



29 October 2010

The Manager Companies  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

(15 pages by email)

Dear Madam

## **REPORT ON ACTIVITIES FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

### **HIGHLIGHTS**

- **Newcrest sign agreements to subscribe for a 7.1% (13.2% fully diluted) equity stake in Sumatra, to earn a 70% interest in Tandai for US\$12 million expenditure and to have an option to acquire a 25% interest in Tembang for a US\$10 million investment.**
- **Agreement to increase ownership of all material mineral tenements to 100%.**
- **Initiation of the 10,000 metre drilling program at Tembang.**
- **High grade intersections returned at Belinau of 2.00 metres @ 41.16 g/t Au and 41.0 g/t Ag and 4.05 metres @ 15.53 g/t Au and 260.6 g/t Ag extend the southern high grade shoot along strike and at depth.**
- **Confirmation of high grade shoot at Nuri with 8.80 metres @ 5.46 g/t Au and 172.2 g/t Ag.**
- **Drilling preparations well advanced at Sontang.**
- **Encouraging surface exploration results at Tandai up to 11.00 g/t Au.**
- **Exploration commencing in Musi Rawas and Jambi IUPs. Recent rock chip samples up to 14.30 g/t Au.**

### **1. CORPORATE ACTIVITIES**

#### **1.1 Newcrest Equity and Joint Venture Agreement**

On 17 August 2010 Newcrest Mining Limited ('Newcrest') and Sumatra Copper & Gold plc ('Sumatra') signed definitive Agreements involving an equity investment by Newcrest in Sumatra, an earn-in by Newcrest of 70% in one of Sumatra's projects and an option to acquire a 25% interest in another.

The Agreements involve Newcrest:

- **Subscribing for a 7.1% equity interest in Sumatra for A\$2.5 million comprising 10 million shares at A\$0.25 per share with 10 million attaching options, each exercisable to acquire one share for A\$0.38 over an 18 month period. If fully exercised, Newcrest's interest in Sumatra would increase to 13.2%.**

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- Having the right to earn a 70% interest in Sumatra's Tandai project by spending US\$12 million over 5 years, with a minimum commitment of US\$1.75 million over the first 18 months.
- Providing a down-payment of US\$500,000 for an option to acquire a 25% interest in Sumatra's Tembang project for US\$10 million, exercisable at any time until 31 March 2011.

The share subscription has taken place and Sumatra has agreed to dedicate A\$2.0 million of the proceeds to the further exploration of the Tembang project.

The Tandai project earn-in will initially involve Newcrest investing US\$1.75 million in new shares in PT Bengkulu Utara Gold ('PT BUG') (the local PMA company allowing foreign shareholding holding the Tandai project exploration licence ('IUP') to give Newcrest a 70% stake. Newcrest may make further equity investments up to a total of US\$12 million maintaining the 70:30 ownership ratio. If Newcrest elects not to complete the full US\$12 million subscription, Sumatra will have the right to buy back Newcrest's equity in PT BUG for a nominal consideration. The restructuring of the share capital of PT BUG will require the consent of the local Regent and the Indonesia Investment Co-ordinating Board ('BKPM').

For a consideration of US\$500,000, Sumatra has granted Newcrest an option exercisable before 31 March 2011 to acquire a 25% interest in PT Dwinad Sejhatara ('Dwinad'), the local Indonesian company that holds the IUP covering the Tembang project. The amount payable by Newcrest if it exercises its option is US\$9.5 million of which US\$4.5 million will be payable to Sumatra for sale of shares and US\$5.0 million invested in Dwinad's equity which will cover Sumatra's 75% share of future capital calls up to US\$5.0 million. The first step of re-registering Dwinad as a PMA company and the restructuring of its equity to give Sumatra a 100% interest per the restructuring agreed with its current equity owner, Sumatra's Indonesian partner Mr Adi Sjoekri, on 16 July 2010 will require both the Regent's and the BKPM's approval; as will the subsequent restructuring required if Newcrest exercises its option.

## **1.2 Agreement to Increase Ownership of Tenements to 100%**

On 16 July 2010 the Company announced that it has entered into a binding Heads of Agreement with Mr Adi Sjoekri to restructure the current ownership arrangements resulting in Sumatra acquiring all of Adi Sjoekri's interests in five operating entities:

- PT Dwinad Nusa Sejahtera (which holds the Tembang project);
- PT Nusa Palapa Minerals (which holds the Sontang project);
- PT Bengkulu Utara Gold (which holds the Tandai project);
- PT Musi Rawas Gold (which holds the Musi Rawas project); and
- PT Jambi Gold (which holds the Jambi project)

for a consideration of 3,800,000 new Sumatra CHESS depositary interests for shares and A\$368,000 in cash.

Completion of the transaction is conditional on local approvals, particularly from BKPM, the Indonesian Investment Coordinating Board. This process is under way.

Completion of this transaction will have the effect of raising Sumatra's economic interest and/or ownership in 5 local companies holding IUPs from 92.5% to 100%.

## 2. OPERATIONS

### 2.1 Tembang

The Tembang project is located approximately 120 kilometres north-northeast of Bengkulu in South Sumatra province. Tembang is a large intermediate-sulphidation epithermal deposit comprising gold-silver bearing quartz veins hosted by Tertiary volcanics. The property was previously mined from late 1997 until March 2000 when production ceased due to a declining gold price. The Company has rights to an IUP with an area of 100 km<sup>2</sup> over and around the old mine-site.

#### Mapping

Field mapping of the halo quartz veins has now been completed around the main vein systems and integrated into the geological model.

#### Drilling

##### ***10,000 metre Phase II Resource Drilling Program***

A total of 2,554 metres of drilling have been completed in the 10,000 metre follow-up program to the 5,000 metre program recently completed with many encouraging results.

