



FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

Unaudited Financial Statement and Dividend Announcement for the First Quarter Ended 31 May 2021

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. ML8/2011 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 potential 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 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Three Months Ended		
	31 May 2021 US\$	31 May 2020 US\$	Change %
Revenue	17,283,305	7,090,357	143.8
Cost of sales	(3,378,451)	(2,046,256)	65.1
Gross profit	13,904,854	5,044,101	175.7
Other operating income	156,827	75,299	108.3
Selling and distribution expenses	(1,731,533)	(558,893)	(209.8)
Other operating expenses	(2,504,666)	(1,412,546)	(77.3)
Administrative expenses	(434,452)	(227,793)	(90.7)
Finance costs	(31,955)	(10,180)	(213.9)
Profit before income tax	9,359,075	2,909,988	221.6
Income tax expense	(2,159,480)	(751,644)	187.3
Profit for the financial period	7,199,595	2,158,344	233.6
Profit/(Loss) attributable to:			
Owners of the Company	7,199,965	2,158,344	233.6
Non-controlling interests	(370)	-	nm
	7,199,595	2,158,344	233.6
Other comprehensive income			
<u>Item that may be reclassified subsequently to profit or loss:</u>			
Exchange differences on translating foreign operations	(743,052)	(500,360)	48.5
Other comprehensive loss for the financial period, net of tax	(743,052)	(500,360)	48.5
Total comprehensive income/(loss) for the financial period attributable to:			
Owners of the Company	6,456,911	1,657,984	289.4
Non-controlling interests	(368)	-	nm
	6,456,543	1,657,984	289.4

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit before income tax is stated after charging/ (crediting) the following:

	Group		
	Three Months Ended		
	31 May 2021 US\$	31 May 2020 US\$	Change %
<i>Cost of sales:</i>			
Depreciation of plant and equipment	703,222	523,344	34.4
Amortisation of mining properties	137,016	63,307	116.4
<i>Selling and distribution expenses:</i>			
Commission expense	247,009	17,688	(1,296.5)
Ocean freight	647,857	-	nm
Royalty expense	476,913	310,106	53.8
Handling and transport expense	302,902	210,724	43.7
<i>Other operating expenses:</i>			
Upkeep of machinery	464,035	272,397	70.4
Upkeep of motor vehicles	282,195	125,282	125.2
<i>Administrative expenses:</i>			
Donations	7,654	7,156	7.0
Foreign exchange loss, net	177,791	85,990	106.8
<i>Finance costs</i>	31,955	10,180	213.9
<i>Other operating income:</i>			
Gain on disposal of plant and equipment	(56,336)	(3,312)	1,601.0

nm – not meaningful

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31 May 2021 US\$	28 February 2021 US\$	31 May 2021 US\$	28 February 2021 US\$
ASSETS				
Non-current assets				
Investment in subsidiaries	-	-	44,214,710	12,402,992
Exploration and evaluation assets	3,372,266	3,306,243	-	-
Mining properties	23,225,927	6,162,325	-	-
Plant and equipment	18,770,162	16,605,126	-	-
Right-of-use assets	58,407	211,216	-	-
Goodwill	11,311,094	-	-	-
	<u>56,737,856</u>	<u>26,284,910</u>	<u>44,214,710</u>	<u>12,402,992</u>
Current assets				
Inventories	721,353	1,029,105	-	-
Trade receivables	6,461,608	11,208,481	-	-
Other receivables, deposits and prepayments	7,828,146	13,519,229	-	9,000,050
Amounts due from subsidiaries	-	-	4,860	2,463,813
Taxation recoverable	36,162	20,403	-	-
Cash and bank balances	12,827,924	7,800,262	2,943,305	4,590,919
	<u>27,875,193</u>	<u>33,577,480</u>	<u>2,948,165</u>	<u>16,054,782</u>
Total assets	<u>84,613,049</u>	<u>59,862,390</u>	<u>47,162,875</u>	<u>28,457,774</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	22,463,273	22,463,273	22,463,273	22,463,273
Other reserves	(3,196,011)	(2,452,957)	-	-
Retained earnings	31,842,052	28,407,131	1,673,530	5,945,417
	<u>51,109,314</u>	<u>48,417,447</u>	<u>24,136,803</u>	<u>28,408,690</u>
Non-controlling interests	(9,268)	(8,905)	-	-
Total equity	<u>51,100,046</u>	<u>48,408,542</u>	<u>24,136,803</u>	<u>28,408,690</u>
Non-current liabilities				
Bank borrowings	17,143,731	1,301,895	16,000,000	-
Lease liabilities	12,084	35,289	-	-
Deferred tax liabilities	1,188,334	1,384,724	-	-
	<u>18,344,149</u>	<u>2,721,908</u>	<u>16,000,000</u>	<u>-</u>
Current liabilities				
Bank borrowings	5,643,257	652,881	5,000,000	-
Lease liabilities	51,542	200,422	-	-
Trade payables	607,537	420,167	-	-
Other payables and accruals	6,275,890	5,851,693	1,941,735	45,836
Amounts due to subsidiaries	-	-	83,561	-
Current income tax payables	2,590,628	1,606,777	776	3,248
	<u>15,168,854</u>	<u>8,731,940</u>	<u>7,026,072</u>	<u>49,084</u>
Total liabilities	<u>33,513,003</u>	<u>11,453,848</u>	<u>23,026,072</u>	<u>49,084</u>
Total equity and liabilities	<u>84,613,049</u>	<u>59,862,390</u>	<u>47,162,875</u>	<u>28,457,774</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 31 May 2021		As at 28 February 2021	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
5,643,257	51,542	652,881	200,422

