

PRESS RELEASE

## Fortress Minerals continues to deliver in 1Q FY2020 with revenue of US\$5.8 million and gross profit margin of 68.6%

- With continued favourable high-grade iron ore outlook, the Group generated a revenue of US\$5.8 million for 1Q FY2020, approximately 28.3% of full year revenue for FY2019.
- Gross profit margin improved to 68.6% attributable to the optimisation of our production and cost efficiencies during FY2020.
- Installation for new ball mills was completed, expecting to increase monthly steady state production capacity from 40,000WMT to 50,000WMT from 2Q FY2020 onwards.

SINGAPORE, 9 July 2019 – 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 three months ended 31 May 2019 (“1Q FY2020”).

### Financial Highlights

	1Q FY2020	1Q FY2019	Change	FY2019
Sales volume (WMT)	61,386	-	<i>n.m</i>	244,975
Average selling price per WMT (USD)	95.16	-	<i>n.m</i>	84.21
	1Q FY2020 US\$'000	1Q FY2019 US\$'000	Change %	FY2019 US\$'000
Revenue	5,841	-	<i>n.m</i>	20,629
Gross profit	4,010	-	<i>n.m</i>	13,034
Gross profit margin	68.6%	-	<i>n.m</i>	63.2%
Other operating income	420	2,167	80.6	2,002
Selling and distribution expenses	560	805	30.5	5,357
Other operating expenses	865	213	306.3	1,570
Administrative expenses	1,314	78	1,580.1	1,293
Net profit after tax (NPAT)	1,091	796	37.0	4,894
Adjusted net profit	2,270 (1)	821 (2)	<i>n.m</i>	5,749 (3)
Adjusted Net profit margin	38.9% (1)	-	<i>n.m</i>	27.9% (3)

1. Excluding one-off IPO expense of US\$0.9 million and unrealised foreign exchange loss of US\$0.2 million.

2. Excluding one-off IPO expenses of US\$ 0.3 million and unrealised gain of US\$6,044 for 1H FY2019.

3. Excluding one-off IPO expenses of US\$ 0.9 million and unrealised gain of US\$8,170 for FY2019.

*n.m* – not meaningful

## **Operational and Financial Review**

In 1Q FY2020, our Group produced and sold 61,386 wet metric tonnes (“WMT”) of high grade iron ore concentrate and generated a revenue of US\$5.8 million. On average, our Group realised a revenue of US\$95.16 per WMT.

No revenue was generated in 1Q FY2019 as commercial production at our Bukit Besi mine only commenced in April 2018 and the first shipment of the high grade iron ore concentrate was made during the second quarter of FY2019 (2Q FY2019).

Gross profit for 1Q FY2020 stood at US\$4.0 million, resulting in a gross profit margin of 68.6%. The improved margin was attributable to the optimisation of our production and cost efficiencies during FY2020 being our Group’s second year of commercial production.

Other operating income fell by 80.6% from US\$2.2 million in 1Q FY2019 to US\$0.4 million for 1Q FY2020. The decrease was mainly attributable to an income of US\$2.2 million contributed by a one-off sale of 32,998 WMT semi-processed iron ore produced from the trial runs of our Bukit Besi mine’s processing plant prior to commercial production in April 2018. In 1Q FY2020 our Group also had an income contributed by a one-off sale of 5,193 WMT semi-processed iron ore produced from the trial runs of our new ball mills at our Bukit Besi mine.

Selling and distribution expenses decreased by 30.5% to US\$0.6 million in 1Q FY2020. As the revenue was mainly generated from product sales to domestic steel mills during this financial quarter, no freight and stevedoring charges were incurred for 1Q FY2020.

Other operating expenses increased by US\$0.7 million to US\$0.9 million in 1Q FY2020, as a result of incurrance of employee benefits expense and increased expenses on upkeep and maintenance of site machinery, motor vehicles and equipment at our Bukit Besi mine, which is in line with the increase of our Group’s business activities.

Administrative expenses increased by US\$1.2 million to US\$1.3 million for 1Q FY2020. This was mainly due to one-off listing expenses of US\$0.9 million for the Company’s IPO and unrealised foreign exchange loss of US\$0.2 million.

