
2012 ANNUAL REPORT



ABN 77 009 241 374

“DEVELOPING A WORLD CLASS MID-SIZED INDONESIAN GOLD COMPANY”

CONTENTS

CONTENTS	2
CORPORATE DIRECTORY	3
CHAIRMAN’S REVIEW	4
REVIEW OF OPERATIONS	6
DIRECTORS’ REPORT	30
AUDITOR’S INDEPENDENCE DECLARATION	41
CORPORATE GOVERNANCE STATEMENT	42
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	51
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	52
CONSOLIDATED STATEMENT OF CASH FLOWS	53
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	54
NOTES TO THE FINANCIAL STATEMENTS	55
DIRECTORS’ DECLARATION	93
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SIHAYO GOLD LIMITED	94
ADDITIONAL SHAREHOLDER INFORMATION	96
SUMMARY OF TENEMENTS HELD BY COMPANY	98

CORPORATE DIRECTORY

Directors	<p>Peter Bilbe <i>B.Eng (Mining) (Hons)</i> (Non Executive Director – Chairman)</p> <p>Paul Willis <i>B. Comm</i> (Executive Director)</p> <p>Misha A Collins <i>C.F.A</i> (Non Executive Director)</p> <p>Gavin Caudle (Non Executive Director)</p> <p>William John Blake <i>M.Eng Sc, MBA, DBA</i> (Non Executive Director)</p>
Chief Executive Officer	Paul Willis
Secretary	Daniel Nolan
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Home Exchange	<p>Australian Securities Exchange (Perth) Limited Exchange Plaza 2 The Esplanade Perth WA 6000</p>
Auditors	<p>Stantons International Level 2 / 1 Walker Avenue West Perth WA 6005</p>
Solicitors	<p>Williams & Hughes 25 Richardson Street West Perth WA 6005</p>
Bankers	<p>National Australia Bank 100 St Georges Terrace Perth WA 6000</p>

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

CHAIRMANS REVIEW

Dear Fellow Shareholder,

The last 12 months has been a somewhat challenging and frustrating year as progress on finalising the Definitive Feasibility Study (“DFS”) for the Sihayo Pungkut Gold Project (“SPGP”) has been slower than anticipated and consequently the study is not yet quite complete. Nevertheless, the study is now nearing completion and results to date have clearly been very positive with robust project economics.

The issues contributing to delays in completing the DFS were disruptions to field activities resulting from damage to our exploration camps by illegal miners, the need to undertake additional metallurgical test work and infill drilling at the Sambung Deposit.

The illegal (artisanal) mining activities within our Contract of Work (“COW”) have been, to a large degree, curtailed. However, various initiatives have been implemented with the cooperation of the local community, Government, Police and Army with the longer term objective of ensuring that there is no illegal mining activity or conflicting operations within the COW area and specifically within the area designated for the construction and operations of the Sihayo Pungkut Gold Project.

The Company also has in place very active local community development programs including extensive agriculture improvement initiatives, establishment of community centres, local infrastructure improvements and education regarding the Company’s activities and employment opportunities. We believe that these actions will provide some enduring benefits for the local people and also help to engender widespread support for the Company’s activities.

Preliminary study results for our gold project have demonstrated attractive project economics with a 1.5 Mtpa Carbon in Leach (“CIL”) gold plant delivering approximately 90,000 ounces of gold per annum at a very competitive operating cost of USD \$600-\$650 per ounce based on the current resource estimate of 1.5 million ounces of gold.

Although significant potential exists to identify additional gold resources along the Sihayo/Sambung Mineralised Trend over the next year or two, our immediate focus is clearly on advancing the existing project to a producing mine. This will entail completing the DFS, obtaining the necessary environmental and construction approvals and securing project funding.

The exploration potential across the remainder of COW area is considered to be outstanding with many areas being highly prospective for a range of different mineralisation styles including porphyry copper/gold and epithermal gold. A number of these prospects are considered to be “world class” in terms of exploration results to date and comparable geological settings for some major deposits elsewhere in the world. Exploration will continue in these areas on a project ranking basis.

Recently the Indonesian Government has proposed and implemented changes to the mining regime regarding ownership and legal rights for some mining activities in Indonesia. The

CHAIRMANS REVIEW

Company holds a 7th Generation COW signed by the Government of the Republic of Indonesia. The COW is the highest standing legal tenure in the Indonesian mining industry and describes in detail the rights and obligations of both the Company and the Government and therefore provides for a reasonable degree of certainty and security.

Our major shareholders have continued to remain very supportive and we thank them and all our shareholders for their ongoing support and patience which we believe we be appropriately rewarded in the years ahead.

On behalf of the directors of the Company I would also like to thank our management, employees and contractors for their efforts and commitment throughout the year.



Peter Bilbe
Chairman

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”). The COW is the highest standing legal tenure achievable in the Indonesian mining industry.

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

Sihayo Pungkut 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 Resource Mineral 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 **17.0 Mt at 2.7 g/t for 1.5 Moz comprising the larger Sihayo Resource and the smaller Sambung Resource with approximately 88% of the total resource contained in the JORC Indicated Category.**

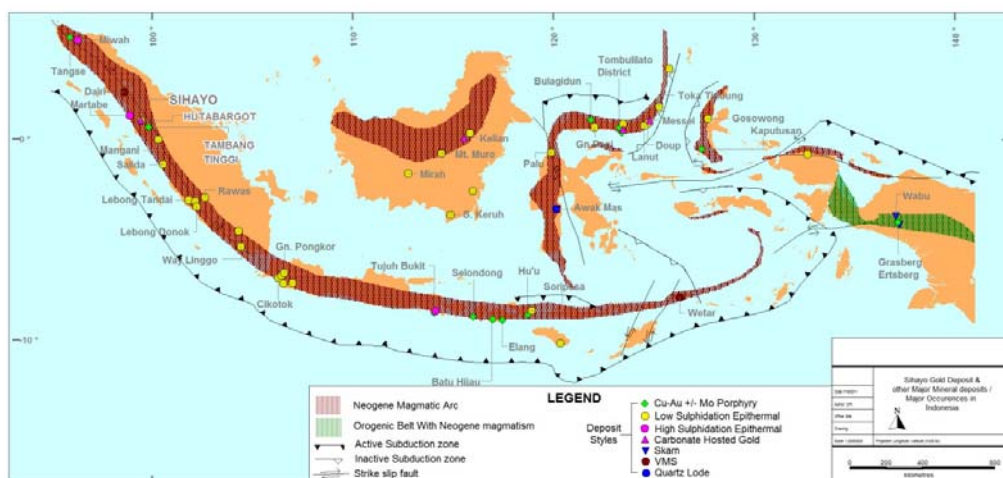


Figure 1: Significant Indonesian Mineral Deposits including the Sihayo Pungkut Gold Deposit

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**, 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 **1.5 Moz Au**, 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.

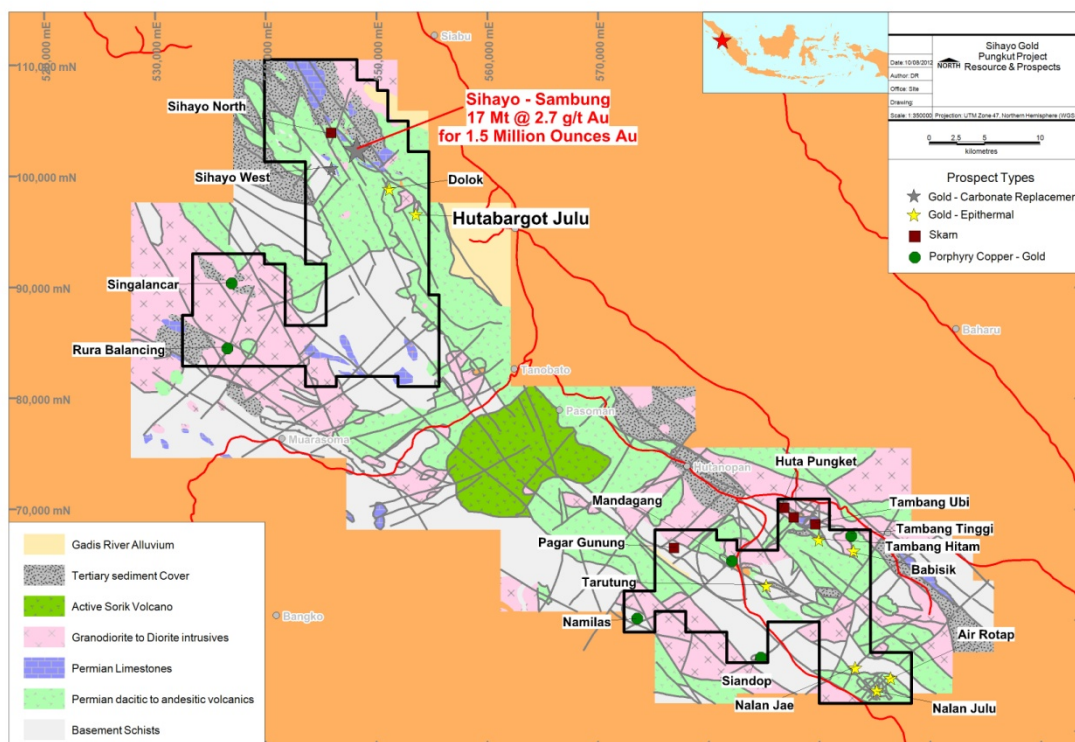


Figure 2: Sihayo Pungkut Gold Project – JORC Resource, Key Prospects and Regional Geology

REVIEW OF OPERATIONS

Sihayo Pungkut – Definitive Feasibility Study

The key Definitive Feasibility Study (“DFS”) results to date support a robust gold project with an initial 7 year mine life. The key parameters as previously advised are:

- **Capital cost of US\$117 million (includes 9.9MW power station)**
 - **Plus pre-production mining US\$10.5 million**
- **1.5 Mtpa standard CIL processing plant**
- **Estimated mine life minimum 7 years**
- **LOM estimates:**
 - **Average production 90koz per annum**
 - **Site cash operating costs (incl royalties) US\$600/oz – US\$650/oz**
 - **Average strip ratio of 4:1 (after pre-strip)**
 - **Process recoveries 72%**

During the past year the main focus of work has been the final phase of the detailed metallurgy test work program, finalisation of the project power source, assessment of the optimal waste haulage method and the final program of infill drilling at the Sambung JORC Compliant Resource.

Metallurgical Test Work

The delays in completing the metallurgical test component of the DFS work have related to some technical aspects of the previously completed test work.

A detailed review of the previous work was conducted by leading metallurgist, Mr. Peter Lewis, and his key observations were:

1. the bulk samples used in the original work were not as representative of the resource as is required for DFS sign-off;
2. the level of cyanide used in the test work was too low and may have affected the rate of gold dissolution; and
3. the level of dissolved oxygen present was also too low and again may have affected overall gold recoveries.

The broad conclusion drawn was that **the previous test work had most likely under-estimated the recoveries achievable in a standard operating Carbon-in-Leach (“CIL”) gold plant.**

The current phase of work has involved gold extraction tests on all individual drill samples across the Sihayo and Sambung Resources with grades above 0.5 g/t Au. The preliminary analysis of these results shows a wide range of gold extractions, but that a large number of the individual samples yield high to very high gold extractions. The mean recovery estimate, across approximately 3,800 samples, for the Sihayo Resource was 71.3% and the Sambung Resource was 73.8% whereas the median recovery for the Sihayo was 78% and for the Sambung was 79%. The results also confirm that, although the degree of oxidation, as indicated by the amount of sulphide sulphur present, is the principle cause of the variations there are other factors affecting gold extraction.

REVIEW OF OPERATIONS

Ongoing work is focused on determining the other factors affecting gold extraction: possibilities are differences in lithology, alteration or other geological factors. This will lead to the final classification of different “ore types” and the associated gold extraction estimates for each. Thereafter, the final CIL test work will be completed on each “ore type” and will establish the optimum grind-size, leach time and reagent consumption for each ore type.

The likely gold recoveries are expected to fall within the range of the current mean and median recovery estimate for the Sihayo and Sambung Resources.

The final test work will ensure that the overall DFS results will fully meet the rigorous standards of independent review by external consultants and further may lead to potential for mining schedules to include some degree of selective mining to minimise the processing of “ore types” with significantly below average recoveries.

Project Power Source: Biomass Power Plant

The Company appointed DP CleanTech (“DPCT”) to complete a standard DFS document for the design, construction and commissioning of a 9.9MW Biomass Power Plant.

The alternative power production was based on diesel generators and at a basis of US\$100/bbl oil the unit cost of power was approximately US\$0.25 kw/hr.

DP CleanTech have designed, constructed and successfully commissioned over 40 biomass power plants across Asia and Europe with a combined installed capacity of 1,000MW.

The primary fuel source for the proposed power plant is Palm Kernel Shells (“PKS”) a waste product of the palm oil production process.

The PKS market is well established in Sumatra, Indonesia and export volumes of PKS to North Asia and Europe as a primary fuel for biomass power plants has been steadily increasing over the past five years.

Potential supply of PKS within trucking distance of the proposed power plant site exceeds 2 times the annual required supply and is available across multiple independent suppliers. In addition, new palm oil plantations are being established within the area and will provide additional future supply of PKS.

The PKS will be stored on site with a covered area to dry a nominated amount before being placed onto a conveyor to feed into the boiler.

The PKS is fed into a boiler which will generate steam from water sourced from the local river. The steam from the boiler will be sent to the steam turbine generator for the electrical power generation.

Power will be delivered to the plant and infrastructure via overhead transmission lines. A diesel generator power station will supply black start capabilities for the Biomass Power Plant as well as emergency backup power for the operation.

DPCT have submitted a full EPCM cost of US\$23m to design, supply, install and commission the full power station.

