Southern Alliance Mining Ltd

(Company Registration No. 201931423D)

Unaudited Condensed Interim Financial Statements
For the Six Months and Full Financial Year Ended 31 July 2023 ("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 the 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 THE SIX MONTHS AND FULL FINANCIAL YEAR ENDED 31 JULY 2023

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

		Group					
		Six Months Ended			**Full Year Ended**		
	Note	31-Jul-23 **(Unaudited)** RM'000	31-Jul-22 **(Unaudited)** RM'000	Changes (%)	31-Jul-23 **(Unaudited)** RM'000	31-Jul-22 **(Audited)** RM'000	Changes (%)
Revenue	**4**	71,906	80,192	-10.3%	124,089	178,678	-30.6%
Cost of sales		(69,916)	(85,675)	-18.4%	(124,922)	(150,674)	-17.1%
Gross profit/(loss)		1,990	(5,483)	NM*	(833)	28,004	NM*
Other income		5,043	5,503	-8.4%	6,645	7,299	-9.0%
Other operating expenses		(368)	(949)	-61.2%	(1,275)	(1,372)	-7.1%
General and administrative expenses		(5,234)	(4,680)	11.8%	(12,673)	(11,992)	5.7%
Share of loss of joint ventures		(573)	-	100.0%	(877)	-	100.0%
Finance costs		(317)	(279)	13.6%	(647)	(448)	44.4%
Profit/(loss) before tax	**5**	541	(5,888)	NM*	(9,660)	21,491	NM*
Income tax (expense)/benefit	**6**	(1,305)	2,811	NM*	1,883	(5,218)	NM*
(Loss)/profit after tax, representing total comprehensive income for the period/year		(764)	(3,077)	-75.2%	(7,777)	16,273	NM*
(Loss)/earnings per share (Malaysian cents per share)							
Basic and diluted		(0.16)	(0.63)	-74.6%	(1.59)	3.33	NM*

* Not meaningful

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B. Condensed Interim Statements of Financial Position

	Note	Group 31-Jul-23 (Unaudited) RM'000	Group 31-Jul-22 (Audited) RM'000	Company 31-Jul-23 (Unaudited) RM'000	Company 31-Jul-22 (Audited) RM'000
Assets					
Non-current assets					
Property, plant and equipment	10	70,162	74,543	-	-
Mine properties	11	30,675	25,497	-	-
Exploration and evaluation assets		19,842	13,017	-	-
Investment in subsidiaries		-	-	174,565	174,565
Investment securities		92	39	-	-
Investment in joint ventures		9,078	-	-	-
Investment in redeemable preference shares		-	-	10,000	10,000
Other receivables		-	-	9,384	-
		129,849	113,096	193,949	184,565
Current assets					
Inventory		13,244	5,468	-	-
Trade and other receivables		40,656	26,067	10,047	3,725
Contract assets		3,168	1,979	-	-
Prepayments		7,161	2,039	1,804	137
Cash and bank balances		156,103	221,385	15,862	31,570
Income tax recoverable		31,597	24,538	3	-
		251,929	281,476	27,716	35,432
Total assets		381,778	394,572	221,665	219,997
Liabilities					
Current liabilities					
Lease and hire purchase liabilities	12	6,879	5,239	-	-
Trade and other payables		17,002	17,448	579	742
		23,881	22,687	579	742
Net current assets		228,048	258,789	27,137	34,690
Non-current liabilities					
Lease and hire purchase liabilities	12	6,420	6,289	-	-
Deferred tax liabilities		4,749	7,430	-	-
		11,169	13,719	-	-
Total liabilities		35,050	36,406	579	742
Net assets		346,728	358,166	221,086	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		291,715	303,111	3,441	1,568
Merger reserve		(163,380)	(163,380)	-	-
		345,980	357,418	221,086	219,255
Preference shares		733	733	-	-
Non-controlling interest		15	15	-	-
Total equity		346,728	358,166	221,086	219,255

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C. Condensed Interim Consolidated Statement of Cash Flows

	Group Full Year Ended 31-Jul-23 **(Unaudited)** RM'000	Group Full Year Ended 31-Jul-22 **(Audited)** RM'000
Operating activities		
(Loss)/profit before tax	(9,660)	21,491
Adjustments for:		
Interest expenses	647	448
Interest income	(2,401)	(2,686)
Unrealised gain on foreign exchange	(3,310)	(3,728)
Depreciation of property, plant and equipment	16,146	13,707
Gain on disposal of property, plant and equipment	(222)	(418)
Amortisation of mine properties	5,646	4,631
Fair value gain on investment securities	(53)	-
Share of loss of joint ventures	877	-
Asset written-off	102	-
Total adjustments	17,432	11,954
Operating cash flows before changes in working capital	7,772	33,445
Changes in working capital:		
Increase in inventories	(7,776)	(557)
(Increase)/decrease in trade and other receivables and contract assets	(12,516)	22,673
(Increase)/decrease in prepayments	(5,122)	6,336
Decrease in trade and other payables	(354)	(25,124)
Total working capital changes	(25,768)	3,328
Cash flows (used in)/from operations	(17,996)	36,773
Income taxes paid	(7,857)	(40,864)
Interest received	2,401	2,686
Interest paid	(647)	(448)
Net cash used in operating activities	(24,099)	(1,853)

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	Group Full Year Ended	
	31-Jul-23 **(Unaudited)** RM'000	31-Jul-22 **(Audited)** RM'000
Investing activities		
Investment in exploration and evaluation assets	(6,600)	(6,249)
Purchase of property, plant and equipment	(8,551)	(19,402)
Proceeds from disposal of property, plant and equipment	215	420
Uplift/(placement) of term deposits	26,191	(852)
Expenditures on stripping activity assets	(8,784)	(6,469)
Investment in joint ventures	(10,159)	-
Net cash used in investing activities	(7,688)	(32,552)
Financing activities		
Repayment of obligations under leases	(6,916)	(5,105)
Purchase of treasury shares	(42)	(467)
Dividends paid on ordinary and preference shares	(3,619)	(24,265)
Net cash used in financing activities	(10,577)	(29,837)
Net decrease in cash and cash equivalents	(42,364)	(64,242)
Effect of exchange rate changes on cash and cash equivalents	3,273	3,630
Cash and cash equivalents at beginning of financial year	184,894	245,506
Cash and cash equivalents at end of financial year	145,803	184,894

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

	31-Jul-23 RM'000	31-Jul-22 RM'000
Cash and bank balances	156,103	221,385
Less:		
Deposits more than three months	(10,300)	(36,491)
Cash and cash equivalents at end of financial year	145,803	184,894

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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								
Full Year FY 2023								
Opening balance at 1 August 2022 (audited)	218,154	(467)	(163,380)	303,111	357,418	733	15	358,166
Loss for the year representing total comprehensive income	–	–	–	(7,777)	(7,777)	–	–	(7,777)
<u>Transactions with owners</u>								
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 July 2023 (unaudited)	218,154	(509)	(163,380)	291,715	345, 980	733	15	346,728
Full Year FY 2022								
Opening balance at 1 August 2021 (audited)	218,154	–	(163,380)	311,103	365,877	733	–	366,610
Profit for the year representing total comprehensive income	–	–	–	16,273	16,273	–	–	16,273
<u>Transaction with owners</u>								
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 July 2022 (audited)	218,154	(467)	(163,380)	303,111	357,418	733	15	358,166

