

**THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF  
MONUMENT MENGAPUR SDN BHD AS A MAJOR TRANSACTION**

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**1. INTRODUCTION**

The board of directors (the “**Board**”) of Fortress Minerals Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that on 8 January 2021, the Company had entered into a conditional sale and purchase agreement (the “**SPA**”) with Monument Mining Limited (the “**Vendor**”) for the acquisition of the entire issued and paid-up share capital (the “**Sale Shares**”) in Monument Mengapur Sdn Bhd (the “**Target**”) from the Vendor for a cash consideration of US\$30,000,000 (the “**Consideration**”) in accordance with the terms and conditions of the SPA (the “**Proposed Acquisition**”). In connection with the Proposed Acquisition, the Company has also on even date entered into a royalty agreement (the “**Royalty Agreement**”) with the Vendor for the payment of royalties by the Company to the Vendor at the rate of 1.25% of gross revenue (as defined in the Royalty Agreement) on all mineral products produced in forms ready for sale from the area within the boundaries of the entire tenements held by the Target’s subsidiaries, namely Cermat Aman Sdn Bhd (“**CASB**”) and Star Destiny Sdn Bhd (“**SDSB**”), save for free digging oxide magnetite iron materials contained on the top soil at certain areas of the tenement held by CASB, subject to the completion of the Proposed Acquisition and in accordance with the terms thereof. Further details relating to the royalty arrangements are set out in Section 3.6 of this announcement.

The Proposed Acquisition is considered a “major transaction” of the Company as defined under Chapter 10 of the Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The Proposed Acquisition will be subject to, amongst others, the approval of the shareholders of the Company (the “**Shareholders**”) at an extraordinary general meeting (the “**EGM**”) to be convened in due course.

**2. INFORMATION RELATING TO THE TARGET, THE SALE SHARES AND THE VENDOR**

**2.1 Information on the Target**

The Target is a private company limited by shares incorporated in Malaysia on 6 April 2011 which has a total issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares. The Target is principally engaged in the business of copper and other minerals exploration.

The Target is the legal and beneficial owner of the entire issued and paid-up share capital of the following companies (the “**Target Subsidiaries**”, together with the Target, the “**Target Group**”):

- (a) **Cermat Aman Sdn Bhd** (i.e. CASB), a private company limited by shares incorporated in Malaysia on 13 October 1997 and which is the registered lessee of a mining lease no. ML8/2011 (the “**ML8/2011**”) in respect of a parcel of mining land bearing particulars Lot

10210, Bukit Mengapur, Mukim Hulu Lepar, District of Kuantan, State of Pahang, Malaysia (the “**Mining Land**”), except the free digging oxide magnetite iron materials contained on the top soil at certain areas of ML8/2011 (the “**Third Party Iron Ore Interests**”). Cermat Aman Sdn Bhd has on 18 December 2020 obtained the renewal of ML8/2011 for a period of 5 years from 1 June 2020 to 31 May 2025 as endorsed by Pejabat Pengarah Tanah dan Galian Pahang (“**PTG**”); and

- (b) **Star Destiny Sdn Bhd** (i.e. SDSB), a private company limited by shares incorporated in Malaysia on 14 February 2006 and which is the holder of an exploration permit no. SKC(H) No. 1/2008 in relation to compartment 110 and part of compartments 108, 109, 111, 112 of Hutan Simpan Berkelah at Bukit Mengapur Mukim Hulu Lepar, District of Kuantan, State of Pahang, Malaysia (the “**Exploration Land**”) and has on 15 October 2020 obtained approvals from PTG for mining leases for areas of 380 hectares, 188.3 hectares and 198.28 hectares at the Exploration Land for a period of 12 years (the “**ML Approvals**”).

The Vendor is the legal and beneficial owner of the entire issued and paid-up share capital of the Target.

The assets of the Target Group comprises mainly the entire tenements held by CASB and SDSB (“**Mengapur**”), which covers approximately 935.1 hectares situated across the area covered under ML8/2011 and the ML Approvals held by the Target Subsidiaries, save for the Third Party Iron Ore Interests. As far as the Company is aware, there are currently no mining activities at Mengapur.

## 2.2 Value and net profit attributable to the Sale Shares

### 2.2.1 NTA, book value and net profit figures

Based on the latest consolidated audited financial statements of the Target Group for the financial year ended 30 June 2020:

- (a) the net tangible asset (“**NTA**”) value of the Sale Shares is negative US\$29,600,363<sup>(1)</sup>;
- (b) the book value of the Sale Shares is negative US\$29,600,363<sup>(1)</sup>; and
- (c) the net profits attributable to the Sale Shares is negative US\$3,200,000<sup>(2)</sup>.

