

Southern Alliance Mining Ltd

(Company Registration No. 201931423D)

Unaudited Financial Statement and Dividend Announcement For the Financial Year Ended 31 July 2020

Background

Southern Alliance Mining Ltd. (the “Company”) was incorporated in Singapore on 19 September 2019 under the Companies Act as a company limited by shares under the name of “Southern Alliance Mining Pte. Ltd.”. The Company changed its name to “Southern Alliance Mining Ltd.” on 27 April 2020. The Company and its subsidiary company (the “Group”) were formed pursuant to a restructuring exercise (the “Restructuring Exercise”) prior to the IPO and listing on the Catalist of the SGX-ST on 26 June 2020. The Restructuring Exercise was completed on 12 June 2020. Please refer to the Company’s Offer Document dated 16 June 2020 for further details on the Restructuring Exercise.

Although the Restructuring Exercise was completed on 12 June 2020 and the Company is incorporated on 19 September 2019, the consolidated financial statements of the Group are prepared as if the Company i.e. the parent of the Group had been in existence since the Group were under the control of the Controlling Shareholder.

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS 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**

	Group		Changes
	Full Year Ended		
	31-Jul-20 (Unaudited) RM'000	31-Jul-19 Audited RM'000	(%)
Revenue	254,245	189,141	34%
Cost of sales	(147,135)	(127,172)	16%
Gross profit	107,110	61,969	73%
Other income	2,893	2,505	15%
Other operating expenses	(448)	(372)	20%
General and administrative expenses	(22,245)	(3,306)	573%
Finance costs	(340)	(256)	33%
Share of results of joint venture	-	(154)	-100%
Profit before tax	86,970	60,386	44%
Income tax (expense) / benefit	(24,883)	27,860	-189%
Profit after tax, representing total comprehensive income for the year	62,087	88,246	-30%
Earnings per share (Malaysian cents per share)			
Basic and diluted	12.77	18.16	

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

	Group Full Year Ended		Changes (%)
	31-Jul-20 (Unaudited) RM'000	31-Jul-19 (Audited) RM'000	
Interest income from fixed deposits	(1,674)	(275)	509%
Gain on disposal of property, plant and equipment	(35)	(100)	-65%
Rental income	-	(703)	-100%
Rendering of services	(409)	(1,340)	-69%
Government grant	(381)	-	100%
Sundry income	(150)	(87)	72%
Finance costs	340	256	33%
Employee benefits expense	15,270	6,378	139%
Depreciation of property, plant and equipment	4,524	6,552	-31%
Depreciation of right of use assets	1,909	-	100%
Amortisation of mine properties	4,459	8,615	-48%
Unrealised (gain)/loss on foreign exchange	(39)	28	-239%
Realised (gain)/loss on foreign exchange	(205)	52	-494%
Tributes	28,500	22,000	30%
IPO Expenses	5,045	-	100%
Grant of equity-settled share-based payment in relation to IPO expenses	2,301	-	100%
Write-back of impairment on other receivables	(40)	(482)	-92%

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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

	Group		Company
	Full Year Ended		Full Year
	31-Jul-20 (Unaudited) RM'000	31-Jul-19 Audited RM'000	31-Jul-20 (Unaudited) RM'000
Assets			
Non-current assets			
Property, plant and equipment	28,555	26,298	-
Right-of-use assets	8,583	-	-
Exploration and evaluation assets	440	-	-
Mine properties	26,059	30,518	-
Deferred tax assets	3,464	27,946	-
Investment in subsidiary	-	-	173,380
Investment securities	39	82	-
	<u>67,140</u>	<u>84,844</u>	<u>173,380</u>
Current assets			
Inventory	8,847	13,439	-
Trade and other receivables	21,973	19,977	-
Contract assets	4,248	15,525	-
Prepayments	1,519	1,567	93
Cash and bank balances	149,866	35,366	37,072
Income tax recoverable	1,548	1,602	-
Assets held for distribution	-	17,215	-
	<u>188,001</u>	<u>104,691</u>	<u>37,165</u>
Total assets	<u>255,141</u>	<u>189,535</u>	<u>210,545</u>
Liabilities			
Current liabilities			
Loans and borrowings	3,307	1,399	-
Trade and other payables	20,399	22,420	1,559
	<u>23,706</u>	<u>23,819</u>	<u>1,559</u>
Net current assets	<u>164,295</u>	<u>80,872</u>	<u>35,606</u>
Non-current liabilities			
Loans and borrowings	3,922	1,559	-
Total liabilities	<u>27,628</u>	<u>25,378</u>	<u>1,559</u>
Net assets	<u>227,513</u>	<u>164,157</u>	<u>208,986</u>
Equity attributable to owners of the Company			
Share capital	218,154	-*	218,154
Retained earnings / (accumulated losses)	172,006	124,699	(9,168)
Merger reserve	(163,380)	38,725	-
	<u>226,780</u>	<u>163,424</u>	<u>208,986</u>
Preference shares	733	733	-
Total equity	<u>227,513</u>	<u>164,157</u>	<u>208,986</u>

*Less than RM1,000

** As the Company was only incorporated on 19 September 2020, there would be no comparative statement for the corresponding period.

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

	Group		Company	
	Full Year Ended		Full Year Ended	
	31-Jul-20	31-Jul-19	31-Jul-20	31-Jul-19
	(Unaudited)	Audited	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
<u>Secured</u>				
Amount repayable in one year or less	3,307	1,399	-	-
Amount repayable after one year	3,922	1,559	-	-
	<u>7,229</u>	<u>2,958</u>	-	-

There are no unsecured borrowings and/or debt securities as at 31 July 2019 and 31 July 2020.

