



SIHAYO GOLD LIMITED

ACN 009 241 374

**HALF YEAR FINANCIAL STATEMENTS
31 DECEMBER 2020**

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374

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SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Your directors present their report on the consolidated entity consisting of Sihayo Gold Limited ("Sihayo Gold" or "the Company") (ASX: SIH) and the entities it controlled at the end of, or during the half-year ended 31 December 2020.

The following persons were directors and Chief Executive Officer of Sihayo Gold during the whole of the half-year and up to the date of this report:

Directors

Colin F Moorhead (appointed on 1 July 2020)
Misha A Collins *C.F.A*
Gavin Caudle
Stuart Leslie Gula (resigned on 30 June 2020)
Daniel Nolan

Chief Financial Officer

Daniel Nolan (resigned on 6 September 2020)
Roderick Crowther (appointed on 7 September 2020)

Company Secretary

Daniel Nolan

RESULT

The net operating loss for the half-year ended 31 December 2020 was \$3,793,179 and for the half-year ended 31 December 2019 the loss was \$1,791,980.

REVIEW OF OPERATIONS

During the half year ended 31 December 2020, the Company continued to focus on activities at the Sihayo-Pungkut 7th Generation Contract of Work ("CoW"), which it holds through its 75% interest in PT Sorikmas Mining ("Sorikmas") (together the "Group").

It was a transformational six months for the Company, which launched a recapitalisation program in August 2020 to raise a total of \$34.889 million (before capital raising costs). Proceeds of the raising were used to repay all existing debt and provide necessary working capital to fund exploration and development activities.

Sihayo believes the CoW is one of the most prospective areas for gold and possibly copper in the world. The Company aims to maximise value for shareholders through a three-tiered approach across the CoW:

- Bringing the Starter Sihayo Project into production
- Adding value to the Sihayo Starter Project through near mine exploration and further project optimisation
- A structured approach to regional exploration to discover new mineral deposits within the COW package

Sihayo Starter Project

The Company completed a Definitive Feasibility Study (“DFS”) for the Sihayo Starter Project (“the Project”) in June 2020 (See <https://www.sihayogold.com/site/investor-centre/asx-announcements> SIH:ASX announcement dated 23 June 2020). The DFS projected an eight-year mine life producing approximately 635 koz gold at an average All-in Sustaining Cost (“AISC”) of US\$709/oz. Initial capital for the Project was estimated at US\$144 million. The Base Case financial analysis assumed a US\$1,700/oz gold price and 5% discount rate, indicating a Net Present Value (“NPV”) of US\$205 million and an Internal Rate of Return (“IRR”) of 28%.

Following the capital raising announced in August, Sihayo commenced critical path early works at the Project in the December quarter. The primary focus of the early works is to establish access to the mine front gate in time for receipt of Project permitting and financing. Activities during the quarter comprised refurbishment of the Sihayo exploration camp, upgrades to the Sihayo office to enable COVID protocols, upgrading of the site access road and associated land acquisitions and the engineering, design and permitting of the Batang Gadis bridge, enabling access to the mine front gate for future construction activities.

The Company also continued its focus on obtaining the required permits and approvals to construct and operate the Sihayo Starter Project. The Company benefits from having previously received major permits for the project with current efforts aimed at updating approvals following material changes to the project decided during the DFS phase. The major permits required to commence construction and operations at the Project are:

- Approval of the Feasibility Study (“RoIFS”)
- AMDAL Addendum (Environmental approval)
- IPPKH Operation (Forestry Permit)
- Tailings Storage Facility (“TSF”) Construction and Placement Permits (Tailings Permits)

The technical and economic approval for the RoIFS is targeted during the March 2021 quarter. Final RoIFS approval is contingent on receipt of approval of the AMDAL Addendum, which is expected to take approximately six to nine months from commencement in January 2021. The IPPKH Operation (Forest Borrow-to-Use permit) is expected to take a further six to nine months following approval of the AMDAL addendum. Detailed TSF design required for the TSF permitting is being undertaken by Knight Piésold, which commenced in February 2021.

The Company also continues to assess opportunities for optimising the current Project and to provide an operational readiness plan. Studies have commenced focusing on optimisation of waste dump designs and mill feed schedule to account for the different ore types present in the Sihayo orebody. The studies also incorporate design work to provide the Project with the flexibility to enable the processing of potential future discoveries in proximity to the Project. The optimisation studies are expected to be completed mid-2021.