Notes:

- (1) The NTA includes mining properties of approximately US\$89,318,921. Notwithstanding that the figures for the NTA and book value of the Sale Shares as computed above are negative, pursuant to the terms of the SPA, the completion of the Proposed Acquisition is conditional on the liabilities of the Target Group being fully settled and resolved by the Vendor on or before the Completion Date (as defined herein). Accordingly, on the Completion Date, the NTA and book value of the Sale Shares will be a positive value. Details on the key provisions of the SPA relating to the settlement of the liabilities of the Target Group are set out in Section 3.9 of this announcement.

- (2) The net loss attributable to the Sale Shares includes unrealised foreign exchange loss of approximately US\$3,105,406 arising from foreign exchange translation on the intercompany indebtedness. However, as disclosed in Note (1) above and as further elaborated in Section 3.9 of this announcement, the Company will be acquiring the Sale Shares free from liabilities.
- (3) The NTA and book value of the Sale Shares was calculated based on an exchange rate of MYR 4.2265 to US\$1.00 while the net profits attributable to the Sale Shares was calculated based on an exchange rate of MYR 4.1467 to US\$1.00.

## 2.2.2 Independent Qualified Person's Report

For the purposes of the Proposed Acquisition, the Company has commissioned Valuation and Resource Management Pty Ltd ("VRM") to prepare an independent qualified person's report (the "**Independent Qualified Person's Report**") on Mengapur.

The Independent Qualified Person's Report dated 15 December 2020 is prepared in accordance with the requirements set out in Practice Note 4C of the Catalist Rules and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) promulgated by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (the "**JORC Code**").

The Independent Qualified Person has updated the Vendor's 2018 mineral resource estimates (Snowden, 2018) to include magnetite resources and separate the copper resources into pyrrhotite-hosted and skarn-hosted mineralization domains as set out below:

### Mengapur mineral resource estimates as at 26 October 2020:

JORC Category	Mineral Type	Gross Attributable to Licences <sup>1</sup>						Net Attributable to Issuer <sup>2</sup>						Change from previous update (%)	Remarks
		Tonnes (millions)	Grade Fe (%)	Grade Cu (%)	Grade Au (g/t)	Grade Ag (g/t)	Grade S (%)	Tonnes (millions)	Grade Fe (%)	Grade Cu (%)	Grade Au (g/t)	Grade Ag (g/t)	Grade S (%)		
Mineral Resources*															
	Skarn-hosted (Cu, Ag)	8.63	20.07	0.64	0.08	13.90	2.54	8.63	20.07	0.64	0.08	13.90	2.54	N/A	3
Inferred	Pyrrhotite-hosted (Cu, Au, S, Fe)	6.21	30.62	0.67	0.31	5.80	16.08	6.14	30.62	0.67	0.31	5.80	16.08	N/A	3
	Massive Magnetite (Fe)	5.27	31.04	0.08	0.11	2.42	2.79	5.27	31.04	0.08	0.11	2.42	2.79	N/A	4
	Brecciated Magnetite (Fe, Au)	5.48	36.19	0.19	0.26	6.54	0.17	5.45	36.19	0.19	0.26	6.54	0.17	N/A	4
<b>Total Inferred Copper</b>		14.83	24.49	0.65	0.18	10.52	8.19	14.77	24.46	0.65	0.18	10.53	8.19	-22%	3
<b>Total Inferred Magnetite</b>		10.75	33.67	0.14	0.19	4.52	1.45	10.72	33.65	0.14	0.19	4.52	1.45	N/A	4

<sup>1</sup> A non-material portion of the resources in CASB are in the 'red free-digging' soils and attributable to Phoenix Lake Sdn Bhd (PLSB) and ZCM Minerals Sdn Bhd (ZCM)

<sup>2</sup> The Issuer is in the process of acquiring 100% of the Project

<sup>3</sup> The copper Mineral Resources reported above a 0.5% Cu cut-off. The copper Mineral Resources previously reported by Monument were current at June 2020. The total change from the previous update calculated from copper in the skarn and pyrrhotite domains only.

<sup>4</sup> The magnetite Mineral Resources reported above a 25% Fe cut-off. The CP is not aware of previous public magnetite resources reported for the Project.

\* No Ore Reserves or Mineral Reserves stated. Mineral Resources that are not Ore Reserves or Mineral Reserves do not have demonstrated economic viability. The Mineral Resource is limited to within the CASB and SDSB boundaries. Some discrepancies may occur due to rounding.

The competent person responsible for the preparation and reporting of the Mengapur mineral resource estimates in the Independent Qualified Person's Report is Leesa Collin. Leesa Collin has accepted the responsibilities of a competent person as defined by the JORC Code in respect to the mineral resources with the associated Independent Qualified Person's Report being directly supervised by Ms Deborah Lord of VRM.

