



**ASX ANNOUNCEMENT
25 October 2011**

NOTICE OF ANNUAL GENERAL MEETING AND ANNUAL REPORT

Company Announcements Office
Australian Stock Exchange Limited
4TH Floor, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam,

NOTICE OF ANNUAL GENERAL MEETING AND ANNUAL REPORT

Attached are copies of the Notice of Annual General Meeting of the shareholders of Sihayo Gold Limited to be convened at 12.30pm on Friday 25th November 2011 at the Conference Centre of the Perth Zoo, 20 Labouchere Road, South Perth, and Final Copy of the 2011 Annual Report.

Notice of Annual General Meeting, Proxy Form and Explanatory Memorandum and the 2011 Annual Report are being dispatched today to the Company's shareholders.

Yours faithfully
SIHAYO GOLD LIMITED

A handwritten signature in dark ink, appearing to read "Paul Willis", with a horizontal line underneath the name.

PAUL WILLIS
Chief Executive Officer

SIHAYO GOLD LTD

ABN 77 009 241 374

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

DATE OF MEETING

Friday 25th November 2011

TIME OF MEETING

12.30pm

PLACE OF MEETING

Perth Zoo Conference Centre

20 Labouchere Road

South Perth WA 6151

SIHAYO GOLD LTD

ABN 77 009 241 374

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of Sihayo Gold Limited ("Company") will be held at the Perth Zoo Conference Centre, 20 Labouchere Road, South Perth on Friday 25th November 2011, at 12.30pm.

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies this Notice of Annual General Meeting.

AGENDA

BUSINESS

To receive and consider the annual financial report of the Company and the reports of the directors and the auditors for the financial year ended 30 June 2011.

To consider and if thought fit, to pass, with or without amendment, the following resolutions as **ordinary resolutions**:-

1. Resolution 1. Adoption of Remuneration Report (Non-binding)

"That the remuneration report as contained within the Directors' Report and forming part of the Company's 2011 Annual Report, which accompanied the notice convening this meeting, be adopted."

Note: the vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter¹. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

¹ Restricted Voter means Key Management Personnel and the Closely Related Parties as defined in the glossary.

2. Resolution 2. Re-election of Mr Gavin Caudle as a Director

"That, Mr Gavin Caudle, who retires in accordance with clause 13.2 of the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a Director."

Pursuant to the Company's Constitution, one-third of the directors of the Company (other than the managing director) must retire at each Annual General Meeting and being eligible may offer themselves for re-election.

3. Resolution 3. Ratification of allotment and issue of Shares

"That, pursuant to Listing Rule 7.4 of the Listing Rules of the Australian Securities Exchange Limited and for all other purposes, the Company approves and ratifies the issue of 75,000,000 fully paid ordinary shares in the capital of the Company at a price of \$0.20 each on 28 April 2011, to professional investors as set out in the Explanatory Memorandum accompanying this Notice of General Meeting."

The Company will disregard any votes cast on Resolution 3 by any person who participated in the issue the subject of Resolution 3 and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

A Proxy Form is attached and to be valid must be received by the Company no later than 12.30pm (WST) on 23rd November 2011. Proxy forms received later than this time will be invalid.

- ▶ By Post at: PO Box 535, Applecross WA 6953
- ▶ By Facsimile: +61 89315 2233
- ▶ By Email: registrar@securitytransfer.com.au
- ▶ In Person Security Transfer Registrars Pty Ltd
Alexandrea House, Suite 1
770 Canning Highway, Applecross 6153

Capitalised terms used in the Notice and in the Explanatory Memorandum are defined in the glossary at the end of the Explanatory Memorandum.

By order of the Board
Dated 25 October 2011


Daniel Nolan
Company Secretary

How to vote

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post, or by facsimile.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 10 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolutions 2 and 3, if the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions. These rules are explained in this Notice.
- To be effective, proxies must be lodged by 12.30 pm (WST) on 23rd November 2011. Proxies lodged after this time will be invalid.
- Proxies may be lodged in person, by post, by email or by facsimile.
The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company by 12.30 pm (WST) on 23rd November 2011. If facsimile or email transmission is used, the power of attorney must be certified.

Shareholders who are entitled to vote

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (WST) on 23rd November 2011.

SIHAYO GOLD LTD

ABN 77 009 241 374

EXPLANATORY STATEMENT

This Explanatory Statement is for the information of Shareholders of Sihayo Gold Ltd ("Company") in connection with Resolutions to be considered at the Annual General Meeting of Sihayo to be held on Friday, 25th November 2011 at 12:30pm.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

At the AGM, Shareholders will be asked to consider resolutions:

- Adopting the remuneration report, this resolution is advisory only.
- Re-electing Mr Gavin Caudle as a director who retires by rotation in accordance with the Company's constitution.
- Ratification of allotment of 75,000,000 ordinary shares on 28 April 2011.

Each of these resolutions is an ordinary resolution requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

Financial and Other Reports

As required by section 317 of the Corporations Act, the financial statements for the year ended 30 June 2011 and the accompanying Directors' Report, Directors' Declaration and Auditor's Report will be laid before the meeting.

Neither the Corporations Act, nor the Company's Constitution requires a vote on the reports. However, the shareholders will have an opportunity to ask questions about the report and on the business, operations and management of the Company at the annual general meeting.

The Chairman will also provide shareholders a reasonable opportunity to ask the auditor questions relevant to:

the conduct of the audit;

the preparation and content of the independent audit report;

the accounting policies adopted by the Company in relation to the preparation of the accounts; and

the independence of the auditor in relation to the conduct of the audit.

Resolution 1- Remuneration Report

As required by section 250R(2) of the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non – binding vote.

The Remuneration Report contains:

information about Board policy for determining the nature and amount of remuneration of the Company's Directors and senior executives;

- a description of the relationship between remuneration policy and the Company's performance;
- a summary of performance conditions, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for each Director and for each of the Company's specified executives.

The Directors' Report (in the Company's Annual Report) contains a report of key management personnel's remuneration. The remuneration report is submitted to shareholders for consideration and adoption. For further information on the Company's remuneration policy, shareholders may refer the Company's Corporate Governance Policy. Copies of the Company's Annual Report and Corporate Governance Policy are all available on its website www.sihayogold.com.au

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2011 AGM, and then again at the 2012 AGM, the Company will be required to put a resolution to the 2012 AGM, to approve calling a general meeting (spill resolution). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene a general meeting (spill meeting) within 90 days of the 2012 AGM. All of the Directors who were in office when the 2012 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

The Board unanimously recommends that the shareholders vote in favour of the resolution to adopt the current remuneration report.

Shareholders are advised that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of this Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

Resolution 2. To Re-elect Gavin Caudle as a Director

Clause 13.2 of the Company's Constitution provides that at each Annual General Meeting, one-third of the Directors (except the Managing Director) or any other director, if he does not retire, who at the conclusion of the meeting have been in office for 3 or more years and for 3 or more AGMs since he or she was last elected to office, must retire from office as directors.

Mr Gavin Caudle retires in accordance with this requirement, and submits himself for re-election.

Resolution 3. Ratification of Placement of 75,000,000 ordinary shares at \$0.20 per share

Resolution 3 has been included so that shareholders may approve and ratify pursuant to Listing Rule 7.4 the issue of 75,000,000 fully paid ordinary shares in the capital of the Company at an issue price of \$0.20 each on 28 April 2011. This issue is being made to professional investors pursuant to the arrangements referred to below.

On 14 April 2011 the Company announced the raising of \$15,000,000 via a placement of 75,000,000 shares at the price of \$0.20 per share.

The purpose of the issue was to allow the Company to pursue further resource definition drilling at the Sihayo Pungkut Gold Project, resource exploration drilling across multiple “high impact” exploration targets and complete the Definitive Feasibility Study (“DFS”).

Listing Rule 7.1 provides a formula which effectively limits the number of equity securities the Company may issue in a 12 month period without shareholder approval to 15% of the ordinary shares on issue in the Company. Whilst the 75,000,000 shares issued above are within this 15% limit, the purpose of this resolution is to ratify this issue within the 15% limit to provide the Company with the flexibility to issue further securities in accordance with the Listing Rules should the company decide to accelerate its exploration activities in the surrounding areas to Sihayo.

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if the shareholders subsequently approve it.

The terms of the fully paid ordinary shares issued are the same as the existing ordinary shares on issue and, accordingly, rank equally in all respects with the existing ordinary shares on issue.

The following information is disclosed regarding the shares as required by Listing Rule 7.5:

a) the number of Shares to be issued is 75,000,000;

b) the issue price is \$0.20 per Share;

c) the shares issued were allotted to the following parties,

Summit Investments	20,500,000
Mr Yaw Chee Siew	4,500,000
Mr Bradley J Petterson	5,000,000
Lion Selection	11,000,000
Regal Funds Management, Sydney	8,750,000
Morgan Stanley, Sydney	7,000,000
TT International, Central	5,000,000
Bennelong Asset Management, London	5,000,000
Moon Capital, Singapore	4,300,000
Myer Family, Melbourne	1,000,000
Thorney PTY, Melbourne	1,000,000
Wilson International Asset Management, Sydney	650,000
Consolidated Client - PWM, Central	650,000
Morgan Stanley Smith Barney, Sydney	650,000
Total	75,000,000 shares

d) the Shares are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company’s existing Shares;

e) the funds raised by the ordinary shares issue are to be used to continue work on the Sihayo Gold Project in North Sumatra, Indonesia and for working capital.

Summit Investments Pty Ltd (BVI) is a substantial shareholder of the Company but is not a related party of the Company.

Mr Chee Siew Yaw is a substantial shareholder of the Company but is not a related party of the company.

GLOSSARY

The following terms have the following meanings in this explanatory Memorandum:

Accounting Standards	has the meaning given to that term in the Corporations Act.
ASX	means ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
Board	means the board of Directors of the Company.
Closely Related Party	has the meaning given to that term in the Corporations Act.
Company	means Sihayo Gold Limited ABN 77 009 241 374
Corporations Act	means Corporations Act 2001 (Cth).
Director	means a director of the Company.
Explanatory Memorandum	means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.
Key Management Personnel	has the meaning given to that term in the Accounting Standards.
Listing Rules	means the listing rules of ASX.
Notice or Notice of Meeting	means the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
Resolution	means a resolution contained in the Notice.
Restricted Voter	means the Key Management Personnel and their Closely Related Parties.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of Shares.
WST	means Australian Western Standard Time.

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ASX: SIH

SIHAYO GOLD LIMITED



2011 ANNUAL REPORT

DEVELOPING A WORLD CLASS MID-SIZED INDONESIAN GOLD COMPANY



Chairman's Review	p 1
Review of Operations	p 3
Directors' Report	p 33
Auditors' Independence Declaration	p 44
Corporate Governance Statement	p 45
Financial Reports	
Consolidated Statement of Comprehensive Income	p 52
Consolidated Statement of Financial Position	p 53
Consolidated Statement of Changes in Equity	p 54
Consolidated Statement of Cash Flows	p 55
Notes to the Financial Statements	p 56
Directors' Declaration	p 88
Auditors' Report	p 89
Shareholder and Other Information	p 91

Directors

Peter Bilbe B.Eng (*Mining*) (*Hons*)
(Non Executive Director – Chairman)

Paul Willis B. *Comm*
(Executive Director)

Misha A Collins C.F.A
(Non Executive Director)

Gavin Caudle
(Non Executive Director)

William John Blake M.Eng Sc, MBA, DBA
(Non Executive Director)

Chief Executive Officer

Paul Willis

Secretary

Daniel Nolan

Registered Office and Business Address

25 Charles Street
South Perth WA 6151

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E-mail: sihayogold@sihayogold.com
Web: www.sihayogold.com

Share Registry

Security Transfer Share Registry Pty Ltd
Alexandrea House
770 Canning Highway
Applecross WA 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Home Exchange

Australian Securities Exchange (Perth) Limited
Exchange Plaza
2 The Esplanade
Perth WA 6000

Auditors

Stantons International
Level 1 / 1 Havelock Street
West Perth WA 6005

Solicitors

Williams & Hughes
25 Richardson Street
West Perth WA 6005

Bankers

National Australia Bank
100 St Georges Terrace
Perth WA 6000

Sihayo Gold Limited is a company limited by shares, incorporated and domiciled in Australia.

Chairman's Review

Dear Shareholder,

Our primary goal during the year was to advance the Definitive Feasibility Study ("DFS") on the Sihayo Pungkut Gold Project ("Sihayo Pungkut") located in North Sumatra, Indonesia.

Results to date have clearly demonstrated that a gold project based on the Sihayo and Sambung Resources is both technically feasible and economically attractive, producing up to 90,000 ounces of gold per annum over a minimum 7 year mine life. Life of mine site cash operating costs are estimated to be in the range of US\$650-\$700/oz. At recent gold prices in the order of US\$1700/oz the project represents a very attractive investment proposition.

Progress on completing the DFS was slower than originally anticipated due to the requirement to undertake additional metallurgical test work to confirm gold recoveries across the range of mineralisation styles and to finalise throughput optimisation studies.

At the time of writing this report the test work is well advanced and optimisation studies have been completed.

Our focus over the coming months with respect to Sihayo Pungkut will be to:

- finalise and release the results of the DFS;
- continue to investigate financing options and establish relationships with key banks;
- advance approvals required for project development which include the Environmental and Social permits (AMDAL), the Government of Indonesia Feasibility Study and the Indonesian Forestry Permit, and
- ensure that relationships with the local community and all levels of Government are appropriately managed.

Exploration across the remainder of the Contract of Work ("COW") continues to be actively advanced. Results to date have very clearly demonstrated that many areas are highly prospective for a range of different mineralisation styles, from porphyry

copper/gold at Tambang Tinggi, skarn style copper/gold at Huta Pungkut and epithermal gold at Hutabargot Julu. Significant resources will be directed towards progressing exploration in these areas with the objective of defining a new mineralisation centre during the next 12 months.

The recovery of world economies following the credit crisis and general recession of 2008/09 continues to be fragile and unconvincing, particularly in Europe and the United States with ongoing concerns over sovereign debt levels and currency debasement. Financial markets generally are nervous, lack confidence and the outlook in the short to medium term does not look particularly encouraging.

Within this broader environment of uncertainty, however, physical demand for gold has been strong, interest rates are at low levels and recently the central banks have been net buyers of gold and the price of gold has reacted accordingly.

The coming year promises to be an exciting period for the Company with your directors and management team very focused on progressing Sihayo Pungkut towards construction and production while continuing to discover and unlock the mineralisation potential of exploration targets throughout the broader COW area.

Our existing major shareholders have continued to remain very supportive over the past year in addition to new significant shareholders that have emerged on our register.

On behalf of the directors of the Company, we thank all the shareholders for their continuing support and management and employees for their enthusiasm and dedication throughout the year.



Peter Bilbe
Chairman



The primary objective is to add economic gold resources to the current Sihayo Pungkut JORC inventory.

Review of Operations

Sihayo Pungkut Gold Project (75%)

The Sihayo Pungkut Gold Project (“Sihayo Pungkut”) is held under a 7th Generation Contract of Work (“COW”) and is located in Mandailing Natal, North Sumatra, Indonesia.

Significant projects located nearby include: G Resources Limited’s Martabe gold/silver project, which contains a resource base of approximately 6 Moz Au and 60 Moz Ag and is 75km to the north of Sihayo Pungkut and PT Bumi Resources Minerals Tbk’s Dairi lead-zinc project, which contains a resource base of 18 Mt at 12.6% zinc and 7.3% lead and is approximately 200km to the north. *Figure 1* below shows the Sihayo Pungkut location and other mineral deposits within Indonesia.

Sihayo Pungkut is owned by PT Sorikmas Mining (“Sorikmas”), which is 75% owned by Sihayo Gold Limited (“Sihayo”) and 25% by PT Aneka Tambang Tbk (“Antam”). Sihayo is responsible for 100% of the exploration and development funding of Sorikmas until the commencement of production.

The funding is by way of loans to Sorikmas and under the terms of the Loan Agreement, Antam is required to repay its share of loans to Sihayo or other lenders to Sorikmas, from 80% of its attributable share of available cash flow from production, until its 25% share of the loans are repaid in full.

The current Sihayo Pungkut **JORC Compliant Resource** stands at **16.3 Mt at 2.7 g/t for 1.4 Moz with approximately 85% of the resource in the Indicated category**. There is significant potential for the overall resource to increase as further drilling is completed along strike to the northwest and southeast.

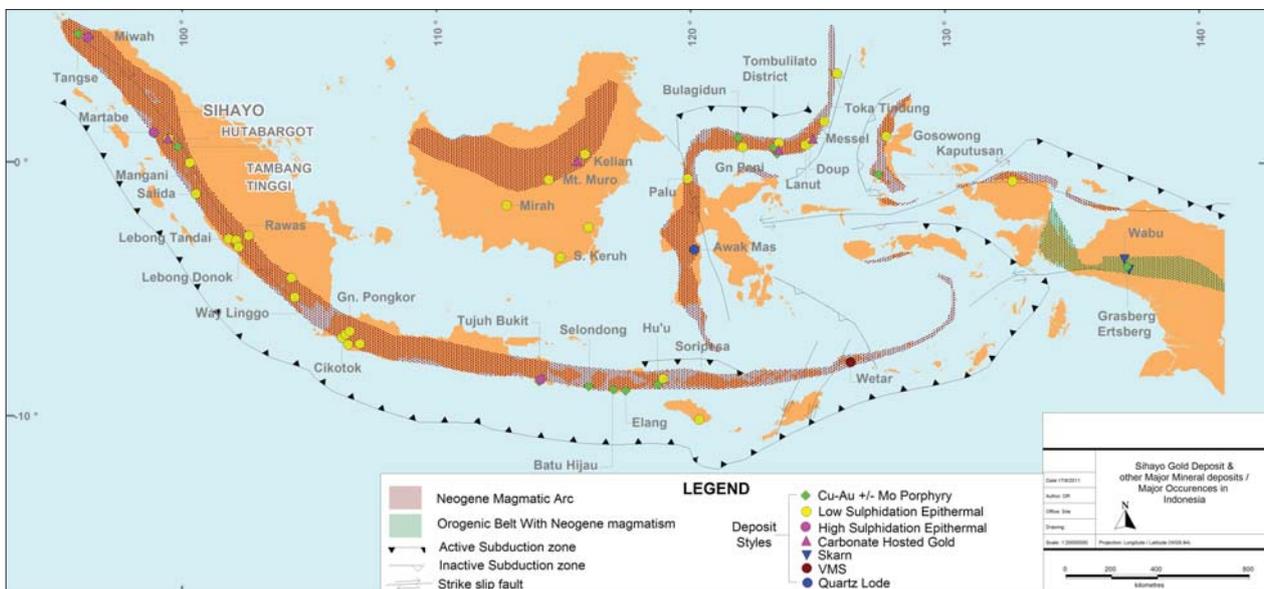


Figure 1: Significant Indonesian Mineral Deposits including the Sihayo Pungkut Gold Deposit

Review of Operations

Sihayo Pungkut – Definitive Feasibility Study

Over the past year work has continued on the DFS and currently the capital cost estimates are 98% complete and the operating costs (per tonne of ore basis) are 97% complete. All capital and operating cost estimates have been completed to the required DFS level of accuracy of +/- 10%.

Ongoing assessment of the “optimal plant capacity” has indicated that an increase from the previously stated 1.25 Mtpa capacity to a rate of 1.5 Mtpa is economically positive. Capex and Opex estimates for both the 1.25 Mtpa and 1.5 Mtpa are detailed in

Table 1 below. An additional scenario of improved process recoveries has also been included in the table. However, it needs to be emphasised that this is merely for indicative purposes at this stage and any improvement in overall recoveries will be confirmed at the conclusion of the additional metallurgical test work program.

The Sambung Resource has been included in the mining schedule of the expanded 1.5 Mtpa throughput case. However, it must be noted that the Sambung Resource is currently in the JORC Inferred category and therefore will require a successful infill drilling program to bring the resource up to the required JORC Indicated category for its ultimate inclusion in the DFS mining schedule.

Sihayo Pungkut Gold Project		1.25 Mtpa	1.5 Mtpa	1.5 Mtpa *
Capital Cost (pre contingency allowance)	USD mill	80.4	87.1	87.1
Pre-Production Mining	USD mill	Nil	11.2	11.2
Initial Mine Life	years	7	7	7
LOM Total Ore Processed**	Mt	8.6	10.2	10.2
LOM Average Annual Gold Production	Oz	72,000	88,000	93,000
LOM Site Cash Costs (including royalties)	US\$/oz	752	678	639
LOM Average Gold Recoveries	%	71.5	71.5	75*
LOM Average Strip ratio	Waste:Ore	5.4:1	4:1	4:1

Note: 1.5 Mtpa scenario assume a lift in LOM average gold recoveries to 75% from the base case 71.5%*
Note: LOM Total ore processed for the 1.5 Mtpa case includes 1.6 Mt currently classified as Inferred Resource
Note: Inferred Resource material comprises 16% of the forecast total ore processed in the 1.5 Mtpa case

Table 1: DFS Parameters for the 1.25 Mtpa and 1.5 Mtpa Cases

Review of Operations

The remaining work to fully complete the DFS is focused on the gold process recoveries on a year-by-year basis. While this additional work does not impact capital costs or cash operating costs on a per tonne basis, it does potentially have a significant impact on the derived cash operating costs per ounce of production.

The current estimate of gold process recoveries is based upon three classifications of ore types within the defined resource: oxidised, transitional and primary. The metallurgical test work program confirmed process recovery estimates of 80%, 70% and 60% respectively for the three ore types via a conventional CIL gold processing method. Based on these results an average process recovery of 70% - 72% has been estimated on an annual basis over the expected mine life.

During the independent peer review of the resource model and the metallurgical test work program it was determined that within the jasper mineralised zones different styles of jasper (eg Massive, Breccia) may have a different metallurgical response. Therefore, additional geological logging of the resource has been undertaken to better define the different jasper styles and an extensive batch of cyanide leach tests is being conducted to determine the estimated recoveries within the different jasper styles.

Over 4,500 additional cyanide leach tests are being completed (1,500 completed to date) across the multiple mineralisation types that make up the Sihayo and Sambung Resources and the initial results suggest that some improvement in overall process gold recoveries maybe achievable.

This additional work is expected to be completed by end of October 2011 and will be validated against the existing metallurgical test work results and a more comprehensive and definitive gold process recovery profile will be derived.

The primary benefit of this additional process recovery work relates to the improved predictability of gold recoveries throughout the entire mine life.



DFS Participants

The Company's Chief Operating Officer, Mr. Greg Entwistle, has been responsible for the overall management of the DFS.

Independent consultants have been appointed to complete components of the DFS and each consultant is considered competent in their respective discipline and where applicable has recent experience in Asia. Participants in the DFS include:

Runge Limited

Geology and JORC compliant resources

Ozmet and AMMTEC Ltd

Metallurgical test work and management

Plant and Infrastructure Engineering (PIE)

Process design

Contromation Services

DFS engineering, infrastructure, Capex and Opex

Minesure Pty Ltd

Mine design and schedule

GHD Pty Ltd

Geotechnical including pit wall design

Schlumberger Water Services PtyLtd

Hydrogeology and hydrology

Golder Associates Pty Ltd

Environmental baseline and AMDAL scoping & mine waste dump design

The results of each component of the DFS were peer reviewed by independent consultants to ensure the integrity of data.

