



# SOUTHERN ALLIANCE MINING LTD.

MARCH 2022



# KEY HIGHLIGHTS



# Key Highlights

## Financial Performance

↓ 35.2% yoy  
RM98.5 million



Net Profit after Tax

↓ 62.4% yoy  
RM19.4 million



Earnings per share

↓ 62.3% yoy  
RM3.96 cents

## Financial Strength

↑ 31.4% yoy  
RM249.8 million



Net assets

↑ 33.8% yoy  
RM361.2 million



Net asset value per share

↑ 34.0% yoy  
RM73.75 cents



# CORPORATE OVERVIEW

Dominant high grade iron ore producer in Malaysia

# Company Overview

Incorporated in 2001, we have grown to a S\$342m<sup>1</sup> iron ore mining company

## At a Glance



Involved in the exploration, mining, processing and sale of iron ore and other minerals



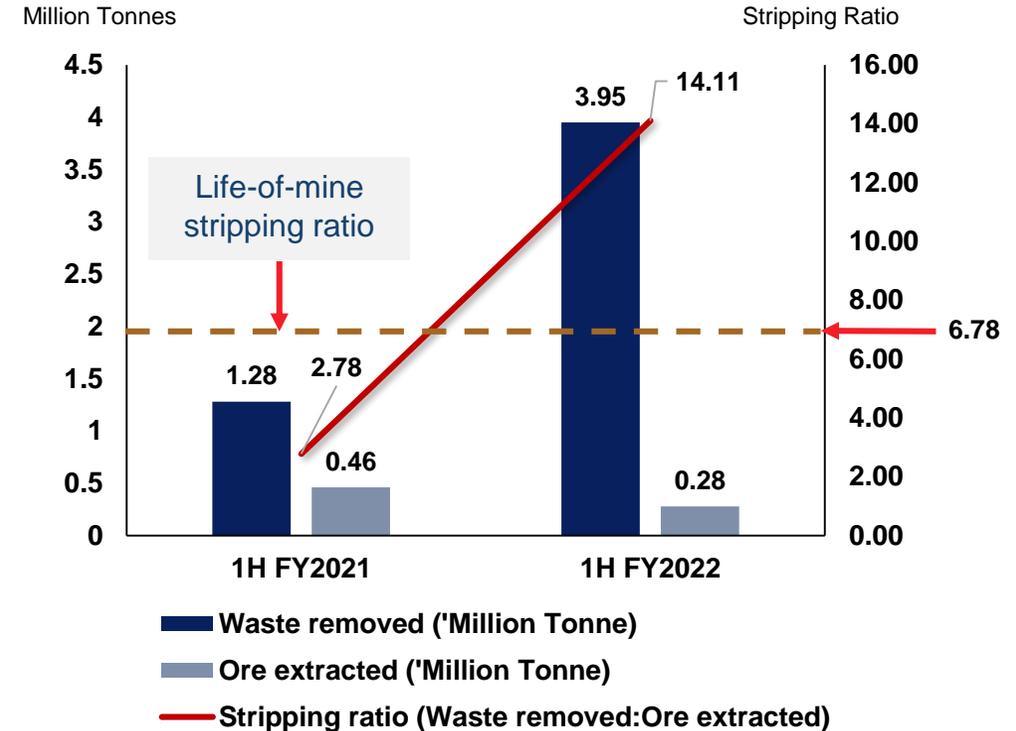
Headquartered in Pahang, Malaysia with its iron ore mine, the Chaah Mine, located in Johor, Malaysia

