SOUTHERN ALLIANCE MINING LTD.

SEPTEMBER 2022

KEY
HIGHLIGHTS

Key Investor Takeaways
Investing into the future with strategic diversification and expansion

Supportive macroeconomic prospects for iron ore and gold

- Strong demand support from China due to **heavy infrastructure investments** by the government to revive the economy.
- Iron Ore prices are expected to increase due to stronger demand from major economies.
- **Gold's resilience has historically remained high under recessionary pressure** and is expected to outperform most other commodities.

Expansion, diversification and optimization strategy

- Overburden stripping activities has **more than doubled the Group's iron ore resources from 6.3Mt as of 31 July 2021 to 15.7Mt as of 31 July 2022.**
- An extensive exploration plan for **gold mining at the Tenggaroh Mine** is underway.
- **A new centralised 550-600 TPH crushing facility** is being commissioned to improve efficiency of our mining operations

Investing today to generate sustainable earnings for the future

- FY2022 Group revenue amounted to RM178.7 million (vs. RM387.4 million in FY2021)
- The **drop in revenue is due to higher investment in overburden stripping** in the southern extension of the Chaah Mine, in line with the stripping schedule.
- **Strong net asset position** of RM358.2 million to support future growth.

CORPORATE OVERVIEW

Dominant high grade iron ore producer in Malaysia

Company Overview
Incorporated in 2001, we have grown to a S$317.7m[1] iron ore mining company

At a Glance

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

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

6.9
million tonnes

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

Life-of-mine stripping ratio vs actual stripping ratio

Million Tonnes

Stripping Ratio

Life-of-mine stripping ratio

	FY 2021	FY 2022
Waste removed	6.85	7.23
Ore extracted	1.06	0.89
Stripping ratio	6.46	8.11

6.78

- ■ **Waste removed ('Million Tonne)**
- ■ **Ore extracted ('Million Tonne)**
- — **Stripping ratio (Waste removed:Ore extracted)**
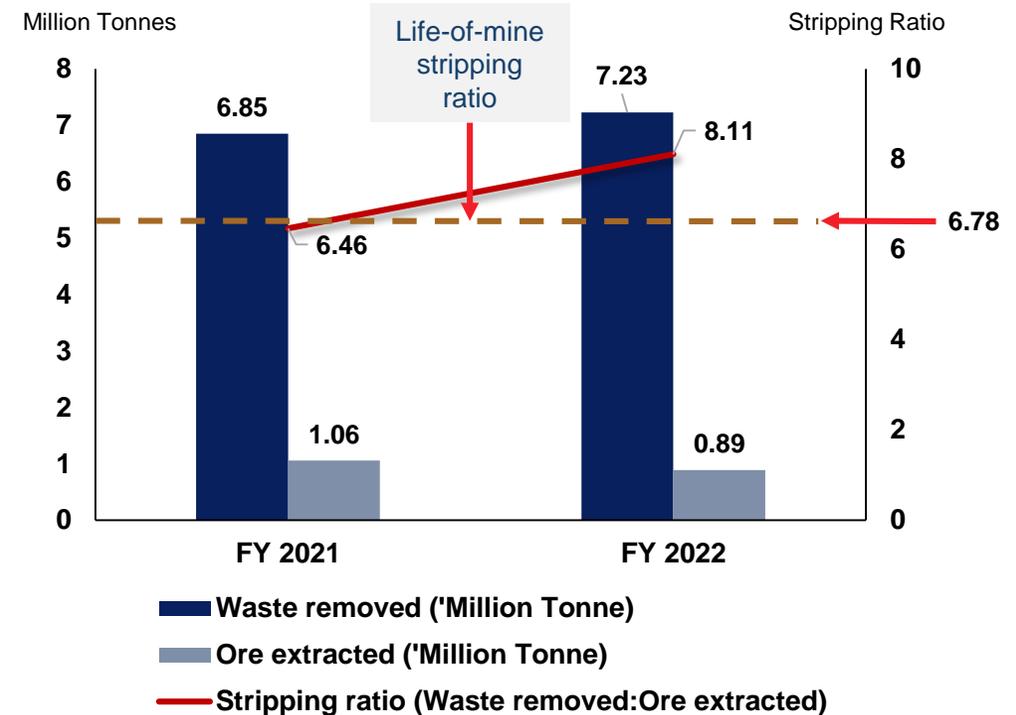
Notes:
1. Market cap as of 22 Sep 2022

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

Incorporation of subsidiary, Honest Sam Development Sdn Bhd

Diversified our product portfolio to include iron ore concentrate, in addition to pipe coating material

Contractor **upgraded their plant** to produce high-grade iron ore concentrate

On 26 June 2020, **Southern Alliance Mining Ltd. listed on the Catalist board** of SGX-ST

+150-metre strike southern extension to the main ore zone; Commissioning of **new crushing facility**

2001

2013

2016

2020

2022

2008

2014

2019

2021

Obtained the right to become the **mining operator of the Chaah Mine**

Appointed contractor for processing left over iron ore and our **first beneficiation plant was completed**

Onboarded Alliance Steel (M) Sdn. Bhd. as our customer

Entered into a Joint Venture to **explore gold mining operations**

Iron Ore and Gold Mining Assets
Long-term mining leases allow us to expand our exploration activities

Operating Open Pit Mine

Chaah Mine

Mining lease expiry date
22 March 2024

Area
225.7 hectares

Exploration Projects

Mao'kil Mine

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

Area
22.3 hectares | **159.8** hectares

Exploration Projects

Chaah Baru

Mining lease expiry date
29 January 2024

Area
19.4 hectares

Exploration Projects

Kota Tinggi

Mining lease expiry date
3 July 2024

Area
79.2 hectares

Exploration Project (Gold)

Tenggaroh Mine, Mersing

Exploration license expiry date
26 January 2024

Area
17,767.8 hectares

JOHOR

CHAAH MINE

Overview

The Open Pit at Chaah Mine

Key Terminologies

A. Mineral Resources:

1. A "Mineral Resource" is a **concentration** or **occurrence** of **solid material of economic interest** in or on the Earth's crust in such **form**, **grade (or quality)**, and **quantity** that are **reasonable prospects for eventual economic extraction**.

2. The **location**, **quantity**, **grade (or quality)**, **continuity** and **other geological characteristics** of a Mineral Resource **are known**, **estimated** or **interpreted** from **specific geological evidence and knowledge, including:**
   - Sampling data of a type and at spacing appropriate to the geological, chemical, physical and mineralogical complexity of mineral occurrence

3. A Mineral Resource **cannot be estimated** in the absence of sampling information.

4. Mineral Resources are sub-divided, in order of increasing **geological confidence**, into, **Inferred**, **Indicated** and **Measured** categories.

