

PRESS RELEASE

Fortress Minerals reports resilient results; EBITDA up 2.8% to US\$8.3 million for 2Q FY2024

- Revenue increased by 11.6% year-on-year (“yoy”) to US\$17.3 million for 2Q FY2024, mainly attributable to the 16.5% increase in volume sold.
- Gross profit margin remained healthy at 66.1% for 2Q FY2024 despite the impact of higher average unit cost of sales due to inflationary pressures.
- Net cash flow generated from operations for 2Q FY2024 stood at US\$7.3 million and strong EBITDA margins of 48.0%.
- The Group continues to focus on enhancing production capabilities at the CASB mine to meet the strong demand for high-grade iron ore; longer-term strategic growth plans are underway as the Group expand and diversify its revenue streams.

SINGAPORE, 12 October 2023 – **Fortress Minerals Limited** (the “Company” or “Fortress Minerals”) and its subsidiaries (collectively the “Group”), a high-grade iron ore concentrate producer and exporter from Malaysia, today announced the financial results for the three-months and six-months ended 31 August 2023 (“2Q FY2024 and 1H FY2024”).

Financial Highlights

	2Q FY2024	2Q FY2023	Change %	1H FY2024	1H FY2023	Change %	Full year FY2023
Sales volume (DMT*)	186,587	160,185	16.5	312,911	281,610	11.1	546,076
Average realised selling price (US\$/DMT)	92.42	97.05	(4.8)	97.47	106.85	(8.8)	98.04
Average unit cost (US\$/WMT#)	28.53	24.91	14.5	31.47	28.01	12.4	26.38
<i>(US\$ '000)</i>							
Revenue	17,320	15,518	11.6	30,572	30,116	1.5	53,547
Gross profit	11,450	11,151	2.7	19,732	21,461	(8.1)	37,752
Gross profit margin	66.1%	71.9%	(5.8)	64.5%	71.3%	(6.8)	70.5%
Interest income	44	4	1,035.0	78	9	721.7	33
Other operating income	3	138	(97.6)	73	274	(73.3)	436
Selling & distribution expenses	(2,316)	(1,709)	35.5	(3,710)	(3,360)	10.4	(6,833)
Other operating expenses	(2,628)	(2,523)	4.2	(5,350)	(4,653)	15.0	(9,175)
Administrative expenses	(300)	(509)	(41.1)	(913)	(925)	(1.3)	(1,856)
Finance costs	(264)	(247)	6.8	(535)	(467)	14.4	(1,013)
Net profit after income tax (NPAT)	4,580	4,861	(5.8)	7,084	9,053	(21.8)	12,095
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,310	8,084	2.8	12,459	14,980	(16.8)	23,868

* DMT denotes Dry Metric Tonnes

WMT denotes Wet Metric Tonnes

Operational and Financial Review

Fortress Minerals remains focused on leveraging the sustained demand for its high-grade iron ore products and is actively executing its longer-term strategic growth plans to expand and diversify its revenue streams.

The Group reported a 1.5% yoy increase in revenue to US\$30.6 million for 1H FY2024, driven by higher volumes sold in 2Q FY2024. Sales volume rose 16.5% to 186,587 DMT and 11.1% to 312,911 DMT for 2Q FY2024 and 1H FY2024, respectively. The increase in revenue was partially offset by the lower average realised selling price of US\$97.47/DMT for 1H FY2024 compared to US\$106.85/DMT in 1H FY2023.

Average unit cost of sales rose 12.4% yoy to US\$31.47/WMT for 1H FY2024 mainly attributable to higher inflation of production costs. The cost increases were partially mitigated by a 17.3% yoy increase in volume sold for 2Q FY2024 which yielded cost efficiencies for the Group.

Consequently, the Group reported a strong gross profit margin of 64.5% for 1H FY2024, albeit narrowing from 71.3% for 1H FY2023.

The Group reported a 2.8% increase in EBITDA to US\$8.3 million, while NPAT decreased 5.8% to US\$4.6 million for 2Q FY2024, bringing 1H FY2024 EBITDA and NPAT to US\$12.5 million and US\$7.1 million respectively. Earnings per share stood at 1.36 US cents for 1H FY2024.

Supported by the Group's consistent growth efforts, the Group's net asset value per share was higher at 13.52 US cents as at 31 August 2023 compared to 12.45 US cents as at 28 February 2023. The Group remains committed to disciplined capital management and growing its operations strategically to maximise long-term value for its shareholders.

On 28 June 2023, the Group secured the approval of its Shareholders to diversify beyond its core business to include the mining of manganese, copper, nickel, cobalt, zinc, lead, tin, chromite, tungsten, gold, silver and other minerals (collectively, the "**New Minerals**"), trading in iron ore and the New Minerals mined from its own mining assets and facilities and sourced from third parties, or business partnerships, cooperation, strategic alliances and/or joint venture(s) between the Group and third parties.

Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals, commented, *"There continues to be strong demand for our high-grade iron ore products and we aim to further enhance our production capabilities at CASB mine to meet the demand and make progress on our exploration activities in East Malaysia to expand and diversify our revenue streams. With these developments, we can further create synergies within the business to boost business productivity.*

We remain well-supported by our industry expertise and strong relationships with stakeholders, as well as our strong capital management and cash flows to deliver our growth strategies to provide enhanced value to our shareholders."

Market outlook

Global crude steel production increased 2.2% yoy for January to August 2023¹. China, the world's largest steel-producing country, posted a 2.6% increase for January to August 2023 compared to the corresponding period last year to 712.9 million tonnes.

China is anticipated to experience an upsurge in steel demand in the coming years, driven by the long-term economic growth prospects and forecasts based on the growth patterns and trajectories of key

¹ The World Steel Association, 25 September 2023: [August 2023 crude steel production](#)

industries. However, it is expected that the surge in steel demand over the past decades will reach its peak in the near future in China².

In late July, China's steel-making industry intensified its production controls by requiring some mills to suspend operation of at least one blast furnace until the end of July, cutting about 488,200 tons of hot metal output from blast furnaces. Additionally, only half of Chinese steel mills were operating at a profit at the end of August, compared to around two-thirds in late July³. This move reflects the government's efforts to reduce steel production and carbon emissions⁴.

In India, steel growth in the second-largest global steel producer witnessed a 3.2% yoy increase during the first five months of the year and it anticipates a sustained growth rate of 9% to early double digits until 2025⁵. This growth is expected to be driven by infrastructure projects, planned capital expenditures, and India's inherent natural growth rate of 6 per cent to 7 per cent. Moreover, the imposition of an anti-dumping duty on Chinese steel wheels by New Delhi is expected to boost local manufacturing and reduce prices⁶.

Malaysia's economy is expected to achieve a growth rate of 4% to 5% in 2023⁷ and is targeting an annual growth rate of at least 5% through 2025⁸. This economic growth will be driven by a concerted effort to accelerate the transition to high-value industries and increased investments.

Additionally, the Malaysian government has recently launched The New Industrial Master Plan 2030 ("NIMP 2030") to chart the strategic direction of the country's manufacturing sector for the next seven years. The NIMP 2030 lays out a broad policy framework that will serve as a policy guide for Malaysia's industrial development, with the goal of elevating the manufacturing sector's value to RM587.5 billion by 2030⁹.

The Group's iron ore concentrate continues to experience strong demand from regional steel mills, primarily due to the need for high-grade magnetite iron ore. This demand is further bolstered by ongoing global initiatives to reduce carbon emissions within the iron ore and steel industry.

Operational developments

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 efforts ensure adequate Mineral Resources in the medium to long term to support continued cost-efficient growth. Additionally, the Group is enhancing its production capabilities at the Cermat Aman Sdn Bhd ("CASB") mine by the addition of a new integrated processing plant. This strategic move will enable the Group to produce high-grade iron ore, copper, and pyrrhotite concentrate.

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 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.

² POSCO Research Institute: [Chindia steel industry forecast in 2040](#).

³ Reuters, 15 September 2023: [China's August crude steel output lower, mills' profit margins shrink](#)

⁴ Reuters, 15 August 2023: [China's July crude steel output eases on production curbs](#).

⁵ The Hindu Business Line, 9 August 2023: [State of the Economy. 'India's stainless steel industry set for robust growth'](#)

⁶ Reuters, 12 September 2023: [India's steel mills expect wheel prices to ease after anti-dumping duty on China](#)

⁷ The Straits Times, 1 September 2023: [Malaysia launches new industrial master plan, set to crank up economic reforms after state polls](#)

⁸ Reuters, 11 September 2023: [Malaysia targets at least 5% economic growth annually until 2025](#)

⁹ New Straits Times, 1 September 2023: [PM rolls out New Industrial Master Plan 2030](#)

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.

****End****

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

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

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About Fortress Minerals Limited (SGX: OAJ)

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 its Bukit Besi mine and Cermat Aman Sdn Bhd (the "**CASB**") 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.

On 7 April 2021, the Company completed the acquisition of the entire issued and paid-up capital of Fortress Mengapur Sdn Bhd and its subsidiaries ("**Fortress Mengapur Group**"), which comprises the entire tenements held by its subsidiaries, namely CASB and Star Destiny Sdn Bhd (the "**SDSB**"), which covers approximately 951.68 hectares, save for the free digging oxide magnetite iron materials contained in the topsoil at certain areas of Mining lease no. ML. 8/2011 in respect of the mining land (the "Third-Party Iron Ore Interests"). Following the completion of the acquisition of Fortress Mengapur Group, the Group's total mining and exploration land area is approximately 1,477.88 hectares.

Fortress Mengapur Group's tenements contains iron ore, copper, gold and silver mineral resources. On 28 June 2023, the Company gained the approval of its shareholders for the diversification of the Group's business to include the mining of manganese, copper, nickel, cobalt, zinc, lead, tin, chromite, tungsten, gold, silver and other minerals (the "**New Minerals**") and the trading in iron ore and the New Minerals mined or sourced from third parties.

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

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