Amount repayable after one year

As at 31 May 2021		As at 28 February 2021	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
17,143,731	12,084	1,301,895	35,289

Details of any collateral

The Group's secured borrowings as at 31 May 2021 comprised bank borrowings which are secured over certain of the Group's motor vehicles and plants and machinery and charge over all new monies securities comprising assignments of proceeds from certain subsidiaries for all monies payable under the borrowing facility. The net carrying amounts of the secured motor vehicles and plants and machinery as at 31 May 2021 amounted to US\$2.4 million (28 February 2021 US\$2.3 million).

The Group's unsecured borrowings as at 31 May 2021 and 28 February 2021 comprised lease liabilities.

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Three Months Ended	
	31 May	31 May
	2021	2020
	US\$	US\$
Operating activities		
Profit before income tax	9,359,075	2,909,988
Adjustments for:		
Amortisation of mining properties	137,016	63,307
Depreciation of plant and equipment	703,222	523,344
Depreciation of right-of-use assets	91,254	82,089
Gain on disposal of plant and equipment	(56,336)	(3,312)
Gain on modification of lease contract	(2,051)	-
Interest expenses	31,955	10,180
Interest income	(3,657)	(28,691)
Unrealised foreign exchange loss/ (gain)	38,620	(11,161)
Operating cash flow before working capital changes	10,299,098	3,545,744
Working capital changes:		
Inventories	298,315	137,065
Trade and other receivables	1,238,464	(1,846,615)
Trade and other payables	(1,220,282)	501,052
Cash generated from operations	10,615,595	2,337,246
Income tax paid	(1,319,708)	(731,525)
Income tax refunded	-	586
Net cash flow from operating activities	9,295,887	1,606,307
Investing activities		
Acquisition of a subsidiary	(21,000,000)	-
Additions of exploration and evaluation assets	(106,166)	(55,390)
Additions of plant and equipment	(121,282)	(271,884)
Proceeds from disposal of plant and equipment	73,049	16,937
Interest received	3,657	28,691
Net cash flow used in investing activities	(21,150,742)	(281,646)
Financing activities		
Interest paid	(31,955)	(10,180)
Proceeds from bank borrowings	21,000,000	-
Repayments of bank borrowings	(198,755)	(9,039)
Repayments of lease liabilities	(138,325)	(45,150)
Repayments to shareholders	-	(1,954,466)
Proceeds from issuance of new ordinary shares to non-controlling interest by a subsidiary	5	-
Dividend paid	(3,765,044)	-
Net cash flow from/ (used in) financing activities	16,865,926	(2,018,835)
Net change in cash and cash equivalents	5,011,071	(694,174)
Effects of exchange rate changes on cash and cash equivalents	16,591	(60,194)
Cash and cash equivalents at beginning of financial period	7,800,262	10,242,507
Cash and cash equivalents at end of financial period	12,827,924	9,488,139

