



SOUTHERN ALLIANCE MINING LTD.

(Company Registration No.: 201931423D)

(Incorporated in the Republic of Singapore on 19 September 2019)

ESTABLISHED PRODUCER OF HIGH-GRADE IRON ORE PRODUCTS IN MALAYSIA

Placement of 76,000,000 Placement Shares comprising 56,000,000 New Shares and 20,000,000 Vendor Shares at S\$0.25 for each Placement Share, payable in full on application

OFFER DOCUMENT DATED 16 JUNE 2020

(Registered by the Singapore Exchange Securities Trading Limited (the "SGX-ST"), acting as agent on behalf of the Monetary Authority of Singapore (the "Authority") on 16 June 2020)

This document is important. Before making any investment in the securities being offered, you should consider the information provided in this document carefully, and consider whether you understand what is described in this document. You should also consider whether an investment in the securities being offered is suitable for you, taking into account your investment objectives and risk appetite. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser(s). You are responsible for your own investment choices.

This Placement is made in or accompanied by this Offer Document that has been registered by the SGX-ST, acting as agent on behalf of the Authority. The registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority, does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, or requirements under the Catalyst Rules, have been complied with.

PrimePartners Corporate Finance Pte. Ltd. ("PPCF" or the "Sponsor, Issue Manager and Placement Agent") has made an application to the SGX-ST for permission to deal in, and for the listing and quotation of, all the ordinary shares (the "Shares") in the capital of Southern Alliance Mining Ltd. (the "Company") already issued (including the Vendor Shares (as defined herein)), the New Shares (as defined herein) which are the subject of the Placement, the PPCF Shares (as defined herein) and the new Shares which may be issued from time to time under the Plan (as defined herein) (the "Award Shares") on Catalyst (as defined herein). Acceptance of applications for the Placement Shares will be conditional upon, *inter alia*, the issue of the Placement Shares and permission being granted by the SGX-ST for the listing and quotation of all our existing issued Shares (including the Vendor Shares), the New Shares, the PPCF Shares and the Award Shares on Catalyst. Monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, if the admission and listing do not proceed, and you will not have any claims against us, the Vendor and the Sponsor, Issue Manager and Placement Agent. The dealing in and quotation of the Shares will be in Singapore dollars.

Companies listed on Catalyst may carry higher investment risk when compared with larger or more established companies listed on the Mainboard of the SGX-ST. In particular, companies may list on Catalyst without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalyst. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that our Company is suitable to be listed on Catalyst and complies with the Catalyst Rules (as defined herein). Neither the Authority nor the SGX-ST has in any way considered the merits of our Shares or unit of Shares being offered for investment.

We have not lodged or registered this Offer Document in any other jurisdiction.

Investing in our Shares involves risks which are described in the section entitled "Risk Factors" of this Offer Document. In particular, you should note that the following risks further described in this Offer Document: (1) We are subject to risks related to the outbreak of COVID-19; (2) The financial condition and performance of our Group is currently dependent on the Chaah Mine; (3) We are not the registered holder of the mining leases for the Chaah Mine and the Exploration Assets; and (4) Significant fluctuations in prices of the minerals that we mine will affect our revenue and earnings.

After the expiration of six (6) months from the date of registration of this Offer Document, no person shall make an offer of securities, or allot, issue or sell any securities, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any securities or the allotment, issue or sale of any securities, on the basis of this Offer Document.

Sponsor, Issue Manager and Placement Agent



PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

(Company Registration No.: 200207389D)

(Incorporated in the Republic of Singapore)

BUSINESS OVERVIEW

Our Group is principally involved in the exploration, mining and processing of iron ore for subsequent sale. We may undertake the exploration, mining and processing activities directly or outsource part of such activities to contractors. Our Group is based in Pahang, Malaysia and has been operating the Chaah Mine located at Johor, Malaysia since 2008. Our Group has also been granted the right to carry out exploration and mining operations at three (3) exploration assets (the "Exploration Assets") in Johor, Malaysia.

OUR IRON ORE PRODUCTS

Our Group currently produces:

1. Iron ore concentrate of Fe grade between 62% to 65% with low level of impurities. Customers are typically steel mills located in Malaysia and China, and trading companies
2. Pipe coating materials that are crushed iron ore with natural characteristics such as high specific gravity and viscosity which are highly sought after by pipe coating companies as raw materials

KEY HIGHLIGHTS

12 years	Operating and sales track record since 2008
4.6 million tonnes	Iron ore products produced and sold from 2008 to 31 October 2019
US\$88 million	Estimated preferred market value of mineral assets based on the Independent Valuation Report
102%	Excellent reconciliation between resource model and production statistics from 2014 to 2019

THE CHAAH MINE

- An open pit mine located at the southwest of the township of Chaah, consisting of two (2) mining leases covering an adjacent aggregate area of 225.7 hectares
- Iron ore mining activities commenced since 2008
- Our iron ore products are transported via existing road networks to the ports of Kuantan, Pasir Gudang and Batu Pahat, or directly to local customers

PRODUCTION CAPACITY

- Two (2) beneficiation plants, both capable of operating on a 24-hour shift
- Four (4) fixed crushing plants and two (2) lines of mobile crushers
- Our Group is able to produce approximately 60,000 tonnes of iron ore concentrates monthly with Fe grade between 62% and 65%

ORE RESERVES

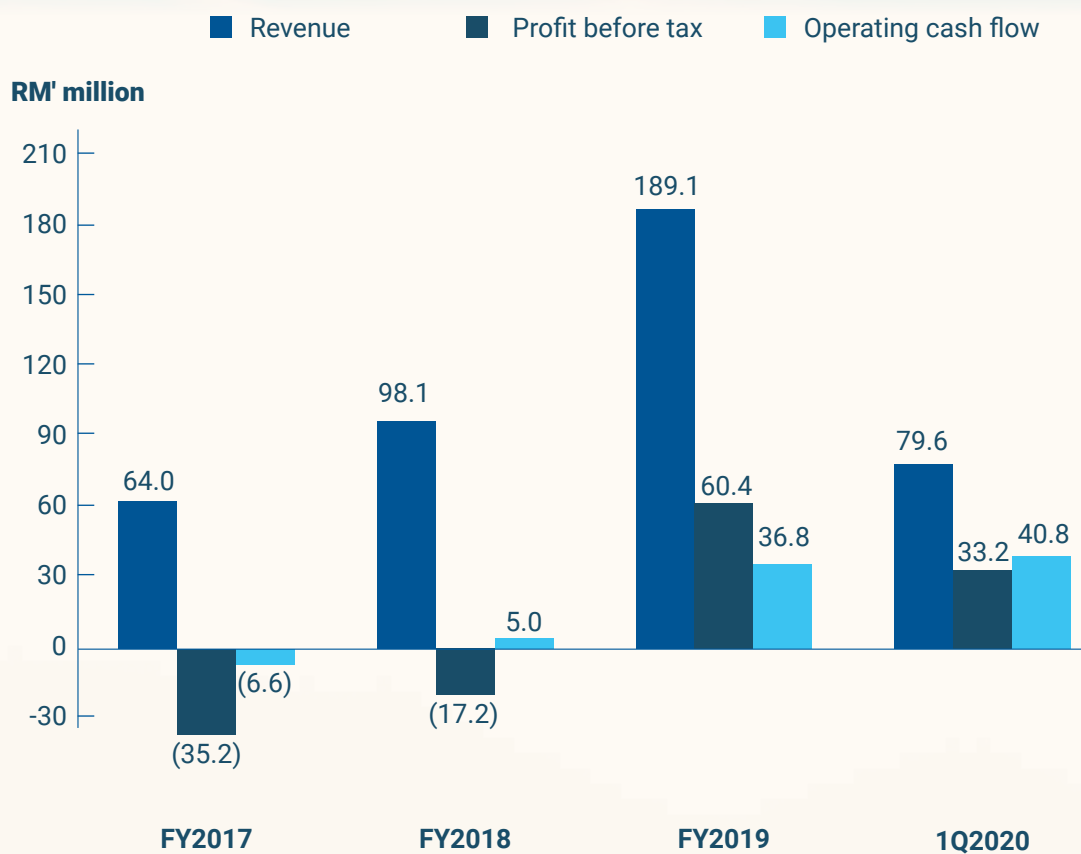
Reserves by category	Tonnes (Mt)	Grade (%) Fe
Gross attributable to license and net attributable to our Group		
Proved	–	–
Probable (in situ)	5.8	51.0
Probable (stockpiles)	0.3	55.9
Total (in situ)	5.8	51.0
Total	6.1	51.2

Note: Reported as at 31 October 2019 based on the Independent Qualified Person's Report

LOCATION



FINANCIAL HIGHLIGHTS



PROPOSED DIVIDENDS

The Company currently does not have a fixed dividend policy. Subject to certain factors, the Company intends to recommend and distribute dividends as follows:

FY2020 : not less than 10.0% of the Group's net profit after tax ("NPAT")

FY2021 : not less than 15.0% of the Group's NPAT

FY2022 : not less than 20.0% of the Group's NPAT

COMPETITIVE STRENGTHS

1. Reliable track record

Our Group has commenced mining operations at Chaah Mine since 2008 and has production and sales track record backed by good and long-standing relationships with our customers, including pipe coating companies, traders and steel mills

2. Extensive knowledge and experience in the mining industry

Our founders and Directors, Dato' Sri Pek and Dato' Teh, have over 30 years of cumulative experience in the exploration and mining of mineral deposits in Malaysia

3. Operational and cost efficiency

Effective deployment of mining equipment allows us to have tighter control over our costs and proximity to customers contributes to cost savings. Power connection to National Grid expected to be completed in the second half of 2020 will allow us to achieve greater cost savings

4. High quality raw ore caters to the demand from two (2) industry sectors

Low level of impurities and unique natural characteristics of Chaah Mine's raw ore are highly sought-after by steel mills and pipe coating companies

PROSPECTS

Demand for high-grade iron ore from China will continue to remain resilient

- The steel demand by China is expected to recover from third quarter of 2020, supported by rising property market, increased state infrastructure spending and potential stimulus measures
- Despite the COVID-19 pandemic, iron ore prices have remained relatively stable

Higher demand for iron and steel products in Malaysia and other parts of Southeast Asia

- The Malaysian government pledged to continue mega infrastructure projects under Malaysia's Budget 2020
- Active infrastructure investment in ASEAN nations is expected to be boosted by government stimulus, in turn driving the construction sector

Pipe coating market is expected to grow in line with increasing oil and gas activities

- Our Company is still well-positioned to meet the demand for pipe coating materials in the region upon the recovery of the oil industry as our pipe coating materials are highly sought after by customers due to their quality

FUTURE PLANS

Further exploration activities

To carry out further exploration activities, including:

- Exploration work for mineral deposits at the Exploration Assets
- Exploration work at the Chaah Mine to define extensions to the existing Mineral Resource and Ore Reserves

Investment into mining equipment and infrastructure

- Purchase more mining equipment such as excavators for our mining activities
- Set up infrastructure to obtain electricity supply from the National Grid

Acquisitions, joint ventures, strategic alliances and/or development of new mines

- Expand through acquisitions, joint ventures and strategic alliances as part of our long-term growth strategy



TABLE OF CONTENTS

CORPORATE INFORMATION	3
DEFINITIONS	5
GLOSSARY OF TECHNICAL TERMS	19
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	25
SELLING RESTRICTIONS	28
DETAILS OF THE PLACEMENT	30
INDICATIVE TIMETABLE FOR LISTING	36
EXCHANGE RATES	38
OFFER DOCUMENT SUMMARY	40
THE PLACEMENT	44
PLAN OF DISTRIBUTION	45
USE OF PROCEEDS AND LISTING EXPENSES	47
RISK FACTORS	50
PLACEMENT STATISTICS	77
DILUTION	79
DIVIDEND POLICY	81
RESTRUCTURING EXERCISE	83
GROUP STRUCTURE	86
SHARE CAPITAL	89
SHAREHOLDING AND OWNERSHIP STRUCTURE	93
SUMMARY OF OUR FINANCIAL INFORMATION	96
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION	101
CAPITALISATION AND INDEBTEDNESS	131
WORKING CAPITAL	135
GENERAL INFORMATION ON OUR GROUP	137
GOVERNMENT REGULATIONS	199
EXCHANGE CONTROLS	220
DIRECTORS, MANAGEMENT AND STAFF	223
CORPORATE GOVERNANCE	236
SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN	242
INTERESTED PERSON TRANSACTIONS	250
POTENTIAL CONFLICTS OF INTEREST	277
CLEARANCE AND SETTLEMENT	285

TABLE OF CONTENTS

SPONSORSHIP, MANAGEMENT AND PLACEMENT ARRANGEMENTS	286
GENERAL AND STATUTORY INFORMATION	290
APPENDIX A – INDEPENDENT AUDITOR’S AND REPORTING ACCOUNTANT’S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 JULY 2017, 2018 AND 2019 OF SOUTHERN ALLIANCE MINING LTD. AND ITS SUBSIDIARIES	A-1
APPENDIX B – INDEPENDENT AUDITOR’S REVIEW REPORT ON THE UNAUDITED INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS FOR THE THREE-MONTH FINANCIAL PERIOD ENDED 31 OCTOBER 2019 OF SOUTHERN ALLIANCE MINING LTD. AND ITS SUBSIDIARIES	B-1
APPENDIX C – INDEPENDENT PRACTITIONER’S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 JULY 2019 AND INTERIM THREE-MONTH FINANCIAL PERIOD ENDED 31 OCTOBER 2019 OF SOUTHERN ALLIANCE MINING LTD. AND ITS SUBSIDIARIES	C-1
APPENDIX D – INDEPENDENT QUALIFIED PERSON’S REPORT	D-1
APPENDIX E – INDEPENDENT VALUATION REPORT	E-1
APPENDIX F – SUMMARY OF OUR CONSTITUTION	F-1
APPENDIX G – DESCRIPTION OF OUR SHARES	G-1
APPENDIX H – TAXATION	H-1
APPENDIX I – RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN	I-1
APPENDIX J – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	J-1
APPENDIX K – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE	K-1
APPENDIX L – LEGAL OPINION FROM JEFF LEONG, POON & WONG	L-1
APPENDIX M – CORRUPTION PREVENTIVE POLICY AND FRAMEWORK	M-1

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Dato' Teh Teck Tee	<i>(Non-Executive Non-Independent Chairman)</i>
		Dato' Sri Pek Kok Sam	<i>(CEO and Executive Director)</i>
		Dato' Sri Mohd Jamidan Abdullah	<i>(Lead Independent Director)</i>
		Chin Chee Choon	<i>(Independent Director)</i>
		Sim Chin Hoe	<i>(Independent Director)</i>
		Dato' Gainneos Jacob Goldie	<i>(Independent Director)</i>
JOINT COMPANY SECRETARIES	:	Wang Shin Lin, Adeline (ACIS) Lee Wei Hsiung (ACIS)	
REGISTERED OFFICE	:	80 Robinson Road #02-00 Singapore 068898	
PRINCIPAL PLACE OF BUSINESS	:	Level 8, Menara Zenith 3 Jalan Putra Square 6, Putra Square 25200 Kuantan Pahang, Malaysia	
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) 80 Robinson Road #02-00 Singapore 068898	
SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT	:	PrimePartners Corporate Finance Pte. Ltd. 16 Collyer Quay #10-00 Income at Raffles Singapore 049318	
INDEPENDENT AUDITOR AND REPORTING ACCOUNTANT	:	Ernst & Young LLP One Raffles Quay Level 18 North Tower Singapore 048583 Partner-in-charge: Yeow Hui Cheng (a member of the Institute of Singapore Chartered Accountants)	
SOLICITORS TO THE PLACEMENT AND LEGAL ADVISERS TO OUR COMPANY ON SINGAPORE LAW	:	Bird & Bird ATMD LLP 2 Shenton Way #18-01 SGX Centre 1 Singapore 068804	

CORPORATE INFORMATION

LEGAL ADVISERS TO OUR COMPANY ON MALAYSIAN LAW	:	Jeff Leong, Poon & Wong B-11-8, Level 11, Megan Avenue II Jalan Yap Kwan Seng 50450 Kuala Lumpur Malaysia
INDEPENDENT QUALIFIED PERSON AND INDEPENDENT VALUER	:	Derisk Geomining Consultants Pty Ltd PO Box 264 Red Hill Qld 4059 Australia
INDEPENDENT FINANCIAL ADVISER	:	Xandar Capital Pte. Ltd. 3 Shenton Way #24-02 Shenton House Singapore 068805
RECEIVING BANKER	:	The Bank of East Asia, Ltd 60 Robinson Road BEA Building Singapore 068892
VENDOR	:	Dato' Sri Pek Kok Sam D-652 Jalan Haji Junid 25200 Kuantan Pahang Malaysia
PRINCIPAL BANKER	:	OCBC Bank (Malaysia) Berhad No. 40 Jalan Teluk Sisek 25000 Kuantan Pahang Malaysia

DEFINITIONS

In this Offer Document and the accompanying Application Form, the following definitions apply where the context so admits:

Group Companies

<i>“Company”</i>	:	Southern Alliance Mining Ltd.. The terms “we”, “our”, “our Company” or “us” have correlative meanings
<i>“Group”</i>	:	Our Company and its subsidiary as at the date of this Offer Document
<i>“Honest Sam”</i>	:	Honest Sam Development Sdn. Bhd.

Other Corporations and Agencies

<i>“ACRA”</i>	:	Accounting and Corporate Regulatory Authority of Singapore
<i>“AK Trading”</i>	:	A.K. Trading Co. Ltd.
<i>“Authority”</i>	:	The Monetary Authority of Singapore
<i>“Aras Kuasa”</i>	:	Aras Kuasa Sdn. Bhd., the holding company of Honest Sam prior to the completion of the Restructuring Exercise
<i>“Aras Kuasa Group”</i>	:	Aras Kuasa, its subsidiaries and its associated companies
<i>“BNM”</i>	:	Bank Negara Malaysia, the central bank of Malaysia
<i>“CCM”</i>	:	Companies Commission of Malaysia
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“CPF”</i>	:	The Central Provident Fund of Singapore
<i>“Director General”</i>	:	Director General of Environmental Quality of the DOE
<i>“DLM”</i>	:	Director of Lands and Mines Office of Johor
<i>“DOE”</i>	:	Department of Environment of Johor
<i>“EPF”</i>	:	Employees Provident Fund of Malaysia
<i>“IFA”</i>	:	Xandar Capital Pte. Ltd.
<i>“Independent Auditor”, “Reporting Accountant” or “EY”</i>	:	Ernst & Young LLP

DEFINITIONS

<i>“Independent Qualified Person”, “Independent Valuer” or “Derisk”</i>	:	Derisk Geomining Consultants Pty Ltd
<i>“IRAS”</i>	:	Inland Revenue Authority of Singapore
<i>“IRB”</i>	:	Inland Revenue Board of Malaysia
<i>“JGSB”</i>	:	Jalur Galian Sdn. Bhd.
<i>“JGSSC”</i>	:	Messrs Jacob Goldie S. S. Chew
<i>“JMG”</i>	:	Mineral and Geoscience Department of Johor (Jabatan Mineral dan Geosains Johor)
<i>“MGSB”</i>	:	Mutiara Galian Sdn. Bhd.
<i>“Multiline Trading”</i>	:	Multiline Trading Sdn. Bhd.
<i>“PTG”</i>	:	Lands and Mines Office of Johor (Pejabat Pengarah Tanah dan Galian Johor)
<i>“Receiving Banker”</i>	:	The Bank of East Asia, Ltd
<i>“RGSB”</i>	:	Rigid Global Sdn. Bhd.
<i>“SC”</i>	:	Securities Commission of Malaysia
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Registrar”</i>	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)
<i>“Sponsor”, “Issue Manager”, “Placement Agent” or “PPCF”</i>	:	PrimePartners Corporate Finance Pte. Ltd.
<i>“Teras Megajaya”</i>	:	Teras Megajaya Sdn. Bhd.
<i>“TTS Transport”</i>	:	TTS Transport Sdn. Bhd.
<i>“Xin Her Mining”</i>	:	Xin Her Mining Sdn. Bhd.

Mine Site/Exploration Assets

<i>“Chaah Mine”</i>	:	The mine site located at Lot 3533 and PTD 12064, Mukim Chaah Bahru, Daerah Batu Pahat, Johor
<i>“Mao’kil Asset”</i>	:	The exploration asset located at Lot 1681, Mukim Bukit Kepong, Daerah Muar, Johor

DEFINITIONS

“Chaah Baru Asset” : The exploration asset located at Lot 1630, Mukim Chaah Baru, Daerah Batu Pahat, Johor

“Kota Tinggi Asset” : The exploration asset located at Lot 2855, Mukim Kota Tinggi, Daerah Kota Tinggi, Johor

General

“1Q” : Three (3)-month financial period ended or ending 31 October, as the case may be

“2011 Mining Agreement” : The agreement entered into between our Group and the Chaah ML Holder on 23 November 2011 under which Honest Sam obtained the mining rights over a piece of land measuring approximately 104.30 hectares described as Lot 3533 and was granted approval over the use of an adjacent piece of land measuring approximately 343.98 hectares for dumping and/or storage purposes

“Agreed Proportion” : The proportion in which the Placement Shares are offered by each of our Company and the Vendor

“Application Form” : The printed application form to be used for the purpose of the Placement and which form part of this Offer Document

“Application List” : The list of applications for the subscription for and/or purchase of the Placement Shares

“Appointment Agreement” : The appointment agreement entered into between our Company and our CFO, Mr. Lim Wei Hung, as described in the section entitled “Directors, Management and Staff – Service Agreement and Appointment Agreement” of this Offer Document

“associate” : (a) In relation to any director, CEO, substantial shareholder or controlling shareholder (being an individual) means:

- (i) his immediate family;
- (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
- (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and

DEFINITIONS

		(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
<i>“associated company”</i>	:	In relation to a corporation, means: <ul style="list-style-type: none"> (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20.0% but not more than 50.0% of the aggregate of the nominal amount of all the voting shares; or (b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially
<i>“Audit Committee”</i>	:	The audit committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Award Shares”</i>	:	The Shares transferred or new Shares issued and allotted from time to time pursuant to the vesting of the Awards which may be granted under the Plan
<i>“Award”</i>	:	An award of Shares granted pursuant to the Plan
<i>“Bumiputera Conditions”</i>	:	The conditions in the mining leases of the Chaah Mine and the Exploration Assets which require (a) not less than two (2) persons who are Bumiputera to be appointed as directors of the company that conducts the mining activities; and (b) the Chaah Mine and the Exploration Assets to be operated by a company with at least 40.0% Bumiputera shareholding
<i>“Bumiputera Shareholder” or “Good Orient”</i>	:	Good Orient Resources Sdn. Bhd.
<i>“business trust”</i>	:	Has the same meaning as in Section 2 of the Business Trusts Act (Chapter 31A) of Singapore, as amended, supplemented or modified from time to time
<i>“CA 1965”</i>	:	The Companies Act 1965 of Malaysia, that has been repealed and replaced by the CA 2016, as amended, supplemented or modified from time to time

DEFINITIONS

<i>“CA 1967”</i>	:	The Customs Act 1967 of Malaysia, as amended, supplemented or modified from time to time
<i>“CA 2016”</i>	:	The Companies Act 2016 of Malaysia, as amended, supplemented or modified from time to time
<i>“Catalist”</i>	:	The sponsor-supervised listing platform of the SGX-ST
<i>“Catalist Rules”</i>	:	The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time
<i>“CEO”</i>	:	Chief Executive Officer
<i>“CFO”</i>	:	Chief Financial Officer
<i>“Chaah ML Holder”</i>	:	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar
<i>“CMSA”</i>	:	Capital Markets and Services Act 2007 (Act 671) of Malaysia, as amended, supplemented or modified from time to time
<i>“Companies Act” or “Act”</i>	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<i>“Conditional Movement Control Order”</i>	:	A conditional movement control order imposed from 4 May 2020 to 9 June 2020 by the Malaysian government as part of their efforts to contain the COVID-19 outbreak in Malaysia
<i>“Constitution”</i>	:	The constitution of our Company, as amended or modified from time to time
<i>“Controlling Shareholder”</i>	:	As defined in the Catalist Rules: <ul style="list-style-type: none"> (a) a person who holds directly or indirectly 15.0% or more of the nominal amount of all voting shares in our Company (unless otherwise determined by the SGX-ST); or (b) a person who in fact exercises control over our Company
<i>“CPS”</i>	:	The non-voting convertible preference shares in Honest Sam
<i>“Directors”</i>	:	The directors of our Company as at the date of this Offer Document, unless otherwise stated

DEFINITIONS

<i>“Dividend Factors”</i>	:	Shall have the meaning ascribed to it in the section entitled “Dividend Policy” of this Offer Document
<i>“Entity at Risk”</i>	:	(a) Our Company; (b) a subsidiary of our Company that is not listed on the SGX-ST or an approved exchange; or (c) an associated company that is not listed on the SGX-ST or an approved exchange, provided that our Group, or our Group and our Interested Person(s), has control over the associated company
<i>“EPS”</i>	:	Earnings per Share
<i>“EQA”</i>	:	The Environmental Quality Act 1974 of Malaysia, as amended, supplemented or modified from time to time
<i>“Executive Director”</i>	:	The executive director of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Executive Officer”</i>	:	The executive officer of our Company as at the date of this Offer Document, who is also a key executive as defined under the SFR, unless otherwise stated
<i>“Exploration Assets”</i>	:	Collectively, the Mao’kil Asset, Chaah Baru Asset and Kota Tinggi Asset
<i>“FEA Notices”</i>	:	The Foreign Exchange Administration Notices of Malaysia, as amended, supplemented or modified from time to time
<i>“FEA Rules”</i>	:	The Foreign Exchange Administration Rules of Malaysia, as amended, supplemented or modified from time to time
<i>“FMA”</i>	:	The Factories and Machinery Act 1967 of Malaysia, as amended, supplemented or modified from time to time
<i>“FSA”</i>	:	The Financial Services Act 2013 of Malaysia, as amended, supplemented or modified from time to time
<i>“FY”</i>	:	Financial year ended or ending 31 July, as the case may be
<i>“Gazette”</i>	:	An official publication of public notices issued by the government of Malaysia
<i>“GST”</i>	:	Goods and services tax of Singapore
<i>“IFA Letter”</i>	:	The letter from the IFA to our Directors of our Company in connection with the Shareholders’ Mandate for ongoing and recurrent interested person transactions set out in “Appendix J – Letter from the Independent Financial Adviser” to this Offer Document

DEFINITIONS

<i>“Independent Directors”</i>	:	The non-executive independent directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Independent Qualified Person’s Report” or “IQPR”</i>	:	The independent qualified person’s report dated 6 March 2020 prepared by the Independent Qualified Person in relation to an estimate of our resources and reserves in accordance with (i) the JORC Code; and (ii) the requirements for mineral, oil and gas companies in the Catalist Rules, set out in “Appendix D – Independent Qualified Person’s Report” to this Offer Document
<i>“Independent Valuation Report”</i>	:	The independent valuation report dated 6 March 2020 prepared by the Independent Valuer to determine the fair market value of the Chaah Mine and the Exploration Assets in relation to the Listing as set out in “Appendix E – Independent Valuation Report” to this Offer Document
<i>“Initial Movement Control Order”</i>	:	A movement control order imposed from 18 March 2020 to 3 May 2020 by the Malaysian government as part of their efforts to contain the COVID-19 outbreak in Malaysia
<i>“Interested Person”</i>	:	(a) a director, CEO or Controlling Shareholder of our Company; or (b) an associate of any such director, CEO or Controlling Shareholder
<i>“Johor” or “State”</i>	:	The state of Johor, Malaysia
<i>“Kamal Hisham”</i>	:	Kamal Hisham bin Ja’afar
<i>“Latest Practicable Date” or “LPD”</i>	:	17 April 2020, being the latest practicable date prior to the lodgement of this Offer Document with the SGX-ST acting as agent on behalf of the Authority
<i>“Legal Opinion”</i>	:	The legal opinion dated 16 June 2020 prepared by the Legal Adviser to our Company as to Malaysia Law set out in “Appendix L – Legal Opinion from Jeff Leong, Poon & Wong” to this Offer Document
<i>“LPS”</i>	:	Loss per Share
<i>“Listing”</i>	:	The listing of our Company and the quotation of our Shares on Catalist

DEFINITIONS

<i>“Management Agreement”</i>	:	The full sponsorship and management agreement dated 16 June 2020 entered into amongst our Company, the Vendor and PPCF, pursuant to which PPCF agrees to sponsor and manage the Listing, details of which are set out in the sections entitled “Plan of Distribution” and “Sponsorship, Management and Placement Arrangements” of this Offer Document
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“MDA”</i>	:	The Mineral Development Act 1994 of Malaysia, as amended, supplemented or modified from time to time
<i>“Mining Assets”</i>	:	Collectively, the Chaah Mine and the Exploration Assets
<i>“Mining Leases”</i>	:	The (i) two (2) mining leases over the Chaah Mine known as ML 6/2014 and ML 9/2014; (ii) one (1) mining lease known as ML 1/2019 over the Chaah Baru Asset; (iii) one (1) mining lease known as ML 1/2018 over the Mao’kil Asset; and (iv) one (1) mining lease known as ML 2/2019 over the Kota Tinggi Asset
<i>“Movement Control Orders”</i>	:	Collectively, the Initial Movement Control Order, Conditional Movement Control Order and Recovery Movement Control Order
<i>“National Grid”</i>	:	The high-voltage electric power transmission network in Peninsular Malaysia
<i>“NAV”</i>	:	Net asset value
<i>“New Shares”</i>	:	The 56,000,000 new Shares for which our Company invites applications to subscribe for pursuant to the Placement, subject to and on the terms and conditions of this Offer Document
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“NPAT”</i>	:	Net profit after tax
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer Document”</i>	:	This offer document dated 16 June 2020 issued by our Company in respect of the Placement
<i>“OMS”</i>	:	Operational mining scheme

DEFINITIONS

<i>“OSHA”</i>	:	The Occupational Safety and Health Act 1994 (Act 514) of Malaysia, as amended, supplemented or modified from time to time
<i>“Pahang”</i>	:	The state of Pahang, Malaysia
<i>“PER”</i>	:	Price earnings ratio
<i>“Period Under Review”</i>	:	The period which comprises FY2017, FY2018, FY2019 and 1Q2020
<i>“Placement”</i>	:	The placement of the Placement Shares by the Sponsor, Issue Manager and Placement Agent on behalf of our Company and the Vendor for subscription and/or purchase at the Placement Price, subject to and on the terms and conditions of this Offer Document
<i>“Placement Agreement”</i>	:	The placement agreement entered into amongst our Company, the Vendor and the Placement Agent pursuant to which the Placement Agent agrees to procure subscriptions and/or purchases of the Placement Shares at the Placement Price as described in the section entitled “Sponsorship, Management and Placement Arrangements” of this Offer Document
<i>“Placement Price”</i>	:	S\$0.25 for each Placement Share
<i>“Placement Shares”</i>	:	The 76,000,000 Shares which are the subject of the Placement, comprising 56,000,000 New Shares and 20,000,000 Vendor Shares
<i>“Plan”</i>	:	The performance share plan of our Company known as the “Southern Alliance Mining Performance Share Plan” which was approved by Shareholders on 27 April 2020, details of which are set out in “Appendix I – Rules of the Southern Alliance Mining Performance Share Plan” to this Offer Document
<i>“PPCF Shares”</i>	:	The 3,000,000 new Shares issued and allotted to PPCF by our Company as part of PPCF’s management fees as the Sponsor and Issue Manager
<i>“PRC”</i>	:	The People’s Republic of China
<i>“Proposed Dividends”</i>	:	Shall have the meaning ascribed to it in the section entitled “Dividend Policy” of this Offer Document

DEFINITIONS

<i>“Recovery Movement Control Order”</i>	:	A movement control order imposed from 10 June 2020 to 31 August 2020 by the Malaysian government (based on information available as at the date of this Offer Document) as part of their efforts to contain the COVID-19 outbreak in Malaysia
<i>“Relevant Period”</i>	:	The period comprising FY2017, FY2018, FY2019, 1Q2020 and the period from 1 November 2019 to the Latest Practicable Date
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise undertaken in connection with the Listing as set out in the section entitled “Restructuring Exercise” of this Offer Document
<i>“SDBA”</i>	:	The Street, Drainage and Building Act 1974 of Malaysia, as amended, modified and supplemented from time to time
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP, but does not include a securities sub-account
<i>“Securities and Futures Act” or “SFA”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
<i>“Service Agreement”</i>	:	The service agreement entered into between our Company and our CEO and Executive Director, Dato’ Sri Pek Kok Sam, as described in the section entitled “Directors, Management and Staff – Service Agreement and Appointment Agreement” of this Offer Document
<i>“SFR”</i>	:	The Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore, as amended, supplemented or modified from time to time
<i>“SFRS(I)”</i>	:	Singapore Financial Reporting Standards (International)
<i>“SGXNET”</i>	:	Singapore Exchange Network, a system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
<i>“Share Split”</i>	:	The sub-division of 10,000,000 Shares in the issued share capital of our Company into 430,000,000 Shares
<i>“Share(s)”</i>	:	Ordinary shares in the capital of our Company

DEFINITIONS

<i>“Shareholder(s)”</i>	:	Registered holder(s) of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
<i>“Shareholders’ Mandate”</i>	:	The general mandate adopted by our Company in relation to ongoing and recurrent interested person transactions set out in the section entitled “Interested Person Transactions – Shareholders’ Mandate” of this Offer Document
<i>“Singapore”</i>	:	The Republic of Singapore
<i>“State Authority”</i>	:	The Johor state authority
<i>“State Mineral Enactment”</i>	:	The Mineral (State of Johor) Enactment 2003 of Malaysia, as amended, modified and supplemented from time to time
<i>“State Mineral Resources Committee”</i>	:	A committee established under the State Mineral Enactment
<i>“State Regulations”</i>	:	The Johor Mineral Regulations 2012 of Malaysia, as amended, modified and supplemented from time to time
<i>“Supplementals”</i>	:	The letters dated 9 March 2012, 16 October 2014, 2 April 2015, 10 August 2019, 25 November 2019, 24 April 2020, and a supplemental agreement dated 23 September 2013, which supplement, vary and amend the 2011 Mining Agreement
<i>“Substantial Shareholder(s)”</i>	:	Persons who have an interest in our Shares, the total votes attached to which is not less than 5.0% of the total votes attached to all the voting shares (excluding treasury shares) in our Company
<i>“Superintendent of Mines”</i>	:	The authority appointed by the State Authority pursuant to the State Mineral Enactment to assist in due administration of the State Mineral Enactment
<i>“Suspension Period”</i>	:	The period from 18 March 2020 to 22 April 2020 during which our operations were not permitted to operate due to the imposition of the Initial Movement Control Order
<i>“Take-over Code”</i>	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
<i>“Vendor”</i>	:	Dato’ Sri Pek Kok Sam, our Controlling Shareholder, CEO and Executive Director

DEFINITIONS

“Vendor Shares” : The 20,000,000 issued and fully paid-up Shares owned by the Vendor for which the Vendor invites applications to purchase pursuant to the Placement, subject to and on the terms and conditions of this Offer Document, representing approximately 4.6% of the pre-Placement share capital and approximately 4.1% of the post-Placement share capital

Name used in this Offer Document : **Name in National Registration Identity Card/Passport**

“Dato’ Jacob” : Dato’ Gainneos Jacob Goldie

“Dato’ Lee” : Dato’ Lee Tek Mook @ Lee Teh Moh

“Dato’ Sri Pek” : Dato’ Sri Pek Kok Sam

“Dato’ Sri Mohd Jamidan” : Dato’ Sri Mohd Jamidan Abdullah

“Dato’ Teh” : Dato’ Teh Teck Tee

“Mr. Chin” : Chin Chee Choon

“Mr. Lim” : Lim Wei Hung

“Mr. Sim” : Sim Chin Hoe

Currencies, Units and Others

“A\$” : Australian dollars and cents respectively, the lawful currency of Australia

“DMT” : Dry metric ton

“ha” or “hectare” : A metric unit of square measurement of surface or land equal to 10,000 square metres, or approximately 2.471 acres

“km” : Kilometres

“kt” : Thousand tonnes

“m” : Metres

“m³” : Cubic metres

“mm” : Millimetres

“Mt” : Million tonnes

DEFINITIONS

“RM” and “sen”	:	Malaysian ringgit and sen respectively, the lawful currency of Malaysia
“S\$” and “cents”	:	Singapore dollars and cents respectively, the lawful currency of Singapore
“sq ft”	:	Square feet
“sq m”	:	Square metres
“tonnes” or “mt”	:	A tonne or metric ton which is equivalent to 1,000 kilograms, or approximately 2,204.60 pounds
“US\$” and “US cents”	:	United States dollars and cents respectively, the lawful currency of the United States of America
“WMT”	:	Wet metric ton
“%” or “per cent”	:	Per centum or percentage

Any capitalised terms relating to the Plan which are not defined in this section of this Offer Document shall have the meanings ascribed to them as stated in “Appendix I – Rules of the Southern Alliance Mining Performance Share Plan” to this Offer Document.

The expression “subsidiary” shall have the meaning ascribed to it in the SFR and the Companies Act.

The term “entity” shall have the same meaning ascribed to it in Section 2 of the SFA, while the terms “related corporation” and “related entity” shall have the same meanings ascribed to them respectively in Paragraph 1 of the Fourth Schedule of the Securities and Futures (Offer of Investments) (Securities and Securities-Based Derivatives Contracts) Regulations 2018.

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Any references in this Offer Document to Appendix or Appendices are references to an appendix or appendices respectively to this Offer Document.

Any discrepancies in the tables included herein between the total sum of amounts listed and the totals shown are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Offer Document and/or the Application Form to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted.

Any word defined under the Catalist Rules, Companies Act, SFA, SFR or any statutory modification thereof and used in this Offer Document and/or the Application Form shall, where

DEFINITIONS

applicable, have the meaning ascribed to it under the Catalist Rules, the Companies Act, the SFA, the SFR or any statutory modification thereof, as the case may be.

Any reference in this Offer Document and/or the Application Form to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Offer Document and/or the Application Form shall be a reference to Singapore time, unless otherwise stated.

Any reference in this Offer Document to “Group”, “we”, “us”, “our”, “ourselves” or their other grammatical variations thereof in this Offer Document is a reference to our Company, our Group or any member of our Group as the context requires.

The information on our website or any website directly or indirectly linking to such websites does not form part of this Offer Document and should not be relied on.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides an explanation and description of certain technical terms and abbreviations used in this Offer Document. The terms and abbreviations and their assigned meanings may not correspond to standard industry meanings or common meanings or usage, as the case may be, of these terms.

<i>“ball mill”</i>	:	A rotating cylindrical mill that uses heavy steel balls to grind ore into fine particle powder
<i>“concentrate”</i>	:	A saleable product from concentration processing and upgrading of ore
<i>“crushing”</i>	:	The process of reducing the size(s) of large lumps of rock, stone, ore or mineral to small pieces, generally less than 20.0 mm
<i>“crusher”</i>	:	A machine for crushing solid ores to smaller grain sizes
<i>“deposit”</i>	:	A body of mineralisation that has formed as a natural accumulation in the earth’s crust, that has the potential to be economically extracted
<i>“drilling”</i>	:	A technique or process of making a hole in the ground with a special drilling machine; the purpose of which is to obtain a sample for geological analysis (exploration drilling), and/or to place explosives for rock blasting (blasting drilling)
<i>“exploration”</i>	:	The search for minerals, including prospecting, sampling, mapping, drilling and other work
<i>“economic mineral”</i>	:	A mineral of commercial value
<i>“Fe”</i>	:	Chemical symbol for iron
<i>“geological”</i>	:	Pertaining to geology, the science of the study of the earth, its materials, origin and structure
<i>“geophysical”</i>	:	Pertaining to geophysics, an interdisciplinary physical science concerned with the nature of the earth and its environment applying the knowledge and techniques of physics and mathematics to understand the physical behaviour of the mineral especially its magnetic, electrical resistivity, gravitational and seismic characteristics
<i>“grade”</i>	:	The amount or concentration of the economic minerals in the ground or ore body, commonly expressed as a percentage or grams per tonne of the valuable elements or metals

GLOSSARY OF TECHNICAL TERMS

<i>“grinding”</i>	:	A process of reducing the size(s) of pieces of rock, stone, ore or mineral, generally smaller than 20.0 mm, to finer particles
<i>“Indicated Mineral Resource” or “Indicated Resource”, as defined by the JORC Code</i>	:	That part of a Mineral Resource for which quantity, grade (or quality), densities, shapes 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. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observations where data and samples are gathered. An Indicated Mineral Resource has a lower confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve
<i>“Inferred Mineral Resource” or “Inferred Resource”, as defined by the JORC Code</i>	:	That part of a Mineral Resource for which quantity and grade (or quality) are estimated on a basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, working and drill holes. It has a lower confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration
<i>“iron”</i>	:	Chemical element that has the symbol “Fe” and atomic number 26. A silvery-white, lustrous, malleable, ductile, magnetic or magnetisable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
<i>“iron ore”</i>	:	A rock or mineral from which iron can be profitably extracted
<i>“iron ore concentrate”</i>	:	Concentrate whose main mineral content (by value) is iron
<i>“iron ore fines”</i>	:	Finely crushed or powdered iron ore with a granular size of less than 10.0 mm

GLOSSARY OF TECHNICAL TERMS

<i>“JORC”</i>	:	The Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
<i>“JORC Code”</i>	:	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the latest edition published in 2012 by JORC
<i>“magnetic separation”</i>	:	A process to separate magnetic minerals from non-magnetic materials in iron ore
<i>“Measured Mineral Resource” or “Measured Resource”, as defined by the JORC Code</i>	:	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. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve
<i>“mine life”</i>	:	The number of years that a mine is expected to continue operations based on a mine plan
<i>“mineral”</i>	:	A solid, naturally occurring inorganic substance with a homogeneous chemical composition and an ordered internal (or crystal) structure
<i>“Mineral Resource(s)” or “Resource(s)”, as defined by the JORC Code</i>	:	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 there are reasonable prospects for eventual economic extraction. 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. Mineral Resources are sub-divided in order of increasing geological confidence into Inferred, Indicated and Measured categories
<i>“mineralisation”</i>	:	A deposition or accumulation of economically important metals in the formation or ore bodies by various geological processes

GLOSSARY OF TECHNICAL TERMS

<i>“Modifying Factors”</i>	:	Considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors
<i>“open-pit” or “open-cast”</i>	:	A surface mining technique of extracting rock or minerals from the earth by their removal from an open pit or borrow. Also known as open-cut or open-cast mining and is the process involved in the removal or extraction or excavation of materials from the surface to become a pit
<i>“ore”</i>	:	A naturally occurring material from which a metal or valuable mineral can be profitably extracted
<i>“ore body” or “ore bodies”</i>	:	An accumulation of a largely solid and fairly continuous mass of ore, which may include low-grade ore as well as high-grade ore that is of different character from the adjoining country rocks
<i>“ore processing” or “processing”</i>	:	The process of separating the run-of-mine ore using physical (such as gravity, flotation, electrostatic and magnetic methods) and/or chemical methods (such as leaching) into valuable minerals and wastes or tailings
<i>“Ore Reserve(s)” or “Reserves(s)”, as defined by the JORC Code</i>	:	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. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified
<i>“outcrop”</i>	:	The part of a rock layer or formation that is exposed at the earth’s surface
<i>“overburden”</i>	:	Any rock or soil that overlies an ore body and needs to be removed prior to extraction of the underlying ore
<i>“Platts Iron Ore Index”</i>	:	A major global iron ore index providing benchmark price assessments for the energy, petrochemical and metals commodity markets
<i>“primary ore”</i>	:	Economic minerals that are generated by the original episode of mineral formation or deposition

GLOSSARY OF TECHNICAL TERMS

<i>“Probable Ore Reserve(s)” or “Probable Reserves(s)”, as defined by the JORC Code</i>	:	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. Consideration of the confidence level of the Modifying Factors is important in conversion of Mineral Resources to Ore Reserves. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit
<i>“Proved Ore Reserve(s)” or “Proved Reserves(s)”, as defined by the JORC Code</i>	:	The economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors. A Proved Ore Reserve represents the highest confidence category of reserve estimate and implies a high degree of confidence in geological and grade continuity, and the consideration of the Modifying Factors. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits
<i>“recovery”</i>	:	The amount of the economic mineral (usually expressed as a percentage) that can be obtained from the ore through processing and upgrading
<i>“recovery rate”</i>	:	The percentage of valuable mineral resource recovered from the ore bodies via various processing activities, a measure of processing efficiency
<i>“run-of-mine”</i>	:	The raw unprocessed mined ore delivered from the mine prior to the processing or treatment of any sort
<i>“screening”</i>	:	The process of separating granular materials into different size fractions by using screens with specific apertures to allow fine grains to pass through for further processing
<i>“secondary ore”</i>	:	Ores that have undergone a secondary process such as oxidation or weathering
<i>“specific gravity”</i>	:	The ratio of the density of a substance to the density of a reference substance
<i>“tailing”</i>	:	Remnant or residue left over after the extraction of valuable minerals from ore
<i>“tailings pond”, “tailings storage facility” or “TSF”</i>	:	A storage facility for tailings

GLOSSARY OF TECHNICAL TERMS

“VALMIN Code” : The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, the latest Edition published in 2015 by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by the Vendor, us or our Directors, Executive Officer, employees or authorised persons acting on our behalf that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “expects”, “believes”, “plans”, “intends”, “estimates”, “anticipates”, “may”, “will”, “would” and “could” or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to:

- (a) our revenue and profitability;
- (b) projections of capital expenditures in general and other financial items;
- (c) any expected growth in demand;
- (d) other expected industry trends and development;
- (e) anticipated expansion plans and development plans; and
- (f) other matters discussed in this Offer Document regarding matters that are not historical facts,

are only predictions. These forward-looking statements reflect our current views with respect to future events and are not guarantees of future performance. These statements are based on our beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be inaccurate.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- (a) changes in political, social, economic, business and financial conditions and stock or securities market conditions and the regulatory environment in Singapore, Malaysia and other countries in which we conduct our business or expect to conduct business;
- (b) wars or acts of international or domestic terrorism;
- (c) occurrences of natural disasters, catastrophic events, outbreaks of communicable diseases and acts of God that affect our business or properties;
- (d) changes in government regulations and their interpretation, including mining laws, tax laws, property laws and foreign investment laws in the jurisdictions where we conduct business or expect to conduct our business;
- (e) our inability to implement our business strategies and future plans;
- (f) our inability to realise our anticipated growth strategies and expected internal growth;

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

- (g) changes in the availability and prices of products that we sell;
- (h) changes in customer preference and demand;
- (i) changes in the availability and prices of utilities and suppliers which we require for operation of our business;
- (j) changes in competitive conditions and our ability to compete under these conditions from time to time;
- (k) changes in our senior management team or loss of key employees;
- (l) changes in labour relations;
- (m) changes in the costs associated with environmental, health and safety measures;
- (n) changes in our future capital needs and the availability of financing and capital to fund these needs;
- (o) changes in currency exchange or interest rates;
- (p) any other matters not yet known to us;
- (q) other factors beyond our control; and
- (r) the factors described under the section entitled “Risk Factors” of this Offer Document.

The list of important factors is not exhaustive. Additional factors that could cause our actual results, performance or achievements to differ materially from those expected, expressed or implied by the forward-looking statements in this Offer Document include, but are not limited to those discussed in the sections entitled “Risk Factors”, “Dividend Policy”, “Management’s Discussion and Analysis of Results of Operations and Financial Position”, “General Information on our Group – Prospects” and “General Information of our Group – Trend Information” of this Offer Document. All forward-looking statements made by or attributable to our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent or persons acting on our Company’s, the Vendor’s, or the Sponsor, Issue Manager and Placement Agent’s behalf, contained in this Offer Document are expressly qualified in their entirety by such factors.

The IQPR, the Independent Valuation Report, the sections entitled “Working Capital”, “General Information on our Group – Prospects” and “General Information on our Group – Trend Information” of this Offer Document as well as other parts of this Offer Document may (to the extent applicable) contain data, information, financial analysis, forecast, figures and statements (including market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications) which are forward-looking and based on certain assumptions and projections. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. These forward-looking statements are applicable only as at the date of this Offer Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Neither our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent, nor person(s) acting on our or their behalf have conducted an independent review or verified the accuracy or veracity of such data, information, financial analysis, forecast, figures and statements, assumptions and projections (“**Third Party Data**”). Where any of the Third Party Data or any information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors, the Vendor, the Sponsor, Issue Manager and Placement Agent or any person(s) acting on our or their behalf has been to ensure that such Third Party Data or information has been accurately and correctly extracted from these sources and/or reproduced in this Offer Document in its proper form and context. No representation is made by our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent or any person acting on our or their behalf in respect of any of the Third Party Data and neither our Company, the Vendor nor the Sponsor, Issue Manager and Placement Agent take any responsibility for any of the Third Party Data.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from those expected, expressed or implied by the forward-looking statements in this Offer Document, investors are cautioned to not place undue reliance on those statements which apply only as at the date of this Offer Document. Neither our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent nor any other person represents or warrants to you that our actual future results, performance or achievements will be as discussed in those statements. These forward-looking statements are applicable only as at the date of this Offer Document.

All forward-looking statements by or attributable to our Company, or persons acting on our behalf, contained in this Offer Document are expressly qualified in their entirety by such factors. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. Further, our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. We are, however, subject to the provisions of the SFA, the SFR and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Offer Document is registered but before the close of the Placement, we and/or the Vendor become aware of (a) a false or misleading statement in this Offer Document; (b) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA; or (c) a new circumstance that has arisen since the Offer Document was lodged with the SGX-ST, acting as agent on behalf of the Authority, which would have been required by Section 243 of the SFA to be included in this Offer Document, if it had arisen before this Offer Document was lodged, and that is materially adverse from the point of view of an investor, we and the Vendor may, in consultation with the Sponsor, Issue Manager and Placement Agent, lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority. Please refer to the section entitled “Details of the Placement” of this Offer Document for further details.

SELLING RESTRICTIONS

SINGAPORE

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory requirements of any jurisdiction, except for the lodgement and/or registration of this Offer Document in Singapore in order to permit a public offering of the Placement Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the Placement Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by us, the Vendor and the Sponsor, Issue Manager and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Vendor and the Sponsor, Issue Manager and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

By accepting this Offer Document, you agree to be bound by the foregoing limitations. No part of this Offer Document may be (i) copied, photocopied or duplicated in any form by any means, or (ii) distributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose.

MALAYSIA

This Offer Document has not been reviewed and approved by the SC and will not be registered as a prospectus with the SC but a copy of this Offer Document will be deposited with the SC in accordance with Section 229(4) of the CMSA.

Accordingly, this Offer Document or any amendment to it may not be distributed in Malaysia directly or indirectly for the purpose of making available, offering or subscription, or issuing an invitation to subscribe for and/or purchase, the Placement Shares in Malaysia except to a Qualified Person (as defined below).

Any investment to which this Offer Document relates in Malaysia is available only through a holder of Capital Markets Services Licence granted pursuant to the CMSA who carries on the business of dealing in securities to the following persons ("**Qualified Person**"):

- (a) a closed end fund approved by the SC;
- (b) a holder of a Capital Markets Services Licence under the CMSA;
- (c) a person who, if he or she acquire(s) the Placement Shares, as principal on terms that the Placement Shares are acquired at a consideration of no less than RM250,000.00 or its equivalent in foreign currencies for each transaction whether such amount is paid in cash or otherwise;
- (d) an individual whose total net personal assets, or total net joint assets with his or her spouse, exceeds RM3,000,000.00 or its equivalent in foreign currencies, excluding the value of the primary residence of the individual;

SELLING RESTRICTIONS

- (e) an individual who has a gross annual income exceeding RM300,000.00 or its equivalent in foreign currencies per annum in the preceding 12 months;
- (f) an individual who, jointly with his or her spouse, has a gross annual income of exceeding RM400,000.00 or its equivalent in foreign currencies per annum in the preceding 12 months;
- (g) a corporation with total net assets exceeding RM10,000,000.00 or its equivalent in foreign currencies based on the last audited accounts;
- (h) a partnership with total net assets exceeding RM10,000,000.00 or its equivalent in foreign currencies;
- (i) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010 (Act 704);
- (j) an Islamic bank licensee or takaful licensee as defined in the Labuan Islamic Financial Services and Securities Act 2010 (Act 705); or
- (k) any other person as may be specified by the SC.

DETAILS OF THE PLACEMENT

LISTING ON CATALIST

A copy of this Offer Document has been lodged with and registered by the SGX-ST, acting as agent on behalf of the Authority. Registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority, does not imply that the SFA, the SFR, the Catalist Rules or any other legal or regulatory requirements have been complied with. Neither the Authority nor the SGX-ST has in any way, considered the merits of the Placement, our existing issued Shares (including the Vendor Shares), the New Shares, the PPCF Shares, and the Award Shares, as the case may be, being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Offer Document in any other jurisdiction.

The Sponsor, Issue Manager and Placement Agent has applied to the SGX-ST for permission to deal in, and for the listing and quotation of all our existing issued Shares (including the Vendor Shares), the New Shares, the PPCF Shares, and the Award Shares on Catalist. Such permission will be granted when our Company has been admitted to Official List of Catalist. Our acceptance of applications for the Placement Shares will be conditional upon, *inter alia*, the issue of the Placement Shares and permission being granted by the SGX-ST to deal in, and for the listing and quotation of, all our existing issued Shares (including the Vendor Shares), the New Shares, the PPCF Shares, and the Award Shares on Catalist. If the completion of the Placement does not occur because the said permission is not granted for any reason, or if the admission, listing and trading of all our Shares already issued (including the Vendor Shares), the New Shares, the PPCF Shares and the Award Shares do not proceed for any reason, monies paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, and the applicant will not have any claims whatsoever against our Company, the Vendor or the Sponsor, Issue Manager and Placement Agent.

After the expiration of six (6) months from the date of registration of this Offer Document, no person shall make an offer of our Shares, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of any of our Shares, on the basis of this Offer Document.

Notification under Section 309B of the SFA – The Shares are classified as “prescribed capital markets products” as defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Mainboard of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor and Issue Manager confirming that our Company is suitable to be listed on Catalist and complies with the Catalist Rules. Neither the Authority nor the SGX-ST has in any way considered the merits of our existing issued Shares (including the Vendor

DETAILS OF THE PLACEMENT

Shares), the New Shares, the PPCF Shares, and the Award Shares being offered or in respect of which an invitation is made, for investment.

Admission to Catalist is not taken as an indication of the merits of the Placement, our Company, our subsidiary, our existing issued Shares (including the Vendor Shares), the New Shares, the PPCF Shares or the Award Shares.

We are subject to the provisions of the SFA, the SFR and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Offer Document is registered but before the close of the Placement, we become aware of:

- (a) a false or misleading statement in this Offer Document;
- (b) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA or the Catalist Rules; or
- (c) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST acting as agent on behalf of the Authority which would have been required by Section 243 of the SFA to be included in this Offer Document, if it had arisen before this Offer Document was lodged,

that is materially adverse from the point of view of an investor, we and the Vendor may, in consultation with the Sponsor, Issue Manager and Placement Agent, lodge a supplementary or replacement offer document pursuant to Section 241 of the SFA, with the SGX-ST, acting as agent on behalf of the Authority.

In the event that a supplementary or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Placement shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for and/or purchase the Placement Shares and:

- (a) where the Placement Shares have not been issued and/or transferred to the applicants, our Company and the Vendor shall:
 - (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications, and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;
 - (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications;

DETAILS OF THE PLACEMENT

- (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and we (and on behalf of the Vendor) shall, within seven (7) days from the date of lodgement of the supplementary or replacement offer document, pay to the applicants all monies the applicants have paid on account of their applications for the Placement Shares; or
- (b) where the Placement Shares have been issued and/or transferred to the applicants, our Company and the Vendor shall:
 - (i)
 - (A) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us and/or the Vendor the Placement Shares which they do not wish to retain title in, and
 - (B) take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;
 - (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us the Placement Shares which they do not wish to retain title in; or
 - (iii) treat the issue of the Placement Shares as void, in which case the issue shall be deemed void and we (and on behalf of the Vendor) shall within (7) seven days from the date of lodgement of the supplementary or replacement offer document, pay to the applicants all monies paid by them for the Placement Shares, as the case may be, return all monies paid in respect of any application, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk and the applicants shall not have any right or claim against us, the Vendor or the Sponsor, Issue Manager and Placement Agent.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, as the case may be, notify our Company of this, whereupon our Company (and on behalf of the Vendor) shall, within seven (7) days from the receipt of such notification, return to him all monies paid by him on account of his application for the Placement Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and he will not have any claim against our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent.

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) to return the Placement Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, as the case may be, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Placement Shares, to us, whereupon our Company (and on behalf of the Vendor) shall, within seven (7) days from the receipt of such notification and documents, if any, pay to him all monies

DETAILS OF THE PLACEMENT

paid by him for those Placement Shares, without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the issue of those Placement Shares shall be deemed to be void, and he will not have any claim against our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent.

Pursuant to Section 242 of the SFA, the Authority may, in certain circumstances issue a stop order (“**Stop Order**”) to our Company, directing that no or no further Shares to which this Offer Document relates, be allotted or issued or sold. Such circumstances will include a situation where this Offer Document (i) contains any statement or matter which, in the Authority’s opinion, is false or misleading; (ii) omits any information that should have been included in it under Section 243 of the SFA; (iii) does not, in the Authority’s opinion, comply with the requirements of the SFA, or (iv) if the Authority is of the opinion that it is in the public interest to do so.

In the event that the Authority issues a Stop Order and applications to subscribe for and/or purchase the Placement Shares have been made prior to the Stop Order, then:

- (a) where the Placement Shares have not been issued and/or transferred to the applicants, the applications for the Placement Shares pursuant to the Placement shall be deemed to have been withdrawn and cancelled and our Company (and on behalf of the Vendor) shall, within 14 days from the date of the Stop Order, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares; or
- (b) where the Placement Shares have been issued and/or transferred to the applicants, the issue and allotment of the Placement Shares pursuant to the Placement shall be deemed to be void and our Company (and on behalf of the Vendor) shall, within 14 days from the date of the Stop Order, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares.

Where monies are to be returned to applicants for the Placement Shares, it shall be paid to the applicants without any interest or share of revenue or benefit arising therefrom at the applicants’ own risk, and the applicants will not have any claim against our Company, the Vendor or the Sponsor, Issue Manager and Placement Agent.

This Offer Document has been seen and approved by our Directors and the Vendor and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement and our Group, and our Directors and the Vendor are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors and the Vendor has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

Neither our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent, nor any other parties involved in the Placement is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own legal, financial, tax or other professional adviser regarding an investment in our Shares. The Placement Shares are offered for subscription solely on the basis of the information contained and the representations made in this Offer Document.

DETAILS OF THE PLACEMENT

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Placement and, if given or made, such information or representation must not be relied upon as having been authorised by our Company, the Vendor or the Sponsor, Issue Manager and Placement Agent. Neither the delivery of this Offer Document and the Application Form nor any document relating to the Placement shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our subsidiary or in any statements of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we will promptly make an announcement of the same to the SGX-ST and if required, a supplementary or replacement offer document will be issued and made available to the public after a copy thereof has been lodged with the SGX-ST acting as agent on behalf of the Authority. All applicants should take note of any such announcement, and/or supplementary or replacement offer document and, upon the release of such an announcement, and/or supplementary or replacement offer document, shall be deemed to have notice of such changes.

No representation, warranty or covenant, expressed or implied, is made by our Company, the Vendor or the Sponsor, Issue Manager and Placement Agent or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Offer Document is, or shall, to the extent permitted by law, be relied upon as a promise, representation or covenant by our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company, or our subsidiary.

This Offer Document has been prepared solely for the purpose of the Placement and may not be relied upon by any persons other than the applicants in connection with their application for the Placement Shares or for any other purpose.

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Offer Document and the Application Form may be obtained on request, subject to availability, during office hours from:

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

An electronic copy of this Offer Document is also available on the SGX-ST website at <http://www.sgx.com>.

DETAILS OF THE PLACEMENT

The Placement will be open from 16 June 2020 (immediately upon the registration (the “Registration”) of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority) until 12.00 noon on 24 June 2020.

The Application List will open immediately upon the Registration and will remain open until 12.00 noon on 24 June 2020 or for such further period or periods as our Directors and the Vendor may, in consultation with the Sponsor, Issue Manager and Placement Agent, in their absolute discretion decide, subject to any limitation under all applicable laws and regulations. In the event a supplementary or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures for applications to subscribe for and/or purchase the Placement Shares are set out in the section entitled “Appendix K – Terms, Conditions and Procedures for Application and Acceptance” to this Offer Document.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for your reference:

Indicative date/time	Event
16 June 2020 (immediately upon the Registration)	Commencement of the Placement
24 June 2020, 12.00 noon	Close of Application List
26 June 2020, 9.00 a.m.	Commence trading on a “ready” basis
30 June 2020	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List will be on 24 June 2020, the date of admission of our Company to Catalist is 26 June 2020, the shareholding spread requirement will be complied with and the Placement Shares will be issued and fully paid-up and/or transferred prior to 26 June 2020. **The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.** All dates and times referred to above are Singapore dates and times.

Please note that the above timetable is indicative only and is subject to change (whether in relation to the Placement Shares or any mode of application thereof) at the discretion of our Company and the Vendor, with the agreement of the Sponsor, Issue Manager and Placement Agent. We and the Vendor may, at our discretion, in consultation with the Sponsor, Issue Manager and Placement Agent and subject to all laws and regulations and the Catalist Rules, agree to extend or shorten the Placement period, provided that the Placement period may not be less than two (2) Market Days.

The above timetable and procedures may be subject to such modification(s) as the SGX-ST may, in its absolute discretion, decide, including the decision to permit commencement of trading on a “ready basis” and the commencement date of such trading. All persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted or are otherwise beneficially entitled to.

In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same:

- (a) through a SGXNET announcement to be posted on the internet at the SGX-ST’s website <http://www.sgx.com>; and
- (b) in a local newspaper(s) in Singapore.

We will provide details of the results of the Placement (including the level of subscription and the basis of allocation of the Placement Shares), as soon as practicable after the closure of the Application List through the channels described in (a) and (b) above.

INDICATIVE TIMETABLE FOR LISTING

Our Company and the Vendor reserve the right to reject or accept, in whole or in part, or to scale down any application for the Placement Shares, without assigning any reason, and no enquiry and/or correspondence on the decision of our Company and the Vendor will be entertained. In deciding the basis of allocation, due consideration will be given to the desirability of allocating our Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

The manner and method of applications and acceptances under the Placement will be determined by our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent.

Investors should consult the SGX-ST announcement of the “ready” trading date released on the internet (at the SGX-ST website at <http://www.sgx.com>) or local newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

EXCHANGE RATES

Our financial statements are presented in RM. The exchange rates for RM:S\$, as outlined in the tables below are presented solely for information only. The tables and figures below should not be construed as representations that those S\$ or RM could have been, could be or would be, converted or convertible into the respective mentioned currencies at any particular rate, the rate stated below, or at all.

The following table sets forth, for the financial years indicated, based on the average and closing exchange rates. The average exchange rates are calculated using the average of the closing rates on the last day of each month during the respective financial years and financial period.

Period	RM:S\$(¹)	
	Average exchange rate	Closing exchange rate
FY2017	3.0989	3.1542
FY2018	3.0162	2.9859
FY2019	3.0303	3.0155
1Q2019	3.0453	3.0689

Source: Bloomberg L.P.

Note:

- (1) The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RM amounts actually represent such amounts or could be converted into the S\$ at the rate indicated, or at any other rate, or at all. Bloomberg L.P. has not consented to the inclusion of the exchange rates quoted under this section for the purposes of Section 249 of the SFA and is thereby not liable for these exchange rates under Sections 253 and 254 of the SFA. While our Directors, the Vendor and the Sponsor, Issue Manager and Placement Agent have taken reasonable action to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

The following table sets out the highest and lowest daily closing exchange rates between S\$ and RM for each of the past six (6) months prior to the Latest Practicable Date.

Month	RM:S\$(¹)	
	Highest	Lowest
September 2019	3.1487	3.1030
October 2019	3.0741	3.0257
November 2019	3.0662	3.0407
December 2019	3.0661	3.0412
January 2020	3.0402	2.9948
February 2020	3.0283	2.9775
March 2020	3.0557	3.0008

Source: Bloomberg L.P.

As at the Latest Practicable Date, the exchange rate for RM:S\$ was RM3.0686:S\$1.00.

EXCHANGE RATES

Note:

- (1) The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RM amounts actually represent such amounts or could be converted into the S\$ at the rate indicated, or at any other rate, or at all. Bloomberg L.P. has not consented to the inclusion of the exchange rates quoted under this section for the purposes of Section 249 of the SFA and is thereby not liable for these exchange rates under Sections 253 and 254 of the SFA. While our Directors, the Vendor and the Sponsor, Issue Manager and Placement Agent have taken reasonable action to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

OFFER DOCUMENT SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information (including the notes thereto) appearing elsewhere in this Offer Document. Terms defined elsewhere in this Offer Document have the same meaning when used herein. As it is a summary, it does not contain all the information that potential investors should consider before investing in the Shares of our Company. Potential investors should carefully consider all the information presented in this Offer Document, especially the matters set out in the “Risk Factors” section of this Offer Document, before deciding to invest in our Shares.

OVERVIEW

Our Company

Our Company was incorporated in Singapore on 19 September 2019 under the Companies Act as a private limited company under the name “Southern Alliance Mining Pte. Ltd.”. Our Company’s registration number is 201931423D. In preparation for our Listing, we undertook the Restructuring Exercise whereby our Company became the holding company for Honest Sam. Please refer to the sections entitled “Restructuring Exercise” and “General Information on our Group – History” of this Offer Document for further details.

We subsequently changed our name to “Southern Alliance Mining Ltd.” on 27 April 2020 in connection with our conversion to a public limited company.

Our Business

Our Group is principally involved in the exploration, mining and processing of iron ore for subsequent sale. Our rights to conduct mining activities at our mine sites are pursuant to mining operator agreements that we enter into with the holders of the mining leases. We may undertake the exploration, mining and processing activities directly or outsource part of such activities to contractors.

Our Group is based in Pahang, Malaysia and has been operating the Chaah Mine located at Johor, Malaysia since 2008. Our Group has also been granted the right to carry out exploration and mining operations at the Exploration Assets located in Johor, Malaysia.

Further details are set out in the section entitled “General Information on our Group – Business Overview” of this Offer Document.

FINANCIAL HIGHLIGHTS

You should read the following summary financial information in conjunction with the full text of this Offer Document, including the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Offer Document, the “Independent Auditor’s and Reporting Accountant’s Report on the Audited Combined Financial Statements for the Financial Years ended 31 July 2017, 2018 and 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendix A to this Offer Document, the “Independent Auditor’s Review Report on the Unaudited Interim Condensed Combined Financial Statements for the Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendix B to this Offer Document and the “Independent Practitioner’s Assurance Report on the Compilation of Unaudited Pro Forma Combined Financial Information for the Financial Year ended 31 July 2019 and Interim Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendix C to this Offer Document.

OFFER DOCUMENT SUMMARY

Selected items from the combined statements of comprehensive income of our Group

	← Audited →			← Unaudited →			
RM'000	FY2017	FY2018	FY2019	1Q2019	1Q2020	FY2019 (Pro forma)	1Q2020 (Pro forma)
Revenue	63,964	98,069	189,141	23,853	79,614	189,141	79,614
(Loss)/profit before tax	(35,248)	(17,209)	60,386	352	33,155	61,005	33,162
(Loss)/profit after tax, representing total comprehensive income for the year/period	(35,268)	(17,229)	88,246	352	23,861	88,865	23,868
Pre-Placement (LPS)/EPS (sen) prior to the issue and allotment of PPCF Shares ⁽¹⁾	(8.20)	(4.01)	20.52	0.08	5.55	20.67	5.55
Pre-Placement (LPS)/EPS (sen) after the issue and allotment of PPCF Shares ⁽²⁾	(8.15)	(3.98)	20.38	0.08	5.51	20.52	5.51
Post-Placement (LPS)/EPS (sen) ⁽³⁾⁽⁴⁾	(7.21)	(3.52)	18.05	0.07	4.88	18.17	4.88

Notes:

- (1) For comparative purposes, our pre-Placement (LPS)/EPS for the Period Under Review have been computed based on the (loss)/profit after tax and our pre-Placement share capital of 430,000,000 Shares prior to the issue and allotment of the PPCF Shares.
- (2) For comparative purposes, our pre-Placement (LPS)/EPS for the Period Under Review have been computed based on the (loss)/profit after tax and our pre-Placement share capital of 433,000,000 Shares after the issue and allotment of the PPCF Shares.
- (3) Had the Service Agreement and the Appointment Agreement (as set out in the section entitled “Directors, Management and Staff – Service Agreement and Appointment Agreement” of this Offer Document) been in effect since 1 August 2018, the audited profit before tax and EPS based on our Company's post-Placement share capital of 489,000,000 Shares for FY2019 would have been approximately RM56.0 million and 17.37 sen respectively.
- (4) For comparative purposes, our post-Placement (LPS)/EPS for the Period Under Review have been computed based on the (loss)/profit after tax and our post-Placement share capital of 489,000,000 Shares.

OFFER DOCUMENT SUMMARY

Selected items from the combined statements of financial position of our Group

RM'000	Audited			Unaudited	
	As at 31 July 2017	As at 31 July 2018	As at 31 July 2019	As at 31 October 2019	As at 31 October 2019 (Pro forma)
Current assets	43,453	36,048	104,691	126,861	92,263
Non-current assets	92,383	78,366	84,844	77,947	77,947
Current liabilities	40,892	36,860	23,819	24,560	24,560
Non-current liabilities	969	1,643	1,559	1,130	1,130
Total equity	93,975	75,911	164,157	179,118	144,520
NAV per Share (sen) prior to the issue and allotment of PPCF Shares ⁽¹⁾	21.85	17.65	38.18	41.66	33.61
NAV per Share (sen) after the issue and allotment of PPCF Shares ⁽²⁾	21.70	17.53	37.91	41.37	33.38

Notes:

- (1) The NAV per Share is computed based on NAV attributable to the owners of our Company and pre-Placement share capital of 430,000,000 Shares prior to the issue and allotment of the PPCF Shares.
- (2) The NAV per Share is computed based on NAV attributable to the owners of our Company and pre-Placement share capital of 433,000,000 Shares after the issue and allotment of the PPCF Shares.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our key competitive strengths are as follows:

- (a) Our mining operations at the Chaah Mine has a reliable track record;
- (b) Our key management and operations personnel have extensive knowledge and experience in the mining industry;
- (c) The raw ore from the Chaah Mine is of a high quality which is demanded by two (2) groups of customers from different industry sectors; and
- (d) Our Group is able to achieve further cost savings in our operations.

Further details are set out in the section entitled “General Information on our Group – Competitive Strengths” of this Offer Document.

PROSPECTS AND TRENDS

Details of the prospects and trends relevant to our business are set out in the sections entitled “General Information on our Group – Prospects” and “General Information on our Group – Trend Information” of this Offer Document.

OFFER DOCUMENT SUMMARY

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:

- (a) We intend to carry out further exploration activities, including, (i) exploration work for mineral deposits at the Exploration Assets where we have obtained the right to conduct exploration and/or mining activities; and (ii) exploration work at the Chaah Mine to define extensions to the existing Mineral Resources and Ore Reserves.
- (b) We intend to continue to purchase more mining equipment and to set up infrastructure such as transmission lines in order for us to receive electricity from the National Grid.
- (c) We may expand through acquisitions, joint ventures and strategic alliances with parties who create synergistic values to our business.

Further details are set out in the section entitled “General Information on our Group – Business Strategies and Future Plans” of this Offer Document.

OUR CONTACT DETAILS

Our Company’s registered office is located at 80 Robinson Road, #02-00, Singapore 068898. Our principal place of business is located at Level 8, Menara Zenith, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang, Malaysia. Our telephone and facsimile numbers are +609 548 8888 and +609 548 8880 respectively. Our email address is general@honestsam.com.my. Our Company’s Registration Number is 201931423D. Our Company’s website address is www.saminingltd.com. Information contained in our website does not constitute part of this Offer Document.

THE PLACEMENT

The Placement	:	<p>The Placement comprises a placement of 76,000,000 Placement Shares, comprising 56,000,000 New Shares and 20,000,000 Vendor Shares at the Placement Price, subject to and on the terms and conditions of this Offer Document.</p> <p>The New Shares upon issue and allotment, will rank <i>pari passu</i> in all respects with the existing issued Shares.</p>
Placement Price	:	<p>S\$0.25 for each Placement Share, payable in full on application.</p>
Purpose of the Placement	:	<p>The primary purpose of the Placement is to raise additional funding for further exploration activities, investment into mining equipment and infrastructure and general working capital purposes. Please refer to the section entitled “Use of Proceeds and Listing Expenses” of this Offer Document for more details on the use of proceeds from the issue of the New Shares.</p> <p>Our Directors believe that the listing of our Company and the quotation of our Shares on Catalist will enhance our public image locally and internationally and enable us to tap the capital markets to fund our business growth. The Placement will also provide members of the public, our employees, our business associates and others who have contributed to the success of our Group with an opportunity to participate in the equity of our Company.</p>
Listing Status	:	<p>Prior to the Placement, there has been no public market for our Shares. Our Shares will be quoted on Catalist in S\$, subject to, amongst others, admission of our Company to Catalist and permission for dealing in, and for the listing and quotation of, our existing issued Shares (including the Vendor Shares), the New Shares, the PPCF Shares, and the Award Shares being granted by the SGX-ST (acting as agent on behalf of the Authority), and the Authority not issuing a Stop Order.</p>
Risk Factors	:	<p>Investing in our Shares involves risks which are described in the section entitled “Risk Factors” of this Offer Document.</p>

PLAN OF DISTRIBUTION

The Placement is for 76,000,000 Placement Shares, comprising 56,000,000 New Shares and 20,000,000 Vendor Shares offered in Singapore, and the Listing is managed and sponsored by the Sponsor, Issue Manager and Placement Agent.

Prior to the Placement, there has been no public market for our Shares. The Placement Price is determined by us and the Vendor in consultation with the Sponsor, Issue Manager and Placement Agent after taking into consideration, among others, prevailing market conditions and estimated market demand for our Shares (including the Placement Shares) determined through a book-building process. The Placement Price is the same for all the Placement Shares and is payable in full on application.

Investors may apply to subscribe for and/or purchase the Placement Shares in lots of 100 Placement Shares or integral multiples thereof subject to a minimum of 1,000 Placement Shares. In order to ensure a reasonable spread of Shareholders, we have the absolute discretion to prescribe a limit to the number of Placement Shares to be allotted and/or allocated to any single applicant and allot and/or allocate the Placement Shares above or under such prescribed limit as we shall deem fit.

Pursuant to the Management Agreement entered into amongst us, the Vendor and PPCF as set out in the section entitled “Sponsorship, Management and Placement Arrangements” of this Offer Document, our Company and the Vendor have appointed PPCF and PPCF has agreed to manage and to act as full sponsor for the Listing. The Sponsor and Issue Manager will receive a management fee for its services rendered in connection with the Placement.

Placement Shares

The Placement Shares are made available to retail and institutional investors in Singapore who may apply through their brokers or financial institutions by way of the Application Form. Applications for the Placement Shares may only be made by way of the Application Form. The terms, conditions and procedures for application and acceptance are described in “Appendix K – Terms, Conditions and Procedures for Application and Acceptance” to this Offer Document.

Pursuant to the Placement Agreement, our Company and the Vendor have appointed PPCF as the Placement Agent and PPCF has agreed to procure subscriptions for and/or purchases of the Placement Shares at the Placement Price.

Subscribers and/or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Placement Price (plus the prevailing GST thereon, if applicable) to the Sponsor, Issue Manager and Placement Agent or any sub-placement agent(s) that may be appointed by the Sponsor, Issue Manager and Placement Agent.

The Placement Agreement is conditional upon the Management Agreement not having been terminated or rescinded pursuant to the provisions of the Management Agreement. Please refer to the section entitled “Sponsorship, Management and Placement Arrangements” of this Offer Document for further details.

PLAN OF DISTRIBUTION

Subscription for and/or Purchases of the Placement Shares

To the best of our knowledge and belief, none of our Directors or Substantial Shareholders intends to subscribe for and/or purchase the Placement Shares in the Placement. If such person(s) were to make an application for the Placement Shares and are subsequently issued and allotted such number of Placement Shares, we will make the necessary announcements at an appropriate time.

To the best of our knowledge and belief, none of the members of our Company's management or employees intends to subscribe for and/or purchase more than 5.0% of the Placement Shares pursuant to the Placement.

To the best of our knowledge and belief, our Directors are not aware of any person who intends to subscribe for and/or purchase more than 5.0% of the Placement Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for and/or purchase more than 5.0% of the Placement Shares. If such person(s) were to make an application for more than 5.0% of the Placement Shares pursuant to the Placement and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment and/or allocation of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 406(1) of the Catalist Rules.

No Shares shall be issued and allotted on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.

No introducers and consultants

There are no introducers to the Placement and no consultants have been engaged by our Group to assist in (i) any group restructuring exercise in conjunction with the Placement and our application for listing; or (ii) the issue of securities or securities-based derivatives contracts to investors during the period of 12 months prior to the date of lodgement of this Offer Document, for the purposes of facilitating the Placement and our application for Listing.

USE OF PROCEEDS AND LISTING EXPENSES

The estimated net proceeds to be raised from the Placement, comprising the New Shares and the Vendor Shares, after deducting the aggregate estimated listing expenses in relation to the Placement of approximately S\$2.2 million, will be approximately S\$16.8 million.

The net proceeds to be raised by our Company from the issue of the New Shares, after deducting our share of the estimated cash expenses to be borne by us of approximately S\$2.1 million, will be approximately S\$11.9 million.

We will not receive any of the proceeds from the Vendor Shares sold by the Vendor in the Placement. The net proceeds attributable to the Vendor from the sale of the Vendor Shares, after deducting the Vendor's placement commission of approximately S\$0.2 million, will be approximately S\$4.8 million.

USE OF PROCEEDS

We intend to use the proceeds from the issue of the New Shares for the following purposes:

Use of proceeds from the issue of the New Shares	Amount in aggregate (S\$'000)	Estimated amount allocated for each dollar of the gross proceeds to be raised from the issue of the New Shares (cents)
Further exploration activities	4,000	28.6
Investment into mining equipment and infrastructure	2,000	14.3
Acquisitions, joint ventures, strategic alliances and/or development of new mines	2,000	14.3
General working capital purposes	3,937	28.1
Net proceeds	11,937	85.3
Listing expenses⁽¹⁾⁽²⁾	2,063	14.7
Gross proceeds from the issue of the New Shares	14,000	100.0

Notes:

- (1) Of the total estimated listing expenses to be borne by our Company, approximately S\$0.2 million will be capitalised against share capital and the balance of the estimated listing expenses will be accounted for under our Group's statements of comprehensive income. Please refer to the section entitled "Use of Proceeds and Listing Expenses – Listing Expenses" below for further details.
- (2) The professional fees refer to the cash expenses incurred by our Company in connection with the Listing and the Placement and excludes part of the management fee of approximately S\$0.8 million payable to the Sponsor and Issue Manager pursuant to the Management Agreement which has been satisfied in full by the issue and allotment of the PPCF Shares to PPCF.

Further details of our use of proceeds may be found in the section entitled "General Information on Our Group – Business Strategies and Future Plans" of this Offer Document. Save as disclosed in this section and in the section entitled "General Information on our Group – Business Strategies and Future Plans" of this Offer Document, we do not intend to use the net proceeds from the

USE OF PROCEEDS AND LISTING EXPENSES

Placement to acquire or refinance the acquisition of any asset, business or entity, and as at the Latest Practicable Date, we have not identified any asset, business or entity to acquire or refinance.

The foregoing discussion represents our reasonable estimates of our allocation of the net proceeds from the Placement based on our current plans and reasonable estimates regarding our anticipated expenditures. Actual expenditures may vary from these estimates and our Company may find it necessary or advisable to re-allocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that our Company decides to re-allocate the net proceeds or use portions of it for other purposes, our Company will publicly announce its intention to do so through a SGXNET announcement on the SGX-ST's website at <http://www.sgx.com>.

Pending the deployment of the net proceeds as described above, the funds may be placed in short-term deposits, money market instruments and/or used for our Group's working capital requirements, as our Directors may, in their absolute discretion, deem appropriate.

We will make periodic announcements on the use of the net proceeds from the Placement as and when such proceeds are materially disbursed, and provide a status report on the use of such proceeds in our financial results announcements and annual reports.

In the reasonable opinion of our Directors, there is no minimum amount which must be raised from the Placement.

None of the proceeds from the Placement will be used to discharge, reduce or retire any indebtedness of our Group.

LISTING EXPENSES

We estimate that the costs and expenses payable in connection with the Placement and the application for Listing, including placement commissions (for both the New Shares and Vendor Shares) and all other incidental expenses relating to the Placement, will be approximately S\$2.2 million. Save for the placement commission, which will be borne by the Vendor and our Company in the Agreed Proportion, the rest of the expenses for the Listing will be borne by our Company.

USE OF PROCEEDS AND LISTING EXPENSES

A breakdown of these estimated expenses to be borne by our Company in relation to the Placement is as follows:

	Estimated amount (S\$'000)	As a percentage of the gross proceeds to be raised from the issue of the New Shares (%)
Expenses to be borne by our Company⁽¹⁾		
Listing and application fees	53	0.4
Professional fees ⁽²⁾	1,444	10.3
Placement commission ⁽³⁾	490	3.5
Miscellaneous expenses	76	0.5
Total	2,063	14.7

Notes:

- (1) Of the total estimated listing expenses to be borne by our Company, approximately S\$0.2 million will be capitalised against share capital and the balance of the estimated listing expenses will be accounted for under our Group's statements of comprehensive income.
- (2) The professional fees refer to the cash expenses incurred by our Company in connection with the Listing and the Placement and excludes part of the management fee of approximately S\$0.8 million payable to the Sponsor and Issue Manager pursuant to the Management Agreement which has been satisfied in full by the issue and allotment of the PPCF Shares to PPCF.
- (3) The amount of placement commission per Placement Share, agreed upon between our Company and the Placement Agent is 3.5% of the Placement Price payable for each Placement Share. Please refer to the section entitled "Sponsorship, Management and Placement Arrangements" of this Offer Document for further details.

RISK FACTORS

We are exposed to a number of possible risks that may arise from economic, business, market, financial, political, global pandemic, social, technological and other factors and developments that may have an adverse impact on our future performance. The trading price and value of our Shares could fluctuate and decline due to any of these risks and investors may lose a part or all of their investments in our Shares. The following does not state risks unknown to us now but which could occur in future and risks which we currently believe to be immaterial, which could turn out to be material. Should such risks occur or turn out to be material, they may materially and adversely affect our business, results of operations and financial condition.

An investment in our Shares involves risks. Prospective investors should carefully consider and evaluate each of the following considerations and all other information contained in this Offer Document before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which we operate and our business in general. Other considerations relate principally to general economic, social and political conditions, the securities market and ownership of the Shares, including possible future sales of our Shares. Additional risks not presently known to us or that we currently deem immaterial may also impair our business, results of operations and financial condition.

If any of the following considerations, uncertainties or material risks develop into actual events, our business, results of operations and financial condition could be materially and adversely affected. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. In such cases, the trading price of our Shares could fluctuate and decline due to any of these considerations, uncertainties or material risks, and investors may lose all or part of their investment in our Shares. To the best of our Directors' knowledge and belief, all risk factors which could directly and/or indirectly affect us and are material to investors in making an informed judgement of our Company have been set out below.

This Offer Document also contains forward-looking statements which have direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Offer Document. Please see the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Offer Document for further details.

Before deciding to invest in our Shares, you should seek professional advice from the relevant advisers about your particular circumstances.

RISKS RELATING TO OUR INDUSTRY AND OUR BUSINESS

We are subject to risks related to the outbreak of COVID-19

As at 11 March 2020, the outbreak of the contagious disease, COVID-19, has affected 114 countries, including Singapore and Malaysia, was declared as a pandemic by the World Health Organization on 11 March 2020¹. Unlike the severe acute respiratory syndrome (SARS) outbreak in 2003 which was largely limited to East Asia, the number of infected COVID-19 cases has exploded across the world, from Europe to the United States to Iran. The global economy is expected to contract in 2020 as a result of unprecedented measures taken by numerous countries to contain the disease, as evident from recent economic indicators such as the sharp decline in

¹ This information is extracted from the press release entitled "WHO Director-General's opening remarks at the media briefing on COVID-19 – 11 March 2020" dated 11 March 2020, accessible at <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>

The World Health Organization has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and are therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

RISK FACTORS

the Composite Purchasing Managers' Indices ("PMI") of major economies². Malaysia's economy will inevitably be affected by the weak global demand and domestic consumption as well.

The global COVID-19 outbreak has resulted in lockdown of cities and various business operations around the world by governments. In Malaysia, the Malaysian government announced the imposition of Movement Control Orders from 18 March 2020 to 31 August 2020 (based on information available as at the date of this Offer Document) to curb the growth of COVID-19 cases in the country. Under the Initial Movement Control Order and Conditional Movement Control Order, certain restrictions were imposed, including but not limited to (i) the prohibition of any gatherings or involvement in any gatherings within any infected local area whether for religious, sports, recreational, social or cultural purposes and (ii) prohibition to make any journey from one place to another place within any infected local area except to and from work, and in relation to a person who is stranded at any place due to the Initial Movement Control Order and Conditional Movement Control Order, to return home. Under the Recovery Movement Control Order, the restrictions imposed during the Initial Movement Control Order and the Conditional Movement Control Order were further relaxed to allow the public to carry out certain daily activities (as prescribed by the Malaysian government) while complying with certain standard operating procedures and no person shall carry out, organise, undertake, or otherwise be involved in (1) sports events and tournaments; (2) contact sports; (3) water theme park and water park activities; (4) public swimming pool activities; (5) outbound tour activities by Malaysian citizens and inbound tour activities involving foreign tourists entering Malaysia; (6) activities in karaoke centers, children's playground in shopping malls and family entertainment centers; (7) activities in pubs and night clubs; (8) fitting of clothes; (9) reflexology and massage activities; (10) cruise ship activities and (11) any activities that would make it difficult to comply with social distancing and the directions and standard operating procedures of the Director General of Health. Pursuant to the Prevention and Control of Infectious Diseases (Declaration of Infected Local Areas) Order 2020 published on 17 March 2020, all states in Malaysia have been gazetted as infected local areas. On 22 April 2020, Honest Sam received a letter from the Ministry of International Trade and Industry ("MITI") of Malaysia ("**MITI Approval**"), which provided, among others, that Honest Sam is allowed to operate during the period of the Initial Movement Control Order, subject to the following conditions: (i) Honest Sam must reduce the number of employees to a minimum or reduce by at least 30.0% from the current amount or registered amount, for production during the period of the Initial Movement Control Order and to establish a work-from-home system for employees who are not involved in critical activities; (ii) Honest Sam shall ensure that all general standard operating procedures as set out in the application portal are complied with; and (iii) Honest Sam must ensure that the standard operating procedures in accordance with the sector applied as stated in the application portal are complied with (collectively, the "**MCO Standard Operating Procedures**"). On 28 April 2020, MITI had further announced that, from 29 April 2020, companies who have obtained approvals to operate during Stages 1, 2 and 3 of the Initial Movement Control Order are allowed to operate at full capacity and without any time constraints in accordance with the respective industry requirements, subject to compliance with the MCO Standard Operating Procedures. On 4 May 2020, certain restrictions imposed during the Initial Movement Control Order were eased and the Conditional Movement Control Order was put in place with an aim to reopen the Malaysian economy in a controlled manner. The Conditional Movement Control Order was in place until 9 June 2020 and the Recovery Movement Control Order was imposed from 10 June 2020 until 31 August 2020 (based on information available as at the date of this Offer Document). Our Group has been implementing procedures to comply with the conditions and has recommenced operations at the Chaah Mine. We were not permitted to operate during the

2 This information is extracted from the press release entitled "Bank Negara Malaysia Publishes Annual Report 2019, Economic and Monetary Review 2019 and Financial Stability Review for Second Half 2019" by Bank Negara Malaysia dated 3 April 2020, accessible at https://www.bnm.gov.my/index.php?rp=ar2019_en_slides

Bank Negara Malaysia has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and are therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

RISK FACTORS

Suspension Period due to the Initial Movement Control Order, during which we did not conduct any mining activities and operations nor perform any sales to the customers. Accordingly, we did not record any revenue nor incur substantial mining operation costs, except for certain overhead costs such as maintaining the payroll to employees. Please also refer to the sections entitled “General Information on Our Group – Prospects” and “General Information on Our Group – Trend Information” of the Offer Document for further details on the impact of COVID-19.

As the COVID-19 situation is still evolving rapidly, there can be no assurance that the spread of COVID-19 will be contained in the near term and the duration of the COVID-19 outbreak and its effects cannot be determined with certainty at present. As such, in the event that the containment of COVID-19 is not improved in the near term resulting in a global economy recession, or the Movement Control Orders are extended for a prolonged period of time in Malaysia, this may have a protracted negative impact on the business activities both in and out of Malaysia. This may lead to a fall in demand of our iron ore products, drop in iron ore prices, and/or an impact on our ability to operate our business and supply iron ore products to our customers will be affected, which could in turn have a material and adverse impact on our business, results of operations, financial condition and prospects.

The financial condition and performance of our Group is currently dependent on the Chaah Mine

Currently, we conduct our mining operations only at the Chaah Mine. Any significant operational or other difficulties in, among others, the mining, processing or transportation of our products from the Chaah Mine to our customers may hinder our sales and revenue. Although our Group has been granted the rights to carry out exploration and mining operations at the Exploration Assets, exploration works on the Exploration Assets are only expected to commence upon the Listing of our Company.

Our Group’s current Ore Reserves will gradually be depleted as mining operations progress. As such, the future success of our Group’s business will depend on its ability to find additional Mineral Resources or Ore Reserves within the Chaah Mine or the Exploration Assets, or develop or acquire additional iron ore mines under which there are sufficient and viable Mineral Resources or Ore Reserves for exploitation.

In the event that our Group fails to (i) derive the expected economic benefits from the Chaah Mine due to any delay or difficulty in our operations; (ii) optimise the capacity of our operations at the Chaah Mine; and/or (iii) establish a feasible level of Mineral Resources or Ore Reserves at the Exploration Assets or any other iron ore mines we acquire, our business, results of operations and financial condition may be materially and adversely affected.

We are not the registered holder of the mining leases for the Chaah Mine and the Exploration Assets

We are not the registered holder of the mining leases for the Chaah Mine and the Exploration Assets. Our contractual rights to carry out exploration and mining operations at the Chaah Mine and the Exploration Assets are granted pursuant to the mining operator agreement that we have entered into with the Chaah ML Holder. The Chaah ML Holder is the holder of the mining leases for the Chaah Mine and the Exploration Assets and is an unrelated third party to our Group. As such, our right to perform our mining activities at the Chaah Mine or conduct exploration activities at the Exploration Assets are contractual in nature and we are dependent on the ability of the Chaah ML Holder to carry out his obligations and comply with the terms and conditions of the underlying mining leases and the relevant legislation. Our Group was previously not in compliance with the Bumiputera Conditions under the mining leases of the Chaah Mine and the Exploration Assets. We have fully rectified the same pursuant to a share consolidation exercise completed 4 November 2019. Under Section 159 of the State Mineral Enactment, a mining lease holder who

RISK FACTORS

fails to comply with any terms and conditions of the mining lease shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding five (5) years or to both. Alternatively, an offence under Section 159 of the State Mineral Enactment may be compounded. The DLM may, with the consent of the Public Prosecutor, compound such offence by making a written offer to the mining lease holder. The offer to compound may be made any time after the offence is committed but before any prosecution is instituted. Where an offence has been compounded, no prosecution may after that be instituted in respect of such offence against the person to whom the offer to compound was made. Please refer to the section entitled “Group Structure” of this Offer Document for more information. When the Chaah ML Holder submits the application for the annual renewal of the OMS for Honest Sam in relation to the Chaah Mine, a copy of the CCM records of Honest Sam, which shows its shareholders and directors, will be attached and submitted. The approval for the OMS is granted by the JMG, a member of the State Mineral Resources Committee, a committee established under the State Mineral Enactment. As at the Latest Practicable Date, there has not been any query, notification or correspondences, or action taken against Honest Sam or the Chaah ML Holder pertaining to the past non-compliance with the Bumiputera Conditions or the issuance of the CPS by the authorities. There has also never been any issue in the past for the renewal of the OMS for Honest Sam as the operator of the Chaah Mine based on discussions with representatives from the JMG. Additionally, our Directors are not aware of a situation in the past where a mining lease was terminated as a result of non-compliance with the Bumiputera Conditions or other terms and conditions of the underlying mining leases or the relevant mining legislations and based on our communications with PTG, PTG had in November 2019 confirmed that they have no record of such situation. Based on a letter dated on the Latest Practicable Date issued by the Chaah ML Holder’s legal liaison office (“LLO”), which stated that the LLO was entrusted to act on behalf of the Chaah ML Holder’s legal matters, the LLO (i) affirmed that Honest Sam must comply with all the terms of the Mining Leases and the provisions of the MDA, State Mineral Enactment and regulations set out by the relevant authorities, as well as any new laws and regulations set out or enforced by the relevant authorities from time to time; and (ii) confirmed that as at the date of the letter, the Chaah ML Holder and LLO are not aware and/or have not received any notice of non-compliance in relation to the mining operations by Honest Sam in Chaah, Johor. However, there can be no assurance that any such non-compliance will not result in the state regulators exercising their statutory rights to revoke the mining leases of the Chaah Mine and the Exploration Assets. If this occurs, our business, results of operations and financial condition may be materially and adversely affected. Please refer to the section entitled “General Information on Our Group – The Chaah Mine” for details of the 2011 Mining Agreement (as varied and amended by the Supplementals) that we have entered into with the Chaah ML Holder.

There is also no assurance that the counterparties to our mining operator agreements, which include the Chaah ML Holder in relation to the 2011 Mining Agreement (as varied and amended by the Supplementals), will honour their respective contractual obligations or will not act in a manner that will frustrate our mining operations. Upon any default or non-performance of obligations by the Chaah ML Holder, we may, pursuant to the terms of the 2011 Mining Agreement (as varied and amended by the Supplementals), terminate such agreement, claim for damages or seek specific performance under the laws of Malaysia. In the event that monetary damages are sought, there is no assurance that such counterparty will have sufficient financial resources to pay damages, and in the event that they are unable to do so, our business, results of operations and financial condition may be materially and adversely affected. Moreover, if the 2011 Mining Agreement (as varied and amended by the Supplementals) is terminated, our contractual right to carry out exploration and mining operations at the relevant mine sites will cease. Accordingly, this may materially and adversely affect our business, results of operations and financial condition. Further, if we wish to enforce our rights under the 2011 Mining Agreement (as varied and amended by the Supplementals) against the Chaah ML Holder, who is a Ruler of a State in Malaysia, we will need to obtain the consent of the Attorney General of Malaysia pursuant to Article 183 of the Federal Constitution of Malaysia that provides that no action may be instituted against the Ruler

RISK FACTORS

of a State in respect of anything done or omitted to be done by him in his personal capacity except with the consent of the Attorney General personally. Legal proceedings undertaken against the Chaah ML Holder in his personal capacity must be brought in a Special Court established under Article 182(1) of the Federal Constitution of Malaysia and the Special Court has exclusive jurisdiction to try all offences committed in Malaysia by the King or the Ruler of a State and all civil cases by or against the King or the Ruler of a State, regardless of where the cause of action arose. The Special Court has the same jurisdiction and powers as are vested in the other courts in Malaysia.

As we are not the holder of the mining leases for the Chaah Mine and the Exploration Assets, none of our Group, our Directors or the directors of Honest Sam will be liable for any regulatory sanctions for any breach of the mining leases for the Chaah Mine and the Exploration Assets. Nevertheless, pursuant to the 2011 Mining Agreement (as varied and amended by the Supplementals), Honest Sam is contractually obligated to perform and observe the conditions stated in the mining leases for the Chaah Mine and the Exploration Assets. Our contractual obligations under the 2011 Mining Agreement (as varied and amended by the Supplementals) may also require us to pay tributes to the mining lease holders and royalties on a per tonne basis directly to the relevant state authority. In the event that we do not or are unable to fulfil our contractual obligations under such agreement, we may be liable to pay compensation and/or damages. There is also a risk that our 2011 Mining Agreement (as varied and amended by the Supplementals) will be terminated and/or the Mining Leases will be revoked. If our 2011 Mining Agreement (as varied and amended by the Supplementals) or the Mining Leases are revoked, our investment in the development of the mine sites will be lost and we may be required to indemnify the counterparty to the mining operator agreements against all losses and damages and our business, results of operations and financial condition may be materially and adversely affected. During the Relevant Period, none of the circumstances described above has occurred. However, there is no assurance that it will not happen in the future.

Significant fluctuations in prices of the minerals that we mine will affect our revenue and earnings

Our revenue and earnings are dependent on the sales of our iron ore products which are highly sensitive to changes in the price of iron ore. The prices we agree with our customers for our products are dependent on movements in the international benchmark prices of the minerals that we mine. Such benchmark prices (such as the Platts Iron Ore Index for pricing of iron ore products) may fluctuate significantly on a daily basis, are cyclical, difficult to forecast and affected by numerous factors beyond our control such as global demand and supply situations which are in turn affected by global economic activities, speculative activities and expectations of other market participants on the forward direction of such prices. Additionally, any changes in the regulations in countries that produce the products that we mine may affect the prices of such products.

A substantial decline in the international benchmark prices of the minerals that we mine may not only decrease our revenue, but also reduce the economic viability or the production levels of our mine or of projects planned or in development to the extent that production costs exceed anticipated revenue from such production. In particular, the international benchmark prices of iron ore are likely to be affected by the demand of steel in the PRC, which may be affected by the rate of economic growth in the PRC.

If the prices of our products are not as favourable as anticipated, we may (i) delay the sales of our products; (ii) delay exploration and development activities at our mine sites; and/or (iii) slow down the production levels and/or place our mine sites under care and maintenance.

Lower international benchmark prices of the minerals that we mine may also adversely impact the value of our Ore Reserves. Accordingly, the fair market value of our Mineral Resources and Ore Reserves as set out in the Independent Valuation Report may not reflect their actual value. While we study the historical trends in prices in assessing our business strategy, we currently do not

RISK FACTORS

have a hedging policy against fluctuations in the prices of our products. Additionally, there can be no assurance that the business strategies based on our predictions of the benchmark prices will be successful.

In the event of significant fluctuations in prices of the minerals that we mine, as witnessed by the fluctuation of iron ore prices between 2014 and 2018 which hit a low of approximately US\$40 per tonne at the end of 2015, our business, results of operations and financial condition may be materially and adversely affected.

Our access to the Chaah Mine is dependent on an arrangement between our Group and Sime Darby Plantation

Our access to the Chaah Mine is by way of a designated road (the “**Access Road**”) through a palm oil plantation owned by Sime Darby Plantation Berhad (“**Sime Darby Plantation**”). Our ability to use the Access Road is based on an arrangement between our Group and Sime Darby Plantation, pursuant to which Sime Darby Plantation allows Honest Sam to use the Access Road (the “**Access Arrangement**”) subject to certain conditions, including but not limited to Honest Sam’s undertaking to do maintenance works for the Access Road, paying Sime Darby Plantation such insurance coverage fees for up to an insured limit of RM2.0 million for public liability insurance specifically for the purpose of the Access Road usage, and providing a banker’s guarantee for an amount of RM150,000.00 to Sime Darby. In the event such Access Arrangement is terminated, or if Sime Darby Plantation breaches the Access Arrangement and/or the Access Arrangement is varied, we may lose access to the Chaah Mine or have to incur additional expenses to gain access to the Chaah Mine. In such event, our business, results of operations and financial condition may be materially and adversely affected.

We may be negatively affected by uncertainties in the global financial markets and the global economy

Our business is susceptible to the vagaries of the global financial markets. In the event of a global financial slowdown, crisis or global pandemic such as the COVID-19 outbreak, apart from potential lower sales, our customers may also not be able to obtain adequate access to credit, which could affect their ability to make timely payments. If our customers are not able to make timely payments, our accounts receivable and bad debts could increase. In addition, our business, results of operations and financial condition may be materially and adversely affected if key suppliers which we rely on are unable to provide us with the materials needed on a timely basis or on terms that we find acceptable. A global economic downturn could adversely affect our ability to obtain short-term and long-term financing. It could also result in an increase in the cost of our bank borrowings and affect our ability to borrow. The inability to access capital efficiently, on time, or at all, as a result of possible economic difficulties may materially and adversely affect our business, results of operations and financial condition. Save for the impacts due to the imposition of the Movement Control Orders as disclosed in the risk factor entitled “We are subject to risks related to the outbreak of COVID-19”, during the Relevant Period, we had not experienced any such circumstances described above which had a material adverse impact on our financials or operations.

Our business and prospects are dependent on the state of the steel manufacturing industry and pipe coating industry

Revenue from the sale of our iron ore products, and correspondingly, our business and prospects, are tied to the demand from the steel manufacturing and the pipe coating industries.

We sell crushed iron ore as raw materials to pipe coating companies. As these companies are principally engaged in the provision of pipe coating services in the offshore oil and gas industry,

RISK FACTORS

their operations and demand for our iron ore are dependent on the state of the offshore oil and gas industry, in particular, the level of activities in the exploration, development and production of oil and gas. These activities are affected by factors beyond our control, including fluctuations in oil and gas prices, and, more generally, the state of the global economy, which could have an impact on, among others, the supply of, demand for and price of oil. In the event of a decline in the level of activities in the exploration, development and production of oil and gas, the demand for pipe coating services will drop. This, in turn, will affect the demand for our iron ore and if we are unable to anticipate or effectively manage our business in the event of a decline in the demand for our iron ore from the pipe coating companies, our business, results of operations and financial condition may be materially and adversely affected. In 2014, the oil and gas industry experienced a downturn, which resulted in a lower demand for our pipe coating material and impacted our business, results of operations and financial condition.

We also sell iron ore concentrate to customers in the steel manufacturing industry and traders. Demand from the steel manufacturers and traders depend on, among others, the downstream demand from the manufacturing and real estate industries, steel prices, overcapacity of the steel manufacturers, and inventory levels. These factors are beyond our control and if we are unable to anticipate or effectively manage our business in the event of a decline in the demand for our iron ore concentrate from the steel producers, our business, results of operations and financial condition may be materially and adversely affected.

We rely on the discovery and development of additional Mineral Resources and Ore Reserves

According to the Independent Qualified Person, the current pit at the Chaah Mine has a mine life of seven (7) years. As such, our future success and growth in the medium to long-term will depend, in part, on our ability to discover additional Mineral Resources and/or Ore Reserves for the Chaah Mine and the Exploration Assets. We do not require exploration rights to conduct exploration activities at the Chaah Mine and the Exploration Assets as we already have the right to carry out exploration and mining operation at the Chaah Mine and the Exploration Assets pursuant to the 2011 Mining Agreement (as varied and amended by the Supplementals).

However, exploration of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may be unlikely to entirely eliminate. There can be no assurance that the exploration activities we undertake will result in the discovery of new Mineral Resources or Ore Reserves. Substantial capital expenditure and time may be required during which the capital cost and economic feasibility may change. Further, production output may be different from the estimates made initially.

If we are unable to discover new Mineral Resources or Ore Reserves from the Chaah Mine, the Exploration Assets and/or other mine sites that we subsequently acquired or obtained, our business, results of operations and financial condition may be materially and adversely affected.

We are subject to extensive Malaysian laws and regulations

Our operations are regulated by the federal and state laws and regulations in Malaysia, including those relating to corporate, investment, mining, trading and transportation of our iron ore, labour, environmental, safety and taxation matters. Such laws and regulations and their corresponding interpretation may sometimes be ambiguous. Our operations may be adversely affected by the adoption of new laws and regulations or changes to, or changes/differences in the interpretation and/or implementation of, existing laws and regulations or the conditions of the mining leases which could increase our costs of compliance and in turn may materially and adversely affect our

RISK FACTORS

business, results of operations, and financial condition. Any non-compliance with any of the terms of the mining leases or relevant mining laws and regulations may result in the state regulators exercising their statutory rights to revoke the mining lease.

Under the State Mineral Enactment, a mining lease holder is required to pay royalty on any mineral won and sold or intended for sale to the State Authority, except when the State Authority (i) grants a total or partial waiver of royalty on yearly basis; or (ii) by notification in the state Gazette, a commutation fee is imposed in place of royalty. The PTG had issued a letter dated 31 October 2019 to the Chaah ML Holder and a letter dated 18 November 2019 to Honest Sam (collectively, **“PTG Royalty Letters”**) which states that royalty for the iron ore produced at the Chaah Mine under ML 6/2014 and ML 9/2014 is payable on a quarterly basis with the first sum to be paid before 30 March 2020 with respect to iron ore produced in the months of December 2019, January 2020 and February 2020. The PTG Royalty Letters also state that based on the amount of iron ore produced in 2017, 2018 and up to August 2019, it is estimated that the average iron ore production for ML 6/2014 and ML 9/2014 in 2020 will be 450,000 mt and the estimated royalty payment would be RM4,050,000.00. Notwithstanding the said estimated royalty payable, the actual royalty payment is subject to the actual production by our Group and the market value of the mineral. The JMG will tabulate the royalties payable with reference to the total tonnage sold by our Group based on the monthly return submitted to the JMG which include our monthly sales and production based on the weighbridge record.

On 12 November 2019, the Chaah ML Holder’s LLO issued a letter to Honest Sam requiring Honest Sam to pay the estimated royalty payment and/or the actual royalty payment to the PTG (which is subject to the actual production and market value of the mineral at that time) in accordance with the payment period set out in the PTG Royalty Letters. All receipts of royalty payment made to the PTG must be submitted to the LLO and/or the Chaah ML Holder.

In view that the PTG Royalty Letters do not expressly indicate any royalty payable for the iron ore produced before December 2019, it could be inferred that the royalty with respect to iron ore produced prior to December 2019 is not payable. However, there is no assurance that the PTG will not subsequently request for the payment of royalty with respect to the said iron ore produced prior to December 2019 as there is no express waiver by the PTG of such royalty nor confirmation that such royalty is not required to be paid. Pursuant to a supplementary letter dated 25 November 2019 to the 2011 Mining Agreement (**“2019 Supplementary Letter”**), the Chaah ML Holder has agreed with Honest Sam to bear and pay all royalty with respect to iron ore produced prior to December 2019 and Honest Sam will not be required to make any payment for such royalty. As (i) the PTG Royalty Letters does not expressly indicate any royalty payable for the iron ore produced before December 2019; and (ii) the Chaah ML Holder has agreed to bear and pay all royalty with respect to iron ore produced prior to December 2019 pursuant to the 2019 Supplementary Letter, no provision has been made by our Group for the payment of royalty in respect of iron ore produced prior to December 2019. In the event that the Chaah ML Holder does not honour its contractual obligation pursuant to the 2019 Supplementary Letter, our Group may still be liable for the payment of the royalty with respect to iron ore produced prior to December 2019. For illustrative purposes only, if our Group had made royalty payment during the Period Under Review, our Group’s gross (loss)/profit would be RM(28.4) million, RM(19.3) million, RM57.1 million and RM35.5 million, while its gross (loss)/profit margin would be (44.4)%, (19.6)%, 30.2% and 44.5% for FY2017, FY2018, FY2019 and 1Q2020 respectively. Correspondingly, for illustrative purposes only, our Group (loss)/profit after tax would be RM(38.1) million, RM(21.5) million, RM83.4 million and RM24.9 million for FY2017, FY2018, FY2019 and 1Q2020 respectively.

RISK FACTORS

Further, the State Mineral Enactment provides that a mining lease holder is required to contribute annually to a rehabilitation fund that is established for the purpose of rehabilitation of mining lands (**“Rehabilitation Fund Contribution”**). However, the conditions in the Mining Leases do not expressly mention the requirement to contribute to the Rehabilitation Fund Contribution and due to this, Honest Sam has not made any Rehabilitation Fund Contribution. Pursuant to the 2019 Supplementary Letter, the Chaah ML Holder agreed with Honest Sam that the Rehabilitation Fund Contribution is not required to be made by Honest Sam under the Mining Leases and if any Rehabilitation Fund Contribution is required to be made pursuant to the Mining Leases, it shall be borne by the Chaah ML Holder and Honest Sam will not be required to make any such Rehabilitation Fund Contribution, whether required to be paid in the past or otherwise.

The PTG had issued a letter dated 18 December 2019 to Honest Sam (**“PTG Rehabilitation Fund Letter”**) requiring Honest Sam to pay the Rehabilitation Fund Contribution pursuant to Sections 129 to 130 of the State Mineral Enactment and Rules 82 to 83 of the State Regulations. The PTG Rehabilitation Fund Letter also states that the payment for the Rehabilitation Fund Contribution shall be for a period of five (5) years, from 2020 to 2024. Notwithstanding the 2019 Supplementary Letter where the Chaah ML Holder has agreed to bear any such Rehabilitation Fund Contribution, Honest Sam had issued a letter dated 24 April 2020 to the Chaah ML Holder (**“2020 Supplementary Letter”**), where Honest Sam agreed to pay the Rehabilitation Fund Contribution under the Mining Leases to the PTG from 2020 until the expiry of the Mining Leases or any extensions thereafter. The terms were agreed by the Chaah ML Holder stated in the 2020 Supplementary Letter, which was accepted by the LLO on behalf of the Chaah ML Holder pursuant to a letter dated 24 April 2020 issued by the LLO to Honest Sam. The 2019 Supplementary Letter and the 2020 Supplementary Letter between the Chaah ML Holder and Honest Sam are commercial arrangements between the mining lease holder and the mining operator, and do not contravene applicable Malaysian laws. Pursuant to Section 129(4) of the State Mineral Enactment, read together with Regulation 82(1) and the First Schedule of the Mineral Regulation 2012, the amount to be contributed shall be the higher of RM12,000.00 per year or 1.0% of the gross sales value of all minerals won (**“Contribution Based on Sales”**). Honest Sam had on 12 May 2020 made the required Rehabilitation Fund Contribution amounting to RM60,000.00 for the remaining duration of the lease of five (5) years from 2020 to 2024 in accordance with Regulation 82 read together with Item 10 of the First Schedule of the Mineral Regulation 2012, which requires a mining lease holder to make Rehabilitation Fund Contribution of RM12,000.00 per year. In the event the amount of Contribution Based on Sales exceeds RM12,000.00 in any year during the term of the lease from 2020 to 2024, the PTG may require Honest Sam to contribute the difference between such amount of Contribution Based on Sales and RM12,000.00 (**“Additional Contribution”**). The aforementioned Rehabilitation Fund Contribution of RM60,000.00 made by Honest Sam does not have a material impact on our Group’s financial performance, and our Group does not foresee any difficulty in paying any Additional Contribution in the event the amount of Contribution Based on Sales is greater than RM12,000.00 in any year, and further that such payments would not have a material impact on our Group’s financial performance.

In the event that the Chaah ML Holder does not make any royalty payments or rehabilitation fund contribution as agreed (**“Past Royalty and Rehabilitation Payment”**), Honest Sam may enforce its contractual rights under the 2011 Mining Agreement (as varied and amended by the Supplementals). However, as the Chaah ML Holder is the Ruler of a State in Malaysia, the prior consent of the Attorney General of Malaysia has to be obtained before any legal action can be taken against the Chaah ML Holder. Please refer to the risk factor above entitled “We are not the registered holder of the mining leases for the Chaah Mine and the Exploration Assets” for further details on this procedure. In the event that the Past Royalty and Rehabilitation Payment are required to be paid to the authorities and the Chaah ML Holder does not make Past Royalty and Rehabilitation Payment as agreed, our Group will have to make such payment and such payments may have a material impact to our Group’s financial performance.

RISK FACTORS

Please refer to section entitled “Government Regulations” of this Offer Document for more details on the government laws and regulations that our business operations are subject to.

We are exposed to the creditworthiness of our customers

Our performance is dependent on the creditworthiness of our customers. Material defaults in payment by our major customers may adversely affect our cash flow, and hence our business and results of operations. We generally extend credit terms of 14 to 60 days to our customers. There is no assurance that our customers will pay promptly within the terms and not default in the future, or that we will not experience cash flow problems as a result of any late payment or default. In addition, competition with other suppliers could force us to extend credit to customers on terms that could increase the risk of payment default. Should these events occur, our business, results of operations and financial condition may be materially and adversely affected. During the Relevant Period, we had not experienced any such circumstances described above which materially and adversely affected our business, results of operations or financial condition.

Our mining activities are subject to operational risks, hazards and unexpected disruptions

Our mining operations are subject to a number of operational risks and hazards which could delay the production and delivery of our iron ore products, increase our cost of mining or result in accidents at our mine sites. The Chaah Mine is operated as an open-pit mine where the products are extracted from the earth by their removal from an open pit. The walls of the pit will become progressively higher and steeper over the life of the mine as we remove more earth from the pit. Unanticipated geological structures, unmapped fault lines, damages to the walls caused by our blasting activities and uncontrolled surface water run-off caused by high rainfall may affect the stability of the walls of the pit. These may result in an increased geotechnical risk to the mine and create a safety risk for the staff working inside the pit.

Other risks and hazards, some of which are beyond our control, include unexpected maintenance or technical problems, periodic interruptions due to steep topography, inclement or hazardous weather conditions, natural disasters, tropical rainstorms, industrial accidents, power or fuel supply interruptions, critical equipment failure, and unusual or unexpected variations in geological or mining conditions.

These risks and hazards may result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, possible legal liability, damage to our business reputation and corporate image and, in severe cases, casualties.

Any disruption for a sustained period to the operations of our mine sites may materially and adversely affect our business, results of operations and financial condition. In addition, there is also no assurance that any future accidents will not materially and adversely affect our business, results of operations and financial condition.

During the Relevant Period, none of the circumstances described above has occurred.

We are subject to exploration, development and production risks

We face a variety of risks related to the exploration, development and production of our iron ore products. The results of exploration, development and production are uncertain and mining may involve unprofitable efforts, not only from areas where deposits are not found, but also areas that are productive but do not achieve sufficient revenues to return a positive cash flow or generate an acceptable return on our investment. Drilling hazards or unanticipated geological structures could also greatly increase our costs of operations. Additionally, we may be affected by unexpected and

RISK FACTORS

unavoidable departures from mining plans, long lead times, delays and price escalations in respect of required equipment (including excavators, shovels and hauling trucks), consumables (including explosives and other materials) and mining support services. Disruptions experienced at or arising from the Chaah Mine may also result in lower than planned productions or delays in the delivery of our iron ore products. In addition, mining operations often experience unexpected problems and delays during development, construction and mine start-ups, which delay the commencement of production, and may materially and adversely affect our business, results of operations and financial condition.

During the Relevant Period, none of the circumstances described above has occurred.

Our reported Mineral Resources and Ore Reserves described in the IQPR constitute estimates that are made and reported in accordance with the JORC Code and our Independent Valuation Report is subject to certain bases and assumptions

Our Mineral Resources and Ore Reserves described in the IQPR constitute estimates that are made in accordance with the JORC Code. The fair market value of our mining assets that has been assessed by the Independent Valuer is subject to certain bases and assumptions as stated in the Independent Valuation Report. Such bases and assumptions may be inherently uncertain and in the event that the bases and assumptions turn out to be inaccurate, this could result in the actual value of the mine being lower than that in the Independent Valuation Report, which could in turn have a negative impact in the value of our Shares. Mineral Resources and Ore Reserves estimates involve expressions of judgment based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including the quality of the results from geological mapping, drilling and analysis of samples, as well as the procedures adopted by and the experience of the person making the estimates. There can be no assurance that the Mineral Resources or Ore Reserves estimates are accurate, or that the resource estimates will translate into reserves. The actual Mineral Resources and Ore Reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below or above our estimated levels. Estimates of our Mineral Resources or Ore Reserves may also change significantly when new information becomes available or new factors arise which change the assumptions underlying the resource estimates. There is no assurance that the anticipated tonnage and grades will be achieved, or that there is insignificant variance in the quality of the ore, or that our Ore Reserves can be mined or processed profitably, or at all. Lower market prices, increased production costs, reduced recovery rates and other factors may render our Mineral Resources and Ore Reserves uneconomical to exploit and may result in the revision of our Ore Reserves estimates from time to time and our business, results of operations and financial condition may be materially and adversely affected.

We may be involved in legal, regulatory and other proceedings arising out of our business and operations, and may incur substantial costs arising therefrom

Disputes may arise from time to time between mining lease holders or operators and other parties involved in the mining operations (such as customers, contractors, suppliers and workers). These disputes may lead to legal or other proceedings and may result in substantial costs, delays in production and exploration schedules and the diversion of resources and management's attention. If we are involved in such disputes, we may incur substantial losses and face significant liabilities, regardless of the outcome.

Additionally, we are required to comply with certain requirements imposed by law and/or the regulators in Malaysia. Such requirements are generally operational in nature and we may not have complied with certain operational requirements in the past. We have since rectified and/or procured the rectification of such past acts. While we have not been sanctioned for such past non-compliances, such rectifications do not, on their own, cure or grant us immunity from

RISK FACTORS

prosecution by the authorities for the past breaches. Regulatory actions may also be brought against us in the course of our mining operations. Such proceedings could result in penalties and/or imprisonment imposed on us and/or our management, cessation of operations at our mine sites and/or forfeiture of our mine sites, and our business, results of operations and financial condition may be materially and adversely affected. Please refer to the section entitled “Government Regulations” of this Offer Document for further details.

During the Relevant Period, there were no past incidents whereby our Group’s business, results of operations and financial condition were materially and adversely affected as a result of the above circumstances.

We may not be able to operate effectively and efficiently if we fail to retain our Executive Director or attract and retain other qualified senior executives and skilled professional staff

Our success has been, and will continue to be, heavily dependent upon the collective efforts of our Executive Director, Dato’ Sri Pek and our management team, who had built our business and have been instrumental in our development. We rely on the expertise and experience of our Executive Director and our management team, who play a pivotal role in our daily operations. While our Executive Director, Dato’ Sri Pek, and our CFO, Mr. Lim, have entered into the Service Agreement and the Appointment Agreement with our Company respectively, there can be no assurance that they will continue to be employed by us, or that we will be able to attract and retain other qualified senior executives. If we lose the services of any of these key individuals and are unable to suitably replace them in a timely manner, our business, results of operations and financial condition may be materially and adversely affected.

Additionally, our business requires skilled personnel and professional staff in the areas of exploration, production, operations, finance and accounting. While we generally do not face difficulties recruiting unskilled workers, competition for such skilled personnel and professional staff is intense and stems primarily from similar businesses in the mining industry. We also expect to require more skilled engineers, technicians, mining workers and operators of specialised equipment with the proposed expansion of our business. As demand increases, shortages of qualified personnel may occur from time to time. These shortages could result in the loss of qualified personnel to competitors, impair our ability to attract and retain qualified personnel, impair the timeliness and quality of our products and create an upward pressure on personnel costs, any of which may materially and adversely affect our business, results of operations and financial condition.

The mining leases for our Mining Assets may not be renewed or extended

Generally, mining activities may only be conducted at sites which have valid mining leases. Once a mining lease expires, mining activities at the particular site must cease, unless application for renewal of the mining lease has been made in accordance with the terms of the mining lease and the provision of the State Mineral Enactment. As such, our ability to continue mining operations at economically viable mine sites depends, in part, on the timely renewal of the mining leases for such sites.

Although the State Mineral Enactment provides that a mining lease may be granted for a duration of up to a maximum period of 21 years, our Directors believe that the tenure of mining leases in Malaysia in practice may be shorter than 21 years. In relation to our mining leases at the Chaah Mine, our Directors believe that the mining leases do not pose any business viability concerns for our Group in view of the following:

- (a) the mining leases for the Chaah Mine, which is presently our only operating mine, have remaining terms of approximately four (4) years until 22 March 2024. Nevertheless, pursuant

RISK FACTORS

to the approval letter issued by the State Authority on the mining leases on the Chaah Mine, the Chaah ML Holder was given approval for 25 years until 22 March 2039, although the present mining leases were only issued for 10 years initially. Subsequent extension of the mining leases is procedural in nature and will be submitted to and approved by DLM. Our Directors and management are of the opinion that application for the subsequent extension will only be submitted to the relevant authorities approximately 12 months prior to 22 March 2024 as any earlier application will typically not be processed by the relevant authorities. The remaining approval granted by the State Authority for the Chaah Mine is well above its mine life of seven (7) years as estimated by the Independent Qualified Person in the IQPR set out in “Appendix D – Independent Qualified Person’s Report” to this Offer Document;

- (b) our Directors believe that we have a good professional relationship with the Chaah ML Holder who will procure all the renewal of the mining leases on a timely basis as, *inter alia*, (i) we have maintained a good operation and production track record at the Chaah Mine since 2008; and (ii) we have not had any disputes with the Chaah ML Holder;
- (c) the mining leases for the Chaah Mine were successfully extended by the Chaah ML Holder for 10 years in March 2014 until March 2024 and there have been no past incidences of rejection of applications for the renewal of the mining leases for the Chaah Mine that our Group is aware of;
- (d) the legal advisers to our Company on Malaysian law, Jeff Leong, Poon & Wong, has advised that the renewals for the mining leases may be granted provided the conditions stipulated in the State Mineral Enactment are duly complied with, subject to the discretion of the DLM; and
- (e) Jeff Leong, Poon & Wong has advised that so long as the applications for the renewal of the mining leases are made at least 12 months prior to the expiry of the mining leases and the State Mineral Enactment and the terms and conditions specified in the mining leases are complied with, the mining leases for a mine site shall remain valid until the renewal application is determined by the DLM.

While there were no past incidences of non-renewal of the mining leases for the Chaah Mine during the Relevant Period and nothing has come to our attention that a renewal of such mining leases will not be obtained, there is no assurance that the Chaah ML Holder will be able to obtain a renewal of such mining leases or in a timely manner or on terms satisfactory to him, or at all. If the Chaah ML Holder is unable to renew the mining leases for the Chaah Mine, our mining operations will have to cease at the Chaah Mine, and our business, results of operations and financial condition may be materially and adversely affected.

In relation to the mining leases for the Exploration Assets, such mining leases have remaining terms of approximately three (3) to four (4) years. As at the Latest Practicable Date, our Group has not commenced any operations or undertaken any formalised exploration activities at the Exploration Assets. As at the Latest Practicable Date, nothing has come to our attention that a renewal of the mining leases by the Chaah ML Holder for the Exploration Assets will not be obtained. Nevertheless, in the event that we commence operating activities at the Exploration Assets and the Chaah ML Holder is unable to renew the mining leases, our mining operations will have to cease and our business, results of operations and financial condition may be materially and adversely affected.

Please refer to the sections entitled “General Information on Our Group – The Chaah Mine” and, “General Information on our Group – Exploration Assets” and “General Information on our Group – Material Licences, Permits, Registrations and Approvals” of this Offer Document for more information.

RISK FACTORS

Our business operations may be materially and adversely affected if we fail to comply with laws, regulations and conditions stipulated in any licences, permits, registrations or approvals, and/or are unable to obtain, maintain and/or renew the required licences, permits, registrations and approvals

As a pre-requisite for carrying out our business operations, we are required to comply with relevant laws and regulations and obtain certain licences, permits, registrations and approvals from various governmental authorities in Malaysia. Please refer to the sections entitled “Government Regulations” and “General Information on our Group – Material Licences, Permits, Registrations and Approvals” of this Offer Document for a summary of the key laws and regulations affecting our Group and the key licences, permits, registrations and approvals obtained as at the Latest Practicable Date.

Some of these licences, permits, registrations and approvals are subject to periodic renewal and reassessment by the relevant authorities, and the standards of compliance required in relation thereto may from time to time be subject to changes. New laws, regulations or policies may also be adopted. Our Group is subject to regulatory inspections for the renewal of certain licences, permits, registrations and approval. To the best of our knowledge, the relevant authorities have not raised any adverse material findings to our Group that will cause the delay or rejection in the application for the renewal of those licences, permits, registrations and approvals.

For instance, pursuant to Malaysia’s National Mineral Policy 2 to encourage exploration and a beneficial expansion of the mineral industry in Malaysia, there is currently no restriction on foreign equity participation in investing in the mineral sector. However, there is no assurance that the National Mineral Policy 2 will not be changed in the future. Any restriction on foreign investment in the Malaysian mining or mineral industry in the future may materially and adversely affect our business, results of operations and financial condition. As at the Latest Practicable Date, our Directors are not aware of any proposal to impose a restriction on foreign investment.

While we have not encountered any instances of failure to obtain or renew any licences, permits, registrations or approvals required for the operation of our business during the Relevant Period, obtaining, retaining, renewing or altering the terms of the necessary licences, permits and registrations or approvals can be a complex and time consuming process, and may involve substantial costs or the imposition of unfavourable conditions. There can also be considerable delay in obtaining the necessary licences, permits, registrations and approvals and in certain cases, the relevant authority may be unable to issue or alter the terms of a licence, permit, registration or approval which is required in good time. There is no assurance that we will be able to obtain renewed licences, permits, registrations and approvals upon their expiration in a timely manner, or at all. There is also no assurance that the eligibility criteria for such licences, permits, registrations and approvals will not be changed. Any failure to obtain or renew such licences, permits, registrations and approvals as planned, or any requirement for a more stringent compliance standard may cause delay in our production or exploration plans, and thereby have a material and adverse effect on our business, results of operations and financial condition. Furthermore, in the event that we identify prospective mine assets or resources for acquisition in the future, there is no assurance that the mining rights can be successfully obtained.

Additionally, the required licences, permits, registrations and approvals are generally subject to conditions and relevant laws and/or regulations. Failure to comply with such conditions, laws or regulations could result in us being penalised, the revocation or non-renewal of the relevant licence, permit, registration or approval, the termination of the mining operator agreements and/or us being required to indemnify the counterparty to the mining operator agreement against all losses and damages pursuant to a breach of the term of the mining operator agreement requiring us to be in compliance with all relevant laws. There is also no assurance that the interpretation of conditions imposed under our licences, permits, registrations or approvals will remain unchanged.

RISK FACTORS

Accordingly, we have to constantly monitor and ensure our compliance with such conditions, laws or regulations. Any adoption of new laws or regulations or any subsequent modifications of, additions or new restrictions to the current compliance standards may increase our costs of compliance, which may adversely affect our profitability.

During the Relevant Period, none of the circumstances described above has occurred.

We are required to comply with environmental laws and regulations in our mining operations

Our operations are subject to extensive Malaysian laws and regulations, including environmental, health and safety laws and regulations. These laws and regulations set various standards regulating aspects of safety controls and health and environmental quality (including waste treatment, emissions and disposals of waste).

Environmental protection and rehabilitation requirements may increase our costs and cause delays depending on the nature of activity permitted and the interpretation of applicable requirements implemented by the permitting authority. Please refer to the risk factor entitled “We are subject to extensive Malaysian laws and regulations” for more details on the Rehabilitation Fund Contribution. Before a mine site can be closed, we may also face additional costs and risks arising from such mine closures, including reforestation and rehabilitation of land, or compliance with other environmental protection or safety issues. The successful completion of these tasks is dependent on our ability to adhere to applicable laws, rules and regulations as may be implemented by the relevant government authorities.

The introduction of any new laws and regulations, imposition of more stringent licencing requirements, increasingly strict enforcement or new interpretations of existing laws, or the discovery of previously unknown contamination may require further expenditure to modify operations, perform site clean ups, cease or curtail certain operations, or may lead to increased costs. It may also lead to delayed or reduced exploration, development or production activity. In such event, our business, results of operations and financial condition may be materially and adversely affected.

During the Relevant Period, none of the circumstances described above has occurred.

We may face increased or incremental costs relating to our operations

We have invested, and will continue to invest, in mining, processing and exploration activities and infrastructure. Our current and planned expenditures on such projects may be subject to unexpected problems, costs and delays, and the economic results and actual costs of these projects may differ from our anticipated estimates.

We rely on suppliers and contractors to provide materials and services in conducting our exploration and production activities. Any competitive pressures on our suppliers and contractors, or substantial increases in the worldwide prices of commodities, could result in a material increase of costs for the materials and services required to conduct our business. We may also incur various unanticipated costs, such as those associated with personnel, transportation, government taxes and compliance with environmental and safety requirements.

We may also face risks in relation to changes to applicable laws and regulations or compliance which may make our mining operations more expensive than previously estimated. Personnel costs, including salaries, are increasing as the standard of living rises, and as demand for suitably qualified personnel in the mining industry increases. If our operating costs increase and we cannot

RISK FACTORS

increase our production efficiency to offset any such increase, our business, results of operations and financial condition may be materially and adversely affected.

We face competition for new mining assets

We face competition for new mining assets from competitors, who are also engaged in similar businesses or are prospecting for similar opportunities. Certain competitors may be better positioned to pursue new expansion or extraction and development opportunities, and/or possess competitive advantages, including relationships with the state government or holders of mining leases. Please refer to the section entitled “General Information on Our Group – Competition” of this Offer Document for more details on our competitors. In the event that we are not able to compete effectively against our competitors for these opportunities, our future business, results of operations and financial condition may be materially and adversely affected. During the Relevant Period, we had not experienced any such circumstances described above which had a material and adverse impact on our business, results of operations or financial condition.

Our mining activities are subject to regulatory risks in relation to occupational safety and health

The OSHA requires every employer to, among others, ensure so far as is practicable, the worksite safety, health and welfare of all its employees and conduct its undertaking in such a manner as to ensure, so far as is practicable, that it and other persons, not being its employees, who may be affected thereby, are not exposed to risks to their safety or health. Failure to comply with the OSHA will result in the employer being liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding two (2) years or to both. Our Directors have confirmed that our Group has not committed any offence or been convicted under the OSHA.

However, there is no assurance that accidents on our mine sites will not occur which will result in breaches under the OSHA that will attract fines or cause imprisonments of responsible persons and in such event, it may materially and adversely affect our reputation, business, results of operations and financial condition. Please refer to the section entitled “Government Regulations” of this Offer Document for more details on the OSHA. Any breach of the OSHA may materially and adversely affect our business, results of operations and financial condition. During the Relevant Period, none of the circumstances described above has occurred.

Our business expansion plans may not succeed

Our business expansion plans include conducting further exploration activities at the Chaah Mine and our Exploration Assets and expansions through acquisitions, joint ventures and strategic alliances. We may also acquire other businesses or assets that are complementary to our business. We do not have specific timetables for these plans and there can be no assurance that we will be successful in carrying out these plans. Moreover, we may be required to obtain various regulatory approvals and/or permits from relevant authorities in order to explore and develop to establish new Mineral Resources or Ore Reserves. Future acquisitions and expansion plans may expose us to potential risks, including risks associated with the assimilation of new technologies, businesses and personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from our existing business and the inability to generate sufficient revenues to offset the costs and expenses of such acquisition. There is no assurance that new Mineral Resources or Ore Reserves will be successfully established at a reasonable cost or within a reasonable period of time or at all, or that they will generate the expected economic returns.

In addition, if a project proves not to be economically feasible by the time we are able to exploit it, we may incur substantial losses or write-offs. Potential changes or complications involving

RISK FACTORS

metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible.

If our expansion plans are delayed, do not succeed, or fail to deliver the expected economic benefits, we may not be able to sustain our current levels of production beyond the remaining life of the Chaah Mine. Accordingly, our business, results of operations and financial condition may be materially and adversely affected.

We are subject to risks relating to the economic, political, legal or social environment in Malaysia

Our business, earnings, asset values, prospects and the value of our Shares may be materially and adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxation, expropriation, social instability and other political, legal, economic or diplomatic developments in or affecting Malaysia, where applicable. We have no control over such conditions and developments and can provide no assurance that such conditions and developments will not have a material adverse effect on our operations or the price of or market for our Shares.

Specifically, our business, results of operations and financial condition may be materially and adversely affected by:

- (a) changes in Malaysian government regulations concerning restrictions on production, price controls, export controls, taxation, ownership and expropriation of property, environmental or mine and health safety;
- (b) imposition of additional restrictions on currency conversions and remittances abroad;
- (c) Malaysian laws, regulations and policies affecting the mineral industry;
- (d) industrial disruptions; and
- (e) economic growth or slowdown.

Terrorist attacks and other acts of violence or war may negatively affect the Malaysian economy and may also adversely affect financial markets globally. These acts may also result in a loss of consumer confidence, decrease the demand for our products and ultimately adversely affect our business. In addition, any such activities in Malaysia or its neighbouring countries in Southeast Asia might result in concerns about stability in the region, which may materially and adversely affect our business, results of operations and financial condition.

Our operations may be affected by natural disasters and other events beyond our control

Severe weather conditions such as heavy rainfall and natural disasters such as landslides, fire hazards, floods and other events including outbreaks of communicable diseases such as COVID-19, SARS, MERS, H1N1, which are beyond our control may require us to evacuate personnel or cease operations. Such occurrences may result in damage to our mine sites, equipment or facilities or prevent our employees from working on-site, which could in turn result in the temporary suspension of operations or a reduction in our productivity. Please refer to the risk factor entitled “We are subject to risks related to the outbreak of COVID-19” for more details on the impact of COVID-19 on our Group.

While the tailings ponds at our mine site have been built to withstand the expected amount of rainfall, flooding at our mine site caused by prolonged periods of heavy rainfall may cause the

RISK FACTORS

discharge at the tailings ponds to overflow and seep into the areas surrounding our mine site. This may cause our Group to be in breach of environmental requirements relating to water management and tailings discharges.

Heavy rainfall could also disrupt the delivery of supplies, equipment and fuel to our mine sites. During periods of curtailed activity due to adverse weather conditions, natural disasters or other events beyond our control, we may have to continue to incur operating expenses despite production slowing or ceasing altogether. Any damages to our projects or delays in our operations caused by severe weather conditions, natural disasters or other events beyond our control may affect mining and production levels, and accordingly may materially and adversely affect our business, results of operations and financial condition. We have, in the past, been affected by rainfall, which resulted in our Group being able to work only for a limited number of hours in a day and/or a temporary stoppage of works.

During the Relevant Period, save as disclosed above, none of the circumstances described above has occurred.

We may require further financing for our growth

Our ability to obtain any debt financing required in the future depends on the prevailing economic conditions, our on-going performance, the general condition of the market for the minerals that we mine, and the acceptability of the financing terms offered. The majority of these facilities have variable interest rates and accordingly, any increase in such interest rates will have a material and adverse effect on our business, results of operations and financial condition.

We may also require additional debt financing to fund our activities in the future, including our growth plans, which are set out in the section entitled “General Information on our Group – Business Strategies and Future Plans” of this Offer Document. In the event that the costs of implementing our growth plans exceed our funding estimates significantly or if we come across opportunities to grow through expansion plans which cannot be predicted at this juncture, and the funds generated from our operations and net proceeds raised from the Placement prove insufficient for such purposes, we may need to raise additional funds to meet these funding requirements. We will consider obtaining such funding from new issuance of equity, debt instruments, and/or external bank borrowings, as appropriate. In addition, we may need to obtain additional equity or debt financing for other business opportunities that our Group deems favourable to our future growth and prospects. Funding through the new issuance of equity will lead to a dilution in the shareholding interests of our Shareholders. Additional debt financing may restrict our freedom to operate our business as new debt covenants may:

- (a) increase our vulnerability to general adverse economic and industry conditions;
- (b) limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- (c) require us to dedicate a portion of our cash flow from operations to payments of our debts, which would consequently reduce the availability of our cash flow to fund capital expenditures, working capital requirements and other general corporate purposes; and/or
- (d) limit our flexibility in planning for, or reacting to, changes in our business and our industry.

When planning for financing as well as expenses and earnings for our operations, we need to take into account various factors such as the expected interest charges to be incurred, the risk of recall of loans and the possibility that financial institutions may require that we provide additional

RISK FACTORS

security for our loans. Any variation in any of the factors mentioned above may lead to a corresponding change to our estimated expenses, including the cost of financing and earnings.

We cannot assure you that additional financing will be available when needed or that, if available, such financing may be obtained on terms and interest rates that are acceptable to us. In the event that we are unable to obtain acceptable financing, we may not be able to undertake certain new mining exploration and operation activities and our business, results of operations and financial condition may be materially and adversely affected.

Our operations may have negative impacts on local communities

The operations of our Group may pollute the areas surrounding our mine sites, which may impact the revenue and livelihoods of the members of the local communities who use the area. In addition, the local communities may become disenchanted from in-migration and disturbance to traffic from mine operations as well as loss of jobs which occurs after a mine is closed. If we are unable to deal with all these social issues properly, our business, results of operations and financial condition may be materially and adversely affected.

During the Relevant Period, none of the circumstances described above has occurred.

We are affected by foreign exchange controls in Malaysia

The FEA Rules in Malaysia regulate capital flows into and out of the country in order to preserve its financial and economic stability. The FEA Rules are formulated by the BNM and administered by the Foreign Exchange Administration, an arm of the BNM. The FEA Rules regulate both residents and non-residents. Under the current FEA Rules and additional notices issued by the BNM, non-residents are free to repatriate any amount of funds from Malaysia at any time, including divestment proceeds, profits, dividends, or any income arising from investment in Malaysia, provided that such repatriation is carried out in a foreign currency. Such repatriation of funds will be subject to the applicable withholding tax. There is no assurance that BNM will not introduce any restrictions in the future which will affect our ability to remit monies or profits to or from Malaysia, in the form of dividends or otherwise. Please refer to the risk factor entitled “Reliance on operations of and dividends from our Malaysian subsidiary” and the section entitled “Exchange Controls” of this Offer Document for more details.

Reliance on operations of and dividends from our Malaysian subsidiary

Our Company is a holding company without operations of its own or significant assets other than the ownership of 100.0% of the issued and paid-up ordinary share capital of our subsidiary. Accordingly, an important source of our Company’s income will be dividends and other distributions from our subsidiary. Our subsidiary has its operations in Malaysia. As a consequence, our Company’s ability to obtain dividends or other distributions is subject to, among other things, restrictions on dividends under applicable local laws and regulations, and foreign exchange regulations of Malaysia. Our subsidiary’s ability to pay dividends or make other distribution to our Company is also subject to them having sufficient funds from their operations which are legally available for the payment of such dividends or distributions. As our Company will be a shareholder of our subsidiary, our Company’s claims will generally rank junior to all other creditors of and claims against our subsidiary. In the event of the liquidation of our subsidiary, there may not be sufficient assets for our Company to recoup its capital in our subsidiary.

RISK FACTORS

We cannot accurately predict our future decommissioning and/or rehabilitation obligations

We have assumed certain obligations in respect of the decommissioning and/or rehabilitation of our mine site. These obligations may arise:

- (a) contractually, pursuant to the mining operator agreement that we have entered into, which may require us to (i) remove or cause to be removed from the mining lands, the mining plants and machinery within the agreed time frame upon the termination of the mining operator agreements or the expiry of the mining lease; and (ii) clean up the mine site before surrendering it; or
- (b) pursuant to the State Mineral Enactment.

These obligations are derived from legislative and regulatory requirements concerning the decommissioning of mine site and production facilities, and require us to contribute to a common rehabilitation fund.

Our Group did not make regular provision(s) in our financial statements as there were no legal obligations for our Group to assume any obligations for the decommissioning and/or rehabilitation of the mine site. Notwithstanding the 2019 Supplementary Letter, Honest Sam will be paying the Rehabilitation Fund Contribution under the Mining Leases to the PTG from 2020 until the expiry of the Mining Leases or any extensions thereafter, pursuant to the PTG Rehabilitation Fund Letter and the 2020 Supplementary Letter. Please refer to the risk factor entitled “We are subject to extensive Malaysian laws and regulations” for more details on the Rehabilitation Fund Contribution.

Any significant increase in the actual or estimated decommissioning and/or rehabilitation costs that we may incur may materially and adversely affect our business, results of operations and financial condition.

Our business is capital intensive

Our business is capital intensive. While we currently possess the required infrastructure to conduct our mining and processing activities at the Chaah Mine, we may, in the future, be required to invest capital in connection with our intention to conduct further exploration activities at the Chaah Mine or commence exploration activities at the Exploration Assets and if required, construct processing facilities at such sites. Please refer to the section entitled “General Information on our Group – Business Strategies and Future Plans” for more information on our future plans. We have, in the past, funded our capital expenditure programme primarily through, among others, cash flow from operations, equity injections, shareholder borrowings and bank loans. There is no assurance that we will be able to generate adequate cash flow from our current operations, and external funding may not be available at the level required by our Group, on a timely basis, on terms acceptable to us, or at all. Some of our expansion plans may also require greater investment than currently anticipated. In the event that we do not have access to sufficient funding, or are not able to achieve our target production levels and generate sufficient cash flow, or if we are unable to raise financing when needed through investments, loans or other financing alternatives in a timely manner, on commercially satisfactory terms, or at all, our ability to carry out our business activities will be affected.

We may rely on third parties for manpower and to provide exploration and processing services

Historically, we have outsourced some of our exploration and processing activities pursuant to contracts entered into with third parties. We may continue to outsource such activities to third parties following our Listing on Catalist.

RISK FACTORS

Our operations are and will be affected by the performance of such third parties. Although we monitor the work of such third party contractors to ensure that the work is carried out on time, on budget and to specification, we may not be able to control the quality, safety and environmental standards of the work done by such contractors to the same extent as when the work is performed by our own employees. Any failure by such third party contractors to meet our Group's quality, safety and environmental standards or any under-performance or non-performance by these third party contractors could affect our Group's compliance with the relevant Malaysian laws and regulations relating to exploration, mining and workers' safety and may also result in liabilities to other third parties, which in turn may materially and adversely affect our Group's business, results of operations and financial condition. Moreover, any failure by us to maintain the relationships and retain the services of such third party contractors on favourable terms, or obtain replacements on favourable terms or at all may materially and adversely affect our Group's business, results of operations and financial condition.

During the Relevant Period, none of the circumstances described above has occurred.

We are reliant on an adequate and timely supply of our production input such as water and electricity

Water and electricity are key components of our business operations. We source our water from natural run-off and pumping from a retention pond. Any change in weather condition that results in unstable or reduced rainfall or any other event that results in a shortage of water may have an adverse effect on our production abilities. As at the Latest Practicable Date, we rely on electricity generated from on-site diesel generators for our operations at the Chaah Mine.

We require access to reliable power and water sources to ensure that our operations are not disrupted. If our existing electricity or water supply is disrupted and we are unable to find alternative sources of electricity or water at a price that is reasonable to us, within a reasonable time, or at all, our business, results of operations and financial condition may be materially and adversely affected.

During the Relevant Period, none of the circumstances described above has occurred.

We are dependent on the availability of reliable transport and right of access to roads

We engage transportation contractors to transport some of our iron ore products from the Chaah Mine to our stockpile areas, ports and/or customers. Our iron ore products are bulky, heavy and difficult to transport in large quantities and we rely on trucks owned and operated by third parties. We are also reliant on private and public roads to access to the Chaah Mine. Please refer to the risk factor entitled "Our access to the Chaah Mine is dependent on an arrangement between our Group and Sime Darby Plantation" for more details.

We may be unable to access the transportation systems we currently use or alternative transportation systems as a result of natural disasters, accidents or other events beyond our control. Any failure by us to obtain reliable transport at a reasonable cost and access to the roads required for our operations will affect our ability to produce and deliver our products to our customers and may, accordingly, may materially and adversely affect our business, results of operations and financial condition. In addition, fluctuations in transportation costs may have a detrimental effect on the profit margins for our sales and our business, results of operations and financial condition may be materially and adversely affected.

During the Relevant Period, none of the circumstances described above has occurred.

RISK FACTORS

We employ foreign workers for our mining operations

We and our contractors may hire workers from countries such as Indonesia and China. Section 5 of the Employment (Restriction) Act 1968 of Malaysia prohibits a person from employing a non-citizen in Malaysia unless a valid employment permit has been obtained in favour of the non-citizen. The Employment (Restriction) Act 1968 of Malaysia also provides that an employment permit is valid for a period not exceeding two (2) years unless cancelled or suspended, whichever is the earlier. The employment of foreign workers is also subject to the approval of the Malaysian Ministry of Home Affairs, which may impose conditions on, among others, the number, position, duration of employment, and the country of origin of the foreign workers.

Any changes in the regulations and policies in Malaysia to reduce the number of foreign workers permissible to be employed, reduce the duration of the employment permit, restrict the countries of origin of foreign workers, restrict the industries that foreign workers are allowed to work in, or increase of foreign worker levies may adversely affect the operations and profitability of our contractors, and in turn, our business, results of operations and financial condition may be materially and adversely affected. During the Relevant Period, we have not breached any regulations by the relevant authorities in relation to our hiring of foreign workers and none of the circumstances described above has occurred.

We are exposed to foreign exchange risks

We are exposed to foreign exchange translation risk and risks associated with US\$ denominated pricing of some of our purchases as our functional currency is RM. In addition, the proceeds to be raised from the Placement will be denominated in S\$ while our intended uses of proceeds are likely to be denominated in RM. To the extent that our proceeds, revenue and operating costs and/or purchases are not entirely matched in the same currency and to the extent that there are timing differences between invoicing and collection of payment, as the case may be, we are exposed to any appreciation of the US\$ and/or the depreciation of the S\$ against the RM. Any significant adverse fluctuation of the US\$ and S\$ against RM may materially and adversely affect our business, results of operations and financial condition.

Moreover, our Shares are traded in S\$. Accordingly, any fluctuation in the exchange rates between the currencies may have an impact on the value of our Group's reported earnings, NAV and other financial measures in RM terms. This, in turn, may affect the market price of our Shares.

We do not usually enter into fixed or long-term contracts with our suppliers

Our major suppliers include suppliers of heavy equipment and diesel. We have also entered into an agreement with a third party to operate one (1) of the two (2) beneficiation plants at the Chaah Mine. Please refer to the risk factor entitled "We are dependent on the services provided by Xin Her Mining" and the section entitled "General Information on our Group – The Chaah Mine" for details of the agreement that we entered into with Xin Her Mining.

Save for the aforementioned agreement, we do not usually enter into any fixed or long-term contract with any of our suppliers and/or contractors. There is therefore no assurance that our suppliers and/or contractors will continue to provide their respective services to us and/or on terms that are favourable to us. The terms of services provided by our suppliers and contractors are susceptible to changes with regard to, among others, pricing, timing and quality. In the event of any termination of or changes in the current arrangements with our suppliers and contractors for any reason, and if we are unable to (i) source for alternative suppliers or contractors that can provide us the relevant services in a timely manner and on commercially acceptable terms, or (ii) mobilise our own resources to provide the required services, our business, results of operations and financial condition may be materially and adversely affected.

RISK FACTORS

We are dependent on the services provided by Xin Her Mining

Xin Her Mining operates one (1) of the two (2) beneficiation plants at the Chaah Mine, which processes approximately half of the iron ore concentrate we produce. Although we have entered into an agreement with Xin Her Mining for such services, in the event Xin Her Mining ceases to act as our contractor, ceases its operations, fails or delays to comply with any of its obligations pursuant to the Letter of Award, or is not able to provide such services at a competitive rate in the future, our business, results of operations and financial condition may be materially and adversely affected. Please refer to the section entitled “General Information on Our Group – Chaah Mine” and “General Information on Our Group – Our Major Suppliers” for more information in relation to Xin Her Mining.

We may not be adequately insured against our operational risks and our insurance coverage may not cover all types of operational risks

We face various risks in connection with our operations. Under the terms of the 2011 Mining Agreement (as varied and amended by the Supplementals), specific types of insurances must be maintained by us and which our Group has maintained as required. Please refer to the section entitled “General Information on Our Group – Insurance” for details on our insurance coverage. However, there is no assurance that such insurance coverage is sufficient to insure us against all the types of business risks and hazards that we may face, such as loss of key personnel, business interruption, third party liability insurance against claims for environmental disasters, property damage, personal injury and environment related liabilities. Additionally, not all types of operational risks may be insured. We have limited insurance coverage in relation to the occurrence of natural disasters or acts of God. We are also subject to the risk of increased premiums or deductibles, reduced coverage, and additional or expanded exclusions in connection with our existing insurance policies. We may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage, which may materially and adversely affect our business, results of operations and financial condition. During the Relevant Period, none of the circumstances described above has occurred.

We have negative working capital for the Period Under Review

As at 31 July 2018, we recorded negative working capital of approximately RM0.8 million. However, our Group recorded positive working capital of approximately RM80.9 million and RM102.3 million as at 31 July 2019 and 31 October 2019 respectively. Notwithstanding the foregoing, in the event that we record negative working capital in the future and we do not have sufficient internal resources and are unable for any reason, to raise additional capital, debt or other financing to fund our financial obligations, our business, results of operations and financial condition may be materially and adversely affected. Please see the sections entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position – Liquidity and Capital Resources” and “Working Capital” of this Offer Document for more information.

RISKS RELATING TO INVESTMENT IN OUR SHARES

Our main operations and significant assets are located in Malaysia and it may be difficult to enforce a Singapore judgment against our Group or management

Our main operations and assets are located in Malaysia. Accordingly, Shareholders may encounter difficulties if they wish to make a claim against our Group, or wish to enforce a judgment against the assets of our Group. Additionally, our Executive Director and Executive Officer are non-residents of Singapore and substantially all the assets of these persons are located outside Singapore. As a result, it could be difficult for investors to effect service of process in Singapore if they wish to make a claim or to enforce a judgment obtained in Singapore against our Executive Director or Executive Officer. It may also be difficult for investors to take legal action against our Directors outside of Singapore, and the costs of bringing such action may be prohibitive.

RISK FACTORS

In particular, under Malaysian law, judgments entered into by non-Malaysian courts are not enforceable in Malaysia, unless it is a judgment of a superior court of a reciprocating country (as listed in the First Schedule of the Reciprocal Enforcement of Judgment Act 1958 of Malaysia) which has been registered in Malaysia pursuant to an application to register the same (provided that there is no successful application to set aside such registration). A registered foreign judgment has the same force and effect as a judgment of the High Court in Malaysia. While Singapore is a country listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958 of Malaysia, a successful application nonetheless has to be made by the investor to register such a Singapore judgment in the High Court of Malaysia before it can be enforced.

Further, in order to pursue a claim entirely in Malaysia against us or any officer or director, an investor would have to bring a separate action or claim in Malaysia.

While a non-Malaysian judgment could be introduced as evidence in a court proceeding in Malaysia, a Malaysian court would be free to examine new issues arising in the case. Thus, to the extent that investors succeed in bringing legal actions against us or in registering foreign judgments in Malaysia, remedies available to them may be limited.

Our Directors will retain significant control over our Group after the Placement, which will allow them to influence the outcome of matters submitted to Shareholders for approval

Upon the completion of the Placement, Dato' Sri Pek will own, directly and indirectly, in aggregate approximately 70.3% of our Company's post-Placement share capital. As a result, he will be able to exercise significant influence over matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. He will also have veto power with respect to any shareholders' action or approval requiring a majority vote except where it is required by any law, rule or regulation to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may not benefit Shareholders.

Investment in shares quoted on Catalist involves a higher degree of risk and can be less liquid than shares quoted on the Mainboard of the SGX-ST

An application has been made for our Shares to be listed for quotation on Catalist, a listing platform designed primarily for fast-growing and emerging or smaller companies. An investment in shares quoted on Catalist tends to carry a higher risk than an investment in shares quoted on the Mainboard of the SGX-ST and the future success and liquidity in the market of our Shares cannot be guaranteed.

Investors in our Shares would face immediate and substantial dilution in the NAV per Share and may experience future dilution

Our Placement Price of 25.00 cents per Share is higher than our pro forma NAV per Share as at 31 October 2019 of 12.60 cents (based on the pro forma NAV per Share as at 31 October 2019 as adjusted for the net proceeds from the issue of the Placement Shares and as referred to in the section entitled "Placement Statistics" of this Offer Document). If we are liquidated immediately following the Placement, each investor subscribing for and/or purchasing the Placement Shares may receive less than the price he paid for the Shares. In addition, we intend to grant Awards to our employees and Directors pursuant to the Plan. To the extent that Award Shares are issued pursuant to the exercise of Awards granted under the Plan, there will be dilution to investors in this Placement. Please refer to the section entitled "Dilution" of this Offer Document for further details.

RISK FACTORS

Investors may not be able to participate in future issues of our Shares

If we offer our Shareholders rights to subscribe for additional Shares or any rights of any other nature, we will have discretion as to the procedure to be followed in making the rights available to our Shareholders or in disposing of the rights for the benefit of our Shareholders and making the net proceeds available to our Shareholders. We may choose not to offer the rights to our Shareholders having an address outside Singapore. Accordingly, Shareholders who have a registered address outside Singapore may be unable to participate in rights offerings and may experience a dilution in their shareholdings as a result.

Additional funds raised through issuances of new Shares for future growth will dilute Shareholders' equity interests

We may in the future expand our capabilities and business through acquisitions, joint ventures, strategic partnerships and alliances with parties who can add value to our business. We may require additional equity funding after the Placement to finance future acquisitions, joint ventures, strategic partnerships and alliances, which may result in a dilution of the equity interest of our Shareholders.

Future sales or issuances of our Shares could materially and adversely affect our Share price

Any future sale or issuance of our Shares may have a downward pressure on our share price. The sale of a significant amount of our Shares in the public market after the Placement, or the perception that such a sale may occur, could materially and adversely affect the market price of our Shares. These factors may also affect our ability to sell or issue additional equity securities. Except as otherwise described in the section entitled "Shareholding and Ownership Structure – Moratorium" of this Offer Document and subject to applicable laws and regulations, there is currently no restriction on our Controlling Shareholder to sell Shares, either on the SGX-ST or otherwise.

In addition, our Share price may be under downward pressure if certain Shareholders sell their Shares upon the expiry of their moratorium periods.

There has been no prior market for our Shares and the Placement may not result in an active or liquid market and there is a possibility that our Share price may be volatile

Prior to the Placement, there has been no public market for our Shares. Although we have made an application to the SGX-ST to list our Shares on Catalist, there is no assurance that an active trading market for our Shares will develop, or if it develops, be sustained. There is also no assurance that the market price for our Shares will not decline below the Placement Price. The market price of our Shares could be subject to significant fluctuations due to various external factors and events, many of which are beyond our control, including the liquidity of our Shares in the market, differences between our actual financial or operating results and those expected by investors and analysts, general market conditions and broad market fluctuations.

Our Share price may be volatile in future which could result in substantial losses for investors purchasing Shares pursuant to the Placement

The trading price of our Shares may fluctuate significantly and rapidly after the Placement as a result of, among others, the following factors, some of which are beyond our control:

RISK FACTORS

- (a) variations in our operating results;
- (b) changes in securities analysts' estimates of our financial performance;
- (c) additions or departures of our key management personnel;
- (d) material changes or uncertainty in the political, economic and regulatory environment in the markets that we operate;
- (e) worsening of the benchmark prices for our products or market outlook of the demand and supply of our products;
- (f) fluctuations of stock market prices and volume;
- (g) announcements by us of significant acquisitions, strategic alliances or joint ventures;
- (h) successes or failures of our efforts in implementing business and growth strategies;
- (i) involvement in litigations; and
- (j) changes in general economic and stock market conditions.

The actual performance of our Company may differ materially from the forward-looking statements in this Offer Document

This Offer Document may contain forward-looking statements, which are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside our control. Furthermore, our revenue and financial performance are dependent on a number of external factors, including demand for our services which may decrease for various reasons, such as increased competition within the industry or changes in applicable laws and regulations. We cannot assure you that these assumptions will be realised and our actual performance will be as projected.

Negative publicity including those relating to any of our Directors, Executive Officer or Controlling Shareholder may materially and adversely affect our Share price

Any negative publicity or announcements relating to any of our Directors, Executive Officer or Controlling Shareholder may materially and adversely affect the market perception or the performance of our Shares, whether or not it is justifiable. Examples of these include unsuccessful attempts in joint ventures, acquisitions or take-overs, or involvement in insolvency proceedings.

We may not be able to pay dividends in the future

Our Company has indicated Proposed Dividends for FY2020, FY2021 and FY2022. Please refer to the section entitled "Dividend Policy" of this Offer Document for more details. However, our ability to declare dividends to our Shareholders will depend on, *inter alia*, our future financial performance and distributable reserves of our Company, which, in turn, will depend on us successfully implementing our strategies and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand for and selling prices of our products and services and other factors specific to our industry, many of which are beyond our control. In the event that our Company enters into any loan agreements in the future, covenants therein may also limit when and how much dividends we can declare and pay. Additionally, the terms of any debt

RISK FACTORS

instruments and credit facilities which our subsidiary enters into may impose certain restrictions on our subsidiary's right to declare dividends. As such, there is no assurance that our Company will be able to pay dividends to our Shareholders after the completion of the Placement.

Certain provisions of the Take-over Code could have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our Shares

We are subject to the Take-over Code. The Take-over Code contains provisions that may delay, deter or prevent a future take-over or change in control of our Company. Under the Take-over Code, except with the consent of the Securities Industry Council of Singapore, any person acquiring an interest, either individually or together with parties acting in concert, in 30.0% or more of our voting shares must extend a take-over offer for our remaining voting shares in accordance with the Take-over Code. Except with the consent of the Securities Industry Council of Singapore, such a take-over offer is also required to be made if a person holding between 30.0% and 50.0% of the voting rights in our Company, either individually or in concert, acquires additional voting shares representing more than 1.0% of our voting shares in any six (6)-month period. While the Take-over Code seeks to ensure an equality of treatment among shareholders, its provisions could substantially impede the ability of our Shareholders to benefit from a change of control and, as a result, may adversely affect the market price of our Shares and the ability of our Shareholders to realise any benefit from a potential change of control.

PLACEMENT STATISTICS

Placement Price	25.00 cents
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NAV

NAV per Share based on the unaudited pro forma combined statements of financial position of our Group as at 31 October 2019 after adjusting for the issue and allotment of the PPCF Shares ("**Adjusted NAV**"):

- | | |
|---|-------------|
| (a) before adjusting for the estimated net proceeds from the issue and allotment of the Placement Shares and based on our Company's pre-Placement share capital of 433,000,000 Shares | 11.05 cents |
| (b) after adjusting for the estimated net proceeds from the issue and allotment of the Placement Shares and based on our Company's post-Placement share capital of 489,000,000 Shares | 12.60 cents |

Premium of Placement Price over the Adjusted NAV per Share as at 31 October 2019:

- | | |
|---|--------|
| (a) before adjusting for the estimated net proceeds from the issue and allotment of the Placement Shares and based on our Company's pre-Placement share capital of 433,000,000 Shares | 126.2% |
| (b) after adjusting for the estimated net proceeds from the issue and allotment of the Placement Shares and based on our Company's post-Placement share capital of 489,000,000 Shares | 98.4% |

EPS

EPS based on the total comprehensive income of our Group in the unaudited pro forma combined statements of comprehensive income for FY2019 and our Company's post-Placement share capital of 489,000,000 Shares (" Post-tax EPS ")	6.00 cents
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EPS based on the total comprehensive income of our Group in the unaudited pro forma combined statements of comprehensive income for FY2019 and our Company's post-Placement share capital of 489,000,000 Shares, assuming that the Service Agreement and the Appointment Agreement had been in place from the beginning of FY2019 (" Adjusted Post-tax EPS ")	5.77 cents
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EPS based on the profit before tax of our Group in the unaudited pro forma combined statements of comprehensive income for FY2019 and our Company's post-Placement share capital of 489,000,000 Shares (" Pre-tax EPS ")	4.12 cents
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EPS based on the profit before tax of our Group in the unaudited pro forma combined statements of comprehensive income for FY2019 and our Company's post-Placement share capital of 489,000,000 Shares, assuming that the Service Agreement and the Appointment Agreement had been in place from the beginning of FY2019 (" Adjusted Pre-tax EPS ")	3.82 cents
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PLACEMENT STATISTICS

PER

PER based on the Placement Price and the Post-tax EPS based on the unaudited pro forma combined statements of comprehensive income of our Group for FY2019	4.2 times
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PER based on the Placement Price and the Adjusted Post-tax EPS based on the unaudited pro forma combined statements of comprehensive income of our Group for FY2019, assuming that the Service Agreement and the Appointment Agreement had been in place from the beginning of FY2019	4.3 times
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PER based on the Placement Price and the Pre-tax EPS based on the unaudited pro forma combined statements of comprehensive income of our Group for FY2019	6.1 times
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PER based on the Placement Price and the Adjusted Pre-tax EPS based on the unaudited pro forma combined statements of comprehensive income of our Group for FY2019, assuming that the Service Agreement and the Appointment Agreement had been in place from the beginning of FY2019	6.5 times
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Net Cash Flow from Operating Activities

Net cash flow from operating activities per Share based on the unaudited pro forma combined statements of cash flows of our Group for FY2019 and our Company's post-Placement share capital of 489,000,000 Shares	2.49 cents
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Net cash flow from operating activities per Share based on the unaudited pro forma combined statements of cash flows of our Group for FY2019 and our Company's post-Placement share capital of 489,000,000 Shares, assuming that the Service Agreement and the Appointment Agreement had been in place from the beginning of FY2019	2.20 cents
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Price to Net Cash from Operating Activities Ratio

Ratio of Placement Price to pro forma net cash flow from operating activities per Share for FY2019 based on our Company's post-Placement share capital of 489,000,000 Shares	10.0 times
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Ratio of Placement Price to pro forma net cash from operating activities per Share for FY2019 based on our Company's post-Placement share capital of 489,000,000 Shares, assuming that the Service Agreement and the Appointment Agreement had been in place from the beginning of FY2019	11.4 times
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Market Capitalisation

Our market capitalisation based on the Placement Price and our Company's post-Placement share capital of 489,000,000 Shares	\$122.25 million
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DILUTION

Dilution is the amount by which the Placement Price to be paid by subscribers and/or purchasers of our Shares in this Placement exceeds the NAV per Share immediately after the completion of the Placement. Our unaudited pro forma NAV per Share as at 31 October 2019 adjusted for the Restructuring Exercise and the issue and allotment of the PPCF Shares but before adjusting for the estimated net proceeds from the issue of the Placement Shares and based on our Company's pre-Placement issued and paid-up share capital of 433,000,000 Shares, was approximately 11.05 cents per Share.

Pursuant to the Placement in respect of 76,000,000 Placement Shares at the Placement Price, our pro forma NAV per Share as at 31 October 2019 after adjusting for the Restructuring Exercise, the issue and allotment of the PPCF Shares and the estimated net proceeds due to our Company from Placement and based on our Company's post-Placement share capital of 489,000,000 Shares would have been 12.60 cents. This represents an immediate increase in pro forma NAV per Share of 1.55 cents to our existing Shareholders and an immediate dilution in pro forma NAV per Share of 12.40 cents or approximately 49.6% to our new Shareholders.

The following table illustrates the dilution on our pro forma NAV per Share⁽¹⁾ as at 31 October 2019:

	Cents
Placement Price	25.00
Pro forma NAV per Share ⁽¹⁾ adjusted for the Restructuring Exercise and the issue and allotment of the PPCF Shares but before adjusting for the estimated net proceeds from the Placement and based on our Company's pre-Placement share capital of 433,000,000 Shares	11.05
Increase in pro forma NAV per Share ⁽¹⁾ attributable to existing Shareholders	1.55
Pro forma NAV per Share ⁽¹⁾ after adjusting for the Restructuring Exercise, the issue and allotment of PPCF Shares and the estimated net proceeds due to our Company from the Placement and based on our Company's post-Placement share capital of 489,000,000 Shares	12.60
Dilution in pro forma NAV per Share ⁽¹⁾ to new Shareholders post-Placement	12.40
Dilution in pro forma NAV per Share ⁽¹⁾ to new Shareholders post-Placement	49.6%

Note:

(1) Pro forma NAV per Share based on the unaudited pro forma combined statements of financial position of our Group as at 31 October 2019.

DILUTION

The following table summarises the total number of Shares (as adjusted for the Restructuring Exercise) that have been acquired by and/or issued to our existing Shareholders since our incorporation, the total consideration paid by them and the average effective cash cost per Share paid by our existing Shareholders in respect of such Shares, and the price per Share to be paid by our new public Shareholders pursuant to the Placement:

	Number of Shares acquired by such Shareholder (as adjusted for the Restructuring Exercise)	Total consideration (S\$)	Average effective cash cost per Share (cents) ⁽¹⁾
Directors			
Dato' Sri Pek	363,780,000 ⁽²⁾	49,382,073 ⁽³⁾	13.57 ⁽¹⁾
Dato' Teh	30,100,000	4,085,987 ⁽³⁾	13.57 ⁽¹⁾
Substantial Shareholders (other than Directors)			
Dato' Lee	30,100,000	4,085,987 ⁽³⁾	13.57 ⁽¹⁾
Other Shareholders			
Mr. Lim	6,020,000	817,197 ⁽³⁾	13.57 ⁽¹⁾
PPCF	3,000,000	750,000	25.00
New public Shareholders	76,000,000	19,000,000	25.00

Note:

- (1) Based on the exchange rate as at the Latest Practicable Date of RM3.0686 to S\$1.00.
- (2) Refer to the total number of Shares acquired by Dato Sri' Pek pursuant to the Restructuring Exercise (as adjusted for the Share Split), which also include the Vendor Shares.
- (3) The total consideration paid by each shareholder has been calculated based on their respective shareholding interests in Honest Sam and the aggregate consideration paid by our Company for the acquisition of such shareholding interests pursuant to the Restructuring Exercise. The total consideration was satisfied by the transfer of all their respective shareholding interests in Honest Sam to our Company.

Save as disclosed above and in the sections entitled "Restructuring Exercise" and "Share Capital" of this Offer Document, none of our Directors, Substantial Shareholders or their associates has acquired any Shares during the period of three (3) years prior to the date of lodgement of this Offer Document.

DIVIDEND POLICY

PAST DIVIDENDS

Our Company was incorporated on 19 September 2019 and has not distributed any dividends on our Shares since incorporation.

On 15 July 2017, our subsidiary, Honest Sam, declared an interim dividend-in-specie of 800,000 ordinary shares in Aras Kuasa which amounted to RM100,000 at 9.1 sen per ordinary share. Such dividend-in-specie were paid in FY2017.

On 11 August 2017, our subsidiary, Honest Sam, distributed accounting equity by way of an interim dividend of RM835,250 at 8.35 sen per ordinary share. Such dividends were paid in August 2017.

On 7 August 2019, our subsidiary, Honest Sam, declared an interim dividend of RM8,900,000 at RM0.89 per ordinary share ("**FY2019 Interim Dividend**"). Such dividends were paid in August 2019. On 10 December 2019, our subsidiary, Honest Sam, declared a final dividend of RM17,390,000 at RM15.81 per ordinary share, to its shareholders ("**FY2019 Final Dividend**"). The FY2019 Final Dividend was paid on 19 December 2019.

Please also refer to the section entitled "Restructuring Exercise" of this Offer Document for other dividends declared by Honest Sam pursuant to the Restructuring Exercise. In conjunction with the Restructuring Exercise, our subsidiary, Honest Sam, declared a dividend of RM100,000 to our CPS holder at 13.64 sen per CPS on 10 December 2019. Such dividends were paid on 19 December 2019.

Save as disclosed, Honest Sam has not declared or paid any dividends in respect of each of the last three (3) financial years ended 31 July 2017, 2018 and 2019 and the period from 1 August 2019 to the Latest Practicable Date.

DIVIDEND POLICY

We currently do not have a fixed dividend policy. The form, frequency and amount of future dividends that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors:

- (a) the level of our cash and retained earnings;
- (b) our actual and projected financial performance;
- (c) our projected levels of capital expenditure and other investment plans;
- (d) our working capital requirements and general financing condition;
- (e) restrictions on payment of dividends imposed on us by our financing arrangements (if any);
and
- (f) the general economic and business conditions in countries in which we operate,

("Dividend Factors").

We may declare dividends by way of an ordinary resolution of our Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by our Directors. The

DIVIDEND POLICY

declaration and payment of dividends will be determined at the sole discretion of our Directors, subject to the approval of our Shareholders. Our Directors may also declare an interim dividend without the approval of our Shareholders. All dividends will be paid in accordance with the Companies Act. Payment of any dividends shall be in S\$.

Subject to the above, our Directors intend to recommend and distribute dividends of (i) not less than 10.0% of our Group's NPAT for FY2020; (ii) not less than 15.0% of our Group's NPAT for FY2021; and (iii) not less than 20.0% of our Group's NPAT for FY2022 ("**Proposed Dividends**").

However, investors should note that all the foregoing statements, including the statements on the Proposed Dividends, are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) at our Directors' sole and absolute discretion. The form, frequency and amount of future dividends will depend on the Dividend Factors. Any dividends declared will be disclosed in our Company's financial results announcement as required under Appendix 7C of the Catalist Rules.

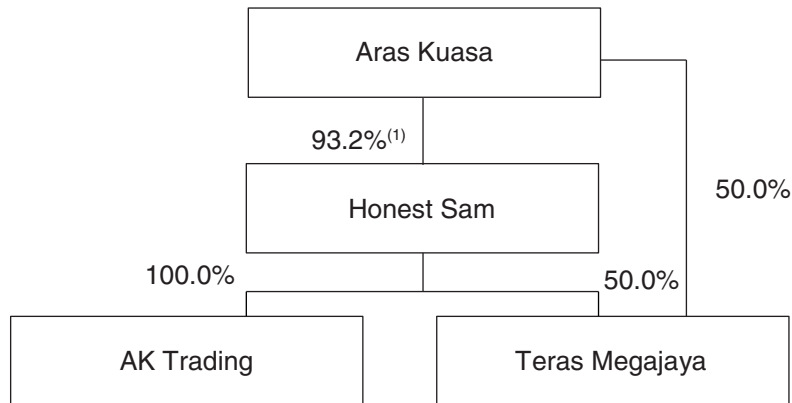
The amount of dividends declared and paid by us in the past should not be taken as an indication of the dividends payable in the future. Investors should not make any inference from the foregoing statements as to our actual future profitability or our ability to pay any future dividends. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

For information relating to taxes payable on dividends, please refer to "Appendix H – Taxation" to this Offer Document.

RESTRUCTURING EXERCISE

In connection with the Placement, we undertook the Restructuring Exercise to rationalise and streamline our Group.

Prior to the Restructuring Exercise, our Group's structure was as follows:



Note:

- (1) The remaining 6.8% in Honest Sam was represented by the CPS issued to the Bumiputera Shareholder. Following the completion of the share consolidation by Honest Sam on 4 November 2019, the CPS represents 40.0% of the total shares of Honest Sam.

The Restructuring Exercise involved the following:

1. Striking off of AK Trading

AK Trading previously owned the machinery used by our Group. In connection with the proposed listing and to streamline our Group's structure and assets, the director of AK Trading passed a resolution on 31 July 2018 for AK Trading to cease its business operation as a trading company with immediate effect. On 1 May 2018, another resolution was passed to terminate the leasing licence which was granted to AK Trading by the Labuan FSA on 6 January 2012 ("**Leasing Licence**") to conduct leasing transactions with Honest Sam. Further, on 18 May 2018, AK Trading has passed a resolution agreeing to surrender the Leasing Licence to the Labuan FSA. AK Trading's name was struck off from the register with effect from 4 September 2019. The machinery of AK Trading was distributed to its shareholder, Honest Sam.

2. Consolidation of the 10,000,000 ordinary shares in Honest Sam into 1,100,000 ordinary shares

On 4 November 2019, Honest Sam undertook a share consolidation of its ordinary shares, pursuant to which Honest Sam consolidated 10,000,000 ordinary shares into 1,100,000 consolidated ordinary shares.

RESTRUCTURING EXERCISE

3. Divestment of Teras Megajaya

Teras Megajaya was not a principal subsidiary of our Group and its only assets were non-mining related properties. In connection with the proposed listing and to streamline our Group's structure and assets, Honest Sam had on 5 November 2019 declared a dividend-in-specie of 100 sen per share of its entire shareholding of approximately 50.0% in Teras Megajaya to its shareholder, Aras Kuasa, at the book value of RM1,000,000.00. Pursuant to the payment of the aforementioned dividend-in-specie on 5 November 2019, Teras Megajaya ceased to be an investment in a joint venture company of our Group.

In connection with the divestment of Teras Megajaya, our Group entered into a lease agreement with Teras Megajaya for the lease of our office premise at Level 8, Menara Zenith, Jalan Putra Square 6, Putra Square, Kuantan, Pahang. Please refer to the sections entitled "General Information on Our Group – Properties and Fixed Assets" and "Interested Person Transactions – Present and Ongoing Interested Person Transactions" of this Offer Document for more details on this lease agreement.

4. Disposal of non-mining real property and other non-core assets

In connection with the proposed listing and to streamline our Group's structure and assets, Honest Sam had on 5 November 2019 (i) declared and paid a dividend-in-specie of RM0.73 sen per ordinary share of its non-core assets of 32 prime mover trailers owned by Honest Sam to its shareholder, Aras Kuasa, based on the net book value of such prime mover trailers as at 31 July 2019 of approximately RM8,000; and (ii) declared and paid a dividend-in-specie of RM10.83 per ordinary share of all its non-mining real property (the "**Non-mining Real Property**"), including a plot of freehold land, to its shareholder, Aras Kuasa, based on the net book value of such real property as at 31 July 2019 of RM11.92 million.

5. Distribution of dividend-in-specie by Aras Kuasa of Honest Sam

On 12 December 2019, Aras Kuasa declared a distribution of dividend-in-specie to divest its entire shareholding in Honest Sam to its shareholders. Upon completion of such distribution in specie, the beneficial owners of Honest Sam were as follows ("**Existing HS Shareholders**"):

Name	Number of Shares	Percentage Shareholding
Dato' Sri Pek	930,600	84.6%
Dato' Teh	77,000	7.0%
Dato' Lee	77,000	7.0%
Mr. Lim	15,400	1.4%
Total	1,100,000	100.0%

6. Conversion of our Company into a public company

On 27 April 2020, our Company was converted into a public company limited by shares. In connection with such conversion, we changed our name to "Southern Alliance Mining Ltd."

RESTRUCTURING EXERCISE

7. Share swap

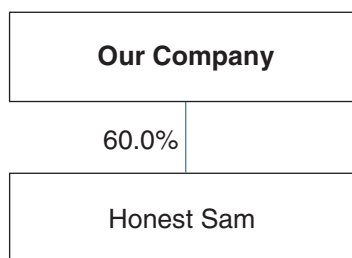
On 28 April 2020, our Company entered into an agreement (“**Share Swap Agreement**”) with the Existing HS Shareholders to acquire the entire ordinary shareholdings in Honest Sam from each of the Existing HS Shareholders for an aggregate consideration of approximately S\$58.4 million. The consideration was based on the net asset value of Honest Sam as at 31 October 2019 and was satisfied by the issue and allotment of an aggregate of 9,999,999 new Shares to the Existing HS Shareholders, in proportion with their shareholdings in Honest Sam. Upon the completion of the acquisition of Honest Sam on 12 May 2020, Honest Sam became a subsidiary of our Group.

8. Share Split

On 12 June 2020, the Share Split was effected and each of our Shares were sub-divided into 43 Shares. Pursuant to the Share Split, the issued and paid-up share capital of our Company became S\$58,365,539, comprising 430,000,000 Shares.

GROUP STRUCTURE

The following diagram summarises our Group structure as at the date of this Offer Document after the Restructuring Exercise:



The details of our subsidiary are as follows:

Name	Date and place of incorporation	Principal place of business	Principal business	Issued and paid-up capital	Proportion of shareholding interest held by our Company	Proportion of voting power held by our Company	Directors	Auditors
Honest Sam	5 April 2001/ Malaysia	Pahang, Malaysia	Mining operator and trader of iron ores and other minerals and quarry products	RM10,733,335 ⁽¹⁾	60.0% ⁽²⁾	100.0% ⁽²⁾	(i) Dato' Sri Pek Kok Sam (Chairman) ⁽³⁾ ; (ii) Mr. Pek Kok Hing; (iii) Dato' Amiruddin Bin Mohd Said ⁽⁴⁾ ; (iv) Mr. Harun Bin Abdullah ⁽⁴⁾	Ernst & Young Malaysia

Notes:

- (1) This represents the issued and paid-up capital of Honest Sam as at the Latest Practicable Date.
- (2) The mining leases of the Chaah Mine and the Exploration Assets contain conditions requiring (a) not less than two (2) persons who are Bumiputera to be appointed as directors of the company that conducts the mining activities, and (b) the Chaah Mine and the Exploration Assets to be operated by a company with at least 40.0% Bumiputera shareholding. In order to comply with these Bumiputera Conditions, Honest Sam had appointed two (2) persons who are Bumiputera as directors on 1 December 2014 ("**Bumiputera Directors**"), namely Dato' Amiruddin Bin Mohd Said and Mr. Harun Bin Abdullah, and issued and allotted 733,335 CPS to the Bumiputera Shareholder on 12 January 2015, in consideration of RM733,335.00 ("**CPS Consideration**"). On 20 July 2017, Honest Sam allotted 8,899,998 ordinary shares to Aras Kuasa and on 4 November 2019, a share consolidation exercise was undertaken to comply with the Bumiputera Conditions. As a result, as at the Latest Practicable Date, the Bumiputera Shareholder holds 40.0% of the shareholding interest in Honest Sam. To prevent a recurrence of the non-compliance of the Bumiputera Conditions, our Company has reminded Honest Sam's directors to ensure that the Bumiputera Conditions are to be met at all times. In addition, any matters relating to the issuance of new shares, share consolidation, share split shall also be approved by our Company's Board of Directors so as to monitor corporate actions taken by Honest Sam to minimise the risk of recurrence of such non-compliance. As the CPS do not vest the holder with voting rights (apart from that required under the constitution of Honest Sam or by law), 100.0% of the voting rights in Honest Sam will remain with our Company. In the event that the Bumiputera Conditions are no longer applicable, Honest Sam intends to exercise its right of conversion in connection with such CPS. The key terms of the CPS are as follows:
 - (i) Income: the CPS shall confer on the holder a right to receive dividends and bonus shares when, as and if declared by the board of directors of Honest Sam, on the basis that each CPS is deemed to be an ordinary share. Such dividends and bonus shares shall be payable out of the profits of Honest Sam resolved to be distributed in respect of a financial year without any rights in case of deficiency to resort to any reserves representing profits of the previous financial year or to profits of subsequent years. With effect from 31 July 2015, the dividends to which the CPS holders are legally entitled to shall be subject to an aggregate annual limit of RM100,000.00 in respect of all the CPS;

GROUP STRUCTURE

- (ii) Anti-dilution right: in the event of any new issuance of shares in the capital of Honest Sam, the CPS holder shall have the right to subscribe for such number of CPS in proportion to its shareholding in the capital of Honest Sam at the time of the new issuance so as to allow the holder of CPS to maintain its then existing proportion of shareholding in Honest Sam;
 - (iii) Conversion: all the existing CPS at the date of conversion shall be convertible at the sole discretion of Honest Sam, into one (1) ordinary share in the capital of Honest Sam upon payment by Honest Sam to the CPS holder of a nominal consideration of RM100.00. Honest Sam shall, at least 30 days prior to the conversion date, send to the holder of CPS a written notice specifying the conversion date;
 - (iv) Voting: subject to the provisions of the constitution of Honest Sam in relation to variation of class rights, the CPS holder shall not be entitled to attend or vote at any general meeting of Honest Sam;
 - (v) Transfers: the CPS are not transferable other than to the ordinary shareholders at the exercise of the option of the ordinary shareholders in proportion to their then existing shareholding in Honest Sam and at a total nominal consideration of RM100.00 for all the CPS then in issue, payable to the holders of all the CPS in the proportion of their respective holdings of the CPS; and
 - (vi) Repayment of capital: in the event of a liquidation, dissolution, winding up or return of capital of Honest Sam, the CPS shall not confer on the CPS holder the right to be paid in priority to the ordinary shareholders, and all the issued CPS shall be treated as if they have been converted into one (1) ordinary share and shall rank *pari passu* with other ordinary shares in Honest Sam. Save as aforementioned, the CPS shall not confer upon the holder any further right to participate in Honest Sam's profits or surplus assets.
- (2) It was agreed between Honest Sam and the Bumiputera Shareholder prior to the issue and allotment of the CPS to the Bumiputera Shareholder, that the nominal consideration of RM100.00 to be paid by Honest Sam to the Bumiputera Shareholder in the event of the conversion of all the existing CPS is a fair consideration as it was negotiated between independent parties on an arm's length basis. The factors that parties took into consideration during such negotiations include (i) the CPS Consideration of RM733,335.00 paid by the Bumiputera Shareholder was agreed on a willing-buyer willing-seller basis between Honest Sam and the Bumiputera Shareholder considering the share capital (and not net assets) of Honest Sam to satisfy the Bumiputera Conditions. For illustrative purposes only, the CPS was issued on 12 January 2015, while the net asset value of Honest Sam as at 31 July 2014 was approximately RM230.3 million, which far exceeded the CPS Consideration; (ii) by the time of the investment by the Bumiputera Shareholder, the existing shareholders of Honest Sam had committed resources (both financial and otherwise) in the exploration and development of the Chaah Mine. In addition, the Bumiputera Shareholder is a passive investor and is not actively involved in the day-to-day decision-making of the business of Honest Sam and the shareholders of Bumiputera Shareholder are neither involved in any executive role nor participate in the day-to-day operations of the Honest Sam; (iii) the Bumiputera Shareholder had taken a long term view on their investment, taking into account the reported Ore Reserves of the Chaah Mine; and (iv) taking into account the above factors. The intention of the parties were to allow the Bumiputera Shareholder to benefit from dividends through the ownership of the CPS for as long as the Bumiputera Conditions were in place by being entitled to the dividends when declared, notwithstanding the discount to valuation for the CPS Consideration as set out in (i) above, while allowing Honest Sam to satisfy the Bumiputera Conditions. Based on the foregoing, the conversion of the CPS when the Bumiputera Conditions no longer apply was agreed to be at a nominal value as the Bumiputera Shareholder had taken into account its potential returns on initial investment.
- (3) Pursuant to the existing constitution of Honest Sam, the chairman of the board of directors meeting shall have a second or casting vote in the event of an equality of votes. Honest Sam had on 21 January 2020 appointed Dato' Sri Pek as the chairman of Honest Sam's board of directors via a directors' resolution, where Dato' Sri Pek shall chair all board of directors' meeting and members general meeting from time to time until otherwise resolved. In addition, we also wish to emphasise that Dato' Sri Pek and Mr. Pek Kok Hing, being our Group's appointees in Honest Sam, hold executive positions in Honest Sam and are able to make day-to-day decisions of Honest Sam. On the contrary, the Bumiputera Directors do not hold any executive positions and have not been involved in the day-to-day operations since the inception of Honest Sam. Based on the foregoing, Dato' Sri Pek and Mr. Pek Kok Hing will be able to exercise control of the board of directors of Honest Sam.
- (4) Save for their directorships in Honest Sam and their shareholdings in the Bumiputera Shareholder, the Bumiputera Directors are not related, directly or indirectly, to our Group, our Directors, our Executive Officer and/or our Controlling Shareholder or any of their respective associates. The salient terms of the service agreements between Honest Sam and each of the Bumiputera Directors are as follows:
- (i) he shall be appointed as a non-executive director of Honest Sam from 1 December 2014 and shall serve on the board of directors of Honest Sam as a non-executive director for a term of three (3) years. Upon the expiry of the aforesaid initial term, the director shall continue to serve as a non-executive director on the board for an indefinite period until terminated by either party in accordance with the provisions of the service agreement;
 - (ii) Dato' Amiruddin Bin Mohd Said shall receive a monthly remuneration of RM36,000.00 and Mr. Harun Bin Abdullah shall receive a monthly remuneration of RM6,500.00. The difference in the monthly remuneration is mainly due to Dato' Amiruddin Bin Mohd Said's knowledge of the mining business and wider business network;
 - (iii) subject to (i) above, the services of the director may be terminated by either party giving the other party three (3) months' notice of termination in writing. The service agreement may be terminated by Honest Sam without the aforesaid notice if:
 - (a) he is guilty of any gross default or misconduct in connection with or affecting the business of Honest Sam;

GROUP STRUCTURE

- (b) he has committed any serious or repeated breach or has otherwise not observed any of the provisions contained in the service agreement;
 - (c) he shall be guilty of any default, misconduct or wilful neglect in the discharge of his duties hereunder or in connection with or affecting Honest Sam and/or the business of Honest Sam;
 - (d) he becomes bankrupt or commits an act of bankruptcy or has a petition for bankruptcy issued against him or makes any composition or enters into any deed of arrangement with his creditors or any similar circumstances or matters affecting him occur in Malaysia or any jurisdiction outside Malaysia;
 - (e) he is convicted of any offence (I) referred to in section 130(1)(a) to (c) of the CA 1965 (repealed and replaced by CA 2016); (II) under the Malaysian Penal Code; (III) punishable by imprisonment (other than an offence under road traffic legislation in Malaysia or elsewhere for which a fine or non-custodial penalty is imposed); (IV) under the Malaysian Capital Markets and Services Act 2007 or any offence relating to insider dealing or the securities industry; (V) which may adversely affect the prospects of Honest Sam's holding company or proposed holding company, as the case may be, in any public offering or listing; (VI) which may result in the business or business prospects of Honest Sam being adversely affected; or (VII) in any jurisdiction outside Malaysia similar to any of those referred to in (I) to (IV);
 - (f) he becomes of unsound mind or other proceedings are taken against him under the Mental Health Act 2001 or similar proceedings are taken against him in any other jurisdiction;
 - (g) he is absent from more than 50.0% of the total board meetings held during a financial year; or
 - (h) he is disqualified for any reason from acting as the director of Honest Sam.
- (iv) if the director shall at any time be incapacitated or prevented by illness, injury, accident or any other circumstances beyond his control (such incapacity or prevention being hereinafter referred to as the "incapacity") from discharging in full his duties hereunder for a total of 90 or more days in any 12 consecutive calendar months, Honest Sam may by notice in writing to the director given at any time so long as the incapacity shall continue:
- (a) discontinue payment in whole or in part of the monthly fee as provided in clause (ii) above on and from such date as may be specified in the notice until the incapacity shall cease; or
 - (b) whether or not payment shall already have been discontinued as aforesaid, determine the service agreement forthwith or on such date as may be specified in the notice.

The service agreements with the Bumiputera Directors do not contain any veto rights.

Save as disclosed above, our Group does not have any other subsidiaries or associated companies.

Our subsidiary, Honest Sam, is not listed on any stock exchange.

None of our Independent Directors sits on the board of our only subsidiary, Honest Sam.

SHARE CAPITAL

Our Company (Registration Number: 201931423D) was incorporated in Singapore on 19 September 2019 under the Companies Act as a private company limited by shares under the name of “Southern Alliance Mining Pte. Ltd.”. On 27 April 2020, our Company was converted into a public company limited by shares and our name was changed to “Southern Alliance Mining Ltd.”.

As at the date of incorporation, the issued and paid-up share capital of our Company was S\$1.00 comprising one (1) Ordinary Share held by Dato’ Sri Pek. As at the Latest Practicable Date, our issued and paid-up share capital was S\$1.00 comprising one (1) Share held by Dato’ Sri Pek.

Pursuant to the written resolutions passed on 27 April 2020 and 11 June 2020, our then Shareholders approved, among others, the following:

- (a) the conversion of our Company into a public company limited by shares and the consequential change of our name to “Southern Alliance Mining Ltd.”;
- (b) the adoption of a new Constitution;
- (c) the issue and allotment of 9,999,999 Shares in the share capital of our Company pursuant to the Restructuring Exercise;
- (d) the Share Split of 10,000,000 Shares in the issued and paid-up capital of our Company into 430,000,000 Shares;
- (e) (i) the issue and allotment of the New Shares which are the subject of the Placement; and (ii) the PPCF Shares to PPCF as part of the satisfaction of its management fees as the Sponsor and Issue Manager, which when allotted, issued and fully paid, will rank *pari passu* in all respects with the existing issued Shares;
- (f) the approval of the listing and quotation of all the issued Shares (including the Vendor Shares), the New Shares, the PPCF Shares and the Award Shares to be issued and allotted (if any) on Catalist;
- (g) the adoption of the Plan, details of which are set out in the sections entitled “Southern Alliance Mining Performance Share Plan” and “Appendix I – Southern Alliance Mining Performance Share Plan” to this Offer Document, and the authorisation of our Directors, pursuant to Section 161 of the Companies Act, to issue and allot Shares upon release of Awards granted under the Plan;
- (h) the adoption of the Shareholders’ Mandate;
- (i) the authorisation for our Directors, pursuant to Section 161 of the Companies Act and the Catalist Rules to at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit: (a)(i) issue (in addition to the New Shares) new Shares whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively “**Instruments**”) that might or would require new Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into new Shares; and (b) (notwithstanding this authorisation conferred may have ceased to be in force at the time of the issue of such new Shares) issue new Shares in pursuance of any Instruments arising from adjustments made to Instruments made or granted by our Directors while this resolution was in force, provided that such adjustments do not give the holders a benefit that a shareholder does not receive provided that:

SHARE CAPITAL

- (1) the aggregate number of new Shares (including new Shares to be issued in pursuance of the Instruments, made or granted pursuant to this authorisation) and Instruments to be issued pursuant to this authorisation shall not exceed 100.0% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of our Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of new Shares to be issued (including new Shares to be issued pursuant to the Instruments) other than on a pro rata basis to existing Shareholders shall not exceed 50.0% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of our Company (as calculated in accordance with sub-paragraph (2) below) or such other limit as may be prescribed by the Catalist Rules;
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of new Shares (including new Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (1) above, the percentage of new Shares that may be issued shall be based on the post-Placement issued share capital of our Company (excluding treasury shares and subsidiary holdings), after adjusting for: (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities; (b) new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this authority; and (c) any subsequent bonus issue, consolidation or sub-division of Shares; and
- (3) in exercising such authority, our Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of our Company; and
- (4) unless revoked or varied by our Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next annual general meeting of our Company or (ii) the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier.

For the purpose of this resolution and pursuant to Rules 806(3) and 806(4) of the Catalist Rules, the “post-Placement issued share capital” shall mean the total number of issued Shares of our Company (excluding treasury shares and subsidiary holdings) immediately after the completion of the Placement, after adjusting for: (i) new Shares arising from the conversion or exercise of any convertible securities; (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time such authority is given, provided that the options or share awards were granted in compliance with the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares; and

- (j) without prejudice to the generality of, and pursuant and subject to the approval of the general mandate to issue Shares set out in paragraph (i) above, authorisation of our Directors, pursuant to Section 161 of the Companies Act, to issue Shares other than on a pro rata basis, at a discount of not more than 10.0% to the weighted average price of the Shares for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on trades done on the preceding market day up to the time the placement or subscription agreement is signed), at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit, provided that (unless revoked or varied by our Company in general meeting) the authority so conferred in this paragraph (j) shall continue in force until the conclusion of the next annual general meeting

SHARE CAPITAL

of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier.

As at the date of this Offer Document, our Company has only one (1) class of shares, being ordinary shares. A summary of the Constitution of our Company relating to, among others, the voting rights of our Shareholders are set out in “Appendix F – Summary of Our Constitution” to this Offer Document. There are no founder, management or deferred shares.

The issued and paid-up share capital of our Company immediately after the Share Split and the issue and allotment of the PPCF Shares is S\$59,115,539 comprising 433,000,000 Shares. Please refer to the section entitled “Restructuring Exercise” of this Offer Document for more information on the Share Split. Upon the issue and allotment of the New Shares which are the subject of the Placement, the resultant issued and paid-up share capital of our Company will increase to S\$72,902,950 comprising 489,000,000 Shares.

Save for the Award Shares which may be granted under the Plan, no person has, or has the right to be given, an option to subscribe for or purchase any securities of our Company or our Subsidiary. As at the Latest Practicable Date, no option to subscribe for or purchase any Shares in our Company has been granted to, or was exercised by, any of our Directors or Executive Officer.

Details of the changes in the issued and paid-up share capital of our Company since the date of incorporation and the resultant issued and paid-up capital of our Company immediately after the completion of the Placement are set out below:

	Number of issued Shares	Issued and paid-up share capital (S\$)
Issued and paid-up Shares as at our incorporation	1	1
Issue of Shares pursuant to the Restructuring Exercise ⁽¹⁾	9,999,999	58,365,538
Issued and fully paid Shares immediately after the Restructuring Exercise ⁽¹⁾	10,000,000	58,365,539
After the Share Split	430,000,000	58,365,539
Issue of PPCF Shares	3,000,000	750,000
Issued and paid-up capital immediately before the Placement	433,000,000	59,115,539
Issue of New Shares pursuant to the Placement	56,000,000	13,787,411 ⁽²⁾
Issued and paid-up share capital immediately after the Placement	489,000,000	72,902,950

Notes:

- (1) Please refer to the section entitled “Restructuring Exercise” of this Offer Document for more details.
- (2) Of the total estimated listing expenses to be borne by our Company, approximately S\$0.2 million will be capitalised against share capital and the balance of the estimated listing expenses will be accounted for under our Group’s statements of comprehensive income.

