



**PRESS RELEASE**

**Fortress Minerals reports resilient results for FY2023; achieves record volume sold and stable EBITDA of US\$23.9 million**

- Revenue rose 23.5% year-on-year (“yoy”) to US\$53.5 million for FY2023 and rose 132.7% yoy to US\$12.2 million for 4Q FY2023, driven by the increase in volume sold as production normalised in comparison with the previous corresponding quarter.
- Net cash flow generated from operating activities for FY2023 remained robust at US\$22.5 million, supported by strong EBITDA margins of 44.6%.
- Proposed final dividend of 0.80 Singapore cents per share for FY2023, representing a dividend payout ratio of 24.7%, to reward shareholders for their continued support as the Group continues its growth.
- The Group remains well-positioned to capture demand as economic activity in the region normalises; strategic growth efforts underway to ramp up production at the Cermat Aman Sdn. Bhd. (“CASB”) mine in the near term while mineral exploration activities in East Malaysia commence in May 2023.

**SINGAPORE, 26 April 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 fourth quarter and twelve months ended 28 February 2023 (“4Q FY2023 and FY2023”).

**Financial Highlights**

	<b>FY2023</b>	<b>FY2022</b>	<b>Change %</b>
<b>Sales volume (DMT*)</b>	546,076	357,446	52.8
<b>Average realised selling price (US\$/DMT)</b>	98.04	121.27	(19.2)
<b>Average unit cost (US\$/WMT#)</b>	26.38	25.46	3.6
<i>(US\$'000)</i>			
<b>Revenue</b>	53,547	43,366	23.5
<b>Gross profit</b>	37,752	33,381	13.1
<b>Gross profit margin</b>	70.5%	77.0%	(6.5)
<b>Interest income</b>	33	13	156.3
<b>Other operating income</b>	436	363	20.1
<b>Selling &amp; distribution expenses</b>	(6,833)	(4,799)	42.4
<b>Other operating expenses</b>	(9,175)	(8,701)	5.4
<b>Administrative expenses</b>	(1,856)	(813)	128.2
<b>Fair value loss on contingent consideration</b>	(1,787)	-	100.0
<b>Finance costs</b>	(1,013)	(788)	28.5
<b>Net profit after income tax (NPAT)</b>	12,592	13,881	(9.3)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	23,868	23,466	1.7

\* DMT denotes Dry Metric Tonnes  
 # WMT denotes Wet Metric Tonnes

## **Operational and Financial Review**

Fortress Minerals' strategic growth plan continues to garner momentum as demand from its strong regional network of customers remains resilient.

Revenue for FY2023 was US\$53.5 million, representing increases of 23.5% yoy, mainly due to higher volume of iron ore sold. In addition to the robust demand from regional steel mills, the Group was further supported by the commencement of production at the CASB mine in July 2022 which contributed to the production and sales volume. Volume sold for FY2023 reached the highest level since the Group's inception, increasing 52.8% yoy to 546,076 DMT.

The increase in revenue was partially offset by a 19.2% yoy decline in average realised selling price to US\$98.04/DMT for FY2023. Average unit cost of sales increased slightly by 3.6% yoy to US\$26.38/WMT for FY2023. The cost increases were partially mitigated by a 52.7% increase in total production volume for FY2023 which yielded cost efficiencies for the Group.

Consequently, the Group reported a gross profit margin of 70.5% for FY2023 as compared to 77.0% for FY2022.

Selling & distribution expenses for FY2023 rose US\$2.0 million to US\$6.8 million, in tandem with the increase in sales volume. Similarly, other operating expenses, which includes employee benefits and plant maintenance, increased US\$0.5 million to US\$9.2 million to support the increase in production volume. Administrative expenses increased from US\$0.8 million to US\$1.9 million mainly due to increase in unrealised foreign exchange losses of US\$0.7 million. Fair value loss on contingent consideration in FY2023 of US\$1.8 million due to an adjustment to recognise the fair value changes of gross revenue royalty.

The Group's EBITDA and NPAT for FY2023 was US\$23.9 million and US\$12.6 million respectively.

Earnings per share stands at 2.52 US cents for FY2023.

The Group's net asset value per share was higher at 12.60 US cents as at 28 February 2023 compared to 11.36 US cents as at 28 February 2022, supported by the Group's growth efforts, business resilience and strong balance sheet.

The Group remains committed to disciplined capital management and growing its operations strategically to maximise long-term value for its shareholders. On 10 April 2023, the Group completed the placement of 23,316,100 Placement Shares at S\$0.386, raising S\$9.0 million.

