Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Southern Alliance Mining Ltd.

Stock code: QNS

Meeting details:
Date: 26 November 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The group's revenue increased 52.4% from RM254.2 million to RM387.4 million in FY2021. This was mainly attributed to a higher average realised selling price ("ARSP") achieved by the group, mitigating the decrease in volume of crushed iron ore and iron ore tailings sold.

The ARSP of iron ore concentrate increased by 75.5% to reach RM626.42 per dried metric tons ("DMT"), whereas the ARSP of crushed iron ore and iron ore tailings increased by 4.9% to reach RM430.54 per metric tons ("MT") and 37.7% to reach RM114.78 per DMT respectively.

Iron ore prices have bucked historical trends of being in the range of US$90-US$100/t to reach a record high of US$219.77/t in mid-July 2021. Since then, iron ore prices have eased substantially although the company considers it "comfortable". An updated 3-year price chart of iron ore is shown below:



(Source: https://markets.businessinsider.com/commodities/iron-ore-price)

(i) **How does the group manage the volatility in the price of iron ore? Does the group hedge its exposure through futures, forward contracts or options?**

(ii) **How soon does management expect the supply from Brazil to return to pre-pandemic level? In addition, what is management's view on the price**

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of iron ore going forward? What are management's strategies to maximise the value of the group's iron ore holdings?

(iii) **What is the impact of the Movement Control Order ("MCO") on the group's operations?**

As noted in the CEO's message, crushed iron ore sales volume was only 400 MT (a decrease of approximately 91,700 MT or 99.5%) and iron ore tailings sales volume was 98,400 DMT following a 53.5% decrease. There was a 7.8% increase in iron ore concentrate sales volume of 600,000 DMT in FY2021.

(iv) **What were the utilisation rates of the group's production facilities in FY2021?**

(v) **What is the group's targeted production in FY2022?**

(vi) **Does management have good visibility of the production and/or sales volume?**

(vii) **Is the group looking to increase its production capacity? What is the projected capital expenditure for its iron ore operations in the next 2-3 years?**

Q2. In July 2021, the company announced that it had entered into a joint venture agreement with Duli Yang Maha Mulia Sultan Ibrahim Ibni Almarhum Sultan Iskandar (DYMM) to establish a joint venture company ("JV Company") to mine for gold in Johor.

(i) **Can the company help shareholders understand if the group and the joint venture partner have any prior experience in gold mining?**

(ii) **How transferable are the skillsets and experience in iron ore mining to gold exploration and mining?**

It is noted that the joint venture is to help the group diversify its business into gold mining operations so as to reduce its risk exposure to iron ore price volatility.

(iii) **Can management demonstrate and explain the diversification benefits expected from this venture, e.g. the correlation between the prices of gold and iron ore?**

(iv) **What is the expected investment required for the gold operations? Will the company and its joint venture partner be contributing capital to the joint venture company in the proportion of its shareholdings, i.e. 85% and 15% respectively?**

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(v) **If things go smoothly, when would the group be able to produce its first gold?**

(vi) It was disclosed that the JV company will pay a tribute to DYMM equal to 30% of the JV company's annual profit before tax. **How was the 30% rate determined?**

(vii) **In the board approval process for the gold mining operations, what were the key assumptions used by the board/management? In particular, what is the estimated selling price of gold used in the board approval process?**

Q3. In its corporate governance report, the company has stated that it will be issuing its first sustainability report for FY2021 by 31 July 2022 (page 55). Rule 711A requires issuers to issue a sustainability report for its financial year, no later than 5 months after the end of the financial year although an issuer in its first year of reporting may report within 12 months of the end of its financial year (Practice Note 7.6 Sustainability Reporting Guide). This is to allow sufficient time for preparation by the issuer.

(i) **Given that the company was listed on 26 June 2020 and that it held its first annual general meeting on 27 November 2020, can the company clarify if it had to issue a sustainability report for the financial year ending 31 July 2020?**

(ii) **Can the board help shareholders understand the progress it has made in its sustainability report?**

(iii) **What are the material ESG factors that have been identified so far?**

(iv) **Would the board be able to provide shareholders with the board statement on the group's sustainability efforts at this point?**

(v) In the vision statement, it was stated that the group strives to contribute its part in "*advocating responsible mining, with a careful and balanced approach in the pursuit of profit, promoting people's welfare, and preserving the planet for sustainable growth*". **How does the group balance the environmental impact as it carries out mining?** It is widely acknowledged that the extractive sector is associated with a range of serious environmental challenges which include land clearance and degradation, pollution, loss of biodiversity, intensive water use, etc.

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)