Review of Operations

Sihayo Pungkut – Geological Setting

Sihayo Pungkut is located along the Trans Sumatra Fault Zone (“TSFZ”) and associated Neogene Magmatic Arc (“NMA”), which is the result of an oblique collision of two tectonic plates and associated subduction (refer to Figure 1). 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 comprises the broader COW area (refer to Figure 2).

The TSFZ has provided the plumbing and heat mechanisms to source, transport and deposit metals in favourable settings. The TSFZ is a major under explored corridor that boasts world class resources such as the **Martabe gold / silver deposit of 6 Moz Au and 60 Moz Ag**. Similar tectonic settings in the Philippines (Philippine’s Fault

and Chile (Atacama Fault) are analogous to the TSFZ and host major gold and copper deposits.

By any measure, **Sihayo Pungkut is strategically located in a world class geological address.**

In addition to the current JORC Compliant Resource of **1.4 Moz Au** at Sihayo Pungkut, 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 spread across the highly prospective COW area and these prospects will be the subject of future exploration activities.

Figure 2, below shows the location of the Sihayo - Sambung Resources and key exploration prospects across the COW.

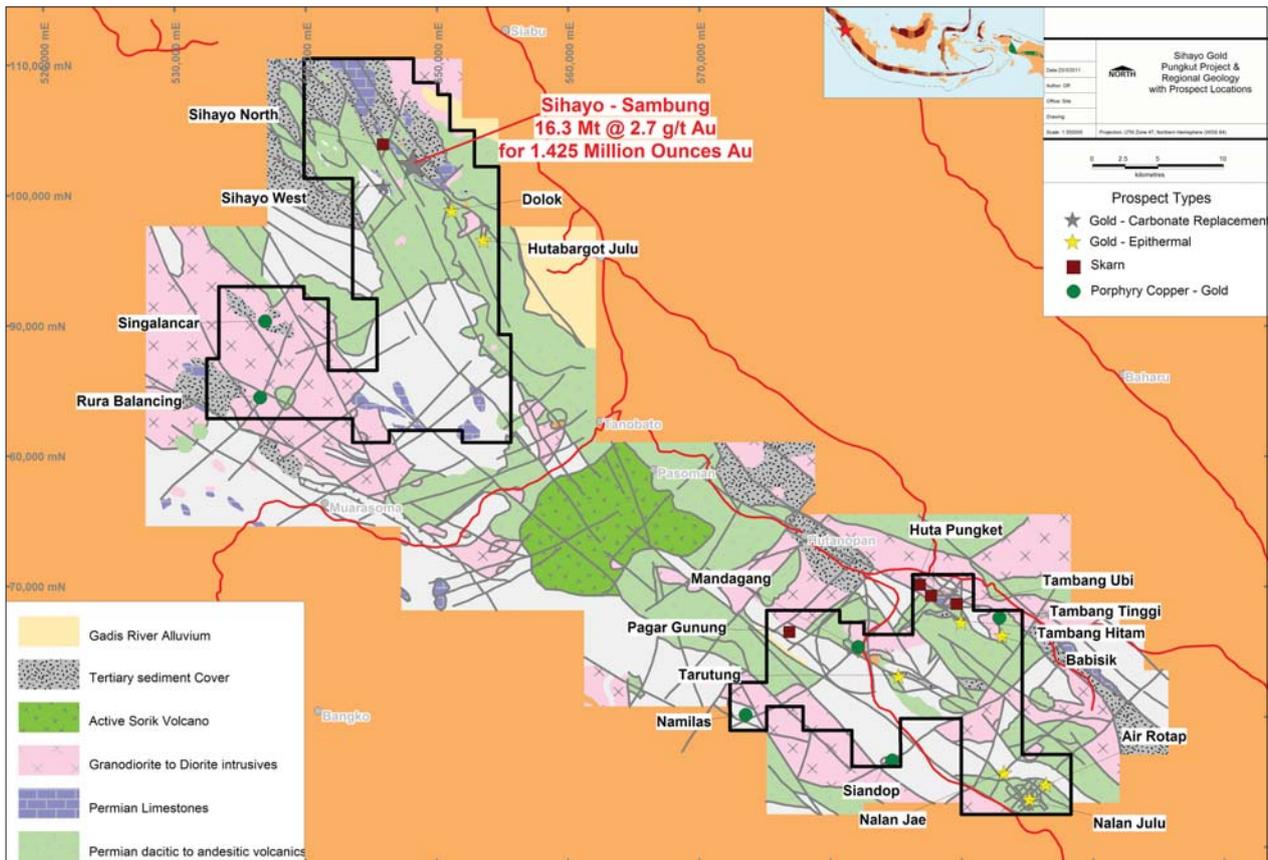


Figure 2: Sihayo Pungkut Gold Project–JORC Resource, Key Prospects and Regional Geology

Review of Operations

Sihayo Pungkut – JORC Compliant Resources

For the year, **140** diamond drill holes for a total **23,190m of resource definition drilling at the main Sihayo Deposit** were completed and resulted in a **43% increase of the total JORC Compliant Resource to 16.3Mt at 2.7 g/t Au for 1.4 Moz.**

Table 2, below details the current JORC Compliant Resources.



Resource	Tonnage Mt	Grade Au g/t	Contained Gold ounces	JORC Classification	Cut-off grade Au g/t
SIHAYO	13.2	2.8	1,195,600	Indicated	1.2
SIHAYO	1.4	2.3	106,500	Inferred	1.2
	14.6	2.8	1,302,000	Indicated & Inferred	1.2
SAMBUNG	1.7	2.2	123,200	Inferred	1.2
Total	16.3	2.7	1,425,200	Indicated & Inferred	

Note 1: Rounding errors may occur
Note 2: SIHAYO and Sambung resource JORC estimate completed by Runge Limited. Competent person, Rob Williams

Table 2: Sihayo Pungkut Gold Project JORC Resource Inventory



Review of Operations

Sihayo Pungkut – Ongoing Resource Definition and Exploration

Gold mineralisation at Sihayo Pungkut is contained within “jasper” that has replaced calcareous stratigraphy. Surface mapped jasper strikes north-west along a section of the TSFZ and is intermittently exposed for approximately 4.5km. Anomalous gold in soils, is coincident with mapped jasper, and extends about 1km to the south east of the known surface jasper. The **Sihayo Pungkut trend is potentially 5.5km in length.**

The Sihayo Pungkut JORC Resource lies on **approximately 2.25km of the potential 5.5km trend of gold mineralisation. The remaining**



3.25km of gold mineralised strike is yet to be adequately drill tested.

Figure 3, shows current drilling status and the surface projection of JORC Resources at Sihayo Pungkut.

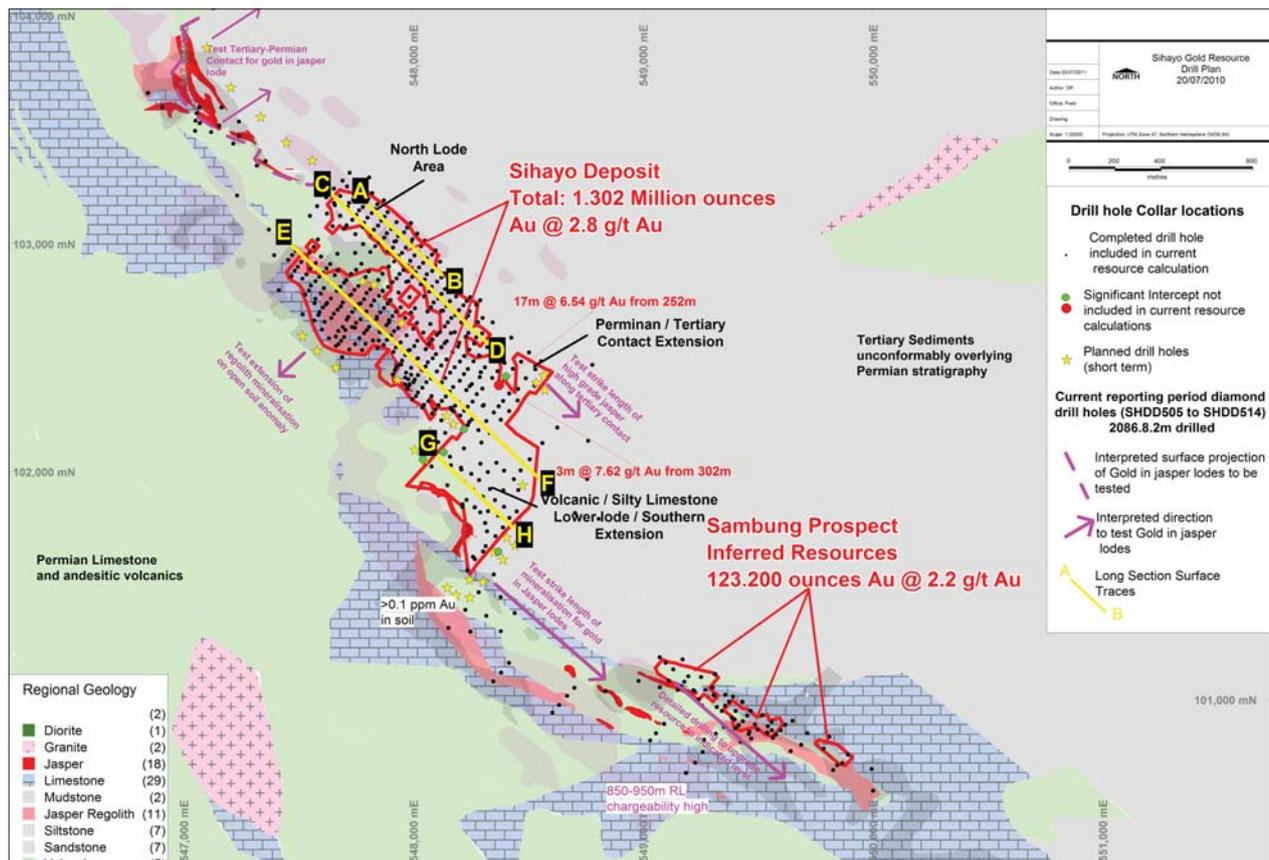


Figure 3: Sihayo Mineralisation Surface Plan showing surface projection of Sihayo and Sambung JORC Resources.

Review of Operations

The main **Sihayo Resource 14.6Mt @ 2.8 g/t Au for 1.3Moz** covers an area of approximately 1.5km by 0.6km and was drilled on a 25 metre by 50 metre grid or 50 metre by 50 metre grid in areas of greater geological confidence.

Table 3, details selected significant drill assays for the year.

The resource is exposed at surface at its north-western end and extends to a depth of greater than 200 metres along strike at the south-eastern end. The resource is highly oxidised to depths of about 40 metres and there are variable levels of oxidation down to approximately 150 metres depth.

Detailed geological modelling of the Sihayo Resource has identified that lithological contacts have acted as the dominant conduits of hydrothermal fluids. These fluids have precipitated sub horizontal economic jasper lodes through replacement of calcareous stratigraphy in three hard rock settings.

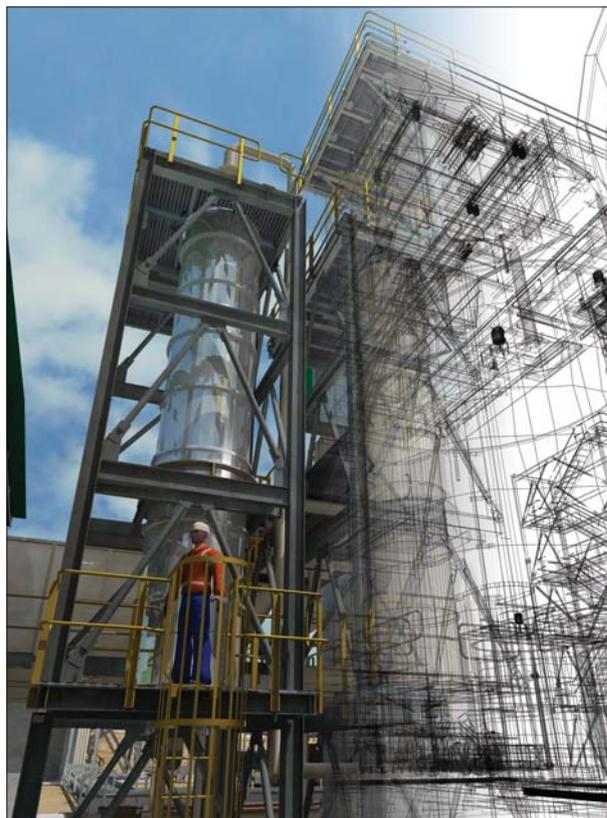
In addition, a fourth setting is oxidised zones of surface regolith gold mineralisation occurring in modern karst environments.

Figure 4, is a series of long sections that dissect the Sihayo Resource stratigraphy highlighting the key geological characteristics.

Figure 5, shows a 3D image of the Sihayo Resource.

Our ongoing drill program for next year will be a combination of exploration and resource definition drilling along strike and at depth from the Sihayo Resource.

The primary objective is to add economic gold resources to the current Sihayo Pungkut JORC inventory.



Review of Operations

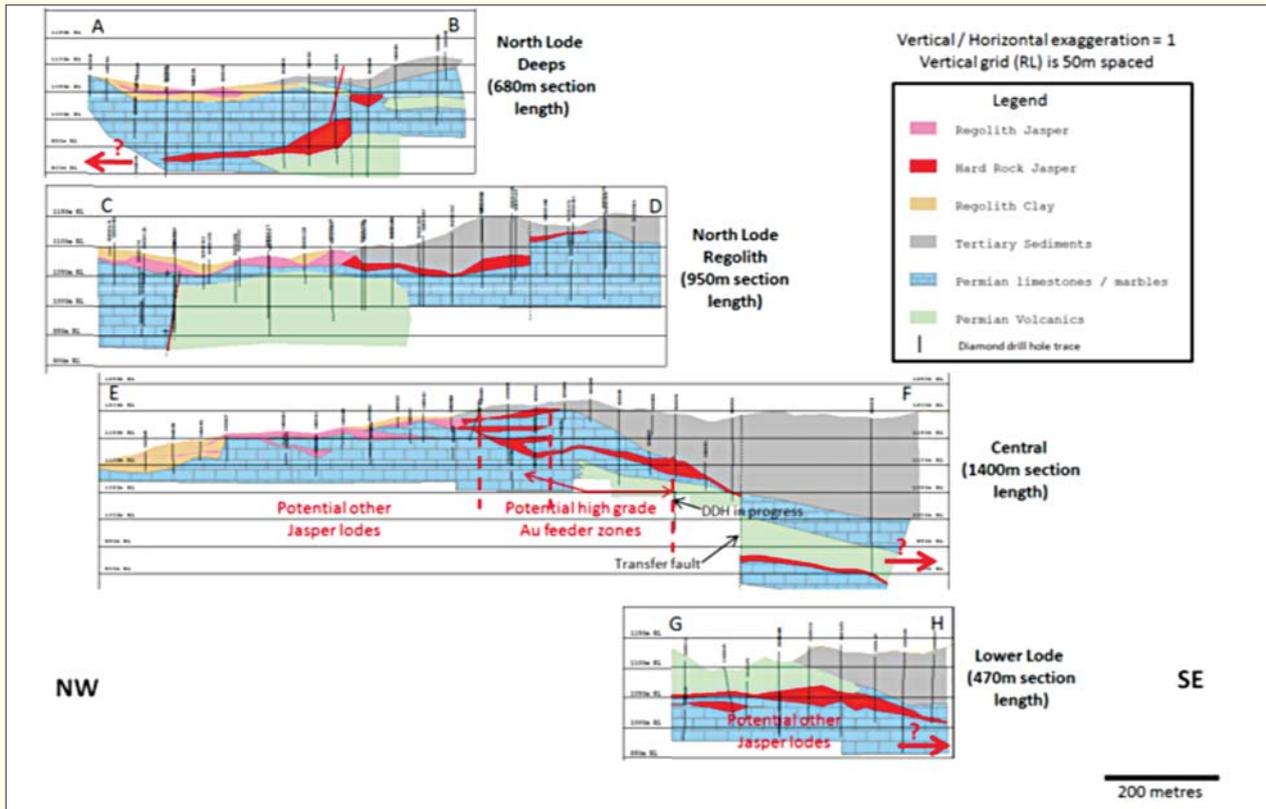


Figure 4: Long sections through the Sihayo Resource Ore Bodies. Long sections located on Figure 3.

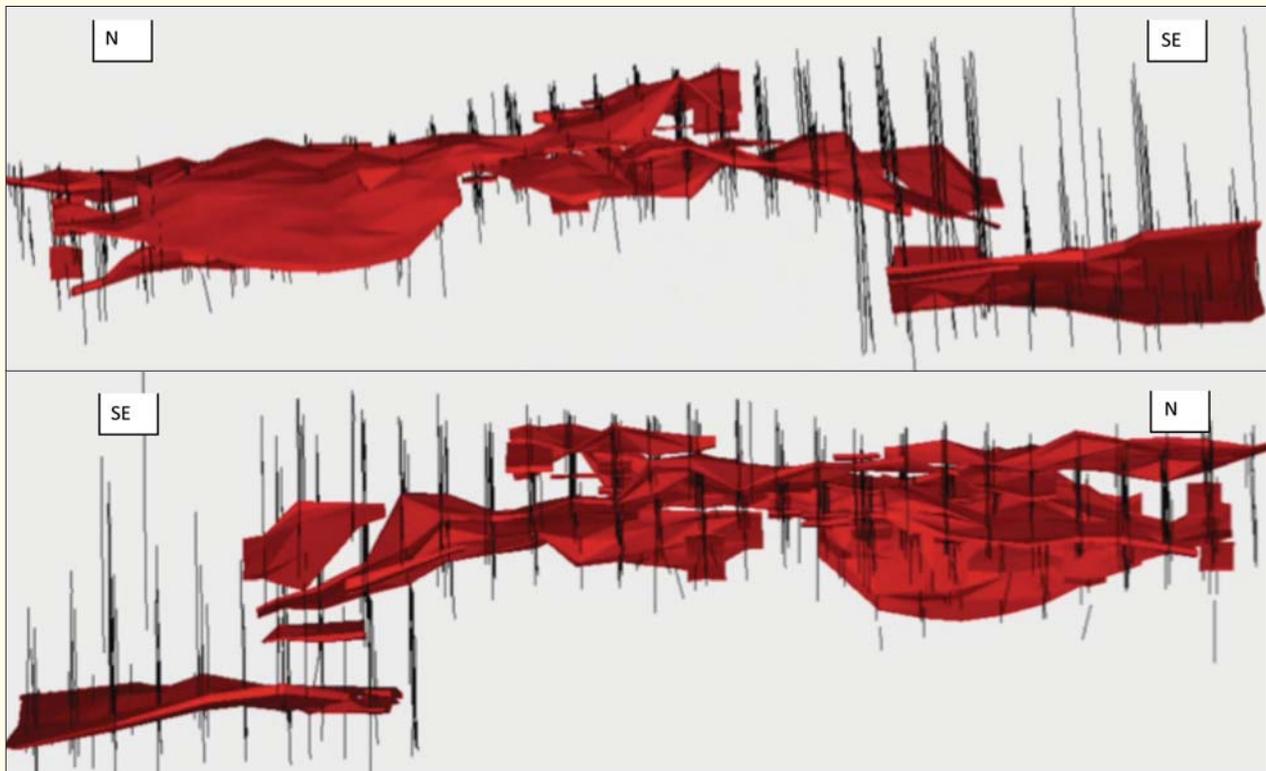


Figure 5: 3D views of Sihayo Resource - Jasper Mineralisation (red) and Drill Holes (black)
Note: views are oblique so dips of jasper mineralisation are apparent

Review of Operations

Table 3: Selected Significant Drill Results (>10 gram* metres) from the Sihayo Resource

EAST UTM	NORTH UTM	RL (m ASL)	AZI	DIP	MAX DEPTH (m)	FROM	TO	INTERCEPT (M)	Au g/t
547587	103172	1114	0	-90	100	24	28	4	4.81
548416	102343	1198	0	-90	294.15	257	273	16	5.14
547710	102764	1158	0	-90	131	0	8	8	2.89
547761	102728	1160	0	-90	62.1	14	23	9	2.99
547886	102649	1173	0	-90	40	0	8	8	3.17
547924	102460	1169	0	-90	33.1	0	29	29	6.98
548236	102683	1141	0	-90	38.9	9	15	6	4.07
548007	102952	1095	0	-90	126	35	42	7	2.80
548051	102883	1106	0	-90	104.95	45	58	13	3.87
547990	102928	1099	0	-90	105.6	28	42	14	3.26
547979	102906	1102	0	-90	109.4	4	17	13	5.46
548039	102914	1096	0	-90	200	35	42	7	2.97
548004	102878	1107	0	-90	105.4	28	36	8	4.30
547977	102999	1086	0	-90	165.8	40	43	3	4.96
						109	119	10	2.28
548052	102934	1089	0	-90	57.8	34	38	4	4.89
548023	102892	1105	0	-90	87.5	36	41	5	5.06
548762	102133	1173	0	-90	250	184	186	2	6.84
548534	102451	1180	0	-90	235.35	149	165	16	7.33
547808	103198	1055	0	-90	156.5	10	15	5	6.15
548081	102722	1167	0	-90	120.8	72	80	8	3.46
548091	102815	1128	0	-90	122.3	33.6	37	3.4	2.72
						62	66	4	2.69
548110	102849	1137	0	-90	120.5	79	91	12	3.47
547750	103189	1079	220	-60	120	11	26.1	15.1	3.07
548394	101918	1170	0	-90	263.15	191	193	2	11.8
548493	102411	1184	0	-90	203.15	171	181	10	3.76
548531	102378	1174	40	-90	243.65	183	195	12	7.35
548306	101891	1137	0	-90	152.3	120	123.2	3.2	6.82
548235	101877	1118	0	-90	98.3	47	63	16	2.54
548399	101847	1147	0	-90	195.55	151	156	5	3.21
548328	101828	1118	0	-90	110.3	62	72	10	3.36
548300	102128	1177	220	-75	235.65	192	212.6	20.65	2.46
548343	101767	1104	0	-90	123.25	46	63	17	2.6
548399	102006	1175	220	-75	241.95	203	217	14	3.99
548300	102128	1177	0	-90	237.5	208	216.7	8.7	4.93
548422	101799	1132	0	-90	160.6	126	144	18	6.48
548437	102453	1188	0	-90	308.95	139	145	6	5.2
548399	102006	1175	0	-90	243.65	226.45	233	6.55	3.65
548376.6	102380.4	1194.8	220	-80	324.25	252	269	17	6.54
						302	305	3	7.62
547971	102984	1087	0	-90	120.7	82	92	10	3.02
						96	101	5	4.03
547966	102965	1085	0	-90	172.35	112	120	8	2.11
						137	149	12	3.60

Notes

1. All assays determined by 50gm fire assay with AAS finish by Intertek- Caleb Brett Laboratories of Jakarta
2. Lower cut of 1.0ppm Au used
3. A maximum of 2m of consecutive internal waste (material less than 1.0ppm Au) per reported intersection
4. All interval grades were calculated as a weighted average
5. All intervals reported as down hole lengths
6. Sampling regime as quarter core for PQ and half core for NQ and HQ diameter core
7. Quality Assurance and Quality Control (QAQC);
8. Coordinates in UTM grid system (WGS84 z47N)

Review of Operations



Regional Exploration – Tambang Tinggi Copper/Gold Prospect

Detailed surface work including mapping, rock chip sampling, IP survey, and airborne magnetic/radiometric survey has confirmed that gold mineralisation at Tambang Tinggi, identified in previous scout drilling program (**112.6m @ 1.52 g/t Au from surface including 25m @ 4.58 g/t Au from 31m** – TTDD002) is part of a large system within an approximate 9km x 2.5km mineralised corridor.