6.6

million tonnes

Total iron ore production from Chaah Mine from 2008 to 31 January 2022

## Life-of-mine stripping ratio vs actual stripping ratio

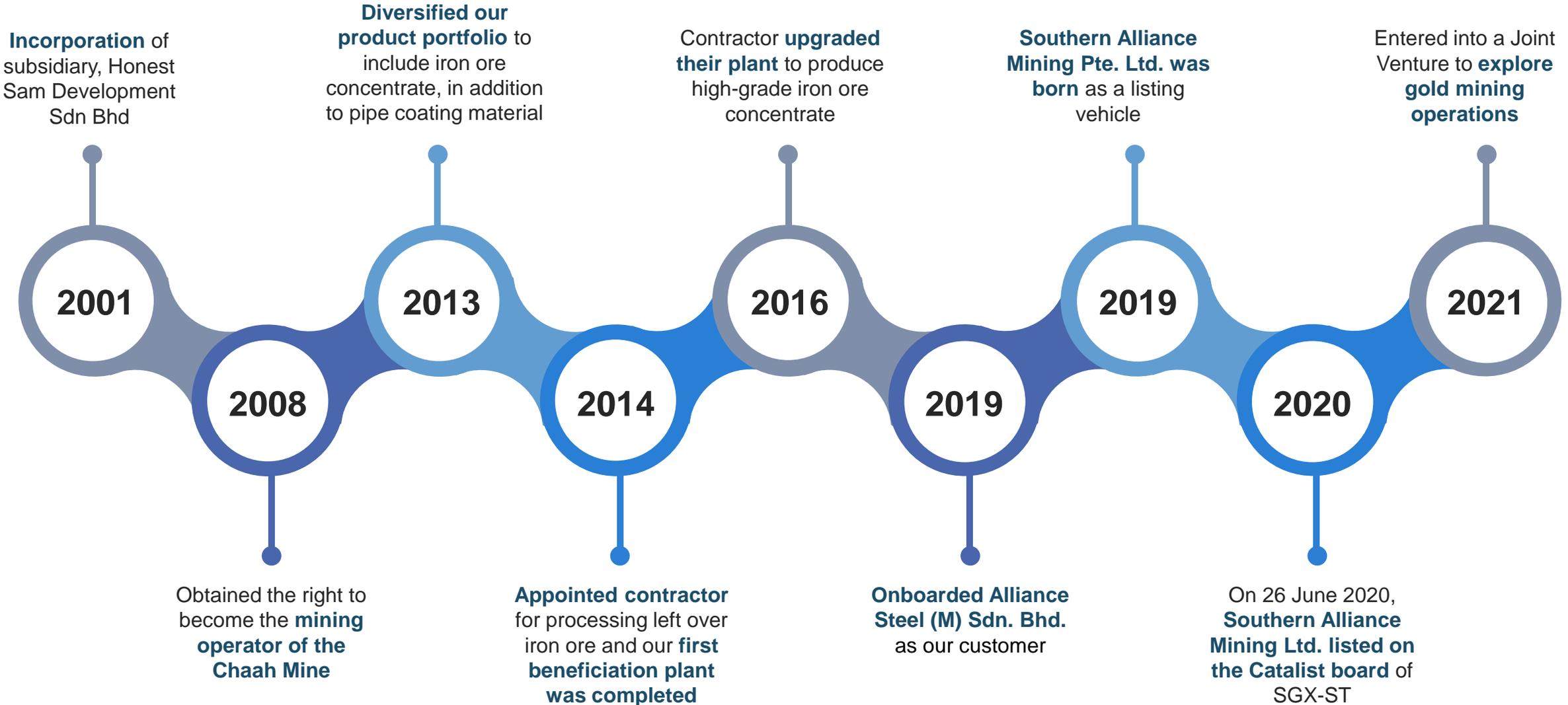


### Notes:

1. Market cap as of 31 January 2022

# Company Overview

>20 years of track record in the iron ore mining industry in Southeast Asia



# Iron Ore and Gold Mining Assets

Long-term mining leases allow us to expand our exploration activities



## Operating Open Pit Mine



**Chaah Mine**



Mining lease expiry date  
**22 March 2024**



Area  
**225.7 hectares**



## Exploration Projects



**Mao'kil Mine**



Mining leases expiry date  
**7 July 2023** | **27 April 2026**



Area  
**22.3 hectares** | **159.8 hectares**



## Exploration Projects



**Chaah Baru**



Mining lease expiry date  
**29 January 2024**



Area  
**19.4 hectares**



## Exploration Projects



**Kota Tinggi**



Mining lease expiry date  
**3 July 2024**



Area  
**79.2 hectares**



## Exploration Project (Gold)



**Tenggaroh Mine, Mersing**



Exploration license expiry date  
**26 January 2024**



Area  
**17,767.8 hectares**

# CHAAH MINE

## OVERVIEW



The Open Pit at Chaah Mine

# Key Terminologies

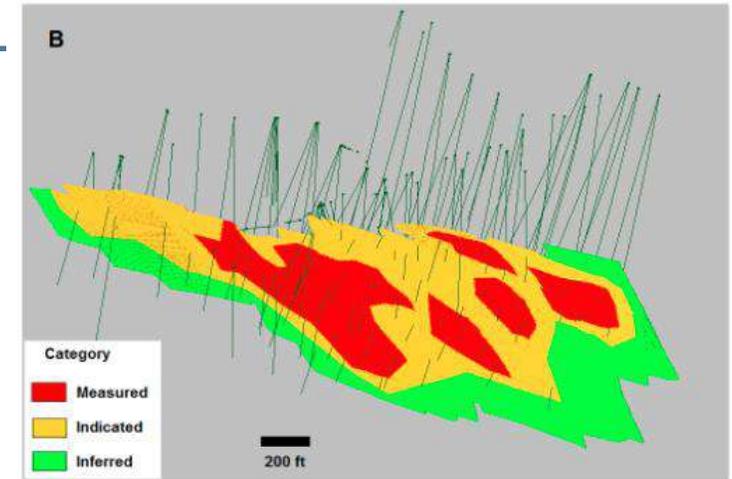
## A. Mineral Resources:

1. A “Mineral Resource” is a **concentration** or **occurrence** of **solid material of economic interest** in or on the Earth’s crust in such **form, grade (or quality),** and **quantity** that are **reasonable prospects for eventual economic extraction.**
2. The **location, quantity, grade (or quality), continuity** and **other geological characteristics** of a Mineral Resource **are known, estimated** or **interpreted** from **specific geological evidence and knowledge, including:**
  - Sampling data of a type and at spacing appropriate to the geological, chemical, physical and mineralogical complexity of mineral occurrence
3. A Mineral Resource **cannot be estimated** in the absence of sampling information.
4. Mineral Resources are sub-divided, in order of increasing **geological confidence**, into, **Inferred, Indicated** and **Measured** categories.
5. **All** reports of Mineral Resources **must satisfy the requirement** that there are **reasonable prospects for eventual economic extraction** (ie more likely than not), regardless of the classification of the resource.
6. An ‘Inferred Mineral Resource’ is that part of Mineral Resource for which **quantity and grade (or quality)** are estimated on the basis of **limited geological evidence and sampling.** Geological evidence is **sufficient to imply** but **not verify geological and grade (or quality) continuity** and must **not be converted to an Ore Reserve.**
7. An ‘Indicated Mineral Resource’ is that part of a Mineral Resource for which **quantity, grade (or quality), densities, shape and physical characteristics** are estimated with **sufficient confidence** to **allow the application of Modifying Factors in sufficient detail** to **support mine planning and evaluation of the economic viability of the deposit.**
8. A ‘Measured Mineral Resource’ is that part of a Mineral Resource for which **quantity, grade (or quality), densities, shape, and physical characteristics** are estimated with **confidence** sufficient to **allow the application of Modifying Factors** to **support detailed mine planning and final evaluation of the economic viability of the deposit.**

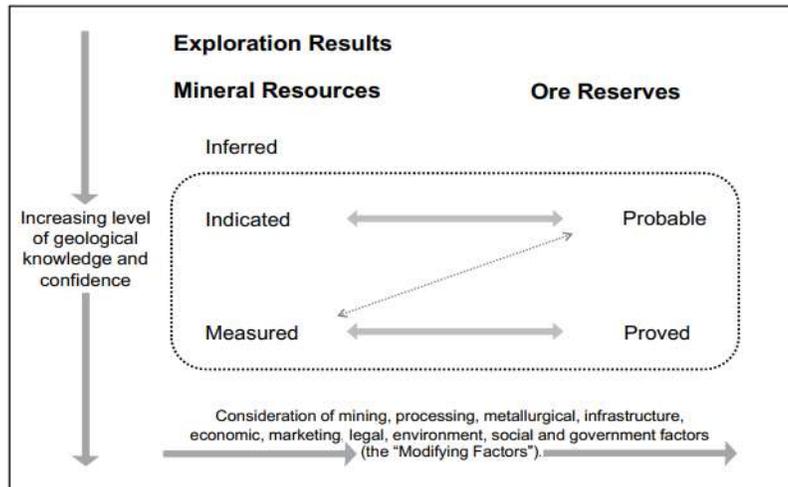
# Key Terminologies

## B. Ore Reserves:

1. An 'Ore Reserve' is the **economically mineable part of a Measured and/or Indicated Mineral Resource**. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at **Pre-Feasibility or Feasibility** level as appropriate that **include application of Modifying Factors**.
2. A 'Probable Ore Reserve' is the **economically mineable part of an Indicated**, and **in some circumstances, a Measured Mineral Resource**. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.
3. A 'Proved Ore Reserve' is the **economically mineable part of a Measured Mineral Resource**. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.



*Example of the distribution of resources as the result of drilling programs*



## C. Modifying Factors:

'Modifying Factors' are considerations used to convert Indicated and Measured Mineral Resources to Ore Reserves. These include, but are not restricted to:

- mining,
- processing,
- metallurgical,
- infrastructure,
- economic,
- marketing,
- legal,
- environmental, social and governmental factors.

# Reported Reserves & Valuation

## Excellent conversion rate from Indicated Mineral Resources to Ore Reserves

### Total Iron Ore Mineral Resources as at 31 July 2021

Category	Million Tonne	Grade (%)				Change in tonne (%)
		Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P <sub>2</sub> O <sub>5</sub>	
Gross attributable to license and net attributable to issuer						
Measured (in situ)	-	-	-	-	-	0%
Indicated (in situ)	4.5	51.2	17.3	2.1	1.8	-18%
Inferred (in situ)	1.8	45.5	23.7	3.8	1.4	-2%
<b>Subtotal (in situ)</b>	<b>6.3</b>	<b>49.6</b>	<b>19.1</b>	<b>2.6</b>	<b>1.7</b>	<b>-14%</b>
Measured (stockpiles)	-	-	-	-	-	0%
Indicated (stockpiles)	0.1	57.6	-	-	-	-84%
Inferred (stockpiles)	-	-	-	-	-	0%
<b>Subtotal (stockpiles)</b>	<b>0.1</b>	<b>57.6</b>	-	-	-	<b>-84%</b>
<b>Total</b>	<b>6.3</b>	<b>49.7</b>	-	-	-	<b>-17%</b>

**Notes:**

1. In situ resources reported at a cut-off criterion of 25% Fe
2. Stockpiles and low-grade fines 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 2020 to 31 July 2021

### Total Iron Ore Reserves as at 31 July 2021

Category	Million Tonne	Grade (%)				Change in tonne (%)
		Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P <sub>2</sub> O <sub>5</sub>	
Gross attributable to license and net attributable to issuer						
Proved (ROM)	-	-	-	-	-	0%
Probable (ROM)	4.3	50.0	16.5	2.0	1.8	-20%
<b>Subtotal (ROM)</b>	<b>4.3</b>	<b>50.0</b>	<b>16.5</b>	<b>2.0</b>	<b>1.8</b>	<b>-20%</b>
Proved (stockpiles)	-	-	-	-	-	0%
Probable (stockpiles)	0.1	57.6	-	-	-	-84%
<b>Subtotal (stockpiles)</b>	<b>0.1</b>	<b>57.6</b>	-	-	-	<b>-84%</b>
<b>Total</b>	<b>4.3</b>	<b>50.1</b>	-	-	-	<b>-23%</b>

