



FORTRESS MINERALS LIMITED

(Company Registration No.: 201732608K)

(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED DATED 12 JANUARY 2021

Unless otherwise defined, capitalised terms used in the Company's responses shall have the meanings ascribed to them in the Company's announcement dated 11 January 2021 (the "Announcement").

1. INTRODUCTION

The Board of Directors (the "**Board**") of Fortress Minerals Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce its responses to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the Company's Announcement.

2. QUERIES FROM THE SGX-ST

	SGX-ST's queries	Company's responses
Q1	How was the Company introduced to the Vendor and / or the Target?	<p>The Mengapur project is a historically well-known project in Malaysia. The Company was interested to explore the possible deposit of economically viable magnetite resource on the Mengapur project.</p> <p>Pursuant thereto, a third-party, which is not related to any of the Directors or substantial shareholders of the Company, had approached the Company and introduced the Company to the Vendor for negotiation of the proposed acquisition of the Mengapur project. As stated in Section 2.3 of the Announcement, no commission was paid or is payable by the Company to any person in relation to the Proposed Acquisition.</p>
Q2	It is stated that the completion of the Proposed Acquisition is conditional on the liabilities of the Target Group being fully settled and resolved by the Vendor. Prior to that, the NTA of the Sale Shares is negative US\$29.6m. What would be the NTA and book value of the Target Group after settlement of the liabilities?	<p>Based on the latest audited financial statements for the Target Group as at 30 June 2020, the Target Group has total liabilities of approximately US\$125.8 million.</p> <p>After settlement of liabilities and at a free from liabilities basis, the Target Group is expected to have:</p> <ul style="list-style-type: none">(i) NTA of approximately US\$92.4 million; and(ii) Book value of approximately US\$92.4 million.

	SGX-ST queries	Company's responses
Q3	<p>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.</p> <ul style="list-style-type: none"> • What is the value of the Royalty arrangement? • What is the rationale for entering into the Royalty Agreement? Why does the Company need to pay royalty fees to the Vendor even though the Vendor has sold the Target? • Is there a timeframe for payment of royalty fees to the Vendor and / or the Royalty Agreement? Please elaborate on what is meant by “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” 	<p>(i) <u>Value of the Royalty arrangement</u></p> <p>The value of the discounted estimated royalty payment is US\$6.5 million, which was derived after discounting the estimated royalties payments based on projected gross proceeds to be received from the sale of the Final Products, the Mengapur mineral resource estimates as at 26 October 2020 as set out in the Independent Qualified Person's Report, the commodity price sourced from the Valuation Report and the Group's latest weighted average cost of capital.</p> <p>(ii) <u>Rationale for entering into the Royalty Agreement</u></p> <p>The Royalty Agreement is executed for payment of royalty to the Vendor in further consideration of the Proposed Acquisition pursuant to negotiations between the Company and the Vendor on the commercial terms for the Proposed Acquisition based on:</p> <ul style="list-style-type: none"> - the valid mining lease no. ML8/2011 held by CASB and the ML Approvals held by SDSB; - all assets held by CASB; and - the Target Group being free from liabilities as at the Completion Date. <p>(iii) <u>Timeframe for payment of Royalty fees and meaning of “As long as it is lawful under applicable law and there is receipt of revenue by the Target Subsidiaries”</u></p> <p>The royalty payments will be paid to the Vendor for an indefinite period as long as it is lawful under applicable law to extract the Final Products.</p> <p>The mining lease no. ML8/2011 held by CASB and the mining leases which will be issued to SDSB pursuant to the ML Approvals held by SDSB have a pre-determined mining lease period approved by local authorities.</p> <p>Thus, the obligation to make royalty payments will continue in accordance with the terms of the Royalty Agreement for as long as the Target Group holds the valid and approved renewed mining leases and are able to sell the Final Products.</p>

