Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Fortress Minerals Limited

Stock code: OAJ

Meeting details:
Date: 23 June 2021
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

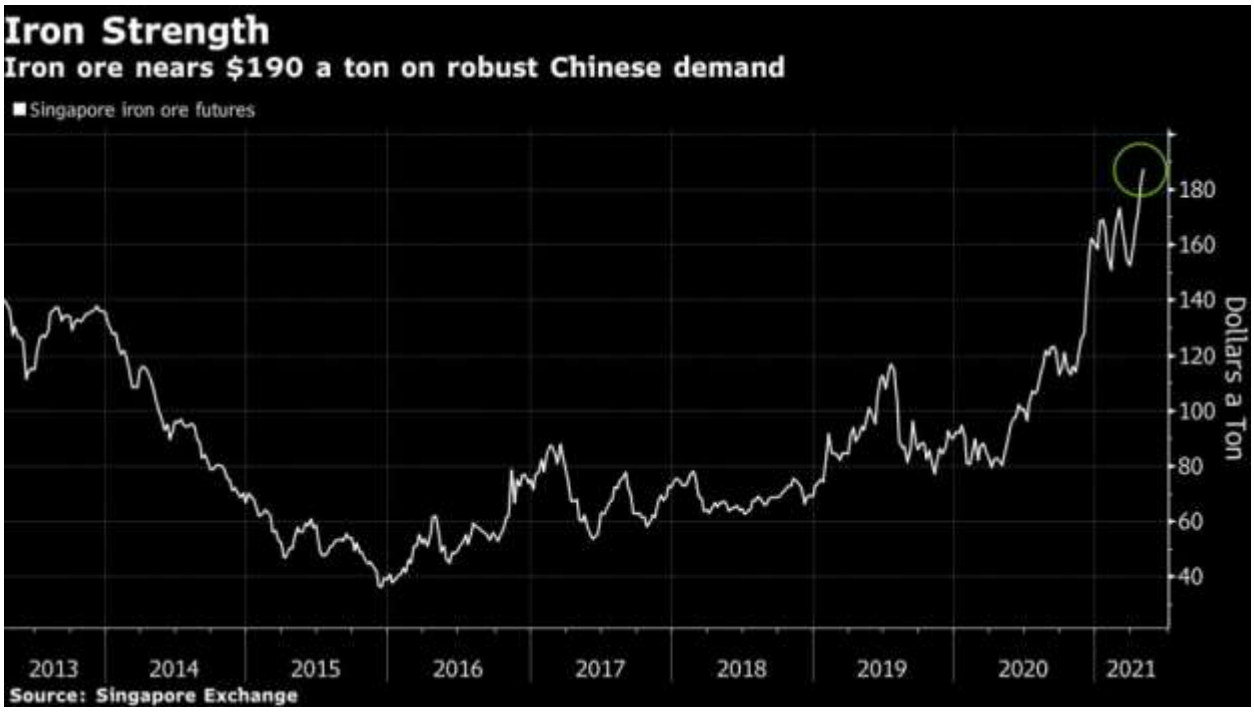
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Q1. As noted in the CEO's message (page 8 of the annual report), despite the pandemic, the group delivered a strong set of results and increased iron ore deliveries by 67.9% to 452,756 DMT at a higher average realised selling price of US$105.43/DMT, up 9.9% year-on-year.

(i) **What is the group's ore production/processing capacity at the Bukit Besi mine?**

(ii) **What was the group's utilisation rate in FY2021?**

Price of iron ore has increased from US$90/ton in January 2020 to about US$160/ton in January 2021. Iron ore prices continued the climb to exceed US$180/ton in April 2021 (see chart below).



(Source: https://www.mining.com/iron-ore-price-hit-record-high-fuelled-by-structural-supply-shortage/)

(iii) **Can management help shareholders understand how it prices its iron ores given that the increase in the average realised selling price was only 9.9% year-on-year when iron ore prices have doubled in the past year? What is management's strategy to capture a greater share of value for shareholders?**

(iv) In FY2021, the group has reduced the average unit cost of sales by 21.5% year-on-year to US$22.62/WMT. **How much further can the unit cost of sales be reduced due to economies of scale?**

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Despite the pandemic, the group diversified its revenue sources with ore deliveries to Vietnam and re-established its China customer network in FY2021. As disclosed in Note 23 (page 130 – Revenue), the group derives 83.6% of its total revenue from customers in Malaysia, with customers in Vietnam and China accounting for 10.7% and 5.7% respectively. In FY2020, the group only sold its ores domestically.

