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## 2010 ANNUAL REPORT



ABN 77 009 241 374

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## CORPORATE DIRECTORY

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<b>Directors</b>	<p>Peter Bilbe B. Eng Min (Hons) (Non-Executive Director – Chairman)</p> <p>Paul Willis B. Comm. (Executive Director)</p> <p>Misha A Collins C.F.A (Non Executive Director)</p> <p>Gavin Caudle (Non Executive Director)</p> <p>John Blake M. Eng Sc, MBA, DBA (Non-Executive Director)</p>
<b>Chief Executive Officer</b>	Paul Willis
<b>Secretary</b>	Dean W Calder <i>B.Bus CA</i>
<b>Registered Office and Business Address</b>	<p>25 Charles Street South Perth WA 6151</p> <p>Telephone: (08) 9368 4544 Facsimile: (08) 9368 4522 E-mail: <a href="mailto:sihayogold@sihayogold.com">sihayogold@sihayogold.com</a> Web: <a href="http://www.sihayogold.com">www.sihayogold.com</a></p>
<b>Share Registry</b>	<p>Security Transfer Share Registry Pty Ltd Alexandrea House 770 Canning Highway Applecross WA 6153</p> <p>Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233</p>
<b>Home Exchange</b>	Australian Securities Exchange (Perth) Limited Exchange Plaza 2 The Esplanade Perth WA 6000
<b>Auditors</b>	Stantons International Level 1 / 1 Havelock Street West Perth WA 6005
<b>Solicitors</b>	Williams & Hughes 25 Richardson Street West Perth WA 6005
<b>Bankers</b>	National Australia Bank 50 St Georges Terrace Perth WA 6000

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

## CHAIRMAN'S REVIEW

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Dear Fellow Shareholder,

It is with great pleasure that I present this annual report to shareholders.

The last 12 months has seen further significant change and considerable progress within your company in order to establish a solid foundation for growth and to achieve the company's vision of building a world class, Indonesian based mining company. Consequently, the clear objective within the next 18 months is to aggressively develop the Sihayo Pungkut gold project, located in North Sumatra, Indonesia, from a gold resource to a profitable and long life gold mine.

The significant and very positive events of the last 12 months include:

- changes to the composition of the board and executive management to reflect the corporate, financial and technical skill base and depth of Indonesian experience required to enable the transition from explorer to producer to occur in a timely, professional and responsible manner
- completion of a resource in-fill drilling programme at the main Sihayo Resource resulting in the release of a new JORC compliant Indicated and Inferred resource estimate
- commencement of a definitive feasibility study
- a change of company name from Oropa Limited to Sihayo Gold Limited in recognition of the increasing importance of the Sihayo Pungkut project and Contract of Work area in Indonesia and the opportunity this presents
- Summit Investments becoming the largest shareholder and bringing extensive Indonesian permitting, operating and project funding expertise

As we are all acutely aware, world financial markets during 2008 and 2009 were in turmoil. However, there are clear signs of economic recovery, albeit this remains fragile and sporadic. Chinese growth continues to remain strong and to a large extent this is underpinning a general strength in commodity prices. Against this backdrop of general uncertainty, the gold price in US\$ continues to remain at historically high levels.

The board's commitment to the development of the Sihayo Pungkut project is underpinned by a combination of this positive gold price outlook, a substantial and growing resource base, a favourable scoping study result in 2009, a very well credentialed board and management team, new shareholders with substantial financial capacity and support and a growing interest in the project from financial markets.

In addition, your board and management are excited about the very high geological prospectivity in the general Sihayo Resource area, within our Contract of Work, and we have commenced to actively investigate these prospects with the view to outlining new areas of mineralisation. A detailed review of historical exploration data has been completed and exploration programmes have now commenced.

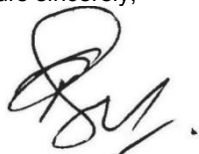
I believe it is important to shareholders and all employees that values of personal safety, responsible environmental management, local community engagement and sound corporate governance principles are embraced and these will be incorporated in all our activities.

The next 12 months will be a challenging and, I believe, rewarding period as we complete the definitive feasibility study and given a positive outcome from the study, obtain development approvals and permits, gain the support and involvement of local communities, arrange a funding package and commence construction.

I would like to thank new and existing shareholders for their support and employees for their efforts during the year. Acknowledgement also goes to directors and senior management who have stepped down and who established a solid asset base from which to move forward. Particular thanks to the previous Chairman, Misha Collins, who agreed to remain as a non executive director and to our current Chief Executive, Paul Willis for their leadership during a difficult period.

Finally, I welcome new directors, Gavin Caudle and John Blake to the board and together with existing directors we look forward to the coming year with optimism and enthusiasm.

Yours sincerely,



**Peter R Bilbe**

## REVIEW OF OPERATIONS

### Sihayo Pungkut Gold Project (75%)

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

Other 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 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.

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 share of available cash flow from production, until its 25% share of the loans are repaid in full.

The current Sihayo Pungkut JORC compliant Indicated and Inferred resource stands at **10.7 Mt at 2.9 g/t for 1.01 Moz**, with significant potential for the resource to increase as further drilling is completed.



Figure 1: Sihayo Pungkut Gold Project Location Map

### Sihayo Pungkut - geological setting

Sihayo Pungkut is located along the Trans Sumatra Fault Zone (“TSFZ”) and associated Sumatran Volcanic Arc resulting from the oblique collision of two tectonic plates.

A complex suite occurs of Permian volcanics and sediments, intruded by Jurassic and Cretaceous plutons, juxtaposed and overlain by Tertiary to Recent volcanics, intrusives, and sediments.

The tectonic setting provides both the heat engine to source and transport metals, and a favourable structural and lithological environment to host major gold, copper and zinc deposits.

Similar tectonic settings in the Philippines (Philippine’s Fault) and Chile (Atacama Fault), 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 Indicated and Inferred resource of **1.01 Moz**, there are over **ten (10) identified prospects** including the following styles: sediment-hosted gold; low-sulphidation epithermal style gold; copper-gold skarn; copper-gold porphyry; copper-gold greisens; and lead-zinc skarn style mineralisation across the highly prospective COW area and all of these prospects will be the subject of future exploration activities.

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

## REVIEW OF OPERATIONS

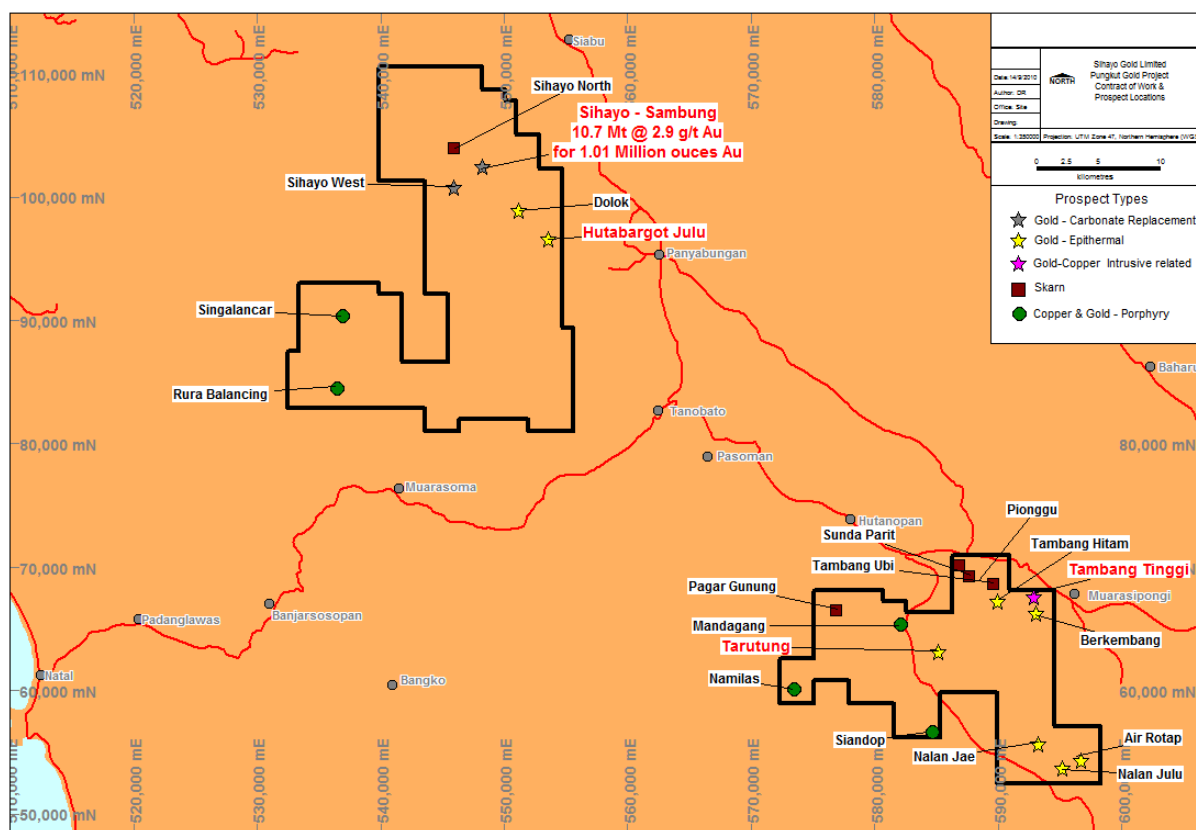


Figure 2: Sihayo Pungkut Gold Project – JORC Resource and key prospects

### Sihayo Pungkut – JORC compliant Indicated and Inferred Resource

Exploration for the year focused nearly entirely on the infill drilling program at the main Sihayo Resource area.

For the year a total of **243** diamond drill holes for **20,931 metres** were completed and the success of the drilling campaign was reflected in the release of the new upgraded JORC compliant Indicated and Inferred Resource estimate (released on 14th July 2010), including the main Sihayo Resource of **9.6 Mt at 3.0 g/t Au for 910,000 oz**.

Table 1 below contains the summary details of the new JORC compliant resource estimate.

Prospect	Tonnage Mt	Grade Au g/t	Contained Au Ounces	JORC Classification	Cut Off grade Au g/t
Sihayo	8.5	3.0	828,000	Indicated	1.2
Sihayo	1.1	2.3	82,000	Inferred	1.2
<b>Sihayo</b>	<b>9.6</b>	<b>3.0</b>	<b>910,000</b>	<b>Indicated + Inferred</b>	<b>1.2</b>
Sambung	1.1	2.6	100,000	Inferred	1.5
<b>TOTAL</b>	<b>10.7</b>	<b>2.9</b>	<b>1,010,000</b>	<b>Indicated + Inferred</b>	

Table 1: Sihayo Pungkut Gold Project JORC Resource Estimation

Note 1: Rounding errors may occur

Note 2: The Sihayo Resource Estimate was completed by Runge Limited in July 2010

Note 3: Sambung Resource Estimate completed by Mining Assets P/L January 2007

Note 4: No high grade cuts were applied to the gold grade

# REVIEW OF OPERATIONS

The main Sihayo Resource estimate covers an area of approximately 1.2km by 0.6km and was drilled on a nominal 25 metre by 50 metre grid.

The resource is exposed at surface at its north-western end and extends to a depth of 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.

One of the highlights of the infill drill program was the identification of thicker high grade zones of mineralisation with grades up to **19m at 13.4 g/t Au** and **26m at 9.4 g/t Au** in the deeper southern part of the resource.

The Sihayo Resource is primarily constrained by drilling on the northern, eastern and southern sides and drilling results received post the release of the new JORC resource estimate, refer table 3, confirm the potential for the overall resource to expand further.

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 economic jasper lodes through replacement of calcareous stratigraphy in **three hard rock primary settings**.

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

Figures 3 and 4 below highlight the key geological characteristics of the Sihayo Resource.

