FORTRESS MINERALS LIMITED
(Company Registration No.: 201732608K)

RESPONSE TO QUESTIONS FROM SHAREHOLDERS IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON 23 JUNE 2021

The board of directors ("**Board**") of Fortress Minerals Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to address questions received from shareholders of the Company prior to the upcoming Annual General Meeting for its financial year ended 28 February 2021 to be held by electronic means on Wednesday, 23 June 2021, at 11:00 a.m. ("**AGM 2021**").

The Company would like to express its appreciation to its shareholders for submitting their questions in advance of the AGM 2021. The Company would like to inform shareholders that all the questions submitted by shareholders by the deadline, i.e., 11:00 a.m. on 17 June 2021, have been received and the Company's responses to these questions are published in this announcement.

Question 1. What is the progress of development at new mine - Mengapur? Has the production begun and what was Mengapur production volume in Apr and May? How much CAPEX is expected to spend in Mengapur project and what is the maximum production capacity per month? Will the new acquisition contribution towards the current year?

Company's Response:

Mengapur is currently in its development phase. Leveraging on the Group's expertise and experience with the Bukit Besi mine, the Group will be able to expedite processing plant modifications and the time required to commence mining operations at Mengapur. This is in addition to the existing plants and machineries at Mengapur which will enable the Group to commence operations quickly.

With the completion of the acquisition of the entire issued and paid-up share capital of Fortress Mengapur Sdn. Bhd. (formerly known as Monument Mengapur Sdn. Bhd.) on 7 April 2021, preparation works for the commencement of mining operations at Mengapur are currently underway. Production of iron ore at Mengapur is planned to commence at the end of the financial year ending 28 February 2022 ("**FY2022**") with capital expenditure for the development phase expected to be at similar levels to the previous development phase for the Bukit Besi mine. The phase 1 intended design production capacity is to produce 30,000 to 40,000 wet metric tonnes ("**WMT**") of iron ore a month at a steady state.

The Group will update the shareholders via SGXNET as and when there are any material updates in relation to the above.

Question 2. The sales contract with third party domestic steel mill is going to be ended on 31 Aug 2021, will there be new agreement to replace the existing contract? If the company is losing this sole third-party steel mill customer, will it cause a significant impact to the decrease of revenue after Aug 2021? In financial report Note 34.1 stated that there is no significant credit exposure to single party but with the sales contract of 400,000 tons to a third-party customer, was it consider as a significant single party? How many % of sales and trade receivables are solely delivered to this contract?

Company's Response:

The Group announces any significant trends and competitive conditions of the industry in which the Group operates in and any known factors or events that may affect the Group in the next 12 months, in its quarterly financial statements.

As per the Group's latest update in its financial results announcement for the financial year ended 28 February 2021 ("**FY2021**"), it remains positive on the outlook of high-grade iron ore and will continue to focus on increasing its mineral resource through exploration at the Bukit Besi mine, as well as its efforts to optimise its processing capabilities to improve its overall production tonnage and cost efficiencies.

The Group also has strong relationships within the regional mining ecosystem and is well-positioned with strong operating cash flows to continue to enhance shareholders' value. Prior to the offtake agreement with a third-party domestic steel mill in Malaysia, the Group had sold 231,007 WMT of iron ore for its half year ended 31 August 2020. The Group continues to explore favourable offtake agreements which will provide recurrent income and cash flows to the Group as well as strengthen its financial position.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except from three trade receivables which accounted for 100% of the total trade receivables as at 28 February 2021. The third-party domestic steel mill which we have an offtake agreement is one of the aforementioned three trade receivables. We are unable to share the exact sales percentage delivered to the aforementioned domestic steel mill due to commercial sensitivities.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require collaterals.

Trade receivables that are neither past due nor impaired are substantially from companies with a good collection track record with the Group. As at the end of FY2021, there are no trade receivables past due but not impaired.

