

**Southern Alliance Mining Ltd**

(Company Registration No. 201931423D)

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**Unaudited Condensed Interim Financial Statements  
For the Six Months and Full Financial Year Ended 31 July 2022 (“FY2022”)**

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**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**”).

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**PART I – UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL FINANCIAL YEAR ENDED 31 JULY 2022**

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

	Note	Group					
		Six Months Ended			Full Year Ended		
		31-Jul-22 (Unaudited) RM'000	31-Jul-21 (Unaudited) RM'000	Changes (%)	31-Jul-22 (Unaudited) RM'000	31-Jul-21 (Audited) RM'000	Changes (%)
<b>Revenue</b>	<b>4</b>	80,192	235,315	-65.9%	178,678	387,369	-53.9%
Cost of sales		(85,675)	(99,666)	-14.0%	(150,674)	(179,413)	-16.0%
<b>Gross (loss)/profit</b>		(5,483)	135,649	-104.0%	28,004	207,956	-86.5%
Other income		5,503	3,880	41.8%	7,299	6,653	9.7%
Other operating expenses		(949)	(358)	165.1%	(1,372)	(662)	107.3%
General and administrative expenses		(4,680)	(17,723)	-73.6%	(11,992)	(23,377)	-48.7%
Finance costs		(279)	(123)	126.8%	(448)	(289)	55.0%
<b>(Loss)/profit before tax</b>	<b>5</b>	(5,888)	121,325	-104.9%	21,491	190,281	-88.7%
Income tax benefit/(expense)	6	2,811	(24,606)	-111.4%	(5,218)	(42,151)	-87.6%
<b>(Loss)/profit after tax, representing comprehensive income for the period/year</b>		(3,077)	96,719	-103.2%	16,273	148,130	-89.0%
<b>(Loss)/earnings per share (Malaysian cents per share)</b>							
Basic and diluted		(0.63)	19.78	-103.2%	3.33	30.29	-89.0%

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## B. Condensed Interim Statements of Financial Position

Note	Group		Company	
	31-Jul-22 (Unaudited) RM'000	31-Jul-21 (Audited) RM'000	31-Jul-22 (Unaudited) RM'000	31-Jul-21 (Audited) RM'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	74,543	56,536	-
Mine properties	11	25,497	22,538	-
Exploration and evaluation assets		13,017	6,768	-
Investment in subsidiaries		-	-	174,565
Investment securities		39	39	-
Investment in redeemable preference shares		-	-	10,000
		<u>113,096</u>	<u>85,881</u>	<u>184,565</u>
				<u>174,480</u>
<b>Current assets</b>				
Inventory		5,468	4,911	-
Trade and other receivables		26,067	21,435	3,725
Contract assets		1,979	29,505	-
Prepayments		2,039	8,375	137
Cash and bank balances		221,385	281,145	31,570
Income tax recoverable		24,538	-	-
		<u>281,476</u>	<u>345,371</u>	<u>35,432</u>
				<u>34,062</u>
<b>Total assets</b>		<u><u>394,572</u></u>	<u><u>431,252</u></u>	<u><u>219,997</u></u>
				<u><u>208,542</u></u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Lease and hire purchase liabilities	12	5,239	2,890	-
Trade and other payables		17,448	42,001	742
Income tax payable		-	15,359	-
		<u>22,687</u>	<u>60,250</u>	<u>742</u>
				<u>849</u>
<b>Net current assets</b>		<u><u>258,789</u></u>	<u><u>285,121</u></u>	<u><u>34,690</u></u>
				<u><u>33,213</u></u>
<b>Non-current liabilities</b>				
Lease and hire purchase liabilities	12	6,289	1,213	-
Deferred tax liabilities		7,430	3,179	-
		<u>13,719</u>	<u>4,392</u>	<u>-</u>
				<u>-</u>
<b>Total liabilities</b>		<u><u>36,406</u></u>	<u><u>64,642</u></u>	<u><u>742</u></u>
				<u><u>849</u></u>
<b>Net assets</b>		<u><u>358,166</u></u>	<u><u>366,610</u></u>	<u><u>219,255</u></u>
				<u><u>207,693</u></u>
<b>Equity attributable to owners of the Company</b>				
Share capital	13	218,154	218,154	218,154
Treasury shares	13	(467)	-	(467)
Retained earnings / (accumulated losses)		303,111	311,103	1,568
Merger reserve		(163,380)	(163,380)	-
		<u>357,418</u>	<u>365,877</u>	<u>219,255</u>
				<u>207,693</u>
Preference shares		733	733	-
Non-controlling interest		15	-	-
<b>Total equity</b>		<u><u>358,166</u></u>	<u><u>366,610</u></u>	<u><u>219,255</u></u>
				<u><u>207,693</u></u>

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**C. Condensed Interim Consolidated Statement of Cash Flows**

	<b>Group</b>	
	<b>Full Year Ended</b>	
	31-Jul-22 (Unaudited) RM'000	31-Jul-21 (Audited) RM'000
<b>Operating activities</b>		
Profit before tax	21,491	190,281
<u>Adjustments for:</u>		
Interest expenses	448	289
Interest income	(2,686)	(2,541)
Unrealised gain on foreign exchange	(3,728)	(1,478)
Depreciation of property, plant and equipment	13,707	9,231
Gain on disposal of property, plant and equipment	(418)	(960)
Amortisation of mine properties	4,631	3,521
Total adjustments	<u>11,954</u>	<u>8,062</u>
<b>Operating cash flows before changes in working capital</b>	33,445	198,343
<u>Changes in working capital:</u>		
(Increase)/decrease in inventories	(557)	3,936
Decrease/(increase) in trade and other receivables and contract assets	22,673	(23,668)
Decrease/(increase) in prepayments	6,336	(6,856)
(Decrease)/increase in trade and other payables	(25,124)	18,141
Total working capital changes	<u>3,328</u>	<u>(8,447)</u>
<b>Cash flows from operations</b>	36,773	189,896
Income taxes paid	(40,864)	(19,079)
Interest received	2,686	2,541
Interest paid	(448)	(289)
<b>Net cash (used in)/from operating activities</b>	<u>(1,853)</u>	<u>173,069</u>

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	<b>Group</b>	
	<b>Full Year Ended</b>	<b>Full Year Ended</b>
	31-Jul-22 (Unaudited) RM'000	31-Jul-21 (Audited) RM'000
<b>Investing activities</b>		
Investment in exploration and evaluation assets	(6,249)	(6,328)
Purchase of property, plant and equipment	(19,402)	(24,837)
Proceeds from disposal of property, plant and equipment	420	227
Placement of term deposits	(852)	(35,639)
Expenditures on stripping activity assets	(6,469)	-
<b>Net cash used in investing activities</b>	<u>(32,552)</u>	<u>(66,577)</u>
<b>Financing activities</b>		
Repayment of obligations under leases	(5,105)	(3,372)
Purchase of treasury shares	(467)	-
Dividends paid on ordinary and preference shares	(24,265)	(9,033)
<b>Net cash used in financing activities</b>	<u>(29,837)</u>	<u>(12,405)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(64,242)	94,087
<b>Effect of exchange rate changes on cash and cash equivalents</b>	3,630	1,553
<b>Cash and cash equivalents at beginning of financial year</b>	<u>245,506</u>	<u>149,866</u>
<b>Cash and cash equivalents at end of financial year</b>	<u>184,894</u>	<u>245,506</u>

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

	31-Jul-22 RM'000	31-Jul-21 RM'000
Cash and bank balances	<u>221,385</u>	<u>281,145</u>
Less:		
Deposits more than three months	<u>(36,491)</u>	<u>(35,639)</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>184,894</u>	<u>245,506</u>

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**D. Condensed Interim Statements of Changes in Equity**

	<u>Attributable to the owners of the Company</u>							Total equity RM'000
	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	
<b>Group</b>								
<b>Full Year FY 2022</b>								
<b>Opening balance at 1 August 2021 (audited)</b>	218,154	–	(163,380)	311,103	365,877	733	–	366,610
Profit for the year representing total comprehensive income	–	–	–	16,273	16,273	–	–	16,273
<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
<b>Closing balance at 31 July 2022 (unaudited)</b>	218,154	(467)	(163,380)	303,111	357,418	733	15	358,166
<b>Full Year FY 2021</b>								
<b>Opening balance at 1 August 2020 (audited)</b>	218,154	–	(163,380)	172,006	226,780	733	–	227,513
Profit for the year representing total comprehensive income	–	–	–	148,130	148,130	–	–	148,130
<u>Transaction with owners</u>								
Dividends on ordinary and preference shares	–	–	–	(9,033)	(9,033)	–	–	(9,033)
<b>Closing balance at 31 July 2021 (audited)</b>	218,154	–	(163,380)	311,103	365,877	733	–	366,610

<b>Company</b>	<b>Share capital</b> RM'000	<b>Treasury shares</b> RM'000	<b>Accumulated profit/(losses)</b> RM'000	<b>Total equity</b> RM'000
<b>Full Year FY 2022</b>				
<b>Opening balance at 1 August 2021 (audited)</b>	218,154	–	(10,461)	207,693
Profit for the year representing total comprehensive income	–	–	36,194	36,194
<u>Transaction with owners</u>				
Dividends on ordinary and preference shares	–	–	(24,165)	(24,165)
Purchase of treasury shares	–	(467)	–	(467)
<b>Closing balance at 31 July 2022 (unaudited)</b>	218,154	(467)	1,568	219,255
<b>Full Year FY 2021</b>				
<b>Opening balance at 1 August 2020 (audited)</b>	218,154	–	(9,168)	208,986
Profit for the year representing total comprehensive income	–	–	7,640	7,640
<u>Transactions with owners</u>				
Dividends on ordinary and preference shares	–	–	(8,933)	(8,933)
<b>Closing balance at 31 July 2021 (audited)</b>	218,154	–	(10,461)	207,693

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## **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 and full year ended 31 July 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 and full year ended 31 July 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 last interim financial statements for the period ended 31 January 2022.

