Southern Alliance Mining Ltd

(Company Registration No. 201931423D)

Unaudited Condensed Interim Financial Statements
For the Six Months Ended 31 January 2024 ("1H FY2024")

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.

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PART I – UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR 1H FY2024

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

		Group		
		Six Months Ended		
		31-Jan-24	31-Jan-23	
		(Unaudited)	**(Unaudited)**	Changes
	Note	RM'000	RM'000	(%)
Revenue	**4**	92,208	52,183	76.7%
Cost of sales		(90,924)	(55,006)	65.3%
Gross profit/(loss)		1,284	(2,823)	145.5%
Other income		6,304	1,602	293.5%
Other operating expenses		(666)	(907)	-26.6%
General and administrative expenses		(6,701)	(7,439)	-9.9%
Share of loss of joint ventures		(572)	(304)	88.2%
Gain on disposal of subsidiaries		118	-	100.0%
Finance costs		(334)	(330)	1.2%
Loss before tax	**5**	(567)	(10,201)	-94.4%
Income tax (expense)/benefit	6	(676)	3,188	-121.2%
Loss after tax, representing total comprehensive income for the period		(1,243)	(7,013)	-82.3%
Loss per share (Malaysian cents per share)				
Basic and diluted		(0.25)	(1.43)	-82.3%

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B. Condensed Interim Statements of Financial Position

	Note	Group		Company	
		31-Jan-24 (Unaudited)	31-Jul-23 (Audited)	31-Jan-24 (Unaudited)	31-Jul-23 (Audited)
		RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	10	63,710	70,162	-	-
Mine properties	11	28,206	30,675	-	-
Exploration and evaluation assets		20,461	19,842	-	-
Investment in subsidiaries		-	-	182,565	183,949
Investment securities		44	92	-	-
Investment in joint ventures		12,330	9,078	2,336	-
Investment in redeemable preference shares		-	-	10,000	10,000
		124,751	129,849	194,901	193,949
Current assets					
Inventory		10,690	13,244		-
Trade and other receivables		55,079	40,656	8,236	10,047
Contract assets		1,385	3,168	-	-
Prepayments		9,536	7,161	3,904	1,804
Cash and bank balances		151,273	156,103	12,088	15,862
Income tax recoverable		29,029	31,597	34	3
		256,992	251,929	24,262	27,716
Total assets		381,743	381,778	219,163	221,665
Liabilities					
Current liabilities					
Lease and hire purchase liabilities	12	6,858	6,879	-	-
Trade and other payables		19,927	17,002	429	579
		26,785	23,881	429	579
Net current assets		230,207	228,048	23,833	27,137
Non-current liabilities					
Lease and hire purchase liabilities	12	4,646	6,420	-	-
Deferred tax liabilities		4,827	4,749	-	-
		9,473	11,169	-	-
Total liabilities		36,258	35,050	429	579
Net assets		345,485	346,728	218,734	221,086
Equity attributable to owners of the Company					
Share capital	13	218,154	218,154	218,154	218,154
Treasury shares	13	(509)	(509)	(509)	(509)
Retained earnings		290,472	291,715	1,089	3,441
Merger reserve		(163,380)	(163,380)	-	-
		344,737	345,980	218,734	221,086
Preference shares		733	733	-	-
Non-controlling interest		15	15	-	-
Total equity		345,485	346,728	218,734	221,086

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C. Condensed Interim Consolidated Statement of Cash Flows

	Group	
	Half Year Ended	
	31-Jan-24 (Unaudited) RM'000	31-Jan-23 (Unaudited) RM'000
Operating activities		
Loss before tax	(567)	(10,201)
Adjustments for:		
Interest expenses	334	330
Interest income	(2,407)	(1,105)
Unrealised (gain)/loss on foreign exchange	(2,948)	1,845
Depreciation of property, plant and equipment	9,533	7,174
Gain on disposal of property, plant and equipment	(464)	(222)
Amortisation of mine properties	2,469	2,263
Fair value loss/(gain) on investment securities	48	(38)
Share of loss of joint ventures	572	304
Gain on disposal of subsidiaries	(118)	-
Gain on lease modification	(11)	-
Asset written-off	99	-
Total adjustments	7,107	10,551
Operating cash flows before changes in working capital	6,540	350
Changes in working capital:		
Decrease/(increase) in inventories	2,554	(2,220)
Increase in trade and other receivables and contract assets	(17,902)	(2,262)
(Increase)/decrease in prepayments	(2,375)	533
Increase/(decrease) in trade and other payables	6,481	(3,193)
Total working capital changes	(11,242)	(7,142)
Cash flows used in operations	(4,702)	(6,792)
Income taxes refunded/(paid)	1,970	(7,857)
Interest received	2,040	1,105
Interest paid	(334)	(330)
Net cash used in operating activities	(1,026)	(13,874)

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	Group Half Year Ended 31-Jan-24 (Unaudited) RM'000	31-Jan-23 (Unaudited) RM'000
Investing activities		
Investment in exploration and evaluation assets	(1,316)	(4,284)
Purchase of property, plant and equipment	(1,630)	(5,825)
Proceeds from disposal of property, plant and equipment	420	215
Uplift of term deposits	3,643	20,207
Expenditures on stripping activity assets	-	(9,618)
Investment in joint ventures	-	(10,159)
Net cash from/(used in) investing activities	1,117	(9,464)
Financing activities		
Repayment of obligations under leases	(3,601)	(3,866)
Purchase of treasury shares	-	(42)
Dividends paid on ordinary and preference shares	-	(3,619)
Net cash used in financing activities	(3,601)	(7,527)
Net decrease in cash and cash equivalents	(3,510)	(30,865)
Deconsolidation of subsidiaries	(999)	-
Effect of exchange rate changes on cash and cash equivalents	2,628	(1,916)
Cash and cash equivalents at beginning of financial period	145,803	184,894
Cash and cash equivalents at end of financial period	143,922	152,113