### 2.2.3 Valuation Report

The Company has also commissioned VRM to perform an independent valuation on Mengapur. Based on the valuation report issued by VRM on 15 December 2020 (the "**Valuation Report**"), as at 26 October 2020, the mineral assets (including mineral resource estimates as set out in the Independent Qualified Person's Report and plant and fixed equipment on Mengapur) known as Mengapur have a market value of between US\$2.0 million and US\$7.9 million with a preferred valuation of US\$4.4 million on a 100% equity basis. In arriving at the said valuation, VRM had carried out a valuation of the mineral resource estimates on a comparable transactions (resource multiplier) basis and a valuation of the plant and equipment on the Mengapur site on a percentage-of-costs basis.

VRM had also, in the Valuation Report, undertaken an alternative valuation method with a yardstick approach based on a percentage of the current commodity price or "rule-of-thumb" on the reported inferred mineral resources estimates. VRM considers the copper and magnetite mineral resources which are all reported as inferred resource classification within Mengapur to, based on the yardstick approach, be valued at between US\$3.1 million and US\$5.2 million with a preferred valuation of US\$4.2 million.

The Valuation Report is prepared in accordance with the requirements set out in Practice Note 4C of the Catalyst Rules and the guidelines and principles of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition) promulgated by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists (the "**VALMIN Code**") and the JORC Code.

Further details on the Independent Qualified Person's Report and the Valuation Report will be set out in the circular in respect of the Proposed Acquisition to be despatched to Shareholders in due course.

### 2.2.4 Value of Mengapur to the Company

As set out in the Independent Qualified Person's Report, Mengapur has a significant magnetite resource of 10.75 million tons as at 26 October 2020 with an average grade of 33.65% Fe, which is double the size of the Group's resource at its Bukit Besi mine of 5.41 million tons when it was first defined in August 2018. The Company has also completed an internal high level economic study to assess the reasonable prospects for eventual economic extraction which has demonstrated potential profit upside for the Mengapur magnetite resource.

By acquiring the Mengapur magnetite resource, the Group's total magnetite resource will increase from approximately 7.18 million tons (from its Bukit Besi mine as of February 2020) to 17.93 million tons. Based on the geochemical analysis and metallurgical tests completed by an external independent metallurgical lab, the characteristics of the Mengapur magnetite resource are extremely similar to that in its Bukit Besi mine, which is demonstrated to be economical and able to yield consistent high grade magnetite concentrate which is highly demanded for by the Group's local and foreign customers. In addition, Mengapur is

strategically located only 65 kilometres away from Kuantan Port, the main bulk iron ore export port on East Coast, Malaysia and is near the two largest steel mills in Malaysia which are also the Group's existing customers. The Company believes that the Proposed Acquisition will bolster the Company's objective to become a significant regional player in the iron ore industry and its efforts to explore and develop a number of iron ore assets across Malaysia, as well as complement its existing portfolio of advanced iron ore projects.

In addition, Mengapur is ready for development in all crucial aspects, with mining leases and environmental approvals for open-pit mining having been obtained. Further, the Mengapur site has existing processing plants, laboratories and workers' living areas that are immediately available to suit magnetite production after refurbishment. There are also surface-exposed large magnetite resources ready to be mined at Mengapur.

As set out in the Independent Qualified Person's Report, Mengapur also contains a significant amount of copper, gold and silver resources. At this juncture, the Group will focus on mining only the magnetite resource. Ore 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.

Accordingly, based on the above reasons, the Board is of the view that notwithstanding the Consideration and royalties payable under the Royalty Agreement, Mengapur represents a good value proposition for the Company's strategic expansion.

### **2.3 Information on the Vendor**

The Vendor was registered under the Canada Business Corporation Act in April 2007 and has been listed on the TSX Venture Exchange of TMX Group Limited as a mining company since June 2007, when it listed through a reverse takeover. The Vendor is primarily engaged in the business of mining, with a focus on gold mineral asset development and production. The Vendor owns primary gold producing Selinsing Gold Mine in Malaysia and the Murchison gold projects in Western Australia.

The Vendor does not have any shareholding interest, direct or indirect in the Company, nor is the Vendor related to any of the directors, the chief executive officer, or controlling shareholders of the Company, or their respective associates.

No commission was paid or is payable by the Company to any person in relation to the Proposed Acquisition.

## **3. MATERIAL TERMS OF THE PROPOSED ACQUISITION**

A summary of the material terms and conditions of the Proposed Acquisition as set out in the SPA is as follows:

### **3.1 Acquisition of the Sale Shares**

The Vendor shall sell, and the Company shall purchase from the Vendor, the Sale Shares, free from any encumbrances, debts, liabilities, and claims whatsoever and with all rights and benefit attaching thereto and accruing in respect thereof as from the date of the completion of the

Proposed Acquisition (the “**Completion Date**”), including but not limited to, all rights, dividends and distributions declared, made or paid as from the Completion Date.

