



QUARTERLY REPORT 3 months ending 31th December 2016

REVIEW OF OPERATIONS

1. Corporate

The Company is in discussion with major shareholders about longer term future funding. On 31 January 2017 Provident Minerals agreed to a short term loan of USD 200k to meet the company's obligations until a longer term funding plan was finalized.

The Company expects to make further announcements in the near future concerning the plans to fund the operations of the Company until the completion and analysis of the Feasibility Optimisation Study.

2. Sihayo Pungkut Gold Project

The Sihayo Pungkut Gold Project is located within a Generation VII Contract of Work (CoW) located in Northern Sumatra Indonesia, as per Figure 1 below.

The Company holds an interest in the Project through 100% ownership of Aberfoyle Pungkut Investments Pte Ltd (API). The CoW is held by PT Sorikmas Mining (Sorikmas) which is operated under a Joint Venture arrangement between API - 75% and PT Aneka Tambang – 25% (ANTAM).

The Project has Mineral Resources of Measured, Indicated and Inferred containing 1.4M gold ounces¹ reported in accordance with JORC 2012 within which is contained a combined Proved and Probable Ore Reserve of 554,000 gold ounces².

The Company continues to work toward completion of Statutory permitting & approvals as well as investigation of opportunities to further optimise the results of the feasibility study announced in relation to the Sihayo Pungkut Gold Project ("the Project") on 29 January 2014.

¹ No new information has been included since the information was released in an announcement on 17/06/2013

² No new information has been included since the information was released in an announcement on 29/01/2014

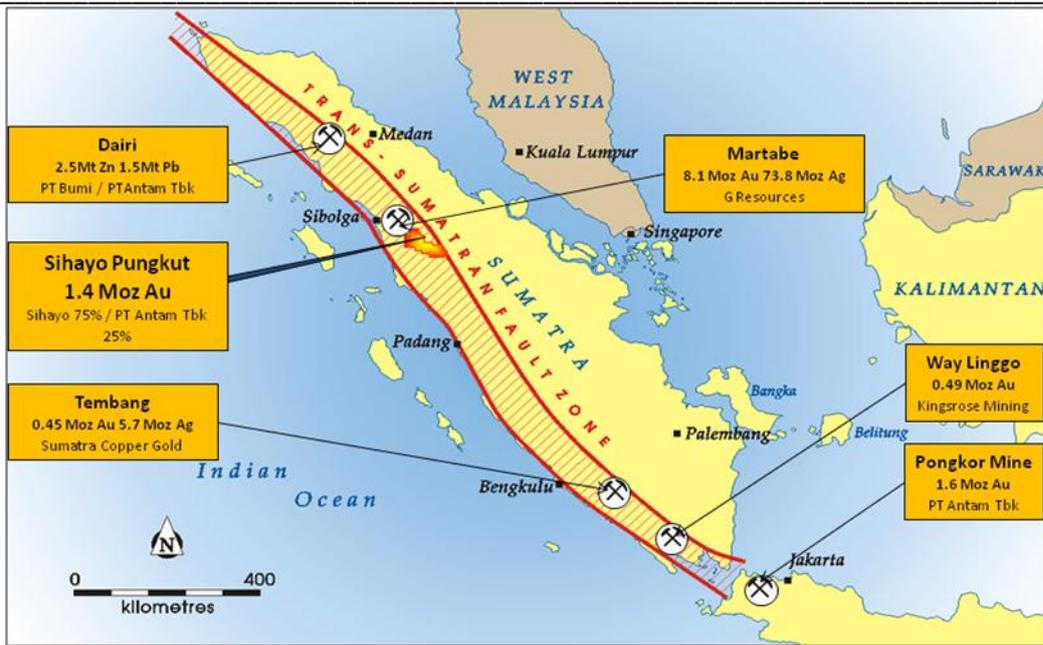


Figure 1: Significant Indonesian mineral deposits including the Sihayo Pungkut Gold Deposit

