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UEN No: S99SS0111B
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Issuer: Fortress Minerals Limited

Stock code: OAJ

Meeting details:

Date: 28 June 2023

Time: 2.00 p.m.

Venue: Esplanade Room 1, Level 3 of Singapore Recreation Club, B Connaught Drive,
Singapore 179682

Q1. As noted in the CEO's message, the group sold 546,076 dry metric tonnes ("DMT") of iron ore concentrate which was the highest level since the group's inception and an increase of 52.8% from the previous year.

Revenue in FY2023 was US\$53.5 million (2022: US\$43.4 million; 2021: US\$47.7 million). The company used to disclose the average realised selling price of iron ore in past annual reports - average realised selling prices were US\$95.93/DMT in 2020, US\$105.43/DMT in 2021 and US\$121.27/DMT in 2022.

The average realised selling price for FY2023 was not disclosed in the annual report but has been estimated to be US\$98.06/DMT, a decline of 19%.

- (i) **For greater transparency, would the board/management consider continuing the practice of disclosing the average realised selling price of iron ore in the annual report?**
- (ii) **What is the group's strategy to optimise revenue and profitability, specifically focusing on the measures implemented to optimise/maximise the average selling price of iron ore?**
- (iii) **What were the reasons for the decrease in the average realised selling price of iron ore in FY2023?**
- (iv) **In addition, can the board/company also provide more information on the hedging strategies employed by the group, if any, to better manage the price risks of iron ore?**

In addition, in April 2023, the group entered into a new 9 months offtake agreement with a third-party domestic steel mill in Malaysia for the sale of approximately 270,000 wet metric tonnes of iron ore for the period commencing 4 April 2023 to 31 December 2023.

- (v) **Can management elaborate further on its view of the iron ore market in the next 18-24 months?**
- (vi) **What are the reasons/considerations for a shorter offtake agreement of 9 months (versus the previous offtake agreement of 15 months)?**

Q2. Despite a record volume of iron ore concentrate sold and revenue increasing by 23.5% to US\$53.5 million, the group reported lower gross profit margin, lower profit before tax margin, net profit margin and earnings per share.

Net profit margin decreased to 22.6%.

Profit for the year was lower at US\$12.1 million in FY2023 compared to profit of US\$13.9 million in FY2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FY2023	FY2022	FY2021
US\$'000	(MAR'22 – FEB'23)	(MAR'21 – FEB'22)	(MAR'20 – FEB'21)
Gross profit	37,752	33,381	36,466
Gross profit margin (%)	70.5	77.0	76.4
Profit before tax margin (%)	32.8	43.0	48.9
Net profit margin (%)	22.6	32.0	38.2
Earnings per share (US cents)	2.42	2.78	3.65

(Source: company annual report)

In Note 30 Profit before income tax (page 152), it was disclosed that handling and transportation charges increased from US\$0.81 million to US\$1.54 million (or 89%) and royalty expense increased from US\$1.51 million to US\$2.87 million (or 90%).

- (i) **Can management elaborate further on the reasons for the disproportionately large increases in “handling and transportation charges”?**
- (ii) **How were the royalty payments calculated and what had caused the 90% increase when the volume sold increased by just 52.8%? Are royalties based on volume of iron ore mined, volume sold or realised revenue?**

The group also recognised a higher fair value for contingent consideration amounting to US\$1.79 million which decreased the group’s profitability (page 105 – Consolidated statement of comprehensive income).

- (iii) **With regard to the contingent consideration (Note 23) relating to the acquisition of Fortress Mengapur Sdn. Bhd. (“FMeSB”) (formally known as Monument Mengapur Sdn. Bhd. (“MMSB”)) and its subsidiaries (the “FMeSB Group”), is there an upper bound to the contingent consideration payable to the vendor?**
- (iv) **What was the level of production at the new Cermat Aman Sdn Bhd (the “CASB”) mine?**

- (v) **How much has been invested and what are the planned capital expenditure for the CASB mine in the next 2-3 years? What is the estimated timeline to complete the new integrated processing plant?**
- (vi) **Separately, what are the planned exploration activities in the Telupid and Tongod areas of Sabah, East Malaysia? How much capital has been set aside for prospecting in Sabah?**

Q3. As stated in the sustainability report, the company disclosed that it has published its whistleblowing policy on the corporate's website for community complaints and grievances from stakeholders with regards to the group's operations.

The whistleblowing policy is overseen and monitored by the audit committee (AC) to ensure a safe channel for stakeholders to report improprieties within the organisation.

The group received 1 whistleblowing complaint in FY2023 through the company's whistleblowing channel.

Fortress' Target for FY2023 and FY2024	Performance for FY2023
ZERO incidents of non-compliance with the Catalyst Rules or the Code of Corporate Governance.	Maintained ZERO incidents of non-compliance with the Catalyst Rules or the Code of Corporate Governance.
ZERO incidents of Whistle-Blower Complaints.	One (1) incident of Whistle-Blower Complaint.
ZERO incidents of non-compliance with anti-corruption regulations.	Maintained ZERO incidents of non-compliance with anti-corruption regulations.

(Source: company annual report)

- (i) **Can management share the URL of the whistleblowing policy on the corporate website (www.fortress.sg)? When was the whistleblowing policy posted online?**
- (ii) **Specific to the one incident of whistle-blowing report in FY2023, can the AC elaborate further on the nature of the whistleblowing complaint?**
- (iii) **Have the investigations been concluded and if so, what are the findings and follow-up?**
- (iv) **What was the level of involvement by the AC?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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