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

	31-Jan-24 RM'000	31-Jan-23 RM'000
Cash and bank balances	151,273	168,397
Less:		
Deposits more than three months	(7,351)	(16,284)
Cash and cash equivalents at end of financial period	143,922	152,113

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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 FY2024								
Opening balance at 1 August 2023 (audited)	218,154	(509)	(163,380)	291,715	345, 980	733	15	346,728
Loss for the period representing total comprehensive income	-	-	-	(1,243)	(1,243)	-	-	(1,243)
Closing balance at 31 January 2024 (unaudited)	218,154	(509)	(163,380)	290,472	344,737	733	15	345,485
1H FY 2023								
Opening balance at 1 August 2022 (audited)	218,154	(467)	(163,380)	303,111	357,418	733	15	358,166
Profit 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

Company	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
1H FY 2024				
Opening balance at 1 August 2023 (audited)	218,154	(509)	3,441	221,086
Loss for the period representing total comprehensive income	-	-	(2,352)	(2,352)
Closing balance at 31 January 2024 (unaudited)	218,154	(509)	1,089	218,734
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
Transactions with owners				
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

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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 2024 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 ended 31 January 2024 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 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 2023. 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 2023.

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 2024 is RM29,029,000 (31 July 2023: RM31,597,000) and RM4,827,000 (31 July 2023: RM4,749,000) respectively.

(b) *Stripping (waste removal) costs*

The Group previously adopted open pit mining on its Chaah Mine and therefore incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. However, the Group has officially ceased the open pit mining in September 2023 and has converted the mining method to the underground mining. Accordingly, no stripping cost was incurred during the six months period ended 31 January 2024.

Notwithstanding the above, the Group will continue to amortise the remaining stripping cost based on the ore extraction. While judgement is no longer required to allocate the production stripping costs between inventory and stripping asset, however, judgements and estimates are still required to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

(c) Exploration and evaluation assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent on several factors, including whether the Group decides to exploit the related area of interest, if not, whether it can successfully recover the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of ore reserves and mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

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 2024	**31 January 2023**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Sales of iron ores	92,208	52,183

All revenues are derived from the operations based in Malaysia except for an amount of approximately RM8,921,000 for the six months period ended 31 January 2024 (31 January 2023: RM1,120,000) arising from sales to overseas customers.

Contract assets

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

	As at 31 January 2024	**As at 31 January 2023**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Receivables from contracts with customers	16,718	5,346
Contract assets	1,385	1,227

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:

	Six months period ended	
	31 January 2024	**31 January 2023**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Contract assets reclassified to receivables	3,168	1,979

Note 5 – Loss before tax

5.1 Significant items

	Group Six months period ended 31 January 2024 RM'000 **Unaudited**	 31 January 2023 RM'000 **Unaudited**	 Changes (%)
Interest income	(2,407)	(1,105)	117.8%
Gain on disposal of property, plant and equipment	(464)	(222)	109.0%
Rendering of services	(173)	(90)	92.2%
Sundry income	(312)	(185)	68.6%
Finance costs	334	330	1.2%
Employee benefits expense	7,145	6,100	17.1%
Asset written-off	99	-	100.0%
Depreciation of property, plant and equipment	9,533	7,174	32.9%
Amortisation of mine properties	2,469	2,263	9.1%
Unrealised (gain)/loss on foreign exchange	(2,948)	1,845	-259.8%
Realised loss on foreign exchange	40	10	300.0%
Tributes	18,000	16,500	9.1%
Royalties	386	366	5.5%

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 2024 RM'000 **Unaudited**	 31 January 2023 RM'000 **Unaudited**
<u>Transactions with related parties</u>		
Hiring and transportation services procured	4,116	3,069
Purchase of lubricants, spare parts and equipment	613	980
Procurement of services	14	6
Rental of office from interested person	110	-
Purchase of equipment and mobile equipment	290	5,240
Sale of equipment to interested person	(290)	(3,367)

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

	Group Six months period ended 31 January 2024 RM'000 **Unaudited**	 31 January 2023 RM'000 **Unaudited**
Short-term employee benefits	2,459	2,132

Key management compensation comprises the following:

Remuneration to Directors of the Company	1,747	1,148
Directors' fees	551	509
Other key management personnel	-	331
Defined contributions	161	144
	2,459	2,132

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/(benefit) in the condensed interim consolidated statement of profit or loss are:

	Six months period ended 31 January 2024 RM'000 **Unaudited**	 31 January 2023 RM'000 **Unaudited**
Current income tax		
Current income taxation	598	-
Under provision in respect of previous years	-	265
Deferred income tax		
Origination and reversal of temporary differences	256	(3,380)
Over provision in respect of previous year	(178)	(73)
Income tax recognised in profit and loss	676	(3,188)

Note 7 - Dividends

	Group	
	Six months period ended	
	31 January 2024	**31 January 2023**
	RM'000 **Unaudited**	RM'000 **Unaudited**
Declared and paid during the financial period		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2023: Nil (2022: 0.72 Malaysian cents per share)	-	3,519
Dividends on preference shares		
- Final exempt (one-tier) dividend for 2023: Nil (2022: 13.6 Malaysian cents per share)	-	100
	-	3,619

Note 8 – Losses per ordinary share ("LPS")

	Group	
	Six months period ended	
	31 January 2024 Unaudited	**31 January 2023 Unaudited**
Loss attributable to shareholders of the Company (RM'000)	(1,243)	(7,013)
Weighted average number of ordinary shares in issue ('000 shares)	488,759	488,776
Basic and fully diluted basis LPS (Malaysian cents)	(0.25)	(1.43)

LPS is calculated by dividing the Group's loss 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 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 2024 Unaudited	**31 July 2023 Audited**	**31 January 2024 Unaudited**	**31 July 2023 Audited**
Net asset value (RM'000)	344,737	345,980	218,734	221,086
Number of issued shares ('000)	488,759	488,759	488,759	488,759
Net asset value per share (Malaysian cents)	70.53	70.79	44.75	45.23

The net asset value per ordinary share of the Group and the Company as at 31 January 2024 were calculated based on the total issued number of ordinary shares (excluding treasury shares) of 488,759,000 (31 July 2023: 488,759,000).