**Notes:**

1. ROM reserves and stockpiles reported at a cut-off criterion of 30% Fe
2. Totals may not add due to rounding effects
3. Changes are shown comparing Ore Reserves from 31 July 2020 to 31 July 2021

As at 31 July 2021, the total run-of-mine (ROM) Ore Reserves for the Chaah Mine was estimated at 4.3 million tonnes at 50.0% Fe on the back of in situ Indicated Resources of 4.5 million tonnes at 51.2% 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

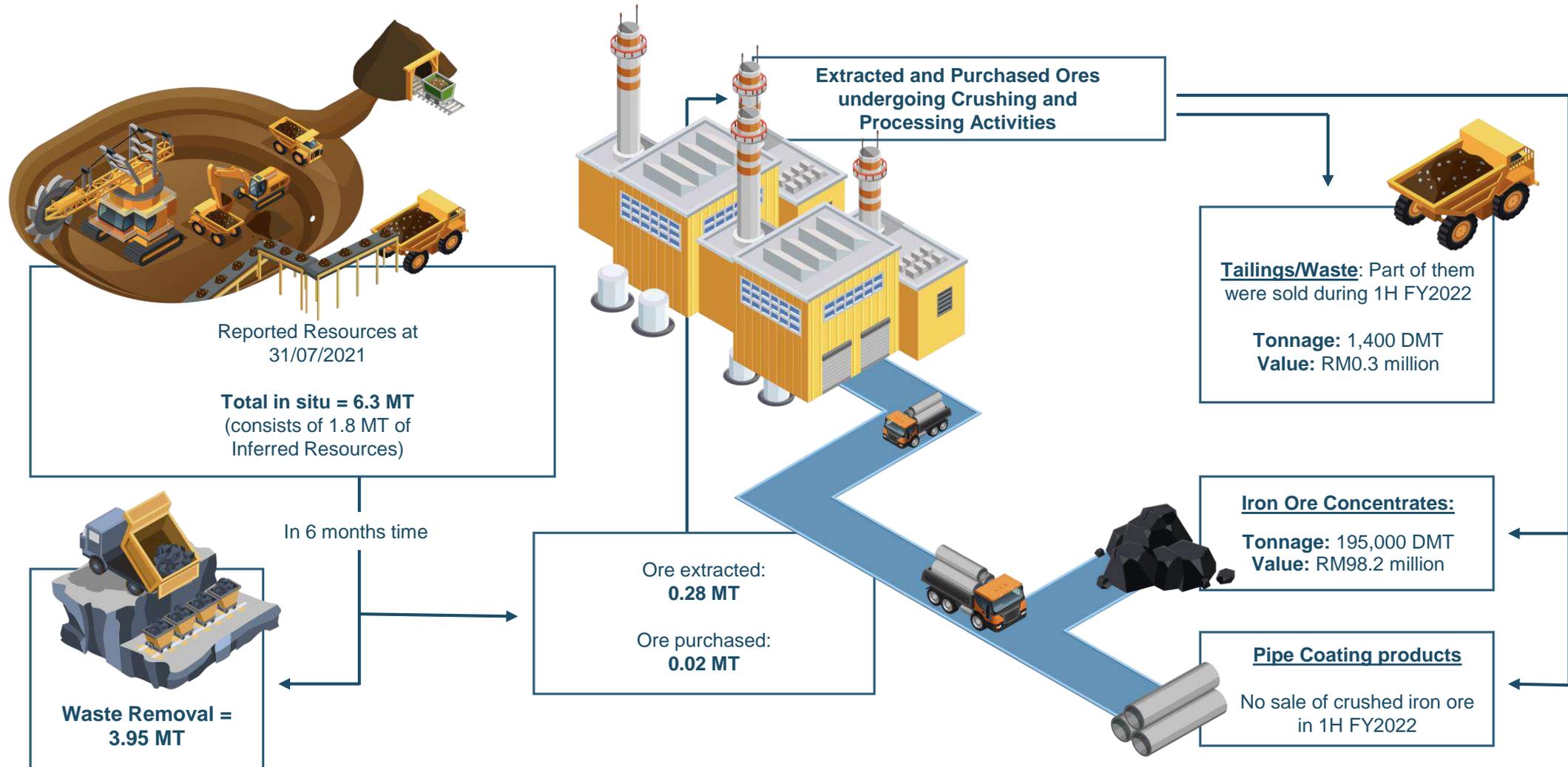
## Excellent reconciliation between resource model and production statistics

Source	June 2014 to July 2019	August 2019 to July 2020	August 2020 to July 2021	Total
Mineral Resource Model (Indicated and Inferred)	3.37 Mt	0.83 Mt	1.06 Mt	5.26 Mt
SAM adjusted production statistics for ore mining	3.42 Mt	1.20 Mt	0.97 Mt	5.59 Mt
Difference vs Mineral Resource Model (in MT)	+ 0.05 Mt	+ 0.37 Mt	- 0.10 Mt	+ 0.32 Mt
Difference vs Mineral Resource Model (in %)	+ 1.5%	+ 44.6%	- 9.3%	+ 6.1%

Overall, for the seven-year period from 2014 to 2021, the correlation is reasonable with production statistics reporting 6.1% more tonnes than the Mineral Resource model.

# Reliable Resource Models

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



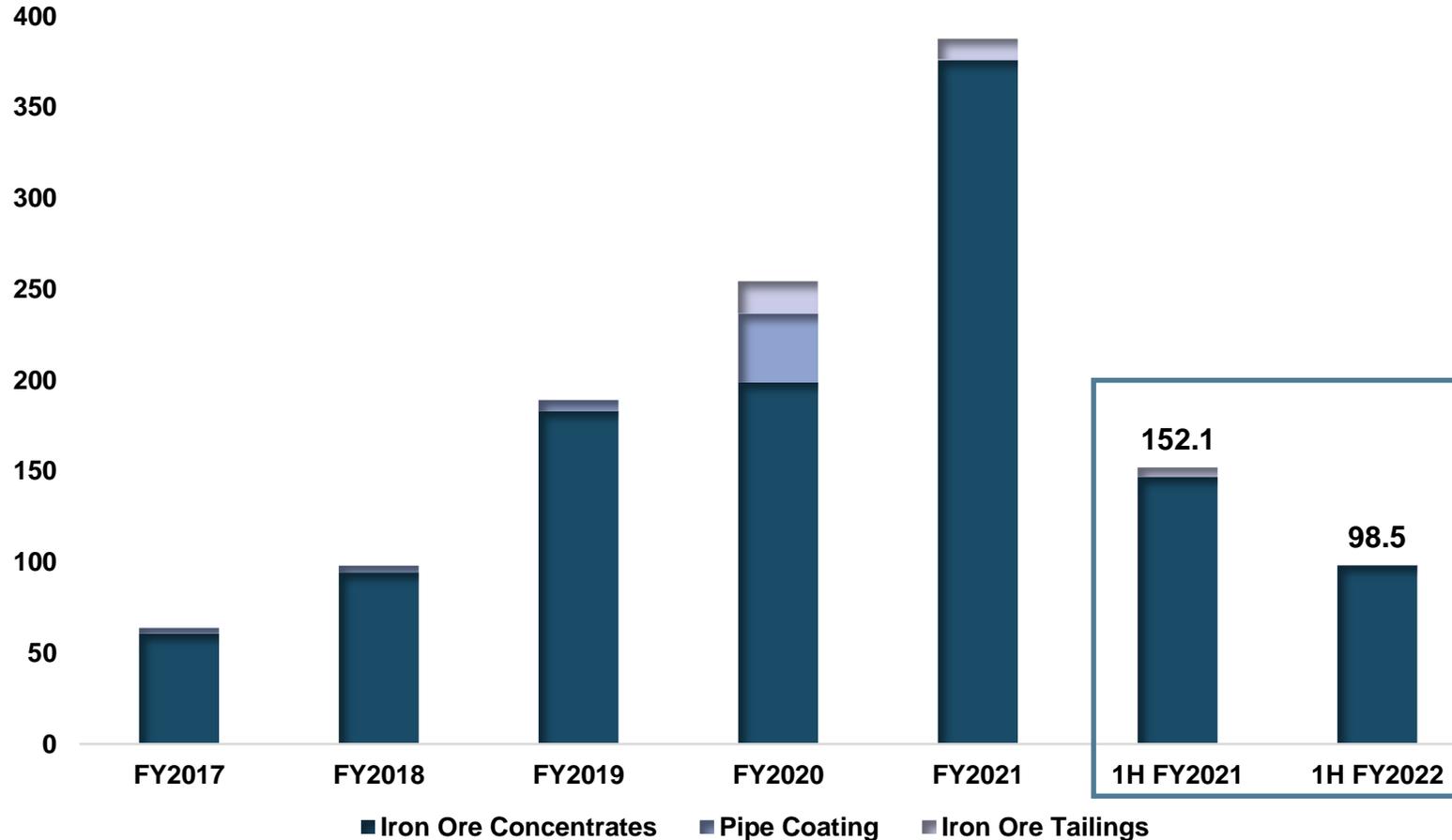
An aerial photograph of a massive open-pit mine. The mine is characterized by numerous terraced levels, or benches, that descend into the earth. A complex network of dirt roads winds through the site, connecting different levels and sections. The terrain is a mix of brownish soil, grey rock, and some areas of yellowish-orange residue. In the background, a small town or village is visible, followed by rolling hills and mountains under a clear sky. The overall scene depicts a large-scale industrial operation in a natural landscape.

