



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

RESPONSE TO SGX QUERIES

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:

We refer to the Company’s announcements on 7 Feb 2023, titled “RECEIPT OF NOTICE OF DEMAND AND NOTICE OF DEFAULT”:

We noted that the Balmaine Gold Pty Ltd (“Balmaine”) received the Notice of Demand on 1 Feb 2023 and the Notice of Default on 2 February 2023 respectively.

- 1. Please explain why the Company only disclosed the receipt of the above notices on 7 Feb 2023.**

Response:

Arete Capital Advisory Pty Ltd (“Arete”) Notice of Demand received on 1 February 2023 (the “**Notice 1**”)

The Notice of Demand received on 1 Feb 2023 was in the form of an email, which is uncommon for a letter of demand. In addition, the Company’s view is that the claims are contentious and frivolous. To be cautious, the Company immediately sought legal opinion on this matter.

The Company announced the receipt of Notice 1 immediately upon receiving legal opinion from the Company’s lawyer, who advised that the notice should be taken as a formal notice from Arete, besides other advice as detailed in the Company’s announcement made on 7 Feb 2023.

Group of Lenders (the “**Lenders**”) Notice of Default received on 2 February 2023 (the “**Notice 2**”)

The amount of Interests in Notice 2 is considerably immaterial but to be transparent, the Company wished to announce Notice 2 along with Notice 1 as soon as a legal opinion is obtained for Notice 1.

- 2. Please provide the Company’s plan and timelines to resolve the above issues.**

Response:

Notice 1

The Company is currently seeking further legal advice on this matter and will respond to Arete before 15 February 2023. Further announcements will be made as and when there are material developments.

Notice 2

The Company has reached out to the representative of the Lenders to clarify and reconcile the discrepancies in the interest calculation. The Company plans to finalise the reconciliation and settle the outstanding interest amount within two weeks.

3. Please provide Board's assessment as to the impact on the Company's operations and going concern in the event that the Company is unable to achieve an amicable resolution with Arete Capital Advisory Pty Ltd on the Notice of Demand and the group of lender on the Notice of Default.

Response:

The Board is of the opinion that the claim made by Arete is contentious and potentially frivolous. As Arete's claims are potentially frivolous in nature, the final amount payable to Arete, if any, may not be material.

In the event that the Company is unable to achieve an amicable resolution with Arete, the Company will defend its legal position vigorously and may consider further legal actions.

The Company is seeking further legal advice on this matter. The legal process, if an amicable solution is not reached, is expected to be long drawn.

Arete is no longer involved in the operations of the mine. The mine is now running in full operations and generating positive cash flows. Barring unforeseen circumstances, the mine is expected to continue to generate positive cash flows.

Based on the above, the Board is of the opinion that there is limited impact on the operations and going concern, arising out of this dispute with Arete. The Board will ensure appropriate disclosures are made when there are material developments.

Given the amount being demanded as per Notice 2 is not material, the Board believes that it can resolve the matter in 2 weeks' time, and it will not cause significant impact to the Company.

4. Please provide the Sponsor's opinion as to whether trading of the Company's shares should be suspended and the basis for such opinion.

Sponsor's opinion:

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 the trading of the shares:

- the Board is of the view that the claim made by Arete is contentious and potentially frivolous and the Company is seeking further legal advice before deciding on the next steps;
- the notice of demand from Arete is limited to A\$4.4 million and is not a statutory demand; and
- the Board has confirmed that all information required to be disclosed under Rule 703 of the Listing Manual of the SGX-ST has been so disclosed to the public.

5. 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 confirms that, based on the disclosures made by the Company on the SGXNET, sufficient information is available for the market to continue trading in an orderly manner. The Board has reached this conclusion based on the fact that as at the date of this Announcement, all information required to be disclosed under Rule 703 of the Listing Manual of the SGX-ST has been so disclosed to the public via SXGNET announcement.

BY ORDER OF THE BOARD

Yao Liang
Group Executive Chairman and Group Chief Executive Officer
9 February 2023

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.