



SOUTHERN ALLIANCE MINING LTD.

CORPORATE PRESENTATION

October 2020



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[1]

CORPORATE OVERVIEW



CORPORATE 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 Association of Certified Public Accountants

IRON ORE MINING ASSETS

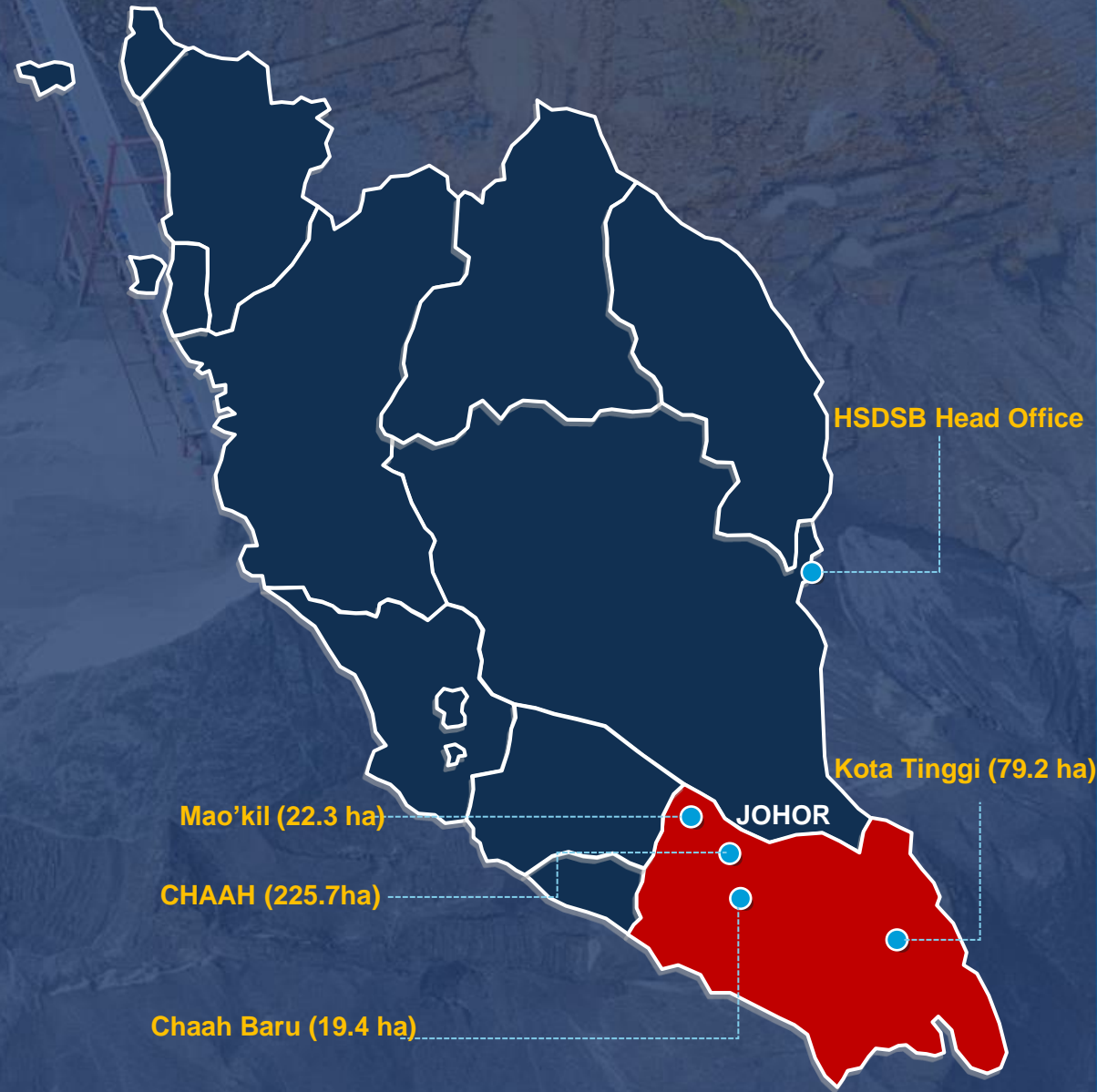
★ Operating open pit mine

	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



MINING PROCESS & PRODUCTS



Exploration and Evaluation

1



Extraction of Raw Materials

2



Crushing and Screening

3

Products

Pipe coating materials



Beneficiation

4

Iron ore concentrate
(62%-65% Fe)