Company	Share capital RM'000	Treasury shares RM'000	Accumulated profit/(losses) RM'000	Total equity RM'000
Full Year FY 2023				
Opening balance at 1 August 2022 (audited)	218,154	(467)	1,568	219,255
Profit for the year representing total comprehensive income	–	–	5,392	5,392
Transaction with owners				
Dividends on ordinary and preference shares	–	–	(3,519)	(3,519)
Purchase of treasury shares	–	(42)	–	(42)
Closing balance at 31 July 2023 (unaudited)	218,154	(509)	3,441	221,086
Full Year FY 2022				
Opening balance at 1 August 2021 (audited)	218,154	–	(10,461)	207,693
Profit for the year representing total comprehensive income	–	–	36,194	36,194
Transactions with owners				
Dividends on ordinary and preference shares	–	–	(24,165)	(24,165)
Purchase of treasury shares	–	(467)	–	(467)
Closing balance at 31 July 2022 (audited)	218,154	(467)	1,568	219,255

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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, Chapter 50 as a private limited company domiciled in Singapore. On 27 April 2020, the Company was converted to a public company limited by shares and whose shares are publicly traded on the Catalist of the SGX-ST. These condensed interim consolidated financial statements as at and for the six months and full year ended 31 July 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 February 2022 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 2023 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 January 2023.

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 July 2023 is RM31,597,000 (31 July 2022: RM24,538,000) and RM4,749,000 (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

	Group			
	6 months period ended		Full year ended	
	31 July 2023	31 July 2022	31 July 2023	31 July 2022
	RM'000 Unaudited	RM'000 Unaudited	RM'000 Unaudited	RM'000 Audited
Sales of iron ores	71,906	80,192	124,089	178,678

All revenues are derived from the operations based in Malaysia except for an amount of approximately RM8,119,000 for the financial year ended 31 July 2023 (31 July 2022: RM2,787,000) arising from sales to overseas customers.

Contract assets

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group	
	31 July 2023	31 July 2022
	RM'000 Unaudited	RM'000 Audited
Receivables from contracts with customers	7,435	10,358
Contract assets	3,168	1,979

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:

	Group	
	31 July 2023	31 July 2022
	RM'000 Unaudited	RM'000 Audited
Contract assets reclassified to receivables	1,979	29,505

Note 5 – Profit before tax

5.1 Significant items

	Group					
	Six month ended			Full year ended		
	31 July 2023	31 July 2022		31 July 2023	31 July 2022	
	RM'000	RM'000	Changes	RM'000	RM'000	Changes
	Unaudited	**Unaudited**	(%)	**Unaudited**	**Audited**	(%)
Interest income from fixed deposits	(1,296)	(1,156)	12.1%	(2,401)	(2,686)	-10.6%
Gain on disposal of property, plant and equipment	-	(418)	-100.0%	(222)	(418)	-46.9%
Rendering of services	(90)	(129)	-30.2%	(180)	(204)	-11.8%
Sundry income	(347)	(31)	1,019.4%	(532)	(138)	285.5%
Finance costs	317	279	13.6%	647	448	44.4%
Employee benefits expense	6,829	6,951	-1.8%	12,929	12,508	3.4%
Depreciation of property, plant and equipment	8,972	8,939	0.4%	16,146	13,707	17.8%
Amortisation of mine properties	3,383	2,876	17.6%	5,646	4,631	21.9%
Unrealised gain on foreign exchange	(5,155)	(4,671)	10.4%	(3,310)	(3,728)	-11.2%
Realised loss/(gain) on foreign exchange	85	(72)	-218.1%	95	(70)	-235.7%
Asset written-off	102	-	100%	102	-	100%
Tributes	18,000	18,000	-	34,500	35,500	-2.8%
Royalties	409	459	-10.9%	775	1,008	-23.1%

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 Full year ended	
	31 July 2023	31 July 2022
	RM'000	RM'000
	Unaudited	**Audited**
Transactions with related parties		
Sale of equipment to interested person[1]	(3,367)	-
Purchase of equipment and mobile equipment	5,240	-
Hiring and transportation services procured	5,656	10,522
Purchase of lubricants, spare parts and equipment	1,708	2,616
Procurement of services	80	28

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

	Group Full year ended	
	31 July 2023	31 July 2022
	RM'000	RM'000
	Unaudited	**Audited**
Short-term employee benefits	4,580	3,684

Key management compensation comprises the following:

Remuneration to Director of the Company	2,451	1,988
Directors' fees	1,051	720
Other key management personnel	764	703
Defined contributions	314	273
	4,580	3,684

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:

[1] This interested person transaction is an exception under Catalist Rule 915(3) and hence it is excluded from disclosure in the interested person transaction table in Part II – Section 10.

	Group			
	6 months ended		Full year ended	
	31 July 2023	31 July 2022	31 July 2023	31 July 2022
	RM'000 **Unaudited**	RM'000 **Unaudited**	RM'000 **Unaudited**	RM'000 **Audited**
Current income tax				
Current income taxation	534	(4,252)	534	897
Under provision in respect of previous years	-	68	264	70
Deferred income tax				
Origination and reversal of temporary differences	771	1,373	(2,608)	4,239
(Over)/under provision in respect of previous years	-	-	(73)	12
Income tax expense/(benefit) recognised in profit and loss	1,305	(2,811)	(1,883)	5,218

Note 7 - Dividends

	Group	
	Full year ended	
	31 July 2023	31 July 2022
	RM'000 **Unaudited**	RM'000 **Audited**
Declared and paid during the financial year		
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 – (Loss)/earnings per ordinary share (“LPS” or “EPS”)

	Group			
	6 months ended		Full year ended	
	31 July 2023 **Unaudited**	31 July 2022 **Unaudited**	31 July 2023 **Unaudited**	31 July 2022 **Audited**
(Loss)/profit attributable to shareholders of the Company (RM’000)	(764)	(3,077)	(7,777)	16,273
Weighted average number of ordinary shares in issue (‘000 shares)	488,767	488,854	488,767	488,854
Basic and fully diluted basis (LPS)/EPS (Malaysian cents)	(0.16)	(0.63)	(1.59)	3.33

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 July 2023 Unaudited	**31 July 2022 Audited**	**31 July 2023 Unaudited**	**31 July 2022 Audited**
Net asset value (RM'000)	345,980	357,418	221,086	219,255
Number of issued shares ('000)	488,759	488,789	488,759	488,789
Net asset value per share (Malaysian cents)	70.79	73.12	45.23	44.86

The net asset value per ordinary share of the Group and the Company as at 31 July 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 year ended 31 July 2023, the Group acquired assets amounting to RM17,288,000 (31 July 2022: RM32,837,000), asset written-off amounting to RM102,000 (31 July 2022: Nil) and disposed of assets amounting to RM3,156,000 (31 July 2022: RM2,000). The cash outflow on acquisition of property, plant and equipment amounted to RM8,551,000 (31 July 2022: RM19,402,000). Out of total proceeds from disposed assets that amounted to RM3,582,000 (31 July 2022: RM420,000), the Group had received cash inflows from disposed assets of RM215,000 (31 July 2022: RM420,000) and the balance of RM3,367,000 is remained in other receivables in the balance sheet as at 31 July 2023 (31 July 2022: Nil). Accordingly, gain on disposal amounted to RM222,000 (31 July 2022: RM418,000) after eliminating the downstream gain of RM204,000 (31 July 2022: Nil) for assets disposed to a joint venture.

