

## SOUTHERN ALLIANCE MINING LTD.

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

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### 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")

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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 announcement on 9 September 2020, 19 October 2020, 11 November 2020, 22 January 2021, 11 June 2021, 13 December 2021, 13 June 2022, 13 December 2022 and 12 June 2023 in relation to the use of the net proceeds from its initial public offering ("**IPO**") and its financial results announcement on 26 September 2023 for the full year ended 31 July 2023 and the Group's annual report for the financial year ended 31 July 2023 announced on 6 November 2023 (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
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Further exploration activities	4,000	(4,000)	-	-
Investment into mining equipment and infrastructure	3,000	(3,000)	-	-
Acquisitions, joint ventures, strategic alliances and/or development of new mines	1,000	(1,000)	-	-
General working capital purposes	3,937	(3,025)	(65) <sup>(1)</sup>	847
<b>Total</b>	<b>11,937</b>	<b>(11,025)</b>	<b>(65)</b>	<b>847</b>

Notes:

- (1) S\$65,000 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, and re-allocated in accordance with the Company's announcement dated 22 January 2021. 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 Catalist Rules**

Pursuant to Rules 705(6) and 705(7) of the Catalist Rules, the Board wishes to announce the following for the first quarter ended 31 October 2023 ("1Q FY2024").

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 1Q FY2024:-**

Activities	1Q FY2024		
	Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	2,000	415	(1,585)
Mining related expenditure (excluding capital expenditure)	20,000	25,307	5,307
<b>Total</b>	<b>22,000</b>	<b>25,722</b>	<b>3,722</b>

#### **Exploration activities**

Exploration activities generally refer to the investigative works to investigate for the presence of ore for eventual economical extraction.

Our Group strongly believes that the investment in an exploration program will provide the Group with valuable information to make an informed decision in respect of the mining plan of a particular mine or a decision to proceed, modify or abort an exploration program for an exploration target. This is also in line with the responsible mining values advocated by our Group.

Included in the mine exploration and evaluation are the exploration and evaluation ("E&E") cost incurred at the Chaah Mine and the Tenggaroh Prospect amounting to RM0.1 million and RM0.3 million respectively. The variance between the actual and the projected mine E&E cost was mainly due to the delay in the commencement of exploration works for Tavai prospect, a prospect site under Sri Aman Minerals Sdn Bhd ("SAMinerals"), which is located at Tongod District, Sabah as we are still awaiting for the permit to enter forest reserves (note: this prospect is under our joint venture companies). As a result, our Group only utilised about 21% of the RM2.0 million budgets initially allocated as there are only some professional fees and assay cost incurred in the 1Q FY2024.

#### **Mining activities**

Mining activities generally involved the extraction of ore, either via open pit mining which involves the excavation and removal of overburden (waste) and extraction of ores in accordance with the design of the mine pit (open pit mining), or underground mining which involves the construction of a network of tunnels to extract the ore without involving full scale land clearing like the open pit mining method.

The extracted ores will be sent for crushing into smaller sizes, approximating 16 mm before they are further processed through a ball mill. The concentrating process via ball mill revolves

around grinding of the crushed iron ore into powder size in order to remove the impurities (waste) from the iron content of our iron ore.

Included in the mining related expenditure are the expenditure incurred for the mining works at the Chaah Mine amounting to RM20.2 million as well as for the Kota Tinggi Mine amounting to RM5.1 million.

During 1Q FY2024, while our Group continued to focus on preparation of platforms for the construction of tunnel portals at the Southern Pit of Chaah Mine, the development works at the Northern Pit had entered full swing to develop a series of tunnel adits. The progress of the underground development has proceeded in a much faster pace and this has resulted in overutilization of Mining Related Expenditure by approximately RM5.3 million.

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

<b>Activities</b>	<b>Projection for 2Q FY2024 RM'000</b>
a. Mine exploration and evaluation	1,000
b. Mining related expenditure (excluding capital expenditure)	25,000
<b>Total</b>	<b>26,000</b>

The allocation for mine exploration and evaluation included:

- (a) provision for professional service to establish underground mining ore reserves for Chaah Mine;
- (b) preliminary exploration for Chaah Western Spur to investigate for potential mineralisation for open pit mining at the western part of Chaah Pit.
- (c) continuation of the exploration of the Tenggaroh Prospect,
- (d) preliminary study for Tavai Prospect, including sample extraction and lab test to investigate potential mineralisation.

The preliminary exploration expenditure at Chaah Western Spur and Tavai Prospect is expected to be minimal and our Group is expected to maintain the pace of the exploration of the Tenggaroh Prospect.

