

22 March 2022

Mr Dale Allen
Manager, Listings Compliance (Perth)

By email: dale.allen@asx.com.au

Dear Dale

Sihayo Gold Limited (“SIH”): Financial Condition – Query

Sihayo Gold Limited (“**Sihayo**” or the “**Company**”) refers to your letter dated 17 March 2022. The Company provides the following responses to your questions.

1. Is SIH able to confirm that in the Directors’ opinion the Half Year Report:
 - 1.1. Complies with the relevant accounting standards; and

Yes, Sihayo confirms that in the Directors’ opinion, the Half Year Report complies with Accounting Standard *AASB 134: Interim Financial Reporting*, the *Corporations Regulations* and other mandatory professional reporting requirements. The financial statements contained in the Half Year Report have been reviewed by the Company’s auditors, Stantons, the conclusion of which has been provided in the Half Year Report. The review was conducted in accordance with *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*.

- 1.2. Gives a true and fair view of SIH’s financial performance and position?

Yes, Sihayo confirms that in the Directors’ opinion, the Half Year Report gives a true and fair view of the Company’s financial performance and position. We note that the Company incurred a Provision for Impairment of its Exploration and Evaluation Expenditure of \$20,500,000. While we believe that the intrinsic value of Sihayo’s assets should not require an impairment under *AASB 6 Evaluation of Mineral Resources* given (in the Directors’ opinion) the book value of Exploration and Evaluation assets is recoverable prior to any impairment, the Provision for Impairment was taken to align the Company’s book value of assets with the value implied by the current market capitalisation of its listing on the ASX in accordance with *AASB 136.12(a) Impairment of Assets*.

2. Does SIH consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of SIH’s current business activities.

Yes, the Company considers that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1. The Company notes that it is in active exploration on its Sihayo-Pungkut Contract of Work in North Sumatra, Indonesia (“CoW”). There has been consistent drilling and other exploration field work on the CoW throughout the 2021 calendar year which is still in progress and is expected to continue into the foreseeable future. The Company has released the results of these exploration programs consistently throughout 2021 and further results are expected to be

released to the market in the coming weeks. The Company also announced the results of updated feasibility study work on the Company's Sihayo Starter Project on 17 February 2022 and the Company continues optimisation studies on the project including further metallurgical test work. The Company expects to update the ASX on the outcomes of this work in the next two months.

3. Does SIH consider that the financial condition of SIH is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion, commenting specifically on SIH's negative working capital of \$2,878,793 as at 31 December 2021 and (0.25) estimated quarters funded as disclosed in SIH's 31 December 2021 Quarterly Cash Flow Report.

Yes, the Company considers that its financial condition is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.2. The Company has demonstrated that it has continued access to the required capital through the support of its major shareholders in order to continue its operating activities. The Company notes that since 31 December 2021, it has raised US\$1.3 million in working capital loans from key shareholders (refer to ASX announcements on 17 February, 21 February and 18 March 2022). The Company's major shareholders remain committed to providing the capital required to continue operations. In particular, we confirm that the Company's largest shareholder, Provident Minerals Pte Ltd, has provided the Company's auditors Stantons with a letter of comfort in connection with the Half Year Report undertaking to provide financial support to the Company to enable it to meet its obligations as and when they fall due and to ensure that the Company continues as a going concern.

Given the continuing support from the Company's major shareholders, having regard to the negative working capital position as at 31 December 2021 and (0.25) estimated quarters funded as disclosed in SIH's 31 December 2021 Quarterly Cash Flow Report, we refer to the Company's announcement on 18 March 2022 that it is taking steps to raise equity in the near term. It is expected that the size of this equity raise will provide the Company with a positive working capital position and sufficient funds to continue its operations.

The Company has a proven track record of raising funds to meet its planned exploration and future development activities.

4. If the answer to questions 2 or 3 is "No", please explain what steps SIH has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.

Not applicable given the response to question 3.

5. In relation to the Half Year Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of SIH's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of SIH have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SIH and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?

Yes, the Board did receive the CFO and CEO declaration as part of the sign off for the Half Year Report.

6. If the answer to Question 5 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of SIH's Corporate Governance Disclosure?

Not applicable given the response to question 5.

7. What enquiries did the Board make of management to satisfy itself that the financial records of SIH have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SIH?

The Company's auditors, Stantons, provided the Board with a review of the financial statements presented in the Half Year Report. This outlined the quality control, independence, materiality, key review matters, other significant risks and changes in accounting policy that were considered by the auditors. The Company's Audit and Risk Committee convened a meeting to discuss the appropriateness of the financial statements including, amongst other items, the going concern issue and value of Capitalised Exploration and Evaluation assets on the balance sheet. This was attended by the auditors who asked questions to the Company's management in order to gain comfort on both of these issues.

8. On what date is the strategic review process detailed in the Strategic Review Announcement expected to be completed?

The Company expects to have the Strategic Review Process completed by 30 June 2022, however, as with processes of this nature, the timeline may be longer depending on the time required by potential investors to complete their due diligence and reach agreed terms on a transaction.

9. Given the following:

- 9.1. SIH's Auditor raised a material uncertainty as to whether SIH can continue as a going concern;
- 9.2. SIH has cash and cash equivalents of \$593,845 and total current liabilities of \$4,286,558, as at 31 December 2021; and
- 9.3. SIH has estimated it has negative 0.25 quarters funded pursuant to its 31 December 2021 Quarterly Cash Flow Report,

on what basis do the Directors consider that SIH is a going concern? In answering this question, please comment specifically on each of the matters raised in paragraphs 9.1, 9.2 and 9.3 above.