SHARE CAPITAL

The issued and paid-up share capital and the Shareholders' equity of our Company after adjustments to reflect the Restructuring Exercise, the issue and allotment of the PPCF Shares, and the New Shares pursuant to the Placement are set forth below.

	As at Incorporation	After the Restructuring Exercise, the Share Split and the issue and allotment of the PPCF Shares	After the Placement
Issued and fully paid-up shares (number of shares)	1	433,000,000	489,000,000
Issued and fully paid-up share capital (S\$)	1	59,115,539	72,902,950 ⁽¹⁾
Preference shares (S\$) ⁽²⁾	–	238,848	238,848
Retained earnings (S\$)	–	45,508,163	44,814,529 ⁽³⁾
Merger reserve (S\$)	–	12,841,983	12,841,983
Total Shareholders' equity (S\$)	1	117,704,533	130,798,310

Notes:

- (1) Assuming a set-off of our Company's estimated listing expenses of approximately S\$0.2 million against our share capital.
- (2) This refers to the CPS. Please refer to the section entitled "Group Structure" of this Offer Document for details of the CPS.
- (3) Approximately S\$1.2 million of listing expenses have been recorded as expenses in FY2019 and 1Q2020 and assuming that the remaining listing expenses of approximately S\$0.7 million to be charged directly to our Group's combined statements of comprehensive income. Excludes part of the management fee of approximately S\$0.8 million payable to the Sponsor and Issue Manager pursuant to the Management Agreement which has been satisfied in full by the issue and allotment of the PPCF Shares to PPCF.

Save as set out in this section and in the sections entitled "Restructuring Exercise" and "General and Statutory Information – Changes in Share Capital" of this Offer Document, there were no changes in the issued and paid-up share capital of our Company and our subsidiary within the three (3) years preceding the Latest Practicable Date.

SHAREHOLDING AND OWNERSHIP STRUCTURE

The shareholdings of our Directors and Substantial Shareholders immediately before and after the Placement are set out below:

	Immediately before the Placement				Immediately after the Placement			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Dato' Sri Pek	363,780,000	84.0	–	–	343,780,000	70.3	–	–
Dato' Teh	30,100,000	7.0	–	–	30,100,000	6.2	–	–
Dato' Sri Mohd Jamidan	–	–	–	–	–	–	–	–
Dato' Jacob	–	–	–	–	–	–	–	–
Mr. Chin	–	–	–	–	–	–	–	–
Mr. Sim	–	–	–	–	–	–	–	–
Substantial Shareholder								
Dato' Lee ⁽¹⁾	30,100,000	7.0	–	–	30,100,000	6.2	–	–
Other Shareholders								
Mr. Lim ⁽²⁾	6,020,000	1.4	–	–	6,020,000	1.2	–	–
PPCF	3,000,000	0.7	–	–	3,000,000	0.6	–	–
New public Shareholders	–	–	–	–	76,000,000	15.5	–	–
TOTAL	433,000,000	100.0	–	–	489,000,000	100.0	–	–

Notes:

- (1) Dato' Lee is a passive shareholder of our Company and has no involvement in our Group's business and operations save for his shareholding interest.
- (2) Our CFO, Mr. Lim, holds 6,020,000 Shares representing approximately 1.4% of the pre-Placement share capital of our Company.

Save as set out above and in the section entitled "Directors, Management and Staff" of this Offer Document, there are no other relationships among our Directors, Executive Officer and Substantial Shareholder.

The Shares held by our Directors and Substantial Shareholder do not carry different voting rights from the Placement Shares which are the subject of the Placement. Our Directors are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in control of our Company.

There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred between the date of incorporation of our Company and the Latest Practicable Date.

Save as disclosed above, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any corporation, person or government.

SHAREHOLDING AND OWNERSHIP STRUCTURE

Save as disclosed above and in the sections entitled “Restructuring Exercise” and “Share Capital” of this Offer Document, no Shares or debentures were issued or agreed to be issued by our Company for cash or for a consideration other than cash during the last three (3) years preceding the Latest Practicable Date.

SIGNIFICANT CHANGES IN THE PERCENTAGE OF OWNERSHIP

Save as disclosed in the sections entitled “Share Capital”, “Restructuring Exercise”, “Dilution” and this section of this Offer Document, there were no significant changes in the percentage of ownership of the Shares in our Company between the date of incorporation on 19 September 2019 and the Latest Practicable Date.

MORATORIUM

To demonstrate their commitment to our Group, the following persons set out in the table below have agreed not to:

- (a) sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, sell any option or contract to purchase, purchase any option or contract to sell, grant any security over, encumber (such as by way of mortgage, assignment of rights, charge, pre-emption rights, rights of first refusal or otherwise) or otherwise transfer or dispose of any or all of their shares in the issued and paid-up share capital of our Company as at the date of the admission of our Company to Catalist (“**Moratorium Shares**”) or any other securities of our Company or any subsidiary of our Company (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company), whether such transaction is settled by delivery of such Moratorium Shares or such other securities, in cash or otherwise;
- (b) enter into any agreement, transaction or arrangement (including any swap, hedge or derivative transaction) that will directly or indirectly constitute or will be deemed as a disposal of or transfer (in whole or in part) with a similar effect (economic or otherwise) to the foregoing of any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company), whether such agreement, transaction or arrangement is settled by delivery of such Moratorium Shares or such other securities, in cash or otherwise;
- (c) deposit any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company (including any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe for or purchase any or all of the Moratorium Shares or any other securities of our Company or any subsidiary of our Company) in any depository receipt facilities, whether any such transaction described above is to be settled by the delivery of such Moratorium Shares or such other securities, in cash or otherwise;
- (d) enter into any transaction or arrangement which is designed or which may reasonably be expected to result in or have the same effect (economic or otherwise) as (in whole or in part) any of the above; or

SHAREHOLDING AND OWNERSHIP STRUCTURE

- (e) offer or agree to make any announcement with respect to any of the foregoing transactions or publicly disclose any intention to do any of the above,

(collectively, the “**Restrictions**”), for a period of 24 months from the date of our admission to Catalist (“**First Moratorium Period**”).

In addition to the First Moratorium Period, they have further agreed to comply with the Restrictions in respect of 50.0% of their Moratorium Shares during the period commencing from the day immediately following the First Moratorium Period until the day falling 36 months after the date of our admission to Catalist.

Name	Number of Shares	% of post-Placement share capital
Dato’ Sri Pek	343,780,000	70.3
Dato’ Teh	30,100,000	6.2
Dato’ Lee	30,100,000	6.2
Mr. Lim	6,020,000	1.2

PPCF

Pursuant to the Management Agreement and as part of PPCF’s fees as the Sponsor and Issue Manager, our Company issued and allotted the PPCF Shares to PPCF, representing approximately 0.6% of the issued and paid-up share capital of our Company immediately after the Placement, at the Placement Price for each Share.

PPCF have agreed to comply with the Restrictions in relation to any part of their interests in our Company for a period of three (3) months commencing from the date of our admission to Catalist.

SUMMARY OF OUR FINANCIAL INFORMATION

The following summary financial information should be read in conjunction with the full text of this Offer Document, including the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” and the “Independent Auditor’s and Reporting Accountant’s Report on the Audited Combined Financial Statements for the Financial Years ended 31 July 2017, 2018 and 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” and the “Independent Auditor’s Review Report on the Unaudited Interim Condensed Combined Financial Statements for the Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendix A and Appendix B to this Offer Document respectively.

A summary of the financial information of our Group in respect of FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 is set out below:

OPERATING RESULTS OF OUR GROUP

OUR COMBINED STATEMENTS OF COMPREHENSIVE INCOME

RM'000	Audited			Unaudited	
	FY2017	FY2018	FY2019	1Q2019	1Q2020
Revenue	63,964	98,069	189,141	23,853	79,614
Cost of sales	(89,549)	(113,027)	(127,172)	(22,602)	(41,695)
Gross (loss)/profit	(25,585)	(14,958)	61,969	1,251	37,919
Other income	1,744	1,400	2,505	148	598
Other operating expenses	(709)	(338)	(372)	(91)	(100)
General and administrative expenses	(3,436)	(2,990)	(3,306)	(860)	(5,217)
Finance costs	(268)	(211)	(256)	(65)	(45)
Share of results of joint venture	(95)	(112)	(154)	(31)	–
Share of results of associate	(6,899)	–	–	–	–
(Loss)/profit before tax	(35,248)	(17,209)	60,386	352	33,155
Income tax (expense)/credit	(20)	(20)	27,860	–	(9,294)
(Loss)/profit after tax, representing total comprehensive income for the year/period	(35,268)	(17,229)	88,246 ⁽¹⁾	352	23,861
Pre-Placement (LPS)/EPS (sen) prior to the issue and allotment of PPCF Shares ⁽²⁾	(8.20)	(4.01)	20.52	0.08	5.55
Pre-Placement (LPS)/EPS (sen) after the issue and allotment of PPCF Shares ⁽³⁾	(8.15)	(3.98)	20.38	0.08	5.51
Post-Placement(LPS)/EPS (sen) ⁽⁴⁾⁽⁵⁾	(7.21)	(3.52)	18.05	0.07	4.88

SUMMARY OF OUR FINANCIAL INFORMATION

Notes:

- (1) The increase in profit after tax for FY2019 was attributed to (i) an increase in revenue by approximately RM91.1 million; (ii) an increase in other income by approximately RM1.1 million; and (iii) a tax credit of approximately RM27.9 million. This was partially offset by (i) an increase in cost of sales by approximately RM14.1 million; and (ii) an increase in general and administrative expenses by approximately RM0.3 million. Please refer to the section entitled “Management’s Discussion and Analysis” for more details.
- (2) For comparative purposes, our pre-Placement (LPS)/EPS for the Period Under Review has been computed based on the (loss)/profit after tax and our pre-Placement share capital of 430,000,000 Shares prior to the issue and allotment of the PPCF Shares.
- (3) For comparative purposes, our pre-Placement (LPS)/EPS for the Period Under Review have been computed based on the (loss)/profit after tax and our pre-Placement share capital of 433,000,000 Shares after the issue and allotment of the PPCF Shares.
- (4) Had the Service Agreement and the Appointment Agreement (as set out in the section entitled “Directors, Management and Staff – Service Agreement and Appointment Agreement” of this Offer Document) been in effect since 1 August 2018, the audited profit before tax and EPS based on our Company’s post-Placement share capital of 489,000,000 Shares for FY2019 would have been approximately RM56.0 million and 17.37 sen respectively.
- (5) For comparative purposes, the post-Placement (LPS)/EPS for the Period Under Review have been computed based on the (loss)/profit after tax and our post-Placement share capital of 489,000,000 Shares.

OUR COMBINED STATEMENTS OF FINANCIAL POSITION

	←	Audited	→	←	Unaudited	→
RM'000		As at 31 July 2017	As at 31 July 2018	As at 31 July 2019	As at 31 October 2019	
Assets						
Non-current assets						
Property, plant and equipment		46,470	38,997	26,298	27,896	
Right-of-use asset		—	—	—	2,894	
Mine properties		45,565	39,133	30,518	28,352	
Investment in a joint venture		266	154	—	—	
Deferred tax asset		—	—	27,946	18,723	
Investment securities		82	82	82	82	
		92,383	78,366	84,844	77,947	
Current assets						
Inventories		28,997	14,053	13,439	10,725	
Trade and other receivables		8,196	7,486	19,977	14,429	
Contract assets		762	6,257	15,525	20,020	
Prepayments		1,135	1,635	1,567	1,636	
Cash and bank balances		2,695	4,949	35,366	61,305	
Income tax recoverable		1,668	1,668	1,602	1,531	
Assets held for distribution		—	—	17,215	17,215	
		43,453	36,048	104,691	126,861	
Total assets		135,836	114,414	189,535	204,808	
Liabilities						
Current liabilities						

SUMMARY OF OUR FINANCIAL INFORMATION

	← Audited →			← Unaudited →
RM'000	As at 31 July 2017	As at 31 July 2018	As at 31 July 2019	As at 31 October 2019
Loans and borrowings	1,536	2,054	1,399	1,689
Trade and other payables	39,356	34,806	22,420	22,871
	40,892	36,860	23,819	24,560
Net current assets/(liabilities)	2,561	(812)	80,872	102,301
Non-current liabilities				
Loans and borrowings	969	1,643	1,559	1,130
Total liabilities	41,861	38,503	25,378	25,690
Net assets	93,975	75,911	164,157	179,118
Equity attributable to owners of our Company				
Share capital	_(1)	_(1)	_(1)	_(1)
Preference shares	733	733	733	733
Retained earnings	54,517	36,453	124,699	139,660
Merger reserve	38,725	38,725	38,725	38,725
Total equity	93,975	75,911	164,157	179,118
NAV per Share (sen) prior to the issue and allotment of PPCF Shares ⁽²⁾	21.85	17.65	38.18	41.66
NAV per Share (sen) after the issue and allotment of PPCF Shares ⁽³⁾	21.70	17.53	37.91	41.37

Notes:

(1) Denotes less than RM1,000.

(2) The NAV per Share is computed based on NAV attributable to the owners of our Company and pre-Placement share capital of 430,000,000 Shares prior to the issue and allotment of the PPCF Shares.

(3) The NAV per Share is computed based on NAV attributable to the owners of our Company and pre-Placement share capital of 433,000,000 Shares after the issue and allotment of the PPCF Shares.

SUMMARY OF OUR FINANCIAL INFORMATION

The following selected pro forma financial information should be read in conjunction with the full text of this Offer Document, including the sections entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” and the “Independent Practitioner’s Assurance Report on the Compilation of Unaudited Pro Forma Combined Financial Information for the Financial Year ended 31 July 2019 and Interim Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendix C to this Offer Document.

UNAUDITED PRO FORMA COMBINED STATEMENTS OF COMPREHENSIVE INCOME

RM'000	← Unaudited →	
	FY2019	1Q2020
Revenue	189,141	79,614
Cost of sales	(126,777)	(41,695)
Gross profit	62,364	37,919
Other income	2,505	598
Other operating expenses	(372)	(100)
General and administrative expenses	(3,306)	(5,217)
Finance costs	(186)	(38)
Profit before tax	61,005	33,162
Income tax credit/(expense)	27,860	(9,294)
Profit for the year, representing total comprehensive income for the year/period attributable to owners of our Company	88,865	23,868
Pre-Placement EPS (sen) prior to the issue and allotment of PPCF Shares ⁽¹⁾	20.67	5.55
Pre-Placement EPS (sen) after the issue and allotment of PPCF Shares ⁽²⁾	20.52	5.51
Post-Placement EPS (sen) ⁽³⁾	18.17	4.88

Notes:

- (1) For comparative purpose, our pro forma pre-Placement EPS for FY2019 and 1Q2020 have been computed based on the profit after tax and our pre-Placement share capital of 430,000,000 Shares prior to the issue and allotment of the PPCF Shares.
- (2) For comparative purposes, our pre-Placement (LPS)/EPS for the Period Under Review have been computed based on the (loss)/profit after tax and our pre-Placement share capital of 433,000,000 Shares after the issue and allotment of the PPCF Shares.
- (3) For comparative purpose, our pro forma post-Placement EPS for FY2019 and 1Q2020 have been computed based on the profit after tax and our post-Placement share capital of 489,000,000 Shares.

SUMMARY OF OUR FINANCIAL INFORMATION

UNAUDITED PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

RM'000	← Unaudited →	As at 31 July 2019	As at 31 October 2019
Assets			
Non-current assets			
Property, plant and equipment		26,298	27,896
Right-of-use asset		—	2,894
Mine properties		30,518	28,352
Deferred tax asset		27,946	18,723
Investment securities		82	82
		84,844	77,947
Current assets			
Inventories		13,439	10,725
Trade and other receivables		19,977	14,429
Contract assets		15,525	20,020
Prepayments		1,567	1,636
Cash and bank balances		8,448	43,922
Income tax recoverable		1,602	1,531
		60,558	92,263
Total assets		145,402	170,210
Liabilities			
Current liabilities			
Loans and borrowings		1,101	1,689
Trade and other payables		22,420	22,871
		23,521	24,560
Net current assets		37,037	67,703
Non-current liabilities			
Loans and borrowings		1,159	1,130
Total liabilities		24,680	25,690
Net assets		120,722	144,520
Equity attributable to owners of our Company			
Share capital		— ⁽¹⁾	— ⁽¹⁾
Preference shares		733	733
Retained earnings		81,264	105,062
Merger reserve		38,725	38,725
Total equity		120,722	144,520
NAV per Share (sen) prior to the issue and allotment of PPCF Shares ⁽²⁾		28.07	33.61
NAV per Share (sen) after the issue and allotment of PPCF Shares ⁽³⁾		27.88	33.38

Notes:

(1) Denotes less than RM1,000.

(2) The NAV per Share is computed based on NAV attributable to the owners of our Company and pre-Placement share capital of 430,000,000 Shares prior to the issue and allotment of the PPCF Shares.

(3) The NAV per Share is computed based on NAV attributable to the owners of our Company and pre-Placement share capital of 433,000,000 Shares after the issue and allotment of the PPCF Shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following discussion of our business, results of operations and financial condition for Southern Alliance Minerals Ltd. should be read in conjunction with the full text of this Offer Document, including the "Independent Auditor's and Reporting Accountant's Report on the Audited Combined Financial Statements for the Financial Years ended 31 July 2017, 2018 and 2019 of Southern Alliance Mining Ltd. and its Subsidiaries", the "Independent Auditor's Review Report on the Unaudited Interim Condensed Combined Financial Statements for the Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries" and the "Independent Practitioner's Assurance Report on the Compilation of Unaudited Pro Forma Combined Financial Information for the Financial Year ended 31 July 2019 and Interim Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries" as set out in Appendices A, B and C to this Offer Document respectively.

This discussion and analysis contain forward-looking statements which involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements. Factors that might cause our actual future results to differ from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in the section entitled "Risk Factors" of this Offer Document.

OVERVIEW

Our Group is principally involved in the exploration, mining and processing of iron ore for subsequent sale. Our rights to conduct mining activities at our mine sites are pursuant to mining operator agreements that we enter into with the holders of the mining leases. We may undertake the exploration, mining and processing activities directly or outsource part of such activities to contractors.

During the Period Under Review, our Group mined, produced and sold iron ore which include (i) processed iron ore concentrate which are typically sold to steel mills or traders; and (ii) crushed iron ore that are used as pipe coating material. We do not usually enter into fixed or long-term contracts with our customers. Our sales are conducted either through sale and purchase contracts signed with our customers or purchase orders placed by our customers.

Please refer to the sections entitled "General Information on Our Group – Business Overview" and "General Information on Our Group – Sales and Marketing" of this Offer Document for further information.

FACTORS AFFECTING OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Revenue

During the Period Under Review, our revenue is solely derived from the sale of iron ore mined from the Chaah Mine to our customers. Our Group sells (i) haematite iron ore concentrate which contains low level of impurities with Fe grade of between 62% and 65%; and (ii) crushed iron ore that measures not more than 10mm or 6.3mm and with specific gravity of at least 4.4 t/m³ as pipe coating material.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The breakdown of our revenue from the sale of our iron ore products and tonnage sold during the Period Under Review is set out below:

Iron ore products	FY2017		FY2018		FY2019		1Q2019		1Q2020	
	DMT	RM'000	DMT	RM'000	DMT	RM'000	DMT	RM'000	DMT	RM'000
Iron ore concentrate	305,043	60,795	466,982	94,354	525,628	183,129	92,703	23,853	253,597	65,817
Pipe coating material	11,312	3,169	13,532	3,715	18,075	6,012	–	–	33,953	13,797
Total	316,355	63,964	480,514	98,069	543,703	189,141	92,703	23,853	287,550	79,614

The average selling price for our iron ore concentrate was approximately RM199.30, RM202.05, RM348.40, RM257.31 and RM259.53 per DMT for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. The average selling price for our pipe coating material was approximately RM280.14, RM274.53, RM332.61, nil and RM406.36 per DMT for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. The increase in the average selling prices of our iron ore concentrate and pipe coating material was mainly due to the increase in iron ore prices of the Platts Iron Ore Index which our selling prices are based on. The decrease in average selling price of our iron ore concentrate from approximately RM348.40 in FY2019 to approximately RM259.53 in 1Q2020 was mainly due to sales of low grade iron ore concentrate of Fe content of 59% from our tailings to a customer at a lower price in 1Q2020. The average selling price of our high grade iron ore concentrate is approximately RM344.44 per DMT, excluding the one-off sale of low grade iron ore concentrate.

Generally the gross profit margin for crushed iron ore used as pipe coating material is higher than iron ore concentrate as crushed iron ore used as pipe coating material is not required to undergo any concentration processing in the beneficiation plants.

Our Group did not sell our iron ore products directly to overseas customers in FY2017, FY2018 and FY2019. Our Group sold iron ore products to overseas customers and traders in 1Q2020. For sale to overseas customers or traders, revenue is recorded when (i) our products are loaded onto the vessels and upon the issuance of a bill of lading by the shipping companies for sales on Free On Board terms; or (ii) our products are delivered to the destination ports for sales on Cost, Insurance and Freight terms or on Cost and Freight terms (“**CFR**”). Depending on the term of sales, additional expenses that arise from the various sales terms, such as freight charges and insurance expenses are appropriately factored into the selling prices to customers.

Revenue is measured based on the consideration at which our Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating revenue within our Group.

Revenue is recognised when our Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. Revenue from sale of iron ores is recognised at a point in time when control transfers upon satisfaction of performance obligation when goods are delivered to customers and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the contracted price after any adjustments due to the quality of the iron ore delivered to customers. The majority of our Group's sale of iron ores allow for quality adjustments based on the quality of iron ore delivered to the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

customers. Revenue recognised for a period would have taken into consideration any adjustments due to quality of the iron ore delivered to customers.

The major factors that affect our Group's revenue include:

(a) Prices of iron ore

Firstly, the prices of iron ore are based on prevailing prices which are subject to significant fluctuations. As a commodity, iron ore concentrate prices are determined principally by changes in supply and demand dynamics of the world markets for iron ore concentrate. The market is highly competitive and is sensitive to changes in mining output (arising from, *inter alia*, the opening and closure of new mines, the discovery of new deposits, the expansion or commencement of operations at existing mining assets), global inventory levels, the demand from end-users (such as steel mills and pipe coating companies for iron ore products), global economic changes and political trends.

Next, the quality of our iron ore, including the Fe content and level of impurities, also affects the price of our iron ore. Typically, products with higher Fe content and lower level of impurities can command higher selling prices.

The selling prices for our iron ore concentrate are usually based on the average month to date price, with reference to the Platts Iron Ore Index. We may also take into account factors such as the relationship with customers when deciding the price charged.

We sell our iron ore concentrate to steel mills located in Malaysia pursuant to sale and purchase contracts. Such contracts typically set out the product specifications, quantity, duration, price and delivery terms. The contracts will generally provide for weighing, sampling and analysis of the product and price adjustment mechanism in the event that the product exceeds or fails to meet the specifications set out in the contracts. The selling prices to pipe coating companies are determined based on negotiations between us and our customers or through a bid process. The selling price is usually at a premium to the Platts Iron Ore Index. The purchase orders for the sale to pipe coating companies typically set out the quantity, price and delivery terms.

(b) Production volume

Production volume is determined mainly by (i) the amount of Ore Reserves and Mineral Resources at the Chaah Mine and our ability to access the Ore Reserves and Mineral Resources; and (ii) the processing capacity of our processing facilities at the Chaah Mine.

Please refer to the section entitled "General Information on our Group – The Chaah Mine" of this Offer Document and the IQPR set out in Appendix D to this Offer Document for further information on the reserves and resources of the Chaah Mine and the section entitled "General Information on our Group – Production Capacity and Utilisation Rates" of this Offer Document for more information on our processing capacity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

(c) Foreign exchange rates

Depending on the need of our customers, our Group's selling prices are denominated in US\$ or RM equivalent (based on the agreed exchange rate at the point of sale) to our customers. As our financial statements are presented in RM, we will record translation gains or losses from the conversion of our sales denominated in foreign currencies into our functional and presentation currency of RM. Please refer to the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position – Foreign Exchange Management" of this Offer Document for more information in relation to our foreign exchange exposure.

Please refer to the sections entitled "Risk Factors", "General Information on our Group – Prospects" and "General Information on our Group – Trend Information" of this Offer Document for more information on the above factors and other factors that may affect our Group's revenue.

Cost of sales

Cost of sales incurred in relation to the sale of iron ore products amounted to approximately RM89.5 million, RM113.0 million, RM127.2 million, RM22.6 million and RM41.7 million, which accounted for approximately 140.0%, 115.3%, 67.2%, 94.8% and 52.4% of our total revenue for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. The decrease in the cost of sales as a percentage of total revenue from 115.3% in FY2018 to 67.2% in FY2019 was because the increase in revenue was greater than the increase in cost of sales in FY2019. The increase in our Group's revenue was mainly due to an increase in the selling prices of our iron ore products without a corresponding increase in our cost of sales in FY2019. The decrease in the cost of sales as a percentage of total revenue from 94.8% in 1Q2019 to 52.4% in 1Q2020 was mainly due to sale of pipe coating material in 1Q2020 which has a higher profit margin.

The main factors affecting the cost of sales include variation in production volume, fuel cost, logistics related cost as well as head grade of the ore which will affect the recovery rate. The logistics related cost are affected by factors such as sales terms, volume transported and the hauling distance between the Chaah Mine and the port or our customers' steel mills, warehouses or processing facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

During the Period Under Review, our Group's cost of sales comprised mainly the following items:

	FY2017		FY2018		FY2019		1Q2019		1Q2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Logistics related cost	1	n.m. ⁽¹⁾	2,017	1.8	18,708	14.7	2,787	12.3	5,640	13.5
Depreciation of property, plant and equipment	15,086	16.8	10,081	8.9	6,180	4.8	1,559	6.9	1,214	2.9
Tributes	16,000	17.9	14,000	12.4	22,000	17.3	3,000	13.3	7,000	16.8
Blasting and drilling cost	1,495	1.7	1,950	1.7	1,490	1.2	397	1.8	602	1.4
Fuel and lubrication	15,378	17.2	25,797	22.8	25,297	19.9	4,991	22.1	6,492	15.6
Maintenance cost	16,442	18.3	13,830	12.2	16,848	13.2	3,974	17.6	4,051	9.7
Contract wages	5,536	6.2	18,566	16.4	21,669	17.0	2,641	11.7	7,898	18.9
Staff cost	3,835	4.3	4,005	3.6	3,946	3.1	944	4.2	1,135	2.7
Changes in inventories	10,118	11.3	14,944	13.2	613	0.5	451	2.0	2,714	6.5
Amortisation of stripping cost	3,293	3.7	4,849	4.3	6,495	5.1	1,079	4.8	1,633	3.9
Hiring charges	280	0.3	316	0.3	320	0.3	54	0.2	145	0.4
Survey, analysis and consultancy fees	115	0.1	82	0.1	323	0.3	28	0.1	216	0.5
Amortisation of mine properties	1,075	1.2	1,583	1.4	2,120	1.7	352	1.6	533	1.3
Port related charges	—	—	—	—	—	—	—	—	2,180	5.2
Other expenses	895	1.0	1,007	0.9	1,163	0.9	345	1.5	242	0.6
Total	89,549	100.0	113,027	100.0	127,172	100.0	22,602	100.0	41,695	100.0

Note:

(1) n.m. denotes not meaningful.

Our Group's cost of sales comprised mainly the following:

(a) Logistics related cost

Logistics related cost was immaterial in FY2017 and amounted to approximately RM2.0 million, RM18.7 million, RM2.8 million and RM5.6 million, representing approximately 1.8%, 14.7%, 12.3% and 13.5% of our Group's total cost of sales for FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Logistics related cost refers to transportation charges which are incurred for the transportation of our products from the Chaah Mine to our customers' steel mills, warehouses or processing facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

(b) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment amounted to approximately RM15.1 million, RM10.1 million, RM6.2 million, RM1.6 million and RM1.2 million, representing approximately 16.8%, 8.9%, 4.8%, 6.9%, and 2.9% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. This relates to the depreciation of property, plant and equipment pertaining to our mining operations and it is provided for on a straight-line basis over the estimated useful life of these assets.

(c) Tributes

We are required to pay tributes to the Chaah ML Holder in relation to our mining operations at the Chaah Mine. Tributes amounted to approximately RM16.0 million, RM14.0 million, RM22.0 million, RM3.0 million and RM7.0 million, representing approximately 17.9%, 12.4%, 17.3%, 13.3% and 16.8% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively.

The pre-agreed sum of tributes payable to the Chaah ML Holder on a monthly basis pursuant to the 2011 Mining Agreement (as varied and amended by the Supplementals), which is based on the average month to date price with reference solely to The Steel Index ("TSI") Price for 62% Fe fines CFR to Tianjin Port. The quantum and grade of iron ore concentrates will not affect the amount of tributes payable to the Chaah ML Holder. Please refer to the section entitled "General Information on our Group – The Chaah Mine" of the Offer Document for more details on the 2011 Mining Agreement (as varied and amended by the Supplementals).

(d) Blasting and drilling cost

Blasting and drilling cost amounted to approximately RM1.5 million, RM2.0 million, RM1.5 million, RM0.4 million and RM0.6 million, representing approximately 1.7%, 1.7%, 1.2%, 1.8% and 1.4% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Blasting and drilling cost is for the purchase of explosives for controlled rock blasting for the excavation of iron ore at the Chaah Mine.

(e) Fuel and lubrication

Fuel and lubrication amounted to approximately RM15.4 million, RM25.8 million, RM25.3 million, RM5.0 million and RM6.5 million representing approximately 17.2%, 22.8%, 19.9%, 22.1% and 15.6% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Fuel cost is incurred primarily for the purchase of diesel used in powering our generator plant and heavy equipment, mobile crushing units and vehicles at the Chaah Mine.

(f) Maintenance cost

Maintenance cost amounted to approximately RM16.4 million, RM13.8 million, RM16.8 million, RM4.0 million and RM4.1 million representing approximately 18.3%, 12.2%, 13.2%, 17.6% and 9.7% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

1Q2020 respectively. Maintenance cost represents repair and maintenance costs incurred for site vehicles, excavators and machinery and equipment, and consumables such as spare parts and tyres for excavators.

(g) Contract wages

Contract wages amounted to approximately RM5.5 million, RM18.6 million, RM21.7 million, RM2.6 million and RM7.9 million representing approximately 6.2%, 16.4%, 17.0%, 11.7% and 18.9% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Contract wages represent the charges paid to contractors for skilled and unskilled labour for contracted works at the Chaah Mine. Pre-determined rates were charged based on tonnage of iron ore processed.

(h) Staff cost

Staff cost amounted to approximately RM3.8 million, RM4.0 million, RM4.0 million, RM0.9 million and RM1.1 million, representing approximately 4.3%, 3.6%, 3.1%, 4.2% and 2.7% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. This includes the remuneration for our employees who are directly involved in our Group's mining operations at the Chaah Mine. Such costs exclude the salaries of our employees at our Group's corporate office in Kuantan, Pahang.

(i) Changes in inventories

Changes in inventories amounted to approximately RM10.1 million, RM14.9 million, RM0.6 million, RM0.5 million and RM2.7 million, representing approximately 11.3%, 13.2%, 0.5%, 2.0% and 6.5% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Changes in inventories represent the movement in balance of opening and closing inventories, comprising the production and sales during the year. The increase in changes in inventories from RM10.1 million in FY2017 to RM14.9 million in FY2018 is mainly driven by the increased sales during the year and lower production in FY2018.

The decrease in the changes in inventories from RM14.9 million FY2018 to RM0.6 million FY2019 was driven by the continued strong sales in FY2019, offset by the higher production as compared to FY2018. The increase in the changes in inventories from RM0.5 million 1Q2019 to RM2.7 million 1Q2020 was mainly driven by the increased sales in 1Q2020.

(j) Amortisation of stripping cost

Amortisation of stripping cost amounted to approximately RM3.3 million, RM4.8 million, RM6.5 million, RM1.1 million and RM1.6 million, representing approximately 3.7%, 4.3%, 5.1%, 4.8% and 3.9% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively.

Stripping activity assets are carried at cost, less amortisation and any impairment losses. This cost refers to the amortisation of our stripping activity assets which is amortised using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprised proven and probable reserves, are used to determine the expected useful life of the identified component of ore body.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

(k) Hiring charges

Hiring charges amounted to approximately RM0.3 million, RM0.3 million, RM0.3 million, RM0.1 million and RM0.1 million, representing approximately 0.3%, 0.3%, 0.3%, 0.2% and 0.4% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Hiring charges mainly consist of hiring costs of lorries and equipment which were used at the Chaah Mine. Pre-determined rates were charged on a monthly basis.

(l) Survey, analysis and consultancy fees

Survey, analysis and consultancy fees were immaterial in 1Q2019, and amounted to approximately RM0.1 million, RM0.1 million, RM0.3 million and RM0.2 million, representing approximately 0.1%, 0.1%, 0.3% and 0.5% of our Group's total cost of sales for FY2017, FY2018, FY2019 and 1Q2020 respectively. Survey, analysis and consultancy fees are mainly incurred for test sample analysis, consultancy fees for submission of our annual renewal of the OMS to the JMG as well as for the stockpiles survey services.

(m) Amortisation of mine properties

Amortisation of mine properties amounted to approximately RM1.1 million, RM1.6 million, RM2.1 million, RM0.4 million and RM0.5 million, representing approximately 1.2%, 1.4%, 1.7%, 1.6% and 1.3% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively.

Producing mines are stated at cost, less accumulated amortisation and any accumulated impairment losses. Mine properties are amortised based on the unit of production method so as to amortise the mine properties in proportion to the depletion of the estimated economically recoverable Mineral Resources and Ore Reserves. In determining the estimated economically recoverable Mineral Resources and Ore Reserves, our Group relies on the reported Mineral Resources and Ore Reserves in the IQPR, which is set out in Appendix D to this Offer Document.

(n) Port related charges

Our Group did not sell our iron ore products directly to overseas customers and did not incur port related charges in FY2017, FY2018, FY2019 and 1Q2019. Port related charges amounted to approximately RM2.2 million, representing approximately 5.2% of our Group's total cost of sales for 1Q2020. Port related charges relate to storage and dry bulk cargo handling services at the designated jetty for export sales, which includes jetty charges, cargo clearance and forwarding fees paid to authorities.

(o) Other expenses

Other expenses amounted to approximately RM0.9 million, RM1.0 million, RM1.2 million, RM0.3 million and RM0.2 million, representing approximately 1.0%, 0.9%, 0.9%, 1.5% and 0.6% of our Group's total cost of sales for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Other expenses consist of various miscellaneous operational expenses such as utilities, insurances, forwarding charges for importation of plant replacement parts, transportation costs for moving our machineries and equipment and licencing or permit fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Gross (loss)/profit and gross margin

Gross (loss)/profit is determined after deducting cost of sales from our Group's revenue. Accordingly, the determinants of gross (loss)/profit are revenue generated and cost of sales.

Our gross margins were approximately (40.0)%, (15.3)%, 32.8%, 5.2% and 47.6% for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively.

Other income

Other income amounted to approximately RM1.7 million, RM1.4 million, RM2.5 million, RM0.1 million and RM0.6 million, representing approximately 2.7%, 1.4%, 1.3%, 0.6% and 0.8% of our Group's revenue for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Other income comprised mainly (i) income from rendering of services; (ii) unrealised gain on foreign exchange; (iii) gain on disposal of properties, plants and equipment; (iv) rental income received from investment properties; (v) gain on disposal of an investment property; (vi) dividend income from our Group's investment securities in equity instruments which are listed in Malaysia; (vii) interest income from fixed deposits; and (viii) sundry income.

Other operating expenses

Other operating expenses amounted to approximately RM0.7 million, RM0.3 million, RM0.4 million, RM0.1 million and RM0.1 million, representing approximately 1.1%, 0.3%, 0.2%, 0.4% and 0.1% of our Group's revenue for the FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively. Other operating expenses comprised depreciation of property, plant and equipment and amortisation of investment property.

General and administrative expenses

General and administrative expenses amounted to approximately RM3.4 million, RM3.0 million, RM3.3 million, RM0.9 million and RM5.2 million, representing approximately 5.4%, 3.0%, 1.8%, 3.6% and 6.6% of our Group's revenue for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively.

General and administrative expenses comprised mainly administrative expenses, insurance, professional fees, listing expenses, travelling expenses, staff and related costs (including directors' remuneration, salaries, bonus, statutory contributions, employee allowances, medical fees and welfare), utilities, upkeep and maintenance cost.

Finance costs

Finance costs amounted to approximately RM0.3 million, RM0.2 million, RM0.3 million, RM0.1 million, and RM45,000, representing approximately 0.4%, 0.2%, 0.1%, 0.3% and 0.1% of our Group's revenue for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 respectively.

Finance costs comprised mainly interests paid for the finance leases for plant and equipment, motor vehicles and heavy duty mobile equipment, bank overdrafts and term loans. It also includes commitment fees paid for bank overdraft facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Share of results of joint venture

Share of results of joint venture recorded a loss of approximately RM0.1 million, RM0.1 million, RM0.2 million and RM31,000, representing (0.2)%, (0.1)%, (0.1)% and (0.1)% of our Group's revenue FY2017, FY2018, FY2019 and 1Q2019 respectively. There was no share of results of joint venture in 1Q2020.

Share of results of a joint venture refers to the loss arising from Teras Megajaya which our Group held a shareholding interest of 50.0%. Our Group had disposed its shareholding interest in Teras Megajaya as part of the Restructuring Exercise. Please refer to the section entitled "Restructuring Exercise" for the more information in relation to the disposal.

Share of results of an associate

Share of results of an associate recorded a loss of approximately RM6.9 million for FY2017, representing (10.8)% of our Group's revenue.

Share of results of an associate refers to the loss arising from Aras Kuasa which our Group previously held a shareholding interest of 33.3%. Following a completion of the internal restructuring exercise in FY2017, Aras Kuasa became the ultimate holding company of our Group. Accordingly, our Group no longer held any shareholding interest in Aras Kuasa since the beginning of FY2018.

Income tax expense

Our Group is subject to income tax at the applicable statutory tax rates in Malaysia. During the Period Under Review, the applicable Malaysian tax rate was 24.0% on the assessable amount in Malaysia. Please refer to "Appendix H – Taxation" to this Offer Document for further details on taxation in Malaysia.

Income tax expense in FY2017 and FY2018 relates to tax paid by AK Trading for taxation in accordance with the Labuan Offshore Business Activity Tax Act 1990. Tax credit in FY2019 relates to the recognition of deferred tax asset of RM27.9 million arising from prior years unutilised tax losses. Our Group incurred income tax expense of approximately RM9.3 million for 1Q2020 for the sale of our iron ore products which is an effective tax rate of 28.0%. Our effective tax rate for 1Q2020 was higher than Malaysia's statutory corporate tax mainly due to certain non-deductible expenses incurred by our Group.

RESULTS OF OPERATIONS

Breakdown of our past performance by business division and geographical markets

Currently we are involved in the exploration, mining, processing and sale of iron ore extracted from a single mine being the Chaah Mine in Malaysia and most of our customers are based in Malaysia during the Period Under Review. Therefore, a segmentation of our financial performance by business division and geographical markets will not be meaningful for the Period Under Review.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

REVIEW OF PAST PERFORMANCE

Reconciliation of the unaudited pro forma combined statement of comprehensive income for FY2019

In FY2019, our Group recorded cost of sales of RM127.2 million and pro forma cost of sales of approximately RM126.8 million. The decrease in cost of sales of approximately RM0.4 million is mainly due to the decrease in depreciation charges as a result of the declaration of the dividend-in-specie of assets as part of the Restructuring Exercise.

In FY2019, our Group recorded finance costs of approximately RM0.3 million and pro forma finance costs of approximately RM0.2 million. The decrease in finance costs of approximately RM70,000 is mainly due to the repayment of term loans which were secured by the Non-mining Real Property transferred as part of the Restructuring Exercise.

In FY2019, our Group recorded a share of loss of a joint venture of approximately RM0.2 million. Our Group will not record a pro forma share of loss of a joint venture for FY2019. The decrease in share of loss of a joint venture of approximately RM0.2 million is mainly due to the disposal of our Group's 50.0% shareholding interest in Teras Megajaya as part of the Restructuring Exercise.

Please refer to the section entitled "Restructuring Exercise" of this Offer Document for more details.

Reconciliation of the unaudited pro forma combined statement of comprehensive income for 1Q2020

In 1Q2020, our Group recorded finance costs of approximately RM45,000 and pro forma finance costs of approximately RM38,000. The decrease in finance costs of approximately RM7,000 is mainly due to the repayment of term loans which were secured by the Non-mining Real Property transferred as part of the Restructuring Exercise. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for more details.

FY2017 vs FY2018

Revenue

Revenue increased by approximately RM34.1 million or 53.3% from approximately RM64.0 million in FY2017 to approximately RM98.1 million in FY2018 mainly due to (i) a higher volume of iron ore concentrate sold from approximately 0.30 million tonnes in FY2017 to approximately 0.47 million tonnes in FY2018 due to increased purchase from existing customers and also new customers in FY2018; and (ii) a higher volume of pipe coating material sold to our customers from approximately 11,000 tonnes in FY2017 to approximately 13,000 tonnes in FY2018.

The increase in revenue was also partly due to the increase in the average selling price of iron ore concentrate from approximately RM199.30 per tonne in FY2017 to RM202.05 per tonne in FY2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Cost of sales

Cost of sales increased by approximately RM23.5 million or 26.2% from approximately RM89.5 million in FY2017 to approximately RM113.0 million in FY2018. The increase was in line with the increase in sales volume and mainly attributable to (i) an increase in blasting and drilling cost of approximately RM0.5 million due to increased blasting and drilling work at the Chaah Mine; (ii) an increase in fuel and lubrication of approximately RM10.4 million; (iii) an increase in contract wages of approximately RM13.0 million mainly due to higher volume of processing work and the appointment of a new subcontractor, Xin Her Mining, for the provision of manpower to support our increased processing activities in order to cater for the increase in demand of our iron products; (iv) an increase in amortisation of mine properties and stripping cost of approximately RM0.5 million and RM1.6 million respectively due to higher production; (v) an increase in logistics related cost of approximately RM2.0 million in relation to transportation expenses to deliver our iron ore products from the Chaah Mine to our customers; (vi) an increase in changes in inventories of approximately RM4.8 million due to increased sales in FY2018; (vii) an increase in other expenses of approximately RM0.1 million mainly due to expenses relating to application fees for certain mining licences.

The increase was partially offset by (i) a decrease in tribute payments of approximately RM2.0 million in tandem with the lower monthly average of TSI 62% Fe fines price for FY2018; (ii) a decrease in depreciation of property, plant and equipment of approximately RM5.0 million as a majority of the heavy duty mobile equipment purchased prior to FY2013 has been fully depreciated prior to or during FY2018; and (iii) a decrease in maintenance cost of approximately RM2.6 million mainly due to replacement of major parts of the processing plant in FY2017.

Gross loss and gross loss margin

Gross loss decreased by approximately RM10.6 million or 41.5% from approximately RM25.6 million in FY2017 to approximately RM15.0 million in FY2018 mainly due to increased revenue in line with the increase in number of customers and better control in cost where the increase in revenue exceeded the increase in cost.

Other income

Our other income decreased by approximately RM0.3 million or 19.7% from approximately RM1.7 million in FY2017 to approximately RM1.4 million in FY2018. This was mainly due to (i) a one-off gain on disposal of an investment property of approximately RM1.1 million in FY2017 which did not recur in FY2018; and (ii) the absence of rental income derived from the same investment property of RM0.2 million in FY2018. Please refer to the section entitled "Past Interested Person Transactions – Sale of property" of this Offer Document for more information in relation to the disposal of the investment property.

The decrease was partially offset by (i) an increase in hiring income derived from rendering of transportation services and rental of equipment of approximately RM0.7 million; and (ii) an increase in sundry income of approximately RM0.2 million mainly from insurance claim for repair cost of a damaged vehicle.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Other operating expenses

Our other operating expenses decreased by approximately RM0.4 million or 52.3% from approximately RM0.7 million in FY2017 to approximately RM0.3 million in FY2018. This was mainly due to (i) a decrease in depreciation expenses of property, plant and equipment of approximately RM0.1 million; and (ii) the absence of depreciation expenses of investment property of approximately RM0.3 million following the disposal of the investment property.

General and administrative expenses

General and administrative expenses decreased by approximately RM0.4 million or 13.0% from approximately RM3.4 million in FY2017 to approximately RM3.0 million in FY2018. This was mainly attributable to (i) real property gain tax on the disposal of investment property of approximately RM0.3 million in FY2017; and (ii) stamping and administrative fees for the disposal of investment property of approximately RM0.1 million in FY2017.

Finance costs

Finance cost decreased by approximately RM0.1 million or 21.3% from approximately RM0.3 million in FY2017 to approximately RM0.2 million in FY2018. This is mainly due to lower scheduled repayment of term loans and finance leases for FY2018.

Share of results of an associate

We did not record any share of results of an associate in FY2018 following the disposal of shares in Aras Kuasa by our Group, as part of an internal restructuring which was completed in FY2017.

Share of results of a joint venture

Share of results of a joint venture remained at approximately RM0.1 million for FY2017 and FY2018.

Loss before tax

Loss before tax decreased by approximately RM18.0 million or 51.2% from approximately RM35.2 million in FY2017 to approximately RM17.2 million in FY2018. This is mainly due to (i) a decrease in gross loss of approximately RM10.6 million; (ii) a decrease in other operating expenses of approximately RM0.4 million; (iii) a decrease in general and administrative expenses of approximately RM0.4 million; (iv) a decrease in finance costs of approximately RM0.1 million; and (v) the absence of loss of an associate of approximately RM6.9 million. This was partially offset by a decrease in other income of approximately RM0.3 million.

Income tax expense

Income tax expense was RM20,000 for both FY2017 and FY2018, which relates to tax paid by our Group's former subsidiary, AK Trading, which was struck off on 4 September 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

FY2018 vs FY2019

Revenue

Revenue increased by approximately RM91.0 million or 92.9% from approximately RM98.1 million in FY2018 to approximately RM189.1 million in FY2019 mainly due to (i) a higher volume of iron ore concentrate sold from approximately 0.47 million tonnes in FY2018 to approximately 0.53 million tonnes in FY2019 due to sale to new customers which contributed approximately 51.1% of the sales of iron ore concentrate in FY2019; and (ii) a higher volume of pipe coating material sold to our customers from approximately 13,000 tonnes in FY2018 to approximately 18,000 tonnes in FY2019.

The increase was also due to higher average selling prices of (i) iron ore concentrate from approximately RM202.05 per tonne in FY2018 to approximately RM348.40 per tonne in FY2019; and (ii) pipe coating material from approximately RM274.53 per tonne in FY2018 to approximately RM332.61 per tonne in FY2019.

Cost of sales

Cost of sales increased by approximately RM14.1 million or 12.5% from approximately RM113.0 million in FY2018 to approximately RM127.2 million in FY2019. The increase was mainly due to (i) an increase in maintenance cost of approximately RM3.0 million for the upkeep of lorries and dumpers, machineries, equipment and processing plant; (ii) an increase in contract wages of approximately RM3.1 million for the increased processing of iron ore concentrates; (iii) an increase in amortisation of mine properties and stripping cost of approximately RM0.5 million and RM1.6 million respectively due to higher production; (iv) an increase in logistics related cost of approximately RM16.7 million in relation to transportation expenses to deliver our iron ore products from the Chaah Mine to our customers; (v) an increase in other expenses of approximately RM0.2 million for the preparation of reports and application fees for certain mining leases; and (vi) an increase in tributes payments of RM8.0 million in line with the higher monthly average of TSI price for FY2019.

The increase was partially offset by (i) a decrease in blasting and drilling cost of approximately RM0.5 million; (ii) a decrease in depreciation of property, plant and equipment of RM3.9 million as a majority of the heavy duty mobile equipment has been fully depreciated prior or during FY2019; (iii) a decrease in fuel and lubrication of approximately RM0.5 million; and (iv) a decrease in changes in inventories of approximately RM14.3 million due to continued strong sales in FY2019, offset by the higher production in FY2019 as compared to FY2018.

Gross profit and gross profit margin

Our Group recorded a gross profit of approximately RM62.0 million in FY2019 as compared to a gross loss of approximately RM15.0 million in FY2018 mainly due to (i) an increase in revenue in line with the increase in the selling price of iron ore concentrate; and (ii) cost efficiency due to higher and continuous production of iron ore concentrate due to higher price as well as consistent demand from our customers.

As a result, we recorded a gross profit margin of 32.8% in FY2019 as compared to gross loss margin of 15.3% in FY2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Other income

Other income increased by approximately RM1.1 million or 78.9% from approximately RM1.4 million in FY2018 to approximately RM2.5 million in FY2019. This was mainly due to (i) an increase in hiring income derived from rendering of transportation services and rental of equipment of approximately RM0.5 million; (ii) an increase in sundry income of approximately RM0.5 million mainly from insurance claim for repair cost of a damaged vehicle; and (iii) an increase in gain on disposal of property, plant and equipment of approximately RM0.1 million.

Other operating expenses

Other operating expenses increased by approximately RM34,000 or 10.1% from approximately RM0.3 million in FY2018 to approximately RM0.4 million in FY2019. This was mainly due to an increase in depreciation expense of fixed asset of approximately RM0.1 million arising from the purchase of fixed assets.

General and administrative expenses

General and administrative expenses increased by approximately RM0.3 million or 10.6% from approximately RM3.0 million in FY2018 to approximately RM3.3 million in FY2019. This was mainly due to (i) an increase in administrative expenses of approximately RM0.2 million; (ii) an increase in travelling expenses of approximately RM0.1 million; (iii) an increase in maintenance cost of office equipment and motor vehicles due to wear and tear of approximately RM0.1 million; and (iv) an increase in staff and related expenses of approximately RM0.2 million. The increase was partially offset by (i) a recovery of bad debt previously impaired of RM0.5 million; and (ii) a decrease in professional fees of approximately RM0.1 million.

Finance costs

Finance costs increased by approximately RM45,000 or 21.3% from approximately RM0.2 million in FY2018 to approximately RM0.3 million in FY2019. This is mainly due to higher scheduled repayment of finance leases for new assets purchased in FY2019.

Profit before tax

Profit before tax increased by approximately RM77.6 million from loss before tax of approximately RM17.2 million in FY2018 to profit before tax of approximately RM60.4 million in FY2019. This is mainly due to an increase in gross profit of approximately RM77.0 million and other income of approximately RM1.1 million. The increase was partially offset by (i) an increase in other operating expenses of approximately RM0.1 million; (ii) an increase in general and administrative expenses of approximately RM0.3 million; and (iii) an increase in finance costs of approximately RM45,000.

Income tax expense

Tax credit in FY2019 relates to the recognition of deferred tax asset of RM27.9 million arising from prior year unutilised tax losses. These tax losses are determined based on the tax returns filed to the local tax authority. Under the self-assessment system of the local tax authority, the return filed by a taxpayer will be deemed as a notice of assessment served upon the taxpayer. To date, our Group has not received any correspondences which may indicate that these tax losses have not been agreed by the tax authorities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

1Q2019 vs 1Q2020

Revenue

Revenue increased by approximately RM55.8 million or 233.8% from approximately RM23.9 million in 1Q2019 to approximately RM79.6 million in 1Q2020 mainly due to (i) a higher volume of iron ore concentrate sold from approximately 0.1 million tonnes in 1Q2019 to approximately 0.25 million tonnes in 1Q2020 due to increased sale to new customers; and (ii) sale of pipe coating material to our customers of approximately 34,000 tonnes in 1Q2020.

The increase in revenue was also partly due to the slight increase in the average selling price of iron ore concentrate from approximately RM257.31 per tonne in 1Q2019 to approximately RM259.53 per tonne in 1Q2020.

Cost of sales

Cost of sales increased by approximately RM19.1 million or 84.5% from approximately RM22.6 million in 1Q2019 to approximately RM41.7 million in 1Q2020. The increase was in line with the increase in sales volume and mainly attributable to (i) an increase in logistics related cost of approximately RM2.9 million in relation to transportation expenses to deliver our iron ore products from the Chaah Mine to our customers arising from a higher volume sold; (ii) an increase in tribute payments of RM4.0 million in tandem with the higher monthly average of TSI price in 1Q2020; (iii) an increase in blasting and drilling cost of approximately RM0.2 million due to increased blasting and drilling work at the Chaah Mine; (iv) an increase in fuel and lubrication of approximately RM1.5 million mainly due to higher consumption of industrial diesel for the higher production; (v) an increase in contract wages of approximately RM5.3 million mainly due to higher volume of processing work in order to meet the increase in sale of our iron ore products; (vi) an increase in amortisation of mine properties and stripping cost of approximately RM0.2 million and RM0.6 million respectively due to higher production; (vii) an increase in changes in inventories of approximately RM2.3 million due to the increased sales; (viii) an increase in port related charges of approximately RM2.2 million in relation to sale to our overseas customers in 1Q2020; and (ix) an increase in staff cost of approximately RM0.2 million mainly due to additional recruitment of mine site workers in 1Q2020.

The increase was partially offset by a decrease in depreciation of property, plant and equipment of approximately RM0.3 million as a majority of the heavy machinery and equipment had been fully depreciated.

Gross profit and gross profit margin

Gross profit increased by approximately RM36.7 million or 2,931.1% from approximately RM1.3 million in 1Q2019 to approximately RM37.9 million in 1Q2020 mainly due to (i) an increased revenue as a result of the increase in volume of iron ore products sold to our customers; (ii) cost efficiency due to higher and continuous production of iron ore concentrate due to higher price as well as consistent demand from our customers; and (iii) sale of pipe coating material and low grade iron ore concentrate which was a by product stored in our Group's tailing dams which had a higher margin.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Other income

Other income increased by approximately RM0.5 million or 304.1% from approximately RM0.1 million in 1Q2019 to approximately RM0.6 million in 1Q2020. This was mainly due to (i) interest received from placement of short term deposits of approximately RM0.3 million; and (ii) an increase in hiring income derived from rendering of transportation services and rental of equipment of approximately RM0.1 million.

Other operating expenses

Our other operating expenses remains constant at approximately RM0.1 million in both 1Q2019 and 1Q2020. Other operating expenses comprised depreciation of property, plant and equipment not directly used in the production of our iron ore products.

General and administrative expenses

General and administrative expenses increased by approximately RM4.4 million or 506.6% from approximately RM0.9 million in 1Q2019 to approximately RM5.2 million in 1Q2020. This was mainly attributable to (i) listing expenses incurred in 1Q2020; and (ii) professional fees incurred for the provision of mine geophysical exploration services of approximately RM0.3 million in 1Q2020.

Finance costs

Finance costs decreased by approximately RM20,000 or 30.8% from approximately RM65,000 in 1Q2019 to approximately RM45,000 for 1Q2020. The decrease was mainly due to the full repayment of term loans in 1Q2020.

Share of results of joint venture

Share of results of joint venture is immaterial for 1Q2019 and our Group did not record any share of results of joint venture in 1Q2020 as the share of loss has been capped at cost of investment.

Profit before tax

Profit before tax increased by approximately RM32.8 million from approximately RM0.4 million in 1Q2019 to approximately RM33.2 million in 1Q2020. This is mainly due to (i) an increase in gross profit of approximately RM36.7 million; and (ii) an increase in other income of approximately RM0.5 million. This was partially offset by the increase in general and administrative expenses of approximately RM4.4 million.

Income tax expense

Income tax expense was nil for 1Q2019 and amounted to approximately RM9.3 million for 1Q2020, which was mainly due to the increase in taxable profit of our Group. The income tax expense for 1Q2020 consist of current year tax expense of approximately RM0.1 million and utilisation of prior year tax losses recognised as deferred tax asset of approximately RM9.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

REVIEW OF FINANCIAL POSITION

Reconciliation of the unaudited pro forma combined statement of financial position as at 31 October 2019

On 5 November 2019, Honest Sam had divested its shareholding interest of 50.0% in Teras Megajaya by way of declaration of a dividend-in-specie to Aras Kuasa as part of the Restructuring Exercise for (i) 1.0 million ordinary shares in a joint venture, Teras Megajaya, representing a shareholding interest of 50.0% in Teras Megajaya, held by Honest Sam; and (ii) the sum of RM5.3 million owed by Teras Megajaya to Honest Sam (collectively, **"TM Dividend-in-Specie"**).

On 5 November 2019, Honest Sam had also divested non-mining assets and properties by way of two (2) separate declarations of a dividend-in-specie to Aras Kuasa as part of the Restructuring Exercise for 32 units of vehicles owned by Honest Sam valued at approximately RM8,000 in aggregate based on the net book value of the vehicles as at 31 July 2019 and eight (8) properties owned by Honest Sam valued at approximately RM11.9 million in aggregate based on the net book value of the properties as at 31 July 2019 respectively (collectively, **"Non-mining Assets Dividend-in-Specie"**).

Please refer to the section entitled "Restructuring Exercise" of this Offer Document for the details of the TM Dividend-in-Specie and Non-mining Assets Dividend-in-Specie.

On 10 December 2019, Honest Sam further declared the FY2019 Final Dividend on ordinary shares of approximately RM17.4 million which includes an amount of RM0.1 million to the holder of the CPS. The FY2019 Final Dividend was paid on 19 December 2019.

Current assets

As at 31 October 2019, our Group recorded current assets on a pro forma basis which amounted to approximately RM92.3 million, representing a decrease of approximately RM34.6 million which was due to (i) the decrease in assets held for distribution from approximately RM17.2 million to nil, as a result of the declaration of the TM Dividend-in-Specie and Non-mining Assets Dividend-in-Specie; and (ii) a decrease in cash and bank balances of approximately RM17.4 million as a result of the FY2019 Final Dividend.

Equity attributable to owners of the Company

As at 31 October 2019, our Group recorded equity attributable to owners of the Company on a pro forma basis which amounted to approximately RM144.5 million, representing a decrease of approximately RM34.6 million which was due to the (i) declaration of the TM Dividend-in-Specie; (ii) declaration of the Non-mining Assets Dividend-in-Specie; and (iii) the payment of the FY2019 Final Dividend.

As at 31 October 2019

Non-current assets

As at 31 October 2019, our non-current assets of approximately RM77.9 million accounted for approximately 38.1% of our total assets. Our non-current assets comprised property, plant and equipment, right-of-use of assets, mine properties, deferred tax asset and investment securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

As at 31 October 2019, property, plant and equipment of approximately RM27.9 million accounted for approximately 35.8% of total non-current assets. Property, plant and equipment comprised (i) construction in progress; (ii) buildings; (iii) motor vehicles and heavy-duty mobile equipment; (iv) plant and machinery; (v) other equipment; and (vi) furniture and fittings, containers, signboard and renovation.

As at 31 October 2019, right-of-use asset of approximately RM2.9 million accounted for approximately 3.7% of total non-current assets. Right-of-use asset refer to the right to use various items of plant, machinery, vehicles and other equipment previously classified as finance leases.

As at 31 October 2019, mine properties of approximately RM28.4 million accounted for approximately 36.4% of total non-current assets. Mine properties comprised (i) stripping activity assets; and (ii) producing mines. The decrease in mining properties from approximately RM30.6 million as at 31 July 2019 to RM28.4 million as at 31 October 2019 was attributed to the amortisation of the mining properties during 1Q2020 which comprised the amortisation of stripping costs and mine properties which constituted part of our Group's costs of sales for 1Q2020.

As at 31 October 2019, deferred tax assets of approximately RM18.7 million accounted for approximately 24.0% of total non-current assets. Our deferred tax assets arose from the recognition of our Group's unutilised tax losses from prior years. The decrease in deferred tax assets from approximately RM27.9 million as at 31 July 2019 to approximately RM18.7 million as at 31 October 2019 was attributed to the utilisation of prior year tax losses recognised as deferred tax assets which are part of our Group's income tax expense for 1Q2020.

As at 31 October 2019, investment securities of approximately RM0.1 million accounted for approximately 0.1% of our total non-current assets. Investment securities mainly relate to investment in equity instruments which are listed in Malaysia.

Current assets

As at 31 October 2019, current assets of approximately RM126.9 million accounted for approximately 61.9% of our total assets. Current assets consist of inventories, trade and other receivables, contract assets, prepayments and cash and bank balances, income tax recoverable and assets held for distribution.

As at 31 October 2019, inventories of approximately RM10.7 million accounted for approximately 8.5% of total current assets. Inventories comprised iron ores and consumables and spares.

As at 31 October 2019, our trade and other receivables of approximately RM14.4 million accounted for approximately 11.4% of total current assets. Trade receivables were approximately RM12.9 million which comprised mainly amounts due from third parties. Other receivables were approximately RM1.6 million which comprised mainly amounts due from third parties and related parties, interest receivable from short term deposits, deposits and goods and services tax receivable. The decrease in trade and other receivables was mainly due to the receipt of trade receivables from third party customers of approximately RM5.6 million during 1Q2020.

As at 31 October 2019, contract assets of approximately RM20.0 million accounted for approximately 15.8% of total current assets. Contract assets comprised our Group's right to

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

consideration for work completed but not yet billed at reporting date for the sale of iron ores. The iron ore delivered will be invoiced based on the terms and conditions of the sale and purchase contract.

As at 31 October 2019, prepayments of approximately RM1.6 million accounted for approximately 1.3% of total current assets. Prepayments mainly comprised payments made in relation to the listing exercise, purchases of imported spare parts and payments made in advance for freight charges and construction of the substation for electricity supply to Chaah mine.

As at 31 October 2019, cash and bank balances were approximately RM61.3 million, accounting for approximately 48.3% of total current assets. Our cash and bank balances comprised cash in hand and at banks and short-term deposits with licenced banks.

As at 31 October 2019, income tax recoverable amounted to approximately RM1.5 million which is approximately 1.2% of total current assets. Income tax recoverable arises from overprovision of income tax arising from prior years.

As at 31 October 2019, assets held for distribution of approximately RM17.2 million accounted for approximately 13.6% of total current assets. Assets held for distribution comprised non-mining properties and assets and amounts due from a joint venture. Assets held for distribution are expected to be distributed as part of the dividend-in-specie as disclosed in the "Restructuring Exercise" of this Offer Document. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for more details.

Current liabilities

As at 31 October 2019, current liabilities of approximately RM24.6 million accounted for approximately 95.6% of our total liabilities. Our current liabilities consisted of loans and borrowings and trade and other payables.

As at 31 October 2019, loans and borrowings of approximately RM1.7 million accounted for approximately 6.9% of our total current liabilities. Loans and borrowings comprised (i) a portion of obligations under finance leases payable within 12 months of approximately RM1.0 million; and (ii) a utilised overdraft of RM0.7 million.

As at 31 October 2019, trade and other payables of approximately RM22.9 million accounted for approximately 93.1% of our total current liabilities. Trade payables were approximately RM13.4 million which comprised trade payable to third parties and amounts due to related parties. Other payables were approximately RM9.5 million which mainly comprised tribute payables and accruals. Tribute payables relate to amounts due to the mining lease holder pursuant to a mining agreement for the exclusive rights as a mining operator. Accruals relate to listing fee expenses and amount payable for services rendered, mainly for the provision of contract wages and transportation of goods.

Non-current liabilities

As at 31 October 2019, non-current liabilities of approximately RM1.1 million accounted for approximately 4.4% of our total liabilities. Non-current liabilities consist of loans and borrowings which comprised a portion of obligations under finance leases.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Equity

As at 31 October 2019, total equity amounted to approximately RM179.1 million which comprised (i) preference shares of approximately RM0.7 million relating to the CPS; (ii) retained earnings of approximately RM139.7 million; and (iii) merger reserve of RM38.7 million.

Reconciliation of the unaudited pro forma combined statement of financial position as at 31 July 2019

On 7 August 2019, Honest Sam declared the FY2019 Interim Dividend of approximately RM8.9 million which was paid on 7 August 2019.

On 18 September 2019, Honest Sam repaid term loans which were pledged by the Non-mining Real Property which amounted to total of approximately RM0.7 million, including an interest expense of approximately RM70,000 ("**Repayment of Term Loans**").

On 5 November 2019, Honest Sam had divested its shareholding interest of 50.0% in Teras Megajaya by way of declaration of the TM Dividend-in-Specie.

On 5 November 2019, Honest Sam had also divested non-mining assets and properties by way of the Non-mining Assets Dividend-in-Specie.

Please refer to the section entitled "Restructuring Exercise" of this Offer Document for the details of the TM Dividend-in-Specie and Non-mining Assets Dividend-in-Specie.

On 10 December 2019, Honest Sam further declared the FY2019 Final Dividend on ordinary shares of approximately RM17.4 million which includes an amount of RM0.1 million to the holder of the CPS. The FY2019 Final Dividend was paid on 19 December 2019.

Current assets

As at 31 July 2019, our Group recorded current assets on a pro forma basis which amounted to approximately RM60.6 million, representing a decrease of approximately RM44.1 million which was due to (i) a decrease in assets held for distribution from approximately RM17.2 million to nil, as a result of the declaration of the TM Dividend-in-Specie and Non-mining Assets Dividend-in-Species; and (ii) a decrease in cash and bank balances of approximately RM26.9 million as a result of the payment of the FY2019 Interim Dividend, the payment of the FY2019 Final Dividend and the Repayment of Term Loans.

Current liabilities

As at 31 July 2019, our Group recorded current liabilities on a pro forma basis which amounted to approximately RM23.5 million, representing a decrease of approximately RM0.3 million due to the Repayment of Term Loans.

Non-current liabilities

As at 31 July 2019, our Group recorded non-current liabilities on a pro forma basis which amounted to approximately RM1.2 million, representing a decrease of approximately RM0.4 million due to the Repayment of Term Loans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Equity attributable to owners of the Company

As at 31 July 2019, our Group recorded equity attributable to owners of the Company on a pro forma basis which amounted to approximately RM120.7 million, representing a decrease of approximately RM43.4 million. The decrease of approximately RM43.4 million was due to (i) the payment of the FY2019 Interim Dividend; (ii) the declaration of the TM Dividend-in-Specie; (iii) the declaration of the Non-mining Assets Dividend-in-Specie; and (iv) the payment of the FY2019 Final Dividend.

As at 31 July 2019

Non-current assets

As at 31 July 2019, our non-current assets of approximately RM84.8 million accounted for approximately 44.8% of our total assets. Our non-current assets comprised property, plant and equipment, mine properties, investment in a joint venture, deferred tax asset and investment securities.

As at 31 July 2019, property, plant and equipment of approximately RM26.3 million accounted for approximately 31.0% of total non-current assets. Property, plant and equipment comprised (i) freehold land; (ii) construction in progress; (iii) buildings; (iii) motor vehicles and heavy-duty mobile equipment; (iv) plant and machinery; (v) other equipment; and (vi) furniture and fixtures, containers, signboard and renovation.

As at 31 July 2019, mine properties of approximately RM30.5 million accounted for approximately 36.0% of total non-current assets. Mine properties comprised (i) stripping activity asset; and (ii) producing mines.

As at 31 July 2019, deferred tax assets of approximately RM27.9 million accounted for approximately 32.9% of total non-current assets. Our deferred tax assets arose from the recognition of our Group's unutilised tax losses from prior years.

As at 31 July 2019, investment securities of approximately RM0.1 million accounted for approximately 0.1% of our total non-current assets. Investment securities mainly relate to investment in equity instruments which are listed in Malaysia.

Current assets

As at 31 July 2019, our current assets of approximately RM104.7 million accounted for approximately 55.2% of our total assets. Current assets consist of inventories, trade and other receivables, contract assets, prepayments and cash and bank balances, income tax recoverable and assets held for distribution.

As at 31 July 2019, our inventories of approximately RM13.4 million accounted for approximately 12.8% of total current assets. Inventories comprised iron ores and consumables and spares.

As at 31 July 2019, our trade and other receivables of approximately RM20.0 million accounted for approximately 19.1% of total current assets. Trade receivables were approximately RM18.4 million which comprised mainly amounts due from third parties. The increase in trade receivables from as at 31 July 2018 to 31 July 2019 was mainly due to a larger purchase order from one of

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

our Group's major customers. Other receivables were approximately RM1.6 million which comprised mainly amounts due from third parties and related parties, interest receivable from short term deposits, deposits and goods and services tax receivable.

As at 31 July 2019, our contract assets of approximately RM15.5 million accounted for approximately 14.8% of total current assets. Contract assets comprised our Group's right to consideration for work completed but not yet billed at reporting date for the sale of iron ores. The iron ore delivered will be invoiced based on the terms and conditions of the sale and purchase contract.

As at 31 July 2019, our prepayments of approximately RM1.6 million accounted for approximately 1.5% of total current assets. Prepayments mainly comprised payments made in advance for freight charges and purchases of imported spare parts, interest receivable from placement of short-term deposits.

As at 31 July 2019, our cash and bank balances were approximately RM35.4 million, accounting for approximately 33.8% of total current assets. Our cash and bank balances comprised cash in hand and at banks and short-term deposits with licenced banks.

As at 31 July 2019, income tax recoverable amounted to approximately RM1.6 million which was approximately 1.5% of our current assets. Income tax recoverable arises from overprovision of income tax arising from prior years.

As at 31 July 2019, assets held for distribution of approximately RM17.2 million accounted for approximately 16.4% of total current assets. Assets held for distribution comprised non-mining properties and assets and amounts due from a joint venture. Assets held for distribution are expected to be distributed as part of the dividend-in-specie disclosed in the section entitled "Restructuring Exercise" of this Offer Document. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for more details.

Current liabilities

As at 31 July 2019, our current liabilities of approximately RM23.8 million accounted for approximately 93.9% of our total liabilities. Our current liabilities consist of loans and borrowings and trade and other payables.

As at 31 July 2019, our loans and borrowings of approximately RM1.4 million accounted for approximately 5.9% of our total current liabilities. Loans and borrowings comprised (i) a portion of term loans payable within 12 months of approximately RM0.3 million; (ii) a portion of obligations under finance leases payable within 12 months of approximately RM0.9 million; and (iii) an utilised overdraft of RM0.2 million.

As at 31 July 2019, trade and other payables of approximately RM22.4 million accounted for approximately 94.1% of our total current liabilities. Trade payables were approximately RM19.5 million which comprised trade payables to third parties and amounts due to related parties. Other payables were approximately RM2.9 million which mainly comprised tribute payables and accruals. Tribute payables related to amounts due to a mining lease holder pursuant to a mining agreement for the exclusive rights as a mining operator.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Non-current liabilities

As at 31 July 2019, non-current liabilities of approximately RM1.6 million accounted for approximately 6.1% of our total liabilities. Non-current liabilities consist solely of loans and borrowings which comprised (i) a portion of term loans payable of RM0.4 million; and (ii) a portion of obligations under finance leases of RM1.2 million.

Equity

As at 31 July 2019, total equity amounted to approximately RM164.2 million which comprised (i) preference shares of approximately RM0.7 million relating to the CPS; (ii) retained earnings of approximately RM124.7 million; and (iii) merger reserve of RM38.7 million.

INFLATION

Our financial performance for the Period Under Review was not materially affected by inflation.

LIQUIDITY AND CAPITAL RESOURCES

We financed our growth and operations through a combination of shareholders' equity (including retained earnings), net cash generated from operating activities, and loans and borrowings from financial institutions. Our principal uses of cash are for working capital requirements and capital expenditures.

The following table sets out a summary of our Company's cash flow for FY2017, FY2018, FY2019 and 1Q2020.

RM'000	FY2017 (Audited)	FY2018 (Audited)	FY2019 (Audited)	1Q2020 (Unaudited)
Net cash (used in)/provided from operating activities	(6,623)	4,964	36,833	40,782
Net cash provided/(used in) from investing activities	9,139	(1,632)	(4,310)	(5,518)
Net cash used in financing activities	(2,807)	(1,262)	(995)	(9,858)
Net (decrease)/increase in cash and cash equivalents	(291)	2,070	31,528	25,406
Cash and cash equivalents at the beginning of the year/period	(183)	(474)	1,596	33,124
Cash and cash equivalents at the end of the year/period	(474)	1,596	33,124	58,530

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

FY2017

In FY2017, net cash used in operating activities of approximately RM6.6 million was a result of cash outflow from operating loss before changes in working capital of approximately RM8.4 million, adjusted for working capital inflows of approximately RM2.0 million, net interest paid of approximately RM0.2 million and income taxes paid of approximately RM20,000. The net working capital inflows were mainly due to the following:

- (i) a decrease in inventories of approximately RM9.6 million; and
- (ii) a decrease in trade and other receivables and contract assets of approximately RM1.1 million.

The above working capital inflows were partially offset by (i) an increase prepayments of approximately RM0.6 million; and (ii) a decrease in trade and other payables of approximately RM8.0 million and repayment of amounts owing to directors.

Net cash from investing activities amounted to approximately RM9.1 million, which was mainly attributable to proceeds from a disposal of an investment property of approximately RM9.5 million. This was partially offset by purchase of property, plant and equipment of approximately RM0.3 million.

Net cash flow used in financing activities amounted to approximately RM2.8 million, which was mainly attributable to the repayment of obligations under finance leases of approximately RM2.6 million and repayment of term loans of approximately RM0.2 million.

As at 31 July 2017, our Group recorded a negative cash and cash equivalents of approximately RM0.5 million which were financed by the utilisation of an overdraft facility.

FY2018

In FY2018, net cash generated from operating activities were approximately RM5.0 million, which was a result of cash outflow for operating loss before changes in working capital of approximately RM0.1 million, adjusted for working capital inflows of approximately RM5.2 million, net interest paid of approximately RM0.1 million and income tax paid of approximately RM20,000. The net working capital inflows were due to a decrease in inventories of approximately RM14.9 million. This working capital inflows were partially offset by:

- (i) an increase in trade and other receivables and contract assets of approximately RM4.8 million;
- (ii) an increase in prepayments of approximately RM0.5 million; and
- (iii) a decrease in trade and other payables of approximately RM4.5 million.

Net cash used in investing activities amounted to approximately RM1.6 million, which was attributable to the purchase of property, plant and equipment of approximately RM1.9 million. This partially offset with proceeds from disposal of property, plant and equipment of approximately RM0.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Net cash used in financing activities amounted to approximately RM1.3 million, which was attributable to the repayment of obligations under finance leases of approximately RM0.2 million, repayment of term loans of approximately RM0.3 million and a distribution to a controlling shareholder, namely Dato' Sri Pek, of RM0.8 million.

As at 31 July 2018, our cash and cash equivalents were approximately RM1.6 million.

FY2019

In FY2019, net cash generated from operating activities were approximately RM36.8 million, which was a result of operating profit before changes in working capital of approximately RM75.1 million, adjusted for working capital outflows of approximately RM38.3 million, net interest received of approximately RM19,000 and income taxes paid of RM20,000.

The net working capital outflows were mainly due to the following:

- (i) an increase in trade and other receivables and contract assets of approximately RM26.5 million; and
- (ii) a decrease in trade and other payables of RM12.4 million.

The above working capital outflows were partially offset by a decrease in inventories of approximately RM0.6 million.

Net cash used in investing activities amounted to approximately RM4.3 million, which was attributable to purchase of plant and equipment of approximately RM4.3 million and placement in fixed deposits of approximately RM0.1 million. This was partially offset by the proceeds from disposal of property, plant and equipment of approximately RM0.1 million.

Net cash flow used in financing activities amounted to approximately RM1.0 million, which was attributable to the repayment of obligations under finance leases of approximately RM0.7 million and repayment of term loans of approximately RM0.3 million.

As at 31 July 2019, our cash and cash equivalents were approximately RM33.1 million.

1Q2020

In 1Q2020, net cash from operating activities of approximately RM40.8 million was a result of operating profit before changes in working capital of approximately RM36.4 million, adjusted for working capital inflows of approximately RM4.2 million and net interest received of approximately RM0.3 million.

The net working capital inflows were mainly due to the following:

- (i) a decrease in inventories of approximately RM2.7 million; and
- (ii) a decrease in trade and other receivables and contract assets of approximately RM1.1 million; and
- (iii) a increase in trade and other payables of approximately RM0.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The above working capital inflows were partially offset by an increase in prepayments of approximately RM0.1 million.

Net cash used in investing activities amounted to approximately RM5.5 million, which was mainly attributable to the purchase of property, plant and equipment.

Net cash flow used in financing activities amounted to approximately RM9.9 million, which was attributable to the repayment of term loans of approximately RM0.7 million, repayment of lease liabilities of approximately RM0.3 million and a dividend payment to our shareholder of approximately RM8.9 million.

As at 31 October 2019, cash and cash equivalents were approximately RM58.5 million.

CAPITAL EXPENDITURE AND DIVESTMENTS, COMMITMENTS AND LIABILITIES

Capital Expenditure

The capital expenditure made by our Group during the Relevant Period were as follows:

RM'000	FY2017	FY2018	FY2019	1Q2020	From 1 November 2019 to the Latest Practicable Date
Freehold land	—	—	—	—	—
Construction in progress	—	1,448	2,066	3,753	407
Buildings	—	—	—	—	—
Motor vehicles and heavy duty mobile equipment	—	725	456	301	343
Plant and machinery	313	1,229	3,255	1,751	6,460 ⁽¹⁾
Other equipment	—	—	—	—	—
Furniture and fittings, containers, signboard and renovation	13	—	—	—	67
Total	326	3,402	5,777	5,805	7,277

Note:

(1) The increase in capital expenditure for plant and machinery was due to the acquisition of excavators to accelerate mining works at the Chaah Mine.

The above capital expenditure was primarily financed by internally generated resources for the new crushing plant and the substation for electricity supply to the Chaah Mine to be constructed to enhance the efficiency and effectiveness of the operations at the Chaah Mine. The capital expenditure incurred on the construction of the crushing plant amounted to approximately RM1.4 million and RM0.4 million in FY2018 and FY2019 respectively. The construction of the substation commenced in FY2019 to connect to the National Grid. Total expenditure for the project management of the construction is expected to amount to approximately RM6.9 million, of which approximately RM1.4 million and RM2.7 million was paid in FY2019 and 1Q2020 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Upon completion, the substation is expected to result in substantial cost savings from reduced diesel consumption. Our Group also commenced construction of an additional warehouse in FY2019 which amounted to approximately RM0.3 million. In FY2019 and 1Q2020, our Group had also invested in excavators, lorries and machineries and the costs of such investments amounted to approximately RM3.3 million and RM1.8 million respectively to cater for the increased activities at the Chaah Mine.

Divestments

The divestments made by our Group during the Relevant Period were as follows:

RM'000	FY2017	FY2018	FY2019	1Q2020	From 1 November 2019 to the Latest Practicable Date
Freehold land	—	—	—	—	9,770 ⁽²⁾
Construction in progress	—	—	—	—	—
Buildings	8,445 ⁽¹⁾	—	—	—	2,146 ⁽²⁾
Motor vehicles and heavy duty mobile equipment	—	—	—	—	—
Plant and machinery	—	364	—	—	8 ⁽²⁾
Other equipment	—	—	—	—	—
Furniture and fittings, containers, signboard and renovation	—	—	—	—	—
Total	8,445	364	—	—	11,924

Notes:

- (1) Included the disposal of an investment property known as Lot No. TC05, Bandar Puteri, Phase CP16/The Cube located at Puchong, Malaysia with net carrying value of approximately RM8.4 million for a cash consideration of approximately RM9.5 million.
- (2) Comprised assets as part of dividend-in-specie declared by our Group for FY2019 as part of the Restructuring Exercise. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for details.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

FOREIGN EXCHANGE MANAGEMENT

Accounting Treatment of Foreign Currencies

The functional currency of our Malaysia and Singapore entities is in RM, as it reflects the primary economic environment in which they operate. Transactions in foreign currencies are recorded in functional currency at the rates ruling the dates of transactions. At the end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates, respectively. All realised and unrealised exchange gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges.

Foreign Exchange Exposure

Our reporting currency is RM and our operations are primarily carried out in Malaysia. Generally, we sell our products in US\$ and invoice our customers in RM equivalent. On the other hand, almost all our operating costs are denominated in RM during the Period Under Review.

The proportions of our revenue denominated in US\$/RM for the Period Under Review are as follows:

	FY2017	FY2018	FY2019	1Q2019	1Q2020
Percentage of revenue denominated in	(%)	(%)	(%)	(%)	(%)
US\$	1.2	–	–	–	12.4
RM	98.8	100.0	100.0	100.0	87.6
	100.0	100.0	100.0	100.0	100.0

The proportions of our purchases denominated in RM, US\$ and other foreign currency were as follows:

	FY2017	FY2018	FY2019	1Q2019	1Q2020
Percentage of cost of sales denominated in	(%)	(%)	(%)	(%)	(%)
US\$	8.5	4.0	5.1	8.3	1.8
RM	91.5	96.0	94.7	91.7	98.2
A\$	–	–	0.2	–	–
	100.0	100.0	100.0	100.0	100.0

To the extent that our revenue, purchases and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, we will be exposed to adverse fluctuations of foreign currencies against the RM, which would adversely affect our earnings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our net foreign exchange exposure for FY2017, FY2018, FY2019, 1Q2019 and 1Q2020 was as follows:

RM'000	FY2017	FY2018	FY2019	1Q2019	1Q2020
Net foreign exchange (loss)/gain	(18)	158	(80)	(30)	37
As a percentage of revenue (%)	n.m. ⁽¹⁾	0.2	n.m. ⁽¹⁾	(0.1)	n.m. ⁽¹⁾
As a percentage of (loss)/profit before tax (%)	n.m. ⁽¹⁾	(0.9)	(0.1)	(8.5)	(0.1)

Note:

(1) n.m. denotes not meaningful.

At present, we do not have any formal policy for hedging against foreign exchange exposure. Prior to implementing any formal hedging policies, we will seek the approval of our Directors on the policy and put in place adequate procedures which shall be reviewed and approved by our Audit Committee. Thereafter, all hedging transactions entered into by our Group will be in accordance with the set policies and procedures.

SIGNIFICANT ACCOUNTING POLICY CHANGES

During the Period Under Review, our Group adopted the new or revised SFRS (I) that are relevant to our operations and effective for each financial year respectively. Changes to our Group's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective SFRS (I). The adoption of the new or revised SFRS (I) including SFRS(I) Interpretations did not result in any substantial changes to our Group's accounting policies and has no material effect on the amounts reported for the respective years. Except for SFRS(I) 16 Leases and SFRS(I) INT 23 Uncertainty over Income Tax Treatments, the directors expect that the adoption of the other standards above will have no material impact on the combined financial statements in the year of initial application.

Our Group expects the effect of adoption of SFRS(I) 16 as at 1 August 2019 to involve a reclassification between property, plant and equipment and right-of-use asset. Subsequent to 31 July 2019, our Group had entered into a Tenancy Agreement with Teras Megajaya in relation to the rental of office space and which would need to be accounted for pursuant to the adoption of SFRS (I) 16 in the year of initial application. Our Directors do not expect that the adoption of SFRS (I) INT 23 to have an impact on our Group's financial statements. Please refer to the section entitled "Summary of Significant Accounting Policies" in the "Independent Auditor's and Reporting Accountant's Report on the Audited Combined Financial Statements for the Financial Years ended 31 July 2017, 2018 and 2019 of Southern Alliance Mining Ltd. and its Subsidiaries" as set out in Appendix A to this Offer Document.

CAPITALISATION AND INDEBTEDNESS

The following table, which should be read in conjunction with the “Independent Auditor’s and Reporting Accountant’s Report on the Audited Combined Financial Statements for the Financial Years ended 31 July 2017, 2018 and 2019 of Southern Alliance Mining Ltd. and its Subsidiaries”, the “Independent Auditor’s Review Report on the Unaudited Interim Condensed Combined Financial Statements for the Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” and the “Independent Practitioner’s Assurance Report on the Compilation of Unaudited Pro Forma Combined Financial Information for the Financial Year ended 31 July 2019 and for the Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendices A, B and C to this Offer Document respectively and the sections entitled “Selected Combined Financial Information” and “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Offer Document, shows our cash and bank balances, capitalisation and indebtedness:

- (i) as at 31 October 2019 based on our unaudited interim condensed combined financial statements;
- (ii) as at the Latest Practicable Date based on our unaudited combined management accounts; and
- (iii) as adjusted for the Restructuring Exercise, the issue and allotment of PPCF Shares and the application of the net proceeds from the Placement, after deducting the estimated listing expenses related to the Placement.

RM’000	As at 31 October 2019	As at 1 March 2020	As adjusted for the Restructuring Exercise, and as adjusted for the issue and allotment of the PPCF shares and net proceeds from the Placement
Cash and bank balances	61,305	76,165	112,795
Current			
Secured and guaranteed	1,689	3,098	3,098
Secured and non-guaranteed	—	—	—
Non-secured and guaranteed	—	—	—
Non-secured and non-guaranteed	—	—	—
Non-current			
Secured and guaranteed	1,130	4,763	4,763
Secured and non-guaranteed	—	—	—
Non-secured and guaranteed	—	—	—
Non-secured and non-guaranteed	—	—	—
Total indebtedness	2,819	7,861	7,861
Total equity	179,118	197,796	401,368
Total capitalisation and indebtedness	181,937	205,657	409,229

CAPITALISATION AND INDEBTEDNESS

As at the Latest Practicable Date, save for the (i) changes in working capital; and (ii) changes in our shareholders' equity and reserves arising from day-to-day operations in the ordinary course of business, there were no material changes to our capitalisation and indebtedness as disclosed above.

Credit Facilities

As at the Latest Practicable Date, our Group's facilities from the financial institutions and financial services companies are as follows:

Financial institution	Nature of facility	Secured/unsecured	Facility amount (RM'000)	Utilised amount (RM'000)	Unutilised amount (RM'000)	Interest rates	Maturity profile
Public Bank Berhad	Hire Purchases	Secured	1,471	1,471	–	2.2% to 2.6%	July 2021 to March 2025
Caterpillar Financial Services Malaysia Sdn. Bhd.	Hire Purchases	Secured	1,988	1,988	–	3.4% to 4.0%	April 2021 to October 2021
Orix Credit Malaysia Sdn. Bhd.	Hire Purchases	Secured	6,460	6,460	–	2.6%	November 2022

As at the Latest Practicable Date, we have total facilities of approximately RM9.9 million which has been fully utilised.

Our hire purchase facilities are secured by, among others, (i) the title to the equipment; and (ii) indemnities and personal guarantees from our Director and his associate. Please refer to the section entitled "Interested Person Transaction – On-going and Present Transactions" for details of the indemnities and guarantees provided by our Director and his associate.

None of the above facilities contain any specific covenants that are conditional on our Controlling Shareholder's interest in our Company. In addition, the changes in our Company's shareholding structure arising from the Restructuring Exercise will not result in any breach of the terms and conditions in the above facilities.

To the best of our Directors' knowledge, we are not in breach of, and there is no non-compliance of any of the terms and conditions or covenants of the above facilities which could materially affect our financial position and results or business operations, or the investments of our Shareholders as at the Latest Practicable Date.

Save as disclosed in this section of this Offer Document, our Group has no other borrowings or indebtedness (direct or indirect) or liabilities (including contingent liabilities) as at the Latest Practicable Date.

Please refer to the section entitled "Working Capital" of this Offer Document for a further description of our working capital.

CAPITALISATION AND INDEBTEDNESS

Capital Commitments

As at 31 July 2019, 31 October 2019 and the Latest Practicable Date, the capital commitments of our Group were as follows:

RM'000	As at 31 July 2019	As at 31 October 2019	As at the Latest Practicable Date
Proposed fees for project management of the construction of a substation	5,518	2,766	2,766
Total	5,518	2,766	2,766

The capital commitments were and will be funded by internally generated funds.

Operating Lease Commitments

As at 31 July 2019, 31 October 2019 and the Latest Practicable Date, the operating lease commitments our Group were as follows:

RM'000	As at 31 July 2019	As at 31 October 2019	As at the Latest Practicable Date
Not later than one (1) year	–	–	194
Later than one (1) year but not later than five (5) years	–	–	345
More than five (5) years	–	–	–
	–	–	539

The above operating lease commitments pertain primarily to our office rental which were and will be financed by internally generated resources.

CAPITALISATION AND INDEBTEDNESS

Finance Lease Commitments

As at 31 July 2019, 31 October 2019 and the Latest Practicable Date, the finance lease commitments of Group were as follows:

RM'000	As at 31 July 2019	As at 31 October 2019	As at the Latest Practicable Date
Not later than one (1) year	905	969	3,155
Later than one (1) year but not later than five (5) years	1,159	1,130	4,356
More than five (5) years	—	—	—
	2,064	2,099	7,511

The above finance lease commitments pertain primarily to our hire purchase facilities which were and will be financed by internally generated resources.

Performance Bonds

As at the Latest Practicable Date, our Group does not have any performance bonds.

Contingent Liabilities

As at the Latest Practicable Date, our Group does not have any contingent liabilities.

WORKING CAPITAL

Our Company financed its operations through both internal and external sources. Our internal sources of funds comprised mainly cash generated from our operating activities. Our external sources of funds comprised mainly banking facilities from financial institutions, credit granted by suppliers and capital investment from shareholders. Please refer to the section entitled “Capitalisation and Indebtedness” of this Offer Document for further details.

Our Group had cash and bank balances of approximately RM2.7 million, RM4.9 million, RM35.4 million and RM61.3 million for FY2017, FY2018, FY2019 and 1Q2020 respectively.

The net cash generated from our Group’s operating activities were approximately RM5.0 million, RM36.8 million and RM40.8 million for FY2018, FY2019 and 1Q2020 respectively.

Our Group recorded a positive working capital of approximately RM2.6 million, RM80.9 million and RM102.3 million as at 31 July 2017, 31 July 2019 and 31 October 2020 respectively. However, our Group recorded negative working capital of approximately RM0.8 million as at 31 July 2018. The negative working capital recorded as at 31 July 2018 was mainly due to (i) the amount owing to Aras Kuasa; and (ii) higher stripping costs incurred by our Group due to increased efforts for the removal of overburden at the open pit of the Chaah Mine.

In assessing whether our Group has sufficient working capital for at least 18 months after the listing of our Company on the Catalist to meet our obligations as and when they fall due including our anticipated capital expenditure, royalty and tribute payments, our Directors have considered, *inter alia*, the following:

- (a) the amount owing by Honest Sam to Aras Kuasa that has been fully repaid before the lodgement of this Offer Document;
- (b) our Group has a strong working capital position of approximately RM80.9 million and RM102.30 million, and cash and bank balances of approximately RM35.4 million and RM61.3 million as at 31 July 2019 and 31 October 2019 respectively. This is supported by our Group’s ability to generate cash inflows from operating activities of approximately RM5.0 million, RM36.8 million and RM40.8 million for FY2018, FY2019 and 1Q2020 respectively. As at the Latest Practicable Date, our Group has a cash balance as per bank statements of approximately RM78.5 million;
- (c) commercial production of iron ore products at the Chaah Mine from our two (2) processing plants remain steady, which can produce approximately 60,000 tonnes of iron ore concentrates of Fe 65% grade monthly. Our Group’s major customers include major steel mills in Malaysia who have a high demand for our iron ore concentrates. Please refer to the sections entitled “General Information of our Group – Major Customers” and “General Information on our Group – Trend Information” of this Offer Document for more details;
- (d) our Group has been maintaining low debt levels during the Period Under Review. Our loans and borrowings as at 31 October 2019 was approximately RM2.3 million based on the unaudited pro forma financial statements, arising from hire purchase and overdraft facilities. As at the Latest Practicable Date, we do not have other loan facilities with any financial institution. Since the commencement of our Group’s operations at the Chaah Mine, our Group has not defaulted on any loans and/or interest repayment obligations, and our bankers have not recalled or reduced the credit facilities extended. Our Group has not encountered any liquidity issues that resulted in any major disruptions to our operations;
- (e) During the Suspension Period, our Group did not record any revenue but also did not incur any substantial mining operations costs, except for certain overhead costs such as maintaining the payroll to employees. Accordingly, our Group’s monthly cash burn was approximately RM1.0 million and based on our Group’s cash balance as per bank statements of approximately RM78.5 million as at the Latest Practicable Date, our Group would continue

WORKING CAPITAL

to have sufficient working capital for at least 18 months post-Listing if our Group has to suspend our operations for a protracted period due to COVID-19;

- (f) On 22 April 2020, Honest Sam received the MITI Approval, which provided, among others, that Honest Sam is allowed to operate during the period of the Initial Movement Control Order, subject to certain conditions. Please refer to the risk factor entitled “We are subject to risks related to the outbreak of COVID-19” for more details of such conditions. On 28 April 2020, MITI had further announced that, from 29 April 2020, companies who have obtained approvals to operate during Stages 1, 2 and 3 of the Initial Movement Control Order are allowed to operate at full capacity and without any time constraints in accordance with the respective industry requirements, subject to compliance with the MCO Standard Operating Procedures. Our Group has been implementing procedures to comply with the conditions and has recommenced operations at the Chaah Mine. Upon the lifting of the Movement Control Orders, our Group envisages that we will be able to operate the Chaah Mine at a similar level to that prior to the Movement Control Orders with minimal lead time and without incurring substantial costs on top of the usual operation costs; and
- (g) The cash burn after the lifting of the Movement Control Orders (“**Post-MCO Burn Rate**”) shall comprise (i) our Group’s cost of sale excluding non-cash cost of sales item which will vary with the level and intensity of mining activities and operations and the transportation arrangement with its customers; (ii) general and administrative expenses; and (iii) finance costs such as finance leases. Accordingly, such cost incurred as Post-MCO Burn Rate is directly related to production of iron ore products which would corresponding result in the generation of revenue and operational cash inflow for our Group upon the sale of its iron ore products. We expect that the Post-MCO Burn Rate after the lifting of the Movement Control Orders for the rest of FY2020 to maintain at a level similar to the monthly burn rates for FY2019 and 1Q2020. For illustrative purposes, the monthly burn rates for FY2019 and 1Q2020 are approximately RM9.7 million and RM8.4 million respectively, based on tonnage of iron ore products sold during the respective periods.

Taking into account the foregoing including the resumption of our Group’s operations after the Suspension Period and/or lifting of the Movement Control Orders, our Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account our anticipated capital expenditure, royalty and tribute payments, Rehabilitation Fund Contribution, expenses related to the execution of the mining cut-back, the cash flows generated from our operations, the declaration of the Proposed Dividends (if any), our banking facilities and our existing cash and cash equivalents, the working capital available to us as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 18 months after the Listing of our Company on Catalist.

Taking into account the foregoing including the resumption of our Group’s operations after the Suspension Period and/or lifting of the Movement Control Orders, the Sponsor is of the reasonable opinion that, after having made due and careful enquiry and after taking into account our Company’s anticipated capital expenditure, royalty and tribute payments, Rehabilitation Fund Contribution, expenses related to the execution of the mining cut-back, the cash flows generated from our Company’s operations, the declaration of the Proposed Dividends (if any), our Company’s banking facilities and our Company’s existing cash and cash equivalents, the working capital available to our Company as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 18 months after the Listing of our Company on the Catalist.

GENERAL INFORMATION ON OUR GROUP

HISTORY OF OUR GROUP

Overview

Our Company was incorporated in Singapore as “Southern Alliance Mining Pte. Ltd.” on 19 September 2019 under the Companies Act as a private company limited by shares. In preparation for our Listing, we undertook the Restructuring Exercise under which our Company became the holding company of our Group. Please refer to the section entitled “Restructuring Exercise” of this Offer Document for further details of the Restructuring Exercise.

On 27 April 2020, we were converted into a public limited company and our name was changed to “Southern Alliance Mining Ltd.”.

Experience of our founders

Our CEO and Executive Director, Dato’ Sri Pek, has over 18 years of experience in the mining industry and incorporated Honest Sam in April 2001 which was principally engaged in the business of a limestone quarry mining sub-contractor in Pahang and Perak. While our Non-executive Non-independent Chairman, Dato’ Teh, who founded TTS Transport and was its managing director from 1977 to 2009 had established strong business relationships with major pipe coating companies.

Capitalising on Dato’ Sri Pek’s knowledge in quarrying and the experience of Dato’ Teh, together with our Substantial Shareholder, Dato’ Lee, they established Aras Kuasa in July 2004 which ventured into the business of mining operation activities in Malaysia. The Aras Kuasa Group has been involved in mining operations of various mining assets and minerals in Malaysia which include galena, bauxite, manganese and iron ore. In relation to iron ore mining experience, our Directors and our mining team have had extensive operations at the following iron ore mines where we were the mining lease holder or appointed as the mining operator by the mining lease holder:

Name of mine	Location	Year of operations	Total production (approximate tonnes)
Jerantut Mine ⁽¹⁾	Jerantut, Pahang	2009 to 2019	1,021,000
Ibam Mine ⁽¹⁾	Muadzam Shah, Pahang	2013 to 2014	5,000
Chini Mine	Chini, Pahang	2009 to 2014	904,000
Lipis Mine	Kuala Lipis, Pahang	2008 to 2014	556,000
Pelepah Kiri Mine	Kota Tinggi, Johor	2004 to 2012	410,000
Machang Setahun	Terengganu	2008 to 2014	674,000

Note:

- (1) Aras Kuasa and its subsidiary, JGSB, currently holds the mining operator rights to the Ibam Mine and Jerantut Mine respectively. Ibam Mine is currently under care and maintenance as it is not economical to carry out any mining operations at Ibam Mine, while JGSB has granted the mining operating rights of Jerantut Mine to an independent third party. Please refer to the section entitled “Potential Conflicts of Interest” of this Offer Document for more information about the Ibam Mine and Jerantut Mine.

GENERAL INFORMATION ON OUR GROUP

Mining activities at the above mines include exploratory work such as geological mapping and exploration drilling until the production stages at each of these mines. Iron ore resources at Pelepah Kiri Mine, Lipis Mine, Chini Mine and Machang Setahun Mine have been exhausted.

Background and key milestones of the Chaah Mine

Our Directors were aware of the historical mining activities and production at the Chaah Mine in a geologist report published by the JMG and identified it as a concession which could potentially be rewarding. In 2007, our Directors came to knowledge that the Chaah ML Holder was looking to appoint a new mining contractor to operate the Chaah Mine following the cessation of the previous mining contractor. Following a preliminary assessment of the Chaah Mine, our Group had, via our appointed legal counsel, submitted a letter to the Chaah ML Holder to indicate our interest to act as the mining contractor of the Chaah Mine. Having considered the track record and experience of our founders and our Group, Honest Sam was appointed as the mining operator and granted the rights to mine at the Chaah Mine (**"Ibzi Agreement"**) pursuant to an iron ore mining operating agreement in May 2008 with Ibzi Holdings Sdn. Bhd., an entity appointed by the Chaah ML Holder as the manager to deal with the mining leases matters of the Chaah Mine. Following which, Honest Sam then obtained an OMS from the JMG to commence development and mining work at the Chaah Mine, and shortly after, began prospecting work such as boring and drilling, as well as setting up the required infrastructure at the Chaah Mine. The initial infrastructure development included the setting up of four (4) fixed crushing plants with a rated capacity of 300 tonnes per hour and access roads within the Chaah Mine. In the second half of 2008, our Group extracted the first iron ore from the Chaah Mine and completed the first sale of our crushed iron ore as pipe coating material to Wasco Coatings Malaysia Sdn. Bhd.. Between 2008 and 2011, our Group focused on the production of crushed iron ore for sale as pipe coating material, development of the mining pit and procurement and setting up of machinery for our mining operations.

In 2011, the Ibzi Agreement was terminated and Honest Sam signed a new mining agreement directly with the Chaah ML Holder, the 2011 Mining Agreement. Please refer to the section entitled "General Information on our Group – The Chaah Mine – Right to mine" for further details of the mining agreement with the Chaah ML Holder.

With the aim of progressively establishing Mineral Resources and Ore Reserves at the Chaah Mine, in 2013, we commissioned a third party to undertake exploration activities at the Chaah Mine. We have developed and implemented exploration plans and procedures which include surface geological mapping, geological mapping of open pits, ground magnetic surveys, drilling, and metallurgical test work. From 2013 to 2014, our Group has completed a drilling campaign which comprised 101 reverse circulation drillholes and 44 diamond drillholes, totalling more than 22.0 km. Please refer to "Appendix D – Independent Qualified Person's Report" to this Offer Document for more details.

In 2013, our Group decided to expand our product offerings to include iron ore concentrate as a result of a falling demand in our pipe coating material due to the slump in the oil and gas industry. As such, our Group commenced on the building of our first beneficiation plant at the Chaah Mine. Our first beneficiation plant was completed in August 2014 and has a processing rate of 150 tonnes per hour. By the end of 2014, we started the sale of our iron ore concentrates to traders for export to the PRC, followed by sales to local steel mills such as Eastern Steel Sdn. Bhd. (**"Eastern Steel"**) and Ann Joo Integrated Steel Sdn. Bhd. (**"Ann Joo Steel"**).

In 2013, Honest Sam was awarded an Excellence Certificate in Surface Mining Operation from the JMG for demonstrating a high commitment in using sound mining practices and carrying out operations in accordance with such environmental standards as prescribed under the MDA.

GENERAL INFORMATION ON OUR GROUP

In 2014, we entered into an agreement with a third party contractor to process left over mining produce iron ore of between 20,000 and 60,000 tonnes per month as well as the building and maintenance of a second beneficiation plant in the Chaah Mine. The second beneficiation plant was completed and commenced production in 2014. In 2016, our contractor upgraded the second beneficiation plant and its current processing rate is 75 tonnes per hour. Please refer to the section entitled “General Information on our Group – The Chaah Mine – Processing facilities” for further information on our processing facilities. From 2016 to 2018, our Group continued exploration work and development of the mining pit at the Chaah Mine.

In 2019, we commenced sales of our iron ore concentrate to our major customer, Alliance Steel (M) Sdn. Bhd. (“**Alliance Steel**”), following the commissioning of its steel mill in Pahang, Malaysia. Honest Sam was also granted the right to carry out mining operations at the Exploration Assets by the Chaah ML Holder pursuant to the 2019 Supplementary Letter. Please refer to the section entitled “General Information on our Group – Exploration Assets” of this Offer Document for further details on these Exploration Assets. While we are continuing our mining and extraction in our existing pit, we are also conducting further exploratory activities at the Chaah Mine to identify and quantify the extensions to the existing ore body.

Since the commencement of operations at the Chaah Mine from 2008 to 31 October 2019, our Group has produced and sold approximately 4.6 million tonnes of iron ore products from the Chaah Mine.

BUSINESS OVERVIEW

Our Group is principally involved in the exploration, mining and processing of iron ore for subsequent sale. Our rights to conduct mining activities at our mine sites are pursuant to mining operator agreements that we enter into with the holders of the mining leases. We may undertake the exploration, mining and processing activities directly or outsource part of such activities to contractors.

Our Group is based in Pahang, Malaysia and has been operating the Chaah Mine located in Johor, Malaysia since 2008. Our Group has also been granted the right to explore the Exploration Assets located in Johor, Malaysia.

OUR IRON ORE PRODUCTS

During the Period Under Review, our Group mined, produced and sold iron ore which include (i) processed iron ore concentrate which are typically sold to steel mills or traders; and (ii) crushed iron ore that are used as pipe coating material.

Iron ore concentrate

Our Group sells haematite iron ore concentrate which contains low level of impurities with total Fe grade of between 62% and 65% to our customers which include (i) steel mills located in Malaysia; and (ii) trading companies.

Presently, a substantial portion of our iron ore concentrate are sold mainly to steel mills which are based in Malaysia such as Alliance Steel, Eastern Steel and Ann Joo Steel for the production of steel products such as bar rods, wire rods and H-beams.

GENERAL INFORMATION ON OUR GROUP

Pipe coating material

Currently, our Group sells crushed iron ore that measures not more than 10mm or 6.3mm and with specific gravity of at least 4.4 t/m³ as pipe coating material to our customers. As the iron ore body in the Chaah Mine has a natural characteristic of a higher density with “sticky” texture, our iron ore is suitable and preferred by our customers and/or end users, in particular pipe coating companies who use our crushed iron ore to coat sub-sea pipes.

THE CHAAH MINE

Description

The Chaah Mine is an open pit mine located approximately 10 km southwest of the township of Chaah, on the south-eastern slopes of Bukit Lop in Johor, Malaysia. The Chaah Mine is accessed by approximately 7 km along the Yong Peng – Segamat Road and then approximately 3 km through a palm oil plantation access road. Chaah township is on Federal Road 1 between Johor Bahru and Segamat, and the mine site is approximately 295 km by road to the Kuantan Port. Iron ore produced from the Chaah Mine are transported via existing road networks to the ports of Kuantan, Pasir Gudang and Batu Pahat, or directly to local customers. Our Group has access to our own stockpile areas and third-party stockpile capacity near and within the Kuantan Port.

The Chaah Mine consists of two (2) mining leases covering an adjacent aggregate area of 225.7 hectares. Iron ore mining activities by our Group commenced in 2008 and are on-going.

To the best of our Company’s knowledge, there are no records of threatened ecological communities or protected species within the area on which the Chaah Mine is situated, nor are there any heritage conservation policies affecting the Chaah Mine in place as it was not highlighted by the relevant authorities during the application of the mining leases.



The open pit at the Chaah Mine

GENERAL INFORMATION ON OUR GROUP



Our Group's beneficiation plant at the Chaah Mine



Our crushing facilities and crushed iron ore stockpile

GENERAL INFORMATION ON OUR GROUP



Our fleet of dumper trucks



Our dumper truck and excavator

GENERAL INFORMATION ON OUR GROUP

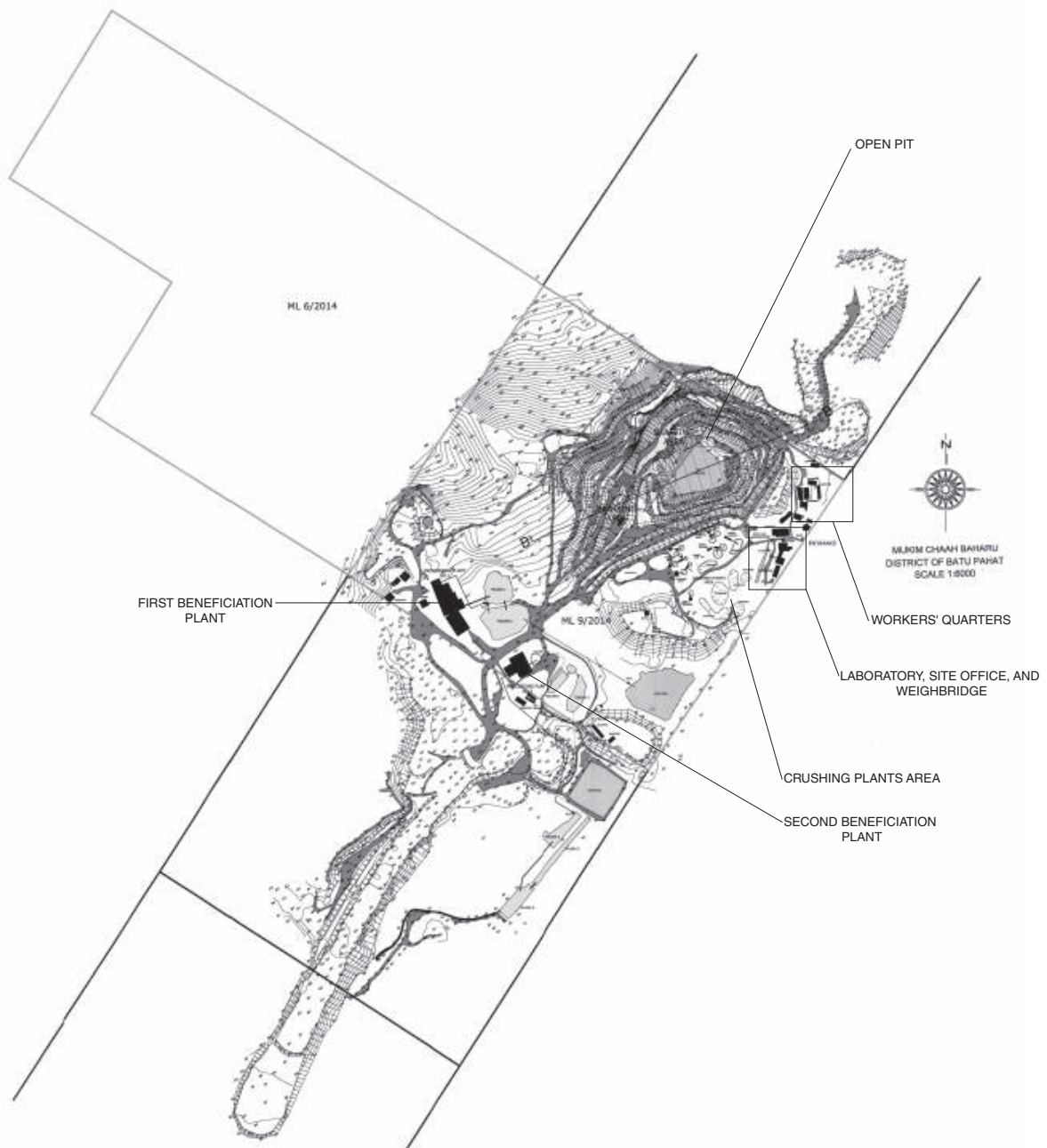
Location

The map below, illustrates the location of the Chaah Mine as well as our Exploration Assets:



GENERAL INFORMATION ON OUR GROUP

Mining layout of the Chaah Mine



GENERAL INFORMATION ON OUR GROUP

Right to mine

The land on which the Chaah Mine is situated is owned by the state of Johor and the mining leases in respect of the Chaah Mine which are held by the Chaah ML Holder will expire on 22 March 2024. However, the State Authority had on 15 April 2013 approved a 25-year mining lease for the Chaah Mine and we understand from the PTG that upon the expiry of the current tenure, a new mining lease certificate will be issued for the subsequent 10 years from 23 March 2024 to 22 March 2034 and later for five (5) years from 23 March 2034 to 22 March 2039.

Please refer to the section entitled “General Information on our Group – Material Licences, Permits, Registrations and Approvals” for further details of the mining leases. We conduct our exploration and mining activities at the Chaah Mine pursuant to the 2011 Mining Agreement (as varied and amended by the Supplementals) entered into with the Chaah ML Holder.

Our Group had entered into the 2011 Mining Agreement on 23 November 2011 with the Chaah ML Holder under which Honest Sam obtained mining rights over a land measuring approximately 104.30 hectares described as Lot 3533 and was granted approval over the use of an adjacent land measuring approximately 343.98 hectares for dumping and/or storage purposes. The 2011 Mining Agreement is varied and amended by the Supplementals. Pursuant to the Supplementals, Honest Sam was granted the right to carry out mining operations on a further piece of land described as PTD 12064. It was further agreed, *inter alia*, that the duration and operational period of the 2011 Mining Agreement (as varied and amended by the Supplementals) shall commence from date of the registration of all mining leases and expire on the expiry of all mining leases with respect to the said Land (as defined herein) issued or to be issued by the appropriate authority and any renewal (which shall include the period up to 22 March 2039), and that all references to “**the said Land**” in the 2011 Mining Agreement (as varied and amended by the Supplementals) shall be deemed to include the Chaah Mine and the Exploration Assets.

The Supplementals further provide that the monthly tribute payable to the Chaah ML Holder shall be at least RM1.0 million per month subject to adjustments according to the fluctuation of the international market price of iron ore. Based on the current iron ore price as at the Latest Practicable Date, our Group is paying a tribute of RM2.0 million per month. The 2011 Mining Agreement (including the Supplementals) was all negotiated on an arm’s length basis between our Group and the Chaah ML Holder, an independent third party.

The 2011 Mining Agreement (as varied and amended by the Supplementals) may be terminated by our Group or the Chaah ML Holder by notice served on the other party (without prejudice to its rights and remedies against the other party in respect of its breach of the 2011 Mining Agreement (as varied and amended by the Supplementals) or any pre-existing liability of the party in breach hereunder) in any of the following cases:

- (a) if one party is in breach of or fails to observe and perform any of the terms of the 2011 Mining Agreement (as varied and amended by the Supplementals) and/or the mining certificate, and the breach or failure is not remediable in any way whatsoever;
- (b) where the breach or failure to observe and perform any of the terms of the 2011 Mining Agreement (as varied and amended by the Supplementals) and/or the mining certificate, is not remediable or if is remediable, is not remedied 60 days from the date of service of the notice by the innocent party to remedy the breach;

GENERAL INFORMATION ON OUR GROUP

- (c) if the mining certificate shall be revoked, cancelled, withdrawn or shall otherwise cease to be of full force and effect during the operating period due to reason(s) not attributable to any of the party herein;
- (d) if a petition is presented, an order is made, an effective resolution passed or legislation enacted for the winding up or bankruptcy of either party or if a receiver and/or manager is appointed to receive and/or manage the asset or undertaking of either party;
- (e) if either party is unable to pay its debts within the meaning of section 218(2) of the CA 1965 (now replaced with Section 466(1) of the CA 2016) or the Bankruptcy Act 1967 of Malaysia (now replaced with the Insolvency Act 1967) or stops payment of its debts generally or commence negotiations with its creditors with a view to a general restructuring or re-scheduling of its debts or compounds or enters into any arrangement with or makes any assignment for the benefit of its creditors or attempts to do any of the foregoing (except as part of or pursuant to a scheme of reconstruction or amalgamation);
- (f) if a distress or execution or other process of a court of competent jurisdiction to be levied upon or issued against any property of either party and such distress, execution or other process as the case may be is not satisfied by the party within seven (7) days from the date thereof; or
- (g) in the event our Group is of the opinion that the left over or balance mining produce, minerals or ore on the said Land is no longer of any commercial value.

In the event that the 2011 Mining Agreement (as varied and amended by the Supplementals) is terminated due to any breach by either party, then the party in breach shall indemnify the innocent party against all loss and damage. Save as aforesaid, there are no termination payments to be made by either party in respect of early termination of the 2011 Mining Agreement (as varied and amended by the Supplementals).

Processing facilities

Extracted iron ore is processed at the Chaah Mine through our existing on-site processing facilities such as crushing plants and beneficiation plants.

Crushing plants

The Chaah Mine has four (4) fixed crushing plants, each with a rated capacity of 300 tonnes per hour, as well as two (2) lines of mobile crushers, with rated capacities of 160 and 200 tonnes per hour.

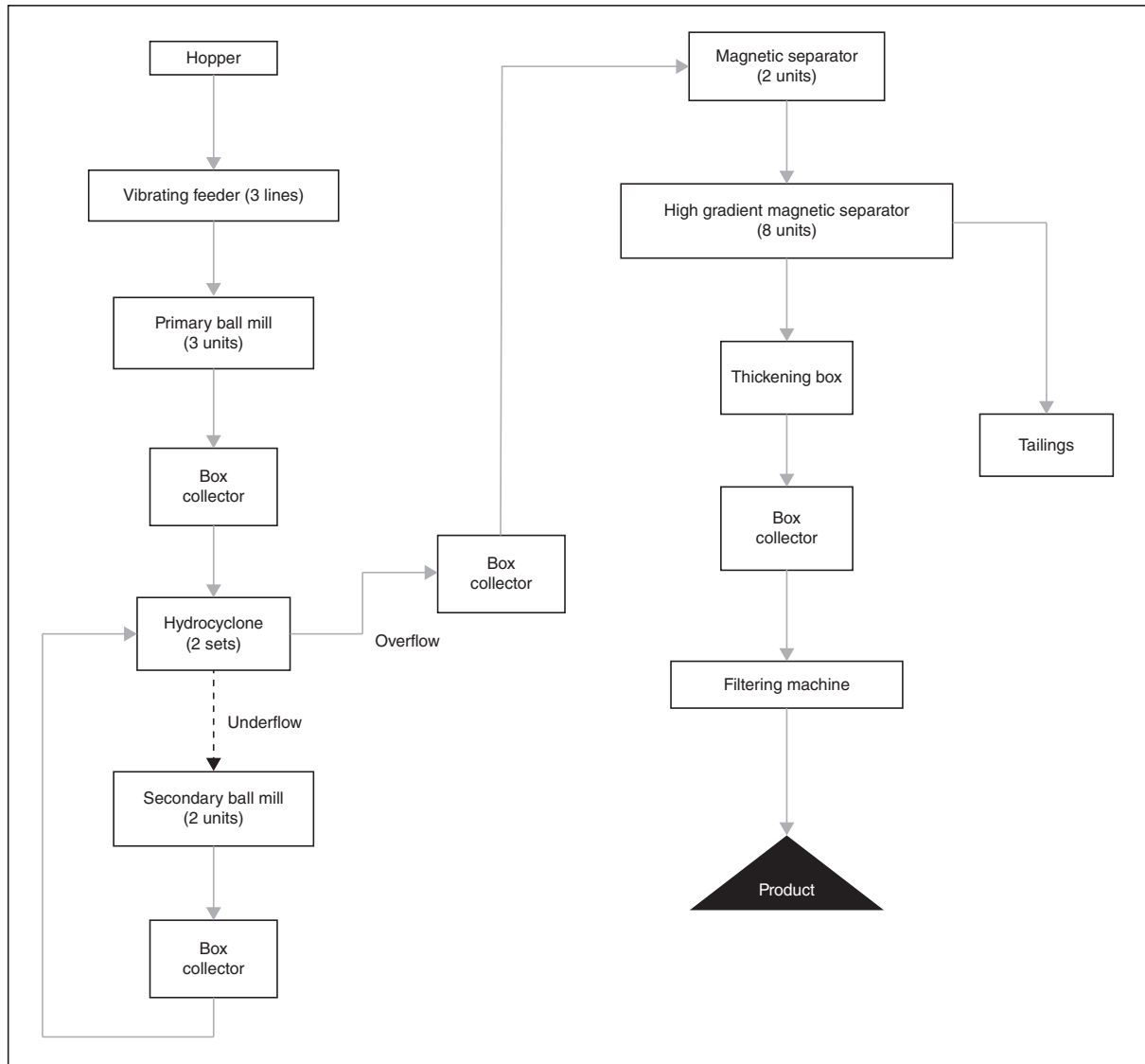
Our crushed iron ore which is sold as pipe coating material to our customers is only required to be processed mainly through our crushing plants. Once the iron ore is crushed to at least 10.0mm or 6.3mm in size, it will be stockpiled in our stockpile area within the Chaah Mine before being transported to the facilities of our customers or end users.

Beneficiation plants

We currently have two (2) beneficiation plants at the Chaah Mine to produce iron ore concentrate and both are able to operate on a 24-hour shift. Subject to the head grade of the run-of-mine ore, the two (2) beneficiation plants are capable of producing approximately 60,000 tonnes of iron concentrates per month with Fe grade between 62% and 65%. The total iron ore concentrate produced from the two (2) beneficiation plants since they commenced operations until 31 October 2019 is approximately 2.0 million tonnes.

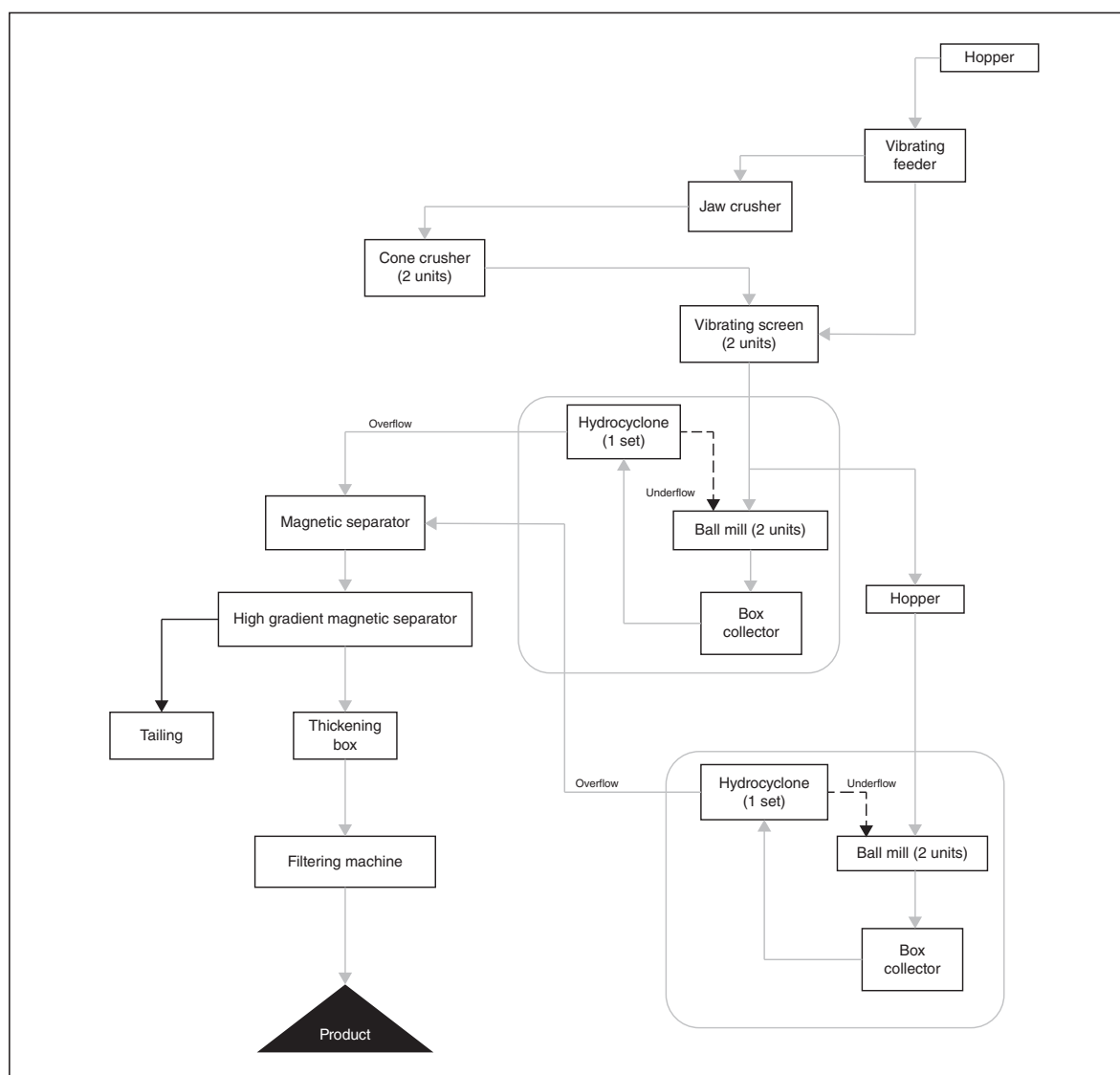
GENERAL INFORMATION ON OUR GROUP

Our Group owns one (1) of the two (2) beneficiation plants (“**First Beneficiation Plant**”) which commenced production since 2014. Our plant comprises grinding, magnetic separation and dewatering to produce a high-grade iron ore concentrate with Fe grade of up to 65.0%. The processing rate of the First Beneficiation Plant is 150 tonnes per hour and its nameplate capacity is 916,000 tonnes per year, assuming that our plant is operating for 20 hours a day and for 340 days a year. A diagram of the configuration of the First Beneficiation Plant is set out below:



GENERAL INFORMATION ON OUR GROUP

In relation to the second beneficiation plant at the Chaah Mine (“**Second Beneficiation Plant**”), our Group had entered into a processing agreement with Grand Challenger Sdn. Bhd. (“**Grand Challenger**”), an unrelated third party contractor to our Group, for the processing of leftover mining produce at the Chaah Mine in 2014, pursuant to which Grand Challenger built and maintained the Second Beneficiation Plant on the Chaah Mine. This processing agreement was later terminated and we entered into a new letter of award with Xin Her Mining on 25 November 2016 (“**Letter of Award**”), another entity owned by the shareholder of Grand Challenger, to process iron ore at the Chaah Mine. Under the Letter of Award, it was agreed that Xin Her Mining would be paid an agreed range per tonne of iron ore concentrate produced. Xin Her Mining will be penalised for any processed product which does not meet the requisite specifications and the quantum of such penalty shall be on a back to back basis. Honest Sam agreed that it shall not enter into any contract, arrangement, agreement of similar nature with any third party contractor that will affect the operation of the arrangements of Xin Her Mining and the interests of Xin Her Mining. Unless otherwise terminated, the arrangements with Xin Her Mining are effective until the expiration of the mining leases for the Chaah Mine. The processing rate of the Second Beneficiation Plant is 75 tonnes per hour and its nameplate capacity is 408,000 tonnes per year, assuming that the plant is operating for 20 hours a day and for 340 days a year. A diagram of the configuration of the Second Beneficiation Plant is set out below:



GENERAL INFORMATION ON OUR GROUP

Other facilities and infrastructure

We have also developed other support infrastructure at the Chaah Mine, including access roads, office and support buildings, mobile equipment and fixed plant workshop, fuel storage, laboratory, guard hut, accommodation, and messing facilities.

Water for the Chaah Mine is pumped from a local water supply dam as well as recycled from our operations and potable water is collected from natural streams.

As at the Latest Practicable Date, electricity at the Chaah Mine is provided primarily by on-site diesel power generators. Our Group has obtained the approval from the national power supplier of Malaysia, for it to provide electricity directly to the mine site from the National Grid. Since June 2019, work has commenced to connect to the National Grid which includes the laying of cables from the National Grid to our substation which is currently under construction. The completion of such work is expected to be in the second half of 2020. Our Group intends to use a portion of the proceeds from the issue of the New Shares for the setting up of infrastructure at the Chaah Mine to connect to the National Grid. Please refer to the sections entitled “Use of Proceeds and Listing Expenses” and “General Information on our Group – Business Strategies and Future Plans” for more information on our future plans.

Mineral Resources and Ore Reserves

The table below, extracted without material adjustments from the IQPR as set out in “Appendix D – Independent Qualified Person’s Report” of this Offer Document, illustrates the annual iron ore production statistics at the Chaah Mine since the commencement of production in 2008 until 31 October 2019:

Year	Production volume⁽¹⁾ ('000 tonnes)
2008	132
2009	145
2010	333
2011	444
2012	547
2013	392
2014	494
2015	238
2016	271
2017	437
2018	475
2019 ⁽¹⁾	738
Total	4,646

Note:

(1) This is the production rate from January to October 2019 (inclusive).

GENERAL INFORMATION ON OUR GROUP

The Mineral Resources estimated for the Chaah Mine as at 31 October 2019, extracted without material adjustments from the IQPR as set out in “Appendix D – Independent Qualified Person’s Report” to this Offer Document are set out below:

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Measured (in situ)	–	–	–	–	–
Indicated (in situ)	6.1	52.3	16.6	1.8	1.6
Indicated (stockpiles)	0.4	54.6	–	–	–
Inferred (in situ)	1.8	45.6	23.7	3.8	1.4
Total (in situ)	7.9	50.8	18.2	2.2	1.6
Total	8.2	51.0	–	–	–

Notes:

- (1) In situ resources reported at a cut-off criterion of 25% Fe.
- (2) Stockpiles 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) The total tonnes is computed based on the summation of the indicated (stockpiles) and total (in situ).

The total Mineral Resources for the Chaah Mine as at 31 October 2019 totalled 8.2 Mt at 51.0% Fe.

Prior to June 2014, no reconciliation of historical production at the Chaah Mine versus the resource model was possible. A survey of the open pit and surrounds was completed in June 2014 and periodically thereafter, with the most recent survey completed in July 2019. The table below, extracted without material adjustments from the IQPR as set out in “Appendix D – Independent Qualified Person’s Report” to this Offer Document, shows the mining depletion removed from the resource model between the June 2014 and the July 2019 pit surveys and shows that a total of 3.37 Mt @ 53.1% Fe has been mined. Our production statistics showed that 3.42 Mt of iron ore were extracted from the pit from 2014 to 2019, which is equivalent to 102% of the tonnes predicted from the resource model, representing an excellent reconciliation between the resource model and production statistics. The production reconciliation from June 2014 to July 2019 is set out in the table below:

Source	Material	Mt	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	–
	Mineralised Waste	2.85	–
	Total Waste	24.97	–
Honest Sam Production Statistics	Ore mined	3.42	Not available

GENERAL INFORMATION ON OUR GROUP

The Ore Reserves estimated for the Chaah Mine as at 31 October 2019, extracted without material adjustment from the IQPR as set out in “Appendix D – Independent Qualified Person’s Report” to this Offer Document, are set out below:

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Proved	–	–	–	–	–
Probable (in situ)	5.8	51.0	16.2	1.7	1.6
Probable (stockpiles)	0.3	55.9	–	–	–
Total (in situ)	5.8	51.0	16.2	1.7	1.6
Total	6.1⁽³⁾	51.2	–	–	–

Notes:

- (1) In situ and stockpile reserves reported at a cut-off of 30% Fe.
- (2) Totals may not add due to rounding effect.
- (3) This is based on a summation of the probable (stockpiles) and the total (in situ).

The total Ore Reserves for the Chaah Mine as at 31 October 2019 totalled 6.1 Mt at 51.2% Fe.

As recommended by our Independent Qualified Person, we will be placing greater emphasis on planning and executing a mining cut-back in the next 12 months in order to increase stripping activity to remove overburden at the Chaah Mine, so as to ensure continuity of ore supply.

Please refer to the IQPR in “Appendix D – Independent Qualified Person’s Report” to this Offer Document for further details on the Chaah Mine. The Independent Qualified Person has adopted the JORC Code as the reporting standard for the IQPR. Our Company confirms that no material changes have occurred since the effective date of the IQPR.

After the Listing, we will provide an update on our Group’s level of Mineral Resources and/or Ore Reserves as at the end of each financial year in accordance with Rule 1204(23) of the Catalist Rules to Shareholders in our annual report. Pursuant to Rule 704(35)(a) of the Catalist Rules, we will also update our Shareholders, as and when appropriate, if there are material changes to our Group’s Mineral Resources and/or Ore Reserves.

EXPLORATION ASSETS

Pursuant to the 2019 Supplementary Letter, we have also been granted the right to carry out exploration and mining operations at the following Exploration Assets by the Chaah ML Holder:

Name of Exploration Asset	Mining lease	Land size (hectares)	Type of minerals	Particulars of the Land	Tenure of mining lease
Mao’kil Asset	Mining lease 1/2018	22.3	Iron ore	Lot 1681, Mukim Bukit Kepong, Daerah Muar, Johor, measuring 22.258 hectares	8 July 2018 to 7 July 2023

GENERAL INFORMATION ON OUR GROUP

Name of Exploration Asset	Mining lease	Land size (hectares)	Type of minerals	Particulars of the Land	Tenure of mining lease
Chaah Baru Asset	Mining lease 1/2019	19.4	Iron ore	Lot 1630, Mukim Chaah Baru, Daerah Batu Pahat, Johor, measuring 19.449 hectares	30 Jan 2019 to 29 Jan 2024
Kota Tinggi Asset	Mining lease 2/2019	79.1	Iron ore	Lot 2855, Mukim Kota Tinggi, Daerah Kota Tinggi, Johor, measuring 79.09 hectares	3 Jul 2019 to 3 Jul 2024

Under the Supplementals, Honest Sam is to commence operation at the Exploration Assets within two (2) years from the Listing on Catalist, otherwise the Chaah ML Holder shall have the absolute liberty without any legal recourse from Honest Sam, to withdraw any/all of the Exploration Assets that is/are not operating in accordance with the terms of the 2011 Mining Agreement (as varied and amended by the Supplementals). There are no other implications on Honest Sam and no penalty will be imposed on it. Accordingly, our Group's business, results of operations and financial condition will not be materially and adversely affected as we have not commenced any exploration work or operations on the Exploration Assets. In the event that any/all of the Exploration Assets is/are withdrawn, our Group expects that it will not adversely affect our Group's future prospects as the Exploration Assets are not material as compared to the Chaah Mine.

Mao'kil Asset

The Mao'kil Asset is located approximately 18 km northwest of the township of Chaah, approximately 35 km by road from the Chaah Mine. It is accessed via Jalan Kampung Raja – Felda Mao'kil and is located adjacent to an access road. The Mao'kil Asset consists of one (1) mining lease covering an area of approximately 22.3 hectares, expiring on 7 July 2023. There are currently no operating activities at the Mao'kil Asset.

According to the Independent Qualified Person, there are visible outcrops of iron ore mineralisation at the Mao'kil Asset. As at the Latest Practicable Date, our Group has not undertaken any formalised exploration activities at the Mao'kil Asset and our Group plans to commence exploration after our Listing.

GENERAL INFORMATION ON OUR GROUP

Chaah Baru Asset

The Chaah Baru Asset is located approximately 16 km northwest of the township of Yong Peng, approximately 11 km to the south of the Chaah Mine. It is accessed via palm plantation roads, with the nearest residential area being Kampung Lombong Sejagung approximately 2.5 km away. The Chaah Baru Asset consists of one (1) mining lease covering an area of approximately 19.4 hectares, expiring on 29 January 2024. There are currently no operating activities at the Chaah Baru Asset.

According to the Independent Qualified Person, there are visible outcrops of iron ore mineralisation at the Chaah Baru Asset. As at the Latest Practicable Date, our Group has not undertaken any formalised exploration activities at the Chaah Baru Asset and our Group plans to commence exploration after our Listing.

Kota Tinggi Asset

The Kota Tinggi Asset is located approximately 15 km to the northwest of the township of Kota Tinggi. It is approximately 150 km by road to the southeast of the Chaah Mine. It is accessible via public roads, and then palm plantation roads for the final km. The Kota Tinggi Asset consists of one (1) mining lease covering an area of approximately 79.1 hectares, expiring on 3 July 2024. There are currently no operating activities at the Kota Tinggi Asset.

According to the Independent Qualified Person, there are visible outcrops of iron ore mineralisation at the Kota Tinggi Asset. As at the Latest Practicable Date, our Group has not undertaken any formalised exploration activities at the Kota Tinggi Asset and our Group plans to commence exploration after our Listing.

INDEPENDENT VALUATION REPORT

As part of the Listing, our Directors have appointed the Independent Valuer to conduct an independent valuation of the Chaah Mine as well as the Exploration Assets. The Independent Valuer concluded that the value for the Exploration Assets, namely the Mao'kil Asset, the Chaah Baru Asset and the Kota Tinggi Asset is less than US\$1.0 million and not material in comparison to the Chaah Mine. Therefore, the Exploration Assets were ignored in determining a Market Value for the Mining Assets.

The Independent Valuation Report for the valuation of the Mining Assets has been prepared in accordance with the VALMIN Code. The valuation was carried out on a "Market Value" basis. Market Value is defined as the estimated amount of money (or the cash equivalent of some other consideration) determined by the expert in accordance with the provisions of the VALMIN Code, for which the mineral asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion.

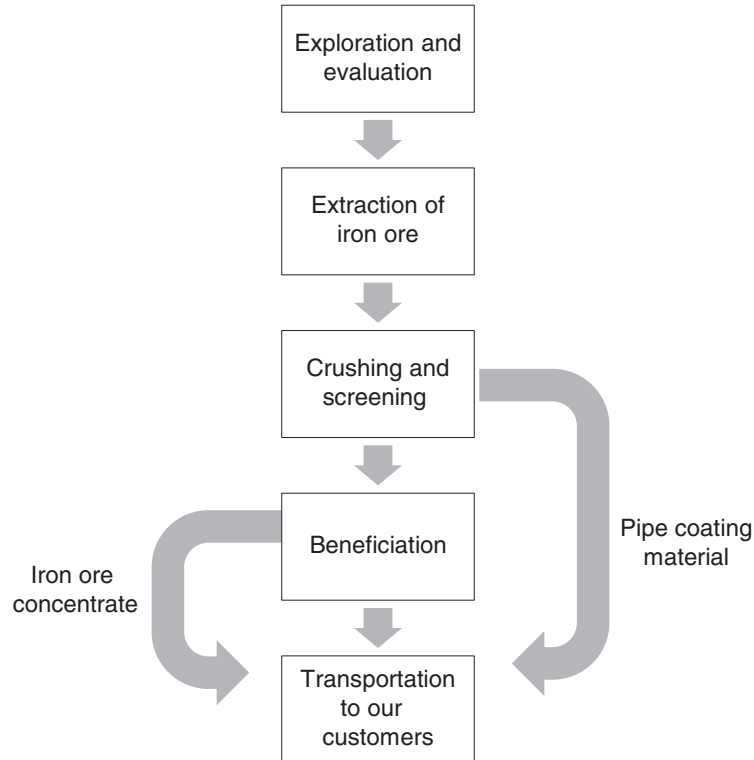
Based on the analysis outlined and the assumptions set out in the Independent Valuation Report, the Independent Valuer is of the opinion that the Market Value of the Mining Assets as at 31 October 2019 is in the range of approximately US\$63.0 million to US\$113.0 million, with a preferred value of US\$88.0 million. This also includes an estimation that the likely revenue from the sale of the Ore Reserve stockpiles at prevailing 2019 prices, after deducting costs for crushing and screening, processing, sales and transport where appropriate, is a net value of US\$14.1 million.

Please refer to the Independent Valuation Report as set out in "Appendix E – Independent Valuation Report" to this Offer Document for further details.

GENERAL INFORMATION ON OUR GROUP

MINING PROCESS

The following is a diagrammatic illustration of our overall production process:



The details of our mining process are set out below:

(A) Exploration and Evaluation

As a starting point, we (i) conduct a boundary survey of the mine site, and (ii) measure the original ground level of the site. Thereafter, we conduct exploration activities which generally involve:

- (a) mapping of surface geology and compilation of the collected information for interpretation by our geologists;
- (b) geophysical surveying on our iron ore mine site;
- (c) exploration drilling, logging of samples and chemical analyses, downhole survey, sampling, chemical analysis; and
- (d) metallurgical test-work.

We have an in-house exploration team headed by our geologist, comprising drilling personnel to conduct the above activities. Barring any unforeseen circumstances, we intend to continue and commence undertaking exploration activities at the Chaah Mine and the Exploration Assets respectively after our Listing.

GENERAL INFORMATION ON OUR GROUP

(B) Extraction of iron ore

Once we have established that a mine site has the potential for sustainable operations after our exploration campaign, the mine site will then be cleared of any remnant vegetation and topsoil, which is stored for use in later rehabilitation if necessary.

We extract iron ore from ore bodies using the open-pit mining method at the Chaah Mine. This involves, in the first instance, the removal of overburden to uncover the mineral using excavators and trucks. We own mining equipment and a vehicle fleet comprising crawler drills, rigid dumpers, articulated dumpers, excavators and bulldozers which are used to remove overburden and extract the minerals.

Depending on the condition of the mine face, we may also undertake drilling and blasting activities. Where the mining face is made up of massive or solid deposits (such as when the mining face is made up of primary ore or large boulders of secondary ore), mining the ore requires blasting with explosives to break them up for excavation and hauling. In such cases, we carry out drilling activities to lay explosives and blasting activities thereafter to break the ore into smaller pieces. Our safety controls in relation to our blasting activities include the conduct of a pre-blast survey, geological investigation, blast design, blast monitoring and after blast monitoring.

After the ore has been broken up into loose deposits, they are scooped up with an excavator, and transported from the mining area to the crushing and screening area of the mine site.

(C) Crushing and screening

We have crushing and screening facilities at our mine site to break the ore up into smaller pieces for further processing or to meet the requirements of our customers.

Iron ore deposits are fed into crushers where they are crushed into smaller sizes. The crushed iron ore are then screened by screening machines into various sizes. The screening process separates the crushed iron ores into grades by particle size. Our Group will take samples for testing at our in-house laboratory to ensure that the crushed iron ores meet the required specifications for pipe coating. Crushed iron ores that are smaller than 10mm or 6.3mm with a specific gravity greater than 4.4 t/m³ which can be used for pipe coating material are sold to our customers. Crushed iron ores that are between 11mm and 18mm will go through the beneficiation process.

(D) Beneficiation

Iron ore concentrate is extracted from the crushed iron ore through grinding, magnetic separation and/or dewatering. The remaining impurities are discharged as tailings into our tailings ponds. Our Group will take samples of each product upon completion of the beneficiation process for testing at our in-house laboratory to ensure that the processed iron ore meet the required specifications to be sold as iron ore concentrate, and any specifications stipulated by our customers.

GENERAL INFORMATION ON OUR GROUP

(E) Transportation to our Customers

Iron ore products from the Chaah Mine are kept in our stockpile areas at our mine sites. After our customers place their orders with us, the iron ore products are tested again at our in-house laboratory to ensure that they meet the required specifications before we transport such products to such customers. All in-coming and out-going trucks are weighed at the weighbridge to determine and record the tonnage of all our iron ore products before transportation to our customers.

Please refer to the IQPR in “Appendix D – Independent Qualified Person’s Report” to this Offer Document for further details on our production process. Please also refer to the section entitled “General Information on our Group – The Chaah Mine” in this Offer Document for details about the beneficiation process at the Chaah Mine.

PRODUCTION CAPACITY AND UTILISATION RATES

Our processing facilities at the Chaah Mine are able to operate 24 hours a day. Please refer to the section entitled “General Information on Our Group – The Chaah Mine – Processing Facilities” and the IQPR set out in “Appendix D – Independent Qualified Person’s Report” to this Offer Document for further details of the process and the processing capacity of our processing facilities. The utilisation rates of our processing facilities will vary depending on various factors, including but not limited to:

- (a) the size and specifications of the end product required;
- (b) the technical specifications and capabilities of the equipment and fixed assets;
- (c) scheduled servicing and maintenance time for and breakdown of such equipment and fixed assets;
- (d) geological aspect of the run-of-mine ore; and
- (e) weather conditions.

Our processing facilities will undergo a series of pre-planned maintenance checks and works as part of our annual maintenance programme. Typically, there will be a planned stoppage of works of up to two (2) weeks once every year for scheduled maintenance works whereby we will clean and replace certain major components.

As we will arrange and utilise our processing facilities based on the (i) availability of ore; (ii) quality of the feed; and (iii) size and specifications of the end products required, a presentation of the utilisation rates for our processing facilities during the Period Under Review will not be meaningful. For FY2019, our processing facilities operated approximately 20 hours a day, for approximately 300 days a year. Our processing facilities were not in operation for the remainder of the days due to stoppage for maintenance works, weather condition and the lack of ore available immediately for processing due to the mining plan of our Group.

GENERAL INFORMATION ON OUR GROUP

MAJOR CUSTOMERS

During the Period Under Review, our major customers which accounted for 5.0% or more of our revenue are set out below:

Customer	Product	Percentage of total revenue (%)			
		FY2017	FY2018	FY2019	1Q2020
Aras Kuasa	Iron ore concentrate and crushed iron ore ⁽¹⁾	70.4	45.5 ⁽²⁾	3.2 ⁽³⁾	1.3
Ann Joo Steel	Iron ore concentrate	29.6	33.3	18.0 ⁽⁴⁾	22.9
Eastern Steel	Iron ore concentrate	—	1.2	21.4 ⁽⁵⁾	—
Hiap Teck Hardware Sdn. Bhd. (“Hiap Teck Hardware”)	Iron ore concentrate	—	10.0	5.0 ⁽⁶⁾	—
OUS Resources Sdn. Bhd. (formerly known as OUS Mining Sdn. Bhd.)	Iron ore concentrate	—	9.1	1.3 ⁽⁷⁾	—
Alliance Steel	Iron ore concentrate	—	—	51.1 ⁽⁸⁾	48.6
Sprinco Trading Limited	Iron ore concentrate	—	—	—	11.1 ⁽⁹⁾
Ringgit Harmoni Sdn. Bhd.	Crushed iron ore	—	—	—	16.0 ⁽¹⁰⁾

Notes:

- (1) The sale of crushed iron ore as pipe coating materials to Aras Kuasa represented approximately 5.0%, 2.8%, 3.2% and 1.3% of our Group's total revenue and approximately 100.0%, 74.1%, 99.2% and 7.5% of our Group's revenue from pipe coating material for FY2017, FY2018, FY2019 and 1Q2020 respectively.
- (2) The decrease in percentage revenue contribution from Aras Kuasa from FY2017 to FY2018 was due to the increase in proportion of the sale of iron ore concentrate directly to local steel mills.
- (3) Prior to FY2019, our Group had sold iron ore concentrate to Aras Kuasa for its onward export to traders based in the PRC. With the commissioning of the steel production plant of Alliance Steel and re-commencement of the production plant of Eastern Steel, our Group had sold our iron ore concentrate to these customers in FY2019. Please refer to the section entitled “Interested Person Transactions – Past Interested Person Transactions” of this Offer Document for more details.
- (4) There was a decrease in percentage revenue contribution from Ann Joo Steel in FY2019 mainly due to an increase in proportion of the sale of iron ore concentrate to Alliance Steel.
- (5) Eastern Steel had recommissioned its production plant in July 2018 to commence production of steel products, hence there was a significant increase in the sale of iron ore concentrate by our Group in FY2019.
- (6) There was a decrease in percentage revenue contribution from Hiap Teck Hardware in FY2019 mainly due to an increase in proportion of the sale to Alliance Steel and Eastern Steel. Based on the annual report of Hiap Teck Ventures Berhad as at 31 July 2018, Hiap Teck Hardware is a wholly-owned subsidiary of Hiap Teck Ventures Berhad and Hiap Teck Ventures Berhad holds a controlling interest in Eastern Steel. Our Group understands that our sales to Hiap Teck Hardware may be delivered to and used by the steel production plant of Eastern Steel.
- (7) There was a decrease in percentage revenue contribution from OUS Resources Sdn. Bhd. in FY2019 mainly due to an increase in proportion of the sale of iron ore concentrate to Alliance Steel and Eastern Steel.
- (8) Our Group commenced initial sale of iron ore concentrate to Alliance Steel in FY2019 following the commissioning of its steel production plant in Pahang, Malaysia.
- (9) We sold iron ore concentrate of Fe grade of 59% to a new customer, Sprinco Trading Ltd, during 1Q2020. The lower grade iron ore concentrate was the by-product which resulted from the concentration process and was stored in our tailings dam.
- (10) We sold crushed iron ore to a new customer, Ringgit Harmoni Sdn. Bhd. in 1Q2020.

GENERAL INFORMATION ON OUR GROUP

The year-on-year variation in revenue contribution from our major customers generally reflects the market demand for the products we mine and/or the project requirements for our iron ore products of the pipe coating companies.

We entered into spot iron ore sale and purchase contracts with our customers on negotiated terms. We generally do not enter into long-term/off-take agreements or arrangements with our customers. No preferential terms were given by our Group to any of the aforesaid major customers. Most of our transactions were conducted on a short-term credit basis of between 14 and 60 days and on normal commercial terms, as with other customers of our Group. There are no amounts owing to our Group by those major customers with whom our Group no longer transacts, and which operations have ceased.

Our Directors are of the view that we are not dependent on any of the above major customers as our product is a commodity and there are many potential customers which we may approach. In addition, the sales to our existing customers may vary from year to year depending on their needs and their perceptions of the fluctuations in the price of the minerals that we mine and sell.

Save as disclosed above, there are no individual customers who each accounted for 5.0% or more of our Group's revenue during the Period Under Review.

To the best of our Directors' knowledge, as at the Latest Practicable Date, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our relationship with any of our major customers.

As at the Latest Practicable Date, save for Aras Kuasa, none of our Directors, Substantial Shareholder or Executive Officer or their respective associates has any interest, direct or indirect, in, and/or are involved in the management of, any of our major customers. Please refer to the section entitled "Interested Person Transactions" of this Offer Document for details of our transactions with Aras Kuasa.

To the best of our Directors' knowledge and belief, there are no arrangements or understanding with any customers pursuant to which any of our Directors and Executive Officer were appointed.

MAJOR SUPPLIERS

During the Period Under Review, our major suppliers which accounted for 5.0% or more of our purchases are set out below:

Supplier	Product/service supplied	Percentage of total purchases (%)			
		FY2017	FY2018	FY2019	1Q2020
Chop Yew Lee	Diesel industrial	3.1	7.9	5.4	4.6
Exxobrite Sdn. Bhd.	Diesel industrial	23.0	22.0	21.6	18.3
Natural Petroleum Sdn. Bhd.	Diesel industrial	7.8	8.5	1.8 ⁽¹⁾	0.3
Positive Sunlink Sdn. Bhd.	Contract wages	7.5	2.9	3.1	2.6
Sime Darby Industrial Sdn. Bhd.	Upkeep parts for dumpers, excavators, generators and machineries	6.8	3.9	4.1	5.9

GENERAL INFORMATION ON OUR GROUP

Supplier	Product/service supplied	Percentage of total purchases (%)			
		FY2017	FY2018	FY2019	1Q2020
Xin Her Mining	Contract wages	7.0	26.1 ⁽²⁾	20.5	28.9 ⁽²⁾
Multiline Trading	Transport services	1.4	3.6 ⁽³⁾	22.3 ⁽³⁾	15.7 ⁽³⁾
Xuzhou H&G Wear-Resistant Material Co. Ltd	Spare parts for beneficiation plants	11.0	3.7 ⁽⁴⁾	4.1	1.5

Notes:

- (1) The decrease in purchases from Natural Petroleum Sdn. Bhd. from FY2018 to FY2019 was due to the purchase of diesel from other suppliers in FY2019.
- (2) Our Group had entered into the Letter of Award with Xin Her Mining in FY2017 to process iron ore at one of the beneficiation plants at the Chaah Mine and processing at that beneficiation plant only commenced at the end of FY2017. Please refer to the section entitled “General Information on our Group – Business Overview” for more information on the Letter of Award. The increase in percentage of total purchases from Xin Her Mining of 20.5% in FY2019 to 28.9% in 1Q2020 was mainly due to a higher processing costs charged by Xin Her Mining due to a higher monthly average iron ore price based on the monthly average iron ore price of Fe 62% of the Platts Index pursuant to the Letter of Award.
- (3) The increase in transport services provided by Multiline Trading from FY2017 to FY2018 was due to the new sale of iron ore concentrate in FY2018 to Eastern Steel, Hiap Teck Hardware and OUS Resources Sdn. Bhd. on a delivered-to-mill basis, whereby transportation costs charged by Multiline Trading were incurred by our Group, as compared to the sale of iron ore concentrate to Ann Joo Steel in FY2017 which was sold on an ex-mine basis, whereby transportation costs were borne by our customer. The increase in transport services provided by Multiline Trading from FY2018 to FY2019 was due to the increase in the sale of iron ore concentrate to local steel mills such as Alliance Steel and Eastern Steel in FY2019. Please refer to the section entitled “Interested Person Transactions – Present and On-Going Interested Person Transactions” of this Offer Document for more details of our transactions with Multiline Trading. The decrease in percentage of total purchases from Multiline Trading from 22.3% in FY2019 to 15.7% in 1Q2019 was mainly due to higher sale to Ann Joo Steel and which the transportation cost is borne by them.
- (4) The decrease in purchases from Xuzhou H&G Wear-Resistant Material Co. Ltd. from FY2017 to FY2018 was because our Group had purchased the spare parts such as grinding balls, ball mill liners and other spare parts from other suppliers in FY2018.

Save as disclosed above, there is no other supplier who accounted for 5.0% or more of our purchases during the Period Under Review.

Save for our Letter of Award with Xin Her Mining, we do not enter into agreements or arrangements with our major suppliers of more than one (1) year. Please refer to the section entitled “General Information on Our Group – The Chaah Mine” of this Offer Document for details on the Letter of Award.

As at the Latest Practicable Date, save for Xin Her Mining which processes approximately half of the iron ore concentrate we produce, our Directors are of the view that we are not materially dependent on our suppliers as the products and/or services supplied by the above major suppliers can be sourced from other alternative suppliers in the market without significant difficulties. In the event that Xin Her Mining decides to cease its operations or cease to act as our contractor, our Group will be able to purchase and take over the running of the beneficiation plant owned by Xin Her Mining as we have the know-how and experience of operating a beneficiation plant. Our management is of the view that the dismantling and demobilisation of the beneficiation plant at the Chaah Mine by Xin Her Mining is likely to be sold at scrap value as the plant was built to cater to the intended operations at the Chaah Mine. Accordingly, the sale of the beneficiation plant to our Group in the event of an early termination would command a better value. Xin Her Mining has also granted our Group an option to purchase its beneficiation plant at fair value in the event that Xin Her Mining decides to cease its operations or cease to act as our contractor. The exercise of the

GENERAL INFORMATION ON OUR GROUP

aforesaid option to purchase the beneficiation plant by our Group will be subject to the Catalist Rules, in particular Chapter 10, and Shareholders' approval will be sought if any of the relative figures as computed on the bases set out in Rule 1006 exceeds the relevant thresholds. In the event of any breach of the Letter of Award by Xin Her Mining, Xin Her Mining shall be liable to indemnify us against all losses and damages suffered by us as a result of the breach.

To the best of our Directors' knowledge, as at the Latest Practicable Date, our Directors are not aware of any information or arrangement, which would lead to a cessation or termination of our relationship with any of our major suppliers.

As at the Latest Practicable Date, save for Multiline Trading, none of our Directors, Substantial Shareholder or Executive Officer or their respective associates has any interest, direct or indirect, in, and/or are involved in the management of, any of the above major suppliers. Please refer to the section entitled "Interested Person Transactions" of this Offer Document for details of our transactions with Multiline Trading.

To the best of our Directors' knowledge and belief, there are no arrangements or understandings with any suppliers pursuant to which any of our Directors and Executive Officer were appointed.

PROPERTIES AND FIXED ASSETS

We are not required to hold any land titles for the conduct of exploration and mining activities at our Mining Assets. We rely on the contractual rights granted pursuant to the 2011 Mining Agreements (as varied and amended by the Supplementals) for the conduct of exploration and mining activities at our Mining Assets. We also have beneficiation plants at the Chaah Mine that are currently in operation. Please refer to the section entitled "General Information on Our Group – The Chaah Mine" for further details.

As at the Latest Practicable Date, our Group does not own any properties and we lease the following material property for our corporate office:

Leased by	Location	Tenure	Approximate gross area (sq ft)	Monthly Rental (RM)	Lessor	Usage
Honest Sam	Level 8, Menara Zenith, Jalan Putra Square 6, Putra Square, Kuantan, Pahang	Three (3) years ⁽¹⁾	4,360	18,000	Teras Megajaya	Office

Note:

- (1) The tenancy agreement for this property ("**Tenancy Agreement**") provides that if any one of more of the following events occur: (i) if the monthly rental shall at any time be unpaid for 30 days after becoming payable during the tenancy term; (ii) if Honest Sam defaults in the observance and performance of any of its obligations under the Tenancy Agreement and such default (if capable of being remedied) shall not be remedied for a period of 30 days or such longer period as the landlord shall permit after Honest Sam receives the landlord's written notice of such default and requires Honest Sam to remedy the same; (iii) if Honest Sam is wound up, then the landlord may (a) serve a forfeiture notice to Honest Sam requiring Honest Sam to remedy the breach (if capable of being remedied) within a reasonable time, and it is mutually agreed and deemed that a reasonable time in which to remedy the default shall be 14 days failing which the landlord shall be entitled to forfeit the tenancy or (b) utilise the security deposit to remedy Honest Sam's default and return the balance (if any) to Honest Sam, and thereupon the tenancy shall absolutely determine.

Save as set out in the note to the table above, our lessor may not unilaterally terminate our lease. Our Directors are of the view that any unilateral termination by our lessor is unlikely to have a

GENERAL INFORMATION ON OUR GROUP

material impact on our Group's business or operations as we believe that we will be able to secure leases for alternative premises in such event.

Our access to the Chaah Mine is by way of the Access Road through a palm oil plantation owned by Sime Darby Plantation. Our ability to use such road is based on an arrangement between our Group and Sime Darby Plantation, pursuant to which Sime Darby Plantation allows Honest Sam to use the Access Road subject to certain conditions, including but not limited to Honest Sam undertaking to do maintenance works for the Access Road, paying Sime Darby Plantation such insurance coverage fees for up to an insured limit of RM2.0 million for public liability insurance specifically for the purpose of the Access Road usage, and providing a banker guarantee for an amount of RM150,000.00 to Sime Darby. Our Directors are of the view that the Access Road being the only access road to the Chaah Mine, is not a concern, having considered that (i) our Group has been using the Access Road since 2008 and has not faced any disputes or problems with Sime Darby Plantation; and (ii) the usage of the access road does not affect the operations of Sime Darby Plantation and the costs of maintenance of the Access Road is borne solely by our Group.

As at the date of this Offer Document, our Directors are not aware of any existing breach of any obligations under the abovementioned lease agreement that would result in their termination by the lessor or non-renewal, if required, when they expire.

As at 31 October 2019, we had fixed assets (including rights-of-use asset) comprising motor vehicles and heavy duty mobile equipment, plant and machinery, furniture and fittings, buildings and construction-in-progress which amounted to an aggregate carrying amount of approximately RM30.8 million. Please refer to Note 8 of our unaudited accounts set out in the section entitled "Independent Auditor's Review Report on the Unaudited Interim Condensed Combined Financial Statements for the Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries" as set out in Appendix B to this Offer Document for further information on our fixed assets.

To the best of our Directors' knowledge, save as disclosed under the sections entitled "Government Regulations" and "General Information on our Group – Material Licences, Permits, Registrations and Approvals" of this Offer Document, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties and fixed assets.

As at the Latest Practicable Date, save for our property, plant and equipment which are under hire purchases, none of our fixed assets were subject to any mortgage, pledge or any other encumbrances or otherwise used as security for any bank borrowing.

AWARDS, ACCREDITATIONS AND GRANTS

Honest Sam was awarded a certificate of excellence in the field of surface mining operations in 2013 by the JMG for our Group's work as the mining operator of the Chaah Mine.

RESEARCH AND DEVELOPMENT

The nature of our business does not require us to carry out research and development, and our Group has neither carried out any research and development nor incurred any costs on research and development during the Period Under Review.

GENERAL INFORMATION ON OUR GROUP

STAFF TRAINING

The training that we provide is divided into (i) mandatory training required under the relevant rules and regulations stipulated by the Department of Occupational Safety and Health of Malaysia for workers working on our mine sites; and (ii) supplementary training that is offered to all our employees. The objective of staff training and development is to equip our employees with the skills and knowledge required to ensure that they are able to fulfil their job requirements and to enhance their job performance.

Mandatory training involves occupational safety training. To comply with the relevant rules and regulations stipulated by the Department of Occupational Safety and Health of Malaysia in relation to the occupational safety and health of workers working on our mine sites, we provide training courses to such workers on occupational safety and health. The occupational safety training is conducted by external accredited bodies to equip such workers with knowledge of occupational safety measures and to educate them on safety standards and precautions to be undertaken in their course of work.

Supplemental training involves technical and soft skills training as well as updating our employees on the latest developments, trends and technologies. Our employees are provided with basic training to equip them with knowledge and skills, including such knowledge and skills regarding the operation of equipment and vehicles, if applicable, pertaining to their job requirements. Selected employees are sent for external short-term training courses, conferences, seminars and workshops. For example, our senior employees have attended courses and seminars conducted by external organisations to familiarise themselves with the latest developments in the iron ore mining industry.

During the Period Under Review, our expenses incurred in relation to staff training and development were not significant.

INVENTORY

As at 31 October 2019, our inventories comprised approximately 8.4% of our total assets. These constitute mainly iron ore deposits extracted from the Chaah Mine.

Our average inventory turnover days during the Period Under Review were as follows:

	FY2017	FY2018	FY2019	1Q2020
Average inventory turnover days⁽¹⁾	139	70	39	27

Note:

(1) The inventory turnover days for FY2017, FY2018 and FY2019 are calculated on the basis of average inventory balances divided by cost of sales multiplied by 365 days. The inventory turnover days for 1Q2020 are calculated on the basis of average inventory balances divided by cost of sales multiplied by 92 days.

The reduction in the average inventory turnover days from 139 days in FY2017 to 70 days in FY2018 to 39 days in FY2019 is the result of a higher sales turnover to new customers in FY2018 and FY2019. The decrease in average inventory turnover days from 39 days in FY2019 to 27 days in 1Q2020 is the result of higher sales of our iron ore products during the period. Please refer to the section entitled “Management’s Discussion and Analysis” of this Offer Document for details in relation to our Group’s revenue for the Period Under Review.

Our inventory is stored at our mine sites. We conduct a survey of our inventory on a quarterly basis to determine and reconcile the stock that we have at the Chaah Mine.

GENERAL INFORMATION ON OUR GROUP

CREDIT POLICY

Credit terms to our customers

Credit terms extended to our customers vary depending on the length of relationship, creditworthiness of the customer and the type of contract. We generally grant credit terms of up to 30 days to our customers.

Our average trade receivables' turnover days for the Period Under Review were as follows:

	FY2017	FY2018	FY2019	1Q2020
Average trade receivables' turnover days	11	3	18	18

Note:

(1) The trade receivables' turnover days is computed as follows:

$$\frac{\text{Average trade receivables balance}}{\text{revenue}} \times \text{Number of days}$$

Where:

"Average trade receivables balance" is the average of the opening and closing trade receivables balance for the relevant financial year.

"Number of days" is defined as the number of calendar days in the relevant financial year/period.

The decrease in the average trade receivables' turnover days from 11 days in FY2017 to three (3) days in FY2018 was mainly due to the relatively lower closing trade receivables balance against the relatively higher amount of revenue for FY2018. The increase in the average trade receivables' turnover days from three (3) days in FY2018 to 18 days in FY2019 was mainly due to a larger closing trade receivable balance from the larger purchase orders from one of our major customers.

Our Group had provided an allowance for impairment from third parties of approximately RM0.4 million as at 31 July 2017 and 31 July 2018 which were for doubtful debts balance incurred since FY2014 and FY2015 which were prior to the Period Under Review. For the Period Under Review, we have not experienced any significant impairment for doubtful debts or bad debts written-off arising from trade receivables. As at the date of this Offer Document, our Group does not expect any concerns on the collection of outstanding trade receivables from our Group's customers to have a material adverse impact to our Group in view of the COVID-19 situation and the Movement Control Orders in Malaysia as some of our major customers, which include domestic steel mills, were permitted to operate during the Movement Control Orders.

As at 31 October 2019, the amount of our trade receivables was approximately RM12.9 million, which has been fully collected as at the Latest Practicable Date.

Credit terms from our suppliers

The credit terms granted by our suppliers vary depending on, among others, our relationship with them and the products and/or services they provide. The credit terms granted by our suppliers to us are generally between 30 and 90 days.

Our average trade payables' turnover days for the Period Under Review were as follows:

	FY2017	FY2018	FY2019	1Q2020
Average trade payables' turnover days	134	104	72	36

GENERAL INFORMATION ON OUR GROUP

Note:

(1) The trade payables' turnover days is computed as follows:

$$\frac{\text{Average trade payables balance}}{\text{Cost of sales}} \times \text{Number of days}$$

Where:

"Average trade payables balance" is the average of the opening and closing trade payables balance for the relevant financial year.

"Number of days" is defined as the number of calendar days in the relevant financial year/period.

There has been no material change to the credit terms granted by our suppliers to us during the Period Under Review. The average trade payables' turnover days have decreased from 134 days in FY2017 to 104 days in FY2018 to 72 days in FY2019 due to a reduction in the time taken by our Group to make payment. The decrease in the average trade payables' turnover days from 72 days in FY2019 to 36 days in 1Q2020 was due to the reduction in time taken by our Group to make payment mainly to certain related parties and/or interested persons for services rendered or products purchased. Save for ongoing interested person transactions included in the Shareholders' Mandate, our Group has made full payment for all outstanding amount owing to related parties and/or interested persons in relation to all interested person transactions as at the Latest Practicable Date. Please refer to the section entitled "Interested Person Transactions" of this Offer Documents for more details and nature of the interested person transactions after 31 October 2019 and details of the Shareholders' Mandate.

HEALTH AND SAFETY

We are required to comply with the relevant rules and regulations laid down by the Department of Occupational Safety and Health of Malaysia in relation to the occupational safety and health of workers working on our mine. These include, among other things, the provision of protective clothing and equipment to the workers and visitors to our mine sites, and providing training courses to workers on occupational safety and health.

In order to ensure our employees and the independent contractors comply with the applicable laws relating to occupational health and safety, we have adopted the relevant internal controls policy and procedures for handling occupational health and safety matters. We also have an in-house safety department (which includes our safety officer) and have constituted a safety committee for our mine who reports to Dato' Sri Pek.

One of the responsibilities of our mine site supervisor is to monitor and ensure that our occupational health and safety policy and procedures are complied with. We also maintain awareness of the importance of health and safety at our sites by (i) requiring that our site supervisors conduct periodic safety briefings to the staff at our mine sites; and (ii) organising in-house and external safety talks, trainings, seminars and courses for our staff.

We remind our workers through periodic safety briefings to ensure that all machineries and equipment deployed to the mine site are kept in good working condition. Only workers that have been properly trained are allowed to operate our machineries and equipment. In addition, all of our machineries and equipment are regularly serviced and maintained. This may be done in-house or through the engagement of third party service contractors.

GENERAL INFORMATION ON OUR GROUP

Our independent contractors who are engaged to conduct exploration, mining and transportation activities are required to ensure that their employees at our mine sites adhere to our occupational health and safety policy and procedures as well. Our Group monitors the performance of our contractors on a periodic basis to ensure that they maintain their standards.

Our safety officer also conducts regular inspections of our mine site to ensure that the established occupational health and safety policy and procedures are complied with.

ENVIRONMENTAL PROTECTION AND CORPORATE SOCIAL RESPONSIBILITY

Environmental Matters

Our Group's mining activities are subject to the EQA and its subsidiary legislation as well as guidelines and directives issued by the Director General.

An environmental impact assessment ("EIA") report may be required to be submitted to the Director General before carrying out mining activities at a mine site in the event the activities involve any of the following prescribed activities:

- (a) ore processing outside mineral tenement area, including concentrating of aluminium, copper, gold, iron, tantalum or rare earth element;
- (b) sand mining on land or river or in coastal area or in territorial waters not exceeding three (3) nautical miles measured from the low-water line, involving an area of 20 hectares or more; or
- (c) sand mining in continental shelf area.

Notwithstanding the above, the Minister of Environment, after consultation with the Environmental Quality Council, may by order prescribe any activity which may have significant environmental impact as prescribed activity.

We are not required to prepare an EIA for the Chaah Mine based on the previous regulations of the EQA when the mining leases for the Chaah Mine were granted as:

- (a) we do not conduct ore processing outside mineral tenement area;
- (b) we do not conduct sand mining; and
- (c) our mining activities are not classified as prescribed activities requiring an EIA by the relevant ministry.

We are however committed to protecting the environment and do enforce environmental, health and safety mechanisms through accountability at all levels, suitable policies, feedback and employee and contractor compliance.

GENERAL INFORMATION ON OUR GROUP

A summary of the key anticipated potential environmental impacts arising from our mining operations and their associated mitigation measures are set out below:

Source of impact	Nature of adverse impact	Mitigating measures	Residual impact
Stockpile of run-of-mine and overburden	Potential water, erosion and sediment problems	<ul style="list-style-type: none"> • Stockpile to be managed by utilising established good practice • To be covered with tarpaulin cover during rainy season • Establishment of Erosion and Sediment Control Plan (“ESCP”) as planning tools, e.g. establishment of silt traps/sediment ponds 	<ul style="list-style-type: none"> • Requires water quality monitoring and supervision. • Requires regular maintenance of ESCP – requires mitigation measures
	Dust and particulate dispersion	<ul style="list-style-type: none"> • Stockpile to be covered with tarpaulin cover 	<ul style="list-style-type: none"> • Requires air quality monitoring

GENERAL INFORMATION ON OUR GROUP

Source of impact	Nature of adverse impact	Mitigating measures	Residual impact
Excavation works	Potential waster, erosion and sediment problems	<ul style="list-style-type: none"> • Staging of development. Only land applicable for excavation will be cleared • Scheduling of excavation activities to drier season • Establishment of ESCP as planning tools, e.g. establishment of silt traps/sediment ponds 	<ul style="list-style-type: none"> • Mitigation shall be implemented by the proponent • Monitoring of water quality
	Air pollution	<ul style="list-style-type: none"> • Open burning is prohibited • Workers need to be supplied with some protective gears and information of dust hazard • Transport lorries to be covered to ensure no spillage • Enforcement of speed limit on site 	<ul style="list-style-type: none"> • Health hazard on workers, need medical surveillance programme • Requires air quality monitoring

GENERAL INFORMATION ON OUR GROUP

Source of impact	Nature of adverse impact	Mitigating measures	Residual impact
Processing plant operation	Water quality	<ul style="list-style-type: none"> Adequate drainage system such as establishment of stormwater drains and silt traps 	<ul style="list-style-type: none"> Regular maintenance of drainage system to keep free of excavated materials and other blockages
	Potential health problem to onsite workers	<ul style="list-style-type: none"> Suitable personnel protection equipment to be provided to workers during operation, e.g. ear plugs, respiratory mask, etc. Yearly audiometric testing for workers 	<ul style="list-style-type: none"> Requires noise monitoring
	Occupational safety and health	<ul style="list-style-type: none"> Safety committee to be formed To provide adequate medical services and first aids facilities on site 	<ul style="list-style-type: none"> On site worker accident prevention, industrial hygiene and safety awareness at workers camp

We have implemented the mitigating measures for the Chaah Mine. To further demonstrate our commitment towards protecting the environment, we have appointed a licenced third party environmental consultant registered with the DOE, to conduct regular environmental monitoring exercise to ensure that we comply with the environmental regulations and to constantly provide feedback to us with regard to our environmental practices.

Although our Group is not subject to any specific environmental inspection requirements, the relevant authorities may carry out environmental spot checks or inspections on our operations at any time. During the Period Under Review, our Group has not been the subject of any such inspections.

We have not been subject to any penalties for breach of environmental laws or regulations during the Period Under Review and our Directors are not aware of any complaints or protests relating to environmental pollution against our Group. To the best of our Directors' knowledge, our Group is in compliance with all applicable environmental regulations and requirements.

GENERAL INFORMATION ON OUR GROUP

Corporate Social Responsibility

Our Group values social responsibility and is committed to enhancing the well-being of the community in locations that we operate. Our Group has made efforts to integrate with the local population in the vicinity where the Chaah Mine is located, by providing the local community with employment opportunities, training and skills development. Our Group has also made donations to the local community.

QUALITY CONTROL AND ASSURANCE

We place emphasis on the quality of our products. At various stages of the beneficiation process, samples are collected in batches for testing and analysis to ensure consistent quality of our processed iron ore concentrates. Upon completion of the beneficiation process of the processed iron ore, our Group will take samples of each product for testing at our in-house laboratory, to ensure that the processed iron ore meet the required specifications. In addition, after our customers place their orders with us, the iron ore products are tested again at our in-house laboratory to ensure that they meet the required specifications before we transport such products to such customers. This allows us to manage the quality of the end products. We have two (2) employees in our in-house laboratory, who have experience in carrying out the various chemical tests required to ensure the quality of our products.

INTELLECTUAL PROPERTY RIGHTS

Our businesses are not materially dependent on any patent, patent rights, licences, processes or other intellectual property. As at the Latest Practicable Date, our Group does not own any trademark, patent or licence or have any application relating thereto or any other intellectual property rights.

MATERIAL LICENCES, PERMITS, REGISTRATIONS AND APPROVALS

The Chaah ML Holder has obtained the following key licences, permits, registrations and approvals as at the Latest Practicable Date in connection with our operations in Malaysia:

Name of licence, permit or approval	Type of licence, permit or approval	Purpose	Issuing/ Licencing body	Validity period of permit/ licence
Mining lease 9/2014 in respect of Chaah mine at Lot 3533 Mukim Chaah Baru, Batu Pahat, Johor Darul Takzim measuring approximately 104.3 hectares	Mining lease	To carry out mining activities at the Chaah Mine	PTG	23 March 2014 to 22 March 2024 ⁽¹⁾

GENERAL INFORMATION ON OUR GROUP

Name of licence, permit or approval	Type of licence, permit or approval	Purpose	Issuing/ Licencing body	Validity period of permit/ licence
Mining lease 6/2014 in respect of Chaah mine at PTD 12064, Mukim Chaah Baru, Batu Pahat Johor Darul Takzim measuring approximately 121.4 hectares	Mining lease	To carry out mining activities at the Chaah Mine	PTG	23 March 2014 to 22 March 2024 ⁽¹⁾
Mining lease 1/2018 in respect of Bukit Kepong mine at Lot 1681, Mukim Bukit Kepong, Muar, Johor Darul Takzim measuring approximately 22.3 hectares	Mining lease	To carry out mining activities at the Mao'kil Asset	PTG	8 July 2018 to 7 July 2023
Mining lease 1/2019 in respect of Chaah mine at Lot 1630, Mukim Chaah Baru, Batu Pahat, Johor Darul Takzim measuring approximately 19.4 hectares	Mining lease	To carry out mining activities at the Chaah Baru Asset	PTG	30 January 2019 to 29 January 2024
Mining lease 2/2019 in respect of Kota Tinggi mine at Lot 2855, Mukim Kota Tinggi, Kota Tinggi Johor Darul Takzim measuring approximately 79.1 hectares	Mining lease	To carry out activities at the Kota Tinggi Asset	PTG	3 July 2019 to 3 July 2024

GENERAL INFORMATION ON OUR GROUP

Name of licence, permit or approval	Type of licence, permit or approval	Purpose	Issuing/ Licencing body	Validity period of permit/ licence
JMG JHR (M) 05/2020/08/(Fe)	OMS	To carry out development and mining work at the Chaah Mine in accordance with the OMS report dated 3 January 2020	JMG	15 March 2020 to 14 March 2022 ⁽²⁾
JMG JHR (M) 08/2019/19(Fe)	OMS	To carry out development and mining work at the Chaah Baru Asset in accordance with the OMS report dated 14 March 2019	JMG	20 June 2019 to 19 June 2020 ⁽³⁾
JMG JHR (M) 01/2019/19(Fe)	OMS	To carry out development and mining work at the Mao'kil Asset in accordance with the OMS reports dated 28 August 2018, 17 December 2018 and 3 January 2019	JMG	22 January 2019 to 21 January 2020 ⁽⁴⁾
Permit JUPP/ 5/12	Permit to utilise land	To utilise the lands as part of 228, 229, 230, 231 and 232 at Hutan Simpan Maokil (Maokil reserved forest)	Forestry Department of Johor	1 January 2020 to 31 December 2020 ⁽²⁾
Permit JUPP/ 3/12	Permit to utilise land	To utilise the lands as part of 172, 173, 225 and 226 at Hutan Simpan Maokil (Maokil reserved forest)	Forestry Department of Johor	1 January 2020 to 31 December 2020 ⁽²⁾

GENERAL INFORMATION ON OUR GROUP

Name of licence, permit or approval	Type of licence, permit or approval	Purpose	Issuing/ Licencing body	Validity period of permit/ licence
Permit to use explosives SKPPP BIL: JHR 1/2020	Permit to use explosives	To use explosives at the mining land at ML09/2014, Lot 3533 and ML06/2014, Lot PTD 12064 at Mukim Chaah Bahru, Daerah Batu Pahat	JMG	27 February 2020 to 14 March 2022
Permit to use explosives SKPPP BIL: JHR 3/2019	Permit to use explosives	To use explosives at the mining land at ML 1/2019, Lot 1630 at Mukim Chaah Baru, Daerah Batu Pahat	JMG	20 June 2019 to 19 June 2020 ⁽³⁾

Notes:

- (1) Honest Sam has confirmed that the State Authority had on 15 April 2013 approved a 25-year mining lease for plot PTD 12064 and Lot 3533. The mining lease certificates were issued for the first 10 years from 23 March 2014 to 22 March 2024 and registered as ML 6/2014 and ML 9/2014 respectively. Honest Sam understands from PTG that upon the expiry of that tenure, a new mining lease certificate will be issued for the subsequent 10 years from 23 March 2024 to 22 March 2034 and later for five (5) years from 23 March 2034 to 22 March 2039.
- (2) Such permits will typically be renewed by the Chaah ML Holder approximately one (1) month before its expiry date. Our Directors are of the view that this is in line with industry practice for the renewal of permits. Our Directors are also of the view that there should not be any material difficulties in respect of such renewal given that the permits are granted on a yearly basis and our Directors are not aware of any material issues experienced by the Chaah ML Holder in all past renewals.
- (3) Honest Sam had on 9 June 2020 via its consultant submitted an application for renewal to JMG for the Chaah Baru Asset. As at the Latest Practicable Date, our Group has not conducted any mining operations at the Chaah Baru Asset.
- (4) Honest Sam had on 23 December 2019 via its consultant submitted the application for renewal to JMG for the Mao'kil Asset and subsequently resubmitted the application for renewal to JMG on 9 June 2020 due to amendments required by JMG on such application. As at the Latest Practicable Date, our Group has not conducted any mining operations at the Mao'kil Asset.

In addition to the above, we set out below a summary of the key licences, permits, registrations and approvals at the Latest Practicable Date held by us in connection with our operations in Malaysia.

GENERAL INFORMATION ON OUR GROUP

Name of licence, permit or approval	Type of licence, permit or approval	Purpose	Issuing/ Licencing Body	Validity period of permit/ licence
Sublicence under Permit JUPP/ 5/12	Sublicence for the permit holder's employees and machinery to utilise land	To allow the permit holder's employees and machinery to utilise the land as part of 228, 229, 230, 231 and 232 at Hutan Simpan Maokil (Maokil reserved forest)	Forestry Department of Johor	1 January 2019 to 31 December 2019 ⁽¹⁾
Sublicence under Permit JUPP/ 3/12	Sublicence for the permit holder's employees and machinery to utilise land	To allow the permit holder's employees and machinery to utilise the land as part of 172,173, 225 and 226 at Hutan Simpan Maokil (Maokil reserved forest)	Forestry Department of Johor	1 January 2019 to 31 December 2019 ⁽¹⁾
Letter of approval (Royal Malaysia Police) dated 10 June 2020	Approval for blasting works	For blasting works at mining land at Lot 3533, ML 561, Mukim Chaah Bahru, Daerah Batu Pahat	Royal Malaysia Police	10 June 2020 to 9 December 2020
Scheduled Controlled Goods Permit (Diesel)	Scheduled controlled goods Permit	To purchase 80,000 litres of diesel oil and to store it at No. 755, B4, Site Office Ladang Chaah, Kuari Ladang Chaah, Lorong HJ Kam, 85400 Chaah, Johor	Ministry of Domestic Trade and Consumer Affairs	2 July 2019 to 1 July 2020 ⁽²⁾⁽³⁾
Letter of approval (Mine Manager) dated 14 October 2019	Registration of mine manager in accordance with Section 14 of the MDA	For the registration of Mr. Tan Shian Kheng as the mine manager	JMG	Approval dated 14 October 2019, no expiry date

GENERAL INFORMATION ON OUR GROUP

Name of licence, permit or approval	Type of licence, permit or approval	Purpose	Issuing/ Licencing Body	Validity period of permit/ licence
Mineral Ore Transit Document No. 283702	Document for transportation of ore	For transportation of ore	PTG	Not applicable
Mineral Ore Transit Document No. 283745	Document for transportation of ore	For transportation of ore	PTG	Not applicable
Licence for private installation of electricity No. 36450	Licence for private installation of electricity	For the private installation of electricity	Energy Commission	21 July 2019 to 20 July 2020 ⁽²⁾⁽⁴⁾
Licence for private installation of electricity No. 36451	Licence for private installation of electricity	For the private installation of electricity	Energy Commission	21 July 2019 to 20 July 2020 ⁽²⁾⁽⁴⁾
Licence for private installation of electricity No. 36452	Licence for private installation of electricity	For the private installation of electricity	Energy Commission	21 July 2019 to 20 July 2020 ⁽²⁾⁽⁴⁾
Licence for private installation of electricity No. 36453	Licence for private installation of electricity	For the private installation of electricity	Energy Commission	21 July 2019 to 20 July 2020 ⁽²⁾⁽⁴⁾
Licence for private installation of electricity No. 36454	Licence for private installation of electricity	For the private installation of electricity	Energy Commission	21 July 2019 to 20 July 2020 ⁽²⁾⁽⁴⁾
Licence to Export No. EM/01527/0719	Licence to export iron ore	For export of 100,000,000 kgm of iron ore from Batu Pahat Port to any port in the PRC	Ministry of Energy and Natural Resources (Mineral and Geoscience Division)	19 July 2019 to 18 July 2020 ⁽⁵⁾

GENERAL INFORMATION ON OUR GROUP

Name of licence, permit or approval	Type of licence, permit or approval	Purpose	Issuing/ Licencing Body	Validity period of permit/ licence
Licence to Export No. EM/02952/ 1219	Licence to export iron ore	For export of 100,000,000 kgm of iron ore from Batu Pahat Port to any port in the PRC	Ministry of Energy and Natural Resources (Mineral and Geoscience Division)	19 December 2019 to 18 December 2020 ⁽⁵⁾
Licence to Export No. EM/00303/ 0220	Licence to export iron ore	For export of 100,000,000 kgm of iron ore from Batu Pahat Port to any port in Vietnam	Ministry of Energy and Natural Resources (Mineral and Geoscience Division)	7 February 2020 to 6 February 2021 ⁽⁵⁾
Licence to Process Minerals LMM/JHR/0004	Licence to process minerals	To process, including owning, purchasing, selling or storing mineral at ML9/ 2014, Lot 3533, Mukim Chaah Baru, Daerah Batu Pahat, Johor	Mineral and Geoscience Department of Malaysia	21 November 2017 to 20 November 2020
Business Premises Licence (Level 8, Menara Zenith, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang)	Business premises licence	To conduct business activities at Level 8, Menara Zenith, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang	Kuantan Municipal Council	1 January 2020 to 31 December 2020
Letter of approval for Installation of Machinery dated 13 July 2014	Letter of approval for installation of machinery pursuant to the FMA	To install certain machineries in accordance with the approved plan	Department of Occupational Safety and Health Johor	Approval dated 13 July 2014, no expiry date
Letter of approval for installation of machinery Approval No.: JH/19/PTI/38110	Letter of approval for installation of machinery pursuant to the FMA	To install certain machineries in accordance with the approved plan	Department of Occupational Safety and Health Johor	Approval dated 29 October 2019, no expiry date

GENERAL INFORMATION ON OUR GROUP

Name of licence, permit or approval	Type of licence, permit or approval	Purpose	Issuing/ Licencing Body	Validity period of permit/ licence
Letter of approval for installation of machinery Approval No.: JH/19/PTI/38112	Letter of approval for installation of machinery pursuant to the FMA	To install certain machineries in accordance with the approved plan	Department of Occupational Safety and Health Johor	Approval dated 29 October 2019, no expiry date
Letter of Approval (with conditions) for the erection of temporary buildings No.: MDYP/OSC/30/K MT/2019-09	Letter of approval for the erection of temporary buildings	To erect temporary buildings, subject to the provision of two (2) sets of plans which complies with the terms and conditions of the general council and other requirements of the technical department within 28 days	Yong Peng District Council	Approval with condition date 10 December 2020, no expiry date
Letter of approval for the erection of temporary buildings No.: MDYP/BPB/30/KMT/2019-09	Letter of approval for the erection of temporary buildings	For the erection of temporary buildings	Yong Peng District Council	16 January 2020 to 15 January 2025
Operation approval and movement of employees of companies during the period of the Initial Movement Control Order, Reference No. O-00038379	Letter of approval for Honest Sam to operate during the Initial Movement Control Order	To operate during the Initial Movement Control Order	Ministry of International Trade and Industry	Approval dated 22 April 2020, no expiry date

Notes:

- (1) Honest Sam had on 18 May 2020 submitted the applications to renew the sublicences after obtaining the renewed Permit JUPP/5/12 and Permit JUPP/3/12 from the LLO. The expiry of the sublicences has no adverse implication on our Group as (i) our Group has not conducted any mining operations on the above lands; and (ii) the lands are for dumping purposes and currently our Group does not require the lands for dumping and employees did not enter the above lands.
- (2) Such permits are typically renewed approximately one (1) month before its expiry date. Our Directors are of the view that this is in line with industry practice for the renewal of permits. Our Directors are also of the view that there should

GENERAL INFORMATION ON OUR GROUP

not be any material difficulties in respect of such renewal given that the permits are granted on a yearly basis and we have not experienced any material issues in all past renewals.

- (3) Honest Sam had on 4 June 2020 submitted an online application for renewal of such permit to the Ministry of Domestic Trade and Consumer Affairs and the same is pending approval.
- (4) Honest Sam had on 10 June 2020 submitted applications for the renewal of such licences to the Energy Commission and the same is pending approval.
- (5) Honest Sam had on 9 June 2020 confirmed that it is not industry practice to renew export licences and Honest Sam will be required to apply for a new export licence before the expiration of the existing export licence, in the event Honest Sam intends to continue to export iron ore minerals after the expiration of the existing export licence.

From time to time, we require ancillary operational licences, permits, registrations and approvals for our mining operations which we apply for from time to time as and when they are required. Such licences, permits, registrations and approvals are for activities including the private installation of electricity, the installation of machinery, the storage of diesel, the transportation of ores, the operation of fuel burning equipment, the building of workers quarters and processing plants, and the use of explosive material at our mine site.

To the best of our Directors' knowledge, as at the Latest Practicable Date, we have obtained all material licences, permits, registrations and approvals necessary for the conduct of our business operations. None of such licences, permits, registrations and approvals have been suspended, revoked or cancelled although some of these licences, permits, registrations and approvals are subject to periodic renewals. Our Group will be renewing the relevant approvals, licences and/or permits before the relevant expiry date. We do not foresee any difficulty in renewing/obtaining the relevant licences, permits, registrations and approvals which are material to our Group in a timely manner as we have not encountered any difficulties/failures in this regard in the past.

Our Group previously did not obtain the permits required for storage facilities, workers quarters and temporary buildings at the Chaah Mine under the SDBA as our Directors were not aware of such a requirement previously given that the OMS obtained had included a layout of the mine which exhibited our buildings at the Chaah Mine such as storage facilities, workers quarters and temporary buildings. Our Directors were subsequently made aware of the requirement for such permits and had, through its appointed consultants, on 6 October 2019 submitted an application to obtain the approvals required pursuant to the SDBA. Our Group obtained the relevant permits on 10 December 2019 and had on 3 March 2020, paid a fine of RM5,000.00 for the failure to obtain the permits previously.

Save as set out in this section and the section entitled "Major Suppliers" of this Offer Document, our business and profitability is not materially dependent on any patent or licence, industrial, commercial or financial contract (including a contract with a customer or supplier) or new manufacturing process.

LEGAL OPINION FROM JEFF LEONG, POON & WONG

The Legal Advisers to our Company on Malaysian Law, Jeff Leong, Poon & Wong, is a law firm practising in Malaysia. Jeff Leong, Poon & Wong has conducted a legal due diligence review on Honest Sam in connection with the Listing.

The Legal Opinion has been prepared on the basis and subject to the limitations set out in Jeff Leong, Poon & Wong's terms of engagement, and the opinions of Jeff Leong, Poon & Wong as set out below is subject to the assumptions and qualifications specified in the Legal Opinion. Any capitalised terms relating to the Legal Opinion which are not defined in this section of the Offer Document shall have the meanings ascribed to them as stated in "Appendix L – Legal Opinion from Jeff Leong, Poon & Wong" to this Offer Document.

Based on the foregoing, the salient details in the Legal Opinion are as follows:

GENERAL INFORMATION ON OUR GROUP

A. Due Incorporation

- (1) Honest Sam was duly incorporated on 05 April 2001 as a private limited company under the CA 1965 and continues to exist under the CA 2016 that had repealed and replaced the CA 1965, is validly existing in Malaysia and has the status of a separate and independent legal entity having full capacity, power and authority to enter into legally binding and enforceable contracts and undertakings with full power to sue or to be sued in its own name.
- (2) Based on and as at the company winding up search result on Honest Sam dated 9 June 2020, Honest Sam is not wound up.
- (3) Honest Sam has full power and authority to own, use, lease and operate its properties and other assets and to conduct its business as it is now being conducted and the same is described in its constitution.
- (4) Honest Sam has full power and authority to conduct its business and operations as it is now being conducted and the same is described in its statutory filings and to the best of Jeff Leong, Poon & Wong's knowledge, Honest Sam has adopted Table A in the Fourth Schedule of the CA 1965 as part of its constitution.
- (5) The current board of directors of Honest Sam was properly established and properly constituted in all respects in compliance with applicable Malaysian laws and the Constitution then in force. Each director is lawfully qualified to act as a director of Honest Sam under the CA 2016. As at the date of the Legal Opinion, the directors of Honest Sam are Dato' Sri Pek, Mr. Pek Kok Hing, Mr. Harun Bin Abdullah and Dato' Amiruddin Bin Mohd Said.
- (6) To the best of Jeff Leong, Poon & Wong's knowledge, based on Jeff Leong, Poon & Wong's review of the documents, confirmation by Honest Sam and save as indicated in the Legal Opinion, as at the date of the Legal Opinion, there are no provisions or irregularities, inconsistencies or other matters which would materially and adversely affect:
 - (a) the status of Honest Sam as a duly incorporated or established independent legal entity;
 - (b) the business by Honest Sam as presently conducted and as set out in its constitution or other constitutional documents, its business licence and any statutory filings; or
 - (c) the power and authority of Honest Sam to own, use, lease and operate its properties and other assets.

GENERAL INFORMATION ON OUR GROUP

B. Share Capital

- (7) The issued and paid-up capital and the respective percentages of shareholdings of the existing shareholders of Honest Sam as recorded in the register of shareholders of Honest Sam as reviewed by Jeff Leong, Poon & Wong are as follows:

Name of entity	Issued and paid-up capital	Shareholder
Honest Sam	RM10,733,335.00 comprising 1,100,000 ordinary shares and 733,335 CPS.	<p>Our Company – holding 1,100,000 out of 1,100,000 ordinary shares (60.0%)</p> <p>Good Orient⁽¹⁾ (Registration No. 201401030733 (1106819-W)) – holding 733,335 out of 733,335 CPS (40.0%)</p> <p>Note:</p> <p><i>(1) The rights of the CPS holder is provided under the section entitled “Group Structure” in the Offer Document.</i></p>

- (8) The shareholder and CPS holder as set out in the table above are the registered shareholders of Honest Sam upon completion of the Restructuring Exercise in connection with the proposed listing. All issued ordinary shares and CPS of Honest Sam have been duly authorised and are validly issued, fully paid are not subject to any pre-emptive or similar rights in relation to transfers of their shares save as set out in its constitution, or any mortgage, charge, lien, pledge, instructions, nominee or trust or any other encumbrance. Honest Sam’s constitution provides that the issuance of ordinary shares and CPS are subject to pre-emptive rights of the shareholders of Honest Sam to subscribe for such ordinary shares and CPS and therefore, any issuance of shares by Honest Sam would be subject to such pre-emptive rights.
- (9) Save for the restrictions to transfer shares in Honest Sam which are set out in its constitution which provides that directors in their absolute discretion may refuse to register any transfer of shares to a person of whom they do not approve or of shares on which Honest Sam has a lien and that the CPS issued by Honest Sam are not transferable other than to the ordinary shareholders at the option of the ordinary shareholders in proportion to their existing shareholdings in Honest Sam at the time of the transfer and at a total nominal consideration of RM100.00 payable to the CPS holder, there are no other restrictions on transfers or the holding of the share capital of Honest Sam, or any restrictions to transfer shares to or from non-residents or foreigners imposed by any applicable Malaysian laws.
- (10) The Mining Leases have terms and conditions that (amongst other things) require (a) not less than 2 persons who are Bumiputera to be appointed as directors of Honest Sam (“**Bumiputera Directorship Condition**”), and (b) the Mining Assets to be operated by a company with at least 40.0% Bumiputera shareholding (“**Bumiputera Shareholding Condition**”, together with the Bumiputera Directorship Condition, the “**Bumiputera Conditions**”). The Bumiputera Shareholding Condition does not

GENERAL INFORMATION ON OUR GROUP

expressly make any distinction between different classes of shares or voting rights in computing the percentage of issued shares to be held by the Bumiputera Shareholder.

- (11) Prior to 4 November 2019, Honest Sam did not comply with the Bumiputera Shareholding Condition. Honest Sam had, on 4 November 2019, consolidated every 10 of its existing ordinary shares into 1.1 new consolidated share, which resulted in Honest Sam having 1,100,000 ordinary shares, representing 60.0% of Honest Sam's total number of paid-up shares. As a result of the said share consolidation, Good Orient (a company wholly-owned by Bumiputera shareholders) currently holds non-voting CPS representing 40.0% of Honest Sam's total number of paid-up shares. As at the date of the Legal Opinion, Honest Sam complies with the Bumiputera Shareholding Condition imposed by the Mining Leases on Honest Sam, the operator of the Chaah Mine, the Chaah Baru Mine, the Bukit Kepong Mine and the Kota Tinggi Mine. The appointment of two (2) Bumiputera directors to Honest Sam's board of directors on 1 December 2014 satisfies the Bumiputera Directorship Condition.
- (12) Each issuance of the ordinary shares and CPS and transfer of shares and/or change of shareholders of Honest Sam reviewed by Jeff Leong, Poon & Wong in the course of its legal due diligence has been approved by the directors and/or shareholders (as may be required) and each issuance of the ordinary shares and CPS and transfer of shares is duly authorised, legal, valid, and binding, has not been issued or transferred in violation of any pre-emptive or similar rights and is in compliance with its constitution and relevant laws and regulations of Malaysia.

