Dividend paid	13	-	(3,765,044)	(3,765,044)
Total transaction with owners		-	(3,765,044)	(3,765,044)
Balance at 31 May 2021		**22,463,273**	**1,673,530**	**24,136,803**

Condensed interim consolidated statements of cash flows

	Note	Group Three months ended 31 May 2022 US$	31 May 2021 US$
Operating activities			
Profit before income tax		6,032,309	9,359,075
Adjustments for:			
Amortisation of mining properties		78,733	137,016
Depreciation of plant and equipment		385,387	703,222
Depreciation of right-of-use assets		185,382	91,254
Interest expenses		220,423	31,955
Interest income		(5,550)	(3,657)
Gain on disposal of plant and equipment		-	(56,336)
Gain on modification of lease contracts		(1,134)	(2,051)
Unrealised foreign exchange (gain)/ loss		(84,173)	38,620
Operating cash flow before working capital changes		6,811,377	10,299,098
Working capital changes:			
Inventories		890,729	298,315
Trade and other receivables		(3,188,786)	1,238,464
Trade and other payables		2,506,277	(1,220,282)
Cash generated from operations		7,019,597	10,615,595
Income tax paid		(1,162,116)	(1,319,708)
Net cash flow generated from operating activities		5,857,481	9,295,887
Investing activities			
Acquisition of a subsidiary		-	(21,000,000)
Additions of exploration and evaluation assets		(2,316,505)	(106,166)
Additions of mining properties		(208,859)	-
Additions of plant and equipment		(2,238,477)	(121,282)
Proceeds from disposal of plant and equipment		-	73,049
Interest received		5,550	3,657
Net cash flow used in investing activities		(4,758,291)	(21,150,742)
Financing activities			
Interest paid		(220,423)	(31,955)
Increase in short-term deposit pledged		(256)	-
Proceeds from bank borrowings		-	21,000,000
Repayments of bank borrowings		(1,431,994)	(198,755)
Repayments of lease liabilities		(484,803)	(138,325)
Proceed from issuance of new ordinary shares to non-controlling interests by a subsidiary		-	5
Dividends paid		-	(3,765,044)
Net cash flow (used in)/generated from financing activities		(2,137,476)	16,865,926
Net change in cash and cash equivalents		(1,038,286)	5,011,071
Effects of exchange rate changes on cash and cash equivalents		71,107	16,591
Cash and cash equivalents at beginning of financial period		4,910,429	7,800,262
Cash and cash equivalents at end of financial period	11	3,943,250	12,827,924

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 ended 31 May 2022 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 period ended 31 May 2022 have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore ("ASC"). The condensed interim financial statements do not include all the information and disclosures required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 28 February 2022.

The condensed interim financial statements of the Group have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The condensed interim financial statements have been prepared on a going concern basis, since the directors have verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period.

The condensed interim financial statements are presented in United States dollar ("US$"), which is the Group's functional currency.

2.1 New and amended standards adopted by the Group

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards ("SFRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 March 2022. The adoptions of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group for the current financial period reported on.

2. Basis of preparation (continued)

2.2 Use of judgements and estimates

The preparation of the Group's condensed interim financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 28 February 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- *Impairment of exploration and evaluation assets, plant and equipment, mining properties and right-of-use assets*

  The Group assesses these assets at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is determined as the higher of fair value less costs to sell and value in use. In determining if there are indicators of impairment of these assets, judgement is used to consider if there are external and internal sources of information that indicates these assets may be impaired. The Group has determined that there are no indications of impairment on exploration and evaluation assets, plant and equipment, mining properties and right-of-use assets, taking into consideration the remaining estimated mining resource, production costs, iron ore prices and continuation of the production activities.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below:

- *Amortisation of mining properties*

  Mining properties are amortised on a unit of production basis over the economically recoverable resources of the mine concerned except for the mining rights which is amortised over the term of permit. Management have engaged external expert to review and revise the estimates of the recoverable resources of the mines and remaining useful life and residual values of mining properties at the end of each reporting date. Any changes in estimates of the recoverable resource of the mine and, the useful life and residual values of the mining properties would impact the amortisation charges and consequently affect the Group's financial performance.

