



SUMATRA COPPER & GOLD PLC
Annual Financial Statements
For the year ended 31 December 2014

Registered Number 5777015

ABN 14 136 694 267

SUMATRA COPPER & GOLD plc ABN 14 136 694 267

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Registered in England and Wales Registered Number 5777015 Registered address: 39 Parkside, Cambridge CB1 1PN United Kingdom

SUMATRA COPPER & GOLD PLC

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SUMATRA COPPER AND GOLD PLC

CORPORATE DIRECTORY

Directors and Advisors

DIRECTORS

Stephen Daniel Robinson (Non-Executive Chairman)

Julian Peter Ford (Resigned as Managing Director and CEO effective 31 Dec 2014)

Adi Adriansyah Sjoekri (Executive Director)

Jocelyn Severyn de Warrenne Waller (Non-Executive Director)

Gavin Arnold Caudle (Non- Executive Director)

COMPANY SECRETARY

Alison Barr (United Kingdom)

Susan Hunter (Australia)

REGISTERED OFFICE

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United Kingdom

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Australia

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BANKERS

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United Kingdom

National Australia Bank

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Australia

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PricewaterhouseCoopers LLP

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Cambridge CB3 0AN

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SHARE REGISTRY

Computershare Investor Services Pty Limited

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WEBSITE

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SUMATRA COPPER & GOLD PLC

STRATEGIC REPORT

Sumatra Copper & Gold Plc (the ‘Company’ the ‘Group’ or ‘Sumatra’) is an emerging gold and silver producer focused on the Indonesian island of Sumatra. The Company is currently focused on developing its 100%-owned Tembang Project (‘Tembang’ or the ‘Project’).

The Directors of Sumatra Copper and Gold Plc present their strategic report for the year ended 31 December 2014.

1. Review of the business

Sumatra is a company listed on the Australian Stock Exchange in 2009 and is focused on the development of precious metals projects in Indonesia. The Company’s most advanced asset is the Tembang project. After completing a bankable feasibility study in September 2012 the company raised US\$19.7 million in equity in June 2013 and commenced construction at Tembang. During 2013 the gold price fell from a high of US\$1,690 per ounce to US\$1,200 per ounce by December 2013. As a result the Company was unable to complete debt funding and construction at Tembang was suspended in December 2013.

In December 2013 the Company secured US\$4 million of funding under a convertible loan facility from its largest shareholder, Provident Minerals Pte Ltd to finance additional drilling to convert Inferred Mineral Resources into Measured and Indicated Mineral Resources category and to complete a revised mine plan based on a lower gold price of \$US1,300 per ounce. The Company completed and published the revised Bankable Feasibility Study (BFS) on 23 April 2014. The BFS was based on a five-year plan, mining Ore Reserves at a nameplate plant throughput rate of 400,000 tpa to produce a total of 169,000 ounces of gold and 1.8 Million ounces of silver. Forecast C1 cash operating cost was US\$470/oz (net of silver credits of US\$212/oz) and All-In-Sustaining-Cost (AISC) of US\$745/oz (net of silver credits of US\$212/oz).

Subsequent to the completion of the BFS the Company received additional funding of US\$2.1 million under its convertible note with Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk. During October 2014 outstanding principle, interest and fees on the convertible note of A\$7,536,361 was converted into 163,833,929 CHESSE Depository Interests (CDIs) in the Company. In October 2014 the the Company’s wholly owned subsidiary PT Dwinad Nusa Sejahtera (“DNS”) entered into a senior secured debt facility (“Facility”) with Nomura Singapore Limited and Indonesia Eximbank. The key terms of the Facility are as follows:

- US\$45 million Senior Secured Term Debt Facility. An initial tranche (“Tranche 1”) of US\$40 million was drawn down within 30 days of signing documentation. A second tranche (“Tranche 2”) of US\$5 million will be available to be drawn on the date of practical completion of the process plant, provided that completion takes place within 12 months of the date of drawdown of Tranche 1. The gold price must be above US\$1,125 per ounce at the proposed date of drawdown for Tranche 2 to be drawn and the Company must have raised at least US\$5 million in equity within 6 months of the initial drawdown of Tranche 1.
- Hedging arrangements with Nomura Singapore Limited that will allow DNS to hedge up to 65% of its gold and silver production over the term of the Facility. DNS hedged 50% of gold and silver production at drawdown and can increase hedge levels closer to the expected date of commencement of production.
- Interest rate of 7.5% per annum increasing to 10.0% after 18 months. Upon any prepayment or repayment of the loan DNS will be required to pay a redemption premium that will result in the lenders receiving an amount equal to 15% per annum (including interest).
- 250,597,351 warrants each convertible into one CHESSE Depository Interest (“CDI”) in the Company. 222,753,201 warrants will be issued on Tranche 1 drawdown and a further 27,844,150 warrants on Tranche 2 drawdown. The exercise price of each warrant will be A\$ 0.057 and the term of the warrants will be 3 years from the respective drawdown date.
- No fixed repayment amounts are established. 85% of cash generated from the Project will be used to repay the loan each quarter and the balance of unpaid funds is due in a bullet payment at the end of the 3-year term.

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STRATEGIC REPORT

During November 2014 the Company drew down US\$40 million of debt funding and commenced construction on the Tembang project. The Company is required to raise US\$5 million of equity to complete funding of the project. An additional US\$5 million of equity will be raised should the conditions precedent for tranche 2 of the Senior Secured Facility not be met. The Group is in advanced negotiations with potential investors which are expected to be completed upon shareholders' approval in a General Meeting before May 2015.

2. Review of Strategy and business model

The Company is a junior mining company focused on the development of precious metals projects in Indonesia. The high grade Tembang Project located in Southern Sumatra, currently under construction, is planned to be the first production project for the Company.

At Tembang the Company's strategy has been to define sufficient Ore Reserves to finance construction of the Project with reasonable levels of equity dilution. Cash flow from operations are proposed to then be reinvested to define new resources that would allow for extensions of mine life and increased production. The Musi Rawas tenements surrounding the Tembang Project, are owned by the group, are underexplored and provide further exploration upside for defining new targets close to Tembang. The Directors intend to refinance the Facility on more competitive terms once commercial production is achieved.

Exploration potential at Tembang is significant in terms of the extension of known mineralization at depth, strike extent of known veins and for new discoveries. The Company anticipates that exploration success is likely to add significant value to the Company as incremental cash flows can be achieved without major new capital expenditure.

During the year 2014, the Group completed the total acquisition of the Tandai project which is expected to provide relevant resources information. The Group expects to resume exploration activities during 2015.

The Group also holds rights in Sontang, Jambi, Madina 1 and Madina 2. No further exploration work is currently planned on these properties.

3. Principal Risks and Uncertainties facing the Company

Risk assessment and management are fundamental components of the business – in 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.

3.1 Funding

As noted above, the Company will be required to raise additional finances, either from its current investors, by raising equity in the market or other sources, to fund its future activities. There can be no assurance that the Company will be able to raise finance on acceptable terms or in a timely manner or at all. Failure to raise additional finance would have a material adverse effect on the Company. Subsequent to year end, on 26 March 2015 the Group announced it had received irrevocable and firm commitment to raise approximately US\$4.0 million (A\$5.1 million equivalent) by way of CHESS Depositary Interest (CDIs) in the Company to professional and sophisticated investors. The Directors are confident that the required additional US\$1 million of equity needed to satisfy the Company's obligations to its lenders will be raised in due course and in a timely manner to satisfy conditions precedent of Tranche 2 of the Debt Facility.

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STRATEGIC REPORT

3.2 *Commercial viability – early stage exploration projects*

With the exception of the Tembang Project, which has Ore Reserves and Mineral Resources, the mineral projects in which the Company has an interest are early stage exploration and are without fully proven commercial ore reserves. No assurances can be given that these other projects will achieve commercial viability. However, the Company expects to start producing gold during the fourth quarter of 2015 at Tembang and at that point will further assess the commercial viability of its early stage exploration project through a structured process of exploration and evaluation.

3.2 *Environment*

The mineral project interests are located in 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 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 potential mining activities need 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.

3.4 *Metal prices volatility*

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

- a) speculative positions taken by investors or traders in gold;
- b) changes in the demand for gold as an investment;
- c) changes in the demand for gold used in jewelry and for other industrial uses;
- d) changes in the supply of gold from production, disinvestment, scrap and hedging;
- e) financial market expectations regarding the rate of inflation;
- f) the strength of the dollar (the currency in which the gold price trades internationally) relative to other currencies;
- g) changes in interest rates;
- h) actual or expected gold sales by central banks and the International Monetary Fund;
- i) gold hedging and de-hedging by gold producers; and
- j) 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 entered into hedging instruments equivalent to approximately 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.

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STRATEGIC REPORT

4. Key Performance Indicators

The Group is currently involved in the development and construction of its Tembang gold/silver project. The Directors believe that there are no operational key performance indicators that can be used to assess the performance of the last financial year. On an ongoing basis the Directors monitor the operating cash outflows, capital expenditure and cash balances and Joint Ore Reserves Committee JORC code compliant status of projects. The operating cash outflow for 2014 was US\$3.6 million (2013: US\$3.7 million) and year end cash balance was US\$26.5 million (2013: US\$4.1 million).

5. Financial Review

5.1 *Statement of comprehensive income*

The Group recorded a net loss for the year ended 31 December 2014 of US\$2.4 million, representing (US\$0.5) cents per share, in comparison to a net loss for the year ended 31 December 2012 of US\$18.9 million representing a loss of (US\$5.3) cents per share.

The net loss for the year of US\$2.4 million was mainly due to general administrative expenses before share-based payments and impairment (US\$3.3 million) and net financing costs (US\$1.9 million). This was offset by a net gain from a bargain purchase of the remaining 70% of PT Bengkulu Utara Gold of US\$2.5 million; and the derivative gain of US\$0.6 million comprising a positive fair value movement of hedging contract between inception to year end. Net financing costs mainly comprise of net interest expense relating to the Convertible Loan Note and the Senior Secured Facility. Foreign exchange gain comprise of realised and unrealised movements on the conversion of non-USD cash held.

General administrative expenses before share-based payments and impairment of US\$3.3 million mainly comprised labour costs of US\$2.0 million, overheads of US\$0.7 million; and consultants and investor relations of US\$0.6 million.

5.2 *Statement of financial position*

Total assets increased by US\$44 million to US\$92.7 million from 31 December 2013. The increase in total assets was mainly due to a net increase in cash as a result of the execution of US\$40 million debt facility offset by borrowing cost incurred and payments to suppliers. A net increase in property plant & equipment (US\$8.9 million) as a result of recommencing construction at the Tembang project including, Berenai drilling, explosives magazine, concrete and steel construction to site recommenced, design of process plant concrete and steel largely completed and underground drill rig and the recognition of asset retirement obligation. Additionally, the valuation of forward contracts designated as hedges of US\$7.4 million and the additions in exploration and evaluation assets of Tandai resulting from the acquisition of subsidiary of US\$5.8 million.

Total liabilities were US\$50 million, an increase of US\$35.5 million from 31 December 2013. The movement in total liabilities was mainly as a result of the US\$40 million Nomura-Eximbank Senior Secured Facility entered into during the fourth quarter of 2014, offset in part by the conversion of Convertible Loan Notes to shares (US\$6.6 million) and decrease in trade and other payables (US\$2.6 million). During the year ended 31 December 2014, the Company also recognised a provision for rehabilitation of US\$0.6 million and a long term provision of US\$7.7 million associated with the valuation of its hedging program.

Total equity of US\$44.7 million at 31 December 2014 increased by US\$8.6 million from 31 December 2013 primarily as a result of the conversion of the full capitalised value of the Convertible Loan Facility Agreement including interest and facility fee (US\$6.6 million) entered into during 2013 with Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk, and the Warrants issued to Nomura Singapore Special Investments (US\$5.3 million) offset by the loss of the period of US\$2.4 million and hedging reserve associated with the hedging program of US\$1.1 million.

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STRATEGIC REPORT

5.4 *Statement of cash flows*

During the year, cash and cash equivalents increased by US\$22.4 million.

Cash outflows from operating activities for the period were US\$3.6 million, driven primarily by operational cost resulting from development activities and premium paid to entering the hedging program.

Net cash outflows from investing activities for the period were US\$12 million. The cash outflow included the development activities undertaken in the Tembang area, feasibility studies and drilling and exploration expenditure incurred by the Tembang project.

The net cash inflow from financing activities of US\$38 million mainly reflects US\$40 million Nomura-Eximbank Senior Secured Facility entered into during the fourth quarter of 2014 and a further US\$3.6 million resulted from tranches 2 to 6 from the Convertible Loan Facility Agreement subscribed with Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk. This was offset by the cash transaction cost incurred to secure the Facility of US\$2.6 million and US\$3 million transferred to the interest reserve account.

5.5 *Financing*

As discussed above the Company's wholly owned subsidiary PT Dwinad Nusa Sejahtera ("DNS") entered into a debt facility on 21 October 2014 of up to US\$45 million with Nomura Singapore Limited and Indonesia Eximbank for the purpose of developing the Tembang Project. Upon completion of the conditions precedent on 13 November 2014, the subsidiary drew down the first tranche of US\$40 million.

Drawdown of the Tranche 2 US\$5 million of the Facility is subject to certain conditions and the Company raising US\$5 million in further equity within 6 months of initial drawdown. Additionally a total of 222,753,201 unquoted warrants, exercisable at A\$0.057 each on or before 12 November 2017, were issued to lenders, in accordance with the terms of the Facility.

During October 2014 Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk converted the full outstanding US\$6.1 million of notes issued under the convertible loan facility agreement entered into on 4 December 2013. Conversion of the notes included capitalised interest and fees and totalled A\$7.5 million (US\$6.6 million). A total of 163,833,929 new CDIs were issued to note holders at a conversion price of A\$0.046 per CDI.

6. **Key Management Personnel**

Key management personnel (KMP's) are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the year ended 31 December 2014 the key management personnel were the Directors, Chief Financial Officer (CFO) and Chief Operating Officer (COO).