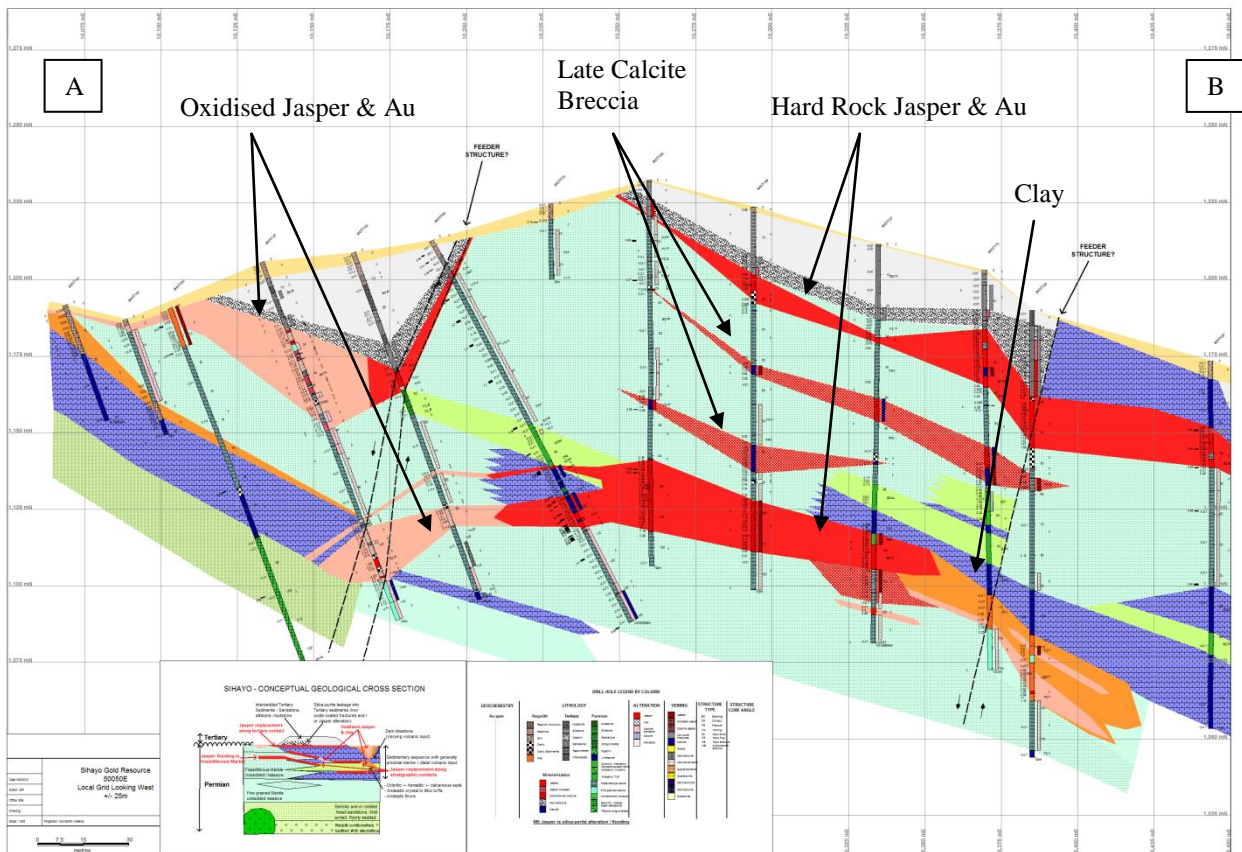


Figure 3: 55050E (Local Grid) Geological Cross Section – Sihayo Resource

# REVIEW OF OPERATIONS

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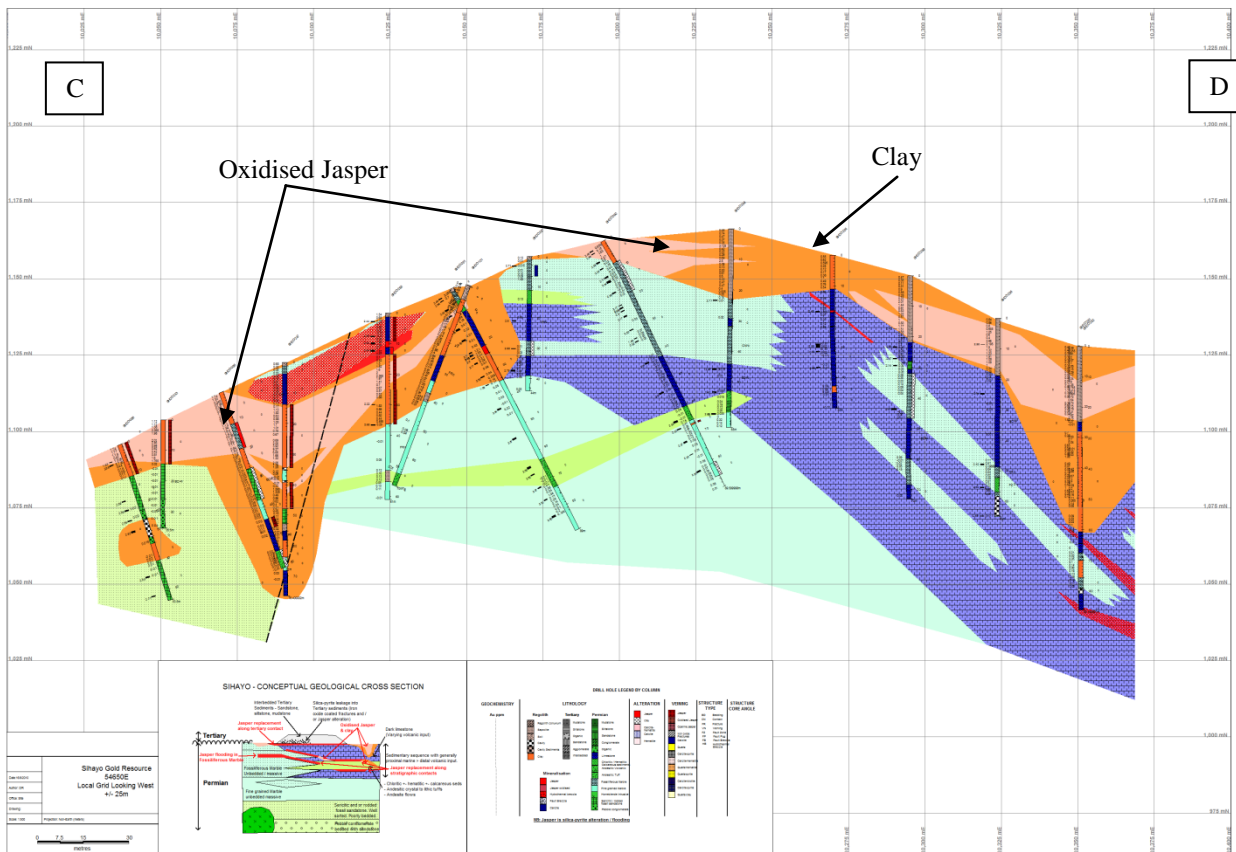


Figure 4: 54650E (Local Grid) Geological Cross Section – Sihayo Resource

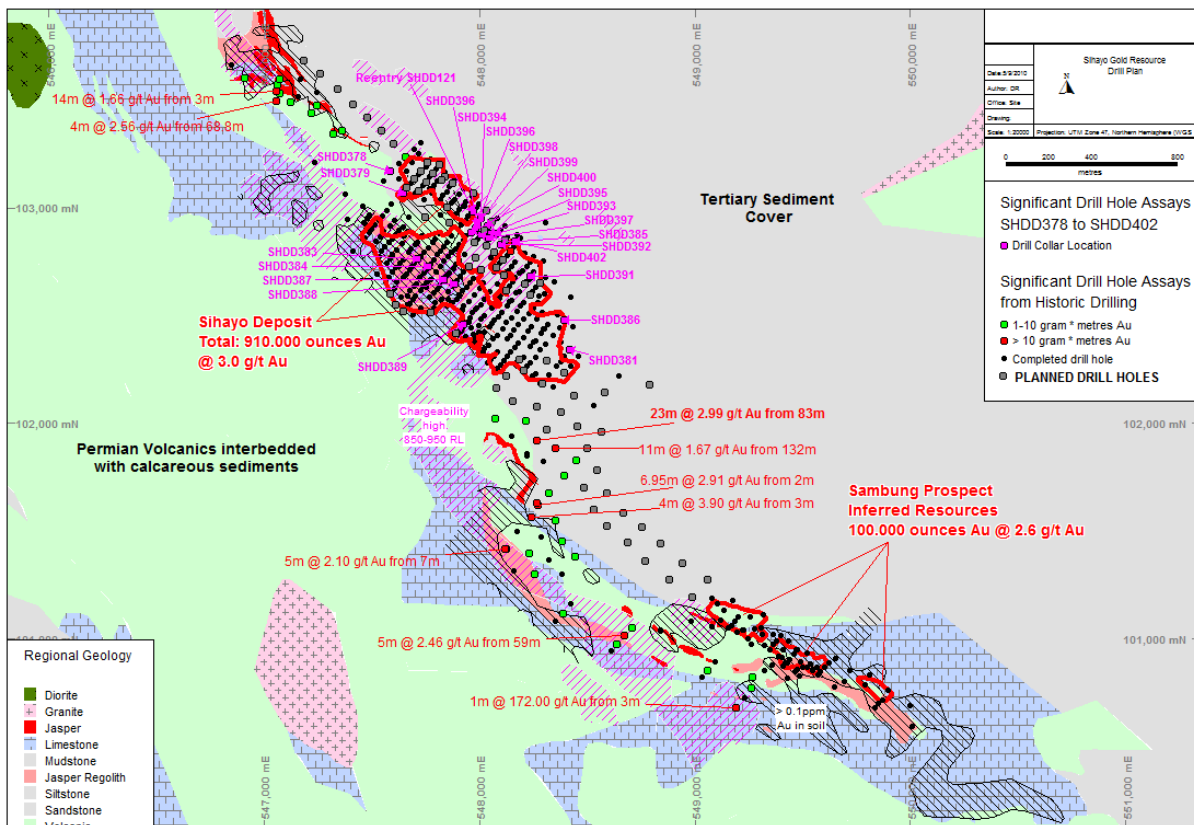


# REVIEW OF OPERATIONS

## Sihayo Pungkut – ongoing exploration activities

The Sihayo and Sambung Resources, depicted in figure 5 below, are separated by about 1.25 km of potentially mineralised strike and stratigraphy 0.75km to 1 km northwest of the Sihayo Resource also yields gold mineralisation as defined by historic exploration. **The combined strike length of this favourable stratigraphy is approximately 4.5 km.**

Our ongoing drilling program will be a combination of resource definition and exploration drilling along strike from the Sihayo Resource and will include the extension of existing drill holes to seek preferential lithological boundaries that potentially host gold bearing jasper and new holes to test extensions of the known mineralisation. **The primary objective is to increase the overall size of the Sihayo Pungkut global resource.**



**Figure 5: Sihayo and Sambung Resource surface plan including significant results outside current resource**

## Sihayo Pungkut – COW regional exploration activities

Regional exploration work commenced late in the year and has continued post the end of the year.

The initial exploration work has focused on the Tambang Tinggi prospect, which is located in the southern portion of the COW area (Figure 2).

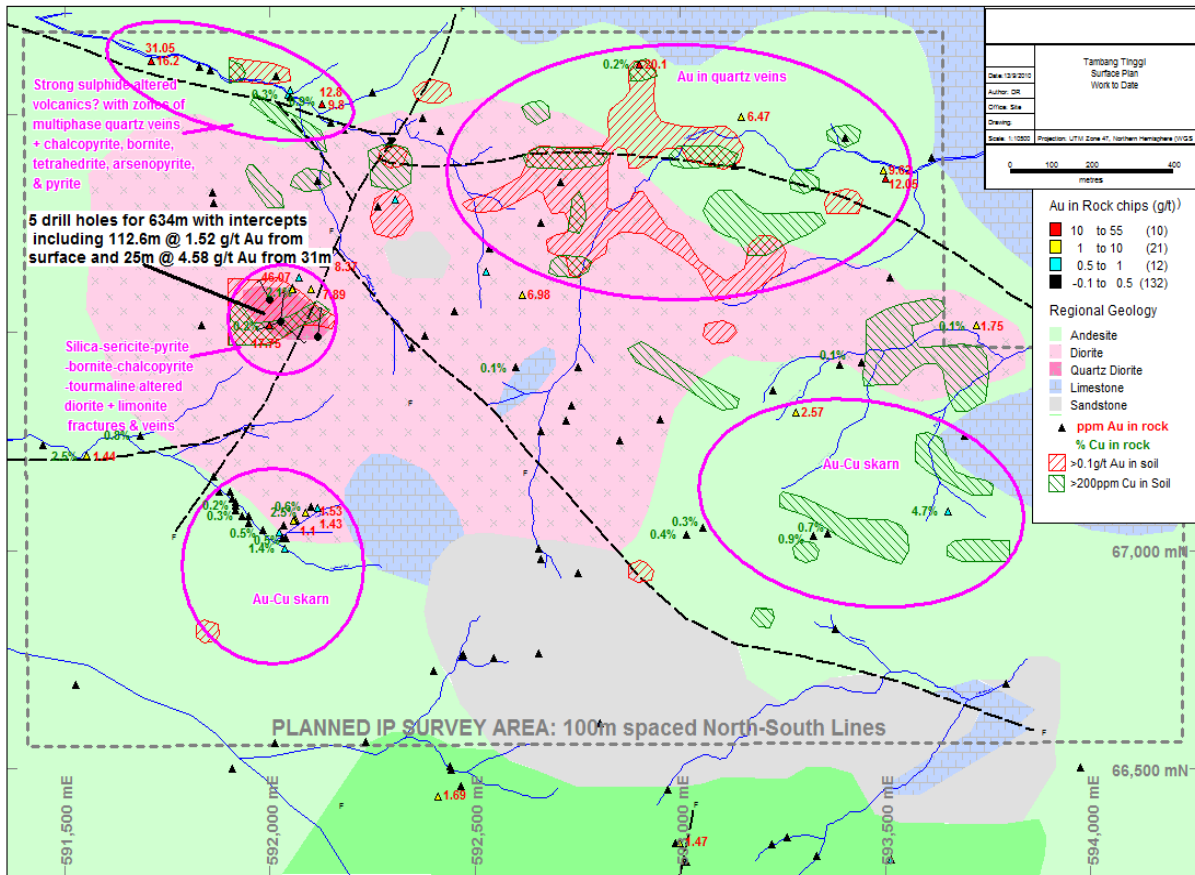
The prospect covers an area of approximately **2.8km east to west** and **1.6km north to south**. The prospect has delivered extremely encouraging gold and copper results in drilling, rocks and soil samples. Gridding is in progress for an IP survey designed to assist in targeting diamond drilling to test known surface mineralisation and to potentially identify new mineralised systems. A diamond drilling program is planned to commence in late 2010.