Exploration

Sihayo’s exploration strategy is currently focused on the following areas:

- Near Mine - Testing exploration targets within trucking distance of the current proposed processing plant to incrementally improve the Sihayo Starter Project
- Hutabargot Julu - Initial reconnaissance drilling program targeting a new and possibly transformational epithermal gold discovery
- Regional - Generation of a pipeline of precious and base metal targets across the CoW for future follow up

Near mine

The Company believes that there is potential to add value to the existing Sihayo Starter Project through the discovery of additional gold resources within trucking distance of the Sihayo-1 and Sambung sedimentary rock-hosted disseminated gold deposits. The prime exploration targets occur within two subparallel mineralised trends that were identified in previous exploration work, Sihayo-1/2 - Sambung - Hutabargot Julu and Sihayo-3/4/5. These two mineralised trends define the the Sihayo gold belt (Figure 1).

The initial focus for near-mine exploration is on the Sihayo-2 gold and Link Zone prospects. Sihayo-2 gold is located on the open NW strike projection of the Sihayo-1 gold deposit and Link Zone is an 800 m long segment of prospective stratigraphy that connects the Sihayo-1 and Sambung gold deposits.

The Company plans to conduct step-out scout drilling to test these targets with the aim to identify additional shallow oxide-gold resources for the project that are located within trucking distance of the plant site as defined in the Sihayo DFS.

Hutabargot Julu

During the six months ended 31 December 2020, Sihayo commenced an initial reconnaissance drilling program on the Hutabargot Julu target. The drilling program was completed in February 2021 with a total of 4,806 m drilled from 25 holes. Results from the initial program confirmed the exploration model, indicating a large mineralised alteration system returning multiple low-grade gold-silver intercepts. Key intercepts to date include:

- 17m @ 1.15 g/t Au & 4.2 g/t Ag from 0m and 17m @ 1.21 g/t Au & 7.6 g/t Ag from 180m in HUTDD057 (previously announced on 26-Nov 2020)
- 11m @ 1.35 g/t Au & 8.2 g/t Ag from 163m in HUTDD060 (previously announced on 17-Dec 2020)
- 15m @ 0.56 g/t Au & 3.7 g/t Ag from 33m in HUTDD063 (previously announced on 29 January 2021)
- 13m @ 0.71 g/t Au & 4.7 g/t Ag from 94m and 13m @ 0.71 g/t Au & 4.7 g/t Ag from 110m in HUTDD067 (previously announced on 29 January 2021)

Sihayo is waiting on final assays for the final 8 holes of the program. The data from the initial program is being analysed to target higher grade fertile structures in future drilling programs. The first follow up program is scheduled to commence in March 2021, comprising a 10-hole program in the western area of the target.

