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SIHAYO GOLD LIMITED

ACN 009 241 374

**HALF YEAR FINANCIAL STATEMENTS
31 DECEMBER 2019**

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374

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SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Your directors present their report on the consolidated entity consisting of Sihayo Gold Limited ("Sihayo Gold" or "the Company") (ASX: SIH) and the entities it controlled at the end of, or during the half-year ended 31 December 2019.

The following persons were directors and Chief Executive Officer of Sihayo Gold during the whole of the half-year and up to the date of this report:

Directors

Misha Collins
Gavin Caudle
Stuart Leslie Gula
Daniel Nolan

Chief Executive Officer

Timothy Adams (resigned on 31 July 2019)
George Lloyd (appointed on 1 August 2019)

RESULT

The net operating loss for the half-year ended 31 December 2019 was \$1,791,980 and for the half-year ended 31 December 2018 the loss was \$845,005.

REVIEW OF OPERATIONS

The Company owns a 75% interest in PT Sorikmas Mining ("Sorikmas") (together the "Group") which in turn holds the Sihayo-Pungkut 7th Generation Contract of Work ("CoW"). PT Aneka Tambang Tbk ("Antam") is the Company's joint venture partner in the CoW with a 25% interest.

The CoW is located in North Sumatra in the Republic of Indonesia and is approximately three and a half hours drive south from the Martabe Gold Mine. The CoW area is deemed to be highly prospective for gold, silver and copper mineralisation. In addition to the Sihayo project, 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 across the CoW area. The Sihayo Gold Project ("Sihayo") is the most advanced project within the CoW.

The Company also holds non-operating and royalty interests detailed below.

Sihayo Pungkut CoW

The CoW is located in Mandailing Natal, North Sumatra, Indonesia. This coincides with the geologically prolific Trans Sumatra Fault Zone ("TSFZ") and the associated Neogene Magmatic Arc, which is the result of an oblique collision of two tectonic plates and associated subduction. The TSFZ hosts a number of significant gold projects including the Martabe project located approximately 50 kilometres northwest of the CoW.

Figure 1: Significant mineral deposits along the Trans Sumatra Fault Zone



The CoW hosts 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. The Company's approach to unlocking the value within the broader CoW is discussed below in Regional Exploration.

Sihayo Gold Project

The Sihayo deposit occurs at the top of a hill on the edge of a major dilational pull apart basin. The Sihayo deposit is situated within a sedimentary package consisting of Permian aged calcareous sediments and volcanoclastics, which are unconformably overlain by shallow basin origin Tertiary sandstones and siltstones. The Sihayo deposit gold mineralisation is categorised as Sedimentary Rock Hosted Disseminated Gold Deposit type.

The Sihayo infill diamond drilling program was completed in late December 2019 - the first drill program since 2013. A total of 7,337.5m in 74 holes were completed over the half year to 31 December 2019. A comprehensive assaying program tested for gold grade and recoveries. Additional assaying was conducted for carbon, total sulphur and sulphide sulphur. The exploration team also completed detailed core logging of the infill holes and geological interpretation of the drill logs.

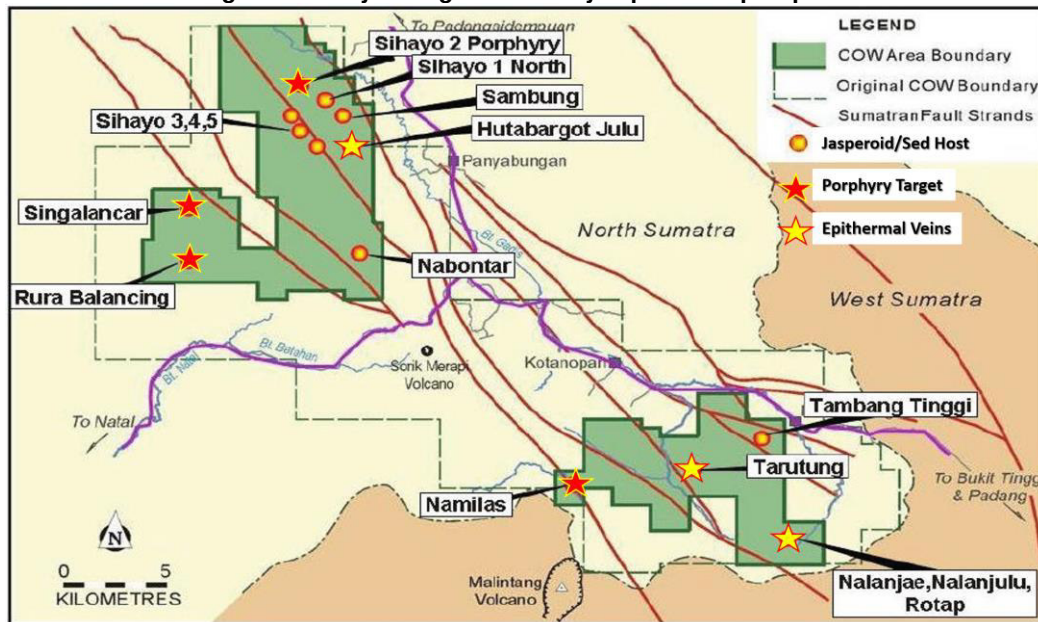
The primary objective of this program was to strengthen the Sihayo geological model and resource classification. A revised Sihayo resource estimate is expected to be completed early in 2020.

