Southern Alliance Mining Ltd

(Company Registration No. 201931423D)

Condensed Interim and Full Year Financial Statements
For the Six Months and Full Financial Year Ended 31 July 2021

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 also intends to extend its core business to include mining of gold and other precious metals, base metals and minerals.

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 - INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Condensed Interim and Full Year Consolidated Statements of Comprehensive Income

		Group					
		6 Months Ended			**Full Year Ended**		
	Note	31-Jul-21 (Unaudited) RM'000	31-Jul-20 (Unaudited) RM'000	Changes (%)	31-Jul-21 (Unaudited) RM'000	31-Jul-20 (Audited) RM'000	Changes (%)
Revenue	4	235,315	113,227	108%	387,369	254,245	52%
Cost of sales		(99,666)	(61,773)	61%	(179,413)	(147,135)	22%
Gross profit		135,649	51,454	164%	207,956	107,110	94%
Other income		3,880	1,566	148%	6,653	2,893	130%
Other operating expenses		(358)	(248)	44%	(662)	(448)	48%
General and administrative expenses		(17,723)	(14,237)	24%	(23,377)	(22,245)	5%
Finance costs		(123)	(213)	-42%	(289)	(340)	-15%
Profit before tax	1(a)(ii)	121,325	38,322	217%	190,281	86,970	119%
Income tax expense	5	(24,606)	(11,203)	120%	(42,151)	(24,883)	69%
Profit after tax, representing total comprehensive income for the period/year		96,719	27,119	257%	148,130	62,087	139%
Earnings per share (Malaysian cents per share)							
Basic and diluted		19.78	5.58	254%	30.29	12.77	137%

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1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

	Group					
	6 Months Ended			Full Year Ended		
	31-Jul-21 (Unaudited) RM'000	31-Jul-20 (Unaudited) RM'000	Changes (%)	31-Jul-21 (Unaudited) RM'000	31-Jul-20 (Audited) RM'000	Changes (%)
Interest income from fixed deposits	(1,415)	(962)	47%	(2,541)	(1,674)	52%
Gain on disposal of property, plant and equipment	(30)	(35)	-14%	(960)	(35)	2,643%
Rendering of services	(90)	(46)	96%	(180)	(409)	-56%
Government grant	-	(381)	-100%	(626)	(381)	64%
Sundry income	(809)	(2)	40,350%	(809)	(150)	439%
Finance costs	123	213	-42%	289	340	-15%
Employee benefits expense	18,438	10,666	73%	24,622	15,270	61%
Depreciation of property, plant and equipment	5,340	3,446	55%	9,231	6,433	43%
Amortisation of mine properties	1,800	2,188	-18%	3,521	4,459	-21%
Unrealised gain on foreign exchange	(1,478)	(16)	9,137%	(1,478)	(39)	3,690%
Realised gain on foreign exchange	(59)	(124)	-53%	(59)	(205)	-71%
Tributes	18,000	14,500	24%	36,000	28,500	26%
IPO expenses	-	1,533	-100%	-	5,045	-100%
Grant of equity-settled share-based payment in relation to IPO expenses	-	2,301	-100%	-	2,301	-100%
Write-back of impairment on other receivables	-	-	N.A.	-	(40)	-100%

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Condensed Full Year Statement of Financial Position

		Group		Company	
		31-Jul-21 (Unaudited)	31-Jul-20 (Audited)	31-Jul-21 (Unaudited)	31-Jul-20 (Audited)
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	6	56,536	37,138	-	-
Exploration and evaluation assets		6,768	440	-	-
Mine properties	7	22,538	26,059	-	-
Deferred tax assets		-	3,464	-	-
Investment in subsidiaries		-	-	174,480	173,380
Investment securities		39	39	-	-
		85,881	67,140	174,480	173,380
Current assets					
Inventory		4,911	8,847	-	-
Trade and other receivables		21,435	21,973	12,175	-
Contract assets		29,505	4,248	-	-
Prepayments		8,375	1,519	103	93
Cash and bank balances		281,145	149,866	21,784	37,072
Income tax recoverable		-	1,548	-	-
		345,371	188,001	34,062	37,165
Total assets		431,252	255,141	208,542	210,545
Liabilities					
Current liabilities					
Lease and hire purchase liabilities	8	2,890	3,307	-	-
Trade and other payables		42,001	20,399	849	1,559
Income tax payable		15,359	-	-	-
		60,250	23,706	849	1,559
Net current assets		285,121	164,295	33,213	35,606
Non-current liabilities					
Lease and hire purchase liabilities	8	1,213	3,922	-	-
Deferred tax liabilities		3,179	-	-	-
		4,392	3,922	-	-
Total liabilities		64,642	27,628	849	1,559
Net assets		366,610	227,513	207,693	208,986
Equity attributable to owners of the Company					
Share capital	10	218,154	218,154	218,154	218,154
Retained earnings / (accumulated losses)		311,103	172,006	(10,461)	(9,168)
Merger reserve		(163,380)	(163,380)	-	-
		365,877	226,780	207,693	208,986
Preference shares		733	733	-	-
Total equity		366,610	227,513	207,693	208,986

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1(b)(ii) Aggregate amount of group's borrowings and debt securities

	Group		Company	
	31-Jul-21 (Unaudited) RM'000	31-Jul-20 (Audited) RM'000	31-Jul-21 (Unaudited) RM'000	31-Jul-20 (Audited) RM'000
Secured				
Amount repayable in one year or less	2,890	3,307	-	-
Amount repayable after one year	1,213	3,922	-	-
	4,103	7,229	-	-

There are no unsecured borrowings and/or debt securities as at 31 July 2020 and 31 July 2021.

Details of any collateral

The Group's only borrowings are in the form of hire purchase facilities for plant and equipment. As at 31 July 2021, these hire purchase facilities were secured by the equipment purchased and by 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.

Moving forward, our Chief Executive Officer and his brother shall cease to provide such personal guarantee and the Company shall provide corporate guarantee as security for the borrowing facilities granted by the financiers.

