

SIHAYO GOLD LIMITED
ACN 009 241 374
SUPPLEMENTARY PROSPECTUS

1. IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) which supplements and is intended to be read with the prospectus dated 26 April 2022 (**Prospectus**) issued by Sihayo Gold Limited (ACN 009 241 374) (**Company**).

This Supplementary Prospectus is dated 16 May 2022 and was lodged with ASIC on that date.

ASIC, the ASX and their respective officers take no responsibility for the contents of this Supplementary Prospectus.

Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus, copies of which can be downloaded from the website of the Company at <http://www.sihayogold.com>. A paper copy of the Supplementary Prospectus is available upon request.

This is an important document and should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay.

The Directors consider that the changes in this Supplementary Prospectus are not materially adverse from the point of view of an investor. Accordingly, no action needs to be taken if you have already subscribed for Shares under the Prospectus.

2. PURPOSE OF THIS DOCUMENT

The Company confirms that it has received queries from ASIC concerning some information disclosed in the Prospectus.

The purpose of this Supplementary Prospectus is to provide additional information to Shareholders, investors and the market in addressing these queries. This includes corrections to certain sections of the Prospectus (such as typographical errors).

This supplementary disclosure is set out in sections 3 and 4 of this Supplementary Prospectus.

3. SUPPLEMENTARY INFORMATION

The Company provides the following supplementary information:

3.1 Underwriting arrangements

The Company has considered relevant Takeovers Panel Guidance Note 17 (**GN 17**) in seeking to put in place appropriate strategies to mitigate the potential control effects of the entitlement issue.

As disclosed in Section 1.9 of the Prospectus, prior to entering into the Underwriting Agreement and Sub-Underwriting Commitment, the Company considered alternative options to mitigate any potential control effects. This included exploring several funding alternatives, and meeting with third party underwriters with no existing shareholding in the Company. The Company was not able to reach agreement in relation to any of these alternatives.

In the Board's opinion, in the current commercial environment and having explored all options, the underwriting by the Joint Underwriters of a non-renounceable entitlement issue was the only feasible underwriting option that was available to the Company in the context of an urgent need for funding by the Company. The Company has previously undertaken several entitlement issues where Provident was the only underwriter. Accordingly, in order to mitigate consolidating further control with Provident alone, the Company was able to reach agreement with five other underwriters.

In accordance with the guidance in paragraph 7(b)(i) of GN 17, in order to further mitigate the potential control effects of the underwriting and Sub-Underwriting Commitment:

- (a) the Company included a shortfall facility for Eligible Shareholders to subscribe for extra Shares (the **Shortfall Offer**), as described in Section 2.7 of the Prospectus; and
- (b) the Joint Underwriters have agreed with the Company that Eligible Shareholders who participate in the Shortfall Offer will be given priority over the Joint Underwriters in respect of any Shortfall.

This is disclosed in section 1.9 of the Prospectus.

Section 2.7 of the Prospectus also states that if the Offer is oversubscribed (by take up of Entitlements and applications for Shortfall Shares by Eligible Shareholders), scale back will be applied to applications under the Shortfall Offer on a pro-rata basis to the respective shareholdings of Eligible Shareholders. This is consistent with paragraph 7(b)(ii) of GN 17.

The Prospectus further discloses that allocation of the Shortfall Shares will be at the discretion of the Board in conjunction with the Joint Underwriters and that no Shares will be issued to an applicant under the Prospectus or via the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act. To that end, the Company has disclosed that in exercising their discretion regarding the Shortfall, the Board will not do so in a manner which is likely to exacerbate a potential unacceptable control effect on the Company (having regard to paragraph 7(b)(iii) of GN 17).

By reference to paragraphs 8 and 9 of GN 17:

- (a) whilst there is only one sub-underwriter disclosed in the Prospectus (as a party to the Sub-Underwriting Commitment), the Joint Underwriters have and will continue to seek out several other sub-underwriters;
- (b) the Joint Underwriters (and sub-underwriter) will only receive Shares under the dispersion facility after all other requests have been satisfied;

- (c) sufficient time and fulsome disclosure (through the Prospectus and this Supplementary Prospectus) has been given to Shareholders and other investors to assess the Shares being offered;
- (d) the Company has made available the Shortfall Offer to external investors (having regard to its allocation policy and given the prohibition in section 606 of the Corporations Act); and
- (e) the acquisitions by the Joint Underwriters (and sub-underwriter) is in their capacity as such pursuant to a negotiated Underwriting Agreement and Sub-Underwriting Agreement (i.e. it is not facilitation of a capital raising by a contract to subscribe for Shortfall before the Offer is made).

