

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Southsea Gold Sdn. Bhd. (823472-U)	Reference #	GFSSBH 003-116a
Contact Person	Fung Su Tong	Date of Report	25/02/2022
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		Approved By	Dr. Kevin Grace

Statements			
Audit Statement	NC: Non-Compliance - Criterion 2.3 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details	
Assessment Dates	21 – 25 February 2022
Scope of Assessment	TLAS Principles 1-4: FIIB JPHTN/FRM 700-2/0/1/15(a)/JLD.4/10 (2B970246), JPHTN/FRM 700-2/0/1/15(a)/JLD.4/8 (2B970240), FRM 700-2/0/1/15(a)/JLD.4/4 (2B970232).
Species	Salvage logging (mix species): Shorea spp. (Red & Yellow Seraya), Sapotaceae spp. (Nyatoh), Neolamarckia cadamba (Laran), Alstonia spp. (Pulai), Eugenia spp. (Obah), Lauraceae spp. (Medang), Lithocarpus & Quercus spp. (Mempening/Berangan), Cratoxylum arborescens (Serungan), Koordersiodendron pinnatum (Ranggu), Tristaniopsis merguensis (Pelawan-pelawan), Annonaceae spp. (Pisang-Pisang), Annonaceae spp. (Kerai), Scaphium spp. (Kembang semangkuk), Heritiera simplicifolia (Kembang), Planchonia valida (Putat), Shorea pauciflora (Obah Suluk), Duabanga moluccana (Magas), Shorea inappendiculata (Selangan Batu), Dipterocarp spp. (Keruing), Cotylelobium spp. (Resak), Parashorea spp. (White seraya), Drybalanops spp. (Kapur).
Lead Assessor	Varenius V Untomon
Assessor(s)	Peter Lagan
SFD Staff	Adrian Rawlenes (DFO Kunak), Vinson kandi (PPD Kunak), Sobri Dualin (PPD Kunak), Edmund Tan (PPD Kunak)

OBJECTIVES:

- The objective of this checklist is to verify compliance to the Criteria listed in the Sabah Legality Standard as defined by Principles 1 - 4 for Sabah dated 01st January 2015 (**FDS-TLAS-002**).
- Compliance is defined when all applicable criteria are observed to be compliant. A Minor Gap to any indicator does not constitute non-compliance to a criterion. A Major Gap to any applicable indicator does reflect non-compliance to a criterion. Compliance for a criterion where multiple minor gaps are identified in indicators under the criterion may reflect non-compliance to the criterion.
- All issues identified under this standard shall be considered appropriate to the scale and degree of forestry operations undertaken by the parties under the agreement.

Summary Information

Overview of Licensee:

- The 1,000-hectare mining site was located within Wullersdorf Forest Reserve and Ulu Kalumpang Forest Reserve. Both forest reserves are designated as Class I - Protection Forests.
- Prospecting started in 2013 with a prospecting license under the Mining Ordinance (1960).
- On 9 January 2015, approximately a 1,000-hectare area was excised and given a "Country Lease" land title, bearing the number 105651438 (The Land Ordinance Cap.68). This "Country Lease" land title was signed between the Director of Lands & Survey, representing the State of Sabah and Southsea Gold Sdn. Bhd. (Southsea Gold), the prospector.
- Southsea Gold, a registered company under the Tawau Municipal Council of Sabah, is the main contractor to salvage logging and mining.
- Salvage logging is with a Form 2B permit (non-RIL) and the first batch of logs was extracted in August 2021.
- The applicant (licensee) is under the jurisdiction of the Kunak District Forestry Office.
- Log production progress (by phase) as of February 2022:

Period	Logs	Volume (m ³)	FORM IIB Royalty receipt No.
08/2021 (P1)	638	1,266.92	2B970197
09/2021 (P2)	99	171.90	2B970203
09/2021 (P3)	916	1,609.48	2B970202
11/2021 (P4)	794	1,308.42	2B970224
12/2021 (P5)	712	1,629.71	2B970232
01/2022 (P6)	614	1,415.05	2B970240
02/2022 (P7)	724	1,720.03	2B970246
Totals	4,497	9,121.51	

Environmental Context:

- The gold mining site is located within Ulu Kalumpang and Wullersdorf Class I - Protection Forest Reserves.
- Open-pit mining is used involving the complete removal of the natural vegetation.
- The presence of wildlife which includes the iconic Borneo pygmy elephants, Honey bear, Banteng and Sambar deer and their habitat will be directly impacted. The surrounding forest reserves will serve as a refuge for the displaced animals.
- The vegetation cover of the mining site is the Hill Dipterocarp Forests dominated by the Shorea and Parashorea spp.
- The highest elevation is 600m *asl* (Bukit Tundong & Bukit Mantri) respectively and descends to the valley floors of about 200m.
- The Mantri River and its tributaries drain the project site and join the Ulu Kalumpang River (main river), which then emptying into the Celebes Sea.
- Predominantly made up of soils derived from mudstone and shales.
- Where the mining site shares a common boundary with the surrounding forest reserves, a 100-meter forest buffer was established.
- An Environmental Impact Assessment (EIA) was conducted and an EIA report entitled "Proposed Gold Mining (Phase 1) on CL. 105651438 at Mt. Wullersdorf, Tawau, Sabah" was approved by the Environmental Protection Department (JPAS/PP/21/600-1/04/2/1/Kit.55(22), dated 16/03/2017)

Social Context:

- The project site (mining site) is located about 38km from Tawau city and made accessible by a sealed road (Jalan Balung Cocos).
- Four (4) communities were identified under a social assessment from March to June 2016.