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Condensed Full Year Consolidated Statement of Cash Flows

	Group	
	Full Year Ended	
	31-Jul-21 (Unaudited) RM'000	31-Jul-20 (Audited) RM'000
Operating activities		
Profit before tax	190,281	86,970
Adjustments for:		
Interest expenses	289	340
Interest income	(2,541)	(1,674)
Unrealised gain on foreign exchange	(1,478)	(39)
Depreciation of property, plant and equipment	9,231	6,433
Gain on disposal of property, plant and equipment	(960)	(35)
Amortisation of mine properties	3,521	4,459
Fair value loss on investment securities	-	43
Write-back of allowance on doubtful debts	-	(40)
Grant of equity-settled share-based payments in relation to IPO expenses	-	2,301
Total adjustments	8,062	11,788
Operating cash flows before changes in working capital	198,343	98,758
Changes in working capital:		
Decrease in inventories	3,936	4,592
(Increase)/decrease in trade and other receivables and contract assets	(23,668)	9,175
(Increase)/decrease in prepayments	(6,856)	48
Increase/(decrease) in trade and other payables	18,141	(1,939)
Total working capital changes	(8,447)	11,876
Cash flows from operations	189,896	110,634
Income taxes paid	(19,079)	(347)
Interest received	2,541	1,674
Interest paid	(289)	(340)
Net cash flows from operating activities	173,069	111,621

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	Group	
	Full Year Ended	
	31-Jul-21 (Unaudited) RM'000	31-Jul-20 (Audited) RM'000
Investing activities		
Investment in exploration and evaluation assets	(6,328)	(440)
Purchase of property, plant and equipment	(24,837)	(9,578)
Proceeds from disposal of property, plant and equipment	227	35
Placement of term deposits	(35,639)	-
Withdrawal of pledged deposits	-	2,046
Net cash used in investing activities	(66,577)	(7,937)
Financing activities		
Repayment of term loans	-	(698)
Repayment of obligations under leases	(3,372)	(2,427)
Proceeds from issuance of new ordinary shares pursuant to initial public offering	-	43,060
Listing expenses paid	-	(587)
Dividends paid on ordinary and preference shares	(9,033)	(26,290)
Net cash (used in) / from financing activities	(12,405)	13,058
Net increase in cash and cash equivalents	94,087	116,742
Effect of exchange rate changes on cash and cash equivalents	1,553	-
Cash and cash equivalents at beginning of financial year	149,866	33,124
Cash and cash equivalents at end of financial year	245,506	149,866

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

Cash and bank balances	281,145	149,866
Less:		
Deposits more than three months	(35,639)	-
Cash and cash equivalents at end of financial year	245,506	149,866

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Condensed Full Year Statement of Changes in Equity

	Attributable to the owners of the Company					
	Share capital	**Merger reserve**	**Retained earnings**	**Total**	**Preference shares**	**Total equity**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Full Year FY 2021						
Opening balance at 1 August 2020 (audited)	218,154	(163,380)	172,006	226,780	733	227,513
Profit for the year representing total comprehensive income	-	-	148,130	148,130	-	148,130
Transaction with owners						
Dividends on ordinary and preference shares	–	–	(9,033)	(9,033)	–	(9,033)
Closing balance at 31 July 2021 (unaudited)	218,154	(163,380)	311,103	365,877	733	366,610
Full Year FY 2020						
Opening balance at 1 August 2019 (audited)	–*	38,725	124,699	163,424	733	164,157
Profit for the year representing total comprehensive income	–	–	62,087	62,087	–	62,087
Transactions with owners						
Dividend in specie of non-mining assets	–	–	(17,215)	(17,215)	–	(17,215)
Effect from restructuring exercise	173,380	(173,380)	–	–	–	-
Issuance of new shares pursuant to initial public offering	43,060	–	–	43,060	–	43,060
Grant of equity-settled share-based payment in relation to IPO expenses	2,301	–	–	2,301	–	2,301
Capitalisation of listing expenses	(587)	–	–	(587)	–	(587)
Dividends on ordinary and preference shares	–	–	(26,290)	(26,290)	–	(26,290)
Total transaction with owners	218,154	(173,380)	(43,505)	1,269	–	1,269
Changes in ownership interests in a subsidiary company						
Transfer of merger reserve to retained earnings upon strike off of a subsidiary company	–	(28,725)	28,725	–	–	–
Closing balance at 31 July 2020 (audited)	218,154	(163,380)	172,006	226,780	733	227,513

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Condensed Full Year Statement of Changes in Equity

	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company			
Full year FY 2021			
Opening balance at 1 August 2020 (audited)	218,154	(9,168)	208,986
Profit for the year representing total comprehensive income	-	7,640	7,640
<u>Transaction with owners</u>			
Dividends on ordinary shares	–	(8,933)	(8,933)
Closing balance at 31 July 2021 (unaudited)	218,154	(10,461)	207,693
Full year FY 2020			
At date of incorporation (19 September 2019)	–*	–	–*
Loss for the year representing total comprehensive income	–	(9,168)	(9,168)
<u>Transactions with owners</u>			
Issuance of shares pursuant to the restructuring exercise	173,380	–	173,380
Issuance of new shares pursuant to initial public offering	43,060	–	43,060
Grant of equity-settled share-based payment in relation to IPO expenses	2,301	–	2,301
Capitalisation of listing expenses	(587)	–	(587)
Total transactions with owners	218,154	–	218,154
Closing balance at 31 July 2020 (unaudited)	218,154	(9,168)	208,986

*Less than RM1,000

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1(d)(ii) 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.

There was no change in the issued and paid-up share capital of the Company from 31 January 2021 up to 31 July 2021. The Company's share capital was RM218,154,000 comprising 489,000,000 shares as at 31 July 2021 and 31 January 2021.

There were no outstanding options, convertible securities, treasury shares or subsidiary holdings as at 31 July 2021 and 31 July 2020.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

The Company did not hold any treasury shares as at 31 July 2021 and 31 July 2020.

The Company's total number of issued shares excluding treasury shares as at 31 July 2021 and 31 July 2020 was 489,000,000.

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

Not applicable. The Company does not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) 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.

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1(e) Notes to the Condensed Interim and Full Year 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 and full year consolidated financial statements as at and for the six months and full year ended 31 July 2021 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 also intends to extend its core business to include mining of gold and other precious metals, base metals and minerals.

Note 2 – Basis of preparation

The condensed interim and full year consolidated financial statements for the six months and full year ended 31 July 2021 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 and full year consolidated financial statements do not include all the information and disclosures required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the most recent audited annual financial statements for the year ended 31 July 2020.

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 and full year 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 2020. 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 and full year 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 and full year 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 2020.

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 is included in the following notes:

- Note 5 Income tax
- Note 7 Mine properties

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 included in the following notes:

- Note 7 Mine properties

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 and income tax payable as at 31 July 2021 is Nil (2020: RM1,548,000) and RM15,359,000 (2020: Nil) respectively.

(b) *Stripping (waste removal) costs*

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

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

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

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

2.2.2 Key sources of estimation uncertainty

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

Amortisation of mine properties

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

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

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

Changes in estimates are accounted for prospectively.

