

20th September 2011

QUICK NOTE # 158

RECOMMENDATION:

Speculative Buy

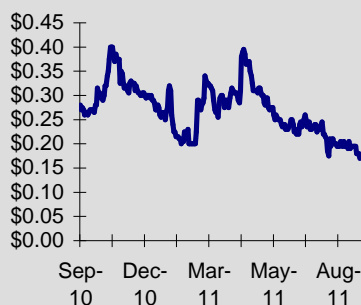
PRICE TARGET:

\$0.74

ASX	SUM
Share price	17.0c
Mkt cap. ¹	\$25.3m
Ordinary shares on issue ¹	172.6m
Options ²	46.9m

¹ Undiluted Source: IRESS
² Various dates & Strike prices

12 MONTH PERFORMANCE



Source: IRESS

Troy Flannery

Senior Resource Analyst

+61 (8) 9263 5200

tflannery@djcarichael.com.au

Sumatra Copper & Gold (SUM)

SUM Progress – Tembang Studies Results & Resource Update

SUM is exploring for gold, silver and base metals on the island of Sumatra, Indonesia. It has extensive land holdings (3,219 km²) within its 7 IUPs (Mining Business Permits) with SUM having an economic interest of 100% in its projects (excluding Tandai, where Newcrest (NCM) has a 70% earn-in right). We believe SUM has the largest portfolio of tenements in Sumatra. SUM is proceeding with development of its Tembang project as its highest priority; it expects to commence production by 2013.

Key Points:

- Upgraded and independently audited JORC Resource:** After completing a further 5,600m infill drilling program required by Hellman & Schofield, SUM's Tembang resource has been independently reviewed. The upgraded resource's total tonnes decreased slightly (0.96 Mt less than March's resource) due to a lower density being applied to the oxidised material, a higher cut-off for Belinau and tighter search parameters being utilised. This resulted in a slight improvement in the overall gold and silver grades and 83% of Tembang's total resource now fall within the measured and indicated categories.
- Tembang deposits open at depth and laterally:** Earlier this year SUM had its best ever diamond drill hole intercept of 17.3m @ 9.73 g/t Au, 11.0 g/t Ag at Berenai (expected to be mined as an open pit), which extends the vein system ~50m below the previous resource boundary. It is very positive to note that the gold grades have increased as the drilling has deepened.
- Metallurgical testwork improves Tembang's gold and silver recoveries:** Metallurgical testwork completed by ALS Amtec on diamond drill core metallurgical samples shows the overall recovery of silver and gold to be at 82% and 91% respectively. These results suggest that there is nothing complicated regarding the metallurgy of Tembang's ore, hence the metallurgy risk has been reduced.
- DFS to be completed by the end of 2011:** SUM are aiming to **commence production at Tembang in 2013**, with an estimated production rate that will ramp up to more than 55,000 oz Aueq per annum. SUM's intention is to fast-track the Tembang project into production now that they have a more robust higher grade resource dominated by vein style mineralisation.
- Exploration JV with Newcrest at Tandai in place & drilling underway:** Newcrest and SUM have a non-binding agreement involving an equity investment by Newcrest (7.3% shareholder) in SUM and a JV agreement. The transaction includes a US\$12 million earn-in on the Tandai property for a 70% interest.
- Silver by-product credits enhance Tembang's grade:** Adding the Ag credits to the Au grades at silver's current prices (\$41/oz) adds ~0.85 g/t Au for Tembang Vein material; given the its average Ag grade of 28.5 g/t. The average grade is now calculated as ~ 3.1 g/t Aueq for Tembang's Vein material.
- Appointment of Julian Ford as CEO & Grant Harding as Project Manager:** Recent appointments give us confidence that Management are capable of taking Tembang into production.

Valuation based on developing Tembang in two stages

The current valuation for SUM has decreased by 17 cps (~19%) from our previous valuation as a result of increased share dilution and an initial lower production profile due to a two staged development ramp up. On the 9th September SUM raised \$3.84m via a placement (23.98m shares at \$0.16 per share) and received a firm offer from an institution to take up an additional 6.25m shares (\$1.0m) on the same terms as the placement.

Although the Tembang Staged Development Project decreases its NPV, it is a more practical and lower risk option, which better suits a company of SUM's size. The staged approach will allow SUM to become a producer sooner with a small initial Capex (\$30m), enabling SUM to take advantage of today's high gold and silver prices.

