



FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) IN RELATION TO THE ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING TO BE HELD ON 28 JUNE 2023

The board of directors (“**Board**”) of Fortress Minerals Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that it did not receive any questions from shareholders of the Company as at the cut-off timeline for submission of questions prior to the upcoming Annual General Meeting and Extraordinary General Meeting for its financial year ended 28 February 2023 to be held at Esplanade Room 1, Level 3 of Singapore Recreation Club, B Connaught Drive, Singapore 179682 on Wednesday, 28 June 2023, at 2:00 p.m. (“**AGM 2023**”) and 2:30 p.m. (or as soon thereafter following the conclusion or adjournment of the AGM 2023 (“**EGM 2023**”)).

The Board further refers to the questions raised by SIAS and the Company’s responses to these questions are published in this announcement. For avoidance of doubt, the Company did not respond to commentaries made by SIAS since they merely set out the context of the questions raised.

Question 1(i). For greater transparency, would the board/management consider continuing the practice of disclosing the average realised selling price of iron ore in the annual report?

Company’s Response:

The Group is currently disclosing average realised selling price of iron ore in the quarterly financial result announcements and will consider to include this disclosure in the annual report in future.

Question 1(ii). What is the group’s strategy to optimise revenue and profitability, specifically focusing on the measures implemented to optimise/maximise the average selling price of iron ore?

Company’s Response:

The Group’s management acknowledges this challenge and aims to navigate it by the implementation of prudent strategies. By focusing on in-house expertise, asset characteristics, production and delivery optimisation, and sales efforts, the Group seeks to maximise profitability and mitigate the impact of market fluctuations with these existing strategies: -

1. In-house expertise: The Group recognises the importance of having an experienced team in resource prospecting, exploration, and mining. By maintaining a skilled workforce within the Group, the Group can effectively assess potential mining sites, explore new resources, and conduct efficient mining operations. This in-house expertise contributes to operational efficiency and helps maximise profitability.
2. Strategic asset locations: The Group's assets are strategically located in close proximity to good public infrastructure and customers. This advantageous positioning reduces costs associated with transportation, processing and selling. Additionally, favorable geological conditions in these locations can facilitate efficient mining and processing operations, further enhancing profitability.
3. High grade iron concentrates and stable demand: The Group's assets yield high grade iron concentrates, which are in demand in the region. This high quality product, combined with strong relationships in the market, contributes to stability of demand and sales. By providing a sought-after product and maintaining good customer relationships, the Group can achieve a steady stream of revenue, thereby enhancing profitability.
4. Balancing exploration and processing: The Group aims to maintain a balanced approach to exploration and processing to ensure business sustainability and consistent operational capacity. By dedicating resources to both activities, the Group can continue to discover new reserves while also efficiently processing and delivering existing resources, thereby maximising profitability.
5. Prioritising domestic sales: The Group maintains a strong relationship with customers in the region and may prioritise domestic sales depending on freight rates. By optimising sales strategies and considering cost factors such as freight rates, the Group can achieve cost-effective sales and maximise profitability.
6. In-house fleet of heavy duty trucks: The Group has its own fleet of heavy duty trucks, which provides long-term cost savings. By owning and managing its transportation assets, the Group can reduce reliance on external transportation services and potentially achieve more efficient logistics and cost control.

Overall, the Group has been implementing various strategies to ensure efficiency, cost optimisation and profitability.

Question 1(iii). What were the reasons for the decrease in the average realised selling price of iron ore in FY2023?

Company's Response:

This is mainly attributed to the overall decline in global iron ore prices during the financial year.

The selling price is based on the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices with adjustments for the Fe content and level of impurities and also accounting for prices applied to the local market.

Question 1(iv). In addition, can the board/company also provide more information on the hedging strategies employed by the group, if any, to better manage the price risks of iron ore?

Company's Response:

There are several ways to manage the price risks of iron ore. One such approach involves adjusting activities based on the prevailing iron ore prices.

When iron ore prices are unfavourable, priority may shift to allocating funds towards the process of stripping the iron ore or exploration. However, when iron ore prices are favourable, more resources can be allocated to ramp up processing.

This strategy will act as a buffer and safeguard against the potential negative impacts of cost escalations due to price hikes or low revenue resulting from a drop in iron prices.

The buffer created by this approach typically lasts for a period of 3-6 months, providing greater financial stability and flexibility.

In addition, in April 2023, the Group entered into a new nine months offtake agreement with a third-party domestic steel mill in Malaysia for the sale of approximately 270,000 wet metric tonnes of iron ore for the period commencing 4 April 2023 to 31 December 2023.

Question 1(v). Can management elaborate further on its view of the iron ore market in the next 18-24 months?

Company's Response:

The iron ore market is influenced by various factors such as global economic growth, infrastructure development, steel production, supply and demand dynamics, government policies, and geopolitical events. These factors can contribute to price fluctuations and market volatility.

To gain a more accurate and up-to-date understanding of the iron ore market in the next 18-24 months, it would be best to refer to the latest industry reports, market analyses and statements from the management team or official company communications. These sources can provide specific insights and projections based on current market conditions.

The Group is of the view that high grade iron concentrates will continue to be a favourable determining factor in pricing and appetite for iron ore. Increased focus on high grade iron concentrates continues to underpin demand, supported by efforts to decarbonise the global iron ore and steel industry.

Question 1(vi). What are the reasons/considerations for a shorter offtake agreement of 9 months (versus the previous offtake agreement of 15 months)?

