Southern Alliance Mining Ltd

(Company Registration No. 201931423D)

Unaudited Condensed Interim Financial Statements
For the Six Months Ended 31 January 2023 ("1H FY2023")

Background

Southern Alliance Mining Ltd. (the "**Company**") and together with its subsidiaries, (the "**Group**") is an established, respected and trusted high-grade iron ore producer in Asia. The Group is principally involved in the exploration, mining and processing of high-grade iron ore concentrate for subsequent sales. The Group also produces crushed iron ore which is used to coat subsea pipe for the oil and gas industry. Based in Pahang, Malaysia, the Group has been operating the Chaah Mine located at Johor, Malaysia since 2008 and has also been granted the right to carry out exploration and mining operations at three potential iron ore mines located in Johor, Malaysia. The Group has also extended its core business to include mining of gold and other precious metals, base metals and minerals as well as trading in other commodities. The Group has been granted to right to carry out exploration for gold mineralisation in the State of Johor and had commenced exploration activities since February 2022.

The Company was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 26 June 2020. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**").

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PART I – UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR 1H FY2023

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

		Group		
		Six Months Ended		
		31-Jan-23	31-Jan-22	
		(Unaudited)	**(Unaudited)**	Changes
	Note	RM'000	RM'000	(%)
Revenue	4	52,183	98,486	-47.0%
Cost of sales		(55,006)	(64,999)	-15.4%
Gross (loss)/profit		(2,823)	33,487	-108.4%
Other income		1,602	1,796	-10.8%
Other operating expenses		(907)	(423)	114.4%
General and administrative expenses		(7,439)	(7,312)	1.7%
Share of loss of joint ventures		(304)	-	100.0%
Finance costs		(330)	(169)	95.3%
(Loss)/profit before tax	5	(10,201)	27,379	-137.3%
Income tax benefit/(expense)	6	3,188	(8,029)	-139.7%
(Loss)/profit after tax, representing total comprehensive income for the period		(7,013)	19,350	-136.2%
(Loss)/earnings per share (Malaysian cents per share)				
Basic and diluted		(1.43)	3.96	-136.3%

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B. Condensed Interim Statements of Financial Position

	Note	Group 31-Jan-23 (Unaudited) RM'000	Group 31-Jul-22 (Audited) RM'000	Company 31-Jan-23 (Unaudited) RM'000	Company 31-Jul-22 (Audited) RM'000
Assets					
Non-current assets					
Property, plant and equipment	10	74,348	74,543	-	-
Mine properties	11	34,820	25,497	-	-
Exploration and evaluation assets		17,301	13,017	-	-
Investment in subsidiaries		-	-	174,565	174,565
Investment securities		77	39	-	-
Investment in joint ventures		9,651	-	-	-
Investment in redeemable preference shares		-	-	10,000	10,000
		136,197	113,096	184,565	184,565
Current assets					
Inventory		7,688	5,468	-	-
Trade and other receivables		32,517	26,067	8,386	3,725
Contract assets		1,227	1,979	-	-
Prepayments		1,506	2,039	43	137
Cash and bank balances		168,397	221,385	28,973	31,570
Income tax recoverable		32,131	24,538	4	-
		243,466	281,476	37,406	35,432
Total assets		379,663	394,572	221,971	219,997
Liabilities					
Current liabilities					
Lease and hire purchase liabilities	12	5,921	5,239	-	-
Trade and other payables		14,999	17,448	460	742
		20,920	22,687	460	742
Net current assets		222,546	258,789	36,946	34,690
Non-current liabilities					
Lease and hire purchase liabilities	12	7,273	6,289	-	-
Deferred tax liabilities		3,978	7,430	-	-
		11,251	13,719	-	-
Total liabilities		32,171	36,406	460	742
Net assets		347,492	358,166	221,511	219,255
Equity attributable to owners of the Company					
Share capital	13	218,154	218,154	218,154	218,154
Treasury shares	13	(509)	(467)	(509)	(467)
Retained earnings		292,479	303,111	3,866	1,568
Merger reserve		(163,380)	(163,380)	-	-
		346,744	357,418	221,511	219,255
Preference shares		733	733	-	-
Non-controlling interest		15	15	-	-
Total equity		347,492	358,166	221,511	219,255

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C. Condensed Interim Consolidated Statement of Cash Flows

	Group Half Year Ended 31-Jan-23 (Unaudited) RM'000	Group Half Year Ended 31-Jan-22 (Unaudited) RM'000
Operating activities		
(Loss)/profit before tax	(10,201)	27,379
Adjustments for:		
Interest expenses	330	169
Interest income	(1,105)	(1,530)
Unrealised loss on foreign exchange	1,845	943
Depreciation of property, plant and equipment	7,174	4,768
Gain on disposal of property, plant and equipment	(222)	-
Amortisation of mine properties	2,263	1,755
Fair value gain on investment securities	(38)	-
Share of loss of joint ventures	304	-
Total adjustments	10,551	6,105
Operating cash flows before changes in working capital	350	33,484
Changes in working capital:		
Increase in inventories	(2,220)	(267)
(Increase)/decrease in trade and other receivables and contract assets	(2,262)	42,005
Decrease in prepayments	533	3,937
Decrease in trade and other payables	(3,193)	(29,101)
Total working capital changes	(7,142)	16,574
Cash flows (used in)/from operations	(6,792)	50,058
Income taxes paid	(7,857)	(29,964)
Interest received	1,105	1,530
Interest paid	(330)	(169)
Net cash (used in)/from operating activities	(13,874)	21,455

