



ASX ANNOUNCEMENT

27 April 2012

(117 pages by email)

ANNUAL REPORT AND NOTICE OF AGM

In accordance with Listing Rule 4.7 and 3.17, I attach the Company's Annual Report for the year ended 31 December 2011 and the Company's Notice of Annual General Meeting to be held at 11:00am on 29 May 2012.

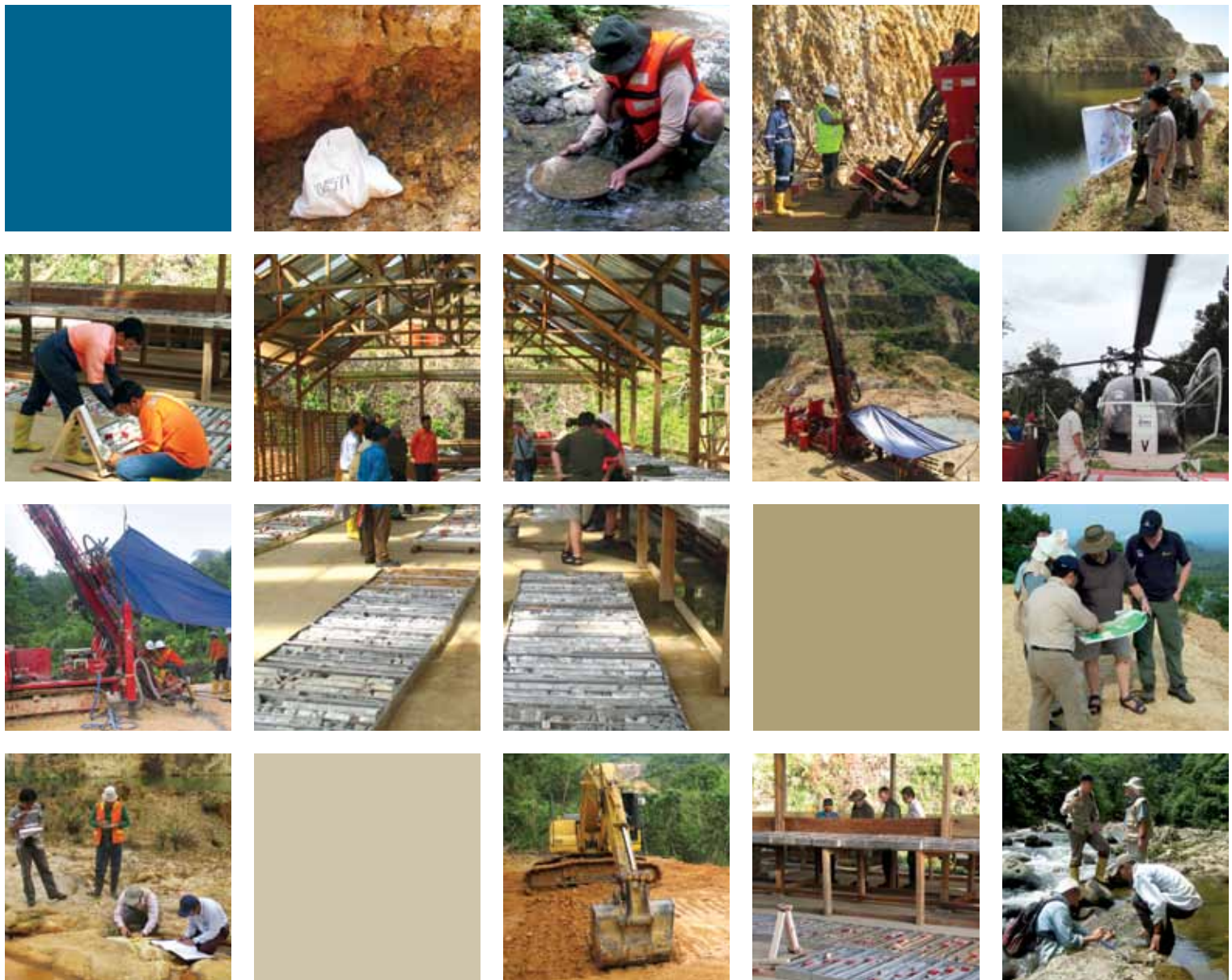
In accordance with Listing Rule 15.4 two hard copies of the Company's Annual Report will be delivered to the Company's Home Exchange.

Yours faithfully

A handwritten signature in dark ink, appearing to read "R Edwards", is written over a light blue horizontal line.

Richard Edwards
Company Secretary

pjn6682



2011

ANNUAL REPORT



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

**AN EMERGING GOLD
 AND SILVER PRODUCER**



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Sumatra Copper & Gold plc Annual Report 2011

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Chairman's Letter



*"...we can see a bright future
for the Company with the
receipt of the key Tembang
environmental approval from
the Indonesian authorities..."*

Chairman's Letter

Dear Fellow Shareholder,

It is with pleasure that I present your Company's 2011 Annual Report. It was our second full year as an ASX listed entity and the Company undertook a significant change of direction with the focus changing from exploration across the broad property portfolio to development of the Tembang epithermal gold project. This followed significant exploration success in 2010 with the discovery of the high-grade Belinau ore body.

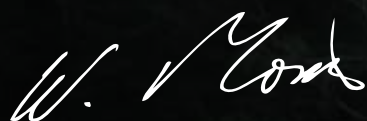
In the middle of the year our now Managing Director Julian Ford was appointed with the aim of fast-tracking the Company into producer status. Our previous Managing Director, Jocelyn Waller, had directed the formation of the Company and the transfer of the Sumatra mining assets from our Indonesian partner into the Company. These were very significant achievements as anyone who has worked in developing countries can attest. Jocelyn remains on the Board as a Non-Executive Director.