5. **All** reports of Mineral Resources **must satisfy the requirement** that there are **reasonable prospects for eventual economic extraction** (ie more likely than not), regardless of the classification of the resource.

6. An 'Inferred Mineral Resource' is that part of Mineral Resource for which **quantity and grade (or quality)** are estimated on the basis of **limited geological evidence and sampling**. Geological evidence is **sufficient to imply** but **not verify geological and grade (or quality) continuity** and must **not be converted to an Ore Reserve**.

7. An 'Indicated Mineral Resource' is that part of a Mineral Resource for which **quantity, grade (or quality), densities, shape and physical characteristics** are estimated with **sufficient confidence** to **allow the application of Modifying Factors in sufficient detail** to **support mine planning and evaluation of the economic viability of the deposit**.

8. A 'Measured Mineral Resource' is that part of a Mineral Resource for which **quantity, grade (or quality), densities, shape, and physical characteristics** are estimated with **confidence** sufficient to **allow the application of Modifying Factors** to **support detailed mine planning and final evaluation of the economic viability of the deposit.**

Definitions are as per JORC Code 2012 Edition

Key Terminologies

B. Ore Reserves:

1. An 'Ore Reserve' is the **economically mineable part of a Measured and/or Indicated Mineral Resource**. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at **Pre-Feasibility or Feasibility** level as appropriate that **include application of Modifying Factors**.

2. A 'Probable Ore Reserve' is the **economically mineable part of an Indicated**, and **in some circumstances, a Measured Mineral Resource**. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.

3. A 'Proved Ore Reserve' is the **economically mineable part of a Measured Mineral Resource**. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.
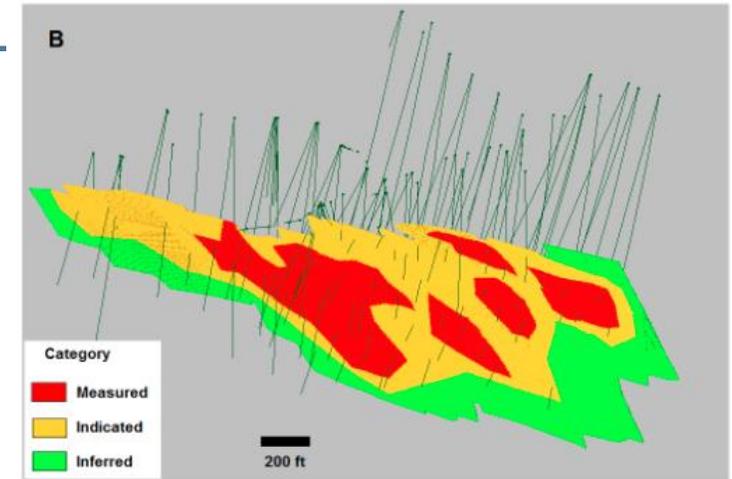
Example of the distribution of resources as the result of drilling programs
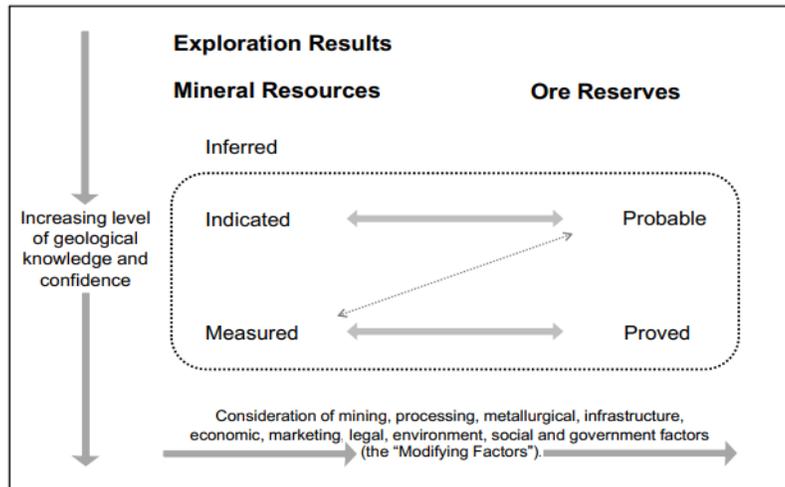
C. Modifying Factors:

'Modifying Factors' are considerations used to convert Indicated and Measured Mineral Resources to Ore Reserves. These include, but are not restricted to:
- mining,
- processing,
- metallurgical,
- infrastructure,
- economic,
- marketing,
- legal,
- environmental, social and governmental factors.

Definitions are as per JORC Code 2012 Edition

Reported Reserves & Valuation
Iron ore resources have more than doubled as at 31 July 2022

Total Iron Ore Mineral Resources as at 31 July 2022

Category	Million Tonne	Grade (%)				Change in tonne (%)
		Fe	SiO$_2$	Al$_2$O$_3$	P$_2$O$_5$	
Gross attributable to license and net attributable to issuer						
Measured (in situ)	-	-	-	-	-	-
Indicated (in situ)	9.3	50.3	18.3	2.7	1.6	107%
Inferred (in situ)	6.4	48.0	22.5	2.4	0.9	256%
Subtotal (in situ)	15.7	49.4	20.0	2.6	1.3	149%
Measured (stockpiles)	-	-	-	-	-	-
Indicated (stockpiles)	0.17	56.2	-	-	-	10%
Inferred (stockpiles)	-	-	-	-	-	-
Subtotal (stockpiles)	0.17	56.2	-	-	-	10%
Total	15.9	49.5	-	-	-	148%

Notes:
1. In situ resources reported at a cut-off criterion of 30% Fe
2. Mineral Resources are inclusive of Ore Reserves
3. Totals may not add due to rounding effects
4. Changes are shown comparing Mineral Resources from July 2021 to July 2022

Total Iron Ore Reserves as at 31 July 2022

| Category	Million Tonne	Grade (%)				Change in tonne (%)
		Fe	SiO$_2$	Al$_2$O$_3$	P$_2$O$_5$	
Gross attributable to license and net attributable to issuer						
Proved (ROM)	-	-	-	-	-	-
Probable (ROM)	3.74	49.6	16.7	2.0	1.8	-13%
Subtotal (ROM)	3.74	49.6	16.7	2.0	1.8	-13%
Proved (stockpiles)	-	-	-	-	-	-
Probable (stockpiles)	0.17	56.2	-	-	-	70%
Subtotal (stockpiles)	0.17	56.2	-	-	-	70%
Total	3.91	49.9	-	-	-	-11%

Notes:
1. ROM reserves and stockpiles reported at a cut-off criterion of 30% Fe
2. Totals may not add due to rounding effects
3. Proven and probable results are based on the depletion of the 2021 Reserve tabulation (Derisk Report)
4. Depletion based on volume of material mined between July 21 and July 22 per current survey data
5. Reserves are constrained to the 2019 final pit design as provided to Datgeo

Our iron ore resources have more than doubled due to the southern extension zone, indicating a potentially large increase in iron ore reserves going forward.

