Southern Alliance Mining Ltd

(Company Registration No. 201931423D)

Unaudited Condensed Interim Financial Statements
For the Six Months Ended 31 January 2022 ("1H FY2022")

Background

Southern Alliance Mining Ltd. (the "**Company**") and together with its subsidiaries, (the "**Group**") is an established, respected and trusted high-grade iron ore producer in Asia. The Group is principally involved in the exploration, mining and processing of high-grade iron ore concentrate for subsequent sales. The Group also produces crushed iron ore which is used to coat subsea pipe for the oil and gas industry. Based in Pahang, Malaysia, the Group has been operating the Chaah Mine located at Johor, Malaysia since 2008 and has also been granted the right to carry out exploration and mining operations at three potential iron ore mines located in Johor, Malaysia. The Group has also extended its core business to include mining of gold and other precious metals, base metals and minerals as well as trading in other commodities. The Group has been granted to right to carry out exploration for gold mineralisation in the State of Johor and had commenced exploration activities since February 2022.

The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 26 June 2020. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**").

~ the remaining page is intentionally left empty ~

Table of Contents

PART I – UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR 1H FY2022

A. Condensed Interim Consolidated Statement of Profit or Loss and Comprehensive Income

	Note	Group Half Year Ended 31-Jan-22 (Unaudited) RM'000	Group Half Year Ended 31-Jan-21 (Unaudited) RM'000	Changes (%)
Revenue	**4**	98,486	152,054	-35.2%
Cost of sales		(64,999)	(79,747)	-18.5%
Gross profit		33,487	72,307	-53.7%
Other income		1,796	2,773	-35.2%
Other operating expenses		(423)	(304)	39.1%
General and administrative expenses		(7,312)	(5,654)	29.3%
Finance costs		(169)	(166)	1.8%
Profit before tax	**5**	27,379	68,956	-60.3%
Income tax expense	6	(8,029)	(17,545)	-54.2%
Profit after tax, representing total comprehensive income for the period		19,350	51,411	-62.4%
Earnings per share (Malaysian cents per share)				
Basic and diluted		3.96	10.51	

~ the remaining page is intentionally left empty ~

B. Condensed Interim Statements of Financial Position

	Note	Group 31-Jan-22 (Unaudited) RM'000	Group 31-Jul-21 (Audited) RM'000	Company 31-Jan-22 (Unaudited) RM'000	Company 31-Jul-21 (Audited) RM'000
Assets					
Non-current assets					
Property, plant and equipment	10	70,170	56,536	-	-
Mine properties	11	34,888	22,538	-	-
Exploration and evaluation assets		8,976	6,768	-	-
Investment in subsidiaries		-	-	174,565	174,480
Investment securities		39	39	-	-
		114,073	85,881	174,565	174,480
Current assets					
Inventory		5,178	4,911	-	-
Trade and other receivables		8,640	21,435	13,612	12,175
Contract assets		150	29,505	-	-
Prepayments		4,438	8,375	37	103
Cash and bank balances		249,845	281,145	31,207	21,784
Income tax recoverable		9,453	-	-	-
		277,704	345,371	44,856	34,062
Total assets		391,777	431,252	219,421	208,542
Liabilities					
Current liabilities					
Lease and hire purchase liabilities	12	5,472	2,890	-	-
Trade and other payables		13,041	42,001	363	849
Income tax payable		-	15,359	-	-
		18,513	60,250	363	849
Net current assets		259,191	285,121	44,493	33,213
Non-current liabilities					
Lease and hire purchase liabilities	12	5,965	1,213	-	-
Deferred tax liabilities		6,056	3,179	-	-
		12,021	4,392	-	-
Total liabilities		30,534	64,642	363	849
Net assets		361,243	366,610	219,058	207,693
Equity attributable to owners of the Company					
Share capital	13	218,154	218,154	218,154	218,154
Treasury shares	13	(467)	-	(467)	-
Retained earnings / (accumulated losses)		306,188	311,103	1,371	(10,461)
Merger reserve		(163,380)	(163,380)	-	-
		360,495	365,877	219,058	207,693
Preference shares		733	733	-	-
Non-controlling interest		15	-	-	-
Total equity		361,243	366,610	219,058	207,693

~ the remaining page is intentionally left empty ~

C. Condensed Interim Consolidated Statement of Cash Flows

	Group Half Year Ended	
	31-Jan-22 (Unaudited) RM'000	31-Jan-21 (Unaudited) RM'000
Operating activities		
Profit before tax	27,379	68,956
Adjustments for:		
Interest expenses	169	166
Interest income	(1,530)	(1,126)
Unrealised loss on foreign exchange	943	605
Depreciation of property, plant and equipment	4,768	3,891
Gain on disposal of property, plant and equipment	-	(930)
Amortisation of mine properties	1,755	1,721
Total adjustments	6,105	4,327
Operating cash flows before changes in working capital	33,484	73,283
Changes in working capital:		
Increase in inventories	(267)	(452)
Decrease/(increase) in trade and other receivables and contract assets	42,005	(7,131)
Decrease/(increase) in prepayments	3,937	(1,610)
Decrease in trade and other payables	(29,101)	(550)
Total working capital changes	16,574	(9,743)
Cash flows from operations	50,058	63,540
Income taxes paid	(29,964)	(253)
Interest received	1,530	1,126
Interest paid	(169)	(166)
Net cash flows from operating activities	21,455	64,247

