

# ASX Announcement

4 December 2013



## Tembang Resource and Project Update

Sumatra Copper & Gold Plc (**Sumatra** or the **Company**) (ASX Code: **SUM**) announces a Production Target update based on an updated Stage 1 Life of Mine ("LOM") Plan for its Tembang Gold-Silver Project (the **Project**) located in Sumatra, Indonesia and the status of development of the Project.

### Key Points:

- Updated 2012 JORC-compliant Mineral Resources completed for the Belinau, Buluh and Asmar Main deposits at the Tembang Project, now based 100 per cent on diamond drilling.
- Revised mine (LOM) plan developed, Incorporating updated Mineral Resources for Asmar, Belinau and Buluh, using a gold price of US\$1,250 per ounce and silver price of US\$20 per ounce.
- As at the end of October 2013 US\$15 million of pre-production capital expenditure has been incurred on the Project to date, with a remaining estimated cost-to-complete of US\$35 million. Total preproduction capital is estimated to be US\$50 million.
- The total estimated capital cost of the Project to achieve full production has increased from US\$68.1 million, in the original 2012 DFS, to US\$71.1 million.
- At current forward-pricing and hedging assumptions used by financiers, the debt capacity of the Project, is expected to be between US\$18 - \$20 million. However, the LOM demonstrates the Project's capacity to support the targeted US\$25M of debt financing with additional Measured and Indicated Resources.
- The Board has decided to undertake a further 3-month drill program with the objective of defining additional Measured and Indicated Resources. Successful addition of profitable ounces will further increase the debt-carrying capacity of the Project, and strengthen the Project economics against gold price volatility and minimise the need for additional shareholder dilution through a more substantial equity raise.
- The Company has put in place an unsecured Convertible Note facility of US\$4M to fund the Company through the proposed drilling program.
- Project construction activities have been placed on hold while the additional drilling is completed. The final LOM Plan will be developed subsequent to completion of the drilling program.
- This drilling program is anticipated to be completed during Q1 2014, and is expected to enable the Company to finalise financier negotiations to complete the debt funding package and resume construction.

### Directors

**Steve Robinson**  
Non-Executive Chairman

**Julian Ford**  
Managing Director and CEO

**Adi Sjoekri**  
Executive Director

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The average annual production targeted at 30,000oz of gold and 330,000oz of silver, peaking at 44,000oz of gold and 365,000oz of silver at a highly competitive C1 cash cost of US\$556 per ounce and all-in sustaining cost (AISC) of US\$872 per ounce.

## Life-Of-Mine Parameters – Cautionary Statement

The Production Target in the LOM Plan referred to in this announcement includes Inferred Resources and is insufficient to support the estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the stated costs and production profile of the LOM Plan will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resource or that the production profile and unit costs of the LOM Plan will be realised. The Company advises that the LOM Plan results, Production Targets and unit costs in this announcement are preliminary in nature as conclusions are partly drawn from Inferred Resources, which comprise approximately 17% of the total resource tonnes in the LOM Plan and 19% of the contained gold in the LOM Plan.

The Company has concluded that it has a reasonable basis for providing the forward-looking statements included in this announcement. The detailed reasons for that conclusion are outlined throughout this announcement and in particular in the section at the end of the announcement, titled as “Caution Regarding Forward Looking Information”.

## Overview

In September 2012 the Company outlined its strategy to develop the Tembang Project in 2 stages. Stage 1 was a smaller scale Project aimed at achieving production from higher grade ore sources at low capital cost with stage 2 an expansion of production funded by cash flow from operations. Significant exploration potential at depth and on other near-mine targets also indicated additional resources could be developed at the Project. A Definitive Feasibility Study (“DFS”) was completed on stage 1 and a Pre-Feasibility Study on stage 2. Only those deposits included in the DFS are of the standard necessary to achieve debt funding.

Based on the DFS Sumatra, in February 2013, announced a funding package for Tembang comprising A\$28.6 million of equity and US\$35 million of debt finance. Credit approval was received on 21 February 2013 from the Company’s Project financier, Credit Suisse, for US\$30 million in senior debt finance facilities plus up to US\$5 million in cost overrun funding.

The sharp fall in the gold price in the June 2013 Quarter and subsequent volatility in gold and silver markets resulted in a downward revision of the prices used by the Project financiers to evaluate the debt-carrying capacity of the Tembang Project. Debt funding conditions have also become more stringent across the industry. In response to this Sumatra committed to a process to upgrade Mineral Resources for Asmar Main, Belinau and Buluh to 2012 JORC compliance and develop a new mine plan.

