

**SOUTHERN ALLIANCE MINING LTD.**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 201931423D)

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**NON-BINDING MEMORANDUMS OF UNDERSTANDING OF THE PROPOSED ACQUISITIONS OF 40% SHARES IN MCRE RESOURCES SDN BHD AND 100% SHARES IN PARAMOUNT SYNERGY SDN BHD**

**- VERY SUBSTANTIAL ACQUISITION AND INTERESTED PERSON TRANSACTIONS**

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## 1. INTRODUCTION

The Board of Directors (the “**Board**”) of Southern Alliance Mining Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 17 April 2023 entered into a non-binding memorandum of understanding (“**MCRE MOU**”) with Aras Kuasa Sdn Bhd (“**Aras Kuasa**”), Dato' Sri Pek Kok Sam (“**Dato' Sri Pek**”) and Dato' Teh Teck Tee (“**Dato' Teh**”) (“**MCRE Vendors**”, and together with the Company, the “**MCRE Parties**”). The MCRE MOU sets out the key understandings relating to the Company’s intention on the proposed acquisition of such number of shares held by the MCRE Vendors in MCRE Resources Sdn Bhd (“**MCRE**”) (“**MCRE Sale Shares**”), representing 40.0% of the total shares in the capital of MCRE (“**Proposed MCRE Acquisition**”).

Concurrently with the MCRE MOU, the Company has also, on 17 April 2023, entered into a non-binding memorandum of understanding (“**Paramount MOU**”) with Dato' Sri Pek, Jimmy Chin, Xu DaWei, and Lai Choy Leng (“**Paramount Vendors**”, and together with the Company, the “**Paramount Parties**”). The Paramount MOU sets out the key understandings relating to the Company’s intention on the proposed acquisition of such number of shares held by the Paramount Vendors in Paramount Synergy Sdn Bhd (“**Paramount**”) (“**Paramount Sale Shares**”), representing approximately 100.0% of the total shares in the capital of Paramount (“**Proposed Paramount Acquisition**”, and together with the Proposed MCRE Acquisition, the “**Proposed Acquisitions**”).

**The MCRE MOU and the Paramount MOU (the “MOUs”) are not intended to be legally binding between the respective parties, except for certain provisions relating to confidentiality, exclusivity, costs and governing law.**

Based on the preliminary assessment by the Company in relation to the assets held by MCRE and Paramount, the Proposed Acquisitions are expected to constitute a very substantial acquisition as defined under Chapter 10 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), and if so, will be subject to, *inter alia*, approval by (i) the SGX-ST; and (ii) the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened pursuant to Rule 1015 of the Catalist Rules. Information required under Chapter 10 of the Catalist Rules will be announced once the Definitive Agreements (as defined herein) are entered into. The Proposed Acquisitions are also expected to constitute as interested person transactions under Chapter 9 of the Catalist Rules which are subject to approval by shareholders at the EGM.

## 2. INFORMATION ON MCRE AND THE MCRE VENDORS

### 2.1 MCRE

MCRE is a private company incorporated in Malaysia, established since 3 April 2020, principally engaged in the exploration, mining, processing and sale of ion adsorption clay rare earth materials in Malaysia. To the best of the Company's knowledge, MCRE is currently the appointed mining operator and has obtained all relevant licences in relation to the mining and extraction activities for a rare earth mine with an explored mine area of 2,161 hectares located in Perak, Malaysia. The Company further understands from MCRE that it commenced its operations in 2022 and exported its first batch of rare earth carbonate in February 2023.

As of the date of the MOU, Dato' Sri Pek, Dato' Teh and Aras Kuasa respectively hold directly 12.0%, 12.0% and 16.0% of the total shares in the capital of MCRE, while the remaining 60.0% of the total shares in the capital of MCRE is held by Dato' Lee Tek Mook @ Lee Teh Moh (6.0%), Dato' Lee Yoke Eng (6.0%), RE Jaya Timur Sdn Bhd (12.0%) and Qingdao Joyful Investment Co., Ltd (36.0%) ("QJI"). Dato' Lee Tek Mook @ Lee Teh Moh is a substantial shareholder of the Company and the father of Dato' Lee Yoke Eng. Mr. Lim Wei Hung, the Executive Director and Chief Operating Officer of the Company, holds 33.3% of RE Jaya Timur Sdn Bhd. Save as set out in this paragraph, the shareholders of MCRE (including the ultimate shareholders of RE Jaya Timur Sdn Bhd and QJI) are independent third parties. Save for Mr. Su Yunchun who is the chief operating officer and executive director of MCRE as well as shareholder of QJI holding 33.33% of share capital of QJI, none of the remaining 60.0% MCRE shareholders are involved in the operations of MCRE.