### 3.2 Consideration

The total Consideration payable by the Company to the Vendor for the Sale Shares shall be US\$30,000,000 in cash. The Consideration was arrived at and agreed on a “willing-buyer willing-seller” basis and based on:

- (a) the Target Group owning the valid ML8/2011 held by CASB and the ML Approvals held by SDSB free from encumbrances;
- (b) the Target Group owning and holding (as legal and beneficial owner) all assets located at the Mining Land free from encumbrances, save for the assets transferred by CASB to Able Return Sdn Bhd based on the audited accounts of CASB for the financial year ended 30 June 2015 and other third party assets as specified by the Vendor, as at the Completion Date; and
- (c) the Target Group being free from all and any liabilities, claims, debt, loan, taxes or any payables as at the Completion Date.

In further consideration of the Proposed Acquisition, the Company shall, subject to the completion of the Proposed Acquisition and in accordance with the terms of the Royalty Agreement, pay to the Vendor royalty fees at the rate of 1.25% of gross revenue (as defined in the Royalty Agreement) on all mineral products produced in forms ready for sale from the area within the boundaries of Mengapur, save for the Third Party Iron Ore Interests. Further details on the royalty arrangements are set out in Section 3.6 of this announcement.

### 3.3 Payment of the Consideration, Deposit(s) and Escrow Amounts

- (a) As at the date of the SPA, the Company has paid the sum of US\$3,750,000 into an escrow account under the name of “Madison Pacific Pte. Limited – Client A/C” (the “**Escrow Account**”) managed by Madison Pacific Pte. Limited as escrow agent (the “**Escrow Agent**”). The sum of monies held in the Escrow Account shall hereinafter be referred to as the “**Escrow Amount**”.
- (b) Within three (3) business days from the date of execution of the SPA and the Royalty Agreement:
  - (i) the Vendor and the Company shall procure that the Escrow Agent release from the Escrow Account an amount equivalent to 10% of the Consideration, being US\$3,000,000, to the Vendor as a deposit (the “**Deposit**”). The Deposit will be refundable in accordance with the terms and conditions of the SPA. For the avoidance of doubt, immediately following the said payment of the Deposit, the remaining Escrow Amount shall be US\$750,000 which shall remain in the Escrow Account; and
  - (ii) the Company shall pay a further sum of US\$5,250,000 into the Escrow Account. For the avoidance of doubt, immediately following the said payment into the Escrow Account, the balance Escrow Amount shall be US\$6,000,000, equivalent to 20% of the Consideration, which shall be held in the Escrow Account on behalf the Vendor and dealt with by the Escrow Agent subject to and in accordance with

the provisions of the SPA.

- (c) In the event that the Company elects to carry out the earthworks and civil works (as defined in the SPA), the sum of US\$6,000,000 held in the Escrow Account shall be released from the Escrow Account to the Vendor as a further deposit (the “**Further Deposit**”). The Further Deposit will be refundable in accordance with the terms and conditions of the SPA. For the avoidance of doubt, in the event that the Company does not elect to carry out the said earthworks and civil works, the said sum of US\$6,000,000 shall remain in the Escrow Account.
- (d) On the Completion Date, the Company shall pay a further sum of US\$21,000,000, equivalent to 70% of the Consideration, into the Escrow Account, in the manner set out in Section 3.8(b)(ii) of this announcement.
- (e) Within three (3) business days from the date that the Company is registered as the registered holder of the Sale Shares, the remaining Escrow Amount shall be released to the Vendor as payment of the balance Consideration in the manner set out in Section 3.9(d)(ii) of this announcement.

### **3.4 Conditions Precedent**

The completion of the Proposed Acquisition (the “**Completion**”) shall be conditional upon the following conditions precedent (the “**Conditions Precedent**”) being satisfied (or in the case of the Condition Precedent set out in sub-section (a) below, waived) before the Longstop Date (as defined herein):

- (a) the Vendor providing to the Company the audited accounts of each company within the Target Group as at 31 December 2020;
- (b) the Company having obtained the approval of its Shareholders in a general meeting in respect of the Proposed Acquisition (the “**Shareholders’ Approval**”); and
- (c) the Company having obtained any requisite approval from its listing sponsor and the SGX-ST, or either of them, in respect of the Proposed Acquisition.

### **3.5 Longstop Date**

If the Conditions Precedent are not satisfied or waived (as the case may be) within 45 days from the date of the SPA or such further period as may be agreed between the Vendor and the Company (the “**Longstop Date**”) or if the necessary approvals required under the Conditions Precedent are refused or granted subject to conditions which are not accepted by the affected party, the Vendor and the Company shall each be entitled to terminate the SPA by notice in writing, whereupon, within seven (7) days from the date of the notice of termination:

- (a) save in the event where the termination of the SPA is due to the Company’s failure to obtain the Shareholders’ Approval, the Vendor shall fully refund to the Company the Deposit and (in the event that the Further Deposit has been released to the Vendor) the Further Deposit; and

- (b) the Vendor and the Company shall jointly instruct the Escrow Agent to release and return the Escrow Amount (which shall, for the avoidance of doubt, include the sum of US\$6,000,000 held in the Escrow Account in accordance with Section 3.3(b)(ii) of this announcement in the event that the Further Deposit is not applicable) to the Company.

