SUMATRA COPPER & GOLD PLC

HALF-YEAR FINANCIAL REPORT

FOR THE PERIOD ENDED 30 JUNE 2017

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Jocelyn Severyn de Warrenne Waller (Non-Executive Director)
Andrew Robb (Independent Non-Executive Director)
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Australian Securities Exchange
Share code: SUM

Contents

The Directors of the Company have pleasure in submitting their report together with the condensed interim consolidated financial statements of the Group, being Sumatra Copper & Gold plc ('the Company' or 'the Group') and its controlled entities, for the half-year ended 30 June 2017 and the review report thereon.

Directors

The names of the directors of the company during or since the end of the half-year are:

	Position held	Date of appointment	Date of resignation
Stephen Robinson	Independent Non-Executive Chairman	8 July 2013	30 June 2017
David Fowler	Managing Director	14 April 2015	-
Adi Sjoekri	Executive Director	31 March 2011	-
Jocelyn Waller	Independent Non-Executive Director	12 May 2006	-
Gavin Caudle	Non-Executive Director	26 September 2013	-
Andrew Robb	Independent Non-Executive Director	1 December 2016	-

Overview

Sumatra Copper & Gold Plc is a gold and silver producer and precious metals explorer focused on southern Sumatra, Indonesia. The Company's flagship asset is its Tembang gold-silver mine ("Tembang" or "the Project"), currently in production. The Company also has an extensive exploration portfolio with projects ranging from brownfield, near-production opportunities to strategically located greenfield holdings.

During the six months ended 30 June 2017 production at the Group's Tembang operation was lower than anticipated as the Berenai open pit surface, as defined in the original feasibility study, was found to be inaccurate and included portions of backfilled and rilled material. Approximately 5,000 contained ounces of material scheduled to be mined in the half were lost and productivity was reduced as more mud than planned was encountered and had to be removed at the wettest time of the year.

Underground ore production from bench cut and fill and ore drive development progressed as planned, with improved productivity and higher grades from narrower mining widths. Stope production was delayed and is now scheduled to commence in the September quarter.

The Group recorded a net loss for the period ended 30 June 2017 of US$13.9 million, representing (US$ 1.39) cents per share, in comparison to a loss for the same period ended 30 June 2016 of US$11.3 million representing a loss of (US$ 1.59) cents per share.

Total assets decreased by US$6.6 million to US$56.5 million from US$63.1 million as at 31 December 2016. Total liabilities were US$85.6 million, a decrease of US$7.1 million from 31 December 2016. The movement in total liabilities was a result of payment of the US$2.5 million of Working Capital Loans, payment of US$ 3 million in Redemption Premium, payment of Vat loans of US$ 3 million, new working capital and VAT loans of US$ 4 million and an increase in Trade Payables of US$4.6 million.

Total equity of (US$29.6) million at 31 December 2016 decreased by US$ 0.5 million to 30 June 2017 primarily as a result of new equity issues for US$ 14.8 million and the loss of the period of US$13.8 million. During the period, cash and cash equivalents decreased by US$1.1 million. Cash inflows from operating activities for the period were US$0.5 million. Net cash outflows from investing activities for the period were US$2.4 million.

The net cash inflow from financing activities of US$0.7 million mainly reflects US$5.2 million received in respect of the issue of share capital, and US$(2.5) million working capital less repayment of borrowings. Interest paid during the 6 months totalled US$1.7million.

Review of Operations

In the six months to 30 June 2017 the Tembang operation produced 11,263 ounces of gold and 80,775 ounces of silver. Ounces produced were affected by lower than planned production volumes from the Berani open pit and a delay in commencing stoping from the Belinau underground mine. A transition to narrower ore development at the Belinau underground mine resulted in higher grades at lower tonnes. Lower throughput levels allowed longer residence times resulting in higher recoveries.

Tembang Operations	Unit	Full Year 2016	QTR 31 Mar 17	QTR 30 Jun 17	6 months 2017
Underground mining					
Ore mined	tonnes	**74,017**	15,942	16,050	**31,992**
Mined grade	g/t Au	**5.04**	6.04	7.41	**6.79**
	g/t Ag	**79.17**	69.89	47.25	**60.97**
Contained metal	oz Au	**11,985**	3,054	3,700	**6,755**
	oz Ag	**188,400**	37,078	23,587	**60,665**
Open pit mining					
Ore mined	tonnes	**314,742**	43,797	34,858	**78,655**
Mined grade	g/t Au	**1.54**	1.81	2.53	**2.16**
	g/t Ag	**28.68**	19.79	16.39	**18.66**
Contained metal	oz Au	**15,663**	2,553	2,740	**5,293**
	oz Ag	**290,858**	27,871	17,775	**45,646**
Mill production					
Ore milled	tonnes	**378,024**	54,558	53,060	**107,617**
Mill grade	g/t Au	**1.94**	3.15	3.80	**3.47**
	g/t Ag	**37.08**	36.09	21.67	**28.98**
Contained metal	oz Au	**28,396**	5,524	6,475	**11,998**
	oz Ag	**537,922**	63,304	36,967	**100,271**
Recovery	% Au	**88.90%**	93.40%	94.28%	**93.87%**
	% Ag	**72.95%**	79.86%	81.75%	**80.56%**
Recovered gold	oz Au	**25,245**	5,159	6,104	**11,263**
Recovered silver	oz Ag	**392,417**	50,555	30,220	**80,775**
Gold & silver sales					
Gold sold	oz Au	**25,043**	4,533	5,208	**9,741**
Silver sold	oz Ag	**382,273**	58,193	36,973	**95,166**
Inventory at end of year					
Ore stocks	oz Au	**25,043**	250	140	**140**
	oz Ag	**382,273**	1,337	667	**667**
Metal in Circuit	oz Au	**25,043**	538	582	**582**
	oz Ag	**382,273**	3,657	2,882	**2882**
Finished product	oz Au	**25,043**	1,243	2,900	**2,900**
	oz Ag	**382,273**	19,886	19,686	**19,686**

The average cash cost of production was US$1,233 per ounce, inclusive of royalties and net of silver credits. All in sustaining costs ("AISC") for the half year was US$1,500 per ounce of gold and includes sustaining capital of US$2.3 million.

The Company recorded a loss for the period due to the loss of ounces from Berani due to inconsistencies between the original DFS and actual mine plan. Production from open pit ore sources achieved target in accordance with the plan, but made a loss due to higher planned strip ratios during this portion of the mine plan. Despite a slower ramp up from the underground operation, the Belinau underground mine was cash flow generative for the period. Major capital expenditure has also been completed. As strip ratios reduce and underground production increases operations are expected to become profitable.

Underground Mining

Underground ore production from bench cut and fill and ore drive development progressed as planned, with improved productivity and higher grades from narrower mining widths. Stope production was delayed and is now scheduled to commence in the September quarter.

Ore mined from Belinau for the six months totalled 31,992 tonnes at an average grade of 7.41 g/t Au and 47.25 g/t Ag for total contained metal of 6,755 oz Au and 60,665 oz Ag.

The Company had planned to commence stoping and restart decline development during June. This was, however delayed due to new import regulations delayed delivery of infrastructure (pumps, airlegs and parts) necessary for the final sign off on standard operating procedures for stoping. The delay in the decline development has meant that the second stoping panel from Level 12 to Level 10 has been deferred until the March 2018 quarter.

The first stoping panel from Level 9 to Level 7 will commence in the September quarter with production from 8 stopes now expected to occur during the December quarter. The level development is largely complete and the first stope rises has been constructed. The mine has undertaken a thorough stoping readiness process involving external consultants to ensure all SOP's and resources are in place, and that miners are trained and accredited to begin stoping.

3 small loaders were acquired during the half to "muck" stope draw points. Their small size will also allow the ore drives to be reduced in width, reducing dilution and associated costs. The larger loaders will continue on the decline and access drives. The jumbo drill rig damaged from water inundation in December 2016 has now been recommissioned.

Open Pit Mining

Open pit ore mined was 78,655 tonnes at an average grade of 2.16 g/t Au and 18.66 g/t Ag for a total contained metal of 5,293 oz Au and 45,646 oz Ag. Waste mined totalled 1,657,023 tonnes. Open pit ore was sourced from Berenai, and Siamang.

Production was lower than anticipated during the half as the Berenai open pit surface as defined in the original feasibility study was found to be inaccurate and included portions of backfilled and rilled material. Open pit mining during the current half was dominated by the requirement to remove all of the backfill and rilled material from the Berenai pit. This muddy material was unscheduled and unquantified and proved very difficult to remove, with a specialised mud pump discharging over 6,000m3 of soup consistency mud. A further 30,000m3 of more viscous mud needed to be mixed with over 50,000m3 of fresh waste rock for removal by truck. All this took place during the wettest time of the year. By the end of June the mud material was removed and normal mining operations resumed.

Processing

Mill feed for the half totalled 107,617 tonnes at a grade of 3.47 g/t Au and 28.98 g/t Ag for total contained metal of 11,263 oz Au and 80,775 oz Ag. Gold recovery averaged 93.9% and silver recovery 80.6%, which was a significant improvement from the prior year due to the increased residency time. Additional air was also added to the circuit using a hire compressor.

Mill availability was above target at 98%. Mill utilization was low 44%, but did provide the opportunity to carry out preventive maintenance in lieu of planned shutdowns.

Costs

Open pit mining, processing and administration costs for the period were in accordance with expectations. Underground mining costs including mine capital development were lower than anticipated due to lower production volumes. Mining costs per ounce are expected to reduce as production volumes increase from underground. General and Administrative costs include refining costs.

Tembang Operations	Unit	6 months 2017	Unit	6 months 2017
Mining costs	US$m	9,474	US$/oz	841
Processing costs	US$m	4,233	US$/oz	376
General & administration	US$m	2,695	US$/oz	239
Silver credits	US$m	(1,387)	US$/oz	(123)
Inventory movement	US$m	(1,130)	US$/oz	(100)
Cash costs	**US$m**	**13,885**	**US$/oz**	**1,233**
Royalties	US$m	505	US$/oz	45
Capital works (sustaining)	US$m	2,265	US$/oz	201
All-in sustaining cost (AISC)	**US$m**	**16,655**	**US$/oz**	**1,479**
Production	oz Au	11,263		

For the period ended 30 June 2017 the directors and management has noted indicators of impairment in relation to the Tembang mine. This include the loss of reserves in the Berani open pit, the continued operating issues which has slowed production and the market capitalisation of the Company being lower than the value of the assets. Management has undertaken a full impairment review of the mine and full disclosure regarding this can be found in note 11 to the interim financial statements. The result of the impairment review is a $4.1m write down to the mining asset.

