

## SOUTHERN ALLIANCE MINING LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration No. 201931423D)

### UPDATE ON THE USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING AND DISCLOSURE PURSUANT TO RULES 705(6) AND 705(7) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") LISTING MANUAL SECTION B: RULES OF CATALIST (THE "CATALIST RULES")

The board of directors (the "**Board**") of Southern Alliance Mining Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement on 9 September 2020, 19 October 2020, 11 November 2020, 22 January 2021, 11 June 2021, 13 December 2021 and 13 June 2022 in relation to the use of the net proceeds from its initial public offering ("**IPO**"), its financial results announcement on 28 September 2022 for the full year ended 31 July 2022 and the Group's annual report for the financial year ended 31 July 2022 published on 10 November 2022 (collectively the "**Announcements**").

*Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meanings as defined in the Announcements.*

The Board wishes to provide an update on the use of the IPO Net Proceeds as at the date of this announcement, as follows:

Use of IPO Net Proceeds	Amount re-allocated on 22 January 2021	Amount utilised (Per the Announcements)	Amount further utilised as at the date of this announcement	Balance as at the date of this announcement
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Further exploration activities	4,000	(3,484)	(225) <sup>(1)</sup>	291
Investment into mining equipment and infrastructure	3,000	(3,000)	-	-
Acquisitions, joint ventures, strategic alliances and/or development of new mines	1,000	(1,000)	-	-
General working capital purposes	3,937	(1,973)	(78) <sup>(2)</sup>	1,886
<b>Total</b>	<b>11,937</b>	<b>(9,457)</b>	<b>(303)</b>	<b>2,177</b>

*Notes:*

- (1) RM736,832, which is equivalent to S\$225,176 based on the exchange rate of RM100.00:S\$30.56 as at 13 December 2022 published by the Monetary Authority of Singapore, was utilised for the payment to the contractor undertaking exploration activities to carry out the Group's drilling program at our Chaah Mine and Tenggaroh Mine.
- (2) S\$78,000 was utilised as working capital of the Company to pay its ongoing professional expenses, payroll, director related expenses, income tax and bank charges.

The use of the IPO Net Proceeds is in accordance with the intended use as disclosed in the Offer Document dated 16 June 2020, and re-allocated in accordance with the Company's announcement dated 22 January 2021. The Company will continue to make periodic announcements via SGXNet on the utilisation of the balance of the IPO Net Proceeds as and when such proceeds are materially disbursed. The Company will also provide a status report on the use of the IPO Net Proceeds in its annual report(s) and financial results announcement(s).

### **Use of funds/cash by mineral, oil and gas companies pursuant to Rule 705(6)(a) of the Catalist Rules**

Pursuant to Rules 705(6) and 705(7) of the Catalist Rules, the Board wishes to announce the following for the first quarter ended 31 October 2022 ("**1Q FY2023**").

For the purpose of this section, the Group's disclosure is on exploration cost (excluding depreciation) and the ex-mining cost (costs that are directly attributable to the mining activities excluding amortisation and depreciation as well as sales and related cost and cost related to the land).

#### **(i) Use of funds/cash for 1Q FY2023:-**

Activities	1Q FY2023		
	Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	3,000	2,384	(616)
Mining related expenditure (excluding capital expenditure)	25,000	19,570	(5,430)
<b>Total</b>	<b>28,000</b>	<b>21,954</b>	<b>(6,046)</b>

#### **Exploration activities**

Exploration activities generally refer to the investigative works to investigate for the presence of ore for eventual economical extraction.

Our Group strongly believes that the investment in an exploration program will provide the Group with valuable information to make an informed decision in respect of the mining plan of a particular mine or a decision to proceed, modify or abortion of an exploration program for an exploration target. This is also in line with the responsible mining values advocated by our Group.

The exploration program at the Chaah Mine is a long-term program which is undertaken to establish an extension of the existing iron ore body. As a result of our Group's continuous effort, the Group had on 28 September 2022 released our first Independent Qualified Person Report ("**IQPR**") subsequent to our Initial Public Offer on 26 June 2020 with an updated in situ Mineral Resources of 15.7 million tonnes or a 149% increase compared to 31 July 2021 for the Chaah Mine.

In addition to the Chaah Mine exploration program, our Group also continued with the planned exploration activities at Tenggaroh Prospect which covers geological mapping as well as sample collection.

As the Group has successfully increased our Chaah Mine Mineral Resources, we are in the process of scaling down the exploration activities at our Chaah Mine with the intention to focus on the pit optimisation exercises and converting the Mineral Resources into Mineral Reserves. As a result, our Group only utilised about 80% of the RM3 million budget initially allocated for 1Q FY2023.

#### **Mining activities**

Mining activities generally involved the extraction of ore and in the case of our Chaah Mine, involves an open cast mining. In other words, it involves the excavation and removal of overburden (waste) and extraction of ores in accordance with the design of the mine pit. The

excavated ores will be sent for crushing into smaller sizes, approximating 16 mm before they are further processed through a bore mill. The concentrating process via ball mill revolves around grinding of the crushed iron ore into powder size in order to remove the impurities (waste) from the iron content of our iron ore.

