REPORT ON ACTIVITIES FOR THE QUARTER ENDED
31 DECEMBER 2011

HIGHLIGHTS

Tembang Project Development

- The Feasibility Study required to support all permits including the Environmental Impact Assessment and Environmental Management Plan (‘AMDAL’) was completed and submitted to the Department of Mines in January 2012
- The AMDAL was well advanced and expected to be ready for presentation in the March 2012 quarter
- Stage 1 Prefeasibility Study well advanced with mining and process plant designs completed. Preliminary capital and operating costs identified with final report expected in February 2012
- Metallurgical testwork program completed with results confirming previous recoveries at +90% Au and +80% Ag, amenability to SAG milling, low reagent consumptions and a high gravity recoverable gold component

Tandai Exploration

- Significant new gold discovery at the Lusang North prospect
- Cumulative intersection of 61.5 metres in hole TDD 11024 averaging 2.85 g/t gold and 15.1 g/t silver in three major intersections from 58.8 metres to 165.1 metres, including 27.56 g/t gold over 1.9 metres
- Further significant mineralisation encountered in hole TDD 11025 with seven separate intersections from 21.0 to 187.0 metres including 2.1 metres at 37.00 g/t Au and 35.6 g/t Ag
- Regional program successful in generating a prospect area named Ulukau located approximately 10 kilometres south southeast of Tandai. Recent outcrop samples have returned assays of 1.53 g/t Au, 2.81 g/t Au and 3.72 g/t Au from low-sulphidation epithermal style stockwork and banded quartz veining. Follow up infill sampling, soil sampling and mapping is now underway

Regional Exploration

- Discovery of new gold bearing structure to the north of high grade Belinau vein
- Large area of gold anomalous soils discovered in the far west of the Pasaman IUP

Corporate

- Placement of 6,727,500 new CDIs to raise A$1,076,400
1. OPERATIONS

1.1 Tembang – Stage 1 Development

Sumatra Copper & Gold plc (‘Sumatra’ or ‘the Company’) continued development during the quarter on the fast tracking of Stage 1 underground mining of the Belinau deposit and small satellite open pits, Aidit South and Bujang.

Activities were focused on the preparation of the supporting feasibility study report for the environmental permit application.

1.1.1 Environmental Permitting

During the quarter the original Prefeasibility Study and the revised Stage 1 Prefeasibility Study were combined to provide support for the Environmental Permit and Mining Permit applications. The combination of these two documents was presented to the Department of Mines in the Musi Rawas Regency and the permit process has commenced.

The preparation of the AMDAL report was completed and scheduled for submission in the March 2012 quarter.

1.1.2 Prefeasibility Study (‘PFS’)

Preliminary underground design, capital and operating cost estimates were completed by Mining Plus Pty Ltd for the Belinau orebody. This consisted of conventional boxcut, decline and level development to access the steeply dipping orebody. The mining method selected was open stoping of the vein with backfilling using waste material. The initial mining strategy was to develop to the base of the deposit and then retreat stopes upwards using waste to backfill resultant voids. An option to commence stoping in the middle of the deposit, which could lead to earlier cash flow to cover operational costs, was explored and found to be viable. This study is considered as being a base case and Sumatra believe there are a number of opportunities which may reduce both capital and operating expenses. These will be investigated in the next stage of development.

It is planned to mine both Aidit and Bujang open pits in the first four years of the ten year plan, coinciding with Belinau underground mining. The overall grade is lower in these pits but this additional ore provides various strategic advantages. Early next quarter preliminary open pit designs will be completed for Aidit and Bujang to provide optimised mine plans for inclusion within the PFS.

Geotechnical work undertaken by AMC consultants indicates that open stopes of moderate dimensions will be feasible. Empirical design methods indicate that if 20 metre sub-levels are selected then stopes up to 50 metres in length should be stable. A shallow depth of weathering is expected in the vicinity of the boxcut and ground conditions should improve quickly within the decline as it proceeds deeper. Ground support and reinforcement in the boxcut have been recommended. This is similar to designs employed in Western Australia mines.

Within the decline fair to good ground conditions are expected and it is proposed ground support would consist of rebar, fibrecrete and/ or wire mesh. Ore drives, of smaller dimensions, will also have a similar ground support system installed but requirements will be less per metre of advance. If areas of poor ground are encountered the installed support will be upgraded to handle the expected ground conditions. The shallow depth of the mine indicates that stress induced mining problems are unlikely to manifest. Only a minor number of core samples have been tested for strength determination and further test work was recommended to provide a comparison to estimated rock strength from core logging. Two samples of Belinau core are to be tested early next quarter.
The process preliminary plant design, capital and operating cost estimates were completed by Como Engineers Pty Ltd based on the Stage 1 design throughput of 200ktpa. A single stage crush/SAG milling and conventional Carbon-in-leach (‘CIL’) process route was selected based upon the potential to utilise the carbon stripping circuit in Stage 2.