~ the remaining page is intentionally left empty ~

	Group Half Year Ended 31-Jan-22 (Unaudited) RM'000	31-Jan-21 (Unaudited) RM'000
Investing activities		
Investment in exploration and evaluation assets	(2,208)	(1,090)
Purchase of property, plant and equipment	(10,869)	(11,815)
Proceeds from disposal of property, plant and equipment	-	167
Placement of term deposits	(10,076)	-
Expenditures on stripping activity assets	(11,949)	-
Net cash used in investing activities	(35,102)	(12,738)
Financing activities		
Repayment of obligations under leases	(2,019)	(1,701)
Purchase of treasury shares	(467)	-
Dividends paid on ordinary and preference shares	(24,265)	(9,033)
Net cash used in financing activities	(26,751)	(10,734)
Net (decrease)/increase in cash and cash equivalents	(40,398)	40,775
Effect of exchange rate changes on cash and cash equivalents	(978)	(563)
Cash and cash equivalents at beginning of financial period	245,506	149,866
Cash and cash equivalents at end of financial period	204,130	190,078

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	31-Jan-22 RM'000	31-Jan-21 RM'000
Cash and bank balances	249,845	190,078
Less:		
Deposits more than three months	(45,715)	-
Cash and cash equivalents at end of financial period	204,130	190,078

~ the remaining page is intentionally left empty ~

D. Condensed Interim Statements of Changes in Equity

	Attributable to the owners of the Company							
	Share capital RM'000	Treasury shares RM'000	Merger reserve RM'000	Retained earnings RM'000	Total RM'000	Preference shares RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
1H FY 2022								
Opening balance at 1 August 2021 (audited)	218,154	–	(163,380)	311,103	365,877	733	–	366,610
Profit for the year representing total comprehensive income	–	–	–	19,350	19,350	–	–	19,350
<u>Transactions with owners</u>								
Purchase of treasury shares	–	(467)	–	–	(467)	–	–	(467)
Dividends on ordinary and preference shares	–	–	–	(24,265)	(24,265)	–	–	(24,265)
Total transactions with owners	–	(467)	–	(24,265)	(24,732)	–	–	(24,732)
Partial disposal of an investment in a subsidiary	–	–	–	–	–	–	15	15
Closing balance at 31 January 2022 (unaudited)	218,154	(467)	(163,380)	306,188	360,495	733	15	361,243
1H FY 2021								
Opening balance at 1 August 2020 (audited)	218,154	–	(163,380)	172,006	226,780	733	–	227,513
Profit for the year representing total comprehensive income	–	–	–	51,411	51,411	–	–	51,411
<u>Transaction with owners</u>								
Dividends on ordinary and preference shares	–	–	–	(9,033)	(9,033)	–	–	(9,033)
Closing balance at 31 January 2021 (unaudited)	218,154	–	(163,380)	214,384	269,158	733	–	269,891

Company	Share capital RM'000	Treasury shares RM'000	Accumulated profit/(losses) RM'000	Total equity RM'000
1H FY 2022				
Opening balance at 1 August 2021 (audited)	218,154	–	(10,461)	207,693
Profit for the year representing total comprehensive income	–	–	35,997	35,997
Transaction with owners				
Dividends on ordinary and preference shares	–	–	(24,165)	(24,165)
Purchase of treasury shares	–	(467)	–	(467)
Closing balance at 31 January 2022 (unaudited)	218,154	(467)	1,371	219,058
1H FY 2021				
Opening balance at 1 August 2020 (audited)	218,154	–	(9,168)	208,986
Profit for the year representing total comprehensive income	–	–	8,424	8,424
Transactions with owners				
Dividends on ordinary and preference shares	–	–	(8,933)	(8,933)
Closing balance at 31 January 2021 (unaudited)	218,154	–	(9,677)	208,477

~ the remaining page is intentionally left empty ~

E. Notes to the Condensed Interim Consolidated Financial Statements

Note 1 – Corporate information

The Company was incorporated on 19 September 2019 under the Companies Act, Chapter 50 as a private limited company domiciled in Singapore. On 27 April 2020, the Company was converted to a public company limited by shares and whose shares are publicly traded on the Catalist of the SGX-ST. These condensed interim consolidated financial statements as at and for the six months ended 31 January 2022 comprise the Company and its subsidiaries (collectively, the "Group").

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are mining, processing and sales of iron ore. The Group has also extended its core business to include mining of gold and other precious metals, base metals and minerals as well as trading in other commodities.

Note 2 – Basis of preparation

The condensed interim consolidated financial statements for the six months ended 31 January 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim consolidated financial statements do not include all the information and disclosures required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the most recent audited annual financial statements for the year ended 31 July 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim consolidated financial statements are presented in Malaysian Ringgit ("RM").

2.1 New and amended standards adopted by the Group

The Group has adopted all the applicable new and revised SFRS(I) and SFRS(I) Interpretations that are mandatory for the accounting periods beginning on or after 1 August 2021. The adoptions of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group for the current financial period reported on.

2.2 Use of judgements and estimates

The preparation of the Group's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the condensed interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 July 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are detailed in Notes 2.2.1 and 2.2.2.

2.2.1 Judgements made in applying accounting policies

(a) *Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income and deductible expenditures. The Group establishes provisions and recognises tax recoverable positions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions and tax recoverable are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority as well as judgement made on whether it is probable that the Group's tax positions would be accepted by the tax authority. The carrying amounts of the income tax recoverable, income tax payable and deferred tax liabilities as at 31 January 2022 is RM9,453,000 (31 July 2021: Nil), Nil (31 July 2021: RM15,359,000) and RM6,056,000 (31 July 2021: RM3,179,000) respectively.

