



SOUTHERN ALLIANCE MINING LTD.
(Company Registration Number. 201931423D)
(Incorporated in the Republic of Singapore)

- (1) **PROPOSED JOINT VENTURE AND GOLD MINING OPERATION; AND**
 - (2) **PROPOSED DIVERSIFICATION OF THE GROUP'S EXISTING BUSINESS TO INCLUDE THE PROPOSED NEW BUSINESS, BEING THE MINING OF GOLD AND OTHER PRECIOUS METALS, BASE METALS AND MINERALS**
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1. INTRODUCTION

The board of directors ("**Board**") of Southern Alliance Mining Ltd. ("**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has today entered into a joint venture agreement ("**Joint Venture Agreement**") with Duli Yang Maha Mulia Sultan Ibrahim Ibni Almarhum Sultan Iskandar ("**DYMM**" or "**JV Partner**") to establish a joint venture company ("**JV Company**"), for the purposes described below.

In connection with the joint venture, the Company has on 16 July 2021, entered into a mining operator agreement with DYMM ("**Mining Operator Agreement**"), pursuant to which the JV Company shall carry out exploration work for gold and any other mineral or deposits and/or mining activities at the Tenggaroh mine, Johor (the Joint Venture Agreement and the Mining Operator Agreement, collectively, "**Proposed Joint Venture and Gold Mining Operation**").

In view of the current opportunity presented by the Proposed Joint Venture and Gold Mining Operation, the Group proposes to diversify its existing business of selling (i) iron ore concentrate of low level of impurities with total Fe grade of between 62% to 65% to steel mills and trading companies mainly located in Malaysia and China; and (ii) pipe coating materials that are crushed iron ore with a natural characteristic of a higher density for subsea pipes (collectively, the "**Existing Business**") to include the mining of gold and other precious metals, base metals and minerals ("**Proposed New Business**") ("**Proposed Diversification**").

The Company intends to convene an extraordinary general meeting ("**EGM**") to seek approval of the shareholders of the Company ("**Shareholders**") for, *inter alia*, the Proposed Joint Venture and Gold Mining Operation and the Proposed Diversification (collectively, the "**Proposed Resolutions**").

2. PROPOSED JOINT VENTURE AND GOLD MINING OPERATION

2.1. Rationale of the Proposed Joint Venture and Gold Mining Operation

The Malaysian government announced the National Mineral Industry Transformation Plan 2021-2030 (MIT 2021-2030 Plan) earlier this year, which aims to grow the Malaysian mineral industry into a complete value chain for the next 10 years. The Group intends to capitalise on the initiatives under such MIT 2021-2030 Plan, to diversify the Group's source of revenue and boost the financial condition of the Group.

In addition, the Proposed Joint Venture and Gold Mining Operation is in line with the Company's intention to diversify from the Existing Business and expand into the Proposed New Business, as elaborated on in paragraph 3 below. The Proposed Joint Venture and Gold Mining Operation will enable the Group to leverage on the resources of the JV Partner, as well as to reduce risks and burden of the Proposed New Business on the Group.

As such, the Board is of the view that the Proposed Joint Venture and Gold Mining Operation is in the best interests of the Company.

2.2. Application of the Catalist Rules

The Proposed Joint Venture and Gold Mining Operation does not fall within the definition of a “transaction” under Rule 1002(1) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”), given that there is no acquisition or disposal of assets, or provision of financial assistance by the Company. Further, as the JV Partner is an unrelated third party to the Group, the Proposed Joint Venture and Gold Mining Operation does not constitute an interested person transaction.

The Proposed Joint Venture and Gold Mining Operation will not result in a change to the Group’s risk profile given that gold mining presents similar risks to the Existing Business. Further, the price of iron ore is highly volatile, 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. In contrast, the price of gold is comparatively more stable and would present less of a risk to the Group’s revenue and earnings. Notwithstanding that the Group does not have a track record in gold exploration and mining, key members of the Group’s management team have prior experience in a gold mining project in the State of Kelantan, Malaysia. Based on the foregoing, the Board is of the view that the Proposed Joint Venture and Gold Mining Operation will not result in a change to the Group’s risk profile.

In view of the foregoing, the Proposed Joint Venture and Gold Mining Operation does not strictly require Shareholders’ approval under the Catalist Rules.

Notwithstanding the above, as the Proposed Joint Venture and Gold Mining Operation amounts to a new business undertaking by the Group that is different from its Existing Business, for good governance, the Directors propose to seek Shareholders’ approval for the Proposed Joint Venture and Gold Mining Operation at the EGM.

2.3. Information on the JV Partner

The JV Partner is the sovereign ruler of the State of Johor, Malaysia.

