



FOR IMMEDIATE RELEASE

Southern Alliance Mining reports 47.0% yoy increase in net profit to RM51.4 million for 1H FY2021

- Revenue increased 7.8% to RM152.1 million, driven by higher ARSP for iron ore concentrate
- Gross profit increased 29.9% to RM72.3 million while gross profit margin expanded by 8.1 percentage points to 47.6% for 1H FY2021 owing to the higher ARSP, partially offset by the lower sales volume due to intensified overburden works
- Iron ore prices are expected to remain high, supported by the rising demand for steel from China and supply disruptions from Brazil

Singapore, 13 March 2021 – Southern Alliance Mining Ltd. (“**Southern Alliance Mining**”, or “**SAM**”, and together with its subsidiaries, the “**Group**”) (SGX:QNS), an established, high-grade iron ore producer headquartered in Pahang, Malaysia, reported net profit after tax of RM51.4 million for the first half year ended 31 January, 2021 (“**1H FY2021**”).

Financial Overview

The Group’s revenue increased 7.8% year-on-year (“**yoy**”) to RM152.1 million for 1H FY2021 despite lower sales volume in all class of products sold. The revenue increase was mainly driven by an increase in the average realised selling price (“**ARSP**”) of iron ore concentrate.

In 1H FY2021, iron ore concentrate sales volume decreased by 6.8% or 21,900 dried metric ton (“**DMT**”), whereas ARSP increased by 44.3% to reach RM492.82 per DMT. On the other hand, crushed iron ore sales decreased by 99.2% to approximately 300 metric ton (“**MT**”) with a 3.6% decrease in the ARSP to RM385.49 per MT. Furthermore, the group also recorded a 69.5%



decrease in sales of iron ore tailing to 50,500 DMT in 1H FY2021, coupled with a slight decrease of 0.7% in ARSP to RM99.21 per DMT.

Financial Highlights (RM million)	1H FY2021	1H FY2020	Change
Revenue	152.1	141.0	8%
Gross Profit	72.3	55.7	30%
Gross Profit Margin (%)	47.6%	39.5%	8.1 pts
Net Profit before tax	69.0	48.6	42%
Income Tax expense	(17.5)	(13.7)	28%
Net Profit	51.4	35.0	47%
EPS (RM cents)	10.51	7.15	47%

Despite the increase in turnover, the Group reported a decrease in cost of sales of 6.6% to RM79.7 million in 1H FY2021. This was mainly attributable to the decrease in sales volume which led to a decrease in outbound logistics cost as well as a reduction in port and port related charges.

The increase in revenue due to higher ARSP, partially offset by lower sales volume causing a decrease in cost of sales, elevated the group's gross profit by 29.9% to reach RM72.3 million in 1H FY2021. Consequently, gross profit margin expanded by 8.1 percentage points to 47.6% for 1H FY2021.

Improvement to the gross profit was achieved despite the Group intensifying its overburden removal works. During 1H FY2021, the Group has removed about 1.28 million tonnes of waste for its Chaah Mine compared to approximately 1.7 million tonnes of waste for the entire FY2020.

The Group also experienced a 29.4% decrease to RM5.7 million in general and administrative expenses in 1H FY2021. This was mainly due to the absence of the one-off initial public offering expenses of RM3.5 million that was incurred in 1H FY2020.

In tandem with the rise in gross profit and decrease in general and administrative expenses, profit before tax increased 41.7% yoy to reach RM69.0 million for 1H FY2021. In line with the healthy performance of the Group, a 28.3% higher income tax expense of RM17.5 million was incurred.



The Group recorded a 47.0% increase in net profit after tax to RM51.4 million for 1H FY2021. The Group reported earnings per share of RM10.51 cents for 1H FY2021, compared to RM7.15 cents for 1H FY2020.

The Group generated RM64.2 million in cash flows from operating activities in 1H FY2021, a 0.8% increase compared to that of 1H FY2020. As at 31 January 2021, the Group had a robust balance sheet with cash and bank balances of RM190.1 million and borrowings of only RM5.8 million. Net asset value per ordinary share was 55.04 Malaysian cents as at 31 January 2021, compared to 46.38 Malaysian cents as at 31 July 2020.

Business Review and Market Outlook

2020 was a year characterized by a volatile, uncertain, complex and ambiguous economic environment, mainly due to the pandemic induced downturn. Despite COVID-19 continuing to have a substantial impact on various economies in the world, iron ore demand has accelerated on the back of tight supplies, rising steel production in China and an infrastructure-led economic recovery. Consequently, iron ore prices have been on a bull-run since May 2020, breaking the US\$90-100/t price point to reach above US\$170/t as of 7 March 2021¹.

China's iron ore imports rose 2.8% for the first two months of 2021 from a year earlier², continuing the upward trend from 2020, where they rose 9.5% compared to 2019³. Although the Chinese government is targeting to achieve 45% self-sufficiency by 2025, it will continue to rely on imports due to the scarcity of resources and high production costs because of very low grades of the iron ores⁴. Additionally, widespread stimulus packages are expected to boost investment and spending in 2021 which will continue to buoy commodity prices⁵.

¹ Markets Insider: Iron Ore (<https://markets.businessinsider.com/commodities/iron-ore-price>)

² Reuters: Improving steel margins lift ferrous metal prices in China (<https://www.reuters.com/article/asia-ironore/improving-steel-margins-lift-ferrous-metal-prices-in-china-idNL4N2L601Y>)

³ Reuters: UPDATE 2-China 2020 iron ore imports hit record on robust post-virus demand (<https://www.reuters.com/article/china-economy-trade-ironore-idUSL1N2JP06L>)

⁴ FN Arena: Material Matters: Iron Ore, Copper, Zinc & EVs (<https://www.fnarena.com/index.php/2021/02/11/material-matters-iron-ore-copper-zinc-evs/>)

⁵ The Edge Malaysia: Commodities: The party doesn't stop for commodities in 2021 (<https://www.theedgemarkets.com/article/commodities-party-doesnt-stop-commodities-2021>)



Furthermore, the Group will continue with its planned drilling programs, focusing on exploration activities at Chaah and Ma'okil mines in 2H FY2021. In 1H FY2021, the Group's mining operations excavated approximately 0.46 million tonnes of ore from our Chaah mine and processed approximately 0.52 million tonnes of ore. On 15 October 2020, the company acquired South Atlantic Minerals Sdn Bhd ("**SAMSB**") to carry out future mining activities of the Group and has further increased its investment in SAMSB to RM1 million on 3 November 2020.

Dato' Sri Pek Kok Sam, CEO and Executive Director of the Group, commented, *"Resilient financial performance in a year marred by the pandemic is a great testament to our capabilities, character and foothold in the industry. Rising iron ore prices coupled with the rising demand and falling supply has enabled us to expand our market reach considerably and we will continue to capitalize on it by focusing on enhancing our exploration activities at our Chaah Mine. Keeping in mind that COVID-19 pandemic is still evolving, we remain cautiously optimistic in our outlook for the Group."*

- The End -

About Southern Alliance Mining Ltd.

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

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

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



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Southern Alliance Mining Ltd. (the “Company”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “Exchange”) on 26 June 2020. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”).

This press release has been reviewed by the Company’s Sponsor. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

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