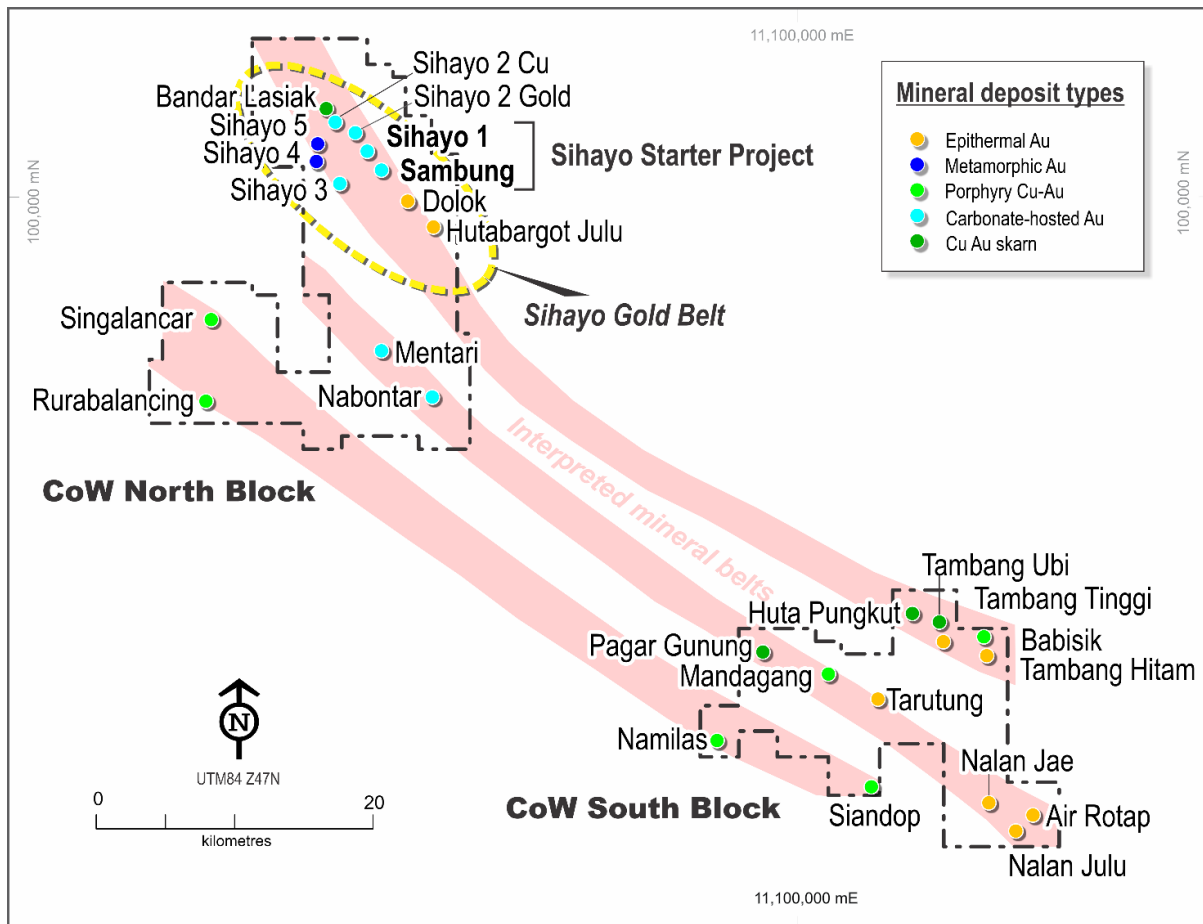


Figure 1. PT Sorikmas Mining CoW – Mineral Belts & Prospect Locations

Regional Target Generation

During the six months ended 31 December 2020, work commenced on a greenfields discovery program to assess the potential for porphyry copper and epithermal precious metal deposits in the broader CoW. The first step in this process was to undertake reprocessing, imaging, modelling and interpretation of airborne magnetics and radiometrics data acquired over the CoW in 2011 in support of new target generation and follow-up exploration work.

The first stage of reprocessing and imaging of the historic airborne magnetics and radiometrics data by Intrepid Geophysics was completed during the December 2020 quarter. Their work has resulted in the production of a comprehensive set of images that have vastly improved the visualisation of the geophysical data to interpret the regional and prospect-scale geology, structure and potential hydrothermal alteration and mineralisation footprints. The new images show detail and features that were not previously highlighted or recognised in the data.

This first stage of work has provided a solid basis moving forward into the next stage of 3D geophysical and geological modelling, interpretation and target generation. The second stage of advanced geophysical modelling and interpretation is in progress. This work is initially focussed on the magnetics and structural modelling of the large Hutabargot Julu prospect to assist with targeting for high-grade gold-silver veins in the proposed follow-up drilling programs.

Corporate

In December 2020 the Company completed the final tranche of the placement and entitlement offer announced in August 2020. A total of \$34.889 million (before capital raising costs) was raised which has put the company in a strong financial position with no debt and approximately \$17.5 million in cash on hand as at 31 December 2020. This has provided the Company with sufficient capital to pursue its current and planned exploration programs at Hutabargot Julu, Sihayo Near Mine and broader regional target generation as well as pursue the critical path early works and permitting for the Sihayo Starter Project.

The Company is assessing a number of options for financing construction of the Sihayo Starter Project and will progress discussions with potential financiers during the six months to 30 June 2021.

Other Projects

- India – Diamond Exploration (9-10%)
No progress was made during the year in resolving the legal status of the tenements.
- Mount Keith Gold Project – Western Australia (2% net smelter royalty)
No mining was undertaken on the project during the year.
- Mulgabbie Gold Project – Western Australia (2% net smelter royalty)
No mining was undertaken on the project during the year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

Signed in accordance with a resolution of the Board of Directors.



