
2016 ANNUAL REPORT



ABN 77 009 241 374

“BUILDING A SUCCESSFUL INDONESIAN GOLD COMPANY”

CONTENTS

CONTENTS	2
CORPORATE DIRECTORY	3
CHAIRMAN'S REVIEW	4
REVIEW OF OPERATIONS.....	5
DIRECTORS' REPORT.....	22
AUDITOR'S INDEPENDENCE DECLARATION	31
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	33
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	34
CONSOLIDATED STATEMENT OF CASH FLOWS	35
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	36
NOTES TO THE FINANCIAL STATEMENTS.....	37
DIRECTORS' DECLARATION	76
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIHAYO GOLD LIMITED.....	77
ADDITIONAL SHAREHOLDER INFORMATION	79
SUMMARY OF TENEMENTS HELD BY THE GROUP	81

CORPORATE DIRECTORY

Directors	Misha A Collins <i>C.F.A</i> (Chairman) Gavin Caudle (Non Executive Director) Stuart Gula (Managing Director) Daniel Nolan (Executive Director)
Chief Executive Officer	Stuart Gula
Company Secretary	Daniel Nolan
Registered Office and Business Address	C/-McCullough Robertson 11/66 Eagle St, Brisbane QLD 4000 Telephone: 0427 401198 Facsimile: (07) 33993172 E-mail: sihayogold@sihayogold.com Web: www.sihayogold.com
Share Registry	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233
Home Exchange	Australian Securities Exchange (Perth) Limited Level 40, Central Park 152-158 St George's Terrace Perth WA 6000
Auditors	Stantons International Audit and Consulting Pty Ltd Level 2 / 1 Walker Avenue West Perth WA 6005
Solicitors	Steinepreis Paganin Level 2, The Read Buildings West Perth WA 6000
Bankers	ANZ Banking 111 Eagle St, Brisbane, QLD. 4000

Sihayo Gold Limited is a company limited by shares, incorporated and domiciled in Australia.

CHAIRMAN'S REVIEW

Dear Fellow Shareholders,

2016 has marked a dramatic and positive shift in market sentiment in the gold sector.

The gold price has risen from US\$1060 per oz at the start of the calendar year to US\$1325 per oz at the time of writing.

The significant improvement in the gold price has very positive implications for the Sihayo-Pungkut project, particularly given the affirmative shift in other project fundamentals driven by factors such as reduced power prices relative to the 2014 feasibility study.

The past year has been another low period in terms of activity levels, driven mostly by slow but consistent progress in terms of permitting. Although somewhat frustrating, permitting delays have kept expenditure levels and resulting share dilution to a minimum during a period of particularly difficult financial conditions for the gold sector. We have again been fortunate to have had the support of major shareholders in financing our operations through the period.

We expect to receive our final permitting approvals in the near term, at which time we hope to be able to present financiers with a refreshed feasibility study showing attractive financial metrics at current gold prices. We are currently discussing work plans in respect of this.

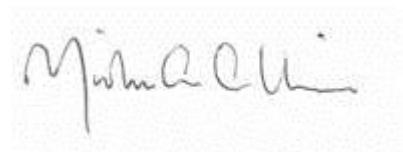
We believe there remain opportunities for optimising metallurgical recovery at the Sihayo-Pungkut project, as there is a large volume (over 4 million tonnes) of high grade material (circa 3.5-4gt) in the JORC resource which delivered low recoveries (low 50% range) in the feasibility study. Alternative processing of this material has never been investigated. If recoveries could be improved on this material, there is a very substantial incremental revenue opportunity for the project.

In terms of the broader Pungkut Contract of Work (COW), we continue to see significant exploration potential. A recent independent review of the COW concluded there is substantial potential for discovery of a bulk tonnage deposit in and around the Hutabargot Julu deposit. This is a different perspective to previous exploration work which focussed on discovery of a high grade narrow vein underground system. Most significantly, a bulk tonnage target offers reduced exploration risk. Despite our difficulty in financing and justifying exploration spending historically, it remains clear the Sihayo-Pungkut COW offers world class opportunities for the future.

On behalf of the directors of the Company I would again like to thank our management, employees and contractors for their efforts and commitment throughout the year and also to our shareholders for their continued support.

I look forward to our team delivering on the potential at Sihayo Gold over the next year and seeing this reflected in improved financial returns for shareholders.

Yours Sincerely,



Misha Anthony Collins

REVIEW OF OPERATIONS

Sihayo Pungkut Gold Project (75%)

The Sihayo Pungkut Gold Project (“Sihayo Pungkut”) is held under a 7th Generation Contract of Work (“COW”) and is located in Mandailing Natal, North Sumatra, Indonesia. The COW is the highest standing legal tenure achievable in the Indonesian mining industry.

The COW describes in detail the rights and obligations of both the Company and the Government during the term of the COW. Our COW is currently in the Feasibility Study Phase as we progress through statutory permitting and approvals that will allow progress to the Construction Phase followed by 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.

Sihayo Pungkut is owned by PT Sorikmas Mining (“Sorikmas”), which is 75% owned by Sihayo Gold Limited (“Sihayo”) and 25% by PT Aneka Tambang Tbk (“Antam”). Sihayo is responsible for 100% of the exploration and development funding of Sorikmas until the commencement of production. The funding is by way of loans to Sorikmas and under the terms of the Loan Agreement, Antam is required to repay its share of loans to Sihayo or other lenders to Sorikmas, from 80% of its attributable share of available cash flow from production, until its 25% share of the loans are repaid in full.

The current Sihayo Pungkut JORC Code (2012 Edition) Mineral Resource Estimate which was revised by Helman & Scholfield Consultants Pty Ltd (H&SC) in June 2013 stands at 16.9 Mt at 2.6 g/t for 1.4 Moz comprising the larger Sihayo Resource and the smaller Sambung Resource with approximately 75% of the total resource contained within the JORC Measured & Indicated Category.¹

Indicated and Measured Resources at Sihayo only have been converted to JORC Code (2012 Edition) Ore Reserves by Entech Pty Ltd containing 7.14Mt at 2.4g/t for 554,000oz.²

¹ The Sihayo and Sambung deposits Mineral Resource Estimate was previously announced June 17, 2013 and no material changes have occurred.

² The Sihayo Ore Reserve was previously announced January 29, 2014 and no material changes have occurred.

REVIEW OF OPERATIONS



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

REVIEW OF OPERATIONS

Sihayo Pungkut – Geology

Sihayo Pungkut is located along the Trans Sumatra Fault Zone (“TSFZ”) and associated Neogene Magmatic Arc (“NMA”), which is the result of an oblique collision of two tectonic plates and associated subduction. A complex suite of Permian volcanics and sediments, intruded by Jurassic and Cretaceous intrusive plutons, subsequently juxtaposed or overlain by Tertiary to recent volcanics, intrusives, and sediments comprises the broader COW area (refer to Figure 2).

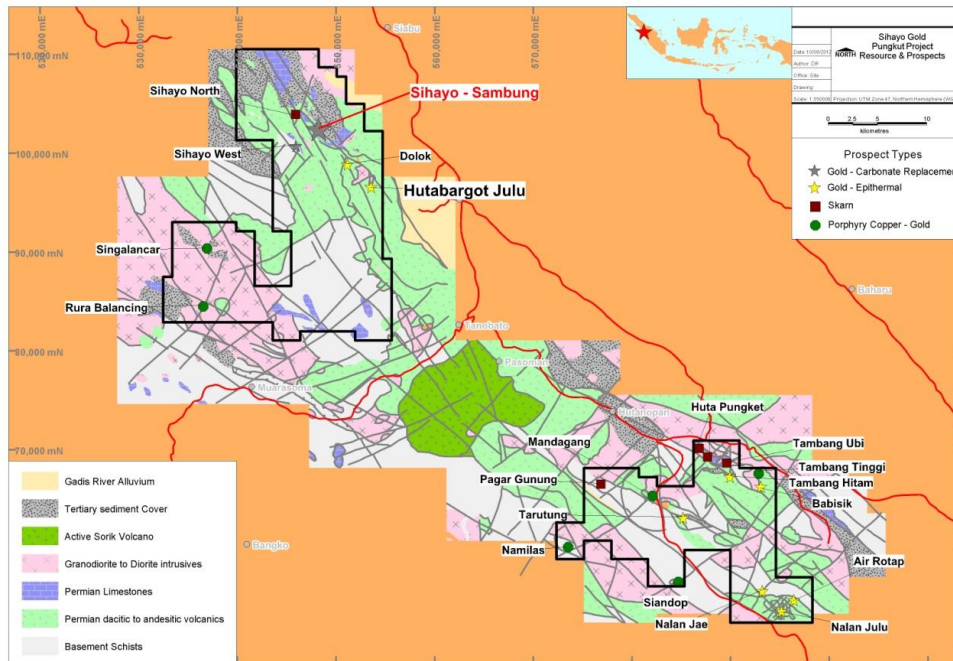


Figure 2: Sihayo Pungkut Gold Project – JORC Resource, key prospects and regional geology

The TSFZ has provided the plumbing and heat mechanisms to source, transport and deposit metals in favourable settings. The TSFZ is a major under explored corridor that boasts world class resources such as the Martabe Gold/Silver Deposit. Similar tectonic settings in the Philippines (Philippine’s Fault) and Chile (Atacama Fault) are analogous to the TSFZ and host major gold and copper deposits.

By any measure, Sihayo Pungkut is located in a world class geological address.

The Sihayo and Sambung deposit Mineral Resource Estimates are based upon review and work undertaken by H&S Consultants Pty Ltd¹. The relevant JORC 2012 Table 1 is available on the Company website.

Resource	Tonnage (Mt)	Grade Au (g/t)	Contained Gold ounces	JORC Classification	Au Cut-off grade (g/t)
SIHAYO	15.3	2.7	1,322,000	Measured & Indicated & Inferred	1.2
SAMBUNG	1.6	2.0	102,000	Measured & Indicated & Inferred	1.2
TOTAL	16.9	2.6	1,424,000	Measured & Indicated & Inferred	1.2

“Above figures may not sum due to rounding. Significant figures do not imply an added level of precision”

REVIEW OF OPERATIONS

Table 1: JORC Code (2012 Edition) Mineral Resource Estimate revised by Helman & Scholfield Consultants Pty Ltd (H&SC) in June 2013¹

In addition to the current JORC Code (2012 Edition) Mineral Resource Estimate of 1.4 Moz Au, there are over twenty (20) identified prospects of carbonate-hosted gold, low to intermediate -sulphidation epithermal-vein gold; gold-copper skarn, copper-gold porphyry, and lead-zinc skarn style mineralisation spread across the highly prospective COW area and these prospects will be the subject of future exploration activities.

Figure 2 shows the location of the Sihayo - Sambung Resources and key exploration prospects across the COW that support an opportunity for significant exploration potential for ongoing potential project generation illustrated in Figure 3 below.

