



Sumatra SPECULATIVE BUY

Current Price: **\$0.27**

Ticker: **SUM**
Sector: **Materials**

Shares on Issue (m): **156.1**
Market Cap (\$m): **42.2**
Cash (\$m): **4.2**
Enterprise Value (\$m): **37.9**

52 wk High/Low: **\$0.40** **\$0.16**
12m Av Daily Vol (m): **0.33**

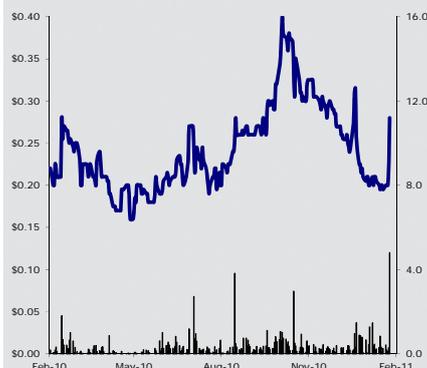
Directors

Warwick Morris Non-Executive Chairman
Jocelyn Waller Managing Director
Lord Daresbury Non-Executive Director
Dr Michael Price Non-Executive Director
Peter Nightingale Non-Executive Director

Substantial shareholders

Macquarie Bank 8.6%
Gold 2000 8.2%
Newcrest 7.1%

Share Price Graph



Analysts:
Troy Irvin
Tim Serjeant

24 February 2011

The next chapter

Production timetable:

Following >13,000m of drilling at Tembang in Indonesia, SUM is pushing the project towards production:

- Production from early 2013
- Annual production of 70-80kozpa Au eq
- Projected mine life of >10 years
- Cash costs of ~US\$500/oz
- Metallurgical recoveries of ~90%

Impact:

Positive

Higher grades recently reported at depth offer upside to the May 2009 attributable resource of 49.7Mt @ 1.0g/t Au and 11.5g/t Ag for 1.5Moz Au and 18.3Moz Ag.

Potential news flow includes:

- Late February – Next drill results
- Mid March – Resource upgrade
- Mid 2011 – Completion of PFS
- Late 2011 – Completion of DFS

View:

Positive

SUM's production scenario is not dissimilar to Sihayo's (SIH) plans at the 1Moz Sihayo Pungkut Project, also on the island of Sumatra (US\$75m capex, US\$440/oz cash costs, 70kozpa, 8 year mine life, 2.4g/t head grade, 80% recovery). Although SIH is more advanced (targeting commissioning in June Q 2012), SUM's EV of \$38m is just over 25% of SIH's \$137m.

Recommendation:

Spec Buy

Despite the participation of Newcrest (NCM) at both the corporate and project levels, and the emergence of parallels with SIH, SUM remains under-valued with an EV of \$16/resource oz.

Important Disclosures

Argonaut acts as Corporate Advisor to SUM. Argonaut also acted as manager and broker to SUM IPO in October 2009. Argonaut receives fees commensurate with these services provided to SUM.

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The analyst has an immaterial interest in SUM shares.

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