During 2005, scout drilling (5 diamond drill holes for 634m) yielded a best intercept of **112.6 m @ 1.52 g/t Au from surface, including 25m @ 4.58 g/t Au from 31m**. The current work program has confirmed the mineralisation is open along strike and at depth.

Tambang Tinggi mineralisation is intrusive related with styles observed to date, including;

- Silica-sericite-pyrite-bornite-chalcopyrite-pyrite-tourmaline alteration with limonite veins / fractures hosting gold, as evidenced in historic drilling;

- Multi phase quartz veins that host chalcopyrite, bornite, tetrahedrite, arsenopyrite and yield up to **31 g/t Au and 0.9% Cu** in rock chips;
- Intermittent quartz veins in andesitic volcanics that contain **up to 20.1 g/t Au**; and
- Copper skarn mineralisation with **up to 4.7% copper and anomalous gold** in rock and float samples.



**Figure 6: Tambang Tinggi surface plan outlining prospects and work to date**

Additional COW regional work that is planned is described below:

### Hutabargot Julu

The Hutabargot Julu prospect is an epithermal gold style prospect with multiple sub-parallel veins that have yielded historic drill intercept of **5m @ 37.7 g/t from 47m**. The prospect is located approximately 7km southeast of the main Sihayo Resource and exploration shall commence in October 2010. The initial work program will consist of grid re-establishment for soil / IP surveys and geological mapping to aid in drill target definition. Refer to Figure 2 for prospect locations.

### Tarutung

The Tarutung prospect is characterised by classic banded epithermal quartz vein float and outcrop that has assayed up to **167 g/t Au and 384 g/t Ag**, within a **350m long section** of a 1.2km long, NNW trending clay-pyrite alteration zone. Historic trenching contained an intersection of **5m @ 57.7 g/t Au and 312 g/t Ag**. The initial work program will consist of grid re-establishment for soil / IP surveys and geological mapping to aid in drill target definition. Refer to Figure 2 for prospect locations.

In addition, Elliot Geophysics International has been contracted to undertake an airborne magnetic and radiometric survey over the entire COW. The airborne survey will have a particular emphasis on **known porphyry copper-gold style targets** such as; **Singalancar, Rura Balancing, Namilas, Siandon and Mandagang**. The survey is planned for late 2010.

In summary, our regional targets provide significant exploration potential and with ongoing work the opportunity to potentially add to our overall resource base.

## REVIEW OF OPERATIONS

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### **Sihayo Pungkut - Definitive Feasibility Study**

Based upon the results of the previously completed Scoping Study, the formal Definitive Feasibility Study (“DFS”) commenced in December 2009.

The first phase of DFS work was the significant infill drilling program conducted at the main Sihayo Resource and the results have been described earlier in this report.

During the infill drill program a metallurgical test program was commenced to assess the characteristics of the ore body. This test work has indicated that a standard carbon-in-leach (“CIL”) plant configuration is the preferred processing option.

The Process Flow Diagrams (“PFDs”), design criteria and equipment selection for the processing plant and mining operations have also been advanced and the work continues.

A detailed geotechnical program was started in February 2010 to assess the ground conditions in the selected site for the Tails Storage Facility (“TSF”) as well as the plant site. This work program is ongoing with the site selection and design for the TSF nearing completion.

The mining studies including draft pit design have also commenced and results so far indicate that the resource is very mineable with industry standard mining equipment and utilising a conventional drill and blast approach.

The DFS engineering work is well advanced and focused on the finalisation of the project capital expenditure (“capex”) and operating cost estimates (“opex”).

The overall DFS remains on schedule for completion by the end of December 2010.

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## REVIEW OF OPERATIONS

Table 2 below contains significant intercepts above 8 g/t Au from the Sihayo Resource

HOLE ID	EAST UTM	NORTH UTM	AZIMUTH	DIP	FROM	TO	INTERCEPT (M)	Au g/t
SHDD139	547990	102380	0	-90	0.0	4.0	4.2	5.0
					7.0	8.3	1.3	10.2
SHDD140	547990	102380	0	-90	1.0	8.0	7.0	8.3
					11.0	12.0	1.1	2.0
SHDD205	548258	102305	0	-90	80	87	7	1.8
					98	124	26	9.4
SHDD211	548145	102332	0	-90	63	64	1	11.7
					77	83	6	15.8
SHDD224	547922	102448	0	-90	1	3.9	2.9	6.6
					5.4	20.8	15.4	8.9
SHDD253	548179	102372	0	-90	59	64	5	10.1
					83	93	10	6.1
					96	99	3	3.2
					110	111	1	3.7
SHDD279	548050	102298	0	-90	9	19	10	3.5
					23	26.4	3.4	9.2
SHDD332	102259	548349	0	-90	152	171	19	13.4
SHDD363	548156	102819	0	-90	82	87	5.3	8.1
					90	91	1	3.1
					92	102	9.9	3.1

Table 3 below contains significant intercepts above 3 g/t Au outside the Sihayo Resource

HOLE ID	EAST UTM	NORTH UTM	AZI	DIP	FROM	TO	INTERCEPT (M)	Au g/t
Re-entry SHDD121	547971	102984	0	-90	82	92	10	3.02
Re-entry SHDD121	547971	102984	0	-90	96	101	5	4.03
SHDD378	547587	103172	0	-90	24	28	4	4.81
SHDD381	548416	102343	0	-90	257	273	16	5.14
SHDD395	548051	102883	0	-90	45	58	13	3.87
SHDD396	547990	102928	0	-90	28	42	14	3.26
SHDD398	547979	102906	0	-90	4	17	13	5.46
SHDD402	548004	102878	0	-90	28	36	8	4.30

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): Standard or duplicate or blank inserted every 10 samples
8. Coordinates in UTM grid system (WGS84 z47N)
9. Red coloured Intercept are Au g/t and >10 Au (grams) \* metres (intercept)

## REVIEW OF OPERATIONS

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### Other Projects

#### Malawi - Uranium exploration (100%)

No exploration activities were carried out during the year.

The Company has submitted a request for the renewal of the three Exclusive Prospecting Licenses ("EPLs") until mid 2011 and is currently awaiting confirmation of the extensions.

#### 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 activity was undertaken on the project during the year.

#### Mulgabbie Gold Project – Western Australia (2% net smelter royalty)

No mining activity 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 Graham Petersen (BSc.Geol) who is a full time employee of PT Sorikmas Mining (75% owned subsidiary of Sihayo Gold Limited), and is a Member of the AusIMM. Mr Petersen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as described by the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Petersen consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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

**Modelling:** 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 for the lower grade upper weathered zone, and 1.0g/t Au in the deeper higher grade zones. In all cases a minimum downhole intercept length of 2m was adopted. The block dimensions used in the 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 no high grade cuts were required in the estimate. Grades were estimated using Ordinary Kriging. Bulk density was assigned in the model based upon the results of 853 bulk density determinations.

#### Note

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

## DIRECTOR'S REPORT

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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 2010 ("the reporting period").

### DIRECTORS

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

Misha Collins	Paul Willis (appointed 29 September 2009)
Peter Bilbe (appointed 3 June 2010)	Gavin Caudle (appointed 8 April 2010)
John Blake (appointed 4 June 2010)	Ian Macpherson (ceased 3 June 2010)
Philip Christie (ceased 19 October 2009)	

### PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were mineral exploration. 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 5 to 13 of the financial report.

### OPERATING RESULTS

During the financial year the consolidated entity incurred a consolidated operating loss after income tax of \$8,649,593 (2009 - \$2,895,178).

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Company restructured its board and management. It appointed a new CEO, Paul Willis, on 26 April 2010, as well as appointed three new non executive directors; Gavin Caudle on 8 April 2010, Peter Bilbe on 3 June 2010 and John Blake on 4 June 2010. Also a Chief of Operations Officer, Greg Entwistle was appointed on 5 April 2010. Peter Bilbe was appointed the new Chairman on 3 June 2010 with Misha Collins stepping down. Misha Collins remains as a non-executive director of the Company.

Directors, Philip Christie and Ian Macpherson resigned during the year.

On 28 July 2010 the Company announced a fundraising deal of \$10.8 million. This was a private share placement fully underwritten by the Company's largest shareholder Summit Investments Pty Ltd. 76.9 million shares are to be issued at a price of 14 cents each.

On 29 July the Company announced that it had appointed a new Chief Geologist, Mr Graham Petersen. The following securities were issued to him as part of his remuneration package:  
23,070,000 shares issued @ 14 cents each.  
4,500,000 shares issued @ 5 cents each.

### EMPLOYEES

The consolidated entity employed 52 employees as at 30 June 2010 (2009: 37 employees)

# DIRECTOR'S REPORT

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## 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.

## FINANCIAL POSITION

The net assets/(liabilities) of the consolidated entity as at 30 June 2010 are \$973,162 (2009: (\$1,106,544)).

## 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**

46,221,409 ordinary shares (held indirectly)

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

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

## DIRECTOR'S REPORT

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### INFORMATION ON DIRECTORS (CONTINUED)

#### **Misha A Collins**

*(Non Executive Director)*

#### **Experience and expertise**

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

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

#### **Directorships of Other ASX Listed Companies**

No other current directorships

#### **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**

17,529,574 ordinary shares in Sihayo Gold Limited (held direct & 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 direct).

#### **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 7 years; and
- Expertise in dealing with forestry issues through the ownership of a substantial plantation business.



## DIRECTOR'S REPORT

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### INFORMATION ON DIRECTORS (CONTINUED)

#### **Gavin Caudle**

##### ***Directorships of Other ASX Listed Companies***

No other current directorships

##### ***Former ASX Listed Companies Directorships in last 3 years***

No former directorships

##### ***Special responsibilities***

Audit committee member

##### ***Interests in shares and options***

84,725,000 ordinary shares (held indirectly)

#### **Peter R Bilbe**

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

##### ***Experience and expertise***

Mr Bilbe brings over 35 years of corporate, operational and international mining industry experience to the Company. He has extensive experience in a full range of mining industry management positions, including; Chief Executive Officer, Chief Operating Officer, General Manager – Operations, General Manager – Technical, Project Director, Mine Manager and Senior Mine Engineer.

Mr Bilbe 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, Mr Bilbe was Managing Director and Chief Executive Officer, Aztec Resources Limited and was instrumental in the development of the Koolan Island Iron Ore Project from exploration and bankable feasibility study through to financing, construction and operation.

Mr Bilbe'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 Kalgoorlie Consolidated Gold Mines Limited (the Golden Mile, Kalgoorlie, WA), the Norseman goldfield (WA) and internationally at South Africa and Papua New Guinea (Morobe Gold Project, Hidden Valley).

