

FORTRESS MINERALS LTD

(FMIL SP / OAJ.SI)

Stronger earnings but cash returns remain the valuation test

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Investment Highlights

- **First-half delivery extends the FY26 recovery.** Revenue rose 23.0% to US\$39.9m and PATMI increased 55.5% to US\$6.9m as concentrate sales, realised prices and cost absorption improved. Gross margin reached 63.1%. This supports higher near-term estimates, while our forecasts allow grade and mix strength to normalise.
- **Seri Bandi becomes the next modelled growth driver.** We assume meaningful contribution from FY28, with 105,000 DMT of initial sales based on 600,000 tonnes of feed capacity, 50% utilisation and a 35% saleable yield. The project remains under construction; Mengapur copper and gold, Sabah and PNG contribute no commercial revenue in our base case.
- **Investment intensity keeps cash returns in focus.** Half-year operating cash flow was US\$10.9m, but cash capex excludes substantial equipment financing. Our FY27 economic capex estimate is US\$16m. Norwest adds gold-development exposure through an investment holding and does not enter operating revenue.
- **DCF replaces the resource valuation blend.** We drop the previous resource leg because mixed resource tonnes do not adequately reflect recovery, development costs and commercial timing. Its removal explains much of the target-price cut despite higher earnings forecasts.

Valuation & Action

We retain **NEUTRAL** and reduce our 12-month target to **S\$0.20** from S\$0.26, using DCF at 9.0% WACC and 2.0% terminal growth. The indicative target implies 4.8% price downside.

Risks

Ore-price weakness, lower recoveries or grades, commissioning delays and higher capital spending could reduce cash returns. Stronger realisation and successful project conversion would improve the outlook.

Neutral

Last close (S\$)	0.210
12M Target Price (S\$)	0.200
Previous TP (S\$)	0.260
Upside / (Downside) (%)	-4.8%
TRADING DATA	
Market Cap (S\$m)	122.98
Issued Shares (mn)	523.32
3M Avg Daily Vol (mn)	N.A.
3M Avg Daily Val (S\$m)	N.A.
Free Float (%)	17.89
MAJOR SHAREHOLDERS (%)	
Y F Chee Holdings	41.4%
SDB Mining	29.6%
Greger International	7.2%

Financials & Key Operating Statistics					
YE Feb (US\$'000)	FY25A	FY26A	FY27F	FY28F	FY29F
Revenue	56,254	64,261	74,059	86,405	87,838
Net Profit	6,498	9,795	11,155	13,527	11,393
EPS (adj. S\$ cents)	1.58	2.38	2.71	3.28	2.76
EPS growth (%)	(38.0%)	50.7%	13.9%	21.3%	(15.8%)
DPS (S\$ cents)	0.58	0.45	0.47	0.54	0.66
Div Yield (%)	2.5%	1.9%	2.0%	2.3%	2.8%
Net Profit Margin (%)	11.6%	15.2%	15.1%	15.7%	13.0%
P/E (x)	14.9x	9.9x	8.7x	7.2x	8.5x
EV/EBIT DA (x)	5.8x	5.1x	4.4x	3.6x	3.8x

Source: Company data, KGI Research estimates

Business Updates

Stronger first half reinforces the FY26 operating recovery

Fortress delivered 1H27 revenue of US\$39.9m, up 23.0% yoy, and profit attributable to owners (PATMI) of US\$6.9m, up 55.5%. This follows FY26 record sales and validates the higher operating base established in our previous update.