##### *Belinau*

Belinau continues to return excellent results from the southern shoot including 4.05 metres @ 15.53 g/t Au and 260.6 g/t Ag from Hole RDD10091. This extends the southern high grade shoot a further 50 metres along strike to the south. Hole RDD10086 also confirmed depth continuity of this shoot and returned 2.00 metres @ 41.16 g/t Au and 41.0 g/t Ag. This intercept is 75 metres below the extent of the Snowden 2009 resource.

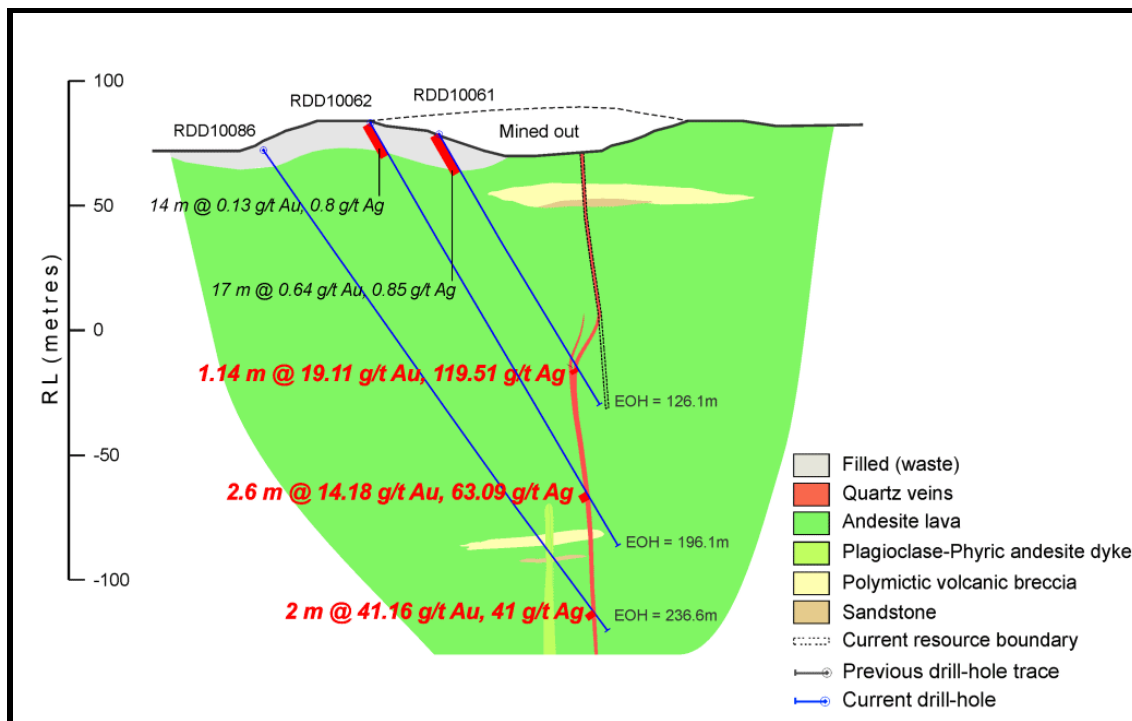
A 100 metre step out along strike at the north end of Belinau, hole RDD10096 returned 0.51 g/t Au and 6.0 g/t Ag from 135.0 to 135.8 metres which included a narrow quartz vein. Although the grade is disappointing the structure is still there and carrying mineralisation. IP is planned in this area to better target mineralisation prior to drilling.

##### *Nuri/Berenai*

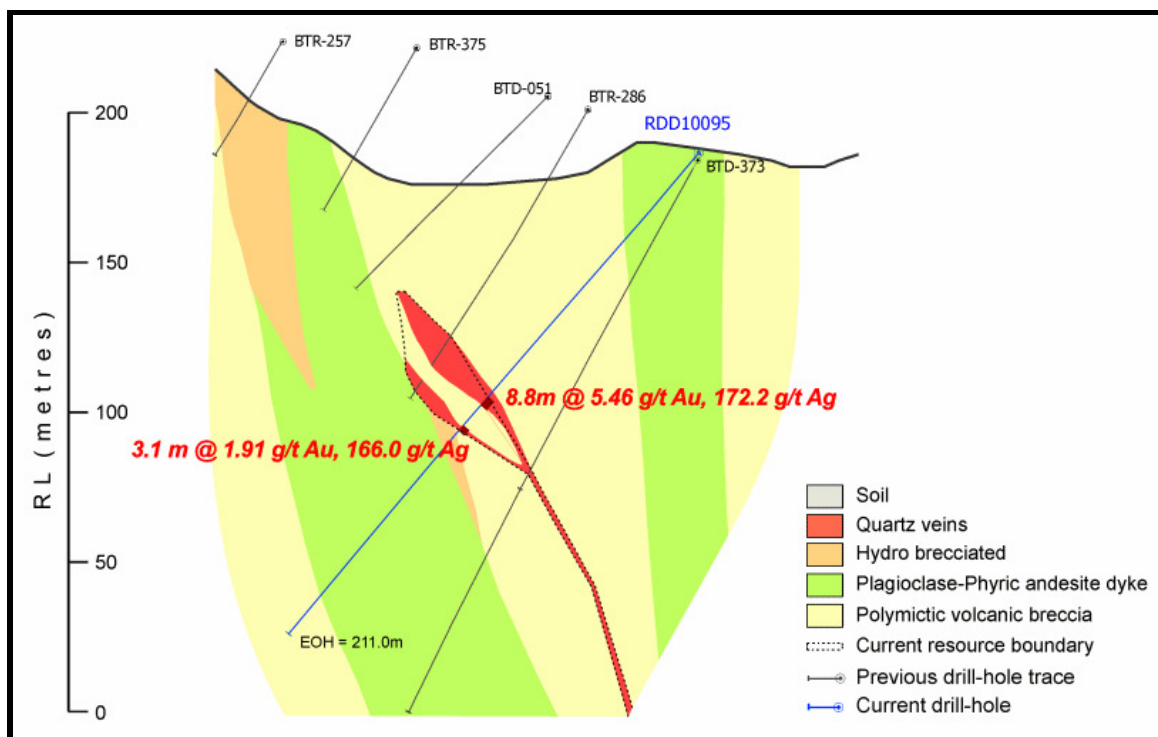
Berenai, together with Nuri, contributed approximately 70% of the ore mined previously by Barisan Tropical Mining ('BTM') and constitutes some 30% of the existing JORC resource. A review of the old BTM drill data has indicated the presence of two high grade shoots (>15 mg/t Au) open at depth.