- *Impairment of goodwill*

  Management determines whether goodwill is impaired at least on an annual basis and whenever there is an indication that they are impaired. The process of evaluating potential impairment of goodwill requires significant judgements and assumptions. Management estimates the recoverable amount of the cash-generating-unit ("CGU") to which the goodwill has been allocated. Recoverable amount of the CGU is determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to discount rate used for the discounted cash flow model as well as the expected future cash inflows used for extrapolation purposes. Any excess of the carrying values over the discounted future cash flows are recognised as impairment loss in profit or loss.

3. Segment and revenue information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"). Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The Group has one (1) reportable segment being iron ore. The Group's reportable segment is as follows:

(i) Iron ore – exploration, mining, drilling and blasting works, production and sales of iron ore; and

(ii) Others – Group's remaining minor trading, investment holding activities and provision of support services across the Group, which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

3.1 Reportable segments

1 March 2022 to 31 May 2022	Iron ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	14,598,012	-	14,598,012
Results:			
Interest income	5,294	256	5,550
Amortisation of mining properties	(78,733)	-	(78,733)
Depreciation of right-of-use assets	(185,382)	-	(185,382)
Depreciation of plant and equipment	(385,387)	-	(385,387)
Interest expense	(220,423)	-	(220,423)
Segment profit/(loss)	6,194,924	(162,615)	6,032,309
Assets:			
Additions to non-current assets	5,012,428	-	5,012,428
Segment assets	94,495,650	227,054	94,722,704
Segment liabilities	(35,171,963)	(874,535)	(36,046,498)

1 March 2021 to 31 May 2021	Iron ore US$	Others US$	Group US$
Revenue			
External customers, representing total revenue	17,283,305	-	17,283,305
Results:			
Interest income	3,657	-	3,657
Gain on disposal of plant and equipment	56,336	-	56,336
Amortisation of mining properties	(137,016)	-	(137,016)
Depreciation of right-of-use assets	(91,254)	-	(91,254)
Depreciation of plant and equipment	(703,222)	-	(703,222)
Interest expense	(31,955)	-	(31,955)
Segment profit/(loss)	9,865,918	(506,843)	9,359,075
Assets:			
Additions to non-current assets	17,700,363	-	17,700,363
Segment assets	83,669,744	943,305	84,613,049
Segment liabilities	(31,570,492)	(1,942,511)	(33,513,003)

3.2 Disaggregation of revenue

Group	Three months ended	
	31 May 2022 US$	31 May 2021 US$
Geographical information:		
Malaysia	13,015,589	15,422,896
People's Republic of China	1,582,423	1,860,409
	14,598,012	17,283,305
Timing of revenue recognition:		
At a point in time	14,598,012	17,283,305

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	
	31 May 2022 US$	31 May 2021 US$
Income		
Gain on disposal of plant and equipment	-	56,336
Expenses		
Amortisation of mining properties	78,733	137,016
Depreciation charge of:		
- plant and equipment	385,387	703,222
- right-of-use assets	185,382	91,254
Foreign exchange loss, net	151,092	177,791
Interest expenses on:		
- borrowings	201,868	29,078
- lease liabilities	18,555	2,877
Commission expense	256,577	247,009
Handling and transportation	336,351	302,902
Ocean freight	679,042	647,857
Royalty expense	312,741	476,913
Upkeep of machinery	391,447	464,035
Upkeep of motor vehicles	176,956	282,195

4. Profit before income tax (continued)

4.2 Related party transactions

Material transactions with related parties are as follows:

Group	**Three months ended 31 May 2022 US$**	**Three months ended 31 May 2021 US$**
Transactions with shareholder cum director		
Lease payments to:		
-Webcon Sdn Bhd	-	2,879
-Webcon Venture Sdn Bhd	9,805	3,398

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 31 May 2022 US$**	**Three months ended 31 May 2021 US$**
Directors' fees	109,989	108,406
Salaries and other emoluments	666,946	841,688
Contributions to defined contribution plans	36,291	17,635
Social security contributions	108	123
	813,334	967,852

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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**	
	31 May 2022 US$	**31 May 2021 US$**
Current income tax expense	1,938,094	2,327,167
Deferred tax relating to reversal of temporary differences	(98,127)	(167,687)
Income tax expense recognised in profit or loss	1,839,967	2,159,480

6. Earnings per ordinary share ("EPS")

Group	**Three months ended**	
	31 May 2022 US$	**31 May 2021 US$**
Net profit attributable to owners of the Company (US$)	4,200,601	7,199,965
Weighted average number of ordinary shares	500,000,000	500,000,000
Basic and diluted EPS (US cents)	0.84	1.44

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.

