



10 December 2012

Dear Shareholder,

The printed version of the Sihayo Gold Limited 2012 Annual report distributed to some shareholders inadvertently contained the Chairman's Review for the year 2011 not 2012.

The annual report submitted to the ASX on 28 September 2012 contains the correct Chairman's Review for 2012.

Attached is the 2012 Chairman's Review for clarification.

Sihayo Gold apologises for any inconvenience caused.

Regards,

A handwritten signature in black ink, appearing to be "DN", is written over a horizontal dotted line.

Daniel Nolan  
Company Secretary

## CHAIRMANS REVIEW

Dear Fellow Shareholder,

The last 12 months has been a somewhat challenging and frustrating year as progress on finalising the Definitive Feasibility Study (“DFS”) for the Sihayo Pungkut Gold Project (“SPGP”) has been slower than anticipated and consequently the study is not yet quite complete.

Nevertheless, the study is now nearing completion and results to date have clearly been very positive with robust project economics.

The issues contributing to delays in completing the DFS were disruptions to field activities resulting from damage to our exploration camps by illegal miners, the need to undertake additional metallurgical test work and infill drilling at the Sambung Deposit.

The illegal (artisanal) mining activities within our Contract of Work (“COW”) have been, to a large degree, curtailed. However, various initiatives have been implemented with the cooperation of the local community, Government, Police and Army with the longer term objective of ensuring that there is no illegal mining activity or conflicting operations within the COW area and specifically within the area designated for the construction and operations of the Sihayo Pungkut Gold Project.

The Company also has in place very active local community development programs including extensive agriculture improvement initiatives, establishment of community centres, local infrastructure improvements and education regarding the Company’s activities and employment opportunities. We believe that these actions will provide some enduring benefits for the local people and also help to engender widespread support for the Company’s activities.

Preliminary study results for our gold project have demonstrated attractive project economics with a 1.5 Mtpa Carbon in Leach (“CIL”) gold plant delivering approximately 90,000 ounces of gold per annum at a very competitive operating cost of USD \$600-\$650 per ounce based on the current resource estimate of 1.5 million ounces of gold.

Although significant potential exists to identify additional gold resources along the Sihayo/Sambung Mineralised Trend over the next year or two, our immediate focus is clearly on advancing the existing project to a producing mine. This will entail completing the DFS, obtaining the necessary environmental and construction approvals and securing project funding.

The exploration potential across the remainder of COW area is considered to be outstanding with many areas being highly prospective for a range of different mineralisation styles including porphyry copper/gold and epithermal gold. A number of these prospects are considered to be “world class” in terms of exploration results to date and comparable geological settings for some major deposits elsewhere in the world. Exploration will continue in these areas on a project ranking basis.

Recently the Indonesian Government has proposed and implemented changes to the mining regime regarding ownership and legal rights for some mining activities in Indonesia. The Company holds a 7th Generation COW signed by the Government of the Republic of Indonesia.

The COW is the highest standing legal tenure in the Indonesian mining industry and describes in detail the rights and obligations of both the Company and the Government and therefore provides for a reasonable degree of certainty and security.



Our major shareholders have continued to remain very supportive and we thank them and all our shareholders for their ongoing support and patience which we believe we be appropriately rewarded in the years ahead.

On behalf of the directors of the Company I would also like to thank our management, employees and contractors for their efforts and commitment throughout the year.

A handwritten signature in black ink, appearing to read "P. Bilbe", is positioned above the printed name.

Peter Bilbe  
Chairman