Shallow diamond drilling to support geotechnical site investigations for sterilisation, mine planning, processing and tailings storage facility was conducted over the half year to 31 December 2019. This included 325m in 17 holes in new lower location for a TSF storage facility area.

Regional Exploration

There is potential to discover additional gold resources within a 5km radius of the Sihayo mine area where multiple gold prospects have been identified in historic exploration work. These prospects have received limited follow-up exploration and no drill testing in many cases.

Figure 2: Sihayo Pungkut CoW key exploration prospects



Key examples include:

- Mineralised extensions along NW-SE strike of Sihayo:
Arsenic soil anomalies and associated jasperoid boulder float are recorded immediately northwest and southeast of the Sihayo gold deposit, where there has been only limited drill testing.
- Sihayo 3 & 4 gold prospects:
Mineralised jasperoid float boulders and outcrops have been found at the Sihayo 3 and 4 prospects about 3km SW of Sihayo, assaying up to 4 g/t and 16 g/t gold respectively in grab samples.
- Sihayo 2 copper porphyry prospect:
There is porphyry copper potential at Sihayo 2 prospect about 3km NW of Sihayo, where malachite-stained quartz-sulphide stockwork found in a diorite intrusion outcrop returned up to 3% copper in previous grab samples.

A program of re-mapping and surface geochemical sampling of prospects located closest to Sihayo has commenced with initial results to be reported following the March 2020 quarter.

Permitting and Approvals

The status of the COW is now in the third year of construction and the Company expects to commence construction within the permitted three-year period, providing funding of the project is successful. The three key Indonesian Government approvals, Feasibility Study, AMDAL (Environmental) and Forestry are complete, however it is expected amendments to these will be reflecting changes resulting from the revised Feasibility Study.

The Group has been preparing for major project permit applications in parallel with the technical studies described above. The first step in this process is the approval of an amended Indonesian language feasibility study by the Direktorat Jenderal Mineral dan Batubara. This will be followed by amendments to the existing environmental (“Amdal”) and operating permits. A number of studies have begun, such as baseline water, flora and fauna sampling and the condition of the affected community in the enlarged Project area. The preferred TSF location will require an amendment to the previous approvals and will require separate approvals the construction of dams.

The Group continues to advance its permit application to undertake exploration drilling at the Hutabargot Julu gold target. Although located within protected forest (“hutan lindung”) the Project has been included in the 13 mining companies that are permitted to conduct mining within the CoW area. Documents for the forestry exploration permit (“IPPKH Explorasi”) outside the Sihayo project area were submitted to the Ministry of Forestry in September 2019. The process is expected to be completed early in 2020.

Corporate Social Responsibility (CSR) Programmes

The Company sustains a strong focus on proactive community relations in all aspects of its operations will be an integral part of any project development activities. The Company is committed to protecting the CoW area and regional environment and to operate in accordance with Indonesian safety, health and environmental standards and practices as a minimum standard. The current drilling program has provided an opportunity to re-engage with the local communities by providing short term employment opportunities. The increased activity is also providing opportunities to local businesses supplying food and other supplies.