C. Restructuring

- (13) The group structure (after the restructuring exercise as set out in the section entitled "Restructuring Exercise" in this Offer Document) and as at the date of the Offer Document is legal and valid under Malaysian laws.

GENERAL INFORMATION ON OUR GROUP

D. Title or Validity and Enforceability to the Rights to Any Assets and Properties

Mining Contracts

(14) Honest Sam has been granted legally valid, binding and enforceable rights by the Chaah ML Holder, to conduct mining operations at the mining sites (“**Mining Assets**”) set out below:

S/N	Mining Site	Type of Mineral	Location	Mining Lease	Area ⁽¹⁾	Expiry Date of Mining Lease
1.	Chaah Mine	Iron ore	No. Lot 3533, Mukim Chaah Bahru, Daerah Batu Pahat, Johor	ML 9/2014	104.3 Ha	10 years expiring on 22 March 2024
			No. Lot PTD 12064, Mukim Chaah Bahru, Daerah Batu Pahat, Johor	ML 6/2014	121.4 Ha	10 years expiring on 22 March 2024
2.	Chaah Baru Mine	Iron ore	Lot 1630, Mukim Chaah Baru, Batu Pahat, Johor Darul Takzim ⁽²⁾	ML1/2019	19.4 Ha	5 years expiring on 29 January 2024
3.	Bukit Kepong Mine	Iron ore	Lot 1681, Mukim Bukit Kepong, Muar, Johor Darul Takzim ⁽²⁾	ML1/2018	22.3 Ha	5 years expiring on 7 July 2023
4.	Kota Tinggi Mine	Iron ore	Lot 2855, Mukim Kota Tinggi, Kota Tinggi Johor Darul Takzim ⁽²⁾	ML 2/2019	79.1 Ha	5 years expiring on 3 July 2024

Notes:

(1) Rounded to the nearest decimal point.

(2) Representatives of Honest Sam have confirmed that as at the date of the Legal Opinion, Honest Sam has not commenced any mining activities in the Chaah Baru Mine, Bukit Kepong Mine and Kota Tinggi Mine.

GENERAL INFORMATION ON OUR GROUP

- (15) The Mining Leases are not issued in the name of Honest Sam and its rights to conduct mining operations at the respective Mining Assets are only contractual rights pursuant to the 2011 Mining Agreement (as varied and amended by the Supplementals). The salient terms of 2011 Mining Agreement (as varied and amended by the Supplementals) are provided under the section entitled “General Information on Our Group – The Chaah Mine – Right to mine” in this Offer Document.
- (16) Based on copies of the Mining Leases provided to Jeff Leong, Poon and Wong and certified copies of titles obtained from the Johor state Registrar of Titles, the Chaah ML Holder has been granted the legally valid, binding and enforceable Mining Leases over the respective Mining Assets. As at the date of the Legal Opinion, there is nothing under the laws of Malaysia and the terms of the Mining Leases which prevents the Chaah ML Holder from granting Honest Sam the right to conduct mining operations at the Mining Assets.
- (17) Based on the terms of the 2011 Mining Agreement (as varied and amended by the Supplementals), as and when such Mining Leases are due for renewal, the Chaah ML Holder is contractually required to procure the relevant renewals of such Mining Leases up to the relevant term set out in the 2011 Mining Agreement (as varied and amended by the Supplementals). As provided in the State Mineral Enactment, where an application for renewal of a mining lease is made to the DLM at least 12 months prior to the expiry of the mining leases, the DLM shall renew the lease if:
- (a) the holder of the mining lease has complied with the terms or conditions in the mining lease;
 - (b) the holder of the mining lease has complied with the requirements of the State Mineral Enactment; and
 - (c) the holder of the mining lease is able to show to the satisfaction of the DLM that there are mineral reserves to justify a renewal or there is a need to maintain the land for use as an integral part of the mining operations on the adjoining mining land.
- (18) As at the date of the Legal Opinion, Honest Sam has confirmed in writing that the Chaah ML Holder has complied with the terms and conditions of the Mining Leases and the requirements of the State Mineral Enactment.
- (19) Further, the State Mineral Enactment provides that if an application for renewal of a mining lease is made (a) at least 12 months prior to the expiry of the lease; and (b) during the renewal application period, if the term of the lease would in its ordinary course have expired, the mining lease shall continue to be valid until such renewal application is determined by the DLM.
- (20) Pursuant to the 2011 Mining Agreement (as varied and amended by the Supplementals), the Chaah ML Holder is contractually obligated to allow Honest Sam unimpeded exclusive rights to conduct mining activities at the Mining Assets, including sole and exclusive right for Honest Sam to extract, remove, transport and sell all iron ores found and won from the respective mine site. In addition, the Chaah ML Holder agrees that no other party shall be appointed, other than Honest Sam, to conduct any mining operation of whatsoever nature on the Mining Assets. The State Mineral Enactment does not prohibit a holder of a mining lease from entering into contractual

GENERAL INFORMATION ON OUR GROUP

arrangements to appoint third parties to carry out mining activities and it also does not require the prior approval of the State Authority for the same. Honest Sam's contractual right to conduct mining operations at the Mining Assets are valid, binding and enforceable.

- (21) The processing agreements entered into by Honest Sam are legal, valid, binding and enforceable and do not contravene applicable Malaysian laws.

Properties

- (22) Honest Sam does not own any real properties save that it has obtained contractual rights to occupy the premise listed in the section entitled "General Information on our Group – Properties and Fixed Assets" in this Offer Document, pursuant to the tenancy agreement dated 19 November 2019 between Honest Sam and Teras Megajaya.

E. Material Licences, Permits, Certificates Required to Conduct Honest Sam's Business

- (23) Honest Sam is required to comply with and hold licences, permits, approvals, consents, authorisations and/or certificates to carry on its business operations in the exploration, mining, processing and sale of iron ore ("**Honest Sam's Business**"). Most of the licences issued are subject to conditions to be complied with. As at the date of the Legal Opinion, Honest Sam has confirmed that it has complied with all the conditions in the licences to carry on Honest Sam's Business. Honest Sam has further confirmed that annual site visits would be conducted by the relevant authorities as part of the annual renewal process of the OMS. Save for such site visits, Honest Sam has confirmed that the relevant authorities have not conducted any inspections during the Period Under Review to ensure that Honest Sam has complied with such conditions of the other licences, permits and approvals.

Mining Operations

- (24) Honest Sam holds the licences set out in the section entitled "General Information on our Group – Material Licences, Permits, Registrations and Approvals". Jeff Leong, Poon and Wong was informed by representatives of Honest Sam that they may, from time to time, require other licences and will obtain them in order to conduct Honest Sam's Business as and when required.

Trading and Export of Mineral Ores

- (25) Honest Sam carries out export of minerals ores and holds two (2) licences to export to China and one (1) licence to export to Vietnam from the Ministry of Energy and Natural Resources (Minerals and Geoscience Division) (collectively, "**Licences to Export**") as at the date of the Legal Opinion. The Licences to Export are subject to (a) Honest Sam informing the JMG of every delivery to a designated destination; and (b) Honest Sam sending monthly export statements to JMG and the Ministry of Energy and Natural Resources (Mineral and Geoscience Division) before the 15th of the following month.

GENERAL INFORMATION ON OUR GROUP

Others

- (26) Honest Sam has confirmed that it had, through its appointed consultants, on 6 October 2019 submitted an application to the Johor local authorities to obtain the approval required pursuant to the SDBA for the erection of relevant temporary buildings structures in the Chaah mine. Honest Sam has received the relevant authorities' approvals for such application on 10 December 2019 on the condition that Honest Sam pays a fine of RM5,000.00 for the failure to obtain the approval previously and submits two (2) sets of plans that have complied with the requirements set out in the letter of approval dated 10 December 2019. Based on the confirmation of Honest Sam, Honest Sam has paid the said fine on 3 March 2020.
- (27) The OMS JMG JHR (M) 01/2019/19/(Fe) ("**Bukit Kepong OMS**") is the permit for development work and mining at Lot 1681, Mukim Bukit Kepong, Muar, Johor Darul Takzim that is issued to the Chaah ML Holder and had expired on 21 January 2020. The Bukit Kepong OMS provides that the application for renewal of such permit must be submitted within two (2) months before the permit expires. Section 40 of the MDA provides that any holder of mining lease who fails to submit an OMS or comply with the approved OMS shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding five (5) years or both. Honest Sam's consultant, SS Subra Mining Consultancy, had on 23 December 2019 submitted an application for renewal of the Bukit Kepong OMS to the JMG. As at 20 April 2020, Honest Sam has not received the approval to renew from the JMG and subsequently resubmitted an application for renewal on 9 June 2020 due to amendments required by the JMG to be made on such application and the same is pending approval. Based on the confirmation of Honest Sam, as at the date of the Legal Opinion, Honest Sam has not carried out any exploration or development work and mining on the mine.
- (28) The OMS JMG JHR (M) 08/2019/19/(Fe) ("**Chaah Baru OMS**") is the permit for development work and mining at Lot 1630, Mukim Chaah Baru, Batu Pahat, Johor Darul Takzim that is issued to the Chaah ML Holder and will expire on 19 June 2020. Pursuant to the conditions attached to the Chaah Baru OMS, applications for renewal of the Chaah Baru OMS must be submitted within two (2) months before such permit expires. Honest Sam's consultant, SS Subra Mining Consultancy, had on 9 June 2020 submitted an application for renewal of the Chaah Baru OMS to the JMG and the same is pending approval. Based on the confirmation of Honest Sam, as at the date of the Legal Opinion, Honest Sam has not carried out any exploration or development work and mining on the mine.
- (29) Section 32(1) of the National Forestry Act 1984 ("**NFA 1984**") provides that no person shall occupy or carry out any activity upon any land within a permanent reserved forest, unless he is the holder of a use permit. Section 32(2) of the NFA 1984 provides that any person who contravenes Section 31(1) of the NFA 1984 shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding five (5) years or to both. Pursuant to the letter dated 30 January 2020 from the Chaah ML Holder's LLO to Honest Sam, the permits to utilise the lands at (i) part of 228, 229, 230, 231 and 232 and (ii) part of 172, 173, 225 and 226 at Hutan Simpan Maokil ("**Use Permits**") have been approved by the Forestry Department of Johor. The Chaah ML Holder has on 6 February 2020 made the relevant payment required for the issue of the Use Permits. Honest Sam has received a copy of the Use Permits from the Chaah ML Holder's LLO. Rule 32(1) of the Forestry Rules 1987 provides that if a holder of a licence has employees for the purposes of the licence, a

GENERAL INFORMATION ON OUR GROUP

sublicence may then be issued for each employee so employed at the discretion of an officer authorised by the State Director of Forestry. Honest Sam had on 18 May 2020 submitted the applications for renewal of such sublicences to the Forestry Department of Johor for each relevant employee, after obtaining its renewed Use Permits from the Chaah ML Holder's LLO and the same is pending approval. Based on the confirmation of Honest Sam, no employees of the Chaah ML Holder shall enter the lands at (i) part of 228, 229, 230, 231 and 232 and (ii) part of 172, 173, 225 and 226 at Hutan Simpan Maokil until the renewal of such sublicences are issued by the Forestry Department of Johor.

Conclusion

- (30) Jeff Leong, Poon and Wong has reviewed the licences listed in Schedule 1 of the Legal Opinion ("**Licences**") which are required for Honest Sam to carry on Honest Sam's Business. Honest Sam has confirmed to Jeff Leong, Poon & Wong in writing that it is in compliance with the terms and conditions of the Licences and the Licences have not been revoked as at the date of the Legal Opinion. Save as disclosed in paragraphs (26), (27), (28) and (29) above and Schedule 1 of the Legal Opinion and based on the assumptions and qualifications set out in the Legal Opinion, the enquiries made by Jeff Leong, Poon and Wong and to the best of Jeff Leong, Poon and Wong's knowledge, Jeff Leong, Poon and Wong is of the opinion that Honest Sam has obtained from the relevant government authorities the Licences that are required to carry on Honest Sam's Business in Malaysia as at the date of the Legal Opinion. Based on the foregoing and the assumptions and qualifications set out in the Legal Opinion and the enquiries made by Jeff Leong, Poon and Wong and to the best of Jeff Leong, Poon and Wong's knowledge, Jeff Leong, Poon and Wong is of the opinion that, as at the date of the Legal Opinion, the Licences that are required to carry on Honest Sam's Business in Malaysia are currently valid and in full force and effect.

F. Compliance with Laws, Rules and Regulations

- (31) Based on the confirmation of Honest Sam, the assumptions and qualifications set out in the Legal Opinion, Jeff Leong, Poon and Wong's review of the documents, the reasonable enquiries made by Jeff Leong, Poon and Wong and to the best of Jeff Leong, Poon and Wong's knowledge, Jeff Leong, Poon and Wong is of the opinion that, as at the date of the Legal Opinion, save as indicated in the Legal Opinion, Honest Sam is currently in compliance with the relevant material Malaysian laws, rules and regulations and/or requirements from competent authorities, and where applicable, have complied with the conditions imposed thereunder.

GENERAL INFORMATION ON OUR GROUP

- (32) Jeff Leong, Poon and Wong is not aware of any matter that has caused them to believe that Honest Sam is not currently in compliance with all the relevant laws, rules and regulations in Malaysia which are material to Honest Sam's Business except where such non-compliance is not material to Honest Sam's Business.

G. Litigation

- (33) To the best of Jeff Leong, Poon and Wong's knowledge, Honest Sam and its assets do not have any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, writ or proceeding, from the giving of relief in any legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any competent court, from service of process upon them or any agent, from attachment prior to judgment, from attachment in aid of execution, or from execution or any other process for the enforcement of any judgment or other legal process in Malaysia.
- (34) There are no public searches available in Malaysia to investigate whether Honest Sam is involved in any legal proceedings. Hence, Jeff Leong, Poon and Wong obtained confirmations from Honest Sam and the legal firms on Honest Sam's panel of solicitors, namely Sreenevasan Young, Bastian Vendargon and Rizal Hashim Zaki & Jehan. Based on the confirmation of Honest Sam and its panel of solicitors, Honest Sam is not involved in any legal proceedings in the past 10 years prior to the date of the Legal Opinion, save for a case by one Kamal Hisham against Honest Sam, which has been concluded as parties have entered into a consent order pursuant to which Kamal Hisham withdrew his claim and Honest Sam withdrew its counterclaim. The salient facts of the case are provided under the section entitled "General and Statutory Information – Material Litigation" of the Offer Document.
- (35) Upon Jeff Leong, Poon and Wong's enquiries and based on the confirmation obtained from Honest Sam, there is no pending, known to be contemplated or threatened action, suit, proceeding, arbitration, inquiry or investigation before or brought by any court or governmental or regulatory agency or body, domestic or foreign, to which Honest Sam is a party, or to which the property of Honest Sam is subject, before or brought by any court or governmental or regulatory agency or body, domestic or foreign, which might reasonably be expected to result in a material adverse effect on the condition (financial or otherwise), business, properties or results of the operations of Honest Sam taken as a whole, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the transactions contemplated by the Offer Document or the performance by Honest Sam of its respective obligations thereunder, including those which may have or which have had a material effect on its financial position or profitability.
- (36) Further, based on the CTOS Report on Honest Sam and based on confirmation obtained by Honest Sam, Honest Sam is not the subject of or involved in legal or arbitration (whether as plaintiff or defendant) proceedings instituted against it, and there are no other imminent, threatened or possible legal actions against it and no winding-up, judicial management, proceedings or any like petition or process have been commenced in respect of it, and it has no knowledge of any facts likely to give rise to such legal action, winding-up or judicial management proceedings.

GENERAL INFORMATION ON OUR GROUP

H. General

(37) Based on the documents and save as otherwise indicated in the Legal Opinion, Jeff Leong, Poon and Wong is not aware of any matter that has caused Jeff Leong, Poon and Wong to believe that Honest Sam:

- (a) has not obtained all material licences, permits or certificates necessary to conduct its operations from the relevant government bodies in Malaysia;
- (b) is at the date of the Legal Opinion not in compliance with the relevant Malaysian laws, rules and regulations, except where such non-compliance is not material to Honest Sam's Business; and
- (c) does not possess title to or does not have valid and enforceable rights to any of its assets (including licences and agreements), except where such lack thereof, or defect in, such title or rights is not material to Honest Sam's Business.

Please refer to "Appendix L – Legal Opinion from Jeff Leong, Poon & Wong" to this Offer Document for the full legal opinion from the Legal Advisers to our Company on Malaysian Law. All capitalised terms used but not defined in this section shall have the same meanings ascribed to them in "Appendix L – Legal Opinion from Jeff Leong, Poon & Wong" to this Offer Document.

INSURANCE

We have taken up public liability insurance for our mine site. We have also taken up commercial vehicle insurances, machine and equipment insurance and heavy equipment insurances for the machines and equipment used in our mining operations. Our employees are also covered by insurance which includes personal accident, hospitalisation and surgical schemes for foreign workers and social security protection for foreign workers.

As at the Latest Practicable Date, our Directors are of the view that our insurance policies are adequate for our existing operations.

Our Group made a claim in October 2019 for damage to one of our generator sets and received RM92,790.00 and such amount was sufficient to cover the cost of the damage. Save as disclosed, there have been no material insurance claims made by us during the Period Under Review. Significant losses to our operations due to unanticipated events may however still have a material adverse effect on our results of operations or financial position. If such events were to occur, our business may be materially and adversely affected. Please refer to the risk factor "We may not be adequately insured against our operational risks and our insurance coverage may not cover all types of operational risks" in the section entitled "Risk Factors" of this Offer Document for more details.

Our Directors will review our insurance coverage from time to time to ensure that our Group has sufficient insurance coverage and we will procure the necessary additional coverage for our business operations, properties and assets as and when the need arises.

SALES AND MARKETING

Currently, our iron ore products are primarily sold to steel mill owners and pipe coating companies based in Malaysia and we are approached directly by our customers for their required quantities. We may, from time to time, be approached directly by new customers. Our sales activities mainly involve establishing and maintaining relationships with potential and existing customers.

GENERAL INFORMATION ON OUR GROUP

Sales to steel mill owners

The selling prices for our iron ore concentrate are usually based on the average month to date price, with reference to the Platts Iron Ore Index (a major global iron ore index providing benchmark price assessments for the energy, petrochemical and metals commodity markets). We may also take into account factors such as the relationship with customers when deciding the price charged.

We sell our iron ore concentrate to steel mills located in Malaysia pursuant to sale and purchase contracts. Such contracts typically set out the product specifications, quantity, duration, price and delivery terms. The contracts will generally provide for weighing, sampling and analysis of the product and price adjustment mechanism in the event that the product exceeds or fails to meet the specifications set out in the contracts.

Sales of pipe coating material

Sale to pipe coating companies

The selling prices to pipe coating companies are determined based on negotiations between us and our customers or through a bid process. The selling price is usually at a premium to the Platts Iron Ore Index. These purchase orders typically set out the quantity, duration, price and delivery terms. The pipe coating companies will perform internal laboratory analysis on the products we deliver to ensure that we meet their specifications. In the event that our products fail to meet the required specifications after a few consecutive loads, the pipe coating companies will send their laboratory technicians to our mine site for further inspection and investigation.

Sale to Aras Kuasa

We sell pipe coating materials to Aras Kuasa, which are then sold by Aras Kuasa to competitors of our end users. Please refer to the section entitled “Interested Person Transactions – Present and On-going Interested Person Transactions – (VII) Sale of pipe coating materials to Aras Kuasa” for such transactions between our Group and Aras Kuasa.

As such transaction is expected to continue moving forward, please also refer to the section entitled “Interested Person Transactions – Shareholders’ Mandate” for more details on the review procedures of such transaction.

COMPETITION

Our Group competes with other mining companies for new exploration and mining rights and licences, which are limited in Malaysia. There is also competition for skilled labour resources in the mining sector in Malaysia.

We are of the view that the following parties are our main competitors in Malaysia:

- (a) Billion Win Capital Limited (a wholly-owned subsidiary of Prosperity International Holdings (H.K.) Limited, a public listed company in Hong Kong);
- (b) Fortress Mining Sdn. Bhd. (a wholly-owned subsidiary of Fortress Minerals Limited, a public listed company in Singapore); and
- (c) Edubest Mining Sdn. Bhd..

GENERAL INFORMATION ON OUR GROUP

None of our Directors or Controlling Shareholder or their respective associates has any interest, direct or indirect, in any of the abovementioned competitors. Please refer to the risk factor “We face competition for Exploration Assets” in the section entitled “Risk Factors” of this Offer Document for a discussion of the competitive risks we face in our operations.

We believe that our competitive strengths as set out in the section entitled “General Information on Our Group – Competitive Strengths” of this Offer Document allow us to maintain our edge against our competitors.

COMPETITIVE STRENGTHS

Our Group believes that we have the following competitive strengths:

Our mining operations at the Chaah Mine has a reliable track record

Our Group has commenced iron ore mining operations at the Chaah Mine since 2008 and have produced more than 4.6 million tonnes of iron ore products from the Chaah Mine. As such, we have established good and long-standing relationships with our customers which include pipe coating companies, traders and steel mills. This is evidenced by repeat purchases from our customers since the commencement of our operations at the Chaah Mine.

In addition, our Group has successfully conducted a drilling campaign from 2013 to 2014 to develop a resource model for establishing the Mineral Resources and Ore Reserves at the Chaah Mine. Our extensive experience and knowledge of the Chaah Mine has resulted in an excellent reconciliation between the resource model and our production statistics whereby the total iron ore extracted from our existing pit at the Chaah Mine is equivalent to 102% of tonnes predicted from the resource model. This demonstrated both the reliability of our resource model and the effectiveness of our extraction and production process at the Chaah Mine. Accordingly our reliable track record at the Chaah Mine is a testament to our Group’s knowledge and experience in mining operations.

Our key management and operations personnel have extensive knowledge and experience in the mining industry

Our key management and operations personnel have extensive knowledge and experience in the mining industry. Our founders and Directors, Dato’ Sri Pek and Dato’ Teh, have over 30 years of cumulative experience in the exploration and mining of mineral deposits in Malaysia. Our CFO, Mr. Lim, has over 20 years of experience in finance and accounting. We believe that the high level of experience and expertise of our key management and operations personnel will enable our Group to operate more effectively in the businesses we are undertaking. In addition, our key management and operations personnel have also developed cordial working relationships with regulatory authorities in Johor from our mining activities. Since the commencement of our operations, we have been working closely with the regulatory authorities by providing regular reports to update them on the activities of our mining operations. Our Directors, due to their experience and background doing business in Pahang, have also developed good working relationships with the relevant stakeholders in Pahang, where our head office is located.

GENERAL INFORMATION ON OUR GROUP

The raw ore from the Chaah Mine is of a high quality which is demanded by two (2) group of customers from different industry sectors

The iron ore products from the Chaah Mine are mainly supplied to the following two (2) group of customers from different industry sectors:

- (a) Steel mills – Steel mills require the iron ore concentrate to be greater than Fe grade of 62% with low level of impurities as this will enhance their output efficiency and also minimise pollutions; and
- (b) Pipe coating companies – Our customers in the pipe coating industry require the iron ore products to be of a consistent quality with high specific gravity and viscosity, as well as low level of impurities such as sulphur. This will reduce rejection rate and minimise corrosion of the sub-sea pipes.

The raw ore from the Chaah Mine is of a high quality for the following reasons. Firstly, the iron ore from the Chaah Mine contains low level of impurities such as sulphur and arsenic which allows us to control our processing cost to produce high grade iron ore concentrate of up to Fe grade of 65% for the supply to steel mills. Secondly, the Chaah Mine's ore body possesses certain unique natural characteristics such as high specific gravity and viscosity which make it a highly sought-after raw material by pipe coating companies. Based on the foregoing, we believe that we have established a reputation in the steel-making industry and pipe coating industry for being able to meet their raw material requirements and as such have been able to charge a premium on our iron ore products. We believe that the reputation that we have developed will continue to propel the growth of our business.

Our Group is able to achieve further cost savings in our operations

Our Group has a comprehensive fleet of mining equipment, which includes crawler drills, rigid dumpers, articulated dumpers, excavators, bulldozers and other relevant equipment, all of which we either own or under hire purchase. This allows us to better manage our operating requirements and schedules which leads to more effective deployment of our mining equipment. We are also able to have tighter control over our costs as we are able to better budget and plan with certainty. Further, we have commenced work to connect to the National Grid which is expected to be completed in the second half of 2020. This will allow us to achieve greater cost savings for our operations at the Chaah Mine.

In addition, our iron ore products are mainly sold to steel mills and pipe coating companies based in Malaysia and we have established good relationships with these customers. The proximity of the Chaah Mine to these local steel mills and pipe coating facilities has translated into cost savings in port and freight charges and we also suffer less loss of materials during transit, all of which gives us better profit margins.

ORDER BOOK

Our Group does not typically enter into any long-term supply contracts for the sale of our products. As such, we do not maintain an order book.

Due to the nature of our business, the prices we get for our products are subject to fluctuations in benchmark prices.

GENERAL INFORMATION ON OUR GROUP

SEASONALITY

Inclement weather, particularly heavy rains which typically occur in December, may cause disruptions and halt our mining operations. For a description of the risks we face from adverse weather conditions, please refer to the risk factor “We are subject to severe weather conditions, natural disasters and other events beyond our control” in the section entitled “Risk Factors” of this Offer Document. We seek to mitigate the effects of inclement weather by increasing production during the dry season, working on a number of mining phases concurrently and carefully managing our stockpiles. Nevertheless, our results of operations fluctuate from fiscal quarter to fiscal quarter due, in part, to the effects of the rainy season. In particular, our operating results for the fiscal quarters which cover the dry season (from February to October) at our iron ore mining operations are generally better than the fiscal quarters which cover the typical rainy season (from November to January). However, this trend may be affected by any anomaly in weather or rainfall patterns, such as the La Niña effect.

BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans for the growth and expansion of our business are described below:

Further exploration activities

We intend to carry out further exploration activities, including:

- (a) exploration work for mineral deposits at Exploration Assets where we have obtained the right to conduct exploration and/or mining activities; and
- (b) exploration work at the Chaah Mine to define extensions to the existing Mineral Resources and Ore Reserves.

Barring any unforeseen circumstances, we intend to continue undertaking such exploration activities in the next two (2) years. Results of such exploration activities will assist us in planning our mining activities and schedules to optimise efficiency and return to Shareholders. We intend to fund the total estimated expenditure for the above-mentioned activities, of approximately, S\$4.0 million with the net proceeds from the issue of Placement Shares, internal sources of funds as well as bank financing.

Investment into mining equipment and infrastructure

We intend to continue to purchase more mining equipment such as excavators for our mining activities. We also intend to set up infrastructure such as transmission lines in order for us to receive electricity from the National Grid and this is expected to be completed in the second half of 2020. We intend to fund the total estimated expenditure for the above-mentioned activities, of approximately, S\$2.0 million with the net proceeds from the issue of Placement Shares, internal sources of funds as well as bank financing.

Acquisitions, joint ventures, strategic alliances and/or development of new mines

We may expand through acquisitions, joint ventures and strategic alliances as part of our long-term growth strategy. We may also enter into acquisitions, joint ventures or strategic alliances with parties who create synergistic value for our business. Our Group is continuously in exploratory discussions with several parties for the possible acquisition of new mining rights

GENERAL INFORMATION ON OUR GROUP

and/or tenements in Malaysia but these discussions remain preliminary and exploratory in nature and there is no assurance that they may result in any successful outcome. Should such opportunities arise or materialise, we will seek approvals, where necessary, from our Shareholders and the relevant authorities as may be required by prevailing laws and regulations. We intend to fund the total estimated expenditure for the above-mentioned activities, of approximately, S\$2.0 million with the net proceeds from the issue of Placement Shares, internal sources of funds as well as bank financing. As at the Latest Practicable Date, we have not identified any specific target for acquisition, joint venture or strategic alliance. We have also not identified any new mining right or tenement as at the Latest Practicable Date.

Save as disclosed in this section and in the section entitled “Use of Proceeds and Listing Expenses” in this Offer Document, none of the proceeds of the issue of Placement Shares will be used, directly or indirectly, to acquire or refinance the acquisition of an asset other than in the ordinary course of business. Please refer to the section entitled “Risk Factors” of this Offer Document for further discussion of the risks in relation to how our future growth will depend on our ability to manage our expansion plans, and dilution as a result of raising additional funds through the issue of Placement Shares for future growth.

PROSPECTS

The outbreak of the COVID-19 has led to the imposition of the Movement Control Orders by the Malaysian government. Accordingly, our Group’s operations were suspended during the Suspension Period and was not able to conduct any form of mining activities or sale during such period. During the Suspension Period, our Group did not record any revenue nor incur substantial mining operations costs, except for certain overhead costs such as maintaining the payroll to employees. As the COVID-19 situation is still evolving rapidly, there is a significant degree of uncertainty over the length and severity of the outbreak, our Group will continue to monitor the developments and potential impact to our operations and supply chains. Please refer to the risk factor “We are subject to risks related to the outbreak of COVID-19” set out in the section entitled “Risk Factors” of this Offer Document for more details regarding the impact of the COVID-19 on our Group.

Moving forward for the next 12 months from the Latest Practicable Date, barring unforeseen circumstances such as the extension of the Movement Control Orders by the Malaysian government for a prolonged period of time and/or the worsening of the COVID-19 outbreak in Malaysia and globally, our outlook of the iron ore industry amidst the economic uncertainty and COVID-19 outbreak are discussed below.

Demand for high-grade iron ore from China will continue to remain resilient

Due to the COVID-19 outbreak, overall steel demand in China is expected to fall by 1.0% in 2020 following years of strong growth¹. However, the demand for iron ore from China is expected to remain strong and the recovery of steel demand is expected from third quarter 2020, supported by a rising property market and increased state infrastructure spending.¹ These infrastructure projects mainly include railways and motorways that support the implementation of

¹ This information is derived from the publication entitled “Resources and Energy Quarterly March 2020” by the Australian Government, Department of Industry, Innovation and Science, Office of the Chief Economist, accessible at <https://www.industry.gov.au/data-and-publications/resources-and-energy-quarterly-march-2020>.

The Australian Government, Department of Industry, Innovation and Science, Office of the Chief Economist has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

GENERAL INFORMATION ON OUR GROUP

major national strategies,² in addition, there is also a potential increase for steel demand in the form of potential stimulus measures in the wake of COVID-19^{3,4}.

The price of iron ore that previously reached a five-year high in mid-2019 is forecast to fall during 2020 as growth in Chinese steel output slows and iron ore supply from Brazil recovers². Notwithstanding this forecasted decline from the five-year high and despite the COVID-19 pandemic, iron ore prices have remained relatively stable, backed by the expected rise in iron ore demand and overall increase of production at steel mills following the slowing rate of transmission of COVID-19 in China⁵.

Accordingly, our business prospects and financial performance will be dependent on the demand of high grade iron ore and the price of iron ore.

² This information is derived from the article entitled "China relaxes infrastructure project finance rules, but analysts warn it will have limited economic impact" published by South China Morning Post dated 11 June 2019, accessible at <https://www.scmp.com/economy/china-economy/article/3014038/china-relaxes-infrastructure-project-finance-rules-analysts>.

South China Morning Post has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

³ This information is derived from the article entitled "China to ramp up spending to revive economy, could cut growth target – sources" published by Reuters dated 19 March 2020, accessible at <https://www.reuters.com/article/us-china-economy-stimulus-exclusive/exclusive-china-to-ramp-up-spending-to-revive-economy-could-cut-growth-target-sources-idUSKBN2161NW>.

Reuters has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

⁴ This information is derived from the article entitled "Coronavirus: will China opt for massive infrastructure spending spree to save its economy as it did in 2008?" published by South China Morning Post dated 2 March 2020, accessible at <https://www.scmp.com/economy/china-economy/article/3064646/coronavirus-will-china-opt-massive-infrastructure-spending>.

South China Morning Post has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

⁵ This information is derived from the article entitled "Iron ore displays safe haven qualities amid commodities rout" by Hellenic Shipping News Worldwide dated 10 March 2020, accessible at <https://www.hellenicshippingnews.com/iron-ore-displays-safe-haven-qualities-amid-commodities-rout/>.

Hellenic Shipping News Worldwide has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

GENERAL INFORMATION ON OUR GROUP

Higher demand for iron and steel products in Malaysia and other parts of Southeast Asia

In Malaysia, the primary mover of steel demand is the construction industry, which is likely to maintain its robust performance.⁶ Following Malaysia's Budget 2020 announcement, the Malaysian government is expected to implement and/or revive several mega-infrastructure projects to spur construction activity, such as the Bandar Malaysia project and new highway projects in Selangor.⁷ It is projected that Malaysia's apparent steel consumption will grow from 9.4 million tonnes in 2017 to 12.4 million tonnes in 2025.⁸ During a press conference held on 16 March 2020, Prime Minister Tan Sri Muhyiddin Yassin had pledged to continue all projects under Malaysia's Budget 2020 to improve investor confidence dampened by the COVID-19 outbreak in a press conference held on 16 March 2020⁹.

⁶ This information is extracted from the article entitled "Steel still in demand" published by The Star Online dated 6 October 2018, accessible at <https://www.thestar.com.my/business/business-news/2018/10/06/steel-still-in-demand>.

The Star Online has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

⁷ This information is extracted from the article entitled "Mega project boost for budget" published by The Star Online dated 10 October 2019, accessible at <https://www.thestar.com.my/business/business-news/2019/10/10/mega-project-boost-for-budget>.

The Star Online has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

⁸ This information is extracted from the article entitled "Better times ahead for the Steel sector?" published by the Edge Media Group on 14 March 2019, accessible at <https://www.theedgemarkets.com/article/cover-story-better-times-ahead-steel-sector>.

The Edge Media Group has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and are therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

⁹ This information is extracted from the article entitled "Malaysia's economic stimulus package with additional measures, says PM Muhyiddin, published by the Edge Media Group on 16 March 2020 accessible at <https://www.theedgemarkets.com/article/malaysias-economic-stimulus-package-additional-measures-says-pm-muhyiddin>.

The Edge Media Group has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and are therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

GENERAL INFORMATION ON OUR GROUP

In other parts of Southeast Asia, spending on infrastructure is projected to remain high as countries continue to develop and enhance vital infrastructure in water, power and transportation to drive their economy and meet the needs arising from urbanisation. According to PwC's report, the Asia-Pacific market, driven by China's growth, will represent nearly 60% of global infrastructure spending by 2025.¹⁰

Although it is estimated that the growth of major economies in Southeast Asia may be negatively affected by COVID-19 in 2020 due to increased spread of the virus and their supply chains being disrupted¹, active infrastructure investment in ASEAN nations is expected to be boosted by government stimulus, which would in turn drive the construction sector.

For instance, Singapore had announced two (2) additional stimulus package on top of the \$4 billion package announced in the Budget 2020¹¹, Malaysia will be implementing the stimulus package announced on 27 February 2020 of which RM2 billion will be focused on rural infrastructure⁹ and Indonesia had announced a stimulus package of 120 trillion rupiah (US\$8.1 billion) on 13 March 2020 in response to the outbreak¹².

The infrastructure project pipeline in Malaysia and the Asia-Pacific region is likely to remain strong supported by government stimulus and continue to drive the demand for steel products from local steel mills and our Directors believe that our Group's reputation in Malaysia, high-grade iron ore concentrate and sturdy relationship with the local steel mills will bode well for our Group's business.

¹⁰ This information is extracted from the publication entitled "Capital project and infrastructure spending – Outlook to 2025" published by PricewaterhouseCoopers LLP, with research by Oxford Economics, accessible at <https://www.pwc.com/gx/en/capital-projects-infrastructure/publications/cpi-outlook/assets/cpi-outlook-to-2025.pdf>.

Both Pricewaterhouse Coopers LLP and Oxford Economics have not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and are therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

¹¹ This information is extracted from the article entitled "Third round of support measures in Solidarity Budget today" published by The Straits Times dated 6 April 2020, assessable at <https://www.straitstimes.com/singapore/third-round-of-support-measures-in-solidarity-budget-today>.

The Straits Times has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and are therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

¹² This information is extracted from the article entitled "Indonesia to support economy with US\$8 billion stimulus to counter COVID-19 impact" published by CNA dated 13 March 2020, assessable at <https://www.channelnewsasia.com/news/business/coronavirus-indonesia-support-economy-8-billion-stimulus-covid19-12535316>.

CNA has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and are therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

GENERAL INFORMATION ON OUR GROUP

The pipe coating market is expected to grow in line with increasing oil and gas exploration and production activities

The International Energy Agency (IEA) previously forecasted a growth in oil demand, despite weaker economic sentiment in many countries. A key factor underpinning demand growth for oil is the continued expansion of China and India's economies, as they will account for approximately 44% of the growth in global oil demand expected to 2024¹³.

According to market research consulting firm Mordor Intelligence, the pipe coating market is forecasted to grow at a compounded annual growth rate of approximately 5.35% between 2019 to 2024¹⁴. The key drivers of the pipe coating industry are the upsurge in shale oil and gas production in North America and the growth in industrialisation and infrastructure in the Asia Pacific region. In addition, approximately 50 oil and gas fields within the Asia Pacific region are expected to be approved for development by 2020¹⁴, with one of the key projects being the subsea tieback project located in offshore Australia¹⁵. There are also more gas pipeline projects likely to be developed in Malaysia¹⁴. Such trends in the market are expected to further drive the demand for pipe coating material in the Asia Pacific region.¹⁴

However, the IEA had announced through a press release dated 9 March 2020 its forecast revision due to COVID-19, and expects global oil demand to decline in 2020¹⁶. The main factors for the forecasted drop in oil demand are due to the expected lower oil consumption in China, and major global travel and trade disruptions.

¹³ This information is extracted from the publication entitled "Oil 2019 – Analysis and forecasts to 2024" published by The International Energy Agency, accessible at <https://www.iea.org/oil2019/>.

The International Energy Agency has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

¹⁴ This information is extracted from the report entitled "Pipe Coatings Market – Growth, Trends, and Forecast (2019 – 2024)" published by Mordor Intelligence in May 2019, accessible on Research and Markets at https://www.researchandmarkets.com/reports/4515798/pipe-coatings-market-growth-trends-and?utm_source=%20GNOM&utm_medium=PressRelease&utm_code=q72sql&utm_campaign=1267797+-+Worldwide+Pipe+Coatings+Market%20+Outlook+to+2024+-+Growth+in+Deep+Water+Exploration+%26+Production+Activities+to+Present+Opportunities+in+%20the+Future&utm_exec=joca220prd.

Mordor Intelligence has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

¹⁵ This information is extracted from the press release entitled "Shawcor Announces International Offshore Pipe Coating Contracts" released by Shawcor Ltd. dated 7 October 2019, accessible on GlobeNewswire at <https://www.globenewswire.com/news-release/2019/10/07/1925982/0/en/Shawcor-Announces-International-Offshore-Pipe-Coating-Contracts.html>.

Shawcor Ltd. has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

¹⁶ This information is extracted from the publication entitled "Global oil demand to decline in 2020 as coronavirus weighs heavily on markets" published by The International Energy Agency, accessible at <https://www.iea.org/news/global-oil-demand-to-decline-in-2020-as-coronavirus-weighs-heavily-on-markets>.

The International Energy Agency has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Section 253 and 254 of the SFA. While our Directors and the Vendor have taken reasonable actions to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

GENERAL INFORMATION ON OUR GROUP

Our Directors believe that the short-term outlook for the oil industry will depend on how quickly governments react to contain the COVID-19 outbreak and how successful such effort are and what lingering impact on such global health crisis on economic activity. As such, while our Directors believe that the current macro and economic factors may affect developments in the oil industry in the short-term which may affect the investment in oil field development and exploration resulting in a decrease in demand for pipe coating material and in turn reduce demand in the pipe coating market, our Company is still well-positioned to meet the demand for pipe coating material in the region upon the recovery of the oil industry as our pipe coating materials is highly sought after by customers due to its quality.

TREND INFORMATION

Based on the financial performance and condition of our Group as at the Latest Practicable Date and barring any unforeseen circumstances such as the extension of the Movement Control Orders by the Malaysian government for a prolonged period of time and/or the worsening of the COVID-19 outbreak in Malaysia and/or globally, our Directors have made the following observations for the remaining of FY2020 and for the next 12 months from the Latest Practicable Date:

- (a) We expect certain reduction in our operating costs as the electricity costs will reduce through the supply of electricity from the National Grid, which is expected to commence in the second half of 2020. In addition, we expect lower fuel cost due to lower crude oil prices;
- (b) While continuing our mining operations, we will also place greater emphasis on planning and executing a mining cut-back in the next 12 months in order to increase stripping activity to remove overburden at the Chaah Mine as recommended by our Independent Qualified Person. Accordingly, our Group is expected to incur higher costs arising from such increased stripping activity in the next 12 months;
- (c) Our administrative expenses are expected to increase due to an increase in remuneration and fees payable to our Directors, which include remuneration payable to our Executive Director pursuant to the Service Agreement and fees payable to Independent Directors;
- (d) A portion of our listing expenses incurred in connection with the Placement that will be charged as expenses in our financial statements and ongoing compliance costs as a listed company may affect our financial results. Please refer to the section entitled “Use of Proceeds and Listing Expenses” of this Offer Document for further details in relation of our listing expenses; and
- (e) The COVID-19 outbreak is expected to have a significant impact on the economy in Malaysia where we operate and also globally. As highlighted in the section entitled “Risk Factors” of this Offer Document, the imposition of the Movement Control Orders by the Malaysian government has resulted in the suspension of our Group’s operations during the Suspension Period, which resulted in a loss of revenue. Although our Group has recommenced operations at the Chaah Mine further to obtaining the MITI Approval, the COVID-19 outbreak and further extension of the Movement Control Orders for a prolonged period of time (if any) may have a material adverse impact on our financial performance of our Group for FY2020. As the COVID-19 situation is still evolving rapidly, there is a significant degree of uncertainty over the length and severity of the outbreak, our Group will continue to monitor the developments and potential impact to our operations and supply chains. As a result and although our Group has recorded a profit after tax of approximately RM23.9 million for 1Q2020, we expect that our Group’s financial performance for FY2020 may be weaker than

GENERAL INFORMATION ON OUR GROUP

FY2019 mainly due to (i) a loss in revenue during the Suspension Period; and (ii) a higher selling prices of our iron ore products in FY2019 mainly due to the iron ore benchmark price which rose to a peak of more than US\$120 per tonne (for Fe grade of 62%) in July 2019 due to strong demand for iron ore, coupled with tight supply by major iron ore producers in the world. The iron ore benchmark price has since subsided from its peak in July 2019 and was trading at approximately between US\$80 and US\$90 (for Fe grade of 62%) between 1 November 2019, which was prior to the COVID-19 outbreak, to the Latest Practicable Date.

Based on the foregoing and taking into account our profit for 1Q2020, we expect that the operating results of our Group for FY2020 may be weaker as compared to FY2019 but is not expected to report a loss for FY2020.

Please refer to the IQPR set out in “Appendix D – Independent Qualified Person’s Report” to this Offer Document for more information regarding the prospects of the iron ore pricing. While we believe that the forecasted information is reliable, we cannot ensure the accuracy of such information or data, and neither our Group, nor any of our, affiliates or advisers have independently verified the information or data.

Save as set out above and as disclosed in the sections entitled “Risk Factors”, “Management’s Discussion and Analysis of Results of Operations and Financial Position”, “Working Capital” and “General Information on our Group – Prospects” of this Offer Document, and barring any unforeseen circumstances, our Directors are not aware of any (i) significant recent trends in production, sales and inventory, and in the costs and selling prices of products and services since the end of 1Q2020, or (ii) other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenue, profitability, liquidity or capital resources for at least FY2020, or that may cause the financial information disclosed in this Offer Document to be not necessarily indicative of our future operating results or financial condition. In particular, our revenue and earnings are affected by fluctuations in the prices of iron ore. Please refer to the risk factors “Significant fluctuations in prices of the minerals that we mine will affect our revenue and earnings” and “We are subject to risks related to the outbreak of COVID-19” set out in the section entitled “Risk Factors” of this Offer Document for more details on such fluctuations. Please also refer to the section entitled “Cautionary Note on Forward-Looking Statements” of this Offer Document.

GOVERNMENT REGULATIONS

GOVERNMENT REGULATIONS

The following description is a summary of material laws and regulations applicable to our Group. The regulations and policies set out below are not exhaustive and are only intended to provide general information to investors and are neither designed nor intended to be a substitute for professional advice. Prospective investors should consult their own advisers regarding the implication of the laws and regulations on our Group.

As at the Latest Practicable Date, to the best of our Directors' knowledge, our Group is in compliance with the laws and regulations applicable to our business operations.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY IN MALAYSIA

Our Group is principally involved in the exploration, mining, processing and sale of iron ore and other economic minerals. Our Group's operations in Malaysia are governed by federal and state legislations and are subject to our receipt of various licences, permits and governmental and/or regulatory approvals at the federal and state levels. A summary of laws and regulations which have a material effect on our Group's operations is set out below. Investors should be aware that the summary below does not provide comprehensive information on legal and regulatory provisions that may be applicable to our operations. As such, investors who wish to gain a better understanding on the laws of Malaysia in relation to our operations should consult their own professional advisers for independent legal advice. Terms that are specifically defined in this section are only applicable herein.

State Mineral Enactments

The state of Johor has its own mineral legislation, the State Mineral Enactment and the State Regulations to govern mining activities within its jurisdiction. The State Authority is empowered by the State Mineral Enactment to grant mineral tenements such as, among others, prospecting licences, exploration licences, proprietary mining licences and mining leases. The DLM is responsible to the State Authority for the due administration of the State Mineral Enactment, which includes matters pertaining to royalties payable to the State Authority. (Please refer to the State Regulations for further information on royalty payments.) The State Mineral Enactment prohibits (i) any prospecting or exploration activities without a valid prospecting licence or exploration licence; and (ii) any mining activities without a valid proprietary mining licence (granted to the owner of an alienated land by the State Authority) or mining lease (granted by the State Authority over any state land) (save for any person who, at the time of the application holds a valid prospecting licence or exploration licence covering an area of land to which the application relates, may be authorised to conduct a small or large scale operations.)

Unless specifically disposed of by the State Authority in accordance with the provisions of the State Mineral Enactment or any other written law, all minerals within or upon any land in the territories of Johor shall be vested solely in the State Authority.

A mineral tenement may only be granted or transferred to (i) a natural person; (ii) a company incorporated under the relevant law relating to companies and authorised by its constitution to hold mining land; (iii) a body expressly empowered to hold mining land under any other written law; or (iv) a foreign company as defined under relevant laws relating to companies and registered as such under the said law and authorised by its constitution to hold mining land.

GOVERNMENT REGULATIONS

Prospecting Licence or Exploration Licence

The State Authority may, upon receipt of an application, grant a prospecting licence or exploration licence over any land belonging to the State in accordance with the provisions of the State Mineral Enactment. The holder of a prospecting licence or exploration licence shall have the rights to exclusively prospect or explore the land in respect of which the prospecting licence or exploration licence is granted.

If a prospecting licence or exploration licence is granted, the approved holder of such prospecting licence or exploration licence shall make payment of the prescribed fees and first year's holding fee in order to obtain a prospecting licence in Form D or an exploration licence in Form E, subject to such terms or conditions as may be specified therein or as may be prescribed.

The grant of a prospecting licence or exploration licence shall take effect upon the issuance of the prospecting licence or exploration licence.

A holder of a prospecting licence or an exploration licence for a specified area has the right (i) to obtain access and to enter the prospecting or Exploration Asset; (ii) to explore on an exclusive basis for any mineral within the limits of the prospecting or Exploration Asset; (iii) to obtain samples within the limits of the prospecting or Exploration Asset and to remove such samples; and (iv) to use water, sand and gravel, road, canal and river as required for exploration within the limits of the prospecting or Exploration Asset.

The area of a prospecting licence shall not exceed 400 hectares. Any number of prospecting licences may be granted to any person provided that no person shall be granted under multiple licences a contiguous area exceeding 800 hectares. On the other hand, the area of an exploration licence shall exceed 400 hectares but shall not exceed 20,000 hectares. Any number of exploration licence may be granted to any person provided that no person shall be granted multiple licences over a contiguous area exceeding 40,000 hectares.

Under the State Mineral Enactment, the holder of a prospecting licence or exploration licence granted:

- (a) shall submit such information and periodical activity reports as may be prescribed;
- (b) shall pay compensation to (i) the owner in relation to alienated land or occupied land; or (ii) the State Authority in relation to State land; or (iii) the officer for the time being having the control over the land in relation to reserved land or reserved forest area, for any loss, damage or disturbance to land and property;
- (c) shall restore the prospecting or Exploration Asset to a safe state and to such environmental standards as may be prescribed or to maintain it;
- (d) shall relinquish any area required by the State Authority for a public purpose other than for any activity related to the exploration or mining for minerals; and
- (e) shall comply with such annual work programme expenditure and area relinquishment requirements as may be prescribed; and there shall be no variation of the level of annual work programme expenditure fixed from the level prescribed as on the date of issuance of the exploration licence for the term of the licence.

GOVERNMENT REGULATIONS

The duration of a prospecting licence shall not exceed two (2) years and an application for renewal of a prospecting licence must be made at least six (6) months prior its expiry. The total duration of a prospecting licence including the renewal shall not exceed four (4) years. The duration of an exploration licence shall not exceed 10 years and an application for renewal of an exploration licence must be made at least 12 months prior to its expiry. The total duration of an exploration licence including its renewals shall not exceed 15 years. The State Authority may upon renewal of a prospecting licence or exploration licence (as the case may be) impose such terms or conditions as it deems fit, taking into account any area relinquished before or at the time of the renewal and endorse on the licence the particulars of such renewal.

If an application for renewal of a prospecting licence or exploration licence is made to the State Authority, the prospecting licence or exploration licence shall continue to remain in force until the renewal application is determined but shall be deemed to have expired on the date on which the said renewal application is refused.

The State Authority may revoke the prospecting licence or exploration licence if the licensee has breached any of the terms or conditions specified in the prospecting licence or an exploration licence or has contravened any of the provisions of the State Mineral Enactment. If the State Authority is satisfied that there are grounds to exercise its power to revoke the prospecting licence or exploration licence (as the case may be), the State Authority may in its discretion make an order for the payment of a fine not exceeding RM200,000.00 or issue a notice specifying the necessary action to be taken to remedy the breach or contravention within a specified time. The revocation of a prospecting licence or exploration licence shall take effect on the date the order or revocation is made. The holder of the prospecting licence or exploration licence shall surrender such licence to the State Authority where an order of revocation has been made.

The State Mineral Enactment does not prohibit a holder of a prospecting licence or exploration licence from entering into contractual arrangements to appoint third parties to carry out exploration or prospecting activities and no prior approval of the State Authority is required for such arrangements.

Mining Lease

The holder of the mining lease shall have the rights to exclusively mine the State land in respect of which a mining lease has been granted and to extract, process and sell any mineral obtained from the said State land in accordance with the pre-feasibility study submitted to the State Authority when making an application for a mining lease.

An application for a mining lease shall be submitted to the State Authority in the prescribed form, and must include a pre-feasibility study which shall include (i) a general description of the proposed mining scheme; (ii) the expected commencement date of mineral production; (iii) a schedule of estimated annual raw ore production for the term of the mining lease; (iv) other information as may be prescribed; and (v) such other information as the State Authority may reasonably require for the discharge of its function in relation to the application.

At the time of an application for a mining lease, a holder of a valid prospecting licence or exploration licence covering the area of land to which the mining lease application relates, may be authorised to conduct small or large scale mining operations on the land which the application for the mining lease was made. The prospecting licence or exploration licence shall continue to remain in force in respect of the land which is the subject of the mining lease application until the application is determined but shall be deemed to have expired on the date on which the said mining lease application is refused.

GOVERNMENT REGULATIONS

Based on the definition provided in the State Mineral Enactment, large scale operation means a mining operation within a mining lease area:

- (a) which exceeds any of the following production limits:
 - (i) in the case of extraction of minerals from primarily alluvial deposits, annual throughput of 3.5 million cubic metres per year;
 - (ii) in the case of underground mining operations, annual combined run-of-mine ore, waste and overburden production of 100,000 tonnes per year (waste material not exiting mine mouth to be excluded); or
 - (iii) in the case of open-cast mining operations extracting minerals from primarily non-alluvial deposits, annual combined run-of-mine ore, waste and over-burden production of 300,000 tonnes per year;
- (b) with a capital and infrastructure investment exceeding RM150 million;
- (c) with more than 250 employees or workers at the mine site on a typical day (including all shifts); or
- (d) which uses any of the following mining practices:
 - (i) extensive and continued use of explosives;
 - (ii) continuous flotation circuits; or
 - (iii) extensive and continued use of toxic chemicals or agents.

The definition of 'small scale operation' means a mining operation other than a large scale operation.

If a mining lease is granted, the DLM shall upon payment by the applicant of the prescribed fees, first year's rent, survey fee (if applicable) and fees for a mining lease plan, issue to the applicant a mining lease subject to such terms or conditions as may be specified therein or as may be prescribed. A mining lease granted by the State Authority shall specify whether the holder of mining lease is authorised to conduct a small scale mining operation or a large scale mining operation.

A mining lease shall take effect upon the registration of the mining lease. Every mining lease duly registered shall, subject to the provisions of the State Mineral Enactment, be conclusive evidence that the lease of the land described therein is vested in the person or body for the time being registered as the holder of mining lease, and shall confer on the person a lease of the land which shall be indefeasible.

The holder of a mining lease granted under the State Mineral Enactment is required to comply with the following statutory conditions:

- (a) shall cause to be kept true and sufficient books of account of the mining and other business carried on upon the mining land, and of the disposal of the minerals obtained, and to produce such books upon a request by the authorised officers;

GOVERNMENT REGULATIONS

- (b) shall submit such information and periodical activity reports as may be prescribed;
- (c) shall allow scientific surveys if there is no interference with mining;
- (d) shall maintain the mining land under the lease to a safe state and to such environmental standards as may be prescribed;
- (e) shall comply with the approved environmental impact assessment, if such assessment is required under any written law;
- (f) shall comply with the approved plan for rehabilitation, if required under the State Mineral Enactment;
- (g) shall allow over or through the mining land access to any adjoining land as shall not, in the opinion of the Superintendent of Mines (the authority appointed by the State Authority pursuant to the State Mineral Enactment to assist in due administration of the State Mineral Enactment), interfere with mining operations;
- (h) shall allow the construction and use on the mining land of such watercourses, canals, pipelines and transmission lines, public roads and public utilities as shall not, in the opinion of the Superintendent of Mines, interfere with mining operations or rights under the lease;
- (i) in the case of a mining lease authorising a small scale operation, shall not conduct any large scale operation on the mining land; and
- (j) in the case of a mining lease authorising a large scale operation, shall not conduct any small scale operation on the mining land.

The duration of the mining lease shall be for the maximum economic life of the mine or the mining operations, as the case may be, but shall not exceed an initial term of 21 years. The mining lease may be renewed in whole or in part for a term based on the economic life of the mine or the mining operations, as the case may be, but such renewal shall not exceed 21 years. A holder of the mining lease shall apply to the DLM for renewal of the mining lease at least 12 months prior to expiry of the term of the mining lease. The DLM shall renew the mining lease if the following conditions are complied with:

- (a) the holder of mining lease has complied with the terms or conditions specified in the original lease;
- (b) the holder of mining lease has complied with the requirements of the State Mineral Enactment;
- (c) the holder of mining lease is able to show to the satisfaction of the DLM that there are mineral reserves to justify a renewal or there is a need to maintain the property for use as an integral part of the mining operations on the adjoining mining land; and
- (d) in the case of an application for renewal of a mining lease authorising a large scale operation, a modified mine rehabilitation plan has been approved.

If an application for renewal of a mining lease is made to the DLM at least 12 months prior to the expiry of the lease, the lease shall continue in force in respect of the land to which the application relates until the application is determined.

GOVERNMENT REGULATIONS

The State Authority may forfeit the mining land if the holder of mining lease breaches any of the terms or conditions specified in the mining lease or has contravenes any of the provisions of the State Mineral Enactment.

The State Mineral Enactment does not prohibit a holder of a mining lease from entering into contractual arrangements to appoint third parties to carry out mining activities and no prior approval of the State Authority is required for such arrangements.

A mining lease holder may apply to the State Authority to transfer its mining lease to a third party. The State Authority may approve or refuse the transfer application and if approved, the transfer of the mining lease shall be effective upon payment of the prescribed fee and upon the transfer being entered in the registers maintained by the DLM.

The State Regulations come into operation on 14 February 2013. The State Regulations provide the procedures, forms and regulations in respect of the mineral tenements in Johor.

The State Mineral Enactment provides that the royalty payable to the State Authority in respect of minerals won and sold or won and utilised for any commercial or industrial purpose (as the case may be) from mining land is based on (i) a percentage of the market value of the mineral won or (ii) an amount prescribed by the authorities for a specified volume or weight of the mineral won.

According to the State Regulations, the State Authority shall determine the method of determining the market value of a mineral, which shall be based on (i) the sales revenue realised by the holder of the mineral tenement; or (ii) reference to a monthly price for the mineral determined by the Director General of Mines; or (iii) reference to a published price series for the mineral that is widely recognised and used by the international mining community as a reference price.

The State Regulations further provide that contravention of certain provisions in the State Regulations is an offence and may be compoundable under the State Regulations. The State Regulations allow the authorised officers to serve on the offender a notice to inform the intention of compounding an offence. When an offer to compound is made and accepted, payment shall be made to the DLM. Where the compound is not paid within the specific time or any extension of time which the DLM may grant, prosecution for the offence shall be instituted without further notice being given.

Rehabilitation Costs

The State Mineral Enactment requires a common rehabilitation fund (“**Common Rehabilitation Fund**”) to be established and administered by the State Mineral Resources Committee for the purpose of rehabilitation of mining lands which are subject to mining leases authorising small scale operations.

The State Mineral Enactment provides that a holder of mining lease shall pay into the Common Rehabilitation Fund including (a) such sum as may be annually appropriated by the State Legislative Assemblies; (b) any loan or grant given to the State Authority by the federal government for the purposes of the Common Rehabilitation Fund; and (c) such rehabilitation fee payable by a holder of mining lease that is authorised to conduct a small scale mining operation, at (i) an annual fee at the rate of 1.0% of the gross sales value of all minerals won during a calendar year from the mining land that is subject to the lease; or (ii) a prescribed annual fee, whichever is greater.

GOVERNMENT REGULATIONS

Reservation of Land

For the purpose of reserves, the State Mineral Enactment provides that the State Authority may by notification in the Gazette (i) declare any land not subject to reservation under any written law as a mineral reserve land; and (ii) specify the types of activities which are not allowed for the purpose of reserving such land for mineral tenements. The State Authority may also at any time, by notification in the Gazette, vary or revoke a mineral reserve in whole or in part.

Water Permit

A holder of a mineral tenement is entitled to the enjoyment of water as may be found on the land which is the subject of the mineral tenement. However, pursuant to the State Mineral Enactment, no holder of a mineral tenement shall (i) make, cause or permit to be made, any alteration in the water supply of any land for the purposes of the mineral tenement as may prejudicially affect the water supply enjoyed by any other persons or lands, (ii) obtain or cause to be obtained any water supply from any river, stream or water course flowing over or under the land which is the subject of a mineral tenement, or (iii) divert or cause to be diverted any water supply from lands outside the area covered by the mineral tenement to the land which is the subject of the mineral tenement, except under the authority and in accordance with the terms or conditions of a licence or permit issued under the State Mineral Enactment.

An application for a water permit shall be made by a holder of a mineral tenement to the State Authority in the prescribed form pursuant to the State Mineral Enactment. The State Authority may, after consultation with such other relevant authorities as he deems necessary and upon payment of the prescribed fee, approve the application and issue to the applicant a water permit subject to such terms or conditions as may be specified therein or as may be prescribed.

A water permit shall authorise the holder thereof to divert, store, make use of and discharge such water as is therein specified, in such places, by such means, in such manner, in such quantities and on such conditions as the Superintendent of Mines may think fit.

The State Mineral Enactment provides that the term of a water permit shall not exceed 1 year but may, upon application made in the prescribed form, be renewed at the discretion of the Superintendent of Mines and upon renewal thereof the Superintendent of Mines may impose such terms or conditions as he deems fit, and shall endorse on the permit the particulars of such renewal, which duration of such permit shall not exceed the expiry date of the mineral tenement for which the water is to be used.

The Superintendent of Mines may revoke a water permit if he is satisfied that the holder of the permit has breached any of the terms or conditions of the permit or has contravened any of the provisions of the State Mineral Enactment. The decision of the Superintendent of Mines on the revocation of the water permit shall be final.

MDA

The MDA governs the fossicking, panning, prospecting, exploring, mining and processing of minerals and mineral ores. The MDA applies throughout Malaysia unless the Minister charged with the responsibility for mining and minerals by order suspends the operation of the whole or any of the provisions of the MDA in any state.

GOVERNMENT REGULATIONS

OMS

Under the MDA, a holder of a mining lease is required to submit an OMS for development work and mining on the land which is the subject of the mining lease for approval by the Director of Mines before the commencement of any development work or mining within the mining lease area.

The OMS shall include the expected date of commencement of production, plans of the workings of the mine, a schedule of estimated annual raw ore production for the term of the mining lease, and such information as may be prescribed or required in writing by the Director of Mines.

The holder of a mining lease shall comply with the approved OMS and carry out development work and mining in accordance with such approved OMS, failure of which may result in suspension of development work or mining until the necessary measures are taken to comply with the approved OMS. In the event modifications to the approved OMS are necessary, the holder of a mining lease shall not commence any development work or mining which does not comply with the approved OMS until the modified OMS has been approved by the Director of Mines.

The holder of a prospecting licence, exploration licence, mining lease (as the case may be) shall send to the Director of Mines and the Director General of Geological Survey a written notice of its intention to commence any exploration or development work (as the case may be) at least seven (7) days prior to such commencement.

In the event of any failure by the holder of the mining lease in submitting an OMS or complying with the approved OMS, the holder shall be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 5 years or to both.

Any person who is guilty of an offence under MDA for which no penalty is expressly/specifically provided shall, on conviction, be liable to a general fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 3 years or to both.

Where a person charged with an offence under MDA is a body corporate, every person who, at the time of the commission of such offence, is a managing director, manager or other similar officer of such body corporate, may be charged jointly in the same proceedings with the body corporate, and where the body corporate is convicted of the offence charged, every such managing director, manager or officer shall be deemed to be guilty of the offence unless he proves that the offence was committed without his knowledge or that he took reasonable precautions to prevent its commission.

Permit to Use Explosives

The MDA provides that an Assistant Director of Mines shall inspect and regulate the storage, transportation and use of toxic, inflammable or other potentially dangerous substances in respect of or in relation to any fossicking, panning, exploration, mining or mineral processing activity. As such, a permit to use explosives is required to be obtained to carry out blasting activities at the mine sites.

The MDA is silent on the penalty for non-compliance.

GOVERNMENT REGULATIONS

Mine Manager

Under the MDA, a mine manager is required to be appointed for mines where (i) there 10 or more persons employed at the mine; or (ii) the Assistant Director of Mines has notified the holder of such mining lease that a manager is required. The appointment of the mine manager shall be approved by the Assistant Director of Mines.

Any person who contravenes this shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or imprisonment for a term not exceeding 3 years or to both and in the case of a continuing offence, be liable to a further fine of RM2,000.00 for every day or part of a day during which the offence continues after conviction.

Mineral Development (Blasting) Regulations 2013 (“MDBR”)

The MDBR governs the blasting operation/activity involving explosives or blasting accessories conducted on a mining land.

Pursuant to the MDBR, a holder of a mining lease shall submit a blast management plan to the Assistant Director of Mines, where the Assistant Director of Mines shall, within 30 days of receipt of the blast management plan, decide whether to approve or reject the blast management plan.

The MDBR provides that a holder of a licence who contravenes any provision of the MDBR commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or imprisonment for a term not exceeding three (3) years or both.

Mineral Development (Licensing) Regulations 2016 (“MDR”)

The MDR governs, among others, the mineral storage activities, mineral processing activities and transport of any mineral.

Pursuant to the MDR, (i) a mineral licence is required for a person to possess, purchase, sell or store any minerals; (ii) a mineral processing licence is required for a person to carry out any mineral processing activities; and (iii) a licence to transport mineral is required for a person to transport any mineral.

A licence under the MDR is issued by the Director of Mines or the Assistant Director of Mines, as the case may be. A mineral licence is valid for a period that does not exceed three (3) years, whilst a mineral processing licence is valid for a period that does not exceed five (5) years. A licence to transport mineral is valid for a period that does not exceed six (6) months. An application for renewal of a licence must be made at least three (3) months before the expiration of the licence. The holder of a licence shall not assign his licence to any other person.

Trading of mineral ores

The Mineral Ores Enactment No. 97 (Johor) (“MOE”) governs, among others, the purchase and smelting of mineral ores in Johor.

Pursuant to the MOE, a mineral ore licence is required for a person to purchase, in Johor, any mineral ore, to keep any factory or place for the purpose of smelting or otherwise treating mineral ore, or to keep any house, store, shop, place for the purpose of purchasing or storing therein any mineral ore other than such as has been raised from land in his own occupation.

GOVERNMENT REGULATIONS

The MOE provides that mineral ore licence is issued by the Warden of Mines of Johor (“**Warden of Johor**”). The holder of a mineral ore licence shall not transfer or attempt to transfer its mineral ore licence unless the written consent of the Warden of Johor is obtained. Each mineral ore licence expires on the 31st day of December of the year in which it was issued and is valid only for the place and purpose specified therein.

EQA

The EQA governs the prevention, abatement, control of pollution and enhancement of the environment.

The EQA and the regulations made thereunder set out acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into any area, segment or element of the environment and may set aside any area, segment or element of the environment within which the emission, discharge or deposit is prohibited or restricted.

Control of Scheduled Waste

The EQA provides that no person shall without any prior written approval of the Director General:

- (a) place, deposit or dispose of, or cause or permit to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters;
- (b) receive or send, or cause or permit to be received or sent any scheduled wastes in or out of Malaysia; or
- (c) transit or cause or permit the transit of scheduled wastes.

Any person who contravenes the above shall be guilty of an offence and shall be liable to a fine not exceeding RM500,000.00 or to imprisonment for a period not exceeding five (5) years or to both.

Where an offence under the EQA or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of the commission of the offence was a director, manager, or other similar officer or a partner of the company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he had exercised all such diligence as to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances. Whenever it is proved to the satisfaction of the court that a contravention of the provisions of the EQA or any regulations made thereunder has been committed by any clerk, servant or agent when acting in the course of his employment, the principal shall also be held liable for such contravention and to the penalty provided thereof unless he proves to the satisfaction of the court that the same was committed without his knowledge or consent or that he had exercised all such diligence as to prevent the same and to ensure the observance of such provisions.

GOVERNMENT REGULATIONS

The Environmental Quality (Scheduled Wastes) Regulations 2005 (“EQSWR”) imposes, among others, the following regulations:

- (a) every waste generator shall notify the Director General of the new categories and quantities of scheduled wastes which are generated within 30 days from the date of generation of schedule wastes;
- (b) scheduled wastes shall be disposed of at prescribed premises only;
- (c) scheduled wastes shall be treated at prescribed premises or at on-site treatment facilities only;
- (d) that the recovery of material or product from scheduled wastes shall be done at prescribed premises or at on-site recovery facilities;
- (e) every waste generator shall ensure that scheduled wastes generated by him are properly stored, treated on-site, recovered on-site for material or product from such scheduled wastes or delivered to and received at prescribed premises for treatment, disposal or recovery of material or product from scheduled wastes;
- (f) scheduled wastes shall be stored in containers which are compatible with the scheduled wastes to be stored, durable and which are able to prevent spillage or leakage of the scheduled wastes into the environment;
- (g) the date when the scheduled wastes are first generated and the name, address and telephone number of the waste generator shall be clearly labelled on the containers that are used to store the scheduled wastes;
- (h) that in the event of any spillage or accidental discharge of any scheduled wastes, the contractor responsible for the waste shall immediately inform the Director General of the occurrence; and
- (i) that every waste generator shall ensure that all his employees involved in the identification, handling, labelling, transportation, storage and spillage or discharge response of scheduled wastes attend training programmes.

Every offence committed due to any non-compliance with the EQSWR shall be liable to a fine of not exceeding RM2,000.00.

Restrictions on pollution of the atmosphere

Under the EQA, no person shall, unless licenced, emit or discharge any environmentally hazardous substances, pollutants or wastes into the atmosphere in contravention of the specified acceptable conditions set out in the Environmental Quality (Clean Air) Regulations 2014 (“EQCAR 2014”).

The EQCAR 2014 requires an owner or occupier of premises to use the best practicable means to prevent the emission of hazardous substances and to render harmless and inoffensive those substances necessarily discharged. It further provides the relevant standards for emission of substances and the prescribed limits thereof. Any person who contravenes or fails to comply with any provisions of the EQCAR 2014 shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding two (2) years or to both.

GOVERNMENT REGULATIONS

The EQCAR 2014 is applicable to (i) any premises used for any industrial or trade purposes, or on which matter is burnt in connection with any industrial or trade purposes; (ii) any other premises or process that discharges or is capable of discharging air pollutants into the open air; (iii) any industrial plant; and (iv) any fuel burning equipment. An owner or occupier of a new premises shall comply with the limit values and technical standards specified in the EQCAR 2014 and every premises shall be equipped with an air pollution control system in accordance with the specifications as determined by the Director General.

Any fuel burning equipment that is rated to consume pulverised fuel or any solid fuel at 30 kilograms or more per hour or any liquid or gaseous matter at 15 kilograms or more per hour shall comply with the limit values and technical standards as specified in the Second Schedule of the EQCAR 2014.

FMA

The FMA provides for the control of factories with respect to matters relating to the safety, health and welfare of persons in such factories, the registration and inspection of the machinery and for matters connected therewith. It regulates factories and machinery by way of registration and examination of such machinery to ensure the maintenance of safety, health and the welfare of all persons in such factories/operating such machines. Under the FMA, a written approval of an Inspector of Factories and Machinery is required to be obtained when a person installs or causes to be installed any machinery in any factory or any machinery in respect of which a certificate of fitness is prescribed (such as steam boiler, unfired pressure vessel and hoisting machine). A contravention of this requirement shall, on conviction, result in such person being liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding two (2) years or to both.

The FMA also requires a written notice to be served by the occupier or owner of the factory on the Inspector of Factories and Machinery or a licenced person where applicable, when any machinery in respect of which a written approval is obtained has been installed.

The FMA requires all machinery and every part thereof including all fittings and attachments to be of sound construction and sound material, free from defect and suitable for the purpose and properly maintained. No person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is a certificate of fitness issued under the FMA in relation to the operation of the machinery and such certificate of fitness is valid and in force. Contravention of the above requirement shall, on conviction, result in such person being liable to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding three (3) years or to both.

Any person who is guilty of an offence under the FMA or its regulations for which no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding one (1) year or to both.

Where the offence of which any person is convicted is a continuing offence, such person shall, in addition to the punishment inflicted in respect of that offence, be further liable to a fine not exceeding RM2,000.00 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

GOVERNMENT REGULATIONS

OSHA

In addition to the FMA, the OSHA makes provisions for securing the safety, health and welfare of persons at work, for protecting others against risks to safety or health in connection with the activities of persons at work, and to promote an occupational environment for persons at work which is adapted to their physiological and psychological needs.

The OSHA applies throughout Malaysia in specific industries including the mining industry.

It is the duty of every employer to conduct its undertaking in such a manner as to ensure, so far as is practicable, the safety, health and welfare at work of all its employees and any other persons (not being its employees) who may be affected thereby are not thereby exposed to risks to their safety or health. This matter to which the duty extends include among others, the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health and the provision of such information, instruction training and supervisions as is necessary to ensure, so far as is practicable, the safety and health at work of his employees.

It shall be the duty of every employer to prepare a general policy with respect to the safety and health at work of his employees and the organisation and arrangements for the time being in force for carrying out that policy. Such safety and health policy shall be revised as often as it may be appropriate, and shall be brought to the notice of all employees.

Contravention of the above shall, upon conviction, result in the employer being liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 2 years or to both.

The OSHA also requires an employer to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at a place of work.

FSA

The FSA provides for, among others, the oversight of the money market and foreign exchange market to promote financial stability and for related matters.

The FSA and the notices, issued by BNM, set out transactions that are prohibited under the FSA but may be allowed with prior approval of BNM, and also govern the repatriation of funds from Malaysian entities/operation by entities overseas. A non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestments of RM assets, provided that the repatriation is made in a foreign currency other than the currency of the State of Israel.

Employment Act 1955 (“EA”)

The EA applies to anyone who is employed within Peninsular Malaysia which comprises the States of Johor, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Selangor and Terengganu and the Federal Territories of Kuala Lumpur and Putrajaya.

The EA applies to all employees (irrespective of their occupations) whose earnings do not exceed RM2,000.00 per month and also to any person who (irrespective of salary) is employed as a manual labourer, supervisor of manual labourers, to operate or maintain any mechanically propelled vehicle for the purpose of transporting passengers or goods or reward or commercial purposes, or as a domestic servant.

GOVERNMENT REGULATIONS

In relation to employees covered under the EA, the EA provides as statutory minimum, among others, the employee's working hours, overtime payment, annual leave, sick leave, maternity leave, public holidays, payment of wages, notice of termination as well as termination and lay-off benefits.

In the event there is an inconsistency between the terms of the contract of employment of an employee covered under the EA and the minimum work benefits conferred under the EA, the terms more favourable to the employee will prevail.

Every employer is required to prepare and keep the registers of employees which contain details as prescribed by the Employment Regulations 1957. Unless otherwise permitted by the Director General of Labour, the said registers are required to be kept in the office within the place of employment where employees are employed and they shall be available for inspection by the Director General of Labour as and when required to do so.

Any contravention to the EA or its subsidiary legislation shall be deemed an offence, and in the event no specific penalty is provided, the employer shall be liable, on conviction to a fine not exceeding RM10,000.00.

Employment (Restriction) Act 1968 ("ERA")

The ERA prohibits a person not being a citizen of Malaysia ("**Non-Citizen**") to be employed or accept employment in any business in Malaysia unless a valid employment permit has been issued in respect of such person.

A Non-Citizen shall before commencing any employment apply for an employment permit to the Commissioner of Employment and the application shall be in such form and shall contain such particulars as may be prescribed. An employment permit may on the expiry of its period of validity be renewed. Any person who desires to renew an employment permit shall make an application to the Commissioner of Employment or any authorised person in the prescribed form.

The employment of foreign employees is subject to the approval of the Ministry of Home Affairs Malaysia, which imposes conditions on the number, the duration of employment and the sources or country of origin of the foreign workers. Upon obtaining the approval from the Ministry of Home Affairs Malaysia, the company is required to submit applications for Visitor's Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the Visitor's Pass (Temporary Employment) may be revoked if its conditions are contravened.

Any person who fails to comply with the abovementioned requirement of employment permit shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM5,000.00 or to imprisonment for a term not exceeding one (1) year or both.

Every omission or neglect to comply with, and every act done or attempted to be done in contravention of the ERA or of any subsidiary regulation, or any breach of the conditions and restrictions subject to or upon which an employment permit is issued under the ERA, shall be an offence against the ERA and the offender shall, if no penalty is expressly provided, be liable on conviction to a fine not RM1,000.00 or to imprisonment for a term not exceeding 6 months or both and, in the case of a continuing offence, to a further fine not exceeding RM100.00 a day.

GOVERNMENT REGULATIONS

Employees Provident Fund Act 1991 (“EPFA”)

The EPFA is a law relating to a scheme of savings for employees’ retirement and regulates the management of the savings for the retirement purposes. Employees and employers are required to make compulsory monthly contributions at the respective rates set out in the Third Schedule of the EPFA to the Employment Provident Fund (“EPF”) which is a statutory retirement fund.

Currently, for employees who receive monthly wages of RM5,000.00 and below, the calculation of the employer contribution rate is 13.0% whilst for employees who receive monthly wages exceeding RM5,000.00, the employer’s contribution is 12.0%. With effect from April 2020 to December 2020, the statutory contribution rate for employees below sixty (60) years old and who are liable for contribution have been reduced from 11.0% to 7.0% to be in line with the Malaysian Government’s announcement on the Prihatin Economic Stimulus Package 2020. The statutory contribution rate for employees above sixty (60) years old remains unchanged, which is 0% for employees and 4.0% for employers. Notwithstanding the above, employees below sixty (60) years old may choose to maintain their contribution rate at 11.0% by completing a form known as Borang KWSP 17A (Khas 2020) and the form will be submitted by their respective employer to the EPF which will then take effect from the following month.

Any employer who fails to pay to the EPF any contributions as required by the EPFA shall be guilty of an offence and shall, on conviction, be liable to imprisonment for a term not exceeding 3 years or to a fine not exceeding RM10,000.00 or to both.

Employees’ Social Security Act 1969 (“ESSA”)

ESSA provides for social security in the event of certain contingencies such as disablement, invalidity and death of employees. The Social Security Organization was set up to administer, enforce and implement the ESSA and the rules made thereunder.

Effective from 1 June 2016, the ESSA provides that all employees and employers are required to make compulsory monthly contributions to the Social Security Organization Fund (“SOCSO”) in accordance with the percentage of contributions as set out in the Third Schedule of the ESSA. The rate of contribution is capped at a monthly wage ceiling of RM4,000.00. With effect from 1 January 2019, foreign employees are also required to be registered with SOCSO to be covered under the Employment Injury Scheme only.

Any person who fails to pay any contribution or any part thereof which is payable by him under the ESSA shall be punishable with imprisonment for a term which may extend to 2 years, or with fine not exceeding RM10,000.00, or with both.

Employment Insurance System Act 2017 (“EISA”)

The EISA came into force on 1 January 2018 and is implemented by SOCSO. The Employment Insurance System (“EIS”) was introduced under the EISA and is aimed to provide certain benefits and a re-employment placement programme for insured persons in the event of loss of employment which will promote active labour market policies.

Under the EIS, all private sector employers and all employees from the age of 18 to 60 are required to contribute to the EIS in accordance with the rates as set out in the Second Schedule of the EISA. The rate of contribution is capped at a monthly wage ceiling of RM4,000.00. Employees who are aged between 57 and 60 years of age and have never contributed to the EIS are exempted from contributing to this protection plan.

GOVERNMENT REGULATIONS

Any person who fails to comply with the EISA shall be punishable with imprisonment for a term not exceeding two (2) years, or with fine not exceeding RM10,000.00, or with both.

Pembangunan Sumber Manusia Berhad Act 2001 (“PSMBA”)

The PSMBA provides for the imposition and collection of a levy known as the Human Resources Development Levy to be paid into the Human Resources Development Fund for the purpose of promoting the training and development of employees, apprentices and trainees.

The PSMBA is applicable to the classes of employers in the industries specified in the First Schedule of PSMBA, including but not limited to employers in the mining sector. The Pembangunan Sumber Manusia Berhad was set up to administer the Human Resources Development Fund.

An employer in the mining sector is therefore required to pay the Human Resources Development Levy in respect of each of his employees at the prescribed rate of 1.0% of the monthly wages of the employee.

Pursuant to the Prihatin Economic Stimulus Package 2020 implemented by the Malaysian Government, all Human Resources Development Fund registered employers will be exempted from paying the mandatory Human Resources Development Levy for 6 months from 15 April 2020 to 15 September 2020 as stipulated in the Employers’ Circular No. 2/2020.

Any employer who fails to pay the abovementioned levy within such period as may be prescribed commits an offence and shall, on conviction, be liable to a fine not exceeding RM20,000.00 or to imprisonment for a term not exceeding two (2) years or to both.

Workmen’s Compensation Act 1952 (“WCA”)

WCA provides for compensation to workmen for injury suffered in the course of their employment.

Pursuant to Section 26 of the WCA, it is mandatory for employers an obligation to insure all foreign workers employed by them under the Foreign Worker’s Compensation Scheme. This obligation cannot be contracted out.

The WCA also provides that an employer who fails to obtain such insurance scheme shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM20,000.00 or to imprisonment for a term not exceeding two (2) years or to both.

On 21 November 2018, the Human Resources Minister of Malaysia released a press statement to place social security protection of foreign workers under SOCSO with effect from 1 January 2019. Section 5 of the ESSA requires all employees to be insured in the manner provided under the ESSA. All employers that hire foreign workers with valid documents including expatriates must register their employees with SOCSO and contribute to an Employment Injury Scheme established under the ESSA.

Immigration Act 1959/1963 (“IA”)

Section 6 of the IA provides that, no person other than a citizen shall enter Malaysia unless (i) he is in possession of a valid permit to enter and remain in Malaysia (“**Entry Permit**”) lawfully issued to him in accordance with the IA; (ii) his name is endorsed upon an Entry Permit, and he is in the company of the holder of the Entry Permit; (iii) he is in possession of a valid pass issued under

GOVERNMENT REGULATIONS

any regulations made under the IA entitling him to enter and to temporarily remain in Malaysia (“Pass”); or (iv) he is exempted by virtue of an order made by the Minister pursuant to the IA. Any person who contravenes this section shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM10,000.00 or to imprisonment for a term not exceeding five (5) years or to both, and shall also be liable to not more than six (6) strokes of whipping.

Any person who employs one (1) or more persons who is not in possession of a valid Pass shall be guilty of an offence and shall on conviction, be liable to a fine of not less than RM10,000.00 but not more than RM50,000.00 or to imprisonment for a term not exceeding 12 months or to both for each such employee. Further, any person who harbours any person whom he knows or has reasonable grounds for believing to have acted in contravention of the IA shall be guilty of any offence and shall, on conviction be liable to a fine of not less than RM10,000.00 and not more than RM50,000.00 for each person harboured and where it is proved to the satisfaction of the court that the person has at the same time harboured more than five (5) such persons, that person shall be liable to imprisonment for a term of not less than six (6) months but not more than five (5) years and shall also be liable to not more than six (6) strokes of whipping.

The IA further states that where the above offence is committed by a body corporate, any person who at the time of the commission of the offence was a member of the board of directors, a manager, a secretary or a person holding an office or a position similar to that of a manager or secretary of the body corporate shall be guilty of the offence and shall be liable to the same punishment to which the body corporate is liable, unless he can prove that the offence was committed without his knowledge or connivance, or that he took all reasonable precaution and exercised all due diligence to prevent the commission of the offence as he ought to have taken and exercised having regard the nature of his functions in that capacity and to all the circumstances.

CA 1967

The CA 1967 provides for matters pertaining to customs duties, customs rulings, importation and exportation. CA 1967 empowers the Minister to, from time to time, by order published in the Gazette, fix the customs duties to be levied on any goods imported into or exported from Malaysia and to be paid by the importer or exporter, as the case may be.

Pursuant to CA 1967, whenever through inadvertence, error, or for any other reason, misconstruction on the part of any officer of customs, or through unintentional misstatement as to the value, quantity or description by any person, or for any other reason, the whole or any part of any customs duty, surcharge, penalty, fee or other moneys payable under CA 1967 have not been paid; or the whole or any part of such customs duty, surcharge, penalty, fee or other moneys, after having been paid, have been, owing to any cause, erroneously refunded, the person liable to pay such customs duty, surcharge, penalty, fee or other money or the person to whom such refund has erroneously been made, as the case may be, shall pay the deficiency or repay the amount paid to him in excess, on demand being made within six (6) years from the date on which customs duty, surcharge, penalty, fee or other money was payable or deficient customs duty, surcharge, penalty, fee or other money was paid or the refund was made, as the case may be, and without prejudice to any other remedy for the recovery of the amount due, any goods belonging to such person which may be in customs control may be detained until such customs duty, surcharge, penalty, fee or other money or deficiency be paid or the refund be repaid, as the case may be.

The CA 1967 further allows the abovementioned shortfall to be paid by instalments, subject to such conditions, in such amounts and on such dates as the Director General of Customs and Excise may determine.

GOVERNMENT REGULATIONS

The subsidiary legislation of CA 1967, the Customs (Prohibition of Exports) Order 2017 (“**CPEO**”) sets out the types of goods that are permitted and prohibited to be exported and the manner of export.

The CPEO stipulates that minerals (excluding salt, sulphur, cement and natural borates) and ores (excluding slags, dross, scaling, ash and residues) may not be exported to all countries unless with the approval from Ministry of Natural Resources and Environment. Iron ore is caught under this prescribed list and accordingly the exports of these products are subject to the approval of the Ministry of Natural Resources and Environment that comes in the form of a licence to export mineral ores.

Foreign Investment in Malaysia

National Mineral Policy 2

The objectives of the National Mineral Policy 2 are as follows:

- (a) to ensure the sustainable development and use of mineral resources is optimal;
- (b) to promote environmental stewardship that will ensure the nation’s mineral resources are developed in an environmentally friendly, responsible and sustainable manner;
- (c) to enhance the competitiveness and development of the nation’s mineral sector in the global arena;
- (d) to ensure the use of local minerals and further promote the further development of mineral-based products; and
- (e) to encourage the acquisition recycling and reuse of metals and minerals.

In order to create a conducive business environment to stimulate investment in the mineral sector, the National Mineral Policy 2 provides that there is no restriction on foreign equity participation in such sector.

Explosives Act 1957 (“Explosives Act”)

The Explosives Act governs the manufacture, use, sale, storage, transport, import and export of explosives.

Any person manufacturing, possessing or importing any explosive in contravention of the Explosives Act shall, on conviction, be liable to imprisonment for five (5) years, or to a fine of RM10,000.00, or to both.

Any person who unlawfully and maliciously causes by any explosive an explosion of a nature likely to endanger life or to cause serious injury to property shall, whether any injury to person or property has been actually caused or not, be liable, on conviction, to imprisonment for seven (7) years, or to a fine of RM10,000.00, or to both.

GOVERNMENT REGULATIONS

Electricity Supply Act 1990 (“ESA”)

Under the ESA, no person shall use, work or operate or permit to be used, worked or operated any installation or supply to or for the use of any other person electricity from any installation except under and in accordance with the terms and conditions of a licence expressly authorising the installation, operation, supply or use, as the case may be.

Any person who uses, works or operates, or permits to be used, worked or operated any installation in contravention of this requirement shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 and to a further fine not exceeding RM1,000.00 for every day or part of a day during which the offence continues after conviction. Any person who supplies electricity from an installation to or for the use of any person commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 and to a further fine of not exceeding RM1,000.00 for every day or part of a day during which the offence continues after conviction.

Control of Supplies Act 1961 (“CSA”)

The CSA provides for the control and rationing of supplies and the term “supplies” includes every kind and type of article, food, commodity or thing whatsoever.

Pursuant to the CSA and its subsidiary legislation, the Control of Supplies Regulations 1974, storage of diesel without a diesel storage licence constitutes an offence. Any body corporate which commits an offence under the CSA shall, on conviction, be liable to a fine not exceeding RM250,000.00 and, for a second or subsequent offence, to a fine not exceeding RM500,000.00.

SDBA

The SDBA amended and consolidated the laws relating to street, drainage and building in local authority areas in Peninsula Malaysia.

Section 70 of SDBA states that no person shall erect any building without the prior written permission of the local authority. Any person who intends to erect any building shall submit an application to the local authority by providing such plans and specifications as may be required under any by-laws made under the SDBA and to the relevant statutory authority by providing such plans and specifications as may be required by any other written law.

Any person who erects a building in contravention of the SDBA or of any of the by-laws made thereunder shall be liable on conviction to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding three (3) years or to both and shall also be liable to a further fine of RM1,000.00 for every day during which the offence is continued after conviction.

In addition to the penalties stated in preceding paragraph, where the local authority is satisfied that a building has been erected or is in the course of erection or is about to be erected in contravention of SDBA, the local authority may by notice served on the occupiers of the land require them to do any one or more of the following acts: (i) to abstain from commencing or proceeding with the erection of such building; (ii) to demolish such building within such time as the local authority may specify; and (iii) to take steps as may be ordered by the local authority. Any person who fails to comply with the requirements of the notice shall be guilty of an offence and shall be liable on conviction to a fine not exceeding RM250.00 for every day that the offence is continued after expiry of the period specified in the notice.

GOVERNMENT REGULATIONS

National Land Code 1965 (“NLC”)

The relevant state authority may under the NLC permit the temporary occupation under licence of (i) all land in the State (other than alienated land, reserved land, mining land, and any land which is for the time being reserved forest); (ii) mining land not for the time being used for the purposes of mining; and (iii) reserved land not for the time being used for the purposes for which it was reserved.

NLC provides that any person who, without lawful authority occupies any state land, reserved land or mining land shall be guilty of an offence, and liable on conviction to a fine not exceeding RM10,000.00, or imprisonment for a term not exceeding 1 year.

Temporary occupation licences may, be issued or renewed on behalf of the relevant state authority:

- (a) in the case of state land, by the Land Administrator;
- (b) in the case of mining land, by the Land Administrator acting with the approval:
 - (i) of the Senior Inspector of Mines, or such other officer as may for the time being be charged with the administration within the State of any written law relating to mining, and with the approval also of any lessee thereof; or
 - (ii) the person or body for the time being entitled to the benefit of the mining lease or certificate in question;
- (c) in the case of reserved land:
 - (i) by the Land Administrator acting with the approval of the officer for the time being having the control thereof; or
 - (ii) by that officer, whenever and to such extent as he may be authorised in that behalf by the state authority.

Provided that nothing in the NLC shall authorise the Land Administrator to issue temporary occupation licences in respect of any such river as may be declared by the relevant state authority by notification in the Gazette for the purpose of this proviso.

Every temporary occupation licence shall be issued for a term expiring not later than the end of the calendar year in which it commences and may be renewed annually.

National Forestry Act 1984 (“NFA”)

NFA governs the administration, management and conservation of forests and forestry development within the states of Malaysia and for connected purposes.

Under the NFA, no person shall occupy or carry out any activity upon any land within a permanent reserved forest, unless he is the holder of a use permit.

GOVERNMENT REGULATIONS

The subsidiary legislation of NFA, Forestry Rules 1987 provides that if a holder of a license has employees for the purposes of the license, a sublicense of the use permit may then be issued for each employee so employed at the discretion of an officer authorised by the State Director of Forestry.

The NFA 1984 provides that any person who contravenes Section 31(1) of NFA 1984 shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding five (5) years or to both.

EXCHANGE CONTROLS

EXCHANGE CONTROLS

The following is a description of the exchange controls that exist in the jurisdictions which our Group operates in.

Singapore

No exchange controls are applicable in Singapore.

Malaysia

The Foreign Exchange Administration (“**FEA**”) of Malaysia was established to monitor the inflow and outflow of funds to and from Malaysia in order to preserve its financial and economic stability. The FEA, an arm of Central Bank of Malaysia also known as BNM, administers the foreign exchange administration rules, notices and policies. Under the FEA Notices issued by BNM pursuant to the FSA, non-residents are generally free to repatriate in foreign currency (other than the currency of Israel) any amount of funds in Malaysia at any time, including capital, divestment proceeds, profits and dividends or any income arising from investment in Malaysia, subject to the applicable reporting requirements, and any withholding tax.

As our Company is neither incorporated nor registered in Malaysia, we are a non-resident as defined under Section 213 of the FSA, for the purposes of the FEA Notices.

Under Section 214(2) of the FSA, no person shall undertake or engage in any transaction set out in Schedule 14 of the FSA (“**Schedule 14**”) except with the written approval of BNM.

Paragraphs 3 and 4 of Schedule 14 prohibit the making and receiving of any payment by a person to another person including a payment:

- (a) to or for the credit of a non-resident;
- (b) by a resident or a non-resident;
- (c) as a consideration for or in association with:
 - (i) the receipt of a payment or the acquisition of a property, outside Malaysia, by any person; or
 - (ii) the creation in favour of, or the transfer to, any person, of a right to receive a payment or to acquire a property, outside Malaysia;
- (d) under a judgment or order of any court or an award of any arbitrator or under any written law in favour of a non-resident, or a resident outside Malaysia; or
- (e) for settlement of property in favour of a non-resident, or a resident outside Malaysia, other than:
 - (A) payment in RM between residents in Malaysia; and
 - (B) payment in foreign currency between non-residents outside Malaysia.

EXCHANGE CONTROLS

In addition, Paragraph 6 of the Schedule 14 prohibits the issuance, transfer or substitution or doing of any act in relation to a security or a financial instrument other than:

- (a) the issuance or transfer of any RM-denominated security between residents in Malaysia; or
- (b) the substitution of any RM-denominated security for other RM-denominated security between residents in Malaysia.

The FEA Notices set out transactions that are allowed by the BNM which are otherwise prohibited under Section 214 read together with Schedule 14.

The prohibitions under Schedule 14 is relaxed under FEA Notice 4 (one of the series of FEA Notices regulating payments made in any foreign currency or RM) which provides that a resident is permitted:

- (a) to pay in foreign currency to residents to settle any security, Islamic security, financial instrument or Islamic financial instrument approved by the BNM; or
- (b) to pay in foreign currency to residents to settle a commodity murabahah transaction through a resident commodity trading service provider.

A resident individual is allowed to make or receive payment in foreign currency, for any purpose or from an immediate family member.

A non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of RM asset, provided that the repatriation is made in foreign currency.

Further to the relaxation of the foreign exchange administration rules, FEA Notice 3 provides that residents (companies on a corporate group basis or individuals) without domestic RM credit facilities are free to invest any amount abroad. Residents (companies on corporate group basis or individuals) with domestic ringgit credit facilities are also allowed to fund their investment abroad as follows:

- (a) any amount of own foreign currency funds retained onshore or offshore;
- (b) up to RM1 million equivalent in aggregate per calendar year for individuals; and
- (c) up to RM50 million equivalent in aggregate per calendar year for resident corporations on a group basis.

The term “investment abroad”, as defined in the FEA Notices, includes the swapping of a financial asset in Malaysia for a financial asset outside Malaysia. For the purpose of FEA Notices, a financial asset is deemed to include shares in a company.

EXCHANGE CONTROLS

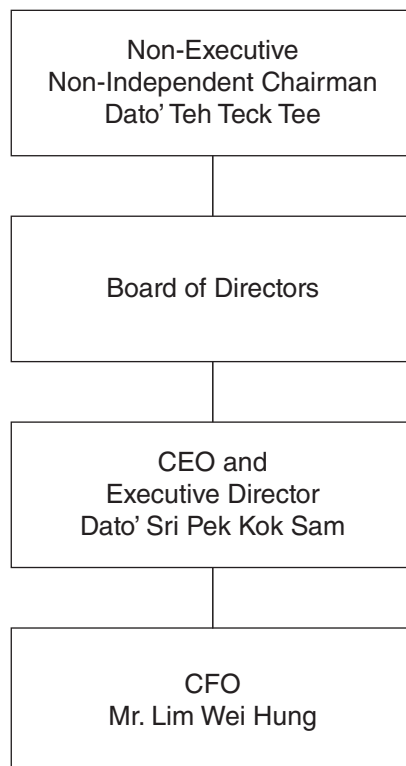
A “resident” under the FSA means:

- (a) a citizen of Malaysia, excluding a citizen who has obtained permanent resident status in a country or territory outside Malaysia and is residing outside Malaysia;
- (b) a non-citizen of Malaysia who has obtained permanent resident status in Malaysia and is ordinarily residing in Malaysia;
- (c) a body corporate incorporated or established, or registered with or approved by any authority, in Malaysia;
- (d) an unincorporated body registered with or approved by any authority in Malaysia; or the government of Malaysia or any state government of Malaysia; or
- (e) the government of Malaysia or any state government of Malaysia.

DIRECTORS, MANAGEMENT AND STAFF

MANAGEMENT REPORTING STRUCTURE

Our management reporting structure as at the Latest Practicable Date is set out below:



DIRECTORS

Our Directors are entrusted with the responsibility for the overall management of our Group. The particulars of our Directors as at the date of this Offer Document are set out below:

Name	Age	Country of principal residence	Designation
Dato' Teh Teck Tee	67	Malaysia	Non-Executive Non-Independent Chairman
Dato' Sri Pek Kok Sam	52	Malaysia	CEO and Executive Director
Dato' Sri Mohd Jamidan Abdullah	62	Malaysia	Lead Independent Director
Dato' Gainneos Jacob Goldie	53	Malaysia	Independent Director
Chin Chee Choon	47	Singapore	Independent Director
Sim Chin Hoe	61	Singapore	Independent Director

The correspondence address of all our Directors is Level 8, Menara Zenith, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang, Malaysia.

DIRECTORS, MANAGEMENT AND STAFF

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our Directors is set out below:

Dato' Teh Teck Tee is our Non-Executive Non-Independent Chairman and one of the founders of our Group. He was appointed as a director of our Company on 27 April 2020. His responsibilities include maintaining relationships with our customers and suppliers.

Dato' Teh has approximately 13 years of experience in the mining and exploration of iron ore. Prior to establishing our Group, he was the managing director of TTS Transport, a company in the logistics industry from 1977 to 2011 and the managing director of TTS Engineering Sdn. Bhd., a company in the engineering and fabrication industry from 1985 to 2011. During his tenure in TTS Transport, Dato' Teh established business relationships with two (2) pipe coating companies, which eventually became the initial customers of our Group. Dato' Teh graduated from Sultan Abu Bakar School Kuantan, Malaysia, and obtained his "O" level certificate in 1970. Dato' Teh was conferred the title of "Dato" in 2017 by the Sultan of Pahang for his contribution to the society.

Based on the due diligence conducted in accordance with Practice Note 2B of the Catalist Rules, PPCF is of the opinion that Dato' Teh's character and integrity satisfies the requirements under Rule 406(3)(b) of the Catalist Rules.

Dato' Sri Pek Kok Sam is our Company's CEO and Executive Director. He is one of the founders of our Group and was appointed as a director of our Company on 19 September 2019. His responsibilities include overseeing the operational aspects of our business including quality analysis and control, safety and environmental, maintenance and mine/site management aspects of our business.

Dato' Sri Pek has over 18 years of experience in the mining and exploration of iron ore, tin and limestone. Prior to establishing our Group, Dato' Sri Pek conducted limestone quarrying activities in Malaysia from 1993 to 2005. Dato' Sri Pek graduated from Sultan Abu Bakar School Kuantan, Malaysia, and obtained a Sijil Pelajaran Malaysia (the Malaysian Certificate of Education) in 1985.

Dato' Sri Pek was conferred the title of "Dato" in 2011 and "Dato' Sri" in 2016 by the Sultan of Pahang in recognition of his active support and contribution to the development of football as a sport in Pahang.

Based on the due diligence conducted in accordance with Practice Note 2B of the Catalist Rules, PPCF is of the opinion that Dato' Sri Pek's character and integrity satisfies the requirements under Rule 406(3)(b) of the Catalist Rules.

Dato' Sri Mohd Jamidan Abdullah is our Lead Independent Director and was appointed on 27 April 2020. Dato' Sri Mohd Jamidan has worked for the Malaysian Anti-Corruption Agency from 1983 up until his retirement in January 2018, rising from an Officer to the Deputy Commissioner (Management and Professionalism), a post he held from 2015 to 2018.

Dato' Sri Mohd Jamidan graduated with a Bachelor of Economic Development from the University of Science, Malaysia in 1983.

Mr. Chin Chee Choon is our Independent Director and was appointed on 27 April 2020. Mr. Chin has been with Nexia TS Public Accounting Corporation since September 2007 where he currently heads the firm's Advisory Services Division and is also an Assurance Director. Prior to joining Nexia TS Public Accounting Corporation, Mr. Chin was an Auditor with Deloitte Kuala Lumpur and Deloitte Singapore from 1997 to 1999 and 2000 to 2003 respectively. From 2003 to 2004, Mr. Chin was an Internal Audit Supervisor at Computer Sciences Corporation, and from 2004 to 2005, Mr. Chin was the Regional Internal Audit Manager at Murphy Oil Corporation. Mr. Chin joined PricewaterhouseCoopers LLP from 2005 to 2007, where he was a Senior Manager.

Mr. Chin graduated with a Bachelor of Accounting from the University of South Australia in 1997. He also obtained a Post Graduate Diploma in Organisational Leadership from the University of Oxford in 2015.

DIRECTORS, MANAGEMENT AND STAFF

Mr. Chin is a Public Accountant and a Chartered Accountant of Singapore, a Certified Internal Auditor of the Institute of Internal Auditors since 2008 and a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants since 2018. He has also been a member of the Singapore Institute of Directors since 2010, a member of the Institute of Singapore Chartered Accountants since 2007 and a member of the Institute of Internal Auditors since 2003.

Dato' Gainneos Jacob Goldie is our Independent Director and was appointed on 27 April 2020. Dato' Jacob has been the managing partner of JGSSC since 2000 and is the head of litigation, specialising in civil and commercial litigation involving debt recovery, construction disputes, arbitration and matters pertaining to mining laws.

Dato' Jacob graduated with a Bachelor of Laws (Honours) from the University of London in 1991. He is a Barrister at Law of Middle Temple, England since 1992 and an Advocate and Solicitor of the Malaysia Bar since 1994. Dato' Jacob is currently a member of the Pahang State Bar Committee and was the Pahang State Representative in the Malaysian Bar Council from February 2019 to February 2020. From 1995 to 2000 and 1994 to 1995, Dato' Jacob was a legal assistant at Balendran Chong & Bodi and Yusof Shamsuddin & Partners respectively, where he specialised in civil and commercial litigation.

Dato' Jacob was conferred the title of "Dato" by the Sultan of Pahang in 2010.

Mr. Sim Chin Hoe is our Independent Director and was appointed on 27 April 2020. Before retiring in September 2016, Mr. Sim worked for Shawcor Singapore Pte Ltd ("**Shawcor**") and its related companies for more than 30 years, taking on various roles such as General Manager, Operations and General Manager, Commercial. He was also seconded to the Malaysian subsidiary of Shawcor, where he was in charge of the operations of Shawcor's pipe coating facility in Kuantan, Malaysia. Mr. Sim graduated a Diploma in Marine Engineering from Singapore Polytechnic in 1979.

The list of present and past directorships of each Director over the last five (5) years preceding the date of this Offer Document excluding those held in our Company, is set out below:

Name	Present directorships	Past directorships
Dato' Teh	<p><i>Group Companies</i></p> <p>None</p> <p><i>Other Companies</i></p> <p>AK Guilin Geology & Mining Sdn. Bhd.</p> <p>AK Timber Sdn. Bhd.</p> <p>Aras Kuasa Geological Sdn. Bhd.</p> <p>Aras Kuasa Resources (Terengganu) Sdn. Bhd.</p> <p>Aras Kuasa Sdn. Bhd.</p> <p>Bimm Venture Pte. Ltd.</p> <p>Bimm Venture Sdn. Bhd.</p> <p>Citra Kaya Sdn. Bhd.</p> <p>Goldfield Paradise Sdn. Bhd.</p> <p>Infra Daya Sdn. Bhd.</p> <p>Jalur Eureka Sdn. Bhd.</p> <p>Jalur Galian Sdn. Bhd.</p>	<p><i>Group Companies</i></p> <p>None</p> <p><i>Other Companies</i></p> <p>Akar Sinaras Sdn. Bhd.</p> <p>Daratan Galian Sdn. Bhd.</p> <p>Equal Greens Sdn. Bhd.</p> <p>Gubahan Embun Sdn. Bhd.</p> <p>Hundred Gold Properties Sdn. Bhd.</p> <p>Lakaran Samudera Sdn. Bhd.</p> <p>One World Mining Sdn. Bhd.</p> <p>Pembalakan L & P⁽¹⁾</p> <p>Rigid Topland Sdn. Bhd.</p> <p>Serta Cemerlang Sdn. Bhd.</p> <p>Sunpride Resources Sdn. Bhd.</p>

DIRECTORS, MANAGEMENT AND STAFF

Name	Present directorships	Past directorships
	Junjung Bumi Sdn. Bhd. Lebar Jasa Sdn. Bhd. Memori Bintang Sdn. Bhd. Mutiara Galian Sdn. Bhd. Paramount Synergy Sdn. Bhd. Quality Town Sdn. Bhd. Rigid Global Sdn. Bhd. Rigid Paragon City Sdn. Bhd. Saba Citra Sdn. Bhd. Sri Raya Auto Sdn. Bhd. Sunbay Ferror Alloy Manganese Sdn. Bhd. Supercoin Properties Sdn. Bhd. Tanjung Tunggal Sdn. Bhd. Teras Megajaya Sdn. Bhd. Tulus Mentari Holdings Sdn. Bhd. Tunas Mestika Sdn. Bhd. World Megalink Sdn. Bhd.	
Dato' Sri Pek	<i>Group Companies</i> None Honest Sam <i>Other Companies</i> Acara Realty Sdn. Bhd. AK Guilin Geology & Mining Sdn. Bhd. AK Timber Sdn. Bhd. Aras Kuasa Geological Sdn. Bhd. Aras Kuasa Resources (Terengganu) Sdn. Bhd. Aras Kuasa Sdn. Bhd. Bold Paradise Development Sdn. Bhd. Eight Super Land Sdn. Bhd. Fajar Mahawangsa Sdn. Bhd. Geo Fleet Sdn. Bhd. Goldfield Paradise Sdn. Bhd. Grandwood Paradise Sdn. Bhd. Hchem Marketing (M) Sdn. Bhd. Infra Daya Sdn. Bhd. Jalur Eureka Sdn. Bhd. Jalur Galian Sdn. Bhd. Junjung Bumi Sdn. Bhd. Lebar Jasa Sdn. Bhd.	<i>Group Companies</i> None <i>Other Companies</i> Aras Kuasa Trading Sdn. Bhd. Cocopalms Beach Resorts Sdn. Bhd. Daratan Galian Sdn. Bhd. Equal Greens Sdn. Bhd. Gempower Resources Sdn. Bhd. Green Illuminar Sdn. Bhd. Gubahan Embun Sdn. Bhd. Hundred Gold Properties Sdn. Bhd. Lakaran Samudera Sdn. Bhd. One World Mining Sdn. Bhd. Pembalakan L & P ⁽¹⁾ Perkayuan Rimba Murni Sdn. Bhd. Rigid Topland Sdn. Bhd. Sam World Development Sdn. Bhd. Serta Cemerlang Sdn. Bhd. Starlife Tech Sdn. Bhd. Tenang Setia Sdn. Bhd.

DIRECTORS, MANAGEMENT AND STAFF

Name	Present directorships	Past directorships
	MCRE Resources Sdn. Bhd. Memori Bintang Sdn. Bhd. Multi Zillion Properties Sdn. Bhd. Multiline Trading Sdn. Bhd. Mutiara Galian Sdn. Bhd. My Suncity Sdn. Bhd. Nadi Mesra Sdn. Bhd. Optimis Unggul Sdn. Bhd. Paramount Synergy Sdn. Bhd. Remparan Sdn. Bhd. Rigid Global Sdn. Bhd. Rigid Paragon City Sdn. Bhd. Ritz Atlantic Sdn. Bhd. Royar Creative Wood Sdn. Bhd. Saba Citra Sdn. Bhd. Sam World Land Sdn. Bhd. Setia Alam Mentari Sdn. Bhd. Sin Agro Murni Sdn. Bhd. Super Maxlink Sdn. Bhd. Super Smartlink Sdn. Bhd. Supercoin Properties Sdn. Bhd. Tanjung Tunggal Sdn. Bhd. Tegas Serimas Sdn. Bhd. Teras Megajaya Sdn. Bhd. Terrific Mining Sdn. Bhd. Tulus Mentari Holdings Sdn. Bhd. World Megalink Sdn. Bhd.	
Dato' Sri Mohd Jamidan Abdullah	<i>Group Companies</i> None	None
	<i>Other Companies</i> Indodeluxe Sdn. Bhd.	
Mr. Chin	<i>Group Companies</i> None	<i>Group Companies</i> None
	<i>Other Companies</i> Access Global Pte Ltd Allied Technologies Ltd Versalink Holdings Ltd NTS Asia Advisory Sdn. Bhd.	<i>Other Companies</i> Choo Chiang Holdings Attain Analytics Pte Ltd
Dato' Jacob	<i>Group Companies</i> None	None
	<i>Other Companies</i> CJ&J Property Trading Limited Jacob Goldie S.S. Chew Advocates & Solicitors	
Mr. Sim	<i>Group Companies</i> None	None
	<i>Other Companies</i> None	

Note:

(1) Dato' Teh and Dato' Sri Pek were previous owners of Pembalakan L & P.

DIRECTORS, MANAGEMENT AND STAFF

Mr. Chin has prior experience as a director of public-listed companies in Singapore and is therefore familiar with the roles and responsibilities of a director of a public listed company in Singapore. Dato' Teh, Dato' Sri Pek, Dato' Sri Mohd Jamidan, Dato' Jacob and Mr. Sim do not have experience as directors of public-listed companies in Singapore. Save for Mr. Chin, all our Directors will attend the relevant prescribed mandatory trainings conducted by the Singapore Institute of Directors at the next available course date, and in any case, within the first year of our Company's listing, in accordance with Practice Note 4D of the Catalist Rules.

EXECUTIVE OFFICER

Our day-to-day operations are entrusted to our Executive Director and CEO who is assisted by our CFO. The particulars of our CFO are set out below:

Name	Age	Designation
Mr. Lim	47	CFO

The correspondence address of our CFO is Level 8, Menara Zenith, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang, Malaysia.

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our CFO are set out below:

Mr. Lim Wei Hung is our CFO. He has been with our Group since July 2013 and is responsible for the management of the administrative and financial matters of our Group.

Prior to joining our Group, Mr. Lim was, from 2005 to 2013, the head of finance for Franky Construction Sdn. Bhd. ("**Franky Construction**"), a civil construction, property development and mining contract group, where he oversaw the finance, legal, audit, tax planning, credit control. Before that, he was the acting manager of the quarry division in Franky Construction from 2003 to 2005 where he was responsible for the bottom line and planned the capital expenditure and execution of the division. He joined Franky Construction in October 2000 as their group accountant up to 2003. Mr. Lim started his career with PricewaterhouseCoopers ("**PwC**") in 1997 as an audit assistant, and subsequently an audit senior before eventually leaving PwC in 2000.

Mr. Lim graduated with a Bachelor of Accountancy (Upper Second Class Honours) from the University of Malaya in 1997. In 2000, Mr. Lim was admitted to the Malaysian Institute of Accountants as a Public Accountant, and was also certified as a member of the Malaysian Association of Certified Public Accountants. Mr. Lim has been registered as a Certified Financial Planner with Financial Planning Association of Malaysia since 2003.

Based on the due diligence conducted in accordance with Practice Note 2B of the Catalist Rules, PPCF is of the opinion that Lim Wei Hung's character and integrity satisfies the requirements under Rule 406(3)(b) of the Catalist Rules.

DIRECTORS, MANAGEMENT AND STAFF

The list of present and past directorships of our CFO over the last five (5) years preceding the date of this Offer Document excluding those held in our Company, is set out below:

Name	Present directorships	Past directorships
Lim Wei Hung	RE Jaya Timur Sdn. Bhd.	None

There is no arrangement or understanding with a Substantial Shareholder, customer, or supplier of our Company or other person, pursuant to which any of our Directors or our Executive Officer was selected as a Director or Executive Officer of our Company.

None of our Directors or Executive Officer have any family relationships with one another, or with our Substantial Shareholder.

STAFF

As at the Latest Practicable Date, we have a workforce of 147 full-time employees. We do not experience any significant seasonal fluctuations in our number of employees. We do not employ a significant number of temporary employees.

None of our employees are unionised. There has not been any incidence of work stoppages or labour disputes that affected our operations. Accordingly, we consider our relationship with our employees to be good.

All of our employees are employed in Malaysia.

The number of employees of our Group as at 31 July 2017, 31 July 2018, 31 July 2019 and 31 October 2019 segmented by function are as follows:

	As at 31 July 2017	As at 31 July 2018	As at 31 July 2019	As at 31 October 2019
Management/Executive ⁽¹⁾	2	2	2	2
Finance	2	2	3	3
Sales, administrative and purchasing	5	5	5	6
Mining and production	130	120	132	141
Total	139	129	142	152

Note:

(1) Management/Executive includes our Executive Director and our CFO.

The decrease in the number of employees of our Group between 31 July 2017 and 31 July 2018, the increase in the number of employees of our Group between 31 July 2018 and 31 July 2019 and the increase in the number of employees of our Group between 31 July 2019 and 31 October 2019 were due to staff turnover and there was no unusual factor for the fluctuations.

DIRECTORS, MANAGEMENT AND STAFF

REMUNERATION OF DIRECTORS, EXECUTIVE OFFICER AND RELATED EMPLOYEES

Directors and Executive Officer

The remuneration paid to our Directors and Executive Officer (which includes benefits-in-kind and bonuses) for services rendered to us on an aggregate basis and in remuneration bands of S\$250,000 during FY2018 and FY2019 (being the two (2) most recent completed financial years) and as estimated for FY2020 (excluding bonuses under any profit-sharing plan or any other profit-linked agreement(s)) are as follows:

	FY2018	FY2019	FY2020 (estimated)
Directors			
Dato' Teh Teck Tee	–	–	Band A
Dato' Sri Pek Kok Sam	Band B	Band B	Band C
Chin Chee Choon	–	–	Band A
Dato' Sri Mohd Jamidan	–	–	Band A
Dato' Gainneos Jacob Goldie	–	–	Band A
Sim Chin Hoe	–	–	Band A
Executive Officer			
Lim Wei Hung	Band A	Band A	Band A

Notes:

- (1) Band A: Compensation from S\$0 to S\$250,000 per annum.
- (2) Band B: Compensation from S\$250,000 to S\$500,000 per annum.
- (3) Band C: Compensation from S\$500,000 to S\$750,000 per annum.

As at the Latest Practicable Date, save as required for compliance with the applicable laws of Malaysia, we have not set aside or accrued any amounts to provide for pension, retirement or similar benefits for our employees.

Related Employees

Ms. Pek Siew Mei, the sister of Dato' Sri Pek, is a manager in the sales department. Mr. Pek Kok Hing, the brother of Dato' Sri Pek, is a manager in charge of human resources. Mr. Pek Kok Hua, the brother of Dato' Sri Pek, is a manager in the purchasing department. Save as aforesaid, as at the date of this Offer Document, none of our full-time employees are related to our Directors and Substantial Shareholders/Controlling Shareholder.

DIRECTORS, MANAGEMENT AND STAFF

The remuneration paid to employees who are related to the Director and Substantial Shareholders/Controlling Shareholder (which includes benefits-in-kind and bonuses) for services rendered to us on an aggregate basis and in remuneration bands of S\$50,000 during FY2018 and FY2019 (being the two (2) most recent completed financial years) and as estimated for FY2020 (excluding bonuses under any profit-sharing plan or any other profit-linked agreement(s)) are as follows:

	FY2018	FY2019	FY2020 (estimated)
Ms. Pek Siew Mei	Band A	Band A	Band A
Mr. Pek Kok Hua	Band B	Band B	Band B
Mr. Pek Kok Hing	Band B	Band B	Band B

Notes:

- (1) Band A: Compensation from S\$0 to S\$50,000 per annum.
(2) Band B: Compensation from S\$50,000 to S\$100,000 per annum.

The basis of determining the remuneration of these related employees is the same as the basis for determining the remuneration of other unrelated employees.

The remuneration of employees who are related to our Directors, CEO or Substantial Shareholder will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In addition, any new employment of related employees and the proposed terms of their employment will be subject to the review and approval of our Nominating Committee. In the event that a member of our Remuneration Committee or our Nominating Committee is related to the employee under review, he will abstain from the review.

In line with the Code of Corporate Governance 2018, we will disclose in our annual report details of the remuneration of employees who are immediate family members of our Directors or our CEO, and whose remuneration exceeds S\$100,000 during each year in incremental bands of S\$100,000.

SERVICE AGREEMENT AND APPOINTMENT AGREEMENT

Our Company entered into the Service Agreement with our CEO and Executive Director, Dato' Sri Pek.

The Service Agreement is valid for a period of three (3) years upon admission of our Company on Catalist, and upon the expiry of such period, the employment of our CEO and Executive Director, Dato' Sri Pek, shall be automatically renewed on a yearly basis thereafter unless terminated by either party giving to the other party at least six (6) months' notice or by our Company paying Dato' Sri Pek an amount equal to six (6) months' salary in lieu of notice.

DIRECTORS, MANAGEMENT AND STAFF

Our Company may immediately terminate the Service Agreement without prior notice if Dato' Sri Pek shall at any time:

- (a) commit any material or repeated breach of any of the provisions contained therein;
- (b) be guilty of dishonesty, any grave or wilful misconduct or gross neglect or gross negligence in the discharge of his duties thereunder or shall commit any continued material breach of the terms of the Service Agreement after written warning (other than a breach which is capable of remedy and has been remedied by him to the satisfaction of our Directors within thirty (30) days upon his being called upon to do so in writing by our Directors);
- (c) become bankrupt, applies for a bankruptcy petition or has a bankruptcy order made against him, applies for or has made against him a receiving order or makes any composition or enters into any deed of arrangement with his creditors;
- (d) be guilty of conduct tending to bring himself or our Company into disrepute or to prejudice the business interest of our Group;
- (e) become of unsound mind;
- (f) be disqualified or prohibited from acting as a director or as a key executive officer of managerial position in any jurisdiction by reason of an order made by any competent court for reasons under any applicable laws or regulations, the Constitution or any Catalist Rules other than on technical grounds;
- (g) commit any act of criminal breach of trust or dishonesty;
- (h) neglect or refuse, without reasonable cause, to attend to the business of our Group to which he is assigned duties;
- (i) be convicted of any offence (save for an offence under road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment or an offence which in the reasonable opinion of our Directors does not affect his position in our Company) or has any judgement, including findings, in relation to fraud, misrepresentation or dishonesty, given against him, whether or not in connection with or referable to his employment;
- (j) flagrantly or persistently fail to observe and perform any of the duties and responsibilities imposed by the Service Agreement or which are imposed by any laws, regulations or administrative directions, whether having the force of law or otherwise;
- (k) be found to have made illegal monetary profit or received any gratuities or other rewards (whether in cash or kind) out of any of our Group's affairs;
- (l) terminate any other contracts signed with any entity in our Group due to reasons other than termination by mutual agreement between him and such company; and/or
- (m) cease to hold the office of director pursuant to our Constitution or is disqualified from holding the office of, or acting as, a director of any company, pursuant to any applicable law or any Catalist Rules, for whatever reason.

DIRECTORS, MANAGEMENT AND STAFF

Under the Service Agreement, Dato' Sri Pek shall, among others:

- (a) declare all conflicts of interest and all direct and deemed interests (whether financial or otherwise) which he may have in any company or companies which are or which may from time to time be doing business with our Group or which are or which may from time to time be in direct or indirect competition with our Group in all relevant matters put before our Directors for its decision and abstain from making any recommendations;
- (b) not agree, approve nor authorise any Group company to contract or deal with any connected company save with the prior written consent of our Directors; and in any event without prejudice to the foregoing, any contract or transaction with any connected company or otherwise any dealings, negotiations or other transactions between the Group company and any connected company shall be on terms that are strictly normal commercial terms and arm's length and which have been entered into with the utmost good faith after due regard to the interests of our Company or our Group;
- (c) save for business activities which are not in conflict or competition with our Group and as disclosed to our Directors, ensure that he does not undertake any business, appointment, consultancy or commercial activities or perform any service for any person other than for our Company and/or our Group;
- (d) save with the prior written consent of our Directors, not to engage or be interested either directly or indirectly in any capacity in any trade or business or occupation whatsoever which is in conflict with the interest of our Group; and
- (e) comply with the provisions of the Non-Compete Undertaking.

Please refer to the section entitled "Potential Conflicts of Interest — Interests of Directors, CEO and Controlling Shareholder or their Associates" of this Offer Document for details on the aforesaid Non-Compete Undertaking entered into by Dato' Sri Pek.

There are no benefits payable to him upon termination of his employment with our Group.

Pursuant to the Service Agreement, the monthly salary of our CEO and Executive Director, Dato' Sri Pek, is S\$50,000. He shall also be entitled to any other benefits and/or participation in schemes provided for in our Company's human resource policies.

In addition, our CEO and Executive Director, Dato' Sri Pek, is entitled to receive an annual incentive bonus of a sum calculated based on the consolidated profit before income tax (before non-recurring exceptional items and minority interests for the relevant financial year) of our Group, subject to the terms and conditions in the service Agreement. Such incentive bonus is calculated as follows:

Consolidated profit before tax (before non-recurring exceptional items and minority interests) in a financial year	Share in the profits to be distributed
S\$8 million to S\$16 million	4.0%
More than S\$16 million	6.0%

Our Company has also entered into an Appointment Agreement with our CFO, Mr. Lim.

DIRECTORS, MANAGEMENT AND STAFF

The Appointment Agreement is valid for a period of three (3) years upon admission of our Company on Catalist, and upon the expiry of such period, the employment of our CFO, Mr. Lim, shall be automatically renewed on a yearly basis thereafter unless terminated by either party giving to the other party at least six (6) months' notice or by our Company paying Mr. Lim an amount equal to six (6) months' salary in lieu of notice.

Our Company may immediately terminate the Appointment Agreement without prior notice if Mr. Lim shall at any time:

- (a) commit any material or repeated breach of any of the provisions contained therein;
- (b) be guilty of dishonesty, any grave or wilful misconduct or gross neglect or gross negligence in the discharge of his duties thereunder or shall commit any continued material breach of the terms of the Appointment Agreement after written warning (other than a breach which is capable of remedy and has been remedied by him to the satisfaction of our Directors within thirty (30) days upon his being called upon to do so in writing by our Directors);
- (c) become bankrupt, applies for a bankruptcy petition or has a bankruptcy order made against him, applies for or has made against him a receiving order or makes any composition or enters into any deed of arrangement with his creditors;
- (d) be guilty of conduct tending to bring himself or our Company into disrepute or to prejudice the business interest of our Group;
- (e) become of unsound mind;
- (f) be disqualified or prohibited from acting as a key executive officer of managerial position in any jurisdiction by reason of an order made by any competent court for reasons under any applicable laws or regulations, our Constitution or any Catalist Rules other than on technical grounds;
- (g) commit any act of criminal breach of trust or dishonesty;
- (h) neglect or refuse, without reasonable cause, to attend to the business of our Group to which he is assigned duties;
- (i) be convicted of any offence (save for an offence under road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment or an offence which in the reasonable opinion of our Directors does not affect his position in our Company) or has any judgement, including findings, in relation to fraud, misrepresentation or dishonesty, given against him, whether or not in connection with or referable to his employment;
- (j) flagrantly or persistently fail to observe and perform any of the duties and responsibilities imposed by the Appointment Agreement or which are imposed by any laws, regulations or administrative directions, whether having the force of law or otherwise;
- (k) be found to have made illegal monetary profit or received any gratuities or other rewards (whether in cash or kind) out of any of our Group's affairs;
- (l) terminate any other contracts signed with any entity in our Group due to reasons other than termination by mutual agreement between him and such company; and/or

DIRECTORS, MANAGEMENT AND STAFF

- (m) cease to hold the office of director pursuant to our Constitution or is disqualified from holding the office of, or acting as, a director of any company, pursuant to any applicable law or any Catalist Rules, for whatever reason.

Under the Appointment Agreement, Mr. Lim shall, among others:

- (a) declare all conflicts of interest and all direct and deemed interests (whether financial or otherwise) which he may have in any company or companies which are or which may from time to time be doing business with our Group or which are or which may from time to time be in direct or indirect competition with our Group in all relevant matters;
- (b) save for business activities which are not in conflict or competition with our Group and as disclosed to our Directors, ensure that he does not undertake any business, appointment, consultancy or commercial activities or perform any service for any person other than for our Company and/or our Group; and
- (c) save with the prior written consent of our Directors, not to engage or be interested either directly or indirectly in any capacity in any trade or business or occupation whatsoever which is in conflict with the interest of our Group.

Pursuant to the Appointment Agreement, the monthly salary of our CFO, Mr. Lim, is RM35,000. Mr. Lim shall also be entitled to a fixed bonus equivalent to three (3) month's basic salary and a variable performance bonus, subject to his performance and to be given at the discretion of our Directors. He shall also be entitled to any other benefits and/or participation in schemes provided for in our Company's human resource policies.

There are no benefits payable to Dato' Sri Pek or Mr. Lim upon termination of their employment with our Group.

Save as disclosed above, there are no existing or proposed service agreement between our Group and any of our Directors. There is also no existing or proposed service agreement entered or to be entered into by our Directors with our Company or our subsidiary which provide for benefits upon termination of employment.

Save as disclosed above and the Plan, there are no bonus or profit-sharing plans or any other profit-linked agreements or arrangements between our Company and any of our Directors, Executive Officer or employees.

CORPORATE GOVERNANCE

Corporate governance refers to the processes and structure by which the business and affairs of a company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance).

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and will use their best efforts to implement the good practices recommended in the Singapore Code of Corporate Governance 2018. Our Directors have formed three (3) committees, namely (i) a Nominating Committee; (ii) a Remuneration Committee; and (iii) an Audit Committee.

We have six (6) Directors on our Board of Directors, of which four (4) are Independent Directors.

During the Period Under Review, our Independent Director, Dato' Jacob, had provided legal services to our Group ("**Legal Services**") amounting to an aggregate of approximately RM18,000 ("**Legal Fees**"). Our Nominating Committee (save for Dato' Jacob) is of the view that the provision of such Legal Services does not interfere with his independent judgement and suitability to serve as our Independent Director as the Legal Fees were based on an hourly rate that is charged by Dato' Jacob to other independent third parties. The Legal Fees are not significant and are not in excess of S\$50,000 in any financial year, and the Legal Services were provided on a one-off basis.

Save as set out above, our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors and/or Substantial Shareholder. Our Independent Directors are also not related to our other Directors and/or Substantial Shareholder.

In addition, we have appointed Dato' Sri Mohd Jamidan as our Lead Independent Director. The Lead Independent Director will be available to Shareholders where they have concerns for which contact through the normal channels of our Chairman, CEO or CFO has not resolved or for which such contact is inappropriate.

Our Directors are of the view that given the current board composition and based on the above, there are sufficient safeguards and checks to ensure that the process of decision-making by our Directors is independent and based on collective decision-making.

NOMINATING COMMITTEE

Our Nominating Committee comprises Dato' Sri Pek, Dato' Jacob, Dato' Sri Mohd Jamidan, Mr. Sim and Mr. Chin. The chairman of our Nominating Committee is Dato' Jacob. The quorum shall be any three (3) members, including the Chairman of our Nominating Committee.

Our Nominating Committee will be responsible for, among others:

- (a) reviewing and recommending the appointment of new directors and executive officers and re-nomination of our Directors having regard to each Director's contribution, performance and ability to commit sufficient time, resources and attention to the affairs of our Group, and each Director's respective commitments outside our Group including his principal occupation and board representations on other companies, if any. Our Nominating Committee will conduct such reviews at least once a year, or more frequently as it deems fit;

CORPORATE GOVERNANCE

- (b) determining annually, and as and when circumstances require, whether or not a Director is independent, in accordance with the Singapore Code of Corporate Governance 2018 and any other salient factors;
- (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- (d) developing a process for evaluating the performance of our Directors as a whole and its committees, and for assessing the contribution of each Director to the effectiveness of our Directors;
- (e) reviewing the composition of our Board of Directors to ensure that the committees comprise an appropriate mix of skills, experience, core competencies and knowledge of our Group that our Directors require to function competently and efficiently;
- (f) reviewing succession plans for our Executive Director;
- (g) reviewing the training and professional development programs for our Directors;
- (h) determining and recommending to our Directors the maximum number of listed company board representations which any Director may hold and disclosing this in our Company's annual report; and
- (i) reviewing and approving the employment of persons related to our Directors, CEO or Substantial Shareholder and the proposed terms of their employment.

Each member of our Nominating Committee will not take part in determining his own re-nomination or independence and shall abstain from participating or voting on any resolutions in respect of the assessment of his performance, independence or re-nomination as Director.

Our Nominating Committee will decide how our Directors' performance is to be evaluated and will propose objective performance criteria, subject to the approval of our Directors, which address how our Directors have enhanced long-term Shareholders' value. In addition, our Directors will also implement a process to be carried out by our Nominating Committee for assessing effectiveness of our Directors as a whole, and for assessing the contribution of each individual Director to the effectiveness of our Board of Directors.

REMUNERATION COMMITTEE

Our Remuneration Committee comprises Dato' Teh, Dato' Sri Mohd Jamidan, Dato' Jacob, Mr. Sim and Mr. Chin. The chairman of our Remuneration Committee is Dato' Jacob. The quorum shall be any three (3) members, including the Chairman of our Remuneration Committee.

Our Remuneration Committee will, among others, recommend to our Directors a framework of remuneration for our Directors, CEO and executive officers, and determine specific remuneration packages for each executive Director. The recommendations of our Remuneration Committee will be submitted for endorsement by our Directors. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be reviewed by our Remuneration Committee.

As part of its terms of reference, our Remuneration Committee shall also be responsible for the administration of the Plan.

CORPORATE GOVERNANCE

The remuneration of employees who are related to our Directors, CEO or Substantial Shareholder who hold managerial positions will also be reviewed annually by our Remuneration Committee to ensure that their remuneration package are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Our Remuneration Committee will also review and approve any bonuses, pay increments and/or promotions for related employees who hold managerial positions. In addition, any new employment of related staff and the proposed terms of their employment will also be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee is related to the staff under review, he or she will abstain from the review.

Each member of our Remuneration Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations in respect of his remuneration package or that of employees related to him.

AUDIT COMMITTEE

Our Audit Committee comprises Dato' Sri Mohd Jamidan, Dato' Jacob, Mr. Sim and Mr. Chin. The chairman of our Audit Committee is Mr. Chin. The quorum shall be any three (3) members, including the Chairman of our Audit Committee.

Our Audit Committee will assist our Directors in discharging their responsibility to safeguard our assets, maintain adequate accounting records and develop and maintain effective systems of internal controls, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group.

Our Audit Committee will provide a channel of communication between our Directors, our management and our external auditors on matters relating to audit.

Our Audit Committee shall meet periodically to perform, among others, the following functions:

- (a) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of our system of internal controls, audit reports, their management letters and our management's response, and the results of audits compiled by our internal and external auditors, and will review at regular intervals with the management the implementation by our Group of the internal control recommendations made by our internal and external auditors;
- (b) review the periodic consolidated financial statements and any formal announcements relating to our Group's financial performance before submission to our Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, compliance with accounting standards, compliance with the Catalist Rules and any other statutory and regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of our management, where necessary, before submission to our Directors for approval;
- (c) review and report to our Directors, at least annually, the effectiveness and adequacy of our internal control procedures addressing financial, operational, information technology and compliance risks and discuss issues and concerns, if any, arising from the internal audits;

CORPORATE GOVERNANCE

- (d) review and discuss with our independent and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on our Group's results of operation, financial performance or financial position and our management's response;
- (e) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;
- (f) review and approve all hedging policies implemented by our Group and conduct periodic review of foreign exchange transactions and hedging policies and procedures;
- (g) review the assurances provided by the CEO and CFO on the financial records and financial statements of our Group;
- (h) review the information provided by the shareholders of Aras Kuasa, JGSB and RGSB relating to the Mining Operating Rights and the status of the mines the Mining Operating Rights relate to, together with any information, materials and/or documents that may be required for our Directors to assess whether or not to exercise rights granted under the Deed;
- (i) review the results of any environmental monitoring exercise conducted by our Group to ensure that we comply with the applicable environmental regulations;
- (j) review the co-operation given by our management to our internal and external auditors, where applicable;
- (k) review the independence and objectivity of the internal and external auditors as well as consider the appointment or re-appointment of the internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;
- (l) review and approve any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules and review procedures thereof, including the Shareholders' Mandate;
- (m) review potential conflicts of interests (if any) and set out a framework to resolve or mitigate any potential conflicts of interests;
- (n) review our Company's Corruption Preventive Policy Framework, which include the Anti-Bribery Guidelines and Whistleblowing Policy and Procedures set out in Appendix M of this Offer Document by which employees of our Group may, in confidence, report to the chairman of our Audit Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (o) review transactions falling within the scope of Chapter 10 of the Catalist Rules, if any;
- (p) review and approve transfer pricing policies implemented by our Group and conduct periodic review of such transfer pricing policies;
- (q) undertake such other reviews and projects as may be requested by our Directors, and report to our Directors its findings from time to time on matters arising and requiring the attention of our Audit Committee;

CORPORATE GOVERNANCE

- (r) review the adequacy, effectiveness, independence, scope and results of the external audit and our Group's internal audit function;
- (s) review and report to our Group's Directors the adequacy and effectiveness of our Group's risk management systems;
- (t) review the effectiveness and adequacy of our Group's administrative, operating, internal accounting and financial control procedures; and
- (u) monitoring the Past Royalty and Rehabilitation Payment to be made by the Chaah ML Holder, if any; and
- (v) undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

Our Audit Committee shall also commission an annual internal control audit until such time as our Audit Committee is satisfied that our Group's internal controls are robust and effective enough to mitigate our Group's internal control weakness (if any). Prior to the decommissioning of such annual audit, our Directors are required to report to the SGX-ST and the Sponsor, Issue Manager and Placement Agent on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by our Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Directors.

Currently, based on the internal controls established and maintained by our Group, work performed by the internal and external auditors, and reviews performed by our management, our Directors, to the best of their knowledge and belief, with the concurrence of our Audit Committee, are of the opinion that the internal controls of our Group (including financial, operational, compliance and informational technology controls) and risk management systems are adequate and effective.

Audit Committee's view of our CFO

Our Audit Committee, after having conducted interview with our CFO, Mr. Lim, and after having considered:

- (a) the qualifications and working experience of Mr. Lim (as described in the section entitled "Directors, Management and Staff" of this Offer Document);
- (b) Mr. Lim's past audit, financial and accounting related experiences;
- (c) Mr. Lim's demonstration of the requisite competency in finance-related matters of our Group in connection with the preparation for the listing of our Company; and

CORPORATE GOVERNANCE

- (d) the absence of negative feedback on Mr. Lim from the representatives of our Group's Independent Auditors and Reporting Accountants, Ernst & Young LLP as well as the representatives of our Group's internal auditors,

is of the view that Mr. Lim is suitable for the position of CFO of our Company.

Further, after making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of our Audit Committee to cause them to believe that Mr. Lim does not have the competence, character and integrity expected of a CFO or equivalent of a listed company.

BOARD PRACTICES

Our Directors are appointed by our Shareholders at a general meeting, and an election of Directors takes place annually. Our Constitution provides that our Directors will consist of not less than two (2) Directors. Save for Dato' Sri Pek, with whom we have entered into the Service Agreement, our Directors do not have fixed terms of office. Each Director is required to retire from office once every three (3) years and for this purpose, at each annual general meeting, one-third (or, if their number is not a multiple of three (3), the number nearest to but not lesser than one-third) of our Directors is required to retire from office by rotation. Directors who retire are eligible to stand for re-election.

Our Constitution has been summarised and set out in "Appendix F – Summary of our Constitution" to this Offer Document.

Corruption Preventive Policy and Framework ("CPPF")

To further strengthen our Group's existing corporate governance practices, our Group has adopted the CPPF which include the Anti-bribery Guidelines and Whistleblowing Policy and Procedures. Please refer to "Appendix M – Corruption Preventive Policy and Framework" to this Offer Document for details of the CPPF, including the Anti-bribery Guidelines and Whistleblowing Policy and Procedures. Our Company has also circulated an internal notice to all its employees inform our employees on the existence of the CPPF and the procedures for raising any concerns. Our Company has also updated our employee handbook and informed our employees on the adoption of the CPPF by our Group. A briefing has also been conducted to our Group's employees on the CPPF.

With the adoption of CPPF, the CPPF is now part of our Group's systems of risk management and internal controls. Our CEO and CFO who are responsible for establishing and maintaining our Group systems of risk management and internal controls have provided their assurance that these systems are adequate and effective. Concurrently, our Audit Committee, PPCF and our Company's internal auditor, IA Essential Pte. Ltd. are of the opinion that the policies and procedures set out in the CPPF are adequate in preventing our Group from involving in corruption and bribery activities.

SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

In conjunction with our Listing on Catalist, we have adopted the Plan, which was approved by our Shareholders pursuant to the written resolutions passed on 27 April 2020. The rules of the Plan are set out in “Appendix I – Rules of the Southern Alliance Mining Performance Share Plan” to this Offer Document. These rules comply with the requirements set out in the Catalist Rules and the Companies Act.

The Plan will provide eligible participants (“**Participants**”) with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The Plan forms an integral and important component of our compensation plan and is designed primarily to reward and retain employees whose services are vital to the growth and performance of our Company and/or our Group.

As at the Latest Practicable Date, no Awards have been granted under the Plan.

The rules of the Plan may be inspected by Shareholders at the registered office of our Company for a period of six (6) months from the date of this Offer Document.

Objectives of the Plan

The Plan is proposed on the basis that it is important to recognise the fact that the services of our employees are important to the success and continued well-being of our Group. Our Company, by implementing the Plan, will be able to give our employees a direct interest in our Company. Further, the Plan will also help to achieve the following positive objectives:

- (a) foster an ownership culture within our Group which aligns the interests of Participants with the interests of Shareholders;
- (b) motivate Participants to achieve key financial and operational goals of our Company and/or their respective business divisions and encourage greater dedication and loyalty to our Group; and
- (c) make total employee remuneration sufficiently competitive to recruit new Participants and/or retain existing Participants whose contributions are important to the long-term growth and profitability of our Group, and whose skills are commensurate with our Company’s ambition to become a world class company.

The Plan is designed to complement our Company’s efforts to reward, retain and motivate employees to achieve better performance.

The focus of the Plan is principally to target selected management in key positions who are able to drive the growth of our Company through creativity, firm leadership and excellent performance. Our Company believes that it will be more effective than merely having pure cash bonuses in place to motivate executives to work towards determined goals. The Awards given to a particular Participant under the Plan and the number of Award Shares will be determined at the absolute discretion of our Remuneration Committee, who will take into account criteria such as his rank, job performance, years of service, and potential for future development, his contribution to the success and development of our Group and the extent of effort and resourcefulness with which the Performance Condition may be achieved within the Performance Period. The Performance Condition will be set by our Remuneration Committee.

SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

The Performance Condition shall be determined at the absolute discretion of our Remuneration Committee, which may comprise factors such as (but not limited to) the market capitalisation or earnings of our Company at specified times.

Administration of the Plan

Our Remuneration Committee will be designated as the committee responsible for the administration of the Plan. Our Remuneration Committee will determine, among others, the following in relation to an Award:

- (a) the Participant;
- (b) the Award Date;
- (c) the Performance Period;
- (d) the number of Shares which are the subject of the Award;
- (e) the Performance Condition;
- (f) the Release Schedule; and
- (g) any other condition which our Remuneration Committee may determine in relation to that Award.

In compliance with the requirements of the Catalist Rules, a Participant of the Plan who is a member of our Remuneration Committee shall not be involved in its deliberation or decision in respect of Awards granted or to be granted or held by that member of our Remuneration Committee.

Size of the Plan

The aggregate number of Award Shares which may be issued or transferred pursuant to Awards granted under the Plan on any date, when aggregated with the total number of new Shares issued and allotted and/or Shares to be issued and allotted delivered and/or to be delivered pursuant to Awards already granted under the Plan, and the aggregate number of Shares over which options or Awards are granted under any share option schemes or share schemes of our Company, shall not exceed 15.0% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date.

This 15.0% size is intended to accommodate the potential pool of participants arising from our base of eligible participants. We also hope that with the significant portion of our issued share capital set aside for our Plan, our employees and Executive Director will recognise that we are making a good effort to reward them for their invaluable contributions to our Company by allowing them greater opportunities to participate in our equity.

We are of the view that the size of our Plan is reasonable, taking into account the share capital base of our Company, the contributions by our employees and Executive Director and the potential number of employees as our business expands. Implementing our Plan with the maximum amount of Shares not exceeding 15.0% of the number of issued Shares (excluding treasury shares and subsidiary holdings) of our Company will enable us to maintain flexibility and remain competitive in the industry.

SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

The Plan shall continue to be in force at the discretion of our Remuneration Committee subject to a maximum period of 10 years commencing on the Adoption Date, provided always that it may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

As the Plan is valid for a period of 10 years, this maximum limit of 15.0% of our Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) allows for a potential increase in the number of employees as our Company expands in the future.

Maximum entitlements of the Plan

The aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan to Participants who are Controlling Shareholders and their Associates (including adjustments made in accordance with Rule 9) shall not exceed 25.0% of the total number of Shares available under the Plan.

The aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan to each Participant who is a Controlling Shareholder or his Associate (including adjustments made in accordance with Rule 9) shall not exceed 10.0% of the total number of Shares available under the Plan.

The aggregate number of Shares which are the subject of each Award to be granted to a Participant who is a non-executive Director shall not exceed 10.0% of the total number of Shares available under the Plan.

Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by our Remuneration Committee under the Plan.

Summary of the Rules of the Plan

Capitalised terms used herein bear the same meanings as defined in "Appendix I – Rules of the Southern Alliance Mining Performance Share Plan" to this Offer Document.

The following is a summary of the Rules of the Plan:

Eligibility

The full-time employees of our Group and Group Directors who have attained the age of 21 years on or before the date of the grant of the Award and hold such rank as may be designated by our Remuneration Committee from time to time ("**Group Executives**"), shall be eligible to participate in the Plan, at the absolute discretion of our Remuneration Committee. The Participant must also not be an undischarged bankrupt and must not have entered into a composition with his creditors.

Employees who are a Controlling Shareholder or associates of a Controlling Shareholder, and who are also Group Executives shall be eligible to participate in the Plan at the absolute discretion of our Remuneration Committee if their participation and the terms of each grant of Award and the actual number of Shares to be granted to them have been approved by the independent Shareholders at a general meeting in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (i) his participation; and (ii) the terms of each grant of Award and the actual number of Shares to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent Shareholders for the participation in the Plan of a Controlling Shareholder or an associate of a Controlling Shareholder who is, at the relevant time, already a Participant.

SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

Abstention from Voting

Shareholders who are eligible to participate in the Plan are to abstain from voting on any Shareholders' resolution relating to the Plan (including the participation in the Plan and the grant of Awards to the Participants) and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast for each of the Shareholders' resolutions contemplated.

Controlling Shareholders and their associates who are eligible to participate in the Plan shall abstain from voting on the resolutions in relation to the implementation of the Plan, their participation in the Plan, and any grant of Awards to them.

Grant of Awards

Our Remuneration Committee may grant Awards to eligible Group Executives as our Remuneration Committee may select, in its absolute discretion, at any time during the period when the Plan is in force, provided that no Participant who is a member of our Remuneration Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.

The number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of our Remuneration Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of our Group and the extent of effort and resourcefulness with which the Performance Condition may be achieved within the Performance Period.

An Award or Released Award shall be personal to the Participant to whom it is granted and, prior to the allotment and/or transfer to the Participant of the Shares to which the Released Award relates, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of our Remuneration Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award without the prior approval of our Remuneration Committee, that Award or Released Award shall immediately lapse.

Award Shares

Subject to the Act and the Listing Manual, our Company shall have the flexibility to deliver Shares to Participants upon the Release of their Awards by way of (i) the issue and allotment to each Participant of the number of new Shares, deemed to be fully paid or credited upon their issue and allotment; and/or (ii) the transfer of existing Shares to the Participant, including (subject to applicable laws) any Shares acquired by our Company pursuant to a share purchase mandate and/or held by our Company as treasury shares. Any proposed issue and allotment of new Shares will be subject to there being in force at the relevant time the requisite Shareholders approval under the Act for the issue of Shares.

In determining whether to issue and allot new Shares or to purchase existing Shares for delivery existing to the Participants upon the Release of their Awards, our Remuneration Committee will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to our Company of either issuing new Shares or purchasing existing Shares.

SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

New Shares issued and allotted, and existing Shares procured by our Company for transfer, on the Release of an Award shall (i) be subject to all the provisions of the Constitution of our Company (including provisions relating to the liquidation of our Company) and the Act; (ii) and rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant Vesting Date, and shall in all other respects rank *pari passu* with other existing Shares then in issue. For this purpose, “**Record Date**” means the date fixed by our Company for the purposes of determining entitlements to dividends or other distributions or rights to holders of Shares.

Adjustment Events

If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution, or otherwise howsoever) shall take place, then:

- (a) the class and/or number of Shares which is/are the subject of an Award to the extent not yet Vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the Plan,

shall be adjusted in such manner as our Remuneration Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive.

Modifications to the Plan

Any or all of the provisions of the Plan may be modified and/or altered at any time and from time to time by a resolution of our Remuneration Committee, subject to compliance with the Catalist Rules or such other stock exchange on which the Shares are quoted or listed, and for so long as our Company is listed on Catalist, shall not be made without the prior approval of the Sponsor (acting as agent and on behalf of the SGX-ST) and/or the SGX-ST and such other regulatory authorities as may be necessary. However, no modification or alteration shall alter adversely the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were Released to them upon the Performance Conditions for their Awards being satisfied in full, would become entitled to not less than three quarters of all the Shares which would fall to be Vested upon Release of all outstanding Awards upon the Performance Conditions for all outstanding Awards being satisfied in full.

No alteration shall be made to the particular rules of the Plan to the advantage of the Participants, except with the prior approval of Shareholders in a general meeting.

Participation of Executive Director and employees of our Group

The extension of the Plan to the Executive Director and employees of our Group allows us to have a fair and equitable system to reward the Executive Director and employees who have made and will continue to make significant contributions to the long-term growth of our Group.

We believe that the Plan will also enable us to attract, retain and provide incentives to its Participants to produce higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating Participants to contribute towards the long-term growth of our Group.

SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

Rationale for participation by non-executive Directors (including Independent Directors)

While the Plan caters principally to our employees, it is recognised that there are other persons who make significant contributions to our Group through their close working relationships with our Group, even though they are not employed within our Group. Such persons include our non-executive Directors.

Our non-executive Directors are persons from different professions and working backgrounds, bringing to our Group their wealth of knowledge, experience, business expertise and contacts in the business community. They play an important role in helping our Group shape its business strategy by allowing our Group to draw on their diverse backgrounds and working experience. It is crucial for our Group to attract, retain and incentivise our non-executive Directors. By aligning the interests of our non-executive Directors with the interests of our Shareholders, our Company aims to instil a sense of commitment on the part of our non-executive Directors towards serving both the short and long term objectives of our Group.

Our Directors are of the view that including our non-executive Directors in the Plan will show our Company's appreciation for them and further motivate them in their contribution towards the success of our Group. However, as their services and contributions cannot be measured in the same way as the full-time employees of our Group, while it is desired that participation in the Plan be made open to our non-executive Directors, any Awards that may be granted to any such non-executive Director would be intended only as a token of our Company's appreciation.

For the purpose of assessing the contributions of our non-executive Directors, our Remuneration Committee will propose a performance framework comprising mainly non-financial performance measurement criteria, such as the extent of involvement and responsibilities shouldered by our non-executive Directors. In addition, our Remuneration Committee will also consider the scope of advice given, the number of contacts and size of deals which our Group is able to procure from those contacts and recommendations made by our non-executive Directors. Our Remuneration Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all.

It is envisaged that the Vesting of Awards, and hence the number of Shares to be delivered to our non-executive Directors based on the criteria set out above will be relatively small, in terms of the frequency and numbers. Based on this, our Directors are of the view that the participation by our non-executive Directors in the Plan will not compromise the independent status of those who are Independent Directors.

Rationale for participation by Controlling Shareholders and their associates

Our Company acknowledges that the services and contributions of employees who is a Controlling Shareholder or associates of our Controlling Shareholders are important to the development and success of our Group. The extension of the Plan to employees who is a Controlling Shareholder and associates of our Controlling Shareholders allows our Group to have a fair and equitable system to reward employees who have actively contributed to the progress and success of our Group. The participation of our Controlling Shareholders and their associates in the Plan will serve both as a reward to them for their dedicated services to our Group and a motivation for them to take a long term view of our Group.

SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

Although Participants who are Controlling Shareholders or associates of our Controlling Shareholders may already have shareholding interests in our Company, the extension of the Plan to include them ensures that they are equally entitled, with the other employees of our Group, who is not a Controlling Shareholder or associates of our Controlling Shareholders, to take part and benefit from this system of remuneration. We are of the view that a person who would otherwise be eligible should not be excluded from participating in the Plan solely by reason that he/she is a Controlling Shareholder or an associate of our Controlling Shareholder.

The specific approval of our independent Shareholders is required for the participation of such persons as well as the actual number of and terms of such Awards. A separate resolution must be passed for each of such Participant. In seeking such approval from our independent Shareholders, clear justification as to the participation of our Controlling Shareholder and his associates, the number of and terms of the Awards to be granted to our Controlling Shareholder and their associates shall be provided. Accordingly, we are of the view that there are sufficient safeguards against any abuse of the Plan resulting from the participation of employees who are associates of our Controlling Shareholder.

Financial Effects of the Plan

The Plan is considered a share-based payment that falls under SFRS(I) 2 where participants will receive Shares and the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the income statement over the period between the grant date and the Vesting date of an Award. The fair value per share of the Awards granted will be determined using a generally accepted valuation methodology for pricing financial instruments. The significant inputs into the valuation methodology will include, among others, the share price as at the date of grant of the Award, the risk-free interest rate, the Vesting period, volatility of the share and dividend yield. The total amount of the charge over the Vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the Vesting Date, with a corresponding credit to the reserve account. Before the end of the Vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the Vesting Date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the Vesting Date, no adjustment to the charge to the income statement is made.

The amount charged to the income statement also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Award granted at the grant date, and no adjustments to the amounts charged to the income statement are made whether or not the market condition is met. However, if the performance target is not a market condition and the Awards vest as a result of meeting such performance target, the fair value per share of the Awards granted at the grant date is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment by the management at such accounting date of whether the non-market conditions have been met to enable the Awards to vest. Thus, where the Vesting conditions do not include a market condition, there would be no cumulative charge to the profit or loss if the Awards do not ultimately vest.

SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

In the event that the participants receive cash, our Company shall measure the fair value of the liability at grant date. Until the liability is settled, our Company shall re-measure the fair value of the liability at each accounting date and at the date of settlement, with changes in the fair value recognised in the income statement.

The following sets out the financial effects of the Plan:

(a) Share capital

The Plan will result in an increase in our Company's issued share capital when new Shares are issued to Participants. The number of new Shares issued will depend on, among others, the size of the Awards granted under the Plan. In any case, the Plan provides that the number of Shares to be issued or transferred under the Plan, when aggregated with the aggregate number of shares over which options are granted under any other share option schemes of our Company, will be subject to the maximum limit of 15.0% of our Company's total number of issued Shares (excluding Shares held by our company as treasury shares) from time to time. If instead of issuing new Shares to participants, existing Shares are purchased for delivery to Participants, the Plan will have no impact on our Company's issued share capital.

(b) NTA

As described in paragraph (c) below on EPS, the Plan is likely to result in a charge to our Company's profit or loss over the period from the grant date to the Vesting Date of the Awards. The amount of the charge will be computed in accordance with SFRS(I) 2. When new Shares are issued under the Plan, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in share capital. However, if instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants, the NTA would be impacted by the cost of the Shares purchased. It should be noted that the delivery of Shares to Participants under the Plan will generally be contingent upon the eligible participants meeting prescribed performance targets and conditions.

(c) EPS

The Plan is likely to result in a charge to earnings over the period from the grant date to the Vesting Date, computed in accordance with SFRS(I) 2. It should again be noted that the delivery of Shares to Participants of the Plan will generally be contingent upon the Participants meeting the prescribed performance targets and conditions. The issuance of new Shares under the Plan will have a dilutive impact on our EPS.

(d) Dilutive impact

The allotment of new Shares under the Plan will have a dilutive impact on our consolidated EPS.

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, our Directors, CEO, Controlling Shareholder or their respective associates) constitute interested person transactions. Details of interested person transactions of our Group for the Relevant Period are set out below.

Save as disclosed below and in the section entitled “Restructuring Exercise” of this Offer Document, none of our Directors, CEO, Controlling Shareholder or their respective associates was or is interested in any material transaction undertaken by our Group during the Relevant Period.

In line with the rules set out in Chapter 9 of the Catalist Rules, a transaction of value less than S\$100,000 is not considered material in the context of the Placement and may not be taken into account for the purposes of aggregation in this section.

INTERESTED PERSONS

The list of Interested Persons in respect of our interested person transactions for the Relevant Period is set out below:

Interested Person

Relationship with our Group

Individuals

Dato’ Sri Pek	:	Our CEO and Executive Director
Mr. Pek Kok Hing	:	Brother of Dato’ Sri Pek, our CEO and Executive Director

Corporations

Aras Kuasa	:	Aras Kuasa is incorporated in Malaysia and is principally engaged in the exploration, mining, processing and sale of minerals such as bauxite and base metals in Malaysia.
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Our CEO and Executive Director, Dato’ Sri Pek, our Non-Executive Non-independent Chairman, Dato’ Teh, our Substantial Shareholder, Dato’ Lee, and our CFO, Mr. Lim, hold in aggregate 100.0% of the issued share capital of Aras Kuasa.

Aras Kuasa holds various mining rights in Pahang, Malaysia and several of these mines are currently not active or have been placed under care and maintenance. As such, such mines are not aligned with the business and interests of our Group. Accordingly, our Directors are of the view that it would not be in the interest of our Group to include Aras Kuasa as part of our Group.

Daratan Galian Sdn. Bhd. (“ Daratan Galian ”)	:	Daratan Galian is incorporated in Malaysia and is principally engaged in the business of provision of mining exploration and extraction contracting services for mining of iron ores and other minerals and quarry products. Daratan Galian was a wholly-owned subsidiary of Aras Kuasa.
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INTERESTED PERSON TRANSACTIONS

Interested Person

Relationship with our Group

Aras Kuasa had on 30 May 2019 disposed of all its shares in Daratan Galian to an independent third party. As at the Latest Practicable Date, Daratan Galian is no longer an Interested Person.

HChem Marketing (M) Sdn. Bhd. (“**HChem Marketing**”)

: HChem Marketing is incorporated in Malaysia and is principally engaged in the business of dealing in engine lubricant and other related products. Our CEO and Executive Director, Dato’ Sri Pek and his wife, Ms. Xu Liyan, hold in aggregate 100.0% of the issued share capital of HChem Marketing.

HChem Marketing’s business is substantially different from our Group and is not synergistic with the business and operations of our Group. Accordingly, our Directors are of the view that it would not be in the interest of our Group to include HChem Marketing as part of our Group.

Memori Bintang Sdn. Bhd. (“**Memori Bintang**”)

: Memori Bintang is incorporated in Malaysia and is a holder of a mining lease in Malaysia. Our CEO and Executive Director, Dato’ Sri Pek, our Non-Executive Non-Independent Chairman, Dato’ Teh, hold (directly and indirectly) in aggregate 38.75% of the issued share capital of Memori Bintang. The other shareholders of Memori Bintang are independent third parties.

Multi Zillion Properties Sdn. Bhd. (“**Multi Zillion Properties**”)

: Multi Zillion Properties is incorporated in Malaysia and is principally engaged in the business of property development. Our CEO and Executive Director, Dato’ Sri Pek holds 50.0% of the issued share capital of Multi Zillion Properties. The remaining shareholding interest in Multi Zillion Properties are held by independent third party individuals.

Multiline Trading

: Multiline Trading is incorporated in Malaysia and is principally engaged in the business of provision of transportation services. Our CEO and Executive Director, Dato’ Sri Pek, and his brother, Mr. Pek Kok Hua, hold in aggregate 100.0% of the issued share capital of Multiline Trading.

Multiline Trading owns a substantial fleet of vehicular assets and employs a large number of drivers. As such, the operations and business model of Multiline Trading are substantially different from our Group and require different expertise and management skill sets. Accordingly, our Directors are of the view that it would not be in the interest of our Group to include Multiline Trading as part of our Group.

INTERESTED PERSON TRANSACTIONS

Interested Person

Relationship with our Group

Nadi Mesra Sdn. Bhd. ("Nadi Mesra")	:	Nadi Mesra is incorporated in Malaysia and is principally engaged in the business of investment in real properties, timber, logging and agricultural activities. It is a wholly-owned subsidiary of Multiline Trading which is wholly-owned by our CEO and Executive Director, Dato' Sri Pek, and his brother, Mr. Pek Kok Hua.
Remparan Sdn. Bhd. ("Remparan")	:	Remparan is incorporated in Malaysia and is principally engaged in the business of provision of transportation services. It is a wholly-owned subsidiary of Multiline Trading which is wholly-owned by our CEO and Executive Director, Dato' Sri Pek, and his brother, Mr. Pek Kok Hua.

PAST INTERESTED PERSON TRANSACTIONS

(I) Rental of motor vehicles and equipment with Interested Persons

During the Relevant Period, our Group entered into transactions relating to the rental of motor vehicles and equipment with Aras Kuasa, Daratan Galian and Multi Zillion Properties. The aggregate amounts incurred and charged by our Group for such transactions with the Interested Persons are set out below:

Interested Person	Equipment/ motor vehicle hired	FY2017 (RM'000)	FY2018 (RM'000)	FY2019 (RM'000)	1Q2020 (RM'000)	From 1 November 2019 to the Latest Practicable Date (RM'000)
Rental of motor vehicles and equipment from Interested Persons						
Aras Kuasa	Excavators	–	–	37	85	12
Daratan Galian	Motor vehicles	18	18	–	–	–
Rental of motor vehicles and equipment to Interested Persons						
Multi Zillion Properties	Lorries and excavators	–	–	703	175	155

The transactions were not entered into on an arm's length basis and were not carried out on normal commercial terms as no comparable quotes from unrelated third parties were obtained prior to the entry into such transactions. Nevertheless, our Directors are of the opinion that the above transactions were not prejudicial to our Group and our minority Shareholders, as they were based on our Group's assessment of the prevailing market rates for similar motor vehicles and equipment.

Following the Listing of our Company, we do not intend to enter into such rental transactions with any of our Interested Persons.

INTERESTED PERSON TRANSACTIONS

(II) Hiring and transportation services with Interested Persons

During the Relevant Period, our Group entered into hiring and transportation services with the following Interested Persons. The aggregate amounts incurred and charged by our Group for such hiring and transportation services with the Interested Persons are set out below:

Interested Person	FY2017 (RM'000)	FY2018 (RM'000)	FY2019 (RM'000)	1Q2020 (RM'000)	From 1 November 2019 to the Latest Practicable Date (RM'000)
Provision of hiring and transportation services by our Group					
Aras Kuasa	140	219	157	30	–
Daratan Galian	16	8	–	–	–
Multiline Trading	6	23	5	3	–
Memori Bintang	4	28	–	–	–
Nadi Mesra	2	7	–	–	–
Multi Zillion Properties	–	5	–	–	–
Remparan	–	1	–	–	–
Procurement of hiring and transportation services by our Group					
Aras Kuasa	34	32	13	13	2
Remparan	–	–	26	–	–

For the hiring and transportation services, the fees were determined based on either (i) the tonnage of the products as well as the distance travelled; or (ii) the type of vehicle used and the distance travelled.

The above transactions were not entered into on an arm's length basis and were not carried out on normal commercial terms as no comparable quotes from unrelated third parties were obtained prior to the entry into such transactions. Nevertheless, our Directors are of the opinion that the above transactions were not prejudicial to our Group and our minority Shareholders, as they were based on our Group's assessment of the prevailing market rates for similar services and were comparable to those charged by or charged to other unrelated third parties for similar hiring and transportation services.

Following the Listing of our Company, we do not intend to enter into such hiring and transportation transactions with any of our Interested Persons.

(III) Provision of crushing services

During the Relevant Period, our Group provided crushing services to Aras Kuasa. The amounts charged by our Group to Aras Kuasa for the provision of such crushing services in FY2019 was approximately RM237,000. Our Group had ceased the provision such crushing services to Aras Kuasa since June 2019.

INTERESTED PERSON TRANSACTIONS

The transactions were not entered into on an arm's length basis and were not carried out on normal commercial terms as no comparable quotes from unrelated third parties were obtained prior to the entry into such transactions. Nevertheless, our Directors are of the opinion that the above transactions were not prejudicial to our Group and our minority Shareholders, as they were based on our Group's assessment of the prevailing market rates for crushing services.

Following the Listing of our Company, we do not intend to enter into such transactions with any of our Interested Persons.

(IV) Sale of iron ore concentrate

During the Relevant Period, our Group sold iron ore concentrate to Aras Kuasa. The rationale for the sale of iron concentrate to Aras Kuasa was that (i) Aras Kuasa is engaged in the trading of minerals and has established a good overseas customer network and track record; and (ii) our Group was producing and selling solely pipe coating material prior to the sale of iron ore concentrate and our Group had leveraged on the track record of Aras Kuasa for the initial sale of iron ore concentrate. The amounts received from Aras Kuasa by our Group for such sale of iron ore concentrate for FY2017 and FY2018 were approximately RM41.8 million and RM41.8 million respectively. There was no sale of iron ore concentrate to Aras Kuasa in FY2019 and 1Q2020 and the period from 1 November 2019 to the Latest Practicable Date.

The sales of iron ore concentrate were not entered into on an arm's length basis and were not carried out on normal commercial terms as no comparable quotes from unrelated third parties were obtained prior to the entry into such transactions. Nevertheless, our Directors are of the opinion that the above transactions were prejudicial to our Group and our minority Shareholders as Aras Kuasa was our controlling shareholder. There were no concerns on transfer pricing as there is no differential in the tax rates charged for both companies. Accordingly, there is no potential loss in tax revenue to the authorities.

Following the Listing of our Company, we do not intend to enter into such transactions with any of our Interested Persons.

(V) Sale of property

On 2 December 2016, our Group disposed of a property known as Lot No. TC05, Bandar Puteri, Phase CP16/The Cube, located at Puchong, Malaysia to Nadi Mesra for a consideration of approximately RM9.5 million. The transaction was not on an arm's length basis and not carried out on normal commercial terms as the consideration for the disposal of the property was not based on independent valuation. However, our Directors are of the opinion that the above disposal was not prejudicial to our Group and our minority Shareholders as the disposal was based on the book value of the property and our Group has not used the property in relation to our Group's operations.

Following the Listing of our Company, we do not intend to enter into such transactions with any of our Interested Persons.

(VI) Purchase of heavy equipment

In FY2018, our Group purchased a dump truck from Aras Kuasa for approximately RM0.1 million. In FY2019, our Group purchased two (2) lorries and two (2) shovel loaders from Aras Kuasa for approximately RM0.3 million.

INTERESTED PERSON TRANSACTIONS

The consideration for the purchase of the aforesaid heavy equipment was not on an arm's length basis and not carried out on normal commercial terms as no independent valuation was conducted on the heavy equipment. However, our Directors are of the opinion that the above purchases were not prejudicial to our Group and our minority Shareholders, taking into consideration the management's estimation of the approximate second-hand resale value of the heavy equipment.

The above transactions were one-off purchases. Following the Listing of our Company, we do not intend to enter into such transactions with any of our Interested Persons.

(VII) Loans to our Group

During the Relevant Period, Dato' Sri Pek and Mr. Pek Kok Hing had provided interest-free loans to our Group. The aggregate amount of loans owing to Dato' Sri Pek and Mr. Pek Kok Hing as at the end of each of the last three (3) financial years and as at the Latest Practicable Date are set out below:

RM'000	As at 31 July 2017	As at 31 July 2018	As at 31 July 2019	As at 31 October 2019	As at the Latest Practicable Date
Loans outstanding and payable to Dato' Sri Pek	1,458	845	—	—	—
Loans outstanding and payable to Mr. Pek Kok Hing	406	406	—	—	—

During the Relevant Period, the aggregate largest amount of outstanding loans from Dato' Sri Pek and Mr. Pek Kok Hing was approximately RM7.9 million and RM0.4 million respectively.

As at the Latest Practicable Date, all the loans have been repaid and there is no amount due from our Group to Dato' Sri Pek and Mr. Pek Kok Hing. The provision of the loans from Dato' Sri Pek and Mr. Pek Kok Hing was not on an arm's length basis and was not carried out on normal commercial terms as the loans were unsecured, interest-free and had no fixed repayment terms. Nonetheless, our Directors are of the opinion that the loans were not prejudicial to our Group and our minority Shareholders.

Following the Listing of our Company, we do not intend to enter into such transactions with any of our Interested Persons.

INTERESTED PERSON TRANSACTIONS

(VIII) Provision of personal guarantees and indemnities to our Group

During the Relevant Period, Dato' Sri Pek and Mr. Pek Kok Hing have provided personal guarantees and indemnities in favour of our Group for the facilities granted to it by various financial institutions, details of which are set out below:

Financial institution	Date of facility	Type of facility	Amount of facility (RM'000)	Interest rate	Interested Person(s) who provided the guarantees/ indemnities	Largest amount guaranteed during the Relevant Period (RM'000)
Malayan Banking Berhad	1 February 2018 (supplemented by a supplementary letter of offer dated 21 May 2018)	Blanket overdraft facilities	2,000	5.10% per annum	Dato' Sri Pek and Mr. Pek Kok Hing	2,000
OCBC Bank (Malaysia) Berhad	3 June 2011	10-year term loan	1,000	8.26% per annum	Dato' Sri Pek and Mr. Pek Kok Hing	1,000
OCBC Bank (Malaysia) Berhad	3 June 2011	10-year term loan	500	8.26% per annum	Dato' Sri Pek and Mr. Pek Kok Hing	500
OCBC Bank (Malaysia) Berhad	3 June 2011	10-year term loan	900	8.26% per annum	Dato' Sri Pek and Mr. Pek Kok Hing	900

As at the Latest Practicable Date, all the above facilities have been fully repaid and the personal guarantees have been discharged.

The provision of personal guarantees and indemnities by Dato' Sri Pek and Mr. Pek Kok Hing was not on an arm's length basis and was not carried out on normal commercial terms as no benefit-in-kind, commission or interest was paid to Dato' Sri Pek or Mr. Pek Kok Hing. However, our Directors are of the opinion that as no benefit-in-kind, commission or interest was paid to Dato' Sri Pek or Mr. Pek Kok Hing for providing the above guarantees or indemnities, such provision of personal guarantees and indemnities was not prejudicial to our Group and our minority Shareholders.

Dato' Sri Pek and Mr. Pek Kok Hing have provided other personal guarantees and indemnities which have not been discharged as at the date of this Offer Document. Please refer to the section entitled "Interested Person Transactions – Present and On-going Interested Person Transactions" for further details on such personal guarantees and indemnities.

(IX) Fleet management services from Multiline Trading

Under a fleet management agreement dated 13 November 2014 which was supplemented on 25 September 2015 ("**Fleet Management Arrangement**"), Multiline Trading agreed to manage our Group's fleet of trucks and heavy vehicles ("**HSD Vehicles**") and Multiline Trading would, at our Group's request, arrange the transportation of our iron ore products with the HSD Vehicles. The transportation services were provided based on the prevailing market rate as set out in the section entitled "Interested Person Transactions – Present and On-going Interested Person Transactions – (II) Hiring and transportation services with

INTERESTED PERSON TRANSACTIONS

Interested Persons” of this Offer Document. However, given that the HSD Vehicles were utilised in providing the transportation services, Multiline Trading agreed to pay our Group a fee determined by our Group. During the Relevant Period, the fees paid by Multiline Trading to our Group for the utilisation of the HSD Vehicles are set out below:

RM'000	FY2017	FY2018	FY2019	1Q2020	From 1 November 2019 to the Latest Practicable Date
Fees paid by Multiline Trading	171	198	220	55	–

The fee was determined based on, *inter alia*, the net book value of the HSD Vehicles as at 31 July 2015, the remaining average useful life of the HSD Vehicles, the average availability of the HSD Vehicles and the average capacity of the HSD Vehicles. As such, the Fleet Management Arrangement was not on an arm’s length basis and was not carried out on normal commercial terms. Nonetheless, our Directors are of the opinion that the above transactions were not prejudicial to our Group and our minority Shareholders as the fee was determined with the view to partially defray the depreciation expenses of the HSD Vehicles and our Group does not need to incur costs in managing and operating the HSD Vehicles.

Our Group had, on 3 December 2019, terminated the Fleet Management Arrangement. Following the Listing of our Company, we do not intend to enter into such transactions with any of our Interested Persons.

(X) Expenses incurred on behalf of Honest Sam by Aras Kuasa

In FY2014 and FY2015, Aras Kuasa paid a sum of approximately RM10.2 million for and on behalf of Honest Sam to a third party drilling contractor to conduct drilling works at the Chaah Mine. The expenses incurred on behalf of Honest Sam by Aras Kuasa was not on an arm’s length basis and was not carried out on normal commercial terms as no benefit-in-kind, commission or interest was paid to Aras Kuasa. However, our Directors are of the opinion that as no benefit-in-kind, commission or interest was paid to Aras Kuasa to incur such expenses on behalf of Honest Sam, such transaction was not prejudicial to our Group and our minority Shareholders.

As at 31 October 2019, the net amount owing to Aras Kuasa was approximately RM3.5 million. As at the Latest Practicable Date, the amount has been fully repaid by Honest Sam to Aras Kuasa.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

(I) Sale of pipe coating materials to Aras Kuasa

During the Relevant Period, our Group has sold pipe coating materials to Aras Kuasa for its onward sale to an end user which requires such pipe coating materials. To the best of the knowledge of our Executive Director and our Group’s employees, one of our Group’s major pipe coating customers (“**End Customer**”) which requires such pipe coating materials has strict in-house policies which prohibit their suppliers from supplying the same products to their competitors directly. Our Group was informed verbally of such restriction by the End

INTERESTED PERSON TRANSACTIONS

Customer and such restriction is not stipulated in any agreement between the End Customer and our Group, or any purchase order issued by the End Customer to our Group for each order. Accordingly, we have sold pipe coating materials to Aras Kuasa for its onward sale to a competitor of the End Customer ("**End Customer's Competitor**") who we are not able to sell directly to and with which Aras Kuasa has a direct business relationship with. The credit risk for the sale of pipe coating materials to the End Customer's Competitor is undertaken by Aras Kuasa. The End Customer contributed approximately 5.0%, 2.8%, 3.2% and 1.3% to our Group's revenue for FY2017, FY2018, FY2019 and 1Q2020 respectively. Accordingly, our Group was not materially dependent on the End Customer during the Period Under Review. To the best knowledge of our Directors, the End Customer is aware that the pipe coating materials supplied to both the End Customer and the End Customer's Competitor is from the Chaah Mine. As such, our Directors are of the view that there will not be any material and adverse effects to our Group's business, results of operations and financial condition. Additionally, even if the End Customer decides not to purchase our pipe coating materials, our Group will be able to sell our iron ore products to other customers.

The aggregate amounts paid by Aras Kuasa to our Group during the Relevant Period for the purchase of the pipe coating materials are set out below:

RM'000	FY2017	FY2018	FY2019	1Q2020	From 1 November 2019 to the Latest Practicable Date
Sale of pipe coating materials	3,170	2,753	5,962	1,031	8,452

The selling prices of the pipe coating materials sold to Aras Kuasa were slightly lower than the rates charged by our Group to our End Customer. However, in the reasonable opinion of our Directors, the transactions were on an arm's length basis and on normal commercial terms and were not prejudicial to our Group and our minority Shareholders because:

- (a) the selling prices were determined on a transparent basis where our Group had knowledge of the ultimate selling prices paid by the End Customer's Competitor to Aras Kuasa. This allowed our Group to calculate the percentage of gross profit to be generated by Aras Kuasa from the transaction and our Group was able to assess if such percentage of gross profit was commensurate with the efforts put in by Aras Kuasa to facilitate the transaction;
- (b) Aras Kuasa was responsible for the logistics of transporting the pipe coating materials from our mine site to the End Customer's Competitor's premise; and
- (c) our Group would not derive any revenue from the End Customer's Competitor without the sale by Aras Kuasa.

Our Company has considered the relevant transfer pricing issues for the above transaction. As both Aras Kuasa and the End Customer's Competitor are companies incorporated in Malaysia, there is no differential in the tax rates charged for both companies. Accordingly, there is no potential loss in tax revenue to the authorities. During the course of the audit for our Group's financial statements, no material transfer pricing concerns had come to the

INTERESTED PERSON TRANSACTIONS

attention of Ernst & Young. Additionally, our Company has also engaged Ernst & Young Tax Consultants Sdn. Bhd., who is assisting with the transfer pricing documentation.

Following the Listing of our Company, we intend to continue entering into similar transactions with Aras Kuasa to sell pipe coating materials only to the End Customer's Competitor. To ensure that the sale of pipe coating materials to Aras Kuasa is on an arm's length basis and will not be prejudicial to the interest of our Group and our minority Shareholders, the terms of the sale will be subject to the review procedures under the Shareholders' Mandate as set out in the section entitled "Interested Person Transactions – Shareholders' Mandate" of this Offer Document. Aras Kuasa has also provided our Company with an irrevocable and unconditional undertaking that it will only purchase pipe coating materials solely for onward sale to the End Customer's Competitor and that upon demand from our Company, it will immediately cease the sale of any pipe coating materials to the End Customer's Competitor. There are no termination provisions set out in this undertaking, and in the event of a breach of such undertaking, our Company will be able to commence legal proceedings against Aras Kuasa.

(II) Procurement of hiring and transportation services from Multiline Trading

During the Relevant Period, our Group procured hiring and transportation services from Multiline Trading. The aggregate amounts incurred by our Group for such hiring and transportation services are set out below:

RM'000	FY2017	FY2018	FY2019	1Q2020	From 1 November 2019 to the Latest Practicable Date
Multiline Trading ⁽¹⁾	138	2,154	18,780	5,661	8,859

Note:

(1) Please refer to the section entitled "General Information on Our Group – Major Suppliers" for more information relating to our Group's transactions with Multiline Trading.

The charges for the above hiring and transportation services were determined based on either (i) the tonnage of the products as well as travel distance; or (ii) the type of vehicle used for the transportation.

The charges for the above hiring and transportation services incurred were determined based on prevailing market rates for similar services and were comparable to those charged by other unrelated third parties. As such, our Directors are of the opinion that the above transactions were on an arm's length basis, carried out on normal commercial terms and not prejudicial to our Group and our minority Shareholders.

Following the Listing of our Company, we intend to continue with the procurement of hiring and transportation services from Multiline Trading under the Shareholders' Mandate. To ensure that all future hiring and transportation services with Multiline Trading are carried out on normal commercial terms and will not be prejudicial to the interest of our Group and our minority Shareholders, all future purchases shall be carried out in the accordance with the methods and procedures set out in the section entitled "Interested Person Transactions – Shareholders' Mandate" of this Offer Document.

INTERESTED PERSON TRANSACTIONS

(III) Purchase of lubricants from HChem Marketing

During the Relevant Period, our Group purchased lubricants from HChem Marketing for our heavy equipment and vehicles such as dump trucks, generators and excavators. The aggregate amounts incurred by our Group to HChem Marketing for such transactions are set out below:

RM'000	FY2017	FY2018	FY2019	1Q2020	From 1 November 2019 to the Latest Practicable Date
Purchase of lubricants	24	21	204	88	150

The above transactions were entered into on an arm's length basis and carried out on normal commercial terms as the prices were based on prevailing market rates of lubricants. Accordingly, our Directors are of the opinion that the transactions were not prejudicial to our Group and our minority Shareholders.

Following the Listing of our Company, we intend to continue to enter into similar transactions with HChem Marketing under the Shareholders' Mandate. To ensure that all future purchases of lubricants from HChem Marketing are carried out on normal commercial terms and will not be prejudicial to the interest of our Group and our minority Shareholders, all future purchases shall be carried out in accordance with the methods and procedures set out in the section entitled "Interested Person Transactions – Shareholders' Mandate" of this Offer Document.

(IV) Purchase of spare parts and equipment for our heavy machinery and vehicles from Multiline Trading

During the Relevant Period, our Group purchased spare parts and equipment such as tyres, radiators, tubing and bolts for our heavy machinery and vehicles from Multiline Trading. The aggregate amounts incurred by our Group to Multiline Trading for such transactions are set out below:

RM'000	FY2017	FY2018	FY2019	1Q2020	From 1 November 2019 to the Latest Practicable Date
Purchase of spare parts and equipment	172	176	161	62	128

The above transactions were on an arm's length basis and carried out on normal commercial terms as the prices were based on prevailing market rates for similar spare parts and equipment. Accordingly, our Directors are of the opinion that the transactions were not prejudicial to our Group and our minority Shareholders.

Following the Listing of our Company, we intend to continue entering into similar transactions with Multiline Trading under the Shareholders' Mandate. To ensure that all future purchases from our Interested Persons are carried out on normal commercial terms and will not be prejudicial to the interest of our Group and our minority Shareholders, all

INTERESTED PERSON TRANSACTIONS

future purchases shall be carried out in accordance with the methods and procedures set out in the section entitled “Interested Person Transactions – Shareholders’ Mandate” of this Offer Document.

(V) Shared Services with Aras Kuasa Group

During the Period Under Review, the Aras Kuasa Group and our Group had centralised the information technology services staff within the Aras Kuasa Group. The employees of the Aras Kuasa Group had provided information technology services to our Group (“**Shared Services**”).

As there were no fees charged by the Aras Kuasa Group for the Shared Services, such transactions were not conducted on an arm’s length basis and were not on normal commercial terms. Accordingly, our Directors are of the view that such transactions were not prejudicial to the interests of our Group and our minority Shareholders.

Following the Listing of our Company, we intend to continue to obtain Shared Services from Aras Kuasa Group as we do not foresee an increase in information technology services required post-Listing and that a substantial part of our Group’s operations is at the Chaah Mine. Accordingly, the present arrangement is sufficient for our Group’s purposes and our Directors are of the view that it is currently not necessary for our Group to employ information technology services staff directly. In this regard, we have entered into an agreement with Aras Kuasa dated 21 January 2020, pursuant to which Aras Kuasa was appointed to provide or procure the provision of information technology services to our Group (“**Shared Services Agreement**”). To ensure that the terms for the renewal of the Shared Services Agreement are carried out on normal commercial terms and will not be prejudicial to the interests of our Group and our minority Shareholders, the Shared Services Agreement will be subject to the review procedures under the Shareholders’ Mandate as set out in the section entitled “Interested Person Transactions – Shareholders’ Mandate” of this Offer Document.

(VI) Lease of property

Upon completion of the Restructuring Exercise, Teras Megajaya ceased to be a joint venture of our Group. In connection with the divestment of Teras Megajaya by our Group, we entered into a tenancy agreement dated 19 November 2019 (“**Tenancy Agreement**”) with Teras Megajaya for our office premises at Level 8, Menara Zenith, Jalan Putra Square 6, Putra Square, Kuantan, Pahang. The total gross floor area of the office premises is approximately 4,360 square feet and the rent payable by our Group for such lease is RM18,000 per month. The term of the lease is three (3) years. Pursuant to the Tenancy Agreement, our Group has also paid (i) a security deposit of RM18,000; (ii) a utilities deposit of RM9,000; and (iii) a fit-out deposit/restoration deposit of RM18,000 to Teras Megajaya. Please see the section titled “General Information on Our Group – Properties and Fixed Assets – Properties Leased by Our Group” of this Offer Document for further details on the terms of the lease.

Prior to the entering of the Tenancy Agreement, our Group has not incurred or paid any rental to Teras Megajaya. The aggregate amount paid by our Group to Teras Megajaya upon the entering into the Tenancy Agreement until the Latest Practicable Date is RM72,000.

INTERESTED PERSON TRANSACTIONS

Based on the independent third party valuation conducted on the office premises, our Directors are of the view that the Tenancy Agreement was entered into on an arm's length basis and is on normal commercial terms, and is not prejudicial to the interests of our Group and our minority Shareholders. It is envisaged that we will continue to enter into such rental arrangements with Teras Megajaya following our Listing as it is in our interests to do so, and in accordance with the guidelines and procedures for interested person transactions set out in the section entitled "Interested Person Transactions – Guidelines and Review Procedures for On-going and Future Interested Person Transactions" of this Offer Document and the requirements under Chapter 9 of the Catalist Rules.

INTERESTED PERSON TRANSACTIONS

(VII) Provision of personal guarantees and indemnities to our Group

During the Relevant Period, Dato' Sri Pek and Mr. Pek Kok Hing have provided personal guarantees and indemnities in favour of our Group for the facilities granted to it by financial institution and financial services companies, details of which are set out below:

Financial institution/ service company	Date of facility	Type of facility	Amount of facility (RM'000)	Interest rate of facility	Maturity profile	Largest amount guaranteed during the Relevant Period (RM'000)	Amount outstanding as at the Latest Practicable Date (RM'000)
Public Bank Berhad	14 September 2017	Hire purchase	375	2.33% per annum	60 months	375	192
Public Bank Berhad	12 February 2018	Hire purchase	100	2.45% per annum	60 months	100	60
Public Bank Berhad	13 July 2018	Hire purchase	74	2.58% per annum	36 months	74	32
Public Bank Berhad	31 October 2018	Hire purchase	95	2.48% per annum	36 months	95	49
Public Bank Berhad	9 November 2018	Hire purchase	95	2.48% per annum	36 months	95	52
Caterpillar Financial Services Malaysia Sdn. Bhd.	11 April 2018	Hire purchase	944	3.40% per annum	36 months	944	335
Caterpillar Financial Services Malaysia Sdn. Bhd.	1 October 2018	Hire purchase	944	3.40% per annum	36 months	944	469
Caterpillar Financial Services Malaysia Sdn. Bhd.	1 October 2018	Hire purchase	100	4.00% per annum	36 months	100	50
Public Bank Berhad	19 June 2019	Hire purchase	120	2.38% per annum	36 months	120	91
Public Bank Berhad	24 June 2019	Hire purchase	76	2.50% per annum	36 months	76	58
Public Bank Berhad	22 August 2019	Hire purchase	260	2.21% per annum	60 months	260	233
Orix Credit Malaysia Sdn. Bhd. ⁽¹⁾	25 December 2019	Hire purchase	3,230	2.60% per annum	36 months	3,230	2,811
Orix Credit Malaysia Sdn. Bhd. ⁽¹⁾	25 December 2019	Hire purchase	3,230	2.60% per annum	36 months	3,230	2,811
Public Bank Berhad	24 February 2020	Hire purchase	120	2.33% per annum	36 months	120	114
Public Bank Berhad	30 March 2020	Hire purchase	156	2.24% per annum	60 months	156	154

Note:

(1) Dato Sri Pek and Mr. Pek Kok Hing had provided personal guarantees and indemnities for the new hire purchase from Orix

INTERESTED PERSON TRANSACTIONS

The provision of personal guarantees and indemnities by Dato' Sri Pek and Mr. Pek Kok Hing was not on an arm's length basis and was not carried out on normal commercial terms. However, our Directors are of the opinion that as no benefit-in-kind, commission or interest was paid to Dato' Sri Pek or Mr. Pek Kok Hing for providing the above guarantees or indemnities, such provision of personal guarantees and indemnities was not prejudicial to our Group and our minority Shareholders.

Following the admission of our Company to the Catalist of the SGX-ST, we intend to request for the discharge of the above personal guarantees and indemnities provided by Dato' Sri Pek and Mr. Pek Kok Hing and replace them with a corporate guarantee or indemnity by our Company. Following such replacement of the personal guarantees, we do not expect any material changes to the other terms and conditions of the facilities. In the event that the financial institutions or financial services companies do not accept the substitution of the guarantees or indemnities and we are unable to secure alternative hire purchase facilities on similar terms, Dato' Sri Pek and Mr. Pek Kok Hing have agreed to continue providing such guarantees or indemnities until such time we are able to secure alternative facilities from other financial institutions or financial services companies.

OTHER TRANSACTIONS

Provision of Legal Services by JGSSC to our Group

During the Period Under Review, JGSSC provided legal services to our Group amounting to an aggregate of approximately RM18,000. Our Independent Director, Dato' Jacob, is the managing partner of JGSSC, and was the partner in charge of providing the legal services. Our Company is of the view that the fees paid to JGSSC are commensurate with the legal services provided by it as it is based on an hourly rate that was charged to independent third parties, and that the above transactions were carried out on an arm's length basis and on normal commercial terms, and not prejudicial to our Group and our minority Shareholders although no other third party quotes were obtained. Our Company is also of the view that the fees paid to JGSSC were not material and will not interfere with Dato' Jacob's independent judgment in his capacity as an Independent Director.

Following the Listing of our Company, we do not intend to enter into such transactions with JGSSC.

SHAREHOLDERS' MANDATE

Background

We anticipate that we would, on and after the date of admission of our Company to Catalist, in the ordinary course of business, continue to enter into certain transactions with our Interested Persons, including but not limited to those categories of transactions described below. In view of the time-sensitive nature and recurrent nature of commercial transactions, it would be advantageous for us to obtain a Shareholders' Mandate to enter into certain interested person transactions in the ordinary course of our business, provided that all such transactions are carried out on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

Chapter 9 of the Catalist Rules allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. These transactions may not include the purchase or sale of assets, undertakings or businesses which are not part of our day-to-day operations.

INTERESTED PERSON TRANSACTIONS

Pursuant to Rule 920(2) of the Catalist Rules, our Company may treat a general mandate as having been obtained from our Shareholders for us to enter into certain interested person transactions with certain interested persons if the information required under Rule 920(1)(b) of the Catalist Rules is included in this Offer Document. In relation to the Shareholders' Mandate, the information required by Rule 920(1)(b) is as follows:

- (i) the class of interested persons with which the entity at risk will be transacting;
- (ii) the nature of the transactions contemplated under the Shareholders' Mandate;
- (iii) the rationale for, and benefit to, the entity at risk;
- (iv) the methods or procedures for determining transaction prices;
- (v) the Independent Financial Adviser's opinion on whether the methods or procedures in (iv) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders;
- (vi) an opinion from our Audit Committee if it takes a different view to the Independent Financial Adviser;
- (vii) a statement from us that we will obtain a fresh mandate from our Shareholders if the methods or procedures in (iv) above become inappropriate; and
- (viii) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.

By subscribing for and/or purchasing the Placement Shares, new Shareholders are deemed to have approved the Shareholders' Mandate. The Shareholders' Mandate will be effective until the earlier of the following:

- (i) the conclusion of our first annual general meeting following our admission to Catalist; or
- (ii) the first anniversary of the date of our admission to Catalist.

Thereafter, we will seek the approval of our Shareholders for a renewal of the Shareholders' Mandate at each subsequent annual general meeting or the date by which the next annual general meeting is required by the law to be held, subject to satisfactory review by our Audit Committee of its continued application to the transactions with the Mandated Interested Persons (as defined herein).

In accordance with Rule 920(1)(b)(viii) of the Catalist Rules, Interested Persons and their associates shall abstain from voting on resolutions approving Interested Person Transactions involving themselves and our Group. Furthermore, such Interested Persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder. As such, Dato' Sri Pek and Dato' Teh, and their associates will abstain from voting on the resolutions approving the renewal of the Shareholders' Mandate.

INTERESTED PERSON TRANSACTIONS

Transactions which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Catalist Rules and/or any applicable law. Transactions conducted under the Shareholders' Mandate are not separately subject to Rules 905 and 906 of the Catalist Rules pertaining to threshold and aggregation requirements.

(A) Names of Mandated Interested Persons

The Shareholders' Mandate will apply to the transactions that are carried out between our Group and the following persons (collectively, the **"Mandated Interested Persons"** and each a **"Mandated Interested Person"**):

(i) Aras Kuasa

Aras Kuasa is principally engaged in the exploration, mining, processing and sale of minerals such as bauxite and base metals in Malaysia. Currently, Aras Kuasa is responsible for the sale of our pipe coating materials solely to the End Customer's Competitor. We will also procure Shared Services from Aras Kuasa.

(ii) HChem Marketing

HChem Marketing is principally engaged in the business of dealing in engine lubricant and other related products. We may from time to time purchase lubricants from HChem Marketing for our heavy equipment.

(iii) Multiline Trading

Multiline Trading is principally engaged in the business of provision of hiring and transportation services. We engage Multiline Trading for, *inter alia*, the transportation of our iron ore products to ports or to our customers' premises. As the Multiline Trading is also in the business of trading of spare parts and equipment for heavy machinery and vehicles, we may from time to time purchase such products from the Multiline Trading.

Our Finance Department shall maintain a list of the Mandated Interested Persons and seek confirmation from the Directors and Controlling Shareholder on a quarterly basis.

INTERESTED PERSON TRANSACTIONS

(B) Categories of Mandated Transactions

The Shareholders' Mandate will apply to the following transactions between our Group and the Mandated Interested Persons ("**Mandated Transactions**"), including but not limited to:

- (i) The sale of pipe coating materials by our Group to Aras Kuasa for onward sale to only the End Customer's Competitor;
- (ii) The procurement of hiring and transportation services by our Group from Multiline Trading;
- (iii) The purchase of lubricants by our Group from HChem Marketing;
- (iv) The procurement of spare parts and equipment by our Group from Multiline Trading; and
- (v) The procurement of Shared Services by our Group from Aras Kuasa pursuant to the Shared Services Agreement.

The Mandated Transactions relate to the provision to, or obtaining from, Mandated Interested Persons of products and services in the ordinary course of business of our Group or which are necessary for the day-to-day operations, but not in respect of the purchase or sale of assets, undertakings or businesses. Transactions with the Mandated Interested Persons which do not fall within the ambit of the Mandated Transactions will be subject to the relevant provisions of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

(C) Rationale for and Benefits of the Shareholders' Mandate

Prior to the Restructuring Exercise, our Group was a wholly-owned subsidiary of Aras Kuasa. Aras Kuasa and its group of companies (the "**Aras Kuasa Group**") are also involved in the exploration, mining, processing and sale of other minerals, such as base metals and bauxite. The Aras Kuasa Group and its Controlling Shareholders also have companies which are engaged in other mining related businesses for example, equipment leasing, transportation and other related supplies. Hence, our Group may from time to time transact with such companies in the ordinary course of our business.

In addition, Aras Kuasa currently onsells our pipe coating materials to the End Customer's Competitor. To the best of the knowledge of our Directors, some of our Group's customers which require such pipe coating materials have strict in-house policies which prohibit their suppliers from supplying the same products to their competitors directly. For example, if we are a supplier to customer A, customer A will request for us to not sell to customer B which is their competitor, and will refuse to purchase from our Group if we sell our products to customer B. Hence, to effect sales to the End Customer's Competitor, we have sold our pipe coating materials to Aras Kuasa which then onsells the materials to the End Customer's Competitor. In FY2019 and 1Q2020, sales of pipe coating materials to Aras Kuasa represented approximately 3.2% and 1.3% of our Group's revenue respectively. Accordingly, it will be a loss of business if our Group ceases to sell the pipe coating materials to the End Customer's Competitor through Aras Kuasa. In order to mitigate any conflict of interests, Aras Kuasa has undertaken that they will only engage the End Customer's Competitor for the sale of pipe coating materials. Please refer to the section entitled "Interested Person Transactions – Present and On-going Interested Person

INTERESTED PERSON TRANSACTIONS

Transactions – (I) Sale of pipe coating materials to Aras Kuasa” for more details on the undertaking provided by Aras Kuasa.

The Shareholders’ Mandate and its subsequent renewal on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders’ approval as and when potential Mandated Transactions with Mandated Interested Persons arise, thereby substantially reducing administrative time and expenses in convening such meetings, without compromising the corporate objectives or any strategic advantages and adversely affecting the business opportunities available to us. These transactions may be constrained by their time-sensitive and confidential nature, and it may be impractical to seek Shareholders’ approval on a case-by-case basis before entering into them.

The Shareholders’ Mandate is intended to facilitate transactions in the ordinary course of our business which are transacted from time to time with the specified classes of Mandated Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

Disclosure will be made in our annual report of the aggregate value of the interested person transactions conducted pursuant to the Shareholders’ Mandate during the financial year and in the annual reports for subsequent years that the Shareholders’ Mandate continues to be in force. In addition, we will announce the aggregate value of transactions conducted pursuant to the Shareholders’ Mandate during the relevant financial period within the required time frame stipulated in the Catalist Rules. Such disclosures will be in the form set out in Rule 907 of the Catalist Rules.

(D) Methods and Procedures for entering into Mandated Transactions with Mandated Interested Persons

We will be implementing the following internal controls system as well as methods and procedures, to ensure that Mandated Transactions with the Mandated Interested Persons will be carried out on normal commercial terms, supported by independent valuation where appropriate, and are consistent with our Group’s usual business policies and practices and are not prejudicial to the interests of our Company and our minority Shareholders.

