



Favourable Early Metallurgical Testing Results

As highlighted by the Chairman in the 2015 Annual Report, there remain opportunities for optimising metallurgical recovery in 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 very low recoveries (low 50% range) as detailed in the 2014 Feasibility Study. This material is significant in Stage 2 of the proposed project as outlined in the feasibility study.

The Company had not yet explored in detail alternative processing of this high grade/low recovery material. As such, with the goal of materially improving the value of the project, the Company initiated a metallurgical review and test work program to investigate the potential to improve recoveries with whole of ore pre-treatment and other processing options.

The test work is being undertaken at AAML in Gosford. This work initially involved re-testing composites with cyanide to set a benchmark or baseline recovery, in order to compare the effect of various ore pre-treatment options. Cyanide leaching was then completed using both conventional cyanide leaching (CIL) and cyanide leaching with carbon in pulp (CIP).

Results from the CIL showed similar recoveries to original test work completed for the feasibility study. **However, CIP showed higher recoveries than CIL on the Stage 2 composites tested. The two Stage 2 composites tested using CIP showed an average 10% increase in gold recovered as compared to CIL. These composites represent approximately 50% of total ounces contained in Stage 2.**

CIP leaching is an inexpensive and well understood process, so the improvements already seen have very encouraging implications for the Sihayo-Pungkut project economics.

Further work will now be undertaken to better understand the mechanism of recovery improvement and to investigate further opportunities for enhancement. This work will proceed in conjunction with the existing pre-treatment test work program.

Further market updates will be made as required.

Yours faithfully,

SIHAYO GOLD LIMITED

Stuart Gula

Managing Director

26th October 2016

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