Sales and Hedging

Sales of gold for the period were 9,741 ounces of gold at a price of US$ 1,236 per ounce and 95,166 ounces of silver at a price of US$ 16.9 per ounce. During the period 10,500 ounces of gold hedges at a price of US$1,108.5 and 85,800 ounces of silver hedges at a price of US$14.5 were closed out in accordance with scheduled deliveries. This resulted in an effective sales price per ounce of US$ 1,099 for gold and US$ 14.7 for silver.

There were no gold or silver hedges entered into during the half other than those already in place.

Health & Safety

At period end the cumulative total days worked without a Lost Time Injury (LTI) was 177 days equivalent to 960,008 man hours without LTI. The 12 month rolling average frequency rates at quarter end were LTIFR 1.05.

The Company's main focus continues with improving safety systems and management to increase awareness, improve safety behaviour and reduce the number of incidents. A significant improvement has been made in the emergency response team readiness through the purchase of critical equipment, in particular for underground emergency rescue and the provision of external emergency response training in May and June 2017.

Environment

There have been no significant known breaches of PT DNS's licence conditions or of the relevant Acts and Regulations, or reportable incidents. The operation has had no prosecutions or fines from the regulatory authorities. No high or critical environmental incidents occurred that could have medium to long-term impacts.

Corporate Social Responsibility

The Company continued its local community engagement activities. The focus of local village community development has been:

- The ongoing supply of clean drinking water, with Atlas Copco Nusantara engaged as a sponsor;
- Continuation of training to improve the capacity of public health services, including immunisation, contraceptive services, pregnant women and toddler health checks, and to engage the community through women;
- Assistance to the local community in Government-identified dengue endemic areas to eradicate mosquitoes;
- Home industry to increase community income such as bricks, retail services and tree seedling nurseries, including engagement with the Government, training and market research.
- Construction of a school fence and sporting facilities; and
- Donations to rehabilitate a local mosque; for school supplies and electrical generators.

Total land compensated at 30 June 2017 is 416.87 ha, 84.86% of the total target area of 491.24 ha.

Mineral Resources and Ore Reserves

The Mineral Resource and Ore Reserve estimates were updated at 31 December 2016 and released on the ASX 28 April 2017. The annual review of Mineral Resources and Ore Reserves will be conducted at 31 December 2017.

Exploration

Near mine exploration activities during the half remained focussed on advancing priority targets towards drill testing. Drill proposals were prepared for Belinau SW, Asmar North, Anang East, Merin and Adit targets. An initial 2,000m drilling program is planned in the second half at an estimated cost of US$300,000.

Target locations and priorities are shown on Figures 7 & 8.

At the Belinau SW target a soil geochemical program was completed to the southwest of the Belinau underground mine defined a 500 meter long, narrow, gold-silver-lead anomaly along the interpreted position of the "Belinau vein corridor". Trenching across the soil anomaly was undertaken during 2016, successfully exposing a 2.5m - 3m wide haematitic silicified structure with minor fine grained, milky quartz veinlets / stockworks in moderately to strongly argillic altered volcanic breccia rock, with weakly anomalous gold results being returned.

Work continued on the Asmar North Target which comprises a 300 meter x 150 meter corridor of NE-trending gold anomalism and epithermal veining defined by soil and rock chip geochemistry. While there is some historical trenching in the area, the target is considered under-explored, particularly when its proximity to the Asmar open pit is considered.

As previously reported, trenching to date has exposed a NE-trending epithermal vein system with best results including 1.20m at 7.5 g/t Au & 7.0 g/t Ag (RTR16014), 0.70m at 3.83 g/t Au & 2.5 g/t Ag (RTR16022) and 1m at 5.81 g/t Au & 4.3 g/t Ag (RTR16012). These results are considered encouraging.

Aidit is an exploration target with significant historical artisanal workings along strike from the Berenai open pit. New mapping and trenching has highlighted the potential for more northerly orientated veining associated with structures controlling the andesite porphyry intrusives at Berenai, rather than the previously interpreted and drill targeted east-west oriented veining. The targeted area has a coincident gradient array IP anomaly which has not previously been explained.

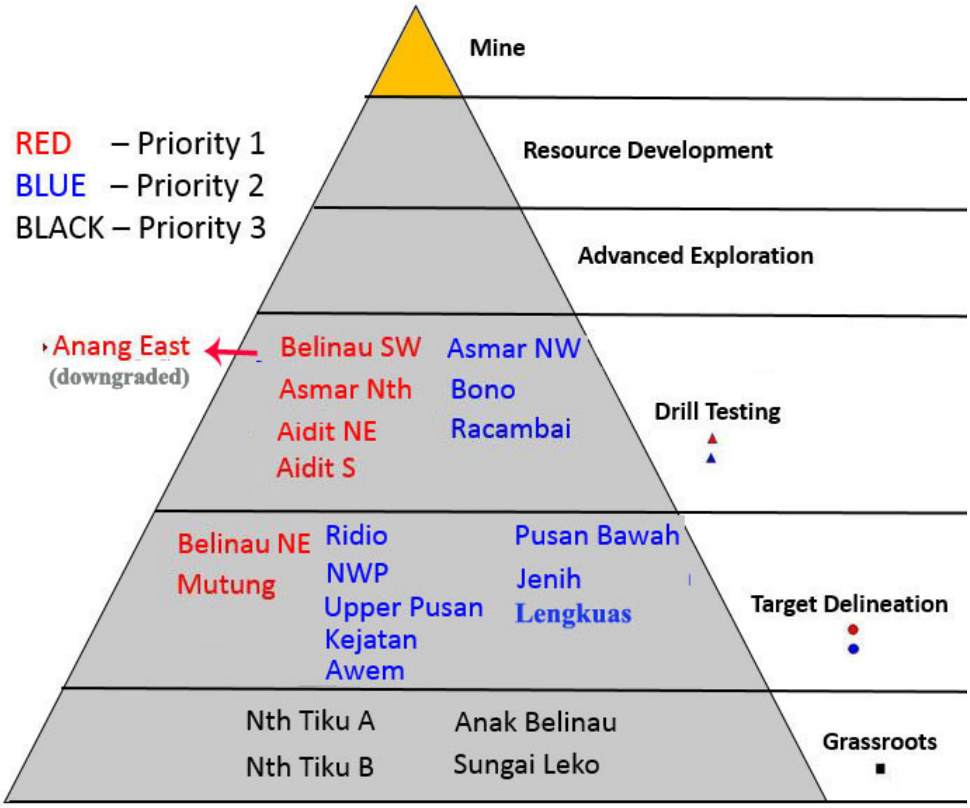

Figure 7. Tembang Exploration Target Pipeline at 30 June 2017

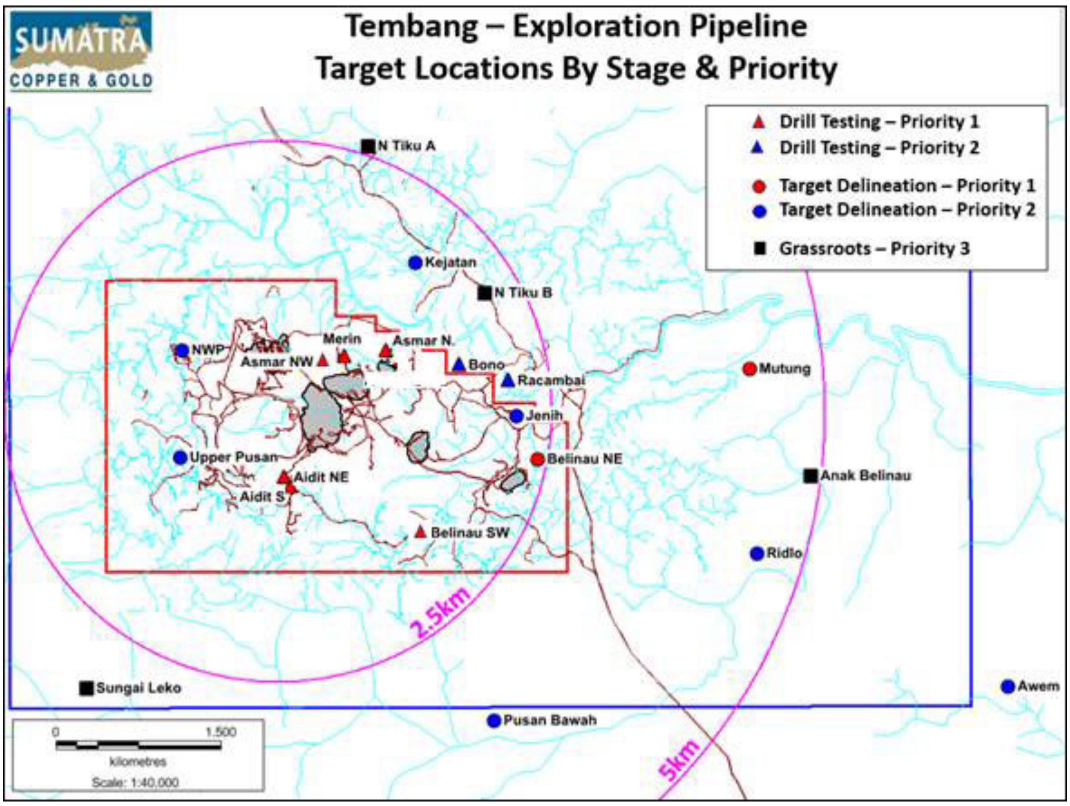

Figure 8. Tembang Exploration Target Pipeline – target locations relative to resource areas

Corporate Activities

Financing and Funding

During the June 2017 half, the Company drew down an additional US$1.0m in VAT funding, and repaid a total of US$3.6m from VAT refunds received of US$3.1m and working capital.

In December 2016 the Company announced that it, and its wholly owned subsidiary PT Dwinad Nusa Sejahtera, had executed agreements with its lenders to amend the existing US$45 million senior secured debt facility and warrants ("Amended Facility"), and with its major shareholders to support the Amended Facility and to convert or terminate their existing US$7 million convertible notes, plus accrued interest, in order to acquire additional equity in the Company. The key terms and conditions of the Amended Facility are as set out on the schedules to the Explanatory Statement in the Company's Notice of General Meeting dated 25 November 2016.

During January 2017, in accordance with the terms of the Amended Facility, the Company:

- completed the Initial Equity Raise of approximately US$2.6 million, issuing 150,530,591 CDIs at a price of A$0.023 per CDI for gross proceeds of approximately A$3.46 million;
- issued 234,751,309 CDIs as consideration for the termination of 250,597,351 warrants in the Company at an issue price of A$0.023 per CDI for a value of A$5.40 million (US$4.05 million at an exchange rate of 0.7501);
- issued 175,715,001 CDIs as payment for outstanding redemption premium (accrued through a deferral of a portion of the interest rate), under the senior secured debt facility, at an issue price of A$0.023 per CDI for a value of approximately A$4.04 million (US$3.03 million at an exchange rate of 0.7501);
- converted a further US$3.03 million of redemption premium into a subordinated interest-free debt instrument having a face value equal to US$3.03 million and repayable on 30 December 2019 but redeemable at any time at the Company's option.

