



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

RESPONSE TO SGX QUERIES – CLARIFICATION ON ARTICLE PUBLISHED ON AUSTRALIA FINANCIAL REVIEW AND THE COMPANY’S ANNUAL REPORT

*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, 3 October 2022 and 13 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:

In relation to the Company’s announcement on 3 October 2022, it stated that “The Company is of the view that the reduction in processing of gold did not need to be disclosed as of yet to the Sponsor and Singapore Stock Exchange as it is temporary in nature, with a clear plan towards resolution of this matter by mid-October and processing is expected to resume to normal levels.”

- 1. Please confirm if the matter has been resolved and the processing is resumed as the management’s plan. If not, please provide the current status, reason for the delay and any impact on the Company’s operations.**

Response:

The average annual rainfall in Ballarat for the month of October is typically around 65mm. During a 24-hour period between the 12th to the 13th October 2022, there was a rain event in which Ballarat received 71mm of rainfall which amounts to more than a month’s average rainfall in one day. As such, the Company has not been able to resume processing. The Company was on schedule to resume processing by mid-October as per management’s plan if not for the unforeseen rainfall on 12 October 2022.

Further to the Company’s response on 5 October 2022, the Company has also taken additional measures to manage the water levels in the tailings storage facilities. Tailing storage facility (“**TSF3**”) water discharge off site has increased from 0.1 megalitre per day (“ML/d”) to 0.6ML/d. Dredge has been commissioned to stack tailings. Commencing from 18 October 2022, TSF3 water will be discharged to historical/unused workings at up to 2.5ML/d, and currently there is 40 ML of available storage space identified in the underground workings for TSF water. These workings will provide surge capacity should there be further rain events.

Based on the current schedule, processing is expected to resume before the end of October 2022. The Company confirms that its responses to the impact on the Company’s operations on 5 October 2022 remain unchanged. In addition, the Company has also rearranged its crushing and treatment schedule to provide greater efficiency which will increase the treatment rate by 5 ton per hour (“t/ph”) and should it be required, the Company is also able to increase milling time per week by adding extra shifts.

SGX Query 2:

In relation to the Company's Annual Report released on 13 October 2022, we noted that the auditor expressed a disclaimer of opinion on the financial statement for the financial year ended 30 June 2022.

Please provide Sponsor's assessment on the going concern assumption.

Response:

The Sponsor has considered the Board's rationale and reasons in the use of the going concern assumption as set out in Note 3 to the Financial Statements. In particular, it is noted that in the last two years, the Group was able to generate positive cash flows from operations and based on the cash flow forecast prepared by the Company, the Group is able to continue generating positive cash flows from its mining operations.

We understand that the Company has been in discussions with several parties with an objective of raising funds from the debt and/or capital markets and such discussions are still ongoing. We have also noted that management has been taking steps to seek improvements in the operations such as reducing costs as far as practicable and increase production. The Board also receives updates on operational matters from the General Manager (Balmaine) during board meetings.

The Sponsor is of the view that the ability of the Group to raise sufficient additional working capital via alternative sources of funding, as well as to resume the processing of gold which had to be stopped temporarily due to recent bad weather in and around Ballarat and the subsequent outcome of the events set out in response to SGX Query 3 would be critical to the Group's going concern.

The Board is cognizant of the requirement under Rule 1303(3) of the Catalist Rules and will make the necessary update announcements should there be any material developments pertaining to going concern.

SGX Query 3:

Did the Group/Company receive any Letter of Demands thus far?

Response:

The Group/Company has not received any Letter of Demands thus far.

However, between 14 October 2022 and 16 October 2022, notices of default have been issued by a related group of creditors in relation to loans owing by the Company and Balmaine Gold Pty Ltd ("**Balmaine**"), the indirect wholly-owned subsidiary of the Company which holds the Ballarat Goldmine. The Company is in the process of seeking legal advice to determine whether there are legal grounds for the claims of default and is also in discussions with the creditors in the view of achieving an amicable resolution. The Company will update shareholders in due course.

SGX Query 4:

Please provide the Board of Directors' and sponsor's opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.

Response:

As set out in the Company's annual report for the financial year ended 30 June 2022, for the reasons set out below the Board believes that the Group and the Company is able to continue as going concern.