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group</u>	----- Attributable to owners of the Company -----							Total equity US\$
	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 interest 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
<u>Other comprehensive income</u>								
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 interest by a subsidiary	-	-	-	-	-	-	5	5
FY2021 Interim dividend paid	-	-	-	-	(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

<u>Group</u>	Share capital US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Merger reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 1 March 2020	22,463,273	383,615	(433,450)	(3,565,976)	10,728,012	29,575,474
Profit for the financial period	-	-	-	-	2,158,344	2,158,344
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	-	-	(500,360)	-	-	(500,360)
Other comprehensive loss for the financial period, net of tax	-	-	(500,360)	-	-	(500,360)
Total comprehensive (loss)/income for the financial period	-	-	(500,360)	-	2,158,344	1,657,984
Balance at 31 May 2020	<u>22,463,273</u>	<u>383,615</u>	<u>(933,810)</u>	<u>(3,565,976)</u>	<u>12,886,356</u>	<u>31,233,458</u>

<u>Company</u>	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	-	(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

<u>Company</u>	Share capital US\$	Retained earnings US\$	Total equity US\$
Balance at 1 March 2020	22,463,273	1,034,422	23,497,695
Loss for the financial period representing total comprehensive loss for the financial period	-	(155,916)	(155,916)
Balance at 31 May 2020	22,463,273	878,506	23,341,779

1(d)(ii) 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.

Share Capital

There was no change in the issued and paid-up share capital of the Company from 28 February 2021 up to 31 May 2021. The Company's share capital was US\$22,463,273 comprising 500,000,000 shares as at 31 May 2021 and 28 February 2021.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 31 May 2021 and 31 May 2020.

1(d)(iii) 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 2021	As at 28 February 2021

Total number of issued shares excluding treasury shares	500,000,000	500,000,000
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The Company did not have any treasury shares as at 31 May 2021 and 28 February 2021.

1(d)(iv) 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.

1(d)(v) 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.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any modifications, or emphasis of a matter).**

Not applicable.

- 3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion (This is not required for any audit issue that is a material uncertainty relating to going concern). –**

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**

Not applicable, as the latest financial statements were not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

Not applicable.

- 4. 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 paragraph 5 below, 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 2021.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

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 2021. 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.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

- (a) Based on the weighted average number of ordinary shares in issue; and
 (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Group Three months ended	
	31 May 2021	31 May 2020
Earnings per ordinary share (“EPS”)		
Net profit attributable to owners of the Company (US\$)	7,199,965	2,158,344
Weighted average number of ordinary shares	500,000,000	500,000,000
Basic and fully diluted EPS (US cents)	1.44	0.43

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.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -

- (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	31 May 2021 (Unaudited)	28 February 2021 (Audited)	31 May 2021 (Unaudited)	28 February 2021 (Audited)
Net asset value (“NAV”) (US\$)	51,109,314	48,417,447	24,136,803	28,408,690
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)	10.22	9.68	4.83	5.68

8. **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**

Revenue

Below is a summary of the iron ore sales performance of the Group for the financial period ended 31 May 2021 (“1Q FY2022”) and the comparative financial period ended 31 May 2020 (“1Q FY2021”).

	1Q FY2022	1Q FY2021	Increase (%)
Sold (DMT*)	120,665	74,661	61.6
Revenue realised ⁽¹⁾ (US\$)	17,255,095	7,090,357	143.4
Average realised selling price (US\$/DMT)	143.00	94.97	50.6

* DMT denotes Dry Metric Tonnes

⁽¹⁾ Excluding effect of foreign exchange.

The Group continued to achieve stellar sales growth and recorded revenue of US\$17.3 million in 1Q FY2022, exceeding 1Q FY2021 by 143.4% or US\$10.2 million, contributed by a robust sales demand and higher average realised selling price of iron ore.

Sales volume continued to grow positively in 1Q FY2022 with 120,665 DMT of iron ore sold, an increase of 61.6% compared to 1Q FY2021, reflecting good demand from regional steel mills customers and reliable productivity performance achieved.