# FINANCIAL PERFORMANCE

# 1H FY2022 Group Financial Performance

## Drop in revenue due to higher investment in overburden stripping

In RM millions



### Drop in revenue due to higher investment in overburden stripping

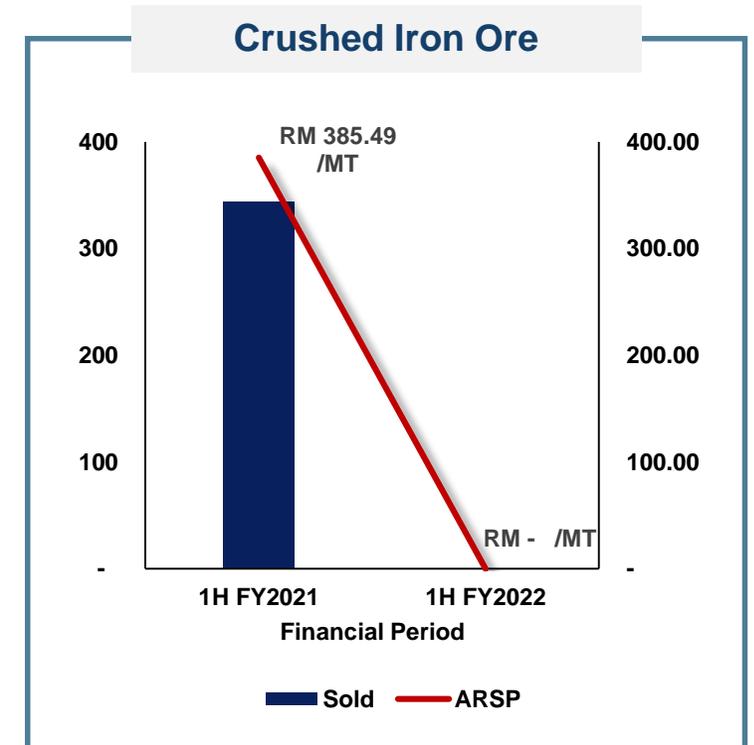
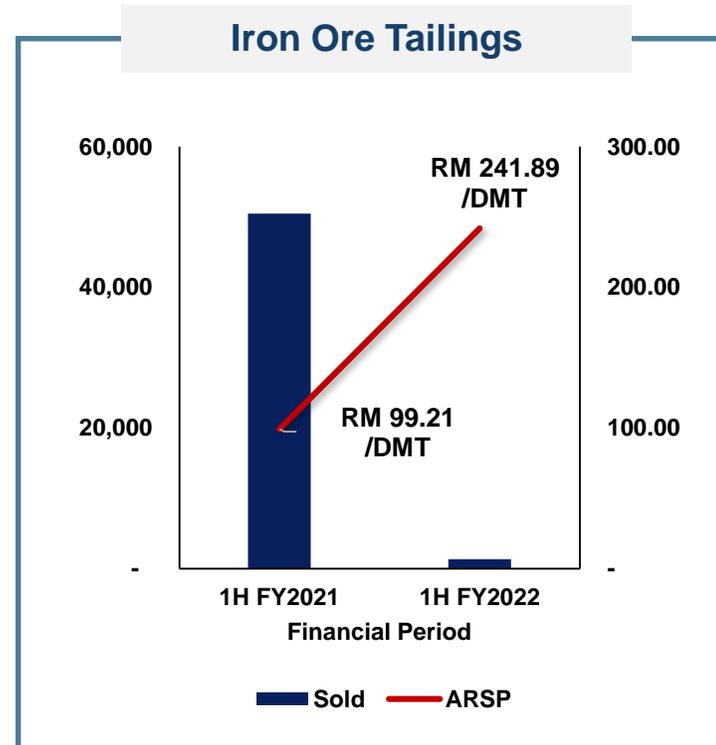
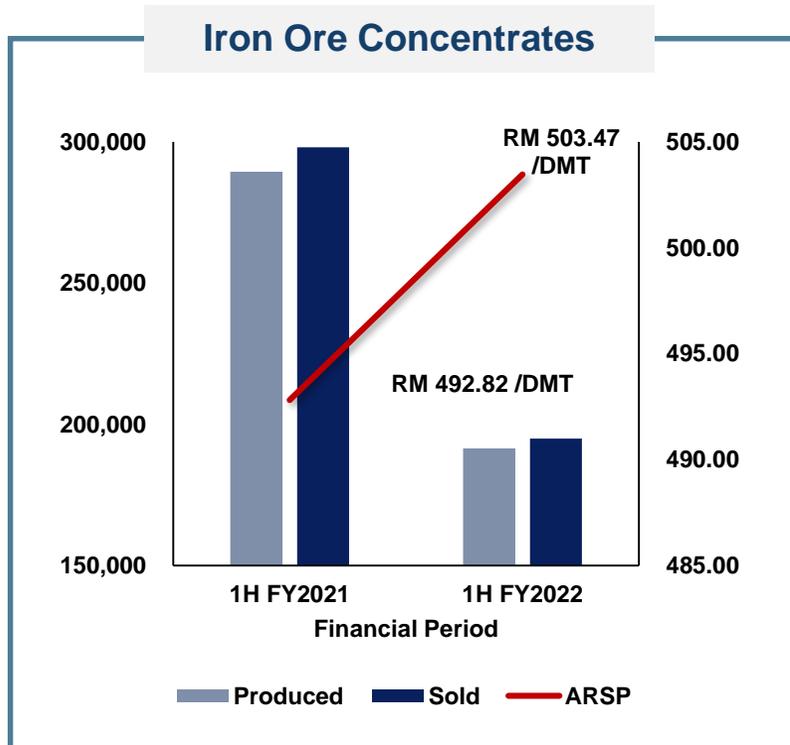
- Intense over burden removal activities in the Chaah Mine resulted in **lower volume of ore extraction**.
- No order from the pipe coating industry.
- As part of the Group's strategy to offset the effect of the stripping of overburden activities, **our Group boosted its production of iron ore concentrate by purchasing good quality ore during this period**.

