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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Fortress Minerals Ltd

Security: Fortress Minerals Ltd

Meeting details:

Date: 26 Jun 2019

Time: 3.00 p.m.

Venue: 4 Robinson Road #04-01, The House of Eden, Singapore 048543

Company Description

Fortress Minerals Ltd is a Malaysia-based company engaged in the business of exploration, mining, production and sale of iron ore concentrate. The Company processes and exports iron ore concentrate mined from its Bukit Besi Mine in Terengganu, Malaysia. The Company produces magnetite ore concentrate and sell them to steel mills and trading companies in Professional Regulation Commission (PRC) and Malaysia.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=OAJ)

Q1. As mentioned in the CEO's Message, the group has continued with its exploration and evaluation activities at the East, Valley and West Deposits at the Bukit Besi mine and has updated its mineral resource estimates as follows (page 5 of the annual report):

Appendix 7D: Summary of Reserves and Resources

Date of report: 26 April 2019

Date of previous report: 6 December 2018

Bukit Besi Mineral Resource tabulation as at 28 February 2019⁽¹⁾

Deposit	Category	Mineral type	Gross attributable to ML7/2013		Net attributable to Fortress			Remarks
			Tonnes (Mt)	Grade (Fe%)	Tonnes (Mt)	Grade (Fe%)	Change from previous update (%) ⁽²⁾	
West	Indicated	Iron	0.34	41.44	0.34	41.44	-10%	None
West	Inferred	Iron	2.42	39.33	2.42	39.33	-6%	None
Valley	Inferred	Iron	2.24	46.33	2.24	46.33	64%	None
East	Inferred	Iron	1.18	41.05	1.18	41.05	5%	None
Total Indicated + Inferred		Iron	6.19	42.31	6.19	42.31	16%	None

Notes:

(1) Based on a block cut-off grade of 10% Fe and Magnetic susceptibility greater than 100 and sulphur less than 10%.

(2) Change from previous update as of 6 December 2018. Positive number denotes increase and negative number denotes decrease.

The Company does not have Mineral Resources as at 28 February 2019.

Name of Qualified Person: Leesa Collin

Date: 26 April 2019

Professional Society Affiliation/Membership: Australasian Institute of Mining and Metallurgy (MAusIMM).

(Source: Annual report; emphasis added)

Based on the offer document dated 19 March 2019, the company disclosed the following estimates:

According to the Qualified Person's Report, the total Mineral Resource estimates in the East, Valley and West Deposits, based on the JORC Code, as at 7 August 2018, is set out in the table below⁽¹⁾:

Area	Category	Mineral type	Gross attributable to ML7/2013		Net attributable to our Group		Remarks
			Tonnes (Mt)	Grade (Fe%)	Tonnes (Mt)	Grade (Fe%)	
West Deposit	Indicated Resource	Iron	0.37	42.2	0.37	42.2	None
West Deposit	Inferred Resource	Iron	2.55	39.6	2.55	39.6	None
Valley Deposit	Inferred Resource	Iron	1.36	46.4	1.36	46.4	None
East Deposit	Inferred Resource	Iron	1.13	40.7	1.13	40.7	None
Total (Indicated and Inferred Resource)			5.41	41.7⁽²⁾	5.41	41.7⁽²⁾	

Notes:

(1) Based on a block Fe cut-off grade of 10.0% and magnetic susceptibility greater than 100 and sulphur less than 10.0%.

(2) This refers to the average grade of iron ore.

(Source: Offer document dated 19 March 2019)

- (i) Can the board/management help shareholders understand the risks and the impact of the decline (in both tonnage and grade) in the indicated resource at the West Deposit?**
- (ii) While there are also fluctuations to the inferred resources at the three Deposits (including a large increase in tonnage at the Valley Deposit), how much more evaluation activity is needed to increase the geological confidence?**
- (iii) Would the board/management help shareholders understand how the group has been able to achieve a Fe grade of 67.57% (thus commanding a premium pricing) when the average Fe grades are between 39% and 46% (as shown in the tables above)? How sustainable is the supply of premium/high grade iron concentrate?**
- (iv) What are the exploration and evaluation activities in the next 12-24 months? How much will the group be investing in such activities?**

In particular, the company has stated in the annual report that it “does not have Mineral Resources as at 28 February 2019” (page 5).

- (v) Would the board clarify if the statement should be referring to “Ore Reserves” and not “Mineral Resources”? If not, can the board also elaborate further on the statement that the company does not have Mineral Resources?**
- (vi) Has the board, especially the independent directors, evaluated the risks of the group given that it does not have Ore Reserves? In the offer document, it was disclosed that there are no Ore Reserves reported in accordance with JORC Code (2012) guidelines at the Bukit Besi mine. An extract is reproduced below:**

SRK cautions that there is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the mine plan itself will be realised.

SRK cautions that there are no Ore Reserves reported at the Project.

(Source: Offer document dated 19 March 2019)

- (vii) Are there plans by the board/company to determine the Ore Reserves at Bukit Besi?**

Q2. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) With the construction of the two additional ball mills and related machinery at the Bukit Besi processing plant completed and undergoing trial runs, when does the group expect the trials to be completed?**
- (ii) What will be the projected improvement in the processing efficiency, yield and product quality?**
- (iii) What is the projected production level going forward, once the trial runs are completed?**

As seen in the Consolidated statement of cash flows (page 65), the group has invested more than US\$10.2 million in the past two years on plant and equipment.

- (iv) Are there other plans to expand or set up a new processing plant in the next 2-3 years? What is the capital investment budget for the mine in the next 2-3 years?**

Q3. At the annual general meeting to be held on 26 June 2019, all eight directors are retiring pursuant to Regulation 97 of the Company's Constitution and seeking their re-election.

The company has noted that all the directors do not have prior experiences as directors of public listed companies in Singapore. In addition, seven out of the eight directors reside in Malaysia, and thus may not be familiar with the local rules and regulations.

In the offer document, the company has disclosed that the directors have attended training, including LCD 1 – Listed Company Director Essentials Course and LED 1 – Listed Entity Director Essentials Course.

On page 53 in the annual report, the company has stated for all directors that it will arrange for the directors to attend relevant briefing and training in relation to the roles and responsibilities of a director of a Singapore Public Listed Company conducted by the Singapore Institute of Directors.

- (i) Does the company have the schedule of the other training/courses that the directors will attend as stated in Practice Note 4D of the Catalyst Rules?**
- (ii) What was the evaluation process by the nominating committee to assess if the board (which comprises of all first time directors) has the “appropriate mix of expertise, skills, knowledge, experience and gender diversity for effective decision-making”?**



- (iii) Can the company help shareholders understand if the current board has the necessary experience and expertise to discharge their fiduciary duties and responsibilities fully given that all board members are first-time directors and only one director resides in Singapore?**