The JV Partner is an independent third party and is not related to any of the Directors or controlling shareholders of the Company and their respective associates. As at the date of this announcement, the JV Partner does not have any interest in the shares of the Company.

2.4. Principal Terms of the Joint Venture Agreement

A summary of the principal terms of the Joint Venture Agreement is as follows.

2.4.1. Business of the JV Company

The JV Company shall carry on the business of exploration, mining and processing of gold ore for subsequent sale on the said Lands and other lands owned by DYMM or in respect of which DYMM will be able to apply for exploration and/or mining approvals, and such other businesses as may from time to time be decided by the board of the JV Company.

For the purposes of this announcement, “**said Lands**” shall mean the pieces of land held under:

- (a) H.S.(D) 6881, PT 216 measuring 2,223.724 hectares (5,494.933 acres);
- (b) H.S.(D) 6882, PT 217 measuring 2,126.17 hectares (5,253,872 acres);
- (c) H.S.(D) 6883, PTD 218 measuring 2,245.36 hectares (5,548.406 acres);
- (d) H.S.(D) 6874, PTD 1815 measuring 2,060.384 hectares (5,091.31 acres);
- (e) H.S.(D) 6875, PTD 1816 measuring 2,066.996 hectares (5,107.65 acres); and

- (f) Part of Hutan Gunung Arong measuring 7,045.18 hectares (17,409 acres) (“**Gunung Arong Land**”),

which are all located in Mukim Tenggara, Daerah Mersing, State of Johor Darul Takzim (save for Gunung Arong Land which is located in Mukim Tenglu, Padang Endau dan Penyabong, Daerah Mersing).

2.4.2. Share Capital of the JV Company

Within 14 days from the date of fulfilment of the condition precedent, each party shall subscribe for the following number of shares at the price of RM1.00 per share as fully paid shares, representing such percentage of the total issued share capital of the JV Company as follows:

Shareholder	Number of Existing Shares	Number of New Shares	Shareholding Proportion	Amount of subscription money (RM)
The Company	1	84,999	85%	84,999
DYMM	<i>Nil</i>	15,000	15%	15,000
TOTAL	1	99,000	100%	99,999

2.4.3. Condition Precedent

The obligations of the parties under the Joint Venture Agreement are conditional upon the approval of the Shareholders in a general meeting for (a) the Proposed Joint Venture and Gold Mining Operation; (b) the Proposed Diversification; and (c) the JV Company to enter into the transaction contemplated in the Mining Operation Agreement. In the event that the above condition precedent is not fulfilled within six (6) months from the date of the Joint Venture Agreement, the Joint Venture Agreement shall automatically cease and terminate.

2.4.4. Directors of the JV Company

Each of the parties shall be entitled to appoint such number of directors to the board of the JV Company as set out in the following paragraph or such other number as the parties may mutually agree, provided always that the composition of the board of the JV Company shall at all times proportionately reflect (as nearly as possible) the respective proportionate shareholdings of the parties in the capital of the JV Company.

At the initial stage, the board of the JV Company shall consist of:

- (a) two (2) persons to be appointed by the Company as directors; and
- (b) one (1) person to be appointed by DYMM to act as a director.

2.4.5. Management of the JV Company

The JV Company shall be managed by its board, but the day-to-day administration and/or management of the JV Company may be vested in a chief executive officer/managing director appointed by the board of the JV Company, which shall at all times be responsible and subject to the control of the board of the JV Company.

2.4.6. Sale of Shares to Third Party

Provided that none of the parties shall sell, transfer, pledge, mortgage, charge, or otherwise dispose of the legal or beneficial interests in any of their shares in the JV Company within the Moratorium Period, where a shareholder of the JV Company

desires to sell all (and not some) of its shares, it shall first make an offer to sell its shares to the other shareholder(s) of the JV Company in proportion to their respective shareholding for the time being in the JV Company. In the event any of the other shareholder(s) decline the offer whether in whole or in part, the shares so declined shall then be offered to the other shareholder(s) in proportion to the respective shareholding proportion for the time being in the JV Company between those other shareholder(s). If the offer lapses or is not accepted by the other shareholder(s) within the stipulated period, the selling shareholder shall be at liberty to sell its shares at a price which equals or exceeds the price that it offered to the other shareholder(s).

For the purposes of this section, “**Moratorium Period**” means the period commencing from the date of the Joint Venture Agreement and expiring on the date the JV Company commences the mining operations on the said Lands being the “Commencement Date” as defined in the Mining Operator Agreement.