# 1H FY2022 Group Financial Performance

## Volume produced, volume sold, and average realized selling price

Iron ore concentrates	1H FY2021	1H FY2022	%
Produced (DMT)	289,000	191,000	-34%
Sold (DMT)	298,000	195,000	-35%
ARSP/DMT (RM)	492.82	503.47	2%

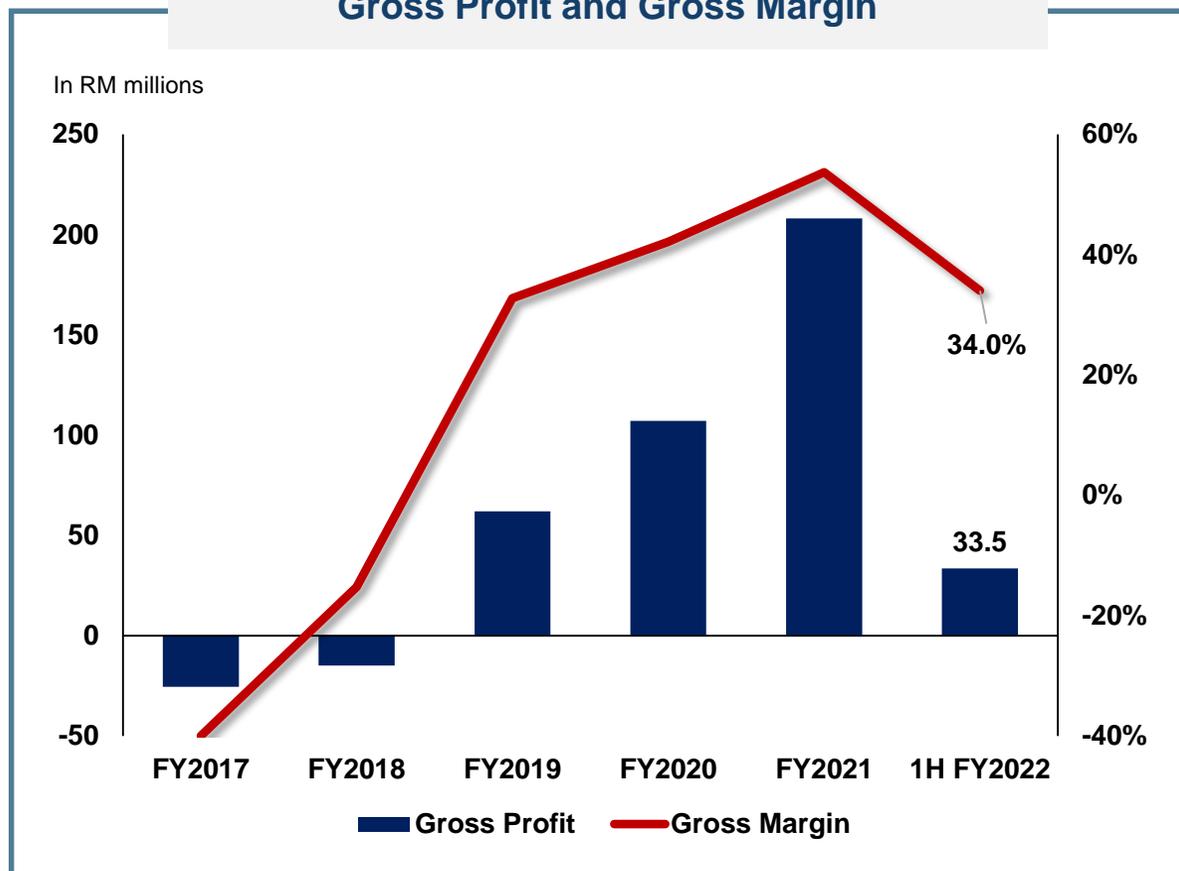
Note: There is no ARSP recorded for 1H FY2022 as there was no order from the pipe coating industry resulting in no sale of crushed iron ore in 1H FY2022.