The following is the board composition and KMPs as at 31 December 2014:

Executive Directors

Adi Adriansyah Sjoekri

Non-Executive Directors

Stephen Robinson

Jocelyn Waller

Gavin Caudle

Executives

David Fowler (appointed Acting Chief Executive Officer on 15 December 2014)

Donovan Harper

Signed in Perth this 26th day of March 2015
in accordance with a resolution of the Board of Directors:



Stephen Robinson
Non-Executive Chairman

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DIRECTORS' REMUNERATION REPORT

The policy of remuneration of Directors is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration Report - Audited

Details of the nature and amount of each major element of the remuneration of each Director and Key management Personnel "KMP" of the Group are:

	Year	Primary fees US\$	STI Cash Bonus US\$	Post-employment Contributions US\$	Termination Payment US\$	Options and Performance Rights US\$	Total US\$	Options as % of remuneration
Executive Directors								
Julian Ford (resigned as Managing Director and CEO effective 31 December 2014)	2014	288,251	-	28,473	112,535	-	429,259	-
	2013	319,506	-	29,554	-	202,117 ^(a)	551,177	36.7%
Adi Adriansyah Sjoekri	2014	216,768	-	-	-	60,025 ^(b)	276,793	21.7%
	2013	213,004	-	-	-	27,523	240,527	11.4%
Non-Executive Directors								
Stephen Robinson (appointed Non-Executive Director on 8 July 2013 and Chairman on 23 August 2013)	2014	60,966	-	5,724	-	-	66,690	-
	2013	42,775	-	-	-	-	42,775	-
Jocelyn Waller	2014	54,192	-	-	-	-	54,192	-
	2013	44,106	-	-	-	-	44,106	-
Gavin Caudle (appointed on 26 September 2013)	2014	54,192	-	-	-	-	54,192	-
	2013	19,364	-	-	-	-	19,364	-
Warwick Morris (resigned from the board of Directors effective 1 October 2013)	2014	-	-	-	-	-	-	-
	2013	62,775	-	-	-	-	62,775	-
Executives								
David Fowler (appointed Chief Financial Officer on 23 August 2013 and Acting Chief Executive Officer on 15 December 2014)	2014	225,800	-	21,169	-	82,828 ^(b)	329,797	25.1%
	2013	121,025	-	11,195	-	-	132,220	-
Donovan Harper	2014	225,800	-	21,169	-	-	246,969	-
	2013	242,050	-	22,390	-	-	264,440	-
Total, all Directors and Key Management Personnel								
	2014	1,125,969	-	76,535	112,535	142,853	1,457,892	9.8%
	2013	1,064,605	-	63,139	-	229,640	1,357,384	16.9%

(a) The expense includes US\$83,534 relating to options that were cancelled during the year ended 31 December 2013.

(b) The expense relates to Performance Rights granted and subsequently cancelled on 31 December 2014 as the performance conditions were not met at vesting date. The KMPs will not receive any benefit from this performance rights.

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2014.

Directors

The names and particulars of the Directors of the Company who served at any time during or since the end of the financial year are:

Stephen Daniel Robinson B.Sc.

Independent Non-Executive Director – appointed 8 July 2013 and Non-Executive Chairman – appointed 23 August 2013, Member of the Audit and Risk Committee & Remuneration and Nomination Committee

Mr Robinson is an experienced Australian mining executive and a Rhodes Scholar. He is a Director of independent corporate advisory firm Lincoln Capital Pty Ltd and has extensive international experience at senior executive levels within the mining industry.

He was previously a Director of Barrick (Australia Pacific) Limited and Bulletin Resources Ltd, Group Manager Planning with the leading Australian mineral sands producer Iluka Resources Ltd and a senior manager in the gold business unit at WMC Resources Ltd until the divestment of the gold business in 2001.

Adi Adriansyah Sjoekri BSc, MSc, MBA (Management)

Executive Director – appointed 31 March 2011.

Adi Sjoekri is an Indonesian national who graduated with a degree and a Master of Science in Geology from the Colorado School of Mines in the U.S.A. He completed his further education with an MBA in management at Monash University in Jakarta.

Mr Sjoekri has more than 17 years' experience working for major companies such as CSR and Newmont throughout Indonesia and more recently as a successful consultant to the mining industry. He was instrumental in recognising the opportunity to acquire mineral tenements in Indonesia in 2006.

Jocelyn Severyn de Warrenne Waller MA (Hons) (Cantab)

Non-Executive Director, Chairman of the Audit and Risk Committee & Chairman of the Remuneration and Nomination Committee

Jocelyn Waller is a British national who is a founding shareholder and Director of the Company. Mr Waller graduated from Churchill College, Cambridge with a Master of Arts in History in 1965 and has since spent his entire career in the mining industry. For 22 years he worked for the Anglo American group and was involved variously with tin mining (Malaysia and Thailand), copper/cobalt (Zaire), potash (UK), tungsten (Portugal), exploration and metal sales (London).

In 1989 he set up Avocet Mining plc ('Avocet') and as CEO developed the Penjom gold mine in Malaysia and listed Avocet on the London Stock Exchange. In 2000 he set up Trans-Siberian Gold plc ('TSG') to develop gold projects in Eastern Russia listing TSG on the AIM market of the LSE in 2003.

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DIRECTORS' REPORT

Gavin Arnold Caudle *B.Com Finance and Law, Chartered Accountant*

Non-Executive Director – appointed 26 September 2013

Mr. Caudle is Perth born and educated and has over 20 years' experience in the finance and investment sectors in Australia, Singapore and Indonesia. He joins the Board as the representative of Sumatra's major shareholder and cornerstone investor, Provident Minerals Pte Ltd.

Since 2003, together with his partners, Mr. Caudle has developed numerous successful businesses in Indonesia including Tower Bersama Group (a telecommunications infrastructure business) and Provident Agro (a plantation business) with assets currently valued in excess of \$4 billion. Mr. Caudle was previously a partner in Arthur Andersen Jakarta Office and Country Head of the Investment Bank Salomon Smith Barney for Indonesia.

Mr. Caudle is currently a Director of Provident Capital Partners Pte Ltd and a Non-Executive Director of two other ASX-listed resource companies, Finders Resources Limited and Sihayo Gold Limited.

Alison Barr LLB (Lond) Joint Company Secretary

Alison Barr is a British national who was appointed as Company Secretary of the Company in December 2006. Mrs Barr graduated from University College, London with a Bachelor of Laws and qualified as a solicitor in 1974. She is head of the Commercial Department at Barr Ellison LLP, Solicitors, who have been legal advisers to the Company since December 2006.

Susan Hunter BCom; ACA; F Fin; GAICD; ACIS; ACSA

Joint Company Secretary – appointed 1 October 2013

Ms. Hunter has over 19 years' experience in the corporate finance industry. She is founder and Managing Director of consulting firm Hunter Corporate Pty. Ltd., which specialises in the provision of corporate governance and company secretarial advice to ASX listed entities, and previously held senior management roles at Ernst & Young, PricewaterhouseCoopers and Bankwest, both in Perth and Sydney.

Ms. Hunter holds a Bachelor of Commerce degree majoring in accounting and finance, is a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and a Member of the Australian Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

Julian Peter Ford BSc(Eng), BCom, Grad Dip (Bus. Mgt)

Managing Director – resigned on 31 December 2014.

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DIRECTORS' REPORT

Directors' Meetings

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year ended 31 December 2014 are:

	Board meetings		Audit and Risk Committee meetings		Remuneration and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
Steve Robinson	11	11	2	2	2	3
Julian Ford ⁽¹⁾	11	10	-	-	-	-
Adi Sjoekri	11	11	-	-	-	-
Jocelyn Waller	11	11	2	2	2	3
Gavin Caudle	11	10	-	-	-	-

(1) Julian Ford resigned as Managing Director and CEO effective 31 December 2014.

Directors' Interests

At 31 December 2014, the beneficial interests of each Director of the Company in the issued share capital of the Company are:

Specified Directors	Held at 1 January 2014	Purchased	Sold	Exercise of Options	Held at 31 December 2014
Steve Robinson	220,000	70,000	-	-	290,000
Adi Sjoekri	5,251,501	-	-	-	5,251,501
Jocelyn Waller	1,866,412	-	-	-	1,866,412
Gavin Caudle	-	-	-	-	-

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DIRECTORS' REPORT

Option Holdings

Options granted to Directors

At 31 December 2014, the beneficial interests of each Director of the Company in options over the unissued share capital of the Company are:

Specified Directors	Held at 1 January 2014	Granted during the year	Lapsed during the year	Cancelled during the year	Held at 31 December 2014	Exercise price A\$	Expiry date
	Number	Number	Number	Number	Number		
Stephen Robinson	-	-	-	-	-		
Julian Ford ^(a)	2,500,000	-	(2,500,000)	-	-	0.35	26/10/2014
	2,500,000	-	(2,500,000)	-	-	0.50	26/10/2014
	2,000,000	-	-	-	2,000,000	0.25	14/06/2017
	7,000,000	-	(5,000,000)	-	2,000,000		
Adi Sjoekri	500,000	-	(500,000)	-	-	0.25	26/10/2014
	1,000,000	-	-	-	1,000,000	0.25	14/06/2017
	1,500,000	-	(500,000)	-	1,000,000		
Jocelyn Waller	2,500,000	-	(2,500,000)	-	-	0.20	26/10/2014
	500,000	-	(500,000)	-	-	0.25	26/10/2014
	3,000,000	-	(3,000,000)	-	-		
Gavin Caudle	-	-	-	-	-		
Total Options	11,500,000	-	(8,500,000)	-	3,000,000		

(a) Julian Ford resigned as Managing Director and CEO effective 31 December 2014. The 2,000,000 Options held at 31 December 2014 will lapse on 31 March 2015, the date which is three months after his retirement date, in accordance with the Company's Share Option Scheme.

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Exercise price ^(a)	At the date of this report	Expiry date
A\$0.25 (US\$0.20)	3,500,000	14 June 2017
	3,500,000	

(a) All options are exercisable in A\$ (presented in US\$ at 31 December 2014 rate of \$0.8156)

Details of options issued by the Company are set out in the capital and reserves note to the financial statements. The names of persons who currently hold options are entered in the register of options kept by the Company pursuant to the Corporations Act 2001. This register may be inspected free of charge.

The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of any other body corporate.

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DIRECTORS' REPORT

Indemnification of Officers

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

During or since the end of the financial year, the Company has not indemnified an officer or auditor of the Company against a liability incurred by such an officer or auditor.

Non-audit Services

During the year, PricewaterhouseCoopers LLP, the Company's auditors, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditors and is satisfied that the provision of those non-audit services during the year by the auditors is compatible with, and did not compromise, the auditor independence.

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, PricewaterhouseCoopers LLP, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	31 December 2014 US\$	31 December 2013 US\$
Statutory audit		
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	82,000	84,500
Audit of financial reports	82,000	84,500
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries	90,000	115,000
The review of half-year consolidated financial statements	51,900	30,500
Other Services	141,900	145,500
	223,900	230,000

Principal Activities

The Group's principal activity is to acquire, explore, develop and, subject to economic viability, mine gold/silver and other metal deposits in Sumatra, Indonesia. The Group's principal assets are the Tembang (formerly Rawas) and Tandai projects. The Company's principal activity is that of a holding company.

Business Review and Future Developments

A review of the business can be found in the Strategic Report on page 2.

SUMATRA COPPER & GOLD PLC

DIRECTORS' REPORT

Results and Dividends

The Group's loss for the financial year was US\$2.3 million (2013: loss of US\$18.9 million) The Directors do not propose the payment of a dividend for the year (2013: Nil).

Creditor Payment Policy

The Group's policy is to pay suppliers in accordance with agreed terms and this policy will continue for the year ended 31 December 2014. The Group does not follow a specific code or standard in respect of such creditors. It is usual for suppliers to be paid within 30 days of receipt of a valid invoice.

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 26 March 2015 the Group announced it had received irrevocable and firm commitment to raise approximately US\$4 million (A\$5.1 million equivalent) by way of placement CHES Depositary Interests (CDIs) in the Company to professional and sophisticated investors. Under the terms of the placement the Company will issue 88,521,828 CDIs at A\$0.058.

The Company has also made an irrevocable and firm allocation to Investors of 44,260,914 warrants for no consideration. Each warrant giving the holder the right to subscribe for one CDI in the Company ("Warrant Placement"). The Warrant Placement equates to 1 Warrant per 2 CDIs to be issued under the CDI Placement. The Warrants have an exercise price of A\$0.06 each, a term of two years and are not transferable. The Warrants will not be quoted on ASX.

Going Concern

The Group's principal asset is the Tembang Gold-Silver Project in Sumatra, Indonesia, which is expected to be significantly cash generative when it achieves commercial production.

During the year ended 31 December 2014, subsequent to completion of a Bankable Feasibility Study (BFS) during April 2014, the Company received additional funding of US\$ 2.1 million under its convertible loan facility with Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk ("Convertible Loan"). This completed a total of US\$6.1 million under the Convertible Loan which was applied to maintain the Tembang Project and for general working capital purposes. On 2 October 2014, Provident and Saratoga requested conversion of the full capitalised value of the Convertible Loan, in accordance with the terms and conditions of the Convertible Loan, into Chess Depositary interests (CDIs) including interest (at 9% per annum) and facility fee (3%). The Group issued 163,833,929 CDIs totaling A\$7.54 million (US\$6.6 million) at A\$0.046 per share in satisfaction of the conversion of the loan.

During November 2014 the Company resumed construction at the Tembang Project after announcing the completion of debt funding for the Project (US\$45 million Senior Secured Term Debt Facility) entered into with Nomura Special Investments Singapore and Indonesian Eximbank ("Debt Facility"). The Debt Facility comprises an initial tranche ("Tranche 1") of US\$40 million, drawn down during November 2014, and a second tranche ("Tranche 2") of US\$5 million available to be drawn on the date of practical completion of the process plant, provided that completion takes place within 12 months of the date of drawdown of Tranche 1, the gold price being above US\$1,125 per ounce at the proposed date of drawdown for Tranche 2 and the Group raising additional US\$5 million equity.

Subsequent to year end, on 26 March 2015 the Group announced it had received irrevocable and firm

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DIRECTORS' REPORT

commitment to raise approximately US\$4.0 million (A\$5.1 million equivalent) by way of CDIs in the Company to professional and sophisticated investors ("CDI Placement"). Under the terms of the CDI Placement the Company will issue 88,521,828 CDIs at A\$0.058 each. The Company will also issue 44,260,914 warrants for no consideration ("Warrants") to investors in the CDI Placement, each Warrant giving the holder the right to subscribe for one CDI in the Company ("Warrant Placement"). The Warrant Placement equates to 1 Warrant per 2 CDIs to be issued under the CDI Placement. The Warrants have an exercise price of A\$0.06 each, a term of two years and are not transferable. The Warrants will not be quoted on ASX. The Company intends to use the net proceeds of funds raised to continue to construction and development of the Tembang project.