Reliable Resource Models
## Our resource estimates are reliable & have translated to actual monetary results
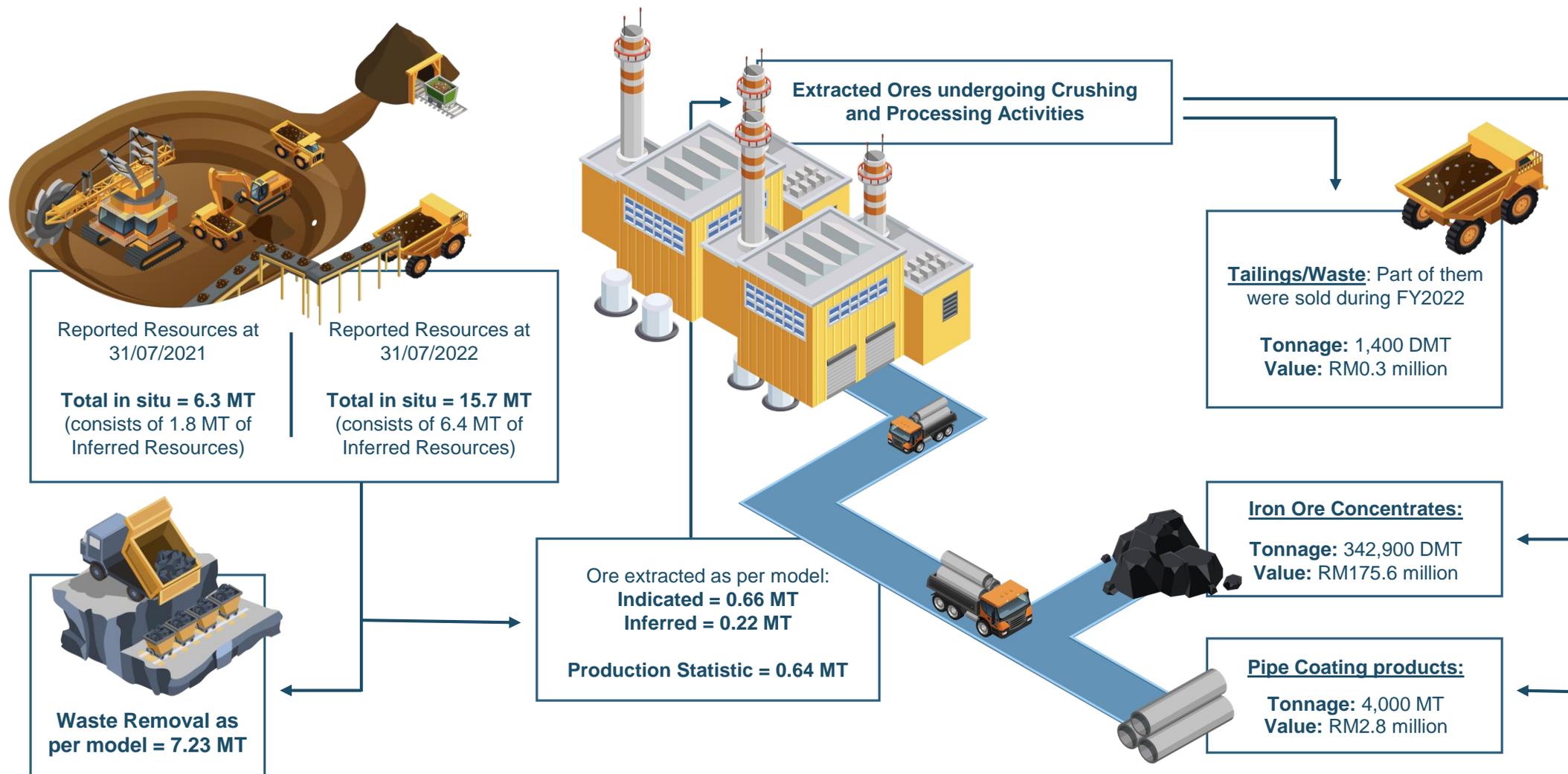
Extracted Ores undergoing Crushing and Processing Activities

Reported Resources at 31/07/2021

Total in situ = 6.3 MT (consists of 1.8 MT of Inferred Resources)

Reported Resources at 31/07/2022

Total in situ = 15.7 MT (consists of 6.4 MT of Inferred Resources)

Ore extracted as per model:
Indicated = 0.66 MT
Inferred = 0.22 MT

Production Statistic = 0.64 MT

Waste Removal as per model = 7.23 MT

Tailings/Waste: Part of them were sold during FY2022

Tonnage: 1,400 DMT
Value: RM0.3 million

Iron Ore Concentrates:

Tonnage: 342,900 DMT
Value: RM175.6 million

Pipe Coating products:

Tonnage: 4,000 MT
Value: RM2.8 million

STRATEGY AND OUTLOOK

Strategic Growth Plans
Investment in overburden stripping more than doubled iron ore resources

Extension to Existing Iron Ore Body at the Chaah Mine

southern extension exploration

western extension zone

main ore zone

Expected Stripping Ratio as per the IQPR Report

Mt / Ratio chart for Yr 1 – Yr 7

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7
Mining (Ore + Mineralised Waste)		1.1	0.1	1	1.4	2.1	1
Strip Ratio	0	6.8	88	7.4	5.2	3.2	0.8