REVIEW OF OPERATIONS

Operating costs based on the current market price for PKS per tonne delivered to our nominated power plant location will be in the range of US\$0.08c – US\$0.12c per kw/hr.

Waste Haulage

Detailed discussions with some of Europe's leading manufacturers of conveyors for the mining industry, including Famur Group and Linter Group of Poland, for the installation of an overland conveyor to transport up to 8 Mtpa of waste material from nearby the mining pits to the waste dump site were concluded and DFS standard Capex and Opex estimates finalised.

The proposed conveyor route at approximately 2.1km in length was significantly shorter than the main waste haulage road distance. In addition, because the entire length of the conveyor is downhill, the conveyor had the potential to generate excess power equivalent to approximately 7% - 10% of the total project power requirement.

Whilst the standalone Capex and Opex numbers are very attractive the installation costs are considered very high, partly reflecting the fact the area has a high seismic rating together with the topographic conditions and annual rainfall levels.

Therefore the decision was made to move forward with a traditional truck haulage arrangement for transporting the waste material.

DFS Participants

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, AMMTEC Ltd, Peter Lewis	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

DFS Capital Costs Estimation

Capital costs for the project were estimated by Contromation using first principals.

The capital estimate for the operation was estimated as follows:

- by discipline for major areas of the plant including crushing, grinding and CIL circuit;
- by individual assessment of the work content for earthworks, concrete, and steel;
- factored estimates using known costs from previous projects for pipe work;
- equipment prices (new) obtained for items of mechanical equipment.

REVIEW OF OPERATIONS

Sihayo Pungkut – JORC Compliant Resources



The primary focus for the past year was the continuation of the infill drilling program at the Sambung JORC Resource. For the year, **65** diamond drill holes for a total of **5,900m** were completed and contributed to a **5% increase of the total Sihayo and Sambung JORC Compliant Resource to 17Mt at 2.7 g/t Au for 1.5 Moz.** See *Table 1* below for full details of the Sihayo and Sambung JORC Resources.

<i>Resource</i>	<i>Tonnage (Mt)</i>	<i>Grade Au (g/t)</i>	<i>Contained Gold ounces</i>	<i>JORC Classification</i>	<i>Au Cut-off grade (g/t)</i>
SIHAYO	13.4	2.9	1,240,000	Indicated	1.2
SIHAYO	1.8	2.2	128,200	Inferred	1.2
	15.2	2.8	1,368,200	Indicated & Inferred	1.2
SAMBUNG	1.0	2.3	72,500	Indicated	1.2
	0.8	2.1	52,900	Inferred	1.2
	1.8	2.2	125,400	Indicated & Inferred	1.2
TOTAL	17	2.7	1,493,600	Indicated & Inferred	1.2

Note 1: Rounding errors may occur

Note 2: Sihayo and Sambung JORC Resource estimate completed by Runge Ltd. Competent person, Rob Williams and Trevor Stevenson

Table 1: Sihayo Pungkut Gold Project JORC Resource Inventory

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 northwest along a section of the TSFZ and is intermittently exposed for approximately 4.5km. Anomalous gold in soils, is co-incident 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.**



REVIEW OF OPERATIONS

The Sihayo and Sambung JORC Resource lies on **approximately 2.7km of the potential 5.5km Sihayo Pungkut trend of gold mineralisation. The remaining 2.8km of gold mineralised strike is yet to be adequately drill tested.**

Figure 3, shows the surface projection of the JORC Resources.

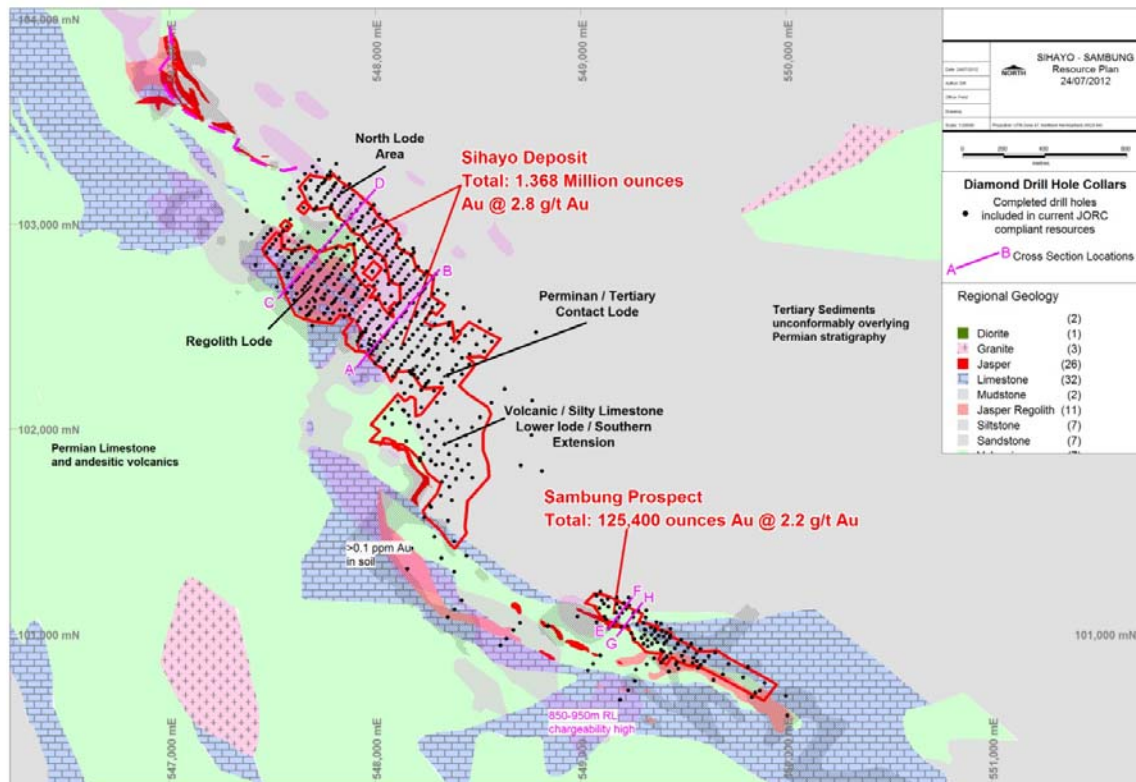


Figure 3: Sihayo Mineralisation Surface Plan shows Surface Projection of Sihayo and Sambung JORC Resources and Location of Cross Sections (A-B, C-D, E-F and G-H)

The main **Sihayo Resource 15.2Mt @ 2.8 g/t Au for 1.3684 Moz** 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.

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.

REVIEW OF OPERATIONS

Geological modelling through the Sambung Resource has defined three settings of gold bearing jasper mineralisation:

- 1) Structurally controlled,
- 2) Stratigraphy controlled; and
- 3) Surface regolith.

The major control of the Sambung Mineralisation is a series of normal faults within the greater TSFZ. These faults have strike extent and known gold mineralisation outside of currently defined JORC Compliant Resource. Notably, high grade silver has been intersected in the Sambung Resource and the significance of this will be addressed in the next JORC Resource upgrade report. Resource extension drilling is planned for the remainder of 2012 to test the **shallow high grade gold** mineralisation extents of this fault system adjacent to the Sambung Resource.

Tables 2 and 3 below contain selected gold and silver drilling results for the year and in the case of silver there is the inclusion of some previous period drilling results.

The cross section diagrams below highlight the continuity and geological confidence at the main **Sihayo Resource 15.2Mt @ 2.8 g/t Au for 1.3684 Moz.**

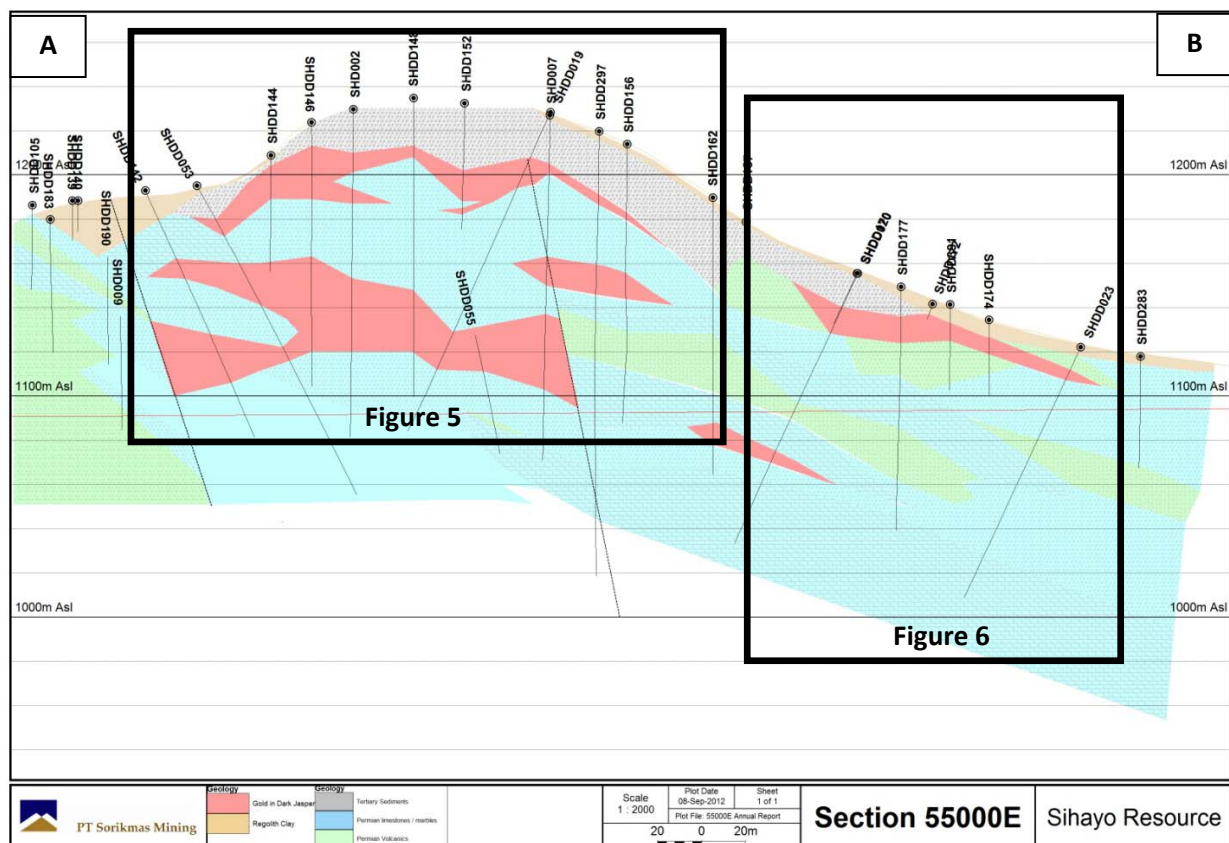


Figure 4: Geology Cross Section 55000E of Sihayo Resource looking NW. Located on Figure 3

REVIEW OF OPERATIONS

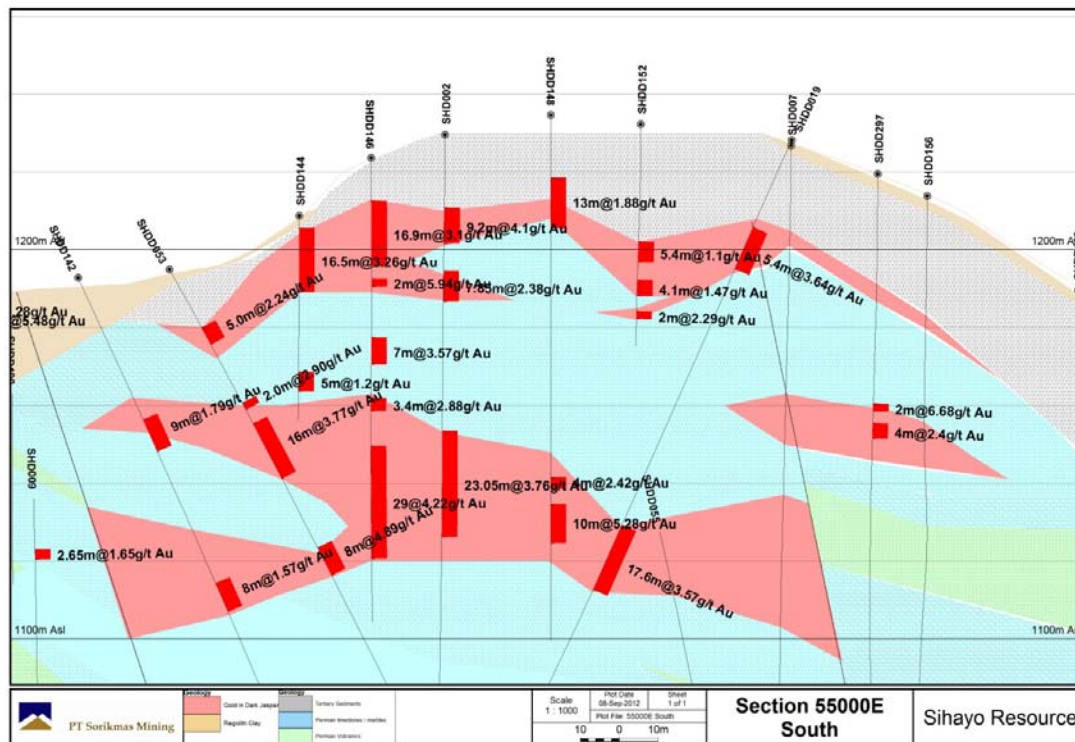


Figure 5: Enlargement of Cross Section 55000E shows Significant Gold Intercepts. Located on Figure 3 and 4