Question 3: Does the company hedge its iron ore sales price to fix the revenue and profit margin?

Company's Response:

The Group regularly evaluates its requirements to hedge its sales and currency exposure.

In reference to the offtake agreement with a third-party domestic steel mill in Malaysia, in an announcement dated 7 October 2020, the selling price of approximately 400,000 WMT of iron ore for the period commencing 1 September 2020 to 31 August 2021 to the domestic steel mill (the "**Deliverables**"), is based on a formula guided by, amongst others, the average of the available daily price of Platts for 65% Fe Cost and Freight ("**CFR**") North China, adjusted subject to the chemical composition of each shipment of the Deliverables. One of the benefits of this offtake agreement is that it is based on a market-based pricing and that the Group is not disadvantaged in terms of pre-fixed pricing.

The Group does not currently have a formal policy or procedure to hedge its foreign currency exposure or sales against fluctuations. Should the need arise, the Group will develop the appropriate policy and procedure before it enters into any hedging transactions.

All such policy and procedure will be reviewed and approved by the Board prior to adoption.

Question 4: In the financial report Note 10 Trade Receivables mentioned that credit term is on 7 - 14 days but based on latest outstanding of US$11m it is about 85 days of debtors turnover days. What is the actual or average credit terms to customer and is there any risk of bad debt?

Company's Response:

The Group either obtains a letter of credit from its customers or is on a credit term at the range of seven (7) to fourteen (14) days from invoice date which coincide when control transfers to the customer.

Trade receivables that are neither past due nor impaired are substantially from companies with a good collection track record with the Group. As at the end of FY2021, there are no trade receivables past due but not impaired.

The Board and management have considered the uncertainties and challenges arising from the Covid-19 pandemic on the Group's operations and assessed that the receivables of the Group remain healthy and that there are no indications that the credit quality of receivables have deteriorated. With the present price of iron ore and the cash reserves of the Group, the Group is of the view that adequate funds are available for its operating requirements for the purposes of meeting its debt obligations for the next 12 months. In view of the above, the Board and management do not see any going concern issue and there are no indications that would require the impairment of assets. As at the date of this announcement, neither the Company nor any of its counterparties have exercised temporary relief, force majeure clauses or termination of contractual obligations for material contracts.

The increase in trade receivables in FY2021 were in line with completion of various customers' contracts, and the timing of the completion of these contracts was towards the end of FY2021 in February 2021 and the trade receivables were fully collected in March 2021.

Question 5: What is the impact of recent FMCO announced by Malaysia government to Fortress's operation? How much decrease in production is expected due to the lockdown in Malaysia?

<u>Company's Response:</u>

In spite of the Covid-19 pandemic and the Movement Control Order ("**MCO**") in Malaysia on 18 March 2020, which resulted in the ceasing of the Company's mining activities in Bukit Besi, Terengganu, Malaysia, the Group was able to obtain the relevant approvals from the Ministry of International Trade and Industry ("**MITI**") and resumed mining and processing activities on 29 April 2020.

According to the latest update from MITI, iron and steel sectors are covered in the list of manufacturing and manufacturing-related services sectors are allowed to keep their operations operating in a "warm idle" condition i.e. operating with a 10% workforce, as defined in the announcement from MITI on 30 May 2021. The Group will continue to update the shareholders via SGXNET as and when there are material changes to the situation.

Please refer to the announcement from MITI for further details: https://www.miti.gov.my/miti/resources/Media%20Release/MEDIA%20RELEASE_MCO_(30.05.21)_FINAL_ENG2.pdf

Question 6: It is great to see that Buki Besi mining production volume is increasing throughout 2020. May I know what is the current maximum production capacity and is there any major CAPEX in plan to expand the capacity?

<u>Company's Response:</u>

The Group's additional ball mills and related machinery successfully commissioned in August 2019 helped to increase steady-state processing capacity to around 40,000 to 50,000 WMT a month.