### **3.6 Royalties payable by the Company to the Vendor pursuant to the Royalty Agreement**

Pursuant to the Royalty Agreement and the SPA, after the Completion Date and provided that the SPA is not terminated, the Company shall pay to the Vendor agreed royalty fees (the “**GRR**”) which will be computed at the rate of 1.25% of the gross revenue received by the Target Subsidiaries from the sale of the mineral products produced in forms ready for sale from the area within the boundaries of Mengapur save for the Third Party Iron Ore Interests (the “**Final Products**”). The Company’s obligation to pay the GRR shall, subject to the provisions of the Royalty Agreement, continue for as long as it is lawful under applicable law to extract the Final Products and there is receipt of revenue by the Target Subsidiaries in respect of sales of the Final Products.

The GRR shall be paid within five (5) business days from the date of receipt of revenue by the Target Subsidiaries in respect of each sale of the Final Products. Without limiting the rights of the Vendor in relation to any breach of the Royalty Agreement by the Company, if the Company fails to pay the GRR when due, the Company shall pay to the Vendor immediately on demand interest on the amount due from the date after the due date up to and including the date upon which the monies are paid, based on the monthly average interest rate with reference to the Singapore Interbank Offered Rate, calculated on a daily basis.

In the event that the Proposed Acquisition is not completed or the SPA is terminated, the Royalty Agreement shall be terminated automatically and shall have no further force or effect.

### **3.7 Payment for mining lease approvals**

In relation to payment for the mining lease approvals held by the Target Subsidiaries, the Vendor and the Company agree that:

- (a) the total amount of tenement fees for ML8/2011 will be apportioned between and borne by the Vendor and the Company in accordance with the provisions of the SPA; and
- (b) the tenement fees imposed under the ML Approvals shall be borne by the Company.

### **3.8 Completion**

- (a) Subject to the conditions set out in sub-sections (i) to (iv) below being satisfied and upon the satisfaction or waiver (as the case may be) of the Conditions Precedent, Completion shall occur within 30 days from the date of the satisfaction or waiver (as the case may be) of all the Conditions Precedent, on a date to be mutually agreed between the Vendor and the Company or, failing such mutual agreement, on the last business day of the said 30 day period (i.e. the Completion Date):
  - (i) no proceedings, applications, petitions or summons having been started or threatened, nor any steps taken thereto with a view to winding-up the Vendor or the Target Group or for the appointment of a receiver, trustee or similar officer over the Vendor, the Target Group or their respective undertakings, properties or assets, and no proceedings or investigation having been started or threatened



by any relevant authority against the Vendor or the Target Group which may affect the Completion;

- (ii) all warranties provided by the Vendor under the SPA are complied with and are true, accurate and correct in all material respects as at the date of the SPA and on each day up to and including the Completion Date;
  - (iii) the Vendor has performed all of its covenants and undertakings required under the SPA to be performed on or prior to the Completion Date; and
  - (iv) there is satisfactory compliance by the Vendor with all of the provisions of the SPA.
- (b) On the Completion Date:
- (i) the Vendor shall deliver or cause to be delivered to the Company's Malaysian legal counsel the documents set out in the SPA (the "**Completion Deliverables**") to be held in escrow pursuant to the SPA, which shall include, *inter alia*, documentary evidence showing that the Vendor has procured that all intercompany debt, unsecured indebtedness, loans or advances owing by any of the companies within the Target Group to the Vendor or the Vendor's subsidiaries or related entities as shown in the audited accounts of each of the companies within the Target Group for the financial year ended 30 June 2020 (the "**Target's Audited Accounts as at 30 June 2020**") and as at the Completion Date (the "**Intercompany Indebtedness**") have been settled and resolved, and in the event of capitalization, such number of ordinary shares of the Target have been issued to the Vendor or its wholly owned subsidiaries in accordance with the terms and conditions of the SPA (the "**Capitalization**"); and
  - (ii) against delivery of, *inter alia*, the Completion Deliverables to the Company's Malaysian legal counsel to be held in escrow pursuant to the SPA, the Company shall pay a sum of US\$21,000,000, equivalent to 70% of the Consideration, into the Escrow Account to be held by the Escrow Agent and to be released subject to and in accordance with the provisions of the SPA.