(v) **Can management disclose the profiles of these customers in the overseas markets?** In Malaysia, the group's iron ore concentrates are sold to domestic steel mills.

(vi) **What is management's strategy to acquire new customers in overseas market?**

(vii) **Is it a management priority to increase the revenue derived from overseas customers?**

The mineral resources at the Bukit Besi mine decreased by 14.6% from the previous update. In particular, the inferred iron ore in the West area has slipped from 2.55 MT (as disclosed in the IPO prospectus) to 1.14MT in the latest update. In the East area, it has decreased from 1.13 MT to 0.77MT whereas the inferred iron ore in the Valley deposit increased from 1.36 MT to 3.58 MT.

Date of report: 20 April 2021
Date of the previous report: 2 June 2020
Bukit Besi Mineral Resource tabulation – 28 February 2021*

Area	JORC Category	Mineral type	Gross attributable to ML7/2013		Net attributable to Fortress		Change from previous update (%)	Remarks
			Tonnes (Mt)	Grade (Fe%)	Tonnes (Mt)	Grade (Fe%)		
West	Indicated	Iron	0.28	42.57	0.28	42.57	-18.1	None
West	Inferred	Iron	1.14	44.26	1.14	44.26	-42.2	None
Valley	Inferred	Iron	3.58	48.45	3.58	48.45	3.0	None
East	Inferred	Iron	0.77	37.73	0.77	37.73	-26.6	None
Total Indicated + Inferred		**Iron**	**5.78**	**45.90**	**5.78**	**45.90**	**-14.6**	**None**

Note:

* Based on a block cut-off grade of 10% Fe and magnetic susceptibility greater than 100 and sulphur less than 10%. Some discrepancies may occur due to rounding. No Ore Reserves or Mineral Reserves stated. Mineral Resources that are not Ore Reserves or Mineral Reserves do not have demonstrated economic viability.

Name of Qualified Person/Competent Person: Leesa Collin/Leesa Collin
Date: 20 April 2021
Professional Society Affiliation/Membership: Australasian Institute of Mining and Metallurgy (MAusIMM).

Cautionary Statement:
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 conversion to Indicated Mineral Resources or that the outcome of any preliminary economic study will be realised.

(Source: company annual report; emphasis added)

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The cautionary statement in the report by the independent consultants stated there is no certainty that further exploration work will result in the conversion from Inferred Mineral Resources to Indicated Mineral Resources or that the outcome of any preliminary economic study will be realised.

(viii) **Can management elaborate further on the planned exploration work at Bukit Besi for the next 12-18 months?**

(ix) **What is the impact on the group's operations as a result of Malaysia's Movement Control Order, including the latest "MCO 3.0"?**

(x) **How sustainable is the Bukit Besi mine given that there are no reported reserves and that the inferred (and indicated) resources have fallen by 14.6% in a year?**

Q2. The group completed the acquisition of Monument Mengapur Sdn. Bhd. and its subsidiaries ("MMSB Group") for a cash consideration of US$30.0 million on 7 April 2021. As disclosed in Note 35.3 (page 144 – Events after the reporting period), the company is in the midst of finalising the purchase price allocation report of this acquisition.

According to the company's circular dated 1 February 2021, the independent qualified person's report issued by VRM stated a preferred valuation of US$4.4 million for MMSB. In addition, the group has to pay the vendor a royalty based on 1.25% of the gross revenue (estimated to be US$6.5 million on a discounted basis).

The company has stated that consideration of US$30.0 million in cash was arrived at and agreed on a "willing-buyer willing-seller" basis.

