

# 2018 Annual General Meeting Chairman's Address

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Dear Fellow Shareholders,

The past twelve months has been characterised by Sihayo Gold conducting ongoing feasibility work into the development and economics of the Sihayo Pungkut Gold Project. This work culminated with the recently released updated feasibility study into the development of our project.

The new study was defined by some fundamental assumptions regarding increased throughput, size of the processing facility, mine design and scheduling changes and differences in tailings disposal methodology.

The new approach, information and technical data gained from the work undertaken is very valuable and continues to increase our body of knowledge and overall understanding of the key factors that will drive the best approach into the development of the Sihayo-Pungkut Project. However, it is still evident, even after all this work, that further room for optimisation and upside of project returns remains available to be outlined and proven.

This work together with permitting and other statutory approvals required to the existing government licenses is the key task of acting CEO Tim Adams. The trade-offs and potential benefits of re-starting an exploration program at Sihayo-Pungkut (subject to financing and statutory approvals) has also been discussed by the board.

I understand shareholders will feel frustrated at the protracted period of feasibility and optimisation work and want to see the company move forward faster. Whilst I acknowledge these issues, I want to emphasise the importance of getting the Sihayo-Pungkut project right and as fully de-risked as possible, with the strongest financial returns in order to attract potential lenders. Our project is complex from a geology, metallurgy, topographical and seismic perspective. These issues make an already risky and complicated development decision much more difficult than an average gold project.

Taking the time to ensure the Sihayo-Pungkut project can be financed and developed successfully and profitably for the benefit of shareholders, the local community, our local JV partner and the Indonesian Government is very important. Cutting corners and rushing or moving forward prematurely nearly always leads to adverse outcomes in the gold industry. The Board strongly believes we cannot proceed without getting the project right and doing all the necessary work, even though that means frustrating delays and additional costs.

I continue to believe the Sihayo-Pungkut project will be a profitable and attractive gold mine and that the exploration potential of the broader contract of work represents an exceptional option for future growth and discovery of further gold bearing mineralisation.

In terms of financing the ongoing work and holding costs, I wish to again thank our shareholders for their support, and more particularly our major shareholders. Sihayo Gold has been criticised for not spending



more money on marketing and engagement with the usual financing channels for a listed company and instead chosen underwritten rights issues to our shareholders as a primary means of funding. However, we have remained financed and stayed in business during a very difficult time for the gold exploration and development business, with very poor sentiment, further exacerbated by questions of risk related to our project domicile. Without the support of our major shareholder, our costs of financing and subsequent shareholder dilution would be much worse than it has been in my opinion.

Despite the delays and challenges in defining the best way forward to develop the Sihayo-Pungkut project, I strongly believe that with the right work and a little patience, the future is bright and shareholders will be well rewarded for their patience.

Yours sincerely,

Misha Anthony Collins  
Chairman  
Sihayo Gold Limited