Sumatra's four major shareholders have given guarantees to Nomura and Exim Bank to provide up to US\$10 million in funding to cover the second tranche of US\$5 million of debt funding should the Company not meet the conditions for drawn down of this tranche and US\$5 million for cost overrun facility. The Directors are confident that the required additional US\$1 million of equity needed to satisfy the Company's obligations to its lenders will be raised in due course and in a timely manner to satisfy conditions precedent of Tranche 2 of the Debt Facility.

At 31 December 2014 the Group had cash of US\$26.5 million and net current assets of US\$24.1 million. Current liabilities include trade payable obligations for the purchase of construction equipment and services for the Tembang project.

The Group's detailed cash flow forecasts, which include cash inflows from Tranche 2 debt and the additional equity raise, show that the Group has sufficient working capital for at least a year from the date this annual financial statements is approved.

The Directors believe there to be a reasonable prospect of the Group completing the financing. However, the need to complete the debt and equity funding, indicate the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Annual General Meeting ('AGM')

This report and financial statements will be presented to shareholders for their approval at the Group's AGM. The Notice of the AGM will be distributed to shareholders with the Annual Financial Statements.

Share Capital and Share Options

Details of changes in share capital and details of share options are given in note 24.

Directors' Remuneration

The Remuneration Committee reviews and establishes the level of remuneration for Directors. The level of remuneration is set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type.

For details on the amount of remuneration for each Director, refer to the Key Management Personnel note to the financial statements and the Remuneration Report.

Financial Risk Management

See note 27 for details on financial risk management.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law

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DIRECTORS' REPORT

the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements of the Group have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each of the persons who are directors at the time when this report is approved, confirm that to their best of their knowledge:

- (a) there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



Stephen Robinson

Non-Executive Chairman

26 March 2015

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INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Sumatra Copper & Gold Plc

Report on the group financial statements

Our opinion

In our opinion, Sumatra Copper & Gold Plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis and the validity of this depends on the Group successfully obtaining further financing for its major development project. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

What we have audited

Sumatra Copper & Gold Plc's financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Sumatra Copper & Gold Plc for the year ended 31 December 2014. That report includes an emphasis of matter.



Charles Joseland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

27 March 2015

SUMATRA COPPER & GOLD PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

		31 December 2014	31 December 2013
	Notes	US\$000	US\$000
Continuing operations			
General administrative expenses – before impairment and share-based payments		(3,273)	(4,320)
Share-based payments expense	25(b)	(143)	(301)
Provision for impairment of exploration and evaluation assets	14	(171)	(4,633)
Provision for impairment of property plant and equipment	16	-	(8,568)
General administrative expenses		(3,587)	(17,822)
Net derivative gain	10	634	-
Operating loss		(2,953)	(17,822)
Financial income	8	25	117
Financial costs	9	(1,910)	(1,038)
Net financing costs		(1,885)	(921)
Share of profit/(loss) in associate	15	-	(130)
Loss on remeasurement of previously held equity interest in associate	15	(1,101)	-
Gain from a bargain purchase in subsidiary	11	3,575	-
Loss before income tax	5	(2,364)	(18,873)
Income tax expense	12	-	-
Loss for the year		(2,364)	(18,873)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(300)	(1,315)
Effective portion of changes in fair value of cash flow hedges		(432)	-
Net change in fair value of cash flow hedges transferred to profit or loss		(634)	-
Other comprehensive loss for the year, net of tax		(1,366)	(1,315)
Total comprehensive loss for the year attributable to owners of the parent		(3,730)	(20,188)
LOSS PER SHARE			
Basic loss per share (\$ cents per share)	13	(0.5)	(5.3)
Diluted loss per share (\$ cents per share)	13	(0.5)	(5.3)
Weighted basic average number of shares outstanding (000's)		455,669	354,813
Weighted diluted average number of shares outstanding (000's)		455,669	354,813

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 23 to 55.

SUMATRA COPPER & GOLD PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Registered Number 5777015

As at 31 December 2014

	Notes	31 December 2014 US\$000	31 December 2013 US\$000
ASSETS			
Non-current assets			
Property, plant and equipment	16	48,929	40,019
Exploration and evaluation assets	14	5,407	-
Investment in equity accounted associate	15	-	2,681
Derivative financial instruments	17	6,693	-
Total non-current assets		61,029	42,700
Current assets			
Prepayments and other receivables	18	4,465	1,586
Derivative financial instruments	17	673	-
Loan to associate		-	114
Cash and cash equivalents	19	26,527	4,127
Total current assets		31,665	5,827
TOTAL ASSETS		92,694	48,527
LIABILITIES & EQUITY			
Non-current liabilities			
Borrowings	21	32,457	601
Provisions	23	8,022	-
Total non-current liabilities		40,479	601
Current liabilities			
Trade and other payables	20	6,372	9,017
Provisions	23	828	-
Borrowings	21	314	314
Convertible loans	22	-	2,500
Total current liabilities		7,514	11,831
Total liabilities		47,993	12,432
Equity attributable to owners of the parent			
Ordinary shares	24	9,547	6,800
Share premium account	24	58,772	54,676
Other reserves		3,519	1,417
Accumulated losses		(27,137)	(26,798)
Total equity		44,701	36,095
TOTAL LIABILITIES AND EQUITY		92,694	48,527

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 23 to 55.

The financial statements on pages 18 to 55 were authorised for issue by the Board of Directors on 26 March 2015 and were signed on its behalf by:



Stephen Robison
Non- Executive Chairman

SUMATRA COPPER & GOLD PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Attributable to owners of the Parent							Total Equity US\$000
		Ordinary shares US\$000	Share		Share-based payments reserve US\$000	Hedging Reserve US\$000	Convertible loan reserve US\$000	Accumulated losses US\$000	
			premium account US\$000	Translation reserve US\$000					
Balance as at 1 January 2014		6,800	54,676	(1,728)	2,130	-	1,015	(26,798)	36,095
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR									
Loss for the year		-	-	-	-	-	-	(2,364)	(2,364)
Other comprehensive income/(expense)									
Foreign currency translation differences		-	-	(300)	-	-	-	-	(300)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	(432)	-	-	(432)
Net change in fair value of cash flow hedges transferred to profit or loss		-	-	-	-	(634)	-	-	(634)
Total other comprehensive (expense)/income		-	-	(300)	-	(1,066)	-	-	(1,366)
Total other comprehensive (expense)/income for the year		-	-	(300)	-	(1,066)	-	(2,364)	(3,730)
TRANSACTIONS WITH EQUITY HOLDERS									
Share issue during the period		2,747	4,096	-	-	-	-	-	6,843
Share option charge during the period		-	-	-	5,493	-	-	-	5,493
Options lapsed during the period		-	-	-	(2,025)	-	-	2,025	-
Total transactions with equity holders		2,747	4,096	-	3,468	-	-	2,025	12,336
Balance at 31 December 2014	24	9,547	58,772	(2,028)	5,598	(1,066)	1,015	(27,137)	44,701

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 23 to 55.

SUMATRA COPPER & GOLD PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Parent							Total Equity US\$000
	Note	Share	Share	Translation reserve US\$000	Share	Convertible loan reserve US\$000	Accumulated losses US\$000	
		Ordinary shares US\$000	premium account US\$000		based payments reserve US\$000			
Balance as at 1 January 2013		4,401	30,554	(413)	1,829	1,015	(7,925)	29,461
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR								
Loss for the year		-	-	-	-	-	(18,873)	(18,873)
Other comprehensive income/(expense)								
Foreign currency translation differences		-	-	(1,315)	-	-	-	(1,315)
Total other comprehensive (expense)/income		-	-	(1,315)	-	-	-	(1,315)
Total other comprehensive (expense)/income for the year		-	-	(1,315)	-	-	(18,873)	(20,188)
TRANSACTIONS WITH EQUITY HOLDERS								
Share issue during the period		2,399	25,414	-	-	-	-	27,813
Share issue cost		-	(1,292)	-	-	-	-	(1,292)
Share option charge during the period		-	-	-	301	-	-	301
Total transactions with equity holders		2,399	24,122	-	301	-	-	26,822
Balance at 31 December 2013	24	6,800	54,676	(1,728)	2,130	1,015	(26,798)	36,095

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 23 to 55.

SUMATRA COPPER & GOLD PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

		31 December 2014	31 December 2013
	Note	US\$000	US\$000
Cash flows from operating activities			
Cash used in operations		(3,303)	(3,708)
Payment to enter the hedging program		(300)	-
Net cash flow used in operating activities	29	(3,603)	(3,708)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,891)	(17,282)
Payments for exploration and evaluation	14	(323)	(6,681)
Payment received from Newcrest settlement	11	154	-
Interest received	8	25	117
Net cash flow used in investing activities		(12,035)	(23,846)
Cash flows from financing activities			
Proceeds from borrowings	21	40,000	1,107
Proceeds from convertible notes	22	3,600	2,500
Borrowing cost paid	21c	(2,619)	-
Funds transferred to interest reserve account	18	(3,000)	-
Payment of interest from reserve account	18	425	-
Proceeds from issue of share capital	24	-	27,813
Share issue costs	24	-	(1,292)
Repayment of convertible notes		-	(5,117)
Repayment of borrowings	21	(314)	(193)
Interest paid		(54)	(553)
Net cash inflow from financing activities		38,038	24,265
Increase(decrease)/ in cash and cash equivalents		22,400	(3,289)
Cash and cash equivalents at beginning of year		4,127	7,812
Foreign exchange loss on cash and cash equivalents		-	(396)
Cash and cash equivalents at end of year	19	26,527	4,127

The consolidated statement of flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 23 to 55.

SUMATRA COPPER & GOLD PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 Depository Interests on the Australian Stock Exchange (ASX). The Company's registered address is 39 Parkside, Cambridge CB1 1PN United Kingdom.

The consolidated financial statements of the Company for the year ended 31 December 2014 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 emerging producer with a suite of highly prospective tenements in the Indonesian island of Sumatra.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of Sumatra Copper and Gold plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IRFS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements were approved by the Board of Directors on 26 March 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- convertible notes are measured at fair value;
- derivatives are measured at fair value; and
- property, plant and equipment as it has been subject to impairment using fair value less cost to sell (FCVLCS) methodology.

The methods used to measure fair values are discussed further in note 3.

(c) Functional and presentation currency

The 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) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 15 – Investment in equity accounted associate - carrying value of investment (BUG)

Note 16 – Provision for impairment of property, plant and equipment

SUMATRA COPPER & GOLD PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

Note 17 – Financial Instruments

Impairment of Property, Plant and Equipment

During the year ended 31 December 2014 the Company identified impairment indicators such as the Company's market capitalisation being lower than the value of the long-term assets and after preparing an impairment analysis the Group is of the opinion that no impairment exists for the year ended 31 December 2014. During the year ended 31 December 2013, the Company recognised an impairment charge of US\$8.6 million on its property, plant and equipment (refer note 16).

(e) Going Concern

The Group's principal asset is the Tembang Gold-Silver Project in Sumatra, Indonesia, which is expected to be significantly cash generative when it achieves commercial production.

During the year ended 31 December 2014, subsequent to completion of a Bankable Feasibility Study (BFS) during April 2014, the Company received additional funding of US\$ 2.1 million under its convertible loan facility with Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk ("Convertible Loan"). This completed a total of US\$6.1 million under the Convertible Loan which was applied to maintain the Tembang Project and for general working capital purposes. On 2 October 2014, Provident and Saratoga requested conversion of the full capitalised value of the Convertible Loan, in accordance with the terms and conditions of the Convertible Loan, into Chess Depository interests (CDIs) including interest (at 9% per annum) and facility fee (3%). The Group issued 163,833,929 CDIs totaling A\$7.54 million (US\$6.6 million) at A\$0.046 per share in satisfaction of the conversion of the loan.

During November 2014 the Company resumed construction at the Tembang Project after announcing the completion of debt funding for the Project (US\$45 million Senior Secured Term Debt Facility) entered into with Nomura Special Investments Singapore and Indonesian Eximbank ("Debt Facility"). The Debt Facility comprises an initial tranche ("Tranche 1") of US\$40 million, drawn down during November 2014, and a second tranche ("Tranche 2") of US\$5 million available to be drawn on the date of practical completion of the process plant, provided that completion takes place within 12 months of the date of drawdown of Tranche 1, the gold price being above US\$1,125 per ounce at the proposed date of drawdown for Tranche 2 and the Group raising additional US\$5 million equity.

Subsequent to year end, on 26 March 2015 the Group announced it had received irrevocable and firm commitment to raise approximately US\$4.0 million (A\$5.1 million equivalent) by way of CDIs in the Company to professional and sophisticated investors ("CDI Placement"). Under the terms of the CDI Placement the Company will issue 88,521,828 CDIs at A\$0.058 each. The Company will also issue 44,260,914 warrants for no consideration ("Warrants") to investors in the CDI Placement, each Warrant giving the holder the right to subscribe for one CDI in the Company ("Warrant Placement"). The Warrant Placement equates to 1 Warrant per 2 CDIs to be issued under the CDI Placement. The Warrants have an exercise price of A\$0.06 each, a term of two years and are not transferable. The Warrants will not be quoted on ASX. The Company intends to use the net proceeds of funds raised to continue to construction and development of the Tembang project.

Sumatra's four major shareholders have given guarantees to Nomura and Exim Bank to provide up to US\$10 million in funding to cover the second tranche of US\$5 million of debt funding should the Company not meet the conditions for drawn down of this tranche and US\$5 million for cost overrun facility. The Directors are confident that the required additional US\$1 million of equity needed to satisfy the Company's obligations to its lenders will be raised in due course and in a timely manner to satisfy conditions precedent of Tranche 2 of the Debt Facility.

At 31 December 2014 the Group had cash of US\$26.5 million and net current assets of US\$24.1 million. Current liabilities include trade payable obligations for the purchase of construction equipment and services for the Tembang project.

The Group's detailed cash flow forecasts, which include cash inflows from Tranche 2 debt and the additional equity raise, show that the Group has sufficient working capital for at least a year from the date this annual financial statements

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is approved.

The Directors believe there to be a reasonable prospect of the Group completing the financing. However, the need to complete the debt and equity funding, indicate the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements and have been applied consistently by the Group.

(a) Basis of consolidation

The Group consolidated financial statements include the financial statements of Sumatra Copper & Gold plc and each of its subsidiary undertakings.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates.

(ii) Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded at the functional currency rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Net investment in foreign operations

Exchange differences arising from the transaction of the net investment in foreign operations are disclosed within the translation reserve and recognised in other comprehensive income and expense.

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(iv) *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at the exchange rates that are prevailing at the balance sheet date; and
- income and expenses are translated at the average exchange rate for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in other comprehensive income. These differences are subsequently reclassified to profit or loss within the statement of comprehensive income in the period in which the operation is disposed.