The schedule for completion of the Stage1 PFS Report is scheduled for February 2012.

1.1.3 Metallurgical Testwork

The following interpretation was prepared from the results of the latest test program relating to Stage 1 development at Tembang.

- Gravity extraction was high and a gravity circuit should be included in the plant design.
- Leaching at a finer grind of 80% passing -53um of the master composite under similar conditions gave a similar recovery indicating a finer grind would not be beneficial.
- Leach testing on the master composite to assess the effects of lead nitrate and oxygen indicated lead nitrate had little affect while oxygen improved leach kinetics. Lead nitrate is not required.
- Leach testing on the master composite to assess the effects of cyanide concentration was undertaken. Increasing the cyanide concentration increased the leach kinetics. Overall cyanide and lime consumptions are low on an industry comparative scale.
- Gold deportment in the leach tailings indicated sulphide locked gold as the main losses, followed by carbonate and silicate locked. However over 90% of the gold is free leaching.
- Oxygen uptake is initially high but quickly satisfied indicating ore oxygen demand will be low. High dissolved oxygen levels in the CIL circuit will be relatively easy to maintain.
- Viscosity testing indicated no issues are expected with cyclone classification or CIL agitation.
- Pre-adsorption leach testing on the master composite at a grind size of 80% passing -75um, confirmed the extraction to liquor of +90% Au and +80% Ag at 48 hours.
- Cyanide detox testing showed the air/SO2 method achieved discharge levels of < 1.00 ppm free and < 2.90 ppm total CN in a 1 hour reactor with typical reagent consumptions.
Tembang project location

Tembang mine development layout
1.1.4 Planned Program and Timetable

During the March 2012 quarter the Company intends to complete the following items:

- Following the submission of the original Prefeasibility Study and the revised Stage 1 Prefeasibility Study with the Department of Mines the Company will submit the completed Environmental Impact Assessment and Environmental Management Plan (‘AMDAL’)
- Completion of the conversion of the current JORC resource into a reserve

1.2.1 Tembang Exploration

With the end of the drilling programs at Tembang, work this quarter has focused on exploration for strike extensions to known mineralised structures for drilling in June 2012 quarter.

Ground magnetic surveying exploits the close association between the veins and earlier andesite dykes, this together with sub-soil geochemistry sampling with Wacker drills is being used to identify suitable drill targets.

North Belinau

The main Belinau Vein is closely associated with a large andesite dyke, to the north of Belinau at Jenih, drilling identified another significant intrusive with associated mineralised quartz vein (RDD10090 3.65 metres @ 4.12g/t Au and 7.6g/t Ag from 152 metres downhole). A ground magnetic survey over the area directly north of Belinau and around Jenih was completed in October on a line spacing of 100 metre intervals with stations at 25 metre intervals along lines. Results indicate a significant north south structure due north of Belinau.
The contrast between magnetic high (warm colours) and low (cool colours) is interpreted as representing the contact area between the magnetic dyke and the vein with surrounding alteration causing magnetic destruction. The ground magnetic survey was followed up during November and December with sub-surface geochemistry assays which clearly indicate a north south trending gold anomaly corresponding with the magnetic low.

Geochemistry Results over Magnetic anomaly at North Belinau

South Belinau

Wacker sub-soil sampling has now been completed over the area to the south of the Belinau main vein. Results from the south eastern portion have identified a low grade gold anomaly with associated arsenic structure, running parallel to the Belinau trend, some 800 metres to the south east. Infill sampling will be conducted to better define the anomaly.
Wacker result for south-southeast Belinau Au ppb

Wacker result for south-southeast Belinau As ppm
CSAMT Survey

In December preparations began ahead of a planned Controlled Source Audio-Frequency Magneto Tellurics (‘CSAMT’) survey over the Tembang Ore Field to be undertaken by Elliott Geophysics starting in March 2012. The survey will total some 63 line kilometres with lines spaced at 100 metre intervals and 25 metre stations. The results of the CSAMT survey together with follow up sub-soil geochemical sampling should help to generate new drill targets. The survey is intended to identify vein systems that have little or no surface expression, as was the case with the southern shoot at Belinau. The figure below shows the extent of the planned survey.