The work program outlined in the ASX Announcement of 17 September 2013 has now been successfully completed and the Mineral Resources for the Belinau, Buluh and Asmar Main deposits have been upgraded to comply with 2012 JORC requirements. These Mineral Resources are now based 100 per cent on diamond drilling, which significantly increases the confidence in the Project resources.

A revised LOM Plan has also been developed, incorporating the new Mineral Resources and using more conservative gold price assumptions. This plan demonstrates robust Project economics, with targeted production peaking at 44,000oz of gold and 365,000oz of silver per annum by year 3 at a highly competitive forecast C1 cash operating cost of US\$555/oz (excluding royalties) and an all-in-sustaining-cost (AISC) of US\$872/oz.

The Company remains mindful of protecting shareholder value and, within the bounds of prudent financial risk management, intends to minimise any further equity raises.

Sumatra therefore intends to undertake an additional drilling program of approximately three months duration, commencing in mid-December 2013, with the objective of converting further Inferred Resources into Measured and Indicated Resources and also to test near-surface exploration targets at Tembang where there is strong potential to delineate additional shallow mineral resources at low cost which could be included in the early part of the production schedule.

Following this proposed in-fill drilling and exploration program, the existing Mineral Resource models will be further updated to incorporate the additional drill results enabling a revised LOM Plan to be developed. This is expected to enable the Company to finalise the financing process to complete project funding.

Sumatra has stopped Project construction activities while the additional drilling program is being conducted and until financing for the Project is finalised. This will necessarily delay the timing of the proposed commencement of operations. However, the Company considers that the incorporation of additional low-cost ounces in the early years of the Project and targeting mine life extensions through the conversion of further Inferred Resources is a prudent response to the current low gold price environment and will ultimately minimise shareholder dilution.

To date, the Company has incurred capital expenditure of US\$15 million at the Tembang Project with the Cost-to-Complete estimated at a further US\$35 million of pre-production expenditure. This estimated Cost-to-Complete may be revised subject to completion of the final revised LOM plan following the proposed additional drilling program.

The Board of Sumatra hereby announces the results of the in-fill drilling and updated LOM plan and remains confident that Tembang will be a low-cost, long-life asset that will deliver substantial returns to shareholders. The additional work program is considered by the Board to be a prudent and measured response to the status of the Project given the broader challenges currently confronting the gold sector, and the Company believes they will ultimately deliver a significantly strengthened and enhanced Project.

## Convertible Note Funding

The Company has entered into a letter agreement with Provident Capital Partners (“PCP”) to provide an unsecured convertible debt facility of US\$4m under the Company’s available ASX Listing Rule 7.1 placement capacity and subject to compliance with all regulatory guidelines including the ASX Listing Rules. The facility can be drawn down in two tranches; the first tranche of US\$2.5 million, expected to be drawn on completion of documentation in the coming weeks, and the second tranche of US\$1.5million available to be drawn based on certain conditions precedent including satisfactory progress on the planned drill program at the Tembang Project. Interest will be creditable under the facility at 9% per annum, payable in cash upon repayment of the facility, with a facility fee of 3% to be capitalised and repaid on maturity of the facility.

The maturity date for the facility is anticipated to be 12 months and PCP can convert debt drawn and unpaid under the facility into Chess Depository Interest (“CDI”) any time before the expiry date of the facility. The Company can repay all the debt at any time or the debt can be converted into CDIs based on a 10% discount to the volume weighted average AUD share price of CDIs traded on the Australian Stock Exchange over the prior 10 trading days and the AUD:USD exchange rate over the same period. The conversion price will also be capped at a maximum CDI price of A\$0.08 per CDI. Based on an exchange rate of 1AUD:0.9087USD, conversion of the US\$4 million facility at the 10% discount to the volume weighted average share price of CDIs traded on the Australian Stock Exchange over the 10 trading days prior to the date of this announcement of A\$0.083 would result in the issue of approximately 52.93 million CDIs. Based on a price of A\$0.08 per CDI, conversion of the US\$4 million facility would result in the issue of approximately 51.79 million CDIs.

## Material Assumptions

The material assumption used in compiling this LOM Plan are the same as those published in detail in the announcement “Positive DFS Confirms Viability of Tembang Project” published on the 10<sup>th</sup> September 2012. All material assumptions used in this LOM Plan and Production Target are the same except for the following:

- The Resources used for Belinau, Buluh and Asmar main have been updated and are as published in the JORC 2012 Resource for these three deposits on the 3<sup>rd</sup> December 2013,
- The open pit whittle optimisation for each of the open pits was done at a gold price of US\$1,150 versus US\$1,500 in the prior study, and
- The cost of Power supply from year 2 onwards is 20 c/kWhr, rather than 34 c/kWhr used in the prior study.

