



QUARTERLY REPORT

3 months ending 30th June 2017

REVIEW OF OPERATIONS

1. Corporate

Malcolm Paterson has been appointed as the Chief Executive Officer and Managing Director of Sihayo Gold Limited effective as of the 1st June 2017. Malcolm's experience in developing challenging gold projects, particularly in Indonesia, will be applied to an updated DFS for the Sihayo Gold Project. The introduction of some major concept changes are expected to substantially influence the economics of the project.

2. Sihayo Gold Project

The Sihayo Gold Project is located within a Generation VII Contract of Work (CoW) located in Northern Sumatra Indonesia. 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 Inferred¹ containing 1.4M gold ounces reported in accordance with JORC 2012 within which is contained a combined Proved and Probable Ore Reserve² of 554,000 gold ounces.

The company has commenced a substantial revision of the 2014 Feasibility Study based on a larger production rate and incorporating concepts to reduce capital and operating costs. These changes will require addendums to both the previous FS and AMDAL approvals.

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

3. Feasibility Study.

The Sihayo Gold Project is undergoing a significant revision in the base process flowsheet and in operational concepts to bring it back in line with a more appropriate Indonesian costing and robust design. The changes are expected to have a significant impact on reducing the projects capital and operating costs.

Experienced key personnel have been recruited directly by Sorikmas to cover critical technical areas in the FS, including Geology, Mining and Processing. It is expected the in-house team will continue with the project through construction and into operations. A six month schedule has been planned to complete the Definitive Feasibility Study at a budget cost of USD800,000. A short drilling programme is also planned to include Geotech holes, Confirmatory drilling and Met sampling. The estimated additional cost for drilling is USD150,000.

Differences with the 2014 FS design impacting the capital cost include reverting to a conventional TSF, a simplified process flowsheet and relocation of facilities to a centralised area.

In addition a significant reduction in operating costs will be realised through the adoption of owner management of key operational areas, including mining, drilling and laboratory assaying.

The inclusion of a RECYN cyanide recovery circuit with Detox will also reduce operating costs and have beneficial environmental implications.

Increasing the ore treatment up to 2Mtpa is considered an essential change to improve the project economics, even though it means shortening the project life. A minimum production rate of 80,000oz/annum of gold is the target level considered for a sustainable operation of this sort. It is still expected to achieve a reduced capital cost, even at the higher throughput. The metallurgical recoveries as previously determined by extensive testwork will be accepted without change. The refractory component of the ore will be addressed as a tailings treatment exercise, with any additional recovery seen as a bonus, but not included in the DFS economics.

Major permits for the FS, AMDAL (Environmental) and IPPKA (Forestry) will all need revision, but will be treated as addendums to current permits.

SIHAYO GOLD LIMITED

Malcolm Paterson
CEO
28th July 2017

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")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(273)	(835)
(b) development		
(c) production		
(d) staff costs	(176)	(676)
(e) administration and corporate costs	(51)	(258)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(1)	(3)
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	(501)	(1,772)

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		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	1,072	5,969
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		(271)
3.5	Proceeds from borrowings		262
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	1,072	2,484

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	146	3
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(501)	(1,772)
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)	1,072	2,484
4.5	Effect of movement in exchange rates on cash held		2
4.6	Cash and cash equivalents at end of period	717	717

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	717	146
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)	717	146

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	75
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	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

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		
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.		

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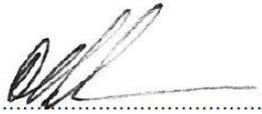
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	500
9.2 Development	
9.3 Production	
9.4 Staff costs	150
9.5 Administration and corporate costs	20
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	670

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


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(Director/Company secretary)

Date: 31 July 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.