Life-of-mine stripping ratio

■ **Mining (Ore + Mineralised Waste)** —— **Strip Ratio**
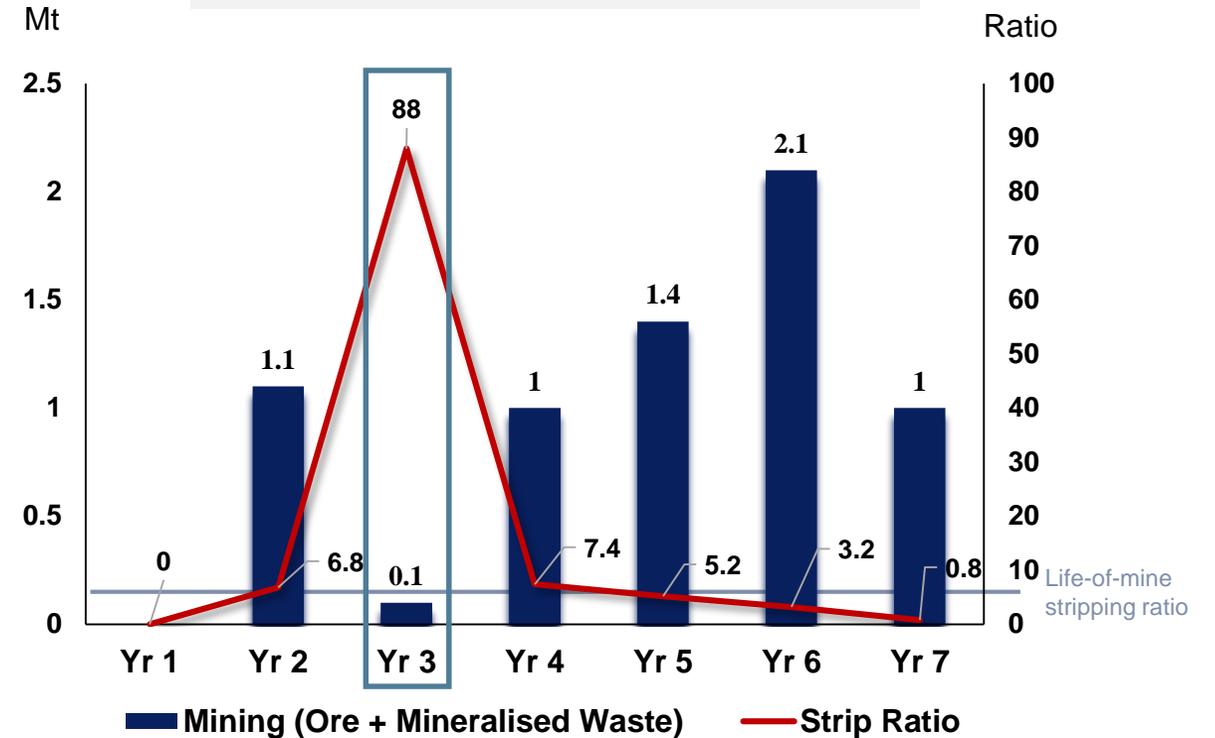
The higher investment in overburden stripping has not only **outlined a +150m strike extension to the southern zone** but has allowed the Group to **gain access to future resources**. As per the IQPR report dated 28 September 2022, the **Group's iron ore resources have increased to 15.7Mt, more than double compared to FY2021**. Furthermore, the Group is also considering various mining techniques for the northern extension zone.

Strategic Growth Plans
Optimization and investment into other metals to generate sustainable earnings

New 550-600 tonne per hour (TPH) crushing facility

Narrowed down exploration activities at gold mine to key mineable areas

In FY2022, the Group commenced the **construction of a new crushing facility** linked directly to the ball mill in order to **centralise the entire processing operation**. This is **expected to generate reach higher economies of scale and improvement in efficiency**.

In early 2022, the Group got the **official approval for exploration work at the Tenggaroh Gold Mine**. The Group has now been able to **narrow down into the key mineable areas** through extensive sampling, mapping, and exploration. Such **diversification efforts** are to reduce the Group's sensitivity to a single commodity.

Iron Ore Price Trend
Prices are expected to rebound in the medium-term owing to stronger demand

Price (US$/t)

Iron ore prices fell due to the Chinese government's tightening of steel output and the closure of a key port terminal

Strong demand momentum from China coupled with supply disruptions from Brazil due to Covid-19

Fed rate hikes targeted at reducing inflation and control price increases

Widespread stimulus packages targeted at infrastructure development buoy commodity prices

Prices rebounded driven by infrastructure-related funds and increased demand from China

98.83

Source: Market Insider: Iron Ore Price

Market Enablers for Iron Ore
Cautiously optimistic macroeconomic conditions for iron ore

Continued strong demand from China

- In July 2022, the **Chinese government pledged a ~US$75billion fund for large infrastructure projects**. This is expected to increase demand and global production for iron ore[1].

- Despite short-term deterrents and economic uncertainty, China's iron ore imports are set to rise

Economic uncertainty and geo-political tensions

- Global recessionary pressure expected to slowdown growth production by large producers in Australia and Brazil.

- **Geopolitical tensions and restrictive tax policies in smaller suppliers** like India, Russia and Ukraine continue to support iron ore prices[2].

Cautiously optimistic outlook for global supply

- **Global production to increase by 3.2% in 2022** compared to 2021[2].

- However, labour shortages, rising costs and unfavourable weather conditions will pose a **risk of global supply shortfalls in the near term.**

Gold Price Trend
Prices impacted by US Fed rate hikes but are likely to rebound

US$/Troy ounce

Gold prices steadily tapered due to the US Fed rate hikes targeted at reducing inflation. High interest rates reduced Gold's appeal through an increased opportunity cost of holding Gold
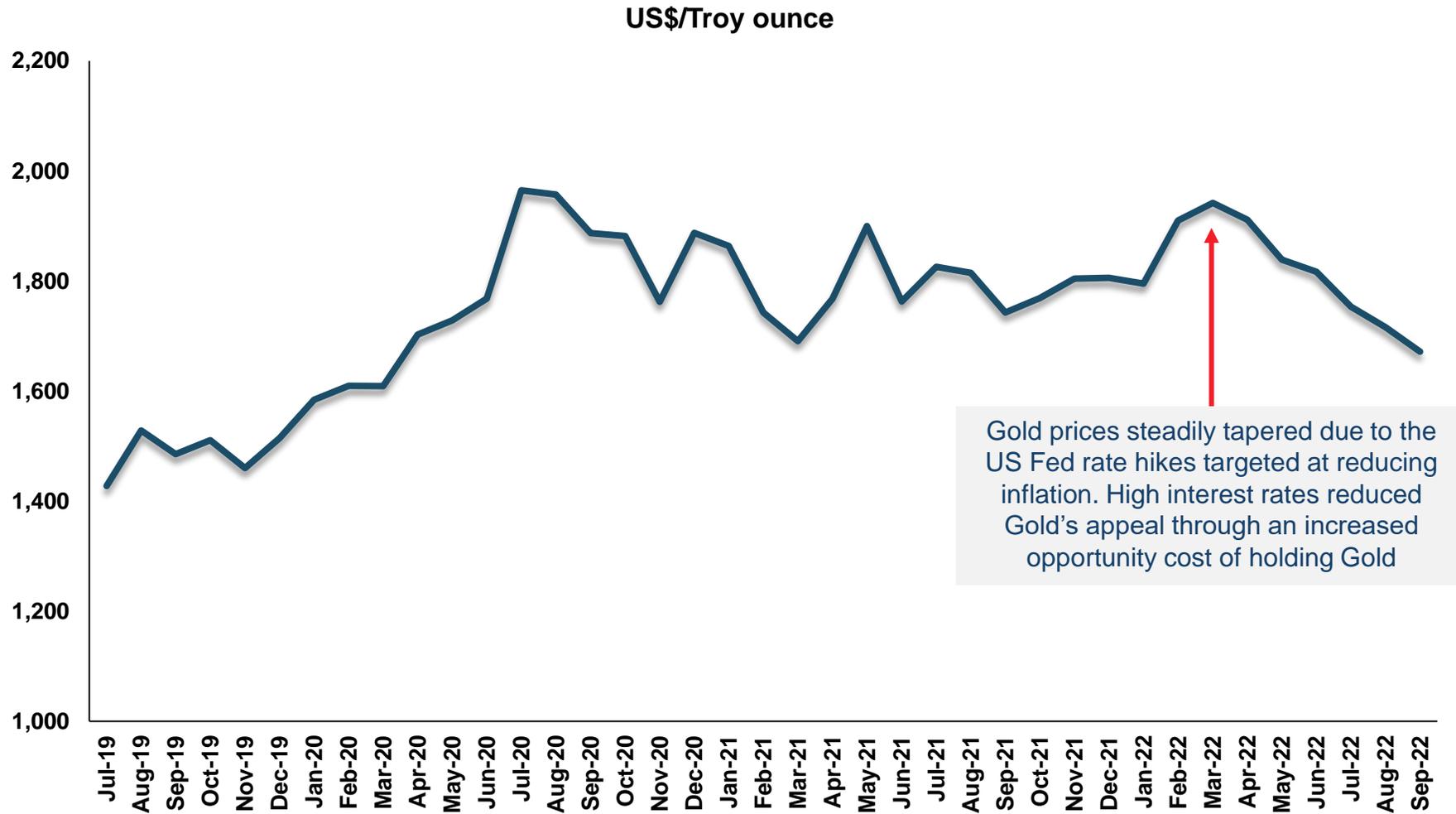
Market Enablers for Gold
Increasing demand with global economic recovery for gold market