During 1Q FY2023, our Group continued to focus on the mining work at the southern part of the Chaah Mine pit, which has a shallow overburden in order to quickly gain access to the ore. Notwithstanding the aforesaid, our Group is currently evaluating another mining option and has made the necessary submission to the Minerals and Geoscience Department of Malaysia for its approval. Our Group will make the necessary announcement and update our shareholders should our application be accepted and approved. Accordingly, there is an underutilisation of mining related expenditure of RM5.4 million.

(ii) **Projection on the use of funds/cash for the next immediate quarter, including material assumptions: -**

<b>Activities</b>	<b>Projection for 2Q FY2023 RM'000</b>
a. Mine exploration and evaluation	2,000
b. Mining related expenditure (excluding capital expenditure)	20,000
<b>Total</b>	<b>22,000</b>

Having updated the Chaah Mine Mineral Resources, our Group will focus on the update of Mineral Reserves of our Chaah Mine in the second quarter ending 31 January 2023 (“**2Q FY2023**”) and third quarter ending 30 April 2023 (“**3Q FY2023**”). At the same time, our Group will continue to investigate the western spurs of our Chaah Mine to provide more geological information for our Competent Person to do the necessary evaluation. Our Group is also expected to maintain the pace of the exploration of the Tenggaroh Prospect.

In line with the development above, the Group will reduce the allocation for the projection of mine exploration and evaluation activities from RM3 million to RM2 million for the 2Q FY2023.

The projection of mining related expenditure for 2Q FY2023 is based on the assumption that there are no material changes to the mining technique, cost structure and the continuation of mining work at the southern mine pit without taking into consideration the weather factor. The projection for the mining related expenditure is revised to RM20 million pending the approval of the Group’s application to amend its mining technique as mentioned earlier.

## **Rule 705(7) of the Catalyst Rules**

**Details of exploration (including geophysical surveys), development and/or production activities undertaken by the issuer and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.**

### **Exploration activities**

Our Group believe in the importance of exploration activities, not only from the value it creates, but more importantly its ability to keep our operations sustainable. This is in line with the sustainable mining value advocated by our Group. As such, we invested a lot of effort and financial resources into exploration activities. Subsequently, our Group on 28 September 2022 released an Independent Qualified Person Report reflecting an updated Mineral Resource of 15.7 million tonnes. During 1Q FY2023, our Group continued with the planned drilling and evaluation programs for the Chaah Mine and the Tenggaroh Prospect.

#### **(i) Chaah Mine**

During the reporting period, a total of 29 holes have been drilled with a total depth of 5,093.80m. Of which, 2,716m is from reverse circulation method while the remaining 2,377.80m is diamond core. The drilling works are resumed for the determination of an extension of an existing ore at North and South, and one hole to investigate an induced polar resistivity anomaly at the northern part of the mine. 28 drill holes are targeting the extension of an existing ore at both the north and south areas, whereas one (1) drill hole was carried out to confirm the geophysics anomaly identified earlier which is reported to have some potential Fe mineralisation.

A total of 845 samples were sent to the independent laboratory for quality tests during the reporting period and 432 assay results were received. The Group will make further announcements should the results arising from the drilling activities will have a material alteration to the reported Mineral Resources.

As explained earlier, our Group is currently carrying out pit optimisation and pre-feasibility exercises to convert the reported Mineral Resources to Mineral Reserves. This signifies another major milestone in the Group effort to properly quantify the economical mineable resources as well as to update the production schedule. Our Group will announce the updated Mineral Reserves as soon as it is available.

#### **(ii) ML 1/2018 and ML 1/2021 (Mao'kil prospect)**

No drilling activities were undertaken during this period as the Group temporarily halted the drilling program for ML 1/2018 as the present focus is to expedite the exploration program for our Chaah Mine. Exploration activities on the adjacent mining lease area under ML 1/2021 have not commenced.

#### **(iii) ML 1/2019 (Chaah Baru prospect)**

No drilling activities were undertaken during this period as the Group is focusing on the exploration of our Chaah Mine and Tenggaroh Prospect during the period.

#### **(iv) ML 2/2019 (Kota Tinggi prospect)**

No drilling activities were undertaken during this period as the Group is focusing on the exploration of our Chaah Mine and Tenggaroh Prospect during the period.

#### **(v) EL 1/2022 (Tenggaroh Prospect)**

Since February 2022, our Group has conducted a geological mapping covering an area of approximately 3,000 acres. Geological mapping is essential as it will provide our geologists with valuable local information in determining our next course of action. Samples were collected during the mapping exercise from selected quartz veins to establish the direction and strike of the

mineralised system. They were sent to an independent laboratory study and their results will be mapped.

The principal rock types in this area are slate, phyllite, graphitic schist-shale, metaquartzite and shale. The geology and rock types are similar to other operating gold mines in Malaysia such as Penjom Gold Mine, Selinsing Gold Mine and Raub Australian Gold.