2.4.7. Pre-emptive Rights

In the event the board proposes to increase the share capital of the JV Company, all shareholders of the JV Company shall have a right of first refusal on any issuance of further shares, securities or other instruments convertible into shares or debt instruments in proportion to their respective shareholding proportion at the time of such offer of further shares and on same terms and conditions.

2.4.8. Finance

If additional funds in the form of loans or credit facilities from third parties are required from time to time by the JV Company as determined by the board of the JV Company, the Company agrees to guarantee such loans without recourse to DYMM to guarantee such loans.

2.5. Principal Terms of the Mining Operator Agreement

A summary of the principal terms of the Mining Operator Agreement is as follows.

2.5.1. Commitment Fee

Upon the execution of the Mining Operator Agreement, the JV Company shall, in consideration of the rights and privileges granted by DYMM to the JV Company under the Mining Operator Agreement, pay to DYMM a one-off non-refundable fee of Ringgit Malaysia Three Million (RM3,000,000.00) only (“**Commitment Fee**”) and free of all deductions subject to the terms and conditions thereunder.

2.5.2. Conditions Precedent

The obligations of the parties under the Mining Operator Agreement are conditional upon:

- (a) the passing of a resolution by the directors and the shareholders of the JV Company, if required by any law or regulation applicable to the JV Company, to, *inter alia*, approve the transaction contemplated by the Mining Operator Agreement; and
- (b) the approval of the Shareholders in a general meeting for the Proposed Joint Venture and Gold Mining Operation and the Proposed Diversification.

2.5.3. Exploration Works

- (a) DYMM shall apply to the State Authority (as defined in defined in the Mineral (Johor) Enactment 2003) for all approvals, consents, permits and/or licences

necessary for the JV Company to undertake and carry out the Exploration Works (as defined below) ("**Exploration Approvals**") with respect to the said Lands.

- (b) With effect from the date that DYMM has been granted the said Exploration Approvals above ("**Effective Date**"), DYMM grants to the JV Company the full and exclusive right to (i) conduct all exploration, prospecting, sampling, surveying and drilling activities, including the construction of the pilot plants on the said Lands for the purpose of the Exploration Works ("**Pilot Plants**"); and (ii) sell the gold and any other mineral or deposits ("**Mineral Resources**") that have been processed and are ready for sales ("**Mineral Ores**") and which were processed from the said Pilot Plants, to the extent permitted in the Exploration Approvals and applicable laws (sub-paragraph (b)(i) and (b)(ii), collectively, "**Exploration Works**") to ascertain the suitability and viability of the said Lands for the purpose of carrying out the mining, excavation and all other form of work concerned with the extraction of Mineral Ores ("**Mining Operations**") in the JV Company's opinion.

2.5.4. Exploration Period

The JV Company shall be entitled to undertake Exploration Works on the said Lands for a period of 24 months from the Effective Date, which shall be subject to an extension of a further 24 months at the option of the JV Company, ("**Exploration Period**") provided that:

- (a) the Mining Operator Agreement is not terminated by the JV Company earlier in accordance with the provisions thereunder; or
- (b) the Exploration Period approved under the Exploration Approvals (including any renewals thereof) has not expired.

2.5.5. Notice to Cease or Proceed

- (a) In the event that the JV Company does not wish to proceed with Mining Operations, the JV Company shall notify DYMM of the same on or before the expiry of the Exploration Period.
- (b) In the event the JV Company decides to undertake Mining Operations on the said Lands (or any part or parts thereof) during or upon completion of the Exploration Works (subject to a more comprehensive drilling program on the said Lands or any part thereof), the JV Company shall notify DYMM of such intention, and DYMM shall (with the assistance of the JV Company) apply for a proprietary mining licence(s) ("**PML**") in DYMM's name for the sole and exclusive benefit of the JV Company.
- (c) Immediately upon the approval and the issuance of the said PML, DYMM shall irrevocably appoint the JV Company on a sole and exclusive basis as the mining operator with sole and exclusive rights, interest, title, benefit and privileges to undertake and conduct Mining Operations in accordance with the terms of the PML.

2.5.6. Tribute

- (a) The JV Company shall pay a tribute to DYMM equal to 30% of the JV Company's annual profit before tax attributable to the Mining Operations ("**PBT**") as determined by the JV Company upon the issue of its annual audited

accounts for each financial year during the Mining Operations Period (“**Financial Year**”), commencing from the Commencement Date (“**Tribute**”).

Further details on the Tribute, including the method of determining the PBT and the Tribute, as well as the payment tranches, will be set out in the circular to be issued to Shareholders in due course (“**Circular**”).