Figures 2 and 15 show the location of the Tambang Tinggi Region.

The Tambang Tinggi Region is underlain by intercalated andesitic volcanics and limestone. Younger dacitic volcanics and sandy conglomerates overlay the andesite/limestone sequence. Hornblende diorite, weakly to moderately magnetic,

has intruded the andesite/limestone sequence. Quartz diorite has later intruded the hornblende diorite in interpreted favourable structural settings.

Macro structural features of the Tambang Tinggi Region are controlled by the deep seated TSFZ.

Figure 6 is a surface plan of the Tambang Tinggi Prospect.

Following detailed surface work, 9 diamond drill holes for a total of 1814m were drilled on the Tambang Tinggi Prospect. High grade gold was intersected in TTDD010 and TTDD006 with the best results detailed below.

- TTDD010:** 10m @ 39.2 g/t Au from 18m including 2m @ 193 g/t Au from 20m
- TTDD006:** 30m @ 3.90 g/t Au from 104m including 12m @ 8.60 g/t Au from 122m

Figure 7 is a drill plan of the Tambang Tinggi Prospect.

Review of Operations

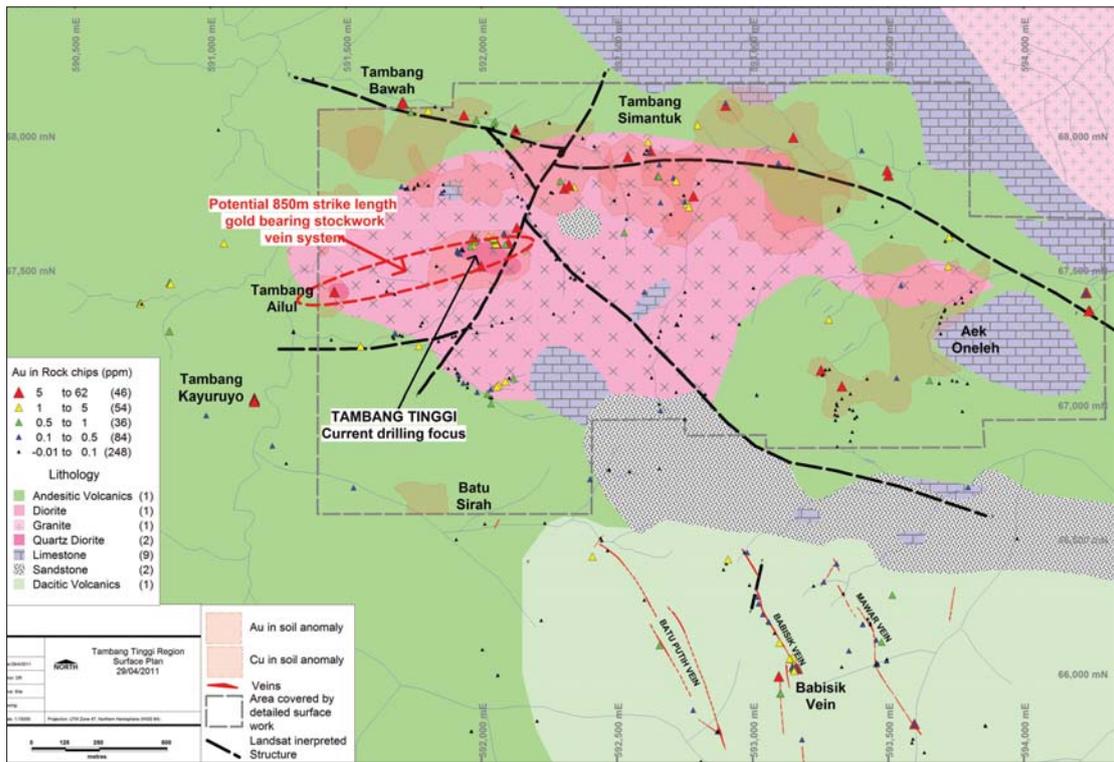


Figure 6: Tambang Tinggi Surface Plan

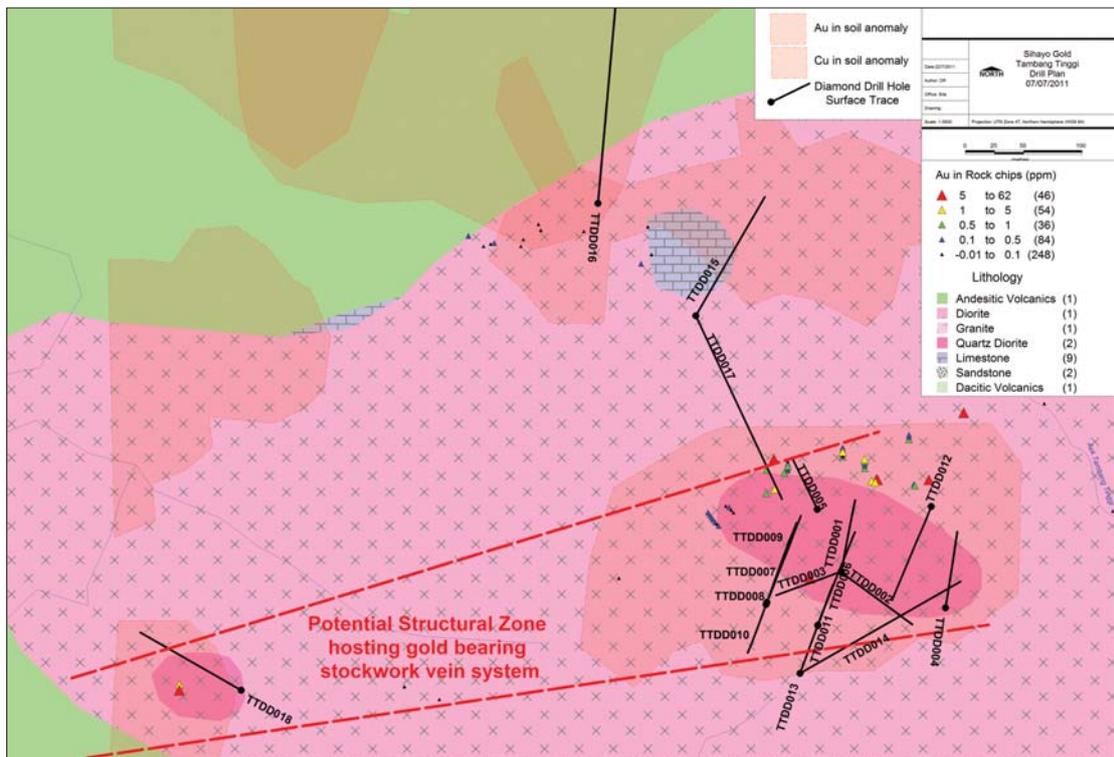


Figure 7: Tambang Tinggi Drill Plan

Review of Operations

The drilling at Tambang Tinggi has been very encouraging. Significant gold mineralisation is related to quartz-pyrite+/-chalcopyrite stock work veining within a broad quartz-sericite-tourmaline-pyrite+/-chalcopyrite alteration (phyllitic alteration) zone.

Table 4, details significant gold intersected in diamond drill holes TTDD006 to TTDD014. Figures 8 and 9 are cross sections of the Tambang Tinggi drilling, highlighting key geological features.

Tambang Tinggi phyllic alteration is similar in style to known phyllic alteration zones adjacent to a number of significant porphyry copper-gold deposits.

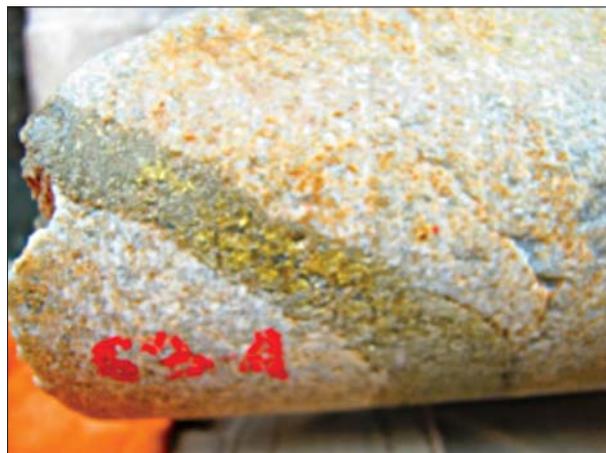
Notably, highly anomalous Cu was intersected in drill holes TTDD008 and TTDD011:

TTDD008 63m @ 0.55 g/t Au and 0.09% Cu from 196m including 27m @ 0.39 g/t Au and 0.12% Cu from 232m

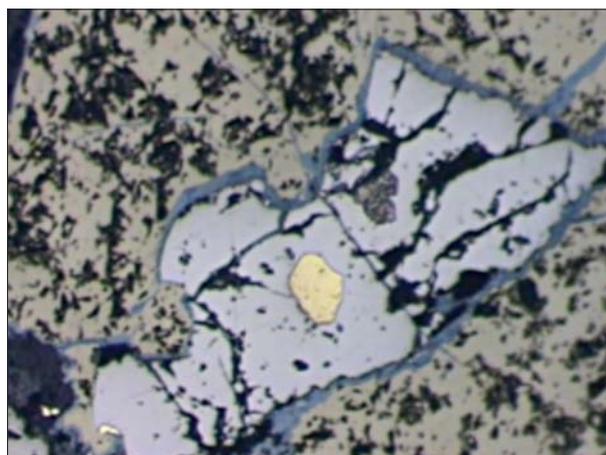
TTDD011 46m @ 0.35 g/t Au and 0.13 % Cu from 116m including 18m @ 0.52 g/t Au and 0.09% Cu from 116m

TTDD014 intersected a potassium feldspar (Potassic alteration) alteration zone (refer Figure 8). Potassic alteration and highly anomalous copper results at depth are potential vectors to a significant underlying porphyry copper-gold system.

The next phase of drilling at Tambang Tinggi will involve a series of deeper holes to test the copper/gold potential.



TTDD011 63.4m Quartz-pyrite-chalcopyrite veining in quartz-sericite-pyrite altered quartz diorite (62-64m: 3.04 g/t Au, 1310ppm Cu)



"Under the microscope" 600 micron field of view. Gold inclusion in pyrite enclosed by chalcopyrite altering to chalcocite

Review of Operations

Table 4: Significant Drill Results from Tambang Tinggi

HOLE ID	EAST UTM	NORTH UTM	RL (m ASL)	AZI	DIP	MAX DEPTH (m)	FROM	TO	INTERCEPT (M)	Au g/t
TTDD006	67476.37	592004.7	1008.1	20	-60	174.75	24	26	2	1.81
TTDD006							36	48	12	1.86
TTDD006							74	78	4	0.6
TTDD006							96	98	2	0.62
TTDD006							104	134	30	3.9
TTDD007	67495.79	591960.9	993.59	20	-60	154.2	2	8	6	1.15
TTDD007							68	70	2	5.78
TTDD007							106	120	14	1.21
TTDD007							142	144	2	0.85
TTDD008	67495.5	591960.8	993.7	20	-75	259.35	2	10	8	1.22
TTDD008							22	32	10	0.57
TTDD008							166	170	4	0.74
TTDD008							182	186	4	9.25
TTDD008							196	200	4	1.32
TTDD008							208	226	18	0.83
TTDD008							250	258	8	0.75
TTDD009	67496.07	591961	993.63	20	-45	115.9	0	16	16	1.63
TTDD009							58	60	2	4.25
TTDD009							82	84	2	6.93
TTDD009							94	96	2	4.9
TTDD010	67494.14	591960.3	993.52	200	-60	91	4	6	2	0.62
TTDD010							18	28	10	39.24
TTDD010							42	44	2	1.06
TTDD010							56	58	2	3.91
TTDD011	67475.78	592004.8	1008.1	20	-80	226.1	10	12	2	1.35
TTDD011							24	30	6	1.04
TTDD011							54	66	12	1.67
TTDD011							76	80	4	0.61
TTDD011							98	106	8	1.12
TTDD011							116	124	8	0.71
TTDD011							132	134	2	0.7
TTDD011							160	166	6	0.68
TTDD011							208	214	6	3.94
TTDD012	67579	592102	996	200	-60	285.55	64	66	2	2.24
TTDD012							158	161	3	1.49
TTDD014	67434	591989	985	60	-50	247.6	136	138	2	4.19
TTDD014							150	152	2	1.23

Notes

1. All assays determined by 50gm fire assay with AAS finish by Intertek- Caleb Brett Laboratories of Jakarta
2. Lower cut of 0.5 ppm Au used
3. A maximum of 3m of consecutive internal waste (material less than 0.5 ppm Au) per reported intersection
4. All interval grades were calculated as a weighted average
5. All intervals reported as downhole lengths
6. Sampling regime as quarter core for PQ and half core for NQ and HQ diameter core
7. Quality Assurance and Quality Control (QAQC): Standard or duplicate or blank inserted every 20 samples.
8. Coordinates in UTM grid system (WGS84 z47N)
9. No top cut used for Au assays

Review of Operations

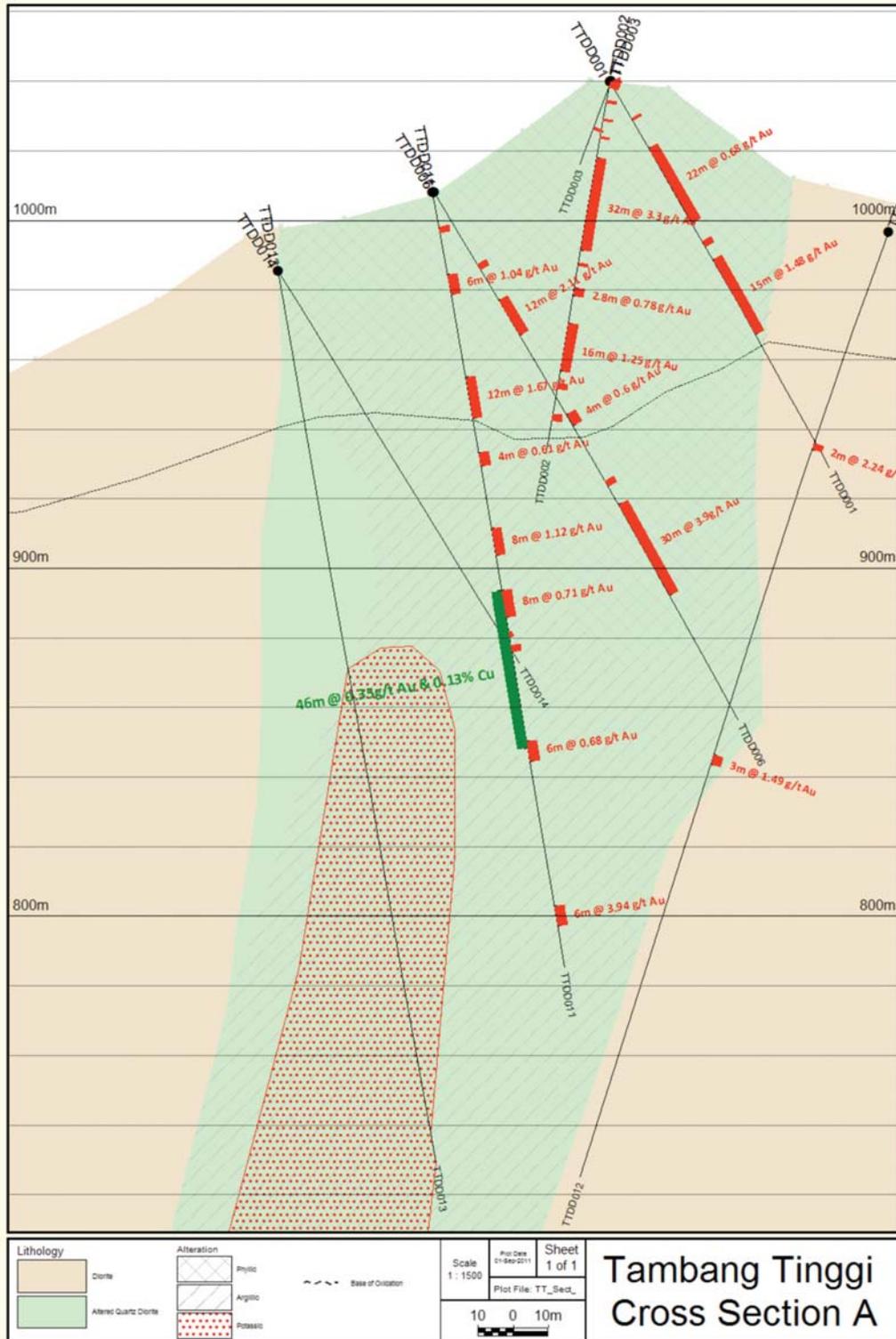


Figure 8: Tambang Tinggi Cross Section A (V/H exaggeration = 1, looking West) located in Figure 7

Review of Operations

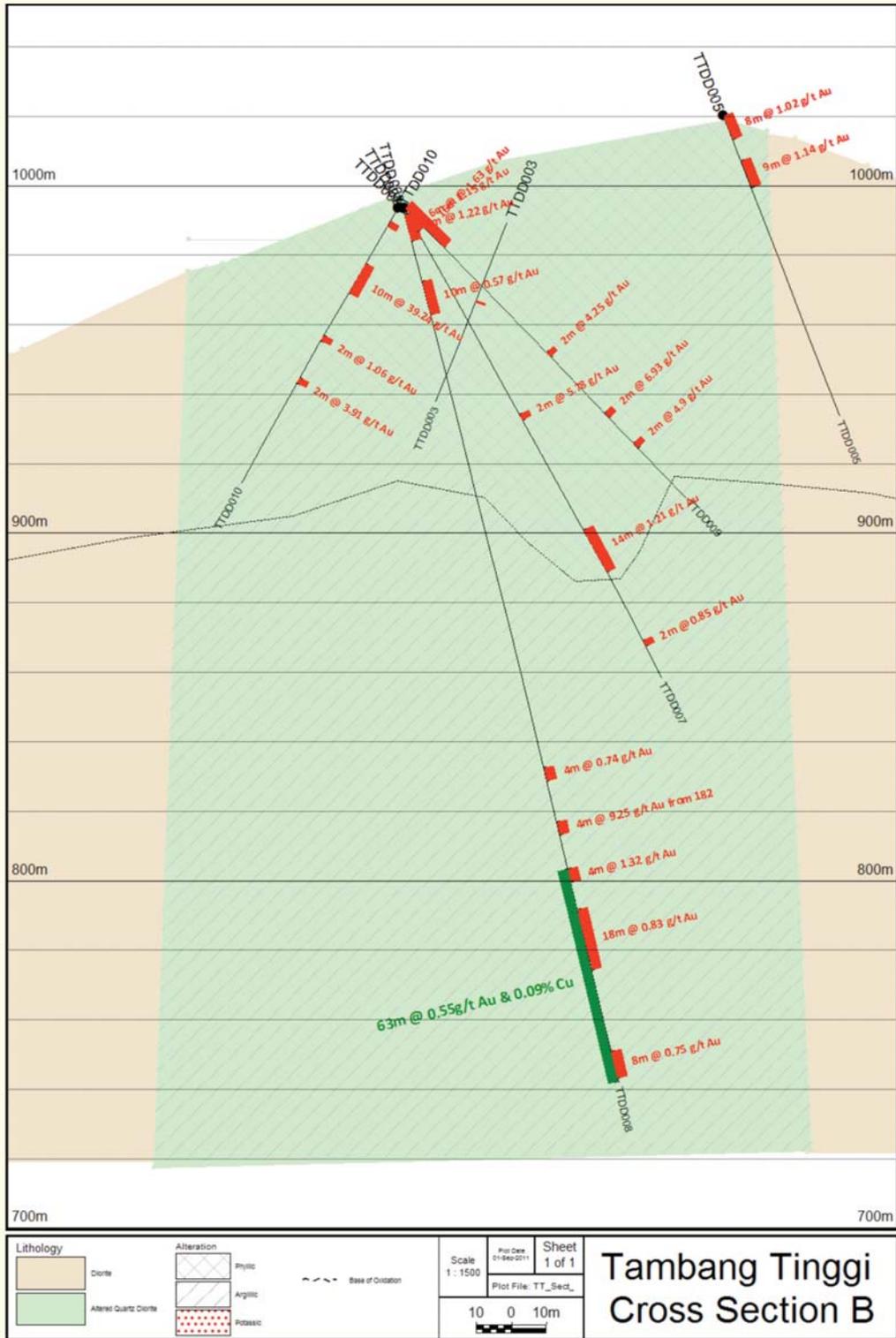


Figure 9: Tambang Tinggi Cross Section B (V/H exaggeration = 1, looking West) located in Figure 7

Review of Operations

Regional Exploration – Hutabargot Julu Epithermal Gold Prospect

Limited historical exploration work at the Hutabargot Julu Prospect (“Hutabargot”) identified seven intermediate sulphidation epithermal veins hosting significant gold mineralisation. Historic work culminated in a shallow scout diamond drilling campaign (23 holes for 2381.15m) that returned a best intercept of **5m @ 35 g/t Au and 198 g/t Ag from 47m** from a quartz-sulphide vein.

Table 5 and Figure 10 summarise historic drilling results.

Exploration work undertaken during this reporting period included grid soils (100m spaced E-W lines with 25m spaced samples), detailed geological mapping/ rock chipping, IP survey and an airborne magnetic/radiometric survey. This exploration work has upgraded the status of Hutabargot to **“highly prospective”** and drill ready. A diamond drilling program is expected to commence in September/October 2011.

Hutabargot gold mineralisation is intermediate sulphidation in style situated on a prospective section of the TSFZ, **7km along strike south east of the Sihayo Resource**. Refer Figure 12.

Host rocks are dacitic volcanics and interpreted to be part of a dome feature.

