

# ASX Announcement

31 July 2014

**SUMATRA**  
COPPER & GOLD

## QUARTERLY ACTIVITIES REPORT For the 3 months ended 30 June 2014

### Highlights

#### Corporate Developments

- During the Quarter the Company continued to advance negotiations for a complete funding package to underpin the re-commencement of construction at the Tembang Gold-Silver Project, located in southern Sumatra, Indonesia (the "Project"). Credit-approval for proposed debt facilities has been delayed by approximately 3 weeks and is expected to be received in mid-August 2014 with final funding to recommence construction expected to be available by the end of August.
- The Company remains confident of achieving full funding for the Project and has continued to receive financial support from its major shareholders during the Quarter with the drawdown of an additional US\$0.6 million under a variation of the current Convertible Loan Facility Agreement with Provident Minerals Pte Limited ("Provident") and a further drawdown US\$1.0 million during July 2014.
- Settlement of Newcrest's withdrawal from Tandai Project with Sumatra retaining a 100% interest.

#### Tembang Gold-Silver Project Development, DFS Project Study Highlights

- 5-year mine plan comprising Proven and Probable Ore Reserves (JORC Code, 2012 Edition).
- Total production of 2.1 Mt ore at 2.8 g/t gold and 33 g/t silver for a total of 169,000 oz of recovered gold and 1.8 Moz of recovered silver, at a mill process rate of 400,000 tonnes per annum (tpa):
  - Open pit: 1.7 Mt at 2.0 g/t gold and 30 g/t silver
  - Underground: 0.4 Mt at 6.1 g/t gold and 48 g/t silver
- Average annual production of 33,000 oz gold and 345,000 oz silver
- Forecast C<sub>1</sub> cash operating cost of US\$470/oz (net of silver credits of US\$212/oz)
- Forecast All-In-Sustaining-Cost (AISC) of US\$745/oz (net of silver credits of US\$212/oz)
- Completion of an Independent Technical Expert Report

#### 1.0 Overview

During the Quarter, the Company made significant progress on its funding plans for the Project. Following the completion of an Independent Technical Expert report in May 2014, the Company has been progressing a credit approval process with an internationally recognised bank for approximately US\$21 million of senior secured debt facilities with a US\$2.5 million cost overrun facility ("Facility") as announced on 3 July 2014 to ASX. The Company has continued to advance this process and anticipates obtaining credit approval in mid-August 2014.

#### Directors

**Steve Robinson**  
Non-Executive Chairman

**Julian Ford**  
Managing Director & CEO

**Adi Sjoekri**  
Executive Director

**Jocelyn Waller**  
Non-Executive Director

**Gavin Caudle**  
Non-Executive Director

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The Company completed and published the revised Definitive Feasibility Study (DFS) on 23 April 2014 (see ASX Announcement – 23 April 2014). The DFS is based on a five-year plan, mining Ore Reserves at a nameplate plant throughput rate of 400,000 tpa to produce a total of 169,000oz of gold and 1.8Moz of silver. A full copy of the DFS announcement is available on the Company's website.

The Company is also pleased to inform its shareholders that the general election for members of Indonesia's parliament was completed in a peaceful and efficient manner on 9 April 2014, which, in the Company's view, demonstrates the maturity of Indonesia's democracy and relatively new constitutional reforms. Subsequent to the end of the Quarter, the Presidential elections were held on the 9 July and results made known on 22 July 2014. The Company considers that the relatively smooth conclusion of the election process for both parliament and the President reflects the relative maturity of the new Indonesian democracy.

## **2.0 Corporate Activities**

### **2.1 Tembang Financing**

Over the past quarter Sumatra has completed both technical and legal due diligence with potential financiers and is currently seeking credit approval for a senior secured debt facility as described in Section 1. Credit approval is expected in mid-August 2014.

### **2.2 Convertible Loan Variations**

The Company has continued to enjoy support from its major shareholders, who provided an additional US\$0.6 million into the Company in the six months to 30 June 2014, under variations to the Convertible Loan Facility Agreement dated 4 December 2013.

On 31 July 2014, the Company executed a third variation to the Convertible Loan Facility Agreement with Provident to drawdown an additional US\$0.5 million for working capital purposes.