Placement and Rights Issue

Shareholders approved a selective capital reduction to implement the corrective measures recommended by the ASX following the non- renounceable rights issue announced in early 2019 and a private placement of 192,094,232 shares to Provident Minerals Pte Ltd (“Provident Placement”) at a General Meeting held on 29 November 2019. The Provident Placement raised \$2,881,413 of new capital substantially replacing the funds utilised for the Buy-Back.

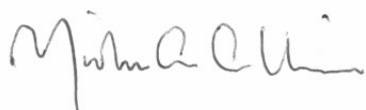
Other Projects

- 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24.

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



Misha Collins
Chairman

13th March 2020

Competent Persons Statements

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.

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 Tony Mcdougall, who is the Principal Geologist at PT Sorikmas Mining. Mr Mcdougall 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' (CP JORC). Mr Mcdougall is a Member of MAusIMM and a full-time employee of PT Sorikmas Mining. Mr Mcdougall 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.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Notes	31.12.2019 \$	31.12.2018 \$
Employee expense		(248,675)	(351,312)
External consultancy expenses		(242,874)	(111,769)
Permit and license		(193,534)	(185,608)
Directors' fees		(115,286)	(131,804)
Corporate secretarial expenses		(38,868)	(20,116)
Travel and entertainment		(28,888)	(26,792)
Insurance expenses		(12,625)	(9,415)
Depreciation	3	(4,872)	(5,881)
Rental expense		(1,146)	(573)
Indirect taxes and penalties	11	(594,887)	(5,061)
Finance costs		(282,408)	(138,515)
Foreign exchange gain		844	146,154
Other expenses		(28,761)	(4,313)
Loss before income tax		(1,791,980)	(845,005)
Income tax expense		-	-
Loss after income tax		(1,791,980)	(845,005)
Other comprehensive income:			
Items that may be classified to profit or loss:			
Exchange differences on translation of foreign operations		12,223	465,056
Total comprehensive loss		(1,779,757)	(379,949)
Loss after income tax attributable to:			
Member of Sihayo Gold Limited		(1,507,683)	(721,528)
Non-controlling interest		(284,297)	(123,477)
		(1,791,980)	(845,005)
Total comprehensive (loss)/income after income tax attributable to:			
Member of Sihayo Gold Limited		(1,512,012)	617,327
Non-controlling interest		(267,745)	(997,276)
		(1,779,757)	(379,949)
Basic loss per share in cents		(0.07)	(0.04)

**Diluted earnings per share is not disclosed as this would not reflect an inferior position.*

**The balance of other expenses does not agree to prior year interim submitted on ASX due to reclassification legal cost from to other expenses.*

The accompanying notes form part of these financial statements.

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SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31.12.2019 \$	30.06.2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,298,727	6,256,548
Other receivables		203,176	361,314
TOTAL CURRENT ASSETS		1,501,903	6,617,862
NON-CURRENT ASSETS			
Other receivables		2,919,013	2,653,626
Capitalised exploration costs	9	20,946,848	15,828,431
Property, plant and equipment		100,038	95,759
Claims for tax refund	11	-	554,523
Other assets		160	171
TOTAL NON-CURRENT ASSETS		23,966,059	19,132,510
TOTAL ASSETS		25,467,962	25,750,372
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		4,179,213	5,437,180
Borrowings	10	5,242,902	5,243,829
Other liabilities		57,225	57,249
TOTAL CURRENT LIABILITIES		9,479,340	10,738,258
NON-CURRENT LIABILITIES			
Provisions		615,177	615,325
TOTAL NON-CURRENT LIABILITIES		615,177	615,325
TOTAL LIABILITIES		10,094,517	11,353,583
NET ASSETS		15,373,445	14,396,789
EQUITY			
Issued and fully paid-up capital	6	115,604,238	112,847,825
Reserves		16,671,087	16,675,416
Accumulated losses		(94,593,606)	(93,085,923)
Total parent entity interest		37,681,719	36,437,318
Non-controlling interest in controlled entities		(22,308,274)	(22,040,529)
TOTAL EQUITY		15,373,445	14,396,789

The accompanying notes form part of these financial statements.

