

Sumatra Copper & Gold – QuickView

30 November 2010

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| Event | Drill results |
|--------------|----------------------|

Investment summary: Island of gold

Sumatra Copper and Gold (SUM) intends to explore its large portfolio of gold and base metal projects situated along the prospective western margin of Sumatra. To aid this, the company signed an agreement with Newcrest Mining in August 2010, whereby the latter has subscribed for 10m shares in SUM at A\$0.25 each for a total consideration of A\$2.5m in cash. The deal sees Newcrest farm-in to a 70% interest in the Tandai gold project for a A\$12m exploration spend, and take an option to acquire 25% of Tembang for A\$10m. The deal implies a value of A\$57m for 100% of these two projects, compared to SUM's current EV of A\$40m. Tembang has JORC compliant resources of 1.64Moz gold and 19.8Moz silver. On an EV/oz basis the company trades at a c 90% discount to a weighted average value of its Indonesian peers of US\$243/oz. We will publish a full initiation note in the new year.

A good start to exploration at Sontang

The first drill hole assays at East Sontang have been reported and indicate strong gold and poly-metallic mineralisation of 2.75m @ 3.59g/t Au, 99.7g/t Ag, 0.14% Cu, 0.35% Pb and 9.39% Zn. Further assays are due shortly for the deeper intersection of the same structure. The Sontang area is a virgin discovery made by SUM in 2007/08, and is now being drilled by the company as part of its current 10,000m drill programme. Other areas of drilling are concentrated on firming up further resources at the Tembang Project, containing the Belinau and Berinai deposits.

Placement agreement to raise A\$3.2m

SUM has just announced that it has raised A\$3.2m (before expenses). This is equivalent to around five month's exploration expenditure at the company's current burn rate. The money will allow for further exploratory drilling across the company's projects. In particular, drilling at Sontang and Tembang will now be extended beyond the scope of the current drill programmes.

Valuation: SUM trades cheaply on EV/oz basis

On the basis of its 1.64Moz Tembang gold resource, Sumatra trades at a discount to its nearest peer, Sihayo Gold (exploration company, 0.9Moz JORC gold resource, EV of US\$145m), which trades at an EV equivalent to US\$208 per resource ounce compared to Sumatra's c US\$20/oz (pre-deal).

| Financials | | | | | | |
|------------|--------------|----------|---------|---------|---------|-----------|
| Year End | Revenue (£m) | PBT (£m) | EPS (p) | DPS (p) | P/E (x) | Yield (%) |
| 12/08 | 0.0 | (1.5) | (4.6) | 0.0 | N/A | N/A |
| 12/09 | 0.0 | (1.1) | (1.4) | 0.0 | N/A | N/A |
| 12/10e | N/A | N/A | N/A | N/A | N/A | N/A |
| 12/11e | N/A | N/A | N/A | N/A | N/A | N/A |

Price 30.5c
Market Cap A\$42m

Share price graph



Share details

Code SUM
Listing ASX
Sector Metals and Mining
Shares in issue 137m

Business

Sumatra Copper & Gold is an exploration stage company on the island of Sumatra in Indonesia. Its main focus is to explore for gold-silver and gold-base metals at its three main project areas; Tembang, Tandai and Sontang (all >92.5% owned). The first two contain brown field targets that the company intends to explore along with Newcrest Mining, while Sontang has been identified as a green field target for gold and base metals.

Bull

- Large majority owned land holding
- JV with major mining company
- Gold and base metal prospectivity

Bear

- Volatility in commodity prices
- Exchange rate fluctuations
- Geological and sovereign risk

Analyst

Charles Gibson 020 3077 5724
mining@edisoninvestmentresearch.co.uk

THIS QUICKVIEW FORMALLY ANNOUNCES EDISON'S COVERAGE OF SUMATRA COPPER AND GOLD WITH AN INITIATION NOTE SCHEDULED FOR RELEASE IN EARLY 2011.

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Lincoln House, 296-302 High Holborn, London, WC1V 7JH ■ tel: +44 (0)20 3077 5700 ■ fax: +44 (0)20 3077 5750 ■ www.edisoninvestmentresearch.co.uk
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