

ASX ANNOUNCEMENT

11th April 2012

UPDATE ON LOCAL ILLEGAL MINING ACTIVITY WITHIN THE CONTRACT OF WORK AREA OF PT SORIKMAS MINING

The Board of **Sihayo Gold Limited (ASX: SIH)** is providing an update on local illegal mining activities within the boundaries of the Contract of Work (“COW”) area held by its 75% owned subsidiary, PT Sorikmas Mining, located in North Sumatra, Indonesia.

Over the past 18 months local illegal mining activities have taken place at two main locations within the COW area, namely; nearby the Sambung JORC Compliant Resource and nearby the Hutabargot Julu epithermal gold prospect. For the vast majority of the time these activities have not directly impacted our drilling and exploration activities, however, the activities are of concern to the Company from both a human health and environmental perspective.

In addition, the financial supporters of the local illegal mining activities are believed to have been a primary factor in the events leading up to the Sihayo Exploration Camp incident of May 2011.

The Company has been following due process in regards the local mining activities and we have provided detailed reports including photos and video footage to the relevant Government authorities.

Until very recently the local Government and Police have not taken any direct action to limit or prevent the activities of the local miners despite the activities being in direct contravention of prevailing Indonesian Laws and regulations.

However, as of last week, the Bupati (Head of the Regency of Mandailing Natal, North Sumatra) issued a public statement that clearly outlined the required permitting necessary before any local mining can take place and further stated that new permits could not be issued within areas already covered by existing permits, including the COW area of PT Sorikmas Mining.

The Company is very pleased that the Bupati and local Government have taken the stance of publicly reaffirming the necessary permitting and reporting obligations for conducting mining activities.

Consequently, we have been discussing in detail with the local Government about a proposed joint operation between local Government authorities, Police and Army to remove the illegal miners from within the COW area. This operation is expected to take place within the next two months.

The fact that the local Government is preparing to take action to limit and prevent local illegal mining within our COW area is a major positive for the long-term, however, the Company cannot rule out possible short-term negative effects.

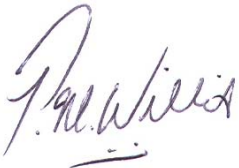
In anticipation of the joint operation, our own security presence has been significantly increased in the past two months with the appointment of one of Indonesia’s largest private security contractors.

In addition, the Company has implemented a communication program outlining the issues surrounding illegal mining, including mercury contamination, and highlighting the Company’s sponsored agricultural development programs for the long-term benefit of the local communities.

At the operational level, we are currently drilling at the highly prospective Hutabargot Julu epithermal vein prospect located 8km southeast of our Sambung JORC Compliant Resource and we expect to continue drilling throughout the period of the proposed joint operation.

At the Sambung Resource, we are awaiting final assays from the recently completed Infill Drilling program and the upcoming Runge JORC Report before we continue further resource definition drilling along strike to the southeast.

Yours faithfully,
SIHAYO GOLD LIMITED



Paul Willis
Chief Executive Officer
11th April 2012

Competent Persons Statements

Sihayo Gold Limited: The information in this report that relates to exploration, mineral resources or ore reserves is based on information compiled by Mr Darin Rowley (BSc. Geol Hons 1st class) who is a full time employee of PT Sorikmas Mining (75% owned subsidiary of Sihayo Gold Limited), and is a Member of the AusIMM. Mr Rowley 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 a competent person as described by the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Rowley consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Runge Limited: The information in this report that relates to Mineral Resources at Sihayo and Sambung is based on information compiled by Mr Robert Williams BSc, a Member of the Australian Institute of Mining and Metallurgy, who is a full time employee in the mining industry and 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 a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Williams consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Modelling: Both the Sihayo and Sambung deposits were estimated by Runge Limited using Ordinary Kriging grade interpolation, constrained by mineralisation envelopes prepared using a nominal 0.5g/t gold cut-off grade. In all cases a minimum downhole intercept length of 2m was adopted. The block dimensions used in the Sihayo model were 25m EW by 10m NS by 5m vertical with sub-cells of 6.25m by 2.5m by 1.25m, while a block dimension of 20m EW by 20m NS by 5m vertical with sub-cells of 5m by 5m by 1.25m was adopted for the Sambung model. Statistical analysis of the deposit determined that no high grade cuts were required in the Sihayo estimate, although a 25g/t Au has been used in the Sambung estimate. Bulk density was assigned in the model based upon the results of 4,629 bulk density determinations.

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.