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	Group Half Year Ended	
	31-Jan-23 (Unaudited) RM'000	31-Jan-22 (Unaudited) RM'000
Investing activities		
Investment in exploration and evaluation assets	(4,284)	(2,208)
Purchase of property, plant and equipment	(5,825)	(10,869)
Proceeds from disposal of property, plant and equipment	215	-
Uplift/(placement) of term deposits	20,207	(10,076)
Expenditures on stripping activity assets	(9,618)	(11,949)
Investment in joint ventures	(10,159)	-
Net cash used in investing activities	(9,464)	(35,102)
Financing activities		
Repayment of obligations under leases	(3,866)	(2,019)
Purchase of treasury shares	(42)	(467)
Dividends paid on ordinary and preference shares	(3,619)	(24,265)
Net cash used in financing activities	(7,527)	(26,751)
Net decrease in cash and cash equivalents	(30,865)	(40,398)
Effect of exchange rate changes on cash and cash equivalents	(1,916)	(978)
Cash and cash equivalents at beginning of financial period	184,894	245,506
Cash and cash equivalents at end of financial period	152,113	204,130

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

	31-Jan-23 RM'000	31-Jan-22 RM'000
Cash and bank balances	168,397	249,845
Less:		
Deposits more than three months	(16,284)	(45,715)
Cash and cash equivalents at end of financial period	152,113	204,130

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D. Condensed Interim Statements of Changes in Equity

	Attributable to the owners of the Company							
	Share capital RM'000	**Treasury shares** RM'000	**Merger reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000	**Preference shares** RM'000	**Non-controlling interests** RM'000	**Total equity** RM'000
Group								
1H FY2023								
Opening balance at 1 August 2022 (audited)	218,154	(467)	(163,380)	303,111	357,418	733	15	358,166
Loss for the period representing total comprehensive income	-	-	-	(7,013)	(7,013)	-	-	(7,013)
Transactions with owners								
Purchase of treasury shares	-	(42)	-	-	(42)	-	-	(42)
Dividends on ordinary and preference shares	-	-	-	(3,619)	(3,619)	-	-	(3,619)
Total transactions with owners	-	(42)	-	(3,619)	(3,661)	-	-	(3,661)
Closing balance at 31 January 2023 (unaudited)	218,154	(509)	(163,380)	292,479	346,744	733	15	347,492
1H FY 2022								
Opening balance at 1 August 2021 (audited)	218,154	–	(163,380)	311,103	365,877	733	–	366,610
Profit for the period representing total comprehensive income	–	–	–	19,350	19,350	–	–	19,350
Transactions with owners								
Purchase of treasury shares	–	(467)	–	–	(467)	–	–	(467)
Dividends on ordinary and preference shares	–	–	–	(24,265)	(24,265)	–	–	(24,265)
Total transactions with owners	–	(467)	–	(24,265)	(24,732)	–	–	(24,732)
Partial disposal of an investment in a subsidiary	–	–	–	–	–	–	15	15
Closing balance at 31 January 2022 (unaudited)	218,154	(467)	(163,380)	306,188	360,495	733	15	361,243

Company	Share capital RM'000	Treasury shares RM'000	Accumulated profit/(losses) RM'000	Total equity RM'000
1H FY 2023				
Opening balance at 1 August 2022 (audited)	218,154	(467)	1,568	219,255
Profit for the period representing total comprehensive income	–	–	5,817	5,817
<u>Transaction with owners</u>				
Dividends on ordinary and preference shares	–	–	(3,519)	(3,519)
Purchase of treasury shares	–	(42)	–	(42)
Closing balance at 31 January 2023 (unaudited)	218,154	(509)	3,866	221,511
1H FY 2022				
Opening balance at 1 August 2021 (audited)	218,154	–	(10,461)	207,693
Profit for the period representing total comprehensive income	–	–	35,997	35,997
<u>Transactions with owners</u>				
Dividends on ordinary and preference shares	–	–	(24,165)	(24,165)
Purchase of treasury shares	–	(467)	–	(467)
Closing balance at 31 January 2022 (unaudited)	218,154	(467)	1,371	219,058

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E. Notes to the Condensed Interim Consolidated Financial Statements

Note 1 – Corporate information

The Company was incorporated on 19 September 2019 under the Companies Act 1967 of Singapore as a private limited company domiciled in Singapore. On 27 April 2020, the Company was converted to a public company limited by shares and whose shares are publicly traded on the Catalist of the SGX-ST. These condensed interim consolidated financial statements as at and for the six months ended 31 January 2023 comprise the Company and its subsidiaries (collectively, the "Group").

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are mining, processing and sales of iron ore. The Group has, since August 2021, extended its core business to include mining of gold and other precious metals, base metals and minerals as well as trading in other commodities.

Note 2 – Basis of preparation

The condensed interim consolidated financial statements for the six months and full year ended 31 July 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim consolidated financial statements do not include all the information and disclosures required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the period ended 31 July 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim consolidated financial statements are presented in Malaysian Ringgit ("RM").

2.1 New and amended standards adopted by the Group

The Group has adopted all the applicable new and revised SFRS(I) and SFRS(I) Interpretations that are mandatory for the accounting periods beginning on or after 1 August 2022. The adoptions of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group for the current financial period reported on.

2.2 Use of judgements and estimates

The preparation of the Group's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the condensed interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 July 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are detailed in Notes 2.2.1 and 2.2.2.

2.2.1 Judgements made in applying accounting policies

(a) *Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income and deductible expenditures. The Group establishes provisions and recognises tax recoverable positions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions and tax recoverable are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority as well as judgement made on whether it is probable that the Group's tax positions would be accepted by the tax authority. The carrying amounts of the income tax recoverable and deferred tax liabilities as at 31 January 2023 is RM32,131,000 (31 July 2022: RM24,538,000) and RM3,978,000 (31 July 2022: RM7,430,000) respectively.

(b) *Stripping (waste removal) costs*

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

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

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

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

2.2.2 Key sources of estimation uncertainty

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

Amortisation of mine properties

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

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

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

Changes in estimates are accounted for prospectively.

