



- **SAMBUNG DRILLING RE-STARTED**
- **“MOU” SIGNED FOR LONG-TERM SAFETY AND SECURITY**
- **PERSONNEL CHANGES AHEAD OF PROJECT CONSTRUCTION**

22 August 2012

Sambung Resource Drilling

The Board of **Sihayo Gold Limited (ASX: SIH)** is pleased to announce the final stage of infill drilling at the Sambung JORC Compliant Resource resumed on 13th August.

The current Sambung JORC Compliant Resource stands at **1.8 Mt @ 2.2 g/t Au containing 125,400 ounces**, comprising 1.0 Mt @ 2.3 g/t Au for 72,500 ounces in the Indicated Category and 0.8 Mt @ 2.1 g/t Au for 52,900 ounces in the Inferred Category.

The final stage of infill diamond drilling is aimed at converting the remaining inferred material into the higher indicated category. *Figures 1 and 2* below show the location of the current drilling.

There are six holes to complete this stage, thereafter, resource extension drilling will focus on a number of possible extension areas commencing with areas to the immediate southeast of the current resource boundary.

Memorandum of Understanding (“MOU”)

The Company has executed an MOU with the Indonesian Police Force to help ensure the long-term safety and security of our operations. The Company and the Police will work together to ensure all stakeholders are fully briefed as to the legal rights and obligations of the Company and the position of other groups that endeavour to operate within the Contract of Work (“COW”) Area under conflicting rights. The plan is to continue to discuss with the Indonesian Army the potential for the MOU to expand to a three-way agreement in the future, however, for the primary relationship between the Company and all stakeholders it is most important that the Company and the Indonesian Police have signed the current MOU.

The COW specifically addresses the need for such a joint security operation to occur when there exists conflicting rights within the COW Area and encourages all parties to openly and transparently discuss and resolve outstanding issues according to the laws and regulations of Indonesia.

The shorter term objective alongside continuing the information dissemination to all stakeholders is to ensure that no local illegal mining takes place within at least a 500 meter boundary of the Company’s operational activities. The longer term objective is clearly focused on ensuring there are no conflicting operations within the Company’s COW Area and specifically within the area designated for the construction and operations of the Sihayo Pungkut Gold Project.

Contract of Work Tenure (“COW”)

With recent reports in the Australian and Indonesian press regarding ownership and legal rights to mining projects, the Company wishes to reiterate that it holds a seventh generation Contract of Work, signed by the Government of the Republic of Indonesia and our 75% owned subsidiary company, PT Sorikmas Mining. Our 25% minority partner in the COW is PT Aneka Tambang the Indonesian Government controlled mining company.

The COW is the highest standing legal tenure achievable in the Indonesian mining industry and is the same type of tenure that exists at Indonesia’s major world-class mining operations, namely; Freeport’s Grasberg Copper/Gold Mine, Newmont’s Batu Hijau Copper/Gold Mine and Newcrest’s Gosowong Gold Mine.

The COW describes in detail the rights and obligations of both the Company and the Government during the term of the COW. Our COW is currently in the Feasibility Study Phase; the next phase is the Construction Phase and then followed by a 30 year Production Phase. At the end of the Production Phase the Company has the right to two by ten year extensions under the prevailing Indonesian Mining Law.

Company Personnel Changes

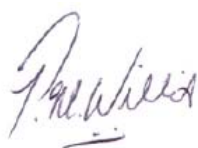
With only the last phase of metallurgical test work to be completed prior to the final release of the Definitive Feasibility Study (“DFS”) the Company has commenced the recruitment process for key personnel required to enable the smooth transition into the construction phase and then the production phase.

The Company is pleased to advise that the quality of applicants covering the key roles of Chief Operating Officer, General Manager – Project Construction and General Manager – Operations has been of a very high standard and in many cases includes candidates with direct and recent Indonesian mine development and/or mine operations experience.

With the near completion of the DFS the Company’s current Chief Operating Officer, Greg Entwistle, has resigned and will leave the Company effective 1st September 2012.

The Company will make a further announcement once new executive appointments have been finalised.