REVIEW OF OPERATIONS

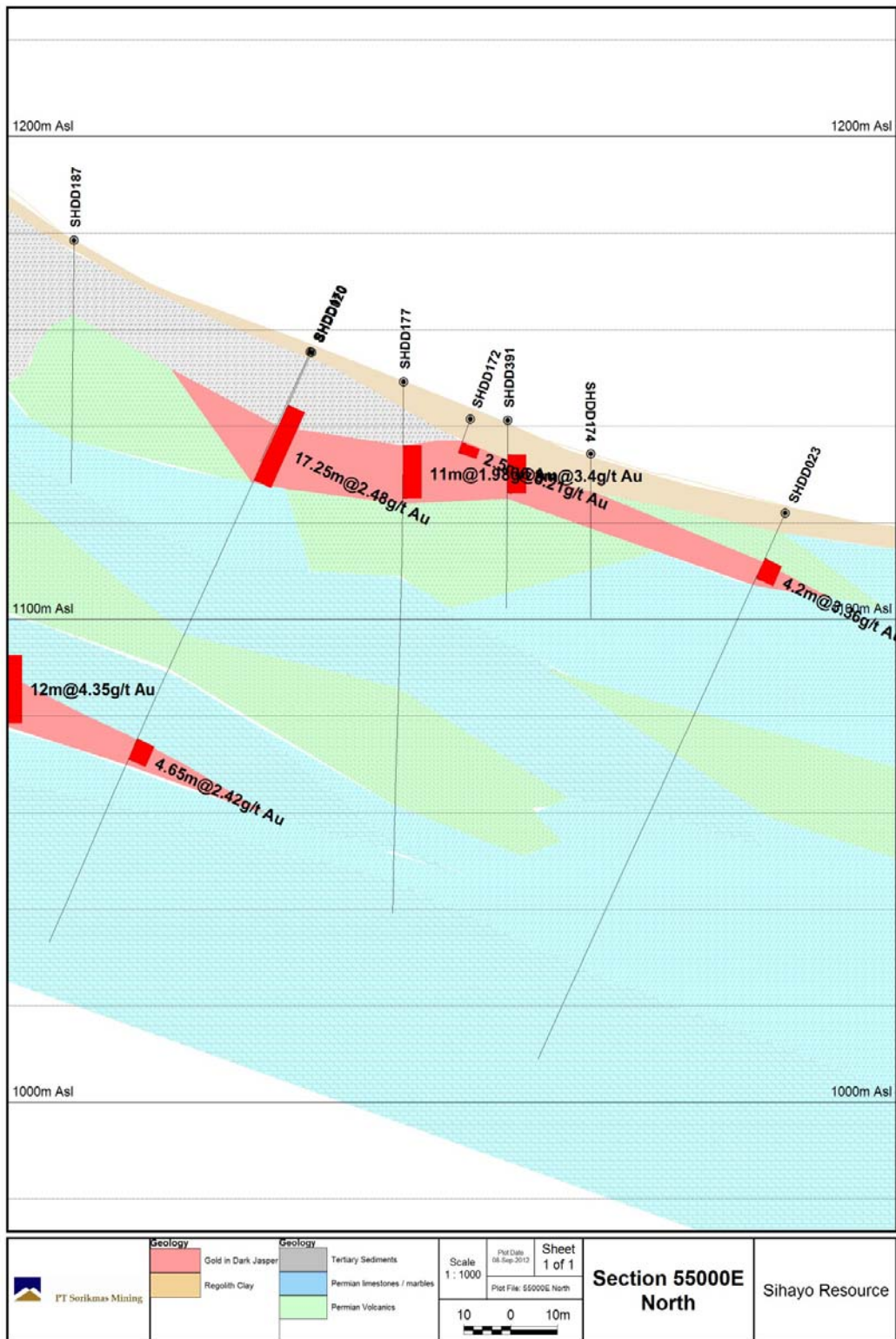


Figure 6: Enlargement of Cross Section 55000E showing Significant Gold Intercepts.

Located on Figure 3 and 4

REVIEW OF OPERATIONS

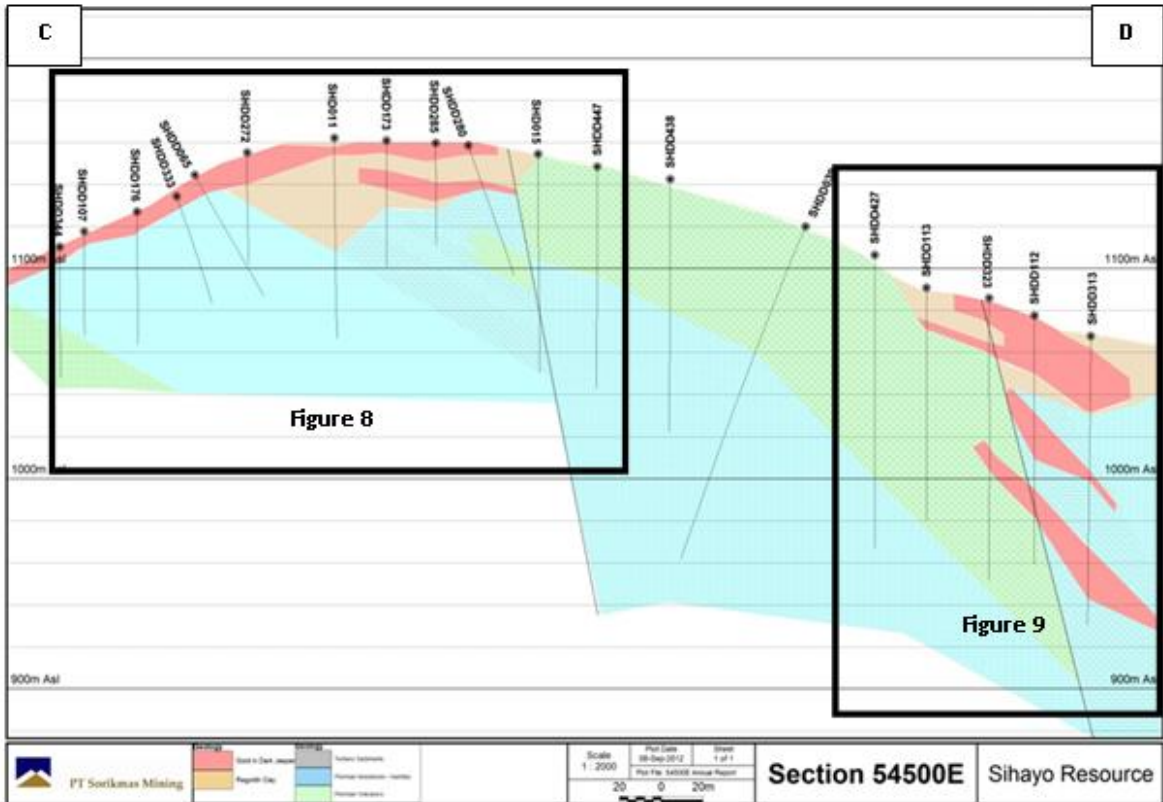


Figure 7: Geology Cross Section 54500E of Sihayo Resource looking NW. Located on Figure 3

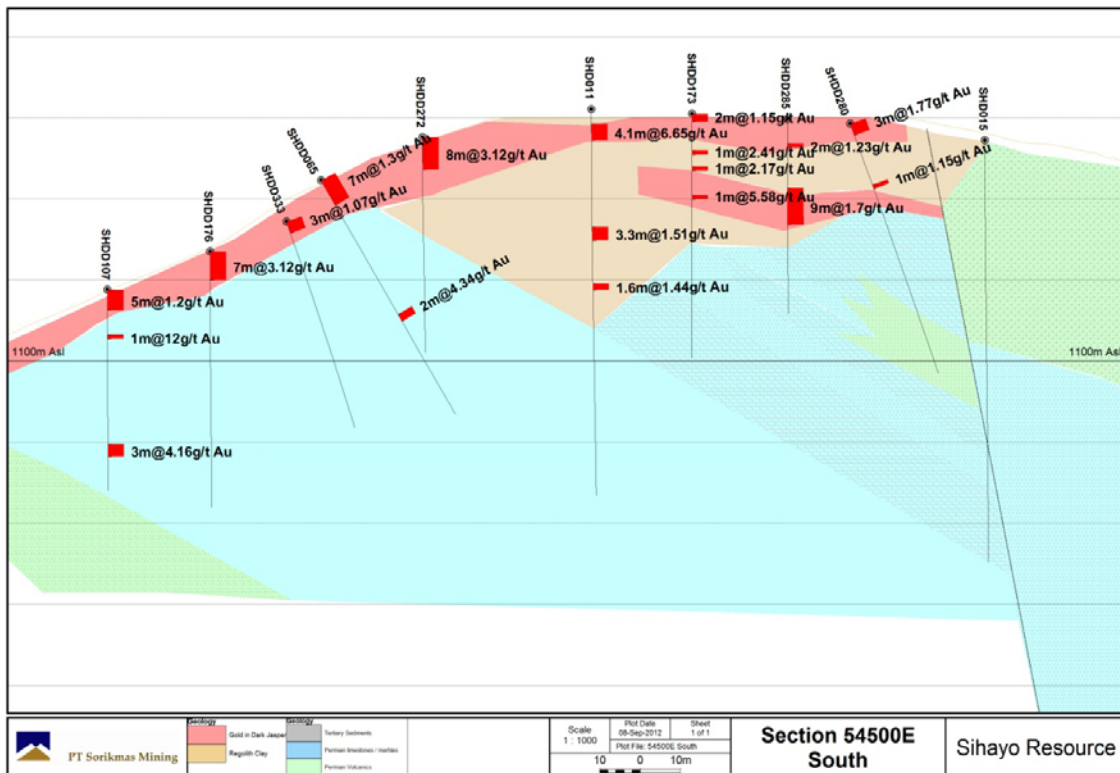


Figure 8: Cross Section Enlargement 54500E shows Significant Gold Intercepts. Located on Figure 7 & 3

REVIEW OF OPERATIONS

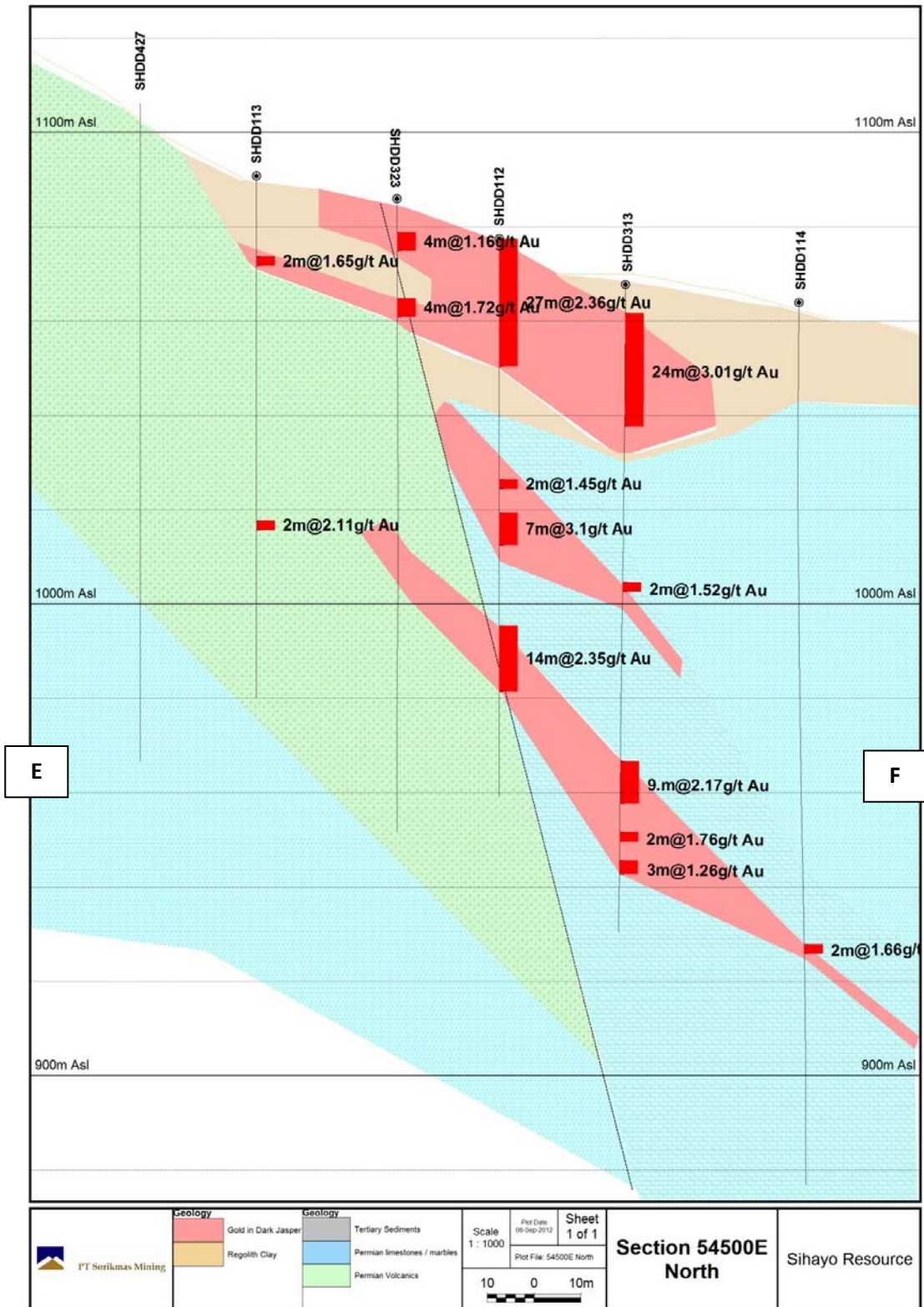


Figure 9: Enlargement of Cross Section 55000E showing Significant Gold Intercepts. Located on Figure 3 and 7