Note 10 – Property, plant and equipment

During the six months period ended 31 January 2024, the Group acquired assets amounting to RM3,926,000 (31 January 2023: RM12,103,000), asset written-off amounting to RM99,000 (31 January 2023: RM Nil), asset of RM397,000 (31 January 2023: RM Nil) derecognised as a result of lease modification and disposal of assets amounting to RM246,000 (31 January 2023: RM3,156,000).

The cash outflow on acquisition of property, plant and equipment amounted to RM1,630,000 (31 January 2023: RM5,825,000). Out of total proceeds from disposed assets that amounted to RM710,000 (31 January 2023: RM3,582,000), the Group had received cash inflows from disposed assets of RM420,000 (31 January 2023: RM215,000). Accordingly, the Group recorded a gain on disposal amounting to RM464,000 (31 January 2023: RM222,000 after eliminating the downstream gain of RM204,000 for assets disposed to a joint venture).

In the same reporting period, the Group has incurred a total depreciation of RM9,636,000 (31 January 2023: RM9,142,000), which RM103,000 (31 January 2023: RM Nil) was capitalized as exploration and evaluation assets, RM Nil (31 January 2023: RM1,968,000) was capitalized as stripping activity assets and RM9,533,000 (31 January 2023: RM7,174,000) charged to cost of sales and other operating expenses.

Note 11 – Mine properties

	Producing mine	**Stripping activity asset**	**Total**
	RM'000	RM'000	RM'000
Group			
Cost			
At 1 August 2022	18,259	53,994	72,253
Addition during the year and period	- [(1)]	10,824 [(2)]	10,824
At 31 July 2023 and 31 January 2024	18,259	64,818	83,077
Accumulated amortisation			
At 1 August 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
Charge for the period	353	2,116	2,469
At 31 January 2024	14,222	40,649	54,871
Net carrying amount			
At 31 July 2023	4,390	26,285	30,675
At 31 January 2024	4,037	24,169	28,206

Notes:

(1) There were no capitalization of cost related to the producing mine in the financial year ended 31 July 2023 and the financial period ended 31 January 2024.

(2) During the year ended 31 July 2023, the Group has capitalized RM10,824,000 as stripping activity assets which consist of non-cash depreciation capitalized of RM2,040,000 and cash outflow of RM8,784,000 incurred for stripping activities. There were no capitalization of stripping activity assets for the period ended 31 January 2024.

Note 12 – Lease and hire purchase liabilities

	31 January 2024 RM'000 **Unaudited**	31 July 2023 RM'000 **Audited**
Group		
Current		
Secured:		
Lease and hire purchase liabilities	6,858	6,879
Non–current		
Secured:		
Lease and hire purchase liabilities	4,646	6,420
Total lease and hire purchase liabilities	11,504	13,299

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 Managing Director and/or Mr Pek Kok Hing, brother of Dato' Sri Pek Kok Sam in favor of the Company. 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 4.85% (31 July 2023: 4.87%) per annum.

There are no unsecured borrowings and/or debt securities as at 31 January 2024 and 31 July 2023.

Note 13 – Share capital and treasury shares

	Group and Company			
	31 January 2024		**31 July 2023**	
	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 January 2024 and 31 July 2023, the Company's total issued shares is 488,759,000 ordinary shares excluding 241,000 shares held as treasury shares.

Treasury shares				
As at 1 August 2023/2022	241,000	509	211,000	467
Purchased during the period/year	-	-	30,000	42
As at 31 January 2024/31 July 2023	241,000	509	241,000	509

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 2024 RM'000	**31 July 2023** RM'000
Group		
Capital expenditures contracted but not provided for		
- Plant and equipment	26,613	28,170

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 2024 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 2023 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 2024 ("1H FY2024") compared to the half year ended 31 January 2023 ("1H FY2023")

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 increased by 76.7% from RM52.2 million in 1H FY2023 to RM92.2 million in 1H FY2024. The increase is mainly due to increase in ore extraction from underground mining which resulted in higher volume of iron ore concentrate produced in 1H FY2024 coupled with favourable iron ore concentrate and crushed iron ore average realised selling price ("**ARSP**").

ARSP

The movement of ARSP in 1H FY2024 as compared to 1H FY2023 is set out in the table below.

ARSP per dried metric ton ("DMT")/metric ton ("MT")	1H FY2024	1H FY2023	Increase/(decrease) (%)
Iron ore concentrate	RM510.89	RM418.85	22.0%
Crushed iron ore	RM581.19	RM560.00	3.8%
Iron ore tailing	RM188.46	RM225.00	-16.2%

Sales volume

The Group reported an increase in sales volume of all its products in 1H FY2024 compared to 1H FY2023:

(i) an increase of 33.9% or approximately 41,200 DMT of iron ore concentrate to 163,000 DMT in 1H FY2024 resulted from increased ore production;

(ii) an increase in crushed iron ore sales volume by 100.0% from 2,000 MT in 1H FY2023 to 4,000 MT in 1H FY2024; and

(iii) sales of processed iron ore tailing from Kota Tinggi Mine amounted to 35,000 DMT in 1H FY2024 as compared to sales of 200 DMT in 1H FY2023. The availability of ore for subsequent sales depends on the subcontractors' discovery as Kota Tinggi prospect is still in the exploratory phase.