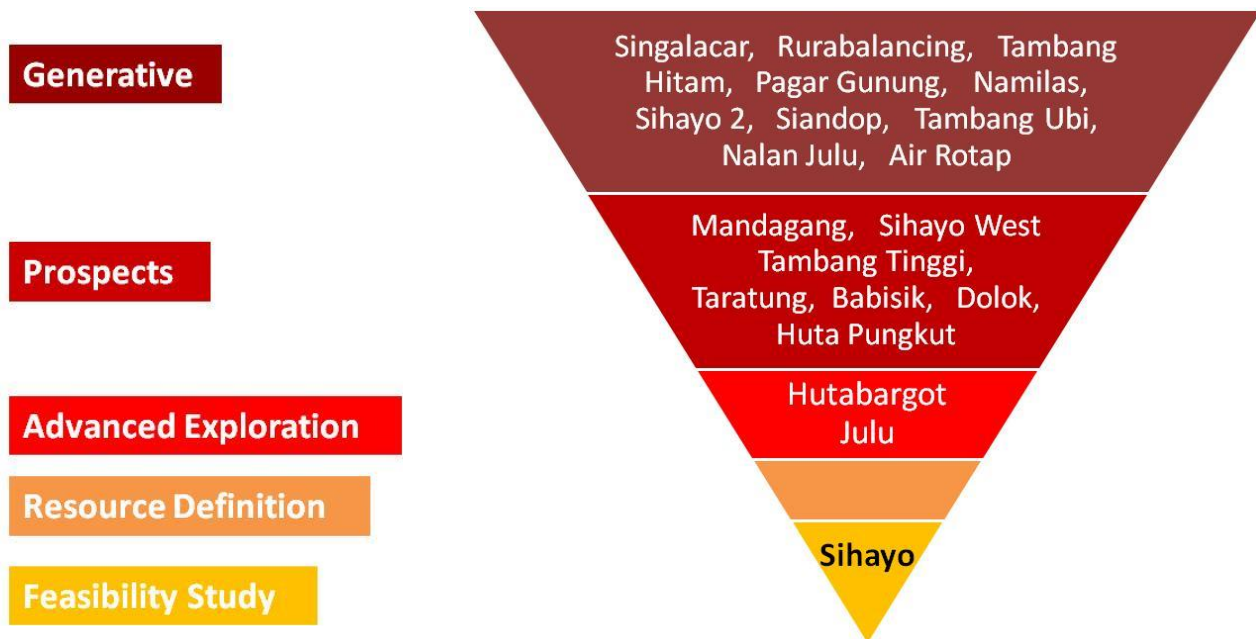


Figure 3: Sihayo Pungkut – Exploration Pipeline of Prospects

REVIEW OF OPERATIONS

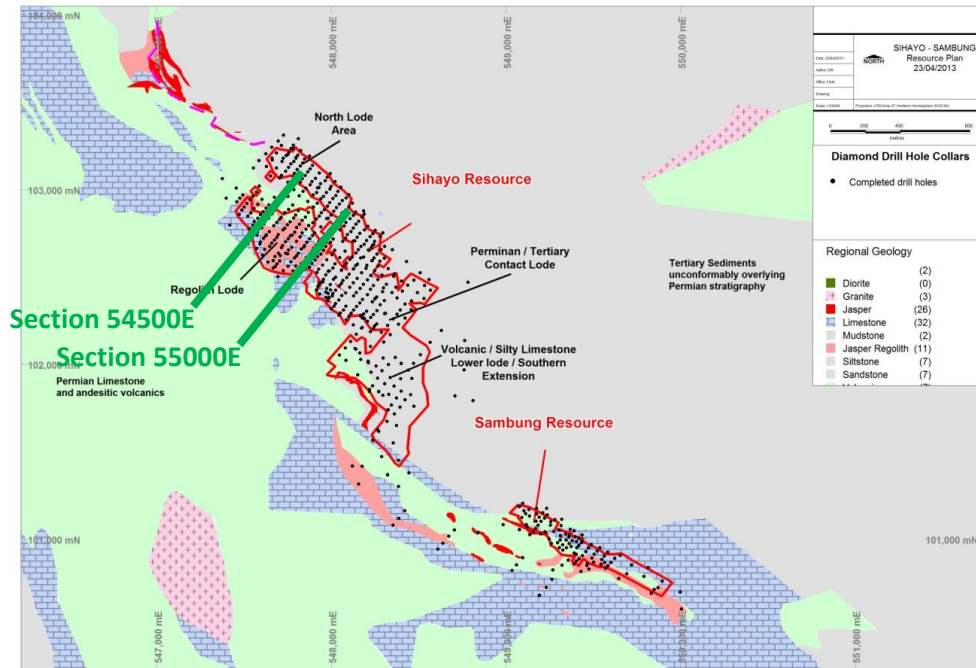


Figure 3: Sihayo-Sambung Resources Location Plan

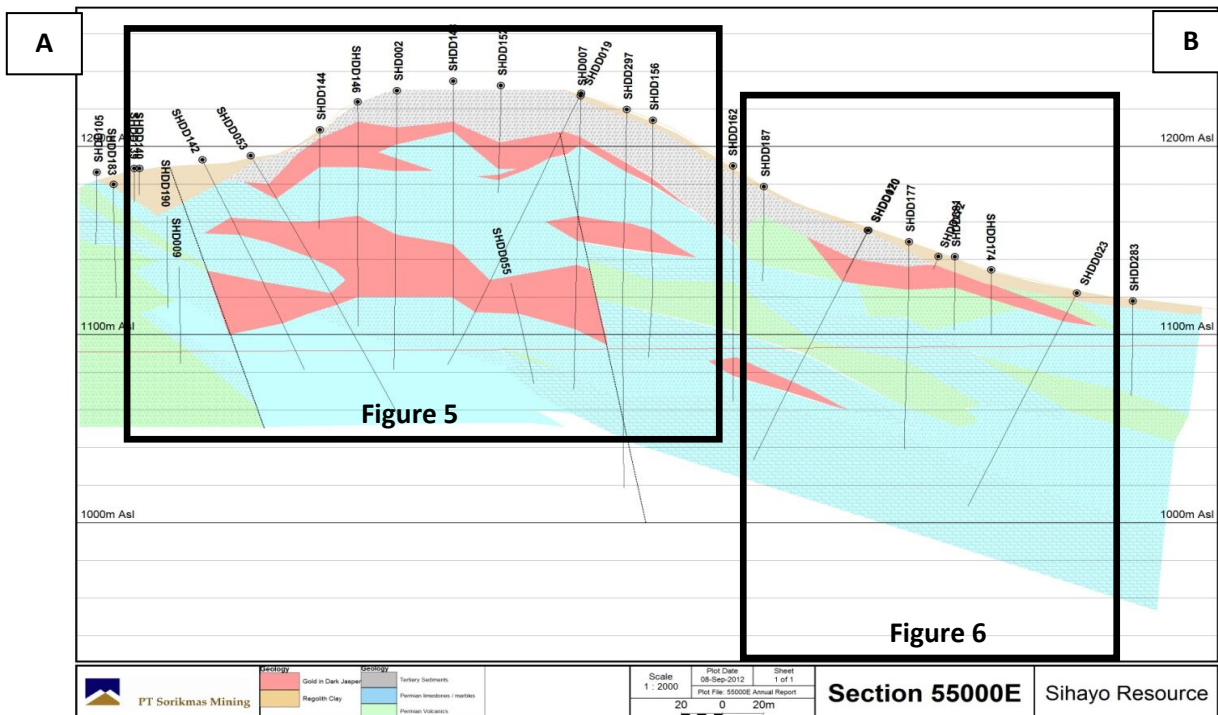


Figure 4: Geology Cross Section 55000E of Sihayo Resource looking NW

REVIEW OF OPERATIONS

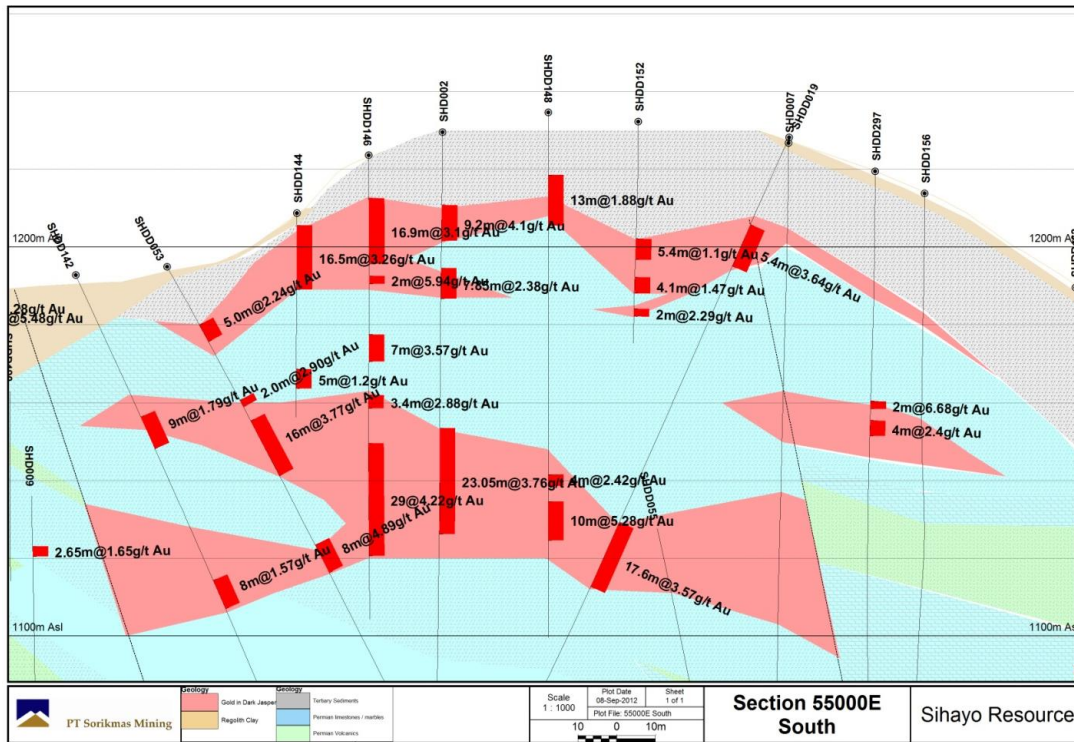


Figure 5: Enlargement of cross section 55000E shows significant gold intercepts.

REVIEW OF OPERATIONS

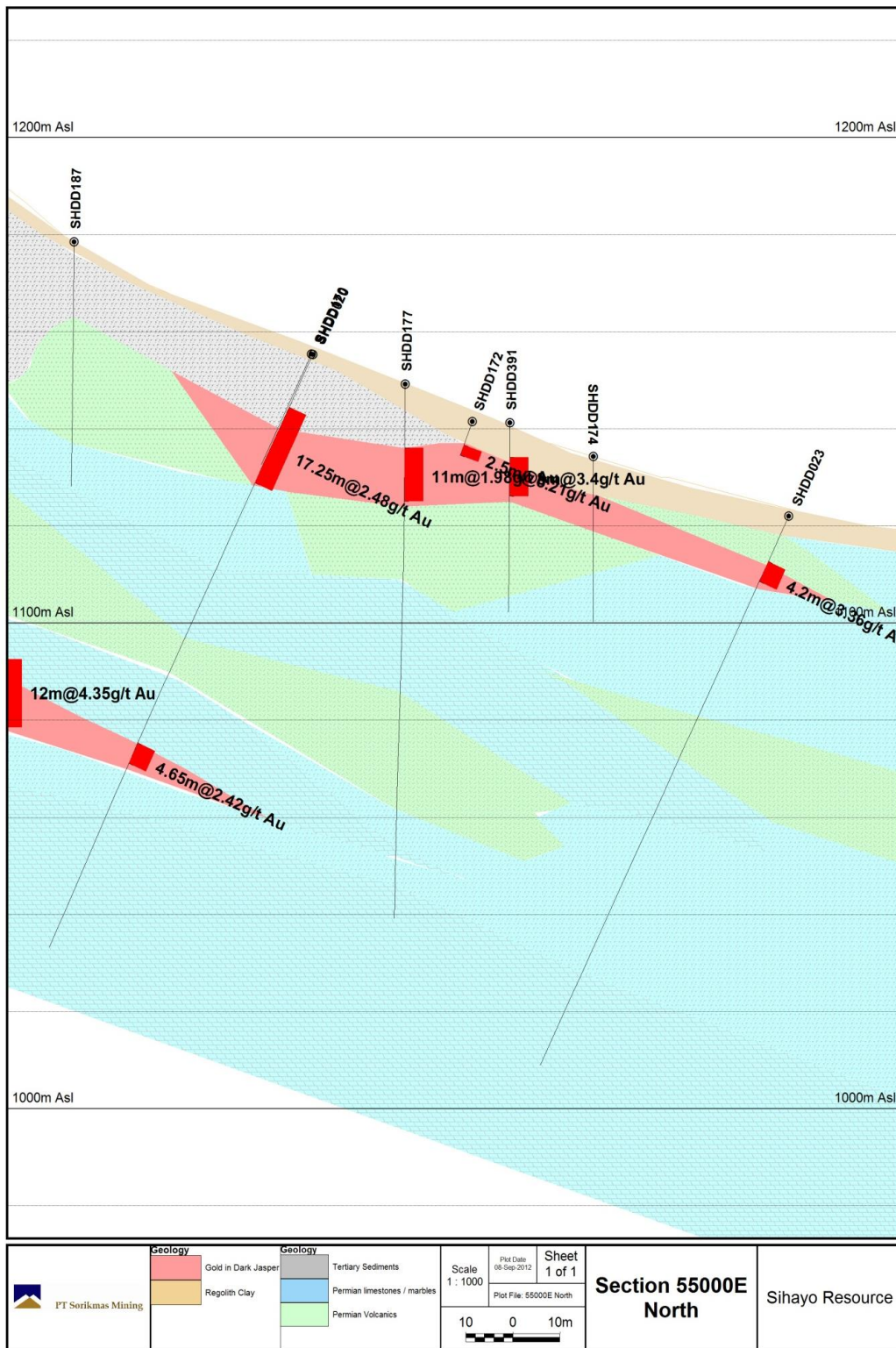


Figure 6: Enlargement of cross section 55000E showing significant gold intercepts.

REVIEW OF OPERATIONS

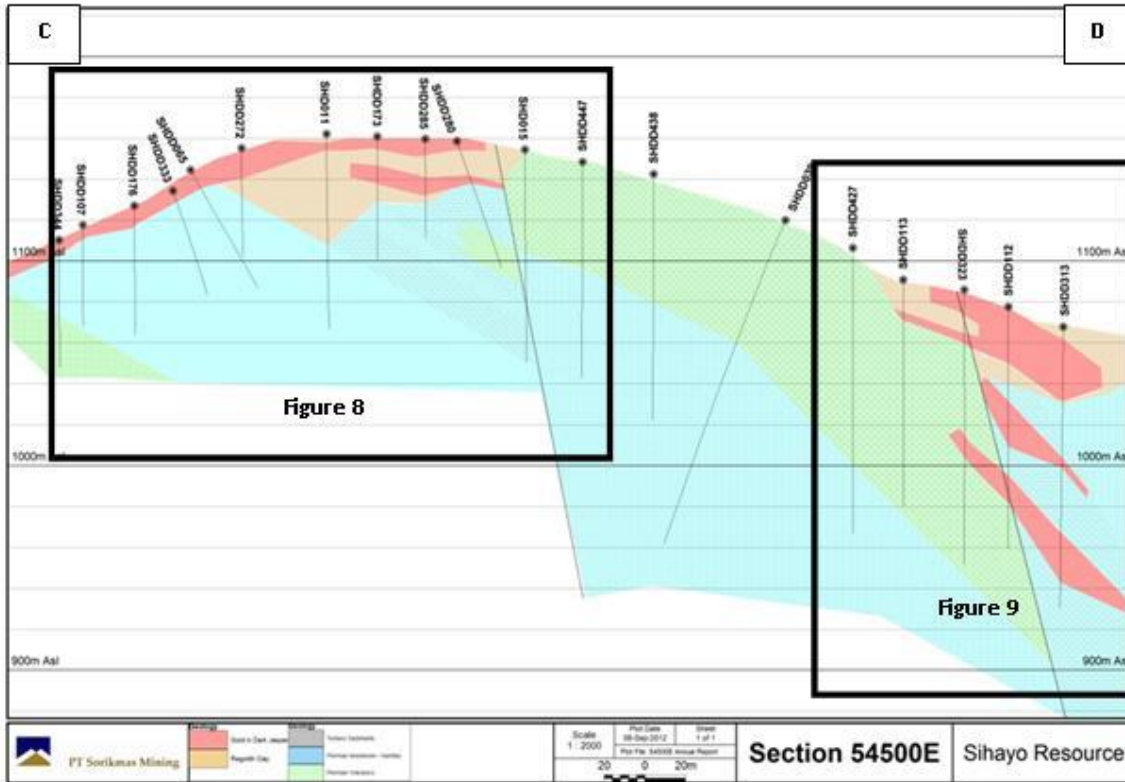


Figure 7: Geology Cross Section 54500E of Sihayo Resource looking NW.

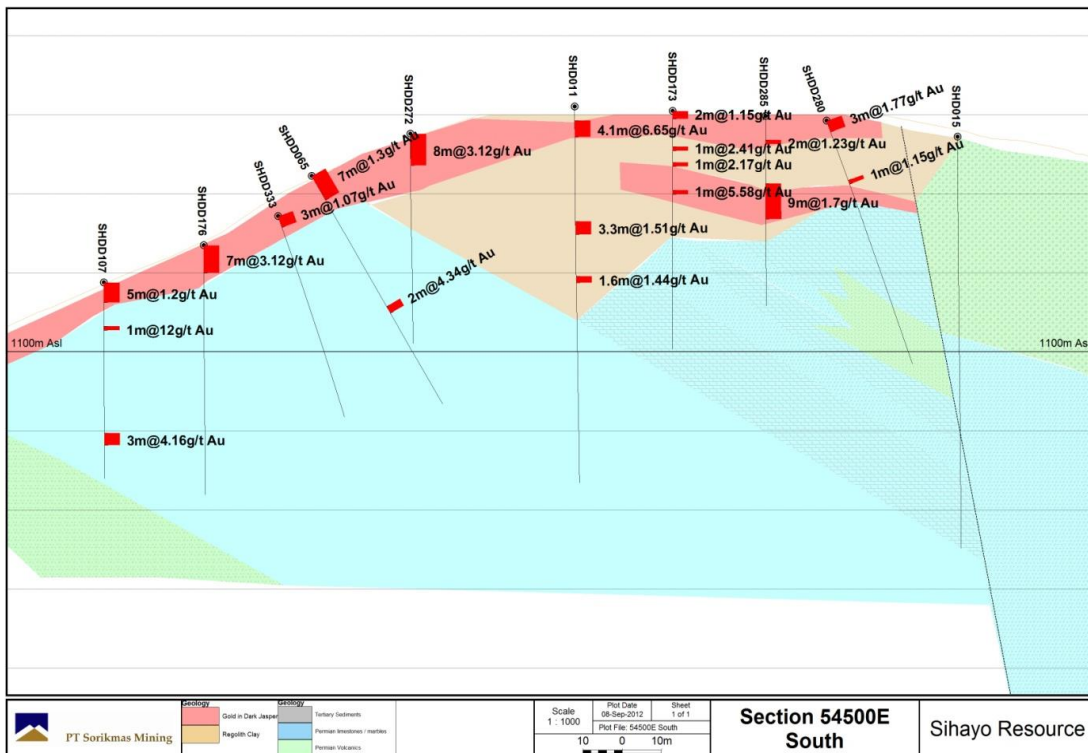


Figure 8: Cross Section Enlargement 54500E shows significant gold intercepts.