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 July 2022 is RM24,538,000 (31 July 2021: Nil), Nil (31 July 2021: RM15,359,000) and RM7,430,000 (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 volumes (e.g., in tonnes) of waste to 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		Full year ended	
	31 July 2022	31 July 2021	31 July 2022	31 July 2021
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Audited
Sales of iron ores	80,192	235,315	178,678	387,369

All revenues are derived from the operations based in Malaysia except for an amount of approximately RM2,787,000 for the financial year ended 31 July 2022 (31 July 2021: RM65,430,000) 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 July 2022	31 July 2021
	RM'000	RM'000
	Unaudited	Audited
Receivables from contracts with customers	10,358	17,716
Contract assets	1,979	29,505

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

## Note 5 – Profit before tax

### 5.1 Significant items

	Six month ended		Group		Full year ended	
	31 July 2022	31 July 2021	Changes (%)	31 July 2022	31 July 2021	Changes (%)
	RM'000 Unaudited	RM'000 Unaudited		RM'000 Unaudited	RM'000 Audited	
Interest income from fixed deposits	(1,156)	(1,415)	-18.3%	(2,686)	(2,541)	5.7%
Gain on disposal of property, plant and equipment	(418)	(30)	1,293.3%	(418)	(960)	-56.5%
Rendering of services	(129)	(90)	43.3%	(204)	(180)	13.3%
Government grant	-	-	-	-	(627)	-100.0%
Sundry income	(31)	(809)	-96.2%	(138)	(809)	-82.9%
Finance costs	279	123	126.8%	448	289	55.0%
Employee benefits expense	6,951	18,438	-62.3%	12,508	24,622	-49.2%
Depreciation of property, plant and equipment	8,939	5,340	67.4%	13,707	9,231	48.5%
Amortisation of mine properties	2,876	1,800	59.8%	4,631	3,521	3%
Unrealised gain on foreign exchange	(4,671)	(1,478)	216.0%	(3,728)	(1,478)	152.2%
Realised gain on foreign exchange	(72)	(59)	22.0%	(70)	(59)	18.6%
Tributes	18,000	18,000	-	35,500	36,000	-1.4%
Royalties	459	915	-49.8%	1,008	1,839	-45.2%

### 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	
	Full year ended	
	31 July 2022	31 July 2021
	RM'000	RM'000
	Unaudited	Unaudited
<u>Transactions with related parties</u>		
Sale of iron ore	-	133
Dispose-off aged equipment	-	40
Hiring and transportation services procured	(10,522)	(21,910)
Purchase of lubricants, spare parts and equipment	(2,616)	(1,512)
Procurement of services	(28)	(168)

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

	<b>Group</b>	
	<b>Full year ended</b>	
	<b>31 July 2022</b>	<b>31 July 2021</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Short-term employee benefits	3,684	15,567
Key management compensation comprises the following:		
Remuneration to Director of the Company	1,988	14,055
Directors' fees	720	638
Other key management personnel	703	615
Defined contributions	273	259
	<b>3,684</b>	<b>15,567</b>

**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:

	<b>6 months ended</b>		<b>Full year ended</b>	
	<b>31 July 2022</b>	<b>31 July 2021</b>	<b>31 July 2022</b>	<b>31 July 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
Current income tax				
Current income taxation	(4,252)	30,462	897	40,122
Under/(over) provision in respect of previous years	68	(4,614)	70	(4,614)
Deferred income tax				
Origination and reversal of temporary differences	1,373	(1,143)	4,239	6,742
Under/(over) provision in respect of previous years	-	(99)	12	(99)
Income tax recognised in profit and loss	<b>(2,811)</b>	<b>24,606</b>	<b>5,218</b>	<b>42,151</b>

## Note 7 - Dividends

	Group	
	31 July 2022	31 July 2021
	RM'000	RM'000
	Unaudited	Audited
<b>Declared and paid during the financial year</b>		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2022: 4.9 cents per share (2021: 1.8 cents per share)	24,165	8,933
Dividends on preference shares		
- Final exempt (one-tier) dividend for 2022: 13.6 cents per share (2021: 13.6 cents per share)	100	100
	<u>24,265</u>	<u>9,033</u>

## Note 8 – (Losses)/earnings per ordinary share (“EPS”)

	Group			
	6 months ended		Full year ended	
	31 July 2022	31 July 2021	31 July 2022	31 July 2021
	Unaudited	Unaudited	Unaudited	Audited
(Loss)/profit attributable to shareholders of the Company (RM'000)	(3,077)	96,719	16,273	148,130
Weighted average number of ordinary shares in issue ('000 shares)	488,854	489,000	488,854	489,000
Basic and fully diluted basis EPS (Malaysian cents)	<u>(0.63)</u>	<u>19.78</u>	<u>3.33</u>	<u>30.29</u>

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 July 2022	31 July 2021	31 July 2022	31 July 2021
	Unaudited	Audited	Unaudited	Audited
Net asset value (RM'000)	358,166	365,877	219,255	207,693
Number of issued shares ('000)	488,789	489,000	488,789	489,000
Net asset value per share (Malaysian cents)	<u>73.28</u>	<u>74.82</u>	<u>44.86</u>	<u>42.47</u>

The net asset value per ordinary share of the Group and the Company as at 31 July 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 year ended 31 July 2022, the Group acquired assets amounting to RM32,837,000 (31 July 2021: RM28,696,000) and disposed of assets amounting to RM2,000 (31 July 2021: RM67,000). The cash outflow on acquisition of property, plant and equipment amounted to RM19,402,000 (31 July 2021: RM24,837,000). Out of total proceeds from disposed assets that amounted to RM420,000 (31 July 2021: RM1,027,000), the Group had received cash inflows from disposed assets of RM420,000 (31 July 2021: RM227,000). Accordingly, gain on disposal amounted to RM418,000 (31 July 2021: RM960,000).

#### Note 11 – Mine properties

	<b>Producing mine</b>	<b>Stripping activity asset</b>	<b>Total</b>
	RM'000	RM'000	RM'000
<b>Group</b>			
<b>Cost</b>			
At 1 August 2020, 31 July 2021 and 1 August 2021	18,259	46,404	64,663
Addition during the year	- <sup>(1)</sup>	7,590 <sup>(2)</sup>	7,590
At 31 July 2022	18,259	53,994	72,253
<b>Accumulated amortisation</b>			
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 year	891	3,740	4,631
At 31 July 2022	13,108	33,648	46,756
<b>Net carrying amount</b>			
At 31 July 2021	6,042	16,496	22,538
At 31 July 2022	5,151	20,346	25,497

*Note:*

- (1) There were no capitalization of cost related to the producing mine in the financial year ended 31 July 2022
- (2) During the year ended 31 July 2022, the Group has capitalized RM7,590,000 as stripping activity assets which consist of non-cash depreciation capitalized of RM1,121,000 and cash outflow of RM6,469,000 incurred for stripping activities.

**Note 12 – Lease and hire purchase liabilities**

Group	31 July 2022	31 July 2021
	RM'000 Unaudited	RM'000 Audited
<b>Current</b>		
Secured:		
Lease and hire purchase liabilities	5,239	2,890
<b>Non-current</b>		
Secured:		
Lease and hire purchase liabilities	6,289	1,213
<b>Total lease and hire purchase liabilities</b>	<b>11,528</b>	<b>4,103</b>

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 2.42% (31 July 2021: 2.68%) per annum.

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

**Note 13 – Share capital and treasury shares**

	Group and Company			
	31 July 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 July 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 July 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 year	211,000	467	-	-
Balance as at 31 July 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:

	<b>31 July 2022</b>	<b>31 July 2021</b>
	RM'000	RM'000
<b>Group</b>		
Capital expenditures contracted but not provided for		
- Plant and equipment	34,700	-

#### **Note 15– Subsequent events**

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

Subsequent to the year end, the Group has, on 28 September 2022, entered into two (2) share sale agreements with unrelated parties to acquire 49% and 50% stake in two (2) joint venture companies (the “Joint Ventures”). One company has a mining interest in the State of Pahang and another company has exploration license in the State of Sabah. Please see Part II – Section 18 for more details.