(c) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on a straight line basis over the following expected useful life of the assets. Computer hardware is depreciated at a rate of between 25% and 33.3% per annum, computer software, furniture and fixtures, machinery and equipment, exploration equipment, communication equipment and vehicles at a rate of 25% per annum.

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the exploration and evaluation assets attributable to that area of interest are reclassified as development assets within property, plant and equipment. All development costs subsequently incurred within that area of interest are capitalised and carried at cost and starts depreciating only when the asset is brought to use. The Group performs impairment testing when facts and circumstances suggest that the carrying amount has been impaired. If it is determined that the asset has been impaired it is immediately written off in the statement of comprehensive income (refer note 16).

(d) Impairment

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment charge in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment charge in respect of an available-for-sale financial asset is calculated by reference to its fair value less cost to sell. Fair value less cost to sell is determined as a present value of the estimated real future cash flows expected to arise from the continued use of the asset using assumptions that an independent market participant may consider. These cashflows are discounted using a real after tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment charges are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and expense is transferred to profit or loss.

An impairment charge is reversed if the reversal can be related objectively to an event occurring after the impairment charge was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income and expense.

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(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. Fair value less cost to sell is determined as a present value of the estimated real future cash flows expected to arise from the continued use of the asset using assumptions that an independent market participant may consider. These cashflows are discounted using a real post tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment charge is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment charges are recognised in profit or loss. Impairment charges recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment charges recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment charge is reversed only to the extent that the asset's carrying amount exceeds the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

(e) Exploration and evaluation assets

Exploration and evaluation expenditure related to an area of interest are written off as incurred except when they are carried forward as an asset in the balance sheet where the rights of tenure of an area are current and it is believed that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the exploration and evaluation assets attributable to that area of interest are reclassified as property, plant and equipment.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest. Capitalised exploration and evaluation costs are written off where the above conditions are no longer satisfied and in particular when it has been determined that a commercial discovery has not been made.

The Group performs impairment testing when facts and circumstances suggest that the carrying amount has been impaired. If it is determined that the asset has been impaired it is immediately written off in the statement of comprehensive income. This is consistent with the Successful Efforts method of accounting (IFRS 6).

(f) Investment in associates

The Group recognises its interest in the entity's assets and liabilities using the equity method, the interest in the associate is carried in the balance sheet at costs plus post-acquisition changes in the Group's share of its net assets less distributions received less any impairment in the value of the investment.

The group's share of post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income. See further details on note 15.

(g) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. For instruments not valued at fair value any directly attributable transaction costs will go through profit or loss, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Accounting for finance income and expense is discussed in note 3(o).

(ii) Derivative financial instruments

The Group holds derivative financial instruments to manage its gold and silver price risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Hedge accounting

The group designates certain derivatives as either hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss in the statement of comprehensive income.

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Amounts deferred in equity are recycled in the statement of comprehensive income in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive as the recognised hedged item.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within short-term borrowings in the current liabilities on the balance sheet

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowing costs

Borrowing costs incurred on the establishment of loan facilities are recognised in the statement of financial position and offset against the principal borrowings amount. These costs are amortised over the life of the borrowing using the effective interest rate method.

(j) Convertible loans

A convertible loan that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value are classified as a compound financial instrument.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not

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re-measured.

Where the conversion option is such that the option will not be settled by the Company exchanging a fixed number of its own equity instruments for a fixed amount of cash, the convertible loan does not meet the definition of a compound financial instrument. In such cases, the convertible loan is a hybrid financial instrument and the option to convert is an embedded derivative. Attached options (options entered into in consideration for entering into the host contract) on similar terms are also embedded derivatives. Provided certain criteria are met, the Company designates such hybrid contracts as financial liabilities and accounts for them at fair value through the profit and loss account.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Rehabilitation

Rehabilitation includes mine closure and restoration costs which include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the site. Provisions are recognised at the time that the environmental disturbance occurs.

The provision is the best estimate of the present value of the future cash flows required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the financial year.

The amount of the provision for future rehabilitation costs is capitalised as an asset and recognised in property, plant and equipment and is depreciated over the useful life of the mineral resource. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(l) Employee benefits

(i) Share based payment transactions

The Group issues equity-settled share-based payments to its employees. In accordance with IFRS 2, 'Share-based Payments', equity-settled share-based payments are measured at fair value at the date of grant. Fair value is normally measured by use of a Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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(ii) *Wages, salaries and annual leave*

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date, which represent present obligations resulting from employees' services provided to the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as pension and superannuation contributions, social security, workers compensation and health insurance, as well as payroll tax.

(iii) *Short-term employee benefits*

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash incentives if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) *Termination benefits*

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

The group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group has post-retirement benefits for its Indonesian employees in accordance with Indonesian labour law. A provision for employee benefits is recognised and includes the present value of the future pension plans for employees to be received on retirement.

(m) Other operating income

Receipts from the income of options to third parties to acquire stakes in subsidiary undertakings are recognised in the statement of comprehensive income once all the Group's obligations in respect of the option have been met. Other operating income representing the management fee received in relation to the group's associate are recognised when the services have been performed.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Interest income is recognised as the interest accrues using the effective interest method.

(o) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance expenses comprise discounting of rehabilitation costs and interest expenses relating to borrowings.

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) *Current tax*

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The current income tax charge is calculated in accordance with taxation regulations in each jurisdiction that have been or are subsequently enacted by the reporting date. Current tax is based on the taxable income and tax allowable expenses reported by the Group. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

(ii) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets are only recognised when there is sufficient probability of future taxable profits.

(q) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Warrants

In accordance with IFRS 2, 'Share-based Payments', equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a Black-Scholes pricing model which takes into account conditions attached to the vesting and exercise of the equity instrument. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Project Management Committee comprised by: Non-Executive Chairman (Stephen Robinson), Executive Director (Adi Adriansyah Sjoekri), Project Director (Stuart Gula), Project Sponsor (David Fowler), Project Manager (Warren King) and Project Owner (Donovan Harper) that makes strategic decisions.

(t) Comparatives

Where applicable, comparatives have been adjusted to present them on the same basis as the current period figures.

(u) Changes in accounting policy and disclosures

(i) New standards, amendments and interpretations adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014:

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The amendment did not have a significant effect on the group financial statements.

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- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

(ii) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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4 SEGMENTAL 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 chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Project Management Committee that makes strategic decisions. 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. Group revenue for the year to 31 December 2014 was

US\$ nil (2013: US\$ nil). Accordingly no segment revenue has been provided.

31 December 2014	Australia US\$000	Indonesia US\$000	Consolidated US\$000
Operating (loss)/profit	(3,405)	452	(2,953)
Net financing costs	(828)	(1,057)	(1,885)
Loss on remeasurement of investment held in associate	-	(1,101)	(1,101)
Gain from a bargain purchase in subsidiary	-	3,575	3,575
Loss before tax	(4,233)	1,869	(2,364)
Non-current assets other than financial instruments ⁽¹⁾	778	53,558	54,336
Segment total assets	8,157	84,537	92,694
Segment total liabilities	931	47,062	47,993

(1) Additions during the year ended 31 December 2014 of US\$8.4 million mainly relates to development assets, plant and equipment and pre-feasibility cost associated with the Tembang project (See note 16) and US\$5.2 million resulted from the acquisition of a subsidiary (See note 14)

31 December 2013	Australia US\$000	Indonesia US\$000	Consolidated US\$000
Operating loss	(5,640)	(12,182)	(17,822)
Net financing costs	(665)	(256)	(921)
Share of loss in associate	-	(130)	(130)
Loss before tax	(6,305)	(12,568)	(18,873)
Non-current assets other than financial instruments	307	39,712	40,019
Segment total assets	5,860	42,667	48,527
Segment liabilities	3,043	9,389	12,432

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5 LOSS BEFORE INCOME TAX

	31 December 2014 US\$000	31 December 2013 US\$000
This has been arrived at after charging the following:		
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	82	85
Fees payable to the Company's auditors and its associates for the audit of financial statements of any subsidiary of the Company	90	115
Fees payable to the Company's auditors and their associates for the review of half-year consolidated financial statements	52	30
Directors' remuneration	821	731
Lease expense	144	132
Provision for impairment of exploration and evaluation assets	-	4,633
Provision for impairment of property plant and equipment	-	8,568
Foreign exchange losses	6	664
Other payroll and related expenses	1,687	1,038
Share option costs	143	301
Legal and professional fees	283	288
Depreciation	51	58
	3,359	16,643

6 DIRECTORS' EMOLUMENTS AND INTERESTS

The Directors' remuneration for the years ended 31 December 2014 and 31 December 2013 was as follows:

	31 December 2014 US\$000	31 December 2013 US\$000
Stephen Robinson	67	43
Julian Ford ⁽¹⁾	429	349
Adi Sjoekri ⁽²⁾	217	213
Jocelyn Waller	54	44
Gavin Caudle	54	19
Warwick Morris ⁽³⁾	-	63
	821	731

(1) Julian Ford resigned as Managing Director and CEO effective 31 December 2014.

(2) The expense includes US\$60,025 relating to Performance Rights cancelled on 31 December 2014. Mr Sjoekri will not receive any benefit from this performance rights

(3) Warwick Morris tendered his resignation as Chairman effective 23 August 2013 and ceased to be Non-Executive Director on 1 October 2013

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The movement in share option scheme held by Directors was as follows:

Specified Directors	Held at 1 January 2014 Number	Granted during the year Number	Lapsed during the year Number	Cancelled during the year Number	Held at 31 December 2014 Number	Exercise price A\$	Expiry date
Stephen Robinson	-	-	-	-	-		
Julian Ford ⁽¹⁾	2,500,000	-	(2,500,000)	-	-	0.35	26/10/2014
	2,500,000	-	(2,500,000)	-	-	0.50	26/10/2014
	2,000,000	-	-	-	2,000,000	0.25	14/06/2017
	7,000,000	-	(5,000,000)	-	2,000,000		
Adi Sjoekri	500,000	-	(500,000)	-	-	0.25	26/10/2014
	1,000,000	-	-	-	1,000,000	0.25	14/06/2017
	1,500,000	-	(500,000)	-	1,000,000		
Jocelyn Waller	2,500,000	-	(2,500,000)	-	-	0.20	26/10/2014
	500,000	-	(500,000)	-	-	0.25	26/10/2014
	3,000,000	-	(3,000,000)	-	-		
Gavin Caudle	-	-	-	-	-		
Peter Nightingale ⁽²⁾	400,000	-	(400,000)	-	-	0.35	26/10/2014
Michael Price ⁽³⁾	750,000	-	(750,000)	-	-	0.20	26/10/2014
	250,000	-	(250,000)	-	-	0.25	26/10/2014
	1,000,000	-	(1,000,000)	-	-		
Total Options	12,900,000	-	(9,900,000)	-	3,000,000		

(1) Julian Ford resigned as Managing Director and CEO effective 31 December 2014. The 2,000,000 Options held at 31 December 2014 will lapse on 31 March 2015, the date with is three months after Julian Ford's retirement date, in accordance with the Company's Share Option Scheme.

(2) Peter Nightingale ceased to be a Non-Executive Director on 15 August 2012. Despite his resignation, the Board resolved to consider Peter Nightingale a qualifying employee for the purpose of the share options scheme and his options remained in force until they lapsed.

(3) Michael Price ceased to be a Non-Executive Director on 30 January 2012. Despite his resignation, the Board resolved to consider Michael Price a qualifying employee for the purpose of the share options scheme and his options remained in force until they lapsed.

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The movement in unissued shares under performance rights held by Directors during the year was as follows:

Specified Directors	Held at 1 January 2014 Number	Granted during the year Number	Forfeited during the year Number	Cancelled during the year Number	Held at 31 December 2014 Number	Fair Value at grant date A\$	Vesting date
Stephen Robinson	-	-	-	-	-	-	-
Julian Ford ⁽¹⁾	-	2,029,412	(2,029,412)	-	-	0.05	31/10/2014
Adi Sjoekri ⁽²⁾	-	1,294,118	-	(1,294,118)	-	0.05	31/10/2014
Jocelyn Waller	-	-	-	-	-	-	-
Gavin Caudle	-	-	-	-	-	-	-
Total Performance Rights	-	3,323,530	(2,029,412)	(1,294,118)	-		

(1) Mr Ford resigned as Managing Director and CEO effective 31 December 2014 as a result his Performance Rights were forfeited on 31 December 2014.

(2) The performance conditions attached to the Performance Rights were not met at the vesting date and as a result have been cancelled.

7 EMPLOYEE INFORMATION

The average monthly number of persons employed by the Group during the year was:

	31 December 2014 Number	31 December 2013 Number
By Activity		
Administration	6	8
Construction	78	44
Exploration and evaluation	27	97
	111	149

	31 December 2014 US\$000	31 December 2013 US\$000
Wages and Salaries	1,415	1,648
Share option compensation charge	143	301
Social security cost	129	121
	1,687	2,070

Key management personnel (KMP's) are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the year ended 31 December 2014 the key management personnel were the Directors, Chief Financial Officer (CFO) and Chief Operating Officer (COO).

Key management costs

	31 December 2014 US\$000	31 December 2013 US\$000
Wages and salaries (for the above persons)	1,126	1,064
Termination payments	113	-
Social security cost	76	63
Share option compensation charge	143	230
	1,458	1,357

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8 FINANCIAL INCOME

	31 December 2014 US\$000	31 December 2013 US\$000
Bank interest income	25	117
	25	117

9 FINANCIAL COSTS

	31 December 2014 US\$000	31 December 2013 US\$000
Foreign exchange loss	6	664
Bank interest expense	4	10
Interest on Senior Secured Facility and other borrowings	840	-
Amortisation of borrowing cost	386	-
Effective interest expense on hedges	178	-
Interests and fees on convertible loan	496	159
Accretion expense on convertible loan	-	205
	1,910	1,038

10 NET DERIVATIVE GAIN/(LOSS) THROUGH PROFIT OR LOSS

	31 December 2014 US\$000	31 December 2013 US\$000
Gold hedges derivative gain	641	-
Silver hedges derivative loss	(7)	-
	634	-

11 GAIN FROM A BARGAIN PURCHASE IN SUBSIDIARY

(a) Description of the transaction

On 30 May 2014, Sumatra entered into a “Deed of Termination and Release” with respect to the Tandai Joint Venture entered into with Newcrest Mining Limited. Under the terms of the Deed of Termination and Release, Newcrest paid Sumatra US\$154,000 in settlement of all outstanding expenses. During the third quarter of 2014, the Company completed all regulatory and statutory notices necessary to hold 100% of the Tandai Project.