REVIEW OF OPERATIONS

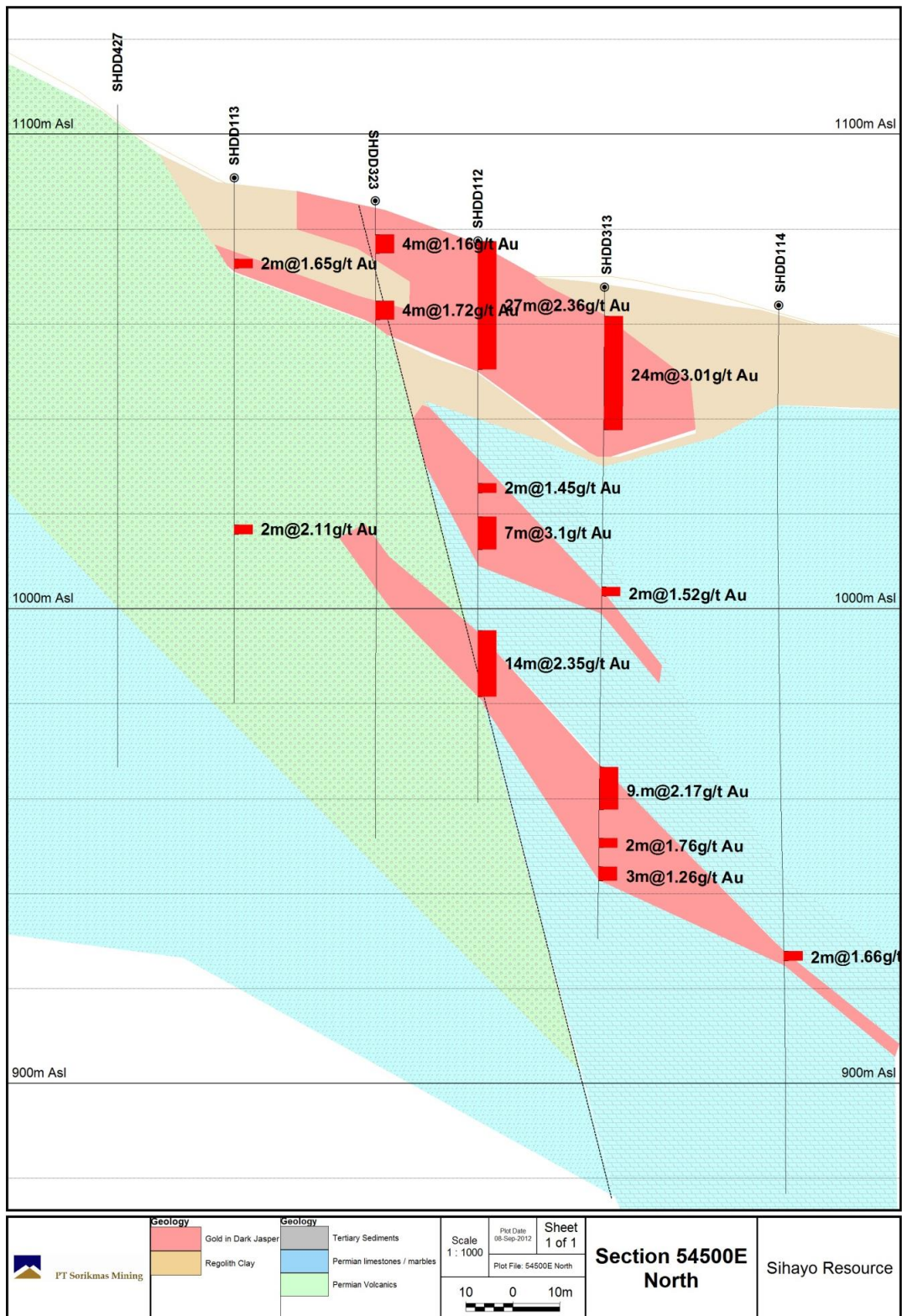


Figure 9: Enlargement of cross section 54500E showing significant gold intercepts.

REVIEW OF OPERATIONS

Sihayo Feasibility Study

The Sihayo “Maiden” Ore Reserve and Feasibility Study completion was announced on January 29, 2014 and no material changes have occurred to date.

Indicated and Measured Resources have been converted to Probable and Proved Ore Reserves by Entech Pty Ltd. The relevant JORC 2012 Table 1 is available on the Company website.

Resource	Tonnage (Mt)	Grade Au (g/t)	Contained Gold ounces	Resource Category
SIHAYO	2.43	2.4	190,000	Proved
	4.71	2.4	363,000	Probable
TOTAL	7.14	2.4	554,000	Proved & Probable

“Calculations have been rounded to the nearest 1,000t, 0.1 g/t grade and 1,000oz metal”

Table 2: JORC Code (2012 Edition) Sihayo Ore Reserves prepared by Entech Pty Ltd (January 2014)²

Highlights of the January 2014 Feasibility Study are summarised as follows;

- ✓ 1.4M Oz Resource previously announced June 2013 completed by H&SC Consultants Pty Ltd
- ✓ 554K Oz Sihayo Ore Reserve estimate (in-situ) and Life of Mine plan prepared by Entech Pty Ltd³
- ✓ Resources and Reserves prepared in accordance JORC Code (2012 edition) and guidelines for the reporting of Mineral Resource Estimates and Ore Reserves
- ✓ 428K Oz recovered from ‘Sihayo Life of Mine’ (LOM) gold production from proposed open pit mining, includes 35K Oz recovered from Inferred ore
- ✓ 7.8Mt ore mined at 2.4g/t average grade and 3.4:1 (Waste:Ore) strip ratio over 10 year LOM
- ✓ Carbon in Leach (CIL) processing rate of 750ktpa at an average recovery of 71% delivers approximately 43K Oz/yr over the LOM
- ✓ Average Site Cash Operating Costs US\$775/oz⁴ (assumes diesel fuel power supply)
- ✓ Construction Capital Estimate US\$58.7M equates to US\$137/oz recovered (assumes diesel power generation and excludes contingency)
- ✓ US\$57.5M LOM NPV₈ estimate (Pre Tax & including Royalty) assuming gold price at \$1,400/oz
- ✓ Excludes further potential gold production from Sambung and future opportunities from Sihayo

³ Pit optimisation and designs assumed a gold price of US \$1,300 / oz

⁴ LOM Average Site Cash Operating Costs do not include a total of US\$27.9m to be spent over the full 10 years of Sihayo LOM for tailings storage facility construction

REVIEW OF OPERATIONS

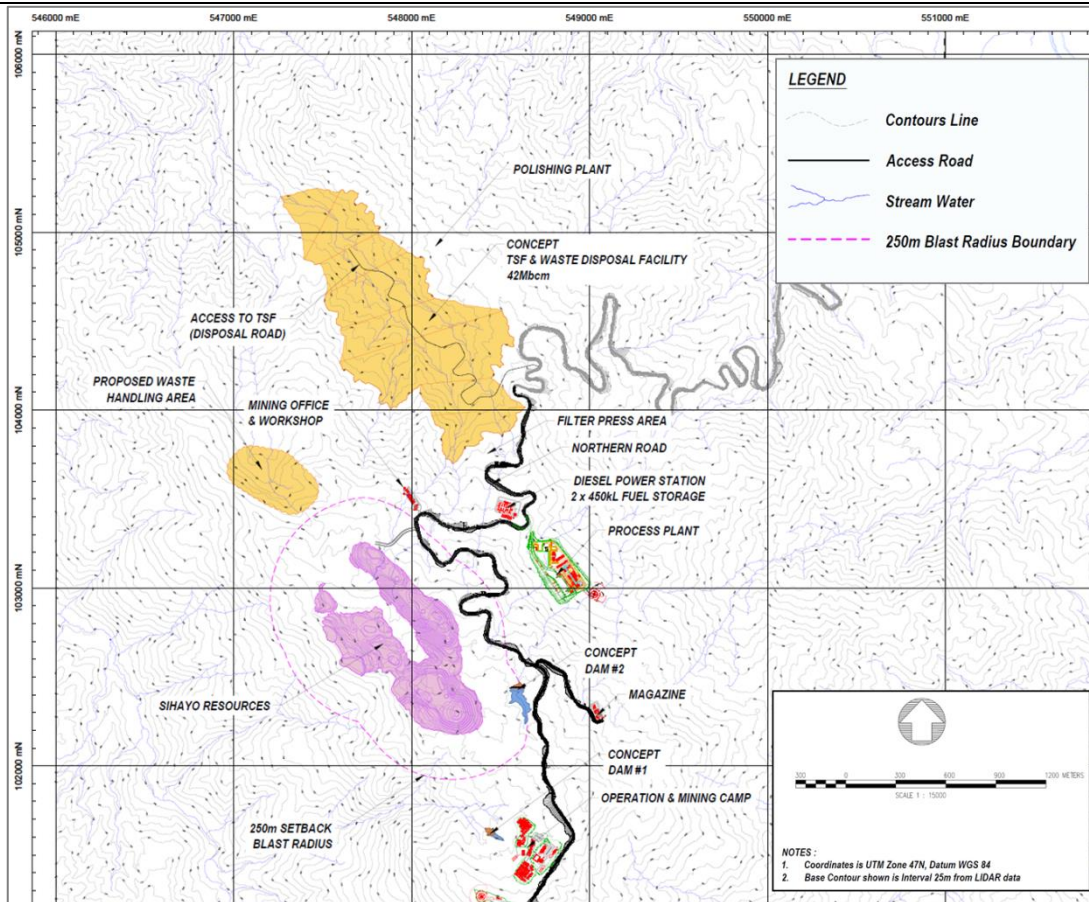


Figure 10: Project Site Area

REVIEW OF OPERATIONS

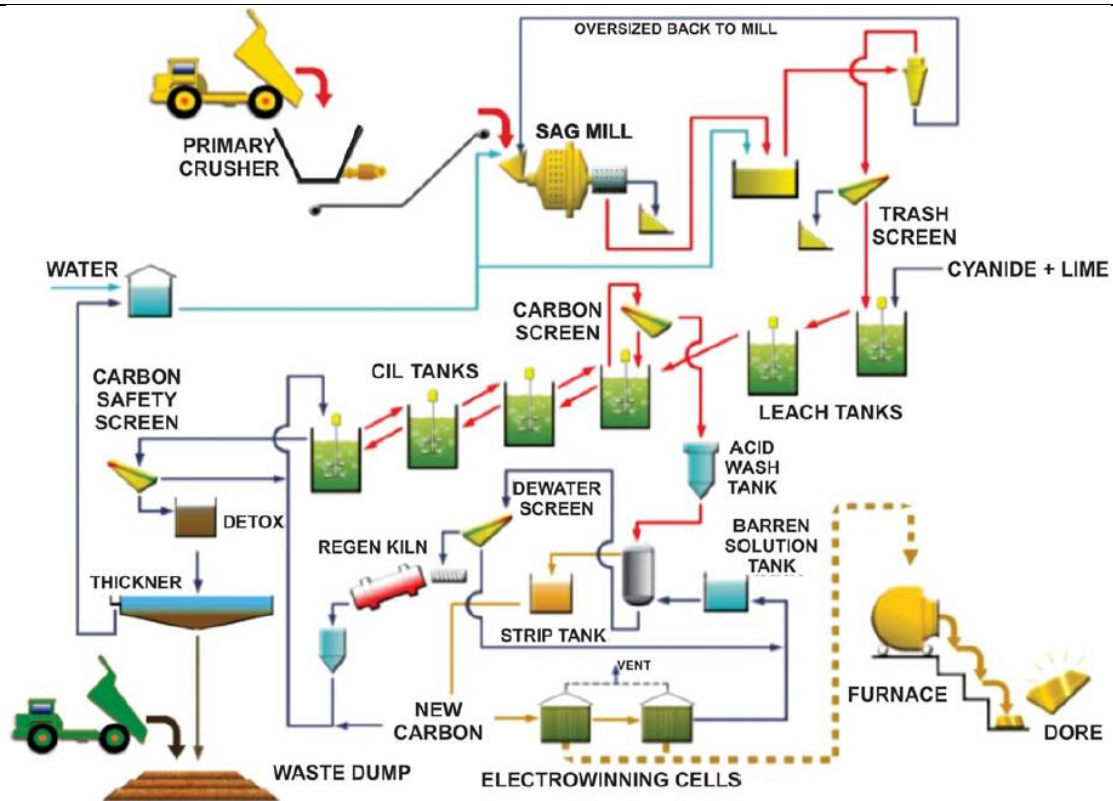


Figure 11: Typical CIL plant configuration

Permitting and Approvals

The Company continues to operate under an extension to the 'Feasibility Study Period' for the Company's Contract of Work (CoW) while it progresses through the remaining stages of the final approval of the Government of the Republic of Indonesia Feasibility Study ("GoIFS") and associated Forestry of 'Borrow and Use' Permitting.

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

1. Government of Indonesia Feasibility Study

A GoIFS was submitted during February 2014 comprising technical and financial information in support of the project.

We participated in a number of meetings with Director General of Minerals & Coal within the Ministry of Energy & Mineral Resources ("MoEMR") related to review of the GoIFS. Initial approval of the GoIFS was announced 24 September 2014.

Final Approval is being sought by the Company in parallel with Forestry Permitting.

2. Environmental Impact Assessment (Analisis Mengenai Dampak Lingkungan Hidup "AMDAL")

Acceptance of our Terms of Reference Environmental Impact Assessment (KA-ANDAL) on 17 October 2015 provided the basis for us to proceed toward submission of the Environmental and Social Impact Assessment (ANDAL), the Management Plan (RKL) and the Monitoring Plan (RPL) with the Department of Environment (KLH), collectively known as AMDAL.