Under the terms of the Amended Facility, the following was required to be completed by 30 June 2017:

- Completion of an equity raise of a minimum of US$12.5 million by the Company ("Major Equity Raise");
- Application of US$10 million, using proceeds of the Major Equity Raise, towards repayment of the senior secured debt facility;
- Conversion by the major shareholders of US$7 million in convertible notes, plus accrued interest, into CDIs or, in the event of the convertible notes being redeemed prior to 30 June 2017, subscription for a placement of CDIs to the value of the convertible notes; and
- Repayment by DNS of deferred out-of-the-money hedges.

The Company's wholly owned subsidiary PT Dwinad Nusa Sejahtera ("DNS") agreed terms with its lenders and major shareholders to vary the Amended Facility. Under the terms of the variation to the Amended Facility (refer ASX Announcement 27 June 2017), the lenders and major shareholders agreed to:

- Defer US$7.5 million of the Major Equity Raise to a date no later than 30 November 2017, with US$5 million to be raised by 30 June 2017;
- Defer US$7.5 million of the repayment of the senior secured debt facility to a date no later than 30 November 2017;
- Apply US$2.5 million of the US$5 million proceeds from the Major Equity Raise to the repayment of the senior secured debt facility before 30 June 2017;
- Defer any further funding of the Debt Service Reserve Account, under the senior secured debt facility, until 30 November 2017; and

- Defer the date for the conversion of convertible notes, or placement of CDIs to the value of any redeemed convertible notes, until 30 November 2017.

The Company has a Working Capital Facility Agreement with its major shareholders, Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk. During the half

- US$2.5 million of the Working Capital Facility was repaid from the proceeds of the US$2.6m equity raise in January 2017.
- US$2.4 was drawn down under the working capital facility bringing the total drawn to US$5.7 at 30 June 2017.

Securities

During March 2017 the Company completed a Security Purchase Plan (SPP), issuing 10,478,240 CDIs at a price of A$0.023 per CDI to raise proceeds of A$241,000.

During the half, a total of 656,857,593 CDIs were issued at a price of A$0.010 per CDI to raise gross proceeds of approximately A$6.569 million (equivalent to US$5.0 million at an exchange rate of 0.7612) from its major shareholders Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk ("Placement").

The Placement satisfied the Major Equity Raise under the variation to the Amended Facility and was undertaken using the Company's placement capacity as approved by Shareholders at the Annual General Meeting held on 31 May 2017.

Outlook

The loss of ore from within the Stage 1 Berenai pit was to be mitigated by bringing on stoping earlier from the Belinau underground mine. The pressure on cashflow from the lack of open pit ore, combined with the dewatering issues caused by changed customs regulations delayed the commencement of stoping to the September quarter.

The delay in development of the decline has also meant the second lower stoping panel has been delayed until early 2018.

Full year production guidance for 2017 is now reduced to 30,000 oz AuEq.

Principal Risks and Uncertainties facing the Company

Overview

Risk assessment and management are fundamental components of the business both in terms of planning for the Company's future and executing the strategy. The Group identifies, evaluates and manages significant threats and opportunities against business objectives. The Group's risk and tolerance levels are identified by the Board of Directors and are constantly monitored against group strategic goals, targets and performance.

The key areas of risk, uncertainty and material issues facing the Group in executing its strategy and delivering on its targets are described below.

Funding

See section above on financing and funding.

Environment

The Company's mineral project interests are located in Sumatra, Indonesia, a developing nation with a large number of ethnic and indigenous groups, whose fiscal and monetary controls, laws, policies and regulatory processes in many areas are less established than in developed nations, and where there is a wide range of policies, ideologies and attitudes between the numerous different political parties and candidates. The risks attached to exploration and mining in a developing country, which are not necessarily present in a developed country, can impact on a range of factors such as sovereign risk, safety, security costs, ability to operate, country policy, fiscal provisions and laws, and can lead to delays or even the suspension of operations.

The projects in Sumatra are located in areas where there are indigenous communities and villages, and other land users. Any exploration and mining activities needs to appropriately consider the needs of these communities and land users and suitable land use compensation arrangements have to be entered into. The projects are carried out under Indonesian local legislation, which is subject to change from time to time.

The Company's activities are subject to extensive foreign laws and regulations governing exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historical and cultural resources preservation, mine safety and occupational health, handling, storage and transportation of hazardous substances and other matters. New laws and regulations, or amendments to existing laws and regulations, could have a material adverse impact on the Company's results of operations and financial condition.

Metal Prices Volatility

The Group's main focus is gold and silver production at the Tembang Project. The market prices for these metals fluctuate widely. These fluctuations are caused by numerous factors beyond the Company's control. Causes of gold price fluctuations include the following:

- speculative positions taken by investors or traders in gold;
- changes in the demand for gold as an investment;
- changes in the demand for gold used in jewellery and for other industrial uses;
- changes in the supply of gold from production, disinvestment, scrap and hedging;
- financial market expectations regarding the rate of inflation;
- the strength of the US dollar (the currency in which the gold price trades internationally) relative to other currencies;
- changes in interest rates;
- actual or expected gold sales by central banks and the International Monetary Fund;
- gold hedging and de-hedging by gold producers; and
- global or regional political or economic events.

A sustained period of significant gold price volatility may adversely affect the Group's ability to evaluate the feasibility of undertaking new capital projects or continuing existing operations or to make other long-term strategic decisions.

In order to mitigate this risk, the Group has hedged approximately 50% of its first two years of forecast gold production from Tembang at a strike price of $1,108.50/oz.

Mineral Resources and Ore Reserves

The Company's reported Mineral Resources and Ore Reserves are estimates only. No assurance can be given that the estimated Mineral Resources and Ore Reserves will be recovered or that they will be recovered at the rates estimated. Mineral Resource and Ore Reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource and Ore Reserve estimates may require revision (either up or down) based upon increasing geological understanding and past operations. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain Ore Reserves uneconomic and may ultimately result in a restatement of Mineral Resources and/or Ore Reserves. Moreover, changes in short-term operating factors relating to the Mineral Resources and Ore Reserves, such as changes to the sequential development of ore bodies and the processing of new or different ore grades, may adversely affect the Company's profitability in any particular accounting period.

Operational uncertainty

The Group's business operations are subject to risks and hazards inherent to the mining industry, including but not limited to unanticipated variations in grade and other geological problems, weather, metallurgical and other processing problems, mechanical equipment performance problems, the availability of materials and equipment, accident, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

The Group is in the process of increasing production levels to its target of 40,000 to 50,000 gold equivalent ounces per annum and expects to achieve this level in the fourth quarter of 2017. During the past 12 months target mill throughput levels, metallurgical recoveries, open pit production levels and underground development rates have been achieved and sustained. Underground stope production rates are expected to reach target levels in the fourth quarter of 2017.

The Group periodically reviews mining schedules, production levels and asset lives in its life-of-mine planning for all of its operating and development properties. Significant changes in the life-of-mine plans can occur as a result of mining experience, new ore discoveries, changes in mining methods and rates, process changes, investments in new equipment and technology, precious metals price assumptions, and other factors.

As a result of the foregoing risks, among other things, expenditures on any and all projects, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs, just as estimated production dates may be delayed materially, in each case especially to the extent development projects are involved. Any such event can materially and adversely affect the Group's business, financial condition, results of operations and cash flows.

Uncertainty Relating to Mine Development

The Group's ability to maintain or increase its annual production of gold will be dependent in significant part on its ability to bring new mines into production and to extend the life or expand existing mines. Although the Group utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), precious metals price assumptions, the configuration of the ore body, expected recovery rates of metals from the ore, comparable capital and operating costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership burdens and other factors. The Group's development projects are also subject to the successful completion of final feasibility studies, receipt of necessary permits and of adequate financing.

Employee Policy

The Group is committed to promoting policies aimed at attracting high calibre employees to ensure the ongoing success of the business. The Group does not discriminate on the grounds of sex, age, marital status, creed, colour, race or ethnic origin. Applications for employment by disabled persons are always considered in full, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, so far as possible, be identical to that of all other employees.

Events since the Balance Sheet Date

On 12 September 2017 the Group's major shareholders, Provident and Saratoga have agreed to accelerate $US 2 million of the proposed $US 7.5 m as a Subordinated Loan.

Going Concern

At 30 June 2017 the Group had cash of US$ 1.39 million and net current liabilities of US$27.5m. Current liabilities include trade and other payables, employee provisions, and debt and financing facilities obligations.

The Group's detailed cash flow forecasts show that the Group has sufficient working capital for at least a year from the date these Half Year Financial Statements are approved. This is based on the following assumptions:

1. The cash flow forecasts are based on the Group's principal asset, the Tembang Gold-Silver mine in Sumatra, Indonesia ("Tembang") achieving sustainable production in line with the life of mine model and thereby generating sufficient cash flows to repay historic debt and fund continuing working capital requirements.
1. The Group expects to be cash generative during the fourth quarter of 2017 with planned sustainable production levels of at least 9,000 gold equivalent ounces per quarter.
2. The Group's major shareholders, Provident and Saratoga have agreed to provide an additional $ 2.0 m short term working capital facility.
3. The shareholder approval for the major equity raise was obtained on 31 May 2017 and was valid for a three month period. The Company plans to seek shareholder approval for the Major Equity Raise at a general meeting of shareholders prior to 30 November 2017.
4. The Group maintains ongoing communication with and has secured commitments for repayment plans from key creditors and lenders. The Group will require continued support from these parties in order to manage its working capital position.

The Company is also considering a number of initiatives to reduce, refinance and raise additional equity for working capital and exploration and development to extend mine life. The Directors believe there to be a reasonable prospect of the Group generating cashflows from operations to fund its business and anticipates that it can improve its capital structure during 2017. The directors also note that at the date of this report none of the additional facilities referred to above have been signed and drawn down or are subject to shareholder approval. These conditions indicate the existence of material uncertainties which may cast doubt as to the Group's ability to continue as a going concern. In the event that some or a combination of the above events fail to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and would need to seek additional funding in order to meet its liabilities as they fall due.

Financial Risk Management

A review of the business financial risk management can be found in the Notes to the Financial Statements, note 24.