(b) *Stripping (waste removal) costs*

The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former is included as part of the costs of inventory, while the latter are capitalised as a stripping activity asset, where certain criteria are met. Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volume s (e.g., in tonnes) of waste be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Amortisation of mine properties

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units of production ("UOP") depreciation methodologies are available to choose from. The Group adopts a methodology involving run-of-mine ('ROM') tonnes of ore produced for mining costs and a methodology involving ounces/tonnes of metal produced for post-mining costs. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

(i) The effect on economically recoverable reserves of differences between actual commodity prices; and
(ii) Unforeseen operational issues.

Changes in estimates are accounted for prospectively.

Note 3 – Seasonality of operations

Revenue and operating profit for the fiscal quarters which cover the dry season (from February to October) are generally higher than the fiscal quarters which cover the typical rainy season (from November to January). However, this trend may be affected by any anomaly in weather or rainfall patterns.

Note 4 – Revenue

	6 months period ended	
	31 January 2022	**31 January 2021**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Sales of iron ores	98,486	152,054

All revenues are derived from the operations based in Malaysia except for an amount of approximately Nil for the financial period ended 31 January 2022 (31 January 2021: RM3,218,000) arising from sales to overseas customers.

Contract assets

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	31 January 2022	**31 January 2021**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Receivables from contracts with customers	5,515	8,426
Contract assets	150	24,366

Contract assets primarily relate to the Group's right to consideration for iron ore delivered but not yet billed at reporting date for the sale of iron ores. Contract assets are transferred to receivables when the rights become unconditional.

Significant changes in contract assets are explained as follows:

	31 January 2022	**31 January 2021**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Contract assets reclassified to receivables	29,505	4,248

Note 5 – Profit before tax

5.1 Significant items

	Group Six month period ended 31 January 2022 RM'000 Unaudited	31 January 2021 RM'000 Unaudited	Changes (%)
Interest income from fixed deposits	(1,530)	(1,126)	35.9%
Gain on disposal of property, plant and equipment	-	(930)	-100%
Rendering of services	(75)	(90)	-16.7%
Government grant	-	(627)	-100%
Sundry income	(107)	-	100%
Finance costs	169	166	1.8%
Employee benefits expense	5,557	6,189	-10.2%
Depreciation of property, plant and equipment	4,768	3,891	22.5%
Amortisation of mine properties	1,755	1,721	2.0%
Unrealised loss on foreign exchange	943	605	55.9%
Realised loss on foreign exchange	2	10	-80%
Tributes	17,500	18,000	-2.8%
Royalties	549	924	-40.6%

5.2 Related party transactions

(a) ***Sales and purchases of goods and services***

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial period:

	Group 6 month period ended 31 January 2022 RM'000 Unaudited	31 January 2021 RM'000 Unaudited
Transactions with related parties		
Sale of iron ore	-	133
Hiring and transportation services procured	6,093	11,397
Purchase of lubricants, spare parts and equipment	942	609
Procurement of services	12	129

(b) ***Compensation of key management personnel***

	Group	
	6 month period ended	
	31 January 2022	**31 January 2021**
	RM'000	RM'000
	Unaudited	**Unaudited**
Short-term employee benefits	1,819	1,662

Key management compensation comprises the following:

Remuneration to Director of the Company	993	915
Directors' fees	329	317
Other key management personnel	350	298
Defined contributions	147	132
	1,819	1,662

Note 6 – Income tax

The Group calculates the period income tax expenses using the tax rate that would be applicable to the expected total annual earning based on the rates prevailing in the relevant jurisdiction. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	6 months period ended	
	31 January 2022	**31 January 2021**
	RM'000	RM'000
	Unaudited	**Unaudited**
Current income tax		
Current income taxation	5,150	9,660
Under provision in respect of previous year	2	-
Deferred income tax		
Origination and reversal of temporary differences	2,865	7,885
Under provision in respect of previous years	12	-
Income tax recognised in profit and loss	8,029	17,545

Note 7 - Dividends

	6 months period ended	
	31 January 2022	**31 January 2021**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Declared and paid during the financial period		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2021: 4.9 cents per share (2020: 1.8 cents per share)	24,165	8,933
Dividends on preference shares		
- Final exempt (one-tier) dividend for 2021: 13.6 cents per share (2020: 13.6 cents per share)	100	100
	24,265	9,033

Note 8 – Earnings per ordinary share ("EPS")

	6 months period ended	
	31 January 2022 Unaudited	**31 January 2021 Unaudited**
Profit attributable to shareholders of the Company (RM'000)	19,350	51,411
Weighted average number of ordinary shares in issue ('000 shares)	488,917	489,000
Basic and fully diluted basis EPS (Malaysian cents)	3.96	10.51

EPS is calculated by dividing the Group's profit attributable to owners of the Company with the weighted average number of ordinary shares during the period. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued or bought back during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

The basic and diluted EPS are the same as the Company and the Group did not have any potentially dilutive instruments for the respective financial periods.

Note 9 – Net asset value

	Group		**Company**	
	31 January 2022 Unaudited	**31 July 2021 Unaudited**	**31 January 2022 Unaudited**	**31 July 2021 Unaudited**
Net asset value (RM'000)	360,495	365,877	219,058	207,693
Number of issued shares ('000)	488,789	489,000	488,789	489,000
Net asset value per share (Malaysian cents)	73.75	74.82	44.82	42.47

The net asset value per ordinary share of the Group and the Company as at 31 January 2022 were calculated based on the total issued number of ordinary shares (excluding treasury shares) of 488,789,000 (31 July 2021: 489,000,000).