Our initial submission for AMDAL was provided 8 December 2014 and was followed by technical review with KLH and a plenary session that includes KLH and other stakeholders / community representatives during February 2015

REVIEW OF OPERATIONS

A revised submission of these documents, incorporating feedback received from the technical and Plenary Sessions, was submitted to KLH on 14 April 2015 and further revisions provided 16 July 2015.

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.

3. Forestry or 'Borrow and Use' ("Izin Prinsip" & "Pinjam Pakai")

Permitting from the Forestry Department must be completed subject to receipt of final permits on the above.

Feasibility Study Optimisation

With the passage of time since the completion of the Feasibility Study in January 2014 and the recent improvement in the gold price the Company believes there are a number of opportunities to optimise the project financial returns which warrant further investigation.

The Company has also held preliminary discussions with a large EPCM company looking to expand its area of operations to include Indonesia. Whilst discussions are still at a very embryonic stage and there is no certainty of progression beyond this stage, this company has raised the possibility of providing a high proportion of the financing required to construct the project. Potential availability of such project financing is an additional incentive to re-evaluate and optimise the assumptions in the original Feasibility Study, especially providing the opportunity to increase the throughput of the mill and plant. The re-evaluation/optimisation work would focus on:

a) **Power Supply**

Our discussions with the local and regional power supply regulator indicate progress is being made to increase the grid power generating capacity in North Sumatra. Some preliminary site investigation work is required into the potential sizing, location and layout of infrastructure that may be required to provide grid power to the project. If grid power were to become available, the overall power cost of the project may be materially reduced.

b) **Metallurgical Recovery**

The Company is to undertake an investigation into alternative treatment strategies associated with near surface (regolith) ores, poor recovery metallurgical composites and geo-metallurgy to understand opportunities to improve project economics.

c) **Construction Capital and Consumables Prices**

The Company has been able to study the construction costs and operating costs of two other gold projects under construction and recently commissioned in Indonesia. The Company would like to take the insights gained from studying these projects and apply them to the Sihayo/Sambung project.

There has also been a material and sustained reduction in the price of diesel fuel and other consumables since the completion of the Feasibility Study. The Company would like to perform a detailed analysis of these lower prices to determine the overall impact on the Feasibility Study.

REVIEW OF OPERATIONS

Regional Exploration

Regional exploration activity and associated costs have been reduced significantly during the year in accordance with our priority to conclude the Sihayo Feasibility Study and progress the associated permitting and approvals.

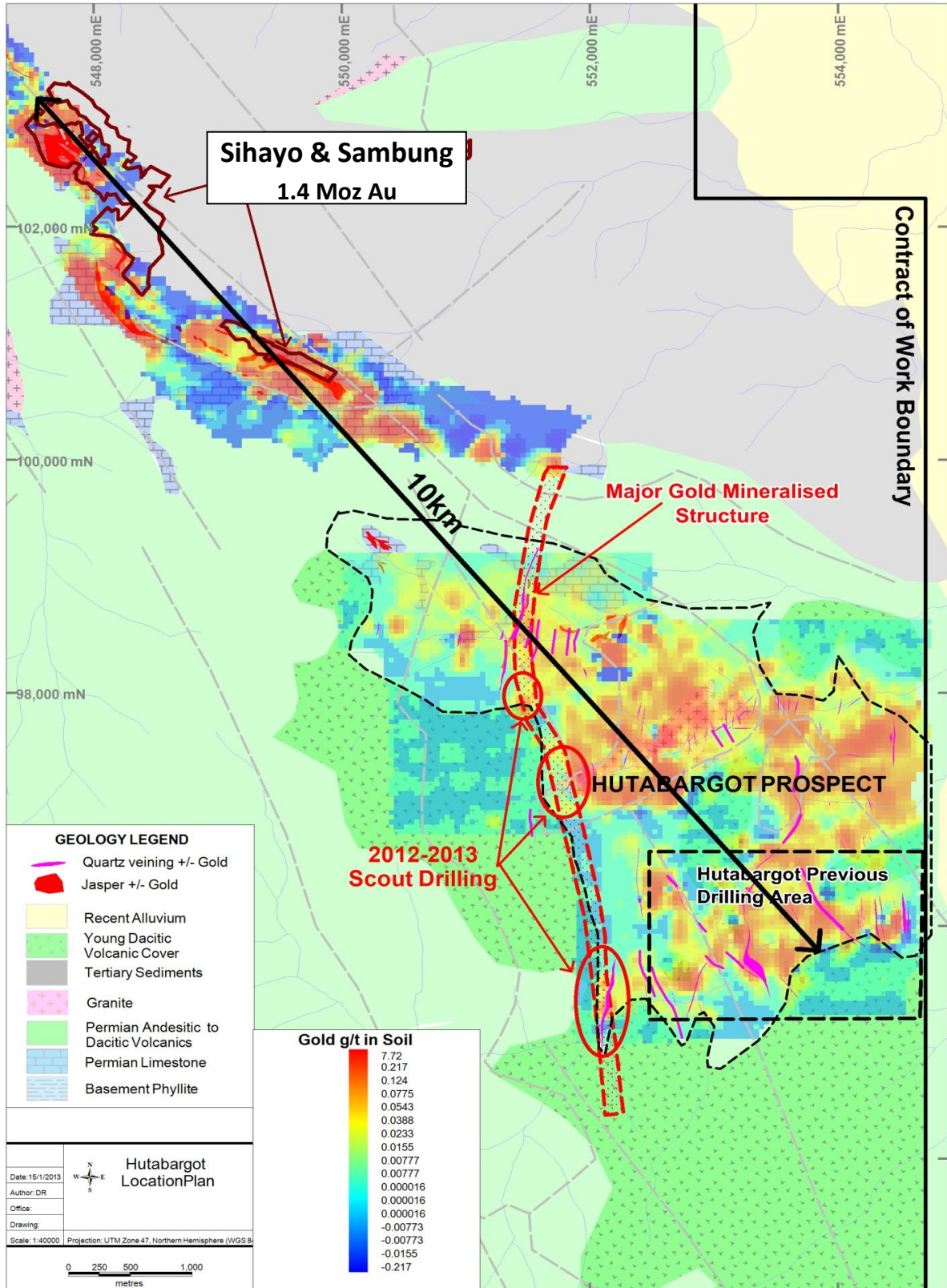
Hutabargot Prospect

Hutabargot Julu is our most significant prospect, located on the south eastern portion of the 11.5km long Sihayo-Hutabargot mineralised trend (refer to Figure 12 below). This regional structure has the potential to host high grade gold ore shoots within 10 km of the proposed Sihayo-Sambung CIL processing plant. The potential size of the gold/silver shoots ranges from smaller satellite zones to larger standalone targets. In the future, an access road could be constructed linking the Hutabargot Julu prospect to the Sihayo Resource.

The Hutabargot Julu prospect is underlain by a dacitic dome complex and dissected by the Trans Sumatran Fault Zone. Dacitic stratigraphy has been hydrothermally brecciated and magnetite destructive clay-silica-pyrite altered defining an approximate 6km x 2km intermediate epithermal gold complex footprint.

The Hutabargot Julu regional structure (dislocation along a major structural zone adjacent to a 100km long pull apart basin); geology (Dacitic volcanics intruded by diorite over a carbonate basement); vein textures (evolution relationships / boiling zone textures); and vein mineralogy / geochemistry (gold & silver, trace base metals, adularia, rhodocrosite, mineral zonation) are all consistent with known major epithermal deposits around the world, including Newcrest's Gosowong / Kencana deposit in Indonesia.

REVIEW OF OPERATIONS



Figure

12: Hutabargot Julu Location

REVIEW OF OPERATIONS

Sihayo Pungkut – Corporate Social Responsibility (CSR) Programmes

Ahead of the potential project development the Company has continued to engage local Stakeholders associated with Government permitting and approvals.

As the project progress into construction and operation, the Company remains committed to the delivery of CSR programs in line with our Strategy.



Figure 13: Proposed CSR Strategy

Other Projects

Malawi – Uranium exploration (100%)

All activities have been ceased and leases that may have been held have lapsed

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.

Competent Persons Statements

Sihayo Resource

Information that relates to Mineral Resource Estimates at the Sihayo project is based on information compiled by or under the supervision of Mr Robert Spiers, who is an independent consultant and Director of H&S Consultants to Sorikmas Mining Ltd. Mr Spiers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as an Independent

REVIEW OF OPERATIONS

Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and an Independent Qualified Person as defined in the Canadian National Instrument 43-101 (standards of Disclosure for Mineral Projects). Mr Spiers is a Member of the Australian Institute of Geoscientists and a full time employee of H&S Consultants. Mr Spiers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Sihayo deposit was estimated by H&S Consultants using Ordinary Kriging constrained by mineralisation envelopes prepared using a nominal 0.3g/t gold cut-off grade as put forth by the Sorikmas Mining Ltd. A down-hole intercept length of 1m was adopted for modelling and the primary block dimensions used in the Sihayo model were 12.5m EW by 12.5m NS by 2.5m vertical. Bulk density was estimated as an attribute of the modelling process and was assigned to the modelling data prior to modelling via a matrix which characterised bulk density based on sample lithological attributes and oxidation state from a data set of 609 bulk density determinations. Historical bulk density sampling outcomes were not employed.

Sambung Resource

Information that relates to Mineral Resource Estimates at the Sambung project is based on information compiled by or under the supervision of Mr Luke A Burlet, who is an independent consultant and Director of H&S Consultants to Sorikmas Mining Ltd. Mr Burlet has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as an Independent Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and an Independent Qualified Person as defined in the Canadian National Instrument 43-101 (standards of Disclosure for Mineral Projects). Mr Burlet is a Member of the Australian Institute of Geoscientists and a full time employee of H&S Consultants. Mr Burlet consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Sihayo Reserve

Information that relates to Ore Reserves at Sihayo is based on information compiled by or under the supervision of Mr Shane McLeay, who is a Principal Mining Engineer at Entech Pty Ltd and provided to PT Sorikmas Mining. Mr McLeay has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as an Independent Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLeay is a Fellow of the Australasian Institute of Mining and Metallurgy and a full time employee of Entech Pty Ltd. Mr McLeay consents to the inclusion in the report of the matters based on his 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.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Sihayo Gold Limited ("Sihayo Gold", or "the Company") and the entities it controlled at the end of, or during the year ended 30 June 2016 ("the reporting period").

DIRECTORS

The following persons were directors of Sihayo Gold during the financial year and up to the date of this report:

Misha Collins - Chairman

Gavin Caudle - Non Executive Director

Stuart Leslie Gula – Chief Executive Officer (CEO) & Managing Director

Daniel Garry Nolan – Executive Director, Chief Financial Officer, Company Secretary

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were the continuing development of the Sihayo Pungkut Gold project. There were no significant changes in the nature of those activities during the financial year.

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year and no dividend is recommended in respect of this financial year.

REVIEW OF OPERATIONS

The review of operations is detailed at pages 5-21

OPERATING RESULTS

During the financial year the consolidated entity incurred a consolidated operating loss after income tax of \$2,542,637 (2015: \$6,610,979); which includes nil provision for impairment of capitalised exploration and evaluation expenditure. (2015: nil). At 30 June 2015, the directors made a provision for impairment of VAT receivable of \$3,228,165. No VAT impairment in the current financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity for the 2016 financial year.

EMPLOYEES

The consolidated entity employed 24 employees as at 30 June 2016 (2015: 32 employees)

CORPORATE STRUCTURE

The Company has 1,586,424,605 ordinary shares on issue as at the date of this report.

The corporate group consists of the parent entity Sihayo Gold Limited, its 100% owned subsidiaries Inland Goldmines Pty Ltd, Excelsior Resources Pty Ltd, Oropa Technologies Pty Ltd, Oropa Indian Resources Pty Ltd, Oropa Exploration Pty Ltd and Aberfoyle Pungkut Investments Pte Ltd.

Aberfoyle Pungkut Investments Pte Ltd holds a 75% interest in PT Sorikmas Mining, with an Indonesian Government mining company PT Aneka Tambang Tbk holding the remaining 25%.

DIRECTORS' REPORT

LIKELY FUTURE DEVELOPMENTS

Details of important developments occurring in this current financial year have been covered in the review of operations.

Further information on likely developments in the operations of the consolidated entity and the expected results have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

FINANCIAL POSITION

The net assets of the consolidated entity as at 30 June 2016 are \$8,387,484 (2015: \$14,147,712).

ENVIRONMENTAL REGULATION

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low, and has not identified any compliance breaches during the year.

INFORMATION ON DIRECTORS

Details of the directors of the Company in office at the date of this report are:

Misha A Collins

Chairman (Appointed on 29 November 2013)

Experience and expertise

Mr Collins has 20 years of experience in financial markets with particular emphasis on gold and mining business analysis and evaluation. Mr Collins was employed by BT Funds Management for an 11 year period as an equity analyst covering both domestic and international markets together with the formulation of capital market strategies and commodity forecasting. Mr Collins currently operates his own investment and technical consulting business and acts as Adviser to a Malaysian based Gold and Silver investment fund.

Mr Collins holds a Bachelor of Engineering in Metallurgy, graduating with First Class Honours from the RMIT University, a Graduate Certificate in Banking and Finance from Monash University and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia. He also completed the CFA program with the US based CFA Institute and has been awarded the Chartered Financial Analyst designation (CFA).

Directorships of Other ASX Listed Companies

Ask Funding Limited

Former ASX Listed Companies Directorships in last 3 years

No former directorships

Special responsibilities

Audit Committee chairman

Interests in shares and options

34,666,404 ordinary shares in Sihayo Gold Limited (held indirectly)

DIRECTORS' REPORT

Gavin Caudle

(Non Executive Director)

Experience and expertise

Mr Caudle has over 25 years experience in the finance and investment sectors in Australia, Singapore and Indonesia. Starting his career at Arthur Andersen Australia, he eventually became a partner based in the Jakarta office. He joined Citigroup in 1998 in Indonesia and held positions as Head of Mergers and Head of Private Equity at Citigroup and Country Head of the Investment Bank at Salomon Smith Barney.

Since 2003, together with his partners, Gavin has developed numerous successful businesses including Tower Bersama Group (a listed telecommunications infrastructure business), Merdeka Copper & Gold (an Indonesian listed mining Company and Provident Agro (a listed plantation business) with assets valued at more than \$3 billion today.

Gavin and his partners bring substantial expertise in dealing with all business aspects in Indonesia, most importantly for Sihayo being:

- Track record of raising more than US\$3 billion of senior, mezzanine and equity capital over the past 7 years; and
- Expertise in dealing with forestry issues through the ownership of a substantial plantation business.
- Expertise in dealing with mining related issues through the ownership of substantial shareholdings in Sumatra Copper and Gold Limited, Finders Resources Limited and PT Merdeka Mining Gold Tbk.

