



SOUTHERN ALLIANCE MINING LTD.

A DEEP DIVE INTO THE “IRON ORE SUPPLIERS OF TOMORROW”
FEBRUARY 2021

A yellow excavator is shown in a rocky, construction-like environment. The excavator's arm is raised, and its bucket is positioned over a pile of rocks. The background features a dramatic sunset with orange and yellow light breaking through dark, cloudy skies. A diagonal blue line separates the image from the white background on the right.

CORPORATE OVERVIEW

CORPORATE OVERVIEW

Business Overview



Business

- Principally involved in the **exploration, mining, processing and sale of iron ore**



Location

- The Group's **headquarter is located in Pahang, Malaysia**
- Its iron ore mine, the **Chaah Mine**, is located in **Johor, Malaysia**



History

- Operation at the **Chaah Mine has commenced since 2008**



Total Production

- **5.3 million tonnes of iron ore** from the Chaah Mine were mined from 2008 to 31 July 2020

DIRECTORS & KEY MANAGEMENT



Dato' Teh Teck Tee
*Non-Executive Non-Independent
Chairman*

- Co-founder of the Company
- Over 13 years of experience in the business of mining and exploration of minerals in Malaysia



Dato' Sri Pek Kok Sam
*Chief Executive Officer &
Executive Director*

- Co-founder of the Company
- Over 18 years of experience in the business of mining and exploration of minerals in Malaysia



Lim Wei Hung
Chief Financial Officer

- Over 20 years of experience in financial accounting matters
- A public accountant from the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants

IRON ORE MINING ASSETS

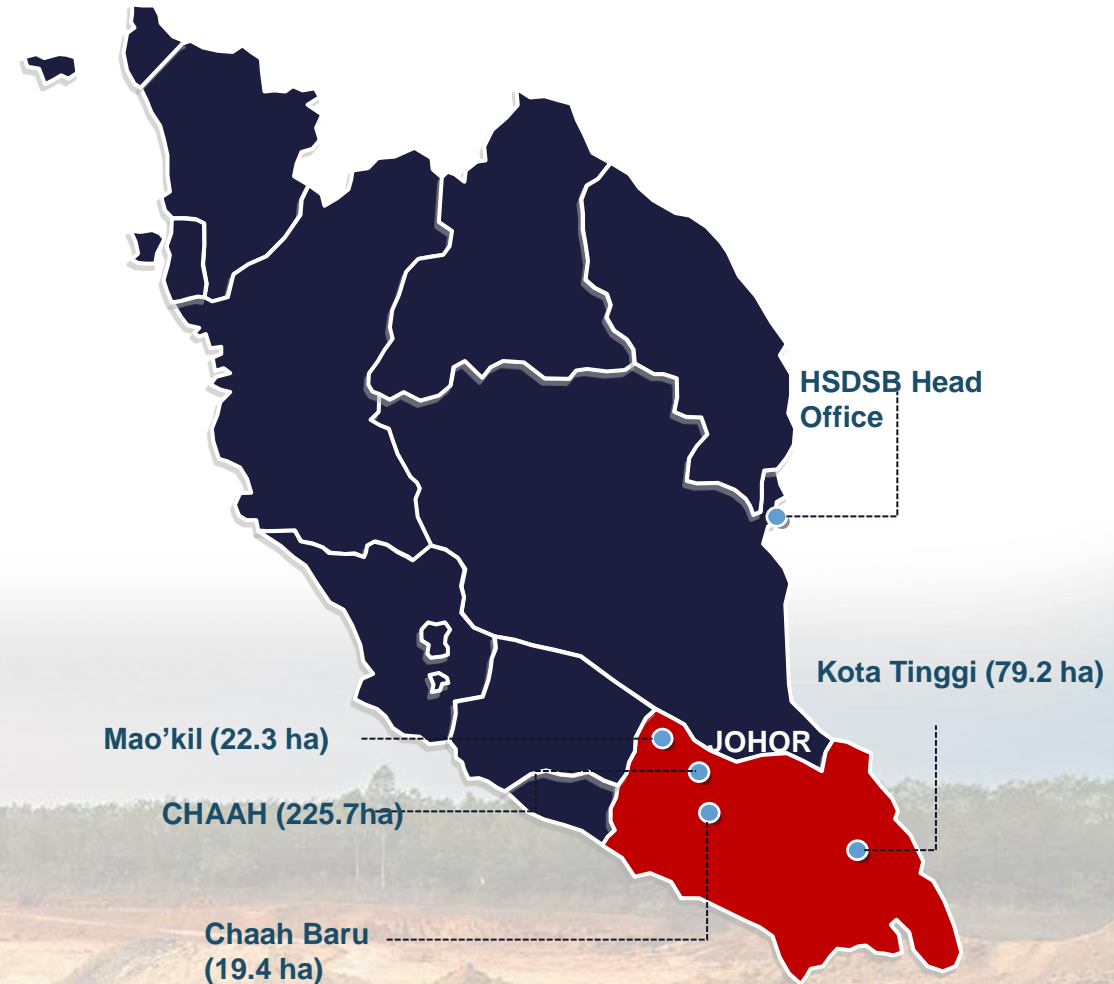
Operating Open Pit Mine

	Mining leases expiry date	Area
Chaah Mine	22 March 2024	225.7 hectares

The state authority has approved the mining leases till March 2039.