REVIEW OF OPERATIONS

Table 2: Selected Significant Gold Intercepts from the Samburg drilling (current year drilling)

Hole ID	East UTM	North UTM	RL (m ASL)	Azi	Dip	Max Depth	From	To	Intercept (m)	Au g/t
SAMDD086	549221	101121	1010	0	-90	114.1	57.0	72.0	15	4.26
SAMDD088	549191	101127	1020	222	-60	72.5	38.8	44.95	6.15	2.97
SAMDD094	549176	101145	1036	0	-90	108.7	83.55	90.40	6.85	3.35
SAMDD102	549091	101125	1048	223	-60	83.0	6	9.2	3.2	9.18
SAMDD111	549311	100996	1002	222	-60	92.0	10.8	17.2	6.4	3.59
SAMDD112	549316	101078	969	222	-60	143.0	45.7	52	6.3	3.60
SAMDD116	549373	100959	995	223	-60	90.6	10	13.3	3.3	4.53
SAMDD119	549257	101100	987	222	-55	131.1	33	42	9	4.64
							45	47.05	2.05	4.21
SAMDD124	549176	101145	1036	224	-76	132.8	75.85	82.4	6.55	5.59
SAMDD126	549201	101103	1010	222	-65	125.2	23.75	45	21.25	2.58
SAMDD137	549131	101171	1053	0	-90	127.7	91.05	100.4	9.35	2.98
SAMDD138	549406	100952	995	222	-60	54.5	12.9	15.9	3	4.06
							18.9	21.95	3.05	7.85
SAMDD142	549253	101130	1005	220	-60	93.55	65.65	74.8	9.15	3.26
SAMDD144	549295	101103	990	220	-60	78.4	54.4	61	6.6	7.76
SAMDD145	549220	101087	998	220	-60	77.65	32.2	42.5	10.3	3.44
SAMDD146	549277	101079	978	220	-60	65.5	37.2	44.3	7.1	7.27
SAMDD147	549264	101062	982	220	-60	69.5	22	37	15	5.22
SAMDD148	549196	101056	1025	220	-60	76.2	4.6	12.6	8	3.56

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

Table 3: Selected Significant Silver Intercepts from the Sambung drilling (including results from previous years and current year drilling)

Hole ID	East UTM	North UTM	RL (m ASL)	Azi	Dip	Max Depth (m)	From	To	Length	Ag g/t
SAMDD019	549222	101042	1017	350	-90	73.6	59	62	3	25.67
SAMDD033	549603	100867	925	216	-60	70.0	0	8	8	14.62
SAMDD045	549183	101080	1013	0	-90	52.0	27	34	7	28.10
SAMDD048	549227	101040	1018	40	-60	100.0	10	14	4	61.00
SAMDD053	549116	101085	1052	40	-65	78.0	54	59	5	22.00
							66	78	12	26.83
SAMDD092	549171	101105	1020	220	-61	71.0	36	43.85	7.85	22.46
SAMDD096	549131	101171	1053	222	-60	122.0	75.9	90.05	14.15	48.10
SAMDD117	549176	101145	1036	222	-50	150.0	71	77	6	20.00

Notes

1. All Ag assays determined by Hydrochloric/Perchloric digestion with AAS finish by Intertek- Caleb Brett Laboratories of Jakarta
2. Lower cut of 5.0ppm Ag used
3. A maximum of 2m of consecutive internal waste (material less than 5.0ppm Ag) 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): Standards, duplicates, blanks
8. Coordinates in UTM grid system (WGS84 z47N)

REVIEW OF OPERATIONS

Regional Exploration – Hutabargot Julu Epithermal Prospect

The Hutabargot Prospect is located on the south eastern portion of the **11.5km long Sihayo Pungkut-Hutabargot Mineralised Trend** (refer to *Figures 10 and 11 below*). The centre of the prospect is about 7km southeast from the **Sihayo-Sambung JORC Compliant Resource**. In the future an access road could be constructed linking the Hutabargot Prospect to the Sambung Resource.

The Hutabargot Prospect is underlain by a dacitic dome complex and dissected by the Trans Sumatran Fault Zone. Dacitic stratigraphy has been hydrothermally brecciated and magnetite destructive clay-silica-pyrite altered defining an approximate 6km x 2km intermediate epithermal gold complex footprint. Significant gold mineralisation is structurally controlled veining within hydrothermal breccias. Historic drilling yielded a best significant intercept of **5m @ 36.7 g/t Au from 47m** from quartz-sulphide veining at the Ali Vein. Bonanza grade rock chips (**up to 136 g/t Au**) have been collected from a number of locations and high grade outcrop chip channel results including, **5m @ 5.81 g/t Au and 112 g/t Ag** have been recorded (refer to *Figure 11 below*).

Hutabargot Mineralisation is similar to other intermediate sulphidation complexes in the Pacific Rim, including the Baguio Epithermal District in the Philippines, which hosts greater than 35Moz Au across the region.

During the year a total of 17 holes for 2,859 metres of diamond drilling was completed.

Exploration work has been divided into four stages:

1. Sarahan Vein Zone exploration drilling;
2. Fault, Sunday and Panas Vein Zone exploration drilling;
3. Prospect wide exploration targets; and
4. Ongoing surface work between the JORC Compliant Sambung Resource and the Hutabargot Prospect.

Sarahan Vein Zone Exploration Drilling

The Sarahan Vein Zone is defined by a moderate westerly dipping structurally controlled, up to 40m thick, argillic alteration zone that hosts intermediate sulphidation quartz-sulphide +- **gold** veining within hydro-brecciated dacite. Surface mapping, rock chipping, historic drilling and intermittent turn of the 19th century Dutch local mining defined a 600m strike length of gold mineralisation along an overall 2.2km strike length of the Sarahan Vein Zone.

An exploration diamond drilling program of ten diamond drill holes for 1,148m was completed as infill exploration drilling. Mineralisation continuity was tested at approximately 50 meter section spacing. Total diamond drilling, including previous period drilling, on the Sarahan Vein Zone is 2,548m.

REVIEW OF OPERATIONS

The Sarahan Vein Zone gold mineralisation has proven to be continuous along strike and at depth. Significant gold +/- silver in drill intersections appear to represent high grade gold mineralisation shoots. Below is a list of the significant drill intersections (historic and current):

- HUTDD001 6m @ 2.07g/t Au from 16m
- HUTDD004 6m @ 2.66g/t Au from 48m
- HUTDD007 5m @ 2.12g/t Au from 23m
- HUTDD009 9m @ 1.4g/t Au from 77m
- HUTDD012 12m @ 1.74g/t Au from 0m
- HUTDD032 4.5m @ 6.37g/t Au from 43.4m
- HUTDD038 5.1m @ 2.29g/t Au from 116.1m

Future diamond drilling will test potential of the high grade “mineralised shoots” and ultimately the greater strike length of the Sarahan Vein Zone.

Fault, Sunday and Panas Vein Zone Exploration Drilling

A total of seven diamond drill holes for 1,711m were focussed on lower grade gold/high tonnage gold targets defined by surface geochemistry, geological mapping and an induced polarisation survey. Drill results have been encouraging **with a best intercept of 5.9m @ 3.82 g/t Au from 54.3m in HUTDD026**. Gold mineralisation is hosted by colloform banded chalcedonic and vuggy white quartz associated with pyrite arsenopyrite, sphalerite, and galena with localised chalcopyrite. Further follow up drilling will be assessed as part of the overall program.

Hutabargot Prospect Exploration Targets

The Hutabargot Prospect (*Figures 10 & 11*) has been divided into 10 target zones over an area of about 12 km². These targets were defined by a synthesis of all surface exploration data sets which includes; geological mapping, drill hole logging / assays, rock chip sampling, soil sampling, airborne magnetics, regional structural interpretation, IP survey data, and topographic data. Ultimately each target will be ranked and then scout drilled.

Ongoing Surface Work between Hutabargot and Sambung

Surface exploration work (geological mapping, rock chipping, soil sampling, and IP Survey) is ongoing along strike between the north western part of Hutabargot and the Sambung Resource (*Figure 10*) and best results to date include **5m @ 5.81 g/t Au and 112 g/t Ag from outcrop chip channel samples, across an exposed vein structure of approximately 19m total width**. On completing this surface exploration, it is anticipated that additional target zones will be identified, ranked and then scout drilled.