	SGX-ST queries	Company's responses
Q4	<p>What is the stage of development of the mines and for how long has it been at the current stage? Eg: exploration since yyyy, production since yyyy??</p>	<p>The area has been identified for copper and gold mineralisation since 1970. According to the Mineral Resource Estimate for the Mengapur Cu-Au Deposit, NI 43-101 Technical Report Project Number AU10073 prepared by Snowden Mining Industry Consultants Pty Ltd for the Vendor in 2018 (Snowden, 2018), there were early exploration works by Malaysia Mining Corporation Berhad (“MMC”) between 1983 and 1989, and later by the Vendor from 2011 to 2014. All these works focused on copper and gold deposits.</p> <p>The mine has been placed under care and maintenance since 2015. There has been no production activity to date since 2011 save for the intermittent copper and iron (which comprise the Third-Party Iron Ore Interests) productions that occurred between 2005 and 2011.</p>
Q5	<p>What does the Proposed Acquisition encompass? Who owns the mining licence, mining rights, tenements, mining leases etc, currently as well as after completion of the Proposed Acquisition? Does the Vendor still own any licences / rights which are required for the mines to operate?</p>	<p>The Proposed Acquisition encompasses the acquisition by the Company of all the mining leases, mining rights and tenements (as set out in Section 2.1 of the Announcement and as further described in the Company's response to Question 7 below) held by the respective Target Subsidiaries, namely CASB and SDSB.</p> <p>After completion of the Proposed Acquisition, the Vendor will not hold any mining lease, mining rights and/or tenements of the Target Group, or any licences or rights which are required for the mines at Mengapur to operate.</p>
Q6	<p>Does the Company need to seek approvals from the authorities for the change in ownership of the mining assets?</p>	<p>No additional approval is required from authorities as there is no change in the ownership of the mining leases which are held by the Target Subsidiaries, as the Company will acquire the entire issued and paid-up share capital of the Target, being the holding company of the Target Subsidiaries.</p>

	SGX-ST queries	Company's responses		
Q7	Please provide a list of all the mining leases of the Target Subsidiaries, including details on the land parcels, stage of development, relevant licences obtained, period of the exploration / mining leases, mineral type, quantity of resources / reserves, and any other relevant information in relation to these land parcels.	Company	Ceramat Aman Sdn Bhd	Star Destiny Sdn Bhd
		Land Area and Details of Land Parcels	<u>Land area</u> 185.1 hectares <u>Details of land parcel</u> Lot 10210, Bukit Mengapur, Mukim Hulu Lepar, District of Kuantan, State of Pahang, Malaysia	<u>Land area</u> 1. 198.28 hectares 2. 188.30 hectares 3. 380.00 hectares <u>Details of land parcel</u> 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
		Approval Reference and Type of License Obtained	<u>Approval reference:</u> #Bil.(16)d/m. PTG.PHG.(ML)-R). 16/015/04/04.2019 <u>Renewed on:</u> 18 December 2020 <u>Type of license obtained:</u> Mining lease	<u>Approval reference:</u> PTG.PHG.(ML).16 /015/04/04.2009(36); 15/10/2020 PTG.PHG.(ML).16/ 015/04/09.2010(27); and 15/10/2020 PTG.PHG.(ML).16/ 015/04/09.2010(14). <u>Approved on:</u> ML Approvals obtained on 15 October 2020 * <u>Type of licence obtained:</u> Mining leases*
		Stage of Development	This mining lease is at advanced exploration stage, ready for mining activity.	These three mining leases in respect of which the ML Approvals have been obtained on 15 October 2020, are under exploration stage.*
		Current Mining Lease Period	1 June 2020 to 31 May 2025	Period of 12 years*
<p>* Notwithstanding that SDSB has obtained the ML Approvals in respect of the mining leases on 15 October 2020, as the mining leases have yet to be formally issued, the commencement date is not available.</p>				