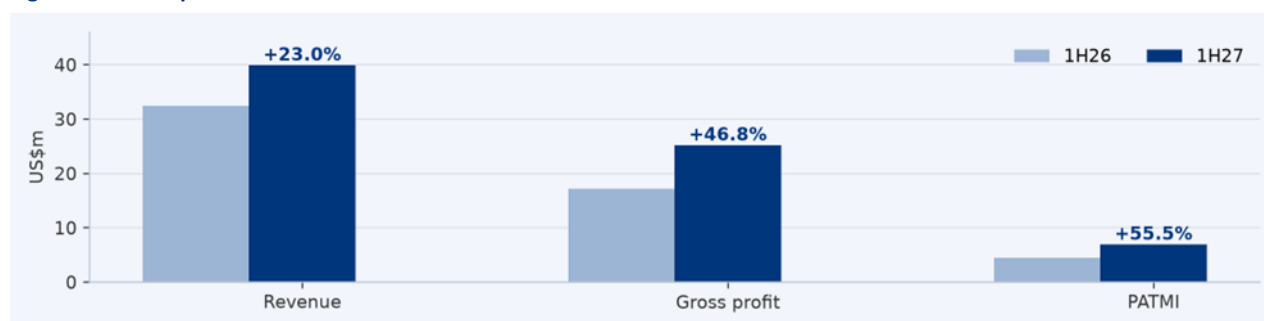
Higher concentrate volumes better realised prices and lower unit costs lifted gross margin to 63.1% from 52.9%, with reported EBITDA increasing 57.5% to US\$13.0m. We raise near-term earnings estimates, while retaining Neutral as expansion spending and a softer longer-term price path constrain the cash value of that improvement.

Figure 1: Quarterly delivery and the first-half result

US\$m unless stated	1Q27	2Q27	1H27	1H26	yoy
Revenue	19.69	20.18	39.88	32.43	23.0%
Gross profit	12.66	12.52	25.18	17.15	46.8%
Gross margin	64.3%	62.0%	63.1%	52.9%	10.2ppt
Reported EBITDA	5.78	7.23	13.01	8.26	57.5%
Group NPAT	3.26	3.50	6.76	4.44	52.2%
PATMI	3.30	3.61	6.91	4.45	55.5%
Basic diluted EPS US cents	0.63	0.69	1.32	0.85	55.3%
Operating cash flow	0.65	10.27	10.92	4.37	149.7%

Source: Company, KGI Research

Figure 2: 1H Comparison



Source: Company, KGI Research

Second-quarter gains were stronger below gross profit. Revenue rose 2.5% qoq, but gross profit fell 1.1% as unit cost increased 6.2% and gross margin eased by 2.2ppt. EBITDA nevertheless rose 25.0% qoq and PATMI rose 9.2%, helped by lower administrative expenses, smaller derivative losses and higher other income. The latter included a Norwest underwriting fee. We therefore retain a margin normalisation assumption rather than annualising the strongest first-quarter gross margin.

Operating Outlook

Volume visibility improves while pricing remains market linked

Sales rose 11.0% yoy to 427,389 dry metric tonnes (DMT) in 1H27, while realised ASP increased 10.9% to US\$93.44/DMT. Management attributed first-quarter pricing strength to the benchmark and second-quarter strength to a higher proportion of high-grade product. Average unit cost fell 13.0% to US\$31.49 per wet metric tonne (WMT), consistent with better cost absorption at higher production volumes.

Figure 3: Operating indicators

Indicator	1Q27	2Q27	1H27	1H26	FY26
Sales volume 000 DMT	211.6	215.8	427.4	385.0	724.4
Realised ASP US\$/DMT	93.18	93.69	93.44	84.29	88.66
Unit cost US\$/WMT	30.53	32.42	31.49	36.19	33.81
Malaysia revenue share	86.9%	100.0%	93.5%	91.5%	n.a.

Source: Company, KGI Research

Figure 4: Bukit Besi crushing plant awaiting integrated commissioning



Source: Company Data

Offtake supports delivery rather than a fixed margin. Malaysian customers accounted for 93.5% of half-year revenue and all reported second-quarter revenue. The April 2026 agreement covers approximately 180,000 WMT, plus or minus 20% at Fortress Resources' option, over 1 April 2026 to 31 March 2027. It supplements the two 24-month agreements entered in August 2025. These arrangements provide sales visibility, while USD pricing remains linked to international iron-ore indices. Overlapping commitments are not added mechanically to our volume forecast.

The next upgrade is reliability as well as throughput. The crushing plant was completed in 1Q26 and is intended to be commissioned alongside the integrated processing facility, still targeted for completion in FY27. We treat this as support for utilisation and operating consistency. The on-site solar installation already supplies part of Bukit Besi's power requirements. Resource grade, sold concentrate grade and recovery are distinct variables; neither resource tonnage nor wet-tonne cost should be converted directly into dry concentrate revenue.