Note 10 – Property, plant and equipment

During the six months ended 31 January 2022, the Group acquired assets amounting to RM20,558,000 (31 January 2021: RM13,652,000) and disposed of assets amounting to RM Nil (31 January 2021: RM67,000). The cash outflow on acquisition of property, plant and equipment amounted to RM10,869,000 (31 January 2021: RM11,815,000). Out of total proceeds from disposed assets amounted to RM Nil (31 January 2021: RM997,000), the Group had received cash inflows from disposed assets of RM Nil (31 January 2021: RM167,000). Accordingly, gain on disposal amounted to RM Nil (31 January 2021: RM930,000).

Note 11 – Mine properties

	Producing mine	**Stripping activity asset**	**Total**
	RM'000	RM'000	RM'000
Group			
Cost			
At 1 August 2020, 31 July 2021 and 1 August 2021	18,259	46,404	64,663
Addition during the period	-	14,105	14,105
At 31 January 2022	18,259	60,509	78,768
Accumulated amortisation			
At 1 August 2020	11,273	27,331	38,604
Charge for the year	944	2,577	3,521
At 31 July 2021	12,217	29,908	42,125
Charge for the period	284	1,471	1,755
At 31 January 2022	12,501	31,379	43,880
Net carrying amount			
At 31 July 2021	6,042	16,496	22,538
At 31 January 2022	5,758	29,130	34,888

Note: There were no capitalization of cost related to the producing mine and stripping activity asset in the financial year ended 31 July 2021

Note 12 – Lease and hire purchase liabilities

	31 January 2022 RM'000 **Unaudited**	31 July 2021 RM'000 **Audited**
Group		
Current		
Secured:		
Lease and hire purchase liabilities	5,472	2,890
Non–current		
Secured:		
Lease and hire purchase liabilities	5,965	1,213
Total lease and hire purchase liabilities	11,437	4,103

Finance lease liabilities were classified to lease liabilities on 1 August 2019 arising from the adoption of SFRS(I) 16. These lease liabilities are secured by a charge over the leased assets as well as way of corporate guarantee by the Company or personal guarantee and indemnity by Dato' Sri Pek Kok Sam, the Executive Director and Chief Executive Officer and/or Mr Pek Kok Hing, brother of Dato' Sri Pek Kok Sam. The Company had provided corporate guarantee as security for the borrowing facilities granted after the listing of the Company. The average discount rate implicit in the leases is 2.43% (31 July 2021: 2.68%) per annum.

There are no unsecured borrowings and/or debt securities as at 31 January 2022 and 31 July 2021.

Note 13 – Share capital and treasury shares

	Group and Company			
	31 January 2022		**31 July 2021**	
	No. of shares **Unaudited**	RM'000 **Unaudited**	No. of shares **Audited**	RM'000 **Audited**
Share capital				
Issued and fully paid ordinary shares	489,000,000	218,154	489,000,000	218,154

As at 31 January 2022, the Company's total issued shares is 488,789,000 ordinary shares (31 July 2021: 489,000,000) excluding 211,000 shares held as treasury shares (31 July 2021: Nil).

	Group and Company			
	31 January 2022		**31 July 2021**	
	No. of shares **Unaudited**	RM'000 **Unaudited**	No. of shares **Audited**	RM'000 **Audited**
Treasury shares				
Balance as at 1 August 2021	-	-	-	-
Purchased during the period	211,000	467	-	-
Balance as at 31 January 2022	211,000	467	-	-

Treasury shares relate to ordinary shares of the Company that is held by the Company.

Note 14– Capital commitments

As at the end of the reporting period, commitments in respect of capital expenditures are as follows:

	31 January 2022	31 July 2021
	RM'000	RM'000
Group		
Capital expenditures contracted but not provided for		
- Plant and equipment	5,463	-

Note 15– Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim consolidated financial statements.

~ the remaining page is intentionally left empty ~

PART II – OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES

1 Review

The condensed consolidated statement of financial position of Southern Alliance Mining Ltd. and its subsidiaries as at 31 January 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and certain explanatory notes have not been audited or reviewed.

The Group's latest financial statements for the year ended 31 July 2021 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review for the performance of the Group for the half year ended 31 January 2022 ("1H FY2022") compared to the half year ended 31 January 2021 ("1H FY2021")

Consolidated Statement of Comprehensive Income

Revenue

The selling prices of our iron ore products are guided by the Platts Iron Ore Index.

The Group's revenue decreased by 35.2% from RM152.1 million in 1H FY2021 to RM98.5 million in 1H FY2022. The decrease is mainly due to intense overburden removal activities that the Chaah Mine underwent during the period, which resulted in lower volume of ore extraction in 1H FY2022. The intensity of the overburden removal is in line with the mine schedule. The impact of lower sales volume was partially mitigated by higher average realised selling price ("**ARSP**") for iron ore concentrate and iron ore tailing.

ARSP

The movement of ARSP in 1H FY2022 as compared to 1H FY2021 is set out in the table below.

ARSP per dried metric ton (DMT)/metric ton (MT)	1H FY2022	1H FY2021	Increase/(decrease) (%)
Iron ore concentrate	RM503.47	RM492.82	2.2%
Crushed iron ore	- *	RM385.49	(100.0%)
Iron ore tailing	RM241.89	RM99.21	143.8%

*Note * : There is no ARSP recorded for 1H FY2022 as there was no order from the pipe coating industry resulting in no sale of crushed iron ore in 1H FY2022 .*

Sales volume

The Group reported a decrease in sales volume of the following products in 1H FY2022 compared to 1H FY2021:

(i) a decrease of approximately 103,000 DMT or 34.6% of iron ore concentrate compared to 1H FY2021. This is mainly attributable to lesser ores extracted due to the requirement to remove the overburden in accordance with the mining schedule. The outbreak of the Covid-

19 in mid of September 2021 at our Chaah Mine had also delayed the planned mining activities;
(ii) no order from the pipe coating industry for crushed iron ore; and
(iii) a decrease of approximately 49,000 DMT, representing a 97.3% decrease of iron ore tailings sales volume from 1H FY2021 due to reduced tailing available for sale in the tailing pond. This is in line with lesser iron ore was processed during the period.
*Note: tailing refers to the “waste” which contains iron content as a result of certain ore which cannot be recovered via concentrating process. The percentage of ore that can be recovered via concentrating process is known as metallurgical recovery. Tailing became saleable when the iron ore price was high and the Group began to sell tailing in FY2020 when the iron ore price was on high side.