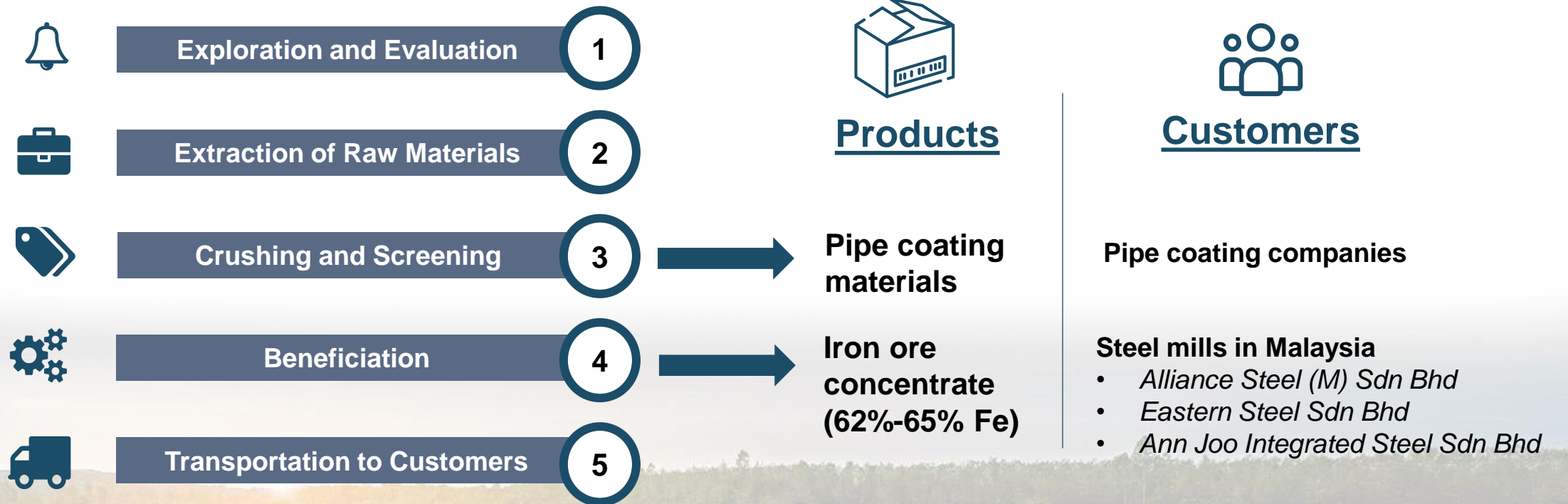
Exploration Projects

	Mining leases expiry date	Area
Mao'kil	7 July 2023	22.3 hectares
Chaah Baru	29 January 2024	19.4 hectares
Kota Tinggi	3 July 2024	79.2 hectares



IRON ORE MINING ASSETS

We are the dominant market leader in pipe coating materials



Iron ore products are demanded by two (2) groups of customers from different industry

MINING EQUIPMENT FLEET

Equipment	Model	Number	Description
Excavator	Caterpillar 390D	4	Ore and waste movement
Excavator	Caterpillar 385B	1	Back-up excavator
Excavator	Caterpillar 349D	2	Ore and waste movement
Excavator	Caterpillar 336	2	Ore and waste movement
Excavator	Caterpillar 390F	2	Ore and waste movement
Excavator	Volvo EC480	2	Ore and waste movement
Excavator	Komatsu PC450	3	Ore and waste movement
Excavator	Komatsu PC300	5	Ancillary work
Excavator	Komatsu PC200	2	Ancillary work
Haul truck	Caterpillar 777D	6	Waste rock haulage
Haul truck	Caterpillar 773D	8	Ore haulage
Haul truck	Caterpillar 740	11	Existing haul trucks
Haul truck	Caterpillar 773E	9	Existing haul trucks
Haul truck	Caterpillar 769D	4	Existing haul trucks
Haul truck	New Holland AD250	4	Existing haul trucks
Dump truck	NXG 5480	6	Existing haul trucks
Dump truck	NXG 5650DT	12	Existing haul trucks
Drill	Jun Jin CSM	3	Waste rock drilling
Drill	Jun Jin JD/SD	3	Ore drilling
Drill	Sandvik DE710	1	Diamond drilling
Drill	Doosan	1	Rock breaking
Dozer	Caterpillar D9	1	Bench and waste dump maintenance
Grader	Caterpillar 12H	1	Bench and haul road maintenance
Front-end loader	Caterpillar 980G	4	Ancillary work
Wheel loader	Caterpillar 966C	3	Ancillary work

