

1st April 2011

QUICK NOTE # 144

RECOMMENDATION:

Speculative Buy

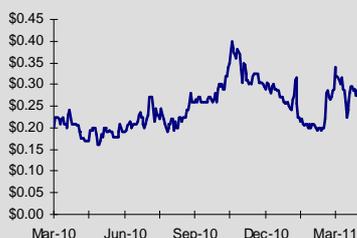
PRICE TARGET:

\$0.91

ASX	SUM
Share price	26.5c
Mkt cap. ¹	\$39.4m
Ordinary shares on issue ¹	142.6m
Options ²	41.1m

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)

Good for SUM – Tembang Resource Update & NCM Exploration JV in place

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:

- Updated JORC Resource has a 39% increase in grade from the 2009 resource estimate:** The total Tembang resource has + 1 Moz Au and more than 13 Moz Ag. The Vein mineralised material has an average grade of 2.17 g/t Au and 28.5 g/t Ag and the Au ounces has increased by 8% to ~791 koz. Also note Tembang's resource has now been upgraded, so the majority is in the measured and indicated categories (ie increased 2009 resource from 47% measured / indicated categories to 76% today).
- Tembang deposits open at depth and laterally:** Earlier this month SUM had its best ever diamond drill hole intercept of 17.3m @ 9.73 g/t Au, 11.0 g/t Ag at Berenai, which extends the vein system ~50m below the previous resource boundary. A 5000m in-fill drilling program at Tembang is now in progress, which is targeting Belinau where two high grade shoots extend over a 400m strike length.
- DFS to be completed by the end of 2011:** SUM are aiming to commence production at Tembang in 2013, with an estimated production rate of up to 80,000 oz Au 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 now in place & drilling about to start:** Newcrest and SUM have a non-binding agreement involving an equity investment by Newcrest (7.3% shareholder) in SUM and a JV investment. Their transactions included a US\$12 million earn-in on the Tandai property for a 70% interest, a A\$2.5m investment into Sumatra and an option, which Newcrest Mining have chosen not to exercise, to acquire a 25% interest in the Tembang property for an additional US\$9.5m following non-refundable consideration paid of US\$0.5m.
- Silver by-product credits enhance Tembang's grade:** Adding the Ag credits to the Au grades at Silver's current prices (\$37.5 oz) adds 0.75 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 ~ 2.9 g/t Aueq for 11.36 Mt, resulting in ~1.1 Moz.
- Adi Sjoekri replaces Lord Daresbury on SUM's board:** Adi was formerly SUM's Indonesian partner and also performs the External & Governmental Relations Manager's role.

Valuation remains the same

A discount rate of 12% was applied in the DCF performed on Tembang, over a 10 year mine life. Tembang's historical (1997 - 2000) production rates and gold/silver recoveries were referenced; while today's higher mining and processing cost estimates were used. An allowance for CAPEX was added to the operating cost (approximately US\$ 500/oz was calculated as today's costs versus YR 2000 average of US\$ 280/oz); an average long term gold price of US\$1000/oz was applied and SUM's silver credits (at US\$ 20/oz Ag) were included.

SUM's DCF value was added to the Cash from Newcrest's funding (30% attributed to SUM) of Tandai and SUM's cash and 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 **91 cps**.

Project	¢ / share	Value (\$M)
Tembang NPV	75	137.2
Cash from Options (\$m)	6	10.3
Cash (\$m)	4	6.8
NCM Funding on Tandai (30%) (\$m)	2	3.6
Exploration (\$m)	5	10.0
Corporate (\$m)	-1	-1.0
Value of SUM	91	166.8

Figure 1 – Sum of Parts Valuation

Source: DJC

Tembang Mineral Resource March 2011 reported to JORC Code Standards						
Type	Category	Mt	Au g/t	Ag g/t	Au oz	Ag oz
VEIN	Measured	3.42	2.25	36.5	247,700	4,017,700
	Indicated	4.38	2.39	29.2	335,900	4,114,300
	Inferred	3.55	1.81	19.9	207,200	2,266,900
	Sub-Total	11.36	2.17	28.5	790,800	10,398,900
HALO	Measured	-	-	-	-	-
	Indicated	10.27	0.54	7.2	178,500	2,389,200
	Inferred	1.91	0.51	5.4	31,200	333,300
	Sub-Total	12.18	0.54	7.0	209,700	2,722,400
	TOTAL	23.54	1.32	17.3	1,000,500	13,121,300

Notes: Rounding errors may occur. Vein above 0.5g/t Au cut-off, halo material above 0.3g/t cut off.