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 2020, these hire purchase facilities were secured by the equipment purchased and by way of 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, the Company intends to 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.

Consolidated Statement of Cash Flows

	Group	
	Full Year Ended	
	31-Jul-20 (Unaudited) RM'000	31-Jul-19 Audited RM'000
Operating activities		
Profit before tax	86,970	60,386
<u>Adjustments for:</u>		
Interest expenses	340	256
Interest income	(1,674)	(275)
Unrealised (gain)/loss on foreign exchange	(39)	28
Depreciation of property, plant and equipment	4,524	6,552
Depreciation of right-of-use assets	1,909	-
Gain on disposal of property, plant and equipment	(35)	(100)
Amortisation of mine properties	4,459	8,615
Fair value loss on investment securities	43	-
Impairment loss on other receivables	-	4
Write-back of allowance on doubtful debts	(40)	(482)
Grant of equity-settled share-based payments in relation to IPO expenses	2,301	-
Share of results of a joint venture	-	154
Total adjustments	<u>11,788</u>	<u>14,752</u>
Operating cash flows before changes in working capital	98,758	75,138
<u>Changes in working capital:</u>		
Decrease in inventories	4,592	614
Decrease/(increase) in trade and other receivables and contract assets	9,176	(26,572)
Decrease in prepayments	48	68
Decrease in trade and other payables	(1,939)	(12,414)
Total working capital changes	<u>11,877</u>	<u>(38,304)</u>
Cash flows from operations	110,635	36,834
Income taxes paid	(348)	(20)
Interest received	1,674	275
Interest paid	(340)	(256)
Net cash flows from operating activities	<u>111,621</u>	<u>36,833</u>

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	Group	
	Full Year Ended	
	31-Jul-20 (Unaudited) RM'000	31-Jul-19 Audited RM'000
Investing activities		
Investment in exploration and evaluation assets	(440)	-
Purchase of property, plant and equipment	(9,578)	(4,347)
Proceeds from disposal of property, plant and equipment	35	100
Withdrawal/ (placement) of pledged deposits	2,046	(63)
Net cash used in investing activities	(7,937)	(4,310)
Financing activities		
Repayment of term loans	(698)	(272)
Repayment of obligations under leases	(2,427)	(723)
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	(26,290)	-
Net cash from / (used in) financing activities	13,058	(995)
Net increase in cash and cash equivalents	116,742	31,528
Cash and cash equivalents at beginning of financial year	33,124	1,596
Cash and cash equivalents at end of financial year	149,866	33,124

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

Group	Group	
	Full Year Ended	
	2020 RM'000	2019 RM'000
Cash and short-term deposits	149,866	35,366
Less:		
Bank overdraft	-	(196)
Pledged deposits	-	(2,046)
	149,866	33,124

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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

Statement of Changes in Equity

	Non-distributable			Distributable	
	Total equity RM'000	Share capital RM'000	Convertible Preference shares RM'000	Merger reserve RM'000	Retained earnings RM'000
Group					
FY 2020					
Opening balance at 1 August 2019 (audited)	164,157	—*	733	38,725	124,699
Profit for the year representing total comprehensive income	62,087	—	—	—	62,087
<u>Transaction with owners</u>					
Dividend in specie of non-mining assets	(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	—	—	—
Grant of equity-settled share-based payment in relation to IPO expenses	2,301	2,301	—	—	—
Capitalisation of listing expenses	(587)	(587)	—	—	—
Dividends on ordinary and preference shares	(26,290)	—	—	—	(26,290)
Total transaction with owners	1,269	218,154	—	(173,380)	(43,505)
<u>Changes in ownership interests in a subsidiary company</u>					
Transfer of merger reserve to retained earnings upon strike off of a subsidiary company	—	—	—	(28,725)	28,725
Closing balance at 31 July 2020 (unaudited)	227,513	218,154	733	(163,380)	172,006
FY 2019					
Opening balance at 1 August 2018 (audited)	75,911	—*	733	38,725	36,453
Profit for the year representing total comprehensive income	88,246	—	—	—	88,246
Closing balance at 31 July 2019 (audited)	164,157	—*	733	38,725	124,699

*Less than RM1,000

- 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)**

Statement of Changes in Equity

Company	Non-distributable		Distributable
	Total equity RM'000	Share capital RM'000 (Note 21)	Accumulated losses RM'000
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)	208,986	218,154	(9,168)

*Less than RM1,000

As the Company was only incorporated on 19 September 2020, there would be no comparative statement for the corresponding period.

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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.**

Share Capital – Ordinary Shares

	Number of issued Shares	Issued and paid-up share capital (RM)
Issued and paid-up Shares as at our incorporation date on 19 September 2019 ⁽¹⁾	1	3
Issue of Shares pursuant to the Restructuring Exercise	9,999,999	173,380,000
Issued and fully paid Shares immediately after the Restructuring Exercise	10,000,000	173,380,003
After the Share Split	430,000,000	173,380,003
Grant of equity-settled share-based payment in relation to IPO expenses	3,000,000	2,301,375
Issued and paid-up capital immediately before the Placement	433,000,000	175,681,378
Issue of New Shares pursuant to the Placement	56,000,000	42,472,891 ⁽²⁾
Issued and paid-up share capital immediately after the Placement and as at 31 July 2020	489,000,000	218,154,269

Note:

- (1) The Company was incorporated on 19 September 2019 with one share. The number of shares was increased to 489,000,000 shares pursuant to the Restructuring Exercise, grant of equity-settled share-based payment in relation to IPO expenses and share placement. The Company did not have any outstanding options, convertibles, subsidiary holdings or treasury shares as at 19 September 2019 and 31 July 2020.
- (2) Takes into account the capitalisation of listing expenses of approximately RM587,000 against share capital.

