



**FOR IMMEDIATE RELEASE**

## **Southern Alliance Mining Reports 33.7% YOY Growth in FY2024 Revenue as It Successfully Transitions to Full Underground Mining Operations with an Improved Confidence Underground in Orebody Mapping**

- **FY2024 revenue increased 33.7% YoY to RM165.8 million**
- **Achieved FY2024 gross profit of RM9.1 million, a significant turnaround from a gross loss of RM0.8 million in FY2023**
- **Strong liquidity position, cash reserves exceed total liabilities by RM84.1 million**
- **A new underground model that applied higher cut-off grade in defining resource and reserve boost ore extraction confidence**

**Singapore, 27 September 2024** – Southern Alliance Mining Ltd. ("SAM" or the "Group"), a leading producer of high-grade iron ore in Malaysia, today announced its financial results for the fiscal year ended 31 July 2024 ("FY2024"). The Group delivered robust revenue growth despite ongoing operational challenges, reflecting its continued efforts to enhance production capacity and efficiency.

### **FY2024 Financial Performance**

	<b>FY2024 RM'000</b>	<b>FY2023 RM'000</b>	<b>Y-o-Y Change</b>
<b>Revenue</b>	165,848	124,089	33.7%
<b>Gross profit/(loss)</b>	9,084	(833)	nm*
<b>Gross profit/(loss) margin (%)</b>	5.5%	(0.7%)	nm*
<b>Loss before tax</b>	(2,511)	(9,660)	(74.0%)
<b>Operating cash flow</b>	21,683	(24,099)	nm*

\* Not meaningful



The Group's FY2024 revenue jumped 33.7% YoY to RM165.8 million, driven by an increase in the production and sale volume of iron ore concentrate, crushed iron ore and iron ore tailing. This growth was further supported by favourable iron ore concentrate and iron ore tailing prices. The successful transition to underground mining operations since September 2023 also contributed to financial and operational improvements, resulting in a gross profit margin of 5.5%, a significant improvement from the previous year's -0.7%.

Despite higher costs related to mining operations, the Group managed to reduce its net loss through increased production efficiency. Notably, the Group's total assets increased slightly to RM393.0 million, supported by continued investments in tunnel infrastructure, including the expansion of its underground mining capabilities.

SAM maintains a strong financial position with RM141.7 million in cash and bank balances as of 31 July 2024, which exceeds its total liabilities by RM84.1 million. This provides the Group with financial flexibility and a buffer against potential operational challenges. The Group generated RM21.7 million in cash flow from operating activities in FY2024, a substantial improvement from the net outflow of RM24.1 million in FY2023. The Group continues to invest in exploration activities and infrastructure development to support future growth.

As of 31 July 2024, the Chaah Iron Ore Mine holds an indicated in-situ resource of 10.2 million tonnes (Mt) with an iron (Fe) grade of 50.6%. In terms of new reserves reported in FY2024, the mine has 6.8 Mt of probable reserves with a Fe grade of 42.4%. These estimates reflect the ongoing shift from open pit mining to full underground mining, in which a higher mineable ore cut-off grade was applied in the model. We believe this new set of underground mapping has an improved confidence in part of the orebody.

Dato' Sri Pek Kok Sam, SAM's Managing Director, commented: ***"We are pleased with the progress made in FY2024, particularly in terms of revenue growth and operational efficiency. Our transition to underground mining has allowed us to enhance production while managing costs. As we move forward, we remain focused on further strengthening our operations and unlocking value for our stakeholders."***



## **Outlook**

### **Iron Ore**

SAM is navigating through a complex, multifaceted environment driven by its core operations in iron ore and proposed strategic expansions into gold and rare earth elements (“REEs”). This reflects a period of both transformation and growth for the group.

The Group's transition from hybrid mining method in February 2023 to full underground iron ore mining in September 2023 is a strategic move aimed at optimising its mining operations, enhancing operational efficiency and minimising the environmental impact of its activities. While the initial challenges of this transition have led to a temporary decrease in iron ore production, the initiative is expected to improve production reliability, cost-effectiveness and generate long-term value for shareholders.

Iron ore prices have experienced significant fluctuations, influenced by the economic situation in China, which is the largest consumer of iron ore. China's steel industry has been battling soaring costs and weak demand due to the broader economic slowdown<sup>1</sup>. Specifically, China reduced steel production by 1.1% year-over-year in the first half of 2024, and output in the country fell by 1.3% in June compared to May<sup>2</sup>.