Our Group also re-designated two (2) of its wholly-owned dormant subsidiaries, Southern Atlantic Metal Sdn Bhd and Sri Aman Minerals Sdn Bhd, as joint venture companies to venture into exploration work for mining activities in due course. Consequently, the Company's interest in Southern Atlantic Metal Sdn Bhd and Sri Aman Minerals Sdn Bhd has reduced to 50%. The Group will make separate announcement on the SGXNet once the terms and conditions of the proposed joint venture is available. Please see Part II – Section 18 for more details.

The Joint Ventures are not expected to have material impact to the Group's net assets and earning per share for FY2022.

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## 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 July 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 six months and full 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 financial year ended 31 July 2022 ("FY2022") compared to the financial year ended 31 July 2021 ("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 53.9% from RM387.4 million in FY2021 to RM178.7 million in FY2022. The decrease is mainly due to intense overburden removal activities that the Chaah Mine underwent during the year, which resulted in lower volume of ore extraction in 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 crushed iron ore and iron ore tailing.

##### ARSP

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

ARSP per dried metric ton (DMT)/metric ton (MT)	FY2022	FY2021	Increase/(decrease) (%)
Iron ore concentrate	RM511.93	RM626.42	-18.3%
Crushed iron ore	RM696.62	RM430.54	61.8%
Iron ore tailing	RM241.89	RM114.78	110.7%

##### Sales volume

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

- (i) a decrease of approximately 257,100 DMT or 42.8% of iron ore concentrate compared to 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; and

- (ii) a decrease of approximately 97,000 DMT, representing a 98.6% decrease of iron ore tailings sales volume from 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.

The decrease was partially offset by an increase of approximately 3,600 DMT of crushed iron ore due to the increase in orders from pipe coating industry in FY2022, representing an eight fold increase from FY2021.

#### **Cost of sales**

While the Group has reported a decrease in turnover by 53.9%, our cost of sales only decreased by 16.0% to RM150.7 million in 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 RM19.5 million or 43.0%; and
- (ii) a decrease in sales and related cost consisting of logistic and port related cost, tributes and royalties of 32.5% or RM21.9 million in FY2022.

However, the decrease in processing, mining and sales and related cost was offset by the increase in the following costs due to the intensive waste removal activities:

- (i) the mining cost consisting of equipment and machinery maintenance cost, fuel and lubrication cost and payroll which increased by RM3.4 million or 7.8%;
- (ii) depreciation charges of plant and equipment of 45.8% or RM3.8 million in FY2022 due to the additional machinery capacities in carrying out intensive overburden removal job; and
- (iii) amortisation cost of mine properties of 31.5% or RM1.1 million in FY2022.

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 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 86.5% decrease in the Group's gross profit from RM208.0 million in FY2021 to RM28.0 million in FY2022. This resulted in a drop in the gross profit margin by 38.0 percentage points, from 53.7% in FY2021 to 15.7% in FY2022.

#### **Other income**

Other income increased by 9.7% from RM6.7 million in FY2021 to RM7.3 million in FY2022. This was mainly attributed to increase in gain on foreign exchange differences and interest income by RM2.3 million and RM0.1 million respectively. The increase was partially offset by decrease in gain on disposal of equipment, government grant and sundry income by RM0.5 million, RM0.6 million and RM0.7 million respectively.

#### **Other operating expenses**

Other operating expenses has doubled to RM1.4 million in FY2022 mainly due to an increase in the depreciation charges for the new office premise and new fleets to supplant the old fleets.

#### **General and administrative expenses**

The general and administrative expenses decreased by 48.7% or approximately RM11.4 million in FY2022 as compared to FY2021. This was mainly due to (i) the decrease in professional fees incurred from RM1.5 million in FY2021 to RM1.3 million in FY2022 mainly due to a one-off fee charged for professional services procured; and (ii) a decrease in employee benefits, payroll and directors' remuneration by 63.3% to RM6.5 million mainly due to the drop in the Group's earnings.

#### **Profit before tax**

As a result of the foregoing, the Group's profit before tax decreased by approximately RM168.8 million or 88.7% to RM21.5 million in FY2022.

#### **Income tax expense**

The Group incurred an income tax expense of RM5.2 million, representing a decrease of

RM36.9 million from FY2021 in line with the drop in profit before tax of the Group in FY2022.

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

### **Consolidated Statement of Financial Position**

#### **Non-current assets**

Property, plant and equipment constituted approximately two third of the Group's non-current assets as at 31 July 2022. The increase in property, plant and equipment of RM18.0 million or approximately 31.9% was attributable to (i) the purchase of mobile equipment and construction of the new crushing plant and workshop of approximately RM31.7 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 RM14.8 million, including RM1.1 million which was capitalised under mine properties as at 31 July 2022.

Mine properties made up approximately one fourth of non-current assets. The increase in mine properties of RM3.0 million or approximately 13.1% was mainly attributable to the capitalisation of production stripping activity costs amounting to RM7.6 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 RM4.6 million. This had resulted in the increase of mine properties by RM3.0 million to RM25.5 million as at 31 July 2022.

As part of the ongoing exploration works conducted by the Group, exploration and evaluation assets has increased by RM6.2 million or 92.3% to RM13.0 million as at 31 July 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 RM221.4 million, representing 78.4% of the Group's current assets as at 31 July 2022.

The trade and other receivables increased by RM4.6 million mainly attributed to deposits of RM3.5 million and RM9.6 million paid to creditors for purchase of heavy mobile equipment and business partners as part of the consideration paid for the Joint Ventures as mentioned in Section 18 below. The increase was partially offset by decrease in interest receivables, the collection of trade receivables and other receivables amounting to RM0.1 million, RM7.4 million and RM1.0 million respectively.

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 RM2.0 million as at 31 July 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 increased slightly by 11.3% from approximately RM4.9 million as at 31 July 2021 to approximately RM5.5 million as at 31 July 2022.

The advance payment for the purchase of imported spare parts recorded in prepayments has decreased to RM2.0 million as at 31 July 2022 from RM8.4 million as at 31 July 2021 as the parts had been completed and delivered as at 31 July 2022.

The income tax recoverable of RM24.5 million as at 31 July 2022 consist of prepaid tax instalment paid for the financial year ended 31 July 2022 amounting to RM18.7 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 RM22.7 million as at 31 July 2022, representing 8.0% of Group's current assets as compared to 17.4% as at 31 July 2021.

The decrease of RM37.6 million in total current liabilities from RM60.2 million as at 31 July 2021 to RM22.7 million as at 31 July 2022 was due to the income tax payable of RM15.3 million as at 31 July 2021 which was fully paid in FY2022 and the decrease in the Group's trade and other payables by RM24.6 million or 58.5% to RM17.4 million as at 31 July 2022. This was due to payment made to suppliers of RM10.1 million, decrease in accruals and provision for Director's bonus by RM2.3 million and RM12.2 million in FY2022 respectively.

The decrease in income tax payable and trade and other payables is partially offset by an increase of RM2.3 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 RM6.3 million and deferred tax liabilities of RM7.5 million.

The non-current lease and hire purchase liabilities had increased by four fold or RM5.1 million to RM6.3 million as at 31 July 2022, which is resulted from the addition of mining equipment.

The deferred tax liabilities increased to RM7.4 million as at 31 July 2022 as compared to RM3.2 million as at 31 July 2021 mainly due to the timing differences on claims allowed for tax purposes.

#### **Consolidated Statement of Cash Flow**

The Group spent approximately RM1.9 million of net cash in operating activities in FY2022 compared to an inflow of RM173.1 million in FY2021 as elaborated above.

During FY2022, the Group's net cash used in investing activities was RM32.5 million compared to RM66.6 million used in FY2021. The Group invested RM19.4 million in property, plant and equipment in FY2022, representing a decrease of RM5.4 million from FY2021. The Group also placed additional placement of term deposits amounting to RM0.9 million in FY2022. In addition, the Group also spent RM6.2 million in exploration activities which was capitalised as exploration and evaluation assets in the balance sheet. The Group has also spent and capitalised RM6.5 million as stripping activity assets under mine properties in FY2022. The effect of net cash used in investing activities was partially offset by the proceeds from disposal of fixed assets amounting to approximately RM0.4 million.

During FY2022, the Group paid a final dividend in respect of the financial year ended 31 July 2021 of approximately RM24.2 million to the ordinary and preference shareholders as compared to RM9.0 million in FY2021. The Group has spent RM0.5 million during FY2022 to repurchase its ordinary shares. The Group has also made repayments of approximately RM5.1 million in FY2022 for its hire purchase facilities as compared to RM3.4 million in FY2021.