Yours faithfully,



SIHAYO GOLD LIMITED

Paul Willis

Chief Executive Officer

22nd August 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, 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 is based on information compiled by Mr Rob Williams. At the time of work on the Sihayo Resource, Mr Williams was a full time employee of Runge Limited (RUL), a Member of the Australian Institute of Mining and Metallurgy (AusIMM), and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of 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.

Runge Limited: The information in this report that relates to Mineral Resources at Sambung is based on information compiled by Mr Trevor Stevenson. Mr Stevenson is a full time employee of Runge Limited (RUL), a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM), and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Mr Stevenson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Modelling: The Sihayo deposit was 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 down hole intercept length of 2m was adopted. The block dimensions used in the model were 25m along strike by 10m across strike by 5m vertical with sub-cells of 6.25m by 2.5m by 1.25m. Statistical analysis of the deposit determined that a high grade cut of 30g/t Au was necessary which cut a single composite. Bulk density was assigned in the model based upon the results of 1,422 bulk density measurements.

The Sambung deposit was 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 down hole intercept length of 2m was adopted. The block dimensions used in the model were 10m along strike by 10m across strike by 5m vertical with sub-cells of 5m by 5m by 2.5m. Statistical analysis of the deposit determined that a high grade cut of 25g/t Au was necessary which resulted in 2 composites being cut. Bulk density was assigned in the model based upon the results of 382 bulk density measurements.

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.