China's gold market is likely to rebound in the near term

- **China's gold consumption was softer** in the first quarter of 2022 due to resurgence of Covid-19 cases[1].

- However, government stimuli and favourable structural changes in the industry will drive demand for gold in the second half of 2022[2].

Gold prices outperform in recessionary pressures

- **Gold prices climbed to a peak in March 2022** but continued to remain volatile thereafter[3].

- **However,** the outlook remains positive **as Gold has historically performed well amid high inflation** and is likely to outperform other commodities[4].

Investment flows into gold remain resilient

- **Investors rely on Gold to** mitigate losses **in volatile periods** signaling steady investments in this commodity[4].

- Gold continues to be one of the best-performing assets with steady wholesale demand to support this[2].

Sources:
(1)   CGTN: China's gold consumption down
(2)   Gold Hub: China's gold market in June: wholesale gold demand continued to improve
(3)   Capital: Gold price forecast for 2022 and beyond
(4)   Gold hub: Gold mid-year outlook 2022

FINANCIAL PERFORMANCE

FY2022 Group Financial Performance
Drop in revenue due to higher investment in overburden stripping

In RM millions

Chart values: FY2021 = **387.4**, FY2022 = **178.7**

Legend: ■ Iron Ore Concentrates ■ Pipe Coating ■ Iron Ore Tailings
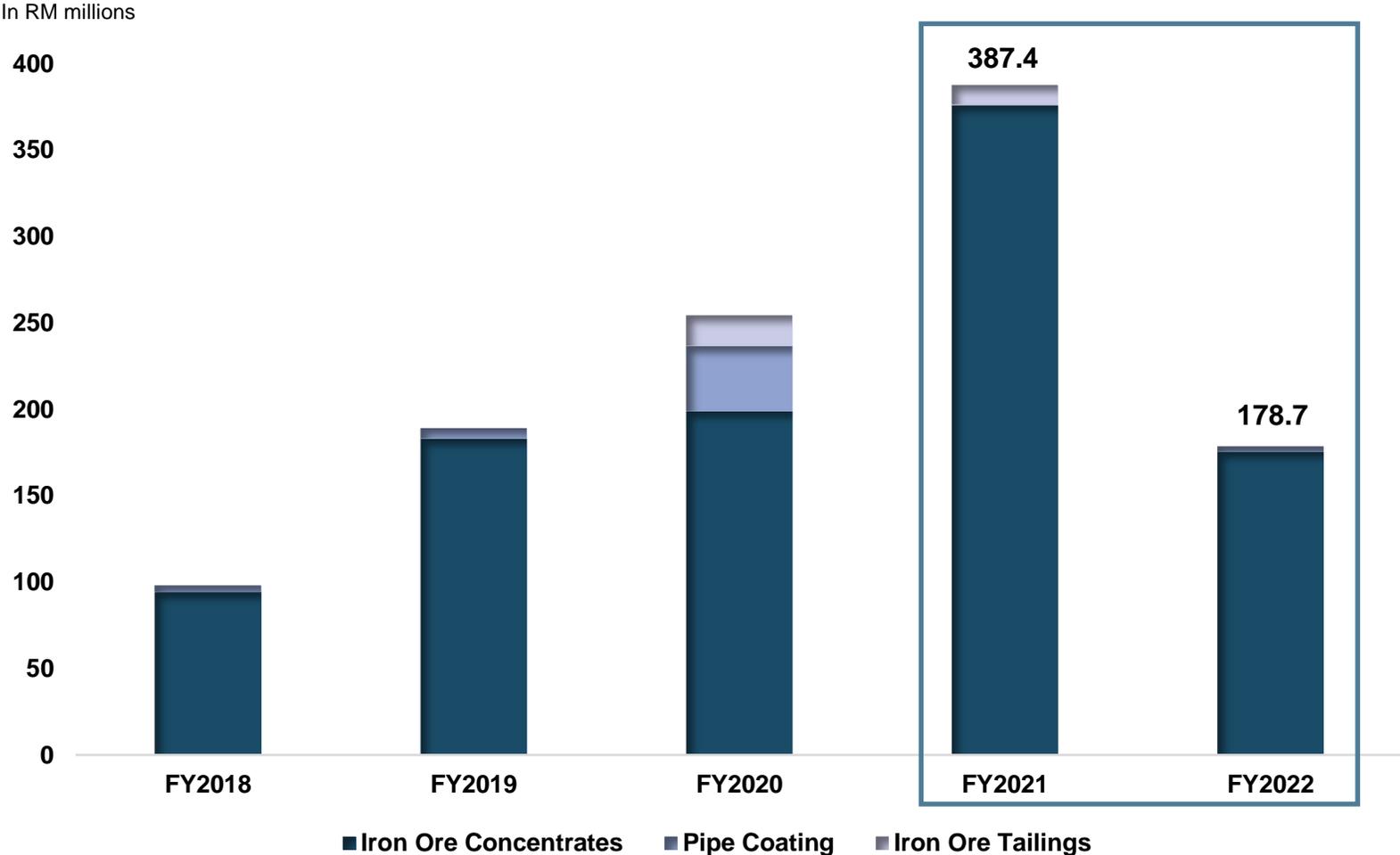
**Drop in revenue due to higher investment in overburden stripping**

- Intense overburden removal activities in the Chaah Mine in the new southern extension zone resulted in **lower volume of ore extraction.**

- Decrease was partially offset by an **eight-fold yoy increase in sales of crushed iron ore** for pipe coating industry in FY2022.