Figure 2 – Tembang JORC Mineral Resource March 2011

Source: SUM

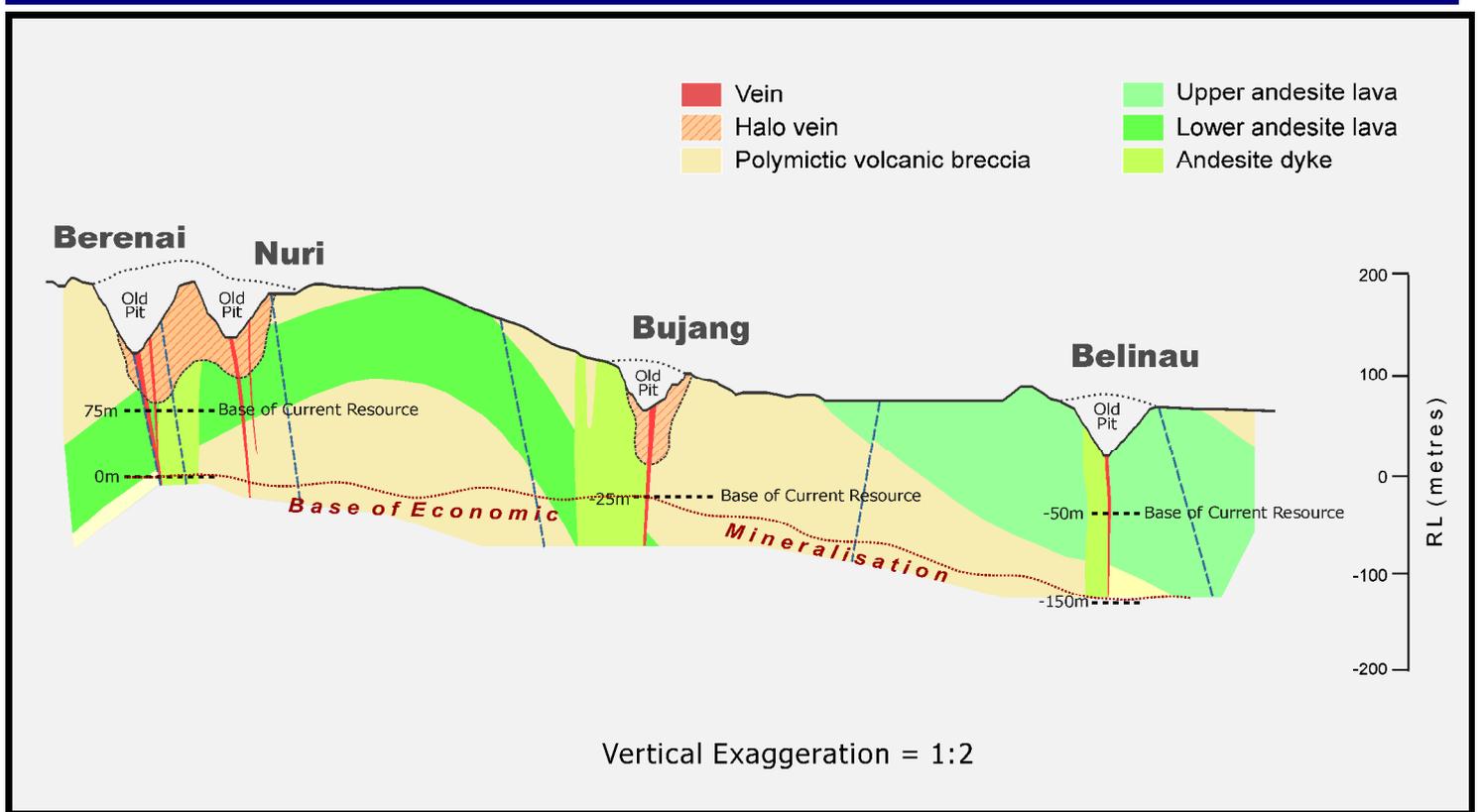


Figure 3 – Revised Conceptual Model for Tembang Project

Source: SUM

