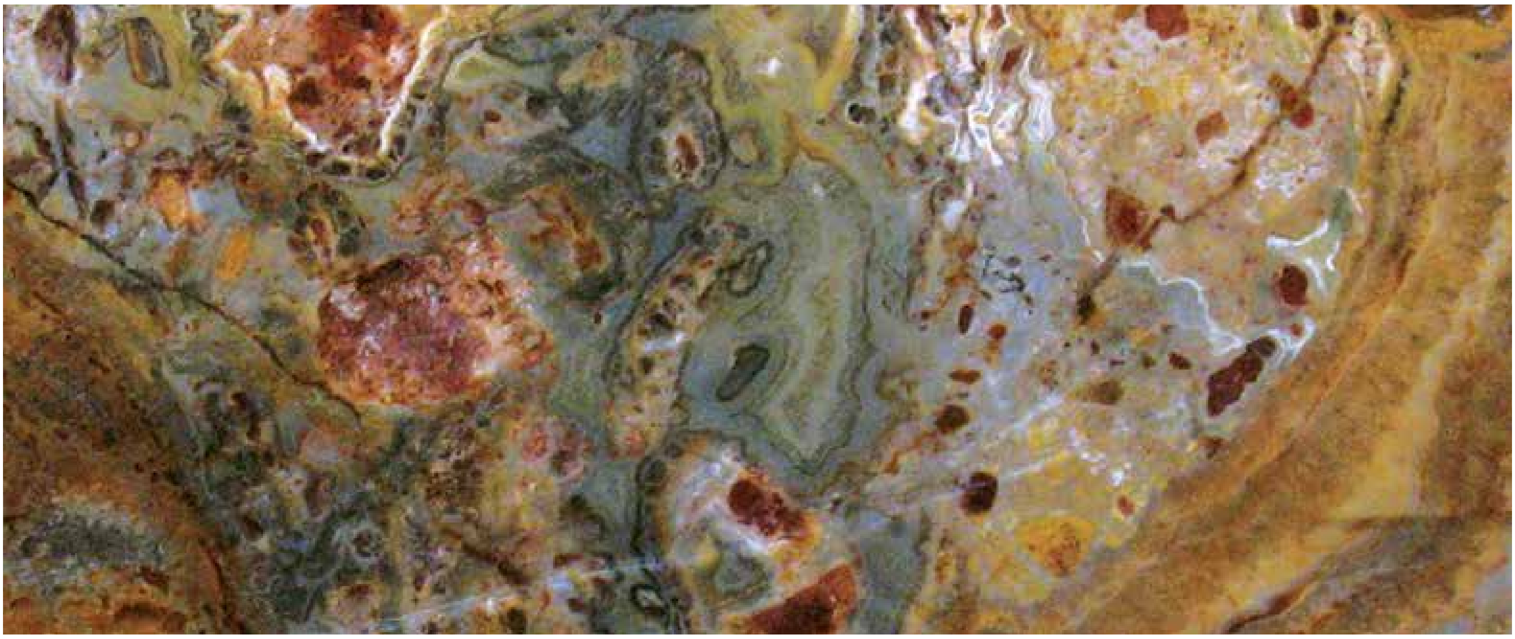
SUMATRA COPPER & GOLD plc
Registered Number 5777015 (United Kingdom)
ABN 14 136 694 267 (Australia)

SUMATRA COPPER & GOLD

AN EMERGING GOLD AND SILVER PRODUCER



2012 ANNUAL REPORT

Sumatra Copper & Gold plc Annual Report 2012

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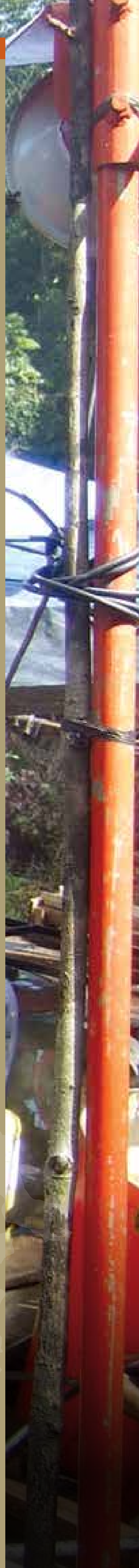


CHAIRMAN'S LETTER

"The support of financiers and shareholders during the year has benefitted the Company and it is pleasing to see our share price has risen in the past year from a low of $0.06 to a current level of around $0.20."

CHAIRMAN'S LETTER

Dear Fellow Shareholder,

It is with pleasure that I present the Sumatra 2012 Annual Report. This year has seen a significant development of the Company's key asset, the Tembang Gold project. The Stage 1 Definitive Feasibility Study and Stage 2 Pre-Feasibility Study for the project were completed during the year and this highlighted significantly improved economics and production from the earlier studies; the reserves now stands at 513,000 ounces of gold equivalent.

The Company's finances have been strengthened with significant capital raisings during the year with the support of our now major shareholder, Provident Minerals Pte Ltd. At the time of writing this, the Company is preparing for a fully underwritten $20 million capital raising via a Rights Issue and has credit approval for $35 million of debt funding from Credit Suisse AG.

The support of financiers and shareholders during the year has benefitted the Company and it is pleasing to see our share price has risen in the past year from a low of $0.06 to a current level of around $0.20.

Preliminary construction work has begun on the Tembang project which is now only waiting for the final Pinjam Pakai or Borrow and Use Permit from the Minister for Forestry before construction begins in earnest. The granting of the Borrow and Use Forestry Permit for Tembang will be the last major permitting hurdle required for the development of the Tembang Project.

The Managing Director Julian Ford has been a driving force behind taking the Company from explorer status to the cusp of producer and he is well served by his executive team both in Australia and in Indonesia.

The Board thanks all of its shareholders for their support during the year and looks forward to the Company transformation to a gold producer during the next 12 months.

Yours faithfully

Warwick Morris
Chairman

REVIEW OF OPERATIONS

OVERVIEW

The activities of the Group during and since the year ended 31 December 2012 include the following highlights:

Operational Highlights

Tembang Project Development

The Tembang Project remains on schedule for production in Q1 2014. The critical path activity for the production schedule remains the Forestry Permitting or Pinjam Pakai. The Group remains confident that the Forestry Borrow and Use Permit will be approved in a reasonable time frame to allow for the development of the Tembang Project.

Ore Reserve

- Tembang Ore Reserve of 5.5 million tonnes ore at 2.3 g/t gold and 31.4 g/t silver for a total of 513,000 ounces gold equivalent.
- 73% of the Measured and Indicated vein Mineral Resource converted into the Reserve category, further strengthening the Tembang project's robust economics.

Feasibility Studies

- Pre-Feasibility Study confirmed Tembang as a robust and profitable project with significant improvements to come from optimisation studies.
- Re-optimised development plans indicate significantly reduced pre-development mining capital requirements, reduced cash costs and increased metal production.
- Stage 1 Definitive Feasibility Study released in September 2012, with significantly improved economics and production capacity compared to the Pre-Feasibility Study.
- The Stage 2 Pre-Feasibility Study also released in September 2012 demonstrated substantial improved project economics of the larger, longer life project, which leveraged off the initial Stage 1 Capital Expenditure.

Critical Path Permitting Approvals Completed

- 20 year mining licence approved.
- Environmental permitting ('AMDAL') approved.
- In-principle Pinjam Pakai or Borrow and Use Permit for Forestry Approved.
- Negotiations for lower cost gas supply in South Sumatra for Stage 2 progressing well with an MOU signed in December 2012 for the investigation of using LNG as an alternative to diesel.

REVIEW OF OPERATIONS

Regional Exploration

- Numerous exploration targets have been developed within a 5km radius of the current Tembang operation using a combination of geophysical and geochemical exploration techniques. The targets include southern and northern Belinau and Bono's Hill.

Corporate Highlights

- Completion of A$5 million convertible debt finance facility with Macquarie Bank Limited.
- A$9.38 million in placements with major shareholder Provident Capital Partners Pte. Ltd and associates.
- Mr Julian Ford appointed as Managing Director.
- A development team appointed consisting of Mr Don Harper (COO) and Mr Grant Harding (Project Manager).
- The promotion of Indonesian staff to General Managers, namely Mr Umar (Operations) and Mr Ahmed (Environment).

Financial Highlights

- The Group loss for the period was £2,751,840 (2011: £3,475,152).
- At end of the period the Group's cash was £4,831,979 (2011: £1,569,562).
- The Group's expenditure on exploration and evaluation costs in the period was £3,589,668.
- US$35million of project finance approved for Tembang Project subject to conditions precedent.

REVIEW OF OPERATIONS

Operational Activities

1. Tembang Project

Tembang is being progressed over two stages, with Stage 1 developed as a small-scale, high-grade project to reduce risk and upfront capital costs. Resultant cash flow will be used to fund Stage 2 development which will mine and treat the remaining open-pit Reserve (containing 60% of the total) with minimal incremental capital.

The Group has chosen to develop the project in stages to reduce the pre-development capital and retain a relatively small environmental and social impact for the initial Stage 1, development. This significantly reduced the project execution risk. The staged development is facilitated by the brown field nature of the project and Indonesia's low labour costs and strong legacy of mining which enables the Group to keep fixed costs relatively low, even for the Stage 1 development.

During the year, the Company also published the Stage 2 Pre-Feasibility Study ('PFS') which demonstrated the economics of the project expansion and gives shareholders an indication of the project's exceptional potential. The Company intends to progress the project financing based on the Stage 1 Definitive Feasibility Study ('DFS'), although plans are in place to fast track the development of Stage 2 immediately after the commissioning of Stage 1.

REVIEW OF OPERATIONS

Location map showing the Company's projects and Indonesian copper and gold mines.

The detailed timing and scope of the expansion for Stage 1 will be developed over the next 18 months in conjunction with the Group's nominated debt financiers. The details of the Stage 1 DFS and Stage 2 PFS are detailed as follows:

1.1 Tembang Stage 1 Definitive Feasibility Study

The Group has successfully completed the DFS for Stage 1 of its 100% owned Tembang Project. The successful DFS was a major landmark and demonstrated the strength of the projects fundamentals.

Highlights of the DFS

- Significantly improved economics and production capacity from the Stage 1 PFS (Feb 2012).
- Pre-production capital reduced 20% to US$38.5 million, despite doubling the process plant capacity.
- Belinau Underground Cash Costs reduced 35% to US$332/oz gold after silver credit.
- Commercial production expected in March quarter 2014.

REVIEW OF OPERATIONS

Key Outcomes: Stage 1

Gold production	146,000oz
Silver production	1,388,000oz
Total capital cost	US$68 M
Pre-production capital	US$38.6 M
Cash operating cost C1 (net silver credits, pre royalties)	US$487/oz
Processing rate	400,000 tpa
Mine life	5 years

Key Financial Results:

Revenue	US$261 M
Net cash flow (after royalties and capex, before tax)	US$71 M
IRR	36%

The DFS economics were based on prices of **US$1,500/oz gold** and **US $30/oz silver**. Plant design was based on a nominal 400,000 tpa throughput utilising single stage crushing circuit and a single SAG mill followed by gravity and carbon in leach circuits.

The DFS has confirmed Stage 1 of Tembang as a robust and low cost project. Substantial improvements to the Stage 1 PFS were made by the Group, including a significant reduction in pre-development capital requirements and cash costs, as well as increasing the mine life and precious metals production rate.

The Group is pleased to report that it remains on track to commence production of Stage 1 on time and will also bring forward the expected start date of Stage 2 mining forward by 3 years to 2015.

The DFS was managed by the Group's in-house development team, led by Don Harper and Grant Harding, demonstrating the strength and depth of the Group's production capabilities and ability to efficiently move projects through development.

1.2 Tembang Stage 2 Pre-Feasibility Study

The Group completed the PFS for Stage 2 of its 100% owned Tembang Project during the year. The results of the PFS significantly improve the total Tembang Project economics and increase the scale of the operation.

Highlights of the PFS:

- Total Tembang gross revenue - US$738M.
- Total project net cash flow - US$222M.
- Overall project C1 cash cost US$431/oz after silver credits.
- Stage 2 Pre-production Capex of US$40M.
- Earliest start date of Stage 2 mining brought forward by 3 years to 2015.

REVIEW OF OPERATIONS

Table 1: Tembang PFS Summary - Key Outcomes (Stages 1 and 2)

	Units	Stage 1 DFS	Stage 2 (incremental impacts)	Total Tembang Project after Stage 2
Gold Production	**oz**	146,000	249,000	**395,000**
Silver Production	**oz**	1,389,000	3,446,000	**4,834,000**
Processing Rate	**tpa**	400,000	500,000	**900,000**
Mine Life		5 years	3 years	**8 years**
Pre-production Capital	**US$ M**	$38.50	$1.50	**$40.0**
Total Capital	**US$ M**	$68.0	$37.5	**$105.5**
Revenue	**US$ M**	$261	$477	**$738**
Net Cash Flow	**US$ M**	$71	$151	**$222**
Cash Operating Cash Cost C1(1)	**US$/ oz**	$487	($56)	**$431**

Note 1. C1 Costs are as defined by Brook Hunt and are cash costs before tax and royalties and after silver credits using a silver price of US$30 per ounce and a recovery of 82%.

The PFS economics were based on prices of US$1,500/oz gold and US$30/oz silver price. The Stage 2 PFS considered a plant design based on a nominal 400,000 tpa for the first three years (Stage 1) and upgrading to 900,000 tpa for years three to eight (Stage 2); utilising a single stage crushing circuit and a conventional SAG, ball mill combination followed by gravity and carbon in leach circuits.

A two stage development approach was adopted at Tembang to fast track the production schedule and take advantage of the gold price and market conditions.

The Group has been able to fast track the PFS by leveraging the technical and commercial analysis undertaken by the project team during the Stage 1 DFS.

The successful PFS underlined the robustness of the Tembang Project with cash costs after silver credits decreasing to less than US$450 per ounce and a net cash flow of US$222 million (using gold price of US$1,500 per ounce).

REVIEW OF OPERATIONS

The Stage 2 PFS builds on the successful DFS for Stage 1, with a pre-development incremental capital of US$1.5 million resulting in an increased net cash flow to US$222 million. Under the two-staged approach, the Group has been able to significantly reduce the pre-development capital for the project as a whole and de-risk Tembang by completing open pit mines in stages and incorporating the process plant expansion into Stage 2.

1.3 Tembang Permitting

The Group advised of the conversion of the IUP for its 100%-owned Tembang project from 'Exploration' to 'Exploitation' ("Mining Lease") during the year. The Company has been granted a 20 year mining lease for the Tembang Project. The mining licence approval followed approval of the Project's environmental permitting (AMDAL) in March.

During the year, the Group was advised of the granting of the In-Principle Forestry License for its 100% owned Tembang Project, located in southern Sumatra, Indonesia. The granting of the In-Principle Permit outlines the key conditions that need to be met prior to the approval of the final "Borrow and Use" Permit or "*Pinjam Pakai*" and is a crucial milestone for the development of the Tembang Project.

The In-Principle Pinjam Pakai letter signed by the Minister of Forestry outlines the following steps to be taken by the Group prior to the granting of the final Pinjam Pakai, namely:

- The completion of the baseline survey for the *Borrow and Use* area;
- The payment to the Forestry Department for any trees that may be used during the Borrow and Use period;
- The adjustment and finalisation of the Forestry Rehabilitation Work Plan which is dependent on the base line survey;
- The appointment of a Forestry Policy Advisor, and
- The notarization of all formal documents for the Pinjam Pakai Permit.

1.4 Tembang District Exploration

Grid based sub surface geochemical sampling has now been completed over southern Belinau and an infill program is in progress at Bono's Hill. Results to date show minor gold anomalies within significant zones of arsenic anomalies.

REVIEW OF OPERATIONS

2. Other Projects

2.1 Tandai Project Overview

The Tandai Project is located within the northern part of the Bengkulu Utara IUP, in the Kabupaten area 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 Group'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.

Under the arrangements agreed with Newcrest Mining Limited ('Newcrest') in August 2010, Newcrest have the right to earn a 70% interest in the Tandai tenement by spending US$12 million on the project over 5 years.

The Tandai Joint Venture continues to enjoy financial support from Newcrest and exploration activities for 2013 are continuing.

Exploration activities have focused on the Ulukau prospect which was advanced to drill status by early June. Eleven holes were completed for a total of 3,110.9 meters drilled over a five month period. Although zones of quartz veining and hydrothermal breccia were intersected in every hole results were uniformly disappointing. In the regional exploration program, follow up of the most promising geochemical anomalies has been completed in the northern part of the IUP. More recently, exploration activities have been focused on the Asa prospect and environs in the far south of the IUP.

REVIEW OF OPERATIONS

2.1.1 Tandai Exploration

Diamond drilling focused on following up high grade results at Lusang North as well as testing the Glumbuk West, Siman and Toko Rotan CSAMT targets. A total of sixteen holes TDD 11031 to TDD 12041 were completed for a total of 3,812.3 metres during the first six months.

Testing of the CSAMT anomalies within the Tandai District was completed and has covered most of the strike of the Tandai Lode and environs. Exploration potential exists at North Lusang and along strike of the vein systems to the west in between the widely spaced drill holes.

2.1.2 Results

Lusang North

Two fences of drill holes (TDD 11031, and TDD 12032-4) were drilled as 100 metre step-outs from holes TDD 11024 and TDD 11025 to test the strike and depth continuity of the significant mineralisation. Unfortunately the vein breccia mineralisation intersected was not strongly developed in all four holes. As a result it was decided to not drill a hole down dip of TDD 11025. This drilling confirms the pipe like geometry of the significant mineralisation is most likely localised at discrete fault intersections.

Ulukau

The drilling program for the Ulukau prospect was concluded in November 2012. Eleven holes were completed for a total of 3,110.9 meters drilled over a five month period. Although zones of quartz veining were intersected in every hole, the results were uniformly disappointing.

Asa

Regional reconnaissance sampling of the southern part of the IUP has resulted in the discovery of a new zone of both epithermal veining and deeper level mesothermal gold-precious metal veining at the Asa Prospect. Results of recent reconnaissance sampling conducted in the earlier part of this year have yielded consistent and sometimes spectacular grades of both base metals. The association of gold with base metals within the intermediate andesitic host rocks indicates the potential for a larger scale intrusive driven system.

A follow up exploration program has been designed and will consist of more detailed channel sampling of available outcrop complemented by geological mapping and soil sampling to determine the tenor and extent of the mineralisation. If results warrant, a decision will be made to initiate a scout drilling program over the best area(s) of mineralisation.

Exploration activities have focused on the Ulukau prospect which was advanced to drill status by early June. Eleven holes were completed for a total of 3,110.9 meters drilled over a five month period.

REVIEW OF OPERATIONS

2.2 Sontang and Other IUP's

The Sontang Project is located approximately 160 kilometres north of Padang. Sontang comprises the virgin discovery of high-grade polymetallics, a discovery made by the Group's geologists in ground previously explored by other companies.

Although the Group had advanced discussions with a number of parties during the year, the farm out of the Sontang Project and other non-core assets has not been advanced during the year.

2.3 Relinquishment of Exploration Ground and Scaling Down of Grass Roots Exploration

Due to the disappointing results at Ulukau exploration activities within the IUP have been scaled back and are currently focusing on the newly discovered Asa Project. As a result an application for relinquishment has been made to the government to reduce the current land holding from 99,979 ha to 16,874 ha in four separate blocks. The core landholdings of Tandai including satellite mineralisation at Air Lalangi, Ulukau and two southern blocks are being retained as well as potential access routes to these areas in the event of further development.

3. Corporate Activities

$5 Million Funding Facility for Tembang Project Development

The Group announced details of a A$5 million convertible debt finance facility with Macquarie Bank Limited in March 2012. The Group subsequently drew down the facility in April 2012 with funds used to progress the Tembang Project and for working capital.

This facility was repaid in March 2013.

REVIEW OF OPERATIONS

4. Events Subsequent to Year End December 2012

Credit Suisse AG Loan Approval

On 21 February 2013, the Group advised that it had received credit approval from Credit Suisse AG for US$30 million in senior debt finance facilities to fund the commercial development of its Tembang Gold Project, located in southern Sumatra, Indonesia. In addition Credit Suisse AG will provide up to US$5 million of cost overrun funding.

Provision of the US$30 million senior debt facilities are now subject to completion of the project finance documentation and conditions precedent customary for a financing of this nature. These include final approval of the Group's Forestry Permit, expected in April 2013, and the completion of the equity component of the funding package.

Placement

On 18 March 2013, the Group announced that it had placed 38 million shares with major shareholder Provident Minerals Pte Ltd and their associates at an issue price of A$0.22 to raise A$8.36 million.

Underwritten Entitlements Offer

On 22 February 2013, the Group advised that it was undertaking a 1:3 non renounceable pro rate entitlements offer; to be undertaken in April/May 2013, to raise approximately A$20 million. The offer is being fully underwritten by Patersons Securities Limited and sub-underwritten by Provident.

Forestry Permitting Process

At the time of the writing of this report on the 29 March 2013, the final Pinjam Pakai or Borrow and Use Forestry Permit had met all internal department approvals and the report was in the process of moving to the Minister of Forestry's secretariat. The Group's expectation is that the final Pinjam Pakai will be granted before the end of April 2013.

