



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

ENTRY INTO BINDING TERM SHEET

The board of directors (the “**Board**” or the “**Directors**”) of Shen Yao Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to refer to the announcement made on 7 September 2023 (the “**Announcement**”). Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings ascribed to them in the Announcement.

The Board wishes to announce that the Company has, following receipt of the LOI on 6 September 2023 with respect to the Proposed Transaction, on 16 September 2023 entered into a term sheet (“**Term Sheet**”) with an issuer (“**Issuer**”). The Proposed Transaction is now for a value of up to AUD\$70 million.

1. INFORMATION ON THE ISSUER AND LENDER

The lender for the Proposed Transaction (the “**Lender**”) engages in financial and commodity trading, with emphasis in the precious and semi-precious metals industry. The Lender, is based in the United States of America, and has the relevant regulatory approvals to raise corporate bonds using rated and unrated credit insurance facilities, trades and holds precious metals and also undertakes private equity transactions in the small to medium market.

The Issuer facilitates and manages debt for external companies.

Prior to the entry of the Term Sheet, the Lender and the Issuer have no connections (including any business relationships or transactions) with the Company, its Directors and/or its controlling shareholders. The Issuer and the Lender are not associates (as defined in the Catalist Rules) of the Directors of the Company and/or its controlling shareholders. The Proposed Transaction is not an interested person transaction under Chapter 9 of the Catalist Rules.

2. RATIONALE FOR THE PROPOSED TRANSACTION

The rationale for the Proposed Transaction is to allow the Company to receive funding to resolve the voluntary administration of the Company’s subsidiaries Golden Point Group Pty Ltd, Balmaine Gold Pty Ltd and Ironbark Mining Pty Ltd., as well as to provide funding for capital expenditure and working capital of the Company. As the Group’s current business and operations continue to face headwind in an increasingly challenging and competitive environment, the Proposed Transaction will allow the Group to give second life to its gold-mining business and achieve a more consistent and sustainable financial growth, thereby enhancing shareholder value and profitability over time.

In view of the foregoing, the Board is of the opinion that the Proposed Transaction is beneficial to and in the interests of the Company and its shareholders.

3. THE PROPOSED TRANSACTION

The Proposed Transaction is a facility of up to AUD\$70 million (“**Loan**”) inclusive of interest, fees, and charges subject to loan-to-value restriction. The Issuer’s costs including but not limited to, the lender’s establishment fee, facilitation fee, legal fees of Issuer or Lender (at cost) associated with the preparation of the Proposed Transaction and associated securities are including in the amount of the Proposed Transaction unless otherwise agreement by the Issuer at its absolute discretion.

The term of the Loan is up to five years, subject to early repayment by the Company and/or a newly incorporated wholly-owned subsidiary (the “**Borrower**”).

4. SALIENT TERMS OF THE TERM SHEET

4.1 Security

The security for the Loan shall be:

- (a) a rated surety bond;
- (b) appropriate securities over Golden Point Group Pty Ltd, Balmaine Gold Pty Ltd and Ironbark Mining Pty Ltd as well as all plant and equipment owned by them;
- (c) all other appropriate securities as agreed between the Lender and the Borrower; and
- (d) an off-take agreement for the gold produced by the Golden Point Group Pty Ltd, Balmaine Gold Pty Ltd and Ironbark Mining Pty Ltd and their assigns.

4.2 Interest Rate and Payment

Interest is calculated at a fixed Australian commercial market interest rate to be paid on funds drawn monthly in advance. Interest for the first month will be charged from the Loan provided on the day of settlement.

4.3 Events of Default under the Loan

The Loan will include customary events of default for like facilities, including but not limited to:

- (a) the Borrower fails to pay any amounts owing under the Loan as and when due;
- (b) the Borrower fails to perform or observe any obligation under the Loan and does not remedy the failure upon notice from the Issuer within the following periods:
 - (i) 5 business days to remedy an event of default for failure to pay an amount owing; or

- (ii) 10 business days to remedy any other default, other than insolvency type defaults;
- (c) any present or future, actual, prospective, or contingent, indebtedness of the Borrower in respect of any financial accommodation is or becomes due and payable or becomes capable of being declared due and payable before the due date for payment;
- (d) any warranty, representation or statement by the Borrower is or becomes false, misleading, or incorrect; and
- (e) there is a material adverse change in the Borrower's assets, liabilities, financial position, or prospects.

4.4 Conditions to Financing

The conditions to the Proposed Transaction include:

- (a) the signing of the loan offer document;
- (b) the provision of any relevant documents requested by the Issuer or Lender to complete due diligence;
- (c) all other reasonable requests necessary for due diligence to be successfully completed;
- (d) the entry into deed of company arrangement with respect to Golden Point Group Pty Ltd, Balmaine Gold Pty Ltd and Ironbark Mining Pty Ltd and the release of Hall Chadwick as voluntarily-appointed administrators;
- (e) issuance and payment of the surety bond prior to the settlement of funds; and
- (f) entry into an acceptable off-take agreement for the gold produced by the Group.

4.5 Fees

The fees for the Proposed Transaction include:

- (a) the establishment fee, payable upon disbursement of the Loan;
- (b) the facilitation fee, payable upon disbursement of the Loan;
- (c) cost for the surety bond, payable upon disbursement of the Loan;
- (d) management fee, payable monthly in advance;
- (e) administration fee payable by the Borrower to the Issuer within 7 days of the signing of the Term Sheet; and
- (f) legal fees.

In the event that the Borrower does not enter into the off-take agreement with the Lender, the Borrower shall not be liable for any of the fees stated above.

4.6 Formal Documentation

Upon satisfactory completion of the Issuer or Lender's due diligence, it is anticipated that a subsequent loan offer will be issued to the Borrower.

4.7 Binding Nature of the Term Sheet

The Term Sheet is intended to be a binding legal agreement as to the costs and fees payable to the Issuer relating to the Lender's establishment fee, facilitation fee, management fee, surety bond cost, administration fee and third-party payments. The fees payable to the Issuer become payable upon execution of the Term Sheet.

In the event that the Lender and the Borrower do not enter into any formal documentation for the Loan due to the parties not agreeing on the conditions of the off-take agreement, the Borrower shall not be liable for any of the fees stated in the Term Sheet.

Furthermore, in the event that the Issuer is not able to deliver an offer reflecting the terms and conditions of the Term Sheet, the Borrower shall not be liable for any of the fees stated above.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction (other than through their shareholdings in the Company).

6. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Transaction upon the execution of the definitive agreements in compliance with the Catalyst Rules.

7. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Transaction and Term Sheet are subject to, inter alia, the execution of the definitive agreements and certain conditions precedent and conditions subsequent, and there is no certainty or assurance that the Proposed Transaction will be completed on the terms disclosed in the Term Sheet. Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company. In the event of any doubt as to the action they should take, shareholders and potential investors should consult their financial, tax, legal or other professional advisers.

BY ORDER OF THE BOARD

Yao Liang
Group Executive Chairman and Group Chief Executive Officer
18 September 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.*

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