Drilling this quarter at Nuri/Berenai has been targeted at the southern shoot and southern vein extensions which are at reasonably shallow depth. Results have been encouraging in particular further success has been returned from hole RDD10095, targeted to intersect the high grade shoot at Nuri. The hole intersected both the Berenai and Nuri veins. The Nuri vein is wide in this area with interstitial lower grade. The upper zone zone, from 105.2 to 114.0 metres, returned **8.8 metres @ 5.46 g/t Au and 172.2 g/t Ag**, including a high grade core of **2.6 metres @ 13.99 g/t Au and 476.0 g/t Ag**. The lower zone, from 120.9 to 124.0 metres, returned 3.1 metres @ 1.91 g/t Au and 166.0 g/t Ag. The Berenai vein returned 5.6 metres @ 0.44 g/t Au, 1.0 g/t Ag from 196.9 to 202.5 metres downhole.





**Belinau Drill Section through RDD10086**



**Nuri Drill Section RDD10095**

### **Waste Dump Drilling**

Results from the six holes drilled into the old Main Waste Dump to evaluate its potential as a low grade stockpile were received this quarter. The holes were drilled as two groups of 3 holes, one to the north one to the south to test grade and continuity.

Results from the northern group of holes consistently identified a near surface zone of low grade mineralisation up to 23 metres in thickness.

Hole ID	From	To	Length	Au g/t	Ag g/t
RCH10005	0.00	23.00	23.00	0.46	3.5
RCH10006	7.00	23.00	16.00	0.41	2.7
RCH10007	0.00	10.00	10.00	0.33	4.5
RCH10007	19.00	26.00	7.00	0.52	2.8

Results from the southern group of holes again demonstrated that the waste dump does contain significant low grade mineralisation, with three zones being identified.

Hole ID	From	To	Length	Au g/t	Ag g/t
RCH10002	11.00	15.00	4.00	0.22	4.1
RCH10002	31.00	40.00	9.00	0.26	4.6
RCH10002	49.00	62.00	13.00	0.47	6.4
RCH10003	5.00	14.00	9.00	0.30	5.0
RCH10003	17.00	23.00	6.00	0.16	3.0
RCH10003	28.00	61.00	33.00	0.37	6.2
RCH10004	0.00	16.00	16.00	0.35	5.2
RCH10004	23.00	42.00	19.00	0.45	10.2
RCH10004	49.00	63.00	14.00	0.27	4.9

### **Halo Beneficiation Drilling and Metallurgical Testwork**

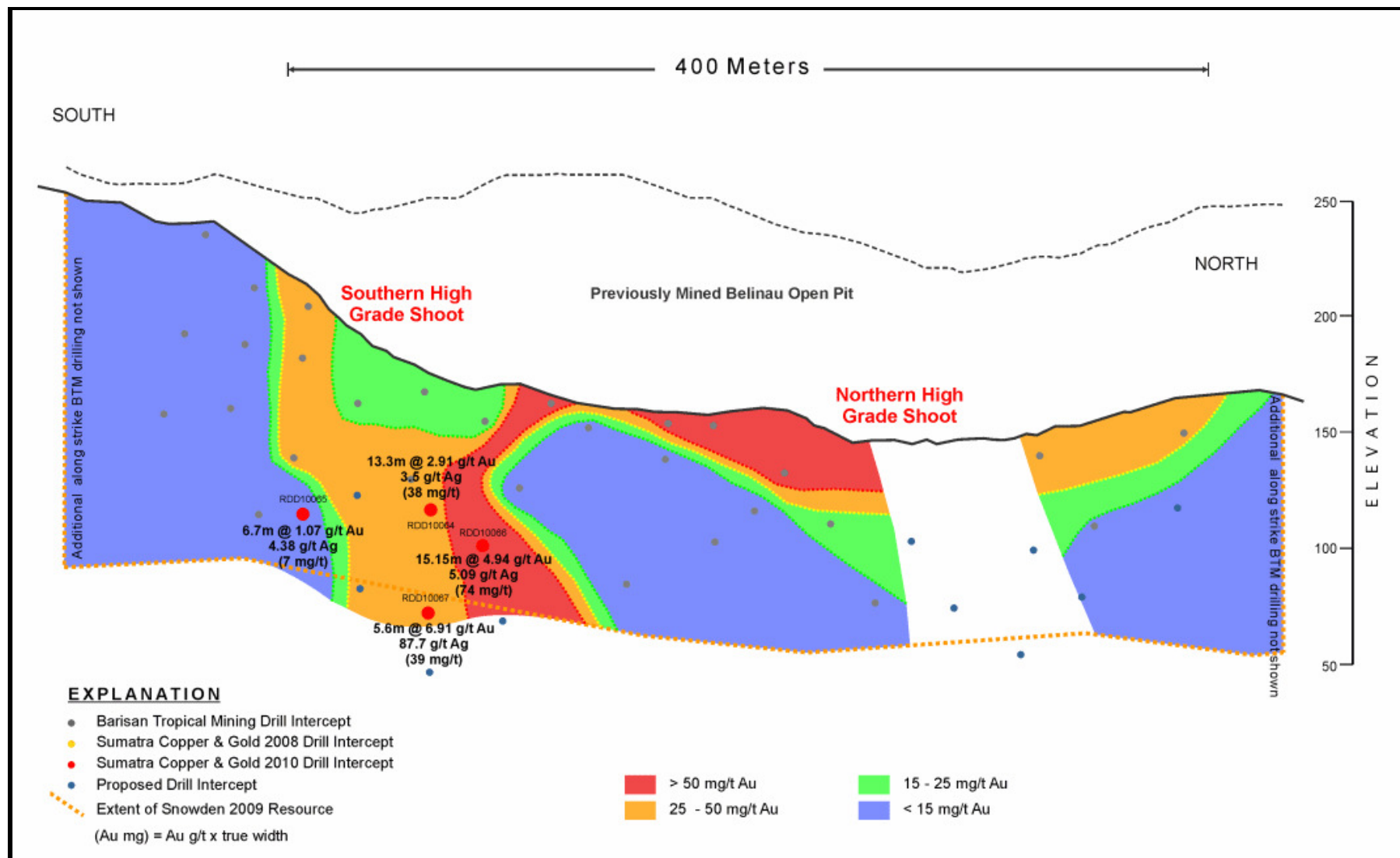
The results of the testing in Perth of 179 kilograms of large diameter, PQ, drill core sample from Berenai indicates the ore is soft, non-abrasive and amenable to conventional cyanide leach with high gold (+90%) recovery and low cyanide usage. Beneficiation to a limited extent was only observed in the finer crush sizes. After review of these results, the Company's consultant metallurgist recommends application of conventional CIL leaching for the halo material and that beneficiation is not applicable.