The Group’s average realised selling price increased by US\$48.03/DMT to US\$143.00/DMT in 1Q FY2022 primarily due to higher average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices throughout 1Q FY2022 as compared to 1Q FY2021.

Cost of sales

	1Q FY2022	1Q FY2021	Increase (%)
Sold (WMT*)	132,251	82,256	60.8
Cost of sales (US\$)	3,378,451	2,046,256	65.1
Average unit cost of sales (US\$/WMT)	25.55	24.88	2.7

* WMT denotes Wet Metric Tonnes

The Group’s cost of sales increased by 65.1% to US\$3.4 million in 1Q FY2022 which is in tandem with productivity gains and higher production volume which increased by 60.8% or 49,995 WMT to 132,251 WMT in 1Q FY2022. The increase in the Group’s cost of sales was also contributed by the strengthening of the Malaysian Ringgit (“RM”) currency against the US Dollar (“US\$”) currency by 4.9%, the majority of which is denominated in RM.

The Group's average unit cost of sales increased marginally to US\$25.55/WMT in 1Q FY2022, up by 2.7% or US\$0.67/WMT from US\$24.88/WMT in 1Q FY2021 mainly due to the strengthening of the RM currency against the US\$ currency, as explained above.

Gross profit and gross profit margin

The Group generated robust gross profit of US\$13.9 million in 1Q FY2022 as compared to US\$5.0 million in 1Q FY2021, reflecting an increase of 175.7% or US\$8.9 million. Gross profit margin further increased by 9.4% to 80.5% in 1Q FY2022, driven by a higher sales volume and supported by a higher realised selling price of iron ore in 1Q FY2022.

Other operating income

The Group's other operating income in 1Q FY2022 increased by US\$0.1 million to US\$0.2 million as compared to 1Q FY2021, jointly contributed by an increase in gain on disposal of plant and equipment and unrealised foreign exchange gain caused by weakening exchange rate movement of USD against SGD on foreign-currency denominated banks balances.

Selling and distribution expenses

Selling and distribution expenses increased by US\$1.1 million to US\$1.7 million in 1Q FY2022, primarily due to additional ocean freight charge for export sales of US\$0.6 million and higher handling and transportation charges, royalty and commission expenses, in line with higher sales volume achieved.

Other operating expenses

The Group's other operating expenses comprise mainly of employee benefits expenses and plants maintenance expenses. Other operating expenses increased by US\$1.1 million to US\$2.5 million in 1Q FY2022. The increase was primarily due to:

- increase in provision of key management personnel's performance incentive by US\$0.5 million in line with the increase in Group's profit before tax;
- increase in maintenance of plant and vehicle of US\$0.3 million which is in line with the higher production activities in 1Q FY2022; and
- increase in payroll expenses by US\$0.3 million in tandem with increase in number of headcounts to support business expansion activities.

Administrative expenses

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

Administrative expenses increased by US\$0.2 million to US\$0.4 million in 1Q FY2022 primarily due to a one-off loan origination fee paid to a financial institution for a loan facility granted to the Group for financing part of the acquisition of the entire issued and paid-up share capital of Fortress Mengapur.

Finance costs

Finance costs comprised interest expenses on borrowings and lease liabilities. The increase is in line with purchase of additional truck fleets financed by borrowings as compared to the previous financial period.

Income tax expense

Income tax expense increased from US\$0.8 million in 1Q FY2021 to US\$2.2 million in 1Q FY2022, which is in line with higher profit before income tax generated in 1Q FY2022.

The Group's effective tax rate in 1Q FY2022 was 23.1%, which is broadly in line with the Group's applicable tax rate of 24.0%.

Profit after income tax

In 1Q FY2022, our Group's profit after income tax increased by US\$5.0 million or 233.6% to US\$7.2 million from US\$2.2 million in 1Q FY2021 as a result of the aforementioned reasons.

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 2021 and 28 February 2021.

Non-current assets

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\$30.5 million from US\$26.3 million as at 28 February 2021 to US\$56.7 million as at 31 May 2021.

Exploration and evaluation assets increased by US\$0.1 million to US\$3.4 million as at 31 May 2021, reflecting on-going exploration activities undertaken by the Group in 1Q FY2022.