##### ***Directorships of Other ASX Listed Companies***

Northern Iron Limited  
Independence Group NL  
Norseman Gold Mines plc

##### ***Former ASX Listed Companies Directorships in last 3 years***

Mount Gibson Iron Limited  
Aztec Resources Limited  
RMA Energy Limited  
Aurox Resources Limited

##### ***Special responsibilities***

Audit committee member  
Remuneration committee member

##### ***Interests in shares and options***

420,000 ordinary shares (held indirectly)  
1,500,000 options exercisable @ 10 cents before 31 May 2012 (held directly)

## DIRECTOR'S REPORT

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### **William John Blake**

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

#### **Experience and expertise**

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

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

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

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

#### **Directorships of Other ASX Listed Companies**

None

#### **Former ASX Listed Companies Directorships in last 3 years**

Agincourt Resources Limited

#### **Special responsibilities**

Remuneration committee member

#### **Interests in shares and options**

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

#### **Company Secretary**

The company secretary is Mr Dean W Calder B.Bus CA. Mr Calder was appointed to the position of company secretary in 1999. He has had many years of experience in attending to the taxation, accounting and company secretarial requirements of mineral exploration companies, and is currently a Principal of the firm Calder Roth & Co, Chartered Accountants.

## DIRECTOR'S REPORT

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### MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2010, and the number of meetings attended by each director, this includes via telephone conferencing.

	Number eligible to attend	Number Attended
P Christie (resigned 19/10/2009)	1	1
M Collins	7	7
P Willis (appointed 29/09/2009)	3	3
I Macpherson (resigned 03/06/2010)	6	6
Gavin Caudle (appointed 08/04/2010)	2	0
P Bilbe (appointed 03/06/2010)	2	2
W J Blake (appointed 04/06/2010)	2	2

### 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.

# DIRECTOR'S REPORT

## REMUNERATION REPORT (AUDITED)

### 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 2010.

2010	Short-term		Post Employment		Long Term		Equity		Performance related %
	Cash Salary & Fees	Non Monetary Benefits	Super-annuation	Retirement Benefits	Incentive Plans	Long service leave	Share based	Total	
Name									
PCJ Christie <sup>(a)</sup>	99,250	1,590	-	-	-	-	-	100,840	-
M Collins <sup>(b)</sup>	61,239	1,590	-	-	-	-	-	62,829	-
I Macpherson <sup>(c)</sup>	56,994	1,589	-	-	-	-	-	58,583	-
P Willis <sup>(d)</sup>	98,751	1,589	-	-	-	-	-	100,340	-
P Bilbe <sup>(e)</sup>	4,916	1,589	443	-	-	-	-	6,948	-
WJ Blake <sup>(f)</sup>	3,750	1,589	-	-	-	-	-	5,339	-
G Caudle <sup>(g)</sup>	6,250	1,589	-	-	-	-	-	7,839	-
T Martin <sup>(h)</sup>	95,400	-	-	-	-	-	38,100	133,500	-
G Entwistle <sup>(i)</sup>	77,456	-	3,615	-	-	-	58,600	139,671	-
D Pluckhahn <sup>(j)</sup>	149,384	-	13,113	-	-	-	-	162,497	-
<b>Total</b>	<b>653,390</b>	<b>11,125</b>	<b>17,171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96,700</b>	<b>778,386</b>	<b>-</b>

2009	Short-term		Post Employment		Long Term		Equity		Performance related %
	Cash Salary & Fees	Non Monetary Benefits	Super-annuation	Retirement Benefits	Incentive Plans	Long service leave	Share based	Total	
Name									
PCJ Christie	214,480	1,853	-	-	-	-	-	216,333	-
BJ Hurley	16,055	1,853	-	-	-	-	-	17,908	-
RG Murchison	34,167	1,853	-	-	-	-	-	36,020	-
BNV Tomich	121,786	1,853	8,964	-	-	-	-	132,603	-
M Collins	34,327	1,853	-	-	-	-	-	36,180	-
I Macpherson	5,000	1,853	-	-	-	-	-	6,853	-
Dean Pluckhahn	125,945	-	12,150	-	-	-	-	138,095	-
<b>Total</b>	<b>551,760</b>	<b>11,118</b>	<b>21,114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>583,992</b>	<b>-</b>

There are no other key management personnel.

(a) \$61,250 in consulting fees paid to Yellowmoon Gold Mines Pty Ltd, a personally related entity of PCJ Christie and \$38,000 was also paid to Yellowmoon Gold Mines Pty Ltd in settlement of early termination of the consultancy contract.

(b) \$37,239 was paid in director fees to M Collins and \$19,500 was paid to M Collins for consultancy fees. \$4,500 is payable to M Collins as at 30 June 2010.

(c) \$24,981 was paid in director fees to I Macpherson and \$32,013 was paid in consultancy fees to Ord Nexia Pty Ltd an entity he has a financial interest in.

# DIRECTOR'S REPORT

## REMUNERATION REPORT (AUDITED)

(d) \$4,167 was paid in director fees to Indo Aust Mining Pty Ltd (BVI) and \$71,667 was paid in consultancy fees to IndoAust Mining Pty Ltd (BVI) a personally related entity of P Willis. \$22,917 is payable to IndoAust Mining Pty Ltd (BVI) in consultancy fees as at 30 June 2010.

(e) \$4,916 was paid in director fees to P Bilbe.

(f) \$3,750 in directors fees was payable to Blake Mining Services, a personally related entity to John Blake as at 30 June 2010.

(g) \$6,250 in directors fees was payable to G Caudle as at 30 June 2010.

(h) \$95,400 was paid in consultancy fees to TRM Consulting Pty Ltd a personally related entity of T Martin.

(i) \$77,456 in salary and wages paid to G Entwistle.

(j) \$149,384 was paid in salary and wages to D Pluckhahn.

### Compensation Options (Consolidated)

30 June 2010	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	%
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	3,000,000	01/07/09	0.0127	0.05	31/08/11	01/07/09	31/08/11	3,000,000	100
	2,000,000	05/03/10	0.0151	0.075	30/06/12	05/03/10	30/06/12	2,000,000	100
	2,000,000	05/03/10	0.0142	0.10	30/06/13	05/03/10	30/06/13	2,000,000	100
	-	-	-	-	-	-	-	-	-

30 June 2009	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	%
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

# DIRECTOR'S REPORT

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Options Granted as part of remuneration

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

### Options Granted as part of remuneration (continued)

2009	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 %
P Christie	-	-	-	-
B Hurley	-	-	-	-
R Murchison	-	-	-	-
B Tomich	-	-	-	-
M Collins	-	-	-	-
I Macpherson	-	-	-	-
D Pluckhahn	-	-	-	-

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

### Shares issued on exercise of compensation options (Consolidated)

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

# DIRECTOR'S REPORT

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Shares issued on exercise of compensation options (Consolidated)

30 June 2009	Shares Issued No	Paid per share	Unpaid per share
P Christie	-	-	-
B Hurley	-	-	-
R Murchison	-	-	-
B Tomich	-	-	-
M Collins	-	-	-
I Macpherson	-	-	-
D Pluckhahn	-	-	-

### Consultant/Employment Agreements

During the year the Company terminated its consultancy agreement with Yellowmoon Gold Mines Pty Ltd, a related entity of Philip Christie, which resulted in a termination payment of \$38,000.

Sihayo Gold Limited entered into a consultancy agreement with IndoAust Mining Pty Ltd (BVI) a personally related entity of Mr Paul Willis. This agreement is for the provision of consultancy services to the Company by Mr Paul Willis. The contract commenced from 1 July 2010 and ends on 30 April 2012. Remuneration under the agreement consists of \$275,000 per annum and:

- 2,000,000 options in the Company with an exercise price of \$0.10 and an expiry date of 30 June 2012; and
- 2,000,000 options in the Company with an exercise price of \$0.125 and an expiry date of 30 June 2013.

On 5 March 2010 Sihayo Gold Limited entered into an Executive Employment Agreement with Greg Entwistle consisting of an annual salary of \$275,000 plus statutory superannuation. The following options were also issued as part of his remuneration:

- 2,000,000 unlisted options at 7.5 cents with an expiry date of 30 June 2012.
- 2,000,000 unlisted options at 10 cents with an expiry date of 30 June 2013.

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

- (a) a notice period of 6 months;
- (b) payment of accrued Annual Leave; and
- (c) payment of pro-rata long service leave in line with the applicable Western Australian legislation.

On 30 June 2010 Dean Pluckhahn's contract was terminated with Sihayo Gold Limited.

### Officer Emoluments

Fees of \$109,845 (GST exclusive) were paid to Calder Roth & Co, an accounting firm of which Dean Calder is a principal, for accounting, company secretarial, taxation and other services during the year.

# DIRECTOR'S REPORT

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## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Directors and Officer Insurance

During the year \$11,125 was incurred for Directors and officeholders insurance which covers 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:

- 13,280,376 options to subscribe for fully paid ordinary shares exercisable at 20 cents at any time on or before the expiry date of 31 January 2011.

The above options are quoted on the Australian Securities Exchange Limited.

- 8,500,000 director unlisted options exercisable at 15 cents before the expiry date of 31 May 2013.
- 9,109,116 unlisted options exercisable at 5 cents before the expiry date of 31 August 2011.
- 7,500,000 unlisted options exercisable at 5 cents before the expiry date of 26 August 2011.
- 2,000,000 unlisted options exercisable at 7.5 cents before the expiry date of 30 June 2012.
- 2,000,000 unlisted options exercisable at 10 cents at any time on or before 30 June 2013.
- 2,000,000 unlisted options exercisable at 10 cents at any time on or before 30 June 2012.
- 2,000,000 unlisted options exercisable at 12.5 cents at any time on or before 30 June 2013.
- 1,500,000 unlisted options exercisable at 10 cents at any time on or before 31 May 2012.
- 1,500,000 unlisted options exercisable at 10 cents at any time on or before 31 May 2012.
- 1,500,000 unlisted options exercisable at 13.5 cents at any time on or before 31 July 2012.
- 1,500,000 unlisted options exercisable at 15 cents at any time on or before 31 July 2013.

### CONVERTIBLE NOTES

Convertible note holders converted their holdings into shares at two cents each over the period 1 July 2009 to 20 November 2009. This equated to shares totalling 78,099,902. There are no convertible notes held as at 30 June 2010.

### 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.



## DIRECTOR'S REPORT

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### CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is set out on pages 27 - 37.

### 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 26.

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



**Paul Willis**  
Director

29 September 2010

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# Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET  
WEST PERTH WA 6005, AUSTRALIA  
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204  
www.stantons.com.au

29 September 2010

Board of Directors  
Sihayo Gold Limited  
25 Charles Street  
SOUTH PERTH WA 6151

Dear Sirs

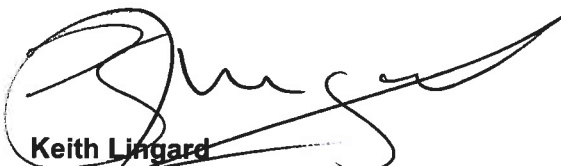
**RE: SIHAYO GOLD LIMITED**

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 2010, 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 sincerely  
**STANTONS INTERNATIONAL**  
(Authorised Audit Company)

  
**Keith Lingard**  
Director

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## CORPORATE GOVERNANCE STATEMENT

Sihayo Gold Limited ("**Company**") has made it a priority to adopt 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 ("**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. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

### Disclosure of Corporate Governance Practices

#### Summary Statement

	ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>		ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 <sup>3</sup>	n/a	n/a
Recommendation 1.3 <sup>3</sup>	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2 <sup>3</sup>	n/a	n/a
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 <sup>3</sup>	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2		✓
Recommendation 2.6 <sup>3</sup>	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 <sup>3</sup>	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3 <sup>3</sup>	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3 <sup>3</sup>	n/a	n/a
Recommendation 4.2		✓			

- 1 Indicates where the Company has followed the Principles & Recommendations.
- 2 Indicates where the Company has provided "if not, why not" disclosure.
- 3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

#### Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.sihayogold.com](http://www.sihayogold.com), under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the recommendations to which they relate, are set out below.

## CORPORATE GOVERNANCE STATEMENT

Charters	Recommendation(s)
Statement of Board and Management Functions	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
<b>Policies and Procedures</b>	
Policy and Procedure for Selection and Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy for Trading in Company Securities (summary)	3.2, 3.3
Corporate Code of Conduct	3.1, 3.3
Policy and Procedures for Compliance with Continuous Disclosure Requirements (summary)	5.1, 5.2
Policy and Procedure for Selection of External Auditor and Rotation of Audit Engagement Partners	4.4
Shareholder Communication Strategy	6.1, 6.2
Risk Management Policy and Internal Compliance and Control System (summary)	7.1, 7.4

### Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year ("**Reporting Period**").

#### Principle 1 – Lay solid foundations for management and oversight

##### Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

##### Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Statement of Board and Management Functions. The Board is collectively responsible for promoting the success of the Company through its key functions of ensuring the Company is properly managed, 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, approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Statement of Board and Management Functions. Senior executives are responsible for supporting 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, then directly to the Chair or the lead independent director, as appropriate.

## CORPORATE GOVERNANCE STATEMENT

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### Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

#### Disclosure:

The Board is responsible for evaluating the performance of senior executives. The Board evaluates the senior executives informally as required.

### Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

#### Disclosure:

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2.

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## Principle 2 – Structure the board to add value

### Recommendation 2.1:

A majority of the Board should be independent directors.

#### Disclosure:

For most of the Reporting Period, the Board did have a majority of independent directors.

The Board underwent a number of changes during the Reporting Period. The independent and non-independent directors on the Board during the Reporting Period are set out in the following table:

Dates	Independent	Non-Independent
1/7/09 – 28/9/09	Misha Collins Ian Macpherson	Phil Christie
29/9/09 – 21/10/09	Misha Collins Ian Macpherson	Phil Christie Paul Willis
22/10/09 – 7/4/10	Misha Collins Ian Macpherson	Paul Willis
8/4/10 – 3/6/10	Misha Collins Ian Macpherson	Paul Willis Gavin Caudle
4/6/10 – 30/6/10	John Blake Peter Bilbe Misha Collins	Paul Willis Gavin Caudle

### Recommendation 2.2:

The Chair should be an independent director.

## CORPORATE GOVERNANCE STATEMENT

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### Disclosure:

The Board had two Chairs during the Reporting Period. The independent Chair of the Board from 1 July 2009 to 3 June 2010 was Misha Collins. The current independent Chair of the Board is Peter Bilbe, who took over as Chair on 4 June 2010.

### Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

### Disclosure:

The Chief Executive Officer is Paul Willis who is not Chair of the Board. Paul Willis was appointed as Chief Executive Officer on 26 April 2010. Prior to his appointment, the role of Chief Executive Officer was performed by Tony Martin, who was not on the Board.

### Recommendation 2.4:

The Board should establish a Nomination Committee.

### Notification of Departure:

The Company has not established a separate Nomination Committee.

### Explanation for Departure:

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 the Company's Nomination Committee in its Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

### Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

### Disclosure:

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

These evaluations are undertaken informally as required.

### Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

### Disclosure:

#### Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

# CORPORATE GOVERNANCE STATEMENT

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## Identification of Independent Directors

The independent directors of the Company during the Reporting Period were Ian Macpherson (resigned 3 June 2010), Peter Bilbe (who was appointed on 3 June 2010), William John Blake (who was appointed on 4 June 2010) and Misha Collins. Ian Macpherson, Misha Collins, Peter Bilbe and William John Blake are considered 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.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

## Company's Materiality Thresholds

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

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- 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, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- 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 of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

## Statement concerning availability of Independent Professional Advice

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.

## Nomination Matters

The full Board carries out the role of the Nomination Committee. 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. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

## Performance Evaluation

During the Reporting Period an evaluation of the Board and its committees did not take place. However, a performance evaluation for individual directors did take place in accordance with the process disclosed at Recommendation 2.5.

# CORPORATE GOVERNANCE STATEMENT

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## Selection and (Re)Appointment of Directors

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election 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 a 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.

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## Principle 3 – Promote ethical and responsible decision-making

### Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### Disclosure:

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

### Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

### Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

### Recommendation 3.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

### Disclosure:

Please refer to the section above marked Website Disclosures.

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## Principle 4 – Safeguard integrity in financial reporting

### Recommendation 4.1:

The Board should establish an Audit Committee.



## CORPORATE GOVERNANCE STATEMENT

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### Disclosure:

The Company has established an Audit Committee.

### Recommendation 4.2:

The Audit Committee should be structured so that 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
- has at least three members.

### Notification of Departure:

During the Reporting Period the Company's Audit Committee was not structured in accordance of Recommendation 4.2.

### Explanation for Departure:

Whilst the Company had established a separate Audit Committee, the Company was unable to establish a separate committee that complied with the structural requirements of Recommendation 4.2. Accordingly, the Company established the Audit Committee consisting of two non-executive directors – Misha Collins (independent) and Ian Macpherson (independent). Misha Collins, who was Chair of the Board, also Chaired the Audit Committee.

However following the Board restructure, the Company changed the composition of its Audit Committee on 14 July 2010. The Audit Committee is now structured in accordance with Recommendation 4.2 and comprises Misha Collins as Chair, a non-executive independent director, Peter Bilbe, a non-executive independent director and Gavin Caudle, a non-executive non-independent director.

### Recommendation 4.3:

The Audit Committee should have a formal charter.

### Disclosure:

The Company has adopted an Audit Committee Charter.

### Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

### Disclosure:

There were no Audit Committee meetings held during the Reporting Period. The following table identifies those directors who were members of the Audit Committee during the Reporting Period.

Name
Misha Collins
Ian Macpherson (resigned 3 June 2010)
Peter Bilbe
Gavin Caudle

Details of each of the director's qualifications are set out in the Directors' Report.

## CORPORATE GOVERNANCE STATEMENT

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The Company has established procedures for the selection, appointment and rotation of its external auditor which is available on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. 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 the Board.

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### Principle 5 – Make timely and balanced disclosure

#### Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

#### Disclosure:

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

#### Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

#### Disclosure:

Please refer to the section above marked Website Disclosures.

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### Principle 6 – Respect the rights of shareholders

#### Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

#### Disclosure:

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

#### Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

#### Disclosure:

Please refer to the section above marked Website Disclosures.

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### Principle 7 – Recognise and manage risk

#### Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

## CORPORATE GOVERNANCE STATEMENT

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### Disclosure:

The Company has a risk management policy and internal compliance and control systems which cover organisation, financial and operational aspects of the Company's affairs. It appoints the Chief Executive Officer as being responsible for ensuring the systems are maintained and complied with.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

The Board and the Audit Committee communicate to one another the material business risks when an audit and risk committee meeting is held which is at least once a year.

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

- the Board has established authority limits for management which, if exceeded, will require 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.

In April 2010, the Board formalised and documented the management of its material business risks. This system includes the preparation of a risk register by management to identify and categorise the Company's material business risks and notes the risk management strategies for these risks. The risk register will be reviewed by the Chief Executive Officer and reported to the Board on a regular basis. Risk management is a standing agenda item at each Board meeting.

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

Prior to April 2010, the Company managed its material business risk using a range of previously implemented informal policies and procedures.

### Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

### Notification of Departure:

They will not be receiving a report from management as to the effectiveness of the Company's management of its material business risks.

### Explanation for Departure:

Given the restructure of the Board and management that took place in the Reporting Period, the Chief Executive Officer is unable to provide a report to the Board as required under Recommendation 7.2, as he was not a member of management for the entire Reporting Period. However, going forward the Chief Executive Officer will be providing a report to the Board as to the effectiveness of the Company's management of its material business risks.

### Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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.

## CORPORATE GOVERNANCE STATEMENT

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### Disclosure:

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

### Recommendation 7.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

### Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

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## Principle 8 – Remunerate fairly and responsibly

### Recommendation 8.1:

The Board should establish a Remuneration Committee.

### Disclosure:

The Company has established a Remuneration Committee.

### Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

### Disclosure:

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.

[Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

Both non-executive and executive directors may be issued with options as part of their remuneration package, subject to shareholder approval and in accordance with thresholds set in plans approved by shareholders.

The remuneration of both executive and non-executive the Directors is not linked to the performance of the Company.

### Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

### Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

## CORPORATE GOVERNANCE STATEMENT

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There were no Remuneration Committee meetings held during the Reporting Period. The following table identifies those directors who were members of the Remuneration Committee.

Name
Misha Collins
Ian Macpherson (resigned 3 June 2010)
Peter Bilbe
William John Blake

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

It is the Company's policy to prohibit transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. This policy is not currently published however the policy will be included in the Company's Remuneration Committee Charter which the Company intends to update by October 2010.

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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated 2010 \$	2009 \$
Other revenue	3	57,193	20,360
<b>Total Revenue</b>		<b>57,193</b>	<b>20,360</b>
Corporate secretarial expenses		(54,204)	(34,040)
Depreciation and amortisation	20(b),3(a)(i)	(14,424)	(15,767)
Diminution in value of investments	20(b)	(11,260)	(32,897)
Employee benefits expense		(194,539)	(151,933)
Exploration expenditure written off	3(a)(i),7,20(b)	(7,505,976)	(1,847,780)
External consultancy expenses		(244,254)	(196,503)
Finance costs		(92,260)	(282,253)
Insurance expenses		(29,226)	(28,167)
Rental expenses		(54,903)	(54,395)
Share based payments	14(a), 20(b)	(96,700)	-
Travel and entertainment expenses		(16,961)	(31,964)
Other expenses		(392,079)	(239,839)
Loss before income tax		(8,649,593)	(2,895,178)
Income tax expense	3(b)	-	-
<b>Net Loss</b>		<b>(8,649,593)</b>	<b>(2,895,178)</b>
<b>Other comprehensive income</b>			
Movement in foreign currency translation reserve	11(c)	210,572	17,082
<b>Other comprehensive income for the year, net of tax</b>		<b>210,572</b>	<b>17,082</b>
<b>Total Comprehensive loss for the year</b>		<b>(8,439,021)</b>	<b>(2,878,096)</b>
<b>Loss after income tax attributable to:</b>			
Member of Sihayo Gold Limited		(8,660,537)	(2,895,178)
Non Controlling Interest		10,944	-
		<b>(8,649,593)</b>	<b>(2,895,178)</b>
<b>Comprehensive loss after income tax attributable to:</b>			
Members of Sihayo Gold Limited		(8,449,965)	(2,878,096)
Non Controlling Interest		10,944	-
		<b>(8,439,021)</b>	<b>(2,878,096)</b>
Basic/diluted loss per share in cents	21	(2.23)	(1.39)

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

	Notes	Consolidated	
		2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	20(a)	1,358,675	917,881
Trade and other receivables	4	530,514	112,154
Other financial assets	5	16,950	13,550
<b>TOTAL CURRENT ASSETS</b>		1,906,139	1,043,585
<b>NON-CURRENT ASSETS</b>			
Other assets	7	56,787	80,105
Property, plant and equipment	6	278,646	78,841
<b>TOTAL NON-CURRENT ASSETS</b>		335,433	158,946
<b>TOTAL ASSETS</b>		2,241,572	1,202,531
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	532,003	305,771
Provisions	9	699,402	489,612
Other liabilities		23,731	23,857
Convertible Note		-	1,479,335
<b>TOTAL CURRENT LIABILITIES</b>		1,255,136	2,298,575
<b>NON-CURRENT LIABILITIES</b>			
Provisions	9	13,274	10,500
<b>TOTAL NON-CURRENT LIABILITIES</b>		13,274	10,500
<b>TOTAL LIABILITIES</b>		1,268,410	2,309,075
<b>NET ASSETS / (LIABILITIES)</b>		973,162	(1,106,544)
<b>SHAREHOLDERS' EQUITY</b>			
Parent entity interest:			
Contributed equity	10	47,698,556	36,429,079
Shares to be issued	10	-	387,500
Reserves	11(a)(b)(c)	2,479,488	2,621,222
Accumulated losses	11(d)	(49,292,389)	(40,642,796)
Total parent entity interest		885,655	(1,204,995)
Minority interest in controlled entities	19(b)	87,507	98,451
<b>TOTAL SHAREHOLDERS' EQUITY</b>		973,162	(1,106,544)

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated	
		2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to creditors and suppliers		(1,042,008)	(644,359)
Interest received		41,250	11,378
Interest paid		(61,054)	-
Taxes paid		(229)	-
<b>NET CASH FLOWS USED INOPERATING ACTIVITIES</b>	20(b)	(1,062,041)	(632,981)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Mining exploration & evaluation expenditure		(7,780,410)	(1,905,407)
Proceeds from sale of investments		5,000	(6,147)
Payments for investments		1,322	-
Purchase of property, plant and equipment		(245,029)	(5,114)
Decrease/(Increase) security deposits paid		20,513	106,269
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(7,998,604)	(1,810,399)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares and options		9,423,608	1,039,897
Proceeds from shares to be issued		-	382,500
Share and option issue costs		(103,637)	(36,700)
Convertible note issues		-	1,485,664
Payment for unmarketable securities		(126)	-
<b>NET CASH FLOWSFROM FINANCING ACTIVITIES</b>		9,319,845	2,871,361
Net increase / (decrease) in cash and cash equivalents held		259,200	427,981
Effects of exchange rate changes on cash		181,594	82,659
Cash and cash equivalents at the beginning of the financial year		917,881	407,241
Cash and cash equivalents at the end of the financial year	20(a)	1,358,675	917,881

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



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

## Consolidated

	\$	\$	\$	\$	\$	\$
	Share Capital & shares to be issued	Options & Equity Reserve	FX Reserve	Accum Losses	Non Controlling Interest	Total
Balance at 1.7.08	35,386,145	823,276	1,631,570	(37,747,618)	98,451	191,824
Total comprehensive income for the period	-	-	-	(2,895,178)	-	(2,895,178)
<u>Other comprehensive income:</u>						
Movement in foreign currency translation reserve	-	-	17,082	-	-	17,082
Issue of shares & shares to be issued	1,535,337	-	-	-	-	1,535,337
Convertible note equity component	-	27,862	-	-	-	27,862
Share issue costs	(104,903)	-	-	-	-	(104,903)
Issue of options	-	121,432	-	-	-	121,432
<b>Balance at 30.06.09</b>	<b>36,816,579</b>	<b>972,570</b>	<b>1,648,652</b>	<b>(40,642,796)</b>	<b>98,451</b>	<b>(1,106,544)</b>

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

The above 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 2010

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## 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 29 September 2010. Sihayo Gold Limited is a listed public company, incorporated and domiciled in Australia.