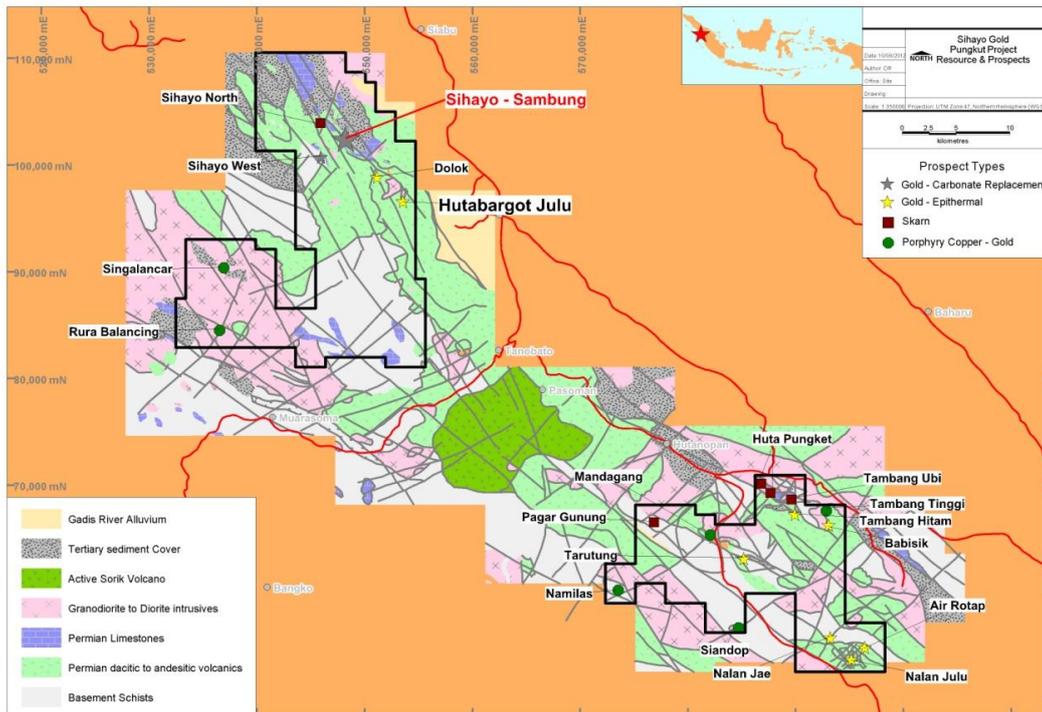


Figure 2: Sihayo Pungkut Gold Project – CoW Boundary, Project Location & Key Prospects

Permitting and Approvals

The Company announced receipt of the Construction Permit from the Director General of Minerals & Coal within the Ministry of Energy & Mineral Resources on 7 December 2016.

This major permit required from the Government of Indonesia and accordance with the provisions of the Contract of Work allows the Company to progress the Project subject to necessary project funding.

Key permits previously announced for the project to progress to the construction phase are as follows:

- A Government of Indonesia Feasibility Study submitted during February 2014 comprising technical and financial information in support of the project was announced as ‘initially’ approved on 24 September 2014.
- The AMDAL assessment used by the Ministry of Environment (KLH) as an instrument for supervision over the project and regional development in the area of the operation was announced on 1 December 2015.
- The Forestry or ‘Borrow and Use’ (Pinjam Pakai) permitting from the Forestry Department was announced on 30 September 2016.

Feasibility Study Optimisation

Review of the 2014 feasibility study to identify broad areas of potential for economic improvement and/or risk reduction is in progress.

Key initial areas of focus include;

1. Alternative processing routes for high grade/low recovery material within the existing Resource.

Specifically the Company initiated a metallurgical review and test work program being undertaken at AAML in Gosford to investigate the potential to improve recoveries with whole of ore pre-treatment and other processing options.

We have received favourable results from a number of process routes that demonstrate encouraging improvements in recovery relative to previous baseline cyanide leaching tests.

We await final results from ongoing testwork to identify likely grind size implications, retention time and reagent consumption rates in order to quantify the potential impact on the project.

As previously announced testwork regarding pre-treatment with caustic soda and pre-treatment with nitric acid have delivered the most substantial increases in gold extraction as indicated in the summary of results received to date and presented as follows:

Test Description	% Au Extraction		
	Comp 6	Comp 7	Comp 11
Conventional Cyanide Leach	58.3	42.3	70.8
Cyanide Leach with Carbon in Pulp	62.8	47.9	70.6
Kerosine Treatment followed by Intensive Leach	61.1	49.1	Not done
Hydrochloric Acid Leach followed by Cyanide Leach with Carbon	62.8	54.0	68.3
Nitric Acid Leach followed by Cyanide Leach with Carbon	92.8	90.9	92.5
Caustic Soda (alkaline) Leach followed by Cyanide Leach with Carbon	82.0	78.7	83.1