Transportation to Customers

5

Customers

Pipe coating companies

Steel mills in Malaysia

- Alliance Steel (M) Sdn Bhd,
- Eastern Steel Sdn Bhd
- Ann Joo Integrated Steel Sdn Bhd



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

CHAAH MINE - OVERVIEW



The open pit at Chaah Mine



Crushing facilities



Dumper and excavator

Location

Southwest of the township of Chaah, south-eastern slopes of Bukit Lop in Johor, Malaysia

Crushing Facilities

4 fixed crushing plants and 2 lines of mobile crushers

INFRASTRUCTURE & EQUIPMENT



Beneficiation plant



Fleet of dumper trucks

Processing Facilities

2 beneficiation plants - both capable of operating on a 24-hour shift

60,000 tonnes - approximate monthly production capacity of iron ore concentrates (not including pipe coating materials)

Transport

Iron ore produced from the Chaah Mine are transported via existing road networks directly to our customers and/or the ports of Kuantan, Pasir Gudang and Batu Pahat

Supporting Infrastructure

Access roads, fuel storage, mobile equipment, fixed plant workshop and laboratory

REPORTED RESERVES AND VALUATION

Total Iron Ore Mineral Resources as at 31 July 2020

Category	Tonnes (Mt)	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%

Note:

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

Total Iron Ore Reserves as at 31 July 2020

Category	Tonnes (Mt)	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%

Note:

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

PRODUCTION 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.**

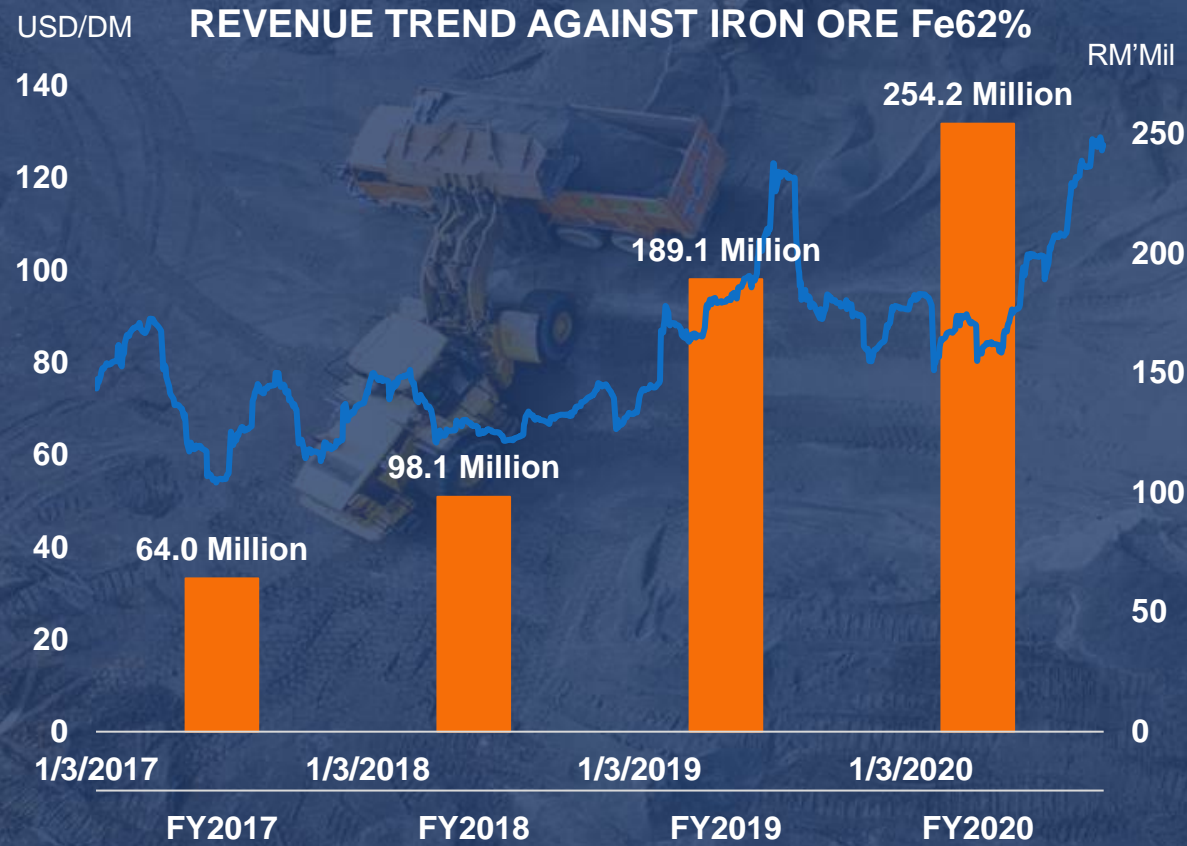
The difference of 0.37 million tonne between processing data statistic and depletion of the Mineral Resource model in FY2020 is believed to be due to several factors:

- 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.

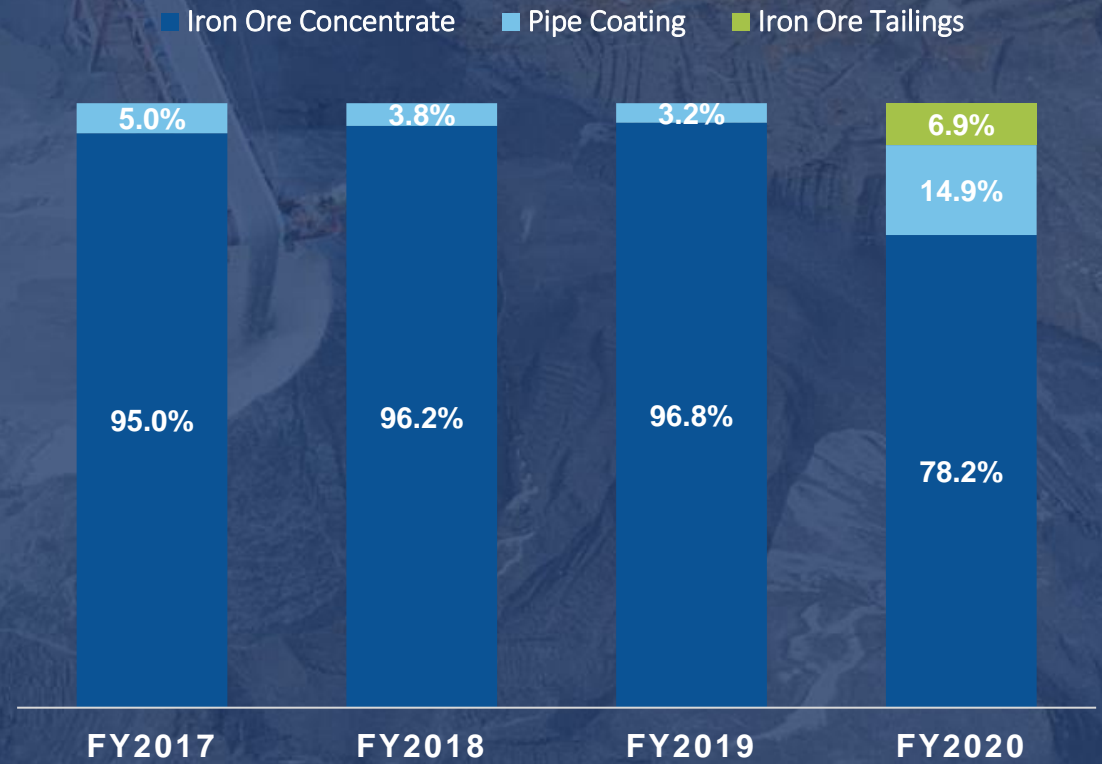


[II]
**FINANCIAL
INFORMATION**

HISTORICAL REVENUE CONTRIBUTION & TREND



REVENUE CONTRIBUTION BY PRODUCTS



Source: CFR Futures, Data as at 21 September 2020

HISTORICAL SALES

Sales	FY 2017			FY2018			FY2019			FY2020		
	DMT ⁽¹⁾	ASP ⁽²⁾	REV ⁽³⁾	DMT	ASP	REV	DMT	ASP	REV	DMT	ASP	REV
		(RM)	(RM'000)		(RM)	(RM'000)		(RM)	(RM'000)		(RM)	(RM'000)
Iron ore concentrate	305,043	199.3	60,795	466,982	202.05	94,354	525,628	348.4	183,129	556,849	357	198,797
Pipe coating materials	11,312	280.14	3,169	13,532	274.53	3,715	18,075	332.61	6,102	92,139	410.29	37,804
Iron ore tailings*	-	-	-	-	-	-	-	-	-	211,743	83.33	17,644
Total	316,355	-	63,964	480,514	-	98,069	543,703	-	189,141	860,731	-	254,245