OUR PLANT CAPACITY

Operating parameters of both our plants					
Operating Parameters	Unit	HSM Plant		XHM Plant	
		1 x shift	2 x shift	1 x shift	2 x shift
Processing Rate	t/hr	150	150	135	135
Process recovery: Fe	%	60.3	60.3	58	58
Head grade	%	51	51	43.1	43.1
Concentrate purity	%	65	65	62	62
Yield (calculated)	%	47.3	47.3	40.3	40.3
Annual operating days	days	340	340	340	340
Daily operating hours	hr/day	10	20	10	20
Design utilisation	%	80	80	80	80
Operating time	hr/yr	2,720	5,440	2,720	5,440
Nameplate capacity	t/yr	408,000	816,000	367,200	734,400
Mill target	t/yr	408,000	816,000	367,200	734,400



CHAAH MINE

OVERVIEW



The Open Pit at Chaah Mine

REPORTED RESERVES & VALUATION

Total Iron Ore Mineral Resources as at 31 July 2020

Category	Million Tonne	Grade (%)				Change in tonne (%)
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅	
Gross attributable to license and net attributable to issuer						
Measured	-	-	-	-	-	0%
Indicated (in situ)	5.5	51.7	16.7	1.9	1.7	-13%
Indicated (stockpiles)	0.2	48.7	-	-	-	0%
Indicated (tailings)	0.1	46.4	-	-	-	+100%
Inferred (in situ)	1.8	44.2	23.8	3.8	1.4	0%
Total (in situ)	7.3	49.9	18.4	2.4	1.6	-10%
Total	7.6	49.8	-	-	-	-9%

Notes:

1. In situ resources reported at a cut-off criterion of 25% Fe
2. Stockpiles reported at a cut-off criterion of 15% Fe
3. Mineral Resources are inclusive of Ore Reserves
4. Totals may not add due to rounding effects
5. Changes are shown comparing Mineral Resources from 31 July 2019 (unpublished) to 31 July 2020

Total Iron Ore Reserves as at 31 July 2020

Category	Million Tonne	Grade (%)				Change in tonne (%)
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅	
Gross attributable to license and net attributable to issuer						
Proved	-	-	-	-	-	0%
Probable (in situ)	5.3	50.8	16.2	1.7	1.7	-13%
Probable (stockpiles)	0.2	50.1	-	-	-	0%
Probable (tailings)	0.1	46.4	-	-	-	+100%
Total (in situ)	5.3	50.8	16.2	1.7	1.7	-13%
Total	5.6	50.6	-	-	-	-11%

Notes:

1. In situ reserves and stockpiles (excluding tailings) reported at a cut-off criterion of 30% Fe
2. Tailing stockpiles reported at a cut-off criterion of 20% Fe
3. Totals may not add due to rounding effects
4. Changes are shown comparing Ore Reserves from 31 July 2019 (unpublished) to 31 July 2020

As at 31 July 2020, the total in situ Ore Reserves for the Chaah Mine was estimated at 5.3 million tonnes at 50.8% Fe on the back of in situ Indicated Resources of 5.5 million tonnes at 51.7% Fe, which represents a conversion rate of **96% of Indicated Mineral Resources to Ore Reserves**. This excellent conversion rate shows that almost all of our reported Indicated Resources are economically mineable

PRODUCT RECONCILIATION

Production Reconciliation Jun 2014 – Jul 2019

Source	Material	Million Tonnes	Fe Grade (%)
Resource Model	Indicated Resources	2.73	55.8
	Inferred Resources	0.63	41.5
	Total Resources	3.37	53.1
	Waste	22.12	-
	Mineralized Waste	2.85	-
	Total Waste	24.97	-
Trucking and Processing Statistics	Ore Mined (adjusted)	3.42	Not available

Production Reconciliation for FY2020

Source	Material	Million Tonnes	Fe Grade (%)
Resource Model	Indicated Resources	0.81	54.8
	Inferred Resources	0.02	57.7
	Total Resources	0.83	54.8
	Waste	0.81	-
	Mineralized Waste	0.12	9.5
	Total Waste	0.93	-
Trucking and Processing Statistics	Ore Mined (adjusted)	1.20	55.4