Company's Response:

The Group adopted longer term offtake agreements in the past but has now adopted a new approach by engaging in shorter-term off-take contracts. This conscious strategy allows the Group to enhance its negotiating power with a wider group of customers. The decision stems from the prevailing supply and demand dynamics in the iron ore market in Malaysia. There is currently a high demand for iron concentrates, coupled with a scarcity of supply. The Group still has the flexibility to opt for longer-term offtake contracts if it deems it advantageous.

Question 2(i). Can management elaborate further on the reasons for the disproportionately large increases in "handling and transportation charges"?

Company's Response:

The increase in the cost of handling and transportation charges per WMT is mainly due to the following:

1. Rising prices of diesel. The diesel prices have increased by 60% during the FY2023 as compared to FY2022.
2. The Group utilises both internal and external transportation services for the transport of its goods. The Group's internal transportation capacity has reached its maximum limit during this financial year, necessitating a greater reliance on external transporters, which has resulted in higher transport charges.
3. The Group primarily sends its goods to two major customers in different locations. Consequently, the distribution of its sales between these two major customers also influences the overall transportation charges incurred.

Question 2(ii). How were the royalty payments calculated and what had caused the 90% increase when the volume sold increased by just 52.8%? Are royalties based on volume of iron ore mined, volume sold or realised revenue?

Company's Response:

Royalty is calculated based on the volume and grade of iron concentrate sold.

The main factor for the significant increase of 90% in royalty payments when the volume sold increased by just 52.8% is due to an average increase of approximately 80% in the royalty rate for the Bukit Besi mine during FY2023 as compared to FY2022. The revised royalty rate was set by the state government of Terengganu to better reflect the current market conditions of the iron ore market as the previous rate was set since year 2017.

Question 2(iii). With regard to the contingent consideration (Note 23) relating to the acquisition of Fortress Mengapur Sdn. Bhd. (“FMeSB”) (formally known as Monument Mengapur Sdn. Bhd. (“MMSB”)) and its subsidiaries (the “FMeSB Group”), is there an upper bound to the contingent consideration payable to the vendor?

Company’s Response:

The payment of royalties by the Company is at the rate of 1.25% of gross revenue on all mineral products produced in forms ready for sale from the area within the boundaries of the entire tenements held by the subsidiaries namely CASB and SDSB, save for free digging oxide magnetite iron materials contained on the topsoil at certain areas of the tenement held by CASB in accordance with the terms thereof. There is no upper bound to the contingent consideration.

The fair value of the contingent consideration which amounted to US\$2,383,258 is determined using the discounted cash flow method. This is a level 3 fair value measurement.

Question 2(iv). What was the level of production at the new Cermat Aman Sdn Bhd (the “CASB”) mine?

Company’s Response:

Raw material for current production in CASB is mined from the low cost oxide ore which sits on the surface. The anticipated production from this type of ore ranged from 5,000 wet metric tonne (“WMT”) to 10,000 WMT per month.

Question 2(v). How much has been invested and what are the planned capital expenditure for the CASB mine in the next 2-3 years? What is the estimated timeline to complete the new integrated processing plant?

Company’s Response:

The total capital expenditure invested in the CASB mine since its acquisition amounted to approximately US\$11.7 million which comprises of motor vehicles, site equipment, staff quarters, workshops and plant and machinery.

Given that CASB is a polymetallic mine with diverse mineral resources, the focus of the Group's efforts is to prioritise metallurgical works and recovery processes that maximise the recovery of these minerals. As the new integrated processing plant is still under design stage, the estimated cost and timeline for future capital expenditure and the completion time will be provided by the Group via SGXNET as and when there are material developments on the abovementioned.

Question 2(vi). Separately, what are the planned exploration activities in the Telupid and Tongod areas of Sabah, East Malaysia? How much capital has been set aside for prospecting in Sabah?

Company's Response:

The exploration activities commenced in April 2023 and will consist of four phases.

The first phase involves conducting surface geological mapping with geochemical survey, pulse electromagnetic survey, magnetic surveys and other ground geophysical surveys to better define the targets for drilling campaigns.

During phase two, the drill target will be optimised by refining geophysical survey models based on detailed geological mapping.

The third phase involves mobilising drill rigs and teams, conducting drilling, logging, sampling, and assaying, while adjusting drill hole designs to target specific areas.

And in phase four, the Group will be compiling a Mineral Resource Estimate ("MRE") report in accordance with JORC 2012 guidelines.

The total estimated commitment of the exploration activities for both projects is approximately US\$6.8 million over the two-year period, which is expected to be funded by a combination of internal and external sources.

Question 3(i). Can management share the URL of the whistleblowing policy on the corporate website (www.fortress.sg)? When was the whistleblowing policy posted online?

Company's Response:

The URL for the whistleblowing policy on the corporate website is <https://fortress.sg/index.php/investors/corporate-governance/65-whistle-blowing-policy> and it was posted on 27 September 2019.

Question 3(ii), 3(iii) and 3(iv). Specific to the one incident of whistle-blowing report in FY2023, can the AC elaborate further on the nature of the whistleblowing complaint? Have the investigations been concluded and if so, what are the findings and follow-up? What was the level of involvement by the AC?

Company's Response:

The whistle-blowing incident is a complaint against a senior officer of the Group relating to misleading and non-disclosure of certain personal information. This was investigated by the AC in accordance with the Company's Whistle-blowing Policy and Procedures. The AC had reached out to the Whistle-blower, who could not provide evidence of the allegations and had also interviewed the said employee, who denied the allegations. The employee resigned subsequently and the AC has no intention to further investigate these allegations. The AC has also reviewed the pre-employment documentations and found that the process is adequate.

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

Dato' Sri Ivan Chee Yew Fei
Chief Executive Officer
23 June 2023

*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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