Signed in accordance with a resolution of the Board of Directors

On behalf of the Directors

Jocelyn Waller

Non-Executive Chairman

13 September 2017

INDEPENDENT AUDITORS' REVIEW OPINION TO THE MEMBERS OF SUMATRA COPPER & GOLD PLC

Introduction

We have been engaged by the group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed Consolidated Statement of comprehensive income, condensed Consolidated Statement of Financial Position, condensed Consolidated Statement of Changes in Equity, condensed Consolidated Statement of Cash flows and explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly report in accordance with the rules of the Australian Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report is prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the Australian Stock Exchange and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT AUDITORS' REVIEW OPINION TO THE MEMBERS OF SUMATRA COPPER & GOLD PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with the rules of the Australian Stock Exchange and International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of matter – Going concern

In reaching our conclusion above, which is not modified, we have considered the adequacy of the disclosures made in note 2(d) to the condensed set of financial statements concerning the Group's ability to continue as a going concern. The Group had $1.39 m of cash and cash equivalents at 30 June 2017 and net current liabilities of $27.5m. The Group's ability to fund its current liabilities and general overheads is reliant on the Tembang mine operating in line with forecasts, continued support from key stakeholders including shareholders, the Group's key lender and suppliers and raising further capital in the near future. Subsequent to the reporting date, the Company has raised a further $2m from a working capital facility with major shareholders. The Company is also required to seek shareholder approval for the major equity raise as the approval previously given has expired.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

BDO LLP

BDO LLP
Chartered Accountants
Location
United Kingdom
13 September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2017

	Note	Half-year ended 30 June 2017 (Unaudited) US$000	Half-year ended 30 June 2016 (Unaudited) US$000
Continuing operations			
Revenue		12,009	14,425
Cost of sales	4	(18,333)	(18,025)
Gross profit		**(6,324)**	**(3,600)**
Administration expenses		(1,544)	(2,144)
Provision for impairment of property, plant and equipment		(4,073)	-
Amortisation of derivative asset		(366)	(366)
Operating loss		**(12,307)**	**(6,388)**
Finance income	6	963	259
Finance costs	7	(2,533)	(5,272)
Net financing costs		**(1,570)**	**(5,013)**
Loss before income tax		**(13,877)**	**(11,401)**
Income tax benefit	8	-	94
Loss for the period attributable to owners of the parent		**(13,877)**	**(11,307)**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income net of tax will not be reclassified to profit or loss			
Actuarial gain / (loss)		(34)	48
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences		17	84
Effective portion of changes in fair value of cash flow hedges		(395)	(8,789)
Other comprehensive loss for the period, net of tax		**(412)**	**(8,657)**
Total comprehensive loss for the period attributable to owners of the parent		**(14,289)**	**(19,964)**
LOSS PER SHARE			
Basic loss per share (US cents per share)	9	(1.39)	(1.59)
Diluted loss per share (US cents per share)	9	(1.39)	(1.59)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	30 June 2017 (Unaudited) US$000	Restated 31 December 2016 (Audited) US$000
ASSETS			
Non-current assets			
Property, plant and equipment	11	34,835	39,898
Exploration and evaluation assets	10	2,644	2,623
Deferred tax assets	8	3,750	3,750
Total non-current assets		**41,229**	**46,271**
Current assets			
Cash and cash equivalents	15	1,391	2,500
Trade and other receivables	13	8,070	10,019
Inventories	14	5,609	3,730
Derivative financial instruments	12	244	610
Total current assets		**15,314**	**16,859**
TOTAL ASSETS		**56,543**	**63,130**
LIABILITIES & EQUITY			
Non-current liabilities			
Borrowings	17	41,077	45,868
Derivative financial liability	12	-	2,646
Provisions	19	1,686	581
Total non-current liabilities		**42,763**	**49,095**
Current liabilities			
Trade and other payables	16	23,247	18,596
Borrowings	17	11,573	14,702
Derivative financial liability	12	2,092	4,050
Convertible loans	18	5,889	5,507
Provisions	19	-	777
Total current liabilities		**42,801**	**43,632**
Total liabilities		**85,564**	**92,727**
Equity attributable to owners of the parent			
Share capital and premium	20	88,345	73,480
Other reserves		(214)	400
Accumulated losses		(117,152)	(103,477)
Total equity		**(29,021)**	**(29,597)**
TOTAL LIABILITIES AND EQUITY		**56,543**	**63,130**

The condensed consolidated statement of financial position is to be read in conjunction with the notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2017

	Attributable to owners of the parent							
	Share capital and premium (Unaudited) US$000	Translation reserve (Unaudited) US$000	Restated Share-based payment reserve (Unaudited) US$000	Hedging reserve (Unaudited) US$000	Convertible loan reserve (Unaudited) US$000	Other equity (Unaudited) US$000	Accumulated losses (Unaudited) US$000	Restated Total equity (Unaudited) US$000
Balance as at 1 January 2017	**73,480**	**(1,806)**	**236**	**955**	**1,015**	**-**	**(103,477)**	**(29,597)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD								
Loss for the period	-	-	-	-	-	-	(13,877)	(13,877)
Other comprehensive income/(expense)								
Actuarial gain / (loss)	-	-	-	-	-	-	(34)	(34)
Foreign currency translation differences	-	17	-	-	-	-	-	17
Movement in fair value of hedge and derivatives	-	-	-	(395)	-	-	-	(395)
Total other comprehensive (expense)/income	**-**	**17**	**-**	**(395)**	**-**	**-**	**(34)**	**(412)**
Total comprehensive (expense)/income for the period	**-**	**17**	**-**	**(395)**	**-**	**-**	**(13,911)**	**(14,289)**
TRANSACTIONS WITH EQUITY HOLDERS								
Share issue during the period (net of share issue costs)	10,815	-	-	-	-	-	-	10,815
Share issued to extinguish warrant liability	4,050	-		-	-	-	-	4,050
Options lapsed during the period	-	-	(236)	-	-	-	236	-
Total transactions with equity holders	**14,865**	**-**	**-**	**-**	**-**	**-**	**236**	**14,865**
Balance at 30 June 2017	**88,345**	**(1,789)**	**-**	**560**	**1,015**	**-**	**(115,587)**	**(29,021)**
Balance as at 1 January 2016	**73,389**	**(1,855)**	**5,968**	**4,042**	**1,015**	**-**	**(74,365)**	**8,194**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD								
Loss for the period	-	-	-	-	-	-	(11,307)	(11,307)
Other comprehensive income/(expense)								
Actuarial gain / (loss)	-	-	-	-	-	48	-	48
Foreign currency translation differences	-	84	-	-	-	-	-	84
Movement in fair value of hedge and derivatives	-	-	-	(8,789)	-	-	-	(8,789)
Total other comprehensive (expense)/income	**-**	**84**	**-**	**(8,789)**	**-**	**48**	**-**	**(8,657)**
Total comprehensive (expense)/income for the period	**-**	**84**	**-**	**(8,789)**	**-**	**48**	**(11,307)**	**(19,964)**
TRANSACTIONS WITH EQUITY HOLDERS								
Share issue during the period (net of share issue costs)	91	-	-	-	-	-	-	91
Share option and warrants charge during the period	-	-	143	-	-	-	-	143
Options lapsed during the period	-	-	(144)	-	-	-	144	-
Total transactions with equity holders	**91**	**-**	**(1)**	**-**	**-**	**-**	**144**	**234**
Balance at 30 June 2016	**73,480**	**(1,771)**	**5,967**	**(4,746)**	**1,014**	**48**	**(85,528)**	**(11,536)**

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2017

	Note	Half-year ended 30 June 2017 (Unaudited) US$000	30 June 2016 (Unaudited) US$000
Cash flows from operating activities			
Cash generated/ (used in) operations	22	521	(1,406)
Net cash flow used in operating activities		**521**	**(1,406)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,414)	(2,177)
Interest received		15	-
Net cash flow used in investing activities		**(2,399)**	**(2,177)**
Cash flows from financing activities			
Proceeds from issue of share capital		5,259	-
Share issue costs		(43)	-
Proceeds from issue of convertible debt		-	4,500
Proceeds from borrowings		3,933	1,711
Borrowing costs paid		(189)	(60)
Repayment of borrowings		(6,420)	(483)
Interest paid		(1,771)	(2,037)
Net cash inflow from financing activities		**769**	**3,631**
Increase(decrease)/ in cash and cash equivalents		**(1,109)**	**48**
Cash and cash equivalents at beginning of year		2,500	890
Foreign exchange loss on cash and cash equivalents		-	1
Cash and cash equivalents at end of year		**1,391**	**939**

The condensed consolidated statement of flows is to be read in conjunction with the notes to the condensed consolidated financial statements.

DIRECTORS DECLARATION

The Directors confirm to the best of their knowledge that:

a) The unaudited set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;
b) The interim financial statements and associated notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the half year ended on that date; and
c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Jocelyn Waller

Non-Executive Chairman

13 September 2017

1. GENERAL INFORMATION

The registered number of Sumatra Copper & Gold plc (the 'Company') is 5777015. The Company was incorporated in England on 11 April 2006 in the form of a company limited by shares and was later changed to a public limited company. It is domiciled in the United Kingdom and is Australian resident for income tax purposes. The Company's shares are traded in the form of CHESS Depositary Interests on the Australian Stock Exchange (ASX). The Company's registered address is 39 Parkside, Cambridge CB1 1PN United Kingdom.

The condensed consolidated financial statements of the Company for the half-year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company acts as the parent company of the Group. The Group is a gold and silver producer on the Indonesian island of Sumatra.

2. BASIS OF PREPARATION

(a) Statement of compliance

The half-year report is a general purpose financial statement, which has been prepared in accordance with the requirements of IAS 34 "Interim financial reporting" as adopted by the European Union..

The half-year report has been prepared on a historical cost basis. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report. The half-year financial report set out above does not constitute statutory accounts within the meaning of the Australian Stock Exchange.

The half-year financial report should be read in conjunction with the annual Financial Report of Sumatra Copper and Gold plc as at 31 December 2016 which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The comparative financial information for the year ended 31 December 2016 contained in this half-yearly report does not constitute statutory accounts for that year. The statutory accounts for the year ended 31 December 2016 have been delivered to the Registrar of Companies.The Independent Auditors' Report on the Annual Report and Financial Statement for 2016 was Unqualified, drew attention to the uncertainty around the Group continuing as a going concern by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial information for the periods ended 30 June 2017 and 30 June 2016 are unaudited but have been reviewed by the Company's auditor.

It is also recommended that the half-year financial report be considered together with any public announcements made by Sumatra Copper and Gold plc during the half year ended 30 June 2017 in accordance with the continuous disclosure obligations under the Australian Stock Exchange.

(b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivatives as measured at fair value, including forward contracts designated as hedges.

The methods used to measure fair values are the same as with those disclosed at 31 December 2016.