The Company has a clear need for funds which has not been contrived (noting paragraph 9 of GN 17), and having regard to all available options, the Company has considered that entering into the Underwriting Agreement with the Joint Underwriters provides the Company with the highest degree of certainty in the time available that the Offer will be successful.

The Company did consider the issue of renounceability of the Offer. Having regard to paragraphs 19-22 of GN 17, the fact that the Offer is non-renounceable should not be considered a significant factor given the Company considers that a market for rights is unlikely (given low liquidity in trading of the Shares) and the additional costs to make the Offer renounceable.

In light of the above, the Company submits that the structure of the Offer should not give rise to unacceptable circumstances.

Provident and related party considerations

In Section 1.9 of the Prospectus, the Company discloses that Provident, a Joint Underwriter, is a related party of the Company for the purposes of the Corporations Act by virtue of being controlled by Gavin Caudle, a Director. Notwithstanding this relationship between the Company and Provident, the Board (other than Gavin Caudle) considered prior Shareholder approval for the entry into the Underwriting Agreement (which is deemed under the Corporations Act to be the giving of a financial benefit to Provident) was not required on the basis that the terms of the agreement are considered to be 'arm's length'.

The Company further states as follows:

Having regard to ASIC Regulatory Guide 6: *Takeovers: Exceptions to the general prohibition* and Regulatory Guide 76: *Related party transactions* at section C, the Board considered the terms of the Underwriting Agreement to be on an arm's length basis for the following reasons:

- (a) an underwriting agreement on customary commercial terms (in similar circumstances) would provide for an underwriting fee payable to the underwriter, whereas no fee is payable to Provident (or any other Joint Underwriter) and accordingly is considered less favourable than arm's length terms;
- (b) the remaining terms of the Underwriting Agreement (a detailed summary of which is included in Section 6.4.1 of Prospectus) are considered arm's length including in particular the Termination Events;

- (c) the purpose of the underwriting is not to confer control on any of the Joint Underwriters, but rather to provide a degree of certainty in raising funds under the Offer (on the basis that all Shareholders will have (in priority) a pro-rata entitlement to subscribe for Shares under the Offer if they choose to participate);
- (d) there are no undisclosed fees payable to any of the Joint Underwriters;
- (e) none of the Joint Underwriters will receive any benefits from the Company's proposed use of capital raised (other than as a Shareholder); and
- (f) before negotiating the terms of the Underwriting Agreement, the Company sought to engage with other non-related underwriters to no avail.

The Company followed robust protocols to ensure conflicts of interest were appropriately managed in negotiating and structuring the underwriting, including ensuring that Gavin Caudle was recused from Board considerations and abstained from voting on the matter.

Joint Underwriters - relevant interests and control effects

Section 1.9 of the Prospectus includes a table indicating what each Joint Underwriter / substantial holder will hold based on the take up of Entitlements under the Offer.

The Company seeks to clarify that the table is based on the assumption that in each case the relevant Joint Underwriter takes up their full Entitlement (as Shareholder) under each scenario (which, for the Shareholder Lenders includes the conversion of the Shareholder Loans). For example in the first row, the 25% subscription is on the basis that Provident has subscribed for its Entitlement in full, there is a 25% take up from other Shareholders and Provident subscribes for its proportionate amount as a Joint Underwriter (but no other Joint Underwriters subscribe for their Entitlements).

By way of further explanation, if no other Shareholders took up their Entitlements, the relevant interests of each of the substantial holders as a result of the Joint Underwriters subscribing for the Underwritten Amount would be as follows:

Shareholder	Relevant Interest (number of Shares)	Relevant Interest (as a %)
Provident	1,948,127,472	31.93%
Saratoga	786,863,345	12.89%
Eastern Field	579,592,531	9.50%
Goldstar	506,073,414	8.29%
Asian Metal	488,309,546	7.87%

3.2 Shortfall facility

The Company set about structuring the Offer in the most fair, equitable and transparent way seeking to ensure that all Eligible Shareholders (including those in all foreign jurisdictions) were given the opportunity to subscribe for new Shares both through their pro rata entitlement and under the Shortfall Offer, however also seeking to ensure some certainty in funding recognising the Company's urgent need to raise capital.

