



## **OPERATIONS UPDATE - 10 October 2016**

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

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

With this backdrop, the company has initiated a re-assessment of the 2012 feasibility study, with a particular focus on areas of opportunity and risk reduction.

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

The specific areas of work initiated include:

1. Independent review of the 2012 feasibility study to identify broad areas of potential for economic improvement and/or risk reduction.
2. Metallurgical test work to investigate the potential for additional processing to improve the recovery of difficult ore types. Directors note the 2012 feasibility study identified a large number of metallurgical composites within the JORC resource, some of which delivered low metallurgical recovery. Within the existing resource model, there is in excess of 4 million tonnes of material grading +3.7g/t that has been allocated an average recovery of only 52%. Given the substantial in ground value of this material, an improvement in assumed recovery offers potential for significant incremental revenue to the project. Metallurgical test work is being completed at Australian Minmet Metallurgical Laboratories Pty Ltd (AMML), Sydney. This is the same lab which undertook the original feasibility study work.
3. Independent geometallurgical review and modelling to marry together the existing geological and geostatistical model with the original structural geology model.
4. Updates and refresh to assumed operating and capital cost assumptions for current market conditions.

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

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

Yours faithfully,

**SIHAYO GOLD LIMITED**

**Stuart Gula**

Chief Executive Officer and Managing Director

10 October 2016

*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.*