Directorships of Other ASX Listed Companies

Sumatra Copper and Gold Limited
Finders Resources Limited

Former ASX Listed Companies Directorships in last 3 years

No former directorships

Special responsibilities

Audit Committee member

Interests in shares and options

6,613,984 ordinary shares (held directly)

511,602,996 ordinary shares (held indirectly)

Stuart Leslie Gula

(Chief Executive Officer (CEO) & Managing Director)

Experience and expertise

Mr Gula has over 25 years management experience in the mining sector in Australia, North America, Africa and Asia. Among many other achievements, his experience includes successful construction completion, commissioning and production of two gold projects in China and Africa and has successfully participated in varied levels of management on feasibility studies for many other projects. Prior to joining Sihayo Gold, he held the position of Group General Manager, Mining - North America for Nyrstar. Nyrstar is a European based integrated metals and mining company with a market capital in excess of USD 1 billion. Mr Gula holds a Bachelors degree in Engineering (mining major) and a Masters of Business Administration (Technology Management).

DIRECTORS' REPORT

Information on Directors (continued)

Directorships of Other ASX Listed Companies

None

Former ASX Listed Companies Directorships in last 3 years

No former directorships

Interests in shares and options

133,269 ordinary shares (held indirectly)

Daniel Garry Nolan

(Executive Director, Chief Financial Officer, Company Secretary)

The company secretary is Mr Daniel Garry Nolan. Mr Nolan was appointed to the position of company secretary on 1 July 2011. Mr Nolan has worked in finance and accounting for more than 30 years. He has held senior finance positions in Australia, Cambodia, Vietnam and Indonesia. Immediately before joining Sihayo he held senior management roles in the Saratoga Group in Indonesia. Prior to that, he was a senior finance executive at Telstra for 10 years in Australia, Cambodia and Indonesia. Mr Nolan holds a Bachelor of Business from Monash University and a Certificate in Governance and Risk Management from The Governance Institute of Australia

Interests in shares and options

4,250,919 ordinary shares (held indirectly)

MEETINGS OF DIRECTORS

The following tables set out the number of meetings of the Company's directors held during the year ended 30 June 2016, and the number of meetings attended by each director. (Note that meeting attendance may have been completed via telephone conferencing).

Directors' meeting:

	Number eligible to attend	Number Attended
M Collins	3	3
Gavin Caudle	3	3
S Gula	3	3
D Nolan	3	3

Audit committee meeting:

	Number eligible to attend	Number Attended
M Collins	2	2
Gavin Caudle	2	2
D Nolan	2	2

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The full board of Sihayo Gold act as as the Remuneration Committee at the date of this report

The responsibilities and functions of the Remuneration Committee are as follows:

- 1) review the competitiveness of the Company's executive compensation programs to ensure:
 - (a) the attraction and retention of corporate officers;
 - (b) the motivation of corporate officers to achieve the Company's business objectives; and
 - (c) the alignment of the interests of key leadership with the long-term interests of the Company's shareholders.
- 2) review trends in management compensation, oversee the developemnt of new compensation plans and, when necessary, approve the revision of existing plans;
- 3) review the performance of executive management;
- 4) review and approve Chairperson and Chief Executive Officer goals and objectives, evaluate Chairperson and Chief Executive Officer performance in light of these corporate objectives, and set Chairperson and Chief Executive Officer compensation levels consistent with Company philosophy;
- 5) approve the salaries, bonus and other compensation for all senior executives, the committee will recommend appropriate salary, bonus and other compensation to the Board for approval;
- 6) review and approve compensation packages for new corporate officers and termination packages for corporate officers as requested by management;
- 7) review and approve the awards made under any executive officer bonus plan, and provide an appropriate report to the Board;
- 8) review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board as the "Committee" established to administer equity-based and employee benefit plans, and as such will discharge any responsibilities imposed on the committee under those plans, including making and authorising grants, in accordance with the terms of those plans; and
- 9) review periodic reports from management on matters relating to the Company's personnel appointments and practices.

Principles used to determine the nature and amount of remuneration

- Non-executive directors receive fees in cash. The fees are fixed and approved by shareholders.
- Where non-executive directors provide services in their area of expertise they receive payment at normal commercial rates.
- There are no executives (other than directors) with authority for strategic decision making and management.
- The remuneration of the directors is not linked directly to the performance of the Company.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Details of remuneration

Details of the remuneration of key management personnel and related parties of Sihayo Gold Limited, including their personally related entities are set out below for the year ended 30 June 2016. There have been no changes to the below named key management personnel since the end of the reporting period unless noted :

2016	Short-term		Post Employment		Long Term		Equity	Total \$	Total Remuneration represented by options
Name	Cash Salary & Fees	Non Monetary Benefits	Super-annuation	Retirement Benefits	Incentive Plans	LSL	Share based payment		
M Collins	65,000	1,565	-	-	-	-	-	66,565	-
G Caudle	45,000	1,084	-	-	-	-	-	46,084	-
D Nolan	36,000	265	-	-	-	-	-	36,265	-
S Gula	367,504	8,148	-	-	-	-	-	375,652	-
	513,504	11,062	-	-	-	-	-	524,566	-

- (a) \$ 65,000 in directors fees was paid to M Collins as at 30 June 2016.
 (b) \$ 281,250 in directors fees was payable as at 30 June 2016 to G Caudle for fees for the year ended 30 June 2016 and in lieu of previous years directors fees.
 (c) \$ 36,000 salary was paid to D Nolan for the year ended 30 June 2016.
 (d) \$ 367,504 salary was paid to Stuart Gula for the year ended 30 June 2016.
 (e) \$11,062 non monetary benefit is related to Director and Officers Liability Insurance.

2015	Short-term		Post Employment		Long Term		Equity	Total \$	Total remuneration represented by options
Name	Cash Salary & Fees	Non Monetary Benefits	Super-annuation	Retirement Benefits	Incentive Plans	LSL	Share based payment		
M Collins	65,000	1,420	-	-	-	-	-	66,420	-
G Caudle	45,000	983	-	-	-	-	-	45,983	-
D Nolan	12,000	262	24,000	-	-	-	-	36,262	-
S Gula	367,504	8,030	-	-	-	-	17,828	393,362	4.5%
	489,504	10,695	24,000	-	-	-	17,828	542,027	3.3%

- (a) \$ 65,000 in directors fees was paid to M Collins as at 30 June 2015.
 (b) \$ 236,250 in directors fees was payable as at 30 June 2015 to G Caudle for fees for the year ended 30 June 2015 and in lieu of previous years directors fees.
 (c) \$ 12,000 salary plus superannuation of \$ 24,000 was paid to D Nolan for the year ended 30 June 2015.
 (d) \$ 367,504 salary was paid to Stuart Gula for the year ended 30 June 2015.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

No options granted as part of remuneration during the years ended 30 June 2015 & 30 June 2016. There were no shares issued on exercise of compensation options (Consolidated) for the years ended 30 June 2016 or 30 June 2015.

Option holdings of key management personnel

The number of options over ordinary shares in the Company held during the financial year by each director of Sihayo Gold Limited, including their personally-related entities, are set out below.

30 June 2016	Balance at beginning of year 1 July 15	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30 June 16	Vested at 30 June 2016	
						Total	Exercisable
M Collins	-	-	-	-	-	-	-
S Gula	1,000,000	-	-	(1,000,000)*	-	-	-
D Nolan	-	-	-	-	-	-	-
G Caudle	-	-	-	-	-	-	-
	1,000,000	-	-	(1,000,000)	-	-	-

*These options expired on 1 October 2015.

30 June 2015	Balance at beginning of year 1 July 14	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30 June 15	Vested at 30 June 2015	
						Total	Exercisable
M Collins	-	-	-	-	-	-	-
S Gula	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	1,000,000
D Nolan	-	-	-	-	-	-	-
G Caudle	-	-	-	-	-	-	-
	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	1,000,000

Shareholdings of Key Management Personnel

The number of shares held in the Company during the financial year by each key management personnel of Sihayo Gold Limited, including their personally-related entities, are set out below:

30 June 2016	Balance 1 July 15		Granted as remuneration		On exercise of options		Net change other	Balances as at date of resignation/ termination		Balance 30 June 16	
	Ord	Pref	Ord	Pref	Ord	Pref		Pref	Ord	Pref	Ord
M Collins	14,529,574	-	-	-	-	-	-	-	-	-	14,529,574
G Caudle	155,435,368	-	-	-	-	-	-	-	-	-	155,435,368
S. Gula	133,269	-	-	-	-	-	-	-	-	-	133,269
D. Nolan	4,250,919	-	-	-	-	-	-	-	-	-	4,250,919

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

30 June 2015	Balance 1 July 14		Granted as remuneration		On exercise of options		Net change other	Balances as at date of resignation/ termination		Balance 30 June 15	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord
M Collins	14,529,574	-	-	-	-	-	-	-	-	-	14,529,574
G Caudle	155,435,368	-	-	-	-	-	-	-	-	-	155,435,368
S. Gula	133,269	-	-	-	-	-	-	-	-	-	133,269
D. Nolan	4,250,919	-	-	-	-	-	-	-	-	-	4,250,919

DIRECTORS AGREEMENTS

Whilst no formal agreements have been entered into between the Company or previous agreement have expired and each of its Directors, annual Director remuneration, as disclosed below, has been Board approved.

Name	Remuneration Per Annum (AUD) plus Allowance
Misha Collins	65,000
Stuart Leslie Gula	367,500
Daniel Garry Nolan	36,000
Gavin Caudle	45,000

END OF REMUNERATION REPORT

Officer Emoluments

Fees of \$ 2,000 (GST exclusive) were paid to Calder Roth & Co, a Chartered Accounting firm of which provided taxation services during the year.

Directors and Officers Insurance

During the year \$ 11,062 was paid for Directors and officeholders insurance, covering all directors and officeholders.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

SHARES UNDER OPTION

Unissued ordinary shares of Sihayo Gold Limited under option at the date of this report are as follows:

- As at the end of the reporting period, there were no listed options for Sihayo Gold Ltd shares on the Australian Stock Exchange.

DIRECTORS' REPORT

CONVERTIBLE NOTES & WORKING CAPITAL LOAN

Total convertible notes issued during the year was USD 1,000,000 with 7% interest accrued daily and compounded monthly.

Total working capital loan from Provident Minerals Ltd was USD 400,000 with 10% interest per annum accrued daily and compounded monthly.

PROCEEDINGS ON BEHALF OF COMPANY

No person entitled to exercise any of the options has any right, by virtue of the options, to participate in any share issue of any other body corporate.

The names of all persons who currently hold options, granted at any time, are entered in the register kept by the Company pursuant to Section 216C of the Corporations Act 2001 and the register may be inspected free of charge.

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

The Company was not party to any such proceedings during the year.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is located at the Company's Website:

<http://www.sihayogold.com/view/about-us/corporate-governance>

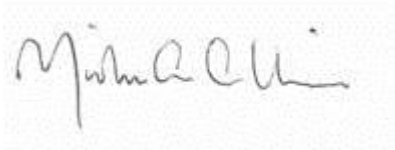
DIRECTORS' REPORT

NON-AUDIT SERVICES

There were no non-audit services undertaken by Stantons International during the financial year.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32.

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

A handwritten signature in black ink, appearing to read 'Misha Collins', is centered on a light gray rectangular background.

Misha Collins
Chairman

30 September 2016

30 September 2016

The Directors
Sihayo Gold Limited
c/- Mccullough Robertson
Level 11
66 Eagles 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 audit of the financial statements of Sihayo Gold Limited for the year ended 30 June 2016, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

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



Samir Tirodkar
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Other revenue	3	767	1,844
Total revenue		767	1,844
Corporate secretarial expenses		(57,204)	(55,115)
Depreciation and amortisation	6	(145,078)	(224,859)
Employee benefits expense		(471,371)	(1,176,128)
External consultancy expenses		(318,011)	(361,401)
Insurance expense		(14,813)	(14,446)
Rental expense	3(a)(i)	(2,373)	(1,537)
Finance costs	3(a)(ii)	(483,085)	(486,996)
Share based payments	14(a)	-	(17,828)
Travel and entertainment expenses		(36,574)	(57,974)
Provision for impairment of capitalised exploration and evaluation costs	7(a)(ii)	-	-
Provision for impairment of VAT receivable		-	(3,228,165)
Other expenses		(1,014,895)	(988,374)
Loss before income tax	3 (a)	(2,542,637)	(6,610,979)
Income tax expense	3(b)	-	-
Net loss		(2,542,637)	(6,610,979)
Other comprehensive income			
<i>Items that will never be classified to profit or loss</i>		-	-
<i>Items that may be classified to profit or loss</i>			
Movement in foreign currency translation reserve		(3,297,439)	6,086,944
Other comprehensive income for the year, net of tax		(3,297,439)	6,086,944
Total comprehensive (loss) for the year		(5,840,076)	(524,035)
Loss after income tax attributable to:			
Members of Sihayo Gold Limited		(813,033)	(5,119,079)
Non controlling interest		(1,729,604)	(1,491,900)
		(2,542,637)	(6,610,979)
Comprehensive loss after income tax attributable to:			
Members of Sihayo Gold Limited		(4,045,049)	1,814,870
Non controlling interest		(1,795,027)	(2,338,905)
		(5,840,076)	(524,035)
Basic/diluted loss per share in cents	22	(0.07)	(0.47)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying note

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	21	27,720	41,004
Trade and other receivables	4	290,042	363,419
Other financial assets	5	-	-
TOTAL CURRENT ASSETS		<u>317,762</u>	<u>404,423</u>
NON-CURRENT ASSETS			
Other assets	7(a)	13,295,317	16,666,152
Inventory	7(b)	-	816
Property, plant and equipment	6	145,337	278,960
TOTAL NON-CURRENT ASSETS		<u>13,440,654</u>	<u>16,945,928</u>
TOTAL ASSETS		<u>13,758,416</u>	<u>17,350,351</u>
CURRENT LIABILITIES			
Trade and other payables	8	645,898	474,968
Borrowings	10	4,214,663	2,169,096
Provisions	9	26,900	26,900
Other liabilities		57,920	59,610
TOTAL CURRENT LIABILITIES		<u>4,945,381</u>	<u>2,730,574</u>
NON-CURRENT LIABILITIES			
Provisions	9	425,551	472,065
TOTAL NON-CURRENT LIABILITIES		<u>425,551</u>	<u>472,065</u>
TOTAL LIABILITIES		<u>5,370,932</u>	<u>3,202,639</u>
NET ASSETS		<u>8,387,484</u>	<u>14,147,712</u>
SHAREHOLDERS' EQUITY			
Parent entity interest:			
Contributed equity	11	101,526,008	101,446,160
Reserves	12(a)	13,069,188	16,301,204
Accumulated losses	12(b)	(98,269,306)	(97,456,273)
Total parent entity interest		16,325,890	20,291,091
Minority interest in controlled entities	20(b)	(7,938,406)	(6,143,379)
TOTAL SHAREHOLDERS' EQUITY		<u>8,387,484</u>	<u>14,147,712</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	Consolidated 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to creditors and suppliers & employees		(1,598,698)	(2,965,679)
Interest received		767	884
NET CASH FLOWS (USED) IN OPERATING ACTIVITIES	21(b)	(1,597,931)	(2,964,795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		-	23,974
NET CASH RECEIVED / (USED) IN INVESTING ACTIVITIES		-	23,974
CASH FLOWS RECEIVED FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		-	173,505
Proceeds from borrowings		466,908	23,333
Proceeds from convertible notes		1,119,429	2,736,823
Payment of unmarketable securities		(1,690)	36,005
Cost of shares to be issued		-	(81,719)
NET CASH FLOWS RECEIVED FROM FINANCING ACTIVITIES		1,584,647	2,887,947
Net (decrease) in cash and cash equivalents held		(13,284)	(52,874)
Effects of exchange rate changes on cash		-	6,859
Cash and cash equivalents at the beginning of the financial year		41,004	87,019
Cash and cash equivalents at the end of the financial year	21	27,720	41,004