- 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 2020 and 31 July 2019.

The Company's total number of issued shares excluding treasury shares as at 31 July 2020 is 489,000,000. There are no comparative figures for the Company as at the end of the corresponding period of the immediately preceding financial year as the Company was incorporated on 19 September 2019.

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.

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

The figures have not been audited or reviewed by the Company's auditors.

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 2019 as set out in the Company's Offer Document dated 16 June 2020.

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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 applied SFRS(I)16 Leases, which is effective from 1 August 2019.

The Group adopted SFRS (I) 16 using the modified retrospective method of adoption with the date of initial application of 1 August 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying SFRS (I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adoption of SFRS(I) 16 is as follows:

Impact on the statement of financial position as at 1 August 2019:

	RM'000
Assets	
Right-of-use asset	2,797
Property, plant and equipment	(2,797)
Liabilities	
Lease liabilities	<u>2,797</u>

There is no significant impact on the statement of comprehensive income and combined statement of cash flows.

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 2020	31 July 2019
Profit attributable to shareholders of the Company (RM'000)	62,087	88,246
Weighted average number of ordinary shares in issue ('000 shares)	486,375	486,000
Basic and fully diluted basis EPS (Malaysian cents)	12.77	18.16
	Financial Year Ended	
	31 July 2020	31 July 2019
For illustrative purposes ⁽¹⁾		
Profit attributable to shareholders of the Company (RM'000)	62,087	88,246
Weighted average number of ordinary shares in issue ('000 shares)	489,000	489,000
Basic and fully diluted basis EPS (Malaysian cents)	12.69	18.05

Note:

(1) For comparative and illustrative purposes, the weighted average number of ordinary shares used for the calculation of EPS for FY2020 and FY2019 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 respective financial years.

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

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 2020	31 July 2019	31 July 2020	31 July 2019
NAV attributable to owner (RM'000)	226,780	163,424	208,986	N.A
Number of ordinary shares in issue ('000)	489,000	489,000	489,000	N.A
Net asset value per ordinary share (Malaysian cents)	46.38	33.42	42.74	N.A

N.A denotes not applicable. There are no comparative figures for the Company as at the end of the immediately preceding financial year, as the Company was incorporated on 19 September 2019.

For comparison purposes, the calculation for the NAV per share for the respective financial years 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

Review for the performance of the Group for the financial year ended 31 July 2020 ("FY2020") and 31 July 2019 ("FY2019") respectively).

Consolidated Statement of Comprehensive Income

Revenue

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

Sales Volume

For FY2020, our Group reported a record high turnover of RM254.2 million (FY2019: RM189.1 million) against the higher sales volume of approximately (i) 557,000 dried metric ton (DMT) of iron ore concentrate in FY2020 representing a 5.9% increase from FY2019; (ii) an increase of approximately four times in the sales of crushed iron ore from approximately 18,000 metric ton (MT) to approximately 92,000 MT in FY2020; and (iii) approximately 212,000 DMT of iron ore tailing which sales commenced in August 2019 (FY2019: Nil).

Selling Price

In addition to the increase in the sales volume, higher average selling prices have also helped to propel our Group's turnover. The Group reported an average selling price of RM410.29 per MT for crushed iron ore. It was an increase of 23% from RM332.61 per MT in FY2019. The average selling price of iron ore concentrate also increased by approximately 3% from RM348.40 per DMT in FY2019 to RM357.00 in FY2020

The above represents about a one third increase in turnover compared to FY2019 despite the challenges from the temporary suspension of operations during the Movement Control Order imposed by the Malaysian Government due to the COVID-19 pandemic.

Cost of sales

In tandem with the increase in the turnover, the Group also reported a 16% increase in our cost of sales to RM147.1 million in FY 2020. This is attributable to:

- a. higher tribute expense which is computed based on the month date of the Platt Iron Ore Index which resulted in total higher monthly average tribute payment by RM6.5 million;
- b. increase in the blasting, maintenance, hiring and survey charges by RM0.9 million, RM2.4 million and RM0.2 million respectively, in line with the increase in the production of iron ore concentrate;
- c. increase in the staff cost and sub-contractors wages by RM1.3 million and RM2.0 million respectively;
- d. payment of port charges for the exportation of tailing amounting to RM7.3 million; and
- e. a negative inventory movement due to the decrease in FY2020's closing inventory had contributed to higher cost of sales by RM4.6 million.

The increase in cost of sales was partially offset by the decrease in amortisation charges for stripping assets and mine properties by RM4.1 million and fuel and lubricant cost by RM1.3 million due to a change in accounting estimate on unit of production and a decrease in the fuel price.

Gross profit and gross profit margin

The increase in revenue outpaced that of cost of sales, as a result the Group's gross profit has improved by 73% from RM62.0 million in FY2019 to RM107.1 million in FY2020. This elevated the gross profit margin by 9.37% from 32.76% in the FY2019 to 42.13% in FY2020.