In particular, the following methods and/or procedures have been implemented:

(a) Sale of pipe coating materials to Aras Kuasa

- (i) We shall determine the selling price of the pipe coating materials to be sold to Aras Kuasa for its onward sale of such pipe coating materials to the End Customer’s Competitor based on the price offered to and accepted by the End Customer’s Competitor. The price offered to and accepted by the End Customer’s Competitor, which is computed by price per tonne multiplied by the total volume purchased, shall be made fully transparent to our Group (“**Ultimate Selling Price**”). The Ultimate Selling Price is negotiated by Aras Kuasa, who will then inform our Group of its discussions with the End Customer’s Competitor. In the event that our Group does not agree with the Ultimate Selling Price, our Group can choose not to enter into the transaction for the sale of pipe coating materials to Aras Kuasa to onsell to the End Customer’s Competitor.

INTERESTED PERSON TRANSACTIONS

- (ii) We will then calculate the relevant costs to be borne by Aras Kuasa for the transportation of the pipe coating materials from our mine site to the End Customer's Competitor's premises. Such relevant costs include but is not limited to freight and transportation charges, insurance and port charges ("**AK Relevant Cost**").
- (iii) For the effort put in by Aras Kuasa in liaising with the End Customer's Competitor and for arranging the relevant logistics for the sale to the End Customer's Competitor, Aras Kuasa will also charge a percentage of the Ultimate Selling Price. In determining the percentage of the Ultimate Selling Price, we will take into account our past transactions with Aras Kuasa for the most recently completed financial year. The percentage of the Ultimate Selling Price shall not be higher than the highest historical rate of such transactions. Accordingly, the selling price of our pipe coating materials to Aras Kuasa shall be computed as follows:

$$\text{Selling Price to Aras Kuasa} = \text{Ultimate Selling Price} - \text{AK Relevant Cost} - \text{Percentage of Ultimate Selling Price}$$

- (iv) In addition, we will also calculate the gross margin to be derived by our Group from the sale of the pipe coating materials to Aras Kuasa ("**PCM Gross Margin**"). The PCM Gross Margin shall not be lower than the average gross margin of our Group for the most recently completed financial year.
- (v) Prior to any sale of pipe coating materials to Aras Kuasa, our Group will assess and determine whether (i) there is existing demand for pipe coating materials from our End Customer; and (ii) the profit margin from the sale of iron ore concentrate is not higher than the profit margin from the sale of pipe coating materials to Aras Kuasa. Our Group will only accept the order for the sale of the pipe coating materials to Aras Kuasa when (i) there is sufficient supply to satisfy demands of pipe coating materials from our End Customer; and (ii) the profit margin from the sale iron ore concentrate is not higher than the sale of pipe coating materials to Aras Kuasa.
- (vi) If our Group engages other third parties for the onward sale of our pipe coating materials in the future, the prices and terms of the sale of pipe coating materials to Aras Kuasa will be determined with reference to a minimum of two (2) other contracts or invoices issued to unrelated third parties for the same or substantially similar type of transactions. The terms of the transaction must be consistent with the margins and on terms which are no more favourable to Aras Kuasa than those extended to unrelated third parties.
- (vii) All sales of pipe coating materials to Aras Kuasa shall be tabled to our Audit Committee for their approval before execution.
- (viii) Our Group has considered the relevant transfer pricing issues for the aforesaid arrangements, based on the following:
 - (a) both Aras Kuasa and the End Customer's Competitor are companies incorporated in Malaysia;

INTERESTED PERSON TRANSACTIONS

- (b) there is no differential in the tax rates charged for both companies; and
- (c) the percentage of Sale Consideration is supportable by past transactions and our Company has the requisite supporting documents.

Accordingly, there is no potential loss in tax revenue to the authorities. During the course of the financial statements audit, no material transfer pricing concerns has come to the attention of Ernst & Young. Additionally, our Group has engaged Ernst & Young Tax Consultants Sdn. Bhd. who is assisting with the transfer pricing documentation.

(b) Procurement of hiring and transportation services to Multiline Trading

- (i) Given the frequency of such hiring and transportation services, our Group will negotiate for an annual transportation and hiring agreement with Multiline Trading (“**Annual Agreement**”). The Annual Agreement shall set out the basic terms of the services, in particular, the price per tonnage and travel distance for the transportation of our products and the price for each type of vehicle and the distance for transportation of our equipment. Prior to the entry into the Annual Agreement with Multiline Trading, we will compare the terms offered by or to Multiline Trading with the terms offered by or to other similar annual arrangement offered by a minimum of two (2) unrelated third parties.
- (ii) For the procurement of hiring and transportation services by our Group from Multiline Trading, our Group will only enter into the Annual Agreement with Multiline Trading if the terms offered by Multiline Trading are comparable to those offered by a minimum of two (2) other unrelated third parties for the same or substantially similar type of services. In determining whether the price and terms offered by Multiline Trading are fair and reasonable, all pertinent factors, including but not limited to the availability of suitable vehicle and resources, response time, age of vehicles, credit terms and track record of the counterparty will be taken into consideration. All hiring and transportation services procured by our Group from Multiline Trading are to be carried out on terms which are no more favourable to Multiline Trading than the usual commercial terms extended from unrelated third parties or otherwise in accordance with applicable market norms.
- (iii) In the event that it is impractical or impossible to obtain such comparable quotations, our CFO or a senior executive of our Company designated by our Audit Committee (who must have no interest, direct or indirect in the transactions) will, subject to the approval thresholds set out below, determine whether the price and terms offered by Multiline Trading are fair and reasonable, taking into account factors including but not limited to contract specifications and requirements, delivery schedules, duration, credit terms, track record of the counterparty, experience and expertise of the counterparty, any preferential rates extended, usual or historical margins or cost and reliability of the counterparty.

INTERESTED PERSON TRANSACTIONS

(c) *Purchase of (i) lubricants; and (ii) spare parts and equipment from HChem Marketing and Multiline Trading respectively*

- (i) For purchases of (i) lubricants; and (ii) spare parts and equipment by our Group from HChem Marketing and Multiline Trading respectively, the relevant department which has the knowledge of the context of the transactions, shall obtain quotations (wherever possible or available) from a minimum of two (2) unrelated third party suppliers for the same or substantially similar quantities and/or qualities of products and/or services, prior to the entry into a transaction with HChem Marketing or Multiline Trading, as the case may be, as comparison to determine whether the price and terms offered by HChem Marketing or Multiline Trading, as the case may be, are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of products and/or services. In determining whether the price and terms offered by HChem Marketing or Multiline Trading, as the case may be, are fair and reasonable, all pertinent factors, including but not limited to the quality of products, delivery schedules, duration, credit terms and track record, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, of the counterparty will be taken into consideration. Our Group shall ensure that such transactions are conducted at prices and terms not less favourable to our Group than those offered by other unrelated third party suppliers, contemporaneous with similar transactions of comparable quantities and products specifications (“**Similar Transactions**”).
- (ii) In the event that it is impractical or impossible to obtain Similar Transactions (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item), our CFO or a senior executive of our Company designated by our Audit Committee (whom must have no interest, direct or indirect in the transactions) will, subject to the approval thresholds set out below, determine whether the price and terms offered by HChem Marketing or Multiline Trading, as the case may be, are fair and reasonable, taking into account factors such as, including but not limited to, the costs and benefits of entering into the transactions and the prices charged to unrelated third parties by HChem Marketing or Multiline Trading, as the case may be.

(d) *Procurement of the Shared Services from Aras Kuasa*

- (i) Our Group has entered into a Shared Services Agreement dated 21 January 2020 with Aras Kuasa for the procurement of Shared Services.

Pursuant to the terms of the Shared Services Agreement, our Group and Aras Kuasa shall share the monthly costs of the information technology services incurred which mainly include the cost of purchasing information technology infrastructure, equipment and spare parts, the cost of personnel engaged to maintain the information technology system and any other costs in relation and necessary for the maintenance and upgrading of the information technology systems. The total monthly costs incurred shall be split based on the number of users of each group and which Aras Kuasa will invoice our Group on a monthly basis (“**Shared Services Cost**”). Our Group is of the view that this split is appropriate as the expenses incurred for the provision of Shared Services are mainly user driven, for example, the capacities of storage and email servers are

INTERESTED PERSON TRANSACTIONS

based on the number of users and key information technology equipment such as computers are allocated to all office staff on a one-to-one basis.

- (ii) The Finance Department shall review the costing provided by Aras Kuasa on a monthly basis to ensure that it tallies with the invoice.
- (iii) The Shared Services Agreement shall be subject to annual review by our Audit Committee and any renewal or amendment to the Shared Services Agreement, in particular the Shared Services Cost, shall be reviewed and approved by our Audit Committee.

Approvals Thresholds

The approval thresholds for each Mandated Transaction (other than the sale of pipe coating materials) are as follows:

Value of each Mandated Transaction	Approval Authority
Below 3.0% of the latest audited NTA of our Group	CFO
Equals to or exceeds 3.0% but below 5.0% of the latest audited NTA of our Group	CFO and an Independent Director
Equals to or exceeds 5.0% of the latest audited NTA of our Group	CFO and our Audit Committee

Additional Review Procedures for Mandated Transactions

- (i) All transactions will be reviewed monthly by our Finance Department to identify the Mandated Transactions and ensure that they have been transacted within our Shareholders' Mandate. If any person has an interest in a Mandated Transaction, he or she will abstain from any deliberation and decision-making in respect of the said transaction. All transactions in relation to the sale of pipe coating materials will be subject to the review and prior approval of our Audit Committee.
- (ii) Our Finance Department shall record all Mandated Transactions in the register of Mandated Transactions. The register will include all information pertinent to all the Mandated Transactions, including but not limited to, the nature of the transactions, the amount, the basis and rationale for determining the transaction prices, material terms and conditions and supporting evidence and quotations obtained to support such basis.
- (iii) Our Audit Committee will review the register of Mandated Transactions on a quarterly basis to ascertain that the relevant procedures, guidelines and policies established to monitor the Mandated Transactions have been complied with.
- (iv) The annual internal audit plan will incorporate a review of the Mandated Transactions entered into, pursuant to our Shareholders' Mandate to ensure that the methods and procedures in respect of the Mandated Transactions have been adhered to.

INTERESTED PERSON TRANSACTIONS

- (v) Our Directors and our Audit Committee will have the overall responsibility for the determination of the review procedures, including any addition or variation thereto, where applicable. Our Directors and our Audit Committee may also appoint individuals or committees within our Company to examine the Mandated Transactions as they deem appropriate. If a member of our Directors or our Audit Committee has an interest in a Mandated Transaction, he will abstain from any deliberation and decision-making by our Directors or our Audit Committee in respect of the said transaction.
- (vi) If during any of the reviews by our Audit Committee, our Audit Committee is of the view that the review procedures for Mandated Transactions have become inappropriate or insufficient in the event of changes to the nature of, or manner in which, the business activities of our Group or the Mandated Interested Persons are conducted, or the review procedures for Mandated Transactions are not sufficient to ensure that the Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, we will seek a fresh general mandate from Shareholders based on new review procedures so that Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders. The Mandated Interested Persons will abstain, and have agreed to ensure that their associates will abstain, from voting on such resolutions.
- (vii) Disclosure will be made in the quarterly announcements and the annual report of our Company in respect of the Mandated Transactions in accordance with Chapter 9 of the Catalyst Rules.

(E) Opinion of the Independent Financial Adviser

The Independent Financial Adviser has been appointed pursuant to Rule 920(1)(b)(v) of the Catalyst Rules, to opine on whether the methods and review procedures, as set out above, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

Having considered, *inter alia*, the rationale for and benefits of the Shareholders' Mandate, the methods and procedures of our Company for determining the transaction prices of the Mandated Transactions under the Shareholders Mandate, the approval thresholds, the frequency of additional reviews and the role of our Audit Committee in enforcing the Shareholders' Mandate, the Independent Financial Adviser is of the opinion that the methods and procedures for determining the transaction prices, if adhered strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders. Please refer to "Appendix J – Letter from the Independent Financial Adviser" to this Offer Document for more details.

(F) Statement of our Audit Committee

Having considered, *inter alia*, the rationale for and benefits of the Shareholders' Mandate, the methods and procedures of our Company for determining the transaction prices of the Mandated Transactions under the Shareholders Mandate, the approval thresholds, the frequency of additional reviews and the role of our Audit Committee in enforcing the Shareholders' Mandate and the opinion of the Independent Financial Adviser, our Audit Committee is satisfied that the methods and review procedures proposed by our Company

INTERESTED PERSON TRANSACTIONS

for determining the transaction prices of the Mandated Transactions, if adhered strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

(G) Other requirements under the Catalist Rules

We will announce the aggregate value of transactions conducted with our Mandated Interested Person(s) pursuant to the Shareholders' Mandate for the relevant financial periods which our Company is required to report on pursuant to the Catalist Rules and within the time frame required for such announcements.

Disclosure will also be made in our Company's annual report of the aggregate value of transactions conducted with our Mandated Interested Person(s) pursuant to the Shareholders' Mandate during the financial year, and in the annual reports for subsequent financial years that the Shareholders' Mandate continues in force, in accordance with the requirements of Chapter 9 of the Catalist Rules.

The name of the Interested Person, nature of relationship and the corresponding aggregate value of the transactions with the Interested Person will be presented in the following format:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year/period under review (excluding transactions less than S\$100,000 and transactions conducted under the Shareholders' general mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under the Shareholders' general mandate pursuant to Rule 920 of the Catalist Rules during the financial year/period under review (excluding transactions less than S\$100,000)
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In accordance with Rule 920(1)(b)(viii) of the Catalist Rules, interested persons and their associates shall abstain from voting on resolutions approving interested person transactions involving themselves and our Group. Furthermore, such interested persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder. As such, Dato' Sri Pek and Dato' Teh, and their associates will abstain from voting on the resolutions approving the renewal of the Shareholders' Mandate.

GUIDELINES AND REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that future transactions with interested persons which are not subject to the Shareholders' Mandate are undertaken on normal commercial terms, on an arm's length basis and are consistent with our Group's usual business practices and policies, which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by our Group.

INTERESTED PERSON TRANSACTIONS

In relation to any purchase of products or procurement of services from interested persons, quotes from at least two (2) unrelated third parties in respect of the same or substantially the same type of transactions will be used as comparison wherever possible. The purchase price, procurement price or fee for services shall not be higher than the most competitive price of the two (2) comparative prices from the two (2) unrelated third parties. Our Audit Committee will review the comparables, taking into account, among others, the suitability, quality and cost of the product or service, and the experience and expertise of the supplier.

In relation to any sale of products or provision of services to interested persons, the price and terms of two (2) other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. The interested persons shall not be charged at rates lower than that charged to the unrelated third parties.

All interested persons transactions above S\$100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction. Any contracts to be made with an interested person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties and the terms are no more favourable than those extended to or received from unrelated parties.

When renting properties from or to an interested person, appropriate steps will be taken to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents (as necessary), including an independent valuation report by a property valuer, where appropriate. The rent payable shall be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant enquiries.

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated parties. In the event that it is not possible for appropriate information for comparative purposes to be obtained, the matter will be referred to our Audit Committee and our Audit Committee will determine whether the relevant price and terms are fair and reasonable and consistent with our Group's usual business practices.

In addition, we shall monitor all interested person transactions entered into by us categorising the transactions as follows:

- (a) a "category one" interested person transaction (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) is one where the value or aggregate value thereof is equal to or in excess of 3.0% of the latest audited NTA of our Group; and
- (b) a "category two" interested person transaction (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) is one where the value or aggregate value thereof is below 3.0% of the latest audited NTA of our Group.

INTERESTED PERSON TRANSACTIONS

All “category one” interested person transactions must be approved by our Audit Committee prior to entry. All “category two” interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by our Audit Committee.

We will prepare relevant information to assist our Audit Committee in its review and will keep a register recording all interested person transactions. The register shall also record the basis for entry into the transactions, including the quotations and other evidence obtained to support such basis. Our Audit Committee will include the review of interested person transactions as part of its procedures while examining the adequacy of our internal controls. Further, if during these periodic reviews, our Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that the interests of minority Shareholders are not prejudiced, we will adopt new guidelines and procedures. Our Audit Committee may request for an independent financial adviser’s opinion if it deems fit.

Before any agreement or arrangement with an interested person that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for subsequent review by our Audit Committee members free from any interests in such agreement or arrangement.

We will also comply with the provisions in Chapter 9 of the Catalist Rules in respect of all future interested person transactions, and if required under the Catalist Rules, the Companies Act or the SFA, we will make immediate announcements and/or seek independent Shareholders’ approval for such transactions. In particular, interested persons and their associates shall abstain from voting on resolutions approving interested person transactions involving themselves. In addition, such interested persons shall not act as proxies in relation to such resolutions unless specific instructions as to voting have been given by the Shareholders.

Our Directors will also ensure that all disclosures, approvals and other requirements on interested person transactions, including those required by prevailing legislation, the Catalist Rules and accounting standards are complied with.

POTENTIAL CONFLICTS OF INTEREST

INTERESTS OF DIRECTORS, CEO, CONTROLLING SHAREHOLDER OR THEIR ASSOCIATES

In general, a conflict of interest situation arises when any of our Directors, CEO, Controlling Shareholder or their respective associates carries on or has any interest in any other corporation carrying on the same business or dealing in similar products or services as our Group.

Save as disclosed in this section and the section entitled “Interested Person Transactions” of this Offer Document, none of our Directors, CEO, Controlling Shareholder or any of their respective associates has any interest, whether direct or indirect, in:

- (a) any transactions to which our Company or our subsidiary was or is a party;
- (b) any company or entity carrying on the same business or dealing in similar products or services as our Group;
- (c) any company or entity that is our customer or supplier of goods and services; and
- (d) any existing contract or arrangement which was or is significant in relation to the business of our Group.

None of our Directors, CEO, Controlling Shareholder, and/or any of their associates is involved in the management of any company or entity involved in a similar or related business as our Group, save for Aras Kuasa, RGSB, MGSB and JGSB.

(a) Aras Kuasa

Aras Kuasa is 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, Dato’ Teh, Dato’ Lee, and Mr. Lim hold in aggregate 100.0% of the issued share capital of Aras Kuasa.

Ibam Mine

Aras Kuasa had been appointed by YAM Tengku Abdullah Ibni Sultan Bakar of Pahang pursuant to a mining operating agreement (“**Ibam Mining Agreement**”) dated 15 June 2012 to act as the mining operator to explore for iron ore within a piece of land measuring approximately 81.26 hectares in Lot 37734, Keratong, Rompin, Pahang (“**Ibam Mine**”) (“**Ibam Mining Operating Rights**”). Under the Ibam Mining Agreement, Aras Kuasa has been granted the rights to explore and mine at the Ibam Mine until the expiry of the mining lease. The current mining lease will expire on 16 December 2019 and mining lease holder had submitted an application for the extension of the mining lease.

Although Aras Kuasa had previously operated the Ibam Mine for a short period of time, the Ibam Mine has been placed under care and maintenance since 2014.

POTENTIAL CONFLICTS OF INTEREST

KT Mine

Aras Kuasa had been appointed by YAM Tengku Hajjah Ainon Jamil Binti Almarhum Sultan Abu Bakar pursuant to a mining operating agreement (“**KT Mining Agreement**”) to act as the mining operator to explore and mine for iron ore within a piece of land measuring approximately 17.69 hectares in Lot 1042, Kuala Tembeling, Jerantut, Pahang (“**KT Mine**”) (“**KT Mining Operating Rights**”). Under the KT Mining Agreement, Aras Kuasa has been granted the rights to explore and mine at the KT Mine until the expiry of the mining lease. The current mining lease expires on 17 January 2021.

Aras Kuasa had entered into a mining agreement (“**ZCM Mining Agreement**”) with ZCM Resources Sdn. Bhd. who had conducted mining activities at the KT Mine until June 2014. The ZCM Mining Agreement was terminated on 17 March 2014, following which Aras Kuasa did not conduct any further operation or activity at the KT Mine.

(b) JGSB

JGSB is wholly-owned by Aras Kuasa.

JGSB had entered into two (2) mining operator agreements (“**Jerantut Mining Agreements**”), both dated 15 July 2009, with three (3) independent third parties, being the named holders of the mining lease. Under the Jerantut Mining Agreements, JGSB was granted the right to carry out mining operations within a piece of land measuring approximately 23.58 hectares in Lot 5190, Kuala Tembeling, Jerantut, Pahang (“**Jerantut Mine**”) (“**Jerantut Mining Operating Rights**”). Under the Jerantut Mining Agreements, JGSB has been granted the rights to explore and mine at the Jerantut Mine until the expiry of the mining lease. The current mining lease expired on 29 January 2019 and the mining lease holder had submitted an application for the extension of the mining lease.

Although the Jerantut Mine has been in operations since 2009, our Group considers the potential of the Jerantut Mine to be limited due to lack of commercial viability. JGSB had on 2 December 2019 entered into a mining sub-contractor agreement (“**JGSB Agreement**”) with an independent third party. Pursuant to the JGSB Agreement, the independent third party shall be the sole and exclusive party to carry out mining operations at the Jerantut Mine from 2 December 2019 until the expiry of the mining leases of the Jerantut Mine or any renewal thereafter, unless terminated under the terms set out in the JGSB Agreement. In addition, the independent third party is also granted the rights to use all assets of JGSB and shall be fully responsible for the cost of usage.

Following the entry of the JGSB Agreement, JGSB no longer operates the Jerantut Mine and does not derive any revenue or profit from the sale of iron ore. To the best knowledge of our Group, the independent third party has commenced mining operations at the Jerantut Mine.

(c) RGSB

RGSB is wholly-owned by MGSB. Dato’ Teh, Dato’ Sri Pek and Dato’ Lee hold in aggregate 100.0% of the issued share capital of MGSB.

Keunggulan TQ (M) Sdn Bhd (“**KTSB**”), an independent third party, had on 19 July 2018 entered into a mining agreement with Lembaga Tabung Amanah Warisan Negeri Terengganu and pursuant to which KTSB was appointed as the mining operator to explore and mine for iron ore within a piece of land measuring approximately 80.85 hectares in Lot 112186, Bukit Besi, Jerangau, Dungun, Terengganu (“**Bukit Besi Mine**”) until the expiry of

POTENTIAL CONFLICTS OF INTEREST

the mining lease (“**Bukit Besi Mining Operating Rights**”). Following which, RGSB had entered into to a mining operating agreement dated 23 October 2018 with KTSB to act as its mining operator and shall be granted the Bukit Besi Mining Operating Rights until the expiry of the mining lease. The current mining lease expires on 17 December 2023. To date, RGSB has neither conducted any activities at the Bukit Besi Mine nor generated any revenue from the sale of iron ore from the Bukit Besi Mine. However, based on preliminary assessment of the Bukit Besi Mine, the mine is expected to have limited exploration or mining potential. Currently, MGSB and RGSB are not conducting any Business (as defined below) that is in competition with our Group.

MGSB had on 2 December 2019 entered into a share sale agreement (“**RGSB SPA**”) with two (2) independent third parties (“**Purchasers**”) and pursuant to which MGSB has agreed to sell the entire issued and paid-up share capital of RGSB to the Purchasers (“**Proposed Disposal of RGSB**”). As at the Latest Practicable Date, the Proposed Disposal of RGSB has not been completed as it is subject to the fulfilment of the conditions precedent (“**RGSB CPs**”) set out in the RGSB SPA. The RGSB CPs are to be fulfilled within six (6) months from the date of the RGSB SPA or such other dates as may be agreed by the parties in writing (the “**RGSB Conditional Period**”). Pursuant to a letter dated 1 June 2020 (“**RGSB Extension Letter**”), MGSB and the Purchasers have mutually agreed to extend the RGSB Conditional Period by an additional six (6) months mainly due to the imposition of the Movement Control Orders which resulted in the parties not being able to fulfill the RGSB CPs which include, *inter alia*, (i) obtaining the approval of the EIA report from the relevant authority; and (ii) the Purchasers having conducted exploration activities at the Bukit Besi Mine and obtaining an exploration report which will be reviewed and approved by an independent competent person to indicate that the mining operations and activities at Bukit Besi Mine will be feasible. Our Company understands from MGSB and the Purchasers that barring any unforeseen circumstances, they are of the view that a six (6)-month extension to the RGSB Conditional Period would be adequate for them to fulfill the RGSB CPs. This would also allow the Purchasers sufficient time to perform its due diligence to assess if they are satisfied with the Bukit Besi Mine and proceed with the completion of the RGSB SPA. In addition, the Purchasers have the option to waive certain of the RGSB CPs and proceed to complete the RGSB SPA. In the event the Proposed Disposal of RGSB does not complete which may arise due to, *inter alia*, unsatisfactory due diligence by the Purchasers, RGSB will continue to be a wholly-owned subsidiary of MGSB. However, we will continue to be entitled to the call option over the shares of RGSB pursuant to the Deed obtained from the shareholders of RGSB, as described below.

As at the Latest Practicable Date, the aforementioned iron ore mines subject to the mining operating rights held by Aras Kuasa and RGSB are either currently not in exploration or under care and maintenance. As such, our Company decided not to acquire any of them prior to our Listing. In relation to the Jerantut Mine held by JGSB, JGSB no longer operates the Jerantut Mine and does not derive any revenue or profit from the sale of iron ore from any mining assets.

In addition, any potential conflicts of interests are further mitigated as we have obtained the Deed (as defined herein) from (i) Aras Kuasa, JGSB and RGSB over the aforesaid mining operating rights; and (ii) the shareholders of Aras Kuasa, JGSB and RGSB over the shares of Aras Kuasa, JGSB and RGSB. Such rights of first refusal and call options are exercisable at our sole discretion. In the event that circumstances arise such that it is commercially viable for our Group to acquire the aforesaid mining operating rights or shares, we will exercise our call options pursuant to the Deed. Please see the section entitled “Potential Conflicts of Interest – Interests of Directors, CEO, Controlling Shareholder and their Associates – Deed of Call Options and Rights of First Refusal” of this Offer Document below for further information on the exercise of the call options and the rights of first refusal.

POTENTIAL CONFLICTS OF INTEREST

Deed of Call Options and Rights of First Refusal

Aras Kuasa, RGSB and JGSB (collectively, the “**Grantors**”), MGSB, Aras Kuasa, Dato’ Sri Pek, Dato’ Teh, Dato’ Lee and Mr. Lim (collectively, the “**Grantors’ Shareholders**”) have entered into a deed with our Company pursuant to which the Grantors have granted us call options and rights of first refusal over any mining operating rights of iron ore mines held by the Grantors, being the Ibam Mining Operating Rights, the KT Mining Operating Rights, the Jerantut Mining Operating Rights and the Bukit Besi Mining Operating Rights as at the date of the deed (collectively, “**Mining Operating Rights**”) and the Grantors’ Shareholders have granted us call options and rights of first refusal over any ordinary shares in the capital of the Grantors held by the Grantors’ Shareholders (“**Grantors Shares**”) (“**Deed**”).

The exercise of any of the rights under the Deed which are interested person transactions will be conducted in accordance with the review procedures for non-mandated interested person transactions as set out in the section entitled “Interested Person Transactions – Guidelines and Review Procedures for Future Interested Person Transactions” of this Offer Document above and will be subject to Chapter 9 of the Catalist Rules where applicable.

The Deed shall take effect on and from the date thereof and shall continue in full force and effect until the Termination Date. The Deed shall terminate on the occurrence of any of the following events:

- (i) our Company ceases to be listed on the SGX-ST; and
- (ii) an order has been made or resolution passed by the Grantors, or a petition has been presented for the winding-up of the Grantors or for the appointment of an administrator, a provisional liquidator or analogous officer to the Grantors, or a receiver, or receiver and manager has been appointed by any person of the whole or any part of the business or assets of the Grantors, or a compromise or arrangement has been proposed, agreed to or sanctioned in respect of the Grantors.

Subject to the above, the Deed shall cease to be effective on an applicable Grantor and its respective Grantors’ Shareholder on the occurrence of the following events:

- (i) such Grantor or Grantors’ Shareholder or their respective associate is no longer an “interested person” (as defined under Chapter 9 of the Catalist Rules) of our Company;
- (ii) such Grantor no longer holds or has any interest (direct or indirect) in any Mining Operating Rights (including where the Mining Operator Right is revoked by the mining lease holder or where the relevant mining lease pursuant to which the Mining Operating Right is granted over is revoked by the relevant state authorities); or
- (iii) such Grantors’ Shareholder no longer holds or has any interest in any Grantors’ Shares.

Grant of the Call Options

The Grantors have granted to our Company the rights to require the Grantors to transfer to our Company, the Mining Operating Rights directly or indirectly held by the Grantors and the Grantors’ Shareholders have granted to our Company the rights to require the Grantors’ Shareholders to transfer to our Company the Grantors Shares directly or indirectly held by the Grantors’ Shareholders, on the terms and subject to the conditions of the Deed. Our Company may at any time exercise the call options over each, any or all of the Mining Operating Rights and the

POTENTIAL CONFLICTS OF INTEREST

Grantors Shares and the call options granted by the Grantors and the Grantors' Shareholders may be exercised in any number of times for each Mining Operating Right and each Grantors Share and our Company shall have the full discretion to exercise such call options against either or all of the Grantors and the Grantors' Shareholders at any point of time commencing on the date our Company is listed on the SGX-ST and terminating on the date the Deed ceases to be in force or effective on the applicable Grantor or Grantors' Shareholder ("**Termination Date**"), save that (i) in relation to the Bukit Besi Mining Operating Rights and Grantors Shares in relation to RGSB, it shall mean the period commencing on the date that the RGSB SPA is terminated or six (6) months from the date of the RGSB SPA or such other period as the parties may mutually in writing, being the long stop date under the aforesaid sale and purchase agreement, whichever is the later, and terminating on the Termination Date; and (ii) in relation to the Jerantut Mining Operating Rights and Grantors Shares in relation to JGSB, it shall mean the period commencing on the date that the JGSB Agreement is terminated and terminating on the Termination Date ("**Exercise Period**"). For the avoidance of doubt, in the event there are any changes (i) in the Mining Operating Rights directly or indirectly held by any such Grantor; or (ii) the shares held directly or indirectly by the Grantors' Shareholders, the call options shall cover all the Mining Operating Rights and the Grantors Shares held by the Grantors or the Grantors' Shareholders as at the date of the exercise of a call option.

A call option shall be exercised by the issue and delivery by our Company to the Grantors or the Grantors' Shareholders (as the case may be) of a written notice containing details of the Mining Operating Rights or Grantors' Shares. Upon receipt of the aforesaid notice, the Grantors or the Grantors' Shareholders shall be obliged to transfer the Grantors Shares or the Mining Operating Rights held directly or indirectly by any of them that are the subject of the notice. The exercise price for the call option shall be negotiated and agreed between the relevant parties after the notice is issued, but shall in any case be an amount which is not higher than the amount determined by a valuation conducted by a reputable independent valuer to be appointed by our Audit Committee.

Each exercise of a call option shall be deemed to be a separate and independent transaction between the relevant parties and the unenforceability or irregularity of any exercise shall not affect the enforceability and regularity of the other exercises. A failure to exercise a call option over any Mining Operating Right or Grantors Share does not affect the right of our Company to exercise a call option over any other Mining Operating Right or Grantors Share. When our Company exercises a call option over any Mining Operating Right or Grantors Share, it is not obligated to exercise any call option over any other Mining Operating Rights or Grantors Shares. The expiry of any Exercise Period or the cessation of the call options over any of the Mining Operating Rights and/or Grantors Shares shall not prejudice the right of our Company to exercise the call options over any of the other Mining Operating Rights and Grantors Shares.

Rights of First Refusal

The Grantors and the Grantors' Shareholders have granted rights of first refusal to our Company that in the event that the Grantors or the Grantors' Shareholders (as the case may be) (i) decide to dispose of, transfer, novate or sell part of, any or all of the Mining Operating Rights or the Grantors Shares directly or indirectly held by them to any third party or (ii) receives any proposed offer by a third party to acquire, transfer, novate or purchase part of, any or all of the Mining Operating Rights or the Grantors Shares directly or indirectly held by them at any time during the Exercise Period, the Grantors or the Grantors' Shareholders shall provide our Company with written notice of the details of the proposed sale and grant to our Company the first rights of refusal to acquire or purchase the Mining Operating Right and/or the Grantors Shares at a price that is not higher than, and on terms and conditions that are not less favourable than, that which

POTENTIAL CONFLICTS OF INTEREST

the Grantors or the Grantors' Shareholders (as the case may be) would have obtained if such Mining Operating Rights and/or the Grantors Shares had been disposed of, transferred or sold to the third party pursuant to the proposed sale.

In the event that our Company (i) does not, within one (1) month from the date of receipt of the written notice (or such other date as our Company and the Grantors or the Grantors' Shareholders (as the case may be) may agree), indicate to the Grantors or the Grantors' Shareholders (as the case may be) our interest in writing our interest to purchase such Mining Operating Rights or Grantors Shares (as the case may be) or (ii) has indicated in writing to the Grantors or the Grantors' Shareholders (as the case may be) that it is not interested to purchase such Mining Operating Rights or Grantors Shares (as the case may be), the Grantors or the Grantors' Shareholders (as the case may be), shall be free to dispose of, transfer, novate or sell, as the case may be, such Mining Operating Rights or Grantors Shares (as the case may be), to the third party provided that such disposal, transfer or sale is (i) at a price that is not less than; and (ii) on terms and conditions not less favourable, than those which were presented to our Company in the notice. If the completion of the disposal, transfer, novation or sale of the relevant Mining Operating Rights or Grantors Shares (as the case may be) does not complete within six (6) months from the date of the notice or such other period as we may agree in writing, any proposal to dispose of, transfer or sell such Mining Operating Rights or Grantors Shares thereafter shall then remain subject to the rights of first refusal.

Our Company shall obtain a valuation of such Mining Operating Rights or Grantors Shares (as the case may be) conducted by a reputable independent valuer appointed by our Audit Committee prior to the completion of any acquisition, transfer, novation or purchase pursuant to any exercise of the rights of first refusal.

Non-Compete Undertakings

To further mitigate any perceived, actual or potential conflicts of interest, we have entered into non-compete undertakings ("**Non-Compete Undertakings**") with each of Dato' Sri Pek, Dato' Teh and Dato' Lee pursuant to which each of them has agreed, among others, that for as long as he and/or his associates remain an "interested person" of our Company for the purpose of Chapter 9 of the Catalist Rules and for the period of 12 months from the date he and/or his associates cease to be an "interested person" for the purpose of Chapter 9 of the Catalist Rules or the date on which the securities of our Company cease to be listed on Catalist of the SGX-ST, whichever is earlier ("**Cessation Date**"), that:

- (i) he shall not, and shall procure that his associates (whether present or future) shall not, in any capacity (whether as shareholder, director, employee, partner, agent, consultant or otherwise), save for his direct and indirect shareholdings in Aras Kuasa, JGSB, RGSB and MGSB, be engaged in or interested in or carry on any business (whether alone or in partnership with or joint venture with anyone else) which will wholly or partly be in competition with, or similar to (whether directly or indirectly) the Business (as defined below) in any country. For the purpose of the Non-Compete Undertakings, "**Business**" means the business of the exploration, mining, processing, trading and/or sale of iron ore, iron ore concentrate or any iron ore products (including pipe coating materials) and/or such other business as may be carried out by the Listed Group from time to time and "**Listed Group**" means our Company, its subsidiaries and associated company, from time to time;

POTENTIAL CONFLICTS OF INTEREST

- (ii) he shall not, and shall procure that his associates (whether present or future) shall not (a) have any interest, directly or indirectly, in any person or entity who carries on, and/or (b) provide any financial assistance to any person or entity to carry on any business or other activity which competes with or is similar to the Business;
- (iii) he shall not, and shall procure that each of his associates (whether present or future), whether individually or collectively, shall not, hold any shareholding interest (direct or indirect) in any company with business in competition with or similar to the Business in any country;
- (iv) he shall ensure that no company or business in which he is and/or any of his associates (whether present or future) is in the position to control, dominate or influence decision-making shall engage in any business in competition with or similar to the Business in any country;
- (v) he shall not, and shall procure that his associates (whether present or future) shall not, be involved (whether directly or indirectly) in any decision making in any entity that will put me in a conflict of interest position with respect to my duties and responsibilities (where applicable) in the Listed Group;
- (vi) he shall not, and shall procure that his associates (whether present or future) shall not, whether directly or indirectly, solicit or entice away, or attempt to solicit or entice away from the Listed Group, any person who is an officer, manager or employee of the Listed Group, whether or not such person would commit a breach of his contract of employment with the Listed Group by reason of leaving such employment;
- (vii) he shall not, and shall procure that his associates (whether present or future) shall not, whether directly or indirectly, interfere or seek to interfere with or make arrangements which have the effect of harming contractual or other trade relations between the Listed Group and any of the Listed Group's suppliers, customers, contractors, sub-contractors, agents or business partners;
- (viii) he shall not, and shall procure that his associates (whether present or future) shall not, whether directly or indirectly, solicit, market to or entice away, or attempt to solicit, market to or entice away from the Listed Group any customer, client, agent, correspondent, trader, supplier or distributor of the Listed Group or in the habit of dealing with the Listed Group;
- (ix) he shall not, and shall procure that his associates shall not (whether present or future), save for any directorships in Aras Kuasa, RGSB, JGSB and MGSB, be a director and/or holder of an executive management position and/or commissioner (where applicable) of any entity in any business which will compete with or is similar to the Business in any country;
- (x) he shall not, and shall procure that his associates (whether present or future) shall not, make use or disclose or divulge to any third party any confidential information or trade secrets relating to the Listed Group, other than any information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction;
- (xi) he shall not, and shall procure that his associates (whether present or future) shall not, use the name "Honest Sam", "Southern Alliance" or any other names, brands, symbols, logos or trademarks used by the Listed Group from time to time, or that the Listed Group may use in the future, for any entity in any business outside the Listed Group whether or not such business is in direct or indirect competition with or is similar to that of the Listed Group; and

POTENTIAL CONFLICTS OF INTEREST

- (xii) he shall not, and shall procure that his associates (whether present or future) shall not, whether directly or indirectly, assist any person, firm or company with technical advice in relation to any business in competition (directly or indirectly) with or which is similar to the Business in any country.

The Non-Compete Undertakings shall be effective immediately upon the admission of our Company to the Catalist of the SGX-ST and shall continue in full force and effect until the Cessation Date.

INTERESTS OF EXPERTS

None of the experts named in this Offer Document:

- (a) is employed on a contingent basis by our Company or our subsidiary;
- (b) has a material interest, whether direct or indirect, in our Shares or in the shares of our subsidiary; or
- (c) has a material economic interest, whether direct or indirect, in our Company, including having an interest in the success of the Placement.

INTERESTS OF SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT

In the reasonable opinion of our Directors, the Sponsor, Issue Manager and Placement Agent does not have a material relationship with our Company save for the following:

- (a) PrimePartners Corporate Finance Pte. Ltd. is the Sponsor, Issue Manager and Placement Agent for the Placement;
- (b) PrimePartners Corporate Finance Pte. Ltd. will be the continuing Sponsor of our Company for a period of three (3) years from the date our Company is admitted and listed on Catalist; and
- (c) Pursuant to the Management Agreement and as part of the fees to PrimePartners Corporate Finance Pte. Ltd. as the Sponsor and Issue Manager, our Company issued and allotted 3,000,000 PPCF Shares at the Placement Price to PPCF, representing 0.6% of the issued and paid-up share capital of our Company immediately after the Placement. After the expiry of the moratorium period as set out in the section entitled “Shareholding and Ownership Structure – Moratorium” of this Offer Document, PPCF will be disposing its shareholding interest in our Company at its discretion.

Please refer to the section entitled “Sponsorship, Management and Placement Arrangements” of this Offer Document for further details on our sponsorship, management and placement arrangements.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on Catalist, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through Catalist will be effected in accordance with the terms and conditions for the operation of Securities Accounts with the CDP, as amended, modified or supplemented from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by the CDP, rather than CDP itself, will be treated, under our Constitution and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on Catalist, although they will be *prima facie* evidence of title and may be transferred in accordance with our Constitution. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on Catalist must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP.

The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on Catalist is payable at the rate of 0.0325% of the transaction value. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST at the prevailing rate of 7.0% (or such other rate prevailing from time to time).

Dealings in our Shares will be carried out in S\$ and will be effected for settlement through CDP on a scripless basis. Settlement of trades on a normal "ready" basis on Catalist generally takes place on the second Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

SPONSORSHIP, MANAGEMENT AND PLACEMENT ARRANGEMENTS

Pursuant to the Management Agreement dated 16 June 2020 entered into amongst our Company, the Vendor and PPCF, our Company and the Vendor have appointed PPCF to sponsor and manage the Listing and PPCF will receive a management fee for such services rendered.

Pursuant to the Placement Agreement dated 16 June 2020 entered into amongst our Company, the Vendor and PPCF, our Company and the Vendor have appointed PPCF as the Placement Agent and PPCF has agreed to procure subscriptions for and/or purchases of the Placement Shares for a placement commission of 3.5% of the aggregate Placement Price for each Placement Share, payable by our Company and the Vendor in the Agreed Proportion pursuant to the Placement. PPCF may, at their absolute discretion, appoint one (1) or more sub-placement agents for the Placement Shares.

Subscribers and/or purchasers of the Placement Shares may be required to pay a brokerage fee of up to 1.0% of the Placement Price to the Placement Agent (and the prevailing GST, if applicable) or any sub-placement agent(s) that may be appointed by the Sponsor, Issue Manager and Placement Agent. Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within the two (2) years preceding the date of this Offer Document or is payable to any Director, promoter, expert, proposed Director or any other person for purchasing and/or subscribing or agreeing to purchase and/or subscribe or procuring or agreeing to procure purchase and/or subscriptions for any shares in, or debentures of, our Company or our subsidiary.

The Management Agreement may be terminated by PPCF, the Sponsor and Issue Manager at any time prior to the time and date of the commencement of trading of our Shares on the Catalist, on the occurrence of certain events including the following:

- (a) PPCF becomes aware of any inaccuracy of material aspects or misrepresentation by the Vendor and/or our Company and/or their respective agent(s) or any breach of any of the warranties, representations, covenants or undertakings given by the Vendor and our Company to PPCF in the Management Agreement;
- (b) if any of the conditions specified in the Management Agreement has not been satisfied or waived by the PPCF on or before the Closing Date;
- (c) if there shall have been or come into effect, since the date of the Management Agreement:
 - (i) any material adverse effect, or any development involving a prospective material adverse effect; or
 - (ii) in any relevant jurisdiction, any introduction or prospective introduction of or any change in any statute, regulation, order, policy or directive (whether or not having the force of law and including without limitation, any directive or request issued by the SGX-ST) or in the interpretation or application thereof by any court or other competent authority; or
 - (iii) any material adverse effect, or any development involving a prospective material adverse change or crisis, in local, national or international monetary, financial and capital markets (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including without limitation, the imposition or any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST (including Catalist); or

SPONSORSHIP, MANAGEMENT AND PLACEMENT ARRANGEMENTS

- (iv) any occurrence or the worsening of any local, regional or international outbreak of diseases (including but not limited to COVID-19) or escalation of hostilities, insurrection or armed conflict that may have a material adverse effect on the financial markets; or
- (v) any event or series of events in the nature of *force majeure* (including without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism, acts of God, accident, epidemics, hostilities, armed conflict, earthquakes or interruption or delay in transportation); or
- (vi) any material adverse effect, or any development involving a prospective material adverse change, in the business, trading position, operations or prospects of our Company or of the Group as a whole; or
- (vii) any material adverse effect, or any development involving a prospective material adverse change, which make it uncommercial or otherwise contrary to or outside the usual commercial practices in Singapore for PPCF to observe or perform or be obliged to observe or perform the terms of the Management Agreement,

which event(s) shall in the reasonable opinion of PPCF (1) be likely to prejudice the success of the subscription, placement or issue of the Placement Shares (whether in the primary market or in respect of dealings in the secondary market) or be likely to have a material adverse effect or a material adverse effect on the placement of the Placement Shares, or (2) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole, or (3) make it impracticable or inadvisable to proceed with the subscription, sale, placement, issue or transfer of the Placement Shares, or (4) be such that no reasonable full sponsor or issue manager would have entered into the Management Agreement or (5) result in a material fluctuation or material adverse conditions in the SGX-ST which event(s) shall in the reasonable opinion of the Placement Agent exercised in good faith be likely to have a material adverse effect on the Placement, or (6) make it uncommercial or otherwise contrary to or outside the usual commercial practices in Singapore for PPCF to observe or perform or be obliged to observe or perform the terms of the Management Agreement;

- (d) a stop order is issued by the SGX-ST, acting as agent on behalf of the Authority, or other competent authority pursuant to the Securities and Futures Act (notwithstanding that a supplementary or replacement offer document is subsequently registered with the SGX-ST);
- (e) if the SGX-ST or the Authority or other regulatory body having authority over our Company shall make any ruling (or revoke any ruling previously made) the effect of which would restrict or impede the listing and quotation of the New Shares or the sale of the Vendor Shares;
- (f) if the issue and subscription and/or sale and transfer of the Placement Shares in accordance with the provisions of the Management Agreement shall be prohibited by any statute, order, regulation or directive issued by, or objected to by, any legislative, executive or regulatory body or authority of Singapore or elsewhere (including without any limitation, the Authority and the SGX-ST); or

SPONSORSHIP, MANAGEMENT AND PLACEMENT ARRANGEMENTS

- (g) if there is a conflict of interest for PPCF, or any dispute, conflict or disagreement with our Company and/or the Vendor or our Company and/or the Vendor wilfully fails to comply with any advice from or recommendation of PPCF.

Notwithstanding anything herein contained, PPCF may by notice in writing to our Company and the Vendor terminate the Management Agreement if:

- (a) there comes to the notice of PPCF (1) any statement contained in this Offer Document or Application Forms relating hereto which in the sole, absolute and reasonable opinion of PPCF has become untrue, incorrect or misleading in any material respect; or (2) circumstances or matters have arisen or have been discovered, which would, if this Offer Document was to be issued at that time, constitute in the sole, absolute and reasonable opinion of PPCF, a material omission of such information, and our Company fails to lodge a supplementary or replacement Offer Document or document within a reasonable time after being notified of such a material misrepresentation or omission or fails to promptly take such steps as PPCF may reasonably require to inform investors of the lodgement of such supplementary Offer Document or document; or
- (b) our Company has not been admitted to the Official List of Catalist or there is no listing or quotation for trading of the Shares or the Placement Shares on Catalist on or before 31 July 2020 (or such other date as our Company and PPCF and the SGX-ST may agree).

The Placement Agreement and the obligations of the Placement Agent under the Placement Agreement are conditional upon, *inter alia*, the following:

- (a) this Offer Document having been registered by the SGX-ST, acting as agent on behalf of the Authority, by the date of registration in accordance with the Catalist Rules;
- (b) the notice of registration ("**Registration Notice**") being issued or granted by the SGX-ST acting as agent on behalf of the Authority and such Registration Notice not being revoked or withdrawn on or prior to the Closing Date;
- (c) the compliance by our Company and the Vendor to the satisfaction of the SGX-ST with all the conditions imposed by the SGX-ST in granting the Registration Notice (if any), where such conditions are required to be complied with by the Closing Date;
- (d) the SGX-ST not having withdrawn or changed the terms and conditions of its listing and quotation notice for the admission of our Company to the Official List of Catalist ("**Admission**") and our Company having complied with any conditions contained therein required to be complied with prior to the Admission;

SPONSORSHIP, MANAGEMENT AND PLACEMENT ARRANGEMENTS

- (e) such approvals as may be required for the transactions described in the Placement Agreement and in this Offer Document in relation to the Admission and the Placement being obtained, and not withdrawn or amended, on or before the date on which our Company is admitted to Catalist (or such other date as which Company, the Vendor and the Placement Agent may agree in writing);
- (f) the offer, allotment, issue, transfer and subscription of the Placement Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore or any other jurisdiction, which is applicable to our Company, the Vendor or the Placement Agent;
- (g) there not having occurred, in the reasonable opinion of the Placement Agent, any material adverse effect or any development likely to result in a prospective material adverse effect, whether or not arising from transactions in the ordinary course of business, subsequent to the date of the Placement Agreement which, in the reasonable opinion of the Placement Agent, is or is likely to be materially adverse in the context of the Placement or is reasonably likely to prejudice materially the success of the Placement or dealings in the secondary market nor the occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect, as at the Closing Date, any of the warranties or representations contained in the Placement Agreement nor any breach by our Company and the Vendor of any of its obligations;
- (h) the compliance by our Company and the Vendor with all applicable laws and regulations concerning the Admission, the listing of the Shares, the Placement Shares and the Award Shares on Catalist and the transactions contemplated in the Placement Agreement and this Offer Document and no new laws, regulations and directives having been promulgated, published and/or issued and/or having taken effect or any other similar matter having occurred which, in the reasonable opinion of the Placement Agent, has or may have an adverse effect on the Placement and the listing of the Shares, the Placement Shares and the Award Shares on Catalist;
- (i) the letters of undertaking referred to in this Offer Document under the heading “Shareholding and Ownership Structure – Moratorium” being executed and delivered to PPCF before the date of registration of this Offer Document;
- (j) the Management Agreement not being terminated or rescinded pursuant to the provisions of the Management Agreement; and
- (k) the representations, warranties and undertakings in the Placement Agreement remaining true and accurate in all respects as at the Closing Date and our Company having performed all of its obligations hereunder to be performed on or before the Closing Date.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS, EXECUTIVE OFFICER AND CONTROLLING SHAREHOLDER

1. As at the date of this Offer Document, save as disclosed below, none of our Directors, Executive Officer and Controlling Shareholder:
 - (a) has at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years after the date he ceased to be a partner;
 - (b) has at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years after the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
 - (c) has any unsatisfied judgment against him;
 - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty, which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
 - (e) has been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including pending criminal proceedings of which he is aware) for such breach;
 - (f) at any time during the last 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (g) has been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) has been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
 - (i) has been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

GENERAL AND STATUTORY INFORMATION

- (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,
- in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
- (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

Assistance in Malaysian Anti-Corruption Commission (“MACC”) investigations between 2009 and 2014

Between 2009 and 2014, Dato’ Sri Pek and his sister, Ms. Pek Siew Mei, had assisted in investigations conducted by MACC and were subpoenaed as witnesses by the Public Prosecutor in the trials against four (4) Malaysian civil servants who had been charged with corruption and allegedly accepting bribes and/or soliciting bribes from Aras Kuasa. Aras Kuasa, Dato’ Sri Pek and Ms. Pek Siew Mei were not the subject of the investigation or the subsequent criminal charges.

All four (4) civil servants were acquitted at the Sessions Court of Kuantan as the Public Prosecutor had failed to establish a prima facie case. Of the four (4) appeals lodged by the Public Prosecutor against the four (4) orders of acquittal by the Kuantan Sessions Court, the Public Prosecutor eventually withdrew three (3) of those appeals. The fourth appeal was dismissed by the Kuantan High Court and the Public Prosecutor had decided not to appeal the dismissal of that appeal to the Court of Appeal. As such those four (4) acquittals are final. Neither Dato’ Sri Pek nor Ms. Pek Siew Mei has had any dealings whatsoever with, or has been asked to assist, MACC or the Public Prosecutor subsequent to those four (4) acquittals.

Honest Sam had appointed a Malaysian legal practitioner, whose practice includes criminal law, Mr. Rajasingam Gothandapani, a partner at Shearn Delamore & Co, to issue a legal opinion on the four (4) criminal proceedings described above. An extract from his legal opinion, which was issued to and for the benefit of Honest Sam, is reproduced below.

- (a) All four (4) criminal proceedings resulted in the discharge and acquittal of the respective accused and all the appeals filed were either withdrawn by the Public Prosecutor or dismissed by the High Court. As such, (i) it is not open for the Public Prosecutor to now

GENERAL AND STATUTORY INFORMATION

or in the future seek to prosecute the accused where appeals against the orders for discharge and acquittals were withdrawn; and (ii) it is too late for the Public Prosecutor to appeal the decision made by the High Court to dismiss the appeal as the Public Prosecutor needed to file a notice of appeal with the Registry of the Court Appeal within 14 days from the decision of the High Court to dismiss the appeal. If the Public Prosecutor intends to appeal out of time (after 14 days from the decision of the High Court to dismiss the appeal), the Public Prosecutor would need to seek leave to enlarge the time to appeal under the law, and the Public Prosecutor would have to advance cogent reasons backed up by credible evidence to justify the grant of an extension of time to lodge an appeal to the Court of Appeal against the decision of the High Court.

- (b) There is no limitation period to institute criminal proceedings. However, if the respective accused persons are charged again for the same offences, the respective accused persons are entitled to raise a plea of *autrefois acquit* which is a legal principle that a person once acquitted is not to be tried again for the same offence.
- (c) The Public Prosecutor will not be able to use the same facts and circumstances/evidence to charge a person who is alleged to have given, promised, offered or agreed to give gratification as the Courts had ruled that no case on the face of it (*prima facie* case) has been proven in the relevant proceedings and the orders for discharge and acquittal of the respective accused persons are final and have not been disturbed by a superior court.
- (d) A witness in criminal proceedings cannot be prosecuted in the same criminal proceedings because a witness remains as a witness throughout the criminal proceedings. The witness does not become the accused in such proceedings.

MACC has confirmed, by way of letters dated 13 February 2020, 18 February 2020, 25 February 2020 and 12 March 2020, that based on a review of its records, for the purposes of a general screening, each of Dato' Sri Pek, Dato' Teh, Mr. Lim, Ms. Pek Siew Mei, Aras Kuasa and Honest Sam were found to be free of any record of corruption offences that may affect any of them for consideration in any relevant matter.

Tax audits on Honest Sam for the years of assessment 2008 and 2009

The IRB conducted a tax audit in 2012 on Honest Sam for tax assessments issued for the years of assessment ("YA") 2004 to YA2009.

Further to the audit, Honest Sam was fined a total of RM432,810.92 for:

- (a) failing to furnish the tax returns for YA2008; and
- (b) submitting incorrect tax returns for YA2008 and YA2009.

(collectively, "**Tax-related Deficiencies**")

Honest Sam was also required to pay additional taxes on the incorrect tax returns. This sum has been paid in full and no further action has been taken by IRB.

GENERAL AND STATUTORY INFORMATION

We have since taken steps to ensure that our tax returns are properly prepared (with the necessary supporting documents) and submitted to IRB in a timely manner. Such measures include the establishment of proper procedures ("**Tax Procedures**") for the closing of accounts on a timely basis and the employment of sufficient qualified staff to handle such functions to undertake reporting duties and to ensure accuracy of the tax returns we submit. In addition, we have engaged Ernst & Young Malaysia as Honest Sam's auditor and tax agent since YA2014.

Save as disclosed above, there have been no other penalties imposed in relation to the tax returns of our Group.

Payments by Aras Kuasa pursuant to CA 1967 and the Sales Tax Act 1972 of Malaysia

Dato' Sri Pek and Dato' Teh are directors of Aras Kuasa. The Royal Malaysian Customs Department ("**RMCD**") had in 2014 investigated the import of trucks by the import agent of Aras Kuasa, who had subsequently appointed a sub-agent without the knowledge and instruction of Aras Kuasa. Following the investigation, RMCD concluded that AK Trading was liable for the under-declared portion of the sales tax and import duty for its purchases of three (3) dumper trucks ("**Taxes**") which amounted to RM799,657.83, on the basis that the applications made by the sub-agent for the import permits for the vehicles were made under Aras Kuasa's name. Aras Kuasa decided not to dispute or challenge RMCD's determination in this regard as it was of the view that the time and efforts required would likely be to no avail. Aras Kuasa applied to pay for the arrears in Taxes in instalments over two (2) years, and this was approved by the RMCD in October 2014, subject to, among others, a general bond provided by Dato' Sri Pek to secure Aras Kuasa's payment obligations. Aras Kuasa has fully settled the amount ahead of the payment schedule.

Tax Investigations on AKSB and its entities

Dato' Sri Pek and Dato' Teh are directors of Aras Kuasa. There was a tax investigation conducted by the IRB on Aras Kuasa and its entities (including Honest Sam which was wholly-owned by Aras Kuasa previously) in March 2016 ("**IRB Investigations**"). IRB had, in March 2016, requested for various documents from (i) Aras Kuasa; (ii) B J Tan & Co., the former external auditors of Aras Kuasa and Honest Sam; and (iii) Ernst & Young Malaysia, the auditors and tax agent of Aras Kuasa and Honest Sam, as part of their investigation and assessment. Due to the large amount of information that the IRB was required to review based on the documents requested, the IRB informed Aras Kuasa that they shall only review the capital statement of the main shareholder of Aras Kuasa, being Dato' Sri Pek. B J Tan & Co. proceeded to prepare the personal capital statement of Dato' Sri Pek from 1 January 2009 to 31 December 2014 ("**Assessment Years**") as requested by the IRB ("**Capital Statement**"). B J Tan & Co. had in July 2017 submitted an initial draft of the Capital Statement. Following the completion of review by the IRB, the IRB had in August 2017 informed B J Tan & Co. and Dato' Sri Pek that there was a potential tax liability and penalties of approximately RM1,670,500.00 ("**Potential Tax Liability**") for the Assessment Years. The Potential Tax Liability was imposed on Dato' Sri Pek in his personal capacity, and arising from the Capital Statements which related to his personal capital statements. Upon the review of the Potential Tax Liability by B J Tan & Co., B J Tan & Co. submitted the final Capital Statement in August 2017 to the IRB. Pursuant to an agreement dated 15 August 2017 between Dato' Sri Pek and the IRB, it was mutually agreed that Dato' Sri Pek would pay a lump sum tax of RM1,670,500.00 and the payment arrangements for the aforesaid amount were set out. The aforesaid amount was fully paid by Dato' Sri Pek on 25 February 2018. There was no potential tax liability and penalties imposed on our Group pursuant to the IRB

GENERAL AND STATUTORY INFORMATION

Investigations. Aras Kuasa had also received a letter dated 26 October 2017 from the IRB stating that the IRB Investigations have been closed without adjustments.

Save as disclosed above, there have been no other penalties or payments in relation to the IRB Investigations.

Save as disclosed in the section entitled “General and Statutory Information” of this Offer Document, there were no further tax audits conducted by the IRB of Malaysia on our Group.

Our Directors and our Audit Committee having considered, *inter alia*, the Tax Procedures, the adequate resources of our Group’s finance functions and the appointment of Ernst & Young Malaysia as Honest Sam’s auditor and tax agent, are of the view that our Group has taken adequate steps to prevent the recurrence of the Tax-related Deficiencies and/or minimise any shortfall payment to the IRB in the event of any audit or investigation.

Assistance in MACC investigations in 2016

Around April or May 2016, Mr. Lim provided a statement in his capacity as an employee of Aras Kuasa to the MACC on the purchase of bauxite (“**Bauxite Purchase**”) by Aras Kuasa from Sukor Mining Sdn Bhd (“**SMSB**”), which was appointed by Tanah Merah Sdn Bhd (“**TMSB**”) to conduct bauxite mining on a piece of land (“**PCSB Land**”) which was owned by a subsidiary of Pasdec Corporation Sdn Bhd (“**PCSB**”), a company listed on Bursa Malaysia. To the best of his knowledge through publicly available information, Mr. Lim found out that the subject of the investigations by MACC was the previous group managing director of PCSB in relation to mining-related corruption carried out on the PCSB Land. Mr. Lim provided details solely in relation to the Bauxite Purchase to the MACC. Following the provision of the statement by Mr. Lim, there was no further follow-up by the MACC or any other authorities.

CHANGES IN SHARE CAPITAL

2. As at the Latest Practicable Date, there is only one (1) class of shares in the capital of our Company. There are no founder, management, deferred shares or unissued shares reserved for issuance for any purpose. The rights and privileges attached to our Shares are stated in our Constitution.

GENERAL AND STATUTORY INFORMATION

3. Save as disclosed in the sections entitled “Share Capital” and “Restructuring Exercise” of this Offer Document and below, there are no changes in the issued and paid-up capital of our Company and our subsidiary within the three (3) years preceding the Latest Practicable Date:

Date of issue/ transfer	Number of shares issued/ change in the number of shares	Consideration	Purpose of issue/change	Resultant share capital
<i>Our Company</i>				
19 September 2019	Issue of one (1) ordinary share to Dato’ Sri Pek	S\$1.00	Issue of subscriber shares on incorporation	S\$1.00 comprising one (1) ordinary shares
<i>Subsidiary</i>				
Honest Sam				
20 July 2017	Issue of 8,899,998 ordinary shares to Aras Kuasa	There was no subscription price paid for this issue of ordinary shares as it was an issuance of bonus shares	Issue of bonus shares	RM10,733,335.00 comprising 10,000,000 ordinary Shares and 733,335 CPS
18 September 2017	Transfer of 1,099,998 ordinary shares from Dato’ Sri Pek to Aras Kuasa	RM1,452,869.00	Transfer of shares	RM10,733,335.00
18 September 2017	Transfer of two (2) ordinary shares from Mr. Pek Kok Hing to Aras Kuasa	RM3.00	Transfer of shares	RM10,733,335.00
7 September 2017	Transfer of one (1) ordinary share from Mr. Lim to Aras Kuasa	RM1.00	Transfer of shares	RM10,733,335.00
7 September 2017	Transfer of one (1) ordinary share from Ms. Lai Choy Leng to Aras Kuasa	RM1.00	Transfer of shares	RM10,733,335.00

GENERAL AND STATUTORY INFORMATION

Date of issue/ transfer	Number of shares issued/ change in the number of shares	Consideration	Purpose of issue/change	Resultant share capital
4 November 2019	Consolidation of 10,000,000 ordinary shares into 1,100,000 consolidated ordinary shares	–	Share consolidation	RM10,733,335.00

4. Save as disclosed above and in the sections entitled “Share Capital” and “Restructuring Exercise” of this Offer Document, no shares in, or debentures of, our Company or our subsidiary have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, during the three (3) years preceding the date of lodgement of this Offer Document.

MATERIAL CONTRACTS

5. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiary within the two (2) years preceding the date of lodgement of this Offer Document and are or may be material:
- (a) the Share Swap Agreement entered into between our Company and the Existing HS Shareholders for the share swap as described in the section entitled “Restructuring Exercise” of this Offer Document;
 - (b) the letter dated 10 August 2019 issued by the Chaah ML Holder to Honest Sam, the letter dated 25 November 2019 issued by Honest Sam and accepted by the Chaah ML Holder, and the letter dated 24 April 2020 issued by Honest Sam to the Chaah ML Holder and accepted by the LLO on behalf of the Chaah ML Holder, which supplement, vary and amend the 2011 Mining Agreement as described in the section entitled “General Information on our Group – the Chaah Mine – Right to mine” of this Offer Document;
 - (c) the Service Agreement entered into with Dato’ Sri Pek and the Appointment Agreement entered into with Mr. Lim as described in the section entitled “Directors, Management and Staff – Service Agreement and Appointment Agreement” of this Offer Document;
 - (d) the Deed of Call Options and Rights of First Refusal entered into amongst our Company Aras Kuasa, RGSB, JGSB, MGSB, Dato’ Sri Pek, Dato’ Teh, Dato’ Lee and Mr. Lim, as described in the section entitled “Potential Conflicts of Interest – Interests of Directors, CEO, Controlling Shareholder or the Associates” of this Offer Document;
 - (e) the Non-Compete Undertakings given by each of Dato’ Sri Pek, Dato’ Teh and Dato’ Lee in favour of our Company, as described in the section entitled “Potential Conflicts of Interest – Interests of Directors, CEO, Controlling Shareholder or their Associates” of this Offer Document;

GENERAL AND STATUTORY INFORMATION

- (f) the deed of undertaking given by Aras Kuasa in favour of our Company, as described in the section entitled “Interested Person Transactions – Present and On-going Interested Person Transactions – (I) Sale of pipe coating materials to Aras Kuasa” of this Offer Document; and
- (g) the deeds of undertaking given by Dato’ Sri Pek and Mr. Pek Kok Hing in favour of our Company, as described in the section entitled “Interested Person Transactions – Present and On-going Interested Person Transactions – (VII) Provision of personal guarantees and indemnities to our Group” of this Offer Document.

MATERIAL LITIGATION

- 6. As at the Latest Practicable Date, save as disclosed below, neither our Company nor any member of our Group is engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had during the last twelve (12) months before the date of lodgement of this Offer Document, a material effect on our Group’s financial position or profitability.
- 7. On 28 April 2017, Kamal Hisham filed a suit against Honest Sam, whereby Kamal Hisham sought for (i) an account of iron ore mined and extracted by Honest Sam from the Chaah Mine from April 2011 until the expiry of the relevant mining certificate, together with payment of RM5.00 per metric tonne of such iron ore mined and extracted as operation fees; (ii) a sum of RM25,000.00 per month from April 2011 until the expiry of the relevant mining certificate as management fees; and (iii) damages, interests and costs. In turn, Honest Sam counterclaimed against Kamal Hisham for a return of monies previously paid pursuant to item (i) above as well as damages, interests and costs. On 27 June 2019, Kamal Hisham and Honest Sam entered into a consent order before the court where Kamal Hisham agreed to withdraw his claim and Honest Sam agreed to withdraw its counterclaim. Pursuant to the aforesaid consent order, no order was made as to costs and neither party has any liberty to file afresh.

CONSTITUTION

- 8. The nature of our Company’s business has been stated earlier in this Offer Document. Our objects can be found in our Constitution which is available for inspection at our registered office in accordance with paragraph 28 in the section entitled “General and Statutory Information” of this Offer Document.
- 9. An extract of our Constitution relating to, among others, Directors’ powers to vote on contracts in which they are interested, Directors’ remuneration, Directors’ borrowing powers, Directors’ retirement, Directors’ share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are set out in “Appendix F – Summary of our Constitution” to this Offer Document. The Constitution of our Company is available for inspection at our registered office in accordance with paragraph 28 in the section entitled “General and Statutory Information” of this Offer Document.

GENERAL AND STATUTORY INFORMATION

MISCELLANEOUS

10. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two (2) years preceding the date of this Offer Document.
11. There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred between the date of incorporation of our Company and the Latest Practicable Date.
12. Save as disclosed in the section entitled “Sponsorship, Management and Placement Arrangements” of this Offer Document, no commission, discount or brokerage has been paid or other special terms granted within the two (2) years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or our subsidiary.
13. No expert is employed on a contingent basis by our Group or has an interest, directly or indirectly, in the promotion of, or in any property or assets which have, within the two (2) years preceding the Latest Practicable Date, been acquired or disposed of by or leased to our Company or our subsidiary or are proposed to be acquired or disposed of by or leased to our Company or our subsidiary.
14. Application monies received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Bank. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.
15. Save as disclosed in the sections entitled “Risk Factors”, “Working Capital”, “Management’s Discussion and Analysis of Results of Operations and Financial Position”, “General Information on our Group – Prospects” and “General Information of our Group – Trend Information” of this Offer Document, our Directors are not aware of any event which has occurred between 1 November 2019 and the Latest Practicable Date which may have a material effect on the results of operations and financial position of our Group or the financial information provided in this Offer Document.
16. Save as disclosed in the sections entitled “Risk Factors”, “Working Capital”, “Management’s Discussion and Analysis of Results of Operations and Financial Position”, “General Information on our Group – Prospects” and “General Information of our Group – Trend Information” of this Offer Document, the results of operations and financial position of our Group are not likely to be affected by any of the following:
 - (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that may materially affect the amount of reported income from operations; and

GENERAL AND STATUTORY INFORMATION

- (d) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.
17. Details, including the name, address and professional qualifications including membership in a professional body of the auditors of our Company for the Period Under Review are as follows:

Name and address	Professional body	Partner-in-charge/ Professional qualification
Ernst & Young LLP One Raffles Quay Level 18 North Tower Singapore 048583	Institute of Singapore Chartered Accountants	Partner-in-charge: Yeow Hui Cheng (a practicing member of the Institute of Singapore Chartered Accountants)

We currently have no intention of changing our auditors after our Listing.

CONSENTS

18. Ernst & Young LLP, the Independent Auditor and Reporting Accountant, has given and has not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of the “Independent Auditor’s and Reporting Accountant’s Report on the Audited Combined Financial Statements for the Financial Years ended 31 July 2017, 2018 and 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendix A to this Offer Document, the “Independent Auditor’s Review Report on the Unaudited Interim Condensed Combined Financial Statements for the Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendix B to this Offer Document and the “Independent Practitioner’s Assurance Report on the Compilation of Unaudited Pro Forma Combined Financial Information for the Financial Year ended 31 July 2019 and Interim Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries” as set out in Appendix C to this Offer Document in the form and context in which they are included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
19. PrimePartners Corporate Finance Pte. Ltd., the Sponsor, Issue Manager and Placement Agent, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its name and references thereto and its opinion set out in the sections entitled “Corporate Governance – Board Practices” and “Directors, Management and Staff” of this Offer Document in the form and context in which they are included in this Offer Document and to act in such capacity in relation to this Offer Document.
20. The Solicitors to the Placement and Legal Advisers to our Company on Singapore Law have given, and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of their name and references thereto in the form and context in which they appear in this Offer Document and to act in such capacity in relation to this Offer Document.
21. The Legal Advisers to our Company on Malaysian Law, has given, and has not before the registration of this Offer Document, withdrawn its written consent to being named in this Offer Document with the inclusion herein of its opinions set out in the sections entitled “Risk Factors – Risks Relating to our Industry and our Business”, “General Information on our

GENERAL AND STATUTORY INFORMATION

Group – Legal Opinion from Jeff Leong, Poon & Wong” of this Offer Document and its legal opinion set out in Appendix L to this Offer Document, in the form and context in which it is included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.

22. The Independent Qualified Person has given, and has not before the registration of this Offer Document, withdrawn its written consent to being named in this Offer Document with the inclusion herein of its opinions set out in the sections entitled “Risk Factors – Risks Relating to our Industry and our Business”, “General Information on our Group – The Chaah Mine” and “General Information on our Group – Exploration Assets” and the IQPR set out in Appendix D to this Offer Document, in the form and context in which it is included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
23. The Independent Valuer has given, and has not before the registration of this Offer Document, withdrawn its written consent to being named in this Offer Document with the inclusion herein of its opinion set out in the section entitled “General Information on our Group – Independent Valuation Report” and the Independent Valuation Report set out in Appendix E to this Offer Document, in the form and context in which it is included and references to their name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
24. The IFA has given, and has not before the registration of this Offer Document, withdrawn its written consent to being named in this Offer Document with the inclusion herein of its opinion set out in the section entitled “Interested Person Transactions” and the IFA Letter set out in Appendix J to this Offer Document, in the form and context in which it is included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
25. The internal auditor, IA Essential Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its name and references thereto and its opinion as set out in the section entitled “Corporate Governance – Board Practices” of this Offer Document in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
26. Shearn Delamore & Co has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its name and references thereto and its opinion as set out in the section entitled “General and Statutory Information – Information on Directors, Executive Officer and Controlling Shareholder” of this Offer Document in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
27. Each of the Solicitors to the Placement and Legal Advisers to our Company on Singapore Law, the Share Registrar and Share Transfer Office and the Receiving Bank do not make, or purport to make, any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and each of them makes no representation regarding any statement in this Offer Document and to the maximum extent permitted by law, expressly disclaim and takes no responsibility for any liability to any person which is based on, or arises out of, any statement, information or opinions in, or omission from, this Offer Document.

GENERAL AND STATUTORY INFORMATION

DOCUMENTS AVAILABLE FOR INSPECTION

28. Copies of the following documents may be inspected at our registered address during normal business hours for a period of six (6) months from the date of registration by the SGX-ST acting as agent on behalf of the Authority, of this Offer Document:

- (a) the Constitution;
- (b) the material contracts referred to in this Offer Document, including the Service Agreement and the Appointment Agreement;
- (c) the letters of consent referred to in this Offer Document;
- (d) the Independent Auditor's and Reporting Accountant's Report on the Audited Combined Financial Statements for the Financial Years ended 31 July 2017, 2018 and 2019 of Southern Alliance Mining Ltd. and its Subsidiaries as set out in Appendix A to this Offer Document;
- (e) the Independent Auditor's Review Report on the Unaudited Interim Condensed Combined Financial Statements for the Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries as set out in Appendix B to this Offer Document;
- (f) Independent Practitioner's Assurance Report on the Compilation of Unaudited Pro Forma Combined Financial Information for the Financial Year ended 31 July 2019 and Interim Three-Month Financial Period ended 31 October 2019 of Southern Alliance Mining Ltd. and its Subsidiaries as set out in Appendix C to this Offer Document;
- (g) the IQPR set out in Appendix D to this Offer Document;
- (h) the Independent Valuation Report set out in Appendix E to this Offer Document;
- (i) the IFA Letter set out in Appendix J to this Offer Document;
- (j) the Legal Opinion set out in Appendix L to this Offer Document;
- (k) the CPPF which includes the Anti-bribery Guidelines and WhistleBlowing Policy and Procedures set out in Appendix M to this Offer Document;
- (l) the rules of the Plan set out in Appendix I of this Offer Document; and
- (m) the financial statements of Honest Sam for FY2018, FY2019 and FY2020.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS

29. This Offer Document has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement and our Group, and our Directors are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly

GENERAL AND STATUTORY INFORMATION

available sources or obtained from a named source, the sole responsibility of our Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

RESPONSIBILITY STATEMENT BY THE VENDOR

30. This Offer Document has been seen and approved by the Vendor and the Vendor accepts full responsibility for the accuracy of the information given in this Offer Document and confirms after making all reasonable enquiries, that to the best of his knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement and our Group, and the Vendor is not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Vendor has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

APPENDIX A
INDEPENDENT AUDITOR'S AND REPORTING ACCOUNTANT'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEARS ENDED 31 JULY 2017, 2018 AND 2019
OF SOUTHERN ALLIANCE MINING LTD. AND ITS SUBSIDIARIES

Southern Alliance Mining Ltd.
and its subsidiaries

Audited Combined Financial Statements
Years ended 31 July 2017, 2018 and 2019

Directors' Statement

In the opinion of the directors,

- (i) the combined financial statements of the Group are drawn up so as to present fairly, in all material respects, the financial positions of the Group as at 31 July 2017, 2018 and 2019 and the financial performance, changes in equity and cash flows of the Group for the financial years ended 31 July 2017, 2018 and 2019, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Dato' Sri Pek Kok Sam
Director

Dato' Teh Teck Tee
Director

Singapore
16 June 2020

Southern Alliance Mining Ltd. and its subsidiaries

Independent Auditor's Report

For the financial years ended 31 July 2017, 2018 and 2019

The Board of Directors
Southern Alliance Mining Ltd.
80 Robinson Road
#02-00
Singapore 068898

Report on the combined financial statements

Opinion

We have audited the combined financial statements of Southern Alliance Mining Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the combined statements of financial position of the Group as at 31 July 2017, 2018 and 2019, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for each of the financial years ended 31 July 2017, 2018 and 2019, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements of the Group are properly drawn up in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the combined financial positions of the Group as at 31 July 2017, 2018 and 2019 and of the combined financial performance, combined changes in equity and combined cash flows of the Group for each of the financial years ended 31 July 2017, 2018 and 2019.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of combined the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and directors for the combined financial statements

Management is responsible for the preparation of combined financial statements that give a true and fair view in accordance with SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the combined financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Independent Auditor's Report

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Southern Alliance Mining Ltd. and its subsidiaries

Independent Auditor's Report

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

Restriction of distribution and use

This report is made solely to you as a body and for the inclusion in the Offer Document to be issued in relation to the proposed offering of shares of the Company in connection with the Company's listing on the Catalist Board of Singapore Exchange Securities Trading Limited.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore

Partner-in-Charge: Yeow Hui Cheng
16 June 2020

Southern Alliance Mining Ltd. and its subsidiaries

**Combined statements of comprehensive income
For the financial years ended 31 July 2017, 2018 and 2019**

	Note	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	4	63,964	98,069	189,141
Cost of sales		(89,549)	(113,027)	(127,172)
Gross (loss)/profit		(25,585)	(14,958)	61,969
Other income	5	1,744	1,400	2,505
Other operating expenses		(709)	(338)	(372)
General and administrative expenses		(3,436)	(2,990)	(3,306)
Finance costs	6	(268)	(211)	(256)
Share of results of joint venture	15	(95)	(112)	(154)
Share of results of associate	16	(6,899)	–	–
(Loss)/profit before tax	7	(35,248)	(17,209)	60,386
Income tax (expense)/credit	9	(20)	(20)	27,860
(Loss)/profit after tax, representing total comprehensive income for the year		(35,268)	(17,229)	88,246
(Loss)/earnings per share (cents per share)				
– Basic and diluted	10	(8.20)	(4.01)	20.52

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Combined statements of financial position
As at 31 July 2017, 2018 and 2019**

		Group As at 31 July		
	Note	2017 RM'000	2018 RM'000	2019 RM'000
Assets				
Non-current assets				
Property, plant and equipment	11	46,470	38,997	26,298
Investment property	12	—	—	—
Mine properties	13	45,565	39,133	30,518
Investment in a joint venture	15	266	154	—
Deferred tax asset	9	—	—	27,946
Investment securities		82	82	82
		92,383	78,366	84,844
Current assets				
Inventories	17	28,997	14,053	13,439
Trade and other receivables	18	8,196	7,486	19,977
Contract assets	4	762	6,257	15,525
Prepayments		1,135	1,635	1,567
Cash and bank balances	19	2,695	4,949	35,366
Income tax recoverable		1,668	1,668	1,602
Assets held for distribution	30(e)	—	—	17,215
		43,453	36,048	104,691
Total assets		135,836	114,414	189,535
Liabilities				
Current liabilities				
Loans and borrowings	20	1,536	2,054	1,399
Trade and other payables	21	39,356	34,806	22,420
		40,892	36,860	23,819
Net current assets/(liabilities)		2,561	(812)	80,872
Non-current liabilities				
Loans and borrowings	20	969	1,643	1,559
Total liabilities		41,861	38,503	25,378
Net assets		93,975	75,911	164,157
Equity attributable to owners of the Company				
Share capital	22	—*	—*	—*
Preference shares	23	733	733	733
Retained earnings		54,517	36,453	124,699
Merger reserve	24	38,725	38,725	38,725
Total equity		93,975	75,911	164,157

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

Combined statements of changes in equity

For the financial years ended 31 July 2017, 2018 and 2019

				Non-distributable Convertible		Distributable
	Note	Total equity RM'000	Share capital RM'000 (Note 22)	Preference shares RM'000 (Note 23)	Merger reserve RM'000 (Note 24)	Retained earnings RM'000
Group						
2017						
Opening balance at 1 August 2016		169,970	—*	733	32,925	136,312
Loss for the year representing total comprehensive income		(35,268)	—	—	—	(35,268)
<u>Transactions with owners</u>						
Issue of bonus shares	24	—	—	—	5,800	(5,800)
Distribution of an investment in associate as a dividend-in-specie	16	(40,727)	—	—	—	(40,727)
Total transaction with owners		(40,727)	—	—	5,800	(46,527)
Closing balance at 31 July 2017		93,975	—*	733	38,725	54,517

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

Combined statements of changes in equity

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

	Total equity RM'000	Non-distributable		Distributable	
		Share capital RM'000 (Note 22)	Convertible Preference shares RM'000 (Note 23)	Merger reserve RM'000 (Note 24)	Retained earnings RM'000
Group					
2018					
Opening balance at 1 August 2017	93,975	—*	733	38,725	54,517
Loss for the year representing total comprehensive income	(17,229)	—	—	—	(17,229)
Distribution to shareholder	(835)	—	—	—	(835)
Closing balance at 31 July 2018	75,911	—*	733	38,725	36,453
	Total equity RM'000	Non-distributable		Distributable	
		Share capital RM'000 (Note 22)	Convertible Preference shares RM'000 (Note 23)	Merger reserve RM'000 (Note 24)	Retained earnings RM'000
Group					
2019					
Opening balance at 1 August 2018	75,911	—*	733	38,725	36,453
Profit for the year representing total comprehensive income	88,246	—	—	—	88,246
Closing balance at 31 July 2019	164,157	—*	733	38,725	124,699

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

Combined statements of cash flows

For the financial years ended 31 July 2017, 2018 and 2019

	Years ended 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Operating activities			
(Loss)/profit before taxation	(35,248)	(17,209)	60,386
<u>Adjustments for:</u>			
Interest expenses	268	211	256
Interest income	(72)	(74)	(275)
Unrealised loss/(gain) on foreign exchange	56	(64)	28
Dividend received from investment securities	(1)	—	—
Depreciation of property, plant and equipment	15,478	10,511	6,552
Loss/(gain) on disposal of property, plant and equipment	*	29	(100)
Amortisation of mine properties	4,368	6,432	8,615
Impairment loss on receivables	1	2	4
Write-back of allowance on doubtful debts	—	—	(482)
Depreciation of investment property	318	—	—
Gain on disposal of investment property	(1,078)	—	—
Share of results of an associate	6,899	—	—
Share of results of a joint venture	95	112	154
Inventories written down	496	—	—
Total adjustments	26,828	17,159	14,752
Operating cash flows before changes in working capital	(8,420)	(50)	75,138
<u>Changes in working capital:</u>			
Decrease in inventories	9,612	14,944	614
Decrease/(increase) in trade and other receivables and contract assets	1,063	(4,787)	(26,572)
Decrease/(increase) in prepayments	(625)	(500)	68
Decrease in trade and other payables	(8,037)	(4,486)	(12,414)
Total working capital changes	2,013	5,171	(38,304)
Cash flows (used in)/from operations	(6,407)	5,121	36,834
Income taxes paid	(20)	(20)	(20)
Interest received	72	74	275
Interest paid	(268)	(211)	(256)
Net cash (used in)/from operating activities	(6,623)	4,964	36,833

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

Combined statements of cash flows

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Investing activities			
Purchase of property, plant and equipment	(326)	(1,910)	(4,347)
Proceeds from disposal of property, plant and equipment	*	335	100
Proceeds for disposal of investment property	9,524	–	–
Dividend received from investment securities	1	–	–
Placement of fixed deposit	(60)	(57)	(63)
Net cash from/(used in) investing activities	9,139	(1,632)	(4,310)
Financing activities			
Repayment of term loans	(236)	(253)	(272)
Repayment of obligations under finance leases	(2,571)	(174)	(723)
Distribution to the controlling shareholder	–	(835)	–
Net cash used in financing activities	(2,807)	(1,262)	(995)
Net (decrease)/increase in cash and cash equivalents	(291)	2,070	31,528
Cash and cash equivalents at 1 August	(183)	(474)	1,596
Cash and cash equivalents at 31 July	(474)	1,596	33,124

* Denotes less than RM1,000

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	As at 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Cash and short-term deposits	2,695	4,949	35,366
Less:			
Bank overdraft (Note 20)	(1,243)	(1,370)	(196)
Pledged deposits	(1,926)	(1,983)	(2,046)
Cash and cash equivalents	(474)	1,596	33,124

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

Notes to the Combined Financial Statements
For the financial years ended 31 July 2017, 2018 and 2019

1. Corporate information

1.1 The Company

The Company was incorporated on 19 September 2019 under the Companies Act, Chapter 50 as a private limited company domiciled in Singapore. On 27 April 2020, the Company was converted to a public company limited by shares.

The registered office and principal place of business of the Company is located at 80 Robinson Road, #02-00, Singapore 068898.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries and joint venture are disclosed in Notes 14 and 15.

1.2 The Restructuring Exercise

Transfer of businesses and entities under common control

The Group was formed through the following exercise (the “Restructuring Exercise”) which involved acquisitions and rationalisation of the corporate and shareholding structure for the purposes of the Initial Public Offering (the “IPO” or the “Invitation”). Pursuant to the Restructuring Exercise, the Group is formed and is made up of entities under common control of Dato’ Sri Pek Kok Sam (“Controlling Shareholder”), being the Company and Honest Sam Sdn. Bhd. (“Honest Sam”), including Honest Sam’s subsidiary, joint venture and associate as disclosed in Notes 14 to 16.

The Restructuring Exercise involved the following steps:

(a) Strike off of A.K. Trading Co. Ltd (“AK Trading”)

In connection with the proposed listing and to streamline the Group’s structure and assets, the director of AK Trading passed a resolution on 31 July 2018 for AK Trading to cease its business operation as a trading company with immediate effect. On 4 September 2019, AK Trading was wound up. There is no impact to the combined financial statements of the Group.

(b) Incorporation of the Company

The Company was incorporated in Singapore on 19 September 2019 under the Companies Act as a private company limited by shares with an issued and paid-up share capital of S\$1 comprising 1 ordinary share.

(c) Share consolidation

On 4 November 2019, Honest Sam undertook a share consolidation of its ordinary shares, pursuant to which Honest Sam consolidated 10,000,000 ordinary shares into 1,100,000 consolidated ordinary shares.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

1. Corporate information (Continued)

1.2 *The Restructuring Exercise* (Continued)

(d) Distribution of shareholding interests in Teras Megajaya Sdn. Bhd. (“Teras Megajaya”)

Honest Sam had on 5 November 2019 distributed its shareholding interest of 50% in Teras Megajaya to ultimate holding company, Aras Kuasa Sdn. Bhd. (“Aras Kuasa”) and amounts due from Teras Megajaya of approximately RM5,291,000.

(e) Transfer of non-mining real property and other non-core assets

To streamline the Group’s structure and assets in connection with the proposed listing, Honest Sam, had on 5 November 2019, transferred all its non-mining real property and other non-core assets, including a freehold land, to Aras Kuasa, at net book value totalling to RM11,924,000.

(f) Distribution in Specie by Aras Kuasa of Honest Sam

On 12 December 2019, Aras Kuasa completed a distribution in specie to divest its entire shareholding in Honest Sam to its shareholders. Upon completion of such distribution in specie, Dato’ Sri Pek Kok Sam continues to be the Controlling Shareholder.

(g) Share swap

On 28 April 2020, the Company acquired the entire ordinary shareholdings in Honest Sam for an aggregate stated consideration of approximately S\$58,400,000. The stated consideration was based on the net asset value of Honest Sam as at 31 October 2019 and was satisfied by the issue and allotment of an aggregate of 9,999,999 new ordinary shares in the Company. Upon the completion of the acquisition of Honest Sam on 12 May 2020, Honest Sam became a subsidiary of the Group.

(h) On 12 June 2020, the Share Split was effected and each of the Company’s Shares were sub-divided into 43 Shares. Pursuant to the Share Split, the issued and paid-up share capital of our Company became S\$58,365,539, comprising 430,000,000 Shares.

The combined financial statements presented for the years ended 31 July 2017, 2018 and 2019 (the “reported periods”) are a continuation of Honest Sam and its subsidiary, comprising its consolidated financial position, performance and cash flows. Pursuant to this, assets, liabilities, equity, income, expenses and cash flows of Honest Sam and its subsidiary are consolidated at their existing carrying amounts.

Although the Restructuring Exercise was completed on 12 June 2020 and the Company is incorporated on 19 September 2019, the combined financial statements of the Group are prepared as if the Company i.e. the parent of the Group had been in existence since the Group were under the control of the Controlling Shareholder.

Share capital as presented in the combined financial statements represents the share capital of the Company.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies

2.1 Basis of preparation

The combined financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS (I)").

The combined financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The combined financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000), except when otherwise stated.

2.2 Changes in accounting policies

During the financial years ended 31 July 2017, 2018 and 2019, the Group adopted the new or revised SFRS (I) that are relevant to its operations and effective for each financial year respectively. Changes to the Group's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective SFRS (I). The adoption of the new or revised SFRS (I) including SFRS (I) Interpretations ("SFRS(I) INT") did not result in any substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the respective years as follows:

SFRS(I) 9 Financial Instruments

On 1 August 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018. The Group has applied SFRS(I) 9 retrospectively and the Group has quantified that there is no material impact arising from SFRS(I) 9 adoption for the financial years ended 31 July 2017, 2018 and 2019. The Group has not restated its comparatives.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 August 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 August 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no impact arising from measurement of these instruments under SFRS(I) 9.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.2 *Changes in accounting policies* (Continued)

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

The Group has assessed there to be no additional impairment on trade receivables upon adoption of SFRS(I) 9.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. The Group adopted SFRS(I) 15 using the full retrospective method of adoption and applied SFRS(I) 15 retrospectively with the cumulative effective of initially applying SFRS(I) 15 recognised as at date of initial application as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Group did not apply any of the other available optional practical expedients.

For comparative purposes, the Group has restated "Contract assets" from "Trade and other receivables" for financial years ended 31 July 2017, 2018 and 2019 as follows:

	IAS18 RM'000	SFRS(I) 15 adjustment RM'000	SFRS(I) 15 RM'000
2017			
Trade and other receivables	8,958	(762)	8,196
Contract assets	—	762	762
2018			
Trade and other receivables	13,743	(6,257)	7,486
Contract assets	—	6,257	6,257
2019			
Trade and other receivables	35,502	(15,525)	19,977
Contract assets	—	15,525	15,525

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.2 *Changes in accounting policies* (Continued)

SFRS(I) 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group's revenue from contracts with customers comprises sale of iron ore. The Group undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under SFRS(I) 15. There is no material impact on the adoption of SFRS(I) 15 on the combined financial statements of the Group for the financial years ended 31 July 2017, 2018 and 2019.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 <i>Cycle</i>	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Amendments to SFRS(I) 3: <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I)-28: Long-term interests in Associates and Joint Ventures	1 January 2020
Interest Rate Benchmark Reform – Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

Except for SFRS(I) 16 and SFRS(I) INT 23, the directors expect that the adoption of the other standards above will have no material impact on the combined financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 August 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset from leases that are currently classified as operating leases at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date but discounted using the lessee’s incremental borrowing rate as of 1 August 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 August 2019.

In respect of leases that are currently classified as finance leases, the carrying amount of the right-of-use asset and the lease liability at the date of initial application will be stated at the carrying amount of the lease asset and lease liability at 31 July 2019 measured applying SFRS(I) 1-17 Leases.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 August 2019

The Group expects the effect of adoption of SFRS(I) 16 as at 1 August 2019 to involve a reclassification as follows:

	RM’000
Assets	
Right-of-use asset	2,797
Property, plant and equipment (currently classified as finance leases)	(2,797)

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

SFRS (I) INT 23 Uncertainty over Income Tax Treatments

SFRS(I) INT 23, effective for annual periods beginning on or after 1 January 2019, addresses accounting for income taxes when tax treatments are uncertain.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of SFRS (I) 1-12 Income Taxes. It does not apply to taxes or levies outside the scope of SFRS (I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The directors do not expect that the adoption of the Interpretation to have an impact on the Group's financial statements.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The combined financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the combined financial statements are prepared for the same reporting date as of the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be combined until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Notes to the Combined Financial Statements
For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation and business combinations (Continued)

(b) Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

2.5 Foreign currency

Transactions and balances

The Group's combined financial statements are presented in RM, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of assets is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	– 10 years
Motor vehicles and heavy duty mobile equipment	– 5 years
Plant and machinery	– 5 – 10 years
Furniture, fittings, containers, signboard, renovation and other equipment	– 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (Continued)

2.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.8 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2.9 Joint venture and associate

The Group's investment in joint venture and associate are accounted for using the equity method. Under the equity method, the investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to joint venture is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's and joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate and joint venture in the period in which the investment is acquired.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.9 Joint venture and associate (Continued)

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

The Group's share of the operating results is shown separately in the profit or loss. The Group's share of other comprehensive income is recognised in other comprehensive income. Net assets of the joint venture are included in the combined financial statements under the equity method based on their latest audited financial statements, except where their financial periods do not end on 31 July, the management accounts to 31 July are used.

An associate or joint venture is equity accounted for from the date the Group obtains significant influence or joint control over the associate or joint venture, until the date the Group ceases to have significant influence or joint control over the associate or joint venture.

The financial statements of the associate and joint venture are prepared as the same reporting date as the Company.

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments measured at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

(a) *Financial assets* (Continued)

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.11 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group considers a financial asset in default on a case-by-case basis assessment which includes the counterparty going into bankruptcy or a request for a discounted repayment scheme is received due to financial difficulties. Additionally, the Group considers forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at banks and short-term deposits which are subjected to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. Cash and cash equivalents exclude short-term deposits pledged as securities for borrowings.

2. Summary of significant accounting policies (Continued)

2.13 Inventories

Inventories comprise iron ores, consumables and spares. Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the weighted average method. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Cost of extracting, removing and transporting mineral ores plus relevant mining fees and duties paid/payable, or;
- The original purchase price of mineral ores plus cost incurred in bringing the inventories to their present location and condition, or;

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-cumulating compensated absences such as sick leave are recognised when the absences occur.

2. Summary of significant accounting policies (Continued)

2.15 Employee benefits (continued)

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.16 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (Continued)

2.17 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating revenue within the Group.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of iron ores

Revenue from sale of iron ores are recognised at a point in time when control transfers upon satisfaction of performance obligation when goods are delivered to customers and all criteria for acceptance have been satisfied. The enforceable contract is each purchase order, which is an individual short-term contract.

The amount of revenue recognised is based on the estimated transaction price which comprises of the contractual price, net of quality adjustments. The majority of the Group's sale of iron ores allow for quality adjustments based on the quality of iron ore delivered to the customers. Adjustments to sales are made based on the quality of the iron ore and the period between provisional invoicing and the final invoice can be between one and three months. Payment for the invoice for the sale of iron ores are typically due 14-60 days from the date of invoice.

(b) Rendering of services

Revenue from services is recognised at a point in time net of service taxes and discounts as and when the services are performed and rendered.

2.18 Stripping (waste removal) costs

In open pit or surface mining, it is inevitable that mine waste mineral or overburden needs to be removed in order to gain access to mineral deposits or ore from which the minerals can be extracted economically. This activity is generally known as stripping.

Stripping activity usually associate with a specified identified component of ore body which is usually determined by mine plan and usually comprise a separate pushback or phase.

A specified identified component of ore body usually refers to a specific volume of ore body (which could be part of larger ore body) with a specific stripping program is developed to gain the access the said ore body.

Notes to the Combined Financial Statements
For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.18 Stripping (waste removal) costs (Continued)

There are two types of stripping activity:

(a) *Development stripping*

Development stripping is an initial stripping activity during the stage of mine development in order to obtain access to ore before the commencement of production.

If a mine operates several pits with different pushback that is not interrelated to each other, initial stripping costs or development stripping costs will be separately accounted for.

Development stripping costs will only be capitalised if they can demonstrate that:

- (i) they will give rise to the future probable economic benefit through the improved access to the ore body;
- (ii) the component of the ore body which access has been improved can be identified; and
- (iii) the costs can be reliably measured.

The Group will only capitalise direct costs that associate with the stripping activities, namely costs associated with equipment, cost of fuel and labour.

(b) *Production stripping*

Production stripping is the continuity of development stripping. The distinction is, it does not only allow the ore to be commercially extracted from the same identified component of ore body in the current period but also will further improve the accessibility to the same ore body component in the future.

However, if the pits are highly integrated and their mine development plans are likely to be affected by the pushback and infrastructure program of each other, the second and subsequent pits are considered to be the extension of the first pit. Accordingly, their development stripping will be considered as production stripping and the accounting treatment shall be guided by the accounting treatment for production stripping costs.

Production stripping costs will only be capitalised if they can demonstrate that:

- (i) they will give rise to the future probable economic benefit through the improved access to the ore body;
- (ii) the component of the ore body which access has been improved can be identified; and
- (iii) the costs can be reliably measured.

2. Summary of significant accounting policies (Continued)

2.18 Stripping (waste removal) costs (Continued)

(b) Production stripping (Continued)

Due to the uniqueness of production stripping which will not only give rise to the extraction of ore, it will also further improved the accessibility to the same identified ore body in the future (in which the costs associated with this activity is to be capitalised and amortised), there will be a high possibility that the costs of stripping activity asset and inventory produced are not separately identifiable. In this instant, the Group will allocate production stripping cost between the inventory produced and the production stripping asset using “life of identified component of ore body” waste to ore stripping ratio. In the event:

- (i) current year waste to ore stripping ratio is lesser than that of “life of identified component of ore body” waste to ore stripping ratio, all costs associated with the production stripping cost will be expensed to the profit or loss; and
- (ii) current year waste to ore stripping ratio is greater than that of “life of identified component of ore body” waste to ore stripping ratio, the amount of the excess will be capitalised as production stripping asset.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine as set, and is presented as part of ‘Mine properties’ in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.19 Mine properties

Mine properties include all mining related development expenditure. This include development stripping cost. Mine properties have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. The cost depreciated on a unit of production basis based on expected production of ore over the life of the component. Mine properties are written off to profit or loss if the mine is abandoned.

Mine development costs are capitalised when the existence of a commercially viable mineral deposit has been established. Initial payments for the acquisition of intangible lease assets are capitalised and amortised over the term of the permit. Administration costs that are not directly attributable to a specific exploration area are charged to the income statement.

2.20 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.20 Taxes (Continued)

(b) *Deferred tax* (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- (i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2. Summary of significant accounting policies (Continued)

2.20 Taxes (Continued)

(d) *Tributes*

Tributes are accounted for under SFRS(I) 1-12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income – rather than physical quantities produced or as a percentage of revenue – after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from tribute arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales. The tribute taxes payable by the Group does not meet the criteria to be treated as part of income taxes. Hence, it is included in cost of sales.

2.21 Convertible preference shares

The convertible preferences shares are regarded as equity instruments. Preference shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Preference shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.22 Investment property

Investment property is owned by the Group that is held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment property is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of the asset of 20 years.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.23 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.24 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.24 Related parties (Continued)

- (b) An entity is related to the Company if any of the following conditions applies: (Continued)
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.25 Segment reporting

The Group is principally engaged in the exploration, mining and processing and sales of primarily iron ore extracted from a single mine (i.e. Chaah mine). The Group's chief operating decision maker reviews the operating results and makes resource allocation decisions of the Group as a whole because the Group's mining-related resources and processes are integrated and activities other than the exploration, mining and processing and sales of iron are not significant to the Group. Accordingly, the Group does not present separate segmental information.

All revenue, operating expenses and assets and liabilities are derived from the operations based in Malaysia. The Group generates revenues from transactions with 3 (2018: 2; 2017: 2) major customers, each making up greater than 10% of the Group's revenue, amounting to a total of RM171,232,000, RM77,198,000 and RM63,914,000 respectively, as detailed below.

	Years ended 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Customer 1	18,924	32,609	34,066
Customer 2	44,990	44,589	—
Customer 3	—	—	40,592
Customer 4	—	—	96,574
	63,914	77,198	171,232

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

3. Significant accounting judgements and estimates

The preparation of the Group's combined financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the combined financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.1 Judgements made in applying accounting policies

(a) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income and deductible expenditures. The Group establishes provisions and recognises tax recoverable positions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions and tax recoverable are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority as well as judgement made on whether it is probable that the Group's tax positions would be accepted by the tax authority. The carrying amounts of the income tax recoverable as at 31 July 2019 is RM1,602,000 (2018: RM1,668,000, 2017: RM1,668,000).

(b) Stripping (waste removal) costs

The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former is included as part of the costs of inventory, while the latter are capitalised as a stripping activity asset, where certain criteria are met. Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

3. Significant accounting judgements and estimates (Continued)

3.1 Judgements made in applying accounting policies (Continued)

(b) Stripping (waste removal) costs (Continued)

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of mine properties and property, plant and equipment

In accordance with its accounting policies and processes, each asset or cash generating unit ("CGU") is evaluated annually at 31 July, to determine whether there are any indications of impairment.

In assessing the impairment of mine properties and property, plant and equipment, the Group reviews the ore reserves estimate together with analyses of the estimated net present value of the project. The net present value of mine properties and property, plant and equipment is estimated based on discounted future estimated cash flows expected to be generated from the continued use of the mine properties and property, plant and equipment using market-based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements based on the mine properties five-year plans and latest life of mine plans. These cash flows were discounted using a post-tax discount rate that reflected current market assessments of the time value of money and the risks specific to mine properties.

The economic assumptions used to estimate the commercial viability could change from period to period as and when additional geological data is generated during the course of operations. Subsequent recovery of the carrying value of mine properties depends on successful development of the mine. If a mine does not remain economically viable, all irrecoverable costs associated with the mine will be assessed for impairment and written off to the profit or loss in the period when the new information becomes available.

The carrying value of the property, plant and equipment and mine properties are disclosed in Note 11 and 13 respectively.

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(b) Depreciation of mine properties

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units of production ("UOP") depreciation methodologies are available to choose from. The Group adopts a methodology involving run-of-mine ("ROM") tonnes of ore produced for mining costs and a methodology involving ounces/tonnes of metal produced for post-mining costs. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- (i) The effect on economically recoverable reserves of differences between actual commodity prices; and
- (ii) Unforeseen operational issues.

Changes in estimates are accounted for prospectively.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(c) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and unabsorbed capital allowances can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 5 years.

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by RM Nil (2018: RM46,536,000, 2017: RM37,320,000).

4. Revenue

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Sales of iron ores	63,964	98,069	189,141

All revenues are derived from the operations based in Malaysia.

Contract assets

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Receivables from contracts with customers (Note 18)	1,624	995	18,476
Contract assets	762	6,257	15,525

Contract assets primarily relate to the Group's right to consideration for iron ore delivered but not yet billed at reporting date for the sale of iron ores. Contract assets are transferred to receivables when the rights become unconditional.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

4. Revenue (Continued)

***Contract assets* (Continued)**

Contract assets have substantially the same credit risk characteristics including concentration risks as the trade receivables for the sales of iron ore contracts. The Group has therefore concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets as disclosed in Note 2.11 and Note 28(a).

Significant changes in contract assets are explained as follows:

	Years ended 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Contract assets reclassified to receivables	995	762	6,257

5. Other income

	Years ended 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Interest income from fixed deposits	72	74	275
Dividend income from investment securities	1	—	—
Gain on disposal of property, plant equipment	*	—	100
Gain on disposal of investment property (Note 12)	1,078	—	—
Realised gain on foreign exchange	38	94	—
Rental income	219	—	703
Rendering of services	218	862	1,340
Unrealised gain on foreign exchange	—	64	—
Sundry income	118	306	87
	1,744	1,400	2,505

* Less than RM1,000

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

6. Finance costs

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Interest expense on:			
– Term loans	107	90	70
– Overdrafts	109	90	61
– Finance leases	52	31	125
	268	211	256

7. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Employee benefits expense (Note 8)	6,114	6,268	6,378
Depreciation of property, plant and equipment (Note 11)	15,478	10,511	6,552
Depreciation of investment property (Note 12)	318	–	–
Loss on disposal of property, plant and equipment	–	29	–
Amortisation of mine properties (Note 13)	4,368	6,432	8,615
Unrealised loss/(gain) on foreign exchange	56	(64)	28
Realised (gain)/loss on foreign exchange	(38)	(94)	52
Tributes	16,000	14,000	22,000
Allowance for/(write-back of) impairment on receivables	1	2	(482)

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

8. Employee benefits expense

	Years ended 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Wages and salaries	5,515	5,664	5,621
Social security contributions	60	62	64
Statutory contributions to Employees Provident Fund	468	473	481
Other benefits	71	69	212
	6,114	6,268	6,378

9. Income tax

	Years ended 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Current income tax	20	20	86
Deferred income tax			
– Origination and reversal of temporary differences	–	–	3,260
– Benefits from previously unrecognised tax losses	–	–	(31,206)
	–	–	(27,946)
Income tax recognised in profit and loss	20	20	(27,860)

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

9. Income tax (Continued)

Relationship between income tax and (loss)/profit before tax

The reconciliation between income tax and the product of (loss)/profit before tax multiplied by the applicable corporate tax rate for the years ended 31 July 2017, 2018 and 2019 are as follows:

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
(Loss)/profit before tax	(35,248)	(17,209)	60,386
Tax at the domestic rates applicable to profits in the country which the Group operates	(8,460)	(4,130)	14,493
<u>Adjustments:</u>			
Income not subject to tax	(10,660)	(7,529)	(1,718)
Non-deductible expenses	4,497	2,472	2,778
Deferred tax assets not recognised	12,964	9,180	—
Utilisation of previously unrecognised deferred tax assets	—	—	(15,405)
Deferred tax assets recognised	—	—	(28,045)
Share of results of joint venture	23	27	37
Share of results of associate	1,656	—	—
Income tax recognised in profit or loss	20	20	(27,860)

Unrecognised tax losses and unabsorbed capital allowances

At the end of the reporting period, the Group has tax losses and unabsorbed capital allowances of approximately RM129.7 million (2018: RM158.8 million, 2017: RM126.4 million) and RM Nil (2018: RM35.1 million, 2017: RM29.1 million,) respectively that are available for offset against future taxable profits of the companies in which the losses arose.

The use of these tax losses and unabsorbed capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the country in which the companies operate. In accordance with the provision in Finance Act 2018, effective from year assessment 2019, the unrecognised tax losses are available for the utilisation in the next seven years, for which, any excess at the end of the seventh year, will be disregarded.

As at 31 July 2019, the Group had recognised a deferred tax asset of RM27.9 million arising from unutilised tax losses of RM129.7 million. As at 31 July 2017 and 2018, no deferred tax assets were recognised due to uncertainty of its recoverability.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

9. Income tax (Continued)

***Relationship between income tax and (loss)/profit before tax* (Continued)**

Deferred tax relates to the following:

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Differences in depreciation for tax purposes	(2,699)	(3,073)	(3,260)
Losses available for offsetting against future taxable income	2,699	3,073	31,206
Deferred tax asset, net	–	–	27,946

10. Loss/earnings per share

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to the owners of the Company by the pre-invitation share capital of the Company. The Company's pre-invitation number of ordinary shares of 430,000,000 has been used in the calculation of basic and diluted earnings per share for all years presented in accordance with SFRS (I) 1-33, as pre-invitation number of ordinary shares reflects the number of ordinary shares after adjusting for changes in number of shares arising from the Restructuring Exercise as disclosed in Note 1.2.

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective financial years.

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
(Loss)/profit for the year attributable to owners of the Company	(35,268)	(17,229)	88,246
Number of ordinary shares held by the shareholders	430,000,000	430,000,000	430,000,000
(Loss)/earnings per share (cents per share)			
– Basic and diluted	(8.20)	(4.01)	20.52

On 16 June 2020, the Company issued and allotted 3,000,000 new Shares ("PPCF Shares") to PrimePartners Corporate Finance Pte. Ltd. ("PPCF") as part of PPCF's management fees as the Sponsor and Issue Manager. Consequentially, the total number of ordinary shares increased to 433,000,000. For illustrative purposes, (loss)/earnings per share after the issue and allotment of PPCF Shares would be (RM8.15 cents), (RM3.98 cents), and RM20.38 cents for the years ended 31 July 2017, 2018 and 2019, respectively.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

11. Property, plant and equipment

	Freehold land	Construction in progress	Buildings	Motor vehicles and heavy duty mobile equipment	Plant and machinery	Other equipment	Furniture and fittings, containers, signboard and renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost:								
At 1 August 2016	9,770	3,066	2,539	35,401	99,492	204	2,107	152,579
Additions	–	–	–	–	313	–	13	326
Disposals	–	–	–	(5)	–	–	–	(5)
Written off	–	–	–	(1)	–	–	(24)	(25)
Transferred to investment property (Note 12)	–	–	–	–	–	–	(253)	(253)
Reclassifications	–	(3,066)	3,066	–	–	–	–	–
At 31 July 2017 and 1 August 2017	9,770	–	5,605	35,395	99,805	204	1,843	152,622
Additions	–	1,448	–	725	1,229	–	–	3,402
Disposals	–	–	–	(174)	(829)	–	–	(1,003)
Written off	–	–	–	–	(546)	–	–	(546)
At 31 July 2018 and 1 August 2018	9,770	1,448	5,605	35,946	99,659	204	1,843	154,475
Additions	–	2,066	–	456	3,255	–	–	5,777
Disposals	–	–	–	(215)	(135)	–	–	(350)
Reclassified to assets held for distribution (Note 30(e))	(9,770)	–	(3,066)	–	(13,541)	–	–	(26,377)
At 31 July 2019	–	3,514	2,539	36,187	89,238	204	1,843	133,525
Accumulated depreciation:								
At 1 August 2016	–	–	1,352	25,234	63,027	81	1,093	90,787
Charge for the year	–	–	560	5,970	8,735	20	193	15,478
Disposals	–	–	–	(5)	–	–	–	(5)
Written off	–	–	–	(1)	–	–	(24)	(25)
Transferred to investment property (Note 12)	–	–	–	–	–	–	(83)	(83)
At 31 July 2017 and 1 August 2017	–	–	1,912	31,198	71,762	101	1,179	106,152
Charge for the year	–	–	560	2,983	6,786	20	162	10,511
Disposals	–	–	–	(174)	(465)	–	–	(639)
Written-off	–	–	–	–	(546)	–	–	(546)

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

11. Property, plant and equipment (Continued)

	Freehold land	Construction in progress	Buildings	Motor vehicles and heavy duty mobile equipment	Plant and machinery	Other equipment	Furniture and fittings, containers, signboard and renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 July 2018 and 1 August 2018	–	–	2,472	34,007	77,537	121	1,341	115,478
Charge for the year	–	–	561	225	5,600	19	147	6,552
Disposals	–	–	–	(215)	(135)	–	–	(350)
Reclassified to assets held for distribution (Note 30(e))	–	–	(919)	–	(13,534)	–	–	(14,453)
At 31 July 2019	–	–	2,114	34,017	69,468	140	1,488	107,227
Net carrying amount								
At 31 July 2017	9,770	–	3,693	4,197	28,043	103	664	46,470
At 31 July 2018	9,770	1,448	3,133	1,939	22,122	83	502	38,997
At 31 July 2019	–	3,514	425	2,170	19,770	64	355	26,298

(a) Assets held under finance leases

The net carrying amount of the Group's plant and machinery, heavy duty mobile equipment and motor vehicles held under finance leases at the reporting date were RM2,796,000 (2018: RM1,718,000, 2017: RM215,000).

	As at 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Plant and machinery	215	1,102	1,910
Motor vehicles and heavy duty mobile equipment	–	616	886
	215	1,718	2,796

The Group acquired plant and equipment, motor vehicles and heavy duty mobile equipment with an aggregate cost of RM1,430,000 (2018: RM1,492,000, 2017: RM Nil) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM4,347,000 (2018: RM1,910,000, 2017: RM326,000).

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

11. Property, plant and equipment (Continued)

(b) Assets pledged as securities

In addition to assets held under finance leases, the Group's property, plant and equipment with net carrying amount of RM5,002,000 (2018: RM5,002,000, 2017: RM5,002,000) are pledged to secure the Group's bank borrowings (Note 20).

12. Investment property

	Total RM'000
Cost	
At 1 August 2016	9,548
Transferred from property, plant and equipment (Note 11)	253
Disposal	(9,801)
At 31 July 2017	—
Accumulated depreciation	
At 1 August 2016	955
Charge for the year (Note 7)	318
Transferred from property, plant and equipment (Note 11)	83
Disposal	(1,356)
At 31 July 2017	—
Net book value as at	
31 July 2017, 2018 and 2019	—

On 2 December 2016, the Group has completed the disposal of its investment property located in Puchong with net carrying value of RM8,445,000 for a cash consideration of RM9,523,000, resulted in a gain of disposal of RM1,078,000.

The investment property held by the Group which have been disposed are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
The Cube, No. G-5, 1-5, 2-5, Jalan Puteri 7/13A, Bandar Puteri, 47100 Puchong, Selangor	Shops	Freehold	Freehold

Rental income recognised in profit or loss in respect of investment property for the financial year ended 31 July 2017 was RM219,000.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

13. Mine properties

	Producing mine RM'000	Stripping activity asset RM'000	Total RM'000
Cost			
At 1 August 2016, 31 July 2017, 1 August 2017, 31 July 2018, 1 August 2018 and 31 July 2019	18,259	46,404	64,663
Accumulated amortisation			
At 1 August 2016	5,300	9,430	14,730
Charge for the year	1,075	3,293	4,368
At 31 July 2017 and 1 August 2017	6,375	12,723	19,098
Charge for the year	1,583	4,849	6,432
At 31 July 2018 and 1 August 2018	7,958	17,572	25,530
Charge for the year	2,120	6,495	8,615
At 31 July 2019	10,078	24,067	34,145
Net book value as at			
31 July 2017	11,884	33,681	45,565
31 July 2018	10,301	28,832	39,133
31 July 2019	8,181	22,337	30,518

14. Investment in subsidiaries

Composition of the Group

The Group has the following subsidiaries as at financial year ended 31 July 2017, 2018 and 2019:

Name	Country of incorporation and place of business	Principal activities	Proportion (%) of shareholdings held		
			2017 %	2018 %	2019 %
Honest Sam Development Sdn. Bhd.*	Malaysia	Sale of iron ore	60^	60^	60^
<i>Held through Honest Sam Sdn. Bhd.</i>					
A.K. Trading Co. Ltd.* ("AK Trading")	Malaysia	Leasing of mining equipment	60^	60^	60^

* Audited by Ernst & Young, Malaysia

^ The Company holds 60% of shareholdings in Honest Sam and the remaining 40% shareholdings are held by the Bumiputera Shareholders through Convertible Preference Shares ("CPS") as disclosed in Note 23. These CPS are convertible at the sole discretion of Honest Sam into 1 ordinary share of Honest Sam for a minimal consideration of RM100 and do not carry any voting rights. Accordingly, the Company has 100% effective ownership interest and voting rights in Honest Sam and AK Trading and therefore no amount was attributed to non-controlling interest. Dividends to CPS are recognised when declared.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

15. Investment in a joint venture

	As at 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Unquoted ordinary shares, at cost	1,000	1,000	1,000
Share of post-acquisition reserves	(734)	(846)	(1,000)
	266	154	–

Details of the joint venture are as follows:

Name	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest		
			2017 %	2018 %	2019 %
Teras Megajaya Sdn. Bhd* ("Teras Megajaya")	Malaysia	Property investment	50	50	50

* Audited by Ernst & Young, Malaysia

The Group has 50% (2018: 50%; 2017: 50%) interest in the ownership and voting rights in a joint venture. The Group jointly controls the venture with another partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

On 5 November 2019, the board of directors approved the distribution of its interest in a joint venture, Teras Megajaya, as part of the Restructuring Exercise as disclosed in Note 1.2.

Summarised financial information in respect of the joint venture based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the combined financial statements are as follows:

Summarised balance sheet

	2017 RM'000	2018 RM'000	2019 RM'000
Cash and cash equivalents	68	291	83
Trade receivables	88	99	104
Current assets	156	390	187
Non-current assets excluding goodwill	17,349	16,831	16,313
Non-current assets	17,505	17,221	16,500
Goodwill	208	208	208
Total assets	17,713	17,429	16,708

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

15. Investment in a joint venture (Continued)

Summarised balance sheet (Continued)

	2017	2018	2019
	RM'000	RM'000	RM'000
Current liabilities	15,169	9,746	9,750
Other non-current liabilities	2,221	7,583	7,278
Total liabilities	17,390	17,329	17,028
Net assets/(liabilities)	323	100	(320)
Net assets/(liabilities) excluding goodwill	115	(108)	(528)
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	58	(54)	(208)*
Goodwill on acquisition	208	208	208
Carrying amount of the investment	266	154	—

* Share of loss capped at cost of investment

Summarised statement of comprehensive income

	2017	2018	2019
	RM'000	RM'000	RM'000
Revenue	762	955	973
Loss before tax	(154)	(142)	(364)
Loss after tax, representing total comprehensive income	(190)	(223)	(420)

16. Investment in an associate

Details of the associate are as follows:

Name	Country of incorporation and place of business	Principal activities
Aras Kuasa Sdn. Bhd. * ("Aras Kuasa")	Malaysia	Mining

* Audited by Ernst & Young, Malaysia

No quoted market price was available for the shares of the associate as this is a private company.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

16. Investment in an associate (Continued)

Summarised statement of comprehensive income

	2017 RM'000
Revenue	213,532
Loss before tax for the year	(22,034)
Loss for the year, representing total comprehensive income	<u>(20,031)</u>

During the financial year ended 31 July 2017, the Company disposed its 33.3% equity interest to the Controlling Shareholder of Honest Sam. This resulted in a distribution-in-specie of RM40,727,000 of the Group's reserves. Subsequently, there was a share swap agreement between shareholders of Aras Kuasa resulting in Aras Kuasa becoming the ultimate holding company of Honest Sam.

17. Inventories

	As at 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
<i>Combined statements of financial position:</i>			
Iron ores	28,968	14,024	13,410
Consumables and spares	29	29	29
	<u>28,997</u>	<u>14,053</u>	<u>13,439</u>
<i>Combined statements of comprehensive income</i>			
Inventories written down	496	—	—
Cost of inventories sold	<u>72,650</u>	<u>96,789</u>	<u>85,963</u>

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

18. Trade and other receivables

		As at 31 July	
	2017	2018	2019
	RM'000	RM'000	RM'000
<i>Trade receivables</i>			
Third parties	1,624	995	18,476
Amounts due from related parties	21	52	–
	1,645	1,047	18,476
Less: Allowance for impairment			
Third parties	(432)	(432)	(76)
Trade receivables, net	1,213	615	18,400
<i>Other receivables</i>			
Third parties	784	869	248
Amounts due from joint venture	5,352	5,352	–
Amounts due from related parties	515	358	743
Interest receivable from placement of short-term deposits with licensed banks	–	–	102
Deposits	222	161	283
Goods and Services Tax receivable	712	735	276
	7,585	7,475	1,652
Less: Allowance for impairment			
Third parties	(602)	(604)	(75)
Other receivables, net	6,983	6,871	1,577
Total trade and other receivables	8,196	7,486	19,977
Less: Goods and Services Tax receivable	(712)	(735)	(276)
Add: Cash and bank balances (Note 19)	2,695	4,949	35,366
Add: Amounts due from joint venture (Note 30(e))	–	–	5,291
Total financial assets carried at amortised cost	10,179	11,700	60,358

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

18. Trade and other receivables (Continued)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 14 to 60 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Aging analysis of trade receivables

The aging analysis of the Group's trade receivables are as follows:

	As at 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
<i>Neither past due nor impaired</i>	1,189	565	18,193
1 to 30 days past due not impaired	–	–	207
31 to 60 days past due not impaired	–	2	–
61 to 90 days past due not impaired	2	7	–
More than 91 days past due not impaired	22	41	–
	24	50	207
Impaired	432	432	76
Trade receivables	1,645	1,047	18,476

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year. Receivables that are neither past due nor impaired are unsecured.

Receivables that are past due but not impaired

The Group have trade receivables amounting to RM207,000 (2018: RM50,000, 2017: RM24,000) that are past due at the reporting date but not impaired. The balance of receivables that are past due but not impaired are unsecured in nature.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience and no adverse information to date, the directors of the Group are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are considered fully recoverable.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

18. Trade and other receivables (Continued)

(a) **Trade receivables** (Continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	As at 31 July	
	2017	2018
	RM'000	RM'000
Trade receivables – nominal amounts	432	432
Less: Allowance for impairment	(432)	(432)
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
	As at 31 July	
	2017	2018
	RM'000	RM'000
<i>Movement in allowance accounts:</i>		
At 1 August	431	432
Charge for the year	1	–
At 31 July	<u>432</u>	<u>432</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	As at 31 July
	2019
	RM'000
<i>Movement in allowance accounts:</i>	
At 1 August	432
Written off	(356)
At 31 July	<u>76</u>

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

18. Trade and other receivables (Continued)

(b) Amounts due from related parties and joint venture

All amounts due from related parties and joint venture are unsecured, non-interest bearing and repayable on demand. In 2019, the amount was reclassified to assets held for distribution as of 31 July 2019 as the amounts are expected to be distributed. Subsequently, these amounts were distributed as disclosed in Note 30(e).

(c) Other receivables that are impaired

The Group's other receivables that are impaired at the reporting dates and the movement of the allowance accounts used to record the impairment are as follows:

	As at 31 July	
	Individually impaired	
	2017	2018
	RM'000	RM'000
Other receivables – nominal amounts	602	604
Less: Allowance for impairment	(602)	(604)
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
	As at 31 July	
	2017	2018
	RM'000	RM'000
<i>Movement in allowance accounts:</i>		
At 1 August	602	602
Charge for the year	–	2
At 31 July	<u>602</u>	<u>604</u>

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

18. Trade and other receivables (Continued)

(c) ***Other receivables that are impaired*** (Continued)

Expected credit losses

The movement in allowance for expected credit losses of other receivables are as follows:

	As at 31 July 2019 RM'000
<i>Movement in allowance accounts:</i>	
At 1 August	604
Charge for the year	4
Write back	(482)
Written off	(51)
At 31 July	<u>75</u>

19. Cash and bank balances

	As at 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Cash in hand and at banks	769	2,966	8,283
Short term deposits	1,926	1,983	27,083
Cash and bank balances	<u>2,695</u>	<u>4,949</u>	<u>35,366</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 July 2019 for the Group was 3.53% (2018: 3.35%, 2017: 3.20%) per annum.

Short-term deposits with licensed banks of the Group amounting to RM2,046,000 (2018: RM1,983,000, 2017: RM1,926,000) are pledged as securities for loans and borrowings (Note 20).

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

20. Loans and borrowings

		As at 31 July		
	Maturity	2017 RM'000	2018 RM'000	2019 RM'000
<i>Current</i>				
Secured:				
(Base lending rate (BLR) + 1.25% per annum)				
Term loan I	2020	107	114	125
Term loan II	2020	53	57	62
Term loan III	2020	94	101	111
Overdraft (BLR + 2.00% per annum)	On demand	1,243	1,370	196
Obligations under finance leases (Note 26)	2020	39	412	905
		1,536	2,054	1,399
<i>Non-current</i>				
Secured:				
(BLR) + 1.25% per annum				
Term loan I	2022	400	287	163
Term loan II	2022	200	144	81
Term loan III	2022	369	267	156
Obligations under finance leases (Note 26)	2023	–	945	1,159
		969	1,643	1,559
Total loans and borrowings		2,505	3,697	2,958

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

20. Loans and borrowings (Continued)

The remaining maturities of the loans and borrowings as at 31 July 2017, 2018 and 2019 are as follows:

	As at 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
On demand or within one year	1,536	2,054	1,399
More than 1 year and less than 2 years	275	737	1,196
More than 2 years and less than 5 years	620	906	363
More than 5 years	74	–	–
	2,505	3,697	2,958

A reconciliation of liabilities arising from Group's financing activities excluding bank overdrafts is as follows:

	2016	Cash flows	Non-cash changes	2017
	RM'000	RM'000	Other*	RM'000
			RM'000	
Borrowings				
– current	234	(236)	256	254
– non-current	1,225	–	(256)	969
	1,459	(236)	–	1,223
Finance leases				
– current	2,583	(2,571)	27	39
– non-current	27	–	(27)	–
	2,610	(2,571)	–	39
Total	4,069	(2,807)	–	1,262

* The 'other' column relates to reclassification of non-current portion of borrowings and obligations under finance leases due to passage of time.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

20. Loans and borrowings (Continued)

	2017	Cash flows	Non-cash changes		2018
	RM'000	RM'000	Acquisition	Other*	RM'000
			RM'000	RM'000	
Borrowings					
– current	254	(253)	–	271	272
– non-current	969	–	–	(271)	698
	1,223	(253)	–	–	970
Finance leases					
– current	39	(174)	–	547	412
– non-current	–	–	1,492	(547)	945
	39	(174)	1,492	–	1,357
Total	1,262	(427)	1,492	–	2,327

	2018	Cash flows	Non-cash changes		2019
	RM'000	RM'000	Acquisition	Other*	RM'000
			RM'000	RM'000	
Borrowings					
– current	272	(272)	–	298	298
– non-current	698	–	–	(298)	400
	970	(272)	–	–	698
Finance leases					
– current	412	(723)	–	1,216	905
– non-current	945	–	1,430	(1,216)	1,159
	1,357	(723)	1,430	–	2,064
Total	2,327	(995)	1,430	–	2,762

* The 'other' column relates to reclassification of non-current portion of borrowings and obligations under finance leases due to passage of time.

20. Loans and borrowings (Continued)

(a) BLR + 1.25% p.a.

(i) Term loan I

The term loan is denominated in RM and is used to finance purchase of vacant agricultural land held under Title No. GM 9420 Lot No. 1435 Mukim of Kuala Kuantan, District of Kuantan, Pahang Darul Makmur. The term loan is repayable within 120 months instalments effective from 1 July 2011.

(ii) Term loan II

The term loan is denominated in RM and is used to finance purchase of vacant agricultural land held under Title No. GM 2129 Lot No. 450 Mukim of Kuala Kuantan, District of Kuantan, Pahang Darul Makmur. The term loan is repayable within 120 months instalments effective from 1 July 2011.

The term loan I and II facilities are secured by the following:

- facilities agreement;
- first party registered charges over landed properties;
- placement of deposits with licensed banks of the Group; and
- joint and several guarantees by the directors of the Group.

(iii) Term loan III

The term loan is denominated in RM and is used to finance purchase of vacant agricultural land held under Title No. GM 742 Lot No. 452 Mukim of Kuala Kuantan, District of Kuantan, Pahang Darul Makmur. The term loan is repayable within 120 months instalments effective from 1 August 2011.

The facility is secured by the following:

- facilities agreement;
- first party registered charges over landed properties;
- joint and several guarantees by the directors of the Group.

(b) Obligations under finance leases

These obligations are secured by a charge over the leased assets. The average discount rate implicit in the leases is 2.80% (2018: 2.69%, 2017: 3.10%) per annum.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

21. Trade and other payables

	As at 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
<i>Trade payables</i>			
Third parties	16,137	13,197	10,951
Amounts due to related parties	17,452	17,533	8,512
	33,589	30,730	19,463
<i>Other payables</i>			
Accruals	695	602	914
Deposits received	2,192	2,182	–
Third parties	16	41	43
Amounts due to directors	1,864	1,251	–
Tribute payables	1,000	–	2,000
	5,767	4,076	2,957
Total trade and other payables	39,356	34,806	22,420
Add: Loans and borrowings (Note 20)	2,505	3,697	2,958
Total financial liabilities carried at amortised cost	41,861	38,503	25,378

(a) Trade payables

These amounts are unsecured and non-interest bearing. Trade payables are normally settled on 60 days (2018, 2017: 60 days) terms.

(b) Other payables

These amounts are unsecured and non-interest bearing. Other payables are normally settled on an average term of three months.

(c) Amounts due to related parties and directors

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

(d) Tribute payables

Tribute payables relate to amounts due to a mine leaseholder pursuant to a mining agreement for the exclusive rights as a mine operator. These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

21. Trade and other payables (Continued)

(e) Payables subject to offsetting arrangement

The Group regularly sells processed iron ore to Aras Kuasa, while Aras Kuasa provides manpower and equipment services to the Group. Both parties perform intercompany off-setting as and when intercompany transactions arise.

The Group's amount due from/(to) that are off-set are as follows:

Description	Gross carrying amounts before offsetting	31 July 2019	
		RM'000	Net amounts in the balance sheet
		Gross amounts offset in the balance sheet	
Amounts due from Aras Kuasa	4,539,870	—	—
Amounts due to Aras Kuasa	(8,886,414)	4,539,870	(4,346,544)

Description	Gross carrying amounts before offsetting	31 July 2018	
		RM'000	Net amounts in the balance sheet
		Gross amounts offset in the balance sheet	
Amounts due from Aras Kuasa	2,257,177	—	—
Amounts due to Aras Kuasa	(12,420,269)	2,257,177	(10,163,092)

Description	Gross carrying amounts before offsetting	31 July 2017	
		RM'000	Net amounts in the balance sheet
		Gross amounts offset in the balance sheet	
Amount due from Aras Kuasa	1,373,510	—	—
Amount due to Aras Kuasa	(12,668,696)	1,373,510	(11,295,186)

22. Share capital

	2017		As at 31 July 2018		2019	
	No. of shares	RM'000	No. of shares	RM'000	No. of shares	RM'000
<u>Issued share capital</u>						
At 1 August and 31 July	1	—*	1	—*	1	—*

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Group's residual assets. The ordinary shares have no par value.

* Less than RM1,000

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

23. Convertible preference shares

	2017		As at 31 July 2018		2019	
	No. of shares	RM'000	No. of shares	RM'000	No. of shares	RM'000
<u>Issued convertible preference shares ("CPS")</u>						
At 1 August and 31 July	733,335	733	733,335	733	733,335	733

The convertible preference shares shall confer on the holder thereof the following rights and privileges and be subject to the following conditions:

- i. Income: the CPS shall confer on the holder a right to receive dividends and bonus shares when, as and if declared by the board of directors of Honest Sam, on the basis that each CPS is deemed to be an ordinary share. Such dividends and bonus shares shall be payable out of the profits of Honest Sam resolved to be distributed in respect of a financial year without any rights in case of deficiency to resort to any reserves representing profits of the previous financial year or to profits of subsequent years. With effect from 31 July 2015, the dividends to which the CPS holder are legally entitled to shall be subject to an aggregate annual limit of RM100,000.00 in respect of all the CPS;
- ii. Anti-dilution right: In the event of any new issuance of shares in the capital of Honest Sam, the CPS holder shall have the right to subscribe for such number of CPS in proportion to its shareholding in the capital of Honest Sam at the time of the new issuance so as to allow the holder of CPS to maintain its then existing proportion of shareholding in Honest Sam;
- iii. Conversion: all existing CPS at the date of conversion shall be convertible at the sole discretion of the board of directors of Honest Sam, into one (1) ordinary share in the capital of Honest Sam upon payment by Honest Sam to the CPS holder of a nominal consideration of RM100.00. Honest Sam shall, at least 30 days prior to the conversion date, send to the holder of CPS a written notice specifying the conversion date;
- iv. Voting: subject to the provisions of the constitution of Honest Sam in relation to variation of class rights, the CPS holder shall not be entitled to attend or vote at any general meeting of Honest Sam;
- v. Transfers: the CPS are not transferable other than to the ordinary shareholders at the exercise of the option of the ordinary shareholders in proportion to their then existing shareholding in Honest Sam and at a total nominal consideration of RM100.00 for all the CPS then in issue, payable to the holders of all the CPS in the proportion of their respective holdings of the CPS; and

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

23. Convertible preference shares (Continued)

- vi. Repayment of capital: in the event of a liquidation, dissolution, winding up or return of capital of Honest Sam, the CPS shall not confer on the CPS holder the right to be paid in priority to the ordinary shareholders, and all the issued CPS shall be treated as if they have been converted into one (1) ordinary share and shall rank pari passu with other ordinary shares in Honest Sam. Save as aforementioned, the CPS shall not confer upon the holder any further right to participate in Honest Sam's profits or surplus assets.

24. Merger reserve

Merger reserve represents the difference of the carrying value of net assets acquired over the purchase consideration paid and the equity acquired under common control and share capital of Honest Sam amounting to RM10,000,000.

In 2017, Honest Sam increased its issued and paid-up ordinary share capital from RM4,200,002 to RM10,000,000 by way of the issuance of 5,799,998 ordinary shares of RM1 each through issuance of bonus shares.

25. Related party disclosures

(a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the combined financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
<u>Transactions with Aras Kuasa</u>			
(Note 15)			
Sale of iron ore	44,989	44,589	5,962
Provision of crushing services	—	—	237
Hiring and transportation services rendered	140	219	157
Hiring and transportation services procured	(34)	(32)	(50)
Purchase of plant and equipment	—	(85)	(340)
<u>Transactions with related parties</u>			
Hiring and transportation services rendered	198	270	225
Rental income	—	—	703
Hiring and transportation services procured	(156)	(2,172)	(18,806)
Purchase of lubricants, spare parts and equipment	(196)	(197)	(365)
Disposal of an investment property	9,524	—	—

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

25. Related party disclosures (Continued)

(b) Compensation of key management personnel

	Years ended 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Short-term employee benefits	1,655	1,663	1,794

Included in short-term employee benefits are defined contributions amounting to RM178,000, RM178,000 and RM192,000 for the financial years end 31 July 2017, 2018 and 2019, respectively.

26. Commitments

(a) Finance lease commitments

The Group has lease obligations for certain items of plant and equipment and motor vehicles (Note 11). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

	As at 31 July					
	2017 RM'000		2018 RM'000		2019 RM'000	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Minimum lease payable						
Not later than 1 year	39	39	480	412	1,002	905
More than 1 year and less than 2 years	—	—	480	438	913	876
More than 2 years and less than 5 years	—	—	525	507	287	283
Total minimum lease payments	39	39	1,485	1,357	2,202	2,064
Less: Amounts representing finance charges	*	—	(128)	—	(138)	—
Present value of minimum lease payments	39	39	1,357	1,357	2,064	2,064

* Denotes less than RM1,000

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

26. Commitments (Continued)

(a) Finance lease commitments (Continued)

	As at 31 July					
	2017		2018		2019	
	RM'000		RM'000		RM'000	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
<i>Presented as:</i>						
Amount due within 12 months (Note 20)		39		412		905
Amount due after 12 months (Note 20)		—		945		1,159
		<u>39</u>		<u>1,357</u>		<u>2,064</u>

During the financial years ended 31 July 2017, 2018 and 2019, the hire purchase and lease liabilities bore an average interest rate of 2.80% (2018: 2.69%, 2017: 3.10%) per annum. The Group has finance leases and hire purchase contracts for certain items of plant and equipment and motor vehicles (Note 11).

(b) Agreement with lease component

The Group has an agreement with a third party for the processing of iron ore that contains an operating lease component pertaining to the underlying plant and equipment where the Group is the lessee. The payments required under the agreement depends on the actual amount of iron ore processed, among others such as the agreed contractual rates and the market price of iron ore. All the payments under this agreement are variable in nature and are recognised as expenses as incurred. For the financial years ended 31 July 2017, 2018 and 2019, variable payments expensed under this agreement, inclusive of non-lease elements amount to RM5,536,000, RM18,566,000 and RM21,669,000 respectively.

(c) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the combined financial statements are as follows:

	Years ended 31 July		
	2017 RM'000	2018 RM'000	2019 RM'000
Capital commitments in respect of property, plant and equipment	—	—	5,518

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

27. Fair value of financial instruments

- (a) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

	Fair value RM'000	Carrying amount RM'000
As at 31 July 2017		
<i>Financial liabilities:</i>		
Loans and borrowings		
– Term loans	1,189	1,223
– Obligations under finance leases	39	39
As at 31 July 2018		
<i>Financial liabilities:</i>		
Loans and borrowings		
– Term loans	935	970
– Obligations under finance leases	1,343	1,357
As at 31 July 2019		
<i>Financial liabilities:</i>		
Loans and borrowings		
– Term loans	673	698
– Obligations under finance leases	2,089	2,064

The financial liabilities are classified as Level 2 under the fair value hierarchy. The fair values are estimated by discounting future cash flows at market incremental rates for similar types of lending, borrowing or leasing arrangements at the end of each reporting periods.

- (b) *Determination of fair value*

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management assessed that the fair values of cash and short-term deposits, trade and other receivables, trade and other payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial instruments that are carried at fair value

Investment securities are measured at fair value and is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

28. Financial risk management objective and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, and foreign currency risk.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

All trade receivables are due from customers based in Malaysia. At the end of the reporting period, approximately 100% (2018: 99%, 2017: 94%) of the Group's trade receivables were due from 2 (2018: 4, 2017:3) customers.

The maximum exposure to credit risk at the reporting date is the carrying value of contract assets and each class of financial assets disclosed in Note 4 and Note 18 respectively. The Group does not hold collateral as security for its contract assets and financial assets.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

28. Financial risk management objective and policies (Continued)

(a) **Credit risk** (Continued)

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information, where applicable and available, which may include the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, then Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

28. Financial risk management objective and policies (Continued)

(a) **Credit risk** (Continued)

For the financial years ended 31 July 2017, 2018 and 2019, no material loss allowances have been recorded for both contract assets and trade receivables.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Trade and other receivables that are neither past due nor impaired are with credit worthy debtors with good payment record with the Group. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the reporting at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
31 July 2017				
Financial liabilities:				
Trade and other payables	39,356	—	—	39,356
Loans and borrowings	1,625	1,029	75	2,729
Total undiscounted financial liabilities	40,981	1,029	75	42,085

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

28. Financial risk management objective and policies (Continued)

(b) **Liquidity risk** (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
31 July 2018				
Financial liabilities:				
Trade and other payables	34,806	–	–	34,806
Loans and borrowings	2,192	1,768	–	3,960
Total undiscounted financial liabilities	36,998	1,768	–	38,766
31 July 2019				
Financial liabilities:				
Trade and other payables	22,420	–	–	22,420
Loans and borrowings	1,344	1,621	–	2,965
Total undiscounted financial liabilities	23,764	1,621	–	25,385

(c) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases or assets or liabilities that are denominated in a currency other than the functional currency of the Group. The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD").

Approximately 5% (2018: 4%, 2017: 9%) of the Group's costs are denominated in foreign currency whilst none of sales are denominated in the foreign currency of the Group. The Group's trade payable and trade receivable balances at the reporting date have similar exposures.

The following table demonstrates the sensitivity of the Group's (loss)/profit net of tax to a reasonably possible change in the USD exchange rates against the functional currency of the Group, with all other variables held constant.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

28. Financial risk management objective and policies (Continued)

(c) **Foreign currency risk** (Continued)

Sensitivity analysis for foreign currency risk

	Years ended 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
USD/RM			
– Strengthened 5% (2018: 5%, 2017: 6%)	128	97	(21)
– Weakened 5% (2018: 5%, 2017: 6%)	(128)	(97)	21

29. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 July 2017, 2018 and 2019.

	As at 31 July		
	2017	2018	2019
	RM'000	RM'000	RM'000
Loans and borrowings	2,505	3,697	2,958
Trade and other payables	39,356	34,806	22,420
Less: Cash and bank balances	(2,695)	(4,949)	(35,366)
Net debt	39,166	33,554	(9,988)
Equity attributable to the owners of the Group, representing total capital	93,975	75,911	164,157
Capital and net debt	133,141	109,465	154,169
Gearing ratio	29%	31%	(6)%

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

30. Events occurring after the reporting period

- I. Pursuant to the Restructuring Exercise as disclosed in Note 1.2, the following events occurred after the reporting period:
- (a) On 31 July 2018, Honest Sam passed a resolution for the voluntary winding up of its subsidiary, AK Trading as it is a dormant company. AK Trading was wound up on 4 September 2019. The financial impact of this event is immaterial to the combined financial statements.
 - (b) On 7 August 2019, Honest Sam declared and paid an interim dividend on ordinary shares of approximately RM8,900,000.
 - (c) On 18 September 2019, Honest Sam repaid term loans, which are secured by the non-mining real property transferred above amounting to total of approximately RM698,000, which includes an interest expense of RM70,000.
 - (d) On 4 November 2019, Honest Sam undertook a share consolidation of its ordinary shares, pursuant to which Honest Sam consolidated 10,000,000 ordinary shares into 1,100,000 consolidated ordinary shares.
 - (e) On 5 November 2019, Honest Sam, declared and distributed a dividend-in-specie to Aras Kuasa for the following assets that have been classified as held for distribution to owners as at 31 July 2019.
 - (i) Distribution of its shareholding interest of 50% in joint venture, Teras Megajaya;
 - (ii) Distribution of amounts due from joint venture, Teras Megajaya, of approximately RM5,291,000;
 - (iii) Transfer of non-mining real property at net book value of approximately RM11,916,000; and
 - (iv) Transfer of certain equipment (non-core assets) at net book value of approximately RM8,000
 - (f) On 10 December 2019, Honest Sam declared a dividend on ordinary shares of approximately RM17,390,000, which includes an amount of RM100,000 payable to convertible preference shareholders.
 - (g) On 12 December 2019, Aras Kuasa completed a distribution in specie to divest its entire shareholding in Honest Sam to its existing shareholders.
 - (h) On 28 April 2020, the Company acquired the entire ordinary shareholdings in Honest Sam for an aggregate stated consideration of approximately S\$58,400,000. The consideration was based on the net asset value of Honest Sam as at 31 July 2019 and was satisfied by the issue and allotment of an aggregate of 9,999,999 new ordinary shares in the Company.
 - (i) On 12 June 2020, the Share Split was effected and each of the Company's Shares were sub-divided into 43 Shares. Pursuant to the Share Split, the issued and paid-up share capital of our Company became S\$58,365,539, comprising 430,000,000 Shares.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

30. Events occurring after the reporting period (Continued)

- II. On 12 November 2019, the Group was informed by the mining leaseholder that royalties will be payable to the relevant authority for iron ore sold from December 2019 onwards. Royalty payable to the relevant authority is based on either (i) a percentage of the market value of the iron ore determined with reference to quoted prices that is widely recognised and used or other observable inputs as prescribed by the relevant authority, or (ii) an amount prescribed by the relevant authority for a specified volume or weight of the iron ore. The mining lease holder has agreed with the Group that any royalty with respect to iron ore sold prior to December 2019 (if any) will be borne and paid by the mining lease holder. As this is considered an event that is indicative of conditions that arose after the reporting period, accordingly, no adjustments have been made to the combined financial statements as at 31 July 2019. This development will impact the earnings of the Group from December 2019 onwards albeit the estimate of its financial impact cannot be made reliably at this time.
- III. The State Mineral Enactment provides that a mining leaseholder is required to contribute annually to a rehabilitation fund that is established for the purpose of rehabilitation of mining lands ("Rehabilitation Fund Contribution"). Pursuant to the mining lease with the mining leaseholder before 31 July 2019, the Group is not required to contribute to such Rehabilitation Fund and therefore has no present or legal obligation to make such provisions up to the end of year 2019. Subsequently on 24 April 2020, the Group had agreed with the mining leaseholder to contribute to the Rehabilitation Fund the higher of RM12,000 per year or 1.0% of the gross sales value of minerals sold from the calendar year 2020 onwards until the expiry of the Mining Leases or any extensions thereafter.

On 12 May 2020, the Group made the required Rehabilitation Fund Contribution amounting to a total of RM60,000 for the duration of the lease of 5 years from 2020 to 2024. In the event the amount of contribution based on gross sales exceeds RM12,000 in any calendar year during the term of the lease from 2020 to 2024, the authority may require the Group to contribute the difference between such amount of contribution based on gross sales in the relevant calendar year and RM12,000.

As these are considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the combined financial statements as at 31 July 2019. These developments will impact the earnings of the Group from calendar year 2020 onwards albeit the estimate of its financial impact cannot be made reliably at this time.

- IV. The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak of the COVID-19 has led to the imposition of the Movement Control Order ("MCO") by the Malaysian government which commenced on 18 March 2020. As a result of the MCO, the Group was not permitted to operate from 18 March 2020 until 22 April 2020, during which, the Group did not conduct any mining activities and operations nor perform any sales to the customers. Accordingly, the Group did not record any revenue nor incur substantial mining operation costs other than certain overhead and payroll costs.

Notes to the Combined Financial Statements

For the financial years ended 31 July 2017, 2018 and 2019 (Continued)

30. Events occurring after the reporting period (Continued)

- IV. On 22 April 2020, the Group received a letter from the Ministry of International Trade and Industry of Malaysia ("MITI"), which provided, among others, that Honest Sam is allowed to operate during the period of the MCO, subject to certain conditions, including a reduction of employees to a minimum or by at least 30% for production during the period of the MCO and to establish a work-from-home system for employees who are not involved in critical activities. In addition, Honest Sam is required to ensure that all of the general standard and standard operating procedures as set out by MITI ("MCO Standard Operating Procedures") are complied with. On 28 April 2020, the MITI had further announced that, from 29 April 2020, companies that have obtained approvals to operate during Stages 1, 2 and 3 of the MCO are allowed to operate at full capacity and without any time constraints in accordance with the respective industry requirements, subject to compliance with the MCO Standard Operating Procedures. Our Group has been implementing procedures to comply with the conditions and has recommenced operations at the Chaah Mine. Upon lifting of the MCO, the Group envisaged that it is able to operate its mining operations at a similar level and manner to that prior to the MCO. The Group also noted that subsequent fluctuations in iron ore prices to the date of the combined financial statements have not indicated that the Group's assets at the reporting date are impaired.

As the COVID-19 situation is still evolving rapidly, there is a significant degree of uncertainty over the length and severity of the outbreak. The scale and duration of these developments remain uncertain as at the date of this report. It is not possible to estimate the impact of the outbreak's near-term and longer effects or the various governments' varying efforts to combat the outbreak and support businesses. This being the case, the Group does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group at this time.

The combined financial statements have been prepared based upon conditions existing at 31 July 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 July 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the combined financial statements as at 31 July 2019 for the impacts of COVID-19.

- V. On 16 June 2020, the Company issued and allotted 3,000,000 new Shares amounting to approximately RM2,250,000 to PrimePartners Corporate Finance Pte. Ltd. ("PPCF") as part of PPCF's management fees as the Sponsor and Issue Manager. The expense has not been recorded in the financial statements for the years ended 31 July 2019 as they relate to services rendered subsequent to the reporting date.

31. Authorisation of financial statements for issue

The combined financial statements for the years ended 31 July 2017, 2018 and 2019 for the inclusion in the Offer Document were authorised for issue in accordance with a resolution of the directors on 16 June 2020.

APPENDIX B
INDEPENDENT AUDITOR'S REVIEW REPORT ON THE UNAUDITED
INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS FOR
THE THREE-MONTH FINANCIAL PERIOD ENDED 31 OCTOBER 2019
OF SOUTHERN ALLIANCE MINING LTD. AND ITS SUBSIDIARIES

Southern Alliance Mining Ltd. and its subsidiaries

Unaudited Interim Condensed Combined Financial Statements
For the three-month financial period ended 31 October 2019

Southern Alliance Mining Ltd. and its subsidiaries

Independent auditor's review report

For the three-month financial period ended 31 October 2019

The Board of Directors
Southern Alliance Mining Ltd.
80 Robinson Road, #02-00
Singapore 068898

Dear Sirs,

Report on the Review of Unaudited Interim Condensed Combined Financial Statements

We have reviewed the interim condensed combined statement of financial position of Southern Alliance Mining Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as at 31 October 2019 and the related interim condensed combined statement of comprehensive income, statement of changes in equity and cash flow statement for the three-month financial period then ended, and other explanatory information (the "interim financial information"). Management is responsible for the preparation and presentation of the interim financial information in accordance with Singapore Financial Reporting Standard (International) ("SFRS (I)") 1-34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Group as at 31 October 2019, and of its financial performance and its cash flows for the three-month period then ended in accordance with SFRS(I) 1-34 *Interim Financial Reporting*.

Restriction and Distribution of Use

This report is made solely to you as a body and for the inclusion in the Offer Document to be issued in relation to the proposed offering of shares of the Company in connection with the Company's listing on the Catalist Board of Singapore Exchange Securities Trading Limited.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

Partner-in-charge: Yeow Hui Cheng
16 June 2020

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited interim condensed combined statement of comprehensive income
For the three-month financial period ended 31 October 2019**

		3 months period ended	
	Note	31.10.2019	31.10.2018
		RM'000	RM'000
		Unaudited	Unaudited
Revenue	5	79,614	23,853
Cost of sales		(41,695)	(22,602)
Gross profit		37,919	1,251
Other income		598	148
Other operating expenses		(100)	(91)
General and administrative expenses		(5,217)	(860)
Finance costs		(45)	(65)
Share of results of joint venture		–	(31)
Profit before tax	6	33,155	352
Income tax expense	7	(9,294)	–
Profit for the period, representing total comprehensive income for the period		23,861	352
Earnings per share (cents per share)			
– Basic and diluted		5.55	0.08

The accompanying accounting policies and explanatory notes form an integral part of the unaudited interim condensed combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited interim condensed combined statement of financial position
As at 31 October 2019**

	Note	31.10.2019 RM'000 Unaudited	31.7.2019 RM'000 Audited
Assets			
Non-current assets			
Property, plant and equipment	8	27,896	26,298
Right-of-use asset		2,894	—
Mine properties	9	28,352	30,518
Deferred tax asset		18,723	27,946
Investment securities		82	82
		<u>77,947</u>	<u>84,844</u>
Current assets			
Inventories	10	10,725	13,439
Trade and other receivables	11	14,429	19,977
Contract assets		20,020	15,525
Prepayments		1,636	1,567
Cash and bank balances	12	61,305	35,366
Income tax recoverable		1,531	1,602
Assets held for distribution	17(a)	17,215	17,215
		<u>126,861</u>	<u>104,691</u>
Total assets		<u>204,808</u>	<u>189,535</u>
Liabilities			
Current liabilities			
Loans and borrowings	13	1,689	1,399
Trade and other payables		22,871	22,420
		<u>24,560</u>	<u>23,819</u>
Net current assets		<u>102,301</u>	<u>80,872</u>
Non-current liabilities			
Loans and borrowings	13	1,130	1,559
Total liabilities		<u>25,690</u>	<u>25,378</u>
Net assets		<u>179,118</u>	<u>164,157</u>
Equity attributable to owners of the Company			
Share capital		—*	—*
Preference shares		733	733
Retained earnings		139,660	124,699
Merger reserve		38,725	38,725
Total equity		<u>179,118</u>	<u>164,157</u>

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the unaudited interim condensed combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited interim condensed combined statement of changes in equity
For the three-month financial period ended 31 October 2019**

				Non-distributable Convertible Preference shares RM'000	Merger reserve RM'000	Distributable Retained earnings RM'000
	Note	Total equity RM'000	Share capital RM'000			
Group						
Unaudited						
Opening balance at 1 August 2018		75,911	—*	733	38,725	36,453
Profit for the period, representing total comprehensive income		352	—	—	—	352
Closing balance at 31 October 2018		76,263	—*	733	38,725	36,805
Opening balance at 1 August 2019		164,157	—*	733	38,725	124,699
Profit for the period representing total comprehensive income		23,861	—	—	—	23,861
Dividends on ordinary shares	14	(8,900)	—	—	—	(8,900)
Closing balance at 31 October 2019		179,118	—*	733	38,725	139,660

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the unaudited interim condensed combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

Unaudited interim condensed combined statement of cash flows
For the three-month financial period ended 31 October 2019

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
Operating activities		
Profit before taxation	33,155	352
<u>Adjustments for:</u>		
Interest expenses	45	65
Interest income	(298)	(9)
Unrealised (gain)/loss on foreign exchange	(23)	5
Depreciation of property, plant and equipment	1,115	1,649
Depreciation of right-of-use asset	198	–
Amortisation of mine properties	2,166	1,431
Share of results of a joint venture	–	31
Total adjustments	3,203	3,172
Operating cash flows before changes in working capital	36,358	3,524
<u>Changes in working capital:</u>		
Decrease in inventories	2,714	450
Decrease/(increase) in trade and other receivables and contract assets	1,053	(1,698)
(Increase)/decrease in prepayments	(69)	1,355
Increase/(decrease) in trade and other payables	473	(3,696)
Total working capital changes	4,171	(3,589)
Cash flows from/(used in) operations	40,529	(65)
Interest received	298	9
Interest paid	(45)	(65)
Net cash from/(used in) operating activities	40,782	(121)
Investing activities		
Purchase of property, plant and equipment	(5,510)	(872)
Fixed deposit pledged	(8)	–
Net cash used in investing activities	(5,518)	(872)
Financing activities		
Repayment of term loans	(698)	(66)
Repayment of lease liabilities	(260)	(127)
Dividends on ordinary shares	(8,900)	–
Net cash used in financing activities	(9,858)	(193)
Net increase/(decrease) in cash and cash equivalents	25,406	(1,186)
Cash and cash equivalents at the beginning of period	33,124	1,596
Cash and cash equivalents at the end of period	58,530	410

The accompanying accounting policies and explanatory notes form an integral part of the unaudited interim condensed combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the unaudited interim condensed combined financial statements For the three-month financial period ended 31 October 2019

1. Corporate information

1.1 *The Company*

The Company was incorporated on 19 September 2019 under the Companies Act, Chapter 50 as a private limited company domiciled in Singapore. On 27 April 2020, the Company was converted to a public company limited by shares.

The registered office and principal place of business of the Company is located at 80 Robinson Road, #02-00, Singapore 068898.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries and joint venture are those of the sales of iron ore, leasing of mining equipment and property investment.

1.2 *The Restructuring Exercise*

Transfer of businesses and entities under common control

The Group was formed through the following exercise (the “Restructuring Exercise”) which involved acquisitions and rationalisation of the corporate and shareholding structure for the purposes of the Initial Public Offering (the “IPO” or the “Invitation”). Pursuant to the Restructuring Exercise, the Group is formed and is made up of entities under common control of Dato’ Sri Pek Kok Sam (“Controlling Shareholder”), being the Company and Honest Sam Sdn. Bhd. (“Honest Sam”), including Honest Sam’s subsidiary, A.K Trading Co. Ltd (“AK Trading”) and joint venture, Teras Megajaya Sdn Bhd (“Teras Megajaya”).

The Restructuring Exercise involved the following steps:

(a) Strike off of A.K. Trading Co. Ltd

In connection with the proposed listing and to streamline the Group’s structure and assets, the director of AK Trading passed a resolution for AK Trading on 31 July 2018 to cease its business operation as a trading company with immediate effect. On 4 September 2019, AK Trading was wound up. There is no material impact to the financial statements of the Group.

(b) Incorporation of the Company

The Company was incorporated in Singapore on 19 September 2019 under the Companies Act as a private company limited by shares with an issued and paid-up share capital of S\$1 comprising 1 ordinary share.

(c) Share consolidation

On 4 November 2019, Honest Sam undertook a share consolidation of its ordinary shares, pursuant to which Honest Sam consolidated 10,000,000 ordinary shares into 1,100,000 consolidated ordinary shares.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the unaudited interim condensed combined financial statements For the three-month financial period ended 31 October 2019 (Continued)

1. Corporate information (Continued)

1.2 *The Restructuring Exercise* (Continued)

Transfer of businesses and entities under common control (Continued)

(d) Distribution of shareholding interests in Teras Megajaya

Honest Sam Sdn. Bhd. (“Honest Sam”) had on 5 November 2019 distributed its shareholding interest of 50% in Teras Megajaya to ultimate holding company, Aras Kuasa Sdn. Bhd. (“Aras Kuasa”) and amounts due from Teras Megajaya of approximately RM5,291,000.

(e) Transfer of non-mining real property and other non-core assets

To streamline the Group’s structure and assets in connection with the proposed listing, Honest Sam, had on 5 November 2019, transferred all its non-mining real property and other non-core assets, including a freehold land, to Aras Kuasa, at net book value totalling to RM11,924,000.

(f) Distribution in Specie by Aras Kuasa of Honest Sam

On 12 December 2019, Aras Kuasa completed a distribution in specie to divest its entire shareholding in Honest Sam to its shareholders. Upon completion of such distribution in specie, Dato’ Sri Pek Kok Sam continues to be the Controlling Shareholder.

(g) Share swap

On 28 April 2020, the Company acquired the entire ordinary shareholdings in Honest Sam for an aggregate stated consideration of approximately S\$58,400,000. The stated consideration was based on the net asset value of Honest Sam as at 31 October 2019 and was satisfied by the issue and allotment of an aggregate of 9,999,999 new ordinary shares in the Company. Upon the completion of the acquisition of Honest Sam on 12 May 2020, Honest Sam became a subsidiary of the Group.

(h) Share split

On 12 June 2020, the Share Split was effected and each of the Company’s Shares were sub-divided into 43 Shares. Pursuant to the Share Split, the issued and paid-up share capital of our Company became S\$58,365,539 comprising 430,000,000 Shares.

The combined financial statements presented for the years ended 31 July 2017, 2018 and 2019 (the “reported periods”) are a continuation of Honest Sam and its subsidiary, comprising its combined financial position, performance and cash flows. Pursuant to this, assets, liabilities, equity, income, expenses and cash flows of Honest Sam and its subsidiary are combined at their existing carrying amounts.

Although the Restructuring Exercise was completed on 12 June 2020 and the Company is incorporated on 19 September 2019, the combined financial statements of the Group are prepared as if the Company i.e. the parent of the Group had been in existence since the Group were under the control of the Controlling Shareholder.

Share capital as presented in the combined financial statements represents the share capital of the Company.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the unaudited interim condensed combined financial statements For the three-month financial period ended 31 October 2019 (Continued)

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The unaudited interim condensed combined financial statements for the three-month financial periods ended 31 October 2019 and 31 October 2018 of the Group have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting*.

The unaudited interim condensed combined financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Combined Financial Statements for the financial years ended 31 July 2017, 2018 and 2019.

The unaudited interim condensed consolidated financial statements are presented in Malaysian Ringgit ("RM")

2.2 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Amendments to SFRS(I) 3: <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i>	1 January 2020
Interest Rate Benchmark Reform – Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

2. Summary of significant accounting policies (Continued)

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Group's annual combined financial statements for the year ended 31 July 2019, except for the adoption of new standards effective as of 1 August 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, SFRS(I) 16 *Leases* that requires restatement of previous financial statements. As required by SFRS(I) 1-34 *Interim Financial Reporting*, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed combined financial statements of the Group.

SFRS(I) 16 Leases

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group adopted SFRS (I) 16 using the modified retrospective method of adoption with the date of initial application of 1 August 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying SFRS (I) 1-17 and SFRS(I) INT 4 at the date of initial application. The Group also applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

There is no significant impact on combined statement of comprehensive income and combined statement of cash flows.

(a) Nature of the effect of adoption of SFRS(I) 16

The Group has contracts that are leases for various items of plant, machinery, vehicles and other equipment. Before the adoption of SFRS(I) 16, the Group classified these leases (as lessee) at the inception date as either a finance or operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the

Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.3 New standards, interpretations and amendments adopted by the Group (Continued)

SFRS(I) 16 Leases (Continued)

(a) Nature of the effect of adoption of SFRS(I) 16 (Continued)

present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term.

The effect of adoption of SFRS(I) 16 is as follows:

Impact on the combined statement of financial position (increase/(decreases)) as at 1 August 2019:

	RM'000
Assets	
Right-of-use asset	2,797
Property, plant and equipment (previously classified as finance leases)	<u>(2,797)</u>

There is no significant impact on combined statement of comprehensive income and combined statement of cash flows.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS (I) 1-17). The requirements of SFRS(I) 16 was applied to these leases from 1 August 2019.

Leases previously accounted for as operating leases

The Group did not recognise any right-of-use assets and lease liabilities relating to operating leases on 1 August 2019 as these operating leases were short-term leases and a contract containing a lease arrangement where payments are variable in nature and do not include minimum lease payments commitment (Note 13(c)). There are no low value leases.

2. Summary of significant accounting policies (Continued)

2.3 *New standards, interpretations and amendments adopted by the Group* (Continued)

SFRS(I) 16 Leases (Continued)

(b) Summary of new accounting policies

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the unaudited interim condensed combined financial statements For the three-month financial period ended 31 October 2019 (Continued)

2. Summary of significant accounting policies (Continued)

2.3 New standards, interpretations and amendments adopted by the Group (Continued)

SFRS(I) 16 Leases (Continued)

(b) Summary of new accounting policies (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Plant and machinery RM'000	Motor vehicles and heavy duty mobile equipment RM'000	Total RM'000	Lease liabilities RM'000
As at 31 July 2019	1,910	887	2,797	2,064
Additions	–	295	295	288
Depreciation expense	(124)	(74)	(198)	–
Interest expense	–	–	–	7
Payments	–	–	–	(260)
As at 31 October 2019	1,786	1,108	2,894	2,099

SFRS (I) INT 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of SFRS (I) 1-12 Income Taxes. It does not apply to taxes or levies outside the scope of SFRS (I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

2. Summary of significant accounting policies (Continued)

2.3 New standards, interpretations and amendments adopted by the Group (Continued)

SFRS (I) INT 23 Uncertainty over Income Tax Treatments (Continued)

- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on several factors such as experience of previous tax audits, tax compliance and differing interpretations of tax regulations by the taxable entity and the relevant tax authority that it is probable that its tax positions will be accepted by the taxation authorities. The Interpretation did not have an impact on the interim condensed combined financial statements of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's interim condensed combined financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the interim condensed combined financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

3. Significant accounting judgements and estimates (Continued)

3.1 Judgements made in applying accounting policies

(a) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income and deductible expenditures. The Group establishes provisions and recognises tax recoverable positions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions and tax recoverable are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority as well as judgement made on whether it is probable that the Group's tax positions would be accepted by the tax authority. The carrying amounts of the income tax recoverable as at 31 October 2019 is RM1,531,000 (31 July 2019: RM1,602,000).

(b) Stripping (waste removal) costs

The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former is included as part of the costs of inventory, while the latter are capitalised as a stripping activity asset, where certain criteria are met. Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of mine properties and property, plant and equipment

In accordance with its accounting policies and processes, each asset or cash generating unit ("CGU") is evaluated at the end of the reporting date to determine whether there are any indications of impairment.

In assessing the impairment of mine properties and property, plant and equipment, the Group reviews the ore reserves estimate together with analyses of the estimated net present value of the project. The net present value of mine properties and property, plant and equipment is estimated based on discounted future estimated cash flows expected to be generated from the continued use of the mine properties and property, plant and equipment using market-based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements based on the mine properties five-year plans and latest life of mine plans. These cash flows were discounted using a post-tax discount rate that reflected current market assessments of the time value of money and the risks specific to mine properties.

The economic assumptions used to estimate the commercial viability could change from period to period as and when additional geological data is generated during the course of operations. Subsequent recovery of the carrying value of mine properties depends on successful development of the mine. If a mine does not remain economically viable, all irrecoverable costs associated with the mine will be assessed for impairment and written off to the profit or loss in the period when the new information becomes available.

The carrying value of the property, plant and equipment and mine properties are disclosed in Notes 8 and 9 respectively.

(b) Depreciation of mine properties

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(b) Depreciation of mine properties (Continued)

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units of production ("UOP") depreciation methodologies are available to choose from. The Group adopts a methodology involving run-of-mine ("ROM") tonnes of ore produced for mining costs and a methodology involving ounces/tonnes of metal produced for post-mining costs. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- (i) The effect on economically recoverable reserves of differences between actual commodity prices; and
- (ii) Unforeseen operational issues.

Changes in estimates are accounted for prospectively.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and unabsorbed capital allowances can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 5 years.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the unaudited interim condensed combined financial statements For the three-month financial period ended 31 October 2019 (Continued)

4. Significant events and transactions

The financial position and performance of the Group are particularly affected by the following events and transactions as disclosed in the respective notes to the interim condensed combined financial statements.

5. Revenue

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
Sales of iron ores	79,614	23,853

All revenues are derived from the operations based in Malaysia except for an amount of approximately RM8,800,000 for the three-month financial period ended 31 October 2019 arising from sales to an overseas customer.

Contract assets

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	31.10.2019	31.7.2019
	RM'000	RM'000
	Unaudited	Audited
Receivables from contracts with customers (Note 11)	12,867	18,476
Contract assets	20,020	15,525

Contract assets primarily relate to the Group's right to consideration for iron ore delivered but not yet billed at reporting date for the sale of iron ores. Contract assets are transferred to receivables when the rights become unconditional.

Significant changes in contract assets are explained as follows:

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
Contract assets reclassified to receivables	15,525	6,257

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the unaudited interim condensed combined financial statements For the three-month financial period ended 31 October 2019 (Continued)

5. Revenue (Continued)

Information about major customers

Revenue from four (31 October 2018: two) major customers, each contributing ten percent or more of the Group's revenue, amounted to RM78,583,000 (31 October 2018: RM23,853,000).

Seasonality of operations

Revenue and operating profit for the fiscal quarters which cover the dry season (from February to October) are generally higher than the fiscal quarters which cover the typical rainy season (from November to January). However, this trend may be affected by any anomaly in weather or rainfall patterns.

6. Profit before tax

The following items have been included in arriving at profit before tax:

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
Employee benefits expense	1,715	1,514
Depreciation of property, plant and equipment	1,115	1,649
Depreciation of right-of-use asset	198	—
Amortisation of mine properties	2,166	1,431
Unrealised (gain)/loss on foreign exchange	(23)	5
Realised (gain)/loss on foreign exchange	(14)	25
Tributes	7,000	3,000
Professional fees in relation to initial public offering	3,512	—
Short term lease expenses	144	54
Variable lease expenses (Note 13(c))	7,209	2,054
Port charges	2,180	—

Southern Alliance Mining Ltd. and its subsidiaries

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

7. Income tax

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
Current income tax	9,294	–
Income tax recognised in profit and loss	9,294	–

Relationship between income tax and profit before tax

The reconciliation between income tax and the product of profit before tax multiplied by the applicable corporate tax rate for the period ended 31 October 2018 and 2019 are as follows:

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
Profit before tax	33,155	352
Tax at the domestic rates applicable to profits in the country which the Group operates	8,800	84
<u>Adjustments:</u>		
Income not subject to tax	(4)	–
Non-deductible expenses	498	156
Deferred tax assets not recognised	–	(247)
Share of results of joint venture	–	7
Income tax recognised in profit and loss	9,294	–

During the three-month financial period ended 31 October 2019, approximately RM9,223,000 was utilised against deferred tax asset relating to the carried forward tax losses that are available for offset against future taxable profits of the companies in which the losses arose.

Southern Alliance Mining Ltd. and its subsidiaries

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

8. Property, plant and equipment

	Freehold land RM'000	Construction in progress RM'000	Buildings RM'000	Motor vehicles and heavy duty mobile equipment RM'000	Plant and machinery RM'000	Other equipment RM'000	Furniture and fittings, containers, signboard and renovation RM'000	Total RM'000
Audited								
Cost:								
At 31 July 2018 and 1 August 2018	9,770	1,448	5,605	35,946	99,659	204	1,843	154,475
Additions	–	2,066	–	456	3,255	–	–	5,777
Disposals	–	–	–	(215)	(135)	–	–	(350)
Reclassified to assets held for distribution (Note 1.2(e))	(9,770)	–	(3,066)	–	(13,541)	–	–	(26,377)
At 31 July 2019	–	3,514	2,539	36,187	89,238	204	1,843	133,525
Accumulated depreciation:								
At 31 July 2018 and 1 August 2018	–	–	2,472	34,007	77,537	121	1,341	115,478
Charge for the year	–	–	561	225	5,600	19	147	6,552
Disposals	–	–	–	(215)	(135)	–	–	(350)
Reclassified to assets held for distribution (Note 1.2(e))	–	–	(919)	–	(13,534)	–	–	(14,453)
At 31 July 2019	–	–	2,114	34,017	69,468	140	1,488	107,227
Net carrying amount								
At 31 July 2019	–	3,514	425	2,170	19,770	64	355	26,298

Southern Alliance Mining Ltd. and its subsidiaries

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

8. Property, plant and equipment (Continued)

	Freehold land RM'000	Construction in progress RM'000	Buildings RM'000	Motor vehicles and heavy duty mobile equipment RM'000	Plant and machinery RM'000	Other equipment RM'000	Furniture and fittings, containers, signboard and renovation RM'000	Total RM'000
Unaudited								
Cost:								
At 1 August 2019	–	3,514	2,539	36,187	89,238	204	1,843	133,525
Effects from adopting SFRS(I) 16	–	–	–	(1,182)	(2,486)	–	–	(3,668)
At 1 August 2019 (restated)	–	3,514	2,539	35,005	86,752	204	1,843	129,857
Additions	–	3,753	–	6	1,751	–	–	5,510
Disposals	–	–	–	(135)	–	–	–	(135)
At 31 October 2019	–	7,267	2,539	34,876	88,503	204	1,843	135,232
Accumulated depreciation:								
At 1 August 2019	–	–	2,114	34,017	69,468	140	1,488	107,227
Effects from adopting SFRS(I) 16	–	–	–	(295)	(576)	–	–	(871)
At 1 August 2019 (restated)	–	–	2,114	33,722	68,892	140	1,488	106,356
Charge for the period	–	–	63	–	1,022	4	26	1,115
Disposals	–	–	–	(135)	–	–	–	(135)
At 31 October 2019	–	–	2,177	33,587	69,914	144	1,514	107,336
Net carrying amount								
At 31 October 2019	–	7,267	362	1,289	18,589	60	329	27,896

(a) Assets held under finance leases

The net carrying amount of the Group's plant and machinery, motor vehicles and heavy duty mobile equipment held under finance leases as at 31 July 2019 were RM2,797,000.

This amount has been reclassified to the Group's Right-of-use assets upon adoption of SFRS(I) 16 (Note 2.3(a)).

	31.7.2019
	RM'000
	Audited
Plant and machinery	1,910
Motor vehicles and heavy duty mobile equipment	887
	<u>2,797</u>

For the three-month financial period ended 31 October 2018, the Group acquired plant and equipment, motor vehicles and heavy duty mobile equipment with an aggregate cost of RM1,234,000 by means of finance leases. The cash outflow on acquisition of property, plant and equipment for the three-month financial period ended 31 October 2018 amounted to RM872,000.

Southern Alliance Mining Ltd. and its subsidiaries

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

8. Property, plant and equipment (Continued)

(b) *Assets pledged as securities*

In addition to assets held under finance leases, the Group's property, plant and equipment with net carrying amount of RM Nil (31 July 2019: RM5,002,000) are pledged to secure the Group's bank borrowings (Note 13).

9. Mine properties

	Producing mine RM'000	Stripping activity asset RM'000	Total RM'000
Audited			
Cost			
At 1 August 2018 and 31 July 2019	18,259	46,404	64,663
Accumulated amortisation			
At 31 July 2018 and 1 August 2018	7,958	17,572	25,530
Charge for the year	2,120	6,495	8,615
At 31 July 2019	10,078	24,067	34,145
Net book value as at			
31 July 2019	8,181	22,337	30,518
	Producing mine RM'000	Stripping activity asset RM'000	Total RM'000
Unaudited			
Cost			
At 1 August 2019 and 31 July 2019	18,259	46,404	64,663
Accumulated amortisation			
At 31 July 2019 and 1 August 2019	10,078	24,067	34,145
Charge for the year	533	1,633	2,166
At 31 October 2019	10,611	25,700	36,311
Net book value as at			
31 October 2019	7,648	20,704	28,352

Southern Alliance Mining Ltd. and its subsidiaries

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

10. Inventories

	31.10.2019	31.7.2019
	RM'000	RM'000
	Unaudited	Audited
<i>Combined statements of financial position:</i>		
Iron ores	10,696	13,410
Consumables and spares	29	29
Inventories	10,725	13,439
	3 months period ended	3 months period ended
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
<i>Combined statements of comprehensive income:</i>		
Cost of inventories sold	26,589	16,965

11. Trade and other receivables

	31.10.2019	31.7.2019
	RM'000	RM'000
	Unaudited	Audited
<i>Trade receivables</i>		
Third parties	12,809	18,476
Amounts due from related parties	58	—
	12,867	18,476
Less: Allowance for impairment – Third parties	—	(76)
Trade receivables, net	12,867	18,400
<i>Other receivables</i>		
Third parties	126	248
Amounts due from related parties	937	743
Interest receivable from placement of short-term deposits with licensed banks	129	102
Deposits	161	283
Goods and Services Tax receivable	276	276
	1,629	1,652
Less: Allowance for impairment – Third parties	(67)	(75)
Other receivables, net	1,562	1,577
Total trade and other receivables	14,429	19,977
Less: Goods and Services Tax receivable	(276)	(276)
Add: Cash and bank balances (Note 12)	61,305	35,366
Add: Amounts due from joint venture (Note 17(b))	5,291	5,291
Total financial assets carried at amortised cost	80,749	60,358

Southern Alliance Mining Ltd. and its subsidiaries**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)****11. Trade and other receivables (Continued)**

All trade receivables are due from customers based in Malaysia. At the end of the reporting period, approximately 95% (31 July 2019: 100%) of the Group's trade receivables were due from 2 (31 July 2019: 2) customers.

Amounts due from related parties and joint venture

All amounts due from related parties and joint venture are unsecured, non-interest bearing and repayable on demand. The amount due from joint venture was reclassified to assets held for distribution as of 31 July 2019. The amount will be distributed as dividend-in-specie as disclosed in Note 17.

12. Cash and bank balances

	31.10.2019	31.7.2019
	RM'000	RM'000
	Unaudited	Audited
Cash in hand and at banks	21,060	8,283
Short term deposits	40,245	27,083
Cash and bank balances	61,305	35,366

Short-term deposits with licensed banks of the Group amounting to RM2,055,000 (31 July 2019: RM2,046,000) are pledged as securities for loans and borrowings (Note 13).

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following at the reporting period:

	31.10.2019	31.7.2019
	RM'000	RM'000
	Unaudited	Audited
Cash and bank balances	61,305	35,366
Less:		
Bank overdraft	(720)	(196)
Pledged deposits	(2,055)	(2,046)
Cash and cash equivalents	58,530	33,124

Southern Alliance Mining Ltd. and its subsidiaries

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

13. Loans and borrowings

	Maturity	31.10.2019 RM'000 Unaudited	31.7.2019 RM'000 Audited
Current			
Secured:			
(Base lending rate (BLR) + 1.25% per annum)			
Term loan I	2020	–	125
Term loan II	2020	–	62
Term loan III	2020	–	111
Overdraft (BLR + 2.00% per annum)	On demand	720	196
Lease liabilities	2020	969	905
		1,689	1,399
Non-current			
Secured:			
(BLR) + 1.25% per annum			
Term loan I	2022	–	163
Term loan II	2022	–	81
Term loan III	2022	–	156
Lease liabilities	2024	1,130	1,159
		1,130	1,559
Total loans and borrowings		2,819	2,958
Trade and other payables		22,871	22,420
Financial liabilities at amortised cost		25,690	25,378

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand RM'000	< 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Total RM'000
31 October 2019					
Overdraft	720	–	–	–	720
Lease liabilities	–	969	813	317	2,099
	720	969	813	317	2,819
31 July 2019					
Overdraft	196	–	–	–	196
Term loans	–	298	323	77	698
Lease liabilities	–	905	876	283	2,064
	196	1,203	1,199	360	2,958

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

13. Loans and borrowings (Continued)

(a) BLR + 1.25% p.a.

(i) Term loan I

The term loan is denominated in RM and is used to finance purchase of vacant agricultural land held under Title No. GM 9420 Lot No. 1435 Mukim of Kuala Kuantan, District of Kuantan, Pahang Darul Makmur. The term loan is repayable within 120 months instalments effective from 1 July 2011.

(ii) Term loan II

The term loan is denominated in RM and is used to finance purchase of vacant agricultural land held under Title No. GM 2129 Lot No. 450 Mukim of Kuala Kuantan, District of Kuantan, Pahang Darul Makmur. The term loan is repayable within 120 months instalments effective from 1 July 2011.

The term loan I and II facilities are secured by the following:

- facilities agreement;
- first party registered charges over landed properties;
- placement of deposits with licensed banks of the Group; and
- joint and several guarantees by the directors of the Group.

(iii) Term loan III

The term loan is denominated in RM and is used to finance purchase of vacant agricultural land held under Title No. GM 742 Lot No. 452 Mukim of Kuala Kuantan, District of Kuantan, Pahang Darul Makmur. The term loan is repayable within 120 months instalments effective from 1 August 2011.

The facility is secured by the following:

- facilities agreement;
- first party registered charges over landed properties;
- joint and several guarantees by the directors of the Group.

The principal and interest of these term loans were settled in cash during the interim period ended 31 October 2019.

(b) Lease liabilities

These obligations are secured by a charge over the leased assets. The average weighted average discount rate implicit in the leases is 2.75% (31 July 2019: 2.80%) per annum. Total cash outflows for leases for the three-month financial period ended 31 October 2019, including those relating to short term leases and variable lease payments amounted to RM7,422,000 (2018: RM1,887,000).

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the unaudited interim condensed combined financial statements For the three-month financial period ended 31 October 2019 (Continued)

13. Loans and borrowings (Continued)

(c) Agreement with lease component

The Group has an agreement with a third party for the processing of iron ore that contains a lease component pertaining to the underlying plant and equipment where the Group is the lessee. There is no lease liability recognized because the payments required under the agreement depends on the actual amount of iron ore processed, among others such as the agreed contractual rates and the market price of iron ore. All the payments under this agreement are variable in nature and are recognized as expenses as incurred. For the 3-month financial period ended 31 October 2019, variable payments expensed under this agreement, inclusive of both lease and non-lease components amount to RM7,209,000 (2018: RM2,054,000).

Total future cashflows for which the Group is potentially exposed to under this agreement that are not reflected in the measurement of lease liabilities cannot be estimated reliably.

14. Dividends

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
<i>Declared and paid during the 3-month financial period:</i>		
<i>Dividends on ordinary shares</i>		
Interim exempt (one-tier) dividend in respect of profits for 2019: RM0.89 cents per share	8,900	—

15. Related party disclosures

(a) ***Sales and purchases of goods and services***

In addition to the related party information disclosed elsewhere in the interim condensed combined financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the 3-month financial periods:

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
<u>Transactions with Aras Kuasa</u>		
Sale of iron ore	1,031	—
Hiring and transportation services rendered	30	76
Hiring and transportation services procured	(98)	(1)
Purchase of machinery and equipment	—	(340)

Southern Alliance Mining Ltd. and its subsidiaries

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

15. Related party disclosures (Continued)

(a) Sales and purchases of goods and services (Continued)

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
<u>Transactions with related parties</u>		
Hiring and transportation services rendered	58	56
Rental income	175	6
Hiring and transportation services procured	(5,661)	(2,811)
Purchase of lubricants, spare parts and equipment	(150)	(45)

(b) Compensation of key management personnel

	3 months period ended	
	31.10.2019	31.10.2018
	RM'000	RM'000
	Unaudited	Unaudited
Short-term employee benefits	418	418

Included in short-term employee benefits are defined contributions amounting to RM45,000 and RM45,000 for the financial years end 31 October 2018 and 2019, respectively.

16. Fair value of financial instruments

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Fair value	Carrying amount
	RM'000	RM'000
<i>Audited</i>		
As at 31 July 2019		
<i>Financial liabilities:</i>		
Loans and borrowings		
– Term loans	673	698
– Lease liabilities	2,089	2,064

Southern Alliance Mining Ltd. and its subsidiaries

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

16. Fair value of financial instruments (Continued)

- (a) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (Continued)*

	Fair value RM'000	Carrying amount RM'000
Unaudited		
As at 31 October 2019		
<i>Financial liabilities:</i>		
Loans and borrowings		
– Lease liabilities	2,129	2,099

The financial liabilities are classified as Level 2 under the fair value hierarchy. The fair values are estimated by discounting future cash flows at market incremental rates for similar types of lending, borrowing or leasing arrangements at the end of each reporting periods.

- (b) *Determination of fair value*

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management assessed that the fair values of cash and short-term deposits, trade and other receivables, trade and other payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial instruments that are carried at fair value

Investment securities are measured at fair value and is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

17. Events occurring after the reporting period

- I. Pursuant to the Restructuring Exercise as disclosed in Note 1.2, the following events occurred after the reporting period:
- (a) On 4 November 2019, Honest Sam undertook a share consolidation of its ordinary shares, pursuant to which Honest Sam consolidated 10,000,000 ordinary shares into 1,100,000 consolidated ordinary shares.
 - (b) On 5 November 2019, Honest Sam, declared and distributed a dividend-in-specie to Aras Kuasa for the following assets that have been classified as held for distribution to owners as at 31 July 2019.
 - (i) Distribution of its shareholding interest of 50% in joint venture, Teras Megajaya;
 - (ii) Distribution of amounts due from joint venture, Teras Megajaya, of approximately RM5,291,000;
 - (iii) Transfer of non-mining real property at net book value of approximately RM11,916,000; and
 - (iv) Transfer of certain equipment (non-core assets) at net book value of approximately RM8,000
 - (c) On 10 December 2019, Honest Sam declared a dividend on ordinary shares of approximately RM17,390,000, which includes an amount of RM100,000 payable to convertible preference shareholders.
 - (d) On 12 December 2019, Aras Kuasa completed a distribution in specie to divest its entire shareholding in Honest Sam to its existing shareholders.
 - (e) On 28 April 2020, the Company acquired the entire ordinary shareholdings in Honest Sam for an aggregate stated consideration of approximately S\$58,400,000. The consideration was based on the net asset value of Honest Sam as at 31 October 2019 and was satisfied by the issue and allotment of an aggregate of 9,999,999 new ordinary shares in the Company.
 - (f) On 12 June 2020, the Share Split was effected and each of the Company's Shares were sub-divided into 43 Shares. Pursuant to the Share Split, the issued and paid-up share capital of our Company became S\$58,365,539, comprising 430,000,000 Shares.

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

17. Events occurring after the reporting period (Continued)

- II. On 12 November 2019, the Group was informed by the mining leaseholder that royalties will be payable to the relevant authority for iron ore sold from December 2019 onwards. Royalty payable to the relevant authority is based on either (i) a percentage of the market value of the iron ore determined with reference to quoted prices that is widely recognised and used or other observable inputs as prescribed by the relevant authority, or (ii) an amount prescribed by the relevant authority for a specified volume or weight of the iron ore. The mining lease holder has agreed with the Group that any royalty with respect to iron ore sold prior to December 2019 (if any) will be borne and paid by the mining lease holder. As this is considered an event that is indicative of conditions that arose after the reporting period, accordingly, no adjustments have been made to the interim condensed combined financial statements as at 31 October 2019. This development will impact the earnings of the Group from December 2019 onwards albeit the estimate of its financial impact cannot be made reliably at this time.
- III. The State Mineral Enactment provides that a mining leaseholder is required to contribute annually to a rehabilitation fund that is established for the purpose of rehabilitation of mining lands ("Rehabilitation Fund Contribution"). Pursuant to the mining lease with the mining leaseholder before 31 July 2019, the Group is not required to contribute to such Rehabilitation Fund and therefore has no present or legal obligation to make such provisions up to the end of year 2019. Subsequently on 24 April 2020, the Group had agreed with the mining leaseholder to contribute to the Rehabilitation Fund the higher of RM12,000 per year or 1% of the gross sales value of minerals sold from the calendar year 2020 onwards until the expiry of the Mining Leases or any extensions thereafter.

On 12 May 2020, the Group made the required Rehabilitation Fund Contribution amounting to a total of RM60,000 for the duration of the lease of 5 years from 2020 to 2024. In the event the amount of contribution based on gross sales exceeds RM12,000 in any calendar year during the term of the lease from 2020 to 2024, the authority may require the Group to contribute the difference between such amount of contribution based on gross sales in the relevant calendar year and RM12,000.

As these are considered an event that is indicative of conditions that arose after the reporting period, accordingly, no adjustments have been made to the interim condensed combined financial statements as at 31 October 2019. These developments will impact the earnings of the Group from calendar year 2020 onwards albeit the estimate of its financial impact cannot be made reliably at this time.

- IV. The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak of the COVID-19 has led to the imposition of the Movement Control Order ("MCO") by the Malaysian government which commenced on 18 March 2020. As a result of the MCO, the Group was not permitted to operate from 18 March 2020 until 22 April 2020, during which, the Group did not conduct any mining activities and operations nor perform any sales to the customers. Accordingly, the Group did not record any revenue nor incur substantial mining operation costs other than certain overhead and payroll costs.

**Notes to the unaudited interim condensed combined financial statements
For the three-month financial period ended 31 October 2019 (Continued)**

17. Events occurring after the reporting period (Continued)

- IV. On 22 April 2020, the Group received a letter from the Ministry of International Trade and Industry of Malaysia ("MITI"), which provided, among others, that Honest Sam is allowed to operate during the period of the MCO, subject to certain conditions, including a reduction of employees to a minimum or by at least 30% for production during the period of the MCO and to establish a work-from-home system for employees who are not involved in critical activities. In addition, Honest Sam is required to ensure that all of the general standard and standard operating procedures as set out by MITI ("MCO Standard Operating Procedures") are complied with. On 28 April 2020, the MITI had further announced that, from 29 April 2020, companies that have obtained approvals to operate during Stages 1, 2 and 3 of the MCO are allowed to operate at full capacity and without any time constraints in accordance with the respective industry requirements, subject to compliance with the MCO Standard Operating Procedures. Our Group has been implementing procedures to comply with the conditions and has recommenced operations at the Chaah Mine. Upon lifting of the MCO, the Group envisaged that it is able to operate its mining operations at a similar level and manner to that prior to the MCO. The Group also noted that subsequent fluctuations in iron ore prices to the date of the interim condensed combined financial statements have not indicated that the Group's assets at the reporting date are impaired.

As the COVID-19 situation is still evolving rapidly, there is a significant degree of uncertainty over the length and severity of the outbreak. The scale and duration of these developments remain uncertain as at the date of this report. It is not possible to estimate the impact of the outbreak's near-term and longer effects or the various governments' varying efforts to combat the outbreak and support businesses. This being the case, the Group does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group at this time.

The interim condensed combined financial statements have been prepared based upon conditions existing at 31 October 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 October 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the interim condensed combined financial statements as at 31 October 2019 for the impacts of COVID-19.

- V. On 16 June 2020, the Company issued and allotted 3,000,000 new Shares amounting to approximately RM2,250,000 to PrimePartners Corporate Finance Pte. Ltd. ("PPCF") as part of PPCF's management fees as the Sponsor and Issue Manager. The expense relating to services received up till the interim reporting date 31 October 2019 is not material and has not been recorded in the interim financial statements for the interim period ended 31 October 2019.

18. Authorisation of financial statements for issue

The interim condensed combined financial statements for the three-month financial period ended 31 October 2019 for the inclusion in the Offer Document were authorised for issue in accordance with a resolution of the Directors on 16 June 2020.

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APPENDIX C
INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA COMBINED FINANCIAL
INFORMATION FOR THE FINANCIAL YEAR ENDED 31 JULY 2019 AND
INTERIM THREE-MONTH FINANCIAL PERIOD ENDED 31 OCTOBER 2019
OF SOUTHERN ALLIANCE MINING LTD. AND ITS SUBSIDIARIES

Southern Alliance Mining Ltd.
and its subsidiaries

Unaudited Pro Forma Combined Financial Information
Year ended 31 July 2019

and

Unaudited Interim Pro Forma Combined Financial Information for
Three-month Financial Period ended 31 October 2019

Southern Alliance Mining Ltd. and its subsidiaries

Independent Practitioner's Assurance Report on the compilation of Pro Forma Combined Financial Information Included in the Offer Document For the financial year ended 31 July 2019 and interim three-month financial period ended 31 October 2019

The Board of Directors
Southern Alliance Mining Ltd.
80 Robinson Road
#02-00
Singapore 068898

Report on the Compilation of Pro Forma Combined Financial Information

We have completed our assurance engagement to report on the compilation of pro forma combined financial information of Southern Alliance Mining Ltd. (the "Company") and its subsidiaries (collectively, the "Group") by management. The pro forma financial information consists of the pro forma combined statements of financial position as at 31 July 2019 and 31 October 2019, the pro forma combined statements of comprehensive income for the financial year ended 31 July 2019 and for the three-month financial period ended 31 October 2019, the pro forma combined statement of cash flows, and related notes as set out on pages C-5 to C-23 of the Offer Document issued by the Company. The applicable criteria on the basis of which management has compiled the pro forma financial information are described in Note 3 to the Unaudited Pro Forma Combined Financial Information.

The pro forma financial information has been compiled by management to illustrate the impact of the events set out in Note 2 to the Unaudited Pro Forma Combined Financial Information on:

- (i) the unaudited pro forma financial position of the Group as at 31 July 2019 and 31 October 2019 as if the events had taken place at 31 July 2019 and 31 October 2019 respectively; and
- (ii) the unaudited pro forma combined financial performance and cash flows of the Group for the financial year ended 31 July 2019 and for the three-month financial period ended 31 October 2019 as if the events had taken place on 1 August 2018 and 1 August 2019 respectively.

As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by management from the Group's combined financial statements for the financial years ended 31 July 2017, 2018 and 2019, and for three-month financial period ended 31 October 2019 on which an audit report, and a review report has been published respectively.

Management's Responsibility for the Pro Forma Financial Information

Management is responsible for compiling the pro forma combined financial information on the basis as described in Note 3 to the Unaudited Pro Forma Combined Financial Information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies *Singapore Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Independent Practitioner's Assurance Report on the compilation of
Pro Forma Combined Financial Information Included in the Offer Document
For the financial year ended 31 July 2019 and interim three-month financial period ended
31 October 2019 (Continued)**

Practitioner's Responsibilities

Our responsibility is to express an opinion about whether the pro forma combined financial information has been compiled, in all material respects, by management on the basis as described in Note 3.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the pro forma financial information on the basis as described in Note 3.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, during this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to those criteria; and
- (ii) the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Southern Alliance Mining Ltd. and its subsidiaries

**Independent Practitioner's Assurance Report on the compilation of
Pro Forma Combined Financial Information Included in the Offer Document
For the financial year ended 31 July 2019 and interim three-month financial period ended
31 October 2019 (Continued)**

Opinion

In our opinion,

- (a) the pro forma financial information has been compiled:
 - (i) in a manner consistent with the accounting policies adopted by the Group in its audited financial statements as included in Appendix A of the Offer Document, which are in accordance with Singapore Financial Reporting Standards (International);
 - (ii) on the basis stated in Note 3 to the pro forma financial information; and
- (b) each material adjustment made to the information used in the preparation of the pro forma financial information is appropriate for preparing such unaudited pro forma financial information.