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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 May 2022 and 28 February 2022:

	Group		Company	
	31 May 2022	28 February 2022	31 May 2022	28 February 2022
	US$	US$	US$	US$
Financial assets carried at amortised cost				
Trade receivables	5,664,918	1,317,621	-	-
Other receivables and deposits (excluding prepayments)	2,356,992	2,606,628	-	-
Amounts due from subsidiaries	-	-	7,517,035	-
Cash and bank balances	5,944,302	6,911,225	2,228,106	2,609,992
Total financial assets	13,966,212	10,835,474	9,745,141	2,609,992
Presented as				
Current assets	13,966,212	10,835,474	9,745,141	2,609,992

	Group		Company	
	31 May 2022	28 February 2022	31 May 2022	28 February 2022
	US$	US$	US$	US$
Financial liabilities carried at amortised cost				
Banks borrowings	20,515,615	22,114,469	15,843,922	17,080,916
Lease liabilities	1,932,024	2,487,073	-	-
Trade payables	1,652,059	985,838	-	-
Other payables and accruals	6,367,596	4,753,602	247,642	161,458
Amounts due to subsidiaries	-	-	22,833	31,806
	30,467,294	30,340,982	16,114,397	17,274,180
Financial liability carried at fair value				
Contingent consideration *	626,849	626,849	626,849	626,849
Total financial liabilities	31,094,143	30,967,831	16,741,246	17,901,029
Presented as				
Current liabilities	16,441,883	14,247,881	5,451,827	5,374,616
Non-current liabilities	14,652,260	16,719,950	11,289,419	12,526,413

7. Financial assets and financial liabilities (continued)

* As part of the acquisition of the entire issued and paid-up share capital in MMSB from Monument Mining Limited (the "Vendor"), the Company had also on the same date entered into a royalty agreement with the Vendor for the payment of royalties by the Company at the rate of 1.25% of gross revenue on all mineral products produced in forms ready for sale from the area within the boundaries of the entire tenements held by the subsidiaries namely CASB and SDSB, save for free digging oxide magnetite iron materials contained on the top soil at certain areas of the tenement held by CASB in accordance with the terms thereof. This portion of the consideration was determined to be contingent, as it is based on the performance of the subsidiaries acquired.

As at 31 May 2022, the condition of the acquired subsidiaries showed that it is highly probable that the performance indicator would be achieved due to continuous development of mining activities. Hence, the fair value of the contingent consideration determined at 31 May 2022 reflected this development.

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

Fair value hierarchy

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

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

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

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

The following presented the financial liability measured at fair value.

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

8. Mining properties

During the three months ended 31 May 2022, the Group incurred additions of mining properties expenditures amounting to US$0.2 million (31 May 2021: Nil).

9. Plant and equipment

Acquisitions and disposals

During the three months ended 31 May 2022, the Group acquired plant and equipment with cost of US$2.2 million (31 May 2021: US$0.1 million), excluding capitalisation of depreciation charge of right-of use assets and motor vehicles of US$213,170 (31 May 2021: Nil).

In the previous three months ended 31 May 2021, plant and equipment with net book value of US$16,713 were disposed by the Group, resulting in a net gain on disposal of US$56,336.

10. Right-of-use assets

The Group leases office space, hostels, storage space and motor vehicles in Malaysia with only fixed payment over the lease terms. There was no addition of right-of-use assets during the three months ended 31 May 2022 and 31 May 2021.

The Group renegotiated and modified existing lease contracts for a few motor vehicles during the three months ended 31 May 2022 which were accounted for as a lease modification with increase to the right-of-use assets and lease liabilities of US$2,258 (31 May 2021: US$26,701) and US$1,124 (31 May 2021: US$28,752) respectively, resulting in gain on modification of lease contracts of US$1,134 (31 May 2021: US$2,051).