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SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Share capital \$	Options reserve \$	FX reserve \$	Accumulated losses \$	Parent total \$	Non- controlling interest \$	Total \$
Balance at 1.7.18	109,269,211	2,380,395	12,802,709	(91,369,369)	33,082,946	(20,795,471)	12,287,475
Total loss for the period	-	-	-	(721,528)	(721,528)	(123,477)	(845,005)
<u>Other comprehensive (loss)/income:</u>							
Movement in foreign currency	-	-	1,338,855	-	1,338,855	(873,799)	465,056
Total comprehensive (loss)/income	-	-	1,338,855	(721,528)	617,327	(997,276)	(379,949)
Balance at 31.12.18	109,269,211	2,380,395	14,141,564	(92,090,897)	33,700,273	(21,792,747)	11,907,526
Balance at 1.7.19	112,847,825	2,380,395	14,295,021	(93,085,923)	36,437,318	(22,040,529)	14,396,789
Total loss for the period	-	-	-	(1,507,683)	(1,507,683)	(284,297)	(1,791,980)
<u>Other comprehensive (loss)/income:</u>							
Movement in foreign currency translation reserve	-	-	(4,329)	-	(4,329)	16,552	12,223
Total comprehensive loss	-	-	(4,329)	(1,507,683)	(1,512,012)	(267,745)	(1,779,757)
Issue of shares (net of capital raising costs)	2,756,413	-	-	-	2,756,413	-	2,756,413
Balance at 31.12.19	115,604,238	2,380,395	14,290,692	(94,593,606)	37,681,719	(22,308,274)	15,373,445

The accompanying notes form part of these financial statements.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Notes	31.12.2019 \$	31.12.2018 \$
Cash flows from operating activities			
Payment to suppliers and employees		(1,405,589)	(1,795,620)
Payment of claim for tax refund	11	<u>(17,510)</u>	<u>(550,808)</u>
Net cash used in operating activities		<u>(1,423,099)</u>	<u>(2,346,428)</u>
Cash flows from investing activities			
Payment for addition of mineral exploration and evaluation expenditure		(3,046,267)	-
Payment for addition of property, plant and equipment		<u>(9,064)</u>	<u>-</u>
Net cash used in investing activities		<u>(3,055,331)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from borrowings		-	2,485,440
Payment for buyback shares		(419,459)	-
Share issuance cost		<u>(50,146)</u>	<u>-</u>
Net cash (used in)/provided by financing activities		<u>(469,605)</u>	<u>2,485,440</u>
Net (decrease)/increase in cash and cash equivalents		(4,948,035)	139,012
Cash and cash equivalents at the beginning of the reporting period		6,256,548	116,210
Effects of exchange rate changes on cash and cash equivalents		<u>(9,786)</u>	<u>1,989</u>
Cash and cash equivalents at the end of the reporting period	7	<u><u>1,298,727</u></u>	<u><u>257,211</u></u>

The accompanying notes form part of these financial statements.

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SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

Sihayo Gold Limited ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated half year financial statements of the consolidated entity as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries, together referred to as the "Group".

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2019 is available upon request from the Company's registered office at C-/ McCullough Robertson 11/66 Eagle St, Brisbane 4000 or at www.sihayogold.com.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose of interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Sihayo Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 13th March 2020.

(b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(e) and 1(f) below.

(c) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Sihayo Gold Limited) and all of the subsidiaries (including any structured entities). 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.

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.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
ACN 009 241 374
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation (continued)

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 profit or loss and comprehensive income.

(d) Going concern

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

However, the ability of the Group to actively explore and continue as a going concern, and to meet their debts and commitments as they fall due, is dependent upon funding by way of additional shareholder loans and equity capital raising.

The Directors are confident that major shareholders (set out on Note 10) will provide continued support in absence of any further capital raising and, accordingly, have prepared the financial statements on a going concern basis.

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 31 December 2019. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amount or the amount and classification of liabilities that might be necessary, should the Company not continue as a going concern.

In the event that the Group is unable to obtain loans from shareholders or raise capital, and/or commencing profitable operations, the Group may not be able to meet its liabilities as and when they fall due, and the realisable value of the Group's current and non-current assets may be significantly less than book values.

(e) New and amended standards adopted by the Group

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following standard:

- AASB 16: Leases

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 1(f) below.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(f) Changes in accounting policies

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

As a result of the changes in Group's accounting policies, prior year financial statements were required to be restated. However, the Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019.

i. Leases

The Group as lessee

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(f) Changes in accounting policies (continued)

ii. Initial Application of AASB 16: Leases

The Group has assessed all lease arrangements in place during the period ended 31 December 2019 and determined that all leases are not material and therefore have not brought to accounts the right of use assets and corresponding lease liabilities.