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

### **Basis of Preparation**

#### **Statement of compliance**

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

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

#### **Adoption of New and Revised Accounting Standards**

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

At the date of authorisation of the financial statements, certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The assessment of the impact of new standards and interpretations that may affect the Group is set out below:

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

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

- **AASB 124: *Related Party Disclosures*** (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- **AASB 2009–8: *Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2]*** (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- **AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132]** (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- **AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments** (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

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

### 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.

### Accounting Policies

#### a) 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 dependant 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 2010. 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.

#### b) Principles of Consolidation

A controlled entity is any entity Sihayo Gold Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 19 to the financial statements. All controlled entities have a June financial year end.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### b) Principles of Consolidation

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

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

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

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

#### c) 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### d) 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 income statement 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.

#### e) 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 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 income statement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### f) 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.

### g) Exploration and Evaluation Expenditure

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

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

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

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

### h) 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 income statement.

### i) 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 income statement.

#### **j) 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 income statement and consolidated balance sheet.

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.

#### **k) Foreign Currency Transactions and Balances**

##### **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.

##### **Transaction 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 income statement, except where deferred in equity as 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 income statement.

##### **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 balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

#### **l) 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).

#### **m) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### n) 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.

#### o) 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 balance sheet.

#### p) 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 balance sheet are shown inclusive of GST.

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

#### q) 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 price of the shares of Sihayo Gold Limited.

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### r) 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.

### s) 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.

### t) Operating Leases

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

### u) 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2010**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **v) Operating Segments**

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

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

##### **w) Comparative Figures**

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

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

### 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 2010

	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	1,358,675	-	-	-	-	1,358,675	4%
Trade and other receivables	-	-	-	-	530,514	530,514	-
Other financial assets	-	-	-	-	16,950	16,950	-
Deposits	-	56,787	-	-	-	56,787	6%
<b>Total Financial Assets</b>	<b>1,358,675</b>	<b>56,787</b>	<b>-</b>	<b>-</b>	<b>547,464</b>	<b>1,962,926</b>	
<i>Financial Liabilities</i>							
Trade and other payables	-	-	-	-	497,003	497,003	-
Other	-	-	-	-	23,731	23,731	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>520,734</b>	<b>520,734</b>	

#### Consolidated Entity 2009

	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	917,881	-	-	-	-	917,881	2.50
Trade and other receivables	-	-	-	-	84,286	84,286	-
Other financial assets	-	-	-	-	13,550	13,550	-
Deposits	-	80,105	-	-	-	80,105	3.40-4.20
<b>Total Financial Assets</b>	<b>917,881</b>	<b>80,105</b>	<b>-</b>	<b>-</b>	<b>97,836</b>	<b>1,095,822</b>	
<i>Financial Liabilities</i>							
Trade and other payables	-	-	-	-	285,771	285,771	-
Convertible Note	-	1,479,335	-	-	-	1,479,335	10
Other	-	-	-	-	23,857	23,857	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,479,335</b>	<b>-</b>	<b>-</b>	<b>309,628</b>	<b>1,788,963</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### 2. RISK MANAGEMENT (continued)

##### (b) Credit risk exposures

The Consolidated Entity and the Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the balance sheet 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. Overseas expenses are paid at the spot rate applicable on the date the invoice is received. Please refer to Note 23 for further details. The Company has opened a USD bank account to manage fluctuations in foreign currency.

##### (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

	Level 1	Level 2	Level 3	Total
2010	\$	\$	\$	\$
Financial assets	-	-	-	-
Shares in listed companies	16,950	-	-	16,950
	16,950			16,950
Financial liabilities	-	-	-	-
<b>2009</b>				
Financial assets	-	-	-	-
Shares in listed companies	13,550	-	-	13,550
	13,550			13,550
Financial liabilities	-	-	-	-

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 2010**

	Consolidated	
	2010	2009
	\$	\$
<b>3. REVENUE</b>		
Revenue from outside the operating activities		
Interest	41,249	11,378
Sale of investments	5,000	-
Foreign exchange gain	-	8,982
Outside equity interest	10,944	-
	<u>57,193</u>	<u>20,360</u>
Revenue from ordinary activities	<u>57,193</u>	<u>20,360</u>
<b>3(a) LOSS BEFORE INCOME TAX</b>		
<b>Net Expenses</b>		
The loss before income tax includes the following expenses:		
<b>(i) Expenses:</b>		
Exploration expenditure written off	7,505,976	1,847,780
Depreciation	14,424	15,767
Rental expenses	54,903	54,395
	<u>7,575,303</u>	<u>1,917,942</u>
<b>(ii) Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Loss from ordinary activities before income tax expense	(8,649,593)	(2,895,178)
	<u>(8,649,593)</u>	<u>(2,895,178)</u>
<b>3(b) INCOME TAX EXPENSE</b>		
Prima facie tax benefit on loss from ordinary activities:	(2,594,878)	(868,553)
Tax effect of amounts which are not deductible (taxable) In calculating taxable income:		
Proceeds received on sale of investment	(1,500)	-
Diminution of investments	4,398	-
Provisions	18,432	-
Entertainment	645	1,870
Share based payment	29,010	-
Other non deductible expenses	1,233	4,909
FX gains	-	(2,694)
Outside equity interest	(3,283)	-
	<u>(2,545,943)</u>	<u>(864,468)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Consolidated	
	2010	2009
	\$	\$
	_____	_____
Movement in unrecognised temporary Difference	(25,644)	506,635
Tax effect of current year tax losses for which no deferred tax asset has been recognised	2,571,587	357,833
Income tax expense	-	-
	_____	_____
(ii) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
Carried forward revenue tax losses	4,602,638	4,249,706
Carried forward capital tax losses	930,611	823,879
Carried forward foreign tax losses	1,937,966	1,841,885
Mineral exploration (@ 20%)	4,102,471	2,182,272
Provisions	18,432	145,244
Black hole expenditure	58,055	67,601
	_____	_____
	11,650,173	9,310,587
	_____	_____

This benefit for tax losses will only be obtained if:

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

**4. TRADE AND OTHER RECEIVABLES**

<b>CURRENT</b>		
Other debtors	530,514	84,268
Prepayments	-	27,886
	_____	_____
	530,514	112,154
	_____	_____

**Other debtors**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Consolidated	
	2010	2009
	\$	\$
<b>5. OTHER FINANCIAL ASSETS</b>		
<b>CURRENT</b>		
Investments listed on a prescribed stock exchange and unlisted public companies	16,950	13,550
<b>NON CURRENT</b>		
Investments in other entities at cost	1,104,494	1,839,624
Less Provision for Diminution	(1,104,494)	(1,839,624)
	-	-

**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.
- The 9.9% shareholding in CEPO Systems Pty Limited, was sold during the year and proceeds of \$5,000 was received. This investment had been fully provided for in the accounts.

	Consolidated	
	2010	2009
	\$	\$
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>NON-CURRENT</b>		
Lease improvements at cost	7,642	12,729
Less: accumulated depreciation	(2,392)	(5,087)
	5,250	7,642
Plant and equipment, at cost	84,302	73,759
Less: accumulated depreciation	(12,543)	(54,274)
	71,759	19,485
Motor vehicles, at cost	102,148	26,697
Less: accumulated depreciation	(15,705)	(14,427)
	86,443	12,270
Office equipment, at cost	134,451	146,129
Less: accumulated depreciation	(19,257)	(106,685)
	115,194	39,444
<b>Total property, plant and equipment</b>	<b>278,646</b>	<b>78,841</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**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:

**2010**

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

\*Depreciation included in the statement of comprehensive income of \$14,424 represents the parent entity and its wholly owned subsidiary's depreciation. The difference of \$30,020 has been capitalised to mineral exploration and relates to API.

**2009**

<b>Consolidated</b>	Leasehold Improvements	Plant & Equipment	Motor Vehicles	Office Equipment	Total
	\$	\$	\$	\$	\$
Carrying amount at 1 July 2008	10,033	21,346	16,823	49,931	98,133
Effect of foreign currency translation	-	2,527	788	2,443	5,758
Additions	-	4,565	-	1,134	5,699
Write-offs & reclassification	-	-	-	-	-
Depreciation expense	(2,391)	(8,953)	(5,341)	(14,064)	(30,749)
Carrying amount at 30 June 2009	7,642	19,485	12,270	39,444	78,841

	Consolidated	
	2010	2009
	\$	\$
<b>7. OTHER ASSETS</b>		
NON CURRENT		
Deposits	56,787	80,105
<b>Deposits</b>		

Deposits of \$56,787 include a building rental deposit of USD \$11,076 (2009: USD \$4,174).

	Consolidated	
	2010	2009
	\$	\$
NON CURRENT		
<b>Mining exploration and evaluation</b>		
<b>Expenditure</b>		
Expenditure incurred during the year	7,505,976	1,847,780
Expenditure written off during the year	(7,505,976)	(1,847,780)
	-	-



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

### 7. OTHER ASSETS (continued)

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.

	Consolidated	
	2010	2009
	\$	\$
<b>8. TRADE AND OTHER PAYABLES</b>		
CURRENT		
Other creditors	93,123	109,884
Related party payables (API's)	403,880	175,887
Accruals	35,000	20,000
	532,003	305,771
<b>9. PROVISIONS</b>		
CURRENT		
Employee Entitlements	663,227	480,547
Taxation	36,175	9,065
	699,402	489,612
NON CURRENT		
Employee Entitlements- long service leave	13,274	10,500
	13,274	10,500
<b>Employee numbers</b>		
	Consolidated	
	2010	2009
Average number of employees during the financial year	52	37
	Consolidated	
	2010	2009
	\$	\$
<b>10. CONTRIBUTED EQUITY</b>		
Issued Capital		
Fully paid – Ordinary shares		
513,067,808 (2009 – 239,613,275)	47,698,556	36,429,079
Shares to be issued	-	387,500
	47,698,556	36,816,579

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**10. CONTRIBUTED EQUITY (CONTINUED)**

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

		Number	\$
01/07/2008	Opening balance	184,451,912	35,141,145
15/07/2008	Share issue	7,636,362	420,000
07/10/2008	Share issue	7,576,000	383,500
09/02/2009	Share issue	20,461,539	301,000
17/04/2009	Share issue	14,487,461	188,337
28/11/2008	Exercise of option	1	-
10/06/2009	Conversion of Convertible Note	5,000,000	100,000
30/06/2009	Share issue costs	-	(104,903)
	Balance at 30 June 2009	239,613,275	36,429,079
06/07/2009	Share purchase plan allotment	15,196,118	387,500
29/09/2009	Share issue	38,221,409	1,528,856
01/10/2009	Conversion of Convertible Note	5,000,000	100,000
14/10/2009	Conversion of Convertible Notes	10,000,000	200,000
21/10/2009	Conversion of Convertible Notes	15,000,000	300,000
28/10/2009	Conversion of Convertible Note	5,000,000	100,000
23/11/2009	Conversion of Convertible Notes	43,099,902	861,998
01/12/2009	Share issue	24,071,720	962,869
23/12/2009	Share issue	30,000,000	1,500,000
31/12/2009	Share issue costs	-	(71,088)
09/02/2010	Share issue	40,000,000	2,800,000
22/03/2010	Share issue	25,000,000	1,500,000
28/05/2010	Share issue	19,500,000	975,000
30/06/2010	Share issue	3,365,384	168,269
30/06/2010	Convertible note costs	-	(11,378)
30/06/2010	Share issue costs	-	(32,549)
		<b>513,067,808</b>	<b>47,698,556</b>

**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 2010 \$	2009 \$
<b>11. RESERVES AND ACCUMULATED LOSSES</b>		
<b>(a) Option Premium Reserve</b>		
Balance at the beginning of the financial year	944,708	823,276
Options issued during the year	96,700	121,432
Balance at the end of the financial year	1,041,408	944,708

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Consolidated	
	2010	2009
	\$	\$
<b>11. RESERVES AND ACCUMULATED LOSSES</b>		
<b>(b) Equity Reserve</b>		
Balance at the beginning of the financial year	27,862	-
Convertible notes issued/(exercised)	(27,862)	27,862
	<hr/>	<hr/>
Balance at the end of the financial year	-	27,862

**Options**

As at 30 June 2010 the Company had the following options on issue:

- 13,280,376 options to subscribe for fully paid ordinary shares exercisable at 20 cents at any time on or before the expiry date of 31 January 2011.
- 8,500,000 director unlisted options exercisable at 15 cents at any time on or before the expiry date of 31 May 2013.
- 11,609,116 unlisted options exercisable at 5 cents at any time on or before the expiry date of 31 August 2011.
- 7,500,000 unlisted options exercisable at 5 cents at any time on or before the expiry date of 26 August 2011
- 3,000,000 unlisted options exercisable at 5 cents at any time on or before the expiry date of 31 August 2011
- 2,000,000 unlisted options exercisable at 7.5 cents at any time on or before 30 June 2012.
- 2,000,000 unlisted options exercisable at 10 cents at any time on or before 30 June 2013.