On average, about a month of scheduled maintenance on the ball mills and machineries is done every year, and usually around the monsoon season to increase efficiency. The Group is comfortable maintaining its current processing levels.

The Group will continue to balance enhancing processing capabilities against exploration to increase its mineral resources to ensure sustainable growth for the Company and will update the shareholders via SGXNET as and when there are any material updates in relation to the above.

Question 7: Any advice on Q1 FY2022 result release date?

Company's Response:

The Q1 FY2022 result is expected to be released on 15th July 2021 via SGXNet.

Question 8: Singapore iron ore futures price of iron ore has increased from US$90/ton in January 2020 to about US$160/ton in January 2021 while the average realised selling price for FY2021 was at US$105.43/DMT. What is the management's strategy to capture a greater sales value and margin?

The Group continues to benefit from the higher iron prices as evidenced by its increased average selling price in FY2021.

Selling prices are dependent on a number of factors, including the selling price for the day (as the Group transports iron ore on a daily basis to local steel mills) and specific requests for different grades of iron ore by customers.

As iron ore is non-fungible, variations in the quality of output are also expected, which result in discounts or premiums to its selling price for the day.

For the majority of the Group's sales, the selling prices are based on the average of the available daily Platts 65% Fe CFR North China Index and adjusted to the chemical composition of each shipment. For local steel mills which do not incur ocean freight costs that the Group is required to arrange and pay, the Group may adjust the selling price to exclude ocean freight costs.

The Group's average unit cost of sales decreased by 21.5% or US$6.19/WMT to US$22.62/WMT in FY2021 as compared to financial year ended 29 February 2020 ("**FY2020**") of US$28.81/WMT, which was contributed by productivity gains and efficacy achieved from higher production volume in FY2021. Further possible reductions in the average unit costs of sales are largely dependent on an increase in production volume.

The Group remains focused on its low-cost strategy to optimise margins and provide growth and value to shareholders.

The Group will continue to balance enhancing processing capabilities against exploration to increase its mineral resources to ensure sustainable growth for the Group and will update the shareholders via SGXNET as and when there are any material updates in relation to the above.

Question 9: How sustainable is the Bukit Besi mine with a total indicated and inferred resources of 5.78 million tonnes as at 28 February 2021?

During FY2021, the Group continued to invest an aggregate sum of US$3.9 million in exploration and evaluation assets and plant and equipment at our Bukit Besi mine. For business continuity, exploration and evaluation activities at our East, Valley and West Deposit at our Buki Besi mine would be one of our key priorities.

MinOre Consulting Pty Ltd ("**MinOre**"), our independent consultants, has prepared the updated Mineral Resource estimate to include new drilling information and mining depletion as at 28 February 2021. The Mineral Resource estimates are prepared and reported in accordance with the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("**JORC**") guidelines. This Mineral Resource update for the Bukit Besi mine was announced in our FY2021 financial results announcement uploaded onto SGXNet on 21 April 2021 and on our corporate website.

Question 10: With the increasing importance of ESG for a sustainable future, what is the Company doing to improve its ESG processes and reporting?

At Fortress Minerals Limited, we support the transition to low carbon future and are committed towards sustainable development of natural resources. Environmental risks and opportunities have formed part of the Group's strategic thinking and investment decisions since inception. The Board firmly believes that the Group's business has a role to play in the transition to a low-carbon economy. The Management and operational team recognises that its obligations towards environment impact are on-going and regularly considers the needs of its stakeholders by finding new and innovative solutions that create mutual benefit. Regular turfing works have since been performed to ensure environmental safety. In addition, independent consultants were also appointed to facilitate the monitoring of environmental impact from the Group's operations. The Board aims to maintain full compliance with the environmental rules and regulations governing the Group's mine operations.

BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED

Dato' Sri Ivan Chee Yew Fei
Chief Executive Officer
21 June 2021
