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Issuer: Southern Alliance Mining Ltd.

Stock code: QNS

Meeting details:

Date: 28 Nov 2024

Time: 10.00 a.m.

Venue: Suntec Singapore Convention & Exhibition Centre, Level 3, Room 324

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) Underground mining:** What have been the key learning points from the shift from open-pit to underground mining? Is underground mining inherently less efficient and more costly compared to open-pit mining? Given the Chaah Mine in Johor has been operational since 2008, was this shift driven mainly by geological factors, i.e. deeper ore bodies? Has the group reached optimal operational efficiency in underground mining, and what benchmarks are being used to assess this?
- (ii) Workplace safety:** How has the company adapted its operations, training protocols, workforce management, and safety measures in response to the challenges posed by underground mining? Could management elaborate on any specific safety initiatives or improvements implemented during this transition?
- (iii) Gross profit margin:** Gross profit margin has declined significantly from 54% in FY2021 to 16% in FY2022 and turned negative at -1% in FY2023. Despite a modest recovery to 5.5% in FY2024, the margin remains exceptionally low, with a net loss of \$(4.4) million reported for FY2024. **Can management provide a breakdown to show the key factors affecting gross profit margin over the past 5 years? Has the board analysed how significantly does average realised selling prices impact the gross profit margin? Given the current scale of operations, does the board still consider hedging strategies non-beneficial?**
- (iv) Extraction cost:** Has the board been actively monitoring the per-metric-tonne extraction cost and how does it compare with industry benchmarks? What are the trends in extraction costs over the past five years, and what are the main drivers of cost escalation? What strategies are being implemented to optimise these costs given the current high inflationary environment? What target has the board set for management in terms of extraction cost and overall profitability?
- (v) Gold/Tenggaroh mine:** Could management provide an update on the development timeline for the Tenggaroh Mine?

Q2. The group is diversifying its mineral portfolio, as indicated by the signing of non-binding memorandums of understanding (MOUs) to acquire 40% of MCRE Resources Sdn Bhd and 100% of Paramount Synergy Sdn Bhd. The exclusivity period for these acquisitions has been extended by one year to 31 July 2025.

- (i) Can management confirm whether MCRE Resources has maintained its mining operations and continued the sale of rare earth materials since the MOU was signed in April 2023?**

- (ii) Similarly, what is the current operational status of Paramount Synergy?
- (iii) What are the main reasons behind the delay in moving from a non-binding MOU to a definitive sale and purchase agreement? What specific issues, if any, have been identified during the due diligence process that have contributed to the delay in finalising the acquisitions?
- (iv) Given that the proposed acquisitions are likely to be classified as interested person transactions (IPTs), what has been the level of involvement of the independent directors in the due diligence process, deal structuring, valuation, and negotiation? In addition, could management provide more clarity on the safeguards and governance processes in place to ensure the interests of minority shareholders are protected?
- (v) Have the proposed acquisitions affected the group's existing operations in Chaah Mine, particularly in terms of capital allocation, management focus, and human resource deployment? What measures are in place to ensure that the existing core business is not disrupted by these diversification efforts?

Q3. As disclosed in the corporate governance report, the internal audit function of the group is outsourced to IA Essential.

- (i) What is the size of the internal audit team from IA Essential, and what specific experience and industry expertise do its members bring to effectively address the group's key risk areas?
- (ii) Can the audit committee (AC) provide a detailed overview of the scope of the internal audit for FY2024, along with the key findings and specific recommendations made by the internal auditor?
- (iii) What is the typical length of the internal audit cycle undertaken by the group? Has the AC evaluated whether the current cycle length adequately addresses emerging risks and regulatory requirements?
- (iv) Could the AC elaborate on its level of oversight regarding management's follow-up on the internal auditor's recommendations? How does the AC monitor the implementation of these recommendations, and what processes are in place to ensure timely resolution of identified issues?

Separately, the group's sustainability performance can be found on pages 22 to 24 of the annual report. Some of the sustainability targets appear rather broad, with commitments such as "improving financial performance" and "continuing efforts to track and mitigate emissions."

- (v) **Could the board provide more detailed insights into how the sustainability targets were set? What specific input has the sustainability committee provided in setting these targets? Would the board consider establishing clearer, more quantifiable targets or setting a defined timeline for developing firmer objectives?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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