

SOUTHERN ALLIANCE MINING LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201931423D)

UPDATE ON THE USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING AND DISCLOSURE PURSUANT TO RULES 705(6) AND 705(7) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") LISTING MANUAL SECTION B: RULES OF CATALIST (THE "CATALIST RULES")

The board of directors (the "**Board**") of Southern Alliance Mining Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcements on 9 September 2020, 19 October 2020, 11 November 2020, 22 January 2021, 11 June 2021 and 13 December 2021 in relation to the use of the net proceeds from its initial public offering ("**IPO**"), its financial results announcements on 25 September 2020 for the full year ended 31 July 2020, 13 March 2021 for the half year ended 31 January 2021, 24 September 2021 for the full year ended 31 July 2021 and 16 March 2022 for the half year ended 31 January 2022, and the Group's annual report for the financial year ended 31 July 2021 published on 3 November 2021 (collectively the "**Announcements**").

Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meanings as defined in the Announcements.

The Board wishes to provide an update on the use of the IPO Net Proceeds as at the date of this announcement, as follows:

Use of IPO Net Proceeds	Amount re-allocated on 22 January 2021	Amount utilised (Per the Announcements)	Amount further utilised as at the date of this announcement	Balance as at the date of this announcement
	(\$\$'000)	(\$\$'000)	(\$\$'000)	(\$\$'000)
Further exploration activities	4,000	(1,873)	(467) ⁽¹⁾	1,660
Investment into mining equipment and infrastructure	3,000	(3,000)	-	-
Acquisitions, joint ventures, strategic alliances and/or development of new mines	1,000	(60)	-	940
General working capital purposes	3,937	(1,574)	(134) ⁽²⁾	2,229
Total	11,937	(6,507)	(601)	4,829

Notes:

- (1) RM1,481,969, which is equivalent to S\$466,820 based on the exchange rate of RM100.00:S\$31.50 as at 13 June 2022 published by the Monetary Authority of Singapore, was utilised for the payment to the contractor undertaking exploration activities to carry out the Group's drilling program at our Chaah Mine and Tenggaroh Mine.
- (2) S\$134,000 was utilised as working capital of the Company to pay its ongoing professional expenses, payroll, director related expenses and bank charges.

The use of the IPO Net Proceeds is in accordance with the intended use as disclosed in the Offer Document dated 16 June 2020. The Company will continue to make periodic announcements via SGXNet on the utilisation of the balance of the IPO Net Proceeds as and when such proceeds are materially disbursed. The Company will also provide a status report on the use of the IPO Net Proceeds in its annual report(s) and financial results announcement(s).

Use of funds/cash by mineral, oil and gas companies pursuant to Rule 705(6)(a) of the Catalyst Rules

Pursuant to Rules 705(6) and 705(7) of the Catalyst Rules, the Board wishes to announce the following for the third quarter ended 30 April 2022 (“**3Q FY2022**”).

For the purpose of this section, the Group's disclosure is on exploration cost (excluding depreciation) and the ex-mining cost (costs that are directly attributable to the mining activities excluding amortisation and depreciation as well as sales and related cost and cost related to the land).

(i) Use of funds/cash for 3Q FY2022:-

Activities	3Q FY2022		
	Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	3,000	1,067	(1,933)
Mining related expenditure (excluding capital expenditure)	31,000	19,835	(11,165)
Total	34,000	20,902	(13,098)

The exploration program at the Chaah Mine is a long term program which is undertaken to establish an extension of the existing iron ore body. The currently drilling activity is to identify the **immediate extension** to the existing ore body. During the period, the focus of the immediate exploration is on the southern part of the pit.

During the period, our Group has also commenced exploration activities at Tenggaroh Prospect which covers geological mapping as well as samples collection.

There was an unutilised budget in relation to the mine exploration and evaluation activities of approximately RM1.9 million. This is because our Group has achieved the preliminary objective of discovering immediate extension of ore body with lesser number of drill holes as previously planned for the Chaah Mine. Another contributing factor was due to our Group's decision to temporarily halt the drilling program for Mao'kil prospect pending the result from the evaluation by our geologist and mining engineer on the earlier drilling results.

The under-utilisation of the budget for mining related activities was mainly attributable to the effect of the monsoon season which had slowed down the mining activities.

(ii) Projection on the use of funds/cash for the next immediate quarter, including material assumptions: -

Activities	Projection for 4Q FY2022 RM'000
a. Mine exploration and evaluation	3,000
b. Mining related expenditure (excluding capital expenditure)	31,000
Total	34,000

While our Group may have slowed down the extension drilling for the identification of the immediate ore body activities at Chaah Mine, as our geologists are currently interpreting the drilling results and updating the ore model, our Group has decided to embark on Phase Two Extension Drilling Program to investigate three (3) geo-physic anomalies areas as explained in

the **Exploration Activities section** below. The results from these drill holes will guide our future drilling activities. Our Group is also expected to increase the pace of the exploration for the Tenggaroh Prospect.