Cost of sales

The cost of sales increased by 65.3% from RM55.0 million in 1H FY2023 to RM90.9 million in 1H FY2024. This is in line with the increase in ore production and iron ore sold. The increase in our cost of sales is mainly contributed by the following:

(i) the Group incurred mining subcontractor wages of approximately RM17.2 million in 1H FY2024 to mine ore from underground;

(ii) the processing cost consisting of fuel and electricity cost, maintenance cost and sub-contractors' fees which increased by RM1.8 million or 22.5%;

(iii) an increase in sales and related cost consisting of logistic and port related cost, tributes and royalties by RM2.9 million or 14.8%;

(iv) approximately RM4.9 million was spent in purchasing iron ore concentrates for subsequent sale in 1H FY2024. There were no iron ore sourced from external party in the corresponding period;

(v) a sum of approximately RM5.1 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;

(vi) net effect of capitalisation of cost associated with the production stripping activity increased cost of sales by RM11.6 million, mainly due to (i) approximately RM11.6 million of mining cost was subtracted from total cost of sales and capitalised as stripping activity asset in 1H FY2023 as a result of intensified overburden removal activities; and (ii) no cost was capitalised in 1H FY2024 as the Company has transitioned into full underground mining operation in September 2023; and

(vii) net effect of inventory movement. The negative inventory movement in 1H FY2024 was approximately RM2.6 million as compared to a positive inventory movement of RM2.2 million in 1H FY2023, in which net effect of these inventory movements increased cost of sales by RM4.8 million.

The increase in cost of sales was partially offset by net decrease in mining cost consisting of blasting cost, equipment and machinery maintenance cost, fuel and lubrication cost, payroll and other mining-related cost by approximately RM12.4 million as the Group transitioned from open pit mining to the underground mining method.

Gross profit and gross profit margin

The adoption of full underground mining method managed to turnaround the financial performance of the Group from a gross loss of RM2.8 million in 1H FY2023 to a gross profit of RM1.3 million in 1H FY2024 representing approximately a 145.5% increase. This contributed to a rise in the gross profit margin by 6.8 percentage points, from -5.4% in 1H FY2023 to 1.4% in 1H FY2024.

Other income

Other income increased by RM4.7 million from RM1.6 million in 1H FY2023 to RM6.3 million in 1H FY2024. This was mainly attributed to the strengthened United States Dollar ("**USD**") and Singapore Dollar ("**SGD**") against RM which resulted in a gain of approximately RM3.0 million recorded in 1H FY2024 resulted from the changes in exchange rate as compared to an unrealised loss reported in the previous corresponding period. In the 1H FY2024, there was also (i) an increase in interest income by approximately RM1.3 million; (ii) an increase in gain of RM0.2 million from assets disposed; and (iii) increase in hiring income and other income by RM0.2 million.

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 mainly consist of administrative expenses, professional fees and payroll. The Group witnessed a drop of RM0.7 million in this category mainly due to decrease in unrealised loss from changes in exchange rate by approximately

RM1.8 million. This was partially offset by (i) an increase in professional fees by RM0.5 mil mainly due to fees paid to independent consultants to conduct valuation and assessment and drafting report; (ii) increase in general consultancy fees by RM0.2 mil; and (iii) increase in administrative expenses and payroll by RM0.4 million.

Share of loss of joint ventures
The Group shared a post-acquisition net loss of approximately RM0.6 million in the joint ventures, being Southern Atlantic Metal Sdn Bhd, Sri Aman Minerals Sdn Bhd, Maha Hijau Sdn Bhd and Rigid Temau Sdn Bhd, as compared to RM0.3 million in 1H FY2023. The losses mainly related to the pre-operating cost in the joint ventures attributable to the Group.

Gain on disposal of subsidiaries
The Group recorded a gain from disposal of subsidiaries of approximately RM0.1 million. The gain was in relation to the deconsolidation of Southern Atlantic Metal Sdn Bhd and Sri Aman Minerals Sdn Bhd in August 2023 and retained as joint ventures.

Finance costs
There is no significant change in finance costs incurred by the Group.

Loss before tax
The positive effect from the full underground mining method deployed in September 2023 coupled with the increase in other income and decrease in general and administrative expenses explained above brings the operation of the Group to a break-even position in 1H FY2024. However, the share of loss of joint ventures, which are still in the preliminary stage of exploration has resulted in the Group recording a loss before tax of RM0.6 million in 1H FY2024 as compared to a loss before tax of RM10.2 million in 1H FY2023.

Income tax expense
The Group recorded an income tax expense of RM0.7 million in 1H FY2024, representing an increase of RM3.9 million from income tax benefit of RM3.2 million in 1H FY2023. The increase is in line with the drop in loss before tax of the Group in 1H FY2024.

Review for the financial position of the Group as at 31 January 2024 compared to as at 31 July 2023

Consolidated Statement of Financial Position

Non-current assets
Property, plant and equipment constituted approximately 51.1% of the Group's non-current assets as at 31 January 2024. The decrease in property, plant and equipment by RM6.4 million or 9.2% was mainly attributable to (i) disposal of assets of approximately RM0.2 million; (ii) asset written-off of RM0.1 million; (iii) derecognition of asset amounting to RM0.4 million as a result of lease modification; and (ii) systematic depreciation charges of approximately RM9.6 million in 1H FY2024 of which the depreciation charges of approximately RM9.5 million has been included in the cost of sales and other operating expenses and approximately RM0.1 million was capitalised under exploration and evaluation assets as at 31 January 2024. The decrease was partially offset by the purchase of mobile equipment, motor vehicles and construction of assets of approximately RM3.9 million.

Mine properties made up approximately 22.6% of non-current assets. Continued amortisation of mine properties reduced the net carrying amount by approximately RM2.5 million from RM30.7 million as at 31 July 2023 to RM28.2 million as at 31 January 2024.

As part of the ongoing exploration works conducted by the Group, exploration and evaluation assets has increased by RM0.6 million or 3.1% to RM20.5 million as at 31 January 2024. Exploration and evaluation assets mainly relate to the exploration cost incurred on prospect sites located at the State of Johor, being Chaah Mine and Tenggaroh Mine.