### 3.9 Settlement of Liabilities of the Target Group

- (a) The Completion is further conditional on all the Intercompany Indebtedness, liabilities and payables, including but not limited to claims, debt, loan, taxes, costs or any outstanding payment incurred or payable by the Target Group to any third party or related or associated entity of the Target Group (the "**Liabilities**") being fully settled by the Vendor on or before the Completion Date. Subject to the terms of the SPA, all the Liabilities set out in the Target's Audited Accounts as at 30 June 2020 shall be fully settled by the Vendor on or before the date of the satisfaction or waiver (as the case may be) of all the Conditions Precedent and all the Liabilities shown, disclosed or incurred after the Target's Audited Accounts as at 30 June 2020 up to the Completion Date (with exception of certain accounts receivable and/or accounts payable) shall be fully settled by the Vendor on or before the Completion Date.
- (b) The Vendor shall prepare the management accounts of the Target Group as at the Completion Date (the "**Closing Accounts**") showing that all Liabilities have been fully settled and resolved as at the Completion Date, and shall deliver to the Company the

Closing Accounts within five (5) days from the Completion Date and the Company shall have the right to verify the Closing Accounts and shall, within seven (7) days from the date of receipt of the Closing Accounts, notify the Vendor in writing whether or not it is satisfied with the Closing Accounts showing that all Liabilities set out in the Target's Audited Accounts as at 30 June 2020 and as at the Completion Date have been fully settled and resolved in accordance with the provisions of the SPA (the "**Closing Accounts Notification**").

- (c) If the Company is not satisfied with the Closing Accounts that all Liabilities have been fully settled and resolved in accordance with the provisions of the SPA, the SPA shall be terminated with effect from the date of the Closing Accounts Notification notifying the same, whereupon within seven (7) days from the date of termination, *inter alia*:
- (i) the Vendor shall fully refund the Deposit and (if the Further Deposit has been released to the Vendor) the Further Deposit to the Company; and
  - (ii) the Vendor and the Company shall jointly instruct the Escrow Agent to release and return the Escrow Amount (which shall, for the avoidance of doubt, include the sum of US\$6,000,000 held in the Escrow Account in accordance with Section 3.3(b)(ii) of this announcement in the event that the Further Deposit is not applicable) held by the Escrow Agent to the Company.
- (d) If the Company is satisfied with the Closing Accounts that all Liabilities have been fully settled and resolved, it shall deliver the Closing Accounts Notification notifying the same to the Vendor and the Company shall make the requisite payment of stamp duty for the transfer of the Sale Shares, and the Vendor shall cause the registration of the name of the Company as the registered holder of the Sale Shares. Within three (3) business days from the date that the Company is registered as the registered holder of the Sale Shares:
- (i) all Completion Deliverables held in escrow by the Company's Malaysian legal counsel shall be released to the Company; and
  - (ii) the Vendor and the Company shall jointly instruct the Escrow Agent to release the Escrow Amount to the Vendor to be applied as payment of the balance amount of the Consideration.

Upon satisfaction of the matters set out in Section 3.9(d) of this announcement, the Company shall be deemed to have discharged its payment obligations and the Vendor shall be deemed to have discharged all its obligations under the SPA in respect of the Proposed Acquisition.

### **3.10 Failure to complete the Proposed Acquisition and/or register the Sale Shares in the name of the Company**

- (a) In the event of non-completion of the Proposed Acquisition or if all the Sale Shares are not registered in the name of the Company in accordance with the provisions of the SPA for any reasons other than those specified in the SPA (otherwise than due to the fault of the Company), either Party shall have the right to give a notice to the other Party to terminate the SPA. Within seven (7) days from the date of the notice of termination, *inter alia*:

- (i) the Vendor shall fully refund the Deposit and (if the Further Deposit has been released to the Vendor) the Further Deposit to the Company; and
  - (ii) the Vendor and the Company shall jointly instruct the Escrow Agent to release and return the Escrow Amount (which shall, for the avoidance of doubt, include the sum of US\$6,000,000 held in the Escrow Account in accordance with Section 3.3(b)(ii) of this announcement in the event that the Further Deposit is not applicable) held by the Escrow Agent to the Company.
- (b) Subject to the provisions of the SPA, in the event of non-completion of the Proposed Acquisition or if the Sales Shares are not registered in the name of the Company in accordance with the provisions of the SPA for any reason whatsoever due to the fault of the Company, the Vendor shall give a notice to the Company to terminate the SPA, in which event the Vendor shall not be required to refund the Deposit and (if the Further Deposit has been released to the Vendor) the Further Deposit to the Company. Within seven (7) days from the date of the notice of termination, *inter alia*, the Vendor and the Company shall jointly instruct the Escrow Agent to release and return the Escrow Amount (which shall, for the avoidance of doubt, include the sum of US\$6,000,000 held in the Escrow Account in accordance with Section 3.3(b)(ii) of this announcement in the event that the Further Deposit is not applicable) held by the Escrow Agent to the Company.