Note 3 – Seasonality of operations

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

Note 4 – Revenue

	6 months period ended		Full year ended	
	31 July 2021	**31 July 2020**	**31 July 2021**	**31 July 2020**
	RM'000 **Unaudited**	RM'000 **Unaudited**	RM'000 **Unaudited**	RM'000 **Audited**
Sales of iron ores	235,315	113,227	387,369	254,245

All revenues are derived from the operations based in Malaysia except for an amount of approximately RM65,430,000 for the financial year ended 31 July 2021 (31 July 2020: RM28,682,000) 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 2021	**31 July 2020**
	RM'000 **Unaudited**	RM'000 **Audited**
Receivables from contracts with customers	17,716	21,244
Contract assets	29,505	4,248

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 2021	**31 July 2020**
	RM'000 **Unaudited**	RM'000 **Audited**
Contract assets reclassified to receivables	4,248	15,525

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Note 5 – Income tax

	6 months period ended		Full year ended	
	31 July 2021	**31 July 2020**	**31 July 2021**	**31 July 2020**
	RM'000 **Unaudited**	RM'000 **Unaudited**	RM'000 **Unaudited**	RM'000 **Audited**
Current income tax				
Current income taxation	30,462	230	40,122	401
Over provision in respect of previous years	(4,614)	-	(4,614)	-
Deferred income tax				
Origination and reversal of temporary differences	(1,143)	10,973	6,742	24,482
Over provision in respect of previous years	(99)	-	(99)	-
Income tax recognised in profit and loss	24,606	11,203	42,151	24,883

Relationship between income tax and profit before tax

The reconciliation between income tax and the product of profit before tax multiplied by the applicable corporate tax rate for the periods and years ended 31 July 2021 and 31 July 2020 are as follows:

	6 months period ended		Full year ended	
	31 July 2021	**31 July 2020**	**31 July 2021**	**31 July 2020**
	RM'000 **Unaudited**	RM'000 **Unaudited**	RM'000 **Unaudited**	RM'000 **Audited**
Profit before tax	121,325	38,322	190,281	86,970
Tax at the domestic rates applicable to profits in the country which the Group operates	29,172	9,342	45,826	21,515
Adjustments:				
Non-deductible expenses	553	1,861	1,550	3,368
Income not subject to taxation	(406)	-	(512)	-
Over provision in respect of previous years	(4,713)	-	(4,713)	-
Income tax recognized in profit and loss	24,606	11,203	42,151	24,883

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Note 6 – Property, plant and equipment

During the year ended 31 July 2021, the Group acquired assets amounting to RM28,696,000 (31 July 2020: RM17,272,000) and disposed of assets amounting to RM67,000 (31 July 2020:

RM Nil). The cash outflow on acquisition of property, plant and equipment amounted to RM24,837,000 (2020: RM9,578,000). Out of total proceeds from disposed assets amounted to RM1,027,000 (2020: RM35,000), the Group had received cash inflows from disposed assets of RM227,000 (2020: RM35,000). Accordingly, gain on disposal amounted to RM960,000 (2020: RM35,000).

Note 7 – Mine properties

Group	**Producing mine** RM'000	**Stripping activity asset** RM'000	**Total** RM'000
Cost			
At 1 August 2019, 31 July 2020, 1 August 2020 and 31 July 2021	18,259	46,404	64,663
Accumulated amortisation			
At 1 August 2019	10,078	24,067	34,145
Charge for the year	1,195	3,264	4,459
At 31 July 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
Net carrying amount			
At 31 July 2020	6,986	19,073	26,059
At 31 July 2021	6,042	16,496	22,538

Note 8 – Lease and hire purchase liabilities

	31 July 2021 RM'000 **Unaudited**	**31 July 2020** RM'000 **Audited**
Current		
Secured:		
Lease and hire purchase liabilities	2,890	3,307
Non–current		
Secured:		
Lease and hire purchase liabilities	1,213	3,922
Total lease and hire purchase liabilities	4,103	7,229

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 average discount rate implicit in the leases is 2.68% (31 July 2020: 2.67%) per annum.

Note 9 – 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 year:

	Group Full year ended 31 July 2021 RM'000 Unaudited	Group Full year ended 31 July 2020 RM'000 Audited
Transactions with Aras Kuasa		
Sale of iron ore	133	13,999
Hiring and transportation services rendered	-	30
Hiring and transportation services procured	-	(112)
Procurement of services	(168)	(114)
Transactions with related parties		
Hiring and transportation services rendered	-	59
Rental income	-	329
Hiring and transportation services procured	(21,910)	(19,757)
Purchase of lubricants, spare parts and equipment	(1,512)	(858)
Dispose-off aged equipment	40	-

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

	Group Full year ended 31 July 2021 RM'000	Group Full year ended 31 July 2020 RM'000
Short-term employee benefits	15,567	8,522

Key management compensation comprises the following:

Remuneration to Director of the Company	14,055	7,504
Directors' fees	638	475
Other key management personnel	615	290
Defined contributions	259	253
	15,567	8,522

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Note 10 – Share capital

	Group and Company			
	2021		2020	
	No. of shares	RM'000	No. of shares	RM'000
Issued and fully paid shares				
As at 1 August	489,000,000	218,154	1	–*
Issue of Shares pursuant to the Restructuring Exercise	–	–	9,999,999	173,380
Share Split	–	–	430,000,000	–
Grant of equity-settled share-based payment in relation to IPO expenses	–	–	3,000,000	2,301
Issuance of new shares pursuant to an initial public offering (IPO) exercise	–	–	56,000,000	42,473 (1)
At 31 July	489,000,000	218,154	489,000,000	218,154

(1) Takes into account the capitalisation of listing expenses of approximately RM587,000 against share capital.

* Less than RM1,000

Note 11 – Subsequent events

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

On 16 July 2021, the Company announced that it had entered into a joint venture agreement ("Joint Venture Agreement") with Duli Yang Maha Mulia Sultan Ibrahim Ibni Almarhum Sultan Iskandar ("DYMM" or "JV Partner") to establish a joint venture company ("JV Company"). The Group decided to re-designate its wholly-owned dormant subsidiary, SAM Mineral Trade Sdn Bhd which has a share capital of RM1.00 comprising one (1) ordinary share, as the JV Company. In connection with the joint venture, the Company had entered into a mining operator agreement with the JV Partner on 16 July 2021 ("Mining Operator Agreement"), pursuant to which the JV Company shall carry out exploration work for gold and any other mineral or deposits and/or mining activities, amongst others, at the Tenggaroh mine, Johor ("Tenggaroh Mine Targeted Area") (the Joint Venture Agreement and the Mining Operator Agreement, collectively, the "Proposed Joint Venture and Gold Mining Operation").

The above arrangements were approved by the Company's shareholders during its extraordinary general meeting which was held on 20 August 2021. The JV Company's share capital was subsequently increased to RM100,000.00 comprising one hundred thousand (100,000) ordinary shares at RM1.00 each on 8 September 2021 through allotment of 84,999 new shares to the Company and 15,000 new shares to the JV Partner, in proportion to their shareholdings according to the terms and conditions of the Joint Venture Agreement. The Company has utilized its IPO proceeds to subscribe for 84,999 units of new shares at RM1.00 each. Consequently, the Company's interest in the JV Company reduced to 85%. The restructuring exercise of the JV Company is not expected to have material impact to the Group's net assets and earning per share for FY2022. Please refer to the Company's Circular to Shareholders dated 30 July 2021 for further details. The JV Company was subsequently renamed to Selatan Anjung Minerals Sdn Bhd on 23 September 2021.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The condensed consolidated statement of financial position of Southern Alliance Mining Ltd. and its subsidiaries as at 31 July 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and certain explanatory notes have not been audited or reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter)

Not applicable

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion (this is not required for any audit issue that is a material uncertainty relating to going concern):-

(a) **Updates on the efforts taken to resolve each outstanding issue.**

Not applicable, as the latest financial statements were not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the audited combined financial statements for the financial year ended 31 July 2020.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

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 2020. 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.