	SGX-ST queries	Company's responses
Q7		<p data-bbox="890 271 1377 297"><u>Mineral type, quantity of resources / reserves</u></p> <p data-bbox="890 322 1206 349">(a) <u>Ceramat Aman Sdn Bhd</u></p> <p data-bbox="954 383 1513 544">As set out in Section 2.2.2 of the Announcement, 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 JORC Code.</p> <p data-bbox="954 568 1513 763">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 in <i>Appendix 1</i> of this announcement.</p> <p data-bbox="954 788 1513 1099">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.</p> <p data-bbox="890 1124 1187 1151">(b) <u>Star Destiny Sdn Bhd</u></p> <p data-bbox="954 1189 1513 1317">All the three mining leases in respect of mineral type, quantity of resources / reserves of which the ML Approvals have been obtained on 15 October 2020, are under exploration stage.</p>

	SGX-ST queries	Company's responses
Q8	<p>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.</p> <ul style="list-style-type: none"> • How was the Consideration of US\$30m arrived at? • Given the Valuation Report and the Royalty Arrangement, please elaborate on why the Board had agreed to the Consideration of US\$30m? • What is the Board's view on how and why the Consideration of US\$30m is in the best interest of the Company and its minority shareholders. Please provide justifications. 	<p><u>Consideration</u></p> <p>The Consideration was arrived at on a "willing buyer and willing seller" basis and based on:</p> <ol style="list-style-type: none"> 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. <p><u>Basis</u></p> <p>The Board agreed to the Consideration of US\$30m, and also believes that it is in the best interest of the Company and its minority shareholders because:</p> <ul style="list-style-type: none"> - The Company had re-assessed old drill data and verified old drill cores and drill chips, and had drilled 12 new confirmation holes. Pursuant thereto, as set out in the Independent Qualified Person's Report, the Company has defined 10.75 million tons of magnetite resource as at 26 October 2020 in Mengapur 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. - There is potential to increase the magnetite resource in Mengapur through further drillings both as infills in currently identified mineralisation areas and as new deposit in areas that have not been explored previously. - The characteristics of the Mengapur magnetite resource is very similar to the magnetite resource in the Group's Bukit Besi mine. The Board believes that the Company can leverage on its existing technical know-how and abilities to expeditiously produce high grade magnetite concentrate from the Mengapur magnetite resource. - 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.

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Q8		<ul style="list-style-type: none"> - 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. - The Company's high-grade magnetite concentrate has been a premium iron ore product which is in strong demand among both local and foreign buyers. The magnetite concentrate produced from Mengapur will further satisfy this demand. - Compared to the Company's Bukit Besi mine, Mengapur is geographically closer to one of the Company's local buyer (56km) and to the seaport for bulk iron ore export (85km). This will significantly reduce the cost of transportation. - Due to the close proximity between Bukit Besi and Mengapur, which are only 160km away from each other, and with Kuantan being the main commercial and material supply hub in between the two sites, it will be easy for the management team, technical team, engineering team and transportation team to support both sites in a cost efficient manner. - Furthermore, Mengapur is in close proximity to the city of Kuantan and nearby towns, making it easy to source for both professionals and skilled labours required for mining operations. - The Board also envisages that there will be further cost savings for the operations at Mengapur due to the following reasons: <ul style="list-style-type: none"> • There is nearby access from Mengapur to a nearby national power grid for electricity. • There is a lack of topsoil and overburden above the magnetite resource at Mengapur. • The favourable mine site topography at Mengapur where full load dump trucks will only be required to travel downhill during the initial and middle phases of development. • The immediate availability of a raw material yard and processing plant platform at Mengapur.

Appendix 1: Mengapur mineral resource estimates as at 26 October 2020

JORC Category	Mineral Type	Gross Attributable to Licences ¹						Net Attributable to Issuer ²						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*															
Inferred	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
	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
Total Inferred Copper		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
Total Inferred Magnetite		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

1 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)

2 The Issuer is in the process of acquiring 100% of the Project

3 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.

4 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.

BY ORDER OF THE BOARD OF FORTRESS MINERALS LIMITED

Dato' Sri Ivan Chee Yew Fei
Chief Executive Officer
14 January 2021

Fortress Minerals Limited (the "Company") was listed on Catalist of the SGX-ST 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 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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