The Board is pleased to recommend a one-tier tax exempt final dividend of 0.80 Singapore cents per share for FY2023, to reward shareholders for their support as the Group's continues its strategic growth plans.

Dato' Sri Ivan Chee, Executive Director and Chief Executive Officer of Fortress Minerals, commented, *"Backed by the strong sustained demand for our iron ore products and robust balance sheet bolstered by our recent placement, we remain well-positioned to continue our strategic growth plans and diversify our revenue streams."*

*Apart from building up our production capabilities at the CASB mine, we are pleased to have been granted two prospecting licences to explore new minerals in East Malaysia. These strategic growth initiatives will provide the potential to expand the Group's commodities profile and maintain sustainable growth over the long term.*

*Supported by our strong industry expertise and deep relationships we have in the region, we remain cautiously optimistic in the face of the uncertain macroeconomic outlook as we continue to execute on our next phase of growth."*

## **Market outlook**

Global crude steel production declined 1% yoy for January to February 2023<sup>1</sup>. China, the world's largest steel-producing country, posted a 6% increase for January to February 2023 compared to the corresponding period last year to 168.7 million tonnes. This has been largely attributable to the China government's move to lift tough COVID-19 containment measures, resulting in an anticipation for higher domestic steel demand in the market. High iron ore prices are driven by a "stronger-than-expected" recovery in China's economy and lower supply from the world's two biggest exporters, Australia and Brazil, of the steel raw material<sup>2</sup>. Pent-up demand and low supply may return to normal levels in the second half of the year, which may cap the upside potential. China's turn toward steel scrap may also curtail iron ore consumption.<sup>3</sup>

India, the second-largest global steel producer is expected to increase steel production throughout 2023, as demand for steel in both domestic and international market is expected to increase<sup>4</sup>, fuelled by government support for infrastructure-led economic growth in the country. The country officials have recently approved the formation of 13 task forces to identify action points for each aspect of green steel production and adoption of sustainable manufacturing processes<sup>5</sup>, in its push towards achieving net zero by 2070.

In Malaysia, its economy growth is expected to ease and to expand at a more moderate pace amid a challenging external environment. Domestic demand will continue to drive growth, supported by the continued recovery in the labour market and the realisation of multi-year investment projects<sup>6</sup>.

Demand for the Group's iron ore concentrate from regional steel mills remains strong and is well-supported by the nine-month offtake agreement announced on 19 April 2023. The Group's high grade iron ore continues to be a favourable determining factor in pricing and appetite for iron ore. 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**

On 6 March 2023, the Group announced that its subsidiaries, 65%-owned Saga Mineral Sdn. Bhd. ("SMSB") and 51%-owned Kencana Primary Sdn. Bhd. ("KPSB"), were granted new prospecting licences in the Telupid and Tongod areas of Sabah, East Malaysia to prospect for nickel, copper and cobalt minerals. Exploration activities in these two areas are expected to commence in May 2023. As part of the Group's strategic growth efforts to invest prudently through the cycle and to enhance long-term shareholder value, the prospecting licences offers the Group the opportunity to expand its commodities profile and diversify its revenue streams.

Concurrently, the Group continues to build up its production capabilities at the CASB mine, which commenced production in July 2022. The Group is looking to add a new integrated processing plant which will enhance production capability at the CASB mine and enable the Group to produce high grade iron ore, copper and pyrrhotite concentrate previously documented in the CASB mine's Mineral Resource Estimate as at 28 February 2022.

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

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<sup>1</sup> The World Steel Association, 23 March 2023 [February 2023 crude steel production](#)

<sup>2</sup> Reuters, 21 February 2023: [Column: Iron ore prices jabbed higher by prongs of China demand, supply woes](#)

<sup>3</sup> CNBC, 31 March 2023: [China's steel demand is set to slow. That could dent iron ore prices by nearly 30%](#)

<sup>4</sup> Oilprice.com, 3 April 2023: [India's Steel Industry Is Set to Boom This Year](#)

<sup>5</sup> Economic Times, 4 April 2023: [Steel Minister approves forming 13 task forces to identify aspects of green steel production](#)

<sup>6</sup> Bank Negara Malaysia, 10 February 2023: [Economic and Financial Developments in Malaysia in the Fourth Quarter of 2022](#)

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. 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.

The Group presently produces high grade iron ore mined from its Bukit Besi mine and Cermat Aman Sdn Bhd (the "**CASB**") mine in Malaysia, and sells its iron ore primarily to steel mills in Malaysia and trading companies in the People's Republic of China.

The Group had on 7 April 2021 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 Inferred Mineral Resource. At this juncture, the Group will focus on the magnetite mining potential. Material that contains other minerals, if encountered during 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.

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

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