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11. Cash and bank balances

	Group		Company	
	31 May 2022 US$	28 February 2022 US$	31 May 2022 US$	28 February 2022 US$
Cash at banks	2,747,073	4,845,853	227,054	609,196
Cash on hand	47,797	60,636	-	-
Short term deposits	3,149,432	2,004,736	2,001,052	2,000,796
	5,944,302	6,911,225	2,228,106	2,609,992

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

	Group	
	31 May 2022 US$	28 February 2022 US$
Cash and bank balances as above	5,944,302	6,911,225
Less: Short term deposit pledged	(2,001,052)	(2,000,796)
Cash and cash equivalents per consolidated statement of cash flows	3,943,250	4,910,429

12. Share capital

	Group and Company			
	As at 31 May 2022		As at 28 February 2022	
	Number of shares	Amount US$	Number of shares	Amount US$
Total number of issued shares excluding treasury shares	500,000,000	22,463,273	500,000,000	22,463,273

The Company did not have any treasury shares as at 31 May 2022. There were no subsidiary holdings during and as at the end of the current financial period reported on.

13. Dividends

	Group and Company	
	31 May 2022 US$	28 February 2022 US$
Ordinary dividends paid:		
In respect of financial year ended 28 February 2021		
- interim one-tier tax exempt dividend of 1.00 Singapore cents (equivalent to 0.75 US cents) per ordinary share	-	3,765,044
	-	3,765,044

14. Net Asset Value

	Group		Company	
	31 May 2022	28 February 2022	31 May 2022	28 February 2022
Net asset value (“NAV”) (US$)	58,704,795	56,805,231	36,509,936	35,715,014
Total number of issued shares excluding treasury shares	500,000,000	500,000,000	500,000,000	500,000,000
NAV per Share (US cents)	11.74	11.36	7.30	7.14

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15. Borrowings and lease liabilities

	Group		Company	
	31 May 2022 US$	28 February 2022 US$	31 May 2022 US$	28 February 2022 US$
Repayable within one year or on demand				
Secured				
- Banks borrowings	6,597,464	6,356,953	4,947,974	4,947,974
Unsecured				
- Leases liabilities	1,591,386	1,918,110	-	-
	8,188,850	8,275,063	4,947,974	4,947,974
Repayable after one year				
Secured				
- Banks borrowings	13,918,151	15,757,516	10,895,948	12,132,942
Unsecured				
- Leases liabilities	340,638	568,963	-	-
	14,258,789	16,326,479	10,895,948	12,132,942

The Group's secured borrowings as at 31 May 2022 comprised:

(i) banks borrowings which were used to finance the purchase of certain plant and equipment and are secured over certain of the Group's motor vehicles and machinery with carrying amounts amounted to US$3.2 million (28 February 2022: US$3.5 million); and

(ii) bank borrowings which were used to finance part of the acquisition of Fortress Mengapur are secured via a 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 May 2022 US$	28 February 2022 US$
Capital expenditures contracted but not provided for		
- Plant and equipment	214,124	186,886

17. Subsequent events

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

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

1. Review

The condensed interim statements of financial position of Fortress Minerals Limited and its subsidiaries as at 31 May 2022 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 three months ended and the selected explanatory notes (the "Condensed Interim financial Statements") have not been audited or reviewed by the Company's auditors.

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

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

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

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

<u>Revenue</u>

Below is a summary of the iron ore sales performance of the Group for the financial period ended 31 May 2022 ("**1Q FY2023**") and the comparative financial period ended 31 May 2021 ("**1Q FY2022**").

	1Q FY2023	1Q FY2022	Increase/ (Decrease) (%)
Sold (**DMT***)	121,425	120,665	0.6
Revenue realised [(1)] **(US$)**	14,546,695	17,255,095	(15.7)
Average realised selling price **(US$/DMT)**	119.80	143.00	(16.2)

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

The Group achieved lower revenue of US$14.5 million in 1Q FY2023, a reduction from 1Q FY2022 by 15.7% or US$2.7 million, resulting from a decrease in average realised selling price.

Sales volume increased by 0.6% or 760DMT in 1Q FY2023 with 121,425DMT of iron ore product sold, reflecting resilient demand from regional markets and higher production volume achieved.