- (i) applications have been submitted to the relevant authorities for expansion of the capacity of the current tailings storage facilities as well as for the development of alternative storage facilities. In-principle approval has been received in the form of a limited use of the dry stack. Whilst the formal approval for the use of the dry stack, which has a two-year capacity, is still pending, the in-principle approval provides a certain degree of validation as to the Group's plans in this aspect and that the Group should be able to meet the requirements for the formal approval. Meanwhile, processes are underway for the construction of new tailings storage facilities to cater to the operational needs of the Group for another 9 years;
- (ii) based on the cash flow forecast, the Group is able to generate positive cash flows from the mining operations;
- (iii) the Group is in the process of sourcing alternative sources of funding; and
- (iv) management's plans to undertake periodic assessments in relation to the Group's operations and financial positions and where appropriate seek improvements in cash flow management, productivity and manage cost efficiency of the Group's operations.

The Board will monitor the developments (mentioned in the response to query 3 above) and the Company will provide further updates to shareholders if and when required.

Taking into consideration the matters set out above, the Board is of the opinion that there is no requirement for the Company to call for a suspension of trading of the Company's shares pursuant to Listing Rule 1303(3).

Barring any unforeseen circumstances and to the Sponsor's best knowledge, the Sponsor, having considered the following, is of the view that there is no requirement for the Company to call for a suspension of trading of the Company's shares pursuant to Listing Rule 1303(3), after taking into account the following:

- (i) The Board's bases for its opinion that the Group is able to continue operating as a going concern set out in the response above; and
- (ii) The Company does not fall under any of the circumstances set out in Rule 1303(3) of the Catalist Rules.

SGX Query 5:

It stated that "In relying on the information set out in the IQPR, the AC reviewed and assessed the qualifications and experience of the Qualified Person taking into consideration the requirements under the Catalist Rules. The AC also noted that the Sponsor had engaged AMC Mining Consultants (Singapore) Pte Ltd, to conduct an independent review of the IQPR and no major concerns were highlighted. The external auditor also evaluated the objectivity, qualifications and competency of the Qualified Person."

- (a) Please elaborate on how the external auditor performed their evaluation in relation to IQPR, Qualified Person and Tailings Storage Facility and if there are any observations from such evaluation.**
- (b) Please elaborate on how the Board and Sponsor had performed their evaluation in relation to the IQPR, Qualified Person and Tailings Storage Facility, and if there are any observations from such evaluation.**

Response:

- (a) The external auditor has issued a disclaimer of opinion arising from the audit conducted. Kindly refer to the Company's annual report for the financial year ended 30 June 2022 for further information.

- (b) In relying on the information set out in the IQPR, the Board reviewed and assessed the qualifications and experience of the Qualified Person taking into consideration the requirements under the Catalist Rules. The Board also relied on the confirmation given by the Qualified Person that he has not been found to be in breach of any relevant law and is not the subject of any disciplinary proceedings or investigation by any regulatory authority or professional association. The Board also noted that the Sponsor had engaged AMC Mining Consultants (Singapore) Pte Ltd, to conduct an independent review of the IQPR and no major concerns were highlighted.

In evaluating the situation with regard to the tailings storage facility, the Board relied on information and updates provided by the management of Balmaine and the consultants engaged by Balmaine to manage matters relating to the tailings storage facility.

There are no observations yet to be publicly disclosed, relating to the IQPR, the Qualified Person and the tailings storage facility that could materially impact the operations or financial position of the Company.

In relation to the IQPR, the Sponsor had relied on the technical expertise of AMC Mining consultants (Singapore) Pte Ltd, which is a third-party expert, who has performed a technical review of the IQPR and checked for compliance with SGX Catalist Rules and no major concerns were highlighted.

In respect of the Qualified Person, Dr Shi Bielin (“**Dr Shi**”), the Sponsor has obtained the membership certificate of Dr Shi Bielin and noted that he is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Chartered Professional Geologist (CPGeo) with the AusIMM. Dr Shi is also a member of the Australian Institute of Geoscientists. We also noted from Dr Shi’s CV that he holds a PhD in Economic Geology from the University of Melbourne and post-Doctoral Research Fellow in Geostatistics in Edith Cowen University. Dr Shi has also certified that he has sufficient experience relevant to the style of mineralization and type of deposit under consideration, and to the activity being undertaken, to qualify as Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code 2012). The foregoing information was also included in the IQPR that was reviewed by AMC Mining consultants (Singapore) Pte Ltd.