Note 3 – Seasonality of operations

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

Note 4 – Revenue

	Six months period ended	
	31 January 2023	**31 January 2022**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Sales of iron ores	52,183	98,486

All revenues are derived from the operations based in Malaysia except for an amount of approximately RM1,120,000 for the financial period ended 31 January 2023 (31 January 2022: Nil) 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 January 2023	**31 January 2022**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Receivables from contracts with customers	5,346	5,515
Contract assets	1,227	150

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 January 2023	**31 January 2022**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Contract assets reclassified to receivables	1,979	29,505

Note 5 – Profit before tax

5.1 Significant items

	Group		
	Six months period ended		
	31 January 2023	31 January 2022	
	RM'000	RM'000	Changes
	Unaudited	**Unaudited**	(%)
Interest income from fixed deposits	(1,105)	(1,530)	-27.8%
Gain on disposal of property, plant and equipment	(222)	-	100.0%
Rendering of services	(90)	(75)	20.0%
Sundry income	(185)	(107)	72.9%
Finance costs	330	169	95.3%
Employee benefits expense	6,100	5,557	9.8%
Depreciation of property, plant and equipment	7,174	4,768	50.5%
Amortisation of mine properties	2,263	1,755	28.9%
Unrealised loss on foreign exchange	1,845	943	95.7%
Realised loss on foreign exchange	10	2	400.0%
Tributes	16,500	17,500	-5.7%
Royalties	366	549	-33.3%

5.2 Related party transactions

(a) ***Sales and purchases of goods and services***

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial period:

	Group	
	Six months period ended	
	31 January 2023	31 January 2022
	RM'000	RM'000
	Unaudited	**Unaudited**
Transactions with related parties		
Hiring and transportation services procured	3,069	6,093
Purchase of lubricants, spare parts and equipment	980	942
Procurement of services	6	12
Purchase of equipment and mobile equipment	5,240	-
Sale of equipment to interested person	(3,367)	-

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

	Group Six months period ended 31 January 2023 RM'000 **Unaudited**	Group Six months period ended 31 January 2022 RM'000 **Unaudited**
Short-term employee benefits	2,132	1,819

Key management compensation comprises the following:

	31 January 2023	31 January 2022
Remuneration to Director of the Company	1,148	993
Directors' fees	509	329
Other key management personnel	331	350
Defined contributions	144	147
	2,132	1,819

Note 6 – Income tax

The Group calculates the period income tax expenses using the tax rate that would be applicable to the expected total annual earning based on the rates prevailing in the relevant jurisdiction. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Six months period ended 31 January 2023 RM'000 **Unaudited**	Six months period ended 31 January 2022 RM'000 **Unaudited**
Current income tax		
Current income taxation	-	5,150
Under provision in respect of previous years	265	2
Deferred income tax		
Origination and reversal of temporary differences	(3,380)	2,865
(Over)/under provision in respect of previous year	(73)	12
Income tax recognised in profit and loss	(3,188)	8,029

Note 7 - Dividends

	Group	
	Six months period ended	
	31 January 2023	**31 January 2022**
	RM'000	RM'000
	Unaudited	**Unaudited**
Declared and paid during the financial period		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2022: 0.72 Malaysian cents per share (2021: 4.9 Malaysian cents per share)	3,519	24,165
Dividends on preference shares		
- Final exempt (one-tier) dividend for 2022: 13.6 Malaysian cents per share (2021: 13.6 Malaysian cents per share)	100	100
	3,619	24,265

Note 8 – (Losses)/earnings per ordinary share ("LPS" or "EPS")

	Group	
	Six months period ended	
	31 January 2023	**31 January 2022**
	Unaudited	**Unaudited**
(Loss)/profit attributable to shareholders of the Company (RM'000)	(7,013)	19,350
Weighted average number of ordinary shares in issue ('000 shares)	488,776	488,917
Basic and fully diluted basis LPS/EPS (Malaysian cents)	(1.43)	3.96

LPS or EPS is calculated by dividing the Group's (loss)/profit attributable to owners of the Company with the weighted average number of ordinary shares during the period. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued or bought back during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

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

Note 9 – Net asset value

	Group		Company	
	31 January 2023	**31 July 2022**	**31 January 2023**	**31 July 2022**
	Unaudited	**Audited**	**Unaudited**	**Audited**
Net asset value (RM'000)	346,744	357,418	221,511	219,255
Number of issued shares ('000)	488,759	488,789	488,759	488,789
Net asset value per share (Malaysian cents)	70.94	73.12	45.32	44.86

The net asset value per ordinary share of the Group and the Company as at 31 January 2023 were calculated based on the total issued number of ordinary shares (excluding treasury shares) of 488,759,000 (31 July 2022: 488,789,000).

Note 10 – Property, plant and equipment

During the six months period ended 31 January 2023, the Group acquired assets amounting to RM12,103,000 (31 January 2022: RM20,558,000) and disposed of assets amounting to RM3,156,000 (31 January 2022: Nil). The cash outflow on acquisition of property, plant and equipment amounted to RM5,825,000 (31 January 2022: RM10,869,000). Out of total proceeds from disposed assets that amounted to RM3,582,000 (31 January 2022: Nil), the Group had received cash inflows from disposed assets of RM215,000 (31 January 2022: Nil). Accordingly, the Group recorded a gain on disposal amounted to RM222,000 (31 January 2022: Nil) after eliminating the downstream gain of RM204,000 (31 January 2022: Nil) for assets disposed to a joint venture.