Mineralisation has been mapped in two main styles:

- 1. Generally northerly striking, steep to moderately westerly dipping veins (suggesting high grade and low - medium tonnage potential), and**
- 2. Hydrothermal Breccias (suggesting lower grade and bulk tonnage potential)**



Hutabargot jigsaw hydrothermal breccia. Sub-rounded rotated pebble clasts of clay altered dacitic tuff and matrix of clay and limonite. Limonite stains produced from oxidation of sulphide veins and disseminations



Hutabargot newly discovered “Fault Vein”. Chalcedonic white quartz characterised by colloform banding and cockade textures

Detailed soil sampling, shown in Figure 10, has defined broad areas (**2.8km x 1.1km**) in the north of the grid with highly anomalous gold in soils and co-incident veining with up to bonanza grade gold in rock chips. Hydrothermal breccias and associated argillic alteration (clay-sericite-sulphide) have been mapped in this area and potentially underlie the entire soil anomaly.

High grade gold bearing quartz veins have been mapped, sampled, +/- scout drilled throughout the project area and are younger than hydrothermal breccias.

Review of Operations

Post mineralisation dacitic volcanics have been mapped and demonstrated to cover gold mineralisation to the south of known gold veins. Interpretation of aeromagnetic data and field mapping suggest that post mineralisation dacitic volcanics may cover significant portions of the Hutabargot mineralisation.

Analysis of detailed aeromagnetic data shows that the **potential size of the Hutabargot Mineralisation Area is approximately 6km x 2km, not including mineralisation under cover.** Detailed mapping demonstrates that the aeromagnetic anomaly is magnetite destruction caused by argillic (clay-sericite) hydrothermal alteration associated with hydrothermal breccias. The hydrothermal breccias/alteration and epithermal

quartz-gold veining has previously yielded significant gold in diamond drilling intersections.

Hutabargot has similarities to a number of significant epithermal systems along the Pacific Rim such as Rawas (South Sumatra, Indonesia) and Masbate (Phillipines).

Ongoing exploration at Hutabargot will be a combination of surface work and diamond drilling. Detailed surface work is intended to cover the bulk of the Hutabargot alteration as shown in *Figure 10* to assist in drill targeting. Diamond drilling will test potential for high grade ore shoots on selected veins and test larger soil anomalies for bulk tonnage gold potential/veining that have no surface expression.



Review of Operations

Table 5: Significant Historic Drill Results from Hutabargot Julu (2007-2008)

HUTDD001 to HUTDD023 - 23 diamond drill holes for 2381.15m

HOLE ID	EAST UTM	NORTH UTM	RL (m ASL)	AZI	DIP	MAX DEPTH (m)	FROM	TO	INTERCEPT (M)	Au g/t
HUTDD001	553203	96093	408	90	-70	80.15	16	22	6	2.07
HUTDD002	553175	96099	417	90	-70	125.15	20	22	2	2.67
HUTDD003	553197	96200	453	90	-70	87.5	31	32	1	2.41
HUTDD004	553175	96200	468	90	-70	125.2	48	54	6	2.66
							64	65	1	8.61
							97	98	1	2.01
HUTDD005	553225	96000	432	90	-70	79.1	20	22	2	2.22
							28	30	2	1.03
HUTDD006	553175	96000	467	90	-70	151	106	108	2	2.46
							147	148	1	2.56
HUTDD007	553250	95906	434	90	-70	65	23	28	5	2.12
HUTDD009	553204	95896	416	90	-70	124.4	77	86	9	1.40
							98	101	3	1.43
							120	122	2	2.67
HUTDD010	553125	96096	429	0	-90	159.95	30	31	1	2.17
HUTDD011	554095	96105	424	90	-70	96.4	52	54	2	1.48
HUTDD013	553126	96096	428	0	-90	248	131	133	2	1.85
HUTDD016	552720	96201	534	90	-60	67.9	18	20	2	3.40
							37	39	2	3.62
HUTDD017	552669	96200	528	0	-90	126.7	71	75	4	1.21
HUTDD018	552815	96049	509	90	-60	68.4	47	52	5	36.7
HUTDD020	553297	95694	395	0	-90	63.5	33	34	1	2.22
HUTDD022	553324	95605	434	0	-90	74	0	12	12	1.74
HUTDD023	553283	95591	400	0	-90	58.5	7	9	2	3.45
							17	18	1	3.36

Notes

1. All assays determined by 50gm fire assay with AAS finish by Intertek- Caleb Brett Laboratories of Jakarta
2. Lower cut of 1.0ppm Au used
3. A maximum of 2m of consecutive internal waste (material less than 1.0ppm Au) per reported intersection
4. All interval grades were calculated as a weighted average
5. All intervals reported as down hole lengths
6. Sampling regime as quarter core for PQ and half core for NQ and HQ diameter core
7. Quality Assurance and Quality Control (QAQC):
8. Coordinates in UTM grid system WGS84 z47N

Review of Operations

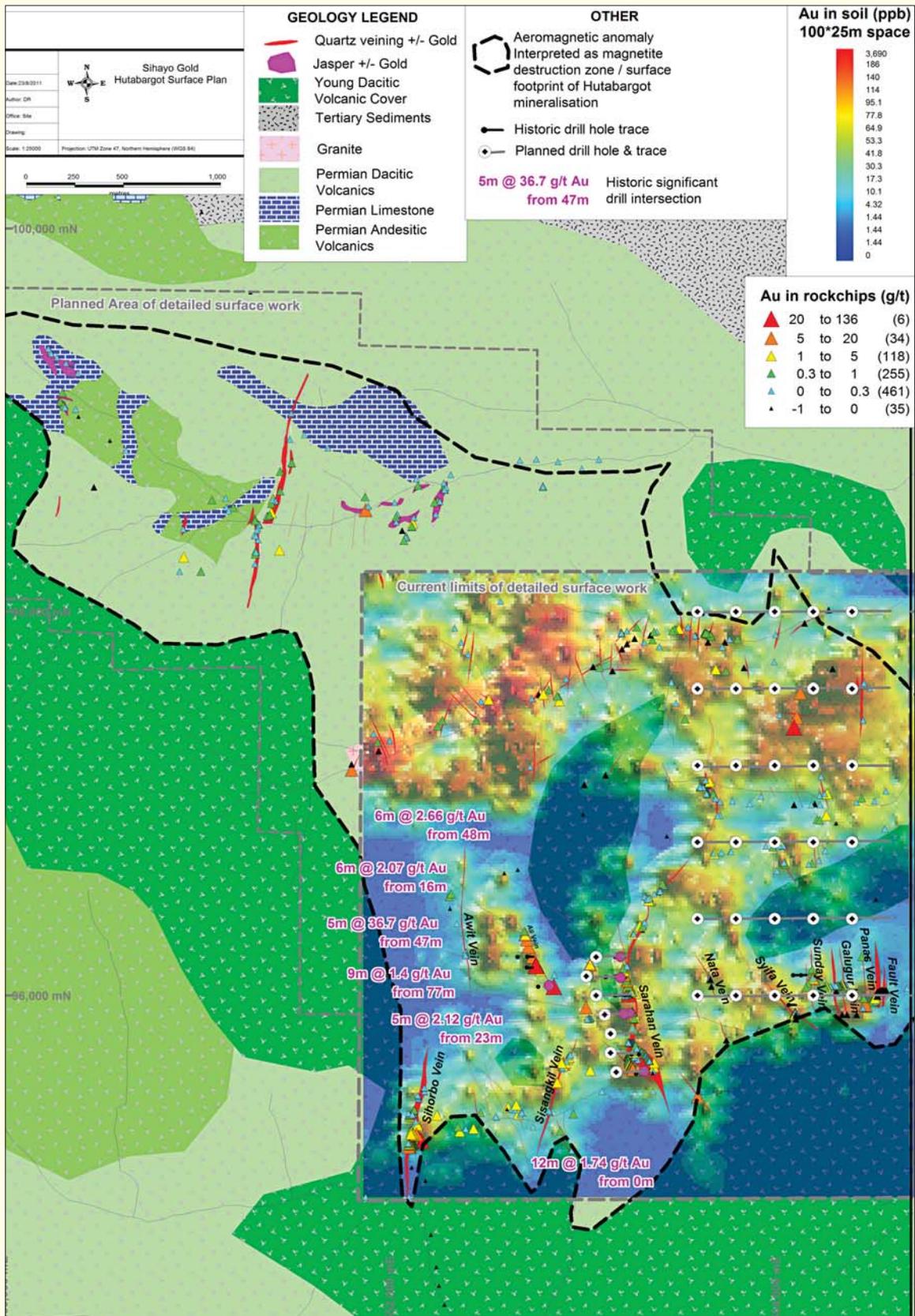


Figure 10: Hutabargot Surface Plan

Review of Operations

Regional Exploration – Huta Pungkut Copper/Gold Prospect

The Huta Pungkut Copper/Gold Prospect (“Huta Pungkut”) is located 5km northwest of the Tambang Tinggi Prospect within the same major mineralised corridor of approximately 9km x 2.5km.

Figures 2, 11 and 15 show the location of Huta Pungkut.

Stream BLEG sampling initially highlighted the mineralisation potential at Huta Pungkut. The recent aeromagnetic survey defined coincident strong magnetic anomalism.

Figure 11 details BLEG geochemistry and RTP magnetics of Huta Pungkut.

BLEG Au / RTP anomalies and reconnaissance geological traverses have located gold skarn type mineralisation. The prospect has been divided into 3 topographic zones: Red Hill, Crown Hill, and Blue Ridge.

Geological mapping and grid soil sampling has commenced at Red Hill.

Initial rock chip sampling has yielded Au in skarn with values as high as 30 g/t Au and 5% Cu.

Soil results are pending.

Surface exploration is planned to continue for much of next year.

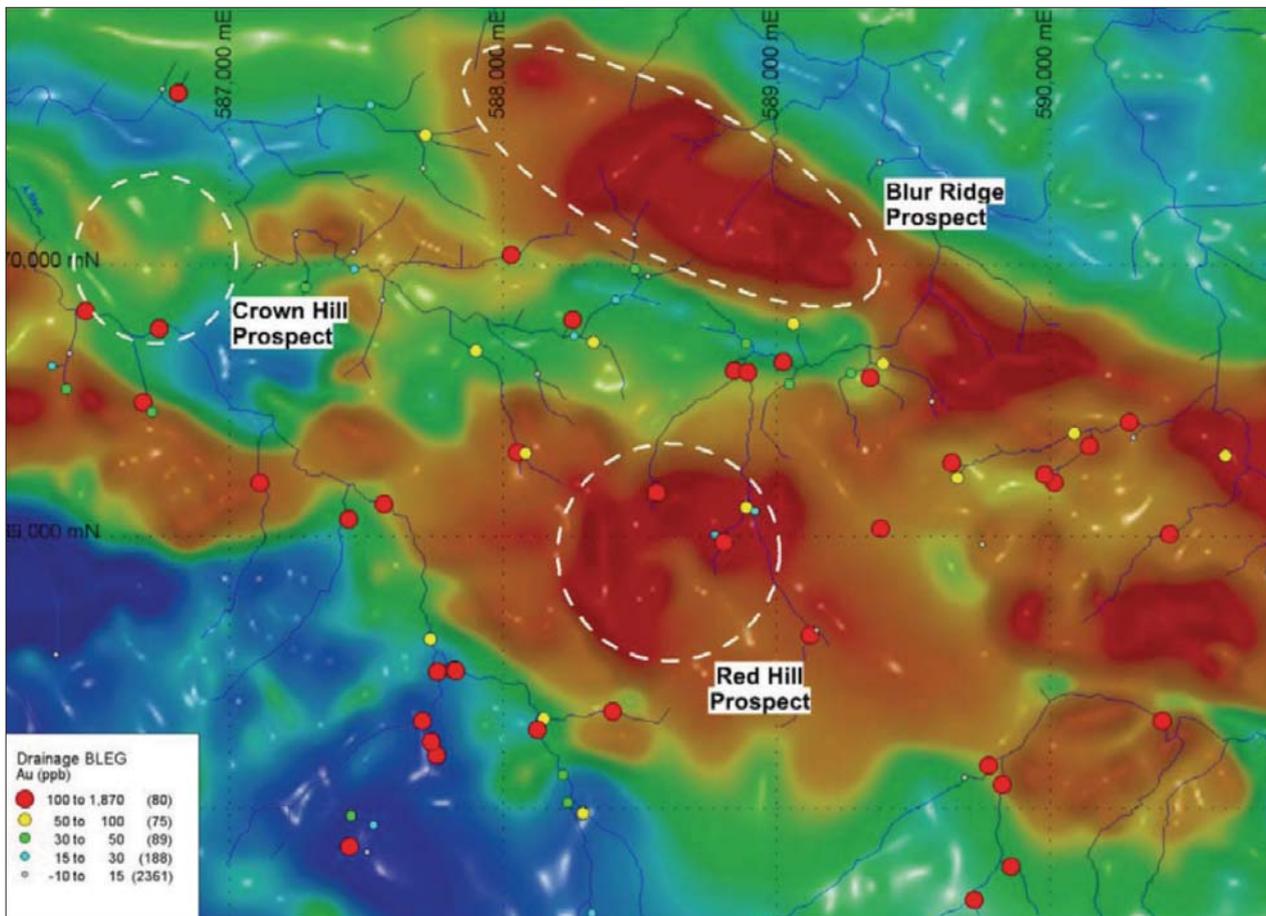


Figure 11: Huta Pungkut Prospect – Aeromagnetic Image (reduced to pole) with drainage BLEG Geochemistry

Review of Operations

Airborne Magnetic and Radiometric Survey

An airborne magnetic and radiometric survey of the entire COW area was flown by GPX Surveys Pty Ltd during the year. The survey was flown east – west on 200m line spacing over the entire COW area and known prospective areas were infilled at 50m line spacing.

Sydney based geophysist consultant Steve Collins was engaged to process the data and generate the following imagery and associated reports:

- Reduced to Pole (RTP),
- 1st Vertical derivative,
- Digital Elevation Model,
- Potassium count,
- Thorium Count, and
- Uranium Count.

Additionally, data is being processed to generate 3D magnetic models that can be used to assist in drill targeting for porphyry copper-gold mineralisation. *Figures 12-17* are RTP and regional geochemistry compilations over the entire COW area.

The airborne survey has been very successful and provides us with a high quality dataset that is an excellent exploration tool for targeting mineralisation throughout the entire Sihayo Pungkut COW area.