The granting of the Pinjam Pakai is the only material hurdle to the completion of the fully underwritten rights issue and subsequent debt drawdown. All the other technical conditions precedent for the Debt Facility have been met or are awaiting the approval of the final reports by the technical consultants. No material technical issues have been identified that would prevent the drawdown of the debt facility.

Competent Person's Statement - Mineral Resources

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'.

Competent Person's Statement - Ore Reserves

The information in this report that relates to Open Pit and Underground Ore Reserves is based on information compiled by Mr Shane McLeay of Entech Pty Ltd, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr McLeay 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'. Mr McLeay consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

REVIEW OF OPERATIONS

Operational Activities

Sumatra is an emerging producer and minerals exploration company with 100% ownership of 7 exploration licences covering 3,219 km² in central Sumatra, Indonesia.

Background

The Company has three principal projects, comprising two gold-silver projects (Tembang and Tandai) that were previously in production and a third project, Sontang, which is a greenfield discovery. Sontang is a polymetallic (gold, silver, lead, zinc and copper) discovery.

The Company's projects are located in the western and southern parts of Sumatra, a region known for substantial mineral endowment where more than 3 million ounces of gold and 25 million ounces of silver are reported to have been produced. The JORC mineral resource for Tembang was further defined during the year following a 5,618 metre infill drilling program. The project has a total combined resource of 22.6 million tonnes with 976,000 ounces of gold at a grade of 1.35 g/t Au and 12,794,000 ounces of silver at a grade of 17.6 g/t Ag.

Indonesia is an archipelago of more than 17,000 islands straddling the equator in south-east Asia, with Sumatra located at the north-western end. A developing nation with an estimated population of 238 million people, making it the world's fourth most populous country, Indonesia's GDP per capita is around US$4,400 per annum. The country is a republic with a democratically elected President who is both chief of state and head of government.

Indonesia's economy has recently outperformed its regional neighbours and joined China and India as the only G20 members posting growth during the global financial crisis. The government has significantly reformed the financial sector, made changes to tax and customs, introduced the use of Treasury bills and improved capital market development and supervision. Indonesia's debt-to-GDP ratio in recent years has declined steadily because of increasingly robust growth and sound fiscal stewardship.

Canada's Fraser Institute ranked Indonesia as the 4th most mineralised region of the world stating, "Indonesia has some of the best geological prospectively in the world and offers great potential for future exploration and development work".

REVIEW OF OPERATIONS

Location of the Tembang, Tandai, Sontang and Jambi projects.

Indonesia was ranked the world's eighth largest gold producer in 2011 with production at around 100 tonnes.

The country is home to one of the world's largest gold mines, Freeport-McMoRan Copper & Gold Inc.'s Grasberg operation in Papua where gold production is a by-product of copper mining. Other significant mining operations include Newmont Mining Corp's Batu Hijau copper-gold mine in West Sumbawa, and Newcrest's Gosowong gold mine on Halmahera Island.

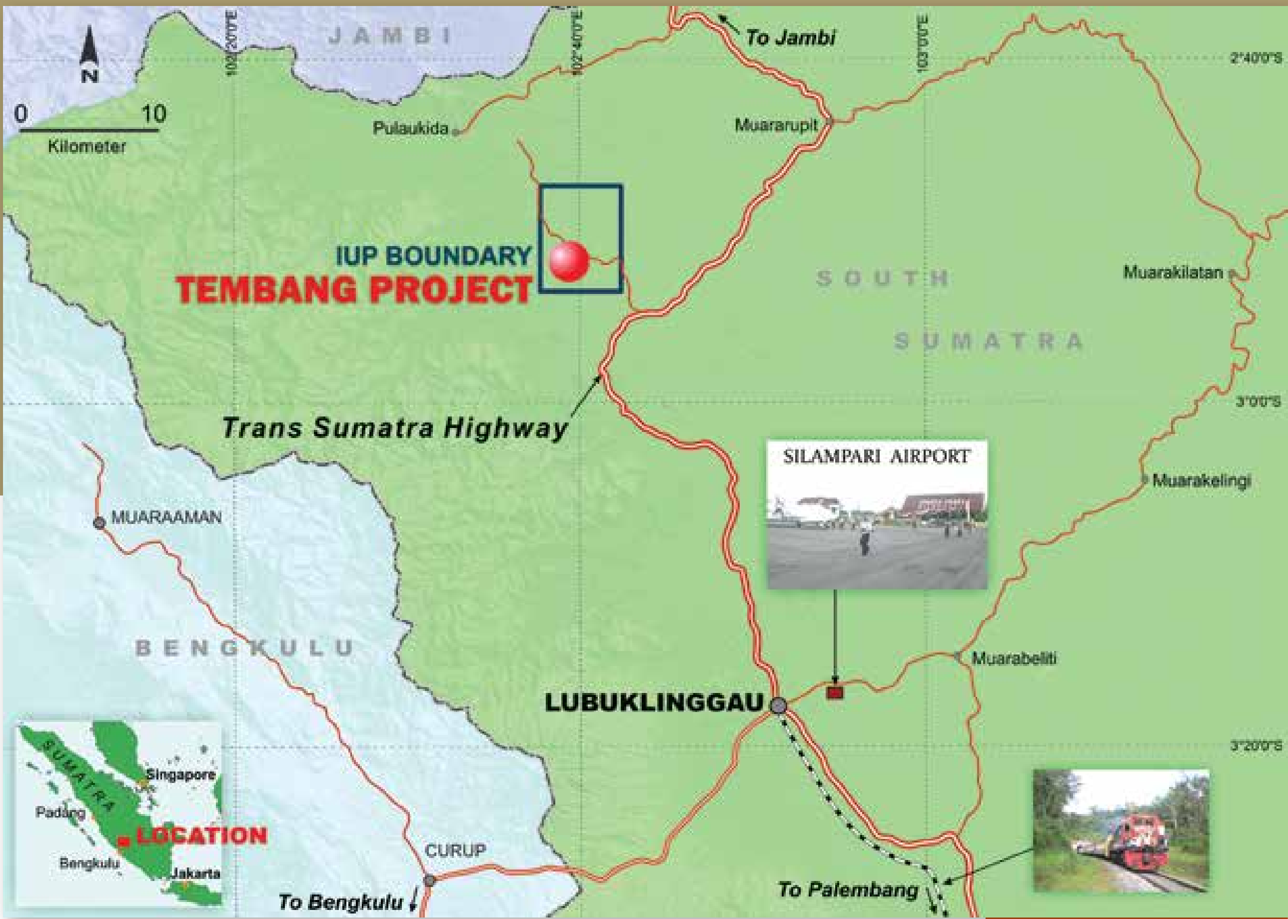
Many international mining companies have returned to Indonesia in recent times due to the improved exploration, investment and mining environment. Such companies include G-Resources, Kingsrose Mining, Sihayo Gold, East Asia Minerals, Intrepid Mines, Robust Resources and Finders Resources, all with advanced gold and/or base metal projects throughout Indonesia.

Sumatra is one of the largest islands in the Indonesian archipelago and has a long history of gold mining dating back to the time of Indian trading activity approximately 1,000 years ago. While under Dutch administration the country's largest gold mines were underground operations on the high-grade Donok and Tandai epithermal vein deposits in Sumatra. The majority of the precious metal production from the area was by Dutch companies, dating from the early 1900s until the Japanese occupation of Sumatra in 1942, with approximately 3.0 million ounces of gold and 25.0 million ounces of silver reported to have been produced.

Tembang

Metallurgical and geotechnical drilling was completed at Asmar and highlighted wide intercepts of moderate grade ore with localised very high grade vein intercepts. Systematic sub soil geochemical sampling, complemented by ground magnetics have firmed up potential drill targets at Belinau North and Bono's Hill. A CSAMT survey was completed over the entire district which has confirmed and generated new anomalies. Systematic surface mapping, complemented by sub soil geochemical sampling and ground magnetics over these anomalies has been successful in delineating further drill targets.

REVIEW OF OPERATIONS



Tembang project location.

Tembang Project

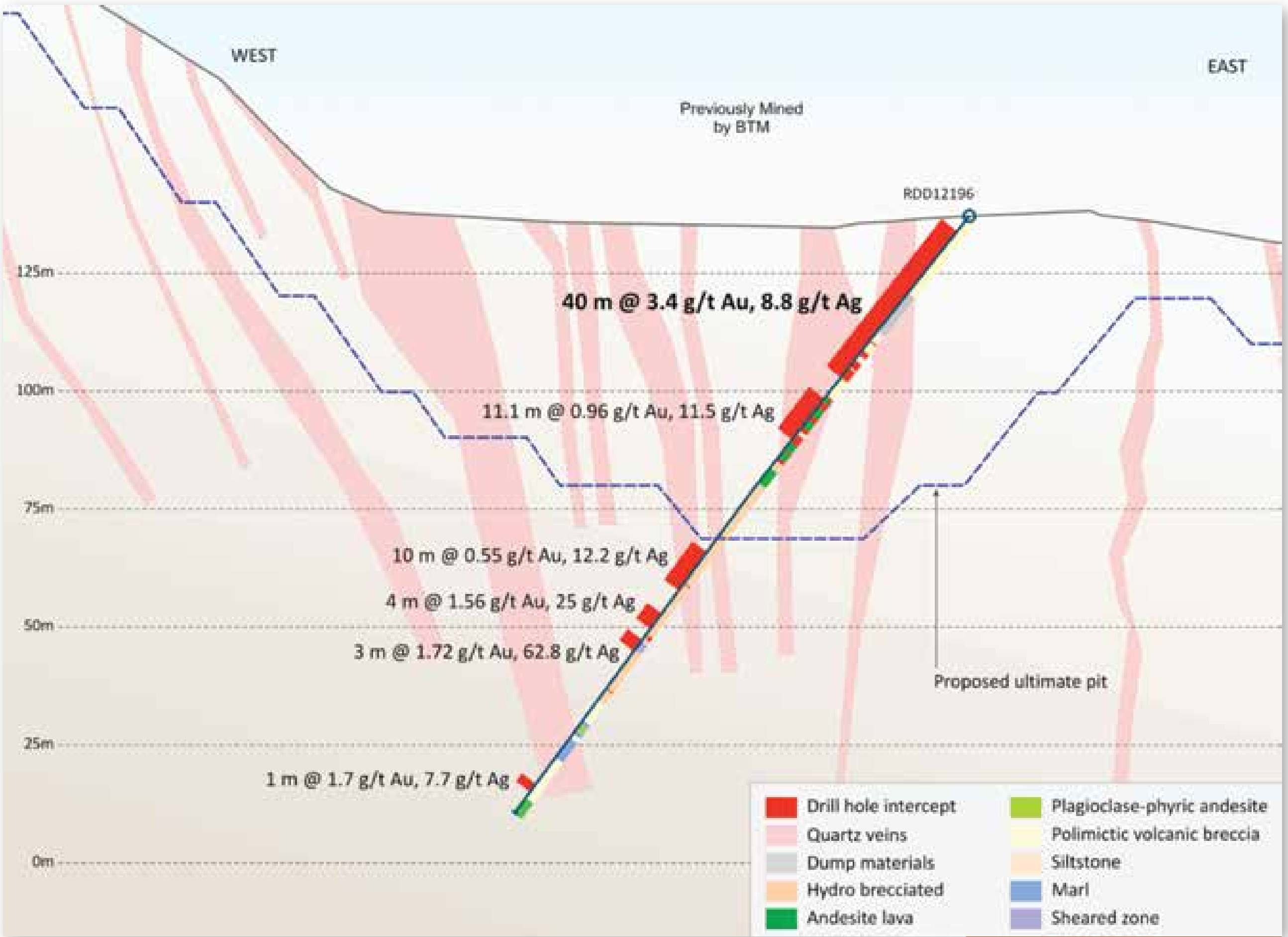
The Tembang project is located approximately 120 kilometres north-northeast of Bengkulu in South Sumatra province. Tembang is a large intermediate-sulphidation epithermal deposit comprising gold-silver bearing quartz veins hosted by Tertiary volcanics.

Tembang was previously mined from 1997 to 2000 when production ceased due to a declining gold price to around US$250 per ounce at the time of closure.

REVIEW OF OPERATIONS

Drilling

Geotechnical, hydrology and metallurgical drilling were completed at Asmar during the second quarter of 2012 as part of the feasibility study. Six holes were drilled for a total of 650.7 metres. The best result was from hole RDD 12196 which returned **7.8m @ 13.08 g/t Au, 27.1g/t Ag** from a depth of 37.2m downhole.



Drill hole section RDD12196.

Tembang 2012 Drilling Significant Intersections Au >0.35g/t

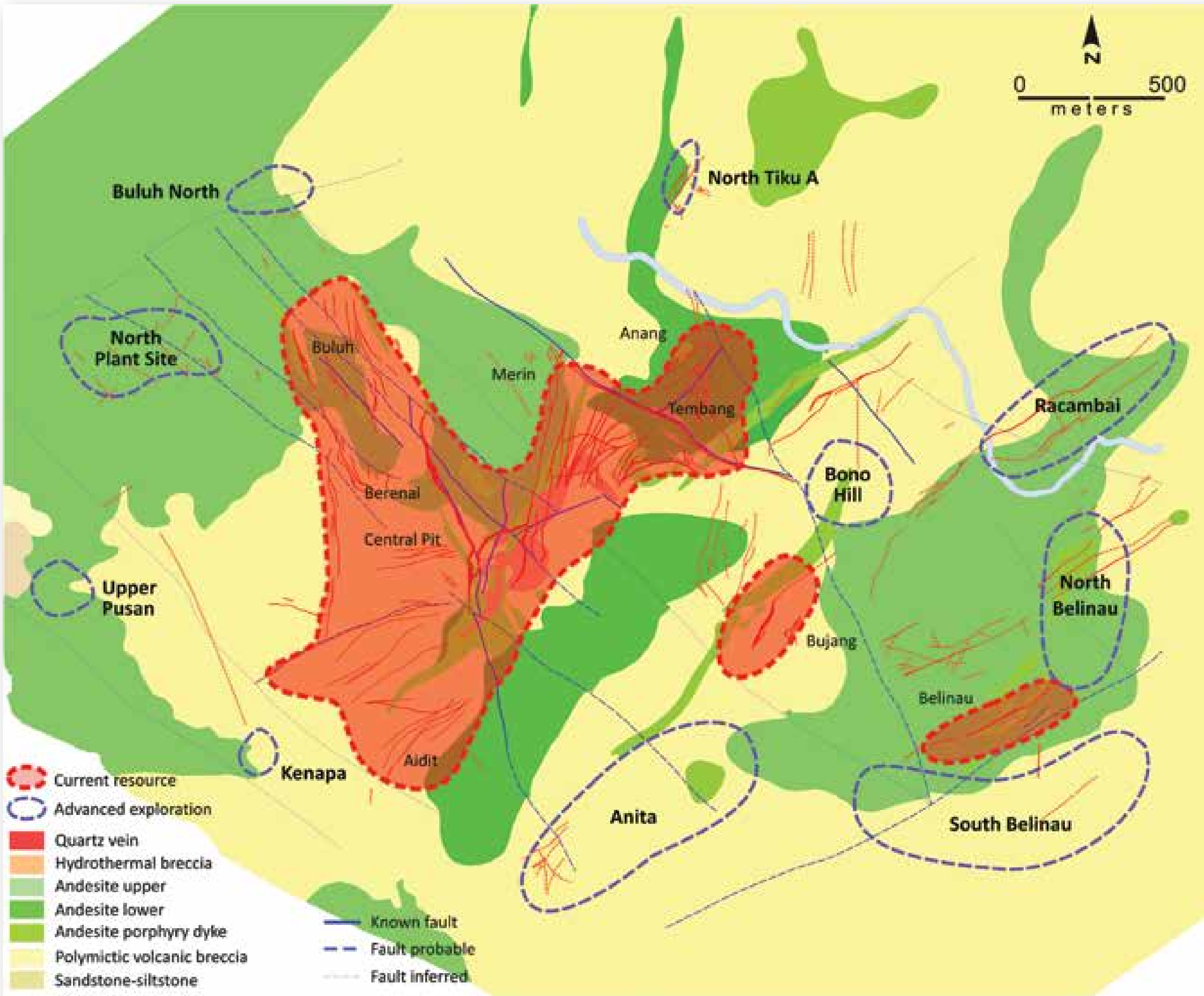
Hole No	Location	Type	From	To	Length	Au g/t	Ag g/t	Comments
RDD12196	Asmar	Vein/PSV	5.00	45.00	**40.00**	3.04	8.8	Includes 3.6m <0.35g/t Au. **Includes 7.8m @ 13.08g/t Au, 27.1g/t Ag**
RDD12196	Asmar	Vein	50.45	61.55	**11.10**	0.96	11.5	Includes 3.2m <0.35g/t Au
RDD12196	Asmar	PSV	91.65	101.65	**10.00**	0.55	12.2	Includes 1.6m <0.35g/t Au
RDD12196	Asmar	PSV	108.00	112.00	**4.00**	1.56	25.0	
RDD12196	Asmar	PSV	115.00	118.00	**3.00**	1.72	62.8	Includes 1.0m <0.35g/t Au
RDD12196	Asmar	PSV	127.50	128.50	**1.00**	1.70	7.7	
RDD12196	Asmar	PSV	153.10	155.20	**2.10**	0.96	4.1	

As of 31st May 2012

REVIEW OF OPERATIONS

Surface Exploration Activities

Systematic sub surface wacker geochemical sampling, complemented by ground magnetics and detailed geological mapping were used to define drill targets at North Belinau, Jenih and Bono's Hill prior to the completion of the district wide controlled source audio magnetotelluric technique (CSAMT) survey.



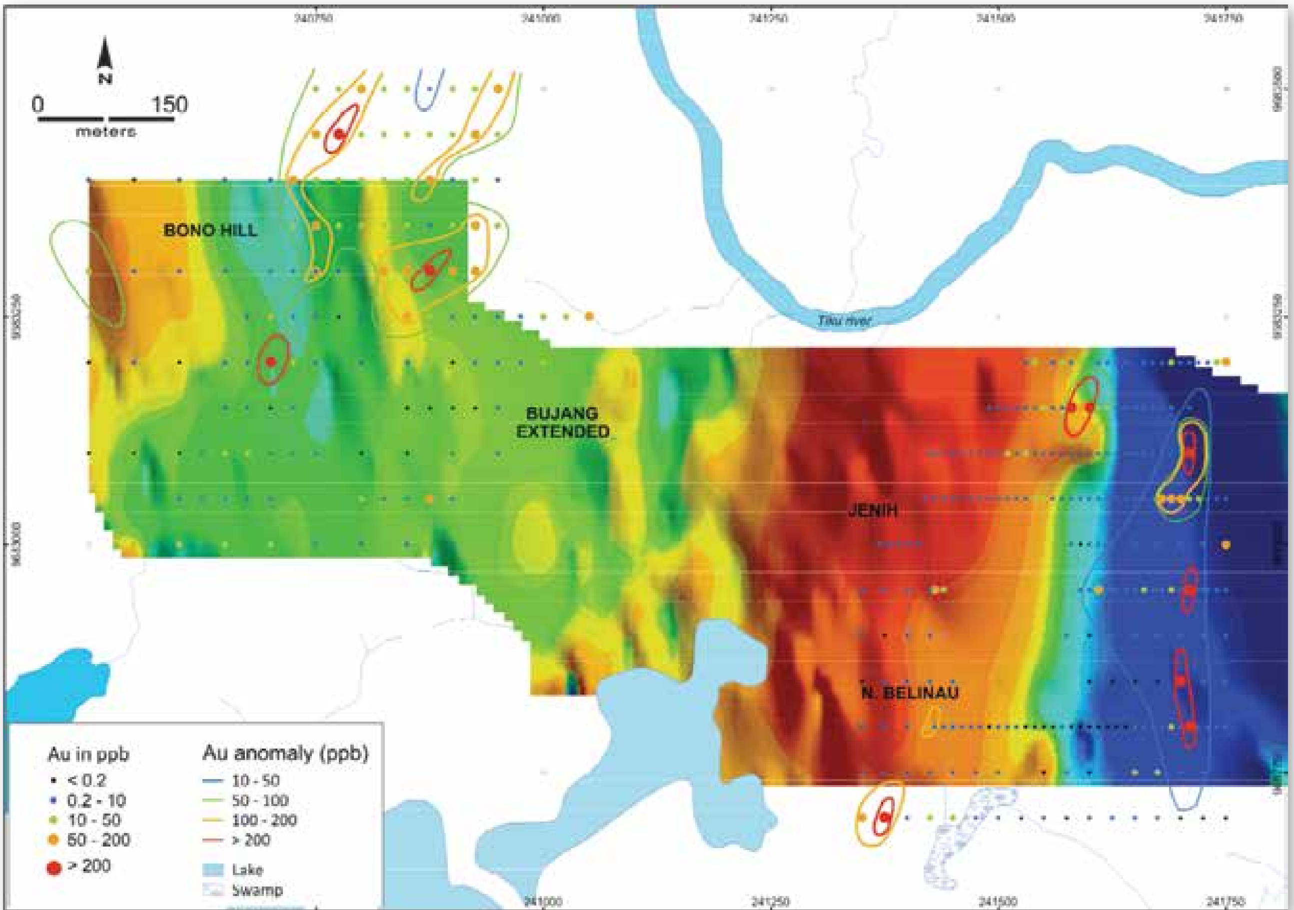
Tembang exploration targets.

