



QUARTERLY REPORT 3 months ending 30th September 2016

REVIEW OF OPERATIONS

1. Corporate

The Company finalised the issue of shortfall shares from the Rights Issue on 9 September 2016.

As outlined in the prospectus, the funds were used to repay existing debt, fund a Feasibility Study optimisation and provide for working capital.

The company finished the quarter with \$346,000 in cash.

Stuart Gula, CEO and Managing Director of the Company has indicated his intention to relocate to Australia for family reasons, after four years being based in Jakarta.

Accordingly, he has tendered his resignation, which the Board has reluctantly accepted.

Stuart will continue in his present position until February 2017 to manage the current review aimed at optimising the Feasibility Study.

During this time the Board will consider the future management structure of the Company.

The Board has discussed with Mr Gula an intention for him to stay on as a non-executive director after February 2017, to which Stuart has agreed.

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

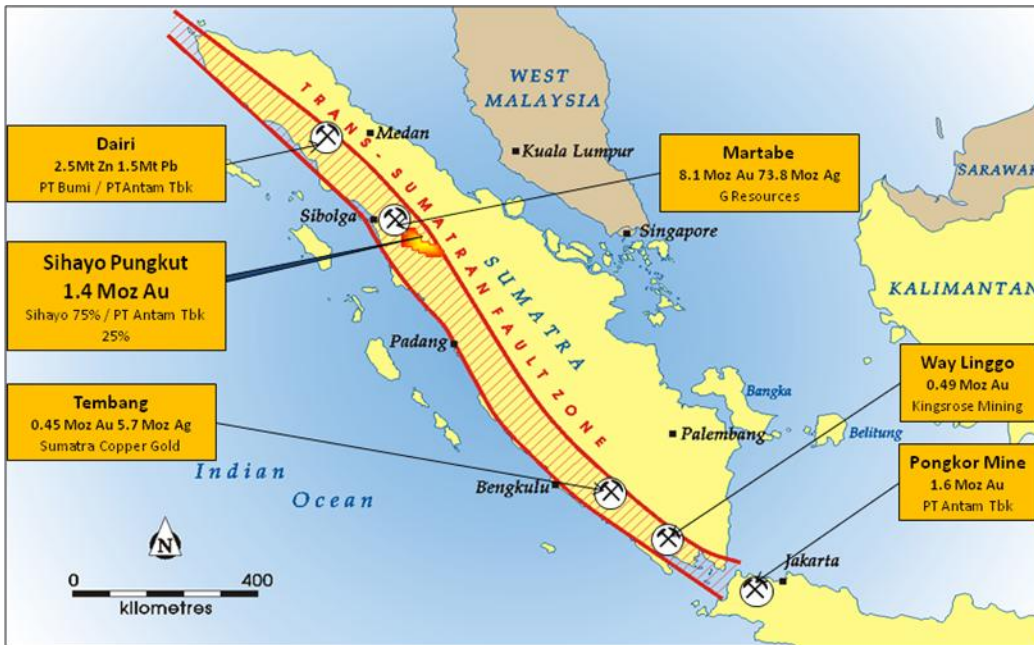


Figure 1: Significant Indonesian mineral deposits including the Sihayo Pungkut Gold Deposit