(c) Functional and presentation currency

The condensed consolidated financial report is presented in US dollars, which is the Group's presentation currency. The functional currency of the Company and the Company's subsidiary in which the Group holds the Tembang assets (PT Dwinad Nusa Sejahtera) is US dollars, and the functional currency of the Company's other foreign subsidiaries is Indonesian rupiah. The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

(d) Going Concern

At 30 June 2017 the Group had cash of US$ 1.39 million and net current liabilities of US$27.5m. Current liabilities include trade and other payables, employee provisions, and debt and financing facilities obligations.

The Group's detailed cash flow forecasts show that the Group has sufficient working capital for at least a year from the date these Half Year Financial Statements are approved. This is based on the following assumptions:

- The cash flow forecasts are based on the Group's principal asset, the Tembang Gold-Silver mine in Sumatra, Indonesia ("Tembang") achieving sustainable production in line with the life of mine model and thereby generating sufficient cash flows to repay historic debt and fund continuing working capital requirements.
- The Group expects to be cash generative during the fourth quarter of 2017 with planned sustainable production levels of at least 9,000 gold equivalent ounces per quarter.
- The Group's major shareholders, Provident and Saratoga have agreed to provide an additional $ 2.0 m short term working capital facility. The shareholder approval for the major equity raise was obtained on 31 May 2017 and was valid for a three month period. The Company plans to seek shareholder approval for the Major Equity Raise at a general meeting of shareholders prior to 30 November 2017.
- The Group maintains ongoing communication with and has secured commitments for repayment plans from key creditors and lenders. The Group will require continued support from these parties in order to manage its working capital position.

The Company is also considering a number of initiatives to reduce, refinance and raise additional equity for working capital and exploration and development to extend mine life. The Directors believe there to be a reasonable prospect of the Group generating cashflows from operations to fund its business and anticipates that it can improve its capital structure during 2017. The directors also note that at the date of this report none of the additional facilities referred to above have been signed and drawn down or are subject to shareholder approval. These conditions indicate the existence of material uncertainties which may cast doubt as to the Group's ability to continue as a going concern. In the event that some or a combination of the above events fail to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and would need to seek additional funding in order to meet its liabilities as they fall due.

(e) Significant accounting policies

The accounting policies, methods and computations are the same as those set out in the Annual Financial Statements for the year ended 31 December 2016, have been applied consistently to all periods presented in these Condensed Consolidated Financial Statements and have been applied consistently by the Group.

Gold sales

Revenue from sales of gold is recognised when:

- the Company has passed the significant risks and rewards of ownership of the product to the buyer;
- it is probable that the economic benefits associated with the sale will flow to the Company;
- the sales price can be measured reliably;
- the Company has no significant continuing involvement; and

- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Cost of sales

Cost of sales consists of production costs and depreciation of mining assets.

Production costs include mine operating expenses (such as hire of mining equipment, staff costs, fuel, consumables, maintenance and repair costs, general and administrative costs), third-party smelting, refining and transport fees, royalty expense, changes in inventories for the period and any impairment to reduce inventories to net realisable value. Cost of sales is based on average costing for contained or recoverable ounces sold for the period.

(f) Restatement

The Company has revisited the accounting for the Nomura warrants converted to CDIs in the period.. These warrants were accounted for as an equity instrument from inception. The conditions of the warrants contained a term whereby if they were not exercised during their life then the Company is committed to pay a cash settlement to the warrant holder. As the company had an obligation to pay cash then the warrants should have been accounted for as a derivative liability. The 31 December 2016 Statement of financial position has been restated to reflect a current derivative liability of $4.050m, which represents the value settled in 2017 and the share based payment reserve created on initial inception has been removed. The fair value movements on the derivative liability have been captured within retained earnings and there is no impact on the net assets. In the statement of Comprehensive Income for the year ended 31 December 2016 a gain on the settlement of these warrants of $1.6m was incorrectly recognised. This has also been reversed as part of this adjustment.

3. SEGMENT INFORMATION

IFRS 8 Operating Segments requires a management approach under which segment information is presented on the same basis as that provided to the chief operating decision maker.

The Project Management Committee comprises: Non-Executive Chairman (Stephen Robinson), Executive Director (Adi Adriansyah Sjoekri), and Project Sponsor (David Fowler).

Tembang asset commenced operations during 2015 and the chief operating decision-makers were identified as the executive team, comprising of Executive Director (Adi Adriansyah Sjoekri), Chief Executive Officer (David Fowler), and Chief Operating Officer (Robert Gregory).

For the Group, internal reporting is based on the Group's two geographical markets: Australia and Indonesia. Hence segment information is reported in the same manner. The Group operates in one principal area of activity, that of exploration and development of gold tenements.

Revenue, loss before tax and net assets are all within one activity, that of gold exploration and development.

Segment information on a geographical basis includes Australia where the head office is established and Indonesia where the Tembang and Tandai projects operate.

30 June 2017	Australia (Unaudited) US$000	Indonesia (Unaudited) US$000	Consolidated (Unaudited) US$000
Segment revenue	-	12,009	12,009
Operating (loss)/profit before impairment	(770)	(11,537)	(12,307)
Net financing income/(costs)	808	(2,378)	(1,570)
Loss before tax	**38**	**(13,915)**	**(13,877)**
Non-current assets other than financial instruments (ii)	563	47,890	48,453
Segment total assets	**1,564**	**62,203**	**63,767**

Segment total liabilities	**7,474**	**78,090**	**85,564**

30 June 2016	Australia (Unaudited) US$000	Indonesia (Unaudited) US$000	Consolidated (Unaudited) US$000
Segment revenue	-	14,425	14,425
Operating (loss)/profit before impairment	(1,020)	(5,364)	(6,388)
Net financing costs	(995)	(4,018)	(5,013)
Loss before tax	**(2,019)**	**(9,382)**	**(11,401)**
Non-current assets other than financial instruments	567	53,425	53,992
Segment total assets	**633**	**68,939**	**61,524**
Segment total liabilities	**4,034**	**77,074**	**81,108**

4. COST OF SALES

	30 June 2017 (Unaudited) US$000	30 June 2016 (Unaudited) US$000
Production stock movements	(1,785)	(1,483)
Depreciation	3,404	3,510
Operating costs	16,714	15,998
	18,333	**18,025**

5. LOSS BEFORE INCOME TAX

	30 June 2017 (Unaudited) US$000	30 June 2016 (Unaudited) US$000
This has been arrived at after charging the following:		
Auditors’ remuneration	87	40
Directors’ remuneration (excluding share options)	92	265
Share based payments	-	143
Post-employment benefit expense	208	377
Lease expense	22	60
Amortisation of derivative asset	366	366
Other payroll and related expenses	3,763	490
Legal and professional fees	132	101

6. FINANCE INCOME

	30 June 2017 (Unaudited) US$000	30 June 2016 (Unaudited) US$000
Bank interest income	15	4
Changes in fair value of warrants	948	255
	963	**259**

7. FINANCE COSTS

	30 June 2017 (Unaudited) US$000	30 June 2016 (Unaudited) US$000
Foreign exchange loss	(70)	(250)
Interest on borrowings	(1,809)	(3,501)
Interest and fees on convertible loan	(604)	34
Amortisation of borrowing costs	(50)	(1,555)
	(2,533)	**(5,272)**

8. INCOME TAX

(i) Analysis of charges for the period

Current Tax	30 June 2017 (Unaudited) US$000	30 June 2016 (Unaudited) US$000
Income tax benefit for the period	-	94
Income tax	**-**	**94**

(ii) Factors affecting the current tax charge for the period

Reconciliation between the actual income tax expense and the product of accounting loss:

	30 June 2017 (Unaudited) US$000	30 June 2016 (Unaudited) US$000
Loss before income tax	**(13,877)**	**(11,401)**
Tax calculated at domestic tax rates applicable to profits in the respective countries – Australia 30% (2014: 30%)	(4,163)	(3,420)
Tax effect of		
Expenses not deductible for tax purposes	1,544	609
Movement in temporary differences	1,925	1,981
Difference in Indonesian tax rate	694	570
Losses carried forward not recognised	-	166
Income tax	**-**	**(94)**

(iii) Deferred tax

At 30 June 2017, the Group had potential and unrecognised deferred tax assets as follows:

	30 June 2017 (Unaudited) US$000	31 December 2016 (Audited) US$000
Deferred tax asset		
Tax effect of unused tax losses recognised as a deferred tax asset	3,750	3,750
	3,750	**3,750**
Deferred tax asset not recognised		
Tax effect of temporary differences because of:		
Tax losses carried forward not recognised	15,203	15,203

	15,203	**15,203**

A deferred tax asset has been recognised on the basis that the Directors believe there is a reasonable and probable prospect that the Group will generate taxable profits in the future. A deferred tax asset has been recognised on tax losses to the extent that it is probable that taxable profit will be available against which the unused losses can be utilised.

The Group has a further US$15.2m of unrecognised tax losses carried forward, giving rise to an unrecorded deferred tax asset of US$4.6m. These losses are held in PT Dwinad Nusa Sejahtera and do not expire, they may not be used to offset taxable income elsewhere in the Group. Tax losses can be carried forward indefinitely and the future tax rate has been considered at 30%. Management has considered that there is uncertainty over the utilisation of these losses and has therefore not recognised a deferred tax asset. The timeframe to utilise these losses would occur over a period that provides less certainty of recoverability.

9. LOSS PER SHARE

	Basic and diluted loss per share	
	30 June 2017 (Unaudited)	**30 June 2016 (Unaudited)**
Loss attributable to ordinary shareholders (US$000)	(13,877)	(11,307)
Issued ordinary shares at start of the period	710,952,181	708,402,182
Effect of issue of shares	289,204,509	2,265,052
Weighted average number of shares	**1,000,156,600**	**710,667,234**
Loss per share in US cents per share	**(1.39)**	**(1.59)**

For fully diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options, convertible loans and warrants issued. As the Group is currently loss-making, none of the potentially dilutive securities are currently dilutive.

10. EXPLORATION AND EVALUATION ASSETS

	30 June 2017 (Unaudited) US$000	**31 December 2016 (Audited) US$000**
Balance at the beginning of the period	2,623	2,623
Effect of exchange rate on assets held in foreign currencies	21	-
Balance at the end of the period	**2,644**	**2,623**

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017 (Unaudited) US$000	**31 December 2016 (Audited) US$000**
Cost		
Balance at the beginning of the period	107,951	102,521
Additions	2,411	5,582
Exchange rate movement on assets held in foreign currencies	3	(152)

Balance at the end of the period	**110,365**	**107,951**
Accumulated depreciation and impairment		
Balance at the beginning of the period	(68,053)	(54,418)
Depreciation charge for the six months	(3,404)	(8,947)
Provision for impairment of property, plant and equipment	(4,073)	(4,688)
Balance at the end of the period	**(75,530)**	**(68,053)**
Net book value	**34,835**	**39,898**

	30 June 2017 (Unaudited) US$000	31 December 2016 (Audited) US$000
Breakdown of assets held under finance lease arrangements included above:		
Cost		
Opening Balance	3,629	3,629
Balance at the end of the period	**3,629**	**3,629**

Property, Plant and Equipment includes: development assets, plant and equipment, fittings and fixtures and pre-feasibility costs mainly associated with the Tembang project.