REVIEW OF OPERATIONS

Bono's Hill

The area is structurally important as it sits on the intersection of two significant mineralisation trend; the NE-SW Bujang and NW-SE Tembang structures. Previous exploration had been curtailed due to land owner issues.

The initial exploration programme has comprised of both ground magnetics and sub-soil wacker geochemical sampling. Results from the ground magnetic survey indicate a roughly N-S trending contrast anomaly. Highly encouraging results from the initial orientation programme of sub-soil Wacker drill sampling returned significant gold grades as high as **3.09 g/t Au** within a broader arsenic anomaly. Infill sampling has defined two anomalies trending NNE-SSW.

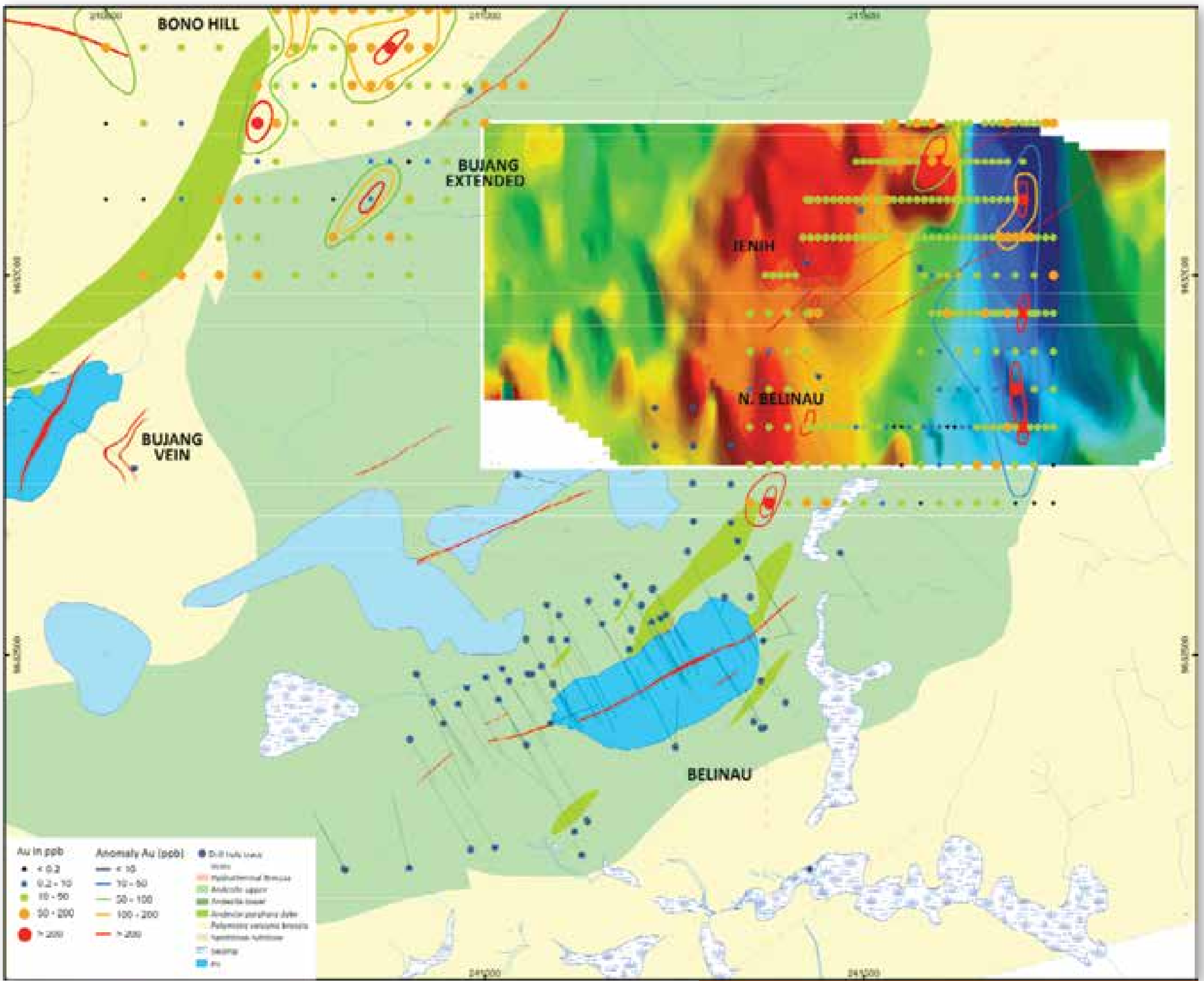


Bono's Hill sub-soil results for gold on magnetics.

REVIEW OF OPERATIONS

North Belinau

Follow up sub-soil wacker geochemical sampling indicate a strong gold anomaly coincident with the magnetic contrast anomaly identified previously. A programme of infill sampling has now commenced to better define the anomaly and confirm the orientation ahead of drill targeting.



Belinau North magnetic anomaly with soil Au results.

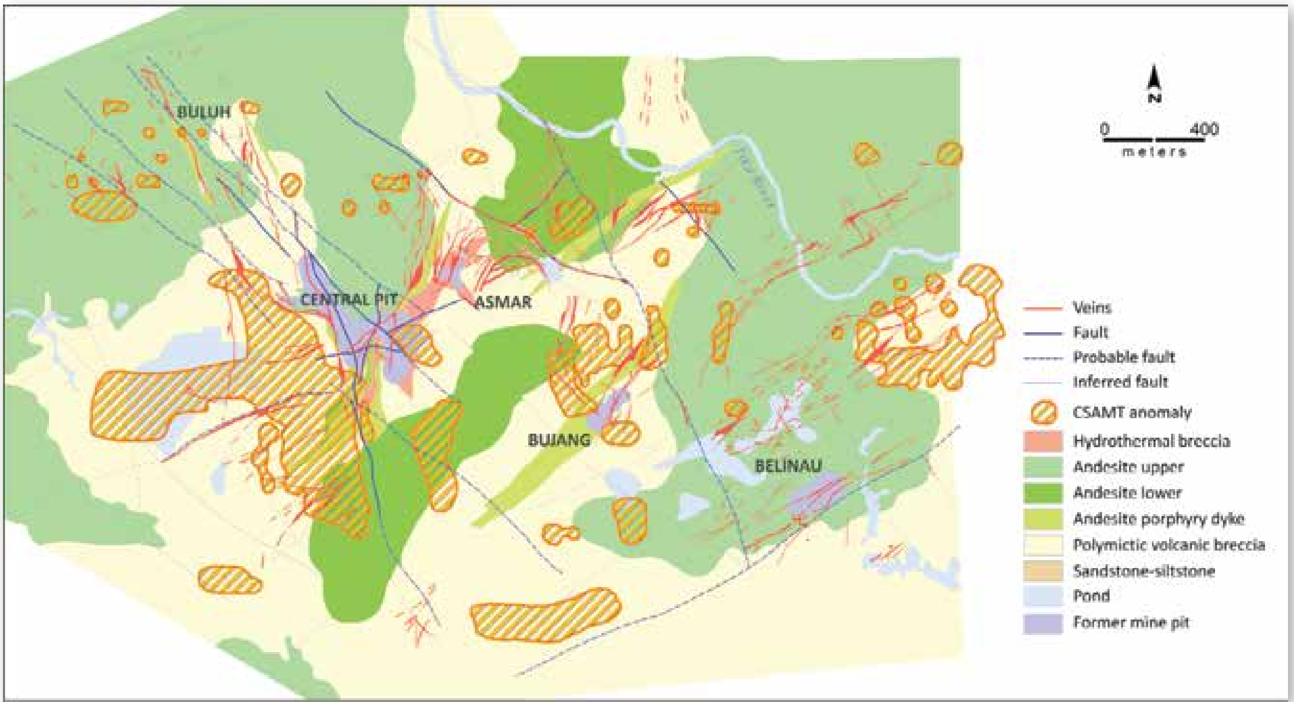
REVIEW OF OPERATIONS

South Belinau

Exploration continued in this area comprising ground magnetics and wacker sub soil sampling. Three distinct trends of low grade arsenic and gold anomalies have been defined. Detailed follow up sub-soil infill sampling and ground magnetics were completed and have better defined coincident gold and arsenic anomalism. Further exploration will most likely be scout drilling on these anomalies.

CSAMT Survey

The CSAMT survey was completed over the entire district to explore for blind potentially high grade shoots. A number of strong resistivity anomalies were outlined and have been the focus of further follow up sub soil sampling to define potential drill targets at Aidit and Kenapa.



CSAMT anomalies.

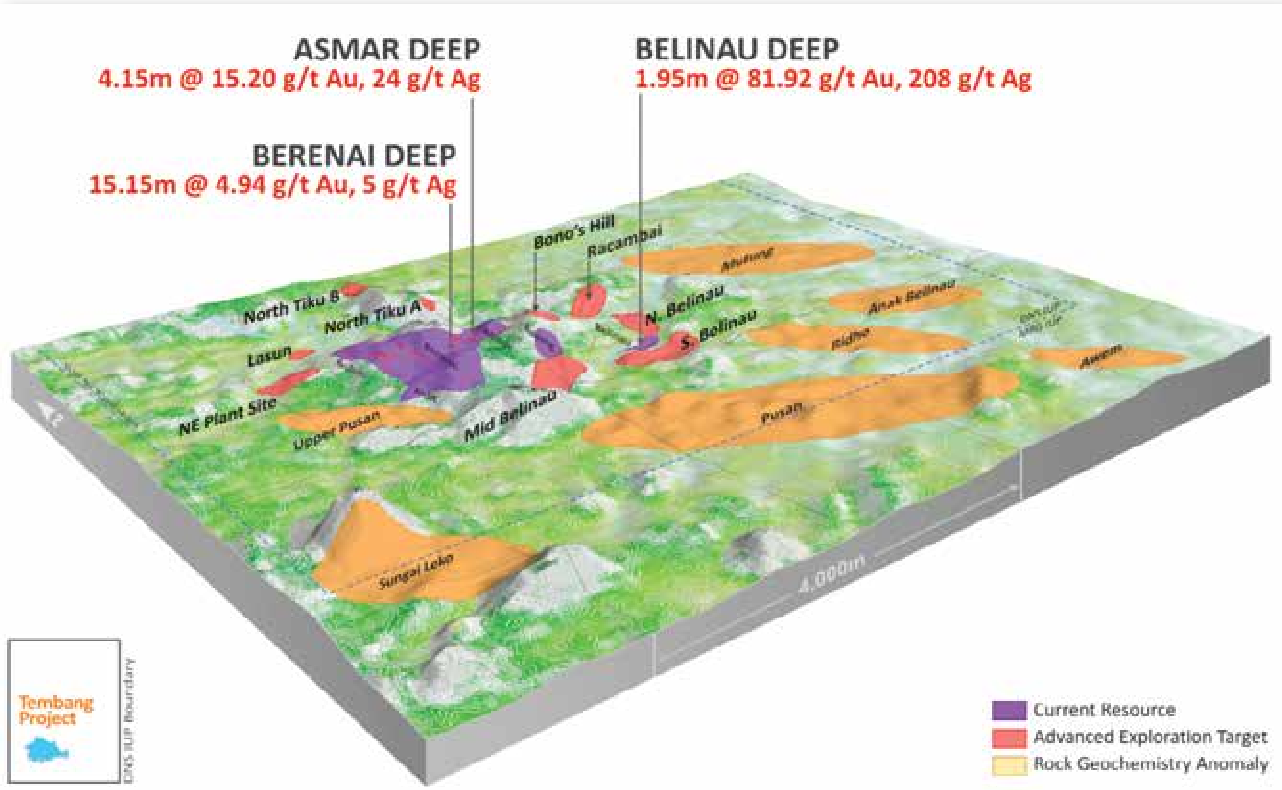
REVIEW OF OPERATIONS

District Exploration

Sungai Leko

During the first quarter of the year regional exploration discovered a new area of veining to the south of Tembang and a gold anomalous catchment area at Pusan. A 10 metre wide quartz stockwork zone was discovered at Lubis Hill. From a regional perspective this is believed to be along a major WNW-ESE trending structure that hosts mineralisation throughout the Musi Rawas district. Assays were low level but this demonstrates we are on the right trend of mineralisation.

One stream sediment sample taken from the headwaters of the Sungai Pusan returned a high anomaly of 269 ppb Au as well as two +25 ppb Au anomalies at the Sungai Leko. Field activity was focused on infill sampling of these anomalies.



Tembang District Anomalies.

Tandai

Drilling confirmed the North Lusang shoot, although high grade is localised along strike. The CSAMT anomalies were also drill tested in the Tandai District and while potential remains for localised high grade shoots the potential for a multi million ounce target has been downgraded. The main focus of drilling activities were centred on the Ulukau epithermal prospect. A total of 3,110.9 metres was drilled in 12 holes. While quartz veining and breccia was encountered in almost every hole the tenor of precious metal mineralisation was low. The best result was returned in UDD 12004 of one metre @ 2.73 g/t Au and 0.5 g/t Ag from 153.4-154.4 metres down hole. The regional program was successfully completed throughout the whole IUP and resulted in the generation of a significant new prospect in the far south named Asa with results up to 13.5 g/t Au and very high basemetal anomalism.

REVIEW OF OPERATIONS

Bengkulu Utara IUP.

Tandai Project

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 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.

Under the arrangements agreed with Newcrest Mining Limited ('Newcrest') in August 2010, Newcrest have the right to earn a 70% interest in the Tandai tenement by spending US$12 million on the project over 5 years.

Tandai is a high grade, intermediate epithermal sulphidation system, with gold-silver mineralisation hosted by a series of veins and breccias distributed over a vertical extent exceeding 500 metres and more than 5 kilometres of strike. The long section of the old Tandai mine identifies bonanza grades locally occurring very close to surface. Such grades also occur at considerable depth, and the marked vertical extent to Tandai's mineralisation reflects its intermediate-sulphidation nature. Clearly, new discoveries of such high grades could support a new underground operation if of sufficient tonnage. The distribution of higher grades reflects both the presence of ore shoots, and disruption by post mineral faulting and which is well documented in the Dutch records.

REVIEW OF OPERATIONS

Exploration Activities

There was a shift in exploration emphasis from the Tandai District to Ulukau during 2012. At Tandai drilling was completed at Lusang North which proved the strikelength of the shoot was limited in size. The remainder of the CSAMT anomalies were also drilled with disappointing results. Exploration activities were focused on the Ulukau prospect which was advanced to drill status by early June. Twelve holes were completed for a total of 3,110.9 meters drilled over a five month period. Although zones of quartz veining and hydrothermal breccia were intersected in every hole results were uniformly disappointing.

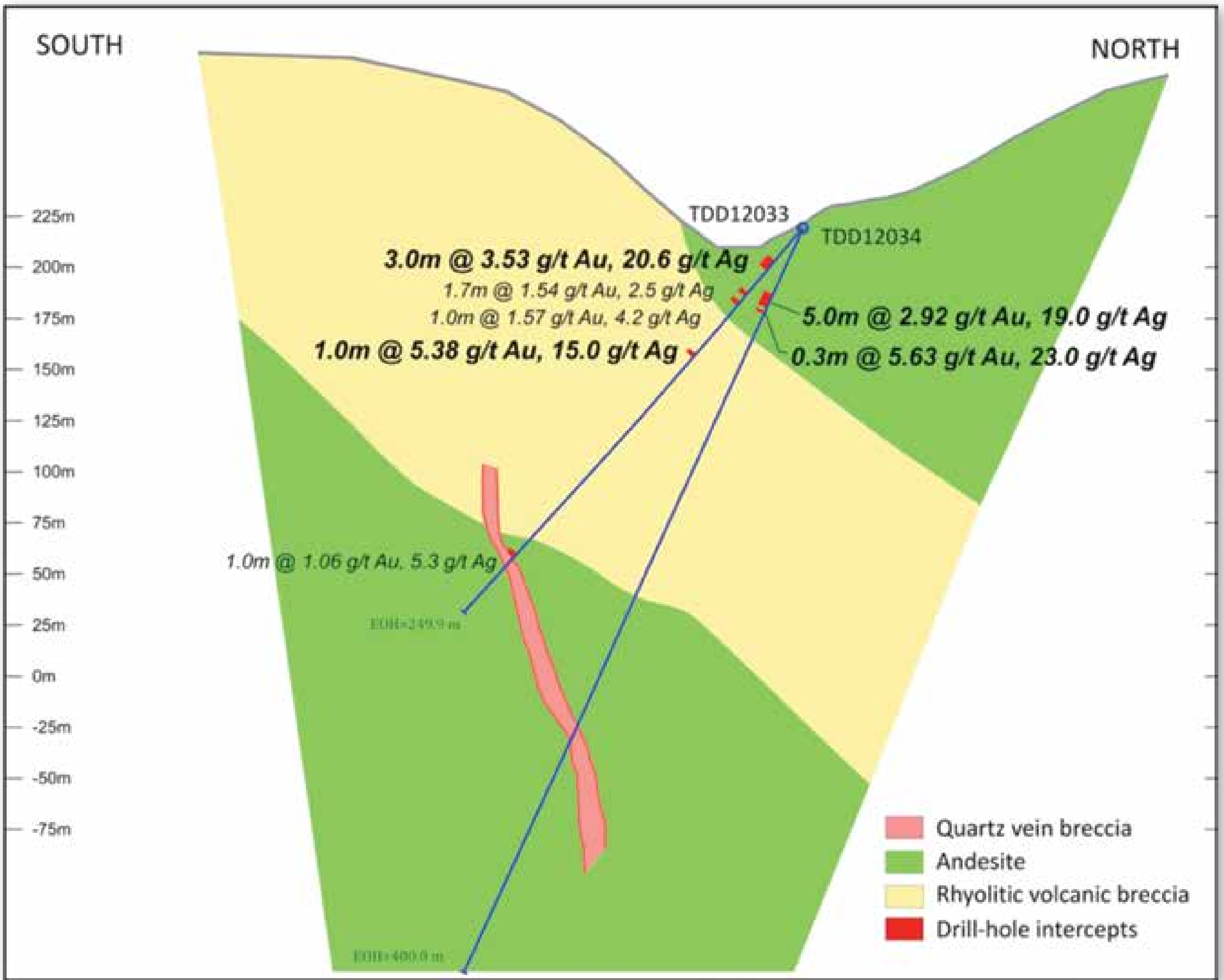
The entire IUP was covered by first pass exploration and sampling resulting in two main anomalous zones, the northern zone centered around Ulukau and the southern zone adjacent to the previous Dutch mine at Lebong Simpang. Follow up exploration was completed in the Northern Block and with the exception of the satellite Lalangi prospect no further work is required based on limited prospectivity. In the southern zone a new gold base metals discovery named the Asa Prospect has been identified and is the current focus of exploration activity.

REVIEW OF OPERATIONS

Lusang North

Two fences of drill holes (TDD 11031, 12032-4) were drilled as 100 metre step-outs from holes TDD 11024 and TDD 11025 to test the strike and depth continuity of the significant mineralisation. Unfortunately the vein breccia mineralisation intersected was not strongly developed in all four holes.. This drilling confirms the pipe like geometry of the significant mineralisation most likely localised at discrete fault intersections.

Of the four follow up holes to TDD12034 returned the highest result where the interval 36.5 to 41.5 metres returned 5.0 metres of **2.92 g/t Au and 19.0 g/t Ag**. This mineralization is hosted in clay chlorite altered granular and pebble volcanic conglomerate which is cut by sparse discrete 10 to 15mm crystalline dog tooth quartz vein selvaged by 2 to 5mm of chlorite containing pyrite, sphalerite and galena. Sulphide is approximately 2-5% by volume.