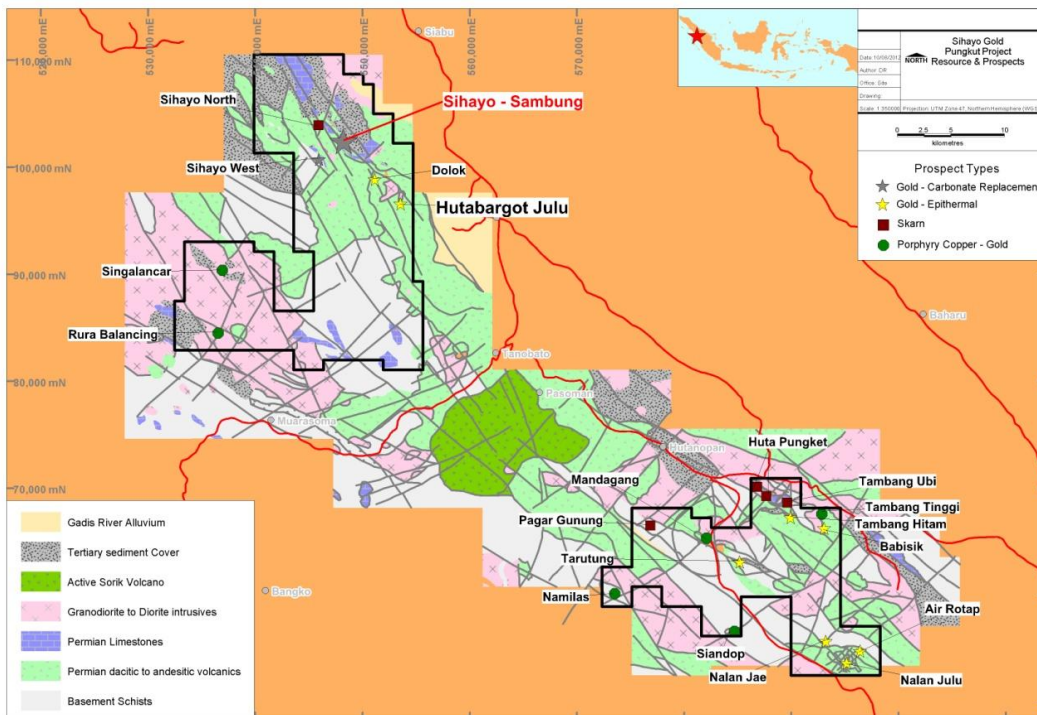


Figure 2: Sihayo Pungkut Gold Project – CoW Boundary, Project Location & Key Prospects

Permitting and Approvals

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

- A Government of Indonesia Feasibility Study was submitted during February 2014 comprising technical and financial information in support of the project.

The Company announced receipt of 'initial' approval of this submission on 24 September 2014.

- The AMDAL assessment is used by the Ministry of Environment (KLH) as an instrument for supervision over the project and regional development in the area of the operation.

The Company announced receipt of approval from the Department of Environment (KLH) and Minister of Environment for the Analisis Mengenai Dampak Lingkungan Hidup (AMDAL) and Environment Permit on 1 December 2015.

- The Company announced receipt of the Forestry or 'Borrow and Use' (Pinjam Pakai) permitting from the Forestry Department on 30 September 2016.
- 'Final' approval of the Feasibility Study and issuance of a Construction Permit will now be a priority.

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Feasibility Study Optimisation

The directors note the significant increase in the gold price over the past 9mths and continued progress in the delivery of grid power in the North Sumatra region, both of which have very positive implications for project financial returns and debt financing capability.

With this backdrop, the company has initiated a re-assessment of the 2014 feasibility study, with a particular focus on areas of opportunity and risk reduction.

The specific areas of work initiated include:

1. Independent review of the 2014 feasibility study to identify broad areas of potential for economic improvement and/or risk reduction.
2. As highlighted by the Chairman in the 2015 Annual Report, there remain opportunities for optimising metallurgical recovery in the Sihayo-Pungkut project, as there is a large volume (over 4 million tonnes) of high grade material (circa 3.5-4gt) in the JORC resource which delivered very low recoveries (low 50% range) as detailed in the 2014 Feasibility Study. This material is significant in Stage 2 of the proposed project as outlined in the feasibility study.

The Company had not yet explored in detail alternative processing of this high grade/low recovery material. As such, with the goal of materially improving the value of the project, the Company initiated a metallurgical review and test work program to investigate the potential to improve recoveries with whole of ore pre-treatment and other processing options.

The test work is being undertaken at AAML in Gosford. This work initially involved re-testing composites with cyanide to set a benchmark or baseline recovery, in order to compare the effect of various ore pre-treatment options. Cyanide leaching was then completed using both conventional cyanide leaching (CIL) and cyanide leaching with carbon in pulp (CIP).

Results from the CIL showed similar recoveries to original test work completed for the feasibility study. However, CIP showed higher recoveries than CIL on the Stage 2 composites tested. The two Stage 2 composites tested using CIP showed an average 10%

increase in gold recovered as compared to CIL. These composites represent approximately 50% of total ounces contained in Stage 2.