Note 11 – Mine properties

	Producing mine	**Stripping activity asset**	**Total**
	RM'000	RM'000	RM'000
Group			
Cost			
At 1 August 2021	18,259	46,404	64,663
Addition during the year	- (1)	7,590	7,590
At 31 July 2022	18,259	53,994	72,253
Addition during the period	- (1)	11,586 (2)	11,586
At 31 January 2023	18,259	65,580	83,839
Accumulated amortisation			
At 1 August 2021	12,217	29,908	42,125
Charge for the year	891	3,740	4,631
At 31 July 2022	13,108	33,648	46,756
Charge for the period	309	1,954	2,263
At 31 January 2023	13,417	35,602	49,019
Net carrying amount			
At 31 July 2022	5,151	20,346	25,497
At 31 January 2023	4,842	29,978	34,820

Note:

(1) There were no capitalization of cost related to the producing mine in the financial period ended 31 January 2023.

(2) During the period ended 31 January 2023, the Group has capitalized RM11,586,000 as stripping activity assets which consist of non-cash depreciation capitalized of RM1,968,000 and cash outflow of RM9,618,000 incurred for stripping activities.

Note 12 – Lease and hire purchase liabilities

	31 January 2023 RM'000 Unaudited	31 July 2022 RM'000 Audited
Group		
Current		
Secured:		
Lease and hire purchase liabilities	5,921	5,239
Non–current		
Secured:		
Lease and hire purchase liabilities	7,273	6,289
Total lease and hire purchase liabilities	13,194	11,528

Finance lease liabilities were classified to lease liabilities on 1 August 2019 arising from the adoption of SFRS(I) 16. These lease liabilities are secured by a charge over the leased assets as well as way of corporate guarantee by the Company or personal guarantee and indemnity by Dato' Sri Pek Kok Sam, the Executive Director and Chief Executive Officer and/or Mr Pek Kok Hing, brother of Dato' Sri Pek Kok Sam. The Company had provided corporate guarantee as security for the borrowing facilities granted after the listing of the Company. The average discount rate implicit in the leases is 2.42% (31 July 2022: 2.42%) per annum.

There are no unsecured borrowings and/or debt securities as at 31 January 2023 and 31 July 2022.

Note 13 – Share capital and treasury shares

	Group and Company			
	31 January 2023		**31 July 2022**	
	No. of shares **Unaudited**	RM'000 **Unaudited**	No. of shares **Audited**	RM'000 **Audited**
Share capital				
Issued and fully paid ordinary shares	489,000,000	218,154	489,000,000	218,154
Treasury shares				
As at 1 August 2022/2021	211,000	467	-	-
Purchased during the period/year	30,000	42	211,000	467
As at 31 January 2023/31 July 2022	241,000	509	211,000	467

As at 31 January 2023, the Company's total issued shares is 488,759,000 ordinary shares (31 July 2022: 488,789,000) excluding 241,000 shares held as treasury shares (31 July 2022: 211,000).

Treasury shares relate to ordinary shares of the Company that is held by the Company.

Note 14 – Capital commitments

As at the end of the reporting period, commitments in respect of capital expenditures are as follows:

	31 January 2023 RM'000	31 July 2022 RM'000
Group		
Capital expenditures contracted but not provided for		
- Plant and equipment	34,700	34,700

Note 15 – Subsequent events

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

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PART II – OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES

1 Review

The condensed consolidated statement of financial position of Southern Alliance Mining Ltd. and its subsidiaries as at 31 January 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and certain explanatory notes have not been audited or reviewed.

The Group's latest audited financial statements for the year ended 31 July 2022 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review for the performance of the Group for the half year ended 31 January 2023 ("1H FY2023") compared to the half year ended 31 January 2022 ("1H FY2022")

Consolidated Statement of Comprehensive Income

Revenue

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

The Group's revenue decreased by 47.0% from RM98.5 million in 1H FY2022 to RM52.2 million in 1H FY2023. The decrease is mainly due to intense overburden removal activities that the Chaah Mine underwent during the period, which was required in accordance with the mining schedule, which resulted in lower volume of ore produced in 1H FY2023.

Average realised selling price ("**ARSP**")
The movement of ARSP in 1H FY2023 as compared to 1H FY2022 is set out in the table below.

ARSP per dried metric ton ("DMT")/metric ton ("MT")	1H FY2023	1H FY2022	Increase/(decrease) (%)
Iron ore concentrate	RM418.85	RM503.47	-16.8%
Crushed iron ore	RM560.00	- *	100.0%
Iron ore tailing	RM225.00	RM241.89	-7.0%

*Note * : There is no ARSP recorded for 1H FY2022 as there was no order from the pipe coating industry resulting in no sale of crushed iron ore in 1H FY2022.*

Sales volume

The Group reported a decrease in sales volume of the following products in 1H FY2023 compared to 1H FY2022:

(i) a decrease of approximately 73,200 DMT or 37.5% of iron ore concentrate compared to 1H FY2022. This is mainly attributable to lesser ores produced due to the requirement to remove the overburden in accordance with the mining schedule; and

(ii) a decrease of approximately 1,200 DMT, representing a 83.7% decrease of iron ore tailings sales volume from 1H FY2022 due to reduced tailing available for sale in the tailing pond. This is in line with lesser iron ore was processed during the period.

The decrease was partially offset by an order from the pipe coating industry of approximately 2,000 MT in 1H FY2023.

Cost of sales

While the Group has reported a decrease in turnover by 47.0%, our cost of sales only decreased 15.4% from RM65.0 million in 1H FY2022 to RM55.0 million in 1H FY2023. The lower percentage of decrease in cost of sales as compared to the decrease in turnover is mainly due to overburden removal activities which are still being carried out throughout the period. The decrease in our cost of sales is contributed by the following:

(i) the processing cost consisting of fuel and electricity cost, maintenance cost and sub-contractors' fees which decreased by RM5.8 million or 41.8%;
(ii) a decrease in sales and related cost consisting of logistic and port related cost, tributes and royalties by RM3.7 million or 16.1% in 1H FY2023; and
(iii) a decrease in cost of purchasing of iron ore by RM2.5 million as there was no purchase in 1H FY2023.