## Summary - Unit Cost

The current Production Target uses a gold price of US\$1,250 per ounce and silver price of US\$20 per ounce. The open pits at Asmar and Buluh have been optimised using a gold price of US\$1,150 per ounce.

The 6 year LOM schedule shows gold and silver production ramping up over a two-year period to a peak of 44,000 ounces of gold per annum and 365,000 ounces of silver per annum. The All-in-Sustaining-Cost is forecast at US\$872 per annum as outlined in Table 1.

**Table 1: C1 Cash Cost and All-In-Sustaining Cost**

	US\$/oz Gold
Site Cash Costs Including Site Based Administration and Refining Costs	\$768
less silver Credits	-\$213
<b>Cash Costs (C1)</b>	<b>\$555</b>
including Royalties	\$54
Subtotal (adjusted Cash Costs)	\$608
add Corporate Overheads	\$106
add Exploration Costs	\$10
add Underground Mine development	\$147
All-In-Sustaining Cost (AISC)	\$872

Note: numbers may not add up due to rounding errors

The AISC compares favourably with other new and existing gold mines.

**Table 2: Key Outcomes for November 2013 Production Target, LOM Plan**

MINING		Total LOM	Belinau U/G	Asmar Main Open Pit		Buluh U/G	Buluh O/P
				Asmar	Tembang/ Anang		
LOM Ore mined	Tonnes	<b>2,404,000</b>	573,000	1,469,000	151,000	183,000	28,000
Inferred LOM	Tonnes	<b>409,000</b>	107,000	291,000	4,000	0	7,000
Inferred LOM	%	<b>17%</b>	19%	20%	3%	0%	25%
Contained Gold	oz	<b>191,000</b>	91,000	71,000	10,000	15,000	4,000
Contained Silver	oz	<b>2,257,000</b>	717,000	1,150,000	161,000	187,000	42,000
Gold contribution by mine	%		48%	37%	5%	8%	2%
MILLING							
Tonnes milled	Tonnes	<b>2,404,000</b>	573,000	1,469,000	151,000	183,000	28,000
Recovered gold	oz	<b>168,000</b>	83,000	61,000	8,000	13,000	3,000
Recovered silver	oz	<b>1,796,000</b>	541,000	957,000	133,000	135,000	30,000
UNIT COSTS							
C1 Cash Cost	US\$/oz	608	397	839		849	525
All In Sustaining Cash Costs	US\$/oz	872					

Note: numbers may not add up due to rounding errors

#### Notes

1. The C1 Cash Costs are based on site based cash cost and include site administration but excludes exploration and capital development expenditure, but include refining and royalty costs.
2. AISC: All-In-Sustaining Costs are cash cost plus royalties, exploration, capital development and corporate overheads in Jakarta and Perth Australia.
3. The Asmar Main open pit combines Asmar and Tembang/Anang open pits into one.

## Comments on Unit Costs and Life of Mine Plan

### Buluh

As the unit costs demonstrate, the Buluh Open Pit has low C1 Cost. It was however anticipated at the start of the Optimisation Study, commenced in May 2013, that the higher grade Buluh Open Pit Resources would provide 35,000 to 45,000 ounces of low cost feed at the early part of the mine plan as part of the revised and optimised study. All the other bankable technical aspects of the Buluh Open Pit Resources have been successfully completed: metallurgical variability studies, geotechnical studies and geo-hydrological studies. However, the Buluh diamond-drilling program completed over the past 4 months has shown that the Buluh veins are narrower but higher grade than originally anticipated based on the historical Resource estimates as published in August 2011. As a result, the majority of the Buluh Resource does not convert to low cost open pit ounces at a gold price of US\$1,150.





**Figure 1: Tembang Vein System showing mined and current Veins**

The Buluh Resource is more amenable to underground development rather than open pit development, as is the majority of the mineralisation within the Tembang vein system. The past three months of drilling at Buluh have been targeted at lateral extensions of the vein system at shallow depth rather than deeper high grade shoots. Due to the high grade but narrow nature of these veins, they are unlikely to provide a higher margin feed source for the new LOM Plan, however, at current gold prices they remain profitable.

The Company has however completed an underground study for the Buluh deposit, which shows that the Buluh Resource can be profitably developed as an underground mine. However the drilling and high grade shoots at Siamang and Buluh have not been tested below 75 metres of depth from surface. The planned drilling program at Buluh is expected to significantly improve the high-grade Resources at Buluh at depth and as such Buluh is expected to make a material contribution the Target Production potential once the underground development options have been fully explored.