To date, the Company has entered into three variations of the Convertible Loan Facility Agreement, on 26 May 2014, 3 July 2014 and 31 July 2014, to drawdown an additional US\$600,000, US\$500,000 and US\$500,000 respectively. The additional US\$1,600,000 will be drawn for the purpose of providing the Company with working capital through to the anticipated full funding of the Tembang Project during the third calendar quarter of 2014.

## **3.0 DFS Study**

The DFS is based on a five-year plan, mining Ore Reserves at a nameplate plant throughput rate of 400,000 tpa to produce a total of approximately 169,000 oz of gold and 1.8 million oz of silver. The DFS builds on the 2012 Stage 1 Definitive Feasibility Study and the Tembang construction activities to date.

Over the past 9 months, the Company has undertaken a revision of the development plan and underlying business case for the Tembang Project in response to the volatility in the gold market experienced since April 2013.

Extensive in-fill drilling programs have been completed at key deposits at the Project culminating in the publication of updated Ore Reserves, compliant with the JORC Code (2012 Edition), on 25 March 2014. Construction activities at Tembang were suspended in December 2013 pending finalisation of the updated Ore Reserves and DFS completion.

The DFS, using a gold price of US\$1,300/oz and silver price of US\$20/oz, demonstrates the viability of a robust, low-cost operation at a competitive forecast C<sub>1</sub> cash operating cost of US\$470/oz (net of silver credits US\$212/oz) and All-In-Sustaining-Cost (AISC) of US\$745/oz (net of silver credits of US\$212/oz).

The development strategy includes a sustainable exploration program capable of maintaining a rolling 5-year Life of Mine (“LOM”) plan funded from strong Project cash flow.

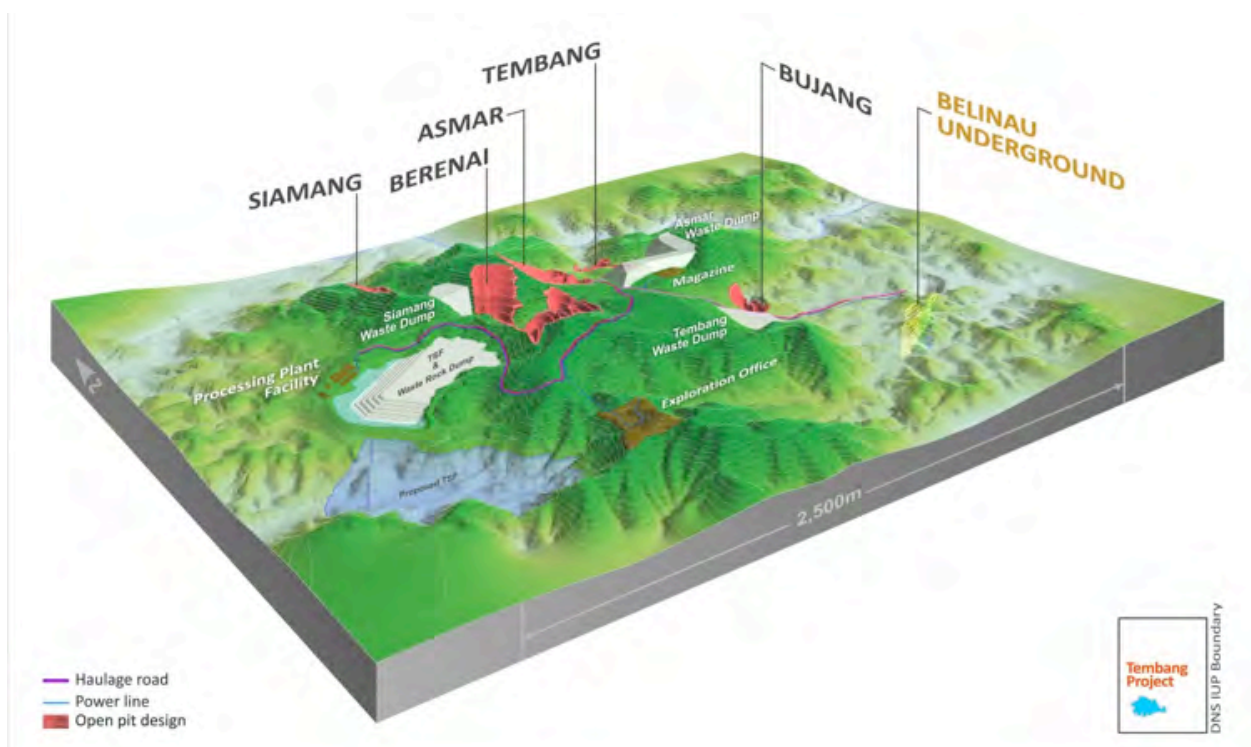
The regional underground epithermal deposits have a history of maintaining such a rolling 5-year LOM plan.