REVIEW OF OPERATIONS

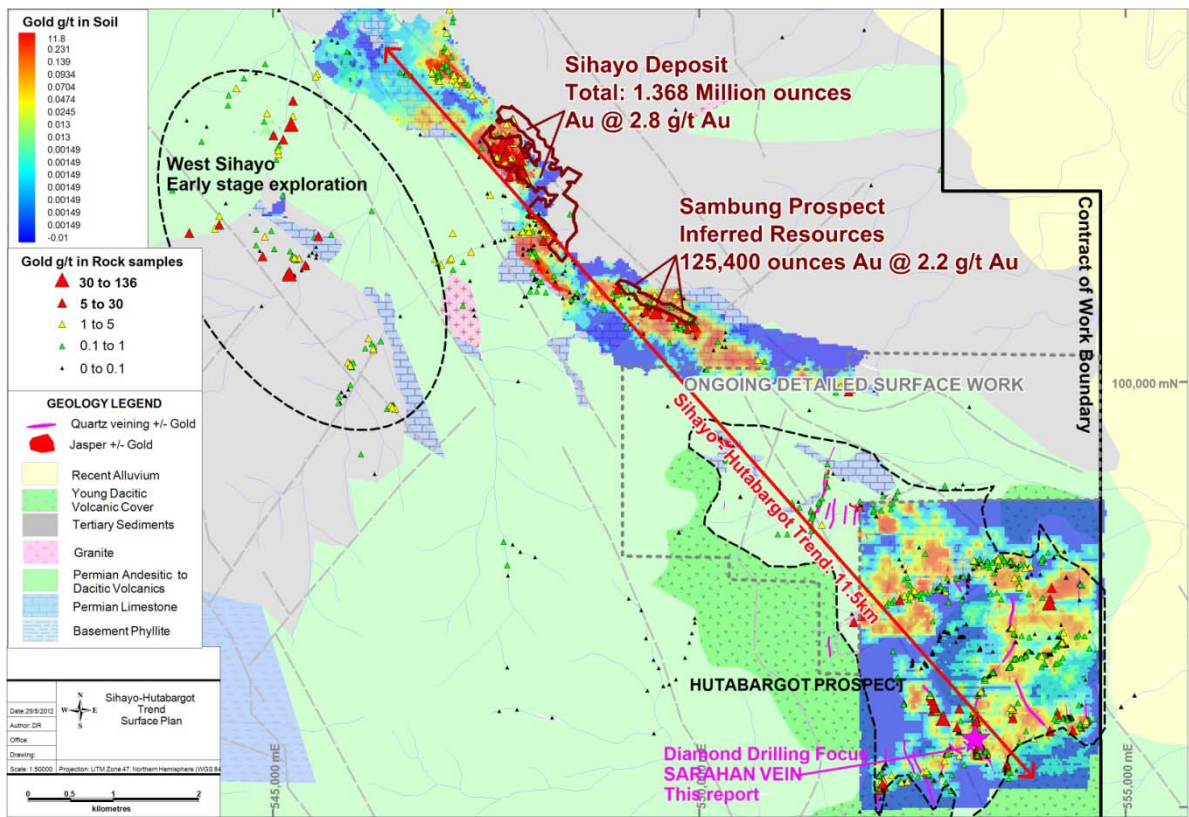


Figure 10: Sihayo Pungkut – Hutabargot Julu Trend

REVIEW OF OPERATIONS

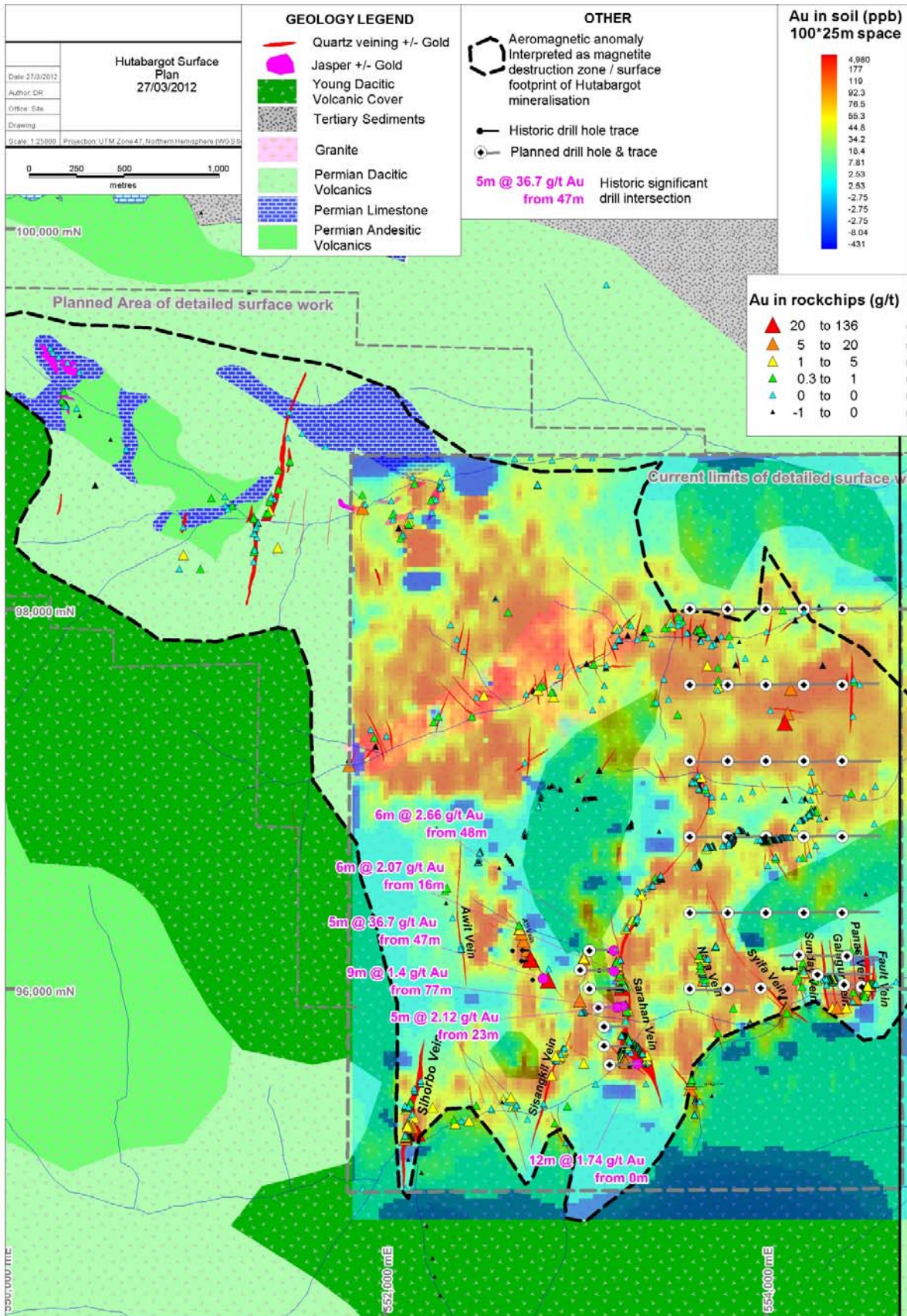


Figure 11: Hutabargot Julu Prospect Surface Plan

REVIEW OF OPERATIONS

Regional Exploration: Babisik Epithermal Gold Prospect

Babisik surface exploration programs were undertaken in the second and partly the third quarter of the year. Exploration activities included geological mapping and grid soil within a 2km² area. Fifty one rock chip samples and 858 soil samples were collected. *Figure 12* summarises exploration work to date. The prospect is located approximately 2km south of the Tambang Tinggi Gold/Copper Prospect in the southern part of the COW. Refer to *Figure 3 and 13*.

The Babisik prospect is underlain by Permian volcanic agglomerates that are unconformably overlain by sandstones and conglomerates to the north of the prospect area. A number of quartz veins +- manganese +- limonite up to 15m wide are traceable over 500m of strike length. Best rock chip results to date yielded **5.32 g/t Au** and up to **400 g/t Ag**. Further exploration work is scheduled for next year.

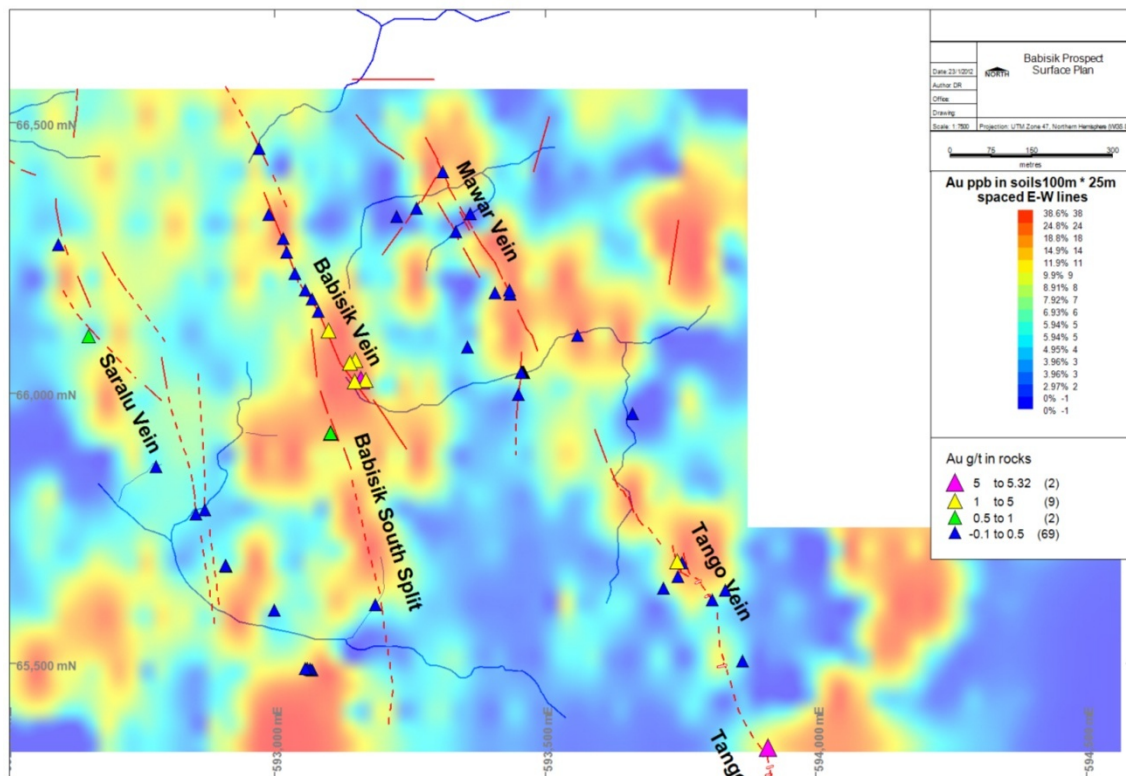


Figure 12: Babisik Prospect Surface Plan

REVIEW OF OPERATIONS

Regional Exploration: Tambang Tinggi Gold Copper Prospect

A limited number of holes were completed at Tambang Tinggi during the year, four diamond drill holes for 960 metres.

The next phase of drilling will require a larger capacity rig to test the porphyry copper/gold potential at depth. Highly anomalous Cu was intersected in previous drill holes TTDD008 and TTDD011:

TTDD008: 63m @ 0.55 g/t Au and 0.09% Cu from 196m

TTDD011: 46m @ 0.35 g/t Au and 0.13 % Cu from 116m

TTDD014 also intersected a potassium feldspar (potassic alteration) zone. The combination of potassic alteration and highly anomalous copper results at relatively shallow depth are potential vectors to a significant underlying Porphyry Copper Gold system.

The Tambang Tinggi drill plan and surface plan are detailed below in *Figure 13*.

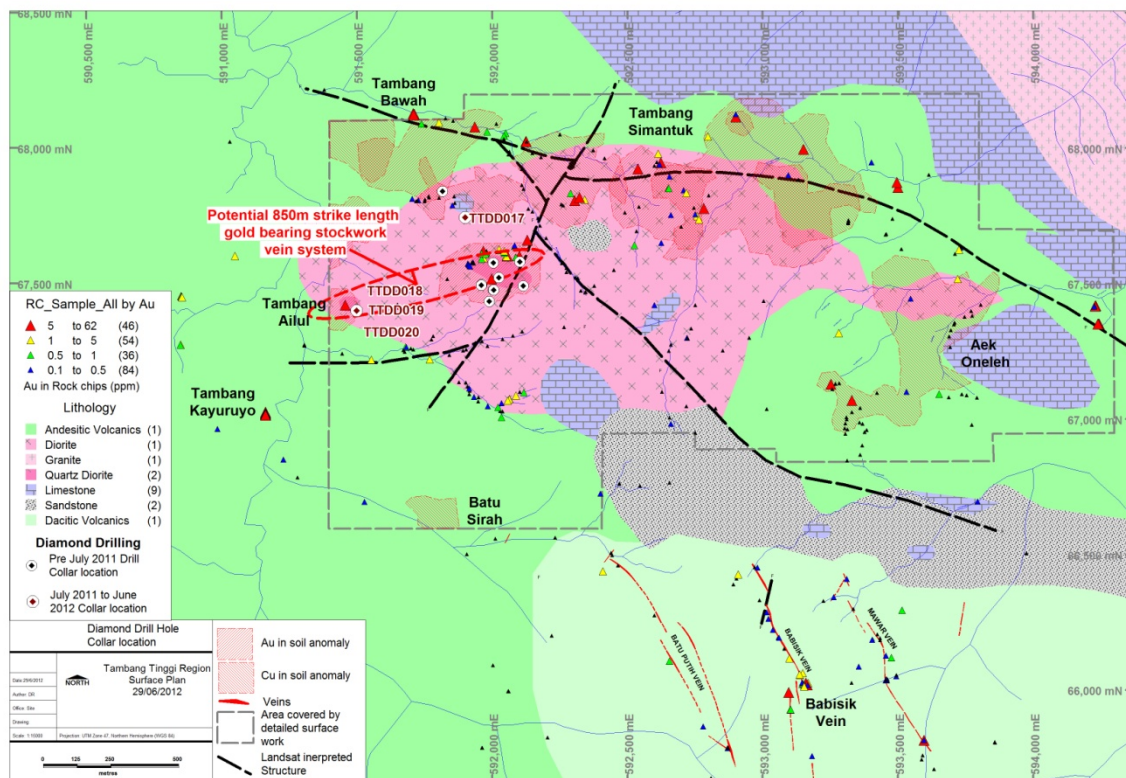


Figure 13: Tambang Tinggi Surface Plan

REVIEW OF OPERATIONS

Sihayo Pungkut – Community Development Programmes



The local communities surrounding the Sihayo Pungkut Project 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 programmes, 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 programmes.



The main agricultural products of the region are: rice, rubber, cocoa, coffee, coconuts, fruits & vegetables, aromatic oils, cinnamon and a limited of animal and fish products. Currently, **26 separate projects have been setup under 13 co-operatives involving 566 people** from the local community.



The Company has identified that the main limitations that the local communities have to deal with in regards agriculture production are:

- Access to markets to sell produce;
- Access to quality seed or animal stock; and
- Access to training for best practice agricultural techniques.



Current programs have included setting up nurseries supplying quality seed/fruit tree stock, establishing breeding stations for different livestock including goats, chickens, pigs and fish and the recently established cocoa processing facility.



Training sessions have commenced in best agricultural practices such as composting, pruning, and contour planting. Once agricultural products reach the required quality levels through best stock and best agricultural practices, the Company will assist local communities in improved marketing strategies.



The recently developed cocoa co-operative project encompasses a unique solution to the deal with the major issues facing the local farmers.

Currently, farmers grow their cocoa, then harvest the crop (ongoing basis), dry the beans (typically on the road outside their house) and then sell to the local trader. Often the price received from the local trader is quite low, which leaves little incentive to undertake improved farming methods including ongoing pruning of the cocoa trees and better drying methods.

The cocoa co-operative comprises a cocoa bean fermentation, drying (solar), sorting and packing facility. The facility is designed to produce up to five tonne per week of product.

REVIEW OF OPERATIONS



The co-operative purchases wet beans from the farmers (no need for farmers to dry the beans) at the prevailing market price, the beans are then fermented, dried and sorted and then packed for transport to Medan. Since the farmers will no longer need to dry the beans the co-operative will provide instruction on improved pruning of their tress, which will help to reduce the incidence of cocoa borer bug and therefore improve yields per tree.



The co-operative, with assistance from the Company, has negotiated with a Medan based chocolate manufacturer to purchase all the quantity of cocoa beans the co-operative can produce. The chocolate manufacturer is also hopeful of working with the co-operative to become certified as "organic cocoa" production.



Once the payment is received from the Medan buyer, the "value add premium" over and above what was paid to the farmers for the wet beans will be re-distributed to each farmer in proportion to their original quantities. The net effect for the farmers should be a substantial increase in income from their current cocoa crops and then followed by a further increase in yield as the impact of better pruning of the trees is realised.



The Company is providing a working capital loan to the co-operative and overtime this loan will be re-paid (interest free) and the co-operative will have its own working capital funds.



The co-operative has the potential to direct benefit some 2,000 farmers and the actual cocoa facility will directly employ approximately 15 to 20 people.

Ultimately, co-operatives involved in a range of agricultural projects will become profitable and self sustainable providing extra income to communities.



In line with our overall Community Development Plan, the first of three community centres has been opened.

The Community Centre will initially be used as a children's library and basic computer training centre followed by other educational programs that will be determined by the local community.



As we move closer to the construction phase of the Sihayo Pungkut Project additional community development plans encompassing health, education and local infrastructure will be progressively developed in conjunction with the local communities and local Government.

REVIEW OF OPERATIONS

Other Projects

Malawi – Uranium exploration (100%)

No exploration activities were carried out during the year.

India – Diamond Exploration (9-10%)

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.

Competent Persons Statements

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

Sihayo Resource

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

Modelling: The Sihayo deposit was estimated by Runge Limited using Ordinary Kriging grade interpolation, constrained by mineralisation envelopes prepared using a nominal 0.5g/t gold cut-off grade. In all cases a minimum 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. Statistical analysis of the deposit determined that a high grade cut of 30g/t Au was necessary which cut a single composite. Bulk density was assigned in the model based upon the results of 1,422 bulk density determinations.

Sambung Resource

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

Modelling: The Sambung deposit was estimated by Runge Limited using Ordinary Kriging grade interpolation, constrained by mineralisation envelopes prepared using a nominal 0.5g/t gold cut-off grade. In all cases a minimum downhole intercept length of 2m was adopted. The block dimensions used in the model were 10m along strike by 10m across strike by 5m vertical with sub-cells of 5m by 5m by 2.5m. Statistical analysis of the deposit determined that a high grade cut of 25g/t Au was necessary which resulted in 2 composites being cut. Bulk density was assigned in the model based upon the results of 382 bulk density measurements.

Note

All statements in this report, other than statements of historical facts that address future timings, activities, events and developments that the Company expects, are forward looking statements. Although Sihayo Gold Limited, its subsidiaries, officers and consultants believe the expectations expressed in such forward looking statements are based on reasonable expectations, investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward looking statements. Factors that could cause actual results to differ materially from forward looking statements include, amongst other things commodity prices, continued availability of capital and financing, timing and receipt of environmental and other regulatory approvals, and general economic, market or business conditions.

