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

RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS") IN RELATION TO THE COMPANY'S ANNUAL REPORT 2025

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 for its financial year ended 28 February 2025 to be held at Esplanade Room 3, Level 3 of Singapore Recreation Club, B Connaught Drive, Singapore 179682 on Monday, 30 June 2025, at 2:00 p.m. ("**AGM 2025**").

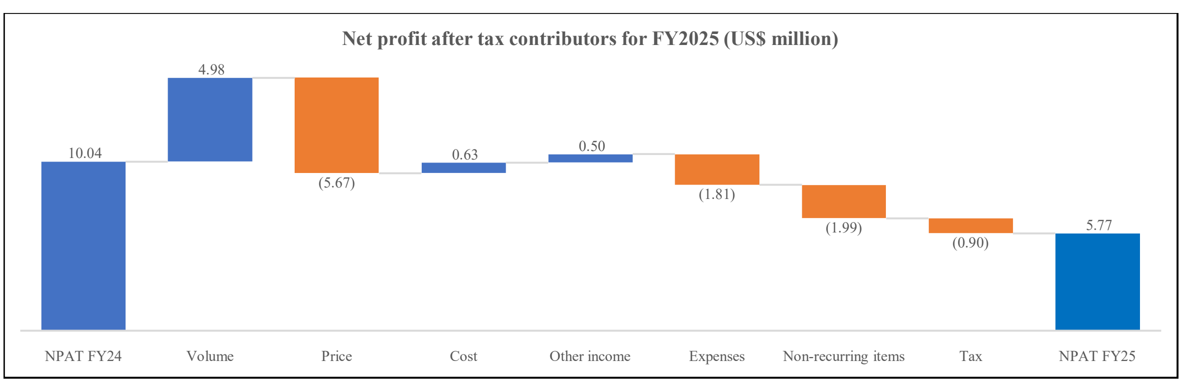
The Board further refers to the questions raised by SIAS in relation to the Company's Annual Report 2025 and is pleased to provide the Company's responses to these questions as below. For avoidance of doubt, the Company will not be responding to commentaries made by SIAS since they merely set out the context of the questions raised.

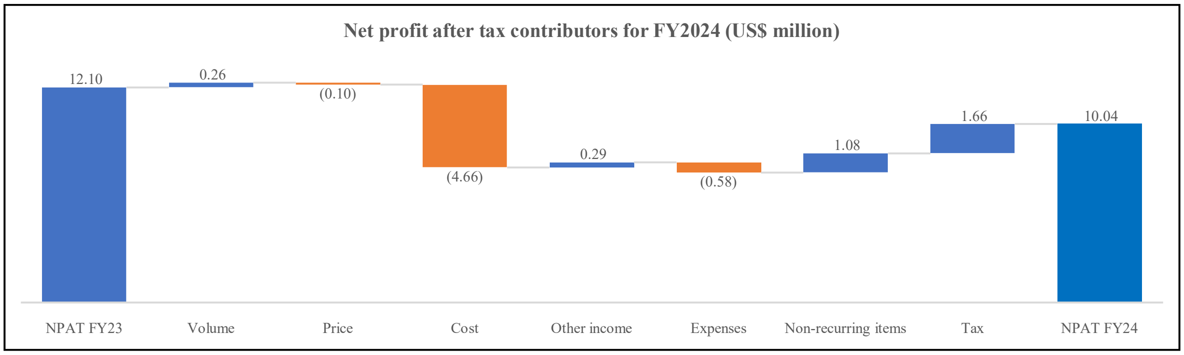
Question 1(i). **Can management provide a quantitative or a waterfall chart to explain the key drivers behind the decline in profitability over the years, despite the increase in sales volume? Specifically, can management isolate the impact of volume growth, selling price changes, cost of sales (including mining, processing, freight and royalty costs), foreign exchange movements and any one-off items on EBITDA and net profit?**

Company's Response:

The Group typically includes such further details and breakdowns in its quarterly/half-year financial statements as well as in its quarterly/half-year presentation slides.

Net Profit After Tax Contributors





<u>FY2024 vs FY2023</u>

The impact of higher cost by US$4.7m was primarily driven by inflationary pressures of certain production costs, including electricity, depreciation, blasting and drilling costs, among others.

<u>FY2025 vs FY2024</u>

Sales volume has increased by 14.8% from 550,887 DMT to 632,424 DMT as a result of higher production volume achieved. This was supported by the commissioning of two new ball mills in May 2024, which enhanced operational throughput and reliability.

The average realised selling price per DMT declined by 9.2% year-on-year, in line with the weakening of the average benchmark IODEX CFR North China of Platts Daily Iron Ore Assessments price indices in FY2025 compared to FY2024.