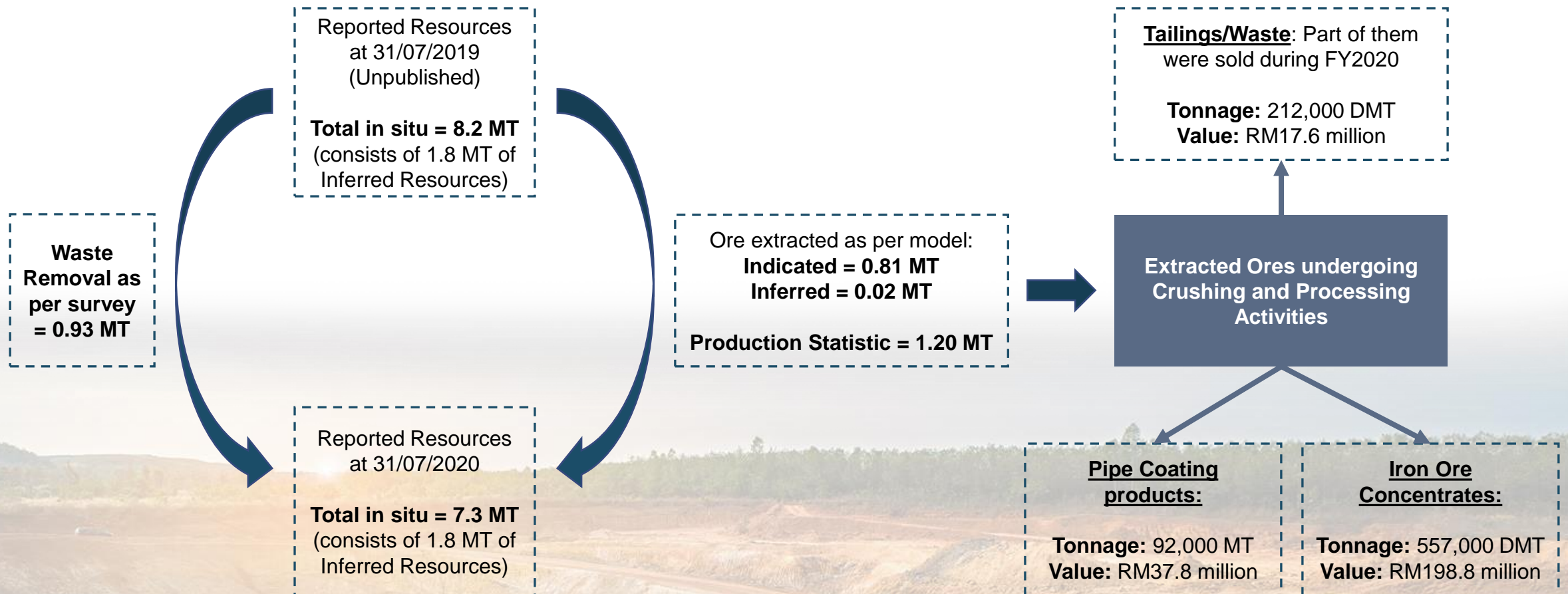
Production statistics from the Independent Qualified Person's Report for the period Jun 2014 – Jul 2019 showed that the **extraction of 3.42 Mt of iron ore from the pit during the same period was equivalent to 102% of the tonnes predicted from the resource model**, representing **an excellent reconciliation between the resource model and production statistics**.

The difference of 0.37 million tonne between processing data statistic and depletion of the Mineral Resource model in FY2020 is believed to be due to several factors:

- The **material coded as mineralised waste in the block model was mined as ore** (0.12 million tonne). When included as ore, the discrepancy reduces from 0.37 million tonne to 0.25 million tonne, or 126% of the tonnes predicted from the resource model; and
- The geological interpretation underpinning the **Mineral Resource model may have predicted less mineralisation within the volume of material mined** during the financial year.

RELIABLE RESOURCE MODELS

Our resource estimates are reliable and have translated to actual monetary results