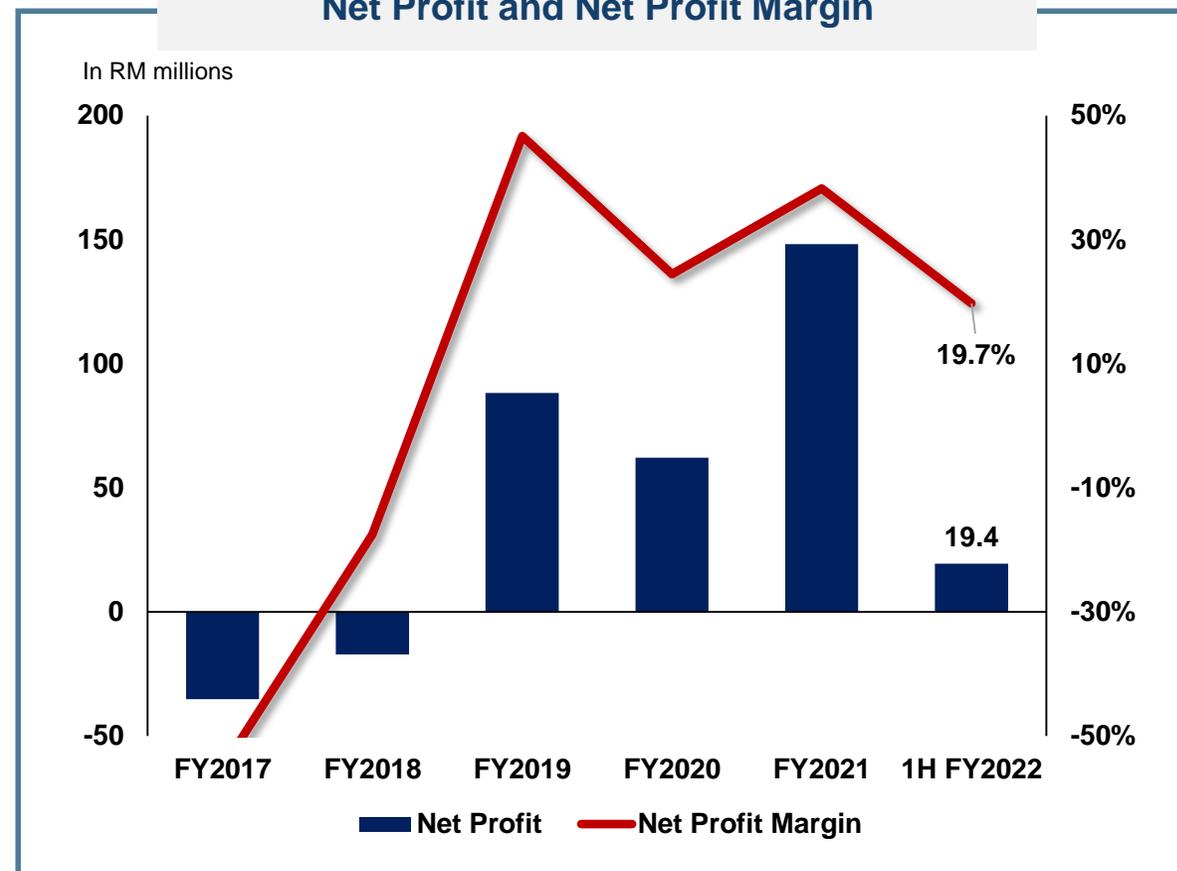
# 1H FY2022 Group Financial Performance

## Drop in revenue outweighs drop in cost of sales leading to lower profit margins

### Gross Profit and Gross Margin



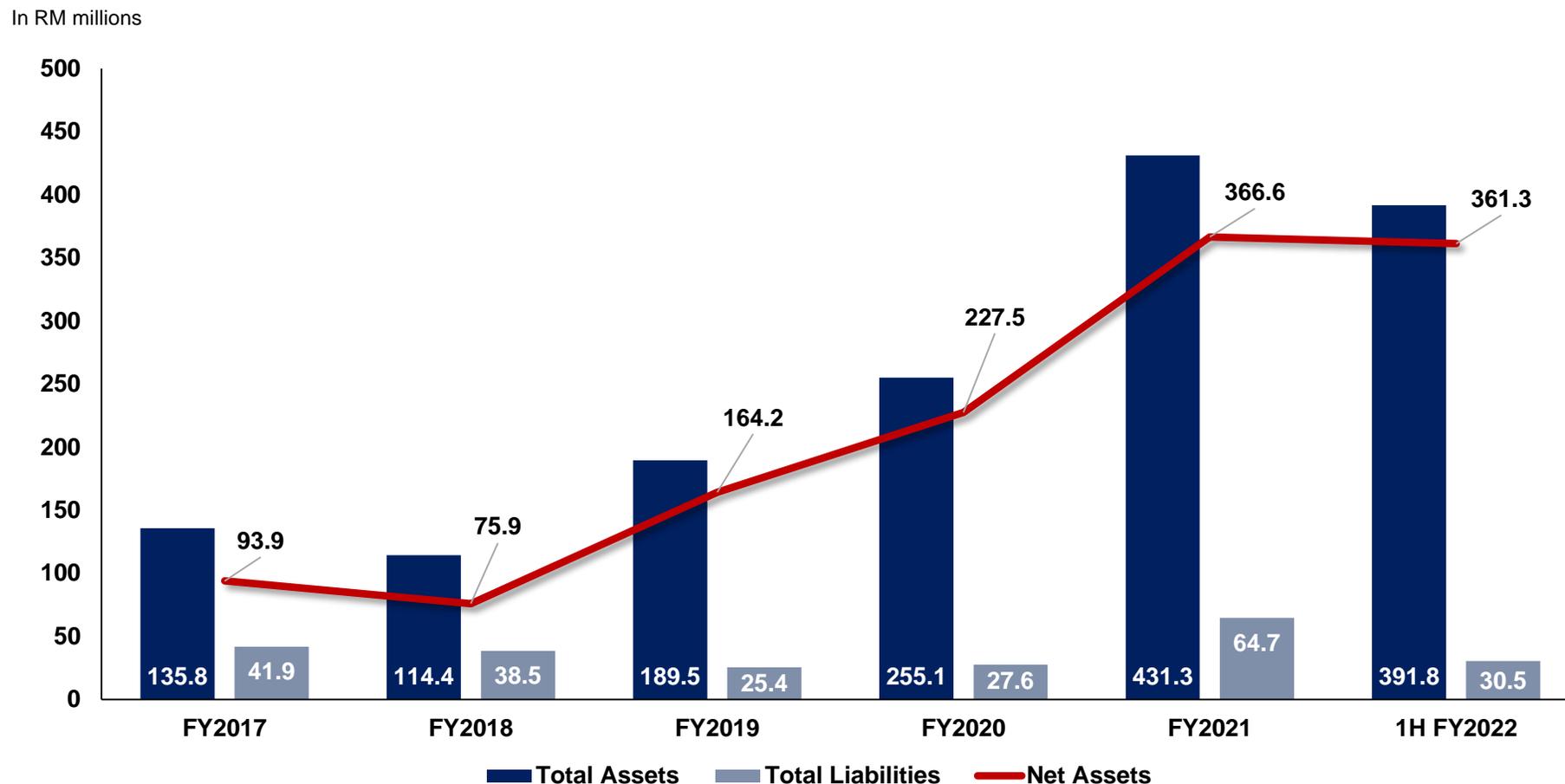
### Net Profit and Net Profit Margin



The drop in revenue outweighed the drop in cost of sales owing to the high stripping ratio as a result of overburden removal activities. The group crossed the benchmark life-of-mine stripping ratio which led to the drop in margins for 1H FY2022

# 1H FY2022 Group Financial Performance

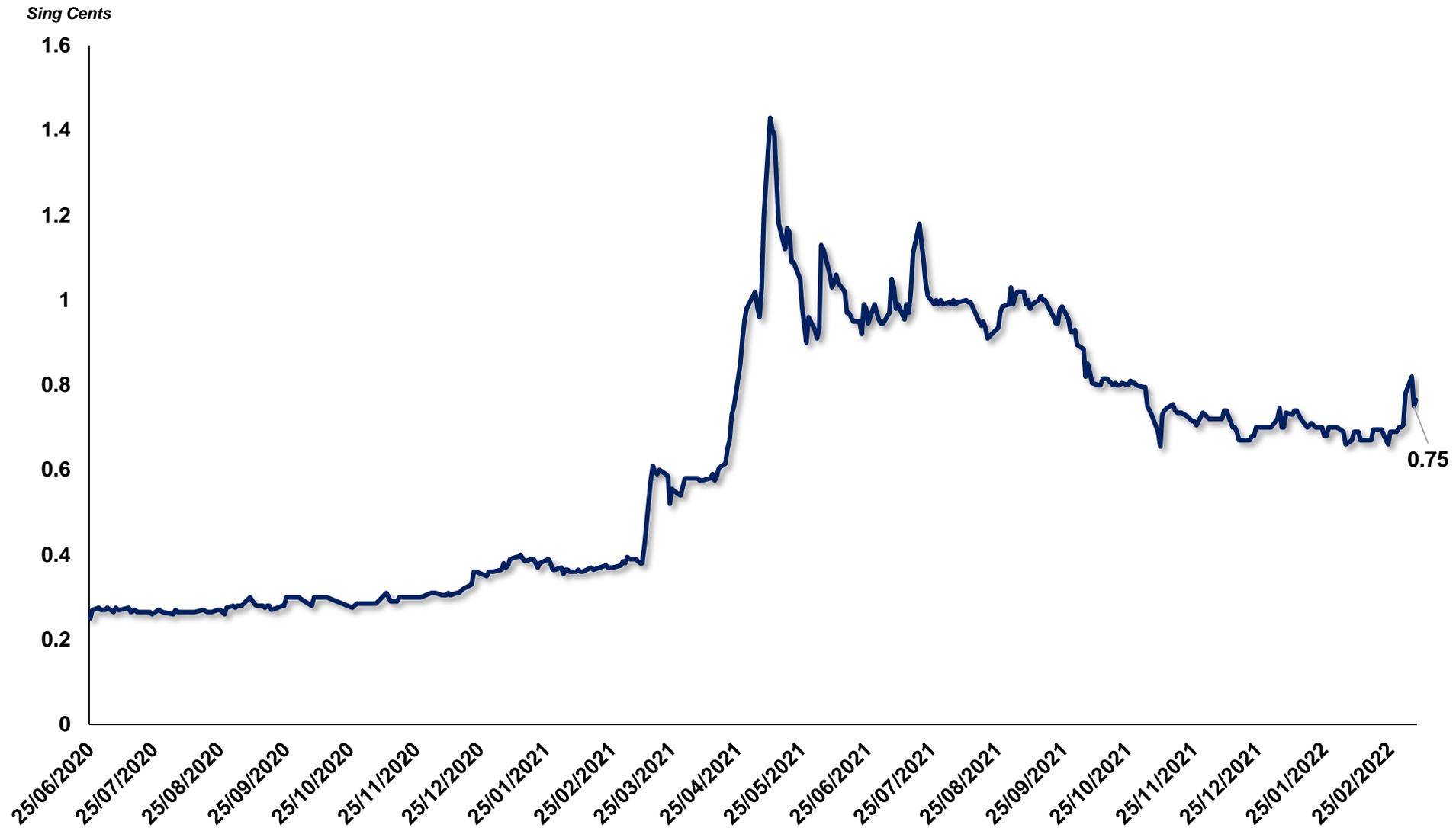
Strong financial position with high cash and bank balances and low borrowings



As at 31 January 2022, the company is in a net asset position of RM361.3 million, attributable to the strong net cash position