A discount rate of 10% was applied in the DCF performed on Tembang, over a 10 year mine life. An average long term gold price of US\$ 1500/oz and US\$ 30/oz for silver (1/50th of gold's price) was applied. A second \$30M Capex amount was included (funded by Tembang's future net revenues) to pay for Tembang's Stage 2 plant upgrades.

SUM's DCF value was added to the cash from Newcrest's funding (30% attributed to SUM) of Tandai and SUM's cash with an allowance of only US\$10m for all of SUM's exploration prospects were included in SUM's total. The total valuation for SUM is 74 cps, down ~19% from our previous valuation.

Project	¢/share	Value (\$M)
Tembang NPV	60	156.7
Cash from Options	6	16.2
Cash	2	4.9
NCM Funding on Tandai (30%)	1	3.6
Exploration	4	10.0
Value of SUM	74	191.4

Figure 1: Sum of Parts Valuation

Source: DJC

Key Catalysts

Obtaining the AMDAL (Environmental Permit) by the end of this year for the Tembang Project will be a significant achievement for SUM. Once the AMDAL is achieved the other statutory permits (typically processed within 60 days of lodgement) are granted as a formality. Note the only exception to this is the Forestry Permit, but in Tambang's case the area has previously been clear felled, compensated and is the lowest level of production forest.

Definitive Feasibility Study results are also expected by the end of this year, this will help SUM decide on how to best mine and process Tembang's deposits. SUM showing the market that they are making progress and have the in-house capabilities to become a producer in 2013.

Drill results from the Tandai Project that, fully funded by Newcrest (70% interests) will be released in SUM's Quarterly report.

During the last capital raise (completed) Newcrest and Macquarie Bank took up their share allocation. Also RMB Resources Ltd (the resources merchant banking business of the FirstRand Group) is to be issued 6.25m shares (RMB to pay \$1m) subject to SUM's shareholders approval. Cornerstone investors coming on SUM's register, who are expected to financially support SUM as it nears construction and mining.

Tembang Mineral Resource August 2011 Reported to JORC Code Standards

Belinau Vein Above 2.78g/ t Au Underground Cut-Off						
	Category	Ktonnes	Au g/t	Ag g/t	Au koz	Ag koz
BELINAU VEIN	Measured	149	7.22	75.5	35	361
	Indicated	266	8.02	67.9	69	580
	Inferred	72	10.50	81.4	24	188
	Sub-Total	487	8.14	72.2	127	1,130
All Veins Excluding Belinau Above 0.5g/ t Au Open Pit Cut-Off						
	Category	Ktonnes	Au g/t	Ag g/t	Au koz	Ag koz
OTHER VEINS	Measured	2,598	2.27	37.8	190	3,156
	Indicated	4,423	1.80	25.6	256	3,637
	Inferred	3,554	1.80	20.3	202	2,319
	Sub-Total	10,575	1.91	26.8	648	9,112
PSV Material Above 0.3g/ t Au Open Pit Cut-Off						
	Category	Ktonnes	Au g/t	Ag g/t	Au koz	Ag koz
PSV	Measured	-	-	-	-	-
	Indicated	11,323	0.54	6.9	198	2,523
	Inferred	194	0.50	4.6	3	29
	Sub-Total	11,517	0.54	6.9	201	2,552
Combined Total Resource Open Pit + Underground						
	Category	Ktonnes	Au g/t	Ag g/t	Au koz	Ag koz
ALL	Measured	2,747	2.54	39.9	224	3,517
	Indicated	16,012	1.02	13.1	522	6,741
	Inferred	3,820	1.90	20.7	229	2,536
	Total	22,579	1.35	17.6	976	12,794

Note: Rounding errors may occur, reporting cut-offs as indicated, significant figures do not imply any added level of precision.

Figure 2 – Tembang JORC Mineral Resource August 2011

Source: SUM

Production timeline	2013 - Quarter 2
Total resource	976,000 oz gold 12.8M oz silver
Total mine life	10 years
Infrastructure	Brownfield - mine previously in production from 1997-2002
Exploration upside	Numerous regional targets
Mine type	Combination of open pit and underground