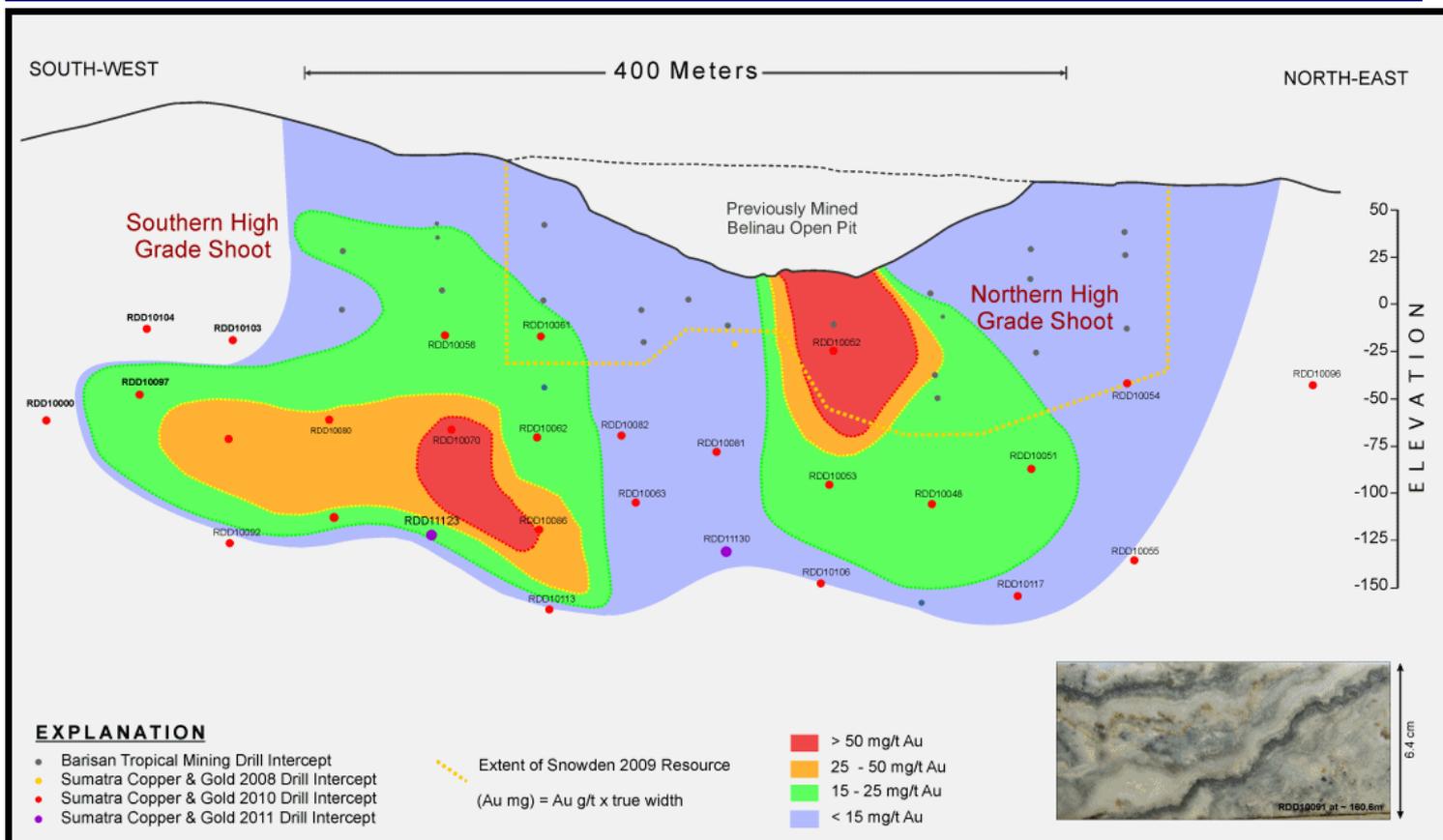


Figure 4 – Long Section through Belinau showing drill pierce points

Source: SUM

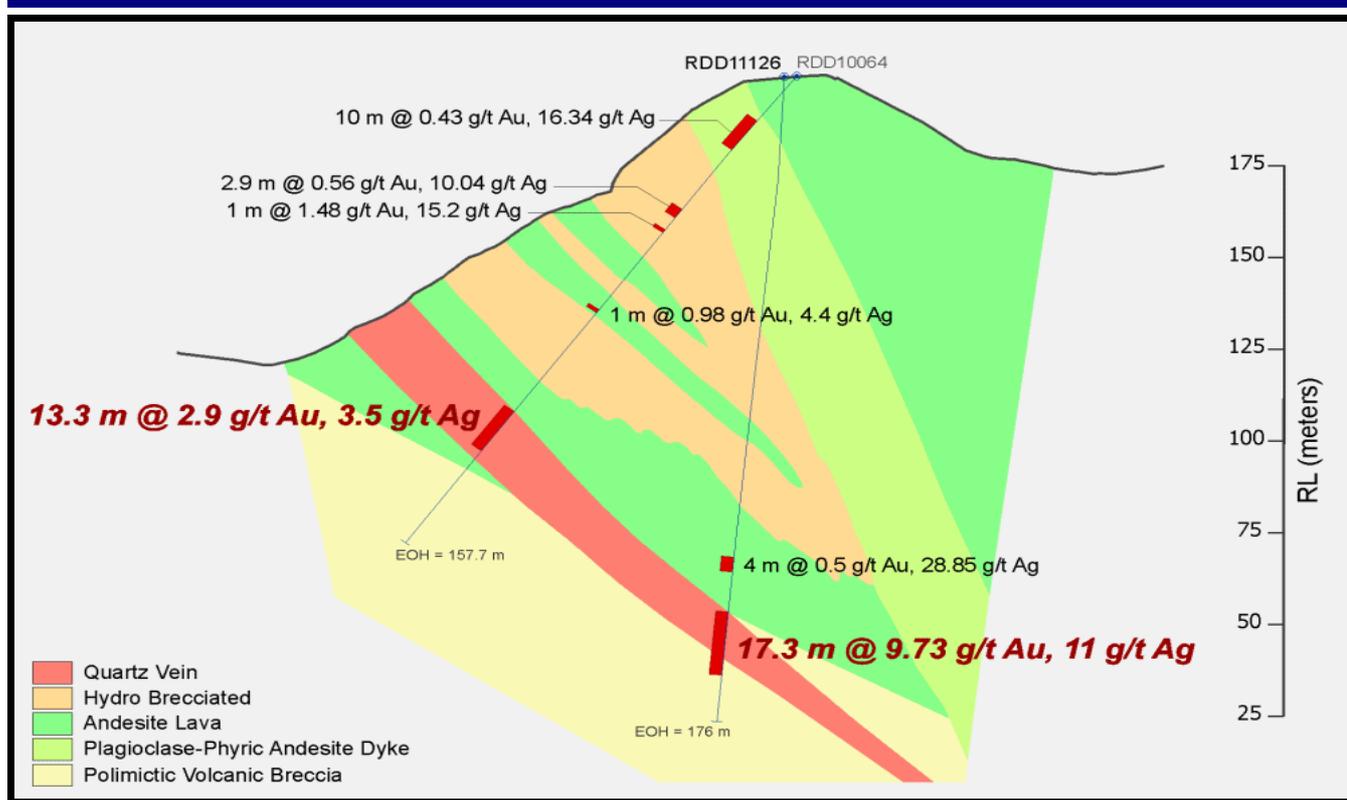