Prior to the transaction the Group held 30% interest on PT Bengkulu Utara Gold ('PT BUG') the holder of the exploration Mining Business License (“IUP” Izin Usaha Pertambangan) of the Tandai project which was 70% owned by SUM Singapore Tandai Pte Ltd ('SUM Singapore')

On 17 October 2014, SCG Energy Pte Ltd (a wholly owned subsidiary of the Company) purchased all of the shares (1 share nominal value \$1) of SUM Singapore for US\$100 consideration. Going forward, the Group owns 100% of SUM Singapore, PT BUG and the Tandai Project rights.

(b) Impacts of the acquisition of subsidiary on the consolidated financial statements

At the acquisition date, all the assets and liabilities of SUM Singapore and PT BUG were recorded at fair value. The Group recognised a gain from a bargain purchase of subsidiaries of US\$3.58 million and a loss on remeasurement of investment held in associate of US\$1.10 million in the statement of comprehensive income.

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The accounting for this business combination was completed on 31 October 2014; the table below shows the fair value assigned to the subsidiaries' identifiable assets and liabilities at the acquisition date:

	US\$000
Current Assets	73
Exploration and evaluation assets	5,255
Total assets	5,328
Trade and other liabilities	217
Other non-current liabilities	4
Total liabilities	221
Total net assets 100%	5,107
Remeasurement of previously held investment 30% interest	(1,532)
Consideration transferred in respect of 70% equity interest acquired	-
Gain from a bargain purchase in subsidiary	3,575

The gain from a bargain purchase in subsidiary of US\$3.58 million mainly represents the acquisition of all the shares of SUM Singapore for a consideration of US\$100 and the related control extended over PT BUG where the evaluation and evaluation costs of the Tandai project have been incurred

12 INCOME TAX

(a) Analysis of charges for the year

	31 December 2014 US\$000	31 December 2013 US\$000
Current tax:	-	-
UK Corporation tax on profits for the year	-	-
Income tax	-	-

(b) Factors affecting the current tax charge for the year

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

	31 December 2014 US\$000	31 December 2013 US\$000
Loss before income tax:	(2,364)	(18,873)
Tax calculated at domestic tax rates applicable to profits in the respective countries – Australia 30% (2013 UK: 21%)	(709)	(3,963)
Tax effect of:		
Expenses not deductible for tax purposes	343	871
Movement in temporary differences	(290)	2,773
Difference in Indonesian tax rate	118	(756)
Losses carried forward not recognised	538	1,075
Income tax	-	-

During the year ended 31 December 2014 the Company received the certificate of tax residency of Australia. Being a resident of Australia for income tax purposes within the meaning of the Australia – United Kingdom convention the Company is liable to pay Australian income tax.

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(c) Deferred tax

At 31 December 2014, the Group had potential and unrecognised deferred tax assets as follows:

	31 December 2014 US\$000	31 December 2013 US\$000
Tax effect of temporary differences because of:		
Tax losses carried forward not recognised	5,094	4,556
	5,094	4,556

Deferred tax assets in respect of losses are not recognised as there is insufficient evidence that they are recoverable. The deferred tax assets would be recoverable if the Company were to become profitable in the future. Tax losses can be carried forward indefinitely and the future tax rate has been considered at 30%.

13 LOSS PER SHARE

Basic and diluted losses per share

The calculation of basic loss per share of US\$0.05 for the year ended 31 December 2014 (31 December 2013: US\$0.053 loss per share) was based on the loss attributable to ordinary shareholders of US\$2.3 million (31 December 2013: US\$18.9 million loss) and a weighted-average number of ordinary shares outstanding during the financial year ended 31 December 2014 of 455,669,483 (31 December 2013: 354,812,516) calculated as follows:

	Basic loss per share		Diluted loss per share	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Loss attributable to ordinary shareholders (US\$000)	(2,364)	(18,873)	(2,364)	(18,873)
Issued ordinary shares at start of the year	414,467,651	258,621,681	414,467,651	258,621,681
Effect of issue of shares	41,201,832	96,190,835	41,201,832	96,190,835
Weighted average number of shares	455,669,483	354,812,516	455,669,483	354,812,516
Loss per share in US\$ cents per share	(0.5)	(5.3)	(0.5)	(5.3)

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. As the Group is loss-making, none of the potentially dilutive securities are currently dilutive.

14 EXPLORATION AND EVALUATION ASSETS

	31 December 2014 US\$000	31 December 2013 US\$000
Balance at the beginning of the period	-	25,704
Expenditure incurred during the period	323	6,681
Additions resulted from acquisition of subsidiary ^(a)	5,255	-
Provision for impairment of exploration and evaluation assets ^(b)	(171)	(4,633)
Transferred to property plant and equipment (refer note 16)	-	(27,752)
Balance at the period end	5,407	-

(a) Additions resulted from acquisition of subsidiary

During the year ended 31 December 2014, the Company acquired 100% of the Tandai project (see further details in note 11). No major exploration activities were undertaken in the area during 2014. It is expected to resume the activities in Tandai during 2015.

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(b) Provision for impairment of exploration and evaluation assets

During the year ended 31 December 2014 the Directors wrote off the carrying value of exploration and evaluation costs totaling US\$0.171 million (2013: US\$4.633 million). These costs were associated with the Company's Sontang, Jambi, Madina 1, Madina 2 and Musi Rawas projects as no further exploration work is currently planned on these properties.

15 INVESTMENT IN EQUITY ACCOUNTED ASSOCIATE

	31 December 2014 US\$000	31 December 2013 US\$000
Balance at the beginning of the period	2,681	2,811
Loss on remeasurement of previously held equity interest in associate	(1,101)	-
Remeasurement of previously held investment 30% interest (note 11)	(1,532)	-
Foreign exchange revaluation on investment	(48)	-
Share of (loss)/profit in associate	-	(130)
Balance at the period end	-	2,681

The group's share of the results of its associate, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	(Loss)/Profit	Interest held
		US\$000	US\$000	US\$000	US\$000	%
31 December 2014						
PT Bengkulu Utara Gold	Indonesia	-	-	-	-	-
31 December 2013						
PT Bengkulu Utara Gold	Indonesia	2,788	107	-	(130)	30

On 17 October 2014, the Group completed the acquisition of 100% shares of SUM Singapore Tandai Pte Ltd ('SUM Singapore') a company that held 70% participation of PT Bengkulu Utara Gold ('PT BUG'). After the acquisition date the Group holds 100% participation in SUM Singapore, PT BUG and the Tandai Project rights. As a result, PT BUG is no longer considered an associate but a wholly owned subsidiary of the Group (see further details on note 11).

During the years ended 31 December 2014 and 31 December 2013 no major exploration activities were undertaken in the Tandai area. The Group expects to resume activities during 2015.

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16 PROPERTY, PLANT AND EQUIPMENT

	31 December 2014 US\$000	31 December 2013 US\$000
Cost		
Balance at the beginning of the year	49,020	557
Additions	8,362	20,711
Asset Retirement Obligation (see note 23)	599	-
Transferred from exploration and evaluation assets	-	27,752
Balance at the year end	57,981	49,020
Accumulated Depreciation		
Balance at the beginning of the year	(9,001)	(375)
Depreciation charge for the year	(51)	(58)
Provision for impairment of property plant and equipment ^(a)	-	(8,568)
Balance at the year end	(9,052)	(9,001)
Net Book Value	48,929	40,019

Property, Plant and Equipment includes: development assets, plant and equipment, fittings and fixtures and pre-feasibility costs mainly associated with the Tembang project. The majority of the balance of property plant and equipment relates to mining assets which have not been depreciated as they are not in use yet.

During the year ended 31 December 2013 the exploration and evaluation costs associated with the Group's Tembang project were reclassified as development assets following receipt of the final government approvals.

(a) Provision for impairment of property plant and equipment

As the Group identified impairment indicators such as the Company's market capitalisation being lower than the value of the long-term assets, the Group performed an impairment test on the recoverability of its assets.

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 considered based on fair value less cost to sell (FVLCS). FVLCS was determined as the present value of the estimated real future cash flows expected to arise from the Tembang project using assumptions that an independent market participant may consider. These cash flows were discounted using a real after-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The basis for determination of the recoverable amount was:

- Gold price of US\$1,300/oz. and Silver price of US\$20/oz. – future commodity prices were based on the 2015 consensus views from market participants in the period (2013: based on the 2014 consensus views from market participants);
- 50% of gold and silver hedged at a strike price of US\$1,108.50/oz and US\$14.47/oz respectively.
- Gold and Silver production – future gold and silver production was based on the Definite Feasibility Study (DFS) and Group's Life of Mine Plan (LOM). (2013: updated Group's Life of Mine Plan);
- Current (LOM) is based only on proven and probable reserves as per DFS (2013: measured and indicated resources as per DFS). Inferred material included in the mine plan was treated as waste;
- Operating and capital cost – these costs were based on management's best estimates at the time of the impairment testing;

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- Foreign exchange rates – Indonesian Rupiah to US dollar exchange rates were based on the forward curve and consensus views; and
- Discount rate – a post-tax real discount rate of 12.5% (2013:9.0%).

The assumptions above were revised by an Independent Technical Advisor for financing purposes. The cash flows are based on proven and probable reserves only. The Company also believes that, with further drilling and feasibility work, the 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.

Based on the above review, the Group is of the opinion that no impairment exists for the year ended 31 December 2014. (for the year ended 31 December 2013: provision for impairment of US\$8.6 million).

17 DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2014 US\$000	31 December 2013 US\$000
Gold - forward contracts^(a)		
Fair Value on initial recognition	6,322	-
Fair Value movement of derivative	(406)	-
Balance at the year end	5,916	-
Silver - forward contracts^(b)		
Fair Value on initial recognition	1,477	-
Fair Value movement of derivative	(27)	-
Balance at the year end	1,450	-
	7,366	-
Current portion of derivative financial instrument	6,693	
Non-current portion of derivative financial instrument	673	
	7,366	

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 of a put option type with a strike price of \$1,428.50 with \$320 per oz as an additional premium payable. Hedged designation is to protect against gold falling below a price of \$1,108.50/oz.
- On average, 51.8% of the Company's monthly gold production from 30 November 2015 to 31 October 2017 has been allocated to the hedge program. This meets the 50% production condition of the hedging facility for the first two years of production. As a result, the gold hedge has been considered an effective hedge.
- As at 31 December 2014, the effective portion of US\$1.047 million relating to recognition of the movement in fair value (US\$0.405 million) and intrinsic value (US\$0.641 million) of outstanding gold hedges was recognised

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in hedge reserve, which unwinds to profit or loss upon realisation of the underlying hedge transaction. The intrinsic value movement was recognised as a gain in derivatives for the year ended 31 December 2014. A non-current liability of US\$6.210 million was recognised in the statement of financial position (see note 23).

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 put option type with a strike price of \$21.77/oz with \$7.30 per oz as an additional premium payable. Hedged designation is to protect against silver falling below a price of \$14.47/oz.
- On average, 49.3% of the Subsidiary's monthly silver production from 30 November 2015 to 31 October 2017 has been allocated to the hedge program. This meets the approximate 50% production condition of the hedging facility for the first two years of production. As a result the silver hedge has been considered an effective hedge.
- As at 31 December 2014, the effective portion of US\$0.020 million relating to recognition of the movement in fair value (US\$0.027 million) and intrinsic value (US\$0.007 million) of outstanding silver hedges was recognised in hedge reserve, which unwinds to profit or loss upon realisation of the underlying hedge transaction. The intrinsic value movement was recognised as a loss in derivatives for the year ended 31 December 2014. A non-current liability of US\$1.465 million was recognised in the statement of financial position (see note 23).

18 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2014 US\$000	31 December 2013 US\$000
Interest reserve account ^(a)	2,575	-
Prepayments and other receivables	378	45
VAT and withholding tax receivable ^(b)	1,512	1,541
Balance at the year end	4,465	1,586

(a) Interest reserve account

As part of the Senior Secured Debt Facility Agreement, the Group is required to maintain a separate interest reserve account ('DSRA') to repay the first year of quarterly interest instalments. The DSRA was funded at initial drawdown from the Debt Facility proceeds (US\$3 million). During the year ended 31 December 2014 US\$0.425 million was used to pay the first quarterly interest instalment. The balance of US\$2.575 million will be used to repay the remaining 2015 quarterly interest.

(b) 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.

19 CASH AND CASH EQUIVALENTS

	31 December 2014 US\$000	31 December 2013 US\$000
Cash at bank and on hand	26,503	4,031
Call deposits	24	96
	26,527	4,127

Of the total cash and cash equivalent held as of 31 December 2014 the highest currency value was US\$26.1 million (2013: US\$3.7 million), other currencies the Company held cash in were Australian dollars, Indonesian rupiah and Pounds sterling.

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20 TRADE AND OTHER PAYABLES

	31 December 2014 US\$000	31 December 2013 US\$000
Trade payables	1,863	6,892
Other taxes and social security cost	1,771	1,238
Accruals and other payables	2,738	887
	6,372	9,017

During the years ended 31 December 2014 and 31 December 2013 Trade and other payables are mainly repayable in US dollars.

Other taxes and social security cost include indirect taxes incurred in the development and construction phase of the Tembang project.

21 BORROWINGS

31 December 2014 US\$000	Senior Secured Debt Facility (i)	Atlas Copco Financing Facility (ii)	Total
Loan Term	(36 months) 2014 to 2018	(36 months) 2013 to 2016	
Opening Balance	-	915	915
Proceeds from borrowings	40,000	-	40,000
Repayments of borrowings	-	(314)	(314)
Capitalised Borrowing cost ^(c)	(8,216)	-	(8,216)
Amortisation of borrowing cost	386	-	386
Closing Balance	32,170	601	32,771

- (i) On 22 October 2014, the Company's wholly owned subsidiary, PT Dwinad Nusa Sejahtera ('DNS'), entered into a 3 year Senior Secured Debt Facility of up to US\$45 million with Nomura Special Investments Singapore and Indonesia Eximbank repayable at maturity. The Facility is to fund the commercial development of the Tembang Gold Project. The Facility is secured against a number of assets including the shares held by the Company in DNS. All other loans and advances made to DNS, the Company and its subsidiaries will be subordinated to the interests of the lenders under the Facility until all payment obligations of the Facility have been repaid.