Cost of sales
While the Group has reported a decrease in turnover by 35.2%, our cost of sales only decreased by 18.5% to RM65.0 million in 1H FY2022. The decrease in our cost of sales is contributed by the following:
(i) the processing cost consisting of fuel and electricity cost, maintenance cost and sub-contractors’ fees which decreased by RM9.6 million or 40.8%;
(ii) the mining cost consisting of equipment and machinery maintenance cost, fuel and lubrication cost and payroll which decreased by RM2.3 million or 12.9%; and
(iii) a decrease in sales and related cost consisting of logistic and port related cost, tributes and royalties of 25.0% or RM7.8 million in 1H FY2022.

However, the decrease in processing, mining and sales and related cost was offset by:
(i) an increase in depreciation of plant and equipment of 20.3% or RM0.7 million in 1H FY2022 due to the additional machinery capacities in carrying out intensive overburden removal job; and
(ii) blasting costs increased by 65.3% or RM1.5 million in 1H FY2022 in line with the intensified removal of overburden work.

As part of the Group’s strategy to offset the effect of the stripping of overburden activities, our Group boosted its production of iron ore concentrate by purchasing good quality ore during the 1H FY2022. The purchase and transportation cost the Group approximately RM2.5 million.

Gross profit and gross profit margin
The decrease in revenue outweighed that of cost of sales resulting in a 53.7% decrease in the Group’s gross profit from RM72.3 million in 1H FY2021 to RM33.5 million in 1H FY2022. This resulted in a drop in the gross profit margin by 13.6 percentage points, from 47.6% in 1H FY2021 to 34.0% in 1H FY2022.

Other income
Other income decreased by 35.2% from RM2.8 million in 1H FY2021 to RM1.8 million in 1H FY2022. The decrease is due to a one-off gain on disposal of equipment recorded in 1H FY2021 amounting to RM1.0 million.

Other operating expenses
There is no significant change in other operating expenses incurred by the Group.

General and administrative expenses
The general and administrative expenses increased by 29.3% to approximately RM7.3 million in 1H FY2022. This was mainly due to (i) an increase in administrative expenses incurred of RM0.4 million to RM 2.6 million during 1H FY2022 for purchase of group hospitalisation and surgical insurance, website maintenance costs, stamping and legal consultation fees; (ii) an increase in employee benefits and payroll by 28.9% to RM3.6 million mainly for increase in headcount, bonus and salary and medical costs in relation to Covid-19; and (iii) an increase in loss of RM0.4 million to RM0.9 million in 1H FY2022 on unrealised translation differences.

Profit before tax
As a result of the foregoing, the Group's profit before tax decreased by approximately RM41.6 million or 60.3% to RM27.4 million in 1H FY2022.

Income tax expense
The Group incurred an income tax expense of RM8.0 million, representing a decrease of RM9.5 million from 1H FY2021 in line with the drop in revenue of the Group in 1H FY2022.

Review for the financial position of the Group as at 31 January 2022 compared to as at 31 July 2021

Consolidated Statement of Financial Position

Non-current assets
Property, plant and equipment constituted approximately 61.5% of the Group's non-current assets as at 31 January 2022. The increase in property, plant and equipment of RM13.6 million or approximately 24.1% was attributable to (i) the purchase of mobile equipment and construction of the new crushing plant and workshop of approximately RM17.4 million to support the intensified mining and crushing activities at the Chaah Mine; and (ii) lease and renovation of an office premise of RM1.1 million. This was partially offset by depreciation charges of approximately RM4.8 million.

Mine properties made up approximately a third of non-current assets. The increase in mine properties of RM12.3 million or approximately 54.8% was mainly attributable to the capitalisation of production stripping activity costs amounting to RM14.1 million, which is in line with the Group's accounting policy. The increase is partially offset by the continued amortisation of the mine properties which consist of stripping activity asset, and producing mines of RM1.8 million. This had resulted in the increase of mine properties by RM12.3 million to RM34.9 million as at 31 January 2022.

As part of the ongoing exploration works conducted by the Group, exploration and evaluation assets has increased by RM2.2 million or 32.6% to RM9.0 million as at 31 January 2022. Exploration and evaluation assets comprised solely the exploration cost incurred on prospect sites located at the State of Johor, Malaysia.

Current assets
The Group's cash and bank balances remains strong at RM249.8 million, representing approximately 90.0% of the Group's current assets as at 31 January 2022.

The trade and other receivables decreased by RM12.8 million due to the collection of trade receivables and other receivables amounting to RM12.2 million and RM0.6 million respectively. The decrease in trade receivables is due to receipts for sales invoices billed in accordance to the credit terms granted. The decrease in other receivables is mainly due to amount received for the disposal of a drilling machine and the decrease in advances and deposits upon delivery of goods as at 31 January 2022.