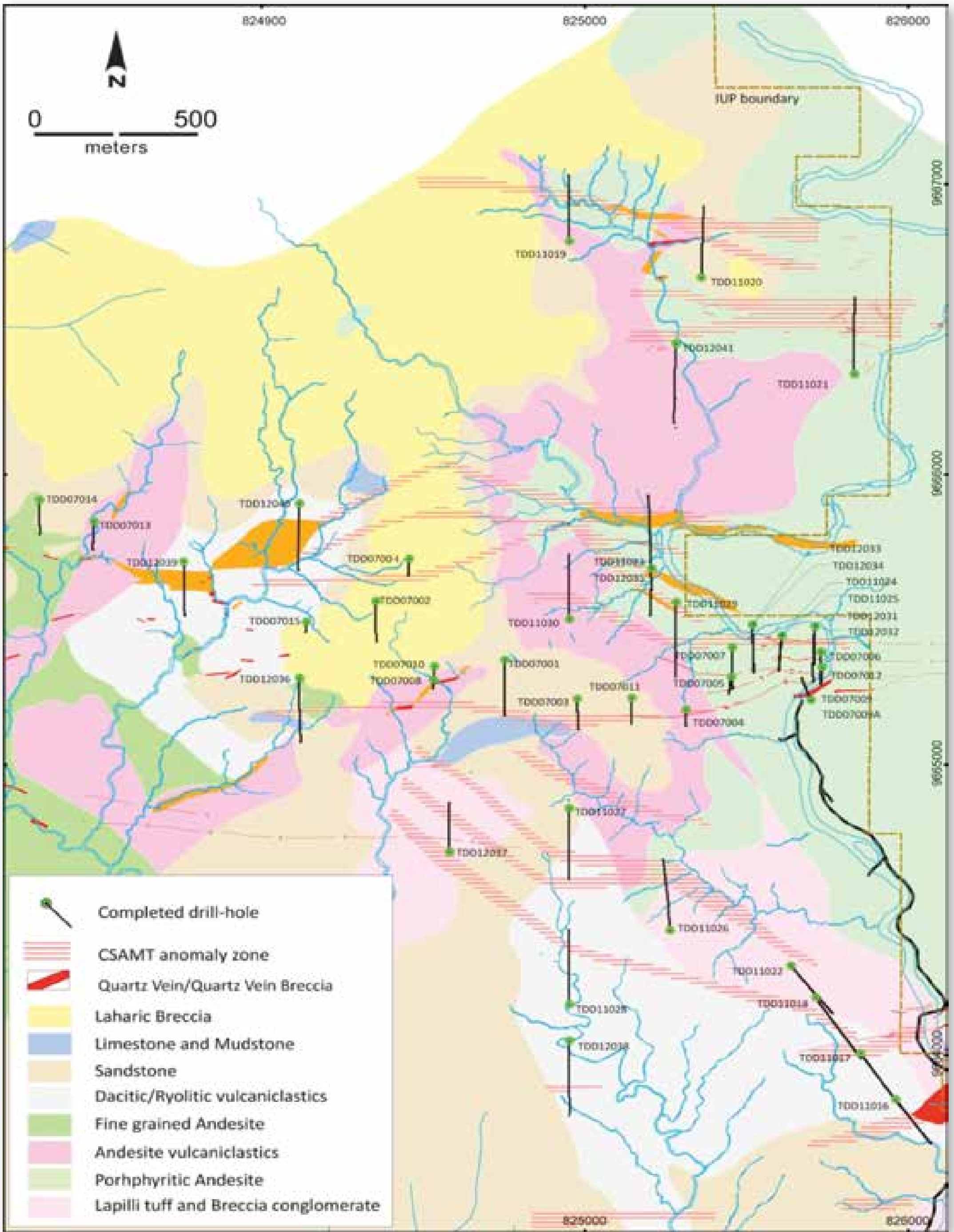


Simplified drill section TDD 12033 and TDD 12034.

REVIEW OF OPERATIONS

CSAMT Anomalies

Testing of the CSAMT anomalies was completed within the Tandai District in the second quarter of 2012 and has covered most of the strike of the Tandai Lode and environs. Results were overall disappointing. TDD12036 returned the best interval from 54.0 to 56.0m of 2m **@ 3.58 g/t Au and 38.6 g/t Ag**. However consistent low grade values (0.1 to 0.5 g/t Au) spread over more than 200 meters of core of varying lithology; andesite, acid volcanic conglomerate, rhyolite and polymict andesitic volcanic conglomerate, indicates the possibility of a vein system at depth.



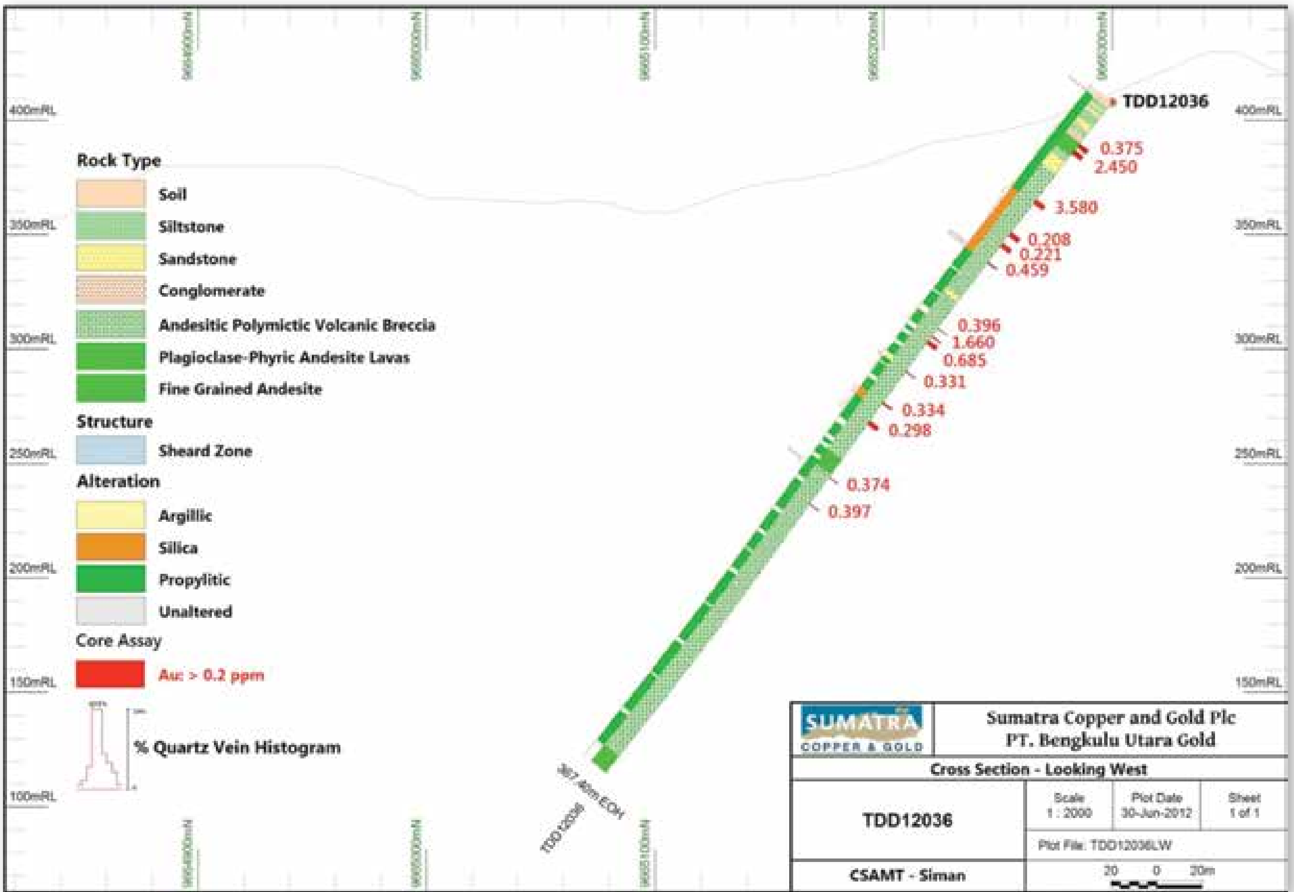
Tandai drilling.

REVIEW OF OPERATIONS

Ulukau

The Ulukau Prospect is located approximately 10 km SSE of Tandai. This prospect was first identified during the regional sampling program when three outcrop samples returned assays of 1.53 g/t Au, 2.81 g/t Au and 3.72 g/t Au. The results from more recent selective sampling of quartz veins and pervasive silica-clay-altered wall-rock returned up to 55 g/t Au in outcrop and 44 g/t Au in sub-crop.

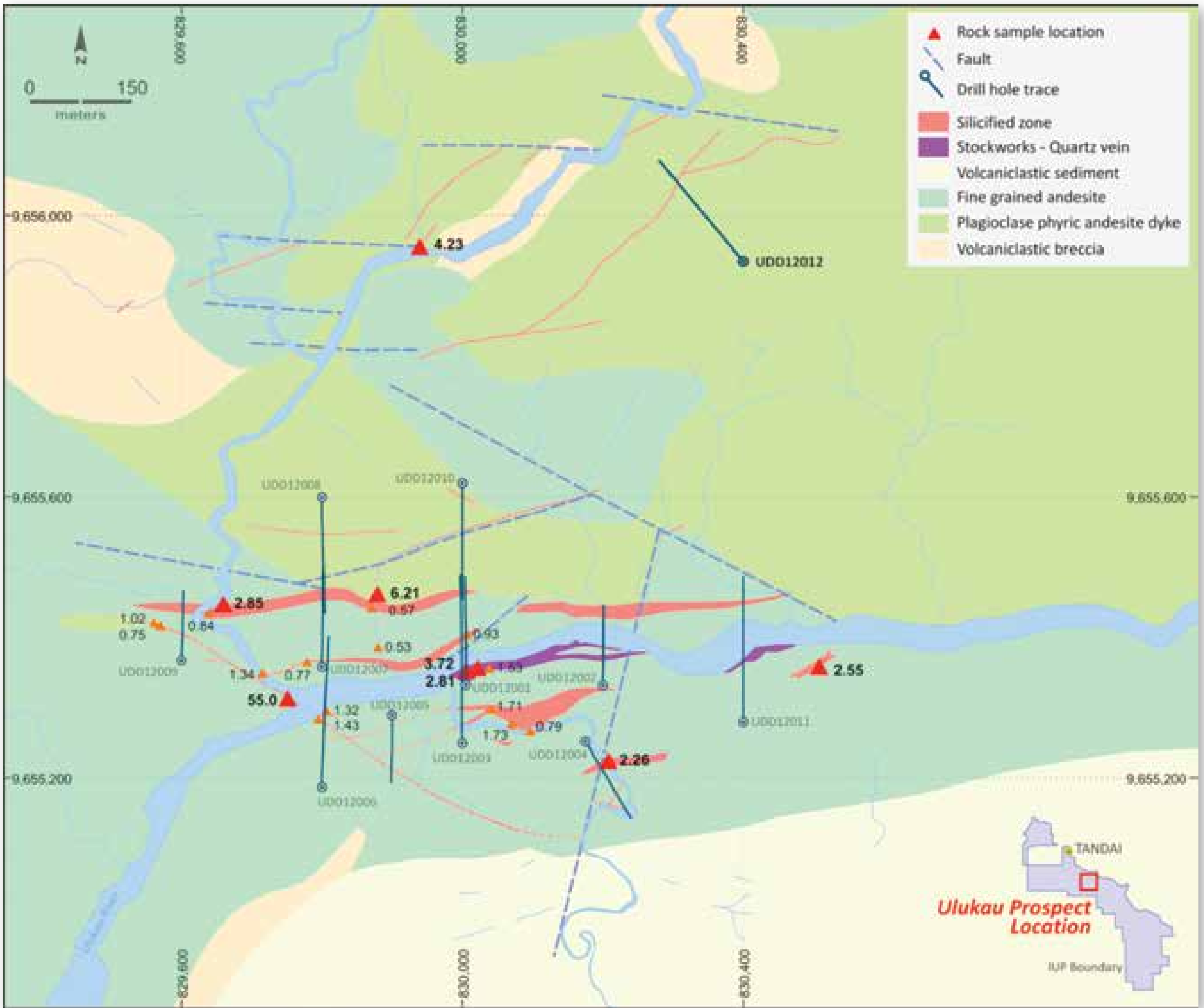
Detailed geological mapping and sampling resulted in delineation of six (6) major zones of persistent silica-clay alteration and quartz veins and the prospect was advanced to drill status by early June. Twelve holes (UDD 12001 to UDD 12012) were completed for a total of 3,110.9 meters drilled over a five month period. During the course of the drilling outcrops of quartz veining in silicified andesite were outlined at Upper Ulukau. Two major zones of pervasive clay-silica-pyrite alteration with quartz veins were identified over approximately 800 meters strike. Gold grades from rock samples up to 4.23g/t Au and 10.8 g/t Ag were returned and the penultimate hole of the program UDD 12012 was drilled to test the confluence of these zones.



TDD12036 looking west.

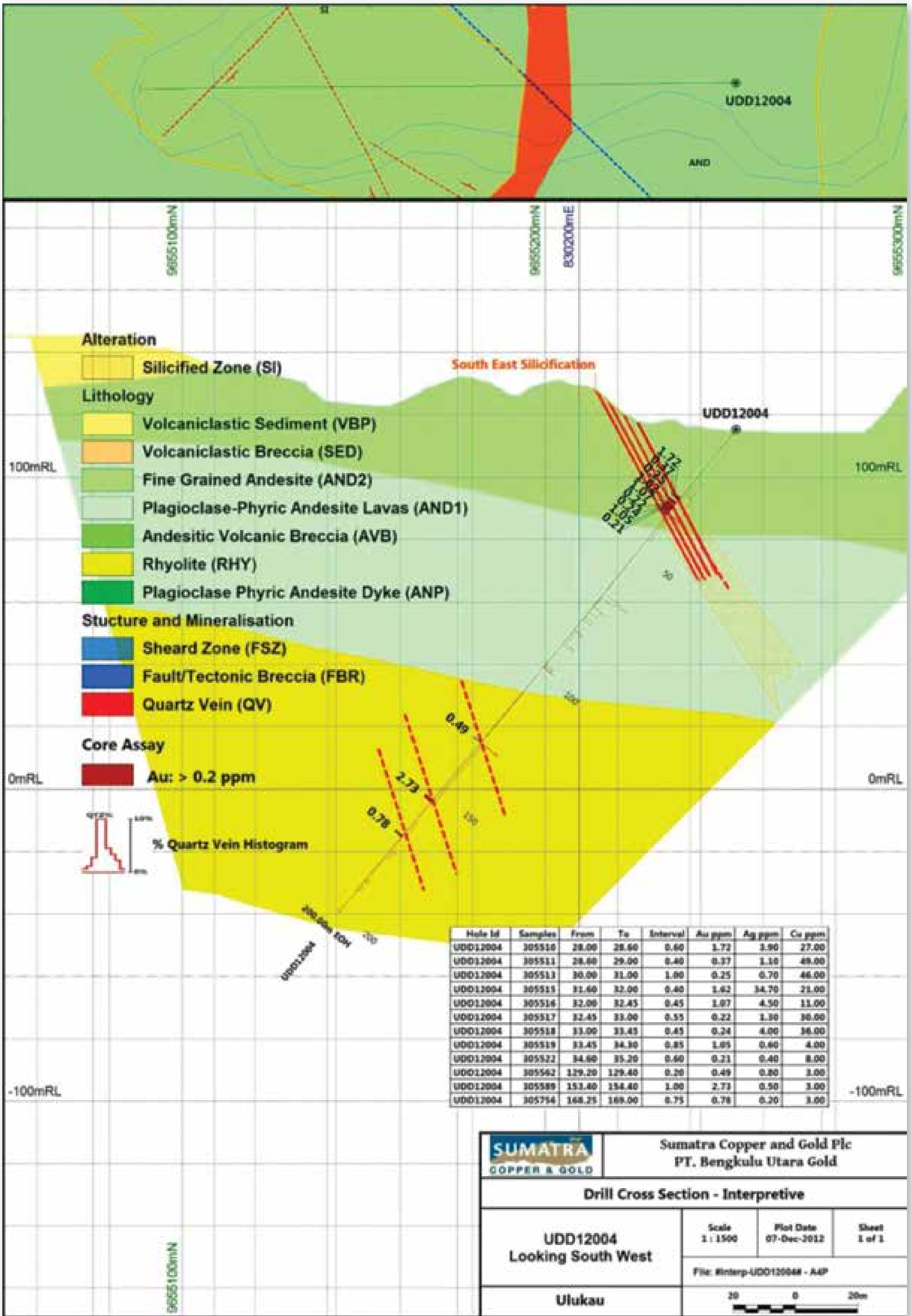
REVIEW OF OPERATIONS

Although zones of quartz veining and hydrothermal breccia were intersected in every hole results were uniformly disappointing.



Ulukau Drilling Plan.

REVIEW OF OPERATIONS



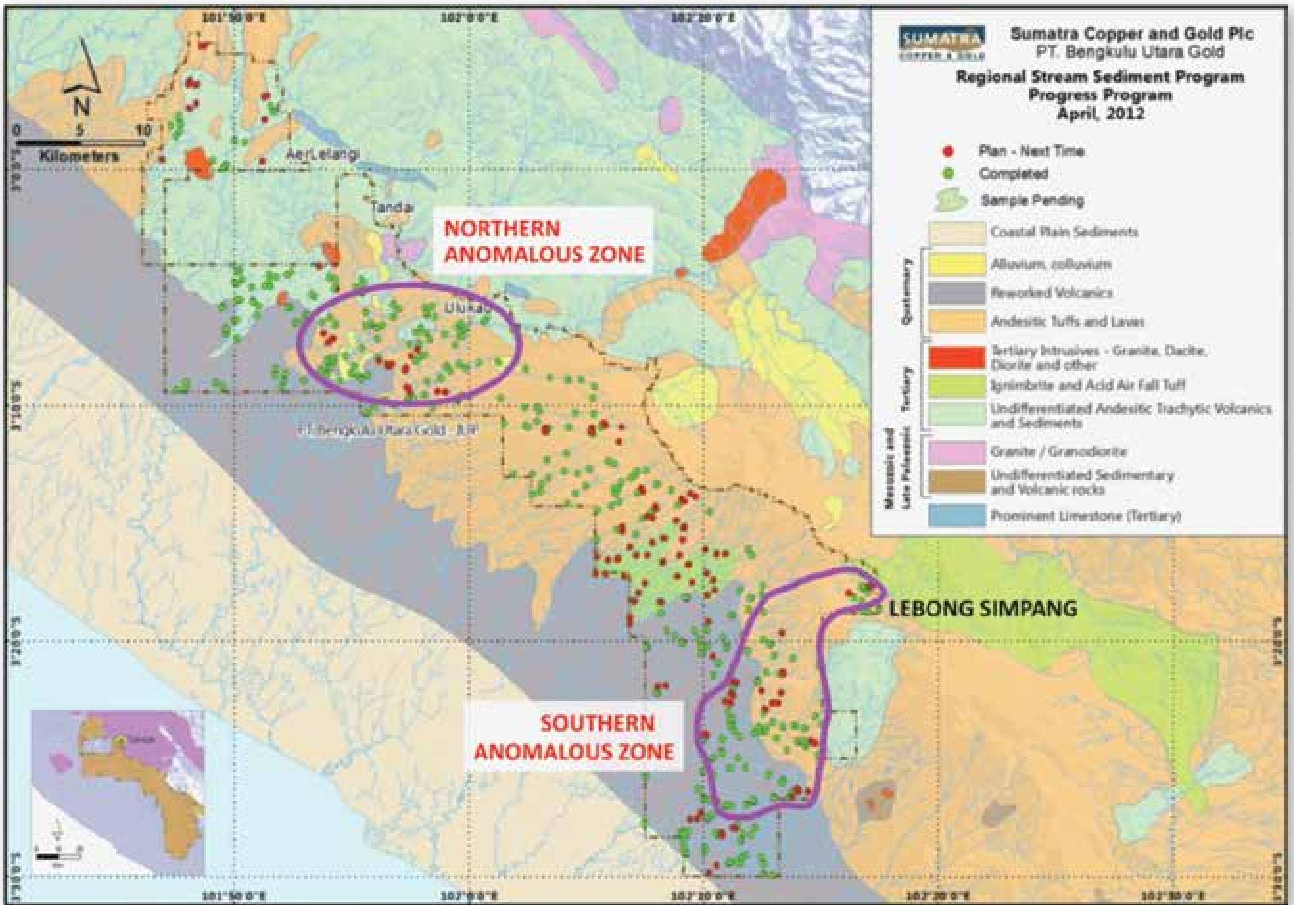
Interpreted Section - UDD12004.

REVIEW OF OPERATIONS

Regional Exploration Program

Regional reconnaissance was completed over the entire IUP in 2012. After an onsite review of the first phase geochemical results, two main clusters of anomalies were identified. A northern zone around the Ulukau prospect and the southern zone in the south west of the IUP adjacent to the previous Dutch mine at Lebong Simpang. It was decided to focus follow up exploration on the Ulukau area and environs as the highest and most coherent BLEG and stream sediment anomalies occur in this area. However most of these anomalies were generated from erosion of the auriferous unconformity.

Follow up of the most promising geochemical anomalies has been completed in the northern part of the IUP. Exploration activities have been more recently focused on the Asa prospect and environs in the far south of the IUP.



Northern and Southern Anomalous zones.

