

SUM.AU

Sumatra Copper & Gold plc

A\$ 0.08

11 July 2012
Gold, Copper
Indonesia
DFS, Exploration
Exchanges: ASX:SUM

Emerging Au/Ag producer in prolific Sumatra. Low EV/resource ratio ~US\$15/oz Au, well below peers. Potential major re-rating of the stock based on a positive DFS and target US\$350-450/oz mining costs. Production (40-45kozpa AuEq) anticipated 2H13.

Capital Profile

Share price (A\$)	0.082
52 week range (A\$/share)	0.06 to 0.25
Number of shares (m)*	191
Options and warrants (m)	54
Convertible notes (m)	0
Fully diluted (m)	245
Market capitalisation (undiluted) (A\$m)	15.6
Debt (GBPm) - June 12F	0.0
Enterprise value (A\$m)	15.6
Major shareholders: SUM Management (10%), Macquarie Bank (9%), Newcrest (7%)	
Avg monthly volume (m)	5
Cash (GBPm) - June 12F	0.1
Price/Cash (x)	-
Price/Book (x)	-
Listed company options:	No
* Issued as Chess Depository Interests (CDIs) - equivalent to 1 ASX share	

Investment Points

Emerging Au/Ag producer in prolific Sumatra. Planned 2H13 production (40-45kozpa AuEq) at Tembang, 1moz Au/13moz Ag resource. Recoveries Au 90%, Ag 80%.

Tembang PFS in 1Q12. DFS due 3Q12.

Two stage development proposed - a low Capex 5 year stage 1, with cashflow funding larger 5 year stage 2 development.

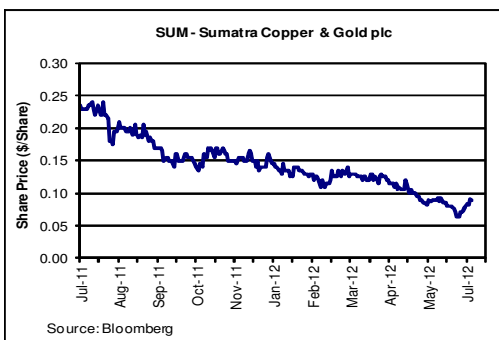
Experienced project team in place. Lessons learned from 1997-2000 operators to optimise planned plant. Existing infrastructure reduces start up costs.

Tembang was mined 1997-2000, but many unmined veins remain. Tandai high grade epithermal vein (1.4moz @ 15.4g/t) was mined by the Dutch.

Newcrest spending US\$12m over 5 years for 70% of Tandai. SUM has discovered two new prospects. Drilling underway on Ulukau prospect. Results ~ 3Q12.

Low EV/resource ratio ~US\$15/oz Au, well below peers.

Potential major re-rating of the stock based on a positive DFS and target US\$350-450/oz mining costs.



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Production and Financial Forecasts

Year End December	Mar-12a	Jun-12F	2010a	2011F	2012F
Exploration and evaluation - gross (GBPm)	0.78	0.90	3.04	4.36	3.48
Corporate (GBPm)	0.20	0.20	1.64	0.94	0.80
Exploration/(Expl.+ Corporate) (%)	80	82	65	82	81
Funding duration at current burn (years)			0.9	0.3	1.2
Shares on issue (pr end) (m shares)	190.6	190.6	153.9	190.6	200.6
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	1,000	1,000	8,615	7,402	4,000
Land holding ('000 ha)	322	322	322	322	322
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (GBPm)	0.00	0.00	4.50	3.47	5.00
Funding from JV partners (GBPm)	1	1	0	2	4
Cash (GBPm)	0.5	0.1	4.2	1.6	5.1
Cash backing (p/share)	0.2	0.0	2.8	0.8	2.5
Net asset backing (p/share)	9.4	9.7	10.1	9.6	12.6

Quarters refer to calendar year.

