



Placement and Non-Renounceable Rights Issue

12 February 2019

\$US 1.5m placement for Exploration

1:4 Rights Issue to complete optimized Feasibility Study

Placement

Sihayo Gold Limited (**ASX:SIH**) is pleased to announce a placement of shares to Indonesian listed mining entity, Merdeka Copper Gold (Merdeka) to raise approximately USD 1.5 million at a price of AUD 1.8 cents per share which represents a 6% premium to the current share price.

Merdeka has developed and currently operates a successful Gold project at Tujuh Bukit in East Java. As a result Merdeka has developed a core team of specialists able to execute and evaluate an exploration program efficiently and cost effectively.

The Placement will be subject to shareholder approval at a meeting to be convened by the Company in the near term.

Funds raised under the Placement will be used to fund further exploration and drilling at Hutabargot Julu, a highly prospective target located approximately 10km south east of the proposed Sihayo Pungkut project.

In 2012-13 a fifteen (15) hole 'scout drilling' program of 1,627m was executed testing 3 targets. Drilling identified a potential 4km structure for gold and silver mineralisation. A further review in 2016 by a noted exploration geologist again highlighted the high potential at Hutabargot Julu.

The current proposed program aims to increase the detailed knowledge of the potential mineralisation of the structure.

It is anticipated that the Placement will be completed by July with drilling to commence immediately thereafter.

Sihayo has limited resources on the ground in Indonesia, so Merdeka Mining Services (MMS), a fully owned subsidiary of Merdeka, will provide logistical, operational, geological and metallurgical services to enable the drilling project to be properly planned, executed and evaluated. These services will be provided under a services agreement between MMS and Sihayo and managed by interim CEO Mr Tim Adams.

Rights Issue

The Company will also undertake a pro-rata non-renounceable Rights Issue to raise approximately AUD 6.95m.

Eligible shareholders will be able to subscribe for one (1) new fully paid share for every four (4) ordinary shares held on the record date (to be confirmed) at a price of 1.5 cents per new share.

This represents a 11.8% discount to the current share price.

The Rights Issue will be fully underwritten by Provident Minerals Pte LTD, a major Sihayo shareholder.

A shortfall facility will be available allowing eligible shareholders to apply for additional shares over and above their entitlements (to the extent there is a shortfall under the Rights Issue). Existing Shareholders will be given priority in the issue of shortfall shares.

Each shareholder registered on the Company's register of members on the record date (to be confirmed) will be entitled to participate in the Rights Issue. Further information regarding the Rights Issue will be announced when confirmed.

Full details of the Rights Issue will be contained in a Prospectus to be despatched to eligible shareholders.

Funds raised from the Rights Issue will be used to complete the optimised feasibility study and to fund working capital.

Feasibility Study

Ongoing review of the project has indicated there would be significant benefits in further infill drilling of the ore body.

This will lead to upgrading ore currently classified as Inferred to Indicated or Measured, which will allow an upgrade of the resource model and improve the classification of waste material.

Additionally it will improve the knowledge of the metallurgy in the complex ore body facilitating better mining plans to maximise recoveries.

Some work has been done but more is required to decouple the mine plan from the construction of the tailings facility. This will enable better optimisation of the mine plan, including investigation of a staged development of the project.

MMS will be engaged via a separate services agreement to provide specific subject matter expertise.

There is also further information to be provided to the Indonesian Government resulting from the presentation of the Feasibility Study and Environmental statement in December.

Additional permits will be sought for the infill drilling and the exploration drilling planned for Hutabargot Julu.

This will entail the provision of detailed information about the program which will need to be collected, collated and presented before permits can be issued for the work to commence.

In the interim period between the completion of the Rights Issue and the Placement, the Company will draw on the USD 1m short term facility previously announced to support existing operations.

The directors are appreciative of the continued support from major shareholders and look forward to shareholder support of the Feasibility Study.

Yours faithfully,

SIHAYO GOLD LIMITED

A handwritten signature in black ink, appearing to read 'DN', is written over a horizontal dotted line.

Daniel Nolan
Director / CFO / Company Secretary
12 February 2019