Note 11 – Mine properties

Group	Producing mine RM'000	Stripping activity asset RM'000	Total RM'000
Cost			
At 1 August 2021	18,259	46,404	64,663
Addition during the year	- (1)	7,590 (2)	7,590
At 31 July 2022	18,259	53,994	72,253
Addition during the year	- (1)	10,824 (2)	10,824
At 31 July 2023	18,259	64,818	83,077
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 year	761	4,885	5,646
At 31 July 2023	13,869	38,533	52,402
Net carrying amount			
At 31 July 2022	5,151	20,346	25,497
At 31 July 2023	4,390	26,285	30,675

Note:

(1) There were no capitalization of cost related to the producing mine in the financial year ended 31 July 2022 and 31 July 2023

(2) During the year ended 31 July 2023, the Group has capitalized RM10,824,000 (31 July 2022: RM7,590,000) as stripping activity assets which consist of non-cash depreciation capitalized of RM2,040,000 (31 July 2022: RM1,121,000) and cash outflow of RM8,784,000 (31 July 2022: RM6,469,000) incurred for stripping activities.

Note 12 – Lease and hire purchase liabilities

Group	**31 July 2023** RM'000 **Unaudited**	**31 July 2022** RM'000 **Audited**
Current		
Secured:		
Lease and hire purchase liabilities	6,879	5,239
Non–current		
Secured:		
Lease and hire purchase liabilities	6,420	6,289
Total lease and hire purchase liabilities	13,299	11,528

Finance lease liabilities were classified as 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 Managing Director 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 2.56% (31 July 2022: 2.42%) per annum.

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

Note 13 – Share capital and treasury shares

	Group and Company			
	31 July 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

As at 31 July 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).

	Group and Company			
	31 July 2023		**31 July 2022**	
	No. of shares **Unaudited**	RM'000 **Unaudited**	No. of shares **Audited**	RM'000 **Audited**
Treasury shares				
As at 1 August 2022/2021	211,000	467	-	-
Purchased during the year	30,000	42	211,000	467
As at 31 July 2023/2022	241,000	509	211,000	467

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 July 2023 RM'000	**31 July 2022** RM'000
Group		
Capital expenditures contracted but not provided for		
- plant and equipment	28,170	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.

In August 2023, the Group has, pursuant to two (2) share sale agreements with unrelated parties, acquired 65% stake each in two (2) joint venture companies (the "**Joint Ventures**") with exploration license to venture into exploration work for mining activities in the state of Sabah. Please see Part II – Section 18 for more details.

The Joint Ventures are not expected to have material impact to the Group's net assets and earning per share for FY2023.

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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 July 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 and full year then ended and certain explanatory notes have not been audited or reviewed.

The Group's latest 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 financial year ended 31 July 2023 ("FY2023") compared to the financial year ended 31 July 2022 ("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 30.6% from RM178.7 million in FY2022 to RM124.1 million in FY2023. The decrease in revenue was mainly due to decrease in the production of iron ore concentrate as a result of (i) intense overburden removal activities at Chaah Mine in accordance with the Group's mining schedule; and (ii) the transition from open pit mining to underground mining.

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

ARSP per dried metric ton ("**DMT**")/metric ton ("**MT**")	FY2023	FY2022	Decrease (%)
Iron ore concentrate	RM455.58	RM511.93	-11.0%
Crushed iron ore	RM629.28	RM696.62	-9.7%
Iron ore tailing	RM163.01	RM241.89	-32.6%

Sales volume

The Group reported a decrease in sales of iron ore concentrate by approximately 90,800 DMT, representing a 26.5% decrease from FY2022. This is mainly attributable to lesser ores produced due to the requirement to remove the overburden in accordance with the mining schedule. The lower sales volume of iron ore concentrate coupled with a lower average realised selling price for iron ore concentrate for FY2023 resulted in a lower revenue for the Group.

The decrease was partially offset by:
(i) increase in sales of crushed iron ore by approximately 50.0% or 2,000 MT; and

(ii) increase in sales of iron ore tailing by approximately 31,900 DMT, representing a 23-fold increase from FY2022, mainly from the ores processed and sold from the Kota Tinggi Mine.

Cost of sales

While the Group has reported a decrease in turnover by 30.6%, our cost of sales only decreased by 17.1% to RM124.9 million in FY2023. The decrease in our cost of sales is contributed by the following:

(i) a decrease in mining cost consisting of blasting cost, fuel and lubrication, maintenance, mining staff cost and other mining related expenses by RM11.5 million or 23.1%;
(ii) a decrease in crushing cost by RM1.2 million or 26.8%;
(iii) the processing cost consisting of fuel and electricity cost, maintenance cost and sub-contractors' fees which decreased by RM6.6 million or 25.5%;
(iv) a decrease in sales and related cost consisting of logistic and port related cost, tributes and royalties of 11.2% or RM5.1 million in FY2023;
(v) a decrease in cost of purchasing iron ore by RM2.5 million as there was no purchase in FY2023; and
(vi) a decrease in cost incurred at Mao'kil site by RM2.2 million as the present focus is to expedite the underground mining activity at Chaah Mine.

The decrease was partially offset by a sum of RM3.4 million paid to the contractor of Kota Tinggi Mine, being the revenue sharing of 78.0% for the mineral ore processed and sold from the Kota Tinggi Mine.

Gross (loss)/profit and gross (loss)/profit margin

The decrease in revenue outweighed the decrease in the cost of sales resulting in a decrease in the Group's gross profit from RM28.0 million in FY2022 to a gross loss of approximately RM0.8 million in FY2023. This resulted in a drop in the gross profit margin by approximately 16.4 percentage points, from 15.7% in FY2022 to -0.7% in FY2023.

Other income

Other income decreased by 9.0% from RM7.3 million in FY2022 to RM6.6 million in FY2023. This was mainly attributed to decrease in the gain on foreign exchange differences and interest income by RM0.4 million and RM0.3 million respectively.

Other operating expenses

There is no significant change in other operating expenses incurred by the Group.

General and administrative expenses

The general and administrative expenses increased by 5.7% or approximately RM0.7 million in FY2023 as compared to FY2022. This was mainly due to (i) the increase in professional fees incurred by RM0.2 million; (ii) increase in employee benefits, payroll and directors' remuneration by RM0.4 million; and (iii) increase in general office expenses by RM0.1 million.

Share of loss of joint ventures

The Group shared a post-acquisition net loss of approximately RM0.9 million in the joint ventures , being Rigid Temau Sdn Bhd and Maha Hijau Sdn Bhd. The losses mainly related to the pre-operating expenses incurred by the joint ventures and attributable to the Group.

(Loss)/profit before tax

As a result of the foregoing, the Group's profit before tax decreased by approximately RM31.2 million from profit before tax of RM21.5 million to loss before tax of RM9.7 million in FY2023.

