



**QUARTERLY REPORT**  
**3 months ending 30<sup>th</sup> June 2012**

**HIGHLIGHTS**

**SIHAYO PUNGKUT GOLD PROJECT, INDONESIA (75%)**

- **Definitive Feasibility Study (“DFS”) work continued with focus on the final phase of metallurgy test work and the last program of infill drilling at the Sambung JORC Compliant Resource**
- **Resource Consultants (Runge Limited) signed off on the upgraded Sihayo-Sambung JORC Compliant Resource, which now stands at 17Mt @ 2.7 g/t Au containing 1.5Moz contained gold**
- **Significant infill drilling results included:**
  - **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**
- **Ongoing surface exploration and drilling at the highly prospective Hutabargot Julu area has delivered encouraging results including:**
  - **HUTDD032 2.0m @ 2.86 g/t Au from 29.5m and 4.5m @ 6.37 g/t Au from 43.4m**
  - **HUTDD038 1.0m @ 7.43 g/t Au from 43m and 5.0m @ 2.29 g/t Au from 116.1m**
  - **5m @ 5.81 g/t Au and 112 g/t Ag from outcrop chip channel samples**
- **Temporary disruption to the infill drilling program caused by local illegal miners damaging the exploration camp**
- **Negotiating a three-way MOU between the Company, the Police and the Military to ensure long-term operational security and safety for all Company activities**

- Infill drilling expected to re-commence by the 7<sup>th</sup> August 2012

## CORPORATE

- Company ended the June Quarter with A\$11.6m in cash and is debt free
- Company completed equity capital raising consisting of approximately 86.7 million shares at A\$0.15c per share to raise A\$13 million before costs pursuant to the issue

## REVIEW OF OPERATIONS

The focus of activities during the quarter was the Sihayo Pungkut Gold Project (“SPGP”) and regional exploration. Activities included ongoing work on the Definitive Feasibility Study (“DFS”), Sambung Resource infill drilling and Hutabargot Julu prospect drilling and surface exploration work. Figure 1 shows the location of these activities within the Sihayo Pungkut Contract of Work (“COW”) area.