Review of Operations

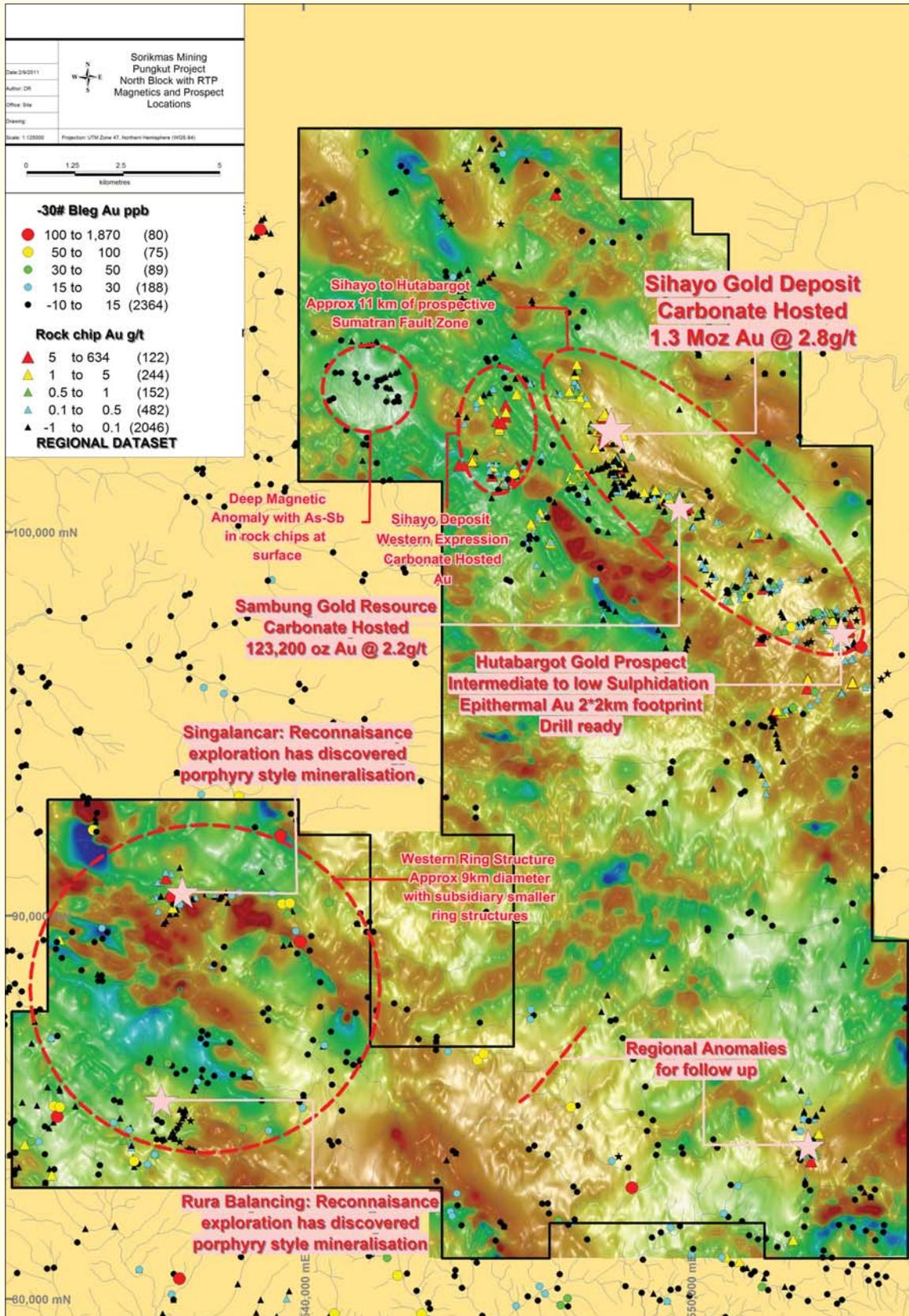


Figure 12: Sihayo Pungkut - North Block RTP and Au Surface Geochemistry

Review of Operations

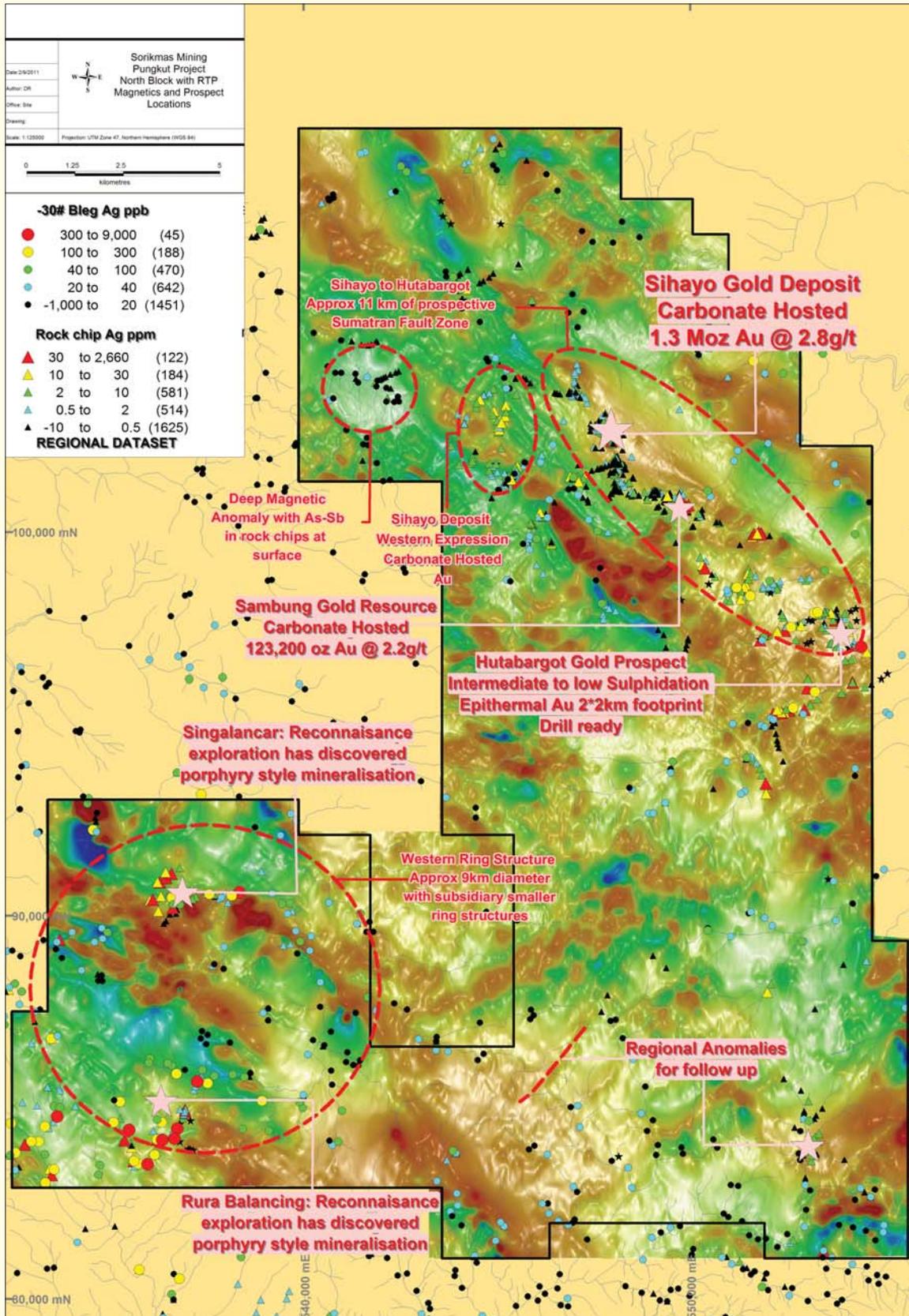


Figure 13: Sihayo Pungkut - North Block RTP and Ag Surface geochemistry

Review of Operations

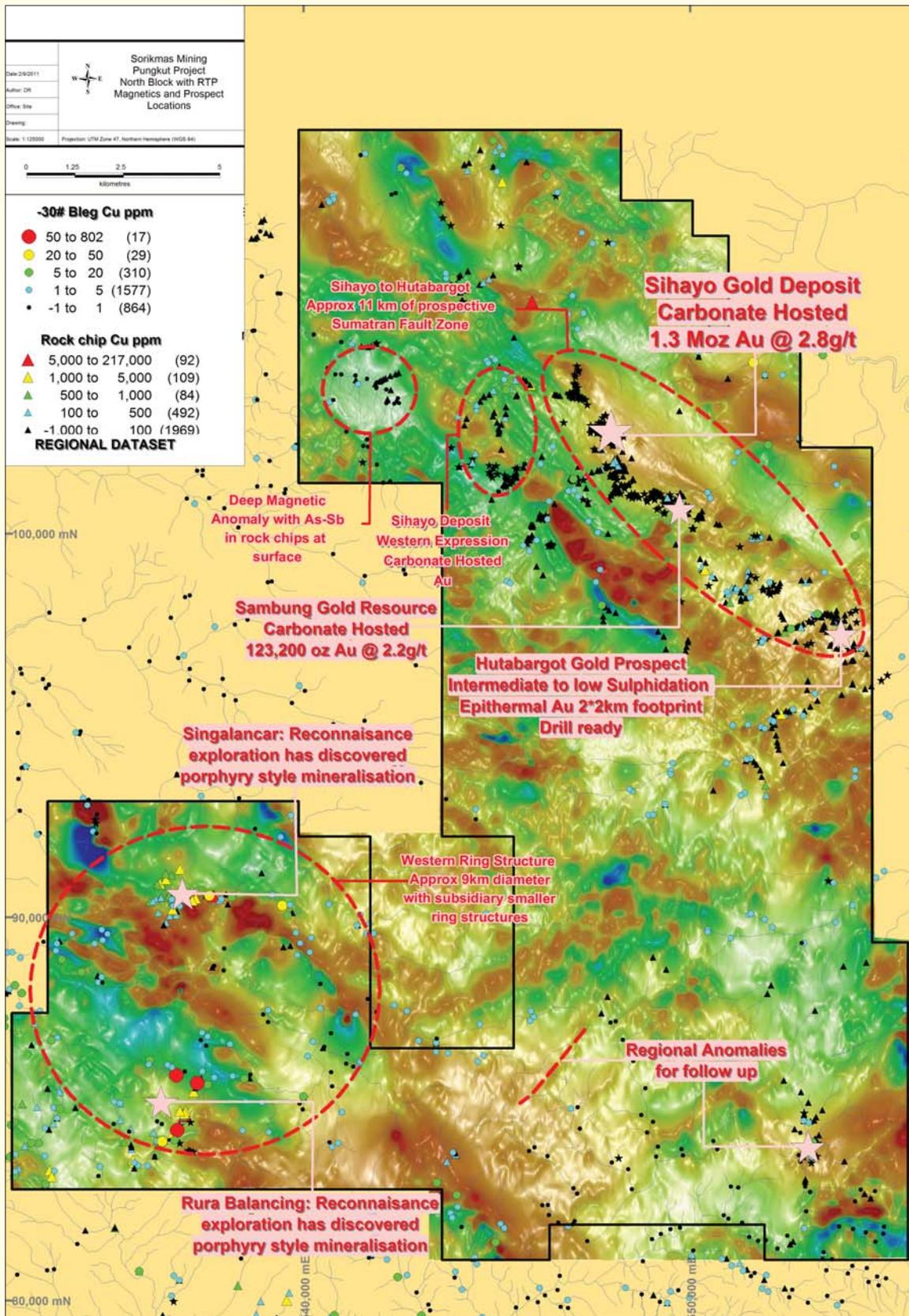


Figure 14: Sihayo Pungkut - North Block RTP and Cu Surface Geochemistry

Review of Operations

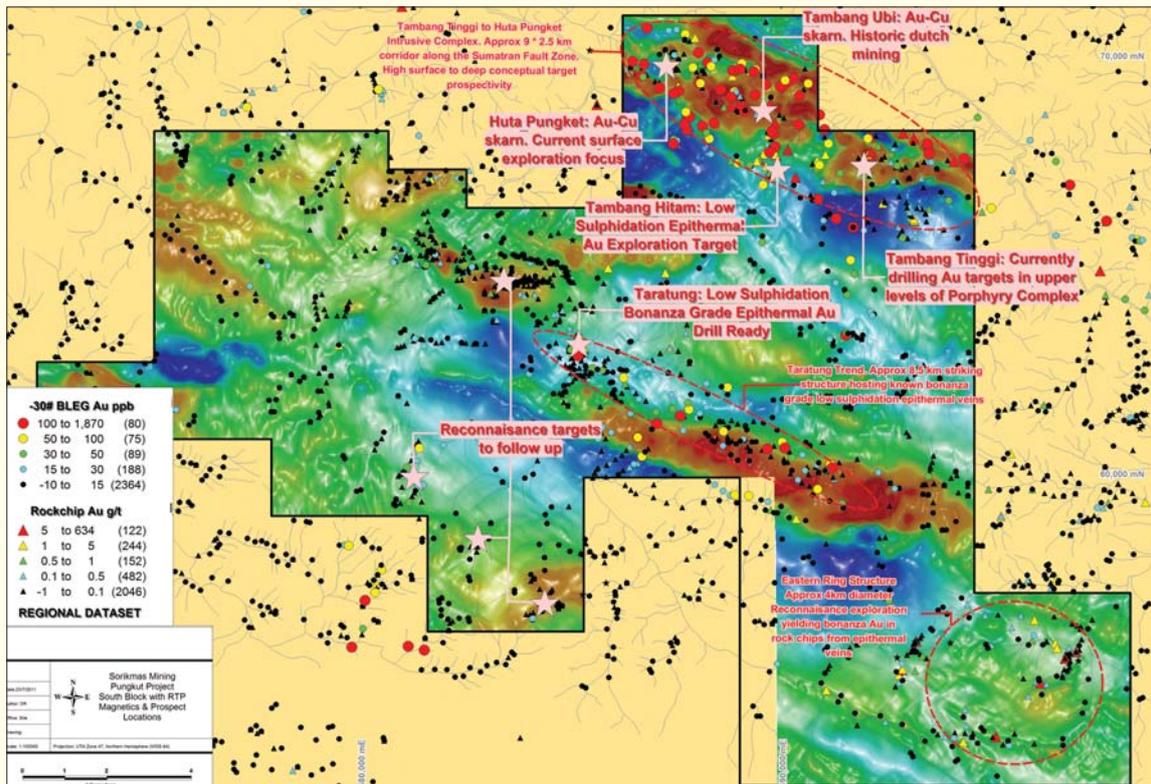


Figure 15: Sihayo Pungkut - South Block RTP and Au Surface Geochemistry

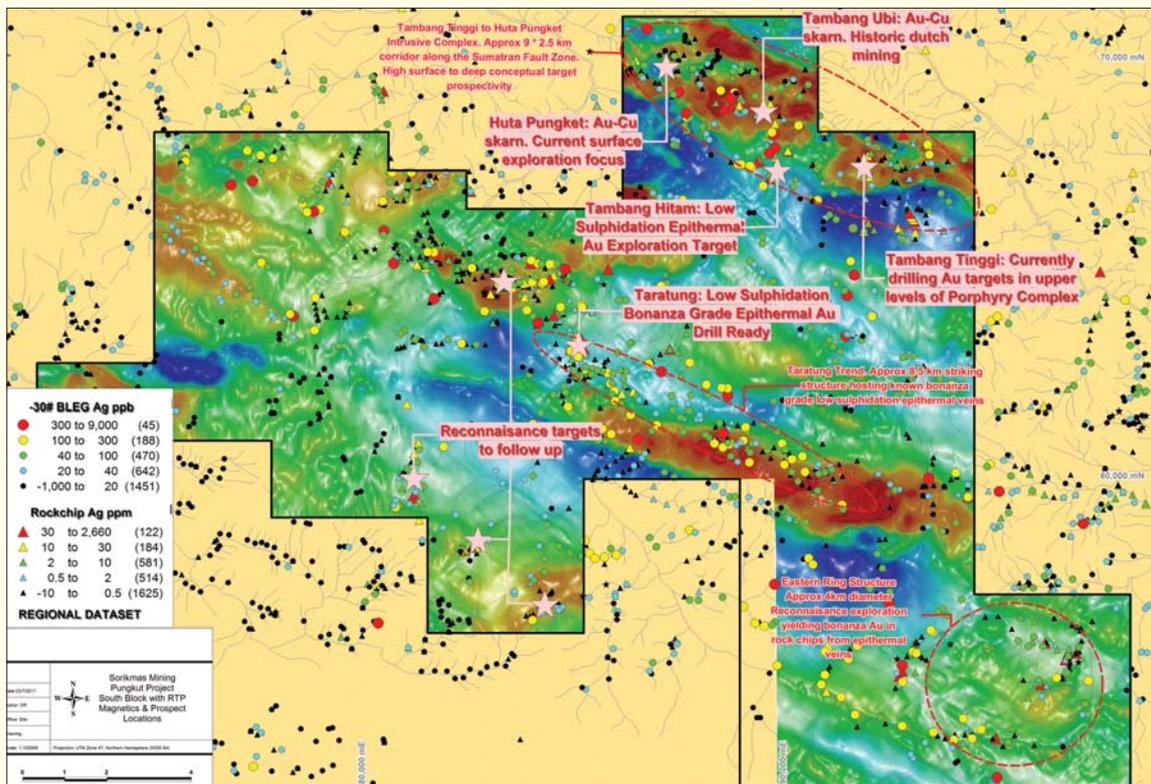


Figure 16: Sihayo Pungkut - South Block RTP and Ag Surface Geochemistry

Review of Operations

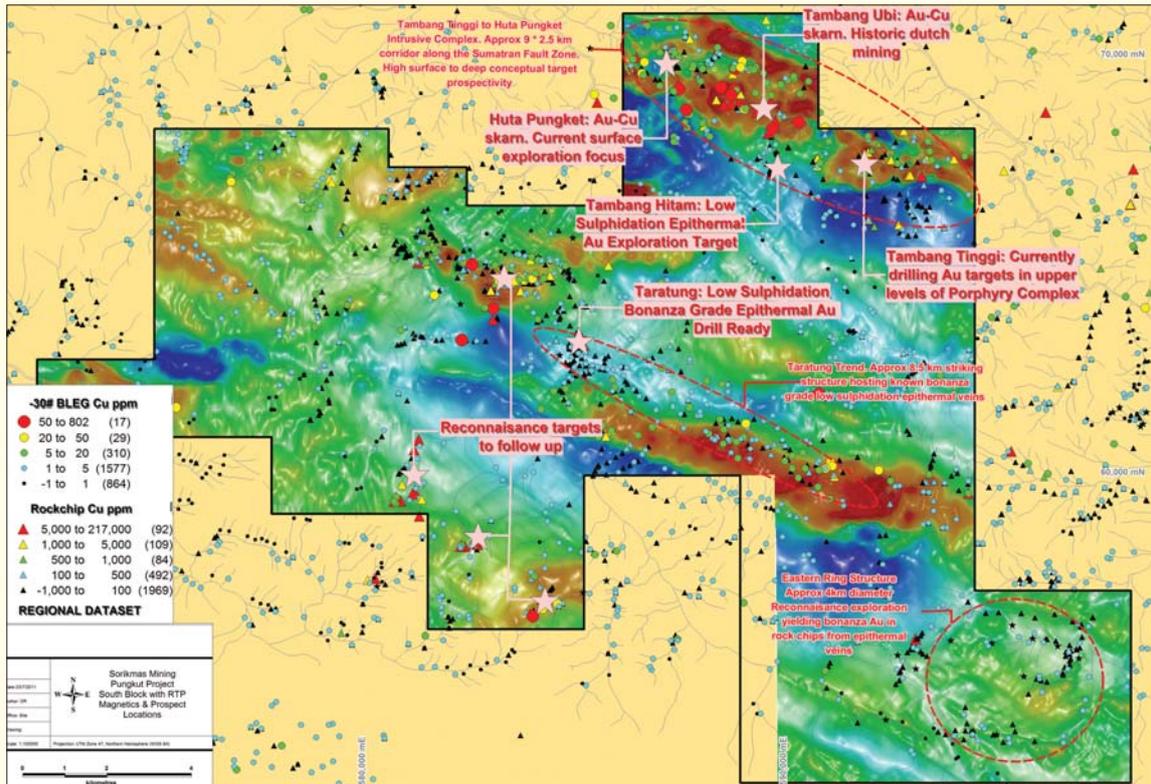


Figure 17: Sihayo Pungkut - South Block RTP and Cu Surface Geochemistry



Review of Operations

Sihayo Pungkut – Community Development Programmes

The local communities surrounding Sihayo Pungkut depend upon agricultural products as their primary source of income. As such, the Company has made a long-term commitment to invest into sustainable agriculture based programs, with a clear objective of improving the overall productivity, quality and selling price of the various products that the community currently produces.

Internationally experienced consultant Franz Goetz is leading the development and implementation of our agriculture based programs.

The main agricultural products of the region are: rice, rubber, cocoa, coffee, coconuts, fruits and vegetables, aromatic oils, cinnamon and a limited range of animal and fish products.

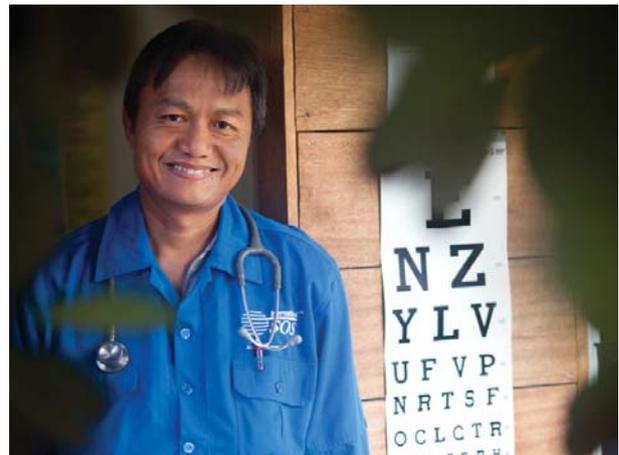
The agriculture techniques for the key products produced have been assessed and with the exception of rice growing, there is an identified significant productivity improvement achievable across all the products.



Our initial program has involved the establishment of local co-operative nurseries to produce a variety of trees (fruit, rubber, stock feed and timber) that will be purchased by the Company and planted on potentially unstable slopes throughout the mining project area.

Our second program is focused on the production of vetiver grass. The roots of the vetiver grass are steam distilled to produce aromatic oil. A local co-operative that has been established will grow vetiver grass and manage a central distillery for production of aromatic oils. Seedlings of vetiver grass will also be sold to the Company and will be used for slope stabilisation during the mine construction period with special attention on areas either side of the main mine access road.

Further programs involving rubber, cocoa and other products will be implemented throughout the nearby communities and all programs will be based on the core “sustainability principal” and provide for the local co-operatives to manage all programs over the longer-term without continuous involvement of the Company.



Review of Operations

Other Projects

Malawi – Uranium exploration (100%)

No exploration activities were carried out during the year.

The Company has three Exclusive Prospecting Licenses (“EPLs”) until June 2012 and December 2012.

India – Diamond Exploration (9%)

No significant 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.



Review of Operations

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 Graham Petersen (BSc.Geol) 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 Petersen 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 Petersen 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 of Runge Limited 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.

Directors' Report

Your directors present their report on the consolidated entity consisting of Sihayo Gold Limited ("Sihayo Gold, or the Company") and the entities it controlled at the end of, or during the year ended 30 June 2011 ("the reporting period").

DIRECTORS

The following persons were directors of Sihayo Gold during the financial year and up to the date of this report:

Misha Collins

Paul Willis

Peter Bilbe

Gavin Caudle

William John Blake

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were the continuing development of the Sihayo Pungkut Gold project. There were no significant changes in the nature of those activities during the financial year.

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year and no dividend is recommended in respect of this financial year.

REVIEW OF OPERATIONS

The review of operations is detailed at pages 3 to 32 of the financial report.

OPERATING RESULTS

During the financial year the consolidated entity incurred a consolidated operating loss after income tax of \$11,141,054 (2010: \$8,649,593).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the corporate group for the 2011 financial year.

EMPLOYEES

The consolidated entity employed 131 employees as at 30 June 2011 (2010: 52 employees)

CORPORATE STRUCTURE

The corporate group consists of the parent entity Sihayo Gold Limited, its 100% owned subsidiaries Inland Goldmines Pty Ltd, Excelsior Resources Pty Ltd, Oropa Technologies Pty Ltd, Oropa Indian Resources Pty Ltd, Oropa Exploration Pty Ltd and Aberfoyle Pungkut Investments Pte Ltd.

Aberfoyle Pungkut Investments Pte Ltd holds a 75% interest in PT Sorikmas Mining, with an Indonesian Government mining company PT Aneka Tambang Tbk holding the remaining 25%.

LIKELY FUTURE DEVELOPMENTS

Details of important developments occurring in this current financial year have been covered in the review of operations.

Further information on likely developments in the operations of the consolidated entity and the expected results have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Directors' Report

FINANCIAL POSITION

The net assets of the consolidated entity as at 30 June 2011 are \$22,288,944. (2010: \$973,162).

ENVIRONMENTAL REGULATION

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low, and has not identified any compliance breaches during the year.

INFORMATION ON DIRECTORS

Details of the directors of the Company in office at the date of this report are:

Paul Willis

(CEO & Executive Director – appointed a director on 29 September 2009)

Experience and expertise

Paul Willis, Chief Executive Officer and Executive Director, has over 18 years experience in the mining and investment industry.

Prior to joining Sihayo Gold in September 2009, Paul was founder and Executive Chairman of IndoAust Mining, a private exploration company with activities in Indonesia since 2005.

Prior to establishing IndoAust Mining, Paul was a founding partner and Executive Director of JF Capital Partners Limited, a large Melbourne based equities funds management company established in 1998 with funds under management exceeding A\$3 billion.

He is also a former Non Executive Chairman of Moly Mines Limited, ASX and TSX listed.

Directorships of Other ASX Listed Companies

No other current directorships

Former ASX Listed Companies Directorships in last 3 years

Moly Mines Limited

Special responsibilities

-

Interests in shares and options

54,221,409 ordinary shares (held indirectly)

2,000,000 options exercisable @ 10 cents before 30 June 2012 (held indirectly)

2,000,000 options exercisable @ 12.5 cents before 30 June 2013 (held indirectly)

Directors' Report

Misha A Collins

(Non Executive Director)

Experience and expertise

Mr Collins brings extensive financial and capital markets experience to the Board as well as having a complementary technical background in metallurgy and 14 years of experience in financial markets with particular emphasis on gold and mining business analysis. He was employed by BT Funds Management for an 11 year period as an equity analyst covering both domestic and international markets together with the formulation of capital market strategies and commodity forecasting and currently operates his own investment and trading business.

Mr Collins holds a Bachelor of Engineering in Metallurgy, graduating with First Class Honours from the RMIT University, a Graduate Certificate in Banking and Finance from Monash University and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia. He also completed the CFA program with the US based CFA Institute and has been awarded the Chartered Financial Analyst designation (CFA).

Directorships of Other ASX Listed Companies

Ask Funding Limited

Former ASX Listed Companies Directorships in last 3 years

No former directorships

Special responsibilities

Audit committee chairman

Remuneration committee member

Interests in shares and options

14,529,574 ordinary shares in Sihayo Gold Limited (held indirectly)

1,000,000 unlisted director options for fully paid ordinary shares at 15 cents at any time on or before the expiry date of 31 May 2013 (held directly)

Gavin Caudle

(Non Executive Director – appointed a director on 8 April 2010)

Experience and expertise

Mr Caudle has over 20 years experience in the finance and investment sectors in Australia, Singapore and Indonesia. Starting his career at Arthur Andersen Australia, he eventually became a partner based in the Jakarta office. He joined Citigroup in 1998 in Indonesia and held positions as Head of Mergers and Acquisitions and Head of Private Equity at Citigroup and Country Head of the Investment Bank at Salomon Smith Barney.

Since 2003, together with his partners, Gavin has developed numerous successful businesses including Tower Bersama Group (a telecommunications infrastructure business) and Provident Agro (a plantation business) with assets valued at more than US\$1 billion today.

Gavin and his partners bring substantial expertise in dealing with all business aspects in Indonesia, most importantly for Sihayo being:

- Track record of raising more than US\$2 billion of senior, mezzanine and equity capital over the past 7 years; and
- Expertise in dealing with forestry issues through the ownership of a substantial plantation business.

Directors' Report

Directorships of Other ASX Listed Companies

No other current directorships

Former ASX Listed Companies Directorships in last 3 years

No former directorships

Special responsibilities

Audit committee member

Interests in shares and options

124,850,490 ordinary shares (held indirectly)

Peter R Bilbe

(Chairman & Non Executive Director – appointed a director on 3 June 2010)

Experience and expertise

Peter Bilbe brings over 35 years of corporate, operational and international mining industry experience to the Company covering the full range of mining industry management positions. He holds a Bachelor of Engineering (Mining)(Hons) degree from the University of New South Wales (1974), is a member of AusIMM and holds various Mine Manager's Certificates of Competency.

From 2004 to 2007, Peter was Managing Director and Chief Executive Officer, Aztec Resources Limited ("Aztec") which successfully developed the Koolan Island Iron Ore Project from exploration and bankable feasibility study through to financing, construction and operation.

Peter's substantial gold industry experience over some 20 years includes all aspects of narrow vein and large scale open pit and underground gold projects at Papua New Guinea (Morobe Gold Project, Hidden Valley), Kalgoorlie Consolidated Gold Mines Limited (the Golden Mile, Kalgoorlie, WA), the Norseman goldfield (WA) and in South Africa.

Over the past three years Peter has held Non Executive Director positions with RMA Energy Limited, Aurox Resources Limited, Northern Iron Limited, Independence Group NL and Norseman Gold Plc.

Peter brings a very significant depth and breadth of mining industry experience to the Board of Sihayo Gold and this will be of particular value to the Company as we progress through the feasibility and development process of the Sihayo Gold project in North Sumatra, Indonesia.

Directorships of Other ASX Listed Companies

Northern Iron Limited

Independence Group NL

Norseman Gold Mines plc

Former ASX Listed Companies Directorships in last 3 years

Mount Gibson Iron Limited

Aztec Resources Limited

RMA Energy Limited

Aurox Resources Limited

Special responsibilities

Audit committee member

Remuneration committee member

Interests in shares and options

420,000 ordinary shares (held indirectly)

1,500,000 options (held directly) exercisable @ 10 cents before 31 May 2012

Directors' Report

William John Blake

(Non Executive Director – appointed a director on 4 June 2010)

Experience and expertise

Mr Blake brings over 30 years of international mining industry experience to the Company, including over 13 years in senior management roles in Indonesia.

Mr Blake holds a Masters Degree in Engineering Science (Mining Engineering) from the University of New South Wales, Masters Degree in Business Administration (Technology Management) from Deakin University and Doctor of Business Administration (Gold Hedging) from University of South Australia, and is a member of AusIMM.

Mr Blake was CEO of Australian Solomons Gold Ltd, a company developing the 2 million ounce Gold Ridge Gold mine in the Solomons Islands. Mr Blake was a Director of Agincourt Resources Limited and President Director, PT Agincourt Resources Limited (Indonesia). This role focused on the full permitting and Bankable Feasibility Study (“BFS”) of the Martabe gold/silver project located in North Sumatra, Indonesia.

Prior to this Mr Blake was General Manager and Director of Operations for PT Nusa Halmahera Minerals, North Maluku, Indonesia, a subsidiary of Newcrest Mining Ltd (“Newcrest”) responsible for construction and operation of the Gosowong gold mine and the Toguraci Gold Mine and development from discovery to feasibility, permitting and production of the Kencana underground mine now producing 450,000 ounces of Gold per annum.