- Kg. Balung Coco
- Kg. Bukit Quoin
- Kg. Airport
- Kg. Checkpoint
- Results of the social assessment are as follows:
 - All settlements located at the outskirts of Tawau city, about 10km from the mining site.
 - Main ethnic group constitute of Cocos, Bajau and Bugis.
 - Organised. All basic amenities such as water, electricity, transportation, etc., are available.
 - Three (3) government run schools from pre-schooling right up to secondary education.
- Mining site presents no adverse impact to the dwelling sites.

Scope of Assessment
<ul style="list-style-type: none"> ● The scope of the evaluation is to verify compliance of Southsea Gold Sdn. Bhd. with the FORM IIB permit JPHTN/FRM 700-2/0/1/15(a)/JLD.4/10, dated 27/01/2022 (2B970246); JPHTN/FRM 700-2/0/1/15(a)/JLD.4/8, dated 03/01/2022 (2B970240); FRM 700-2/0/1/15(a)/JLD.4/4, dated 03/12/2021 (2B970232). ● The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 (FDS-TLAS-002). ● Site evaluation to verify and report the level of compliance by Southsea Gold Sdn. Bhd. and contractors to the standard in respect to each of the criteria within this report. ● Compliance is defined when the auditee demonstrates that the indicators consist of none or only minor gaps against any applicable criteria of the standard. Non-compliance to the Sabah Legality Standard occurs when the auditee does not demonstrate adequate compliance to a criterion.

Itinerary & Mandays: FORM IIB / Southsea Gold Sdn. Bhd. / Kunak District / 21 – 25 February 2022 (Total Mandays = 15)

Date	Activity	GFS Staff	Mandays
21 February 2022 Monday	Travel to Tawau. Document Review.	Varenius Untomon, Peter Lagan	2
22 February 2022 Tuesday	Opening meeting at Stesen Penyelidikan Pertanian. Field visit: Licensed Boundary, salvaging area. Document review.	Varenius Untomon, Peter Lagan	2
23 February 2022 Wednesday	Closing meeting at PPD Tawau (Jabatan Pertanian – Atur Senang Sdn. Bhd.). Opening meeting at Southsea Gold Office. Field visit (Southsea Gold): Licensed Boundary, Riparian reserve, basecamp area. Document review.	Varenius Untomon, Peter Lagan	2
24 February 2022 Thursday	Document review at Southsea Gold HQ Office.	Varenius Untomon, Peter Lagan	2
25 February 2022 Friday	Closing meeting at PPD Tawau (Southsea Gold Sdn. Bhd.). Closeout report for Antir Bin Ansangor & 239 Peserta.	Varenius Untomon, Peter Lagan	2
26-27 February 2022	Reporting GFSSBH 003-115 Reporting GFSSBH 003-116 Reporting GFSSBH 003-105a	Dr. Kevin Grace, Varenius V Untomon	5
Total			15

Highlights of Assessment

(Major Gaps = 1; Minor Gaps = 2; Observations = 0)

April 2022: (Major Gaps = 1; Minor Gaps = 2; Observations = 0)

Southsea Gold Sdn. Bhd. has not complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified in the Criterion 2.3 during the assessment on 21 – 25 February 2022.

Summary of status of operations by **Principle**:

Principle 1.

Form IIB Permit JPHTN/FRM 700-2/0/1/15(a)/JLD.4/10, dated 27/01/2022 (2B970246).

Applicant	Southsea Gold Sdn. Bhd.
Land Status	CL. 105681141
Area (ha)	946.10
No. of Logs	724
Volume (m3)	1,720.03
Locality	Bukit Mantri, Balung

Form IIB Permit JPHTN/FRM 700-2/0/1/15(a)/JLD.4/8, dated 03/01/2022 (2B970240)

Applicant	Southsea Gold Sdn. Bhd.
Land Status	CL. 105681141
Area (ha)	946.10
No. of Logs	614
Volume (m3)	1,415.05
Locality	Bukit Mantri, Balung

Form IIB Permit JPHTN/FRM 700-2/0/1/15(a)/JLD.4/4, dated 03/12/2021 (2B970232)

Applicant	Southsea Gold Sdn. Bhd.
Land Status	CL. 105681141
Area (ha)	946.10
No. of Logs	712
Volume (m3)	1,629.71
Locality	Bukit Mantri, Balung

The Environmental Impact Assessment was conducted and approved by Environment Protection Department (EPD).