The Group also recorded a gain of RM3.6 million in 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 RM60.6 million in FY2022 compared to an increase of RM95.6 million in 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 was welcomed with a streak of challenging times that trickled into the first half of 2022, with fears of an imminent recession becoming graver than ever. The existing supply chain shortages triggered by COVID-19 lockdowns were aggravated by global geopolitical tensions that gained traction in the first quarter of 2022. On the brighter side, the world seemed to be getting a better hold of the pandemic as most nations lifted movement restrictions owing to the weaker virus variants and higher adaptability. Malaysians too felt some respite as the country recorded no deaths<sup>1</sup> as of June 2022 and significantly milder COVID-19 cases<sup>2</sup> in 2022. In April 2022, Malaysian Prime Minister Ismail Sabri Yaakob decided to open the country's borders to vaccinated international travellers after almost two years.<sup>3</sup> Following this endemic approach to COVID-19 propagated by the Malaysian Government, the economy is set to grow at a higher projected rate in 2022<sup>4</sup>. However, due to the high inflationary pressure, the government has also started to adopt a gradually tightening monetary policy to stabilise the economy and protect businesses and consumers.<sup>5</sup> Similar to most other businesses, the current macroeconomic landscape continues to pose uncertainties to the Group's operations in the short to medium term. Nonetheless, the Group remains cautiously optimistic as we strive to expand our business operations through both organic and inorganic growth.

Iron ore prices maintained a rising momentum through most of the first half of 2022, breaching the US\$160/t mark in April 2022.<sup>6</sup> This was driven by a constrained supply scenario caused by the ongoing geopolitical tensions between Russia and Ukraine as well as the expectations that China will step up infrastructure spending to boost the economy. However, there has been a subsequent decline driven by a weaker demand from the world's largest importer, China. Industrial activity continues to be constrained in China due to fresh Covid-19 lockdowns and an overall slowing economy.<sup>7</sup> Iron ore prices fell below the US\$100/t mark in August 2022<sup>8</sup> given the headwinds for the steel industry due to reduced production capabilities.<sup>9</sup>

Owing to the fact that China is one of the largest consumers of iron ore, the market movement in China tends to have a substantial impact on iron ore prices. In July 2022, the Chinese government pledged a ~US\$75 billion fund solely to large infrastructure projects as a part of its expansionary policies in order to boost its economy.<sup>10</sup> This means that demand for steel in the medium to long term is expected to rebound. While this may be partially offset by weaker

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<sup>1</sup> The Straits Times: Malaysia records zero Covid-19 deaths for the first time since Dec 2020

<sup>2</sup> The Straits Times: Malaysia reports record high of 27,831 Covid-19 cases, most with mild or no symptoms

<sup>3</sup> The Straits Times: Malaysia to reopen border to international visitors from April 1

<sup>4</sup> The Straits Times: Malaysia businesses adapt to living with Covid-19

<sup>5</sup> The Edge Markets: Tengku Zafrul: Malaysia's inflation may reach 'around 11%' in subsidies' absence

<sup>6</sup> Business Insider: Iron ore prices

<sup>7</sup> Capital: Iron ore price forecast: Will the commodity rebound?

<sup>8</sup> Bloomberg: Iron Ore Tumbles Below \$100 as China's Steel Woes Worsen

<sup>9</sup> Reuters: Column: Iron ore suffers short-term demand woes, longer-term China threat

<sup>10</sup> Reuters: Exclusive: China plans \$75 billion infrastructure fund to revive economy

property construction sector due to the uncertainty in China's real estate market,<sup>11</sup> Fitch Solutions believes that the Chinese demand for iron ore is expected to remain steady going forward.<sup>7</sup> Overcoming a declining trend at the start of 2022, China's iron ore imports rose ~3% in May 2022 from the previous month and is set to increase further.<sup>12</sup> While there are short-term deterrents like slow production, high energy costs and economic uncertainty in China, the market outlook for iron ore demand remains bullish going forward.

On the flip side, iron ore supply growth continues to remain sluggish and uncertain. While production and export from two of the largest producers, Australia and Brazil, grew slowly, geopolitical tensions and restrictive taxation policies in smaller suppliers like India, Russia and Ukraine constrained global supply of iron ore.<sup>7</sup> Although global production to increase by 3.2% in 2022 compared to 2021, labour shortages, rising costs and unfavourable weather conditions will pose a risk of global supply shortfalls in the near term.<sup>7</sup>

The Group remains cautiously optimistic about iron ore outlook going forward. Despite the expected improvement in demand from China due to the boost in new infrastructure investments, we believe that prices will continue to normalise in the long run as Australia and Brazil ramp up supply. We will continue to monitor the market fundamentals and ensure we capitalise on every possible opportunity. In order to reduce our volatility based on iron ore prices, the Group also embarked on a diversification path as we entered into a joint venture to explore opportunities in the gold mining sector in 2021. Furthermore, as detailed in Section 18 below, the Group made two new acquisitions to further expand our iron ore mining area as well as diversify into the mining of other base metals. While making good progress on our M&A front to propel inorganic growth, the Group continues to dedicate significant resources to organic growth as well, especially at the Chaah Mine. As previously announced, the Group had started exploration activities in the southern extension zone to the iron ore body at the Chaah mine. The Group is delighted to announce that our iron ore resources have increased from 6.3 million tonnes to 15.7 million tonnes as per the latest Independent Qualified Person Report dated 28 September 2022. Please refer to Section 21 below for more details.

Even with cyclical price fluctuations driven by short term demand and supply headwinds as well as supply-chain disruptions, 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 RM221.4 million as at 31 July 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 RM11.5 million as at 31 July 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.

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<sup>11</sup> Reuters: Column: Iron ore's short-term outlook at odds with longer optimism

<sup>12</sup> Reuters: China May iron ore imports up 3% on supply chain easing

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

There were no outstanding options, convertible securities or subsidiary holdings as at 31 July 2022 and 31 July 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?

In honouring the Board commitment's to recommend and distribute dividends of not less than 20.0% of the Group's net profit after tax ("**NPAT**") for FY2022 which can be found in our Offer Document, and having taken into consideration of the Group's results, the Board of Directors hereby wish to propose a dividend of 0.22 Singapore cents per share ("**Final Dividend**") equivalent to 21.25% of the Group's FY2022 NPAT.

Subject to the approval by our shareholders at the forthcoming annual general meeting of the Company, the total payout for this final dividend will be S\$1.075 million or about RM3.458 million, at the exchange rate of RM3.2165 to S\$1.00.

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	0.22 Singapore cents per share
Tax rate	Tax exempt

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

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

A final dividend of 1.6 Singapore cents per share equivalent to 16.3% of the Group's FY2021 NPAT has been declared and was paid on 15 December 2021.

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	1.6 Singapore cents per share
Tax rate	Tax exempt

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

The proposed final dividend is tax exempt (one tier).

(a) **Date payable**

The Final Dividend is subject to the approval by shareholders at the forthcoming annual general meeting of the Company and the Company will make the relevant announcements in due course.

(b) **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**

Subject to the approval of the Final Dividend by the shareholders, the Company will separately announce the date on which Registrable Transfers received by the Company will be registered before entitlements to the Final Dividend are determined.

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

Not applicable.

**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 extraordinary general meeting held on 26 November 2021. Save as disclosed in the table below, there were no other interested person transactions of S\$100,000 or above entered into during the financial period under review.

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**").

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 Sdn Bhd	Trading	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	11,657
Hchem (M) Sdn Bhd	Marketing	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	1,481

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

<u>Use of IPO Net Proceeds</u>	<u>Amount re-allocated on 22 January 2021 (S\$'000)</u>	<u>Amount utilised as announced (S\$'000)</u>	<u>Amount further utilised (S\$'000)</u>	<u>Balance (S\$'000)</u>
Further exploration activities	4,000	(2,340)	(981)	679
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	(1,708)	(205)	2,024
<b>TOTAL</b>	<b>11,937</b>	<b>(7,108)</b>	<b>(2,126)</b>	<b>2,703</b>

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\$1,913,000 with the details as follows:

<u>Nature of Working Capital</u>	<u>Amount Utilised S\$'000</u>
Professional fees	1,117
Administrative expenses	707
Directors' insurances and training	89
	<u>1,913</u>

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 Segmented revenue and results for operating segments (of the group) in the form presented in the issuers most recently audited annual financial statements, with comparative information for the immediately preceding year**

The Group is principally engaged in the exploration, mining and processing and sales of primarily iron ore extracted from a single mine (i.e. Chaah mine). While the Group has extended its core business to include mining of gold and other base metals and minerals, however, they are still in early part of the exploration stage and have yet to contribute to the earning of the Group. The Group's chief operating decision maker reviews the operating results and makes resource allocation decisions of the Group as a whole because the Group's mining-related resources and processes are integrated and activities other than the exploration, mining and processing and sales of iron are not significant to the Group. Accordingly, the Group does not present separate segmental information.

**13 In the review of the performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Please refer to Section 2 above for details.