Aerial view of Tembang Project

Figure 3: Tembang Project Overview

Source: SUM

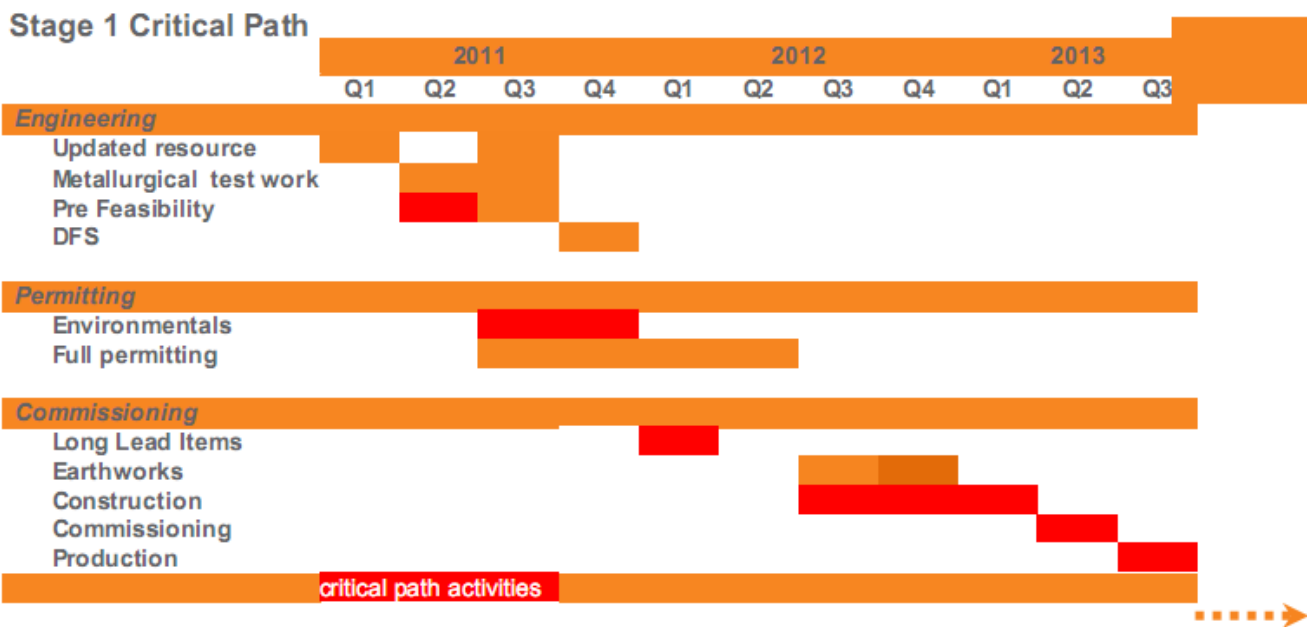


Figure 4: Tembang Project Time line

Source: SUM

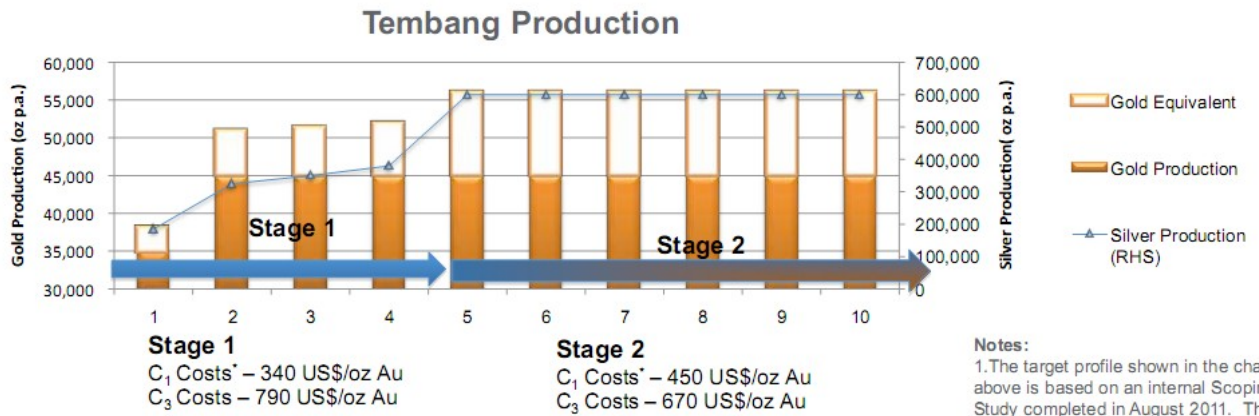


Figure 5: Tembang Target Production Profile

Source: SUM

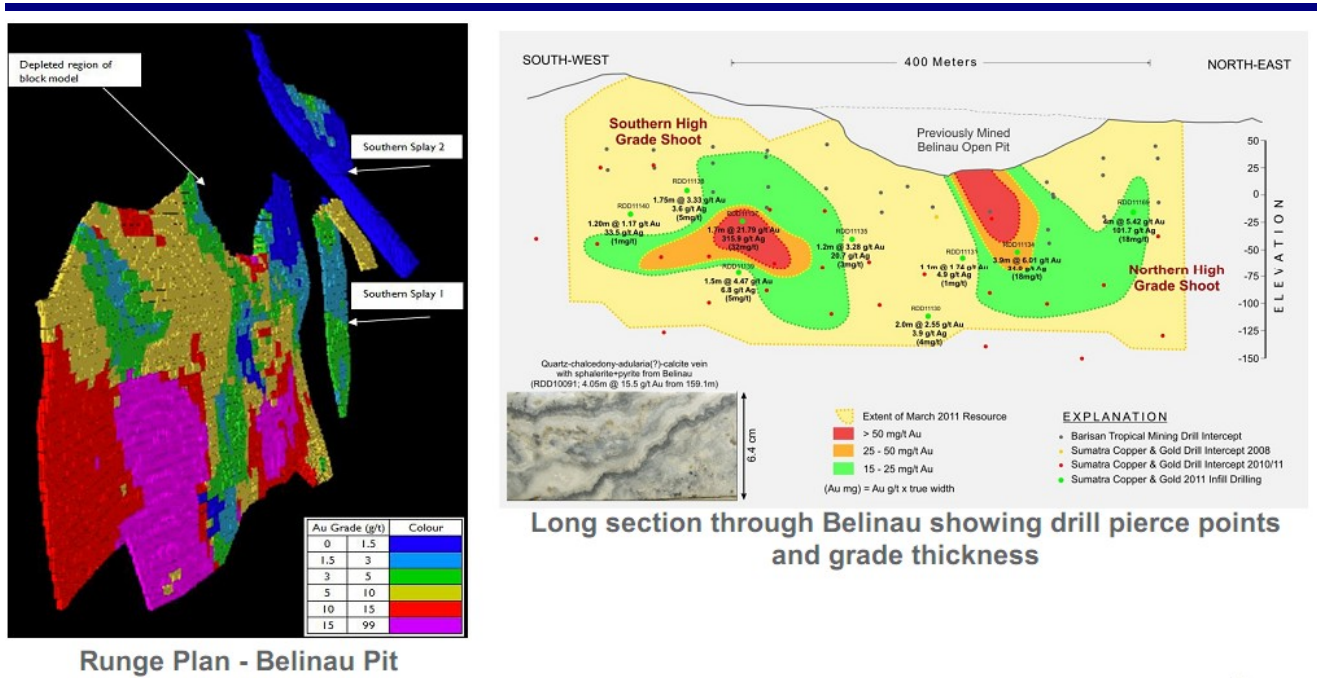


Figure 6: Tembang Project's Belinau Deposit

Source: SUM

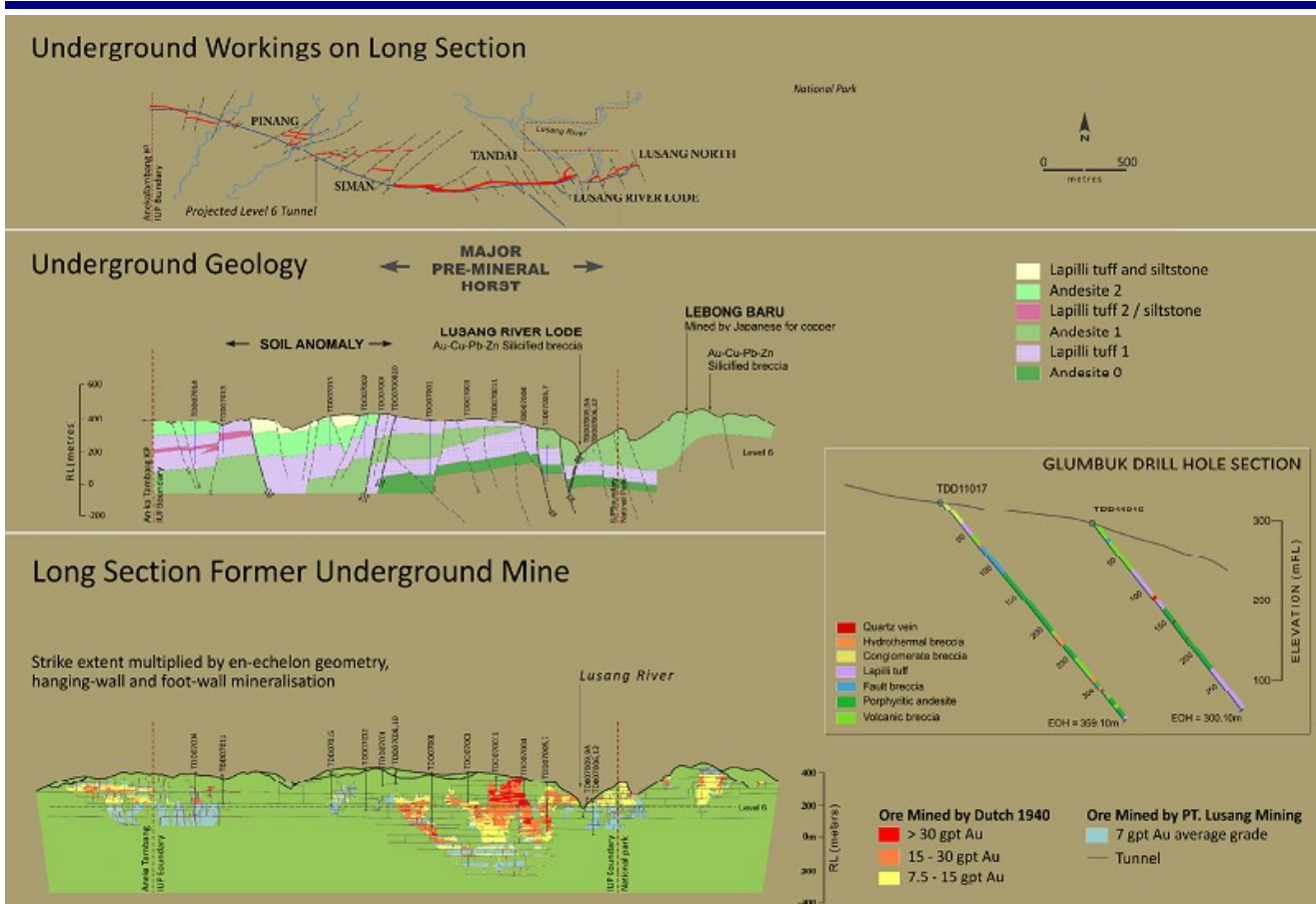


Figure 7: Tandai Composite Map

Source: SUM

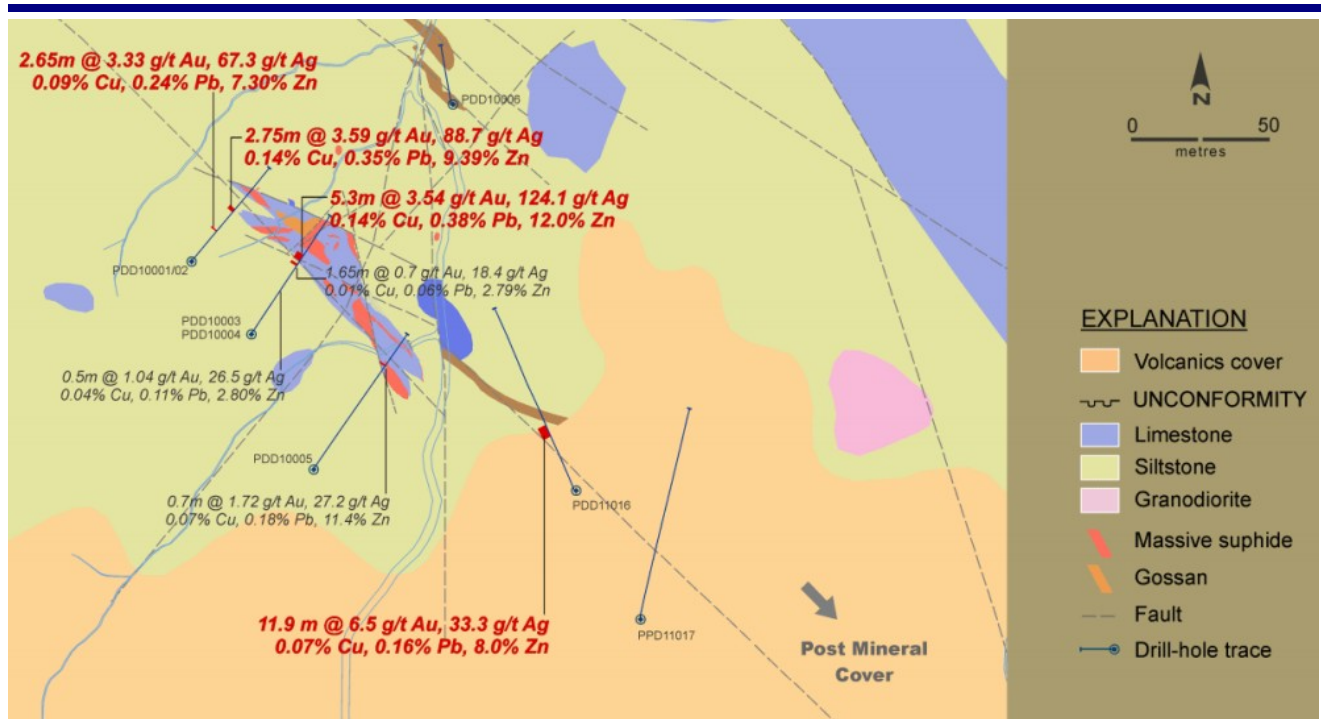


Figure 8: Sontang East Drilling Results (Previously Reported in Q1 2011)

Source: SUM

Disclosure Disclaimer

RCAN0980

This Research report, accurately expresses the personal view of the Author.

DJ Carmichael Pty Limited, members of the Research Team; including authors of this report, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly from client transactions in stocks mentioned in this report. DJ Carmichael Pty Limited acted for **Sumatra Copper & Gold Plc** as Co-lead Manager in a capital raise and was paid a fee for this service. DJ Carmichael Pty Ltd are retained by **Sumatra Copper & Gold Plc** as corporate advisors and is paid a fee for this service. DJ Carmichael Pty Limited holds securities in **Sumatra Copper & Gold Plc**.