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6 **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Financial Year Ended	
	31 July 2021	31 July 2020
Profit attributable to shareholders of the Company (RM'000)	148,130	62,087
Weighted average number of ordinary shares in issue ('000 shares)	489,000	486,375
Basic and fully diluted basis EPS (Malaysian cents)	30.29	12.77

	Financial Year Ended	
For illustrative purposes (1)	31 July 2021	31 July 2020
Profit attributable to shareholders of the Company (RM'000)	148,130	62,087
Weighted average number of ordinary shares in issue ('000 shares)	489,000	489,000
Basic and fully diluted basis EPS (Malaysian cents)	30.29	12.69

Note:
(1) For comparative and illustrative purposes, the weighted average number of ordinary shares used for the calculation of EPS for FY2020 is based on 489,000,000 shares, assuming that the Restructuring Exercise, grant of equity-settled share-based payment of 3,000,000 shares in relation to IPO expenses and 56,000,000 new shares pursuant to the IPO had been completed as at the end of the financial year.

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

7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

(a) Current period reported on; and
(b) Immediately preceding financial year.

	Group		Company	
	31 July 2021	31 July 2020	31 July 2021	31 July 2020
NAV attributable to owner (RM'000)	365,877	226,780	207,693	208,986
Number of ordinary shares in issue ('000)	489,000	489,000	489,000	489,000
Net asset value per ordinary share (Malaysian cents)	74.82	46.38	42.47	42.74

For comparative and illustrative purposes, the calculation for the NAV per share for FY2020 is based on the post-IPO share capital of 489,000,000 shares in issue.

8 **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**

<u>Review for the performance of the Group for the financial year ended 31 July 2021 ("FY2021") and 31 July 2020 ("FY2020") respectively.</u>

<u>Consolidated Statement of Comprehensive Income</u>

Revenue

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

The Group's revenue increased by 52.4% from RM254.2 million in FY2020 to RM387.4 million in FY2021. The increase in revenue was due to a higher average realised selling price ("**ARSP**") achieved by the Group.

<u>ARSP</u>
The movement of ARSP in FY2021 as compared to FY2020 is set out in the table below.

ARSP per dried metric ton (DMT)/metric ton (MT)	FY2021	FY2020	Increase (%)
Iron ore concentrate	RM626.42	RM357.00	75.5%
Crushed iron ore	RM430.54	RM410.29	4.9%
Iron ore tailing	RM114.78	RM83.33	37.7%

<u>Sales volume</u>

The Group reported a decrease in sales volume of the following products in FY2021 compared to FY2020:
(i) approximately 91,700 MT of crushed iron ore, representing a 99.5% decrease from FY2020 due to the decrease in orders from the pipe coating industry; and
(ii) approximately 113,300 DMT of iron ore tailing, representing a 53.5% decrease from FY2020 due to a reduction in tailing available for sale as there was lesser tailing being removed from the tailing pond in FY2021 as most of the tailings were removed during FY2020.

The decrease was partially offset by an increase of approximately 43,200 DMT of iron ore concentrate in FY2021, representing a 7.8% increase from FY2020.

Cost of sales
In tandem with the increase in the turnover, the Group also reported a 21.9% increase in our cost of sales to RM179.4 million in FY2021. This was attributed to a combination of the following factors:
(i) Increase in depreciation of plant and equipment by 42.8% to approximately RM8.4 million in FY2021. This was a direct result of an increase in fixed assets purchased from RM17.3 million in FY2020 to RM28.7 million in FY2021;
(ii) Tribute expense is computed based on the monthly average Platt Iron Ore Index. In line with the increase in the average Platt Iron Ore Index, the Group reported an increase in the tribute expense of RM7.5 million to RM36.0 million in FY2021;

(iii) The extensive extensions of the mine face development work has resulted in an increase in blasting and drilling cost, maintenance and staff cost by 149.1%, 46.6% and 34.4% to RM5.9 million, RM28.2 million and RM7.0 million respectively;
(iv) An increase in outbound logistic, royalties and port related charges by RM2.1 million, RM1.5 million and RM1.9 million respectively are in tandem with the increase in the sales of iron ore concentrate; and
(v) Electricity charges of RM2.6 million for power generated by national grid utility facility which was commissioned for commercial use in mid of March 2021.

Gross profit and gross profit margin
The increase in revenue outweighed that of cost of sales resulting in a 94.2% increase in the Group's gross profit from RM107.1 million in FY2020 to RM208.0 million in FY2021. This elevated the gross profit margin by 11.6 percentage points, from 42.1% in FY2020 to 53.7% in FY2021.

Other income
Other income increased by 130.0% from RM2.9 million in FY2020 to RM6.7 million in FY2021. This was mainly due to an increase in interest income amounting to RM0.8 million as a result of higher cash and bank balances and deposits placed with licensed banks. The Group received a one-off government grant from Monetary Authority of Singapore amounting to RM0.6 million in FY2021 as compared to the grant received from the Social Contribution Appellate Board of Malaysia amounting to RM0.4 million in FY2020. The Group also recorded a gain on disposal of equipment in FY2021 amounting to RM1.0 million (FY2020: RM35k). The Group also received handling fees of RM0.5 million and reported an increase of RM1.3 million in foreign exchange gain.

Other operating expenses
Other operating expenses increased from approximately RM0.4 million in FY2020 to approximately RM0.7 million in FY2021. This was mainly due to an increase in depreciation expense arising from the purchase of fixed assets.

General and administrative expenses
Included in the general and administrative expenses for FY2020 was a one off initial public offering expenses of RM7.4 million (FY2021: RM Nil). Despite not incurring the one off initial public offering expense, the general and administrative expenses increased by 5.1% to approximately RM23.4 million in FY2021. This was mainly due to (i) higher administrative expenses incurred during FY2021 (FY2021: RM4.0 million; FY2020: RM3.4 million); and (ii) an increase in employee benefits and payroll by 75.0% to RM17.7 million.

Profit before tax
As a result of the foregoing, the Group's profit before tax increased by approximately RM103.3 million or 118.8% in FY2020 to RM190.3 million in FY2021.

Income tax expense
The Group incurred an income tax expense of RM42.2 million, representing an increase of RM17.3 million from FY2020 due to the strong performance of the Group in FY2021. The Group has also fully utilised its prior year tax losses recognised as deferred tax asset in FY2021.

<u>Consolidated Statement of Financial Position</u>

Non-current assets
Property, plant and equipment constituted approximately 65.8% of the Group's non-current assets as at 31 July 2021. The increase in property, plant and equipment of RM19.4 million or approximately 52.2% was attributable to the construction of the national grid utility facilities and the purchase of other equipment of approximately RM28.7 million to support the intensified mining activities at the Chaah Mine. This was partially offset by depreciation charges of approximately RM9.2 million.