As mentioned in SIH's response to question 3, the Company has demonstrated that it has strong and ongoing support from its major shareholders to continue as a going concern. Financial support has been provided in the form of shareholder loans and as announced on 18 March 2022, the Company is currently taking steps to raise equity in the near term which will provide sufficient working capital to repay the Company's outstanding liabilities as well as fund ongoing operations into the future. The Company's largest shareholder, Provident Minerals Pte Ltd, provided the Company's auditors Stantons with a letter of comfort relating to the Half Year Report which outlined their intention to continue to provide the required financial support for the Company to remain as a going concern.

10. Please confirm that SIH is complying with the Listing Rules and, in particular, Listing Rule 3.1.

The Company confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

11. Please confirm that SIH's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its Board or an officer of SIH with delegated authority from the Board to respond to ASX on disclosure matters.

Sihayo confirms that the responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its Board or an officer of SIH with delegated authority from the Board to respond to ASX on disclosure matters.

If you need any further clarification on any of these responses, please do not hesitate to reach out.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Colin Moorhead'.

Colin Moorhead
Executive Chairman – Sihayo Gold Limited



17 March 2022

Reference: 49304

Ms Susan Park
Sihayo Gold Limited

By email: spark@parkadvisory.com.au

Dear Ms Park

Sihayo Gold Limited ('SIH'): Financial Condition - Query

ASX refers to the following:

- A. SIH's half year report for the period ended 31 December 2021 lodged with ASX Market Announcements Platform ('MAP') and released on 16 March 2022 ('Half Year Report').
- B. ASX notes that the Independent Auditor's Report attached to the Half Year Report ('Auditor's Report') contains a material uncertainty related to going concern:

"We draw attention to note 2(d) of the financial report, which describes that the financial report has been prepared on a going concern basis. At 31 December 2021 the consolidated entity had net assets of \$22,104,539, cash and cash equivalents of \$593,845 and net working capital deficiency of \$2,878,793. The consolidated entity had incurred a loss after tax for the period ended 31 December 2021 of \$22,536,056 and had net cash outflows from operating activities of \$2,285,127."

- C. SIH's Appendix 5B quarterly cash flow report for the quarter ended 31 December 2021 lodged with MAP and released on 31 January 2022 ('December 2021 Quarterly Cash Flow Report').
- D. ASX notes that at section 8.7, the December 2021 Quarterly Cash Flow Report disclosed that SIH had an estimated (0.25) quarters funded, being negative 0.25 quarters funded.
- E. SIH's announcement entitled 'Project Update and Launch of Strategic Review Process' lodged with MAP and released on 17 February 2022 ('Strategic Review Announcement').
- F. ASX notes that the Strategic Review Announcement contained the following statement attributable to SIH's Executive Chairman:

"Sihayo is now at a critical phase as the Company looks to fund the development of the Sihayo Starter Project. The company now has a robust and materially de-risked project design and has commenced a strategic review process with the aim of attracting a funding partner to develop the project. This process may have a range of outcomes, including but not limited to a change of control transaction and/or an Indonesian listing. Sihayo's Board and Management will seek to maximise shareholder value through this process."

- G. SIH's Corporate Governance Statement for 30 June 2021 lodged on the ASX Market Announcements Platform on 30 September 2021 which provides confirmation that SIH complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."

H. Listing Rule 12.1 which states:

12.1 The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.

I. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

J. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

(a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.

(b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.

(c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.

(d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).

(e) If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.

(f) If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.

Request for information

In light of the information above, please respond to each of the following questions:

1. Is SIH able to confirm that in the Directors' opinion the Half Year Report:
 - 1.1 complies with the relevant accounting standards; and
 - 1.2 gives a true and fair view of SIH's financial performance and position?
2. Does SIH consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of SIH's current business activities.
3. Does SIH consider that the financial condition of SIH is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion,

commenting specifically on SIH's negative working capital of \$2,878,793 as at 31 December 2021 and (0.25) estimated quarters funded as disclosed in SIH's 31 December 2021 Quarterly Cash Flow Report.

4. If the answer to questions 2 or 3 is "No", please explain what steps SIH has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
5. In relation to the Half Year Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of SIH's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of SIH have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SIH and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
6. If the answer to Question 5 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of SIH's Corporate Governance Disclosure?
7. What enquiries did the Board make of management to satisfy itself that the financial records of SIH have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SIH?
8. On what date is the strategic review process detailed in the Strategic Review Announcement expected to be completed?
9. Given the following:
 - 9.1 SIH's Auditor has raised a material uncertainty as to whether SIH can continue as a going concern;
 - 9.2 SIH has cash and cash equivalents of \$593,845 and total current liabilities of \$4,286,558, as at 31 December 2021; and
 - 9.3 SIH has estimated it has negative 0.25 quarters funded pursuant to its 31 December 2021 Quarterly Cash Flow Report,on what basis do the Directors consider that SIH is a going concern? In answering this question, please comment specifically on each of the matters raised in paragraphs 9.1, 9.2 and 9.3 above.
10. Please confirm that SIH is complying with the Listing Rules and, in particular, Listing Rule 3.1.
11. Please confirm that SIH's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its Board or an officer of SIH with delegated authority from the Board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **12 PM AWST Tuesday, 22 March 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SIH's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require SIH to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SIH's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in SIH's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SIH's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that SIH's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Dale Allen
Manager, Listings Compliance (Perth)