Other income

Other income increased by 15% to RM2.9 million in FY2020. This was due to an increase in interest income by RM1.4 million as a result of higher cash and bank balances and deposits placement with licensed banks. However the increase was offset by a decrease in hiring income derived from rendering of transportation services and rental of equipment to interested parties of approximately RM0.9 million which had ceased in the third quarter of FY2020 and a gain on disposal of property, plant and equipment of approximately RM0.1 million.

Other operating expenses

Other operating expenses increased by approximately RM0.1 million or 20% from approximately RM0.4 million in FY2019 to approximately RM0.5 million in FY2020. This was mainly due to an increase of RM0.1 million in depreciation expense arising from the purchase of fixed assets.

General and administrative expenses

General and administrative expenses increased to approximately RM22.2 million in FY2020. This was mainly due to (i) higher administrative expenses of approximately RM2.3 million as a result of an increase in audit fees, disbursements on the listing expenses and other expenses; (ii) charging out of initial public offering ("IPO") expenses of RM7.3 million, which is inclusive of the grant of equity-settled share-based payment of RM2.3 million; (iii) an increase in maintenance cost of office equipment and motor vehicles due to wear and tear of approximately RM0.2 million; (iv) an increase in staff and related expenses, of approximately RM7.7 million, particularly in relation to the service and appointment agreements entered into by the Company with the Chief Executive Officer and other directors pursuant to the listing of the Company; (v) a decrease in bad debt recovered provisioned for long outstanding receivables of RM0.4 million; (vi) an increase in amortisation of right-of-use asset of approximately RM0.1 million; and (vii) an increase in non-recurring professional fees of approximately RM1.0 million. The increase was partially offset by a decrease in travelling expenses of approximately RM0.1 million.

Finance cost

Finance cost increased by approximately RM0.08 million or 33% to approximately RM0.34 million in FY2020. The increase was due to the increase in the hire purchase facilities utilised during the financial year for the purpose of equipment financing.

Share of results of joint venture

The Group as part of its Restructuring Exercise has distributed its investment in joint venture and has thus ceased the sharing of results of the said joint venture.

Profit before tax

As a result of the foregoing, the Group's profit before tax improved by approximately RM26.6 million or 44% in FY2020.

Income tax expense

The strong performance of the Group resulted in an income tax expense of RM24.9 million. This represented a reversal of RM52.8 million from the previously reported income tax benefit of approximately RM27.9 million in FY2019. The tax credit in FY2019 was related to the recognition of deferred tax asset of RM27.9 million arising from unutilised tax losses the financial years before. The income tax expense for FY2020 comprise current year tax expense of approximately RM0.4 million and the utilisation of prior year tax losses recognised as deferred tax asset of approximately RM24.5 million.

Consolidated Statement of Financial Position

Non-current assets

The increase in property, plant and equipment of RM2.3 million or approximately 9% was attributable to the construction of the national grid utility facilities and the purchase of other equipment of approximately RM9.6 million. This was partially offset by some depreciation charges and the effect on the adoption of SFRS(I) 16 *Leases* which resulted in reclassification of leased assets from property, plant and equipment to right-of-use assets of approximately RM4.5 million and RM2.8 million respectively.

The increase in right-of-use assets by RM8.6 million was attributable to the effect of adoption of SFRS(I) 16 *Leases* resulting in a reclassification amounting to RM2.8 million as explained above and new leases contracted for in FY2020 of approximately RM7.7 million respectively. This was partially offset by depreciation charge of approximately RM1.9 million.

Continuation of the 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, which mainly made up of exploration cost, had resulted in the reduction in the mine properties by RM4.5 million or 15%.

Exploration and evaluation assets of approximately RM0.4 million accounted for approximately 0.7% of total non-current assets for FY2020. Exploration and evaluation assets comprised solely the exploration cost incurred on prospect sites located at the State of Johor, Malaysia.

The Group's strong financial performance resulted in the utilisation of tax losses that reduced our deferred tax assets by RM24.4 million or 88% from RM27.9 million in FY2019 to RM3.5 million in FY2020.

Current assets

The Group's strong financial performance as discussed above as well as the receipt of RM37.0 million of net listing proceeds as a result of the Company's successful listing on the Catalist have led to an increase of RM114.5 million or 324% in our cash and bank balances to RM149.9 million.

Resultant from the increase in our turnover, our trade receivables has also increased by RM2.8 million. However, it was offset by reduction in other receivables by RM0.8 million mainly due to the refund of the long outstanding GST credit claim and full settlement of amount owing by related parties.

Higher sales coupled with lower production during FY2020 (which was due to the movement control order imposed by the Government of Malaysia in its effort to battle the COVID-19) has resulted in a decrease in closing stock by 34% to RM8.8 million in FY2020.

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. Depending on our sales contract, billing will only be raised once we achieved certain milestone, either based on quantity or date as the case maybe. An accrual will be made as contract assets for the sales billing that was not raised as at reporting cut-off date due to the contractual timing. FY2020 has witnessed a 73% decreased in the contract assets from RM15.5 million in FY2019 to RM4.2 million in FY2020. This is attributable to the completion of most of the sales contracts prior to the balance sheet date.

In FY2019, the Group had undertaken a series of restructuring exercises involving the distribution of certain non-mining assets amounting to RM17.2 million to our previous holding company, Aras Kuasa Sdn Bhd. These assets were categorised as assets held for distribution pending the completion of the exercises. The exercise was completed in FY2020 and as such, there are no assets held for distribution as of 31 July 2020.