Directorships of Other ASX Listed Companies

None

Former ASX Listed Companies Directorships in last 3 years

Agincourt Resources Limited

Special responsibilities

Remuneration committee chairman

Interests in shares and options

1,500,000 options exercisable @ 10 cents before 31 May 2012 (held directly)

Company Secretary

The company secretary is Mr Daniel Garry Nolan. Mr Nolan was appointed to the position of company secretary on 1 July 2011, after the resignation of Mr Dean Calder. Mr Nolan has worked in finance and accounting for more than 30 years. He has held senior finance positions in Australia, Cambodia, Vietnam and Indonesia. Immediately before joining Sihayo he held senior management roles in the Saratoga Group in Indonesia. Prior to that he was a senior finance executive at Telstra for 10 years in Australia, Cambodia and Indonesia. Mr Nolan holds a Bachelor of Business from Monash University and a Certificate in Governance and Risk Management from Chartered Secretaries Australia.

Directors' Report

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2011, and the number of meetings attended by each director. (Note that meeting attendance may have been completed via telephone conferencing.)

	Number eligible to attend	Number Attended
M Collins	8	8
P Willis	8	8
G Caudle	8	7
P Bilbe	8	8
W J Blake	8	7

REMUNERATION REPORT (AUDITED)

Sihayo Gold Limited has established a remuneration committee comprising of Misha Collins, John Blake and Peter Bilbe as at the date of this report.

The responsibilities and functions of the Remuneration Committee are as follows:

- 1) review the competitiveness of the Company's executive compensation programs to ensure:
 - (a) the attraction and retention of corporate officers;
 - (b) the motivation of corporate officers to achieve the Company's business objectives; and
 - (c) the alignment of the interests of key leadership with the long-term interests of the Company's shareholders;
- 2) review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve the revision of existing plans;
- 3) review the performance of executive management;
- 4) review and approve Chairperson and Chief Executive Officer goals and objectives, evaluate Chairperson and Chief Executive Officer performance in light of these corporate objectives, and set Chairperson and Chief Executive Officer compensation levels consistent with Company philosophy;
- 5) approve the salaries, bonus and other compensation for all senior executives, the committee will recommend appropriate salary, bonus and other compensation to the Board for approval;
- 6) review and approve compensation packages for new corporate officers and termination packages for corporate officers as requested by management;
- 7) review and approve the awards made under any executive officer bonus plan, and provide an appropriate report to the Board;
- 8) review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board as the "Committee" established to administer equity-based and employee benefit plans, and as such will discharge any responsibilities imposed on the committee under those plans, including making and authorising grants, in accordance with the terms of those plans; and
- 9) review periodic reports from management on matters relating to the Company's personnel appointments and practices.

Principles used to determine the nature and amount of remuneration

- Non executive directors receive fees in cash. The fees are fixed and approved by shareholders.
- Where non executive directors provide services in their area of expertise they receive payment at normal commercial rates.
- There are no executives (other than directors) with authority for strategic decision and management.
- The remuneration of the directors is not linked directly to the performance of the Company.

Directors' Report

Details of remuneration

Details of the remuneration of key management personnel and related parties of Sihayo Gold Limited, including their personally related entities are set out below for the year ended 30 June 2011.

2011	Short-term		Post Employment		Long Term		Equity	Performance related %	
Name	Cash Salary & Fees	Non Monetary Benefits	Super-annuation	Retire-ment Benefits	Incentive Plans leave	Long service	Share based	Total	
M Collins (a)	49,050	2,220	-	-	-	-	-	51,270	-
P Willis (b)	275,004	2,220	-	-	-	-	332,758	609,982	-
P Bilbe (c)	65,000	2,220	5,850	-	-	-	117,369	190,439	-
W J Blake (d)	45,000	2,220	-	-	-	-	117,369	164,589	-
G Caudle(e)	45,000	2,220	-	-	-	-	-	47,220	-
G Entwistle(f)	274,059	-	15,199	-	-	-	-	289,258	-
D Pluckhahn(g)	5,701	-	-	-	-	-	-	5,701	-
G Peterson(h)	212,616	-	-	-	-	-	302,433	515,049	-
D Rowley(i)	134,210	-	-	-	-	-	277,200	411,410	-
D Nolan(j)	100,000	-	-	-	-	-	138,600	238,600	-
Total	1,205,640	11,100	21,049	-	-	-	1,285,729	2,523,518	-

2011	Short-term		Post Employment		Long Term		Equity	Performance related %	
Name	Cash Salary & Fees	Non Monetary Benefits	Super-annuation	Retire-ment Benefits	Incentive Plans leave	Long service	Share based	Total	
PCJ Christie	99,250	1,590	-	-	-	-	-	100,840	-
M Collins	61,239	1,590	-	-	-	-	-	62,829	-
I Macpherson	56,994	1,589	-	-	-	-	-	58,583	-
P Willis	98,751	1,589	-	-	-	-	-	100,340	-
P Bilbe	4,916	1,589	443	-	-	-	-	6,948	-
W J Blake	3,750	1,589	-	-	-	-	-	5,339	-
G Caudle	6,250	1,589	-	-	-	-	-	7,839	-
T Martin	95,400	-	-	-	-	-	38,100	133,500	-
G Entwistle	77,456	-	3,615	-	-	-	58,600	139,671	-
D Pluckhahn	149,384	-	13,113	-	-	-	-	162,497	-
Total	653,390	11,125	17,171	-	-	-	96,700	778,386	-

There are no other key management personnel.

(a) \$49,050 in directors fees was paid to M Collins as at 30 June 2011.

(b) Until 31 December 2010, consulting and director fees were paid to IndoAust Mining Pty Ltd (BVI), a personally related entity of P Willis, in lieu of salary. Starting 1 January 2011, these payments (totalling \$275,004 for the full financial year) were paid directly to P Willis. In addition, 4 million options were issued to IndoAust Mining Pty Ltd (BVI) with a value (using the Black-Scholes valuation method) of \$332,758.

(c) \$65,000 salary plus superannuation of \$5,850 was paid to P Bilbe. In addition, 1.5 million options were issued to P Bilbe, with a value (using the Black-Scholes valuation method) of \$117,369.

(d) \$45,000 in directors fees was paid to Blake Mining Services, a personally related entity of W J Blake, as at 30 June 2011. In addition, 1.5 million options were issued to W J Blake with a value (using the Black-Scholes valuation method) of \$117,369.

Directors' Report

- (e) \$45,000 in directors fees was payable to G Caudle as at 30 June 2011.
- (f) \$274,059 salary plus \$15,199 superannuation was paid to G Entwistle.
- (g) \$5,701 salary was paid as final payment to D Pluckhahn who had resigned at the end of the 2010 financial year.
- (h) \$212,616 salary was paid to G Peterson. In addition, 3 million options were issued to G Peterson with a value (using the Black-Scholes valuation method) of \$302,433.
- (i) \$134,210 salary was paid to D Rowley. In addition, 2 million options were issued to D Rowley with a value (using the Black-Scholes valuation method) of \$277,200.
- (j) \$100,000 salary was paid to D Nolan. In addition, 1 million options were issued to D Nolan with a value (using the Black-Scholes valuation method) of \$138,600.

Compensation Options (Consolidated)

30 June 2011	Granted No	Grant Date	Terms and Conditions for each Grant					Vested	
			Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	First Exercise date	Last exercise date	No	%
M Collins	-	-	-	-	-	-	-	-	-
P Willis	-	-	-	-	-	-	-	-	-
P Bilbe	-	-	-	-	-	-	-	-	-
W J Blake	-	-	-	-	-	-	-	-	-
G Caudle	-	-	-	-	-	-	-	-	-

Compensation Options (Consolidated)

30 June 2010	Granted No	Grant Date	Terms and Conditions for each Grant					Vested	
			Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	First Exercise date	Last exercise date	No	%
M Collins	-	-	-	-	-	-	-	-	-
P Bilbe	-	-	-	-	-	-	-	-	-
W J Blake	-	-	-	-	-	-	-	-	-
G Caudle	-	-	-	-	-	-	-	-	-
T Martin	3,000,000	01/07/09	0.0127	0.05	31/08/11	01/07/09	31/08/11	3,000,000	100
G Entwistle	2,000,000	05/03/10	0.0151	0.075	30/06/12	05/03/10	30/06/12	2,000,000	100
G Entwistle	2,000,000	05/03/10	0.0142	0.10	30/06/13	05/03/10	30/06/13	2,000,000	100

Options granted as part of remuneration

2011	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year %
M Collins	-	-	-	-
P Willis	332,758	-	-	54.55
P Bilbe	117,369	-	-	61.63
W J Blake	117,369	-	-	71.31
G Caudle	-	-	-	-
G Entwistle	-	-	-	-
D Pluckhahn	-	-	-	-
G Peterson	302,433	427,500	-	58.72
D Rowley	277,200	-	-	67.38
D Nolan	138,600	-	-	58.09

Directors' Report

Options granted as part of remuneration

2010	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year %
PCJ Christie	-	-	-	-
M Collins	-	-	-	-
I Macpherson	-	-	-	-
P Willis	-	-	-	-
P Bilbe	-	-	-	-
W J Blake	-	-	-	-
G Caudle	-	-	-	-
T Martin	38,100	-	-	28.54
G Entwistle	58,600	-	-	41.96
D Pluckhahn	-	-	-	-

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Shares issued on exercise of compensation options (Consolidated)

30 June 2011	Shares Issued No	Paid per share	Unpaid per share
M Collins	-	-	-
P Willis	-	-	-
P Bilbe	-	-	-
W J Blake	-	-	-
G Caudle	-	-	-
T Martin	3,000,000	5 cents	-
G Entwistle	-	-	-
D Pluckhahn	-	-	-
G Peterson	1,500,000	13.5 cents	-
G Peterson	1,500,000	15 cents	-
D Rowley	-	-	-
D Nolan	-	-	-

Shares issued on exercise of compensation options (Consolidated)

30 June 2010	Shares Issued No	Paid per share	Unpaid per share
PCJ Christie	-	-	-
M Collins	-	-	-
I Macpherson	-	-	-
P Willis	-	-	-
P Bilbe	-	-	-
W J Blake	-	-	-
G Caudle	-	-	-
T Martin	-	-	-
G Entwistle	-	-	-
D Pluckhahn	-	-	-

Directors' Report

Consultant/Employment Agreements

It was mutually agreed to discontinue the consultancy agreement between Sihayo Gold Limited and IndoAust Mining Pty Ltd (BVI) a personally related entity of Mr Paul Willis on 31 December 2010. Mr Willis is an Indonesian resident. In addition to holding the position of CEO of Sihayo Gold Ltd, he is also President Director of PT Sorikmas Mining (PTSM); a subsidiary of Sihayo Gold Ltd. PTSM operates under a contract of work with the Indonesian Government which requires that Indonesian residents who work for PTSM must be paid directly and be subject to Indonesian taxes. Accordingly Mr Willis is now paid directly by PTSM.

On 11 July 2010 Sihayo Gold Limited entered into an Executive Employment Agreement with Graham Peterson consisting of an annual net salary of \$168,000. This was increased in October 2010 to \$180,000 net. The following options were also issued as part of his remuneration:

- 1,500,000 unlisted options at 13.5 cents with an expiry date of 31 July 2012.
- 1,500,000 unlisted options at 15 cents with an expiry date of 31 July 2013.

If Graham Peterson's position becomes redundant and re-deployment options are not available, Mr Peterson shall receive the following entitlements:

- (a) a notice period of 3 months;
- (b) payment of accrued Annual Leave; and
- (c) payment of pro-rata long service leave in line with the applicable Western Australian legislation.

Officer Emoluments

Fees of \$126,881 (GST exclusive) were paid to Calder Roth & Co, a Chartered Accounting firm of which the previous Company Secretary is a principal, for accounting, company secretarial, taxation and other services during the year.

Directors and Officer Insurance

During the year \$11,100 was incurred for Directors and officeholders insurance, covering all directors and officeholders.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

Shares under Option

Unissued ordinary shares of Sihayo Gold Limited under option at the date of this report are as follows:

- As at the end of the reporting period, there were no listed options for Sihayo Gold Ltd shares on the Australian Stock Exchange.
- 6,800,000 director unlisted options exercisable at 15 cents before the expiry date of 31 May 2013.
- 7,320,654 unlisted options exercisable at 5 cents before the expiry date of 31 August 2011.
- 3,750,000 unlisted options exercisable at 5 cents before the expiry date of 26 August 2011.
- 2,000,000 employee unlisted options exercisable at 7.5 cents before the expiry date of 30 June 2012.
- 2,000,000 employee unlisted options exercisable at 10 cents at any time on or before 30 June 2013.
- 2,000,000 director unlisted options exercisable at 10 cents at any time on or before 30 June 2012.
- 2,000,000 director unlisted options exercisable at 12.5 cents at any time on or before 30 June 2013.
- 3,000,000 director unlisted options exercisable at 10 cents at any time on or before 31 May 2012.
- 3,000,000 employee unlisted options exercisable at 25 cents at any time on or before 31 December 2012.

Directors' Report

CONVERTIBLE NOTES

There are no convertible notes held as at 30 June 2011.

PROCEEDINGS ON BEHALF OF COMPANY

No person entitled to exercise any of the options has any right, by virtue of the options, to participate in any share issue of any other body corporate.

The names of all persons who currently hold options, granted at any time, are entered in the register kept by the Company pursuant to Section 216C of the Corporations Act 2001 and the register may be inspected free of charge.

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

The Company was not party to any such proceedings during the year.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is set out on pages 45 – 51.

NON-AUDIT SERVICES

There were no non-audit services undertaken by Stantons International during the financial year.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 44.

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



Paul Willis
Director

30 September 2011

30 September 2011

Board of Directors
Sihayo Gold Limited
25 Charles Street
South Perth WA 6151

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 audit of the financial statements of Sihayo Gold Limited for the year ended 30 June 2011, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

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



Martin Michalik
Director

Corporate Governance Statement

Approach to Corporate Governance

Sihayo Gold Limited (**Company**) has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition (**Principles & Recommendations**), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

Further information about the Company's corporate governance practices may be found on the Company's website at www.sihayogold.com, under the section marked "Corporate Governance".

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations, during the 2010/2011 financial year (**Reporting Period**). The Principles & Recommendations were amended in 2010, and these amendments apply to the Company's first financial year commencing on or after 1 January 2011. Accordingly, disclosure against the Principles & Recommendations as amended in 2010 will be made in relation to the Company's financial year ending 30 June 2012. The report below is made against the Principles & Recommendations prior to their amendment in 2010.

Board

Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Chief Executive Officer and assisting the Chief Executive Officer in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Chief Executive Officer or, if the matter concerns the Chief Executive Officer, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website.

Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

Corporate Governance Statement

Director independence

(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board has a majority of directors who are independent.

The independent directors of the Company are Peter Bilbe, John Blake and Misha Collins. These directors are independent as they are non executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

The Board has agreed on, and set out in the Company's Board Charter, the following guidelines for assessing the materiality of matters:

- Balance sheet items are material if they have a value of: (a) more than 10% of pro-forma net asset; or (b) more than \$500,000, whichever is the greater.
- Profit and loss items are material if they will have an impact on the current year operating result of: (a) more than 10%; or (b) more than \$500,000, whichever is the greater.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of: (i) 10% or more; or (ii) more than \$500,000 (whichever is the greater) on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of: (i) 10% or more; or (ii) more than \$500,000 (whichever is the greater).
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which trigger any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Paul Willis and Gavin Caudle.

The independent Chair of the Board is Peter Bilbe. The Chief Executive Officer is Paul Willis who is not Chair of the Board.

Independent professional advice

(Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Corporate Governance Statement

Selection and (Re)Appointment of Directors

(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company's website.

Board committees

Nomination Committee

(Recommendations: 2.4, 2.6)

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Nomination Committee, held 8 meetings during the Reporting Period. Details of the directors' attendance at Nomination Committee meetings are set out in the Directors' Report. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. A copy of the Nomination Committee Charter is available on the Company's website.

Audit Committee

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has established an Audit Committee. The Audit Committee is structured in accordance with Recommendation 4.2 and its members are Misha Collins as Chair (independent non executive director), Peter Bilbe (independent non executive director) and Gavin Caudle (non-independent non executive director).

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

Corporate Governance Statement

The Audit Committee held 1 meeting during the Reporting Period. All audit committee members, as detailed above, were in attendance. Details of each of the director's qualifications are set out in the Directors' Report. The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website.

Remuneration Committee (Recommendations: 8.1, 8.2, 8.3)

The Board has established a Remuneration Committee. The members of the Remuneration Committee are John Blake (Chair), Peter Bilbe and Misha Collins.

The Remuneration Committee held 1 meeting during the Reporting Period. All Remuneration Committee members, as detailed above, were in attendance. Details of each of the director's qualifications are set out in the Directors' Report.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report. Non executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non executive directors is not linked to individual performance. The Company may consider it appropriate to issue unlisted options to non executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. All of the directors' option holdings are fully disclosed. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non executive directors is subject to approval by shareholders at general meeting.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Remuneration Committee and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is available on the Company's website.

Corporate Governance Statement

Performance evaluation

Senior executives

(Recommendations: 1.2, 1.3)

The Chief Executive Officer is responsible for evaluating the performance of senior executives. During the Reporting Period, the evaluation of the Company's senior executives took place on an informal basis. However, a formal evaluation process is being developed by the Company. The Chair and the Board will review the performance appraisal reports of senior executives including the Chief Operating Officer and Chief Financial Officer.

During the Reporting Period informal evaluations of senior executives took place.

Board, its committees and individual directors

(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual Directors. The Chair and the Board are responsible for evaluating the Chief Executive Officer.

During the Reporting Period, the Chair evaluated the Board and individual directors via one-on-one discussions with each Director. However a formal evaluation process for the Board, Board committees and individual directors is being developed by the Company.

During the Reporting Period, the Chair and the Board conducted only informal evaluations of the Chief Executive Officer. However, a formal evaluation process for the Chief Executive Officer is being developed by the Company.

During the Reporting Period an evaluation of the Board and individual Directors took place in accordance with the process disclosed above.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.3)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website.

Policy for Trading in Company Securities

(Recommendations: 3.2, 3.3)

The Company has established a Policy for Trading in Company Securities by directors, senior executives, employees and sub-contractors.

A copy of the Company's Policy for Trading in Company Securities is available on the Company's website.

Continuous Disclosure

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

Corporate Governance Statement

A summary of the Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website.

Shareholder Communication

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

A copy of the Company's Shareholder Communication Policy is available on the Company's website.

Risk Management

Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chief Executive Officer may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems. The Board and the Audit Committee communicate to one another the material business risks when an audit and risk committee meeting is held which is at least once a year.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company's risk management system includes the preparation of a risk register by management to identify and categorise the Company's material business risks and notes the risk management strategies for these risks. The risk register will be reviewed by the Chief Executive Officer and reported to the Board on a regular basis. Risk management is a standing agenda item at each Board meeting.

The categories of material business risks detailed in the Company's risk register are; strategic, operational and governance.

Corporate Governance Statement

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Chief Executive Officer and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's Risk Management Policy is available on the Company's website.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated	
		2011 \$	2010 \$
Other revenue	3	136,392	57,193
Total revenue		136,392	57,193
Corporate secretarial expenses		(61,262)	(54,204)
Depreciation and amortisation	20(b) 3(a)(i)	(128,103)	(14,424)
Exploration expenditure (administrative)	3(a)(i)	(2,856,832)	(7,505,976)
Diminution in value of investments	20(b)	-	(11,260)
Employee benefits expense		(2,478,388)	(194,539)
Exploration expenditure	3(a)(i)	(1,196,081)	-
Write off of depreciable assets	20(b)	(60,818)	-
External consultancy expenses		(10,654)	(244,254)
Finance costs		-	(92,260)
Insurance expenses		(24,097)	(29,226)
Rental expenses	3(a)(i)	(67,363)	(54,903)
Share based payments	14(a), 20(b)	(1,285,729)	(96,700)
Travel and entertainment expenses		(613,037)	(16,961)
Other expenses		(2,495,082)	(392,079)
Loss before income tax		(11,141,054)	(8,649,593)
Income tax expense	3(b)	-	-
Net loss		(11,141,054)	(8,649,593)
Other comprehensive income			
Movement in foreign currency translation reserve	11(c)	(2,043,622)	210,572
Other comprehensive income for the year, net of tax		(2,043,622)	210,572
Total comprehensive loss for the year		(13,184,676)	(8,439,021)
Loss after income tax attributable to:			
Members of Sihayo Gold Limited		(10,592,830)	(8,660,537)
Non controlling interest		(548,224)	10,944
		(11,141,054)	(8,649,593)
Comprehensive loss after income tax attributable to:			
Members of Sihayo Gold Limited		(12,636,452)	(8,449,965)
Non controlling interest		(548,224)	10,944
		(13,184,676)	(8,439,021)
Basic/diluted loss per share in cents	21	(1.86)	(2.23)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2011

		Consolidated	
	Notes	2011	2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	20(a)	13,176,949	1,358,675
Trade and other receivables	4	1,319,844	530,514
Other financial assets	5	16,950	16,950
TOTAL CURRENT ASSETS		14,513,743	1,906,139
NON-CURRENT ASSETS			
Other assets	7	9,267,844	56,787
Property, plant and equipment	6	692,534	278,646
TOTAL NON-CURRENT ASSETS		9,960,378	335,433
TOTAL ASSETS		24,474,121	2,241,572
CURRENT LIABILITIES			
Trade and other payables	8	1,616,997	532,003
Provisions	9	538,387	699,402
Other liabilities		23,605	23,731
TOTAL CURRENT LIABILITIES		2,178,989	1,255,136
NON-CURRENT LIABILITIES			
Provisions	9	6,188	13,274
TOTAL NON-CURRENT LIABILITIES		6,188	13,274
TOTAL LIABILITIES		2,185,177	1,268,410
NET ASSETS		22,288,944	973,162
SHAREHOLDERS' EQUITY			
Parent entity interest:			
Contributed equity	10	76,374,517	47,698,556
Reserves	11(a)(b)(c)	5,712,139	2,479,488
Accumulated losses	11(d)	(60,433,443)	(49,292,389)
Total parent entity interest		21,653,213	885,655
Minority interest in controlled entities	19(b)	635,731	87,507
TOTAL SHAREHOLDERS' EQUITY		22,288,944	973,162

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Notes	2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to creditors and suppliers		(3,682,850)	(1,042,008)
Payments to employees		(1,376,189)	-
Exploration expenditure		(1,181,426)	-
Interest received		136,392	41,250
Interest paid		-	(61,054)
Taxes paid		-	(229)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	20(b)	(6,104,073)	(1,062,041)
CASH FLOWS FROM INVESTING ACTIVITIES			
Mining exploration & evaluation expenditure		(9,938,734)	(7,780,410)
Proceeds from sale of investments		-	5,000
Payments for investments		-	1,322
Purchase of property, plant and equipment		(638,106)	(245,029)
Decrease/(Increase) security deposits paid		-	20,513
NET CASH USED IN INVESTING ACTIVITIES		(10,576,840)	(7,998,604)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		29,656,498	9,423,608
Share and option issue costs		(980,537)	(103,637)
Payment for unmarketable securities		-	(126)
NET CASH FLOWS FROM FINANCING ACTIVITIES		28,675,961	9,319,845
Net increase / (decrease) in cash and cash equivalents held		11,995,048	259,200
Effects of exchange rate changes on cash		(176,774)	181,594
Cash and cash equivalents at the beginning of the financial year		1,358,675	917,881
Cash and cash equivalents at the end of the financial year	20(a)	13,176,949	1,358,675

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

Consolidated

	\$	\$	\$	\$	\$	\$
	Share Capital & shares to be issued	Options & Equity Reserve	FX Reserve	Accum Losses	Non Controlling Interest	Total
Balance at 1.7.09	36,816,579	972,570	1,648,652	(40,642,796)	98,451	(1,106,544)
Total comprehensive income for the period	-	-	-	(8,649,593)	-	(8,649,593)
Other comprehensive income:						
Movement in foreign currency translation reserve	-	-	(210,572)	-	-	(210,572)
Movement in OEI	-	-	-	-	(10,944)	(10,944)
Issue of shares	10,997,092	-	-	-	-	10,997,092
Share issue costs	(103,637)	-	-	-	-	(103,637)
Issue of options	-	96,700	-	-	-	96,700
Repayment of convertible note & costs	-	(27,862)	-	-	-	(27,862)
Repayment of convertible note & costs	(11,478)	-	-	-	-	(11,478)
Balance at 30.06.10	47,698,556	1,041,408	1,438,080	(49,292,389)	87,507	973,162

	\$	\$	\$	\$	\$	\$
	Share Capital & shares to be issued	Options & Equity Reserve	FX Reserve	Accum Losses	Non Controlling Interest	Total
Balance at 1.7.10	47,698,556	1,041,408	1,438,080	(49,292,389)	87,507	973,162
Total comprehensive income for the period	-	-	-	(11,141,054)	-	(11,141,054)
Other comprehensive income:						
Movement in foreign currency translation reserve	-	-	2,043,622	-	-	2,043,622
Movement in OEI	-	-	-	-	548,224	548,224
Issue of shares	29,656,498	(96,700)	-	-	-	29,559,798
Share issue costs	(980,537)	-	-	-	-	(980,537)
Issue of options	-	1,285,729	-	-	-	1,285,729
Balance at 30.06.11	76,374,517	2,230,437	3,481,702	(60,433,443)	635,731	22,288,944

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the economic entity of Sihayo Gold Limited and its controlled entities, and was authorised for issue in accordance with a resolution of the Directors on 30 September 2011. Sihayo Gold Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. The consolidated financial report of the Company also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Separate financial statements for Sihayo Gold Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however required financial information for Sihayo Gold Limited as an individual entity is included in Note 12.