The overall decrease in revenue resulted from a lower average realised selling price of US$119.80/DMT recorded in 1Q FY2023, a decrease of 16.2% or US$23.20/DMT 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.

Cost of sales

	1Q FY2023	1Q FY2022	Increase/ (Decrease) (%)
Sold **(WMT*)**	133,662	132,251	1.1
Cost of sales **(US$)**	4,287,925	3,378,451	26.9
Average unit cost of sales **(US$/WMT)**	32.08	25.55	25.6

* WMT denotes Wet Metric Tonnes

The Group's average unit cost of sales increased by 25.6% or US$6.53/WMT to US$32.08/WMT in 1Q FY2023, which was driven by higher inflation of production costs in 1Q FY2023 as a result from rising diesel prices and increase in depreciation charges for plant and equipment and right-of-use assets.

Gross profit and gross profit margin

Gross profit for 1Q FY2023 of US$10.3 million was 25.9% or US$3.6 million lower than 1Q FY2022, with a gross profit margin of 70.6% recorded, which is primarily reflective of lower average realised selling price, coupled with higher unit cost driven by rising production costs in 1Q FY2023.

Other operating income

The Group's other operating income decreased by US$16,138 to US$0.1 million in 1Q FY2023. The slight decrease was mainly due to the absence of one-off gain on disposal of plant and equipment in 1Q FY2023 as compared to 1Q FY2022.

Selling and distribution expenses

Selling and distribution expenses decreased by US$79,830 to US$1.6 million in 1Q FY2023, primarily due to the decrease of royalty expenses as a result of the reversal of royalty expenses in 1Q FY2023 due to the over-provision in the previous financial year ended 28 February 2022.

Other operating expenses

The Group's other operating expenses comprise mainly of employee benefits expenses and plants maintenance expenses. Other operating expenses decreased by US$0.4 million to US$2.1 million in 1Q FY2023 primarily due to:

- decrease in payroll expenses by US$0.2 million due to lower provision of bonus in 1Q FY2023; and

- decrease in plants maintenance expenses of US$0.2 million in 1Q FY2023.

Administrative expenses

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

Administrative expenses remained flat at US$0.4 million in 1Q FY2023. There was no significant movement as compared to 1Q FY2022.

Finance costs

Finance costs comprised interest expenses on banks borrowings and lease liabilities. The increase was mainly attributable to:

- interest expense paid of US$0.1 million for a bank borrowing granted to the Group to finance part of the acquisition of Fortress Mengapur; and

- interest expenses for lease liabilities and bank borrowings amounting to an aggregate of US$0.1 million for additional lease contracts on motor vehicles and purchase of additional truck fleets.

Income tax expense

Income tax expense decreased by US$0.3 million to US$1.8 million in 1Q FY2023. The decrease was in line with lower profit before tax generated in 1Q FY2023.

The Group's effective tax rate in 1Q FY2023 was 30.5% which is higher than the Group's applicable tax rate of 24% mainly due to non-deductibility of certain expenses and losses in certain subsidiaries that are not available to offset against taxable profits in other subsidiaries within the Group.

Profit after income tax

In 1Q FY2023, the Group's profit after income tax decreased by US$3.0 million or 41.8% to US$4.2 million from US$7.2 million in 1Q FY2022 as a result of the aforementioned reasons.

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b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The comparative performance of the assets and liabilities listed below is based on the financial statements as at 31 May 2022 and 28 February 2022.

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

<u>Non-current assets</u>

Non-current assets comprise exploration and evaluation assets, mining properties, plant and equipment, right-of-use assets and goodwill. The Group's non-current assets increased by US$1.1 million from US$74.3 million as at 28 February 2022 to US$75.4 million as at 31 May 2022.

Exploration and evaluation assets increased by US$2.2 million to US$5.7 million as at 31 May 2022, mainly attributable to the payment of relevant tenement fees imposed under the mining leases approvals for SDSB at Bukit Mengapur of US$2.2 million and on-going exploration activities undertaken by the Group at Bukit Besi of US$0.1 million in 1Q FY2023 which however, was mitigated by the effect of exchange translation differences.