The following are the key commercial terms:

- One initial tranche ("Tranche 1") of US\$40 million, which was drawdown on 13 November 2014 after satisfaction of conditions precedent and a second tranche ("Tranche 2") of US\$5 million, which will be available to be drawn on the date of practical completion of the process plant, provided that completion takes place within 12 months of the date of drawdown of Tranche 1. Also, the gold price must be above US\$1,125/oz at the proposed date of drawdown for Tranche 2 to be drawn and a further equity raising of US\$5 million undertaken by the Company.
- Interest rate of 7.5% per annum increasing to 10.0% after 18 months. Upon any prepayment or repayment of the loan DNS will be required to pay a redemption premium that will result in the lenders receiving an amount equal to 15% per annum (including interest). 85% of cash generated from the Project will be repaid each quarter and the balance of unpaid funds is due in a bullet payment at the end of the 3-year term. Interest will be paid quarterly with the redemption premium payable at the end of the loan period.

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- c) Borrowing costs of US\$8.216 million were incurred to secure this funding and have been offset against the principal borrowings amount. These costs are amortised using the effective interest rate method. Borrowing costs include (US\$2.619 million) transaction cost and fees paid in cash; (US\$5.350 million) paid in Warrants (see note 24c) and (US\$0.247 million) paid in shares (see note 24).
- d) The facility required that the Company entered into hedging equivalent to 50% of gold and silver production during the first 2 years of operation (See further details on note 17).
- e) The facility also required the grant of an aggregate total of 250,597,351 warrants each convertible into one CHES Depositary Interest (“CDI”) in the Company. On 12 November 2014, 222,753,201 warrants were issued after drawdown of Tranche 1. A further 27,844,150 warrants will be issued upon satisfaction of conditions of Tranche 2 (See further details on note 24c).
- (ii) During December 2013 the Indonesian Subsidiary PT Dwinad Nusa Sejahtera, entered into a US\$1.107 million 36-month financing facility with Atlas Copco Customer Finance AB, to finance an underground drill rig. A payment of US\$0.193 million was made at commencement of the facility, with the remaining principal repayable in monthly equal instalments (plus interest at a fixed rate of 7.5%) commencing 31 December 2013. The outstanding liability as at 31 December 2014 is US\$0.601 million (December 2013: US\$0.915) of which US\$0.314 million is payable within 12 months (2013: US\$0.314 million).

22 CONVERTIBLE LOANS

	31 December 2014 US\$000	31 December 2013 US\$000
Convertible loan note	-	2,500
	-	2,500

Convertible loan - Fair value

On 18 December 2013, the Company entered into a “Convertible Loan Facility Agreement” with Provident Minerals Pte Ltd (“Provident”) and PT Saratoga Investama Sedaya Tbk (“Saratoga”) to provide an unsecured convertible debt facility of US\$ 4.0 million. The facility was initially drawn down in two tranches; the first tranche of US\$2.5 million (draw down during the year ended 2013) and the second tranche of US\$1.5 million (draw down during the first quarter of 2014). Since the drawdown of the original amount of US\$4 million, the Facility was extended on four occasions (26 May 2014, 3 July 2014, 31 July 2014 and 12 September 2014 achieving an additional US\$2.1 million). The principal amount under the Facility was US\$6.1 million.

As per the terms and conditions of the convertible loan on 2 October 2014, Provident and Saratoga requested the conversion of the full capitalised value of the Facility into Chess Depositary interests (CDIs) including interest (at 9% per annum) and facility fee (3%). The Group issued 163,833,929 CDIs totaling A\$7.54 million (US\$6.6 million) at A\$0.046 per share in satisfaction of the repayment of the convertible loan.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23 PROVISIONS

	31 December 2014 US\$000	31 December 2013 US\$000
Derivative financial instruments payable current^(a)		
Balance at the beginning of the period	-	-
Provision made during the financial period	828	-
Balance at period end	828	-
Total provision current at period end	828	-
Provision for rehabilitation^(b)		
Balance at the beginning of the period	-	-
Provision made during the financial period	599	-
Balance at period end	599	-
Derivative financial instruments payable non-current^(a)		
Balance at the beginning of the period	-	-
Provision made during the financial period	6,847	-
Balance at period end	6,847	-
Provision for employee benefits^(c)		
Balance at the beginning of the period	-	-
Provision made during the financial period	576	-
Balance at period end	576	-
Total provisions non-current at period end	8,022	-

(a) Derivative financial instruments payable current and non-current

Derivative financial instruments non-current relates to the fair value on initial recognition of gold (US\$6.210 million) and silver (US\$1.465 million) forward contracts designated as hedges entered into on 31 October 2014. See further details on note 17.

(b) 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.

(c) 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.

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For the year ended 31 December 2014

24 ORDINARY SHARES AND SHARE PREMIUM ACCOUNT

Movement in the share capital and premium for the year ended 31 December 2014

		Number of Shares	Ordinary shares US\$000	Share Premium account US\$000
1 Jan 2014	Opening Balance	414,467,651	6,798,797	54,675,584
2 Oct 2014	Issue of CDIs ^(a)	163,833,929	2,663,214	3,932,609
8 Dec 2014	Issue of CDIs ^(b)	5,407,542	84,208	163,116
31 Dec 2014	Closing Balance	583,709,122	9,546,219	58,771,309

- (a) The Group issued 163,833,929 CDIs totaling A\$7,536,361 (US\$6,595,823) at A\$0.046 per CDI on conversion of the full capitalised value of the Convertible Loan Facility Agreement, including interest and facility fee entered into on 4 December 2013 with Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk. The CDIs issued were 82,014,893 and 81,819,036 respectively.
- (b) The Group issued, for nil consideration, 5,407,542 CDIs totaling A\$297,415 (US\$247,324) at A\$0.055 per CDI to Juniper Capital Partners Limited for services related to the financing of the Senior Secured Debt Facility.

Movement in the share capital and premium for the year ended 31 December 2013

		Number of Shares	Ordinary shares US\$000	Share Premium account US\$000
1 Jan 2013	Opening Balance	258,621,681	4,400,549	30,553,787
22 Feb 2013	Issue of CDIs ^(a)	38,000,000	568,938	8,045,524
14 May 2013	Issue of CDIs ^(b)	6	-	1
18 June 2013	Issue of CDIs ^(c)	117,845,964	1,829,310	17,368,081
31 Dec 2013	Closing Balance	414,467,651	6,798,797	55,967,393
	Less Share issue cost current period		-	(1,291,809)
31 Dec 2013	Closing Balance	414,467,651	6,798,797	54,675,584

- (a) The Group issued 38,000,000 CDIs for cash totaling A\$8,360,000 (US\$8,614,462) at A\$0.22 per share.
- (b) The Group issued 6 CDIs for cash totaling A\$1 (US\$1) at A\$0.20 per share.
- (c) The Group issued 117,845,964 CDIs for cash totaling A\$20,033,814 (US\$19,197,391) at A\$0.17 per share pursuant to a 2 for 5 non-renounceable rights issue.

25 Share based payments

(a) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Exercise price ^(a)	Number of options at 1 January 2014	Lapsed	Number of options at 31 December 2014	Expiry date
A\$0.16 (US\$0.13)	31,250,000	(31,250,000)	-	27 March 2014
A\$0.20 (US\$0.16)	3,530,000	(3,530,000)	-	26 October 2014
A\$0.25 (US\$0.20)	3,100,000	(3,100,000)	-	26 October 2014
A\$0.25 (US\$0.20)	3,500,000	-	3,500,000	14 June 2017
A\$0.35 (US\$0.29)	3,050,000	(3,050,000)	-	26 October 2014
A\$0.50 (US\$0.41)	2,500,000	(2,500,000)	-	1 June 2016
	46,930,000	(43,430,000)	3,500,000	

(a) All options are exercisable in AU\$ (presented in US\$ at 31 December 2014 rate of \$0.8156)

As at 31 December 2014, 3,500,000 outstanding options of the Group were exercisable.

The total charge for the year ended 31 December 2014 was Nil (2013: US\$300,356).

During the year ended 31 December 2014, 43,430,000 options lapsed, as a result US\$2 million was transferred to retained earnings. (2013: Nil)

(b) Performance Rights

Movement in Unissued Shares under Performance Rights during the year

Valuation per right ^(a)	Number of Performance Rights at 1 January 2014	Granted	Cancelled ^(b)	Forfeited ^(c)	Number of Performance Rights at 31 December 2014	Vesting Date
A\$0.05 (US\$0.46)	-	5,109,244	(3,079,832)	(2,029,412)	-	31 Dec 2014
	-	5,109,244	(3,079,832)	(2,029,412)	-	

(a) All performance rights are exercisable in AU\$ (presented in US\$ at 31 December 2014 rate of \$0.8156)

(b) Performance Rights granted to Adi Sjoekri and David Fowler were cancelled during the year ended 31 December 2014 as performance conditions were not met. The Remuneration Report includes an expense of US\$142,853 relating to this cancellation.

(c) Performance Rights granted to Julian Ford were forfeited upon resignation on 31 December 2014.

On 30 May 2014 the Company granted 5,109,244 in accordance with the rules of the Sumatra Copper & Gold Plc Long Term Incentive Plan (LTI Plan). The vesting condition requires a “performance hurdle” to be satisfied whereby the Company’s share price must exceed the performance of the Gold index (“XGD”) in respect of the relevant performance period (being the calendar year 2014) by more than 25%, in which case 100% of the granted performance rights will vest. The total charge for the year ended 31 December 2014 was US\$142,853 (2013: Nil).

2014 Market performance objectives:

These performance rights are subjected to both service conditions and market vesting conditions. The Group is required to take into consideration the probability of reaching the target share price when estimating the fair value of these equity instruments at grant date. On this basis, the Group will continue to recognise expenses associated with providing this share based payment award to the employee as long as the service condition has been achieved, irrespective of whether the market condition is satisfied.

The fair value of services received in return for these performance rights granted are measured by reference to the fair value of the performance rights. On grant date the estimate of the fair value of the services received is measured based on the spot price at the date of grant. The contractual life of the performance right is used as an input into this model.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

The following table summarises the key data in relation to the valuation of market performance rights granted under the LTI Plan are as follows:

Performance condition	Company's share price against group of peer companies for 2015
Underlying spot price	A\$0.05
Exercise price	\$0.00
Valuation date	30 May 2014
Vesting date	31 December 2014
Vesting period from grant date	7 months
Number of rights	5,109,244
Fair Value per right	A\$0.05 (US\$0.046)
Valuation per performance condition	A\$255,462 (US\$236,984)
Entitled number of employees	3

Performance Rights granted during the year to eligible employees were cancelled on 31 December 2014 as performance conditions were not met

(c) Warrants

Movement in Unissued Warrants during the year

Exercise price per Warrant ^(a)	Number of Warrants			Number of Warrants at 31 December 2014	Exercise Date	
	at 1 January 2014	Granted	Cancelled			Forfeited
A\$0.057 (US\$0.047)	-	222,753,201	-	-	222,753,201	12 Nov 2017
	-	222,753,201	-	-	222,753,201	

(a) All warrants are exercisable in AU\$ (presented in US\$ at 31 December 2014 rate of \$0.8156)

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\$40 million) to the Company. The total fair value of tranche 1 was US\$5.3 million 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 will be issued on the day that the second tranche of the Nomura Facility (being US\$ 5.0 million) is advanced to the Company. The issue of the second tranche of Warrants is conditional on the provision of the second tranche of the Nomura Facility to the Company.

The following are the main terms and conditions of the Warrants issued during the year ended 31 December 2014:

Warrants issued (tranche 1)	Conditions
Exercise price ^(a)	A\$0.057 (US\$0.047)
Valuation date	12 November 2014
Option life	3 years
Number of Warrants	222,753,201
Fair Value per Warrant ^(b)	A\$0.028 (US\$0.024)
Total fair value of warrants	A\$6,237,089 (US\$5,349,734)

(a) All warrants are exercisable in AU\$ (presented in US\$ at 31 December 2014 rate of \$0.8156)

(b) Exchange rate at valuation date was US\$0.8639 to AU\$1.00

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26 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. The terms and conditions of such transactions are no more favourable than those available, or which might reasonably be expected to be available, to non-KMP related entities dealing at arm's length with the Company.

During the year ended 31 December 2014 the Company was invoiced US\$62,206 (31 December 2013: US\$11,672) by Hunter Corporate, for company secretary services. Hunter Corporate is a company associated with Susan Hunter who is the Joint Company Secretary. At 31 December 2014 there was no amount outstanding (31 December 2013: Nil).

During the year ended 31 December 2014 the Company was invoiced US\$7,230 (31 December 2013: US\$8,960) by Barr Ellison LLP Solicitors, for company secretary services and legal advice in the United Kingdom. Barr Ellison LLP Solicitors is an entity associated with Allison Barr who is the Joint Company Secretary. As at 31 December 2014 there was an amount outstanding of Nil to be paid (31 December 2013: US\$2,824).

During the year ended 31 December 2014 the Company was invoiced US\$5,467 (31 December 2013: Nil) by JWMinConsult Limited, for consulting services. JWMinConsult Limited is a company associated with Jocelyn Waller who is a Non-executive director of the Company. As at 31 December 2014 there was an amount outstanding of US\$5,467 to be paid (31 December 2013: Nil).

The Company sub-leased office space for its Perth office during the year ended 2013 from Karen Ford, wife of Managing Director Julian Ford. The charge covered rental accommodation, utilities and office expenses. Fees paid to Karen Ford, were in the ordinary course of business and on normal terms and conditions. The sublease agreement was in place until 1 March 2013. During the year ended 31 December 2014 the rental and accommodation charges amounted to Nil (31 December 2013: US\$24,381). As at 31 December 2014 there were no outstanding amounts to be paid included within trade and other payables (31 December 2013: Nil).

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the years ended 31 December 2014 and 31 December 2013 the KMP's were the Directors, the Chief Financial Officer and the Chief Operating Officer. KMP's remuneration is disclosed in note 7.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to liquidity risk, credit risk, market 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, 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 and

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

At 31 December 2014 the Group had cash of US\$26.5 million and net current assets of US\$24.5 million. Current liabilities of US\$6.5 million include trade payable obligations for the construction of the Tembang project and short-term borrowings. During the year the Group entered into a Senior Secured Debt Facility of up to US\$45 million to fund the commercial development of the Tembang Gold Project. An initial tranche ("Tranche 1") of US\$40 million was drawdown during the year 2014 and a further US\$5 million ("Tranche 2") will be available to be drawn on the date of practical completion of the process plant, provided that completion takes place within 12 months of the date of drawdown of Tranche 1 and the gold price is above US\$1,125/oz at the proposed date.