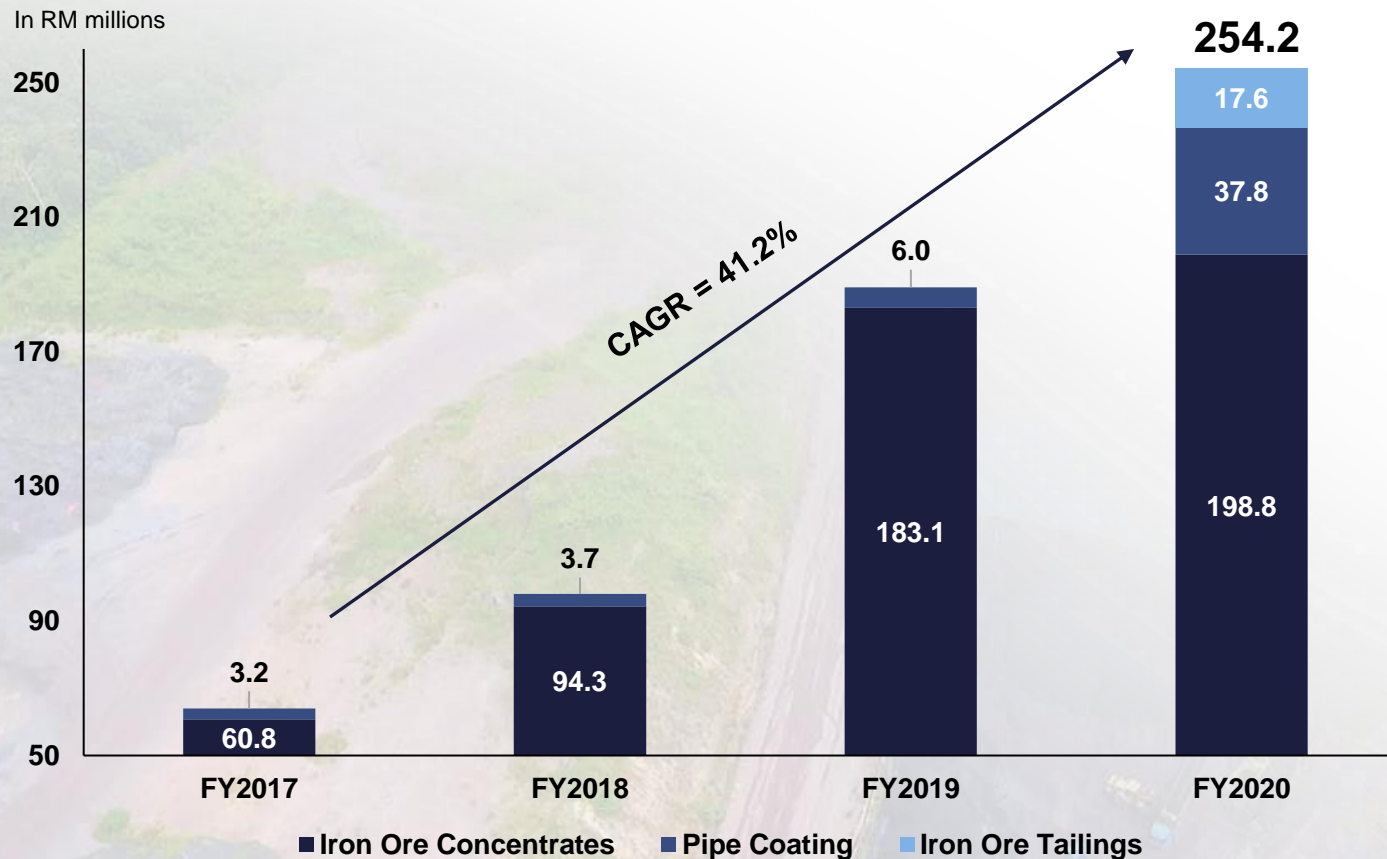


A photograph of an industrial facility, likely a mining or processing plant. A long, elevated conveyor belt system is visible, supported by a complex metal structure. Below the conveyor, there are large, conical piles of a dark, granular material. The scene is illuminated by a bright sun, creating a strong lens flare and casting long shadows. The sky is a mix of blue and orange, suggesting a sunrise or sunset. A dark blue diagonal line separates the image from the white background on the right.

FINANCIAL INFORMATION

REVENUE TREND (BY PRODUCT)

Improving average selling prices and sales volume have boosted the company's revenue