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	\$ Share Capital & shares to be issued	\$ Options & Equity Reserve	\$ FX Reserve	\$ Accum Losses	\$ Non Controlling Interest	\$ Total
Balance as at 1.7.14	100,025,876	2,362,570	6,986,860	(92,337,194)	(3,804,474)	13,233,638
Total comprehensive loss for the year	-	-	-	(5,119,079)	(1,491,900)	(6,610,979)
<u>Other comprehensive income:</u>						
Movement in foreign currency translation reserve	-	-	6,933,949	-	(847,005)	6,086,944
Total comprehensive loss	-	-	6,933,949	(5,119,079)	(2,338,905)	(524,035)
Share based payment transactions	-	17,825	-	-	-	17,825
Issue of shares (net of transaction costs)	1,420,284	-	-	-	-	1,420,284
Balance at 30.06.15	101,446,160	2,380,395	13,920,809	(97,456,273)	(6,143,379)	14,147,712
Balance at 1.7.15	101,446,160	2,380,395	13,920,809	(97,456,273)	(6,143,379)	14,147,712
Total Comprehensive loss for the year	-	-	-	(813,033)	(1,729,604)	(2,542,637)
<u>Other comprehensive loss:</u>						
Movement in foreign currency translation reserve	-	-	(3,232,016)	-	(65,423)	(3,297,439)
Total comprehensive loss	-	-	(3,232,016)	(813,033)	(1,795,027)	(5,840,076)
Issue of shares (net of transaction costs)	79,848	-	-	-	-	79,848
Balance at 30.06.16	101,526,008	2,380,395	10,688,793	(98,269,306)	(7,938,406)	8,387,484

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements cover the economic entity of Sihayo Gold Limited and its controlled entities, and was authorised for issue in accordance with a resolution of the Directors on 30 September 2016. Sihayo Gold Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. The consolidated financial report of the Group also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to Sihayo Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. Sihayo Group does not plan to adopt these standards early.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting year. The group's assessment of the impact of these new standards and interpretations is set out below:

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards adopted by the Group

The group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 January 2015 but determined that their application to the financial statements is either not relevant or not material.

a) Going Concern

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

As at 30 June 2016, the Group has negative working capital of \$4,627,619 (2015: \$2,326,151), cash & cash equivalents of \$27,720 (2015:\$41,004) and current liabilities of \$4,945,381 which includes borrowings of \$4,214,663. However there was a right issue in July to September 2016 which injected \$4,501,324 back to the working capital to repay all the borrowings. All borrowings from Provident and Saratoga were repaid in September 2016.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2016. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Sihayo Gold Limited and all of the subsidiaries. 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. A list of the subsidiaries is provided in Note 20.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Business Combinations

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The cost of a business combination is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

d) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

e) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Property, plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts

Depreciation

The depreciable amount of all Property, Plant and Equipment (other than Leasehold Improvements and certain plant and equipment which are based on the prime cost method) is based on the diminishing value method over their useful lives to the Company commencing from the time the assets are held ready for use. The depreciation rates used for plant and equipment vary between 2.5% and 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

f) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, the value of the shares is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

h) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

i) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

k) Functional and Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

l) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical costs continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cashflow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and Liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.

Exchange rate differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

n) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the sale of assets is recognised at the date that the contract is entered into.

All revenue is stated net of the amount of goods and services tax (GST)

o) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

p) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

q) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Share Based Payment Transactions

The group provides benefits to the directors and senior executives in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity settled transactions').

The cost of these equity settled transactions with directors is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black- Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Sihayo Gold Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the market conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that in the opinion of the directors will ultimately vest. The opinion is formed on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Trade and Other Receivables

CURRENT

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than 60 days overdue.

u) Trade and Other Receivables

NON-CURRENT

All debtors that are not expected to be received within 12 months of reporting date are included in non-current receivables. Collectability of non-current receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

v) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition

w) Operating Leases

Operating lease payments are charged to the Statement of comprehensive income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

x) Significant Accounting Judgements, Estimates and Assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out above. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Significant Accounting Judgements, Estimates and Assumptions (continued)

Recovery of deferred assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

y) Segment Reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance.

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Intersegment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value on market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

2 RISK MANAGEMENT

(a) Interest rate risk

The Consolidated Entity and the Company's exposure to interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and liabilities. The Consolidated Entity and the Company do not have a major exposure in this area as the interest rate earned on deposited funds does not vary greatly from month to month.

Consolidated Entity 2016

	Floating Interest Rate	Fixed interest rate maturing in			Non interest bearing	Total carrying amount at balance sheet	Applicable interest rate on 30 June
		1 year or less	1 to 5 years	More than 5 years			
	\$	\$	\$	\$	\$	\$	%
<i>Financial Assets</i>							
Cash and cash equivalents	27,720	-	-	-	-	27,720	2.1%
Trade and other receivables	-	-	-	-	144,209	144,209	-
Deposits	-	-	41,071	-	-	41,071	4%
Total Financial Assets	27,720		41,071	-	144,209	213,000	
<i>Financial Liabilities</i>							
Trade and other payables		-	-	-	645,898	645,898	-
Borrowings	4,214,663	-	-	-	-	4,214,663	6.45%
Other	-	-	-	-	57,920	57,920	-
Total Financial Liabilities	4,214,663	-	-	-	703,818	4,918,481	

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

2 RISK MANAGEMENT (continued)

Consolidated Entity
2015

	Floating Interest Rate	Fixed interest maturing in			Non interest bearing	Total carrying amount at balance sheet	Applicable interest rate on 30 June
		1 year or less	1 to 5 years	More than 5 years			
	\$	\$	\$	\$	\$	\$	%
<i>Financial Assets</i>							
Cash and cash equivalents	41,004	-	-	-	-	41,004	3.50%
Trade and other receivables	-	-	-	-	363,419	363,419	-
Other financial assets	-	-	-	-	-	-	-
Deposits	-	-	39,865	-	-	39,865	5.00%
Total Financial Assets	41,004	-	39,865	-	363,419	444,288	
Trade and other payables	-	-	-	-	474,968	474,968	-
Loan Payable	-	2,169,096	-	-	-	2,169,096	7.00%
Other	-	-	-	-	59,610	59,610	-
Total Financial Liabilities	-	2,169,096	-	-	534,578	2,703,674	

(b) Credit risk exposures

The consolidated entity and the Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and note 23.

As the consolidated entity and Company does not presently have any debtors arising from sales, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Foreign currency risk management

The Consolidated Entity and the Company is exposed to fluctuations in foreign currencies arising from costs incurred at overseas mineral exploration tenements. To mitigate this risk the Company holds cash in the currency in which it forecasts the costs will be incurred.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

2 RISK MANAGEMENT (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity and the Company will not be able to meet its financial obligations as they fall due. Financial obligations of the Consolidated Entity and the Company consist of trade creditors and other payables.

The Company has not conducted a sensitivity analysis on credit or interest rate risk as the amounts are not considered significant.

(e) Financial risk management

2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Shares in listed companies	-	-	-	-
	-	-	-	-
2015				
Shares in listed companies	-	-	-	-
	-	-	-	-

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted prices at reporting date, excluding transaction costs.

In valuing unlisted investments – included in Level 2 of the hierarchy – valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments.

Derivative instruments are included in Level 2 of the hierarchy with the fair values determined using valuation techniques incorporating observable market data relevant to the hedged position.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
3.REVENUE		
Revenue from the operating activities		
Interest	767	1,844
	767	1,844

3(a)LOSS BEFORE INCOME TAX

	Consolidated	
	2016	2015
	\$	\$
Net Expenses		
The loss before income tax includes the following expenses:		
(i) Expenses:		
Share based payment	-	17,828
Depreciation	145,078	224,859
Rental expenses	2,373	1,537
	147,451	244,224
(ii)Finance costs consists of interest expenses and movements in derivative liability		
Finance costs	483,085	486,996

(iii) Numerical reconciliation of income tax expense to prima facie tax payable:

3(b) INCOME TAX EXPENSE

	Consolidated	
	2016	2015
	\$	\$
Loss from ordinary activities before income tax expense	(2,542,637)	(6,610,979)
(i) Prima facie tax benefit on loss from ordinary activities	(762,791)	(1,983,294)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

3(b) INCOME TAX EXPENSE (continued)

Tax effects of amounts which are not deductible (taxable)

In calculating taxable income:

Provisions	-	6,000
Share based payment	-	5,348
Provision for impairment of VAT receivable	-	968,450
	<u>(762,791)</u>	<u>(1,003,496)</u>

Movement in unrecognised temporary Difference	34,462	916,202
Tax effect of current year tax losses for which no deferred tax asset has been recognised	728,329	87,294
Income tax expense	<u>-</u>	<u>-</u>

(ii) Unrecognised temporary differences

Deferred Tax Assets (at 30%)		
Carried forward revenue tax losses	8,463,995	6,072,375
Carried forward capital tax losses	1,042,655	854,111
Provisions	-	6,000
Black hole expenditure	45,178	79,640
	<u>9,551,828</u>	<u>7,012,126</u>

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the consolidated entity, and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

	Consolidated	
	2016 \$	2015 \$
4. TRADE AND OTHER RECEIVABLES		
CURRENT		
Other debtors	290,042	363,419
	290,042	363,419
NON CURRENT		
VAT receivable	3,228,165	3,228,165
Provision for impairment	(3,228,165)	(3,228,165)
	-	-

VAT receivables will be recoverable from the Indonesian government once production commences. At 30 June 2016. VAT receivables has been fully provided for.

As the reporting date, none of the other debtors were past due or impaired.

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the consolidated entity and are non-interest bearing. The other debtors do not contain any impaired receivables.

	Consolidated	
	2016 \$	2015 \$
5. OTHER FINANCIAL ASSETS		
CURRENT		
Investments listed on a prescribed stock exchange and unlisted public companies	-	-
NON CURRENT		
Investments in other entities at cost	697,537	697,537
Less Provision for Diminution	(697,537)	(697,537)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

5. OTHER FINANCIAL ASSETS (continued)

Shares in controlled entities

The carrying value of the investments in controlled entities is dependent upon the successful development and exploitation of the controlled entities' tenements, or alternatively the sale of those tenements for at least carrying value.

Investments in other entities

Investments in other entities include the following:

- 10% interest in B Vijaykumar Technical Services Pvt Limited, a company involved in diamond exploration in India, with an option to purchase a further 10% interest. As Oropa Indian Resources Pty Ltd, Sihayo Gold Limited's wholly owned subsidiary, no longer has significant influence over B Vijaykumar Technical Services Pvt Limited, the investment has been transferred to other investments from investment in associates. This investment has been fully provided for.

6.PROPERTY, PLANT AND EQUIPMENT	Consolidated	
	2016 \$	2015 \$
NON-CURRENT		
Land at Cost	70,781	68,702
Lease improvements at cost	14,279	14,279
Less: accumulated depreciation	(14,279)	(14,279)
	-	-
Plant and equipment, at cost	253,395	253,395
Less: accumulated depreciation	(241,206)	(208,556)
	12,189	44,839
Motor vehicles, at cost	57,151	57,151
Less: accumulated depreciation	(41,001)	(28,809)
	16,150	28,342
Office equipment, at cost	462,401	462,401
Less: accumulated depreciation	(416,184)	(325,324)
	46,217	137,077
Total property, plant and equipment	145,337	278,960

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

6.PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2016						
Consolidated	Land at Cost \$	Leasehold Improve. \$	Plant & Equipment \$	Motor Vehicles \$	Office Equipment \$	Total \$
Carrying amount at 1 July 2015	68,702	-	44,839	28,342	137,077	278,960
Effect of foreign currency translation	2,079	-	10,529	1,139	(2,292)	11,455
Additions	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Depreciation expense	-	-	(43,179)	(13,331)	(88,568)	(145,078)
Carrying amount at 30 June 2016	70,781	-	12,189	16,150	46,217	145,337

2015						
Consolidated	Land at Cost \$	Leasehold Improve. \$	Plant & Equipment \$	Motor Vehicles \$	Office Equipment \$	Total \$
Carrying amount at 1 July 2014	57,299	-	93,518	85,056	207,836	443,709
Effect of foreign currency translation	11,403	-	18,612	12,619	38,440	81,074
Additions	-	-	-	-	-	-
Write-offs & reclassification	-	-	-	(20,964)	-	(20,964)
Depreciation expense	-	-	(67,291)	(48,369)	(109,199)	(224,859)
Carrying amount at 30 June 2015	68,702	-	44,839	28,342	137,077	278,960

	Consolidated	
	2016 \$	2015 \$
7a. OTHER ASSETS		
NON CURRENT		
Deposits	41,071	39,865
Capitalised mineral exploration costs	13,254,246	16,626,287
	<u>13,295,317</u>	<u>16,666,152</u>

7a .(i) Deposits

Deposits of \$41,071 include a security deposit for office of USD \$10,471 (2015: USD \$ 10,471)

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

7a. OTHER ASSETS (continued)

7.a.(ii) Mining Exploration and Evaluation Expenditure

	Consolidated	
	2016	2015
	\$	\$
	<u> </u>	<u> </u>
Opening Balance	16,626,287	10,992,124
Additions during the year	-	-
Change arising from foreign currency movement	(3,372,041)	5,634,163
Provision for Impairment	-	-
Write Offs	-	-
Closing Balance	<u>13,254,246</u>	<u>16,626,287</u>

The Management believe that the carrying amount of the Group's capitalised expenditure and evaluation costs exceed its recoverable amount and therefore no further impairment charge is required as at 30 June 2016.

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.

