



## AGM – Chairman’s Address 27 November 2014

The past twelve months has been one of the most challenging on record for the gold equity sector. Despite buoyant conditions for the broader equity market, the gold sector has been strongly out of favour with share prices suffering some dramatic downward moves and valuations across the sector being highly depressed. In many cases, investors have simply ceased to support the businesses of gold exploration and development.

The following chart of the Barrons Gold Mines index (data from Sharelynx) demonstrates just how severe the present downturn is in the context of history. For the gold sector, the recent downturn has been worse than that in the recent financial crisis and comparable to the downturn after gold made its major price top in 1980 after the boom of the 1970s.



Whilst the Sihayo Gold share price has suffered in a similar fashion to other comparable gold businesses, we are very fortunate to have had ongoing financial support and funding from our key substantial shareholders. We are particularly thankful for this support as it is likely our operations and progress would have suffered without it.

As a board and in conjunction with our major shareholders, we have determined that the fairest and most transparent manner to conduct ongoing equity raisings is via rights issues. This allows all shareholders an opportunity to participate. It also ensures we are not placing stock on a selective

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basis to investors or major shareholders at depressed share prices thereby unfairly diluting smaller shareholders.

From an operational perspective, the last twelve months has seen limited operational activity levels as we have sought to reduce cost, with our key focus being to deliver various development and environmental approvals required to take the project into production.

We have successfully reduced our cost base, subject of course to the need to complete some “on-ground” activity and ensure our assets are protected from illegal mining activity.

Whilst the limited activity may frustrate some shareholders, success in the approvals and permitting efforts are crucial, primarily to maintain the Contract of Work in ‘good standing’ and secondly in order to push the project into production.

The success of our permitting will also create a key milestone for the project that has potential to be seen by institutional investors and financiers as a value creating and share price re-rating event. We are targeting the first half of calendar 2015 for completion of the major permitting and approvals process with progress to date being encouraging and no major roadblocks having been experienced.

Our efforts to reduce power costs for the Sihayo-Pungkut project are bearing fruit, with our view now being that securing low cost power from the state owned PLN is a matter of timing rather than “if”. The implications of lower cost power on the project are particularly significant, with a 50% power reduction delivering a \$110/oz reduction in cash costs.

Preliminary discussions with potential financiers have been undertaken and feedback to date is that our project is financeable once we are in receipt of project and government approvals. Early engagement is important to allow us to identify technical issues the banking community may have and ensure they are familiar with the project and people so can undertake prompt and efficient due diligence when the appropriate time comes.

In conclusion, despite extremely difficult prevailing market conditions, there is genuine reason for some optimism for the next year. Negative cyclical conditions for gold are extreme and the Sihayo-Pungkut project is being positioned to benefit substantially from any improvement in gold prices. With recent permitting and approvals progress the path to cash flows is in sight and this should ultimately be reflected with an improvement in our share price.

On behalf of all directors of the Company I would like to thank all our employees and contractors for their efforts over the past year under some trying conditions. I would also like to thank our shareholders for their continued support and provide my assurance we are working to deliver our owners a financial return.

Yours faithfully,

**SIHAYO GOLD LIMITED**

Misha Anthony Collins  
**Chairman**

27<sup>th</sup> November 2014