The slowdown in China's economy and the challenges faced by its manufacturing and housing sectors have had a significant impact on the iron ore market in terms of demand and pricing. As a result, steel mills have had to adjust their operations, which has led to reduced demand for iron ore. This has put downward pressure on iron ore prices. Iron ore prices have been volatile, dropping from a record high of US\$144.0 per tonne in January 2024 to US\$95.5 per tonne in early September 2024<sup>3</sup>. This fluctuation may impact future revenue, as the Group's profitability and financial performance are closely tied to the global iron ore market. The effects of China's economic slowdown,

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<sup>1</sup> <https://www.reuters.com/markets/commodities/outlook-darkens-chinas-already-weak-steel-output-russell-2024-08-20/>

<sup>2</sup> <https://gmk.center/en/news/dynamics-of-iron-ore-imports-to-china-are-dictated-by-prices/>

<sup>3</sup> <https://agmetalmminer.com/2024/08/14/iron-ore-prices-sink-below-100/>



however, have been mitigated by the gradual growth in iron ore supply, which has helped maintain a relatively balanced market dynamics between supply and demand<sup>4</sup>.

Despite the challenges, iron ore prices are forecast to continue their upward trend in the second half of 2024, as China's efforts to revive its property sector mitigate the global economic slowdown<sup>5</sup>. Signs of recovery are evident in Chinese iron ore imports, which rose by 8.1% year-on-year in the first two months of 2024. This suggests a potential for improved demand, indicating that the market is likely to stay relatively balanced in the near term<sup>6</sup>.

The Group will continue to closely monitor market fundamentals and seek to capitalise on any emerging opportunities. This proactive approach will help the Group to navigate the complexities of the mining sector and adjust its strategies accordingly to maximise profitability. The Group remains optimistic about future demand for iron ore, which is well-supported by global infrastructure development.

## **Gold and REEs**

SAM's deep understanding of mining processes, technologies, and regulations gained from its core iron ore business will allow it to more efficiently evaluate and develop new gold and REEs projects. This operational expertise can help identify and mitigate risks, optimise production, and ensure regulatory compliance as the Group expands into these new sectors as part of its strategy to build sustainable revenue and diversify its earnings stream. This can help insulate the Group from volatility in the iron ore market and provide more stable and sustainable earnings over the long term.

This strategic direction to move into the REEs sector positions the Group to benefit from the growing demand for the critical minerals, which are essential for various high-tech applications, including semiconductors and renewable energy technologies.

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<sup>4</sup> <https://think.ing.com/articles/industrial-metals-monthly-chinas-fragile-recovery-hangs-over-industrial-metals/>

<sup>5</sup> <https://www.proactiveinvestors.com.au/companies/news/1037446/china-props-up-iron-ore-defies-global-economic-slowdown-1037446.html>

<sup>6</sup> <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/metals/031324-chinas-steel-iron-ore-recovery-to-be-slow-with-no-stimulus-coming-out-of-two-sessions>



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The Group will continue to allocate significant resources to its Tenggaroh Gold Mine, with a strong focus on exploration efforts aimed at uncovering quality gold assets. The Group is optimistic about capitalising on favourable conditions in the gold market, which has recently seen significant price increases.

## **Operations**

Prioritising operational efficiency and sustainability in its iron ore operations can lead to several long-term benefits for the Group. By focusing on best practices and responsible mining, the Group can position itself as a more environmentally and socially conscious producer, which is increasingly important to clients and stakeholders. This can help us maintain a social license to operate and potentially command higher premiums for our iron ore products as demand grows for ‘green steel’<sup>7</sup>. The Group’s strategic direction to diversify into other commodities like gold and REEs, which have distinct supply and demand dynamics, is part of its drive to stabilise its revenue streams and reduce its reliance on a single cyclical market. While the immediate financial impact of gold and REEs ventures are yet to be seen, these are an important prongs of the Group’s long term strategy to stabilize its income sources, and to better navigate downturns in the iron ore market.

## **About Southern Alliance Mining Ltd**

Southern Alliance Mining Ltd. (the “Company” and together with its subsidiaries, the “Group”) is an established producer of high-grade iron ore products in Malaysia, and is listed on the Catalist of Singapore Exchange on 26 June, 2020 (SGX:QNS). Headquartered in Pahang, Malaysia, the Group is principally involved in the exploration, mining and processing of iron ore for subsequent sale. The Group sells (i) iron ore concentrate of low level of impurities with total Fe grade of between 62% to 65% to steel mills and trading companies mainly located in Malaysia and China; and (ii) pipe coating materials that are crushed iron ore with a natural characteristic of a higher density for subsea pipes.

The Group’s primary mining asset, the Chaah Mine, is an open mine pit consisting of two (2) mining leases and covering an aggregate area of 225.7 hectares. The Chaah Mine is strategically located

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<sup>7</sup> <https://ieefa.org/resources/big-iron-ores-long-term-strategies-diverging-face-steel-decarbonisation>



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near existing road networks to ports. The Group's established supporting infrastructure and facilities consist of four (4) fixed crushing plants, two (2) lines of mobile crushers and two (2) beneficiation plants both capable of operating on a 24-hour shift. The Group has an approximate monthly production capacity of 60,000 tonnes of iron ore concentrates (not including pipe coating materials).

In addition to the Chaah Mine, the Group has also been granted the right to carry out exploration and mining operations at five (5) potential iron ore mines located in Johor, Malaysia ("Exploration Assets"). The Group plans to undertake formalised exploration activities at the Exploration Assets to identify mineral deposits for further business growth. 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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