Current liabilities

The Group's current liabilities as at 31 July 2020 was RM23.7 million or 13% of Group's current assets. In FY2019, the current liabilities were 23% of current assets.

The Group's FY2020 trade and other payables have decreased by RM2.0 million or 9% to RM20.4 million in FY2020. It was the net effect of decrease in trade payables by RM10 million and the increase in the other payable of RM8 million which mainly consist of the provision for the incentive and remunerations to the directors amounting to RM5.6 million and accruals of RM2.3 million relating to repairs and maintenance, professional fees and salaries.

Loans and borrowings mainly consist of hire purchase facilities for mining equipment. During FY2020 the Group reported a 136% increase in loans and borrowings mainly due to the acquisition of mining equipment.

Non-current liabilities

Non-current liabilities relates to hire purchase facilities that fall due over a period of more than 12 months. The 152% increase in the loans and borrowings to RM3.9 million in FY2020 was mainly due to the purchase of mining equipment during the year.

Consolidated Statement of Cash Flow

The Group generated RM111.6 million of cash flows from operating activities compared to RM36.8 million in FY2019 as a result of the Group's profits as elaborated above.

During the financial year, the Group's net cash used in investing activities was RM7.9 million compared to RM4.3 million used in FY2019. The Group invested RM9.6 million in property, plant and equipment in FY2020, an increase of RM5.2 million from FY2019. In addition, the Group also spent RM0.4 million in exploration activities on other mines which was capitalised as exploration and evaluation assets in the balance sheet. The effect of net cash used in investing activities was offset by the withdrawal of the Group's deposits with licensed banks amounting to RM2.0 million upon settlement of its loans.

During the financial year, the Group received gross proceeds of RM43.1 million from its listing exercise. However, prior to the listing exercise, the Group has disbursed RM26.3 million of dividend to its shareholders and also settled its term loans of RM0.7 million as compared to a total of RM0.3 million of instalment payments in FY2019. Listing expenses paid of RM0.6 million which qualified to be deducted from equity is also included in financing activities. The Group has also made total repayments of RM2.4 million in FY2020 for its hire purchase facilities compared to RM0.7 million in FY2019.

The combined effects of the above resulted in a net increase in the Group cash and cash equivalent by RM116.7 million in FY2020 compared to RM31.5 million in FY2019.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group had previously reported in its Offer Document dated 16 June 2020, under the section Trend Information that "**our operating results for FY2020 may be weaker as compared to FY2019 but is not expected to report a loss for FY2020**". However, the ability of our Group to commence our operation after the procurement of approval from the Ministry of International Trade and Industry ("MITI") on 22 April 2020 and coupled with the matters highlighted in the section 8 of this announcement, the Group has achieved:

- (a) historical high turnover of RM254.2 million;
- (b) historical high profit before taxation of RM87.0 million after charging out of IPO expenses of RM7.34 million in this financial year; and
- (c) historical cash reserve of RM149.9 million. Of which, about RM37.0 million are net proceeds from the IPO.

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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.

Effect of COVID-19 Pandemic

The COVID-19 pandemic has created a lot of economic uncertainties and may impact the liquidity and going concern of many corporations. As the effect of the COVID-19 pandemic has the potential to materially impact the carrying value of the Group's assets, legal liabilities arising from the potential breach of contracts that may lead to lawsuit and breach of the loan covenants that may lead to going concern issue, the Board of Directors, with the input from the Management has taken into the consideration of the following:

- a. Whether the carrying value of property, plants and equipment and other non-current assets; inventories; trade and other receivables and contract assets are subjected to impairment;
- b. In respect of the Group's contractual obligations, whether there are any indications that the Group is unable to discharge its contractual obligations which may result in the provision for damages under any agreement that the Group may have entered into;
- c. In respect of borrowings, whether the Group is at risk of breaching the loan covenants that will result in the cancellation of loan facilities by the financial institutions; and
- d. Any additional indications of going concern issues for the Group

As the Group's earnings are sensitive to the fluctuation of the iron ore price, the iron ore price movement is a main criterion in assessing the impact of the COVID-19 pandemic on the Group. As highlighted in the section 8 above, the FY2020 average selling price was higher than that of FY2019 (after the range-bound between the US\$90-100/t in early 2020, the iron ore price staged a strong bull-run to break US\$100/t, US\$110/t and US\$120/t successively since late May 2020. As of 16 September 2020, the spot price closed at US\$126/t, a five-year high) coupled with the higher sales volume had contributed to the better than expected financial results. According to the Reuters August 18, 2020 news¹, supply disruptions caused by the COVID-19 pandemic will provide support to the steelmaking ingredient's price, before it softens next year. In September, major banks forecasted² that although iron ore price could pull back moderately from the current over-five-year high, it will "likely be range-bound between US\$100/t-US\$120/t for the rest of 2020". In addition, leading indicators (along with buoyant iron ore prices) such as low port stocks and positive steel margins, remain positive for iron-ore exposure, and Chinese demand for steel remains a key factor to determine the iron ore price. As long as China continue to shore up its economy for the next 12 months, there is a possibility that the iron ore price may maintain in a range that would help the earnings of the Group for the next financial year.

In addition, to the favourable price factor, the Management and Board have assessed that the trade receivables of the Group still remain healthy and there are no indications that the quality of our trade receivables have deteriorated. Further, with the present price of iron ore and the cash reserve of the Group of RM149.9 million as at 31 July 2020, the Group does not foresee the possibility of it breaching its contractual obligations to its customers and/or suppliers. The Group is able to service its financial commitments amounting to RM7.2 million as at 31 July 2020 .