Provision for impairment of property, plant and equipment

In June 2017, the Group identified impairment indicators such as the Company's market capitalisation being lower than the value of the long-term assets, the mine operating at a loss and a reduction in reserves as announced on 28th April 2017. Therefore impairment testing was performed on the recoverability of the mining asset.

The Group is an emerging gold and silver producer focused in the Indonesian island of Sumatra currently dedicated on developing its 100%-owned Tembang Project, its single asset, therefore the Group determined the Tembang project the cash generating unit (CGU) for impairment purposes. The recoverable amount of the CGU was calculated by way of the development strategy which includes a sustainable exploration program capable of maintaining a rolling 4-year Life of Mine ("LOM") plan funded from Project cash flow.

A life of mine cash flow model was prepared based on actual costs incurred to date, forecasts for future production and cash flows on known variables.

The mine schedules are prepared in Surpac and Excel and the model is prepared in the forecasting software RAMSYS. The model is updated periodically with knowledge gained from actual mining and production experience.

The basis for determination of the recoverable amount was:

- Gold price of US$1,250/oz. (2016: US$1,225/oz.) and Silver price of US$17.5/oz. (2016: US$18/oz.) – future commodity prices were based on the 2017 consensus views from market participants in the period.
- Gold and Silver production – gold and silver production forecast is based on the Group's updated Life of Mine Plan (LOM);
- Updated LOM is based only on JORC reserves as per DFS and a high probability mine life extension at

Belinau incorporating inferred resources agreed subsequent to the reserve statement announcement;

- Operating and capital cost – these costs were based on management's best estimates at the time of the impairment testing;
- Foreign exchange rates – Indonesian Rupiah to US dollar exchange rates were based on the forward curve and consensus views; and
- Discount rate – a pre–tax real discount rate of 17.00% (2016:17.0%).

The cash flows are based on proven and probable Ore Reserves and inferred resources within Belinau. The Company also believes that, with further drilling and feasibility work, additional resources will be converted into reserves, mine life will be extended and cash flows will increase at the same rate as the gold price. The result of the impairment review is a $4.1m write down to the mining asset.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2017 (Unaudited) US$000	Restated 31 December 2016 (Audited) US$000
Derivative financial asset – forward contract		
Current portion of day 1 loss	244	610
Balance at the end of period	**244**	**610**
Derivative financial (liability) – forward contract		
Balance at beginning of the period	(942)	2,146
Fair value movement for forward contract hedging instrument	(395)	(3,088)
Balance at the end of the period	**(1,337)**	**(942)**
Derivative financial liability – warrants		
Balance at beginning of the period (restated)	(230)	(6,108)
Fair value through the profit / (loss)	212	1,827
Balance at the end of the period	**(18)**	**(4,281)**
Derivative financial liability – convertible note		
Balance at beginning of the period	(1,473)	(477)
Fair value on initial recognition	-	(1,530)
Fair value through the profit / (loss)	736	534
Balance at the end of the period	**(737)**	**(1,473)**
Net derivative asset (liability)	**(1,848)**	**(6,086)**

Derivative financial instruments

	30 June 2017 (Unaudited)	Restated 31 December 2016 (Audited)

	US$000	US$000
Current asset		
Non-current asset	244	610
Current liability	(2,092)	(4,050)
Non-current liability	-	(2,646)
	(1,848)	**(6,086)**

Forward contracts designated as hedges

On 22 October 2014, the wholly owned subsidiary PT Dwinad Nusa Sejahtera, entered into a senior secured debt facility with Nomura Singapore Limited and Indonesia Eximbank. The facility required that the Company entered into hedging equivalent to 50% of gold and silver production during the first 2 years of operation commencing deliveries during November 2015 to October 2017. The hedge program represents approx. 23% and 16% respectively of the gold and silver ore reserves. The subsidiary paid a premium of US$300,000 for entering the hedging program which will be amortised over the life of the hedge.

On 31 October 2014, the Company entered into its hedging program using a capped forward structure as follows:

(a) Gold - forward contracts

42,000 ounces of gold hedged at a strike price of US$1,108.50/oz. Where the gold price at time of delivery is below US$1,428.50/oz the Subsidiary will receive a gold price of US$1,108.50; where the gold price is above $1,428.50 the Subsidiary will receive a gold price equivalent to the prevailing gold price less $320.00/oz.

The hedge is a short forward contract and a long call. The instrument has been valued using a Multi Asset Pricing System. The two key variables applied to the model are volatility and forward curve pricing.

(b) Silver - forward contracts

343,200 ounces of silver hedged at a strike price of US$14.47/oz. Where the silver price at time of delivery is below US$21.77/oz the Company will receive a silver price of US$14.47; where the silver price is above $21.77 the Company will receive a silver price equivalent to the prevailing silver price less $7.30/oz.

The hedge is of a short forward contract and a long call. The instrument has been valued using a Multi Asset Pricing System. The two key variables applied to the model are volatility and forward curve pricing.

Given the total value of production hedged between gold and silver, the silver hedge has been considered an effective hedge.

The resulting US$1.3 m (2016: US$1 m) fair value of these contracts has been recognised in the statement of financial position as a derivative (liability)/asset. These amounts are neither past due nor impaired.

The Group have performed a retrospective and prospective effectiveness based on average gold price in period and the market consensus commodity prices to 30 June 2017 respectively, against the hedged values as above.

This falls within the bright line test and therefore have been classified as effective. The change in the fair value of these derivatives of US$0.3 m loss has been recognised in the other comprehensive income during the year as loss on derivative financial instruments.

The Group has amended its gold hedging arrangements such that 50% of the net out-of-the money value on the six monthly deliveries commencing on 31 October 2016 will be deferred, without interest, and were repaid by 30 June 2017. The remaining 50% of the hedging arrangements will continue to be cash settled within 3 days of the due date. The balance is to be paid subsequent to the Major Equity Raise.

Warrants

The Group issued warrants to the Group's senior lender, Nomura, on 21 October 2014. These are treated as a derivative because there is an obligation to pay cash to the warrant holder if the warrants expire without being executed.

The Group issued warrants to shareholders on 8 April 2015. These have been accounted for as a derivative financial liability as the functional currency of the Company is US$ and the currency in which the warrants have been is issued is A$. They therefore break the "fixed for fixed" criteria in IAS 39 and have been recognised at fair value on the statement of financial position.

Movement in unissued warrants during the period:

Exercise price[i]	Held at 1 January 2016 Number	Movement during the period Number	Held at 31 December 2016 Number	Exercise date
A$0.057 (US$0.041)[a]	250,597,351	(250,597,351)	-	12 November 2017
A$0.060 (US$0.043)[b]	44,260,914	(44,260,914)	-	7 April 2017
A$0.057 (US$0.042)[c]	17,074,171	-	17,074,171	7 August 2017
	311,932,436	**(294,858,265)**	**17,074,171**	

(i) All options are exercisable in A$ (presented in US$ at 30 June 2016 rate of $0.7448)

(a) On 21 October 2014, the wholly owned subsidiary PT Dwinad Nusa Sejahtera entered into a Senior Secured Facility with Nomura Special Investments Singapore Pte Ltd and Indonesian Exim Bank. As part of the conditions precedent the Company agreed to grant an aggregate total of 250,597,351 Warrants. The Warrants will be issued in two tranches:

(i) the first tranche of up to 222,753,201 Warrants were issued on 12 November 2014 as conditions precedent were satisfied: (a) Shareholder approval being obtained for the purposes of ASX Listing Rule 7.1; and (b) provision of the first tranche of the Nomura Facility (being US$40m) to the Company. The total fair value of tranche 1 was US$5.3m and has been recognised as part of borrowing cost which will be amortised over the life of the facility using the effective interest rate method.

(ii) the second tranche of up to 27,844,150 Warrants was issued on 22 September 2015 as a result of the second tranche of the Nomura Facility (US$ 5.0m) being advanced to the Company. Increasing the total held to 250,597,351.

(ii) On 23 December 2016, the Company announced an amendment to its existing US$45 million senior secured debt facility.

On 31 January 2017, in accordance with the terms of the Amended Facility Agreement the Company issued 234,751,309 CDI's as consideration for the termination of 250,597,351 warrants in the company. As at 31 December 2016 the derivative liability in respect of these warrants was adjusted to reflect the amount paid out to extinguish the liability is shares ($4.050).

(b) On the 8 April 2015, the Company made a placement of CDIs to professional and sophisticated investors, raising A$5.10m. As part of this placement the Company made an allocation of 44,260,914 warrants for no consideration. This warrant placement equalled 1 warrant per 2 CDIs to be issued under the CDI Placement. The warrants have an exercise price of A$0.060 each, a term of two years and are non-transferrable. On 7 April 2017 the warrants expired, the gain recognised in the statement of comprehensive income.

(c) On the 7 August 2015, the Company made a placement of CDIs to professional and sophisticated investors, raising A$1.71m. As part of this placement the Company made an allocation of 17,074,171 warrants for no consideration. This warrant placement equalled 1 warrant per 2 CDIs to be issued under the CDI Placement. The warrants have an exercise price of A$0.057 each, a term of two years and are non-transferrable.

The following are the main terms and conditions of the Warrants in issue during the half-year ended 30 June 2017:

	Investors 7 August 2015
Exercise price AU$	$0.057
Exercise price US$	$0.042
Valuation date	7 Aug 2015
Option life	2 years
Expected volatility	110.82%
Risk free rate	2.60%
Dividend yield	0%
Number of warrants	17,074,171
Total fair value of warrants in AU$	$24,778
Total fair value of warrants in US$	$18,699

Convertible note

The convertible notes on issue gives the noteholder the right to execute at any point prior to the maturity date of the loan facility, being 10 November 2017. By so exercising its right under this agreement the noteholder is able to convert some or all of its US denominated loan amount and outstanding interest into Sumatra's CDI's which are denominated in Australian Dollars.

No new convertible loan notes were issued in the 6 months to 30 June 2017.

Fair value measurement
Refer to Note 24 Financial risk management objectives and policies for details of financial liabilities' fair value measurement.

13. TRADE AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) US$000	**31 December 2016 (Audited) US$000**
Trade receivables	-	-
Prepayments and other receivables	2,535	2,498
VAT and withholding tax receivable[(a)]	5,535	7,521
	8,070	**10,019**

(a) VAT and withholding tax receivable

VAT and withholding tax receivable include recoverable Indonesian value added taxes arising from the construction of the Tembang project as well as operating expenses payments. During the 6 months to June 2017, VAT refunds received totalled US$3.1 million.