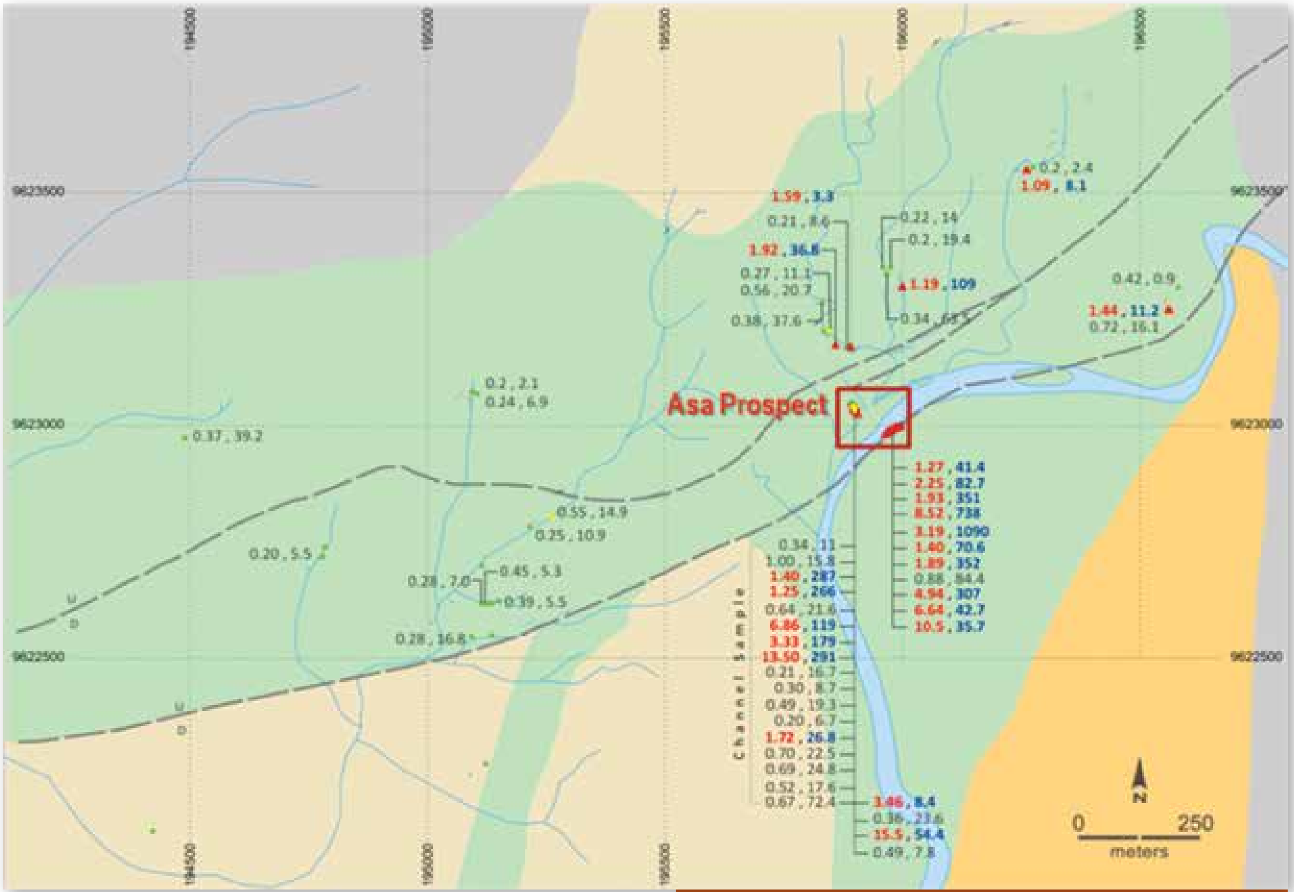
REVIEW OF OPERATIONS

Asa Prospect

A new regional target in the Southern part of the PT BUG IUP, Target S9/Asa Prospect has been discovered. The latest results from 13 out of the 17 samples collected in this area returned encouraging grade gold values ranging from 0.13 g/t to 0.55 g/t Au. Silver, copper, lead and zinc values are also highly anomalous. A sample taken 1 km north east of Kokoi River, along the Asahan Creek, returned grades of 1.09 g/t Au and 1.91 % As.

During this period, additional encouraging outcrop with base metal associations were also identified along Nokan River between Kokoi River and Asahan Creek. The outcrop is breccia, cut by north-south trending quartz veins dipping 60˚ to the west, and is found along the eastern bank of Nokan River. The breccia and quartz vein contain base metal sulphides such as sphalerite, galena, +/- chalcopyrite, +/-bornite. Preliminary results of all 11 samples collected in this area gave positive results ranging from 0.88 g/t Au to as high as 10.5 g/t Au.

Mineralization in this target area appears to be related to a dacite porphyry observed in Kokoi River. Presence of copper sulphides in outcrops found along Nokan River suggests potential for a deeper and hotter system east of the prospect.

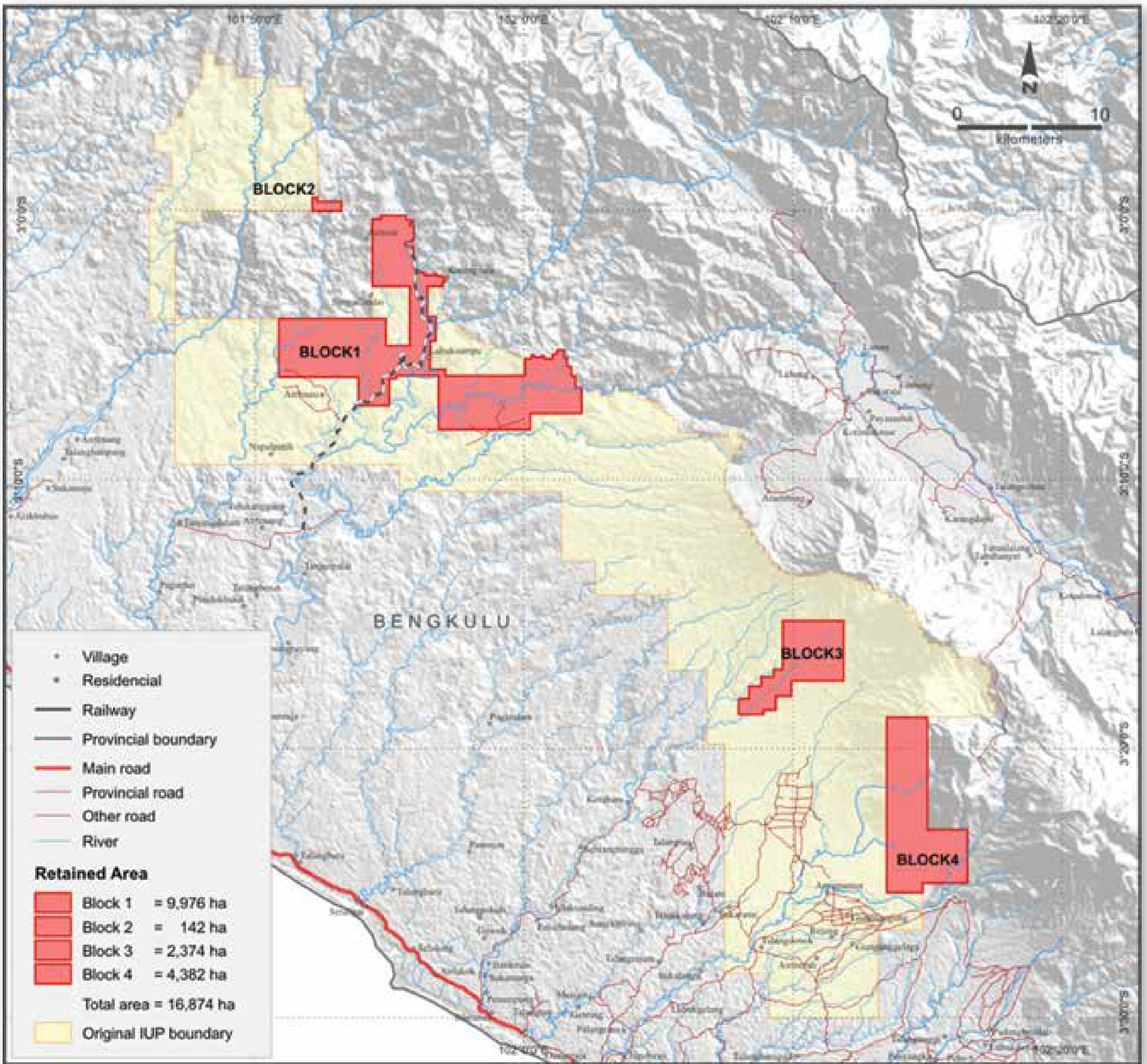


Interpretive geology and assay results (inset map of PT BUG).

REVIEW OF OPERATIONS

Planned Program

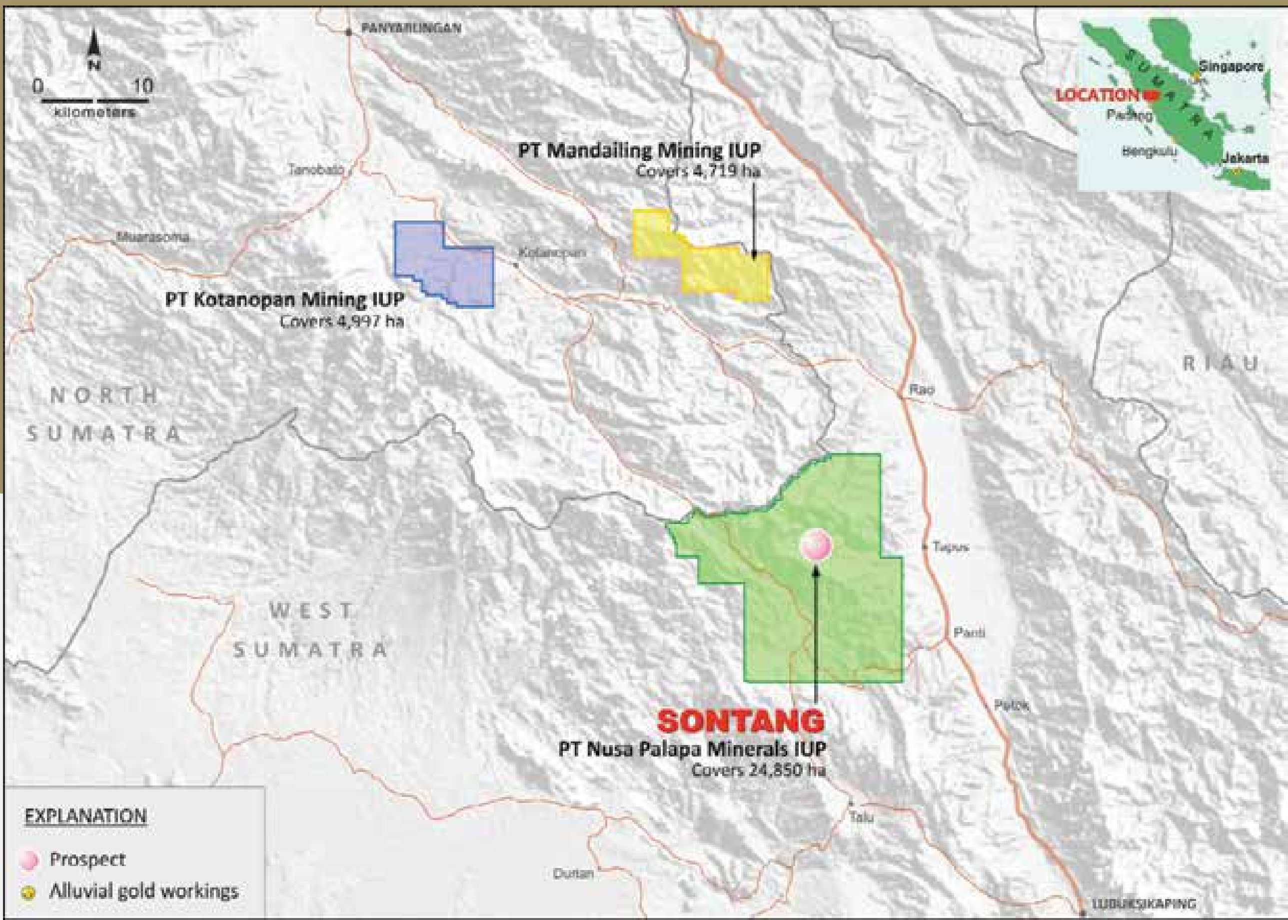
Due to the disappointing results at Ulukau exploration activities within the IUP have been scaled back and are currently focusing on the newly discovered Asa Project. As a result an application for relinquishment has been made to the government to reduce the current land holding from 99, 979 Ha to 16,874 Ha in four separate blocks. The core landholdings of Tandai including satellite mineralisation at Air Lalangi, Ulukau and two southern blocks are being retained as well as potential access routes to these areas in the event of further development.



Relinquishment application.

Relinquishments proposals of un-prospective ground have been submitted to the government for the Jambi, Musi Rawas and Bengkulu Utara IUP's. The Company will continue to develop and explore the current advanced projects within its portfolio.

REVIEW OF OPERATIONS



Sontang and northern projects IUP location map.

Sontang Project

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 a stream and located outcrops of massive base metal sulphides.

Exploration Activities

Systematic regional reconnaissance exploration continued throughout the IUP. Of particular interest was a mineralised limestone float sample discovered in the Baruman area which returned **49.4 g/t Au, 20 g/t Ag, 0.13% Cu and 0.16% Pb**. Follow up exploration did not locate the source of the float.

At East Sontang follow up exploration commenced on coincident structural and geophysical anomalies along strike from previous drilling. No new massive sulphide outcrops were located during this phase of exploration.

REVIEW OF OPERATIONS

Joint Venture Negotiations

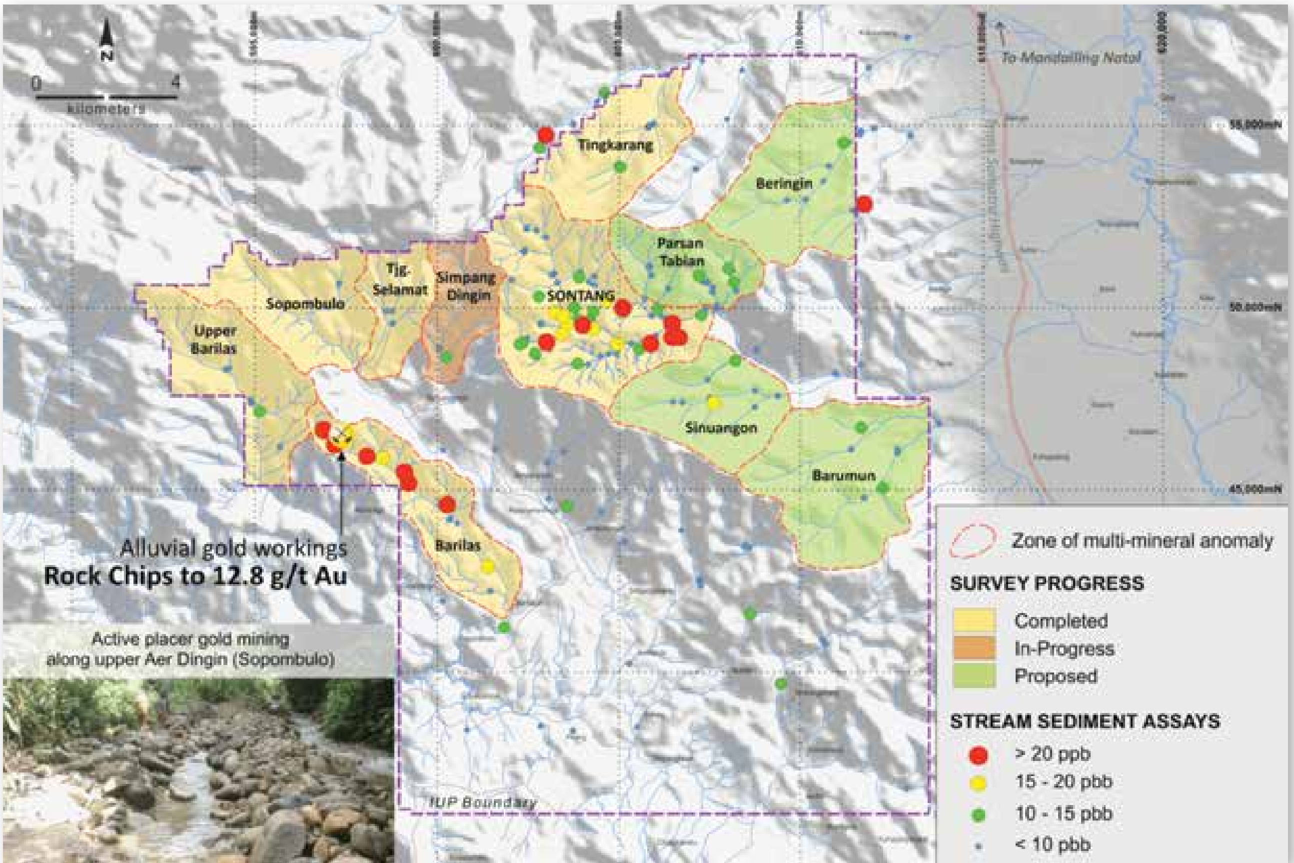
The Company's preferred partner for the Sontang and northern tenements property offering have decided not to follow through with an investment. The reason was the "double blow" of the new mining regulations concerning foreign ownership sell down to 49% and the potentially more significant issue of value adding in country. We will continue to pursue other joint venture partners and will endeavour to keep expenditures to a minimum to conserve funds.

Musi Rawas and Jambi IUPs

Relinquishments proposals of un-prospective ground were submitted to the government for the Jambi and Musi Rawas IUP's. The Company expects to provide additional information to the market once the relinquishment process has completed.

Sumatra is of the view that greenfield exploration in Indonesia is not likely to provide a satisfactory return on investment in the short to medium term. This decision has been based on the increased costs of holding ground in Indonesia through a four-fold increase in annual land rents and the deteriorating and negative sentiment towards Indonesian exploration in international financial markets. The exploration sector has in recent months suffered from negative sentiment, which has been exacerbated in Indonesia by recent changing mining legislation and ownership rules.

Sumatra Copper and Gold continues to view Indonesia as a very attractive jurisdiction in which to develop high-grade epithermal gold and silver deposits and will continue to develop and explore the current advanced projects within its portfolio. However, in the current global economic climate it is the Company's view that advanced exploration projects are more attractive than greenfield projects.



Pasaman IUP regional stream sediment anomalies.

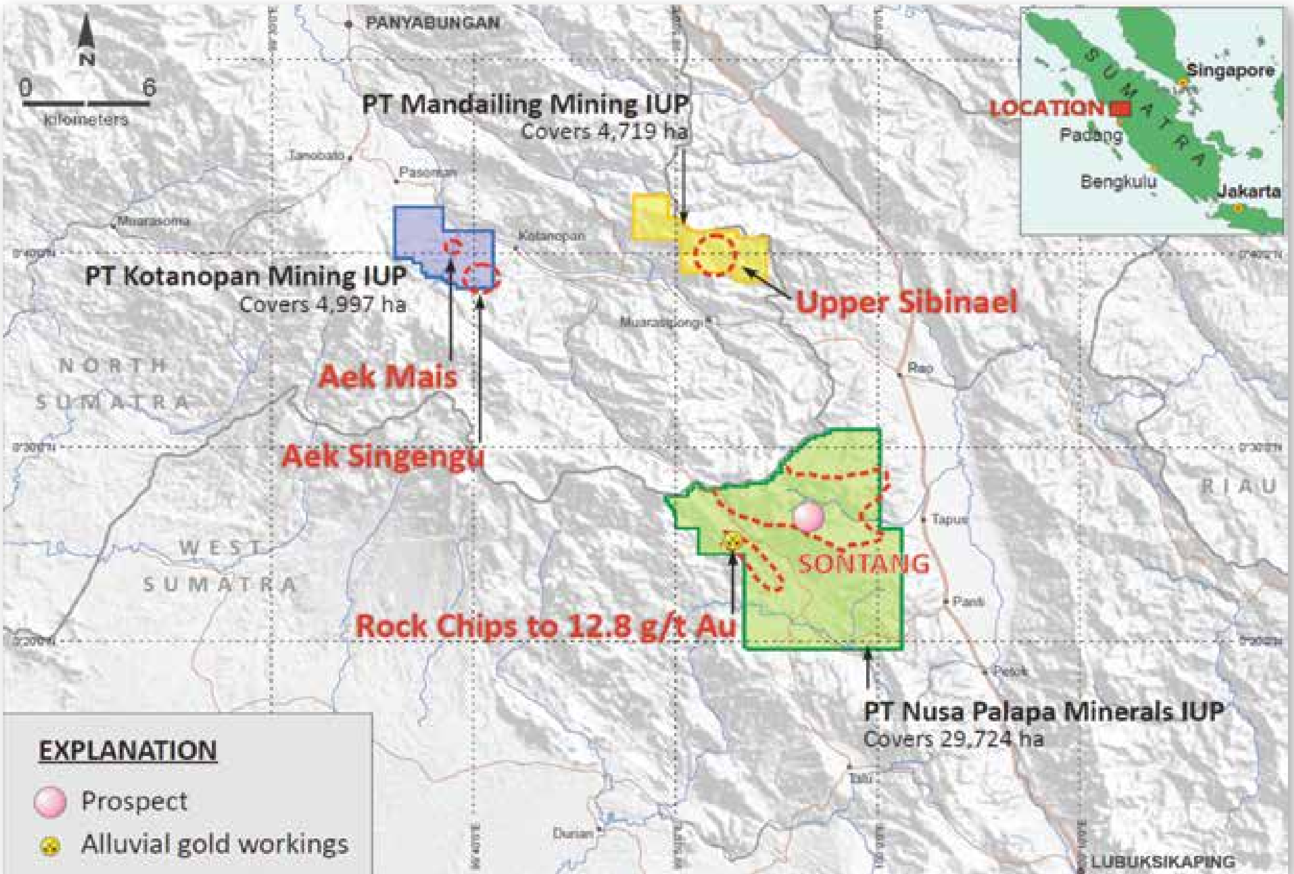

RDD 10103
HOLE :RDD10102 BOX:34
DEPTH:210.25—214.85
HOLE :RDD10102 BOX:35
DEPTH:214.85—219.48
HOLE :RDD10102 BOX:36
DEPTH:219.48—224.15
HOLE :RDD10102 BOX:37
DEPTH:224.15—228.8
HOLE :RDD10102 BOX:38
DEPTH:228.8—233.4
HOLE :RDD10102 BOX:39
DEPTH:233.4—238.1
DEPTH:238.1–240.3 EOH
HOLE :RDD10103 BOX:02
DEPTH:6.6—11.3
HOLE :RDD10103 BOX:03
DEPTH:11.3—16.05
HOLE :RDD10103 BOX:04
DEPTH:16.05—20.58
HOLE :RDD10103 BOX:05
DEPTH:20.58—25.5
HOLE :RDD10103 BOX:06
DEPTH:25.5—30.25
HOLE RDD10102 BOX:20
DEPTH:143.6—148.32
HOLE :RDD10102 BOX:21
DEPTH:148.32—153.1
HOLE :RDD10102 BOX:22
DEPTH:153.1—157.7
HOLE :RDD10102 BOX:23
DEPTH:157.7—162.6
HOLE :RDD10102 BOX:24
DEPTH:162.6—167.25

REVIEW OF OPERATIONS

Kotanopan Mining and Mandailing Mining IUPs

The North Sumatra prospects are held in two IUPs, Mandailing Mining (4,997 hectares) and PT Kotanopan Mining (4,719 hectares). These are greenfields projects and only limited exploration work has been undertaken to date due to the exploration focus on the Sontang project.