In line with the actual development, the Group will reduce the allocation for the projection of mine exploration and evaluation activities to RM1.0 million and the allocation for the mining related expenditure is revised to RM25.0 million for the second quarter ending 31 January 2024 ("2Q FY2024").

**Rule 705(7) of the Catalist 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**

It is our Group's philosophy to pay attention to the exploration activities, not only to derive the potential value it will create, but more importantly its ability to keep our operations sustainable which is in line with the sustainable mining value advocated by our Group. As such, we invest a lot of effort and financial resources into exploration activities.

- (i) PML 14/2023 and ML 1/2023 (Chaah Prospect)

Ever since the Group has adopted the underground mining technique, our geologists are able to visually confirm the shape of the orebody and compare them to the mineral resource block model. The visibility of the actual orebody is valuable to our understanding of the mineralisation, the accuracy of the block model as well as serve as input to our future exploration program. During 1Q FY2024, our geologists have carried out sampling on the wall of the tunnels and adits that are outside of the block model as well as surveying their sizes in order to update and reflect the actual mineralisation, and thus reporting an update mineral resource, which is paramount to the reporting of Chaah mine ore reserve.



*Figure 1: Western Spur*

In addition, as part of our effort to supplement the mining of iron ore while waiting for full scale extraction from the underground mining, the Company has investigated geophysical anomaly area for potential mineralisation to the west of Chaah mining pit ("**Western Spur**"). A total of 34 shallow holes were drilled by using the blast hole rig to identify the possibility of open pit mining (provided that if it has thin overburden). The drilling results suggested that mineralisation occurred near the surface (with some samples results confirmed the presence of mineralisation closer to the surface with Fe content of less than 40%), as indicated in the geophysics study. It encourages the Company to plan for deep hole drilling by using diamond core drilling machine in the future before the Company decide on the future mining plan at Western Spur.

Due to the changes in the mining method as well as the outcome of the underground mining method provided valuable information to more accurately reflect the shape of the orebody, the focus is for the competent person (geologists) to update the wireframe and block model of the mineral resource while the competent person for ore reserves preparing to convert the mineral resource to ore reserve.

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

No drilling activities were undertaken during this period as the Group temporarily halted the drilling program for ML 1/2018 as the present focus is to complete the exploration program for our Chaah Mine and Tenggaraoh Prospect. Exploration activities on the adjacent mining lease area under ML 1/2021 have not commenced.

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

A preliminary exploration works consisting of pitting and trenching method has been undertaken which in total 29 pit holes were dug with an average depth is 5m from the surface. Six (6) samples from the pitting which identically have an indicator of hematite presence was analysed and the result shows the Fe content varies from low to medium range. In terms of geological deposits, the Chaah Baru prospect was defines as conglomerate and agglomerate boulders ore with relatively high content of SiO<sub>2</sub>, differ from the Chaah mine which has a massive hematite unit.

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

No drilling activities were undertaken during this period as the Group has appointed a contractor to undertake mining activities at this area.

- (v) L.C.S.4326.319/(84)/(PA/DC/dc) (Tavai prospect, which is located at Tongod District, Sabah) – 50 km<sup>2</sup>

This prospect is in relation to the joint venture company, SAMinerals which was acquired in the end of FY2022. Desktop study works were completed. Due to the vast area of the prospect, a detailed plan is being designed.

There are 12 samples were collected in several locations within the area of prospecting license with the objective to verify the nickel, cobalt and scandium data. All samples were sent to an independent laboratory, PT. Intertek Utama Services, Jakarta for analysis test.

No.	Label	Coordinate	
		X	Y
1.	TVA 21A	820415	602508
2.	TVA 21B	820415	602508
3.	TVA 21C	820415	602508
4.	TVA 22A	820687	602898
5.	TVA 22B	820687	602898
6.	TVA 22C	820687	602898
7.	TVA 22D	820687	602898
8.	TVA 23A	828612	601592
9.	TVA 23B	828612	601592
10.	TVA24A	828571	601688
11.	TVA24B	828571	601688
12.	TVA24C	828571	601688
	Total Samples		<b>12</b>

*Figure 2: List of Samplings Serial No.*

- (vi) EL 1/2022 (Tenggaroh prospect)

A total five (5) drill holes were completed as at this reporting period with a total length of 612.5 meters (to date total is twelve (12) drill holes with length of 1901.5meters). A total of 799 samples were sent for gold assays and the result of 474 samples were received. During 1QFY2024, out of 474 samples received, 156 were considered as significant assay (i.e. with the result of more than 0.05 gram/tonne) results (since March 2023, 1,734 samples were sent for gold assay and the result of 1,311 samples were received, out of 1,311 samples received, 233 were considered as significant assay results).