During this reporting period, a total of 1,926 samples were collected. 1,710 samples were sent to the independent laboratory for assaying gold and with results obtained. 216 samples were processed and will be sent to the laboratory for assaying. The significant assay data (i.e. with the result of more than 0.05 gram/tonne) is very important to indicate the presence of gold mineralisation (figure 1). It will then follow up with a trenching activity in order to conduct more detailed exploration work. Currently, the trenching activity has commenced at the mined shaft area but had been put to a stop for a while due to the monsoon season. It is likely that the trenching activity will resume shortly after January 2023.

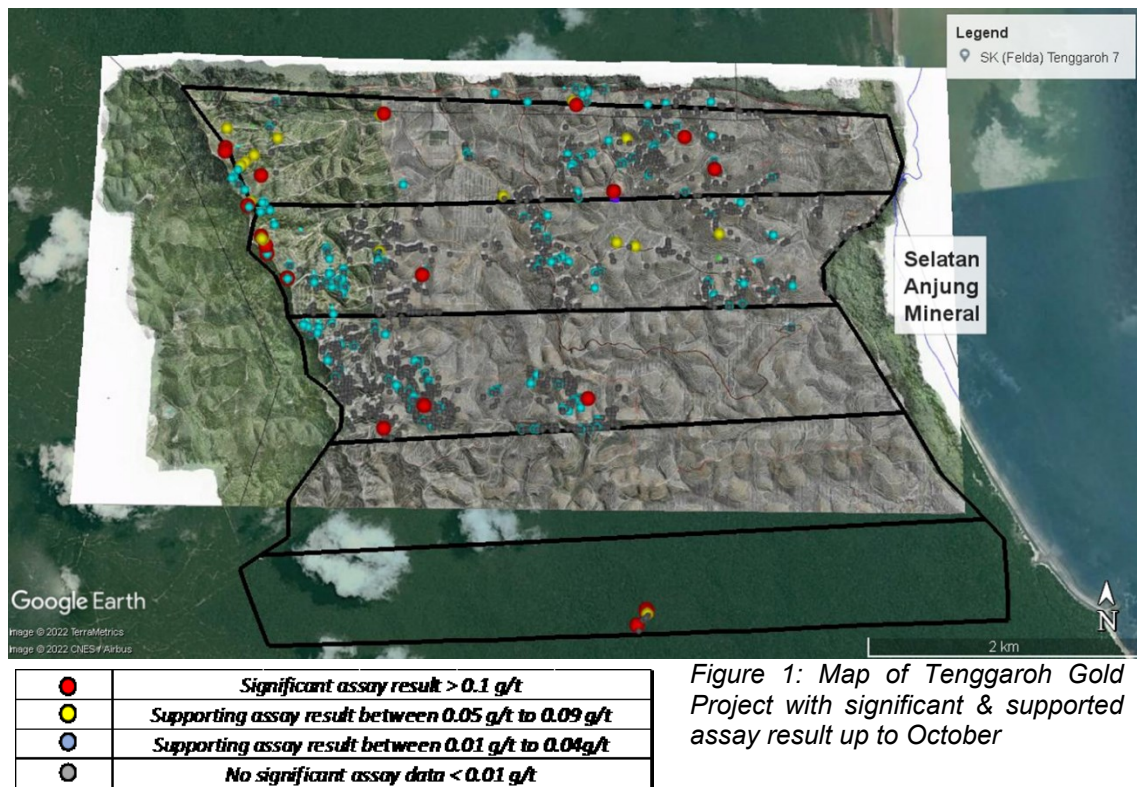


Figure 1: Map of Tenggaroh Gold Project with significant & supported assay result up to October

## Mining activities

### Chaah Mine

The Chaah mine is a mature site that has been in continuous operation since 2008. The Company has experienced both high and low commodity prices throughout its operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match demand. Since the commencement of our mining activity at the Chaah mine in 2008, we have, as at 31 October 2022, mined and processed approximately 7.1 million tonnes of ore.

During 1Q FY2023, our production records documented that mining operations excavated approximately 160,000 tonnes of ore and approximately 1.9 million tonnes of waste. Processing during the period totalled approximately 166,000 tonnes of ore.

As previously announced, our Group focused our mining activities on the southern part of our Chaah Mine pit which has a shallower overburden. Our Group continued with the same plan while evaluating other potential mining techniques for the northern pit.

**Mao'kil Mine**

During the reporting period, the mine records documented that the Group discovered approximately 6,000 tonnes of ore as the mine development activity progresses and the uncrushed ore will be sent to Chaah for processing.

No mining activities were carried out for the Chaah Baru, Kota Tinggi Mines and Tenggara Prospect in 1Q FY2023.

**Negative confirmation by the Board pursuant to Rule 705(6)(b)**

The Board hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the above information provided false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Dato' Sri Pek Kok Sam  
Managing Director and Chief Executive Officer  
13 December 2022

This announcement has been reviewed by the Company's Sponsor. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr. Shervyn Essex, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.