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**PRESS RELEASE**

**Fortress Minerals reports 1Q FY2024 results;  
 growth plans underway with shareholders' approval  
 to diversify into new minerals**

- Revenue decreased by 9.2% year-on-year (“yoy”) to US\$13.3 million for 1Q FY2024, mainly attributable to the lower average realised selling price.
- Gross profit margin remained healthy at 62.5% despite the impact of higher average unit cost of sales due to inflationary pressures.
- EBITDA decreased by 39.8% yoy to US\$4.1 million.
- The Group continues to build up production capabilities at the CASB mine to capture robust demand for high-grade iron ore; longer-term strategic growth plans are underway as the Group secures shareholders' approval to extend core business to include the trading and mining of new minerals.

**SINGAPORE, 12 July 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 financial period ended 31 May 2023 (“**1Q FY2024**”).

**Financial Highlights**

	<b>1Q FY2024</b>	<b>1Q FY2023</b>	<b>Change %</b>	<b>FY2023</b>
<b>Sales volume (DMT*)</b>	126,324	121,425	4.0	546,076
<b>Average realised selling price (US\$/DMT)</b>	104.92	119.80	(12.4)	98.04
<b>Average unit cost (US\$/WMT#)</b>	35.83	32.08	11.7	26.38
<i>(US\$'000)</i>				
<b>Revenue</b>	13,252	14,598	(9.2)	53,547
<b>Gross profit</b>	8,282	10,310	(19.7)	37,752
<b>Gross profit margin</b>	62.5%	70.6%	(8.1)	70.5%
<b>Other operating income</b>	70	135	(48.4)	436
<b>Selling &amp; distribution expenses</b>	(1,394)	(1,652)	(15.6)	(6,833)
<b>Other operating expenses</b>	(2,722)	(2,131)	27.7	(9,175)
<b>Administrative expenses</b>	(613)	(416)	47.5	(1,856)
<b>Finance costs</b>	(271)	(220)	22.9	(1,013)
<b>Net profit after income tax (NPAT)</b>	2,503	4,192	(40.3)	12,095
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	4,149	6,897	(39.8)	23,868

\* DMT denotes Dry Metric Tonnes

# WMT denotes Wet Metric Tonnes

## **Operational and Financial Review**

Fortress Minerals continues to capitalise on resilient demand for its high-grade iron ore products and execute its strategic growth plans to expand and diversify its revenue streams.

The Group reported revenue of US\$13.3 million for 1Q FY2024, representing a 9.2% decline year-on-year (“yoy”). This was mainly attributable to a 12.4% yoy decrease in average realised selling price to US\$104.92/DMT. The decrease in revenue was partially offset by a 4.0% increase in sales volume to 126,324 DMT for 1Q FY2024.

Average unit cost of sales rose 11.7% yoy to US\$35.83/WMT for 1Q FY2024 as a result of inflation of production costs. The cost increases were partially mitigated by a 3.8% yoy increase in total production volume for 1Q FY2024 which yielded cost efficiencies for the Group.

Consequently, the Group reported a healthy gross profit margin of 62.5% for 1Q FY2024, albeit narrowing from 70.6% for 1Q FY2023.

The Group reported EBITDA and NPAT of US\$4.1 million and US\$2.5 million respectively for 1Q FY2024. Earnings per share stood at 0.48 US cents for 1Q FY2024.

The Group also completed a placement of 23,316,100 Placement Shares at S\$0.386 per Placement Share, raising S\$9.0 million on 10 April 2023.

Supported by the Group’s growth efforts, the Group’s net asset value per share was higher at 13.30 US cents as at 31 May 2023 compared to 11.74 US cents as at 31 May 2022. 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, *“Supported by a positive long-term industry outlook and resilient demand for our high-grade iron ore products, we remain well-positioned to capitalise on prospective new growth opportunities moving forward.*”

*Following the commencement of exploration activities in East Malaysia to prospect for nickel, copper and cobalt minerals in May 2023, we are pleased to have secured the approval of our Shareholders for the Proposed Diversification of our existing business. This will enable us to expand our revenue streams and broaden our growth prospects for the long-term.*

*By leveraging our extensive industry expertise and strong relationships, we remain cautiously optimistic in executing our next phase of growth as we strive to provide stable, diversified returns and enhanced value for our shareholders.”*

## **Market outlook**

Global crude steel production declined 1.2% yoy for January to May 2023<sup>1</sup>. China, the world’s largest steel-producing country, posted a 1.6% increase for January to May 2023 compared to the corresponding period last year to 444.6 million tonnes.