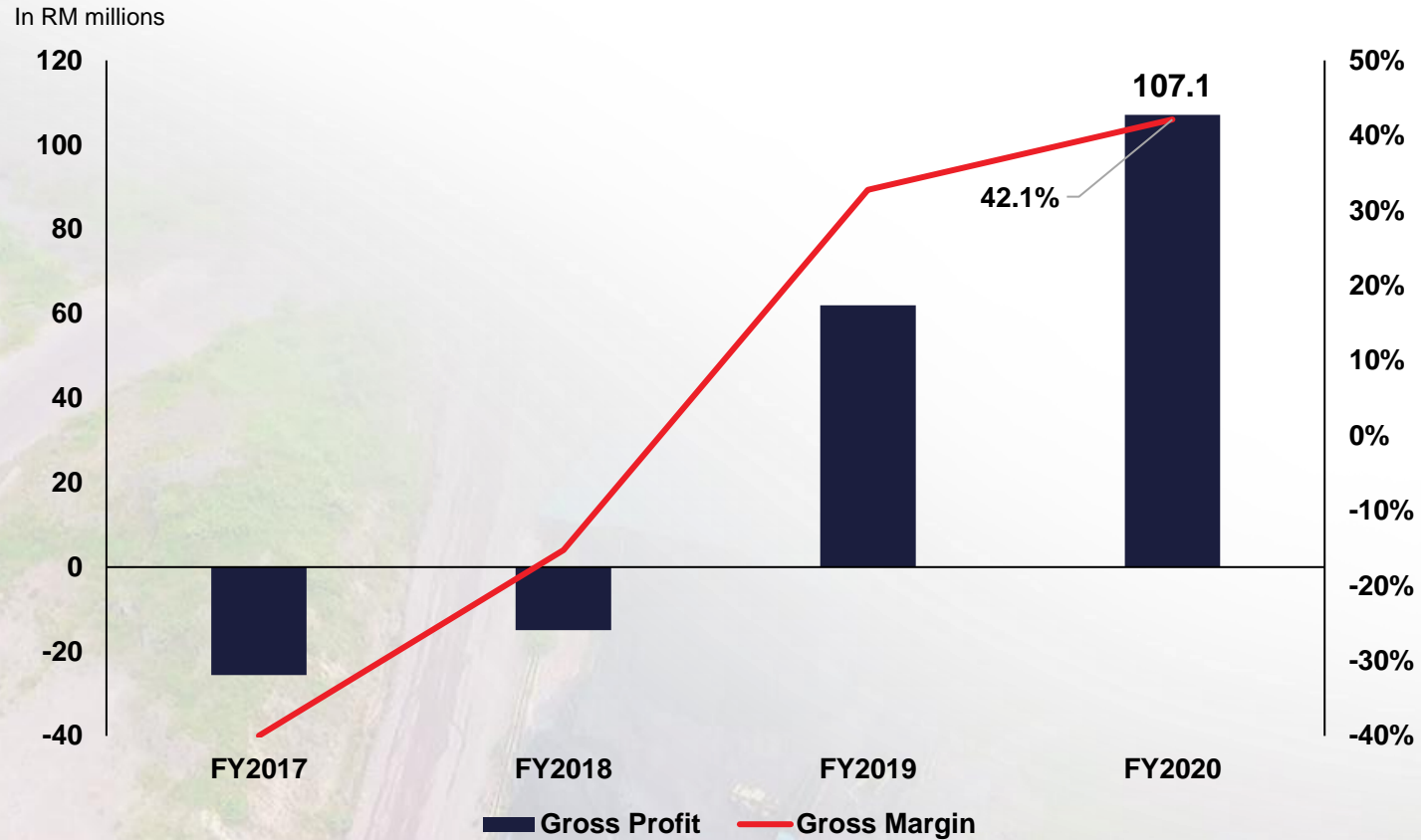


The increase in revenue from FY2017 to FY2020 was mainly due to:

- Higher sales volume of iron ore concentrate and pipe-coating material mainly attributable to sales to new customers
- In addition to iron ore concentrate and pipe-coating materials, the company also **started selling iron ore tailings in FY2020**
- Higher average selling prices of iron concentrate per tonne and pipe coating material per tonne in FY2020 mainly due to the increase in price of iron ore index