Restriction on Distribution and Use

This report is made solely to you as a body and for the inclusion in the Offer Document to be issued in relation to the proposed offering of shares of the Company in connection with the Company's listing on the Catalist Board of Singapore Exchange Securities Trading Limited.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

Partner-in-charge: Yeow Hui Cheng
16 June 2020

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited Pro Forma Combined Statements of Comprehensive Income
For the financial year ended 31 July 2019**

	FY2019 MYR'000
Revenue	189,141
Cost of sales	(126,777)
Gross profit	62,364
Other income	2,505
Other operating expenses	(372)
General and administrative expenses	(3,306)
Finance costs	(186)
Profit before tax	61,005
Income tax credit	27,860
Profit for the year, representing total comprehensive income for the year	88,865
Earnings per share (cents per share)	
– Basic and diluted	20.67

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited Pro Forma Combined Statements of Comprehensive Income
For the three-month financial period ended 31 October 2019**

	3 months period ended 31.10.2019 MYR'000
Revenue	79,614
Cost of sales	(41,695)
Gross profit	37,919
Other income	598
Other operating expenses	(100)
General and administrative expenses	(5,217)
Finance costs	(38)
Profit before tax	33,162
Income tax expense	(9,294)
Profit for the period, representing total comprehensive income for the period	23,868
Earnings per share (cents per share)	
– Basic and diluted	5.55

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited Pro Forma Combined Statements of Financial Position
As at 31 July 2019**

	As at 31 July 2019 MYR'000
Assets	
Non-current assets	
Property, plant and equipment	26,298
Mine properties	30,518
Deferred tax asset	27,946
Investment securities	82
	<hr/> 84,844 <hr/>
Current assets	
Inventories	13,439
Trade and other receivables	19,977
Contract assets	15,525
Prepayments	1,567
Cash and bank balances	8,448
Income tax recoverable	1,602
	<hr/> 60,558 <hr/>
Total assets	<hr/> 145,402 <hr/>
Liabilities	
Current liabilities	
Loans and borrowings	1,101
Trade and other payables	22,420
	<hr/> 23,521 <hr/>
Net current assets	<hr/> 37,037 <hr/>
Non-current liabilities	
Loans and borrowings	1,159
	<hr/> 24,680 <hr/>
Total liabilities	<hr/> 24,680 <hr/>
Net assets	<hr/> 120,722 <hr/>
Equity attributable to owners of the Company	
Share capital	—*
Preference shares	733
Retained earnings	81,264
Merger reserve	38,725
	<hr/> 120,722 <hr/>
Total equity	<hr/> 120,722 <hr/>

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited Pro Forma Combined Statements of Financial Position
As at 31 October 2019**

	As at 31 October 2019 MYR'000
Assets	
Non-current assets	
Property, plant and equipment	27,896
Right-of-use asset	2,894
Mine properties	28,352
Deferred tax asset	18,723
Investment securities	82
	<hr/> 77,947 <hr/>
Current assets	
Inventories	10,725
Trade and other receivables	14,429
Contract assets	20,020
Prepayments	1,636
Cash and bank balances	43,922
Income tax recoverable	1,531
	<hr/> 92,263 <hr/>
Total assets	<hr/> 170,210 <hr/>
Liabilities	
Current liabilities	
Loans and borrowings	1,689
Trade and other payables	22,871
	<hr/> 24,560 <hr/>
Net current assets	<hr/> 67,703 <hr/>
Non-current liabilities	
Loans and borrowings	1,130
	<hr/> 25,690 <hr/>
Total liabilities	<hr/> 25,690 <hr/>
Net assets	<hr/> 144,520 <hr/>
Equity attributable to owners of the Company	
Share capital	—*
Preference shares	733
Retained earnings	105,062
Merger reserve	38,725
	<hr/> 144,520 <hr/>
Total equity	<hr/> 144,520 <hr/>

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries**Unaudited Pro Forma Combined Statements of Cash Flows
For the financial year ended 31 July 2019**

	2019 MYR'000
Operating activities	
Profit before taxation	61,005
<u>Adjustments for:</u>	
Interest expenses	186
Interest income	(275)
Unrealised loss on foreign exchange	28
Depreciation of property, plant and equipment	6,157
Gain on disposal of property, plant and equipment	(100)
Amortisation of mine properties	8,615
Impairment loss on receivables	4
Write-back of allowance on doubtful debts	(482)
Total adjustments	14,133
Operating cash flows before changes in working capital	75,138
<u>Changes in working capital:</u>	
Decrease in inventories	614
Increase in trade, other receivables and contract assets	(26,572)
Decrease in prepayments	68
Decrease in trade and other payables	(12,414)
Total working capital changes	(38,304)
Cash flows from operations	36,834
Income taxes paid	(20)
Interest received	275
Interest paid	(186)
Net cash from operating activities	36,903
Investing activities	
Purchase of property, plant and equipment	(4,347)
Proceeds from disposal of property, plant and equipment	100
Placement of fixed deposit	(63)
Net cash used in investing activities	(4,310)

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited Pro Forma Combined Statements of Cash Flows
For the financial year ended 31 July 2019 (Continued)**

	2019 MYR'000
Financing activities	
Repayment of term loans	(970)
Repayment of obligations under finance leases	(723)
Dividends paid on ordinary shares	(26,190)
Dividends paid on preference shares	(100)
Net cash used in financing activities	<u>(27,983)</u>
Net increase in cash and cash equivalents	4,610
Cash and cash equivalents at 1 August	<u>1,596</u>
Cash and cash equivalents at 31 July	<u><u>6,206</u></u>

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	FY2019 MYR'000
Cash and short-term deposits	8,448
Less:	
Bank overdraft	(196)
Pledged deposits	<u>(2,046)</u>
Cash and cash equivalents	<u><u>6,206</u></u>

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Unaudited Pro Forma Combined Statements of Cash Flows
For the three-month financial period ended 31 October 2019**

	3 months period ended 31.10.2019 MYR'000
Operating activities	
Profit before taxation	33,162
<u>Adjustments for:</u>	
Interest expenses	38
Interest income	(298)
Unrealised gain on foreign exchange	(23)
Depreciation of property, plant and equipment	1,115
Depreciation of right-of-use asset	198
Amortisation of mine properties	2,166
Total adjustments	3,196
Operating cash flows before changes in working capital	36,358
<u>Changes in working capital</u>	
Decrease in inventories	2,714
Decrease in trade, other receivables and contract assets	1,053
Increase in prepayments	(69)
Increase in trade and other payables	473
Total working capital changes	4,171
Cash flows from operations	40,529
Interest received	298
Interest paid	(38)
Net cash from operating activities	40,789
Investing activities	
Purchase of property, plant and equipment	(5,510)
Fixed deposit pledged	(8)
Net cash used in investing activities	(5,518)

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries**Unaudited Pro Forma Combined Statements of Cash Flows
For the three-month financial period ended 31 October 2019 (Continued)**

	3 months period ended 31.10.2019 MYR'000
Financing activities	
Repayment of term loans	(698)
Repayment of obligations under finance leases	(260)
Dividends paid on ordinary shares	(26,190)
Dividends paid on preference shares	(100)
Net cash used in financing activities	(27,248)
Net increase in cash and cash equivalents	8,023
Cash and cash equivalents at 1 August	33,124
Cash and cash equivalents at 31 October	41,147

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	3 months period ended 31.10.2019 MYR'000
Cash and short-term deposits	43,922
Less:	
Bank overdraft	(720)
Pledged deposits	(2,055)
Cash and cash equivalents	41,147

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Statement of Adjustments for the Unaudited Pro Forma Combined
Statements of Comprehensive Income
For the financial year ended 31 July 2019**

	Audited combined statement of comprehensive income 2019 MYR'000	Pro Forma adjustments 2019 MYR'000	Unaudited Pro Forma combined statement of comprehensive income 2019 MYR'000
Revenue	189,141		189,141
Cost of sales	(127,172)	395	(126,777)
Gross profit	61,969		62,364
Other income	2,505		2,505
Other operating expenses	(372)		(372)
General and administrative expenses	(3,306)		(3,306)
Finance costs	(256)	70	(186)
Share of results of joint venture	(154)	154	–
Profit before tax	60,386		61,005
Income tax credit	27,860		27,860
Profit for the year, representing total comprehensive income for the year	88,246		88,865

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Statement of Adjustments for the Unaudited Pro Forma Combined
Statements of Comprehensive Income
For the three-month financial period ended 31 October 2019**

	Unaudited combined statement of comprehensive income 3 months period ended 31.10.2019 MYR'000	Pro Forma adjustments 3 months period ended 31.10.2019 MYR'000	Unaudited Pro Forma combined statement of comprehensive income 3 months period ended 31.10.2019 MYR'000
Revenue	79,614		79,614
Cost of sales	(41,695)		(41,695)
Gross profit	37,919		37,919
Other income	598		598
Other operating expenses	(100)		(100)
General and administrative expenses	(5,217)		(5,217)
Finance costs	(45)	7	(38)
Profit before tax	33,155		33,162
Income tax expense	(9,294)		(9,294)
Profit for the period, representing total comprehensive income for the period	23,861		23,868

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Statement of Adjustments for the Unaudited Pro Forma Combined
Statements of Financial Position
As at 31 July 2019**

	Audited combined statement of financial position 2019 MYR'000	Pro Forma adjustments 2019 MYR'000	Unaudited Pro Forma combined statement of financial position 2019 MYR'000
Assets			
Non-current assets			
Property, plant and equipment	26,298		26,298
Mine properties	30,518		30,518
Deferred tax asset	27,946		27,946
Investment securities	82		82
	<u>84,844</u>		<u>84,844</u>
Current assets			
Inventories	13,439		13,439
Trade and other receivables	19,977		19,977
Contract assets	15,525		15,525
Prepayments	1,567		1,567
Cash and bank balances	35,366	(26,918)	8,448
Income tax recoverable	1,602		1,602
Assets held for distribution	17,215	(17,215)	–
	<u>104,691</u>		<u>60,558</u>
Total assets	<u>189,535</u>		<u>145,402</u>
Liabilities			
Current liabilities			
Loans and borrowings	1,399	(298)	1,101
Trade and other payables	22,420		22,420
	<u>23,819</u>		<u>23,521</u>
Net current assets	<u>80,872</u>		<u>37,037</u>
Non-current liabilities			
Loans and borrowings	1,559	(400)	1,159
Total liabilities	<u>25,378</u>		<u>24,680</u>
Net assets	<u>164,157</u>		<u>120,722</u>
Equity attributable to owners of the Group			
Share capital	–*		–*
Preference shares	733		733
Retained earnings	124,699	(43,435)	81,264
Merger reserve	38,725		38,725
	<u>164,157</u>		<u>120,722</u>
Total equity	<u>164,157</u>		<u>120,722</u>

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Statement of Adjustments for the Unaudited Pro Forma Combined
Statements of Financial Position
As at 31 October 2019**

	Unaudited combined statement of financial position As at 31 October 2019 MYR'000	Pro Forma adjustments As at 31 October 2019 MYR'000	Unaudited Pro Forma combined statement of financial position As at 31 October 2019 MYR'000
Assets			
Non-current assets			
Property, plant and equipment	27,896		27,896
Right-of-use asset	2,894		2,894
Mine properties	28,352		28,352
Deferred tax asset	18,723		18,723
Investment securities	82		82
	<u>77,947</u>		<u>77,947</u>
Current assets			
Inventories	10,725		10,725
Trade and other receivables	14,429		14,429
Contract assets	20,020		20,020
Prepayments	1,636		1,636
Cash and bank balances	61,305	(17,383)	43,922
Income tax recoverable	1,531		1,531
Assets held for distribution	17,215	(17,215)	—
	<u>126,861</u>		<u>92,263</u>
Total assets	<u>204,808</u>		<u>170,210</u>
Liabilities			
Current liabilities			
Loans and borrowings	1,689		1,689
Trade and other payables	22,871		22,871
	<u>24,560</u>		<u>24,560</u>
Net current assets	<u>102,301</u>		<u>67,703</u>
Non-current liabilities			
Loans and borrowings	1,130		1,130
Total liabilities	<u>25,690</u>		<u>25,690</u>
Net assets	<u>179,118</u>		<u>144,520</u>
Equity attributable to owners of the Group			
Share capital	—*		—*
Preference shares	733		733
Retained earnings	139,660	(34,598)	105,062
Merger reserve	38,725		38,725
	<u>179,118</u>		<u>144,520</u>
Total equity	<u>179,118</u>		<u>144,520</u>

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Statement of Adjustments for the Unaudited Pro Forma Combined
Statements of Cash Flows
For the financial year ended 31 July 2019**

	Audited combined statement of cash flow 2019 MYR'000	Pro Forma adjustments 2019 MYR'000	Unaudited Pro Forma combined statement of cash flow 2019 MYR'000
Operating activities			
Profit before taxation	60,386	619	61,005
<u>Adjustments for:</u>			
Interest expenses	256	(70)	186
Interest income	(275)		(275)
Unrealised loss on foreign exchange	28		28
Depreciation of property, plant and equipment	6,552	(395)	6,157
Gain on disposal of property, plant and equipment	(100)		(100)
Amortisation of mine properties	8,615		8,615
Impairment loss on receivables	4		4
Write-back of allowance on doubtful debts	(482)		(482)
Share of results of a joint venture	154	(154)	—
Total adjustments	14,752		14,133
Operating cash flows before changes in working capital	75,138		75,138
<u>Changes in working capital:</u>			
Decrease in inventories	614		614
Increase in trade, other receivables and contract assets	(26,572)		(26,572)
Decrease in prepayments	68		68
Decrease in trade and other payables	(12,414)		(12,414)
Total working capital changes	(38,304)		(38,304)
Cash flows from operations	36,834		36,834
Income taxes paid	(20)		(20)
Interest received	275		275
Interest paid	(256)	70	(186)
Net cash from operating activities	36,833		36,903

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Statement of Adjustments for the Unaudited Pro Forma Combined
Statements of Cash Flows
For the financial year ended 31 July 2019 (Continued)**

	Audited combined statement of cash flow 2019 MYR'000	Pro Forma adjustments 2019 MYR'000	Unaudited Pro Forma combined statement of cash flow 2019 MYR'000
Investing activities			
Purchase of property, plant and equipment	(4,347)		(4,347)
Proceeds from disposal of property, plant and equipment	100		100
Placement of fixed deposit	(63)		(63)
Net cash used in investing activities	(4,310)		(4,310)
Financing activities			
Repayment of term loans	(272)	(698)	(970)
Repayment of obligations under finance leases	(723)		(723)
Dividends paid on ordinary shares	–	(26,190)	(26,190)
Dividends paid on preference shares	–	(100)	(100)
Net cash used in financing activities	(995)		(27,983)
Net increase in cash and cash equivalents	31,528		4,610
Cash and cash equivalents at 1 August	1,596		1,596
Cash and cash equivalents at 31 July	33,124		6,206

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	FY2019 MYR'000
Cash and short-term deposits	8,448
Less:	
Bank overdraft	(196)
Pledged deposits	(2,046)
Cash and cash equivalents	6,206

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Statement of Adjustments for the Unaudited Pro Forma Combined
Statements of Cash Flows
For the three-month financial period ended 31 October 2019**

	Unaudited combined statement of cash flow 3 months period ended 31.10.2019 MYR'000	Pro Forma adjustments 3 months period ended 31.10.2019 MYR'000	Unaudited Pro Forma combined statement of cash flow 3 months period ended 31.10.2019 MYR'000
Operating activities			
Profit before taxation	33,155	7	33,162
<u>Adjustments for:</u>			
Interest expenses	45	(7)	38
Interest income	(298)		(298)
Unrealised gain on foreign exchange	(23)		(23)
Depreciation of property, plant and equipment	1,115		1,115
Depreciation of right-of-use asset	198		198
Amortisation of mine properties	2,166		2,166
Total adjustments	3,203		3,196
Operating cash flows before changes in working capital	36,358		36,358
<u>Changes in working capital:</u>			
Decrease in inventories	2,714		2,714
Decrease in trade, other receivables and contract assets	1,053		1,053
Increase in prepayments	(69)		(69)
Increase in trade and other payables	473		473
Total working capital changes	4,171		4,171
Cash flows from operations	40,529		40,529
Interest received	298		298
Interest paid	(45)	7	(38)
Net cash from operating activities	40,782		40,789

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

**Statement of Adjustments for the Unaudited Pro Forma Combined
Statements of Cash Flows
For the three-month financial period ended 31 October 2019 (Continued)**

	Unaudited combined statement of cash flow 3 months period ended 31.10.2019 MYR'000	Pro Forma adjustments 3 months period ended 31.10.2019 MYR'000	Unaudited Pro Forma combined statement of cash flow 3 months period ended 31.10.2019 MYR'000
Investing activities			
Purchase of property, plant and equipment	(5,510)		(5,510)
Fixed deposit pledged	(8)		(8)
Net cash used in investing activities	(5,518)		(5,518)
Financing activities			
Repayment of term loans	(698)		(698)
Repayment of obligations under finance leases	(260)		(260)
Dividends paid on ordinary shares	(8,900)	(17,290)	(26,190)
Dividends paid on preference shares	–	(100)	(100)
Net cash used in financing activities	(9,858)		(27,248)
Net increase in cash and cash equivalents	25,406		8,023
Cash and cash equivalents at 1 August	33,124		33,124
Cash and cash equivalents at 31 October	58,530		41,147

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	3 months period ended 31.10.2019 MYR'000
Cash and short-term deposits	43,922
Less:	
Bank overdraft	(720)
Pledged deposits	(2,055)
Cash and cash equivalents	41,147

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma combined financial statements.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Unaudited Pro Forma combined financial information of Southern Alliance Mining Ltd. and its subsidiaries

**For the financial year ended 31 July 2019 and interim
three-month financial period ended 31 October 2019**

1. Corporate information

The Company was incorporated on 19 September 2019 under the Companies Act, Chapter 50 as a private limited company domiciled in Singapore. On 27 April 2020, the Company was converted to a public company limited by shares.

The registered office and principal place of business of the Company is located at 80 Robinson Road, #02-00, Singapore 068898.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries and joint venture are disclosed in Notes 14 and 15 of the Audited Combined Financial Statements for the financial years ended 31 July 2017, 2018 and 2019 as set out in Appendix A of the Offer Document.

2. Significant events

The unaudited pro forma combined financial information of the Group, because of their nature, are not necessarily indicative of the financial position and of the financial performance that would have been attained had the significant events occurred earlier. Save as disclosed in this report, management, for preparing this set of unaudited pro forma combined financial information of the Group, have not considered the effects of other events.

Save for the following significant events as discussed below, the management, as at the date of this report, are not aware of other significant events after 31 July 2019.

- (a) On 31 July 2018, Honest Sam Development Sdn Bhd ("Honest Sam", subsidiary of the Company, passed a resolution for the voluntary winding up of its subsidiary, A.K. Trading Co. Ltd. ("AK Trading") as it is a dormant company. AK Trading was wound up on 4 September 2019. The financial impact of this event is immaterial to the pro forma combined financial information.
- (b) On 7 August 2019, Honest Sam declared an interim dividend on ordinary shares of approximately RM8,900,000.
- (c) On 18 September 2019, Honest Sam repaid term loans, which are secured by the non-mining real property transferred above amounting to total of approximately RM698,000, which includes an interest expense of approximately RM70,000 and RM7,000 for financial year ended 31 July 2019 and three-month financial period ended 31 October 2019 respectively.
- (d) On 4 November 2019, Honest Sam undertook a share consolidation of its ordinary shares, pursuant to which Honest Sam consolidated 10,000,000 ordinary shares into 1,100,000 consolidated ordinary shares.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Unaudited Pro Forma combined financial information of Southern Alliance Mining Ltd. and its subsidiaries

For the financial year ended 31 July 2019 and interim three-month financial period ended 31 October 2019 (Continued)

2. Significant events (Continued)

- (e) On 5 November 2019, Honest Sam, declared and distributed a dividend-in-specie to Aras Kuasa Sdn Bhd (“Aras Kuasa”) for the following:
 - (i) Distribution of its shareholding interest of 50% in joint venture, Teras Megajaya Sdn Bhd (“Teras Megajaya”);
 - (ii) Distribution of amounts due from joint venture, Teras Megajaya, of approximately RM5,291,000;
 - (iii) Transfer of non-mining real property at net book value of approximately RM11,916,000; and
 - (iv) Transfer of certain equipment (non-core assets) at net book value of approximately RM8,000.
- (f) On 10 December 2019, Honest Sam declared a dividend on ordinary shares of approximately RM17,390,000, which includes an amount of RM100,000 payable to convertible preference shareholders.

3. Basis of preparation of the unaudited pro forma combined financial information

- (a) The unaudited pro forma combined financial information of the Group is expressed in Malaysian Ringgit (“MYR”) and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated. The pro forma combined financial information has been prepared for illustrative purposes only. It has been prepared based on certain assumptions and after making certain adjustments as discussed in Note 2 to show what:
 - (i) the unaudited pro forma combined statement of financial position of the Group as at 31 July 2019 would have been if the Significant Events as described in Note 2 had occurred on 31 July 2019;
 - (ii) the unaudited pro forma combined statement of financial position of the Group as at 31 October 2019 would have been if the Significant Events as described in Note 2 had occurred on 31 October 2019;
 - (iii) the unaudited pro forma combined financial performance and cash flows of the Group for the financial year ended 31 July 2019 would have been if the Significant Events as described in Note 2 had occurred on 1 August 2018; and
 - (iv) the unaudited pro forma combined financial performance and cash flows of the Group for the three-month financial period ended 31 October 2019 would have been if the Significant Events as described in Note 2 had occurred on 1 August 2019.

Southern Alliance Mining Ltd. and its subsidiaries

Notes to the Unaudited Pro Forma combined financial information of Southern Alliance Mining Ltd. and its subsidiaries

For the financial year ended 31 July 2019 and interim three-month financial period ended 31 October 2019 (Continued)

3. Basis of preparation of the unaudited pro forma combined financial information (Continued)

The objective of the unaudited pro forma combined financial information of the Group is to show what the historical combined financial information would have been after making certain assumptions and after making certain adjustments as explained in the paragraph as above. However, because of the nature of these adjustments, the unaudited pro forma combined financial information of the Group may not necessarily give a true picture of the actual effects on the financial position and comprehensive income that would have been obtained had the event existed earlier.

(b) The unaudited pro forma combined financial information of the Group is based on the following:

(i) the audited combined financial statements of the Group for the financial years ended 31 July 2017, 2018 and 2019, which have been prepared in accordance with Singapore Financial Reporting Standards (International).

The audited combined financial statements of the Group for the financial years ended 31 July 2017, 2018 and 2019 was audited by Ernst & Young LLP, Public Accountants and Chartered Accountants, Singapore. The independent auditor's report relating to the audited financial statements was not subject to any qualification;

(ii) the unaudited interim condensed combined financial statements for the Group for the three-month financial period ended 31 October 2019, which have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34.

The unaudited interim combined financial statements of the group for the three-month financial period ended 31 October 2019 was reviewed by Ernst & Young LLP, Public Accountants and Chartered Accountants, Singapore. The independent auditor's report relating to the reviewed financial statements was not subject to any qualification.

4. Significant accounting policies

The unaudited pro forma combined financial information for the financial year ended 31 July 2019 and the unaudited pro forma combined financial information for the three-month financial period ended 31 October 2019 is prepared using the same accounting policies as the audited combined financial statements of the Group for the financial years ended 31 July 2017, 2018 and 2019 as disclosed in Note 2 to the Audited Combined Financial Statements of Southern Alliance Mining Ltd. and its subsidiaries for the financial years ended 31 July 2017, 2018 and 2019 set out as Appendix A of the Offer Document and unaudited interim condensed combined financial statements for the three-month period ended 31 October 2019.

5. Authorisation of unaudited pro forma combined financial information

The unaudited pro forma combined financial information for the financial year ended 31 July 2019 and the unaudited pro forma combined financial information for the three-month financial period ended 31 October 2019 for the inclusion in the Offer Document were authorised for issue in accordance with a resolution of the directors on 16 June 2020.

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APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT



INDEPENDENT QUALIFIED PERSONS REPORT OF THE MALAYSIAN IRON ORE ASSETS OF HONEST SAM DEVELOPMENT SDN BHD

Client:	Honest Sam Development Sdn Bhd
Project number:	P1819-26
Document status:	Final Report
Document Date:	6 March 2020

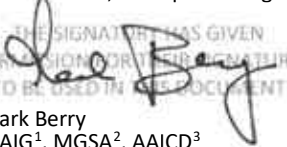
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



DOCUMENT CONTROL AND INFORMATION

Project number:	P1819-26
Document title:	IQPR of Malaysian Iron Ore Assets
Client:	Honest Sam Development Sdn Bhd
Client contact:	Mr Lim Wei Hung, CFO
Document file name:	P1819-26 HSDSB IQPR Update Final.pdf
Document status:	Final Report
Document date:	6 March 2020
Derisk project manager:	Mark Berry, Director – Principal Geologist
Derisk contributors:	Mark Berry, Director – Principal Geologist Will Coverdale, Associate Senior Mining Consultant Michele Pilkington, Director – Business Manager
Derisk peer reviewer:	Mal Dorrictott, Principal Mining Consultant
Authorised and signed on behalf of Derisk (for Final Documents):	 THE SIGNATURE WAS GIVEN PERMISSION FOR THIS SIGNATURE TO BE USED IN THIS DOCUMENT
Derisk representative:	Mark Berry MAIG ¹ , MGSA ² , AAICD ³

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APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



TABLE OF CONTENTS

1	EXECUTIVE SUMMARY	1
1.1	Introduction	1
1.2	Report Details	1
1.3	Mineral Assets Location, Ownership and History	1
1.4	Exploration and Mineral Resources	1
1.5	Ore Reserves	3
1.6	Operations	3
1.7	Product Sales	3
1.8	Financial Evaluation	4
1.9	Licence to Operate	4
1.10	Risks and Opportunities	4
1.11	Conclusions and Recommendations	5
2	INTRODUCTION	6
2.1	Scope and Use of Report	6
2.2	Reporting Standard	6
2.3	Report Authors and Contributors	6
2.4	Site Visits	6
2.5	Statement of Independence	6
2.6	Methodology and Limitations	7
2.7	Reliance	7
2.8	Records and Indemnities	7
3	DESCRIPTION OF MINERAL ASSETS	8
3.1	Assets	8
3.2	Ownership	8
3.3	Access	9
3.4	Climate	10
3.5	Geomorphology	10
4	TENEMENTS	11
4.1	Leases	11
4.2	Permits and Approvals	11
4.2.1	Legislative Framework	11
4.2.2	Mineral Development Act 1994	12
4.2.3	State Mineral Enactments	12
4.2.4	State Regulations	12
4.2.5	Operational Mining Scheme	13
4.2.6	Mining Operators Agreement	13
4.2.7	Processing Agreement	13
4.2.8	Royalties and Rent	13
5	PROJECT STATUS	15
5.1	History	15
5.2	Studies Completed	15
5.3	Studies in Progress	15
5.4	Current Operations	15
5.5	Future Plans	15
6	GEOLOGY AND MINERALISATION	16
6.1	Regional Geological Setting	16
6.2	Regional Metallogeny	17
6.3	ChaaH Geology	19

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



6.4	Chaah Mineralisation.....	21
7	EXPLORATION	22
7.1	Background.....	22
7.2	Chaah.....	22
7.2.1	Geological Mapping.....	22
7.2.2	Ground Magnetism.....	22
7.2.3	Drilling.....	22
7.2.4	Geological Logging.....	24
7.2.5	Bulk Density Determination	24
7.2.6	Sample Transport and Sampling.....	24
7.2.7	Sample Preparation	25
7.2.8	Chemical Analysis	25
7.2.9	Quality Assurance and Quality Control	26
7.2.10	Data Collation	31
7.2.11	Derisk Data Validation	31
7.3	Exploration Assets	31
7.3.1	Mao'kil	31
7.3.2	Chaah Baru	32
7.3.3	Kota Tinggi	33
8	MINERAL RESOURCES	35
8.1	Methodology	35
8.2	Drilling Data	35
8.3	Geological Modelling	37
8.4	Data Analysis.....	38
8.4.1	Drillhole Data.....	38
8.4.2	Compositing.....	38
8.4.3	Grade Capping.....	40
8.4.4	Variography	40
8.4.5	Bulk Density	42
8.5	Resource Estimation.....	43
8.5.1	Block Model Set-up.....	43
8.5.2	Estimation Parameters	43
8.5.3	Model Validation	44
8.5.4	Classification	46
8.6	2014 Mineral Resource.....	47
8.7	2019 Mineral Resource Update.....	48
8.7.1	In Situ Mineral Resources.....	48
8.7.2	Stockpile Mineral Resources	48
8.7.3	Total Mineral Resources	50
8.8	Production Reconciliation.....	50
8.9	Exploration Potential.....	51
9	GEOMETALLURGY.....	53
9.1	Drillhole Samples.....	53
9.2	Uniaxial Compressive Strength Tests	54
9.3	Bond Crushing Work Index Tests.....	54
9.4	Magnetic Separation Tests	54
9.5	Gravity Separation Tests.....	55
9.6	Assessment	56
10	GEOTECHNICAL CONDITIONS	57
10.1	Rock Mass Properties and Conditions	57
10.1.1	Kinematic Analysis	57

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



10.1.2	Selected Rock Mass Properties.....	58
10.1.3	Slope Design	58
10.2	Hydrogeology and Groundwater	60
10.3	Geotechnical Risks and Management	60
11	ORE RESERVES.....	61
11.1	Methodology	61
11.2	Reserve Inputs	61
11.2.1	Revenue	61
11.2.2	Mining Factors	61
11.2.3	Processing Factors	61
11.2.4	Costs	62
11.3	Mining Depletion August to October 2019	65
11.4	Pit Optimisation.....	65
11.4.1	Process.....	65
11.4.2	Inputs	66
11.4.3	Results	66
11.4.4	Cashflow Analysis	67
11.5	Mine Design.....	69
11.5.1	Ultimate Pit.....	69
11.5.2	Design Parameters.....	70
11.6	Production Schedule.....	71
11.6.1	Constraints.....	71
11.6.2	Mine Schedule	72
11.6.3	Production Forecast.....	73
11.7	Ore Reserve Estimation and Classification	74
11.7.1	2014 Ore Reserves.....	74
11.7.2	2019 Cut-off Criterion.....	74
11.7.3	2019 Ore Reserves.....	74
12	MINING.....	76
12.1	Operations	76
12.2	Equipment	78
12.3	Waste Disposal	78
13	PROCESSING.....	79
13.1	Operations	79
13.1.1	Fixed Crushing	79
13.1.2	Mobile Crushing and Screening	79
13.1.3	HSM Plant	79
13.1.4	XHM Plant.....	82
13.2	Tailings Storage and Disposal	84
14	PRODUCT SALES	85
14.1	Market Overview	85
14.2	Product Specifications and Contracts.....	87
14.3	Sales Mix and Price Forecast	88
15	INFRASTRUCTURE AND LOGISTICS.....	89
15.1	General Site Facilities	89
15.2	Water	89
15.3	Transport	89
15.4	Power.....	89
15.5	Accommodation	90
15.6	Communications.....	90
15.7	Security	90

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



15.8	Kuantan Head Office.....	90
15.9	Kuantan Sample Shed and Storage.....	90
15.10	Kuantan Port Facilities	91
16	HUMAN RESOURCES AND OCCUPATIONAL HEALTH AND SAFETY	92
16.1	Relevant Legislation.....	92
16.1.1	Occupational Safety and Health Act 1994.....	92
16.1.2	Factories and Machinery Act 1967	92
16.2	HSDSB Policies	92
16.3	Emergency Response.....	93
16.4	Staffing.....	93
17	ENVIRONMENTAL MANAGEMENT.....	94
17.1	Relevant Legislation.....	94
17.1.1	Environmental Quality Act 1974.....	94
17.1.2	Rehabilitation	94
17.2	HSDSB Policies	95
17.3	Chaah Environmental Management Plan.....	95
17.3.1	Soil Erosion and Sedimentation of Waterways	95
17.3.2	Air Pollution	95
17.3.3	Noise Pollution and Blast Vibration	95
17.3.4	Solid Wastes	96
17.3.5	Scheduled Wastes.....	96
17.3.6	Sewage and Wastewater Discharge	96
17.4	Closure Plan	96
18	COMMUNITY AND SOCIAL ISSUES	98
18.1	Community Engagement	98
18.2	Community Impact	98
18.3	Heritage Management.....	98
19	FINANCIAL EVALUATION.....	99
19.1	LOM Plan	99
19.2	Economic Analysis	99
19.3	Cashflow Projection.....	100
19.4	Sensitivity Analysis.....	101
20	RISKS AND OPPORTUNITIES	103
20.1	Risk Assessment.....	103
20.1.1	High Risks.....	103
20.1.2	Medium Risk	103
20.1.3	Low Risk	104
20.2	Opportunities.....	104
20.2.1	Exploration Upside	104
20.2.2	Operational Flexibility.....	104
20.2.3	Commodity Price Upside	104
21	CONCLUSIONS AND RECOMMENDATIONS.....	105
21.1	Conclusions.....	105
21.2	Recommendations.....	105
22	COMPETENT PERSON CONSENT AND SIGN-OFF	106
22.1	Director and Competent Person: Exploration Results and Mineral Resources.....	106
22.2	Competent Person: Ore Reserves	106
23	REFERENCES	107
24	DEFINITIONS AND GLOSSARY	108

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



25 JORC CODE TABLE 1 CHECKLIST OF ASSESSMENT AND REPORTING CRITERIA	112
25.1 Sampling Techniques and Data	112
25.2 Reporting of Exploration Results	115
25.3 Estimation and Reporting of Mineral Resources	117
25.4 Estimation and Reporting of Ore Reserves.....	120

LIST OF FIGURES

Figure 3-1. Location of HSDSB's Peninsula Malaysian iron ore assets.	8
Figure 3-2. Public road network in Johor and access to HSDSB's iron ore assets.	9
Figure 6-1. Regional geology of Peninsula Malaysia.	16
Figure 6-2. Metallogeny of Peninsula Malaysia.....	18
Figure 6-3. Geology of Chaah mine.	19
Figure 6-4. Examples of Chaah host rocks.	20
Figure 6-5. Photograph of Chaah mine, looking north (November 2014).....	20
Figure 6-6. Examples of Chaah mineralisation.	21
Figure 7-1. Ground magnetics survey (reduced to pole) and structural/mineralisation interpretation.....	23
Figure 7-2. Generic drilling sample preparation flowchart.	25
Figure 7-3. Sequential field blank analyses for SiO ₂ , Fe ₂ O ₃ , CaO and LOI.....	27
Figure 7-4. Field duplicate analyses for Fe for Chaah (343 samples).	28
Figure 7-5. Sequential CRM analyses for Fe.	29
Figure 7-6. Independent laboratory check analyses for Fe (352 samples).....	31
Figure 7-7. Mao'kil location plan and OMS layout.	32
Figure 7-8. Chaah Baru location plan and OMS layout.....	33
Figure 7-9. Kota Tinggi tenement plan.	34
Figure 8-1. Drillhole location plan.	36
Figure 8-2. Cross section A-A showing drillholes and massive hematite interpretation.....	37
Figure 8-3. Oblique view of drilling and massive iron ore mineralisation (as at June 2014).....	38
Figure 8-4. Modelled variogram for Fe.....	41
Figure 8-5. Scatter plot of DBD vs Fe grade for all domains.....	42
Figure 8-6. Example of model validation: cross section with drilling data and block model Fe grades.....	44
Figure 8-7. Swath plot of Fe grade by Northing comparing composites and blocks.....	45
Figure 8-8. Swath plot of Fe grade by Elevation comparing composites and blocks.	46
Figure 8-9. Mineral Resource grade-tonnage curve (2014).	48
Figure 8-10. Stockpile plan as at 31 October 2019.....	49
Figure 8-11. Oblique view of resource model showing topographic surfaces at June 2014 and Jul 2019. ...	51
Figure 8-12. Near mine exploration targets identified by OME.	52
Figure 10-1. Chaah open pit (2014) and plan showing the main geological and structural features.	57
Figure 10-2. Stereo plot of fault and bedding data.	58
Figure 10-3. Empirical overall slope angle plot for iron ore.	59
Figure 11-1. Estimated all-in cost of production.	65
Figure 11-2. Optimisation pit shell sensitivity.	67

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 11-3. Optimisation schedule cashflow sensitivity.	69
Figure 11-4. Final pit limits.	70
Figure 11-5. Mine production physicals.	72
Figure 11-6. Isometric view of three-stage pit schedule.	73
Figure 12-1. Chaah mining scheme layout.	76
Figure 12-2. Mining operations.	77
Figure 13-1. MCUs at Chaah.	79
Figure 13-2. HSM plant configuration, 2019.	80
Figure 13-3. HSM plant, July 2019.	81
Figure 13-4. XHM plant configuration, 2019.	82
Figure 13-5. XHM plant, July 2019.	83
Figure 13-6. TSF2 showing water pump and excavator recovering tailings for sale, July 2019.	84
Figure 14-1. Five-year 62% Fe and one-year 65% Fe spot price history to January 2020.	85
Figure 14-2. Selected iron ore prices: February 2015 to February 2020.	86
Figure 14-3. Price differential between 62% Fe and 65% Fe.	87
Figure 15-1. View looking south of the general mine infrastructure, July 2019.	89
Figure 15-2. Administration and accommodation facilities (LHS), mobile equipment workshop (RHS), July 2019.	89
Figure 15-3. Diesel generators for the HSM (LHS) and XHM (RHS), July 2019.	90
Figure 15-4. Kuantan sample shed, January 2019.	90
Figure 15-5. Weighbridge at Kuantan stockpile area (LHS) and iron ore stockpiles (RHS).	91
Figure 15-6. Ship loading of iron ore for export at Kuantan port.	91
Figure 16-1. Chaah organisational chart.	93
Figure 19-1. Cashflow projection.	101
Figure 19-2. Sensitivity analysis: Spider chart.	102
Figure 19-3. Sensitivity analysis: Tornado chart.	102

LIST OF TABLES

Table 1-1. Total iron ore Mineral Resources as at 31 October 2019.	2
Table 1-2. Total iron ore Ore Reserves as at 31 October 2019.	3
Table 2-1. Report contributors.	6
Table 4-1. HSDBS tenement status.	11
Table 5-1. Chaah iron ore production statistics (kt).	15
Table 7-1. SGS Perth analytical specifications.	26
Table 7-2. Assessment of HARD values for field duplicates.	28
Table 7-3. CRM expected values and results.	29
Table 7-4. Assessment of HARD values for internal laboratory repeats.	30
Table 7-5. Independent laboratory check analyses for Chaah (162 samples).	30
Table 8-1. Drilling summary.	35
Table 8-2. Drillhole sample interval statistics by domain.	39
Table 8-3. Drillhole 3.0 m composite statistics, by domain.	40

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 8-4. Variography, by domain.	41
Table 8-5. Bulk Density measurement statistics.....	42
Table 8-6. Domain 1 DBD values.	43
Table 8-7. Block model parameters.....	43
Table 8-8. Grade estimation parameters.	43
Table 8-9. Average values for drillhole composites vs the block mode.	45
Table 8-10. Criteria used to assess Mineral Resource classification.	47
Table 8-11. Mineral Resources as at June 2014 reported using a cut-off criterion of 30% Fe.....	47
Table 8-12. In situ Mineral Resources as at 31 October 2019 reported using a cut-off criterion of 25% Fe.	48
Table 8-13. Stockpiles as at 31 October 2019 reported using a cut-off criterion of 15% Fe.....	50
Table 8-14. Total Mineral Resources as at 31 October 2019.	50
Table 8-15. Production reconciliation from June 2014 to July 2019.....	51
Table 9-1. Mineral abundance estimates for metallurgical samples.	53
Table 9-2. Mineral abundance estimates for metallurgical samples.	53
Table 9-3. UCS measurements.....	54
Table 9-4. BCWi measurements.	54
Table 9-5. Magnetic separation test results at two grind sizes.....	55
Table 9-6. Gravity separation test results.	55
Table 9-7. Gravity separation test results.	56
Table 10-1. Rock mass rating results.	58
Table 10-2. Recommended slope angles.....	59
Table 11-1. Iron ore product pricing model for pit optimisation.	61
Table 11-2. Metallurgical recovery and yield.	62
Table 11-3. Energy costs for processing operations.....	62
Table 11-4. Operating cost summary.	63
Table 11-5. Mining cost breakdown.	63
Table 11-6. Processing cost breakdown.	64
Table 11-7. Sales costs.....	64
Table 11-8. Optimisation metal price sensitivity analysis.	67
Table 11-9. Optimisation cashflow analysis.	68
Table 11-10. Pit design summary commencing from 1 November 2019.....	69
Table 11-11. Pit design parameters.....	70
Table 11-12. Haul road design parameters.	71
Table 11-13. Mine production constraints.	71
Table 11-14. Processing constraints.	72
Table 11-15. Annual production schedule.....	73
Table 11-16. Ore Reserves as at June 2014 reported using a cut-off criterion of 30% Fe.	74
Table 11-17. Ore Reserve Cut-off Parameters.....	74
Table 11-18. In situ Ore Reserves as at 31 October 2019 reported using a cut-off criterion of 30% Fe.....	74
Table 11-19. Ore Reserve stockpiles as at 31 October 2019 reported using a cut-off criterion of 30% Fe. ...	75
Table 11-20. Total Ore Reserves as at 31 October 2019.	75

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 12-1. Mining equipment list.....	78
Table 13-1. HSM operating parameters.	81
Table 13-2. XHM operating parameters.	83
Table 13-3. TSF capacity.	84
Table 14-1. Five-year iron ore price forecasts for 62% Fe.	86
Table 14-2. Chaah general product specifications.	87
Table 19-1. Financial assumptions.....	99
Table 19-2. Economic analysis.	100
Table 19-3. Sensitivity analysis based on $\pm 30\%$ variation.	101
Table 20-1. High risks.....	103
Table 20-2. Medium risks.	103
Table 20-3. Low risks.	104
Table 24-1. Definitions and glossary of terms.	108
Table 25-1. Sampling techniques and data.	112
Table 25-2. Exploration Results.	115
Table 25-3. Mineral Resources.	117
Table 25-4. Ore Reserves.	120

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



1 EXECUTIVE SUMMARY

1.1 Introduction

In July 2019, Derisk Geomining Consultants Pty Ltd (Derisk) was engaged by Honest Sam Development Sdn Bhd (HSDSB or the Company) to prepare an independent qualified persons report (IQPR or the Report) as part of the Company's plan to list its Malaysian iron ore assets on the Catalist board of Singapore Exchange (SGX). SGX provides extensive rules and guidelines for such reports and this Report has been prepared in accordance with SGX requirements.

This Report will be used to support the Company's listing on SGX and will be included in the Offer Document, therefore it is a public report. It provides descriptions of the iron ore assets in Malaysia that the Company will include in the offer.

SGX Catalist rules for new company listings require that an IQPR be prepared in accordance with one of three allowable international public reporting standards. For this report, Derisk has adopted the JORC Code⁴ as the reporting standard.

The effective date of the Exploration Results, Mineral Resource estimates and Ore Reserve estimates (as defined by the JORC Code) presented in this IQPR is 31 October 2019.

1.2 Report Details

This Report has been prepared by Mark Berry, Will Coverdale and Mal Dorricott. The JORC Code requires that a public report describing a company's mineral assets must be based on, and fairly reflect, the information and supporting documentation prepared by a Competent Person. SGX Catalist rules use the term qualified person and provide a definition that is effectively equivalent to a Competent Person. In this IQPR, whenever reference is made to a Competent Person as per the JORC Code, it is equivalent to a qualified person as per the SGX Catalist rules.

Mark Berry is the Competent Person for Exploration Results and Mineral Resources and Will Coverdale is the Competent Person for Ore Reserves. Mal Dorricott peer reviewed the IQPR. All contributors have completed at least one site visit to the Company's principal asset at Chaah in Johor, Malaysia.

Derisk confirms that its Directors, staff and all contributors to this Report are independent of HSDSB and have no interest in the outcome of the work to be completed in this engagement. Fees paid to Derisk are on a fee-for-service basis plus reimbursement of project-related expenses. Our agreement with HSDSB excludes any provision for a success fee or related incentive.

1.3 Mineral Assets Location, Ownership and History

The iron ore assets operated by HSDSB consist of the Chaah open pit mine, which is the principal asset, and three exploration properties located at Mao'kil, Chaah Baru and Kota Tinggi. All assets are in the state of Johor.

The Chaah mine is covered by two mining leases (MLs) and the three exploration properties are each covered by MLs which are all held by DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar (DYMMMS). HSDSB has negotiated a long-term Mining Operators Agreement (MOA) with DYMMMS that provides HSDSB with a strong legal structure to guarantee control of operations at the mine site.

The Chaah area is a known historical iron ore prospecting and small-scale mining area. The most recent mining at Chaah commenced in 2008. The maximum annual production is over 700 kt in 2019 year to date, with total mine production of 4.6 Mt since 2008. Production is sold domestically and to the export market for steel manufacture and as a heavy media for pipe coating.

1.4 Exploration and Mineral Resources

Prior to 2013, HSDSB did not complete any significant exploration to support its investment in a mining and beneficiation operation at site, with activities generally restricted to localised prospecting with limited and sporadic drilling to guide mining. No records of these activities were maintained.

In 2013, the Company commissioned Ophir Mining and Exploration Sdn Bhd (OME) to undertake exploration activities at the Chaah mine and complete a prefeasibility study (PFS) to support the estimation of Mineral

⁴ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code), 2012

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Resources and Ore Reserves. At the same time, HSDSB recruited geologists and mining engineers to undertake exploration and supervise mining at Chaah and undertake exploration at some of its other properties. In 2014, AMC Consultants Pty Ltd (AMC) was commissioned to prepare an IQPR to support a proposed listing on SGX, but this was deferred due to the depressed iron ore prices prevailing in 2014 and 2015.

Exploration activities at Chaah have consisted of surface geological mapping, ground geophysics and drilling. A total of 101 reverse circulation (RC) drillholes and 44 diamond (DD) drillholes were completed from November 2013 to October 2014, totaling 22,099 m. This is the drilling database that has been used for the estimation of Mineral Resources. HSDSB completed some drilling in 2017/2018 totalling 1,879 m but this information has not been incorporated into the geological model or used in the Mineral Resource estimate.

OME prepared a Mineral Resource estimate as at June 2014 of 11.0 Mt @ 52.6% iron (Fe) comprising Indicated and Inferred Resources and reported using a cut-off criterion of 30% Fe. This estimate comprises in situ mineralisation only. Derisk has reviewed the resource modelling and estimation process, the output and classification, and considers that the resource estimate prepared by OME is reasonable and fit-for-purpose.

Derisk took the OME mineral resource model and depleted it for mining to 31 July 2019 using a topographic survey across the mining area undertaken in late July 2019. Depletion of the Mineral Resources from 31 July to 31 October 2019 was done using monthly trucking and production statistics provided by HSDSB. No changes have been made to the OME model as no new information has been added to the master drillhole database, however the in situ Mineral Resources have been reported at a cut-off criterion of 25% Fe because the operational experience at site has established that the processing plants are capable of upgrading material with this grade to a saleable product, although the economics depend on the prevailing iron ore price.

We have also included mined stockpiles at Chaah in the resource inventory as these were reliably surveyed and have been sampled and analysed to estimate tonnes and Fe grade. These have been classified as Indicated Resources because the sampling methodology used to collect samples is not adequate to reliably classify these as Measured Resources. Mined stockpiles at Chaah have been included in the resource inventory where the Fe grade of the stockpile is >15% Fe.

Table 1-1 presents the total Mineral Resources for Chaah as at 31 October 2019 comprising in situ mineralisation and mined stockpiles. Derisk considers that all reported Mineral Resources meet the JORC Code requirement of having reasonable prospects for eventual economic extraction.

Table 1-1. Total iron ore Mineral Resources as at 31 October 2019.

Category	Tonnes	Grade (%)				Comments
	(Mt)	Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅	
Gross attributable to licence and net attributable to issuer						This estimate is reported as at 31 October 2019 and is the first publicly reported Mineral Resource estimate for the Chaah mine. The estimate prepared in 2014 has not been publicly reported.
Measured	-	-	-	-	-	
Indicated (in situ)	6.1	52.3	16.6	1.8	1.6	
Indicated (stockpiles)	0.4	54.6	-	-	-	
Inferred (in situ)	1.8	45.6	23.7	3.8	1.4	
Total (in situ)	7.9	50.8	18.2	2.2	1.6	
Total	8.2	51.0	-	-	-	

Notes: 1. In situ resources reported at a cut-off criterion of 25% Fe.
2. Stockpiles 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.

Prior to June 2014, no reconciliation of historical production at Chaah is possible. A survey of the open pit and surrounds was completed in June 2014 and periodically thereafter, with the most recent survey completed in July 2019. From June 2014 to July 2019, a total of 3.37 Mt @ 53.1% Fe has been mined according to the resource model. Production statistics from HSDSB report the extraction of 3.42 Mt of iron ore from the pit during the same period, equivalent to 102% of the tonnes predicted from the resource model. Derisk considers that there is an excellent reconciliation between the resource model and production statistics.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



1.5 Ore Reserves

Derisk reviewed the PFS completed by OME that supported its estimate of Probable Ore Reserves totalling 8.6 Mt @ 52.1% Fe as at June 2014, reported using a cut-off criterion of 30% Fe.

To prepare new Ore Reserves, Derisk first validated the 3D block model created by OME in 2014 and then cut this model using the July 2019 topographic surface. All reserve inputs were reviewed and updated where appropriate using current information and new pit optimisations were undertaken using Geovia Whittle 4X (Whittle 4X). A new cashflow analysis and a new mine design and life-of-mine (LOM) production schedule were completed that resulted in Ore Reserves supporting a seven-year mine life. Subsequently, depletion of the Ore Reserves to 31 October 2019 was done using monthly trucking and production statistics provided by HSDSB.

Table 1-2 presents the total Ore Reserves for Chaah as at 31 October 2019 comprising in situ ore and mined stockpiles. Mined stockpiles at Chaah have been included in the reserve inventory where the Fe grade of the stockpile is >30% Fe.

Table 1-2. Total iron ore Ore Reserves as at 31 October 2019.

Table 1.2: Total Iron Ore Reserves as at 31 October 2019.						
Category	Tonnes	Grade (%)				Comments
	(Mt)	Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅	
Gross attributable to licence and net attributable to issuer						This estimate is reported as at 31 October 2019 and is the first publicly reported Ore Reserve estimate for the Chaah mine. The estimate prepared in 2014 has not been publicly reported.
Proved	-	-	-	-	-	
Probable (in situ)	5.8	51.0	16.2	1.7	1.6	
Probable (stockpiles)	0.3	55.9	-	-	-	
Total (in situ)	5.8	51.0	16.2	1.7	1.6	
Total	6.1	51.2	-	-	-	

Notes: 1. In situ reserves and stockpiles reported at a cut-off criterion of 30% Fe.
2. Totals may not add due to rounding effects.

1.6 Operations

Run-of-mine (ROM) ore and waste rock is mined by conventional drilling and blasting, then loading and hauling from a single open pit mine. The mining fleet is owned and operated by HSDSB and consists of small hydraulic rockdrills, small hydraulic excavators configured as backhoes, off-highway rear-dump haul trucks, and support equipment such as graders, dozers, and water carts. HSDSB has been granted approval to establish several waste rock dump sites. Overburden is dry excavated, transported and placed in dumps, constructed from the bottom up using paddock dumping and compaction using dozers.

Iron ore is processed through the existing on-site ore-processing facilities, which consist of fixed crushing units, mobile crushing units (MCUs), the Honest Sam Mill (HSM) processing plant and the Xin Her Mill (XHM) processing plant. Three products are produced:

1. High-grade direct shipping ore (DSO) is processed through fixed crushers and MCUs to generate a high-density product greater than 4.4 t/m³ for the domestic pipe-coating market.
2. Medium-grade iron ore is processed through the HSM to generate a fines product at nominally 65% Fe. Most of the output from this facility is sold to the domestic steel industry.
3. Low to medium-grade iron ore is processed through the XHM to generate a fines product at nominally 62-65% Fe. Most of the output from this facility is sold to the domestic steel industry or exported.

The Chaah operation has three tailings storage facilities (TSFs). A bund system around the tailings area has been constructed from overburden material extracted from the mine. The tailings water is kept at a level that allows for 1 m of freeboard. The tailings ponds allow for the settling of fines and for the clean water to be recycled back to the plant. Overflow from the third TSF is diverted to a spillway. To prevent uncontrolled overflow and risk associated with the structural integrity of the dam walls, concrete spillways have been constructed.

1.7 Product Sales

HSDSB generates revenue from both a nominal 62% Fe product and a nominal 65% Fe product, in addition to a speciality pipe-coating product. Contracts are negotiated with local and international customers. Sales to local customers are usually on a free-on-truck (or ex-mine) basis or delivered to the customer's mill. For

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



export sales, the Company usually sells directly to its customers on a cost-and-freight (CFR) or free-on-board (FOB) basis, whichever is negotiated at the time.

Contracts are negotiated with reference to spot prices at the time, typically based on a standard specification of iron ore fines with 62% Fe, 2% Al₂O₃, and 4.5% SiO₂, among other gangue elements delivered into north China on a CFR basis (iron ore spot price). Penalties or premiums may be applied on a contract-specific basis.

1.8 Financial Evaluation

The LOM schedule and the physicals from this were used as inputs to the economic analysis together with LOM operating costs (Opex) and LOM capital costs (Capex). Derisk collated forecasts from banks and price forecasters to derive a consensus around selling prices for the Company's products against a benchmark of the iron ore spot price. The Company's contracts with its customers are commercial-in-confidence, but Derisk has reviewed the Company's sales from January 2018 to October 2019 to develop a pricing formula for the three products in reference to the forecast iron ore spot price.

The results indicate that the Chaah operation is financially robust. The base-case net present value (NPV) at a 10% discount rate is USD 74.1 million with an internal rate of return (IRR) of 541% assuming 100% equity (no borrowings). To test the robustness of the operation, a sensitivity analysis was carried out assessing the sensitivity to the commodity price, metallurgical recovery, exchange rate, Capex, fuel price, discount rate and Opex. As expected, the most sensitive NPV trigger is the iron ore price, but almost equally important is the metallurgical recovery. Opex and exchange rate sensitivity are the next most important drivers, while discount rate, Capex and fuel price are the least sensitive parameters to the NPV analysis.

1.9 Licence to Operate

HSDSB is required to comply with all relevant Malaysian and Johor state laws and regulations that encompass the minerals sector. As well as the operational aspects of the mining operation, laws and regulations cover human resources, occupational health and safety (OH&S), environmental management, and social and community engagement. HSDSB Directors have advised Derisk that the Company is compliant with all relevant laws and regulations and has developed good relationships with the local community.

1.10 Risks and Opportunities

Risks have been subjectively assessed based on the likelihood of occurrence, and on the consequence of an event occurring, resulting in a risk matrix with three risk levels i.e. high, medium and low risk. Risks identified include:

- One high-risk concern associated with commodity prices. Profitability is very sensitive to the iron ore price, which is volatile. HSDSB will be adversely affected financially from any short-term drop in the iron ore price, as well as any longer-term sustained lower prices.
- Six medium-risk concerns associated with geotechnical controls for mining, mine scheduling, metallurgical recovery, exchange rate volatility, sales contract uncertainty and water/tailings management.
- Six low-risk concerns associated with geological interpretation uncertainty, pit dewatering, ore type characterisation, power costs, public road access, and community unrest.

Three key opportunities have been identified:

- There are exploration upside opportunities as follows:
 - Iron ore mineralisation in the existing open pit area is not closed off and there are opportunities to discover more mineralisation, that if successful may allow the current operations to be extended.
 - Magnetic surveys have identified several geophysical anomalies yet to be tested, that if successful have the potential to discover new iron ore mineralisation.
 - The Company holds three exploration areas that are prospective for iron ore mineralisation that have not yet been explored in any detail.
 - HSDSB plans to assess new opportunities to acquire more exploration and/or mining leases.
- HSDSB has a high degree of operational flexibility that allows it to readily adapt to changeable market requirements and opportunities. There are also several market segments that it delivers its product into and is therefore not dependent on one or two core customers.
- Profitability of the Chaah operation is extremely sensitive to the iron ore price, which has been very volatile in the last ten years. The Company will financially benefit from any short-term spikes in the iron ore price, as well as any longer-term sustained higher prices.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



1.11 Conclusions and Recommendations

The Chaah mine is the principal asset of HSDSB and is a mature site that has been in continuous operation since 2008. HSDSB has experienced both high and low commodity prices throughout the operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match domestic and export market requirements.

Derisk considers that the Mineral Resource and Ore Reserve estimates are technically sound and fit-for-purpose. Reconciliation of production from June 2014 to July 2019 demonstrates an excellent correlation between the Mineral Resource model and production statistics.

The iron ore price is forecast to remain volatile in the short and medium term. The Ore Reserves are robust and can tolerate a significant drop in the iron ore price and remain financially viable. Price rises will result in significant increases in revenue that will flow directly to profits.

Derisk recommends the following actions:

- As the Chaah mine gets deeper, it is important that HSDSB implements a rigorous geotechnical and hydrological monitoring program to minimise the potential for pit instability and failures.
- HSDSB should plan for and execute a mining cut-back in the open pit within the next 12 months to ensure continuity of ore supply.
- It will be beneficial for HSDSB to implement a more detailed process plant sampling and reconciliation program to monitor plant performance and assess opportunities for improvement.
- More drilling is required as soon as possible in and adjacent to the current pit to convert Inferred Resources to Indicated Resources and to test for extensions to iron ore mineralisation that may allow a further expansion of the pit. If delayed too long, it may not be practicably feasible to change the pit design.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



2 INTRODUCTION

2.1 Scope and Use of Report

In July 2019, Derisk was engaged by HSDSB to prepare an IQPR as part of the Company's plan to list its Malaysian iron ore assets on the Catalist board of SGX. SGX provides extensive rules and guidelines for such reports and this Report has been prepared in accordance with SGX requirements.

This Report will be used to support the Company's listing on SGX and will be included in the Offer Document, therefore it is a public report. It provides descriptions of the iron ore assets in Malaysia that the Company will include in the offer.

The effective date of the Exploration Results, Mineral Resource estimates and Ore Reserve estimates presented in this IQPR is 31 October 2019.

2.2 Reporting Standard and Currency

SGX Catalist rules for new company listings require that an IQPR be prepared in accordance with one of three allowable international public reporting standards. For this report, Derisk has adopted the JORC Code as the reporting standard.

All values in this report are in nominal United States dollars (USD) unless otherwise stated.

2.3 Report Authors and Contributors

This Report has been prepared by Mark Berry, Will Coverdale and Mal Dorricott. Table 2-1 presents details of the role and qualifications of each of the contributors.

Table 2-1. Report contributors.

Name	Title	Years of Experience	Professional Membership	Role and Responsibility
Mark Berry	Director and Principal Geologist	40	MAIG	Project manager and Competent Person / qualified person for Exploration Results and Mineral Resources
Will Coverdale	Associate Senior Mining Consultant	15	MAusIMM	Competent Person / qualified person for Ore Reserves
Mal Dorricott	Principal Mining Consultant	50	FAusIMM	Internal peer review

Note: Refer to Section 24 Definitions and Glossary for explanation of professional memberships.

The JORC Code requires that a public report describing a company's Exploration Results, Mineral Resources and Ore Reserves must be based on, and fairly reflect, the information and supporting documentation prepared by a Competent Person, as defined by the JORC Code. SGX Catalist rules use the term qualified person and provide a definition that is effectively equivalent to a Competent Person. In this IQPR, whenever reference is made to a Competent Person as per the JORC Code, it is equivalent to a qualified person as per the SGX Catalist rules.

Competent Person/qualified person statements for Mark Berry and Will Coverdale are provided in Section 22 of this Report.

2.4 Site Visits

All contributors to this Report have visited the Chaah mine, which is the main mineral asset to be included in the listing, as follows:

- Mark Berry: May 2013 and twice in August 2013.
- Will Coverdale: December 2013, January and February 2014 and July 2019.
- Mal Dorricott: July 2019.

2.5 Statement of Independence

Derisk confirms that its Directors, staff and all contributors to this Report are independent of HSDSB and have no interest in the outcome of the work to be completed in this engagement. Fees paid to Derisk are on a fee-for-service basis plus reimbursement of project-related expenses. Our agreement with HSDSB excludes the provision for a success fee or related incentive.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



2.6 Methodology and Limitations

HSDSB did not undertake systematic mineral exploration or mining studies prior to 2014, and therefore did not estimate Mineral Resources and Ore Reserves at Chaah. The Company relied on a team of experienced operational staff to manage its operations and make decisions on mining and on-site processing, before road transport of ore to Kuantan for domestic sale or export.

In 2013, the Company commissioned OME to undertake exploration activities at the Chaah mine and complete a PFS to support the estimation of Mineral Resources and Ore Reserves. At the same time, HSDSB recruited geologists and mining engineers to undertake exploration and supervise mining at Chaah and undertake exploration at some of its other properties. In 2014, AMC Consultants Pty Ltd (AMC) was commissioned to prepare an IQPR to support a proposed listing on SGX, but this was deferred due to the depressed iron ore prices prevailing in 2014 and 2015.

In 2019, Derisk was appointed to prepare an updated IQPR for Chaah and several iron ore exploration properties held by HSDSB. Derisk has reviewed all previous work undertaken by HSDSB, including all data and information supplied by the Company. We have exercised due care in reviewing the supplied information and believe that the inputs into and estimates of the Mineral Resources and Ore Reserves are reasonable. Derisk consultants Mark Berry and Will Coverdale accept Competent Person responsibility for the Mineral Resources and Ore Reserves respectively and have each visited Chaah at least twice.

Whilst Derisk has independently analysed the data provided by HSDSB and OME, the accuracy of the conclusions of this IQPR relies on the accuracy of the supplied data. The Derisk Competent Persons have made enquiries and exercised our judgement on the reasonable use of such data and information, and have no reason to doubt the accuracy or reliability of the information provided, but we do not accept responsibility for any errors or omissions in the information supplied, and do not accept any consequential liability arising from investment or other financial decisions or actions by others.

Derisk has not independently verified the legal status of the tenements described in this Report but has relied on information provided by HSDSB regarding the legal status of the tenements. The due diligence review of the status of the tenements has been undertaken by the independent legal firm, Jeff Leong, Poon & Wong (JLPW), however, JLPW assumes no responsibility for any part of this Report.

2.7 Reliance

All advice, reports and deliverables prepared by Derisk are for the exclusive benefit of HSDSB and may not be relied on by any party other than Honest Sam. Derisk understands that this Report will be made publicly available. Derisk requires that all public reports containing references to Derisk and/or Derisk advice, and all information provided by Derisk for the public report will be reviewed and approved by Derisk prior to publication – in the form and context that it will appear in the public report.

2.8 Records and Indemnities

HSDSB has been provided with all digital data files produced by Derisk during this engagement. Derisk is entitled to retain a copy of all material information upon which our report is based.

HSDSB has agreed to indemnify, defend, and hold Derisk harmless against any and all losses, claims, damages, costs, expenses, actions, demands, liabilities, or proceedings (including but not limited to third-party claims) howsoever arising, whether directly or indirectly out of this Agreement or the provision or non-provision of the services, other than losses, claims, damages, costs, expenses, actions, demands, liabilities, or proceedings that are determined by a final judgement of a court of competent jurisdiction to have resulted from actions taken or omitted to be taken by Derisk illegally or in bad faith or as a result of Derisk's gross negligence.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

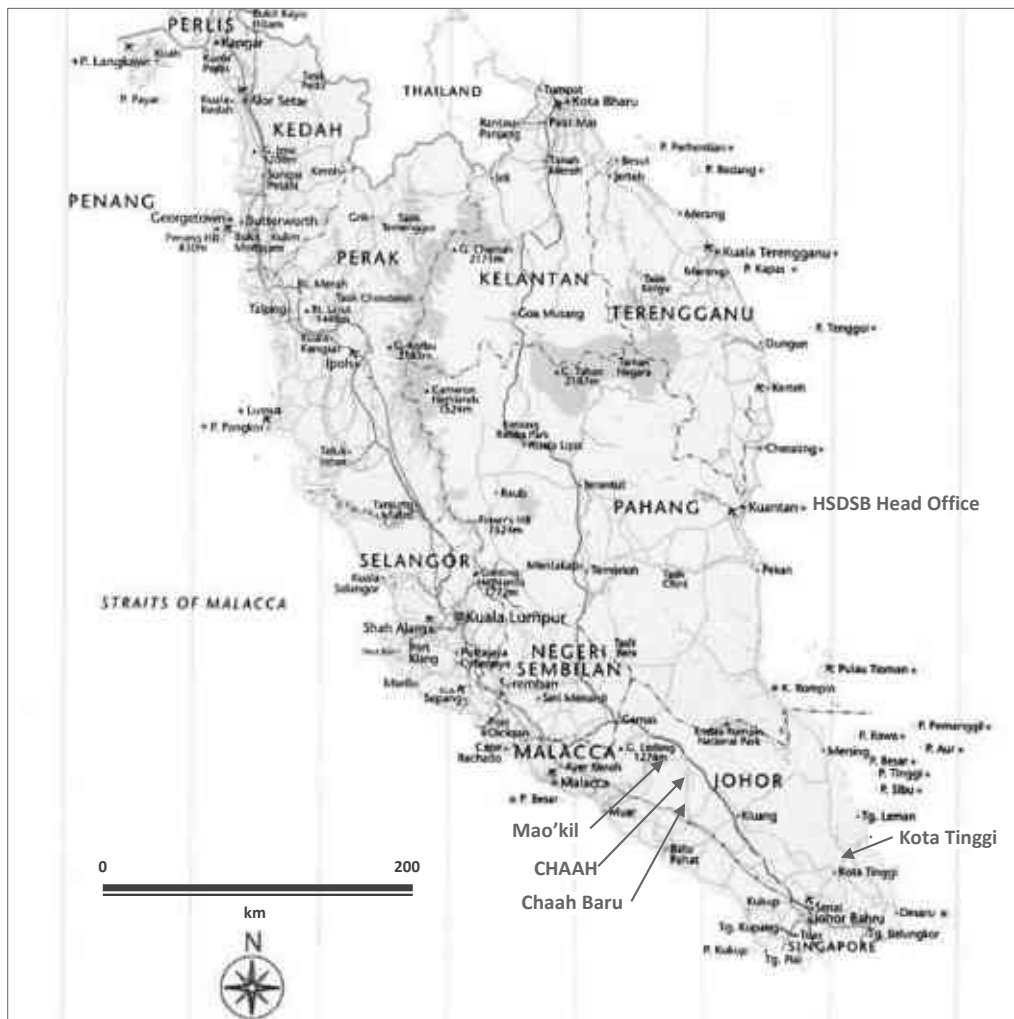


3 DESCRIPTION OF MINERAL ASSETS

3.1 Assets

The iron ore assets held by HSDSB consist of the Chaah open pit mine and three exploration properties located at Mao'kil, Chaah Baru and Kota Tinggi. Figure 3-1 shows the location of the four assets, which are all located in the state of Johor.

Figure 3-1. Location of HSDSB's Peninsula Malaysian iron ore assets.



Source: <http://www.etawau.com>.

3.2 Ownership

The Chaah MLs and the three exploration tenements comprising the mineral assets are held by DYMMS. HSDSB has negotiated a long-term MOA with DYMMS that provides HSDSB with a strong legal structure to guarantee control of operations at site.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

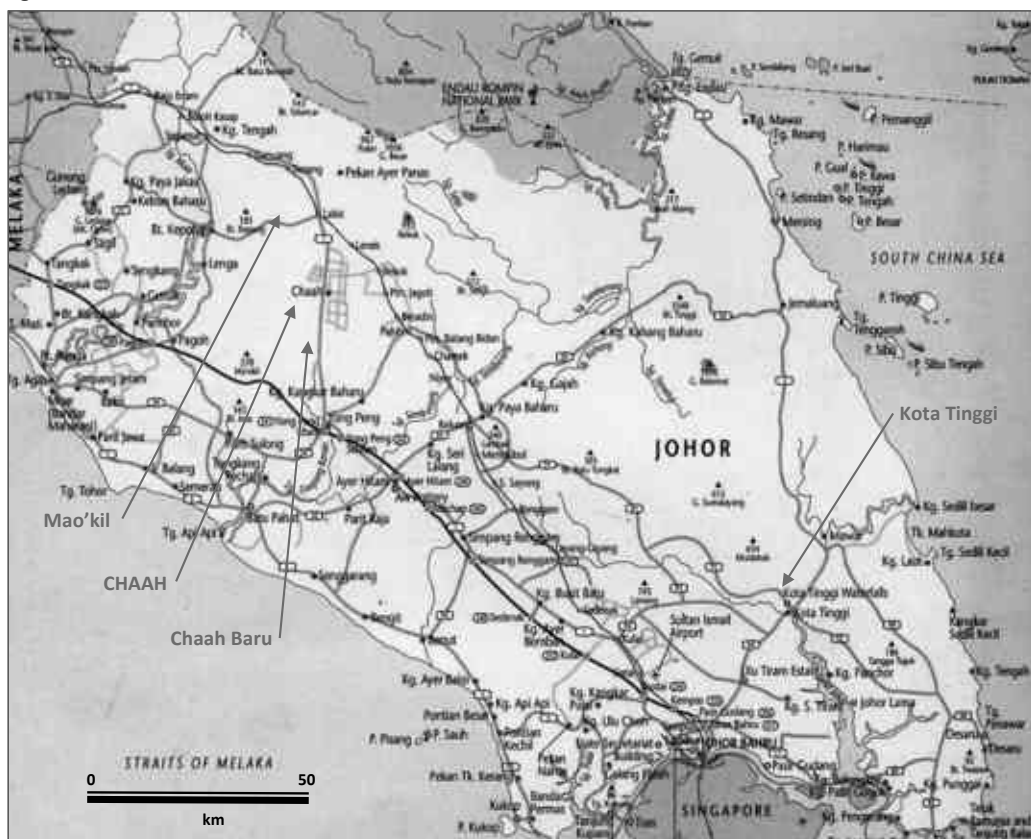


3.3 Access

The HSDSB management and administrative office servicing the Chaah operation and exploration activities is in Kuantan in the state of Pahang (Figure 3-1). Kuantan is serviced by an international airport and a public road network to other major cities and towns within Malaysia, including the capital Kuala Lumpur.

All the mineral assets are in the state of Johor (Figure 3-2). Access from Kuantan is via public sealed roads, then generally a short section of private road, often unsealed.

Figure 3-2. Public road network in Johor and access to HSDSB's iron ore assets.



Source: <http://www.kanesrau.blogspot.com>

Chaah is the principal iron ore mineral asset held by HSDSB and is located approximately 10 km southwest of the township of Chaah. Chaah township is on Federal Route 1 between Johor Bahru and Segamat, and the property is 295 km by road to Kuantan port. The property consists of two MLs covering an area of 225.7 ha on which recent iron ore mining commenced in 2008 and is ongoing. Iron ore produced from Chaah is transported via existing road networks to the ports of Kuantan and Pasir Gudang, or directly to local companies.

Mao'kil is an exploration asset located approximately 18 km northwest of Chaah township, 35 km by road from Chaah mine. It is accessed via Jalan Kampung Raja – Felda Mao'kil and is located adjacent to an access road. The property consists of one ML covering an area of 22.3 ha. The site has no previous mining activity.

Chaah Baru is an exploration asset located approximately 16 km northwest of Yong Peng township, 11 km to the south of Chaah mine. It is accessed via palm plantation roads, with the nearest residential area being Kampung Lombong Sejagung approximately 2.5 km away. The property consists of one ML covering an area of 19.4 ha. The site has no previous mining activity.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Kota Tinggi is an exploration asset located approximately 15 km to the northwest of the township of Kota Tinggi. It is approximately 150 km by road to the southeast of Chaah mine. It is accessed via public roads, then palm plantation roads for the final kilometre. The property consists of one ML covering an area of 79.2 ha. The site has no previous mining activity.

3.4 Climate

Peninsula Malaysia is categorised as equatorial and is largely hot and humid throughout the year. The average annual rainfall is 2,500 mm with an average temperature of 27 °C. The climate of the Peninsula is directly affected by wind from the mainland. Peninsula Malaysia is subject to two monsoon wind seasons: the south-west monsoon from late May to September, and the north-east monsoon from November to March. April and October sit between the monsoon periods.

Within Peninsula Malaysia, microclimates exist and are largely influenced by the presence of mountain ranges; most notably the Cameron Highlands, the lowlands, and coastal regions. The coasts have a moderate climate, with temperatures ranging between 23 °C and 32 °C, and rainfall ranging from 10 cm to 30 cm a month. The lowlands have a similar temperature but follow a more distinctive rainfall pattern and show very high humidity levels. The highlands are cooler and wetter, displaying a greater temperature variation.

All HSDSBs mineral assets may be affected by rainfall during the monsoon season, which may cause disruption to operations and halt operations during periods of intense rainfall (typically during December). Derisk has allowed for 60 hours of lost productive time per annum at Chaah.

3.5 Geomorphology

All the mineral assets are located in undulating plains or hilly terrain, some with significant topographic relief. The sites are in or adjacent to forest reserves. The operations at Chaah do not impact the adjacent Forest Reserve.

At the main asset of Chaah, the topography rises moderately to steeply northwards from flat plains in the southeast, from approximately 20 m above sea level (in the southeast) to 250 m (in the north), terminating in steep scarp faces at the top of the Bukit Lop eastern spur. Hill slopes in the mine operation areas are dissected by several small creeks that flow in a south to southwest direction and eventually join the Sungai Simpang Kiri River.

The soil in Peninsular Malaysia can be divided into four major groups i.e. steepland soils, sedentary soils, alluvial soils, and organic soils. The soil within the Chaah leases is of sedentary type often found on undulating plains to rolling land.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



4 TENEMENTS

4.1 Leases

Tenement details for the four assets are summarised in Table 4-1. HSDSB does not directly hold the MLs and they are operated through a MOA. These types of legal structures are common in Malaysia and HSDSB believes they are a strong guarantee of the control of operations on-site. The status of the tenements and MOA has been independently reviewed by JLPW and Derisk has sighted the JLPW report.

Table 4-1. HSDSB tenement status.

Property Name	Chaah 1	Chaah 2	Mao'kil	Chaah Baru	Kota Tinggi
Lease	ML 9/2014	ML 6/2014	ML 1/2018	ML 1/2019	ML 2/2019
Expiry Date	22 March 2024	22 March 2024	7 July 2023	29 January 2024	3 July 2024
Area (hectares)	104.3	121.4	22.3	19.4	79.1
Commodity	Iron ore	Iron ore	Iron ore	Iron ore	Iron ore
Lease Holder	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar
Location	Lot 3533 Mukim Chaah Bahru, Daerah Batu Pahat, Johor	Lot PTD12064 Mukim Chaah Bahru, Daerah Batu Pahat, Johor	Lot 1681 Mukim Bukit Kepong, Daerah Muar, Johor	Lot 1630 Mukim Chaah Baru, Daerah Batu Pahat, Johor	Lot 2855 Mukim Kota Tinggi, Daerah Kota Tinggi, Johor
Development Status	Operating open pit mine	Operating open pit mine	Exploration site	Exploration site	Exploration site

Source: JLPW legal report, 2019

4.2 Permits and Approvals

4.2.1 Legislative Framework

In Malaysia, mineral resources are vested in the state. The administration and regulation of mineral exploration and mining is governed by the Mineral Development Act 1994 (MDA) and the various State Mineral Enactments (SMEs). The MDA defines the powers of federal government agencies for inspection and regulation of mineral exploration and mining and other related aspects. The SMEs provide the Malaysian states with the powers and rights to issue prospecting, exploration, and proprietary mining licences, as well as MLs, and stipulate land premiums, rental fees, royalties, and additional law such as environment and rehabilitation requirements.

Each Malaysian state is responsible for the approval and issue of prospecting and exploration licences, and mining rights as governed by the applicable SMEs. This generally also follows consultation with federal agencies such as the Department of Minerals and Geoscience (DMG) and the Department of Environment (DE). The DMG is the implementing authority under the Ministry of Water, Land and Natural Resources (MWLR). A Prospecting Licence (PL) may not exceed 400 hectares whereas an Exploration Licence (EL) may be granted from 400 to 20,000 hectares. A PL may be issued for a validity period of up to two years, while an EL may be issued for a term up to 10 years.

The term of a ML in Malaysia is granted based on the maximum economic life of the mine or mining operations, assessed on a case-by-case basis, but may not exceed an initial term of 21 years. A ML can be renewed, in whole or in part, for a term based on the economic life of the mine or mining operations, but such renewal shall not exceed 21 years. A ML may be transferable, with prior approval of the state authority. There is generally no set prescribed limit to the area of a ML as the granted area is determined based on a size reasonably required for the mine as the state authority may determine.

For large-scale mining, an ML holder/mine operator may not commence any development work or mining on the land that has been granted until it has obtained approval of a mine feasibility study and a plan for rehabilitation. An environmental impact assessment (EIA) may also be required under the Environmental Quality Act 1974, and an Operational Mining Scheme (OMS). For small-scale mining, the requirements are less onerous, whereby an ML holder/mine operator can commence mining with an approved OMS, conditional on completing an EIS if this has been stipulated in the terms of the ML.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



4.2.2 Mineral Development Act 1994

The MDA governs the fossicking, panning, prospecting, exploring, mining, and processing of minerals and mineral ores and mines, minerals, and mineral ores generally. It applies throughout Malaysia unless the minister charged with the responsibility for mining and minerals by order suspends the operation of the whole or any of the provisions of the MDA in any state.

4.2.3 State Mineral Enactments

Each state has its own SME and regulations to govern mining activities within its jurisdiction. Johor is empowered by the enactments to grant mining leases and mineral prospecting and exploration licences under the Mineral (State of Johor) Enactment 2003.

Unless specifically disposed of by the state authority in accordance with the provisions of the SME or any other written law, all minerals within or upon any land in Johor shall be vested solely in the state authority. A mineral tenement may be granted or transferred to (a) a natural person; (b) a company incorporated under the relevant law relating to companies and authorised by its constitution to hold mining land; (c) a body expressly empowered to hold mining land under any other written law; or (d) a foreign company as defined in the relevant law relating to companies and registered as such under the said law and authorised by its constitution to hold mining land.

The Johor state authority may grant a ML over any state land or a proprietary mining lease (PML) over any alienated land in accordance with the provisions of the SME. The ML or PML holder shall have the rights to exclusively mine the land in respect of which the lease has been granted and to extract, process, and sell any mineral obtained from the said land pursuant to the ML (authorising small scale operation) or PML in accordance with the PFS submitted to the state authority when making the application for a ML (authorising small scale operation) or a PML.

An application for a ML (authorising small scale operation) or a PML shall be made to the state authority in the prescribed form, and shall include a PFS that includes (a) a general description of the proposed mining scheme; (b) the expected commencement date of mineral production; (c) a schedule of estimated annual raw ore production for the term of the ML; (d) such information as may be prescribed; and (e) such other information as may be prescribed and as the state authority may reasonably require for the discharge of its function in relation to the application (applicable to the application for a ML only).

At the time of an application for a ML or a PML, a holder of a valid PL or EL covering the area of land to which the application relates may be authorised to conduct small-scale mining operations on the land that the application for the ML or PML is made.

If the application for a ML or PML is granted, the Director of Lands and Mines of the state shall upon payment by the applicant of the prescribed fees issue to the applicant a ML or PML subject to such terms or conditions as may be specified therein or as may be prescribed. A ML or PML granted by the state authority shall specify whether the holder of a ML or PML is authorised to conduct a small-scale mining operation or a large-scale mining operation.

The granting of a ML or PML shall take effect upon the registration of the ML or PML. Every ML or PML duly registered shall, subject to the provisions of the respective state enactment, be conclusive evidence that the lease of the land described therein is vested in the person or body for the time being registered as the ML or PML holder, and shall confer on the person a lease of the land that shall be indefeasible.

The state authority may revoke the PML or forfeit the mining land in respect of which a ML has been granted if the holder of the licence or lease has breached any terms or conditions specified in the PML or ML (as the case may be) or has contravened any of the provisions of the SME.

HSDB has advised Derisk that the Chaah mining operations are authorised small-scale operations and the Company has not had any material breaches of any regulations or provisions.

4.2.4 State Regulations

In addition to the SMEs, Johor state regulations set out procedures, forms and regulations covering mineral tenements under the Johor Mineral Regulations 2012. These regulations prescribe the rate of royalty payable to the state authorities in respect of minerals won from the mining land, which is based on (a) a percentage of the market value of the mineral won or (b) an amount prescribed by the authorities for a specified volume or weight of the mineral won. In determining the market value of a mineral, the regulations prescribe that the state authority shall consider the sales revenue realised by the holders of the mineral tenement, reference to a monthly price for the mineral determined by the DMG and published in *Gazette*, or reference

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



to a published price series for the mineral that is widely recognised and used by the international mining community as a reference price.

Johor regulations also provide that contravention of certain provisions in the state regulations is an offence and allow the authorised officers to serve on the offender a notice to inform the intention of compounding any offence. When an offer to compound is made and accepted, payment shall be made to the Director of Lands and Mines of the state. Where the compound is not paid within the specific time, the offender may be prosecuted with the written consent of the Public Prosecutor without further notice being given.

4.2.5 Operational Mining Scheme

The mine operator of a ML or PML is required to submit for approval by the Director of Mines an OMS for development work and mining on the land before the commencement of any development work or mining within the mineral tenement area. The OMS shall include the expected date of commencement of production, plans of the workings of the mine, a schedule of estimated annual raw ore production for the term of the mineral tenement, and such information as may be prescribed or required in writing by the Director of Mines.

The mine operator of a ML or PML shall comply with the approved OMS and carry out development work and mining in accordance with such approved OMS. Failure to work in accordance with an approved OMS may result in suspension of development work or mining until the necessary measures are taken to comply with the approved OMS. In the event modifications to the approved OMS are necessary, the mine operator shall not commence any development work or mining that does not comply with the approved OMS until the modified OMS has been approved by the Director of Mines. In the event of any failure by the holder of the mining lease in submitting an OMS or complying with the approved OMS, the holder shall be liable to a fine or to imprisonment, or to both.

The most recent OMS submitted for the Chaah operation (ML 9/2014 and ML 6/2014) was prepared by Q-MiCS Consultant (Q-MiCS) in January 2019. Derisk has sighted this OMS and has been advised by HSDSB that the Director of Mines has approved this scheme.

4.2.6 Mining Operators Agreement

HSDSB has negotiated a MOA with DYMMS that provides HSDSB with the contractual right to mine at Chaah and the three exploration assets. The MOA grants HSDSB permission to carry out mining operations in return for an agreed contract payment and ongoing tribute payment to DYMMS. The obligations of DYMMS include:

- DYMMS must obtain and maintain a valid mining lease.
- DYMMS must prepare OMS documentation to enable the activity of mining to be carried out.
- DYMMS must grant exclusive rights to HSDSB to mine.

4.2.7 Processing Agreement

HSDSB has negotiated a processing agreement with Xin Her Mining Sdn Bhd (XHMSB) whereby HSDSB provides available iron ore mineralisation to an on-site processing plant operated by XHMSB. XHMSB is required to upgrade the ore to:

- Iron ore concentrate, with iron content of at least 63.5% Fe, silica content of not more than 5% SiO₂, and a phosphorous content of not more than 0.15% P.
- Iron ore middling, with iron content of at least 60.0% Fe, silica content of not more than 9% SiO₂, and a phosphorous content of not more than 0.25% P.

XHMSB operates and maintains the plant and provides power and staffing. HSDSB's obligation is to provide sufficient ore to grizzly feeders to allow XHM to carry out the processing. XHMSB receives a payment on product based on a sliding scale linked to the USD price of 62% Fe CFR China (Platts 62% Fe Index).

4.2.8 Royalties and Rent

Mine and quarry operators of major mineral commodities normally pay value-based royalties to the state where the operation is located. Royalty rates are a nominal 5% but may vary depending on the mineral commodity and as assessed by each of the individual states. To date no royalties have been imposed, but in November 2019, HSDSB advised Derisk that from 1 December 2019, a royalty capped at a maximum of MYR 9 per tonne of concentrate sold will be levied by Johor state, paid quarterly.

Under the Mineral (State of Johor) Enactment 2003, the holder of a ML must pay rent subject to the land covered by the mining lease. Rents and holding fees are payable annually to the state, and in any year are

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



calculated by multiplying the area of land subject to the licence or lease with the respective rate prescribed as of the date such holding fee or rent is payable, which may be subject to revision. HSDSB has advised Derisk that annual rent payments for all tenements are up to date.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



5 PROJECT STATUS

5.1 History

The Chaah area, also known as Bukit Lop, is a known historical iron ore prospecting and small-scale mining area. Prior to 2013, minimal systematic exploration was conducted in the area. Some historical prospecting and small-scale mine development activities took place, but there are limited records documenting the early prospecting and exploration history at Chaah. The presence of at least three adits driven into the hillside provides support to claims that the area was prospected by Japanese personnel before World War 2. Bean (1969) recorded that several prospecting permits were issued over the area from 1958 and mining produced some 190,000 tonnes of iron ore from 1961 to 1965. Intermittent small-scale mining occurred in the area until HSDSB took up the project and commenced development and production in its current state. No historical exploration data has been used in the studies on which this Report is based.

The most recent mining at Chaah commenced in 2008, reaching an annual maximum production rate of nearly 550 kt in 2012 prior to the collapse in commodity prices. Production in 2019 has already exceeded 700 kt and will be the highest annual production since the mine commenced operation. In total the mine has produced 4.6 Mt since 2008 (Table 5-1). Iron ore has been sold domestically and to the export market and been used as a heavy media for pipe coating as well as for steel production.

Table 5-1. Chaah iron ore production statistics (kt).

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*	Total
132	145	333	444	547	392	494	238	271	437	475	738	4,646

Source: HSDSB.

Note: * Production from January to October 2019 (inclusive).

5.2 Studies Completed

Prior to 2013, HSDSB did not complete any significant formal studies to support its investment in a mining and beneficiation operation at the site. In 2013, HSDSB engaged AMC to help direct exploration activities and mining studies. AMC's involvement continued until late 2015.

In 2013, HSDSB engaged OME to undertake a major drilling program to define Mineral Resources at Chaah, then undertake a PFS to support the estimation of Ore Reserves. The study was completed in November 2014 and reported a Mineral Resource of 9.1 Mt @ 53.4% Fe and an Ore Reserve of 8.6 Mt @ 52.1% Fe, using a cut-off criterion of 30% Fe. The effective date of these estimates was June 2014.

5.3 Studies in Progress

Since November 2014, HSDSB has completed some additional drilling in the vicinity of the open pit as well as exploratory drilling elsewhere on the tenements. Some mineralisation was intersected in the area immediately west of the open pit but HSDSB decided the additional mineralisation identified was insufficient to warrant an update to the geological model or an updated estimate of Mineral Resources.

During the period from 2015 to 2019, HSDSB has made several modifications to the beneficiation plants at site to enhance production capability and efficiency. There are no formal technical studies that document the aims and performance measures for these modifications, but Derisk considers that the plants are operating satisfactorily.

5.4 Current Operations

HSDSB currently operates the Chaah mine and produces iron ore for the domestic and export market. HSDSB also has a portfolio of three exploration assets that are prospective for iron ore but has not undertaken any exploration at these properties.

5.5 Future Plans

HSDSB plans to continue mining at Chaah and increase its exploration activities at the Chaah mine, as well as its other assets in the state of Johor. HSDSB also plans to actively assess new opportunities to increase its portfolio of iron ore assets.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

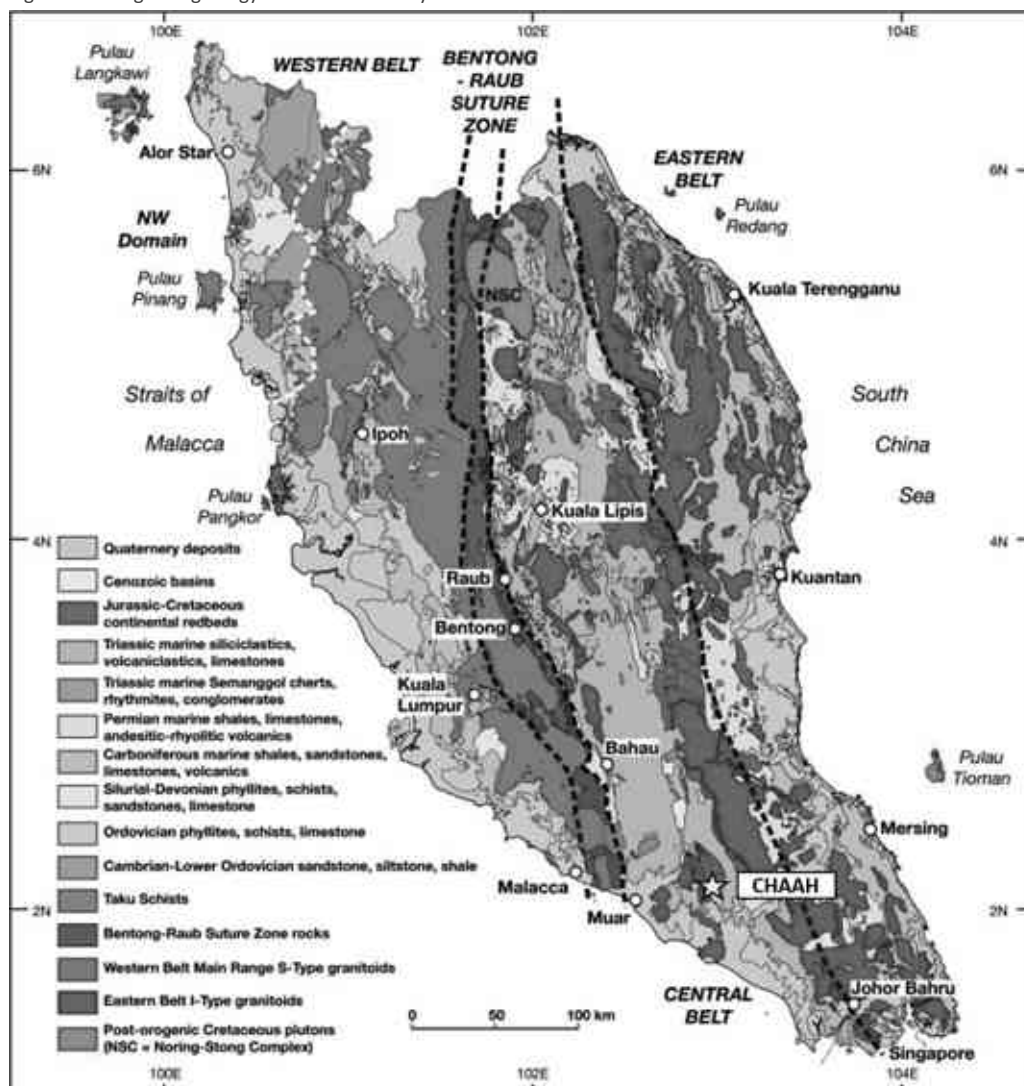


6 GEOLOGY AND MINERALISATION

6.1 Regional Geological Setting

Peninsula Malaysia forms part of mainland Southeast Asia which tectonically comprises a collage of continental terranes derived directly or indirectly from the India-Australia margin of eastern Gondwana (Metcalf, 2011). Peninsula Malaysia is made up of two tectonic terranes – the southern Indochina (East Malaya) terrane and the western Sibumasu terrane. These terranes are joined by the Bentong-Raub Suture Zone (Figure 6-1), which is generally accepted to represent the location of closure of the Palaeo-Tethys Ocean during tectonic subduction as the Sibumasu terrane separated from Gondwana and drifted to join with the Indochina terrane during Permian times (Metcalf, 2011). The subduction and melting of the Palaeo-Tethys oceanic crust and mantle beneath the East Malaya and Sibumasu terranes triggered widespread granite pluton intrusion into the crust as well as volcanism and associated metallogenic events

Figure 6-1. Regional geology of Peninsula Malaysia.



Modified from OME, 2014.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



The geological setting of Peninsula Malaysia results from several tectonic, subductive, granite-intrusive, volcanic and metallogenic events occurring at the margin of India and Australia. The Peninsula is subdivided into three belts: Western Belt (Sibumasu Terrane), Central Belt, and Eastern Belt (East Malaya Terrane), primarily based on stratigraphy (Figure 6-1). The Bentong-Raub Suture Zone separates the Western and Central Belts.

The Western Belt contains early- to late-Palaeozoic sedimentary and metamorphic basement rock (phyllite, schist, slate, limestone, and marble) intruded by widespread late-Triassic granites. Tin mineralisation is associated with the granites that occur from central Thailand through Malaysia into Indonesia.

The Central Belt contains mainly Upper Carboniferous to Permian to Triassic shallow marine volcano-sedimentary successions that are characterised by thick basal limestone formations overlain by intercalated shale, mudstone, sandstones, and pyroclastic volcanic rocks (mainly tuffs). There are late-Triassic granitoid to intermediate intrusives, but fewer when compared to the adjacent Western and Eastern Belts. Overlying this sequence unconformably is Jurassic to Cretaceous continental margin sediments (thick, cross-bedded sandstone with lesser conglomerate, shale-mudstone, and volcanic rocks).

The Eastern Belt is comprised of poly-deformed Carboniferous to Triassic marine sedimentary and metamorphic basement rocks (phyllite, slate, shale, and limestone with lesser acid to intermediate volcanic rocks) intruded by Permian to Triassic gabbros, granites, and granodiorites.

Along the eastern margin of the Central Belt and into the Eastern Belt, Upper Jurassic–Lower Cretaceous continental sediments (sandstones, conglomerates, shales, minor coal seams, and volcanic rocks) overlie the older rocks. The unconformable sequence was derived from a basin-fill molasse system of fluvial, lacustrine and deltaic deposition.

6.2 Regional Metallogeny

Peninsula Malaysia hosts a variety of mineral occurrences including tin, iron ore, ferromanganese, gold, and base metals. It is subdivided into three dominant mineral regions—the Western Tin Province, Central Gold Province, and Eastern Tin Province—largely coinciding with the defined geological belts (Figure 6-2).

The Western Tin Province is well known for its tin ore production from the mid 1900's until the 1980's, during which time it produced almost two-thirds of the world's tin from both alluvial placer and hard-rock deposits. The tin originates from tin-wolframite-bearing veins bordering greisens (altered granites) associated with Triassic granite batholiths and large plutons.

The Eastern Tin Province is characterised by tin occurring in chlorite-bordered quartz vein swarms in metasediments, and magnetite-pyrrhotite-cassiterite skarns associated with late Carboniferous to Triassic granitoid intrusions. Historical tin production is less than that for the Western Tin Province.

The Central Gold Province hosts gold, iron ore, and base metal mineralisation concentrated within the Permian to Triassic volcano-sedimentary dominated Central Belt that trends north–south, extending from Kelantan state in the north, south through Pahang, Terengganu, Negeri Sembilan, and Johor states. Gold mineralisation is associated with mesothermal and hydrothermal quartz vein systems, skarn, and volcanogenic massive sulphides.

Iron ore deposits occur primarily in the Central Gold Province and the Eastern Tin Province. Iron mineralisation occurs along fault structures, in favourable host lithologies, and in structural traps resulting from hydrothermal fluids associated with granites and other intrusive rocks. Lateritisation associated with deep tropical weathering has resulted in some supergene enrichment of iron. Subsequent erosion has exposed the iron-rich boulders that can be easily and cheaply mined. New iron ore projects are being identified and developed throughout the Central Gold Province as the mining industry evolves and more systematic exploration is carried out.

In places, base metal mineralisation is formed in close association with iron ore mineralisation, providing concentrations of iron, sulphur, lead, zinc, copper, and silver that can sometimes be economically exploited.

Bauxite has formed as the result of lateritic weathering of basalt and has been reported at various locations near Kuantan.

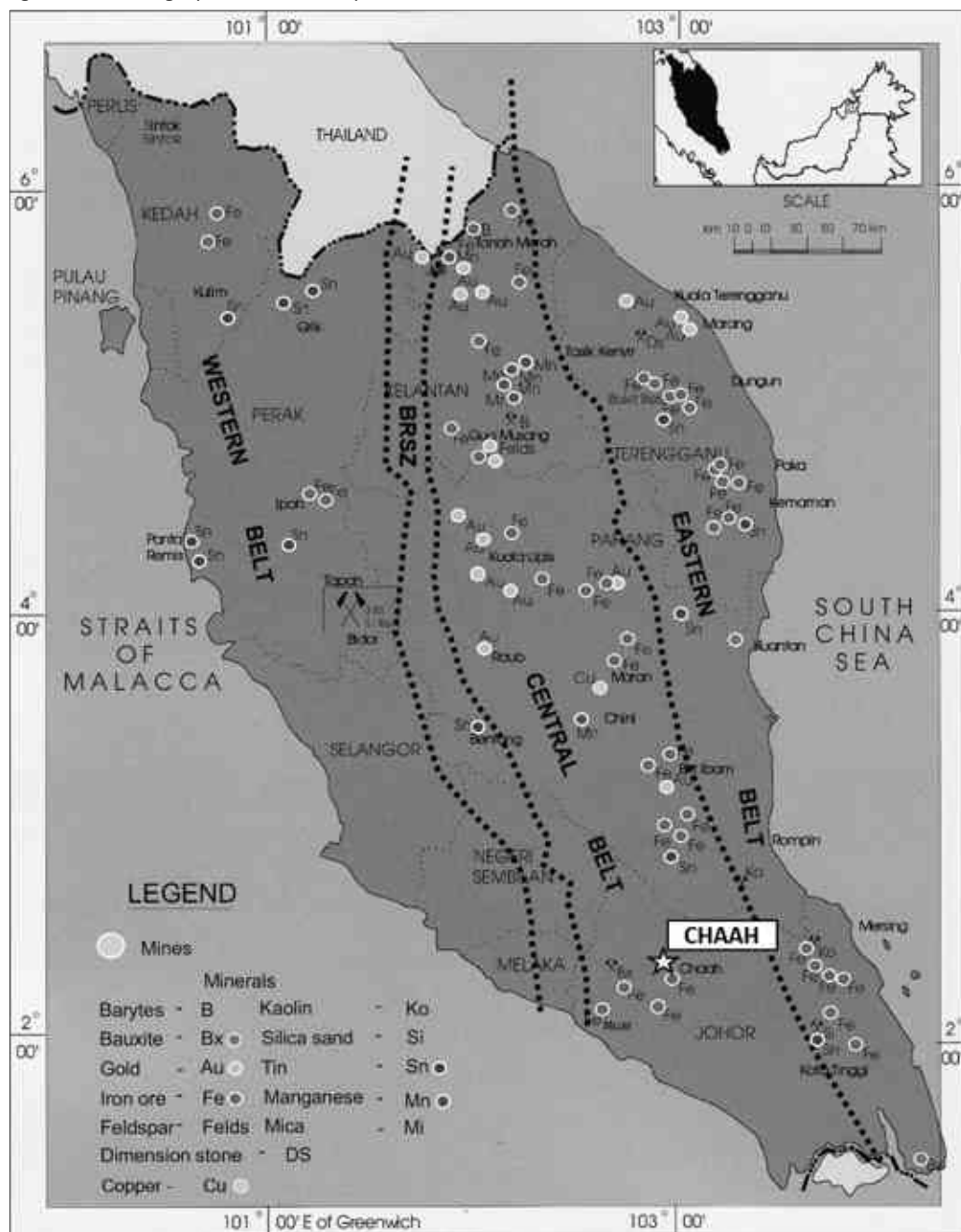
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 6-2. Metallogeny of Peninsula Malaysia.



Modified from OME, 2014.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

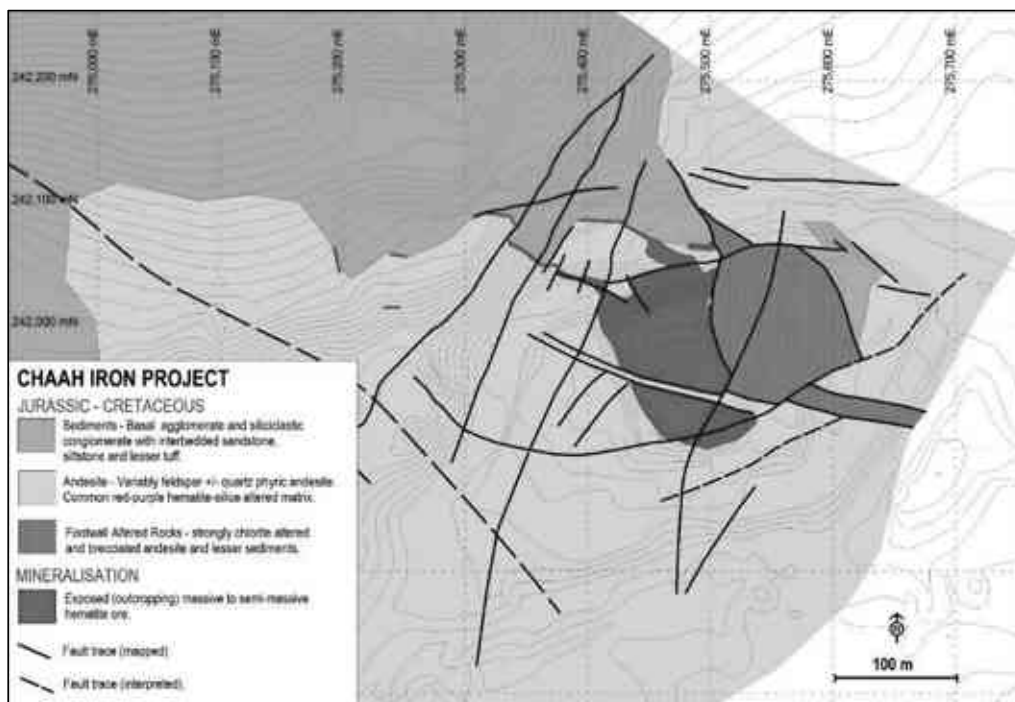


6.3 Chaah Geology

OME completed a detailed mapping program at Chaah in 2014 as part of the PFS. The following description is largely taken from that report.

Figure 6-3 shows the surface geology map for the Chaah mine area based on geological mapping carried out during this study and shows the Chaah deposit geology with the main resource zone projected to surface. Iron ore mineralisation at Chaah is hosted within a volcano-sedimentary sequence comprising a basal unit of massive, coherent andesite overlain by a fining-upwards sequence of lower interbedded agglomerate and conglomerate grading upwards into sandstone and siltstone beds with minor pyroclastics (tuff). The sequence is attributed to the Mao'kil Formation which is Upper Jurassic to Lower Cretaceous in age (Hutchinson and Tan, 2009).

Figure 6-3. Geology of Chaah mine.



Source: OME, 2014.

The agglomerate is composed almost entirely of rounded to sub-angular andesite clasts and typically directly overlies the massive andesite unit. Conglomerate, sandstone and siltstone beds (containing mixed siliciclastic and andesite clasts) overlies the basal agglomerate in a broadly fining-upwards sequence. The coherent andesite unit is variably feldspar (plagioclase)-phyric giving it a distinct porphyritic texture and may contain irregular to rounded blebs/nodules of pink to white carbonate. The andesite matrix is fine grained and commonly ferruginised by hematite so that the whole andesite rock takes on a purple-red colouration in the mine area. Figure 6-4 shows two examples of the host rocks.

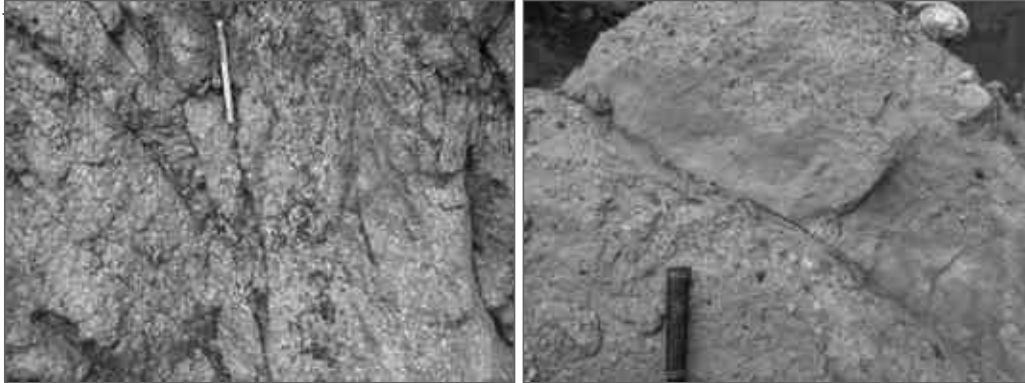
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 6-4. Examples of Chaah host rocks.



Source: OME, 2014.

LHS image: Chlorite altered, feldspar-phyric, non-ferruginised andesite.

RHS image: Graded pebble conglomerate - sandstone bed that forms part of the overlying sedimentary sequence.

The orebody is bound to the east by a footwall fault that is interpreted to have been a major controlling structure during the formation of the orebody. The footwall host rock sequence to the ore (mainly andesite with minor sediments) is intensely chlorite altered to form a distinct blue-green unit (footwall altered rocks) that is exposed along the eastern margin of the open pit. The western hanging wall contact of the orebody appears to have a relatively sharp contact with the host andesite rocks, but its exact nature is still undetermined. Figure 6-5 shows a photograph of the Chaah open pit displaying the key geological features and contacts in the mine area.

Figure 6-5. Photograph of Chaah mine, looking north (November 2014).



Source: OME, 2014.

Notes: AND = Andesite, SED = Sediments, MIF = Massive Iron Formation.

In the upper north and northwest walls of the open pit, thin (1 m to 5 m thick) lenses of iron ore occur as bedding-concordant mineralisation along the basal contacts of the agglomerate and conglomerate units that directly overlie the coherent andesite. These lenses occur as complete (matrix plus clasts) to partial (matrix or clasts only) hematite replacement of the agglomerate and conglomerate host. Drilling under these mineralised agglomerate layers in the north pit wall was often successful in intersecting the main hematite lode within the underlying coherent andesite.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



6.4 Chaah Mineralisation

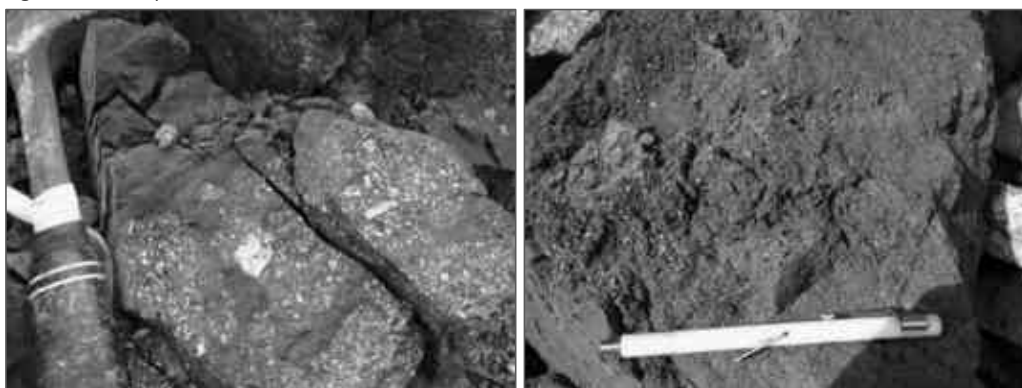
Mineralisation at Chaah occurs as disseminated, vein, breccia-fill to semi-massive and massive metasomatic replacement of the coherent andesite as well as the immediately overlying andesite agglomerate. The contacts of the main ore zone are typically sharp and reflected in downhole assays. The dominant iron mineral is hematite with lesser goethite (trace to 10%) and magnetite (trace to 5%). The goethite content is variable depending on depth of weathering and oxidation related to faults and fractured zones. Gangue minerals are typically quartz (crystalline to micro-crystalline, vein and cement) and ferrous amorphous silica (veinlets and cement). It is considered that a proto-ore possibly formed as magnetite and has subsequently been almost entirely altered to hematite.

Drilling, geological mapping and ground magnetic surveys carried out by OME indicate that there is previously undefined magnetite mineralisation occurring in a widespread but poorly constrained area west of the main hematite orebody at Chaah. A northwest striking fault structure appears to form the boundary between the eastern hematite dominated mineralisation and the western magnetite mineralisation. The magnetite occurs as disseminated to heavily disseminated within the coherent andesite unit. It is commonly associated with patchy chlorite-epidote alteration of the andesite and veinlets/stockwork of calcite. Significant magnetite has also been noted to occur with hematite in far-northern extensions of the main orebody.

The main orebody follows a general northwest-southeast trend and is approximately 420 m long, up to 100 m wide and over 100 m deep below the current mine level. The currently defined Chaah resource is open along strike to the north and south and also at depth. There are other areas of mineralisation identified to the west of the main resource in surface sampling and scout drillholes that are currently not included in the defined Mineral Resources.

The main iron ore type at Chaah is comprised essentially of hard, massive, metallic hematite with lesser goethite, magnetite and specular hematite. It is variably porous and may become friable due to weathering around structures and fractured zone. Some examples of Chaah iron ore are shown in Figure 6-6.

Figure 6-6. Examples of Chaah mineralisation.



Source: OME, 2014.

LHS image: Ferruginised (matrix) feldspar-phyric andesite showing partial replacement by hematite.

RHS image: Massive hematite.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



7 EXPLORATION

7.1 Background

Prior to 2013, HSDSB did not complete any significant exploration to support its investment in a mining and beneficiation operation at site, with activities generally restricted to localised prospecting with limited and sporadic drilling at some operations to guide mining. No records of these activities were maintained.

In 2013, HSDSB engaged OME to undertake exploration activities at Chaah and complete a PFS to assess the potential for estimation of Ore Reserves. The Company also recruited geologists to undertake exploration at Chaah and some of its other properties with the aim to progressively establish the capability to estimate Mineral Resources and complete technical assessments at its exploration properties to support new mining investment.

With the assistance of OME and AMC, the Company developed an exploration plan and procedures. Exploration activities included surface geological mapping, geological mapping of open pits, ground magnetic surveys, drilling, and metallurgical testwork. Drilling has included both DD and RC methods. The company purchased three of its own drill rigs and engaged a contractor to provide additional rigs. The services of third parties were used for surveying, drill sample analysis, and metallurgical testing.

7.2 Chaah

7.2.1 Geological Mapping

Preliminary geological mapping at Chaah was completed by OME in October 2013 and resulted in the first base map of the mining area. Mapping continued to mid-2014 as new areas were exposed due to mining or clearing. Mapping locations were surveyed using a hand-help Garmin global positioning system (GPS) and geological observations recorded in field notebooks. Data entry, interpretation, map production and reporting were completed offsite.

7.2.2 Ground Magnetism

A ground magnetic survey along existing roads and tracks was conducted in December 2013, totalling 22 line km. Two proton magnetometers were used (one base station and one roving magnetometer). The data acquisition and subsequent data processing, transforms and modelling was undertaken by Logantek (Malaysia) Sdn Bhd.

Results indicated that magnetism was unable to accurately define the main hematite orebody at Chaah. This is thought to be due to the overall low magnetic susceptibility of the hematite material and other magnetite responses in the area that probably subdued the hematite source response. Unfortunately, the in-pit area could not be surveyed in detail due to loss of GPS signal within the open pit during the survey.

Forward modelling of the data identified four magnetic features that were interpreted to be due to magnetite-bearing sources (Bodies 1, 2, 3, and 4) shown in Figure 7-1. One RC hole was drilled into the largest of these features (Body 1) and confirmed the presence of widespread disseminated to semi-massive magnetite in andesite host rock. Further drilling in the vicinity of Bodies 3 and 4 also intersected anomalous magnetite and hematite mineralisation. This style of mineralisation remains largely untested.

7.2.3 Drilling

OME planned and supervised the first exploration/resource drilling at Chaah using the existing mining area and the results from the geological mapping and ground magnetism. The initial drilling returned encouraging results and enabled the estimation of an Inferred Resource. Subsequent in-fill and extension drilling was carried out in order to progress resource classification to the Indicated category to support the PFS. A third program of DD drilling was completed to collect samples for metallurgical testing.

A total of 101 RC drillholes, 24 HQ-size DD drillholes and 20 PQ-size DD drillholes were completed at Chaah from November 2013 to October 2014. RC drilling totaled 15,980 m and DD drilling totaled 6,119 m. This is the drilling database that has been used for the estimation of Mineral Resources.

OME made several recommendations to HSDSB for further drilling to test for in-pit and near-mine extensions of the main mineralisation, as well as for some exploratory drilling elsewhere on the lease. HSDSB completed some drilling in 2017/2018 totalling 8 DD drillholes (1,879 m). Several holes did intersect minor hematite mineralisation at the southern end of the pit area, but this information has not been incorporated into the geological model or used in the Mineral Resource estimate.

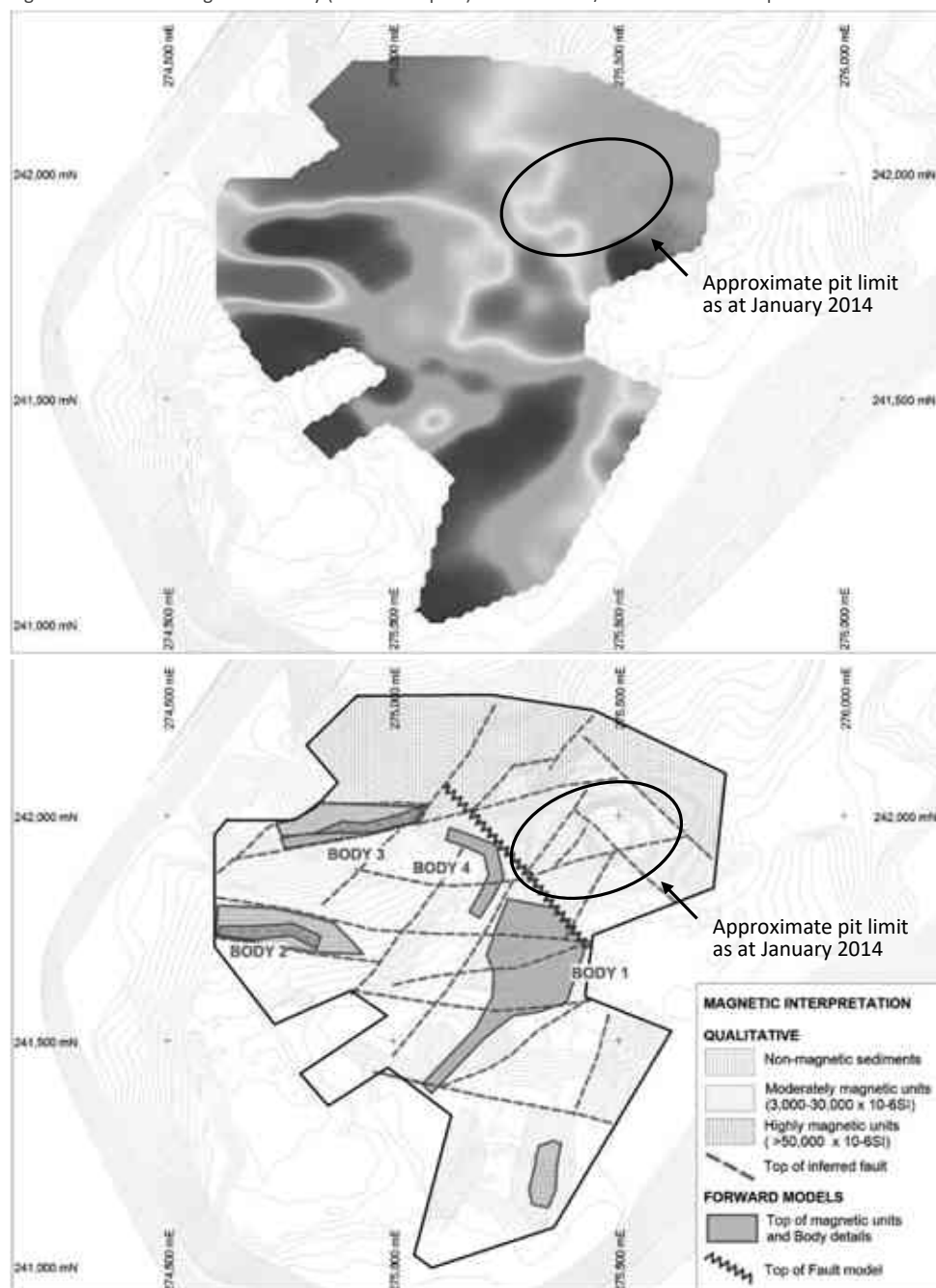
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 7-1. Ground magnetics survey (reduced to pole) and structural/mineralisation interpretation.



Modified from OME, 2014.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



7.2.4 Geological Logging

Logging of drillhole information was carried out on pre-prepared logging sheets that included separate sheets for lithology, mineralisation and sampling. The logging sheets recorded the drillhole identifier, interval depths, plus the relevant information, and were identical for both RC and DD drillholes. The logging was separated into three parts:

- Lithology information, including rock types, texture, colour, oxidation, weathering and alteration.
- Mineralisation information, including mineralisation type, hardness, mineralogy and abundance.
- Sample information, including sample identifier, interval identifier, mass of original and sub-sample, sample type (e.g. sub-sample, standard or blank), sample method (e.g. riffle splitter, half-core, full-core or package) and a column for any other comments.

Logs were generally written by hand on-site then transferred to digital spreadsheets.

7.2.5 Bulk Density Determination

Bulk density measurements were collected from DD core using the water immersion technique that is based on the Archimedes principle. The measured sample is a piece of competent DD core of 10–20 cm in length with the ends squared off by a core saw. The cylinder-shaped sample is oven dried for at least one hour at a temperature of 70 °C and then weighed. Each sample is then wrapped in plastic cling film and weighed. Finally, the wrapped sample is immersed in water and weighed. The density is calculated using a formula that accounts for the waterproofing plastic cling film wrapping.

For quality assurance and quality control (QA/QC) purposes, a metal object with a weight of 726.92 g was used to calibrate the equipment during each batch of measurements by weighing it in air and then in water. In addition, six samples were sent to Inspectorate Kuantan for check measurement and all checks returned differences of less than 5%.

7.2.6 Sample Transport and Sampling

Sample preparation and transport was documented and traceable via a Chain of Custody protocol and documented procedures. All samples despatched from the drill sites were packed securely before transportation to a central sample processing facility in Kuantan. At each stage in the transport process there were authorised Chain of Custody documents signed off by both the supervising geologist or laboratory manager and the transport contractor. All hard copy Chain of Custody forms were electronically scanned and kept as digital records.

7.2.6.1 Diamond Drilling

DD core was taken to the Company's sampling facility in Kuantan. Core trays were placed on purpose-built racks for processing. Sample lengths were nominally 1.0 m but were modified to honour geological contacts. A maximum length of 2.0 m was imposed to prevent the sample mass becoming too great.

The core was then sawn in half to produce a sample for analysis and a reference sample. Where a duplicate sample was required, the other half of the core was also submitted for analysis. After sawing, the core was broken with a hammer and bagged for delivery to the SGS (Malaysia) Sdn Bhd laboratory in Port Klang, Selangor (SGS Port Klang).

7.2.6.2 RC Drilling

Subsampling on RC percussion chips was completed at the drill site using a cyclone and splitter. Sampling was carried out by placing a pre-numbered heavy-duty plastic bag on the bottom of the cyclone and fixing it tightly so that the amount of sample and dust lost from the bag was minimised. Samples were taken at 1.0 m intervals, with the bags for each interval being removed and replaced by the bag for the next interval on a clear signal from the driller. Bulk sample bags were identified by the corresponding downhole from and to depths recorded in metres on the bags.

Each 1.0 m bulk RC sample was moved away from the cyclone and placed in a numerical order (front to back, left to right). The bulk samples were weighed, and the weights recorded by the rig geologist or technician. Each 1.0 m bulk sample was then put through an inline three-stage 87.5%:12.5% Jones type riffle splitter to reduce the sample size collected in the bulk sample bag to produce a sub-sample. The smaller sub-sample (nominally 12.5% of the original sample) was transferred to a pre-numbered sample bag reserved for chemical analysis submission as the primary analytical sample.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



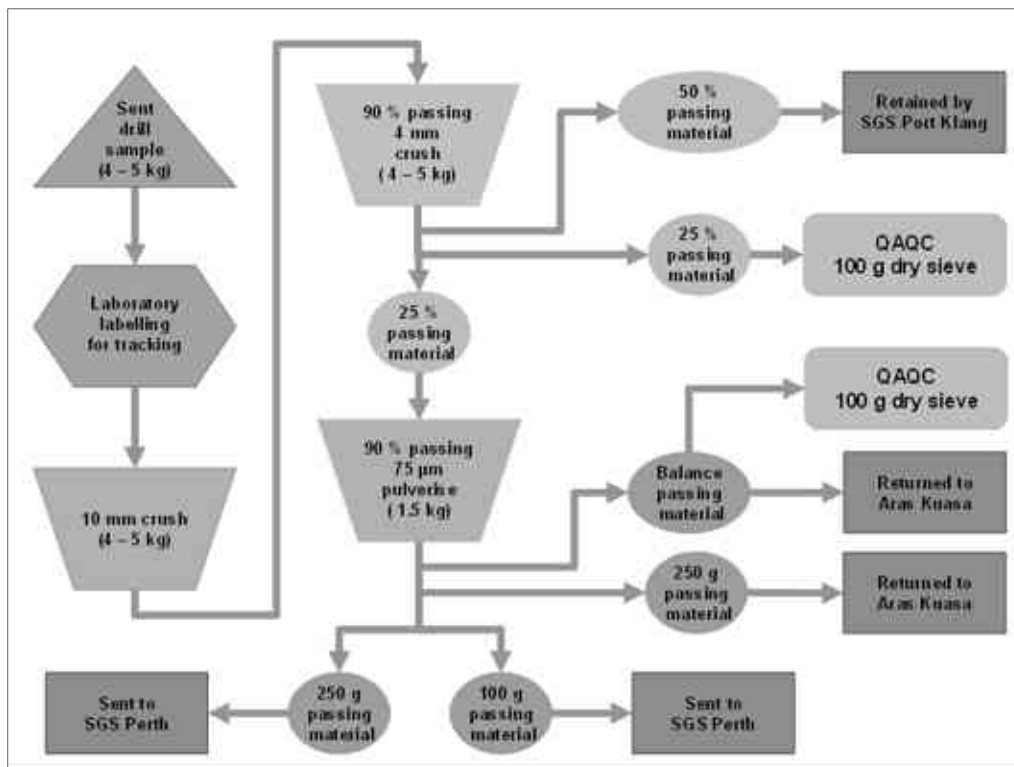
If a field duplicate was required for a specific interval, the bulk reject sample was again split through the three-stage splitter and the smaller sample fraction from this split retained to make up the field duplicate sample. The duplicate sample was transferred to a pre-numbered plastic bag, sealed and set aside for chemical analysis submission. Both the analytical and duplicate samples were weighed and the data recorded on the sample collection log forms. The remaining bulk reject material was returned to the original bulk sample bag to be stored on site. From this bulk reject sample chips were taken for reference and logging by the geologist. Samples for analysis were transported to SGS Port Klang.

7.2.7 Sample Preparation

RC and DD samples were transported to SGS Port Klang for processing. Upon arrival, each sample was weighed and checked against a register and given a laboratory number for tracking purposes, with customer sample details, including batch and original sample ID. The tracking code used was alpha-numerical (e.g. LPMI/00000/YY).

The sample preparation flowchart is presented in Figure 7-2. OME staff undertook a random check on the laboratory on 7th March 2014 and another check following a meeting on 31st March 2014. On both occasions, the laboratory was clean and tidy, although somewhat cramped. Staff were pulverising samples during the visits and appeared to follow a well-rehearsed procedure. Equipment appeared to be of good quality and in good working order.

Figure 7-2. Generic drilling sample preparation flowchart.



Source: AMC, 2015.

7.2.8 Chemical Analysis

Three independent and certified commercial laboratories were used during the exploration program to obtain chemical analyses of drilling samples. Exploration drilling samples (prepared by SGS Port Klang) were air-freighted to SGS Australia Pty Ltd laboratory in Perth, Western Australia (SGS Perth). Selected samples were sent to an umpire laboratory, Inspectorate Malaysia Sdn Bhd in Kuantan, Pahang (Inspectorate

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Kuantan) in Malaysia. Metallurgical samples from the PQ DD drilling were analysed by PT Geoservices, Jakarta (PT Geoservices) in Indonesia.

At SGS Perth, chemical analyses were by X-ray fluorescence (XRF) in which a borate-fused disc was prepared from the pulps, analysed and reported as an oxide. The LOI grade was obtained using another subsample from the pulp and determining the percent change in weight when heated to 1,000° C using a thermogravimetric instrument. The Fe₂O₃ result is calculated from inferred element/compound ratios. Details of the analysis and detection limits for each analyte are presented in Table 7-1.

Table 7-1. SGS Perth analytical specifications.

Analyte	SGS Analysis Code	Analysis Method	Units	Lower Detection Limit	Upper Detection Limit	Samples Analysed
Fe	XRF78S	XRF	%	0.01	100	9,236
SiO ₂	XRF78S	XRF	%	0.01	100	9,235
Al ₂ O ₃	XRF78S	XRF	%	0.01	100	9,235
P ₂ O ₅	XRF78S	XRF	%	0.01	100	9,235
CaO	XRF78S	XRF	%	0.01	100	9,235
K ₂ O	XRF78S	XRF	%	0.01	100	9,235
MgO	XRF78S	XRF	%	0.01	100	9,235
MnO	XRF78S	XRF	%	0.01	100	9,235
Na ₂ O	XRF78S	XRF	%	0.01	100	9,235
SO ₃	XRF78S	XRF	%	0.01	100	9,235
TiO ₂	XRF78S	XRF	%	0.01	100	9,235
CuO	XRF78S	XRF	%	0.01	100	9,235
PbO	XRF78S	XRF	%	0.01	100	9,235
ZnO	XRF78S	XRF	%	0.01	100	9,235
NiO	XRF78S	XRF	%	0.01	100	9,235
Co ₃ O ₄	XRF78S	XRF	%	0.01	100	9,235
As ₂ O ₅	XRF78S	XRF	%	0.01	10	9,235
SrO	XRF78S	XRF	%	0.01	100	9,235
ZrO ₂	XRF78S	XRF	%	0.01	100	9,235
BaO	XRF78S	XRF	%	0.01	100	9,235
W	XRF78S	XRF	%	0.01	100	1,614
Sn	XRF78S	XRF	%	0.01	100	9,235
LOI	XRF78S	Thermogravimetric	%	-10	100	9,235
Fe ₂ O ₃	XRF78S	Calculated Fe oxide	%	0.01	100	9,235
Total	XRF78S	Calculated total oxide	%	0.01	120	7,977

Source: OME, 2014.

A selection of samples was submitted to Inspectorate Kuantan for umpire assay checks. The analytes reported were; Total Fe%, SiO₂%, Al₂O₃%, P₂O₅%, SO₃%, LOI%, CaO%, MgO%, MnO%, TiO₂%, PbO%, CuO%, ZnO%, As₂O₃%, NiO%, BaO%, Na₂O% and K₂O%. Inspectorate Kuantan used the fusion bead XRF method as per ISO 9516-1:2003 (Iron ores - Determination of various elements by X-ray fluorescence spectrometry).

A total of 308 PQ-size DD metallurgical samples were submitted to PT Geoservices for analysis using the combination of XRF and thermogravimetric methods (code XRFFIO). Two complete analyses were available for each sample. No standards were submitted as part of this program, but PT Geoservices added its own standards into each submitted batch of samples.

7.2.9 Quality Assurance and Quality Control

OME instituted a QA/QC system to monitor the performance and quality of non-analytical and analytical inputs to the Mineral Resource estimate. The non-analytical processes are described in the respective sections of this Report. Analytical QA/QC systems comprised field blanks, field duplicates, certified reference materials (CRMs), laboratory repeats and independent laboratory umpire checks.

In parallel with the exploration program at Chaah in 2013/2014, OME also managed exploration activities at several other sites. The QA/QC results presented below often include results for Chaah and the other sites.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

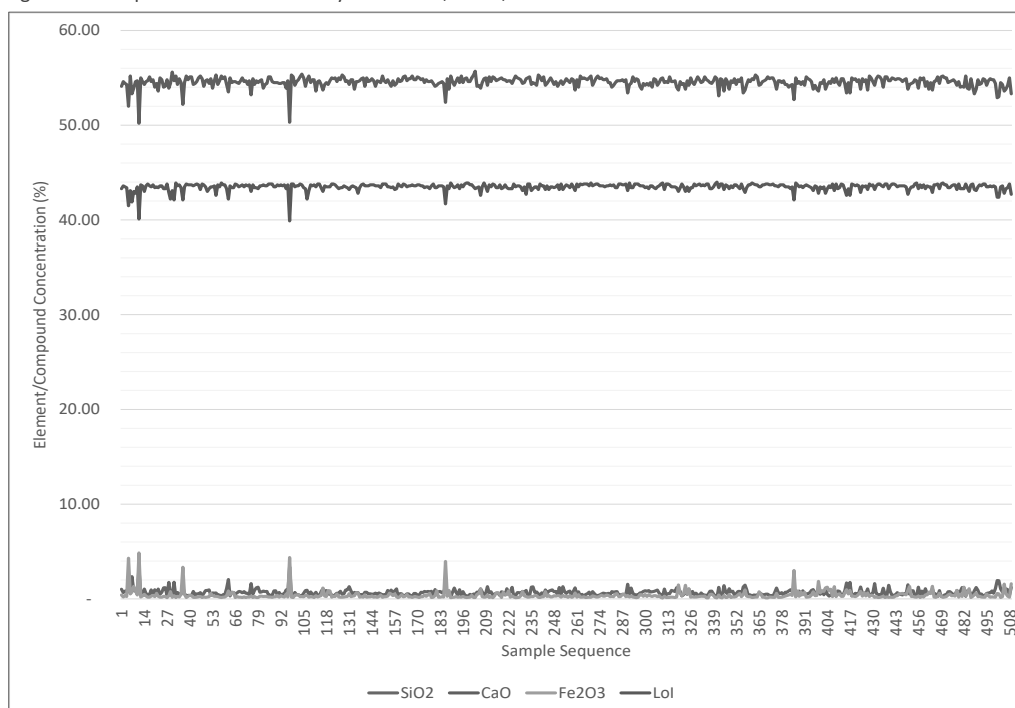


7.2.9.1 Field Blanks

A total of 513 field blanks were inserted for sample preparation and XRF analysis. The blank material was sourced from a local limestone quarry and was collected as hand-picked rock chips samples, then bagged into 5 kg samples and inserted in all sample batches.

Figure 7-3 presents the XRF results for SiO_2 , Fe_2O_3 , CaO and loss on ignition (LOI). The blank material was not crushed and homogenised prior to bagging and therefore Derisk expects that the analyses will show some variability, which is clearly visible in the results. OME reported that there were four blanks that reported CaO contents $<2\%$ that clearly indicated a sample mix-up (not shown in Figure 7-3).

Figure 7-3. Sequential field blank analyses for SiO_2 , Fe_2O_3 , CaO and LOI.



Source: OME, 2014.

Figure 7-3 shows six samples where the four parameters plotted report noticeable differences compared to the general trend evident in the data. OME reports that these could be due to some degree of cross-contamination in the sample preparation process, or inhomogeneity in the blanks. Derisk considers that the results presented for the field blanks are satisfactory for iron ore mineralisation.

7.2.9.2 Field Duplicates

OME submitted field duplicates of DD and RC samples to test the precision of the sampling and assaying process, with samples taken at a nominal rate of 1 in 20 during drilling operations. In total, 512 duplicate samples (343 from Chaah) were inserted.

OME assessed repeatability of the check samples by calculating half the absolute relative difference (HARD value) of each pair of samples. This is done by calculating half of the absolute difference between paired values and dividing it by the average of the two values, thus expressing the difference, or spread, between two values relative to their mean.

Table 7-2 presents the proportion of paired samples that have a HARD value of $<10\%$, $<20\%$ and $<30\%$. Ideally when assessing this data, at least 90% of pairs should have a HARD value of $<10\%$. For this data set, most of the key analytes of interest have a value greater than 90%. Most of the analytes reporting less than 90% have a relatively low abundance.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



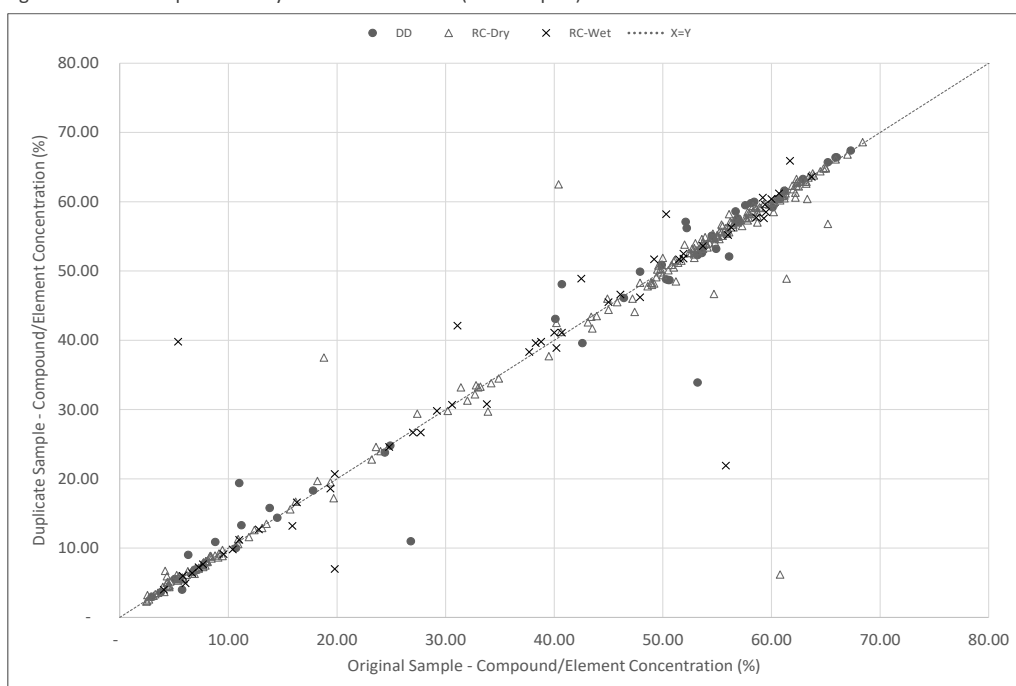
Table 7-2. Assessment of HARD values for field duplicates.

Analyte	HARD Value <10%	HARD Value <20%	HARD Value <30%
Fe	95%	97%	98%
Al ₂ O ₃	87%	94%	97%
SiO ₂	92%	97%	98%
P ₂ O ₅	91%	96%	97%
LOI	90%	92%	96%
SO ₃	67%	79%	86%
K ₂ O	77%	89%	93%
CaO	84%	90%	94%
MnO	83%	89%	95%
Na ₂ O	73%	88%	94%
MgO	91%	97%	98%
TiO ₂	92%	96%	98%

Source: OME, 2014.

Figure 7-4 is a scatter plot showing Fe assays for the field duplicates vs original samples, grouped into DD samples, dry RC samples and wet RC samples. Most duplicates show a strong correlation with the original analysis, but there is a scatter for all sample types, at least some of which suggest a mismatching of pairs. Derisk considers that the field duplicates indicate a reasonable repeatability and the results are satisfactory for iron ore mineralisation.

Figure 7-4. Field duplicate analyses for Fe for Chaah (343 samples).



Source: OME, 2014.

7.2.9.3 Certified Reference Materials

Five CRMs with varying chemical characteristics and spreads in iron content were obtained from independent supplier, Geostats Pty Ltd (Geostats) in Western Australia and inserted into every sample batch. No sample preparation of this material was required by SGS Port Klang.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



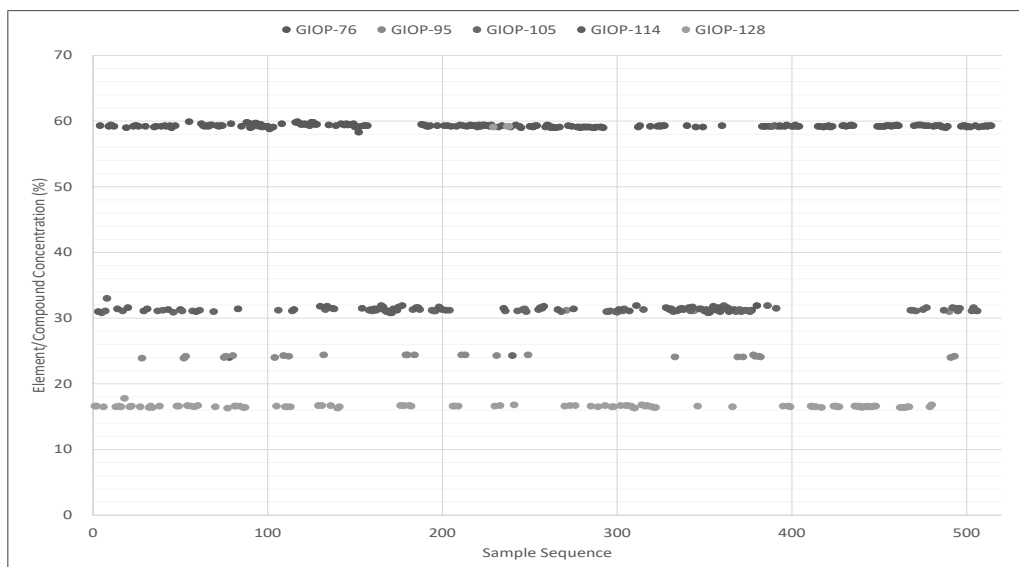
In total, 512 CRMs (342 from Chaah) were included into sample batches that OME sent to SGS Perth for analysis. There is generally a good match between the average grades of the submitted CRMs and their respective expected values (Table 7-3), with most results within 5% of the expected value. No trends or biases were observed but OME reported that there were numerous cases where the CRM appeared to be incorrectly labelled and thus incorrectly reported. This can be seen in Figure 7-5 where, particularly with respect to GIOP-114. Overall, Derisk considers the results are satisfactory for iron ore mineralisation.

Table 7-3. CRM expected values and results.

CRM code	GIOP-76 ^A		GIOP-95		GIOP-105		GIOP-114		GIOP-128	
Analyte	Mean (%)	Standard deviation	Mean (%)	Standard deviation	Mean (%)	Standard deviation	Mean (%)	Standard deviation	Mean (%)	Standard deviation
Expected values of CRM										
Fe	59.20	0.12	24.215	0.064	31.04	0.14	31.53	0.10	16.494	0.057
SiO ₂	4.02	0.02	54.85	0.51	51.51	0.15	48.26	0.21	21.726	0.091
Al ₂ O ₃	2.435	0.020	1.259	0.025	0.438	0.012	1.071	0.022	34.64	0.12
P	0.1237	0.0022	0.066	0.0016	0.0876	0.0014	0.0761	0.0011	0.012	0.002
LOI	8.236	0.049	−0.546	0.061	−0.997	0.043	−0.349	0.063	17.964	0.092
Mn	0.0577	0.0031	0.2045	0.0048	0.0446	0.0034	0.154	0.0035	0.0336	0.004
Number analysed										
Chaah	18		74		41		199		10	
Total	47		97		103		237		28	
Results										
Fe	59.27	0.18	24.207	0.165	31.17	0.30	31.38	0.26	16.567	0.164
SiO ₂	4.03	0.02	54.78	0.21	51.12	1.76	47.61	0.39	21.672	0.115
Al ₂ O ₃	2.422	0.016	1.256	0.013	0.559	0.777	1.072	0.012	34.47	0.16
P ₂ O ₅	0.1225	0.0014	0.0656	0.0008	0.0850	0.0108	0.0750	0.0018	0.013	0.001
LOI	8.296	0.054	−0.471	0.159	−0.809	1.008	−0.232	0.043	18.087	0.085
MnO	0.0749	0.0051	0.2643	0.0050	0.0591	0.0046	0.1992	0.0031	0.0425	0.0044

Source: AMC, 2015.

Figure 7-5. Sequential CRM analyses for Fe.



Source: OME, 2014.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



7.2.9.4 Laboratory Pulp Repeats

SGS Perth completed repeat chemical analyses on a random selection of pulps to measure the variability of the assay process. In total, 658 repeat samples (397 from Chaah) were analysed.

OME assessed repeatability of the check samples by calculating HARD values. Table 7-4 presents the proportion of paired samples that have a HARD value of <10%, <20% and <30%. For this data set, only SO₃ and Na₂O fall below the target of greater than 90% with a HARD value <10%, but are above 90% when using a HARD value <20%. Derisk considers that the SGS Perth repeats indicate a high repeatability of element/compound concentrations and the results are satisfactory for iron ore mineralisation.

Table 7-4. Assessment of HARD values for internal laboratory repeats.

Analyte	HARD Value <10%	HARD Value <20%	HARD Value <30%
Fe	100%	100%	100%
Al ₂ O ₃	100%	100%	100%
SiO ₂	100%	100%	100%
P ₂ O ₅	97%	100%	100%
LOI	100%	100%	100%
SO ₃	85%	93%	94%
K ₂ O	99%	99%	99%
CaO	90%	92%	92%
MnO	93%	97%	97%
Na ₂ O	72%	91%	92%
MgO	93%	97%	98%
TiO ₂	97%	98%	98%

Source: OME, 2014.

7.2.9.5 Independent Laboratory Checks

To verify results of the primary laboratory (SGS Perth), 352 samples (162 from Chaah) were submitted to Inspectorate Kuantan for check analyses and assessment of potential bias. All samples submitted were RC samples and Inspectorate Kuantan completed sample preparation and analyses using XRF.

Table 7-5 presents the average results for the 162 samples from Chaah and Figure 7-6 presents a scatter plot comparing Fe grade for all 352 umpire samples. Differences for each analyte are observable and it appears that there are some clear sample mismatches (refer to Figure 7-5), but Derisk considers that the magnitude of the differences is relatively small and there are no systematic biases between the laboratories. Overall, Derisk considers that the results are satisfactory for iron ore mineralisation and the results support the use of the SGS Perth assays in Mineral Resource estimation.

Table 7-5. Independent laboratory check analyses for Chaah (162 samples).

Laboratory	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P ₂ O ₅ (%)	LOI (%)	MnO (%)
SGS Perth	35.64	32.97	6.15	1.183	1.46	0.12
Inspectorate Kuantan	35.61	33.69	5.38	1.071	1.59	0.20
Difference	0.03	-0.72	0.77	0.111	-0.13	-0.08

Source: AMC, 2015.

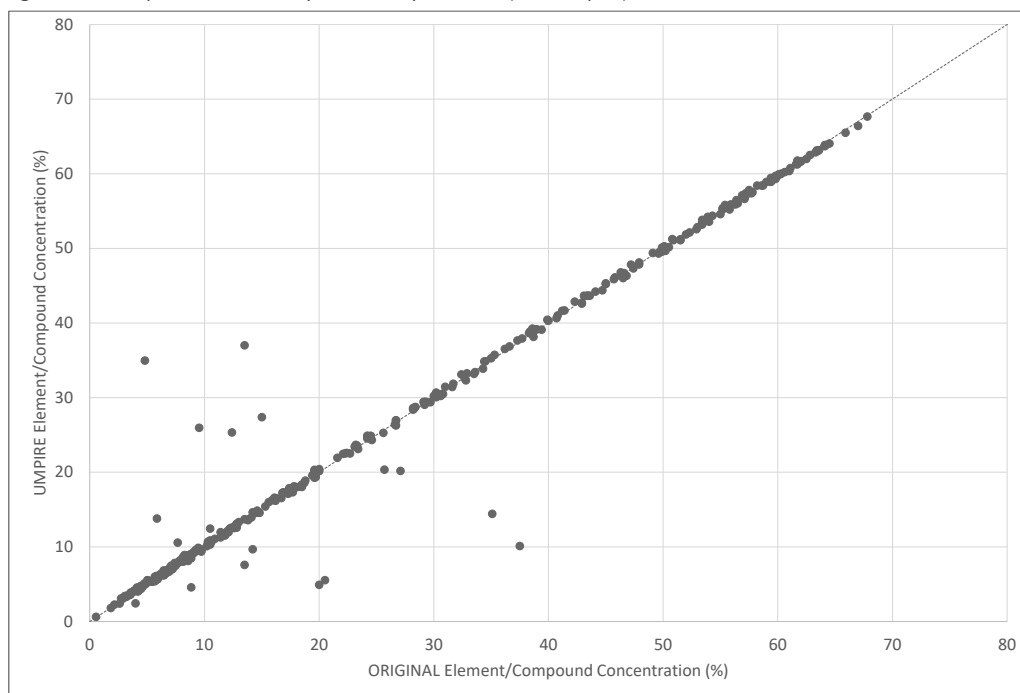
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 7-6. Independent laboratory check analyses for Fe (352 samples).



Source: OME, 2014.

7.2.10 Data Collation

All data were transmitted by HSDSB and OME electronically to Datgeo Sdn Bhd in Kuala Lumpur. The data were then transferred to a single database for storage and reporting. Data transfer was carried out either by direct import from spreadsheets or manual entry of the contained information. Validation of captured data was undertaken within the database confirming entries against lookup tables, and checking drillhole numbering, interval sequence, sample numbering, duplications and redundancies. Analytical information supplied in PDF and digital table formats was imported directly into the database. To accommodate changes in the format of supplied data, database table structures were modified accordingly as required.

7.2.11 Derisk Data Validation

Derisk has reviewed the data prepared by OME and has completed spot checks on logging and analytical results. We consider the processes used by OME to collect and record geological data, the systems to manage QA/QC, and the validation of the data are appropriate and fit-for-purpose.

7.3 Exploration Assets

7.3.1 Mao'kil

Mao'kil is host to known surface expressions of iron ore mineralisation, however HSDSB has not undertaken any formalised exploration activities. The geology of the Mao'kil area is composed of Palaeozoic and Mesozoic sediments and igneous rocks in which iron ore mineralisation tends to be associated with granitic intrusive events.

As a ML was issued prior to any exploration, the Company was advised to prepare, submit and obtain an approval for an OMS (Figure 7-7) that outlines proposed working areas and infrastructure. No activities, which include exploration activity, can be carried out without a valid OMS (post issuance of a valid ML). HSDSB plans to commence exploration at this site after listing on SGX.

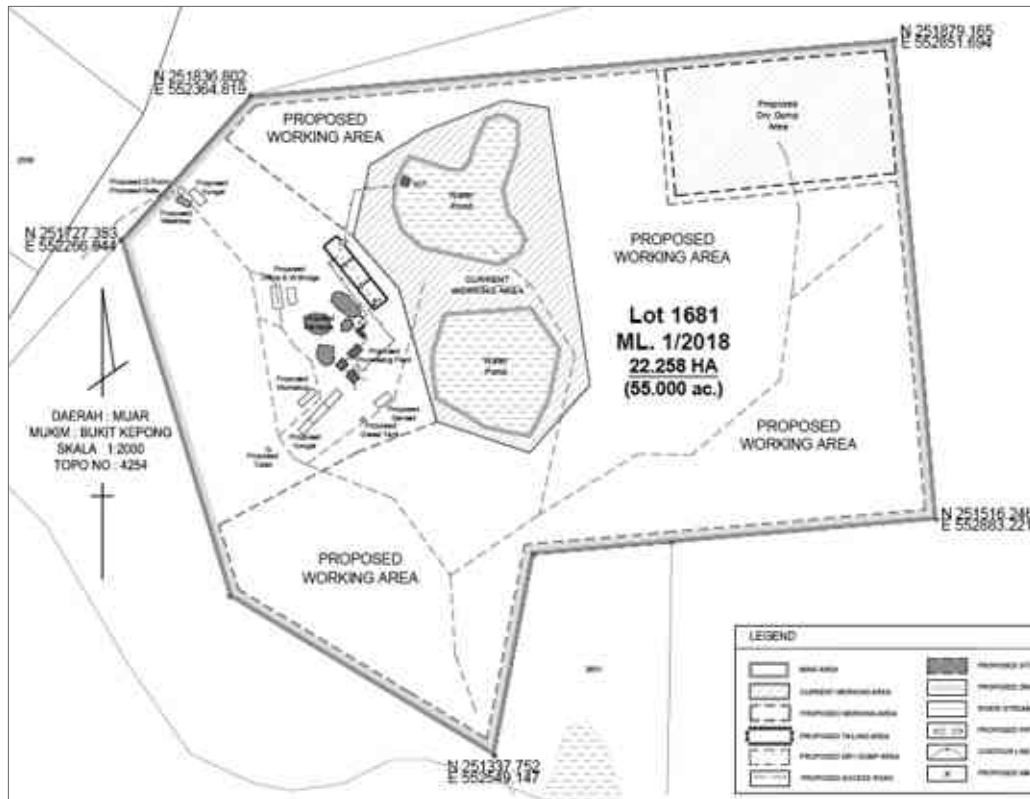
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 7-7. Mao'kil location plan and OMS layout.



Source: HSDSB.

7.3.2 Chaah Baru

Chaah Baru is host to known surface expressions of iron ore mineralisation, however HSDSB has not undertaken any formalised exploration activities. The geology of Chaah Baru is similar to that of Mao'kil i.e. Palaeozoic and Mesozoic sediments and igneous rocks in which iron ore mineralisation tends to be associated with granitic intrusive events.

As a ML was issued prior to any exploration, the Company was advised to prepare, submit and obtain an approval for an OMS (Figure 7-8) that outlines proposed working areas and infrastructure. No activities, which include exploration activity, can be carried out without a valid OMS (post issuance of a valid ML). HSDSB plans to commence exploration at this site after listing on SGX.

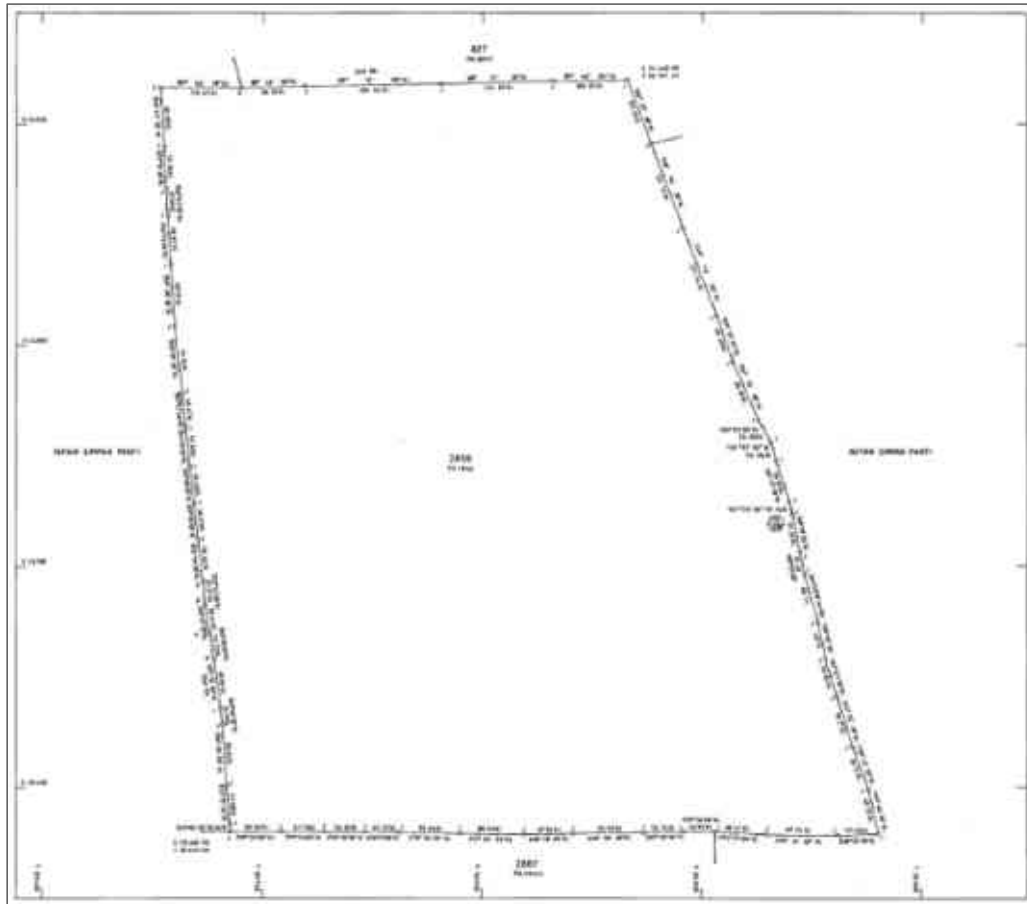
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 7-9. Kota Tinggi tenement plan.



Source: HSDSB.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



8 MINERAL RESOURCES

8.1 Methodology

The process used by OME to prepare the 2014 Mineral Resource estimate comprised the following steps:

1. Digital files of drillhole data were extracted from a master database then imported into Micromine software and Microsoft Excel spreadsheets for checking and validation.
2. Digital topographic survey data of the pre-mining topography, plus the open pit mine surveys as at June 2014 were reviewed and imported into Micromine.
3. Digital string files were created from surface geological mapping of the geology, including the boundaries of lithologies, mineralisation, and structural elements.
4. Data validation checks were completed, focused on drillhole collar coordinates and sampling/analysis data. Once source data was checked, modifications were applied to the master data sets accordingly.
5. Three-dimensional interpretations of mineralisation were created, based on the drillhole logs, assays and surface mapping. Leapfrog software was used to generate enclosed shapes to encompass iron mineralisation and surfaces to define other geological features.
6. Statistical analysis of drillhole data was completed, including sample weight and recovery, chemical analyses, and bulk density determinations.
7. Drillhole composite lengths were selected, followed by composite statistics and a variographic analysis of the drillhole data.
8. A three-dimensional block model was created, with subcelling of parent blocks to allow reasonable boundary definition of the topography, mineralisation, and other geological features.
9. Estimation search parameters were developed for each area, and estimates were generated using the ordinary kriging (OK) method.
10. Grade estimates were checked visually against the input data. The block model and composite statistics were computed and checked, together with cross-validation and swath plot checks.
11. Assignment of the mineral resource classification was completed, considering the confidence in the geological interpretation of the mineralisation, drillhole spacing, sample density, assessments of the integrity and robustness of the sample database, and estimation quality.
12. The resultant block model was cut with the open pit mine survey data as at 14 June 2014, and all blocks inside the pit areas were assigned a mined-out code.
13. Grade-tonnes curves were produced for the estimate.
14. Mineral Resources were reported using the cut-off criterion of 30% Fe.

Detailed documentation supporting the mineral resource estimate is reported by OME. Derisk has reviewed the process used by OME, the data inputs used to complete the geological interpretation, the grade estimation parameters and methodology, validation, and classification of the Mineral Resources. In 2019, Derisk was provided with the 2014 block model created by OME and undertook the following steps:

1. Digital topographic survey data of the mine area and stockpiles as at July 2019 were reviewed and imported into Micromine.
2. The block model was re-cut with the updated open pit mine survey data as at July 2019, and all blocks inside the pit area were assigned a mined-out code.
3. In situ Mineral Resources were depleted using monthly truck and production statistics for August to October and reported at the effective date of 31 October 2019 using a cut-off criterion of 25% Fe.

8.2 Drilling Data

The Chaah drilling database consists of 121 drillholes, summarised in Table 8-1 and shown in Figure 8-1.

Table 8-1. Drilling summary.

Campaign	Assessment	Drill operator	Number of drillholes	Metres
2013–2014	RC drilling	DRC Sdn Bhd	49	7,964
		PSI Sdn Bhd	52	8,016
		Subtotal	101	15,980
	Diamond drilling (HQ, PQ)	HSDSB	20	2,870
Total			121	18,850

Source: AMC, 2015.

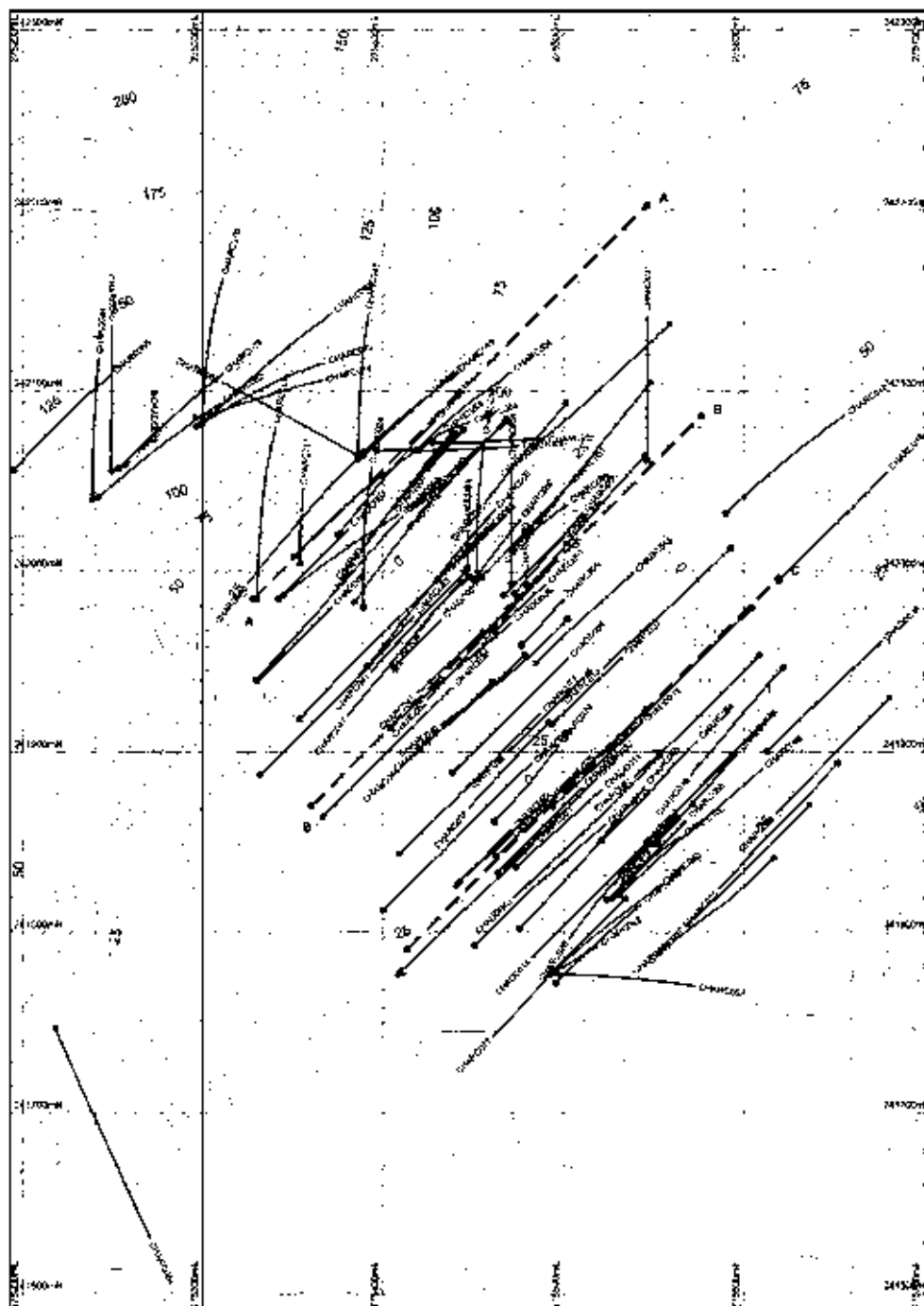
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 8-1. Drillhole location plan.



Source: OME, 2014.

Note: Red traces are DD holes and black traces are RC holes. Blue lines show cross sections.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Most of the drilling was oriented in a northeast or southwest configuration and angled at 55° or 60°, but some holes were adjusted to fit in with the mine access and logistics. Proposed drillhole collars were firstly located using a handheld GPS unit, and the as-drilled collar positions were confirmed by differential global positioning system (DGPS) survey, using the Universal Transverse Mercator (UTM) Zone 48N grid system. The as-drilled locations of four RC and six diamond drillholes were not confirmed because mining operations destroyed the collar positions.

Focus Geo Survey of Malaysia (Focus) completed checks of collar surveys for selected drillholes, which necessitated an adjustment to all drillhole collar locations.

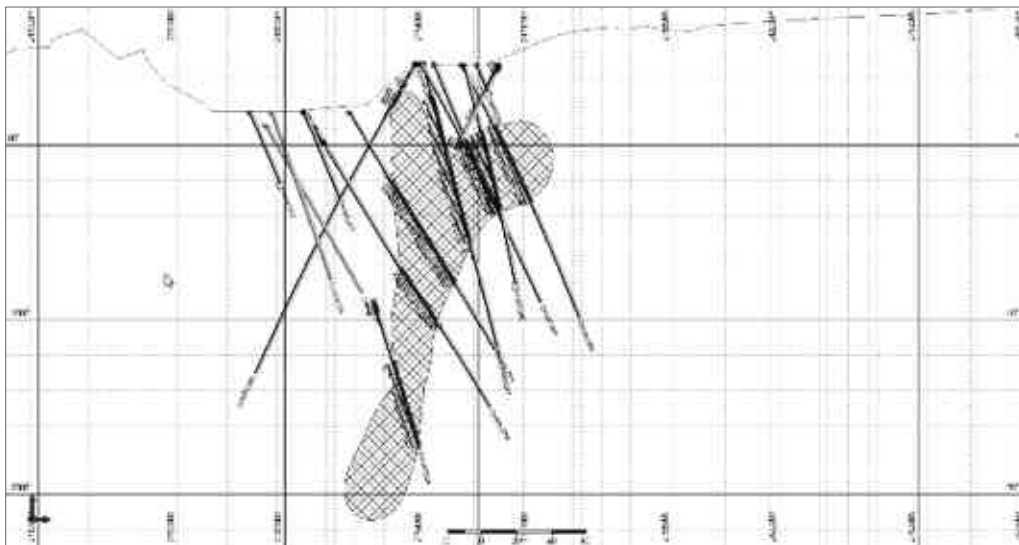
Downhole surveys were completed to measure drillhole orientation at 3 m intervals and revealed some deviation at times. No downhole surveys were completed for six RC and seven DD drillholes.

HSDSB has undertaken some additional drilling since 2014. Logging and sampling of this drilling has not been completed and therefore has not been incorporated into the Company's master database or used in the current resource estimate.

8.3 Geological Modelling

Iron ore mineralisation at Chaah occurs within a brecciated fault zone and surrounded by andesites of volcanic or intrusive origin. The contacts between haematitic iron mineralisation and country rocks are sharp. OME interpreted a single enclosed wireframe using Leapfrog software to represent the outer boundary of the main iron mineralisation. Drillhole geological logs and sample assays were used to guide wireframe geometry (Figure 8-2).

Figure 8-2. Cross section A-A showing drillholes and massive hematite interpretation.



Source: OME, 2014.

Note: Refer to Figure 8-1 for the location of this cross section. Red traces are DD holes and black traces are RC holes.

The 3D wireframe conformed to the mapped boundaries within the open pit and its surrounds (Figure 8-3). Drillhole samples within the main mineralisation wireframe were flagged as Domain 1. Outside this domain, the drillhole samples were assigned to Domain 2 (background), except for an area of drilling to the northwest of the main mineralisation where an extension to the main mineralised domain was interpreted and assigned as Domain 3 (refer to Figure 8-3). Insufficient drilling has been completed to confirm this interpretation.

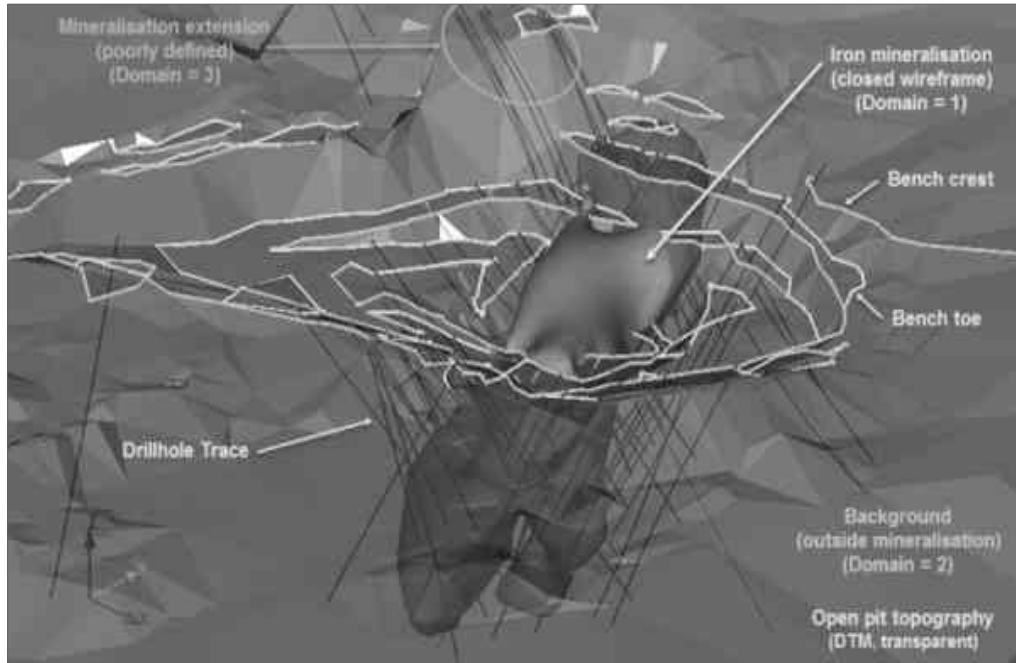
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 8-3. Oblique view of drilling and massive iron ore mineralisation (as at June 2014).



Source: AMC, 2015.

8.4 Data Analysis

8.4.1 Drillhole Data

For each of the three domains, univariate statistics for all drillhole intervals were calculated (Table 8-2). The main mineralisation (Domain 1) is distinctive and characterised by elevated iron and reduced SiO_2 , Al_2O_3 , and LOI when compared to surrounding domains. High P_2O_5 and an elevated CaO is also a feature of the iron mineralisation. Domain 2 (background) is characterised by low iron, high SiO_2 and Al_2O_3 , and elevated K_2O , CaO, and MgO reflecting the volcanic and intrusive nature of the constituent rocks. In contrast, Domain 3 shows a slightly higher iron and lower SiO_2 content compared to Domain 2, suggesting a mixture of iron mineralisation and background materials.

8.4.2 Compositing

OME chose to composite the raw sample data into 3.0 m lengths with a minimum requirement of 1.5 m, honouring domain codes (Table 8-3). Whilst OME did not provide any justification for the choice of a 3.0 m composite interval, Derisk considers this length is reasonable given the nature of the mineralisation and the mining method at Chaah. Compositing has reduced variability in grade as expected and is characterised by increased minima and by a reduction in standard deviations and coefficients of variation.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 8-2. Drillhole sample interval statistics by domain.

Grade item	Domain 1 (iron ore) (number=4535)			Domain 2 (background) (number=2038)			Domain 3 (extension mineralisation) (number=820)		
	Minimum (%)	Maximum (%)	Mean (%)	Minimum (%)	Maximum (%)	Mean (%)	Minimum (%)	Maximum (%)	Mean (%)
Fe	2.69	68.80	52.4	0.86	66.80	10.8	1.70	66.20	16.4
SiO ₂	0.61	75.30	16.8	1.99	86.90	58.2	1.39	80.10	55.6
Al ₂ O ₃	0.15	20.40	1.91	0.26	19.20	12.22	0.13	22.80	11.34
P ₂ O ₅	0.04	8.80	1.51	0.02	8.35	0.56	0.03	1.63	0.22
LOI	0.17	7.73	0.74	0.27	16.30	1.97	0.17	4.42	1.60
CaO	0.02	11.60	1.98	0.03	18.00	1.40	0.02	2.36	0.22
K ₂ O	0.01	10.90	0.89	0.02	12.70	7.30	0.03	12.40	6.14
MgO	0.03	7.30	0.29	0.03	14.00	1.05	0.005	2.14	0.63
MnO	0.005	6.04	0.091	0.005	1.77	0.093	0.005	0.56	0.028
Na ₂ O	0.005	3.17	0.065	0.02	5.54	0.382	0.005	0.36	0.103
SO ₃	0.005	2.90	0.049	0.005	3.86	0.104	0.005	1.17	0.055
TiO ₂	0.01	2.68	0.37	0.04	3.58	0.84	0.005	2.02	0.47
CuO	0.005	1.30	0.006	0.005	0.16	0.005	0.005	0.10	0.006
PbO	0.005	0.04	0.005	0.005	0.06	0.005	0.005	0.01	0.005
ZnO	0.005	0.03	0.005	0.005	0.04	0.007	0.005	0.02	0.005
NiO	0.005	0.02	0.005	0.005	0.03	0.005	0.005	0.04	0.005
Co ₃ O ₄	0.005	0.08	0.005	0.005	0.02	0.005	0.005	0.02	0.005
As ₂ O ₅	0.005	0.10	0.007	0.005	0.04	0.005	0.005	0.15	0.015
SrO	0.005	0.11	0.006	0.005	0.15	0.011	0.005	0.03	0.007
BaO	0.005	5.56	0.063	0.005	7.23	0.252	0.005	0.47	0.108
ZrO ₂	0.005	0.07	0.008	0.005	0.08	0.036	0.005	0.07	0.035
W	0.005	0.56	0.006	0.005	0.03	0.005	-	-	-
Sn	0.005	0.02	0.005	0.005	0.01	0.005	0.005	0.03	0.006
Fe ₂ O ₃	3.84	98.0	74.9	1.23	94.50	15.5	2.43	94.70	23.4
Length	0.1	1.00	1.00	0.2	1.00	1.00	1.00	1.00	1.00

Source: AMC, 2015.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 8-3. Drillhole 3.0 m composite statistics, by domain.

Grade item	Domain 1 (iron ore) (number = 1,508)			Domain 2 (background) (number = 720)			Domain 3 (extension mineralisation) (number = 277)		
	Minimum (%)	Maximum (%)	Mean (%)	Minimum (%)	Maximum (%)	Mean (%)	Minimum (%)	Maximum (%)	Mean (%)
Fe	2.99	68.50	52.50	1.34	57.20	10.63	2.68	65.80	16.19
SiO ₂	1.03	70.50	16.77	10.79	78.60	58.49	3.03	73.25	55.76
Al ₂ O ₃	0.19	16.18	1.88	0.53	17.80	12.25	0.19	22.00	11.39
P ₂ O ₅	0.07	6.55	1.51	0.03	6.23	0.55	0.04	1.11	0.22
LOI	0.25	4.42	0.74	0.52	12.37	1.95	0.24	4.20	1.60
CaO	0.02	8.66	1.98	0.04	12.55	1.38	0.03	1.31	0.22
K ₂ O	0.02	10.00	0.87	0.09	12.50	7.34	0.04	11.80	6.18
MgO	0.03	3.61	0.29	0.13	11.50	1.03	0.02	1.75	0.63
MnO	0.01	2.68	0.09	0.01	0.85	0.09	0.01	0.36	0.03
Na ₂ O	0.01	2.05	0.07	0.04	4.49	0.39	0.02	0.31	0.10
SO ₃	0.01	1.31	0.05	0.01	2.95	0.11	0.01	0.92	0.06
TiO ₂	0.02	2.54	0.37	0.10	2.14	0.84	0.01	2.02	0.48
CuO	0.01	0.44	0.01	0.01	0.10	0.01	0.01	0.06	0.01
PbO	0.01	0.03	0.01	0.01	0.04	0.01	0.01	0.01	0.01
ZnO	0.01	0.02	0.01	0.01	0.03	0.01	0.01	0.01	0.01
NiO	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01
Co ₃ O ₄	0.01	0.03	0.01	0.01	0.01	0.01	0.01	0.01	0.01
As ₂ O ₅	0.01	0.04	0.01	0.01	0.03	0.01	0.01	0.10	0.02
SrO	0.01	0.05	0.01	0.01	0.15	0.01	0.01	0.02	0.01
BaO	0.01	2.60	0.06	0.01	5.58	0.27	0.01	0.33	0.11
ZrO ₂	0.01	0.07	0.01	0.01	0.08	0.04	0.01	0.06	0.04
W	0.01	0.19	0.01	0.01	0.01	0.01	-	-	-
Sn	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.03	0.01
Fe ₂ O ₃	4.28	97.47	75.05	1.91	81.77	15.19	3.84	94.13	23.14

Source: OME, 2014.

8.4.3 Grade Capping

OME reports that an analysis of grade distribution within Domain 1 was undertaken that established that no grade capping was required for any element, however no supporting information was provided. Derisk considers that this assumption is reasonable for this style of mineralisation.

8.4.4 Variography

OME completed a variographic analysis to define the spatial variability of 13 grade attributes in Domain 1, and one grade attribute (SiO₂) in each of Domain 2 and Domain 3. Using the 3.0 m composites, experimental variograms were calculated downhole, then directional variograms were trialled. As no robust results for directional variography were obtained, OME interpreted omnidirectional variograms (with lags of 20 m and 30 m).

OME manually fitted spherical models to the experimental variograms (Figure 8-4 shows the Fe variogram for Domain 1). Table 8-4 presents the modelled variography for all attributes and shows that for many grades, the fitted models have similar structures and ranges. The fitted models were then used to define the search parameters used in the grade estimation. For Domains 2 and 3, the SiO₂ variogram model was used to estimate the other grades.

Derisk considers that the variography completed by OME is reasonable and suitable for grade estimation.

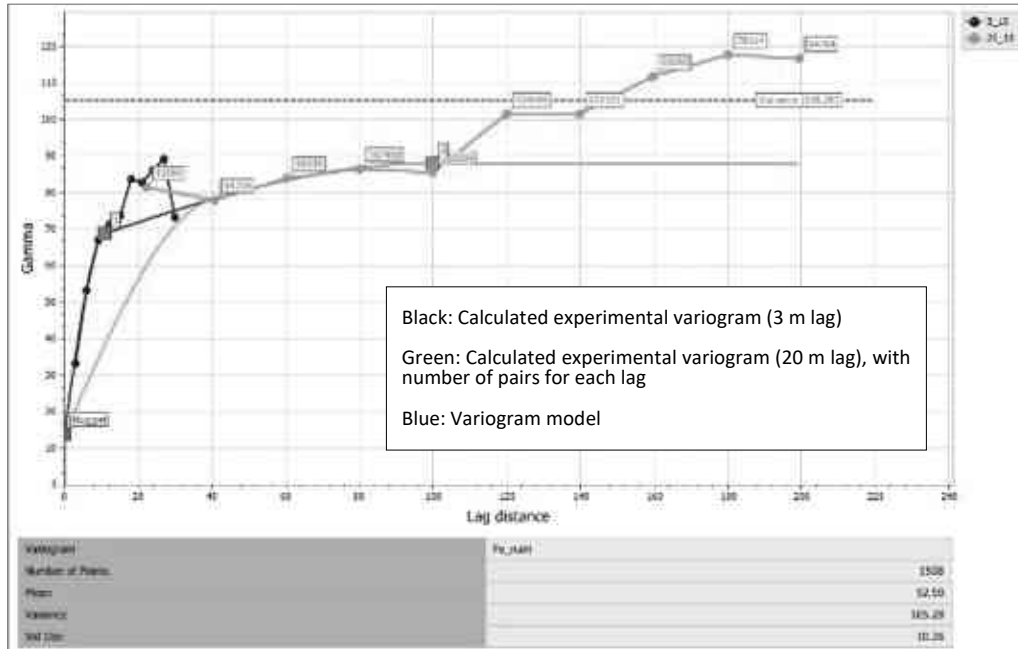
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 8-4. Modelled variogram for Fe.



Source: OME, 2014.

Table 8-4. Variography, by domain.

Grade item	VARIOGRAM MODEL								Composite variance
	Nugget	Structure 1			Structure 2			Total sill of model	
		Type 1	Range 1 (m)	Sill 1	Type 2	Range 2 (m)	Sill 2		
Domain 1									
Fe	14.000	Spherical	11	51.000	Spherical	100	23.000	88.000	105.28
SiO ₂	21.000	Spherical	11	55.000	Spherical	120	26.000	102.000	111.11
Al ₂ O ₃	0.900	Spherical	12	2.600	Spherical	100	1.100	4.600	5.44
P ₂ O ₅	0.230	Spherical	60	0.390	—	—	—	0.620	0.75
LOI	0.051	Spherical	9	0.062	Spherical	80	0.031	0.144	0.18
CaO	0.400	Spherical	40	0.450	Spherical	100	0.350	1.200	1.45
K ₂ O	0.350	Spherical	10	0.730	Spherical	100	0.590	1.670	2.04
MgO*	0.100	Spherical	15	0.216	Spherical	210	0.315	0.631	0.58
MnO*	0.080	Spherical	20	0.310	Spherical	210	0.430	0.820	0.86
Na ₂ O*	0.048	Spherical	18	0.245	Spherical	—	—	0.293	0.27
SO ₃ *	0.150	Exponential	19	0.220	Spherical	100	0.270	0.640	0.70
TiO ₂	0.006	Spherical	180	0.125	—	—	—	0.131	0.14
BaO*	0.290	Spherical	27	0.480	Spherical	100	0.480	1.25	1.30
Domain 2									
SiO ₂	14.84	Spherical	12	72.2	Spherical	107	23.4	110.43	118.27
Domain 3									
SiO ₂	127.6	Spherical	11	65.4	Spherical	56	59.3	252.3	243.60

Source: AMC, 2015.

Note: * denotes that the variogram was constructed from natural log values rather than actual values.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



8.4.5 Bulk Density

A total of 1,400 bulk density measurements were made on DD core of PQ, HQ, and NQ diameter (Table 8-5). Measurements made on all core sizes yielded similar values for the standard deviation and coefficient of variation. The dry measurements were also grouped into Domain 1 and Domain 2/3 and illustrate the significant difference between Domain 1 and the other two domains.

Table 8-5. Bulk Density measurement statistics.

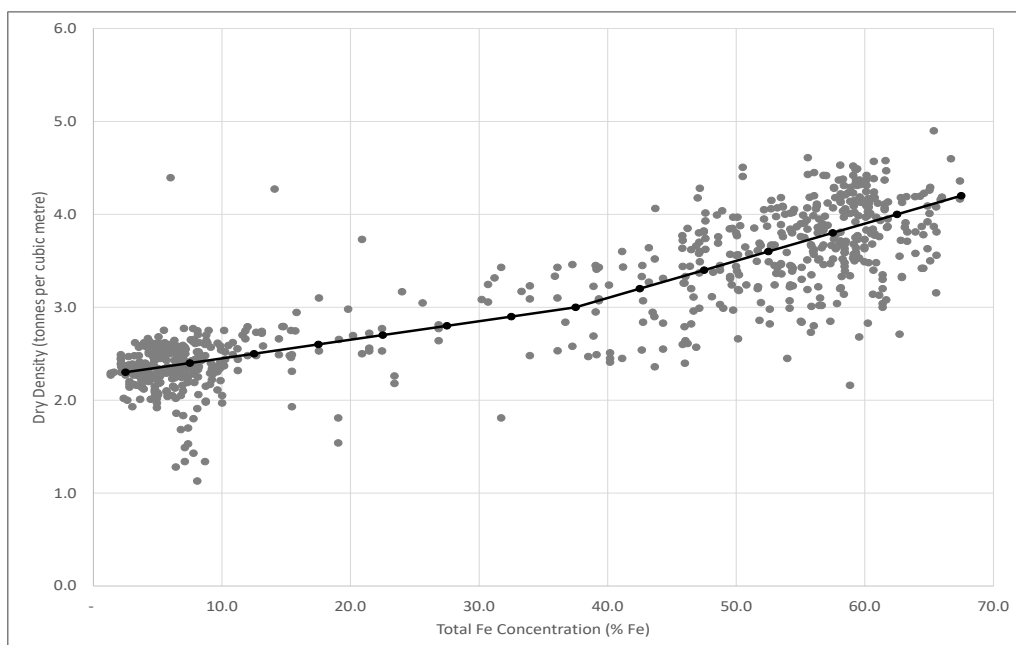
Drilling type	Number	Minimum (t/m ³)	Maximum (t/m ³)	Median (t/m ³)	Mean (t/m ³)	Std dev. ^A (t/m ³)	CoV ^B	Measured by
Dry density								
NQ	169	2.07	4.60	3.40	3.35	0.71	0.21	HSDSB
HQ	6	2.55	4.51	2.59	3.43	0.96	0.28	HSDSB
PQ ^C	613	1.13	4.90	2.64	2.95	0.74	0.25	PT GeoServices
All	788	1.13	4.90	2.77	3.04	0.76	0.25	
Wet density								
PQ ^C	612	1.13	4.61	2.67	2.99	0.74	0.25	PT GeoServices
Dry density measurements grouped by domain								
Domain 1	397	1.81	4.90	3.67	3.62	0.53	0.15	
Domain 2 and 3	391	1.13	4.48	2.40	2.44	0.40	0.16	

Source: AMC, 2015.

Note: ^A Standard deviation. ^B Coefficient of variation. ^C Measurements made as part of the metallurgical testwork.

OME concluded that the large spread of bulk density values for each domain indicated it was inappropriate to assign an average dry bulk density (DBD) value per domain to the block model. OME assessed the relationship between Fe grade and DBD (Figure 8-5) and calculated an average DBD value for 5% increments in Fe grade and applied this to Domain 1 (Table 8-6). For Domain 2 and Domain 3, OME applied a default DBD of 2.6 t/m³.

Figure 8-5. Scatter plot of DBD vs Fe grade for all domains.



Source: OME, 2014.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 8-6. Domain 1 DBD values.

Minimum Fe grade (%)	0	5	10	15	20	25	30	35	40	45	50	55	60	65
Dry bulk density (t/m ³)	2.3	2.4	2.5	2.6	2.7	2.8	2.9	3.0	3.2	3.4	3.6	3.8	4.0	4.2

Source: OME, 2014.

Derisk has reviewed the DBD information and considers that the DBD estimates applied to the resource model are adequate but considers that the DBD assigned to Domain 1 blocks in the model estimated at <40% Fe are likely to be conservative. Also, the average DBD value applied to all blocks in Domain 2 and Domain 3 is likely to be marginally too high.

8.5 Resource Estimation

8.5.1 Block Model Set-up

A Micromine 3D digital block model was established by OME, with the parameters defined in Table 8-7. Wireframes of pre-mining topography, the mining surface as at June 2014 and geological domains were used to code the block model.

Table 8-7. Block model parameters.

Block attribute	East	North	Elevation
Minimum	275,002.5	241,502.5	-198.75
Maximum	275,997.5	242,497.5	297.5
Number of blocks	50	50	100
Parent block size	20.0 m	20.0 m	5.0 m
Subcelling minimum size	5.0 m	5.0 m	2.5 m

Source: AMC, 2015.

8.5.2 Estimation Parameters

The grade estimation parameters used by OME are detailed in Table 8-8. A quantitative kriging neighbourhood analysis (QKNA) was completed to establish the optimal search radii to be used for the grade estimates. OME undertook some grade estimation test runs where estimation parameters were varied before final runs were carried out. All domain boundaries were treated as hard boundaries for estimation.

Table 8-8. Grade estimation parameters.

Domain	Pass	Search ellipse						Contributing number of composites		Minimum number of drillholes	Maximum composites per drillhole
		Ellipse radii			Ellipse orientation						
		Axis 1	Axis 2	Axis 3	Axis 1	Axis 2	Axis 3	Minimum	Maximum		
1	1	60	30	12	0/330	0/80	−90/0	10	24	3	4
	2							4	24	2	4
2	1	60	60	24	0/315	−70/45	20/45	10	24	3	4
3	1	60	60	24	0/315	−70/45	20/45	10	24	3	4

Source: AMC, 2015.

OME adopted the OK method to estimate grades from drillhole composites. Grade interpolation was performed for Fe, SiO₂, Al₂O₃, K₂O, CaO, P₂O₅, LOI, MgO, MnO, BaO, Na₂O, SO₃, and TiO₂. Values for Fe₂O₃ were calculated from the total Fe estimate by multiplying the Fe value by 1.42973, based on the atomic weights of iron and oxygen. Estimates were generated for parent cells based on the modelled variography, estimation parameters, and a discretisation scheme of 4 points (north-south) by 4 points (west-east) by 2 points vertically (32 points in total). In addition, the following parameters were recorded:

- The number of contributing composites.
- The number of drillholes that contributing composites were drawn from.
- The average distance to contributing composites.
- Kriging variance.
- Kriging standard error.
- Slope of regression.
- Percentage of negative weights.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



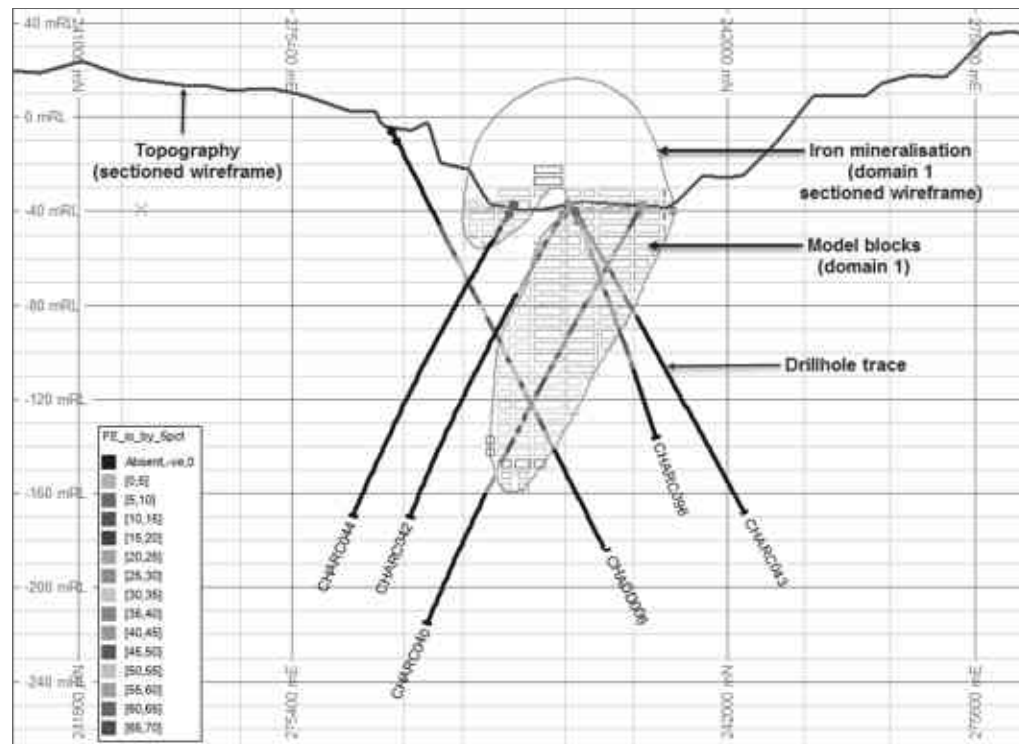
Derisk considers that the estimation parameters used by OME are reasonable.

8.5.3 Model Validation

OME used a variety of methods to validate the Chaah grade estimates, including visual examination comparing model outputs to drillhole data, statistical analyses, comparisons of composites versus block grades, and a check of the total oxide balance. A cross-validation exercise was also completed.

Figure 8-6 presents a cross section comparing model Fe grades for Domain 1 vs drillhole Fe grades, which illustrates a good match.

Figure 8-6. Example of model validation: cross section with drilling data and block model Fe grades.



Source: AMC, 2015.

Table 8-9 presents the mean grade of the drillhole composites vs the block model for each domain. For Domain 1, the differences in average composite and block grades are generally small due to the relatively even coverage and higher density of drill data. By comparison, there is generally a small grade difference in the other two domains, which is a consequence of more widely spaced data.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



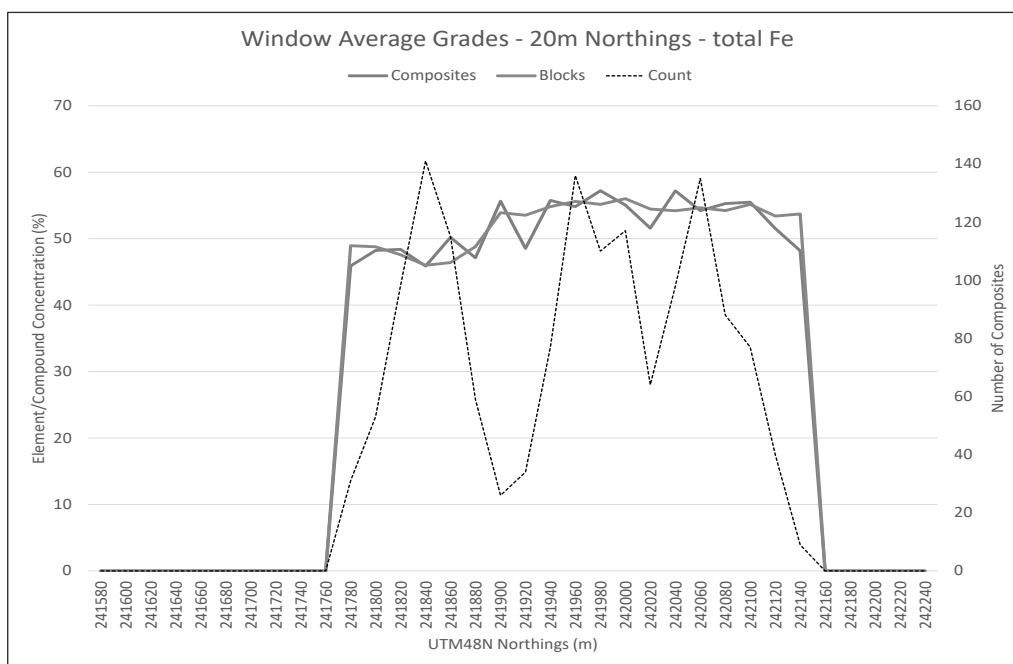
Table 8-9. Average values for drillhole composites vs the block mode.

Attribute (%)	Domain=1		Domain=2		Domain=3	
	Composites	Blocks	Composites	Blocks	Composites	Blocks
Na ₂ O	0.07	0.07	0.39	0.37	0.10	0.10
MgO	0.29	0.29	1.03	0.97	0.63	0.62
Al ₂ O ₃	1.87	1.90	12.26	12.23	11.39	11.51
SiO ₂	16.70	16.37	58.50	59.89	55.76	56.20
P ₂ O ₅	1.51	1.50	0.55	0.50	0.22	0.20
SO ₃	0.05	0.05	0.11	0.13	0.06	0.06
K ₂ O	0.87	0.89	7.34	7.35	6.18	6.11
CaO	1.97	1.96	1.38	1.19	0.22	0.21
TiO ₂	0.37	0.35	0.84	0.73	0.48	0.47
MnO	0.09	0.09	0.09	0.09	0.03	0.03
Total Fe	52.57	52.81	10.61	9.99	16.19	15.85
BaO	0.06	0.06	0.27	0.31	0.11	0.11
LOI	0.74	0.72	1.96	1.84	1.60	1.64

Source: OME, 2014.

OME prepared swath plots for Fe, SiO₂, Al₂O₃ and P₂O₅ comparing composites with the block model in the Northing, Easting and Elevation directions. Figure 8-7 and Figure 8-8 present a plot of Fe in the Northing direction and Elevation respectively, illustrating excellent correlation.

Figure 8-7. Swath plot of Fe grade by Northing comparing composites and blocks.



Source: OME, 2014.

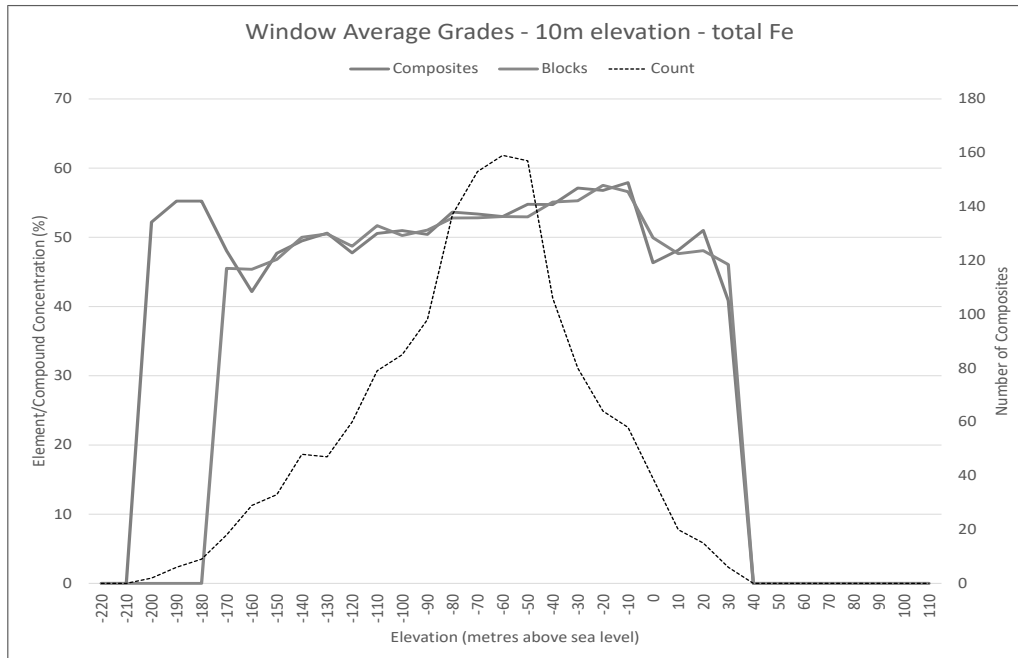
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 8-8. Swath plot of Fe grade by Elevation comparing composites and blocks.



Source: OME, 2014.

8.5.4 Classification

OME used a range of criteria to guide its resource classification approach (summarised in Table 8-10) and concluded that there was inadequate support to demonstrate that any of the in situ mineralisation was Measured Resources. Indicated Resources were restricted to Domain 1 blocks that were estimated in pass 1 (refer to Table 8-8). Inferred Resources were Domain 1 blocks estimated in the second pass and blocks estimated in Domain 2 and Domain 3.

Derisk has reviewed the criteria used by OME to guide classification and considers these criteria and the resulting classification as satisfactory.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 8-10. Criteria used to assess Mineral Resource classification.

Item	Confidence	Discussion
Drilling technique	Moderate-High	Single program of drilling and exploration; PQ DD drillhole twinned to RC show good correlation
Drill sample recovery	Moderate	There is no simple and obvious relationship between grade and core recovery or RC sample mass
Sub-sampling techniques	Moderate-High	Duplicate data for RC and DD have high precision
Sample preparation	Moderate	Visual inspection of sub-sampling at laboratory was satisfactory; Repeat assays have high precision
Quality of Assay Data	Moderate	Appropriate laboratory-based techniques considered to be total assay with acceptable range of totals; umpire assaying check assays agree with originals
Verification of Assaying and Sampling	Moderate-High	Twinned drillholes return similar results to RC drillholes; data entry and import to structured database with validation rules and checks
Location of Sampling Points	Moderate	DGPS location of collars and gyroscopic downhole survey; cross-checked and transformed by total station survey
Data density and distribution	Low-Moderate	Variable orientation of drillholes to mineralisation; erratic distribution due to active mining; scissor intersections confirm boundaries of primary Domain; Domains 2 and Domain 3 have limited data and erratic distribution
Audits and reviews	Moderate-High	Checks and discussions of techniques and results with AMC Consultants Pty Ltd
Data Integrity	Moderate-High	Single database with internal validation and cross-checks
Geological Interpretation	Moderate-High	Additional infill drilling matched with interpreted boundary at progressive stages in drilling program; boundary for Domain 1 is consistent in orientation and nature; Domain 2 and Domain 3 cannot be properly constrained due to lack of data
Density	Moderate-High	A large dataset of externally supplied PQ diameter density measurements; confirm internally derived density data
Estimation and Modelling techniques	Moderate-High	Consistent grade of material in Domain 1 and Domain 2 with low CV; no top-cuts were deemed to be required; Domain 1 well constrained; well-known industry software package used; total metal balance preserved; large search radius relative to block size; block size more than half sample spacing; estimation of Domain 1 constrained by wireframe but not for Domain 2 and Domain 3

Source: OME, 2014.

8.6 2014 Mineral Resource

OME reported Mineral Resources for Chaah at a cut-off criterion of 30% Fe, with an effective date of June 2014, and these are shown in Table 8-11. A grade-tonnage curve for the 2014 Indicated and Inferred Resources is presented in Figure 8-9. Figure 8-9 shows that the Indicated Resources within Domain 1 are insensitive to a cut-off criterion from 0% Fe to 30% Fe, and really only become sensitive to cut-off criterion above 45% Fe. This estimate has not been publicly reported.

Table 8-11. Mineral Resources as at June 2014 reported using a cut-off criterion of 30% Fe.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Measured	–	–	–	–	–
Indicated	9.1	53.4	15.9	1.7	1.5
Inferred	2.0	49.1	20.0	3.0	1.4
Total	11.0	52.6	16.6	1.9	1.5

Source: OME, 2014.

