

Goldletter INTERNATIONAL

the international independent information and advice bulletin for gold and related investments

INVESTMENT ALERT – March 2013

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Sumatra Copper & Gold (A\$ 0.23)

ASX	: SUM
H+L prices (12 months)	: A\$ 0.25 – 0.06
Net shares issued shares	: 258.6 million
Fully diluted shares	: 318.5 million
Market Capitalization	: A\$ 59.5 million

Next price target: A\$ 0.50

INVESTMENT ALERT

Sumatra Copper & Gold reaches agreement for equity funding package of approximately A\$ 63 million development of the **Tembang Gold Project**

Sumatra Copper & Gold (“Sumatra”) has reached agreement (subject to documentation) for a comprehensive debt and equity funding package of approximately A\$ 63 million, underpinned by its major shareholder and cornerstone investor Provident Capital Partners, to develop its 100%-owned **Tembang Gold-Silver Project** in southern Sumatra, Indonesia.

Provident Capital Partners currently holds a cornerstone 26% stake in Sumatra.

The funding package comprises three components:

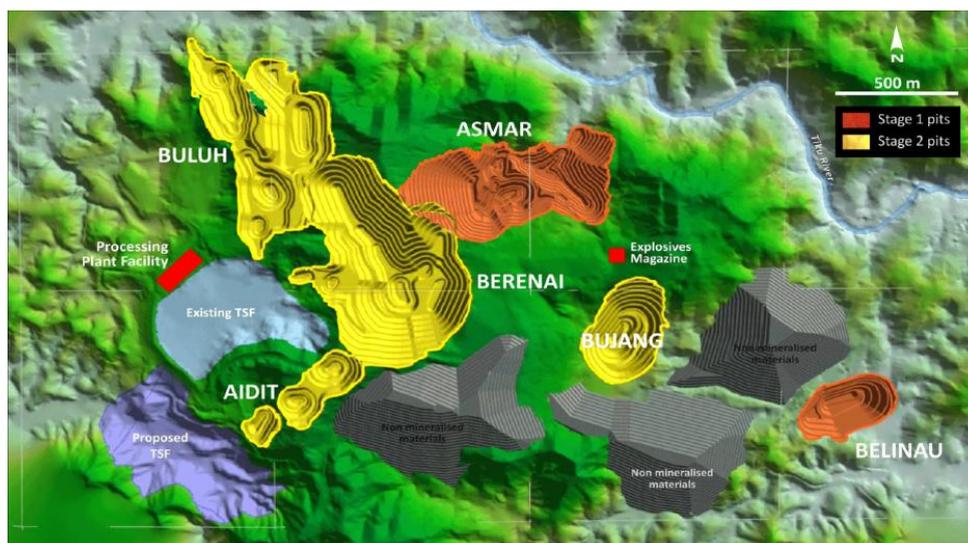
- a fully underwritten placement of 38 million Sumatra CDI's at A\$ 0.22 per share to raise A\$ 8.36 million, with Provident agreeing to take up the full placement but having the right to allot some of these CDI's to other long-term Indonesian-based investors
- a one for three pro rate non-renounceable entitlement offer to be undertaken in April/May 2013 to raise approximately A\$ 20 million
- US\$ 35 million project funding from Credit Suisse AG

The Placement of 38 million CDI's to raise A\$ 8.36 million will allow the repayment of the A\$ 5 million Macquarie debt facility plus approximately A\$ 0.5 million in interest, which has accumulated over the past year and is due at the end of March 2013.

The remaining funds plus the existing cash reserves of approximately A\$ 5 million will allow Sumatra to maintain the current development schedule ahead of the final forestry permit expected at the end of March 2013.

Under the terms of the US\$ 35 million debt facility with Credit Suisse, Sumatra is required to raise a minimum of \$ 20 million in equity and complete the final forestry permitting process.

The equity funding package will; thus clear the way for financing and development of the Stage I Tembang Project to proceed.



Stage I, which involves total preproduction capital of US\$ 40 million, is scheduled to produce 30,000 ounces of gold pr annum and 200,000 ounces of silver per annum at a forecast C1 cash cost of US\$ 487 per ounce. The excess capital, cash reserves available after drawdown of the debt finance will be used to provide working capital, fast track the development of Stage 2 and provide contingency cash reserves for the Tembang development.

Stage I production is scheduled to commence 2014. Stage 2, which is planned to commence in 2015, will see production expected to be 50,000 ounces of gold per annum and 500,000 ounces of silver per annum.

Stage I Definitive Feasibility Study completed in September 2012

Key Outcomes:	
Gold production	146,000 oz
Silver production	1,388,000 oz
Total capital cost	USD68 M
Pre-production capital	USD38.5 M
Cash operating cost C1 (net silver credits, pre royalties)	USD487 / oz
Processing Rate	400,000 tpa
Mine Life	5 years
Key Financial Results:	
Revenue	USD261 M
Net cashflow (after royalties and capex, before tax)	USD71 M
IRR	36%

Sumatra recently lodged the submission for the final "Borrow and Use permit" or "Pinjam Pakai" for the Project and is currently in the final stages of permitting.

Company profile

Sumatra Copper & Gold (“Sumatra”) is an emerging producer and minerals exploration company with 100% ownership of 7 exploration licences covering 3,219 km² in **Central Sumatra, Indonesia**.

Sumatra’s projects are located in the central and southern parts of Sumatra, a region known for substantial mineral endowment where more than 3 million ounces of gold and 25 million ounces of silver are reported to have been produced.

The Company has 3 principal projects comprising two gold-silver projects (Tembang and Tandai) that were previously in production and a third project, **Sontang**, which is a greenfield discovery (gold, silver, lead, zinc and copper).

The JORC mineral resource for **Tembang** was further defined in August 2011 following a 5,618 metre infill drilling program. The Project has a total combined resource of 22.6 million tonnes containing 976,000 ounces of gold at a grade of 1.35 g/t gold and 12.79 million ounces of silver at a grade of 17.6 g/t silver.

In April 2012, Sumatra announced a JORC compliant Ore Resource of 513,000 ounces gold equivalent for Tembang, based on the published mineral resource.

73% of the Measured and Indicated vein mineral resource has been converted into the Reserve category, further strengthening the Tembang Project’s robust economics and on track for production in the first half of 2013.

On December 18, 2012, Sumatra announced the granting of the “In-principle Borrow and Use permit” or “Pinjam Pakai” signed by the Minister of Forestry and is targeting the final Pinjam Pakai to be granted late first quarter 2013.

Under a joint venture with **Newcrest Mining**, Sumatra is currently exploring the **Tandai Project** (30% Sumatra – 70% Newcrest). Newcrest has already met its minimum expenditure portion of US\$ 1.75 million and has an option to earn a 70% interest by spending US\$ 12 million over 5 years.

Sumatra has found significant gold mineralization at Tandai, which has a historic high-grade production of 1.4 million ounces gold.

Investment recommendation:

Based on the estimated net operating cash flow of US\$ 71 million for the Stage I Belinau Deposit, which represents only 13% of the Tembang resource and Newcrest to spend US\$ 12 million over 5 years on developing the **Tandai Project** to earn a 70% interest, in our view, at a current market capitalization of just A\$ 59.5 million, Sumatra is strongly undervalued.

We have recently increased our next price objective from A\$ 0.40 to A\$ 0.50.