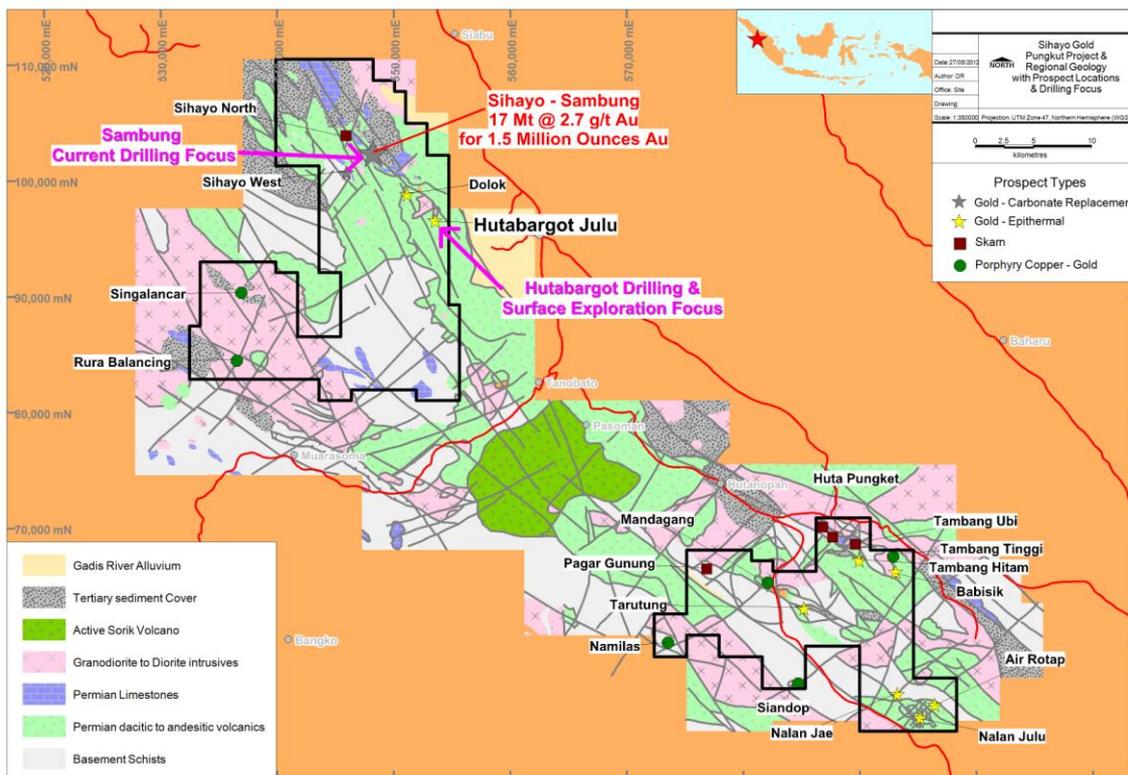


Figure 1: Sihayo Pungkut COW – JORC Resources, prospect locations and current work focus area

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## 1. Definitive Feasibility Study ("DFS")

During the quarter, DFS related work focused on metallurgy studies and infill drilling at the Sambung Resource.

### Metallurgy

Activity during the quarter involved approximately 4,000 mineralised samples selected from all the main objects within the Sihayo and Sambung Resources undergoing additional CN09 Leachwell tests to measure the expected maximum gold recovery achievable in a standard CIL gold processing plant.

This additional test work was deemed necessary after the initial metallurgy test work program was reviewed by leading industry metallurgical consultant, Peter Lewis, and his conclusion was that **the initial test work most likely under-estimated the expected gold recovery achievable in a standard CIL gold plant.**

The primary reason for the likely under-estimation of gold recoveries was that cyanide and dissolved oxygen levels were not maintained at the optimal levels throughout the testing program.

The magnitude of the likely under-estimation of gold recoveries is not expected to be significant when compared with the initial test work results, however, the more comprehensive and accurate test work will ensure that the overall results will fully meet the most comprehensive independent reviews by external consultants and further may lead to an ability for the mining schedules to include some degree of selective mining to mitigate the processing of material with significantly below average recoveries.

The current estimate of gold recoveries for the Sihayo Resource is 70% - 72% and for the Sambung Resource is +/- 80%. These estimates will be finalised at the conclusion of the test work.

### Infill Drilling at Sambung Resource

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

The second stage of infill diamond drilling is aimed at converting the remaining inferred material into the higher indicated category. Figures 2 and 3 below show the location of the current drilling. A list of drill intercepts are summarised in Table 1 and Figure 3.