Note: Totals may not add due to rounding effects.

Derisk has reviewed the resource modelling and estimation process, the output and classification, and considers that the resource estimate prepared by OME is reasonable and fit-for-purpose.

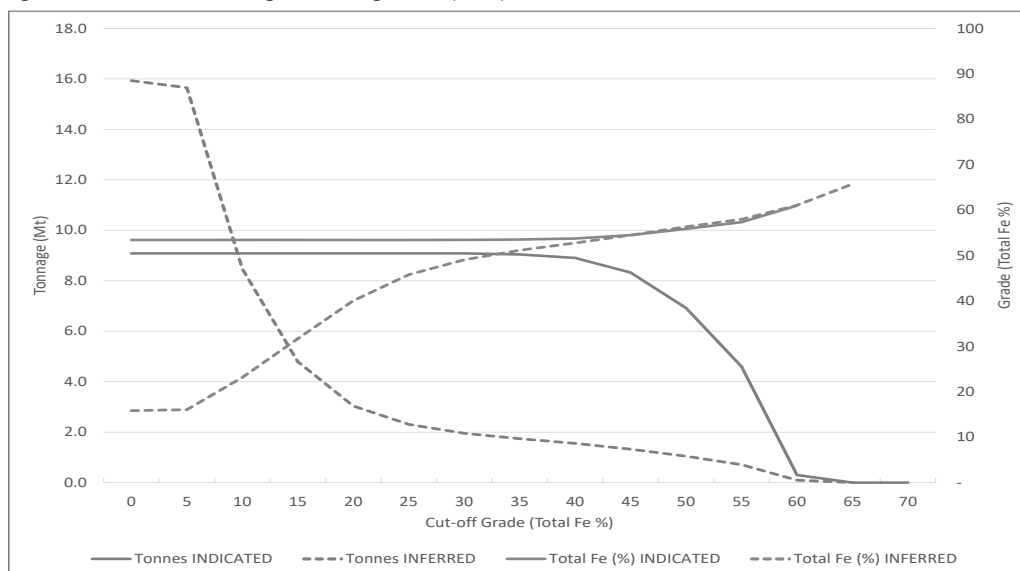
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 8-9. Mineral Resource grade-tonnage curve (2014).



Source: OME, 2014.

8.7 2019 Mineral Resource Update

8.7.1 In Situ Mineral Resources

Derisk has taken the OME mineral resource model and depleted it for mining to 31 July 2019 using a topographic survey across the mining area undertaken in late July 2019. Subsequent depletion of the Mineral Resources to 31 October 2019 (0.3 Mt) was done using monthly trucking and production statistics provided by HSDSB. No changes have been made to the OME model as no new information has been added to the master drillhole database, however the in situ Mineral Resources have been reported at a cut-off criterion of 25% Fe because the operational experience at site has established that mining can support a lower cut-off criteria.

Table 8-12. In situ Mineral Resources as at 31 October 2019 reported using a cut-off criterion of 25% Fe.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Measured (in situ)	-	-	-	-	-
Indicated (in situ)	6.1	52.3	16.6	1.8	1.6
Inferred (in situ)	1.8	45.6	23.7	3.8	1.4
Total (in situ)	7.9	50.8	18.2	2.2	1.6

Note: Totals may not add due to rounding effects.

8.7.2 Stockpile Mineral Resources

HSDSB has built many mined, crushed and processed stockpiles at site and periodically surveys and samples these stockpiles. The most recent survey was completed in early November 2019 and 42 separate stockpiles ranging from 100 t to 111,000 t were surveyed. Six material types are stockpiled at site i.e. hematite boulders, hematite lump (100 mm), hematite fines (<20 mm), hematite superfine, high-phosphorus hematite and hematite tailings (Figure 8-10).

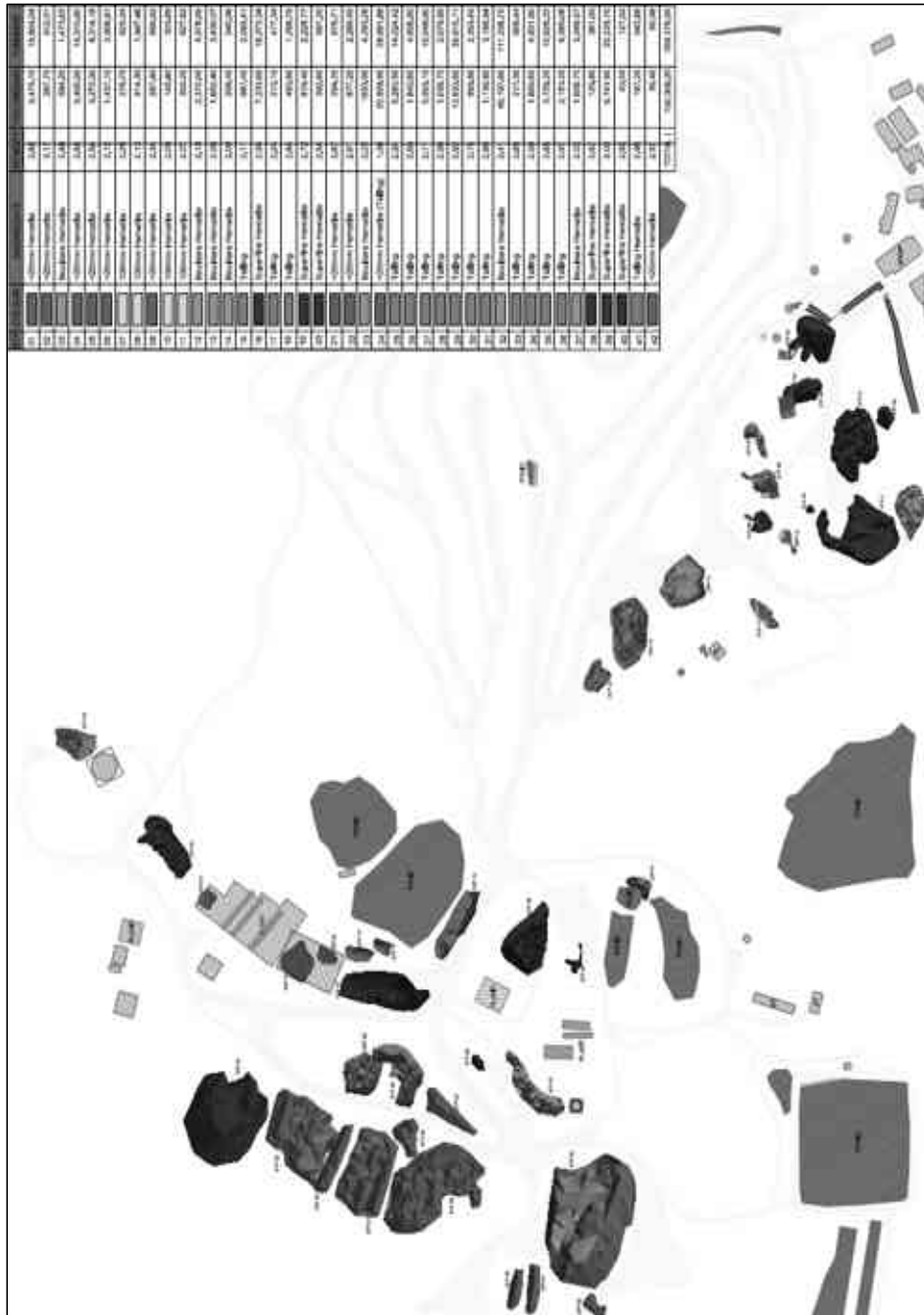
Derisk has included mined stockpiles at Chaah in the resource inventory as these were reliably surveyed and have been sampled/analysed to estimate tonnes and Fe grade. A summary of the stockpile inventory as at 31 October 2019 is presented in Table 8-13.

APPENDIX D INDEPENDENT QUALIFIED PERSON'S REPORT



P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

Figure 8-10. Stockpile plan as at 31 October 2019.



Source: HSDSB, 2019

6 March 2020

FINAL REPORT

Page 49

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 8-13. Stockpiles as at 31 October 2019 reported using a cut-off criterion of 15% Fe.

Stockpile Material Type	Density (t/m ³)	Volume (m ³)	Tonnes	Fe (%)
Hematite Fines (<20 mm)	2.7	17,500	46,800	55.9
Hematite Boulders	2.4	54,500	129,500	52.7
Hematite Lump (~100 mm)	2.1	1,500	3,500	60.5
Hematite Superfine	2.8	15,500	42,500	64.4
Hematite Fines (high phosphorus)	2.7	40,000	108,500	56.3
Hematite Tailings (<20 mm)	1.4	21,000	29,000	18.5
Total		150,000	359,500	54.6

Note: Totals may not add due to rounding effects.

Derisk has classified these stockpiles as Indicated Resources because the sampling methodology used to collect samples is not adequate to classify these as Measured Resources. One stockpile has an average grade lower than the in situ cut-off criterion of 25%. Derisk considers that this stockpile fulfils the JORC Code requirement of having "reasonable prospects for eventual economic extraction" because HSDSB has received a formal expression of interest to sell low-grade tailings and has delivered a shipment of this material as part of a trial purchase.

8.7.3 Total Mineral Resources

Table 8-14 presents the total Mineral Resources for Chaah as at 31 October 2019, totalling 8.2 Mt @ 51.0% Fe.

Table 8-14. Total Mineral Resources as at 31 October 2019.

Table 6-14: Total Mineral Resource Grades as at 31 October 2019.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Measured	-	-	-	-	-
Indicated (in situ)	6.1	52.3	16.6	1.8	1.6
Indicated (stockpiles)	0.4	54.6	-	-	-
Inferred (in situ)	1.8	45.6	23.7	3.8	1.4
Total (in situ)	7.9	50.8	18.2	2.2	1.6
Total	8.2	51.0	-	-	-

Notes: 1. In situ resources reported at a cut-off criterion of 25% Fe.
2. Stockpiles 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.

8.8 Production Reconciliation

Prior to June 2014, no reconciliation of historical production at Chaah versus the resource model is possible. A survey of the open pit and surrounds was completed in June 2014 and periodically thereafter, with the most recent survey completed in July 2019 (Figure 8-11). No pit survey was undertaken in October 2019 to permit an accurate reconciliation of actual production versus the resource model for the October 2019 quarter.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 8-11. Oblique view of resource model showing topographic surfaces at June 2014 and Jul 2019.



Table 8-15 presents the mining depletion removed from the resource model between the June 2014 and the July 2019 pit surveys and shows that a total of 3.37 Mt @ 53.1% Fe has been mined according to the resource model. Production statistics from HSDSB report the extraction of 3.42 Mt of iron ore from the pit during the same period, equivalent to 102% of the tonnes predicted from the resource model, representing an excellent reconciliation between the resource model and production statistics.

Table 8-15. Production reconciliation from June 2014 to July 2019.

Source	Material	Mt	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	-
	Mineralised Waste	2.85	-
	Total Waste	24.97	-
HSDSB Production Statistics	Ore Mined	3.42	Not Available

8.9 Exploration Potential

OME identified several opportunities for exploration at Chaah (Figure 8-11), as follows:

- Infill drilling to convert Inferred Resources to Indicated Resources.
- Extensions of the main mineralised zone (Domain 1) both to the north and south of the current pit limits to add new resources to the inventory.
- Exploration to the immediate west of the pit area where drilling has indicated the possibility of additional hematite mineralisation.
- Exploration to investigate largely untested magnetic anomalies identified during the ground magnetics survey (refer to Figure 7-1).

In 2017/2018, HSDSB completed eight drillholes to test some of these opportunities and intersected some extensions of the main mineralised zone at the south end of the open pit. Logging and sampling of this drilling has not been completed and therefore has not been incorporated into the Company's master database.

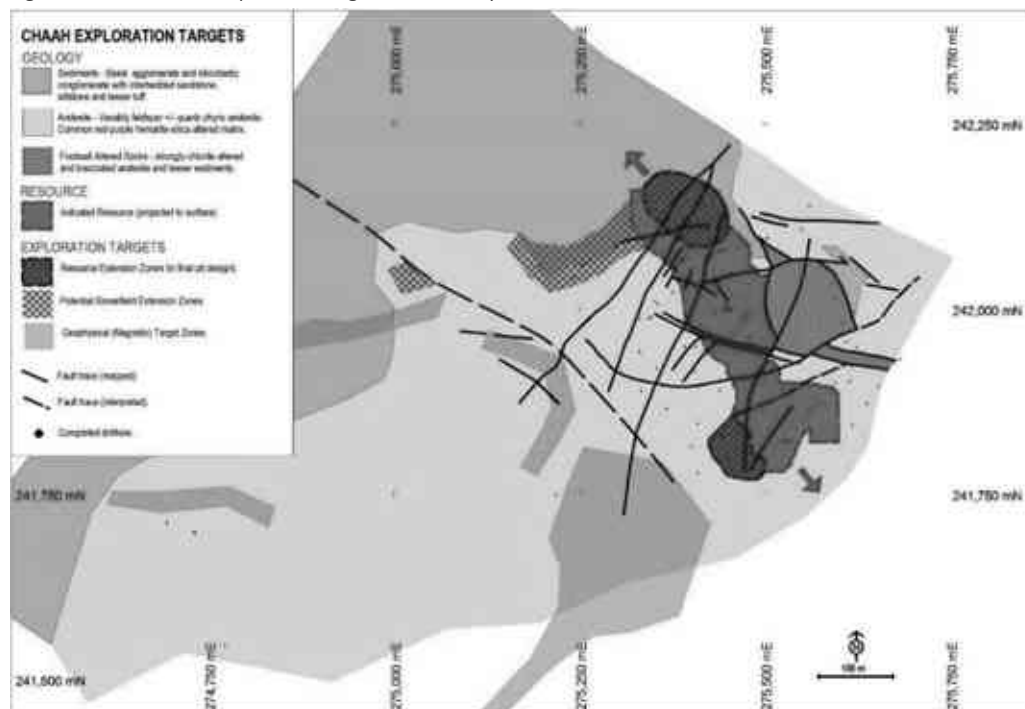
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 8-12. Near mine exploration targets identified by OME.



Source: OME, 2014.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



9 GEOMETALLURGY

Beneficiation facilities have been constructed at Chaah to upgrade iron ore to a saleable product quality. Prior to 2014, there was no mineral processing or metallurgical testwork completed to support the design and construction of the processing plants. As part of the PFS completed by OME in 2014, a geometallurgical test program was coordinated by PWA Limited (PWA) to evaluate the ore processing methods used at Chaah.

9.1 Drillhole Samples

At Chaah, three PQ DD drillholes (CHADD 015, 018 and 020) were drilled to supply samples for the metallurgical testwork. Logging of these holes resulted in the creation of 16 samples, from which small representative subsamples were taken by slivering the side of the core. Mineralogical examination of the slivered subsamples yielded estimates of the relative abundance of iron ore minerals in terms of goethite, hematite, magnetite, iron oxides, quartz, and amorphous silicates (Table 9-1).

Table 9-1. Mineral abundance estimates for metallurgical samples.

Drillhole	Iron minerals (%)	Goethite (%)	Hematite (%)	Magnetite (%)	Iron oxides (%)	Quartz (%)	Amorphous silicates (%)
All material							
015	75.0	15.8	58.8	0.5	–	16.3	8.8
018	64.0	17.5	45.0	1.5	–	16.5	20.0
020	59.0	16.0	37.0	–	6.0	33.0	9.0
Total	65.5	16.4	46.2	0.6	2.3	22.8	12.3
High-grade material greater than 50% hematite							
015	81.7	16.7	65.0	–	–	11.7	6.7
018	73.7	16.7	55.0	2.0	–	15.3	11.7
020	85.0	25.0	55.0	–	5.0	15.0	5.0
Total	78.7	17.9	59.3	0.9	0.7	13.7	8.6
Hematite and magnetite ratio in iron minerals							
Drillhole	Overall		HG				
015	0.8		0.8				
018	0.7		0.8				
020	0.6		0.6				
Total	0.7		0.8				

Source: AMC, 2015.

This work demonstrated that fresh iron ore mineralisation is composed of predominantly hematite, with goethite and traces of magnetite and other iron oxides. Ferrous amorphous silica occurs as an alteration product and might host other elements such as phosphorus. From the mineralogical examination, the predicted yield of iron ore mineral from ore would be of the order of 60% or higher, if cleanly liberated goethite can be achieved.

From these samples two composites were made (Table 9-2). The composite Metcom R1 was selected as a typical ROM ore feed from primary ore horizons that could be practically mined, and contains elevated iron, low alumina, and low to moderate silica content. The composite Metcom T2 was selected as a typical low grade from partially fresh material, and contains moderate iron, high alumina and silica content

Table 9-2. Mineral abundance estimates for metallurgical samples.

Composite	Total Fe (%)	Fe ₂ O ₃ (%)	Al ₂ O ₃ (%)	SiO ₂ (%)	P ₂ O ₅ (%)	LOI (%)
Metcom R1 primary ore	55.94	79.99	1.29	13.20	1.34	0.70
Metcom T2 transition ore	26.77	38.28	8.32	42.63	1.06	1.45

Source: AMC, 2015.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



9.2 Uniaxial Compressive Strength Tests

PWA completed some unconfined uniaxial compressive strength (UCS) measurements on selected PQ core samples (Table 9-3). The UCS data indicate that the fresh material has a UCS of between 34 to 75 megapascals (MPa). The samples with high UCS values had the highest densities. For design purposes, PWA considered operating UCS values of 30 - 60 MPa be used, with peaks in excess of 75 MPa.

Table 9-3. UCS measurements.

Hole Number	Depth From (m)	Depth To (m)	Density (t/m ³)	UCS (MPa)
CHADD-015	16.00	16.20	2.70	0.56
CHADD-015	81.50	81.90	4.50	41.38
CHADD-018	7.80	8.10	2.63	0.75
CHADD-018	11.30	11.60	2.97	0.94
CHADD-018	29.40	29.70	4.41	75.05
CHADD-018	70.00	70.20	4.41	34.91
CHADD-018	72.30	72.60	3.54	1.21
CHADD-018	94.30	94.50	4.04	37.41
CHADD-020	67.17	67.47	3.58	61.35
CHADD-020	73.30	73.60	3.81	54.52
Average Value			3.68	31.88
Highest Value			4.50	75.05

Source: OME, 2014.

9.3 Bond Crushing Work Index Tests

PWA completed 13 bond crushing work index (BCWi) tests on selected PQ core samples (Table 9-4). The BCWi data indicates that most of the material has a crushing work index of between 7 to 24 kilowatt hours per tonne (kWh/t). PWA noted the peak value of 68 kWh/t, which should be considered in terms of crushing circuit design.

Table 9-4. BCWi measurements.

Hole Number	Depth From (m)	Depth To (m)	Density (t/m ³)	BCWi Average (kWh/t)	BCWi Maximum (kWh/t)	BCWi Minimum (kWh/t)	BCWi Std Dev (kWh/t)
CHADD015	16.95	17.95	2.53	8.1	10.6	5.4	2.0
CHADD015	78.60	79.10	3.72	3.4	4.2	1.9	0.8
CHADD015	81.90	82.30	4.44	9.3	12.5	6.1	2.4
CHADD018	81.10	81.50	2.67	12.4	17.7	7.8	4.0
CHADD018	10.80	11.30	2.67	14.1	19.9	9.8	4.3
CHADD018	31.30	31.60	5.91	9.2	12.3	6.2	2.6
CHADD018	67.95	68.50	4.74	12.3	17.5	8.0	3.3
CHADD018	70.70	71.50	4.61	19.3	25.5	14.2	4.1
CHADD018	71.55	72.00	4.85	9.9	13.9	8.4	1.7
CHADD018	93.90	94.30	3.34	57.5	68.2	44.0	8.5
CHADD020	61.24	61.69	4.54	23.6	28.5	19.7	3.4
CHADD020	68.90	69.35	4.11	26.3	41.6	17.0	7.6
CHADD020	74.00	74.70	4.09	21.7	26.8	16.7	3.4
Average Value			3.90	16.7	22.1	12.2	3.6
Highest Value			5.91	57.5	68.2	44.0	8.5

Source: OME, 2014.

9.4 Magnetic Separation Tests

Magnetic susceptibility tests at 0.15, 0.25, 0.35 and 0.45 Tesla on samples milled to 80% passing 0.3 mm and 0.075 mm were conducted on the composites to determine their likely response to magnetic separation.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Results for both the primary and transition ores demonstrate a low magnetic susceptibility at low magnetic field strengths, with a sharp rise between 0.35 and 0.45 Tesla. Finer grinding of the ore improves mass yield and product quality. The yields and iron grades for primary and transition ore at both grind sizes are shown in Table 9-5. Yield for primary ore is substantially improved at the finer grind size, but magnetic separation on transition ore provides a poor-quality product.

Table 9-5. Magnetic separation test results at two grind sizes.

Sample	Size (P ₈₀ <)	By Fe %		
		Yield (%)	Fe (%)	Upgrade factor
Metcom R1	<0.300 mm	10.0	58.0	1.02
Metcom R1	<0.075 mm	36.0	58.0	1.02
Metcom T2	<0.300 mm	10.0	34.1	1.17
Metcom T2	<0.075 mm	10.0	35.9	1.24

Source: AMC, 2015.

9.5 Gravity Separation Tests

Two-stage gravity recovery using shaking tables was performed on both composites. This work produced a high-grade product on the first table pass for the primary composite. For both composites, the table middlings were re-tabled to produce a lower-grade product. Good product yields at high iron and relative density were obtained at both grind sizes, as shown in Table 9-6.

Table 9-6. Gravity separation test results.

Size (<P ₈₀)	Results for Composite Metcom R1 (cumulative)						
	Stage	Mass Yield (%)	RD* (t/m ³)	Fe (%)	Al (%)	Si (%)	P (%)
<0.3 mm	Concentrate 1	17.77	4.99	67.54	0.17	0.86	0.079
<0.3 mm	Combined concentrate	30.06	4.95	67.00	0.17	1.08	0.109
<0.3 mm	Midlings 1	67.22	4.67	59.09	0.28	4.39	0.249
<0.3 mm	Feed	100.00	4.37	56.70	0.66	6.05	0.497
<0.075 mm	Concentrate 1	32.11	5.05	66.81	0.17	0.71	0.061
<0.075 mm	Combined concentrate	40.73	5.02	66.55	0.18	0.99	0.069
<0.075 mm	Midlings 1	49.25	4.82	62.85	0.24	3.34	0.119
<0.075 mm	Feed	100.00	4.37	56.59	0.66	6.02	0.497
Size (<P ₈₀)	Results for Composite Metcom T2 (cumulative)						
	Stage	Mass Yield (%)	RD* (t/m ³)	Fe (%)	Al (%)	Si (%)	P (%)
<0.3 mm	Concentrate 1	20.28	4.43	56.67	1.36	5.56	0.410
<0.3 mm	Combined concentrate	31.03	4.24	53.15	1.56	7.40	0.425
<0.3 mm	Midlings 1	65.38	3.59	25.47	3.07	17.04	0.365
<0.3 mm	Feed	100.00	3.27	28.98	4.42	19.23	0.471
<0.075 mm	Concentrate 1	24.24	4.65	61.47	0.77	3.47	0.236
<0.075 mm	Combined concentrate	29.08	4.52	58.90	0.94	4.70	0.303
<0.075 mm	Midlings 1	46.89	3.84	40.60	2.27	14.61	0.307
<0.075 mm	Feed	100.00	3.27	28.98	4.42	19.23	0.471

Source: AMC, 2015.

Note: * Relative density.

From the testwork data, the yield versus product quality relationships were derived and the yields for various target product specifications are summarised in Table 9-7.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 9-7. Gravity separation test results.

Results for Composite Metcom R1							
Size (P ₈₀ <)	Yield (%)	RD* (t/m ³)	Fe (%)	P (%)	Al (%)	Si (%)	Upgrade Factor
<0.300 mm	52.5	4.79	62.0	0.18	0.28	3.15	1.09
<0.075 mm	55.0	4.76	62.0	0.16	0.22	3.52	1.10
<0.300 mm	77.0	4.58	58.0	0.31	0.36	4.95	1.02
<0.075 mm	88.0	4.48	58.0	0.41	0.56	5.40	1.02
<0.300 mm	96.5	4.40	56.9	0.47	0.62	5.57	1.01
<0.075 mm	96.5	4.40	57.2	0.47	0.63	5.56	1.01
<0.300 mm	27.5	4.96	67.3	0.10	0.17	1.09	0.20
<0.075 mm	46.5	4.85	63.4	0.10	0.21	3.05	0.20
Results for Composite Metcom T2							
Size (P ₈₀ <)	Yield (%)	RD* (t/m ³)	Fe (%)	P (%)	Al (%)	Si (%)	Upgrade Factor
<0.300 mm	—	—	60.0	—	—	—	2.07
<0.075 mm	28.0	4.56	60.0	0.30	0.88	4.4	2.07
<0.300 mm	—	—	58.0	—	—	—	2.00
<0.075 mm	30.0	4.46	58.0	0.31	1.00	5.30	2.00
<0.300 mm	22.0	4.40	56.4	0.25	1.38	5.80	1.35
<0.075 mm	32.0	4.40	56.0	0.31	1.20	6.80	1.35
<0.300 mm	22.0	4.40	56.4	0.25	1.38	5.80	0.53
<0.075 mm	25.0	4.63	61.4	0.25	0.80	3.55	0.53

Source: AMC, 2015.

Note: * Relative density.

PWA concluded that the results indicate that primary material displays excellent yields at a variety of product qualities between 58–62% Fe, with washing only required to produce a high-density material suitable for pipe coating. The liberation and rejection of phosphorous is increased with finer grinding, but to produce a product with P < 0.1%, yields are reduced to around 47%. For domestic/export steel sales, rougher concentration of a high yield product followed by regrinding and washing might enable higher yields to be obtained at the prerequisite phosphorous content.

PWA concluded that the results indicate that the transition material may be utilised to produce products of 58% to 62% Fe, albeit at yields of 28% to 30%. This material can produce a product suitable for pipe coating at a yield of up to 32%.

9.6 Assessment

Derisk notes that HSDSB constructed processing facilities at Chaah well before formal metallurgical testing was completed as part of the 2014 PFS. Iron ore is processed via several plants comprising crushing, grinding, magnetic separation, gravity separation and dewatering, to deliver a range of products. The testwork completed at Chaah confirms that the facilities set up at Chaah are appropriate and has provided some basic estimates of performance, yield and upgrade factors.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



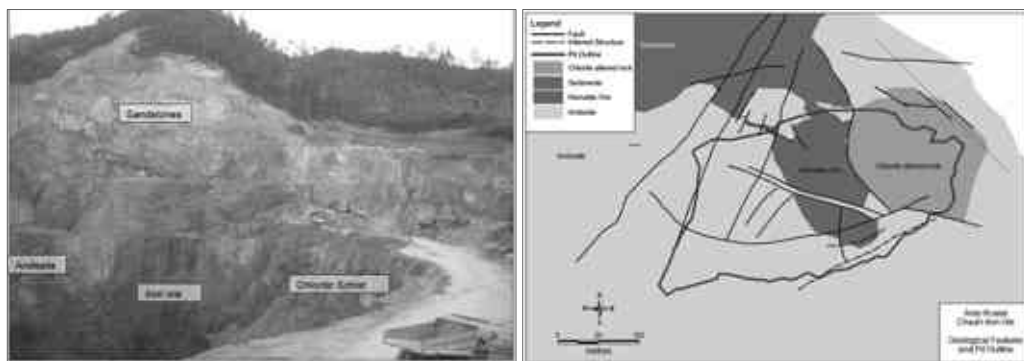
10 GEOTECHNICAL CONDITIONS

Derisk understands that no formal geotechnical studies were carried out at Chaah prior to 2014, with pit designs developed using empirical methods. In 2014, HSDSB engaged AMC and OME to undertake a geotechnical investigation at Chaah to support the PFS.

10.1 Rock Mass Properties and Conditions

In 2014, the Chaah pit was a maximum of 100 m deep on the north side (Figure 10-1) and 40 m deep on the south side. OME completed geotechnical mapping and geotechnical logging of available DD core to define the main structural and geotechnical features observable in the pit (Figure 10-1) and cored drillholes.

Figure 10-1. Chaah open pit (2014) and plan showing the main geological and structural features.



Source: OME, 2014.

10.1.1 Kinematic Analysis

AMC completed a kinematic analysis based on the 2014 pit wall orientations and the fault and bedding data provided by OME. The data (Figure 10-2) illustrates the major groupings of faults and bedding. The faults dip to the east-southeast and southwest, with most bedding orientations displaying an east-west strike and northerly dip. Kinematic analysis was carried out on four slope orientations at an overall slope angle of 45°. The wall angles were approximations of the 2014 wall orientations. Results suggest that there is some potential for toppling on the southern wall and wedge failures are possible on the north wall and to a lesser extent on the east, west and south walls. AMC concluded that the probability of failure is low.

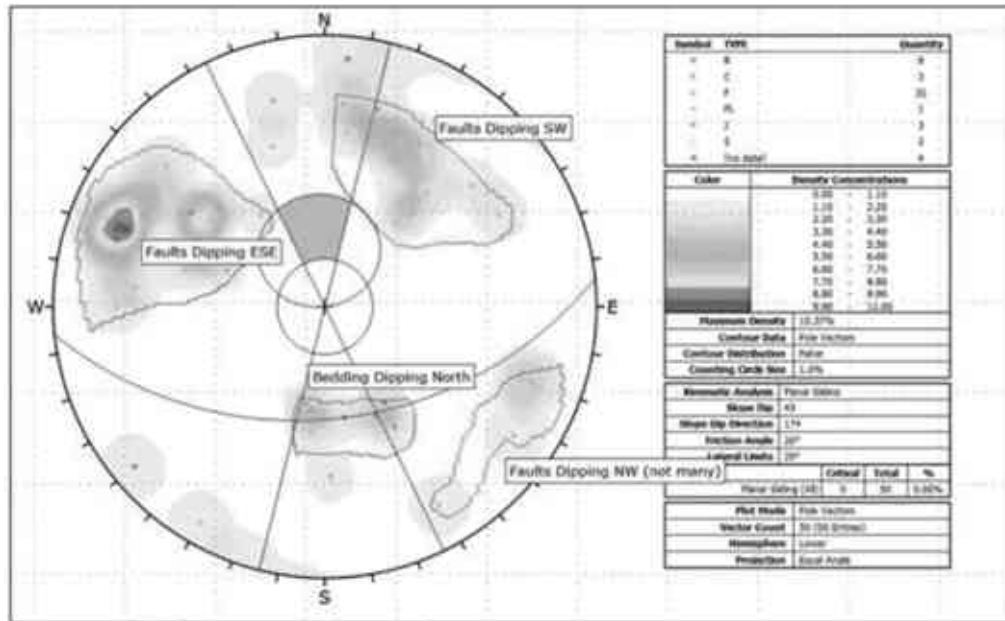
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 10-2. Stereo plot of fault and bedding data.



Source: OME, 2014.

10.1.2 Selected Rock Mass Properties

Geotechnical data collected by OME included lithology, weathering, rock quality designation (RQD), rock strength and the number of defects. This data was used to form a rock mass rating (RMR), which can be used to empirically estimate the overall slope angles. The RMR developed from the geotechnical data is summarised in Table 10-1. The results indicate that the 1st and 3rd quartile range are classified as “fair rock” (RMR values ranging from 41 to 60).

Table 10-1. Rock mass rating results.

RMR	Andesite	Iron Ore
Minimum	35	35
Maximum	64	72
Average	47.5	49
Median	47	48
1 st Quartile	40	43
3 rd Quartile	53	55

Source: OME, 2014.

AMC used the RMR to calculate a mining rock mass rating (MRMR) by incorporating the effects of weathering, blasting and joint orientation, resulting in reductions of 5% converting RMR to MRMR. AMC also estimated the geological strength index (GSI), which was used to determine Mohr Coulomb failure criteria.

10.1.3 Slope Design

AMC developed recommended slope angles for Chaah based on empirical methods using all available data.

An empirical analysis of the overall slope angle (OSA) was assessed vs MRMR values (Figure 10-3) using a factor of safety (FoS) of 1.3, resulting in a range of OSA varying from 36.9° to 44.7° for iron ore.

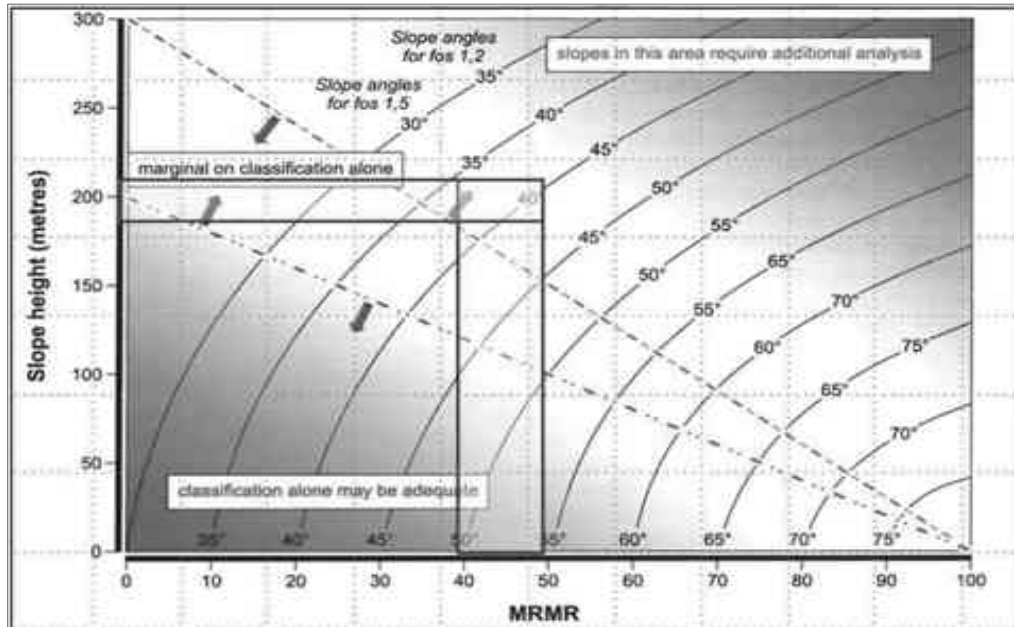
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 10-3. Empirical overall slope angle plot for iron ore.



Source: OME, 2014.

AMC analysed the cohesion and friction angles using the software package RocLab. The calculated friction angles for andesite ranged from 42.2° to 24.9° for slope heights from 200 to 250 m respectively. The friction angles for iron ore ranged from 41.1° to 34.1° for slope heights from 200 to 250 m respectively.

AMC used the Galena software package to complete limit equilibrium modelling based on the Mohr Coulomb failure criteria to assess the overall slope FoS at various slope heights and angles.

From this work, AMC developed recommended slope angles for the Chaah pit (Table 10-2).

Table 10-2. Recommended slope angles.

Lithology	OSA * (inclusive of ramps)	Maximum Batter Angle	Comment
Andesite, consisting of mostly fresh rock or fresh rock with weathering adjacent to fractures	44.5°	65°	There is potential to increase these slope angles based on a successful laboratory testing program, active management and monitoring of pit walls.
Iron ore, consisting of mostly fresh rock or fresh rock with weathering adjacent to fractures	46°	75°	
Sediments	46°	75°	To be confirmed when more geotechnical information is available
Slopes in slightly weathered or moderately weathered rocks	38°	50°	-
Slopes in highly weathered and extremely weathered rocks	32°	45°	-

Source: OME, 2014.

Note: * Overall slope angle.

Derisk has reviewed the geotechnical assessment completed by OME and AMC and concurs with these findings.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



10.2 Hydrogeology and Groundwater

No detailed hydrogeological data has been collected at Chaah. Some areas of the open pit walls are dry, others are damp, and there can be some seepage within the bottom levels of the pit. In its geotechnical assessment and estimation of RMR, AMC applied a value equivalent to damp conditions.

During the site visit undertaken by Mal Doricott and Will Coverdale in July 2019, the pit floor was moderately flooded but manageable using the in-pit pump technology at site. As the pit continues to deepen however, there may be a requirement for a staging point midway up the pit to reduce the pressure head on the pipes and pump. An increase in pumping is expected during the monsoon season.

The northern dump area is located in the valley between two small catchment areas on the ML and Derisk considers that HSDSB will need to install adequate drainage and diversion measures around the dump.

Derisk recommends that a hydrologist should periodically conduct a site review against the proposed LOM plan to fully assess the impact of the mine infrastructure on catchment areas proximal to the Chaah operation.

10.3 Geotechnical Risks and Management

Potential LOM pit shells indicate that the northern part of the open pit will be as much as 400 m below the crest and the southern wall may be approximately 180 m below the crest. The majority of the open pit walls will be formed by andesite, sandstones and minor quantities of iron ore and chlorite altered rock. Although there are many faults at Chaah at a planned overall slope angle of 45°, it is unlikely that structure will determine the overall slope angle as the probability of failures along faults is relatively low. However, the possibility of shallower structures being found, which may result in wedge failure exists, and faults will need to be well managed during mining.

OME and AMC recommended that HSDSB institute a regime of regular pit mapping, correct sequencing, risk management, and monitoring to ensure faulting does not cause large unplanned failures, comprising:

- Joint mapping.
- Collection of more laboratory rock strength data.
- Measuring water levels from boreholes and blast holes.
- Additional geotechnical logging of DD core, including an estimate of joint roughness and point load strength.
- Further DD drilling through sandstone to obtain geotechnical information as this lithology will increasingly form the open pit walls in an expanded pit.
- Delineation of the chlorite altered rock.

Derisk agrees with all recommendations made by OME and AMC, noting that HSDSB has not undertaken any of the recommendations. Economic conditions between 2014 and 2018 have meant that mining has proceeded more slowly than envisaged in 2014, but Derisk considers that the potential for geotechnical failures is significant and HSDSB should implement the 2014 recommendations. Mining production has increased in 2019 as the iron ore price increased, with the main mining focus on the base of the highwall, where there is sufficient high-grade ore at a relatively low strip ratio. However, this area will be exhausted soon and a cutback will be required from the highwall.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



11 ORE RESERVES

11.1 Methodology

The process used by Derisk to prepare the 2019 Ore Reserve estimate comprised the following steps:

1. The 3D block model created by OME in 2014 was validated to ensure Derisk was using the correct model.
2. The model was cut with the July 2019 topographic surface.
3. All reserve inputs were reviewed and updated where appropriate using current information.
4. New pit optimisations were undertaken using Whittle 4X and a new cashflow analysis completed.
5. A new mine design and production schedule was completed.
6. A new Ore Reserve was estimated and classified as at 31 July 2019.
7. This estimate was depleted using truck and production statistics for the period from August to October and reported as at 31 October 2019.

11.2 Reserve Inputs

11.2.1 Revenue

The Chaah operation produces three products:

- High-grade DSO is processed through MCUs to generate a high-density product greater than 4.4 t/m³. Typically, this product is sold into the pipe-coating market, which historically has attracted a modest premium to iron ore at 62% Fe. The extent of the premium is a function of the market and fluctuates from year to year.
- Medium-grade iron ore is processed through the HSM to generate a fines product at nominally 65% Fe. Most of the output from this facility is sold to the domestic steel industry.
- Low to medium-grade iron ore is processed through the XHM to generate a fines product at nominally 62-65% Fe. Most of the output from this facility is sold to the domestic steel industry.

Derisk derived an iron ore pricing model (Table 11-1) from market data as an input to the pit optimisation. The iron ore price is a projection for the LOM price average and was not adjusted yearly.

Table 11-1. Iron ore product pricing model for pit optimisation.

Economic Assumptions:	Units	Weighted Average	62% Fe	65% Fe	58% Fe
Iron Ore Price (Whittle 4X)	USD/t (CFR)	95	94	98	83
	USD/t contained Fe	150	151	151	146
	USD/% Fe	1.5	1.5	1.5	1.5
Exchange Rate	MYR:USD	4.0			

11.2.2 Mining Factors

Geotechnical inputs to the Ore Reserve estimate are described in Section 10, resulting in recommended OSA and batter angles for optimisation and mine design (refer to Table 10-2).

Ore loss and dilution factors were estimated assuming a mining block size of 10 m x 10 m x 5 m as follows:

- Ore Loss: The 2014 PFS applied an ore loss of 3%, which was left unchanged based on the operating experience, taking into consideration the style of operation and selected mining equipment.
- Dilution: The 2014 PFS applied dilution of 5%, but this has been reduced to 3% in 2019 at an assumed grade of 0% Fe. Derisk considers that at Chaah there is a high degree of selectivity due to the equipment used and the mining block size, plus the fact that mineralisation is generally highly visible.

11.2.3 Processing Factors

Geometallurgy inputs to the Ore Reserve estimate are described in Section 9. For the pit optimisation studies the assumptions used are summarised in Table 11-2.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
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Table 11-2. Metallurgical recovery and yield.

Metallurgical Assumptions	Unit	Ore <45% Fe	Ore 45-54% Fe	Ore >54% Fe
Head grade	%	45.0	54.0	57.0
Target product grade	%	62.0-65.0	65.0	57.0
Recovery ^A	%	58.0	60.3	96.8
Yield ^B	%	40.3	47.3	96.8

Notes: A – Recovery is the ratio of contained metal recovered from processing.

B – Yield is the volume of saleable material produced vs the volume of ROM material processed.

11.2.4 Costs

The key costs associated with the Chaah Iron Ore project are mining, processing, and sales. The sales costs are based on three key markets which includes domestic steel consumption, international steel consumption (predominately China) and domestic pipe coating. The pipe coating material is delivered to the Kuantan port area. Hence, the cost to transport to the Kuantan port is the same regardless of whether it is going for export or pipe coating.

11.2.4.1 Energy

Historically energy is sourced from on-site diesel generation, but the site is scheduled to be connected to the main electricity grid in early calendar 2020. Table 11-3 compares the estimated energy costs of diesel vs main grid for the key operational cost centres across processing and crushing/screening.

Table 11-3. Energy costs for processing operations.

Plant Operating Costs	Unit	Processing		Crushing & Screening	
		Processing (Diesel)	Processing (main grid)	Crushing (Diesel - inbuilt)	Crushing (main-grid - inbuilt)
Labour	MYR/t	0.58	0.58	0.03	0.03
Power	MYR/t	8.99	5.49	1.59	0.97
Repair Materials and wear parts	MYR/t	0.47	0.47	0.55	0.55
Spare parts	MYR/t	0.31	0.31	0.37	0.37
Fluids and Lubrication	MYR/t	0.40	0.40	0.01	0.01
Consumables	MYR/t	0.46	0.46	0.03	0.03
Water (pumps, power, labour, poly lines etc.)	MYR/t	0.58	0.59	0.03	0.03
Total Costs	MYR/t	11.77	8.28	2.61	1.99
Total Costs	USD/t	2.94	2.07	0.65	0.50

11.2.4.2 Operating Costs

The operational unit costs were derived largely from the application of first principal estimation techniques combined with historical data that was obtained from HSDSB. Where cost centres were not recorded, in 2014 OME developed cost estimates based on industry benchmarks e.g. drill and blast, load and haul, crushing and screening, and processing. In 2019 Derisk revised these costs to account for the current exchange rate, fuel price and current operational structure at Chaah.

The total weighted operational unit costs for each area including mining, processing, sales and logistics are summarised in Table 11-4. The biggest impact affecting the differential in costs between 2014 and 2019 is due to exchange rate fluctuations and tribute costs, which have reduced substantially after these were renegotiated in 2015.

To date no royalties have been imposed, but in November 2019, HSDSB advised Derisk that from 1 December 2019, a royalty capped at a maximum of MYR 9 (USD 2.25) per tonne of concentrate sold will be levied by Johor state, paid quarterly. This cost was not used in the pit optimisation study but has been included in the subsequent financial model.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 11-4. Operating cost summary.

Unit Costs	Unit Rate	OME (2014)		Derisk (2019)	
		ROM	Concentrate	ROM	Concentrate
General and Administration	USD/t	0.26	0.38	0.22	0.41
Total Average Mining Unit Cost:	USD/t	8.60	12.76	6.32	11.49
# Total Waste Mining Costs	USD/t	1.08	10.96	0.87	9.62
# Total Ore Mining Costs	USD/t	1.40	1.80	1.03	1.88
Strip Ratio	W:O	6.80	-	6.11	-
Processing Costs	USD/t	5.07	7.53	3.90	7.08
Transport and Sales Costs	USD/t	8.46	12.56	4.89	8.89
Tribute and Royalties	USD/t	12.51	18.56	5.24	9.53
TOTAL UNIT COST	USD/t	34.90	51.79	20.57	37.40

A breakdown of mining site unit costs on a ROM tonne basis is provided in Table 11-5. Between the process of doing the pit optimisation to developing the financial model, some refinements were made as detailed.

Table 11-5. Mining cost breakdown.

Open Pit Mining Costs - Ore:		Units	Whittle 4X	Financial Model
Load and Haul	USD/t ore		0.55	0.57
Drill and Blast	USD/t ore		0.15	0.14
Ancillary	USD/t ore		0.26	0.24
Supporting Fleet	USD/t ore		0.03	0.03
Mining Operators	USD/t ore		0.05	0.05
Total			1.03	1.03
Open Pit Mining Costs - Waste:		Units	Whittle 4X	Financial Model
Load and Haul	USD/t waste		0.33	0.34
Drill and Blast	USD/t waste		0.20	0.22
Ancillary	USD/t waste		0.24	0.24
Supporting Fleet	USD/t waste		0.03	0.03
Mining Operators	USD/t waste		0.05	0.04
Total			0.84	0.87
General & Administration (Site & Offsite):		Units	Whittle 4X	Financial Model
Mine Operations - Production Supervision	USD/t ore		0.06	0.06
Safety and Training	USD/t ore		0.01	0.01
Mine Planning Services	USD/t ore		0.04	0.04
Mine Geological Services	USD/t ore		0.05	0.05
Maintenance	USD/t ore		-	0.06
Milling Supervision and Laboratory	USD/t ore		-	0.02
Total			0.16	0.22
TRIBUTE & ROYALTIES		Units	Whittle 4X	Financial Model
Tribute	USD/month		750,000	346,154
Tribute	USD/t ore		8.32	4.00
Royalty	USD/t concentrate		-	2.25

The mining cost model was based on assigning all mining costs to units of equipment. For each piece of equipment, an hourly cost was derived based on the equipment list provided by HSDSB. The hourly equipment costs were then multiplied by the required machine hours to derive a total cost (by period, destination and material type). The machine requirements are determined by the equipment productivities and utilised working hours per period.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



In April 2015, the Chaah mining tribute agreement was revised and the fee schedule was changed to allow the project to adapt to fluctuating iron ore price. Depending on the USD iron ore price, the monthly tribute ranges from MYR 1.0-3.0 million (USD 0.25-0.75 million). The tribute is calculated per forecast production and the monthly cost of USD 750,000 was applied in the optimisations based on the prevailing iron ore price of USD 90-100/t. In the financial analysis the tribute was reduced, reflect a lower price forecast for the Platts 62% Fe Index. For 2019, it is USD 0.5 million per month and from 2020 onwards it is USD 0.375 million per month.

Processing cost unit rates were applied based on product types generated from each ore grade range as shown in Table 11-6. These costs were supplied by the Company based on recent and forecast operating expenses. A significant improvement in costs will occur for the HSM when the new crushing and screening circuit is integrated into the front-end of the plant and connected to the main grid power supply.

Table 11-6. Processing cost breakdown.

Processing Costs:	Unit	30-45% Fe	45-54% Fe	>54% Fe
Allocated Process Plant	-	XHM	HSM	MCU
Crushing and Screening (Diesel)	USD/t ore	0.89	2.17	2.17
Crushing and Screening (Main-Grid)	USD/t ore	0.66	0.48	n/a
Processing Cost (Diesel)	USD/t ore	4.06	3.06	n/a
Processing Cost (Main-Grid)	USD/t ore	2.73	2.13	n/a
Tailings and Reclamation	USD/t ore	0.48	0.37	n/a
Total Processing Cost (Diesel)	USD/t ore	5.42	5.59	2.17
Total Processing Cost (Main-Grid)	USD/t ore	3.86	2.97	n/a

11.2.4.3 Sales Costs

Consideration of the market mix is important as this is a key cost driver pertaining to the sales and logistics costs for each of the specific markets, notably the domestic market has a lower sales cost than the export market. In 2014 HSDSB indicated the likely market mix would be 50-60% domestic pipe coating, 30-40% domestic steel industry and 5-10% export markets.

In 2019, Derisk has derived the market mix from the resource model based on the product specifications of HSDSB's key customers and its corporate objectives. The market mix projections were further refined during the production scheduling stage. For 2019 the market mix is assumed to be 20-30% domestic pipe coating, 70-80% domestic steel industry and no export. These assumptions are also incorporated into the forecast cashflow projections and financial evaluation.

Sales and logistical costs were based on contract rates from quotations and historical costs provided by HSDSB (Table 11-7). The average transport cost is approximately \$8.90/wmt of product. This is due to the fact that product is either transported to Kuantan to be used as pipe-coating or to the Kemaman steel plant. The haulage cost ranges between \$8.00/wmt and \$9.00/wmt respectively.

Table 11-7. Sales costs.

Sales Costs (logistics & transport):	Unit	Ore <45% Fe	Ore 45-54% Fe	Ore >54% Fe
Commission	USD/t (concentrate)	0.27	0.27	0.27
Road Haulage (to Kuantan Port)	USD/t (concentrate)	8.00	-	8.00
Road Haulage (to Kemaman Steel Mill)	USD/t (concentrate)		9.00	
Port Handling and Loading	USD/t (concentrate)	5.24		
Sea Freight (China)	USD/t (concentrate)	10.00		
Storage Costs (export sales only)	USD/t (concentrate)	0.18		
Total Sales Costs	USD/t (concentrate)	24.60	9.27	8.27
	USD/t (ore)	n/a	4.64	8.97

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

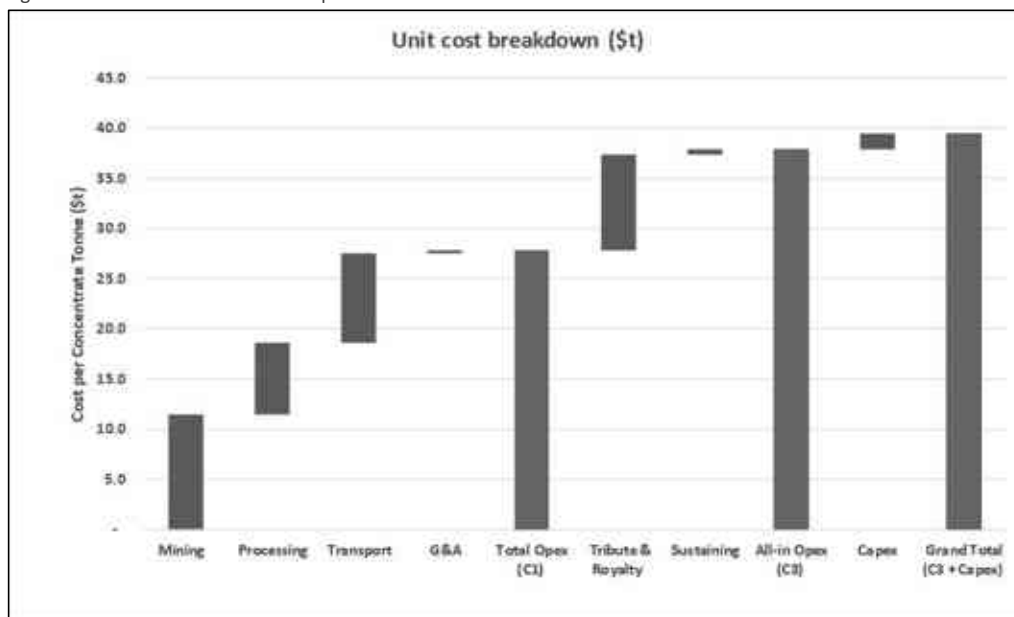
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Honest Sam Development Sdn Bhd



11.2.4.4 Cost Summary

The costs for the Chaah operation are shown in , with a total projected Cash Cost (C1) of USD 27.87 per wet metric tonne of concentrate and an All-in Sustaining Cost (C3) of USD 37.84 per wet metric tonne of concentrate.

Figure 11-1. Estimated all-in cost of production.



11.3 Mining Depletion August to October 2019

The mining depletion from 31 July 2019 to 31 October 2019 was estimated using three sources of data provided by HSDSB i.e. truck count data, sales data and the concentrate and stockpile survey pick-ups completed in July and October.

At 1 August 2019, the opening stockpile balance was 343 kt. According to the truck data, a further 325 kt of ore was added to 31 October 2019. This was sold down by approximately 309 kt over the same period, thereby reducing the inventory to the closing balance of 359 kt as at 31 October 2019. This was validated by the survey pick-ups taken from site, together with sampling for density and iron grade.

Derisk has reviewed the mining depletion data provided by HSDSB and considers the information is reasonable. The Ore Reserves and schedules were modified to reflect the depletion that took place during this period.

11.4 Pit Optimisation

11.4.1 Process

The open cut pit limits were identified to provide a guide on the potentially mineable quantities of ore and understand the characteristics of the potential open cut pit shell and the implications for the mining process. They are determined by considering both physical and economic constraints to mining. The approach involved:

- Compilation of pit limit optimisation input data generally based on the current operating parameters.
- Derivation of a marginal cut-off grade value.
- Estimate mining modifying factors by undertaking a SMU analysis.
- Complete an economic pit limit optimisation analysis.
- Select the preferred ultimate pit shell for design and further mine planning.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



The mining software used to determine the economic pit limits was Whittle 4X. The term pit limit optimisation refers to a process which aims to identify the best value mining pit shape for a given series of inputs and constraints. It does not imply that mining has been optimised in other ways – such as equipment optimisation, or labour optimisation, or grade optimisation.

Whittle 4X uses the industry-standard Lerchs-Grossman algorithm to define a three-dimensional shape for the open cut pit which is considered the optimal economic shell for mining. Generally, multiple pit shells are defined based on a range of ore selling prices which aids in understanding the deposit's sensitivity to changes in economics and which shells deliver the greatest value.

A key outcome of the economic pit limit optimisation process using Whittle 4X is the generation of a range of 3D pit shells, referred to as nested pit shells, based on a range of product prices. This metal price sensitivity analysis is completed by applying a revenue factor (RF) to the base case metal price i.e. a 100% RF pit shell results from multiplying the selling/metal prices by 100%. A 70% RF pit shell indicates the shape of the pit and mineable quantities at 70% of these prices. The outcomes are very important in showing the sensitivity of the deposit to economic factors, including product price and is a key consideration in the selection of the optimal pit shell for mine planning.

The resulting nested pit shells also indicate the likely strategic development of the deposit. The ideal pit development strategy in order to maximise cashflow involves mining successive pit shells from lowest revenue (say, 50% RF) factor to highest (say, 100%) i.e. a pit shell based on a RF of 50% would have a higher margin than one at a RF of 80% and hence would be sequenced to be mined first.

11.4.2 Inputs

The block size of the geological model is 20 m x 20 m x 5 m, which is larger than the SMU for this deposit, which is considered to be 10 m x 10 m x 5 m. No changes were made to the model for the optimisation. Pit optimisation was initially run including Indicated and Inferred Resource categories, with all unclassified material assumed to have zero grade and therefore considered waste.

No physical constraints were applied, such as roads, rivers or environmental factors. All optimisations stayed wholly within the tenement boundary.

All other inputs to the optimisation are described in Section 11.2.

11.4.3 Results

A sensitivity analysis was undertaken to ascertain how the open cut pit limits and mineable quantities change with metal price. The pit optimisations were undertaken on Indicated and Inferred Resources. The price sensitivity analysis was on sales values from 30% to 150% of the adopted commodity prices i.e. RF from 30% to 150%.

A summary of the pit limit optimisation results from the sensitivity analysis for each RF/metal price is set out in Table 11-8 and illustrated in Figure 11-2. The total mineralised material for the deposit, at the 100% RF is estimated at 9.2 Mt @ 46.2% Fe and a strip ratio of 5.1:1. The 100% RF case (Pit 8) contains 6.6 Mt of Indicated Resource at a cut-off criterion of 30% Fe.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

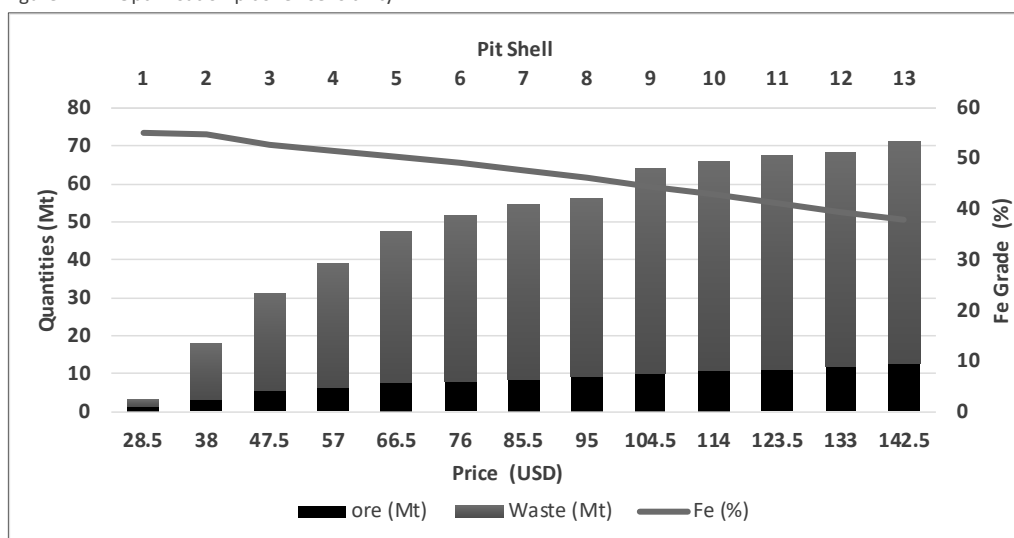
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Honest Sam Development Sdn Bhd



Table 11-8. Optimisation metal price sensitivity analysis.

Pit	RF (%)	Price (USD)	Total Rock	Ore (Mt)	% Change	Waste (Mt)	Strip Ratio	Fe (%)	Al ₂ O ₃ (%)	P ₂ O ₅ (%)	SiO ₂ (%)
1	30	28.5	3.2	1.4	129	1.8	1.3	54.9	0.8	0.6	13.2
2	40	38.0	17.7	3.2	72	14.5	4.5	54.8	0.9	0.6	12.8
3	50	47.5	31.1	5.5	20	25.6	4.7	52.8	1.4	0.6	14.5
4	60	57.0	39.3	6.6	15	32.7	4.9	51.5	1.7	0.7	15.7
5	70	66.5	47.7	7.6	7	40.0	5.2	50.2	2.0	0.7	17.0
6	80	76.0	51.6	8.1	6	43.5	5.3	49.1	2.3	0.8	18.2
7	90	85.5	54.6	8.6	7	46.0	5.3	47.8	2.6	0.8	19.6
8	100	95.0	56.2	9.2	9	47.0	5.1	46.2	2.9	0.8	21.2
9	110	104.5	64.0	10.0	6	54.0	5.4	44.4	3.4	0.9	23.1
10	120	114.0	65.7	10.6	6	55.2	5.2	42.8	3.7	0.9	24.7
11	130	123.5	67.2	11.2	6	56.1	5.0	41.3	4.1	0.9	26.3
12	140	133.0	68.4	11.9	7	56.5	4.8	39.5	4.5	1.0	28.0
13	150	142.5	71.2	12.7	-100	58.5	4.6	37.9	5.0	1.0	29.6

Figure 11-2. Optimisation pit shell sensitivity.



The results indicate:

- There are several step changes in pit size indicating RFs in which the deposit has higher sensitivity. The lower RFs (<70%) are very sensitive with material changes occurring from Pit 1 to Pit 5 with smaller changes occurring thereafter.
- The initial pit shells result in high grades tapering down as the RF increases. This is due to Whittle 4X identifying the high-grade shallow ore as a high value zone. Conversely the strip ratio increases significantly at 40% RF and 70% RF before being relatively consistent until 100% RF.

11.4.4 Cashflow Analysis

The basic Whittle 4X pit limit optimiser result defines the optimal pit shell for fixed mining, economic and physical constraints. However, this outcome is not necessarily the best result as it does not account for possible changes in value over the mining life. To overcome this issue, Whittle 4X undertakes a LOM cashflow analysis to assess the NPV of each pit shell and thereby assesses which shell potentially delivers the highest economic return.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



For the total cashflow of a pit to be calculated, there needs to be a LOM production schedule to allow mining costs and revenues to be determined over time. The software develops three types of schedules that reflect a best-case, worst-case and typical-case schedule:

- The best-case schedule assumes mining commences at the innermost nested pit shell and then expands to successively larger shells until the selected pit limit is reached. As this sequence also reflects mining from the highest to lowest margin per tonne pit shell, it theoretically produces the highest project cashflow. This result is optimistic as the pit shells often are not of practical mining width and hence the staged development represented in the schedule is not achievable in practice.
- The worst-case schedule assumes mining occurs in horizontal benches, starting from the highest elevation and then proceeding down to the base of the selected pit. There are no interim pit shells mined. As the upper benches typically have the highest strip ratio, this often results in the cashflow approaching the lower bound for the selected pit.
- The typical schedule is somewhere between the best-case and worst-case scenario as this would be representative of a schedule that takes into consideration practicalities.

The end scheduling year is determined based on user-defined constraints e.g. limits to mining production. Whittle 4X does not attempt to optimise a scheduling sequence to best meet all constraints and maximise cash flow, but simply follows the rules dictated by the best-case, worst-case and typical-case scenario schedules.

Derisk assumed the following production constraints based on the outcome of the trade-off study:

- A limit on the processing plants of 1.2 Mtpa.
- Maximum total rock moved limit of 8 Mtpa.
- Discount Rate of 8%.
- No capital required – all sustaining Capex was included in the unit rates.

All other parameters, including mining and metallurgical modifying factors and costs were the same as the pit limit optimisation modelling. The results of the cash flow analysis are set out in Table 11-9 and illustrated in Figure 11-3.

Table 11-9. Optimisation cashflow analysis.

Pit Shell	Undiscounted (MUSD)	Best-case (MUSD)	Typical-case (MUSD)	Worst-case (MUSD)	Ore (Mt)	Waste (Mt)	Strip Ratio
1	87.5	81.5	81.5	81.5	1.7	1.5	0.8
2	187.1	164.7	159.5	154.3	4.6	13.1	2.9
3	245.4	206.2	192.7	179.3	6.5	24.6	3.8
4	266.6	220.2	201.3	182.3	7.5	31.8	4.2
5	279.6	228.3	204.4	180.5	8.4	39.2	4.6
6	282.3	229.9	203.0	176.1	8.8	42.9	4.9
7	283.3	230.4	201.6	172.8	9.0	45.6	5.1
8	283.4	230.5	201.0	171.5	9.1	47.0	5.1
9	283.1	230.3	195.1	160.0	9.5	54.5	5.7
10	282.7	230.0	194.1	158.1	9.6	56.1	5.9
11	282.2	229.8	192.8	155.8	9.7	57.6	6.0
12	281.6	229.5	191.8	154.1	9.7	58.6	6.0
13	280.3	228.8	189.0	149.2	9.8	61.4	6.2

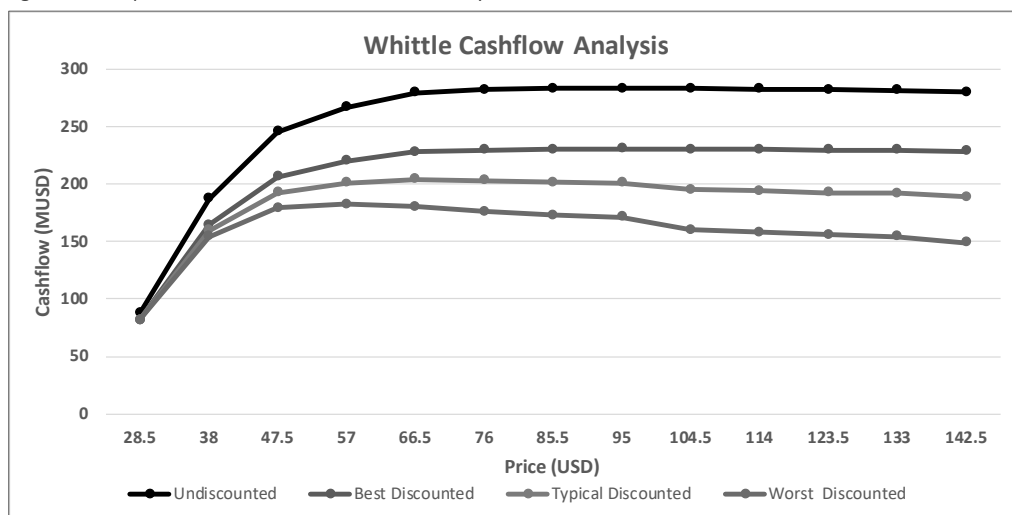
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 11-3. Optimisation schedule cashflow sensitivity.



The results for the typical-case schedule indicate that the RF 100% Pit 8 shell will not likely deliver the highest NPV. The pit shells that will likely deliver the best NPV are in the range of RF 70% Pit 5 to RF 90% Pit 7.

Derisk selected Pit 5 (70% RF) as the base case for the ultimate pit for mine planning and the Ore Reserve estimate, considering it is the highest NPV from the typical-case schedule and is conservative to reflect the volatility in iron ore price. It contains 7.4 Mt of Indicated Resource and 1.0 Mt of Inferred Resource.

11.5 Mine Design

11.5.1 Ultimate Pit

Derisk completed a pit design, guided by the Whittle 4X pit shells produced from the optimisation process. The pit was designed with a standard bench height of 10 m and was large enough to be developed over a series of cutbacks. Three stages were designed and summarised in Table 11-10. The total quantity of material scheduled to be extracted from 1 November 2019 is 48.0 Mt comprising 6.7 Mt of Indicated and Inferred Resources @ 50.7% Fe and 41.2 Mt of waste for a strip ratio of 6.1.

Table 11-10. Pit design summary commencing from 1 November 2019.

Pit Inventory	Waste (Mt)	Indicated and Inferred (Mt)	Total (Mt)	Strip Ratio	Fe (%)
Starter Pit (Stage 1)	2.3	1.1	3.4	2.1	53.7
Intermediate Pit (Stage 2)	11.2	2.3	13.5	5.0	50.0
Final Pit (Stage 3)	27.7	3.4	31.1	8.1	50.2
Total	41.2	6.7	48.0	6.1	50.7

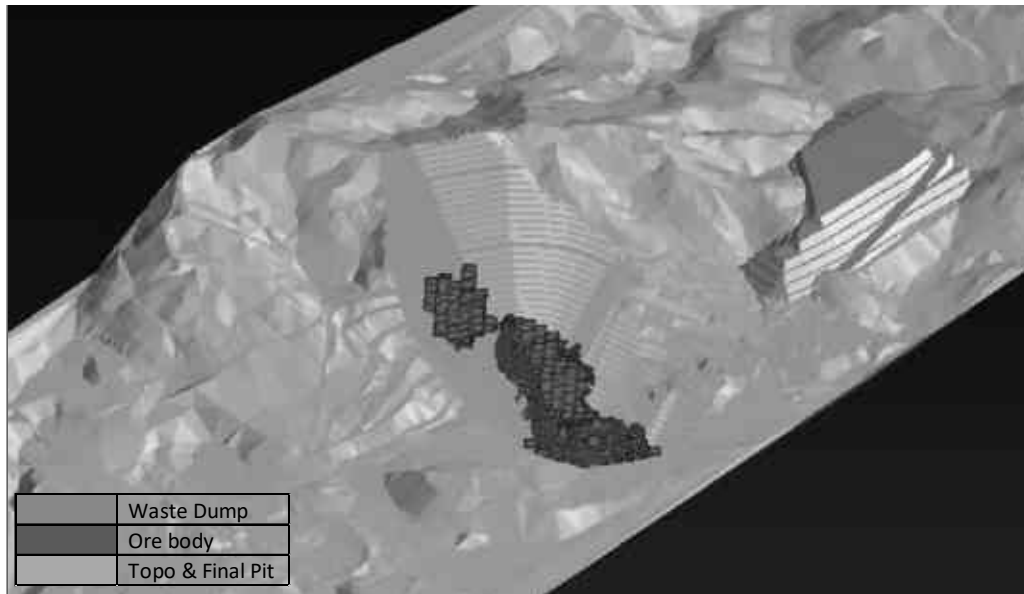
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 11-4. Final pit limits.



11.5.2 Design Parameters

11.5.2.1 Open Pit Parameters

The pit design parameters are presented in Table 11-11. Currently the design does not consider the possibility of in-pit dumping due to the lack of available surface area to allow for this.

Table 11-11. Pit design parameters.

Pit Design Parameters	Unit	Amount
Bench Height	m	10
Berm Width	m	5
Slope Angle	Degrees	45
Batter Angle	Degrees	75
Catch berm (70 to 100mtrs)	m	15
Haul Road Width (above -100mRL)	m	17
Haul Road Width (below -100mRL)	m	12
Haul Road Gradient (above -100mRL)	Gradient	1:10
Haul Road Gradient (below -100mRL)	Gradient	1:8

11.5.2.2 Haul Road Parameters

Haul road and bench parameters are summarised in Table 11-12. The design assumed double-lane traffic down to -100 mRL for a 50-100 t capacity rigid body truck. From -100 mRL to -170 mRL the ramp width reduces to tighten the mine design, thereby minimising waste movement. The overall width of the rigid body haulage fleet is 5.1 m (Caterpillar 773-50 t) and 6.3 m (Caterpillar 777-100 t). Below -100 mRL, it will become difficult for rigid body trucks to manoeuvre and Derisk has assumed a transition of the fleet to predominately articulated 40-50 t trucks towards the end of the mine life.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 11-12. Haul road design parameters.

Ramp/ Road Parameter	Unit	-100mRL	-170mRL
Height above mRL	mRL	-100	-170
Ramp Gradient	1:	10	8
Dual Lane Ramp Width	m	24	17
Single Lane Ramp Width	m	16	12
Minimum Mining Width	m	30	20
Truck type capacity	type	50-100 t (rigid)	40 t (articulated)
Bench Parameter	Unit	Value	Value
Height above mRL	mRL	-100	-170
Bench Access - Inside Cut	m	5	5
Bench Access - Outside Cut	m	5	5
Minimum Turning Radius	m	22	8

11.5.2.3 Waste Disposal

Two dumps positioned in the northern and western end of the tenements provide sufficient space to meet the requirements of the Chaah project for the LOM waste movement. The northern dump will likely become the main dump, for the equivalent of 42 Mt of waste.

The dumps are designed using 10 m lifts at a slope angle of 37°, approximately similar to the angle of repose for broken material. Both the northern and western dumps can be expanded if required.

11.6 Production Schedule

11.6.1 Constraints

A three-stage production schedule (starter, intermediate and final) was developed and sliced into 10 mRL increments. Material greater than 30% Fe was separated into parcels based on grade ranges, with each parcel assumed to be mined at the same rate and parcels allocated to one of three processing routes. The production schedule was completed in quarterly increments over the LOM, with a start date of 1 November 2019.

The mining constraints were largely based on available excavation equipment and the respective mining capacities based on effective operating hours per annum (Table 11-13). The scheduled production target on a quarterly basis used a conservative mining target of 2.2 Mt, well within the theoretical capacity of 2.65 Mt.

Table 11-13. Mine production constraints.

Calculated Feasible Production Capacity:	Units	Productivity (t/hr)	Quarterly Effective Operating (hr/qtr)		Quarterly Production Capacity (t/qtr)	
			1 x Shift	2 x Shift	1 x Shift	2 x Shift
CAT390	4	817	538	1,359	1,759,889	4,442,892
CAT385	1	817	538	1,359	439,972	1,110,723
PC450	2	418	538	1,359	449,864	1,135,694
Total			1,615	4,078	2,649,724	6,689,308

Processing constraints were applied to the schedule for each processing route (Table 11-14). The mills, when operating at full capacity, should be able to produce 30,000 t/month of concentrate at a grade of 65% Fe (HSM) and 62-65% Fe (XHM).

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 11-14. Processing constraints.

Processing Route	Units	XHM	HSM	MCU
Required Head Grade	Fe %	30-45	45-54.5	>54.5
Throughput Capacity	t/hr	135	150	160
Metallurgical Recovery	%	58.0	60.3	96.8
Operating Availability/Utilisation	%	80.0	80.0	80
Annual Operating Days	Days/a	340	340	340
Effective Operating Hours Per Calendar Year	Hr/a	5,440	5,440	5,440
Design Process Plant Throughput Capacity	t/a	734,400	816,000	870,400

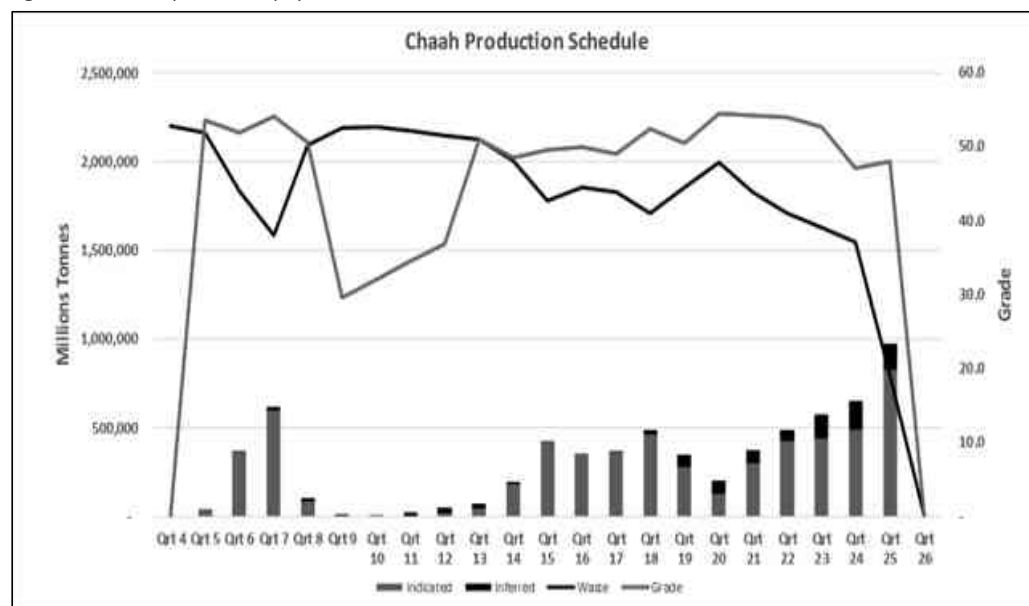
11.6.2 Mine Schedule

The overall base-case open pit mining schedule is illustrated in Figure 11-5. The early stages of the mining schedule (particularly quarters 9 to 13) focus on the removal of waste (cut-back) from the highwall. This is required in order to expose the ore located from 50 mRL down. The pit is developed over three phases consisting of an initial cut-back to access a portion of the ore before commencing a second cut-back approximately midway through the project's mine life.

The strip ratio reduces dramatically over the LOM. The overall material movement target per annum remains the same at approximately 2.25 Mt per quarter with an ever-increasing ratio of ore to waste meaning that a large stockpile at the ROM will begin to accumulate towards the end of the mine-life as the combined process facility capacity is 1.55 Mtpa. Due to the increased haulage distances and reduced cycle time of the haulage fleet, there will be a temporary expansion of the trucking fleet.

A visual representation of the mining advance at each stage is illustrated in Figure 11-6. For the staging of the pit development, Whittle shells 1, 3 and 5 were selected as the basis for detailed mine design. Derisk notes that this pit design is basic and an optimal design will result from more detailed planning and scheduling. However, Derisk considers that this design is satisfactory for estimation of Ore Reserves and valuation of the Project, but recommends that HSDSB undertakes further optimisation of the mine schedule.

Figure 11-5. Mine production physicals.



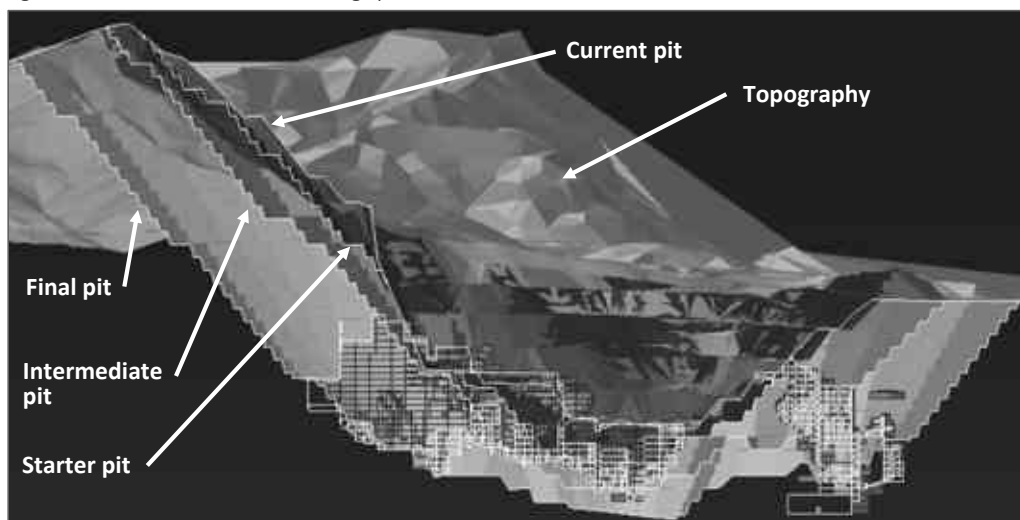
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 11-6. Isometric view of three-stage pit schedule.



11.6.3 Production Forecast

Production has been scheduled over a seven-year mine life and is summarised in Table 11-15.

Table 11-15. Annual production schedule.

Production Schedule:	Unit	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	Total
Mining (Waste)	Mt	2.2	7.7	8.7	7.8	7.4	6.7	0.8	41.2
Mining (Ore+Mineralised Waste))	Mt	0.0	1.1	0.1	1.0	1.4	2.1	1.0	6.7
– Indicated Resources	Mt	0.0	1.1	0.0	1.0	1.2	1.6	0.8	5.8
– Inferred Resources	Mt	0.0	0.0	0.1	0.1	0.2	0.4	0.1	1.0
Contained Metal (t Fe)	kt	0	600	35	517	725	1,075	468	3,420
– Indicated Resources	kt	0	581	7	491	630	847	398	2,954
– Inferred Resources	kt	0	19	27	26	95	228	70	466
Weighted Grade (%Fe)	%	0.0	53.0	35.0	49.6	51.3	51.5	48.1	50.7
– Indicated Resources	%	0.0	53.7	37.9	49.8	51.1	51.4	48.2	51.0
– Inferred Resources	%	0.0	39.5	34.3	46.6	52.7	52.1	47.0	49.0
Strip Ratio	W:O	0.0	6.8	88.0	7.4	5.2	3.2	0.8	6.1
XHM:									
Ore Milled	kt	0	119	98	381	322	380	694	1,995
Product Yield	%	0	40	33	41	42	41	41	41
Domestic Steel	kt	0	48	32	157	134	156	288	815
HSM:									
Ore Milled	kt	0	642	149	465	759	816	652	3,482
Product Yield	%	0	50	51	49	50	51	49	50
Domestic Steel	kt	0	323	76	227	375	413	321	1,734
MCU:									
Ore Milled	kt	0	221	0	196	272	398	181	1,267
Product Yield	%	0	93	0	90	92	93	89	92
Pipe coating	kt	0	206	0	177	248	369	161	1,160

Note: 1. Product Yield = (head grade x metallurgical recovery)/ concentrate grade.
2. Inferred Resource is excluded from the Ore Reserve but is included in the schedule because it is <15% of the total material to be processed.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Based on this schedule, an estimated 6.7 Mt of material is processed to deliver approximately 3.7 Mt of saleable material to the domestic steel and pipe-coating market.

11.7 Ore Reserve Estimation and Classification

11.7.1 2014 Ore Reserves

OME reported Ore Reserves for Chaah at a cut-off criterion of 30% Fe, with an effective date of June 2014, and these are shown in Table 11-16. There were no Proved Reserves because there were no Measured Resources, and all Mineral Resources inside the LOM open pit classified as Indicated Resources were converted to Probable Reserves.

Table 11-16. Ore Reserves as at June 2014 reported using a cut-off criterion of 30% Fe.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Proved	–	–	–	–	–
Probable	8.6	52.1	15.2	1.7	1.4
Total	8.6	52.1	15.2	1.7	1.4

Source: OME, 2014.

11.7.2 2019 Cut-off Criterion

Table 11-17 presents a summary of cut-off estimates derived from different approaches. The metallurgical testwork suggests that it is possible to upgrade to the required product grade from a head grade of approximately 29% Fe whilst ensuring reasonable yields. The theoretical cut-off based on what is metallurgically possible to upgrade is estimated at 10% Fe. However, at this grade, the yield would be too low to be economic based on current pricing. Derisk has adopted the same cut-off criterion of 30% as used by OME in 2014 for the 2019 Ore Reserve estimate.

Table 11-17. Ore Reserve Cut-off Parameters.

Cut-off type	Market	Process Plant	Estimated Cut-off (% Fe)
Economic	Domestic steel	XHM	25.2
	Domestic steel	HSM	15.3
Metallurgical	Domestic steel	XHM, HSM	10
	Pipe-coating	MCU	55
Tonnes-Grade Curve	Domestic steel	XHM, HSM	30

11.7.3 2019 Ore Reserves

Table 11-18 presents in situ Ore Reserves reported at a cut-off criterion of 30% Fe as at 31 October 2019. There are no Proved Reserves because there are no Measured Resources, and all Mineral Resources inside the LOM open pit classified as Indicated Resources have been converted to Probable Reserves.

Table 11-18. In situ Ore Reserves as at 31 October 2019 reported using a cut-off criterion of 30% Fe.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Proved (in situ)	-	-	-	-	-
Probable (in situ)	5.8	51.0	16.2	1.7	1.6
Total (in situ)	5.8	51.0	16.2	1.7	1.6

Note: Totals may not add due to rounding effects.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Section 8.8 presents a reconciliation of Mineral Resources vs production statistics and indicates there is a very good reconciliation between resources and the production reported by HSDSB from June 2014 to July 2019.

Derisk has reviewed the information provided by HSDSB on the 42 stockpiles at site (refer to Section 8.7) and has included some of these in the reserve inventory. Five material types are defined and reported in Table 11-19.

Table 11-19. Ore Reserve stockpiles as at 31 October 2019 reported using a cut-off criterion of 30% Fe.

Stockpile Material Type	Density (t/m ³)	Volume (m ³)	Tonnes	Fe (%)
Hematite Fines (<20 mm)	2.4	17,500	47,000	55.9
Hematite Boulders	2.1	54,500	129,500	52.7
Hematite Lump (~100 mm)	2.7	1,500	3,500	60.5
Hematite Superfine	2.8	15,500	42,500	64.4
Hematite Fines (high phosphorus)	2.7	40,000	108,500	56.3
Total		129,000	330,500	55.9

Note: Totals may not add due to rounding effects.

Table 11-20 presents the total Ore Reserves for Chaah as at 31 October 2019, totalling 6.1 Mt @ 51.2% Fe.

Table 11-20. Total Ore Reserves as at 31 October 2019.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Proved	-	-	-	-	-
Probable (in situ)	5.8	51.0	16.2	1.7	1.6
Probable (stockpiles)	0.3	55.9	-	-	-
Total (in situ)	5.8	51.0	16.2	1.7	1.6
Total	6.1	51.2	-	-	-

Notes: 1. In situ reserves and stockpiles reported at a cut-off criterion of 30% Fe.
2. Totals may not add due to rounding effects.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



12 MINING

12.1 Operations

ROM ore and waste rock is mined by conventional drilling and blasting, then loading and hauling from a single open pit mine. The mining fleet is owned and operated by HSDSB and consists of small hydraulic rockdrills, small hydraulic excavators configured as backhoes, off-highway rear-dump haul trucks, and support equipment such as graders, dozers, and water carts. Figure 12-1 shows the layout of the main operation.

Figure 12-1. Chaah mining scheme layout.



Source: AMC, 2015.

A large volume of waste rock overburden has been removed previously to expose the underlying iron ore. ROM ore is hauled to the on-site ore processing facilities, and waste rock is hauled to ex-pit waste rock dumps or used for access road construction.

Operations are staged to enable smoothing of ore and waste rock volumes. Staging is achieved by extracting from successive benches and terraces, commencing from the top portion of the hill slope and progressing down the hill in a series of 10 m high benches. Berm widths of 5 m are left between successive benches. Batter face angles are generally 75° in competent rock, with flatter slopes in weathered and highly weathered rock, down to 45°. Haul roads are currently designed to be 19 m wide for two-way haulage for the Caterpillar 777 haul trucks above -100 m RL, and 13 m wide below that level for single-lane access. Haul road gradient is designed at 10%.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



The mining scheme plan comprises the mine working area, ore and product stockpiles, waste rock dumps, maintenance facilities, MCUs, milling plants (HSM and XHM), TSF, support structures, office buildings, and other infrastructure. Figure 12-2 presents a selection of images from the mining operation.

Figure 12-2. Mining operations.



Top LHS image: Open pit looking northwest.

Top RHS image: Open pit looking southeast.

Centre LHS image: View of northern pit cutback showing drilling, loading and hauling.

Centre RHS image: Top of the northern waste dump.

Bottom LHS image: View looking southeast of the mine to the laydown and staging area.

Bottom RHS image: Rock-breaker fracturing hematite boulders.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Water accumulates in the bottom of the open pit before being pumped out and discharged into a settling pond located in the western end of the project area. The pump is sufficient to pump water up to a pressure head of approximately 60 m and capable of dewatering the mine at a rate of approximately 15 L/sec.

12.2 Equipment

The primary equipment operated by HSDSB for mobile mining in drilling, blasting, loading and haulage operations is summarised in Table 12-1. The mining fleet is sufficient to support the installed ore-processing capacity. A large ancillary fleet is based on the site to support the production equipment, and comprises a variety of front-end loaders, small excavators, dozers, graders, water carts, and service vehicles.

Table 12-1. Mining equipment list.

Equipment	Model	Number	Description
Excavator	Caterpillar 390D	4	Ore and waste movement
Excavator	Caterpillar 385B	1	Back-up excavator
Excavator	Caterpillar 320D	1	Back-up excavator
Excavator	Komatsu PC450	3	Ore and waste movement
Excavator	Komatsu PC300	3	Ancillary work
Excavator	Komatsu PC200	2	Ancillary work
Haul truck	Caterpillar 777D	6	Waste rock haulage
Haul truck	Caterpillar 773D	8	Ore haulage
Haul truck	Caterpillar 740	8	Existing haul trucks
Haul truck	Caterpillar 773E	9	Existing haul trucks
Haul truck	Caterpillar 769D	4	Existing haul trucks
Haul truck	New Holland AD250	4	Existing haul trucks
Drill	Jun Jin CSM	3	Waste rock drilling
Drill	Jun Jin JD/SD	2	Ore drilling
Drill	Sandvik DE710	1	Diamond drilling
Drill	Doosan	1	Rock breaking
Dozer	Caterpillar D9	1	Bench and waste dump maintenance
Grader	Caterpillar 12H	1	Bench and haul road maintenance
Front-end loader	Caterpillar 980G	3	Ancillary work

Source: HSDSB.

12.3 Waste Disposal

HSDSB has been granted approval to establish several waste rock dump sites. Overburden is dry excavated, transported and placed in dumps with a slope angle of 1:1.5, constructed from the bottom up using paddock dumping and compaction using dozers. Successive 10 m high waste rock benches are then constructed to a total height of 30 m

Waste rock dumps are currently located in the southwest and western part of the mine area. A new 200-hectare area to the south of the existing dump, adjacent to the present lease area has also been approved as a waste rock dump site. An additional site is designed to the north of the open pit, covering a horizontal area of approximately 430 ha. There is sufficient capacity within the planned and approved dumps to store the waste rock from the proposed LOM pit.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



13 PROCESSING

13.1 Operations

Chaah ore is processed through the existing on-site ore-processing facilities, which consist of fixed crushing units, MCUs, the HSM processing plant and the XHM processing plant (formerly called the Grand Challenger processing plant). Three products are produced:

1. High-grade DSO is processed through fixed crushers and MCUs to generate a high-density product greater than 4.4 t/m³ for the domestic pipe-coating market.
2. Medium-grade iron ore is processed through the HSM to generate a fines product at nominally 65% Fe. Most of the output from this facility is sold to the domestic steel industry.
3. Low to medium-grade iron ore is processed through the XHM to generate a fines product at nominally 62-65% Fe. Most of the output from this facility is sold to the domestic steel industry or exported.

13.1.1 Fixed Crushing

Four fixed crushing plants with a rated capacity of 300 tph each were constructed at Chaah. The configuration of these plants consists of a conventional jaw crusher (primary crusher) followed by a secondary cone crusher unit and tertiary cone crusher with final screen. The circuit is closed circuit with an estimated 40% recycled in order to achieve an average size of 10 mm. The process is dry. These plants process DSO for pipe-coating.

13.1.2 Mobile Crushing and Screening

Several MCU's with nominal capacities from 160 t/hr to 200 t/hr each operate at Chaah (Figure 13-1). The feed material enters a primary jaw crusher, followed by a secondary cone crusher. A 10 mm screen is placed in closed circuit with the cone crusher. Screen undersize is sent to the product stockpile. Oversize material returns to the secondary crusher feed. These units operate dry. Most of the product from these plants is supplied as pipe-coating product, but these plants are also used to supply crushed material to the HSM plant.

Figure 13-1. MCUs at Chaah.



13.1.3 HSM Plant

The HSM plant comprises grinding, magnetic separation and dewatering to produce a high-grade Fe product (Figure 13-2). Material is currently crushed through the MCUs then hauled to the HSM plant, but HSDSB is building a crushing plant at the HSM plant to circumvent the MCUs. Two stages of grinding (ball mills), each in closed circuit with hydrocyclones generate feed to the magnetic separation circuit. A conventional magnetic-separator circuit separates a magnetite product stream. Three stages of high-intensity magnetic separators (SLON) arranged as rougher, scavenger, and cleaner separate weakly magnetic hematite material to the product stream. The final product is dewatered using cyclones and vacuum filtration.

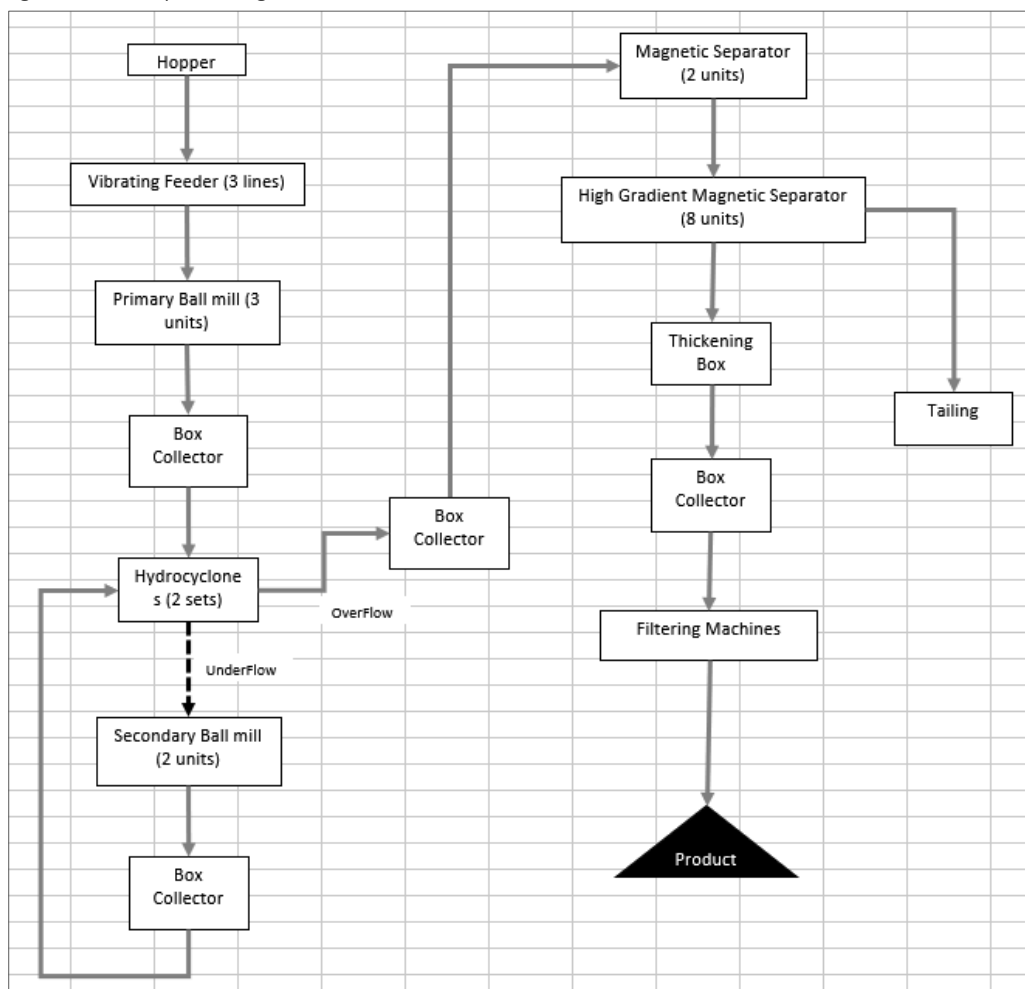
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 13-2. HSM plant configuration, 2019.



Source: HSDSB.

Table 13-1 summarises the operating parameters of the HSM plant and Figure 13-3 shows a selection of images of the HSM plant.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 13-1. HSM operating parameters.

Operating Parameters	Unit	1 × shift	2 × shift
Processing rate	t/hr	150	150
Process recovery: Fe	%	60.3	60.3
Head grade	%	51.0	51.0
Concentrate purity	%	65.0	65.0
Yield (calculated)	%	47.3	47.3
Annual operating days	days	340	340
Daily operating hours	hr/day	10	20
Design utilisation	%	80	80
Operating time	hr/yr	2,720	5,440
Nameplate capacity	t/yr	408,000	816,000
Mill target	t/yr	408,000	816,000

Figure 13-3. HSM plant, July 2019.



Top LHS image: New crushing facilities under construction.

Top RHS image: View of the plant from the existing crushed stockpile area feeding the conveyor belt to the ball mills.

Bottom LHS image: General view of the plant.

Bottom RHS image: Hematite concentrate stockpile.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

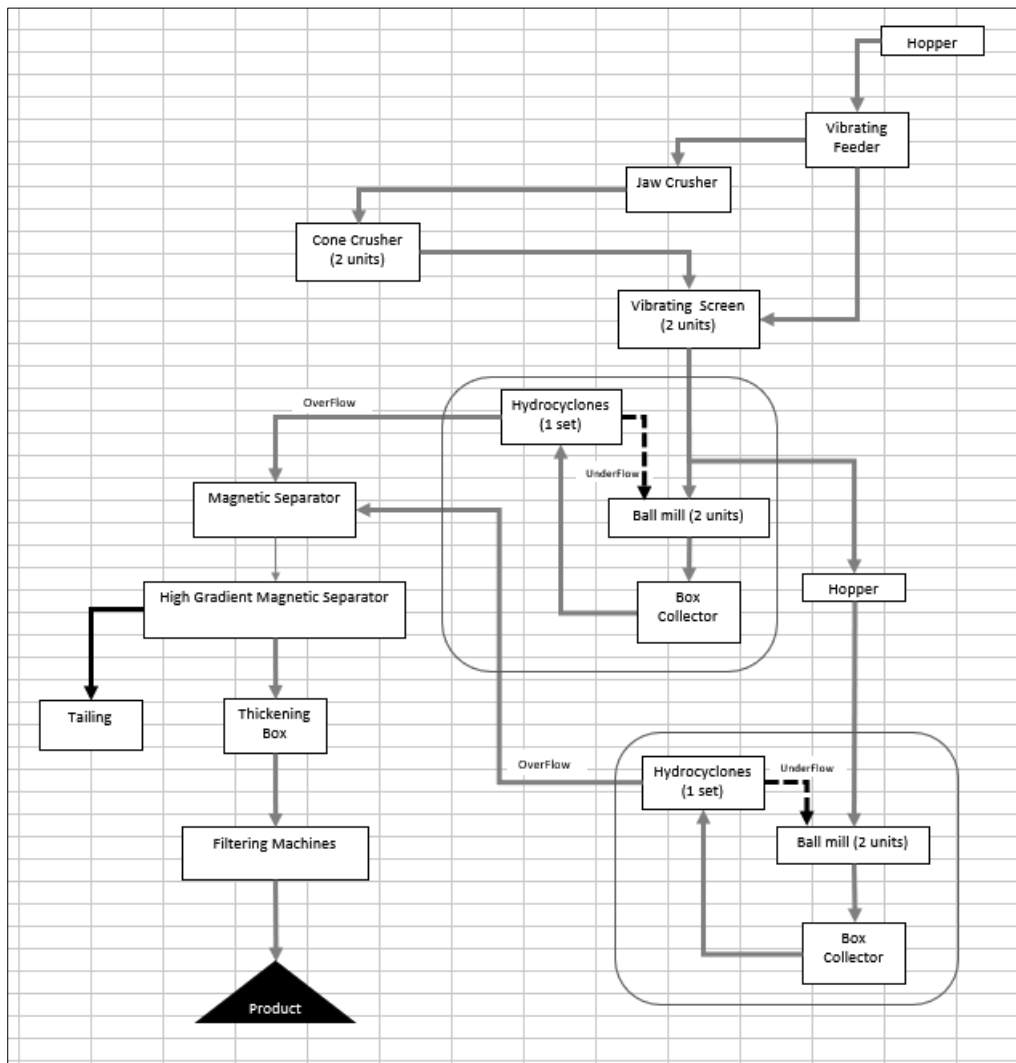
P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



13.1.4 XHM Plant

The XHM plant comprises crushing, grinding, gravity separation, magnetic separation, and dewatering to produce a high-grade Fe product (Figure 13-4). ROM ore passes through two stages of crushing, then two stages of grinding (ball mills), each in closed circuit with hydrocyclones. A gravity separation circuit is used to upgrade lower-grade iron ore prior to the magnetic separation circuit. A conventional magnetic-separator circuit separates a magnetite product stream prior to SLON to separate weakly magnetic hematite material to the product stream. The final product is dewatered using cyclones and vacuum filtration.

Figure 13-4. XHM plant configuration, 2019.



Source: HSDSB.

Table 13-2 summarises the operating parameters of the XHM plant and Figure 13-5 shows a selection of images of the XHM plant.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 13-2. XHM operating parameters.

Operating Parameters	Unit	1 × shift	2 × shift
Processing rate	t/hr	135	135
Process recovery: Fe	%	58.0	58.0
Head grade	%	43.1	43.1
Concentrate purity	%	62.0	62.0
Yield (calculated)	%	40.3	40.3
Annual operating days	days	340	340
Daily operating hours	hr/day	10	20
Design utilisation	%	80	80
Operating time	hr/yr	2,720	5,440
Nameplate capacity	t/yr	367,200	734,400
Mill target	t/yr	367,200	734,400

Figure 13-5. XHM plant, July 2019.



Top LHS image: Overview of the plant layout, including concentrate stockpile.

Top RHS image: Crushing facilities and crushed ore conveyors.

Bottom LHS image: General view of the plant.

Bottom RHS image: Magnetic separation units.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



13.2 Tailings Storage and Disposal

The Chaah operation has three TSFs. A bund system around the tailings area has been constructed from overburden material extracted from the mine. The top of the bund is approximately 3.0 m wide, 5.0 m in height and is constructed to a 1:1.5 slope gradient. Derisk understands that no geotechnical evaluation was carried out on the TSFs prior to construction.

The tailings water is kept at a level that allows for 1 m of freeboard. The tailings pond allows for the settling of fines and for the clean water to be recycled back to the plant. Overflow from the third TSF is diverted to a spillway. To prevent uncontrolled overflow and risk associated with the structural integrity of the dam walls, concrete spillways were constructed. In addition to this, discharge ditches were constructed allowing clean water to flow into the Sungai Simpang Kiri. Water from the third pond is also used for wet processing at site and dust suppression. The quality of water discharged is monitored for solids content to ensure it is below required levels.

TSF1 in the northwestern area of the lease carries the fines and run-off from the washing and crushing operations from the MCUs and comprises two compartments with an individual water pump installed in each compartment to recirculate the settled water back into the process plants. TSF2 is used to store fines from the HSM and XHM plants and is located in the southern section of the lease area. Overflow from TSF1 and TSF2 flow to TSF3.

The design parameters of total tailing retention for TSF 1, 2 and 3 are summarised in Table 13-3, and photographs of TSF2 are shown in Figure 13-6. The estimate of utilised dam capacity was based on visual observation during the Derisk site-visit. As the dams approach their full capacity, the tailings are reclaimed and trucked to the waste dump or may be potentially sold as low-grade fines.

Table 13-3. TSF capacity.

Capacity Estimates	Units	TSF1	TSF2	TSF3
Total area of retention ponds	m ²	7,000	54,600	18,200
Average depth	m	5	3.5	3.5
Total design capacity	m ³	35,000	191,100	63,700
Utilised capacity	%	70%	70%	70%
Remaining capacity	m ³	10,500	57,300	19,100
Utilisation Estimates				
Rate of mining / month	m ³	120,000	120,000	120,000
Ore to Waste Ratio	W:O	7	7	7
Volume of ore treated/month	m ³	15,000	15,000	32,000
Percentage of sand and slime	%	40%	40%	40%
Estimated tailing volume/month	m ³	6,000	6,000	12,800

Source: OME, 2014.

Figure 13-6. TSF2 showing water pump and excavator recovering tailings for sale, July 2019.



APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



14 PRODUCT SALES

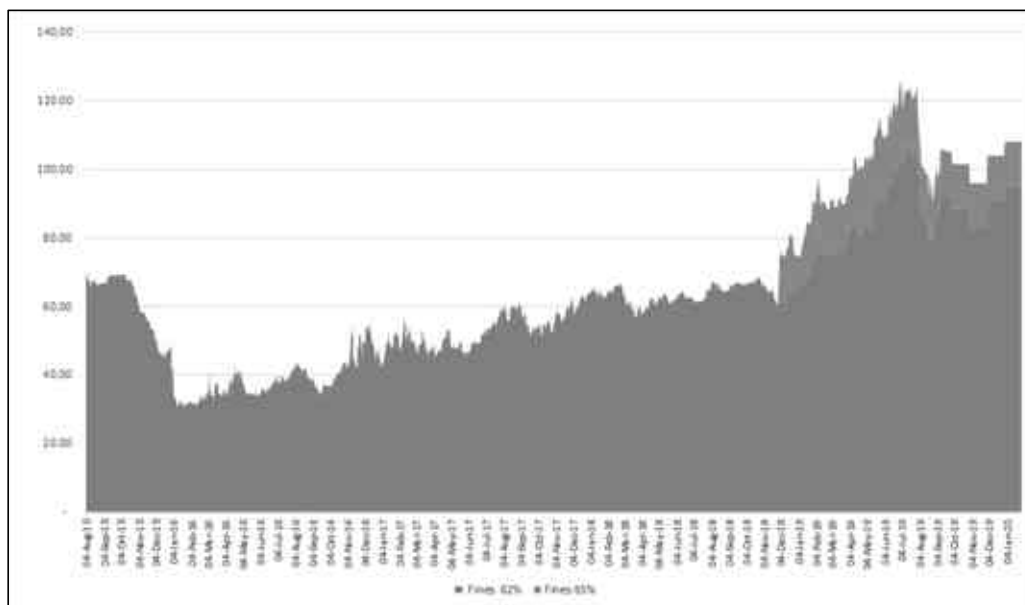
14.1 Market Overview

Iron ore pricing is dependent on product specifications and there are several indices that track the spot price of iron ore fines at different qualities, which are used as a pricing reference for seaborne iron ore by steel makers, traders, and mining companies globally. Typically, the main assessment is based on a standard specification of iron ore fines with 62% Fe, 2% Al₂O₃, and 4.5% SiO₂, among other gangue elements delivered into north China on a CFR basis. Iron ore with different specifications or different locations from the main indices are normalised using differentials that are updated periodically to remain reflective of market practice.

One of the main indices is the Platts 62% Fe Index, which is also used as a reference for lump, pellet, and concentrate through the application of premiums and discounts to account for quality differences from the base specification.

Spot prices for 62% iron ore have been volatile in the last five years (Figure 14-1), exhibiting a low of around USD 30/t to a maximum of USD 105/t, exhibiting a steady rise since December 2015. Figure 14-1 also shows the recent spot prices for 65% iron ore, illustrating a consistent premium of USD 10-15 per tonne over the 62% iron ore spot price.

Figure 14-1. Five-year 62% Fe and one-year 65% Fe spot price history to January 2020.



Source: HSDSB, derived from Bloomberg and SGX

Figure 14-2 displays a range of iron ore product prices for the last 3½ years and illustrates the strong growth in prices across the board from late 2018 to August 2019. This is due to the Vale tailings dam tragedy in Brazil that has removed a significant amount of supply from the market, cyclone-related supply disruption in Australia and stronger than expected Chinese pig iron production.

A correction occurred in August that dropped prices. Most market commentators believe that this price correction is due to increased supply conditions from China and Australia, a resumption of supply from Brazil, and a levelling out of steel production. Table 14-1 presents a range of price forecasts for 62% Fe fines CFR (north China) and suggests a medium-term consensus of USD 71/t.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 14-2. Selected iron ore prices: February 2015 to February 2020.



Source: <http://www.asianmetal.com>

Table 14-1. Five-year iron ore price forecasts for 62% Fe.

Source	CFR 62% Fe Fines Price Forecast (USD/t)				
	2019	2020	2021	2022	2023
Commonwealth Bank	92	74	74	74	74
NAB	92	72	72	72	72
Westpac	95	79	65	66	66
J.P. Morgan	90	60	60	60	60
Goldman Sachs	91	80	80	80	80
UBS	90	80	80	80	80
RBC	82	65	65	65	65
Metal Miner	90	80	80	80	80
China Iron & Steel Association (or CISA)	90	65	65	65	65
Consensus	90	73	71	71	71

Sources: *Business Insider Australia*, 2019.
Hellenic Shipping News Worldwide, 2019.
Market Realist, 2019.
MetalMiner, 2019.
Westpac, 2019.

HSDSB generates revenue from both a 62% Fe product and a 65% Fe product, in addition to a speciality pipe-coating product. Figure 14-3 illustrates the prices of SGX iron ore indices for both 62% Fe and 65% Fe from December 2018 to February 2020 and shows that the 65% Fe product receives an average premium of USD 15/t above the 62% Fe product, within a range that varies from approximately USD 12-20/t.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 14-3. Price differential between 62% Fe and 65% Fe.



Source: HSDSB derived from data by Bloomberg. Both the Fe Fines 65% and Fe Fines 62% are taken from SGX iron ore indices.

14.2 Product Specifications and Contracts

As noted previously, Chaah generates three main iron ore products. Penalties or premiums may be applied on a contract-specific basis. Table 14-2 documents the general specifications for its main products.

Table 14-2. Chaah general product specifications.

Chemical Composition	Unit	Sector			
		Pipe coating Domestic	Steel Domestic	Steel Domestic	Steel Export
Fe	%	57.0	62.0	65.0	62.0
SiO ₂	%	-	4.0	5.0	4.0
Al ₂ O ₃	%	-	3.0	2.0	3.0
P	%	-	0.10	0.10	0.10
S	%	-	0.20	0.20	0.06
FeO	%	-	-	-	15.0
Moisture	%	10.0	10.0	10.0	10.0
Density	t/m ³	4.34	N/A	N/A	N/A

Source: HSDSB

Depending on the customer, HSDSB has several forms of sales arrangement. For sales to local customers, it is usually on a free-on-truck (or ex-mine) basis or delivered to the customer's mill.

For export sales, the Company usually sells iron ore products directly to its customers on a CFR or FOB basis, whichever is negotiated at the time. For FOB sales, the buyer pays for transportation of the goods and for CFR sales, the seller arranges the carriage of goods by sea to a port of destination and provides the buyer with the documents necessary to obtain the goods from the carrier.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Under a CFR contract, 100% payment is generally only made at sight from the buyer once the shipment has reached the destination. FOB is typically the preferred option as delivery of shipment is generally made only upon receiving a letter-of-credit or telegraphic transfer. A deposit may also be requested upon signing a sales contract.

Derisk has sighted several recent and current contracts, including:

- Sales and purchase agreement between HSDSB and a confidential customer, dated 26 March 2019 for the domestic steel industry. This agreement provides for the supply of a specified quantity of iron ore concentrates >65% Fe, <1.0% Al₂O₃, <5% SiO₂, <0.1% P, <0.1% S, <0.074 mm size and <10% moisture. HSDSB will transport the concentrate to the customer's stockpile location in Kuantan, Pahang. Pricing is based on a formula linked to the 65% Fe CFR North China price and includes provisions for adjustments based on Fe content and penalties.
- Purchase Order from a confidential customer, dated 7 December 2018 for domestic pipe-coating. This agreement provides for the supply of a specified quantity of iron ore >4.4 t/m³ and of a size <3/8 inch.
- Sales and purchase agreement between HSDSB and a confidential customer, dated 13 June 2019 for the export market. This agreement provides for the supply of a specified quantity of iron ore fines >56% Fe and <10% moisture. HSDSB will transport the fines to Kuantan Port, Pahang. Pricing is FOB Kuantan.

14.3 Sales Mix and Price Forecast

Chaah product sales and market mix vary depending on market conditions. In 2014 HSDSB indicated the likely market mix would be 50-60% domestic pipe coating, 30-40% domestic steel industry and 5-10% export markets. In 2019, HSDSB estimates the likely market mix will be 20-30% domestic pipe coating, 70-80% domestic steel industry and little to no export.

HSDSB provided Derisk with sales information for all of its contracts for sales from 2015 to 2019. The Company's contracts with its customers are commercial-in-confidence, but Derisk has reviewed this data against the prevailing benchmark price and then taken into consideration consensus forecasts for the benchmark price for the short to medium term. The Chaah operation has a mine life of seven years and Derisk developed a pricing forecast for each product for the first year (from November 2019) based on a benchmark price of USD 90/t for 62% Fe CFR, and a pricing forecast for each product for the remainder of the mine life using a benchmark price of USD 72.50/t for 62% Fe CFR.

HSDSB has commenced trial shipment of low-grade fines comprising tailings and high-phosphorus fines. Derisk has not included sales of this material in its revenue projections but considers that it provides an upside opportunity when there is a market for this material.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



15 INFRASTRUCTURE AND LOGISTICS

15.1 General Site Facilities

Chaah support infrastructure includes access roads, office and support buildings, mobile equipment and fixed plant workshop, fuel storage, laboratory, guard hut, accommodation and messing facilities (Figure 15-1 and Figure 15-2).

Figure 15-1. View looking south of the general mine infrastructure, July 2019.



Figure 15-2. Administration and accommodation facilities (LHS), mobile equipment workshop (RHS), July 2019.



15.2 Water

Process water is pumped from a local water supply dam, as well as recycled from the TSF. Water for dust suppression is extracted from the TSF. Potable water is collected from natural streams. Sewage is collected in subterranean tanks and collected periodically by a sewage disposal truck.

15.3 Transport

Chaah is well served by good standard, sealed, all-weather public roads connecting the site to the port of Kuantan and other destinations within west Malaysia. The mine site is approximately 10 km from the nearby town of Chaah and is accessed by 7 km along the Yong Peng – Segamut Road and then 3 km through a palm oil plantation access road. Existing road networks are used for site access and product haulage. Within the mining lease, haul roads and light vehicle access roads are constructed to a good standard and maintained as required by the Company.

15.4 Power

As at July 2019, power is primarily provided by on-site diesel generators (Figure 15-3). HSDSB has negotiated with Tenaga Nasional Berhad, the national power supplier, to provide electricity direct to site from the main grid. Work commenced in June 2019 with commissioning expected in the first quarter of 2020. Access to grid power will significantly reduce the Company's power costs. The capital outlay for this is a fixed lump sum of MYR 6.9 million.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 15-3. Diesel generators for the HSM (LHS) and XHM (RHS), July 2019.



15.5 Accommodation

Most of the workforce commute to site daily from the nearby town of Chaah by their own means of transport. Accommodation facilities of varying standards and messing facilities are provided on-site for employees who live remotely from the operation.

15.6 Communications

There is mobile phone and internet access for data transmission at site.

15.7 Security

Access to the site is via a single access track through a security check point. Iron ore is a relatively low-value bulk commodity and therefore the security requirement is low.

15.8 Kuantan Head Office

The Company's head office is in Kuantan and this facility provides management, commercial, technical and administrative support to the mine site and exploration areas.

15.9 Kuantan Sample Shed and Storage

All RC and DD core samples from Chaah are transported and processed within a centralised sample-processing and dispatch facility located in Kuantan (Figure 15-4), referred to as the Kuantan sample shed (KSS). KSS is a purpose-built facility designed to focus primarily on the handling of diamond core cutting and sampling as well as the organisation of all samples into batch sizes for dispatch to the analytical assay laboratory. The KSS includes core logging racks, core cutting saws, bulk density measurement, an industrial electric oven for drying samples, storage for sample material, core, and RC sample chip trays for reference, and office areas.

Figure 15-4. Kuantan sample shed, January 2019.



APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



15.10 Kuantan Port Facilities

Products from Chaah are transported via existing road networks to the Kuantan Port stockpile area, located at Tanjung Gelang on the eastern seaboard of Peninsula Malaysia, approximately 25 km north of Kuantan, or directly to domestic steel producers.

The Company has access to its own stockpile areas and third-party stockpile capacity near and within the port facilities. There are three third-party operated stockpile yards in the port of Kuantan. The total estimated capacity of the three stockpile areas is approximately 350,000 tonnes (Figure 15-5).

Figure 15-5. Weighbridge at Kuantan stockpile area (LHS) and iron ore stockpiles (RHS).



The port facilities include liquid bulk berths, multipurpose berths and container berths that are designed for all-weather continuous operation. Iron ore sold to the export market is loaded and shipped from Kuantan port (Figure 15-6).

Figure 15-6. Ship loading of iron ore for export at Kuantan port.



APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



16 HUMAN RESOURCES AND OCCUPATIONAL HEALTH AND SAFETY

16.1 Relevant Legislation

16.1.1 Occupational Safety and Health Act 1994

HSDSB is required to comply with the Occupational Safety and Health Act 1994 (OSHA). The OSHA applies throughout Malaysia in the mining industry to ensure that employees, contractors, visitors, and surrounding communities are not exposed to risks to their safety or health. The Group is required to develop an occupational health and safety (OH&S) policy and report any accident, dangerous occurrence, occupational poisoning, or occupational disease.

It is the duty of every employer to conduct its business, so far as is practicable, to ensure its employees and others are not exposed to risks to their safety or health. This includes the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health.

It is also the duty of every employer to prepare a general policy with respect to the safety and health at work of its employees and arrangements for carrying out that policy. Such safety and health policy shall be revised as often as it may be appropriate and shall be brought to the notice of all employees.

The OSHA also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning, or occupational disease that has occurred or is likely to occur at the place of work.

Contravention of these provisions shall, upon conviction, result in the employer being liable to a fine or to imprisonment. The Directors of HSDSB have confirmed to Derisk that the operations comply with the provisions of the OSHA.

16.1.2 Factories and Machinery Act 1967

The Factories and Machinery Act 1967 (FMA) applies throughout Malaysia and provides for the control of factories with respect to the safety, health, and welfare of staff, the registration and inspection of machinery, and for matters connected therewith. It regulates factories and machinery by way of registration and examination of such machinery to ensure the maintenance of safety, health, and the welfare of all persons.

The FMA requires all machinery to be of sound construction and sound material, free from defect and fit-for-purpose, and properly maintained. No person shall operate prescribed machinery (such as steam boiler, unfired pressure vessel and hoisting machine), unless they have a valid certificate of fitness issued under the FMA. A person who contravenes the FMA may be liable to a fine or imprisonment.

HSDSB Directors have confirmed to Derisk that the necessary permits to install all machinery currently being operated at Chaah have been obtained, and HSDSB is compliant with the terms and conditions set out in the FMA.

16.2 HSDSB Policies

Derisk has sighted the HSDSB Safety, Health and Environmental Policy (dated 19 June 2019). This policy states that the Company is committed to:

- Providing a conducive, safe and healthy working environment.
- Ensuring occupational safety and health is fully observed, adhered to and implemented.
- Providing all necessary resources to enhance occupational safety and health.
- Implementing safety and health management systems, and to continuously assess and improve these systems.
- Conducting risk assessments to minimise and control hazards.
- Establishing and maintaining a system of welfare for employees.
- Promoting open communication on safety and health issues.
- Ensuring all employees receive appropriate training and are competent to carry out their duties and responsibilities.
- Respecting the traditional rights of indigenous people.
- Ensuring contractors follow the HSDSB policies.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



HSDSB also has an alcohol and drug abuse policy designed to ensure the safety of all employees and contractors. Substances covered under the policy include alcohol, illegal drugs, inhalants, and prescribed and over-the-counter medications.

HSDSB Directors have advised Derisk that there have been no fatalities or serious accidents/incidents at Chaah for the last five years.

16.3 Emergency Response

HSDSB has identified five potential emergencies associated with the operation as follows, and developed an emergency response plan for each:

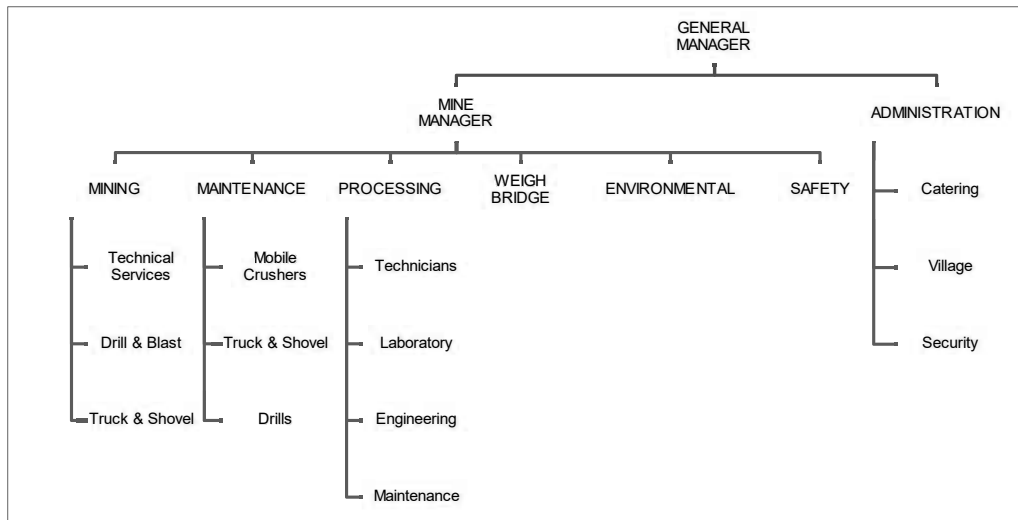
- Ground movement or slope failure.
- Fire.
- Diesel oil spillage.
- Fatality.
- Blast-related incidents.

In the event of an emergency, the Mine Manager is the head of the emergency response team and responsible for all communication from the site. The Mine Manager must prepare a written report of the emergency within 24 hours.

16.4 Staffing

As at July 2019, HSDSB employed approximately 130 personnel, including both site-based and Kuantan-based staff. Figure 16-1 shows the general organisation chart structure for the mine. The mine normally operates six days per week (26 days per month) from 8.00 am to 6.00 pm.

Figure 16-1. Chaah organisational chart.



Source: OME, 2014.

Derisk considers that the Company's standards with respect to human resources and occupational health and safety are reasonable and appropriate.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



17 ENVIRONMENTAL MANAGEMENT

17.1 Relevant Legislation

17.1.1 Environmental Quality Act 1974

HSDSB is required to comply with the Environmental Quality Act 1974 (EQA), which governs the prevention, abatement, control of pollution, and enhancement of the environment. The EQA and its regulations set out acceptable conditions for the emission, discharge, or deposit of environmentally hazardous substances, pollutants, or wastes; or the emission of noise into any area, segment, or element of the environment. The EQA may set aside any area, segment, or element of the environment within which the emission, discharge, or deposit is prohibited or restricted.

Prescribed activities are required to have an EIA prepared under the Malaysian Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987. For mining activities, an EIA is required if a ML covers an area in excess of 250 ha (per ML), when there is ore processing (including concentrating of aluminium, copper, gold, or tantalum) or sand dredging involving an area of 50 ha or more. Preparation of an environmental management plan (EMP) is required for an EIA.

Selected relevant parts of the EQA are summarised below.

17.1.1.1 Control of Scheduled Waste

The EQA defines scheduled waste and provides that no person shall, without prior written approval of the Director General of Environmental Quality:

- Place, deposit, or dispose of any scheduled wastes on land or into Malaysian waters, except at prescribed premises.
- Receive or send any scheduled wastes in or out of Malaysia.
- Transit scheduled wastes.

In addition, the Environmental Quality (Scheduled Wastes) Regulations 2005 impose regulations that deal with what notifications about scheduled wastes are required to be provided to the Director General; storage, treatment and recovery processes; requirements associated with spillage and accidental discharge; and training requirements for employees dealing with scheduled wastes.

17.1.1.2 Pollution of the Atmosphere

Under the EQA, no person shall, unless licensed, emit or discharge any environmentally hazardous substances, pollutants, or wastes into the atmosphere in contravention of the specified acceptable conditions set out in the Environmental Quality (Clean Air) Regulations 2014. Any fuel-burning equipment that is rated to consume pulverised fuel or any solid fuel at 30 kilograms or more per hour or any liquid or gaseous matter at 15 kg or more per hour shall comply with the limit values and technical standards as specified in these regulations. Any person who contravenes these regulations may be liable to a fine or imprisonment.

17.1.2 Rehabilitation

The Mineral (State of Johor) Enactment 2003 require the establishment of a common rehabilitation fund (CRF), administered by the State Mineral Resources Committee for the purpose of rehabilitation of mining lands that are subject to mining leases authorising small-scale operations. This enactment requires that the holder of a mining lease shall pay into the CRF, including:

- Such sum as may be annually appropriated by the Legislative Assembly of Johor.
- Any loan or grant given to the Johor state authority by the federal government for the purposes of the CRF.
- The rehabilitation fee payable by the company, which is:
 - An annual fee at the rate of one percent of the gross sales value of all minerals won during a calendar year from the mining land that is subject to the lease, or
 - A prescribed annual fee, whichever is greater before issuance of a mining lease and on or before each anniversary date of an issued mining lease.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



17.2 HSDSB Policies

Derisk has sighted the HSDSB Safety, Health and Environmental Policy (dated 19 June 2019). This policy states that the Company is committed to safeguarding the environment affected by the Company's activities.

17.3 Chaah Environmental Management Plan

The Chaah operation covers less than 250 ha and is not required to submit an EIA for its operation. HSDSB is not required to prepare an EMP but did so in 2014, which provides an assessment of potential project impacts and presents a set of proposed impact management measures for:

- Soil erosion and sedimentation
- Air pollution
- Noise pollution
- Occupational safety and health
- Solid wastes
- Scheduled wastes
- Traffic and transportation
- Sewage and wastewater discharge
- Socioeconomics
- Residual impacts
- Abandonment plan

The EMPs also set out an outline of monitoring requirements, emergency preparedness and response, and roles, responsibility, and reporting. Specific environmental issues are summarised below.

17.3.1 Soil Erosion and Sedimentation of Waterways

Chaah topography consists of low hills in the north, becoming progressively flatter to the south, with an elevation range of approximately 250 m. The north and west of the mine borders the Mao'kil Forest Reserve and the south and east of the mine borders the Sime Darby Ladang Cha'ah oil palm estate. There are no significant water ways on the tenements. A tributary of the Sungai Simpang Kiri is in the southeast of the tenement and the Sungai Peninjau is near the northeast boundary.

Mining and processing activities generate the potential for soil erosion and sedimentation of local waterways. An erosion and sediment control plan (ESCP) was developed to estimate the likely erosion impact on the site and develop mitigation measures including:

- Drainage channels to manage surface run-off, including storm water.
- Maintaining riparian buffer zones adjacent to water ways.
- Erosion control measures, including terracing and revegetation.

17.3.2 Air Pollution

Operation of mobile and fixed plant results in air pollution, primarily from particulate dust emissions and carbon from combustion engines. The SMP identified mitigation measures including:

- Watering of exposed surfaces and haul roads. Water for this purpose is sourced from the TSF at a nominal rate of 9,000 L/day.
- Vehicle speed restrictions to minimise dust generation.
- Use of covers on trucks carrying dusty materials.
- Installation of water jets in fixed plants where significant dust emissions are generated.
- Minimising the height that material is dropped when being loaded or transferred.
- Use of personal protective equipment (PPE) where required to minimise exposure to dust.
- Prohibition of open burning.
- Regular air monitoring.

17.3.3 Noise Pollution and Blast Vibration

Substantial noise is generated from the operation of mobile machinery and fixed plant resulting in interference with communication, hearing loss, disturbance of sleep, stress and annoyance. The nearest

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



community habitation is located 750 m from the open pit. Mining and processing activities are normally operated during daytime (8.00 am to 6.00 pm). The SMP identified mitigation measures including:

- Ensuring equipment and machinery is well-maintained to minimise noise generation.
- Machinery and plant being used intermittently should be shut down or idled when not in use.
- Equipment that emits noise in a specific direction should be oriented away from sensitive areas.
- Silencers on equipment should be used and properly maintained.
- Noise barriers should be erected to protect sensitive areas.
- Reducing operating hours in areas adjacent to local communities.
- Blast vibrations are monitored and must be below the limit of 5 mm/s stipulated by the government.
- Use of personal protective equipment where required to minimise exposure to noise.
- Regular noise monitoring.

17.3.4 Solid Wastes

A variety of types of general refuse including food waste, paper wastes and packaging materials are generated. The SMP identifies appropriate storage areas for waste to be provided at designated locations and for wastes to be collected periodically by reliable contractors for disposal.

Operations also require the storage, handling, transport and disposal of construction-type wastes. The SMP identifies appropriate management methods. Derisk considers that the disposal of construction waste is unlikely to raise any long-term concerns due to the inert nature of these types of materials.

17.3.5 Scheduled Wastes

Scheduled wastes generated at site comprise waste oils and lubricants. Improper handling and management of these wastes will bring adverse impact such as spillage and consequently the pollution of local watercourses. The SMP identifies mitigation measures including:

- Fuel and other hazardous materials must be stored in a secure area (bund enclosure with hardstanding base) located at least 100 m from watercourses and on-site drainage channels.
- Provision of a weather shelter over the storage tank to prevent the accumulation of rainwater within the bund.
- Refuelling activities must not be conducted within 100 m of watercourses or on-site drainage channels.
- Dedicated maintenance and refuelling areas shall be identified and provided with bunded hard standing with the provision of sediment traps and oil interceptors.
- The change-out of lubrication oils from construction equipment and vehicles on the site shall be controlled.
- Spent lubrication oil (classified as a hazardous waste) shall be handled and disposed of in accordance with regulatory requirements.

17.3.6 Sewage and Wastewater Discharge

The SMP identifies mitigation measures to control the management of sewage and wastewater discharge, including:

- Installation of a sewage treatment system that gives an effluent quality that complies with the Standard B requirements of the Environmental Quality (Sewage and Industry Effluents) Regulations, 2009.
- Construction of adequate sanitation facilities.
- Provision of oil and grease separation tanks from cooking areas.
- Tanks to be regularly checked and waste oils disposed of by a reputable contractor in accordance with regulatory requirements. All waste shall be properly stored and managed to minimise contaminated run-off to the watercourse.

17.4 Closure Plan

Management of mine closure for Chaah is documented in the abandonment plan in the EMP. The objective of the proposed closure plan is to leave the sites in a tidy, stable, free-draining, and vegetated condition that blends in with the adjacent landscape and land use. Rehabilitation and mine-closure planning is outlined in the OMS for Chaah, which outlines the proposed approach to various elements of rehabilitation and mine-closure planning. Environmental bonds are not required at Chaah, as the lessee is required to contribute to the Common Rehabilitation Fund during the ML approval and renewal process.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Mine closure activities planned for Chaah include:

- Decommissioning of buildings and structures including demolition, scrap materials salvaged for recycling, concrete foundation and pads broken and demolished and buried.
- Replanting including test planting to identify the suitable plant at the area, redistribution of stored topsoil, planting of trees to cover all the bare areas.
- A flood protection bund will be built up along the main watercourses. The bund slopes will be planted with earth covering plants and the lower riverbanks will be armoured with rock and covered with felled logs and cut vegetation to stabilise the loose soils.
- The overburden dumps will be contoured and planted with trees and creeping plants, with slopes fixed in the ratio of 1: 1.5.
- The open pit will not be back filled. Water will be permitted to accumulate in the pit to provide a new local water source and/or for recreation.
- Sediment controls will be implemented to ensure solid effluents are stored away from the watercourses, with any effluent discharged from the tailings spillway containing less than 50.0 mg/L of total suspended solids.

The Directors of HSMSB have advised Derisk that the Chaah operations are in compliance with all relevant environmental regulatory requirements. Derisk considers that the Company's standards with respect to environmental management are reasonable and appropriate.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



18 COMMUNITY AND SOCIAL ISSUES

Social issues with the communities surrounding the Chaah operation are managed by HSDSB as lessee, who has appointed a representative to manage local community issues. The Company attends meetings with representatives of the local community on an as-needs basis, or when specifically requested to attend a town hall meeting to address matters raised by the community.

18.1 Community Engagement

HSDSB recognises that the mine provides potential for the creation of employment and business opportunities within the local community and represents a significant beneficial impact. The local population is given the first opportunity when suitable employment positions arise and the local communities are encouraged and given the opportunity to acquire the necessary technical skills related to the mine's activities.

The Company has a social and community management policy and contributes financially to local communities when specific needs are identified, such as in the event of local floods. The Chaah EMP also contains provisions relating to community and social interactions.

18.2 Community Impact

The main community impact of the mining operation is associated with the transportation of iron ore from site, using trucks via an access road through a privately-owned palm plantation, then by paved public roads to Kuantan or other destinations. The palm plantation has several local communities located near the access road.

The potential effects of this activity are noise and air pollution, road damage, spillage of materials onto the roadways, traffic congestion and traffic accidents. The SMP identified mitigation measures including:

- Watering of unpaved access roads close to local communities.
- Vehicle speed restrictions to minimise dust generation on unpaved roads.
- Use of truck load covers to suppress dust generation.
- Not overloading trucks to minimise road damage.
- Transportation should be restricted to daylight hours.

18.3 Heritage Management

HSDSB has not undertaken an assessment of existing archaeological values or cultural heritage values at Chaah, or an assessment of potential impacts or proposed management measures for cultural heritage values, if present. However, the Company has committed to notify the appropriate government agencies should any heritage issue be identified with the potential to impact its operations. As at 31 October 2019, no cultural heritage issues had been identified at Chaah, or any of the exploration assets.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



19 FINANCIAL EVALUATION

19.1 LOM Plan

The LOM schedule is described in Section 11.5 and the physicals from this were used as inputs to the economic analysis. LOM operating costs are detailed in Section 11.2. LOM capital expenditure is low, due to the use of contractors for most operating activities. An allowance of USD 5.2 million has been made for replacements and additions to the mining fleet. Sustaining capital of USD 0.26 million per annum has been allowed for mining, processing, rehabilitation (including closure) and other ancillary activities.

Derisk has consolidated forecasts from the banks and price forecasters to derive a consensus around selling prices for the Company's products (Table 14-1). The resultant consensus iron ore spot price is approximately \$90/t for 2019, reducing sharply to USD 73/t for 2020 and levelling off to USD 71/t for the remainder of the Chaah mine life. These benchmark prices have been used as a basis to estimate pricing for the Company's sales.

Derisk notes that the forecast selling prices and consequential tribute costs are based on forecasts of the iron ore spot price and the actual values over the LOM period may be significantly different to these values. Derisk considers that this is a material risk to the economic viability of the project (Section 20.1.1).

The Company has a large accumulated tax loss, which can be offset against future tax liabilities.

The key financial assumptions for the LOM Plan are summarised in Table 19-1. The basis for a 10% discount rate is because the project has a long history of operating successfully. Malaysia is considered moderately stable and a reasonable place to conduct business according to the Financial Action Task Force (FATF) and World Bank. The cost of capital is moderate based on a 10-year bond yield of 3.37%. Therefore, assuming that either Weighted Average Cost of Capital (WACC) or Capital Asset Price Method (CAPM) is applied, a 10% discount rate seems reasonable. The selected discount rate was benchmarked against a range of other global mining projects and deemed to be appropriate.

Table 19-1. Financial assumptions.

Category	Units	Amount
Exchange rate:	MYR:USD	4.00
Fuel & Energy Costs:		
Fuel Costs	MYR/ltr	2.18
Main-grid Costs	MYR/kWhr	0.31
Financial Assumptions:		
Discount Rate	%	10.0
Corporate Tax Rate	%	24.0
Interest Rate for Borrowings	%	6.5
Loan to Value (LTV)*	%	0.0
Amortisation Period	qtr	LOM

Note: * LTV = Loan to Value ratio. The base case model assumes 100% equity. Therefore LTV = 0%.

19.2 Economic Analysis

The key outputs from the economic analysis are summarised in Table 19-2. The results indicate that the project is financially robust. The base-case NPV at a 10% discount rate is USD 74.1 million with an IRR of 541% assuming 100% equity (no borrowings).

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 19-2. Economic analysis.

Summary Project Cashflows:	Units	Amount*
Iron Ore Mined	Mt	6.7
Indicated Resource	Mt	5.8
Mineralised Waste (Inferred Resource)	Mt	1.0
Iron ore concentrate sold	Mt	3.7
Waste Mined	Mt	41.2
Strip Ratio	Waste t : Ore t	56.1
Revenue	USD million	270.8
Tribute/Royalties Paid	USD million	(35.3)
Total Expenses	USD million	(103.4)
EBITDA	USD million	129.7
Depreciation & Amortisation	USD million	(12.2)
EBIT	USD million	117.5
Interest Expenses	USD million	-
EBT	USD million	117.5
Tax incurred (but not paid) ^	USD million	(20.4)
NPAT	USD million	97.1
Capital Expenditure (incl Sustaining Capital)	USD million	(6.1)
Cash-cost (C1)	USD/t (product)	27.9
All-in Sustaining cost (C3)	USD/t (product)	37.8
Investment Metrics excludes finance (100% equity, post tax)		
Discount Rate	%	10.0
Net Present Value	USD million	74.1
IRR	%	541

Notes 1: * Totals may not add up exactly due to rounding in the financial spreadsheet.
2: ^ A total of USD 20.4 million in tax is paid as a consequence of accumulated tax losses.
3: The sales of existing stockpiles have been excluded from this model as it only includes in situ Ore Reserves.

19.3 Cashflow Projection

The cashflow projection as depicted in Figure 19-1 demonstrates the importance of further optimising and sequencing the waste cut-back in the mine plan, as evidenced by the impact it has on the net profitability per quarter. The mine schedule is only based on the staging of three significant cutbacks, however it is expected that this could be refined further with additional and more frequent cutbacks planned over the LOM activities.

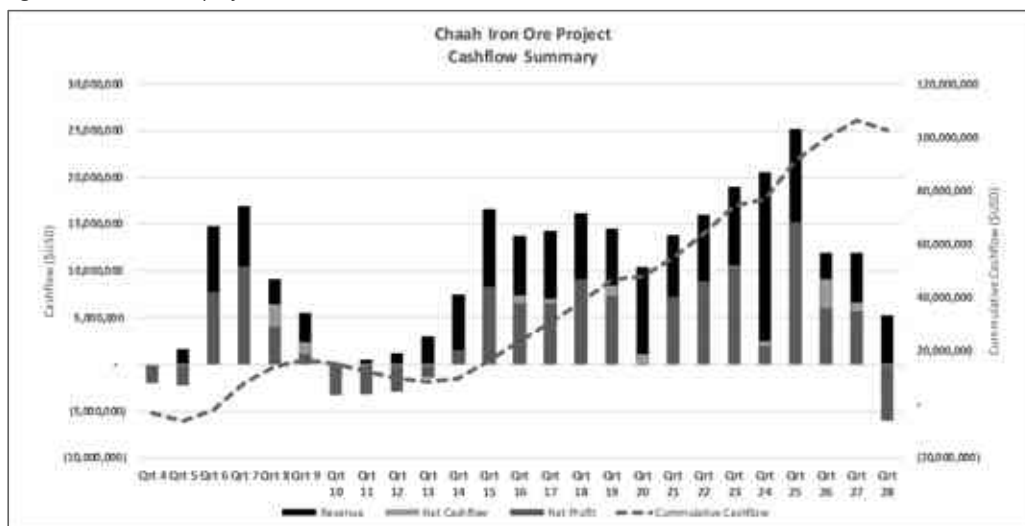
APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 19-1. Cashflow projection.



19.4 Sensitivity Analysis

To test the robustness of the operation, a sensitivity analysis was carried out with a focus on assessing the sensitivity to the commodity price, metallurgical recovery, exchange rate, Capex, fuel price, discount rate and Opex (Table 19-3, Figure 19-2 and Figure 19-3).

Table 19-3. Sensitivity analysis based on $\pm 30\%$ variation.

	NPV (pre-tax USD million)		IRR (pre-tax)	
	Low	High	Low	High
Commodity Price	32	103	130%	899%
Opex	89	53	918%	235%
Capex	73	69	727%	364%
Exchange Rate	50	82	177%	783%
Fuel Price	71	71	499%	491%
Metallurgical Recovery	34	95	125%	870%
Discount Rate	86	63	130%	899%

As expected, the most sensitive NPV parameter is the iron ore price, which results in a range of USD 32 - 103 million using a $\pm 30\%$ sensitivity. But almost equally important is the metallurgical recovery, which results in a range of between USD 34 - 95 million using a $\pm 30\%$ sensitivity. Opex and exchange rate sensitivity are the next most important parameters, while discount rate, Capex and fuel price are the least sensitive parameters to the NPV analysis.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 19-2. Sensitivity analysis: Spider chart.

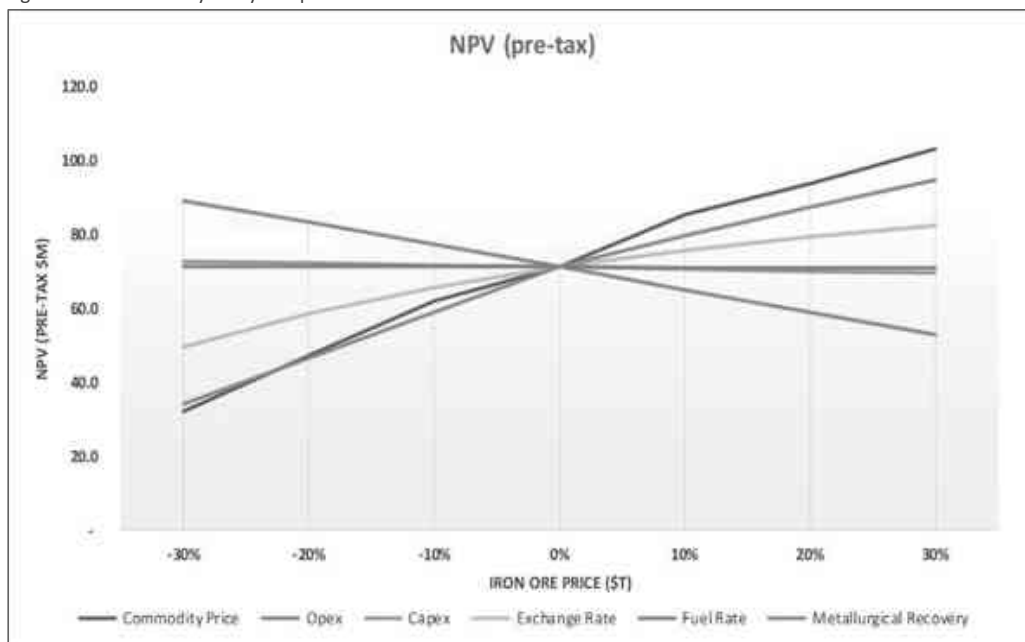
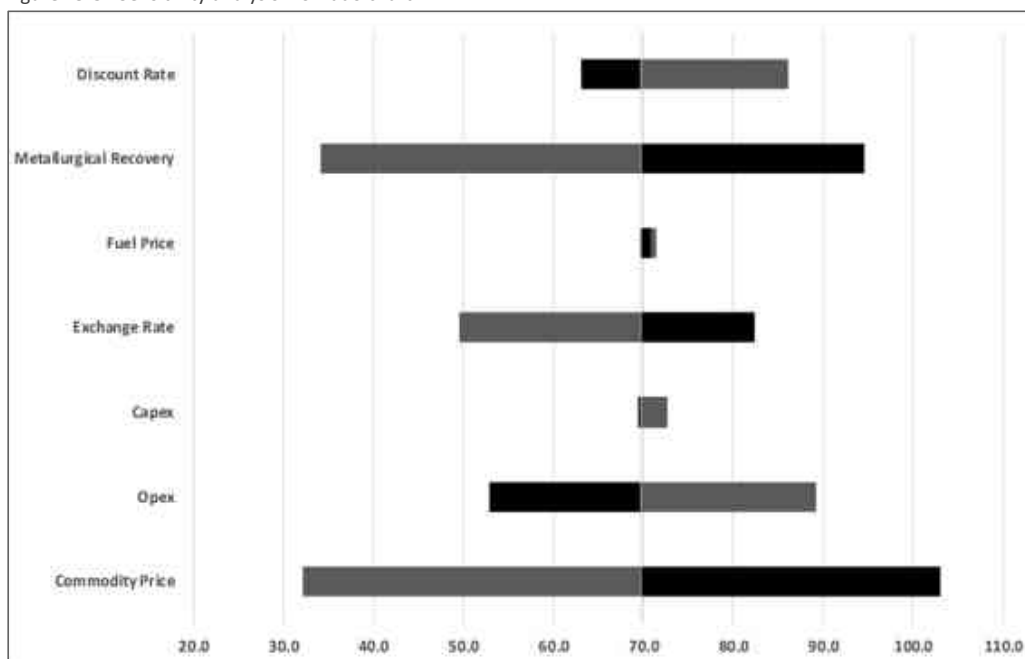


Figure 19-3. Sensitivity analysis: Tornado chart.



APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



20 RISKS AND OPPORTUNITIES

The Chaah mine is a mature site that has been in continuous operation since 2008. HSDSB has experienced both high and low commodity prices throughout the operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match domestic and export market requirements.

20.1 Risk Assessment

Project risks have been subjectively assessed based on the likelihood of occurrence, and on the consequence of an event occurring, resulting in a risk matrix with three risk levels i.e. high, medium and low risk. Risks have been assessed using two categories as follows:

- Risks associated with estimation of Mineral Resources.
- Risks associated with estimation of Ore Reserves, subdivided into mining factors, processing and metallurgical factors, infrastructure factors, economic factors, marketing factors, legal factors, environmental factors, and social and government factors.

20.1.1 High Risks

Derisk has identified one high risk concern as defined in Table 20-1.

Table 20-1. High risks.

Risk Area	Description
Mineral Resources	-
Ore Reserves: Mining Factors	-
Ore Reserves: Processing/Metallurgical Factors	-
Ore Reserves: Infrastructure Factors	-
Ore Reserves: Economic Factors	Commodity prices. Profitability is very sensitive to the iron ore price, which is volatile. HSDSB will be adversely affected financially from any short-term drop in the iron ore price, as well as any longer-term sustained lower prices.
Ore Reserves: Marketing Factors	-
Ore Reserves: Legal Factors	-
Ore Reserves: Environmental Factors	-
Ore Reserves: Social/Government Factors	-

20.1.2 Medium Risk

Derisk has identified six medium risk concerns as defined in Table 20-2.

Table 20-2. Medium risks.

Risk Area	Description
Mineral Resources	-
Ore Reserves: Mining Factors	Geotechnical controls. As the Chaah open pit gets deeper, there is greater potential for wall instability and failure if HSDSB does not actively monitor geotechnical and groundwater conditions. Mine scheduling. Poorly managed mine development and scheduling may cause disruption in the supply of ore to the mill, if the plan is not followed.
Ore Reserves: Processing/Metallurgical Factors	Metallurgical recovery. The operation is sensitive to the metallurgical recovery and yield. Little testwork has been undertaken of the mineralisation that will be processed over the remaining LOM.
Ore Reserves: Infrastructure Factors	-
Ore Reserves: Economic Factors	Exchange rates. Volatility in the exchange rate between MYR and USD may adversely affect revenue if the USD significantly devalues.
Ore Reserves: Marketing Factors	Sales contracts. HSDSB has no long-term contracts for supply of iron ore and is exposed to market uncertainty.
Ore Reserves: Legal Factors	-
Ore Reserves: Environmental Factors	Water and tailings management. A major rainfall event may result in the discharge of water from site that is in breach of environmental requirements for the ML.
Ore Reserves: Social/Government Factors	-

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



20.1.3 Low Risk

Derisk has identified six low risk concerns as defined in Table 20-3.

Table 20-3. Low risks.

Risk Area	Description
Mineral Resources	Geological interpretation. Less information is available for the deeper sections of the mine and there is some risk that the interpreted mineralisation is not correct.
Ore Reserves: Mining Factors	Pit dewatering. Access to the bottom of the pit may be restricted during the monsoon season because water pumps cannot remove the quantity of water in the pit.
Ore Reserves: Processing/Metallurgical Factors	Ore type characterisation. Less information is available for ore type variability as the mine gets deeper. Variability may lead to increased operating costs associated with grade control and/or blending.
Ore Reserves: Infrastructure Factors	Power costs. Main grid power is expected to be commissioned in the first quarter of 2020. If delayed, the cost savings from lower-cost power at site will be delayed. Public roads. HSDSB is reliant on public roads to transport product to port and domestic customers. This creates a risk in supply disruption due to roads being cut off for maintenance work or as a result of flooding during the monsoon season.
Ore Reserves: Economic Factors	-
Ore Reserves: Marketing Factors	-
Ore Reserves: Legal Factors	-
Ore Reserves: Environmental Factors	-
Ore Reserves: Social/Government Factors	Community unrest. All traffic from the operation passes along an unpaved road through a palm plantation that hosts a significant local population. Poor community engagement by HSDSB could alienate the local community and cause disruption to the operation.

20.2 Opportunities

Derisk considers that there are several significant opportunities for HSDSB as follows.

20.2.1 Exploration Upside

There are several exploration upside opportunities as follows:

- Iron ore mineralisation in the existing open pit area is not closed off and there are opportunities to discover more mineralisation, that if successful may allow the current operations to be extended.
- Magnetic surveys at Chaah have identified several geophysical anomalies yet to be tested, that if successful have the potential to discover new iron ore mineralisation.
- The Company holds three exploration areas that are prospective for iron ore mineralisation that have not yet been explored in any detail.
- HSDSB plans to assess new opportunities to acquire more exploration and/or mining leases.

20.2.2 Operational Flexibility

HSDSB has a high degree of operational flexibility that allows it to readily adapt to changeable market requirements and opportunities. There are also several market segments that it delivers its product into and is therefore not dependent on one or two core customers. Throughout the depressed iron ore market from 2014 to 2017, management proved its ability to react to market conditions by delivering a range of products as required to stay in operation. Derisk considers that HSDSB's operational flexibility represents a significant opportunity to capitalise on future ad-hoc market opportunities. This flexibility is illustrated by the Company's trial of recovering and selling low-grade tailings.

20.2.3 Commodity Price Upside

Profitability of the Chaah operation is extremely sensitive to the iron ore price, which has been very volatile in the last ten years. The Company will financially benefit from any short-term spikes in the iron ore price, as well as any longer-term sustained higher prices.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



21 CONCLUSIONS AND RECOMMENDATIONS

21.1 Conclusions

The Chaah mine is a mature site that has been in continuous operation since 2008. HSDSB has experienced both high and low commodity prices throughout the operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match domestic and export market requirements.

Derisk considers that the Mineral Resource and Ore Reserve estimates are technically sound and fit-for-purpose. Reconciliation of production from June 2014 to July 2019 demonstrates an excellent correlation between the Mineral Resource model and production statistics.

The iron ore price is forecast to remain volatile in the short and medium term. The Ore Reserves are robust and can tolerate a significant drop in the iron ore price and remain financially viable. Price rises will result in significant increases in revenue that will flow directly to profits.

21.2 Recommendations

Derisk recommends the following actions:

- As the Chaah mine gets deeper, it is important that HSDSB implements a rigorous geotechnical and hydrological monitoring program to minimise the potential for pit instability and failures.
- HSDSB should plan for and execute a mining cut-back in the open pit within the next 12 months to ensure continuity of ore supply.
- It will be beneficial for HSDSB to implement a more detailed process plant sampling and reconciliation program to monitor plant performance and assess opportunities for improvement.
- More drilling is required as soon as possible in and adjacent to the current pit to convert Inferred Resources to Indicated Resources and to test for extensions to iron ore mineralisation that may allow a further expansion of the pit. If delayed too long, it may not be practicably feasible to change the pit design.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



22 COMPETENT PERSON CONSENT AND SIGN-OFF

22.1 Director and Competent Person: Exploration Results and Mineral Resources

I, Mark Berry, confirm that I am a Principal Consultant and Director of Derisk and that I directly supervised the production of the report titled Independent Qualified Persons Report on the Malaysian Iron Ore Assets of Honest Sam Development Sdn Bhd, with an effective date of 31 October 2019, in accordance with SGX Catalyst Rule 442 (b).

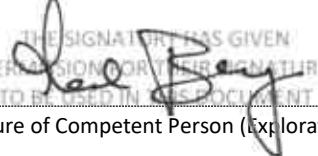
I confirm that my firm's Directors, shareholders, employees, and I are independent of Honest Sam Development Sdn Bhd (the listing applicant), its Directors, substantial shareholders, and their associates. In addition, my firm's Directors, substantial shareholders, employees, and I have no interest, direct or indirect, in the listing applicant, its subsidiaries, or associated companies, and will not receive benefits other than remuneration paid to Derisk in connection with the independent qualified persons report (IQPR). Remuneration paid to Derisk is not dependent on the findings of this report.

I also confirm that I am responsible for the reporting of the Exploration Results and the estimation and reporting of Mineral Resources in this report. I am a Member of The Australian Institute of Geologists and have 40 years of relevant experience. I have not been found in breach of any relevant rule or law of that institute, and I am not the subject of any disciplinary proceeding. I am not the subject of any investigation that might lead to a disciplinary proceeding by any regulatory authority or any professional association.

I have read and understood the requirements of the JORC Code. I am a Competent Person as defined by the JORC Code, having greater than five years' experience that is relevant to the style of mineralisation and type of deposit described in this report, and to the activity for which I am accepting responsibility.

I verify that this report is based on and fairly and accurately reflects, in the form and context in which it appears, the information in the supporting documentation relating to Exploration Results and Mineral Resources. I have reviewed this report, to which this Consent Statement applies, and I consent to the release of this report.

THE SIGNATORY HAS GIVEN
PERMISSION FOR THEIR SIGNATURE
TO BE USED IN THIS DOCUMENT



Signature of Competent Person (Exploration Results and Mineral Resources)

06 March, 2020

Date

22.2 Competent Person: Ore Reserves

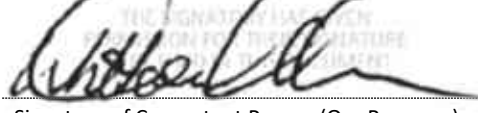
I, Will Coverdale, confirm that I am an Associate Senior Mining Consultant with Derisk and that I am responsible for the estimation and reporting of the Ore Reserves in the report titled Independent Qualified Persons Report on the Malaysian Iron Ore Assets of Honest Sam Development Sdn Bhd, with an effective date of 31 October 2019, in accordance with SGX Catalyst Rule 442 (b).

I am a Member of The Australasian Institute of Mining and Metallurgy and have 15 years of relevant experience. I have not been found in breach of any relevant rule or law of that institute, and I am not the subject of any disciplinary proceeding. I am not the subject of any investigation that might lead to a disciplinary proceeding by any regulatory authority or any professional association.

I have read and understood the requirements of the JORC Code. I am a Competent Person as defined by the JORC Code, having greater than five years' experience that is relevant to the style of mineralisation and type of deposit described in this report, and to the activity for which I am accepting responsibility.

I verify that this report is based on and fairly and accurately reflects, in the form and context in which it appears, the information in the supporting documentation relating to Ore Reserves. I have reviewed this report, to which this Consent Statement applies, and I consent to the release of this report.

THE SIGNATORY HAS GIVEN
PERMISSION FOR THEIR SIGNATURE
TO BE USED IN THIS DOCUMENT



Signature of Competent Person (Ore Reserves)

06 March, 2020

Date

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



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APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



24 DEFINITIONS AND GLOSSARY

Table 24-1 provides a list of the definitions used in this report together with a glossary of relevant terms and abbreviations.

Table 24-1. Definitions and glossary of terms.

Term	Description
AMC	AMC Consultants Pty Ltd
BCWi	bond crushing work index
Capex	Capital costs
CFR	cost-and-freight
CISA	China Iron & Steel Association
Competent Person (as defined by the JORC Code)	A minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a Recognised Professional Organisation, as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking.
CoV	coefficient of variation
CRF	common rehabilitation fund
CRM	certified reference material
DBD	dry bulk density
DD	diamond drilling
DE	Department of Environment
DGPS	differential global positioning system
DMG	Department of Minerals and Geoscience
DSO	Direct shipping ore
DYMMMS	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBT	Earnings before tax
EIA	Environmental impact assessment
EL	Exploration licence
EMP	Environmental management plan
EQA	Environmental Quality Act 1974
ESCP	Erosion and sediment control plan
Exploration Results (as defined by the JORC Code)	Data and information generated by mineral exploration programmes that might be of use to investors, but which do not form part of a declaration of Mineral Resources or Ore Reserves.
FATF	Financial Action Task Force
FAusIMM	Fellow of the Australasian Institute of Mining and Metallurgy
FMA	Factories and Machinery Act 1967
FOB	free-on-board
Focus	Focus Geo Survey of Malaysia
FoS	factor of safety
GSI	geological strength index
Geostats	Geostats Pty Ltd
GPS	global positioning system

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Term	Description
ha	hectare(s)
HARD	half of the absolute relative difference
HQ	diamond core with standard diameter of 63.5 mm
hr	hour(s)
hr/day	hours per day
hr/qtr	hours per quarter
hr/yr	hours per year
HSDSB	Honest Sam Development Sdn Bhd
HSM	Honest Sam Development Sdn Bhd mill
Inspectorate Kuantan	Inspectorate Malaysia Sdn Bhd in Kuantan, Pahang
IQPR	independent qualified persons report
iron ore spot price	iron ore fines with 62% Fe, 2% Al ₂ O ₃ , and 4.5% SiO ₂ , among other gangue elements delivered into north China on a CFR basis
IRR	internal rate of return
JLPW	Jeff Leong, Poon & Wong
JORC	Joint Ore Reserves Committee
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition, effective December 2012
kg	kilogram(s)
km	kilometre(s)
kt	kilotonne
kW	kilowatt
kWh/t	kilowatt hours per tonne
KSS	Kuantan sample shed
l	litre
LHS	left hand side
LOI	loss-on-ignition
LOM	Life-of-mine
LTV	loan to value
m	metre(s)
m ²	square metre(s)
m ³	cubic metre(s)
M	million
MAIG	Member of the Australian Institute of Geoscientists
MAusIMM	Member of the Australasian Institute of Mining and Metallurgy
MCU	mobile crushing and screening unit
MDA	Mineral Development Act 1994
Mineral Resource (as defined by the JORC Code)	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 there are reasonable prospects for eventual economic extraction. 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. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
ML	mining lease
mm	millimetre(s)

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Term	Description
MOA	Mining Operators Agreement
Modifying Factors (as defined by the JORC Code)	Considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
MPa	megapascals
MRMR	mining rock mass rating
Mt	million tonnes
Mt/yr	million tonnes per year
MWLR	Ministry of Water, Land and Natural Resources
MYR	Malaysian ringgit
MYR/t	Malaysian ringgit per tonne
NPAT	net profit after tax
NPV	net present value
NQ	diamond core with standard diameter of 47.6 mm
OH&S	occupational health and safety
OK	ordinary kriging
OMS	Operational Mining Scheme
OME	Ophir Mining and Exploration Sdn Bhd
Opex	Operating expenses
Ore Reserve (as defined by the JORC Code)	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 prefeasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable and Proved Ore Reserves.
OSA	overall slope angle
OSHA	Occupational Safety and Health Act 1994
P ₈₀	screen particle size that 80% of the material passes
PFS	prefeasibility study
PL	Prospecting licence
Platts 62% Fe Index	62% Fe CFR North China, updated daily
PML	Proprietary Mining Lease
PPE	personal protective equipment
ppm	parts per million
PQ	diamond core with standard diameter of 85.0 mm
PT Geoservices	PT Geoservices, Jakarta
PWA	PWA Limited
QA/QC	quality assurance and quality control
QKNA	quantitative kriging neighbourhood analysis
Q-MiCS	Q-MiCS Consultant
qualified person (as defined by SGX rules)	A person who has the appropriate experience in the type of activity undertaken or to be undertaken by a mineral, oil and gas company, meeting the following minimum requirements: <ul style="list-style-type: none"> i is professionally qualified and a member or licensee in good standing of a relevant Recognised Professional Association. ii has at least five years of relevant professional experience in the estimation, assessment and evaluation of (a) the mineral or minerals, oil or gas that is under consideration; and (b) the activity which the issuer is undertaking, and

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

P1819-26: Independent Qualified Persons Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Term	Description
	iii has not been found to be in breach of any relevant rule or law and is not (a) denied or disqualified from membership of; (b) subject to any sanction imposed by; (c) the subject of any disciplinary proceedings by; or (d) the subject of any investigation which might lead to disciplinary action by any relevant regulatory authority or professional association.
RC	reverse circulation
RD	relative density
RF	revenue factor
RHS	right hand side
RL	reduced level
RMR	rock mass rating
ROM	run-of-mine
RQD	rock quality designation
SGS Port Klang	SGS (Malaysia) Sdn Bhd in Port Klang, Selangor
SGS Perth	SGS Australia Pty Ltd in Perth, WA
SGX	Singapore Exchange
SLON	vertically pulsating high-intensity magnetic separator
SMEs	State Mineral Enactments
std dev.	standard deviation
t	tonne(s)
t/hr	tonnes per hour
t/m ³	tonnes per cubic metre
t/qtr	tonnes per quarter
t/yr	tonnes per year
TSF	tailings storage facility
UCS	uniaxial compressive strength
USD	United States Dollar
UTM	Universal Transverse Mercator
W:O	waste to ore stripping ration
Whittle 4X	Geovia Whittle 4X
XHM	Xin Her Mining Sdn Bhd mill
XHMSB	Xin Her Mining Sdn Bhd
XRF	X-ray fluorescence
yr	year(s)
YTD	year-to-date
>	greater than
<	less than
%	percent

25 JORC CODE TABLE 1 CHECKLIST OF ASSESSMENT AND REPORTING CRITERIA

25.1 Sampling Techniques and Data

Table 25-1. Sampling techniques and data.

CRITERIA	JORC Code Explanation	Commentary
SAMPLING TECHNIQUES	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> Refer to Section 7. All samples collected to support the Mineral Resource estimate were collected from either DD or RC drilling. The entire sample from RC drilling was collected and samples (2–5 kg) were obtained by three-tier riffle split at the drillhole site and sent for assay. Wet RC samples were taken to a central sampling facility and dried then split. DD core was placed in core trays then marked, photographed, geologically and geotechnically logged, core recovery determined and RQD measured. Core was then transported to the central facility where density determination using water immersion was completed on selected intervals. Subsequently, a conventional diamond blade core saw was used to cut the core in half before being sampled. Both RC and DD samples were processed and checked at the central sample preparation facility prior to despatch. QA/QC samples consisting of CRMs, blank material, and sample duplicates were inserted into the sample sequence at a rate of no less than 1 in 20 samples.
DRILLING TECHNIQUES	<ul style="list-style-type: none"> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> RC drilling used face sampling downhole hammers and bits 5.25 or 5.5" in diameter. Ground conditions were mostly dry, but the rigs used auxiliary compressors to manage wet conditions. DD drillholes were of NQ, HQ, or PQ in size. Drilling used triple tube with the sample hydraulically pushed from the core barrel assembly. Each drill run was marked with a core block identifying length of core run, recovered core, and core loss. Reflex Maxi-Bore or Reflex Gyro instruments were used to obtain downhole surveys where practical to do so. A Reflex ACT digital orientation tool was used on some drillholes.
DRILL SAMPLE RECOVERY	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> DD core sample lengths were measured, recorded, and recovery calculated. DD used triple tube with the aim of maximising core recovery. Within the near-surface weathered zones, PQ-sized drilling together with reduced water injection was used to minimise loss of softer materials. In fragmented or unconsolidated horizons, drill runs were kept short (20–50 cm) to optimise material recovery. RC drilling was sampled on a nominal 1 m interval where mineralisation was intersected. On each side of the mineralisation, 10 m of material was also sampled on a 1 m basis. The recovered samples were weighed and recorded on-site. Weights were compared to the expected weight of 1 m sample for the lithology and mineralisation intersected.

CRITERIA	JORC Code Explanation	Commentary
LOGGING	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> No relationship was detected between elemental abundances and core recovery or riffle split subsamples. Some wet samples were recorded from RC drilling and statistical analysis did not identify any significant issues of bias or smearing. Drilling records included details for location, drillers, downhole survey, core orientation, photography, density determinations and magnetic susceptibility. Lithology logs recorded lithology, colour, texture, alteration, weathering, degree of oxidation, and the presence, abundance and type of veins. Mineralisation logs recorded ore type, ore group, hardness, and ore and gangue mineral percentages. Geotechnical logs included structural information on bedding, joints, folding, faults, shears, cleavage, schistosity, foliation, brecciation, and veining and associated orientation. DD and RC samples were photographed. Both qualitative and quantitative definitions were used for logged items. The information contained in logs was used in compiling the Mineral Resource estimate.
SUB-SAMPLING TECHNIQUES AND SAMPLE PREPARATION	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> Refer to Section 7. DD samples were obtained by cutting DD core with a diamond blade core saw on a nominal 1 m interval irrespective of lithological or mineralogical contacts. Core was placed onto the cradle in a downhole direction with the left-hand side sampled. The remaining core half is retained for reference. Where DD core is fragmented, an estimate of half the core was made for sampling. Dry RC samples were obtained using a three-tier riffle splitter for each 1 m interval. After drying, wet RC samples were treated the same way. RC samples for assay weighed between 2-5 kg, which Derisk considers is representative and adequate for the deposit type. To ensure representative samples were taken, experienced geologists either did the task or supervised other geologists and field staff. Documented operating procedures were followed in obtaining samples from both DD and RC returns. Preparation of subsamples for assay was carried out at SGS Port Klang. Samples were dried, crushed, pulverised, and sent to SGS Perth analysis. The sample preparation facilities at SGS Port Klang were inspected on two occasions by representatives of HSDSB and on one occasion by the Competent Person for Mineral Resources. The laboratory procedures and equipment appeared to be appropriate and maintained. Crushing and pulverising equipment were cleaned periodically using blanks. Sieve tests were regularly completed on both crushed and pulverised products to ensure that the correct specifications were achieved. Derisk considers sampling practices were appropriate for obtaining assays suitable for resource estimation.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

JORC Code Explanation		Commentary
CRITERIA		
QUALITY OF ASSAY DATA AND LABORATORY TESTS	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. 	<ul style="list-style-type: none"> Refer to Section Z. Samples were analysed by XRF, with a range of detection between 0.01% and 100%, except for SO₃ with an upper level of detection of 1.0%. The suite of elements was Fe, SiO₂, Al₂O₃, P₂O₅, CaO, K₂O, MgO, MnO, Na₂O, SO₃, TiO₂, CuO, PbO, ZnO, As₂O₃, NiO, and BaO. LOI was determined thermogravimetrically. QA/QC included blind blanks and CRMs. The CRMs were purchased from a reputable supplier and supplied as small sealed packages. Field duplicates, laboratory repeats, unspike laboratory checks (Inspectorate laboratory, Kuantan, Malaysia) were also included in the QA/QC program. The rate of insertion was 1 in 20 for blanks, CRMs and field duplicates. Derisk considers that the assaying and laboratory procedures are fit-for-purpose and assays are adequate for the grade estimation of iron ore resources. The technique is considered to deliver total content.
VERIFICATION OF SAMPLING AND ASSAYING	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> Primary data was recorded on paper and/or entered digitally into the logging templates or entered straight into the database. When received, assays were checked against the drill logs to validate the assays were reasonable. Mineralisation is easily visible, and this approach was effective in verifying data. All recorded data was captured in a Microsoft Access relational database maintained by an external consultant. No twinned drillholes were undertaken. No CRM or blank assay results were considered unreliable and no batches were resubmitted for check analyses.
LOCATION OF DATA POINTS	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> All drillhole collars were sited using GPS and then confirmed with a DGPS instrument referenced to the appropriate UTM datum after completion. As a result of mining operations and development, some as-drilled holes were not confirmed by DGPS. Topographic surveys were used to check locations and determine elevation adjustments where DGPS was not available. A Reflex Maxi-Bore or a Reflex Gyro instrument was used for downhole surveys. A small number of drillholes were not surveyed. Independent surveyors were used to complete topographic surveys of the original surface with follow up surveys to periodically monitor material movement, using a total station instrument. Surface wireframes were constructed from completed surveys. Surface wireframes were extended using regional contours when required. These surface wireframes were used to constrain reporting of in situ Mineral Resources and Ore Reserves.
DATA SPACING AND DISTRIBUTION	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. 	<ul style="list-style-type: none"> Drillhole spacing is variable, roughly aligned along southwest-northeast lines nominally 25 m apart. Drillhole sites have been constrained by terrain access and mining activity.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

CRITERIA	JORC Code Explanation	Commentary
	<ul style="list-style-type: none"> Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<ul style="list-style-type: none"> Data spacing is adequate for to establish geological and grade continuity appropriate to the classification applied. No physical sample compositing has been applied prior to geostatistical analysis.
ORIENTATION OF DATA IN RELATION TO GEOLOGICAL STRUCTURE	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> Mineralisation is a steeply dipping shoot of complex geometry and there is some additional mineralisation away from the main body. Some structural controls have been defined. Drillholes are steeply dipping, mainly to the southwest or northeast to provide best-possible intersection angles within the constraints of the physical topography and access. Derisk considers there is no material sampling bias introduced by the drilling orientation.
SAMPLE SECURITY	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Iron ore is a bulk commodity, thereby reducing the opportunities associated with fraudulent activities. A rigorous chain of custody protocol and documented procedure tracked sample movement. Samples were packed securely and transported by an associated trucking company only. At each step of transport, chain of custody documentation was signed off by the supervising geologist or laboratory manager and the transport contractor. Authorised hard copies of chain of custody forms were electronically scanned and kept as digital records.
AUDITS OR REVIEWS	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> The sampling techniques implemented by OME and HSDSB in 2013/2014 were observed and reviewed by two independent consultants (Daigeo Sdn Bhd and AMC) during the exploration program. The processes were found to be consistent with industry practices and adequate for estimation of Mineral Resources.

25.2 Reporting of Exploration Results

Table 25-2. Exploration Results.

CRITERIA	JORC Code explanation	Commentary
MINERAL TENEMENT AND LAND TENURE STATUS	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> Refer to Section 4. There are 5 MLs (9/2014, 6/2014, 1/2018, 1/2019 and 2/2019) held by DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar. HSDSB has negotiated a MOA with the ML holder covering all 5 leases that provides security of tenure, which has been independently assessed by a legal firm.
EXPLORATION DONE BY OTHER PARTIES	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> No formal exploration on the tenements has been completed prior to the work documented in this report.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

CRITERIA	JORC Code explanation	Commentary
GEOLOGY	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> Refer to Section 6. The Chaah iron ore deposit is a structurally controlled, steeply dipping, pipe-like body containing massive hematite, with some magnetite.
DRILL HOLE INFORMATION	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. if the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> Refer to Section 7. A total of 101 RC drillholes, 24 HQ-size DD drillholes and 20 PQ-size DD drillholes were completed from November 2013 to October 2014. RC drilling totalled 15,980 m and DD drilling totalled 6,119 m. All drilling has been used to prepare a Mineral Resource estimate. There is no data presented in the report that is used to support Exploration Results other than the Mineral Resources.
DATA AGGREGATION METHODS	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> Refer to Section 8. All drilling data has been used to prepare a Mineral Resource estimate. There is no data presented in the report that is used to support Exploration Results other than the Mineral Resources.
RELATIONSHIP BETWEEN MINERALISATION WIDTHS AND INTERCEPT LENGTHS	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). 	<ul style="list-style-type: none"> DD and RC drilling is steeply dipping, intersecting the steeply dipping mineralisation at a shallow-moderate angle. The intercepts do not generally equate to true width.
DIAGRAMS	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> Appropriate plans and sections are presented in the report in relevant sections.
BALANCED REPORTING	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> All information has been used to prepare a Mineral Resource estimate. There is no data presented in the report that is used to support Exploration Results other than the Mineral Resources.
OTHER SUBSTANTIVE	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations, geophysical survey results; 	<ul style="list-style-type: none"> Refer to Section 7.

CRITERIA	JORC Code explanation	Commentary
EXPLORATION DATA	geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	<ul style="list-style-type: none"> Geological mapping and surface geophysics have been undertaken at the Chaah and used to generate an integrated geological interpretation to support the Mineral Resource estimate.
FURTHER WORK	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> Refer to Section 8 HDSB plans to conduct further exploration at Chaah as well as the three exploration tenements described in the report.

25.3 Estimation and Reporting of Mineral Resources

Table 25-3. Mineral Resources.

CRITERIA	JORC Code Explanation	Commentary
DATABASE INTEGRITY	<ul style="list-style-type: none"> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. Data validation procedures used. 	<ul style="list-style-type: none"> Data was entered directly or imported from digital spreadsheets into a relational Microsoft Access database. A referential structure was used to relate information like drillhole identifiers and sample numbers to data. Validation of the captured data included checks of entries against established code lists; checks of duplication in entries; checks of interval sequence, and checks of data values.
SITE VISITS	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	<ul style="list-style-type: none"> The Competent Person (Mineral Resources) visited Chaah three times in 2013 – twice in May and once in August. The site visits reviewed the mine geology and iron ore mineralisation exposed in the open pit and surrounds at that time and have been used to validate the reasonableness of the Mineral Resource estimate.
GEOLOGICAL INTERPRETATION	<ul style="list-style-type: none"> Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. Nature of the data used and of any assumptions made. The effect, if any, of alternative interpretations on Mineral Resource estimation. The use of geology in guiding and controlling Mineral Resource estimation. The factors affecting continuity both of grade and geology. 	<ul style="list-style-type: none"> Geological interpretation was based on surface geological mapping and interpretation derived from geophysics, geological logging of drilling and assay results. Data density is variable and therefore understanding and confidence in geological and grade continuity varies. This is taken into consideration when classifying the resources. The key items modelled were lithology and structure that defined the mineralisation envelopes. The envelopes encompass the majority of anomalous grade. The constructed wireframes of the modelled geological and grade features are considered appropriate for the type of mineralisation.
DIMENSIONS	<ul style="list-style-type: none"> The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource. 	<ul style="list-style-type: none"> Known extents of mineralisation are 450 m in length, 100 m width near surface, narrowing to 30 m width at depth. The mineralisation strikes north-northwest and dips steeply to the south-southwest. Most of the mineralisation exists as a single body, with good internal continuity.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

CRITERIA	JORC Code Explanation	Commentary
ESTIMATION AND MODELLING TECHNIQUES	<ul style="list-style-type: none"> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. The assumptions made regarding recovery of by-products. Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. Any assumptions behind modelling of selective mining units. Any assumptions about correlation between variables. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. 	<ul style="list-style-type: none"> Refer to Section 8. This is the first Mineral Resource estimate for Chaah. Three-dimensional interpretations of mineralisation were created, and Leapfrog software was used to generate enclosed shapes to encompass iron mineralisation and surfaces to define other geological features. This method is appropriate for bulk iron ore mineralisation. Statistical analysis of drillhole data was completed, including sample weight and recovery, chemical analyses, and bulk density determinations. Drillhole composite lengths were selected, followed by composite statistics and a variographic analysis of the drillhole data. No grade capping of any grade attributes was applied after a statistical analysis determined that there were few outliers. A three-dimensional block model was created, with subcelling of parent blocks to allow reasonable boundary definition of the topography, mineralisation, and other geological features. The block size dimensions are compatible with mining SMU parameters. Estimation search parameters were developed for each area from the variography, and estimates were generated using OK. Grade interpolation was performed for Fe, SiO₂, Al₂O₃, K₂O, CaO, P₂O₅, LOI, MgO, MnO, BaO, Na₂O, SO₃, and TiO₂. Grade estimates were checked visually against the input data. The block model and composite statistics were computed and checked, together with cross-validation and swath plot checks. The resource model depleted by mining from June 2014 to July 2019 was compared with production statistics, delivering excellent reconciliation. Tonnage estimates are based on estimates of in situ dry bulk density derived by dry density determinations using documented procedures. The materials used were dried prior to measurements being made. A lower cut-off of 25% Fe was applied in reporting Mineral Resources and reflects the production of either DSO material from the pit or simple processing to satisfy sales specifications. This criterion is validated by the estimation of a 30% Fe cut-off criterion for reporting Ore Reserves.
MOISTURE	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	
CUT-OFF PARAMETERS	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	
MINING FACTORS OR ASSUMPTIONS	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. 	<ul style="list-style-type: none"> Refer to Section 11 and Section 12. There is an existing open pit mine at Chaah that uses small excavators and trucks, and this type of operation will continue. The extracted ore will be processed or stockpiled and then transported as demanded by customers. The Mineral Resource model has been developed to be compatible with open pit mining methods adopted at site.

CRITERIA	JORC Code Explanation	Commentary
METALLURGICAL FACTORS OR ASSUMPTIONS	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	<ul style="list-style-type: none"> Refer to Section 9, Section 13 and Section 14. There are existing process facilities at Chaah that consist of crushing, screening, grinding, gravity and magnetic separation, thickening and filtering to produce several iron ore products to meet market specifications, that can include density, Fe, P, SiO₂ and S. HDSB has undertaken metallurgical testwork based on PQ-sized DD core that validate the operational parameters used at Chaah. Metallurgical testwork supported by operational practice has established that Fe content is the only attribute that is needed to be specified explicitly in reporting the Mineral Resources.
ENVIRONMENTAL FACTORS OR ASSUMPTIONS	<ul style="list-style-type: none"> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made. 	<ul style="list-style-type: none"> Refer to Section 17. Malaysia has a range of environmental acts and regulations to control mining activities. HDSB has prepared an EMP for Chaah and is compliant with all environmental requirements.
BULK DENSITY	<ul style="list-style-type: none"> Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. Discuss assumptions for bulk density estimates used in the evaluation process of the different materials. 	<ul style="list-style-type: none"> Refer to Section 8. 788 dry bulk density measurements were obtained on NQ, HQ, and PQ-sized DD core. A broad correlation found between density and iron grade was used to assign estimates of in situ dry bulk density to mineralisation ranging from 2.3 t/m³ (0% Fe) to 4.2 t/m³ (65% Fe). The average of all measurements outside the mineralisation was used for the material surrounding the mineralisation i.e. 2.6 t/m³.
CLASSIFICATION	<ul style="list-style-type: none"> The basis for the classification of the Mineral Resources into varying confidence categories. Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). Whether the result appropriately reflects the Competent Person's view of the deposit. 	<ul style="list-style-type: none"> Refer to Section 8. Mineral Resources have been classified based on the criterion of estimation pass, quality of the grade estimate, and in consideration of the quality and quantity of the drilling data upon which grade estimates are based. The main mineralised domain (Domain=1) was assigned an Indicated category where block grade estimates were realised in the first pass, and an Inferred category for estimates realised in the second pass. For other mineralised domains, an Inferred category was assigned. All other material was unclassified. The Competent Person (Mineral Resources) considers that the classification criteria applied to Chaah is reasonable.
AUDITS OR REVIEWS	<ul style="list-style-type: none"> The results of any audits or reviews of Mineral Resource estimates. 	<ul style="list-style-type: none"> The original 2014 Mineral Resource estimate prepared by OME was independently reviewed by AMC in 2014/2015.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

CRITERIA	JORC Code Explanation	Commentary
DISCUSSION OF RELATIVE ACCURACY/ CONFIDENCE	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<ul style="list-style-type: none"> The 2019 Mineral Resource estimate is unchanged from 2014 except for the depletion of mining between June 2014 to October 2019. Refer to Section 8. The grade distribution of composites (samples) is similar to that of block grade estimates when compared in all three directions. Statistical analyses show averages are similar. Visual inspection of coincident composites and block grade estimates exhibit similar values. Trends observed in composites are reproduced to a large extent in block grade estimates. Derisk considers that the resource and reserve represent a good global estimate but are unlikely to deliver high-quality local estimates. Local control of mining is derived through visual logging of drilling and blasting operations prior to extraction. Confidence is derived from a production reconciliation undertaken to validate the material mined from June 2014 to July 2019 vs the depletion from the resource model. An excellent reconciliation was achieved.

25.4 Estimation and Reporting of Ore Reserves

Table 25-4. Ore Reserves.

CRITERIA	JORC Code Explanation	Commentary
MINERAL RESOURCE ESTIMATE FOR CONVERSION TO ORE RESERVES	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. 	<ul style="list-style-type: none"> Refer to Section 8. Indicated and Inferred Mineral Resources have been estimated using DD and RC drillhole data to create a 3D geological model. Kriging was used to estimate Fe grade plus other elements. This block model formed the basis for estimating Ore Reserves. The Mineral Resources are inclusive of Ore Reserves.
SITE VISITS	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	<ul style="list-style-type: none"> Refer to Section 2.4. The Competent Person (Ore Reserves) has visited site three times and identified no serious concerns.
STUDY STATUS	<ul style="list-style-type: none"> The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered. 	<ul style="list-style-type: none"> Refer to Section 11. All aspects of the study are at least to a PFS-level. Chaah mine has been operating since 2008 and established technically that operation is viable. It also has good operational and financial inputs to the study. All Modifying Factors have been considered.

APPENDIX D INDEPENDENT QUALIFIED PERSON'S REPORT

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

JORC Code Explanation		Commentary
CRITERIA		
CUT-OFF PARAMETERS	<ul style="list-style-type: none"> The basis of the cut-off grade(s) or quality parameters applied. 	<ul style="list-style-type: none"> Refer to Section 11.6.2. Cut-off grades vary depending on grade and which process plant the ore has been allocated to, which in turn partly determines the product and subsequent pricing of the product produced. Hence, multiple cut-off grades have been considered based upon the formula below. $\text{Cut-off grade} = \frac{c + f + Fi + m}{(P - s)y}$ <p style="text-align: center;"> c Processing Cost f Fixed Cost Fi Opportunity Cost P Metal Price s Sales Cost y Yield m Mining Cost </p>
MINING FACTORS OR ASSUMPTIONS	<ul style="list-style-type: none"> The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design). The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc), grade control and pre-production drilling. The major assumptions made, and Mineral Resource model used for pit and stope optimisation (if appropriate). The mining dilution factors used. The mining recovery factors used. Any minimum mining widths used. The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion. The infrastructure requirements of the selected mining methods. 	<ul style="list-style-type: none"> Refer to Section 11. The Mineral Resource has been optimised using Whittle software followed by detailed final pit design. The Ore Reserve is the Indicated Resource within the pit designs, after allowing for ore loss and dilution. The mining method selected is open pit, selective mining of ore adjacent waste on nominal 5 m benches using an 80 t excavator loading 50-100 t rigid body trucks. Pit ramps are 17 m width at a 10% gradient down to a depth of 100 mRL before transitioning into a 12 m width at 8% gradient. At which point, the strip ratio has been reduced and the trucking fleet will transition into primarily articulated 40 t trucks. This has been included in the modelling and was done to tighten the LOM pit design and minimise waste as much as technical possible. The mining dilution is minimal but within industry norms at 3%. This is believed to be technically possible with careful drill and blast and skilled excavator operators. The mining recovery is 97% based on a mining block of 5m taken in 2.5 m flitches. The ore is well defined visually and in terms of density which clearly differentiates it from waste. Inferred Resources were included within the mine schedule and only represent a small portion (~14%) of the overall material mined and produced. The infrastructure to mine, process and sell the iron ore is already in place and includes a full complement of mobile plant and equipment, fixed plant crushing and screening, processing facilities and access roads on-site.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

CRITERIA	JORC Code Explanation	Commentary
METALLURGICAL FACTORS OR ASSUMPTIONS	<ul style="list-style-type: none"> The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. Whether the metallurgical process is well-tested technology or novel in nature. The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical dominating applied and the corresponding metallurgical recovery factors applied. Any assumptions or allowances made for deleterious elements. The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole. For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications? 	<ul style="list-style-type: none"> Refer to Section 9 and Section 13. The metallurgical process in place currently consists of three separate plants that includes a simple crushing and screening process flow which is both fixed and mobile, plus two process facilities that upgrade the ore to a 62-65% Fe fines product. Testwork undertaken during the original PFS in 2014 was extensive and largely based upon the process flowsheets already in place at Chaah. All metallurgical processes in place are commonly used in China and Southeast Asia using jaw crusher, cone crusher, ball/rod mill, magnetic separation, filtering and drying. Product is routinely assayed through an independent laboratory to validate the quality achieved through these plants. Deleterious elements include sulphur, phosphorus and silica. Penalties are factored into the sales contracts.
ENVIRONMENTAL	<ul style="list-style-type: none"> The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported. 	<ul style="list-style-type: none"> Refer to Section 17. HSDSB completed a formal EMP for the operation in 2014. HSDSB Directors have advised Derisk they are compliant with all government regulations. Waste rock and tailings disposal sites have been designed and constructed and are in operation. According to previous environmental impact assessments, the potential for acid rock drainage is minimal.
INFRASTRUCTURE	<ul style="list-style-type: none"> The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided or accessed. 	<ul style="list-style-type: none"> Refer to Section 15. Power is currently being generated from on-site diesel generators but will be converted to the main grid in Q1 of 2020. There is sufficient water on site to run the process facilities and enable dust suppression within the pit and surrounding haul roads. A majority of the water is recycled from settling ponds from the tailings facilities. Access for staff and bulk commodities and supplies is via well-established partly sealed haul roads and sealed public roads. Labour is sourced from the local community with some on-site accommodation available depending on point of hire for the labourers and supervisors respectively.
COSTS	<ul style="list-style-type: none"> The derivation of, or assumptions made, regarding projected capital costs in the study. The methodology used to estimate operating costs. Allowances made for the content of deleterious elements. The source of exchange rates used in the study. 	<ul style="list-style-type: none"> Refer to Section 11. Costs were based on those previously estimated during the 2014 PFS then further updated and refined based on key changes to 2019 i.e. diesel, exchange rate, power. All the costs related to mining and processing were derived based on first principle estimation techniques.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

CRITERIA	JORC Code Explanation	Commentary
	<ul style="list-style-type: none"> Derivation of transportation charges. The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc. The allowances made for royalties payable, both Government and private. 	<ul style="list-style-type: none"> The commodity price was assumed via internal consensus, partly influenced by current and predicted iron ore price sentiment. Transportation costs were based on those provided in the 2014 PFS and it was assumed that these have not changed materially since then. Tribute costs were based on a contract with the ML holder. A State royalty was recently introduced and has been allowed for at a rate of 9 MYR per tonne of concentrate sold. Corporate tax rate of 24% was used, which is the Malaysian government specified corporate tax rate.
REVENUE FACTORS	<ul style="list-style-type: none"> The derivation of or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products. 	<ul style="list-style-type: none"> Refer to Section 11 and Section 14. Revenue is based on the Chaah projects ability to produce different product for two key markets i.e. domestic vs export. The domestic market further consists of pipe-coating and steel production whereas the export market is largely for steel production, mainly China. The overall revenue is derived based on the market mix of products and subsequent pricing achieved per product. The market mix assumptions were based on the client's internal forecasts and existing sales contracts.
MARKET ASSESSMENT	<ul style="list-style-type: none"> The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. A customer and competitor analysis along with the identification of likely market windows for the product. Price and volume forecasts and the basis for these forecasts. For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract. 	<ul style="list-style-type: none"> Refer to Section 14. Iron ore price forecasts derived from reference to a range of market commentators and consensus forecasts. Volumes estimated from the mine plan in conjunction with sales expectations developed by HSDSB. The small volume produced from Chaah is immaterial and therefore will not impact price by additional volume in the market. The product has been accepted in domestic and export markets as demonstrated by Chaah's sales track record since 2008.
ECONOMIC	<ul style="list-style-type: none"> The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. NPV ranges and sensitivity to variations in the significant assumptions and inputs. 	<ul style="list-style-type: none"> Refer to Section 19. The primary method of determining the economic robustness of the project was via a DCF model. Base case NPV is USD 76.6 million. Sensitivity analysis has been completed using the commodity price, metallurgical recovery, exchange rate, Capex, fuel price, discount rate and Opex, and is most sensitive to the iron ore price.
SOCIAL	<ul style="list-style-type: none"> The status of agreements with key stakeholders and matters leading to social licence to operate. 	<ul style="list-style-type: none"> Refer to Section 18. HSDSB has been working with the community since 2008 and employs a significant local workforce. No community unrest has been reported by HSDSB Directors and the Company employs a community liaison officer to interact with the local community.

CRITERIA	JORC Code Explanation	Commentary
OTHER	<ul style="list-style-type: none"> To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves: Any identified material naturally occurring risks. The status of material legal agreements and marketing arrangements. The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent. 	<ul style="list-style-type: none"> Refer to <u>Section 20</u> for risk assessment. Refer to <u>Section 4</u> for government approvals and material agreements. Derisk has identified one high risk concern with respect to sensitivity to the commodity price, and several medium risk concerns linked to geotechnical risks associated with the deepening of the open pit, exchange rate fluctuations, the lack of major long-term sales contracts and water/tailings management in the event of a major rainfall event. The mine has been operating since 2008 and all government approvals are in place. HSDSB Directors have advised Derisk that the Company is in compliance with all government regulations.
CLASSIFICATION	<ul style="list-style-type: none"> The basis for the classification of the Ore Reserves into varying confidence categories. Whether the result appropriately reflects the Competent Person's view of the deposit. The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any). 	<ul style="list-style-type: none"> Refer to <u>Section 11</u>. In situ Mineral Resources are classified as Indicated and Inferred Resources. Stockpiles are classified as Indicated Resources. The Indicated Resources, both in situ and stockpiles have been converted to Probable Ore Reserves. The Ore Reserve classification for this mine is appropriate in the opinion of the Competent Person.
AUDITS OR REVIEWS	<ul style="list-style-type: none"> The results of any audits or reviews of Ore Reserve estimates. 	<ul style="list-style-type: none"> The original 2014 PFS and Ore Reserve estimate prepared by OME was independently reviewed by AMC in 2014/2015. The 2019 Ore Reserve estimate prepared by Derisk has been internally peer reviewed but has not been subject to an external peer review.
DISCUSSION OF RELATIVE ACCURACY/CONFIDENCE	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<ul style="list-style-type: none"> Confidence is derived from a production reconciliation undertaken to validate the material mined from June 2014 to July 2019 vs the depletion from the resource model. An excellent reconciliation was achieved. No geostatistical procedures were applied to quantify relative accuracy of the resource/reserve. Derisk considers that the resource and reserve represent a good global estimate, but are unlikely to deliver high-quality local estimates. As detailed in previous sections, the Ore Reserve is based on much of the work conducted in the 2014 PFS. Subsequent work has involved updating some of the key underlying input cost parameters and updated understanding of the metallurgical process flowsheet etc. The stockpile inventory was estimated based on volume provided by survey together with density and grade estimates per stockpile undertaken through the on-site laboratory. Uncertainty associated with sampling and analysis of the stockpile material resulted in an Indicated/Probable classification, rather than a Measured/Proved classification.