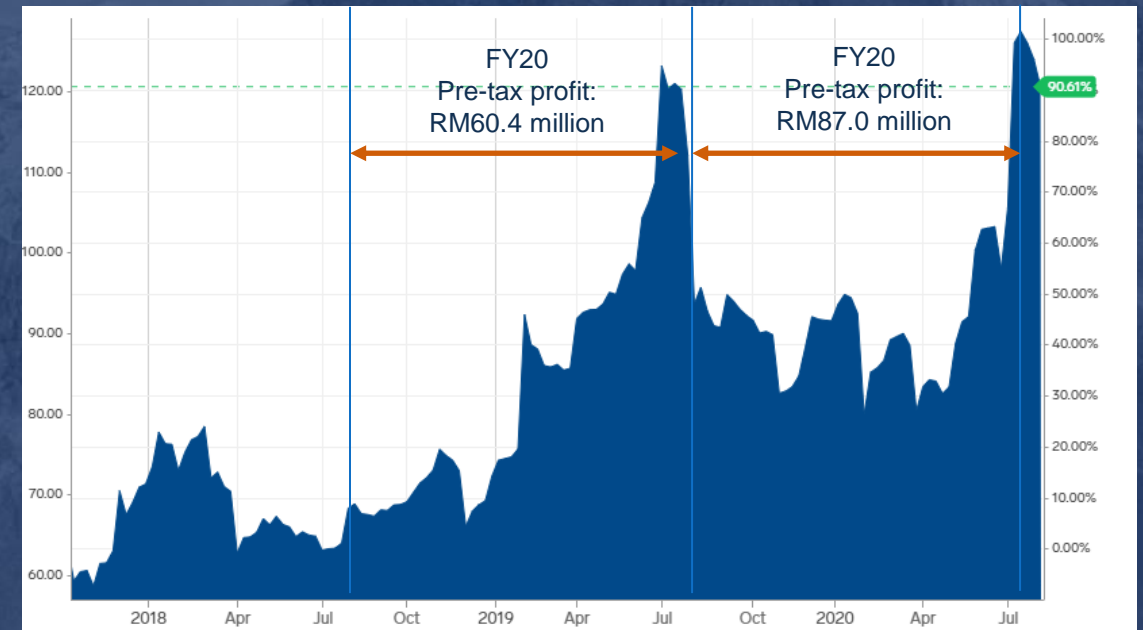
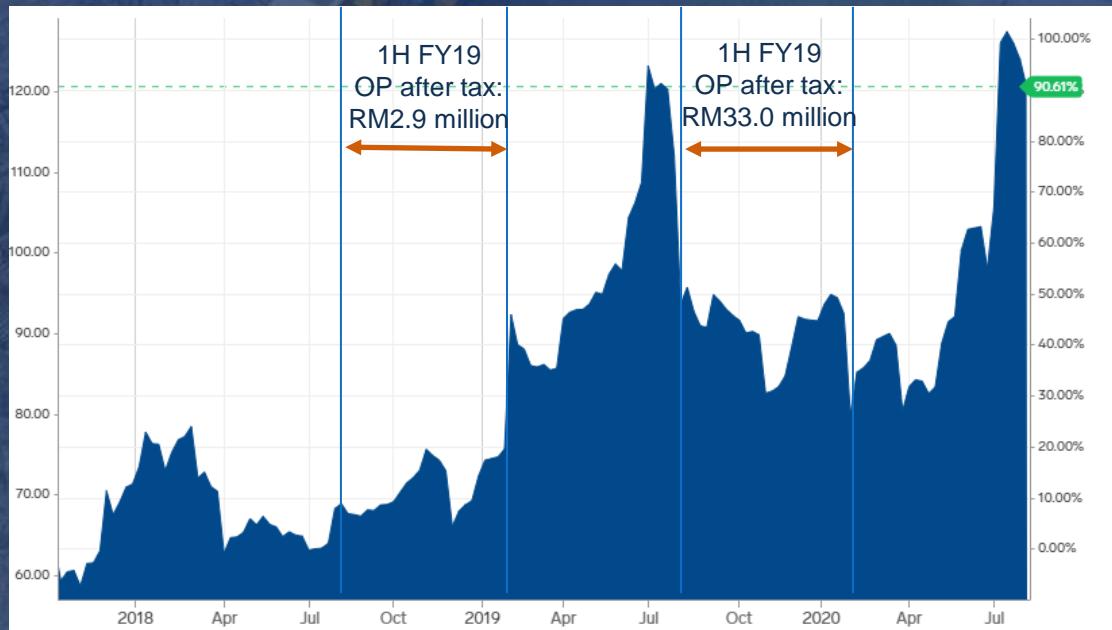
Note: (1) DMT: Dry Metric Ton (2) ASP: Average Selling Price. (3) REV: Revenue
 * Iron ore tailing sales commenced in August 2020