As a result of the above, net profit increased by 37.0% to US\$1.1 million in 1Q FY2020. The net profit margin for 1Q FY2020 was 18.7%.

Overall net profit for the quarter, excluding US\$0.9 million IPO expenses and unrealised foreign exchange loss of US\$0.2 million was US\$2.3 million with an adjusted net profit margin of 38.9%.

Earnings per share for 1Q FY2020 was 0.23 US cents and net asset value per share was 5.05 US cents for 1Q FY2020.

Also, during the quarter, S\$0.0016 per ordinary share of a single tier tax exempt first interim dividend was declared and paid.



## **Outlook and Future Plans**

During 1Q FY2020, the impact from supply disruptions in the world's major iron ore producing countries was witnessed on the global iron ore seaborne market. The supply shortage is evident by the declining iron ore inventory at China's ports, trimmed production guidelines from top miners and Australian iron ore exports dropping for the first time since 2001<sup>1</sup>. Moving from an undersupply situation takes time and that drove the iron ore prices to 5-year high in recent months.<sup>2</sup>

China, the Group's primary market, still maintained a huge appetite for iron ore imports due to its infrastructure stimulus and huge consumption of steel. The crude steel production in China posted a 10.2 percent year-on-year increase to 192.49 million tonnes for the first five months in 2019<sup>3</sup>. Despite all sales being made to local steel mills in Malaysia during 1Q FY2020, China will remain as the Group's major market. The Group will continue to tap on the growth opportunities in China market through tightening the bonds and establishing connections with old and new customers respectively.

In addition to the China market, the demand for high-grade iron ore in Malaysia remains robust. The Group generated all of its US\$5.8 million revenue from Malaysia market during 1Q FY2020 and enjoyed a decreased selling and distribution expenses as a result of lower logistics expenses. Capitalizing on the cost efficiencies, the Group will continue to expand its customer base locally to diversify revenue streams.

Against the backdrop of favourable iron ore market outlook, the demand for Group's high-grade iron ore concentrate is expected to remain healthy in the short to medium term. This is further supported by stringent pollution control regulations on China's steel mills resulting in industry players continuing to optimise their production yield and cost efficiency.<sup>4</sup>

Going forward, the Group will continue to leverage on its favourable geographical location and cost advantage of its Bukit Besi Mine and press on with the effort to optimise production yield and cost efficiencies, allowing the Group to withstand future market fluctuations. The Group will also continue to explore within and beyond the East, West and Valley deposits to identify new resources. At the same time, the Group will also keep a keen eye on potential acquisition or joint venture opportunities to bolster resources level.

**Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals,** commented on the first quarter performance and outlook of the Group, *"It is encouraging to see that FY2020 is off to a good start with strong revenue and decent gross profit margin for the first quarter.*

*Looking ahead, we will continue our best effort to develop new markets and new customers, and optimise our operation and cost structure to achieve greater efficiency and improve performance. Meanwhile, we aim to capitalise on our large exploration potential at Bukit Besi Mine to ride on the favourable iron ore prices."*

<sup>1</sup> According to Australia Financial Review: <https://www.afr.com/business/mining/iron-ore/iron-ore-tops-us123-t-as-australian-exports-set-to-fall-20190702-p5237n>

<sup>2</sup> According to Bloomberg: <https://www.bloomberg.com/news/articles/2019-06-10/top-steelmaker-warns-of-price-hikes-as-iron-ore-near-5-year-high>

<sup>3</sup> According to Xinhua Net: [http://www.xinhuanet.com/english/2019-06/30/c\\_138186467.htm](http://www.xinhuanet.com/english/2019-06/30/c_138186467.htm)

<sup>4</sup> According to Fastmarkets : <https://www.amm.com/Article/3881854/Iron-ore-mart-complexity-shows-value-of-derivatives.html>

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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 "SGX-ST") 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 prepared by the Company and its contents have been reviewed by the Sponsor in accordance with Rules 226(2)(b) and 753(2) of the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has also not drawn on any specific technical expertise in its review of this press release.*

*This press release has not been examined nor approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this press release, including the correctness of any of the statements or opinions made, or reports contained in this Press Release.*

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### **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 the PRC and Malaysia.

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

### **Issued for and on behalf of Fortress Minerals Ltd. By Financial PR**

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