	Consolidated	
7b. Inventory	2016	2015
	\$	\$
	<u> </u>	<u> </u>
Diesel, at cost	-	816
	<u> </u>	<u> </u>

	Consolidated	
8. TRADE AND OTHER PAYABLES	2016	2015
	\$	\$
	<u> </u>	<u> </u>
	<u>645,898</u>	<u>474,968</u>

There are no trade payables past due.

The normal credit terms from suppliers is 30-60 days.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

9.PROVISIONS	Consolidated	
	2016	2015
	\$	\$
CURRENT		
Employee Entitlements	26,900	26,900
	26,900	26,900
NON CURRENT		
Employee Entitlements and Other Provisions	425,551	472,065
	425,551	472,065
Employee Numbers		
Average number of employees during the financial year	24	32

10. BORROWINGS	Consolidated	
	2016	2015
	\$	\$
Loan Payable (i)	-	274,325
Working capital (i)(a)	536,985	-
Convertible note liabilities (iii)	2,735,677	1,181,165
Embedded derivatives (iv)	942,001	713,606
	4,214,663	2,169,096

- (i) The funds are borrowed from Provident Minerals Pte Ltd. Interest of 7% is charged on the loan.
- (i) (a) The funds are borrowed from Provident Minerals Pte Ltd. Interest of 10% is charged on the loan. Gavin Caudle is a director of Sihayo Gold and Provident Minerals and the loan is therefore it is a related party transaction. Final maturity date is 31 December 2016 or any other date mutually agreed between the parties.
- (ii) During the year, Sihayo Gold issued two series of convertible notes as follows:
- a. Provident Note:
- The terms of the convertible notes are as follows:
- Issue date: 03 July 2015
 - Maturity date: 5.00 pm Australian Eastern Standard Time ('AEST') on the first anniversary of the initial drawdown date or such other date agreed by the parties
 - Principal amount: USD \$500,000
 - Share price: \$0.009
 - Loan facility fee: USD 15,000 (representing 3% of the principal amount and is capitalised on initial drawdown and will form part of the principal amount)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

(iii) 10. BORROWINGS (continued)

- vi. Availability of Loan facility: Draw down available during the period of 3 July 2015 to 30 June 2016
- vii. Conversion price: AUD /USD conversion provided by the RBA for the preceeding day the conversion note is given @70% of the 10 day volume weight average price (VWAP) price also taken from the preceeding date from when the conversion note is given.
- viii. Interest: Coupon payment of 7% payable annually
- ix. The Lender may elect to have the Outstanding Sum repaid to the Lender (In whole or part) by the issue to the Lender of Conversion Shares

b.Saratoga note:

The terms of the convertible notes are as follows:

- i. Issue date: 04 November 2015
- ii. Maturity date: 5.00pm Australian Eastern Standard Time ('AEST') on the first anniversary of the initial drawdown date or such other date agreed by the parties
- iii. Principal amount: USD \$500,000
- iv. Share price: \$0.011
- v. Loan facility fee: USD 15,000 (representing 3% of the principal amount and is capitalised on initial drawdown and will form part of the principal amount)
- vi. Availability of Loan facility: Draw down available during the period of 26 October 2015 to 30 June 2016
- vii. Conversion price: AUD /USD conversion provided by the RBA for the preceeding day the conversion note is given @70% of the 10 day volume weight average price (VWAP) price also taken from the preceeding date from when the conversion note is given.
- viii. Interest: Coupon payment of 7% payable annually
- ix. The Lender may elect to have the Outstanding Sum repaid to the Lender (in whole or in part) by the issue to the Lender of Conversion Shares

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

10. BORROWINGS (continued)

The embedded derivatives liability at the reporting date arising from the above Convertible Notes are as follows:

	Provident Note	Saratoga Note	Series Two (Saratoga)	Series Three (Provident)	Total
Value of note in AUD (at 30 June 2016)	691,182	691,182	691,182	691,182	
Underlying security spot price	\$0.010	\$0.010	\$0.010	\$0.010	
Risk free rate	1.59%	1.59%	1.59%	1.59%	
Volatility	100%	100%	100%	100%	
Conversion price (70% of average VWAP)	\$0.0073	\$0.0115	\$0.0093	\$0.0104	
Number of shares	94,651,438	59,889,571	74,320,645	66,356,700	
Value per Note (Intrinsic Value)	\$0.0031	\$0.0049	\$0.0007	\$0.0045	
Total value of the derivative Liability	\$296,255	\$293,874	\$54,430	\$297,442	\$942,001

The convertible note Liabilities at the reporting date arising from the above

	Provident Note	Saratoga Note	Series Two (Saratoga)	Series Three (Provident)	Total
Total value of debt liability	\$729,465	\$676,145	\$675,321	\$654,746	\$2,735,677

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

10. BORROWINGS (continued)

The embedded derivatives liability at the reporting date arising from the above Convertible Notes are as follows:

	Series 1	Series 2	Series 3	Total
Value of note in AUD (at 30 June 2015)	64,876	668,224	668,224	
Underlying security spot price	\$0.011	\$0.011	\$0.011	
Risk free rate	2.01%	2.01%	2.01%	
Volatility	110%	110%	110%	
Conversion price (70% - 90% of average VWAP)	\$0.0136	\$0.0162	\$0.0112	
Number of shares	4,786,515	41,342,611	59,539,012	
Value per Note (Intrinsic Value)	\$0.0095	\$0.0051	\$0.0077	
Total value of the derivative Liability	\$45,415	\$208,789	\$459,402	\$713,606

The convertible note Liabilities at the reporting date arising from the above

	Series 1	Series 2	Series 3	Total
Total value of debt liability	\$42,712	\$603,069	\$535,384	\$1,181,165

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

11. CONTRIBUTED EQUITY	Consolidated	
	2016	2015
	\$	\$
Issued Capital		
Fully paid – ordinary shares		
1,136,037,339 (2015: 1,125,968,164)	101,526,008	101,446,160
	101,526,008	101,446,160

Movements in ordinary share capital of the Company during the past 2 years were as follows:

		Number of Shares	\$
01/07/2014	Opening Balance	1,000,801,331	100,025,876
06/11/2014	Shares issued	125,166,833	1,502,002
30/06/2015	Shares issue costs	-	(81,718)
	Balance at 30 June 2015	1,125,968,164	101,446,160
	Shares issued for loan		
14/06/2016	conversion	10,069,175	79,848
30/06/2016	Shares issue costs	-	-
	Balance at 30 June 2016	1,136,037,339	101,526,008

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Options over ordinary shares

There is no option as at 30 June 2016 (2015: 2,000,000). Refer to note 12 for further information.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

	Note	Consolidated	
		2016 \$	2015 \$
12. RESERVES AND ACCUMULATED LOSSES			
(a) Reserves			
Share based payment reserve	(i)	2,380,395	2,380,395
Foreign currency translation reserve	(ii)	10,688,793	13,920,809
		<u>13,069,188</u>	<u>16,301,204</u>
(i) Option Premium Reserve			
Balance at the beginning of the financial year		2,380,395	2,362,570
Options issued during the year		-	17,825
Balance at the end of the financial year		<u>2,380,395</u>	<u>2,380,395</u>

Options

There is no outstanding balance of options as at 30 June 2016.

	Consolidated	
	2016 \$	2015 \$
(ii) Foreign Currency Reserve		
Balance at the beginning of the financial year	13,920,809	6,986,860
Movement for the year	(3,232,016)	6,933,949
Balance at the end of the financial year	<u>10,688,793</u>	<u>13,920,809</u>
(b) Accumulated Losses		
Balance at the beginning of the financial year	(97,456,273)	(92,337,194)
Net losses attributable to members of Sihayo Gold Limited	(813,033)	(5,119,079)
Balance at the end of the financial year	<u>(98,269,306)</u>	<u>(97,456,273)</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

13. PARENT ENTITY DISCLOSURE NOTE

	Parent	
	2016	2015
	\$	\$
FINANCIAL POSITION		
Assets		
Current assets	28,275	40,584
Non-current assets	122,814	122,814
Total assets	<u>151,089</u>	<u>163,398</u>
Liabilities		
Current liabilities	4,647,631	2,495,884
Non-current liabilities	-	-
Total liabilities	<u>4,647,631</u>	<u>2,495,884</u>
Net Assets Deficiency	<u>(4,496,542)</u>	<u>(2,332,486)</u>
Equity		
Issued capital	101,526,010	101,446,160
Accumulated losses	(108,499,650)	(106,255,744)
Reserves		
Option reserve	2,477,098	2,477,098
Total Equity	<u>(4,496,542)</u>	<u>(2,332,486)</u>
FINANCIAL PERFORMANCE		
Loss for the year	(2,243,907)	(3,409,770)
Other comprehensive income	-	-
Total comprehensive Loss	<u>(2,243,907)</u>	<u>(3,409,770)</u>

The parent entity did not enter into any guarantees in relation to the debts of its subsidiaries for 2015 or 2016.

The parent entity did not have any contingent liabilities for 2015 or 2016.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

14. SHARE BASED PAYMENT PLAN

(a) Recognised Share-Based Payment Expense

	Consolidated	
	2016 \$	2015 \$
Expense arising from equity-settled share-based payment transactions to :		
Employee	-	(17,828)
Total expense arising from share-based payment transactions	-	(17,828)

(b) Summary of Options Granted

The following share-based payment arrangements were granted during the last two years:

In 2016 & 2015, no options were granted by the Consolidated Entity

Summary of Options and Performance Rights Granted

The following table illustrates the number and weighted average exercise prices (WAEP) of share options and performance rights issued as share-based payments at the beginning and end of the financial year :

	2016 Number	2016WAEP (Cents)	2015 Number	2014W AEP (Cents)
Outstanding at beginning of year	2,000,000	12.75	4,000,000	12.75
Granted by the Company during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(2,000,000)	(12.75)	(2,000,000)	(12.75)
Forfeited during the year	-	-	-	-
Outstanding at end of year	-	-	2,000,000	12.75

There is no outstanding balance of options and performance rights.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

14. SHARE BASED PAYMENT PLAN (continued)

(c) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life for share options issued as share based payments outstanding as at 30 June 2016 is nil years , since no options is outstanding as at 30/6/16 (2015 : 0.25 years).

(d) Range of Exercise Prices

The range of exercise prices for share options issued as share-based payments outstanding as at 30 June 2016 was nil, since no options is outstanding as at 30/6/16 (2015 : \$0.125 to \$0.13).

(e) Weighted Average Fair Value

The weighted average fair value of options granted by the Group as equity-settled share-based payments during the year ended 30 June 2016 was nil, since no options is outstanding as at 30/6/16 (2015 : \$0.1275).

15. KEY MANAGEMENT PERSONNEL DISCLOSURE

Names and Positions held of parent entity key management personnel in office at any time during the financial year are:

Key Management Personnel

Misha Collins Chairman
 Gavin Caudle Non Executive Director
 Stuart Gula Managing Director
 Daniel Nolan Company Secretary, Chief Financial Officer & Executive Director

There are no executives (other than those listed above) with authority for strategic decision and management.

(a) Compensation for Key Management Personnel

	2016	Consolidated
	\$	2015
	\$	\$
Short-term employee benefits	513,504	489,504
Non monetary benefit	11,062	10,695
Post employment benefits	-	24,000
Share based payments	-	17,828
	524,566	542,027

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
16. REMUNERATION OF AUDITORS		
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity		
Stantons International	36,028	34,061
Subsidiary Auditor	32,971	29,657
	98,174	63,718

17. CONTINGENT ASSETS AND LIABILITIES

There are no other contingent liabilities and contingent assets as at 30 June 2016.

The only contingent asset the parent and consolidated entity have is 1,000,000 options exercisable at 20 cents in the company Southern Cross Goldfields Limited. These options only vest upon the company discovering a minimum of 250,000 ounces of gold or 5,000 tonnes of nickel in the situ in the Golden Valley Tenements.

18. RELATED PARTIES

Directors and specified executives

Disclosures relating to directors and specified executives are set out in the director's report and as detailed in note 15.

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, P.T. Aneka Tambang holding the remaining 25%.

Transactions between Sihayo Gold Limited and related parties in the wholly-owned group during the year ended 30 June 2016 consisted of loans on an interest free basis with no fixed term and no specific repayment arrangements. Sihayo Gold Limited made an additional provision for doubtful debts of \$3,543,355 in its accounts for the year ended 30 June 2016 (2015: \$ 16,482,283) 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

18. RELATED PARTIES (continued)

Other related parties

Aggregate amounts receivable from related parties in the wholly owned group at balance date were as follows:

	Parent Entity	
	2016	2015
	\$	\$
Non-current receivables	93,880,437	90,337,082
Provision for doubtful debts	(93,880,437)	(90,337,082)
	-	-
	-	-

An amount of \$247,880 (2015 : \$ 247,880) is still outstanding from an advance to B Vijaykumar Chhattisgarh Exploration Private Ltd, being a subsidiary of a company that the consolidated entity has an investment in. This amount was used to fund diamond exploration activities in India. The loan is interest free. The loan has been fully provided for in the accounts.

19. EXPENDITURE COMMITMENTS

Exploration Commitments

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity were previously required to outlay lease rentals and to meet the minimum expenditure requirements of the Mines Departments.

PT Sorikmas Mining Commitments

Under the Contract of Work (CoW), the Company was required to spend certain minimum expenditures in respect of the contract area for the General Survey Period and Exploration Period as follows:

	<u>US\$ / km²</u>
General survey period	100
Exploration period	1,100

As at 30 June 2016, PT Sorikmas Mining had fulfilled its expenditure commitments in respect of the General Survey Period and Exploration Period.