REVENUE TRACKS IRON ORE PRICES CLOSELY

Sales	FY 2020	FY 2019	Increase / Decrease
	(RM'000)	(RM'000)	
Sales reported for first half year	141,018	55,239	155%
Operating profit (OP) after tax* reported for first half year	33,013	2,948	1,020%
Sales reported for second half year	113,227	133,902	(15%)
Operating profit (OP) after tax* reported for second half year	29,074	85,298	(66%)

* Before deducting non- controlling interests

Profit against iron ore price chart

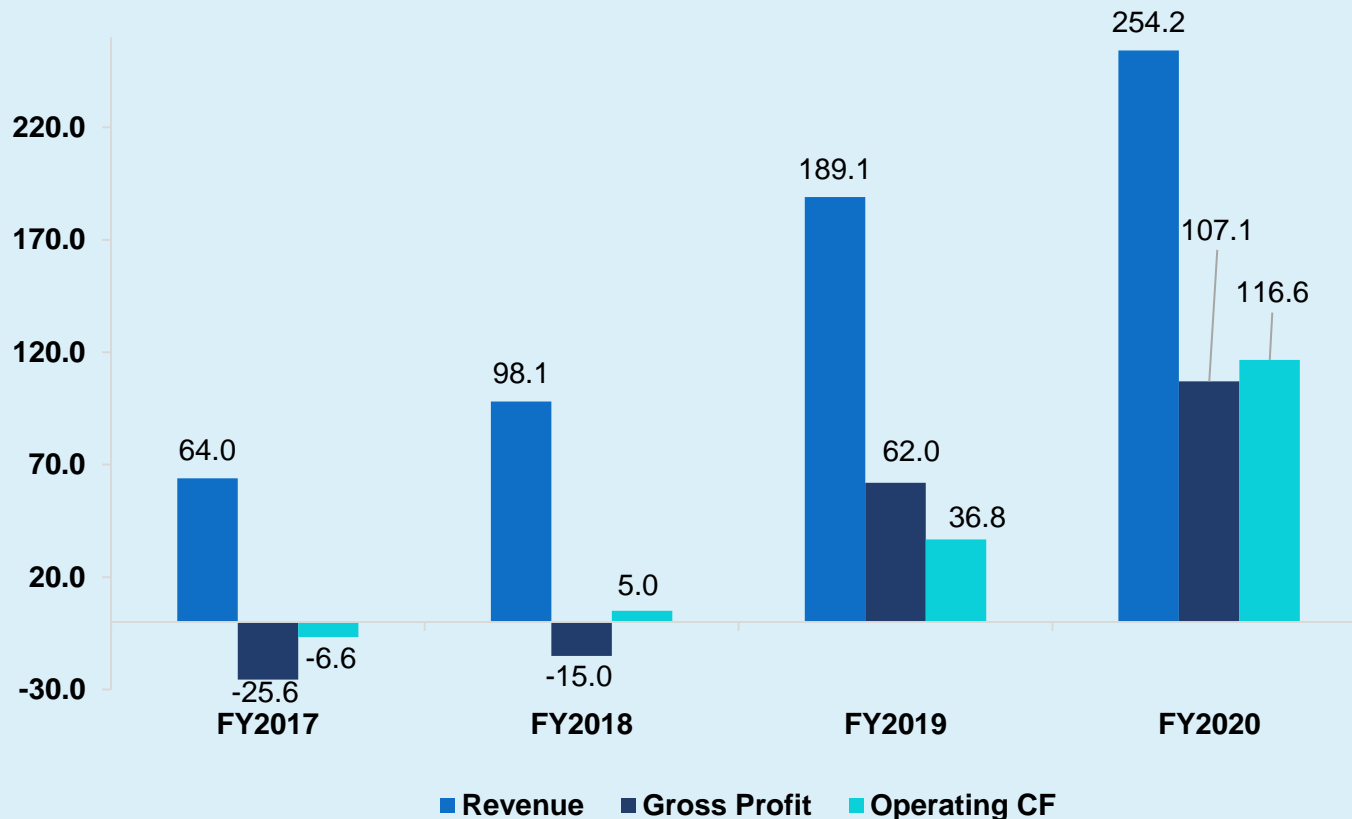


FINANCIAL HIGHLIGHTS

Financial Highlights (RM million)	FY2020	FY2019	Change	Note
	Unaudited	Audited		
Revenue	254.2	189.1	34%	Both sales volume and selling price increased
Gross Profit	107.1	62.0	73%	Cost higher in line with higher production volume but revenue increased at a much higher pace
<i>Gross Profit Margin (%)</i>	<i>42.1%</i>	<i>32.8%</i>	<i>9.3 pts</i>	
Net Profit before tax	87.0	60.4	44%	FY2020 number is after charging out of IPO expense of RM7.3 million
Income Tax (expense)/benefit	(24.9)	27.9	n.m.	Tax credit arising from previous years' financial losses were utilised in FY2019
Net Profit	62.1	88.2	(30%)	
EPS (RM cents)	12.69	18.05	(30%)	Diluted. Final dividend of 0.6 Singapore cents proposed

FINANCIAL HIGHLIGHTS

Revenue & Gross Profit & Operating Cash Flow (RM' million)



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

1. Higher volume of iron ore concentrate and pipe-coating material mainly attributable to sales to new customers
2. In addition to iron ore concentrate and pipe-coating materials, the company also started selling iron ore tailings in FY2020
3. 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

The Group proposed a final dividend of 0.6 Singapore cents per share for FY2020, representing a pay-out of approximately 14.7%.

FINANCIAL POSITION : NON-CURRENT ASSETS

RM'000	As at 31 July 2017 (Audited)	As at 31 July 2018 (Audited)	As at 31 July 2019 (Audited)	As at 31 July 2020 (Unaudited)