This positive development is an encouraging news for the Group to continue with the planned drilling program. Future planning for next quarter is to add drilling machine and man power in our project area, then set up preparation lab on site and do metallurgical test for the samples, in order to expedite the exploration progress, beside to do reserve calculation and real data recovery also processing plant flow sheet.

## **Mining activities**

### **Chaah Mine**

The Chaah mine is a mature site that has been in continuous operation since 2008. The Group has experienced both high and low commodity prices throughout its operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match demand.

As announced in our FY2023 Results Announcement that the Group intended to convert the open pit mining to underground mining in near term, and we are now pleased to update that our Chaah Mine has now fully adopted underground mining technique with effect from September 2023. We adopt sub-level caving method for Chaah Northern Pit, whereas Chaah Southern Pit adopts room and pillar mining method. Room and pillar mining method is a mining system in which the mined materials is extracted

across horizontal arrays of rooms and pillars. To do this, “rooms” of ore are dug out while “pillars” of untouched materials are left to support the roof as depicted in Figure 3.

**Update on Northern Pit :**

- i) Development stage – Current stage, commenced on 17 February 2023:  
 During this reporting period, a total of 3 levels of tunnels had been constructed at Northern Pit area which are level -23.5mRL, -72mRL and -87mRL tunnel. Table below shows the progress of each tunnel levels:

No	Tunnel Level (mRL)	Main Tunnel Structures in progress	Other structures (Adits, Ramps, Ventilation tunnels)	Total Distance (m)
1.	-23.5	2	2	201
2.	-72	2	5	251
3.	-87	6	31	1368
<b>Total</b>				<b>1820</b>

The ore extraction process is conducted concurrently during development stage process. As of 1QFY2024, the ore extracted during the development stage are shown as per table below:

No.	Tunnel Level (mRL)	Tonnage Extracted
1.	-23.5	14,785
2.	-72	20756
3.	-87	53,042
<b>Total</b>		<b>88,583</b>

A total of 88,583 tonnes of iron ore was extracted during the reporting period. A total of approximately 172,242 tonnes of iron ore extracted since the development of underground tunnel commenced on February 2023.

- ii) Production stage - Future stage  
 Once development stage is completed, the production stage will commence. During the production stage, the iron ore at the roof or tunnel crown at each tunnel paths constructed during the development stage is drill and blasted to obtain the iron ore hanging at the tunnel roofing. During this stage, more iron ore will be obtained at larger volume.
- iii) Ore Processing  
 A total of approximately 192,600 tonnes of ore was processed during the reporting period which produced 79,800 tonnes of iron ore concentrates of grade 58 – 65 of iron contents.

**Update on Southern Pit:**

The Group adopts modified room and pillar method for Southern Pit. Southern pit area is conducted with a relatively different approach of underground mining method compared to the northern pit due to geological condition of the southern region and facilities at the overburden areas. Thus, room and pillar method are used as the method for underground mining at the southern pit region. Room and pillar or pillar and stall are a variant of breast stopping. It is a mining system in which the mined material is extracted across a horizontal plane, creating horizontal arrays of rooms and pillars. To do this, "rooms" of ore are dug out while "pillars" of untouched material are left to support the roof overburden. Room and pillar mining can be advantageous because it reduces the risk of surface subsidence compared to other underground mining techniques. The southern region will start from -87m below sea level and below. As the date of this announcement, there are already three (3) level designs for underground mining at southern pit region which are level -87mRL, level -112mRL and level -137mRL. Whilst the

method or technique differs from northern pit region, the approach are similar with the sub-level caving method which will consists of development (exploration and development) and production stage or mining stage. During development stage, tunnel paths of Main Tunnels, Cross Tunnels and Adits are developed by horizontal blasting to create access for workers and machineries inside the tunnel. Once development stage is completed, mining process or production stage will take process.