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 2012 ("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
Peter Bilbe
John Blake

Paul Willis
Gavin Caudle

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 6 - 29

OPERATING RESULTS

During the financial year the consolidated entity incurred a consolidated operating loss after income tax of \$9,711,061 (2011: \$11,141,054).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the corporate group for the 2012 financial year.

EMPLOYEES

The consolidated entity employed 243 employees as at 30 June 2012 (2011: 131 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 2012 are \$28,346,004 (2011: \$22,288,944).

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 @ 12.5 cents before 30 June 2013 (held indirectly)

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 eleven 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.

DIRECTORS' REPORT

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 \$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 seven years; and
- Expertise in dealing with forestry issues through the ownership of a substantial plantation business.

Directorships of Other ASX Listed Companies

No other current directorships

Former ASX Listed Companies Directorships in last 3 years

No former directorships

DIRECTORS' REPORT

Special responsibilities

Audit committee member

Interests in shares and options

6,613,984 ordinary shares (held directly)

149,850,490 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

Former ASX Listed Companies Directorships in last 3 years

Aztec Resources Limited

RMA Energy Limited

Aurox Resources Limited

Norseman Gold Mines plc

Special responsibilities

Audit committee member

Remuneration committee member

Interests in shares and options

1,920,000 ordinary shares (held indirectly)

REVIEW OF OPERATIONS

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 is President and CEO of Luna Gold, TSX listed gold mining in Canada. He 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 two 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 ordinary shares (held indirectly)

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 2012, 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	7	7
P Willis	7	7
Gavin Caudle	7	5
P Bilbe	7	7
W J Blake	7	6

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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

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.

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 2012

2012	Short-term		Post Employment		Long Term		Equity		Performance related %
	Cash Salary & Fees	Non Monetary Benefits	Super Payment	Retirement Benefits	Incentive Plans	LSL	Share based	Total	
Name									
M Collins ^(a)	49,050	2,230	-	-	-	-	-	51,280	-
P Willis ^(b)	350,304	2,230	-	-	-	-	-	352,534	-
P Bilbe ^(c)	61,165	2,230	9,685	-	-	-	-	73,080	-
W J Blake ^(d)	45,000	2,230	-	-	-	-	-	47,230	-
G Caudle ^(e)	45,000	2,230	-	-	-	-	-	47,230	-
G Entwistle ^(f)	274,059	-	15,775	-	-	-	-	289,834	-
G Petersen ^(g)	140,589	-	-	-	-	-	-	140,589	-
D Rowley ^(h)	255,098	-	-	-	-	-	-	255,098	-
D Nolan ⁽ⁱ⁾	170,000	-	-	-	-	-	-	170,000	-
Total	1,390,265	11,150	25,460	-	-	-	-	1,426,875	-

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

DIRECTORS' REPORT

There are no other key management personnel.

- (a) \$49,050 in directors fees was paid to M Collins as at 30 June 2012.
- (b) \$350,304 salary was paid to P Willis as at 30 June 2012.
- (c) \$61,165 salary plus superannuation of \$9,685 was paid to P Bilbe as at 30 June 2012.
- (d) \$45,000 in directors fees was paid to Blake Mining Services, a personally related entity of W J Blake, as at 30 June 2012.
- (e) \$45,000 in directors fees was payable to G Caudle as at 30 June 2012.
- (f) \$274,059 salary plus \$15,775 superannuation was paid to G Entwistle as at 30 June 2012
- (g) \$140,589 salary was paid to G Petersen as at 30 June 2012. His resignation date was 19 December 2011.
- (h) \$255,098 salary was paid to D Rowley as at 30 June 2012.
- (i) \$170,000 salary was paid to D Nolan as at 30 June 2012.

Compensation Options (Consolidated)

30 June 2012	Granted No	Terms and Conditions for each Grant						Vested	
		Grant Date	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	-	-	-	-	-	-	-	-	-

30 June 2011	Granted No	Terms and Conditions for each Grant						Vested	
		Grant Date	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	-	-	-	-	-	-	-	-	-
WJ Blake	-	-	-	-	-	-	-	-	-
G Caudle	-	-	-	-	-	-	-	-	-

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options granted as part of remuneration

2012	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	-	-	-	-
P Bilbe	-	-	-	-
W J Blake	-	-	-	-
G Caudle	-	-	-	-
G Entwistle	-	-	-	-
D Pluckhahn	-	-	-	-
G Petersen	-	-	-	-
D Rowley	-	-	-	-
D Nolan	-	-	-	-

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 Petersen	302,433	427,500	-	58.72
D Rowley	277,200	-	-	67.38
D Nolan	138,600	-	-	58.09

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 2012	Shares Issued No	Paid per share	Unpaid per share
M Collins	-	-	-
P Willis	-	-	-
P Bilbe	1,500,000	10 cents	-
W J Blake	1,500,000	10 cents	-
G Caudle	-	-	-
G Entwistle	2,000,000	7.5 cents	-
G Entwistle	2,000,000	10 cents	-
D Rowley	-	-	-
D Nolan	-	-	-

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 Petersen	1,500,000	13.5 cents	-
G Petersen	1,500,000	15 cents	-
D Rowley	-	-	-
D Nolan	-	-	-

Officer Emoluments

Fees of \$91,500 (GST exclusive) were paid to Calder Roth & Co, a Chartered Accounting firm of which provide accounting, company secretarial, taxation and other services during the year.

Directors and Officer Insurance

During the year \$11,150 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.
- 2,000,000 director unlisted options exercisable at 12.5 cents at any time on or before 30 June 2013.
- 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 2012.

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

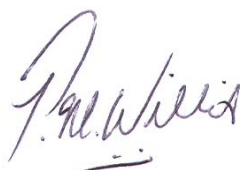
The Company's Corporate Governance Statement is set out on pages 42 – 50.

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 41.

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



Paul Michael Willis

Director

27 September 2012

27 September 2012

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 2012, 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

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.

The following governance-related documents can be found on the Company's website at www.sihayogold.com, under the section marked "About Us", "Corporate Governance":

Charters

Board

Audit Committee

Nomination Committee

Remuneration Committee

Policies and Procedures

Policy and Procedure for Selection and (Re) Appointment of Directors

Process for Performance Evaluation

Policy on Assessing the Independence of Directors

Code of Conduct (summary)

Policy on Continuous Disclosure (summary)

Compliance Procedures (summary)

Procedure for the Selection, Appointment and Rotation of External Auditor

Shareholder Communication Policy

Risk Management Policy (summary) The Company reports below on how it has followed (or otherwise departed from) each of the recommendations during the 2011/2012 financial year (**Reporting Period**). The information in this statement is current at 30 September 2012.

CORPORATE GOVERNANCE STATEMENT

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 disclosed 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.

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented in the Board's current composition. The directors on the Board possess the following skills and experience, which the Board considers are appropriate for the Company at this stage of its development: corporate, operational and international mining industry experience; investment industry experience; financial and capital markets experience; technical skills and experience; and Indonesia experience.

Director independence

(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board has a majority of directors who are independent.

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

CORPORATE GOVERNANCE STATEMENT

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

- Balance sheet items are material if they have a value of: (a) more than 10%; or (b) more than \$500,000, whichever is the greater, of pro-forma net assets.
- 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 (b) more than \$500,000 (whichever is the greater) or more 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) more than 10%; 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 triggers 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 independent directors of the Company are Peter Bilbe (Chair), 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 non-independent directors of the Company are Paul Willis and Gavin Caudle.

The Chief Executive Officer is Paul Willis who is not also 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 for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

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

CORPORATE GOVERNANCE STATEMENT

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 disclosed 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 did not officially convene as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

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

The Company's Nomination Committee Charter is disclosed on the Company's website.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has established an Audit Committee, which comprises Misha Collins as Chair, Peter Bilbe and Gavin Caudle. The Audit Committee is structured in compliance with Recommendation 4.2 as it consists only of non-executive directors, consists of a majority of independent directors, is chaired by an independent chair, who is not chair of the Board and has three members.

Details of each of the director's qualifications are set out in the Directors' Report. All members of the Audit Committee consider themselves to be financially literate and have an understanding of the industry in which the Company operates. The Chair of the Audit Committee, Mr Misha Collins, is a Chartered Financial Analyst, having completed the Chartered Financial Analyst programme with the US based Chartered Financial Analyst Institute. Gavin Caudle is a Chartered Accountant

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

The Audit Committee held two meetings during the Reporting Period, which all members of the Audit Committee attended.

The Company has established a Procedure 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. 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 and any recommendations are made to the Board.

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

Remuneration Committee

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The Board has established a Remuneration Committee, which comprises John Blake as Chair, Peter Bilbe and Misha Collins. The Remuneration Committee is structured in compliance with Recommendation 8.2 as it consists only of independent, non-executive directors, is chaired by an independent chair and has three members.

The Remuneration Committee held one meeting during the Reporting Period, which all members of the Remuneration Committee attended.

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

CORPORATE GOVERNANCE STATEMENT

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 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 disclosed on the Company's website.

Performance evaluation

Senior executives

(Recommendations: 1.2, 1.3)

The Company has not developed a formal process for the evaluation of its two senior executives; the Chief Executive Officer and Chief Financial Officer, as the Board believes that the current size and structure of the Company allows effective evaluation on an ongoing basis.

The Chief Executive Officer reviews the performance of the Chief Financial Officer closely on an ongoing basis. Further, the Chief Executive Officer's performance is reviewed by the Chair and the Board. This evaluation is also undertaken on an ongoing basis through open and regular communication.

During the Reporting Period an evaluation of the Chief Executive Officer and the Chief Financial Officer took place in accordance with the process disclosed above.

CORPORATE GOVERNANCE STATEMENT

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.

A formal process for the evaluation of the Board, its committees and individual directors has not been developed as the Board considers that effective evaluation of its performance, the performance of Board committees and individual directors is achieved through ongoing open and regular communication. Performance evaluation of the Board, its committees and individual directors is carried out by ongoing review by the Chair. During the Reporting Period, the Chair also met with directors individually.

During the Reporting Period an evaluation of the Board, its committees and individual directors took place in accordance with the process disclosed above.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.5)

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 disclosed on the Company's website.

Diversity

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has not established a Diversity Policy, or set measurable objectives for achieving gender diversity. The Board considered the merits of adopting a Diversity Policy, and considers that while the Company's operations are still at feasibility stage and it has a small number of employees, it is not practical to establish a Diversity Policy or to set measurable objectives for achieving gender diversity. The Board will review its position as the Company's circumstances change.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

CORPORATE GOVERNANCE STATEMENT

	Proportion of women
Whole organisation (excluding the Board)	1 out of 4 (25%)
Senior executive positions	0 out of 3 (0%)
Board	0 out of 5 (0%)

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.

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

The Company's Shareholder Communication Policy is disclosed 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.

CORPORATE GOVERNANCE STATEMENT

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.

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 those risks. The risk register is 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.

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 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 disclosed on the Company's website.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolidated 2012 \$	2011 \$
Other revenue	3	104,490	136,392
Total revenue		104,490	136,392
Corporate secretarial expenses		(85,863)	(61,262)
Depreciation and amortisation	20(b)	(185,893)	(128,103)
Exploration expenditure (administrative)	3(a)(i)	-	(2,856,832)
Employee benefits expense		(3,389,881)	(2,478,388)
Exploration expenditure	3(a)(i)	-	(1,196,081)
Write off of depreciable assets	20(b)	-	(60,818)
External consultancy expenses		(2,722,935)	(10,654)
Insurance expenses		(19,684)	(24,097)
Rental expenses	3(a)(i)	(69,777)	(67,363)
Share based payments	14(a),20(b)	-	(1,285,729)
Travel and entertainment expenses		(583,390)	(613,037)
Other expenses		(2,758,128)	(2,495,082)
Loss before income tax		(9,711,061)	(11,141,054)
Income tax expense	3(b)	-	-
Net loss		(9,711,061)	(11,141,054)
Other comprehensive income			
Movement in foreign currency translation reserve	11(b)	(1,598,628)	(2,043,622)
Other comprehensive income for the year, net of tax		(1,598,628)	(2,043,622)
Total comprehensive loss for the year		(11,309,689)	(13,184,676)
Loss after income tax attributable to:			
Members of Sihayo Gold Limited		(9,667,996)	(10,592,830)
Non controlling interest		(43,065)	(548,224)
		(9,711,061)	(11,141,054)
Comprehensive loss after income tax attributable to:			
Members of Sihayo Gold Limited		(11,266,624)	(12,636,452)
Non controlling interest		(43,065)	(548,224)
		(11,309,689)	(13,184,676)
Basic/diluted loss per share in cents	21	(1.36)	(1.86)

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 2012

	Notes	Consolidated	
		2012	2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	20(a)	11,130,476	13,176,949
Trade and other receivables	4	2,569,684	1,319,844
Other financial assets	5	16,950	16,950
TOTAL CURRENT ASSETS		13,717,110	14,513,743
NON-CURRENT ASSETS			
Other assets	7(a)	15,642,395	9,267,844
Inventory	7(b)	31,496	-
Property, plant and equipment	6	833,055	692,534
TOTAL NON-CURRENT ASSETS		16,506,946	9,960,378
TOTAL ASSETS		30,224,056	24,474,121
CURRENT LIABILITIES			
Trade and other payables	8	1,243,361	1,616,997
Provisions	9	94,888	538,387
Other liabilities		23,605	23,605
TOTAL CURRENT LIABILITIES		1,361,854	2,178,989
NON-CURRENT LIABILITIES			
Provisions	9	516,198	6,188
TOTAL NON-CURRENT LIABILITIES		516,198	6,188
TOTAL LIABILITIES		1,878,052	2,185,177
NET ASSETS		28,346,004	22,288,944
SHAREHOLDERS' EQUITY			
Parent entity interest:			
Contributed equity	10	90,500,944	76,374,517
Reserves	11(a)(b)	7,310,767	5,712,139
Accumulated losses	11(c)	(70,144,504)	(60,433,443)
Total parent entity interest		27,667,207	21,653,213
Minority interest in controlled entities	19(b)	678,797	635,731
TOTAL SHAREHOLDERS' EQUITY		28,346,004	22,288,944