Property, plant and equipment	46,470	38,997	26,298	28,555
Right-of-use assets	-	-	-	8,583
Mine properties	45,565	39,133	30,518	26,059
Investment in a joint venture	166	154	-	-
Deferred tax asset	-	-	27,946	3,464
Investment securities	82	82	82	39
Total non-current assets	92,383	78,366	84,844	67,140

FINANCIAL POSITION : CURRENT ASSETS

RM'000	As at 31 July 2017 (Audited)	As at 31 July 2018 (Audited)	As at 31 July 2019 (Audited)	As at 31 July 2020 (Unaudited)
Inventory	28,997	14,053	13,439	8,847
Trade and other receivables	8,196	7,486	19,977	21,973
Contract assets	762	6,257	15,525	4,248
Prepayment	1,135	1,635	1,567	1,519
Cash and bank balances	2,695	4,949	35,366	149,866
Income tax recoverable	1,668	1,668	1,602	1,548
Assets held for distribution	-	-	17,215	-
Total current assets	43,453	36,048	104,691	188,001
Total Assets	135,836	114,414	189,535	255,141

FINANCIAL POSITION : LIABILITIES

RM'000	As at 31 July 2017 (Audited)	As at 31 July 2018 (Audited)	As at 31 July 2019 (Audited)	As at 31 July 2020 (Unaudited)
Current Liabilities				
Loans and borrowings	1,536	2,054	1,399	3,307
Trade and other payables	39,356	34,806	22,420	20,399
Total current liabilities	40,892	36,860	23,819	23,706
Non Current Liabilities				
Loans and borrowings	969	1,643	1,559	3,922
Total Liabilities	41,861	38,503	25,378	27,628

FINANCIAL POSITION : NET CURRENT ASSETS & NET ASSETS

RM'000	As at 31 July 2017 (Audited)	As at 31 July 2018 (Audited)	As at 31 July 2019 (Audited)	As at 31 July 2020 (Unaudited)
<u>Net Current Assets / (Liabilities)</u>				
Total current assets	43,453	36,048	104,691	188,001
Total current liabilities	40,892	36,860	23,819	23,706
Net current assets / (liabilities)	2,561	(812)	80,872	164,295
<u>Net Assets</u>				
Total assets	135,836	114,414	189,535	255,141
Total liabilities	41,861	38,503	25,378	27,628
Net Assets	93,975	75,911	164,157	227,513