Contract assets primarily relate to the Group's right to consideration for the sale of iron ores which has been delivered but not billed as at reporting date. Depending on our sales contract, billing will only be raised once we achieved certain milestones, either based on quantity or date as the case maybe. An accrual will be made for the billing of contract assets which was not raised as at reporting cut-off date due to the contractual timing. The contract assets dropped from RM29.5 million as at 31 July 2021 to RM0.2 million as at 31 January 2022 arising from the terms of sales for the sales contracts which supply had been completed at the end of the reporting period.

The closing stock remain constant at approximately RM4.9 million and RM5.2 million as at 31 July 2021 and 31 January 2022 respectively.

The advance payment for the purchase of imported spare parts recorded in prepayments has decreased to RM4.4 million as at 31 January 2022 from RM8.4 million as at 31 July 2021 as the parts had been completed and delivered as at 31 January 2022.

The income tax recoverable of RM9.5 million as at 31 January 2022 consist of prepaid tax instalment paid for the financial year ending 31 July 2022 amounting to RM3.7 million and over provision of tax in respect of prior years amounting to RM5.8 million.

Current liabilities
The Group's current liabilities amounted to RM18.5 million as at 31 January 2022, representing 6.7% of Group's current assets as compared to 17.4% as at 31 July 2021.

The decrease of RM41.7 million in total current liabilities from RM60.2 million as at 31 July 2021 to RM18.5 million as at 31 January 2022 was due to the income tax payable of RM15.3 million as at 31 July 2021 which was fully paid in 1H FY2022.

The Group's trade and other payables have decreased by RM29.0 million or 69.0% to RM13.0 million as at 31 January 2022. It was due to payment made to suppliers of RM12.0 million, payment to other creditors, sub-contract wages and accrued charges of RM4.7 million and payment made for bonus provided for of RM12.3 million in 1H FY2022.

The decrease in income tax payable and trade and other payables is partially offset with an increase of RM2.6 million in lease and hire purchases for mining equipment payable in line with increased capital expenditure committed.

Non-current liabilities
Non-current liabilities refer to the lease and hire purchase liabilities that fall due over a period of more than 12 months of RM6.0 million and deferred tax liabilities of RM6.1 million respectively.

The loans and borrowings (due more than 12 months) had increased by RM4.8 million or 391.8% to RM6.0 million as at 31 January 2022, which is resulted from the addition of mining equipment.

The deferred tax liabilities nearly doubled to RM6.1 million as at 31 January 202 as compared to RM3.2 million as at 31 July 2021 mainly due to the timing differences on claims allowed for tax purposes.

<u>**Consolidated Statement of Cash Flow**</u>

The Group generated RM21.5 million of cash flows from operating activities in 1H FY2022 compared to RM64.2 million in 1H FY2021 as elaborated above.

During 1H FY2022, the Group's net cash used in investing activities was RM35.1 million compared to RM12.7 million used in 1H FY2021. The Group invested RM10.9 million in property, plant and equipment in 1H FY2022, representing a decrease of RM0.9 million from 1H FY2021. The Group also placed additional placement of term deposits amounting to RM10.1 million in 1H FY2022. In addition, the Group also spent RM2.2 million in exploration activities which was capitalised as exploration and evaluation assets in the balance sheet. The Group has also spent and capitalised RM11.9 million as stripping activity assets under mine properties in 1H FY2022.

During 1H FY2022, the Group paid a final dividend in respect of the financial year ended 31 July 2021 of approximately RM24.3 million to the ordinary and preference shareholders as compared to RM9.0 million in 1H FY2021. The Group has spent RM0.5 million during 1H FY2022 to repurchase its ordinary shares. The Group has also made repayments of approximately RM2.0 million in 1H FY2022 for its hire purchase facilities as compared to RM1.7 million in 1H FY2021.

The Group also recorded a loss of RM1.0 million in 1H FY2022 as a result of the exchange rate changes on cash and cash equivalents.

The combined effects of the above resulted in a net decrease in the Group's cash and cash equivalents by RM41.4 million in 1H FY2022 compared to an increase of RM40.2 million in 1H FY2021.

3 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast or prospect statement has been previously issued to the shareholders for the current financial year reported on.

4 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

2021 has been a year of mixed emotions, where on one hand we experienced a renewed positivity in business sentiments, however, on the other hand, lockdown-like situations emerged again due to the surge in Covid-19 cases with the emergence of new variants. The new variants, Delta and Omicron, were deadlier and crippled the economic recovery worldwide. Notwithstanding such disruptions, governments around the globe declared the Covid-19 virus an endemic and focused on easing movement restrictions on the back of increasing vaccination rates. Following a similar approach, Malaysian Prime Minister Ismail Sabri Yaakob announced in September 2021 that more economic sectors will be allowed to reopen citing the impracticability of shutdowns on both the economy and mental health of Malaysians.[1] Moreover, in January 2022, the Malaysia government also announced that the country will not impose any further blanket movement control orders (MCOs) or travel restrictions, but will allow sectors and businesses to return to normal.[2] This has presented a fresh outlook for business in the economy and the Group will continue to focus on capturing the available opportunity in the iron ore market.

Iron ore prices plummeted following the record high in July 2021 due to China's curbs on steel production. China restricted steel production in order to cool down prices in metal markets and decrease pollution from the steel industry ahead of the Winter Olympics 2022.[3] However, a move towards infrastructure led economic recovery only meant elevated prices of iron ore in the coming few months. This was reflected in the market as iron ore prices soared high once again to break the US$150/t mark in February 2022[4].