Colin F Moorhead
Chairman

16th March 2021

Competent Persons Statements

Mineral resources estimate

The information in this report which relates to Mineral Resources is based on, and fairly represents, information and supporting documentation compiled by Mr Robert Spiers (BSc Hons.) for Spiers Geological Consultants (SGC, Pty. Ltd.). Mr Spiers is the principal Consultant and Director of SGC and does not hold any shares in the company, either directly or indirectly. Mr Spiers is a member of the Australian Institute of Geoscientists (AIG ID: 3027) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Spiers consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Ore reserves

The information in this report which relates to Ore Reserves is based on, and fairly represents, information and supporting documentation compiled by Mr Philippe Lebleu (P.Eng) for AMC Mining Consultants (Canada) Ltd. Mr Lebleu is a principal Mining Engineer and does not hold any shares in the company, either directly or indirectly. Mr Lebleu is a member of the Australasian Institute of Mining and Metallurgy (AUSIMM ID: 229555) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Lebleu consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	31.12.2020 \$	31.12.2019 \$
External consultancy expenses		(472,239)	(242,874)
Permit and license		(425,065)	(193,534)
Employee expense		(277,006)	(248,675)
Directors' fees		(219,967)	(115,286)
Share based payments	8	(171,748)	-
Corporate secretarial expenses		(50,245)	(38,868)
Travel and entertainment		(24,736)	(28,888)
Insurance expenses		(20,779)	(12,625)
Indirect taxes and penalties		(9,134)	(594,887)
Depreciation	3	(7,159)	(4,872)
Rental expense		(4,443)	(1,146)
Finance costs - net		(176,655)	(282,408)
Foreign exchange (loss)/gain		(1,853,841)	844
Other expenses		(80,162)	(28,761)
		<u>(3,793,179)</u>	<u>(1,791,980)</u>
Loss before income tax			
Income tax expense		-	-
		<u>(3,793,179)</u>	<u>(1,791,980)</u>
Loss after income tax			
Other comprehensive loss:			
Items that may be classified to profit or loss:			
Exchange differences on translation of foreign operations		(688,550)	12,223
		<u>(688,550)</u>	<u>12,223</u>
Total comprehensive loss		<u>(4,481,729)</u>	<u>(1,779,757)</u>
Loss after income tax attributable to:			
Member of Sihayo Gold Limited		(3,147,865)	(1,507,683)
Non-controlling interest		(645,314)	(284,297)
		<u>(3,793,179)</u>	<u>(1,791,980)</u>
Total comprehensive (loss)/income after income tax attributable to:			
Member of Sihayo Gold Limited		(6,185,914)	(1,512,012)
Non-controlling interest		1,704,185	(267,745)
		<u>(4,481,729)</u>	<u>(1,779,757)</u>
Basic loss per share in cents	15	(0.12)	(0.07)

The accompanying notes form part of these financial statements.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31.12.2020 \$	30.06.2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	17,518,269	173,703
Trade and other receivables	10	<u>563,342</u>	<u>251,319</u>
TOTAL CURRENT ASSETS		<u>18,081,611</u>	<u>425,022</u>
NON-CURRENT ASSETS			
Trade and other receivables	10	3,121,613	3,276,889
Deposit		826	163
Capitalised exploration and evaluation expenditure	12	23,882,350	24,510,923
Property, plant and equipment		767,807	96,514
Right-of-use asset		<u>11,163</u>	<u>14,082</u>
TOTAL NON-CURRENT ASSETS		<u>27,783,759</u>	<u>27,898,571</u>
TOTAL ASSETS		<u>45,865,370</u>	<u>28,323,593</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	1,598,346	5,993,518
Borrowings	14	-	7,192,584
Lease liability - current		1,337	2,902
Other liabilities		<u>57,225</u>	<u>57,225</u>
TOTAL CURRENT LIABILITIES		<u>1,656,908</u>	<u>13,246,229</u>
NON-CURRENT LIABILITIES			
Provisions		606,001	642,681
Lease liability - non current		<u>10,486</u>	<u>11,672</u>
TOTAL NON-CURRENT LIABILITIES		<u>616,487</u>	<u>654,353</u>
TOTAL LIABILITIES		<u>2,273,395</u>	<u>13,900,582</u>
NET ASSETS		<u>43,591,975</u>	<u>14,423,011</u>
EQUITY			
Issued and fully paid-up capital	6	149,083,183	115,604,238
Reserves	7	14,269,248	17,135,549
Accumulated losses		<u>(98,682,479)</u>	<u>(95,534,614)</u>
Total parent entity interest		64,669,952	37,205,173
Non-controlling interest in controlled entities		<u>(21,077,977)</u>	<u>(22,782,162)</u>
TOTAL EQUITY		<u>43,591,975</u>	<u>14,423,011</u>