Mining properties decreased by US$1.1 million to US$40.0 million as at 31 May 2022. The decrease is primarily attributable to:

- amortisation charges of US$0.2 million; and

- the effects of exchange translation differences of US$1.1 million due to the weakening of exchange rate movement of RM against USD.

The decrease was partially cushioned by the mining development expenditure incurred to gain access to mineral deposits and for mine processing purposes at the CASB mine amounting to US$0.2 million.

Plant and equipment increased by US$0.6 million (net of the effect of exchange translation differences of US$1.0 million and of depreciation charges of US$0.9 million) to US$24.0 million as at 31 May 2022 from US$23.4 million as at 28 February 2022. The increase was primarily due to:

- construction work-in-progress of processing plants in the CASB mine amounting to US$2.2 million; and

- additions of fleet truck and machineries acquired amounting to US$0.2 million and US$0.1 million respectively.

Right-of-use assets at the Group level refers to the leases of motor vehicles, machineries, office and hostels premises for the use at both the Bukit Besi and CASB mine. Right-of-use assets decreased by US$0.6 million to US$2.0 million as at 31 May 2022, which was attributable to an increase in depreciation charges amounting to US$0.5 million and effects of exchange translation differences of US$0.1 million.

Deferred tax assets increased by US$0.1 million to US$0.4 million as at 31 May 2022 from US$0.3 million as at 28 February 2022. The increase was due to the increase in provision of key management personnel's performance incentive for FY2023.

The goodwill arising from the acquisition of Fortress Mengapur amounting to US$3.3 million remain unchanged as at 31 May 2022.

Current assets

As at 31 May 2022, the Group's current assets remained solid and stood at US$19.3 million compared to US$17.8 million as at 28 February 2022. The increase was mainly attributable to the increase in trade receivables by US$4.3 million contributed by the billing for sales towards the end of 1Q FY2023 which was offset by:

- decrease in other receivables, deposits and prepayments by US$1.5 million which was mainly attributable to the decrease in prepayments to suppliers for purchase of plant and equipment of US$1.2 million;

- a decrease in cash and bank balances by US$1.0 million which was primarily due to payment of relevant tenement fees imposed under the mining leases approvals in SDSB, purchase of plant and equipment in CASB and repayments of borrowings and payables; and

- a decrease in inventories by US$0.4 million driven by an increase in inventory traffic on production and consumable inventories as a result of higher sales volume achieved coupled with resumption of operational efficiency.

Non-current liabilities

As at 31 May 2022, the Group's non-current liabilities decreased by US$2.1 million to US$18.1 million from US$20.2 million as at 28 February 2022.

The decrease was mainly due to the:

(i) decrease in non-current bank borrowings as a result of the reclassification of non-current bank borrowings of US$1.8 million to current liabilities based on its maturity profile;

(ii) decrease in non-current lease liabilities as a result of the reclassification of non-current lease liabilities of US$0.2 million to current liabilities based on its maturity profile; and

(iii) decrease in deferred tax liabilities of US$0.1 million which was due to realisation of tax credits against profit generated for the current financial period.

Current liabilities

As at 31 May 2022, the Group's current liabilities increased by US$3.0 million from US$15.0 million as at 28 February 2022 to US$18.0 million.

The increase was primarily due to the:

(i) reclassification from non-current bank borrowings and lease liabilities of US$1.8 million and US$0.2 million respectively;

(ii) increase in trade payables of US$0.7 million for purchase of consumables;

(iii) increase in other payables of US$1.6 million mainly due to accruals for staff costs and expenses such as royalty, transport charges and utilities for 1Q FY2023; and

(iv) increase in current income tax payables of US$0.7 million due to provision for income tax of US$1.9 million and offset with payment of tax instalments of US$1.1 million paid to tax authorities in 1Q FY2023.

The increase was offset by the repayment of bank borrowings and lease liabilities of US$1.5 million and US$0.5 million made in 1Q FY2023.

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$1.3 million as at 31 May 2022 as compared to US$2.7 million as at 28 February 2022.

Condensed interim consolidated statements of cash flows

In 1Q FY2023, the Group's net cash generated from operating activities decreased to US$5.9 million as compared to the US$9.3 million in 1Q FY2022.