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. The carrying amount of the investment in joint ventures, being Rigid Temau Sdn Bhd, Maha Hijau Sdn Bhd, Southern Atlantic Metal Sdn Bhd ("**SA Metal**") and Sri Aman Minerals Sdn Bhd ("**SA Minerals**"), as at 31 January 2024 is RM12.3 million. The increase mainly attributed to the long-term amount due from SA Metal and SA Minerals of RM3.8 million are in substance, assessed and formed as part of the investor's net investment. The increase was partially offset by the share of loss from joint ventures of RM0.6 million.

Current assets

The Group's cash and bank balances made up approximately 58.9% of current assets as at 31 January 2024. Please refer to cash flow analysis below for details on fluctuation of cash and cash equivalents.

The trade and other receivables increased by RM14.4 million mainly due to increase in trade receivables and other receivables by approximately RM9.3 million and RM5.1 million respectively. The increase in trade receivables mainly a result of billing made to customers in January and remained uncollected as at 31 January 2024. The increase in other receivables mainly attributed to deposits paid to mining consultants to carry out intensive drilling programs to derive mineral resource and reserve.

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 may be. 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 RM3.2 million as at 31 July 2023 to RM1.4 million as at 31 January 2024 arising from the terms of sales for the sales contracts which supply had been completed at the end of the reporting period.

Inventory decreased by 19.3% from approximately RM13.2 million as at 31 July 2023 to approximately RM10.7 million as at 31 January 2024. The decrease was mainly attributed to lower volume of inventory balance as at 31 January 2024.

The advance payment for the purchase of imported spare parts and prepaid professional fees recorded in prepayments has increased to RM9.5 million as at 31 January 2024 from RM7.2 million as at 31 July 2023.

Income tax recoverable consist of prepaid tax instalment and over provision of tax in respect of prior years. Decrease in income tax recoverable by approximately RM2.6 million mainly due to (i) the Group received a refund of prepaid tax of RM2.0 million; and (ii) a provision of income tax expense of approximately RM0.6 million was made in January 2024.

Current liabilities

The Group's current liabilities amounted to RM26.8 million as at 31 January 2024, representing 10.4% of the Group's current assets as compared to 9.5% as at 31 July 2023.

The increase of RM2.9 million in total current liabilities from RM23.9 million as at 31 July 2023 to RM26.8 million as at 31 January 2024 was mainly due to an increase in the Group's trade and other payables. This was due to a net increase in amount due to suppliers and mining consultant by RM1.5 million and RM1.4 million respectively, which mainly due to increased mining activity.

There is no significant change in lease and hire purchase liabilities.

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 RM4.7 million and deferred tax liabilities of RM4.8 million.

The non-current lease and hire purchase liabilities decreased by 27.6% or RM1.8 million to RM4.7 million as at 31 January 2024 mainly due to the transition to underground mining which is less capital intensive and thus resulted in reduction in capital spending.

There is no significant change in deferred tax liabilities.

Consolidated Statement of Cash Flow

In 1H FY2024, the Group net cash outflow from operating activities was only RM1.0 million compared to RM13.9 million in 1H FY2023. The significant decrease in operating cash outflow by 92.8% or RM12.9 million was mainly attributed to the improved financial performance in 1H FY2024. Details are elaborated in the above sections.

In the same reporting period, the net cash inflow from investing activities was RM1.1 million compared to an outflow of RM9.5 million in the corresponding period. The Group spent RM1.6 million in property, plant and equipment in 1H FY2024, representing a decrease of RM4.2 million from 1H FY2023. The Group also spent RM1.3 million on exploration activities which was capitalised as exploration and evaluation assets in the balance sheet. As a result of the improved financial performance, the Group withdrew only a term deposits of RM3.6 million to finance its investing activities compared to a total withdrawal of RM20.2 million in 1H FY2023. The Group also received proceeds from disposal of fixed assets amounting to approximately RM0.4 million in the reporting period.

During 1H FY2024, the Group made repayments of approximately RM3.6 million in 1H FY2024 for its hire purchase facilities as compared to RM3.9 million in 1H FY2023.

The Group also recorded a gain of RM2.6 million in 1H FY2024 as a result of the changes in exchange rate on cash and cash equivalents. This was partially offset by a decrease of approximately RM1.0 million in cash and cash equivalents as a result of partial disposal of subsidiaries and retained only its investment as joint ventures.

The combined effects of the above and the improved financial performance, the net outflow was only RM1.9 million in 1H FY2024, which is approximately 94.2% lower as compared to an outflow of RM32.8 million in 1H FY2023.

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.

In the past couple of years, the global economic outlook has been changing rapidly and businesses across the world have had to adapt to it. While inflation seems to be easing, the Fed is not expected to cut rates before 2H2024[1], with most other Asian banks only following

[1] Fitch Solutions: Asia Macro Key Themes 2024: Region Still Facing Challenges

thereafter. Global recovery is slower-than-expected with China's fiscal support to boost the economy not meeting economists' expectations. Looking at Malaysia, economic growth reported a slowdown in 4Q2023 due to lower exports from subdued global demand. However, the Malaysian central bank remains positive on domestic demand holding up and a gradual recovery in global demand is expected to power the economy to a growth rate of 4-5% in 2024[2]. The Group, as it starts to recover, continues to be on the lookout for catalysts and market opportunities to drive both organic and inorganic growth.

Iron ore prices ended on a strong note in 2023, hitting a 17-month high of USD$135/t in November 2023[3]. Expectations of strong efforts by China to revive its property sector and augment the patchy post-pandemic economic recovery led to more gains in early 2024[4]. While iron ore prices are showing signs of downward pressures due to weakness in downstream demand and the economic uncertainty associated with China, forecasts for iron ore prices for 2024 have generally not been adjusted downward.