Project Development

Seri Bandi provides the next modelled growth leg

Construction continues at a plant designed for approximately 600,000 tonnes of annual feed throughput. The 1Q presentation targeted concentrate production by end-FY27, but the latest 2Q update does not repeat a firm start date. We assume the first meaningful commercial contribution in FY28. At 50% utilisation and a 35% saleable dry concentrate yield, 600,000 tonnes of feed capacity produces 105,000 DMT, rather than 600,000 DMT of saleable output.

Figure 5: Seri Bandi ramp and revenue assumptions

Year ending February	FY27E	FY28E	FY29E	FY30E	FY31E
Feed capacity 000 tonnes	600	600	600	600	600
Utilisation	0%	50%	75%	90%	90%
Saleable dry yield	35%	35%	35%	35%	35%
Concentrate sales 000 DMT	0	105.0	157.5	189.0	189.0
Revenue US\$m	0	9.5	13.5	15.6	15.1

Source: KGI Research

Figure 6: Seri Bandi processing plant under construction



Source: Company Data

Mengapur remains a technical and commercial option. CASB continues mine design, scheduling, cost modelling and studies, together with pilot development for future trial iron, copper and pyrrhotite concentrates. The February 2026 resource model contains 35.89Mt of copper-bearing ore at 0.45% Cu and 2.10Mt of magnetite ore at 30.30% Fe. The copper figure describes mineralised ore, rather than contained copper. These inferred and indicated resources are unchanged in the latest presentation. The copper-only pit optimisation does not assign value to iron, gold or silver. Recovery, funding, feasibility and offtake therefore remain necessary before commercial revenue can be underwritten.

Diversification and Norwest

The Norwest subscription has completed

Fortress participated in Norwest Minerals' one-for-four entitlement offer at A\$0.007 per share and underwrote part of the shortfall. The August announcement allocated 162.6m shortfall shares to Fortress for A\$1.138m. The 2Q results confirm that the offer completed and Fortress subscribed for the additional shares in August. This provides exposure to Bulgera gold development through a listed investment; it does not create consolidated operating gold revenue for Fortress. The July announcement cites Norwest's Bulgera resource of 8.7Mt at 0.68g/t gold, or 191koz, with 76% indicated. Proceeds support studies and permitting rather than current commercial production.

Figure 7: Norwest transaction and investment balances

Item	Disclosed amount or status
Entitlement allocation	15,058,923 shares at A\$0.007
Maximum underwriting allocation	178,471,238 shares
Actual shortfall allocation	162,614,060 shares; A\$1,138,298.43
Underwriting fee	6% of the subscribed underwriting amount
Completion	Confirmed in 2Q27 results; subscription in August 2026
Ordinary equity carrying value	US\$1.535m at 31 August 2026; FVTOCI
Free options carrying value	US\$0.179m at 31 August 2026; FVTPL
Associates carrying value	US\$0.602m at 31 August 2026

Source: Company Data

Accounting gains are separate from mining economics. The quoted Norwest shares are designated at fair value through other comprehensive income, while the options are measured through profit or loss. The half-year option loss was US\$0.340m and the equity fair-value movement was a US\$0.162m loss in OCI. An underwriting fee supported second-quarter other income, but its separate amount is not disclosed. We do not capitalise that fee as recurring mining earnings. Common board relationships disclosed in the July announcement also make capital allocation discipline relevant as the gold project requires further technical work and funding.

