

PRESS RELEASE

Robust gross profit margin of 77.5% driven by record sales 1H FY2021 earnings of US\$7.8 million exceed full year FY2020

- The Group achieved a robust production performance with production volumes up 73.5% to 148,751WMT compared to 2Q FY2020.
- Iron ore deliveries and shipments of 135,482DMT were 77.5% higher than the 2Q FY2020, with 76,272 DMT of export sales transacted in 2Q FY2021.
- Robust gross profit margin of 77.5% driven by higher volume sold coupled with low unit cost achieved.
- Record NPAT for 1H FY2021 of US\$7.8 million with margin of 39.1%, exceeding full year FY2020 NPAT by US\$1.3 million.

SINGAPORE, 7 October 2020 – Fortress Minerals Limited (the “Company” or “Fortress Minerals” and together with its subsidiaries the “Group”), a high-grade iron ore concentrate producer and exporter from Malaysia, today announced the financial results for the three months financial period ended 31 August 2020 (“2Q FY2021”).

Financial Highlights

	2Q FY2021	2Q FY2020	Change %	1H FY2021	1H FY2020	Change %	Full year FY2020
Sales volume (DMT*)	135,482	76,334	77.5	210,143	131,886	59.3	269,615
Average realised selling price (US\$/DMT)	95.99	102.95	(6.8)	95.62	103.10	(7.3)	95.93
Average unit cost (US\$/WMT#)	19.64	27.78	(29.3)	21.50	28.64	(24.9)	28.81
<i>(US\$'000)</i>							
Revenue	12,985	7,783	66.9	20,076	13,624	47.4	25,925
Gross profit	10,065	5,401	86.4	15,109	9,410	60.6	17,280
Gross profit margin	77.5%	69.4%	8.1	75.3%	69.1%	6.2	66.7%
Other operating income	222	54	310.7	212	417	(49.0)	687
Selling & distribution expenses	1,806	494	265.3	2,365	1,054	124.4	2,081
Other operating expenses	1,104	989	11.6	2,387	1,853	28.8	4,531
Administrative expenses	142	294	(51.7)	415	1,551	(73.3)	1,775
Finance costs	13	17	(27.2)	23	18	27.2	43
Net profit after income tax (NPAT)	5,681	2,518	125.6	7,840	3,609	117.3	6,497
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,065	3,884	107.7	11,654	6,572 ⁽²⁾	77.3	13,530 ⁽¹⁾

* DMT denotes Dry Metric Tonnes

WMT denotes Wet Metric Tonnes

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

Operational and Financial Review

The Group's revenue continues to grow steadily and the Group registered US\$13.0 million in 2Q FY2021, with 135,482 DMT of iron ore concentrate being sold. The increase is driven by continuous positive demand from regional steel mill customers which was partly cushioned by a lower realised selling price of US\$95.99/DMT, down 6.80% or US\$6.96/DMT from 2Q FY2020.

The Group further expanded its seaborne market customers to China and Vietnam in 2Q FY2021, with 76,272 DMT of export sales transacted for the export market.

Continuity to focus on throughput productivity in 2Q FY2021 resulted in the average unit cost being trimmed by 29.3% to record low of US\$19.64/WMT. Economy of scales achieved from higher throughput production delivered ongoing cost benefits in 2Q FY2021.

Record voluminous sales and increased productivity generated a robust gross profit margin of 77.5%, up by 8.1% from 2Q FY2020.

The Group registered EBITDA of US\$8.1 million and NPAT of US\$5.7 million in 2Q FY2021, up by 107.7% and 125.6% respectively, with respective EBITDA and NPAT margins of 62.1% and 43.8%.

The Group's NPAT for 1H FY2021 of US\$7.8 million exceeds full year NPAT FY2020 of US\$6.5 million by US\$1.3 million.

Earnings per share ("EPS") for 2Q FY2021 jumped to 1.14 US cents, an increase of 128.0% over 2Q FY2020. The Group's net asset value per share further improved to 7.46 US cents in 2Q FY2021, demonstrating the Group's strong financial position underpinned by our ability to sustain robust production.

Outlook and Future Plans

Notwithstanding the uncertainties surrounding the global and regional economic outlook and recovery progression due to the Covid-19 pandemic, the Group remains positive that the demand for our high-grade iron ore concentrate continues to remain strong as signalled from our healthy sales order books.

As steel makers seek to reduce their carbon intensity of production ⁽¹⁾, the Group anticipates that there will be increasing demand from regional steel mills on high-grade iron ore concentrates as steel makers will evolve to place an even higher relative value on higher quality iron ore concentrate that will increase blast furnace productivity and reduce emissions intensity of steel production.

The Board and management of the Company have considered the uncertainties and challenges arising from the Covid-19 pandemic on the Group's operations and assessed that the trade receivables of the Group still remain healthy and there are no indications that the credit quality of trade receivables have deteriorated.

Further, with the present price of iron ore and the cash reserve of the Group, the Group is of the view that adequate funds are available for the Group's operating requirements and for the purposes of meeting the Group's debt obligations for the next 12 months.

1. Source: <https://www.amm.com/Article/3783106/High-grade-ore-demand-drives-up-prices.html>

The Group continues to grow and unlock further options in our high-grade iron ore concentrate portfolio within our Bukit Besi mine and intends to acquire, enter into joint venture and / or develop new mines as and when the opportunity arises. The Company will make the necessary announcement(s) via SGXNET if and when there are any material developments on the aforementioned.

Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals, commented on the 2Q FY2021 performance and outlook of the Group, "*Fortress's excellent results for 2Q FY2021 include record sales and production across the operations generating revenue of US\$13.0 million, 66.9% higher than the prior comparable period, at an average realised price of US\$95.99/dmt.*

We are continuing to generate strong gross margins of 77.5%, which translate in 125.6% increase in net profit after income tax to US\$5.7 million. Our strong balance sheet underpinned by our ability to sustain production consistently serve us well in all market conditions and particularly in turbulent times."

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

This press release has been reviewed by the Company's Sponsor. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

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

About Fortress Minerals Limited (SGX: OAJ)

Fortress Minerals is a high-grade iron ore concentrate producer based in Malaysia. The Group is principally in the business of exploration, mining, production and sale of iron ore concentrates. The Group presently produces magnetite iron ore concentrates with TFe grade of 65.0% and above, mined from the East, Valley and West Deposits in its Bukit Besi Mine, and sells its iron ore concentrates primarily to steel mills and trading companies in Malaysia.

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

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