



**FOR IMMEDIATE RELEASE**

**Southern Alliance Mining reports a drop in revenue and net profit amidst higher investment in overburden stripping in 1H FY2022**

- Revenue decreased 35.2% yoy to RM98.5 million in 1H FY2022, mainly due to intense overburden removal activities that the Chaah Mine underwent during the period.
- Net profit after tax dropped by 62.4% yoy to RM19.4 million in 1H FY2022
- The Group maintained a strong balance sheet with cash and bank balances of RM249.8 million, allowing the Group to further invest in overburden stripping.
- Iron ore prices are expected to increase due to an infrastructure led economic recovery plan and increasing demand which has already resulted in prices reaching US\$150/t in February 2022

**Singapore, 16 March 2022** – Southern Alliance Mining Ltd. (“**Southern Alliance Mining**”, or “**SAM**”, and together with its subsidiaries, the “**Group**”) (SGX:QNS), an established, high-grade iron ore producer headquartered in Pahang, Malaysia, reported net profit after tax of RM19.4 million for the six months ended 31 January 2022 (“**1H FY2022**”).

**Financial Overview**

The Group reported a year-on-year (“**yoy**”) revenue decrease of 35.2% to RM98.5 million in 1H FY2022, mainly due to intense overburden removal activities that the Chaah Mine underwent during the period, leading to lower volume of ore extraction. The lower sales volume was partially offset by higher average realised selling price (“**ARSP**”) for iron ore concentrate and iron ore tailing achieved by the Group.



Iron ore concentrate sales volume decreased by approximately 103,000 dried metric ton (“DMT”) or 34.6% yoy, which was offset by a 2.2% increase in ARSP per DMT. Additionally, the Group did not receive any new order from the pipe coating industry, resulting in no revenue generated from crushed iron ore sales. Furthermore, the Group reported a 97.3% or approximately 49,000 DMT yoy decrease in sales of iron ore tailing in 1H FY2022, mainly attributable to reduced tailing available for sale in the tailing pond, which was slightly offset by 143.8% increase in ARSP to RM241.89 per DMT.

Financial Highlights (RM million)	1H FY2022	1H FY2021	Change
<b>Revenue</b>	98.5	152.1	-35.2%
<b>Gross Profit</b>	33.5	72.3	-53.7%
<b>Gross Profit Margin (%)</b>	34.0%	47.6%	-13.6pts
<b>Net Profit before Tax</b>	27.4	69.0	-60.3%
<b>Income Tax Expense</b>	(8.0)	(17.5)	-54.2%
<b>Net Profit</b>	19.4	51.4	-62.4%
<b>EPS (RM cents)</b>	3.96	10.51	-62.3%

In line with the decrease in sales volume, the Group recorded a 18.5% decrease in cost of sales to RM65.0 million in 1H FY2022, mainly due to the decreases in processing cost, mining cost, and sales and related costs of 40.8%, 12.9%, and 25.0% respectively. However, the drop in cost of sales was lower compared to the drop in revenue as the decrease in processing, mining and sales and related costs was offset by an increase in depreciation of plant and equipment by 20.3% and blasting costs by 65.3%. Moreover, as part of the Group’s strategy and in an effort to mitigate the impacts of overburden stripping, the Group purchased good quality ore for RM2.5 million in 1H FY2022 to boost its production of iron ore concentrate.

As the decrease in revenue exceeded that of cost of sales, the Group reported a 53.7% yoy decrease in gross profit to RM33.5 million in 1H FY2022. As a result, gross profit margin dropped by 13.6 percentage points to 34.0% in 1H FY2022.

General and administrative expense increased by 29.3% yoy to RM7.3 million in 1H FY2022, mainly attributable to higher administrative expenses incurred, a 28.9% increase in employee



benefits and payroll, and an increase of RM0.4 million on unrealised translation differences in 1H FY2022.

Consequently, profit before tax decreased by RM41.6 million or 60.3% in 1H FY2022. In line with the drop of revenue and profit, the Group's income tax expense decreased by 54.2% yoy to RM8.0 million in 1H FY2022.

The Group reported a 62.4% decrease in net profit after tax to RM19.4 million in 1H FY2022 with a corresponding decrease in earnings per share to 3.96 Malaysian cents per share for this period.

The Group generated RM21.5 million of net cash flows from operating activities in 1H FY2022, as compared to RM64.2 million in 1H FY2021. The Group's cash and bank balances remained strong at RM249.8 million, representing 90.0% of its current assets as at 31 January 2022. Net asset value per ordinary share was 73.75 Malaysian cents as at 31 January 2022, compared to 74.82 Malaysian cents as at 31 July 2021.