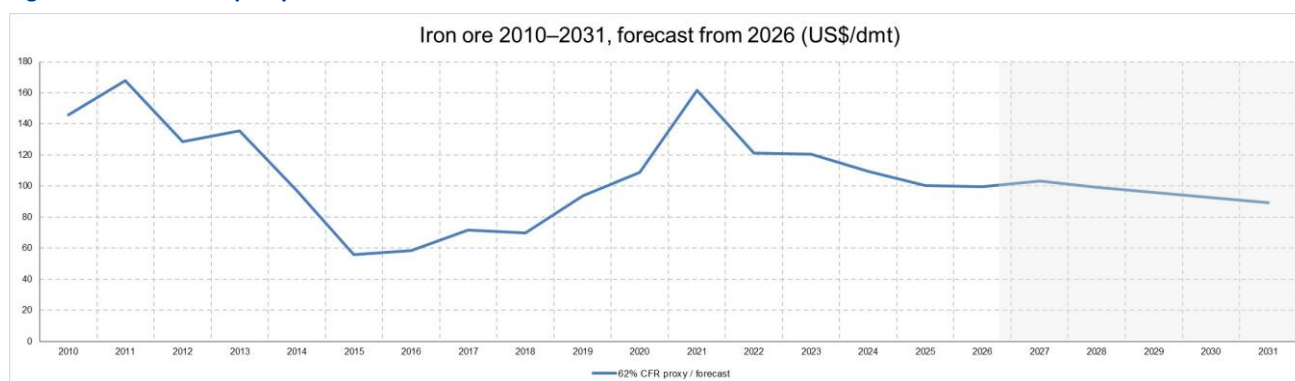
The remainder of the portfolio stays outside commercial forecasts. Our previous FY26 report included a small prospective Mengapur iron contribution in FY28. Our latest base case replaces that timing assumption with the explicit Seri Bandi capacity ramp and includes no new commercial Mengapur contribution, including the previously forecast iron revenue, and no revenue from Sabah or PNG. Mengapur remains under development; its value has not been written off in our investment view. Sabah prospecting is on hold pending licence renewal. PNG status differs between the quarterly presentations, with the latest describing the 10% bauxite interest as proposed. Early-stage associates and Norwest are investment exposures assessed separately from core operations.

Iron Ore Market Outlook

Supply growth limits the case for sustained premium pricing

The September 2026 Resources and Energy Quarterly projects world steel production rising toward 2bn tonnes by 2031, with lower Chinese output offset by growth elsewhere. Brazilian and other African ore exports increase over the forecast period. This supports a **more cautious medium-term price path** despite regional demand resilience. Our model retains strong near-term realisation but reduces the fiscal benchmark from US\$102.6/DMT in FY28 to US\$92.0/DMT in FY31. Fortress's realised ASP further reflects grade, mix and logistics, so it is modelled through a realisation ratio rather than set equal to the benchmark. Better domestic delivery visibility moderates' volume risk but does not remove commodity exposure.

Figure 8: Our 62% CFR proxy and forecast



Source: KGI Research

Figure 9: Steel and ore supply demand outlook

Million tonnes	2025	2026F	2027F	2028F	2029F	2030F	2031F
China crude steel	961	933	933	933	930	929	926
World crude steel	1,850	1,822	1,868	1,911	1,938	1,961	1,980
China ore imports dry Mt	1,260	1,247	1,246	1,225	1,189	1,157	1,152
World ore trade dry Mt	1,744	1,766	1,792	1,828	1,871	1,857	1,838
Australia exports dry Mt	923	937	946	950	935	915	905
Brazil exports dry Mt	413	426	437	451	462	467	470
Other Africa incl Guinea	34	54	84	114	134	154	159

Source: KGI Research

Forecast Revisions

Higher near-term estimates reflect delivery rather than an unchanged growth curve

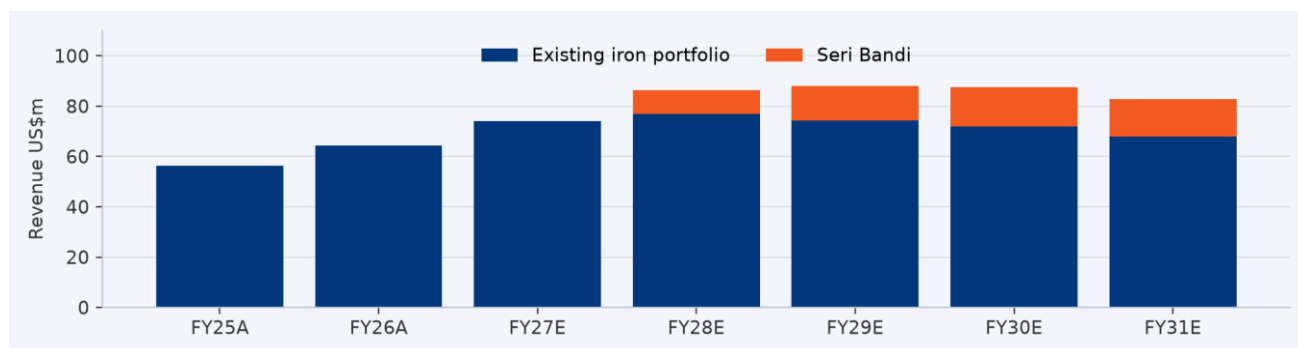
Our updated revenue forecasts are US\$74.1m in FY27, US\$86.4m in FY28 and US\$87.8m in FY29, versus US\$62.6m, US\$67.8m and US\$69.7m in our prior estimate set. The first change is the stronger existing iron portfolio: FY27 sales of 820,000 DMT recognise the first-half run-rate, compared with FY26 sales of 724,439 DMT. The second is Seri Bandi from FY28. We keep all other commercial mineral revenue outside the base case until we have confirmation on real output, with core volume growth moderating after FY29.