Infill stream sediment and BLEG sampling were carried out in both blocks in the first quarter of 2012. At Kotanopan sampling was focused on the western part of the block. No significant float or outcrop was found at either IUP and this is reflected in the results which were returned low level values.



Northern Sumatra tenements with stream sediment anomalies.

The role and responsibilities of the Board of Directors is for the overall Corporate Governance of the Company and oversight of management, protecting the rights and interests of the shareholders, by adopting systems of control and managed risk as the basis for the administration.

STATEMENT OF CORPORATE GOVERNANCE

The role and responsibilities of the Board of Directors is for the overall Corporate Governance of the Company and oversight of management, protecting the rights and interests of the shareholders, by adopting systems of control and managed risk as the basis for the administration.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council ('Council'). Whilst the Company's practices are largely consistent with the Council's guidelines, the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When the Company is not able to implement one of the Council's recommendations the Company applies the "if not, why not" explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

Principle 1 - Lay Solid Foundations for Management and Oversight

The Company has adopted Recommendation 1.1 to disclose the functions reserved to the Board and those delegated to senior executives in the context of every new director and senior executive appointment.

Board of Directors - Role and Responsibilities

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their members, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
- the resourcing, review and monitoring of executive management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- the establishment and maintenance of appropriate ethical standards.

The Company has adopted Recommendation 1.2 of evaluating the performance of senior executives.

STATEMENT OF CORPORATE GOVERNANCE

The Company has adopted Recommendation 1.3 by conducting face to face a performance evaluation of the Managing Director by the Chairman of the Board in accordance with the process described above No other evaluation was carried out.

The small size of the Company does not warrant the need of a Board Charter and thus no Board Charter is posted on the Company's website.

Principle 2 - Structure the Board to Add Value

Board of Directors - Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the Company's current size, scale and nature of its activities.

Independent Directors

During the year the Board was made up of five Directors. Following the appointment in January 2012 of the then CEO Julian Ford to the position of Managing Director and the retirement from the Board of Dr Michael Price and Mr Peter Nightingale, there remain only one Independent Director on the Board. The Board believes this to be sufficient as there remains two Non-Executive directors although Jocelyn Waller is not deemed to be an Independent Director due to him previously having been the Company's Managing Director.

Regular Assessment of Independence

An Independent Director, in the view of the Company, is a Non-Executive Director who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with a service provider;
- is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of Directors required for the Board to properly perform its responsibilities and functions.

Chairman and Managing Director/CEO

The office of Chair is held by Warwick Morris, an Independent Director. The Company follows Recommendation 2.2.

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

The role of Chief Executive Officer is performed by the Managing Director, Julian Ford. Mr Ford was appointed to the role of Managing Director in January 2012, having previously held the position of CEO since June 2011. The Managing Director is responsible and accountable to the Board for the Company's management.

The Company follows Recommendation 2.3. The role of the Chair and the CEO is not exercised by the same person.

Board Nominations

Given the nature of the Company the Board has not established a Nomination Committee. The Company does not follow Recommendation 2.4. However, the Board has taken the responsibilities of such a committee and considers nominations for the appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution.

STATEMENT OF CORPORATE GOVERNANCE

Performance Review and Evaluation

The Company has established a Remuneration Committee consisting of the two Non-Executive Directors. The roles were performed by Warwick Morris and Jocelyn Waller respectively. Details of these Directors' qualifications and attendance at Remuneration Committee meetings are set out in the Directors' Report.

Subject to the Companies Act, the ASX Listing Rules and the Company's Articles of Association the aggregate annual remuneration of Directors must not exceed £1,000,000. The determination of Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Director.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

The Remuneration Committee advises the Board on remuneration policies and practices generally, reviews and makes specific recommendations on the remuneration packages and other terms of employment of its Directors and senior executives and makes recommendations to the Board with respect to the following:

- Executive remuneration and incentive policy.
- The remuneration of the Managing Director and any other executive Directors, the Company Secretary and all senior executives reporting directly to the Managing Director.
- An executive incentive plan and an equity based incentive plan.
- The remuneration of Non-Executive Directors.
- Superannuation arrangements.
- Recruitment, retention, performance measurement and termination policies and procedures for Non-Executive Directors, the Managing Director and any other executive Directors, the Company Secretary and all senior executives reporting directly to the Managing Director.
- The disclosure of remuneration in the Company's public materials including ASX filings and the Annual Report.

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 in the Directors' Report. The Remuneration Report outlines the Group's remuneration policy, remuneration structure and amounts paid to Directors and senior executives.

The Company follows Recommendation 2.5 and 2.6 by disclosing the process for evaluating the performance of the Board, and following the disclosure recommendations indicated in the guide to reporting on Principle 2.

Access to Information

Each Director has access to Board papers and all relevant documentation.

Skills Knowledge and Experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and, director-level business or corporate experience required by the Company.

Professional Advice

Board members with the approval of the Chairman may seek from time to time external professional advice.

Period of Office held by each Director

- Jocelyn Waller since April 2006.
- Warwick Morris since March 2008.
- Adi Sjoekri since March 2011.
- Julian Ford since January 2012.

Meetings of the Remuneration and Nomination Committee

Details of the number of meetings of the Remuneration Committee and committee members attendance at those meeting is set out in the Director's reports. As previously disclosed the Company has not established a Nomination Committee.

STATEMENT OF CORPORATE GOVERNANCE

Principle 3 - Promote Ethical and Responsible Decision Making

Code of Conduct and Ethical Standards

The Company has adopted Recommendation 3.1 by establishing a code of conduct policy that guides compliance with all levels of legal and other obligations to stakeholders. The Code is focused on ensuring that all Directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company. A copy of the Company's code of conduct can be seen on the Company's website.

The Code of Conduct outlines:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- the following paragraphs described acceptable practices for directors, senior executives and employees.

Access to Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

Share Dealings and Disclosures

The Company has adopted a policy relating to the trading of Company securities. The Board restricts directors, executives and employees from acting on material information until it has been released to the market. Restricted persons are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies in which the Company has a relationship.

Share trading by directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Restricted Persons can only trade the Company's securities during specific trading windows. All periods outside the specific trading windows are closed periods where Restricted Persons are prohibited from trading in the Company's securities unless in special circumstances and with the approval of the Chairman.

Trading windows are the 60 days from the first trading day after each of the following:

- the day half year results are announced;
- the day full year results are announced; and
- the day of the Annual General Meeting.

Conflict of Interest

To ensure that Directors are at all times acting in the best interests of the Company, Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates. At the commencement of each Board Meeting each Director must disclose the details of any conflict of interest or potential conflict of interest of which he is aware.

Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. The Company also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

STATEMENT OF CORPORATE GOVERNANCE

At the commencement of each Board Meeting each Director must disclose the details of any related party transaction that has taken place since the previous Board Meeting.

Board Diversity

Given the small size of the Company, Recommendations 3.2, 3.3, 3.4 and 3.5 were not adopted for the year ended 31 December 2012 as the Company has not set a policy concerning diversity. However, the Company's Board does take into account the gender, age, ethnicity and cultural background of potential Board members.

Publicly Available Information

The Company makes publicly available information on the Company's website, **www.sumatracoppergold.com**, the Code of Conduct and the Securities Trading Policy under the corporate governance section.

Principle 4 - Safeguard Integrity in Financial Reporting

Audit Committee

The Company has followed Recommendation 4.1 and has an Audit Committee. The Audit Committee consists of Jocelyn Waller has taken his place as Chairman of the Audit Committee and Warwick Morris has joined the Audit Committee.

The Company has followed Recommendation 4.2 to the extent that the Audit Committee consists of only Non-Executive Directors and the Chairperson is not the Chairperson of the Board. However Recommendation 4.2 has not been followed in that the Committee is made up of only two members which the Company believes is sufficient given the current size of the Company. In addition, following Jocelyn Waller's appointment as Chairperson, the Committee is no longer chaired by an independent Chairperson, nor is it made up of a majority of independent directors. Again the Board do not believe this is necessary given the current size of the Company.

Details of these Directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report.

The Audit Committee has a documented charter, approved by the Board.

The Audit Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. The Audit Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industry in which the Group operates.

The Managing Director and CFO state in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 December 2012 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The Audit Committee reviews the performance of the external auditors on an annual basis and members of the Audit Committee normally meet with them during the year to:

- Discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed.
- Review the half year and preliminary final reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results.
- Review the draft annual and half year financial reports, and recommend Board approval of the financial reports.
- Review the results and findings of the audit, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made.

STATEMENT OF CORPORATE GOVERNANCE

Principle 5 - Make Timely and Balanced Disclosure

The Company has adopted Recommendation 5.1 by putting in place a continuous Disclosure Policy.

Continuous Disclosure to the ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. Accordingly the Company will notify the ASX promptly of information:

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The Company has adopted Recommendation 5.2 by making publicly available on its website a summary of the Continuous Disclosure Policy.

Principle 6 - Respect the Rights of Shareholders

Communications

The Company has adopted Recommendation 6.1 by establishing a formal Shareholders' Communication Policy that has been in place for this reporting period and made publicly available on the Company's website.

The information indicated in Recommendation 6.2 is adopted by the Company and described below.

Communication to the Market and Shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs and has adopted a Shareholder Communication Policy. The Policy provides that information will be communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly Directors' report and financial statements;
- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website, **www.sumatracoppergold.com**, and on the ASX website, **www.asx.com.au**, under ASX code 'SUM'.

Principle 7 - Recognise and Manage Risk

The Board is responsible for identifying, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

Due to the size of the Company, Recommendation 7.2 has not been adopted. The risk management functions and oversight of material business risks are performed directly by the Board and not by management.

Internal Control and Risk Management

The primary vehicle for managing corporate risks is the Board. The Board reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels.

The Company ensures that appropriate insurance policies are kept current to cover potential risks and maintains Directors' and Officers' professional indemnity insurance.

Internal Audit Function

The Company does not have a formal internal audit function, with the Board carrying out tasks that would be part of such a function. The Company does not have an internal audit department nor has an internal auditor. The size of the Company does not warrant the need or the cost of appointing an internal auditor.

STATEMENT OF CORPORATE GOVERNANCE

CEO and CFO Declarations

The Company has adopted and complied with Recommendation 7.3.

The Board has determined that the Managing Director and the CFO/Company Secretary are the appropriate persons to make the CEO and CFO declarations in respect of the year ended 31 December 2012, as required under section 295A of the Corporations Act and recommended by the ASX Corporate Governance Council. The Board is also satisfied that the internal control system is operating effectively in all material respects.

The Company has adopted and complied with Recommendation 7.4 as follows:

- the Board has received the declarations from the CEO and CFO/Company Secretary;
- the Company does not have a written policy on risks oversight management because the number of people engaged in the Company's operations is minimal; and
- all directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors, subject to prior consultation with the Chairman.

Principle 8 - Remunerate Fairly and Responsibly

Remuneration Committee

The Company has followed Recommendation 8.1 and established a Remuneration Committee and Recommendation 8.2 by structuring the Committee so that it is made up of Independent Directors and an Independent Chair. However the Company does not follow Recommendation 8.2 in that the Remuneration Committee consists of only two members which the Company believes is sufficient given the current size of the Company. The Audit Committee consists of Warwick Morris as Chairman and Jocelyn Waller. Details of these Directors' qualifications and attendance at Remuneration Committee meetings are set out in the Directors' Report.

Subject to the Companies Act, the ASX Listing Rules and the Company's Articles of Association the aggregate annual remuneration of Directors must not exceed £1,000,000. The determination of Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Director.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

The Remuneration Committee advises the Board on remuneration policies and practices generally, reviews and makes specific recommendations on the remuneration packages and other terms of employment of its Directors and senior executives and makes recommendations to the Board with respect to the following:

- Executive remuneration and incentive policy.
- The remuneration of the Managing Director and any other executive Directors, the Company Secretary and all senior executives reporting directly to the Managing Director.
- An executive incentive plan and an equity based incentive plan.
- The remuneration of Non-Executive Directors.
- Superannuation arrangements.
- Recruitment, retention, performance measurement and termination policies and procedures for Non-Executive Directors, the Managing Director and any other executive Directors, the Company Secretary and all senior executives reporting directly to the Managing Director.
- The disclosure of remuneration in the Company's public materials including ASX filings and the Annual Report.

The Company has adopted Recommendation 8.4 as follows:

- the Company discloses the name of all Directors of the Board within its Directors' Reports - no meetings were held independently for a remuneration committee during the financial year ended 31 December 2012;
- the Company does not provide any schemes for retirement benefits other than superannuation; and
- the Company does not have a Remuneration Committee Charter publicly available on the Company's website.

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 of the Company and Group are:

	Year	Primary fees £	Fair value of options £	Total £	Options as % of remuneration
Executive Directors					
Julian Ford (appointed 30 January 2012)	**2012**	**253,710**	**43,796**	**297,506**	**14.7%**
Adi Adriansyah Sjoekri (appointed 30 March 2011)	**2012**	**172,040**	**19,281**	**191,321**	**10.1%**
	2011*	123,478	-	123,478	-
Non-Executive Directors					
Warwick Morris (Chairman)	**2012**	**51,044**	**-**	**51,044**	**-**
	2011	48,079	141,404	189,483	74.6%
Jocelyn Waller (resigned as Managing Director 31 May 2011)	**2012**	**28,554**	**-**	**28,554**	**-**
	2011	142,805	-	142,805	-
Lord Daresbury (resigned 30 March 2011)	2011*	5,600	-	5,600	-
Peter Nightingale (resigned 15 August 2012)	**2012***	**36,277**	**-**	**36,277**	**-**
	2011	58,309	28,281	86,590	32.7%
Dr Michael Price (resigned 30 January 2012)	**2012***	**1,867**	**-**	**1,867**	**-**
	2011	22,400	-	22,400	-
Total, all specified Directors	**2012**	**543,492**	**63,077**	**606,569**	**10.4%**
	2011	400,671	169,685	570,356	29.8%

* The amounts paid to Lord Daresbury, Peter Nightingale, Adi Sjoekri and Dr Michael Price represent amounts paid until/from the date of their resignation/appointment to the Board.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2012.

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:

"The Group is currently moving from explorer to producer."

Mr Warwick George Morris

BSc (Hons), MSc, MAusIMM

Independent and Non-Executive Chairman

Chairman of the Remuneration Committee, Member of the Audit Committee

Warwick Morris is an Australian national who was appointed to the Board of the Company in March 2008 and shortly afterwards took over as Chairman. Mr Morris graduated from Sydney University with a degree in Geology and a Master of Science in Geochemistry Research. He is a member of the Australasian Institute of Mining and Metallurgy and has more than 30 years' experience in the resources industry.

Mr Morris has most recently served as an executive director of Macquarie Bank Limited ('Macquarie'), where he has been both Chairman of the Metals and Energy Capital Division and head of Metals and Mining. In addition, he was co-founder of the Macquarie Energy Capital business, centred in Houston USA. Mr Morris has also held a directorship with Wine Planet Holdings Ltd, and was, before joining Macquarie, manager of the Mining Division of Minproc Engineers in Perth where he was responsible for managing feasibility studies into numerous gold mining projects around the world.

DIRECTORS' REPORT

Mr Julian Ford

BSc(Eng), BCom, Grad Dip (Bus. Mgt)

Managing Director - appointed 30 January 2012.

Member of the Remuneration Committee

Julian Ford is an experienced mining professional with a career spanning more than 25 years within the global resources industry. He has held senior positions within several major resource companies including Alcoa, British Gas London and Western Metals Limited and co-founded copper and gold focused exploration and development company Zambezi Resources Ltd in 2004.

Mr Ford holds a degree in Chemical Engineering from the University of Natal, a Bachelor of Commerce from the University of South Africa and a Graduate Diploma in Business Management from the University of Western Australia.

Mr Adi Adriansyah Sjoekri

BSc, MSc, MBA (Management)

Executive Director

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.

DIRECTORS' REPORT

Mr Jocelyn Severyn de Warrenne Waller

MA (Hons) (Cantab)

Non-Executive Director

Chairman of the Audit Committee, Member of the Remuneration 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.

Mrs Alison Barr

LLB (Lond)

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.

DIRECTORS' REPORT

"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."

Mr Graeme Smith

BEc, MBA, MComLaw, FCPA, FCIS, FCSA, MAusIMM

CFO and Company Secretary

Graeme Smith is a finance professional with over 25 years' experience in accounting and company administration. Graeme graduated from Macquarie University with a Bachelor of Economics and has since received a Master of Business Administration and a Master of Commercial Law.

Graeme is a fellow of both the Australian Society of Certified Practicing Accountants and the Chartered Institute of Secretaries and Administrators.

Graeme has held CFO and Company Secretary positions with Top 10 Australian and overseas mining companies.

Peter James Nightingale

BEc, CA

Independent and Non-Executive Director

Resigned 15 August 2012.

Dr Michael Allan Price

CEng, FEANI, BSc, PhD (Mining Engineering)

Independent and Non-Executive Director

Resigned 30 January 2012.

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 are:

	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Warwick Morris	8	7	3	3	2	2
Julian Ford	8	8	-	-	2	2
Adi Sjoekri	8	8	-	-	-	-
Jocelyn Waller	8	8	3	3	2	2
Peter Nightingale	4	4	-	-	-	-
Dr. Michael Price	1	1	-	-	-	-

Directors' Interests

At 31 December 2012, the beneficial interests of each Director of the Company in the issued share capital of the Company are:

Specified Directors	Held at 1 January 2012	Purchased	Sold	Exercise of Options	Held at 31 December 2012
Warwick Morris	7,243,328	-	-	-	7,243,328
Julian Ford	-	-	-	-	-
Adi Sjoekri	4,724,000	250,000	-	-	4,974,000
Jocelyn Waller	4,922,348	-	3,055,937	-	1,866,411
Peter Nightingale	1,235,000	-	-	-	1,235,000^
Dr. Michael Price	80,000	-	-	-	80,000*

* Number of shares held at date of resignation as Director on 30 January 2012.

^ Number of shares held at date of resignation as Director on 15 August 2012.

DIRECTORS' REPORT

Option Holdings

Options Granted to Directors

At 31 December 2012, 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 2012	Granted	Modified/ Lapsed	Exercised	Held at 31 December 2012	Exercise Price	Expiry Date
Warwick Morris	500,000	-	-	-	500,000	A$0.25	26/10/2014
	2,000,000	-	-	-	2,000,000	A$0.35	26/10/2014
	2,500,000	-	-	-	2,500,000		
Julian Ford	2,500,000*	-	-	-	2,500,000	A$0.35	26/10/2014
	2,500,000*	-	-	-	2,500,000	A$1.00	26/10/2014
	-	2,000,000	-	-	2,000,000	A$0.25	14/06/2017
	-	2,500,000	-	-	2,500,000	A$0.50	01/06/2016
	5,000,000	4,500,000	-	-	9,500,000		
Adi Sjoekri	500,000	-	-	-	500,000	A$0.25	26/10/2014
	-	1,000,000	-	-	1,000,000	A$0.25	14/06/2017
	500,000	1,000,000	-	-	1,500,000		
Jocelyn Waller	2,500,000	-	-	-	2,500,000	A$0.20	26/10/2014
	500,000	-	-	-	500,000	A$0.25	26/10/2014
	3,000,000	-	-	-	3,000,000		
Peter Nightingale	400,000	-	-	-	400,000*	A$0.35	26/10/2014
Dr Michael Price	750,000	-	-	-	750,000*	A$0.20	26/10/2014
	250,000	-	-	-	250,000*	A$0.25	26/10/2014
	1,000,000	-	-	-	1,000,000*		

* Number held at the date of appointment/resignation as Director.

Subsequent to year end no options have been granted to Directors.

DIRECTORS' REPORT

Unissued Shares Under Option

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

Number of options	Exercise price	Expiry date
31,250,000	A$0.16	27 March 2014
6,250,000	A$0.20	18 June 2013
750,661	A$0.20	25 August 2013
750,661	A$0.20	7 September 2013
3,530,000	A$0.20	26 October 2014
3,800,000	A$0.25	26 October 2014
3,500,000	A$0.25	14 June 2017
5,050,000	A$0.35	26 October 2014
2,500,000	A$0.50	1 June 2016
2,500,000	A$1.00	1 June 2016
59,881,322		

Details of options issued by the Company are set out in the capital and reserves note to the financial report. 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.

Indemnification of Officers and Auditors

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.