# Share Price Performance

## Resilient share price performance in 1H FY2022



Source: Bloomberg

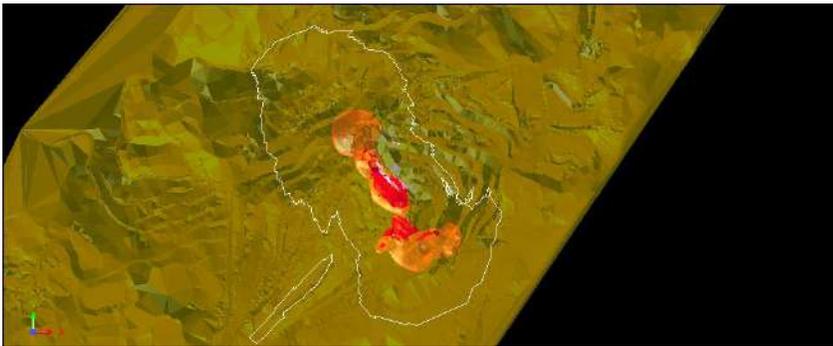
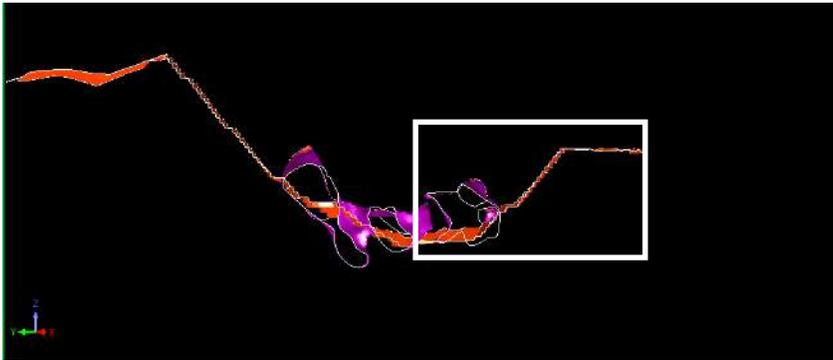
# OUTLOOK



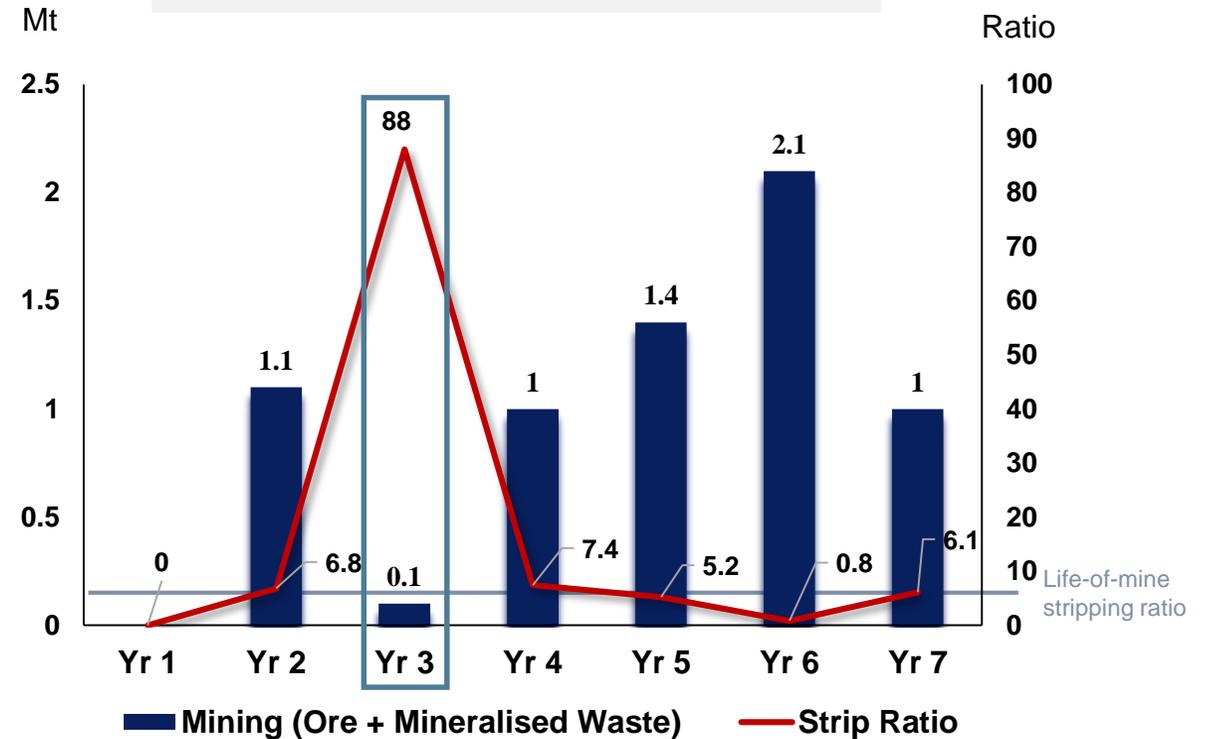
# Extension of Existing Ore Body

## Higher stripping ratio is in line with expectations to expand iron ore body

Existing Iron Ore Body at the Chaah Mine



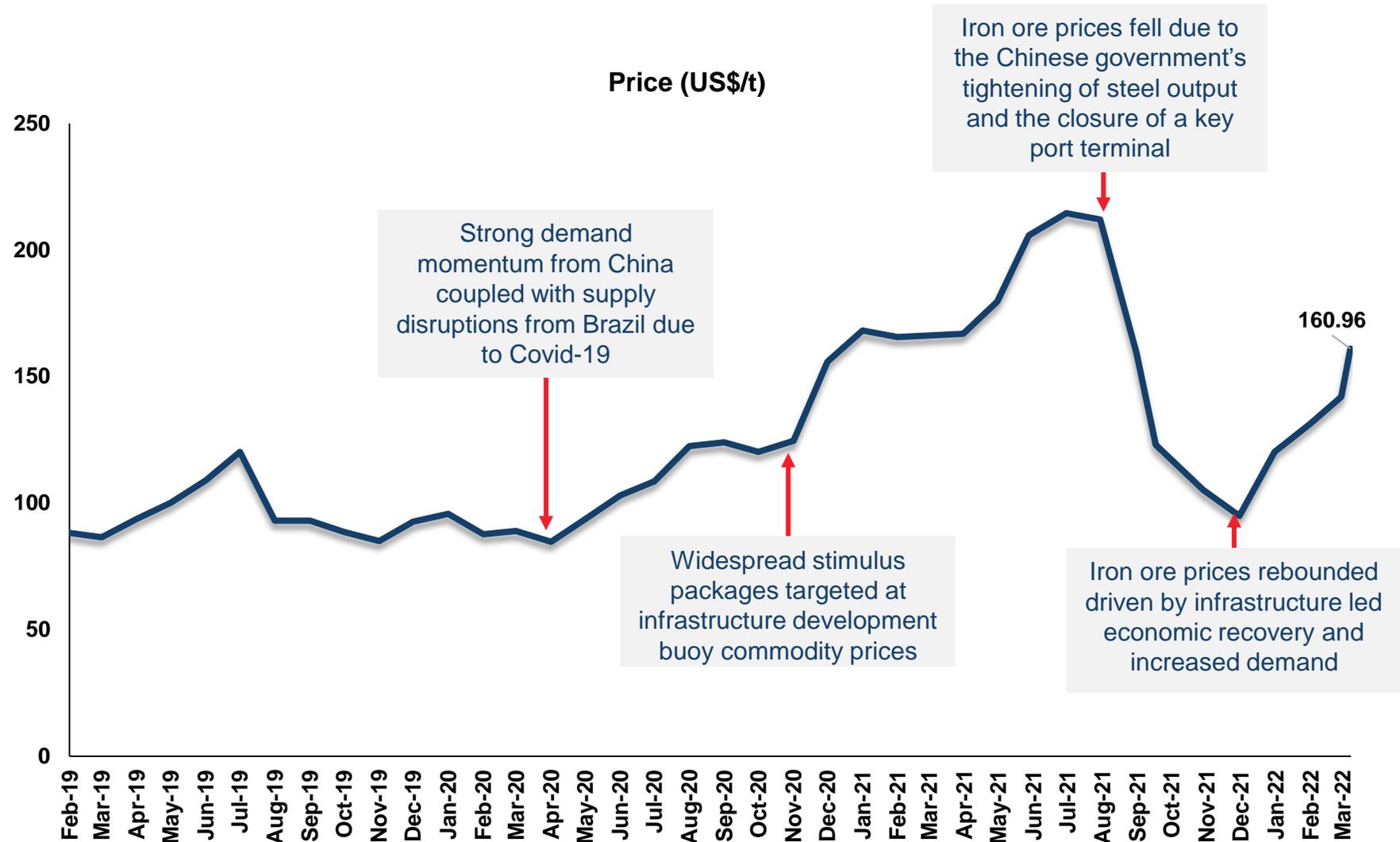
Expected Stripping Ratio as per the IQPR Report



The higher investment in overburden removal is in line with the expected stripping ratio as per the IQPR report released in 2020. The overburden removal has been undertaken by the group to further extend the mineable areas around the iron ore body. **Drilling at the Southern Extension Zone (SEZ) has outlined a +150m strike extension to the main ore zone beyond the limit of the current pit.**

# Iron Ore Price Trend

Prices have rebounded on the back of strong infrastructure investments



# Market Enablers for Iron Ore

## Continued supportive macroeconomic conditions for iron ore



### Continued strong demand from China

- China's iron ore imports rose 14.6% in November 2021, the highest since July 2020<sup>1</sup>.
- The increase in infrastructure investments by Chinese government is expected to further buoy prices, stimulating global iron ore production<sup>2</sup>.