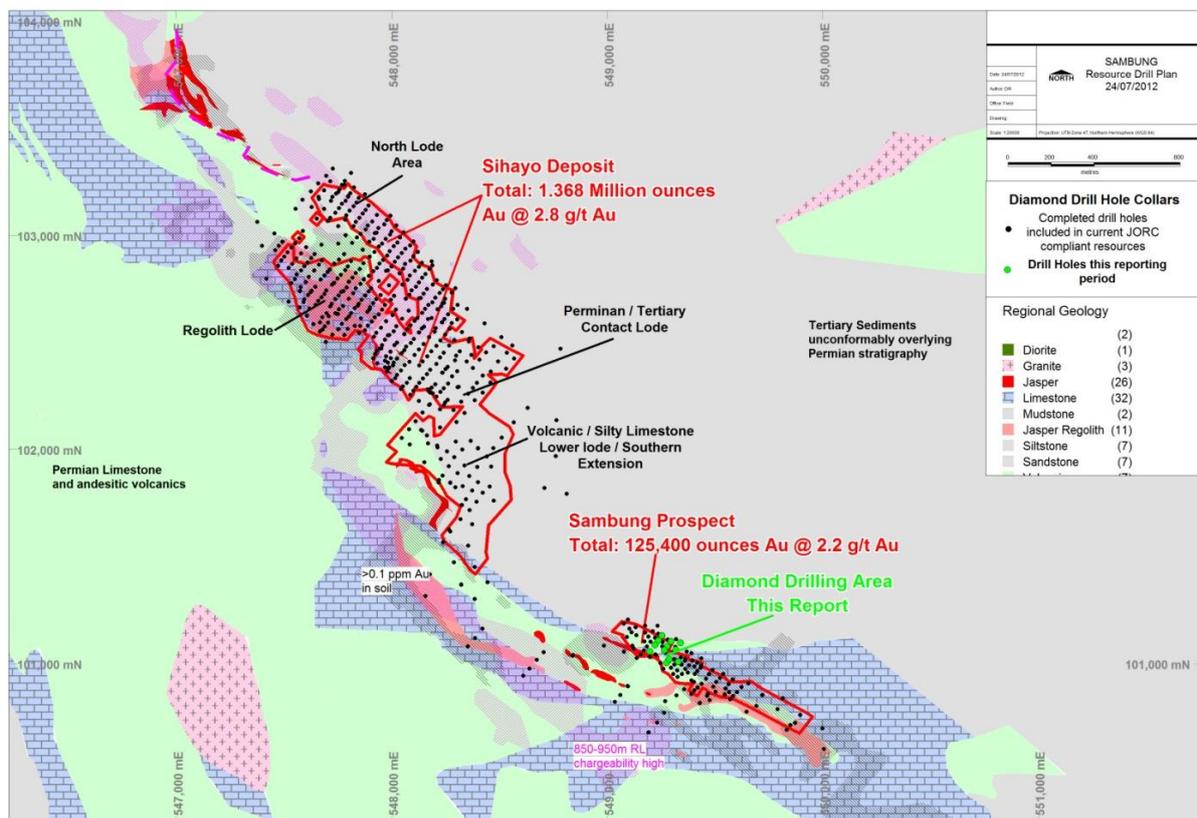
There are a further 8 holes to complete this second stage of infill drilling, thereafter, resource extension drilling will focus on a number of possible extension areas commencing with areas to the immediate southeast of the current resource boundary.

**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- Coleb 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 2: Sambung Drill Plan and Sihayo-Sambung Resource outline**