Total expenses for the financial year increased by 9.4%, from US$19.1 million to US$20.9 million, primarily due to:

- an increase of US$0.9 million in depreciation expenses for non-production plant and equipment, which were reclassified from cost of sales to other operating expenses in FY2025;
- an increase of US$0.7 million in plant maintenance expenses, arising from higher machinery upkeep and maintenance requirements for aging equipment; and
- an increase of US$0.9 million in payroll costs, driven by a higher staff count and salary adjustments during the year.

However, these increases were partially offset by a decrease of US$0.4 million in finance costs due to principal repayments on bank borrowings, and a decrease of US$0.4 million in foreign exchange losses, attributable to the strengthening of the RM against the USD.

Non-recurring items comprise fair value changes on contingent consideration, and impairment losses on both financial and non-financial assets. As at 28 February 2025, the Group identified indicators of impairment and recognised an impairment loss of US$3.0 million on exploration and evaluation assets. This increase was partially offset by a US$0.7 million decrease in impairment losses on financial assets and a fair value gain of US$0.3 million on contingent consideration.

While the Group remains cognizant of the external factors that impact operational performance, including the market price of iron ore and production costs that are beyond its control, the Group remains committed to its focus on operational efficiency to optimise margins and cashflow.

Question 1(ii). What specific operational efficiency initiatives or cost transformation programmes has management implemented to stabilise or expand margins?

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. With these initiatives, the Group was able to maintain the production cost per WMT in FY2025.

Question 2(i). Can the board, especially the remuneration committee ("RC") help shareholders better understand the key performance indicators used in determining the remuneration of the executive director and CEO?

Company's Response:

The Remuneration Committee ("**RC**") advocates a performance-based remuneration system for Executive Directors, including the Executive Director and CEO, that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus structured to link rewards to the sustainable performance and value creation of the Company.

In determining such remuneration packages, the RC will ensure that they are adequate by considering, in consultation with the Chairman of the Board who has vast hands-on experience and knowledge in investment and analysis of the mining industries, the respective individual's responsibilities, skills, expertise and contribution to the Company's performance and growth, and whether the packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent, without being excessively generous and are able to motivate the concerned Directors to provide good stewardship to the Company.

The RC also considers all other components of the remuneration framework, including termination terms, to ensure fairness and to avoid excessive entitlements.

Question 2(ii). Given that the CEO's remuneration has increased while profits have declined over the last three years, how does the current remuneration framework ensure alignment with shareholders' interest and group's long-term performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?

Company's Response:

The Company's remuneration policy places emphasis on long-term shareholder value creation rather than short-term profitability. The RC is confident that the current framework supports strategic continuity, talent retention, and sustainable value creation. While the Group has experienced a decline in net profit over the past three financial years, this trend is primarily attributable to external macroeconomic headwinds, including:

- Global economic slowdown;
- Post-COVID inflationary pressures;
- Rising logistics and production costs; and
- Strategic capital expenditure related to expansion.

Notwithstanding the above, the CEO has delivered measurable strategic value across several dimensions as follows:

(a) Cost Efficiency and Capital Discipline

- The second processing plant was developed internally, achieving significant cost savings compared to third-party estimates by leveraging internal expertise and operational efficiencies.

- The CEO led the acquisition of a strategic mining asset for US$30 million, which is significantly below the initial asking price. This reflects vast industry network, strong leadership and negotiation capabilities, while reinforcing the Company's long-term value and strategic positioning.

(b) Resource Expansion and Diversification

- The updated and depleted Mineral Resources estimates for the Bukit Besi Iron Project has increased from 6.19 million tonnes from FY2019 to 11.55 million tonnes as of FY2025.

- CEO spearheaded the plan of diversification into nickel, copper, and gold tenements positions the Company for future growth and asset monetisation.

(c) Governance and Transparency

- No Director is involved in determining his or her own remuneration.

The RC reviews and considers all aspects of remuneration to ensure they are fair and not overly generous, incorporating performance-based incentives tied to long-term metrics such as shareholder returns and sustainable growth targets.

Question 2(iii). Can the board confirm whether the CEO's service agreement has been formally renewed or revised and was this disclosed in the annual report?

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

The service agreement, which was automatically renewed for a further two (2) years on the same terms upon expiry on 28 February 2024. The Nominating Committee (the "**NC**") and RC have reviewed the service agreement. Having considered the CEO's contribution to the Group's strategic planning and performance to-date, as well as the prevailing micro and macro economical challenges, the NC and RC endorsed and recommended to the Board of Directors the renewal of the service agreement for a further period of two (2) years subject to the same terms.

Question 2(iv). Has the CEO's base salary been increased to nearly S$1.8 million? If so, what benchmarking or external compensation review was conducted to justify this increase? How does the remuneration structure compare against companies of similar market capitalisation and operating complexity?

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

The remuneration package of CEO comprises a fixed base cash component, including the base salary and compulsory employer contribution to the CEO's employee pension fund account, and a variable cash component linked to long-term targets. Excluding foreign exchange effects, the increase is not significant.

