



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

RECEIPT OF NOTICE OF DEMAND AND NOTICE OF DEFAULT

1. INTRODUCTION

The Board of Directors of Shen Yao Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Balmaine Gold Pty Ltd (“**Balmaine**”), the indirectly wholly-owned subsidiary of the Company which holds the Ballarat Goldmine, had received the following:

- (i) A notice of demand (the “**NOD**”) from Arete Capital Advisory Pty Ltd (“**Arete**” or the the “**Former Mine Manager**”) on 1 February 2023. Prior to the termination of a management agreement in October 2022 between Arete and Balmaine, Balmaine had engaged Arete to advise and direct Balmaine’s operation of the Ballarat Goldmine and external stakeholder relationships in relation to the Ballarat Goldmine and provide services in connection thereto;
- (ii) A notice of default (the “**Notice**”) issued by a related group of lenders (the “**Lenders**”) in relation to loans owing by Balmaine (the “**Loans**”) on 2 February 2023.

2. SALIENT POINTS OF NOTICE OF DEMAND FROM THE FORMER MINE MANAGER

2.1 The salient points of the NOD are set out as below:

- (i) It was claimed that Balmaine is liable for payment of total A\$17.8mil, comprising monthly management fees of A\$4.4mil and incentive fees of A\$13.4mil.
- (ii) The Former Mine Manager acknowledged that Balmaine may raise some argument regarding the calculation of the incentive fees, however the monthly management fees are as per the management contract shall be paid.
- (iii) It was demanded that the Balmaine to pay A\$4.4mil, being the monthly management fees to Arete within 7 days from the date of the NOD. In the event of no payments are received by the Former Mine Manager within the stipulated timeline, the Former Mine Manager will take such actions as they may be advised and without further notice, including but not limited to issuing a statutory demand.

2.2 Balmaine received the NOD in the form of email dated 1 Feb 2023 and has sought legal opinion on this. The Company has received legal advice from our lawyers today. The key points as highlighted by our lawyer in their opinion is listed as below:

- (i) The notice of demand was made on the A\$4.4mil, being monthly fees. The Former Mine Manager reserve its right to demand a further A\$13.4mil, which is an incentive fee, at this stage.
- (ii) Balmaine may challenge that the Former Mine Manager wrongfully terminated the management Agreement and engaged in wilful misconduct as a result of its wrong termination, both of which could disentitle the Former Mine Manager to recover the A\$4.4mil and the incentive fee of A\$13.4M.

- (iii) Due to the difficulty in quantifying the incentive fee of A\$13.4mil as claimed by the Former Mine Manager, enhancing the risk of the Former Mine Manager of issuing a demand that is not valid, it is unlikely that the Former Mine Manager is able to issue a statutory demand. Nonetheless, the Former Mine Manager may still issue a statutory demand subsequently for the incentive fee.
 - (iv) Due to the point as stated in 2.2(ii), the Company's view is that the Former Mine Manager should not be entitled to the A\$17.8mil management fee and incentive fees from Balmaine.
- 2.3 The Company is currently seeking further legal advice in responding to the Former Mine Manager and will make announcement on the same as and when there are any further material developments.

3. SALIENT POINTS OF NOTICE OF DEFAULT FROM THE LENDERS 贷款人要求函的要点

3.1 The salient points of the Notice are set out as below:

- (i) The notice of default relates to accrued loan interest in respect of several loan agreements between the Lenders and Balmaine entered into on 22 Feb 2022, as amended on 20 May 2022, 21 July 2022, 30 September 2022 and 7 November 2022), which were unpaid as of the date of the Notice. The unpaid interest as of 31 January 2023 (the "Interests") amounts are:
 - a) EUR 168,712.33;
 - b) SGD 92,547.95;
 - c) GBP 21,369.86; and
 - d) AUD 41,629.31
 - (ii) It was demanded that Balmaine pay the Interests within seven days from the date of the Notice, failing which the lender may declare the loan and all accrued interest to be immediately due and payable.
- 3.2 The Company would like to clarify that Balmaine did not make payment of this Interest as Balmaine has received verbal agreement from the representative of the Lenders that they can defer such payments until such time that Balmaine has better cash flows after the resumption of the processing process.
- 3.3 In addition, the Company noted discrepancies in the amounts claimed in the Notice against the Company's record but believe this can be resolved soon with the Lenders and the Company is currently arranging for payments of the Interests that can be reconciled between the records kept by the Company and the Lenders.

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
7 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.