Operating Leases – Rent

The company currently has no operating leases as at 30 June 2016

Other Commitments

The Company currently has no other commitments as at 30 June 2016

Capital Commitments

There were no outstanding capital commitments not provided for in the financial statements of the Company as at 30 June 2016 or 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

19. EXPENDITURE COMMITMENTS (continued)

Other Commitments

Parent Entity

Sihayo Gold Limited

Project	Principal Activities	Interest 2016	Interest 2015
<i>Mt Keith</i>	Mineral exploration	2% Royalty	2% Royalty

Controlled Entities:

Excelsior Resources Pty Limited

Project	Principal Activities	Interest 2016	Interest 2015
Mulgabbie	Mineral exploration	2% Royalty	2% Royalty

20. INVESTMENTS IN CONTROLLED ENTITIES

Controlled Entities:	Class of Shares	Cost of Parent Entity's Investment		Equity Holding	
		2016	2015	2016	2015
		\$	\$		
Inland Goldmines Pty Limited (incorporated in Australia)	Ordinary	583,942	583,942	100%	100%
Excelsior Resources Pty Limited (incorporated in Australia)	Ordinary	1,062,900	1,062,900	100%	100%
Oropa Technologies Pty Ltd (incorporated in Australia)	Ordinary	1	1	100%	100%
Oropa Indian Resources Pty Limited (incorporated in Australia)	Ordinary	1	1	100%	100%
Oropa Exploration Pty Limited (incorporated in Australia)	Ordinary	1	1	100%	100%
Aberfoyle Pungkut Investments Pte Ltd ^(a) (incorporated in Singapore)	Ordinary	697,537	697,537	100%	100%
PT Sorikmas Mining ^(b) (incorporated in Indonesia)		-	-	75%	75%
		<u>2,344,382</u>	<u>2,344,382</u>		

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

20. INVESTMENT IN CONTROLLED ENTITIES (continued)

- (a) When Sihayo Gold Limited issued 9,259,259 shares as consideration for exercising the option to acquire 100% of the shares in Aberfoyle Pungkut Indonesia Pte Ltd, it was assigned the vendors receivables from Aberfoyle Pungkut Investments Pte Ltd and PT Sorikmas Mining. This reduced the cost of the investment in Aberfoyle Pungkut Investments Pte Ltd.
- (b) Aberfoyle Pungkut Investments Pte Ltd holds a 75% interest in PT Sorikmas Mining, with an Indonesian Government mining company PT Aneka Tambang holding the remaining 25%. The outside equity interest in PT Sorikmas Mining equates to 25% of the nets assets of PT Sorikmas Mining of USD \$23,611,311 being AUD \$7,938,406 as at 30 June 2016 (2015: AUD \$6,143,379).

21. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated	
	2016	2015
	\$	\$
	<hr/>	<hr/>
Cash at Bank	27,720	41,004
	<hr/>	<hr/>

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows cash includes cash and cash equivalents on hand and at call deposits with banks, and investments in money market instruments net of outstanding bank overdrafts. It includes \$25,365 held in trust.

(b) Reconciliation of operating loss after income tax to net cash flow from operating activities

	Consolidated	
	2016	2015
	\$	\$
	<hr/>	<hr/>
Operating (loss) after income tax	(2,542,637)	(6,610,979)
<u>Non Cash Items</u>		
Depreciation	145,078	224,859
Share based payments	-	17,828
Diminution in investments	-	8,550
Loss on Derivative Valuation	-	292,784
Convertible note finance charge	483,085	194,212
Provision of impairment for VAT receivables	-	3,228,165

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

21. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	Consolidated	
	2016	2015
	\$	\$
<u>Change in operating assets and liabilities:</u>		
(Increase) / decrease in trade and other receivables	103,377	(85,438)
Increase in payables	258,864	1,841,970
Increase / (decrease) in provisions	(46,514)	83,888
Increase in inventory	816	1,777
Movement allocated to non-controlling interest	-	(2,338,905)
Increase / (decrease) in FX	-	176,494
	<hr/>	<hr/>
Net cash (outflow) from operating activities	(1,597,931)	(2,964,795)
	<hr/> <hr/>	<hr/> <hr/>

22. EARNINGS PER SHARE

	Consolidated Entity	
	2016	2015
	<hr/>	<hr/>
(a) Basic and diluted loss per share (in cents)	(0.07)	(0.47)
(b) Weighted average number of shares outstanding during the year used in the calculation of basic earnings per share	1,126,408,347	1,082,074,042

As the company made a loss for the year, diluted earnings per share is the same as basic earnings per share.

23. FINANCIAL INSTRUMENTS

Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Company approximates their carrying value. The Group and the parent hold the following financial instruments:

	Consolidated	
	2016	2015
	\$	\$
	<hr/>	<hr/>
Financial Assets		
Cash and cash equivalents	27,720	41,004
Trade and other receivables	290,042	363,419
Other financial assets	-	-
Security deposits	41,071	39,865
	<hr/>	<hr/>
Total Financial Assets	358,833	444,288
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

23. FINANCIAL INSTRUMENTS (continued)

	Consolidated	
	2016	2015
	\$	\$
Financial Liabilities		
Trade and other payables	645,898	474,968
Loan Payable	536,985	274,325
Convertible notes & Derivatives	3,677,678	1,894,771
Other liabilities	57,920	59,610
	<u>4,918,481</u>	<u>2,703,674</u>

Credit Risk

The Company's maximum exposure to credit risk at the reporting date was as detailed below:

	Consolidated	
	2016	2015
	\$	\$
Financial Assets		
Cash and cash equivalents	27,720	41,004
Trade and other receivables	290,042	363,419
Other financial assets	-	-
Security deposits	41,071	39,865
Total Financial Assets	<u>358,833</u>	<u>444,288</u>

Impairment Losses

At 30 June 2016, no impairment was made in relation to VAT receivables (2015: 3,228,165). The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered by the economic entity.

Foreign currency risk management

The consolidated entity and company undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Sihayo Gold Limited has opened a US Bank Account to manage exchange rate fluctuations.

The carrying amount of the consolidated entity's foreign currency denominated assets and liabilities at the reporting date in Australian dollars is as follows:

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2016

23. FINANCIAL INSTRUMENTS (continued)

	Liabilities		Assets	
	2016 \$	2015 \$	2016 \$	2015 \$
Australian Dollars	269,526	206,466	291,139	365,490

The table below details financial assets and liabilities of the consolidated entity exposed to foreign currency risk.

	Consolidated	
	2016 \$	2015 \$
Cash and cash equivalents		
SGD	67	717
USD	1,357	5,346
Trade and other payables		
SGD	5,000	5,000
USD	196,707	154,463

Sensitivity Analysis

The table below summarises the impact of a 10 percent weakening/strengthening of the Australian dollar against the US dollar and the Singaporean dollar in the movement of the financial assets and liabilities listed in the previous table.

Impact on post-tax profit and accumulated losses	AUD	Consolidated	
		2016 \$	2015 \$
AUD / USD	+10%	231,774	56,544
AUD / USD	-10%	(239,547)	(56,741)
SGD / USD	+10%	(317)	(316)
SGD / USD	-10%	637	512

Impact on equity reserve only	AUD	Consolidated	
		2016	2015
USD	+10%	231,774	56,544
USD	-10%	(239,547)	(56,741)
SGD	+10%	(317)	(316)
SGD	-10%	637	512

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

24. EVENTS OCCURRING AFTER REPORTING DATE

The company announced a fully underwritten Non Renounceable Entitlement Issue on 9 June 2016 of 2 shares for every 5 shares held at an issue price of \$0.01 to raise up to \$4,503,873. The purpose of the issue was to repay existing debt, fund a feasibility study optimisation and provide for working capital.

The issue was closed on 29 June 2016 raising \$885,778 million for which the 88,577,819 shares were issued on 12 July 2016. On 8 September 2016, the company announced that the shortfall shares from the rights issue have been allocated as following:

	No of shares
Provident Minerals (Underwriter)	307,404,5941
HSBC Custody Nominees	50,000,000
Other Shareholders	4,150,000
Total Shortfall Shares Allocated	361,554,591

As of 28 September 2016, all borrowings outstanding as of 30 June 2016 were repaid.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

25. SEGMENT INFORMATION

Primary reporting – geographical segments

The geographical segments of the consolidated entity are as follows:

Revenue by geographical region

Revenue attributable to the Group disclosed below, based on where the revenue is generated from:

	30 June 2016	30 June 2015
	\$	\$
Australia	767	1,844
Africa	-	-
South East Asia	-	-
India	-	-
Other foreign countries	-	-
Total revenue	<u>767</u>	<u>1,844</u>

Segment result by geographical region

	30 June 2016	30 June 2015
	\$	\$
Australia	(811,632)	(782,698)
Africa	(742)	(767)
South East Asia	(1,730,709)	(5,829,041)
India	(321)	(317)
Total Expenses	<u>(2,543,404)</u>	<u>(6,612,823)</u>
Segment Result	<u>(2,542,637)</u>	<u>(6,610,979)</u>

Assets by geographical region

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

	30 June 2016	30 June 2015
	\$	\$
Australia	149,433	163,410
Africa	21,650	21,832
South East Asia	13,587,331	17,165,107
India	2	2
Total Assets	<u>13,758,416</u>	<u>17,350,351</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2016

25. SEGMENT INFORMATION (continued)

Liabilities by geographical region

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

	30 June 2016	30 June 2015
	\$	\$
Australia	4,647,634	2,497,205
Africa	-	-
South East Asia	723,298	705,434
India	-	-
Total Liabilities	5,370,932	3,202,639

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

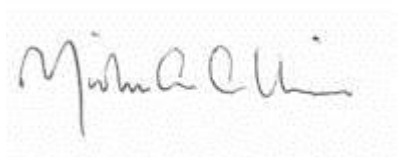
In accordance with a resolution of the directors of Sihayo Gold Limited, I state that:

1. In the opinion of the directors:

- (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

On behalf of the Board



Misha Collins
Chairman

30 September 2016

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

Report on the Financial Report

We have audited the accompanying financial report of Sihayo Gold Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Sihayo Gold Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Statement of Emphasis on the Matter of Uncertainty Regarding Going Concern and the carrying value of Mining Exploration and Evaluation Expenditure

Without qualification to the opinion expressed above, attention is drawn to the following matters:

- i) As referred to in note 1(a), the financial statements have been prepared on a going concern basis. At 30 June 2016, the consolidated entity had cash and cash equivalents of \$27,720 and incurred a loss after income tax for the year of \$2,542,637. The ability of the consolidated entity to continue as a going concern is dependent upon the consolidated entity raising further capital and/or commencing profitable operations. In the event that the consolidated entity is not successful in raising further capital and/or commencing profitable operations, the company and its subsidiaries may not be able to continue as going concerns and meet their obligations as and when they fall due.
- ii) As referred to in note 7(a) (ii) at 30 June 2016, the consolidated entity had capitalised Mining Exploration and Evaluation Expenditure of \$13,254,246. 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.

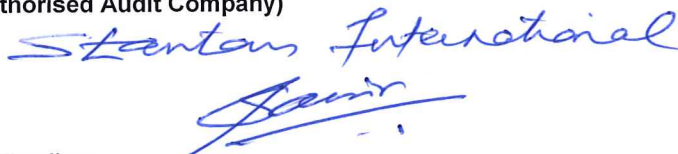
Report on the Remuneration Report

We have audited the remuneration report included in pages 26 to 29 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion

In our opinion the remuneration report of Sihayo Gold Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

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



Samir Tirodkar
Director

West Perth, Western Australia
30 September 2016

ADDITIONAL SHAREHOLDER INFORMATION

The following additional information dated 14 September 2016 is provided in compliance with the requirements of the Australian Securities Exchange Limited.

1 DISTRIBUTION OF LISTED ORDINARY SHARES AND OPTIONS

(a) Analysis of numbers of shareholders by size of holding.

Distribution	No. of shareholders	Units	% off issued Capital
1-1000	113	28,803	0.00%
1,001-5,000	77	197,195	0.01%
5,001-10,000	46	365,699	0.02%
10,001-100,000	249	12,211,756	0.77%
100,001 and above	212	1,573,621,152	99.19%
Total	697	1,586,424,605	100.00%

(b) There were 190 shareholders holding less than a marketable parcel.

(c) The percentage of the total of the twenty largest holders of ordinary shares was

2 TWENTY LARGEST SHAREHOLDERS AND OPTION HOLDERS

Names	No. Of shares	%
PROVIDENT MINERALS PTE	511,602,996	32.25%
PT SARATOGA INVESTAMA	175,778,027	11.08%
HSBC CUSTODY NOM AUST	157,396,520	9.92%
NATIONAL NOM LTD	116,060,838	7.32%
LION SELECTION GRP LTD	46,616,412	2.94%
CITICORP NOM PL	45,019,695	2.84%
GOLDSTAR ASIA MINING	41,030,239	2.59%
INSIGHT CAP MGNT PL	32,336,655	2.04%
DBS VICKERS SEC SINGAPORE	32,029,716	2.02%
FATS PL	31,875,000	2.01%
YAW CHEE SIEW	31,515,151	1.99%
NATIONAL NOM LTD	31,465,983	1.98%
ASIA LION LTD	30,122,242	1.90%
SEDAYA PT SARATOGA I	28,420,378	1.79%
JP MORGAN NOM AUST LTD	24,422,321	1.54%
LEONG CAROLINE	15,096,845	0.95%
PETTERSSON BRADLEY JOHN	15,000,000	0.95%
PT TEKNOLOGI Riset GLOBAL	14,545,455	0.92%
BUTLER DAVID ROBERT	13,339,499	0.84%
BJARNASON JON NICOLAI H	9,800,000	0.62%
Total	1,403,473,972	88.49%

ADDITIONAL SHAREHOLDER INFORMATION

3 SUBSTANTIAL SHAREHOLDERS

An extract from the Company's register of substantial shareholders is set out below:

Ordinary Shares Held Name	Number	Percentage
Provident Minerals Pte Ltd	511,602,996	32.25%
PT Saratoga Investama	175,778,027	11.08%
HSBC Custody Nom Aust Ltd	157,396,520	9.92%
National Nom Ltd	116,060,838	7.32%

4 VOTING RIGHTS

The Company's share capital is of one class with the following voting rights:

(a) Ordinary Shares

On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

The Company's options have no voting rights.

5 RESTRICTED SECURITIES

There are no ordinary shares on issue that have been classified by the Australian Securities Exchange Limited, Perth as restricted securities.

6 SECURITIES EXCHANGE LISTING

Sihayo Gold Limited shares are listed on the Australian Securities Exchange Limited. The home exchange is the Australian Securities Exchange (Perth) Limited.

SUMMARY OF TENEMENTS HELD BY THE GROUP

FOR THE YEAR ENDED 30 JUNE 2016

Project Name	Tenement Date	Approval Date	Expiry	Area	Equity %
OROPA INDIAN RESOURCES INDIA					
Block D-7		22.01.00	N/A	4,600km ²	9 ⁽¹⁾
PT SORIKMAS MINING INDONESIA					
Pungkut	96PK0042	31.05.96	N/A	66,200ha	75
SIHAYO GOLD LIMITED WESTERN AUSTRALIA					
Mt. Keith	M53/490	11.06.04	10.06.25	582ha	0 ⁽²⁾
	M53/491	11.06.04	10.06.25	621ha	0 ⁽²⁾
EXCELSIOR RESOURCES PTY LTD					
Mulgabbie	ML28/364	25.03.09	24.03.30	54.3ha	0 ⁽²⁾
PL28/1078	22.09.08	21.09.12		98.0ha	0 ⁽²⁾
PL28/1079	22.09.08	21.09.12		143.7ha	0 ⁽²⁾
PL28/1080	22.09.08	21.09.12		140.7ha	0 ⁽²⁾
PL28/1081	22.09.08	21.09.12		191.4ha	0 ⁽²⁾
PL28/1082	22.09.08	21.09.12		120.0ha	0 ⁽²⁾
Gullewa	M59/394				200.0

NOTES

- ⁽¹⁾ Option to increase interest to 18%
- ⁽²⁾ 2% net smelter royalty