Income tax benefit/(expense)

The Group recorded an income tax benefit of RM1.9 million in FY2023 as a result of the recognition of deductible temporary differences on unutilised capital allowance, representing a decrease of RM7.1 million from income tax expense of RM5.2 million in FY2022. The decrease is in line with the drop in profit before tax in FY2023.

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

Consolidated Statement of Financial Position

Non-current assets
Property, plant and equipment constituted approximately 54.0% of the Group's non-current assets as at 31 July 2023. The decrease in property, plant and equipment by RM4.4 million or 5.9% was mainly attributable to (i) disposals of assets of approximately RM3.2 million; (ii) write off a motor vehicle of approximately RM0.1 million; and (iii) higher depreciation charges of approximately RM18.4 million in FY2023 mainly due to additions of new mobile equipment, motor vehicles and workshop for consecutive years of which the depreciation charges of approximately RM16.2 million has been included in the statement of comprehensive income when arriving at the loss before tax, RM2.0 million was capitalised under mine properties and RM0.2 million was capitalised under exploration and evaluation assets as at 31 July 2023. The decrease was partially offset by the purchase of mobile equipment, motor vehicles and construction of new workshop of approximately RM17.3 million.

Mine properties made up approximately one-fourth of non-current assets. The increase in mine properties of RM5.2 million or approximately 20.3% was mainly attributable to the capitalisation of production stripping activity costs amounting to RM10.8 million, which is in line with the Group's accounting policy. The increase is partially offset by the continued amortisation of RM5.6 million on mine properties which consist of stripping activity and producing mine assets. This had resulted in the increase of mine properties by RM5.2 million to RM30.7 million as at 31 July 2023.

As part of the ongoing exploration works conducted by the Group, exploration and evaluation assets has increased by RM6.8 million or 52.4% to RM19.8 million as at 31 July 2023. Exploration and evaluation assets mainly relates to the exploration cost incurred on prospect sites located at the State of Johor and the State of Sabah.

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 FY2023. The carrying amount of the investment in joint ventures, being Rigid Temau Sdn Bhd and Maha Hijau Sdn Bhd, as at 31 July 2023 is RM9.1 million.

Current assets
The Group's cash and bank balances made up approximately two-third of current assets as at 31 July 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 RM14.6 million mainly attributed to advances injection of approximately RM14.0 million into joint ventures to finance the operation and increase in advance payments provided to subcontractors of approximately RM3.5 million. This is partially offset by the collection of trade receivables of approximately RM2.9 million.

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 increased from RM2.0 million as at 31 July 2022 to RM3.2 million as at 31 July 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 RM7.7 million from approximately RM5.5 million as at 31 July 2022 to approximately RM13.2 million as at 31 July 2023. The increase is mainly attributable to increase in overall stock balance of iron ore from approximately 59,000 ton to approximately 111,000 ton as at 31 July 2023.

The advance payment for the purchase of imported spare parts and prepaid professional fees recorded in prepayments has increased to RM7.2 million as at 31 July 2023 from RM2.0 million as at 31 July 2022.

The income tax recoverable of RM31.6 million as at 31 July 2023 consist of prepaid tax instalment paid for FY2022 and FY2023 amounting to RM25.8 million and over provision of tax in the prior years amounting to RM5.8 million.

Current liabilities
The Group’s current liabilities amounted to RM23.9 million as at 31 July 2023, representing 9.5% of Group’s current assets as compared to 8.1% as at 31 July 2022.

The increase of RM1.2 million in total current liabilities from RM22.7 million as at 31 July 2022 to RM23.9 million as at 31 July 2023 was due to the increase in the hire purchase liabilities by RM1.6 million. The increase was partially offset by a decrease in the Group’s trade and other payables by RM0.4 million or 2.6% mainly due to a decrease in accrual for commitments and fees from RM6.0 million as at 31 July 2022 to RM5.6 million as at 31 July 2023.

Non-current liabilities
Non-current liabilities comprise lease and hire purchase liabilities that fall due over a period of more than 12 months of RM6.4 million and deferred tax liabilities of RM4.8 million.

The non-current lease and hire purchase liabilities increased by 2.1% or RM0.1 million to RM6.4 million as at 31 July 2023 arising from the addition of mining equipment purchased during the year.

The deferred tax liabilities decreased to RM4.8 million as at 31 July 2023 as compared to RM7.4 million as at 31 July 2022 mainly due to the unabsorbed capital allowances recognised in FY2023.

Consolidated Statement of Cash Flow

The Group spent approximately RM24.1 million of net cash in operating activities in FY2023 compared to RM1.9 million in FY2022. The additional cash outflow of RM22.2 million was mainly due to the drop in the profit before tax and increased utilisation for working capital. Details are elaborated in the consolidated statement of comprehensive income review above.

During FY2023, the Group’s net cash used in investing activities was RM7.7 million compared to RM32.5 million used in FY2022. The Group invested RM8.5 million in property, plant and equipment in FY2023, representing a decrease of RM10.9 million from FY2022. In addition, the Group also spent RM6.6 million on exploration activities which was capitalised as exploration and evaluation assets in the balance sheet. The Group has also spent and capitalised RM8.8 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 FY2023. The effect of net cash used in investing activities was partially offset by the withdrawal of term deposits of RM26.2 million and the proceeds from the disposal of fixed assets amounting to approximately RM0.2 million.

During 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 RM6.9 million for its hire purchase facilities and spent approximately RM0.1 million to repurchase its ordinary shares.

The Group recorded a gain of RM3.3 million in 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 RM39.1 million in FY2023 compared to RM60.6 million in FY2022.

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

The FY2023 result is consistent with the Company's profit guidance announced on 12 September 2023.

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.**

High inflation, geopolitical tensions, debt vulnerabilities and supply chain challenges continue to cause economic uncertainty and pose challenges to global growth. While global headline inflation seems to have peaked[2], it remains higher than central bank targets and the risk of a recession continues to loom amidst hawkish monetary policies. For Malaysia, the central bank eased the monetary policy in July 2023, amid signs of moderating growth and the expectation for inflation to trend lower in the second half of 2023[3]. In the midst of the uncertain global economic outlook, declining exports due to the slowdown in China and weak consumer sentiments[4], the Malaysian government is focused on ensuring that its policies support economic growth and price stability. On our end, the Group continues to be on the lookout for lucrative opportunities to foster both organic and inorganic growth.

Iron ore prices witnessed fluctuations due to the economic uncertainties associated with the largest consumer, China, as well as the overall global slowdown in commodity demand. Iron ore prices declined to a 5-month low in May 2023 to $103.55/t[5] due to the slower-than-expected recovery of China post easing of movement restrictions. However, there was a sharp rebound following that as the prices rallied to a high of $112.90/t in July 2023[4] as a result of new support measures, particularly for the property sector, in China. On the back of expectations of further stimulus from the Chinese government, Fitch Ratings revised iron ore price forecast for 2023 from $100/t to $105/t[6].

Unlike the previous years, China's steel mills cut their output in April 2023 due to softening demand and slowing manufacturing activities[7]. This affected overall demand for iron ore, putting a downward pressure on its prices. However, the industry expects that China's demand for iron ore will hold up. Large producers like BHP and Vale indicated clear bullish sentiments for China's demand outlook. Solid demand from infrastructure spending like railway, automotive and shipping is expected to offset the weakness in the real estate sector in China[8]. Despite pockets of strength within the Chinese economy, iron ore prices continue to face the risk of declining momentum due to short-term headwinds in property construction in China and the government's reluctance towards implementing large scale stimulus due to financial constraints.

