



- **HIGHLY ENCOURAGING DRILLING AND EXPLORATION RESULTS**
- **PREPARING FOR RE-COMMENCEMENT OF SAMBUNG DRILLING**
- **NEGOTIATING “MOU” FOR LONG-TERM SAFETY AND SECURITY**

**27th July 2012**

### **HIGHLIGHTS**

- Diamond drill holes SAMDD142 to SAMDD151 have been completed as part of the second phase of infill drilling at the JORC Compliant Sambung Resource and results confirm a number of shallow high grade gold intersections:
  - SAMDD142 9.15m @ 3.26 g/t Au from 65.65m
  - SAMDD144 6.6m @ 7.76 g/t Au from 54.4m
  - SAMDD145 10.3m @ 3.44 g/t Au from 32.2m
  - SAMDD146 7.1m @ 7.27 g/t Au from 37.2m
  - SAMDD147 15.0m @ 5.22 g/t Au from 22m
  - SAMDD148 8.0m @ 3.56 g/t Au from 4.6m
- Current surface exploration work along the 11.5km x 2km Sihayo-Hutabargot mineralised trend has discovered a new quartz breccia vein zone that has yielded **5m @ 5.81 g/t Au and 112 g/t Ag** from outcrop chip channel samples.

#### **Sambung Resource Drilling**

The Sihayo-Sambung JORC Compliant Resource of 17.0 Mt at 2.7 g/t Au for 1.5 Moz contained gold lies on about 2.7km of a 11.5km long trend of gold mineralisation that has been defined by surface exploration work. Refer to Figure 1 below. Gold within the Sihayo-Sambung JORC Resource is contained within “Jasper” that has replaced calcareous stratigraphy in a number of geological settings.

---

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

This report summarises the second stage of infill diamond drilling that is aimed at converting the remaining inferred material into the higher indicated category. Figures 1 to 3 below show the location of the current drilling. A list of drill intercepts are summarised in Table 1 and Figure 3.

There are a further 8 holes to complete this second stage of infill drilling, thereafter, resource extension drilling will focus on a number of possible extension areas commencing with areas to the immediate southeast of the current resource boundary.

### **Hutabargot Prospect Exploration**

Surface work along the Sihayo-Hutabargot mineralised trend, involving grid soils, geological mapping, induced polarisation geophysics and rock chip sampling continues to deliver excellent results. Outstanding surface results (shown on Figure 1) included **5m @ 5.81 g/t Au and 112 g/t Ag** from rock chip channel sampling of a recently found quartz breccia - sulphide vein. The vein dips steeply to the north and will be mapped and further sampled as the overall exploration program continues.

The Company aims to map the entire 11.5km x 2km Sihayo-Hutabargot mineralised trend using geological observations, surface geochemistry (soil and rock chip samples) and induced polarisation geophysics. On completing this systematic mapping of the highly mineralised trend, exploration drilling will commence aiming to add valuable additional ounces to the Company's existing gold resource. Importantly, any exploration success leading to future resource definition along the Sihayo-Hutabargot trend lies within trucking distance to the planned Sihayo-Sambung CIL gold plant.

### **Operational Update**

The recent demonstration by local illegal (artisanal) miners that caused some damage to the Sambung exploration camp on 7<sup>th</sup> July has dissipated. Demonstrators have departed the exploration camp area and to date local Police have arrested over 30 people in connection with the criminal acts committed against the Company.

The company expects to resume drilling activities at Sambung in the first week of August, initially with a single diamond drilling rig and then, based upon results, a second rig will be added.

The Company continues to work with local and provincial level Police and Army aiming to establish a joint three-way Memorandum of Understanding ( "MOU") to ensure the long-term safety and security of our operations. Whilst the MOU is not yet concluded, progress since the incident of 7<sup>th</sup> July has been positive and highly encouraging from a long-term safety and security perspective.

### **Contract of Work Tenure**

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

---

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

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

Yours faithfully,

**SIHAYO GOLD LIMITED**



**Paul Willis**  
Chief Executive Officer  
27th July 2012

---

**Competent Persons Statements**

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

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

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

**Modelling:** The Sihayo deposit was estimated by Runge Limited using Ordinary Kriging grade interpolation, constrained by mineralisation envelopes prepared using a nominal 0.5g/t gold cut-off grade. In all cases a minimum down hole intercept length of 2m was adopted. The block dimensions used in the model were 25m along strike by 10m across strike by 5m vertical with sub-cells of 6.25m by 2.5m by 1.25m. Statistical analysis of the deposit determined that a high grade cut of 30g/t Au was necessary which cut a single composite. Bulk density was assigned in the model based upon the results of 1,422 bulk density measurements.