In order to prudently manage our Group's cash flow, we have decided to stick to the allocation of RM3 million per quarter for the projection of mine exploration and evaluation activities for the time being. Our Group will re-evaluate the budget allocation depending on our Group's cash flow as well as the results from the drilling program at the Chaah Mine and Tenggaroh Prospect.

The projection of mining related expenditure for the fourth quarter ending 31 July 2022 ("**4Q FY2022**") is based on the assumption that there are no material changes to the cost structure, save for the fuel cost which has increased substantially due to the turmoil in Ukraine as accounted for in 3Q FY2022 projections and the intensity of the pre-planned mining work based on the present enlarged mine fleet capacity without taking into consideration the weather factor.

Rule 705(7) of the Catalyst Rules

Details of exploration (including geophysical surveys), development and/or production activities undertaken by the issuer and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.

Exploration Activities

The Group continues with the planned drilling programs during 3Q FY2022. It involves focusing on the exploration activities at the Chaah Mine and the Tenggaroh Prospect as highlighted in Figure 1 below.

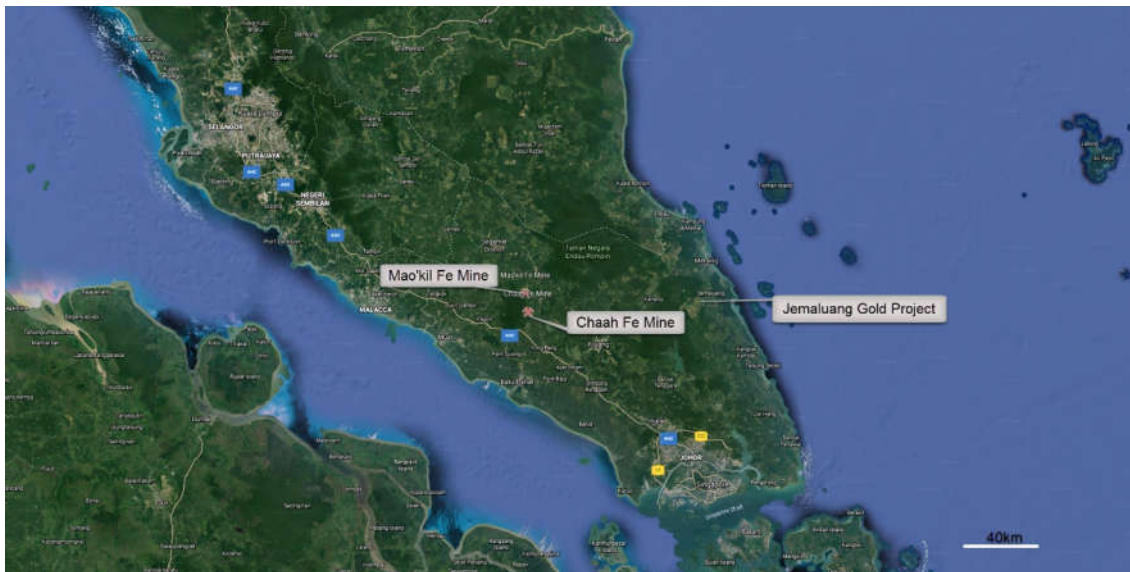


Figure 1: Chaah, Mao'kil & Tenggaroh projects, general location map. Source: Google Earth

(i) ML 9/2014 (Chaah Mine)

Geophysics

Prior to the Group's initial public offering, our subsidiary company had conducted an induced polarization (IP) resistivity study covering an area of 1.97 km². The results of the study are shown in Figure 2 below.

There appears to be a strong correlation with the IP (chargeability) and recent drilling results, providing confidence for the proposed exploration holes to test the 3 discrete anomalies (areas of interest) outlined in the northern extension of the deposit.

