



## **FORTRESS MINERALS LIMITED**

(Company Registration No.: 201732608K)

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### **RESPONSE TO QUESTIONS FROM SHAREHOLDERS IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON 22 JUNE 2022**

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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 2022 to be held by electronic means on Wednesday, 22 June 2022, at 11:00 a.m. (“**AGM 2022**”).

The Company would like to express its appreciation to its shareholders for submitting their questions in advance of the AGM 2022. The Company would like to inform shareholders that all the questions submitted by shareholders by the deadline, i.e., 11:00 a.m. on 14 June 2022, have been received and the Company’s responses to these questions are published in this announcement.

**Question 1. Why did the contingent consideration in Note 7 decrease from US\$1.8m in 3Q FY2022 to US\$0.6mil in 4Q FY2022? Does the Group expect less revenue to be derived from Mengapur mine over its life? Were there other assumptions in the discounted cash flow which had changed?**

Company’s Response:

The Company was previously finalising the purchase price allocation report for its acquisition of Fortress Mengapur Sdn. Bhd. and its subsidiaries (“**Fortress Mengapur**”) which was only completed during the fourth quarter ended 28 February 2022 (“**4Q FY2022**”). Accordingly, the fair value assessment of the contingent consideration had not been completed by the date the interim financial statements for the third quarter ended 30 November 2021 (“**3Q FY2022**”) was approved for issue by the Board of Directors.

The reduction in the contingent consideration from 3Q FY2022 to 4Q FY2022 was a result of a more prudent evaluation of the anticipated annual production volume. The inferred mineral resources for Fortress Mengapur as at 28 February 2022 remained unchanged from 26 October 2020.

Further details of the assumptions in the discounted cash flow, valuation technique and input used in Level 3 fair value measurement can be found in Note 4, 10 and 35.5 of the Annual Report 2022.

**Question 2. What is the expected output in Wet Metric Tonne (“WMT”) of Cermat Aman Sdn Bhd (“CASB”) mine for FY2023?**

Company’s Response:

The Group completed the successful dry run of its operations at the CASB mine on 29 April 2022.

Testing and commissioning of the operations at the CASB Mine are underway and we are currently at the last stage before operations commence.

This is on track with the strategic growth plans set out and a timely development given the strong iron ore pricing environment.

We are unable to provide a forecast or forward-looking statements with regards to the expected output of the CASB mine. However, the Group believes that with its expertise and experience, it will be able to ramp up operations efficiently and looks forward to the positive contribution from the CASB mine in the financial year ending 28 February 2023 (“FY2023”) and beyond.

**Question 3: Excluding short term deposits pledged, cash balance as at end of FY22 is only US\$4.9mil. There is upcoming FY2022 dividend payment of about US\$2.9mil, bank borrowings of US\$6.4mil due within one year and another US\$9.1mil of expenses in 1Q FY2023 (as mentioned in Part II Note 16ii). This is a shortfall of US\$13.5mil. How does the Group intend to fund all these?**

Company’s Response:

The Group actively manages its operating cash flows so as to ensure that all payment needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

The Management reviews and monitors the capital structure to ensure that the Group and the Company are able to service any debt obligations (including principal repayment and interest) based on operating cash flows. The Group and the Company’s overall strategy remains unchanged.

For FY2022, the Group’s net cash flow from operating activities increased to US\$22.7 million from US\$15.8 million in FY2021 and US\$9.2 million in FY2020.

As at 28 February 2022, the Group had cash and cash equivalents of US\$4.9 million and recorded a positive working capital position of US\$2.7 million.

The Board and Management regularly reviews the impact of uncertainties and challenges on the Group’s 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 is also currently exploring various fund-raising opportunities to enhance its cash balances for operational needs. The Group will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

**Question 4: Under Part II Note 4, it is mentioned "The Group is also currently exploring various fund-raising opportunities to enhance its cash balances for operational needs". Does the Group intend to issue more shares to raise such funds? Will it be private or public issue?**

Company's Response:

The Group regularly assesses its financing requirements in line with its operating requirements and growth strategies, and manages its capital to maintain an optimal capital structure so as to maximise shareholders' value.

For FY2022, despite the challenges arising from the Covid-19 pandemic, excluding assets and liabilities for Fortress Mengapur, the Group achieved a return of capital employed of 50.64%.

As at the date of this announcement, there are no definitive agreements that have been entered into by the Group in relation to the aforementioned fund-raising opportunities. Notwithstanding, the Group will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

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

Dato' Sri Ivan Chee Yew Fei  
Chief Executive Officer  
16 June 2022

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*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.*

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