### 3.1 Development Strategy

The development strategy for Tembang is to focus on the underground mining of high-grade veins from Belinau as the core production source for the Project. The Belinau underground, narrow vein mine is anticipated to ramp-up to a maximum annual capacity of 200,000tpa in Year 3. During the 5-year production period, open pit ore will fill the mill capacity in excess of the ore supplied by Belinau.

It is intended to use cash flow from operations to drill potential additional underground targets to both replace and supplement the Belinau underground mine.

**Figure 1: Tembang Project**



Given the extensive RC drill database currently not used in the Company’s Mineral Resource estimates, the Company remains confident of success for these proposed exploration campaigns.

With the exception of the Tembang-Anang deposit, prior operators have previously mined all the open pits at Tembang. The cash cost of production from these pits is therefore relatively high as they involve relatively large cutbacks and resulting high strip ratios. The peripheral stockwork veins that occur adjacent to the main veins could be a factor in improving the economics of mining; however this factor will only be fully ascertained once mining and production have commenced.

The proposed underground mine at Belinau is forecast to have a much lower relative cash cost than the proposed open pits, with an estimated  $C_1$  cost of US\$277 per ounce and mine  $C_3$  costs of US\$572 per ounce excluding processing costs. However, given the narrow and near-vertical dipping nature of the epithermal veins at Belinau, the drill-out of the underground mines to a reserve status suitable for bank project finance has been relatively expensive.

### 3.2 Status of Project

**Figure 2: Processing Plant as at July 2014**

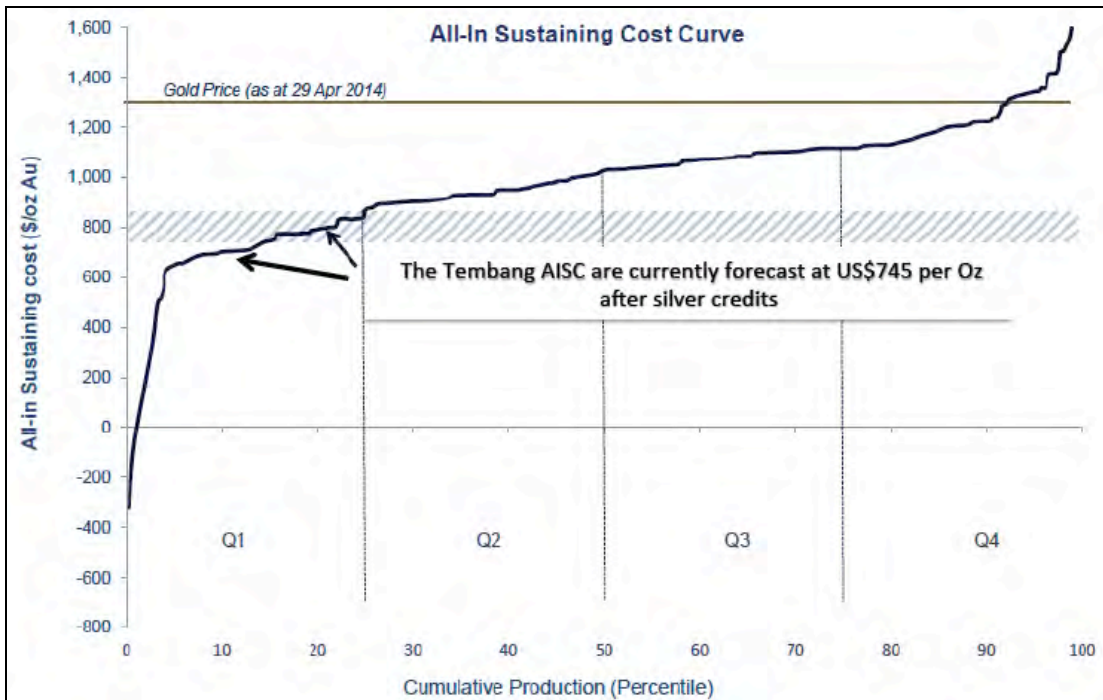


The Tembang Project construction commenced in June 2013 and was suspended in December 2013. Significant infrastructure, including camp, administration buildings, leach tanks, concrete foundations, warehouse, security fencing and command posts have been completed. The major equipment items have been purchased with the majority complete and are awaiting shipment at the source vendor premises. To date, only the apron feeder has been delivered and has been installed.

