

## SOUTHERN ALLIANCE MINING LTD.

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

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### 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")

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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, 13 June 2022 and 13 December 2022 in relation to the use of the net proceeds from its initial public offering ("**IPO**") and its financial results announcement on 16 March 2023 for the half year ended 31 January 2023 (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
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Further exploration activities	4,000	(4,000)	-	-
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	(2,312)	(256) <sup>(1)</sup>	1,369
<b>Total</b>	<b>11,937</b>	<b>(10,312)</b>	<b>(256)</b>	<b>1,369</b>

Notes:

- (1) S\$256,000 was utilised as working capital of the Company to pay its ongoing professional expenses, payroll, director related expenses 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 third quarter ended 30 April 2023 ("3Q 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 3Q FY2023:-**

Activities	3Q FY2023		
	Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	1,500	1,844	344
Mining related expenditure (excluding capital expenditure)	15,000	20,445	5,445
<b>Total</b>	<b>16,500</b>	<b>22,289</b>	<b>5,789</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 abort an exploration program for an exploration target. This is also in line with the responsible mining values advocated by our Group. Included in the Mine Exploration and Evaluation are the exploration and evaluation ("E&E") cost incurred at the Chaah Mine and the Tenggaroh Prospect amounting to RM1.3 million and RM0.5 million respectively. The variance between the actual expenditure and the forecast was mainly due to the progress of the drilling program for the Tenggaroh Prospect which was not taken into account in the forecast.

The physical drilling works to update Chaah Mine's Mineral Resources has been completed and the E&E costs incurred in 3Q FY2023 mainly related to the cost of the assays and professional fees for the purpose of updating mineral resource.

The Group is in the final stage of updating its mineral resources. Subsequently, the Group will carry out a pit optimisation study to convert the updated mineral resources into mineral reserves based on the completed mineral resources model. The Group will announce the updated ore resources and ore reserves as soon as it is available.

#### **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 ball 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.

Additionally, our Group has appointed an independent operator (the “**Contractor**”) who is keen to invest and carry out mining at our Kota Tinggi Mine, which the Group has yet to carry out any exploration activities. The scope of the Contractor includes but is not limited to, at its own cost, explore, and carry out the mining and processing of the minerals into final product that meet the contracted product specifications entered between the end customer and the Group. In return, the Contractor will be entitled to a revenue sharing of 78.0% (the “**Entitlement**”) from all sales which shall be done by our Group.

Included in the Mining Related Expenditure are the expenditure incurred for the mining works at the Chaah Mine amounting to RM17.0 million as well as for the Kota Tinggi Mine amounting to RM3.4 million (arose from unexpectedly high volume of mineral mined), which referred to the billing by the Contractor in relation to their Entitlement to the sales from the mineral ore processed and sold from the Kota Tinggi Mine.

During 3Q FY2023, our Group continued to focus on the mining work to remove a shallow overburden at the Southern Pit of Chaah Mine, in order to quickly gain access to the ore. The overutilization of Mining Related Expenditure by approximately RM5.4 million was mainly due to:

- (i) Contractor wages of RM3.4 million incurred for unexpectedly high volume of mineral processed by Kota Tinggi Mine’s Contractor as mentioned above;
- (ii) Higher underground mining contractor fees of RM1.3 million due to the higher than anticipated volume of ore extracted from the newly deployed underground mining method at the Chaah Mine; and
- (iii) Increase in electricity cost at Chaah Mine of approximately RM0.6 million as a result of the revision in the electricity surcharge rate from RM0.037 per kilowatt hour to RM0.200 per kilowatt hour as announced by the Minister of Natural Resources, Environment And Climate Change of Malaysia in December 2022.

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

<b>Activities</b>	<b>Projection for 4Q FY2023 RM’000</b>
a. Mine exploration and evaluation	1,500
b. Mining related expenditure (excluding capital expenditure)	20,000
<b>Total</b>	<b>21,500</b>

The allocation for mine exploration and evaluation for Chaah Mine is mainly for establishing the updated Mineral Resources and Ore Reserves. Our Group is also expected to maintain the pace of the exploration of the Tenggaroh Prospect.

In line with the development above, the Group maintain the allocation for the projection of mine exploration and evaluation activities at RM1.5 million for the fourth quarter ending 31 July 2023 (“**4Q FY2023**”).