Mine properties made up approximately a quarter of non-current assets. Continued amortisation of the mine properties which consist of stripping activity asset (which refers to the capitalisation of cost associated with the initial stripping activity during the stage of mine development in order to obtain access to ore before the commencement of production), and producing mines, mainly made up of exploration cost, had resulted in the decrease of mine properties by RM3.5 million or 13.5% as at 31 July 2021.

As part of the ongoing exploration works conducted by the Group, exploration and evaluation assets has increased by RM6.3 million or 1,438.2% to RM6.8 million as at 31 July 2021. Exploration and evaluation assets comprised solely the exploration cost incurred on prospect sites located at the State of Johor, Malaysia.

The Group has also fully utilised previous years' tax losses during FY2021, resulting in the nil deferred tax assets balance as at 31 July 2021.

Current assets

The Group's healthy financial performance as discussed above has led to an increase of RM131.3 million or 87.6% in our cash and bank balances to RM281.1 million as at 31 July 2021, short of RM19 million to hit the RM300.0 million milestone.

While the Group reported higher turnover, trade and other receivables decreased by RM0.5 million as at 31 July 2021. This was due to the collection of trade receivables amounting to RM3.5 million, partially offset by the increase in other receivables of RM3.0 million mainly due to the advances and deposit paid to creditors and service provider and amount receivable from the disposal of a drilling equipment.

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 Group has witnessed close to a six-fold increase in the contract assets from RM4.2 million as at 31 July 2020 to RM29.5 million as at 31 July 2021 arising from the terms of sales for the sales contracts which commenced supply during FY2021.

Higher sales coupled with lower production during FY2021 has resulted in a decrease in closing stock by 44.5% to RM4.9 million as at 31 July 2021.

The advance payment for the purchase of imported spare parts has more than quintupled the prepayments to RM8.4 million as at 31 July 2021 from RM1.5 million as at 31 July 2020.

Current liabilities

The Group's current liabilities amounted to RM60.3 million as at 31 July 2021, representing 17.4% of Group's current assets as compared to 12.6% as at 31 July 2020.

The increase in total current liabilities from RM23.7 million as at 31 July 2020 to RM60.3 million as at 31 July 2021 was mainly due to the increase in the Group's trade payable of RM11.7 million and other payables of RM9.9 million or 105.9% in total to RM42.0 million as at 31 July 2021. Increase in other payables mainly consisted of an increase in provision for FY2021's incentive and remunerations to a director of RM6.5 million and an increase in accruals of RM3.4 million consisting of accrued repairs and maintenance, professional fees, salaries and contract wages arising from the intensive mine development works as a result of bigger fleet of machineries compared to FY2020.

Provision for income tax payable of RM15.3 million for FY2021 (FY2020: RM Nil) also contributed to the increase in the Group's current liabilities.

Lease and hire purchase liabilities mainly consisted of hire purchase facilities for mining equipment payable within 12 months and the balance as at 31 July 2021 remained relatively consistent compared to the balance as at 31 July 2020.

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 RM1.2 million and deferred tax liabilities of RM3.2 million. Due to the Group's strong financial performance, the Group had fully utilised its tax loss credit or its deferred tax assets. The profit also resulted in temporary differences at the end of the reporting period between tax bases of assets and liabilities which gave rise to deferred tax liabilities position. The 69.1% decrease in lease and hire purchase liabilities was due to repayment made during FY2021.

Consolidated Statement of Cash Flow

The Group generated RM173.1 million of cash flows from operating activities in FY2021 compared to RM111.6 million in FY2020 as a result of the Group's profits as elaborated above.

During FY2021, the Group's net cash used in investing activities was RM66.6 million compared to RM7.9 million used in FY2020. The Group invested RM24.8 million in property, plant and equipment in FY2021, representing an increase of RM15.2 million from FY2020. The Group also placed additional placement of term deposits amounting to RM35.6 million in FY2021. In addition, the Group also spent RM6.3 million in exploration activities which was capitalised as exploration and evaluation assets in the balance sheet. The effect of net cash used in investing activities was partially offset by the proceeds from disposal of fixed assets amounting to approximately RM0.2 million.

During FY2021, the Group declared and paid a dividend of approximately RM9.0 million to the ordinary and preference shareholders as compared to RM26.3 million in FY2020. The Group has also made repayments of approximately RM3.4 million in FY2021 for its hire purchase facilities as compared to RM2.4 million in FY2020.

The Group also recorded a gain of RM1.5 million in FY2021 as a result of the exchange rate changes on cash and cash equivalents.

The combined effects of the above resulted in a net increase in the Group's cash and cash equivalents by RM94.1 million in FY2021 compared to RM116.7 million in FY2020.

9 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.

10 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.

2020 was a year marred by the pandemic as it impacted businesses in every corner of the world. 2021 brought a fresh outlook to the global economy but was soon dampened with yet another wave which seemed more impactful. A nationwide Movement Control Order (MCO) was implemented again in Malaysia in May 2021 amidst this new wave.[1] However, the pandemic is less likely to have as great an impact on economic activities, with authorities starting to view it as an endemic and focusing on increasing vaccination rates.

[1] CNA: COVID-19: Malaysia's total lockdown extended for two weeks until Jun 28 (https://www.channelnewsasia.com/asia/covid-19-malaysia-total-lockdown-extend-two-weeks-jun-15-jun-28-1849621)

On 20 September 2021, our Group has announced that 57 workers of the Company's subsidiary, Honest Sam Development Sdn Bhd (the "**Subsidiary**"), were tested positive for COVID-19 at the Chaah mine and the Group has taken pro-active steps to close the Chaah mine temporarily from 16 September 2021 to 21 September 2021. We would like to take the opportunity to update our shareholders that, we have re-commenced our mine operation on 22 September 2021, albeit on an approximately 20% lower capacity. Our Subsidiary is continuing with our sanitisation process on a daily basis and screening exercise every 3 days. As at 12:00 noon of 24 September 2021, 15 more workers were tested positive and were send to quarantine facilities and the operations at the Chaah mine continue with stringent standard operating procedure. Notwithstanding the above, the Group does not foresee the event to have material impact on the Group's financial results for FY2022.

The iron ore price movement has a strong impact on the Group's earnings and is a critical factor in assessing the Group's performance. Iron ore prices rallied in 2021 as it reached its record peak of US$219.77/t in mid-July.[2] However, we have seen a significant market correction in the past couple of months subsequent to year end. We are cautiously optimistic that there is room for prices to rebound as the increase in Chinese government bond issuance for financing of infrastructure projects is expected to drive up steel production and hence, the demand for iron ore.[3] The global iron ore production growth is also expected to accelerate in the next 5 years as China seeks to ensure its supply of iron ore imports via overseas investments.[4]

As a result of the excess demand environment, iron ore imports from China were 2.6% higher year on year in the first half of 2021.[5] However, there was a marginal decline in the imports in the months of July and August 2021 due to the Chinese government's tightening on steel output and the closure of a key terminal in the Ningbo-Zhoushan Port in early August.[6] Notwithstanding these disruptions, iron ore imports are expected to increase as political tensions between China and Australia continue to escalate, with Malaysia being the forefront beneficiary of the excess iron ore demand.[7]

Additionally, strong investments in infrastructure projects, especially in Southeast Asia and China, are expected to remain high, backed by government stimulus, hence, increasing iron ore demand. Therefore, all the above demand factors coupled with a tepid supply growth from Brazil will act as stimulus for the iron ore industry and hence, paint a cautiously optimistic outlook for the Group.