### 3.3 Competitive Position

The forecast Tembang Stage 1,  $C_1$  cost of US\$470 per ounce (net of silver credits, post-royalties) and the All-In-Sustaining-Cost (AISC) of US\$745 per ounce (net of silver credits) would place the project in the lowest cost quartile of gold producers as shown in Figure 3.

**Figure 3: AISC for Gold Producers**



This DFS study was targeted at maximising the Project debt capacity, which is available over a five-year period; the five-year period being the maximum exposure that the debt financiers prefer for this jurisdiction. The drill-out of the Ore Reserves to 2.1 million tonnes for a 400,000tpa plant achieved this objective.

### 3.4 Resource Growth

The Company is confident in the potential to expand the resource base across the Tembang project area. Mineral Resource estimates are based on 80,000m of diamond drilling data, of which 61% has been completed by Sumatra with the remainder completed historically by the previous owner-operators, BTM. There is approximately 93km of historical RC drilling data that has been excluded from the Mineral Resource estimates. However, this data outlines numerous prospects and deposits that present immediate, high quality targets.

Diamond drilling to date, has primarily been focused on Mineral Resource definition and in infill drilling across the Tembang project area. Suitable mining parameters and US\$1,000 pit optimizations have been used to focus drilling around the deposits defined to date.

The Company has developed a robust geological model and exploration framework that will facilitate targeted drilling to rapidly and efficiently grow the Tembang Resource base once cash flow from operations becomes available.