### 2.2 The MCRE Vendors

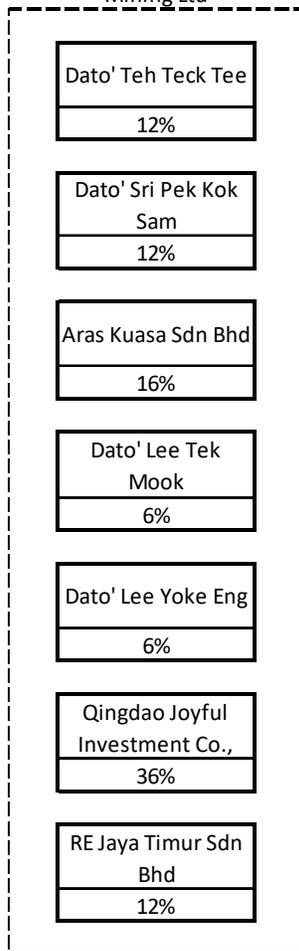
Dato' Sri Pek holds 12.0% of the total shares in the capital of MCRE. Dato' Sri Pek is also the Managing Director and a controlling shareholder of the Company with a direct interest of 304,727,700 shares (representing 62.35% of the total shares in the capital of the Company) and a deemed interest of 5,844,100 shares (representing 1.2% of the total shares in the capital of the Company, consisting of shares held by Remparan Sdn Bhd which is wholly owned by Multiline Trading Sdn Bhd which is 99.9% owned by Dato' Sri Pek, as well as shares held by Ms. Xu Liyan, Dato' Sri Pek's spouse).

Dato' Teh holds 12.0% of the total shares in the capital of MCRE. Dato' Teh is also the Non-Executive Non-Independent Chairman and a substantial shareholder of the Company with a direct interest of 30,100,000 shares (representing 6.16% of the total shares in the capital of the Company).

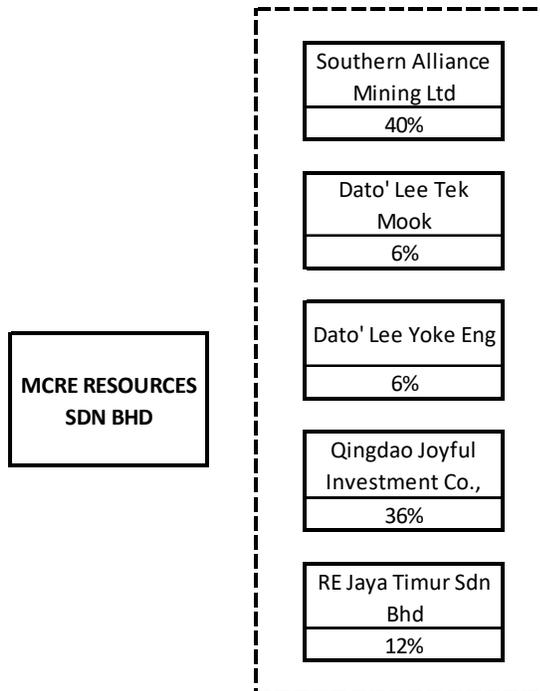
Aras Kuasa is a private company incorporated in Malaysia and is principally engaged in the exploration, mining, processing and sale of minerals such as bauxite and base metals in Malaysia. Dato' Sri Pek and Dato' Teh are both directors of Aras Kuasa and hold directly 33.33% and 33.33% of the total shares in the capital of Aras Kuasa respectively, while the remaining 33.34% of the shares in the capital of Aras Kuasa are held by Dato' Lee Tek Mook @ Lee Teh Moh, who is also a substantial shareholder of the Company.