Figure 10: Revisions versus the supplied prior model

US\$m unless stated	FY27E	FY28E	FY29E	FY30E	FY31E
Prior revenue	62.6	67.8	69.7	71.6	71.0
Updated revenue	74.1	86.4	87.8	87.5	82.9
Revenue revision	18.2%	27.4%	26.1%	22.3%	16.8%
Prior group NPAT	8.6	9.3	9.7	10.2	9.5
Updated group NPAT	10.9	13.5	11.4	9.5	6.5
Group NPAT revision	26.5%	44.7%	17.9%	(7.0%)	(31.1%)
Prior economic capex	14.0	10.0	8.0	8.0	8.0
Updated economic capex	16.0	12.0	9.0	8.0	7.5

Source: KGI Research

Figure 11: Seri Bandi offsets gradual price normalisation



Source: KGI Research

The earnings path peaks before the end of the explicit forecast. PATMI rises from US\$11.2m in FY27 to US\$13.5m in FY28, then eases to US\$11.4m in FY29, US\$9.5m in FY30 and US\$6.5m in FY31. The revision table uses group NPAT, which is US\$10.9m in FY27; PATMI is US\$11.155m because forecast minority losses add US\$0.301m to the owners' share. Later earnings weaken despite higher sales volumes as realised pricing falls and unit costs rise. This explains why an earnings upgrade in the first part of the forecast can coexist with a lower cash-flow valuation.

Forecast Assumptions and Cash Returns

First-half strength is retained with a more measured second half

The FY27 revenue estimate of US\$74.059m leaves US\$34.183m for 2H27, 14.3% below first-half revenue. Forecast annual volume of 820,000 DMT leaves 392,611 DMT for the second half. On a reported-revenue basis this implies roughly US\$87.1/DMT, compared with first-half gross realised ASP of US\$93.44/DMT. This comparison is indicative because reported revenue includes FX adjustments. The implied second-half gross margin is 59.2%, below the first-half 63.1%, and PATMI is US\$4.242m. Our estimates consequently allow recent grade and mix strength to normalise.

Figure 12: Operating and cash-flow assumptions

US\$m unless stated	FY27E	FY28E	FY29E	FY30E	FY31E
Existing iron revenue	74.1	76.9	74.4	71.9	67.8
Seri Bandi revenue	0	9.5	13.5	15.6	15.1
Existing sales 000 DMT	820	850	870	870	850
Total sales 000 DMT	820	955	1,027.5	1,059	1,039
Group realised ASP US\$/DMT	90.3	90.5	85.5	82.7	79.8
Fiscal 62% CFR proxy US\$/DMT	99.8	102.6	98.5	95.3	92.0
Existing unit cost US\$/WMT	32.0	32.5	33.2	33.8	34.5
Gross margin	61.3%	60.1%	57.1%	55.1%	52.8%
EBITDA	22.9	27.2	24.3	21.6	17.2
PATMI	11.2	13.5	11.4	9.5	6.5
Economic capex	16.0	12.0	9.0	8.0	7.5
Operating cash flow	16.0	19.0	18.5	17.2	14.8
Net debt or (cash)	6.5	2.6	(3.5)	(9.8)	(14.8)

Source: KGI Research

Free cash flow improves only as investment falls. Economic capex remains US\$16.0m in FY27 before falling to US\$12.0m in FY28 and US\$9.0m in FY29. Operating cash flow is approximately US\$16.0m in FY27, so it broadly covers the full investment burden before dividends, acquisitions and financing costs. Lower later-year capex allows net debt to decline, with the model reaching net cash in FY29. That improvement depends on development spending remaining within our assumptions; it is not established by the current cash-capex figure alone.

