

# Goldletter INTERNATIONAL

*the international independent information and advice bulletin for gold and related investments*

## INVESTMENT ALERT - September 2012

www.sumatracoppergold.com



### Sumatra Copper & Gold (A\$ 0.16 )

ASX	: SUM
H+L prices (12 months)	: A\$ 0.22 – 0.06
Shares issued	: 218.6 million
Market Capitalization	: A\$ 35.0 million

**Next price target: A\$ 0.30**

## INVESTMENT ALERT

### Completed Pre-Feasibility Study for Stage 2 of Tembang Project significantly improves project economics

Sumatra Copper & Gold (“Sumatra”) has completed the Pre-Feasibility Study (“DFS”) for **Stage 2** of its 100%-owned **Tembang Gold and Silver Project**, located in southern Sumatra.

Stage 2 significantly improves the total Tembang Project economics and increases the scale of the operation. Stage 2 will primarily be funded from cash flow from Stage 1 profits.

#### Highlights:

- Total Tembang gross revenue – US\$ 738 million
- Total project net cash flow US\$ 222 million
- Overall project C1 cash cost US\$ 431/oz after silver credits
- Stage 2 Pre-production Capex of US\$ 40 million
- Earliest start date of Stage 2 mining brought forward by 3 years to 2015

## Tembang PFS Summary – Key outcomes (Stages 1 and 2)

	Units	Stage 1 DFS	Stage 2 (incremental impacts)	Total Tembang Project after Stage 2
Gold production	Oz	146,000	249,000	395,000
Silver production	Oz	1,388,000	3,446,000	4,834,000
Processing Rate	tpa	400,000	500,000	900,000
Mine Life		5 years	3 years	8 years
Pre-production capital	US\$ M	\$38.50	\$1.50	\$40.0
Total Capital	US\$ M	\$68.0	\$37.5	\$105.5
Revenue	US\$ M	\$261	\$477	\$738
Net Cashflow	US\$ M	\$71	\$151	\$222
Cash operating Cash Cost C1 <sup>(1)</sup>	US\$/ Oz	\$487	(\$56)	\$431

Note 1) C1 Costs are as defined by Brook Hunt and are cash costs before tax and royalties and after silver credits using a silver price of US\$30 per ounce and a recovery of 82%.

The PFS is based on US\$ 1,500/oz gold and US\$ 30/oz silver price. The PFS Stage 2 has considered a plant design based on a nominal 400,000 tonnes per annum for the first three years (Stage 1) and upgrading to 900,000 tonnes per annum for years 3 to 8 (Stage 2)

The Tembang Project being on track for production during 2013, has Proven reserves of 2.4 million tonnes at 2.5 g/t gold and 38.7 g/t silver for a total of 200,000 ounces of gold, 3 million ounces silver and Probable reserves of 3.1 million tonnes at 2.19 g/t gold and 25.6 g/t silver for a total of 200,000 ounces of gold and 2.5 million ounces of silver for a **total of 400,000 ounces of gold and 5.5 million ounces of silver** which are compliant with the 2004 JORC Code.

The **Stage 1** production plan is low-cost, high-grade operation, targeting 400,000 tonnes per annum process capacity to produce 40,000 ounces per annum gold.

Commercial production is expected to commence in the December quarter of 2013.

A two stage development approach was adopted at Tembang to fast track the production schedule and take advantage of the gold price and market conditions.

**Stage 1:** A relatively small-scale low-capital cost, low-risk, high-grade operation involving mining at two deposits: Belinau (underground and open pit) and Asmar (open pit).

**Stage 2:** A larger-scale, multiple open pit operation involving mining at 6 of the 7 known Tembang deposits: Belinau, Asmar, Berenai, Buluk, Bujang and Aidit.

Cash flow from Stage 1 will be used to fund Stage 2 development which will mine and treat the remaining open-pit reserve with minimal incremental capital costs.

Commercial production has been able to fast track the PFS by leveraging the technical and commercial analysis undertaken by the project team during the Stage 1 DFS.

The successful PFS underlines the robustness of the Tembang Project with cash costs after silver credits decreasing to less than US\$ 450 per ounce and a net cash flow of US\$ 222 million (using gold price of US\$ 1,500 per ounce).

At current gold prices (US\$ 1,750) this net revenue increases to US\$ 400 million.

The Stage 2 plan has already been permitted with an approved production, Environmental Impact Statement and Environmental Management Plan approved in March 2012.

The 20-year mining lease was granted in April 2012.

The Stage 2 PFS envisages a Tails Storage Facility (“TFS”) wall lift to the Stage 1 embankment. The TFS has been approved for a capacity of 10 million tonnes while the total planned milled material for Stage 1 and Stage 2 will be 6 million tonnes at a grade of 2.3 g/t gold and 30 g/t silver over the 8-year mine life.

There is thus an additional 40% storage capacity approval for the Tembang site.

Potential upside exists to mill the peripheral sheeted vein (“PSV”) material, should operational experience and the economics allow this.

The Tembang resource includes 250,000 gold equivalent ounces of PSV in the resource, the majority of which will be mined during Stage 2.

No PSV material has been included in the LOM for either Stage 1 or Stage 2 although this material will likely be stockpiled separately.

The pre-development capital under the **Stage 2** scenario increases by US\$ 1.5 million to US\$ 40 million to pay for the new pumps for dewatering around the Berenai pit. The in-pit water at Berenai itself will be gravity extracted through the existing Tails Storage facility.

The total capital cost for Stage 2 is US\$ 105 million while that at Stage 1 was estimated at US\$ 68 million.

Stage 2 expansion will significantly improve the capital efficiency of the Tembang Project.

Depreciation and amortization costs on a unit per ounce gold produced basis will decrease from US\$ 465 per ounce to US\$ 267 per ounce.

The Stage 2 Tembang total costs are estimated at US\$ 766 per ounce.

Under a joint venture with Newcrest Mining Sumatra is currently exploring the **Tandai Project** (30% Sumatra – 70% Newcrest). Newcrest has already met its minimum expenditure requirement of US\$ 1.75 million and has an option to earn a 70% interest by spending US\$ 12 million over 5 years.

Sumatra has four significant gold mineralization at Tandai, which has historic high-grade production of 1.4 million ounces gold.

Sumatra continues work at its wholly-owned **Santang Project**, which is a high-grade green fields exploration project.