### **Asmar**

The Asmar deposit was entirely drilled out with Diamond Core (“DC”) drilling replacing the original majority Reverse Circulation (“RC”) drilling that made up the majority of the resource database. The net result of the drill out program has shown that the Asmar deposit has increased both the grade and contained gold ounces in the JORC 2012 Resource compared to the August 2011 Resource. Due to the mining of a high wall to the south west, the strip ratio for the Asmar Resource is relatively high, which accounts for the higher unit costs. This Asmar Resource does however provide for a substantial portion of profitable ounces for the LOM mill feed.

### **Belinau Underground:**

The Belinau underground mine shows this project to be a very low mine with C1 costs in the bottom cost quartile.

The RC database has also been replaced with a 100% DC drilling. The impact at levels below 70 metres from surface has been negligible with a very high percentage of the Inferred Resource converting into Measured and Indicated status. However a significant portion of the Resource in the upper levels was previously defined by RC drilling. The replacement of this RC with DC has shown that the upper portions of the orebody are narrower and higher in grade than originally

modelled. While this has resulted in a 31% reduction of the contained Gold in the new Resource published on the 2nd December 2013 Resource Statement compared to the August 2011 Resource; a revision of the mine plan from open pit to 100% underground mine has maintained the favourable low cost of the upper portions of the Belinau Mine. The latest LOM Plan shows Belinau C1 costs at US\$397 per ounce gold after silver credits (including royalties).

## LOM Production Target

### Original Development Strategy

The original 2012 DFS was based on an open pit mine at Asmar and an open pit mine at Belinau followed by an underground operation off the expanded Belinau pit. Both operations were proposed to be owner operated with the open pit mining fleets supplied and maintained on a dry hire basis but operated by Sumatra personnel. The underground mining fleet was proposed to be owner operated with the OEM maintaining the drilling and mobile fleets. The underground mining method was by conventional Avoca method with each ore drive benched and stopes backfilled with waste. Open pit waste rock was to be placed on new waste dumps at Belinau and at Asmar waste placed on the existing waste dumps. The existing tails dam had capacity for another 8 months followed by tailings disposal into a newly constructed Tails Storage Facility ("TSF"). The mine plans were based on US\$1,500/oz gold and US\$30/oz silver metal prices. The Mine Plan was estimated at 4.5 years.

### New Life of Mine Plan

The new LOM Plan includes the high grade Siamang pit at Buluh that increases the head grade through the mill within the first year of production. The Asmar Main pit will provide the bulk of the ore feed to the mill at a low strip ratio. The Company has received competitive contractor mining rates. Open pit mining, is planned to be carried out by a mining contractor. Run of mine stockpile designs, have been provided by consultants SRK for Asmar Main ore to be stockpiled allowing early demobilisation of the mining fleet and reduction in fixed costs. It is planned that mining operations will conclude in the fifth year and that gold production in the final year will be sourced from Asmar Main stockpiled ore.

At Belinau no open pit cutback will be undertaken although access to the underground mine will be via the existing open pit. No change to the Belinau underground mining fleet strategy is envisaged. The mining method will still be by Avoca method but no ore drive benching, resulting in improved productivity rates. All waste from Belinau will be backfilled underground, removing the need for new waste dumps and thereby reducing the environmental footprint.

Underground access at Buluh is from the existing previously mined Buluh pit. The Buluh North and Buluh South deposits will be accessed by a spiral decline and with crosscuts intersecting the ore-zones. Two longer crosscuts will access the high grade ore beneath the Siamang open pit. The mining method will be the same as at Belinau. More importantly Buluh commences 3 months before the completion of the Belinau operation and it is envisaged the Belinau mining fleet, underground capital infrastructure, equipment and personnel will be mobilised from Belinau to Buluh.

In the 2012 DFS, it was assumed that the existing tailings storage facility (TSF) would be utilised. Following optimisation studies by SRK, a new TSF will be constructed with the first lift providing 8 months of capacity followed by subsequent TSF dam wall lifts until mine completion. The existing TSF will be converted into a waste rock dump facility where the waste from the Asmar and Siamang pits will be deposited. The impact of this strategy is a reduction in environmental footprint and the immediate rehabilitation of the existing TSF, which has been welcomed by the Environmental Authorities.

All metallurgical, hydrogeological, geotechnical studies have been completed to enable Siamang to move to bankable status. Geotechnical studies for the new TSF have been completed. Equator and IFC requirements, which are required by Financiers have been successfully updated by the Company and independently reviewed.

### Production Target by Deposit

The Production targets outlined in the tables below for each deposit relate to resources that have had the appropriate modifying factors; mine recover and mining dilution applied.