The accompanying notes form part of these financial statements.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Share capital \$	Options reserve \$	FX reserve \$	Accumulated losses \$	Parent total \$	Non- controlling interest \$	Total \$
Balance at 1.7.19	112,847,825	2,380,395	14,295,021	(93,085,923)	36,437,318	(22,040,529)	14,396,789
Total loss for the period	-	-	-	(1,507,683)	(1,507,683)	(284,297)	(1,791,980)
<u>Other comprehensive (loss)/income:</u>							
Movement in foreign currency translation reserve	-	-	(4,329)	-	(4,329)	16,552	12,223
Total comprehensive loss for the period	-	-	(4,329)	(1,507,683)	(1,512,012)	(267,745)	(1,779,757)
Issue of shares (net of capital raising costs)	2,756,413	-	-	-	2,756,413	-	2,756,413
Balance at 31.12.19	115,604,238	2,380,395	14,290,692	(94,593,606)	37,681,719	(22,308,274)	15,373,445
Balance at 1.7.20	115,604,238	2,380,395	14,755,154	(95,534,614)	37,205,173	(22,782,162)	14,423,011
Total loss for the period	-	-	-	(3,147,865)	(3,147,865)	(645,314)	(3,793,179)
<u>Other comprehensive (loss)/income:</u>							
Movement in foreign currency translation reserve	-	-	(3,038,049)	-	(3,038,049)	2,349,499	(688,550)
Total comprehensive loss for the period	-	-	(3,038,049)	(3,147,865)	(6,185,914)	1,704,185	(4,481,729)
Issue of shares (net of capital raising costs)	33,478,945	-	-	-	33,478,945	-	33,478,945
Share based payments	-	171,748	-	-	171,748	-	171,748
Balance at 31.12.20	149,083,183	2,552,143	11,717,105	(98,682,479)	64,669,952	(21,077,977)	43,591,975

The accompanying notes form part of these financial statements.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	31.12.2020 \$	31.12.2019 \$
Cash flows from operating activities			
Payment to suppliers and employees		(3,236,055)	(1,405,589)
Payment of claim for tax refund		-	(17,510)
		<u>(3,236,055)</u>	<u>(1,423,099)</u>
Cash flows from investing activities			
Payment for addition of mineral exploration and evaluation expenditure		(4,317,707)	(3,046,267)
Payment for addition of property, plant and equipment		(447,885)	(9,064)
		<u>(4,765,592)</u>	<u>(3,055,331)</u>
Cash flows from financing activities			
Proceeds from share issuance		24,543,526	-
Share issuance cost		(1,325,843)	(50,146)
Proceeds from convertible loan notes		2,090,592	-
Payment for buyback shares		-	(419,459)
Payment of lease liabilities		(2,751)	-
		<u>25,305,524</u>	<u>(469,605)</u>
Net increase/(decrease) in cash and cash equivalents		17,303,877	(4,948,035)
Cash and cash equivalents at the beginning of the reporting period		173,703	6,256,548
Effects of exchange rate changes on cash and cash equivalents		40,689	(9,786)
Cash and cash equivalents at the end of the reporting period	9	<u><u>17,518,269</u></u>	<u><u>1,298,727</u></u>

The accompanying notes form part of these financial statements.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

Sihayo Gold Limited ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated half year financial statements of the consolidated entity as at and for the six months ended 31 December 2020 comprises the Company and its subsidiaries, together referred to as the "Group".

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2020 is available upon request from the Company's registered office at C-/ McCullough Robertson 11/66 Eagle St, Brisbane 4000 or at www.sihayogold.com.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose of interim financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Sihayo Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 16th March 2021.

(b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(c) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Sihayo Gold Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation (continued)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(d) Going concern

The consolidated financial statements have also been prepared on the going concern basis.

As at 31 December 2020, the Company had cash on hand of \$17,518,269 and total liabilities of \$2,273,395. As such, the Directors do not anticipate any issues with the Company meeting its obligations. Should the Company require additional funds for future activities, the Directors are confident that the Company will be able to raise additional capital from existing and potentially new shareholders.

(e) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2020 affected any of the amounts recognised in the current period or any prior period.

The Company has adopted the new Conceptual Framework for Financial Reporting, which is applicable to annual reporting periods beginning on or after 1 January 2020. The adoption of this Conceptual Framework from 1 January 2020 has not led to any changes in accounting or disclosure for the Company, but the new Conceptual Framework may be referred to if accounting matters arise that are not addressed by accounting standards.

The Company has adopted the new definition of Material included in AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material, which is applicable to annual reporting periods beginning on or after 1 January 2020. The amendments provide a new definition of material which now extends materiality consideration to obscurity and clarify that materiality now depends on the nature or magnitude of information.