However, the decrease in processing and sales and related cost was partially offset by an increase in the depreciation charges of plant and equipment by RM2.0 million or 46.7% in 1H FY2023 due to the additional machinery capacities in carrying out intensive overburden removal job.

Gross profit and gross profit margin

The decrease in revenue outweighed that of cost of sales resulting in 108.4% decrease in the Group's gross profit from RM33.5 million in 1H FY2022 to gross loss of RM2.8 million in 1H FY2023. This resulted in a drop in the gross profit margin by 39.4 percentage points, from 34.0% in 1H FY2022 to -5.4% in 1H FY2023.

Other income

Other income decreased by 10.8% from RM1.8 million in 1H FY2022 to RM1.6 million in 1H FY2023. This was mainly attributed to decrease in interest income by RM0.4 million. The decrease was offset by a disposal gain of RM0.2 million recorded in 1H FY2023.

Other operating expenses

Other operating expenses has doubled to RM0.9 million in 1H FY2023 mainly due to an increase in the depreciation charges for the new office premise and new motor vehicles to supplant the old fleets.

General and administrative expenses

The general and administrative expenses mainly consist of administrative expenses, professional fees and payroll. There is no significant change in general and administrative expenses incurred by the Group.

Share of loss of joint ventures

The Group shared a post-acquisition net loss of approximately RM0.3 million in the joint ventures. The losses mainly related to the pre-operating expenses incurred by the joint ventures and attributable to the Group.

Profit before tax

As a result of the foregoing, the Group's profit before tax decreased by approximately RM37.6 million or 137.3% to loss before tax of RM10.2 million in 1H FY2023.

Income tax expense

The Group recorded an income tax benefit of RM3.2 million in 1H FY2023 as a result of the recognition of deductible temporary differences on unused tax credits and tax losses, representing a decrease of RM11.2 million from income tax expense of RM8.0 million in 1H FY2022. The decrease is in line with the drop in profit before tax of the Group in 1H FY2023.

Review for the financial position of the Group as at 31 January 2023 compared to as at 31 July 2022

Consolidated Statement of Financial Position

Non-current assets

Property, plant and equipment constituted approximately 54.6% of the Group's non-current assets as at 31 January 2023. There is no significant change in property, plant and equipment in which the purchase of mobile equipment, motor vehicles and construction of new workshop of approximately RM12.1 million has been offset by disposals of approximately RM3.2 million and depreciation charges of approximately RM9.1 million, including RM2.0 million which was capitalised under mine properties as at 31 January 2023.

Mine properties made up approximately one-fourth of non-current assets. The increase in mine properties of RM9.3 million or approximately 36.6% was mainly attributable to the capitalisation of production stripping activity costs amounting to RM11.6 million, which is in line with the Group's accounting policy. The increase is partially offset by the continued amortisation of the mine properties which consist of stripping activity asset, and producing mines of RM2.3 million. This had resulted in the increase of mine properties by RM9.3 million to RM34.8 million as at 31 January 2023.

As part of the ongoing exploration works conducted by the Group, exploration and evaluation assets has increased by RM4.3 million or 32.9% to RM17.3 million as at 31 January 2023. Exploration and evaluation assets mainly relates to the exploration cost incurred on prospect sites located at the State of Johor, Malaysia.

Also, as part of the Group's long-term growth strategy and to have access to cash flow streams from different business lines, the Group had jointly ventured into a base metal exploration project in the State of Sabah and entered into a joint arrangement with an experienced iron ore mining company in 1H FY2023. The carrying amount of the investment in joint ventures, being Rigid Temau Sdn Bhd and Maha Hijau Sdn Bhd, as at 31 January 2023 is RM9.6 million.

Current assets

The Group's cash and bank balances made up approximately two-third of current assets as at 31 January 2023. Please refer to cash flow analysis below for details on fluctuation of cash and cash equivalents.

The increase in trade and other receivables by RM6.5 million mainly attributed to advances injection of approximately RM6.2 million into joint ventures to finance the operation.

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 delivered or date delivered as the case maybe. An accrual will be made for the billing of contract assets which was not raised as at reporting cut-off date due to the contractual timing. The contract assets dropped from RM2.0 million as at 31 July 2022 to RM1.2 million as at 31 January 2023 arising from the terms of sales for the sales contracts which supply had been completed at the end of the reporting period.

Inventory increased by 40.6% from approximately RM5.5 million as at 31 July 2022 to approximately RM7.7 million as at 31 January 2023.

The advance payment for the purchase of imported spare parts recorded in prepayments has decreased to RM1.5 million as at 31 January 2023 from RM2.0 million as at 31 July 2022 as the parts had been completed and delivered as at 31 January 2023.

The income tax recoverable of RM32.1 million as at 31 January 2023 consist of prepaid tax instalment paid for FY2022 and 1H FY2023 amounting to RM26.3 million and over provision of tax in respect of prior years amounting to RM5.8 million.

Current liabilities
The Group's current liabilities amounted to RM20.9 million as at 31 January 2023, representing 8.6% of Group's current assets as compared to 8.1% as at 31 July 2022.

The decrease of RM1.8 million in total current liabilities from RM22.7 million as at 31 July 2022 to RM20.9 million as at 31 July 2022 was due to the decrease in the Group's trade and other payables by RM2.5 million or 14.0% to RM15.0 million as at 31 January 2023. This was due to payment made to suppliers and decrease in accrual for commitments and fees by RM5.4 million and RM0.9 million respectively. The decrease in accrued commitments is mainly attributed to decrease in cost of sales. The decrease is offset by a deposit from customer of RM3.8 million.

