Southern Alliance Mining Ltd.
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FOR IMMEDIATE RELEASE

Southern Alliance Mining reports record revenue and profit for FY2021 as net profit after tax increases 139% yoy to RM148.1 million

- Revenue increased 52% yoy to RM387.4 million, driven by higher average realised selling price ("ARSP")
- Gross profit increased 94% yoy to RM208.0 million while gross profit margin expanded by 11.6 percentage points to 54% for FY2021
- The Board of Directors proposed a final dividend of 1.6 Singapore cents per share for FY2021 (FY2020: 0.6 Singapore cents per share), representing a 167% increase yoy

Singapore, 24 September 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, is pleased to announce its financial results for the financial year ended 31 July 2021 ("**FY2021**").

Financial Overview

The Group's revenue increased 52% year-on-year ("**yoy**") to RM387.4 million for FY2021. The revenue increase was mainly driven by an increase in the average realised selling price ("**ARSP**") across products as well as an increase in sales volume of iron ore concentrate.

In FY2021, iron ore concentrate sales volume increased by approximately 8% yoy or 43,200 dried metric ton ("**DMT**") to 600,000 DMT, whereas ARSP increased by 76% yoy to reach RM626.42 per DMT.

Financial Highlights (RM million)	FY2021	FY2020	Change
Revenue	387.4	254.2	*52%*
Gross Profit	208.0	107.1	*94%*
Gross Profit Margin (%)	53.7%	42.1%	*11.6 pts*
Net Profit before tax	190.3	87.0	*119%*
Income Tax expense	(42.2)	(24.9)	*69%*
Net Profit	148.1	62.1	*139%*
EPS (RM cents)	30.29	12.77	*137%*

In tandem with the increase in turnover, the Group reported an increase in cost of sales by 22% yoy to RM179.4 million in FY2021. This was mainly attributable to an increase in depreciation costs of plant and equipment as well as rising operating expenses such as tribute expense, blasting and drilling cost, staff cost, port related charges and electricity charges.

As a result of the revenue increasing at a faster pace compared to the cost of sales, the Group's gross profit increased by 94% yoy to reach RM208.0 million in FY2021. Consequently, gross profit margin expanded by 11.6 percentage points yoy to 54% for FY2021.

The Group also experienced a 5% yoy increase in general and administrative expenses to reach RM23.4 million in FY2021. Despite the absence of the one-off initial public offering expenses of RM7.4 million that was incurred in FY2020, the general and administrative expenses increased mainly due to an increase in employee benefits and payroll by 75% to RM17.7 million.

In tandem with the rise in gross profit and partially offset by the increase in general and administrative expenses, profit before tax increased 119% yoy to reach RM190.3 million for FY2021. In line with the healthy performance of the Group, a RM17.3 million higher income tax expense of RM42.2 million was incurred.

The Group recorded a 139% yoy increase in net profit after tax to RM148.1 million for FY2021. The Group reported earnings per share of RM30.29 cents for FY2021, compared to RM12.77 cents for FY2020.

The Group generated RM173.1 million in net cash flows from operating activities in FY2021, a 55% yoy increase compared to that of FY2020. As at 31 July 2021, the Group had a robust balance sheet with cash and bank balances of RM281.1 million and borrowings of only RM4.1 million. Net asset value per ordinary share for the Group was 74.82 Malaysian cents as at 31 July 2021, compared to 46.38 Malaysian cents as at 31 July 2020.

The Group proposed a final dividend of 1.6 Singapore cents per share for FY2021, representing a pay-out ratio of about 16% of the Group's net profit after tax and a 167% yoy increase in pay-out as compared to that of FY2020.

Business Review and Market Outlook

While the pandemic raged globally in 2020, 2021 brought a fresh outlook as governments around the world declared it as endemic and focused more on economic recovery. The focus shifted from counting Covid-19 infections to increasing vaccination rates. Notwithstanding the disruptions caused by the pandemic, such as movement control order[1], the Group leveraged on the uptick in the commodities industry as iron ore demand continued to soar at record levels due to an infrastructure-led recovery adopted by its key markets.

The strong demand coupled with tepid supply growth led to iron ore prices skyrocketing in FY2021. This can be attributed to countries introducing widespread stimulus packages targeted at boosting investment and spending in FY2021. However, we have seen a significant correction in iron ore prices due to the Chinese government's tightening on steel output as well as the closure of a key terminal port[2].

[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)
[2] 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)

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Being the major iron ore producer in the world, Brazil is still recovering from the aftermath of the pandemic and hasn't been able to reach optimal levels of production causing a supply side constraint in the industry. Furthermore, iron ore imports from China were 2.6% higher yoy in the first half of 2021[3]. The strong demand from China coupled with the geopolitical tensions between China and Australia[4] has allowed Malaysian iron ore players to emerge as the primary beneficiary of the strong demand momentum which is expected to continue going forward[5].

Despite the temporary downturn in prices, we remain cautiously optimistic of our future outlook as demand for iron ore will continue to improve backed by the infrastructure-led economic recovery.

Furthermore, having acquired an additional mining lease adjacent to the existing Mao'kil mine, the Group will continue with its planned drilling programs, focusing on exploration activities at Chaah as well as Mao'kil mines. In FY2021, the Group's mining operations excavated approximately 0.97 million tonnes of ore from the Chaah mine and processed approximately 1.0 million tonnes of ore. Lastly, on 16 July 2021, the Group entered into a joint venture agreement with the Sultan of Johor to diversify its business and venture into gold mining operations.

Dato' Sri Pek Kok Sam, CEO and Executive Director of the Group, commented, *"FY2021 was a remarkable year for us as we reported record growth in our financial performance. However, we will continue to push forward and strive to build a stronger financial position to create incremental value for our stakeholders. Having obtained a new mining lease, we will further expand our exploration activities and improve our production capacities to capitalise on this super cycle phase. Moreover, to reduce our iron ore price volatility risk and provide greater sustainability to our earnings, we have also embarked into gold mining operations and are confident of its potential to generate a strong yield going forward. Although the Covid-19 pandemic is still evolving, we are confident of our growth prospects as iron ore demand continues to remain strong and hence, will continue to buoy iron ore prices upwards.*

[3] Reuters: China's iron ore imports hit 13-month low, more weakness seen (https://www.reuters.com/article/us-china-economy-trade-idUSKBN2EJ09S)
[4] Global Times: GT Voice: Surging iron ore prices fuel China's diversification efforts (https://www.globaltimes.cn/page/202107/1228581.shtml)
[5] Mining: Iron ore price rises on China steel demand optimism (https://www.mining.com/iron-ore-price-rises-on-china-steel-demand-optimism/)

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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.

Issued for and on behalf of Southern Alliance Mining Ltd.
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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 press release.

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