The Company has adopted the new definitions of Business and associated guidance in AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business, which is applicable to annual reporting periods beginning on or after 1 January 2020. The amendments clarify the minimum requirements for a business, narrowing the definition of business and of outputs, and also provide guidance to help entities assess whether an acquired process is substantive.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(e) Exploration and evaluation expenditure

Exploration, evaluation, and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the areas have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

3. OPERATING LOSS

	31.12.2020	31.12.2019
	\$	\$
Operating loss from ordinary activities before income tax has been determined after:		
(a) Charging as expense:		
Depreciation	7,159	4,872

4. SEGMENT INFORMATION

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position. The Group operates only in the exploration industry, both in Australia and overseas

Primary reporting – geographical segments

The geographical segments of the Group are as follows:

Segment result by geographical region

	31.12.2020	31.12.2019
	\$	\$
South East Asia	(2,581,254)	(1,124,362)
Australia	(1,211,925)	(667,540)
Africa	-	(78)
India	-	-
Total	<u>(3,793,179)</u>	<u>(1,791,980)</u>

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

4. SEGMENT INFORMATION (CONTINUED)

Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	31.12.2020	30.06.2020
	\$	\$
South East Asia	28,798,911	28,024,631
Australia	17,045,432	277,935
Africa	21,025	21,025
India	2	2
Total assets	<u>45,865,370</u>	<u>28,323,593</u>

Liabilities by geographical region

The location of segment liabilities by geographical location of the liabilities is disclosed below:

	31.12.2020	30.06.2020
	\$	\$
South East Asia	(1,229,873)	(4,702,366)
Australia	(1,043,522)	(9,198,216)
Africa	-	-
India	-	-
Total liabilities	<u>(2,273,395)</u>	<u>(13,900,582)</u>
Net assets	<u>43,591,975</u>	<u>14,423,011</u>

5. CONTINGENCIES & COMMITMENTS

There has been no change in contingent liabilities and commitments since the previous annual reporting date, except for disclosure below:

PT Sorikmas Mining

- Commitment of existing road upgrade and new road construction services provision with total estimated project cost of IDR30,654,485,776 or equivalent to \$2,841,322 within period 17 August 2020 - 30 June 2021.
- Commitment of Batang Gadis Bridge construction services with total estimated project cost of IDR19,724,314,520 or equivalent to \$1,828,220 within period 17 August 2020 - 30 June 2021.
- Commitment of mine reclamation guarantee for year 2020-2024 amounting to IDR39,948,496,132 or equivalent to \$3,702,771 based on decision letter No. 191/37.06/DJB/2020 dated 5 February 2020 from the Minister of Energy and Mineral Resources in Indonesia.

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6. ISSUED AND FULLY PAID-UP CAPITAL

Ordinary shares

	31.12.2020	30.06.2020
	\$	\$
Issued and fully paid-up capital	<u>149,083,183</u>	<u>115,604,238</u>

Movements in ordinary share capital of the Company during the past six months were as follows:

	No. of shares	\$
1 July 2020 Opening balance	2,289,864,262	115,604,238
- Shares issued due to right issue	572,466,065	14,311,652
- Shares on conversion of loan/interest/convertible loan note	413,856,137	10,346,403
- Shares to KMP subscription/subscribed	<u>409,274,957</u>	<u>10,231,874</u>
	<u>3,685,461,421</u>	<u>150,494,167</u>
Less:		
Share issued costs	<u>-</u>	<u>(1,410,984)</u>
Balance as at 31 December 2020	<u>3,685,461,421</u>	<u>149,083,183</u>

7. RESERVES

	31.12.2020	30.06.2020
	\$	\$
Foreign currency translation reserve	11,717,105	14,755,154
Options reserve	<u>2,552,143</u>	<u>2,380,395</u>
	<u>14,269,248</u>	<u>17,135,549</u>

(a) Movement in options reserve

	No. of shares	\$
1 July 2020 Opening balance	-	2,380,395
Options issued	<u>145,500,000</u>	<u>171,748</u>
Balance as at 31 December 2020	<u>145,500,000</u>	<u>2,552,143</u>

(b) Movement in foreign currency translation reserve

	31.12.2020	30.06.2020
	\$	\$
Balance at the beginning of the period	14,755,154	14,295,021
Movement for the period	<u>(3,038,049)</u>	<u>460,133</u>
Balance at the end of the period	<u>11,717,105</u>	<u>14,755,154</u>

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8. SHARED BASED PAYMENTS

The shares based payments expense was \$171,748 (31 December 2019: Nil). The following table lists that inputs to the model used:

No. of options	24,500,000	17,000,000	34,000,000	70,000,000
Grant date	30/11/2020	30/11/2020	30/11/2020	30/11/2020
Share price	\$0.0190	\$0.0190	\$0.0190	\$0.0190
Exercise price	\$0.02907	\$0.02907	\$0.03624	\$0.03624
Interest rate	8.50%	8.50%	29.54%	29.54%
Expiry date	09/12/2022	09/12/2022	09/12/2026	09/12/2026
Volatility	90%	90%	90%	90%
Fair value at grant date	\$0.0070	\$0.0070	\$0.0122	\$0.0122
Vesting condition	(1)	(2)	(3)	(4)

- (1) The Company raises US\$7,000,000 in equity from parties other than current significant shareholders and/or PT Merdeka Copper Gold Tbk and affiliates; and achieves financial closing in relation to the Sihayo Gold Project whereby bank loans fund a minimum of 50% of the project construction's capital expenditure.
- (2) The Company successfully raises an additional US\$30,000,000 in equity from parties other than current significant shareholders, and/or PT Merdeka Copper Gold Tbk and affiliates for the Sihayo Gold Project before project construction commences.
- (3) The Company makes full repayment of all outstanding debt from free-cashflow.
- (4) The first occur of:
 - i. If as a result of new exploration discoveries, the existing project near mine measured and indicated reserves increase such that the overall project NRV (discounted at 8% above treasuries) increases by at least US\$100mio, then:
 - a. 20% will vest upon the publication of an ASX announcement to that effect; and
 - b. An additional 20% will vest for every additional US\$100mio NPV (discounted at 8% above treasuries) increase beyond the initial US\$100mio increase, as a result of new exploration discoveries, until 100% have vested; or
 - ii. If a discovery is made and the Board formally approves the development of a project, separate to the existing Sihayo Gold Project, with an NPV of at least US\$300mio (discounted at 8% above treasuries) based on measured and indicated reserves, then:
 - a. 20% will vest upon the publication of an ASX announcement to that effect; and
 - b. An additional 20% will vest for every additional US\$100mio NPV (discounted at 8% above treasuries) calculated for the new project approval above the initial threshold project value of US\$300mio, until 100% have vested.

9. RECONCILIATION OF CASH

	31.12.2020	30.06.2020
	\$	\$
Cash and cash equivalents	<u>17,518,269⁽ⁱ⁾</u>	<u>173,703⁽ⁱ⁾</u>

⁽ⁱ⁾ It includes of \$27,543 (30 June 2020: \$27,404) held in trust.

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10. TRADE AND OTHER RECEIVABLES

	31.12.2020	30.06.2020
	\$	\$
CURRENT		
Prepayments	409,763	251,319
Other debtors	153,579	-
	<u>563,342</u>	<u>251,319</u>
NON-CURRENT		
VAT receivables	<u>3,121,613</u>	<u>3,276,889</u>

VAT receivables will be recoverable from the Indonesian Government once production commences. As the reporting date, none of the other debtors were past.

11. RELATED PARTIES

Directors and directors-related entities

Disclosures relating to directors and specified executives is set out in the director's report.

Wholly-owned Group

The wholly-owned group consists of Sihayo Gold Limited and its wholly-owned subsidiaries Inland Goldmines Pty Limited, Excelsior Resources Pty Limited, Oropa Technologies Pty Limited, Oropa Indian Resources Pty Limited and Oropa Exploration Pty Limited.

Sihayo Gold Limited owns 100% of the shares in Aberfoyle Pungkut Investments Pte Ltd ("API"). API holds a 75% interest in PT Sorikmas Mining, with the Indonesian Government mining company, PT Aneka Tambang Tbk. holding the remaining 25%.

Transactions between the Company and related parties in the Group during the period ended 31 December 2020 consist of loans on an interest free basis with no fixed term and no specific repayment arrangement. The Company made a deduction provision for doubtful debts of \$1,088,342 in its accounts for the period ended 31 December 2020 in relation to the loans made to its subsidiaries. No other amounts were included in the determination of operating loss before tax of the parent entity that resulted from transactions with related parties in the Group.

Other related parties

The Company's working capital loans are provided by its shareholders and are therefore classified as related party transactions. The details are set out in Note 14.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
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12. CAPITALISED EXPLORATION COSTS

	31.12.2020	30.06.2020
	\$	\$
Opening balance	24,510,923	15,828,431
Additions during the period	1,846,179	8,397,466
Change arising from foreign currency movement	<u>(2,474,752)</u>	<u>285,026</u>
Closing balance	<u>23,882,350</u>	<u>24,510,923</u>

Management believes that the carrying amount of the Group's capitalized expenditure and evaluation costs is adequate to recoverable.