Area of planned CSAMT survey showing survey points pegged

District Exploration

Exploration work during the quarter was focused on preparation for drilling at Racambai as well as mapping to the northwest of the Buluh pit. Eight proposed drill holes have been prepared at the Racambai Prospect and aim to test the potential of the 700 metres x 100 metres northeast to southwest corridor of veining. This corridor is clearly defined by highly anomalous Au geochemistry. The best assay of the outcrop samples taken from the Racambai vein is 3 metres @ 2.01 g/t Au. A grab sample by previous explorers returned up to 50.90 g/t Au and 1,244.0 g/t Ag. Most of the previous drilling was targeted approximately 50 metres beneath surface with the best intercept of 6 metres @ 1.01 g/t Au in BTR 1247. The current program will target from -25 metres RL to -50 metres RL or approximately 100 metres beneath surface, the same level as the productive shoots at Belinau.
Drill targets at Tembang

Racambai proposed drilling
At Buluh narrow quartz veins up to 10 centimetres wide were mapped and sampled. These veins are considered to be PSV style to the main Buluh vein.

1.2 Sontang

Sumatra’s wholly-owned Sontang project is located approximately 160 kilometres north of Padang, within the Pasaman IUP. Sontang comprises the virgin discovery of a high-grade polymetallic manto, made by the Company’s geologists in ground previously explored by other companies.

Systematic exploration, involving stream sediment sampling, mapping and ridge and spur soils have been used to better define the zones of anomalous gold mineralisation in the Simpang Godang area (Barilas area) in the south west part of the licence. Although quartz veins have been found in the area, with float samples to 1.4 g/t Au, 39 g/t Ag, we have yet to locate significant in situ mineralisation. However a large area of gold anomalous soils have been discovered in the headwaters of the main drainage and these will be followed up during the upcoming quarter. Of interest are the host rocks comprising granodiorite cut by later intrusives which are known to host significant mineralisation in the exploration license to the northwest of Pasaman. Exploration work is ongoing to locate the high grade epithermal float, running up to 12.80 g/t Au and 648.0 g/t Ag.

The Company is well advanced in the process of selecting a joint venture partner to assist in exploration of this property and the Northern IUPs of Kotanopan and Mandailing Mining. Strong interest has been registered by a number of exploration and mining companies. A short list is in the process of finalisation prior to field visits early in the New Year. We expect negotiations to be complete by the end of the first quarter of 2012 and field work to commence soon after.

Pasaman IUP regional stream sediment anomalies
1.3 Tandai

The Tandai project is located within the northern part of the Bengkulu Utara IUP, in the Kabupaten of Bengkulu Utara, approximately 100 kilometres north of Bengkulu. Tandai has a long history of formal mining from the early part of the 20th century until post World War II. The Company’s tenements control a district in which at least three Dutch companies worked portions of the system. The old Dutch mining town at Tandai still remains, and was re-furbished by PT Lusang Mining Ltd (in a joint venture with CSR, then Billiton) when the mine was redeveloped and worked between 1985 and 1995.

Under the arrangements agreed with Newcrest Mining Limited (‘Newcrest’) in August 2010 Newcrest have the right to earn a 70% interest in the Tandai tenement by spending US$12 million on the project over 5 years.

During the quarter the Company’s exploration activities have been focusing on diamond drilling at the highly promising Lusang North prospect as well as the continuation of the phase II drilling program targeting areas derived from the CSAMT ground geophysics. A total of seven holes have been completed for a total of 2,205.8 metres during the quarter.

The phase one systematic regional exploration program of the whole tenement is now complete with several coherent multi point anomalies identified which have returned values up to 278 ppb Au in stream sediments (‘SS’) and BLEG (Bulk Leach Extractable Gold) results of up to 127 ppb Au. Rock assays of up to 9.05 g/t Au have also been returned. This program has been successful in generating a prospect area named Ulukau which is located approximately 10 kilometres south southeast of Tandai. This prospect was first identified during the regional sampling program with three outcrop samples returning assays of 1.53 g/t Au, 2.81 g/t Au and 3.72 g/t Au. Follow up infill sampling and mapping program is now well underway.