- As part of the Group's strategy to offset the effect of the stripping of overburden activities, **we boosted our production of iron ore concentrate by purchasing good quality ore this period.**

FY2022 Group Financial Performance
Volume produced, volume sold, and average realized selling price

Iron ore concentrates	FY2021	FY2022	%
Produced (DMT)	595,500	333,500	-44%
Sold (DMT)	600,054	342,933	-43%
ARSP/DMT (RM)	626.42	511.93	-18%

Iron Ore Concentrates — RM 626.42/DMT (FY 2021), RM 511.93/DMT (FY 2022)

Crushed Iron Ore — RM 430.54/MT (FY 2021), RM 696.62/MT (FY 2022)

Iron Ore Tailings — RM 114.78/DMT (FY 2021), RM 241.89/DMT (FY 2022)
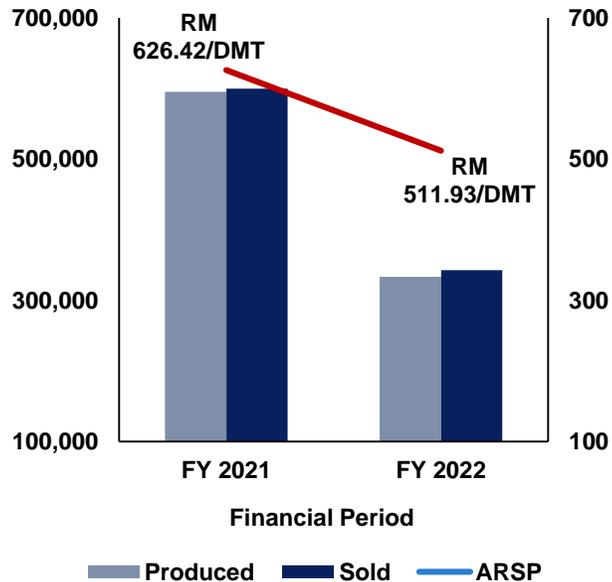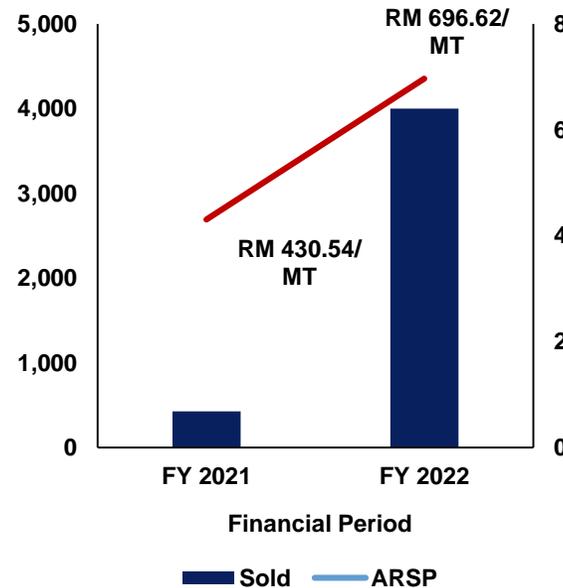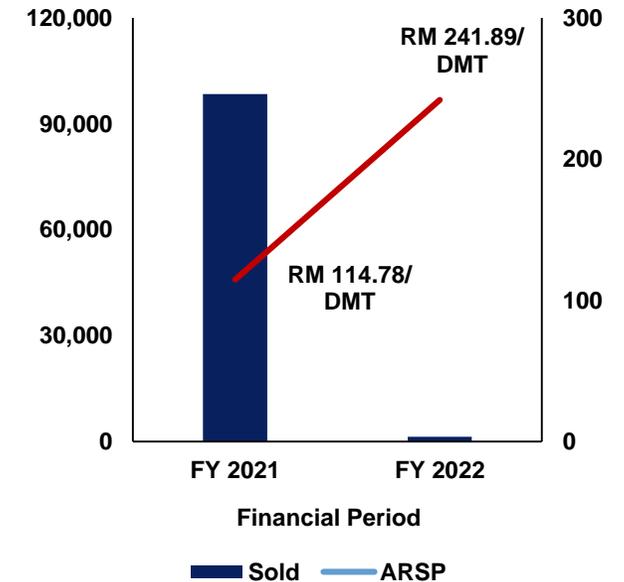
FY2022 Group Financial Performance
## Drop in revenue outweighs drop in cost of sales leading to lower profit margins

Gross Profit and Gross Margin

In RM millions

Bars (Gross Profit): FY2022 28.0; Line (Gross Margin): FY2022 15.7%

Legend: Gross Profit, Gross Margin
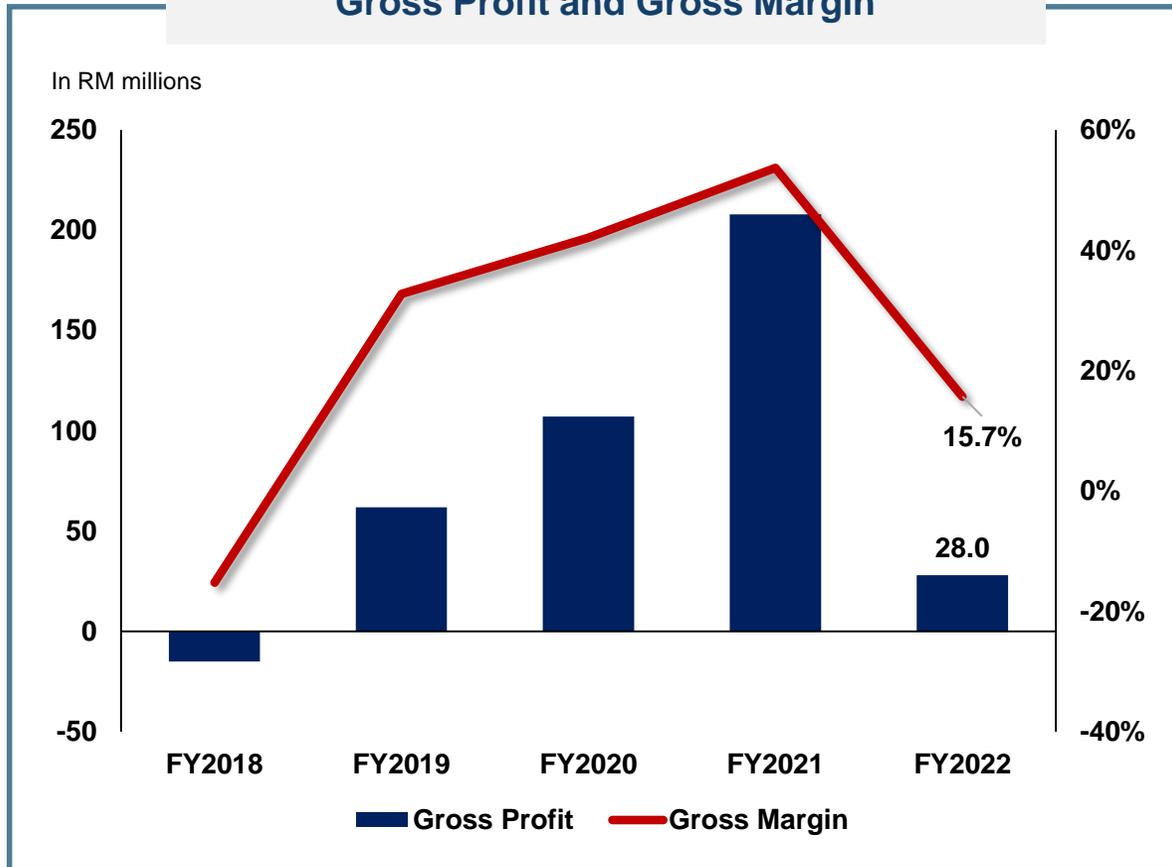
Net Profit and Net Profit Margin