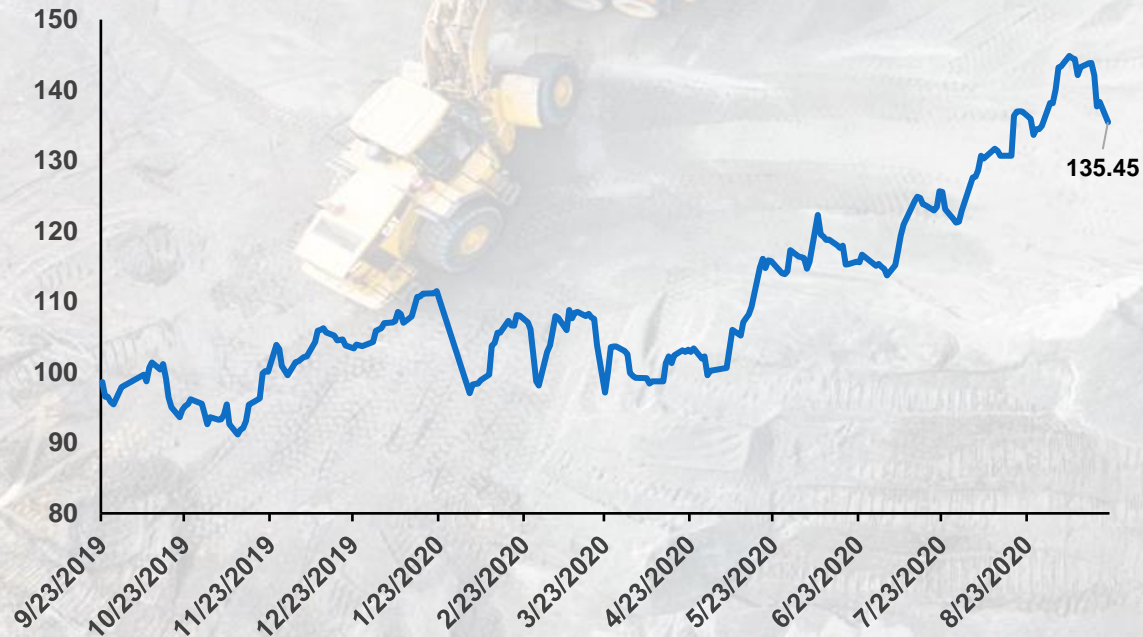


[III]
**PROSPECTS &
BUSINESS STRATEGY**

PROSPECTS: INDUSTRY OUTLOOK

Iron Ore Prices - September 2019 – September 2020 (USD)

SEABORNE IRON ORE 65% FE FINES



Source: Bloomberg

Iron Ore Prices and Demand expected to remain at elevated levels throughout 2020

- Leading banks such as BOA, Citibank, Credit Suisse and JP Morgan have all upgraded their iron ore price forecast mainly due to the rising demand from China
- Although, prices are could pull back moderately from the current over-five-year high, it will likely be range-bound between **US\$100/t – US\$120/t for the rest of 2020**

	Citibank	Bank of America
2020:	\$100.00	\$96.70
2021:	\$90.00	\$85.00
2022-2023:	\$80.00 - \$75.00	\$75.00 - \$71.70

Source: IG ,Forbes and Australian Financial Review

PROSPECTS: GROWTH DRIVERS

China to drive Iron Ore Demand

- China iron ore imports are expected to rise 3.7% yoy in 2020 to reach 1.12 billion tons and is expected to climb to 1.3 billion tons in 2022 ^[1]
- PBC has lowered interest rates and cut reserve requirement for banks, which, in turn, has stimulated new lending into domestic infrastructure investments which is a key priority of the Chinese government ^[2]
- China steel inventories declined on the back of higher production ^[2]