Mining properties increased by US\$17.1 million to US\$23.2 million as at 31 May 2021. The increase is primarily contributed by additions of mining assets of US\$17.3 million measured on a provisional fair value basis, which arose from the acquisition of Fortress Mengapur. The increase was partially cushioned by the effect of exchange translation differences and amortisation charge, each amounting to US\$0.1 million.

Plant and equipment increased by US\$2.2 million (net of depreciation charge of US\$0.7 million and effect of exchange translation differences of US\$0.2 million) to US\$18.8 million as at 31 May 2021 from US\$16.6 million as at 28 February 2021. The increase was primarily due to:

- additions of plants and equipment of US\$3.0 million measured on a provisional fair value basis arising from the acquisition of Fortress Mengapur; and
- additions of fleet truck acquired for the Bukit Besi Mine of US\$0.1 million.

Right-of-use assets at the Group level refers to the leases of office, hostels premises and machineries for use at our Bukit Besi mine. Right-of-use assets decreased by US\$ 0.1 million to US\$0.1 million as at 31 May 2021, which was wholly attributable to the effect of amortisation charges.

The Group recognised goodwill arising from the acquisition of Fortress Mengapur amounting to US\$11.3 million as at 31 May 2021, which was derived based on a provisional fair value basis. The goodwill arises principally out of the Group's capability to grow our business by increasing resources through new discoveries as well as unique synergies that can be realised from the management of our portfolio of existing mines in our business unit.

Provisional fair value as at 31 May 2021 was used as the Company is in the midst of finalising the purchase price allocation report for the acquisition of Fortress Mengapur to determine the fair values of assets and liabilities acquired (the "**PPA Report**"). The PPA Report will be completed within 12 months from 7 April 2021, being the date of completion of the acquisition of Fortress Mengapur, at the latest.

Current assets

As at 31 May 2021, our Group's current assets remained solid and stood at US\$27.9 million compared to US\$33.6 million as at 28 February 2021. The reduction was mainly attributable to the following:

- (i) decrease in trade receivables by US\$4.7 million contributed by prompt collection from contract customers;
- (ii) decrease in other receivables by US\$5.7 million which was mainly attributable to the transfer of US\$9.0 million from the escrow account to the vendors of Fortress Mengapur upon completion of the acquisition of Fortress Mengapur on 7 April 2021.

The decrease is partially cushioned by an increase in prepayments to suppliers for purchase of plants and equipment and consumables of US\$2.3 million and US\$1.0 million respectively; and

- (iii) decrease in inventories by US\$0.3 million driven by an increase in inventory traffic on production and consumable inventories from the higher sales volume achieved.

The overall decrease in current assets is further cushioned by an increase in cash and bank balances by US\$5.0 million which was primarily due to higher operating cash flow generated which is in tandem with higher profit achieved, coupled with prompt collection from contract customers and offset by repayments of borrowings and payables.

Non-current liabilities

As at 31 May 2021, our Group's non-current liabilities increased by US\$15.6 million to US\$18.3 million from US\$2.7 million as at 28 February 2021.

The increase was mainly due to the addition of non-current borrowings of US\$16.0 million for the purpose of financing the acquisition of Fortress Mengapur and was partly cushioned by:

- reclassification of bank borrowings and lease liabilities from non-current liabilities to current liabilities based on its maturity profile amounting to US\$0.2 million; and
- decrease in deferred tax liabilities of US\$0.2 million which was due to realisation of tax credits against profit generated for the current financial period.

Current liabilities

As at 31 May 2021, our Group's current liabilities increased by US\$6.4 million from US\$8.7 million as at 28 February 2021 to US\$15.2 million.

The increase was primarily due to:

- addition of current borrowings of US\$5.0 million used to finance the acquisition of Fortress Mengapur;
- increase in current income tax payables of US\$1.0 million driven by higher profit before income tax generated by the Group; and
- increase in trade and other payables of US\$0.6 million for purchases of consumables.

The increase is cushioned by scheduled repayments of bank borrowings and lease liabilities amounting to US\$0.2 million.

Working capital

Consequent to our Group's profitability and positive net operating cashflow, our Group continues to record a positive working capital position of US\$12.7 million as at 31 May 2021 as compared to US\$24.8 million as at 28 February 2021.