Adoption of New and Revised Accounting Standards

In the current year, the group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies.

At the date of authorisation of the financial statements, certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The assessment of the impact of new standards and interpretations that may affect the Group is set out below:

- **AASB 9: Financial Instruments and AASB 2009–11:** Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

a) Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Going Concern

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

However, the ability of the Company and the consolidated entity to actively explore and continue as a going concern, and to meet their debts and commitments as they fall due, is dependent upon further capital raisings.

The Directors are confident that the Company will be successful in raising further capital 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 30 June 2011. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

c) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Sihayo Gold Limited at reporting date. A controlled entity is any entity over which Sihayo Gold Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interest's interest in the net assets comprises their interests at the date of the original business combination and their share of changes in equity since that date.

d) Business Combinations

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The cost of a business combination is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business Combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

e) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

f) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Property, plant and equipment are measured on the cost basis less depreciation and impairment losses.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all Property, Plant and Equipment (other than Leasehold Improvements and certain plant and equipment which are based on the prime cost method) is based on the diminishing value method over their useful lives to the Company commencing from the time the assets are held ready for use. The depreciation rates used for plant and equipment vary between 2.5% and 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

g) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, the value of the shares is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

h) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the areas have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

j) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

k) Interest in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statement of comprehensive income and consolidated statement of financial position.

The economic entity's interest in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interest in joint venture entities are brought to account using the cost method.

l) Functional and Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical costs continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cashflow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

n) Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

Assets and Liabilities are translated at year-end exchange rates prevailing at that reporting date. Income and expenses are translated at average exchange rates for the period.

Exchange rate differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

o) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the sale of assets is recognised at the date that the contract is entered into.

All revenue is stated net of the amount of goods and services tax (GST).

p) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

q) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

r) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

t) Share Based Payment Transactions

The group provides benefits to the directors and senior executives in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity settled transactions').

The cost of these equity settled transactions with directors is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black- Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Sihayo Gold Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the market conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that in the opinion of the directors will ultimately vest. The opinion is formed on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Trade and Other Receivables

CURRENT

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than 60 days overdue.

NON-CURRENT

All debtors that are not expected to be received within 12 months of reporting date are included in non-current receivables.

Collectability of non-current receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

v) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

w) Operating Leases

Operating lease payments are charged to the Statement of comprehensive income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

x) Significant Accounting Judgements, Estimates and Assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out above. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Recovery of deferred assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Notes to the Financial Statements

30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Significant Accounting Judgements, Estimates and Assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

y) Operating Segments

The Company has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

z) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. RISK MANAGEMENT

(a) Interest rate risk

The Consolidated Entity and the Company's exposure to interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and liabilities. The Consolidated Entity and the Company do not have a major exposure in this area as the interest rate earned on deposited funds does not vary greatly from month to month.

Notes to the Financial Statements

30 June 2011

2. RISK MANAGEMENT (continued)

Consolidated Entity

2011

	Fixed interest rate maturing in				Non interest bearing	Total carrying amount at balance sheet	Applicable interest rate on 30 June %
	Floating Interest Rate	1 year or less	1 to 5 years	More than 5 years			
	\$	\$	\$	\$	\$	\$	%
Cash and cash equivalents	13,176,949	-	-	-	-	13,176,949	5.43%
Trade and other receivables	-	-	-	-	1,319,844	1,319,844	-
Other financial assets	-	-	-	-	16,950	16,950	-
Deposits	-	43,863	11,544	-	-	55,407	6.00%
Total Financial Assets	13,176,949	43,863	11,544	-	1,336,794	14,569,150	
Trade and other payables	-	-	-	-	1,076,634	1,076,634	
Other	-	-	-	-	23,605	23,605	
Total Financial Liabilities	-	-	-	-	1,100,239	1,100,239	

Consolidated Entity

2010

	Fixed interest rate maturing in				Non interest bearing	Total carrying amount at balance sheet	Applicable interest rate on 30 June %
	Floating Interest Rate	1 year or less	1 to 5 years	More than 5 years			
	\$	\$	\$	\$	\$	\$	%
<i>Financial Assets</i>							
Cash and cash equivalents	1,358,675	-	-	-	-	1,358,675	4.00%
Trade and other receivables	-	-	-	-	530,514	530,514	
Other financial assets	-	-	-	-	16,950	16,950	-
Deposits	-	56,787	-	-	-	56,787	6.00%
Total Financial Assets	1,358,675	56,787	-	-	547,464	1,962,926	
<i>Financial Liabilities</i>							
Trade and other payables	-	-	-	-	497,003	497,003	-
Other	-	-	-	-	23,731	23,731	-
Total Financial Liabilities	-	-	-	-	520,734	520,734	

Notes to the Financial Statements

30 June 2011

2. RISK MANAGEMENT (continued)

(b) Credit risk exposures

The Consolidated Entity and the Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and note 23.

As the Consolidated Entity and Company does not presently have any debtors arising from sales, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Foreign currency risk management

The Consolidated Entity and the Company is exposed to fluctuations in foreign currencies arising from costs incurred at overseas mineral exploration tenements. To mitigate this risk the Company holds cash in the currency in which it forecasts the costs will be incurred.

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity and the Company will not be able to meet its financial obligations as they fall due. Financial obligations of the Consolidated Entity and the Company consist of trade creditors and other payables.

The Company has not conducted a sensitivity analysis on credit or interest rate risk as the amounts are not considered significant.

(e) Financial risk management

2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	-	-	-	-
Shares in listed companies	16,950	-	-	16,950
	16,950			16,950
2010				
Financial assets	-	-	-	-
Shares in listed companies	16,950	-	-	16,950
	16,950			16,950

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted prices at reporting date, excluding transaction costs.

In valuing unlisted investments – included in Level 2 of the hierarchy – valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments.

Derivative instruments are included in Level 2 of the hierarchy with the fair values determined using valuation techniques incorporating observable market data relevant to the hedged position.

Notes to the Financial Statements

30 June 2011

	Consolidated	
	2011	2010
	\$	\$
3. REVENUE		
Revenue from outside the operating activities		
Interest	136,392	41,249
Sale of investments	-	5,000
Foreign exchange gain	-	-
Outside equity interest	-	10,944
Revenue from ordinary activities	136,392	57,193
3(a) LOSS BEFORE INCOME TAX		
Net Expenses		
The loss before income tax includes the following expenses:		
(i) Expenses:		
Exploration expenditure (administrative)	2,856,832	7,505,976
Exploration expenditure	1,196,081	-
Depreciation	128,103	14,424
Rental expenses	67,363	54,903
	4,248,379	7,575,303
(ii) Numerical reconciliation of income tax expense to prima facie tax payable:		
Loss from ordinary activities before income tax expense	(11,141,054)	(8,649,593)
3(b) INCOME TAX EXPENSE		
Prima facie tax benefit on loss from ordinary activities:	(3,342,316)	(2,594,878)
Tax effect of amounts which are not deductible (taxable)		
In calculating taxable income:		
Proceeds received on sale of investment	-	(1,500)
Diminution of investments	-	4,398
Provisions	23,808	18,432
Entertainment	-	645
Share based payment	385,718	29,010
Other non deductible expenses	-	1,233
Outside equity interest	164,467	(3,283)
Mineral exploration	1,215,874	-
	(1,552,449)	(2,545,943)

Notes to the Financial Statements

30 June 2011

	Consolidated	
	2011	2010
	\$	\$
3(a) LOSS BEFORE INCOME TAX (continued)		
Movement in unrecognised temporary Difference	(106,205)	(25,644)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,658,654	2,571,587
Income tax expense	-	-
(ii) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
Carried forward revenue tax losses	5,108,291	4,602,638
Carried forward capital tax losses	932,111	930,611
Carried forward foreign tax losses	1,974,703	1,937,966
Mineral exploration (@ 20%)	4,631,869	4,102,471
Provisions	23,808	18,432
Black hole expenditure	264,448	58,055
	<u>12,935,230</u>	<u>11,650,173</u>

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the consolidated entity, and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

4. TRADE AND OTHER RECEIVABLES

CURRENT

Other debtors	1,319,844	530,514
	<u>1,319,844</u>	<u>530,514</u>

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the consolidated entity and are non-interest bearing. The other debtors do not contain any impaired receivables.

Notes to the Financial Statements

30 June 2011

	Consolidated	
	2011	2010
	\$	\$
5. OTHER FINANCIAL ASSETS		
CURRENT		
Investments listed on a prescribed stock exchange and unlisted public companies	16,950	16,950
NON CURRENT		
Investments in other entities at cost	852,197	1,104,494
Less Provision for Diminution	(852,197)	(1,104,494)
	-	-

Shares in controlled entities

The carrying value of the investments in controlled entities is dependent upon the successful development and exploitation of the controlled entities' tenements, or alternatively the sale of those tenements for at least carrying value.

Investments in other entities

Investments in other entities include the following:

- 9% interest in B Vijaykumar Technical Services Pvt Limited, a company involved in diamond exploration in India, with an option to purchase a further 9% interest. As Oropa Indian Resources Pty Ltd, Sihayo Gold Limited's wholly owned subsidiary, no longer has significant influence over B Vijaykumar Technical Services Pvt Limited, the investment has been transferred to other investments from investment in associates. This investment has been fully provided for.

Notes to the Financial Statements

30 June 2011

	Consolidated	
	2011	2010
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
NON-CURRENT		
Land at Cost	39,195	-
Lease improvements at cost	14,279	7,642
Less: accumulated depreciation	(8,183)	(2,392)
	6,096	5,250
Plant and equipment, at cost	167,489	84,302
Less: accumulated depreciation	(39,130)	(12,543)
	128,359	71,759
Motor vehicles, at cost	267,306	102,148
Less: accumulated depreciation	(60,177)	(15,705)
	207,129	86,443
Office equipment, at cost	457,273	134,451
Less: accumulated depreciation	(145,518)	(19,257)
	311,755	115,194
Total property, plant and equipment	692,534	278,646

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2011

Consolidated

	Land at Cost \$	Leasehold Improve. \$	Plant & Equipment \$	Motor Vehicles \$	Office Equipment \$	Total
Carrying amount at 1 July 2010	-	5,250	71,759	86,443	115,194	278,646
Effect of foreign currency translation	-	-	(12,968)	(15,337)	(14,671)	(42,976)
Additions	39,195	1,550	157,323	170,397	269,641	638,106
Write-offs & reclassification	-	-	(54,765)	-	(5,803)	(60,568)
Depreciation expense	-	(704)	(32,990)	(34,374)	(52,606)	(120,674)*
Carrying amount at 30 June 2011	39,195	6,096	128,359	207,129	311,755	692,534

* Depreciation included in the statement of comprehensive income of \$128,103 represents the parent entity and its wholly owned subsidiaries' depreciation. The difference of \$7,429 has been capitalised to mineral exploration and relates to API.

Notes to the Financial Statements

30 June 2011

6. PROPERTY, PLANT AND EQUIPMENT (continued)

2010

Consolidated

	Leasehold Improvements \$	Plant & Equipment \$	Motor Vehicles \$	Office Equipment \$	Total \$
Carrying amount at 1 July 2009	7,642	19,485	12,270	39,444	78,841
Effect of foreign currency translation	-	(832)	(162)	(604)	(1,598)
Additions	-	65,649	90,041	95,609	251,299
Write-offs & reclassification	-	(246)	-	(5,206)	(5,452)
Depreciation expense	(2,392)	(12,297)	(15,706)	(14,049)	(44,444)
Carrying amount at 30 June 2010	5,250	71,759	86,443	115,194	278,646

Consolidated

2011
\$

2010
\$

7. OTHER ASSETS

NON CURRENT

Deposits	11,544	56,787
Capitalised mineral exploration costs	9,256,300	-
	9,267,844	56,787

Deposits

Deposits of \$11,544 include a building rental deposit of USD \$11,076 (2010: USD \$11,076).

Mining Exploration and Evaluation Expenditure

Expenditure incurred during the year	13,309,213	7,505,976
Expenditure written off during the year	(4,052,913)	(7,505,976)
	9,256,300	-

Some of the Company's exploration properties are subject to claim(s) under native title. As a result, exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions.

Recoverability of capitalised costs:

- The value of the group's interest in exploration expenditure is dependent upon:
- The continuance of the group's rights to tenure of the areas of interest;
- The results of future exploration, and
- The recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Notes to the Financial Statements

30 June 2011

	Consolidated	
	2011	2010
	\$	\$
8. TRADE AND OTHER PAYABLES		
CURRENT		
Other creditors	1,076,634	93,123
Related party payables (API's)	537,625	403,880
Accruals	2,738	35,000
	<hr/>	<hr/>
	1,616,997	532,003
	<hr/>	<hr/>
9. PROVISIONS		
CURRENT		
Employee Entitlements	417,674	663,227
Taxation	120,713	36,175
	<hr/>	<hr/>
	538,387	699,402
	<hr/>	<hr/>
NON CURRENT		
Employee Entitlements – long service leave	6,188	13,274
	<hr/>	<hr/>
Employee numbers		
Average number of employees during the financial year	131	52
	<hr/>	<hr/>
10. CONTRIBUTED EQUITY		
Issued Capital		
Fully paid – Ordinary shares		
693,986,646 (2010 – 513,067,808)	76,374,517	47,698,556
	<hr/>	<hr/>
	76,374,517	47,698,556
	<hr/>	<hr/>

Notes to the Financial Statements

30 June 2011

10. CONTRIBUTED EQUITY (continued)

Movements in ordinary share capital of the Company during the past 2 years were as follows:

		Number	\$
01/07/2009	Opening balance	239,613,275	36,429,079
06/07/2009	Share purchase plan allotment	15,196,118	387,500
29/09/2009	Share issue	38,221,409	1,528,856
01/10/2009	Conversion of Convertible Note	5,000,000	100,000
14/10/2009	Conversion of Convertible Notes	10,000,000	200,000
21/10/2009	Conversion of Convertible Notes	15,000,000	300,000
28/10/2009	Conversion of Convertible Note	5,000,000	100,000
23/11/2009	Conversion of Convertible Notes	43,099,902	861,998
01/12/2009	Share issue	24,071,720	962,869
23/12/2009	Share issue	30,000,000	1,500,000
31/12/2009	Share issue costs	-	(71,088)
09/02/2010	Share issue	40,000,000	2,800,000
22/03/2010	Share issue	25,000,000	1,500,000
28/05/2010	Share issue	19,500,000	975,000
30/06/2010	Share issue	3,365,384	168,269
30/06/2010	Convertible note costs	-	(11,378)
30/06/2010	Share issue costs	-	(32,549)
	Balance at 30 June 2010	513,067,808	47,698,556
06/08/2010	Share issue	15,380,000	2,153,200
09/08/2010	Conversion of Options	1,000,000	50,000
15/09/2010	Share issue	23,070,000	3,229,800
17/09/2010	Conversion of Options	1,500,000	75,000
17/09/2010	Conversion of Options	3,000,000	150,000
15/10/2010	Conversion of Options	240,385	12,019
26/10/2010	Share issue	38,450,000	5,383,000
01/11/2010	Conversion of Options	1,240,385	62,019
01/11/2010	Conversion of Options	3,750,000	187,500
12/01/2011	Conversion of Options	307,692	15,385
07/02/2011	Conversion of Options	11,617,886	2,323,577
07/02/2011	Conversion of Options	200,000	30,000
08/02/2011	Conversion of Options	1,662,490	332,498
25/02/2011	Conversion of Options	700,000	105,000
05/04/2011	Conversion of Options	800,000	120,000
15/04/2011	Conversion of Options	1,500,000	202,500
15/04/2011	Conversion of Options	1,500,000	225,000
28/04/2011	Share issue	75,000,000	15,000,000
	Share issue costs	-	(980,537)
	Balance at 30 June 2011	693,986,646	76,374,517

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to the Financial Statements

30 June 2011

	Consolidated	
	2011	2010
	\$	\$
11. RESERVES AND ACCUMULATED LOSSES		
(a) Option Premium Reserve		
Balance at the beginning of the financial year	1,041,408	944,708
Options issued during the year	1,285,729	96,700
Options exercised during the year	(96,700)	-
	<hr/>	<hr/>
Balance at the end of the financial year	2,230,437	1,041,408

The Option Premium Reserve is used to record the value of options issued during the year under the Black-Scholes method. When options are exercised the credit is transferred to share capital.

(b) Equity Reserve

Balance at the beginning of the financial year	-	27,862
Convertible notes issued/(exercised)	-	(27,862)
	<hr/>	<hr/>
Balance at the end of the financial year	-	-

Options

As at 30 June 2011 the Company had the following options on issue:

- 6,800,000 director unlisted options exercisable at 15 cents before the expiry date of 31 May 2013.
- 7,320,654 unlisted options exercisable at 5 cents before the expiry date of 31 August 2011.
- 3,750,000 unlisted options exercisable at 5 cents before the expiry date of 26 August 2011.
- 2,000,000 employee unlisted options exercisable at 7.5 cents before the expiry date of 30 June 2012.
- 2,000,000 employee unlisted options exercisable at 10 cents at any time on or before 30 June 2013.
- 2,000,000 director unlisted options exercisable at 10 cents at any time on or before 30 June 2012.
- 2,000,000 director unlisted options exercisable at 12.5 cents at any time on or before 30 June 2013.
- 3,000,000 director unlisted options exercisable at 10 cents at any time on or before 31 May 2012.
- 3,000,000 employee unlisted options exercisable at 25 cents at any time on or before 31 December 2012.

All options, except for unlisted options, are quoted on the Australian Securities Exchange Limited.

The following options were issued during the year:

- 2,000,000 director unlisted options exercisable at 10 cents at any time on or before 30 June 2012.
- 2,000,000 director unlisted options exercisable at 12.5 cents at any time on or before 30 June 2013.
- 1,500,000 employee unlisted options exercisable at 13.5 cents at any time on or before 31 July 2012.
- 1,500,000 employee unlisted options exercisable at 15 cents at any time on or before 31 July 2013.
- 3,000,000 employee unlisted options exercisable at 25 cents at any time on or before 31 December 2012.

The following options lapsed during the year:

- All options expiring during the financial year were taken up.

Notes to the Financial Statements

30 June 2011

	Consolidated	
	2011	2010
	\$	\$
11. RESERVES AND ACCUMULATED LOSSES (continued)		
(c) Foreign Currency Reserve		
Balance at the beginning of the financial year	1,438,080	1,648,652
Movement for the year	2,043,622	(210,572)
	3,481,702	1,438,080
(d) Accumulated Losses		
Balance at the beginning of the financial year	(49,292,389)	(40,642,796)
Net losses attributable to members of Sihayo Gold Limited	(11,141,054)	(8,649,593)
	(60,433,443)	(49,292,389)
	Parent	
	2011	2010
	\$	\$
12. PARENT ENTITY DISCLOSURE NOTE		
FINANCIAL POSITION		
Assets		
Current assets	11,123,880	1,296,846
Non-current assets	161,989	91,803
Total assets	11,285,869	1,388,649
Liabilities		
Current liabilities	102,799	176,010
Non-current liabilities	6,188	13,274
Total liabilities	108,987	189,284
Net Assets	11,176,882	1,199,365
Equity		
Issued capital	76,374,517	47,698,546
Retained earnings	(67,524,774)	(47,540,590)
Reserves		
Option premium reserve	2,327,137	1,041,409
Equity reserve	-	-
Total Equity	11,176,880	1,199,365

Notes to the Financial Statements

30 June 2011

	2011	Parent	2010
	\$		\$
12. PARENT ENTITY DISCLOSURE NOTE (continued)			
FINANCIAL PERFORMANCE			
Loss for the year	19,984,184		9,012,709
Other comprehensive income	-		-
Total comprehensive income	19,984,184		9,012,709

The parent entity did not enter into any guarantees in relation to the debts of its subsidiaries for 2010 or 2011. The parent entity did not have any contingent liabilities for 2010 or 2011.

The parent entity did not enter into any commitments for the acquisition of property, plant and equipment for 2010 or 2011.