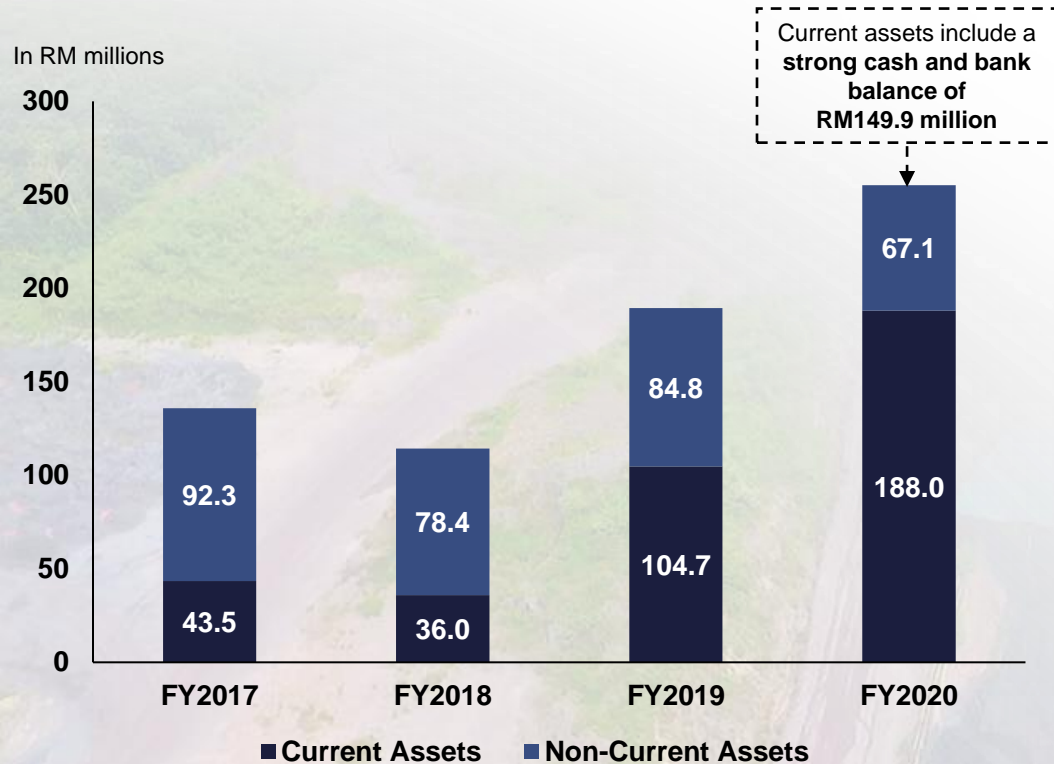
PROFIT TREND

Strong and Improving Gross Profit and Gross Profit Margin

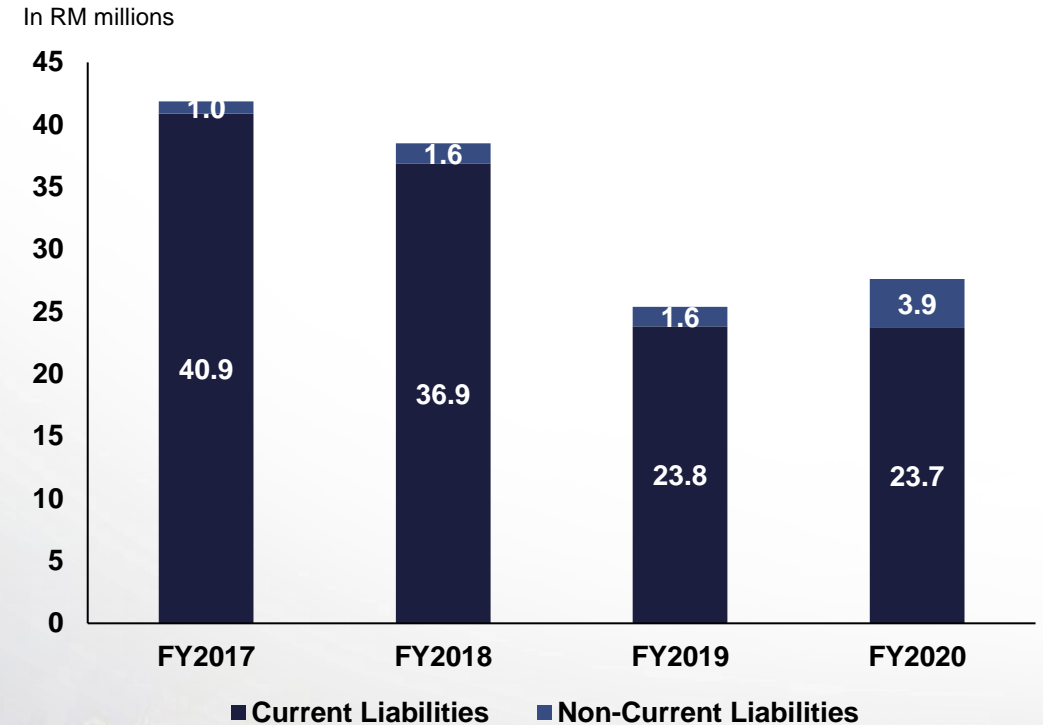


FINANCIAL POSITION

Current & Non-Current Assets



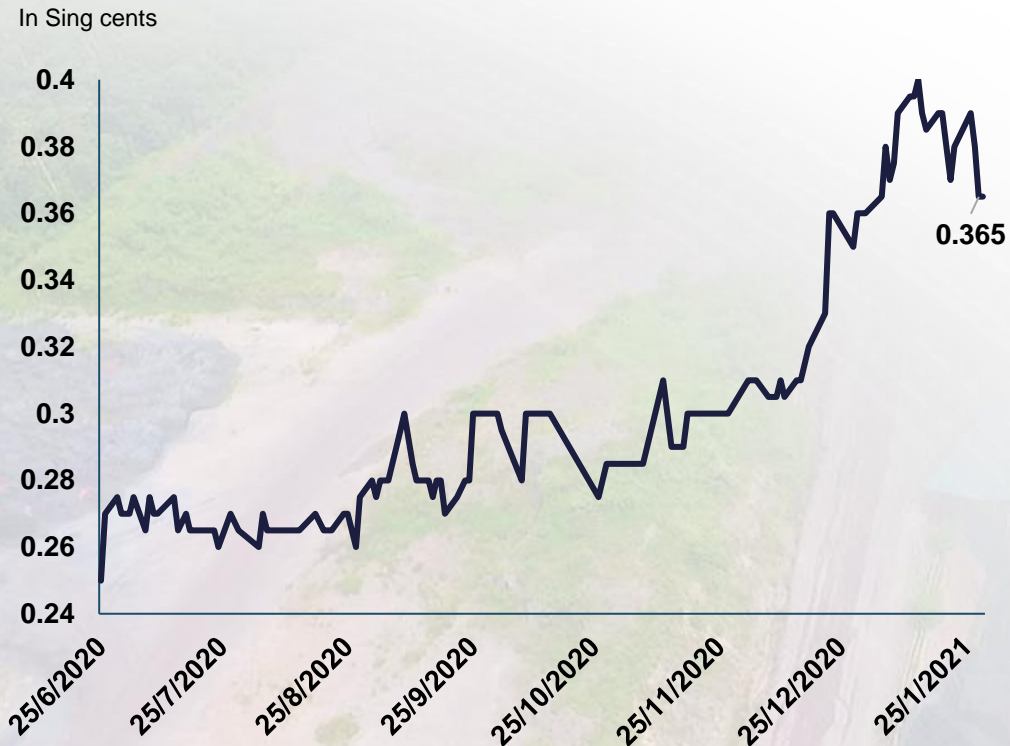
Current & Non-Current Liabilities



As at 31 July 2020, the company is in a net asset position of RM227.5 million, attributable to the strong net cash position

SHARE PRICE PERFORMANCE & KEY MULTIPLES

Share Price Performance



Source: Bloomberg

Key Trading Multiples

Price/Earnings
Multiple

8.54¹

Price/Book
Multiple

2.41²

Dividend
Yield

1.64%

Note:

(1) Calculation based on EPS as of 12 months ended 31 July 2020 and share price as of 29/1/2021

(2) Calculation based on Book Value per Share as of 12 months ended 31 July 2020 and share price as of 29/1/2021



INDUSTRY OUTLOOK

MARKET ENABLERS



Rising demand from China

- China's iron ore imports hit a record high in 2020, **jumping 9.5% from the previous year to reach 1.17 billion tonnes¹**.
- The pressure to **replenish Chinese steel inventories in early 2021**, to support robust demand due to fiscal infrastructure projects, will further increase in demand².



Fiscal stimulus to boost the commodities market

- **Widespread stimulus packages** across the globe is expected **boost investment and spending in 2021** which will buoy commodity prices³.
- Booming demand in China coupled with the **drop in supplies from Brazil** will further act as stimulus for iron ore prices.



Increased demand from SEA countries

- Investments on infrastructure projects expected to remain high, backed by government stimulus

(1) Reuters: China 2020 iron ore imports hit record on robust post-virus demand

(2) The Edge Malaysia: Commodities: The party doesn't stop for commodities in 2021

(3) Business Times: Volatile commodity markets end 2020 strong with vaccines, stimulus in sight

BRIGHT & SUNNY OUTLOOK