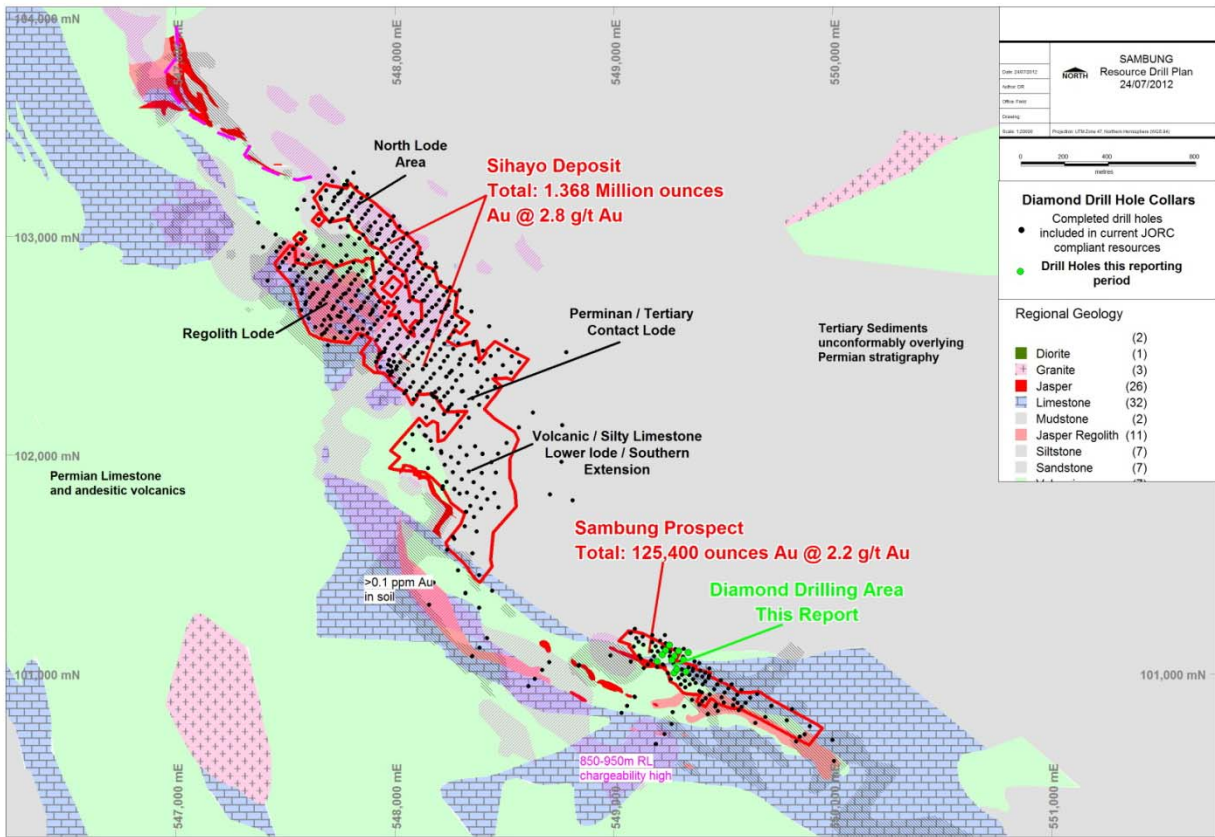


Figure 1: Sihayo-Sambung Drill Plan

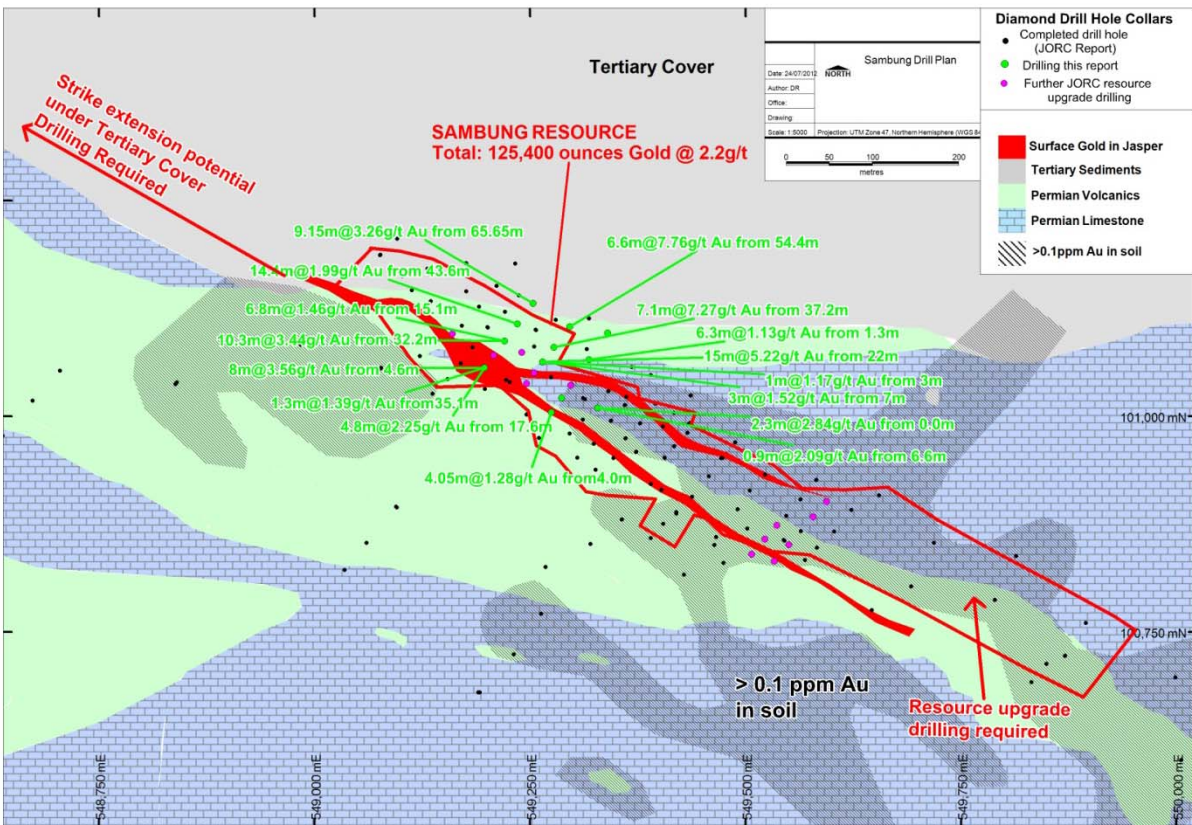


Figure 2: Sambung Resource and Drill Plan