CIP leaching is an inexpensive and well understood process, so the improvements already seen have very encouraging implications for the Sihayo-Pungkut project economics.

Further work will now be undertaken to better understand the mechanism of recovery improvement and to investigate further opportunities for enhancement. This work will proceed in conjunction with the existing pre-treatment test work program.

3. Independent geo-metallurgical review and modelling to marry together the existing geostatistical model with the original structural geology model.
4. Updates and refresh to assumed operating and capital cost assumptions for current market conditions.

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

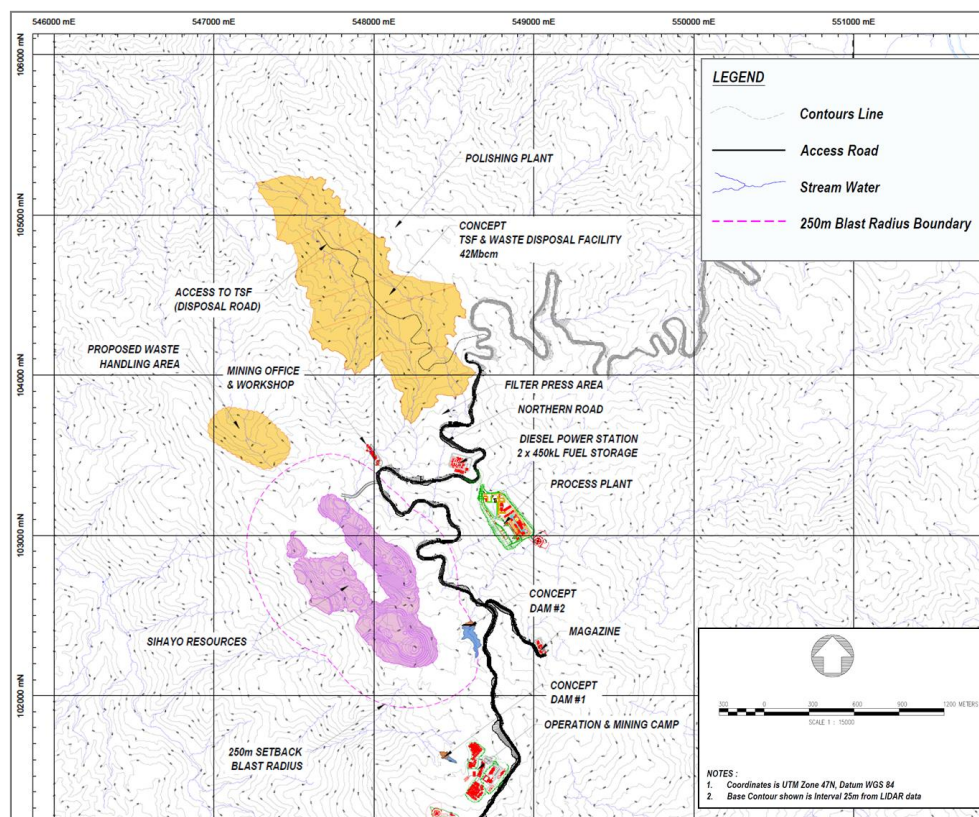


Figure 3: Project Site Area

3. Hutabargot Prospect

In addition to work on the feasibility study, an independent review of both near mine and broader geology has been commissioned in order to dimension the significant exploration potential available to the company.

A review of exploration data collected to date across the CoW by Consulting Exploration Geologist, Simon Meldrum has been initiated. This includes a field visit to the highly prospective Hutabargot Julu area, which is adjacent to the Sihayo Pungkut project.