An aerial photograph of a large open-pit mine. The mine is a deep, circular excavation with multiple levels of terracing. The walls of the mine are reddish-brown, and the floor is a mix of dark rock and lighter-colored soil. In the background, there are several small buildings and a dirt road. The sky is a clear, pale blue.

BUSINESS STRATEGY & FUTURE PLANS

COMPETITIVE STRENGTHS



11 years of production and sales track record

11 years of operational track records at Chaah Mine which is backed by good and long-standing relationships with its customers, including pipe coating companies, traders and steel mills



Operational and cost efficiency

Effective management of mining equipment and proximity to customers contributes to cost control and connection to national grid expected from 2021 will further save power cost



Extensive knowledge and experience in mining

Founders and Directors have over **30 years of cumulative experience in the exploration and mining of mineral deposits in Malaysia**



Products cater to not only steel mills

Low level of impurity and unique natural characteristics of Chaah Mine's ore body is highly sought after by two group of customers, namely, **steel mills and pipe coating companies**

BUSINESS STRATEGY



Further exploration activities

To carry out further exploration activities, including:

- exploration work for mineral deposits at Exploration Assets
- exploration work at the Chaah Mine to define extensions to the existing reserves



Investment into equipment and infrastructure

- To purchase more mining equipment such as excavators for our mining activities
- Set up infrastructure to obtain electricity supply from the main grid of the national power supplier of Malaysia



Acquisitions and/or development of new mines

- Expand through acquisitions, joint ventures and strategic alliances
- Continuously in exploratory discussions with several parties for the possible acquisition of new mining rights and/or tenements in Malaysia



THANK YOU

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