Chinese demand in 2023 beat expectations with record iron ore consumption[7] for the year. For the majority of 2023, imports were over ~7% higher compared to 2022[5]. However, given the uncertainty of a complete demand recovery, the iron ore price rally in 2023 was followed by a normalisation towards the end of February 2024, with prices declining nearly 8%. Wary of this, many mills have chosen to draw down inventories instead of placing new orders[6] and steel production remains weak. Due to the slower-than-expected demand coupled with oversupply, iron ore prices may decline in the short term. However, sentiments of a more balanced iron ore market over the longer-term prevail as indicated by BHP, one of the largest producers of iron ore[7]. China is targeting 5% GDP growth in 2024[8], which may translate to stronger stimulus, increased construction activity and a revival of the infrastructural demand for iron ore. Additionally, demand from other importers like India and Southeast Asia is growing significantly, driven by its rapid infrastructure expansion, which may offset any decline in China[9].

On the supply side, the world's largest iron ore producer Rio Tinto announced plans to raise output by 16% at its newest iron ore mine, with expectations of shipments to be at its pre-pandemic record levels[10]. This may put a downward pressure on iron ore prices if China's demand is unable to showcase a strong rebound and steel supply continues to further outweigh its demand.

Stronger-than-usual supply and mixed expectations of a large China demand recovery are creating headwinds for iron ore prices. However, they are expected to rebound soon[6] as a demand recovery looms ahead, influenced by factors like favourable weather for construction activities, supportive government policies in China and robust regional demand. These will act as tailwinds going forward and, hence, the Group remains cautiously optimistic about the outlook for iron ore and its effect on the ARSP that we are able to achieve.

Internally, in order to reduce our volatility based on iron ore prices, the Group has been progressing well on its diversification and expansion roadmap. The necessary due diligence process for the Rare Earth acquisitions is ongoing. The Group discovered significant results

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[2] CNBC: Malaysia's economy finishes 2023 on softer footing amid weak global demand
[3] Market Index: Why December is a bullish month for iron ore and BHP, Rio Tinto and Fortescue investors
[4] Reuters: Strong gains for cocoa, iron ore in 2023 as energy prices dip
[5] Reuters: Iron ore price rallies on China fundamentals, but cap looms
[6] CNA: Bearish demand expectations challenge iron ore's price resilience
[7] Reuters: China's shift to steady commodity demand echoes in BHP results
[8] The Straits Times: China sets sight on around 5% growth in 2024, defence spending to rise
[9] Bloomberg: India Steel Demand Set to Grow Up to 10%, Top Mill Says;
[10] Reuters: Rio Tinto flags return to record iron ore production

through its exploration activities at the Tenggaroh Gold Mine, representing early signs of success in its drilling program. The Group also received two new exploration licenses in Johor in early 2024. Promising developments both at the Group's Chaah mine and the Tenggaroh Mine will continue to provide opportunities for growth. The Group's complete shift to underground mining at the northern and southern extension zone of the Chaah mine are expected to reduce the stripping costs of overburden removal going forward.

While macroeconomic uncertainties persist, 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 are deteriorating. Furthermore, with the present price of iron ore and the cash reserve of the Group of RM151.3 million as at 31 January 2024, the Group does not foresee breaching its contractual obligations to its customers and/or suppliers. The Group is able to service its liabilities amounting to RM36.3 million as at 31 January 2024.

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 2024 and 31 July 2023, the Company’s total issued shares is 488,759,000 ordinary shares excluding 241,000 shares held as treasury shares.

As at 31 January 2024 and 31 July 2023, the Company held 241,000 treasury shares which represents 0.049% of the total number of issued shares (excluding treasury shares).

There were no outstanding options, convertible securities or subsidiary holdings as at 31 January 2024 and 31 January 2023.

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 2024 as the dividend shall be guided by the results of the full financial year ending 31 July 2024.

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 23 November 2023. 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	-	4,204
Hchem Marketing (M) Sdn Bhd	Related party Entity of Managing Director, Dato' Sri Pek Kok Sam	-	525

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	(3,090)	(302)	545
TOTAL	11,937	(11,090)	(302)	545

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$3,392,000 with the details as follows:

Nature of Working Capital	Amount Utilised S$'000
Professional fees	1,858
Administrative expenses	1,418
Directors' insurances and training	116
	3,392

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 FY2024, the Company did not incorporate, acquire or dispose of any shares resulting in any of the prescribed situations under Rule 706A.

Notwithstanding the above, subsequent to the acquisition of Teguh Permata Sdn Bhd ("**TP**") and Bumi Kinabalu Resources Sdn Bhd ("**BKR**") as announced on 29 September 2023 in our full year result announcement for the financial year ended 31 July 2023, the directors from the other party holding 50% stake in the associated company, being SA Metal and SA Minerals, had commenced to participate in all significant decisions and jointly controlling SA Metal and SA Minerals. As such, SA Metal and SA Minerals have ceased to be a subsidiary of the Company and was deconsolidated from the Group due to a loss of control and accounted for as investment in joint ventures effectively from August 2023.

The deconsolidation is not expected to materially affect our Group financial performance for 1H FY2024.

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 condensed interim financial statements of the Group and the Company for 1H FY2024 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 2024 ("2Q FY2024")

Activities	2Q FY2024 Projected RM'000	Actual RM'000	Variance RM'000
Mine exploration and evaluation	1,000	1,004	4
Mining related expenditure (excluding capital expenditure)	25,000	24,328	(672)
Total	26,000	25,332	(668)

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 RM0.7 million and RM0.3 million respectively. No material variances were reported during the reporting quarter as works were carried out as planned. As at the date of this announcement, the exploration works for Tavai prospect, a prospect site under SA Minerals, which is located at Tongod District, Sabah has yet to commence as we are still awaiting for the permit to enter forest reserves (note: this prospect is under our joint venture companies, SA Minerals).

Mining activities
Mining activities generally involved the extraction of ore, either via open pit mining which involves the excavation and removal of overburden (waste) and extraction of ores in accordance with the design of the mine pit (open pit mining), or underground mining which involves the construction of a network of tunnels to extract the ore without involving full scale land clearing like the open pit mining method. However, effective from September 2023, our Group has adopted underground mining technique for our Chaah Mine

The extracted 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.

All the mining related expenditure are the expenditure incurred for the mining works at the Chaah Mine. The Group is still continuing with the tunnel development works during 2Q FY2024.