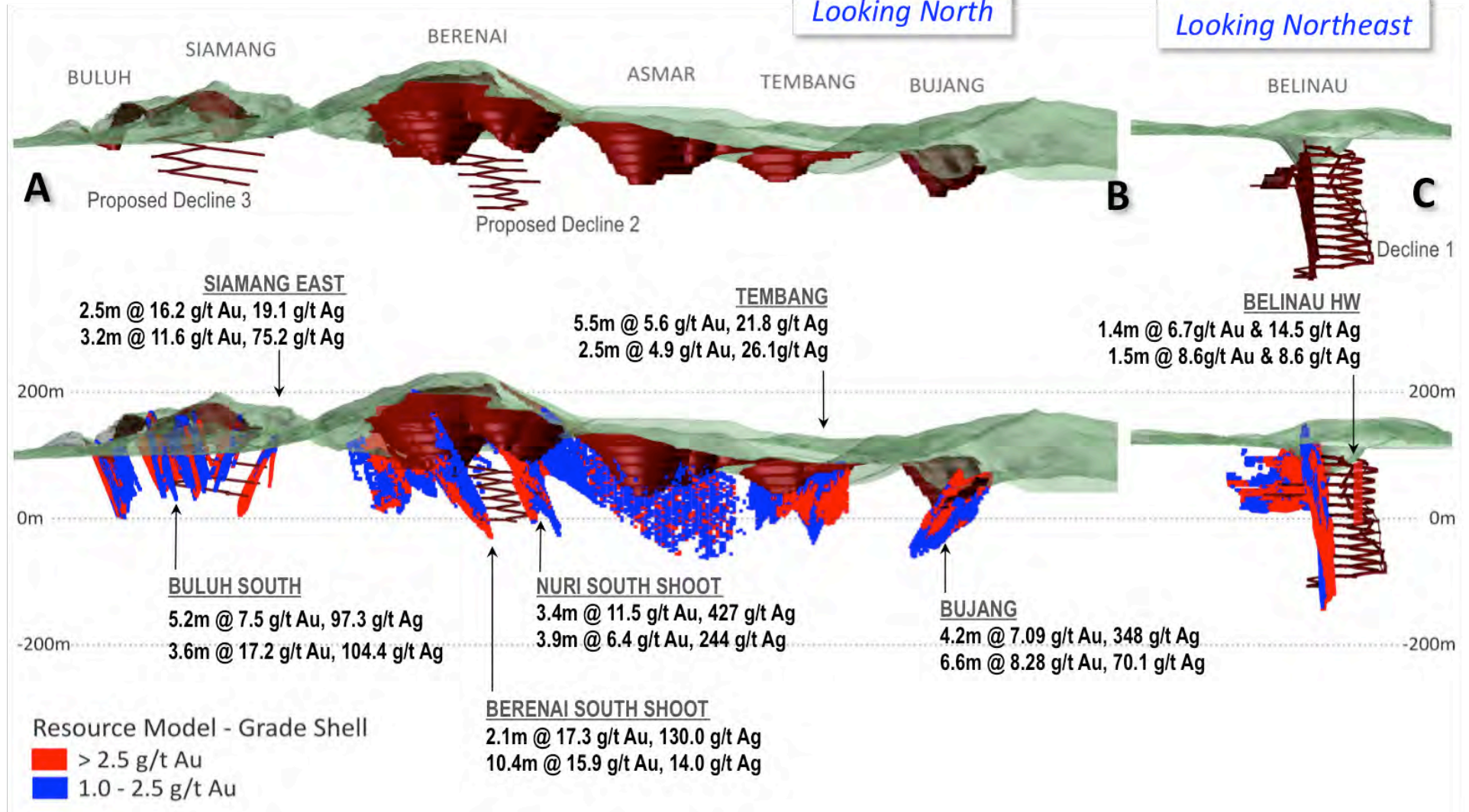


Figure 4: Exploration Upside at Depth

Figure 4: Exploration Upside at Depth, shows the opportunities for additional high grade, low cost underground opportunities at Tembang. The Company's medium term strategic planning will focus on developing a mine plan to increase production through the existing mill infrastructure and then sustain this production rate for the next 10 years. This cross section figure illustrates conceptual plans for the development of two additional declines at Berenai (decline 2) and Buluh Siamang (decline 3).

The majority of Mineral Resources required to justify Decline 2 are already defined in accordance with the JORC Code 2012 as published by the Company on 19 March 2014. It is likely that additional Mineral Resource drilling will be conducted from underground once a more detailed mine plan has been completed.

The mineralisation at depth associated with the Decline 3 is still based to a large extent on the original Mineral Resource as published in September 2012, which was based on the JORC 2004 standards. The Company expects therefore that additional diamond drilling from surface will be required before a viable underground mine can be developed at Decline 3.

The Company has also generated a number of advanced district exploration targets. This is a result of the integration of the past three years of geophysics, geological and geochemical data with expert consultants input.

The district exploration targets together with lower risk, high grade targets at depth below the current planned open pits gives the Company confidence in further growing the Mineral Resource and Ore Reserve base in the near term. The ability to grow the low production cost Ore Reserve base will be a key strategic driver for the Company given the proposed relatively high gearing ratio that would result on completion of the proposed funding package.

#### **4.0 Tandai Joint Venture**

Sumatra has retained 100% of the Tandai Project following the withdrawal of Newcrest from the Tandai Joint Venture. Under the terms of the *Deed of Termination and Release*, Newcrest has paid Sumatra Copper and Gold plc's subsidiary PT Bengkulu Utara Gold ("BUG") the sum of US\$153,750.45 in settlement of all outstanding expenses related to the Tandai Joint Venture.

Moving forward, Sumatra will hold 100% of the Tandai Project, although a number of regulatory and statutory notices still have to be completed before this arrangement is effected.

The Company is looking to farm-out the Tandai Project and intends to pursue this course of action now that the Indonesian election process has concluded.

## 5.0 Tenement Status (July 2014)

Category	Details
<b>Company:</b>	PT Bengkulu Utara Gold
<b>Ownership:</b>	97.75% Sumatra Copper & Gold <sup>1</sup> 2.25% PT Nusa Palapa Minerals
<b>Type of Permit:</b>	Mining Business Permit – IUP for Exploration
<b>Permit Number:</b>	Decree of Bengkulu Utara Regent Nr. 390 of 2012
<b>Total Area:</b>	16,688 Ha
<b>Location:</b>	Subdistrict : Napal Putih, Padang Jaya, and Arga Makmur Regency : Bengkulu Utara Province : Bengkulu
<b>Date Issued:</b>	29 December 2012
<b>Permit Period:</b>	3 years to 22 December 2015

Note 1: 97.75% Sumatra Copper and Gold ownership assumes completion of Deed of Termination and Release as announced to the ASX on 30 May 2014