### **Resources**

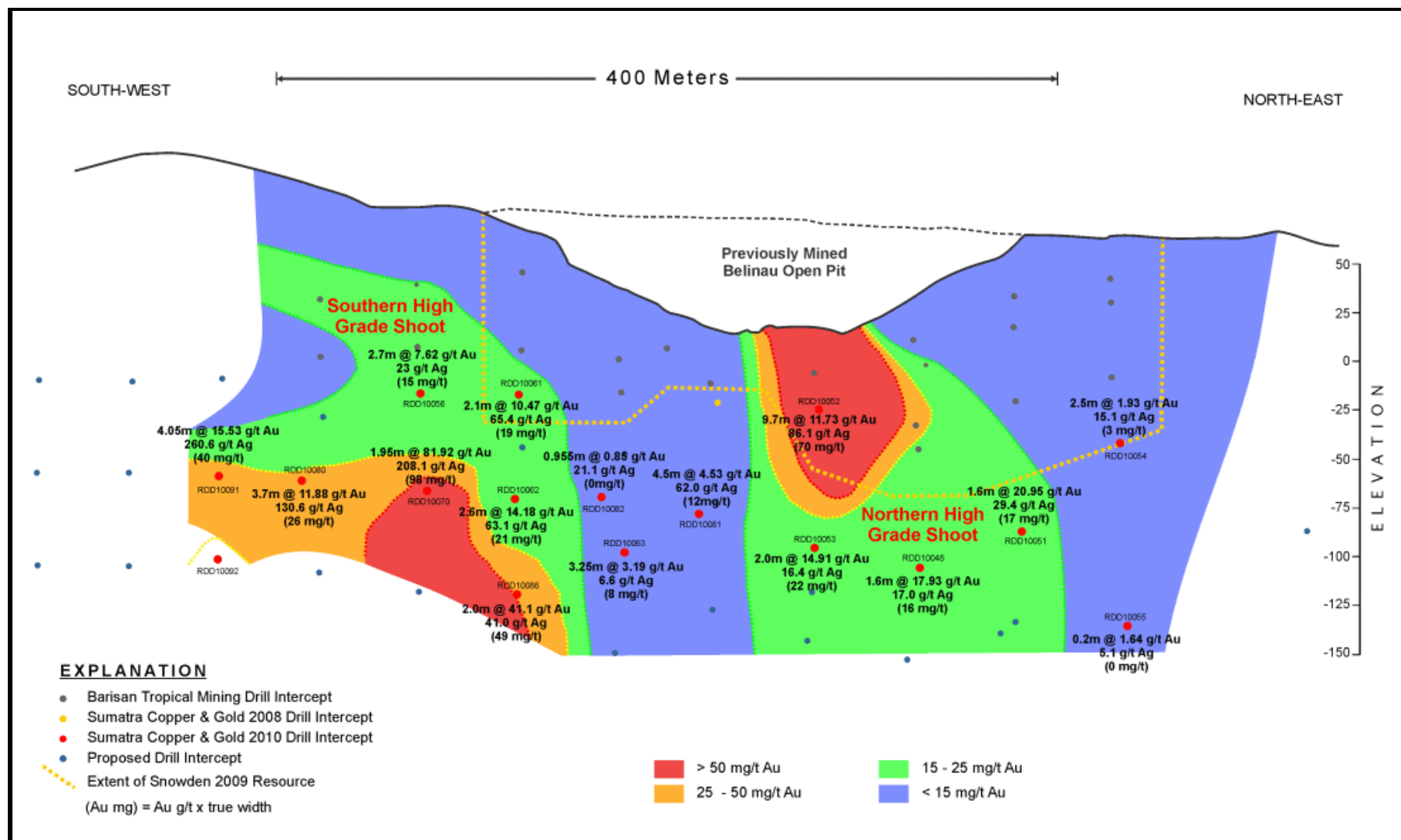
With the commissioning of a new and extensive drilling program the Company has decided to defer a resource update until all the data from this program is to hand and can be incorporated into the modelling. The Company now expects to be in a position to publish a revised resource statement in the second quarter of 2011.

Preliminary indications suggest there will be an increase in the gold content in the vein resources and a significant enhancement of grade. This is consistent with our perception that the nature of Tembang is changing with the discovery through further drilling of higher grade zones at depth, particularly at Belinau. However, a more rigorous review of the geological model based on the results of the surface geological mapping is likely to result in a material reduction of inferred halo resources.