Valuation

Retain Neutral and reduce the target to S\$0.20 from S\$0.26

We now use DCF alone, with a 9.0% WACC and 2.0% terminal growth assumption, versus the FY26 report's 50:50 DCF and EV/resource blend at 8.8% WACC. Our S\$0.20 target implies 4.8% price downside to the current S\$0.210 price.

Resource tonnage is an insufficient valuation anchor at this stage. The previous resource leg applied US\$2.8/t to 45.78Mt. A single tonne-based multiple gives limited weight to grade, recovery, commodity mix, development expenditure and commercial timing across the portfolio. This matters particularly at Mengapur, where copper-based pit optimisation does not value the other minerals and feasibility work continues. DCF makes the investment and timing assumptions visible. Removing the resource leg is a change in valuation discipline; it does not imply a new resource reduction or asset impairment.

Figure 13: Target-price framework and direction of change

Component	FY26 report	1H27 update
Recommendation	Neutral	Neutral
Target price	S\$0.26	S\$0.20
Method	50% DCF and 50% EV/resource	100% DCF
WACC / terminal growth	8.8% / 2.0%	9.0% / 2.0%
Resource component indicative value	About S\$0.302	Removed

Source: KGI Research

Figure 14: DCF Model

DCF VALUATION All amounts in US\$'000 unless otherwise stated Year ended February	Projected				
	2027	2028	2029	2030	2031
EBIT	21,272	25,622	21,581	17,920	12,260
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%
EBIT (1-T)	14,891	17,935	15,106	12,544	8,582
(+) D&A	8,255	8,890	9,271	9,525	9,525
(-) Change in NWC	(5,631)	(2,983)	(1,102)	(465)	519
(-) Capex	(20,337)	(15,316)	(11,481)	(10,211)	(9,576)
Free Cash Flow	(2,822)	8,526	11,794	11,393	9,050
Free Cash Flow to Firm	(423)	8,526	11,794	11,393	9,050
Terminal Value	-	-	-	-	118,568
Total FCFF to be Discounted	(423)	8,526	11,794	11,393	127,618
PV of Free Cash Flow	(405)	7,494	9,511	8,429	86,628
(+) Non-operating investments, net	357				
(=) Value before net debt	112,013				
(-) Debt	(29,188)				
(+) Cash	21,838				
Equity Value	104,663				
Diluted Shares Outstanding ('000)	523,316				
Fair Value / Share (\$)	0.200				
Current Share Price (\$)	0.210				
Upside / (Downside)	(4.8%)				

Source: KGI Research

Financial Summary

INCOME STATEMENT (US\$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	56,254	64,261	74,059	86,405	87,838
Cost of sales	(22,871)	(26,945)	(28,655)	(34,453)	(37,653)
Gross profit	33,383	37,316	45,404	51,952	50,185
Selling and distribution expenses	(6,340)	(7,876)	(10,508)	(12,313)	(12,759)
Administrative expenses	(1,315)	(1,583)	(3,400)	(3,502)	(3,607)
EBITDA	16,246	19,331	22,900	27,175	24,293
Depreciation & amortisation	(5,255)	(5,087)	(6,500)	(7,000)	(7,300)
Operating profit (EBIT)	10,991	14,244	16,400	20,175	16,993
Net finance income / (cost)	(324)	(307)	(894)	(850)	(717)
Other gains / (losses)	-	-	-	0	(0)
Profit before tax	10,667	13,937	15,506	19,324	16,275
Tax expense	(4,719)	(4,139)	(4,652)	(5,797)	(4,883)
Minority interests	549	(3)	301	-	-
Net profit (PATMI)	6,498	9,795	11,155	13,527	11,393
EPS (adj. S\$ cents)	1.58	2.38	2.71	3.28	2.76
DPS (adj. S\$ cents)	0.58	0.45	0.47	0.54	0.66