Despite the uncertainties posed by the resurgence of the pandemic, the favourable price factor due to record high iron-ore prices continue to ensure that the trade receivables of the Group remain healthy and the Management and Board have assessed that there are no indications that the quality of our trade receivables have deteriorated. Furthermore, with the present price of iron ore and the cash reserve of the Group of RM281.1 million as at 31 July 2021, 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 RM4.1 million as at 31 July 2021.

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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[2] Markets Insider: Iron Ore (https://markets.businessinsider.com/commodities/iron-ore-price)
[3] Mining: Iron ore price rises on China steel demand optimism (https://www.mining.com/iron-ore-price-rises-on-china-steel-demand-optimism/)
[4] Fitch Solutions: Global Iron Ore Mining Outlook (https://www.mining.com/wp-content/uploads/2021/08/iron-ore-forecast.pdf)
[5] Reuters: China's iron ore imports hit 13-month low, more weakness seen (https://www.reuters.com/article/us-china-economy-trade-idUSKBN2EJ09S)
[6] Bloomberg: Ships Resume Docking at Ningbo Port After Two-Week Shutdown (https://www.bloomberg.com/news/articles/2021-08-23/ships-resume-berthing-at-ningbo-s-halted-port-terminal-in-china)
[7] Global Times: GT Voice: Surging iron ore prices fuel China's diversification efforts (https://www.globaltimes.cn/page/202107/1228581.shtml)

11 Dividend

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

In honouring the Board commitment's to recommend and distribute dividends of not less than 15.0% of the Group's net profit after tax ("NPAT") for FY2021, and having taken into consideration of the Group's results, the Board of Directors hereby wish to propose a dividend of 1.6 Singapore cents per share ("**Final Dividend**") equivalent to 16.3% of the Group's FY2021 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$7.824 million or about RM24.18 million, at the exchange rate of RM3.09 to S$1.00.

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

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

A final dividend of 0.6 Singapore cents per share equivalent to 14.65% of the Group's FY2020 NPAT has been declared and was paid on 15 December 2020.

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	0.6 Singapore cents per share
Tax rate	Tax exempt

(c) ***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.

(d) ***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.

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

Not applicable

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

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

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year 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
Aras Kuasa Sdn Bhd	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	300
Multiline Trading Sdn Bhd	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	22,082
Hchem Marketing (M) Sdn Bhd	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	1,340

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.

14 Use of IPO proceeds

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

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

Use of IPO Net Proceeds	Amount re-allocated on 22 January 2021 (S$'000)	Amount utilised as announced (S$'000)	Amount further utilised (S$'000)	Balance (S$'000)
Further exploration activities	4,000	(887)	-	3,113
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	(856)	(338)	2,743
TOTAL	11,937	(4,743)	(398)	6,796

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$1,194,000 with the details as follows:

Nature of Working Capital	Amount Utilised S$'000
Professional fees	738
Administrative expenses	396
Directors' insurances and training	60
	1,194

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.

15 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). 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.

16 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 Paragraph 8 above for details.

17 Breakdown of Group's revenue and profit after tax before deducting non-controlling interest for first half year and second half year

		FY 2021 RM'000	FY 2020 RM'000	Increase / Decrease
(a)	Sales reported for first half year	152,054	141,018	7.8%
(b)	Operating profit after tax before deducting non-controlling interests reported for first half year	51,411	34,968	47.0%
(c)	Sales reported for second half year	235,315	113,227	107.8%
(d)	Operating profit after tax before deducting non-controlling interest reported for second half year	96,719	27,119	256.6%

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

	FY 2021 RM'000	FY 2020 RM'000
Ordinary shares (tax exempt 1 – tier)		
- Dividend in specie	-	17,215 [(1)]
- Interim cash	-	8,900
- Final cash	9,033 [(2)]	17,390
Total Annual Dividend	**9,033**	**43,505**

Notes:

1: This refers to the dividend declared pursuant to the "Restructuring Exercise" prior to the listing. Details can be found in our Offer Document, page A-72

2: Details are disclosed in Section 11(a) of this announcement. The Final Dividend is subject to Shareholders' approval at the forthcoming annual general meeting of the Company.

19 **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.**

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Detail of changes in duties and position held, if any, during the year
Pek Kok Hua	58	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	56	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	51	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

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

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

21 Additional information required pursuant to Rule 706A

The Company has incorporated a wholly-owned Malaysian subsidiary, Sumber Alam Minerals (Sabah) Sdn Bhd, on 16 July 2021 for the purpose carrying out mining activities in Malaysia in the future. Please refer to section 25 of this announcement for details.

The Company has also diluted its shareholding in Selatan Anjung Minerals Sdn Bhd (previously known as SAM Mineral Trade Sdn Bhd) from 100% to 85% through issuance of new share by Selatan Anjung Minerals Sdn Bhd pursuant to the Joint Venture Agreement as detailed in Note 11 above.

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

22 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 2021 ("4Q FY2021")

	4Q FY2021			
Activities	Projected RM'000	Actual RM'000	Variance RM'000	%
Mine exploration and evaluation	3,000	815	(2,185)	-72.8%
Mining related expenditure (excluding capital expenditure)	27,000	26,259	(741)	-2.7%
Total	30,000	27,074	(2,926)	-9.7%

The exploration activities at the Chaah Mine and Mao'kil Mine were affected by the Full Lockdown Movement Control Order ("FMCO") imposed by the Government in June 2021, therefore there is a surplus in the budget.

During 4Q FY2021, the Group managed to carry out the mining activities as planned before the FMCO was implemented. During the FMCO, the Group was allowed to carry out care and maintenance activities, which mainly involved the push back of high wall and slope maintenance.

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

Item	Projection for Q1 FY2022 RM'000
a. Mine exploration and evaluation	3,000
b. Mining related expenditure (excluding capital expenditure)	29,000
Total	**32,000**

The projection is based on the assumptions that there are no material changes to the cost structure and the Group's expected intensity of the mining work for the first quarter ending 31 October 2022 ("1Q FY2022") in order to recover the lost time during the FMCO.

23 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.

24 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.

In the preparation of this announcement, the Group has engaged Derisk Geomining Consultants Pty Ltd to prepare an Annual Qualified Person Report (AQPR).