The projection of mining related expenditure for 4Q FY2023 is revised to RM20.0 million after taken into consideration the mining activities at Kota Tinggi.

## **Rule 705(7) of the Catalist 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**

It is our Group's philosophy to pay attention to the exploration activities, not only to derive the potential value it will create, but more importantly its ability to keep our operations sustainable which is in line with the sustainable mining value advocated by our Group. As such, we invest a lot of effort and financial resources into exploration activities.

(i) Chaah Mine

Following the completion of the 2-year exploration and resource definition drilling program, approximately 8,311.00 metres of reverse circulation ("**RC**") drilling and 11,922.50 metres of diamond drill hole ("**DDH**") drilling were completed through the extended strike length of the Chaah ore zone.

The independent qualified persons engaged by the Company are in the final stage of updating the Chaah Mine Mineral Resources and Reserves study and the Company will release an independent qualified persons' report that is in compliant with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**") in due course.

(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 complete 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. To date, the Contractor has only processed existing mining waste into saleable ores and have not commenced drilling activities.

(v) EL 1/2022 (Tenggaroh prospect)

During 3Q FY2023, the Group commenced trenching activity. There are 21 holes planned in the exploration area ("**PTD217**"), of which 9 holes are in Bukit Twiss and 12 holes are in mine shaft area. Total estimation drilling is about 2,000 metres. Currently, the Group is focusing on conducting trenching activity at the mine shaft area as that area is easy to access and pass through. To date, 4 holes have been completely drilled with a total drilling depth of 715 metres which is about 35% of the planned drilling program.

Our Group has received the results of a total of 302 samples which were sent to an independent laboratory, PT. Intertek Utama Services, Jakarta for quality test. The reports showed two holes, namely diamond drill hole identification ("**JDD**") numbers, 18 and 19, having significant assay results (which is more than 0.05 gram / tonne) as follows:

Diamond Drill Hole Identification Number	Depth of Drill Hole (meter)	Assay Results (gram / tonne)	Length of Core Sample (meter)
JDD 18	Meter 92 to 94	0.32	2
	Meter 88 to 89	0.13	1
JDD 19	Meter 49 to 51	0.20	2
	Meter 198 to 199	0.18	1
	Meter 46 to 49	0.09	2
	Meter 44 to 45	0.08	1
	Meter 193 to 194	0.06	1

At the same time, Datgeo Sdn Bhd, the consultant company appointed by the Company to carry out gold exploration work in this area, has sampled and panned the drainage channels of several area in PTD217 such as Bukit Twiss, Bukit Badak, mine shaft area and elephant trench to determine if there is any gold found in loose particles or nuggets (free gold) in these drainage channels. To date, there are 359 total channels sampling which 195 of the samples showed presence of free gold. Some samples having over 300 fine pieces of gold together with coarse grain gold.

## 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.

In 3Q FY2023, we focused on two (2) main areas of mining location which are the Northern pit (underground mining) and Southern pit (open pit mining).

During 3Q FY2023, our production records documented that, overall, the mining team at Chaah Mine excavated approximately 110,000 tonnes of ore and approximately 1.14 million tonnes of waste (cumulative for the nine months ended 30 April 2023 ("9M FY23"): approximately 419,000 tonnes of ore and 5.13 million tonnes of waste). Processing during the period totalled approximately 129,000 tonnes of ore (cumulative for the 9M FY23: approximately 455,000 tonnes of ore).

The construction of mine shaft to be used as labour access for the purpose of underground mining has commenced on 19 February 2023. During 3Q FY2023, 1 unit of main access tunnel and four sub-tunnels branching from main tunnels (adits) were constructed. The total distance covered by the tunnel adits constructed during the period was approximately 261 metres. Approximately 29,000 tonnes of ore were produced during the stage of underground mining development.

### Mao'kil Mine

The mine records documented that the Group discovered (no mining nor extraction activities have taken place) approximately 3,000 tonnes of ore in 3Q FY2023 (cumulative for the 9M FY23: approximately 24,000 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 Tenggaraoh prospect in 3Q 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

**Lim Wei Hung**  
Executive Director and Chief Operating Officer

12 June 2023

This announcement has been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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 Sponsor has also not drawn on any specific technical expertise in its review of this document.

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