### **Business Review and Market Outlook**

Adaptability and resilience were the two major success parameters in this pandemic driven business environment. 2021 was marred by the unpredictable turnaround of COVID-19 pandemic and new movement restrictions initiated by governments around the globe. However, on the back of increasing vaccination rates, Malaysian Prime Minister Ismail Sabri Yaakob announced in September that more sectors will be allowed to reopen<sup>1</sup>, in a bid to try and revive business momentum gradually. Furthermore, in March 2022, Malaysia also announced the complete reopening of its border on 1 April 2022, as the country begins its transition to endemic based living<sup>2</sup>. The Group endeavors to ride the economic recovery trend and strategically capitalize on the massive business opportunity in the iron ore market.

---

<sup>1</sup> The Straits Times: More sectors allowed to reopen in Malaysia as Covid-19 lockdown no longer feasible: PM Ismail

<sup>2</sup> CNA: Malaysia's borders to reopen on Apr 1 as country begins transition to COVID-19 endemic phase: PM Ismail Sabri



Iron ore prices plummeted post record highs in July 2021 as the Chinese government announced restrictions on steel production to cool down prices in metal markets<sup>3</sup>. Despite the short-term disruption, the recovery and expansion of infrastructure investments will facilitate the rise of iron ore prices over the next few months. This was reflected in February 2022 as iron ore prices once again broke the US\$150/t mark<sup>4</sup>.

The Group remains resilient to this market trend and is actively monitoring its mining projects, targeting a well-improved operational performance in the short run. The Group enjoys a robust balance sheet with cash and bank balances of RM249.8 million as at end of 1H FY2022. The adequate capital allows the Group to capitalise on its mining procedures and mitigate the effects of the stripping of overburden activities, laying a solid foundation for sustainable business growth.

Furthermore, the Group also diversified into gold mining operations through a joint venture agreement in July 2021. In January 2022, the Group received exploration approval from the State authority to carry out exploration work for gold mining. The Joint Venture company is expected to begin exploration works in February 2022. The Group will also explore further opportunities to diversify into mining of other minerals either through strategic partnerships or joint venture agreements. We will make an announcement as and when such diversification opportunities arise.

Dato' Sri Pek Kok Sam, CEO and Executive Director of the Group, commented, *"We believe that the weakening of iron ore prices is only temporary in nature and the prices are expected to increase along with global economic recovery, especially with infrastructure investments on the rise. Furthermore, with our investments in intense overburden stripping and the expansion of production capacity in the Chaah Mine, we are preparing ourselves to improve sales volume and hence, capitalize on the uptick in the iron ore market. Our diversification efforts will also allow us to reduce our reliance on iron ore prices and hence, improve sustainability of earnings. We are cautiously optimistic about our business prospects and remain committed to invest in value-driven activities to reward our shareholders for their long-term support."*

- The End -

---

<sup>3</sup> S&P Global Market Intelligence: Souring iron ore outlook set to persist into 2022

<sup>4</sup> Bloomberg: China's Iron Ore Crackdown Sparks Rout as BHP Sees Price Support



Southern Alliance Mining Ltd.  
Level 8, Menara Zenith  
Jalan Putra Square 6, Putra Square  
25200 Kuantan, Pahang, Malaysia

---

*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 press release 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](mailto:sponsorship@ppcf.com.sg).*

### **About Southern Alliance Mining Ltd.**

Southern Alliance Mining Ltd. (the “Company” and together with its subsidiaries, the “Group”) is an established producer of high-grade iron ore products in Malaysia, and is listed on the Catalist of Singapore Exchange on 26 June, 2020 (SGX:QNS). Headquartered in Pahang, Malaysia, the Group is principally involved in the exploration, mining and processing of iron ore for subsequent sale. The Group sells (i) iron ore concentrate of low level of impurities with total Fe grade of between 62% to 65% to steel mills and trading companies mainly located in Malaysia and China; and (ii) pipe coating materials that are crushed iron ore with a natural characteristic of a higher density for subsea pipes.

The Group’s primary mining asset, the Chaah Mine, is an open mine pit consisting of two (2) mining leases and covering an aggregate area of 225.7 hectares. The Chaah Mine is strategically located near existing road networks to ports. The Group’s established supporting infrastructure and facilities consist of four (4) fixed crushing plants, two (2) lines of mobile crushers and two (2) beneficiation plants both capable of operating on a 24-hour shift. The Group has an approximate monthly production capacity of 60,000 tonnes of iron ore concentrates (not including pipe coating materials).

In addition to the Chaah Mine, the Group has also been granted the right to carry out exploration and mining operations at three (3) potential iron ore mines located in Johor, Malaysia (“**Exploration Assets**”). The Group plans to undertake formalised exploration activities at the Exploration Assets to identify mineral deposits for further business growth. 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.

---

Issued for and on behalf of Southern Alliance Mining Ltd.

By Financial PR Pte Ltd.

For more information, please contact:

Romil SINGH / Shivam SARAF

[romil@financialpr.com.sg](mailto:romil@financialpr.com.sg) / [shivam@financialpr.com.sg](mailto:shivam@financialpr.com.sg)

Tel: (65) 6438 2990, Fax: (65) 6438 0064