Figure 5 – Berenai section RDD11126 looking northwest company

Source: SUM

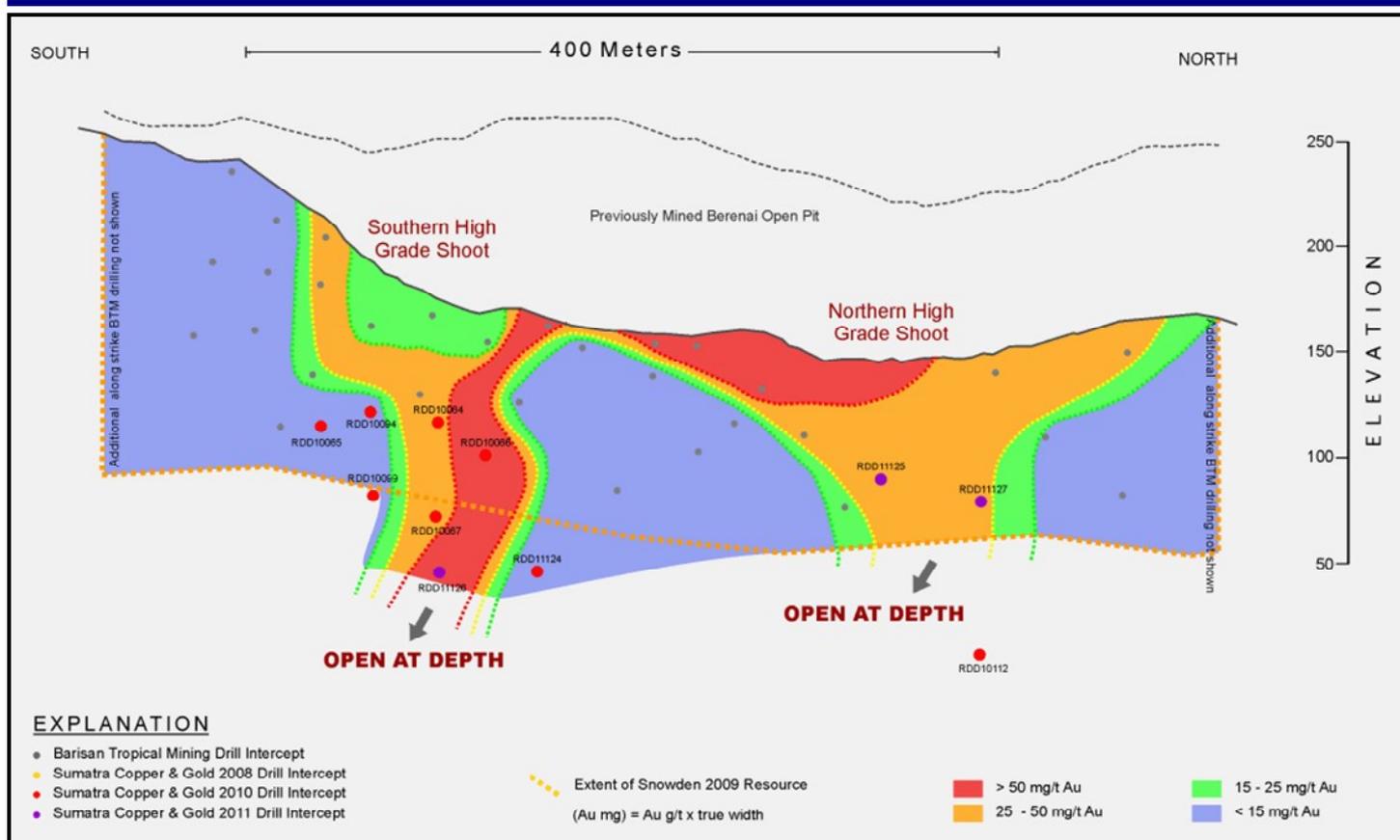


Figure 6 – Long Section through Berenai showing drill pierce points

Source: SUM

Disclosure Disclaimer

RCAN0931

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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.

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