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<sup>1</sup> The World Steel Association, 21 June 2023 [May 2023 crude steel production](#)

This had been attributable to strong demand from Asia and Africa boosting steel exports, offsetting a months-long slump in the country's huge property sector which pushed steel prices to three-year lows in May<sup>2</sup>. A pick-up in construction of China-backed projects abroad after a three-year hiatus due to the COVID-19 pandemic also contributed to higher exports. While iron ore rebounded strongly in early 2023 after falling more than 50% in the second half of 2022, prices are expected to moderate over the next five years<sup>3</sup>.

India, the second-largest global steel producer is expected to grow its steel consumption by 7.5% during the current fiscal year to March 2024, boosted by rising demand from the domestic construction, railways and capital goods sector<sup>4</sup>. The government aims to reach an annual steel production of 300 million tons by 2030, up from approximately 125 million tons presently<sup>5</sup>.

The Indian Steel Association (ISA) and the ASEAN Iron and Steel Council (AISC) have also signed a memorandum of understanding (MoU) for bilateral cooperation between the Indian and ASEAN steel industries<sup>6</sup>. The MoU is expected to be a positive development for the global steel industry, helping to ensure the industry is able to meet the growing demand for steel in a sustainable way.

Malaysia's economy continues to strengthen, growing 5.6% yoy for January to March 2023, outperforming economists' expectations. This was mainly driven by domestic demand, with further improvement in the labour market and continued expansion in wages supporting private consumption<sup>7</sup>. Malaysia's economy is expected to expand in a range of 4% to 5% in 2023, underpinned by strong domestic demand despite international turbulence.

Demand for the Group's iron ore concentrate from regional steel mills remains strong. Increased focus on high grade magnetite iron ore continues to underpin demand, supported by efforts to decarbonise the global iron ore and steel industry.

### **Operational developments**

The Group was granted two new prospecting licences to subsidiaries of Fortress Minerals, 65%-owned Saga Mineral Sdn. Bhd. ("SMSB") and 51%-owned Kencana Primary Sdn. Bhd. ("KPSB"), to prospect for nickel, copper and cobalt minerals. Exploration activities in these two areas had commenced in May 2023. The prospecting licences offer the opportunity to expand the Group's commodities profile and diversify its revenue streams.

On 4 April 2023, the Group entered into a new nine-month offtake agreement with a third-party domestic steel mill in Malaysia for approximately 270,000 wet metric tonnes ("WMT") of iron ore. 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.

The Group is continuing its efforts on the exploration and evaluation in the East, Valley and West Deposits at the Bukit Besi Mine, to ensure that it has sufficient Mineral Resources for cost-efficient growth. Concurrently, the Group is building up its production capabilities at the Cermat Aman Sdn Bhd ("CASB") mine, with the addition of a new integrated processing plant. This 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.

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<sup>2</sup> Reuters, 29 June 2023: [China steel exports seen surging to seven-year high as home demand wilts](#)

<sup>3</sup> Mining.com, 4 April 2023: [Iron ore price expected to ease over next 5 years on slower demand growth and more supply](#)

<sup>4</sup> Reuters. 27 May 2023: [India's steel demand to grow 7.5% in 2023-24, industry body says](#)

<sup>5</sup> Oilprice.com, 20 Jun 2023: [India Is Becoming A New Powerhouse In Global Steel Production](#)

<sup>6</sup> Construction World, 30 May 2023: [ISA, AISC sign MoU for steel industry cooperation.](#)

<sup>7</sup> Nikkei Asia, 12 May 2023: [Malaysia GDP up 5.6% in Q1, topping forecasts as inflation settles](#)

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. 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 announcement.*

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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"), 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, the Group's total mining and exploration land area is approximately 1,477.88 hectares.

Fortress Mengapur'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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