The Group's detailed cash flow forecasts, which include cash inflows from the tranche 2 of debt and additional equity raise of US\$5 million, show that the Group has sufficient working capital for at least a year from the date this annual report is approved.

The Directors believe there to be a reasonable prospect of the Group completing the Tembang construction and achieving commercial production during the fourth quarter of 2015. However, the need to complete the debt and equity funding, indicate the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

(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 year:

	Average rate		Year-end date spot rate	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
IDR\$	11,870	10,453	12,440	12,195
A\$	0.9024	0.9682	0.8156	0.8873
GBP\$	1.6476	1.5643	1.5532	1.6153

At 31 December 2014, 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 year would have been US\$0.25 million (2013: US\$1.87 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.

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For the year ended 31 December 2014

(d) Commodities risk

The Group's main focus is the gold and silver development of 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 economical 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. The hedge program represents approx. 23% and 16% respectively of the gold and silver ore reserves.

(e) 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.

Whilst there are covenants associated with the senior secured debt facility, they are not required to be met until the group declares commercial production expected to be during the fourth quarter of 2015.

(f) 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 31 December 2014.

31 December 2014	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Fair value less cost to sell method:				
Property, plant and equipment (note 16)	-	-	48,929	48,928
Financial assets at fair value designated as hedges:				
Derivative financial instruments used for hedging (note 17)	-	-	7,366	7,366
Total assets	-	-	56,295	56,295
Financial liabilities designated as hedges:				
Derivative financial instruments used for hedging (note 23a)	-	-	7,675	7,675
Total liabilities	-	-	7,675	7,675

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

31 December 2013	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Fair value less cost to sell method:				
Property, plant and equipment (note 16)	-	-	40,019	40,019
Total assets	-	-	40,019	40,019
Financial liabilities at fair value through profit or loss:				
Convertible loans (note 22)	-	-	2,500	2,500
Total liabilities	-	-	2,500	2,500

There is no material difference between the carrying value and fair value of financial instruments at year end (2013: nil). There were no financial instruments being held for trading or available for sale at year end (2013: nil).

28 ULTIMATE CONTROLLING PARTY

The Group has no ultimate controlling party.

29 CASH USED IN OPERATIONS

	31 December 2014 US\$000	31 December 2013 US\$000
Cash flows from operating activities		
Loss before tax	(2,364)	(18,873)
Adjustments for:		
Depreciation	51	58
Loss on remeasurement of previously held equity interest in associate	1,101	-
Gain from a bargain purchase in subsidiary	(3,575)	-
Share of loss/(profit) in associate	-	130
Share options charge	143	301
Provision for impairment of exploration and evaluation assets	171	4,633
Provision for impairment of property plant and equipment	-	8,568
Financial income	(25)	(117)
Financial cost	1,910	1,038
Operating loss before working capital changes	(2,588)	(4,262)
Increase in prepayments and other receivables	(314)	(815)
(Decrease)/increase in trade payables, accruals and other liabilities	(701)	1,369
Cash used in operations	(3,603)	(3,708)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30 CONSOLIDATED ENTITIES

Name of entity	Country of incorporation	Class of shares	Ownership interest	
			31 December 2014 %	31 December 2013 %
<i>Parent entity</i>				
Sumatra Copper and Gold Plc	United Kingdom	Chess Depositary Interest (CDIs)		
<i>Subsidiaries</i>				
PT Dwinad Nusa Sejahtera ^(a)	Indonesia	Ordinary	99.95	99.95
PT Nusa Palapa Minerals ^(a)	Indonesia	Ordinary	99.95	99.95
PT Bengkulu Utara Gold ^(b)	Indonesia	Ordinary	100.00	30.00
PT Musi Rawas Gold ^(c)	Indonesia	Ordinary	100.00	99.95
PT Jambi Gold ^(c)	Indonesia	Ordinary	100.00	99.95
PT Lebong Gold ^(c)	Indonesia	Ordinary	100.00	99.95
PT Kotanopan Mining ^(d)	Indonesia	Ordinary	98.00	98.00
PT Mandaling Mining ^(d)	Indonesia	Ordinary	98.00	98.00
SCG Energy Pte Ltd ^(e)	Singapore	Ordinary	100%	100%
SUM Singapore (Tandai) Pte Ltd ^(f)	Singapore	Ordinary	100%	-

(a) Adi Sjoekri, Director of the Group holds the additional 0.05% interest in this entity.

(b) PT Bengkulu Utara Gold is held 70% by SUM Singapore (Tandai) Pte Ltd; 27.75% by Sumatra Copper and Gold Plc and 2.25% by PT Nusa Palapa Minerals

(c) PT Nusa Palapa Minerals holds an additional 7.25% interest in this entity.

(d) Adi Sjoekri, Director of the Group holds 98% interest in this entity. The Group exercise control over these subsidiaries.

(e) SCG Energy Pte Ltd is wholly owned by Sumatra Copper and Gold Plc

(f) On 17 October 2014 SCG Energy Pte Ltd acquired 100% of the shares of SUM Singapore (Tandai) Pte Ltd.

31 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2014 the parent entity of the Group was Sumatra Copper & Gold Plc. See financial statement for the parent entity on from pages 56 to 74.

32 COMMITMENTS & CONTINGENCY

Contingency

The Group has no contingencies as at 31 December 2014 (31 December 2013: Nil)

33 POST BALANCE SHEET EVENTS

On 26 March 2015 the Group announced it had received irrevocable and firm commitment to raise approximately US\$4 million (A\$5.1 million equivalent) by way of placement CHESSE Depositary Interests (CDIs) in the Company to professional and sophisticated investors. Under the terms of the placement the Company will issue 88,521,828 CDIs at A\$0.058.

The Company has also made an irrevocable and firm allocation to Investors of 44,260,914 warrants for no consideration. Each warrant giving the holder the right to subscribe for one CDI in the Company ("Warrant Placement"). The Warrant Placement equates to 1 Warrant per 2 CDIs to be issued under the CDI Placement. The Warrants have an exercise price of A\$0.06 each, a term of two years and are not transferable. The Warrants will not be quoted on ASX.



SUMATRA COPPER & GOLD PLC
Parent Entity Financial Statements
for the year ended 31 December 2014

Registered Number 5777015

ABN 14 136 694 267

SUMATRA COPPER & GOLD PLC

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Sumatra Copper & Gold Plc

Report on the parent company financial statements

Our opinion

In our opinion, Sumatra Copper & Gold Plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2014 and of its loss for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the parent company's ability to continue as a going concern. The parent entity financial statements have been prepared on a going concern basis and the validity of this depends on the Group successfully obtaining further financing for its major development project. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the parent company was unable to continue as a going concern.

What we have audited

Sumatra Copper & Gold Plc's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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INDEPENDENT AUDITORS' REPORT

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Sumatra Copper & Gold Plc for the year ended 31 December 2014. That report includes an emphasis of matter.



Charles Joseland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
27 March 2015

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Administrative expenses before share-based payments		(3,263)	(5,340)
Share-based payments expense		(143)	(301)
Administrative expenses before impairment		(3,406)	(5,641)
Provision for impairment of investment in subsidiaries	9	-	(2,429)
Provision for impairment of loans to subsidiaries	10	(7,683)	(4,334)
Operating loss		(11,089)	(12,404)
Interest receivable and similar income	3	25	110
Interest payable and similar charges	4	(853)	(775)
Loss on ordinary activities before taxation	2	(11,917)	(13,069)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	14-15	(11,917)	(13,069)

All results relate to continuing operations.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2014

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Loss for the financial year	(11,917)	(13,069)
Total recognised gains and losses relating to the year	<u>(11,917)</u>	<u>(13,069)</u>

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BALANCE SHEET AS AT 31 DECEMBER 2014

	Notes	31 December 2014 US\$000	31 December 2013 US\$000
Fixed assets			
Tangible assets	8	778	307
Investments	9	2,724	2,763
Total fixed assets		3,502	3,070
Current assets			
Debtors: amounts falling due within one year	10	-	115
Debtors: amounts falling due after one year	10	39,288	38,804
Cash at bank and in hand		133	2,627
Total current assets		39,421	41,546
TOTAL ASSETS		42,923	44,616
Current liabilities			
Creditors: amounts falling due within one year	11	931	543
Convertible loan: amounts falling due within one year	12	-	2,500
Total liabilities		931	3,043
Net current assets		38,490	38,503
Total assets less current liabilities		41,992	41,573
Capital and reserves			
Called up share capital	13	9,327	6,580
Share premium account	14	58,615	54,519
Other reserves	14	6,508	1,015
Profit and loss account	14	(32,458)	(20,541)
Total shareholders' funds	14-15	41,992	41,573

The financial statements on pages 56 to 74 were authorised for issue by the Board of Directors on 26 March 2015 and were signed on its behalf by:



Stephen Robinson
Non-Executive Chairman

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Principal accounting policies

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain financial instruments in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

A summary of the company's accounting policies which have been reviewed by the directors as required under Financial Reporting Standard ('FRS' 18), 'Accounting Policies' and have been consistently applied are set out below:

(a) Going concern

The Group's principal asset is the Tembang Gold-Silver Project in Sumatra, Indonesia, which is expected to be significantly cash generative when it achieves commercial production.

During the year ended 31 December 2014, subsequent to completion of a Bankable Feasibility Study (BFS) during April 2014, the Company received additional funding of US\$ 2.1 million under its convertible loan facility with Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk ("Convertible Loan"). This completed a total of US\$6.1 million under the Convertible Loan which was applied to maintain the Tembang Project and for general working capital purposes. On 2 October 2014, Provident and Saratoga requested conversion of the full capitalised value of the Convertible Loan, in accordance with the terms and conditions of the Convertible Loan, into Chess Depository interests (CDIs) including interest (at 9% per annum) and facility fee (3%). The Group issued 163,833,929 CDIs totaling A\$7.54 million (US\$6.6 million) at A\$0.046 per share in satisfaction of the conversion of the loan.

During November 2014 the Company resumed construction at the Tembang Project after announcing the completion of debt funding for the Project (US\$45 million Senior Secured Term Debt Facility) entered into with Nomura Special Investments Singapore and Indonesian Eximbank ("Debt Facility"). The Debt Facility comprises an initial tranche ("Tranche 1") of US\$40 million, drawn down during November 2014, and a second tranche ("Tranche 2") of US\$5 million available to be drawn on the date of practical completion of the process plant, provided that completion takes place within 12 months of the date of drawdown of Tranche 1, the gold price being above US\$1,125 per ounce at the proposed date of drawdown for Tranche 2 and the Group raising additional US\$5 million equity.

Subsequent to year end, on 26 March 2015 the Group announced it had received irrevocable and firm commitment to raise approximately US\$4.0 million (A\$5.1 million equivalent) by way of CDIs in the Company to professional and sophisticated investors ("CDI Placement"). Under the terms of the CDI Placement the Company will issue 88,521,828 CDIs at A\$0.058 each. The Company will also issue 44,260,914 warrants for no consideration ("Warrants") to investors in the CDI Placement, each Warrant giving the holder the right to subscribe for one CDI in the Company ("Warrant Placement"). The Warrant Placement equates to 1 Warrant per 2 CDIs to be issued under the CDI Placement. The Warrants have an exercise price of A\$0.06 each, a term of two years and are not transferable. The Warrants will not be quoted on ASX. The Company intends to use the net proceeds of funds raised to continue to construction and development of the Tembang project.

Sumatra's four major shareholders have given guarantees to Nomura and Exim Bank to provide up to US\$10 million in funding to cover the second tranche of US\$5 million of debt funding should the Company not

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

meet the conditions for drawn down of this tranche and US\$5 million for cost overrun facility. The Directors are confident that the required additional US\$1 million of equity needed to satisfy the Company's obligations to its lenders will be raised in due course and in a timely manner to satisfy conditions precedent of Tranche 2 of the Debt Facility.

The Group's detailed cash flow forecasts, which include cash inflows from Tranche 2 debt and the additional equity raise, show that the Group has sufficient working capital for at least a year from the date this annual financial statements is approved.

At 31 December 2014 the Group had cash of US\$26.5 million and, net current assets of US\$24.1 million. Current liabilities include trade payable obligations for the purchase of construction equipment and services for the Tembang project.

The Directors believe there to be a reasonable prospect of the Group completing the Tembang financing and construction. However, the need to complete the debt and equity funding, indicate the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group, and as a result the Company, may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

(b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment in value.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Computer equipment and office equipment - 33% straight line

(c) Deferred taxation

Full provision is made for deferred taxation in accordance with FRS 19 'Deferred tax' on all material timing differences. These are based on tax rates that are expected to apply at the time of reversal, which will be the rates that have either been enacted or substantially enacted, by the balance sheet date. Deferred tax assets are recognized to the extent they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

(d) Foreign currencies

The financial report is presented in US dollars, which is the Company's presentation and local currency.

The local currency of each company is measured using the currency of the primary economic environment in which that entity operates. The amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'local currency').

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Transactions denominated in currencies other than the entity's local currency are translated into the local currency at spot rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the local currency rate of exchange ruling at the balance sheet date. All exchange differences are recognised in the profit and loss account.

(e) Cash flow statements

The Company has taken advantage of the exemption available to it under Financial Reporting Standard 1 (revised 1996), which provides that where a company is a member of a group and a consolidated cash flow statement is publicly available, the company does not have to prepare a cash flow statement.

(f) Convertible loans

A convertible loan that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value are classified as compound financial instruments.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured.

Where the conversion option is such that the option will not be settled by the Company exchanging a fixed number of its own equity instruments for a fixed amount of cash, the convertible loan does not meet the definition of a compound financial instrument. In such cases, the convertible loan is a hybrid financial instrument and the option to convert is an embedded derivative. Attached options (options entered into in consideration for entering into the host contract) on similar terms are also embedded derivatives. Provided certain criteria are met, the Company designates such hybrid contracts as financial liabilities and accounts for them at fair value through the profit and loss account.

(g) Financial instruments

The Company has taken advantage of the exemption available to it under Financial Reporting Standard 29, which provides that where a company is a member of a group and the ultimate parent company produces consolidated financial statements that are publicly available, the company does not have to provide disclosures in relation to financial instruments.

Loans and other receivables

Loans and other receivables are recorded initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Borrowing costs

Borrowing costs incurred on the establishment of loan facilities are recognised in the balance sheet and offset against the principal borrowings amount. These costs are amortised over the life of the borrowing using the effective interest rate method.

Investments

Fixed asset investments are shown at cost less provision for impairment. The carrying value of the investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Trade and other creditors

Trade and other creditors are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity and are recorded at the nominal value of proceeds received. Where shares are issued above nominal value, the proceeds in excess of the nominal value are recorded in the share premium account. Any costs of share issue are netted off the share premium account.