### Belinau Underground

The underground LOM production target for Belinau is shown in Table 3 below and is based on the Resource Statement published 3<sup>rd</sup> December 2013 and has been compiled in accordance with the JORC 2012 Code (see separate ASX announcement). The Company intends to publish a new Belinau Underground Reserve at the completion of the current drill program. Modifying factors of 98% recovery and 15% dilution have been applied.

**Table 3: Belinau Underground, LOM contained Production target Resources**

Resource Category	Mined Tonnes	Grade Au g/t	Contained Gold (oz)	Grade Ag g/t	Contained Silver (oz)
Measured	212,000	5.8	40,000	40.8	278,000
Indicated	254,000	4.8	39,000	40.8	334,000
Inferred	107,000	3.5	12,000	30.8	106,000
<b>Total</b>	<b>573,000</b>	<b>4.9</b>	<b>91,000</b>	<b>38.9</b>	<b>717,000</b>

Note: numbers may not add up due to rounding errors.

### Asmar Open Pit

The open pit LOM production target for Asmar is shown in Table 4 is based on the Asmar Resource. The Asmar Main Resource Statement published on the 3<sup>rd</sup> December 2013 has been compiled in accordance with the JORC 2012 Code. Modifying factors of 95% recovery and 10% dilution have been applied.

**Table 4: Asmar LOM Production Target**

Resource Category	Mined Tonnes	Grade Au g/t	Contained Gold (oz)	Grade Ag g/t	Contained Silver (oz)
Measured	61,000	0.9	2,000	9.6	19,000
Indicated	1,117,000	1.3	47,000	26.8	963,000
Inferred	291,000	2.3	22,000	17.9	168,000
<b>Total</b>	<b>1,469,000</b>	<b>1.5</b>	<b>71,000</b>	<b>24.8</b>	<b>1,150,000</b>

Note: numbers may not add up due to rounding errors.

### Tembang/Anang Open Pit

The Asmar Tembang/Anang Resource was published in August 2011 in accordance with the JORC 2004 standards. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company intends to complete additional confirmation drilling at Asmar Tembang/Anang and published an updated Resource Estimate in accordance with the JORC 2012 standards when the current drilling program has been completed. Modifying factors of 95% recover and 10% dilution have been applied.



**Table 5: Tembang/Anang LOM Production target**

Resource Category	Mined Tonnes	Grade Au g/t	Contained Gold (oz)	Grade Ag g/t	Contained Silver (oz)
Measured	113,000	2.2	8,000	36.5	132,000
Indicated	34,000	1.7	2,000	23.4	25,000
Inferred	4,000	1.6	1,000	21.3	3,000
<b>Total</b>	<b>151,000</b>	<b>2.0</b>	<b>10,000</b>	<b>33.1</b>	<b>161,000</b>

Note: numbers may not add up due to rounding errors.

### Buluh Open Pit

The LOM production target for Buluh open pit is shown in Table 6 is based on the Resource Statement published on the 3<sup>rd</sup> December 2013 which has been compiled in accordance with the JORC 2012 Code. Modifying factors of 95% recovery and 10% dilution have been applied.

**Table 6: Buluh, Open Pit LOM contained Resources**

Resource Category	Mined Tonnes	Grade Au g/t	Contained Gold (oz)	Grade Ag g/t	Contained Silver (oz)
Measured	10,000	4.0	1,000	54	18,000
Indicated	11,000	5.4	2,000	55.2	19,000
Inferred	7,000	3.3	1,000	21.8	5,000
<b>Total</b>	<b>28,000</b>	<b>4.4</b>	<b>4,000</b>	<b>46.9</b>	<b>42,000</b>

Note: numbers may not add up due to rounding errors.