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

The following options were issued during the year:

- 3,000,000 unlisted options exercisable at 5 cents at any time on or before the expiry date of 31 August 2011
- 2,000,000 unlisted options exercisable at 7.5 cents at any time on or before 30 June 2012.
- 2,000,000 unlisted options exercisable at 10 cents at any time on or before 30 June 2013.

The following options lapsed during the year:

- 12,791,439 options to subscribe for fully paid ordinary shares exercisable at 20 cents at any time on or before the expiry date of 31 January 2010.
- 2,700,000 unlisted employee options exercisable at 13 cents at any time on or before the expiry date of 31 December 2009.

	Consolidated	
	2010	2009
	\$	\$
<b>(c) Foreign Currency Reserve</b>		
Balance at the beginning of the financial year	1,648,652	1,631,570
Movement for the year	(210,572)	17,082
	<hr/>	<hr/>
	1,438,080	1,648,652
<b>(d) Accumulated Losses</b>		
Balance at the beginning of the financial year	(40,642,796)	(37,747,618)
Net losses attributable to members of Sihayo Gold Limited	(8,649,593)	(2,895,178)
	<hr/>	<hr/>
	(49,292,389)	(40,642,796)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**12. Parent Entity Disclosure Note**

<b>FINANCIAL POSITION</b>	Parent	
	2010 \$	2009 \$
<b>Assets</b>		
Current Assets	1,296,846	956,967
Non current assets	91,803	87,071
<b>Total assets</b>	<b>1,388,649</b>	<b>1,044,038</b>
<b>Liabilities</b>		
Current liabilities	176,010	1,772,270
Non current liabilities	13,274	10,500
<b>Total liabilities</b>	<b>189,284</b>	<b>1,782,770</b>
<b>Equity</b>		
Issued capital	47,698,546	36,816,579
Retained earnings	(47,540,590)	(38,527,881)
<b>Reserves</b>		
Option premium reserve	1,041,409	944,708
Equity reserve	-	27,862
<b>Total Equity</b>	<b>1,199,365</b>	<b>(738,732)</b>
<b>FINANCIAL PERFORMANCE</b>		
Loss for the year	9,012,709	2,590,479
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>9,012,709</b>	<b>2,590,479</b>

The parent entity did not enter into any guarantees in relation to the debts of its subsidiaries for 2009 or 2010.

The parent entity did not have any contingent liabilities for 2009 or 2010.

The parent entity did not enter into any commitments for the acquisition of property, plant and equipment for 2009 or 2010.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### 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:

	2010 No	2010 WAEP Cents	2009 No	2009 WAEP Cents
Outstanding at the beginning of the year	11,200,000	14.00	11,700,000	14.00
Granted during the year	7,000,000	22.50	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(2,700,000)	-	(500,000)	-
	<u>15,500,000</u>	<u>11.45</u>	<u>11,200,000</u>	<u>14.00</u>

The outstanding balance as at 30 June 2010 is represented by:

- 8,500,000 unlisted director options to subscribe for fully paid ordinary shares exercisable at 15 cents at any time on or before the expiry date of 31 May 2013.
- 3,000,000 unlisted options exercisable at 5 cents at any time on or before 31 August 2011.
- 2,000,000 unlisted options exercisable at 7.5 cents at any time on or before 30 June 2012.
- 2,000,000 unlisted options exercisable at 10 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 2010.

	2010	2009	2009
	\$0.10	\$0.075	\$0.05
Dividend yield (%)	0	0	0
Expected volatility (%)	50	50	100
Risk-free interest rate (%)	4	4	3
Expected life of options (years)	3.32	2.32	2.10
Option exercise price (\$)	0.10	0.075	0.05
Weighted average share price at grant date (\$)	0.06	0.06	0.05

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 2010

### 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

Philip Christie	Director (resigned on 19 October 2010)
Misha Collins	Non Executive Director
Ian Macpherson	Non Executive Director (resigned 3 June 2010)
Paul Willis	Executive Director & CEO (appointed 29 September 2009)
Gavin Caudle	Non Executive Director (appointed 8 April 2010)
Peter Bilbe	Non Executive Director (appointed 3 June 2010)
William John Blake	Non Executive Director (appointed 4 June 2010)
Tony Martin	Chief Executive Office (resigned 26 April 2010)
Greg Entwistle	Chief of Operations Officer (appointed 5 March 2010)
Dean Pluckhahn	Senior Geologist (ceased employment 30 June 2010)

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

#### (a) Compensation for Key Management Personnel

	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	615,390	551,760
Non monetary benefit	11,125	11,118
Post employment benefits	17,171	21,114
Other long-term benefits	-	-
Termination benefits	38,000	-
Share based payments	96,700	-
	<u>778,386</u>	<u>583,992</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

30 June 2009	Balance at beginning of period 1 July 08	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 June 09	Vested at 30 June 2009	
						Total	Exercisable
P Christie	3,025,202	-	-	(300,000)	2,725,202	2,725,202	2,725,202
B Hurley (resigned 27/11/08)	2,500,000	-	-	(300,000)	N/A	2,200,000	2,200,000
R Murchison (resigned 27/11/08)	1,601,408	-	-	(200,000)	N/A	1,401,408	1,401,408
B Tomich (resigned 19/06/09)	1,500,000	-	-	(200,000)	N/A	1,300,000	1,300,000
D Pluckhahn	500,000	-	-	-	500,000	500,000	500,000
M Collins	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000
I Macpherson	-	-	-	4,974,500	4,974,500	4,974,500	4,974,500

**(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:

30 June 2010	Balance 1 July 09		Granted as remuneration		On exercise of options		Net change other		Directors balances as at date of resigning/ terminated		Balance 30 June 10
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Ord	
P Christie	624,852	-	-	-	-	-	-	-	624,852	-	-
M Collins	17,275,496	-	-	-	-	-	254,078	-	-	-	17,529,574
I Macpherson	9,949,000	-	-	-	-	-	22,035,329	-	31,894,329	-	-
P Willis	-	-	-	-	-	-	46,221,409	-	-	-	46,221,409

**(c) Shareholdings of key management personnel (consolidated)**

30 June 2010	Balance 1 July 09		Granted as remuneration		On exercise of options		Net change other		Directors balances as at date of resigning/ terminated		Balance 30 June 10
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Ord	
P Bilbe	-	-	-	-	-	-	420,000	-	-	-	420,000
WJ Blake	-	-	-	-	-	-	-	-	-	-	-
G Caudle	-	-	-	-	-	-	75,690,000	-	-	-	75,690,000
T Martin	-	-	-	-	-	-	-	-	-	-	-
G Entwistle	-	-	-	-	-	-	-	-	-	-	-
D Pluckhahn	-	-	-	-	-	-	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2010

**14. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)**

	Balance 1 July 08		Granted as remuneration		On exercise of options		Net change other		Directors balances as at date of resigning/ terminated		Balance 30 June 09
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Ord	
<b>30 June 2009</b>	<b>Ord</b>	<b>Pref</b>	<b>Ord</b>	<b>Pref</b>	<b>Ord</b>	<b>Pref</b>	<b>Ord</b>	<b>Pref</b>	<b>Ord</b>	<b>Ord</b>	
PCJ Christie	574,852	-	-	-	-	-	50,000	-	-	-	624,852
B.J.Hurley	741,092	-	-	-	-	-	-	-	741,092	-	N/A
RG Murchison	749,852	-	-	-	-	-	100,000	-	849,852	-	N/A
BNV Tomich	239,000	-	-	-	-	-	1,081,000	-	1,320,000	-	N/A
D Pluckhahn	-	-	-	-	-	-	-	-	-	-	-
M Collins	-	-	-	-	-	-	17,275,496	-	-	-	17,275,496
I Macpherson	-	-	-	-	-	-	9,949,000	-	-	-	9,949,000

**(d) Convertible Note holdings of key management personnel (consolidated)**

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

30 June 2010	Balance 1 Jul 2009	Interest Receivable	Converted	Balance 30 June 2010
P Christie	-	-	-	-
M Collins	-	-	-	-
I Macpherson	20,000,000	1,238,356	21,238,356	-
P Willis	-	-	-	-
P Bilbe	-	-	-	-
WJ Blake	-	-	-	-
G Caudle	-	-	-	-
T Martin	-	-	-	-
G Entwistle	-	-	-	-
D Pluckhahn	-	-	-	-

FATS Pty Ltd an associated entity of Mr Macpherson converted notes of 20,000,000 into shares during October 2009 and interest receivable of \$24,767.12 into 1,238,356 shares.

30 June 2009	Balance 1 Jul 2008	Purchased	Converted	Balance 30 June 2009
P Christie	-	-	-	-
B Hurley	-	-	-	-
R Murchison	-	-	-	-
B Tomich	-	-	-	-
D Pluckhahn	-	-	-	-
M Collins	-	-	-	-
I Macpherson	-	20,000,000	-	20,000,000
D Pluckhahn	-	-	-	-

Consolidated

2010

2009

\$

\$

**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	63,112	35,592
Other	15,679	16,846
	<u>78,791</u>	<u>52,438</u>



## 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 2010 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 \$7,590,096 in its accounts for the year ended 30 June 2010 (2009 - \$2,462,770) 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	
	2010	2009
	\$	\$
Non-current receivables	21,821,711	14,231,615
Provision for doubtful debts	(21,821,711)	(14,231,615)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

### 17. RELATED PARTIES (continued)

An amount of \$247,880 (2009 - \$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.

The following relates to expenditure commitments in Malawi.

	Consolidated 2010 \$	2009 \$
Not later than one year	404,176	801,841
Later than one year, but not later than 2 years	-	1,281,657
	404,176	2,083,498

#### Expenditure Commitments in Malawi

Sihayo Gold Limited did hold three exclusive prospecting licenses in Malawi with a combined area of 3,648 km<sup>2</sup>. During the year the licenses for the Mzimba Northwest and Chitunde Projects expired on 27 June 2010. There is approximately six months remaining on the license for Chizani which is due to expire on 12 December 2010. Proposed expenditure on the project is US \$346,100.

The following renewal applications were lodged in March 2010 requesting a two year extension on the above licenses:

Project Name	Tenement	Area Applied (km <sup>2</sup> )	Equity %
Chitunde	EPL0212/2007	98	100
Mzimba Northwest	EPL0211/2007	1,083	100
Chizani	EPL0223/2007	636	100

On 23 August 2010 the following renewal applications were lodged again due to a change of co-ordinates as advised by the Minister of Mines in Malawi:

Project Name	Tenement	Area Applied (km <sup>2</sup> )	Equity %
Mzimba Northwest	EPL0211/2007	1,106	100
Chizani	EPL0223/2007	634	100

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 <sup>2</sup>
General survey period	100
Exploration period	1,100

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### 18. EXPENDITURE COMMITMENTS (CONTINUED)

As at 30 June 2010, 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	
	2010	2009
	\$	\$
Not later than one year	67,364	46,575
Later than one year, but not later than 2 years	67,900	-
Later than two years but not more than 3 years	73,558	-
	<u>208,822</u>	<u>46,575</u>

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 2010.

##### Capital Commitments

There were no outstanding capital commitments not provided for in the financial statements of the Company as at 30 June 2010 or 30 June 2009.

#### 19. INVESTMENTS IN CONTROLLED ENTITIES

Controlled Entities:	Class of Shares	Cost of Parent Entity's Investment		Equity Holding	
		2010	2009	2010	2009
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 <sup>(a)</sup> (incorporated in Singapore)	Ordinary	697,537	697,537	100%	100%
PT Sorikmas Mining <sup>(b)</sup> (incorporated in Indonesia)				75%	75%
		<u>2,344,382</u>	<u>2,344,382</u>		

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**19. INVESTMENTS IN CONTROLLED ENTITIES (continued)**

- (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 \$87,507 as at 30 June 2010 (2009: AUD \$98,451).