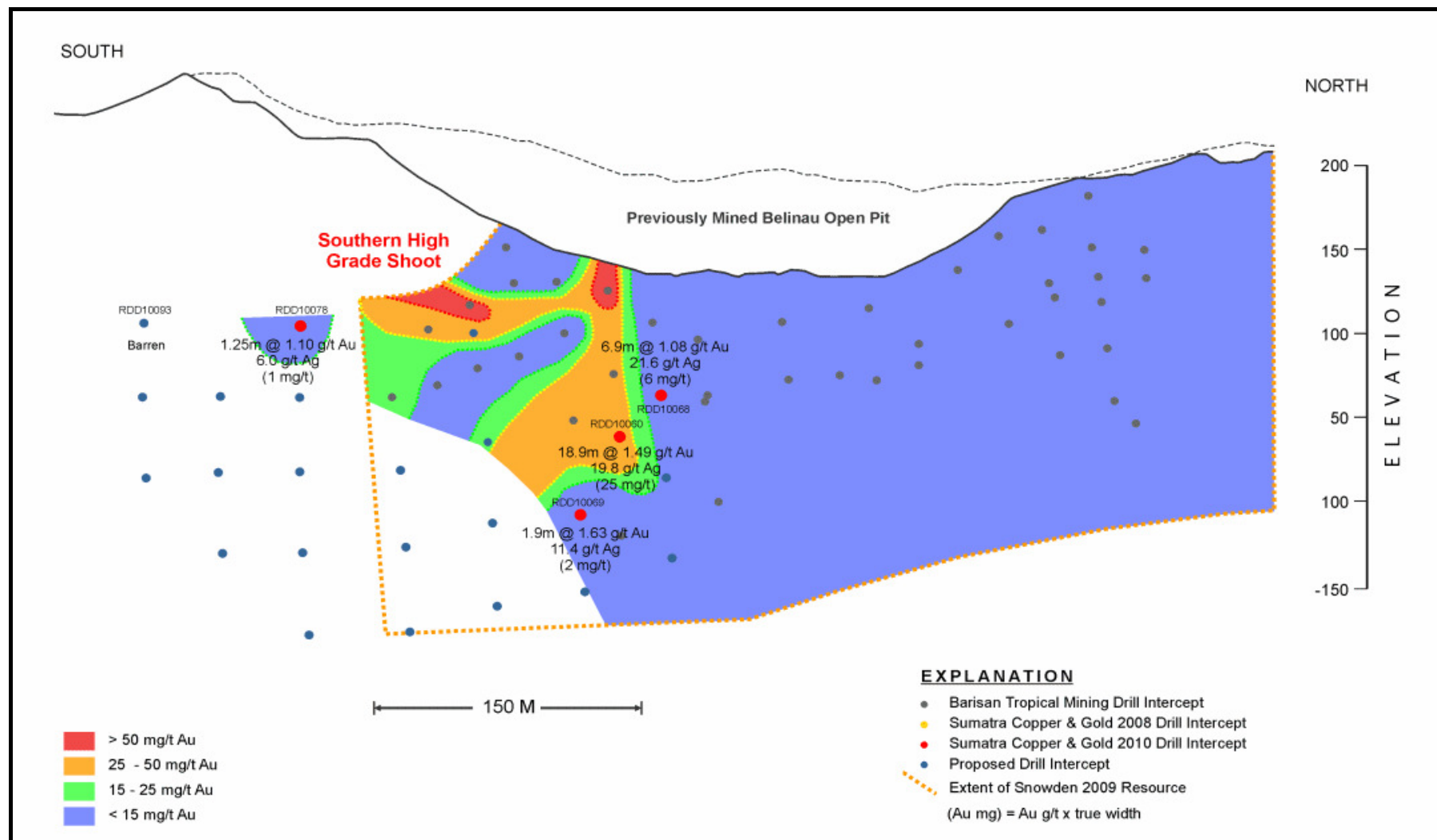


Section through Berenai Showing Drill Pierce Points



Long Section through Belinau Showing Drill Pierce Points and Grade Thickness





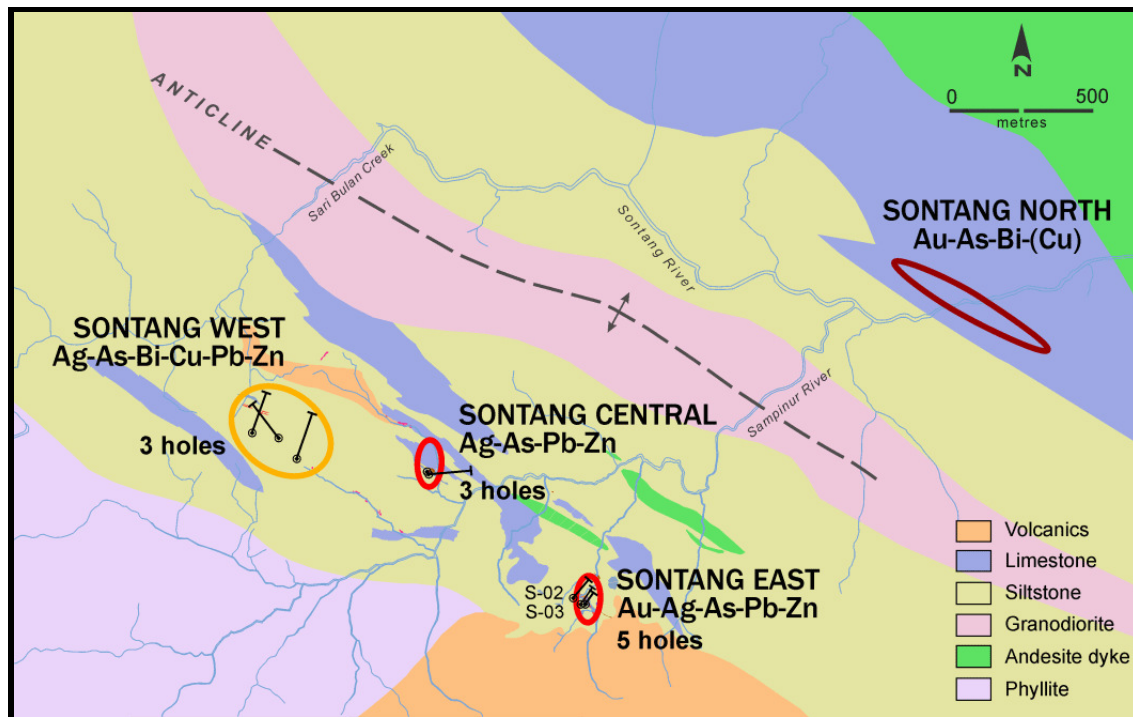
Section through Nuri Showing Drill Pierce Points