Statements of Cash Flow

In 1Q FY2022, our Group's net cash generated from operating activities increased to US\$9.3 million as compared to the US\$1.6 million in 1Q FY2021.

The significant increase in operating cash flow of US\$7.7 million, after adjusted for working capital inflows of US\$0.3 million was driven by an increase in operating profit of US\$6.8 million. Increase in working capital is primarily due to prompt collection during the financial period under review.

In 1Q FY2022, our Group's net cash flow used in investing activities increased by US\$20.9 million to US\$21.2 million as compared to the net cash flow used of US\$0.3 million in 1Q FY2021. The increase was primarily attributable to the residual consideration of US\$21.0 million paid to the vendors of Fortress Mengapur upon the completion of the acquisition of the entire issued and paid-up share capital of Fortress Mengapur, and was cushioned by the decrease in capital expenditure investments of US\$0.1 million as major processing plants were successfully commissioned in previous financial years.

In 1Q FY2022, the Group's net cash flow from financing activities was US\$16.9 million as compared to a net cash flow used of US\$2.0 million in 1Q FY2021. The increase of US\$18.9 million was primarily due to proceeds received from bank borrowings of US\$21.0 million to finance part of the acquisition of Fortress Mengapur which was further cushioned by dividend payment of US\$3.8 million and the absence of shareholders' repayments of US\$2.0 million due to full settlement of the shareholders' loans in FY2021, followed by repayments of bank borrowings and lease liabilities aggregating to US\$0.3 million.

9. 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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10. 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

The outlook of iron ore remains attractive with global crude steel production up 14.5% year-on-year for January to May 2021.¹ The Group remains positive on the demand for iron ore as global economic recovery continues, supported by the scale of stimulus that has been deployed by policy makers, in addition to governments focusing on infrastructure spending to stimulate the economy.

The demand from regional steel mill customers remains robust and there has been a noticeable pick up in sales of iron ore. The Group will continue to capitalise on the current robust iron ore price performance and focus on boosting iron ore deliveries.

The Group anticipates that regional steel production will grow in tandem with economic and population growth, underpinned by policymakers signalling their commitment to providing various economic stimulus and an expansionary fiscal policy in the medium term, which in turn is expected to drive continued demand for iron ore.

Operational developments

On 3 July 2021, the Malaysian Senior Minister (Security Cluster) announced that several states in Malaysia, which includes the states where the Group's mining sites are located in, will enter into Phase 2 of the movement control under the National Recovery Plan (“NRP”)². Under Phase 2 of the NRP, worker capacity has been raised to 80% and employers must ensure physical distancing and adherence to the standard operating procedures at all times.

On 5 July 2021, the operations of the Group's Bukit Besi Mine and Mengapur Mine had resumed, subject to the aforementioned conditions being adhered to by the Group.

As such, the Group's mining activities have gradually returned to normalcy. The Group continues to adhere to the standard operating procedures at all times, have in place strict protocols and a range of measures to keep its operating environment safe for its people. These include social distancing and increased cleaning and sanitisation regimes.

The Group will focus on ramping up production in its Bukit Besi Mine and expediting the development phase at Mengapur. With the resumption of preparation works for the commencement of mining operations at Mengapur, the Group will endeavour to commence production of iron ore at Mengapur at the end of the financial year ending 28 February 2022 (“FY2022”), as per initially planned.

As the majority of the Group's operational staff are from local communities which are in proximity to the Bukit Besi and Mengapur operations, the Group envisions minimal

¹ World Steel Association: [May 2021](#) crude steel production

² The Edge Markets: [Perlis, Perak, Kelantan, Terengganu and Pahang to move to Phase 2 of National Recovery Plan on July 5, says Ismail Sabri](#)

workforce supply constraints in the resumption of its operations and for the staff to support both sites in a cost-efficient manner.

Leveraging on the Group's expertise and experience, applying a disciplined approach to capital allocation, and balancing exploration and production activities, the Group aims to continue to reliably grow value and returns for its shareholders in the long term.

The Board and management have considered the uncertainties and challenges arising from the COVID-19 pandemic and assessed the impact of the outbreak on its 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 via acquisitions, joint ventures and/or provide mining contracting services both in Malaysia and in the region, where its strong capabilities provide it a competitive edge to tap on the growing demand.