There is increased positivity about renewed demand from China given recent announcements by the government, which is expected to further buoy prices.[5] The Chinese government announced on 25 January 2022 that there will be a reasonable quota for local government bonds to boost infrastructure investments in 2022. Furthermore, Fitch Solutions expects steel manufacturing activity to pick up strongly after power outages in the second half of 2021 limited

[1] The Straits Times: More sectors allowed to reopen in Malaysia as Covid-19 lockdown no longer feasible: PM Ismail
[2] The Straits Times: Malaysia won't impose travel bans or lockdowns during Hari Raya this year
[3] S&P Global Market Intelligence: Souring iron ore outlook set to persist into 2022
[4] Bloomberg: China's Iron Ore Crackdown Sparks Rout as BHP Sees Price Support
[5] Mining.com: Iron ore price hits 6 months high on hopes of eased covid-10 restrictions in China

production activities.[6] Despite the steel production curbs leading to a fall in iron ore imports from China in the second half of 2021, iron ore imports started gaining traction once again as China's imports rose 14.6% in November 2021 from a month earlier, the highest since July 2020.[7] This highlights the rebound in iron ore demand from the world's largest consumer delivering a sense of optimism to the iron ore market outlook.

To further push iron ore prices to elevated levels, the supply growth has been sluggish compared to the increasing demand. Despite the rise in production from Brazil and Australia, metals major Vale is expected to take a substantially long time to return to pre-Brumadinho dam collapse capacity levels. The slow growth in production from the world's third-largest iron ore miner continues to set the stage for high iron ore prices.[6] The volatile nature of demand and supply for iron ore has constantly posed a tricky scenario for analysts to predict iron ore prices. However, consensus still suggests that iron ore prices are expected to remain above the US$100/t mark and hover between US$100/t – US$120/t for the next couple of years before normalizing to pre-pandemic levels.[8]

However, the Group remains cautiously optimistic about iron ore outlook going forward. Despite the strong demand scenario in both China and other Southeast Asian countries, we believe that prices will continue to normalise in the long run as the Chinese economy undergoes a structural shift in its economic growth trajectory and reduces steel output.[6] We will continue to monitor the market fundamentals and ensure we capitalise on every possible opportunity. Furthermore, to reduce our volatility based on iron ore prices, the Group has also embarked on a diversification path as we entered into a joint venture to explore opportunities in the gold mining sector.

Notwithstanding structural fluctuations in iron ore prices and pandemic-related disruptions, the trade receivables of the Group remain healthy and the Management and Board have assessed that there are no indications that the quality of our trade receivables have deteriorated. Furthermore, with the present price of iron ore and the cash reserve of the Group of RM249.8 million as at 31 January 2022, the Group does not foresee breaching its contractual obligations to its customers and/or suppliers. The Group is able to service its financial commitments amounting to RM11.4 million as at 31 January 2022.

In view of the above, the Board of Directors concurred with the Management that there are no indications that would require the impairment of the assets, the breaching of the Group's contractual obligations and failure to honour its financial commitments obligations or having any going concern issues.

~ the remaining page is intentionally left empty ~

[6] Mining weekly: Fitch revises short-term iron-ore price outlook on China stimulus
[7] Reuters: China's Nov. iron ore imports hit highest in 16 months
[8] Australian Financial Review: Iron ore's price outlook divides analysts

5 Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

As at 31 January 2022, the Company's total issued shares is 488,789,000 ordinary shares (31 July 2021: 489,000,000) excluding 211,000 shares held as treasury shares (31 July 2021: Nil).

As at 31 January 2022, the Company held 211,000 treasury shares (31 January 2021: Nil) which represents 0.043% (31 January 2020: Nil) of the total number of issued shares (excluding treasury shares).

There were no outstanding options, convertible securities or subsidiary holdings as at 31 January 2022 and 31 January 2021.

6 A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

7 A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable, as the Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

8 Dividend

(a) ***Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

None.

(b) ***Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) ***Whether the dividend is before tax, net of tax or tax exempt***

Not applicable.

(d) ***Date payable***

Not applicable.

(e) ***The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined***

Not applicable.

9 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the period ended 31 January 2022 as the dividend shall be guided by the results of the full financial year.

10 If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has obtained approval from the Shareholders for the renewal of the general mandate, pursuant to Rule 920(2), during the Company's annual general meeting held on 27 November 2020. Save as disclosed in the table below, there were no other interested person transactions on or above S$100,000 entered into during the financial period under review.

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
		RM'000	RM'000
Multiline Trading Sdn Bhd	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	6,336
Hchem Marketing (M) Sdn Bhd	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	699

The Group intends to seek for a renewal of the Shareholders' Mandate at the next annual general meeting of the Company to facilitate transactions in the ordinary course of our business which are transacted from time to time with the specified classes of Mandated Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

11 Use of IPO proceeds

The Company refers to the net proceeds amounting to S$13.6 million, net of placement commission of S$0.4 million (before deducting listing expenses of approximately S$1.7 million) raised from the IPO on the Catalist of the SGX-ST on 26 June 2020 ("**IPO Net Proceeds**").

As at the date of this announcement, the status on the utilisation of the IPO Net Proceeds is as follows:

Use of IPO Net Proceeds	Amount re-allocated on 22 January 2021 (S$'000)	Amount utilised as announced (S$'000)	Amount further utilised (S$'000)	Balance (S$'000)
Further exploration activities	4,000	(1,397)	(476)	2,127
Investment into mining equipment and infrastructure	3,000	(3,000)	-	-
Acquisition, joint ventures, strategic alliances and/or development of new mines	1,000	(60)		940
General working capital	3,937	(1,426)	(148)	2,363
TOTAL	11,937	(5,883)	(624)	5,430

The above utilisation is in accordance with the intended use of proceeds of IPO as stated in the Offer Document dated 16 June 2020, and re-allocated in accordance with the Company's announcement dated 22 January 2021.