The decrease in current liabilities was partially offset by an increase of RM0.7 million in lease and hire purchases for mining equipment payable in line with increased capital expenditure committed.

Non-current liabilities
Non-current liabilities refer to the lease and hire purchase liabilities that fall due over a period of more than 12 months of RM7.3 million and deferred tax liabilities of RM4.0 million.

The non-current lease and hire purchase liabilities increased by 15.6% or RM1.0 million to RM7.3 million as at 31 January 2023 as a result from the addition of mining equipment.

The deferred tax liabilities decreased to RM4.0 million as at 31 January 2023 as compared to RM7.4 million as at 31 July 2022 mainly due to the unabsorbed capital allowances and unutilised business losses recognised in 1H FY2023.

Consolidated Statement of Cash Flow

The Group spent approximately RM13.9 million of net cash in operating activities in 1H FY2023 compared to an inflow of RM21.5 million in 1H FY2022. The additional cash outflow of RM35.4 million was mainly due to the drop in the profit before tax from 1H FY2022 and increased utilisation for working capital and income taxes paid. Details are elaborated in the above sections.

During 1H FY2023, the Group's net cash used in investing activities was RM9.5 million compared to RM35.1 million used in 1H FY2022. The Group invested RM5.8 million in property, plant and equipment in 1H FY2023, representing a decrease of RM5.1 million from 1H FY2022. In addition, the Group also spent RM4.3 million on exploration activities which was capitalised as exploration and evaluation assets in the balance sheet. The Group has also spent and capitalised RM9.6 million as stripping activity assets under mine properties and paid approximately RM10.2 million to Rigid Temau Sdn Bhd and Maha Hijau Sdn Bhd as part of the total purchase considerations in 1H FY2023. The effect of net cash used in investing activities was partially offset by the withdrawal of term deposits of RM20.2 million and the proceeds from disposal of fixed assets amounting to approximately RM0.2 million.

During 1H FY2023, the Group paid a final dividend in respect of the financial year ended 31 July 2022 of approximately RM3.6 million to the ordinary and preference shareholders. The Group has also made repayments of approximately RM3.9 million in 1H FY2023 for its hire purchase facilities as compared to RM2.0 million in 1H FY2022.

The Group also recorded a loss of RM1.9 million in 1H FY2023 as a result of the changes in exchange rate on cash and cash equivalents.

The combined effects of the above resulted in a net decrease in the Group's cash and cash equivalents by RM32.8 million in 1H FY2023 compared to RM41.4 million in 1H FY2022.

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

Not applicable. No forecast or prospect statement has been previously issued to the shareholders for the current financial year reported on.

4 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

For most of 2022, the global economy was still reeling from the pandemic. Amidst the push for economic recovery post pandemic, higher-than-expected inflation, especially in some of the largest countries in the world, triggered hawkish monetary policies across central banks, once again impacting business momentum. The armed conflict between Russia and Ukraine, first reported in February 2022, only added to the uncertain economic and political outlook. The tense geopolitical situation weighed heavily on freight and energy prices across the world as they peaked to unexpected levels in 2022[1] and are expected to remain elevated throughout 2023. On the brighter side, supply chain challenges are gradually easing. In the midst of all this, Malaysia has undergone major political transformation – Anwar Ibrahim was sworn in as prime minister on 24 November 2022, concluding a three-decade political journey full of instability and turmoil[2]. While Anwar has taken over at an economically challenging time, his appointment is expected to reduce corruption and create a business environment that is more conducive to growth. Additionally, the Malaysian Government expanded the 2023 national budget in order to stimulate the economic growth of the country[3]. These factors are expected to benefit the Group's operations in the short to medium term. In the backdrop of the current uncertain macroeconomic landscape, the Group continues to seek lucrative inorganic and organic growth opportunities.

In the second half of 2022, iron ore prices plummeted almost 50% since their peak in March 2022. In November 2022, the iron ore prices fell to a low of US$80.02/t.[4] This was mainly due to reduced demand worldwide, especially China. Covid restrictions in China, energy crises in Europe and interest rate hikes worldwide contributed to the decrease.[5] However, prices rebounded to US$123.37/t by the end of January 2023 as demand outlook improved post easing of movement restrictions in China.[5] While the iron ore supply and demand gap narrows, prices are expected to benefit in the near term.

The demand outlook for iron ore has been improving and is expected to drive the recovery in iron ore prices in 2023. China, that accounts for roughly a third of global demand for steel-making iron ore that is shipped by sea, decided to put an end to its three-year long zero-COVID-19 stance, removing all related restrictions in January 2023.[6] Subsequently, China's government stepped up measures to support the property market which has led to an increase in infrastructure and construction activity, boosting the previously constrained demand for steel.

[1] S&P Global: Upward price pressures will make cost savings difficult this year as costs rise by 7% over the first half of 2022
[2] Reuters: Malaysia's Anwar becomes prime minister, ending decades-long wait
[3] The Straits Times: Malaysia's expanded Budget ahead of state polls to aid poor, tax wealthy and narrow deficit
[4] Market Insider: Iron Ore Commodity Spot Prices
[5] Bloomberg: Iron Ore Collapses to Lowest Since 2020 as Demand Suffers
[6] Bloomberg: China Reopens Borders to the World in Removing Last Covid Zero Curbs

As a result of these occurrences, iron ore prices are expected to continue on an upward path on the back of higher Chinese imports.[7]

While supply of iron ore outstripped demand for most of 2022, the growing demand from Asian nations could potentially increase pressure on supply side. Some of the world's largest iron ore producers like Vale and Rio Tinto, who were forced to curtail supply capacity for most of 2022, are projecting an overall recovery in supply for 2023. The Australian Government estimates iron exports from Australia and Brazil to grow by ~3.1% in 2023 compared to the previous year.[8] However, unfavorable weather conditions and logistical delays may curtail iron ore supply in the short-term, increasing the commodity's prices even further.[8] Iron ore exports from the relatively smaller, yet impactful, producers like India plunged in October 2022 and are expected to remain low in the first few months of 2023 as the country dedicates its reserves to meet domestic demand.[9] However, the World Bank predicts a cautious outlook for iron ore prices due to global economic headwinds and uncertainty in 2023.