Tandai district and prospects
Drilling

Diamond drilling has been focused on the Lusang North prospect, where numerous zones of auriferous hydrothermal breccia have been intersected and follow up (phase II) drilling on CSAMT targets throughout the district to the north and west of Glumbuk and the “core shed” anomaly.
Lusang North

Two holes, TDD 11024 and TDD 11025 were designed to test the down dip extension of the high grade mineralisation in the artisanal working (Pak Parmin's lode) adjacent to the Lusang River. Both of these holes intersected significant widths of hydrothermal breccia and veinling. The geometry of these zones are complex. Our current interpretation calls for easterly striking, sub-vertical main veins and north easterly striking, secondary ladder veins dipping moderately to the southeast. However this is yet to be confirmed by follow up drilling. The following is a brief summary of the holes:

TDD 11024

This hole was designed to test the down dip extension of the high grade Lusang North prospect. Two significant quartz vein breccia zones were encountered further downhole as described below:

From 142.9 metres to 165.5 metres several crustiform banded quartz vein breccia zones with chlorite and pyrite were intersected at 142.9 to 143.4 metres, 151.6 to 154.1 metres and from 155.9 to 165.45 metres hosted by light grey silicified andesite, with quartz veinlets and limonite fracture filling. From 165.5 metres to 185.0 metres four further zones of quartz vein breccia were encountered from 167.9 to 168.4 metres, 169.0 to 169.3 metres 167.9 to 168.4 metres and 169 to 169.3 metres hosted by andesitic polymictic breccia.

TDD 11025

This hole was designed to test the continuity of the mineralised structures encountered in TDD11024. Significant quartz vein breccia zones with chlorite and sulphides (pyrite, galena and sphalerite) were encountered from 33.0 to 34.2 metres, 41.8 to 43.7 metres, 60.7 to 62.8 metres, 69.9 to 70.3 metres and 181.0 to 188.9 metres.
Further drilling on 100 metre step outs is in progress to determine the potential strike length and depth extent of these zones of significant vein breccia mineralisation.

**CSAMT Targets**

Processing and interpretation of the data from the 17.1 line kilometre CSAMT survey is now complete. Holes TDD 11026 to TDD 11030 have targeted blind CSAMT anomalies throughout the district at Glumbuk (TDD 11026 and TDD 11027), “core shed” (TDD 11028), and to the west of Lusang North (TDD 11029 and TDD 11030). Each of the holes has encountered a zone of silicification or a siliceous horizon at approximately the same depth as the interpreted structure from the CSAMT. No significant quartz vein development has been identified to date.

**Results**

At Lusang North results for both holes TDD 11024 and TDD 11025 were received and showed multiple zones of significant mineralisation. TDD 11024 intersected a total of six significantly mineralised zones of multiphase base metal rich vein breccia with the best intercept of 21.0 metres @ 4.74 g/t Au, 36.2 g/t Ag from a depth of 86.9 metres including 1.9 metres @ 27.56 g/t Au, 28g/t Ag from a depth of 91.3 metres. Results from TDD 11025 were equally as good, despite the width and intensity of brecciation being not as strong as TDD 11024. Seven zones of significant mineralisation were encountered with the best intercept of 4.0 metres @ 20.00 g/t Au, 19.5 g/t Ag from a depth of 31.0 metres including 2.1 metres @ 37.00 g/t Au, 35.6 g/t Ag from a depth of 32.9 metres.

The previously unsampled sections of both TDD 11024 and TDD 11025 were received later in the reporting period with the latter hole returning 2.0 metres @ at 0.70 g/t Au, 13.2 g/t Ag from 119.0 to 121.0 metres.

**Simplified drill section TDD 11024 and TDD 11025**

These results were reported in two separate releases to the ASX in November 2011. The table below is the list of significant intersections reported in that release and updated with recent results.
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As of 15th January 2012

**Table 1. Significant intersections**

Intercepts reported are intervals of Au >1.00 g/t Au with intervals of <1.00 g/t Au up to 3 metres included. All widths are apparent. Au grade is reported to two decimal places and Ag grade to one decimal place. Samples are generally from diamond core drilling which is HQ diameter. Some intercepts may be of larger or smaller than HQ due to drilling logistics. Core is photographed and logged by the geology team before being cut in half. Half core samples are prepared for assay and the other half is retained in the core farm for future reference. Each assay batch is submitted with duplicates and standards to monitor laboratory quality.
Results from the CSAMT phase II holes unsurprisingly based on visual logging did not return any significant results.

**Regional Exploration Program**

The regional stream sediment and BLEG sampling continued through the quarter, with the phase one program largely complete and follow up work continuing at the Ulukau Prospect.

A total of 51 stream sediment, 49 BLEG and 44 rock samples were collected during the quarter. Approximately 20 sites remain from the phase one program, 32 sites from the 57 infill sites and 30 sites identified from the Quickbird Satellite imagery still need to be visited.