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

APPENDIX D

INDEPENDENT QUALIFIED PERSON'S REPORT

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APPENDIX E

INDEPENDENT VALUATION REPORT



INDEPENDENT VALUATION REPORT OF THE MALAYSIAN IRON ORE ASSETS OF HONEST SAM DEVELOPMENT SDN BHD

Client:	Honest Sam Development Sdn Bhd
Project number:	P1819-27
Document status:	Final Report
Document Date:	6 March 2020

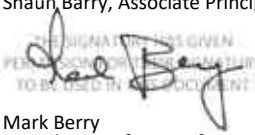
APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



DOCUMENT CONTROL AND INFORMATION

Project number:	P1819-27
Document title:	IVR of Malaysian Iron Ore Assets
Client:	Honest Sam Development Sdn Bhd
Client contact:	Mr Lim Wei Hung, CFO
Document file name:	P1819-27 HSDSB IVR Update Final.pdf
Document status:	Final Report
Document date:	6 March 2020
Derisk project manager:	Mal Dorricott, Principal Mining Consultant
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APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



TABLE OF CONTENTS

1	EXECUTIVE SUMMARY	1
1.1	Introduction	1
1.2	Report Details	1
1.3	Mineral Assets Location, Ownership and History	1
1.4	Mineral Resources and Ore Reserves	2
1.5	Operations	3
1.6	Product Sales	3
1.7	Valuation	3
1.8	Risks and Opportunities	4
1.9	Conclusions	4
2	INTRODUCTION	6
2.1	Scope and Use of Report	6
2.2	Valuation and Reporting Standard	6
2.3	Report Authors and Contributors	6
2.4	Site Visits	6
2.5	Statement of Independence	7
2.6	Methodology and Limitations	7
2.7	Reliance	7
2.8	Records and Indemnities	7
3	PROJECT DESCRIPTION	8
3.1	Assets	8
3.2	Ownership	8
3.3	Access	9
3.4	Climate	10
3.5	Geomorphology	10
4	TENEMENTS	11
4.1	Leases	11
4.2	Permits and Approvals	11
4.2.1	Legislative Framework	11
4.2.2	Mineral Development Act 1994	12
4.2.3	State Mineral Enactments	12
4.2.4	State Regulations	12
4.2.5	State Royalties and Rent	13
4.2.6	Operational Mining Scheme	13
4.2.7	Mining Operators Agreement	13
4.2.8	Processing Agreement	13
5	PROJECT STATUS	15
5.1	History	15
5.2	Studies Completed	15
5.3	Studies in Progress	15
5.4	Current Operations	15
5.5	Future Plans	15
6	GEOLOGY AND MINERALISATION	16
6.1	Regional Geological Setting	16
6.2	Regional Metallogeny	17
6.3	Chaah Geology	18
6.4	Chaah Mineralisation	18

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



7	EXPLORATION	20
7.1	Background	20
7.2	Chaaah	20
7.3	Exploration Assets	21
8	MINERAL RESOURCES	22
8.1	Methodology	22
8.2	2019 Mineral Resource Update	22
8.2.1	In Situ Mineral Resources	22
8.2.2	Stockpile Mineral Resources	23
8.2.3	Total Mineral Resources	23
8.3	Production Reconciliation	24
9	GEOTECHNICAL CONDITIONS	25
9.1	Rock Mass Properties and Conditions	25
9.1.1	Kinematic Analysis	25
9.1.2	Selected Rock Mass Properties	25
9.1.3	Slope Design	26
9.2	Hydrogeology and Groundwater	26
9.3	Geotechnical Risks and Management	26
10	ORE RESERVES	27
10.1	Methodology	27
10.2	Pit Optimisation	27
10.2.1	Process	27
10.2.2	Inputs	27
10.2.3	Results	28
10.3	Mine Design	29
10.3.1	Ultimate Pit	29
10.3.2	Design Parameters	29
10.4	Production Schedule	30
10.5	LOM Plan	30
10.5.1	Mine Schedule	30
10.6	Ore Reserve Estimation and Classification	31
11	MINING	33
11.1	Operations	33
11.2	Equipment	35
11.3	Waste Disposal	35
12	PROCESSING	36
12.1	Operations	36
12.1.1	Fixed Crushing	36
12.1.2	Mobile Crushing and Screening	36
12.1.3	HSM Plant	36
12.1.4	XHM Plant	39
12.2	Tailings Storage and Disposal	41
13	PRODUCT SALES	42
13.1	Market Overview	42
13.2	Product Specifications and Contracts	44
13.3	Sales Mix and Price Forecast	45
14	INFRASTRUCTURE AND LOGISTICS	46
14.1	General Site Facilities	46
14.2	Water	46

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



14.3	Transport	46
14.4	Power	46
14.5	Accommodation	47
14.6	Communications	47
14.7	Security	47
14.8	Kuantan Head Office	47
14.9	Kuantan Sample Shed and Storage	47
14.10	Kuantan Port Facilities	48
15	HUMAN RESOURCES AND OCCUPATIONAL HEALTH AND SAFETY	49
15.1	Relevant Legislation	49
15.1.1	Occupational Safety and Health Act 1994	49
15.1.2	Factories and Machinery Act 1967	49
15.2	HSDSB Policies	49
15.3	Emergency Response	50
15.4	Staffing	50
16	ENVIRONMENTAL MANAGEMENT	51
16.1	Relevant Legislation	51
16.1.1	Environmental Quality Act 1974	51
16.1.2	Rehabilitation	51
16.2	HSDSB Policies	52
16.3	Chaah Environmental Management Plan	52
16.3.1	Soil Erosion and Sedimentation of Waterways	52
16.3.2	Air Pollution	52
16.3.3	Noise Pollution and Blast Vibration	52
16.3.4	Solid Wastes	53
16.3.5	Scheduled Wastes	53
16.3.6	Sewage and Wastewater Discharge	53
16.4	Closure Plan	53
17	COMMUNITY AND SOCIAL ISSUES	55
17.1	Community Engagement	55
17.2	Community Impact	55
17.3	Heritage Management	55
18	VALUATION	56
18.1	Valuation Definitions and Approach	56
18.2	Chaah Production Project	56
18.2.1	Income Valuation: Discounted Cashflow	56
18.2.2	Market Valuation: Comparable Transactions	62
18.3	Early-stage Exploration Projects	63
18.4	Valuation Summary	63
19	RISKS AND OPPORTUNITIES	65
19.1	Risk Assessment	65
19.1.1	High Risks	65
19.1.2	Medium Risk	65
19.1.3	Low Risk	66
19.2	Opportunities	66
19.2.1	Exploration Upside	66
19.2.2	Operational Flexibility	66
19.2.3	Commodity Price Upside	66
20	CONCLUSIONS	67

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



21 PRACTITIONER/SPECIALIST/COMPETENT PERSON CONSENT AND SIGN-OFF.....	68
21.1 Director and Specialist.....	68
21.2 Practitioner/Specialist	68
22 REFERENCES	69
23 DEFINITIONS AND GLOSSARY	70

LIST OF FIGURES

Figure 3-1. Location of HSDSB's Peninsula Malaysian iron ore assets.	8
Figure 3-2. Public road network in Johor and access to HSDSB's iron ore assets.	9
Figure 6-1. Regional geology of Peninsula Malaysia.	16
Figure 6-2. Metallogeny of Peninsula Malaysia.	17
Figure 6-3. Geology of Chaah mine.	18
Figure 6-4. Examples of Chaah mineralisation.	19
Figure 9-1. Chaah open pit (2014) and plan showing the main geological and structural features.	25
Figure 10-1. Optimisation pit shell sensitivity.	28
Figure 10-2. Final pit limits.	29
Figure 10-3. Mine production physicals.	31
Figure 10-4. Isometric view of three-stage pit schedule.	31
Figure 11-1. Chaah mining scheme layout.	33
Figure 11-2. Mining operations.	34
Figure 12-1. MCUs at Chaah.	36
Figure 12-2. HSM plant configuration, 2019.	37
Figure 12-3. HSM plant, July 2019.	38
Figure 12-4. XHM plant configuration, 2019.	39
Figure 12-5. XHM plant, July 2019.	40
Figure 12-6. TSF2 showing water pump and excavator recovering tailings for sale, July 2019.	41
Figure 13-1. Five-year 62% Fe and one-year 65% Fe spot price history to January 2020.	42
Figure 13-2. Selected iron ore prices: February 2015 to February 2020.	43
Figure 13-3. Price differential between 62% Fe and 65% Fe.	44
Figure 14-1. View looking south of the general mine infrastructure, July 2019.	46
Figure 14-2. Administration and accommodation facilities (LHS), mobile equipment workshop (RHS), July 2019.	46
Figure 14-3. Diesel generators for the HSM (LHS) and XHM (RHS), July 2019.	47
Figure 14-4. Kuantan sample shed, January 2019.	47
Figure 14-5. Weighbridge at Kuantan stockpile area (LHS) and iron ore stockpiles (RHS).	48
Figure 14-6. Ship loading of iron ore for export at Kuantan port.	48
Figure 15-1. Chaah organisational chart.	50
Figure 18-1. Cashflow projection.	60
Figure 18-2. Sensitivity analysis: Spider chart.	61
Figure 18-3. Sensitivity analysis: Tornado chart.	61

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



LIST OF TABLES

Table 1-1. Total iron ore Mineral Resources as at 31 October 2019.....	2
Table 1-2. Total iron ore Ore Reserves as at 31 October 2019.	3
Table 2-1. Report contributors.	6
Table 4-1. HSDSB tenement status.....	11
Table 5-1. Chaah iron ore production statistics (kt).	15
Table 8-1. In situ Mineral Resources as at 31 October 2019 reported using a cut-off criterion of 25% Fe... 23	
Table 8-2. Stockpiles as at 31 October 2019 reported using a cut-off criterion of 15% Fe.....	23
Table 8-3. Total Mineral Resources as at 31 October 2019.	23
Table 8-4. Production reconciliation from June 2014 to July 2019.	24
Table 9-1. Rock mass rating results.	25
Table 9-2. Recommended slope angles.	26
Table 10-1. Optimisation metal price sensitivity analysis.	28
Table 10-2. Pit design summary.	29
Table 10-3. Pit design parameters.....	30
Table 10-4. Ore Reserve Cut-off Parameters.....	32
Table 10-5. In situ Ore Reserves as at 31 October 2019 reported using a cut-off criterion of 30% Fe.....	32
Table 10-6. Ore Reserve stockpiles as at 31 October 2019 reported using a cut-off criterion of 30% Fe.	32
Table 10-7. Total Ore Reserves as at 31 October 2019.	32
Table 11-1. Mining equipment list.....	35
Table 12-1. HSM operating parameters.	38
Table 12-2. XHM operating parameters.....	40
Table 12-3. TSF capacity.	41
Table 13-1. Five-year iron ore price forecasts for 62% Fe.....	43
Table 13-2. Chaah general product specifications.	44
Table 18-1. Recommended valuation approaches for different mineral assets.	56
Table 18-2. Annual production schedule.....	57
Table 18-3. Operating cost summary.	57
Table 18-4. Sales costs.....	58
Table 18-5. Financial assumptions.....	59
Table 18-6. Economic analysis.....	59
Table 18-7. Bukit Besi iron ore Mineral Resource, reported as at 7 August 2018.	63
Table 19-1. High risks.....	65
Table 19-2. Medium risks.	65
Table 19-3. Low risks.	66
Table 23-1. Definitions and glossary of terms.	70

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



1 EXECUTIVE SUMMARY

1.1 Introduction

In July 2019, Derisk Geomining Consultants Pty Ltd (Derisk) was engaged by Honest Sam Development Sdn Bhd (HSDSB or the Company) to prepare an independent valuation report (IVR or the Report) as part of the Company's plan to list its Malaysian iron ore assets on the Catalist board of Singapore Exchange (SGX). SGX provides extensive rules and guidelines for such reports and this Report has been prepared in accordance with SGX requirements.

This Report will be used to support the Company's listing on SGX and will be included in the Offer Document, therefore it is a public report. It provides a technical assessment and valuation of the iron ore assets in Malaysia that the Company will include in the offer.

SGX Catalist rules for new company listings require that an IVR be prepared in accordance with the VALMIN Code⁴ and that exploration and mining information be reported in accordance with one of three allowable international public reporting standards. For this Report, Derisk has adopted the VALMIN Code as required for the valuation, and the JORC Code⁵ as the public reporting standard.

The effective date of the valuation presented in this IVR is 31 October 2019.

1.2 Report Details

This Report has been prepared by Mal Dorricott and Mark Berry and peer reviewed by Shaun Barry. The VALMIN Code requires that a public report on a technical assessment or a valuation report for mineral assets or securities must be prepared by a Practitioner, who is an Expert as defined in the Australian Corporations Act. Practitioners may be Specialists and Securities Experts.

Mal Dorricott is the Practitioner and Specialist for the IVR and was assisted by Mark Berry, who is also a Specialist. Shaun Barry peer reviewed the IVR. Both Mal Dorricott and Mark Berry have completed at least one site visit to the Company's principal asset at Chaah in Johor, Malaysia.

The JORC Code requires that a public report describing a company's Exploration Results, Mineral Resources and Ore Reserves must be based on, and fairly reflect, the information and supporting documentation prepared by a Competent Person, as defined by the JORC Code. SGX Catalist rules use the term qualified person and provide a definition that is effectively equivalent to a Competent Person. All contributors to this Report meet the requirements of a Competent Person and a qualified person.

Derisk confirms that its Directors, staff, contributors and reviewers to this Report are independent of HSDSB and have no interest in the outcome of the work to be completed in this engagement. Fees paid to Derisk are on a fee-for-service basis plus reimbursement of project-related expenses. Our agreement with HSDSB excludes any provision for a success fee or related incentive.

1.3 Mineral Assets Location, Ownership and History

The iron ore assets operated by HSDSB consist of the Chaah open pit mine, which is the principal asset, and three exploration properties located at Mao'kil, Chaah Baru and Kota Tinggi. All assets are in the state of Johor.

The Chaah mine is covered by two mining leases (MLs) and the three exploration properties are each covered by MLs, which are all held by DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar (DYMMMS). HSDSB has negotiated a long-term Mining Operators Agreement (MOA) with DYMMMS that provides HSDSB with a strong legal structure to guarantee control of operations at the mine site.

The Chaah area is a known historical iron ore prospecting and small-scale mining area. The most recent mining at Chaah commenced in 2008. The maximum annual production is over 700 kt in 2019 year to date, with total mine production of 4.6 Mt since 2008. After processing, concentrates are sold domestically and to the export market for steel manufacture and as a heavy media for pipe coating.

⁴ Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code), 2015

⁵ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code), 2012

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



1.4 Mineral Resources and Ore Reserves

Prior to 2013, HSDBS did not complete any significant exploration to support its investment in a mining and beneficiation operation at site, with activities generally restricted to localised prospecting with limited and sporadic drilling to guide mining. No records of these activities were maintained. In 2013, the Company commissioned Ophir Mining and Exploration Sdn Bhd (OME) to undertake exploration activities at the Chaah mine and complete a prefeasibility study (PFS) to support the estimation of Mineral Resources and Ore Reserves.

OME prepared a Mineral Resource estimate as at June 2014 of 11.0 Mt @ 52.6% iron (Fe) comprising Indicated and Inferred Resources and reported using a cut-off criterion of 30% Fe. This estimate comprises in situ mineralisation only. Derisk has reviewed the resource modelling and estimation process, the output and classification, and considers that the resource estimate prepared by OME is reasonable and fit-for-purpose.

Derisk has taken the OME mineral resource model and depleted it for mining to 31 October 2019. No changes have been made to the OME model as no new information has been added to the master drillhole database. However, the in situ Mineral Resources have been reported at a cut-off criterion of 25% Fe because the operational experience at site has established that the processing plants are capable of upgrading material with this grade to a saleable product, although the economics depend on the prevailing iron ore price. We have also included mined stockpiles at Chaah in the resource inventory as these were reliably surveyed and have been sampled and analysed to estimate tonnes and Fe grade. These have been classified as Indicated Resources because the sampling methodology used to collect samples is not adequate to reliably classify these as Measured Resources.

Table 1-1 presents the total Mineral Resources for Chaah as at 31 October 2019 comprising in situ mineralisation and mined stockpiles. Derisk considers that all reported Mineral Resources meet the JORC Code requirement of having reasonable prospects for eventual economic extraction.

Table 1-1. Total iron ore Mineral Resources as at 31 October 2019.

Category	Tonnes		Grade (%)			Comments
	(Mt)	Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅	
Gross attributable to licence and net attributable to issuer						This estimate is reported as at 31 October 2019 and is the first publicly reported Mineral Resource estimate for the Chaah mine. The estimate prepared in 2014 has not been publicly reported.
Measured	-	-	-	-	-	
Indicated (in situ)	6.1	52.3	16.6	1.8	1.6	
Indicated (stockpiles)	0.4	54.6	-	-	-	
Inferred (in situ)	1.8	45.6	23.7	3.8	1.4	
Total (in situ)	7.9	50.8	18.2	2.2	1.6	
Total	8.2	51.0	-	-	-	

Notes: 1. In situ resources reported at a cut-off criterion of 25% Fe.
2. Stockpiles 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.

Prior to June 2014, no reconciliation of historical production at Chaah is possible. A survey of the open pit and surrounds was completed in June 2014 and periodically thereafter, with the most recent survey completed in July 2019. From June 2014 to July 2019, a total of 3.37 Mt @ 53.1% Fe has been mined according to the resource model. Production statistics from HSDBS report the extraction of 3.42 Mt of iron ore from the pit during the same period, equivalent to 102% of the tonnes predicted from the resource model. Derisk considers that there is an excellent reconciliation between the resource model and production statistics.

Derisk reviewed the PFS completed by OME that supported its estimate of Probable Ore Reserves totalling 8.6 Mt @ 52.1% Fe as at June 2014, reported using a cut-off criterion of 30% Fe.

To prepare new Ore Reserves, Derisk first validated the 3D block model created by OME in 2014 and then cut this model using the July 2019 topographic surface. All reserve inputs were reviewed and updated where appropriate using current information and new pit optimisations were undertaken using Geovia Whittle 4X (Whittle 4X). A new cashflow analysis and a new mine design and life-of-mine (LOM) production schedule were completed that resulted in Ore Reserves supporting a seven-year mine life. Subsequently, depletion of the Ore Reserves to 31 October 2019 was done using monthly trucking and production statistics provided by HSDBS.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 1-2 presents the total Ore Reserves for Chaah as at 31 October 2019 comprising in situ ore and mined stockpiles. Mined stockpiles at Chaah have been included in the reserve inventory where the Fe grade of the stockpile is >30% Fe.

Table 1-2. Total iron ore Ore Reserves as at 31 October 2019.

Category	Tonnes (Mt)	Grade (%)				Comments
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅	
Gross attributable to licence and net attributable to issuer						This estimate is reported as at 31 October 2019 and is the first publicly reported Ore Reserve estimate for the Chaah mine. The estimate prepared in 2014 has not been publicly reported.
Proved	-	-	-	-	-	
Probable (in situ)	5.8	51.0	16.2	1.7	1.6	
Probable (stockpiles)	0.3	55.9	-	-	-	
Total (in situ)	5.8	51.0	16.2	1.7	1.6	
Total	6.1	51.2	-	-	-	

Notes: 1. In situ reserves and stockpiles reported at a cut-off criterion of 30% Fe.
2. Totals may not add due to rounding effects.

1.5 Operations

Run-of-mine (ROM) ore and waste rock is mined by conventional drilling and blasting, then loading and hauling from a single open pit mine. The mining fleet is owned and operated by HSDSB and consists of small hydraulic rockdrills, small hydraulic excavators configured as backhoes, off-highway rear-dump haul trucks, and support equipment such as graders, dozers, and water carts. HSDSB has been granted approval to establish several waste rock dump sites. Overburden is dry excavated, transported and placed in dumps, constructed from the bottom up using paddock dumping and compaction using dozers.

Iron ore is processed through the existing on-site ore-processing facilities, which consist of fixed crushing units, mobile crushing units (MCUs), the Honest Sam Mill (HSM) processing plant and the Xin Her Mill (XHM) processing plant. Three products are produced:

1. High-grade direct shipping ore (DSO) is processed through fixed crushers and MCUs to generate a high-density product greater than 4.4 t/m³ for the domestic pipe-coating market.
2. Medium-grade iron ore is processed through the HSM to generate a fines product at nominally 65% Fe. Most of the output from this facility is sold to the domestic steel industry.
3. Low to medium-grade iron ore is processed through the XHM to generate a fines product at nominally 62-65% Fe. Most of the output from this facility is sold to the domestic steel industry or exported.

HSDSB has been granted approval to establish several tailings storage facilities (TSFs) on site to store tailings from the process plants.

1.6 Product Sales

HSDSB generates revenue from both a nominal 62% Fe product and a nominal 65% Fe product, in addition to a speciality pipe-coating product. Contracts are negotiated with local and international customers. Sales to local customers are usually on a free-on-truck (or ex-mine) basis or delivered to the customer's mill. For export sales, the Company usually sells directly to its customers on a cost-and-freight (CFR) or free-on-board (FOB) basis, whichever is negotiated at the time.

Contracts are negotiated with reference to spot prices, typically based on a standard specification of iron ore fines with 62% Fe, 2% Al₂O₃, and 4.5% SiO₂, among other gangue elements delivered into north China on a CFR basis (iron ore spot price). Penalties or premiums may be applied on a contract-specific basis.

1.7 Valuation

The LOM schedule and the physicals from this were used as inputs to the economic analysis together with LOM operating costs (Opex) and LOM capital costs (Capex). Derisk collated forecasts from banks and price forecasters to derive a consensus around selling prices for the Company's products against a benchmark of the iron ore spot price. The Company's contracts with its customers are commercial-in-confidence, but Derisk has reviewed the Company's sales from January 2018 to July 2019 to develop a pricing formula for the three products in reference to the forecast iron ore spot price.

The results indicate that the Chaah operation is financially robust. The base-case net present value (NPV) at a 10% discount rate (excluding stockpiles) is USD 74.1 million with an internal rate of return (IRR) of 541% assuming 100% equity (no borrowings). To test the robustness of the operation, a sensitivity analysis was

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



carried out assessing the sensitivity to the commodity price, metallurgical recovery, exchange rate, Capex, fuel price, discount rate and Opex. As expected, the most sensitive NPV driver is the iron ore price, but almost equally important is the metallurgical recovery. Opex and exchange rate sensitivity are the next most important drivers, while discount rate, Capex and fuel price are the least sensitive drivers to the NPV analysis.

HSDSB has built many mined, crushed and processed stockpiles at site comprising six material types i.e. hematite boulders, hematite lump (100 mm), hematite fines (<20 mm), hematite superfine, high-phosphorus hematite and hematite tailings. Derisk has estimated the likely revenue from the sale of the Ore Reserve stockpiles at prevailing 2019 prices and deducted costs for crushing and screening, processing, sales and transport where appropriate, to derive a net value of USD 14.1 million.

Derisk has assessed the Market Value (as defined by the VALMIN Code) of both the operating mine at Chaah as well as the three exploration assets at Mao'kil, Chaah Baru and Kota Tinggi. Whilst the exploration assets do have a value, Derisk has concluded the value is less than USD 1.0 million and not material in comparison to Chaah. Therefore, the exploration assets have been ignored in determining a Market Value for the assets.

Derisk has assessed market and income valuation approaches to determine a valuation for Chaah. Chaah is a mature open pit mining operation with a sound Mineral Resource and Ore Reserve inventory, supported by documented costs and well-established sales contracts. Consequently, Derisk considers that the income valuation approach is the most appropriate valuation methodology. Derisk reviewed relevant transactions that could contribute to a market valuation approach and identified only one comparable transaction, which provides support for the income valuation, but has not been used directly in the valuation.

Derisk concludes that a Market Value for HSDSB's Malaysian mineral assets that includes both the operation and stockpiles ranges from USD 63 million to USD 113 million with a preferred value of USD 88 million. The effective date of the valuation is 31 October 2019.

1.8 Risks and Opportunities

Risks have been subjectively assessed based on the likelihood of occurrence, and on the consequence of an event occurring, resulting in a risk matrix with three risk levels i.e. high, medium and low risk. Risks identified include:

- One high-risk concern associated with commodity prices. Profitability is very sensitive to the iron ore price, which is volatile. HSDSB will be adversely affected financially from any short-term drop in the iron ore price, as well as any longer-term sustained lower prices.
- Six medium-risk concerns associated with geotechnical controls for mining, mine scheduling, metallurgical recovery, exchange rate volatility, sales contract uncertainty and water/tailings management.
- Six low-risk concerns associated with geological interpretation uncertainty, pit dewatering, ore type characterisation, power costs, public road access, and community unrest.

Three key opportunities have been identified:

- There are exploration upside opportunities as follows:
 - Iron ore mineralisation in the existing open pit area is not closed off and there are opportunities to discover more mineralisation, that if successful may allow the current operations to be extended.
 - Magnetic surveys have identified several geophysical anomalies yet to be tested, that if successful have the potential to discover new iron ore mineralisation.
 - The Company holds three exploration areas that are prospective for iron ore mineralisation that have not yet been explored in any detail.
 - HSDSB plans to assess new opportunities to acquire more exploration and/or mining leases.
- HSDSB has a high degree of operational flexibility that allows it to readily adapt to changeable market requirements and opportunities. There are also several market segments that it delivers its product into and is therefore not dependent on one or two core customers.
- Profitability of the Chaah operation is extremely sensitive to the iron ore price, which has been very volatile in the last ten years. The Company will financially benefit from any short-term spikes in the iron ore price, as well as any longer-term sustained higher prices.

1.9 Conclusions

The Chaah mine is a mature site that has been in continuous operation since 2008. HSDSB has experienced both high and low commodity prices throughout the operation's history and has reacted to the changing

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



economic conditions by varying production rates and product specifications to match domestic and export market requirements.

Derisk considers that the Mineral Resource and Ore Reserve estimates are technically sound and fit-for-purpose. Reconciliation of production from June 2014 to July 2019, derived from pit surveys, demonstrates an excellent correlation between the Mineral Resource model and production statistics.

In valuing the mineral assets operated by HSDSB, Derisk has concluded that Chaah represents the principal asset. The three exploration assets at Mao'kil, Chaah Baru and Kota Tinggi do have a Market Value, but the value is not material in comparison to the Chaah mine.

Derisk considers that the income valuation approach is an appropriate valuation methodology, which in this case is supported by a market valuation approach derived from a single comparable transaction. Derisk concludes that a Market Value for all the Malaysian mineral assets operated by HSDSB ranges from USD 63 million to USD 113 million with a preferred value of USD 88 million.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



2 INTRODUCTION

2.1 Scope and Use of Report

In July 2019, Derisk was engaged by HSDSB to prepare an IVR as part of the Company's plan to list its Malaysian iron ore assets on the Catalist board of SGX. SGX provides extensive rules and guidelines for such reports and this Report has been prepared in accordance with SGX requirements.

This Report will be used to support the Company's listing on SGX and will be included in the Offer Document, therefore it is a public report. It provides a technical assessment and valuation of the iron ore assets in Malaysia that the Company will include in the offer.

The effective date of the valuation presented in this IVR is 31 October 2019.

2.2 Valuation and Reporting Standard

SGX Catalist rules for new company listings require that valuations must be prepared in accordance with the VALMIN Code and that exploration and mining information be reported in accordance with one of three allowable international public reporting standards. For this report, Derisk has adopted the VALMIN Code as required for the valuation, and the JORC Code as the public reporting standard.

For the purposes of this Report, value is defined as Market Value being the estimated amount (or the cash equivalent of some other consideration) for which the mineral asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion.

All values in this report are in nominal United States dollars (USD) unless otherwise stated.

2.3 Report Authors and Contributors

This Report has been prepared by Mal Dorricott and Mark Berry and peer reviewed by Shaun Barry. Table 2-1 presents details of the role and qualifications of each of the contributors.

Table 2-1. Report contributors.

Name	Title	Years of Experience	Professional Membership	Role and Responsibility
Mal Dorricott	Principal Mining Consultant	50	FAusIMM	Project manager, Practitioner and Specialist
Mark Berry	Director and Principal Geologist	40	MAIG, AAICD	Specialist
Shaun Barry	Associate Principal Mining Consultant	30	MAusIMM CP, MRICS, MIQA	Internal peer review

Refer to Section 23 Definitions and Glossary for explanation of professional memberships.

The VALMIN Code requires that a public report on a technical assessment or a valuation report for mineral assets or securities must be prepared by a Practitioner, who is an Expert as defined in the Australian Corporations Act. Practitioners may be Specialists and Securities Experts.

The JORC Code requires that a public report describing a company's Exploration Results, Mineral Resources and Ore Reserves must be based on, and fairly reflect, the information and supporting documentation prepared by a Competent Person, as defined by the JORC Code. SGX Catalist rules use the term qualified person and provide a definition that is effectively equivalent to a Competent Person. In this IVR, whenever reference is made to a Competent Person as per the JORC Code, it is equivalent to a qualified person as per the SGX Catalist rules. All contributors to this Report meet the requirements of a Competent Person and a qualified person.

Practitioner/Specialist/Competent Person statements for Mal Dorricott and Mark Berry are provided in Section 21 of this Report.

2.4 Site Visits

Both Mal Dorricott and Mark Berry have visited the Chaah mine, which is the main mineral asset to be included in the listing, as follows:

- Mal Dorricott: July 2019.
- Mark Berry: May 2013 and twice in August 2013.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



2.5 Statement of Independence

Derisk confirms that its directors, staff and all contributors to this Report are independent of HSDSB and have no interest in the outcome of the work to be completed in this engagement. Fees paid to Derisk are on a fee-for-service basis plus reimbursement of project-related expenses. Our agreement with HSDSB excludes the provision for a success fee or related incentive. The fee for preparation of this Report is AUD 66,000 and payment of this fee is in no way contingent on the results of this Report.

2.6 Methodology and Limitations

HSDSB did not undertake systematic mineral exploration or mining studies prior to 2014, and therefore did not estimate Mineral Resources and Ore Reserves at Chaah. The Company relied on a team of experienced operational staff to manage its operations and make decisions on mining and on-site processing, before road transport of ore to Kuantan for domestic sale or export.

In 2013, the Company commissioned OME to undertake exploration activities at the Chaah mine and complete a PFS to support the estimation of Mineral Resources and Ore Reserves. At the same time, HSDSB recruited geologists and mining engineers to undertake exploration and supervise mining at Chaah and undertake exploration at some of its other properties. In 2014, AMC Consultants Pty Ltd (AMC) was commissioned to prepare an independent qualified persons report (IQPR) to support a proposed listing on SGX, but this was deferred due to the depressed iron ore prices prevailing from 2014 to 2018.

In 2019, Derisk was appointed to prepare an updated IQPR and an IVR for Chaah and several iron ore exploration properties held by HSDSB. Derisk has reviewed all previous work undertaken by HSDSB, including all data and information supplied by the Company. We have exercised due care in reviewing the supplied information and believe that the inputs into and estimates of the valuations are reasonable.

Whilst Derisk has independently analysed the data provided by HSDSB and OME, the accuracy of the conclusions of this IVR relies on the accuracy of the supplied data. Derisk Specialists have made enquiries and exercised our judgement on the reasonable use of such data and information, and have no reason to doubt the accuracy or reliability of the information provided, but we do not accept responsibility for any errors or omissions in the information supplied, and do not accept any consequential liability arising from investment or other financial decisions or actions by others.

Derisk has not independently verified the legal status of the tenements described in this Report but has relied on information provided by HSDSB regarding the legal status of the tenements. The due diligence review of the status of the tenements has been undertaken by the independent legal firm, Jeff Leong, Poon & Wong (JLPW), and as such, JLPW assumes no responsibility for any part of this Report.

This Report is also based on information contained in the Derisk report titled "Independent qualified persons report on the Malaysian iron ore assets of Honest Sam Development Sdn Bhd" (the IQPR) for the assets that are the subject of this IVR. This Report should be read in conjunction with the IQPR, which provides additional detail of the technical and operational aspects of the assets. Key sources are outlined in this report and all data included in the preparation of this report has been detailed in the references section.

2.7 Reliance

All advice, reports and deliverables prepared by Derisk are for the exclusive benefit of HSDSB and may not be relied on by any party other than HSDSB. Derisk understands that this Report will be made publicly available. Derisk requires that all public reports containing references to Derisk and/or Derisk advice, and all information provided by Derisk for the public report will be reviewed and approved by Derisk prior to publication – in the form and context that it will appear in the public report.

2.8 Records and Indemnities

HSDSB has been provided with all digital data files produced by Derisk during this engagement. Derisk is entitled to retain a copy of all material information upon which our report is based.

HSDSB has agreed to indemnify, defend, and hold Derisk harmless against any and all losses, claims, damages, costs, expenses, actions, demands, liabilities, or proceedings (including but not limited to third-party claims) howsoever arising, whether directly or indirectly out of this Agreement or the provision or non-provision of the services, other than losses, claims, damages, costs, expenses, actions, demands, liabilities, or proceedings that are determined by a final judgement of a court of competent jurisdiction to have resulted from actions taken or omitted to be taken by Derisk illegally or in bad faith or as a result of Derisk's gross negligence.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

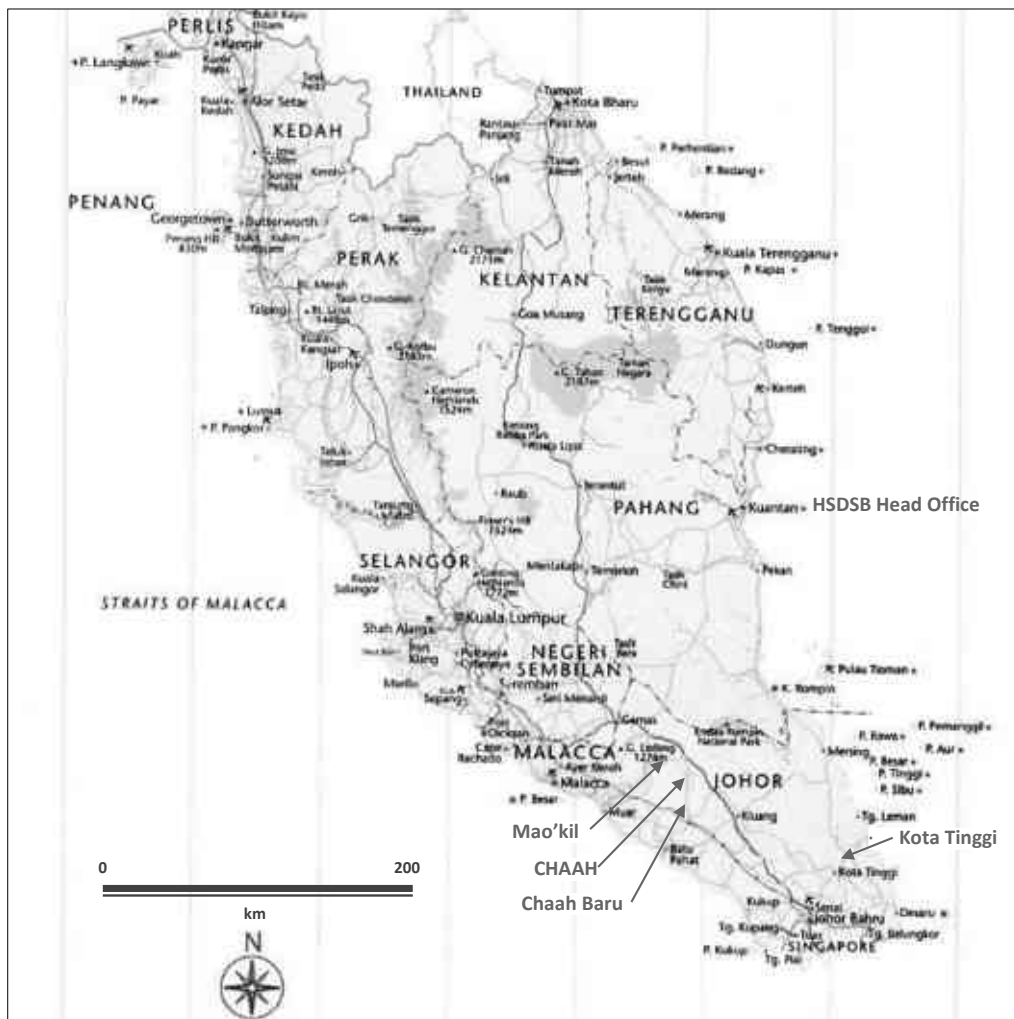


3 PROJECT DESCRIPTION

3.1 Assets

The iron ore assets held by HSDSB consist of the Chaah open pit mine and three exploration properties located at Mao'kil, Chaah Baru and Kota Tinggi. Figure 3-1 shows the location of the four assets, which are all located in the state of Johor.

Figure 3-1. Location of HSDSB's Peninsula Malaysian iron ore assets.



Source: <http://www.etawau.com>.

3.2 Ownership

The Chaah MLs and the three exploration tenements comprising the mineral assets are held by DYMMMS. HSDSB has negotiated a long-term MOA with DYMMMS that provides HSDSB with a strong legal structure to guarantee control of operations at site.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

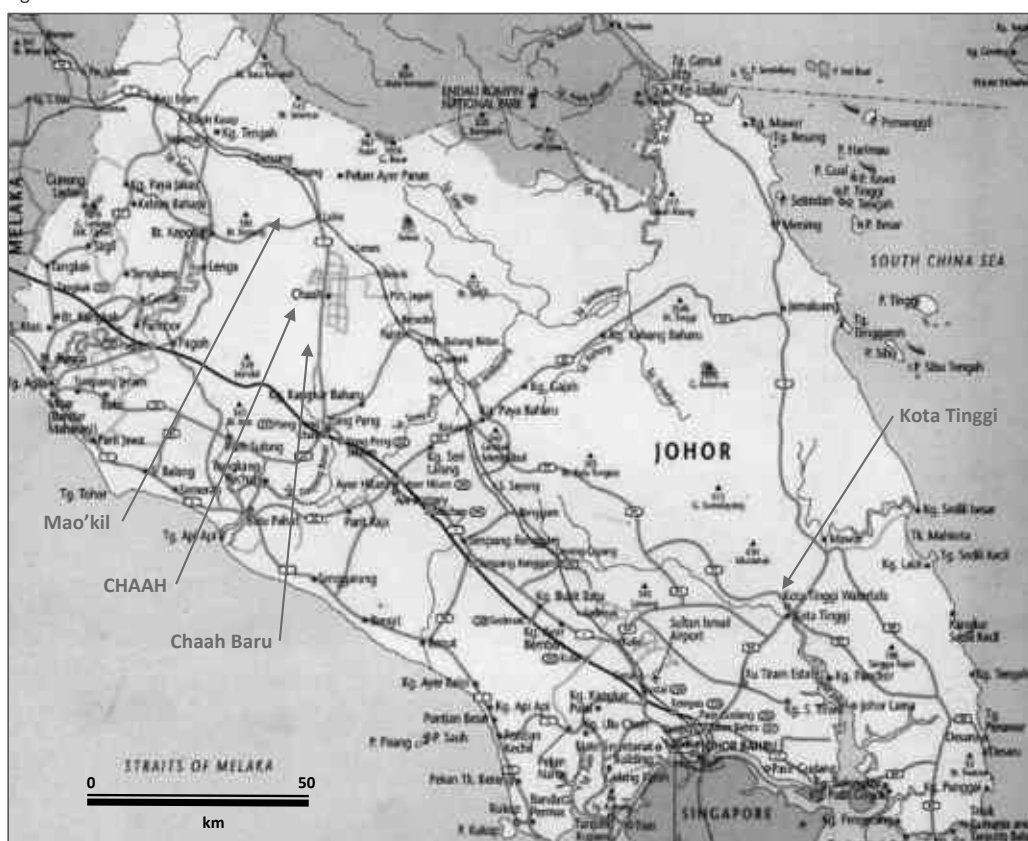


3.3 Access

The HSDSB management and administrative office servicing the Chaah operation and exploration activities is in Kuantan in the state of Pahang (Figure 3-1). Kuantan is serviced by an international airport and a public road network to other major cities and towns within Malaysia, including the capital Kuala Lumpur.

All the mineral assets are in the state of Johor (Figure 3-2). Access from Kuantan is via public sealed roads, then generally a short section of private road, often unsealed.

Figure 3-2. Public road network in Johor and access to HSDSB's iron ore assets.



Source: <http://www.kanesrau.blogspot.com>

Chaah is the principal iron ore mineral asset held by HSDSB and is located approximately 10 km southwest of the township of Chaah. Chaah township is on Federal Route 1 between Johor Bahru and Segamat, and the property is 295 km by road to Kuantan port. The property consists of two MLs covering an area of 225.7 ha on which recent iron ore mining commenced in 2008 and is ongoing. Iron ore produced from Chaah is transported via existing road networks to the ports of Kuantan and Pasir Gudang, or directly to local companies.

Mao'kil is an exploration asset located approximately 18 km northwest of Chaah township, 35 km by road from Chaah mine. It is accessed via Jalan Kampung Raja – Felda Mao'kil and is located adjacent to an access road. The property consists of one ML covering an area of 22.3 ha. The site has no previous mining activity.

Chaah Baru is an exploration asset located approximately 16 km northwest of Yong Peng township, 11 km to the south of Chaah mine. It is accessed via palm plantation roads, with the nearest residential area being Kampung Lombong Sejagung approximately 2.5 km away. The property consists of one ML covering an area of 19.4 ha. The site has no previous mining activity.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Kota Tinggi is an exploration asset located approximately 15 km to the northwest of the township of Kota Tinggi. It is approximately 150 km by road to the southeast of Chaah mine. It is accessed via public roads, then palm plantation roads for the final kilometre. The property consists of one ML covering an area of 79.2 ha. The site has no previous mining activity.

3.4 Climate

Peninsula Malaysia is categorised as equatorial and is largely hot and humid throughout the year. The average annual rainfall is 2,500 mm with an average temperature of 27 °C. The climate of the Peninsula is directly affected by wind from the mainland. Peninsula Malaysia is subject to two monsoon wind seasons: the south-west monsoon from late May to September, and the north-east monsoon from November to March. April and October sit between the monsoon periods.

Within Peninsula Malaysia, microclimates exist and are largely influenced by the presence of mountain ranges; most notably the Cameron Highlands, the lowlands, and coastal regions. The coasts have a moderate climate, with temperatures ranging between 23 °C and 32 °C, and rainfall ranging from 10 cm to 30 cm a month. The lowlands have a similar temperature but follow a more distinctive rainfall pattern and show very high humidity levels. The highlands are cooler and wetter, displaying a greater temperature variation.

All HSDSBs mineral assets may be affected by rainfall during the monsoon season, which may cause disruption to operations and may halt operations during periods of intense rainfall (typically during December).

3.5 Geomorphology

All the mineral assets are located in undulating plains or hilly terrain, some with significant topographic relief. The sites are in or adjacent to forest reserves. The operations at Chaah do not impact the adjacent Forest Reserve.

At the main asset of Chaah, the topography rises moderately to steeply northwards from flat plains in the southeast, from approximately 20 m above sea level (in the southeast) to 250 m (in the north), terminating in steep scarp faces at the top of the Bukit Lop eastern spur. Hill slopes in the mine operation areas are dissected by several small creeks that flow in a south to southwest direction and eventually join the Sungai Simpang Kiri River.

The soil in Peninsular Malaysia can be divided into four major groups i.e. steepland soils, sedentary soils, alluvial soils, and organic soils. The soil within the Chaah leases is of sedentary type often found on undulating plains to rolling land.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



4 TENEMENTS

4.1 Leases

Tenement details for the four assets are summarised in Table 4-1. HSDSB does not directly hold the MLs and they are operated through a MOA. These types of legal structures are common in Malaysia and HSDSB believes they are a strong guarantee of the control of operations on-site. The status of the tenements and MOA has been independently reviewed by JLPW and Derisk has sighted the JLPW report.

Table 4-1. HSDSB tenement status.

Property Name	Chaah 1	Chaah 2	Mao'kil	Chaah Baru	Kota Tinggi
Lease	ML 9/2014	ML 6/2014	ML 1/2018	ML 1/2019	ML 2/2019
Expiry Date	22 March 2024	22 March 2024	7 July 2023	29 January 2024	3 July 2024
Area (ha)	104.3	121.4	22.3	19.4	79.1
Commodity	Iron ore	Iron ore	Iron ore	Iron ore	Iron ore
Lease Holder	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar
Location	Lot 3533 Mukim Chaah Bahru, Daerah Batu Pahat, Johor	Lot PTD12064 Mukim Chaah Bahru, Daerah Batu Pahat, Johor	Lot 1681 Mukim Bukit Kepong, Daerah Muar, Johor	Lot 1630 Mukim Chaah Baru, Daerah Batu Pahat, Johor	Lot 2855 Mukim Kota Tinggi, Daerah Kota Tinggi, Johor
Development Status	Operating open pit mine	Operating open pit mine	Exploration site	Exploration site	Exploration site

Source: JLPW legal report, 2019

4.2 Permits and Approvals

4.2.1 Legislative Framework

In Malaysia, mineral resources are vested in the state. The administration and regulation of mineral exploration and mining is governed by the Mineral Development Act 1994 (MDA) and the various State Mineral Enactments (SMEs). The MDA defines the powers of federal government agencies for inspection and regulation of mineral exploration and mining and other related aspects. The SMEs provide the Malaysians states with the powers and rights to issue prospecting, exploration, and proprietary mining licences, as well as MLs, and stipulate land premiums, rental fees, royalties, and additional law such as environment and rehabilitation requirements.

Each Malaysian state is responsible for the approval and issue of prospecting and exploration licences, and mining rights as governed by the applicable SMEs. This generally also follows consultation with federal agencies such as the Department of Minerals and Geoscience (DMG) and the Department of Environment (DE). The DMG is the implementing authority under the Ministry of Water, Land and Natural Resources (MWLR). A Prospecting Licence (PL) may not exceed 400 ha whereas an Exploration Licence (EL) may be granted from 400 to 20,000 ha. A PL may be issued for a validity period of up to two years, while an EL may be issued for a term up to 10 years.

The term of a ML in Malaysia is granted based on the maximum economic life of the mine or mining operations, assessed on a case-by-case basis, but may not exceed an initial term of 21 years. A ML can be renewed, in whole or in part, for a term based on the economic life of the mine or mining operations, but such renewal shall not exceed 21 years. A ML may be transferable, with prior approval of the state authority. There is generally no set prescribed limit to the area of a ML as the granted area is determined based on a size reasonably required for the mine as the state authority may determine.

For large-scale mining, an ML holder/mine operator may not commence any development work or mining on the land that has been granted until it has obtained approval of a mine feasibility study and a plan for rehabilitation. An environmental impact assessment (EIA) may also be required under the Environmental Quality Act 1974, and an Operational Mining Scheme (OMS). For small-scale mining, the requirements are less onerous, whereby an ML holder/mine operator can commence mining with an approved OMS, conditional on completing an EIS if this has been stipulated in the terms of the ML.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



4.2.2 Mineral Development Act 1994

The MDA governs the fossicking, panning, prospecting, exploring, mining, and processing of minerals and mineral ores and mines, minerals, and mineral ores generally. It applies throughout Malaysia unless the minister charged with the responsibility for mining and minerals by order suspends the operation of the whole or any of the provisions of the MDA in any state.

4.2.3 State Mineral Enactments

Each state has its own SME and regulations to govern mining activities within its jurisdiction. Johor is empowered by the enactments to grant mining leases and mineral prospecting and exploration licences under the Mineral (State of Johor) Enactment 2003.

Unless specifically disposed of by the state authority in accordance with the provisions of the SME or any other written law, all minerals within or upon any land in Johor shall be vested solely in the state authority. A mineral tenement may be granted or transferred to (a) a natural person; (b) a company incorporated under the relevant law relating to companies and authorised by its constitution to hold mining land; (c) a body expressly empowered to hold mining land under any other written law; or (d) a foreign company as defined in the relevant law relating to companies and registered as such under the said law and authorised by its constitution to hold mining land.

The Johor state authority may grant a ML over any state land or a proprietary mining lease (PML) over any alienated land in accordance with the provisions of the SME. The ML or PML holder shall have the rights to exclusively mine the land in respect of which the lease has been granted and to extract, process, and sell any mineral obtained from the said land pursuant to the ML (authorising small scale operation) or PML in accordance with the PFS submitted to the state authority when making the application for a ML (authorising small scale operation) or a PML.

An application for a ML (authorising small scale operation) or a PML shall be made to the state authority in the prescribed form, and shall include a PFS that includes (a) a general description of the proposed mining scheme; (b) the expected commencement date of mineral production; (c) a schedule of estimated annual raw ore production for the term of the ML; (d) such information as may be prescribed; and (e) such other information as may be prescribed and as the state authority may reasonably require for the discharge of its function in relation to the application (applicable to the application for a ML only)..

At the time of an application for a ML or a PML, a holder of a valid PL or EL covering the area of land to which the application relates may be authorised to conduct small-scale mining operations on the land that the application for the ML or PML is made.

If the application for a ML or PML is granted, the Director of Lands and Mines of the state shall upon payment by the applicant of the prescribed fees issue to the applicant a ML or PML subject to such terms or conditions as may be specified therein or as may be prescribed. A ML or PML granted by the state authority shall specify whether the holder of a ML or PML is authorised to conduct a small-scale mining operation or a large-scale mining operation.

The granting of a ML or PML shall take effect upon the registration of the ML or PML. Every ML or PML duly registered shall, subject to the provisions of the respective state enactment, be conclusive evidence that the lease of the land described therein is vested in the person or body for the time being registered as the ML or PML holder, and shall confer on the person a lease of the land that shall be indefeasible.

The state authority may revoke the PML or forfeit the mining land in respect of which a ML has been granted if the holder of the licence or lease has breached any terms or conditions specified in the PML or ML (as the case may be) or has contravened any of the provisions of the SME.

HSDSB has advised Derisk that the Chaah mining operations are authorised small-scale operations and the Company has not had any material breaches of any regulations or provisions.

4.2.4 State Regulations

In addition to the SMEs, Johor state regulations set out procedures, forms and regulations covering mineral tenements under the Johor Mineral Regulations 2012. These regulations prescribe the rate of royalty payable to the state authorities in respect of minerals won from the mining land, which is based on (a) a percentage of the market value of the mineral won or (b) an amount prescribed by the authorities for a specified volume or weight of the mineral won. In determining the market value of a mineral, the regulations prescribe that the state authority shall consider the sales revenue realised by the holders of the mineral tenement, reference to a monthly price for the mineral determined by the DMG and published in *Gazette*, or reference

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



to a published price series for the mineral that is widely recognised and used by the international mining community as a reference price.

Johor regulations also provide that contravention of certain provisions in the state regulations is an offence and allow the authorised officers to serve on the offender a notice to inform the intention of compounding any offence. When an offer to compound is made and accepted, payment shall be made to the Director of Lands and Mines of the state. Where the compound is not paid within the specific time, the offender may be prosecuted with the written consent of the Public Prosecutor without further notice being given.

4.2.5 State Royalties and Rent

Mine and quarry operators of major mineral commodities normally pay value-based royalties to the state where the operation is located. Royalty rates are a nominal 5% but may vary depending on the mineral commodity and as assessed by each of the individual states. To date no royalties have been imposed, but in November 2019, HSDSB advised Derisk that from 1 December 2019, a royalty capped at a maximum of MYR 9 per tonne of concentrate sold will be levied by Johor state, paid quarterly.

Under the Mineral (State of Johor) Enactment 2003, the holder of a ML must pay rent subject to the land covered by the mining lease. Rents and holding fees are payable annually to the state, and in any year are calculated by multiplying the area of land subject to the licence or lease with the respective rate prescribed as of the date such holding fee or rent is payable, which may be subject to revision. HSDSB has advised Derisk that annual rent payments for all tenements are up-to-date.

4.2.6 Operational Mining Scheme

The mine operator of a ML or PML is required to submit for approval by the Director of Mines an Operational Mining Scheme (OMS) for development work and mining on the land before the commencement of any development work or mining within the mineral tenement area. The OMS shall include the expected date of commencement of production, plans of the workings of the mine, a schedule of estimated annual raw ore production for the term of the mineral tenement, and such information as may be prescribed or required in writing by the Director of Mines.

The mine operator of a ML or PML shall comply with the approved OMS and carry out development work and mining in accordance with such approved OMS. Failure to work in accordance with an approved OMS may result in suspension of development work or mining until the necessary measures are taken to comply with the approved OMS. In the event modifications to the approved OMS are necessary, the mine operator shall not commence any development work or mining that does not comply with the approved OMS until the modified OMS has been approved by the Director of Mines. In the event of any failure by the holder of the mining lease in submitting an OMS or complying with the approved OMS, the holder shall be liable to a fine or to imprisonment, or to both.

The most recent OMS submitted for the Chaah operation (ML 9/2014 and ML 6/2014) was prepared by Q-MiCS Consultant (Q-MiCS) in January 2019. Derisk has sighted this OMS and has been advised by HSDSB that the Director of Mines has approved this scheme.

4.2.7 Mining Operators Agreement

HSDSB has negotiated a MOA with DYMMMS that provides HSDSB with the contractual right to mine at Chaah and the three exploration assets. The MOA grants HSDSB permission to carry out mining operations in return for an agreed contract payment and ongoing tribute payment to DYMMMS. The obligations of DYMMMS include:

- DYMMMS must obtain and maintain a valid mining lease.
- DYMMMS must prepare OMS documentation to enable the activity of mining to be carried out.
- DYMMMS must grant exclusive rights to HSDSB to mine.

4.2.8 Processing Agreement

HSDSB has negotiated a processing agreement with Xin Her Mining Sdn Bhd (XHMSB) whereby HSDSB provides available iron ore mineralisation to an on-site processing plant operated by XHMSB. XHMSB is required to upgrade the ore to:

- Iron ore concentrate, with iron content of at least 63.5% Fe, silica content of not more than 5% SiO₂, and a phosphorous content of not more than 0.15% P.
- Iron ore middling, with iron content of at least 60.0% Fe, silica content of not more than 9% SiO₂, and a phosphorous content of not more than 0.25% P.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



XHMSB operates and maintains the plant and provides power and staffing. HSDSB's obligation is to provide sufficient ore to grizzly feeders to allow XHM to carry out the processing. XHMSB receives a payment on product based on a sliding scale linked to the USD price of 62% Fe CFR China (Platts 62% Fe Index).

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



5 PROJECT STATUS

5.1 History

The Chaah area, also known as Bukit Lop, is a known historical iron ore prospecting and small-scale mining area. Prior to 2013, minimal systematic exploration was conducted in the area. Some historical prospecting and small-scale mine development activities took place, but there are limited records documenting the early prospecting and exploration history at Chaah. The presence of at least three adits driven into the hillside provides support to claims that the area was prospected by Japanese personnel before World War 2. Bean (1969) recorded that several prospecting permits were issued over the area from 1958 and mining produced some 190,000 tonnes of iron ore from 1961 to 1965. Intermittent small-scale mining occurred in the area until HSDSB took up the project and commenced development and production in its current state. No historical exploration data has been used in the studies on which this Report is based.

The most recent mining at Chaah commenced in 2008, reaching an annual maximum production rate of nearly 550 kt in 2012 prior to the collapse in commodity prices. Production in 2019 has already exceeded 700 kt and will be the highest annual production since the mine commenced operation. In total the mine has produced 4.6 Mt since 2008 (Table 5-1). Iron ore has been sold domestically and to the export market and been used as a heavy media for pipe coating as well as for steel production.

Table 5-1. Chaah iron ore production statistics (kt).

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*	Total
132	145	333	444	547	392	494	238	271	437	475	738	4,646

Source: HSDSB.

Note: * Production from January to October 2019 (inclusive).

5.2 Studies Completed

Prior to 2013, HSDSB did not complete any significant formal studies to support its investment in a mining and beneficiation operation at the site. In 2013, HSDSB engaged AMC to help direct exploration activities and mining studies. AMC's involvement continued until late 2015.

In 2013, HSDSB engaged OME to undertake a major drilling program to define Mineral Resources at Chaah, then undertake a PFS to support the estimation of Ore Reserves. The study was completed in November 2014 and reported a Mineral Resource of 9.1 Mt @ 53.4% Fe and an Ore Reserve of 8.6 Mt @ 52.1% Fe, using a cut-off criterion of 30% Fe. The effective date of these estimates was June 2014.

5.3 Studies in Progress

Since November 2014, HSDSB has completed some additional drilling in the vicinity of the open pit as well as exploratory drilling elsewhere on the tenements. Some mineralisation was intersected in the area immediately west of the open pit but HSDSB decided the additional mineralisation identified was insufficient to warrant an update to the geological model or an updated estimate of Mineral Resources.

During the period from 2015 to 2019, HSDSB has made several modifications to the beneficiation plants at site to enhance production capability and efficiency. There are no formal technical studies that document the aims and performance measures for these modifications, but Derisk considers that the plants are operating satisfactorily.

5.4 Current Operations

HSDSB currently operates the Chaah mine and produces iron ore for the domestic and export market. HSDSB also has a portfolio of three exploration assets that are prospective for iron ore but has not undertaken any exploration at these properties.

5.5 Future Plans

HSDSB plans to continue mining at Chaah and increase its exploration activities at the Chaah mine, as well as its other assets in the state of Johor. HSDSB also plans to actively assess new opportunities to increase its portfolio of iron ore assets.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

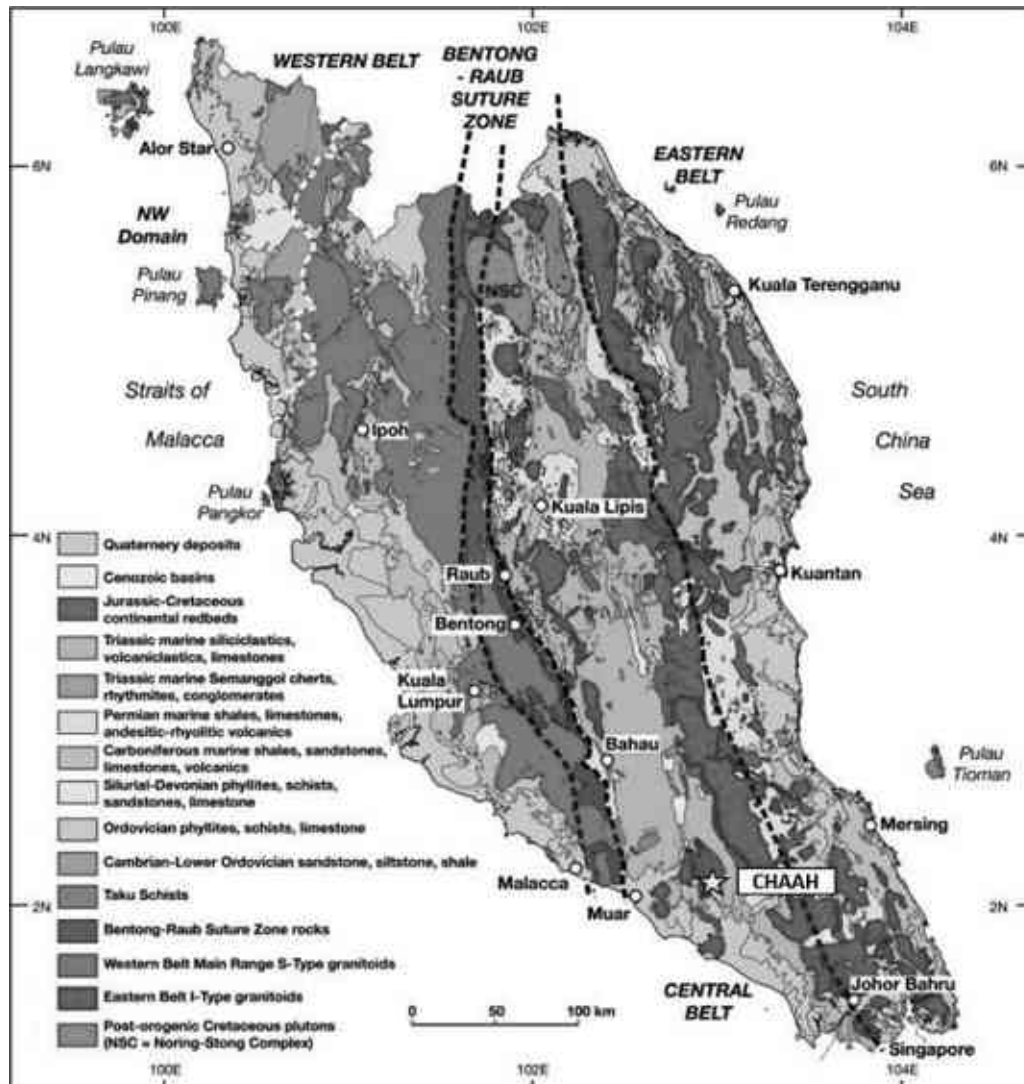


6 GEOLOGY AND MINERALISATION

6.1 Regional Geological Setting

Peninsula Malaysia forms part of mainland Southeast Asia and is made up of two tectonic terranes – the southern Indochina (East Malaya) terrane and the western Sibumasu terrane. These terranes are joined by the Bentong-Raub Suture Zone (Figure 6-1). Subduction and melting of the oceanic crust and mantle beneath the East Malaya and Sibumasu terranes triggered widespread granite pluton intrusion into the crust as well as volcanism and associated metallogenic events.

Figure 6-1. Regional geology of Peninsula Malaysia.



Modified from OME, 2014.

The Peninsula is subdivided into three belts: Western Belt (Sibumasu Terrane), Central Belt, and Eastern Belt (East Malaya Terrane), primarily based on stratigraphy, with the Bentong-Raub Suture Zone separating the Western and Central Belts.

APPENDIX E

INDEPENDENT VALUATION REPORT

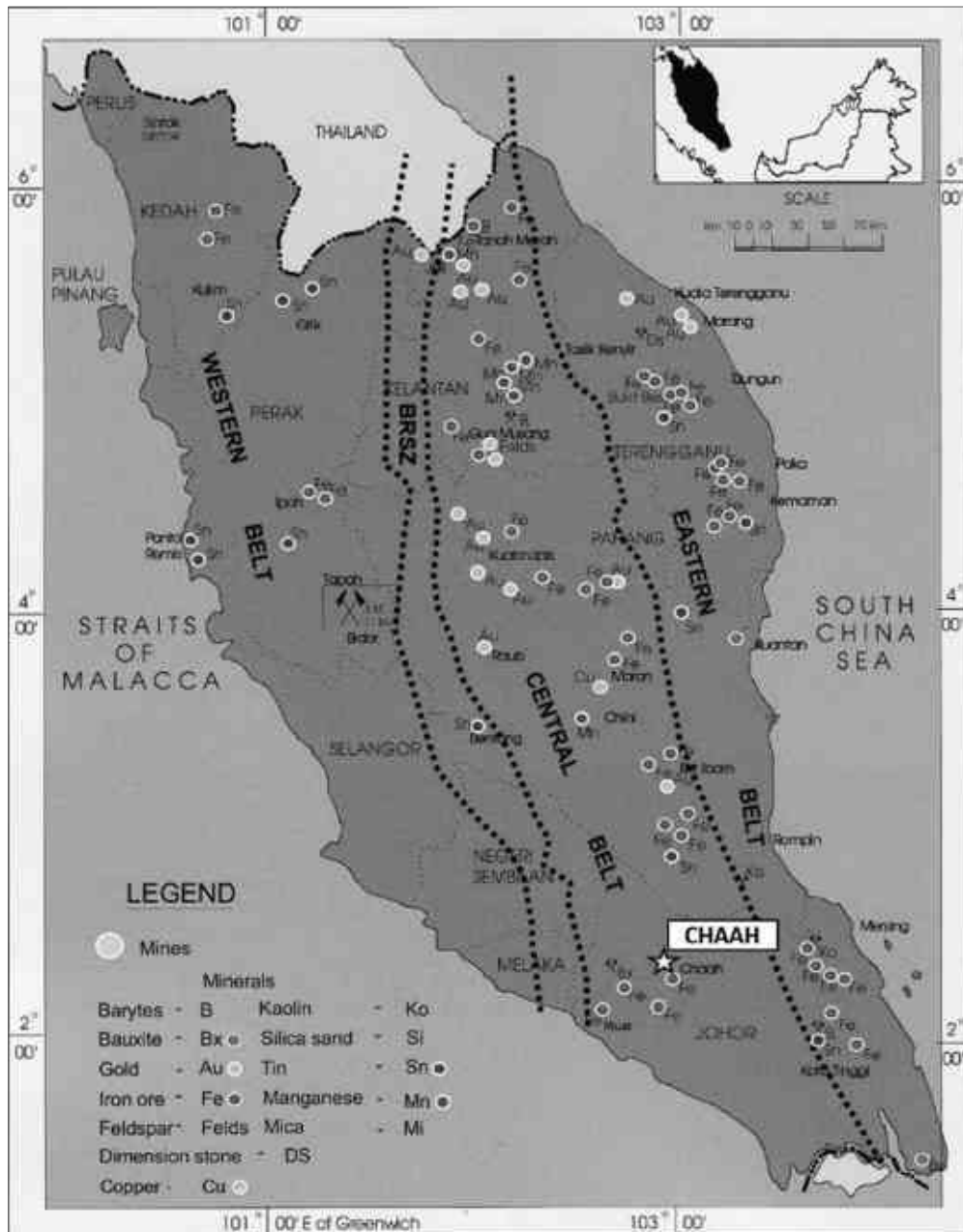
P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



6.2 Regional Metallogeny

Peninsula Malaysia hosts a variety of mineral occurrences including tin, iron ore, ferromanganese, gold, and base metals. It is subdivided into three dominant mineral regions—the Western Tin Province, Central Gold Province, and Eastern Tin Province—largely coinciding with the defined geological belts (Figure 6-2).

Figure 6-2. Metallogeny of Peninsula Malaysia.



Modified from OME, 2014.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd

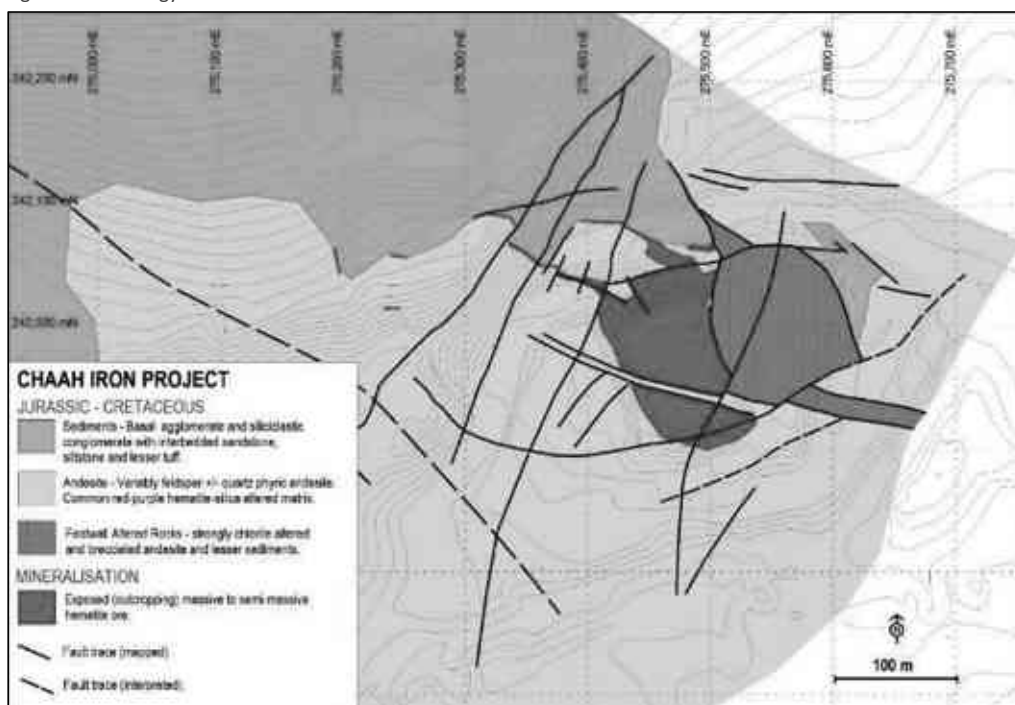


Iron ore deposits occur primarily in the Central Gold Province and the Eastern Tin Province. Iron mineralisation occurs along fault structures, in favourable host lithologies, and in structural traps resulting from hydrothermal fluids associated with granites and other intrusive rocks. Lateritisation associated with deep tropical weathering has resulted in some supergene enrichment of iron. Subsequent erosion has exposed the iron-rich boulders that can be easily and cheaply mined. New iron ore projects are being identified and developed throughout the Central Gold Province as the mining industry evolves and more systematic exploration is carried out.

6.3 Chaah Geology

Figure 6-3 shows the surface geology map for the Chaah mine area based on geological mapping carried out in 2013/2014 and shows the Chaah deposit geology with the main resource zone projected to surface. Iron ore mineralisation at Chaah is hosted within a volcano-sedimentary sequence comprising a basal unit of massive, coherent andesite overlain by a fining-upwards sequence of lower interbedded agglomerate and conglomerate grading upwards into sandstone and siltstone beds with minor pyroclastics (tuff).

Figure 6-3. Geology of Chaah mine.



Source: OME, 2014.

The agglomerate is composed almost entirely of rounded to sub-angular andesite clasts and typically directly overlies the massive andesite unit. Conglomerate, sandstone and siltstone beds (containing mixed siliciclastic and andesite clasts) overlies the basal agglomerate in a broadly fining-upwards sequence. The coherent andesite unit is variably feldspar (plagioclase)-phyric giving it a distinct porphyritic texture and may contain irregular to rounded blebs/nodules of pink to white carbonate. The andesite matrix is fine grained and commonly ferruginised by hematite so that the whole andesite rock takes on a purple-red colouration in the mine area. Figure 6-4 shows two examples of the host rocks.

6.4 Chaah Mineralisation

Mineralisation at Chaah occurs as disseminated, vein, breccia-fill to semi-massive and massive metasomatic replacement of the coherent andesite as well as the immediately overlying andesite agglomerate. The contacts of the main ore zone are typically sharp and reflected in downhole assays. The dominant iron mineral is hematite with lesser goethite (trace to 10%) and magnetite (trace to 5%). The goethite content is

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



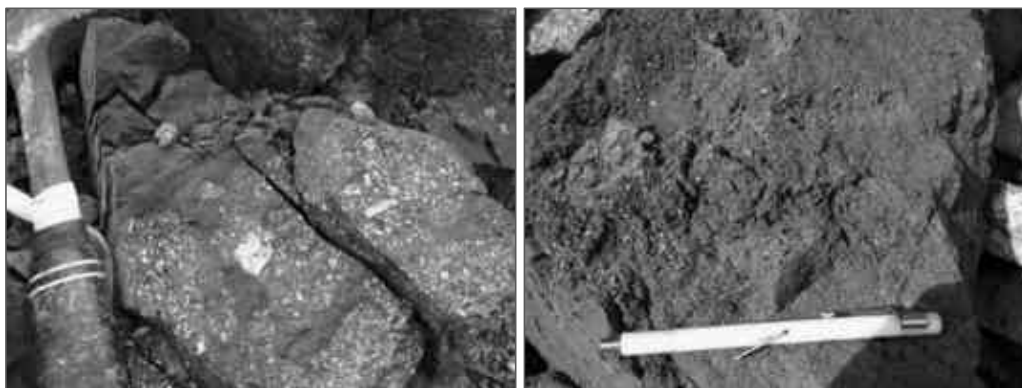
variable depending on depth of weathering and oxidation related to faults and fractured zones. Gangue minerals are typically quartz (crystalline to micro-crystalline, vein and cement) and ferrous amorphous silica (veinlets and cement). It is considered that a proto-ore possibly formed as magnetite and has subsequently been almost entirely altered to hematite.

Drilling, geological mapping and ground magnetic surveys carried out by OME indicate that there is previously undefined magnetite mineralisation occurring in a widespread but poorly constrained area west of the main hematite orebody at Chaah. A northwest striking fault structure appears to form the boundary between the eastern hematite dominated mineralisation and the western magnetite mineralisation. The magnetite occurs as disseminated to heavily disseminated within the coherent andesite unit. It is commonly associated with patchy chlorite-epidote alteration of the andesite and veinlets/stockwork of calcite. Significant magnetite has also been noted to occur with hematite in far-northern extensions of the main orebody.

The main orebody follows a general northwest-southeast trend and is approximately 420 m long, up to 100 m wide and over 100 m deep below the current mine level. The currently defined Chaah resource is open along strike to the north and south and also at depth. There are other areas of mineralisation identified to the west of the main resource in surface sampling and scout drillholes that are currently not included in the defined Mineral Resources.

The main iron ore type at Chaah is comprised essentially of hard, massive, metallic hematite with lesser goethite, magnetite and specular hematite. It is variably porous and may become friable due to weathering around structures and fractured zone. Some examples of Chaah iron ore are shown in Figure 6-4.

Figure 6-4. Examples of Chaah mineralisation.



Source: OME, 2014.

LHS image: Ferruginised (matrix) feldspar-phyric andesite showing partial replacement by hematite.

RHS image: Massive hematite.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



7 EXPLORATION

7.1 Background

Prior to 2013, HSDSB did not complete any significant exploration to support its investment in a mining and beneficiation operation at site, with activities generally restricted to localised prospecting with limited and sporadic drilling at some operations to guide mining. No records of these activities were maintained.

In 2013, HSDSB engaged OME to undertake exploration activities at Chaah and complete a PFS to assess the potential for estimation of Ore Reserves. The Company also recruited geologists to undertake exploration at Chaah and some of its other properties with the aim to progressively establish the capability to estimate Mineral Resources and complete technical assessments at its exploration properties to support new mining investment.

With the assistance of OME and AMC, the Company developed an exploration plan and procedures. Exploration activities included surface geological mapping, geological mapping of open pits, ground magnetic surveys, drilling, and metallurgical testwork. Drilling has included both diamond drilling (DD) and reverse circulation (RC) methods. The company purchased three of its own drill rigs and engaged a contractor to provide additional rigs. The services of third parties were used for surveying, drill sample analysis, and metallurgical testing.

7.2 Chaah

Exploration undertaken at Chaah since 2013 has comprised:

- Surface geological mapping of the existing open pit area and surrounds in 2013/2014. Mapping locations were surveyed using a hand-help Garmin global positioning system (GPS) and geological observations recorded in field notebooks.
- A ground magnetic survey along existing roads and tracks in 2013, totalling 22 line km. Two proton magnetometers were used (one base station and one roving magnetometer). The data acquisition and subsequent data processing, transforms and modelling was undertaken by Logantek (Malaysia) Sdn Bhd.
- A drilling program in 2013/2014 totalling 101 RC drillholes, 24 HQ-size DD drillholes and 20 PQ-size DD drillholes. RC drilling totaled 15,980 m and DD drilling totaled 6,119 m. This is the drilling database that has been used for the estimation of the 2019 Mineral Resources.
- A drilling program in 2017/2018 totalling 8 DD drillholes (1,879 m). Several holes did intersect minor hematite mineralisation at the southern end of the pit area, but this information has not been incorporated into the geological model or used in the 2019 Mineral Resource estimate.

Logging of drillhole information was carried out on pre-prepared logging sheets that included separate sheets for lithology, mineralisation and sampling. The logging sheets recorded the drillhole identifier, interval depths, plus the relevant information, and were identical for both RC and DD drillholes.

Bulk density measurements were collected from DD core using the water immersion technique that is based on the Archimedes principle.

Drilling sample preparation and transport was documented and traceable via a Chain of Custody protocol and documented procedures:

- DD core was taken to the Company's sampling facility in Kuantan. Sample lengths were nominally 1.0 m but were modified to honour geological contacts. A maximum length of 2.0 m was imposed to prevent the sample mass becoming too great. The core was then sawn in half to produce a sample for analysis and a reference sample. Where a duplicate sample was required, the other half of the core was also submitted for analysis. After sawing, the core was broken with a hammer and bagged for delivery to the SGS (Malaysia) Sdn Bhd laboratory in Port Klang, Selangor (SGS Port Klang).
- Subsampling on RC percussion chips was completed at the drill site using a cyclone and splitter. Samples were taken at 1.0 m intervals, and each 1.0 m bulk RC sample was moved away from the cyclone and weighed. Each 1.0 m bulk sample was then put through an inline three-stage 87.5%:12.5% Jones type riffle splitter to reduce the sample size collected in the bulk sample bag to produce a sub-sample. The smaller sub-sample (nominally 12.5% of the original sample) was transferred to a pre-numbered sample bag as the primary analytical sample.

RC and DD samples were transported to SGS Port Klang for processing. Upon arrival, each sample was weighed and checked against a register and given a laboratory number for tracking purposes, with customer sample details, including batch and original sample identification number. Sample preparation consisted of drying, crushing (4-5 kg to 4 mm) and pulverising (1.5 kg to 90% passing 75 microns).

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Three independent commercial laboratories were used during the exploration program to obtain chemical analyses of drilling samples. Exploration drilling samples (prepared by SGS Port Klang) were air-freighted to SGS Australia Pty Ltd laboratory in Perth, Western Australia (SGS Perth). Selected samples were sent to an umpire laboratory, Inspectorate Malaysia Sdn Bhd in Kuantan, Pahang (Inspectorate Kuantan) in Malaysia. Metallurgical samples from the PQ-size DD drilling were analysed by PT Geoservices, Jakarta (PT Geoservices) in Indonesia.

At SGS Perth, multi-element chemical analyses were by X-ray fluorescence (XRF) in which a borate-fused disc was prepared from the pulps, analysed and reported as an oxide. The LOI grade was obtained using another subsample from the pulp and determining the percent change in weight when heated to 1,000° C using a thermogravimetric instrument.

A selection of samples was submitted to Inspectorate Kuantan for umpire assay checks. The analytes reported were; Total Fe%, SiO₂%, Al₂O₃%, P₂O₅%, SO₃%, LOI%, CaO%, MgO%, MnO%, TiO₂%, PbO%, CuO%, ZnO%, As₂O₃%, NiO%, BaO%, Na₂O% and K₂O%. Inspectorate Kuantan used a fusion bead XRF method.

A total of 308 PQ-size DD metallurgical samples were submitted to PT Geoservices for analysis using the combination of XRF and thermogravimetric methods. Two complete analyses were available for each sample.

OME instituted a sound quality assurance and quality control (QA/QC) system to monitor the performance and quality of non-analytical and analytical inputs to the Mineral Resource estimate. Analytical QA/QC systems comprised field blanks, field duplicates, certified reference materials (CRMs), laboratory repeats and independent laboratory umpire checks.

All data were transmitted by HSDSB and OME electronically to Datgeo Sdn Bhd in Kuala Lumpur. The data were then transferred to a single database for storage and reporting. Data transfer was carried out either by direct import from spreadsheets or manual entry of the contained information. Validation of captured data was undertaken within the database confirming entries against lookup tables, and checking drillhole numbering, interval sequence, sample numbering, duplications and redundancies. Analytical information supplied in PDF and digital table formats was imported directly into the database. To accommodate changes in the format of supplied data, database table structures were modified accordingly as required.

Derisk has reviewed the data prepared by OME and has completed spot checks on logging and analytical results. We consider the processes used by OME to collect and record geological data, the systems to manage QA/QC, and the validation of the data are appropriate and fit-for-purpose.

7.3 Exploration Assets

HSDSB holds the rights to three exploration assets, all located in Johor:

- Mao'kil is host to known surface expressions of iron ore mineralisation, however HSDSB has not undertaken any formalised exploration activities. The geology of the Mao'kil area is composed of Palaeozoic and Mesozoic sediments and igneous rocks in which iron ore mineralisation tends to be associated with granitic intrusive events.
- Chaah Baru is host to known surface expressions of iron ore mineralisation, however HSDSB has not undertaken any formalised exploration activities. The geology of Chaah Baru is similar to that of Mao'kil i.e. Palaeozoic and Mesozoic sediments and igneous rocks in which iron ore mineralisation tends to be associated with granitic intrusive events.
- Kota Tinggi is also believed to host iron ore mineralisation, however HSDSB has not undertaken any formalised exploration activities. The geology of Kota Tinggi is believed to be similar to Chaah Baru and Mao'kil.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



8 MINERAL RESOURCES

8.1 Methodology

The process used by OME to prepare the 2014 Mineral Resource estimate for Chaah comprised the following steps:

1. Digital files of drillhole data were extracted from a master database then imported into Micromine software and Microsoft Excel spreadsheets for checking and validation.
2. Digital topographic survey data of the pre-mining topography, plus the open pit mine surveys as at June 2014 were reviewed and imported into Micromine.
3. Digital string files were created from surface geological mapping of the geology, including the boundaries of lithologies, mineralisation, and structural elements.
4. Data validation checks were completed, focused on drillhole collar coordinates and sampling/analysis data. Once source data was checked, modifications were applied to the master data sets accordingly.
5. Three-dimensional interpretations of mineralisation were created, based on the drillhole logs, assays and surface mapping. Leapfrog software was used to generate enclosed shapes to encompass iron mineralisation and surfaces to define other geological features.
6. Statistical analysis of drillhole data was completed, including sample weight and recovery, chemical analyses, and bulk density determinations.
7. Drillhole composite lengths were selected, followed by composite statistics and a variographic analysis of the drillhole data.
8. A three-dimensional block model was created, with subcelling of parent blocks to allow reasonable boundary definition of the topography, mineralisation, and other geological features.
9. Estimation search parameters were developed for each area, and estimates were generated using the ordinary kriging (OK) method.
10. Grade estimates were checked visually against the input data. The block model and composite statistics were computed and checked, together with cross-validation and swath plot checks.
11. Assignment of the mineral resource classification was completed, considering the confidence in the geological interpretation of the mineralisation, drillhole spacing, sample density, assessments of the integrity and robustness of the sample database, and estimation quality.
12. The resultant block model was cut with the open pit mine survey data as at 14 June 2014, and all blocks inside the pit areas were assigned a mined-out code.
13. Grade-tonnes curves were produced for the estimate.
14. Mineral Resources were reported using the cut-off criterion of 30% Fe.

Detailed documentation supporting the mineral resource estimate is reported by OME. Derisk has reviewed the process used by OME, the data inputs used to complete the geological interpretation, the grade estimation parameters and methodology, validation, and classification of the Mineral Resources. In 2019, Derisk was provided with the 2014 block model created by OME and undertook the following steps:

1. Digital topographic survey data of the mine area and stockpiles as at July 2019 were reviewed and imported into Micromine.
2. The block model was re-cut with the updated open pit mine survey data as at July 2019, and all blocks inside the pit area were assigned a mined-out code.
3. In situ Mineral Resources were depleted using monthly truck and production statistics for August to October and reported at the effective date of 31 October 2019 using a cut-off criterion of 25% Fe.

8.2 2019 Mineral Resource Update

8.2.1 In Situ Mineral Resources

Derisk has taken the OME mineral resource model and depleted it for mining to 31 July 2019 using a topographic survey across the mining area undertaken in late July 2019. No changes have been made to the OME model as no new information has been added to the master drillhole database, however the in situ Mineral Resources have been reported at a cut-off criterion of 25% Fe because the operational experience at site has established that mining can support a lower cut-off criteria (Table 8-1).

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 8-1. In situ Mineral Resources as at 31 October 2019 reported using a cut-off criterion of 25% Fe.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Measured (in situ)	-	-	-	-	-
Indicated (in situ)	6.1	52.3	16.6	1.8	1.6
Inferred (in situ)	1.8	45.6	23.7	3.8	1.4
Total (in situ)	7.9	50.8	18.2	2.2	1.6

Note: Totals may not add due to rounding effects.

8.2.2 Stockpile Mineral Resources

HSDSB has built many mined, crushed and processed stockpiles at site and periodically surveys and samples these stockpiles. The most recent survey was completed in early November 2019 and 42 separate stockpiles ranging from 300 t to 111,000 t were surveyed. Five material types are stockpiled at site i.e. hematite boulders, hematite lump (<100 mm), hematite fines (<20 mm), hematite superfine, high-phosphorus hematite and hematite tailings.

Derisk has included mined stockpiles at Chaah in the resource inventory (summarised in Table 8-2) as these were reliably surveyed and have been sampled/analysed to estimate tonnes and Fe grade.

Table 8-2. Stockpiles as at 31 October 2019 reported using a cut-off criterion of 15% Fe.

Stockpile Material Type	Density (t/m ³)	Volume (m ³)	Tonnes	Fe (%)
Hematite Fines (<20 mm)	2.7	17,500	46,800	55.9
Hematite Boulders	2.4	54,500	129,500	52.7
Hematite Lump (~100 mm)	2.1	1,500	3,500	60.5
Hematite Superfine	2.8	15,500	42,500	64.4
Hematite Fines (high phosphorus)	2.7	40,000	108,500	56.3
Hematite Tailings (<20 mm)	1.4	21,000	29,000	18.5
Total		150,000	359,500	54.6

Note: Totals may not add due to rounding effects.

Derisk has classified these stockpiles as Indicated Resources because the sampling methodology used to collect samples is not adequate to classify these as Measured Resources. The tailings stockpile has an average grade lower than the in-situ cut-off criterion of 25%. Derisk considers that this stockpile fulfils the JORC Code requirement of having "reasonable prospects for eventual economic extraction" because HSDSB has received a formal expression of interest to sell low-grade tailings and has delivered a shipment of this material as part of a trial purchase.

8.2.3 Total Mineral Resources

Table 8-3 presents the total Mineral Resources for Chaah as at 31 July 2019, totalling 8.2 Mt @ 51.0% Fe.

Table 8-3. Total Mineral Resources as at 31 October 2019.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Measured	-	-	-	-	-
Indicated (in situ)	6.1	52.3	16.6	1.8	1.6
Indicated (stockpiles)	0.4	54.6	-	-	-
Inferred (in situ)	1.8	45.6	23.7	3.8	1.4
Total (in situ)	7.9	50.8	18.2	2.2	1.6
Total	8.2	51.0	-	-	-

Notes: 1. In situ resources reported at a cut-off criterion of 25% Fe.
2. Stockpiles 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.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



8.3 Production Reconciliation

Prior to June 2014, no reconciliation of historical production at Chaah versus the resource model is possible. A survey of the open pit and surrounds was completed in June 2014 and periodically thereafter, with the most recent survey completed in July 2019. No pit survey was undertaken in October 2019 to permit an accurate reconciliation of actual production versus the resource model for the October 2019 quarter.

Table 8-4 presents the mining depletion removed from the resource model between the June 2014 and the July 2019 pit surveys and shows that a total of 3.37 Mt @ 53.1% Fe has been mined according to the resource model. Production statistics from HSDSB report the extraction of 3.42 Mt of iron ore from the pit during the same period, equivalent to 102% of the tonnes predicted from the resource model, representing an excellent reconciliation between the resource model and production statistics.

Table 8-4. Production reconciliation from June 2014 to July 2019.

Source	Material	Mt	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	-
	Mineralised Waste	2.85	-
	Total Waste	24.97	-
HSDSB Production Statistics	Ore Mined	3.42	Not Available

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



9 GEOTECHNICAL CONDITIONS

Derisk understands that no formal geotechnical studies were carried out at Chaah prior to 2014, with pit designs developed using empirical methods. In 2014, HSDSB engaged AMC and OME to undertake a geotechnical investigation at Chaah to support the PFS.

9.1 Rock Mass Properties and Conditions

In 2014, the Chaah pit was a maximum of 100 m deep on the north side (Figure 9-1) and 40 m deep on the south side. OME completed geotechnical mapping and geotechnical logging of available DD core to define the main structural and geotechnical features observable in the pit (Figure 9-1) and cored drillholes.

Figure 9-1. Chaah open pit (2014) and plan showing the main geological and structural features.



Source: OME, 2014.

9.1.1 Kinematic Analysis

AMC completed a kinematic analysis based on the 2014 pit wall orientations and the fault and bedding data provided by OME. The data illustrates the major groupings of faults and bedding. The faults dip to the east-southeast and southwest, with most bedding orientations displaying an east-west strike and northerly dip. Kinematic analysis was carried out on four slope orientations at an overall slope angle of 45°. The wall angles were approximations of the 2014 wall orientations. Results suggest that there is some potential for toppling on the southern wall and wedge failures are possible on the north wall and to a lesser extent on the east, west and south walls. AMC concluded that the probability of failure is low.

9.1.2 Selected Rock Mass Properties

Geotechnical data collected by OME included lithology, weathering, rock quality designation (RQD), rock strength and the number of defects. This data was used to form a rock mass rating (RMR), which can be used to empirically estimate the overall slope angles. The RMR developed from the geotechnical data is summarised in Table 9-1. The results indicate that the 1st and 3rd quartile range are classified as “fair rock” (RMR values ranging from 41 to 60).

Table 9-1. Rock mass rating results.

RMR	Andesite	Iron Ore
Minimum	35	35
Maximum	64	72
Average	47.5	49
Median	47	48
1 st Quartile	40	43
3 rd Quartile	53	55

Source: OME, 2014.

AMC used the RMR to calculate a mining rock mass rating (MRMR) by incorporating the effects of weathering, blasting and joint orientation, resulting in reductions of 5% converting RMR to MRMR. AMC also estimated the geological strength index (GSI), which was used to determine Mohr Coulomb failure criteria.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



9.1.3 Slope Design

AMC developed recommended slope angles for Chaah based on empirical methods using all available data.

An empirical analysis of the overall slope angle (OSA) was assessed vs MRMR values using a factor of safety (FoS) of 1.3, resulting in a range of OSA varying from 36.9° to 44.7° for iron ore.

AMC analysed the cohesion and friction angles using the software package RocLab. The calculated friction angles for andesite ranged from 42.2° to 24.9° for slope heights from 200 to 250 m respectively. The friction angles for iron ore ranged from 41.1° to 34.1° for slope heights from 200 to 250 m respectively.

AMC used the Galena software package to complete limit equilibrium modelling based on the Mohr Coulomb failure criteria to assess the overall slope FoS at various slope heights and angles.

From this work, AMC developed recommended slope angles for the Chaah pit (Table 9-2).

Table 9-2. Recommended slope angles.

Lithology	OSA * (inclusive of ramps)	Maximum Batter Angle	Comment
Andesite, consisting of mostly fresh rock or fresh rock with weathering adjacent to fractures	44.5°	65°	There is potential to increase these slope angles based on a successful laboratory testing program, active management and monitoring of pit walls.
Iron ore, consisting of mostly fresh rock or fresh rock with weathering adjacent to fractures	46°	75°	
Sediments	46°	75°	To be confirmed when more geotechnical information is available
Slopes in slightly weathered or moderately weathered rocks	38°	50°	-
Slopes in highly weathered and extremely weathered rocks	32°	45°	-

Source: OME, 2014.

Note: * Overall slope angle.

Derisk has reviewed the geotechnical assessment completed by OME and AMC and concurs with these findings.

9.2 Hydrogeology and Groundwater

No detailed hydrogeological data has been collected at Chaah. Some areas of the open pit walls are dry, others are damp, and there can be some seepage within the bottom levels of the pit. In its geotechnical assessment and estimation of RMR, AMC applied a value equivalent to damp conditions.

9.3 Geotechnical Risks and Management

Potential LOM pit shells indicate that the northern part of the open pit will be as much as 400 m below the crest and the southern wall may be approximately 180 m below the crest. The majority of the open pit walls will be formed by andesite, sandstones and minor quantities of iron ore and chlorite altered rock. Although there are many faults at Chaah at a planned overall slope angle of 45°, it is unlikely that structure will determine the overall slope angle as the probability of failures along faults is relatively low. However, the possibility of shallower structures being found, which may result in wedge failure exists, and faults will need to be well managed during mining.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



10 ORE RESERVES

10.1 Methodology

The process used by Derisk to prepare the 2019 Ore Reserve estimate comprised the following steps:

1. The 3D block model created by OME in 2014 was validated to ensure Derisk was using the correct model.
2. The model was cut with the July 2019 topographic surface.
3. All reserve inputs were reviewed and updated where appropriate using current information.
4. New pit optimisations were undertaken using Whittle 4X and a new cashflow analysis completed.
5. A new mine design and production schedule was completed.
6. A new Ore Reserve was estimated and classified as at 31 July 2019.
7. This estimate was depleted using truck and production statistics for the period from August to October and reported as at 31 October 2019.

10.2 Pit Optimisation

10.2.1 Process

The open cut pit limits were identified to provide a guide on the potentially mineable quantities of ore and understand the characteristics of the potential open cut pit shell and the implications for the mining process. They are determined by considering both physical and economic constraints to mining. The approach involved:

- Compilation of pit limit optimisation input data generally based on the current operating parameters.
- Derivation of a marginal cut-off grade value.
- Estimate mining modifying factors by undertaking a SMU analysis.
- Complete an economic pit limit optimisation analysis.
- Select the preferred ultimate pit shell for design and further mine planning.

The mining software used to determine the economic pit limits was Whittle 4X. The term pit limit optimisation refers to a process which aims to identify the best value mining pit shape for a given series of inputs and constraints. It does not imply that mining has been optimised in other ways – such as equipment optimisation, or labour optimisation, or grade optimisation.

Whittle 4X uses the industry-standard Lerchs-Grossman algorithm to define a three-dimensional shape for the open cut pit which is considered the optimal economic shell for mining. Generally, multiple pit shells are defined based on a range of ore selling prices which aids in understanding the deposit's sensitivity to changes in economics and which shells deliver the greatest value.

A key outcome of the economic pit limit optimisation process using Whittle 4X is the generation of a range of 3D pit shells, referred to as nested pit shells, based on a range of product prices. This metal price sensitivity analysis is completed by applying a revenue factor (RF) to the base case metal price i.e. a 100% RF pit shell results from multiplying the selling/metal prices by 100%. A 70% RF pit shell indicates the shape of the pit and mineable quantities at 70% of these prices. The outcomes are very important in showing the sensitivity of the deposit to economic factors, including product price and is a key consideration in the selection of the optimal pit shell for mine planning.

The resulting nested pit shells also indicate the likely strategic development of the deposit. The ideal pit development strategy in order to maximise cashflow involves mining successive pit shells from lowest revenue (say, 50% RF) factor to highest (say, 100%) i.e. a pit shell based on a RF of 50% would have a higher margin than one at a RF of 80% and hence would be sequenced to be mined first.

10.2.2 Inputs

The block size of the geological model is 20 m x 20 m x 5 m, which is larger than the SMU for this deposit, which is considered to be 10 m x 10 m x 5 m. No changes were made to the model for the optimisation. Pit optimisation was initially run including Indicated and Inferred Resource categories, with all unclassified material assumed to have zero grade and therefore considered waste.

No physical constraints were applied, such as roads, rivers or environmental factors. All optimisations stayed wholly within the tenement boundary.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



10.2.3 Results

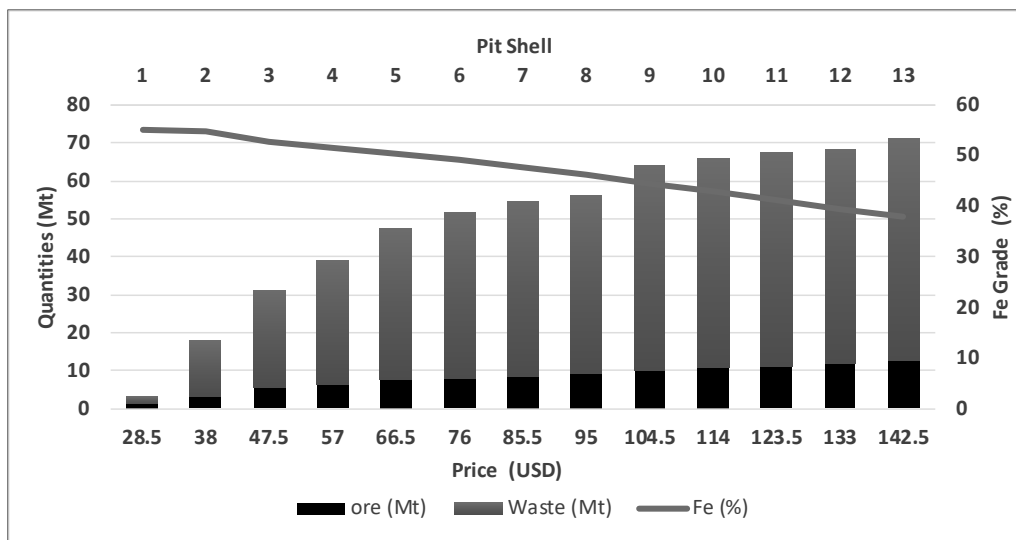
A sensitivity analysis was undertaken to ascertain how the open cut pit limits and mineable quantities change with metal price. The pit optimisations were undertaken on Indicated and Inferred Resources. The price sensitivity analysis was on sales values from 30% to 150% of the adopted commodity prices i.e. RF from 30% to 150%.

A summary of the pit limit optimisation results from the sensitivity analysis for each RF/metal price is set out in Table 10-1 and illustrated in Figure 10-1. The total mineralised material for the deposit, at the 100% RF is estimated at 9.2 Mt @ 46.2% Fe and a strip ratio of 5.1:1. The 100% RF case (Pit 8) contains 6.6 Mt of Indicated Resource at a cut-off criterion of 30% Fe.

Table 10-1. Optimisation metal price sensitivity analysis.

Pit	RF (%)	Price (USD)	Total Rock	Ore (Mt)	% Change	Waste (Mt)	Strip Ratio	Fe (%)	Al ₂ O ₃ (%)	P ₂ O ₅ (%)	SiO ₂ (%)
1	30	28.5	3.2	1.4	129	1.8	1.3	54.9	0.8	0.6	13.2
2	40	38.0	17.7	3.2	72	14.5	4.5	54.8	0.9	0.6	12.8
3	50	47.5	31.1	5.5	20	25.6	4.7	52.8	1.4	0.6	14.5
4	60	57.0	39.3	6.6	15	32.7	4.9	51.5	1.7	0.7	15.7
5	70	66.5	47.7	7.6	7	40.0	5.2	50.2	2.0	0.7	17.0
6	80	76.0	51.6	8.1	6	43.5	5.3	49.1	2.3	0.8	18.2
7	90	85.5	54.6	8.6	7	46.0	5.3	47.8	2.6	0.8	19.6
8	100	95.0	56.2	9.2	9	47.0	5.1	46.2	2.9	0.8	21.2
9	110	104.5	64.0	10.0	6	54.0	5.4	44.4	3.4	0.9	23.1
10	120	114.0	65.7	10.6	6	55.2	5.2	42.8	3.7	0.9	24.7
11	130	123.5	67.2	11.2	6	56.1	5.0	41.3	4.1	0.9	26.3
12	140	133.0	68.4	11.9	7	56.5	4.8	39.5	4.5	1.0	28.0
13	150	142.5	71.2	12.7	-100	58.5	4.6	37.9	5.0	1.0	29.6

Figure 10-1. Optimisation pit shell sensitivity.



The results indicate:

- There are several step changes in pit size indicating RFs in which the deposit has higher sensitivity. The lower RFs (<70%) are very sensitive with material changes occurring from Pit 1 to Pit 5 with smaller changes occurring thereafter.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



- The initial pit shells result in high grades tapering down as the RF increases. This is due to Whittle 4X identifying the high-grade shallow ore as a high value zone. Conversely the strip ratio increases significantly at 40% RF and 70% RF before being relatively consistent until 100% RF.

10.3 Mine Design

Derisk selected Pit 5 (70% RF) as the base case for the ultimate pit for mine planning and the Ore Reserve estimate, considering it is the highest NPV from the typical-case schedule and is conservative to reflect the volatility in iron ore price. It contains 6.4 Mt of Indicated Resource and 1.0 Mt of Inferred Resource.

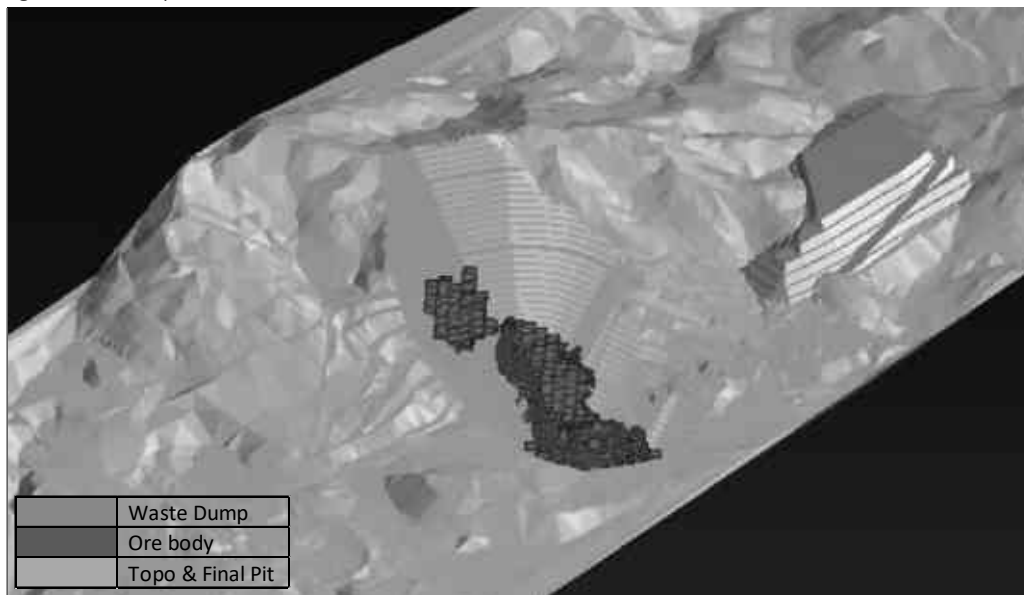
10.3.1 Ultimate Pit

Derisk completed a pit design, guided by the Whittle 4X pit shells produced from the optimisation process. The pit was designed with a standard bench height of 10 m and was large enough to be developed over a series of cutbacks. Three stages were designed and summarised in Table 10-2. The total quantity of material scheduled to be extracted from 1 November 2019 is 48.0 Mt comprising 6.7 Mt of Indicated and Inferred Resources @ 50.7% Fe and 41.2 Mt of waste for a strip ratio of 6.1.

Table 10-2. Pit design summary.

Pit Inventory	Waste (Mt)	Indicated and Inferred (Mt)	Total (Mt)	Strip Ratio	Fe (%)
Starter Pit (Stage 1)	2.3	1.1	3.4	2.1	53.7
Intermediate Pit (Stage 2)	11.2	2.3	13.5	5.0	50.0
Final Pit (Stage 3)	27.7	3.4	31.1	8.1	50.2
Total	41.2	6.7	48.0	6.1	50.7

Figure 10-2. Final pit limits.



10.3.2 Design Parameters

The pit design parameters are presented in Table 10-3. Currently the design does not consider the possibility of in-pit dumping due to the lack of available surface area to allow for this.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Two dumps positioned in the northern and western end of the tenements provide sufficient space to meet the requirements of the Chaah project for the LOM waste movement. The northern dump will likely become the main dump, for the equivalent of 42 Mt of waste.

The dumps are designed using 10 m lifts at a slope angle of 37°, approximately similar to the angle of repose for broken material. Both the northern and western dumps can be expanded if required.

Table 10-3. Pit design parameters.

Pit Design Parameters	Unit	Amount
Bench Height	m	10
Berm Width	m	5
Slope Angle	Degrees	45
Batter Angle	Degrees	75
Catch berm (70 to 100mtrs)	m	15
Haul Road Width (above -100mRL)	m	17
Haul Road Width (below -100mRL)	m	12
Haul Road Gradient (above -100mRL)	Gradient	1:10
Haul Road Gradient (below -100mRL)	Gradient	1:8

10.4 Production Schedule

A three-stage production schedule (starter, intermediate and final) was developed and sliced into 10 mRL increments. Material greater than 30% Fe was separated into parcels based on grade ranges, with each parcel assumed to be mined at the same rate and parcels allocated to one of three processing routes. The production schedule was completed in quarterly increments over the LOM, with a start date of 1 November 2019.

10.5 LOM Plan

The mining constraints were largely based on available excavation equipment and the respective mining capacities based on effective operating hours per annum. The scheduled production target on a quarterly basis used a conservative mining target of 2.2 Mt, well within the theoretical capacity of 2.65 Mt.

Processing constraints were applied to the schedule for each processing route. The mills, when operating at full capacity, should be able to produce 30,000 t/month of concentrate at a grade of 65% Fe (HSM) and 62-65% Fe (XHM).

10.5.1 Mine Schedule

The overall base-case open pit mining schedule is illustrated in Figure 10-3. The early stages of the mining schedule (particularly quarters 9-13) focus on the removal of waste (cut-back) from the highwall. This is required in order to expose the ore located from 50 mRL down. The pit is developed over three phases consisting of an initial cut-back to access a portion of the ore before commencing a second cut-back approximately midway through the project's mine life.

The strip ratio reduces dramatically over the LOM. The overall material movement target per annum remains the same at approximately 2.25 Mt per quarter with an ever-increasing ratio of ore to waste meaning that a large stockpile at the ROM will begin to accumulate towards the end of the mine-life as the combined process facility capacity is 1.2 Mtpa. Due to the increased haulage distances and reduced cycle time of the haulage fleet, there will be a temporary expansion of the trucking fleet.

A visual representation of the mining advance at each stage is illustrated in Figure 10-4. For the staging of the pit development, Whittle shells 1, 3 and 5 were selected as the basis for detailed mine design. Derisk notes that this pit design is basic and an optimal design will result from more detailed planning and scheduling. However, Derisk considers that this design is satisfactory for estimation of Ore Reserves and valuation of the Project but recommends that HSDSB undertakes further optimisation of the mine schedule.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 10-3. Mine production physicals.

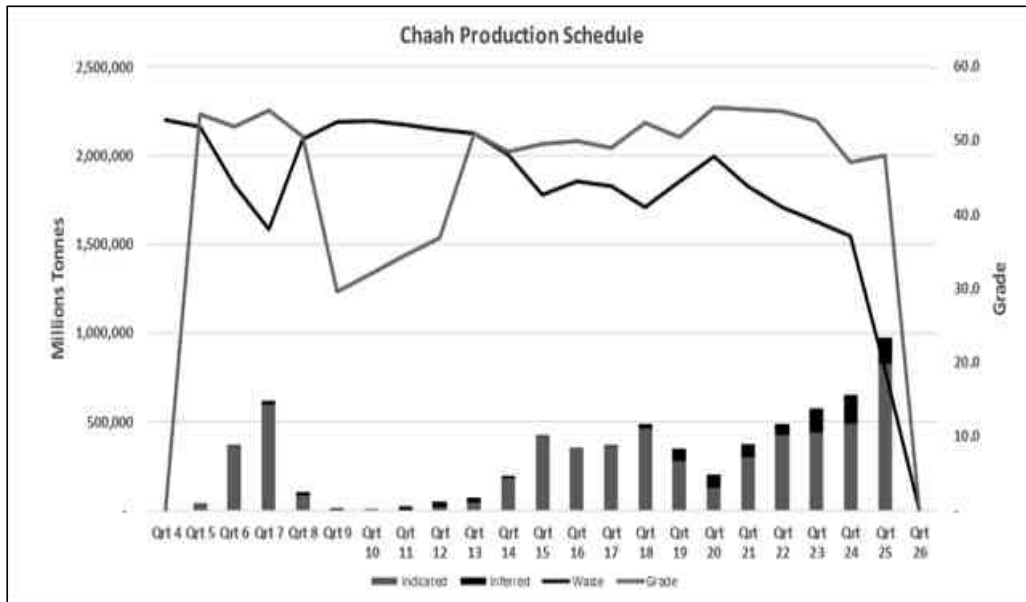
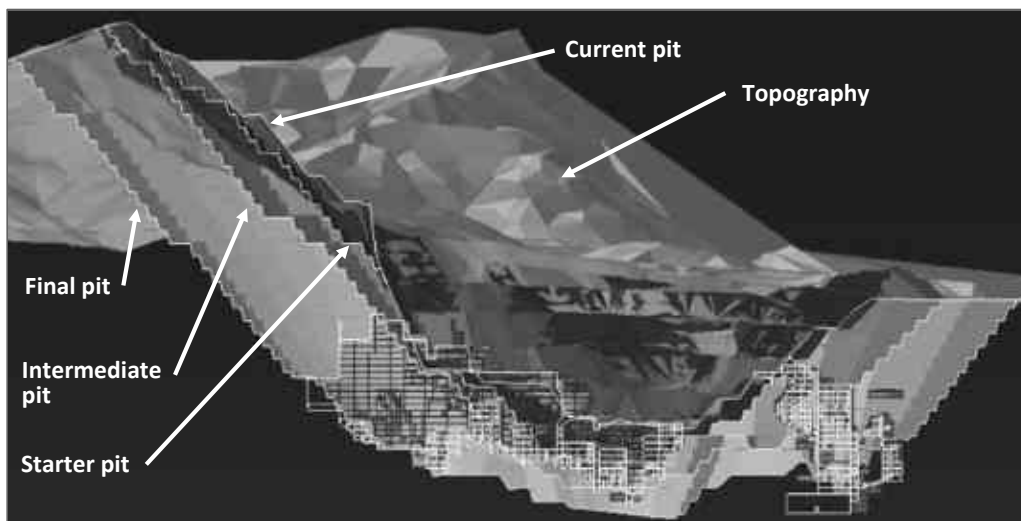


Figure 10-4. Isometric view of three-stage pit schedule.



10.6 Ore Reserve Estimation and Classification

In June 2014, OME reported Probable Ore Reserves of 8.6 Mt @ 52.1% Fe for Chaah at a cut-off criterion of 30% Fe. There were no Proved Reserves because there were no Measured Resources, and all Mineral Resources inside the LOM open pit classified as Indicated Resources were converted to Probable Reserves.

Derisk has reviewed the cut-off criterion for reporting of Ore Reserves and Table 10-4 presents a summary of cut-off estimates derived from different approaches. The metallurgical testwork suggests that it is possible to upgrade to the required product grade from a head grade of approximately 29% Fe whilst ensuring reasonable yields. The theoretical cut-off based on what is metallurgically possible to upgrade is estimated

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



at 10% Fe. However, at this grade, the yield would be too low to be economic based on current pricing. Derisk has adopted the same cut-off criterion of 30% as used by OME in 2014 for the 2019 Ore Reserve estimate.

Table 10-4. Ore Reserve Cut-off Parameters.

Cut-off type	Market	Process Plant	Estimated Cut-off (% Fe)
Economic	Domestic steel	XHM	25.2
	Domestic steel	HSM	15.3
Metallurgical	Domestic steel	XHM, HSM	10
	Pipe-coating	MCU	55
Tonnes-Grade Curve	Domestic steel	XHM, HSM	30

Table 10-5 presents in situ Ore Reserves reported at a cut-off criterion of 30% Fe as at 31 October 2019. There are no Proved Reserves because there are no Measured Resources, and all Mineral Resources inside the LOM open pit classified as Indicated Resources have been converted to Probable Reserves.

Table 10-5. In situ Ore Reserves as at 31 October 2019 reported using a cut-off criterion of 30% Fe.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Proved (in situ)	-	-	-	-	-
Probable (in situ)	5.8	51.0	16.2	1.7	1.6
Total (in situ)	5.8	51.0	16.2	1.7	1.6

Derisk has reviewed the information provided by HSDSB on the 38 stockpiles at site (refer to Section 8.2.2) and has included some of these in the reserve inventory. Four material types are defined and reported in Table 10-6. Table 10-7 presents the total Ore Reserves for Chaah as at 31 October 2019 of 6.3 Mt @ 51.1% Fe.

Table 10-6. Ore Reserve stockpiles as at 31 October 2019 reported using a cut-off criterion of 30% Fe.

Stockpile Material Type	Density (t/m ³)	Volume (m ³)	Tonnes	Fe (%)
Hematite Fines (<20 mm)	2.4	17,500	47,000	55.9
Hematite Boulders	2.1	54,500	129,500	52.7
Hematite Lump (~100 mm)	2.7	1,500	3,500	60.5
Hematite Superfine	2.8	15,500	42,500	64.4
Hematite Fines (high phosphorus)	2.7	40,000	108,500	56.3
Total		129,000	330,500	55.9

Note: Totals may not add due to rounding effects.

Table 10-7. Total Ore Reserves as at 31 October 2019.

Category	Tonnes (Mt)	Grade (%)			
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅
Gross attributable to licence and net attributable to issuer					
Proved	-	-	-	-	-
Probable (in situ)	5.8	51.0	16.2	1.7	1.6
Probable (stockpiles)	0.3	55.9	-	-	-
Total (in situ)	5.8	51.0	16.2	1.7	1.6
Total	6.1	51.2	-	-	-

Notes: 1. In situ reserves and stockpiles reported at a cut-off criterion of 30% Fe.
2. Totals may not add due to rounding effects.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



11 MINING

11.1 Operations

ROM ore and waste rock is mined by conventional drilling and blasting, then loading and hauling from a single open pit mine. The mining fleet is owned and operated by HSDSB and consists of small hydraulic rockdrills, small hydraulic excavators configured as backhoes, off-highway rear-dump haul trucks, and support equipment such as graders, dozers, and water carts. Figure 11-1 shows the layout of the main operation.

Figure 11-1. Chaah mining scheme layout.



Source: AMC, 2015.

A large volume of waste rock overburden has been removed previously to expose the underlying iron ore. ROM ore is hauled to the on-site ore processing facilities, and waste rock is hauled to ex-pit waste rock dumps or used for access road construction.

Operations are staged to enable smoothing of ore and waste rock volumes. Staging is achieved by extracting from successive benches and terraces, commencing from the top portion of the hill slope and progressing down the hill in a series of 10 m high benches. Berm widths of 5 m are left between successive benches. Batter face angles are generally 75° in competent rock, with flatter slopes in weathered and highly weathered rock, down to 45°. Haul roads are currently designed to be 19 m wide for two-way haulage for the Caterpillar 777 haul trucks above -100 m RL, and 13 m wide below that level for single-lane access. Haul road gradient is designed at 10%.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



The mining scheme plan comprises the mine working area, ore and product stockpiles, waste rock dumps, maintenance facilities, MCUs, milling plants (HSM and XHM), TSF, support structures, office buildings, and other infrastructure. Figure 11-2 presents a selection of images from the mining operation.

Figure 11-2. Mining operations.



Top LHS image: Open pit looking northwest.

Top RHS image: Open pit looking southeast.

Centre LHS image: View of northern pit cutback showing drilling, loading and hauling.

Centre RHS image: Top of the northern waste dump.

Bottom LHS image: View looking southeast of the mine to the laydown and staging area.

Bottom RHS image: Rock-breaker fracturing hematite boulders.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Water accumulates in the bottom of the open pit before being pumped out and discharged into a settling pond located in the western end of the project area. The pump is sufficient to pump water up to a pressure head of approximately 60 m and capable of dewatering the mine at a rate of approximately 15 L/sec.

11.2 Equipment

The primary equipment operated by HSDSB for mobile mining in drilling, blasting, loading and haulage operations is summarised in Table 11-1. The mining fleet is sufficient to support the installed ore-processing capacity. A large ancillary fleet is based on the site to support the production equipment, and comprises a variety of front-end loaders, small excavators, dozers, graders, water carts, and service vehicles.

Table 11-1. Mining equipment list.

Equipment	Model	Number	Description
Excavator	Caterpillar 390D	4	Ore and waste movement
Excavator	Caterpillar 385B	1	Back-up excavator
Excavator	Caterpillar 320D	1	Back-up excavator
Excavator	Komatsu PC450	3	Ore and waste movement
Excavator	Komatsu PC300	3	Ancillary work
Excavator	Komatsu PC200	2	Ancillary work
Haul truck	Caterpillar 777D	6	Waste rock haulage
Haul truck	Caterpillar 773D	8	Ore haulage
Haul truck	Caterpillar 740	8	Existing haul trucks
Haul truck	Caterpillar 773E	9	Existing haul trucks
Haul truck	Caterpillar 769D	4	Existing haul trucks
Haul truck	New Holland AD250	4	Existing haul trucks
Drill	Jun Jin CSM	3	Waste rock drilling
Drill	Jun Jin JD/SD	2	Ore drilling
Drill	Sandvik DE710	1	Diamond drilling
Drill	Doosan	1	Rock breaking
Dozer	Caterpillar D9	1	Bench and waste dump maintenance
Grader	Caterpillar 12H	1	Bench and haul road maintenance
Front-end loader	Caterpillar 980G	3	Ancillary work

Source: HSDSB.

11.3 Waste Disposal

HSDSB has been granted approval to establish several waste rock dump sites. Overburden is dry excavated, transported and placed in dumps with a slope angle of 1:1.5, constructed from the bottom up using paddock dumping and compaction using dozers. Successive 10 m high waste rock benches are then constructed to a total height of 30 m

Waste rock dumps are currently located in the southwest and western part of the mine area. A new 200-ha area to the south of the existing dump, adjacent to the present lease area has also been approved as a waste rock dump site. An additional site is designed to the north of the open pit, covering a horizontal area of approximately 430 ha. There is sufficient capacity within the planned and approved dumps to store the waste rock from the proposed LOM pit.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



12 PROCESSING

12.1 Operations

Chaah ore is processed through the existing on-site ore-processing facilities, which consist of fixed crushing units, MCUs, the HSM processing plant and the XHM processing plant (formerly called the Grand Challenger processing plant). Three products are produced:

1. High-grade DSO is processed through fixed crushers and MCUs to generate a high-density product greater than 4.4 t/m³ for the domestic pipe-coating market.
2. Medium-grade iron ore is processed through the HSM to generate a fines product at nominally 65% Fe. Most of the output from this facility is sold to the domestic steel industry.
3. Low to medium-grade iron ore is processed through the XHM to generate a fines product at nominally 62-65% Fe. Most of the output from this facility is sold to the domestic steel industry or exported.

12.1.1 Fixed Crushing

Four fixed crushing plants with a rated capacity of 300 tph each were constructed at Chaah. The configuration of these plants consists of a conventional jaw crusher (primary crusher) followed by a secondary cone crusher unit and tertiary cone crusher with final screen. The circuit is closed circuit with an estimated 40% recycled in order to achieve an average size of 10 mm. The process is dry. These plants process DSO for pipe-coating.

12.1.2 Mobile Crushing and Screening

Several MCU's with nominal capacities from 160 t/hr to 200 t/hr each operate at Chaah (Figure 12-1). The feed material enters a primary jaw crusher, followed by a secondary cone crusher. A 10 mm screen is placed in closed circuit with the cone crusher. Screen undersize is sent to the product stockpile. Oversize material returns to the secondary crusher feed. These units operate dry. Most of the product from these plants is supplied as pipe-coating product, but these plants are also used to supply crushed material to the HSM plant.

Figure 12-1. MCUs at Chaah.



12.1.3 HSM Plant

The HSM plant comprises grinding, magnetic separation and dewatering to produce a high-grade Fe product (Figure 12-2). Material is currently crushed through the MCUs then hauled to the HSM plant, but HSDSB is building a crushing plant at the HSM plant to circumvent the MCUs. Two stages of grinding (ball mills), each in closed circuit with hydrocyclones generate feed to the magnetic separation circuit. A conventional magnetic-separator circuit separates a magnetite product stream. Three stages of high-intensity magnetic separators (SLON) arranged as rougher, scavenger, and cleaner separate weakly magnetic hematite material to the product stream. The final product is dewatered using cyclones and vacuum filtration.

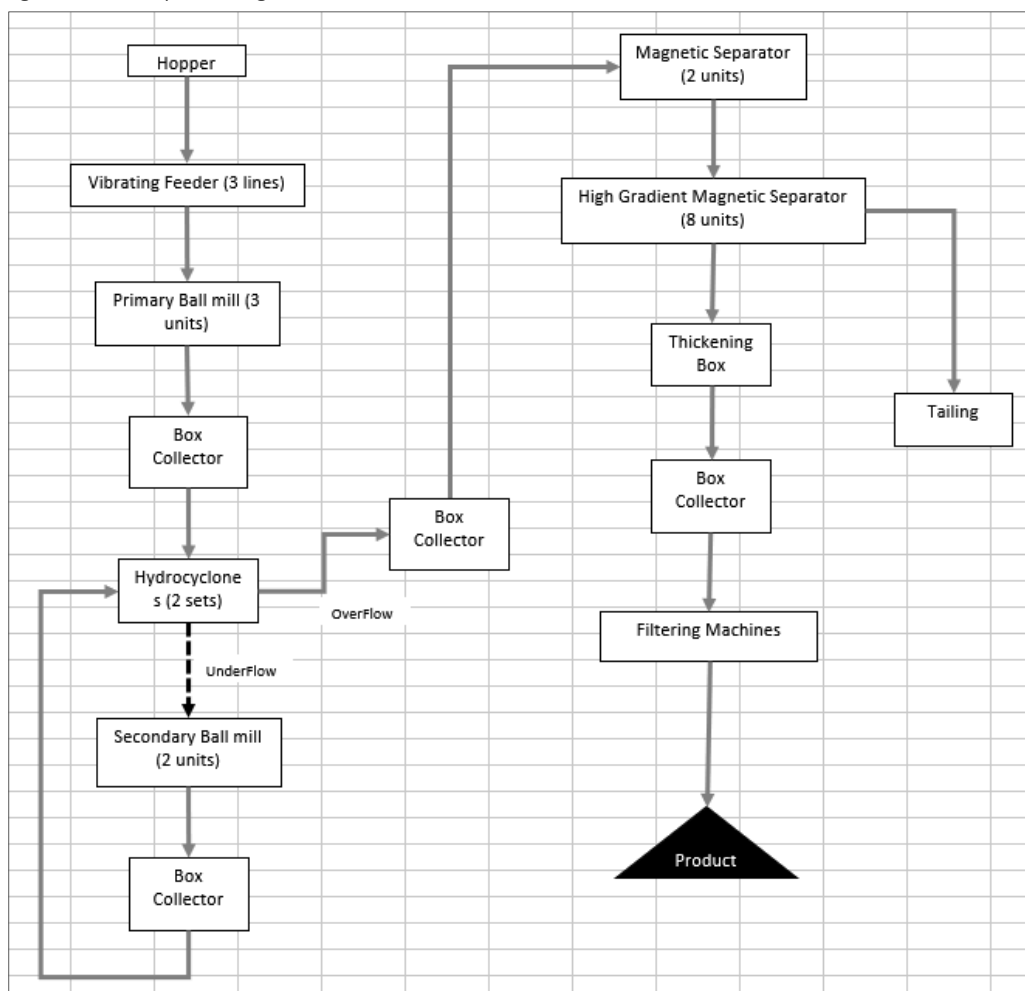
APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 12-2. HSM plant configuration, 2019.



Source: HSDSB.

Table 12-1 summarises the operating parameters of the HSM plant and Figure 12-3 shows a selection of images of the HSM plant.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 12-1. HSM operating parameters.

Operating Parameters	Unit	1 × shift	2 × shift
Processing rate	t/hr	150	150
Process recovery: Fe	%	60.3	60.3
Head grade	%	51.0	51.0
Concentrate purity	%	65.0	65.0
Yield (calculated)	%	47.3	47.3
Annual operating days	days	340	340
Daily operating hours	hr/day	10	20
Design utilisation	%	80	80
Operating time	hr/yr	2,720	5,440
Nameplate capacity	t/yr	408,000	816,000
Mill target	t/yr	408,000	816,000

Figure 12-3. HSM plant, July 2019.



Top LHS image: New crushing facilities under construction.

Top RHS image: View of the plant from the existing crushed stockpile area feeding the conveyor belt to the ball mills.

Bottom LHS image: General view of the plant.

Bottom RHS image: Hematite concentrate stockpile.

APPENDIX E

INDEPENDENT VALUATION REPORT

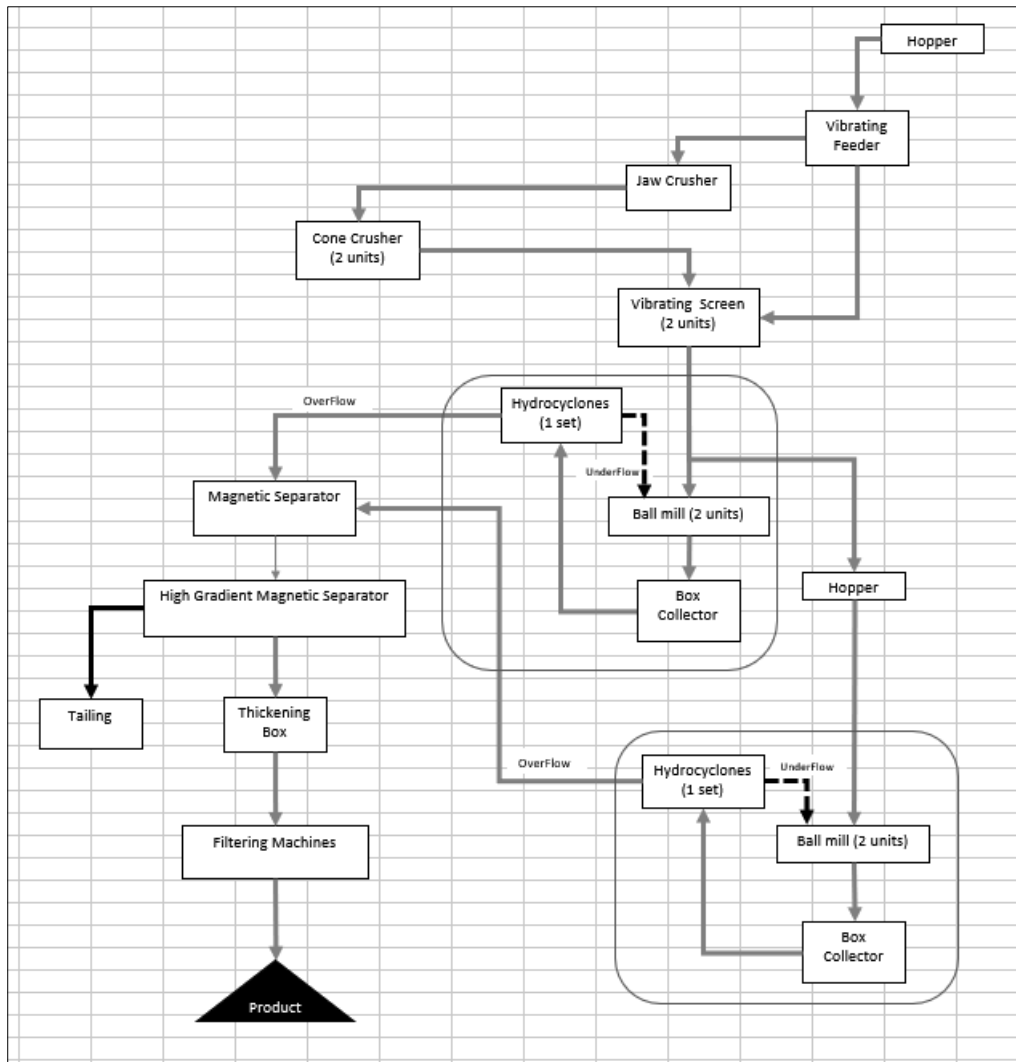
P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



12.1.4 XHM Plant

The XHM plant comprises crushing, grinding, gravity separation, magnetic separation, and dewatering to produce a high-grade Fe product (Figure 12-4). ROM ore passes through two stages of crushing, then two stages of grinding (ball mills), each in closed circuit with hydrocyclones. A gravity separation circuit is used to upgrade lower-grade iron ore prior to the magnetic separation circuit. A conventional magnetic-separator circuit separates a magnetite product stream prior to SLON to separate weakly magnetic hematite material to the product stream. The final product is dewatered using cyclones and vacuum filtration.

Figure 12-4. XHM plant configuration, 2019.



Source: HSDSB.

Table 12-2 summarises the operating parameters of the XHM plant and Figure 12-5 shows a selection of images of the XHM plant.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 12-2. XHM operating parameters.

Operating Parameters	Unit	1 × shift	2 × shift
Processing rate	t/hr	135	135
Process recovery: Fe	%	58.0	58.0
Head grade	%	43.1	43.1
Concentrate purity	%	62.0	62.0
Yield (calculated)	%	40.3	40.3
Annual operating days	days	340	340
Daily operating hours	hr/day	10	20
Design utilisation	%	80	80
Operating time	hr/yr	2,720	5,440
Nameplate capacity	t/yr	367,200	734,400
Mill target	t/yr	367,200	734,400

Figure 12-5. XHM plant, July 2019.



Top LHS image: Overview of the plant layout, including concentrate stockpile.

Top RHS image: Crushing facilities and crushed ore conveyors.

Bottom LHS image: General view of the plant.

Bottom RHS image: Magnetic separation units.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



12.2 Tailings Storage and Disposal

The Chaah operation has three TSFs. A bund system around the tailings area has been constructed from overburden material extracted from the mine. The top of the bund is approximately 3.0 m wide, 5.0 m in height and is constructed to a 1:1.5 slope gradient. Derisk understands that no geotechnical evaluation was carried out on the TSFs prior to construction.

The tailings water is kept at a level that allows for 1 m of freeboard. The tailings pond allows for the settling of fines and for the clean water to be recycled back to the plant. Overflow from the third TSF is diverted to a spillway. To prevent uncontrolled overflow and risk associated with the structural integrity of the dam walls, concrete spillways were constructed. In addition to this, discharge ditches were constructed allowing clean water to flow into the Sungai Simpang Kiri. Water from the third pond is also used for wet processing at site and dust suppression. The quality of water discharged is monitored for solids content to ensure it is below required levels.

TSF1 in the northwestern area of the lease carries the fines and run-off from the washing and crushing operations from the MCUs and comprises two compartments with an individual water pump installed in each compartment to recirculate the settled water back into the process plants. TSF2 is used to store fines from the HSM and XHM plants and is located in the southern section of the lease area. Overflow from TSF1 and TSF2 flow to TSF3.

The design parameters of total tailing retention for TSF 1, 2 and 3 are summarised in Table 12-3, and photographs of TSF2 are shown in Figure 12-6. The estimate of utilised dam capacity was based on visual observation during the Derisk site-visit. As the dams approach their full capacity, the tailings are reclaimed and trucked to the waste dump or may be potentially sold as low-grade fines.

Table 12-3. TSF capacity.

Capacity Estimates	Units	TSF1	TSF2	TSF3
Total area of retention ponds	m ²	7,000	54,600	18,200
Average depth	m	5	3.5	3.5
Total design capacity	m ³	35,000	191,100	63,700
Utilised capacity	%	70%	70%	70%
Remaining capacity	m ³	10,500	57,300	19,100
Utilisation Estimates				
Rate of mining / month	m ³	120,000	120,000	120,000
Ore to Waste Ratio	W:O	7	7	7
Volume of ore treated/month	m ³	15,000	15,000	32,000
Percentage of sand and slime	%	40%	40%	40%
Estimated tailing volume/month	m ³	6,000	6,000	12,800

Source: OME, 2014.

Figure 12-6. TSF2 showing water pump and excavator recovering tailings for sale, July 2019.



APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



13 PRODUCT SALES

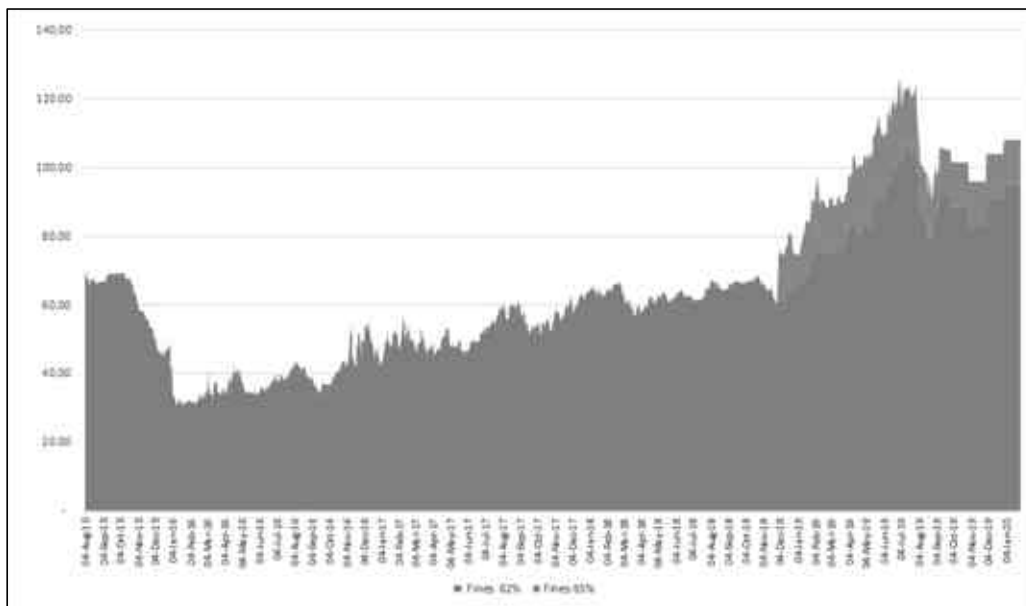
13.1 Market Overview

Iron ore pricing is dependent on product specifications and there are several indices that track the spot price of iron ore fines at different qualities, which are used as a pricing reference for seaborne iron ore by steel makers, traders, and mining companies globally. Typically, the main assessment is based on a standard specification of iron ore fines with 62% Fe, 2% Al_2O_3 , and 4.5% SiO_2 , among other gangue elements delivered into north China on a CFR basis. Iron ore with different specifications or different locations from the main indices are normalised using differentials that are updated periodically to remain reflective of market practice.

One of the main indices is the Platts 62% Fe Index, which is also used as a reference for lump, pellet, and concentrate through the application of premiums and discounts to account for quality differences from the base specification.

Spot prices for 62% iron ore have been volatile in the last five years (Figure 13-1), exhibiting a low of around USD 30/t to a maximum of USD 105/t, exhibiting a steady rise since December 2015. Figure 13-1 also shows the recent spot prices for 65% iron ore, illustrating a consistent premium of USD 10-15 per tonne over the 62% iron ore spot price.

Figure 13-1. Five-year 62% Fe and one-year 65% Fe spot price history to January 2020.



Source: HSDSB

Figure 13-2 displays a range of iron ore product prices for the last 3½ years and illustrates the strong growth in prices across the board from late 2018 to August 2019. This is due to the Vale tailings dam tragedy in Brazil that has removed a significant amount of supply from the market, cyclone-related supply disruption in Australia and stronger than expected Chinese pig iron production.

A correction occurred in August that dropped prices. Most market commentators believe that this price correction is due to increased supply conditions from China and Australia, a resumption of supply from Brazil, and a levelling out of steel production. Table 13-1 presents a range of price forecasts for 62% Fe fines CFR (north China) and suggests a medium-term consensus of USD 71/t.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 13-2. Selected iron ore prices: February 2015 to February 2020.



Source: <http://www.asianmetal.com>

Table 13-1. Five-year iron ore price forecasts for 62% Fe.

Source	CFR 62% Fe Fines Price Forecast (USD/t)				
	2019	2020	2021	2022	2023
Commonwealth Bank	92	74	74	74	74
NAB	92	72	72	72	72
Westpac	95	79	65	66	66
J.P. Morgan	90	60	60	60	60
Goldman Sachs	91	80	80	80	80
UBS	90	80	80	80	80
RBC	82	65	65	65	65
Metal Miner	90	80	80	80	80
China Iron & Steel Association (or CISA)	90	65	65	65	65
Consensus	90	73	71	71	71

Sources: *Business Insider Australia*, 2019.
Hellenic Shipping News Worldwide, 2019.
Market Realist, 2019.
MetalMiner, 2019.
Westpac, 2019.

HSDBS generates revenue from both a 62% Fe product and a 65% Fe product, in addition to a speciality pipe-coating product. Figure 13-3 illustrates the prices of SGX iron ore indices for both 62% Fe and 65% Fe from December 2018 to February 2020 and shows that the 65% Fe product receives an average premium of USD 15/t above the 62% Fe product, within a range that varies from approximately USD 12-20/t.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 13-3. Price differential between 62% Fe and 65% Fe.



Source: HSDSB derived from data by Bloomberg. Both the Fe Fines 65% and Fe Fines 62% are taken from SGX iron ore indices.

13.2 Product Specifications and Contracts

As noted previously, Chaah generates three main iron ore products. Penalties or premiums may be applied on a contract-specific basis. Table 13-2 documents the general specifications for its main products.

Table 13-2. Chaah general product specifications.

Chemical Composition	Unit	Sector			
		Pipe coating Domestic	Steel Domestic	Steel Domestic	Steel Export
Fe	%	57.0	62.0	65.0	62.0
SiO ₂	%	-	4.0	5.0	4.0
Al ₂ O ₃	%	-	3.0	2.0	3.0
P	%	-	0.10	0.10	0.10
S	%	-	0.20	0.20	0.06
FeO	%	-	-	-	15.0
Moisture	%	10.0	10.0	10.0	10.0
Density	t/m ³	4.34	N/A	N/A	N/A

Source: HSDSB

Depending on the customer, HSDSB has several forms of sales arrangement. For sales to local customers, it is usually on a free-on-truck (or ex-mine) basis or delivered to the customer's mill.

For export sales, the Company usually sells iron ore products directly to its customers on a CFR or FOB basis, whichever is negotiated at the time. For FOB sales, the buyer pays for transportation of the goods and for CFR sales, the seller arranges the carriage of goods by sea to a port of destination and provides the buyer with the documents necessary to obtain the goods from the carrier.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Under a CFR contract, 100% payment is generally only made at sight from the buyer once the shipment has reached the destination. FOB is typically the preferred option as delivery of shipment is generally made only upon receiving a letter-of-credit or telegraphic transfer. A deposit may also be requested upon signing a sales contract.

Derisk has sighted several recent and current contracts, including:

- Sales and purchase agreement between HSDSB and a confidential customer, dated 26 March 2019 for the domestic steel industry. This agreement provides for the supply of a specified quantity of iron ore concentrates >65% Fe, <1.0% Al₂O₃, <5% SiO₂, <0.1% P, <0.1% S, <0.074 mm size and <10% moisture. HSDSB will transport the concentrate to the customer's stockpile location in Kuantan, Pahang. Pricing is based on a formula linked to the 65% Fe CFR North China price and includes provisions for adjustments based on Fe content and penalties.
- Purchase Order from a confidential customer, dated 7 December 2018 for domestic pipe-coating. This agreement provides for the supply of a specified quantity of iron ore >4.4 t/m³ and of a size <3/8 inch.
- Sales and purchase agreement between HSDSB and a confidential customer, dated 13 June 2019 for the export market. This agreement provides for the supply of a specified quantity of iron ore fines >56% Fe and <10% moisture. HSDSB will transport the fines to Kuantan Port, Pahang. Pricing is FOB Kuantan.

13.3 Sales Mix and Price Forecast

Chaah product sales and market mix vary depending on market conditions. In 2014 HSDSB indicated the likely market mix would be 50-60% domestic pipe coating, 30-40% domestic steel industry and 5-10% export markets. In 2019, HSDSB estimates the likely market mix will be 20-30% domestic pipe coating, 70-80% domestic steel industry and little to no export.

HSDSB provided Derisk with sales information for all of its contracts for sales from 2015 to 2019. The Company's contracts with its customers are commercial-in-confidence, but Derisk has reviewed this data against the prevailing benchmark price and then taken into consideration consensus forecasts for the benchmark price for the short to medium term. The Chaah operation has a mine life of seven years and Derisk developed a pricing forecast for each product for the first year (from November 2019) based on a benchmark price of USD 90/t for 62% Fe CFR and a pricing forecast for each product for the remainder of the mine life using a benchmark price of USD 72.50/t for 62% Fe CFR.

HSDSB has commenced trial shipment of low-grade fines comprising tailings and high-phosphorus fines. Derisk has not included sales of this material in its revenue projections but considers that it provides an upside opportunity when there is a market for this material.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



14 INFRASTRUCTURE AND LOGISTICS

14.1 General Site Facilities

Chaah support infrastructure includes access roads, office and support buildings, mobile equipment and fixed plant workshop, fuel storage, laboratory, guard hut, accommodation and messing facilities (Figure 14-1 and Figure 14-2).

Figure 14-1. View looking south of the general mine infrastructure, July 2019.



Figure 14-2. Administration and accommodation facilities (LHS), mobile equipment workshop (RHS), July 2019.



14.2 Water

Process water is pumped from a local water supply dam, as well as recycled from the TSF. Water for dust suppression is extracted from the TSF. Potable water is collected from natural streams. Sewage is collected in subterranean tanks and collected periodically by a sewage disposal truck.

14.3 Transport

Chaah is well served by good standard, sealed, all-weather public roads connecting the site to the port of Kuantan and other destinations within west Malaysia. The mine site is approximately 10 km from the nearby town of Chaah and is accessed by 7 km along the Yong Peng – Segamut Road and then 3 km through a palm oil plantation access road. Existing road networks are used for site access and product haulage. Within the mining lease, haul roads and light vehicle access roads are constructed to a good standard and maintained as required by the Company.

14.4 Power

As at July 2019, power is primarily provided by on-site diesel generators (Figure 14-3). HSDSB has negotiated with Tenaga Nasional Berhad, the national power supplier, to provide electricity direct to site from the main grid. Work commenced in June 2019 with commissioning expected in the first quarter of 2020. Access to grid power will significantly reduce the Company's power costs. The capital outlay for this is a fixed lump sum of MYR 6.9 million.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 14-3. Diesel generators for the HSM (LHS) and XHM (RHS), July 2019.



14.5 Accommodation

Most of the workforce commute to site daily from the nearby town of Chaah by their own means of transport. Accommodation facilities of varying standards and messing facilities are provided on-site for employees who live remotely from the operation.

14.6 Communications

There is mobile phone and internet access for data transmission at site.

14.7 Security

Access to the site is via a single access track through a security check point. Iron ore is a relatively low-value bulk commodity and therefore the security requirement is low.

14.8 Kuantan Head Office

The Company's head office is in Kuantan and this facility provides management, commercial, technical and administrative support to the mine site and exploration areas.

14.9 Kuantan Sample Shed and Storage

All RC and DD core samples from Chaah are transported and processed within a centralised sample-processing and dispatch facility located in Kuantan (Figure 14-4, referred to as the Kuantan sample shed (KSS). KSS is a purpose-built facility designed to focus primarily on the handling of diamond core cutting and sampling as well as the organisation of all samples into batch sizes for dispatch to the analytical assay laboratory. The KSS includes core logging racks, core cutting saws, bulk density measurement, an industrial electric oven for drying samples, storage for sample material, core, and RC sample chip trays for reference, and office areas.

Figure 14-4. Kuantan sample shed, January 2019.



APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



14.10 Kuantan Port Facilities

Products from Chaah are transported via existing road networks to the Kuantan Port stockpile area, located at Tanjung Gelang on the eastern seaboard of Peninsula Malaysia, approximately 25 km north of Kuantan, or directly to domestic steel producers.

The Company has access to its own stockpile areas and third-party stockpile capacity near and within the port facilities. There are three third-party operated stockpile yards in the port of Kuantan. The total estimated capacity of the three stockpile areas is approximately 350,000 tonnes (Figure 14-5).

Figure 14-5. Weighbridge at Kuantan stockpile area (LHS) and iron ore stockpiles (RHS).



The port facilities include liquid bulk berths, multipurpose berths and container berths that are designed for all-weather continuous operation. Iron ore sold to the export market is loaded and shipped from Kuantan port (Figure 14-6).

Figure 14-6. Ship loading of iron ore for export at Kuantan port.



APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



15 HUMAN RESOURCES AND OCCUPATIONAL HEALTH AND SAFETY

15.1 Relevant Legislation

15.1.1 Occupational Safety and Health Act 1994

HSDSB is required to comply with the Occupational Safety and Health Act 1994 (OSHA). The OSHA applies throughout Malaysia in the mining industry to ensure that employees, contractors, visitors, and surrounding communities are not exposed to risks to their safety or health. The Group is required to develop an occupational health and safety (OH&S) policy and report any accident, dangerous occurrence, occupational poisoning, or occupational disease.

It is the duty of every employer to conduct its business, so far as is practicable, to ensure its employees and others are not exposed to risks to their safety or health. This includes the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health.

It is also the duty of every employer to prepare a general policy with respect to the safety and health at work of its employees and arrangements for carrying out that policy. Such safety and health policy shall be revised as often as it may be appropriate and shall be brought to the notice of all employees.

The OSHA also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning, or occupational disease that has occurred or is likely to occur at the place of work.

Contravention of these provisions shall, upon conviction, result in the employer being liable to a fine or to imprisonment. The Directors of HSDSB have confirmed to Derisk that the operations comply with the provisions of the OSHA.

15.1.2 Factories and Machinery Act 1967

The Factories and Machinery Act 1967 (FMA) applies throughout Malaysia and provides for the control of factories with respect to the safety, health, and welfare of staff, the registration and inspection of machinery, and for matters connected therewith. It regulates factories and machinery by way of registration and examination of such machinery to ensure the maintenance of safety, health, and the welfare of all persons.

The FMA requires all machinery to be of sound construction and sound material, free from defect and fit-for-purpose, and properly maintained. No person shall operate prescribed machinery (such as steam boiler, unfired pressure vessel and hoisting machine), unless they have a valid certificate of fitness issued under the FMA. A person who contravenes the FMA may be liable to a fine or imprisonment.

HSDSB Directors have confirmed to Derisk that the necessary permits to install all machinery currently being operated at Chaah have been obtained, and HSDSB is compliant with the terms and conditions set out in the FMA.

15.2 HSDSB Policies

Derisk has sighted the HSDSB Safety, Health and Environmental Policy (dated 19 June 2019). This policy states that the Company is committed to:

- Providing a conducive, safe and healthy working environment.
- Ensuring occupational safety and health is fully observed, adhered to and implemented.
- Providing all necessary resources to enhance occupational safety and health.
- Implementing safety and health management systems, and to continuously assess and improve these systems.
- Conducting risk assessments to minimise and control hazards.
- Establishing and maintaining a system of welfare for employees.
- Promoting open communication on safety and health issues.
- Ensuring all employees receive appropriate training and are competent to carry out their duties and responsibilities.
- Respecting the traditional rights of indigenous people.
- Ensuring contractors follow the HSDSB policies.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



HSDSB also has an alcohol and drug abuse policy designed to ensure the safety of all employees and contractors. Substances covered under the policy include alcohol, illegal drugs, inhalants, and prescribed and over-the-counter medications.

HSDSB Directors have advised Derisk that there have been no fatalities or serious accidents/incidents at Chaah for the last five years.

15.3 Emergency Response

HSDSB has identified five potential emergencies associated with the operation as follows, and developed an emergency response plan for each:

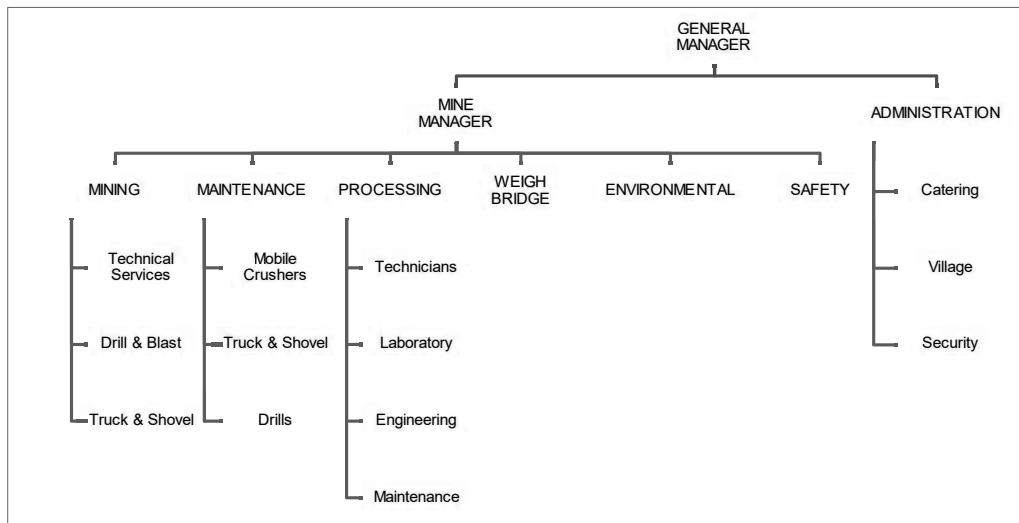
- Ground movement or slope failure
- Fire
- Diesel oil spillage
- Fatality
- Blast-related incidents

In the event of an emergency, the Mine Manager is the head of the emergency response team and responsible for all communication from the site. The Mine Manager must prepare a written report of the emergency within 24 hours.

15.4 Staffing

As at July 2019, HSDSB employed approximately 130 personnel, including both site-based and Kuantan-based staff. Figure 15-1 shows the general organisation chart structure for the mine. The mine normally operates six days per week (26 days per month) from 8.00 am to 6.00 pm.

Figure 15-1. Chaah organisational chart.



Source: OME, 2014.

Derisk considers that the Company's standards with respect to human resources and occupational health and safety are reasonable and appropriate.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



16 ENVIRONMENTAL MANAGEMENT

16.1 Relevant Legislation

16.1.1 Environmental Quality Act 1974

HSDSB is required to comply with the Environmental Quality Act 1974 (EQA), which governs the prevention, abatement, control of pollution, and enhancement of the environment. The EQA and its regulations set out acceptable conditions for the emission, discharge, or deposit of environmentally hazardous substances, pollutants, or wastes; or the emission of noise into any area, segment, or element of the environment. The EQA may set aside any area, segment, or element of the environment within which the emission, discharge, or deposit is prohibited or restricted.

Prescribed activities are required to have an EIA prepared under the Malaysian Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987. For mining activities, an EIA is required if a ML covers an area in excess of 250 ha (per ML), when there is ore processing (including concentrating of aluminium, copper, gold, or tantalum) or sand dredging involving an area of 50 ha or more. Preparation of an environmental management plan (EMP) is required for an EIA.

Selected relevant parts of the EQA are summarised below.

16.1.1.1 Control of Scheduled Waste

The EQA defines scheduled waste and provides that no person shall, without prior written approval of the Director General of Environmental Quality:

- Place, deposit, or dispose of any scheduled wastes on land or into Malaysian waters, except at prescribed premises.
- Receive or send any scheduled wastes in or out of Malaysia.
- Transit scheduled wastes.

In addition, the Environmental Quality (Scheduled Wastes) Regulations 2005 impose regulations that deal with what notifications about scheduled wastes are required to be provided to the Director General; storage, treatment and recovery processes; requirements associated with spillage and accidental discharge; and training requirements for employees dealing with scheduled wastes.

16.1.1.2 Pollution of the Atmosphere

Under the EQA, no person shall, unless licensed, emit or discharge any environmentally hazardous substances, pollutants, or wastes into the atmosphere in contravention of the specified acceptable conditions set out in the Environmental Quality (Clean Air) Regulations 2014. Any fuel-burning equipment that is rated to consume pulverised fuel or any solid fuel at 30 kilograms or more per hour or any liquid or gaseous matter at 15 kg or more per hour shall comply with the limit values and technical standards as specified in these regulations. Any person who contravenes these regulations may be liable to a fine or imprisonment.

16.1.2 Rehabilitation

The Mineral (State of Johor) Enactment 2003 require the establishment of a common rehabilitation fund (CRF), administered by the State Mineral Resources Committee for the purpose of rehabilitation of mining lands that are subject to mining leases authorising small-scale operations. This enactment requires that the holder of a mining lease shall pay into the CRF, including:

- Such sum as may be annually appropriated by the Legislative Assembly of Johor.
- Any loan or grant given to the Johor state authority by the federal government for the purposes of the CRF.
- The rehabilitation fee payable by the company, which is:
 - An annual fee at the rate of one percent of the gross sales value of all minerals won during a calendar year from the mining land that is subject to the lease, or
 - A prescribed annual fee, whichever is greater before issuance of a mining lease and on or before each anniversary date of an issued mining lease.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



16.2 HSDSB Policies

Derisk has sighted the HSDSB Safety, Health and Environmental Policy (dated 19 June 2019). This policy states that the Company is committed to safeguarding the environment affected by the Company's activities.

16.3 Chaah Environmental Management Plan

The Chaah operation covers less than 250 ha and is not required to submit an EIA for its operation. HSDSB is not required to prepare an EMP but did so in 2014, which provides an assessment of potential project impacts and presents a set of proposed impact management measures for:

- Soil erosion and sedimentation
- Air pollution
- Noise pollution
- Occupational safety and health
- Solid wastes
- Scheduled wastes
- Traffic and transportation
- Sewage and wastewater discharge
- Socioeconomics
- Residual impacts
- Abandonment plan

The EMPs also set out an outline of monitoring requirements, emergency preparedness and response, and roles, responsibility, and reporting. Specific environmental issues are summarised below.

16.3.1 Soil Erosion and Sedimentation of Waterways

Chaah topography consists of low hills in the north, becoming progressively flatter to the south, with an elevation range of approximately 250 m. The north and west of the mine borders the Mao'kil Forest Reserve and the south and east of the mine borders the Sime Darby Ladang Cha'ah oil palm estate. There are no significant water ways on the tenements. A tributary of the Sungai Simpang Kiri is in the southeast of the tenement and the Sungai Peninjau is near the northeast boundary.

Mining and processing activities generate the potential for soil erosion and sedimentation of local waterways. An erosion and sediment control plan (ESCP) was developed to estimate the likely erosion impact on the site and develop mitigation measures including:

- Drainage channels to manage surface run-off, including storm water.
- Maintaining riparian buffer zones adjacent to water ways.
- Erosion control measures, including terracing and revegetation.

16.3.2 Air Pollution

Operation of mobile and fixed plant results in air pollution, primarily from particulate dust emissions and carbon from combustion engines. The SMP identified mitigation measures including:

- Watering of exposed surfaces and haul roads. Water for this purpose is sourced from the TSF at a nominal rate of 9,000 L/day.
- Vehicle speed restrictions to minimise dust generation.
- Use of covers on trucks carrying dusty materials.
- Installation of water jets in fixed plants where significant dust emissions are generated.
- Minimising the height that material is dropped when being loaded or transferred.
- Use of personal protective equipment (PPE) where required to minimise exposure to dust.
- Prohibition of open burning.
- Regular air monitoring.

16.3.3 Noise Pollution and Blast Vibration

Substantial noise is generated from the operation of mobile machinery and fixed plant resulting in interference with communication, hearing loss, disturbance of sleep, stress and annoyance. The nearest

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



community habitation is located 750 m from the open pit. Mining and processing activities are normally operated during daytime (8.00 am to 6.00 pm). The SMP identified mitigation measures including:

- Ensuring equipment and machinery is well-maintained to minimise noise generation.
- Machinery and plant being used intermittently should be shut down or idled when not in use.
- Equipment that emits noise in a specific direction should be oriented away from sensitive areas.
- Silencers on equipment should be used and properly maintained.
- Noise barriers should be erected to protect sensitive areas.
- Reducing operating hours in areas adjacent to local communities.
- Blast vibrations are monitored and must be below the limit of 5 mm/s stipulated by the government.
- Use of personal protective equipment where required to minimise exposure to noise.
- Regular noise monitoring.

16.3.4 Solid Wastes

A variety of types of general refuse including food waste, paper wastes and packaging materials are generated. The SMP identifies appropriate storage areas for waste to be provided at designated locations and for wastes to be collected periodically by reliable contractors for disposal.

Operations also require the storage, handling, transport and disposal of construction-type wastes. The SMP identifies appropriate management methods. Derisk considers that the disposal of construction waste is unlikely to raise any long-term concerns due to the inert nature of these types of materials.

16.3.5 Scheduled Wastes

Scheduled wastes generated at site comprise waste oils and lubricants. Improper handling and management of these wastes will bring adverse impact such as spillage and consequently the pollution of local watercourses. The SMP identifies mitigation measures including:

- Fuel and other hazardous materials must be stored in a secure area (bunded enclosure with hardstanding base) located at least 100 m from watercourses and on-site drainage channels.
- Provision of a weather shelter over the storage tank to prevent the accumulation of rainwater within the bund.
- Refuelling activities must not be conducted within 100 m of watercourses or on-site drainage channels.
- Dedicated maintenance and refuelling areas shall be identified and provided with bunded hardstanding with the provision of sediment traps and oil interceptors.
- The change-out of lubrication oils from construction equipment and vehicles on the site shall be controlled.
- Spent lubrication oil (classified as a hazardous waste) shall be handled and disposed of in accordance with regulatory requirements.

16.3.6 Sewage and Wastewater Discharge

The SMP identifies mitigation measures to control the management of sewage and wastewater discharge, including:

- Installation of a sewage treatment system that gives an effluent quality that complies with the Standard B requirements of the Environmental Quality (Sewage and Industry Effluents) Regulations, 2009.
- Construction of adequate sanitation facilities.
- Provision of oil and grease separation tanks from cooking areas.
- Tanks to be regularly checked and waste oils disposed of by a reputable contractor in accordance with regulatory requirements. All waste shall be properly stored and managed to minimise contaminated run-off to the watercourse.

16.4 Closure Plan

Management of mine closure for Chaah is documented in the abandonment plan in the EMP. The objective of the proposed closure plan is to leave the sites in a tidy, stable, free-draining, and vegetated condition that blends in with the adjacent landscape and land use. Rehabilitation and mine-closure planning is outlined in the OMS for Chaah, which outlines the proposed approach to various elements of rehabilitation and mine-closure planning. Environmental bonds are not required at Chaah, as the lessee is required to contribute to the Common Rehabilitation Fund during the ML approval and renewal process.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Mine closure activities planned for Chaah include:

- Decommissioning of buildings and structures including demolition, scrap materials salvaged for recycling, concrete foundation and pads broken and demolished and buried.
- Replanting including test planting to identify the suitable plant at the area, redistribution of stored topsoil, planting of trees to cover all the bare areas.
- A flood protection bund will be built up along the main watercourses. The bund slopes will be planted with earth covering plants and the lower riverbanks will be armoured with rock and covered with felled logs and cut vegetation to stabilise the loose soils.
- The overburden dumps will be contoured and planted with trees and creeping plants, with slopes fixed in the ratio of 1: 1.5.
- The open pit will not be back filled. Water will be permitted to accumulate in the pit to provide a new local water source and/or for recreation.
- Sediment controls will be implemented to ensure solid effluents are stored away from the watercourses, with any effluent discharged from the tailings spillway containing less than 50.0 mg/L of total suspended solids.

The Directors of HSDSB have advised Derisk that the Chaah operations are in compliance with all relevant environmental regulatory requirements. Derisk considers that the Company's standards with respect to environmental management are reasonable and appropriate.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



17 COMMUNITY AND SOCIAL ISSUES

Social issues with the communities surrounding the Chaah operation are managed by HSDSB as lessee, who has appointed a representative to manage local community issues. The Company attends meetings with representatives of the local community on an as-needs basis, or when specifically requested to attend a town hall meeting to address matters raised by the community.

17.1 Community Engagement

HSDSB recognises that the mine provides potential for the creation of employment and business opportunities within the local community and represents a significant beneficial impact. The local population is given the first opportunity when suitable employment positions arise and the local communities are encouraged and given the opportunity to acquire the necessary technical skills related to the mine's activities.

The Company has a social and community management policy and contributes financially to local communities when specific needs are identified, such as in the event of local floods. The Chaah EMP also contains provisions relating to community and social interactions.

17.2 Community Impact

The main community impact of the mining operation is associated with the transportation of iron ore from site, using trucks via an access road through a privately-owned palm plantation, then by paved public roads to Kuantan or other destinations. The palm plantation has several local communities located near the access road.

The potential effects of this activity are noise and air pollution, road damage, spillage of materials onto the roadways, traffic congestion and traffic accidents. The SMP identified mitigation measures including:

- Watering of unpaved access roads close to local communities.
- Vehicle speed restrictions to minimise dust generation on unpaved roads.
- Use of truck load covers to suppress dust generation.
- Not overloading trucks to minimise road damage.
- Transportation should be restricted to daylight hours.

17.3 Heritage Management

HSDSB has not undertaken an assessment of existing archaeological values or cultural heritage values at Chaah, or an assessment of potential impacts or proposed management measures for cultural heritage values, if present. However, the Company has committed to notify the appropriate government agencies should any heritage issue be identified with the potential to impact its operations. As at 31 October 2019, no cultural heritage issues had been identified at Chaah, or any of the exploration assets.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



18 VALUATION

18.1 Valuation Definitions and Approach

The VALMIN Code classifies mineral assets into one of five categories:

- Early-stage exploration projects
- Advanced exploration projects
- Pre-development projects
- Development projects
- Production projects

In accordance with these categories, HSDSB operates a Production project at Chaah and three Early-stage exploration projects at Mao'kil, Chaah Baru and Kota Tinggi.

The VALMIN Code also provides guidance on appropriate valuation approaches for each category of mineral asset, as shown in Table 18-1.

Table 18-1. Recommended valuation approaches for different mineral assets.

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code, 2015.

A Public Report must disclose the basis of value. The VALMIN Code defines the terms Market Value and Technical Value, as follows:

- Technical Value is an assessment of a mineral asset's future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.
- Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the mineral asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion.

The valuations estimated for the iron ore assets operated by HSDSB are all Market Values.

18.2 Chaah Production Project

Derisk has assessed market and income valuation approaches to determine a valuation for Chaah and these are summarised in the following sections

18.2.1 Income Valuation: Discounted Cashflow

The income valuation approach is based on the proposition that the value of a mineral project can be determined by calculating the present value of future cash benefits arising from that project. The value so defined is referred to as the NPV and is determined using the discounted cashflow (DCF) methodology, or some derivative of this methodology. This approach generates a Technical Value that is converted to a Market Value by application of a discount or premium to account for market conditions.

Derisk considers that the income valuation approach is the most appropriate method to value Chaah because it is an operating mine with Ore Reserves, Mineral Resources, forward sales contracts and good records documenting historical and current operating costs and revenues.

To derive an income valuation for Chaah, Derisk has used the economic analysis for the LOM Plan and added an estimate of the value of the saleable stockpiles as at 31 October 2019.

18.2.1.1 Production Forecast

Production has been scheduled over a seven-year mine life and is summarised in Table 18-2. Based on this schedule, an estimated 6.7 Mt of material is processed to deliver approximately 3.7 Mt of saleable material to the domestic steel industry and pipe-coating market.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 18-2. Annual production schedule.

Production Schedule:	Unit	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	Total
Mining (Waste)	Mt	2.2	7.7	8.7	7.8	7.4	6.7	0.8	41.2
Mining (Ore+ Mineralised Waste)	Mt	0.0	1.1	0.1	1.0	1.4	2.1	1.0	6.7
– Indicated Resources	Mt	0.0	1.1	0.0	1.0	1.2	1.6	0.8	5.8
– Inferred Resources	Mt	0.0	0.0	0.1	0.1	0.2	0.4	0.1	1.0
Contained Metal (t Fe)	kt	0	600	35	517	725	1,075	468	3,420
– Indicated Resources	kt	0	581	7	491	630	847	398	2,954
– Inferred Resources	kt	0	19	27	26	95	228	70	466
Weighted Grade (%Fe)	%	0.0	53.0	35.0	49.6	51.3	51.5	48.1	50.7
– Indicated Resources	%	0.0	53.7	37.9	49.8	51.1	51.4	48.2	51.0
– Inferred Resources	%	0.0	39.5	34.3	46.6	52.7	52.1	47.0	49.0
Strip Ratio	W:O	0.0	6.8	88.0	7.4	5.2	3.2	0.8	6.1
XHM:									
Ore Milled	kt	0	119	98	381	322	380	694	1,995
Product Yield	%	0	40	33	41	42	41	41	41
Domestic Steel	kt	0	48	32	157	134	156	288	815
HSM:									
Ore Milled	kt	0	642	149	465	759	816	652	3,482
Product Yield	%	0	50	51	49	50	51	49	50
Domestic Steel	kt	0	323	76	227	375	413	321	1,734
MCU:									
Ore Milled	kt	0	221	0	196	272	398	181	1,267
Product Yield	%	0	93	0	90	92	93	89	92
Pipe coating	kt	0	206	0	177	248	369	161	1,160

Note: 1. Product Yield = (head grade x metallurgical recovery)/ concentrate grade.
2. Inferred Resource is excluded from the Ore Reserve but is included in the schedule because it is <15% of the total material to be processed.

For more details describing the production schedule, readers are referred to the IQPR. Derisk notes that the pit design underpinning this production schedule is basic and an optimal design will result from more detailed planning and scheduling. However, Derisk considers that this design is satisfactory for valuation of the Project.

18.2.1.2 Operating Costs

LOM operating costs are summarised in Table 18-3.

Table 18-3. Operating cost summary.

Unit Costs	Unit Rate	OME (2014)		Derisk (2019)	
		ROM	Concentrate	ROM	Concentrate
General and Administration	USD/t	0.26	0.38	0.22	0.41
Total Average Mining Unit Cost:	USD/t	8.60	12.76	6.32	11.49
# Total Waste Mining Costs	USD/t	1.08	10.96	0.87	9.62
# Total Ore Mining Costs	USD/t	1.40	1.80	1.03	1.88
Strip Ratio	W:O	6.80	-	6.11	-
Processing Costs	USD/t	5.07	7.53	3.90	7.08
Transport and Sales Costs	USD/t	8.46	12.56	4.89	8.89
Tribute and Royalties	USD/t	12.51	18.56	5.24	9.53
TOTAL UNIT COST	USD/t	34.90	51.79	18.10	32.94

Note: * Weighted average calculation for the LOM.

In April 2015, the Chaah mining tribute agreement was revised and the fee schedule was changed to allow the project to adapt to fluctuating iron ore price. Depending on the USD iron ore price, the monthly tribute

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



ranges from MYR 1.0-3.0 million (USD 0.25-0.75 million). The tribute is calculated per forecast production and the monthly cost of USD 750,000 was applied in the optimisations based on the prevailing iron ore price of USD 90-100/t. In the financial analysis underpinning this valuation, the tribute was reduced, reflecting a lower price forecast for the Platts 62% Fe Index. For 2019, it is USD 0.5 million per month and from 2020 onwards it is USD 0.375 million per month. Derisk notes that the forecast selling prices and consequential tribute costs are based on forecasts of the iron ore spot price and the actual values over the LOM period may be significantly different to these values.

Sales and logistical costs were based on contract rates from quotations and historical costs provided by HSDSB (Table 18-4).

Table 18-4. Sales costs.

Sales Costs (logistics & transport):	Unit	Ore <45% Fe	Ore 45-54% Fe	Ore >54% Fe
Commission	USD/t (concentrate)	0.27	0.27	0.27
Road Haulage (to Kuantan Port)	USD/t (concentrate)	8.00	-	8.00
Road Haulage (to Kemaman Steel Mill)	USD/t (concentrate)		9.00	
Port Handling and Loading	USD/t (concentrate)	5.24		
Sea Freight (China)	USD/t (concentrate)	10.00		
Storage Costs (export sales only)	USD/t (concentrate)	0.18		
Total Sales Costs	USD/t (concentrate)	24.60	9.27	8.27

18.2.1.3 Capital Expenditure

LOM capital expenditure is low, due to the use of contractors for most operating activities. An allowance of USD 6.9 million has been made for connection to the main electricity grid and replacements and additions to the mining fleet. Sustaining capital of USD 0.26 million per annum has been allowed for mining, processing, rehabilitation (including closure) and other ancillary activities.

18.2.1.4 Tax, Royalties and Depreciation

Malaysian corporate tax is 24%. To date no royalties have been imposed, but in November 2019, HSDSB advised Derisk that from 1 December 2019, a royalty capped at a maximum of MYR 9 (USD 2.25) per tonne of concentrate sold will be levied by Johor state, paid quarterly. This cost was not used in the pit optimisation study but has been included in the subsequent financial model.

For the purpose of this valuation a declining depreciation method on a quarterly basis over the LOM has been used.

The Company has a large accumulated tax loss (USD 32.4 million), which can be carried forward and offset against future tax liabilities.

18.2.1.5 Discount Rate

The basis for a 10% discount rate is because the project has a long history of operating successfully. Furthermore, Malaysia is considered moderately stable and a reasonable place to conduct business according to the Financial Action Task Force (FATF) and World Bank. The cost of capital is moderate based on a 10-year bond yield of 3.37%.

18.2.1.6 Economic Assumptions

The key financial assumptions for the LOM Plan are summarised in Table 18-5.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 18-5. Financial assumptions.

Category	Units	Amount
Exchange rate:	MYR:USD	4.00
Fuel & Energy Costs:		
Fuel Costs	MYR/ltr	2.18
Main-grid Costs	MYR/kWhr	0.31
Financial Assumptions:		
Discount Rate	%	10.0
Corporate Tax Rate	%	24.0
Amortisation Period	qtr	LOM

The key outputs from the economic analysis of the LOM Plan are summarised in Table 18-6. The results indicate that the project is financially robust. The base-case NPV at a 10% discount rate is USD 74.1 million with an IRR of 541% assuming 100% equity (no borrowings). This economic analysis does not include an assessment of the value of the stockpiles at 31 October 2019.

Table 18-6. Economic analysis.

Summary Project Cashflows:	Units	Amount*
Iron Ore Mined	Mt	6.7
Indicated Resource	Mt	5.8
Inferred Resource	Mt	1.0
Iron ore concentrate sold	Mt	3.7
Waste Mined	Mt	41.2
Strip Ratio	Waste t : Ore t	6.1
Revenue	USD million	270.8
Tribute/Royalties Paid	USD million	(35.3)
Total Expenses	USD million	(103.4)
EBITDA	USD million	129.7
Depreciation & Amortisation	USD million	(12.2)
EBIT	USD million	117.5
Interest Expenses	USD million	-
EBT	USD million	117.5
Tax incurred ^	USD million	(20.4)
NPAT	USD million	97.1
Capital Expenditure (including sustaining capital)	USD million	(6.1)
Cash cost (C1)	USD/t (product)	27.9
All-in Sustaining cost (C3)	USD/t (product)	37.8
Investment Metrics excludes finance (100% equity, post tax)		
Discount Rate	%	10.0
Net Present Value	USD million	74.1
IRR	%	541

Notes 1: * Totals may not add up exactly due to rounding in the financial spreadsheet.
2: ^ A total of USD 20.4 million in tax is paid as a consequence of accumulated tax losses.
3: The sales of existing stockpiles have been excluded from this model as it only includes in situ Ore Reserves.

The cashflow projection as depicted in Figure 18-1 demonstrates the importance of further optimising and sequencing the waste cut-back in the mine plan, as evidenced by the impact it has on the net profitability per quarter. The mine schedule is only based on the staging of three significant cutbacks, however it is expected that this could be refined further with additional and more frequent cutbacks planned over the LOM activities.

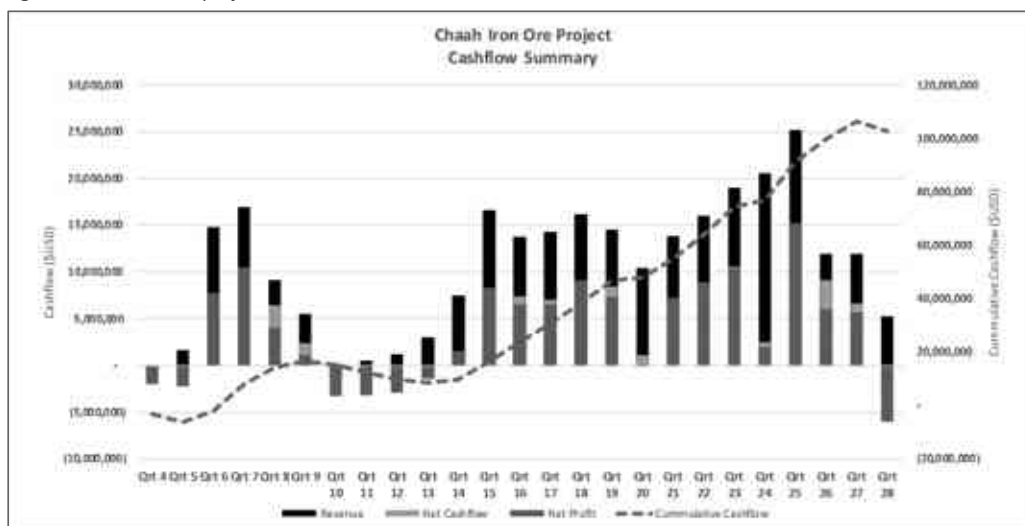
APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 18-1. Cashflow projection.



18.2.1.7 Sensitivity Analysis

To test the robustness of the operation, a sensitivity analysis was carried out with a focus on assessing the sensitivity to the commodity price, metallurgical recovery, exchange rate, Capex, fuel price, discount rate and Opex (Figure 18-2 and Figure 18-3). An arbitrary range of $\pm 30\%$ was used to test sensitivity.

As expected, the most sensitive NPV driver is the iron ore price, which results in a range of between USD 32-103 million using the maximum sensitivity of $\pm 30\%$. But almost equally important is the metallurgical recovery, which results in a range of between USD 34-95 million using a $\pm 30\%$ sensitivity. Opex and exchange rate sensitivity are the next most important drivers, while discount rate, Capex and fuel price are the least sensitive drivers to the NPV analysis.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Figure 18-2. Sensitivity analysis: Spider chart.

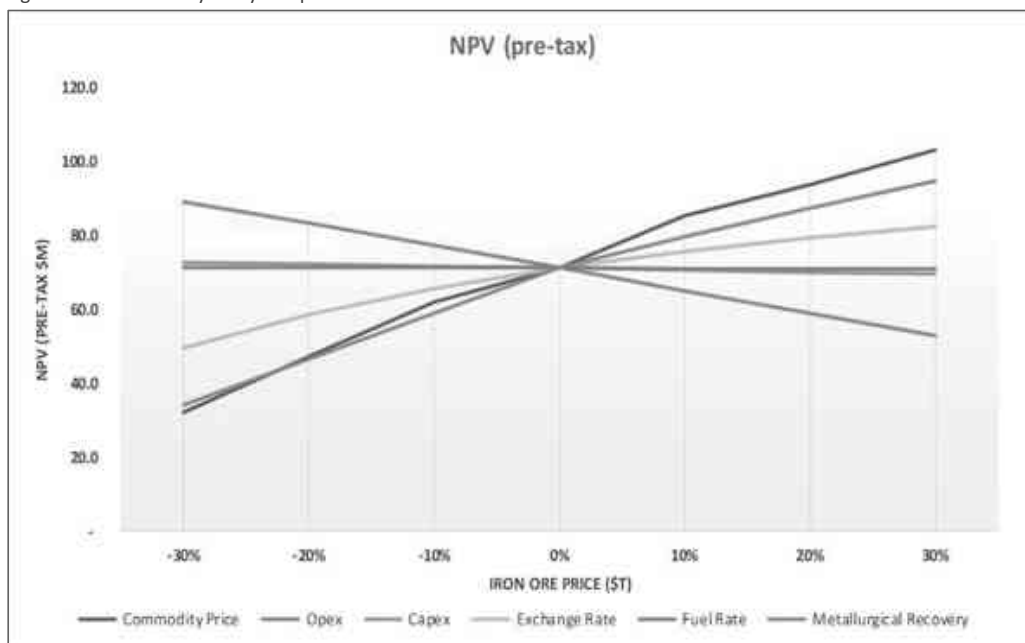
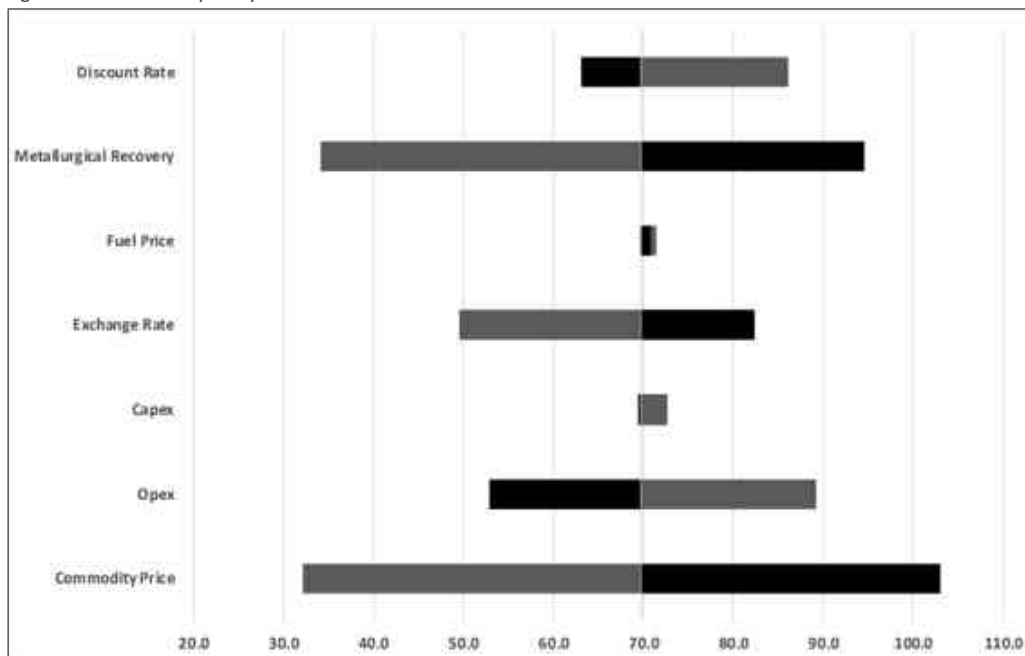


Figure 18-3. Sensitivity analysis: Tornado chart.



APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



18.2.1.8 Stockpiles

HSDSB has built many mined, crushed and processed stockpiles at site and periodically surveys and samples these stockpiles. The most recent survey was completed in October 2019 and 42 separate stockpiles ranging from 100 t to 111,000 t were surveyed. Six material types are stockpiled at site i.e. hematite boulders, hematite lump (<100 mm), hematite fines (<20 mm), hematite superfine, high-phosphorus hematite and hematite tailings.

Derisk has included all of the mined stockpiles at Chaah in the Mineral Resource inventory as these were reliably surveyed and have been sampled/analysed to estimate tonnes and Fe grade. A summary of the resource stockpile inventory is presented in Table 8-2, totalling 359 kt @ 50.5% Fe.

Derisk has also included most of these in the Ore Reserve inventory. A summary of the reserve stockpile inventory is presented in Table 10-6, totalling 330 kt @ 56.1% Fe. The economic analysis presented in Table 18-6 does not include any value for the mined stockpiles.

Derisk has estimated the likely revenue from the sale of the Ore Reserve stockpiles at prevailing 2019 prices and deducted costs for crushing and screening, processing, sales and transport where appropriate, to derive a net value of USD 14.1 million.

18.2.1.9 Income Valuation Summary

By combining the sum of the LOM plan pre-tax NPV of USD 74.1 million with the stockpile valuation of USD 14.1 million, Derisk considers that the total pre-tax NPV for Chaah is USD 88.2 million. There is 0.8 Mt of Inferred Resources located outside of the economic pit limits, mostly below the designed open pit. Derisk has assigned no value to this material.

The pre-tax NPV for Chaah is most sensitive to the prevailing iron ore price as shown in Section 18.2.1.7. By applying a $\pm 20\%$ variation to the allocated prices used in the revenue estimates for in-situ reserves, a range of USD 48.6 million to USD 98.4 million is obtained. The estimate of value for the stockpiles (USD 14.1 million) is unchanged as these are likely to be sold before the end of 2019.

Taking all factors into account, Derisk's income-based valuation for Chaah at the effective date of 31 October 2019 ranges from USD 63 million to USD 113 million with a preferred value of USD 88 million. Derisk considers that this fairly represents the current value of the asset as an operating mine.

18.2.2 Market Valuation: Comparable Transactions

To support the valuation of Chaah using the income approach, a comparable transaction valuation method was used. This method is a market-based approach, adapted from the real estate approach to valuation. The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. \$ per km² or \$ per tonne metal) for the asset being valued. This approach is widely used throughout the minerals industry, but the valuer must consider that this approach is retrospective and therefore does not consider current and future commodity or other market price movements. This approach usually generates a Market Value because it relates value to actual market-based transactions, although a discount or premium to account for current market conditions may be applied.

As noted above, two of the main comparable transaction approaches are to value the area of the tenement and value the contained metal (i.e. iron) identified to date on the tenement. For Chaah, the approach valuing the contained iron is the most appropriate option because there are both Mineral Resources and Ore Reserves identified.

Derisk considers that the market valuation approach, whilst relevant to value Chaah, should not be the primary valuation method because there is a lack of transactions that are comparable. Therefore, Derisk has used this method to provide a secondary check on the valuation derived from a DCF analysis of Chaah.

18.2.2.1 Fortress Minerals Limited

Fortress Minerals Limited (FML) issued an Offer Document in March 2019 in support of its application to list on SGX. Its principal asset is the Bukit Besi iron ore mine located in Terengganu, Malaysia. Derisk considers there are similarities with Chaah because Bukit Besi is in Malaysia, it is in operation, and was subject to an IVR to support the SGX listing. However, there are also some significant differences in that Bukit Besi has no Ore Reserves and the Mineral Resources (Table 18-7) are mostly comprised of Inferred Resources.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Table 18-7. Bukit Besi iron ore Mineral Resource, reported as at 7 August 2018.

Area	Category	Net attributable to our Group	
		Tonnes (Mt)	Grade (Fe%)
West Deposit	Indicated Resource	0.37	42.2
West Deposit	Inferred Resource	2.55	39.6
Valley Deposit	Inferred Resource	1.36	46.4
East Deposit	Inferred Resource	1.13	40.7
Total		5.41	41.7⁽¹⁾

Note:
(1) This refers to the average grade of iron ore

Source: Fortress Minerals Limited Offer Document, 2019.

Note: Reported using a cut-off criteria of >10% Fe, >100 units of magnetic susceptibility, and <10% sulphur.

SRK Consulting (Australasia) Pty Ltd (SRK) was engaged to prepare an IVR that was included in the Offer Document. SRK determined a Market Value that ranged from USD 27-37 million, with a preferred Market Value of USD 32 million at an effective date of 18 September 2018.

The Bukit Besi Mineral Resource has 2.26 Mt of contained iron metal and SRK's valuation generates a unit price range of USD 12.0-16.4/t of contained Fe in Mineral Resources. The Chaah Mineral Resource as at 31 October 2019 comprises 8.2 Mt @ 51.0% Fe, for 4.19 Mt of contained iron. Applying the unit prices derived from the SRK valuation results in a Market Value of USD 50-69 million for Chaah.

However, this simple valuation excludes the effects of changes in the iron ore spot price, which has been volatile in the last two years. For the month of September 2018, the Platts 62% Fe Index was USD 68.3/t whereas for the month of September 2019 it was USD 92.6/t, an increase of 36%. Applying this factor to the unit prices derived by SRK results in a Market Value of USD 68-94 million for Chaah.

Derisk considers that the unit prices calculated for Bukit Besi undervalue Chaah because Chaah has Ore Reserves, a proven operating track record of more than 10 years, and a 7-year LOM based on remaining Ore Reserves. Therefore, Derisk considers Chaah deserves a premium of 20-30% compared with Bukit Besi.

18.2.2.2 Market Valuation Summary

Taking all inputs into consideration, Derisk considers that an appropriate unit price for valuing Chaah using the comparable transaction approach is USD 20-30/t of contained Fe in Mineral Resources, resulting in a Market Value of USD 84-126 million, with a preferred Market Value of USD 105 million. This estimate is based on only one comparable transaction, but it overlaps the valuation determined using the income approach and Derisk considers that it provides good support for the DCF-based valuation.

18.3 Early-stage Exploration Projects

HSDSB has negotiated a MOA with DYMMMS that provides the Company with the contractual right to mine at the three exploration assets at Mao'kil, Chaah Baru and Kota Tinggi. The MOA grants HSDSB permission to carry out mining operations in return for an agreed contract payment and ongoing tribute payment to DYMMMS. To date, HSDSB has not undertaken any formal exploration activities, but has completed the preparation of an OMS at Mao'kil and Chaah Baru. Consequently, HSDSB has incurred minimal expenditure on these assets to date.

Derisk considers that the three exploration properties do have a Market Value, but the value is not material in comparison to Chaah and is well less than USD 1 million. This assessment has been reached because HSDSB has not paid anything to access the three leases from DYMMMS, has not yet spent any funds to explore the leases, and none of the leases have any reported Mineral Resources or Ore Reserves. Consequently, Derisk has ignored these exploration assets in the valuation process.

18.4 Valuation Summary

Chaah is a mature open pit mining operation with a defined Mineral Resource and Ore Reserve inventory, supported by documented costs and well-established sales contracts. Consequently, Derisk considers that the income valuation approach is an appropriate valuation methodology, which in this case is supported by a market valuation approach derived from a single comparable transaction.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



The income valuation is a Market Value and Derisk is of the opinion that the market will pay in the range from USD 63 million to USD 113 million with a preferred value of USD 88 million for all the Malaysian mineral assets operated by HSDSB.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



19 RISKS AND OPPORTUNITIES

The Chaah mine is a mature site that has been in continuous operation since 2008. HSDSB has experienced both high and low commodity prices throughout the operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match domestic and export market requirements.

19.1 Risk Assessment

Project risks have been subjectively assessed based on the likelihood of occurrence, and on the consequence of an event occurring, resulting in a risk matrix with three risk levels i.e. high, medium and low risk. Risks have been assessed using two categories as follows:

- Risks associated with estimation of Mineral Resources.
- Risks associated with estimation of Ore Reserves, subdivided into mining factors, processing and metallurgical factors, infrastructure factors, economic factors, marketing factors, legal factors, environmental factors, and social and government factors.

19.1.1 High Risks

Derisk has identified one high risk concern as defined in Table 19-1.

Table 19-1. High risks.

Risk Area	Description
Mineral Resources	-
Ore Reserves: Mining Factors	-
Ore Reserves: Processing/Metallurgical Factors	-
Ore Reserves: Infrastructure Factors	-
Ore Reserves: Economic Factors	Commodity prices. Profitability is very sensitive to the iron ore price, which is volatile. HSDSB will be adversely affected financially from any short-term drop in the iron ore price, as well as any longer-term sustained lower prices.
Ore Reserves: Marketing Factors	-
Ore Reserves: Legal Factors	-
Ore Reserves: Environmental Factors	-
Ore Reserves: Social/Government Factors	-

19.1.2 Medium Risk

Derisk has identified six medium risk concerns as defined in Table 19-2.

Table 19-2. Medium risks.

Risk Area	Description
Mineral Resources	-
Ore Reserves: Mining Factors	Geotechnical controls. As the Chaah open pit gets deeper, there is greater potential for wall instability and failure if HSDSB does not actively monitor geotechnical and groundwater conditions. Mine scheduling. Poorly managed mine development and scheduling may cause disruption in the supply of ore to the mill, if the plan is not followed.
Ore Reserves: Processing/Metallurgical Factors	Metallurgical recovery. The operation is sensitive to the metallurgical recovery and yield. Little testwork has been undertaken of the mineralisation that will be processed over the remaining LOM.
Ore Reserves: Infrastructure Factors	-
Ore Reserves: Economic Factors	Exchange rates. Volatility in the exchange rate between MYR and USD may adversely affect revenue if the USD significantly devalues.
Ore Reserves: Marketing Factors	Sales contracts. HSDSB has no long-term contracts for supply of iron ore and is exposed to market uncertainty.
Ore Reserves: Legal Factors	-
Ore Reserves: Environmental Factors	Water and tailings management. A major rainfall event may result in the discharge of water from site that is in breach of environmental requirements for the ML.
Ore Reserves: Social/Government Factors	-

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



19.1.3 Low Risk

Derisk has identified six low risk concerns as defined in Table 19-3.

Table 19-3. Low risks.

Risk Area	Description
Mineral Resources	Geological interpretation. Less information is available for the deeper sections of the mine and there is some risk that the interpreted mineralisation is not correct.
Ore Reserves: Mining Factors	Pit dewatering. Access to the bottom of the pit may be restricted during the monsoon season because water pumps cannot remove the quantity of water in the pit.
Ore Reserves: Processing/Metallurgical Factors	Ore type characterisation. Less information is available for ore type variability as the mine gets deeper. Variability may lead to increased operating costs associated with grade control and/or blending.
Ore Reserves: Infrastructure Factors	Power costs. Main grid power is expected to be commissioned in the first quarter of 2020. If delayed, the cost savings from lower-cost power at site will be delayed. Public roads. HSDSB is reliant on public roads to transport product to port and domestic customers. This creates a risk in supply disruption due to roads being cut off for maintenance work or as a result of flooding during the monsoon season.
Ore Reserves: Economic Factors	-
Ore Reserves: Marketing Factors	-
Ore Reserves: Legal Factors	-
Ore Reserves: Environmental Factors	-
Ore Reserves: Social/Government Factors	Community unrest. All traffic from the operation passes along an unpaved road through a palm plantation that hosts a significant local population. Poor community engagement by HSDSB could alienate the local community and cause disruption to the operation.

19.2 Opportunities

Derisk considers that there are several significant opportunities for HSDSB as follows.

19.2.1 Exploration Upside

There are several exploration upside opportunities as follows:

- Iron ore mineralisation in the existing open pit area is not closed off and there are opportunities to discover more mineralisation, that if successful may allow the current operations to be extended.
- Magnetic surveys at Chaah have identified several geophysical anomalies yet to be tested, that if successful have the potential to discover new iron ore mineralisation.
- The Company holds three exploration areas that are prospective for iron ore mineralisation that have not yet been explored in any detail.
- HSDSB plans to assess new opportunities to acquire more exploration and/or mining leases.

19.2.2 Operational Flexibility

HSDSB has a high degree of operational flexibility that allows it to readily adapt to changeable market requirements and opportunities. There are also several market segments that it delivers its product into and is therefore not dependent on one or two core customers. Throughout the depressed iron ore market from 2014 to 2017, management proved its ability to react to market conditions by delivering a range of products as required to stay in operation. Derisk considers that HSDSB's operational flexibility represents a significant opportunity to capitalise on future ad-hoc market opportunities. This flexibility is illustrated by the Company's trial of recovering and selling tailings as a low-grade fines product.

19.2.3 Commodity Price Upside

Profitability of the Chaah operation is extremely sensitive to the iron ore price, which has been very volatile in the last ten years. The Company will financially benefit from any short-term spikes in the iron ore price, as well as any longer-term sustained higher prices.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



20 CONCLUSIONS

The Chaah mine is a mature site that has been in continuous operation since 2008. HSDSB has experienced both high and low commodity prices throughout the operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match domestic and export market requirements.

Derisk considers that the Mineral Resource and Ore Reserve estimates are technically sound and fit-for-purpose. Reconciliation of production from June 2014 to July 2019 demonstrates an excellent correlation between the Mineral Resource model and production statistics.

The iron ore price is forecast to remain volatile in the short and medium term. The Ore Reserves are robust and can tolerate a significant drop in the iron ore price and remain financially viable. Price rises will result in significant increases in revenue that will flow directly to profits.

In valuing the mineral assets operated by HSDSB, Derisk has concluded that Chaah represents the principal asset. The three exploration assets at Mao'kil, Chaah Baru and Kota Tinggi do have a Market Value, but the value is not material in comparison to the Chaah mine.

Derisk considers that the income valuation approach is an appropriate valuation methodology, which in this case is supported by a market valuation approach derived from a single comparable transaction. Derisk concludes that a Market Value for all the Malaysian mineral assets operated by HSDSB ranges from USD 63 million to USD 113 million with a preferred value of USD 88 million.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



21 PRACTITIONER/SPECIALIST/COMPETENT PERSON CONSENT AND SIGN-OFF

21.1 Director and Specialist

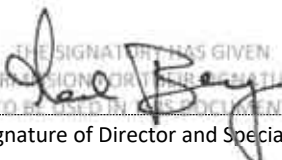
I, Mark Berry, confirm that I am a Principal Consultant and Director of Derisk and that I directly supervised the production of the report titled Independent Valuation Report on the Malaysian Iron Ore Assets of Honest Sam Development Sdn Bhd, with an effective date of 31 October 2019, in accordance with SGX Catalist Rule 442 (b).

I confirm that my firm's Directors, shareholders, employees, and I are independent of Honest Sam Development Sdn Bhd (the listing applicant), its Directors, substantial shareholders, and their associates. In addition, my firm's Directors, substantial shareholders, employees, and I have no interest, direct or indirect, in the listing applicant, its subsidiaries, or associated companies, and will not receive benefits other than remuneration paid to Derisk in connection with the independent valuation report (IVR). Remuneration paid to Derisk is not dependent on the findings of this report.

I also confirm that I have contributed to the technical assessment and valuation reported in this report. I am a Member of The Australian Institute of Geologists and have 40 years of relevant experience. I have not been found in breach of any relevant rule or law of that institute, and I am not the subject of any disciplinary proceeding. I am not the subject of any investigation that might lead to a disciplinary proceeding by any regulatory authority or any professional association.

I have read and understood the requirements of the VALMIN Code and the JORC Code. I am a Competent Person as defined by the JORC Code and a Specialist as defined by the VALMIN Code, having more than the minimum experience relevant to the style of mineralisation and type of deposit described in this report, and to the activity for which I am accepting responsibility.

I have reviewed this report, to which this Consent Statement applies, and I consent to the release of this report.

THE SIGNATURE HAS GIVEN
PERMISSION FOR SUBSIGNATURE
TO BE USED IN ASSOCIATION


Signature of Director and Specialist

06 March 2020

Date

21.2 Practitioner/Specialist

I, Malcolm Dorricott, confirm that I am a Principal Mining Consultant with Derisk and that I am the Practitioner and Specialist taking overall responsibility for the technical assessment and valuation in the report titled Independent Valuation Report on the Malaysian Iron Ore Assets of Honest Sam Development Sdn Bhd, with an effective date of 31 October 2019, in accordance with SGX Catalist Rule 442 (b).

I am a Fellow of The Australasian Institute of Mining and Metallurgy and have more than 50 years of mining industry experience including more than 15 years of relevant experience. I have not been found in breach of any relevant rule or law of that institute, and I am not the subject of any disciplinary proceeding. I am not the subject of any investigation that might lead to a disciplinary proceeding by any regulatory authority or any professional association.

I have read and understood the requirements of the VALMIN Code and the JORC Code. I am a Practitioner and a Specialist as defined by the VALMIN Code, having more than the minimum experience relevant to the activity for which I am accepting responsibility.

I have reviewed this report, to which this Consent Statement applies, and I consent to the release of this report.



Signature of Practitioner and Specialist

06 March 2020

Date

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



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APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



23 DEFINITIONS AND GLOSSARY

Table 23-1 provides a list of the definitions used in this report together with a glossary of relevant terms and abbreviations.

Table 23-1. Definitions and glossary of terms.