Following completion of the Proposed MCRE Acquisition, the Company will hold 40.0% of the total shares in the capital of MCRE, while the remaining 60.0% will be held by Dato' Lee Tek Mook @ Lee Teh Moh (6.0%), Dato' Lee Yoke Eng (6.0%), RE Jaya Timur Sdn Bhd (12.0%) and Qingdao Joyful Investment Co., Ltd (36.0%). Please refer to Figure 1 below for the relevant illustration:

Shareholding structure prior to the acquisition of 40% shares by Southern Alliance Mining Ltd



Shareholding structure post acquisition of 40% shares by Southern Alliance Mining Ltd



*Figure 1: Illustration of the shareholding structure in MCRE before and after the Proposed MCRE Acquisition*

As at the date of this announcement, save as disclosed herein, the MCRE Vendors are not related to the Group, the Directors and controlling shareholders of the Company, and their respective associates.

### 3. INFORMATION ON PARAMOUNT AND THE PARAMOUNT VENDORS

#### 3.1 Paramount

Paramount is a private company incorporated in Malaysia, established since 28 November 2018, principally engaged in the exploration, mining, processing and sale of ion adsorption clay rare earth materials in Malaysia. The Company understands from Paramount that it is currently in the

exploration phase of its activities, and to the best of the Company's knowledge, Paramount has obtained the approval for the exploration of rare earth minerals at an area of 1,863 hectares in Johor, Malaysia.

As of the date of the MOU, Paramount is directly held by Dato' Sri Pek (79.0%), Mr. Jimmy Chin (9.0%), Mr. Xu DaWei (9.0%) and Ms. Lai Choy Leng (3.0%)

### 3.2 The Paramount Vendors

Dato' Sri Pek holds 79.0% of the total shares in the capital of Paramount. Dato' Sri Pek is also the Managing Director and a controlling shareholder of the Company with a direct interest of 304,727,700 shares (representing 62.35% of the total shares in the capital of the Company) and a deemed interest of 5,844,100 shares (representing 1.2% of the total shares in the capital of the Company, consisting of shares held by Remparan Sdn Bhd which is wholly owned by Multiline Trading Sdn Bhd which is 99.9% owned by Dato' Sri Pek, as well as shares held by Ms. Xu Liyan, Dato' Sri Pek's spouse).

The remaining shares in the capital of Paramount are held by Mr. Jimmy Chin, Mr. Xu DaWei, and Ms. Lai Choy Leng in the proportion described above. Ms. Lai Choy Leng is the spouse of Mr. Lim Wei Hung, the Executive Director and Chief Operating Officer of the Company. Mr. Jimmy Chin and Mr. Xu DaWei are not interested persons as defined under Chapter 9 of the Catalyst Rules nor otherwise related to any of the Directors or substantial shareholders of the Company.

Following completion of the Proposed Paramount Acquisition, Paramount will become a wholly owned subsidiary of the Company. Please refer to Figure 2 below for the relevant illustration:

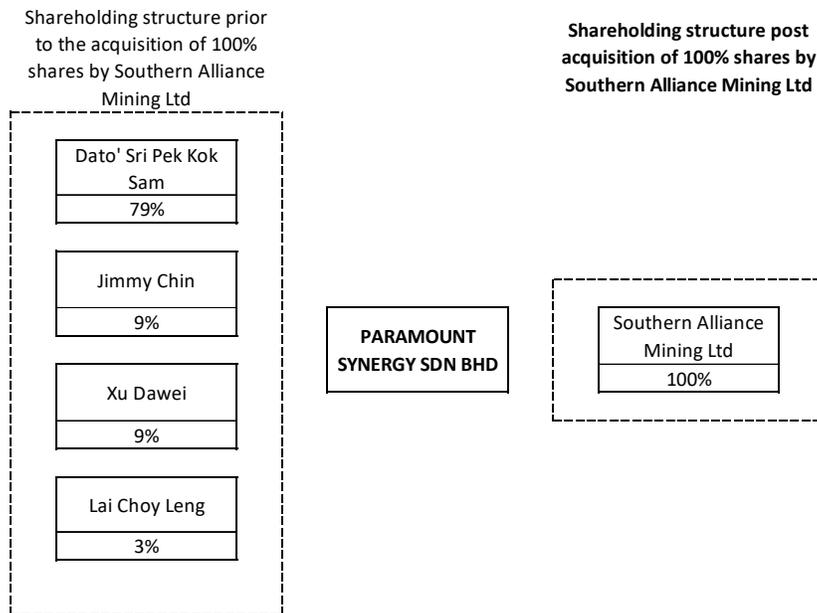


Figure 2: Illustration of the shareholding structure in Paramount before and after the Proposed Paramount Acquisition

As at the date of this announcement, save as disclosed herein, the Paramount Vendors are not related to the Group, the Directors and controlling shareholders of the Company, and their respective associates.