On the supply side, the world's largest iron ore producer Rio Tinto left its export guidance unchanged, despite China's economic concerns. Vale reported increased output, more than 6% year-on-year in the second quarter of 2023, and maintained its full-year production levels. Unchanged production targets may put a downward pressure on iron ore prices[9] if China's

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[2] IMF: Weak Global Economy, High Inflation, and Rising Fragmentation Demand Strong G20 Action
[3] Reuters: Malaysia's central bank hits pause on rates as price pressures ease
[4] Reuters: Malaysia posts weakest GDP growth in nearly 2 years as exports slump
[5] Markets Insider: Iron Ore Spot Prices; Financial Times: Weak Chinese demand pushes iron ore prices to five-month low
[6] Fitch Ratings: Fitch Ratings Updates Global Metals and Mining Price Assumptions
[7] Financial Times: Weak Chinese demand pushes iron ore prices to five-month low
[8] Bloomberg: Iron Ore's Unexpected Rally Shows Pockets of China Strength
[9] Bloomberg: Iron Ore Looks Set for a Tumble as Major Stimulus Hopes Fade

demand is unable to showcase a strong rebound and steel supply continues to further outweigh its demand.

The Group remains cautiously optimistic about the outlook for iron ore going forward. Iron ore prices will continue to remain a key point of contention for the rest of 2023 with growing supply and exports from Australia, Brazil, and India to meet the expectation of strong demand recovery from China. We will continue to monitor the market fundamentals and ensure we capitalise on every opportunity. In order to reduce our volatility to iron ore prices, the Group also embarked on a diversification and expansion path starting in 2021. In line with this, in April 2023, the Group signed two memorandums of understanding to acquire rare earth mining companies, MCRE Resources Sdn Bhd and Paramount Synergy Sdn Bhd, with the vision of positioning Malaysia as a key global contributor of essential rare earth elements as set out in the Company's announcement dated 17 April 2023. Given its wide applications across prominent industries like semiconductor and renewables, rare earth elements are growing in demand and will serve as a strong diversification opportunity for the Group. The necessary due diligence process is underway and the Company will keep shareholders informed of any material developments in this regard and will make such further announcements as and when appropriate. The Group continues to dedicate significant resources to organic growth as well, both at the Chaah Mine, the mining lease for which was recently extended, and the Tenggaroh Gold Mine.

Despite the short-term demand headwinds and a pervasive economic slowdown, 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 RM156.1 million as at 31 July 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 RM13.3 million as at 31 July 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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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 and 31 July 2023, the Company's total number of 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 and 31 July 2023, the Company held 241,000 treasury shares (31 July 2022: 211,000) which represents 0.049% (31 July 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 July 2023 and 31 July 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***

Any dividend declared for the corresponding period of the immediately preceding financial year?

A final dividend of 0.22 Singapore cents per share equivalent to 21.25% of the Group's FY2022 NPAT has been declared and was paid on 15 December 2022.

Name of Dividend	Final
Dividend Type Dividend Rate Tax rate	Cash 0.22 Singapore cents per share Tax exempt

(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 year ended 31 July 2023 as the Company intends to conserve cash in line with the Group's business expansion strategy.

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, during the Company's annual 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	-	5,954
Hchem Marketing (M) Sdn Bhd	Related party Entity of Managing Director, Dato' Sri Pek Kok Sam	-	1,410
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	-

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	(4,000)	-	-
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	(2,568)	(376)	993
TOTAL	11,937	(10,568)	(376)	993

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$2,944,000 with the details as follows:

Nature of Working Capital	Amount Utilised S$'000
Professional fees	1,667
Administrative expenses	1,162
Directors' insurances and training	115
	2,944

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 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). While the Group has extended its core business to include mining of gold and other base metals and minerals, however, they are still in early part of the exploration stage and have yet to contribute to the earning of the Group, 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.

13 **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 Part II above for details.

14 **Breakdown of Group's revenue and (loss)/profit after tax before deducting non-controlling interest for first half year and second half year**

		FY 2023 RM'000	FY 2022 RM'000	Increase / Decrease
(a)	Sales reported for first half year	52,183	98,486	-47.0%
(b)	Operating (loss)/profit after tax before deducting non-controlling interests reported for first half year	(7,013)	19,350	NM*
(c)	Sales reported for second half year	71,906	80,192	-10.3%
(d)	Operating loss after tax before deducting non- controlling interest reported for second half year	(764)	(3,077)	-75.2%

* Not meaningful

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

	FY 2023		FY 2022	
	RM'000	**S$'000**	**RM'000**	**S$'000**
Ordinary shares (tax exempt 1 – tier) - Final cash paid in respect of the previous financial year	3,519	1,076 (1)	24,165	7,824 (2)
Preference shares	100	31 (1)	100	32 (2)
Total Annual Dividend	**3,619**	**1,107**	**24,265**	**7,856**

	Proposed dividends to the Company's shareholders but not recognized as a liability as at			
	31 July 2023		**31 July 2022**	
	RM'000	**S$'000**	**RM'000**	**S$'000**
Ordinary shares (tax exempt 1 – tier) - Final dividend	-	-	3,458	1,075 (3)

Notes:
1: Based on exchange rate of RM100.00:S$30.56 as at 13 December 2022
2: Based on exchange rate of RM100.00:S$32.38 as at 10 December 2021
3. Based on exchange rate of RM100.00:S$31.09 as at 22 September 2022

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16 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	60	Brother of Dato Sri Pek Kok Sam, the Managing Director of the Company	Serves as Purchasing Manager of our Subsidiary, Honest Sam Development Sdn Bhd ("**HSD**"). He joined HSD in January 2010. Primarily responsible for the purchases.	No changes (1)
Pek Siew Mei	58	Sister of Dato' Sri Pek Kok Sam, the Managing Director of the Company	Currently serving as Office Manager of HSD. She joined HSD in June 2001. Primarily responsible and oversee for the sales, purchasing, human resources and information technology.	No changes
Pek Kok Hing	53	Brother of Dato' Sri Pek Kok Sam, the Managing Director of the Company	Currently serving as Information Technology Manager of HSD. He joined HSD in November 2006. Primarily responsible for the Information Technology.	No changes

Note (1) : Mr Pek Kok Hua had retired on 19 September 2023.

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17 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.

18 Additional information required pursuant to Rule 706A

In August 2023, our 50% joint venture company, Southern Atlantic Metal Sdn Bhd has acquired 65% share in Teguh Permata Sdn Bhd ("**TP**") from four (4) individual shareholders, Ms Sabrina Binti Sahar, Ms Rozie Jan Binti Ali Hassan @ Alli Hassan, Ms Bibi Sherlina Binti Alli Hassan and Ms Zity Noorfilzah Binti Mohd Nadzri, who are not related to any of the Directors or substantial shareholders of the Company, for a cash consideration of RM2,000,000. TP has obtained an exploration approval to conduct exploration for base metal in the State of Sabah. The purchase consideration is derived based on willing buyer willing seller basis. TP was incorporated on 20 February 2019 and is non-operating at the time of acquisition and the net asset value amounted to RM470,000 as at 30 June 2022. Our Group funded the acquisition by way of our internal funding.