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 are there any going concern issues.

¹ <https://in.reuters.com/article/asia-ironore/iron-ore-futures-advance-on-china-steel-demand-spot-price-at-13-month-high-idINL4N2FK0S0>

² <https://www.fnarena.com/index.php/2020/09/14/iron-ore-soaring-and-roaring/>

11 Dividend

(a) *Current Financial Period Reported On*

In honouring the Board commitment's to recommend and distribute dividends of not less than 10.0% of the Group's net profit after tax ("NPAT") for FY2020, and having taken into consideration of the Group's results, the Board of Directors hereby wish to propose a dividend of 0.6 Singapore cents per share ("**Final Dividend**") equivalent to 14.65% of the Group's FY2020 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\$2.934 million or about RM9.1 million, at the exchange rate of RM3.10 to S\$1.00

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

No dividend was declared in FY 2019.

(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) *Book closure date:*

Subject to the approval of the Final Dividend by the shareholders, the Company will separately announce the books closure date.

(e) *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.

A general mandate was obtained from our Shareholders pursuant to Rule 920(2) during the listing of our Group on 26 June 2020. Save as disclosed in the table below, there were no other interested person transactions above S\$100,000 entered into.

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 and non-executive director Dato' Teh Teck Tee	-	13,999
Multiline Trading Sdn Bhd	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	19,757
Hchem Marketing (M) Sdn Bhd	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	-	648
Other interested person transaction prior to the IPO			
Multi Zillion Properties Sdn Bhd	Related party Entity of executive director and Chief Executive Officer, Dato' Sri Pek Kok Sam	329	-

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:

<u>Use of IPO Net Proceeds</u>	<u>Amount Allocated</u> <u>(S\$'000)</u>	<u>Amount Utilised</u> <u>(S\$'000)</u>	<u>Balance</u> <u>(S\$'000)</u>
Further exploration activities	4,000	Nil	4,000
Investment into mining equipment and infrastructure	2,000	(655)	1,345
Acquisition, joint ventures, strategic alliances and/or development of new mines	2,000	Nil	2,000
General working capital	3,937	(295)	3,642
TOTAL	11,937	(950)	10,987

The above utilisation is in accordance with the intended use of proceeds of IPO as stated in the Offer Document dated 16 June 2020.

Amount utilised for general working capital up to the date of this announcement is approximately S\$295,000 with the details as follows:

<u>Nature of Working Capital</u>	<u>Amount Utilised</u> <u>S\$'000</u>
Professional fees	259
Directors' insurances and training	35
Bank charges	1
	<u>295</u>

The Company will continue to make periodic announcements via SGXNET on the utilisation of the balance of the IPO Net Proceeds as and when such proceeds are materially disbursed.

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 2020 RM'000	FY 2019 RM'000	Increase / Decrease
(a) Sales reported for first half year	141,018	55,239	155%
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	33,013	2,948	1,020%
(c) Sales reported for second half year	113,227	133,902	-15%
(d) Operating profit after tax before deducting non-controlling interest reported for second half year	29,074	85,298	-66%

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

	FY 2020 RM'000	FY 2019 RM'000
Ordinary shares (tax exempt 1 – tier)		
- Dividend in specie ⁽¹⁾	18,215	Nil
- Interim cash dividend ⁽²⁾	Nil	8,900
- Final cash (proposed) ⁽³⁾	9,095	17,390
Total Annual Dividend	27,310	26,290

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: These refer to the interim and cash final dividend franked and paid by Honest Sam prior to the listing on 26 June 2020.

3: Details are disclosed in Note 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	57	Brother of Dato Sri Pek Kok Sam, the Chief Executive Officer of the Company	Currently serving as Purchasing Manager of the Subsidiary. He joined the subsidiary in January 2010. Primarily responsible for the purchases.	No changes

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 Siew Mei	55	Sister of Dato' Sri Pek Kok Sam, the Chief Executive Officer of the Company	Currently serving as Sales Manager of the Subsidiary. She joined the Subsidiary in June 2001. Primarily responsible for the sales.	No changes
Pek Kok Hing	50	Brother of Dato' Sri Pek Kok Sam, the Chief Executive Officer of the Company	Currently serving as Human Resource Manager of the Subsidiary. He joined the Subsidiary in November 2006. Primarily responsible for the human resources.	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, SAM Mineral Trade Sdn Bhd on 28 August 2020 for the purpose carrying out mineral trading in Malaysia. Please refer to section 25 of this announcement for details.

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 (exclude depreciation) 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 three months ended 31 July 2020**

Activities	Projected RM'000	Actual RM'000	Variance RM'000	%
Mine exploration and evaluation	N/A ⁽¹⁾	400	N/A	N/A
Mining related expenditure (excluding capital expenditure)	N/A ⁽¹⁾	20,301	N/A	NA
Total	N/A	20,701	NA	NA

During the 4th Quarter of FY 2020, our Group has incurred RM0.4 million for the exploration of mine and this amount is reported in our balance sheet as “exploration and evaluation assets”. Please refer to section 24 of this announcement for details.

Mining related expenditure refers to the elements of cost of sales that relate to the direct mining cost such as blasting expense, repairs and maintenance of machineries, salaries and fuel but exclude non-cash items as well as sales related cost, tribute and royalty.

