

ASX Announcement

9 July 2012

Update on demonstrations at Sihayo's operations in Indonesia

The Board of **Sihayo Gold Limited (ASX: SIH)** is providing an update on recent events at its 75% owned Sihayo Pungkut Gold Project in North Sumatra, Indonesia.

On Saturday 7th July, a group of local demonstrators, consisting mostly of local illegal artisanal miners, arrived and disrupted the Company's Sambung exploration camp.

Company personnel are all accounted for, are safe and not injured. Despite the presence of local police, and Sihayo's own security team, the demonstrators have caused significant damage to the Company's exploration camp.

As of Sunday 8th July, local police personnel are securing the exploration camp and all demonstrators have left the camp area. These are criminal acts against the Company and the Company shall work closely with local authorities to bring those responsible for these acts to justice. Currently, seven leaders of the illegal miners have been arrested by the police and there is an expectation that more arrests shall follow.

The Company's Chief Executive Officer has visited the exploration camp and will remain in the local area for meetings with the Head of North Sumatra Police and the Head of the Local Government on Monday 9th July. The meetings will focus on ensuring operational safety and security for the Company's employees and further address the major issue of illegal mining activities being conducted within the Company's Contract of Work Area ("COW").

The incident is very similar in nature to that which occurred in May 2011.

The Company believes this latest incident was provoked by those directly involved in the illegal mining activities and took place just weeks before the local Government and Police had planned to block the access of illegal miners to the COW area.

The Company is working to assess the damage and to ensure that the disruption to our operation is minimized. Whilst these actions are deplorable, we will seek support within the broader local community for companies like Sihayo Gold who conduct sanctioned mining activities. These activities create sustainable economic opportunities for all stakeholders, including those members of the local community currently participating in the agriculture programs sponsored by Sihayo Gold.

During this period of disruption at the Sambung Resource area, surface exploration work shall continue at the highly prospective Hutabargot epithermal gold prospect located approximately 7km to the south east of the Sambung Resource.

The Company will provide updates to the market as necessary, including the potential impact on our activities and strategy for addressing illegal mining activities within our COW.

Yours faithfully,



Danny Nolan - Company Secretary