In RM millions

Bars (Net Profit): FY2022 16.3; Line (Net Profit Margin): FY2022 9.1%

Legend: Net Profit, Net Profit Margin
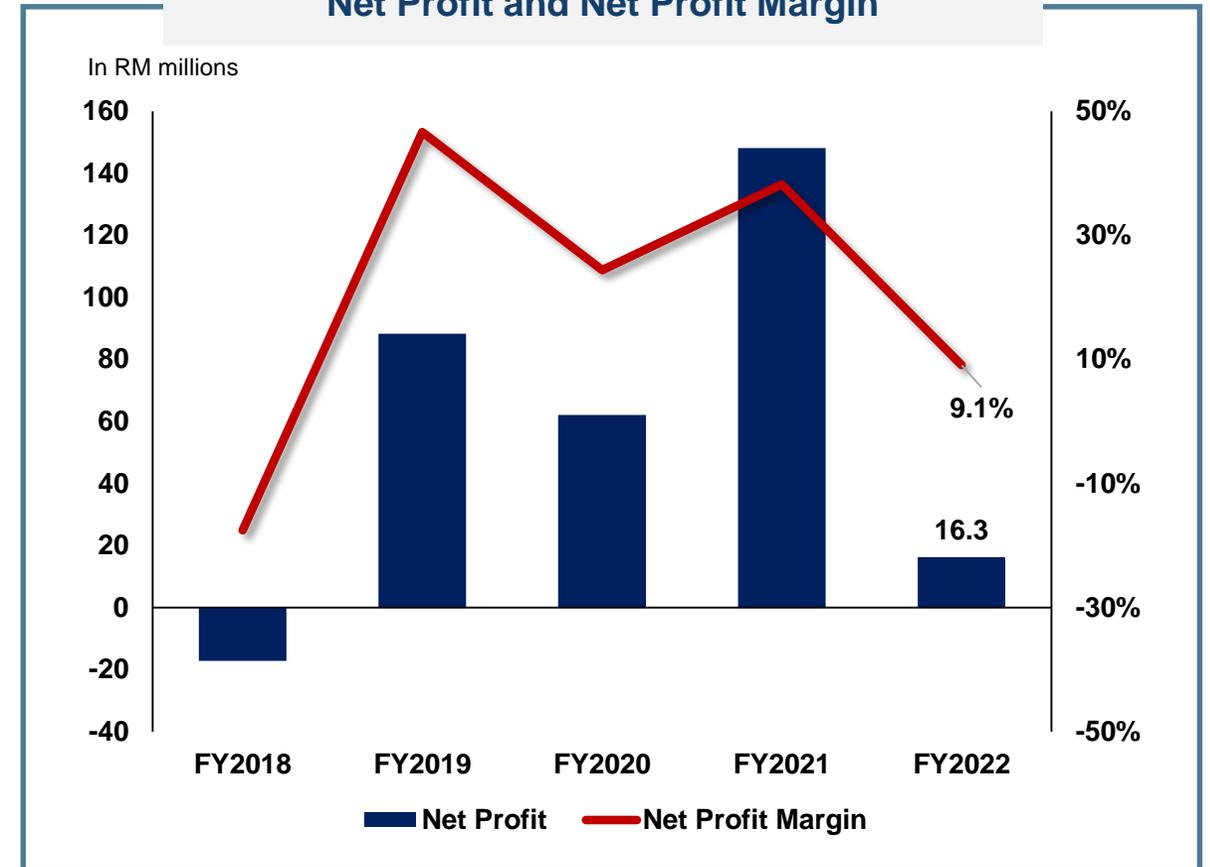
FY2022 Group Financial Performance
Strong financial position with high cash and bank balances and low borrowings

In RM millions

	FY2018	FY2019	FY2020	FY2021	FY2022
Total Assets	114.4	189.5	255.1	431.3	394.6
Total Liabilities	38.5	25.4	27.6	64.7	36.4
Net Assets	75.9	164.2	227.5	366.6	358.2