Mineral Resources and Ore Reserves

As at the end of FY2021, our reported Mineral Resources and Ore Reserves are as follows:

Total Iron Ore Mineral Resource as at 31 July 2021

Category	Tonnes (Mt)	Grade (%)				Change in t (%)	Comments
		Fe	SiO_2	Al_2O_3	P_2O_5		
	Gross attributable to license and net attributable to issuer						
Measured (in situ)	-	-	-	-	-	0%	Changes are shown comparing the Mineral Resource from 31 July 2020 to 31 July 2021
Indicated (in situ)	4.5	51.2	17.3	2.1	1.8	- 18%	
Inferred (in situ)	1.8	45.5	23.7	3.8	1.4	- 2%	
Subtotal (in situ)	6.3	49.6	19.1	2.6	1.7	-14%	
Measured (stockpiles)	-	-	-	-	-	0%	
Indicated (stockpiles)	0.1	57.6	-	-	-	- 84%	
Inferred (stockpiles)	-	-	-	-	-	0%	
Subtotal (stockpiles)	0.1	57.6	-	-	-	- 84%	
Total	**6.3**	**49.7**	**-**	**-**	**-**	**- 17%**	

Notes: *1. In situ resource reported at a cut-off criterion of 25% Fe.*
2. Stockpiles and low-grade fines reported at a cut-off criterion of 15% Fe.
3. Mineral Resource is inclusive of the Ore Reserve.
4. Totals may not add due to rounding effects.

Total Iron Ore Reserve as at 31 July 2021

Category	Tonnes (Mt)	Grade (%)				Change in t (%)	Comments
		Fe	SiO_2	Al_2O_3	P_2O_5		
	Gross attributable to license and net attributable to issuer						
Proved (ROM)	-	-	-	-	-	0%	Changes are shown comparing the Ore Reserve from 31 July 2020 to 31 July 2021
Probable (ROM)	4.3	50.0	16.5	2.0	1.8	- 20%	
Subtotal (ROM)	4.3	50.0	16.5	2.0	1.8	- 20%	
Proved (stockpiles)	-	-	-	-	-	0%	
Probable (stockpiles)	0.1	57.6	-	-	-	- 84%	
Subtotal (stockpiles)	0.1	57.6	-	-	-	- 84%	
Total	**4.3**	**50.1**	**-**	**-**	**-**	**- 23%**	

Notes: *1. ROM reserve and stockpiles reported at a cut-off criterion of 30% Fe.*
2. Totals may not add due to rounding effects.

Exploration activities

During FY2021, we have completed exploration activities at Chaah and Mao'kil. At Chaah, exploration consisted of both infill drilling in the immediate vicinity of the open pit operation, as well as several holes to test for extensions of hematite mineralisation north and west of the open pit. At Mao'kil, we completed drilling to test the depth extent of surface expressions of iron ore mineralisation. No exploration was undertaken at Chaah Baru or Kota Tinggi. The following summary is extracted from the AQPR.

<u>Chaah Mine</u>

The Group has identified several opportunities for exploration at Chaah, as follows:

- Infill drilling to convert Inferred Resource to Indicated Resource in and adjacent to the existing open pit operation.
- Extensions of the main mineralised zone both to the north and south of the current pit limits to add new resources to the inventory.
- Exploration to the immediate west of the pit area where drilling has indicated the possibility of additional hematite mineralisation.
- Exploration to investigate largely untested magnetic anomalies identified from a ground magnetics survey.

In FY2021, we have followed up with the drilling completed in FY2020 and completed a total of 4,210.3 m using a combination of reverse circulation (RC) and diamond (DD) drilling. Most holes were pre-collared with RC drilling (2,151.0 m) and completed with DD drilling (2,059.3 m). Eleven holes were completed in the year, five holes had the RC precollar finished and were awaiting DD drilling, and two holes were ongoing at year end.

The table below summarises drilling details and shows very encouraging intervals of hematite mineralisation were intersected. We anticipate drilling of the seven remaining holes will be completed in the first quarter of FY2022. Logging and analysis will then be completed in preparation for a new Mineral Resource estimate that will incorporate all drilling completed since 2017. Our Group will make a separate announcement on the SGXNet once the new estimate of Mineral Resource is available.

FY2021 Chaah drilling details.

Drillhole	Azimuth (°)	Dip (°)	Depth (m)	Target	Comments
CHADD044-A	60	-70	230.0 m (76.0 m drilled this year)	Infill	Massive hematite mineralisation from 146.0 – 166.0 m; partially hematitic mineralisation from 202.0 – 210.0 m.
CHADD046	60	-70	227.5	Infill	Massive hematite mineralisation from 113.3 – 186.5 m.
CHERCD001	45	-45	306.3	Extensions	Massive hematite mineralisation from 254.9 – 259.2 m.
CHERCD002	45	-55	276.6	Extensions	Earthy hematite (light reddish) from 73 – a 83 m; dark hematite mineralisation from 207.1 – 210.2 m.
CHERCD003	30	-45	311.3	Extensions	Hematite mineralisation from 215.6 – 223.7 m.
CHERCD004	30	-55	309.8	Extensions	Hematite mineralisation from 210.8 – 211.4 m; 224.7 – 227.0 m.
CHERCD005	225	-45	221.5	Extensions	Terminated early. Massive hematite mineralisation from 184.3 – 191.7 m; 197.8 – 221.5 m.
CHERCD006	225	-55	193.2	Extensions	Terminated early. Massive Hematite zone from 160.2 – 193.2 m.
CHERCD007	245	-45	150.0	Extensions	RC pre-collar complete, awaiting completion by DD drilling.
CHERCD008	245	-55	150.0	Extensions	RC pre-collar complete, awaiting completion by DD drilling.
CHERCD009	45	-45	120.0	Extensions	RC pre-collar complete, awaiting completion by DD drilling.
CHERCD010	45	-55	120.0	Extensions	RC pre-collar complete, awaiting completion by DD drilling.
CHERCD011	30	-45	145.0	Extensions	RC pre-collar complete, awaiting completion by DD drilling.
CHERCD012	30	-55	350.9	Extensions	Massive hematite mineralisation from 344.5 – 350.9 m.
CHERCD013	240	-45	309.4	Extensions	Hematite mineralisation from 155.5 – 164.9 m.
CHERCD014	240	-55	277.8	Extensions	Hematite mineralisation from 164.4 – 171.8 m; 185.5 – 189.3 m; 204.5 – 218.2 m.
CHERCD015	255	-45	305.4	Extensions	Hematite mineralisation from 188.6 – 201.5 m.
CHERCD016	255	-55	359.6	Extensions	Massive hematite mineralisation from 212.9 – 227.1 m; 244.7 – 315.5 m; 343.6 – a 358.9 m.
TOTAL			4,210.3		

Mao'kil Mine

Mao'kil is host to known surface expressions of iron ore mineralisation. The prospect consists of two mining leases (ML), ML 1/2018 and ML 1/2021, covering an area of 182.1 ha after we were granted a second mining area by the ML holder during the year as announced on SGXNet on 7 May 2021.