The decrease in operating cash flow of US$3.4 million, after adjusted for working capital outflows of US$0.1 million was mainly attributable to the lower collection from trade receivables which is in line with the lower average realised selling price in 1Q FY2022.

In 1Q FY2023, the Group's net cash flow used in investing activities decreased by US$16.4 million to US$4.8 million as compared to the net cash flow used of US$21.2 million in 1Q FY2022. The decrease was primarily attributable to:

- decrease of residual consideration of US$21.0 million paid to the vendor of Fortress Mengapur upon the completion of the acquisition of the entire issued and paid-up share capital of Fortress Mengapur; and

- partially cushioned by the increase in payments made for the additions of exploration and evaluation assets and plant and equipment of US$2.3 million and US$2.2 million respectively.

In 1Q FY2023, the Group's net cash flow used in financing activities was US$2.2 million as compared to the net cash flow generated from financing activities of US$16.9 million in 1Q FY2022. The decrease of US$19.1 million was primarily due to:

- decrease in proceeds received from bank borrowings of US$21.0 million to finance part of the acquisition of Fortress Mengapur;

- increase in interest expenses paid of US$0.2 million in tandem with increase in banks borrowings and lease liabilities; and

- increase in repayments of US$1.6 million for bank borrowings and lease liabilities in 1Q FY2023.

The decrease was mitigated by the decrease in dividends paid of US$3.8 million as compared to 1Q FY2022.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There was no forecast or prospect statement previously disclosed to shareholders.

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4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Market Outlook

Global crude steel production declined 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]

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.

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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

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.

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 28 February 2022 up to 31 May 2022. The Company's share capital was US$22,463,273 comprising 500,000,000 shares as at 31 May 2022 and 28 February 2022.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 31 May 2022 and 31 May 2021.

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 May 2022	**As at 28 February 2022**
Total number of issued shares excluding treasury shares	500,000,000	500,000,000

The Company did not have any treasury shares as at 31 May 2022 and 28 February 2022.

7. A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

8. A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

9. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Section 2.1 of Part I above, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the audited consolidated financial statements for the financial year ended 28 February 2022.

10. Dividend information

a) Current financial period reported on

Any dividend declared for the current financial period reported on?

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 1Q FY2023 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 1Q FY2023, 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. Use of funds/cash by mineral, oil and gas companies pursuant to Rule 705(6)

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

During 1Q FY2023, funds/cash was mainly used for the following production activities, as compared to the projections: -

Purpose	Amount (US$ million)	
	Actual	Projected
Exploration and evaluation activities	2.32	2.45
Cost of sales	4.29	4.79
Selling and distribution costs	1.65	1.85
Total	**8.26**	**9.09**

During 1Q FY2023, the Group's cost of sales was lower than the projected amount by US$0.5 million which was driven by cost efficiency arising from unplanned higher production volume achieved in 1Q FY2023.

In 1Q FY2023, the selling and distribution costs were lower than the projected amount by US$0.2 million, primarily due to the decrease of royalty expenses as a result of the reversal of royalty expenses in 1Q FY2023 due to the over-provision in the previous financial year ended 28 February 2022.

The Group utilised less than planned funds in exploration and evaluation activities in 1Q FY2023 as a result the Group prioritising on its production to meet on-going and continuous sales orders received 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	0.21
Cost of sales	3.24
Selling and distribution costs	1.28
Total	**4.73**

The Group will continue its exploration and evaluation activities at its East, Valley and West Deposits of Bukit Besi Mine as well as tenements held by Fortress Mengapur during the second quarter of FY2023 ("**2Q FY2023**").

The Group expects to incur lower exploration and evaluation costs in 2Q FY2023 as the relevant tenement fees imposed under the mining leases approvals of US$2.2 million for SDSB at Bukit Mengapur had been incurred in 1Q FY2023.

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

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

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

16. 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 as well as tenements held by Fortress Mengapur. 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 14 above.

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

Not applicable. There was no incorporation of new entities, acquisitions and realisation of shares during 1Q FY2023.

BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED

Dato' Sri Ivan Chee
Chief Executive Officer
6 July 2022

*This announcement has been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited ("the **Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.*

The contact person for the Sponsor is Ms Jennifer Tan, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.

Confirmation by the Board

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 period ended 31 May 2022 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
6 July 2022