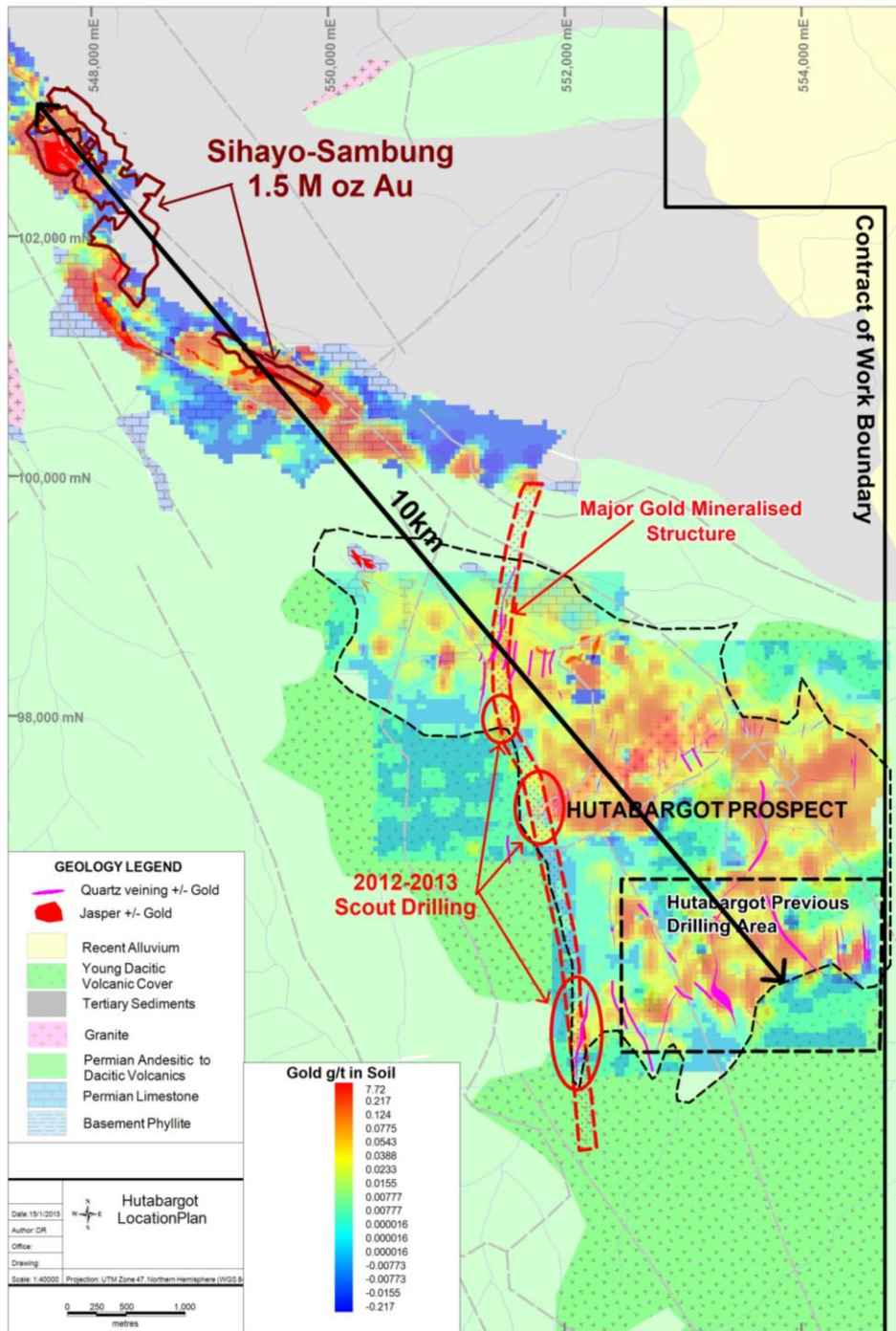


Figure 4: Hutabargot Julu Location

4. Surface Exploration

No 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
28 October 2016

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")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(194)	(194)
(b) development		
(c) production		
(d) staff costs	(164)	(164)
(e) administration and corporate costs	(82)	(82)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(2)	(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	(442)	(442)

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 (3 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	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)	(241)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(3,476)	(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	784	784

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3	3
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(442)	(442)
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	784
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	Cash and cash equivalents at end of period	346	346

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	346	3
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)	346	3

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
113

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

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

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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Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	180
9.2 Development	
9.3 Production	
9.4 Staff costs	140
9.5 Administration and corporate costs	20
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	340

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:  Date: 28/10/16.
(Director/Company secretary)

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.