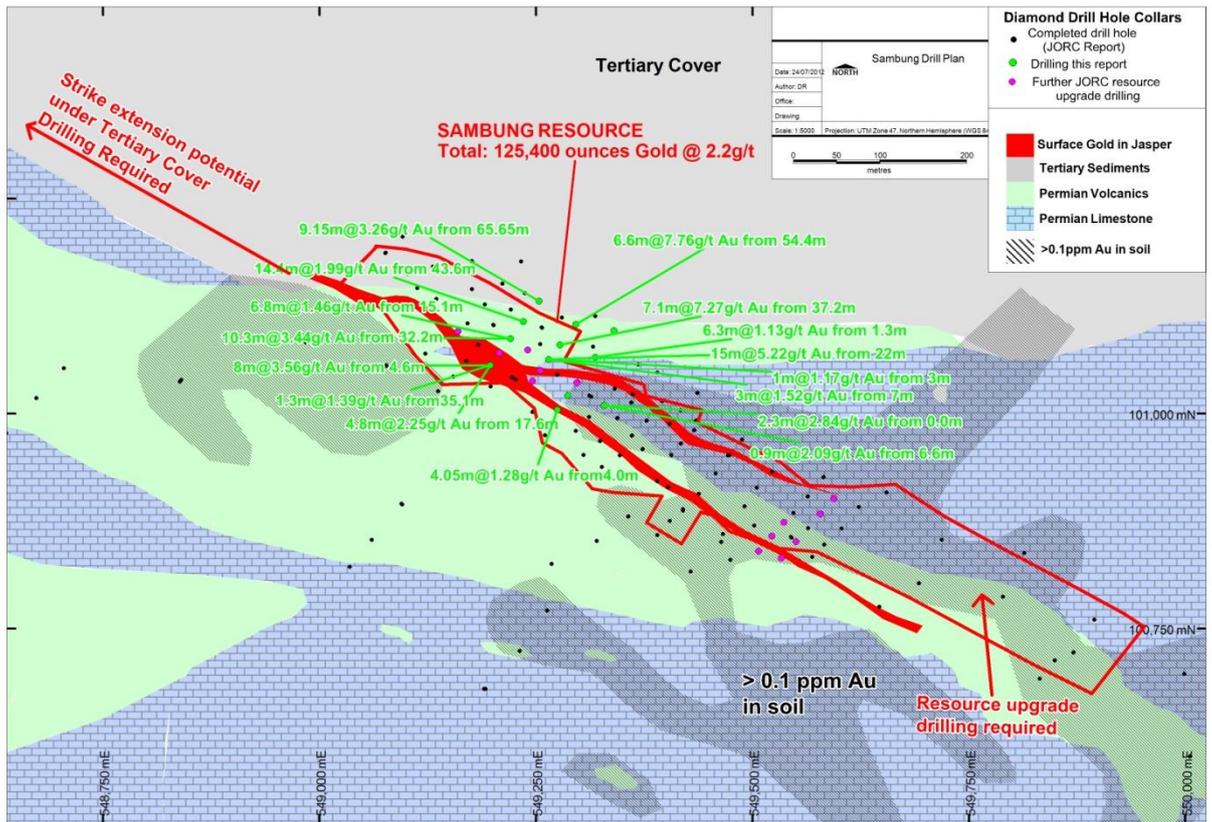


Figure 3: Sambung Resource and Drill Plan

## 2. Sihayo - Sambung JORC Compliant Resource

Following the resource upgrade conducted by Runge Limited, the **Sihayo-Sambung JORC Compliant Resource now stands at 17.0 Mt at 2.7 g/t Au for 1.5 Moz contained gold** and lies on about 2.7km of a 5.5km long trend of gold mineralisation that has been defined by surface exploration work. Please refer to Table 2 below for the details of the overall resource.

**Table 2: Sihayo-Sambung JORC Compliant Resource estimate**

<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
<b>TOTAL</b>	<b>17</b>	<b>2.7</b>	<b>1,493,600</b>	<b>Indicated &amp; Inferred</b>	<b>1.2</b>

\*Errors may occur due to rounding

## 4. Hutabargot Julu exploration

The Hutabargot Prospect is located on the south eastern portion of the **11.5km long Sihayo-Hutabargot mineralised trend** (refer to Figures 4 and 5 below). The centre of the prospect is about 7km southeast from the **Sihayo-Sambung JORC Compliant Resource of 17Mt at 2.7 g/t Au for 1.5 Moz contained gold**. 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 within the Hutabargot Prospect (refer to Figures 4 and 5 below).

Recent drilling and surface exploration work have provided ongoing encouraging results including:

- HUTDD032     **2.0m @ 2.86 g/t Au from 29.5m and  
4.5m @ 6.37 g/t Au from 43.4m**
- HUTDD038     **1.0m @ 7.43 g/t Au from 43m and  
5.0m @ 2.29 g/t Au from 116.1m**
- **5m @ 5.81 g/t Au and 112 g/t Ag from outcrop chip channel samples**

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.