■ Total Assets ■ Total Liabilities ━ Net Assets
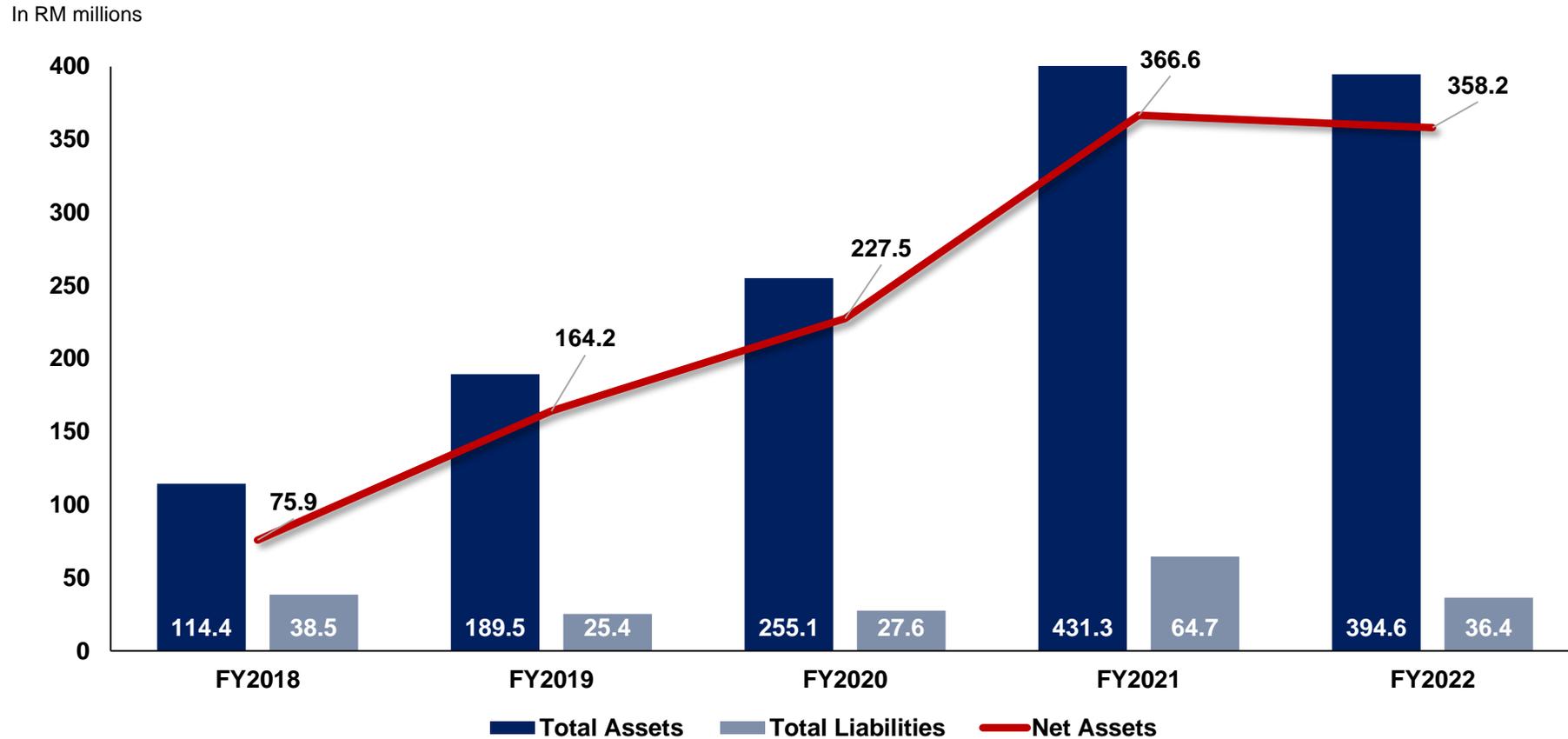
As at 31 July 2022, the company is in a net asset position of RM358.2 million, attributable to the strong net cash position

Share Price Performance
Resilient share price performance in FY2022
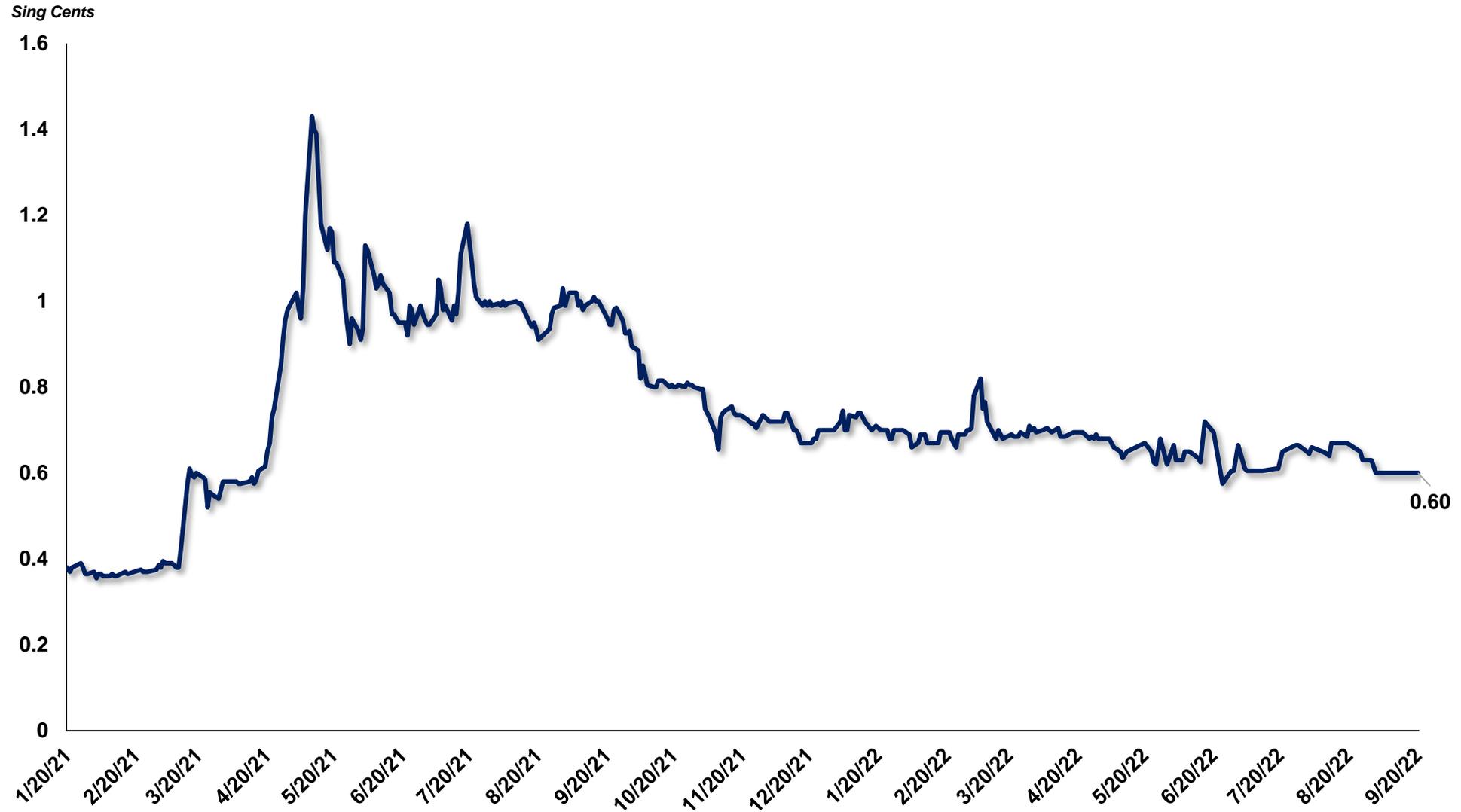
Source: Bloomberg

THANK YOU

For more information, please contact: Shivam Saraf / Kamal Samuel / Urvija Diwan at
shivam@financialpr.com.sg / kamal@financialpr.com.sg / urvija@financialpr.com.sg. Tel: +65 6438 2990