### **3.11 Default and other grounds of Termination**

If, *inter alia*, the Vendor commits a material breach of any term of the SPA and such breach, if capable of remedy, has not been rectified within ten (10) business days of the receipt by the Vendor of a notice from the Purchaser to remedy the breach, the Purchaser shall without prejudice to and in addition to any other rights and remedies available under the SPA or under applicable law, be entitled to either:

- (a) claim against the Vendor for specific performance of the SPA (where applicable) and/or damages; or
- (b) treat such event mentioned above as a repudiation by the Vendor, terminate the SPA and claim damages against the Vendor. Within seven (7) days from the date of the notice of termination, *inter alia*:
  - (i) the Vendor shall fully refund the Deposit and (if the Further Deposit has been released to the Vendor) the Further Deposit to the Company; and
  - (ii) the Vendor and the Company shall jointly instruct the Escrow Agent to release and return the Escrow Amount (which shall, for the avoidance of doubt, include the sum of US\$6,000,000 held in the Escrow Account in accordance with Section 3.3(b)(ii) of this announcement in the event that the Further Deposit is not applicable) held by the Escrow Agent to the Company.

#### **4. RATIONALE FOR THE PROPOSED ACQUISITION**

The Board is of the view that the Proposed Acquisition is in the best interest of the Company for the following reasons:

- (i) As set out in Section 2.2.4 of this announcement, the characteristics of the Mengapur magnetite resource are similar to that in the Group's existing Bukit Besi mine, which is demonstrated to be economical and able to yield consistent high grade magnetite concentrate which is highly demanded for by the Group's local and foreign customers. Due to the similarity in characteristics, the Company believes that it can leverage on the technology and know-how that it currently possesses in commencing the production of iron ore expeditiously at Mengapur. Additionally, Mengapur is strategically located only 65 kilometres away from Kuantan Port and is near the two largest steel mills in Malaysia which are also the Group's existing customers. The Board believes that the Proposed Acquisition will bolster the Company's objective to become a significant regional player in the iron ore industry and its efforts to explore and develop a number of iron ore assets across Malaysia, as well as complement its existing portfolio of advanced iron ore projects.
- (ii) In addition, as set out in Section 2.2.4 of this announcement, Mengapur is ready for development in all crucial aspects, with mining leases and environmental approvals for open-pit mining having been obtained. Further, the Mengapur site has existing processing plants, laboratories and workers' living areas that are immediately available to suit magnetite production after refurbishment, and the Group may utilise these assets to perform processing plants modification at shorter time intervals, and hence expedite the time required to commence mining and operations at Mengapur while reducing the capital expenditure required as compared to constructing new processing plant facilities. There are also surface-exposed large magnetite resources ready to be mined at Mengapur. Further, the mining leases of the Target Group have been approved and the Mengapur project can be commissioned soon.
- (iii) The Independent Qualified Person's Report on the Mengapur mineral resource estimates as at 26 October 2020 is based on historical data and a small amount of the Company's infill drilling, and the Group will continue to carry on exploration and evaluation activities to update the Mengapur resources estimates after the completion of the Proposed Acquisition. This includes ground and airborne geological surveys, sampling, exploration and laboratory assay activities. Further, as set out in Section 2.2.4 of this announcement, there is a significant magnetite resource at Mengapur and by acquiring Mengapur, the Group's total magnetite resource will increase from approximately 7.18 million tons (from its Bukit Besi mine as of February 2020) to 17.93 million tons. The Company has also completed an internal high level economic study to assess the reasonable prospects for eventual economic extraction which has demonstrated potential profit upside for the Mengapur magnetite resource.

#### **5. SOURCE OF FUNDS**

The Company intends to finance the Consideration through the Group's internal funds and bank borrowings.

## 6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The *pro forma* financial effects of the Proposed Acquisition as set out below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Company and the Group following the Completion. The *pro forma* financial effects have been prepared based on the Group's latest audited consolidated financial statements for the financial year ended 29 February 2020 ("FY2020"), subject to the following assumptions:

- (1) the financial effects of the Proposed Acquisition on the NTA per share and gearing of the Group are computed assuming that the Proposed Acquisition had been completed on 29 February 2020;
- (2) the financial effects of the Proposed Acquisition on the earnings per share ("EPS") of the Group are computed assuming that the Proposed Acquisition had been completed on 1 March 2019;
- (3) bank borrowings of US\$21,000,000 will be drawn down to finance part of the Consideration;
- (4) an exchange rate of MYR 4.2801 to US\$ 1.00 is applied;
- (5) no adjustments have been made to account for the different accounting standards of the Group and the Target Group; and
- (6) expenses incurred in connection with the Proposed Acquisition are disregarded for the purposes of calculating the financial effects.

### 7.1 Effects on NTA per share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (US\$'000)	27,254 <sup>(1)</sup>	28,477 <sup>(1)</sup>
Number of shares ('000)	500,000	500,000
NTA per share (US cents)	5.45	5.70

Note:

- (1) The NTA includes mining properties held by the Group and the Target Group.

## 7.2 Effects on net asset value (“NAV”) per share

	Before the Proposed Acquisition	After the Proposed Acquisition
Equity attributable to equity holders of the Company (US\$'000)	29,575	30,799 <sup>(1)</sup>
Number of shares ('000)	500,000	500,000
NAV per share (US cents)	5.92	6.16

Note:

- (1) The NAV after the Proposed Acquisition includes gain on bargain purchase of approximately US\$1,239,030.