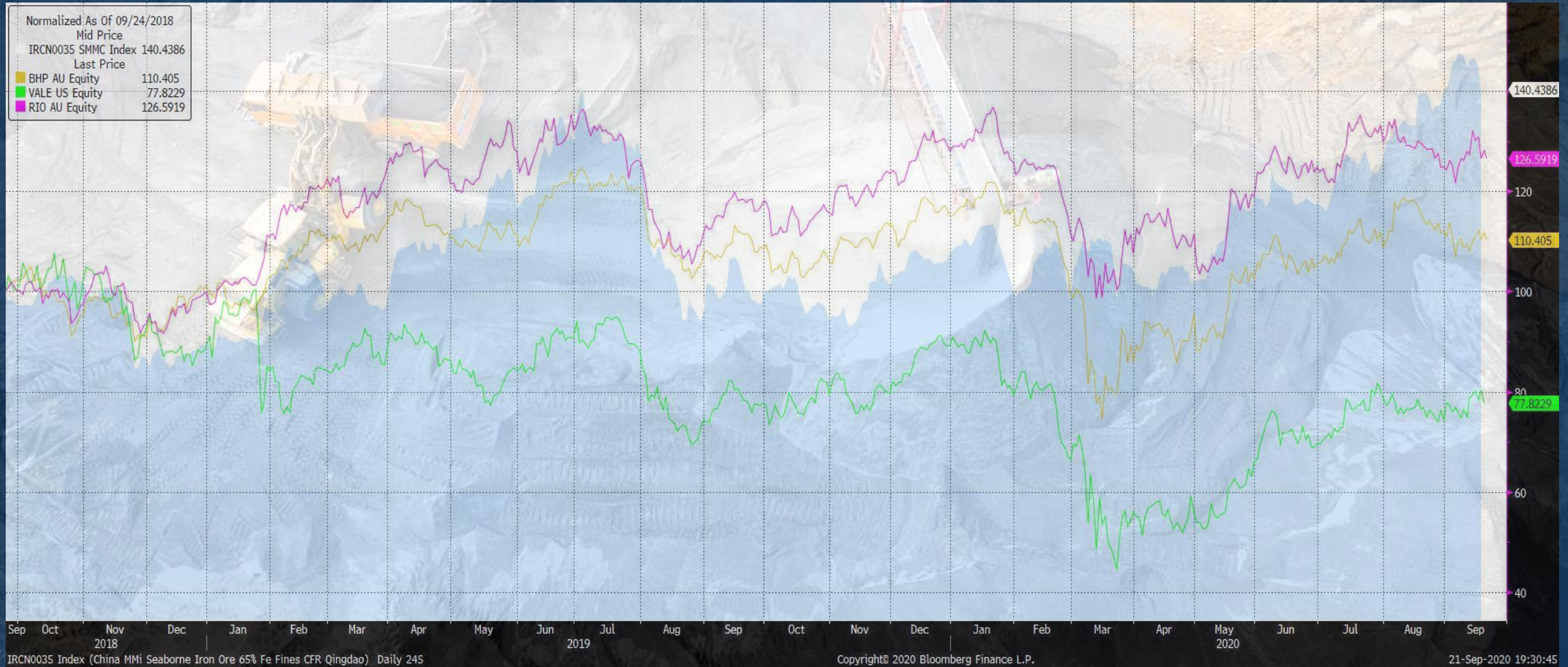
Supply Disruptions in Brazil

- Brazil yet to recover from last year's dam disaster which caused supply disruptions in the iron ore sector
- Covid-19 has accentuated the supply disruptions and led to the tightening in the Brazilian iron ore exports
- This will reduce seaborne supply from Brazil by as much as 18 MT this year which in turn will support iron ore price levels globally as per Vale ^[3]

Malaysia and other SEA countries to increase demand

- Mega infrastructure projects announced in Budget 2020 expected to boost demand in Malaysia
- **Other SEA countries:** investments on infrastructure projects expected to remain high, backed by government stimulus

SHARE PRICES OF MAJOR IRON ORE PRODUCERS TRACK IRON ORE PRICE CLOSELY



Source: Bloomberg, 21 September 2020

BUSINESS STRATEGY: FUTURE PLANS

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 as part of our long-term growth strategy
- Continuously in exploratory discussions with several parties for the possible acquisition of new mining rights and/or tenements in Malaysia

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 2020 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**

STOCK PERFORMANCE



SPONSOR'S STATEMENT

Southern Alliance Mining Ltd. (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited on 26 June 2020. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This announcement has been reviewed by the Company's 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 announcement.

The contact person for the Sponsor is Ms. Gillian Goh, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg."



THANK YOU

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