Term	Description
AAICD	Affiliate of the Australian Institute of Company Directors
AMC	AMC Consultants Pty Ltd
Capex	Capital costs
CFR	Cost-and-freight
CISA	China Iron & Steel Association
Competent Person (as defined by the JORC Code)	A minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a Recognised Professional Organisation, as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking.
CRF	Common rehabilitation fund
CRM	Certified reference material
DCF	Discounted cashflow
DD	Diamond drilling
DE	Department of Environment
Derisk	Derisk Geomining Consultants Pty Ltd
DMG	Department of Minerals and Geoscience
DSO	Direct shipping ore
DYMMMS	DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBT	Earnings before tax
EIA	Environmental impact assessment
EL	Exploration licence
EMP	Environmental management plan
EQA	Environmental Quality Act 1974
ESCP	Erosion and sediment control plan
Exploration Results (as defined by the JORC Code)	Data and information generated by mineral exploration programmes that might be of use to investors, but which do not form part of a declaration of Mineral Resources or Ore Reserves.
FATF	Financial Action Task Force
FAusIMM	Fellow of the Australasian Institute of Mining and Metallurgy
FMA	Factories and Machinery Act 1967
FML	Fortress Minerals Limited
FOB	Free-on-board
FoS	Factor of safety
GSI	Geological strength index
GPS	Global positioning system
ha	hectare(s)
HQ	Diamond core with standard diameter of 63.5 mm
hr	hour(s)
hr/day	hours per day
hr/qtr	hours per quarter
hr/yr	hours per year
HSDSB	Honest Sam Development Sdn Bhd
HSM	Honest Sam Development Sdn Bhd mill

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Term	Description
Inspectorate Kuantan	Inspectorate Malaysia Sdn Bhd in Kuantan, Pahang
IQPR	Independent qualified persons report
iron ore spot price	Iron ore fines with 62% Fe, 2% Al ₂ O ₃ , and 4.5% SiO ₂ , among other gangue elements delivered into north China on a CFR basis
IRR	Internal rate of return
IVR	Independent Valuation Report
JLPW	Jeff Leong, Poon & Wong
JORC	Joint Ore Reserves Committee
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition, effective December 2012
kg	kilogram(s)
km	kilometre(s)
kt	kilotonne
kW	kilowatt
kWh/t	kilowatt hours per tonne
KSS	Kuantan sample shed
l	litre
LHS	Left hand side
LOI	Loss-on-ignition
LOM	Life-of-mine
m	metre(s)
m ²	square metre(s)
m ³	cubic metre(s)
M	million
MAIG	Member of the Australian Institute of Geoscientists
Market Value (as defined by the VALMIN Code)	Estimated amount of money (or the cash equivalent of some other consideration) for which the mineral asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion.
MAusIMM CP	Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy
MCU	Mobile crushing and screening unit
MDA	Mineral Development Act 1994
Mineral Resource (as defined by the JORC Code)	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 there are reasonable prospects for eventual economic extraction. 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. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
MIQA	Member of the Institute of Quarrying Australia
ML	Mining lease
mm	millimetre(s)
MOA	Mining Operators Agreement
Modifying Factors (as defined by the JORC Code)	Considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
MRICS	Member and Chartered Valuation Surveyor, Royal Institution of Chartered Surveyors
MRMR	Mining rock mass rating
Mt	million tonnes
Mtpa	million tonnes per annum
MWLR	Ministry of Water, Land and Natural Resources
MYR	Malaysian ringgit
NPAT	Net profit after tax
NPV	Net present value
OH&S	Occupational health and safety

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Term	Description
OK	Ordinary kriging
OMS	Operational Mining Scheme
OME	Ophir Mining and Exploration Sdn Bhd
Opex	Operating expenses
Ore Reserve (as defined by the JORC Code)	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 prefeasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable and Proved Ore Reserves.
OSA	Overall slope angle
OSHA	Occupational Safety and Health Act 1994
PFS	Prefeasibility study
PL	Prospecting licence
Platts 62% Fe Index	62% Fe CFR North China, updated daily
PML	Proprietary Mining Lease
PPE	Personal protective equipment
PQ	Diamond core with standard diameter of 85.0 mm
Practitioner (as defined by the VALMIN Code)	Expert as defined in the Corporations Act, who prepares a public report on a technical assessment or valuation report for mineral assets. This collective term includes Specialists and Securities Experts.
PT Geoservices	PT Geoservices, Jakarta
QA/QC	Quality assurance and quality control
Q-MiCS	Q-MiCS Consultant
Qualified person (as defined by SGX rules)	A person who has the appropriate experience in the type of activity undertaken or to be undertaken by a mineral, oil and gas company, meeting the following minimum requirements: <ul style="list-style-type: none"> i is professionally qualified and a member or licensee in good standing of a relevant Recognised Professional Association. ii has at least five years of relevant professional experience in the estimation, assessment and evaluation of (a) the mineral or minerals, oil or gas that is under consideration; and (b) the activity which the issuer is undertaking, and iii has not been found to be in breach of any relevant rule or law and is not (a) denied or disqualified from membership of; (b) subject to any sanction imposed by; (c) the subject of any disciplinary proceedings by; or (d) the subject of any investigation which might lead to disciplinary action by any relevant regulatory authority or professional association.
RC	Reverse circulation
RF	Revenue factor
RHS	Right hand side
RL	Reduced level
RMR	Rock mass rating
ROM	Run-of-mine
RQD	Rock quality designation
SGS Port Klang	SGS (Malaysia) Sdn Bhd in Port Klang, Selangor
SGS Perth	SGS Australia Pty Ltd in Perth, WA
SGX	Singapore Exchange
SLON	Vertically pulsating high-intensity magnetic separator
SMEs	State Mineral Enactments
Specialist (as defined by the VALMIN Code)	Persons whose profession, reputation or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value mineral assets.
SRK	SRK Consulting (Australasia) Pty Ltd
t	tonne(s)
Technical Value (as defined by the VALMIN Code)	An assessment of a mineral asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

APPENDIX E

INDEPENDENT VALUATION REPORT

P1819-27: Independent Valuation Report of Malaysian Iron Ore Assets
Honest Sam Development Sdn Bhd



Term	Description
t/hr	tonnes per hour
t/m ³	tonnes per cubic metre
t/qtr	tonnes per quarter
t/yr	tonnes per year
TSF	tailings storage facility
USD	United States Dollar
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, 2015 edition, effective January 2016
W:O	waste to ore stripping ration
Whittle 4X	Geovia Whittle 4X
XHM	Xin Her Mining Sdn Bhd mill
XHMSB	Xin Her Mining Sdn Bhd
XRF	X-ray fluorescence
yr	year(s)
YTD	year-to-date
>	greater than
<	less than
%	percent

APPENDIX E

INDEPENDENT VALUATION REPORT

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APPENDIX F SUMMARY OF OUR CONSTITUTION

The discussion below provides information about certain provisions of our Constitution. This description is only a summary and is qualified by reference to our Constitution, a copy of which will be displayed at our registered office at 80 Robinson Road #02-00 Singapore 068898.

The following are extracts of the provisions in our Constitution relating to:

(a) A director's power to vote on a proposal, arrangement or contract in which he is interested

Regulation 88(1) – Powers of Directors to contract with Company

No Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement with the Company either as vendor, purchaser or otherwise nor shall such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established but every Director and Chief Executive Officer shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests of the Directors and Chief Executive Officer in transactions or proposed transactions with the Company or of any office or property held by a Director or Chief Executive Officer which might create duties or interests in conflict with his duties or interests as a Director or Chief Executive Officer and any transactions to be entered into by or on behalf of the Company in which any Director shall be in any way interested shall be subject to any requirements that may be imposed by the Exchange or the Act. No Director shall vote in regard to any contract, arrangement or transaction, or proposed contract, arrangement or transaction in which he has directly or indirectly a personal material interest as aforesaid or in respect of any allotment of shares in or debentures of the Company to him and if he does so vote his vote shall not be counted. A Director shall also not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Regulation 88(2) – Relaxation of restriction on voting

A Director, notwithstanding his interest, may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any office or place of profit under the Company, or where the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or where the Directors resolve to enter into or make any arrangements with him or on his behalf pursuant to this Constitution or where the terms of any such appointment or arrangements as hereinbefore mentioned are considered, and he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof.

Regulation 89(2) – Exercise of voting power

The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing

APPENDIX F SUMMARY OF OUR CONSTITUTION

for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

- (b) A director's power to vote on remuneration (including pension or other benefits) for himself or for any other director and whether the quorum at a meeting of the board of directors to vote on directors' remuneration may include the director whose remuneration is the subject of the vote**

Regulation 84(1) – Fees

The fees of the Directors shall be determined from time to time by the Company in general meetings and such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Such fees shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such fee is payable shall be entitled only to rank in such division for the proportion of fee related to the period during which he has held office.

Regulation 84(2) – Extra remuneration

Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which, in the opinion of the Directors, are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this Regulation.

Regulation 84(3) – Remuneration of Director

The fees (including any remuneration under Regulation 84(2) above) in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or a percentage of the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or a percentage of turnover.

Regulation 85 – Expenses

The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

Regulation 86 – Pensions to Directors and dependents

Subject to the Act, the Directors on behalf of the Company may pay a gratuity or other retirement, superannuation, death or disability benefits to any Director or former Director who had held any other salaried office or place of profit with the Company or to his widow or dependants or relations or connections or to any persons in respect of and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

APPENDIX F SUMMARY OF OUR CONSTITUTION

Regulation 87 – Benefits for employees

The Directors may procure the establishment and maintenance of or participate in or contribute to any non-contributory or contributory pension or superannuation fund or life assurance scheme or any other scheme whatsoever for the benefit of and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to any persons (including Directors and other officers) who are or shall have been at any time in the employment or service of the Company or of the predecessors in business of the Company or of any subsidiary company, and the wives, widows, families or dependants of any such persons. The Directors may also procure the establishment and subsidy of or subscription and support to any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interests and well-being of the Company or of any such other company as aforesaid or of its Members and payment for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantees of money for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

Regulation 92 – Remuneration of Chief Executive Officer/Managing Director

The remuneration of a Chief Executive Officer/Managing Director (or any person holding an equivalent appointment) shall from time to time be fixed by the Directors and may subject to this Constitution be by way of salary or commission or participating in profits or by any or all of these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

Regulation 101(1) – Alternate Directors

Any Director of the Company may at any time under his hand and deposited at the Office, or delivered at a meeting of the Directors, appoint any person who is not a Director or Alternate Director and who is approved by a majority of his co-Directors to be his Alternate Director for such period as he thinks fit and may at any time remove any such alternate Director from office. An Alternate Director so appointed shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company. Any fee paid to an Alternate Director shall be deducted from the remuneration otherwise payable to his appointor.

(c) The borrowing powers exercisable by the directors and how such borrowing powers may be varied

Regulation 116 – Directors' borrowing powers

The Directors may at their discretion exercise all the powers of the Company to borrow or otherwise raise money, to mortgage, charge or hypothecate all or any property or business of the Company including any uncalled or called but unpaid capital and to issue debentures or give any other security, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

APPENDIX F SUMMARY OF OUR CONSTITUTION

(d) The retirement or non-retirement of a director under an age limit requirement

Regulation 91 – Chief Executive Officer/Managing Director to be subject to retirement by rotation

Any Director who is appointed as a Chief Executive Officer/Managing Director (or an equivalent appointment) shall be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors of the Company notwithstanding the provisions of his contract of service in relation to his executive office and if he ceases to hold the office of Director from any cause he shall *ipso facto* and immediately cease to be a Chief Executive Officer/Managing Director.

Regulation 96 – Retirement of Directors by rotation

Subject to this Constitution and to the Act, at each Annual General Meeting at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. For the avoidance of doubt, each Director shall retire from office at least once every three (3) years.

Regulation 97 – Selection of Directors to retire

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three (3) years since their last election. However as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Regulation 98 – Deemed re-elected

The Company at the meeting at which a Director retires under any provision of this Constitution may by ordinary resolution fill up the vacated office by electing a person thereto. In default the retiring Director shall be deemed to have been re-elected, unless:

- (i) at such meeting it is expressly resolved not to fill up such vacated office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (ii) such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected; or
- (iii) such Director has attained any retiring age applicable to him as a Director; or
- (iv) the nominating committee appointed has given notice in writing to the directors that such director is not suitable for re-appointment, having regard to the Director's contribution and performance.

The retirement of any Director who is deemed to have been re-elected shall not have effect until the conclusion of the meeting and such Director will continue in office without a break.

APPENDIX F SUMMARY OF OUR CONSTITUTION

(e) The number of shares, if any, required for the qualification of a director

Regulation 83 – Qualifications

A Director need not be a Member and shall not be required to hold any share qualification in the Company and shall be entitled to attend and speak at general meetings.

(f) The rights, preferences and restrictions attaching to each class of shares

Regulation 4 – Issue of new shares

Subject to the Act and this Constitution, no shares may be issued by the Directors without the prior sanction of an ordinary resolution of the Company in general meeting pursuant to Section 161 of the Act but subject thereto and to Regulation 47, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration (or, where permitted under the Act and the listing rules of the Exchange, for no consideration) and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, subject to the Act and the listing rules of the Exchange, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors.

Regulation 4A

The Company may issue shares for which no consideration is payable to the Company.

Regulation 5(1) – Rights attached to certain shares

Preference shares may be issued subject to such limitations thereof as may be prescribed by the Exchange upon which shares in the Company may be listed and the rights attaching to shares other than ordinary shares shall be expressed in this Constitution. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company. The total number of issued preference shares shall not exceed the total number of issued ordinary shares issued at any time. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.

Regulation 5(2)

The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.

APPENDIX F SUMMARY OF OUR CONSTITUTION

Regulation 7(2) – Rights of preference shareholders

The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholder rights may only be made pursuant to a special resolution of the preference shareholders concerned. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the general meeting, shall be as valid and effectual as a special resolution carried at the general meeting.

Regulation 17(1) – Entitlement to certificate

Shares must be allotted and certificates despatched within ten (10) market days of the final closing date for an issue of shares unless the Exchange shall agree to an extension of time in respect of that particular issue. The Depository must despatch statements to successful investor applicants confirming the number of shares held under their Securities Accounts. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within ten (10) market days after lodgement of any transfer. Every registered shareholder shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed two dollars (S\$2) (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed). Where a registered shareholder transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the registered shareholder shall pay a fee not exceeding two dollars (S\$2) (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) for each such new certificate as the Directors may determine. Where the Member is a Depositor, the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.

Regulation 22(1) – Directors' power to decline to register

Subject to this Constitution, there shall be no restriction on the transfer of fully paid up shares except where required by law or by the rules, bye-laws or listing rules of the Exchange but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register in accordance with and pursuant to the requirements of the Act and the listing rules of the Exchange.

APPENDIX F SUMMARY OF OUR CONSTITUTION

Regulation 48 – Rights and privileges of new shares

Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of this Constitution and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.

Regulation 69(1) – Voting rights of Members

Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Regulation 6, each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.

Regulation 69(3)

Notwithstanding anything contained in this Constitution, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not later than seventy-two (72) hours before the time of the relevant general meeting or such cut-off time as provided under the Securities and Futures Act (the cut-off time), whichever is earlier, as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor's Securities Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two (2) proxies, to apportion the said number of shares between the two (2) proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

Regulation 70 – Voting rights of joint holders

Where there are joint holders of any share any one (1) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one (1) of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation be deemed joint holders thereof.

APPENDIX F SUMMARY OF OUR CONSTITUTION

Regulation 71 – Voting rights of Members of unsound mind

If a Member who is mentally disordered or whose person or estate is liable to be dealt with in any way under the law relating to mental capacity may vote, whether on a show or hands or on a poll, by a person who properly has the management of the estate of the Member, and any such person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than seventy-two (72) hours before the time appointed for holding the meeting or such cut-off time as provided under the Act, whichever is earlier.

Regulation 72 – Right to vote

Subject to the provisions of this Constitution, every Member either personally or by proxy or by attorney or in the case of a corporation by a representative shall be entitled to be present and to vote at any general meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. In the event a Member has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum. Save as expressly provided herein or in the Act, no person other than a Member duly registered, and only in respect of shares upon which all calls due to the Company have been paid, shall be entitled to be present or to vote on any question, either personally or by proxy at any general meeting.

(g) Any change in capital

Regulation 51(1) – Power to consolidate, cancel and subdivide shares

The Company may by ordinary resolution alter its share capital in the manner permitted under the Act including without limitation:

- (i) consolidate and divide all or any of its shares;
- (ii) cancel the number of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish its share capital in accordance with the Act;
- (iii) subdivide its shares or any of them (subject to the provisions of the Act), provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares; and
- (iv) subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency.

APPENDIX F SUMMARY OF OUR CONSTITUTION

Regulation 51(3) – Repurchase of Company’s shares

The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Act and any other relevant rule, law or regulation enacted or promulgated by any relevant competent authority from time to time (collectively, the “**Relevant Laws**”), on such terms and subject to such conditions as the Company may in general meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid may be cancelled or held as treasury shares and dealt with in accordance with the Relevant Laws. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.

Regulation 52 – Power to reduce capital

The Company may by special resolution reduce its share capital or any other undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.

- (h) **Any change in the respective rights of the various classes of shares including the action necessary to change the rights, indicating where the conditions are different from those required by the applicable law**

Regulation 7(1) – Variation of rights

If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class and to every such special resolution, the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the general meeting shall be as valid and effectual as a special resolution carried at the general meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

APPENDIX F SUMMARY OF OUR CONSTITUTION

Regulation 8 – Creation or issue of further shares with special rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

(i) Any time limit after which a dividend entitlement will lapse and an indication of the party in whose favour this entitlement operates

Regulation 128(1) – Unclaimed dividends

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. If the Depositor returns any such dividend or money to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or money against the Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other money was first payable.

(j) Any limitation on the right to own shares including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the shares

Regulation 12 – No trust recognised

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share.

Regulation 21 – Person under disability

No share shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs, but nothing herein contained shall be construed as imposing on the company any liability in respect of the registration of such transfer if the company has no actual knowledge of the same.

APPENDIX F

SUMMARY OF OUR CONSTITUTION

Regulation 49(1) – Issue of new shares to Members

Subject to any direction to the contrary that may be given by the Company in general meeting, or except as permitted under the Exchange's listing rules, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of the aforesaid time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation.

Regulation 49(2)

Notwithstanding Regulation 49(1) above but subject to the Act and the bye-laws and listing rules of the Exchange, the Company may by ordinary resolution in general meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution to:

- (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant Instruments; and/or
- (iii) (notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force;

provided that:

- (a) the aggregate number of shares or Instruments to be issued pursuant to the ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any applicable limits and complies with the manner of calculation prescribed by the Exchange;
- (b) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the listing rules for the time being in force (unless such compliance is waived by the Exchange) and the Constitution; and
- (c) (unless revoked or varied by the Company in general meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the next Annual General Meeting following the passing of the ordinary resolution, or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

APPENDIX F

SUMMARY OF OUR CONSTITUTION

Regulation 49(3)

Notwithstanding Regulation 49(1) above but subject to the Act, the Directors shall not be required to offer any new shares to Members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or an Offer Document or other document, but may sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.

APPENDIX G DESCRIPTION OF OUR SHARES

The following statements are brief summaries of the more important rights and privileges of our Shareholders as conferred by the laws of Singapore and our Constitution. These statements summarise the material provisions of our Constitution but are qualified in entirety by reference to our Constitution, a copy of which will be available for inspection at our registered offices during normal business hours for a period of six (6) months from the date of the registration of this Offer Document with the SGX-ST. Please see “*Appendix F – Summary of our Constitution*” of this Offer Document for a summary of our Constitution.

Legal Framework

The following statements are brief summaries of the laws of Singapore relating to the legal framework in Singapore and our Directors, which are qualified in their entirety by reference to the laws of Singapore.

Singapore has a common law system based on a combination of case law and statutes. The Companies Act is the principal legislation governing companies incorporated under the laws of Singapore and provides for three (3) main forms of corporate vehicles, being the company limited by shares, the company limited by guarantee and the unlimited company.

Companies are incorporated by filing with ACRA in Singapore certain electronic forms, including the constitutional documents which comprise the companies’ constitutions.

The constitution of a Singapore incorporated company may set out the specific objects and powers of the company, or may give the company full power to carry on or undertake any business activity. The constitution generally contains provisions relating to share capital and variation of rights, transfers and transmissions of shares, meetings of shareholders, directors and directors’ meetings, powers and duties of directors, accounts, dividends and reserves, capitalisation of profits, secretary, common seal, winding-up and indemnity of the officers of a company.

Shares

The Shares, which have identical rights in all respects, rank equally with one another. Our Constitution provides that we may, subject to the Companies Act and the Catalist Rules, issue shares of a different class with preferential, deferred, qualified or special rights, privileges or conditions as our Directors may think fit, and may issue preference shares which are, or at our option are, redeemable, subject to certain limitations.

All of the Shares are in registered form. We may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in the circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of the Shares.

New Shares

We may only issue new Shares with the prior approval of our Shareholders in a general meeting.

APPENDIX G DESCRIPTION OF OUR SHARES

Shareholders

We only recognise the persons who are registered in our register of members and, in cases in which the person so registered is CDP or its nominee, as the case may be, we recognise the persons named as the Depositors in the Depository Register (as defined in the SFA) maintained by CDP for the Shares as holders of the Shares.

We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any of the Shares, or any interest in any fractional part of a Share, or other rights in respect of any Share, other than the absolute right thereto of the person whose name is entered in our register of members as the registered holder thereof, or of the person whose name is entered in the Depository Register maintained by CDP for that Share.

We may close our register of members at any time or times if we provide the SGX-ST with at least five (5) clear Market Days' notice, or such other periods as may be prescribed by the SGX-ST. However, our register of members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our register of members to determine Shareholders' entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid-up Shares except where required by law or the listing rules of, or bye-laws and rules, governing any securities exchange upon which the Shares are listed or as provided in our Constitution. Our Directors may in their discretion decline to register any transfer of Shares on which we have a lien and in the case of Shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve. A Shareholder may transfer any Shares registered in its own name by means of a duly signed instrument of transfer in a form approved by any securities exchange upon which the Shares are listed or in any other form acceptable to our Directors. Our Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. A Shareholder may transfer any Shares held through the SGX-ST book-entry settlement system by way of a book-entry transfer without the need for any instrument of transfer.

We will replace lost or destroyed certificates for Shares provided that the applicant pays a fee which will not exceed S\$2.00, and furnishes such evidence and a letter of indemnity as our Directors may require.

GENERAL MEETINGS

General Meetings of Shareholders

We are required to hold a general meeting of Shareholders every year and not more than 15 months after the holding of the last preceding annual general meeting. All general meetings of our Company shall be held in Singapore. Under the Companies Act, we will be required to hold a general meeting of Shareholders within four (4) months from the end of our financial year. Our Directors may convene an extraordinary general meeting whenever they think fit and must do so upon the written request of Shareholders holding not less than 10.0% of the total number of paid-up Shares as carries the right to vote at general meetings (disregarding paid-up Shares held as treasury shares). In addition, two (2) or more Shareholders holding not less than 10.0% of our total number of issued Shares may call a meeting of our Shareholders.

APPENDIX G DESCRIPTION OF OUR SHARES

Unless otherwise required by law or by our Constitution, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including:

- voluntary winding-up;
- amendments to our Constitution;
- a change of our corporate name; and
- a reduction in the share capital.

We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. For so long as the Shares are listed on the SGX-ST, at least 14 days' notice of any general meeting shall be given in writing to the SGX-ST and by advertisement in the daily press.

The notice must be given to every Shareholder who has supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A Shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy need not be a Shareholder. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 72 hours before the general meeting.

Except as otherwise provided in our Constitution, two (2) or more Shareholders must be present in person or by proxy or attorney to constitute a quorum at any general meeting. Under our Constitution:

- on a show of hands, every Shareholder present in person or by proxy shall have one (1) vote, provided that:
 - in the case of a Shareholder who is not a relevant intermediary (as defined below) and who is represented by two (2) proxies, only one (1) of the two (2) proxies as determined by that Shareholder or, failing such determination, by the chairman of the meeting (or by a person authorised by the chairman of the meeting) in his sole discretion shall be entitled to vote on a show of hands; and
 - in the case of a Shareholder who is a relevant intermediary and who is represented by two (2) or more proxies, each proxy shall be entitled to vote on a show of hands; and
- on a poll, every Shareholder present in person or by proxy shall have one (1) vote for each Share which he holds or represents.

APPENDIX G DESCRIPTION OF OUR SHARES

The following types of members (“**relevant intermediaries**” and each a “**relevant intermediary**”) are allowed to appoint more than two (2) proxies: (i) a licensed bank or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity; (ii) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and (iii) the CPF Board, in respect of shares purchased on behalf of CPF members.

The Catalist Rules requires all resolutions at general meeting to be voted by poll. A poll may be demanded in certain circumstances, including:

- by the chairman of the meeting;
- by not less than two (2) Shareholders present in person or by proxy and entitled to vote at the meeting;
- by any Shareholder present in person or by proxy and representing not less than 5.0% of the total voting rights of all Shareholders having the right to vote at the meeting; and
- by any Shareholder present in person or by proxy and holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid-up equal to not less than 5.0% of the total sum paid up on all the shares conferring that right.

Subject to the Act and the Catalist Rules, in the case of a tie vote, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a casting vote.

Limitations on Rights to Hold Shares

Singapore law and our Constitution do not impose any limitations on the right of non-resident or foreign Shareholders to hold or exercise voting rights attached to the Shares.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Directors. Our Directors may also declare an interim dividend without the approval of our Shareholders.

We must pay all dividends out of our profit(s) available for distribution.

All dividends we pay are *pro rata* in amount to our Shareholders in proportion to the amount paid up or credited as paid on each Shareholder’s Shares, unless the rights attaching to an issue of any share or class of shares provide otherwise.

Unless otherwise directed, dividends may be paid by a cheque or warrant sent through the post to each Shareholder at his registered address appearing in our register of members or (as the case may be) the Depository Register. However, our payment to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

APPENDIX G

DESCRIPTION OF OUR SHARES

Bonus and Rights Issues

Our Directors may, with the approval from our Shareholders at a general meeting, capitalise any sums standing to the credit of any of our Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit or loss account and distribute the same as bonus Shares credited as paid-up to the Shareholders in proportion to their shareholdings.

Our Directors may also issue bonus Shares to participants of any share incentive or option scheme or plan implemented by our Company and approved by our Shareholders in such manner and on such terms as our Directors shall think fit.

Our Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any securities exchange upon which the Shares are listed.

Take-overs and Substantial Shareholdings

Under the Singapore Take-over Code, issued by the the Authority pursuant to Section 321 of the SFA, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting shares must extend a take-over offer for the remaining voting shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory take-over offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any six (6)-month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;

APPENDIX G DESCRIPTION OF OUR SHARES

- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10.0% or more of the customer's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i);
 - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
 - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding six (6) months.

Liquidation or Other Return of Capital

If we are liquidated or in the event of any other return of capital, holders of the Shares will be entitled to participate in the distribution of any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares in our Company.

APPENDIX G DESCRIPTION OF OUR SHARES

Indemnity

As permitted by Singapore law, our Constitution provides that our Company may, subject to the provisions of and so far as may be permitted by the Companies Act, indemnify our Directors and officers against any liability incurred or to be incurred by them in the execution of their duties.

Subject to certain exceptions, our Company may not indemnify our Directors and our officers against any liability attaching to them in connection with any negligence, default, breach of duty or breach of trust in relation to our Company. Such exceptions are: (i) the purchase and maintenance for our Directors and officers of insurance against any such liability; and (ii) circumstances where the provision for indemnity is against liability incurred by our Directors and officers to a person other than our Company, except when the indemnity is against (a) any liability of the Director or officer to pay a fine in criminal proceedings or a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising); or (b) any liability incurred by the Director or officer (1) in defending criminal proceedings in which he is convicted; (2) in defending civil proceedings brought by our Company or a related company in which judgment is given against him; or (3) in connection with an application for relief under Section 76A(13) or Section 391 of the Companies Act in which the court refuses to grant him relief.

Substantial Shareholdings

Under the SFA, a person has a substantial shareholding in our Company if he has an interest (or interests) in one (1) or more voting shares (excluding treasury shares) in our Company and the total votes attached to that share or those shares, is not less than 5.0% of the aggregate of the total votes attached to all voting shares (excluding treasury shares) in our Company.

The SFA requires our Substantial Shareholders, or if they cease to be our Substantial Shareholders, to give notice to us using the forms prescribed by the Authority (which are available at www.mas.gov.sg) of particulars of the voting shares in our Company in which they have or had an interest (or interests) and the nature and extent of that interest or those interests, and of any change in the percentage level of their interest.

In addition, the deadline for a Substantial Shareholder to make disclosure to our Company under the SFA is two (2) Singapore business days after he becomes aware:

- that he is or (if he had ceased to be one) had been a Substantial Shareholder;
- of any change in the percentage level in his interest; or
- that he had ceased to be a Substantial Shareholder,

there being a conclusive presumption of a person being “aware” of a fact or occurrence at the time at which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware.

Following the above, we will in turn announce or otherwise disseminate the information stated in the notice to the SGX-ST as soon as practicable and in any case, no later than the end of the Singapore business day following the day on which we receive the notice.

APPENDIX G DESCRIPTION OF OUR SHARES

“Percentage level”, in relation to a Substantial Shareholder in our Company, means the percentage figure ascertained by expressing the total votes attached to all the voting shares in our Company in which the Substantial Shareholder has an interest (or interests) immediately before or (as the case may be) immediately after the relevant time as a percentage of the total votes attached to all the voting shares (excluding treasury shares) in our Company, and, if it is not a whole number, rounding that figure down to the next whole number.

Minority Rights

Section 216 of the Companies Act protects the rights of minority shareholders of Singapore incorporated companies by giving the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations:

- if our affairs are being conducted or the powers of our Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one (1) or more of our Shareholders; or
- if we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one (1) or more of our Shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- direct or prohibit any act or cancel or vary any transaction or resolution;
- regulate the conduct of our affairs in the future;
- authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;
- direct us or some of our Shareholders to purchase a minority Shareholder’s Shares and, in the case of our purchase of Shares, a corresponding reduction of our share capital;
- direct that our Constitution be amended; or
- direct that we be wound up.

In addition, Section 216A of the Companies Act allows a complainant (including a minority shareholder) to apply to court for leave to bring an action in a court proceeding or to commence an arbitration proceeding in the name and on behalf of a company.

APPENDIX H TAXATION

The following is a discussion of certain tax matters relating to Singapore income tax, capital gains tax, stamp duty and estate duty consequences in relation to the purchase, ownership and disposal of our Shares. The discussion is limited to a general description of certain tax consequences in Singapore with respect to the ownership of shares and is based on laws, regulations and interpretations now in effect and available as of the date of this Offer Document. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below. It is not intended to constitute a complete analysis and does not constitute tax or legal advice.

Prospective purchasers of our Shares should consult their tax advisors concerning the tax consequences of owning and disposing of our Shares. Neither our Company, our Directors nor any other persons involved in this Placement accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.

TAXATION IN SINGAPORE

Individual Income Tax

An individual is a tax resident in Singapore in a year of assessment if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore on or after 1 January 2004 by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax.

A Singapore tax resident individual is taxed at progressive rates ranging from 0.0% to 22.0%. Non-resident individuals, subject to certain exceptions and conditions, are subject to Singapore income tax on employment income accruing in or derived from Singapore at the flat rate of 15.0% or at progressive rates of up to 22.0%, whichever is the higher.

Corporate Income Tax

A corporate taxpayer is regarded as resident in Singapore for Singapore tax purposes if the control and management of its business is exercised in Singapore. "Control and management" is the making of decisions on strategic matters, such as those on company policy and strategy.

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore. Foreign-sourced income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Singapore tax resident companies on or after 1 June 2003 are exempt from tax if the following conditions are met:

- (i) the income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which the income is received;

APPENDIX H TAXATION

- (ii) at the time the income is received in Singapore by the person resident in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15.0%; and
- (iii) the Comptroller of Income Tax in Singapore is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

Certain concessions and clarifications have also been announced by the IRAS with respect to such conditions. A non-resident corporate taxpayer is subject to income tax on income that is accrued in or derived from Singapore, and on foreign-sourced income received or deemed received in Singapore, subject to certain exceptions.

The prevailing corporate tax rate in Singapore for both resident and non-resident companies is currently 17.0%. In addition, corporate taxpayers are entitled to tax exemption on their normal chargeable income. Under the Partial Tax Exemption (“**PTE**”) scheme, up to the YA 2019, three-quarters of up to the first S\$10,000, and one-half of up to the next S\$290,000, of a company’s chargeable income otherwise subject to normal taxation is exempt from corporate tax. The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate tax rate. With effect from YA 2020 onwards, the PTE scheme will be adjusted to allow for tax exemption on three-quarters of up to the first S\$10,000, and one-half of up to the next S\$190,000, of a company’s chargeable income otherwise subject to normal taxation. All other conditions of the scheme remain unchanged.

Under the Start-up Tax Exemption (“**SUTE**”), new companies will also, subject to certain conditions and exceptions, be eligible for full tax exemption on their normal chargeable income of up to S\$100,000 a year and a further 50.0% exemption on the next S\$200,000 of their normal chargeable income for each of the company’s first three years of assessment, up to the YA 2019. From YA 2020 onwards, the SUTE for new qualifying companies will be adjusted to allow for tax exemption on three-quarters of up to the first S\$100,000, and one-half of up to the next S\$100,000 of a company’s normal chargeable income. All other conditions of the scheme remain unchanged.

It was announced in the Budget 2018 by the Minister for Finance that companies will be granted a 20.0% corporate income tax rebate, capped at S\$10,000, for the YA 2019. The aforementioned rebate will not apply to income derived by a non-Singapore tax resident company that is subject to final withholding tax. There is no similar rebate for the YA 2020 as announced in the Budget 2019.

Dividend Distributions

Singapore does not impose withholding tax on dividends paid to Singapore resident or non-Singapore resident shareholders.

All Singapore-resident companies are currently under the one-tier corporate tax system (“**one-tier system**”).

APPENDIX H TAXATION

Under the one-tier system, the tax on corporate profits is final and dividends paid by a Singapore-resident company are tax exempt in the hands of a shareholder, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Shareholders/investors are advised to consult their own tax advisers in respect of the tax laws of their respective countries of residence which are applicable on such dividends received by them and the applicability of any double taxation agreement that their country of residence may have with Singapore.

Gains on Disposal of Shares

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature.

However, gains arising from the disposal of our Shares which are considered gains derived from any trade, business, vocation or profession carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature. Gains derived from the sale of our Shares may also be taxable if they constitute any gains or profits of any income nature under Section 10(1)(g) of the Income Tax Act, Chapter 134 of Singapore ("**Income Tax Act**").

Section 13Z of the Income Tax Act provides a safe harbour in the form of an exemption of gains or profits arising from the disposal of ordinary shares. To qualify for the tax exemption, the divesting company must be both the legal and beneficial owner of the ordinary shares which are disposed of and must have legally and beneficially held at least 20.0% of the ordinary shares in the investee company for a continuous period of at least 24 months ending on the date immediately prior to the date of disposal of such shares.

The rule is not applicable to the disposal of shares held in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development), or generally to a divesting company in the insurance business industry, or to the disposal of shares by a partnership, limited partnership or limited liability partnership where one (1) or more of the partners of which is a company or are companies.

Such tax exemption is applicable for disposals between 1 June 2012 and 31 May 2022 (both dates inclusive).

Investors who have adopted or are adopting the Singapore Financial Reporting Standard 39 – Financial Instruments: Recognition and Measurement ("**FRS 39**") or Financial Reporting Standard 109 – Financial Instruments ("**FRS 109**") may, for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Shares, irrespective of disposal, in accordance with FRS 39 or FRS 109.

Shareholders should consult their accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Shares.

APPENDIX H TAXATION

Stamp Duty

There is no stamp duty payable on the subscription for the Shares.

Where the Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the agreement or instrument of transfer of the Shares at the rate of 0.2% of the consideration for, or market value of, the Shares, whichever is higher.

Stamp duty is borne by the purchaser unless there is an agreement to the contrary. Where an agreement or instrument of transfer is executed outside Singapore or no agreement or instrument of transfer is executed, no stamp duty is payable on the acquisition of the Shares. However, stamp duty may be payable if the agreement or instrument of transfer is executed outside Singapore and is received in Singapore.

Stamp duty is not applicable to electronic transfers of the Shares through the scripless trading system operated by CDP.

Estate Duty

Singapore estate duty was abolished with respect to all deaths occurring on or after 15 February 2008.

GST

The sale of the Shares by an investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any input GST (for example, GST on brokerage) incurred by the investor in connection with the making of an exempt supply is generally not recoverable and will become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or satisfies certain GST concessions.

Where the Shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by such investor contractually to and for the direct benefit of a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at zero-rate (i.e. 0%). Any input GST (for example, GST on brokerage) incurred by the GST-registered investor in making this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be fully recoverable from the Singapore Comptroller of GST.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our Shares.

Services consisting of arranging, broking, underwriting or advising on the issue, allotment or transfer of ownership of the Shares rendered by a GST-registered person to an investor belonging in Singapore for GST purposes in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the standard rate of 7.0%. Similar services rendered by a GST-registered person contractually to and for the direct benefit of an investor belonging outside Singapore should generally, subject to the satisfaction of certain conditions, qualify for zero-rating (i.e. GST at 0%).

APPENDIX H TAXATION

TAXATION IN MALAYSIA

Tax Residence

Under Section 8 of the Income Tax Act 1967 (“**ITA**”), a company is regarded as a tax resident if the management and control of its affairs are exercised in Malaysia. There is a considerable body of case law which shows that management and control will vest in the place where the directors meet and make major decisions. In practice, the IRB will generally consider the location of the board of directors’ meetings and the nature of decisions made at the directors’ meeting when ascertaining a company’s tax residence status.

Corporate Income Tax

Resident companies are generally subject to Malaysian income tax at the prevailing corporate tax rate of 24.0% except for resident companies with a paid-up capital of RM2.5 million or less and is not related to a company (with direct or indirect relationship in respect of ordinary shares of more than 50.0%) with a paid-up capital of more than RM2.5 million at the beginning of the basis period for a year of assessment, which are entitled to a preferential tax rate of 17.0% effective from the YA 2019 on the first RM500,000.00, with the balance being taxed at a rate of 24.0%. Non-resident companies are subject to a flat corporate tax rate of 24.0% effective from the YA 2019 on their chargeable income.

Dividends

Malaysia is currently under the single-tier tax system. Under the single-tier tax system, dividends paid, credited or distributed by a Malaysian resident company are exempt from Malaysian income tax in the hands of the shareholders.

Withholding Tax

No Malaysian withholding taxes are imposed on dividends paid from Malaysian resident companies to non-resident shareholders.

Any interest paid by the Malaysian resident company to a non-Malaysian resident lender is generally subject to Malaysian withholding tax of 15.0%. The withholding tax rate may be reduced pursuant to the relevant Double Taxation Agreement. Under the Malaysia-Singapore Double Taxation Agreement, the withholding tax rate is reduced to 10.0% when the interest is paid by a Malaysian resident company to a Singapore tax resident.

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APPENDIX I

RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

1. NAME OF THE PLAN

The Plan shall be called the “Southern Alliance Mining Performance Share Plan”.

2. DEFINITIONS

2.1 In the Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

<i>“Act”</i>	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<i>“Adoption Date”</i>	The date on which the Plan is adopted by resolution of the Shareholders of our Company
<i>“Auditors”</i>	The auditors of our Company for the time being
<i>“Award”</i>	A contingent award of Shares granted under Rule 5
<i>“Award Date”</i>	In relation to an Award, the date on which the Award is granted pursuant to Rule 5
<i>“Award Letter”</i>	A letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee
<i>“Catalist”</i>	The Catalist board of the SGX-ST
<i>“CDP”</i>	The Central Depository (Pte) Limited.
<i>“CEO”</i>	Chief Executive Officer
<i>“Committee”</i>	The remuneration committee for the time being of our Company
<i>“Company”</i>	Southern Alliance Mining Ltd., a company incorporated in Singapore
<i>“Constitution”</i>	The constitution of our Company, as amended or modified from time to time
<i>“Control”</i>	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of our Company
<i>“Controlling Shareholder”</i>	A person who: (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting Shares (excluding treasury shares and subsidiary holdings) in our Company (unless otherwise determined by the SGX-ST); or (b) in fact exercises Control over our Company
<i>“Director”</i>	A person holding office as a director for the time being of our Company
<i>“Group”</i>	Our Company and its Subsidiaries

APPENDIX I

RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

<i>“Group Executive”</i>	Any full time employee of our Group and any Group Director who meets the relevant age and rank criteria selected by the Committee to participate in the Plan in accordance with Rule 4.1(a)
<i>“Group Director”</i>	A director of our Company (including non-executive directors of our Company) for the time being
<i>“Listing Manual”</i>	Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
<i>“Market Value”</i>	<p>In relation to a Share, on any day:</p> <p>(a) the average price of a Share on the SGX-ST over the five (5) immediately preceding a Trading Day; or</p> <p>(b) if the Committee is of the opinion that the Market Value as determined in accordance with (a) above is not representative of the value of a Share, such price as the Committee may determine, such determination to be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.</p>
<i>“Participant”</i>	Any eligible person selected by the Committee to participate in the Plan in accordance with the rules hereof
<i>“Performance Condition”</i>	In relation to an Award, the condition specified on the Award Date in relation to that Award
<i>“Performance Period”</i>	In relation to an Award, a period, the duration of which is to be determined by the Committee on the Award Date, during which the Performance Condition is to be satisfied
<i>“Plan”</i>	The Southern Alliance Mining Performance Share Plan, as the same may be modified or altered from time to time
<i>“Release”</i>	In relation to an Award, the release at the end of the Performance Period relating to that Award of all or some of the Shares to which that Award relates in accordance with Rule 7 and, to the extent that any Shares which are the subject of the Award are not released pursuant to Rule 7, the Award in relation to those Shares shall lapse accordingly, and “Released” shall be construed accordingly
<i>“Release Schedule”</i>	In relation to an Award, a schedule in such form as the Committee shall approve, setting out the extent to which Shares which are the subject of that Award shall be Released on the Performance Condition being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the Performance Period

APPENDIX I

RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

<i>“Released Award”</i>	An Award which has been Released in accordance with Rule 7
<i>“Rules”</i>	The rules of the Plan, as amended or modified from time to time
<i>“SFA”</i>	The Securities and Futures Act (Chapter 289) of Singapore as amended, modified or supplemented from time to time
<i>“SGX-ST”</i>	The Singapore Exchange Securities Trading Limited
<i>“Shareholders”</i>	The registered holders for the time being of the Shares (other than the CDP) or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
<i>“Shares”</i>	Ordinary shares in the capital of our Company
<i>“Sponsor”</i>	The sponsor of our Company from time to time, as required by the Listing Manual
<i>“Subsidiary”</i>	A company (whether incorporated within or outside Singapore and wheresoever resident) being a subsidiary for the time being of our Company within the meaning of Section 5 of the Act
<i>“Substantial Shareholder”</i>	A person who has an interest in the Shares, the total votes attached to which is not less than 5.0% of the total votes attached to all the voting Shares (excluding treasury shares and subsidiary holdings) in our Company
<i>“Trading Day”</i>	A day on which the Shares are traded on the SGX-ST
<i>“Vesting”</i>	In relation to Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award and “Vest” and “Vested” shall be construed accordingly
<i>“Vesting Date”</i>	In relation to Shares which are the subject of a Released Award, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares have Vested pursuant to Rule 7

2.2 For purposes of the Plan, our Company shall be deemed to have control over another company if it has the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company.

2.3 Words importing the singular number shall, where applicable, include the plural number and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

2.4 Any reference to a time of a day in the Plan is a reference to Singapore time.

APPENDIX I

RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

- 2.5 Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in the Plan and used in the Plan shall have the meaning assigned to it under the Act or any statutory modification thereof, as the case may be.
- 2.6 The term “Associate” shall have the meaning ascribed to it by the Listing Manual as set out below:
- (a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:
 - (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and
 - (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its Subsidiary or holding company or is a Subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more.
- 2.7 The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the same meanings ascribed to them respectively by Section 81SF of the SFA.
- 2.8 The terms “**treasury shares**” and “**subsidiary holdings**” shall have the same meanings ascribed to them respectively in the Listing Manual.

3. OBJECTIVES OF THE PLAN

- 3.1 The Plan is a performance share incentive scheme, which is proposed on the basis that it is important to recognise the fact that the services of the employees of our Group are important to the success and continued well-being of our Group. Our Company, by implementing the Plan, will be able to give the employees of our Group a direct interest in our Company. Further, the Plan will also help to achieve the following positive objectives:
- (a) foster an ownership culture within our Group which aligns the interests of Participants with the interests of Shareholders;
 - (b) motivate Participants to achieve key financial and operational goals of our Company and/or their respective business divisions and encourage greater dedication and loyalty to our Group; and
 - (c) make total employee remuneration sufficiently competitive to recruit new Participants and/or retain existing Participants whose contributions are important to the long term growth and profitability of our Group, and whose skills are commensurate with our Company’s ambition to become a world class company.

APPENDIX I

RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

The Plan is designed to complement our Company's efforts to reward, retain and motivate employees of our Group to achieve better performance.

4. ELIGIBILITY OF PARTICIPANTS

4.1 The following persons shall be eligible to participate in the Plan at the absolute discretion of the Committee:

(a) Group Executives

Full time employees of our Group and Group Directors who have attained the age of 21 years on or before the date of the grant of the Award and hold such rank as may be designated by the Committee from time to time. The Participant must also not be an undischarged bankrupt and must not have entered into a composition with his creditors.

(b) Controlling Shareholders and Associates of Controlling Shareholders

Subject to Rule 4.2, persons who are qualified under Rule 4.1(a) above and who are also Controlling Shareholders or Associates of Controlling Shareholders.

4.2 Employees who are Controlling Shareholders or Associates of Controlling Shareholders shall (notwithstanding that they may meet the eligibility criteria in Rule 4.1(a) above) not participate in the Plan unless:

(a) their participation; and

(b) the terms of each grant of Award and the actual number of Shares to be granted to them,

have been approved by the independent Shareholders in general meeting in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the terms of each grant of Award and the actual number of Shares to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent Shareholders for the participation in the Plan of a Controlling Shareholder or an Associate of a Controlling Shareholder who is, at the relevant time already a Participant. For the purposes of obtaining such approval from the independent Shareholders, our Company shall procure that the circular, letter or notice to the shareholder in connection therewith shall set out the following:

(a) clear justifications for the participation of each such Controlling Shareholders or Associates of Controlling Shareholders; and

(b) clear rationale for the terms of the Awards (including the rationale for any discount to the Market Price, if so proposed) to be granted to each such Controlling Shareholders or Associates of Controlling Shareholders.

APPENDIX I
RULES OF THE SOUTHERN ALLIANCE MINING
PERFORMANCE SHARE PLAN

- 4.3 For the purposes of determining eligibility to participate in the Plan, the secondment of an employee of our Group to another company within our Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full time employee of our Group.
- 4.4 Save as prescribed by the Listing Manual, there shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive scheme, implemented or to be implemented by any company within our Group. Subject to the Act, the Listing Manual and any requirements of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted from time to time, the terms of eligibility for participation in the Plan may be amended from time to time at the absolute discretion of the Committee.

5. GRANT OF AWARDS

- 5.1 Except as provided in Rule 8, the Committee may grant Awards to Group Executives (who are eligible to participate under Rule 4.1) as the Committee may select, in its absolute discretion, at any time during the period when the Plan is in force.
- 5.2 The number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria as it considers fit, such as (but not limited to) his rank, job performance, years of service and potential for future development, his contribution to the success and development of our Group and the extent of effort and resourcefulness with which the Performance Condition may be achieved within the Performance Period.

The Performance Condition shall be determined at the absolute discretion of the Committee, which may comprise factors such as (but not limited to) the market capitalisation or earnings of our Company at specified times.

- 5.3 The Committee shall decide in relation to an Award:
- (a) the Participant;
 - (b) the Award Date;
 - (c) the Performance Period;
 - (d) the number of Shares which are the subject of the Award;
 - (e) the Performance Condition;
 - (f) the Release Schedule; and
 - (g) any other condition which the Committee may determine in relation to that Award.

APPENDIX I
RULES OF THE SOUTHERN ALLIANCE MINING
PERFORMANCE SHARE PLAN

- 5.4 The Committee may amend or waive the Performance Period, the Performance Condition and/or the Release Schedule and/or any condition in respect of any Award:
- (a) in the event of a take-over offer being made for the Shares or if (i) Shareholders or (ii) under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies or in the event of a proposal to liquidate or sell all or substantially all of the assets of our Company; or
 - (b) if anything happens which causes the Committee to conclude that:
 - (i) a changed Performance Condition and/or Release Schedule would be a fairer measure of performance, and would be no less difficult to satisfy; or
 - (ii) the Performance Condition and/or Release Schedule should be waived,
- and shall notify the Participants of such change or waiver (but accidental omission to give notice to any Participant(s) shall not invalidate such change or waiver).
- 5.5 As soon as reasonably practicable after making an Award the Committee shall send to each Participant an Award Letter confirming the Award and specifying in relation to the Award:
- (a) the Award Date;
 - (b) the Performance Period;
 - (c) the number of Shares which are the subject of the Award;
 - (d) the Performance Condition;
 - (e) the Release Schedule; and
 - (f) any other condition which the Committee may determine in relation to that Award.
- 5.6 Participants are not required to pay for the grant of Awards.
- 5.7 An Award or Released Award shall be personal to the Participant to whom it is granted and, prior to the allotment and/or transfer to the Participant of the Shares to which the Released Award relates, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award without the prior approval of the Committee, that Award or Released Award shall immediately lapse.
- 5.8 No minimum Vesting periods are prescribed under the Plan and the length of the Vesting period in respect of each Award shall be determined on a case-by-case basis. The Committee may also make an Award at any time where in its opinion, a Participant's performance and/or contribution justifies such an Award.

APPENDIX I
RULES OF THE SOUTHERN ALLIANCE MINING
PERFORMANCE SHARE PLAN

6. EVENTS PRIOR TO THE VESTING DATE

- 6.1 An Award shall, to the extent not yet Released, immediately lapse without any claim whatsoever against our Company:
- (a) in the event of the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of an Award;
 - (b) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion;
 - (c) subject to Rule 6.2(b), upon the Participant ceasing to be in the employment of our Group for any reason whatsoever;
 - (d) in the event of an order being made or a resolution passed for the winding-up of our Company on the basis, or by reason, of its insolvency; or
 - (e) in the event the Committee shall, in its discretion, deem it appropriate that such Award to be given to a Participant shall so lapse on the grounds that any of the objectives of the Plan (as set out in Rule 3) have not been met.

For the purpose of Rule 6.1(b), the Participant shall be deemed to have ceased to be so employed as at the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

- 6.2 Where the Participant being a Group Executive ceases to be in the employment of our Group by reason of:
- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (b) redundancy;
 - (c) retirement at or after the legal retirement age;
 - (d) retirement before the legal retirement age with the consent of the Committee;
 - (e) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within our Group or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within our Group;
 - (f) (where applicable) his transfer of employment between companies within our Group;
 - (g) his transfer to any government ministry, governmental or statutory body or corporation at the direction of any company within our Group; or
 - (h) any other event approved by the Committee;

APPENDIX I

RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to Vest some or all of the Shares which are the subject of any Award or to preserve all or part of any Award until the end of the Performance Period and subject to the provisions of the Plan. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the Performance Condition has been satisfied.

6.3 Without prejudice to the provisions of Rule 5.4, if before the Vesting Date, any of the following occurs:

- (a) a take-over offer for the Shares becomes or is declared unconditional;
- (b) a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies being approved by Shareholders and/or sanctioned by the court under the Act; or
- (c) an order being made or a resolution being passed for the winding up of our Company (other than as provided in Rule 6.1(c) or for amalgamation or reconstruction),

the Committee will consider, at its discretion, whether or not to Release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to Release any Award, then in determining the number of Shares to be Vested in respect of such Award, the Committee will have regard to the proportion of the Performance Period which has lapsed and the extent to which the Performance Condition has been satisfied. Where Awards are Released, the Committee will, as soon as practicable after the Awards have been Released, procure the allotment or transfer to each Participant of the number of Shares so determined, such allotment or transfer to be made in accordance with Rule 7. If the Committee so determines, the Release of Awards may be satisfied in cash as provided in Rule 7.

7. RELEASE OF AWARDS

7.1 Review of Performance Condition

- (a) As soon as reasonably practicable after the end of each Performance Period, the Committee shall review the Performance Condition specified in respect of each Award and determine at its discretion whether it has been satisfied and, if so, the extent to which it has been satisfied, and provided that the relevant Participant has continued to be a Group Executive from the Award Date up to the end of the Performance Period, shall Release to that Participant all or part (as determined by the Committee at its discretion in the case where the Committee has determined that there has been partial satisfaction of the Performance Condition) of the Shares to which his Award relates in accordance with the Release Schedule specified in respect of his Award on the Vesting Date. If not, the Awards shall lapse and be of no value.

If the Committee determines in its sole discretion that the Performance Condition has not been satisfied or (subject to Rule 6) if the relevant Participant has not continued to be a Group Executive from the Award Date up to the end of the relevant Performance Period, that Award shall lapse and be of no value and the provisions of Rules 7.2 to 7.4 shall be of no effect.

APPENDIX I

RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

The Committee shall have the discretion to determine whether the Performance Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make computational adjustments to the audited results of our Company or our Group to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events, and further the right to amend the Performance Condition if the Committee decides that a changed Performance Condition would be a fairer measure of performance.

- (b) Shares which are the subject of a Released Award shall be Vested to a Participant on the Vesting Date, which shall be a Trading Day falling as soon as practicable after the review by the Committee referred to in Rule 7.1(a) and, on the Vesting Date, the Committee will procure the allotment or transfer to each Participant of the number of Shares so determined.
- (c) Where new Shares are allotted upon the Vesting of any Award, our Company shall, as soon as practicable after such allotment, apply to the Sponsor and/or the SGX-ST and any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of such Shares.

7.2 Release of Award

Shares which are allotted (as an issue of new Shares) or transferred (as a transfer of Shares then held by our Company in treasury) on the Release of an Award to a Participant shall be issued in the name of, or transferred to, (i) CDP to the credit of the securities account of that Participant maintained with CDP; or (ii) the securities sub-account of that Participant maintained with a Depository Agent, in each case, as designated by that Participant.

Subject to the Act and the Listing Manual, our Company shall have the flexibility to deliver Shares to Participants upon the Release of their Awards by way of (i) the issue and allotment to each Participant of the number of new Shares, deemed to be fully paid or credited upon their issue and allotment, and/or (ii) the transfer of existing Shares to the Participant, including (subject to applicable laws) any Shares acquired by our Company pursuant to a share purchase mandate and/or held by our Company as treasury shares. Any proposed issue and allotment of new Shares will be subject to there being in force at the relevant time the requisite Shareholders approval under the Act for the issue of Shares.

Until such issue or transfer of such Shares has been effected, that Participant shall have no voting rights nor any entitlements to dividends or other distributions declared or recommended in respect of any Shares which are the subject of the Award granted to him.

In determining whether to issue and allot new Shares or to purchase existing Shares for delivery existing to the Participants upon the Release of their Awards, the Committee will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to our Company of either issuing new Shares or purchasing existing Shares.

APPENDIX I RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

7.3 Ranking of Shares

New Shares issued and allotted, and existing Shares procured by our Company for transfer, on the Release of an Award shall:

- (a) be subject to all the provisions of the Constitution of our Company (including provisions relating to the liquidation of our Company) and the Act; and
- (b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant Vesting Date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

For the purposes of this Rule 7.3, “**Record Date**” means the date fixed by our Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

Shares which are allotted, and/or treasury shares which are transferred, on the Vesting of an Award to a Participant, may be subject to such moratorium as may be imposed by the Committee.

7.4 Cash Awards

The Committee, in its absolute discretion, may determine to make a Release of an Award, wholly or partly, in the form of cash rather than Shares, in which event the Participant shall receive on the Vesting Date, in lieu of all or part of the Shares which would otherwise have been allotted or transferred to him upon the Release of his Award on the Vesting Date, the aggregate Market Value of such Shares on the Vesting Date.

8. LIMITATION ON THE SIZE OF THE PLAN

- 8.1 The aggregate number of Shares which may be issued or transferred pursuant to Awards granted under the Plan on any date, when aggregated with the total number of new Shares issued and allotted and/or to be issued and allotted Shares delivered and/or to be delivered pursuant to Awards already granted under the Plan, and the aggregate number of Shares over which options or awards are granted under any share option schemes or share schemes of our Company, shall not exceed 15.0% of total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date.
- 8.2 The aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan to Participants who are Controlling Shareholders and their Associates (including adjustments made in accordance with Rule 9) shall not exceed 25.0% of the total number of Shares available under the Plan.
- 8.3 The aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan to each Participant who is a Controlling Shareholder or his Associate (including adjustments made in accordance with Rule 9) shall not exceed 10.0% of the total number of Shares available under the Plan.

APPENDIX I RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

8.4 The aggregate number of Shares which are the subject of each Award to be granted to a Participant who is a non-executive Director shall not exceed 10.0% of the total number of Shares available under the Plan.

8.5 Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by the Committee under the Plan.

9. ADJUSTMENT EVENTS

9.1 If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution, or otherwise howsoever) shall take place, then:

- (a) the class and/or number of Shares which is/are the subject of an Award to the extent not yet Vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the Plan,

shall be adjusted in such manner as the Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive.

9.2 Unless the Committee considers an adjustment to be appropriate, the following shall not normally be regarded as a circumstance requiring adjustment:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force;
- (c) the issue of Shares or other securities convertible into or with rights to acquire or subscribe for Share to the employees pursuant to any share option scheme or share scheme approved by Shareholders in general meeting, including the Plan; or
- (d) the issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by our Company.

9.3 Notwithstanding the provisions of Rule 9.1, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

9.4 Upon any adjustment required to be made pursuant to this Rule 9, our Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued or transferred on the Vesting of an Award. Any adjustment shall take effect upon such written notification being given.

APPENDIX I
RULES OF THE SOUTHERN ALLIANCE MINING
PERFORMANCE SHARE PLAN

10. ADMINISTRATION OF THE PLAN

- 10.1 The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by our Directors of our Company, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.
- 10.2 Subject to the Listing Manual, the Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and/or to enhance the benefit of the Awards and the Released Awards to the Participants, as it may, in its absolute discretion, think fit. Any matter pertaining or pursuant to the Plan and any dispute and uncertainty as to the interpretation of the Plan, any rule, regulation or procedure thereunder or any rights under the Plan shall be determined by the Committee.
- 10.3 Neither the Plan nor the grant of Awards under the Plan shall impose on our Company or the Committee or any of its members any liability whatsoever in connection with:
- (a) the lapsing of any Awards pursuant to any provision of the Plan;
 - (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Plan; and/or
 - (c) any decision or determination of the Committee made pursuant to any provision of the Plan.
- 10.4 Any decision or determination of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final, binding and conclusive (including for the avoidance of doubt, any decisions pertaining to disputes as to the interpretation of the Plan or any rule, regulation or procedure hereunder or as to any rights under the Plan). The Committee shall not be required to furnish any reasons for any decision or determination made by it.

11. NOTICES AND COMMUNICATIONS

- 11.1 Any notice required to be given by a Participant to our Company shall be sent or made to the registered office of our Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by our Company to him in writing.
- 11.2 Any notices or documents required to be given to a Participant or any correspondence to be made between our Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of our Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of our Company or the last known address, electronic mail address or facsimile number provided by the Participant to our Company.

APPENDIX I

RULES OF THE SOUTHERN ALLIANCE MINING PERFORMANCE SHARE PLAN

- 11.3 Any notice or other communication from a Participant to our Company shall be irrevocable, and shall not be effective until received by our Company. Any other notice or communication from our Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 11.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

12. MODIFICATIONS TO THE PLAN

- 12.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by a resolution of the Committee, except that:

- (a) no modification or alteration shall alter adversely the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were Released to them upon the Performance Conditions for their Awards being satisfied in full, would become entitled to not less than three quarters of all the Shares which would fall to be Vested upon Release of all outstanding Awards upon the Performance Conditions for all outstanding Awards being satisfied in full;
- (b) the definitions of “**Group Executive**”, “**Group Director**”, “**Participant**”, “**Performance Period**” and “**Release Schedule**” and the provisions of Rules 4, 5, 6, 7, 8, 9, 10, 13 and this Rule 12 shall not be altered to the advantage of Participants except with the prior approval of the Shareholders in general meeting; and
- (c) any modification or alteration shall not be made except in compliance with the Listing Manual or such other stock exchange on which the Shares are quoted or listed, and for so long as our Company is listed on Catalist, shall not be made without the prior approval of the Sponsor (acting as agent and on behalf of the SGX-ST) and/or the SGX-ST and such other regulatory authorities as may be necessary.

For the purposes of Rule 12.1(a), the opinion of the Committee as to whether any modification or alteration would adversely affect the rights attached to any Award shall be final, binding and conclusive. For the avoidance of doubt, nothing in this Rule 12.1 shall affect the right of the Committee under any other provision of the Plan to amend or adjust any Award.

- 12.2 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without other formality, save for the prior approvals of the Sponsor (acting as agent and on behalf of the SGX-ST) and/or the SGX-ST) amend or alter the Plan in any way to the extent necessary or desirable, in the opinion of the Committee, to cause the Plan to comply with, or take into account, any statutory provision (or any amendment or modification thereto, including amendment of or modification to the Act) or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 12.3 Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants.

APPENDIX I
RULES OF THE SOUTHERN ALLIANCE MINING
PERFORMANCE SHARE PLAN

13. TAKE-OVER AND WINDING UP OF OUR COMPANY

- 13.1 Subject to Rule 13.5, in the event of a take-over offer being made for our Company, a Participant shall be entitled to the Shares under the Awards if he has met the Performance Condition for the corresponding Performance Period. For the avoidance of doubt, the Vesting of such Awards shall not be affected by the take-over offer.
- 13.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Condition shall be entitled, notwithstanding the provisions under this Rule 13 but subject to Rule 13.5, to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.
- 13.3 If an order is made for the winding-up of our Company on the basis of its insolvency, all Awards, notwithstanding that Shares may not have been released to the Participants, shall be deemed null and void.
- 13.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Shares under the Awards shall be released to the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Condition prior to the date on which the members' voluntary winding-up is deemed to have commenced or is effective in law.
- 13.5 If in connection with the making of a general offer referred to in Rule 13.1 or the scheme referred to in Rule 13.2 or the winding-up referred to in Rule 13.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the payment of cash or by any other form of benefit, no Release of Shares under the Award shall be made in such circumstances.

14. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Participant shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

15. DURATION OF THE PLAN

- 15.1 The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten 10 years commencing on the Adoption Date, provided always that the Plan may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

APPENDIX I
RULES OF THE SOUTHERN ALLIANCE MINING
PERFORMANCE SHARE PLAN

15.2 The Plan may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of our Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be granted by the Committee hereunder.

15.3 The expiry or termination of the Plan shall not affect Awards which have been granted prior to such expiry or termination, whether such Awards have been Released (whether fully or partially) or not.

16. TAXES, COSTS AND EXPENSES OF THE PLAN

16.1 All taxes (including income tax) arising from the grant or Release of any Award granted to any Participant under the Plan shall be borne by that Participant.

16.2 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Release of any Award in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent.

16.3 Save for the taxes referred to in Rule 16.1 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by our Company in relation to the Plan including but not limited to the fees, costs and expenses relating to the issue and allotment, or transfer, of Shares pursuant to the Release of any Award, shall be borne by our Company.

17. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Committee and our Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to our Company's delay in issuing, or procuring the transfer of, the Shares or applying for or procuring the listing of new Shares on the SGX-ST in accordance with Rule 7.1(c).

18. DISCLOSURES IN ANNUAL REPORTS

The following disclosures (as applicable) will be made by our Company in its annual report for so long as the Plan continues in operation as required by the Listing Manual:

- (a) the names of the members of the Committee administering the Plan;
- (b) the information required in the table below for the following Participants:
 - (i) Directors of our Company;
 - (ii) Controlling Shareholders and their Associates; and

APPENDIX I
RULES OF THE SOUTHERN ALLIANCE MINING
PERFORMANCE SHARE PLAN

- (iii) Participants, other than those in (i) and (ii) above, who have received Shares pursuant to the Release of Awards granted under the Plan who, in aggregate, represent 5.0% or more of the aggregate of the total number of Shares available under the Plan; and

Name of Participant	Aggregate number of Shares comprised in Awards which have been granted to the Participant during the financial year under review (including terms)	Aggregate number of Shares comprised in Awards which have been granted to such Participant since the commencement of the Plan to the end of financial year under review	Aggregate number of Shares comprised in Awards which have been issued and/or transferred to such Participant pursuant to the Vesting of Awards under the Plan since the commencement of the Plan to the end of financial year under review	Aggregate number of Shares comprised in Awards which have not been Released as at end of financial year under review
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- (d) such other information as may be required by the Listing Manual or the Act.

provided that if any of the above requirements are not applicable, an appropriate negative statement should be included therein.

19. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

20. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Plan are to abstain from voting on any Shareholders' resolution relating to the Plan (including the participation in the Plan and the grant of Awards to the Participants) and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast for each of the Shareholders' resolutions contemplated.

Controlling Shareholders and their Associates who are eligible to participate in the Plan shall abstain from voting on the resolutions in relation to the implementation of the Plan, their participation in the Plan, and any grant of Awards to them.

APPENDIX I
RULES OF THE SOUTHERN ALLIANCE MINING
PERFORMANCE SHARE PLAN

21. CONDITION OF AWARDS

Every Award shall be subject to the condition that no Shares would be issued or transferred pursuant to the Vesting of any Award if such issue or transfer would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue or transfer of Shares hereto.

22. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting grants of Awards in accordance with the Plan, and our Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT, CHAPTER 53B

No person other than our Company or a Participant shall have any right to enforce any provision of the Plan or any Award by the virtue of the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

APPENDIX J

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



16 June 2020

SOUTHERN ALLIANCE MINING LTD.

80 Robinson Road

#02-00

Singapore 068898

Attention: The Audit Committee

Dear Sirs

ADOPTION OF THE GENERAL MANDATE FOR RECURRENT INTERESTED PERSON TRANSACTIONS

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meaning as defined in the offer document of Southern Alliance Mining Ltd. dated 16 June 2020 (the “Offer Document”).

1. INTRODUCTION

This letter (the “**IFA Letter**”) has been prepared for the inclusion in the Offer Document of Southern Alliance Mining Ltd. (the “**Company**”) in relation to the adoption of a general mandate for recurrent interested person transactions (the “**Shareholders’ Mandate**”) between the Company and certain of its interested persons, namely Aras Kuasa, HChem Marketing and Multiline Trading (collectively referred to as the “**Mandated Interested Persons**”). The Mandated Interested Persons are corporate entities which Dato’ Sri Pek (the Company’s Chief Executive Officer and Executive Director) and Dato’ Teh (the Company’s Non-Executive Non-Independent Chairman), and their associates hold (directly or indirectly) 30% or more interest in the share capital of such entities.

Under Chapter 9 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the “**Catalist Rules**”), a listed company may seek a general mandate from its shareholders for recurrent interested person transactions of revenue or trading nature or for those necessary for its day-to-day operations, but not in respect of the purchase or sale of assets, undertakings or businesses.

It is anticipated that the Group would, following the admission of the Company to the Catalist Board of the Singapore Exchange Securities Trading Limited, in the ordinary course of business, continue to enter into certain recurrent transactions (the “**Mandated Transactions**”) with the Mandated Interested Persons. It is likely that such Mandated Transactions will occur with some degree of frequency and may arise at any time. In view of the time-sensitive and/or recurrent nature of the Mandated Transactions, the Company is adopting the Shareholders’ Mandate to enable the Group to enter into the Mandated Transactions in its normal course of business, provided that an independent financial adviser opines that the methods and procedures set out in the Shareholders’ Mandate are sufficient

Page 1 of 7

Xandar Capital Pte. Ltd. 威豪金融 (私人) 有限公司 (Registration No. 200002789M)

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Tel 电话 (65) 6319 4950 Fax 传真 (65) 6227 3936 Website 网址 <http://www.xandarcapital.com>

APPENDIX J

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



to ensure that all such Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Pursuant to Rule 920(2) of the Catalist Rules, the Company may treat the Shareholders' Mandate as having been given by its Shareholders for the Group to enter into Mandated Transactions if the information required under Rule 920(1)(b) is included in the Offer Document.

To comply with the requirements of Chapter 9 of the Catalist Rules, Xandar Capital Pte. Ltd. ("**Xandar Capital**") has been appointed as the independent financial adviser to provide an opinion on whether the methods or procedures as set out in the section entitled "Interested Person Transactions – Shareholders' Mandate" of the Offer Document are sufficient to ensure that the Mandated Transactions between the Group and the Mandated Interested Persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

This IFA letter sets out our evaluation of the Shareholders' Mandate and our opinion thereof. This IFA Letter has been prepared for the use of the Audit Committee of the Company, who as at the date of the Offer Document, are considered to be independent for the purpose of the Shareholders' Mandate and forms part of the Offer Document.

2. TERMS OF REFERENCE

Xandar Capital has been appointed to opine on whether the methods or procedures for the Mandated Transactions, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We are and were not involved in any aspect of the negotiations pertaining to the Shareholders' Mandate or the Mandated Transactions contemplated under the Shareholders' Mandate, nor were we involved in the deliberations leading to the Company's decision to adopt the Shareholders' Mandate and to enter into the Mandated Transactions contemplated under the Shareholders' Mandate. We do not, by this IFA Letter, make any representation or warranty in relation to the merits of the Shareholders' Mandate or the transactions contemplated under the Shareholders' Mandate.

Our terms of reference do not require us to evaluate or comment on the rationale for legal, strategic or commercial merits and/or risks of the Shareholders' Mandate and the Mandated Transactions contemplated under the Shareholders' Mandate. We have also not conducted any review of the business, operations or financial condition of the Company and the Group, and we have not relied on any financial projections or forecasts in respect of the Company or the Group, nor did we have access to their business plans, financial projections and forecasts. We are not required to express and we do not express any view herein on the growth prospects, financial position and earnings potential of the Company or the Group pursuant to the adoption of the Shareholders' Mandate or the Mandated Transactions contemplated under the Shareholders' Mandate. We are also not expressing any view herein as to the prices at which the shares of the Company may trade with or without the Shareholders' Mandate. Such evaluation shall remain the sole responsibility of the Directors.

Page 2 of 7

APPENDIX J

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



We were also not required or authorised to obtain, and we have not obtained, any quotation or transacted price from third parties for products or services similar to those which are to be covered by the Shareholders' Mandate, and are therefore not able to, and will not comment on the Mandated Transactions.

In the course of our evaluation, we have held discussions with certain Directors and management of the Group and have examined information provided and representations made to us by the aforesaid parties, including information in the Offer Document. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information, representation and assurance. Nonetheless, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy and reliability of the information.

We have relied upon the assurance of the Directors that they collectively and individually accept full responsibility for the accuracy of the information given in the Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Offer Document constitutes full and true disclosure of all material facts about the Shareholders' Mandate, the Company and the Group as at the date of the Offer Document. The Directors are not aware of any facts the omission of which would make any statement in the Offer Document misleading. Where information in the Offer Document has been extracted from published or otherwise publicly available sources or this IFA Letter, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Offer Document in its proper form and context. In relation to this IFA Letter, the Directors have confirmed that the facts stated, with respect to the Company, the Group and the Shareholders' Mandate are to the best of their knowledge and belief, fair and accurate in all material aspects. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us as described above.

The Company has been separately advised by its own advisers in the preparation of the Offer Document (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Offer Document (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Offer Document (other than this IFA Letter).

Whilst a copy of this IFA Letter may be reproduced in the Offer Document, save for the purpose of any matter relating to the Shareholders' Mandate, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes at any time and in any manner without our prior written consent in each specific case. Our opinion in relation to the Shareholders' Mandate should be considered in the context of the entirety of this IFA Letter and the section entitled "Interested Person Transactions – Shareholders' Mandate" of the Offer Document.

Page 3 of 7

APPENDIX J

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



3. THE SHAREHOLDERS' MANDATE

3.1 THE SHAREHOLDERS' MANDATE

Information on the Shareholders' Mandate is set out in the section entitled "Interested Person Transactions – Shareholders' Mandate" of the Offer Document.

3.2 THE MANDATED INTERESTED PERSONS

Information on the Mandated Interested Persons of the Shareholders' Mandate is set out in the section entitled "Interested Person Transactions – Shareholders' Mandate – Names of Mandated Interested Persons" of the Offer Document.

We note that the three Mandated Interested Persons named are all corporations, and the administrative and finance department of the Company shall maintain a list of Mandated Interested Persons and seek confirmation of the list on a quarterly basis.

3.3 CATEGORIES OF MANDATED TRANSACTIONS

Information on the categories of Mandated Transactions is set out in the section entitled "Interested Person Transactions – Shareholders' Mandate – Categories of Mandated Transactions" of the Offer Document.

We note that there are four broad categories of the Mandated Transactions, namely:

- (a) the sale of pipe coating materials to Aras Kuasa;
- (b) the procurement of hiring and transportation services from Multiline Trading;
- (c) the purchase of products (such as lubricant, spare parts and equipment) from the Mandated Interested Persons; and
- (d) the procurement of Shared Services from Aras Kuasa.

These Mandated Transactions are either of revenue nature or necessary for the day-to-day operations of the Group.

3.4 RATIONALE FOR AND BENEFITS OF THE SHAREHOLDERS' MANDATE

Information on the rationale for and benefits of the Shareholders' Mandate is set out in the section entitled "Interested Person Transactions – Shareholders' Mandate – Rationale for and Benefits of the Shareholders' Mandate" of the Offer Document.

We note that the Shareholders' Mandate will allow the Group to continue to transact with the Mandated Interested Persons provided such Mandated Transactions are in the ordinary course of business of the Group or its suppliers.

The sale of pipe coating materials to Aras Kuasa allows the Group to have an avenue to sell its products to a customer which the Group will not have any access without Aras Kuasa.

Page 4 of 7

APPENDIX J

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



The procurement of hiring and transportation services from Multiline Trading, the purchase of products (such as lubricant, spare parts and equipment) from the Mandated Interested Persons and the procurement of Shared Services from Aras Kuasa are necessary for the day-to-day operations of the Group.

3.5 METHODS AND PROCEDURES FOR THE MANDATED TRANSACTIONS

Detailed information on the methods and procedures is set out in the section entitled "Interested Person Transactions – Shareholders' Mandate – Methods and Procedures for entering into Mandated Transactions with Mandated Interested Persons" of the Offer Document.

We note that the methods and procedures include:

- (a) Determination of pricing terms on a 'transparent' basis for sale of pipe coating materials to Aras Kuasa for onward sale to the End Customer's Competitor. In the event that the Group does not agree with the Ultimate Selling Price, the Group can choose not to sell the pipe coating materials to Aras Kuasa for the onward sale to the End Customer's Competitor. The Group will also review the cost to be borne by Aras Kuasa for the transportation of the pipe coating materials from the Group's mine site to the End Customer's Competitor's premises and the percentage of sale consideration to determine the selling price of its pipe coating materials to Aras Kuasa. In determining the percentage of sale consideration, the Group will take into account its past transactions with Aras Kuasa for the most recently completed financial year. Such percentage shall not be higher than the highest historical rate and the gross margin for the Group from the sale of the pipe coating materials to Aras Kuasa shall not be lower than the average gross margin of the Group for the most recently completed financial year.
- (b) Determination of pricing terms with comparison to a minimum of two (2) unrelated third party quotations for the procurement of hiring and transportation services from Multiline Trading as well as the purchase of lubricants, spare parts or equipment from the Mandated Interested Persons.
- (c) In the event that it is impractical or impossible to obtain comparison quotations, the CFO or a senior executive of the Company designated by the Audit Committee (whom must have no interest, direct or indirect in the transaction) will, subject to the approval thresholds, determine whether the price and terms offered by or to the Mandated Interested Person are fair and reasonable.
- (d) Determination of pricing terms for the Shared Services on a cost sharing basis where the costing and split will be provided by Aras Kuasa and reviewed by the Group's finance department.
- (e) Staggered approval authorities and thresholds, where additional approval signatories will be required when the value of the Mandated Transaction (except the sale of pipe coating materials to Aras Kuasa which shall be tabled to the Audit Committee for their

Page 5 of 7

APPENDIX J

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



approval before execution) equals to or exceeds 3% or 5% of the Group's latest audited NTA.

- (e) Other monitoring and review procedures, including a register for all Mandated Transactions, quarterly review of the register of Mandated Transactions by the Audit Committee, and annual review by internal auditors.

4. VALIDITY PERIOD OF THE SHAREHOLDERS' MANDATE

Pursuant to Catalyst Rule 920(2), the Shareholders' Mandate will be effective until the earlier of the following: (a) the conclusion of the first annual general meeting following the Company's admission to Catalyst, or the date by which the next annual general meeting of the Company is required by law to be held; or (b) the first anniversary of the date of the Company's admission to Catalyst.

Approval from Shareholders will be sought for the renewal of the Shareholders' Mandate at each subsequent annual general meeting ("**AGM**") or the date by which the next AGM of the Company is required by law to be held, subject to the satisfactory review by the Audit Committee of its continued application to the Mandated Transactions. In accordance with Rule 920(1)(b)(viii) of the Catalyst Rules, Mandated Interested Persons and their associates shall abstain from voting on resolutions approving Mandated Transactions involving themselves and the Group. Furthermore, such Mandated Interested Persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder. As such, Dato Sri Pek and Dato Teh, and their associates will abstain from voting on the resolutions approving the renewal of the Shareholders' Mandate. They shall also not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder.

5. ROLE OF AUDIT COMMITTEE

We note that the Audit Committee will:

- (a) review and approve each sale of pipe coating materials to Aras Kuasa;
- (b) review and approve Mandated Transaction equals to or exceeds 5% of the Group's latest audited NTA;
- (c) review the register of the Mandated Transactions on a quarterly basis;
- (d) review the findings reported by the internal auditor annually; and
- (e) if, during these reviews by the Audit Committee, the Audit Committee is of the view that the established methods and procedures for the Mandated Transactions have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Company are conducted, it will take such actions as it deems appropriate and/or institute additional methods and procedures as necessary (and where relevant, obtain a fresh mandate for Mandated

Page 6 of 7

APPENDIX J

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Transactions) to ensure that the Mandated Transactions will be conducted based on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

6. OUR OPINION

In arriving at our opinion in respect of the Shareholders' Mandate, we have considered, *inter alia*, the rationale for and benefits of the Shareholders' Mandate, the methods and procedures of the Company for determining the transaction prices of the Mandated Transactions under the Shareholders Mandate, the approval thresholds, the frequency of additional reviews and the role of the Audit Committee in enforcing the Shareholders' Mandate.

Having regard to the considerations set out in this IFA Letter and the information available to us as at the Latest Practicable Date, Xandar Capital is of the opinion that the methods and procedures for determining the transaction prices of the Mandated Transactions, if adhered strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders.

7. THIS IFA LETTER

This IFA Letter is addressed to the Audit Committee in connection with and for the purposes of their consideration of the Shareholders' Mandate and for inclusion in the Offer Document. Our opinion in relation to the Shareholders' Mandate should be considered in the context of the entirety of this IFA Letter and the section entitled "Interested Person Transactions – Shareholders' Mandate" of the Offer Document.

Whilst a copy of this IFA Letter may be reproduced in the Offer Document, save for the purpose of any matter relating to the Shareholders' Mandate, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
XANDAR CAPITAL PTE. LTD.

A handwritten signature in black ink, appearing to be "Loo Chin Keong".

LOO CHIN KEONG
EXECUTIVE DIRECTOR

A handwritten signature in black ink, appearing to be "Pauline Sim Poi Lin".

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

Page 7 of 7

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APPENDIX K TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply and subscribe for and/or purchase the Placement Shares at the Placement Price for each Placement Share, subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 100 PLACEMENT SHARES OR INTEGRAL MULTIPLES THEREOF, SUBJECT TO A MINIMUM OF 1,000 PLACEMENT SHARES. YOUR APPLICATION FOR ANY OTHER NUMBER OF PLACEMENT SHARES WILL BE REJECTED.**
2. Your application for the Placement Shares may only be made by way of the Application Form or other such forms of application as the Sponsor and Issue Manager and the Placement Agent may deem appropriate.
3. **YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE PLACEMENT SHARES.**
4. **You (not being an approved nominee company) are allowed to submit only one (1) application in your own name for the Placement Shares. Any separate application by you for the Placement Shares will be deemed to be multiple applications and our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent have the discretion whether to accept or reject such multiple applications.**

If you, not being an approved nominee company, have submitted an application for the Placement Shares in your own name, you should not submit any other application for the Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent.

Joint and/or multiple applications shall be rejected at the discretion of our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent. If you submit or procure submissions of multiple share applications for Placement Shares, you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications, except in the case of applications by approved nominee companies, where each application is made on behalf of a different beneficiary, may be rejected at the discretion of our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent.

5. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Form or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the name of a deceased at the time of application.

By completing and delivering the Application Form, you declare that you do not possess more than one (1) individual direct Securities Account with CDP.

6. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 7 below.

**APPENDIX K
TERMS, CONDITIONS AND PROCEDURES FOR
APPLICATION AND ACCEPTANCE**

7. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licenced securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
8. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected. If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form, your application is liable to be rejected. Subject to paragraph 9 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality, permanent residence status and CDP Securities Account number provided in your Application Form differ from those particulars in your Securities Account as maintained with CDP. If you have more than one (1) individual direct Securities Account with CDP, your application shall be rejected.
9. **If your address as stated in the Application Form is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondences from CDP will be sent to your address last registered with CDP.**
10. **Our Company and the Vendor, in consultation with the Sponsor and Issue Manager and the Placement Agent, reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Offer Document or with the terms and conditions of this Offer Document or which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance or remittances which are not honoured upon their first presentation.**
11. **Each of our Company, the Vendor, the Sponsor and Issue Manager, and the Placement Agent further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Form or the terms and conditions of this Offer Document, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

Without prejudice to the rights of our Company and the Vendor, the Sponsor and Issue Manager and the Placement Agent, as agents of our Company and the Vendor, have been authorised to accept, for and on behalf of our Company and the Vendor such other forms of application as the Sponsor and Issue Manager and the Placement Agent deem appropriate.

12. **Our Company and the Vendor, in consultation with the Sponsor and Issue Manager and the Placement Agent, reserve the right to reject or accept, in whole or in part, or to scale down any application, without assigning any reason therefor, and no enquiry and/or correspondence on our decision of our Company and the Vendor, will be entertained. This**

APPENDIX K

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

right applies to applications made by way of Application Form. In deciding the basis of allotment which shall be at the discretion of our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent, due consideration will be given to the desirability of allotting the Placement Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

13. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, and subject to the submission of valid application and payment for the Placement Shares, a statement of account stating that your Securities Account has been credited with the number of Placement Shares allotted to you, if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee, any instrument of transfer and/or other documents required for the issue of the Placement Shares allotted to you.
14. In the event a supplementary or replacement offer document is lodged with the SGX-ST, acting as agent on behalf of the Authority, the Placement shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for and/or purchase the Placement Shares and:

- (a) where the Placement Shares have not been issued and allotted and/or transferred to the applicants, we shall either:
 - (i) (A) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, as the case may be, give you notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide you with an option to withdraw your application, and (B) take all reasonable steps to make available within a reasonable period of time the supplementary or replacement offer document, as the case may be, to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the supplementary or replacement offer document;
 - (ii) within seven (7) days of the date of the lodgement of the supplementary or replacement offer document, give you a copy of the supplementary or replacement offer document, as the case may be, and provide you with an option to withdraw your application; or
 - (iii) (A) treat your application as withdrawn and cancelled, in which case the application shall be deemed to have been withdrawn and cancelled; and (B) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, return all monies paid in respect of your application, without interest or any share of revenue or other benefit arising therefrom and at your own risk; or

APPENDIX K
TERMS, CONDITIONS AND PROCEDURES FOR
APPLICATION AND ACCEPTANCE

- (b) where the Placement Shares have already been issued and allotted and/or transferred but trading has not commenced, we shall either:
- (i) (A) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, as the case may be, give you notice in writing of how to obtain, or arrange to receive, a copy of the same, and provide you with an option to return to us the Placement Shares which you do not wish to retain title in, and (B) take all reasonable steps to make available within a reasonable period of time the supplementary or replacement offer document, as the case may be, to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the supplementary or replacement offer document;
 - (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, as the case may be, give you a copy of the supplementary or replacement offer document, as the case may be, and provide you with an option to return to us the Placement Shares which you do not wish to retain title in; or
 - (iii) subject to compliance with the Companies Act and our Constitution, (A) treat the issue of the Placement Shares as void in which case the issue of the Placement Shares shall be deemed void and (B) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, as the case may be, return all monies paid in respect of your application, without interest or any share of revenue or other benefit arising therefrom and at your own risk

and you shall not have any right or claim against our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent.

An applicant who wishes to exercise his option under paragraph 14(a)(i) or (ii) above to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this, whereupon we shall, within seven (7) days from the receipt of such notification, pay to him all monies paid by him on account of his application for the Placement Shares without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk and the applicant shall not have any claim against our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent.

An applicant who wishes to exercise his option under paragraph 14(b)(i) or (ii) above to return the Placement Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this and return all documents, if any, purporting to be evidence of title to those Placement Shares to us, whereupon we shall, within seven (7) days from the receipt of such notification, pay to him all monies paid by him on account of his application for the Placement Shares without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk and the applicant shall not have any claim against our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent.

APPENDIX K

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement offer document, including instructions on how you can exercise the option to withdraw your application or return the Placement Shares allotted to you, may be found in such supplementary or replacement offer document.

15. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Placement Shares allotted to you pursuant to your application, to us, the Sponsor and Issue Manager and the Placement Agent and any other parties so authorised by the foregoing persons.
16. Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Placement Shares through the Placement Agent or its designated sub-placement agent by way of an Application Form or such other forms of application as the Sponsor and Issue Manager and the Placement Agent deems appropriate.
17. By completing and delivering an Application Form in accordance with the provisions of this Offer Document, you:
 - (a) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of Placement Shares specified in your application (or such smaller number for which the application is accepted) at the Placement Price for each Placement Share and agree that you will accept such Placement Shares as may be allotted to you, in each case on the terms of, and subject to the conditions of this Offer Document and the Constitution of our Company;
 - (b) agree that the aggregate Placement Price for the Placement Shares applied for is due and payable upon your application;
 - (c) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent in determining whether to accept your application and/or whether to allot and/or allocate any Placement Shares to you;
 - (d) (i) consent to the collection, use, processing and disclosure of your name, NRIC/passport number or company registration number, address, nationality, permanent residency status, CDP Securities Account number, share application amount, the outcome of your application (including the number of Placement Shares allotted to you pursuant to your application) and other personal data (“**Personal Data**”) to the Share Registrar, Securities Clearing and Computer Services (Pte) Ltd (“**SCCS**”), the SGX-ST, CDP, our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent and/or other authorised operators (collectively, the “**Relevant Persons**”), for the purpose of facilitating your application for the Placement Shares, and in order for the Relevant Persons to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”) and warrant that such Personal Data is true, accurate and correct, (ii) warrant that where you, as an approved nominee company, disclose the Personal Data of the beneficial owner(s) to the Relevant Persons, you have obtained the prior consent of such beneficial owner(s) for the collection, use, processing and disclosure by the Relevant Persons of the

APPENDIX K

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Personal Data of such beneficial owner(s) for the Purposes, (iii) agree that the Relevant Persons may do anything or disclose any Personal Data or matters without notice to you if the Relevant Persons consider them to be required or desirable in respect of any applicable policy, law, regulation, government entity, regulatory authority or similar body, and (iv) agree that you will indemnify the Relevant Persons in respect of any penalties, liabilities, claims, demands, losses and damages as a result of your breach of warranties. You also agree that the Relevant Parties shall be entitled to enforce this indemnity (collectively, the “**Personal Data Privacy Terms**”); and

- (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendor, the Sponsor and Issue Manager and/or the Placement Agent will infringe any such laws as a result of the acceptance of your application.
18. Our acceptance of applications will be conditional upon, among others, our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent, being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for quotation of all our existing Shares (including the Vendor Shares), the Placement Shares, the PPCF Shares and the Award Shares on Catalist;
 - (b) the Management Agreement and the Placement Agreement referred to in the section entitled “Sponsorship, Management and Placement Arrangements” of this Offer Document have become unconditional and have not been terminated or cancelled prior to such date as our Company and the Vendor may determine; and
 - (c) the Authority, the SGX-ST, acting as agent on behalf of the Authority, or other competent authority, has not issued a stop order under the SFA (“**Stop Order**”) which directs that no further shares to which this Offer Document relates be allotted, issued and/or transferred.
19. In the event that a Stop Order pursuant to Section 242 of the SFA is served by the Authority, the SGX-ST, acting as agent on behalf of the Authority or other competent authority and applications to subscribe for and/or purchase the Placement Shares have been made prior to the Stop Order, and:
- (a) in the case where the Placement Shares have not been issued and/or transferred, we will (as required by law), deem all applications withdrawn and cancelled and our Company (and on behalf of the Vendor) shall refund (at your own risk) all monies paid on account of your application for the Placement Shares (without interest or any share of revenue or other benefit arising therefrom and at your own risk) to you within 14 days of the date of the Stop Order; or
 - (b) in the case where the Placement Shares have already been issued and/or transferred but trading has not commenced, the issue of the Placement Shares shall (as required by law) be deemed void, and our Company (and on behalf of the Vendor) shall, within 14 days from the date of the Stop Order, refund all monies paid on account of your application for the Placement Shares (without interest or any share of revenue or other benefit arising therefrom and at your own risk), and

you shall not have any claims against our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent.

APPENDIX K TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

This shall not apply where only an interim Stop Order has been served.

20. In the event that an interim Stop Order in respect of the Placement Shares is served by the Authority, the SGX-ST, acting as agent on behalf of the Authority or other competent authority, no Placement Shares shall be issued and/or transferred during the time when the interim Stop Order is in force.
21. The Authority, the SGX-ST, acting as agent on behalf of the Authority or other competent authority is not able to serve a Stop Order in respect of the Placement Shares if the Placement Shares have been issued and/or transferred and listed for quotation on a securities exchange and trading in the Placement Shares has commenced.
22. In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same through a SGXNET announcement to be posted on the internet at the SGX-ST website (<http://www.sgx.com>) and in a major English language newspaper in Singapore.
23. We will not hold any application in reserve.
24. We will not allot Shares on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.
25. Additional terms and conditions for applications by way of Application Form are set out in the section entitled “Additional Terms and Conditions for Applications using Application Form”.
26. All payments in respect of any application for the Placement Shares and any refund, shall be made in S\$.
27. No person in any jurisdiction outside Singapore receiving this Offer Document or its accompanying documents (including the Application Form) may treat the same as an offer or invitation to subscribe for and/or purchase any Placement Shares unless such offer or invitation could lawfully be made without compliance with any regulatory requirements in those jurisdictions.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORM

You shall make an application by way of an Application Form on and subject to the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out in the section entitled “**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS AND ACCEPTANCE**” in Appendix K to this Offer Document as well as the Constitution of our Company.

1. Your application must be made using the Application Form for Placement Shares or in such other manner as the Sponsor and Issue Manager and the Placement Agent may in their absolute discretion deem appropriate. **ONLY ONE (1) APPLICATION** should be enclosed in each envelope.

We draw your attention to the detailed instructions contained in the Application Form and this Offer Document for the completion of the Application Form which must be carefully

APPENDIX K

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

followed. Our Company and the Vendor, in consultation with the Sponsor and Issue Manager and the Placement Agent, reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Form and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances or remittances which are not honoured upon their first presentation.

2. Your Application Form must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Form, except those under the heading “**FOR OFFICIAL USE ONLY**”, must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names as they appear in your identity card (if applicants have such identification documents) or in your passport and, in the case of corporations, in your full names as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your constitution or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your constitution or equivalent constitutive documents must be lodged with our Company’s Share Registrar. Our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete Sections A and B and sign on page 1 of the Application Form.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You, whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted, will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporations.

If you are an approved nominee company, you are required to declare whether the beneficial owner of the Placement Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under

APPENDIX K

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporation.

7. The completed and signed Application Form and the correct remittance in full in respect of the number of Placement Shares applied for (in accordance with the terms and conditions of this Offer Document) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate postage (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to Southern Alliance Mining Ltd c/o Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) 80 Robinson Road, #02-00, Singapore 068898**, to arrive by **12.00 noon on 24 June 2020 or such other time as our Company and the Vendor may, in consultation with the Sponsor and Issue Manager and the Placement Agent, in its absolute discretion, decide. Local Urgent Mail or Registered Post must NOT be used. ONLY ONE (1) APPLICATION should be enclosed in each envelope.** No acknowledgement of receipt will be issued for any application or remittance received. Applications that are illegal, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of the Placement Shares applied for, in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**SOUTHERN ALLIANCE MINING SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", with your name, CDP Securities Account Number and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. We will reject remittances bearing "**NOT TRANSFERABLE**" or "**NON TRANSFERABLE**" crossings. We reserve the right to reject any application which is accompanied by combined Banker's Draft or Cashier's Order for different CDP Securities Accounts. No acknowledgement or receipt will be issued by our Company, the Vendor or the Sponsor and Issue Manager and the Placement Agent for applications and application monies received.

8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. In the event that the Placement is cancelled by us following the termination of the Management Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or any other benefit arising therefrom) to you by ordinary post at your own risk within five (5) Market Days of the termination of the Placement. In the event that the Placement is cancelled by us following the issuance of the Stop Order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the Stop Order.

APPENDIX K
TERMS, CONDITIONS AND PROCEDURES FOR
APPLICATION AND ACCEPTANCE

9. Capitalised terms used in the Application Form and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.
10. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of our Company, the Vendor, our Directors, the Sponsor and Issue Manager and the Placement Agent and/or any party involved in the Placement, and if, in any event our Company, the Vendor, the Sponsor and Issue Manager and/or the Placement Agent not receive your Application Form, you shall have no claim whatsoever against our Company, our Directors, the Vendor, the Sponsor and Issue Manager and the Placement Agent and/or any party involved in the Placement for the Placement Shares applied for or for any compensation, loss or damage.
11. By completing and delivering the Application Form, you agree that:
- (a) in consideration of our Company (and on behalf of the Vendor) having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 24 June 2020** or such other time or date as our Company and the Vendor may, in consultation with the Sponsor and Issue Manager and the Placement Agent, in their absolute discretion decide:
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (b) neither our Company, the Vendor, the Sponsor and Issue Manager and the Placement Agent nor any other party involved in the Placement will be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 10 above or to any cause beyond their respective controls;
 - (c) all applications, acceptances and contracts resulting therefrom under the Placement shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (d) in respect of the Placement Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
 - (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
 - (f) in making your application, reliance is placed solely on the information contained in this Offer Document and none of our Company, the Vendor, the Sponsor and Issue Manager, the Placement Agent nor any other person involved in the Placement shall have any liability for any information not so contained;

APPENDIX K
TERMS, CONDITIONS AND PROCEDURES FOR
APPLICATION AND ACCEPTANCE

- (g) you accept and agree to the Personal Data Privacy Terms of this Offer Document; and
 - (h) you irrevocably agree and undertake to subscribe for and/or purchase the number of the Placement Shares applied for as stated in the Application Form or any smaller number of such Placement Shares that may be allotted to you in respect of your application. In the event that our Company, the Vendor, the Sponsor and Issue Manager or the Placement Agent decide to allot any smaller number of the Placement Shares or not to allot any Placement Shares to you, you agree to accept such decision as final; and
 - (i) you irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue of the Placement Shares that may be allotted to you.
12. By completing and delivering the Application Form, you declare that you do not possess more than one (1) individual direct Securities Account with CDP.

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APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG

ADVOCATES & SOLICITORS

Your Ref : Please advise
Our Ref : 2019.86974.KP.AW.LML.KFS.KLY.sf

16 June 2020

The Board of Directors
Southern Alliance Mining Ltd.
80 Robinson Road
#02-00
Singapore 068898

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

Dear Sirs,

LEGAL OPINION IN RESPECT OF THE PROPOSED LISTING OF SOUTHERN ALLIANCE MINING LTD. ON THE CATALIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ("OPINION")

1. INTRODUCTION

- 1.1 We act as legal advisers to Southern Alliance Mining Ltd. ("Issuer") that is the holding company of Honest Sam Development Sdn. Bhd. ("Honest Sam") (the Issuer and Honest Sam are collectively referred to as the "Group") on Malaysian law in connection with the proposed listing of the Issuer's shares on the Catalist of the SGX-ST ("Proposed Listing") to be undertaken by the Issuer. Pursuant to Rule 225(1)(j) of SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules"), this Opinion is furnished to the Issuer and the full sponsor, issuer manager and placement agent, PrimePartners Corporate Finance Pte. Ltd. ("PPCF"). This Opinion has been prepared for inclusion in the offer document to be issued in connection with the Proposed Listing dated 16 June 2020 ("Offer Document").
- 1.2 We are qualified to practice law in West Malaysia and such qualification has not been revoked, suspended, restricted or limited in any manner whatsoever. Accordingly, we are qualified to issue this Opinion.
- 1.3 In such capacity, we have, as part of the legal due diligence work required of us as legal advisers to the Issuer on Malaysian law in accordance with our engagement by the Issuer:
- 1.3.1 participated in meetings and discussions with:
- (a) representatives of the Group;
 - (b) representatives of PPCF;
 - (c) representatives of Bird and Bird ATMD LLP, Solicitors to the Proposed Listing and Legal Advisers to the Issuer on Singapore law; and

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Office Hours
8.30 am – 5.30 pm
Mondays to Fridays

By Email / Courier

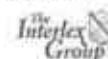
By Email / Courier

Partners
Jeff P.L. Leong
Kenny H.K. Poon
James C.C. Wong
Richard W.G. Lee
Jileen S.K. Tan
Anna W.Y. Wong
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Senior Associates
Khor Miao Hui
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Peggy P.K. Kwa
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Joey J.Y. Tiew
Katherine F.S. Kow
Rylin L.Y. Kooey
Irene Z.M. Wong
Amber S.N. Chai
Soon Jia Yee

A Member of



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APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 2132

- (d) professionals appointed by the Group in connection with the Proposed Listing.
- 1.3.2 participated in the verification meetings held on 18 November 2019, 03 March 2020, 21 April 2020 and 04 June 2020 (collectively, "**Verification Meetings**") and provided advice on legal matters relating to Malaysian law in connection with the Proposed Listing and the Offer Document.
- 1.3.3 participated in the review of and made amendments to the relevant sections of the Offer Document relating to Malaysian law together with the directors and management of the Group as well as the other professional advisers of the Group.
- 1.3.4 prepared and carried out the legal due diligence investigations in respect of Honest Sam as set out in our legal due diligence report on Honest Sam dated 12 June 2020.
- 1.3.5 In the course of our legal due diligence review, reviewed originals and copies of documents, corporate records, approvals, licences, permits, certificates and letters issued by government authorities (and other relevant entities) including without limitation, the Licences (as defined in paragraph 2.5.2), the Mining Contracts (as defined in paragraph 2.4.2), and other documents that were provided to us by representatives of the Group, namely Mr. Lim Wei Hung, the Chief Financial Officer of the Issuer ("**CFO**"), and Ms. Elise Tan Chin Hoon, Assistant to the CFO, which fall within the terms of reference and scope of our legal due diligence exercise carried out on Honest Sam and obtained confirmations from Honest Sam pertaining to legal issues involving Honest Sam (collectively, "**Documents**").
- 1.3.6 taken into consideration confirmations made by the representatives of Honest Sam on specific issues including but not limited to the following:
 - (a) the material licences, permits and approvals required for the conduct of Honest Sam's Business (as defined in paragraph 2.5.1) as at the date of the Opinion, being the date of lodgement of the Offer Document to the SGX-ST;
 - (b) the operational licences, permits and approvals other than those described in paragraph 2.5;
 - (c) completeness of the Documents furnished to us for legal due diligence review; and
 - (d) compliance with terms and conditions of the Licences (as defined in paragraph 2.5.2).
- 1.3.7 conducted, obtained and examined the following official and formal public search reports with the governing authorities (collectively, "**Search Reports**"):
 - (a) Companies Commission of Malaysia ("**CCM**") search report on Honest Sam dated 10 June 2020;
 - (b) Company winding up search result on Honest Sam dated 09 June 2020 ("**Winding Up Search Report**"); and
 - (c) Bankruptcy search results on Dato' Sri Pek Kok Sam, Dato' Lee Tek Mook @ Lee Teh Moh, Dato' Teh Teck Tee, Lim Wei Hung, Pek Kok Hing, Dato' Amiruddin Bin Mohd Said and Harun Bin Abdullah, being the existing beneficial owners of Honest Sam's ordinary shares and/or directors of Honest Sam, all dated 09 June 2020.
- 1.3.8 conducted, obtained and examined search reports obtained from a platform maintained by CTOS, a private Malaysian credit reporting agency governed by the Credit Reporting Agencies Act 2010 on Honest Sam, Dato' Sri Pek Kok Sam, Pek Kok Hing, Dato' Amiruddin Bin Mohd Said, Harun Bin Abdullah, Dato' Lee Tek Mook @ Lee Teh Moh, Dato' Teh Teck Tee and Lim Wei Hung, all dated 09 June 2020 (collectively, "**CTOS Reports**").
- 1.3.9 inspected the Government of Johor Gazette for orders of forfeiture, if any, of mining lands occupied by Honest Sam.

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APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 3/32

- 1.3.10 conducted the necessary checks or enquiries (as may be appropriate) to the extent possible in the event that the Documents appear to us to be unusual and/or incomplete.
2. Having regard to the laws of Malaysia in force as at the date of this Opinion and the work we have undertaken as set out in paragraph 1.3 above and subject to the assumptions set out in Appendix I, the qualifications set out in Appendix II and any matter not disclosed to us, we are of the opinion that:
- 2.1 **Due Incorporation and Power**
- 2.1.1 Honest Sam was duly incorporated on 05 April 2001 as a private limited company under the Malaysian Companies Act 1985 ("CA 1985") and continues to exist under the Malaysian Companies Act 2016 ("CA 2016") that had repealed and replaced the CA 1985, is validly existing in Malaysia and has the status of a separate and independent legal entity having full capacity, power and authority to enter into legally binding and enforceable contracts and undertakings with full power to sue or to be sued in its own name.
- 2.1.2 Based on and as at the Winding Up Search Report dated 09 June 2020, Honest Sam is not wound up. Representatives of Honest Sam have confirmed to us that as at the date of this Opinion, no winding up proceedings have been instituted against it and no receiver has ever been appointed to manage the affairs of Honest Sam.
- 2.1.3 Honest Sam has full power and authority to own, use, lease and operate its properties and other assets and to conduct its business as it is now being conducted and the same is described in its constitution ("**Constitution**").
- 2.1.4 Honest Sam has full power and authority to conduct its business and operations as it is now being conducted and the same is described in its statutory filings and to the best of our knowledge, Honest Sam has adopted Table A in the Fourth Schedule of the CA 1985 as part of its Constitution.
- 2.1.5 Honest Sam's previous Memorandum and Articles of Association are deemed to have effect as if made or adopted as the Constitution by operation of the transitional provision in Section 619(3) of the CA 2016. The provisions of the Constitution adopted by its shareholders comply with the applicable Malaysian laws. The Constitution constitutes a legal document regulating the relationship between Honest Sam and each of its shareholders and among such shareholders *inter se*, and is valid and legally binding and enforceable by the shareholders against one another. The Memorandum and Articles of Association (which is now known as the Constitution) was lodged with CCM. Amendments made to the Constitution were duly authorised and are in accordance with applicable Malaysian laws. No consent, authorisation, licence or approval of, or registration with or declaration or notification to any governmental or other body in Malaysia is required and no other corporate, shareholder or other action is required to be taken and in particular, no separate contract, undertaking or other document is required to be entered into or signed by any or all the shareholders, directors, managers and other senior management personnel (whether on their own behalf or on behalf of any other person) in order for the Constitution to take effect and to be valid, legally binding and enforceable as hereinbefore described.
- 2.1.6 The current board of directors of Honest Sam was properly established and properly constituted in all respects in compliance with applicable Malaysian laws and the Constitution then in force. Each director is lawfully qualified to act as a director of Honest Sam under the CA 2016. As at the date of this Opinion, the directors of Honest Sam are Dato' Sri Pek Kok Sam, Pek Kok Hing, Harun Bin Abdullah and Dato' Amiruddin Bin Mohd Said.

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 4032

2.1.7 To the best of our knowledge, based on our review of the Documents, confirmation by Honest Sam and save as indicated in this Opinion, as at the date of this Opinion, there are no provisions or irregularities, inconsistencies or other matters which would materially and adversely affect:

- (a) the status of Honest Sam as a duly incorporated or established independent legal entity;
- (b) the business by Honest Sam as presently conducted and as set out in its Constitution or other constitutional documents, its business licence and any statutory filings; or
- (c) the power and authority of Honest Sam to own, use, lease and operate its properties and other assets.

2.2 Share Capital of Honest Sam

2.2.1 The issued and paid-up capital and the respective percentages of shareholdings of the existing shareholders of Honest Sam as recorded in the register of shareholders of Honest Sam as reviewed by us during the Review Period (as defined in paragraph 4 of Appendix I) are as follows:

Name of entity	Issued and paid-up capital	Shareholder
Honest Sam	RM10,733,335.00 comprising 1,100,000 ordinary shares and 733,335 convertible preference shares ("CPS").	<p>Southern Alliance Mining Ltd. (Company Registration No. 201931423D ("SAM") – holding 1,100,000 out of 1,100,000 ordinary shares (60%))</p> <p>Good Orient Resources Sdn. Bhd.⁽¹⁾ (Registration No. 201401030733 (1106819-W)) ("Good Orient") – holding 733,335 out of 733,335 CPS (40%)</p> <p><i>Note:</i> (1) The rights of the CPS holder is provided under the section entitled "Group Structure" in the Offer Document.</p>

2.2.2 The shareholder and CPS holder as set out in the table above are the registered shareholders of Honest Sam upon the completion of the Restructuring Exercise (as defined in paragraph 2.3.1) in connection with the Proposed Listing. All issued ordinary shares and CPS of Honest Sam have been duly authorised and are validly issued, fully paid and are not subject to any pre-emptive or similar rights in relation to transfers of their shares save as set out in the Constitution, or any mortgage, charge, lien, pledge, instructions, nominee or trust or any other encumbrance. The Constitution provides that the issuance of ordinary shares and CPS are subject to pre-emptive rights of the shareholders of Honest Sam to subscribe for such ordinary shares and CPS and therefore, any issuance of shares by Honest Sam would be subject to such pre-emptive rights.

2.2.3 Save for the restrictions to transfer shares in Honest Sam which are set out in the Constitution which provides that directors in their absolute discretion may refuse to register any transfer of shares to a person of whom they do not approve or of shares on which Honest Sam has a

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 502

lien and that the CPS issued by Honest Sam are not transferable other than to the ordinary shareholders at the option of the ordinary shareholders in proportion to their existing shareholdings in Honest Sam at the time of the transfer and at a total nominal consideration of RM100.00 payable to the CPS holders, there are no other restrictions on transfers or the holding of the share capital of Honest Sam, or any restrictions to transfer shares to or from non-residents or foreigners imposed by any applicable Malaysian laws.

- 2.2.4 The (i) 2 mining leases over the Chaah mine known as ML 6/2014 and ML 9/2014 (collectively, "**Chaah Mine**"); (ii) 1 mining lease known as ML 1/2019 over the Chaah Baru mine ("**Chaah Baru Mine**"); (iii) 1 mining lease known as ML 1/2018 over the Bukit Kepong mine ("**Bukit Tinggi Mine**"); and (iv) 1 mining lease known as ML 2/2019 over the Kota Tinggi mine ("**Kota Tinggi Mine**") (collectively, "**Mining Leases**") have terms and conditions that (amongst other things) require (a) not less than 2 persons who are Bumiputera to be appointed as directors of Honest Sam ("**Bumiputera Directorship Condition**"), and (b) the Mining Assets (as defined in paragraph 2.4.1) to be operated by a company with at least 40% Bumiputera shareholding ("**Bumiputera Shareholding Condition**", together with the Bumiputera Directorship Condition, the "**Bumiputera Conditions**"). The Bumiputera Shareholding Condition does not expressly make any distinction between different classes of shares or voting rights in computing the percentage of issued shares to be held by the Bumiputera shareholders.
- 2.2.5 Prior to 04 November 2019, Honest Sam did not comply with the Bumiputera Shareholding Condition. Honest Sam had, on 04 November 2019, consolidated every 10 of its existing ordinary shares into 1.1 new consolidated share, which resulted in Honest Sam having 1,100,000 ordinary shares, representing 60% of Honest Sam's total number of paid-up shares. As a result of the said share consolidation, Good Orient (a company wholly-owned by Bumiputera shareholders) currently holds non-voting CPS representing 40% of Honest Sam's total number of paid-up shares. As at the date of this Opinion, Honest Sam complies with the Bumiputera Shareholding Condition imposed by the Mining Leases on Honest Sam, the operator of the Chaah Mine, the Chaah Baru Mine, the Bukit Kepong Mine and the Kota Tinggi Mine. The appointment of 2 Bumiputera directors to Honest Sam's board of directors on 01 December 2014 satisfies the Bumiputera Directorship Condition.
- 2.2.6 Each issuance of ordinary shares and CPS and transfer of shares and/or change of shareholders of Honest Sam reviewed by us in the course of our legal due diligence has been approved by the directors and/or shareholders (as may be required) and each issuance of ordinary shares and CPS and transfer of shares is duly authorised, legal, valid and binding has not been issued or transferred in violation of any pre-emptive or similar rights and is in compliance with the Constitution and relevant laws and regulations of Malaysia.
- 2.3 **Restructuring**
- 2.3.1 The group structure (after the restructuring exercise as set out in the section entitled "Restructuring Exercise" of the Offer Document) ("**Restructuring Exercise**") and as at the date of the Offer Document is legal and valid under Malaysian laws.
- 2.3.2 The process of the Restructuring Exercise (as set out in the section entitled "Restructuring Exercise" of the Offer Document) does not contravene any Malaysian laws or would not otherwise require the consent or approval of, or notification to, any other governmental or regulatory authority in Malaysia (including Bank Negara Malaysia ("**BNM**") as explained in paragraph 2.7). The Restructuring Exercise will not contravene or conflict with any provision in the Constitution.

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 6/32

2.4 Title or Validity and Enforceability of the Rights to Any Assets and Properties

Mining Contracts

- 2.4.1 Honest Sam has been granted legally valid, binding and enforceable rights by the holder of the Mining Leases, DYMM Sultan Ibrahim ibni Almarhum Sultan Iskandar ("Holder"), to conduct mining operations at the mining sites ("Mining Assets") set out below:

S/N	Mining Asset (site)	Type of Mineral	Location	Mining Lease	Area ⁽¹⁾	Expiry Date of Mining Lease
1.	Chaah Mine	Iron ore	No. Lot 3533, Mukim Chaah Bahru, Daerah Batu Pahat, Johor	ML 9/2014	104.3 Ha	10 years expiring on 22 March 2024
			No. Lot PTD 12064, Mukim Chaah Bahru, Daerah Batu Pahat, Johor	ML 6/2014	121.4 Ha	10 years expiring on 22 March 2024
2.	Chaah Baru Mine	Iron ore	Lot 1630, Mukim Chaah Baru, Batu Pahat, Johor Darul Takzim ⁽²⁾	ML1/2019	19.4 Ha	5 years expiring on 29 January 2024
3.	Bukit Kepong Mine	Iron ore	Lot 1681, Mukim Bukit Kepong, Muar, Johor Darul Takzim ⁽²⁾	ML1/2018	22.3 Ha	5 years expiring on 07 July 2023
4.	Kota Tinggi Mine	Iron ore	Lot 2855, Mukim Kota Tinggi, Kota Tinggi Johor Darul Takzim ⁽²⁾	ML 2/2019	79.1 Ha	5 years expiring on 03 July 2024

Notes:

- (1) Rounded to the nearest decimal point.
(2) Representatives of Honest Sam have confirmed that as at the date of this Opinion, Honest Sam has not commenced any mining activities in the Chaah Baru Mine, Bukit Kepong Mine and Kota Tinggi Mine.

- 2.4.2 The Mining Leases are not issued in the name of Honest Sam and its rights to conduct mining operations at the respective Mining Assets are only contractual rights pursuant to mining agreement dated 23 November 2011 as supplemented and varied by a supplemental agreement dated 23 September 2013 entered into between the Holder and Honest Sam and supplementary letters dated 09 March 2012, 16 October 2014, 02 April 2015, 10 August 2019 and 25 November 2019 respectively between the Holder and Honest Sam (collectively, "Mining Contracts"). Honest Sam issued a letter dated 24 April 2020 to the Holder ("2020 Supplemental Letter") to further amend the terms of the Mining Contracts with respect to the Rehabilitation Fund Contribution (as defined in paragraph 2.6.5). Subsequently, the Holder's legal liaison officer issued a letter dated 24 April 2020 to Honest Sam in response to the 2020

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 7132

Supplemental Letter, indicating that he was entrusted to act on behalf of the Holder's legal matters and agreeing and accepting on behalf of the Holder the terms stated in the 2020 Supplemental Letter. The salient terms of the Mining Contracts (as amended by the 2020 Supplemental Letter) are provided under the section entitled "General Information on Our Group – The Chaah Mine – Right to mine" in the Offer Document.

- 2.4.3 Based on copies of the Mining Leases provided to us (forming part of the Documents) and certified copies of titles obtained from the Johor state Registrar of Titles, the Holder has been granted the legally valid, binding and enforceable Mining Leases over the respective Mining Assets. As at the date of this Opinion, there is nothing under the laws of Malaysia and the terms of the Mining Leases which prevents the Holder from granting Honest Sam the right to conduct mining operations at the Mining Assets.
- 2.4.4 Based on the terms of the Mining Contracts, as and when such Mining Leases are due for renewal, the Holder is contractually required to procure the relevant renewals of such Mining Leases up to the relevant term set out in the Mining Contracts. As provided in the Mineral (State of Johor) Enactment 2003 ("**Johor State Enactment**"), where an application for renewal of a mining lease is made to the Director of Lands and Mines of Johor at least 12 months prior to the expiry of the mining leases, the Director of Lands and Mines of Johor shall renew the lease if:
- (a) the holder of the mining lease has complied with the terms or conditions in the mining lease;
 - (b) the holder of the mining lease has complied with the requirements of the Johor State Enactment; and
 - (c) the holder of the mining lease is able to show to the satisfaction of the Director of Lands and Mines that there are mineral reserves to justify a renewal or there is a need to maintain the land for use as an integral part of the mining operations on the adjoining mining land.
- 2.4.5 As at the date of this Opinion, Honest Sam has confirmed in writing that the Holder has complied with the terms and conditions of the Mining Leases and the requirements of the Johor State Enactment.
- 2.4.6 Further, the Johor State Enactment provides that if an application for renewal of a mining lease is made (a) at least 12 months prior to the expiry of the lease; and (b) during the renewal application period, if the term of the lease would in its ordinary course have expired, the mining lease shall continue to be valid until such renewal application is determined by the Director of Lands and Mines of Johor.
- 2.4.7 Pursuant to the Mining Contracts, the Holder is contractually obligated to allow Honest Sam unimpeded exclusive rights to conduct mining activities at the Mining Assets, including the sole and exclusive right for Honest Sam to extract, remove, transport and sell all iron ores found and won from the respective Mining Asset. In addition, the Holder agrees that no other party shall be appointed, other than Honest Sam, to conduct any mining operation of whatsoever nature on the Mining Assets. The Johor State Enactment does not prohibit a holder of a mining lease from entering into contractual arrangements to appoint third parties to carry out mining activities and it also does not require the prior approval of the State Authority for the same. Honest Sam's contractual right to conduct mining operations at the Mining Assets are valid, binding and enforceable.
- 2.4.8 The Mining Contracts and the 2020 Supplemental Letter, as set out in paragraph 2.4.2 of this Opinion, and the letter of award dated 25 November 2016 issued by Honest Sam to Xin Her Mining Sdn. Bhd. for the processing activities of iron ore by Xin Her Mining Sdn. Bhd. at the

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 8/32

Chaah Mine as supplemented and varied by a supplemental letter of award dated 28 February 2019 ("**Processing Agreements**") are legal, valid, binding and enforceable and do not contravene applicable Malaysian laws. The salient terms of the Processing Agreements are provided under the section entitled "General Information on Our Group – The Chaah Mine – Processing facilities" in the Offer Document.

Properties

- 2.4.9 Honest Sam does not own any real properties save that it has obtained contractual rights to occupy the premise listed in the section entitled "General Information on our Group – Properties and Fixed Assets" in the Offer Document pursuant to the tenancy agreement dated 19 November 2019 between Honest Sam and Teras Megajaya Sdn. Bhd. ("**Tenancy Agreement**"), where the salient terms of the Tenancy Agreement are provided under the notes to the table under the section entitled "General Information on Our Group – Properties and Fixed Assets" in the Offer Document.

Vehicles and Machinery

- 2.4.10 Honest Sam has confirmed to us that other than the vehicles and machinery used by Honest Sam that are on hire purchase, where financiers are the owners of such vehicles and machineries until the hiring comes to an end, Honest Sam has valid title/ownership to all other vehicles and machinery used by Honest Sam.

Conclusion

- 2.4.11 Representatives of Honest Sam have confirmed that it has not received any notice of proceedings in relation to the revocation or modification of any approvals, authorisations, consents, licences, registrations, permits, certificates or qualifications as discussed in paragraph 2.4.
- 2.4.12 In respect of real properties, as at the date of this Opinion, Honest Sam does not own any real properties.
- 2.5 **Material Licences, Permits, Certificates required to conduct Honest Sam's Business**
- 2.5.1 Honest Sam is required to comply with and hold licences, permits, approvals, consents, authorisations and/or certificates to carry on its business operations in the exploration, mining, processing and sale of iron ore ("**Honest Sam's Business**"). Most of these licences are issued subject to conditions to be complied with.

Mining Operations

- 2.5.2 Honest Sam holds the licences tabulated in Schedule 1 ("**Licences**"), some of which have expired and/or are pending renewal as at the date of this Opinion as described in Schedule 1. We have reviewed such Licences as part of our legal due diligence review and were informed by representatives of Honest Sam that they may, from time to time, require other licences and will obtain them in order to conduct Honest Sam's Business as and when required.

Trading and Export of Mineral Ores

- 2.5.3 Honest Sam carries out export of minerals ores and holds 2 licences to export to China and 1 licence to export to Vietnam from the Ministry of Energy and Natural Resources (Minerals
- HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

Page No. 9732

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

and Geoscience Division) (collectively, "**Licences to Export**") as at the date of this Opinion. The Licences to Export are subject to (a) Honest Sam informing the Minerals and Geoscience Department of Johor of every delivery to a designated destination; and (b) Honest Sam sending monthly export statements to the Minerals and Geoscience Department of Johor and the Ministry of Energy and Natural Resources (Minerals and Geoscience Division) before the 15th of the following month.

Others

- 2.5.4 Honest Sam has confirmed that it had, through its appointed consultants, on 06 October 2019, submitted an application to the Johor local authorities to obtain the approval required pursuant to the Street, Drainage and Building Act 1974 ("**SDBA 1974**") for the erection of the relevant temporary building structure in the Chaah Mine. Honest Sam has received the relevant authorities' approval for such application on 10 December 2019 on the condition that Honest Sam pays a fine of RM5,000.00 for the failure to obtain the approval previously and submits 2 sets of plans that have complied with the requirements set out in the letter of approval dated 10 December 2019. Based on the written confirmation of Honest Sam, Honest Sam has paid the said fine on 03 March 2020.
- 2.5.5 The operational mining scheme JMG JHR (M) 01/2019/19/(Fe) ("**Bukit Kepong OMS**") is the permit for development work and mining at Lot 1681, Mukim Bukit Kepong, Muar, Johor Darul Takzim that is issued to the Holder and had expired on 21 January 2020. The Bukit Kepong OMS provides that the application for renewal of such permit must be submitted within 2 months before the permit expires. Section 40 of the Mineral Development Act 1994 provides that any holder of mining lease who fails to submit an operational mining scheme or comply with the approved operational mining scheme shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 5 years or both. Honest Sam's consultant, SS Subra Mining Consultancy, had on 23 December 2019 submitted an application for renewal of the Bukit Kepong OMS to the Mineral and Geoscience Department of Johor and subsequently resubmitted an application for renewal on 09 June 2020 due to amendments required by the Mineral and Geoscience Department of Johor to be made on such application and the same is pending approval. Based on the written confirmation of Honest Sam, as at the date of this Opinion, Honest Sam has not carried out any exploration or development work and mining on the mine.
- 2.5.6 The operational mining scheme JMG JHR (M) 08/2019/19/(Fe) ("**Chaah Baru OMS**") is the permit for development work and mining at Lot 1630, Mukim Chaah Baru, Batu Pahat, Johor Darul Takzim that is issued to the Holder and will expire on 19 June 2020. Pursuant to the conditions attached to the Chaah Baru OMS, applications for renewal of the Chaah Baru OMS must be submitted within 2 months before such permit expires. Honest Sam's consultant, SS Subra Mining Consultancy, had on 09 June 2020 submitted an application for renewal of the Chaah Baru OMS to the Mineral and Geoscience Department of Johor and the same is pending approval. Based on the written confirmation of Honest Sam, as at the date of this Opinion, Honest Sam has not carried out any exploration or development work and mining on the mine.
- 2.5.7 Section 32(1) of the National Forestry Act 1984 ("**NFA 1984**") provides that no person shall occupy or carry out any activity upon any land within a permanent reserved forest, unless he is the holder of a use permit. Section 32(2) of the NFA 1984 provides that any person who contravenes Section 31(1) of the NFA 1984 shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 5 years or to both. Pursuant to the letter dated 30 January 2020 from the Holder's legal liaison office to Honest Sam, the permits to utilise the lands at (i) part of 228, 229, 230,

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 10/32

231 and 232 and (ii) part of 172, 173, 225 and 226 at Hutan Simpan Maokil ("Use Permits") have been approved by the Forestry Department of Johor. The Holder has on 06 February 2020 made the relevant payment required for the issuance of the Use Permits. Honest Sam has received a copy of the Use Permits from the Holder's legal liaison office. Rule 32(1) of the Forestry Rules 1987 provides that if a holder of a license (Use Permit) has employees for the purposes of the license, a sublicense of the Use Permit may then be issued for each employee so employed at the discretion of an officer authorised by the State Director of Forestry. Honest Sam had on 18 May 2020 submitted the applications for renewal of such sublicenses to the Forestry Department of Johor for each relevant employee, after obtaining its renewed Use Permits from the Holder's legal liaison office and the same is pending approval. Based on the written confirmation of Honest Sam, no employees of the Holder shall enter the lands at (i) part of 228, 229, 230, 231 and 232 and (ii) part of 172, 173, 225 and 226 at Hutan Simpan Maokil until the renewal of such sublicenses are issued by the Forestry Department of Johor.

Conclusion

- 2.5.8 We have reviewed the Licences which are required for Honest Sam to carry on Honest Sam's Business. Honest Sam has confirmed to us in writing that it is in compliance with the terms and conditions of the Licences and the Licences have not been revoked as at the date of this Opinion. Honest Sam has further confirmed that annual site visits would be conducted by the relevant authorities as part of the annual renewal process of the operational mining scheme. Save for such site visits, Honest Sam has confirmed that the relevant authorities have not conducted any inspections during the financial year ended 31 July 2017, 2018 and 2019 to ensure that Honest Sam has complied with the conditions of the remaining licences, permits and approvals. Save as disclosed in Sections 2.5.4, 2.5.5, 2.5.6, 2.5.7 and in Schedule 1 and based on the assumptions and qualifications set out in this Opinion, the enquiries made by us and to the best of our knowledge, we are of the opinion that Honest Sam has obtained from the relevant government authorities the Licences that are required to carry on Honest Sam's Business in Malaysia as at the date of this Opinion. Based on the foregoing and the assumptions and qualifications set out in the Opinion and the enquiries made by us and to the best of our knowledge, we are of the opinion that, as at the date of this Opinion, the Licences that are required to carry on Honest Sam's Business in Malaysia are currently valid and in full force and effect.
- 2.5.9 Honest Sam has confirmed in writing to us that they have not encountered any difficulties in renewing the Licences and they do not foresee any difficulties with any proposed renewals of the Licences.

2.6 Compliance with Laws, Rules and Regulations

Royalty

- 2.6.1 The Johor State Enactment provides that a mining lease holder is required to pay to the State Authority royalty on any mineral won and sold or intended for sale, unless the State Authority (a) grants a total or partial waiver of royalty on a yearly basis or (b) by notification in the state Gazette, a commutation fee is imposed in place of royalty.
- 2.6.2 Any non-compliance with the Johor State Enactment or the terms of the Mining Lease may cause the Mining Lease to be revoked.
- 2.6.3 Honest Sam informed us that it has not made any payment for royalty since the operation of the Chaah Mine whilst the other Mining Assets (namely the Chaah Baru Mine, Bukit Tinggi

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. L-11/12

Mine and Kota Tinggi Mine) have not commenced production. The terms of the Mining Leases do not expressly mention the requirement to make royalty payment. Pursuant to the letters dated 31 October 2019 and 18 November 2019 from the Department of Lands and Mines of Johor to the Holder which were furnished to Honest Sam by the Holder ("Royalty Letters"), royalty for the iron ore produced at the Chaah Mine are payable on a quarterly basis with the first sum to be paid before 30 March 2020 with respect to iron ore produced in the months of December 2019, January 2020 and February 2020. The estimated royalty payment would be RM4,050,000.00 (based on the record of mineral ore production from the year 2017 until August 2019). Nevertheless, the actual royalty payment will be subject to the actual production and the market value of the mineral.

- 2.6.4 Pursuant to a supplemental letter dated 25 November 2019 issued by Honest Sam to the Holder and signed and agreed by the Holder, the Holder agreed that Honest Sam need not pay the royalty payable for the iron ores produced prior to December 2019 ("Prior Payable Royalty") and if the Prior Payable Royalty is required to be paid, the Holder shall make payment of such Prior Payable Royalty.

Rehabilitation Fund Contribution

- 2.6.5 The Johor State Enactment also provides that a mining lease holder is required to contribute annually to a rehabilitation fund for the purpose of rehabilitation of mining lands ("Rehabilitation Fund Contribution").
- 2.6.6 The Department of Lands and Mines of Johor had issued a letter dated 18 December 2019 to Honest Sam, requiring Honest Sam to contribute to the Rehabilitation Fund Contribution pursuant to Sections 129 to 130 of the Johor State Enactment and Rules 82 to 83 of the Johor Mineral Regulations 2012, for a period of 5 years from 2020 to 2024. Pursuant to Section 129(4) of the State Mineral Enactment, read together with Regulation 82(1) and the First Schedule of the Mineral Regulation 2012, the amount to be contributed shall be the higher of RM12,000.00 per year or 1.0% of the gross sales value of all minerals won ("Contribution Based on Sales"). Pursuant to the 2020 Supplemental Letter (which was accepted by the Holder's legal liaison officer on behalf of the Holder), Honest Sam has agreed to bear any Rehabilitation Fund Contribution under the Mining Leases payable from 2020 until the expiry of the Mining Leases or any extensions thereafter. Honest Sam had on 12 May 2020 made the required Rehabilitation Fund Contribution amounting to RM60,000.00 for the remaining duration of the lease of 5 years from 2020 to 2024 in accordance with Regulation 82 read together with Item 10 of the First Schedule of the Mineral Regulation 2012, which require a mining lease holder to make Rehabilitation Fund Contribution of RM12,000.00 per year. In the event the amount of Contribution Based on Sales exceeds RM12,000.00 in any year during the term of the lease from 2020 to 2024, the PTG may require Honest Sam to contribute the difference between such amount of Contribution Based on Sales and RM12,000.00.

Conclusion

- 2.6.7 Honest Sam has confirmed to us in writing that:
- (a) it is in compliance with and not breached any Malaysian laws, rules and regulations;
 - (b) its mining operations are in compliance with the operational mining scheme and all Licences;

FORCE • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 1202

- (c) it has not been provided with any notice of statutory or regulatory breaches, penalties or fines from the relevant State Authorities and/or the Holder pertaining to Honest Sam's occupation, use of and operations on the Mining Assets;
- (d) it has not been provided with any other notice of statutory or regulatory breaches, penalties or fines from the relevant authorities or other third parties which has not been resolved;
- (e) it has not been imposed with any statutory and regulatory penalties or fines from the relevant authorities or other third parties which remains outstanding; and
- (f) it has not been involved in any legal disputes with relevant authorities or other third parties.

2.6.8 Based on the confirmation of Honest Sam, the assumptions and qualifications set out in the Opinion, our review of the Documents, the reasonable enquiries made by us and to the best of our knowledge, we are of the opinion that, as at the date of this Opinion that, save as indicated in this Opinion, Honest Sam is currently in compliance with the relevant material Malaysian laws, rules and regulations and/or requirements from competent authorities, and where applicable, have complied with the conditions imposed thereunder.

2.6.9 We are not aware of any matter that has caused us to believe that Honest Sam is not currently in compliance with all the relevant laws, rules and regulations in Malaysia which are material to Honest Sam's Business except where such non-compliance is not material to Honest Sam's Business.

2.7 Foreign Exchange Control

2.7.1 The Financial Services Act 2013 ("FSA") and the notices issued by BNM's foreign exchange administration ("FEA Notices") govern the inflow and outflow of funds to and from Malaysia. A sale of shares, the consideration to which is to be paid by issuance of shares of the purchaser i.e. "swapping of shares" is considered as an investment abroad, as "Investment Abroad" is defined to include swapping of financial assets in Malaysia for financial assets outside Malaysia. The phrase "financial asset" is not defined in the FEA Notices and we are of the view that the term includes shares.

2.7.2 Under FEA Notice 3, Malaysian resident individuals without domestic Ringgit borrowing are allowed to undertake investments abroad of any amount while Malaysian resident individuals with domestic Ringgit borrowing are only allowed to undertake investments abroad of up to RM1,000,000.00 equivalent in aggregate per calendar year, without having to obtain BNM's prior approval.

2.7.3 Based on the above, Honest Sam has confirmed and Dato' Sri Pek Kok Hua, Dato' Teh Teck Tee, Dato' Lee Tek Mook and Mr Lim Wei Hung has each confirmed to us in writing that each Dato' Sri Pek Kok Hua, Dato' Teh Teck Tee, Dato' Lee Tek Mook and Mr. Lim Wei Hung are Malaysian resident individuals without domestic Ringgit borrowings and are allowed to undertake investments abroad of any amount without having to obtain BNM's prior approval.

2.7.4 "Borrowing" is defined under FEA Notices to be credit facility, financing facility, trade guarantee or guarantee for payment of goods, redeemable preference shares, Islamic redeemable preference shares, private debt security or Islamic private debt security other than credit facility or financing facility obtained by a resident individual from a resident to

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 12/32

purchase 1 residential property and 1 vehicle or credit/charge card facilities obtained by a resident individual from a resident.

2.8 Litigation

- 2.8.1 To the best of our knowledge, Honest Sam and its assets do not have any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, writ or proceeding, from the giving of relief in any legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any competent court, from service of process upon them or any agent, from attachment prior to judgment, from attachment in aid of execution, or from execution or any other process for the enforcement of any judgment or other legal process in Malaysia.
- 2.8.2 There are no public searches available in Malaysia to investigate whether Honest Sam is involved in any legal proceedings. Hence, we obtained confirmations from Honest Sam and the legal firms on Honest Sam's panel of solicitors, namely Sreenivasan Young, Bastian Vendargon and Rizal Hashim Zaki & Jehan. Based on the confirmation of Honest Sam and the responses from its panel of solicitors, Honest Sam is not involved in any legal proceedings in the past 10 years prior to the date of this Opinion, save for a case by one Kamal Hisham Bin Ja'afar against Honest Sam, which has been concluded as parties have entered into a consent order pursuant to which Kamal Hisham Bin Ja'afar withdrew his claim and Honest Sam withdrew its counterclaim. The salient facts of the case are provided under the section entitled "General and Statutory Information – Material Litigation" of the Offer Document.
- 2.8.3 Upon our enquiries and based on the confirmation obtained from Honest Sam, there is no pending, known to be contemplated or threatened action, suit, proceeding, arbitration, inquiry or investigation before or brought by any court or governmental or regulatory agency or body, domestic or foreign, to which Honest Sam is a party, or to which the property of Honest Sam is subject, before or brought by any court or governmental or regulatory agency or body, domestic or foreign, which might reasonably be expected to result in a material adverse effect on the condition (financial or otherwise), business, properties or results of the operations of Honest Sam taken as a whole, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the transactions contemplated by the Offer Document or the performance by Honest Sam of its respective obligations thereunder, including those which may have or which have had a material effect on its financial position or profitability.
- 2.8.4 Further, based on the CTOS Report on Honest Sam and based on confirmation obtained by Honest Sam, Honest Sam is not the subject of or involved in legal or arbitration (whether as plaintiff or defendant) proceedings instituted against it (including litigation, investigations, disciplinary proceedings, prosecution, claims etc), and there are no other imminent, threatened or possible legal actions against it and no winding-up, judicial management, proceedings or any like petition or process have been commenced in respect of it, and it has no knowledge of any facts likely to give rise to such legal action, winding-up or judicial management proceedings.

2.9 Proposed Listing and Offer

- 2.9.1 No consent, approval or registration is required under the CA 2016 and/or any other Malaysian laws for the Proposed Listing in the manner contemplated by the Offer Document. However, where the securities in the Offer Document are proposed to be offered to the Malaysian public, the approval of the Malaysian Securities Commission is required (unless such offer is made to specific persons exempted from such requirements) and if the Offer Document or an information memorandum in relation to the Proposed Listing is intended to

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVISERS & SOLICITORS

Page No. 14/32

be circulated to specific persons so exempted, to which an offer is made, such Offer Document or information memorandum will be required to be lodged with the Malaysian Securities Commission in accordance with the Malaysian Capital Markets and Services Act, 2007.

- 2.9.2 Based on our review of the Documents during the Review Period (as defined in paragraph 4 of Appendix I) and the confirmation by Honest Sam in writing, the Proposed Listing does not (a) conflict with, or result in any violation of any law, rule, regulation, judgment, order, or decree of any government or governmental agency, court or body or any stock exchange authority or any other regulatory body of Malaysia having jurisdiction over Honest Sam or any of its assets, (b) conflict with, or result in any violation of any provision of its Constitution, (c) result in a breach of, or default under, any agreement or instrument to which Honest Sam is a party or by which it is bound or in respect of indebtedness in relation to which it is a surety, provided the consents are obtained/made, (d) result in any Licences ceasing to be valid or in force, provided the consents and notification are obtained/made, (e) result in the imposition of any lien, charge or encumbrance upon any property or assets of Honest Sam, or (f) affect Honest Sam's Business. No order, consent, approval, license or registration by or with any government or public body or authority or any stock exchange authority or any other regulatory body of Malaysia or any sub-division thereof is required to authorise or is required in connection with the Proposed Listing.

2.10 Disclosure in the Offer Document

- 2.10.1 Based on the Documents reviewed by us during the Review Period (as defined in paragraph 4 of Appendix I) and the legal due diligence work carried out by us, no matter has come to our attention that gives us reason to believe that the information relating to Honest Sam in the following sections of the Offer Document are not true and accurate, or that it contains any false or misleading statement or omits to state a fact necessary in order to make the statements therein in the light of the circumstances under which they were made, misleading:

- (a) The information in the section entitled "Selling Restrictions – Malaysia" in the Offer Document;
- (b) The information on risks relating to the laws and regulations of Malaysia, licences, permits and approvals of Honest Sam, properties leased by Honest Sam, and Malaysian foreign exchange controls in the section entitled "Risk Factors" in the Offer Document;
- (c) The information relating to Malaysian laws and regulations affecting the Restructuring in the section entitled "Restructuring Exercise" in the Offer Document;
- (d) The information relating to the details of Honest Sam in the section entitled "Group Structure" in the Offer Document;
- (e) The information relating to awards, accreditations and grants awarded to Honest Sam in the section entitled "General Information on Our Group - Awards, Accreditations and Grants" in the Offer Document;
- (f) The information relating to material licences, permits, registrations and approvals for Honest Sam's operations in Malaysia in the section entitled "General Information on Our Group - Material Licences, Permits, Registrations and Approvals" in the Offer Document;
- (g) The information relating to intellectual property rights owned by Honest Sam in the section entitled "General Information on Our Group – Intellectual Property Rights" in the Offer Document;

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

Page No. 15/32

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

- (h) The information in relation to properties owned, leased by, licenced by and to, Honest Sam in the section entitled "General Information on Our Group – Properties and Fixed Assets" in the Offer Document;
- (i) The information in the section entitled "General Information on Our Group – Insurance" in the Offer Document;
- (j) The information in relation to Malaysian laws and regulations in the section entitled "Government Regulations" in the Offer Document;
- (k) The information in relation to Malaysian exchange control regulations in the section entitled "Exchange Controls" in the Offer Document;
- (l) The information in relation to directors' past and present directorships in Malaysian companies in the section entitled "Directors, Management and Staff - Directors" in the Offer Document;
- (m) The information in relation to executive officers' past and present directorships in Malaysian companies in the section entitled "Directors, Management and Staff – Executive Officer" in the Offer Document;
- (n) The information in relation to Honest Sam under the section entitled "General and Statutory Information – Changes in Share Capital" in the Offer Document; and
- (o) The information as listed in paragraph 6 under the section entitled "General and Statutory Information – Material Litigation" in the Offer Document;

in so far as they purport to summarize the provisions of the relevant Malaysian laws and regulations or legal matters or documents governed by Malaysian laws, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein.

2.11 General

2.11.1 Based on the Documents and save as indicated in this Opinion, we are not aware of any matter that has caused us to believe that Honest Sam:

- (a) has not obtained all material licences, permits or certificates necessary to conduct its operations from the relevant government bodies in Malaysia;
- (b) is at the date of this Opinion not in compliance with the relevant Malaysian laws, rules and regulations, except where such non-compliance is not material to Honest Sam's Business; and
- (c) does not possess title to or does not have valid and enforceable rights to any of its assets (including licences and agreements), except where such lack thereof, or defect in, such title or rights is not material to Honest Sam's Business.

2.11.2 In our view and based on the Documents and the legal due diligence work carried out by us, all descriptions of contracts or other material documents which are subject to the laws of Malaysia described in the Offer Document (read as a whole) are accurate descriptions in all material aspects, fairly summarise the contents of such contracts or documents and do not omit any material information which affects the insertion of such descriptions.

2.11.3 No consents, approvals or authorisations are required under Malaysian law for the use of a Singapore incorporated company as the listing vehicle. The Proposed Listing as described in

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

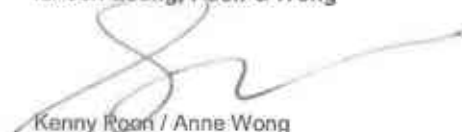
Page No. 16/32

the Offer Document is not subject to the approval of the Malaysian government authorities and does not violate and is not in breach of any Malaysian law.

- 2.11.4 This Opinion is intended to be used in the context which is specifically referred to herein and each paragraph should be looked at as a whole and no part should be extracted and referred to independently.
- 2.11.5 Headings are for reference only and shall not in any manner affect the interpretation of this Opinion.
- 2.11.6 This Opinion is addressed to the Issuer and PrimePartners Corporate Finance Pte. Ltd. solely for and limited to the addressees' benefit in connection with the Proposed Listing. This Opinion is limited to the matters addressed herein and is not to be read as an opinion with respect to any other matter. This Opinion may not, without our express prior written consent, be:
- (a) transmitted to anyone else;
 - (b) relied upon, whether in whole or in part, by any other person;
 - (c) relied upon in relation to any agreement;
 - (d) save for the inclusion in the Offer Document and the related filings with the SGX-ST, acting as agent on behalf of the Monetary Authority of Singapore, in connection with the Proposed Listing, filed with any government agency or quoted or referred to in any public document; or
 - (e) used for any purpose other than those stated in this Opinion,

unless the person to whom it is addressed is required to do so by law, regulations or any governmental or regulatory authority to produce a copy in court or arbitration proceedings relating to the Proposed Listing. For the avoidance of doubt, a copy of this Opinion may be included in the closing set of documents memorialising the Proposed Listing.

Yours faithfully,
for **Jeff Leong, Poon & Wong**



Kenny Poon / Anne Wong

Senior Partner / Partner

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APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

Page No: 17/32

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Schedule 1 (paragraph 2.5.2)

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
Licence(s) related to the Mining Assets						
Mining Lease 9/2014	To conduct mining operations at the mine site Lot 3533, Mukim Chaah Bahru, Daerah Batu Pahat, Johor	Department of Lands and Mines of Johor	The Holder	23 March 2014	22 March 2024	To be renewed before expiry
Mining Lease 6/2014	To conduct mining operations at the mine site Lot PTD 12064, Mukim Chaah Bahru, Daerah Batu Pahat, Johor	Department of Lands and Mines of Johor	The Holder	23 March 2014	22 March 2024	To be renewed before expiry
Mining Lease 1/2019	To conduct mining operations at the mine site Lot 1630, Mukim Chaah Baru, Batu Pahat, Johor Darul Takzim	Department of Lands and Mines of Johor	The Holder	30 January 2019	29 January 2024	To be renewed before expiry
Mining Lease 1/2018	To conduct mining operations at the mine site Lot 1681, Mukim Bukit Kepong, Muar, Johor Darul Takzim	Department of Lands and Mines of Johor	The Holder	08 July 2018	07 July 2023	To be renewed before expiry
Mining Lease 2/2019	To conduct mining operations at the mine site Lot 2855, Mukim	Department of Lands and Mines of Johor	The Holder	3 July 2019	03 July 2024	To be renewed before expiry

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L **LEGAL OPINION FROM JEFF LEONG, POON & WONG**

Page No. 18/32

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
	Kota Tinggi, Kota Tinggi Johor Darul Takzim					
Operational Mining Scheme JMG JHR (M) 05/2020/08/(Fe)	To permit development work and mining at: (a) Lot 3533, Mukim Chaah, Bahru, Daerah Batu Pahat, Johor; and (b) PTD 12064, Mukim Chaah, Bahru, Daerah Batu Pahat, Johor.	Minerals and Geoscience Department of Johor	The Holder ⁽¹⁾	15 March 2020	14 March 2022	To be renewed before expiry
Operational Mining Scheme JMG JHR (M) 08/2019/19/(Fe) ("Chaah Baru OMS")	To permit development work and mining at Lot 1630, Mukim Chaah Baru, Batu Pahat, Johor Darul Takzim	Minerals and Geoscience Department of Johor	The Holder ⁽¹⁾	20 June 2019	19 June 2020	Honest Sam's consultant, SS Subra Mining Consultancy, had on 09 June 2020 submitted an application for renewal of this application to the Mineral and Geoscience Department of Johor and the same is pending approval.
Operational Mining Scheme JMG JHR (M) 01/2019/19/(Fe) ("Bukit Kepong OMS")	To permit development work and mining at Lot 1681, Mukim Bukit Kepong, Muar, Johor Darul Takzim	Minerals and Geoscience Department of Johor	The Holder ⁽¹⁾	22 January 2019	21 January 2020	Honest Sam's consultant, SS Subra Mining Consultancy, had on 23 December 2019 submitted an application for renewal of this Bukit Kepong OMS to the Mineral and Geoscience Department of Johor and subsequently resubmitted an application for renewal on 09 June 2020 due to

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L **LEGAL OPINION FROM JEFF LEONG, POON & WONG**

Page No. 10/22

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
Permit JUPP/5/12	To utilise the lands at part of 228, 229, 230, 231 and 232 at Hutau Simpan Maokil (Maokil reserved forest)	Forestry Department of Johor	The Holder	01 January 2020	31 December 2020	amendments required by the Mineral and Geoscience Department to be made on such application and the same is pending approval.
Sublicence under JUPP/5/12	The sublicence for the Holder's employees (i.e. Honest Sam) and machinery to utilise the lands at part of 228, 229, 230, 231 and 232 at Hutau Simpan Maokil (Maokil reserved forest)	Forestry Department of Johor	Honest Sam	01 January 2019	31 December 2019	Honest Sam had on 18 May 2020 submitted an application for the renewal of this sublicence to the Forestry Department of Johor for each relevant employee and the same is pending approval.
Permit JUPP/3/12	To utilise the lands at part of 172, 173, 225 and 226 at Hutau Simpan Maokil (Maokil reserved forest)	Forestry Department of Johor	The Holder	01 January 2020	31 December 2020	To be renewed before expiry
Sublicence under JUPP/3/12	The sublicence for the Holder's employees (i.e. Honest Sam) and machinery to utilise the lands at part of 172, 173, 225 and 226 at Hutau	Forestry Department of Johor	Honest Sam	01 January 2019	31 December 2019	Honest Sam had on 18 May 2020 submitted an application for the renewal of this sublicence to the Forestry Department of Johor for each relevant employee and the

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

Page No. 20/23

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
	Simpan Maokil (Maokil reserved forest)					same is pending approval.
Permit to use explosives SKPPP BIL JHR 1/2020	Approval for Honest Sam to use explosives at the mining land at ML 09/2014, Lot 3533 and ML 06/2014, Lot PTD 12054 both at Mukim Chaah Bahru, Daerah Batu Pahat	Minerals and Geoscience Department of Johor	The Holder	27 February 2020	14 March 2022	To be renewed before expiry
Permit to use explosives SKPPP BIL JHR 3/2019	Approval for Honest Sam to use explosives at the mining land at ML 1/2019, Lot 1630 at Mukim Chaah Baru, Daerah Batu Pahat	Minerals and Geoscience Department of Johor	The Holder	20 June 2019	19 June 2020	Honest Sam's consultant, SS Subra Mining Consultancy, had on 08 June 2020 submitted an application for renewal of this permit to the Mineral and Geoscience Department of Johor and the same is pending approval.
Letter of approval (Royal Malaysia Police), reference no. (PR)61/5/6	Approval for Honest Sam to conduct blasting works at the mining land at Lot 3533, ML 561, Mukim Chaah Bahru, Daerah Batu Pahat	Royal Malaysia Police	Jasa Aliff Services	10 June 2020	09 December 2020	To be renewed before expiry
Scheduled Controlled Goods Permit (Diesel), reference no. (01) PPDNKK/JJ/BP/PBK 0005/2013	Permit to purchase 80,000 litres of diesel and to store it at T/A No. 755, B4, Site Office	Ministry of Domestic Trade and Consumer Affairs	Honest Sam	02 July 2019	01 July 2020	Honest Sam had on 04 June 2020 submitted an online application for the renewal of this permit to the Ministry of Domestic Trade and Consumer

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L **LEGAL OPINION FROM JEFF LEONG, POON & WONG**

Page No. 21/52

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
Latter of Approval (Mine Manager), reference no. (10)dm.JMG.JHR.(LK) M.013 JLD. 3	Ladang, Chash, Kuari Ladang Chash					Affair and the same is pending approval.
	Mr. Tan Shain Kheng has been registered as the mine manager of the Mining Assets for the mining lease holder's mines with mining leases 9/2014 (Lot 3533) and 6/2014 (PTD 12064) as required by Section 14 of the Mineral Development Act 1994	Minerals and Geoscience Department of Johor	Honest Sam	14 October 2019	NA ⁽²⁾	NA ⁽²⁾
Licence for private installation (Licence No. 36450)	Licence for private electrical installation (for capacity not more than 648 kilowatt)	Energy Commission	Honest Sam	21 July 2019	20 July 2020	Honest Sam had on 10 June 2020 submitted an application for the renewal of this licence to the Energy Commission and the same is pending approval.
Licence for private installation (Licence No. 36451)	Licence for private electrical installation (for capacity not more than 2000 kilowatt)	Energy Commission	Honest Sam	21 July 2019	20 July 2020	Honest Sam had on 10 June 2020 submitted an application for the renewal of this licence to the Energy Commission and the same is pending approval.
Licence for private installation (Licence No. 36452)	Licence for private electrical installation (for capacity not more than 1360 kilowatt)	Energy Commission	Honest Sam	21 July 2019	20 July 2020	Honest Sam had on 10 June 2020 submitted an application for the renewal of this licence to the Energy Commission and the same is pending approval.

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L **LEGAL OPINION FROM JEFF LEONG, POON & WONG**

Page No. 2232

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
Licence for private installation (Licence No. 38453)	Licence for private electrical installation (for capacity not more than 648 kilowatt)	Energy Commission	Honest Sam	21 July 2019	20 July 2020	Honest Sam had on 10 June 2020 submitted an application for the renewal of this licence to the Energy Commission and the same is pending approval.
Licence for private installation (Licence No. 38454)	Licence for private electrical installation (for capacity not more than 648 kilowatt)	Energy Commission	Honest Sam	21 July 2019	20 July 2020	Honest Sam had on 10 June 2020 submitted an application for the renewal of this licence to the Energy Commission and the same is pending approval.
Letter of approval for installation of machinery	Letter of approval for installation of machinery pursuant to the Factories and Machinery Act 1967	Department of Occupational Safety and Health of Johor	Honest Sam	13 July 2014	NA ⁽²⁾	NA ⁽²⁾
Letter of approval for installation of machinery approval No.: JH/19/PTU/38110	Letter of approval for installation of machinery pursuant to Section 36(1) of the Factories and Machinery Act 1967	Department of Occupational Safety and Health of Johor	Honest Sam	29 October 2019	NA ⁽²⁾	NA ⁽²⁾
Letter of approval for installation of machinery approval No.: JH/19/PTU/38112	Letter of approval for installation of machinery pursuant to Section 36(1) of the Factories and Machinery Act 1967	Department of Occupational Safety and Health of Johor	Honest Sam	29 October 2019	NA ⁽²⁾	NA ⁽²⁾
Licence to Process Minerals LMM/JHR/0304	Licence for Honest Sam to process, including owning, purchasing,	Minerals and Geoscience	Honest Sam	21 November 2017	20 November 2020	To be renewed before expiry

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

Page No. 23/32

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
	selling or storing mineral ores (iron ores) within the state of Johor	Department of Malaysia				
Mineral Ore Transit Document No. 263702	Document for transportation of iron ore	Department of Lands and Mines Office of Johor	Honest Sam	NA ⁽²⁾	NA ⁽²⁾	NA ⁽²⁾
Mineral Ore Transit Document No. 263745	Document for transportation of iron ore	Department of Lands and Mines Office of Johor	Honest Sam	NA ⁽²⁾	NA ⁽²⁾	NA ⁽²⁾
Letter of Approval (with conditions) for the erection of temporary buildings No.: MDYP/OSC/30/KMT/2019-09	For the erection of temporary buildings	Yong Peng District Council	Honest Sam	10 December 2019	NA ⁽²⁾	NA ⁽²⁾
Letter of approval no.: MDYP/BPB/30/KMT/2019-08	For the erection of temporary buildings	Yong Peng District Council	Honest Sam	16 January 2020	15 January 2025	To be renewed before expiry
Other licence(s)						
Business Premises Licence	Business premises licence for Level 8, Menara Zenith, Jalan Putra Square 6, Kuantan, Pahang	Kuantan Municipal Council	Honest Sam	01 January 2020	31 December 2020	To be renewed before expiry
Licence to Export No. EM/00303/0220	Licence for Honest Sam to export iron ore minerals to Vietnam	Ministry of Energy and	Honest Sam	07 February 2020	06 February 2021	Honest Sam had on 09 June 2020 confirmed that it is not an industry practice to renew

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L **LEGAL OPINION FROM JEFF LEONG, POON & WONG**

Page 161, 21/02/20

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
Licence to Export No. EM/01527/0719	Licence for Honest Sam to export iron ore minerals to China	Natural Resources (Minerals and Geoscience Division)	Honest Sam	19 July 2019	18 July 2020	export licences and Honest Sam will be required to apply for a new export licence before the expiration of the existing export licence in the event Honest Sam intends to continue to export iron ore minerals after the expiration of the existing export licence.
Licence to Export No. EM/02952/1219	Licence for Honest Sam to export iron ore materials to China	Ministry of Energy and Natural Resources (Minerals and Geoscience Division)	Honest Sam	19 December 2019	18 December 2020	Honest Sam had on 09 June 2020 confirmed that it is not an industry practice to renew export licences and Honest Sam will be required to apply for a new export licence before the expiration of the existing export licence in the event Honest Sam intends to continue to export iron ore minerals after the expiration of the existing export licence.

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L **LEGAL OPINION FROM JEFF LEONG, POON & WONG**

Page No. 25/32

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Regulatory Requirements	Purpose of Licence, Permit or Approval	Authority Granting Licence, Permit or Approval	Registered Holder of Licence, Permit and Approval	Issue Date of Licences, Permits and Approvals	Expiry Date	Status of Renewal
Operation approval and movement of employees of companies during the period of the Movement Control Order. Reference No. O-00038379	Approval for Honest Sam to operate during the Movement Control Order	Ministry of International Trade and Industry	Honest Sam	22 April 2020	NA ⁽²⁾	expiration of the existing export licence.

Notes:

- (1) It is indicated in the Operational Mining Scheme that the mining activities at the Chaah Mine are to be carried out by Honest Sam.
(2) This is a one-off registration and does not contain an expiry date hence does not need to be renewed.

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 26/32

Appendix I – Assumptions

1. For the purposes of this Opinion, we have assumed the following:
 - 1.1 the genuineness of all signatures and seals on all Documents, the person or persons who signed the Documents are the person(s) who were authorised to do so by the relevant authorising resolution or other form of approvals;
 - 1.2 the Documents supplied to us as copies conform to their originals which are authentic, true, complete and accurate, and they remain correct and up to date and have not been varied, amended, modified, revoked, supplemented or replaced, are current and continues in full force and effect as at the date of this Opinion;
 - 1.3 all factual statements made in documents presented to us and confirmations furnished to us are authentic, true, complete, accurate and they remain correct and up to date and have not been varied, modified, revoked or replaced, are current and continues in full force and effect as at the date of this Opinion;
 - 1.4 all documents and information relevant to Honest Sam for the purpose of this Opinion have been furnished to us;
 - 1.5 all persons executing and delivering the documents are competent and duly authorised to execute and deliver such documents;
 - 1.6 the copy of the Constitution certified as true copy by the company secretary which was provided to us on 10 September 2019 is a true copy of the original and that no changes to the original has been made since the date on which the copy is certified and the amended Constitution furnished to us on 21 January 2020 has been adopted with no additional changes;
 - 1.7 unless apparent on the face of the relevant resolutions or minutes, all authorising resolutions have been duly and validly passed at properly convened meetings of duly appointed directors/shareholders; all minutes signed by a representative of the shareholder in general meeting pursuant to Section 147(6) of the CA 1965 or Section 333 of the CA 2016 (as the case may be), and all circular resolutions of the directors that has been passed, are valid and in force and effect as if passed at a meeting of the directors duly called and constituted in accordance with the Constitution, and any certified true copy or certified extract of any general meeting is of a meeting duly and validly convened and held and that the resolution passed at the meeting had been duly passed, is valid and in force and effect;
 - 1.8 no resolutions or other action has been taken or any other circumstances have occurred which would affect the resolutions and any resolution referred to has not been subsequently revoked or amended or rescinded and continues to be in effect;
 - 1.9 all information provided by Honest Sam, the Issuer or their respective representatives, whether or not in the form of a confirmation or statement, is accurate, complete and true in every aspect;
 - 1.10 there are no facts material to the Opinion in respect of the affairs of Honest Sam which have not been disclosed to us and/or which do not appear from the face of the documents examined by us;
 - 1.11 Honest Sam has not engaged in or permitted any act or omission which will render any licences, permits or approvals of Honest Sam invalid or subject to suspension, revocation or cancellation, or cause Honest Sam to breach any laws and/or conditions of such licences, permits or approvals as at the date of this Opinion;

HONOR • STRENGTH • COURAGE • WISDOM • INTEGRITY • EXCELLENCE

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

Page No. 27/32

JEFF LEONG, POON & WONG
ASSOCIATES & SOLICITORS

- 1.12 the information and confirmations (whether provided to us orally or in writing) from relevant Malaysian government authorities or their representatives as part of our legal due diligence review are accurate, complete and true in every aspect;
- 1.13 at the time of entering into the Documents that are contracts/agreements, all the contracting parties (other than Honest Sam) (a) were solvent and able to pay its debts (including contingent and prospective liabilities) and would not become insolvent or unable to pay its debts (including contingent and prospective liabilities) as a result of the transactions; and (b) did not incur an obligation knowing they would be unable to perform that obligation when called on to do so. As at the date of the relevant Documents and this Opinion, each party to the Documents (other than Honest Sam) is solvent and has not become insolvent as a result of the execution of, incurring debts under or performing any of the Documents;
- 1.14 except as expressly stated in this Opinion, we render no opinion on the accuracy and completeness of all facts, warranty or representation expressed in the Documents and all other documents and resolutions submitted to us, save if and insofar as the matters warranted or represented are the subject matter of the specific opinions set out in paragraph 2 of the Opinion above;
- 1.15 that there is no provision of the laws or public policy of any jurisdiction outside Malaysia which would be contravened by the execution or performance of any obligations and covenants by any party under the Documents, and that in so far as any obligation under the Documents is to be performed in any jurisdiction other than in Malaysia, its performance is valid, legal and binding on the parties thereto under the laws of the respective jurisdiction by which they are formed, and will not be illegal or unenforceable under the law of that jurisdiction;
- 1.16 that there are no provisions of the laws of any jurisdiction outside Malaysia which would have any implication for the opinions we express and, insofar as the laws of any jurisdiction outside Malaysia may be relevant, such laws have been or will be complied with;
- 1.17 that the relevant parts of the Restructuring Exercise involving foreign companies and/or foreign laws are carried out in compliance with all aspect of the laws of the jurisdiction in which the foreign companies are incorporated and all applicable foreign laws having jurisdiction over such foreign companies, and there are no provisions under any foreign law that would render any part of the Restructuring Exercise invalid, void, voidable or otherwise illegal;
- 1.18 that the information as disclosed by all Search Reports and the CTOS Reports are true and complete and up-to-date and that such information has not since then been materially altered and that such searches did not fail to disclose any material information which had been delivered for filing but was not disclosed at the time of issuance of the Search Reports and CTOS Reports;
- 1.19 that the electronic version of all Malaysian statutes and subsidiary legislation as well as the State Government of Gazettes obtained from the website of PNMB-LawNet, an Internet Division of Percetakan Nasional Malaysia Berhad, the official printer appointed by the Government of Malaysia is complete, accurate and up-to-date;
- 1.20 that, other than those which we have been informed of via the Search Reports, our review of the Government of Johor Gazette for order of forfeiture of Mining Leases, confirmations from Honest Sam and the relevant third parties such as holder of Mining Leases, all other licences have not been rescinded, revoked or cancelled before their expiry date;
- 1.21 no party (other than Honest Sam) to the Documents has conducted, is, or will be, seeking to conduct any relevant transaction or any associated activity in a manner or for a purpose not evident on the

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APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 26/32

face of the Documents which might render it or any relevant transaction or associated activity illegal, void or voidable;

- 1.22 that all consents, approvals, permits, licences, exemptions, waivers or orders required from and all filing or registration with any governmental body or agency outside Malaysia and all stamping requirements outside Malaysia in connection with the execution, performance, legality, validity and enforceability of the Documents have been or will be duly obtained or fulfilled and are or will be in full force and effect;
 - 1.23 the choice of governing law and jurisdiction in each Document is bona fide and connected with the commercial realities of the transactions contemplated by these documents;
 - 1.24 no person entitled to rely on this Opinion is aware that an assumption made by us is not correct;
 - 1.25 that there has been no fraud or misconduct on the part of any of the parties in relation to the Documents; and
 - 1.26 In obtaining insurance policies and their renewals, Honest Sam has submitted full, frank, correct and complete information and has disclosed all material facts required by the respective insurance companies and has not made any misrepresentation or done anything to cause or render the insurance policies invalid or void.
2. We are issuing this Opinion in respect of Malaysian laws and is given on the basis that this Opinion herein shall be governed by and construed in accordance with the Malaysian laws. The opinion expressed herein is limited to questions arising under the law of Malaysia in respect of federal laws and relevant states within West Malaysia in respect of state laws only current as of the date of this Opinion. We express no opinion about the laws of any other jurisdictions and have assumed that there is nothing in the laws of other jurisdictions which may affect this Opinion. This Opinion is given on the basis that there will be no amendment to or termination or replacement of the Documents (including in particular the Licences) and on the basis of the laws of Malaysia in force as at the date of this Opinion. This Opinion is also given on the basis that we undertake no responsibility to notify any addressee of this Opinion of any change in Malaysian laws occurring after the date of this Opinion.
 3. The making of the above assumptions does not imply that we have made any enquiry to verify any assumption (other than as expressly stated in this Opinion). No assumption specified above is limited by reference to any other assumption. No partner or solicitor of Jeff Leong, Poon & Wong directly involved in this matter is aware of any matter that would cause him or her to believe that any one or more of the assumptions is not correct.
 4. The scope of this Opinion is limited to the Documents provided to and reviewed by us during our legal due diligence review from 17 July 2019 until 11 June 2020 ("**Review Period**") and the Offer Document provided to and reviewed by us.

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APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. L-29

Appendix II – Qualifications

1. This Opinion is subject to the following qualifications:
 - 1.1 we express no opinion as to any laws other than the laws of Malaysia as in force at the date of this Opinion;
 - 1.2 the laws and conditions of the Mining Leases and their corresponding interpretations may be ambiguous and our interpretation of such laws and conditions may differ from the interpretation of the Malaysian government authorities;
 - 1.3 our opinion that an obligation or document is enforceable in accordance with its terms means that the obligation or document is of a type and form which the courts in Malaysia will enforce. It is not to be taken as meaning that the obligations or document can necessarily be enforced in accordance with its terms in all circumstances. In particular:
 - 1.3.1 equitable remedies such as injunctive relief or orders for specific relief are discretionary and will not be automatically granted by a court in Malaysia;
 - 1.3.2 the enforceability of an obligation may be affected by bankruptcy, moratorium, insolvency, liquidation, reorganisation, receivership, fraudulent conveyance or other similar laws relating to or affecting the rights of creditors generally;
 - 1.3.3 claims under the Documents:
 - (a) may become barred under the laws relating to limitation of actions in Malaysia (failure to exercise a right of action for more than 6 years will operate as a bar to the exercise of such right and failure to exercise such a right for a lesser period may result in such right being waived); or
 - (b) may be or become subject to defence of set-off or counterclaim, or by estoppel or waiver and similar principles;
 - 1.3.4 the validity or enforceability of the Documents may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);
 - 1.3.5 where obligations are to be performed in a jurisdiction outside Malaysia, they may not be enforceable in Malaysia or in that jurisdiction outside Malaysia to the extent that performance would be illegal or contrary to public policy under the laws of that jurisdiction;
 - 1.3.6 enforcement may be invalidated by reason of fraud, or may be limited by the provisions of Malaysian law applicable to agreements held to have been frustrated by events happening after their execution;
 - 1.3.7 provisions in a contract providing for the payment of additional or an increased rate of interest may not be enforceable if any such provisions amount to a penalty under Malaysian law;
 - 1.3.8 duties to enter into negotiations and further agreements in due course may not be effectively enforceable;
 - 1.3.9 the enforcement in Malaysia of any Document, and of foreign judgments will be subject to Malaysian rules of civil procedure;

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APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. 3032

- 1.3.10 the enforcement of the Mining Contracts against the Holder will require the consent of the Attorney General of Malaysia pursuant to Article 183 of the Federal Constitution of Malaysia which provides that no action may be instituted against a Ruler of a State in respect of anything done or omitted to be done by him in his personal capacity except with the consent of the Attorney General personally;
- 1.3.11 any legal proceedings against the Holder in his personal capacity shall be brought in a Special Court established under Article 182(1) of the Federal Constitution of Malaysia which shall consist of the Chief Justice of the Federal Court, who shall be the Chairman, the Chief Judges of the High Courts, and two other persons who hold or have held office as judge of the Federal Court or a High Court appointed by the Conference of Rulers. The Special Court shall have exclusive jurisdiction to try all offences committed in Malaysia by the King or the Ruler of a State and all civil cases by or against the King or the Ruler of a State notwithstanding where the cause of action arose. The Special Court shall have the same jurisdiction and powers as are vested in the inferior courts, the High Court and the Federal Court by the Federal Constitution of Malaysia or any federal law and shall have its registry in Kuala Lumpur; and
- 1.3.12 the arbitration clause of the Mining Contracts may not be enforceable in view of Article 182(1) of the Federal Constitution of Malaysia mentioned above.
- 1.4 provisions in the Documents as to severability may not be binding under the laws of Malaysia and the question of whether or not provisions relating to invalidity or enforceability on account of illegality may be severed from other provisions in order to save such other provisions would be determined by the courts in Malaysia at their discretion;
- 1.5 the courts in Malaysia may not give full effect to an indemnity for legal costs of proceedings in the courts of Malaysia, or for criminal or tortious acts;
- 1.6 the leave of the court in Malaysia is required before service of process can be made outside the jurisdiction in respect of proceedings commenced in Malaysia;
- 1.7 we have relied on the Search Reports and CTOS Reports made available at the public records at the relevant authorities in Malaysia and CTOS and results as may be disclosed by those Search Reports and CTOS Reports may not be complete or up-to-date or may contain errors or omissions;
- 1.8 the courts in Malaysia may refuse to accept jurisdiction or stay proceedings in certain circumstances (for example, if the matter concerned is *res judicata*, if concurrent proceedings are being brought elsewhere or if another forum is more convenient);
- 1.9 where under the Documents any person is vested with discretion or may determine a matter in its opinion, such discretion or opinion may be required to be exercised reasonably or be based upon reasonable grounds (as the case may be);
- 1.10 any provision in the Documents that certain calculations, determinations or certificates will be conclusive and binding will not apply and will not necessarily prevent judicial enquiry into the merits of any claim by an aggrieved party if such calculations, determinations or certificates are shown to have an unreasoned or arbitrary basis or are shown to be fraudulent, not to have been made in good faith or are manifestly inaccurate;
- 1.11 except as expressly stated in this Opinion, we render no opinion on the accuracy of any statement of fact, warranty or representation made in the Documents;

APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ADVOCATES & SOLICITORS

Page No. L-30

- 1.12 we express no opinion as to the application of any law relating to taxation (including income tax, capital gains tax, goods and services tax, withholding tax or any other tax on duty) to the Documents, or any payments or obligations under or in respect of them, or any transactions contemplated by them;
- 1.13 as we did not draft the Documents, we emphasise that, except as expressly stated, no inference shall be made that the Documents or any part thereof are sufficient for any purpose intended;
- 1.14 we express no opinion as to whether the courts in Malaysia would give effect to the provisions of any currency indemnity contained in the Documents, if any. Any provision in a contract in respect of currency indemnity may not be enforceable in the said courts in relation to any judgement delivered by a court in another jurisdiction and expressed in a currency other than the Malaysian Ringgit;
- 1.15 except as may be expressly described herein, we have not undertaken any independent investigation to determine the existence or absence of any facts and no inference as to our knowledge of the existence or absence of such facts should be drawn from our serving as counsel in giving this Opinion;
- 1.16 relevant laws or regulations in Malaysia may prohibit or restrict payments, transactions, and dealings with assets, having a prescribed connection with certain countries or named individuals or entities;
- 1.17 a provision of a Document that:
- (a) is ambiguous, vague or uncertain;
 - (b) is an agreement to agree; or
 - (c) may require a company to procure another company to do or refrain from doing anything, if it would be a breach of the duties of the directors of the company to procure the other company to do or refrain from doing that thing, or illegal or impossible for the other company to do or refrain from so doing;
- may not be enforceable;
- 1.18 any term of an agreement may be amended orally by all parties notwithstanding any provisions to the contrary in the agreement;
- 1.19 any judgment obtained from a foreign court and in a currency other than the Malaysian Ringgit may be converted into the Malaysian Ringgit equivalent by the courts in Malaysia upon the enforcement of that judgment under Malaysian law;
- 1.20 in appropriate cases, the courts in Malaysia may render judgements in foreign currencies although such judgements may, however, have to be converted into local currency for enforcement purposes;
- 1.21 the choice of governing law of any contract will be recognised by the courts in Malaysia as a valid choice of law and in any action to enforce the contract the said courts would apply such chosen governing law, provided that:
- (a) the chosen governing law is proved to the satisfaction of the courts in Malaysia (which satisfaction is within the discretion of the said courts);
 - (b) the chosen governing law will be disregarded if its application will be illegal or contrary to public policy in Malaysia;

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APPENDIX L

LEGAL OPINION FROM JEFF LEONG, POON & WONG

JEFF LEONG, POON & WONG
ASSOCIATES & SOLICITORS

Page No. 3202

- (c) matters of procedure (including questions of set off and counterclaim, interest payable on judgment debts, measures of damages, limitation of action and submission to jurisdiction) will generally be governed by the law of Malaysia as the *lex fori*;
 - (d) the choice of law was made in good faith for legal and bona fide purposes; and
- 1.22 a Malaysian court may not give effect to the choice of jurisdiction provision contained in the Documents as the courts reserve to themselves the decision as to whether or not they have jurisdiction under the provisions of the Courts of Judicature Act 1964 to be seized of an action, and if they do have such jurisdiction, whether or not a choice of jurisdiction provision of a contract will be upheld and any action in breach thereof stayed.
- 1.23 In relation to the Search Reports and CTOS Reports:
 - (a) the Search Reports and CTOS Reports reveal the status as at the date of the searches only;
 - (b) such Search Reports and CTOS Reports may not reveal historical records of winding-up petitions or whether or not a winding-up petition has been presented;
 - (c) a notice of winding-up/bankruptcy, order or resolution passed for winding up or notice of the appointment of a receiver may not have been filed immediately by the relevant parties or if filed, may not have been immediately recorded by the appropriate authority, or may have been suspended pending query by the appropriate authority; and
 - (d) save for the local court registry, there are no public registers of winding-up proceedings instituted against companies incorporated in Malaysia. Searches in respect of winding-up proceedings may be carried out at the court registry where the proceedings are initiated if the case numbers of the proceedings are available.

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SOUTHERN ALLIANCE MINING LTD.

**Corruption Preventive Policy and
Framework**

APPENDIX M

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD.

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

I. INTRODUCTION

The Group adopts **ZERO TOLERANCE** approach towards bribery and corruption. It is our policy that the Group shall conduct its business honestly and ethically. The Group is committed to act professionally, fairly and with integrity in all our business dealings and relationships. In achieving this, the Group aims to implement, operate and enforce an effective system and framework to counter bribery and corruption.

Any engagement of bribery and corrupt practices can have severe repercussions and consequences which include dismissal, fines and imprisonment for our board of directors (the “Board”) and/or employees while the Group may suffer damage to reputation, financial loss and disbarment from business. Therefore, we do not tolerate any forms of corruption, practices or actions, whether directly or indirectly.

In order to establish adequate structure and procedures to prevent corrupt practices in the Group, we have developed this Corruption Preventive Policy and Framework (“CPPF”) based on the principles outlined in the Guidelines on Adequate Procedures (“GAP”) issued by the Prime Minister Department of Malaysia.

The CPPF comprises six (6) main sections below:

- i. Policy Matters and Communication;
- ii. Whistleblowing;
- iii. Risk Assessment and Internal Control;
- iv. On-Boarding Screening Process;
- v. Awareness and Training; and
- vi. Review and Monitoring.

The objectives and the respective Board’s and Management’s responsibilities of each section is elaborated in the following pages.

Though the CPPF is intended to apply to every director, senior management and employees of the Group (including temporary and part-time employees), joint-venture companies in which the Company has a non-controlling interest and associated companies are encouraged to adopt the CPPF as well.

Similarly, the Group also expect that contractors, sub-contractors, consultants, agents, representatives and others performing work or services for or on behalf of the Group will comply with the relevant sections of the CPPF when performing their work or services.

APPENDIX M CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

If you have any queries about the CPPF, please contact our representatives in the Corporate Liability Working Group (“CLWG”).

	Name	Designation	Email	Contact Number
1	Mr. Lim Wei Hung	Chief Financial Officer	whlim@honestsam.com.my	09 – 548 8883
2	Mr. Pek Kok Hing	Human Resources Manager	PatrickPek@honestsam.com.my	09 – 548 8888
3	Ms. Chong Yee Ching	Accounts Manager	ycchong@honestsam.com.my	09 – 548 8970
4	Ms. Theresa Lai	Human Resources Executive	hr_dept@honestsam.com.my	09 – 548 8836

Each of the representatives of the CLWG has direct access and a direct reporting line to the Audit Committee and Board of Director. The roles of the CLWG are to assist in addressing questions or clarifications from employees regarding the ABG. Their roles are not intended to administer any reporting of any whistleblowing reports made by employees of the Group. Employees may refer to our Whistleblowing Policy and Procedure for our whistleblowing channel.

II. POLICY MATTERS AND COMMUNICATION

a) Objective

The corruption preventive policy matter is a Board’s matter.

The Board has towards this end defined and laid down its CPPF, Code of Conduct and Ethics (“CCE”) and Anti-Bribery Guide (“ABG”) setting the “tone from the top” and core principles and guidance to deal with corruptions. The issues and procedures on how to prevent improper solicitation, bribery as well as the Board’s and Management’s responsibilities are set out therein.

As a matter of policy, the Board expects all its contractors, subcontractors, consultants, agents, representatives and others performing work or services for or on behalf of the Group to understand and comply with the relevant parts of the CCE and ABG when performing their work or services. Similarly, the Board strongly encourages all joint ventures and associated companies of the Group to adopt similar or higher standards of principles on corruption prevention.

APPENDIX M CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

b) Audit Committee (“AC”) and Board’s Responsibility

The AC and Board are primarily responsible for:

- i. Establishing, maintaining, and periodically reviewing the effectiveness and adequacy of its anti-corruption compliance policies and programme comprising primarily the CPPF and ABG to address corruption risks;
- ii. Practising the highest level of integrity and ethics by promoting professionalism in everything they do;
- iii. Keeping abreast and ensuring full compliance with the applicable laws and regulatory requirements on anti-corruption;
- iv. Ensuring management effectiveness in executing the anti-corruption compliance policies and programme;
- v. Ensuring that the authority and independence of the oversight function on anti-corruption compliance policies and programme are appropriate; and
- vi. Ensuring the Group’s anti-bribery policies are made publicly available, and appropriately communicated to all personnel and business associates.

c) Management’s Responsibility

The Management is responsible for ensuring, enhancing and implementing, *inter alia*:

- i. Anti-corruption compliance policies and programme that adequately address corruption risks;
- ii. Financial controls, such as separation of duties and approval limit of transactions;
- iii. Organisational controls on segregation of duties and tender and quotation procedures;
- iv. Record keeping and documentation related to anti-corruption initiatives and activities; and
- v. Communicate the Group’ policies and commitments on anti-corruption to both internal and external parties.

APPENDIX M

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD.

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

d) Communication

When planning strategies for communicating the Group's position on anti-corruption, management should take into account the key points that should be communicated; to whom they should be communicated; how they will be communicated*; the timeframe for conducting the communication plan; and what languages the materials will be communicated in.

***Note:**

The communication may be conducted in a variety of formats and mediums including but not limited to:

- i. Messages on the organisation's intranet or website;
- ii. Emails, newsletters, posters;
- iii. Code of business conduct and employee's handbooks;
- iv. Video seminars or messages; and
- v. Town-hall sessions.

III. WHISTLEBLOWING

a) Objective

The Group's whistleblowing policy (which is published on the corporate website at <https://www.honestsam.com.my/>) aims to provide guidance and comfort to whistleblowers for reporting wrongdoings and violation of the CCE and ABG.

b) AC and Board's Responsibility

The AC and Board are responsible for:

- i. Ensuring the establishment of an accessible and trusted whistleblowing channel, which may be used anonymously, for internal and external parties to raise concerns in relation to real or suspected corruption incidents;
- ii. Establishing a secure information management system to ensure the confidentiality of the whistleblower's identity and the information reported in order to avoid retaliation against those making reports in good faith;
- iii. Determining appropriate methods for conducting an investigation; and
- iv. Initiating appropriate disciplinary and legal actions against the wrongdoers.

APPENDIX M CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

c) Management's Responsibility

Member of management who is being identified by the AC and/or Board to conduct investigation shall ensure the confidentiality of and no repercussions to the whistleblower. Member of the management shall also report solely to the AC and/or Board and should not inform or notify any individual that is the subject of the investigation.

IV. ON-BOARDING SCREENING AND REVIEW PROCESS

a) Objective

The objective of on-boarding screening is to monitor the Group's corruption risk exposure in relation or prior to its dealing with those high-risk business associates such as government authorities, purchasers, contractors and suppliers in the course of business.

b) AC and Board's Responsibility

The AC and Board should ensure the establishment of adequate on-boarding screening procedures for the Group's business associates and manage on-going monitoring of transactions with those high-risk individuals.

c) Management's Responsibility

Management should establish, implement and enhance the on-boarding screening process. On-boarding screening should be used before making any decision to sell, purchase or engage a service provider, or to appoint a commercial agent or distributor. If it becomes clear or appears likely during the course of the relationship that these parties are engaging in inappropriate or illicit practices, management should decide if they should stop their relationship with these parties immediately.

V. TRAINING AND AWARENESS

a) Objective

The objective of training and awareness is to educate employees and business associates about the Group's anti-corruption position and to create consciousness of refraining from engaging in bribery and corrupt activities in them.

In this respect, all directors, senior management, employees and business associates shall at minimum be familiarised with the Group's structure, procedures and objectives of the CPPF which include the ABG, whistleblowing policy and on-board screening process ("the minimum training").

APPENDIX M CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

b) AC and Board's Responsibility

The AC and Board should:

- i. Ensure that all Board members and key stakeholders of the Group receive the minimum training on a regular basis; and
- ii. Evaluate and ensure the appointment of a competent and qualified trainer or members of management to conduct such minimum training to its employees and business associates.

c) Management's Responsibility

Management is required to:

- i. Implement "Train-The-Trainer" session to identify suitable trainer for conducting the minimum training;
- ii. Schedule annual training session and identify the trainers and participants;
- iii. Incorporate the minimum training into Group's induction trainings and briefings to all new employees; and
- iv. Perform training need analysis and recommend the types of training enhancement and format* needed for the approval of the Board.

***Note:**

The training may be conducted in a variety of formats, including but not limited to:

- i. Induction programs featuring anti-corruption elements;
- ii. Role-specific training, which is tailored to corruption risks the position is exposed to;
- iii. Corporate training programs, seminars, videos and in-house courses;
- iv. Intranet or web-based programs;
- v. Town hall sessions;
- vi. Retreats; and
- vii. Out-reach programs.

APPENDIX M

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD.

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

VI. RISK ASSESSMENT AND INTERNAL CONTROL

a) Objective

The objective of corruption risk assessment is to identify corruption risk exposure to and gap for improvement in the Group's CPPF and systems of internal control to prevent and detect bribery and corrupt activities.

b) AC and Board's Responsibility

In order to mitigate the corruption risks exposure of the Group, the AC and Board should:

- i. Review the Group corruption risk exposures periodically or when there is change in law, circumstance of the business and the profile of the business associates. The result of this review should also be used to enhance the Group's CPPF continuously.
- ii. Ensure the establishment of effective internal control procedures on:
 - Tender and quotation;
 - Related party transaction;
 - On-boarding screening; and
 - Payment approval.
- iii. Seek assurance that CPPF is functioning effectively in managing corruption risks from its Audit Committee or Risk Management Committee.

c) Management's Responsibility

Management has the overall responsibility to establish, maintain and enhance the effectiveness of the Group's system of internal controls to counter bribery. This system of internal controls shall not be limited to financial and organisational checks and balances over the Group's accounting and recordkeeping practices and other business processes, but also secure the confidentiality of whistleblowers and the information provided, accuracy and completeness of the information used in the on-boarding assessment as well as the information published on the website concerning the Group's anti-corruption policies.

APPENDIX M

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD.

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

VII. REVIEW, MONITORING AND ASSESSMENT

a) Objective

Review, monitoring and assessment should form the basis of Board and management efforts to improve and enhance the existing anti-corruption framework or CPPF in place.

b) AC and Board's Responsibility

The AC and Board should ensure that the Group establishes a monitoring plan covering the scope, frequency, and methods for review and the appointment of a competent team to assess the organisation's anti-corruption framework.

As part of these reviews and monitoring processes, the Board shall assess the performance of management and employees in relation to the anti-corruption policies and procedures to ensure their understanding and compliance with the organisation's stance in their respective roles and functions.

The Board may perform its function on review, monitoring and assessment of the CPPF by delegating this function to the Audit Committee or Risk Management Committee.

c) Management's Responsibility

Management should:

- i. Identify and appoint key gatekeepers with the Group overseeing the CPPF on a day-to-day basis;
- ii. Document, maintain and make available for inspection of records of all financial transactions and activities that took place in implementing the CPPF;
- iii. Regularly review and assess its performance, efficiency and effectiveness in relation to the anti-corruption framework and enforcement thereof;
- iv. Ensure that the results of any reviews of CPPF, counter measures and recommendations are reported to the Board and acted upon; and
- v. Update the AC and Board about its new enhancement initiatives and status on CPPF.

SOUTHERN ALLIANCE MINING LTD.
ANTI-BRIBERY GUIDELINES

APPENDIX M

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. ANTI-BRIBERY GUIDELINE

I. PREAMBLE

The Group's reputation and good standing in the society are substantially dependent on its employees whom should and must act and behave responsibly.

Therefore, each and every employee of the Group undertakes and declares to abide to the statutory regulations and requirements governing the anti-bribery offences in Singapore, Malaysia and/or any countries that the Group might be operating in. This Anti-Bribery Guideline ("ABG") provides details regarding ethical business conducts as well as compliance with the relevant laws and regulations. All employees should adhere to this ABG and also educate our business associates in the adherence of the ABG. At the same time, employees and business associates shall report or whistleblow any violations of the ABG in accordance with the Group's prescribed whistleblowing reporting channel and procedures.

If you have any doubt about the application of this ABG, please contact our representatives in the Corporate Liability Working Group ("CLWG").

	Name	Designation	Email	Contact Number
1	Mr. Lim Wei Hung	Chief Financial Officer	whlim@honestsam.com.my	09 – 548 8883
2	Mr. Pek Kok Hing	Human Resources Manager	PatrickPek@honestsam.com.my	09 – 548 8888
3	Ms. Chong Yee Ching	Accounts Manager	ycchong@honestsam.com.my	09 – 548 8970
4	Ms. Theresa Lai	Human Resources Executive	hr_dept@honestsam.com.my	09 – 548 8836

Each of the representatives of the CLWG has direct access and direct reporting to the Audit Committee and Board of Director. The roles of the CLWG are to assist in addressing questions or clarifications from employees regarding the ABG. Their roles are not intended to administer any reporting of any whistleblowing reports made by employees of the Group. Employees may refer to our Whistleblowing Policy and Procedure for our whistleblowing channel.

II. PURPOSE

The purpose of this ABG is to establish controls to ensure compliance with all applicable anti-bribery and anti-corruption regulations in Singapore, Malaysia and/or any countries that the Group might be operating in and to ensure that the Group's business is conducted in a morally and legally responsible manner.

III. POLICY STATEMENT

It is our policy that the Group shall conduct its business honestly and ethically. The Group does not tolerate any bribery and corruption and is committed to act professionally, fairly and with integrity in all our business dealings and relationships. In achieving this, the Group has implemented, operated and enforced effective systems to counter bribery and corruption in accordance with the practices defined in the ABG.

APPENDIX M

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD.

ANTI-BRIBERY GUIDELINE

IV. SCOPE

This ABG defines the Group's practices on receiving and offering gift, hospitality and entertainment, referral, facilitation, sponsorship, and donation. These Guidelines apply to all members of the Group which include the Directors, management, officers and employees (whether permanent or temporary).

a. GIFT POLICY

A gift may include, but not limited to, cash or cash equivalents, vouchers, watches, art paintings, souvenir, decorative items, electronic items and etc. The Group adopts a "No Gift" policy. This policy arises to avoid actual and appearance of conflict of interest which may affect the objectivity when making a decision. Accordingly, Directors, employees and their immediate family members shall not solicit, request, or receive gifts from or offer gifts to their business associates and public officials. Nonetheless, there are few exceptions whereby gift-giving and receiving may be allowed in the following situations:

- i. Gifts value not more than RM200;
- ii. Exchange of gifts of equivalent value or as part of a public presentation/ceremony;
- iii. Gift-giving or receiving during official functions, events and celebrations such as door gift, lucky draw gift of not more than RM500; or
- iv. Items bearing a company's logo.

In a situation where a third party insists to offer gifts with value more than RM200 to Directors and employees or the family members of the Directors and employees, the Directors and employees are obligated to record the activity or details relating to gifts in 'Gift Receiving Approval Form' for CEO's and CFO's approval. (Please refer to **Appendix A** on the Gift Receiving Approval Form).

If approval is obtained, the gift must be shared among all employees in the department.

However, if approval is not given, then, the gift must be:

- i. Politely returned with a note of explanation about the Group's Gift Policy; or
- ii. Donate the gift to charity.

b. HOSPITALITY & ENTERTAINMENT

Often, hospitality and entertainment activities provided by the company may include hosting meals, and providing accommodation for customers, business partners and/or government officials. Employees of the Group may also receive hospitality and entertainment benefits from business partners as part of the ordinary course of business.

APPENDIX M

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD.

ANTI-BRIBERY GUIDELINE

As a guide, hospitality and entertainment with value more than RM300 per person should not be provided or received. When providing or receiving hospitality and entertainment treatment of more than the prescribed amount, pre-approval should be obtained with reasons and justifications by both the CEO and CFO. If approval could not be given, the respective heads are obligated to refuse politely with an explanation.

However, this hospitality and entertainment policy does not apply to any travel by employees for operational or business purposes which shall be subject to the procedures and approval for reimbursable expenses.

c. REFERRAL

A referral can be a fee or benefit given to a party as a gratitude for referring a job, project, customer and employee.

C1) Government Officials

The Group has “zero referral fee payment” policy for all government officials and individuals representing any regulatory authorities.

C2) Private Entity

The commercial payment of referral fee to private entities or individuals shall subject to approval by both the CEO and CFO. Upon approval, an agreement must be prepared which clearly discloses the amount of referral fee or commission or benefit to be paid or the methods or approach in deriving such fee, commission and/or benefit. No employees shall request or receive any referral fee, commission or benefit from our business associates on a personal capacity.

Thereafter, all referral fees shall be recorded and documented. A summary of all referral fee, commission or benefit should be compiled for review by the Audit Committee on a periodic basis.

d. FACILITATION

A facilitation payment is a payment made for some actions or process to be made expeditiously to benefit the Group such as during licence or permit application processes. Our Group does not tolerate any form of facilitation payment nor accept facilitation payments directly or indirectly from any person.

In situations where employees are forced to make facilitation payments, employees, Directors, or agents acting on behalf of the company should first try to excuse themselves as best as they could. However, if such payments were provided under force, duress and/or threats, employees, Directors, or agents acting on behalf of the company must subsequently make an immediate report or whistleblow the incident accordingly such that the Company’s management, Board of Directors and/or Audit Committee can take the necessary actions.

APPENDIX M CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. ANTI-BRIBERY GUIDELINE

e. SPONSORSHIP

Sponsorship is an arrangement to support an event or activity by contributing money or benefit in kind as part of the Group's corporate social responsibility. Examples of sponsorship are sponsoring for annual dinners, sport competition, venue, and any other events or activities.

Donations must be documented in the 'Sponsorship and Donation Requisition Form'. (Kindly refer to **Appendix B** for the Sponsorship and Donation Requisition Form). All sponsorship activities must be legitimate. Sponsorship above RM1,000 but below RM10,000 must be approved by both CEO and CFO. Whereas sponsorship above RM10,000 shall be subjected to CEO, CFO and the Board's approval collectively to ensure such sponsorship contributed or received are reasonable and appropriate to safeguard the reputation of the Group from any allegations of bribery. All sponsorship should be compiled and reviewed by the Audit Committee on a periodic basis.

In order to promote transparency, all sponsorship should be recorded, documented and disclosed in the Annual Report. In addition, the Company should also request for a formal documentation or receipt to certify/endorse the sponsorship provided by the Group.

f. DONATION

Donations are contribution in the form of monetary benefits or equivalent, equipment, or other benefits to a fund, charity causes as part of our Group's corporate social responsibilities. All donations made or received should not be used as a camouflage for bribery or used to circumvent bribe or money laundering, or use to disguise illegal payments such as facilitation payments and not funding for illegal and terrorism activities.

Nonetheless, the Group would not make donations or political contributions to any politically-related parties or individuals such as government officials, regulatory bodies, authorities, and any related parties thereof.

Donations must be documented in the 'Sponsorship and Donation Requisition Form'. (Kindly refer to **Appendix B** for the Sponsorship and Donation Requisition Form). Donations above RM1,000 but less than RM10,000 must be pre-approved by both CEO and CFO. Donation above RM10,000 should be approved by CEO, CFO and the Board. If approved, donations received by the recipient should be recorded, documented and disclosed with reasons and amount in the Annual Report for transparency and traceability purposes. If donation received is not approved, the HOD or CEO is obligated to refuse politely with an explanation or re-donate the donation to other charitable courses. All donation should be compiled and reviewed by the Audit Committee on a periodic basis.

APPENDIX M
CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD.
ANTI-BRIBERY GUIDELINE

Appendix A
Gift Receiving Approval Form

Gift Receiving Approval Form

[This form is only applicable for gift above RM200]

Request date:

Contact name:

Contact number:

Email:

Department:

Beneficiary:

Nature of gift:

Gift amount/equivalent amount:

Reasons for receiving gift:

Signature of requestor:

Approved by:

CEO

CFO

APPENDIX M
CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD.
ANTI-BRIBERY GUIDELINE

Appendix B
Sponsorship and Donation Requisition Form

Sponsorship and Donation Requisition Form

Request date:

Contact name:

Contact number:

Email:

Department:

Beneficiary:

Sponsorship/Donation
amount:

Reasons for
Sponsorship/Donation:

Signature of requestor:

Approved by:

CEO

CFO

Board
(Only applicable if amount
is >RM10k)

SOUTHERN ALLIANCE MINING LTD.
Whistleblowing Policy and Procedures

APPENDIX M

CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. WHISTLEBLOWING POLICY AND PROCEDURE

1.0 INTRODUCTION

Southern Alliance Mining Ltd. and its subsidiaries (the “**Group**”) are committed to maintaining and achieving a high standard of compliance with accounting, financial reporting, internal controls, corporate governance and auditing requirements, and any legislation relating thereto to uphold the Group’s corporate integrity and to conduct its affairs responsibly and ethically.

In order to achieve the above, the Board has developed measures, including this whistleblowing policy and procedure (the “**Policy**”). This Policy is meant to guide all employees and stakeholders to report any wrongdoings and improper conduct and to provide protection to them accordingly. In addition, this Policy aims to offer reassurance that employees and external parties will be protected from reprisals or victimisation for whistleblowing in good faith.

This Policy is intended to conform to the guidance set out in the Singapore Code of Corporate Governance as well as other applicable rules and regulations in Malaysia (or where the Group might be operating in), which encourages employees to raise concerns, in confidence, about possible irregularities.

2.0 APPLICATION

This Policy is applied to the reporting of, but not limited to the following:

- Concerns about the Group’s accounting, internal controls or auditing matters;
- Breach of failure to implement or comply with the Group’s policies or code of conduct;
- Impropriety, corruption, acts of fraud, theft and/misuse of the Group’s properties, assets or resources;
- Conduct which is an offence or breach of law;
- Abuse of power or authority;
- Serious conflict of interest without disclosure;
- International provision of incorrect information to public bodies;
- Any other serious improper matters which may cause financial or non-financial loss to the Group, or damage to the Group’s reputation;

APPENDIX M CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. WHISTLEBLOWING POLICY AND PROCEDURE

- Fraud against investors, or the making of fraudulent statements to the Singapore Exchange Securities Trading Limited, members of the investing public and government or state authorities;
- Acts to mislead, deceive, manipulate, coerce or fraudulently influence any internal or external accountant or auditor in connection with the preparation examination, audit or review of any financial statements or records of the Group; and
- Concealing information about any malpractice or misconduct.

The above list is intended to give an indication of the kind of conduct which might be considered as “wrong-doing”. In cases of doubt, the whistleblower should seek to speak to his or her immediate superior or follow the procedure for reporting under this Policy.

This Policy does not override the existing Group Human Resource Grievance Procedure and the Disciplinary Action Procedures. Instead, this Policy aims to provide more avenues for employees and stakeholders to report any improper conduct committed or to be committed. The Group expects the whistleblower to provide his/her concern in good faith and to show to the appropriate officer that there are sufficient grounds for his/her concerns.

3.0 WHISTLEBLOWING CHANNEL

All employees and stakeholders who knows of, or suspects a violation of the Code may report the incidence to the Audit Committee Chairman or the Lead Independent Director by emailing to honestsam@whistleblower.com.my or posting to PO Box #911, L2-08, Level 2, Cheras Leisure Mall, Jalan Manis 6, Taman Segar, 56100 Kuala Lumpur. Employees and stakeholders may use the report form which is appended to this Policy. These channels of reporting are maintained by an independent service provider which is currently our internal auditor, IA Essential Pte. Ltd. to ensure the integrity of the reporting channel.

4.0 WHISTLEBLOWER REPORTING PROCEDURES

The general principles governing this whistleblowing are as follows:–

- The whistleblower may identify himself or herself or remain anonymous when reporting suspected and/or known misconduct and wrongdoings;
- The identity of the whistleblower and all concerns raised would be treated as private and confidential in order to protect the whistleblower from harassment resulting from the reporting. However, the whistleblower may be required to come forward as a witness in accordance with any applicable laws and regulations; and
- The Whistleblower and any persons related or associated with the whistleblower are protected against any detrimental action in reprisal for reporting improper conducts. However, this protection would not be extended to someone who maliciously raises matter he/she knows is untrue. Employees who are found making false, frivolous and/or malicious allegations shall be subjected to disciplinary actions by the Company.

APPENDIX M CORRUPTION PREVENTIVE POLICY AND FRAMEWORK

SOUTHERN ALLIANCE MINING LTD. WHISTLEBLOWING POLICY AND PROCEDURE

5.0 INVESTIGATION AND OUTCOMES

All complaints shall be acknowledged within five (5) working days upon receipt and the Audit Committee will discuss and assess on the action and investigation on the complaints received based on, *inter alia*, the severity of the issue raised, the credibility of the concern or information and likelihood of confirming the concern or information from an attributable source. Upon assessment, the Audit Committee shall decide the appointment of suitable investigator/professional party from within or outside the Group to review each complaint and pursue it to the extent that the information and evidence received allows.

Upon completion of an investigation, the Audit Committee Chairman or the Lead Independent Director shall decide the appropriate actions for:

- a. Informing the whistleblowers the status of the findings;
- b. Initiating disciplinary action against any persons who have committed improper conducts;
- c. Making a police report where the improper conduct constitutes a criminal offence; and
- d. Recommending steps to prevent a similar situation from repeating in the future.

6.0 FURTHER CLARIFICATION

Employees and stakeholders who require clarification on the Policy may contact our representatives in the Corporate Liability Working Group or email his/her queries to honestsam@whistleblower.com.my

7.0 UPDATES AND AMENDMENTS

The Group reserves the right to amend this Policy from time to time.



Southern Alliance Mining Ltd.

(Company Registration No.: 201931423D)

(Incorporated in the Republic of Singapore on 19 September 2019)