#### 4. SALIENT TERMS OF THE MOUS

##### 4.1 Purchase consideration

The purchase consideration in relation to the Proposed Acquisitions (“**Consideration**”) will be determined and agreed between the parties in the respective definitive agreements (“**Definitive Agreements**”), subject to, *inter alia*, willing buyer and willing seller negotiations, findings from the due diligence in relation to the Proposed Acquisitions and independent valuation to be conducted by the Company on the assets held by MCRE and Paramount. The Consideration is expected to be satisfied fully by the issuance of new shares of the Company, subject to further discussions with the Vendors (as defined below) and details will be set out in the Definitive Agreements.

##### 4.2 Exclusivity

The MCRE Vendors and the Paramount Vendors (collectively, the “**Vendors**”) agree to work in good faith towards executing the MCRE Definitive Agreements and the Paramount Definitive Agreements respectively on an exclusivity basis by 30 September 2023. From the date of the MOUs until 30 September 2023, the Vendors shall not enter into negotiations or any arrangement or agreement (whether legally binding or otherwise) with any third parties which will affect their title of the relevant MCRE Sale Shares or Paramount Sale Shares. The parties to the respective MOUs can mutually agree to extend the exclusivity period as may be required.

##### 4.3 Costs

The Company shall bear the costs incurred in connection with the Proposed Acquisitions, whether or not it proceeds (including without limitation the fees incurred for the preparation and negotiation of the MOUs, the Definitive Agreements and any other ancillary documents, as well as the fees incurred for due diligence and other professional services that are attributable to this exercise) (“**Costs**”).

The Vendors shall bear the costs, fees and expenses incurred by the solicitors representing the Vendors in connection with the preparation and negotiation of the Definitive Agreements. If any of the Proposed Acquisitions do not occur due solely to reasons attributable to the Vendors, the relevant Vendors shall indemnify the Company for an amount equal to all the reasonable Costs incurred.

##### 4.4 Governing Law and Jurisdiction

The MOUs are governed by, and shall be construed in accordance with, Singapore laws and the courts of Singapore shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the MOUs. The Definitive Agreements shall also be governed by and construed in accordance with Singapore laws.

##### 4.5 Interested Person Transaction

The parties acknowledge that the Proposed Acquisitions constitute interested person transactions (“**IPTs**”) pursuant to Chapter 9 of the Catalist Rules. As such, an independent financial adviser shall be appointed by the Company for the purpose of the Proposed Acquisitions and further to comply with all rules and requirements of the SGX-ST.

#### 4.6 Very Substantial Acquisition

The parties acknowledge that the Proposed Acquisitions may constitute a very substantial acquisition pursuant to Chapter 10 of the Catalist Rules. As such, an independent valuer and independent qualified person shall be appointed by the Company for the purpose of the Proposed Acquisitions and further to comply with all rules and requirements of the SGX-ST.

#### 4.7 Binding Provisions

The MOUs are not legally binding (save for provisions on confidentiality, exclusivity, governing law and costs) unless and until the parties have executed the relevant Definitive Agreements and obtained all requisite approvals.

#### 4.8 Termination

The MOUs shall terminate upon the occurrence of, amongst others, the following events (whichever is the earliest):

- (a) Expiry of one (1) year from the date of the respective MOU; or
- (b) The signing of any Definitive Agreements between the relevant parties; or
- (c) The relevant parties mutually agreeing in writing to terminate the relevant MOU; or
- (d) Any of the relevant parties committing any dishonest, fraudulent or wrongful conduct in relation to the relevant MOU.