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

Item	Projection for 3Q FY2024 RM'000
a. Mine exploration and evaluation	1,000
b. Mining related expenditure (excluding capital expenditure)	25,000
Total	26,000

The allocation for mine exploration and evaluation included:

(a) provision for professional service to establish underground mining mineral resources and ore reserves for Chaah Mine; and

(b) continuation of the exploration of the Tenggaroh Prospect.

There is no material change to the projection on the use of fund.

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.

(a) **Chaah Mine - Development Stage**

Due to the changes in the mining method as well as the outcome of the underground mining method provided valuable information to more accurately reflect the shape of the orebody, the focus now is for the geologists to update the wireframe and block model of the mineral resource for the competent person to convert the mineral resource to ore reserve.

As part of the update, our geologists continue to map the geological structure inside the tunnels in order to gain better understanding of the geological formations which are visible on the tunnel walls. This includes identifying different rock types, fault lines, fractures, and other geological features that can help to further explain the mineral resources, provide more information on the rock stability which may affect the development of the tunnels as well as the potential underground resource investigation drilling. The mapping activity commenced since September 2023 was carried out at five (5) levels of tunnel to define the new structure controlling the ore shape which are summarised in the table below. It's a progressive work based on the tunnel development.

Level	Region	Adits	Type of structure
-23.5	North	AT01SW, AT02, MT01(A), MT01N(B), AT04, MT03N, MT03S,	Fault, Joints, Bedding
-57	North	AT01, VAT01, AT03, AT04	Fault, Joints
-72	North	AA01, AT02, VAT01, VAT02, MT01	Fault, Joints
-87	North	AT11, AT12, AT13, AT14, MT01	Fault, Joints
-87	South	MT01S, MT09	Fault, Joints, Bedding

Channel sampling method was used as part of the underground mapping works. It involves collection of small chips of rock over a specified linear interval through a series linear channels across the vein or orebody with the objective of obtaining the most representative samples possible along the exposed ore body. Sample intervals are set at 10m width but limited to the lithology changes between hematite and andesite (waste material). During the Q2 FY2024, a total of 184 channel samples were collected and sent through inspectorate lab in Kuantan for further analysis which shown in the table below:

Reference Number	Sample ID		Total sample
	From	To	
MYKTL-23-00229	12247	12304	58
MYKTL-23-00239	12305	12326	22
MYKTL-23-00246	12327	12376	50
MYKTL-24-00006	12377	12430	54
Total			184

All results are available and were sent to our competent person to update the mineral resource database.

Update on Western Spur – Exploration Stage

The previous evaluation works revealed presence of mineralization with lower Fe content (less than 40% Fe) closer to the surface. This is a positive development as it appears indicated to be consistent with previous geophysics study. Our Group will consider a series of the deep hole exploration drillings at Western Spur area at a later date to investigate the presence of main ore at the deepest point.

Underground Saturated Water Zone – Northern pit of Chaah Mine

As the presence of underground water will pose significant challenge to underground mining activities, therefore, our Group has enlisted the services of a contractor to identify the high-saturation water zones beneath the surface. A total of five (5) resistivity survey line carried out along within the North wall and inside the tunnel. The purpose of this survey is to define the location of the high-saturation water zones beneath surface. The resistivity line L2 (800m length) encountered the high saturated water zone covering an area about 8 acres. Our mining engineer is currently evaluating the impact of the presence of the saturated water zone and will propose measure to dewater the saturated water from the water zone.