Test Description	% Au Extraction Difference vs Conventional Cyanide Leach		
	Comp 6	Comp 7	Comp 11
Cyanide Leach with Carbon in Pulp	4.5	5.6	-0.2
Kerosine Treatment followed by Intensive Leach	2.8	6.8	N/A
Hydrochloric Acid Leach followed by Cyanide Leach with Carbon	3.4	9.6	-2.5
Nitric Acid Leach followed by Cyanide Leach with Carbon	33.5	46.5	21.7
Caustic Soda (alkaline) Leach followed by Cyanide Leach with Carbon	22.6	34.3	12.3

Test Description	% Change in Gold Ozs Recovered vs Baseline		
	Comp 6	Comp 7	Comp 11
Cyanide Leach with Carbon in Pulp	8	13	0
Kerosine Treatment followed by Intensive Leach	5	16	N/A
Hydrochloric Acid Leach followed by Cyanide Leach with Carbon	6	23	-4
Nitric Acid Leach followed by Cyanide Leach with Carbon	57	110	31
Caustic Soda (alkaline) Leach followed by Cyanide Leach with Carbon	39	81	17

2. Independent geo-metallurgical review by Sam Garrett is underway in order to achieve the following;
 - a. Improve understanding of the spatial distribution and extent of the dark vs grey jasperoid and the subsequent effect on the recoveries and impacts on the final resource/reserves.
 - b. Improvement of the geology model given its distinctive local characteristics and given its positioning the deposit in the global context of similar known deposits.

Further Resource modelling is expected to be required in due course.

3. Updates and refresh of assumed operating and capital cost assumptions for current market conditions.

During discussions with Perusahaan Listrik Negara (PLN), the Indonesian Government owned power corporation, we have been advised that power shortages are no longer an issue in North Sumatra and there will be grid power available to the Pungkut Project.

The Company is following-up these favourable discussions on a PLN power supply to the Project in order to seek a framework agreement. As noted in previous announcements, a lower cost power supply Project represents a significant value driver for the Project

Updates will be provided in due course as sufficient information comes to hand.