### **5. INTERESTED PERSON TRANSACTIONS**

#### 5.1 The Interested Persons

The Proposed MCRE Acquisition is an IPT as the MCRE Vendors are interested persons for the purposes of Chapter 9 of the Catalist Rules for the following reasons:

- (a) Dato' Sri Pek (who is a MCRE Vendor and directly holds 33.33% in Aras Kuasa, another MCRE Vendor) is the Managing Director and a controlling shareholder of the Company as he is holding a direct interest of 62.35% in the Company as well as his deemed interest in the 1.2% shareholding interest in the Company (consisting of shares held by Remparan Sdn Bhd which is wholly owned by Multiline Trading Sdn Bhd which is 99.99% owned by Dato' Sri Pek, as well as shares held by Ms. Xu Liyan, Dato' Sri Pek's spouse);
- (b) Dato' Teh (who is a MCRE Vendor and directly holds 33.33% in Aras Kuasa, another MCRE Vendor) is the Non-Executive Non-Independent Chairman and a substantial shareholder of the Company as he is holding a direct interest of 6.16% in the Company; and
- (c) Aras Kuasa is held 33.33% by Dato' Sri Pek and 33.33% by Dato' Teh. Accordingly, Aras Kuasa is considered an associate of Dato' Sri Pek and Dato' Teh.

The Proposed Paramount Acquisition is also an IPT as Dato' Sri Pek, who is a Paramount Vendor, is an interested person for the purposes of Chapter 9 of the Catalist Rules, as elaborated above. In addition, Ms. Lai Choy Leng, who is a Paramount Vendor, is the spouse of Mr. Lim Wei Hung, the Executive Director and Chief Operating Officer of the Company.

## 5.2 Materiality Thresholds Under Chapter 9 Of Catalist Rules

Under Chapter 9 of the Catalist Rules, approval by the Shareholders is required for an interested person transaction of a value equal to, or exceeding, 5.0% of the Group's latest audited net tangible asset ("**NTA**"). Based on the preliminary assessment by the Company in relation to the assets held by MCRE and Paramount and the value of the Proposed Acquisitions, the value of the Proposed Acquisitions is expected to exceed 5.0% of the Group's latest audited NTA as at 31 July 2022, and if so, the approval of the Shareholders for the Proposed Acquisitions must be obtained at an EGM. Where an EGM is required to be convened, the Company will appoint an independent financial adviser to advise the independent directors of the Company in connection with the Proposed Acquisitions.

## 5.3 Total value of IPTs

From the end of the last financial year, being 31 July 2022, up to the date of this announcement, the aggregate value of all IPTs entered into by the Group with interested persons are set out as follows:

<b>Name of Interested Person</b>	<b>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RM'000)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (RM'000)</b>
Dato' Sri Pek and his associates (including Aras Kuasa <sup>(1)</sup> )	8,607	5,291
Dato' Teh and his associates (including Aras Kuasa <sup>(1)</sup> )	5,240	-

### **Note:**

(1) Dato' Sri Pek and Dato' Teh are both directors of Aras Kuasa and hold directly 33.33% and 33.33% of the total shares in the capital of Aras Kuasa respectively, while the remaining 33.34% of the shares in the capital of Aras Kuasa are held by Dato' Lee Tek Mook @ Lee Teh Moh, who is also a substantial shareholder of the Company.

Save as provided herewith, and aside from the Proposed Acquisitions, from the end of the last financial year up to the date of this Announcement, there have been no transactions between the

Group and Dato' Sri Pek, Dato' Teh and their respective associates (including Aras Kuasa), and there have been no other IPTs.

#### 5.4 Interests of Directors and Controlling Shareholders

Save as provided above, none of the directors of the Company or controlling shareholders of the Company has any interests, direct or indirect, in the Proposed Acquisitions, other than through their respective shareholding interests (if any), employment and/or directorship (as applicable) in the Company.

Each of Dato' Sri Pek, Dato' Teh and Mr. Lim Wei Hung have abstained from the deliberation, decision and voting on any resolution in respect of the MOUs, and will abstain from the deliberation, decision and voting on any resolution in respect of the Proposed Acquisitions at the EGM when convened.

Pursuant to Rule 919 of the Catalist Rules, an interested person and any associate of the interested person must abstain from voting on the resolutions approving the interested person transaction. Such interested persons and their respective associates shall not accept appointments as proxies unless specific instructions as to voting are given by the shareholders.

### **6. INDEPENDENT VALUER AND INDEPENDENT QUALIFIED PERSON**

The Company will appoint an independent valuer to commission a valuation on the relevant mining assets held by MCRE and Paramount, and an independent qualified person to furnish the independent qualified person's report on the relevant mining assets held by MCRE and Paramount as mineral, oil and gas companies as defined in the Catalist Rules.