13. SHARE BASED PAYMENT PLAN

Share-based payment plan

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of and movements in share options issued during the year:

	2011 No	2011 WAEP Cents	2010 No	2010 WAEP Cents
Outstanding at the beginning of the year	15,500,000	11.45	11,200,000	14.00
Granted during the year	10,000,000	16.28	7,000,000	22.50
Forfeited during the year			-	-
Exercised during the year	(7,700,000)	-10.81	-	-
Expired during the year			(2,700,000)	-
Outstanding at the end of the year	17,800,000	14.44	15,500,000	11.45

The outstanding balance as at 30 June 2011 is represented by:

- 6,800,000 unlisted director options exercisable at 15 cents at any time on or before 31 May 2013.
- 2,000,000 unlisted director options exercisable at 7.5 cents at any time on or before 30 June 2012.
- 2,000,000 unlisted director options exercisable at 10 cents at any time on or before 30 June 2013.
- 3,000,000 unlisted employee options exercisable at 25 cents at any time on or before 31 December 2012.
- 2,000,000 unlisted director options exercisable at 10 cents at any time on or before 30 June 2012.
- 2,000,000 unlisted director options exercisable at 12.5 cents at any time on or before 30 June 2013.

Notes to the Financial Statements

30 June 2011

13. SHARE BASED PAYMENT PLAN (continued)

The following table lists the inputs to the model used for the year ended 30 June 2011.

	2011	2010	2009
Dividend yield (%)	0	0	0
Expected volatility (%)	133.8	50	50
Risk-free interest rate (%)	4.5	4	4
Expected life of options (years)	2.21	3.32	2.32
Option exercise price (\$)	0.137	0.10	0.075
Weighted average share price at grant date (\$)	0.138	0.06	0.06

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value.

The fair value of the cash-settled options is measured at the grant date using the Black-Scholes options pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled, it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

14. KEY MANAGEMENT PERSONNEL DISCLOSURE

Names and Positions held of parent entity key management personnel in office at any time during the financial year are:

Key Management Personnel

Misha Collins	Non Executive Director
Paul Willis	Executive Director & CEO
Gavin Caudle	Non Executive Director
Peter Bilbe	Non Executive Chairman
William John Blake	Non Executive Director
Greg Entwistle	Chief of Operations Officer
Graham Peterson	Head Geologist (appointed on 1 July 2010)
Darin Rowley	Senior Geologist
Daniel Nolan	Company Secretary (appointed on 1 July 2011)

There are no executives (other than those listed above) with authority for strategic decision and management.

(a) Compensation for Key Management Personnel

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	1,205,640	615,390
Non monetary benefit	11,100	11,125
Post employment benefits	21,049	17,171
Termination benefits	-	38,000
Share based payments	1,285,729	96,700
	<u>2,523,518</u>	<u>778,386</u>

Notes to the Financial Statements

30 June 2011

14. KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

Option holdings of key management personnel (consolidated)

The number of options over ordinary shares in the Company held during the financial year by each director of Sihayo Gold Limited, including their personally-related entities, are set out below.

30 June 2011	Balance at beginning of period 1 July 10	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 June 11	Vested at 30 June 2011	
						Total	Exercisable
M Collins	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
P Willis	-	4,000,000	-	-	4,000,000	4,000,000	4,000,000
P Bilbe	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000
WJ Blake	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000
G Caudle	-	-	-	-	-	-	-
G Entwistle	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000
G Peterson	-	3,000,000	(3,000,000)	-	-	-	-
D Rowley	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000
D Nolan	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000

30 June 2010	Balance at beginning of period 1 July 10	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 June 10	Vested at 30 June 2010	
						Total	Exercisable
P Christie (resigned 19/10/09)	2,725,202	-	-	-	N/A	2,725,202	2,725,202
M Collins	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
I Macpherson (resigned 03/06/10)	4,974,500	-	-	-	N/A	4,974,500	4,974,500
P Willis	-	-	-	-	-	-	-
P Bilbe	-	-	-	-	-	-	-
WJ Blake	-	-	-	-	-	-	-
G Caudle	-	-	-	-	-	-	-
T Martin (resigned 26/04/10)	-	3,000,000	-	-	N/A	3,000,000	3,000,000
G Entwistle	-	4,000,000	-	-	4,000,000	4,000,000	4,000,000
D Pluckhahn (resigned 30/06/10)	500,000	-	-	(500,000)	-	-	-
(Expired 31.12.09)	N/A	-	-	-	-	-	-

Notes to the Financial Statements

30 June 2011

14. KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

(c) Shareholdings of key management personnel (consolidated)

The number of shares held in the Company during the financial year by each director of Sihayo Gold Limited, including their personally-related entities, are set out below:

	Balance 1 July 10		Granted as remuneration		On exercise of options		Net change other		Directors balances as at date of resigning/ terminated		Balance 30 June 11
30 June 2011	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Ord	
M Collins	17,529,574	-	-	-	-	-	(3,000,000)	-	-	-	14,529,574
P Bilbe	420,000	-	-	-	-	-	-	-	-	-	420,000
WJ Blake	-	-	-	-	-	-	-	-	-	-	-
G Caudle	75,690,000	-	-	-	-	-	49,160,490	-	-	-	124,850,490
P Willis	46,221,409	-	-	-	-	-	8,000,000	-	-	-	54,221,409
G Peterson	-	-	-	-	3,000,000	-	-	-	-	-	3,000,000

	Balance 1 July 09		Granted as remuneration		On exercise of options		Net change other		Directors balances as at date of resigning/ terminated		Balance 30 June 10
30 June 2010	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Ord	
M Collins	17,275,496	-	-	-	-	-	254,078	-	-	-	17,529,574
P Willis	-	-	-	-	-	-	46,221,409	-	-	-	46,221,409
P Bilbe	-	-	-	-	-	-	420,000	-	-	-	420,000
WJ Blake	-	-	-	-	-	-	-	-	-	-	-
G Caudle	-	-	-	-	-	-	75,690,000	-	-	-	75,690,000
G Entwistle	-	-	-	-	-	-	-	-	-	-	-
D Pluckhahn	-	-	-	-	-	-	-	-	-	-	-

Consolidated
2011 **2010**
\$ **\$**

15. REMUNERATION OF AUDITORS

Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity

Stantons International	42,572	63,112
Other	13,133	15,679
	55,705	78,791

Notes to the Financial Statements

30 June 2011

16. CONTINGENT ASSETS AND LIABILITIES

The only contingent asset the parent and consolidated entity have is 1,000,000 options exercisable at 20 cents in the company Southern Cross Goldfields Limited. These options only vest upon the company discovering a minimum of 250,000 ounces of gold or 5,000 tonnes of nickel in the situ in the Golden Valley Tenements.

17. RELATED PARTIES

Directors and specified executives

Disclosures relating to directors and specified executives are set out in the director's report and as detailed in Note 14.

Wholly owned Group

The wholly-owned group consists of Sihayo Gold Limited and its wholly-owned subsidiaries Inland Goldmines Pty Limited, Excelsior Resources Pty Limited, Oropa Technologies Pty Limited, Oropa Indian Resources Pty Limited and Oropa Exploration Pty Limited.

Sihayo Gold Limited owns 100% of the shares in Aberfoyle Pungkut Investments Pte Ltd (API). API holds a 75% interest in PT Sorikmas Mining, with the Indonesian Government mining company, P.T. Aneka Tambang holding the remaining 25%.

Transactions between Sihayo Gold Limited and related parties in the wholly-owned group during the year ended 30 June 2011 consisted of loans on an interest free basis with no fixed term and no specific repayment arrangements. Sihayo Gold Limited made an additional provision for doubtful debts of \$12,391,669 in its accounts for the year ended 30 June 2011 (2010 - \$7,590,096) 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.

Other related parties

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

	Consolidated	
	2011	2010
	\$	\$
Non-current receivables	34,213,380	21,821,711
Provision for doubtful debts	(34,213,380)	(21,821,711)
	-	-

An amount of \$247,880 (2010 – \$247,880) is still outstanding from an advance to B Vijaykumar Chhattisgarh Exploration Private Ltd, being a subsidiary of a company that the consolidated entity has an investment in. This amount was used to fund diamond exploration activities in India. The loan is interest free. The loan has been fully provided for in the accounts.

Notes to the Financial Statements

30 June 2011

18. EXPENDITURE COMMITMENTS

Exploration Commitments

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity were previously required to outlay lease rentals and to meet the minimum expenditure requirements of the Mines Departments.

The following relates to expenditure commitments in Malawi.

	Consolidated	
	2011	2010
	\$	\$
Not later than one year	413,410	404,176
Later than one year, but not later than 2 years	163,459	-
	<hr/>	<hr/>
	576,869	404,176

Expenditure Commitments in Malawi

Sihayo Gold Limited holds three exclusive prospecting licenses in Malawi with a combined area of 3,648 km². The Mzimba and Chitunde EPLs are due to expire on 26 June 2012.

The subsidiary Oropa Exploration Pty Ltd has ownership of the Malawi project.

PT Sorikmas Mining Commitments

Under the Contract of Work (CoW), the Company was required to spend certain minimum expenditures in respect of the contract area for the General Survey Period and Exploration Period as follows:

	US\$ / km ²
General survey period	100
Exploration period	1,100

As at 30 June 2011, PT Sorikmas Mining had fulfilled its expenditure commitments in respect of the General Survey Period and Exploration Period.

Operating Leases – Rent

Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:

	Consolidated	
	2011	2010
	\$	\$
Not later than one year	67,900	67,364
Later than one year, but not later than 2 years	73,558	67,900
Later than two years but not more than 3 years	-	73,558
	<hr/>	<hr/>
	141,458	208,822

Sihayo Gold Limited has entered into a new three year lease for 25 Charles Street South Perth commencing 1 August 2010 at \$67,900 pa.

Other Commitments

The Company currently has no other capital commitments as at 30 June 2011.

Capital Commitments

There were no outstanding capital commitments not provided for in the financial statements of the Company as at 30 June 2011 or 30 June 2010.

Notes to the Financial Statements

30 June 2011

19. INVESTMENTS IN CONTROLLED ENTITIES

Controlled Entities:	Class of Shares	Cost of Parent Entity's Investment		Equity Holding	
		2011	2010	2011	2010
Inland Goldmines Pty Limited (incorporated in Australia)	Ordinary	583,942	583,942	100%	100%
Excelsior Resources Pty Limited (incorporated in Australia)	Ordinary	1,062,900	1,062,900	100%	100%
Oropa Technologies Pty Ltd (incorporated in Australia)	Ordinary	1	1	100%	100%
Oropa Indian Resources Pty Limited (incorporated in Australia)	Ordinary	1	1	100%	100%
Oropa Exploration Pty Limited (incorporated in Australia)	Ordinary	1	1	100%	100%
Aberfoyle Pungkut Investments Pte Ltd(a) (incorporated in Singapore)	Ordinary	697,537	697,537	100%	100%
PT Sorikmas Mining (b) (incorporated in Indonesia)		-	-	75%	75%
		<u>2,344,382</u>	<u>2,344,382</u>		

(a) When Sihayo Gold Limited issued 9,259,259 shares as consideration for exercising the option to acquire 100% of the shares in Aberfoyle Pungkut Indonesia Pte Ltd, it was assigned the vendors receivables from Aberfoyle Pungkut Investments Pte Ltd and PT Sorikmas Mining. This reduced the cost of the investment in Aberfoyle Pungkut Investments Pte Ltd.

(b) Aberfoyle Pungkut Investments Pte Ltd holds a 75% interest in PT Sorikmas Mining, with an Indonesian Government mining company PT Aneka Tambang holding the remaining 25%. The outside equity interest in PT Sorikmas Mining equates to 25% of the issued capital of USD \$300,000, being AUD \$635,731 as at 30 June 2011 (2010: AUD \$87,507).

20. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows cash includes cash and cash equivalents on hand and at call deposits with banks, and investments in money market instruments net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated	
	2011	2010
	\$	\$
Cash at Bank	13,176,949	1,358,675

Notes to the Financial Statements

30 June 2011

20. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of operating loss after income tax to net cash flow from operating activities

	Consolidated	
	2011	2010
	\$	\$
Operating (loss) after income tax	(11,141,054)	(8,649,593)
<u>Non Cash Items</u>		
Depreciation	128,103	14,424
Exploration expenditure written off	2,856,832	7,505,976
Convertible note costs	-	54,743
Plant & equipment written off	60,818	5,466
Share based payments	1,285,729	96,700
Diminution in investments	-	11,260
Increase in OEI deduction	548,224	(10,944)
<u>Change in operating assets and liabilities, net of effects from purchase controlled entity</u>		
(Increase) / decrease in trade and other receivables	(789,330)	(418,360)
Increase / (decrease) in payables	1,084,994	226,232
Increase / (decrease) in provisions	(168,101)	212,563
Increase / (decrease) in other liabilities	-	(1,195)
Increase / (decrease) in FX	15,057	(109,313)
Reclassification of expenses	14,655	-
Net cash (outflow) from operating activities	(6,104,073)	(1,062,041)

21. EARNINGS PER SHARE

	Consolidated	
	2011	2010
(a) Basic and diluted loss per share (in cents)	(1.86)	(2.23)
(b) Weighted average number of shares outstanding during the year used in the calculation of basic earnings per share	598,905,896	387,727,020

As the company made a loss for the year, diluted earnings per share is the same as basic earnings per share.

Notes to the Financial Statements

30 June 2011

22. JOINT VENTURES

The consolidated entity has interests in the following unincorporated exploration joint ventures:

Joint Venture	Joint Venture Partner	Principal Activities	Interest 2011	Interest 2010
<i>Aberfoyle Pungkut Investments Ptd Ltd</i> Pungkut	Indonesian Government	Mineral exploration	75%	75%

At balance date there was no exploration and evaluation expenditure in respect of areas of interest subject to joint ventures included in other non-current assets of the consolidated entity and Company. For details of capital expenditure commitments relating to joint ventures, refer to note 18.

The projects detailed below, the consolidated entity and the parent entity once held an equity interest in the projects but subsequently has sold them, however they have retained the right to receive royalties on the projects.

Parent Entity

Siwayo Gold Limited

Project

	Principal Activities	Interest 2011	Interest 2010
<i>Mt Keith</i>	Mineral exploration	2% Royalty	2% Royalty

Controlled Entities:

Excelsior Resources Pty Limited

Project

Mulgabbie	Mineral exploration	2% Royalty	2% Royalty
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Notes to the Financial Statements

30 June 2011

23. FINANCIAL INSTRUMENTS

Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Company approximates their carrying value. The Group and the parent hold the following financial instruments:

	Consolidated	
	2011	2010
	\$	\$
Financial Assets		
Cash and cash equivalents	13,176,949	1,358,675
Trade and other receivables	1,319,844	530,514
Other financial assets	16,950	16,950
Security deposits	55,407	56,787
Total Financial Assets	14,569,150	1,962,926
Financial Liabilities		
Trade and other payables	1,076,634	497,003
Other liabilities	23,605	23,731
Total Financial Liabilities	1,100,239	520,734

Credit Risk

The Company's maximum exposure to credit risk at the reporting date was as detailed below:

Financial Assets		
Cash and cash equivalents	13,176,949	1,358,675
Trade and other receivables	1,319,844	530,514
Other financial assets	16,950	16,950
Security deposits	55,407	56,787
Total Financial Assets	14,569,150	1,962,926

Impairment Losses

No impairment loss was recognised in either 2010 or 2011 with regards to receivables. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered by the economic entity.

Foreign currency risk management

The Consolidated Entity and Company undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Sihayo Gold Limited has opened a US Bank Account to manage exchange rate fluctuations.

Notes to the Financial Statements

30 June 2011

23. FINANCIAL INSTRUMENTS (continued)

The carrying amount of the Consolidated Entity's foreign currency denominated assets and liabilities at the reporting date in Australian dollars is as follows:

	Liabilities		Assets	
	2011	2010	2011	2010
	\$	\$	\$	\$
Australian Dollars	2,047,968	1,050,904	3,401,391	620,824

The table below details financial assets and liabilities of the consolidated entity exposed to foreign currency risk.

	Consolidated	
	2011	2010
	\$	\$
Cash and cash equivalents		
SGD	2,547	2,787
USD	3,604,126	530,102
Trade and other payables		
SGD	5,000	-
USD	2,167,228	900,701

Sensitivity Analysis

The table below summarises the impact of a 10 per cent weakening/strengthening of the Australian dollar against the US dollar and the Singaporean dollar in the movement of the financial assets and liabilities listed in the previous table.

Impact on post-tax profit and accumulated losses	AUD	Consolidated	
		2011	2010
AUD/USD	+10%	136,222	(43,462)
AUD/USD	-10%	(134,964)	43,059
SGD/USD	*10%	(183)	233
SGD/USD	-10%	192	(233)

Impact on equity reserve only	AUD	Consolidated	
		2011	2010
USD	+10%	136,222	(43,462)
USD	-10%	(134,964)	43,059
SGD	+10%	(183)	233
SGD	-10%	192	(233)

Notes to the Financial Statements

30 June 2011

24. EVENTS OCCURRING AFTER REPORTING DATE

There were no events that occurred after reporting date that would impact on the information provided in this report.

25. SEGMENT INFORMATION

Primary reporting – geographical segments

The geographical segments of the consolidated entity are as follows:

Revenue by geographical region

Revenue attributable to the Group disclosed below, based on where the revenue is generated from:

	30 June 2011	30 June 2010
	\$	\$
Australia	136,392	46,249
Africa	-	-
South East Asia	-	-
India	-	-
Other foreign countries	-	10,944
Total revenue	136,392	57,193

Segment result by geographical region

Australia	(2,696,379)	(1,136,702)
Africa	(17,254)	(118,110)
South East Asia	(7,876,977)	(7,382,390)
India	(2,220)	(23,335)
Segment Result	(10,592,830)	(8,660,537)

Assets by geographical region

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

Australia	11,285,880	1,388,660
Africa	14,664	7,448
South East Asia	13,173,575	845,142
India	2	322
Total Assets	24,474,121	2,241,572

Liabilities by geographical region

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

Australia	137,209	189,284
Africa	-	-
South East Asia	2,047,968	1,079,126
India	-	-
Total Liabilities	2,185,177	1,268,410

Director's Declaration

30 June 2011

In accordance with a resolution of the directors of Sihayo Gold Limited, I state that:

1. In the opinion of the directors:

The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date, and
- (ii) complying with Accounting Standards and Corporations Regulations 2001, and

There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

On behalf of the Board



PAUL WILLIS

Director

30 September 2011

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

Report on the Financial Report

We have audited the accompanying financial report of Sihayo Gold Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Sihayo Gold Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 40 to 45 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Sihayo Gold Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
30 September 2011

Additional Shareholder Information

30 June 2011

The following additional information dated 15 September 2011 is provided in compliance with the requirements of the Australian Securities Exchange Limited.

1 DISTRIBUTION OF LISTED ORDINARY SHARES AND OPTIONS

(a) Analysis of numbers of shareholders by size of holding.

Distribution	No. of shareholders	Units	% off issued Capital
1-1000	492	236,612	0.03%
1,001-5,000	926	2,464,863	0.35%
5,001-10,000	370	2,929,823	0.42%
10,001-100,000	663	26,744,217	3.80%
100,001 and above	253	671,335,631	95.40%
Total	2,704	703,711,146	100.00%

(b) There were 1,238 shareholders holding less than a marketable parcel.

(c) The percentage of the total of the twenty largest holders of ordinary shares was

2 TWENTY LARGEST SHAREHOLDERS AND OPTION HOLDERS

Names	No. of shares	%
Summit Investments Pty Ltd	100,662,490	14.30%
Yaw Chee Siew	75,400,000	10.71%
Shane Investments Kendall Ltd	50,000,000	7.11%
Yaw Chee Siew	34,102,804	4.85%
JP Morgan Nominees Australia Ltd	31,283,572	4.45%
Asian Lion Ltd	30,122,242	4.28%
HSBC Custody Nominees (Australia) Pty Ltd	28,767,504	4.09%
FATS Pty Ltd	25,077,655	3.56%
Summit Investments Pty Ltd	24,188,000	3.44%
DBS Vickers SEC Singapore	16,848,589	2.39%
Citicorp Nominees Pty Ltd	15,002,384	2.13%
Insight Capital Management Pty Ltd	13,294,039	1.89%
Lion Selection Group Ltd	13,000,983	1.85%
Pettersson Bradley John	12,724,000	1.81%
National Nominees Ltd	11,756,773	1.67%
HSBC Custody Nominees (Australia) Pty Ltd	10,736,969	1.53%
Gemtwin Pty Ltd	10,100,000	1.44%
Devine Luke David	8,023,907	1.14%
Ganesh International Ltd	6,430,120	0.91%
Shane Investments Kendall Ltd	5,000,000	0.71%
Total	522,522,031	74.26%

There were no options in the Company listed on the ASX as at 15 September 2011.

Additional Shareholder Information

30 June 2011

3 SUBSTANTIAL SHAREHOLDERS

An extract from the Company's register of substantial shareholders is set out below:

Name	Ordinary Shares Held Number	Percentage
Summit Investments Pty Ltd	124,850,490	17.74%
Mr Chee Siew Yaw	109,502,804	15.56%
Shane Investments Kendall Ltd	55,000,000	7.82%
JP Morgan Nominees Australia Ltd	31,283,572	4.45%

4 VOTING RIGHTS

The Company's share capital is of one class with the following voting rights:

(a) Ordinary Shares

On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

The Company's options have no voting rights.

5 RESTRICTED SECURITIES

There are no ordinary shares on issue that have been classified by the Australian Securities Exchange Limited, Perth as restricted securities.

6 SECURITIES EXCHANGE LISTING

Sihayo Gold Limited shares are listed on the Australian Securities Exchange Limited. The home exchange is the Australian Securities Exchange (Perth) Limited.

Additional Shareholder Information

30 June 2011

SUMMARY OF TENEMENTS HELD BY COMPANY

FOR THE YEAR ENDED 30 JUNE 2011

Project Name	Tenement Date	Approval Date	Expiry	Area %	Equity
OROPA INDIAN RESOURCES PTY LTD					
INDIA					
Block D-7		22.01.00	N/A	4,600km ²	9(1)
PT SORKIMAS MINING					
INDONESIA					
Pungkut	96PK0042	31.05.96	N/A	66,200ha	75
OROPA EXPLORATION PTY LTD					
MALAWI					
Chitunde	EPL0212/07R	27.06.10	27.06.12	98km ²	100
Mzimba Northwest	EPL0211/07R	27.06.10	27.06.12	1,106km ²	100
Chizani	EPL0223/07R	12.12.10	12.12.12	657km ²	100
SIHAYO GOLD LIMITED					
WESTERN AUSTRALIA					
Mt. Keith	M53/490	11.06.04	10.06.25	582ha	0(2)
	M53/491	11.06.04	10.06.25	621ha	0(2)
EXCELSIOR RESOURCES PTY LTD					
Mulgabbie	ML28/364	25.03.09	24.03.30	54.3ha	0(2)
	PL28/1078	22.09.08	21.09.12	98.0ha	0(2)
	PL28/1079	22.09.08	21.09.12	143.7ha	0(2)
	PL28/1080	22.09.08	21.09.12	140.7ha	0(2)
	PL28/1081	22.09.08	21.09.12	191.4ha	0(2)
	PL28/1082	22.09.08	21.09.12	120.0ha	0(2)

NOTES

- (1) Option to increase interest to 18%
 (2) 2% net smelter royalty

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