**14 Breakdown of Group's revenue and (loss)/profit after tax before deducting non-controlling interest for first half year and second half year**

	<b>FY 2022 RM'000</b>	<b>FY 2021 RM'000</b>	<b>Increase / Decrease</b>
(a) Sales reported for first half year	98,486	152,054	-35.2%
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	19,350	51,411	-62.4%
(c) Sales reported for second half year	80,192	235,315	-65.9%
(d) Operating (loss)/profit after tax before deducting non-controlling interest reported for second half year	(3,077)	96,719	-103.2%

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**15 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

	FY 2022		FY 2021	
	RM'000	S\$'000	RM'000	S\$'000
Ordinary shares (tax exempt 1 – tier)				
- Final cash paid in respect of the previous financial year	24,165	7,824 <sup>(2)</sup>	8,933	2,939 <sup>(3)</sup>
Preference shares	100	32 <sup>(2)</sup>	100	33 <sup>(3)</sup>
<b>Total Annual Dividend</b>	<b>24,265</b>	<b>7,856</b>	<b>9,033</b>	<b>2,972</b>

	Proposed dividends to the Company's shareholders but not recognized as a liability as at			
	31 July 2022		31 July 2021	
	RM'000	S\$'000	RM'000	S\$'000
Ordinary shares (tax exempt 1 – tier)				
- Final dividend <sup>(1)</sup>	3,458	1,075 <sup>(4)</sup>	24,180	7,824 <sup>(5)</sup>

**Notes:**

- 1: Details are disclosed in Section 8(a) of this announcement. The Final Dividend is subject to Shareholders' approval at the forthcoming annual general meeting of the Company.
- 2: Based on exchange rate of RM100.00:S\$32.38 as at 10 December 2021
- 3: Based on exchange rate of RM100.00:S\$32.90 as at 11 December 2020
- 4: Based on exchange rate of RM100.00:S\$31.09 as at 22 September 2022
- 5: Based on exchange rate of RM100.00:S\$32.36 as at 14 September 2021

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**Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

<b>Name</b>	<b>Age</b>	<b>Family relationship with any director, CEO and/or substantial shareholder</b>	<b>Current position and duties, and the year the position was first held</b>	<b>Detail of changes in duties and position held, if any, during the year</b>
Pek Kok Hua	59	Brother of Dato Sri Pek Kok Sam, the Chief Executive Officer of the Company	Currently serving as Purchasing Manager of our Subsidiary, Honest Sam Development Sdn Bhd ("HSD"). He joined HSD in January 2010. Primarily responsible for the purchases.	No changes
Pek Siew Mei	57	Sister of Dato' Sri Pek Kok Sam, the Chief Executive Officer of the Company	Currently serving as Sales Manager of HSD. She joined HSD in June 2001. Primarily responsible for the sales.	No changes
Pek Kok Hing	52	Brother of Dato' Sri Pek Kok Sam, the Chief Executive Officer of the Company	Currently serving as Information Technology Manager of HSD. He joined HSD in November 2006. Primarily responsible for the Information Technology.	No changes

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**17 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 Catalyst 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 Catalyst Listing Manual.

**18 Additional information required pursuant to Rule 706A**

The Company has incorporated a wholly-owned Malaysian subsidiary, Sri Aman Minerals Sdn Bhd, on 9 March 2022 for the purpose carrying out mining activities in Malaysia in the future. The incorporation of Sri Aman Minerals Sdn Bhd at a share capital of RM2 was funded through the utilisation of the IPO proceeds. Its incorporation will not have any material impact to the Group's net assets and earning per share for FY2022 and it has remained dormant since its date of incorporation. On 4 August 2022, the Company has diluted its shareholding in Sri Aman Minerals Sdn Bhd from 100% to 50% through the transfer of one (1) unit of ordinary share in Sri Aman Minerals Sdn Bhd to a new joint venture partner, Mr Tan Choon Hock, who is not related to any of the Directors or substantial shareholders of the Company. Sri Aman Minerals Sdn Bhd will venture into exploration activity in the state of Sabah. The Group will make a separate announcement on the SGXNet once the terms and conditions of the proposed joint venture is available.

On 13 July 2022, Southern Atlantic Metal Sdn Bhd has increased its share capital to RM2.00 comprising two (2) ordinary shares at RM1.00 each through allotment of one (1) unit of new ordinary share at RM1.00 to a new joint venture partner, Mr Tan Choon Hock, who is not related to any of the Directors or substantial shareholders of the Company. Consequently, the Company's interest in Southern Atlantic Metal Sdn Bhd reduced from 100% to 50%. Southern Atlantic Metal Sdn Bhd will venture into exploration activity in the state of Sabah. The Group will make a separate announcement on the SGXNet once the terms and conditions of the proposed joint venture is available.

On 28 September 2022, our subsidiary company, Honest Sam Development Sdn Bhd, has acquired 50% share in Rigid Temau Sdn Bhd ("RT") from two (2) individual shareholders, Mr Jimmy Chin and Mr Johnny Chin, who are not related to any of the Directors or substantial shareholders of the Company, for a cash consideration of RM12,000,000. RT is an iron ore mining company operating an iron ore mine in the State of Pahang. RT is expected to commence its iron ore production by end of year 2022. The purchase consideration is derived based on RT's exploration results and stockpile available on site. Based on the audited financial statements for the financial year ended 31 December 2021, RT recorded net liabilities of RM84,428. Our Group funded the acquisition by utilising the IPO Net Proceeds of S\$940,000, and the balance is paid by way of our Group internal funding.

On 28 September 2022, our wholly-owned subsidiary, Sumber Alam Minerals (Sabah) Sdn Bhd has acquired 49% share in Maha Hijau Sdn Bhd ("MH") from Ms Chua Pei Zhe, who is not related to any of the Directors or substantial shareholders of the Company, for a cash consideration of RM2,998,800. MH has obtained an exploration approval to conduct exploration for base metal in the State of Sabah. The purchase consideration is derived based on willing buyer willing seller basis. MH was incorporated on 22 February 2022 and is non-operating at the time of acquisition and the net asset value amounted to RM598,000 as at 31 July 2022. Our Group funded the acquisition by way of our internal funding.

The acquisitions are not expected to materially affect our Group financial performance for FY2023.

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

### 19 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 fourth quarter ended 31 July 2022 ("4Q FY2022")

Activities	4Q FY2022		
	Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	3,000	2,974	(26)
Mining related expenditure (excluding capital expenditure)	31,000	25,305	(5,695)
<b>Total</b>	<b>34,000</b>	<b>28,279</b>	<b>(5,721)</b>

#### Exploration activities

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

Our Group strongly believes that the investment in an exploration program will provide the Group with valuable information to make an informed decision in respect of mining plan of a particular mine or a decision to proceed, modify or abortion of an exploration program for an exploration target.

The exploration program at the Chaah Mine is a long term program which is undertaken to establish an extension of the existing iron ore body. The Group has executed the exploration program in accordance to its plan. The outcomes are explained in **Section 22** below.

In addition to the Chaah Mine exploration program, our Group also continued with the planned exploration activities at Tenggaroh Prospect which covers geological mapping as well as samples collection.

As the result, the Group has utilised almost all of the RM3 million budget allocated for the 4Q FY2022.

The Group's investment in the ore extension drilling program since our initial public offer todate amounting to RM7.2 million (S\$2.3 million) has yielded positive result with our new Mineral Resources being **2.5 time of the size** of our Minerals Resources as at 31 July 2021. More information can be found in **Section 22** with the details found in our Independent Qualified Person Report dated 28 September 2022 ("IQPR").

#### Mining activities

Mining activities generally involved the extraction of ore and in the case of our Chaah Mine, involves an open cast mining. In another words, it involves the excavation and removal of overburden (waste) and extraction of ores in accordance to the design of the mine pit. The excavated ores will be sent for crushing into small size such as 16 mm before they are further processed through bore mill. The concentrating process via ball mill revolves around grinding of the crushed iron ore into powder size in order to remove the impurities (waste) from the iron content of our iron ore.

During 4Q FY2022, our Group continues to focus on the mining work at the southern part of Chaah Mine pit, which has a shallow overburden in order to quickly gain access to the ore. The change in the plan resulting in the overburden stripping activity for the

northern part of the pit is temporary put on hold while the Group is evaluating another mining option. Accordingly, there is underutilisation of mining related expenditure of RM 5.7 million.

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

Item	Projection for 1Q FY2023 RM'000
a. Mine exploration and evaluation	3,000
b. Mining related expenditure (excluding capital expenditure)	25,000
<b>Total</b>	<b>28,000</b>

Having updated the Chaah Mine Mineral Resources, our Group will focus on the update of Mineral Reserves of our Chaah Mine in the first quarter ending 31 October 2022 (“1Q FY2023”). At the same time, our Group will continue to investigate Chaah’s three (3) geo-physic anomalies areas and areas as highlighted in IQPR. The results from these drill holes will guide our future drilling planning and activities. Our Group is also expected to maintain the pace of the exploration for the Tenggaroh Prospect.

Notwithstanding the above, and in line with our Group’s policy in prudently managing our cash flow as well as a need to explore for new Minerals Resources, we will maintain the allocation of RM3 million per quarter for the projection of mine exploration and evaluation activities for the time being. Our Group will re-evaluate the budget allocation depending on our Group’s cash flow as well as the results from the drilling program at the Chaah Mine and Tenggaroh Prospect.