## 2.2 Sontang

The Sontang project lies within the Pasaman IUP in the province of West Sumatra, some 160 kilometres north of Padang. Sontang comprises the virgin discovery of a high-grade polymetallic manto, made by the Company's geologists in ground previously explored by other companies. The Company's geologists followed up a float train discovered in drainage and located outcrops of massive base-metal sulphides.

Promising assay results continue to be returned from North Sontang which shows a large gold-copper-soil soil anomaly hosted by limestone. At West Sontang a strong coherent copper-arsenic anomaly has been recognised on the margin of a high magnetic feature which may be intrusive in origin. Drill hole locations have now been finalised based on an integration of the geology, geochemistry and geophysics.

Logistics are now well advanced for the drilling program after completion of the forestry survey. Key drill pads, helicopter drop points and a staging area have been established. The camp is being upgraded and the core shed is under construction. A man portable drilling rig has now been mobilised to site by helicopter. The first hole will be sited on the best surface outcrops at the Company's Sontang East manto discovery which returned channel samples of 20.2 metres @ 2.59 g/t Au, 56.9 g/t Ag, 0.16% Pb and 8.4% Zn.



**Sontang Geology and Proposed Drillholes**



**East Sontang drill site and drop point**

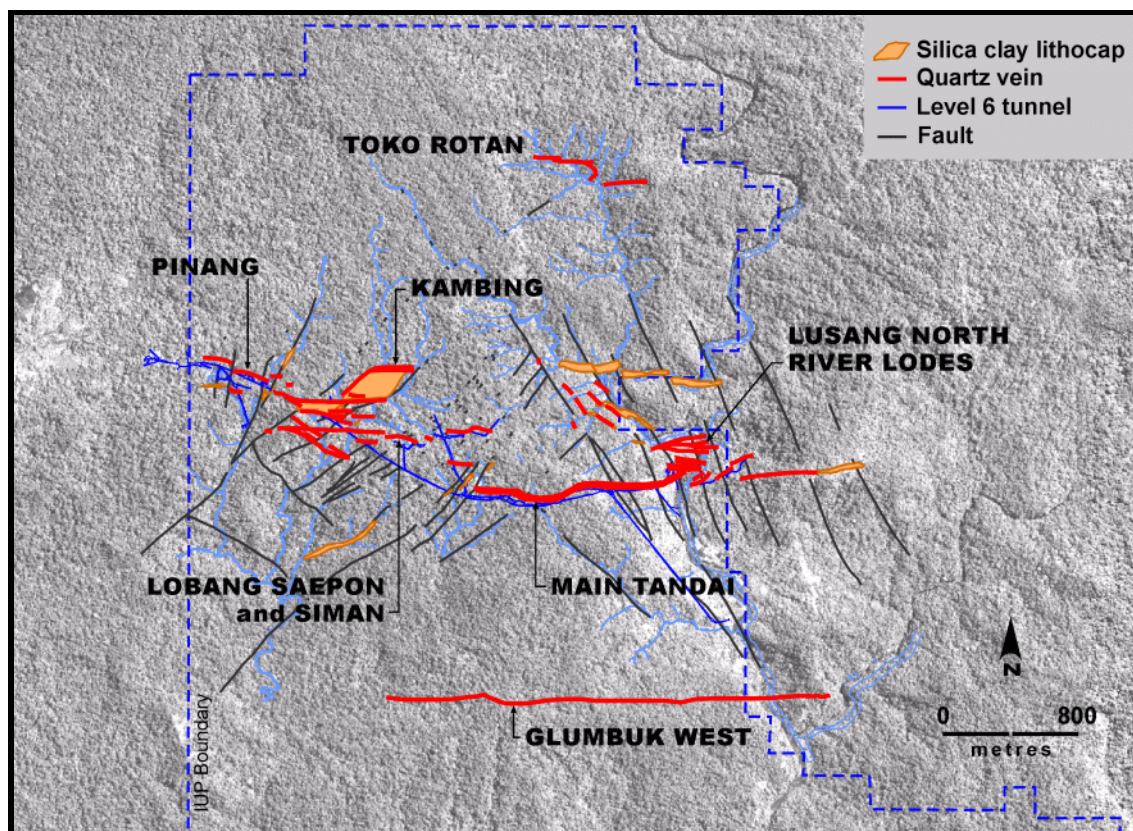
### **2.3 Tandai**

The Tandai project is located within the northern part of the Bengkulu Utara IUP, in the Kabupaten of Bengkulu Utara, approximately 100 kilometres north of Bengkulu. Tandai has a long history of formal mining from the early part of the 20th Century until post World War II. The Company's tenements control a district in which at least three Dutch companies worked portions of the system. The old Dutch mining town at Tandai still remains, and was re-furbished by PT Lusang Mining Ltd (in a joint venture with CSR, then Billiton) when the mine was redeveloped and worked between 1985 and 1995.

During the quarter the Company's activities have been both in the field and in Holland where the archives were researched by a team of post graduate students supervised by a consulting geologist who has worked in the field at Tandai. Both of these activities have upgraded the project's potential, and the Company expects new drill targets to be identified during the remainder of 2010.