- (b) DYMM will not be entitled to any Tribute and the JV Company shall not be required to pay such Tribute in respect of any Financial Year in which the JV Company has not made any profit or has made a loss from the Mining Operations.

2.5.7. Mining Operations

The JV Company shall carry on such Mining Operations unless prevented from doing so for any reason beyond its control, and shall take all precaution and measures to prevent pilferage of the Mineral Ores, whether by its own personnel or third parties, and it shall in any event during the term of the Mining Operator Agreement be solely responsible for any pilferage thereto.

2.5.8. Future Mining on the Sites Adjoining, Adjacent or Nearby the said Lands

- (a) In the event DYMM applies for and obtains other lands which are adjoining, adjacent or nearby, and within a radius of twenty kilometres (20km) from the borders of, the said Lands (“**Adjacent Areas**”), or if during the course of the Mining Operations, the JV Company is of the view that the Adjacent Areas are suitable for further exploration, the JV Company may request DYMM to apply for exploration or prospecting rights over the Adjacent Areas. Thereafter, the JV Company shall have a first right of refusal to carry out exploration or prospecting activities over the Adjacent Areas. DYMM shall obtain a PML if requested for by the JV Company, and shall grant the JV Company the right to carry out Mining Operations in such Adjacent Areas based on the same terms and conditions of the Mining Operator Agreement.
- (b) Further details of the abovementioned right of first refusal over future mining activities will be set out in the Circular.

2.5.9. Discovery of Other Mineral Resources

In the event minerals or prospects other than the Mineral Resources and/or Mineral Ores which are permitted under the relevant PML are discovered or obtained in or under the said Lands or any part or parts thereof over which a PML has been granted (“**Other Minerals**”) in the course of the Mining Operations, the JV Company shall inform DYMM of the same and may request DYMM to apply for a PML to mine for the Other Minerals. Thereafter, the Mining Operations shall at the request of the JV Company be extended to include the Other Minerals subject to payment of tribute to be mutually agreed between the parties with reference to the then prevailing market rate and practice for similar mining projects.

2.5.10. Indemnity and Specific Performance

- (a) Parties shall be entitled to seek specific performance of the Mining Operator Agreement if any of the warranties or undertakings on the part of the other parties have not in all material respects been carried out or complied with or are otherwise untrue or incorrect in any material respect.
- (b) The JV Company covenants to indemnify and hold harmless DYMM against any claims that may be made against him by third parties for damage to life and/or property that may be attributed to the gross negligence of the JV

Company, its servants and/or agents in the course of carrying out the Exploration Works and/or Mining Operations (as the case may be).

2.6. Source of Funds and Financial Effects of the Proposed Joint Venture and Gold Mining Operation

The Proposed Joint Venture and Gold Mining Operation will be funded primarily through internal funds and/or borrowings from financial institutions. Depending on the outcome of the Exploration Works, additional funding may be required and the Company may, as and when necessary and deemed appropriate, explore secondary fund-raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

As at the date of this announcement, the Proposed Joint Venture and Gold Mining Operation is not expected to have any material impact on the net tangible assets or earnings per share of the Group for the current financial year ending 31 July 2021.

3. PROPOSED DIVERSIFICATION

3.1. Existing Business of the Group

The Group is an established high-grade iron ore producer with a 13-year track record in the exploration, mining, and processing of high-grade iron ore in Malaysia. The Group is currently carrying out the Existing Business, as defined above at paragraph 1.

3.2. Proposed Diversification of the Group's Existing Business

In view of the current opportunity presented by the Proposed Joint Venture and Gold Mining Operation (as disclosed in paragraph 2 above) and with the overall goal of enhancing shareholder value and providing Shareholders with diversified returns and long-term growth, subject to Shareholders' approval being obtained at the EGM, the Group intends to extend its core business to include the Proposed New Business. Precious metals include, among others, gold and silver, and base metals and minerals include, among others, copper, cobalt, zinc, nickel and ferroalloys. The Proposed Diversification will change the existing business scope and risk profile of the Company and/or the Group. Accordingly, the Company is seeking Shareholders' approval for the Proposed Diversification.

The Group does not plan to restrict the Proposed New Business to any specific geographical market as each investment will be evaluated and assessed by the Board on its merits. Nevertheless, as at the date of this announcement, the Group's plans in relation to the Proposed New Business are primarily within Malaysia. The Group may, as part of the Proposed New Business, invest in or dispose of shares or interests in any entity that is in the Proposed New Business. The Group may also explore joint ventures, partnerships, cooperation and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the Proposed New Business as and when the opportunity arises.