DJ Carmichael Pty Ltd is a wholly owned subsidiary of DJ Carmichael Group Pty Ltd ACN 114 921 247.

In accordance with Section 949A of the Corporations Act 2001 D J Carmichael Pty Limited advise this email contains general financial advice only. In preparing this document D J Carmichael Pty Limited did not take into account the investment objectives, financial situation and particular needs ('financial circumstances') of any particular person. Accordingly, before acting on any advice contained in this document, you should assess whether the advice is appropriate in light of your own financial circumstances or contact your D J Carmichael Pty Limited adviser. D J Carmichael Pty Limited, its Directors employees and advisers may earn brokerage or commission from any transactions undertaken on your behalf as a result of acting upon this information. D J Carmichael Pty Limited, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly, from client transactions. D J Carmichael Pty Limited believe that the advice herein is accurate however no warranty of accuracy or reliability is given in relation to any advice or information contained in this publication and no responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether express or implied (including responsibility to any persons by reason of negligence), is accepted by DJ Carmichael Pty Limited or any officer, agent or employee of D J Carmichael Pty Limited. This message is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If you are not the intended recipient or employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication and its attachments is strictly prohibited.

Analyst Declaration:

The Author of this report made contact with the **Sumatra Copper & Gold Plc** for assistance with verification of facts, admittance to business sites, access to industry/company information. No inducements have been offered or accepted by the company.

The recommendation made in this report is valid for four weeks from the stated date of issue. If in the event another report has been constructed and released on **Sumatra Copper & Gold Plc**, the new recommendation supersedes this and therefore the recommendation in this report will become null and void.

Recommendation Definitions

SPECULATIVE BUY – 10% or more outperformance – high risk

BUY – 10% or more outperformance

HOLD – 10% underperformance to 10% over performance

SELL – 10% or more underperformance

Period: During the forthcoming 12 months, at any time during that period and not necessarily just at the end of those 12 months.

Stocks included in this report have their expected performance measured relative to the ASX All Ordinaries index. DJ Carmichael Pty Limited's recommendation is made on the basis of absolute performance. Recommendations are adjusted accordingly as and when the index changes.

To elect not to receive any further direct marketing communications from us, please reply to this email and type 'opt out' in the subject line. Please allow two weeks for request to be processed.

© 2011 No part of this report may be reproduced or distributed in any manner without permission of DJ Carmichael Pty Limited.