#	Title	EPD Approval Letter #	EIA Consultant
1	Proposed Gold Mining (Phase 1) on CL. 105651438 at Mount Wullersdoft, Tawau, Sabah.	JPAS/PP/21/600-1/04/1/2/ KLT. (5), dated 14/03/2017	Chemsain Konsultant Sdn. Bhd.

February 2022: Gap 001/2022 (Minor) – Checklist 1.2.3

Lack of segregation and storage of the schedule waste.

Licensed boundaries are identified on the ground, marked with signboards and red paint and visible. Areas for protection were mapped and excluded from the operation.

Principle 2.

The summary production for 2021 & 2022 was submitted to the DFO Kunak for royalty payment.

Form IIB Permit JPHTN/FRM 700-2/0/1/15(a)/JLD.4/10, dated 27/01/2022 (2B970246).

Lot	Total logs	Total volume, m ³
Phase 8	724	1,720.03
Total	724	1,720.03

Form IIB Permit JPHTN/FRM 700-2/0/1/15(a)/JLD.4/8, dated 03/01/2022 (2B970240)

Lot	Total logs	Total volume, m ³
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Highlights of Assessment

Phase 7	614	1,415.05
Total	614	1,415.05

Form IIB Permit JPHTN/FRM 700-2/0/1/15(a)/JLD.4/4, dated 03/12/2021 (2B970232)

Lot	Total logs	Total volume, m³
Phase 6	712	1,629.71
Total	712	1,629.71

Period	Logs	Volume (m ³)	FORM IIB Royalty receipt No.
08/2021 (P1)	638	1,266.92	2B970197
09/2021 (P2)	99	171.90	2B970203
09/2021 (P3)	916	1,609.48	2B970202
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01/2022 (P6)	614	1,415.05	2B970240
02/2022 (P7)	724	1,720.03	2B970246
Totals	4,497	9,121.51	NA

February 2022: Gap 002/2022 (Major) – Checklist 2.3.1 & 2.3.5

There are no records of registration and monthly SOCSO contributions for forest workers conducting salvage logging operations as required.

April 2022: Gap 002/2022 (Major) - Outstanding

No evidence of registration of the workers with SOCSO.

February 2022: Gap 003/2022 (Minor) – Checklist 2.3.2 & 2.3.7

No evidence of safety or fire training for forest workers. Inadequate fire extinguishers at the base camp and relevant areas.

Principle 3.

The company had paid the applicable licensing fees and other charges to the SFD. The company maintained Timber Disposal Permit, Removal Pass and payment receipts as records of royalty payment.

Principle 4.

There is no village or local settlement located within the project area or at least a 3 KM radius from the project area. All settlements located at the outskirts of Tawau city and about 10km from the mining site.

Summary Results:

(Major gap = 1, Minor gap = 2, Observation = 0)

April 2022: (Major Gaps = 1; Minor Gaps = 2; Observations = 0)

Gap raised against indicators & criteria during the February, 2022 assessment.

GAP	Type	Checklist	Status	Description
001/2022	Minor	1.2.3	New	February 2022: Lack of segregation and storage of the schedule waste.
002/2022	Major	2.3.1 2.3.5	Outstanding	February 2022: There are no records of registration and monthly SOCSO contributions for forest workers conducting salvage logging operations as required. April 2022: No evidence of registration of the workers with SOCSO.
003/2022	Minor	2.3.2 2.3.7	New	February 2022: No evidence of safety or fire training for forest workers. Inadequate fire extinguishers at the basecamp and relevant areas.

Observation raised against indicators & criteria during the February, 2022 assessment.

Obs #	Checklist	Description
-	-	-

Highlights of Close Out Visit (if applicable)	Dates
Major Gap 002/2022 must be addressed within 2 months by April 2022.	-

Recommendations
<p>Southsea Gold Sdn. Bhd. has not demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified in Criterion 2.3 and is not recommended to receive a GFS Statement of Compliance or Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>The Major Gap shall be addressed within two months by April 2022.</p> <p>Gap 002/2022 (Major) Outstanding – Checklist 2.3.1 & 2.3.5: The company shall register, contribute and maintain the monthly SOCSO contributions for forest workers as required.</p> <p>Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Action required to close the gap(s)/observation(s) include:</p> <p>Gap 001/2022 (Minor) – Checklist 1.2.3: Segregate and label schedule waste accordingly.</p> <p>Gap 003/2022 (Minor) Checklist 2.3.2 & 2.3.7: Conduct safety and fire training to workers annually. Ensure adequate fire extinguishers at the base camp and other areas where risk of fire is present.</p> <p>The next annual surveillance will be scheduled for February 2023 where applicable.</p>

End of Summary Report