The decision on whether an investment should be undertaken by the Group on its own or in collaboration with third parties will be made by the Board after taking into consideration various factors, such as the nature and scale of the respective business, amount of investment required and risks associated with such an investment, nature of expertise required and economic conditions, taking into account the opportunities available.

As at the date of this announcement, save in respect of the Proposed Joint Venture and Gold Mining Operation, the Group has not committed to any specific business opportunity or investment under the Proposed New Business.

3.3. Rationale for the Proposed Diversification

3.3.1. Additional and Recurrent Revenue Streams

The Directors believe that the Proposed Diversification will allow the Group to have better prospects of achieving profitability and ensure longer-term growth. Key members of the Company's senior management and in-house technical team have the relevant experience, and the Company aims to leverage on the knowledge and capabilities of its key management team to diversify and expand its product suite, allowing the Group access to cash flow streams from more business opportunities.

3.3.2. Reduce Reliance on the Existing Business

The Proposed Diversification would facilitate the Company's aim to reduce its reliance on the Existing Business and achieve the right commodity mix to enhance its overall asset portfolio and meet the needs of the key demand markets. As noted in paragraph 2.2 above, the price of iron ore is highly volatile and subject to rapid fluctuations. The Proposed New Business would allow the Group to diversify into the mining and exploration of other commodities which may present a more stable growth prospect.

3.3.3. Enhance Shareholders' Value

The Proposed Diversification is part of the corporate strategy of the Group to provide Shareholders with diversified returns and long-term growth. It may provide the Group with additional funds, which can be channelled towards the enhancement of shareholder value over the long-term. Additionally, the Board believes that the Proposed Diversification can offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value for the Company.

3.4. Application of Chapter 10 of the Catalist Rules

Upon the approval by Shareholders of the Proposed Diversification, any acquisition or disposal which is in or in connection with, the Proposed New Business, may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "transaction" under Chapter 10 of the Catalist Rules. Accordingly, the Group may possibly, in its ordinary course of business, enter into transactions relating to the Proposed New Business which do not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek for Shareholders' approval as and when such potential transactions arise (unless it involves a very substantial acquisition or reverse takeover).

In accordance with the SGX-ST's recommended practice in relation to diversification of business, if an issuer has not operated in the new business space and did not provide sufficient information about the new business at the time when it is seeking shareholders' approval for the diversification mandate, where the issuer enters into the first major transaction involving the new business (the "**First Major Transaction**"), or where any of the figures computed based on Rule 1006 of the Catalist Rules in respect of several transactions involving the new business aggregated (the "**Aggregated Transactions**") over the course of a financial year exceeds 75%, such First Major Transaction or the last of the Aggregated Transactions will also be made conditional upon Shareholders' approval.

3.5. Financial Effects of the Proposed Diversification

The Proposed New Business, being at an early stage of development, taking into consideration the Proposed Joint Venture and Gold Mining Operation, is not expected to have a significant

impact on the Group's net tangible assets per share and earnings per share for the financial year ending 30 July 2021.

The Company will make the necessary announcements as and when appropriate, in the event the Group enters into any affirmative and/or binding transactions or if there are any developments in relation to the Proposed Diversification and/or the Proposed New Business that may have a material impact on the Group.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Other than through their respective shareholdings in the Company, none of the Directors or Substantial Shareholders (as defined in Section 81 of the Companies Act (Chapter 50) of Singapore) has any interest, direct or indirect, in the Proposed Resolutions.

5. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

The Circular containing, *inter alia*, the notice of the EGM and the details of the Proposed Joint Venture and Gold Mining Operation as well as the Proposed Diversification will be issued to Shareholders in due course.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Resolutions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, 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 this announcement in its proper form and context.

7. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution when dealing in the shares of the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Joint Venture and Gold Mining Operation and the Proposed Diversification will be completed. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

8. FURTHER ANNOUNCEMENTS

The Company will keep Shareholders informed of any further development on the Proposed Joint Venture and Gold Mining Operation and the Proposed Diversification by way of further announcement(s) as and when necessary in accordance with the Catalist Rules.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Joint Venture Agreement and Mining Operator Agreement will be available for inspection at the office of the Company's registered office at 80 Robinson Road #02-00 Singapore 068898 during normal business hours with prior appointment from the date hereof up to and including the date of the EGM.

Due to the mandatory safe distancing measures issued by the Singapore Ministry of Health in relation to the COVID-19 outbreak, please contact the Company at +65 6236 3333 prior to making any visits to arrange for a suitable time slot for the inspection.

BY ORDER OF THE BOARD

Dato' Sri Pek Kok Sam
Executive Director and Chief Executive Officer
16 July 2021

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

This announcement has been reviewed by the Company’s Sponsor. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

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