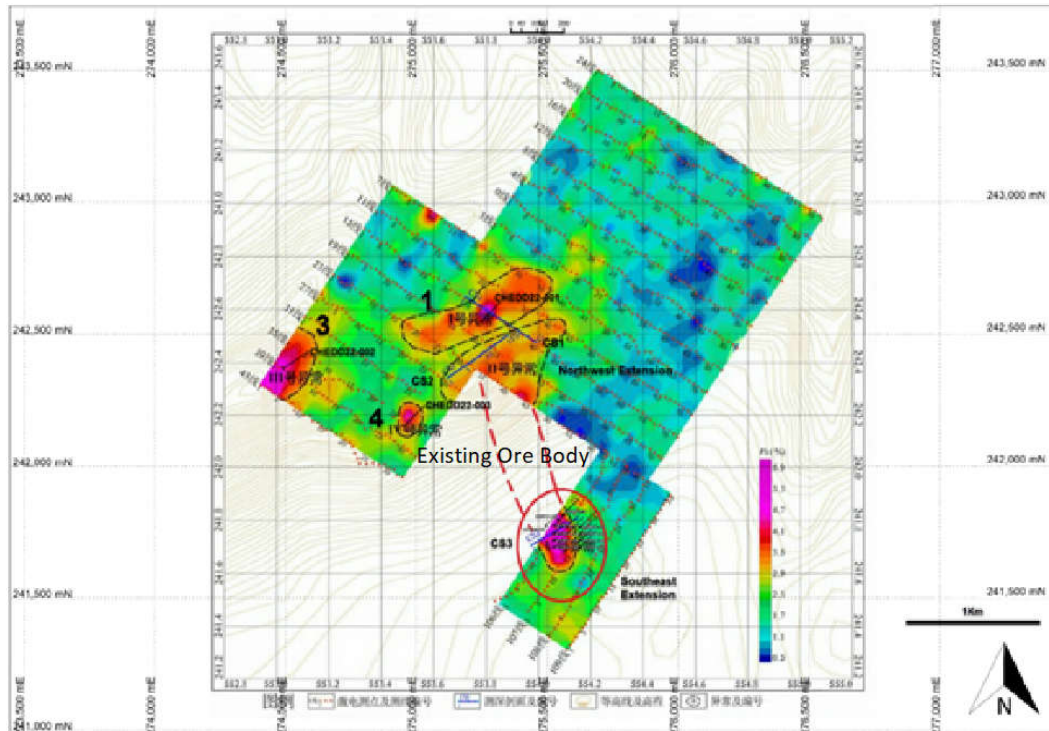


Figure 2: Areas of interest from the geophisic study and the proposed testing drill holes to confirm the anomalies from the geophisic study

Drillings

During the reporting period, the focus of Chaah Mine surface resource drilling was on the Southern Extension Zone (SEZ) where further intersections of hematite mineralisation have outlined what appears to be a continuous extension to the mineralisation. We maintain our drilling program which involves a combination of reverse circulation (RC) precollars with diamond drilling of tail holes in NQ (50.6mm Ø). A total of twelve (12) holes were drilled during the period with a total length of 2,340.10 meters, of which two (2) holes were abandoned due to the poor ground condition.

In accordance with our Group's procedures, we only send mineralised samples to independent laboratory for test. A total of 97 mineralised samples were sent to the independent laboratory for testing during the period. As of to date, the Group has received the results of all samples sent.

The results from the drilling programs and laboratory analysis suggested potential extension to the north west and south east of the mine pit which are depicted in Figure 3 below.

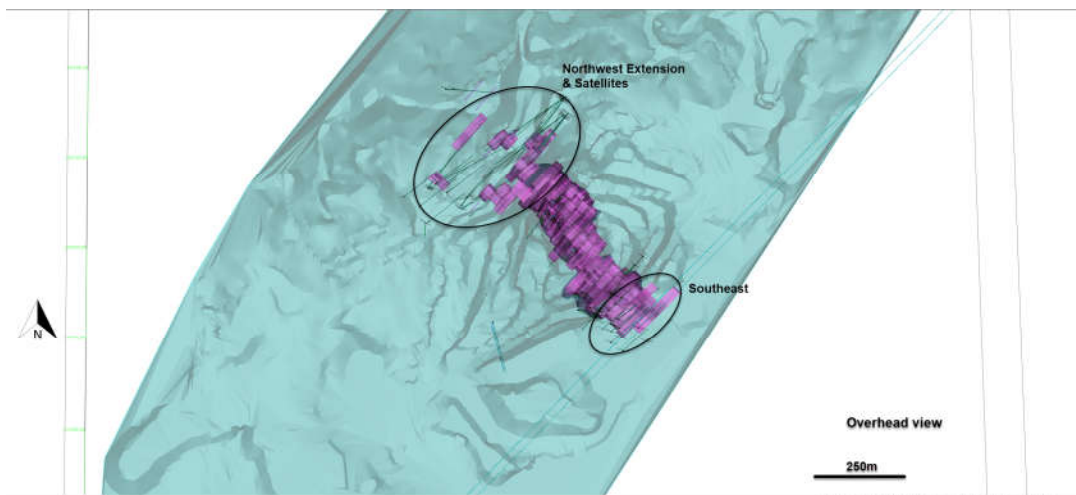


Figure 3: The identified potential mineralisation: North west zone and south east zone