The PT Bengkulu Utara Gold community relations team is still working at getting permission to access the PT Sandabi palm plantation area so that the remaining phase one samples can be collected.

**Regional SS and BLEG Progress**
Ulukau

The Ulukau prospect is located approximately 10 kilometres south southeast of Tandai. This prospect was first identified during the regional sampling program with three outcrop samples returning assays of 1.53 g/t Au, 2.81 g/t Au and 3.72 g/t Au. The zone occurs along the banks of the Ketahun river drainage and is approximately 100 metres long and up to 15 metres wide, characterised by intense quartz-hematite/limonite stockwork hosted by a moderate to strong silica–clay–pyrite altered plagioclase phryic andesite. The main vein set strikes 120° and dips steeply to the north northeast.

A follow up mapping and sampling program commenced in mid-December. The follow up program to date has comprised of tape and compass surveying, detailed geological mapping, rock outcrop and channel sampling. Cutting of grid lines for a grid based soils sampling and ground magnetics survey is ongoing.

Approximately 3 kilometres of drainage tape and compass surveying is complete, 16 rock outcrop and 3 channel samples were collected. 1.25 kilometres of grid lines have been cut. Work was carried out from a temporary field camp along the Ketahun River.
Regional Program

To date twelve rock samples have returned values above 0.5 g/t Au to a maximum value of 9.05 g/t Au. Four stream sediment samples returned values greater than 100 ppb Au with a peak value of 278 ppb Au and some consistent BLEG anomalies have been returned to a maximum of 127 ppb Au. The results confirm the widespread moderate to strong gold anomalism at Aek Nokan - Aek Lais, Aek Padang drainages and also the drainages at Arga Makmur areas.
The Company continues to maintain an aggressive district scale drill intensive program testing a combination of geophysical, geochemical and geological targets. Particular emphasis will be placed on step out drilling at Lusang North.

The Ulukau prospect will be advanced towards drill status, should results warrant, at the same time as maintaining follow up of the best exploration targets from the IUP wide regional exploration program. Investigations are also underway to ascertain if an airborne magnetics/radiometrics survey would better define areas of anomalous geochemistry as well as assist in refining drill targeting within the Tandai District.

1.4 Musi Rawas

A more regional approach has been initiated whereby regional stream sediment sampling complemented by reconnaissance mapping has been undertaken throughout most of the license area as well as parts of Dwinad. This different approach is based on the understanding that there is west northwest regional control on significant epithermal mineralisation with a number of intrusive centres that have yet to be fully prospected within the Dwinad and Musi Rawas Gold license areas. Secondly since the original work was done there have been many advances in stream sediment geochemistry such as BLEG with more subtle detection limits. It is likely that this work will generate new anomalies to follow up.

Full results have yet to be received from this sampling but visible gold in pan concentrates in some of streams is already a good sign for prospectivity.
Follow up work based on the highly encouraging results of the regional program are planned in the first quarter of 2012. The two main target areas are BLEG anomalous catchments and Au-bearing rock-float in the Hulu Simpang area, and further follow up of the BLEG and stream sediment anomalies in the far south of the IUP adjacent to a major west northwest trending fault which most likely controls the emplacement of vein style mineralisation at Tembang and Tandai.
Jambi IUP BLEG gold target areas

1.6 Madina and Kotanopan IUPs

Reconnaissance exploration work was carried out in the PT Mandailing IUP and was successful in outlining float trains of significant copper mineralisation in the Upper Sibinael drainage. The highest assay was 4% copper hosted by an acid intrusive rock. Our community relations team is currently negotiating access for exploration activities at our PT Kotanopan Mining IUP.
1.7 Generative

The Company continues to actively pursue generative opportunities throughout Sumatra to add quality properties to its exploration portfolio.

2. CORPORATE

2.1 Placement of 6,727,500 new CDIs to raise A$1,076,400

Following shareholder approval at a General Meeting of shareholders held on 20 October 2011 Sumatra placed 6,250,000 new CHESS Deposit Interests (‘CDIs’) at A$0.16 per CDI to RMB Resources Limited to raise A$1,000,000 before expenses.

On 19 December 2011 Sumatra placed an additional 477,500 CDIs at A$0.16 per CDI with Newcrest Mining Limited.
3. OTHER

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Matthew Farmer, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. Matthew Farmer is an employee of the Company who 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Matthew Farmer has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The Tembang Mineral Resource was estimated by David Stock MAusIMM who is a Geological Consultant to the Company and is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2004 Edition). David Stock has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

For further information please contact:

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Yours sincerely

Julian Ford
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