Note

(1) As this is the first announcement after the listing of the Group on 26 June 2020, no projected amounts were previously reported.

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

Item	Projection for Q1 FY2021 RM'000
a. Mine exploration and evaluation	2,000
b. Mining related expenditure (excluding capital expenditure)	20,870
Total	22,870

The projection is based on the assumptions that there are no material changes to the cost structure and the intensity of the mining work for the next quarter.

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 24 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) as part of the Group’s reporting obligations.

As at the end of FY2020 our reported Mineral Resources and Ore Reserves are as follows:

Total Iron Ore Mineral Resources as at 31 July 2020

Category	Million tonne	Grade				Change in tonne (%)	Comments
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅		
Gross attributable to license and net attributable to issuer							
Measured	-	-	-	-	-	0%	Changes are shown comparing Mineral Resources from 31 July 2019 (unpublished) to 31 July 2020
Indicated (in situ)	5.5	51.7	16.7	1.9	1.7	-13%	
Indicated (stockpiles)	0.2	48.7	-	-	-	0%	
Indicated (tailings)	0.1	46.4	-	-	-	+100%	
Inferred (in situ)	1.8	44.2	23.8	3.8	1.4	0%	
Total (in situ)	7.3	49.9	18.4	2.4	1.6	-10%	
Total	7.6	49.8	-	-	-	-9%	

Notes:

1. In situ resources reported at a cut-off criterion of 25% Fe.
2. Stockpiles reported at a cut-off criterion of 15% Fe.
3. Mineral Resources are inclusive of Ore Reserves.
4. Totals may not add due to rounding effects.

Total Iron Ore Reserves as at 31 July 2020

Category	Million tonne	Grade				Change in tonne (%)	Comments
		Fe	SiO ₂	Al ₂ O ₃	P ₂ O ₅		
Gross attributable to license and net attributable to issuer							
Proved	-	-	-	-	-	0%	Changes are shown comparing Ore Reserves from 31 July 2019 (unpublished) to 31 July 2020
Probable (in situ)	5.3	50.8	16.2	1.7	1.7	-13%	
Probable (stockpiles)	0.2	50.1	-	-	-	0%	
Probable (tailings)	0.1	46.4	-	-	-	+100%	
Total (in situ)	5.3	50.8	16.2	1.7	1.7	-13%	
Total	5.6	50.6	-	-	-	-11%	

Notes:

1. In situ reserves and stockpiles (excluding tailings) reported at a cut-off criterion of 30% Fe.
2. Tailing stockpiles reported at a cut-off criterion of 20% Fe
3. Totals may not add due to rounding effects.

Exploration activities

During the FY2020, we have completed exploration activities at Chaah, Ma'okil and Chaah Baru. 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 of the open pit. At both Mao'kil and Chaah Baru, we have completed drilling to test the depth extent of the surface expression of iron ore mineralisation. No exploration was undertaken at Kota Tinggi. Following are the extracts from the AQPR.

(a) Chaah mine

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

- Infill drilling to convert Inferred Resources to Indicated Resources 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 magnetic survey.

A total of two extension holes with total length of 508.5 meter and seven infill holes with total length of 1,201.5 meter were drilled in FY 2020. Five holes were drilled to completion, with four holes terminated prior to the target depth due to poor ground conditions or drilling related problems.

The table below summarises drilling details and showed very encouraging intervals of hematite mineralisation were intersected. Logging and analysis will be completed during the first half of financial year ending 31 July 2021 (“FY2021”) in preparation for a new Mineral Resource estimate.

Drill hole	Azimuth (°)	Dip (°)	Depth (m)	Target	Comments
CHADD 039	060	-75	272.5	Infill drilling	Massive hematite mineralization recorded from 140.0 – 225.8 m
CHADD 040	080	-80	72.0	Infill drilling	Abandoned due to poor ground conditions
CHADD 040-A	080	-80	79.0	Infill drilling	Abandoned due to poor ground conditions, but massive hematite mineralization recorded from 74.3 – 70.0 m
CHADD 041	080	-80	279.0	Infill drilling	Massive hematite mineralization recorded from 113.0 – 123.0 m
CHADD 042	060	-70	215.0	Infill drilling	Massive hematite mineralization recorded from 71.0 – 177.0 m
CHADD 043	060	-70	393.5	Extensions	Massive hematite mineralization recorded from 206.0 – 233.0 m and from 309.0 – 330.4 m
CHADD 044	060	-70	130.0	Infill drilling	Abandoned due to poor ground conditions
CHADD 044-A	060	-70	154.0	Infill drilling	Massive hematite mineralization recorded from 149.0 – 166.0 m
CHADD 045	060	-70	115.0	Extensions	Drilling ongoing, with no mineralization intersected to date
TOTAL			1,710		

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

(b) ML 1/2018 (Ma’okil prospect)

Ma’okil is host to known surface expressions of iron ore mineralisation. The geology is composed of Palaeozoic and Mesozoic sediments and igneous rock in which iron ore mineralization tends to be associated with granitic intrusive events.

Our group has completed a nine-hole drilling program totalling 1,597 meter. The aim of this year’s program was to test surface expressions of iron ore mineralization below surface. All holes intersected horizons of massive magnetic mineralization. Logging and analysis will be completed during the first half of the FY2021 prior to a follow up exploration program.