### Buluh Underground

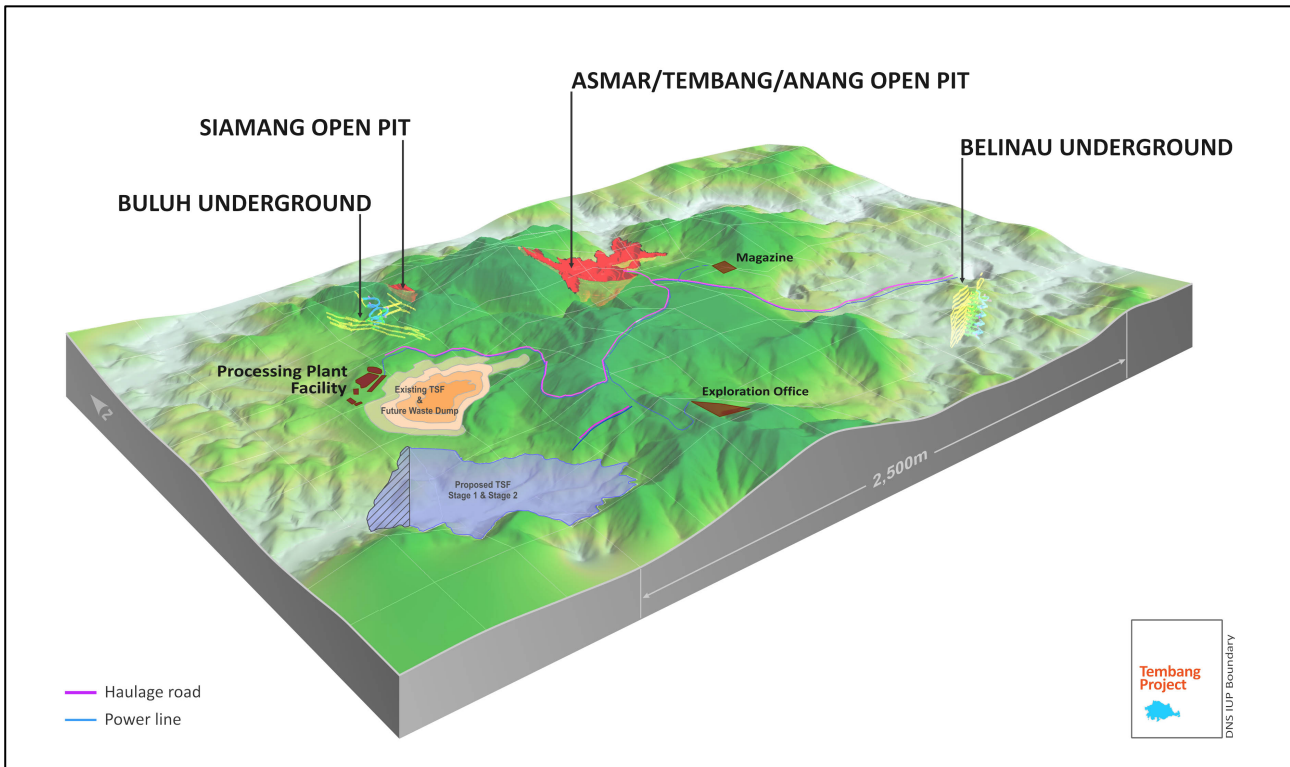
The LOM production target for Buluh underground mine is shown in Table 7 is based on the Resource Statement published on the 3<sup>rd</sup> December 2013 which has been compiled in accordance with the JORC 2012 Code. Modifying factors of 95% recovery and 10% dilution have been applied.

**Table 7: Buluh, Underground LOM Inventory**

Resource Category	Mined Tonnes	Grade Au g/t	Contained Gold (oz)	Grade Ag g/t	Contained Silver (oz)
Measured	94,000	3.2	10,000	41.5	125,000
Indicated	88,000	1.8	5,000	21.9	62,000
Inferred					
<b>Total</b>	<b>184,000</b>	<b>2.5</b>	<b>15,000</b>	<b>31.7</b>	<b>187,000</b>

Note: numbers may not add up due to rounding errors.

Figure 2: Schematic of Mine Layout



# Processing Plant and Metallurgy

## Flowsheet

There have been no changes to the process plant design since the Stage 1 DFS was published in September 2012. The process design plant and flowsheet is shown in **Figure 3** below and based on a conventional gold plant design.