Category	Details
<b>Company:</b>	PT Dwinad Nusa Sejahtera
<b>Ownership:</b>	99.95% Sumatra Copper & Gold 00.05% Adi Adriansyah Sjoekri
<b>Type of Permit:</b>	Mining Business Permit – IUP for Operation Production
<b>Permit Number:</b>	Decree of Musi Rawas Regent Nr. 263/KPTS/DISTAMBEN/2012
<b>Total Area:</b>	9,979 Ha
<b>Location:</b>	Village : Suka Menang Subdistrict : Karang Jaya Regency : Musi Rawas (Now is Musi Rawas Utara) Province : Sumatera Selatan
<b>Date Issued:</b>	04 April 2012
<b>Permit Period:</b>	20 years to 03 April 2032



Category	Details
<b>Company:</b>	PT Musi Rawas Gold
<b>Ownership:</b>	92.50% Sumatra Copper & Gold 07.50% PT Nusa Palapa Minerals
<b>Type of Permit:</b>	Mining Business Permit – IUP for Exploration
<b>Permit Number:</b>	Decree of Musi Rawas Regent Nr. 657/KPTS/DISTAMBEN/2012
<b>Total Area:</b>	9,848 Ha
<b>Location:</b>	Subdistrict : Karang Jaya Regency : Musi Rawas (Now is Musi Rawas Utara) Province : Sumatera Selatan
<b>Date Issued:</b>	28 December 2012
<b>Permit Period:</b>	5 years to 27 December 2017

Category	Details
<b>Company:</b>	PT Nusa Palapa Minerals
<b>Ownership:</b>	99.95% Sumatra Copper & Gold 00.05% Adi Adriansyah Sjoekri
<b>Type of Permit:</b>	Mining Business Permit – IUP for Exploration
<b>Permit Number:</b>	Decree of Pasaman Regent Nr. 188.45/933/BUP-PAS/2012
<b>Total Area:</b>	24,850 Ha
<b>Location:</b>	Subdistrict : Duo Koto, Rao, and Rao Selatan Regency : Pasaman Province : Sumatera Barat
<b>Date Issued:</b>	13 November 2012
<b>Permit Period:</b>	3 years to 24 March 2015

The Company is recommending relinquishing an area comprising 17,350 Ha belonging to PT Nusa Palapa Minerals, the retained area to become 7,500 Ha.

Tenement status for PT Lebong Gold is currently being discussed with the Department of Energy and Mines and also with BKPM (Investment Board).

END

### **For further information please contact:**

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### **About Sumatra Copper & Gold**

Sumatra Copper & Gold plc (ASX: SUM) is an emerging gold and silver producer and the pre-eminent precious metals explorer in southern Sumatra, Indonesia. The Company has a significant project portfolio, which encompasses a pipeline of projects ranging from greenfields exploration projects to brownfields, near-production opportunities.

### **Competent Person's Statement – Exploration Results**

The information in this report that relates to Mineral Resources is based on information compiled by Mr Matthew Farmer, who is a full time employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Farmer has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Farmer consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

### **Competent Person's Statement – Mineral Resources**

The information in the report to which this statement is attached that relates to the Mineral Resource estimates for Asmar, Berenai, Tembang-Anang & Bujang is based on information compiled by Mr Chris Black who is a member of AIG and a full time employee of Cube Consulting. Mr Chris Black has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australian code for reporting of Exploration Results, Mineral Resource and Ore Reserves'. Mr Chris Black consents to the inclusion in the report of the matter based on his information in the form and context in which it appears.

### **Competent Person's Statement – Mineral Resources**

The information in the report to which this statement is attached that relates to the Mineral Resource estimate for Buluh and Belinau, is based on information compiled by Mr Robert Spiers who is a member of AIG and a full time employee of H & S Consultants Pty Ltd. Mr Robert Spiers has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australian code for reporting of Exploration Results, Mineral Resource and Ore Reserves'. Mr Robert Spiers consents to the inclusion in the report of the matter based on his information in the form and context in which it appears.

### **Gold Equivalent Reporting**

Gold Equivalent = gold assay + (silver assay/65) where the number 65 g/t Ag = 1 g/t Au. The prices thus used in the calculation are the average gold price of US\$1,200 per ounce and average silver price of US\$20 per ounce. Metal recovery assumptions are 86.7% for gold and 80% for silver.