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11. Dividend

- a) **Current financial period reported on:** Any dividend declared for the current financial period reported on?

None.

- b) **Corresponding period of the immediately preceding financial year:** Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

- 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.

12. 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 FY2022 to enable the Group to conserve cash for its working capital purposes.

13. 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 FY2022, there were no interested person transactions of S\$100,000 and above.

14. 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)).

15. 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 FY2022, 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	0.24	0.40
Cost of sales	3.38	2.70
Selling and distribution costs	1.73	0.80
Total	5.35	3.90

During 1Q FY2022, both of the Group's cost of sales and selling and distribution costs were higher than the projected amounts by US\$0.7 million and US\$0.9 million respectively, primarily due to unanticipated higher production and sales volume during the quarter under review coupled with additional ocean freight charges incurred for export sales.

The Group utilised less than planned funds in exploration and evaluation activities in 1Q FY2022 due to the Group focusing on its production to meet unanticipated higher sales 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	0.25
Cost of sales	2.50
Selling and distribution costs	1.20
Total	3.95

Our Group will resume our exploration and evaluation activities at its East, Valley and West Deposits of Bukit Besi Mine during the second quarter of FY2022 ("2Q FY2022").

Lower planned funds were allocated for the above three activities in 2Q FY2022 due to disruptions in Bukit Besi Mine's operations caused by the nationwide imposition of the Phase 1 Total Lockdown under the NRP in the month of June 2021 where our Bukit Besi mining operations were only permitted to operate in a "warm idle" condition throughout the period i.e. operating with a 10% workforce capacity.

The Group did not project planned funds in both cost of sales and selling and distribution costs for its mining operations at Mengapur as this mining site is currently in its development phase with no production activity expected to be commenced in 2Q FY2022.

The Group expects to incur additional exploration and evaluation costs of US\$0.1 million on mining land and approvals from the Pejabat Pengarah Tanah dan Galian Pahang (“PTG”) for mining leases for areas of 380 hectares, 188.3 hectares and 198.28 hectares at the Compartment 110 and part of compartments 108, 109, 111 and 112 of Hutan Simpan Berkelah at Bukit Mengapur, Mukim Hulu Lepar, District of Kuantan, State of Pahang, Malaysia (“**Exploration Land**”) for a period of 12 years (“**ML Approvals**”) held by Fortress Mengapur to support mine planning and mineral processing. This includes renewal of operating mining lease and ML Approvals fees issued by PTG.

Total exploration and evaluation expenses expected to be incurred is as tabulated above.

16. Negative Confirmation by the Board pursuant to Rule 705(6)(b) of Catalist Listing Manual.

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.

17. 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.

Our Group’s exploration, mining and processing activities at Bukit Besi mine have gradually returned to normalcy since 5 July 2021.

All intended and planned exploration and evaluation activities including ground and airborne geological survey, sampling, exploration and laboratory assay activities are continuing as scheduled.

Cost incurred for these exploration and evaluation activities are as tabulated in Section 15 above.

18. Negative confirmation by the Board pursuant to Rule 705(5)

To the best of the Board of Directors’ knowledge, nothing has come to their attention which may render the unaudited financial results for 1Q FY2022 to be false or misleading in any material aspect.

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

19. Incorporation of Fortress Drilltech Sdn. Bhd. (“FDTSB”)

The Company has, on 12 May 2021, incorporated a subsidiary in Malaysia known as Fortress Drilltech Sdn. Bhd. (“FDTSB”).

The share capital of FDTSB is MYR100.00. The Company directly holds 80% interest in the capital of FDTSB and the remaining 20% interest is held by external parties which are not related to any of the Directors or controlling shareholders of the Company.

The intended principal activity of FDTSB is to carry on business as contractors for drilling and blasting works, other site preparation activities and mining work. However, FDTSB has remained dormant since its date of incorporation.

The incorporation of FDTSB was funded through internal resources and will not have any material impact on the net tangible assets per share and earnings per share of the Group for the financial year ending 28 February 2022.

Save for the above, the Company did not acquire or dispose of any shares resulting in any of the prescribed situations under Rule 706A during 1Q FY2022.

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**BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED**

Dato' Sri Ivan Chee
Chief Executive Officer
14 July 2021

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.

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