In August 2023, our 50% joint venture company, Sri Aman Minerals Sdn Bhd has acquired 65% share in Bumi Kinabalu Resources Sdn Bhd ("**BKR**") from three (3) individual shareholders, Mr Yoon Yoo Nam, Ms Bibi Safnah Binti Alli Hassan and Mr Mohd Rafi Bin Alli Hassan, who are not related to any of the Directors or substantial shareholders of the Company, for a cash consideration of RM2,000,000. BKR has obtained an exploration approval to conduct exploration for base metal in the State of Sabah. The purchase consideration is derived based on willing buyer willing seller basis. BKR was incorporated on 24 November 2021 and is non-operating at the time of acquisition and the net asset value amounted to RM474,000 as at 30 November 2022. Our Group funded the acquisition by way of our internal funding.

The acquisitions are not expected to materially affect our Group financial performance for FY2023.

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

19 Use of funds/cash by mineral, oil and gas companies pursuant to Rule 705(6)(a)

For the purpose of this section, the Group's disclosure is on exploration cost (excludes cost associated with the acquisition mining right which is considered as part of the exploration and evaluation asset and depreciation for accounting purpose) and the ex-mining cost (costs that are directly attributable to the mining activities excluding amortisation and depreciation as well as sales and related cost and cost related to the land)

(i) Use of funds/cash for the fourth quarter ended 31 July 2023 ("4Q FY2023")

	4Q FY2023		
Activities	Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	1,500	698	(802)
Mining related expenditure (excluding capital expenditure)	20,000	21,159	1,159
Total	21,500	21,857	357

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 abort an exploration program for an exploration target. This is also in line with the responsible mining values advocated by our Group.

Included in the Mine Exploration and Evaluation are the exploration and evaluation ("**E&E**") cost incurred at the Chaah Mine and the Tenggaroh Prospect amounting to RM0.2 million and RM0.5 million respectively. The variance between the actual expenditure and the forecast was mainly due to the delay in the commencement of exploration works for Tavai prospect, which is located at Tongod District, Sabah as we are still awaiting for the permit to enter forest reserves (note: this prospect is under our joint venture companies). As a result, our Group only utilised about 47.0% of the RM1.5 million budgets initially allocated as there are only some professional fees and assay cost incurred in the 4Q FY2023.

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.

Included in the Mining Related Expenditure are the expenditure incurred for the mining works at the Chaah Mine amounting to RM17.8 million as well as for the Kota Tinggi Mine amounting to RM3.4 million.

During 4Q FY2023, while our Group continued to focus on the mining work to remove a shallow overburden at the Southern Pit of Chaah Mine, in order to quickly gain access to the ore, the progress of the underground development has proceeded in a much faster pace. This resulted in overutilization of Mining Related Expenditure by approximately RM1.2 million.

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

Item	**Projection for 1Q FY2024 RM'000**
a. Mine exploration and evaluation	2,000
b. Mining related expenditure (excluding capital expenditure)	20,000
Total	**22,000**

The allocation for mine exploration and evaluation included:
(a) provision for professional service to establish underground mining ore reserves for Chaah Mine;
(b) preliminary exploration for Chaah Western Spur to investigate for potential mineralisation for open pit mining at the western part of Chaah Pit.
(c) continuation of the exploration of the Tenggaroh Prospect,
(d) preliminary study for Tavai Prospect

In line with the development above, the Group update the allocation for the projection of mine exploration and evaluation activities to RM2 million and maintain the allocation for the mining related expenditure (increase in the allocation for underground mining is offset by reduction in open pit mining activities) for the first quarter ending 31 October 2023 ("**1Q FY2024**") .

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

On behalf of the Board, we the undersigned, hereby confirm that to the best of their knowledge, nothing has come to their attention which may render such information provided in section 19 above to be false, misleading in any material aspect.

21 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 pay 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 invest a lot of effort and financial resources into exploration activities.

(i) Chaah Mine

Arising from the earlier exploration works, our Group began to scout for open pit mine mineral resources at the western part of the mine pit ("**Western Spur**") which was known to have a potential for additional mineral resources for open pit mining.

As the Group believed that Chaah has sufficient resources for years to come, the Group has therefore decided to temporary cease the resource drilling activities within the Chaah Mine pit in late February 2023 while focusing on converting the Mineral Resources to underground Ore Reserves. *.*

As the Group has an intention of eventually adopting underground mining activities for the present Chaah Mine Pit, therefore the focus of the competent person is to evaluate the mine design and eventually convert the Mineral Resource to underground mining Ore Reserve.

(ii) 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 complete the exploration program for our Chaah Mine. Exploration activities on the adjacent mining lease area under ML 1/2021 have not commenced.

(iii) 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.

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

No drilling activities were undertaken during this period as the Group has appointed a contractor to undertake mining activities at this area

(v) L.C.S.4326.319/(84)/(PA/DC/dc) (Tavai prospect, which is located at Tongod District, Sabah) – 50 km^2

This prospect is in relation to the associated company which was acquired in the end of FY2022. Desktop study works were completed. Due to the vast area of the prospect, a detail plan is being designed.

(vi) EL 1/2022 (Tenggaroh prospect)

The Tenggaroh Prospect consists of six (6) prospecting licenses covering an area of 17,767.814 hectares (177.678 km^2) in Tenggaroh, the district of Mersing, which is situated on the east cost of Johor, Malaysia. The principal rock types in Tenggaroh Prospect 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.

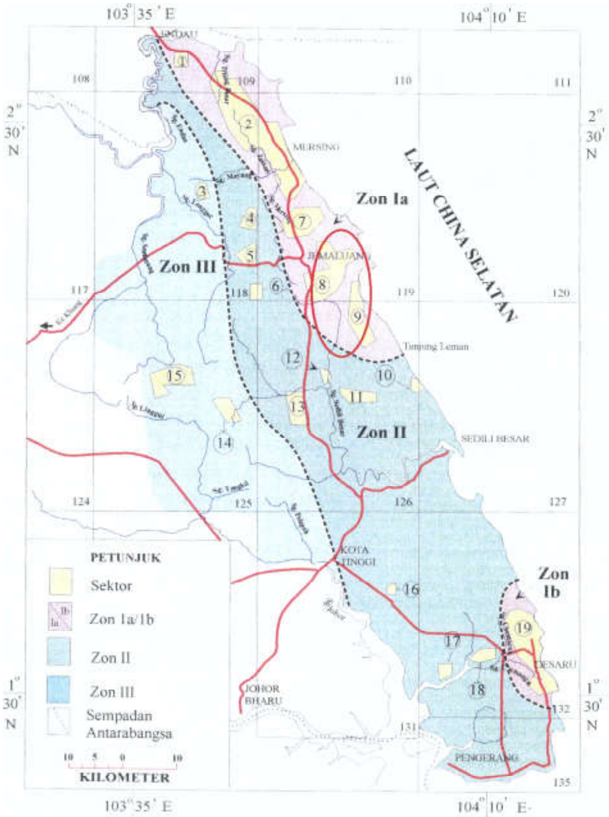


Figure 1: Zoning of potential area

In 1987, the Geological Survey Department (GSD), a former body of Minerals and Geoscience Department (JMG), delineated a 45 km2 area with good gold potential in the vicinity of Mersing. Subsequently, GSD carried out a more comprehensive and systematic regional reconnaissance geochemical sampling program for gold over the eastern area of Johor State during the Sixth Malaysian Plan. Geochemical sampling covering and area of about 4,900 km2 was initiated in early 1992, and was completed in late 1994. An evaluation of the acquired geochemical data from the aforesaid program was carried out together with supporting information obtained from aerial photography, satellite images, geophysics, airborne magnetometric results and the findings of previous prospecting activities.