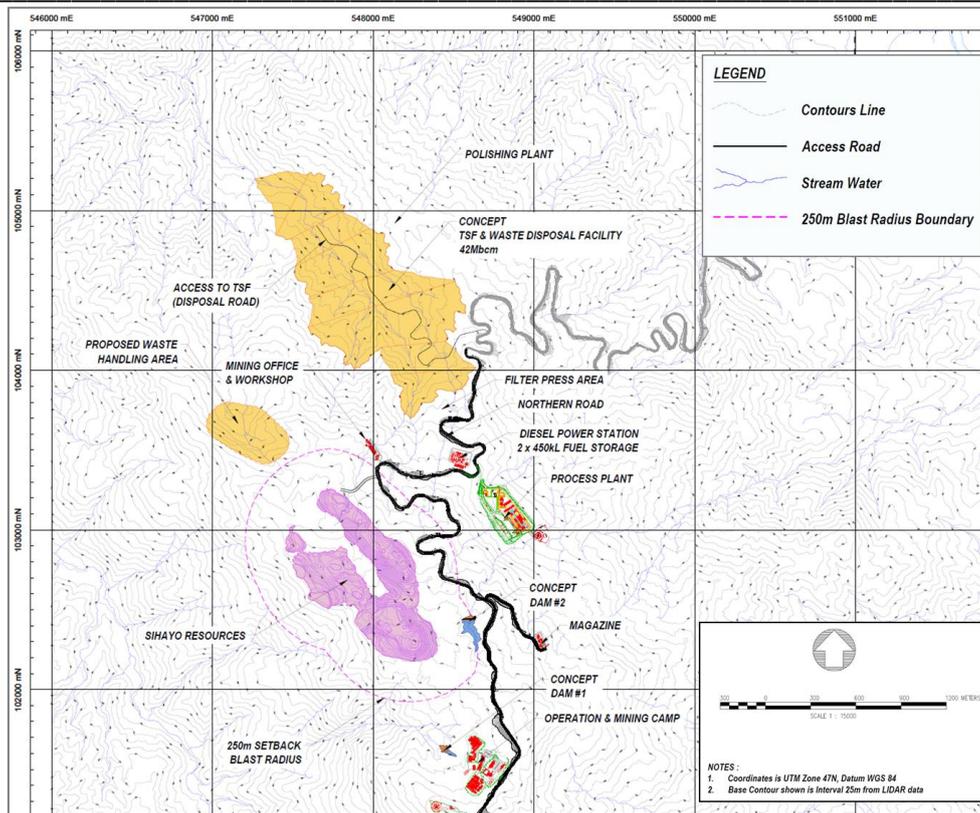


Figure 3: Project Site Area

Hutabargot Prospect

A field visit was conducted by Consulting Exploration Geologist, Simon Meldrum with an emphasis on testing the applicability of the mineral district models to the CoW areas and in particular the Hutabargot Julu & Dolok anomalies which the data highlight as an obvious secondary target area for initial consideration. Refer Figure 4.

Simon has noted,

“Consistent and well defined relationships between geochemical and geophysical aspects of the Hutabargot gold target combined with the areas where informal gold mining activity has and is currently active, suggests clear scope for a large scale gold target.”

“The mineral district perspective proposed appears to be valid, highlighting the Hutabargot prospect area as the location where sulphur complex metal transport and concentration mechanisms changed to chloride complex fluid conditions coincident with stronger gold-silver grade development at a late stage in the Sihayo-Hutabargot mineral district’s development.”

