



GOVERNMENT APPROVALS UPDATE

13th May 2014

The Board of Sihayo Gold Limited ("Sihayo" or "the Company") would like to provide an update on its 75% owned Sihayo Pungkut Gold Project ("the Project"), located in North Sumatra, Indonesia.

We are pleased to announce receipt of a permit to extend the 'Feasibility Study Period' for the Company's Contract of Work (CoW) until 6 October 2014. This extension was required to enable submission of the Government of the Republic of Indonesia Feasibility Study ("GoIFS").

For further context regarding the permitting process please consider the following background information.

Background

It should be noted that key permits that are required for development of the Project, and their status are described below;

1. Contract of Work

In February 1998, following application for an exploration licence, PT Sorikmas Mining (PTSM) was granted a 7th generation Contract of Work (CoW) with the Government of the Republic of Indonesia by virtue of Presidential Decree No. B.53/Pres/1/1998 February 19, 1998.

PTSM is a Joint Venture between Aberfoyle Pungkut Investments Pte (75%) and Aneka Tambang (25%). The Company holds a 100% interest in Aberfoyle Pungkut Investments Pte (API) and is appointed as Manager of the joint venture responsible for funding and execution of activities in accordance with the CoW requirements. Aneka Tambang (ANTAM) participates as a 'free loan carry' partner and as such PTSM is entitled to preferentially recover monies owed before the distribution of any profits.

A CoW is the highest standing legal tenure achievable in the Indonesian mining industry and describes in detail the rights and obligations of both the Company and the Government during the term of the CoW. PTSM's initial CoW covered an area of 201,600 ha, but as a result of subsequent relinquishments, the CoW currently covers an area of 66,200 ha.

Under a CoW, a company is required to complete a Feasibility Study Phase which is followed by a Construction Phase and then a 30 year Production Phase. At the end of the Production Phase, the Company has the right to two by ten year extensions under the prevailing Indonesian Mining Law.

2. Feasibility Study

A Feasibility Study is an obligation outlined in the CoW. It is noted that the PTSM CoW is currently in the Feasibility Study Phase. For which we have been granted an extension until 6 October 2014

To obtain Feasibility Study approval, an Indonesian language document in a form stipulated by the Government regulation is to be submitted to the Director General of Minerals & Coal within the Ministry of Energy & Mineral Resources (“MoEMR”) for review and approval.

The Company made a formal submission of the GoIFS to MoEMR during February 2014. We await a formal review meeting yet to be scheduled to review this submission. We are seeking to have approval for the GoIFS mid-2014.

3. Environmental Impact Assessment (Analisis Mengenai Dampak Lingkungan Hidup – “AMDAL”)

AMDAL is made up of four main components as follows;

- a. The Terms of Reference (KA-ANDAL)
- b. The Environmental and Social Impact Assessment (ANDAL)
- c. The Management Plan (RKL)
- d. The Monitoring Plan (RPL)

Prior to 1999, all AMDALS were submitted to the AMDAL Commission of the MoEMR. Following the issuance of regional autonomy laws in 1999, the AMDAL process is either managed under the supervision of the Environment Sections of the Provincial or District Government or, under special circumstances, directly by the Department of Environment (KLH) within Central Government. PTSM’s AMDAL is being reviewed by KLH because of the presence of Protected Forest within the CoW area.

A submission has been made to the Ministry of Environment (KLH) for approval of the ‘terms of reference’ (KA-ANDAL). KA-ANDAL describes the expected project footprint, likely areas that will be impacted and the potential impacts.

Following permission to proceed on the KA-ANDAL, baseline data collection and studies can be completed as input data required prior to completion of the ANDAL.

We continue to await approval of the KA-ANDAL and permission to proceed with preparation of ANDAL.

4. Construction Permit

A Construction permit is issued by MoEMR following a written application which includes the Feasibility Study and AMDAL approval documents, as well as a construction work plan.

The Construction permit authorises the Company to commence construction of the proposed mine facilities and commence mining. The Production/Operations permit which is issued after the Construction Phase is complete will only be issued at a time after the milling/processing rates have reached a steady-state value of not less than 70% design output.

The issuance of the Construction permit is a trigger to a vast number of secondary permitting approvals which need to be finalised, such as those required for explosives transport, storage and use, hazardous chemicals, and others.

5. Forestry Area Borrow & Use Permit ('Pinjam Pakai')

A Construction Permit from MoEMR is not sufficient for the Company to commence construction activities as land access obligations also need to be met prior to such activities taking place.

Most of the project area can be characterised as being within designated forest area. The formal mechanism for obtaining permission to explore or operate within State Forest is by obtaining a Borrow and Use Permit (Pinjam Pakai) from the Ministry of Forestry.

Processing for the Pinjam Pakai can only be commenced once the GoIFS and AMDAL permitting processes have been completed.

The company will provide further updates on the progress as appropriate.

Yours faithfully,

SIHAYO GOLD LIMITED

Stuart Gula

Chief Executive Officer and Managing Director

13th May 2014

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.