



SHEN YAO HOLDINGS LIMITED
(Company Registration No. 202042117W)
(Registered in Singapore)

**CLARIFICATION OF AUSTRALIAN FINANCIAL REVIEW ARTICLE
– RESPONSE TO SGX QUERIES**

Capitalised terms in this announcement shall have the same meanings as ascribed to them in the Company's announcements released on 23 September 2021, 4 August 2022 and 3 October 2022 (the "Previous Announcements"), unless otherwise defined.

Shen Yao Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") has received the following queries from the Singapore Exchange Securities Trading Limited (the "**SGX Queries**"). The board of directors (the "**Board**") of the Company has provided the following responses to the SGX Queries.

SGX Query 1:

Please elaborate on the circumstances that led to the suspension in processing facility at the Ballarat mine, as well as provide clarity on when such suspension happened.

Response:

Water accumulates in the tailings dam due to rainfall. Dewatering initiatives are undertaken from time to time by treating the water that has accumulated and discharging it into the local river along with water from underground to lower the water level in the tailings dam.

It is a legal requirement that a sufficient capacity be maintained in the tailings dam to accommodate prescribed limits. The recent persistent wet weather in and around Ballarat saw the amount of water in the tailings dam approach such limit with water accumulating at a rate greater than it can be discharged. As such, with the wet weather expected to persist (based on information gathered from meteorological forecasts), management saw it as prudent to voluntarily suspend processing temporarily on 21 September 2022 until the amount of water in the tailings dam could be lowered.

SGX Query 2:

Does the Company have the expertise to resolve the issue of water in the tailings dam approaching its storage limit? If so, how does the Company intend to do so? If not, has the Company appointed professionals to work on this?

Response:

The Company has the in-house expertise, as well as an ongoing regular working relationship with professional geotechnical tailing storage facility engineering consultants, engaged to manage the water levels in the tailings storage facilities.

The Company is currently undertaking the following dewatering initiatives together with the external consultants:

- (i) directly dewatering the tailings storage facility by an approved pumping and water treatment process;
- (ii) enhancing natural evaporation 'losses' from the tailings storage facility through a variety of methods; and
- (iii) controlling the movement of tailings within the tailings storage facility to maximise the required rainstorm event water storage volume

SGX Query 3:

It is stated that the “long-term maintenance in the plant is being brought forward so that some future maintenance shutdowns may no longer be required”. Please elaborate on the maintenance to be conducted, and how this would impact the gold production and / or processing facilities whilst maintenance are ongoing.

Response:

Maintenance is a key aspect of operations and critical in terms of minimizing unexpected equipment downtime, reducing costs and maximising productivity.

Maintenance of equipment (e.g. servicing of equipment, replacement of parts, decommissioning of old equipment, installation of new equipment etc.) are scheduled and conducted from time to time. Even though certain areas of production may be subject to temporary shutdowns for purpose of maintenance, maintenance activities are planned in such a way to minimise disruptions to operations.

During this period that processing operations has been temporarily halted, scheduled maintenance of the processing plant and ancillary facilities and equipment has been brought forward so disruptions as a result of maintenance when processing resumes can be avoided or kept to a minimum.

One key maintenance that has been brought forward is the replacement of the resin column (a key component of the processing plant) which is due for a replacement. A new replacement resin column has been purchased and is on-site ready for installation. This installation was brought forward to coincide with the processing stoppage thereby negating the need for a future two-to-three-week shutdown for certain parts of operations to perform the replacement.

SGX Query 4:

Please explain the potential impact on the Group arising from the voluntary suspension of processing, including financial, operational and regulatory impact, where applicable.

Response:

From an operational standpoint, notwithstanding that processing operations have been temporarily halted, the underground mine operations at Ballarat are proceeding as per normal and ore extracted are being stockpiled. The stoppage in processing is temporary in nature and is expected to resume by mid-October.

Financially, gold sales will resume along with processing operations. There is capacity to gradually process the excess ore that has been stockpiled in addition to the typical volume of ore that is being processed. As such, although gold sales in the short term will be affected because of the stoppage, there will be a compensating effect over the immediate months after resumption of processing operations with higher sales being recorded.

In terms of regulations, no regulatory limits have been breached as Company took the prudent and pre-emptive approach of voluntary halting processing operations to address the issue.

SGX Query 5:

Please confirm if the Company has received any Notices from Earth Resources Regulation, WorkSafe Victoria or any other authorities or regulatory bodies since Sep 2021, ie. post the Company’s response to SGX’s Queries dated 23 Sep 2021. If yes, please provide the relevant details.

Response:

Since 23 September 2022, the Company has from time to time received notices from Earth Resources Regulation and WorkSafe Victoria. These notices pertain mainly to request for information and updates

in relation to the mining operations. The Company has responded to all notices and there has not been any material impact on operations as these notices are not uncommon and are a regular part of mining operations.

SGX Query 6:

Please provide the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.

Response:

The Board is of the view that the suspension of the processing is temporary in nature, all material information has been so disclosed and the Board will continue to update shareholders in a timely manner as and when there are material developments in respect of the foregoing. In view of this, the Board confirms that sufficient information has been disclosed for the trading of the Company's shares to continue in an orderly manner.

BY ORDER OF THE BOARD

Yao Liang
Executive Director
5 October 2022

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, W Capital Markets Pte. Ltd. (the "Sponsor").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Sheila Ong, Registered Professional, W Capital Markets Pte Ltd, 65 Chulia Street, #43-01 OCBC Centre, Singapore 049513, Telephone (65) 6513 3543.