Company Comment

Overview: Sumatra Copper & Gold plc is a Sydney based company listed on the ASX Oct '09 to explore for Au and Cu in Sumatra, Indonesia. SUM holds ~ 3,219 km² of tenements in 7 mining permits, including brownfields sites, along the Sumatra Fault Zone (host to Martabe – 5.3moz and Sihayo 1.4moz). **Tembang (Sumatra):** Located ~120km NNE of Bengkulu in South Sumatra. This brownfields site produced from the **Berenai, Belinau and Bujang** pits from 1997-2000. Plant footings, roads and tailings dam infrastructure can be re-used. Epithermal veins are 1 to 20m wide. JORC resource ~1moz Au and ~13moz Ag, beneath and along strike from previously mined pits. PFS reserve 0.51moz AuEq, with a Stage 1 life of 5 years, for 220koz AuEq from Belinau and Asmar pits, and after 18 months underground production. High grade Belinau u/g resource (8g/t Au, 70g/t Ag) and low strip Asmar pit (1:3) to keep cash costs low. Cash flow from Stage 1 to fund plant expansion for nominal 5 year Stage 2. Well defined reserve (150,000m drilling) but some veins have little drilling. Deeper intersections (not in reserve) include 15.2m @ 5g/t Au in Berenai deeps, 4m @ 15.2g/t Au in Asmar deeps and 2m @ 82g/t Au in Belinau deeps. The southern high grade shoot at Berenai (with values of >25 gram-metres) remains open at depth. The PFS (Runge, Lycopodium) was released in Feb 2012. SUM is focused on minimizing Capex and producing 2H13. Mining licence and environmental approval received, forestry in-principle agreement negotiated, but final approvals awaited (no issues expected). Local permitting anticipated 3Q12. Stage 1 high grade mine - Capex ~ US\$20-30m (pre-production) for US\$40-50m total and 40-45kozpa Au, 350-400kozpa Ag in Stage 1. (5 year life). C1 cash costs ~US\$350-450/oz, after silver credits, C3 <US\$800/oz. Au recoveries 90% and Ag 80%. Stage 2 – high throughput, lower grade. MOU signed for future gas supply reducing Opex. C1 ~US\$450/oz after Ag credits, C3 costs ~US\$700/oz Au. Open pit reserve cut off 0.7g/t, u/g cut off 3.4g/t. US\$1,500 Au and US\$30 Ag used for the reserves. Exploration upside beneath/along strike of planned pits. **Tandai (Sumatra – Newcrest JV):** Former Dutch mine site that produced 1.4moz at 15.4g/t Au. Newcrest to spend US\$12m over 5 years for 70%. Initial drilling discovered a small shoot in TDD11024: including 21m @ 4.74g/t Au. SUM can buy back Newcrest's 70% for a nominal consideration if Newcrest does not spend US\$12m. SUM is managing the exploration program over the first 18 months. 2012 budget US\$4.3m. In 2012 SUM will drill out the newly discovered Ulukau vein system and evaluate two priority areas. **Corporate:** Board member Mr Sjoekri an experienced Indonesian geologist provides permitting and government relations expertise. Newcrest is a 7% shareholder. US\$5m 1 year convertible debt facility negotiated with Macquarie Mar '12, with Macquarie having 31.25m options at \$0.16. **Investment Comment:** SUM is optimizing costs for Tembang production in 2013 via a low Capex owner operator model with leased equipment. Stage 1 debt financing is under negotiation. At ~A\$0.09/share (~US\$17m Mcap) the Au EV/resource ratio is attractive (~US\$15/oz), valuing SUM as a grassroots explorer, discounting Stage 2 (gas MOU signed) and exploration upside. Our near-term risk adjusted valuation of >\$0.20/share (see adjacent table) includes equity financing (US\$30m) and Stage 2 development with gas. The longer term post commissioning valuation rises to >\$0.30/share, as risks reduce. Share price catalysts include the DFS (expected 3Q12), news on project financing and exploration drilling at Ulukau (Tandai).

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian:		(JORC)						
Gold	Classification	Project	Ore	Au	Cutoff	Au	Ag	Eqty Au
Au		Equity	Mt	g/t	g/t	Koz	Koz	Koz
Reserves (JORC)								
Tembang	Proven	100%	2.4	2.5	^	190.0	2,991	190.0
	Probable	100%	3.1	2.1	^	213.0	2,547	213.0
	Total	100%	5.5	2.3	^	403.0	5,539	403.0
Resources (JORC)								
Tembang	Measured	100%	2.7	2.5	#	224.0	3,517	224.0
	Indicated	100%	16.0	1.0	#	522.0	6,741	522.0
	Inferred	100%	3.8	1.9	#	229.0	2,536	229.0
	Total	100%	22.6	1.4	#	976.0	12,794	976.0

(Measured, Indicated, inferred) u/g 2.78 g/t cutoff, o/c 0.5 g/t cutoff except sheeted veins (0.3 g/t) - the latter excluded from reserves

Key Projects

Project	Ownership/ Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Tembang	100%	Au	none	Epithermal	CIL	DFS	Indonesia
Tandai	100%*	Au	Newcrest	Epithermal	N/A	Adv. Exp	Indonesia
Sontang	100%**	Au	none	Replacement	N/A	Adv. Exp	Indonesia
Jambi	100%	Au	none	Epithermal	N/A	Early Expl.	Indonesia
Musi Rawas	100%	Au	none	Sed hosted	N/A	Early Expl.	Indonesia
Madina	100%	Au	none	Epithermal	N/A	Early Expl.	Indonesia

Local people hold a nominal percentage in all projects, as required by Indonesian law *Newcrest earning 70% **Replacement in sandstone