Dr Shi has also confirmed that he has not found to be in breach of any relevant rule or law and is not:

- (i) Denied or disqualified from membership of;
- (ii) Subject to any sanction imposed by;
- (iii) The subject of any disciplinary proceedings by; or
- (iv) The subject of investigation which might lead to disciplinary action by, any relevant regulatory authority or professional association.

In view of the above, the Sponsor believes that Dr Shi adhered to the listing rule requirement for QP.

The Sponsor has enquired with the management of the Company from time to time on their updates on the progress of the expansion of the capacity of the tailings storage facilities as well as its impact on the operations. As stated in the Company’s annual report for the financial year ended 30 June 2022, in-principle approval has been received in the form of a limited use of the dry stack which has a two-year capacity and the Group expects to be able to meet the requirements for the formal approval. We further understand that processes are underway for the construction of new tailings storage facilities, the completion of the new tailings storage facilities will be subject to the ability of the Group to obtain sufficient funds for the construction of the storage facilities as well as receipt of the formal approval from authorities in due course.

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.

SGX Query 7:

We refer to the Company's announcements on 17 Oct 2022:

- (a) Change - Announcement of Cessation: Resignation of Deputy Chief Executive Officer**
- (b) Change - Announcement of Cessation: Resignation of Financial Controller**
- (c) Change - Announcement of Cessation: Resignation of Head of Corporate Investments**

We noted that both Teo Qin Pei, Jessica (Deputy Chief Executive Officer) and Sun Shuwen (Financial Controller) were appointed to current position on 1 January 2022 and Yao JiaJia (Head of Head of Corporate Investments) was appointed to current position in May 2020.

- (a) Please provide details of why they leave in less than a year on their current position (2.5 years for Yao JiaJia) and whether there are any concerns to be brought to the attention of shareholders, including but not limited to, financial reporting matters, production halt at the Ballarat mine and capacity of the tailings storage facility at the mine.**
- (b) Please provide Board's assessment and justification as to the impact on the Company's operations.**
- (c) 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:

- (a)** In relation to Ms Teo – Notwithstanding that Ms Teo was appointed as Deputy Chief Executive Officer on 1 January 2022, Ms Teo has been with the Company for almost 10 years. Ms Teo wishes to widen her professional repertoire and is looking to pursue other opportunities.

In relation to Ms Sun – Ms Sun has been with the Company since May 2021 when she first joined as Finance Manager and was subsequently appointed as Financial Controller in January 2022. Ms Sun's plans to pursue other opportunities are driven by personal reasons. She has confirmed that she is not aware of any concerns with regards to the financial reporting of the Group that led to her resignation.

In relation to Ms Yao – Ms Yao is resigning for personal reasons as she wishes to be able to devote more time to her personal commitments.

To the best of the knowledge of Ms Teo, Ms Sun and Ms Yao, all material matters that have a material impact on the operations and the financial position of the Company have been publicly disclosed. As stated in their respective cessation announcements dated 17 October 2022, Ms Teo, Ms Sun and Ms Yao have confirmed that there are no unresolved differences in opinion on material matters between them and the board of directors including matters which would have a material impact on the Group or its financial reporting. They have also confirmed that there is no matter in relation to the cessation that needs to be brought to the attention of the shareholders of the Company.

- (b)** As disclosed in the announcement of cessations for each of Ms Teo, Ms Sun and Ms Yao, it was mentioned that:

- (i) Ms Teo will remain as a consultant to the Group during the transitional period until 31 December 2022, which may be extended on a monthly basis as agreed between the parties;
- (ii) Ms Sun's effective date of cessation is 30 November 2022 and she would still be around to oversee the next quarterly reporting of the Group's financial statements for the financial period ended 30 September 2022 which is due on 15 November 2022. In the meantime, the Company is actively recruiting to fill the position to be vacated by Ms Sun; and
- (iii) the Company has put on hold its ongoing investment activities until such time it is able to identify a suitable strategy in view of the uncertainty and volatility across global markets as well as when there is more certainty in terms of funds that can be allocated for investments. In addition, there are currently no open positions in the investment trading activities portfolio. As such, there are currently no plans to find a replacement for Ms Yao.

Based on the above, the Board has assessed and is satisfied that the resignations are not expected to have a material impact on the operations of the Company.

- (c) The Board is of the view that 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
18 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.

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