Field work activities have focused on the Glumbuk and Toko Rotan areas and include geological reconnaissance mapping, rock chip sampling and ridge and spur soil geochemistry. The source of the high grade float (21.00 g/t Au) in the Sungai Landai is most likely from quartz boulders within a conglomeratic breccia developed at the base of the andesite host rocks. The breccia boulders are interpreted to be close to outcropping source. Promising outcrops have been located approximately 600 metres northwest of the float and are being investigated. Spot high Au (up to 0.65 ppm) and widespread As in-soil anomalies have been returned and these will be trenched in the upcoming quarter.



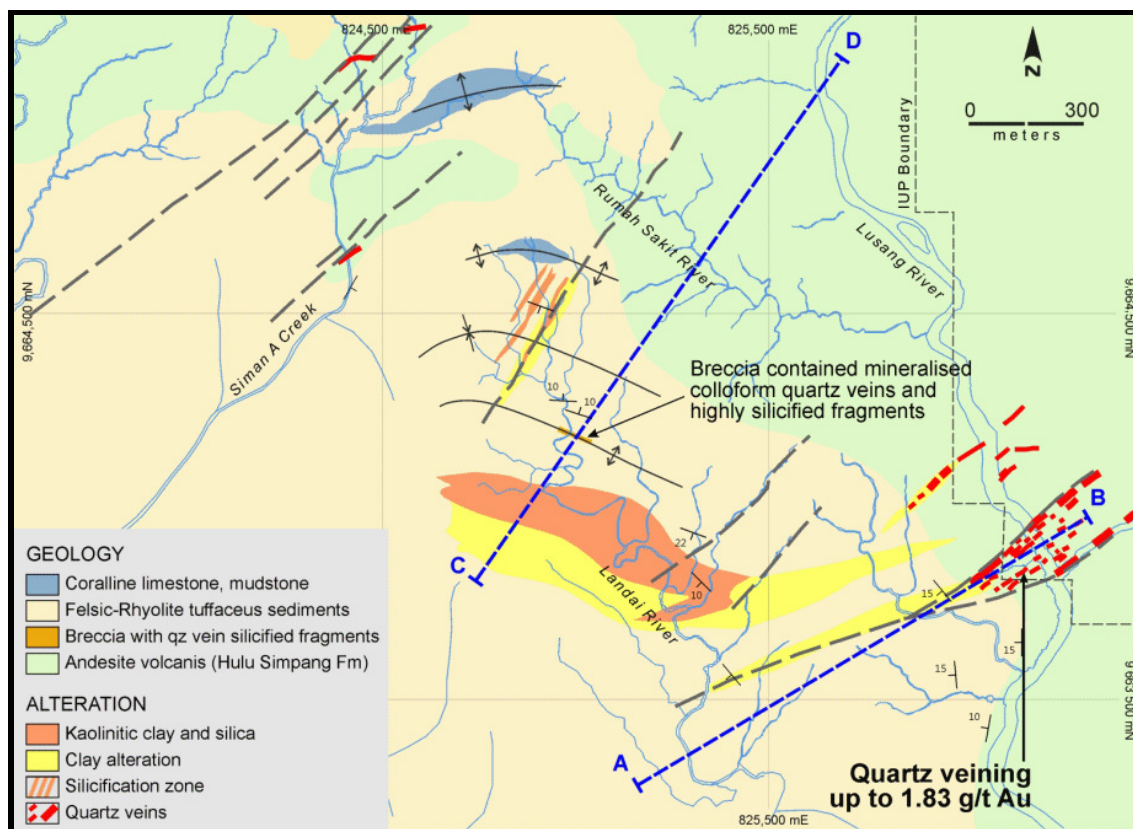


### Tandai District Veins and Alteration

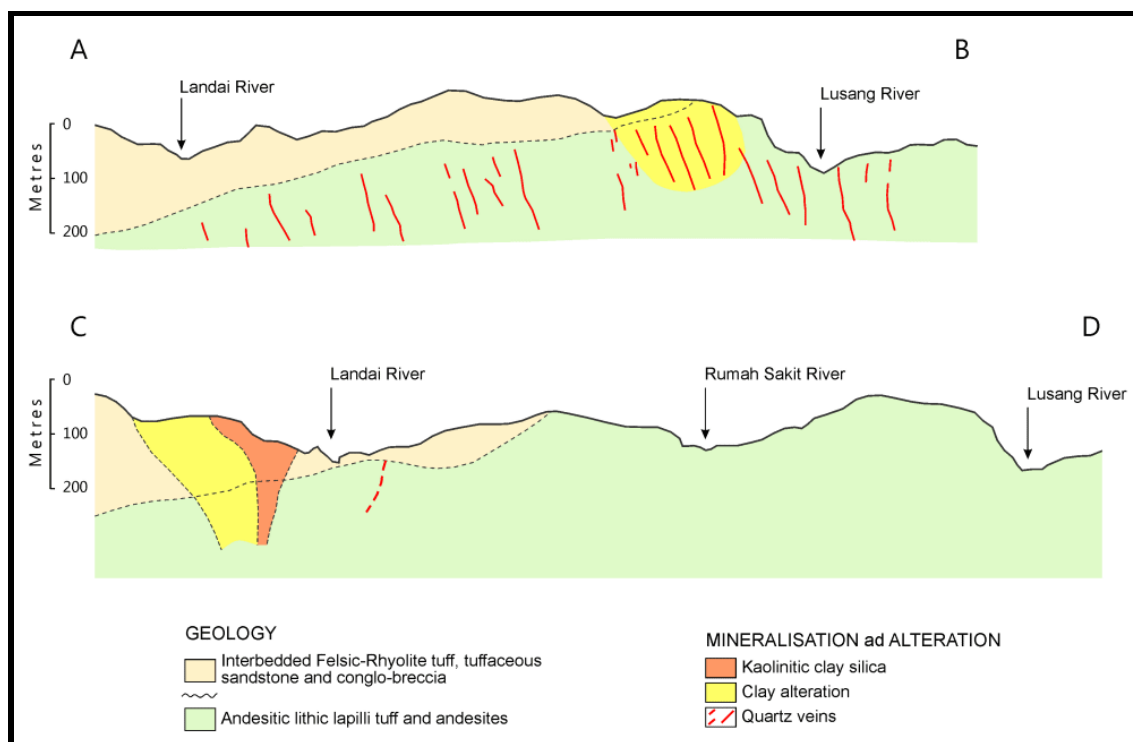
Mapping continues to identify a further set of veins and breccias at Glumbuk which have traced across the Tandai River. Recent results include up to 11.00 g/t Au in hydrothermal breccias and colloform banded quartz veins with base metal sulphides similar to veins and breccias in the productive Tandai Lode. This continues to demonstrate the corridor of auriferous veining at Glumbuk is wider and more persistent than was previously thought.