SUMATRA COPPER & GOLD PLC VALUATION

	Equity (%)	Resource Val'n (US\$/oz AuEq)	NAV* (A\$m)	NAV Factor (%)	Adjusted Value (A\$m)	Adjusted Gold Price Sensitivity* (A\$m)				
Assumptions										
LT Realised Gold Price	: US\$/oz		1500		1500	1100	1300	1600	1800	
LT Exchange Rate: AUUS			1.00		1.00	1.00	1.00	1.00	1.00	
Projects										
Reserve 218koz AuEq										
Tembang project - Stage 1	: NPV @ 5%	100%	248	90	60%	54	29	41	60	73
Resources and Exploration										
Resources post Stage 1 - 1.05 moz AuEq										
Tembang - Stage 2	: NPV @ 5%	100%	28	95	30%	29	15	22	32	39
Tandai plus other exploration				10		10	5	7	10	14
Sub-total Exploration										
				105		39	20	29	42	53
Assets										
+ Cash (Macquarie 5m convertible debt facility to be drawn on)				0.1		0.1	0.1	0.1	0.1	0.1
+ Tax losses				-1		-1	-1	-1	-1	-1
Liabilities										
- Debt				0		0	0	0	0	0
- Corporate				3		3	3	3	3	3
SUM Net Assets										
				191		88	44	66	98	122
Fully Diluted Shares (m)				244.8		244.8	244.8	244.8	244.8	244.8
Cash on Option Conversion				12.6		12.6	12.6	12.6	12.6	12.6
SUM Net Asset Value per share : A\$/share										
				1.00		0.46	0.23	0.35	0.51	0.64
SUM Net Asset Value Diluted : A\$/share dil										
				0.78		0.36	0.18	0.27	0.40	0.50
Sensitivity of Net Asset Value to Equity Raising Price:										
SUM Net Asset Value (assuming A\$30m capex raised through share issue at A\$0.10)					0.24	0.16	0.20	0.26	0.30	
SUM Net Asset Value (assuming A\$30m capex raised through share issue at A\$0.08)					0.21	0.14	0.18	0.23	0.26	
SUM Net Asset Value (assuming A\$30m capex raised through share issue at A\$0.06)					0.18	0.12	0.15	0.19	0.22	

*NPV Gold price sensitivities indicated and assumed from 1Q13

TEMBANG GOLD PROJECT KEY ASSUMPTIONS (derived from PFS (SUM) - Feb/June 2012)**

RESOURCE ESTIMATES		Gold Resource	Tonnes	Grade	Gold eq (50 Ag = 1 Au)	
			Mt	g/t AuEq	Cutoff	AuEq oz
Stage 1: RCR modelling est.	(based on SUM Tembang P&P in pit)		1.9	3.0	0.7	186,620
	Inferred resource (PSV "halo" upside)		0.3	3.9	0.5	33,840
Stage 2: RCR modelling est.	Tembang in pit		3.6	2.5	0.7	292,540
MINING METHOD						
OPEN PITS and UNDERGROUND						
PROCESS METHOD						
CENTRALISED GOLD PLANT - CIL. Optimised from the previous site plant, with enhanced Ag recoveries						
RESOURCE CONVERSION Stage 1 & 2	:%	73%	(Indicated and measured to reserves)			
TONNAGE DILUTION	:%	10	Reserves include 10% dilution with barren wall rock and 95% ore recovery			
GRADE UPLIFT	:%	7	PSV sheeted veins are a low grade envelope around some veins - limiting dilution			
These are not included in reserves and act as "upside" recovery						
BASE CASE ASSUMPTIONS						
PRODUCTION RATE	:mtpa	0.4	Production from two pits. Additional pits & plant expansion planned in Stage 2			
AVERAGE HEAD GRADE	:gpt	na	2.5 g/t Au and 30 g/t Au - Stage 1, 2.3 g/t Au Eq in Stage 2			
RECOVERY - GOLD	:%	90	PFS: 90% plant recovery			
RECOVERY - SILVER	:%	80	PFS: 80% plant recovery Evaluating enhanced recovery options			
GOLD PLANT CAPACITY	:mtpa	0.4	Production rate based on PFS optimisation 16 April 12. Stage 2 est 0.6 mtpa			
GOLD PRODUCTION	:koz	40-45 AuEq	Annual Au equivalent (1:50 ratio) annual production			
PRE-PRODUCTION CAPITAL	:US\$m	20-30				
TOTAL STAGE 1 CAPITAL COSTS	:US\$m	40-50	Initial capital including central processing plant - cost reduced from PFS \$48m.			
ONGOING CAPITAL COSTS	:US\$m	1.0	Does not include underground development capex of US\$12m			
OPERATING COSTS: (C1)	:US\$/oz	703	Direct site operating costs.			
less by-product credit	:US\$/oz	394	Including silver credit of US\$30/oz.			
Total production costs	:US\$/oz	309	After by-product credit.			
TAX	:%	30				
ROYALTY	:%	5				
MINE LIFE	:Years	5 Years	Stage 1, additional 5 years for Stage 2 (not costed here)			
COMMISSION PROJECT	:	3Q13	Stage 1 assumes 12 month ramp-up.			
Stage 2 capex assumes \$30m for plant and site upgrades						
DFS: Definitive Feasibility Study being prepared by Mining Plus and Como Engineers for SUM						
PFS**: Preliminary Feasibility Study (SUM) - Incorporates updated resource by Hellman and Schofield						

These figures are preliminary in nature and are intended to provide only a general indication of project scale and economic robustness. Considerable refinement may result from subsequent feasibility studies.

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