### Fiscal stimulus to boost the commodities market

- Widespread stimulus packages targeted at infrastructure spending will drive the steel industry<sup>3</sup>.
- The slow growth in production from the world's third-largest iron ore miner, Vale, continues to set the stage for high iron ore prices<sup>4</sup>.



### Increased demand from SEA countries and tepid supply

- Investments on infrastructure projects expected to remain high, backed by government stimulus.
- As Chinese economy undergoes a structural shift in its economic growth trajectory and reduces steel output, the iron ore prices will continue to normalise in the long run<sup>4</sup>.

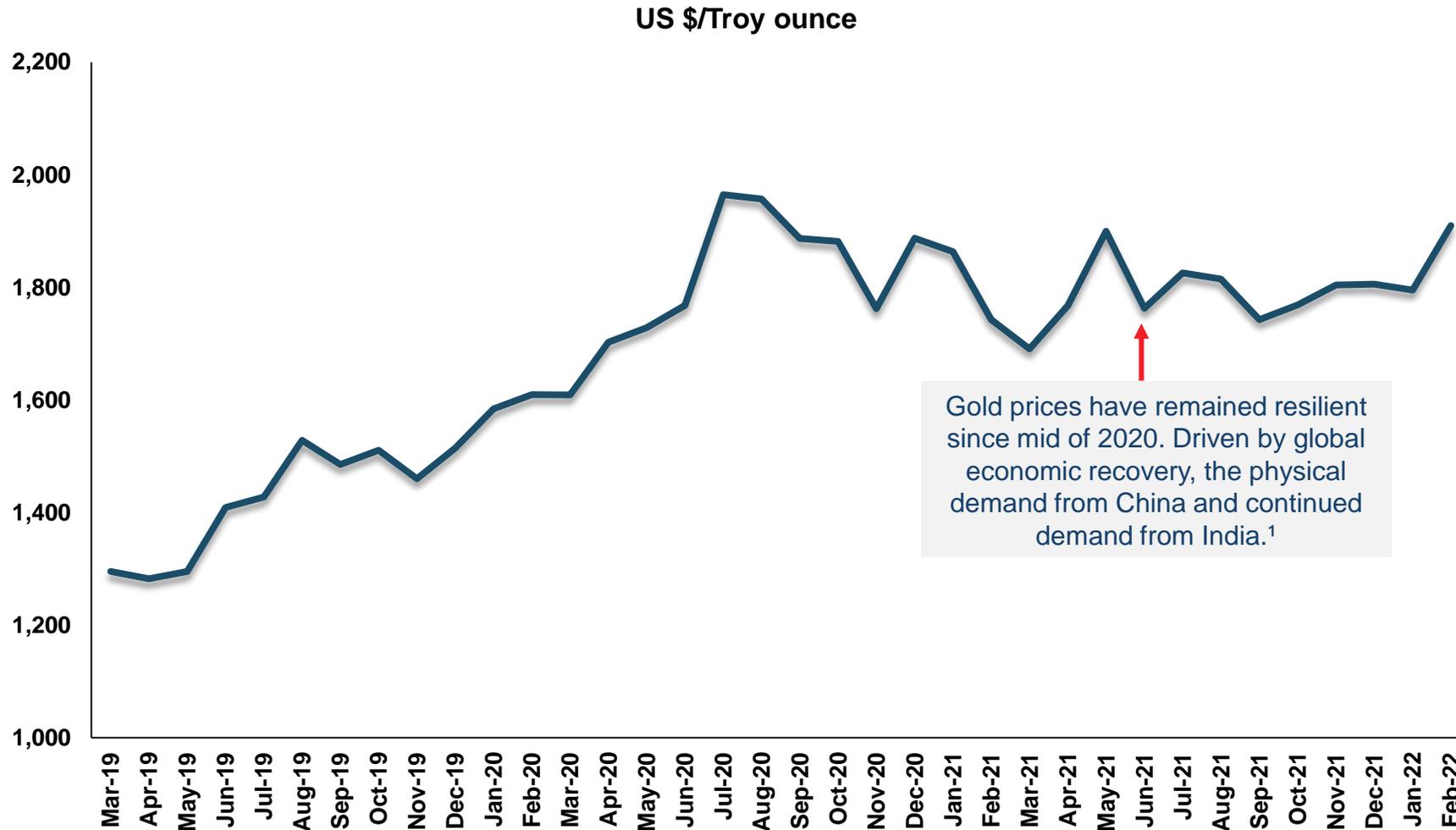
**Sources:**

(1) Reuters: Reuters: China's Nov. iron ore imports hit highest in 16 months  
(2) Mining.com: Iron ore price hits 6 months high on hopes of eased covid-10 restrictions in China

(3) Business Times: Green shift stokes demand for high-grade iron ore  
(4) Mining weekly: Fitch revises short-term iron-ore price outlook on China stimulus

# Gold Price Trend

Prices remain resilient as competing forces support and curtail its performance.



Source:  
1. Nasdaq: Gold and Silver's 2022 outlook

# Market Enablers for Gold

## Increasing demand with global economic recovery for gold market



### Global economic recovery stimulates gold demand

- **Elevated inflation and market pullbacks** will likely sustain demand for gold as a hedge.<sup>1</sup>
- **Jewellery and centre bank gold demand** may provide additional longer-term support.<sup>1</sup>



### China's gold market will likely remain strong in 2022

- **China's gold consumption increased 56% y-o-y in 2021**, representing a strong comeback from 2020.<sup>2</sup>
- Chinese local commercial banks' **increasing efforts in selling physical gold products** significantly drives gold demand.<sup>2</sup>



### Investment flows into gold remains resilient

- Despite persistent macro backdrop, inflation, and market volatility, **gold prices have remained resilient in recent period.**<sup>3</sup>
- The resilience of gold market results from a **combination of elevated demand for portfolio hedging** and investors' distrust in restraining the increase of inflation.<sup>3</sup>

**Sources:**

(1) *Gold Hub: Gold Outlook 2022*

(2) *Gold Hub: China's gold market outlook 2022*

(3) *CNBC: Gold has remained steady as stocks and bitcoin have plunged. Here's where it could go next*

# BUSINESS STRATEGIES



# Business Strategies

## Continue to diversify our business and invest in digitalisation



### Expand exploration activities

To carry out further exploration activities, including:

- **Exploration work at the Chaah Mine** to define extensions to the existing iron ore body
- Exploration work for **mineral deposits at other Exploration Assets**



### Investment into equipment and infrastructure

- To **purchase more mining equipment** such as excavators for our mining activities
- To **invest in digitalisation** to ensure a more reliable and accurate data reporting



### Acquisition of new mines rights & diversification of business

- Diversification to **gold mining through joint venture**:
  - The Group **received Exploration Approval on 26 January 2022** to carry out gold mining exploration

# THANK YOU

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

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