14. INVENTORIES

	30 June 2017 (Unaudited) US$000	**31 December 2016 (Audited) US$000**
Consumables	1,173	1,284
Ore	92	-
Metal in circuit	694	564
Doré and bullion stocks	3,650	1,882
	5,609	**3,730**

15. CASH AND CASH EQUIVALENTS

	30 June 2017 (Unaudited) US$000	31 December 2016 (Audited) US$000
Cash at bank and on hand	1,391	2,500
	1,391	**2,500**

Of the total cash and cash equivalent held as of 30 June 2017 the highest currency value was US$1.123 million (31 December 2016: US$1.987 million), other currencies the Company held cash in were Australian dollars, Indonesian rupiah and Pounds sterling.

16. TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited) US$000	31 December 2016 (Audited) US$000
Trade payables	15,017	12,009
Other taxes and social security costs	1,814	1,573
Accruals and other payables	6,416	5,014
	23,247	**18,596**

During the period ended 30 June 2017 and 31 December 2016 trade and other payables are mainly repayable in US dollars.

Accruals and other payables at 30 June 2017 reflect costs accrued respect to Tembang operations.

17. BORROWINGS

	UOB – VAT loan facility US$000	Senior secured debt facility US$000	Atlas copco financing facility US$000	Sandvik financing facility US$000	Working capital facility US$000	Total US$000
Loan term (months)	24	36	36	36	24	
	2016 - 2018	2014 – 2018	2015 – 2018	2015 – 2018	2015 – 2017	
Borrowings						
Opening balance	3,182	51,046	314	723	5,305	60,570
Capital repayments	(3,590)	(2,500)	(86)	(241)	-	(6,417)
Repayment via issue of shares	-	(3,031)	-	-	(2,522)	(5,553)
Accrued interest	-	-	-	-	238	238
Prepaid interest	(86)	-	-	-	-	(86)
Drawdowns	1,038	-	-	-	2,999	4,037
Borrowing costs						
Capitalised	(189)	-	-	-	-	(189)
Amortisation	50	-	-	-	-	50
	405	**45,515**	**228**	**482**	**6,020**	**52,650**
30 June 2017						
Current	405	10,515	171	482	-	11,573
Non-current	-	35,000	57	-	6,020	41,077
	405	**45,515**	**228**	**482**	**6,020**	**52,650**

	UOB – VAT loan facility US$000	Senior secured debt facility US$000	Atlas copco financing facility US$000	Sandvik financing facility US$000	Working capital facility US$000	Total US$000
31 December 2016						
Current	-	13,910	171	482	139	14,702
Non-current	3,182	37,136	143	241	5,166	45,868
	3,182	**51,046**	**314**	**723**	**5,305**	**60,570**

(i) On 27 January 2017, in accordance with the terms of amended US$45 million senior secured debt facility ("Amended Facility") (refer ASX Announcement 23 December 2016) the Company issued 15,530,591 CDI's at a price of A$0.023 per CDI for gross proceeds of approximately A$3.46 million (US$2.6 million at an exchange rate of 0.7501). The proceeds from the funds raised were used to repay US$2.5 million of the existing Working Capital Facility with the company's major shareholders, Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk.

In addition to the Initial Equity Raise the company issued 175,715,001 CDI's as payment for outstanding redemption premium (accrued through a deferral of a portion of the interest rate) as part of the amended senior secured debt facility, at the issue Price of A$0.023 per CDI for a value of approximately A$4.04 million (US$3.03 million at an exchange rate of 0.7501).

(ii) On 4 April 2017, the company drew down US$1.0 million being the balance available under the UOB VAT finance facility.

The Company also announced a drawdown of $US1.0 million in borrowings from its major shareholders, Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk, to fund working capital.

The Company announced on 4 April 2017 and 30 May 2017 that it drew down a $US 1 million and $US 2 million respectively in borrowings from its major shareholders, Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk, to fund working capital.

(iii) On 27 June 2017, the Company and its wholly owned subsidiary PT Dwinad Nusa Sejahtera ("DNS") agreed terms with its lenders and major shareholders to vary the amended US$45 million senior secured debt facility.

Under the terms of the Amended Facility, the following was required to be completed by 30 June 2017:

- Completion of an equity raise of a minimum of US$12.5 million by the Company ("Major Equity Raise");
- Application of US$10 million, using proceeds of the Major Equity Raise, towards repayment of the senior secured debt facility;
- Conversion by the major shareholders of US$7 million in convertible notes, plus accrued interest, into CDIs or, in the event of the convertible notes being redeemed prior to 30 June 2017, subscription for a placement of CDIs to the value of the convertible notes; and
- Repayment by DNS of deferred out-of-the-money hedges.

Under the terms of the variation to the Amended Facility, the lenders and major shareholders have agreed, subject to completion of documentation, to:

- Defer US$7.5 million of the Major Equity Raise to a date no later than 30 November 2017, with US$5 million to be raised by 30 June 2017;
- Defer US$7.5 million of the repayment of the senior secured debt facility to a date no later than 30 November 2017;
- Apply US$2.5 million of the US$5 million proceeds from the Major Equity Raise to the repayment of the senior secured debt facility before 30 June 2017;
- Defer any further funding of the Debt Service Reserve Account, under the senior secured debt facility, until 30 November 2017; and

- Defer the date for the conversion of convertible notes, or placement of CDIs to the value of any redeemed convertible notes, until 30 November 2017.

During the year the Group breached its covenants attached the Senior debt facility, however these were waived on 30 June 2017. Management are in process of remedying and re-negotiating revised covenants. Management believes that the revised covenants will not be breached over the coming 12 months and as such have continued to recognise a portion of the debt facility as non-current.

(iv) Finance lease - lessee

	Minimum lease payments US$000	Interest US$000	Present value US$000
Atlas copco financing facility			
Not later than one year	183	(12)	171
Between one and five years	58	(1)	57
			228
Current			171
Non-current			57
			228
Sandvik financing facility			
Not later than one year	501	(19)	482
Current			482
			482

18. CONVERTIBLE LOANS

	30 June 2017 (Unaudited) US$000	31 December 2016 (Audited) US$000
Convertible loan note	5,889	5,507
	5,889	**5,507**

The convertible loan matures at the latest 10 November 2017 and carries an interest rate of 10%. The number of CDIs to be issued will be based on the higher of A$0.057 or the ‘floor price’ being the A$ equivalent of the £0.01 on date of conversion.

19. PROVISIONS

	30 June 2017 (Unaudited) US$000	31 December 2016 (Audited) US$000
Provision for rehabilitation[a]		
Balance at the beginning of the year	581	649
Provisions made during the year	136	(68)
Balance at the end of the year	**717**	**581**
Provision for employee benefits[b]		
Balance at the beginning of the year	777	317
Net provisions made / (utilised) during the year	192	460
Balance at the end of the year	**969**	**777**
	1,686	**1,358**
Current	-	777
Non-current	1,686	581
	1,686	**1,358**

(a) Provision for rehabilitation

The provision for rehabilitation is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Tembang project. The Group uses third parties to estimate these costs. The estimate will be reviewed over time as the operation develops. The unwinding of the effect of discounting on the provision is recognised as a finance cost. In addition, the rehabilitation obligation has been recognised as an asset and will be amortised over the life of the mine.

(b) Provision for employee benefits

Provision for employee benefits includes the present value of the future pension plans for Indonesian employees to be received on retirement in accordance with Indonesian labour law.

20. SHARE CAPITAL AND PREMIUM

Movement in share capital for the half-year ended 30 June 2017.

		Number of shares	Share capital and premium US$
1 January 2017	Opening balance	710,952,182	73,480,004
31 January 2017	Issue of CDIs[a]	560,996,901	9,635,624
7 March 2017	Issue of CDIs[b]	4,347,826	229,362
27 June 2017	Issue of CDIs[c]	656,857,593	5,000,000
30 June 2017	**Closing balance**	**1,933,154,502**	**88,344,990**

(a) On the 31 January 2017, the Group issued:

150,530,591 CDIs at a price of A$0.023 per CDI as announced on 27 January 2017.

410,466,310 CDIs were issued in accordance with the Amended Facility for the termination of 250,597,351 warrants in the company at the issues price of A$0.023 per CDI for a value of A$5.4 million (US$4.05 million at an exchange rate of 0.7501); and payment for outstanding redemption premium(accrued through a deferral of a portion of the interest rate), under the senior secured debt facility, at the issue price of A$0.023 per CDI for a value of approximately A$4.04 million (US$3.03 million at an exchange rate of 0.7501)

(b) On the 7 March 2017, the Group issued:

10,478,237 CDIs at a price of A$0.023 per CDI under the Security Purchase Plan announced to ASX on 27 January 2017 which closed on 27 February 2017.

2,608,695 CDIs at a price of A$0.023 per CDI in respect of employee bonus payments for performance in the 2016 financial year.

(c) On the 27 June 2017, the Group issued:

656,857,593 CDIs at a price of A$0.010 per CDI to raise gross proceeds of approximately A$6.569 million (equivalent to US$5.0 million at an exchange rate of 0.7612) from its major shareholders Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk ("Placement").

The Placement satisfies the Major Equity Raise under the variation to the Amended Facility and is being undertaken using the Company's placement capacity as approved by Shareholders at the Annual General Meeting on 31 May 2017. Issue of the CDIs is scheduled for Thursday 29 June 2017.

These shares have been issued at a discount to the par value of ordinary shares (£0.01). The unpaid value of the shares is £2.6m (US $3.4m). The Company plans to seek relief to offset this unpaid value against reserves and split its shares to reduce par value for future equity transactions

21. SHARE BASED PAYMENTS

Options

Under the Group's share option scheme, share options are granted to Directors and to selected employees. The exercise price is the greater of the nominal value of the share, or an amount specified by the Board, which if granted at or around a placing must not be less than the price issued at the time of the placing. Options are conditional on the employee completing two years' service (the vesting period). Fifty per cent of the options granted are exercisable after one year and the remainder after two years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Options have no voting or dividend rights**.**

Movement in unissued ordinary shares of the Company under option during the year:

Exercise price	Held at 1 January 2016 Number	Lapsed during the period Number	Held at 30 June 2017 Number	Expiry date
A$0.25 (US$0.20)	1,500,000	(1,500,000)	-	14 June 2017
	1,500,000	**(1,500,000)**	**-**	

Performance rights

Movement in unissued shares under performance rights during the half-year:

Valuation per right	Held at 1 January 2017 Number	Lapsed during the period Number	Held at 30 June 2017 Number	Vesting date
A$0.05 (US$0.049)	7,500,000	(7,500,000)	-	1 January 2017
	7,500,000	**(7,500,000)**	**-**	

Performance rights hurdles conditioned against the ASX gold index were not met and in accordance these rights did not vest on 1 January 2017.