Looking back, a slowing global economy generally risks hurting demand for commodities. Having said that, the Group is mindful of the potential uncertainties going into 2023 and remains cautiously optimistic about iron ore outlook going forward. Good progress on our mergers and acquisitions through joint ventures arrangements, as well as calculated investments, have helped the Group's expansion and diversification efforts. The Group recently announced the appointment of a sub-contractor for underground mining in the northern extension zone of the Chaah Mine which is indicative of a potential increase in the Group's iron ore production to meet growing demand. Moreover, the Group's gold mining efforts remain promising and the Group is working tirelessly towards establishing greater sustainability in its operations.

Despite the challenges of the macroeconomic and political environment and cyclical price fluctuations, 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 RM168.4 million as at 31 January 2023, 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 RM13.2 million as at 31 January 2023.

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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[7] Reuters: Iron ore prices jabbed higher by prongs of China demand, supply woes
[8] Capital.com: Iron ore price forecast: Can the commodity maintain its upward trend?
[9] CNBC: Iron ore prices could rally as one leading producer remains reluctant to share, analysts say

5 **Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As at 31 January 2023, the Company's total issued shares is 488,759,000 ordinary shares (31 July 2022: 488,789,000) excluding 241,000 shares held as treasury shares (31 July 2022: 211,000).

As at 31 January 2023, the Company held 241,000 treasury shares (31 January 2022: 211,000) which represents 0.049% (31 January 2022: 0.043%) of the total number of issued shares (excluding treasury shares).

There were no outstanding options, convertible securities or subsidiary holdings as at 31 January 2023 and 31 January 2022.

6 **A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

7 **A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable, as the Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

8 **Dividend**

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

Any dividend declared for the current financial period reported on?

None.

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

None.

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

Not applicable.

(d) ***Date payable***

Not applicable.

(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***

Not applicable.

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

No dividend has been declared or recommended for the period ended 31 January 2023 as the dividend shall be guided by the results of the full financial year.

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

The Group has obtained approval from the Shareholders for the renewal of the general mandate, pursuant to Rule 920(2), during the Company's extraordinary general meeting held on 28 November 2022. Save as disclosed in the table below, there were no other interested person transactions of S$100,000 or above entered into during the financial period under review.

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
		RM'000	RM'000
Multiline Trading Sdn Bhd	Related party Entity of Managing Director, Dato' Sri Pek Kok Sam	-	3,241
Hchem Marketing (M) Sdn Bhd	Related party Entity of Managing Director, Dato' Sri Pek Kok Sam	-	809
Aras Kuasa Sdn Bhd	Related party Entity of Managing Director, Dato' Sri Pek Kok Sam and Non-Executive and Non-Independent Chairman, Dato' Teh Teck Tee	5,240	-
Rigid Temau Sdn Bhd	Related party Entity that jointly controlled by a wholly owned subsidiary of the Company, Honest Sam Development Sdn Bhd	(3,367)	-

The Group intends to seek for a renewal of the IPT General Mandate(1) 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(1), provided that they are carried out on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

Note (1) : These terms shall have the same meaning as ascribed to them in the Appendix to Company's annual report for the financial year ended 31 July 2022 published on 10 November 2022.

11 Use of IPO proceeds

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

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	(3,709)	(291)	-
Investment into mining equipment and infrastructure	3,000	(3,000)	-	-
Acquisition, joint ventures, strategic alliances and/or development of new mines	1,000	(1,000)	-	-
General working capital	3,937	(2,051)	(261)	1,625
TOTAL	11,937	(9,760)	(552)	1,625

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$2,312,000 with the details as follows:

Nature of Working Capital	Amount Utilised S$'000
Professional fees	1,334
Administrative expenses	889
Directors' insurances and training	89
	2,312

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

12 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the 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.

13 Additional information required pursuant to Rule 706A

During 1H FY2023, the Company did not incorporate, acquire or dispose of any shares resulting in any of the prescribed situations under Rule 706A.

14 Negative confirmation by the Board pursuant to Rule 705(5)

On behalf of the Board of Directors, we the undersigned, hereby confirm that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Group and the Company for 1H FY2023 to be false or misleading in any material aspect.

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

15 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 (excluding 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 second quarter ended 31 January 2023 ("2Q FY2023")

Activities	2Q FY2023 Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	2,000	1,900	(100)
Mining related expenditure (excluding capital expenditure)	20,000	19,236	(764)
Total	22,000	21,136	(864)

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

Our Group strongly believes that the investment in an exploration program will provide the Group with valuable information to make an informed decision in respect of the mining plan of a particular mine or a decision to proceed, modify or abortion of an exploration program for an exploration target. This is also in line with the responsible mining values advocated by our Group.

The exploration program at the Chaah Mine is a long-term program which is undertaken to establish an extension of the existing iron ore body. As a result of our Group's continuous effort, the Group had on 28 September 2022 released our first Independent Qualified Person Report ("**IQPR**") subsequent to our Initial Public Offer on 26 June 2020 with an updated in situ Mineral Resources of 15.7 million tonnes or a 149% increase compared to 31 July 2021 for the Chaah Mine.

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

Our Group is currently at the tail-end of the Chaah Mine Mineral Resources update program. As such we almost fully utilised our RM2 million budget allocated for 2Q FY2023. Our next immediate focus is on the pit optimisation exercises and converting the Mineral Resources into Mineral Reserves.