Warrants

In accordance with UK GAAP (FRS 20), 'Share-based Payments', equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a Black-Scholes pricing model which takes into account conditions attached to the vesting and exercise of the equity instrument. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. Loss on ordinary activities before taxation

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
This has been arrived at after (crediting)/charging the following:		
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the parent company	67	85
Fees payable to the company's auditors for other services pursuant to legislation	30	31
Net foreign exchange (gain)/loss	(6)	411
Depreciation of tangible assets	1	6
Provision for impairment of investment in subsidiaries	-	2,429
Provision for impairment of loans to subsidiaries	-	4,334

3. Interest receivable and similar income

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Bank interest income	19	110
Exchange gain	6	-
	25	110

4. Interest payable and similar charges

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Exchange losses	-	410
Bank interest expense	1	1
Amortisation of borrowing cost	356	-
Interests and fees on convertible loan	496	159
Accretion expense on convertible loan	-	205
	853	775

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

5. Employee information

The monthly average number of persons employed by the company during the year was:

	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
By activity		
Administration	6	8
	6	8

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Staff costs (for the above persons)		
Wages and salaries	1,415	1,648
Share option compensation charge (refer to consolidated financial statements note 25)	143	301
Social security costs	129	121
	1,687	2,070

6. Directors' emoluments

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Aggregate emoluments	787	702
Social security costs	34	29
	821	731
Number of Directors to whom retirement benefits are accruing under a money purchase scheme	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The emoluments of the highest paid Director are as follows:

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Aggregate emoluments	288	319
Termination payment	113	
Social security costs	28	30
	429	349

The highest paid director did not exercise any options during the financial year ended 31 December 2014 (2013: Nil).

7. Tax on loss on ordinary activities

a) Analysis of charges for the year

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Current tax:	-	-
UK corporation tax on profits for the year	-	-
Total current tax	-	-

b) The tax assessed for the year is higher than (2013: higher than) the small company rate of corporation tax in Australia 30%. (2013: UK 21%) The differences are explained below:

	Year ended 31 December 2014 US\$000	Year ended 31 December 2013 US\$000
Loss on ordinary activities before taxation	(11,917)	(13,069)
Loss on ordinary activities multiplied by standard rate of corporation tax in Australia of 30% (2013 UK: 21%)	(3,575)	(2,745)
Effects of:		
Expenses not deductible for tax purposes	1,718	1,607
Losses carried forward not recognised	1,857	1,138
	-	-

SUMATRA COPPER & GOLD PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

During the year ended 31 December 2014 the Company received the certificate of tax residency of Australia. Being a resident of Australia for income tax purposes within the meaning of the Australia – United Kingdom convention the Company is liable to pay Australian income tax

c) Deferred tax

At 31 December, the Company had potential unrecognised deferred tax assets as follows:

	Amount Unrecognised 2014 US\$000	Amount Unrecognised 2013 US\$000
Tax effect of timing differences because of:		
Tax losses carried forward not recognised	5,884	4,027
	5,884	4,027

Deferred tax assets in respect of losses are not recognised as there is insufficient evidence that they are recoverable. The deferred tax assets would be recoverable if the Company were to become profitable in the future.

8. Tangible assets

	US\$000
Cost:	
As at 1 January 2014	335
Additions	472
As at 31 December 2014	807
Accumulated Depreciation:	
As at 1 January 2014	(28)
Charge for the year	(1)
As at 31 December 2014	(29)
Net Book Value:	
As at 31 December 2014	778
As at 31 December 2013	307

Additions during the year ended 31 December 2014 relate to expenses on pre-feasibility studies mainly associated with the Tembang project incurred on behalf of the subsidiary.

SUMATRA COPPER & GOLD PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

9. Investments

	Subsidiary undertakings US\$000	Associate undertakings US\$000	Total Investments US\$000
As at 1 January 2013	4,846	346	5,192
Provision for impairment	(2,429)	-	(2,429)
As at 31 December 2013	2,417	346	2,763
Repayment of investment	-	(39)	(39)
Acquisition of associate	307	(307)	-
As at 31 December 2014	2,724	-	2,724

During the year ended 31 December 2014, the company entered into a “Deed of Termination and Release” with respect to Tandai Joint Venture entered into with Newcrest Mining Limited. Under the terms of the Deed of Termination and Release, Newcrest paid Sumatra US\$154,000 (US\$39,000 as investment repayment and US\$115,000 as repayment of loan) in settlement of all outstanding expenses. During the third quarter of 2014, the Company completed all regulatory and statutory notices necessary to hold 100% of the Tandai Project.

On 17 October 2014, SCG Energy Pte Ltd (a wholly owned subsidiary of the Company) purchased all of the shares (1 share nominal value \$1) of SUM Singapore Tandai Pte Ltd ('SUM Singapore') for US\$100 consideration. SUM Singapore held 70% of PT Bengkulu Utara Gold ('PT BUG') the holder of the exploration IUP of the Tandai project. Going forward, the Group owns 100% of the Tandai Project.

During the year ended 31 December 2013, the company considered a provision for impairment of US\$2.4 million associated with PT Nusa Palapa Minerals as no further exploration work is planned in relation to the Sontang project.

The directors believe that the carrying value of all other investments is supported by their future cash flows.

Particulars of the Company's subsidiaries and associates are as follows:

	31 December 2014 %	31 December 2013 %
PT Dwinad Nusa Sejahtera ^(a)	99.95	99.95
PT Nusa Palapa Minerals ^(a)	99.95	99.95
PT Bengkulu Utara Gold ^(b)	100%	27.75
PT Musi Rawas Gold ^(a)	99.95	99.95
PT Jambi Gold ^(a)	99.95	99.95
PT Lebong Gold ^(a)	99.95	99.95
PT Kotanopan Mining ^(c)	98.00	98.00
PT Mandaling Mining ^(c)	98.00	98.00
SCG Energy Pte Ltd ^(d)	100.00	100.00
SUM Singapore (Tandai) Pte Ltd ^(e)	100.00	-

(a) Mr Adi Sjoekri, Director of the Group holds the additional 0.05% interest in this entity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

- (b) PT Bengkulu Utara is held 70% by SUM Singapore (Tandai) Pte Ltd; 27.75% by Sumatra Copper and Gold Plc and 2.25% by PT Nusa Palapa Minerals
- (c) Mr Adi Sjoekri, Director of the Group holds 98% interest in this entity.
- (d) SCG Energy Pte Ltd is wholly owned by Sumatra Copper and Gold Plc
- (e) On 17 October 2014 SCG Energy Pte Ltd acquired 100% of the shares of SUM Singapore (Tandai) Pte Ltd.

All of the above Indonesian operating entities principal activities is that of minerals exploration, except for SCG Energy Pte Ltd and SUM Singapore (Tandai) Pte Ltd which are investment companies registered in Singapore.

10. Debtors

	31 December 2014 US\$000	31 December 2013 US\$000
Amounts falling due after more than one year:		
Amounts owed by group undertakings ^(a)	47,883	46,964
Provision for impairment of loans to subsidiaries ^(a)	(15,843)	(8,160)
Borrowing costs incurred on behalf of subsidiary ^(b)	7,248	-
	39,288	38,804
Amounts falling due within one year:		
Amounts owed by group undertakings	-	114
Prepayments and accrued income	-	1
	-	115
Total debtors	39,288	38,919

(a) Amounts owed by group undertakings

Amounts owed by group undertakings represent intercompany loans to Indonesian subsidiaries. Repayment of these loans will not be received within the next 12 months.

During the year ended 31 December 2013, the company had a provision for impairment of US\$8.1 million associated with the Indonesian subsidiaries where no further exploration work was planned. During the year ended 31 December 2014 the Company recognised an additional provision of US\$7.7 million associated with the Sontang, Jambi, Madina 1, Madina 2 and Musi Rawas areas as no further exploration be performed on these properties.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(b) Borrowing cost incurred on behalf of the subsidiary

On 22 October 2014, the Company's wholly owned subsidiary, PT Dwinad Nusa Sejahtera ('DNS'), entered into a 3 year Senior Secured Debt Facility of up to US\$45 million with Nomura Singapore Limited and Indonesia Eximbank. The Facility is to fund the commercial development of the Tembang Gold Project. The Facility is secured against a number of assets including the shares held by the Company in DNS.

The Company incurred Borrowing costs of US\$7.6 million on behalf of its subsidiary for services related to the approval of financing of the Senior Secured Debt Facility. This costs include (US\$2 million) transaction cost and fees paid in cash; (US\$5.35 million) paid in Warrants (see note 14a) and (US\$0.25 million) paid in shares (see note 13b). These costs are amortised using the effective interest rate method. Effective interest for the year ended 31 December 2014 was US\$0.36 million. The Company does not expect to recover these costs within the next 12 months.

11. Creditors: amounts falling due within one year

	31 December 2014 US\$000	31 December 2013 US\$000
Trade creditors	393	301
Taxation and social security costs	285	83
Accruals and deferred income	253	159
	931	543

12. Convertible loan

	31 December 2014 US\$000	31 December 2013 US\$000
Convertible loan note Provident Capital Partners	-	2,500
	-	2,500

Convertible loan note

On 18 December 2013, the Company entered into a "Convertible Loan Facility Agreement" with Provident Capital Partners ("Provident") and PT Saratoga Investama Sedaya Tbk ("Saratoga") to provide an unsecured convertible debt facility of US\$ 4.0 million. The facility was initially drawn down in two tranches; the first tranche of US\$2.5 million (draw down during the year ended 2013) and the second tranche of US\$1.5 million (draw down during the first quarter of 2014). Since the drawdown of the original amount of US\$4 million, the Facility was extended on four occasions (26 May 2014, 3 July 2014, 31 July 2014 and 12 September 2014 achieving an additional US\$2.1 million). The principal amount under the Facility was US\$6.1 million.

As per the terms and conditions of the convertible loan on 2 October 2014, Provident and Saratoga requested the conversion of the full capitalised value of the Facility into Chess Depository interests (CDIs) including interest (at 9% per annum) and facility fee (3%). The Group issued 163,833,929 CDIs totaling A\$7.54 (US\$6.6 million) at A\$0.046 per share in satisfaction of the repayment of the convertible loan.

SUMATRA COPPER & GOLD PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

13. Called up share capital

	31 December 2014 US\$000	31 December 2013 US\$000
Allocated, called up and fully paid		
583,709,122 CDIs of US\$0.015 - £0.01 each (2013: 414,467,651 CDIs of US\$0.016 - £0.01 each)	9,327	6,580

During the year ended 31 December 2014 the company issued the following:

- a) 163,833,929 CDIs totaling A\$7,536,361 (US\$6,595,823) at A\$0.046 per CDI conversion of the full capitalised value of the Convertible Loan Facility Agreement including interest and facility fee entered into on 4 December 2013 with Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk. The CDIs issued were 82,014,893 and 81,819,036 respectively.
- b) 5,407,542 CDIs totaling A\$297,415 (US\$247,324) at A\$0.055 per share to Juniper Capital Partners Limited for services related to the financing of the Senior Secured Debt Facility.

14. Share premium and other reserves

	Share premium account US\$000	Other Reserves US\$000	Profit & loss account US\$000
As at 1 January 2014	54,519	1,015	(20,541)
Premium on issue of shares	4,096	-	-
Share option and warrants charge ^(a)	-	5,493	-
Loss for the financial year	-	-	(11,917)
As at 31 December 2014	58,615	6,508	(32,458)

(a) Share Option and warrants charge

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\$40 million) to the Company. The warrants were valued at A\$6,237,089 (US\$5,349,734) using a fair value per warrant of A\$0.028 (US\$0.24).

(ii) the second tranche of up to 27,844,150 Warrants will be issued on the day that the second tranche of the Nomura Facility (being US\$ 5.0 million) is advanced to the Company. The issue of the second tranche of Warrants is conditional on the provision of the second tranche of the Nomura Facility to the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

15. Reconciliation of movements in shareholders' funds

	31 December 2014 US\$000	31 December 2013 US\$000
Opening shareholders' funds	41,573	27,820
Net proceeds on issue of shares	6,843	26,521
Share option charge	5,493	301
Loss for the financial year	(11,917)	(13,069)
Closing shareholders' funds	41,992	41,573

16. Related party transactions

During the year ended 31 December 2014 the Company was invoiced US\$62,206 (31 December 2013: US\$11,672) by Hunter Corporate, for company secretary services. Hunter Corporate is a company associated with Susan Hunter who is the Joint Company Secretary. At 31 December 2014 there was no amount outstanding (31 December 2013: Nil).

During the year ended 31 December 2014 the Company was invoiced US\$7,230 (31 December 2013: US\$8,960) by Barr Ellison LLP Solicitors, for company secretary services and legal advice in the United Kingdom. Barr Ellison LLP Solicitors is an entity associated with Allison Barr who is the Joint Company Secretary. As at 31 December 2014 there was an amount outstanding of Nil to be paid (31 December 2013: US\$2,824).

During the year ended 31 December 2014 the Company was invoiced US\$5,467 (31 December 2013: Nil) by JWMinConsult Limited, for consulting services. JWMinConsult Limited is a company associated with Jocelyn Waller who is a Non-executive director of the Company. As at 31 December 2014 there was an amount outstanding of US\$5,467 to be paid (31 December 2013: Nil).

The Company sub-leased office space for its Perth office during the year ended 2013 from Karen Ford, wife of Managing Director Julian Ford. The charge covered rental accommodation, utilities and office expenses. Fees paid to Karen Ford, which were in the ordinary course of business and on normal terms and conditions. The sublease agreement was in place until 1 March 2013. During the year ended 31 December 2014 amounted to Nil (31 December 2013: US\$24,381). As at 31 December 2014 there were no outstanding amounts to be paid included within trade and other payables (31 December 2013: Nil).

17. Post balance sheet events

On 26 March 2015 the Group announced it had received irrevocable and firm commitment to raise approximately US\$4 million (A\$5.1 million equivalent) by way of placement CHESS Depositary Interests (CDIs) in the Company to professional and sophisticated investors. Under the terms of the placement the Company will issue 88,521,828 CDIs at A\$0.058.

The Company has also made an irrevocable and firm allocation to Investors of 44,260,914 warrants for no consideration. Each warrant giving the holder the right to subscribe for one CDI in the Company ("Warrant Placement"). The Warrant Placement equates to 1 Warrant per 2 CDIs to be issued under the CDI Placement. The Warrants have an exercise price of A\$0.06 each, a term of two years and are not transferable. The Warrants will not be quoted on ASX.