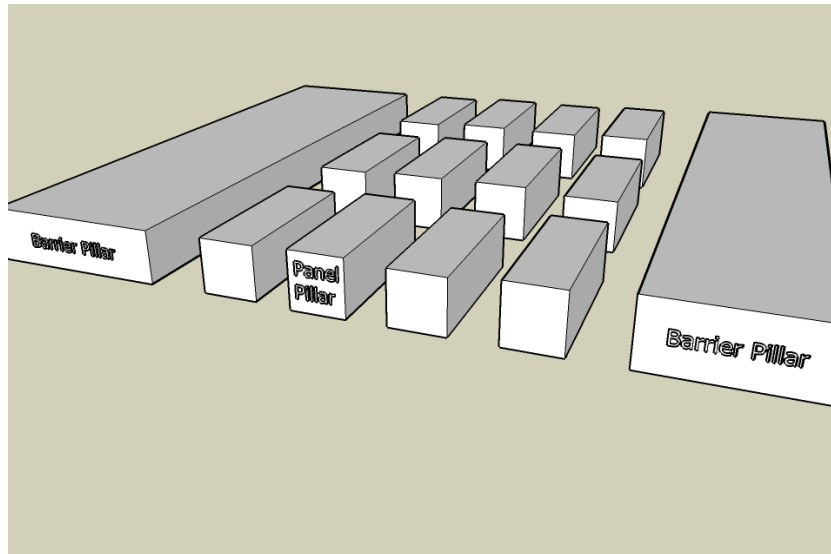


Figure 3: Development of room and pillar process

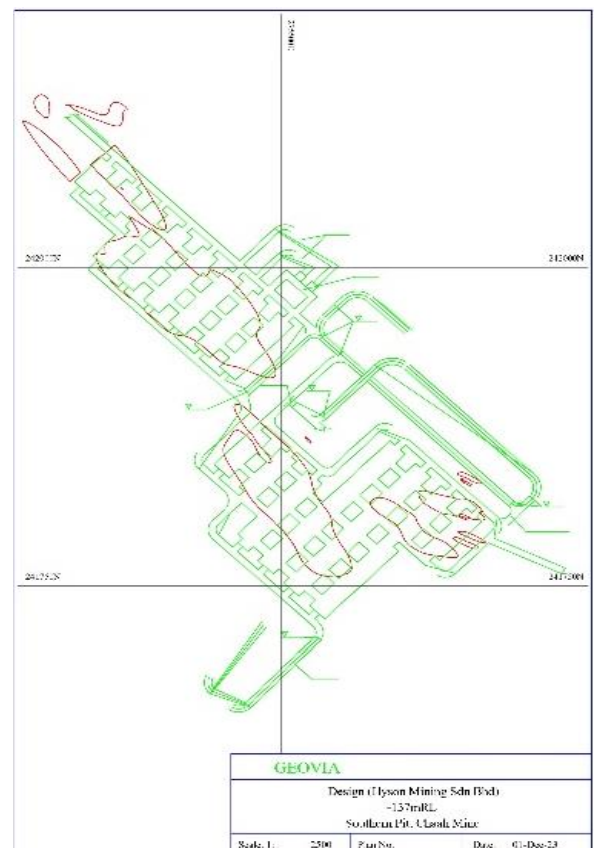


Figure 4: Southern Pit Tunnel design

a) **Development stage** - Current stage, commenced on 28/09/2023

The development stage for southern region at Chaah Mine commenced on 28th September 2023. For development stage, there are currently three (3) interval levels of tunnel designed at southern part of the pit which are separated at 25m intervals between each level. The tunnels which are planned and designed are at level -87mRL, -112mRL and -137mRL. During the development stage, the access paths which consists of Main Tunnels and Adits are constructed inside each level inside wireframe ore body digitized during exploration period at each respective level. Concurrent with the path being constructed, the iron ore blasted or obtained is extracted and can be sent to the processing plant. Due to tough geological conditions of the southern pit region, safety aspects must be considered before proceeding developing the tunnel. Thus, tunnel portal wall had been constructed in this early stage. As the geological condition consists of fractured ores near the entrance of tunnel portal, shotcreting works is also conducted to ensure the tunnel path is secure and safe.



*Figure 5: Tunnel portal wall constructed at the entrance of -87mRL.*



*Figure 6: Shotcreting works and wiremesh installed at the entrance of -87mRL.*



### **Mao'kil Mine**

There was no delivery of the previously discovered ore from development activities at Mao'kil Mine during the reporting quarter, and there were no mining nor extraction activities have taken place for the same period. The mine record showed approximately 24,000 tonnes of ore which were cumulatively discovered up to 9M FY2023, were delivered to Chaah for processing.

No mining activities were carried out for the Mao'kil prospect in 1Q FY2024.

### **Kota Tinggi Mine**

During the reporting period, the contractor has extracted approximately 35,000 tonnes of iron ore from the tailing and it was translated into a sales of approximately RM6.6 million.

No mining activities were carried out for the Chaah Baru and Tenggaraoh prospect in 1Q FY2024.

### **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**  
Managing Director

**Lim Wei Hung**  
Executive Director and Chief Operating Officer

14 December 2023

This announcement has been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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 document.

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