## 7.3 Effects on EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit <sup>(1)</sup> attributable to equity holders of the Company (US\$'000)	6,497	7,720
Number of shares ('000)	500,000	500,000
EPS (US cents)	1.30	1.54

Note:

- (1) Net profits means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interest. The net profit after the Proposed Acquisition includes gain on bargain purchase of approximately US\$1,239,030.

## 7.4 Effects on Gearing

	Before the Proposed Acquisition	After the Proposed Acquisition
Borrowings (US\$'000)	-	23,289
Total capital (US\$'000)	22,877	54,088
Net gearing ratio (times)	0	0.43

Notes:

- (1) The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.
- (2) The borrowings after the Proposed Acquisition includes borrowings of US\$21,000,000 to finance part of the Consideration.

**8 RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES**

Based on the latest announced consolidated financial statements of the Group (being the unaudited financial statements for the third financial quarter ended 30 November 2020) the relative figures in relation to the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Catalist Rules are as follows:

<b>Rule</b>	<b>Bases of computation</b>	<b>Relative figures</b>
Rule 1006(a)	NAV <sup>(1)</sup> of the assets to be disposed of compared with the Group's NAV. This basis is not applicable to an acquisition of assets.	Not applicable as this transaction is not a disposal.
Rule 1006(b)	Net profits <sup>(2)</sup> attributable to the Sale Shares of negative US\$2.5 million (based on an exchange rate of MYR 4.0140 to US\$1.00), compared with the Group's net profits of US\$12.2 million.	(20.68%)
Rule 1006(c)	Aggregate value of the consideration given of US\$36.5 million <sup>(3)</sup> , compared with the Company's market capitalisation <sup>(4)</sup> of approximately US\$107.3 million (based on an exchange rate of S\$1.3187 to US\$1.00).	34.02%
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as the Consideration shall be fully paid in cash.
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable as this transaction is not a disposal of mineral, oil and gas assets.

Notes:

- (1) Under Rule 1002(3)(a) of the Catalist Rules, "net assets" means total assets less total liabilities.
- (2) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. For consistency, the figure for net profits attributable to the Sale Shares are based on the Target Group's latest audited financial statements for the financial year ended 30 June 2020 and pro-rated for 9 months, in order to compare with the net profit figure in the Group's latest announced consolidated results for the 9 months ended 30 November 2020.

- (3) The consideration amount of US\$36.5 million used to calculate the relative figure under Rule 1006(c) of the Catalist Rules includes the estimated royalties of approximately S\$6.5 million that will be payable by the Company to the Vendor pursuant to the Royalty Agreement (details of which are set out under Section 3.6 of this announcement), derived after discounting the estimated royalties payments based on projected gross proceeds to be received from the sale of the Final Products, the commodity price sourced from the Valuation Report and the Group's latest weighted average cost of capital.
- (4) Under Rule 1002(5) of the Catalist Rules, "market capitalisation" of the Company is determined by multiplying the 500,000,000 shares in issue by the weighted average price of S\$0.2829 per share transacted on 7 January 2021, being the market day immediately preceding the date of the SPA.

As the relative figure under Rule 1006(b) of the Catalist Rules is negative and exceeds 10%, the Proposed Acquisition does not fall within the relevant scenarios provided for in paragraphs 4.3(a) and 4.4(a) of Practice Note 10A of the Catalist Rules. Accordingly, pursuant to paragraph 4.6 of Practice Note 10A of the Catalist Rules, the Proposed Acquisition is a major transaction under Rule 1014 of the Catalist Rules and is subject to the approval of the Shareholders at the EGM to be held in due course.

## **9 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

As at the date of this announcement, none of the Directors or the substantial shareholders of the Company has any direct or indirect interest in the Proposed Acquisition, other than through their respective shareholding interests in the Company (if any).

## **10 DIRECTORS' SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## **11 CIRCULAR TO SHAREHOLDERS**

A circular containing further details on the Proposed Acquisition and enclosing a notice of extraordinary general meeting in connection therewith will be despatched to Shareholders of the Company in due course.

## **12 DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.



### 13 DOCUMENTS FOR INSPECTION

A copy of the SPA, the Royalty Agreement, the Valuation Report and the Independent Qualified Person's Report is available for inspection during normal business hours at the Company's registered office at 8 Robinson Road, #03-00, ASO Building, Singapore 048544 for a period of three (3) months from the date of this announcement.

### 14 CAUTION IN TRADING

**Shareholders and potential investors are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition. Shareholders are advised to read this announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.**

### BY ORDER OF THE BOARD

**Dato' Sri Ivan Chee Yew Fei**

Chief Executive Officer

11 January 2021

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*Fortress Minerals Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "Exchange") on 27 March 2019. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").*

*This announcement has been reviewed by the Company's Sponsor. It has not been examined or approved by 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.*

*The contact person for the Sponsor is Ms Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).*