CASH FLOW STATEMENT	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before tax	10,667	13,937	15,506	19,324	16,275
Depreciation & amortisation	5,255	5,087	6,500	7,000	7,300
Working capital changes	(602)	4,190	(4,434)	(2,349)	(868)
Tax paid	(4,397)	(3,331)	(3,613)	(5,797)	(4,883)
Other operating items	2,320	(799)	1,991	850	717
Operating cash flow	13,243	19,084	15,950	19,029	18,542
Capex	(3,390)	(11,044)	(9,600)	(8,000)	(7,000)
Acquisition of businesses, net of cash	973	(2,257)	(1,371)	-	-
Other investing items	274	282	355	302	379
Investing cash flow	(2,142)	(13,019)	(10,616)	(7,698)	(6,621)
Dividends paid to owners of the Company	(2,403)	(1,870)	(1,930)	(2,231)	(2,705)
Payment of lease liabilities	(992)	(112)	(91)	(60)	(40)
Repayment of borrowings	(7,287)	(4,355)	(11,924)	(4,000)	(4,000)
Other financing items	1,502	6,187	7,673	(1,152)	(1,097)
Financing cash flow	(9,180)	(150)	(6,271)	(7,443)	(7,842)
Forex gains/(loss)	251	848	195	-	-
Net change in cash	2,172	6,762	(742)	3,887	4,079
Beginning cash	5,679	7,850	14,612	13,870	17,758
Ending cash	7,850	14,612	13,870	17,758	21,837

BALANCE SHEET (US\$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash and bank balances	7,850	14,612	13,870	17,758	21,837
Trade and other receivables	14,230	11,671	19,225	22,430	22,802
Inventories	6,507	10,134	8,636	10,383	11,347
Contract Assets	-	-	-	-	-
Other current assets	1,786	635	1,213	1,213	1,213
Current assets	30,373	37,052	42,944	51,784	57,199
Property, plant & equipment	23,883	37,872	40,227	41,237	40,777
Right-of-use assets	133	162	64	64	64
Other non-current assets	49,165	62,075	63,548	67,598	69,798
Non-current assets	73,181	100,109	103,838	108,898	110,638
Total assets	103,555	137,161	146,783	160,682	167,838
Trade payables	1,865	1,328	1,884	2,265	2,476
Contract liabilities	-	-	-	-	-
Other current liabilities	13,955	25,515	26,686	28,908	27,966
Current liabilities	15,820	26,843	28,570	31,174	30,442
Lease liabilities	41	80	39	39	39
Other non-current liabilities	8,491	13,923	15,360	15,360	14,560
Non-current liabilities	8,532	14,003	15,400	15,400	14,600
Total liabilities	24,352.3	40,845.9	43,969.9	46,573.4	45,041.7
Retained earnings	50,534	67,780	74,535	85,831	94,519
Minority interests	(326)	(460)	(718)	(718)	(718)
Share capital	28,995	28,995	28,995	28,995	28,995
Total equity	79,202	96,315	102,813	114,109	122,796

KEY RATIOS & VALUATION	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue growth (%)	4.3%	14.2%	15.2%	16.7%	1.7%
Gross margin (%)	59.3%	58.1%	61.3%	60.1%	57.1%
EBITDA margin (%)	28.9%	30.1%	30.9%	31.5%	27.7%
Net profit margin (%)	11.6%	15.2%	15.1%	15.7%	13.0%
ROE (%)	8.6%	11.1%	11.1%	12.4%	9.6%
ROA (%)	5.9%	8.1%	7.6%	8.8%	6.9%
Net debt / equity (x)	(0.0x)	0.0x	0.1x	0.0x	(0.0x)
Net debt / EBITDA (x)	(0.2x)	0.2x	0.3x	0.1x	(0.1x)
Dividend payout (%)	37.0%	19.1%	17.3%	16.5%	23.7%
P/E (x)	14.9x	9.9x	8.7x	7.2x	8.5x
EV/EBITDA (x)	5.8x	5.1x	4.4x	3.6x	3.8x
Dividend yield (%)	2.5%	1.9%	2.0%	2.3%	2.8%

Source: Company, KGI Research estimates

KGI's Ratings

The following table summarises the ratings convention used by KGI Securities in this and other research reports.

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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