The projection of mining related expenditure for 1Q FY2023 is based on the assumption that there are no material changes to the cost structure and the continuation of mining work at the southern mine pit without taking into consideration the weather factor. As the result, the projection for the mining related expenditure is revised to RM25 million from RM31 million from the previous quarter.

**20 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.

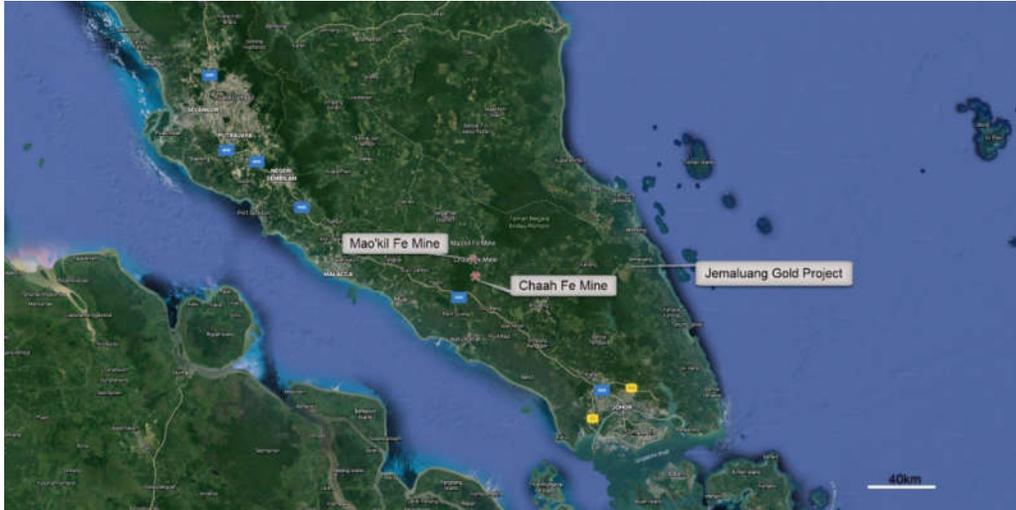
**21 Pursuant to Rule 705(7) – Details of exploration (including geophysical surveys), development and/or production activities undertaken by the issuer and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.**

*All information presented in this section describing Exploration Results, Mineral Resources and Ore Reserves is reported in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). The JORC Code is one of the three public reporting standards permitted to be used by the SGX-ST.*

Contents of this announcement are extracted from the IQPR. The IQPR is attached and can be found on the Company’s website at <https://southernallianceminig.com/>.

## Exploration Activities

As explained in **Section 20**, our Group views the exploration program as one of the most important activities of Group. During the FY 2022, our Group continues with the planned drilling and evaluation programs for the Chaah Mine and the Tenggaroh Prospect. Locations are highlighted in **Figure 1** below.



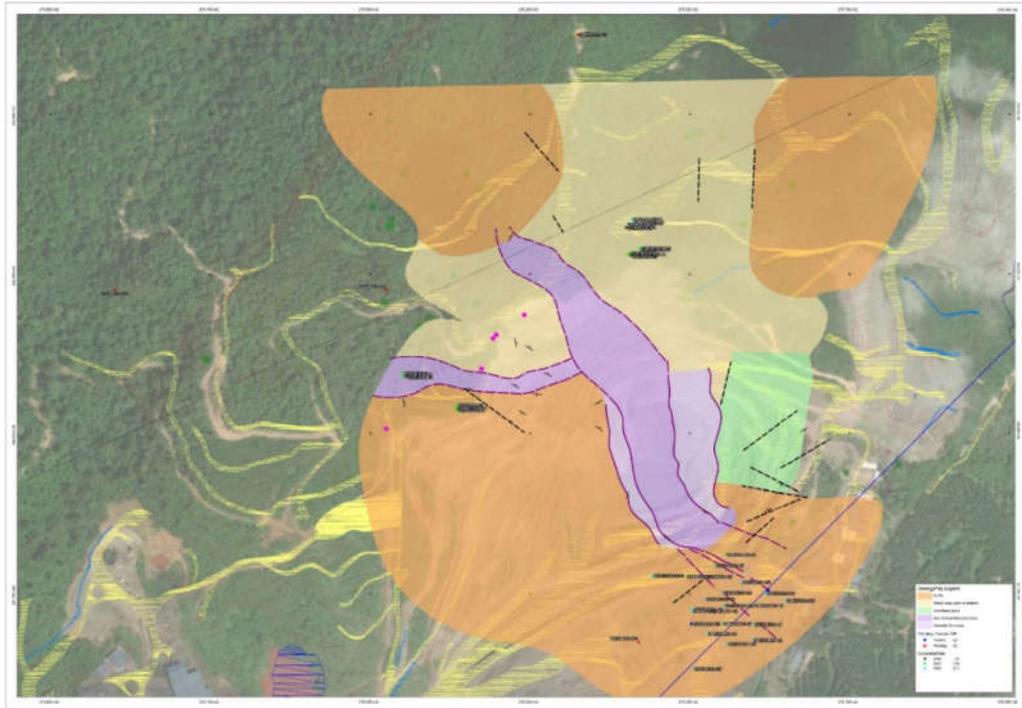
**Figure 1:** Chaah, Mao'kil & Tenggaroh projects, general location map. Source: Google Earth

### (i) ML 9/2014 (Chaah Mine)

#### General geological information

The Chaah district is dominated by the northwest (NW) regional shear fabric and secondary north (N) and northeast (NE) structures which are best resolved from satellite digital elevation data (DEM) data and regional scale geophysics. At the deposit scale, the main control is a NW orientated shear zone which dips to the NE. The footwall of the mineralisation at Chaah is shear controlled and marked through the strike of the deposit by a zone of strong chloritisation both within the margins and through the shear zone which can be up to 20-50m in width.

At the local scale, there is sufficient resolution to resolve both north-south (NS) and NE oriented fractures. The NE faults might be post mineralisation and locally displacing ore bearing zones, as seen in **Figure 2**. There is growing geological evidence of post mineralisation faulting causing minor internal displacements of some zones of mineralisation, particularly through the northern most extension drilling, where hematite mineralisation appears to be vertically offset by 10-15m and the mineralisation is capped by marine sediments, as seen in **Figure 3**. On the southern extension there appears to be a series of steep structures with offsets of a few metres, there is a sharp upper contact to the mineralisation, as seen in **Figure 4**, which in some areas is an erosional contact or a sharp angular unconformity.



**Figure 2,** Key local scale geological & structural features of the Chaah deposit. Note, the discovery of Andesite porphyry directly west of the deposit, this unit is magnetite bearing and hosts late-stage quartz-sulphide veining. The porphyry ranges from fresh to variably hydrothermally altered

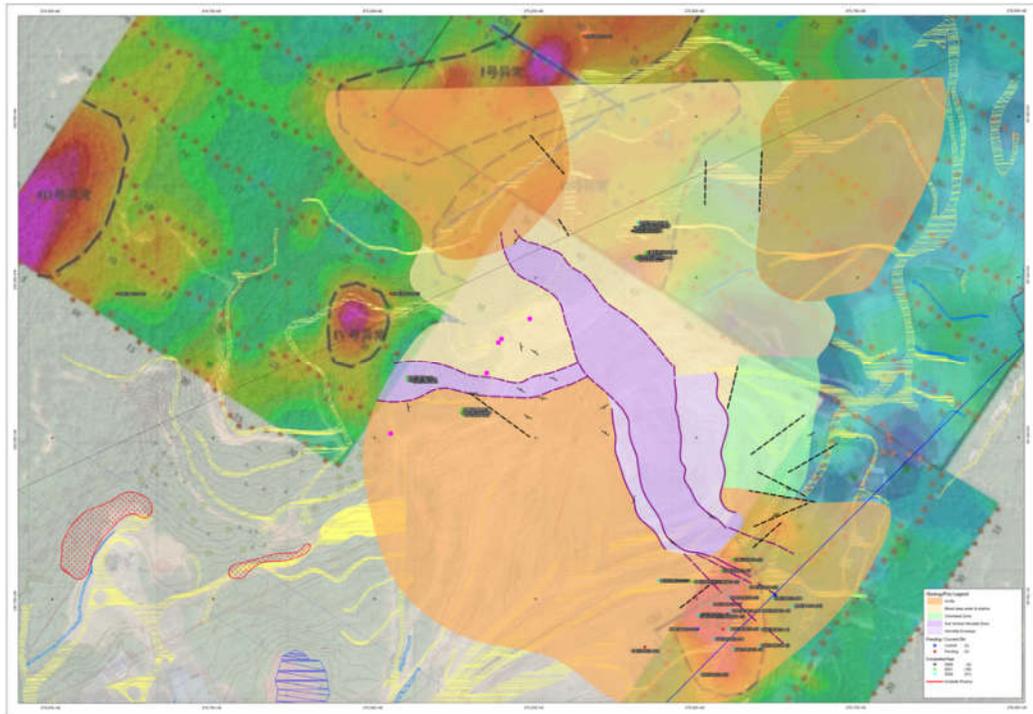


**Figure 3,** View looking NW, capping marine sediments over hosting andesitic volcanics



**Figure 4, View looking SE on the trend of the southern extension ore zone, July 2022**

The completed geological mapping program highlighted the role of local scale controls in the positioning of mineralisation. A combination of fracture controls and permeability within the andesitic flow units and volcanoclastic pile has allowed mineralisation to pervade out beyond primary structural controls. The deposit is unconformably overlain by an alternating sequence of sediments ranging from delta facies to off shelf slope greywacke and argillites. Locally these can be indurated and typically host narrow zones of metamorphic quartz veining. Within 30m of the unconformity the first lenses of hematite occur, the largest which is exposed in the pit high wall connects to the main subvertical zone of hematite mineralisation, reflecting the strong structural and lithostratigraphic controls.