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 2012

	Notes	Consolidated	
		2012	2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to creditors and suppliers		(8,600,309)	(3,682,850)
Payments to employees		(2,818,491)	(1,376,189)
Exploration expenditure		-	(1,181,426)
Interest received		104,490	136,392
		<hr/>	<hr/>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	20(b)	(11,314,310)	(6,104,073)
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Mining exploration & evaluation expenditure		(6,153,730)	(9,938,734)
Purchase of property, plant and equipment		(296,280)	(638,106)
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(6,450,010)	(10,576,840)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		14,365,291	29,656,498
Share and option issue costs		(238,737)	(980,537)
Payment of unmarketable securities		(127)	-
		<hr/>	<hr/>
NET CASH FLOWS FROM FINANCING ACTIVITIES		14,126,427	28,675,961
		<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents held		(3,637,893)	11,995,048
Effects of exchange rate changes on cash		1,591,420	(176,774)
Cash and cash equivalents at the beginning of the financial year		13,176,949	1,358,675
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	20(a)	11,130,476	13,176,949
		<hr/> <hr/>	<hr/> <hr/>

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 2012

Consolidated

	\$	\$	\$	\$	\$	\$
	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 year	-	-	-	(11,141,054)	-	(11,141,054)
<u>Other comprehensive income:</u>						
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

	\$	\$	\$	\$	\$	\$
	Share Capital & shares to be issued	Options & Equity Reserve	FX Reserve	Accum Losses	Non Controlling Interest	Total
Balance at 1.7.11	76,374,517	2,230,437	3,481,702	(60,433,443)	635,731	22,288,944
Total comprehensive income for the year	-	-	-	(9,711,061)	-	(9,711,061)
<u>Other comprehensive income:</u>						
Movement in foreign currency translation reserve	-	-	1,598,628	-	-	1,598,628
Movement in OEI	-	-	-	-	43,066	43,066
Issue of shares	14,365,163	-	-	-	-	14,365,163
Share issue costs	(238,736)	-	-	-	-	(238,736)
Issue of options	-	-	-	-	-	-
Balance at 30.06.12	90,500,944	2,230,437	5,080,330	(70,144,504)	678,797	28,346,004

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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 27 September 2012. 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.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting year. The group's assessment of the impact of these new standards and interpretations is set out below:

- i. AASB 9 Financial Instruments and AASB 2009-2011 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013).
- ii. AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards (effective 1 January 2013). The Group does not expect to adopt the new standards before their operation date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.
- iii. Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective 1 January 2011). The revised AASB 124 is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The aim of the amendment is to clarify and simplify the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
 - iv. AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013). The revised AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques it will have to change as a result of the new guidance. The group does not intend to adopt the new standard before its operative date being 30 June 2014.

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.

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 2012. 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 **FOR**

NOTES TO THE FINANCIAL STATEMENTS

THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

i) Exploration and Evaluation Expenditure (continued)

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

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) 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.

k) 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.

l) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) 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.

n) 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.

o) 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.

p) 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) 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.

r) 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.

s) 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.

t) 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.

u) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

v) Share Based Payment Transactions (continued)

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.

w) 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.

x) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) 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.

z) 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.

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) Segment Reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group 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 Group's other components. All operating segments' operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Intersegment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value on market interest rates.

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.

Consolidated Entity 2012	Fixed interest rate maturing in					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	Non interest bearing		
	\$	\$	\$	\$	\$	\$	
Cash and cash equivalents	11,086,373	-	-	-	-	11,086,373	3.00%
Trade and other receivables	-	-	-	-	2,569,684	2,569,684	-
Other financial assets	-	-	-	-	16,950	16,950	-
Deposits	-	43,863	5,050	-	-	48,913	5.00%
Total Financial Assets	11,086,373	43,863	5,050	-	2,586,634	13,721,920	
Trade and other payables	-	-	-	-	409,127	409,127	
Other	-	-	-	-	23,605	23,605	
Total Financial Liabilities	-	-	-	-	432,732	432,732	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

2. RISK MANAGEMENT (CONTINUED)

Consolidated Entity 2011

	Floating Interest Rate	Fixed interest rate maturing in			Non interest bearing	Total carrying amount at balance sheet	Applicable interest rate on 30 June %
		1 year or less	1 to 5 years	More than 5 years			
	\$	\$	\$	\$	\$		
\$							
<i>Financial Assets</i>							
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	
<i>Financial Liabilities</i>							
Trade and other payables	-	-	-	-	1,076,634	1,076,634	-
Other	-	-	-	-	23,605	23,605	-
Total Financial Liabilities	-	-	-	-	1,100,239	1,100,239	

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

2. RISK MANAGEMENT (CONTINUED)

(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

2012	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets	-	-	-	-
Shares in listed companies	16,950	-	-	16,950
	16,950			16,950
2011				
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

FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
3. REVENUE		
Revenue from outside the operating activities		
Interest	104,490	136,392
Revenue from ordinary activities	104,490	136,392
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
Exploration expenditure	-	1,196,081
Depreciation	185,893	128,103
Rental expenses	69,777	67,363
	255,670	4,248,379
(ii) Numerical reconciliation of income tax expense to prima facie tax payable:		
Loss from ordinary activities before income tax expense	(9,711,061)	(11,141,054)
3(b) INCOME TAX EXPENSE		
(i) Prima facie tax benefit on loss from ordinary activities:	(2,913,318)	(3,342,316)
Tax effect of amounts which are not deductible (taxable) In calculating taxable income:		
Provisions	29,665	23,808
Share based payment	-	385,718
Other non deductible expenses	2,242	-
Outside equity interest	12,920	164,467
Mineral exploration	-	1,215,874
	(2,868,491)	(1,552,449)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

3(b) INCOME TAX EXPENSE (CONTINUED)

	Consolidated	
	2012	2011
	\$	\$
	_____	_____
Movement in unrecognised temporary Difference	2,805,649	(106,205)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	62,842	1,658,654
	_____	_____
Income tax expense	-	-
	_____	_____
(ii) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
Carried forward revenue tax losses	5,293,352	5,108,291
Carried forward capital tax losses	910,419	932,111
Carried forward foreign tax losses	2,010,662	1,974,703
Mineral exploration (@ 20%)	5,523,180	4,631,869
Provisions	29,665	23,808
Black hole expenditure	249,415	264,448
	_____	_____
	14,016,693	12,935,230
	_____	_____

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
CURRENT		
Other debtors	2,569,684	1,319,844
	<hr/>	<hr/>
	2,569,684	1,319,844
	<hr/>	<hr/>

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.

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
Less Provision for Diminution

697,537	852,197
(697,537)	(852,197)

-	-
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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:

- 10% interest in B Vijaykumar Technical Services Pvt Limited, a company involved in diamond exploration in India, with an option to purchase a further 10% 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

FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
NON-CURRENT		
Land at Cost	51,002	39,195
Lease improvements at cost	14,279	14,279
Less: accumulated depreciation	(8,372)	(8,183)
	5,907	6,096
Plant and equipment, at cost	250,987	167,489
Less: accumulated depreciation	(43,657)	(39,130)
	207,330	128,359
Motor vehicles, at cost	230,397	267,306
Less: accumulated depreciation	(75,868)	(60,177)
	154,529	207,129
Office equipment, at cost	486,233	457,273
Less: accumulated depreciation	(71,946)	(145,518)
	414,287	311,755
Total property, plant and equipment	833,055	692,534

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

2012

Consolidated	Land at Cost \$	Leasehold Improve. \$	Plant & Equipment \$	Motor Vehicles \$	Office Equipment \$	Total \$
Carrying amount at 1 July 2011	39,195	6,096	128,359	207,129	311,755	692,534
Effect of foreign currency translation	1,075	-	11,157	2,117	15,782	30,131
Additions	10,732	-	111,470	21,151	158,696	302,049
Write-offs & reclassification	-	-	-	-	(5,766)	(5,766)
Depreciation expense	-	(189)	(43,656)	(75,868)	(66,180)	(185,893)
Carrying amount at 30 June 2012	51,002	5,907	207,330	154,529	414,287	833,055

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
7a. OTHER ASSETS		
NON CURRENT		
Deposits	5,050	11,544
Capitalised mineral exploration costs	15,637,345	9,256,300
	<u>15,642,395</u>	<u>9,267,844</u>
Deposits		
Deposits of \$5,050 include a phone deposit for building of USD \$2,297 (2011: USD \$11,544).		
Mining Exploration and Evaluation Expenditure		
Expenditure incurred during the year	6,381,045	13,309,213
Expenditure written off during the year	-	(4,052,913)
	<u>6,381,045</u>	<u>9,256,300</u>

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.

7b. Inventory	Consolidated	
	2012	2011
	\$	\$
Diesel	31,496	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

8. TRADE AND OTHER PAYABLES	Consolidated	
	2012	2011
	\$	\$
CURRENT		
Other creditors	409,127	1,076,634
Related party payables (API's)	655,226	537,625
Accruals	179,008	2,738
	<hr/>	<hr/>
	1,243,361	1,616,997
	<hr/>	<hr/>
9. PROVISIONS		
CURRENT		
Employee Entitlements	86,166	417,674
Taxation	8,722	120,713
	<hr/>	<hr/>
	94,888	538,387
	<hr/>	<hr/>
NON CURRENT		
Employee Entitlements – long service leave	11,962	6,188
Employee Entitlements	504,236	-
	<hr/>	<hr/>
	516,198	6,188
Employee Numbers		
Average number of employees during the financial year	243	131

10. CONTRIBUTED EQUITY	Consolidated	
	2012	2011
	\$	\$
Issued Capital		
Fully paid – ordinary shares		
799,377,748 (2011 – 693,986,646)	90,500,944	76,374,517
	<hr/>	<hr/>
	90,500,944	76,374,517
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

10. CONTRIBUTED EQUITY (CONTINUED)

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

		Number	\$
01/07/2010	Opening balance	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	Conversion of Options	75,000,000	15,000,000
	Share issue costs	-	(980,537)
	Balance at 30 June 2011	693,986,646	76,374,517
02/08/2011	Conversion of Options	300,000	15,000
15/08/2011	Conversion of Options	9,424,500	471,225
11/04/2012	Conversion of Options	1,500,000	150,000
26/04/2012	Shares issue	42,490,358	6,387,746
26/04/2012	Share issue	44,176,244	6,641,192
23/05/2012	Conversion of Options	2,000,000	150,000
23/05/2012	Conversion of Options	2,000,000	200,000
29/05/2012	Conversion of Options	1,500,000	150,000
29/06/2012	Conversion of Options	2,000,000	200,000
	Share issue costs		(238,736)
	Balance at 30 June 2012	799,377,748	90,500,944

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

10. CONTRIBUTED EQUITY (CONTINUED)

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.

	Consolidated	
	2012	2011
	\$	\$
11. RESERVES AND ACCUMULATED LOSSES		
(a) Option Premium Reserve		
Balance at the beginning of the financial year	2,230,347	1,041,408
Options issued during the year	-	1,285,729
Options exercised during the year	-	(96,700)
	<hr/>	<hr/>
Balance at the end of the financial year	2,230,437	2,230,437
	<hr/>	<hr/>

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.

Options

As at 30 June 2012 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.
- 2,000,000 director unlisted options exercisable at 12.5 cents at any time on or before 30 June 2013.
- 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.

Options lapsed during the year:

- 1,346,154 unlisted options exercisable at 5 cents lapsed on 31 August 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
11. RESERVES AND ACCUMULATED LOSSES (CONTINUED)		
(b) Foreign Currency Reserve		
Balance at the beginning of the financial year	3,481,702	1,438,080
Movement for the year	1,598,628	2,043,622
	<u>5,080,330</u>	<u>3,481,702</u>
(c) Accumulated Losses		
Balance at the beginning of the financial year	(60,433,443)	(49,292,389)
Net losses attributable to members of Sihayo Gold Limited	(9,711,061)	(11,141,054)
	<u>(70,144,504)</u>	<u>(60,433,443)</u>

12. PARENT ENTITY DISCLOSURE NOTE

	Parent	
	2012	2011
	\$	\$
FINANCIAL POSITION		
Assets		
Current assets	10,811,296	11,123,880
Non-current assets	151,423	161,989
	<u>10,962,719</u>	<u>11,285,869</u>
Total assets		
	<u>10,962,719</u>	<u>11,285,869</u>
Liabilities		
Current liabilities	280,944	102,799
Non-current liabilities	11,962	6,188
	<u>292,906</u>	<u>108,987</u>
Total liabilities		
	<u>292,906</u>	<u>108,987</u>
Net Assets	<u>10,669,813</u>	<u>11,176,882</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

12. PARENT ENTITY DISCLOSURE NOTE (CONTINUED)

	2012	2011
	\$	\$
Equity		
Issued capital	90,500,946	76,374,517
Retained earnings	(82,158,270)	(67,524,774)
Reserves		
Option premium reserve	2,327,137	2,327,137
Equity reserve	-	-
Total Equity	<u>10,669,813</u>	<u>11,176,880</u>
FINANCIAL PERFORMANCE		
Loss for the year	14,633,496	19,984,184
Other comprehensive income	-	-
Total comprehensive income	<u>14,633,496</u>	<u>19,984,184</u>

The parent entity did not enter into any guarantees in relation to the debts of its subsidiaries for 2011 or 2012.