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

During 2Q FY2023, our Group continued to focus on the mining work at the Southern Pit of Chaah Mine, which has a shallow overburden in order to quickly gain access to the ore. However our mining activities were affected by the monsoon therefore resulting in an underutilisation of mining related expenditure of RM764,000.

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

Item	Projection for 3Q FY2023 RM'000
a. Mine exploration and evaluation	1,500
b. Mining related expenditure (excluding capital expenditure)	15,000
Total	16,500

Our Group has completed the Mineral Resources drilling of our Chaah Mine in mid-February 2023. Currently, we are at the stage of pit optimisation program to convert the Mineral Resources to Ore Reserves. Our Group is also expected to maintain the pace of the exploration of the Tenggaroh Prospect.

In line with the development above, the Group will further reduce the allocation for the projection of mine exploration and evaluation activities from RM2 million to RM1.5 million for the third quarter ending 30 April 2023 ("**3Q FY2023**").

The projection of mining related expenditure for 3Q FY2023 is based on the assumption that the Group has deployed underground mining technique for the Northern Pit whereas maintaining the open pit mining on the Southern Pit without taking into consideration the weather factor. The projection for the mining related expenditure is revised to RM15.0 million.

16 Negative confirmation by the Board pursuant to Rule 705(6)(b)

On behalf of the Board of Directors, we the undersigned, 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.

17 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.

Exploration Activities

It is our Group's philosophy to place attention to the exploration activities, not only to derive the potential value it will create, but more importantly its ability to keep our operations sustainable which is in line with the sustainable mining value advocated by our Group. As such, we invested a lot of effort and financial resources into exploration activities. On 28 September 2022, we released an Independent Qualified Person Report reflecting an updated Mineral Resource of 15.7 million tonnes with exploration drilling still ongoing. During 2Q FY2023, our Group continued with the planned drilling and evaluation programs for the Chaah Mine and the Tenggaroh Prospect.

(a) Chaah Mine

During 2Q FY2023, some 1,642m of reverse circulation ("RC") drilling and 1,808.90m of diamond drilling ("DD") were completed at the Chaah Mine. Drilling operations concluded on the new southern resource zone to allow resource and preliminary mine planning studies to commence. The current program is scheduled for completion early the next quarter to allow the finalisation of a global Resource update and mining study.

A total of 296 samples were sent to the independent laboratory for quality tests during the reporting period and 657, inclusive of the preceding quarter assay results were received.

As explained in our previous quarter announcement, our Group is currently carrying out pit optimisation and pre-feasibility exercises to convert the reported Mineral Resources to Mineral Reserves. The process is still ongoing. Our Group will announce the updated Mineral Reserves as soon as it is available.

(b) ML 1/2018 and ML 1/2021 (Mao'kil prospect)

No drilling activities were undertaken during this period as the Group temporarily halted the drilling program for ML 1/2018 as the present focus is to expedite the exploration program for our Chaah Mine. Exploration activities on the adjacent mining lease area under ML 1/2021 have not commenced.

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

No drilling activities were undertaken during this period as the Group is focusing on the exploration of our Chaah Mine and Tenggaroh Prospect during the period.

(d) ML 2/2019 (Kota Tinggi prospect)

No drilling activities were undertaken during this period as the Group is focusing on the exploration of our Chaah Mine and Tenggaroh Prospect during the period.

(e) EL 1/2022 (Tenggaroh Prospect)

Since the beginning of FY2022, our Group has conducted a geological mapping covering an area of approximately 3,000 acres. Geological mapping is essential as it will provide our geologists with valuable local information in determining our next course of action. Samples are collected during the mapping exercise from selected quartz veins to establish the direction and strike of the mineralised system, sent to an independent laboratory study and their results will be mapped.

The principal rock types in this area are slate, phyllite, graphitic schist-shale, metaquartzite and shale. The geology and rock types are similar to other operating gold mines in Malaysia such as Penjom Gold Mine, Selinsing Gold Mine and Raub Australian Gold.

During this reporting period, a total of 3,440 samples were collected. 3,337 samples were sent to the independent laboratory for assaying gold and with results obtained. 103 samples were processed and will be sent to the laboratory for assaying. The significant assay data (i.e. with the result of more than 0.05 gram/tonne) is very important to indicate the presence of gold mineralisation. It will then follow up with a trenching activity in order to conduct more detailed exploration work. Currently, the trenching activity is still put on hold due to the extended monsoon season. Our Group intends to kick start our exploration drilling around the former mine shaft area in April 2023.

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 its operation's history and has reacted to the changing economic conditions by varying production rates and product specifications to match demand.

During 1H FY2023, our production records of the southern pit documented that mining operations excavated approximately 309,000 tonnes of ore and approximately 3.99 million tonnes of waste. Processing during the period totalled approximately 326,000 tonnes of ore.

Pursuant to the Group's announcement on the appointment of sub-contractor for underground mining in the northern extension zone of the Chaah Mine, the Group is pleased to update that on 31 January 2023, our Group has obtained approval from the Mineral and Geoscience Department of Malaysia to carry out underground mining for our Chaah Mine. Preparatory works for the underground mining are in progress.

Mao'kil Mine
During 1H FY2023, the mine records documented that the Group discovered approximately 21,000 tonnes of ore as the mine development activity progresses and the uncrushed ore will be sent to Chaah Mine for processing.

No mining activities were carried out for the Chaah Baru, Kota Tinggi Mines and Tenggaroh Prospect in 1H FY2023.

BY ORDER OF THE BOARD

Dato' Sri Pek Kok Sam	**Lim Wei Hung**
Managing Director	Executive Director and Chief Operating Officer

16 March 2023

This announcement has been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "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 document.

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