In FY2021, we have followed up with the drilling completed in FY2020 and completed a total of 3,104.3 m of DD drilling. Fifteen holes were completed in the year and one hole was ongoing at year end. The table below summarises drilling completed in the year, most of which was targeting possible extensions to the mineralisation identified by drilling in FY2020. We will assess results of this drilling program in FY2022.

FY2021 Mao'kil drilling details.

Drillhole	Azimuth (°)	Dip (°)	Depth (m)	Target	Comments
MKL014	280	-70	222.0	Extensions	No mineralisation.
MKL015	280	-70	195.0	Extensions	Massive magnetite from 43.8 – 54.2 m; 75.8 – 80.9 m; 103.0 – 135.7 m. Several zones of 20 – 50% magnetite from 60.3 – 63.5 m; 80.9 – 103.0 m; 135.7 – 139.0 m.
MKL016	280	-70	150.0	Extensions	Massive hematite from 35.7 – 38.8 m; 39.4 – 41.3 m; 43.0 – 47.6 m; 56.1 – 57.0 m. Massive magnetite from 96.0 – 98.7 m.
MKL017	280	-70	202.0	Extensions	No mineralisation.
MKL018	180	-65	251.5	Extensions	Massive hematite from 212.2 – 236.0 m.
MKL019	315	-70	240.0	Extensions	Magnetite-hematite mineralisation from 148.6 – 158.0 m; 169.0 – 172.7 m; 206.5 – 217.0 m.
MKL020	280	-70	254.5	Extensions	Massive magnetite-hematite mineralisation from 15.0 – 38.7 m; 197.8 – 236.6 m.
MKL021	280	-70	111.3	Extensions	Terminated early. No mineralisation.
MKL022	280	-70	285.0	Extensions	No mineralisation.
MKL023	-	-90	168.0	Ground foundation, extensions	No mineralisation.
MKL024	-	-90	225.0	Extensions	Several zones of hematite mineralisation from 73.2 – 79.8 m.
MKL025	-	-90	69.0	Ground foundation, extensions	No mineralisation.
MKL026	180	-80	201.0	Extensions	No mineralisation.
MKL027	180	-70	208.0	Extensions	Several zones of hematite mineralisation from 117.4 – 133.0 m.
MKL028	180	-70	93.0	Extensions	Terminated early. No mineralisation.
MKL029	180	-80	229.0	Extensions	No mineralisation.
TOTAL			**3,104.3**		

Kota Tinggi and Chaah Baru Mines

No exploration activities were undertaken during FY2021 as the Group is focusing on the exploration of our Chaah and Mao'kil mines.

Tenggaroh Mine (Gold Mine)

No exploration activities were carried out at Tenggaroh Mine as the Group is awaiting the approval of relevant exploration approval from the Johor State Authorities.

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 2021, mined and processed approximately 6.3 million tonnes of ore.

During FY2021, production records document that mining operations excavated approximately 0.97 million tonnes of ore and approximately 5.8 million tonnes of waste. Processing during the year totalled approximately 1.0 million tonnes of ore at an estimated head grade of 56.8% Fe. Sales for the year comprised nearly 699,000 tonnes of product, which included 600,000 tonnes of concentrates (both 62% Fe and 65% Fe), 400 tonnes of pipe-coating product, and 98,400 tonnes of low-grade fines.

As part of good mining practice, the Group has carried out production reconciliation of our mining operation at the Chaah mine. We undertook a survey of the open pit and surrounds in July 2021. The table below presents the mining depletion removed from the resource model between July 2020 and July 2021 pit surveys. According to the resource model, a total of 7.91 million tonnes was extracted from the open pit in FY2021 consisting of 1.06 million tonnes of ore and 6.85 million tonne of waste. This is in contrast to our estimates based on production statistics of 0.97 million tonnes of ore and 5.77 million tonnes of waste.

Production reconciliation from July 2020 to July 2021.

Source	Material	Mt	Fe Grade (%)
Resource Model	Indicated Resource	1.03	55.6
	Inferred Resource	0.03	53.9
	Total Resource	1.06	55.3
	Waste	5.82	-
	Mineralised Waste	1.04	8.8
	Total Waste	6.85	-
Production Statistics	Ore Mined (adjusted)	0.97	56.8
	Waste Mined (unadjusted)	5.77	-

Notes: *The depletion figures reported for the Resource Model were calculated based on the survey volume, tonnes and grade variation between the July 2020 and the July 2021 survey pick-up. After dilution is taken into account, the head-grade of ore mined should be approximately 53.7% Fe.*

Reconciliation between production statistics of ore and depletion of the Mineral Resource estimate are available for three periods, commencing from 2014. The reconciliation from 2014 to 2019 delivered an excellent correlation between adjusted production statistics and Mineral Resource depletion from the resource model. However, in FY2020 and FY2021, the correlations are erratic. Overall, for the seven-year period from 2014 to 2021, the correlation is reasonable with production statistics reporting 6.1% more tonnes than the Mineral Resource model.

The erratic reconciliation between processing data statistics and depletion of the Mineral Resource model for FY2020 and FY2021 could be due to various factors and the Group will undertake further investigation of the reasons for the differences in preparation for the development of the next geological model and Mineral Resource estimate.

Competent Persons Statements

The information in this section that relates to Exploration Results and Mineral Resources is based on and fairly represents information compiled by Mr Mark Berry, who is a Competent Person and a Member of the Australian Institute of Geoscientists. Mr Berry is a Director and Principal Geologist of Derisk Geomining Consultants Pty Ltd. Mr Berry has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mr Berry has no potential conflict of interest in accepting Competent Person responsibility for the information presented in this section, and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this section that relates to Ore Reserves is based on and fairly represents information jointly compiled by Mr Mal Dorricott and Mr Rossen Halatchev. Mr Dorricott is a Principal Mining Consultant of Derisk Geomining Consultants Pty Ltd, a Competent Person, and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Halatchev is an Associate Principal Mining Consultant of Derisk Geomining Consultants Pty Ltd, a Competent Person, and a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Both Mr Dorricott and Mr Halatchev have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking to qualify as a Competent Person as defined in the JORC Code. Mr Dorricott and Mr Halatchev have no potential conflict of interest in accepting Competent Person responsibility for the information presented in this section, and consent to the inclusion in this Section of the matters based on their information in the form and context in which it appears.

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

25 Incorporation of Sumber Alam Minerals (Sabah) Sdn Bhd (“SAM(S)”)

The Company has on 16 July 2021 incorporated a Malaysian wholly-owned subsidiary, Sumber Alam Minerals (Sabah) Sdn Bhd.

The principal activity of SAM(S) is to carry out future mining activities of the Group. The current share capital of SAM(S) is RM100,000 and its incorporation was funded through utilisation of the IPO proceeds and did not have any material impact to the Group’s net assets and earning per share for FY2021. SAM(S) remains dormant since its date of incorporation.

BY ORDER OF THE BOARD

Dato’ Sri Pek Kok Sam
Chief Executive Officer

24 September 2021

*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 Ms. Ng Shi Qing, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.