### **7. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITIONS**

Based on the environmental impact assessment report of MCRE made available to the Company, the estimated rare earth oxide (“REO”) of MCRE’s explored mine area of 2,161 hectares is approximately 33,000 tonnes. The Company understands that MCRE has obtained all its operating and mining licences, commenced its operations in 2022 and exported its first batch of rare earth carbonate in February 2023. The Board believes that the acquisition of this operational mine will strategically position the Company as a potential key producer of rare earth elements in Malaysia and potentially in Asia, excluding China, in the future. The Proposed Acquisitions are also in line with the Company’s long-term strategy to build sustainable revenue and diversify earnings stream in addition to the Group’s iron ore mining operation.

Rare-earth elements are necessary components of more than 200 products across a wide range of applications, especially high-tech consumer products, such as cellular telephones, computer hard drives, electric and hybrid vehicles, and flat-screen monitors and televisions and also applications across various defence technology devices including electronic displays, guidance systems, lasers, and radar and sonar systems<sup>1</sup>.

<sup>1</sup> <https://www.americangeosciences.org/critical-issues/faq/what-are-rare-earth-elements-and-why-are-they-important>

Further, a major consideration of the Company (in alignment with the Group's sustainability objectives) when considering the Proposed Acquisitions was ensuring that the disruptive environmental impact as a result of its rare earth mining operations is minimised. The Company understands from MCRE that it is a pioneer in the application of ground-breaking mining techniques to extract Non-Radioactive Rare Earth Elements ("**NR-REE**") in Malaysia via an in-situ leaching method. This technique does not involve massive open pit mining and helps to preserve the natural landscape with an overall low carbon emission footprint.

In addition, the Company also intends to leverage on its existing mining expertise in iron ore and gold as well as know-how derived from MCRE to expand and expedite the present exploration activities undertaken by Paramount at the area of 1,863 hectares in Johor, Malaysia where it has been granted approval to carry out exploration activities for rare earth minerals. The total number of drill holes done to date is approximately 1,200 holes.

As such, the Board believes that the Proposed Acquisitions will be in the best interests of the Company as it will allow the Company to diversify its minerals portfolio to strengthen the financial performance and position of the Company, thus creating shareholders' value.

The entry into the MOUs would allow the Company time to commence the necessary due diligence, including the independent valuation and independent qualified person's report and to finalise the detailed terms of the Proposed Acquisitions with the respective Vendors, with a view to signing the respective Definitive Agreements by 30 September 2023.

## **8. MANDATORY GENERAL OFFER AND WAIVER**

Following completion of the Proposed Acquisitions, if any Vendor and their concert parties will incur an obligation to make a mandatory general offer for all the remaining issued shares of the Company not already owned, controlled or agreed to be acquired by them, such Vendor intends to seek a waiver of such obligation from the Securities Industry Council. Relevant information will be announced at the appropriate juncture or as and when required. However, as at the date of this announcement, the Company is unable to determine if the Proposed Acquisitions will result in incurring an obligation to make a mandatory general offer given that the Consideration is yet to be determined.

## **9. FURTHER INFORMATION**

### Announcement

The Company will make further announcements to inform Shareholders of the terms of the Proposed Acquisitions when the Definitive Agreements are signed and/or when there are any material developments in respect of the Proposed Acquisitions.

### Circular

Subject to SGX-ST's approval, a circular setting out, *inter alia*, the terms of the Proposed Acquisitions, the opinion and recommendation of the independent financial adviser in relation to the Proposed Acquisitions, the independent qualified persons' report, the independent valuation report,

together with a notice of EGM (the "**Circular**"), will be despatched by the Company to the Shareholders in due course.

## 10. CAUTION IN TRADING

**Shareholders and potential investors should note that the MOUs are subject to the relevant parties entering into the Definitive Agreements, satisfactory due diligence and obtaining the relevant regulatory approvals. There is no certainty or assurance that the Definitive Agreements will be entered into, or that the Proposed Acquisitions will be completed. Shareholders and potential investors should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial tax or other professional advisers.**

### By Order of the Board

Dato' Sri Pek Kok Sam  
Managing Director

17 April 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 ("**SGX-ST**") and the SGX-ST 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.*

*The contact person for the Sponsor is Ms Lim Hui Ling, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.*