In seeking this balance, the Company carefully considered its allocation policy and dispersion strategy in relation to the Shortfall Offer. As set out in Section 1.9 of the Prospectus, Eligible Shareholders who wish to participate by subscribing for Shares under the Shortfall Offer will be given priority in respect of any Shortfall. The Company's strategy will then seek to further ameliorate control impacts by seeking to place Shares under the Shortfall Offer to external investors with no existing shareholding in the Company, however noting that no Shares will be issued to an applicant via the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act. By way of example, the Company will again approach third parties who have previously expressed a willingness to consider participation in any Shortfall in support of the Company. The commitment of the Joint Underwriters to underwrite the Shortfall will only be once the Company has exhausted these options. We note further that under the terms of the Underwriting Agreement, the Company has authorised the Joint Underwriters to engage sub-underwriters to offset the underwriting commitment.

3.3 Starkey Loan

Sections 1.7 and 6.8 of the Prospectus note that the loan from Andrew Starkey (**Starkey Loan**) will be repaid by the Company in cash from the proceeds of the Offer, instead of converted into Shares. However, other loans (for example the loans from Provident, Saratoga and Goldstar) are being repaid via subscriptions for Shares under their Entitlements in conversion of the relevant Shareholder Loan.

The Company confirms that the Starkey Loan is proposed to be repaid in cash at the request of Andrew Starkey. Mr Starkey has not entered into an arrangement with the Company to repay the loan amount via the issue of Shares, unlike the remaining Shareholder Lenders. The Company notes that the amount of the Starkey Loan exceeds Mr Starkey's Entitlement under the Offer and, as such, full repayment would require further payment from the Company beyond Mr Starkey subscribing for his Entitlement. This is not the case for the remaining Shareholder Lenders whose outstanding loans are less than their Entitlements.

3.4 Use of Funds

Section 3.1 of the Prospectus discloses that, of the Offer proceeds, 34.4% is allocated to working capital and that if only the Underwritten Amount is raised under the Offer, then the Company will reduce the amount of funds allocated to working capital.

The Company notes that the working capital allocation of \$4,053,582 is expected to provide sufficient funds to cover the Company's overheads and exploration for approximately 6 months, assuming the Company continues to operate one drill rig continuously. The Company intends to use its working capital allocation following the completion of its proposed exploration and evaluation program that

has a budget of \$2,610,000 (refer to Item 1 of the table set out in section 3.1 of the Prospectus), which is expected to be completed by the end of June 2022. Therefore, the working capital allocation of \$4,053,582 is expected to last the Company until approximately February 2023.

The operation of one drill rig costs approximately \$500,000 per month and overheads are approximately \$175,000 per month in addition to this. If the amount of allocated working capital is reduced, the Company may be required to pause its exploration activities. This would result in the Company retaining the cost of operating a drill rig for the duration of the pause, which funds could be used to cover the Company's overheads during this time. As a result, the allocated working capital may last for longer than the estimated 6 months.

If only the Underwritten Amount (being \$9,666,667) is raised under the Offer, the amount of working capital would be reduced to approximately \$1.93 million. As outlined above, the length of time the working capital can last can be increased by pausing exploration activities.

4. OTHER CORRECTIONS TO PROSPECTUS

The Company seeks to correct certain errors in the Prospectus and provide clarifications on the sections noted, as follows:

4.1 Section 1.9 – Table

The reference to the asterisk (*) next to 'Provident' and 'Eastern Field' in the table in Section 1.9 of the Prospectus is intended to indicate the combined relevant interests of these two companies. However, given the stated assumptions in the language as the preamble to the table in Section 1.9 of the Prospectus, it is noted that the voting power of Provident (which includes the relevant interest of Eastern Field as its associate) will be dependent on level of subscriptions under the Offer and the resultant underwriting by the Joint Underwriters.

4.2 Section 2.6 – Table

The Company confirms that the amounts limited in the table in Section 2.6 of the Prospectus are in AUD.

4.3 Section 3.1 – Table

In the table in Section 3.1 of the Prospectus, the Company confirms there is no corresponding note for footnote number 3 – this is a typographical error.

4.4 Section 6.3 – Table

The Company confirms that the date '07/08/22' in the first row ('Highest' sale prices of Shares) in Section 6.3 of the Prospectus, is a typographical error and should read '07/02/22'.

4.5 Section 6.4.1 – Table

In the table in Section 6.4.1 of the Prospectus, the Company confirms there is no corresponding note for footnote number 1 in the row 'Underwriting' – this is a typographical error.

4.6 Section 5.2

The reference in Section 5.2 of the Prospectus (on page 41) under the Company specific risk factor 'Feasibility Study' which refers to 'funds provided by the Offer and the Placement' should be a reference to 'funds provided by the Offer'.

5. CONSENTS

The Company confirms that as at the date of this Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Prospectus has not withdrawn that consent.

6. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.



Colin Moorhead
Chairman
For and on behalf of
Sihayo Gold Limited