At Toko Rotan mapping has identified extensive areas of silica + clay alteration hosted by prospective andesitic volcanics. These zones are believed to be the upper manifestation of a vein breccia hydrothermal system at depth. Some east west trending quartz veins have also been mapped up to 0.4 metre wide with basemetal sulphides. These trends mimic the productive Tandai and Glumbuk structures and are highly prospective.

The Company and its joint venture partner, Newcrest, are planning an aggressive exploration and drilling program pending completion of the earn-in arrangements. A first phase program of 4,000 metres of drilling is planned to test the Tandai Lode, Glumbuk and Toko Rotan. The planned budget has been estimated in excess of US\$1.75 million and is likely to be helicopter supported which will enable follow up of significant regional anomalies.



**Glumbuk Geology, Alteration and Mineralisation**



**Glumbuk Cross Sections**



## 2.4 Musi Rawas/Jambi IUP

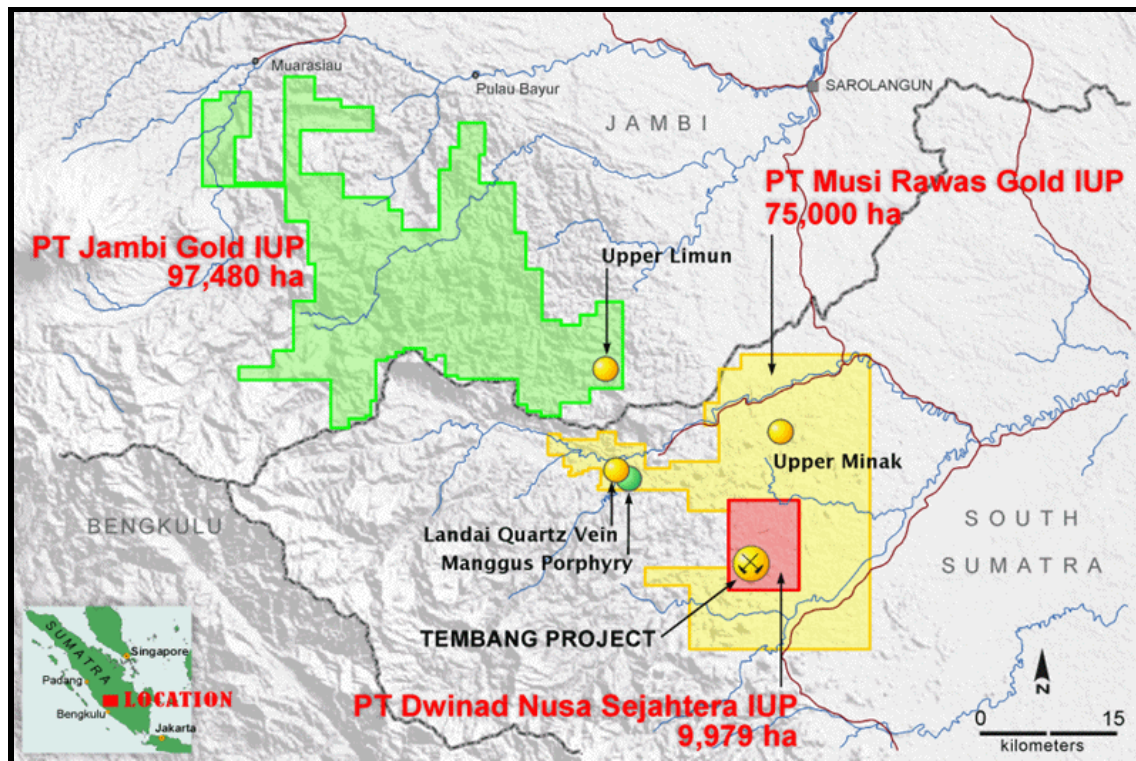
Exploration activities have been focused on following up previous vein-style prospects outlined by BTM's prospective areas at Manggus/Landai and the Upper Minak.

### *Landai*

At Landai, a narrow (0.2 metre wide) high grade vein has been located assaying up to 77.00 g/t Au hosted by metasediments. Assay results from the soils have defined a +100 metre NW-SE striking anomaly up to 0.69ppm Au. Follow up pitting and trenching is now planned to ascertain the strike and width of the veining.

### *Upper Minak*

At Upper Minak, a grab sample taken from a quartz vein returned high grade gold of **14.30 g/t Au**. Further high grade rock samples have been returned up to **112.00 g/t Au**. These vein samples have been interpreted as deep level quartz textures. Exploration work is concentrating in the western part of the Minak area called Fossil Minak which is stratigraphically younger and the veins are more likely to be preserved.



**Rawas-Jambi Tenements and Prospect Locations**

## 2.5 Jambi

Results from the rock chip samples from an initial field trip to the Upper Limun drainage were of low tenor but more work is needed to determine the source of the stream sediment anomalies.

In the upcoming quarter more regional work will be carried out on the best gold-basemetal geochemical anomalies outlined from previous sampling.

### 3. OTHER

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Matthew Farmer, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. Matthew Farmer is an employee of the Company who 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'. Matthew Farmer has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

For further information, please contact Warwick Morris, Peter Nightingale or Richard Edwards on (61 2) 9300 3377.

Yours sincerely



Warwick G. Morris  
Chairman

pjn5636