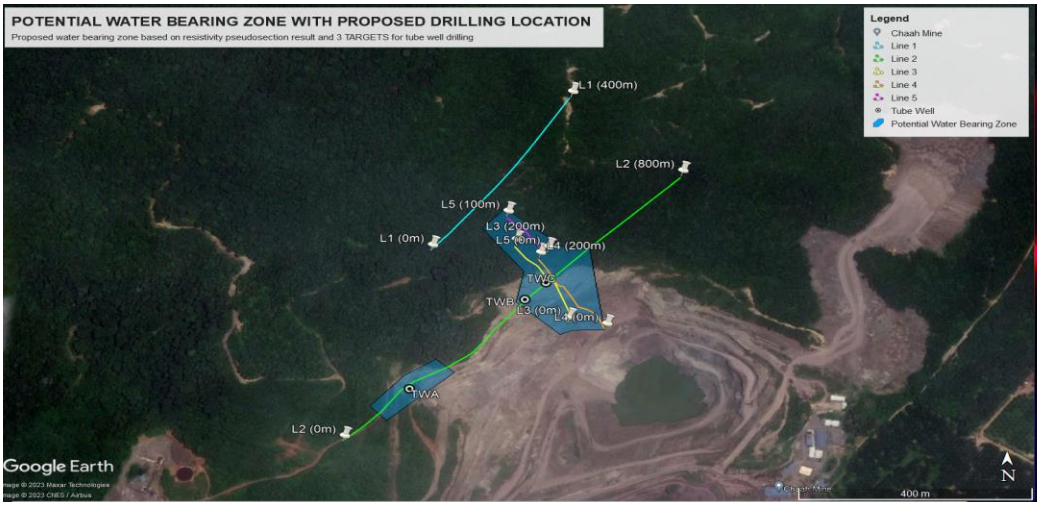

Figure 1: Location of resistivity survey line and potential water bearing zone

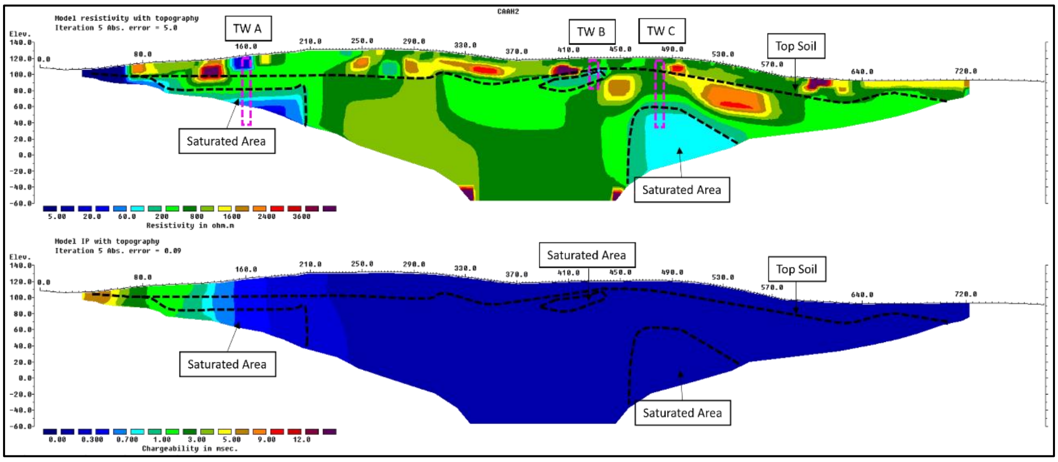

Figure 2: Resistivity line L2 profile with water saturated area located approximately 50m from the surface down to 110m in depth (light blue colour).

Airborne Survey

Airborne geophysical survey is a common method used in mineral exploration to gather data about the Earth's subsurface without physical contact. This technique involves deploying specialized instruments aboard an aircraft to measure various physical properties of the Earth's surface and underlying structures. The purpose of airborne surveys in mineral exploration is to detect anomalies or signatures associated with potential mineral deposits, helping geologists identify areas with high mineralization potential for further investigation.

In January 2024, the group has engaged a contractor to investigate for the potential extension of ore further to the North-Northwest direction of adjacent Lot 3533, Chaah Mine. The Group is still waiting for the final results.

Figure 3: *Airborne survey location shown on the google image which covering the adjacent Lot 3533*

(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)

Our pitting activity revealed the presence of low Fe content mineralisation layer closer to the surface. Accordingly, our Group will consider deep hole exploration for the future drilling program to investigate the potentially main deposit at deeper depth.

(d) 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.

(e) L.C.S.4326.319/(84)/(PA/DC/dc) (Tavai Prospect, which is located at Tongod District, Sabah) – 50 km2

A total of 12 grab samples were collected from several locations within the exploration license area for assay. The objective is to verify and establish the presence of nickel, cobalt and scandium mineralisation. These samples are not representative samples in view of the prospect area covers a very big area.

The assay results of all samples are available. The Nickel (Ni) results were not significant, only at TVA23 showed Ni 0.8% to 0.9%. On another hand, the assay result for iron ore (fe2O3) is more than 30% which indicates a high iron ore content. As this is only a preliminary study, more studies are needed.

Currently the Group is still awaiting for the “Permit Kajian” approval for the access road construction in order to access to the wider exploration area.

(f) L.S.C.4326.307/(95)/(RRM/DC/dc) (Bidu-Bidu Prospect, which is located at Beluran District, Sabah) – 45km2

The desktop study was completed and will serve as input for the next preliminary exploration planning in view of the vast.

A total of 31 grab samples were taken during field studies in the north and south east part of the prospect area for gold (Au) and copper (Cu) analysis tests. The results revealed the presence of gold and copper mineralisation in the area.

Currently, the Group is awaiting for the approval of a “Permit Kajian” in order to construct access road and base camp at the prospect area.

(g) EL 1/2022 (Tenggaroh Prospect)

A total of six (6) drill holes with total length of 740.5 meters were completed in 2Q FY2024 (to date total is seventeen (17) drill holes with length of 2,642 meters). A total of 222 samples were sent for assay during the period and a total of 645 samples results were obtained during this reporting period, which is inclusive of 423 results of samples sent in 1Q FY2024. Out of 956 samples that are obtained to date, 354 samples or about 18.1% of the samples showed significant results (which is above 0.10 gram / tonne), which suggested the covered area has potential for gold mineralisation. Please refer to the table below for the summary.

	Current Reporting Period	**Total To date**
Exploration Drillings		
Drill holes completed (nos)	6	17
Total length (meters)	740.50	2,642.00
Assays		
Samples sent	222	1,956
Results obtained	645	1,956
Results pending		
Significant result (Total to date)	121	354
Significant result is defined as gold assay of more than 0.10 gram/tonne		

The above positive findings and development are encouraging and the Group will continue with the additional drill holes as per the planned drilling program in order to gain more data to produce initial mineral resource model.

The Group plans to add another 19 drill holes with an estimated length 2,850 meters for the next 12 months (as per the table below). The plan for 3Q FY2024 is to complete the drilling for 5 holes with an estimated length of 750 meters.

Mining activities

Chaah Mine

The Chaah Mine has now fully adopted underground mining. We adopt modified combined methods of sub-level caving method and room and pillar method for Chaah Northern Part. On another hand, Chaah Southern Part uses room and pillar mining method. Room and pillar mining method is a mining system in which the mined materials is extracted across horizontal arrays of rooms and pillars. To do this, “rooms” of ore are dug out while “pillars” of untouched materials are left to support the roof.

During this reporting period, the development works for the tunnelling system for the both Northern and Southern Parts of Chaah Mine are still ongoing. About 176,000 tonnes of ore were extracted during the development work during the reporting period (1H FY2024: 354,000 tonnes). Subject to the scoping study to be completed by the independent competent underground mining engineer, the mining work for the Northern Part is expected to commence in late 3Q or early 4Q of FY2024.

During 2Q FY2024, total ore processed was 192,000 tonnes (1H FY2024: 406,000 tonnes) resulting in production of 85,000 tonnes of iron ore concentrates.

Kota Tinggi Prospect

During 2Q FY2024, no ore were processed (1H FY2024: 35,000 tonnes of iron ore) from the tailing and no realized sales revenue in 2Q FY2024) (1H FY2024: RM6.6 million).

Save for the above, no mining activities were carried out for other prospect areas in 1H FY2024.

BY ORDER OF THE BOARD

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

15 March 2024

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 announcement. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

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