The table below summarises drilling details:

Drill hole	Azimuth (°)	Dip (°)	Depth (m)	Target	Comments
MKL 05	254	-75	204.0	Testing mineralization extent	Massive magnetite mineralization recorded from 130.5 – 132.0 m and 166.0 – 171.0 m.
MKL 06	314	-75	198.0	Testing mineralization extent	Several zones of massive magnetite mineralization recorded from 133.0 – 183.0 m
MKL 07	280	-75	201.0	Testing mineralization extent	Several zones of massive magnetite mineralization recorded from 0.0 – 192.0 m

Drill hole	Azimuth (°)	Dip (°)	Depth (m)	Target	Comments
MKL 08	310	-75	198.0	Testing mineralization extent	Massive magnetite mineralization recorded from 0.0 – 21.0 m and from 99.0 – 119.5 m
MKL 09	354	-75	100.0	Testing mineralization extent	Several zones of massive magnetite mineralization recorded from 38.5 – 73.5 m
MKL 10	180	-80	201.0	Testing mineralization extent	Massive magnetite mineralization recorded from 15.0 – 21.0 m
MKL 11	280	-70	201.0	Testing mineralization extent	Several zones of massive magnetite mineralization recorded from 16.5 – 31.5 m and from 168.0 – 201.0 m.
MKL 12	280	-70	252.0	Testing mineralization extent	Massive magnetite mineralization recorded from 77.0 – 104.0 m
MKL 13	280	-70	42.0	Testing mineralization extent	Drilling ongoing
TOTAL			1,597		

(c) ML 1/2019 (Chaah Baru prospect)

Chaah Baru is host to known surface expression of iron ore mineralisation. The geology of Chaah Baru is similar to the Ma'okil prospect.

Our group has completed a two-hole drilling program totalling 186 meter. The aim was to test surface expression of iron ore mineralisation below surface, but no mineralisation was encountered in either drillhole.

Drill hole	Azimuth (°)	Dip (°)	Depth (m)	Target	Comments
JJ 02	000	-90	150.5	Mineralization extent	No mineralization reported
SJ 03	000	-90	35.5	Mineralization extent	No mineralization reported
TOTAL			186.0		

Logging and analysis will be completed during the right half of the FY2021 prior to a follow up exploration program.

Mining activities

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 as 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 year 2008, we have as at 31 July 2020 mined approximately 5.3 million tonne of ore.

During the FY2020, our production records document that mining operations excavated approximately 1.2 million tonnes of ore from our Chaah mine and 1.7 million tonne of waste. Processing during the year totalled approximately 1.2 million tonne of ore at an estimated grade of 55.4% Fe. Sales for the year comprised over 861,000 tonne of produce which included nearly 557,000 DMT of concentrate (both 62% Fe and 65% Fe), 92,000 MT of pipe coating product and 212,000 DMT of tailings.

As part of good mining practice, the Group has carried out production reconciliation of our mining operation at Chaah mine. We undertook a survey of the open pit and surrounds in July 2020. The table below presents the mining depletion removed from the resource model between July 2019 and July 2020 pit surveys. According to the resource model, a total of 1.76 million tonne was extracted from the open pit for the FY2020 consisting of 0.83 million tonne of ore and 0.93 million tonne of waste. This is in contrast to our processing data of approximately 1.2 million tonne of ore extracted and 1.7 million tonne of waste removed. This can be summarised in the table below:

Source	Material	Million Tonne	Fe Grade (%)
Resource Model	Indicated Resources	0.81	54.8
	Inferred Resources	0.02	57.7
	Total Resources	0.83	54.8
	Waste	0.81	0
	Mineralized Waste	0.12	9.5
	Total Waste	0.93	0
Trucking and Processing Statistics	Ore Mined (adjusted)	1.20	55.4

The difference of 0.37 million tonne between processing data statistic and depletion of the Mineral Resource model is believed to be due to several factors:

- The material coded as mineralised waste in the block model was mined as ore (0.12 million tonne). When included as ore, the discrepancy reduces from 0.37 million tonne to 0.25 million tonne, or 126% of the tonnes predicted from the resource model; and
- The geological interpretation underpinning the Mineral Resource model may have predicted less mineralisation within the volume of material mined during the financial year.

Notwithstanding the above, the Group will further investigate the reason for the above differences in preparation for the development of the next geological model and Mineral Resource estimate as and when more drilling results from Chaah mine are available.

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 which is relevant to the styles of mineralisation and types 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 compiled by Mr Will Coverdale, who is a Competent Person and a Member of the Australasian Institute of Mining and Metallurgy. Mr Coverdale is an Associate Principal Mining Consultant of Derisk Geomining Consultants Pty Ltd. Mr Coverdale has sufficient experience which is relevant to the styles of mineralisation and types 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 Coverdale 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.

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

25 Incorporation of SAM Mineral Trade Sdn Bhd (“SMT”)

The Company has on 28 August 2020 incorporated a Malaysian wholly-owned subsidiary, SAM Mineral Trade Sdn. Bhd.

The objective of SMT is of intention to carry out trading of iron ore, manganese, ferromanganese; lead, copper and tin. The current share capital of SMT is RM1.00 and it remains dormant since its date of incorporation.

As the incorporation of SMT was after the financial year ended 31 July 2020, it did not have any impact on the net assets and the earnings per share of the Group for the financial year ending 31 July 2021.

BY ORDER OF THE BOARD

Dato’ Sri Pek Kok Sam

Chief Executive Officer

25 September 2020

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

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

The contact person for the Sponsor is Ms. Gillian Goh, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.