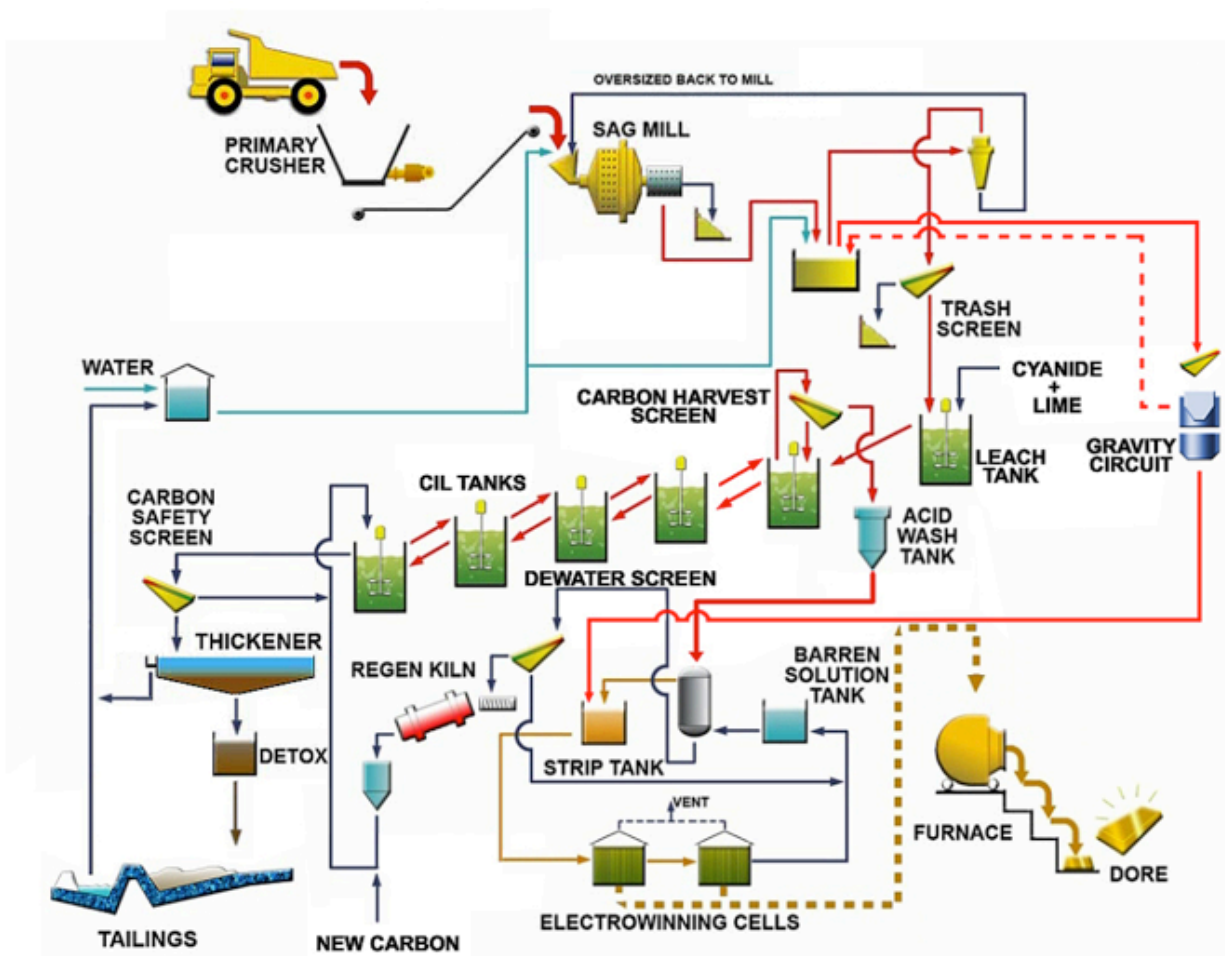


Figure 3: Tembeng Process Flow Sheet

The flowsheet was originally designed based on the MinProc Design of the 1997 plant and has been updated to include a gravity circuit and tails thickening and cyanide destruction of the tails prior to discharge to the tails storage facility. The silver recovery will be via conventional carbon capture.

A new Tails Storage Facility will be created as a valley fill facility. The sterilisation drilling and geotechnical engineering studies have been completed for the preferred TSF site.

## Metallurgy

The grinding circuit has been designed for a 80% passing 75  $\mu\text{m}$ . Individual metallurgical recoveries for both gold and silver have been used for each of the three ore bodies. These range from 86% to 90% for gold and 72% to 80% for silver with optimisation testing for grind size and cyanide conditions. A systematic process of variability metallurgical testing has been completed across all three ore bodies. The metallurgical test-work has primarily been carried out by Ammtec laboratories in Perth under the supervision of Lycopodium in Perth.

## Infrastructure and Logistics

The Tembang Project site is a brownfields project and parts of the prior plant infrastructure remained in place. Over the past six months the Company has rehabilitated and upgraded a bypass road from the main trans-Sumatran highway road to the village of Sukamenang which has significantly reduced the travel time to the main city centre Lubuk Linggau and also reduced the accident risk associated with the existing road which passed through a couple of local villages. The Company has completed the upgrade of the site accommodation with the construction of the 300 man camp and associated messing and laundry facilities. The messing facilities are currently incomplete. The company has also completed the main administration buildings at the plant site which are currently being used as construction offices.

The remaining infrastructure still to be constructed is the upgrade of the mine roads, the new tails storage facility and mine buildings. The explosive magazine is currently 70% complete.

The original power supply was based on diesel fuelled, Independent Power Supply; although it was envisaged that Stage 2 would incorporate the use of LNG or CNG. Sumatra has been in discussion with a number of potential Compressed Natural Gas ("CNG") providers to investigate the provision of gas-fired power generation at the Project. These discussions are at an advanced stage and offer the potential to significantly reduce processing power costs by between 30% and 50%. The LOM Plan assumes that the Project operates with diesel fired gensets for the first year and then switches to gas-fired power. It is envisaged that the power supply will switch to CNG in late 2015.