Based on the above results coupled with the geophysics study, a 3-hole program has been designed to test 3 chargeability anomalies outlined by a ground survey conducted by China Nonferrous Metal (Guilin) Geology and Mining Co., Ltd. in 2019 which identified 4 anomalies, one is the current northern extension, and the other three are situated in areas of interest as depicted in Figure 2 above. There is currently a sparsity of data in 2 of the 3 areas, in which our geologists have proposed collar locations as presented in Table 1. These targets will be diamond drill tested to maximise the geological information in these areas. One anomaly is situated directly west of some earlier anomalous RC precollar results related to holes exploring away from Target Area 4 in Figure 2. The shallow nature of this anomaly requires careful review as there is a known hanging wall splay of hematite mineralisation exposed in the northern pit wall trending towards this general area.

Hole-ID	Easting (WGS84)	Northing (WGS84)	RL (Estimated)	Length	Azimuth	Dip	Comments
CHEDD22-001	275325	242625	114	250	225	-50	Anomaly 1, Elevation from DEM
CHEDD22-002	274600	242450	100	250	235	-50	Anomaly 3, No DEM Coverage
CHEDD22-003	275025	242225	197	250	225	-50	Anomaly 4, Elevation from DEM

Table 1: Proposed IP-Resistivity exploration diamond drillholes situated on the northern and northwest extension of the Chaah mineralisation

On the southern end of the Chaah deposit, additional drilling of the extension zone will focus on the eastern and western lateral extent off the main ore zone. Drilling on the southern zone has indicated a probable plumbing of the mineralisation at shallow depth.

With the available information, the Group is currently updating our resources model and subsequently our reserves reporting. The Group will make a separate announcement on the SGXNet once the new estimate of Mineral Resource and Reserves are available.

(ii) ML 1/2018 and ML 1/2021 (Mao'kil Prospect)

During 3Q FY2022, the Group temporary halted the drilling program for ML 1/2018 as our geologists and mining engineer are evaluating the drilling results accumulated till 30 April 2022 and modelling the mine pit design to evaluate the economic viability of mining activities. Exploration activities on the adjacent mining lease area under ML 1/2021 have not commenced.

The Group will make a separate announcement on the SGXNet once the new estimate of Mineral Resource is available.

(iii) ML 1/2019 (Chaah Baru Prospect)

No drilling activities were undertaken during this period as the Group is focusing on the exploration of our Chaah Mine and Tenggaroh Prospect during the period.

(iv) ML 2/2019 (Kota Tinggi Prospect)

No drilling activities were undertaken during this period as the Group is focusing on the exploration of our Chaah Mine and Tenggaroh Prospect during the period.

(v) EL 1/2022 (Tenggaroh Prospect)

On the 26 January 2022, the Group announced the procurement of Exploration Approval from Johor State Authority to carry out Exploration Works on the Tenggaroh Prospect. With the said approval, our Group proceeded to establish a field office and accommodation in the township of Jemaluang and completed retrofitting a former storage shed used for charcoal production to a sample preparation and secured storage facility, as shown in Figure 4 below. This will allow onsite sample preparation of all rock samples and produce shipping ready 100-200g samples pulp. Commissioning of the sample preparation area will be completed by end of June.



Figure 4: Sample preparation and secured storage facility

During the reporting period, the Group had carried out quartz vein sampling program covering the North-East section of block PTD-217 as shown in Figure 5 below. To date, over 370 samples have been taken from selected quartz veins to establish direction and strike of the mineralized system and for assaying for gold.



Figure 5: Composite Channel Sampling Across Quartz Veins

Mining Activities

Mining activities include mine production and development which involves construction of access road, removal of overburden and extraction of ore. During 3Q FY2022, we have focused our stripping activities on the southern part of our Chaah Mine pit, which has shallower overburden. Our production records documented that mining operations excavated approximately 0.14 million tonnes (cumulative for nine months ended 30 April 2022: 0.4 million tonnes) of ore from our Chaah mine with 2.25 million tonnes (cumulative for nine months ended 30 April 2022: 6.2 million tonnes) of waste removed, representing a stripping ratio of 16 times for the reporting period (15.5 times for the nine months period ended 30 April 2022).

No mining activities were carried out for the Mao'kil, Chaah Baru, Kota Tinggi Mines and Tenggaroh Prospect in 3Q FY2022.

Negative confirmation by the Board pursuant to Rule 705(6)(b)

The Board hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the above information provided false or misleading in any material aspect.

BY ORDER OF THE BOARD

Dato' Sri Pek Kok Sam
Executive Director and Chief Executive Officer
13 June 2022

*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 Mr Shervyn Essex, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.