To ensure fairness and market alignment:

- Variable component is linked to long-term goals including strategic growth, reflecting the Company's strategic priorities amid challenging market conditions, not just short-term profits.
- The remuneration structure is designed to be competitive, yet not overly generous, with a view to attracting and retaining executive talent in a labour-constrained and technically specialised industry.
- Though the Employee Share Option Scheme ("**ESOS**") is in place, the Company had not granted share options to any employees or Directors under the ESOS since its adoption. The Board believes that the current remuneration framework allows the Company to attract sufficiently qualified talent.
- No Director is involved in deciding his/her own remuneration. Each RC member has abstained from participating in the deliberations of and voting on any resolution in respect of his/her remuneration package or that of employees related to him/her.

Question 2(v). What has been the total shareholder return over the last three years?

Company's Response:

Since its listing on 27 March 2019, the Company has delivered a total shareholder return ("**TSR**") of 36.1%[1] as at 28 February 2025. The Company has declared dividends annually since listing, with a historical payout ratio in the range of approximately 20% to 30% of net profit, reflecting its disciplined approach to capital management. While future dividend payments will depend on various factors, the Group remains committed to maximising long-term shareholder value.

Question 3(i). Has the board evaluated the benefits of establishing a dedicated sustainability committee at the board level to provide stronger oversight of ESG risks and opportunities?

Company's Response:

The Board has not formally evaluated the benefits of establishing a dedicated sustainability committee at the Board level. Nevertheless, the Board has overall responsibility for the Group's sustainability issues and impact. As part of its meeting agenda, the Board has included KPIs and updates on ESG and climate change for discussions. In the process, the management team assesses and recommends climate-related risk and opportunities to the Board. We are committed to continuously strengthening our governance in this area.

Question 3(ii). Does the board unanimously consider financial performance to be the most important factor?

[1] TSR = (Closing Price – Opening Price + Dividends) ÷ Opening Price. Based on IPO price of S$0.200, closing price as at 28 February 2025 of S$0.235, and dividends paid over the period of S$0.0372 per share.

Company's Response:

The Board unanimously recognises financial performance to be one of the most important sustainability factor for the Group. We are committed to generating sustainable returns for our shareholders as this is key for the Group's long-term viability and our ability to invest in other sustainability initiatives While we have invested reasonable resources to manage ESG, the Group recognises the need to strengthen its financial performance, which will then enable the Group to allocate resources effectively to manage our other ESG impacts.

Question 3(iii). How was it assessed that environmental impact (pollution, waste, effluents etc) is only minor to moderate when the group operates in the extractives sector which is typically associated with high environmental externalities? Has the board benchmarked its materiality assessment against global best practices for extractive industries, where environmental risks are typically classified as high impact?

Company's Response:

We recognise the environmental challenges involved within the extractive sector. In FY2025, our materiality assessment involved internal analysis and feedback from our stakeholders which indicated the environmental impacts from minor to moderate range. Our assessment was made after considering the mitigations efforts, scale of our operations, advanced technologies in place for pollution and waste management and other internal controls. We also fully complied with the applicable laws and regulations imposed by the Department of Environment. We are proud to announce that to-date, we have not received any fines.

On the benchmarking of our materiality assessment against global best practices for extractive industries, we wish to clarify that we have yet to conduct a formal benchmarking exercise against a set of global best practices standards in this sector. We are committed to refining our materiality assessment processes and will certainly consider conducting formal benchmarking against recent global standards and best practices in our future assessments.

Question 3(iv). With regard to anti-corruption, can the board elaborate on the group's anti-corruption risk assessment procedures, including how frequently they are conducted, whether they are site-specific and what governance controls are in place to escalate red flags?

Company's Response:

The Group monitors the number of corruption incidents and reports these in our annual sustainability report. Notably, zero incidents of non-compliance with anti-corruption regulations have been observed since FY2021, when tracking policy was implemented.

We conduct risk assessment for both external parties that we are dealing with and our employees. For external parties, we consider the nature of activities and the existence of their anti-bribery systems and processes. For our employees, we evaluate their roles and the external parties that they are dealing with. These are conducted when a new party is onboarded and are reviewed annually.

All our employees receive training on the anti-bribery and anti-corruption practices upon joining the Group. Additionally, refresher training is provided to existing employees from time to time to remind them of the activities that constitute bribery and the consequences for those who are involved in such activities in accordance with the risk profile of the roles. All employees in the high risk category are required to go through an online test at least once every two years. Quarterly reports are provided to the Board on the compliance of anti-bribery and anti-corruption policies and procedures. This is further supported by the Group's internal audit.

The Group has a Whistle-blowing Policy and Procedures in place and the Policy is available on our corporate website at www.fortress.sg.

BY ORDER OF THE BOARD OF
FORTRESS MINERALS LIMITED

Dato' Sri Ivan Chee Yew Fei
Chief Executive Officer
24 June 2025

---

*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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. 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. Foo Jien Jieng, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.