**20. NOTES TO THE CASH FLOW STATEMENT**

**(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 Statements of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	Consolidated 2010 \$	2009 \$
Cash at Bank	1,358,675	917,881

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

	Consolidated 2010 \$	2009 \$
Operating (loss) after income tax	(8,649,593)	(2,895,178)
<u>Non Cash Items</u>		
Depreciation	14,424	15,767
Exploration costs written off	7,505,976	1,847,780
Convertible note costs	54,743	181,199
Plant & equipment written off	5,466	-
Share based payments	96,700	-
Diminution in investments	11,260	32,897
<u>Change in operating assets and liabilities, net of effects from purchase controlled entity</u>		
(Increase) / decrease in trade and other receivables	(418,360)	35,471
Increase / (decrease) in payables	226,232	77,610
Increase / (decrease) in provisions	212,563	105,797
Increase / (decrease) in other liabilities	(1,195)	-
Increase / (decrease) in FX	(120,257)	(34,324)
Net cash (outflow) from operating activities	(1,062,041)	(632,981)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**21. EARNINGS PER SHARE**

	Consolidated Entity	
	2010	2009
(a) Basic and diluted loss per share (in cents)	(2.23)	(1.39)
(b) Weighted average number of shares outstanding during the year used in the calculation of basic earnings per share	387,727,020	208,411,068

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

**Reconciliation of earnings used in calculating basic earnings per share**

	Consolidated Entity	
	2010	2009
	\$	\$
Net Loss	(8,649,593)	(2,895,178)

**22. JOINT VENTURES**

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

Joint Venture	Joint Venture Partner	Principal Activities	Interest 2010	Interest 2009
<i>Aberfoyle Pungkut Investments Ptd Ltd</i> Pungkut	Indonesian Government	Mineral exploration	75%	75%

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

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

**Parent Entity**  
*Sihayo Gold Limited*

Project	Principal Activities	Interest 2010	Interest 2009
<i>Mt Keith</i>	Mineral exploration	2% Royalty	2% Royalty

**Controlled Entities:**  
*Excelsior Resources Pty Limited*

Project	Principal Activities	Interest 2010	Interest 2009
Mulgabbie	Mineral exploration	2% Royalty	2% Royalty

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

### 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	
	2010	2009
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	1,358,675	917,881
Trade and other receivables	530,514	112,154
Other financial assets	16,950	13,550
Security deposits	56,787	80,105
<b>Total Financial Assets</b>	<b>1,962,926</b>	<b>1,123,690</b>
<b>Financial Liabilities</b>		
Trade and other payables	497,003	305,771
Convertible Note	-	1,479,335
Other liabilities	23,731	23,857
<b>Total Financial Liabilities</b>	<b>520,734</b>	<b>1,808,963</b>

#### Credit Risk

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

	Consolidated	
	2010	2009
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	1,358,675	917,881
Trade and other receivables	530,514	112,154
Other financial assets	16,950	13,550
Security deposits	56,787	80,105
<b>Total Financial Assets</b>	<b>1,962,926</b>	<b>1,123,690</b>

#### Impairment Losses

No impairment loss was recognised in either 2009 or 2010 with regards to receivables. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered by the economic entity.

#### Foreign currency risk management

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2010

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

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

	Liabilities		Assets	
	2010	2009	2010	2009
	\$	\$	\$	\$
Australian Dollars	1,050,904	497,799	845,142	147,035

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

	Consolidated	
	2010	2009
	\$	\$
<b>Cash and cash equivalents</b>		
SGD	620,829	121,013
USD	218,096	35,654
<b>Trade and other payables</b>		
SGD	1,050,904	50,525
USD	346,154	341,460

**Sensitivity Analysis**

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

	AUD	Consolidated	
		2010	2009
<b>Impact on post-tax profit and accumulated losses</b>			
SGD / USD	+10%	-	-
SGD / USD	-10	-	-

	AUD	Consolidated	
		2010	2009
<b>Impact on equity reserve only</b>			
SGD	+10%	20,087	7,832
SGD	-10%	(20,087)	(7,832)
USD	+10%	10,977	24,611
USD	-10%	(10,977)	(24,611)

**24. EVENTS OCCURRING AFTER REPORTING DATE**

On 28 July 2010 the Company announced a fundraising deal of \$10.8 million. This was a private share placement fully underwritten by the Company's largest shareholder Summit Investments Pty Ltd. 76.9 million shares are to be issued at a price of 14 cents each.

On 29 July the Company announced that it had appointed a new Chief Geologist, Mr Graham Petersen. The following securities were issued to him as part of his remuneration package:  
23,070,000 shares issued @ 14 cents each.  
4,500,000 shares issued @ 5 cents each.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**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:

	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>
Australia	46,249	11,378
Africa	-	-
South East Asia	-	8,982
India	-	-
Other foreign countries	10,944	-
<b>Total revenue</b>	<u>57,193</u>	<u>20,360</u>

**Segment Result by geographical region**

	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>
Australia	(1,136,702)	(1,024,016)
Africa	(118,110)	(187,330)
South East Asia	(7,382,390)	(1,638,578)
India	(23,335)	(45,254)
<b>Segment Result</b>	<u>(8,660,537)</u>	<u>(2,895,178)</u>

**Assets by geographical region**

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

	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>
Australia	1,388,660	1,044,918
Africa	7,448	10,575
South East Asia	845,142	147,035
India	322	3
<b>Total Assets</b>	<u>2,241,572</u>	<u>1,202,531</u>

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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### 25. SEGMENT INFORMATION (continued)

#### Liabilities by geographical region

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

	30 June 2010	30 June 2009
	\$	\$
Australia	189,284	1,782,770
Africa	-	-
South East Asia	1,079,126	526,305
India	-	-
<b>Total Liabilities</b>	<b>1,268,410</b>	<b>2,309,075</b>

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## DIRECTORS' DECLARATION

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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 2010 and of their performance; 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 2010.

On behalf of the Board



**PAUL WILLIS**  
Director

29 September 2010

## 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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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.

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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 company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

#### ***Inherent Uncertainty Regarding Going Concern***

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 1(a) to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2010, the consolidated entity had net working capital of \$651,003, and the consolidated entity incurred losses for the year of \$8,649,593.

The ability of the Company and its subsidiaries to continue as going concerns and meet their planned exploration, administration, and other commitments is dependent upon the Company and its subsidiaries raising further working capital, and/or commencing profitable operations. In the event that the Company and its subsidiaries cannot raise further equity, the Company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the Company's and its subsidiaries' assets may be significantly less than book values.

#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 19 to 23 of the directors' report for the year ended 30 June 2010. 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 2010 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL**  
**(An Authorised Audit Company)**

*Stantons International*

  
**Keith G Lingard**  
**Director**

West Perth, Western Australia  
29 September 2010

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## ADDITIONAL SHAREHOLDER INFORMATION

The following additional information dated 9 September 2010 is provided in compliance with the requirements of the Australian Securities Exchange Limited.

### 1 DISTRIBUTION OF LISTED ORDINARY SHARES AND OPTIONS

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

Distribution	No. of shareholders	Units	% off issued Capital
1-1000	453	238,334	0.05
1,001-5,000	894	2,324,299	0.44
5,001-10,000	342	2,673,062	0.50
10,001-100,000	663	26,442,999	4.99
100,001 and above	269	497,769,114	94.02
<b>Total</b>	<b>2,621</b>	<b>529,447,808</b>	<b>100</b>

- (b) There were 987 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	75,690,000	14.30
HSBC Custody Nominees Australia Ltd	64,229,232	12.13
Yaw Chee Siew	47,690,000	9.01
FATS Pty Ltd	30,884,329	5.83
ANZ Nominees Ltd	25,378,547	4.79
Insight Capital Management Pty Ltd	16,294,039	3.08
Pettersson Bradley John	15,747,907	2.97
Citicorp Nominees Pty Ltd	14,585,956	2.75
Lion Selection Group Ltd	13,000,983	2.46
Asian Lion Ltd	12,068,466	2.28
Gemtwin Pty Ltd	10,000,000	1.89
Yaw Chee Siew	7,849,805	1.48
J P Morgan Nom Australia Ltd	7,309,047	1.38
DBS Vickers SEC Singapore	6,965,541	1.32
Ganesh International Ltd	6,430,120	1.21
HSBC Custody Nominees (Australia) Pty Ltd	5,600,000	1.06
Base Asia Pacific Ltd	5,454,545	1.03
Collins Anthony E & AC	4,268,000	0.81
Waferbell Ltd	4,160,990	0.79
Macquarie Bank Ltd	3,722,222	0.70
<b>Total</b>	<b>377,329,729</b>	<b>71.27</b>

## ADDITIONAL SHAREHOLDER INFORMATION

The names of the twenty largest listed option holders (20cents - ORPO) Expiring 31/01/2011 are listed below:

Names	No. of options	%
Forza Family Pty Ltd	3,350,000	25.23%
Georg Luzukic	1,341,823	10.10%
Robert A Cameron	1,134,000	8.54%
Shane A Heywood	1,000,000	7.53%
Cleardon Ltd	628,311	4.73%
Comsec Nominees Pty Ltd	507,695	3.82%
Martin Music	444,000	3.34%
Robert A Cameron	390,000	2.94%
Nathan Featherby	370,690	2.79%
Michael Jolob	350,000	2.64%
Invesco Nominees Pty Ltd	300,000	2.26%
Victorian Trading Pty Ltd	300,000	2.26%
Ganesh International Limited	269,250	2.03%
Jorac Pty Ltd	250,000	1.88%
Maria Leontina Fernandes	238,220	1.79%
Stephen J Anderson	207,150	1.56%
Tina M Gubbings	200,000	1.51%
Toufik Nimeh	200,000	1.51%
Johannes K Wang	200,000	1.51%
Callie Hughes	150,000	1.13%
	11,831,139	89.10

### 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	75,690,000	14.30
HSBC Custody Nominees	64,229,232	12.13
Mr Chee Siew Yaw	47,690,000	9.01
Fats Pty Ltd	30,884,329	5.83

### 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.

## **ADDITIONAL SHAREHOLDER INFORMATION**

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### **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.

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**SUMMARY OF TENEMENTS HELD BY COMPANY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

Project Name	Tenement	Approval Date	Expiry Date	Area (ha)	Equity %
<b>OROPA INDIAN RESOURCES PTY LTD</b>					
<b>INDIA</b>					
Block D-7		22.01.00		4600km <sup>2</sup>	9 <sup>(1)</sup>
<b>PT SORKIMAS MINING</b>					
<b>INDONESIA</b>					
Pungkut	96PK0042	31.05.96		66,300	75
<b>OROPA EXPLORATION PTY LTD</b>					
<b>MALAWI</b>					
Chitunde	EPL0212/2007	27.06.07	27.06.10	196km <sup>2</sup>	100
Chitunde	EPL0212/2007	U/A		98km <sup>2</sup>	100
Mzimba Northwest	EPL0211/2007	27.06.07	27.06.10	2169km <sup>2</sup>	100
Mzimba Northwest	EPL0211/2007	U/A		1106km <sup>2</sup>	100
Chizani	EPL0223/2007	12.12.07	12.12.10	1283km <sup>2</sup>	100
Chizani	EPL0223/2007	U/A		634km <sup>2</sup>	100
<b>SIHAYO GOLD LIMITED</b>					
<b>WESTERN AUSTRALIA</b>					
<b>Mt. Keith</b>					
	M53/490	11.06.04	10.06.25	582.00	0 <sup>(2)</sup>
	M53/491	11.06.04	10.06.25	621.00	0 <sup>(2)</sup>
<b>EXCELSIOR RESOURCES PTY LTD</b>					
<b>Mulgabbie</b>					
	ML28/364	25.03.09	24.03.30	54.3	0 <sup>(2)</sup>
	PL28/1078	22.09.08	21.09.12	98.0	0 <sup>(2)</sup>
	PL28/1079	22.09.08	21.09.12	143.7	0 <sup>(2)</sup>
	PL28/1080	22.09.08	21.09.12	140.7	0 <sup>(2)</sup>
	PL28/1081	22.09.08	21.09.12	191.4	0 <sup>(2)</sup>
	PL28/1082	22.09.08	21.09.12	120.0	0 <sup>(2)</sup>

**NOTES**

- (1) Option to increase interest to 18%
- (2) 2% nett smelter royalty
- U/A 2 year Extensions and area reductions Under Application