**Figure 5: General geological information - Areas of interest from the IP-Resistivity geophysical study and the proposed testing drill holes to confirm the anomalies from the geophysical study**

### Geophysics

Prior to the Group's initial public offering, our subsidiary company had conducted an induced polarization (IP) resistivity study covering an area of 1.97 km<sup>2</sup>, as seen in **Figure 5**. The NW and SE drilling results to date have affirmed the presence of the mineralisation which forms part of the new mineral resources.

### Drillings and reporting of mineral resources

A total of 45 holes with a combined length of 11,522m of reversed circulation (RC) and diamond holes were completed as at 31 July 2022, for the purpose of expanding the new Resource model. The drilling program is still ongoing as at the date of this announcement.

A new Resource estimation of the Chaah Iron Ore Deposit has been completed, the study is preliminary as Resource drilling is continuing and as of 31 July 2022, there were several holes yet to have assays reported.

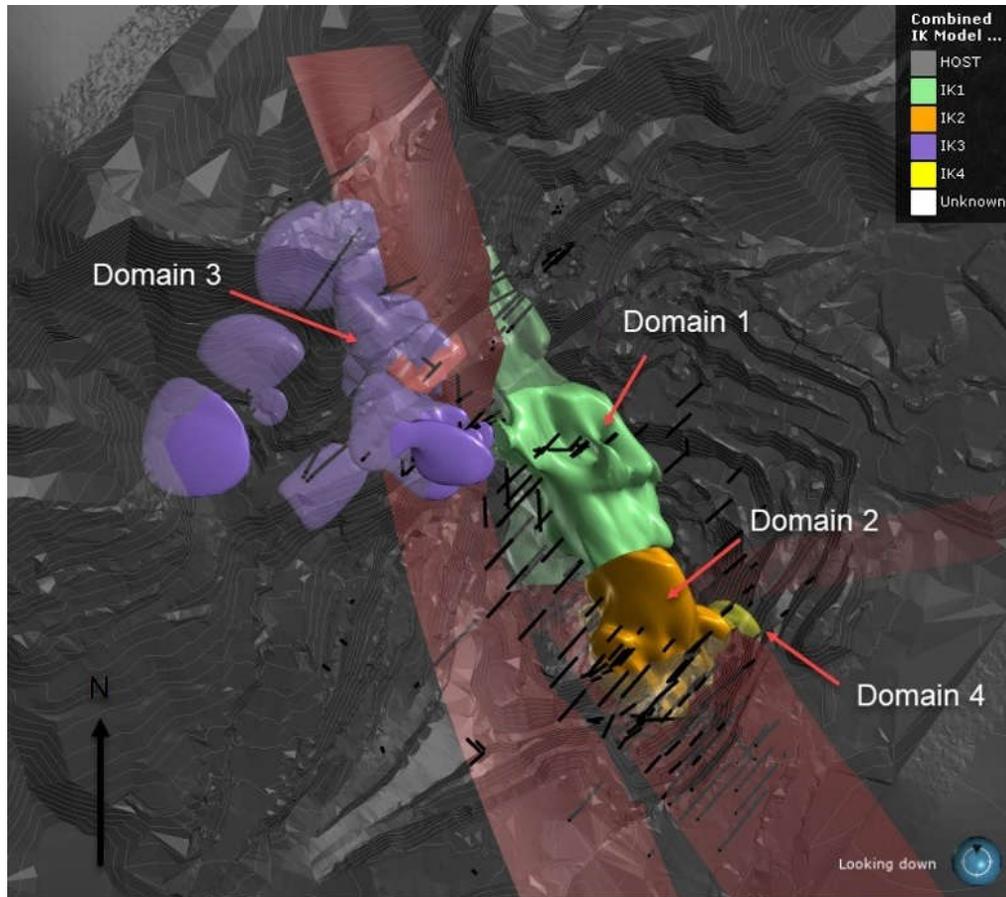
The new Chaah Mine Mineral Resources reporting is as follow:

Category	Tonne (Mt)	Grade (%)				Change in t (%)	Comments
		Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P <sub>2</sub> O <sub>5</sub>		
<b>Gross attributable to license and net attributable to issuer</b>							
Measured (in situ)	-	-	-	-	-	0%	Changes in tonnage are shown comparing the Mineral Resources from 31 July 2021 to 31 July 2022. The increase is due to the discovery of new Mineral Resources
Indicated (in situ)	9.3	50.3	18.3	2.7	1.6	107%	
Inferred (in situ)	6.4	48	22.5	2.4	0.9	256%	
<b>Subtotal (in situ)</b>	<b>15.7</b>	<b>49.4</b>	<b>20</b>	<b>2.6</b>	<b>1.3</b>	<b>149%</b>	
Measured (stockpiles)	-	-	-	-	-	-	
Indicated (stockpiles)	0.17	56.2	-	-	-	10%	
Inferred (stockpiles)	-	-	-	-	-	-	
<b>Subtotal (stockpile)</b>	<b>0.17</b>	<b>56.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10%</b>	
<b>Total</b>	<b>15.9</b>	<b>49.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148%</b>	

**Table 1, Chaah LOM ore Resources as of July 22 15.7Mt@49.4% Fe, compared to July 31, 2021, of 6.3Mt@49.7% Fe. Stockpile, information provided by SAM. Numbers may not sum due to rounding errors. The Resources reported are inclusive of the Reserves presented in Table 2.**

The deposit now has 4 discrete domains to the mineralisation modelled at a 25% Fe cut-off grade, as follows (**Figure 6**):

- Northern Zone which is largely situated within the highwall area, currently open on strike (Domain 3)
- Central Zone which covers the current pit area and extends into the highwall, and fault bound to the Northern zone (Domain 1)
- Southern Highwall zone comprises a structurally isolated block to the immediate south of the Central Zone. (Domain 2)
- Southern Zone comprises a new area directly south of the original OME resource shell, it is open on strike and downdip to the southwest. (Domain 4)



**Figure 6:** Distribution of the Domains which is controlled by the faults

Drill hole spacing and the spread of data across the Northern prospect present a lower confidence to the geological and resource modelling, the area is therefore classified to a maximum level of Inferred.

**Run-of-mine ore reserves**

The Chaah Iron Ore deposit contains no updated Proved or Probable Reserves as there is no recent detailed pit optimisation or design based on new cost assumptions and updated resource modelling. The current Resource drilling has significantly expanded the Mineral Resource inside the LOM open Pit (revised model in progress) classified as Indicated. SAM is currently undertaking a revised pit design and ongoing Resource drilling will lead to a new pit optimisation probably within its new financial year.

For continuity purposes, the 2021 DERISK resource model was depleted using the 2021-2022 survey volumes. This depletion of the ROM Ore Reserve was at a cut-off grade of 30%.

Category	Tonne (Mt)	Grade (%)				Change in t (%)	Comments
		Fe	SiO2	Al2O3	P2O5		
Gross attributable to license and net attributable to issuer							
Proved (ROM)	-	-	-	-	-	-	Changes are shown comparing the Ore Reserve from 31 July 2021 to 31 July 2022
Probable (ROM)	3.74	49.6	16.7	2.0	1.8	-13%	
Subtotal (ROM)	3.74	49.6	16.7	2.0	1.8	-13%	
Proved (stockpile)	-	-	-	-	-	-	
Probable (stockpile)	0.17	56.2	-	-	-	70%	
Subtotal (stockpile)	0.17	56.2	-	-	-	70%	
<b>Total</b>	<b>3.91</b>	<b>49.9</b>				<b>-11%</b>	

