



ASX ANNOUNCEMENT 8 OCTOBER 2010

HYDRO ELECTRIC POWER PLANT – FEASIBILITY STUDY AND MOU

The Board of Sihayo Gold Limited ("the Company") is very pleased to announce that PT Sorikmas Mining ("PTSM"), the 75% owned subsidiary of the Company, has formally engaged Indonesian based consulting engineers, PT. Indra Karya ("PTIK") in association with internationally recognised engineering firm SMEC (Snowy Mountains Engineering Corporation), to conduct a detailed Feasibility Study into the potential supply of hydro electric power to the Sihayo Pungkut gold project.

The feasibility study is due for completion by the end of January 2011.

Based upon a positive feasibility study result, it is estimated that hydro electric power could be available to the Sihayo Pungkut gold project within 24 months thereafter. The project will utilise a conventional diesel power system prior to the availability of hydro power.

In addition to commencing the feasibility study, PTSM has also signed a Memorandum of Understanding ("MOU") with PT. Duta Graha Indah Tbk ("Duta Graha") for the construction and operations of the proposed hydro electric power plant. Duta Graha is a major construction and engineering group and is listed on the Jakarta Stock Exchange. Duta Gaha recently completed a major project management role for the construction of a large hydro electric power plant (2 x 90 MW) in North Sumatra, Indonesia.

A key component of the MOU is an initial 10 year fixed price offtake agreement between Duta Graha and PTSM and an option to extend the offtake agreement for a further 10 year period at an agreed fixed price.

"There are significant economic and environmental benefits to be achieved if the feasibility study delivers us a positive outcome for hydro power and as such we have engaged the best available companies to work with us to complete the work as soon as possible and look forward to updating the market early in 2011 on the results" said Greg Entwistle, Chief Operating Officer.

Yours sincerely
SIHAYO GOLD LIMITED

A handwritten signature in black ink, appearing to read "Paul Willis", is written over a horizontal line.

PAUL WILLIS
Chief Executive Officer