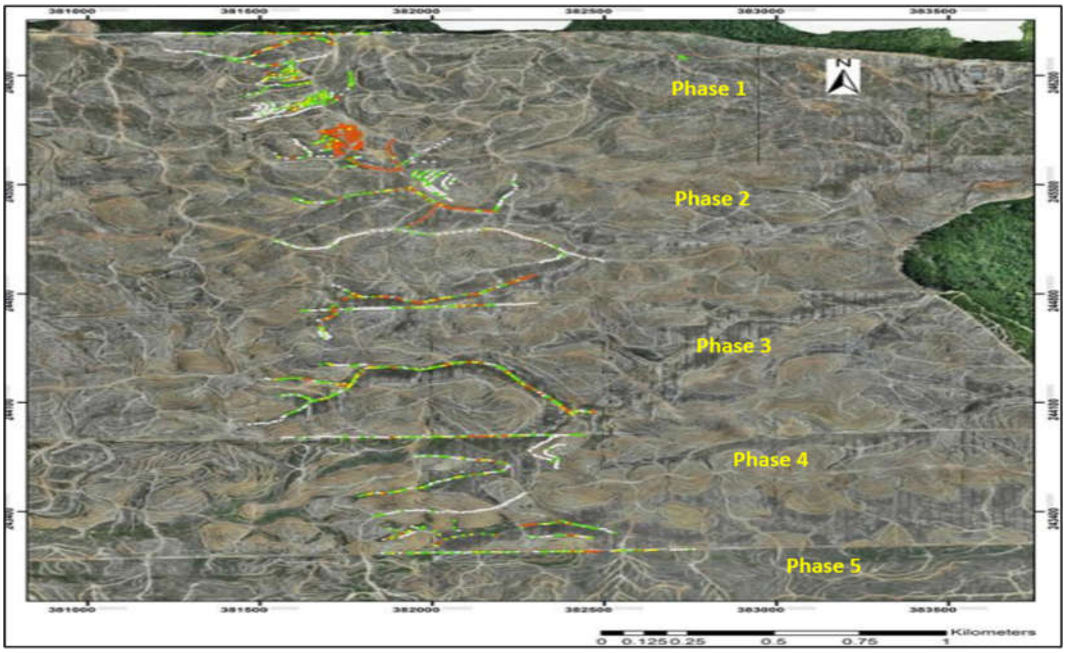
Following this, 19 prospective gold sectors were identified covering a total approximate area of 531.5 km2. These sectors have been grouped into three zones; Zone 1 covering the coastal regions, Zone 2 covering the central regions and Zone 3 covering the interior regions (please refer to the Figure 1). The data showed that prospective gold sectors in Zone 1 was the most significant. The Tenggaroh Prospect is located in Zone 1.

Due to the vast area of the Tenggaroh Prospect (slightly lesser than one quarter of the size of Singapore), the exploration activities are focused on the known mineralisation areas, and in the Group's approach is to focus on lot PTD 217 (in which an old mine shaft was discovered), measuring around 2,126.17 hectares (21.26 km^2) or around 12.0% of the approved areas.

Since the beginning of FY2023, a total of 3,440 grab samples were collected and sent to the independent laboratory for assaying of gold. Out of these samples, 91 were considered as significant assay results for this purpose (i.e. with the result of more than 0.05 gram/tonne) and these assay results presents important indications of the presence of gold mineralisation.

A total 31 number trenches were excavated during the reporting period with a total length of approximately 3,860 meters. 358 samples were collected from the trenches and were panned for the presence of gold. 196 samples were considered as significant as they marked the presence of gold mineralisation.

The above results are marked in the following map which provides the Group better understanding of gold distribution.



Arising from the above, a 20 drill holes were planned in the PTD 217 around former abandoned mine shaft area and Bukit Twiss. A total five (5) drill holes were completed as at this reporting period with a total length of 624 meters (to date total is nine (9) drill holes with length of 1,535 meters). A total of 633 samples were sent for gold assays and the result of 535 samples were received. Out of 535 samples received, 436 were considered as significant assay results (to date 1,178 samples were sent for gold assay and the result of 1,037 samples were received, out of 1,037 samples received, 993 were considered as significant assay results).

This positive development is an encouraging news for the Group to continue with the planned drilling program. Future planning for next quarter is to add drilling machine and man power in our project area, then set up preparation lab on site and do metallurgical test for the samples, in order to expedite the exploration progress, beside to do reserve calculation and real data recovery also processing plant flow sheet.

Mining activities

Chaah Mine

The Chaah mine is a mature site that has been in continuous operation since 2008. The Group 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.

A. Open Pit Mining

FY 2023 witnessed major change in the mining philosophy for our Chaah Mine. Our Group strongly believed that Chaah Mine needs to be opened to other mining method that will produce sustainable cashflow to the Group for its expansion plan. Accordingly, the Group is deploying a strategy of converting the open pit mining for the present known mineral resources to the underground mining. While our Group continues to focus on the open pit mining on the Southern Pit, however, a plan was developed to convert the open pit mining method to the underground method as part of our long-term sustainable mine plan. The Group is expecting a transitional period of 3 – 4 months for the Southern Pit for this conversion exercise.

During the financial year, our open pit mining production records documented that, overall, our Group has excavated approximately 683,000 tonnes of ore and approximately 6.2 million tonnes of waste.

B. Underground Mining

The Group adopts modified sub-level caving method for Chaah Northern Pit, which involves the level from -87 meter below sea level to -5 meter below sea level. This method is part of mass mining method whereby the ore body is drilled and blasted with the waste rock is kept as supporting structures. The ore body is divided into five (5) vertical intervals called sublevel intervals at level -23.5mRL, -42mRL, -57mRL, -72mRL and -87mRL. The ore within each sublevel interval is drilled in a fan-shaped design at a constant horizontal distance. The ore is blasted, slice by slice from the hanging wall side to the footwall side in a retreating manner.