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

**Note**

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

**Table 1: Significant Drill Intercepts SAMDD142 to SAMDD151**

Hole_ID	East UTM	North UTM	RL (m ASL)	Azi	Dip	Max Depth (m)	From	To	Length	Au g/t
SAMDD142	549253	101130	1005	220	-60	93.55	65.65	74.8	9.15	3.26
SAMDD143	549235	101107	997	220	-60	91.2	43.6	58	14.4	1.99
SAMDD144	549295	101103	990	220	-60	78.4	54.4	61	6.6	7.76
SAMDD145	549220	101087	998	220	-60	77.65	15.1	21.9	6.8	1.46
							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	3	4	1	1.17
							7	10	3	1.52
							22	37	15	5.22
SAMDD148	549196	101056	1025	220	-60	76.2	4.6	12.6	8	3.56
							17.6	22.4	4.8	2.25
							35.1	36.4	1.3	1.39
SAMDD149	549274	101004	1016	220	-60	58.75	4	8.05	4.05	1.28
SAMDD150	549318	101065	960	220	-60	63.5	1.3	7.6	6.3	1.13
SAMDD151	549328	101009	989	220	-60	81.6	0	2.3	2.3	2.84
							6.6	7.5	0.9	2.09

**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): Standards, duplicates, blanks
8. Coordinates in UTM grid system (WGS84 z47N)



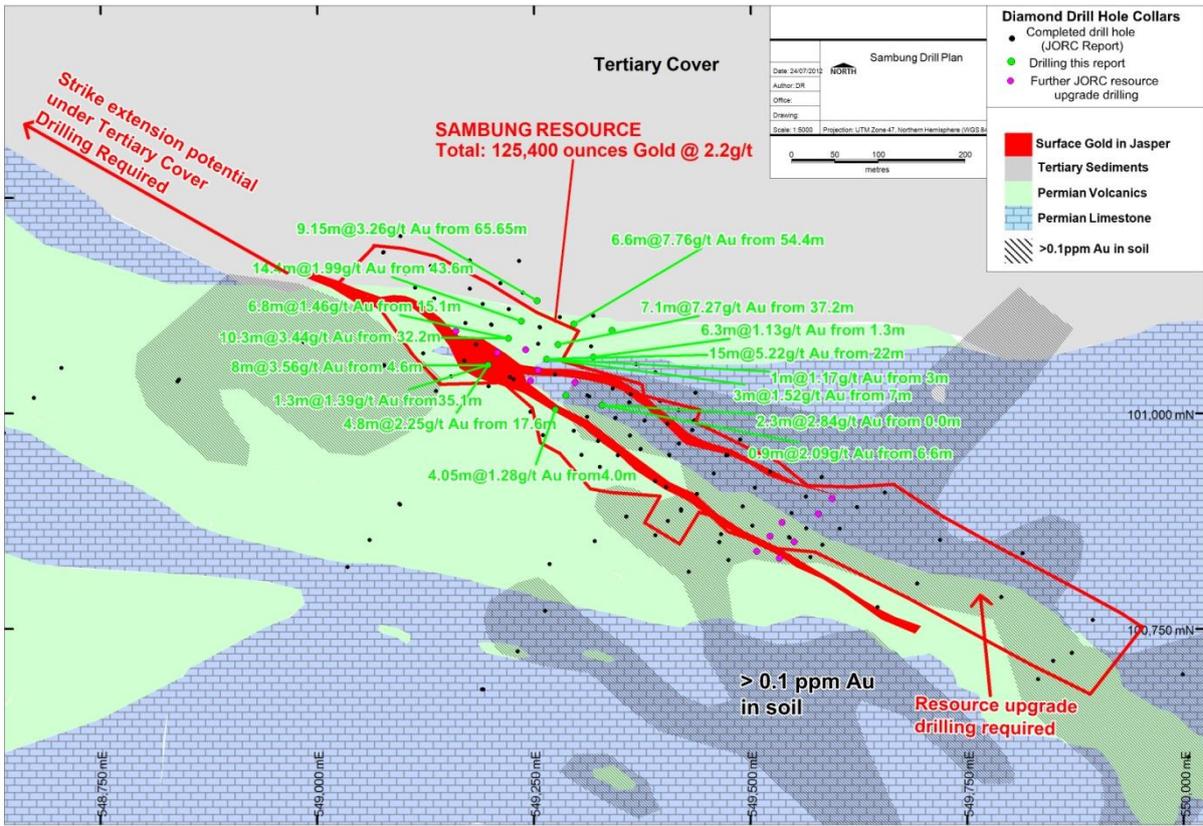


Figure 3: Sambung Resource and Drill Plan