## Capital Costs and Estimated Cost to Complete

### Total Project Capital

The current LOM Plan capital costs are shown in Table 8 below. The total project cost has increased by approximately US\$3 million. The differences in the capital cost are described in the notes below.

**Table 8: Project Capital Costs**

Item	2012 Cost (US \$'000)	2013 Cost (US \$'000)
Preliminaries	243	1,294
Surface Mining Equipment	5,245	85
Surface Mining Pre-production	1,912	3,869
Underground Mining	14,322	20,070
Mine Infrastructure	968	1,296
EPCM	4,659	7,921
Process Plant	22,251	21,066
Process Plant Infrastructure	2,452	2,661
Tailings Storage Facility	2,243	2,194
Equipment General	3,130	4,219
Owners Costs	6,487	4,433
<b>Subtotal</b>	<b>63,912</b>	<b>69,108</b>
<b>Contingency</b>	<b>4,223</b>	<b>2,006</b>
<b>TOTAL</b>	<b>68,135</b>	<b>71,114</b>

## Work Completed & Estimated Cost to Complete

The current detailed engineering design is 90% complete and all major equipment items, except for the electrical components have been ordered. The erection of the six main leach tanks is complete and to date only the apron feeder has been fitted. The actual expenditure to date and the cost to complete the plant for preproduction is shown in Table 9 below.

Table 9: Estimated Capital Cost to Complete the Plant and other Capital Costs

	DFS	Actual	Cost to Complete	Final Cost
	\$US 000	\$US 000	\$US 000	\$US 000
<b>Mining</b>				
Underground mine	350	269	4,427	4,695
Open pit	3,423	293	3,733	4,026
Common mine infrastructure	541	311	974	1,285
Total Mining	4,314	872	9,134	10,006
<b>Processing</b>				
EPCM and mine indirects	5,125	3,346	4,575	7,922
Process plant	23,408	6,622	14,511	21,133
Processing	28,533	9,968	19,086	29,055
<b>Infrastructure</b>				
Preliminaries	243	599	0	599
Surface infrastructure	2,847	1,993	2,842	4,835
Tailings Storage Facility	152	8	682	690
Owners costs	2,515	1,690	3,700	5,390
Total processing capital costs	5,756	4,289	7,224	11,513
Total pre production capital	38,602	15,130	35,445	50,574
Contingency included in total	(2,638)	0	(1,974)	(1,974)

Underground mine development for Belinau has been accelerated which increases preproduction capital. Approximately \$US 1.7 million of pre-production capital expenditure consisting of mobile mining equipment is planned to be being financed under facilities with equipment manufacturers. Additional owners costs and EPCM expenditure has been incurred as a result of delays in the construction project.



## Development Schedule

The halt in construction activities while the proposed drill is conducted will necessarily push out the timeline for proposed commencement of operations at the Tembang Project. The drilling program is anticipated to be completed during Q1 2014, enabling the Company to re-commence financier negotiations with the objective of completing the debt funding package and resuming construction at site. An update on the proposed timeline to development will be provided at that point in time.

## External Consultants Used

The new Life of Mine Plan, and production target, was compiled by Company personnel. However a number of key external consultants also assisted in the study, as detailed below:

- Geology Resource Estimation
  - Buluh and Belinau, Hellman & Schofield
  - Asmar, Cube Consulting Pty Ltd
- Open Pit and Underground Mine Design – Entech Pty Ltd
- Geotechnical Open Pit – Golder Associates Pty Ltd
- Geotechnical Underground – AMC Consultants Pty Ltd
- Groundwater and Surface Water – Golder Associates Pty Ltd
- Metallurgical Test Work – Work Carried out by Ammtech with supervision by Oreway Mineral Consultants.
- TSF Design – SRK Consulting Pty Ltd (Perth)
- Environmental – Water and Equator Principle assessment by MBS Environmental Pty Ltd

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

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

#### **Competent Person's Statement – Mineral Resources Buluh and Belinau**

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

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

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

#### **Caution Regarding Forward Looking Information**

This document may contain forward looking statements concerning the projects owned by the Company. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions.

Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on the Company's beliefs, opinions and estimates of the Company as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

There can be no assurance that the Company's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that the Company will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements.

#### **Competent Person's Statement – Mineral Resources at Asmar Tembang/Anang**

The information relating to Mineral Resources is based on information compiled by Mr David Stock MAusIMM who is an independent Geological Consultant to the Company and is a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear. In addition, the Mineral Resource estimates were reviewed by Mr Robert Spiers who is a member of AIG and a full time employee of Hellman & Schofield Pty Ltd. Mr Spiers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.