Refer Figure 5

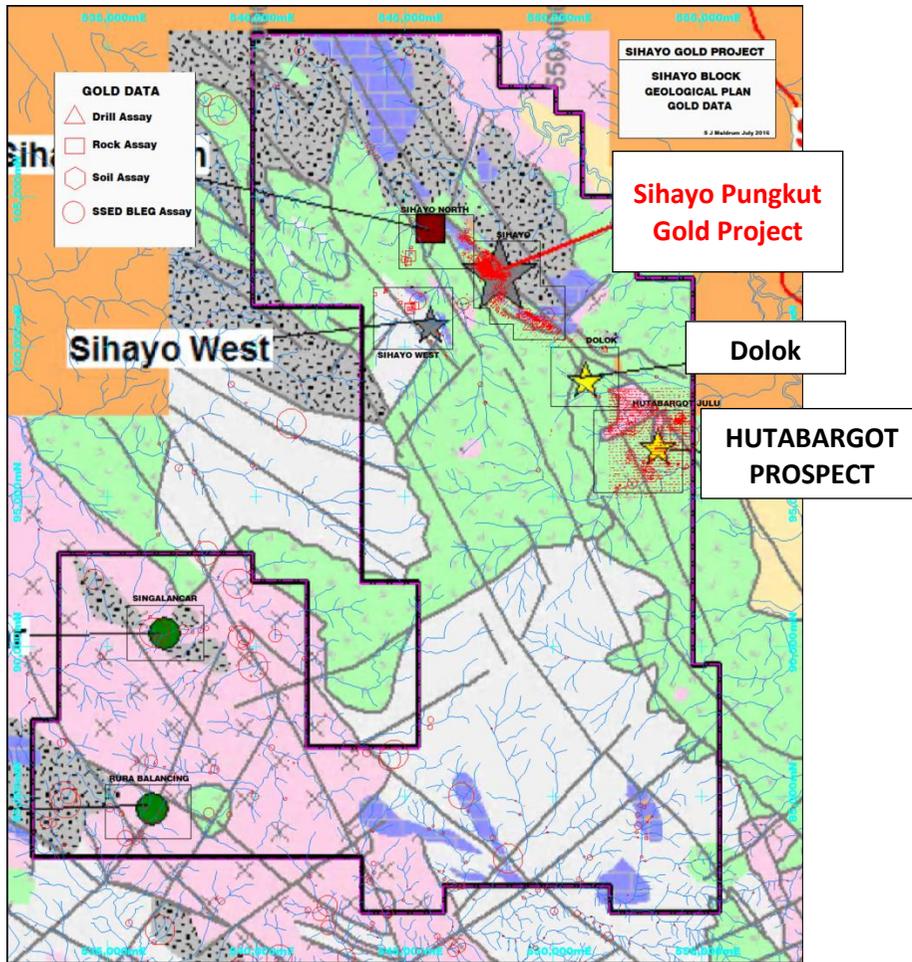


Figure 4: Hutabargot & Dolok Prospects Location Plan

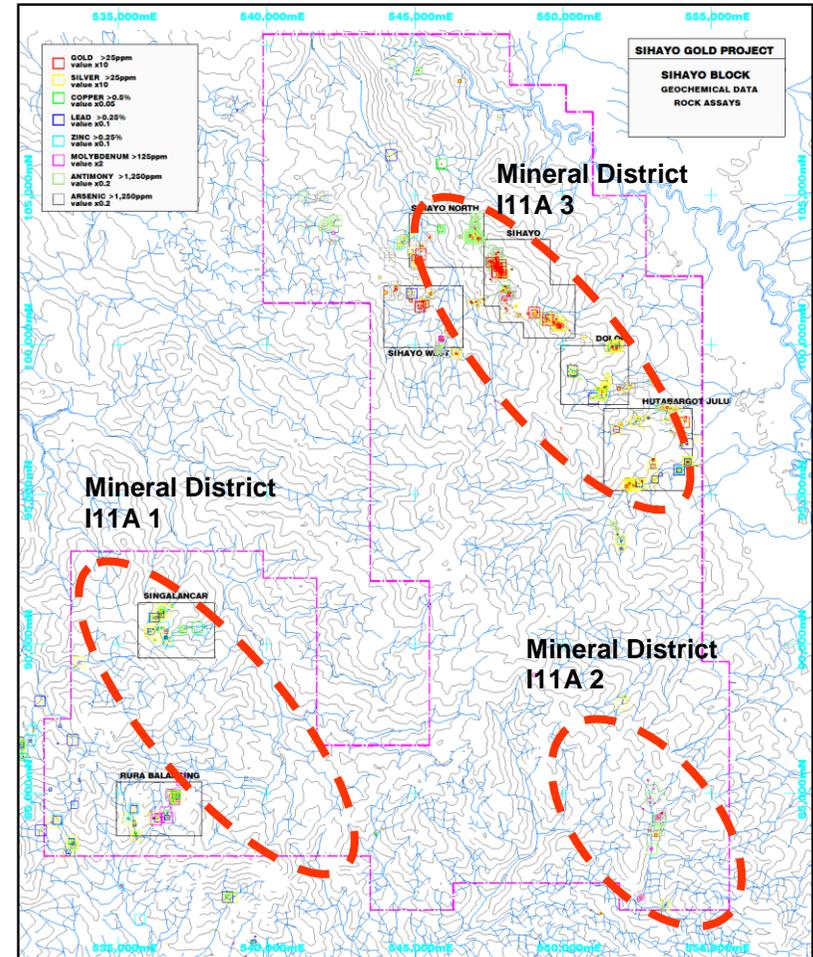


Figure 5: Proposed Mineral Districts & Geochemical Data

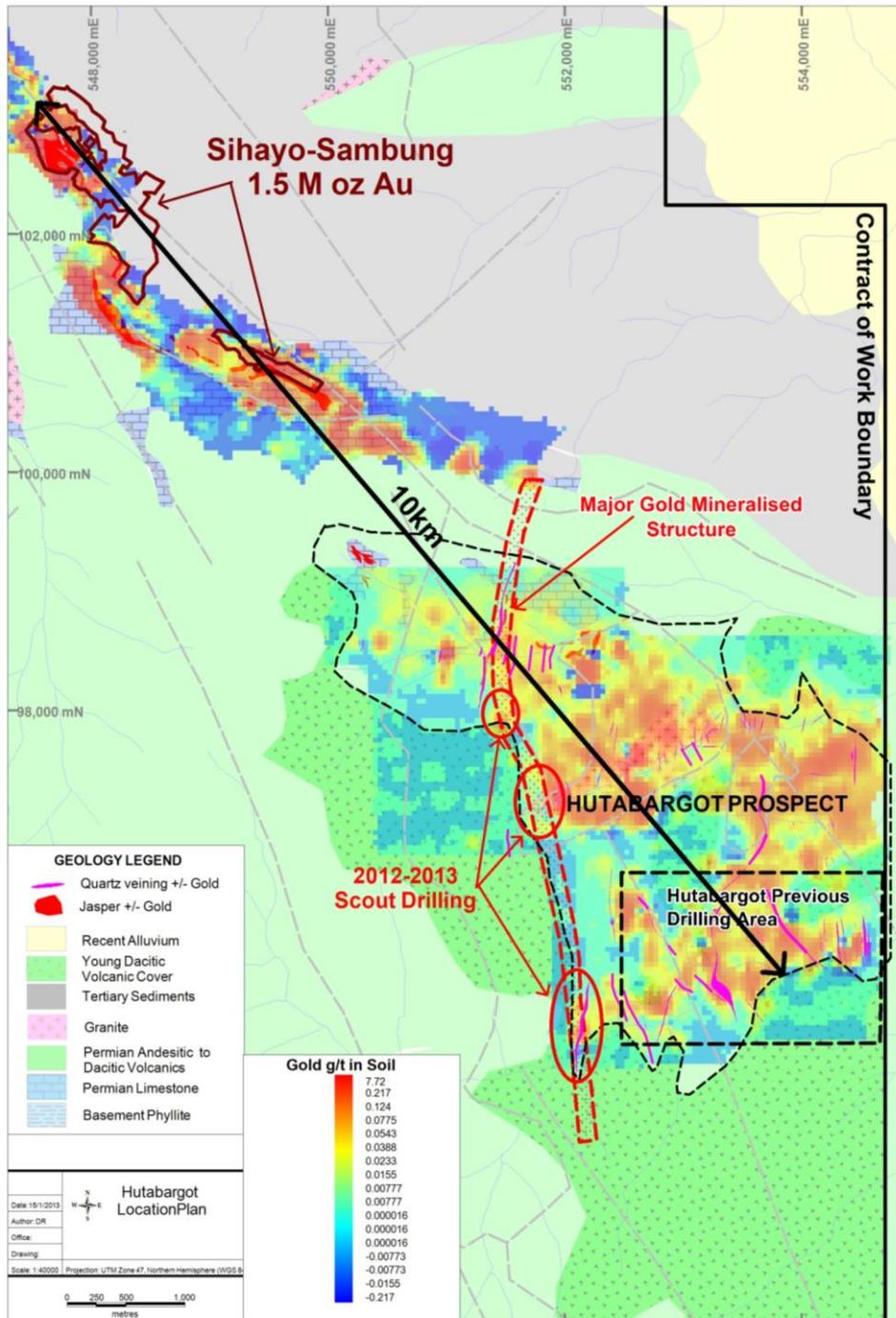


Figure 6: Hutabargot Julu Location

4. Surface Exploration

No material activity to report.

Management continues to work with major shareholders and other potential financiers, to explore options to finance the construction phase while completing further evaluation and optimisation of the project.

The Saratoga and Provident Groups have indicated they remain supportive of the Company and are comfortable with the strategy the company is following.

SIHAYO GOLD LIMITED

Stuart Gula
Managing Director
31 January 2017

Note

All statements in this report, other than statements of historical facts that address future timings, activities, events and developments that the Company expects, are forward looking statements. Although Sihayo Gold Limited, its subsidiaries, officers and consultants believe the expectations expressed in such forward looking statements are based on reasonable expectations, investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward looking statements. Factors that could cause actual results to differ materially from forward looking statements include, amongst other things commodity prices, continued availability of capital and financing, timing and receipt of environmental and other regulatory approvals, and general economic, market or business conditions.

Mineral Resources and Ore Reserves

The information is extracted from the reports entitled “Mineral Resource Estimation of the Sihayo & Sambung Deposits, Sumatra Indonesia” created on 5 December 2013 and “Sihayo Open Pit Reserves” created on January 2014 and are available to view on www.sihayogold.com. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Sihayo Gold Limited

ABN

77 009 241 374

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(125)	(319)
(b) development		
(c) production		
(d) staff costs	(153)	(317)
(e) administration and corporate costs	(67)	(149)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		(2)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(345)	(787)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	0	0

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		4,501
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		(241)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		(3,476)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	784

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	346	3
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(345)	(787)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	784
4.5	Effect of movement in exchange rates on cash held	1	2
4.6	Cash and cash equivalents at end of period	2	2

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2	346
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2	346

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
83

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7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	270,000	0
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Provident Minerals will provide USD 200k unsecured at an interest rate of 10%. Longer term funding still under discussion with major shareholders.

Announcement expected during February 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	400
9.2 Development	
9.3 Production	
9.4 Staff costs	120
9.5 Administration and corporate costs	20
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	540

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 31 January 2017

Print name: Daniel Nolan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.