DIRECTORS' REPORT

Non-audit Services

During the year PricewaterhouseCoopers LLP, the Company's auditor, 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 auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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 auditor of the Company, PricewaterhouseCoopers LLP, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2012	2011
	£	£
Statutory audit:		
Auditors of the Company		
- audit and review of financial reports	44,007	63,634
	44,007	63,634
Services other than statutory audit:		
Other services		
- other services	22,926	23,720
	22,926	23,720

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), Sontang and Tandai (where it has a joint venture) 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 Review of Operations.

DIRECTORS' REPORT

Key Performance Indicators

The Group is currently involved in exploration and evaluation of its gold/silver projects. Therefore the Directors believe that there are no key performance indicators that can be used to assess the performance of the last financial period. On an ongoing basis the Directors monitor the operating cash outflows and cash balances and JORC code compliant status of projects (see Review of Operations for further information). The operating cash outflow for 2012 was £2,208,079 (2011: £1,126,906) and year end cash balance was £4,831,979 (2011: £1,569,562).

Results and Dividends

The Group's loss for the financial period was £2,751,840 (2011: loss of £3,475,512). The Directors do not propose the payment of a dividend for the period (2011: £nil), and the loss of £2,751,840 has been deducted from reserves (2011: loss of £3,475,512).

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 2012. 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 invoice. The Company had creditor days of 8 at the end of the year (2011: 55 days).

Employee Policy

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

Events since the Balance Sheet Date

On 12 March 2013, the Group repaid the A$5 million debt finance facility with Macquarie Bank Limited.

On 22 February 2013 the Group announced it had secured a placement of 38 million CDI's at an issue price of A$0.22 each to raise A$8.36 million. This placement was completed on 12 March 2013.

On 21 February 2013, the Group announced that it had received credit approval for US$35 million of project finance.

Corporate Governance

A statement on Corporate Governance is set out on pages 47 to 53.

Going Concern

In considering the appropriate basis on which to prepare the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future. At 31 December 2012, the Group had cash and cash equivalents of £4,831,979. The directors have prepared detailed cash flow forecasts for the period to 31 December 2014, which show that the Group has sufficient working capital for the forecast period. The cash flow forecast includes funding being received from share issues, or other sources, following the anticipated granting of the permits required to progress to production at the Group's Tembang Project. At the time of approving the financial statements, such funding is not committed.

DIRECTORS' REPORT

The Directors have a reasonable expectation that the Group will be able to raise the required funds following the anticipated grant of the required permits or if required, funds could be raised in advance of such permits being granted to provide working capital for the Group. However the lack of committed funds indicates the existence of material uncertainty 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.

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 Report.

Share Capital and Share Options

Details of changes in share capital and details of share options are given in Note 19.

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 in the Directors' Report.

Financial Risk Management

See Note 21 for details on financial risk management.

Principal Risks and Uncertainties

With the exception of the Tembang Project which has Reserves and 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.

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.

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 needs to appropriately consider the needs of these communities and land users and suitable land use compensation arrangements have to be entered into.
The projects are carried out under Indonesian local legislation, which is subject to change from time to time.

DIRECTORS' REPORT

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the 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 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.

By order of the Board

Julian Ford
Managing Director
29 March 2013

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

We have audited the Group financial statements of Sumatra Copper & Gold plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 66, 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). 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.

Scope of the Audit of the Financial Statements

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with 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 Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 concerning the Group's ability to continue as a going concern. In order to continue operations for the next 12 months the Group needs to secure further finance which is not currently committed. This condition indicates the existence of a material uncertainty which may cast significant doubt as to 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SUMATRA COPPER & GOLD PLC

Opinion on Other Matter Prescribed by the Companies Act 2006

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

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other Matter

We have reported separately on the parent company financial statements of Sumatra Copper & Gold plc for the year ended 31 December 2012. That report includes an emphasis of matter.

Stuart Newman

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

29 March 2013

SUMATRA
COPPER & GOLD

AN EMERGING GOLD AND SILVER PRODUCER

2012
FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Continuing operations			
General administrative expenses - before impairment		(2,623,050)	(2,073,722)
Provision for impairment	12	(171,922)	(1,533,108)
General administrative expenses - after impairment		(2,794,972)	(3,606,830)
Other operating income	4	171,359	216,889
Operating loss		(2,623,613)	(3,389,941)
Financial income	8	63,560	81,995
Financial costs	9	(780,810)	(68,201)
Net financing (costs)/income		(717,250)	13,794
Loss arising on reclassification of subsidiary to associate		-	(547,721)
Gain realised on further investment by majority shareholder in associate	13	572,543	467,660
Share of profit/(loss) in associate	13	16,480	(19,304)
Loss before income tax	5	(2,751,840)	(3,475,512)
Income tax	10	-	-
Loss for the year		(2,751,840)	(3,475,512)
Other comprehensive loss			
Foreign exchange translation differences		(1,184,431)	(89,620)
Total comprehensive loss for the year		(3,936,271)	(3,565,132)
Attributable to:			
Owners of the parent		(3,936,271)	(3,565,178)
Non-controlling interest		-	46
Total comprehensive loss for the year		(3,936,271)	(3,565,132)
Loss per share attributable to owners of the parent company - basic and diluted (pence per share)	11	(1.4)	(2.1)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

Registered Number 5777015

	Notes	31 December 2012 £	31 December 2011 £
ASSETS			
Non-current assets			
Property, plant and equipment	14	112,511	126,877
Exploration and evaluation costs	12	15,898,146	13,362,814
Investment in equity accounted associate	13	1,738,729	1,149,187
		17,749,386	14,638,878
Current assets			
Prepayments and other receivables	15	476,860	411,952
Loan to associate		70,411	41,448
Cash and cash equivalents	16	4,831,979	1,569,562
		5,379,250	2,022,962
TOTAL ASSETS		23,128,636	16,661,840
LIABILITIES & EQUITY			
Current liabilities			
Trade and other payables	17	1,594,179	1,508,238
Borrowings	18	3,312,414	-
Total liabilities		4,906,593	1,508,238
Equity attributable to owners of the parent			
Ordinary shares	19	2,586,217	1,906,217
Share premium account	19	18,801,085	13,396,897
Other reserves		(183,275)	373,749
Retained earnings		(2,981,984)	(523,261)
Total equity		18,222,043	15,153,602
TOTAL LIABILITIES & EQUITY		23,128,636	16,661,840

The financial statements on pages 71 to 96 were authorised for issue by the Board of Directors on 29 March 2013 and were signed on its behalf by:

Julian Ford
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Share premium account	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
Balance as at 1 January 2011	1,539,142	9,800,922	463,415	3,683,745	15,487,224	10,796	15,498,020
Comprehensive loss							
Loss for the year	-	-	-	(3,475,512)	(3,475,512)	-	(3,475,512)
Other comprehensive income							
Currency translation	-	-	(89,666)	-	(89,666)	46	(89,620)
Total comprehensive (loss)/income	-	-	(89,666)	(3,475,512)	(3,565,178)	46	(3,565,132)
Issue of shares	329,075	3,146,409	-	-	3,475,484	-	3,475,484
Issue costs	-	(193,099)	-	-	(193,099)	-	(193,099)
Share option charge	-	-	-	117,198	117,198	-	117,198
Total contributions by and distributions to owners	329,075	2,953,310	-	117,198	3,399,583	-	3,399,583
Acquisition of non-controlling interest	38,000	642,665	-	(848,692)	(168,027)	(10,842)	(178,869)
Total transactions with owners	367,075	3,595,975	-	(731,494)	3,231,556	(10,842)	3,220,714
At 31 December 2011	1,906,217	13,396,897	373,749	(523,261)	15,153,602	-	15,153,602
Balance as at 1 January 2012	1,906,217	13,396,897	373,749	(523,261)	15,153,602	-	15,153,602
Comprehensive loss							
Loss for the year	-	-	-	(2,751,840)	(2,751,840)	-	(2,751,840)
Other comprehensive loss							
Currency translation	-	-	(1,184,431)	-	(1,184,431)	-	(1,184,431)
Total comprehensive loss	-	-	(1,184,431)	(2,751,840)	(3,936,271)	-	(3,936,271)
Issue of shares	680,000	5,404,188	-	-	6,084,188	-	6,084,188
Value of conversion rights on convertible loan	-	-	627,407	-	627,407	-	627,407
Share option charge	-	-	-	293,117	293,117	-	293,117
Total contributions by and distributions to owners	680,000	5,404,188	627,407	293,117	7,004,712	-	7,004,712
Total transactions with owners	680,000	5,404,188	627,407	293,117	7,004,712	-	7,004,712
At 31 December 2012	2,586,217	18,801,085	(183,275)	(2,981,984)	18,222,043	-	18,222,043

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Cash flows from operating activities			
Cash used in operations	23	(2,207,670)	(1,126,906)
Interest paid		(409)	-
Net cash flow used in operating activities		(2,208,079)	(1,126,906)
Cash flows from investing activities			
Purchase of property, plant and equipment		(46,154)	(98,427)
Payments for exploration and evaluation		(3,761,555)	(4,482,692)
Payments for purchase of equity investments		-	(178,869)
Loan to associate		(28,963)	(124,741)
Loans repaid by associate		-	318,874
Overdraft disposed of when a subsidiary was reclassified as an associate		-	18,222
Interest received		63,560	81,995
Net cash flow used in investing activities		(3,773,112)	(4,465,638)
Cash flows from financing activities			
Proceeds from issue of share capital		6,084,188	3,475,484
Share issue costs		-	(193,099)
Proceeds from borrowings		3,245,500	-
Net cash inflow from financing activities		9,329,688	3,282,385
Increase/(Decrease) in cash and cash equivalents		3,348,497	(2,310,159)
Cash and cash equivalents at beginning of year		1,569,562	4,247,841
Foreign exchange loss on cash and cash equivalents		(86,080)	(368,120)
Cash and cash equivalents at end of year	16	4,831,979	1,569,562

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. General Information

Sumatra Copper & Gold plc's (the 'Company') registered number 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. The Company's shares are traded in the form of CHESS Depositary Interests on the Australian Securities Exchange.

The Company acts as the parent company of the Group.

The Company's registered address is 39 Parkside, Cambridge CB1 1PN United Kingdom.

2. Principal Accounting Policies

Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') (including interpretations) as adopted by the European Union and comply with the Companies Act 2006. The principal accounting policies have been applied consistently throughout the year.

Going concern

In considering the appropriate basis on which to prepare the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future. At 31 December 2012, the Group had cash and cash equivalents of £4,831,979. The directors have prepared detailed cash flow forecasts for the period to 31 December 2014, which show that the Group has sufficient working capital for the forecast period. The cash flow forecast includes funding being received from share issues, or other sources, following the anticipated granting of the permits required to progress to production at the Group's Tembang Project. At the time of approving the financial statements, such funding is not committed.

The Directors have a reasonable expectation that the Group will be able to raise the required funds following the anticipated grant of the required permits or if required, funds could be raised in advance of such permits being granted to provide working capital for the Group. However the lack of committed funds indicates the existence of material uncertainty 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.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(b) New standards 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 2012, 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:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2. Principal Accounting Policies (CONT.)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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 Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

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.

Basis of consolidation

The Group financial statements include and consolidate the financial statements of Sumatra Copper & Gold plc and each of its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Significant accounting judgements, estimates and assumptions

Estimates and judgements

In the process of applying the Group's accounting policies, management makes various judgements and estimations that can significantly affect the amounts recognised in the financial statements. Estimates and judgements are evaluated using historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are the assumptions used in determining the capitalisation of exploration and evaluation expenditure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. Principal Accounting Policies (CONT.)

Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recovered by future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether economically viable extraction operations can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is written off to the statement of comprehensive income.

Carried forward exploration and evaluation expenditures are disclosed in Note 12 and relate to the capitalisation of expenditure costs from activities in Indonesia.

Convertible debt interest rate

In March 2012, the Company entered into a A$5 million convertible debt facility with Macquarie Bank Limited. In consideration for the facility, Macquarie was issued with 31,250,000 2 year Options with an exercise price of A$0.16 each. As a convertible debt facility, the principal to be repaid ($5 million) is split between debt and equity in the financial statements with the amount of equity determined by reference to an equivalent interest rate to be paid to Macquarie if the options were not issued. Using the Black-Scholes option valuation model an equivalent option free interest rate of 40.7% has been calculated and this has been used in determining the allocation between debt and equity.

Summary of significant accounting policies

Foreign currency translation

Functional and presentation currency

The financial statements are presented in GB Pounds, which is the Group's presentation currency, and the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the 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 income statement, except where financing of a foreign subsidiary through long-term loans is intended to be as permanent as equity. Such balances are treated as part of the net investment and any exchange differences are recorded in reserves. 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.

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 recognised in the statement of comprehensive income in the period in which the operation is disposed.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. Principal Accounting Policies (CONT.)

Exploration and evaluation costs

Exploration and evaluation costs 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.

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.

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 income statement, 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.

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 income statement.

Financial instruments

Financial instruments are classified as either loans and receivables as appropriate. Financial instruments are initially recognised at cost on the trade date, which includes directly attributable transaction costs. The Company determines the classification of its financial instruments after initial recognition and measurement following initial recognition is set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes 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.

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 subsequent to initial recognition except on conversion or expiry.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2. Principal Accounting Policies (CONT.)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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.

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.

Employee benefits

The Group contributes to defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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 no post-retirement benefits or significant other benefits requiring accrual.

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.

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.

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.

Current tax

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2. Principal Accounting Policies (CONT.)

Share based payments

The Group issues equity-settled share-based payments to its Employees and to selected 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 income statement, 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.

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.

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 steering committee that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3. 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 steering committee that makes strategic decisions. For the Group, internal reporting is based on the Group's two geographical markets: Australia and Indonesia (2011: three geographical markets: Australia, Indonesia and the United Kingdom). 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 is set out below. Group revenue for the year to 31 December 2012 was £nil (2011: £nil). Accordingly no segment revenue has been provided.

2012:	Australia	Indonesia	Total
	£	£	£
Operating loss	(2,448,441)	(175,172)	(2,623,613)
Gain on investment in associate		572,543	572,543
Share of profit in associate		16,480	16,480
Net financial costs			(717,250)
Loss before tax			(2,751,840)
Non-current assets	11,361	17,738,025	17,749,386
Segment assets	4,743,681	18,384,955	23,128,636
Segment liabilities	3,477,622	1,428,971	4,906,593

2011:	Australia	Indonesia	United Kingdom	Total
	£	£	£	£
Operating loss	(914,791)	(1,895,561)	(579,589)	(3,389,941)
Loss arising on reclassification of subsidiary to associate		(547,721)		(547,721)
Gain on investment in associate		467,660		467,660
Share of loss in associate		(19,304)		(19,304)
Net financial income				13,794
Loss before tax				(3,475,512)
Non-current assets	4,886	14,631,912	2,080	14,638,878
Segment assets	1,288,638	15,348,854	24,348	16,661,840
Segment liabilities	179,227	1,285,113	43,898	1,508,238

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

4. Other Operating Income

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Management fee	171,359	216,889
	171,359	216,889

The management fee relates to amounts received by the Group from PT Bengkulu Utara Gold, in which the Group now holds a 30% interest, for the management of the Tandai Project.

5. Loss on Ordinary Activities Before Taxation

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
This has been arrived at after charging the following:		
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	50,000	48,000
Fees payable to the Company's auditor and its associates for the audit of financial statements of any associate of the Company	59,995	55,643
Fees payable to the Company's auditor and its associates for tax advisory services	22,926	18,323
Directors' remuneration	543,492	400,671
Foreign exchange losses	42,030	68,201
Other payroll and related expenses	519,547	1,343,806
Share option costs	293,117	117,198
Legal and professional fees	64,902	142,361
Depreciation	47,147	62,967

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

6. Directors' Emoluments and Interests

The Directors' remuneration for the year ended 31 December 2012:

	Total £
Warwick Morris	51,044
Julian Ford	253,710
Adi Sjoekri	172,040
Jocelyn Waller	28,554
Peter Nightingale	36,277
Michael Price	1,867
	543,492

The Directors' remuneration for the year ended 31 December 2011:

	Total £
Warwick Morris	48,079
Jocelyn Waller	142,805
Lord Daresbury	5,600
Peter Nightingale	58,309
Michael Price	22,400
Adi Sjoekri	123,478
	400,671

Remuneration paid to Julian Ford, who was appointed CEO on 1 June 2011, but was not appointed to the Board of Directors until January 2012, totalled £101,246 for the 2011 year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

6. Directors' Emoluments and Interests (CONT.)

The interests of the Directors in the Company's share option scheme were as follows:

	At 31 December 2011	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2012	Exercise price
	Number	Number	Number	Number	Number	A$
Warwick Morris	500,000	-	-	-	500,000	0.25
	2,000,000	-	-	-	2,000,000	0.35
Julian Ford	2,500,000*	-	-	-	2,500,000	0.35
	2,500,000*	-	-	-	2,500,000	1.00
	-	2,000,000	-	-	2,000,000	0.25
	-	2,500,000	-	-	2,500,000	0.50
Peter Nightingale	400,000	-	-	-	400,000*	0.35
Michael Price	750,000	-	-	-	750,000*	0.20
	250,000	-	-	-	250,000*	0.25
Adi Sjoekri	500,000	-	-	-	500,000	0.25
	-	1,000,000	-	-	1,000,000	0.25
Jocelyn Waller	2,500,000	-	-	-	2,500,000	0.20
	500,000	-	-	-	500,000	0.25
	12,400,000	5,500,000	-	-	17,900,000	

* Number held at date of appointment/resignation as Director

	At 31 December 2010	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2011	Exercise price
	Number	Number	Number	Number	Number	A$
Warwick Morris	2,200,000	-	-	(2,200,000)	-	0.20
	500,000	-	-	-	500,000	0.25
	-	2,000,000	-	-	2,000,000	0.35
Lord Daresbury	1,500,000	-	(1,500,000)	-	-	0.20
	250,000	-	(250,000)	-	-	0.25
Peter Nightingale	-	400,000	-	-	400,000	0.35
Michael Price	750,000	-	-	-	750,000	0.20
	250,000	-	-	-	250,000	0.25
Adi Sjoekri	500,000*	-	-	-	500,000*	0.25
Jocelyn Waller	2,500,000	-	-	-	2,500,000	0.20
	500,000	-	-	-	500,000	0.25
	8,950,000	2,400,000	(1,750,000)	(2,200,000)	7,400,000	

* Number held at date of appointment as Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

7. Employee Information

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

	Year ended 31 December 2012 Number	Year ended 31 December 2011 Number
By activity		
Administration	30	73
Exploration and evaluation	109	110
	139	183

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Wages and salaries	1,635,896	1,305,521
Share option compensation	293,117	117,198
Social security costs	88,576	38,285
	2,017,589	1,461,004

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Directors. For 2012 the key management personnel were the Directors only.

Key management costs

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Staff costs (for the above persons)		
Wages and salaries	528,917	501,917
Share option compensation charge	63,077	256,646*
Social security costs	14,575	35,803
	606,569	794,366

* Charge higher than total charge due to a number of options held by non-key management lapsing during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

8. Financial Income

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Bank interest income	63,560	81,995
	63,560	81,995

9. Financial Costs

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Exchange loss	42,030	68,201
Bank interest expense	409	-
Interest on convertible loan	249,187	-
Accretion expense on convertible loan	489,184	-
	780,810	68,201

10. Income Tax

(a) Analysis of charges for the year

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Current tax:		
UK corporation tax on profits for the period	-	-
Income tax	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

10. Income Tax (CONT.)

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

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

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Loss before income tax:	(2,751,840)	(3,475,512)
Tax calculated at domestic tax rates applicable to profits in the respective countries - UK 21% (2011: 21%)	(577,886)	(729,858)
Tax effect of:		
Expenses not deductible for tax purposes	116,358	13,534
Difference in Indonesian tax rate	(86,357)	(89,043)
Losses carried forward not recognised	547,885	805,367
Income tax	-	-

(c) Deferred tax

At 31 December 2012, the Group had potential and unrecognised deferred tax assets as follows:

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Tax effect of temporary differences because of:		
Tax losses carried forward not recognised	2,152,950	1,569,079
	2,152,950	1,569,079

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

11. Loss Per Share

Loss per share calculation is:

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Loss attributable to equity holders	(2,751,840)	(3,475,512)
Weighted average number of shares	200,621,681	167,313,544
Loss per share - basic	(0.0137)	(0.0208)
Loss per share - diluted	(0.0137)	(0.0208)

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.

12. Exploration and Evaluation Costs

	£
Cost:	
At 1 January 2011	11,756,894
Additions	4,509,594
Exchange movements	86,502
Disposed of when PT BUG was reclassified as an associate	(1,457,068)
Impairment provision	(1,533,108)
At 31 December 2011	13,362,814
Additions	3,589,668
Exchange movements*	(882,414)
Impairment provision	(171,922)
At 31 December 2012	15,898,146

* Exchange movements relate to the translation of Indonesian Rupiah denominated balances into the Group's presentational currency. The loss has been taken to other comprehensive income.