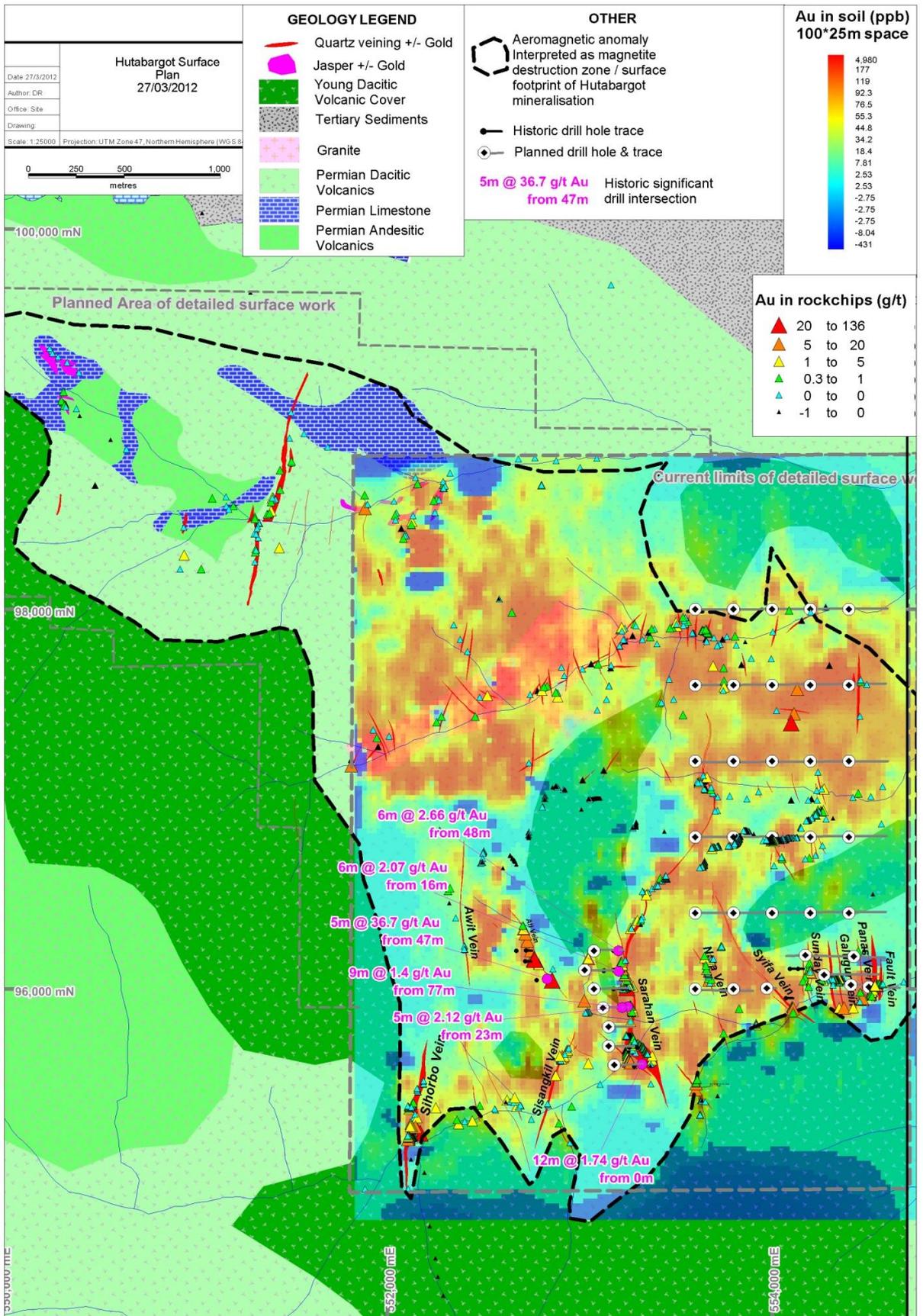


Figure 5: Hutabargot Propsect surface plan

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## 5. Temporary disruptions to infill drilling activities at Samburg Resource

The recent demonstration by local illegal (artisanal) miners that caused some damage to the Samburg 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 Samburg 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 is continuing to work with local and provincial level Police and Army with the aim of establishing 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.

## 6. Malawi (Uranium) 100%

No exploration activities were carried out during the Quarter.

## 7. India (Diamonds) 9%

No further progress was made during the Quarter in resolving the legal status of the diamond tenements in India.

## 8. Corporate

On 26<sup>th</sup> April 2012, the Company announced that it had received firm commitments for 86.5 million fully paid ordinary shares ("shares") at \$0.15 per share to raise \$13 million before costs pursuant to the placement.

Placement shares were allotted on the 26<sup>th</sup> April and settlement took place in two tranches; tranche one consisted of the issuance of approximately 42.3 million shares on 3rd May 2012 and tranche two consisting of approximately 44.2 million shares on 24<sup>th</sup> May 2012.

The equity issue was very strongly supported by existing shareholders of the Company and pleasingly one new Asian-based investor also participated in a significant manner.

The Company ended the June Quarter with A\$11.6 million of cash and is debt free.

Yours faithfully,  
**SIHAYO GOLD LIMITED**



**Paul Willis**  
Chief Executive Officer  
31<sup>st</sup> July 2012

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### **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.*