



**FOR IMMEDIATE RELEASE**

**Southern Alliance Mining reports  
RM62.1 million in net profit for FY2020**

**Proposing a final dividend of 0.6 Singapore cents per share**

- Revenue increased 34% to RM254.2 million, driven by higher sales volume and higher average selling price for both iron ore concentrate and crushed iron ore
- Gross profit increased 73% to RM107.1 million while gross profit margin expanded by 9.4 percentage points to 42.1% for FY2020
- Probable reserve stood at 5.3 million tonnes as at 31 July 2020
- Iron ore price is forecasted to remain above US\$100 for the rest of 2020, supported by increased steel demand from China<sup>1</sup>
- The Board proposed a final dividend of 0.6 Singapore cents per share

**Singapore, 25 September 2020** – 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, is pleased to announce its financial results for the financial year ended 31 July 2020 (“**FY2020**”).

**Financial Overview**

The Group’s revenue increased 34.4% year-on-year (“**yoy**”) to RM254.2 million for FY2020 despite the challenges from the temporary suspension of operation during the Movement Control Order imposed by the Malaysian Government due to the Covid-19 pandemic. This was mainly driven by an increase in sales volume as well as an increase in average selling price.

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<sup>1</sup> <https://www.fnarena.com/index.php/2020/09/14/iron-ore-soaring-and-roaring/>



In FY2020, iron ore concentrate sales volume increased by 5.9% to 557,000 dried metric ton (“DMT”), coupled with a 2.5% increase in the average selling price to RM357 per DMT. Additionally, crushed iron ore sales grew four times to approximately 92,000 metric ton (“MT”) with a 23.4% increase in the average selling price to RM410.29 per MT. The Group also recorded fresh sales of 212,000 DMT of iron ore tailings in FY2020.

Financial Highlights (RM million)	FY2020	FY2019	Change
Revenue	254.2	189.1	34%
Gross Profit	107.1	62.0	73%
Gross Profit Margin (%)	42.1%	32.8%	9.3 pts
Net Profit before tax	87.0	60.4	44%
Income Tax (expense)/benefit	(24.9)	27.9	n.m.
Net Profit	62.1	88.2	(30%)
EPS (RM cents)	12.69	18.05	(30%)

Note: n.m denotes not meaningful

In tandem with the increase in the turnover, the Group also reported an increase in cost of sales by 16% to RM147.1 million in FY2020. This was mainly attributable to the increase in operating costs such as tribute expense, staff cost and subcontractors’ wages, a negative inventory movement as well as the port charges. However, this was significantly outweighed by the increase in revenue which elevated the gross profit margin by 9.4 percentage points to 42.1% for FY2020.

Group’s gross profit increased 73% yoy to RM107.1 million for FY2020, and profit before tax increased 44% yoy to RM87.0 million for FY2020. However, due to the income tax difference between a tax credit of RM27.9 million for FY2019 and a tax expense of RM24.9 million for FY2020, net profit after tax of RM62.1 million for FY2020 was 30% lower than that of FY2019. The Group reported basic and diluted basis earnings per share of RM12.69 cents for FY2020, compared to RM18.05 cents for FY2019.

The Group generated RM111.7 million in net cash flows from operating activities, a 203.5% increase compared to that of FY2019. In FY2020, the Group received gross proceeds of RM43.1



million from the listing exercise on the Catalist of Singapore Exchange. As at 31 July 2020, the Group had a robust balance sheet with cash and bank balances of RM149.9 million and borrowings of only RM7.2 million. Net asset value per ordinary share was RM46.38 cents, compared to RM33.42 cents a year before.

The Group proposed a final dividend of 0.6 Singapore cents per share for FY2020, subject to shareholders' approval at the forthcoming annual general meeting, representing a pay-out of approximately 14.7% of the Group's net profit after tax.

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

While COVID-19 has had a substantial impact on various economies in the world, governments economic and stimulus policies in response to the disaster pointed more to a dynamic, and mostly positive impact on the iron ore price. After the range-bound between the US\$90-100/t in early 2020, the iron ore price staged a strong bull-run to break US\$100/t, US\$110/t and US\$120/t successively since late May. As of 16 September 2020, the spot price closed at US\$126/t, a five-year high. The increase in iron ore price was primarily due to the disrupted iron ore supply from Brazil, one of the main iron ore producers in the world, as well as the robust demand from China supported by massive infrastructure projects as part of its stimulus plan<sup>2</sup>.

In September, [major banks forecasted](#)<sup>3</sup> that although iron ore price could pull back moderately from the current over-five-year high, it will "likely be range-bound between US\$100/t-US\$120/t for the rest of 2020". In addition, leading indicators (along with buoyant iron ore prices) such as low port stocks and positive steel margins, remain positive for iron-ore exposure, and Chinese demand for steel remains a key factor to determine the iron ore price.

Since the Group commenced its mining activity at the Chaah mine in 2008, it has mined approximately 5.3 million tonnes of ore as at 31 July 2020. In FY2020, the Group's mining operations excavated approximately 1.2 million tonnes of ore from the Chaah mine.

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<sup>2</sup> This statement is based on extensive news report globally such as <https://www.wsj.com/articles/brazils-coronavirus-crisis-disrupts-iron-ore-market-as-prices-surge-11589982491>;  
<https://www.hellenicshippingnews.com/high-iron-ore-prices-skip-supply-dynamics/>

<sup>3</sup> <https://www.fnarena.com/index.php/2020/09/14/iron-ore-soaring-and-roaring/>



Dato' Sri Pek Kok Sam, CEO and Executive Director of the Group, commented, *“The encouraging set of full-year financial results marked a strong start for our journey as a publicly-listed company. This was supported by having a unique product mix that brought us diversified revenue streams and market opportunities in two industry sectors. Along with the production activities, we also identified several opportunities for exploration at the Chaah Mine in FY2020. As we continue to enhance our facilities and infrastructure to improve operational efficiency, SAM will be in a strengthened position to serve our customers better in a favorable iron ore market.”*

- The End -

*Southern Alliance Mining Ltd. (the “**Company**”) was listed on Catalist of the Singapore Exchange Securities Trading Limited 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 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 announcement.*

*The contact person for the Sponsor is Ms. Gillian Goh, 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).



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

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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.

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Issued for and on behalf of Southern Alliance Mining Ltd.

By Financial PR Pte Ltd.

For more information, please contact:

Romil SINGH / Reyna MEI / Shivam SARAF

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

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