(i) **With more than 2 months of ownership of MMSB, can management provide shareholders with greater clarity on the operational plans for MMSB in the next 12-18 months?**

(ii) **What is the capital expenditure required?**

(iii) **Given that there has been no production at MMSB since 2011, and that development had commenced since 1983 by Malaysia Mining Corporation Berhad, what is the competitive advantage of the group over previous operators?**

(iv) **Can the independent directors help shareholders better understand the roles played by them in the acquisition of MMSB, especially in the due diligence and in the negotiation?**

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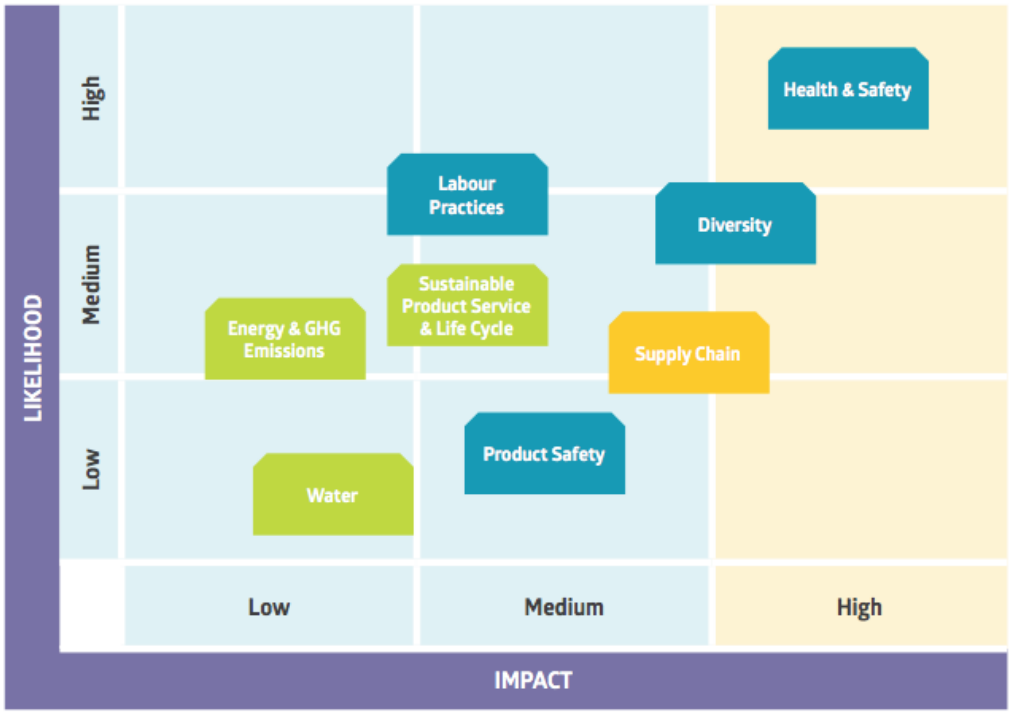
(v) **How did the company justify the cash consideration of US$30.0 million given the independent qualified person's report? What were the main assumptions used in the board approval process?**

(vi) **What are the key value drivers to make MMSB a positive "NPV" acquisition given that the independent valuer has a preferred valuation of US$4.4 million and the company paid a cash consideration of US$30.0 million?**

Q3. The company's sustainability report can be found on pages 19 to 42 of the annual report. The company has identified seven material ESG factors (page 20).

(i) **Has the board further analysed the material factors and prioritised them according to the importance to external stakeholders and to internal stakeholders in a materiality matrix?** An example based on SGX's resources on sustainability reporting is shown below:

Template 3: Material factors matrix



Source: KPMG

(Source: Sustainability Reporting Guide dated 22 Feb 2018[1])

[1] https://api2.sgx.com/sites/default/files/2018-07/Sustainability%20Reporting%20Guide%20%28220218%29.pdf

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The company has identified the material environment factors as "climate change" and "environmental performance" and justifies its contribution by producing mineral material that supports economic growth and promotes a more sustainable future.

(ii) **Can the board elaborate further on the link between its activities (mining and ore production) to a more sustainable future?**

The performance targets are "Zero Incident of environmental non-compliance" and "Full Compliance with environmental laws and regulations" (page 26).

(iii) **Has the board also considered the impact of mining on the environment? How else can the board monitor the impact of its mining activities on the environment other than "zero incident of environmental non-compliance"?**

(iv) **What is the environmental impact at MMSB should the group proceed with exploration and development work?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)