



ASX ANNOUNCEMENT

27th March 2011

PROJECT POWER SOLUTION UPDATE DELIVERS SIGNIFICANT SITE OPERATING COST IMPROVEMENTS

The Board of **Sihayo Gold Limited (ASX: SIH)** is pleased to provide an update on the inclusion of a Biomass Power Plant as part of the Definitive Feasibility Study ("DFS") for its 75% owned Sihayo Pungkut Gold Project ("SPGP") in North Sumatra, Indonesia.

Biomass Power Plant

The Company has appointed DP CleanTech ("DPCT") to complete a standard DFS document for the design, construction and commissioning of a 9.9MW Biomass Power Plant.

Previously, the power production was based on diesel generators and at a basis of US\$100/bbl oil the unit cost of power was approximately US\$0.25 kw/hr.

DP CleanTech have designed, constructed and successfully commissioned over 40 biomass power plants across Asia and Europe with a combined installed capacity of 1,000MW.

The primary fuel source for the proposed power plant is Palm Kernel Shells ("PKS") a waste product of the palm oil production process.

The PKS market is well established in Sumatra, Indonesia and export volumes of PKS to North Asia and Europe as a primary fuel for biomass power plants has been steadily increasing over the past five years.

Potential supply of PKS within trucking distance of the proposed power plant site exceeds 2 times the annual required supply and is available across multiple independent suppliers. In addition, new palm oil plantations are being established within the area and will provide additional future supply of PKS.

The PKS will be stored on site with a covered area to dry a nominated amount before being placed onto a conveyor to feed into the boiler.

The PKS is fed into a boiler which will generate steam from water sourced from the local river. The steam from the boiler will be sent to the steam turbine generator for the electrical power generation.

Power will be delivered to the plant and infrastructure via overhead transmission lines. A diesel generator power station will supply black start capabilities for the Biomass Power Plant as well as emergency backup power for the operation.

DPCT have submitted a cost of US\$17.9m to design, supply, install and commission the boiler and turbine structure including certain ancillary equipment to support the generator. Owner's costs amount to US\$12.2m including; earthwork, roads, buildings, fire systems, water intake and all other electrical equipment. The total cost of the Biomass Power Plant is US\$30.1 million.

Operating costs are in the final stages of estimation and based on the current market price for PKS per tonne delivered to our nominated power plant location will be in the range of US\$0.08c – US\$0.10c per kw/hr.



Based on the overall operation's annual power requirement , the Biomass Power Plant delivers annual operating cost savings of approximately US\$9m compared to diesel power generation.

In terms of cash costs of production basis the power savings equate to US\$100/oz over the estimated initial 7 year mine life, thus reducing average site cash costs from US\$678/oz to a very competitive level of US\$578/oz.

From both an environmental and operating cost perspective, the potential to utilise proven biomass power supply is very material.

Yours faithfully,
SIHAYO GOLD LIMITED

Paul Willis
Chief Executive Officer
27th March 2012