3. OPERATING LOSS

	31.12.2019	31.12.2018
	\$	\$
Operating loss from ordinary activities before income tax has been determined after:		
(a) Charging as expense:		
Depreciation	4,872	5,881

4. SEGMENT INFORMATION

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position. The Group operates only in the exploration industry, both in Australia and overseas

Primary reporting – geographical segments

The geographical segments of the Group are as follows:

Segment result by geographical region

	31.12.2019	31.12.2018
	\$	\$
South East Asia	(1,124,362)	(493,907)
Australia	(667,540)	(350,942)
Africa	(78)	(156)
Total	(1,791,980)	(845,005)

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

4. SEGMENT INFORMATION (CONTINUED)

Assets by geographical region

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

	31.12.2019	30.06.2019
	\$	\$
South East Asia	24,129,227	19,618,929
Australia	1,317,629	6,110,260
Africa	21,104	21,181
India	2	2
Total assets	<u>25,467,962</u>	<u>25,750,372</u>

Liabilities by geographical region

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

	31.12.2019	30.06.2019
	\$	\$
South East Asia	(3,280,018)	(1,628,453)
Australia	(6,814,499)	(9,725,130)
Total liabilities	<u>(10,094,517)</u>	<u>(11,353,583)</u>
Net assets	<u>15,373,445</u>	<u>14,396,789</u>

5. CONTINGENCIES & COMMITMENTS

There has been no change in contingent liabilities and commitments since the previous annual reporting date, except for disclosure below:

- Commitment of office rental of US\$14,265 for period October 2019 - September 2024 and treated as operating lease.
- Commitment for dead rent year 2020 of US\$291,177 or equivalent to IDR4,051,440,000. This commitment has paid on 16 January 2020.

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6. ISSUED AND FULLY PAID-UP CAPITAL

Ordinary shares

	31.12.2019	30.06.2019
	\$	\$
Issued and fully paid-up capital	<u>115,604,238</u>	<u>112,847,825</u>

Movements in ordinary share capital of the Company during the past six months were as follows:

		No. of shares	\$
1 July 2019	Opening balance	2,097,770,030	112,847,825
	Shares issued	<u>192,094,232</u>	<u>2,881,413</u>
		<u>2,289,864,262</u>	<u>115,729,238</u>
	Less:		
	Share issue costs	<u>-</u>	<u>(125,000)</u>
	Balance as at 31 December 2019	<u>2,289,864,262</u>	<u>115,604,238</u>

Options

As at 31 December 2019, the Company had no unlisted options.

7. RECONCILIATION OF CASH

	31.12.2019	30.06.2019
	\$	\$
Cash and cash equivalents	<u>1,298,727</u>	<u>6,256,548</u>

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8. RELATED PARTIES

Directors and directors-related entities

Disclosures relating to directors and specified executives is set out in the director's report.

Wholly-owned Group

The Group consists of the Company and its wholly-owned subsidiaries Inland Gold Mines Pty Limited, Excelsior Resources Pty Limited, Oropa Technologies Pty Limited, Oropa Indian Resources Pty Limited and Oropa Exploration Pty Ltd including Aberfoyle Pungkut Investments ("API").

API holds a 75% interest in PT Sorikmas Mining, with the Indonesian Government mining company, PT Aneka Tambang Tbk. holding the remaining 25%.

Transactions between the Company and related parties in the Group during the period ended 31 December 2019 consist of loans on an interest free basis with no fixed term and no specific repayment arrangement. The Company made an additional provision for doubtful debts of \$3,659,350 in its accounts for the period ended 31 December 2019 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.

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

	31.12.2019	30.06.2019
	\$	\$
Non-current receivables	112,421,299	108,761,949
Provision for doubtful debts	<u>(112,421,299)</u>	<u>(108,761,949)</u>
	<u>-</u>	<u>-</u>

Other related parties

The Company's working capital loans are provided by its shareholders and are therefore classified as related party transactions. The details are set out in Note 10.

SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
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9. CAPITALISED EXPLORATION COSTS

	31.12.2019	30.06.2019
	\$	\$
Opening balance	15,828,431	13,609,555
Additions during the period	5,122,896	1,542,781
Change arising from foreign currency movement	(4,479)	658,860
Provision for impairment	-	17,235
Closing balance	<u>20,946,848</u>	<u>15,828,431</u>

Management believes that the carrying amount of the Group's capitalized expenditure and evaluation costs is adequate to recoverable.