There are two (2) stages when conducting sub-level caving method mining, which are:

a. **Development stage** - Current stage, commenced on 17/02/2023

The development stage at Chaah Mine commenced on 17th February 2023. For development stage, there are five (5) interval levels of tunnel designed at northern part of the pit which are separated at 15m intervals between each level. The tunnels which are planned and designed are at level -23.5mRL, -42mRL, -57mRL, -72mRL and -87mRL. During the development stage, the access paths which consists of Main Tunnels and Adits are constructed inside each level inside wireframe ore body digitized during exploration period at each respective level. Concurrent with the path being constructed, the iron ore blasted or obtain is extracted and can be sent to the processing plant. Our underground mining record documented approximately 80,000 tonnes or ore was extracted during the development stage. Once every tunnel intervals and access paths inside the tunnel intervals are completed, production stage will commence. Figure 1 below shows the design of tunnel interval levels:

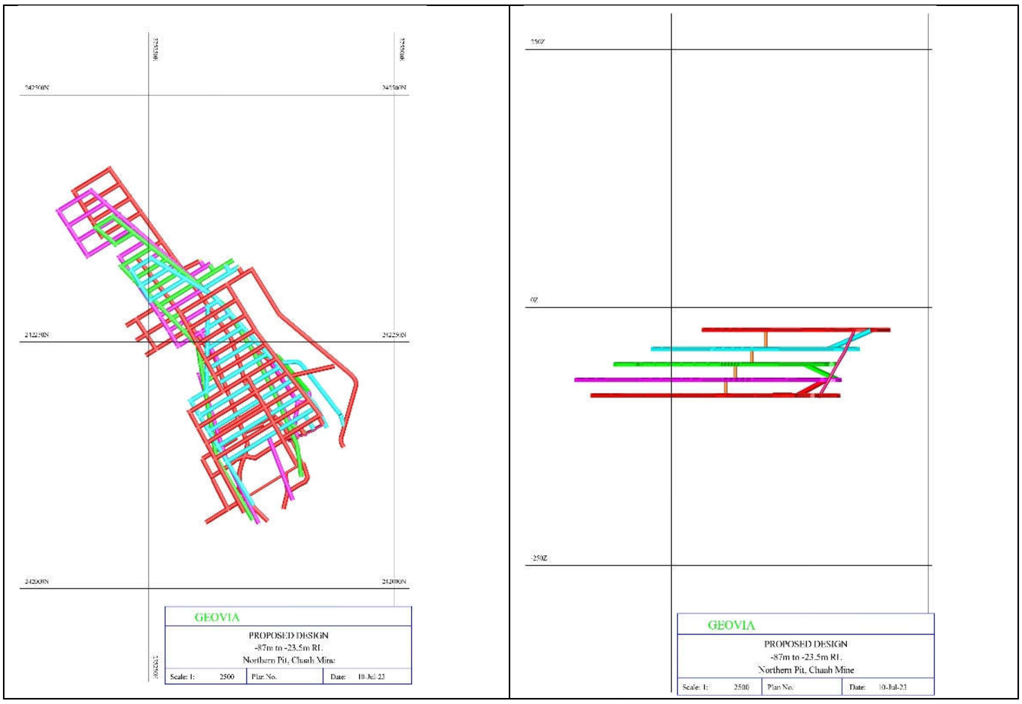


Figure 2: Northern Pit Tunnel design

During this FY, a total of 27 paths of main tunnel (M) and adits (AT) had been constructed at level RL -87 as per table below:

No	Structure Name	Distance to date (Meter)
1	Main Tunnel 1 (MT01)	236
2	Main Tunnel 2 (MT02)	29.5
3	MT2NE	27
4	MT2NW	97.3
5	AT01NE	75.5
6	AT01SW	19.7
7	AT01N	36.5
8	AT02NE	48.4
9	AT02SW	44.8

No	Structure Name	Distance to date (Meter)
10	AT02N	22.2
11	AT03NE	25.1
12	AT03SW	33
13	AT04NE	16
14	AT05NE	13.5
15	AT04SW	9.3
16	AT06NE	17.3
17	AT03N	1.4
18	AT07SW	12.1
19	AT07NE	14.1
20	AT08NE	4.5
21	AT08SW	10.3
22	AT09NE	4.5
23	AT09SW	6.1
24	AT09N	29.5
25	AT07N	10.5
26	AT08N	10.5
27	AT02 Ramp	1.5
TOTAL		**856.1**

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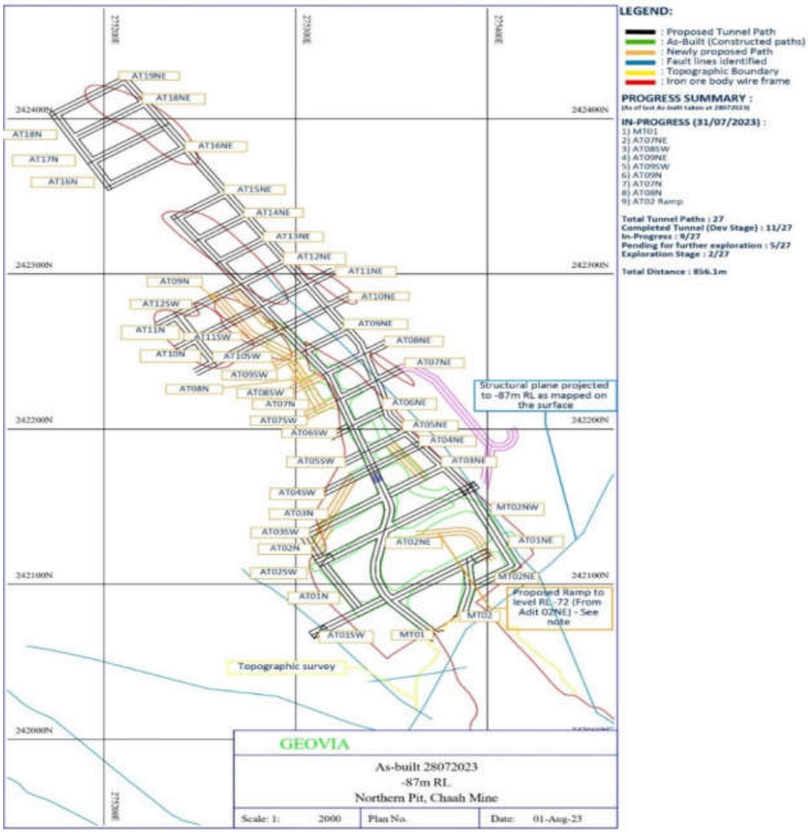
Figure 2 below shows the development progress for all the structures stated above:



A total of 83,658 tonnes of ore was extracted during the development stage.

b. Production stage – Future stage

Once development stage is completed, the production stage will commence. During the production stage, the iron ore at the roof or tunnel crown at each tunnel paths constructed during the development stage is drill and blasted to obtain the iron ore hanging at the tunnel roofing. During this stage, more iron ore will be obtained at larger volume.

C. Ore Processing

A total of approximately 746,000 tonnes of ore was processed during financial year which produced 298,000 tonnes of iron ore concentrates of grade 58 – 65 of iron contents. Out of which, 24,000 tonnes were ore delivered from Mao'kil Mine.

Mao'kil Mine

There was no delivery of the previously discovered ore from development activities at Mao'kil Mine during the reporting quarter, and there were no mining nor extraction activities have taken place for the same period. The mine record showed approximately 24,000 tonnes of ore which were cumulatively discovered up to 9M FY2023, were delivered to Chaah for processing.

Kota Tinggi Mine

As our Group has not carried out any exploration on the mine, and in view of there was a party interested in carrying out mining at the mine, the Group had in November 2021 appointed a contractor to operate the mine. There was no production in FY2022. During FY2023, the contractor has extracted approximately 29,000 tonnes of iron ore from the tailing and it was translated into a sales of approximately RM4.4 million.

No mining activities were carried out for the Chaah Baru and Tenggaroh prospect in 4Q FY2023.

BY ORDER OF THE BOARD

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

26 September 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.

The contact person for the Sponsor is Ms Lim Hui Ling, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.