The parent entity did not have any contingent liabilities for 2011 or 2012.

The parent entity did not enter into any commitments for the acquisition of property, plant and equipment for 2011 or 2012.

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:

	2012	2012	2011	2011
	No	WAEP	No	WAEP
		Cents		Cents
Outstanding at the beginning of the year	17,800,000	14.44	15,500,000	11.45
Granted during the year			10,000,000	16.28
Forfeited during the year	-	-	-	-
Exercised during the year	(4,653,846)	-7.00	(7,700,000)	-10.81
Expired during the year	(1,346,154)	-5.00	-	-
Outstanding at the end of the year	<u>11,800,000</u>	<u>17.12</u>	<u>17,800,000</u>	<u>14.44</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

13. SHARE BASED PAYMENT PLAN (CONTINUED)

The outstanding balance as at 30 June 2012 is represented by:

- 6,800,000 unlisted director options exercisable at 15 cents at any time on or before 31 May 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 12.5 cents at any time on or before 30 June 2013.

The following table lists the inputs to the model used for the year ended 30 June 2012.

	2012	2011	2010
Dividend yield (%)	-	-	-
Expected volatility (%)	-	133.8	50
Risk-free interest rate (%)	-	4.5	4
Expected life of options (years)	-	2.21	3.32
Option exercise price (\$)	-	0.137	0.10
Weighted average share price at grant date (\$)	-	0.138	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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 Petersen	Head Geologist (resigned on 19 December 2011)
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	
	2012	2011
	\$	\$
Short-term employee benefits	1,390,265	1,205,640
Non monetary benefit	11,150	11,100
Post employment benefits	25,460	21,049
Share based payments	-	1,285,729
	<hr/>	<hr/>
	1,426,875	2,523,518
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

14. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

(b) 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 2012	Balance at beginning of period 1 July 11	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 June 12	Vested at 30 June 2012	
						Total	Exercisable
M Collins	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
P Willis	4,000,000	-	-	(2,000,000)	2,000,000	2,000,000	2,000,000
P Bilbe	1,500,000	-	(1,500,000)	-	-	-	-
WJ Blake	1,500,000	-	(1,500,000)	-	-	-	-
G Caudle	-	-	-	-	-	-	-
G Entwistle	4,000,000	-	(4,000,000)	-	-	-	-
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 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 Petersen	-	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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 11		Granted as remuneration		On exercise of options		Net change other		Directors balances as at date of resigning/ terminated		Balance 30 June 12
30 June 2012	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord
M Collins	14,529,574	-	-	-	-	-	-	-	-	-	14,529,574
P Bilbe	420,000	-	-	-	1,500,000	-	-	-	-	-	1,920,000
WJ Blake	-	-	-	-	1,500,000	-	-	-	-	-	1,500,000
G Caudle	124,850,490	-	-	-	-	-	31,613,984	-	-	-	156,464,474
P Willis	54,221,409	-	-	-	-	-	-	-	-	-	54,221,409
G Petersen	3,000,000	-	-	-	-	-	-	-	-	-	3,000,000
G Entwistle	-	-	-	-	4,000,000	-	-	-	-	-	4,000,000

	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	Pref	Ord
M Collins	17,529,574	-	-	-	-	-	-	(3,000,000)	-	-	14,529,574
P Willis	46,221,409	-	-	-	-	-	-	8,000,000	-	-	54,221,409
P Bilbe	420,000	-	-	-	-	-	-	-	-	-	420,000
WJ Blake	-	-	-	-	-	-	-	-	-	-	-
G Caudle	75,690,000	-	-	-	-	-	-	49,160,490	-	-	124,850,490
G Petersen	-	-	-	-	3,000,000	-	-	-	-	-	3,000,000

Consolidated

2012

\$

2011

\$

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

Other

40,559

42,572

27,643

13,133

68,202

55,705

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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 2012 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 \$15,395,415 in its accounts for the year ended 30 June 2012 (2011 - \$12,391,669) 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:

	Parent Entity	
	2012	2011
	\$	\$
Non-current receivables	49,608,795	34,213,380
Provision for doubtful debts	(49,608,795)	(34,213,380)
	<hr/>	<hr/>
	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

17. RELATED PARTIES (CONTINUED)

An amount of \$247,880 (2011 – \$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.

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.

Expenditure Commitments in Malawi

The following relates to expenditure commitments in Malawi.

	Consolidated	
	2012	2011
	\$	\$
Not later than one year	163,459	413,410
Later than one year, but not later than 2 years	-	163,459
	<u>163,459</u>	<u>576,869</u>

Sihayo Gold Limited holds one exclusive prospecting licenses in Malawi with a combined area of 657 km². The Chizani EPL is due to expire on 12 December 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

18. EXPENDITURE COMMITMENTS (CONTINUED)

As at 30 June 2012, 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	
	2012	2011
	\$	\$
Not later than one year	73,558	67,900
Later than one year, but not later than 2 years	-	73,558
Later than two years but not more than 3 years	-	-
	<hr/>	<hr/>
	73,558	141,458
	<hr/>	<hr/>

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 2012.

Capital Commitments

There were no outstanding capital commitments not provided for in the financial statements of the Company as at 30 June 2012 or 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

19. INVESTMENTS IN CONTROLLED ENTITIES

Controlled Entities:	Class of Shares	Cost of Parent Entity's Investment		Equity Holding	
		2012	2011	2012	2011
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%
		2,344,382	2,344,382		

(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 \$678,797 as at 30 June 2012 (2011: AUD \$635,731).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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	
	2012	2011
	\$	\$
Cash at Bank	11,130,476	13,176,949

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

Operating (loss) after income tax	(9,711,061)	(11,141,054)
<u>Non Cash Items</u>		
Depreciation	185,893	128,103
Exploration costs written off	-	2,856,832
Convertible note costs	-	-
Plant & equipment written off	-	60,818
Share based payments	-	1,285,729
Diminution in investments	-	-
Increase in OEI deduction	43,065	548,224
<u>Change in operating assets and liabilities, net of effects from purchase controlled entity</u>		
(Increase) / decrease in trade and other receivables	(1,249,840)	(789,330)
Increase / (decrease) in payables	373,636	1,084,994
Increase / (decrease) in provisions	66,511	(168,101)
Increase / (decrease) in inventory	(31,496)	-
Increase / (decrease) in FX	(991,018)	15,057
Reclassification of expenses	-	14,655
Net cash (outflow) from operating activities	(11,314,310)	(6,104,073)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

21. EARNINGS PER SHARE

	Consolidated Entity	
	2012	2011
(a) Basic and diluted loss per share (in cents)	(1.36)	(1.86)
(b) Weighted average number of shares outstanding during the year used in the calculation of basic earnings per share	715,175,942	598,905,896

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

22. JOINT VENTURES

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

Joint Venture	Joint Venture Partner	Principal Activities	Interest 2012	Interest 2011
<i>Aberfoyle Pungkut Investments Ptd Ltd Pungkut</i>	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			
<i>Sihayo Gold Limited</i>			
Project	Principal Activities	Interest 2012	Interest 2011
<i>Mt Keith</i>	Mineral exploration	2% Royalty	2% Royalty
Controlled Entities:			
<i>Excelsior Resources Pty Limited</i>			
Project	Principal Activities	Interest 2012	Interest 2011
Mulgabbie	Mineral exploration	2% Royalty	2% Royalty

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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 2012	2011
	\$	\$
Financial Assets		
Cash and cash equivalents	11,081,562	13,121,542
Trade and other receivables	2,569,684	1,319,844
Other financial assets	16,950	16,950
Security deposits	48,914	55,407
Total Financial Assets	13,717,110	14,513,743
Financial Liabilities		
Trade and other payables	409,127	1,076,634
Other liabilities	23,605	23,605
Total Financial Liabilities	432,732	1,100,239

Credit Risk

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

Financial Assets		
Cash and cash equivalents	11,081,562	13,121,542
Trade and other receivables	2,569,684	1,319,844
Other financial assets	16,950	16,950
Security deposits	48,914	55,407
Total Financial Assets	13,717,110	14,513,743

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

23. FINANCIAL INSTRUMENTS (CONTINUED)

Impairment Losses

No impairment loss was recognised in either 2011 or 2012 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.

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

	2012	Liabilities	2012	Assets
	\$	2011	\$	2011
		\$		\$
Australian Dollars	1,052,688	2,047,968	2,910,848	3,401,391

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

	Consolidated	
	2012	2011
	\$	\$
Cash and cash equivalents		
SGD	2,307	2,547
USD	2,955,324	3,604,126
Trade and other payables		
SGD	5,000	5,000
USD	1,065,497	2,167,228

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

23. FINANCIAL INSTRUMENTS (CONTINUED)

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.

		Consolidated	
Impact on post-tax profit and accumulated losses	AUD	2012	2011
AUD / USD	+10%	185,586	136,222
AUD / USD	-10%	(186,385)	(134,964)
SGD / USD	+10%	(199)	(183)
SGD / USD	-10%	218	192

		Consolidated	
Impact on equity reserve only	AUD	2012	2011
USD	+10%	185,586	136,222
USD	-10%	(186,385)	(134,964)
SGD	+10%	(199)	(183)
SGD	-10%	218	192

24. EVENTS OCCURRING AFTER REPORTING DATE

- On 7th July 2012, there was a group of local demonstrators consist mainly of illegal miners at Sambung's exploration camp.
- Greg Entwistle (Chief Operating Officer) resigned effective from 01 September 2012.

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 2012	30 June 2011
	\$	\$
Australia	104,490	136,392
Africa	-	-
South East Asia	-	-
India	-	-
Other foreign countries	-	-
Total revenue	104,490	136,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

25. SEGMENT INFORMATION (CONTINUED)

Segment result by geographical region

	30 June 2012	30 June 2011
	\$	\$
Australia	(809,299)	(2,696,379)
Africa	(4,191)	(17,254)
South East Asia	(8,854,279)	(7,876,977)
India	(227)	(2,220)
Segment Result	(9,667,996)	(10,592,830)

Assets by geographical region

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

	30 June 2012	30 June 2011
	\$	\$
Australia	10,962,731	11,285,880
Africa	22,211	14,664
South East Asia	19,239,112	13,173,575
India	2	2
Total Assets	30,224,056	24,474,121

Liabilities by geographical region

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

	30 June 2012	30 June 2011
	\$	\$
Australia	321,128	137,209
Africa	-	-
South East Asia	1,556,924	2,047,968
India	-	-
Total Liabilities	1,878,052	2,185,177

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

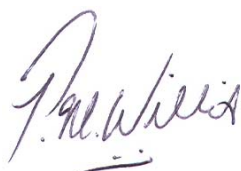
In accordance with a resolution of the directors of Sihayo Gold Limited, I state that:

1. In the opinion of the directors:

- (a) 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 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) 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 2012.

On behalf of the Board



PAUL MICHAEL WILLIS

Director

27 September 2012

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 2012, 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 2012 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 35 to 39 of the directors' report for the year ended 30 June 2012. 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 2012 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

27 September 2012

ADDITIONAL SHAREHOLDER INFORMATION

The following additional information dated 24 September 2012 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	% of issued Capital
1-1000	499	234,402	0.03%
1,001-5,000	889	2,347,290	0.29%
5,001-10,000	340	2,705,151	0.34%
10,001-100,000	539	21,159,655	2.65%
100,001 and above	218	772,931,250	96.69%
Total	2,485	799,377,748	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	125,662,490	15.72%
National Nominees Limited	118,297,728	14.80%
Shane Inv Kendall Ltd	50,000,000	6.25%
HSBC Custody Nominees (Australia) Pty Ltd	49,983,713	6.25%
JP Morgan Nominees Australia Ltd	31,051,150	3.88%
Asian Lion Ltd	30,122,242	3.77%
Goldstar Asia Mining Res	29,666,603	3.71%
Summit Investments Pty	24,188,000	3.03%
FATS Pty	23,617,842	2.95%
Yaw Chee Siew	23,333,333	2.92%
DBS Vickers Sec Singapore	21,212,966	2.65%
Lion Selection Group	19,667,650	2.46%
Citicorp Nominees Pty	15,944,648	1.99%
Insight Capital Management Pty	13,294,039	1.66%
Pettersson Bradley John	12,724,000	1.59%
Phillip Securities Pty Ltd	11,101,569	1.39%
Gemtwin Pty Ltd	9,300,000	1.16%
Devine Luke David	8,023,907	1.00%
Caudle Gavin Arnold	6,613,984	0.83%
Merrill Lynch Australia Nominees Pty	6,170,497	0.77%
Total	629,976,361	78.78%

There were no options in the Company listed on the ASX as at 24 September 2012.

ADDITIONAL SHAREHOLDER INFORMATION

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	149,850,490	18.75%
National Nominees Ltd	118,297,728	14.80%
HSBC Custody Nominees Australia Ltd	55,730,296	6.97%
Shane Investments Kendall Ltd	55,000,000	6.88%

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.

SUMMARY OF TENEMENTS HELD BY COMPANY

FOR THE YEAR ENDED 30 JUNE 2012

Project Name	Tenement Date	Approval Date	Expiry	Area	Equity %
OROPA INDIAN RESOURCES INDIA					
Block D-7		22.01.00	N/A	4,600km ²	9 ⁽¹⁾
PT SORIKMAS MINING INDONESIA					
Pungkut	96PK0042	31.05.96	N/A	66,200ha	75
OROPA EXPLORATION 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⁾
Gullewa	M59/394			200.0	0 ⁽³⁾

NOTES

- (1) Option to increase interest to 18%
- (2) 2% net smelter royalty
- (3) 5% profit royalty