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 Pungktu project.

10. BORROWINGS

	31.12.2019	30.06.2019
	\$	\$
Working capital loans:		
Provident Minerals Pte Ltd.	3,075,705	3,076,183
Asian Metal Mining Developments Limited	855,466	855,539
PT Saratoga Investama Sedaya, Tbk.	797,886	798,115
Goldstar Mining Asia Resources (L) Berhad	513,845	513,992
	<u>5,242,902</u>	<u>5,243,829</u>

All working capital loans are classified as unsecured and charged by interest rate of 10% per annum. The lenders are not entitled to demand repayment of outstanding loan in any circumstances before the final maturity date or any other date mutually agreed between the parties, except in an event of default. The maturity date for the loans is 30 June 2020, except for loan from PT Saratoga Investama Sedaya, Tbk will be due on 31 December 2020.

11. CLAIMS FOR TAX REFUND

As per 30 June 2019 Annual Report Note 15, the Group's Indonesian subsidiary, PT Sorikmas Mining has paid tax assessment amounting to \$554,523 (US\$388,388) to the Indonesian Tax Authorities and have subsequently lodged a tax appeal.

In September 2019, Indonesian Tax Authorities rejected its tax appeal. Therefore, management charge to other expense the claims for tax refund balance. PT Sorikmas Mining also paid the remaining underpayment tax assessment amounting to \$17,510 (US\$11,970) and charge directly to expense in November 2019.

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12. SUBSEQUENT EVENTS

On 20 February 2020, the Company has entered into working capital loan facility agreement with Provident Minerals Pte Ltd. with the facility of US\$1,000,000 and interest of 10% per annum, classified as unsecured loan. The maturity date will be on 30 June 2020.

This facility will be used to complete advance studies for Sihayo Gold Project. In particular, the project's mineral resources estimate is being updated to incorporate all of the new data obtained through the circa 7,300m infill drilling program.

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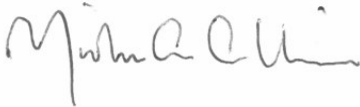
SIHAYO GOLD LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' DECLARATION

The directors declare that:

1. The consolidated financial statements and notes set out on pages 8-20;
 - (a) Comply with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations and other mandatory professional reporting requirements; and
 - (b) Give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated at Melbourne this 13th March 2020.



Misha Collins
Chairman

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sihayo Gold Limited, which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Sihayo Gold Limited (the consolidated entity). The consolidated entity comprises both Sihayo Gold Limited (the Company) and the entities it controlled during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Sihayo Gold Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sihayo Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Sihayo Gold Limited on 13 March 2020.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sihayo Gold Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty - Going Concern and the Carrying Value of Capitalised Exploration and Evaluation Expenditure


We draw attention in Note 2(d) and Note 9 to the interim financial report which describe the consolidated entity's use of the going concern basis of preparation of the financial report and the carrying value of capitalised exploration and evaluation expenditure. Our conclusion is not modified in respect of these matters.

- i) As noted in note 2(d), at 31 December 2019, the consolidated entity had net assets of \$15,373,445 and cash and cash equivalents of \$1,298,727. The consolidated entity had incurred a loss for the period ended 31 December 2019 of \$1,791,980.

The ability of the consolidated entity to continue as a going concern and meet its planned exploration, administration, and other commitments is dependent upon the consolidated entity raising further working capital, and/or commencing profitable operations. In the event that the consolidated entity is not successful in raising further working capital, and/or commencing profitable operations, the consolidated entity may not be able to meet its liabilities as and when they fall due, and the realisable value of the Company's current and non-current assets may be significantly less than book values

- ii) As noted in note 9, the consolidated entity had capitalised exploration and evaluation expenditure of \$20,946,848 as at 31 December 2019. 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.

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

Stantons International Audit and Consulting Pty Ltd


Samir Tirodkar
Director
West Perth, Western Australia
13 March 2020

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13 March 2020

Board of Directors
Sihayo Gold Limited
c/- McCullough Robertson
Level 11
66 Eagle 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 review of the financial statements of Sihayo Gold Limited for the half year ended 31 December 2019, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
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(Authorised Audit Company)



Samir Tirodkar
Director

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