The following describes the nature and purpose of each reserve within equity:

Convertible debt option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).
Share based payment reserve	Represents the fair value of the warrants issued and the accumulated balance of share based payment charges recognised in respect of share options granted by Sumatra Copper & Gold Plc, less transfers to retained losses in respect of options exercised, lapsed and forfeited.
Hedging reserve	Gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge.
Translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into US$.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

22. CASH USED IN OPERATIONS

	30 June 2017 (unaudited) US$000	30 June 2016 (unaudited) US$000
Loss after tax	**(13,877)**	**(11,307)**
Adjustments for:		
Depreciation	3,404	3,510
Equity based employee transactions	46	234
(Gain) on derivative	(948)	(294)
Amortisation of hedge asset	366	366
Amortisation of borrowing costs	50	1,555
Provision for impairment	4,073	-
Actuarial (gain) / loss	(34)	48
Finance income	(15)	-
Finance cost	2,405	3,472
Operating loss before working capital changes	**(4,530)**	**(2,416)**
(Increase) in prepayments and other receivables	1,949	(1,579)
(Increase) in inventory consumables	(1,879)	(2,175)
(Increase) deferred income tax	-	(87)
(Increase in trade and other payables	4,653	4,454
(Decrease)/increase in provisions	328	397
Cash generated/(used in) operations	**521**	**(1,406)**

23. RELATED PARTY TRANSACTIONS

Key management personnel (KMP), or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Those entities may enter into transactions with the Company or its subsidiaries.

During the six months ended 30 June 2017 the Company was invoiced US$18,609 (2016: US$19,156) by Hunter Corporate, for company secretary services. Hunter Corporate is a company associated with Susan Hunter who is the Joint Company Secretary. At 30 June 2017 US$3,331 remained outstanding (30 June 2016: nil).

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the six months ended 30 June 2017 and 30 June 2016 the KMP's were the Directors, the Chief Financial Officer and the Chief Operating Officer.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to liquidity risk, credit risk, market risk (including interest rate risk and foreign exchange risk) and commodity risk arising from its financial instruments.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to meet all of its financial commitments and maintain the capacity to fund the operation and exploration activities. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Market, liquidity and credit risks (including foreign exchange, commodity price, interest rate and counterparty risk) arise in the normal course of business. These risks are managed under Board approved treasury processes and transactions.

The principal financial instruments as at the reporting date include receivables, payables, loans and borrowings, derivatives and cash.

This note presents information about exposures to the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, credit risk, market risk (including interest rate risk and foreign exchange risk) and commodities risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. It is the Group's policy to ensure and maintain a reputable credit profile by adhering to credit terms and ensuring a strong ongoing cash balance. Management has included uncertainties regarding the Group's current funding position in note 2(d).

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years
30 June 2017				
Trade and other payables	23,247	-	-	-
Loans and borrowings	7,827	732	15,057	29,033
Convertible note	5,889	-	-	-
Derivative financial instruments used for hedging	2,092	-	-	-
30 December 2016				
Trade and other payables	18,596	-	-	-
Loans and borrowings	14,375	327	384	45,484
Convertible note	5,507	-	-	-

Derivative financial instruments used for hedging	-	-	942	-

(b) Foreign currency risk

In common with many other businesses in Australia and Indonesia, foreign currencies play a significant role in the underlying economics of the business transactions of the Group.

The following significant exchange rates (US$1.00) applied during the half-year:

	Average rate (six months)		Period end spot rate	
	30 June 2017	**31 December 2016**	**30 June 2017**	**31 December 2016**
IDR	13,330	13,417	13,319	13,436
AUD	1.3226	1.3856	1.3251	1.3817
GBP	0.7913	0.8113	0.7896	0.8139

Cash held by currency	**30 June 2017 (Unaudited) US$000**	**31 December 2016 (Audited) US$000**
USD	1,123	1,978
IDR	240	495
AUD	25	26
GBP	3	1
	1,391	**2,500**

At 30 June 2017, if the US dollar had weakened/strengthened by 10% against the IDR/other currencies with all other variables held constant, the post-tax loss for the period would have been US$0.36 million higher/lower, mainly as a result of foreign exchange losses/gains on translation of foreign currency denominated cash, trade payables, accruals and other liabilities. The directors believe that in the current economic environment a 10% variance is reasonable based on current trends.

(c) Credit risk

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and certain receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. All deposits are held with financial institutions that have a Standard & Poor's credit rating of AA- or better.

(d) Interest rate risk

The Group is determined to mitigate exposure to cash flow from interest rate risk arising from loans and borrowings at variable rate, by entering into fixed interest rate borrowings. The Group's borrowings are all at fixed interest rate.

(e) Commodities risk

The Group's main focus is gold and silver mining and production from the Tembang project. The market prices for these commodities fluctuate widely. These fluctuations are caused by numerous factors beyond the Company's control. Such as: speculative positions taken by investors or gold traders, changes in the demand and supply for gold, actual or expected gold sales by central banks and The International Monetary Fund (IMF), global or regional economic events. A sustained period of significant gold price volatility may adversely affect the Group's ability to evaluate the feasibility of undertaking new capital projects or continuing existing operations or to make other long-term strategic decisions.

In order to mitigate this risk, the Group entered into a hedge program equivalent to approximately 50% of gold and silver production during the first 2 years of operation commencing deliveries during November 2015 to October 2017. At 30 June 2017 on a Gold equivalent basis, production is 53% hedged.

(f) Capital risk management

The Group regards its share capital and reserves as its equity and uses its monthly management accounts to monitor the level of cash available to plan for future fundraisings. Additionally, the Group has prepared detailed cash flow forecasts, which are compared on a monthly basis to actual expenditures.

The Board's policy in managing capital is to ensure that the Group continues as a going concern, and that its capital base is sufficiently strong so as to maintain investor, creditor and market confidence and to sustain future development of the business. The objective is to maintain a level of debt finance, determined according to prevailing commercial conditions, that provides a balance between this policy and optimising shareholder returns through the effect of gearing.

(g) Financial instrument classification

	Financial assets at fair value through profit & loss		**Loans and receivables**	
Financial assets	**2017 US$000**	**2016 US$000**	**2017 US$000**	**2016 US$000**
Cash and cash equivalents	-	-	1,391	2,500
Trade and other receivables (excluding VAT and prepayments)	-	-	2,535	2,106
Financial assets at fair value designated as hedges	244	610	-	-
Total financial assets	**244**	**610**	**3,723**	**4,606**

	Financial liabilities at fair value through profit & loss		**Financial liabilities at amortised cost**	
Financial liabilities	**2017 US$000**	**Restated 2016 US$000**	**2017 US$000**	**2016 US$000**
Trade and other payables (excluding taxes and social security)	-	-	21,435	17,023
Loans and borrowings	-	-	52,649	60,570
Convertible loan	-	-	5,889	5,507
Derivative financial instruments	2,092	6,696	-	-
Total financial liabilities	**2,092**	**6,696**	**79,973**	**83,100**

(h) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017:

30 June 2017	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Financial assets at fair value designated as hedges:				
Derivative financial instruments used for hedging	-	-	244	244
Total assets	**-**	**-**	**244**	**244**
Derivative financial instruments used for hedging	-	-	1,337	1,337
Derivative financial instruments - warrants	-	-	18	18
Derivative financial instruments - convertible note	-	-	737	737
Total liabilities	**-**	**-**	**2,092**	**2,092**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016:

31 December 2016	Level 1 (restated) US$000	Level 2 (restated) US$000	Level 3 (restated) US$000	Total (restated) US$000
Financial assets at fair value designated as hedges:				
Derivative financial instruments used for hedging	-	-	610	610
Total assets	**-**	**-**	**610**	**610**
Derivative financial instruments used for hedging	-	-	942	942
Derivative financial instruments - warrants	-	4,050	231	4,281
Derivative financial instruments - convertible note	-	-	1,473	1,473
Total liabilities	**-**	**4,050**	**2,646**	**6,696**

There were no transfers between levels during the period .

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the interrelationship between key unobservable inputs and fair value, are set out in the table below.

	Valuation techniques used	Significant unobservable inputs (Level 3 only)	Inter-relationship between key unobservable inputs and fair value (Level 3 only)
Financial assets / liabilities at fair value designated as hedges: Derivative financial instruments used for hedging	Pricing tool - Bloomberg Mulit Asset Pricing System (MARS)	Valuation is based on mid-market observable data, factors include spread, counterparty margin and volatility.	An increase in volatility will result in an increase in fair value liability. Actual close out price will have a higher cost than valuation.
Financial liabilities: Warrants	Pricing tool - Black Scholes	Implied volatility -includes the historical share price volatility from the date of last equity raising where Provident and Saratoga became major shareholders of the Company (18 June 2013) until grant date.	An increase in volatility results in an increase in fair value.

Derivative financial instruments - convertible note	Pricing tool - Fisher Black	Implied volatility 132% Risk free rate 2.00% (Independent valuation provided by Origin Capital Group)	An increase in volatility results in an increase in fair value.

There were no changes to the valuation techniques during the period.

25. ULTIMATE CONTROLLING PARTY

The Group has no ultimate controlling party.

26. CONSOLIDATED ENTITIES

Entity	**Country of incorporation**	**Class of share**	**30 June 2017 %**	**31 December 2016 %**
Parent entity				
Sumatra Copper and Gold Plc	United Kingdom	Chess Depositary Interest (CDIs)		
Subsidiaries				
PT Dwinad Nusa Sejahtera(a)	Indonesia	Ordinary	99.95%	99.95%
PT Nusa Palapa Minerals(a)	Indonesia	Ordinary	99.99%	99.95%
PT Bengkulu Utara Gold(b)	Indonesia	Ordinary	100%	100%
PT Musi Rawas Gold(c)	Indonesia	Ordinary	100%	100%
PT Jambi Gold(c)	Indonesia	Ordinary	100%	100%
PT Lebong Gold(c)	Indonesia	Ordinary	100%	100%
PT Kotanopan Mining(d)	Indonesia	Ordinary	98%	98%
PT Mandaling Mining(d)	Indonesia	Ordinary	98%	98%
SCG Energy Pte Ltd(e)	Singapore	Ordinary	100%	100%
SUM Singapore (Tandai) Pte Ltd(f)	Singapore	Ordinary	100%	100%

27. COMMITMENTS AND CONTINGENCY

There are no commitments and contingencies at 30 June 2017 (2016: nil).

28. POST BALANCE SHEET EVENTS

On 12 September 2017 the Group's major shareholders, Provident and Saratoga have agreed to accelerate $US 2 million of the proposed $US 7.5 m as a Subordinated Loan.