The estimated impairment will be reviewed and revised in future periods in alignment with movements in the gold price and any changes in the projected cost profile of the Sihayo Pungkut project.

13. TRADE AND OTHER PAYABLES

	31.12.2020	30.06.2020
	\$	\$
CURRENT		
Trade payables and accruals	<u>1,598,346</u>	<u>5,993,518</u>

There are no trade payables past due. The normal credit from suppliers is 30-60 days.

14. BORROWINGS

	31.12.2020	30.06.2020
	\$	\$
Working capital loans:		
Provident Minerals Pte Ltd.	-	4,996,451
Asian Metal Mining Developments Limited	-	860,183
PT Saratoga Investama Sedaya, Tbk.	-	812,618
Goldstar Mining Asia Resources (L) Berhad	<u>-</u>	<u>523,332</u>
	<u>-</u>	<u>7,192,584</u>

All working capital loans were classified as unsecured and charged by interest rate of 10% per annum until the date of conversion.

On 5 October 2020, all the working capital loans together with its accrued interest was fully converted into 330,232,444 shares at 0.025 per share.

During the period ended 31 December 2020, the Company also entered into a convertible loan of US\$1.5million which was from a related party. The convertible loan note was fully converted into 83,623,693 shares at 0.025 per share on 3 December 2020. Interest was only chargeable if the approval from shareholder was not received for conversion or the investor did not elect to convert.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
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15. EARNING PER SHARE

	31.12.2020	31.12.2019
	\$	\$
(a) Basic and diluted loss per share (in cents)	(0.12)	(0.07)
(b) Loss after income tax attributable to member of Sihayo Gold Limited	(3,147,865)	(1,507,683)
(c) Weighted average number of shares outstanding during the period used in the calculation of basic earnings per share	2,624,973,849	2,131,452,306

16. EVENTS OCCURRING AFTER REPORTING DATE

On 3 February 2021, PT Sorikmas Mining (a subsidiary of Aberfoyle Pungkut Investments Pte Ltd) placed a restricted deposit for mine reclamation guarantee amounting to IDR3,994,849,613 or equivalent to \$370,277 with interest rate 3.25% per annum.

**SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374**

DIRECTORS' DECLARATION

The directors declare that:

1. The consolidated financial statements and notes set out on pages 9-21;
 - (a) Comply with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations and other mandatory professional reporting requirements; and
 - (b) Give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated at Melbourne this 16th March 2021.



Colin F Moorhead
Chairman

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
SIHAYO GOLD LIMITED**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Sihayo Gold Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information and condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Sihayo Gold Limited (the consolidated entity). The consolidated entity comprises both Sihayo Gold Limited (the Company) and the entities it controlled during the half year.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half year financial report of Sihayo Gold Limited for the period ended 31 December does not present fairly, in all material respects, or giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its financial performance and its cash flows for the half-year ended on that date; in accordance with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Sihayo Gold Limited in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 has been given to the directors of the Company on 16 March 2021.

Material Uncertainty - Carrying Value of Capitalised Exploration and Evaluation Expenditure

We draw attention in Note 12 to the interim financial report which describe the consolidated entity's carrying value of capitalised exploration and evaluation expenditure. Our conclusion is not modified in respect of this matter.

The consolidated entity had capitalised exploration and evaluation expenditure of \$23,882,350 as at 31 December 2020. The recoverability of the consolidated entity's carrying value of capitalised mining exploration and evaluation expenditure is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate sufficient funds to at least that of their carrying values. In the event that the consolidated entity is not successful in commercial exploitation and/or sale of the assets, the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

Responsibility of Management for the Financial Report

Management of Sihayo Gold Limited are responsible for the preparation and fair presentation of the half year financial report in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and for such internal control management determine is necessary to enable the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report does not present fairly, in all material respects, or giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its financial performance and its cash flows for the half-year ended on that date; in accordance with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
16 March 2021

16 March 2021

Board of Directors
Sihayo Gold Limited
c/- McCullough Robertson
Level 11
66 Eagle Street
BRISBANE QLD 4000

Dear Sirs

RE: SIHAYO GOLD LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Sihayo Gold Limited.

As Audit Director for the review of the financial statements of Sihayo Gold Limited for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD



Martin Michalik
Director