During the year ended 31 December 2012 the Directors wrote off the carrying value of exploration and evaluation costs totalling £171,922. These costs were associated with the Company's Jambi, Madina 1, Madina 2 and Musi Rawas projects as the Directors determined that whilst further exploration was on-going at each of these projects there did not exist at present enough significant mineralisation targets or drilling results to warrant the carry forward of exploration and evaluation costs at these projects.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

13. Investment in Equity Accounted Associate

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Opening balance on 1 January	1,149,187	-
Arising on partial disposal of subsidiary	-	700,417
Gain realised on further investment by majority shareholder	572,543	467,660
Foreign exchange gain	519	414
Share of profit/(loss) in associate	16,480	(19,304)
Closing balance on 31 December	1,738,729	1,149,187

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 £	Profit/ (Loss) £	% Interest held
31 December 2012:						
PT Bengkulu Utara Gold	Indonesia	1,853,643	114,914	7,871	16,480	30
31 December 2011:						
PT Bengkulu Utara Gold	Indonesia	1,248,215	99,028	-	(19,304)	30

In March 2011 the Company completed joint venture arrangements with Newcrest Mining Limited ('Newcrest') in respect of PT Bengkulu Utara Gold ('PT BUG'), the holder of the exploration IUP covering the Tandai project. As part of this transaction a subsidiary of Newcrest subscribed US$1.75 million for new shares in PT BUG for a 70% interest.

The US$1.75 million subscription constitutes the minimum spend commitment by Newcrest over 18 months ('Minimum Spend Period'). After the Minimum Spend Period, Newcrest may make further equity investments up to a total of US$12 million to maintain a 70:30 ownership ratio of PT BUG. If Newcrest elects not to complete the full US$12 million subscription over a 5 year period, Sumatra has the right to buy back Newcrest's 70% interest in PT BUG for a nominal consideration. As a result of this transaction, the Company now accounts for PT BUG as an equity accounted associate, rather than a subsidiary, and has deconsolidated the net assets of PT BUG, including the carrying value of exploration and evaluation costs for the Tandai project.

During the year ended 31 December 2012 Newcrest made an additional subscription of US$3,023,759. As the Company is only required to invest a nominal amount to maintain its share of investment in PT BUG, a gain equivalent to 30% of the investment made by Newcrest is recorded in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

14. Property, Plant and Equipment

	£
Cost:	
At 1 January 2011	263,717
Additions	98,427
Disposals	(23,568)
Exchange movements	(7,342)
As at 31 December 2011	331,234
Additions	46,154
Exchange movements	(33,065)
As at 31 December 2012	344,323
Accumulated Depreciation:	
As at 1 January 2011	139,336
Charge for the year	62,967
Disposals	(144)
Exchange movements	2,198
As at 31 December 2011	204,357
Charge for the year	47,147
Exchange movements	(19,692)
As at 31 December 2012	231,812
Net Book Value:	
As at 31 December 2012	112,511
As at 31 December 2011	126,877
As at 1 January 2011	124,381

15. Prepayments and Other Receivables

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Prepayments and other receivables	162,359	86,404
Sales tax receivable	314,501	325,548
	476,860	411,952

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

16. Cash and Cash Equivalents

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Cash at bank and on hand	4,831,979	1,569,562

17. Trade and Other Payables

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Trade payables	169,897	176,989
Other taxes and social security costs	748,761	777,030
Accruals and other payables	675,521	554,219
	1,594,179	1,508,238

18. Borrowings

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Secured		
Bank convertible loan	3,312,414	-
	3,312,414	-

The Group has a convertible loan facility of A$5 million from Macquarie Bank Limited which accrues interest at the BBSY rate plus 7.5%pa. The loan is repayable twelve months from drawdown (April 2012) and is secured by a fixed and floating charge over the assets of the Group and a share pledge over the parent's investment in subsidiary company PT Dwinad Nusa Sejahtera. The loan was subsequently repaid in full during March 2013, refer Note 24.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

18. Borrowings (CONT.)

The facility includes the issue of 31,250,000 options over the CDI's of the Company, exercisable at A$0.16, expiring 27 March 2014. The convertible loan facility is presented in the statement of financial position as follows:

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Face value of facility	3,245,500	-
Value of conversion rights in other reserves	(627,407)	-
	2,618,093	-
Liability component on initial recognition		
Interest expense*	769,687	-
Exchange movements	(75,366)	-
Current liability	3,312,414	-

* Interest expense is calculated by applying the effective interest rate of 40.7% to the liability component. Interest payable under the loan facility will be cash settled upon maturity of the Principal.

19. Share Capital and Premium

	Number of shares	Share capital £0.01 per share	Share premium account £
As at 1 January 2011	153,914,181	1,539,142	9,800,922
Issued in year	36,707,500	367,075	3,789,074
Issue costs	-	-	(193,099)
As at 31 December 2011	190,621,681	1,906,217	13,396,897
Issued in year	68,000,000	680,000	5,404,188
As at 31 December 2012	258,621,681	2,586,217	18,801,085

During the year ended 31 December 2012:

- The Group issued 28,000,000 shares for cash totalling A$3,780,000 (£2,435,168) to Provident Capital Partners Pte. Ltd. & associates. There were no amounts unpaid on the shares issued.
- The Group issued 40,000,000 shares, with a value of A$5,600,000 (£3,649,020) to Provident Capital Partners Pte. Ltd. & associates upon exercise of the call option granted under the terms of the previous placement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

19. Share Capital and Premium (CONT.)

During the year ended 31 December 2011:

- The Group issued 2,200,000 shares for cash totalling A$440,000 (£277,069) following the exercise of 2,200,000 options at A$0.20 per share. Share issue costs totalled A$2,945 (£1,854).
- The Group issued 3,800,000 shares, with a value of A$1,083,000 (£680,665) as part consideration to increase the ownership of the Group's Indonesian operating entities to 100%. Share issue costs totalled A$4,705 (£2,928).
- The Group issued 23,980,000 shares for cash totalling A$3,836,800 (£2,497,361) to a range of institutional and sophisticated investors. There were no amounts unpaid on the shares issued. Share issue costs totalled A$225,146 (£146,438).
- The Group issued 6,250,000 shares for cash totalling A$1,000,000 (£651,600) to RMB Resources Limited. There were no amounts unpaid on the shares issued. Share issue costs totalled A$62,500 (£40,892).
- The Group issued 477,500 shares for cash totalling A$76,400 (£49,454) to Newcrest Mining Limited. There were no amounts unpaid on the shares issued. Share issue costs totalled A$1,500 (£987).

All shares issued during the year were in the form of CHESS Depositary Interests.

Share based payments

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.

	Average exercise price per share	Options Number
As at 1 January 2011	A$0.22	12,000,000
Granted	A$0.35	5,100,000
Exercised	A$0.20	(2,200,000)
Forfeited	A$0.21	(2,320,000)
As at 31 December 2011	A$0.28	12,580,000
Granted	A$0.35	6,000,000
Forfeited	A$0.35	(200,000)
As at 31 December 2012	**$A0.31**	**18,380,000**

The employee options outstanding at 31 December 2012 have an exercise price in the range of A$0.25 to A$1.00 and a weighted average contractual life of 5 years.

During the year ended 31 December 2012 the Group issued 3,000,000 options to directors with an exercise price of A$0.25 and expiry date of 14 June 2017. This issue was approved by shareholders at the Annual General Meeting held on 29 May 2012.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

19. Share Capital and Premium (CONT.)

During the year ended 31 December 2011 the Group issued 5,000,000 Performance Options to Mr Julian Ford following his appointment as the Company's Chief Executive Officer, as part of Mr Ford's employment package. The Options had an exercise price of A$1.00, an expiry date of 1 June 2016, and are subject to the Performance Condition of the completion of the first post-commissioning calendar month of gold production at the Tembang project with gold production at or above the Board approved budgeted gold production total for that month.

In November 2011 the Group announced the modification of 2,500,000 of these Performance Options and that it is its intention to seek shareholder approval at the Group's Annual General Meeting for these Performance Options to be reissued with an exercise price of A$0.50. This modification was subsequently approved by shareholders.

In addition, during the year, 31,250,000 options were issued to Macquarie Bank Limited with an exercise price of A$0.16, which expire 27 March 2014. These options hold no voting or dividend rights.

Options

As at 31 December 2012, 59,881,322 outstanding options of the Group were exercisable. The total fair value of options granted during the year, determined using the Black-Scholes valuation model, was £1,443,792. The significant inputs into the model were a weighted average share price equal to the option exercise price at the grant date, a volatility of between 70 - 80%, an expected option life of two - five years and an annual risk-free interest rate of 0.50%. It has been assumed that no dividends will be paid. The volatility has been calculated over a period of at least 12 months.

The total charge in the year was £293,117 (2011: £117,198).

20. Related Party Transactions

During the year ended 31 December 2011, prior to Mr Adi Sjoekri becoming a Director, the Group acquired his interests in certain subsidiaries (as disclosed in the Directors' Report). The fair value of consideration paid was £859,534 split between a payment of cash (£178,869) and an issue of shares (£680,665), with non-controlling interests of £10,842 being acquired resulting in £848,692 being recorded through reserves.

During the year ended 31 December 2012, Peter Nightingale, a Director, had an interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the Group. Fees paid to Mining Services Trust, which were in the ordinary course of business and on normal terms and conditions, amounted to A$159,921 (£125,909) (2011: A$181,504 (£116,934)). At 31 December 2012 there was no amount outstanding (2011: A$99 (£65)).

During the year ended 31 December 2012, the Company sub-leased office space for its Perth office 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, amounted to A$90,944 (£59,188) (2011: A$33,950 (£21,969)). At 31 December 2012 there was an amount outstanding, included within trade and other payables, of A$11,986 (£7,698) (2011: A$33,950 (£21,969)).

During the year the Group received £187,883 (2011: £216,889) from PT Bengkulu Utara Gold in which the Group has a 30% interest, in respect of a management fee. At the year-end an amount of £nil (2011: £41,447) was due to the Group.

The only key management personnel during the year were directors and their remuneration is disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

21. Financial Risk Management Objectives and Policies

The Group has various financial assets and liabilities such as trade and other payables and cash and cash equivalents, which arise directly from its operations. The Group did not enter into derivative transactions to manage the interest rate and currency risks arising from the Company's operations and its sources of finance. In 2012 the Group did not undertake trading in financial instruments.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit terms provided by suppliers. The Group analyses ageing of its assets and maturity of its liabilities and plans its liquidity depending on expected repayment of various instruments. In case of insufficient or excessive liquidity the Group reallocates resources and funds to provide optimal financing of its business needs.

Short term financing is available from the Group's current cash resources and a debt facility with Credit Suisse agreed post the end of the year; long term financing is planned to be obtained through a combination of debt and the issue of shares.

No liquidity table for financial liabilities has been presented as all of the Group's financial liabilities are payable within 12 months.

(b) Foreign currency risk

In common with many other businesses in the United Kingdom, foreign currencies play a significant role in the underlying economics of the business transactions of the Group. As at 31 December 2012, the exchange rate of UK Pound was 1.6153 to the US Dollar, 15,528 to the Indonesian Rupiah and 1.5571 to the Australian Dollar.

At 31 December 2012, if the pound had weakened/strengthened by 1% against the US dollar/other currencies with all other variables held constant, the post-tax loss for the year would have been £3,726 (2011: £7,293) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated cash, trade payables, accruals and other liabilities. The directors believe that in the current economic environment a 1% variance is reasonable based on current trends.

(c) Credit risk

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

(d) 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. Under the terms of the loan agreement with Macquarie Bank Limited the Group is must maintain a current ratio of at least 1.25:1. This covenant was met at all times during the term of the loan, which was repaid subsequent to the end of the reporting period, refer Note 24. Management reviewed the current ratio on a regular basis to ensure it was maintained.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

22. Ultimate Controlling Party

The Group has no ultimate controlling party.

23. Cash Used in Operations

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Cash flows from operating activities		
Loss before tax	(2,751,840)	(3,472,512)
Adjustments for:		
Depreciation	47,147	3,478
Loss arising on reclassification of a subsidiary	-	547,721
Gain arising on increase in net assets of associate	(572,543)	(467,660)
Share of (profit)/loss in associate	(16,480)	19,304
Share options charge	293,117	117,198
Impairment provision	171,922	1,533,108
Financial income	(63,560)	(81,995)
Financial cost	780,401	368,120
Operating loss before working capital changes	(2,111,018)	(1,433,238)
Increase in prepayments and other receivables	(64,908)	(70,158)
(Decrease)/increase in trade payables, accruals and other liabilities	(31,744)	376,490
Cash used in operations	(2,207,670)	(1,126,906)

24. Post Balance Sheet Events

On 12 March 2013, the Company repaid the A$5 million debt finance facility with Macquarie Bank Limited.

On 22 February 2013 the Company announced it had secured a placement of 38 million CDI's at an issue price of A$0.22 each to raise A$8.36 million. This placement was completed on 12 March 2013.

On 21 February 2013, Sumatra announced that it had received credit approval for US$35 million of project finance.

25. Commitments & Contingency

Contingency

The Group has rehabilitation commitments which will arise when mining operations at its projects are completed.

At the date of this report, the amount of the rehabilitation has not been determined and no provision has been recognised in these consolidated financial statements.

ADDITIONAL ASX INFORMATION

Additional information as at 28 March 2013 required by the ASX Listing Rules and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Perth.

Audit Committee

As at the date of the Directors' Report, the Company has an Audit Committee and a Remuneration Committee.

Substantial Shareholdings

At 28 March 2013 the Register of Substantial Shareholders showed the following:

Name	Number	%
Provident Minerals Pte Ltd	67,386,665	22.88%
PT Saratoga Investama Sedaya	34,520,000	11.72%
Mr Garibaldi Thohir	25,000,000	8.49%
National Nominees Limited	22,328,781	7.58%
HSBC Custody Nominees (Australia) Limited	20,274,935	6.88%

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

The Company's shares traded on the Australian Securities Exchange are traded as CHESS Depositary Interests ('CDIs'). Each CDI is a beneficial interest in a share.

Use of Cash and Assets

Since the Group's listing on the Australian Securities Exchange, the Group has used its cash and assets that it had at the time of listing in a way consistent with its stated business objectives.

On Market Buy Back

There is no on market buy-back.

ADDITIONAL ASX INFORMATION

As at 28 March 2013 the twenty largest quoted holders of CDIs held 77.72% of CDI's on issue and are detailed as follows:

	Name	Number	%
1	Provident Minerals Pte Ltd	67,386,665	22.88%
2	PT Saratoga Investama Sedaya	34,520,000	11.72%
3	Mr Garibaldi Thohir	25,000,000	8.49%
4	National Nominees Limited	22,328,781	7.58%
5	HSBC Custody Nominees (Australia) Limited	20,274,935	6.88%
6	Yaw Chee Siew	11,960,000	4.06%
7	ABN Amro Clearing Sydney Nominees Pty	8,449,837	2.87%
8	Berrafall Pty Ltd	7,243,328	2.46%
9	Uob Kay Hian Private Limited	5,107,442	1.73%
10	Adi Adriansyah Sjoekri	4,724,000	1.60%
11	JP Morgan Nominees Australia Limited	3,692,723	1.25%
12	Citicorp Nominees Pty Limited	3,242,249	1.10%
13	DBS Vickers Securities (Singapore) Pte Ltd	3,201,699	1.09%
14	J P Morgan Nominees Australia Limited	2,224,000	0.75%
15	BNP Paribas Noms Pty Ltd	2,163,052	0.75%
16	GCN Investments Pty Ltd	2,078,857	0.71%
17	Mr Bradley John Pettersson	1,500,000	0.51%
18	Pata Nominees Pty Ltd	1,350,000	0.46%
19	Rosignol Pty Ltd	1,235,000	0.42%
20	Mr Matthew Charles Farmer	1,203,957	0.41%
		228,886,525	**77.72%**

ADDITIONAL ASX INFORMATION

Distribution of Shareholders

As at 28 March 2013, the distribution of each class of equity was as follows:

Chess Depositary Interests

Range	Total Holders	Units	% Issued Capital
1 - 1,000	68	3,751	0.00%
1,001 - 5,000	135	483,552	0.16%
5,001 - 10,000	192	1,675,635	0.57%
10,001 - 100,000	620	24,436,915	8.29%
100,001 and over	154	268,014,828	90.97%
	1,169	294,614,681	100.00%

As at 28 March 2013, no shareholders held less than marketable parcels of 2,380 chess depositary interests.

Fully Paid Ordinary Shares

Range	Total Holders	Units	% Issued Capital
1 - 1,000	0	0	0
1,001 - 5,000	0	0	0
5,001 - 10,000	0	0	0
10,001 - 100,000	8	547,000	27.25%
100,001 and over	3	1,460,000	72.75%
	11	2,007,000	100.00

As at 28 March 2013, no shareholders held less than a marketable parcel of 2,380 shares.

ADDITIONAL ASX INFORMATION

Options

Number of Holders	Number of Options	Vesting Date	Exercise Price	Expiry Date
1	6,250,000	25 August 2010	A$0.20	18 June 2013
1	750,661	25 August 2010	A$0.20	25 August 2013
1	750,661	7 September 2010	A$0.20	7 September 2013
1	31,250,000	2 April 2012	A$0.16	27 March 2014
2	3,250,000	26 October 2009	A$0.20	26 October 2014
16	1,900,000	15 June 2011	A$0.25	26 October 2014
16	1,900,000	15 June 2012	A$0.25	26 October 2014
2	75,000	17 November 2011	A$0.35	26 October 2014
2	75,000	17 November 2012	A$0.35	26 October 2014
2	140,000	26 May 2010	A$0.20	26 October 2014
2	140,000	8 May 2011	A$0.20	26 October 2014
1	1,250,000	30 May 2012	A$0.35	26 October 2014
1	1,250,000	30 May 2012	A$0.35	26 October 2014
3	1,200,000	2 June 2012	A$0.35	26 October 2014
3	1,200,000	2 June 2012	A$0.35	26 October 2014
1	2,500,000	Performance based	A$0.50	1 June 2016
1	2,500,000	Performance based	A$1.00	1 June 2016
2	3,000,000	14 June 2012	A$0.25	14 June 2017
1	500,000	17 July 2012	A$0.25	14 June 2017
	59,881,322			

Other

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).

CORPORATE DIRECTORY

Directors

Warwick George Morris (Chairman)
Julian Ford (Managing Director)
Adi Adriansyah Sjoekri (Executive Director)
Jocelyn Severyn de Warrenne Waller (Non-Executive Director)

Company Secretary

Alison Barr (United Kingdom)
Graeme Smith (Australia)

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West Perth WA 6005
Australia

Statutory Auditors

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Abacus House
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Share Registry

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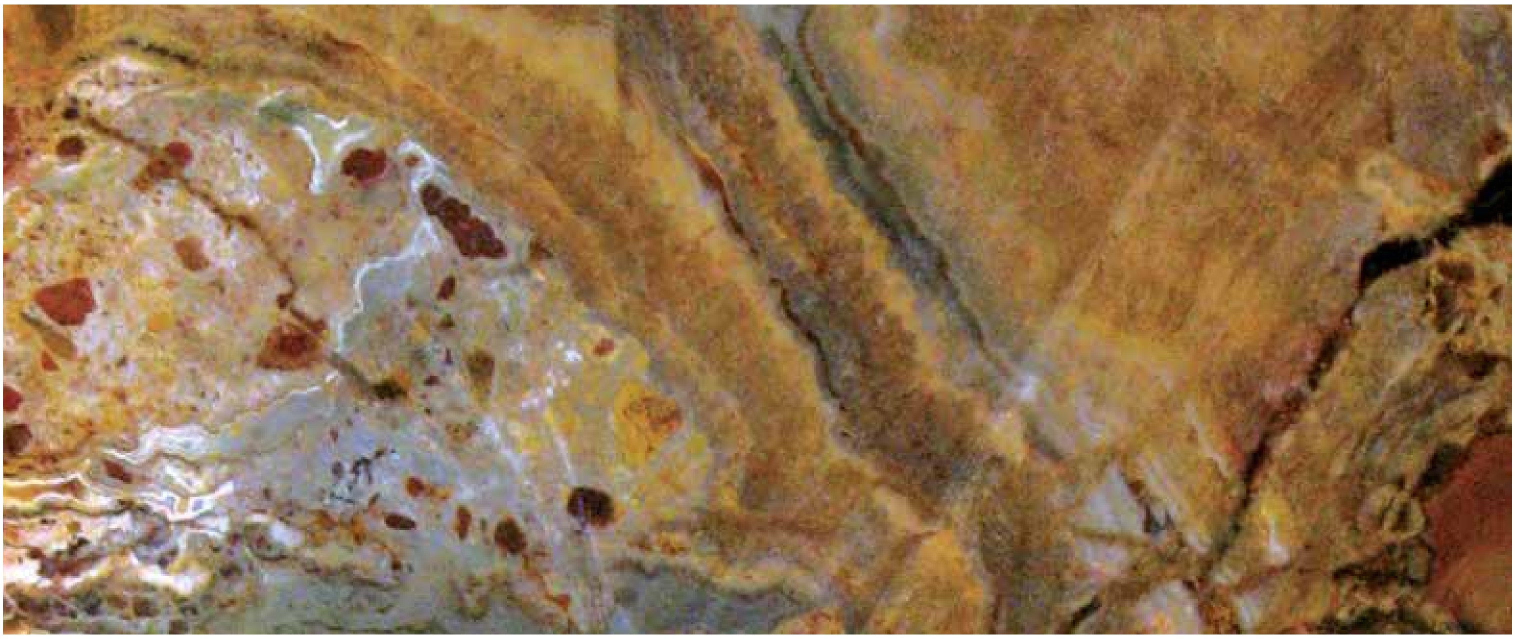

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