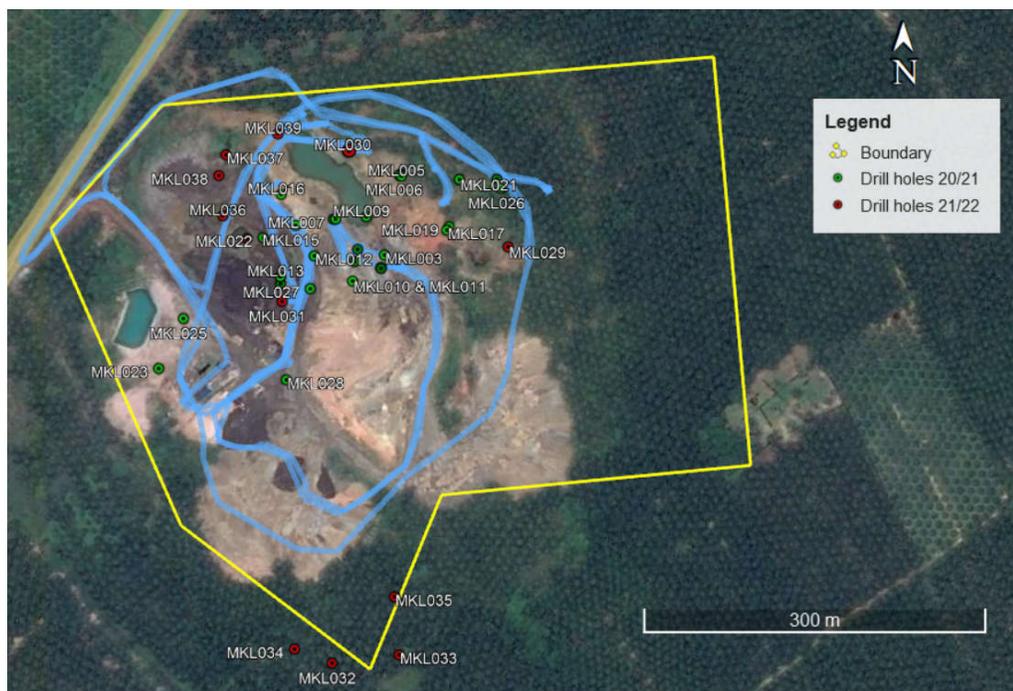
- Notes:
1. ROM reserve and stockpiles reported at a cut-off criterion of 30% Fe
  2. Totals may not add due to rounding effects
  3. Proven and Probable results are based on the depletion of the 2021 Reserve tabulation (Derisk Report)
  4. Depletion based on volume of material mined between July 21 and July 22 per current survey data
  5. Reserves are constrained to the 2019 final pit design as provided to Datgeo

**Table 2, Depletion of the 2021 DERISK reserve model has been done while the updated mine design is completed for the 2022 resource update.**

Our Group will update our iron ore reserves once the pre-feasibility study is completed and will make an immediate announcement as and when the updated iron ore reserves are available.

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

No drilling activities were undertaken during this period as the Group temporarily halted the drilling program for ML 1/2018 in 3Q FY2022, as our geologists and mining engineer are evaluating the drilling results accumulated till 30 April 2022 and modelling the mine pit design to evaluate the economic viability of mining activities. Exploration activities on the adjacent mining lease area under ML 1/2021 have not commenced.



**Figure 7: All drill holes' collar location for Mao'kil Prospect**

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

**(iii) 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 Mine and Tenggaroh Prospect during the period.

**(iv) 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 Mine and Tenggaroh Prospect during the period.

**(v) EL 1/2022 (Tenggaroh Prospect)**

On the 26 January 2022, the Group announced the procurement of Exploration Approval from Johor State Authority to carry out Exploration Works on the Tenggaroh Prospect. With the said approval, our Group proceeded to establish a field office and accommodation in the township of Jemaluang and completed retrofitting a former storage shed used for charcoal production to a sample preparation and secured storage facility. This has allowed onsite sample preparation of all rock samples and produce shipping ready 100-200g samples pulp.

The geological mapping to date has identified two broad N-S trending mineralised corridors where quartz veining is shedding fine free gold. Observed higher grades appear to correlate with areas of veining where there is textural evident of internal boiling and or brecciation within the confining structures. Visible gold has been observed with orogenic quartz, formed within vein structures and at the contact margin with carbonaceous shales.

An extensive exploration program is underway which includes, mapping, composite channel sampling across quartz veins (**Figure 8**) and trench sampling, and grid-controlled ground magnetics, drone LiDAR survey and scheduled follow-up deep auger soil geochemistry potentially prior to reconnaissance RC drilling. The program is correctly aligned with the mineralisation.



**Figure 8:** Composite Channel Sampling Across Quartz Veins

Please refer to our IQPR for more details.

## Mining activities

### Chaah Mine

The Chaah mine is a mature site that has been in continuous operation since 2008. The Company has experienced both high and low commodity prices throughout the operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match demand. Since the commencement of our mining activity at the Chaah mine in 2008, we have, as at 31 July 2022, mined and processed approximately 7 million tonnes of ore.

During FY2022, our production records documented that mining operations excavated approximately 640,000 tonnes of ore and approximately 9.8 million tonnes of waste. Processing during the year totaled approximately 367,000 tonnes of ore. Sales for the year comprised nearly 348,300 tonnes of product, which included 342,900 tonnes of concentrates (both 62% Fe and 65% Fe), 4,000 tonnes of pipe-coating product, and 1,400 tonnes of low-grade fines.

As previously announced, our Group focused our mining activities on the southern part of our Chaah Mine pit which has shallower overburden. Our Group still continued with the same plan while evaluating other mining technique for the northern pit.

As part of good mining practice, the Group continued with the production reconciliation of our mining operation at the Chaah mine. We undertook a survey of the open pit and surrounds in July 2022. The table below presents the mining depletion removed from the resource model between August 2021 and Jul 2022 pit surveys. According to the resource model, a total of 8.12 million tonnes was extracted from the open pit in FY2022 consisting of 0.89 million tonnes of ore and 9.8 million tonne of waste. This is in contrast to our estimates based on production statistics of 0.64 million tonnes of ore and 9.8 million tonnes of waste.

Source	Material	Mt	Fe Grade (%)
Resource Model	Indicated Resource	0.66	49.6
	Inferred Resource	0.22	49.6
	Total Resource	0.89	49.6
	Waste	7.23	-
	Mineralized Waste	-	-
	Total Waste	7.23	
SAM production Statistics (fixed density value)	Ore Mined (Adjusted by SAM)	0.62	53.8
	Waste Mined (unadjusted)	9.8	
SAM production Statistic (based on bulk density value)	Ore Mined	0.76	53.8
	Waste Mined	7.9	

**Table 3**, Chaah Production summary from 1 Aug 2021 to 30 July 2022. Numbers may not sum due to rounding errors. Volumes derived from Monthly DTM surveys provided by SAM

The dominant cause for the difference in the reported waste tonnes appears to be due to the rock densities used for waste material. An internal review is ongoing, focused material volume and tonnage movement.

During the 1Q FY2022, our Group has commenced the construction of the foundation and other ancillaries for the purpose of installing a new line of our 550 – 600 tonne per hour (TPH) crushing plants (Plant F) to replace other outdated crushing plants, as seen in **Figure 9** and **Figure 10**. Currently, our Group is in the commissioning stage of Plant F. Once fully commissioned, it is expected to improve our crushing activities as currently the ores are sent to various crushing plants for crushing.



**Figure 9:** View of our 600 tonne per hour primary crushing plant



**Figure 10:** View of our 250 tonne per hour secondary and tertiary crushing plant

No mining activities were carried out for the Mao'kil, Chaah Baru, Kota Tinggi Mines and Tenggaroh Prospect in 4Q FY2022.

## Competent Persons Statements

The information presented in the IQPR related to Exploration Results and Mineral Resource is based on information compiled and interpreted by Mr Bruce McDonald (“Mr McDonald”), who is a Competent Person and a Member of the Australasian Institute of Mining & Metallurgy (AusIMM). Mr McDonald is a Principal Geologist of Datgeo Sdn Bhd. Mr McDonald has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and undertaking the tasks of a Competent Person as defined in the JORC Code. Mr McDonald has no potential conflict of interest in accepting Competent Person responsibility for the information presented in the IQPR, and consents to the inclusion in the IQPR of the matters based on his information in the form and context in which it appears.

The information presented in the IQPR related to Ore Reserves and Mineral Resource is based on information compiled and interpreted by Mr Justin Glanvill (“Mr Glanvill”), who is a Competent Person and a Member of the South African Council for Natural Scientific Professions (SACNASP). Mr Glanvill is a Principal Geologist & Resource Consultant of Datgeo Sdn Bhd. Mr Glanvill has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and undertaking the tasks of a Competent Person as defined in the JORC Code. Mr Glanvill has no potential conflict of interest in accepting Competent Person responsibility for the information presented in the IQPR, and consents to the inclusion in the IQPR of the matters based on his information in the form and context in which it appears.

The information presented in this report related to Resource Optimisation & Mining is based on information compiled and interpreted by Mr Olivier Varaud (“Mr Varaud”), who is a Competent Person and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Varaud is a Principal Mining Engineer of Datgeo Sdn Bhd. Mr Varaud has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and undertaking the tasks of a Competent Person as defined in the JORC Code. Mr Varaud has no potential conflict of interest in accepting Competent Person responsibility for the information presented in the IQPR, and consents to the inclusion in the IQPR of the matters based on his information in the form and context in which it appears.

The data and supporting information supplied by SAM provides a fair reflection of the respective projects.

## BY ORDER OF THE BOARD

**Dato’ Sri Pek Kok Sam**  
Chief Executive Officer

28 September 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 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.*