Amount utilised for general working capital up to the date of this announcement is approximately S$1,574,000 with the details as follows:

Nature of Working Capital	Amount Utilised S$'000
Professional fees	953
Administrative expenses	561
Directors' insurances and training	60
	1,574

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.

12 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual.

13 Additional information required pursuant to Rule 706A

The Company has incorporated a wholly-owned Malaysian subsidiary, Southern Atlantic Metal Sdn Bhd, on 16 December 2021 for the purpose carrying out mining activities in Malaysia in the future. Please refer to section 18 of this announcement for details.

14 Negative confirmation by the Board pursuant to Rule 705(5)

The Board of Directors hereby confirm that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Group and the Company for 1H FY2022 to be false or misleading in any material aspect.

PART III - ADDITIONAL DISCLOSURE REQUIRED FOR MINERAL, OIL AND GAS COMPANIES

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

For the purpose of this section, the Group's disclosure is on exploration cost (excludes cost associated with the acquisition mining right which is considered as part of the exploration and evaluation asset and depreciation for accounting purpose) 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 the second quarter ended 31 January 2022 ("2Q FY2022")

	2Q FY2022		
Activities	Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	3,000	1,429	(1,571)
Mining related expenditure (excluding capital expenditure)	29,000	25,380	(3,620)
Total	32,000	26,809	(5,191)

The exploration activities at the Chaah Mine are undertaken to establish an extension of the existing iron ore body. During the period, the focus of the exploration has been shifted to the southern part of the pit. There was an unutilised budget of approximately RM1.6 million as no physical drilling work was done during the re-mobilisation and repositioning of the drilling equipment to the southern part of the pit.

The slight 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: -

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

The projection for the third quarter ending 30 April 2022 ("**3Q 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 and the intensity of the pre-planned mining work based on the present enlarged mine fleet capacity.

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

The Directors hereby confirm that to the best of their knowledge, nothing has come to their attention which may render such information provided false, misleading in any material aspect.

17 Pursuant to Rule 705(7) – 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 our planned drilling programs during 2Q FY2022. It involves focusing on the exploration activities at Chaah and Mao'kil. At Chaah, exploration previously focused on extensions of hematite mineralisation north of the open pit. During this quarter, the Group has shifted its focus to the exploration for the extension of ore body at the southern part of the mine pit. The Group proceeds to carry out exploration works at Tenggaroh Mine (Gold Mine) in February 2022 after receiving the Exploration Approval in late January 2022.

(a) ML 9/2014 (Chaah Mine)

Surface Resource drilling continued through the reporting period on the northern extension zone and commenced on a program of holes at the southern end of the mine, Southern Extension Zone (SEZ). Some 3,536.5m were drilled in the reporting period, 1,718m on the northern extension and 1,818.5m on the SEZ. Drilling on the northern extension has continued to outline of zone of gently dipping hematite mineralisation which assays are pending. The Group is also in the process of updating its resource modelling.

Drilling at the SEZ target has outlined a +150m strike extension to the main ore zone beyond the limit of the current pit. There are no assays available for the holes drilled, but logging has demonstrated broad zones of continuity within the ore zones. The drilling program is ongoing with additional step back and on strike holes planned to provide sufficient drill hole densities for formal resource modelling.

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

(b) ML 1/2018 (Mao'kil prospect)

During 2Q FY2022, the Group continued with the drilling program and some 39 diamond drillholes have been drilled on the property for 6,925.05m and there are no assays yet.

Our Group intends to complete the drilling program for ML 1/2018 before commencing exploration activities on the adjacent mining lease area under ML 1/2021.

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

(c) 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 and Mao'kil mines during the period.

(d) 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 and Mao'kil mines during the period.

(e) Tenggaroh Mine (Gold Mine)

The Group commenced a joint hydrothermal gold exploration program in the Tenggaroh Mine in late 2021, a site visit was conducted in late February 2022 after receiving the Exploration Approval from the State Authority on 26 January 2022. The geology of the area comprises basement metasedimentary sequences of bedded, highly deformed argillites – carbonaceous sediments – silt and sandstones which host both metamorphic and hydrothermal quartz – sulphide veining. Observed characteristics of the hydrothermal quartz veining are encouraging. The current field program includes geological mapping.

Mining activities

Mining activities include mine production and development which involves construction of access road, removal of overburden and extraction of ore. During 1H FY2022, our production records documented that mining operations excavated approximately 0.28 million tonnes of ore from our Chaah mine and 3.95 million tonnes of waste. This is in line with our mining plan which involves intensive waste removal.

No mining activities were carried out for the Mao'kil, Chaah Baru and Kota Tinggi Mines in 1H FY2022.

PART IV – ADDITIONAL INFORMATION REQUIRED PURSUANT TO CATALIST RULE 706A

18 Incorporation of Southern Atlantic Metal Sdn Bhd

The Company has on 16 December 2021 incorporated a Malaysian wholly-owned subsidiary, Southern Atlantic Metal Sdn Bhd.

The principal activity of Southern Atlantic Metal Sdn Bhd is to carry out future mining activities of the Group. The current share capital of Southern Atlantic Metal Sdn Bhd is RM1 and its incorporation was funded through utilisation of the IPO proceeds and will not have any material impact to the Group's net assets and earning per share for FY2022. Southern Atlantic Metal Sdn Bhd remains dormant since its date of incorporation.

BY ORDER OF THE BOARD

Dato' Sri Pek Kok Sam
Chief Executive Officer

16 March 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.