During the year, the Company's limited financial resources were marshalled to focus on various technical studies to examine the feasibility of developing the Tembang project. At the same time exploration continued at our Tandai Newcrest joint venture project with the commencement of drilling and extensive regional exploration. There was drilling success at Tandai with the discovery of wide high-grade mineralisation at the Lusang North prospect. No further drilling was undertaken on the Sontang polymetallic project in Central Sumatra though ground work continued at a lower level of activity. With the focus now on Tembang the Board will look at alternative opportunities to fund further work at Sontang and at our other regional generative projects.

The Tembang prefeasibility work evolved during the year from a single stage project to a two stage project more aligned with the Company's financial capacity. This culminated with the publication of the key outcomes of the Stage 1 Pre-feasibility Study in early 2012. That work is now being optimised during the Definitive Feasibility Study and the Board is confident that the project will further improve during the course of 2012.

As I write to you in March 2012, we can see a bright future for the Company with the receipt of the key Tembang environmental approval from the Indonesian authorities and the provision of convertible debt funding from one of our major shareholders Macquarie Bank, which will provide the Company with sufficient financing to take the Company through final feasibility and design during 2012. The Company is also actively exploring a range of means for financing the Tembang development costs.

In noting the above achievements, it is disappointing to see the lacklustre performance the Company's share price. The Board is keenly aware of this and we believe that by continuing to deliver real progress on the ground our shareholders will ultimately be rewarded.



Yours faithfully

Warwick Morris
Chairman

Review of Operations

OVERVIEW

The year ended 31 December 2011 was another significant year for Sumatra Copper & Gold plc ('Sumatra' or 'the Company') and its controlled entities (together with the Company 'the Group').



Major achievements for the period from January 2011 until the date of this report include:

Tembang Development Strategy:

- **Tembang Resource Update:** Following a 5,000 metre infill and extension drilling program at Tembang, the Company announced a resource update August 2011. The September 2011 resource, which was completed in-house and reviewed by Hellman and Schofield, had 75% of the resource at a Measured and Indicated category with an underground resource of 127,000 ounces of gold and over 1 million ounces of silver at Belinau. This provides a more than sufficient resource at Tembang to move the project from exploration to development.
- **Tembang Development Plan:** A two stage development plan for the Tembang project was announced in October 2011. The plan allows for reduced up front capital costs and a shorter lead time to production. Since then the Company has been pursuing a parallel strategy of completing the Definitive Feasibility Study and the permitting of the Tembang project. To this end, the Belinau underground Pre-feasibility Study ('PFS') was announced in February 2012 and the approval of the Environmental Impact Assessment and Environmental Management Plan ('AMDAL') in March 2012.
- **People:** The Company has made significant progress in recruiting an experienced technical team to develop Tembang project. Mr Julian Ford, the Company's Managing Director, joined in June 2011, Mr Grant Harding, responsible for plant design and commissioning, was seconded to the Company in September 2011 and in February 2012, Mr Don Harper, Tembang Mine Manager, joined the Company. These new executives together with the existing staff members of Mr Adi Sjoekri and Mr Mathew Farmer - Exploration - now complete the Tembang development team.
- **Permitting:** The permitting of the Tembang project remains the critical path activity for the start of mine production at Tembang targeted for 2013. In December the team completed the Two Stage Feasibility Study for permitting and received AMDAL approval in March 2012. The forestry permitting remains the next and last significant hurdle for the permitting process. The Company received a "clean and clear" status on all its tenements except for the some overlapping issues between its own tenements held by PT Musi Rawas Gold and PT Dwinad Nusa Sejahtera. This is a significant milestone given that all the Company's assets are IUPs granted under the 2009 New Mining Law regime.

Review of Operations



Exploration:

- Tembang: The deeper drilling at Belinau and the other targets at Tembang has returned a number of high grade intercepts at depth which have not contributed to the currently reported resources. These results provide attractive exploration targets when the Company recommences the exploration program at Tembang.
- Tandai: A major exploration program commenced during the year at Tandai on both district and regional level. A significant new gold discovery was made at the Lusang North prospect with cumulative intersection of 61.5 metres in hole TDD 11024 averaging **2.85 g/t Au and 15.1 g/t Ag** in three major intersections from **58.8 metres to 165.1 metres**, including **27.56 g/t Au over 1.9 metres**. The regional program was successful in generating a new high level epithermal prospect area named Ulukau located only 10 kilometres south-southeast of Tandai with recent rock chip assays of up to **3.72 g/t Au**.
- Greenfields exploration at the Jambi IUP has returned very encouraging results with epithermal rock float samples returning up to **7.02 g/t Au and 248 g/t Ag**.

Corporate and Financial Highlights:

- During the year, the Group was restructured such that all of the Company's controlled entities became 100% owned subsidiaries with individual mineral tenements owned by each of these subsidiaries in compliance with the New Mining Law.
- The Company completed an Exploration JV Agreement with Newcrest, where Newcrest are by earning a 70% interest in the Tandai project by spending US\$12 million.
- The Company successfully completed a placement of 30,707,500 new CDIs to raise A\$4,913,200 in October and November which was supported by our major shareholders and attracted another significant shareholder in RMB Resources Limited.
- In March 2012, the Company entered into a convertible debt facility with Macquarie Bank Limited for A\$5,000,000 to continue development of the Tembang project and for working capital.
- Cash balance at 31 December 2011 totalled £1,569,562.
- Expenditure on exploration and evaluation of the Company's projects for the year was £4,509,594.

Review of Operations

OPERATIONAL ACTIVITIES

Background

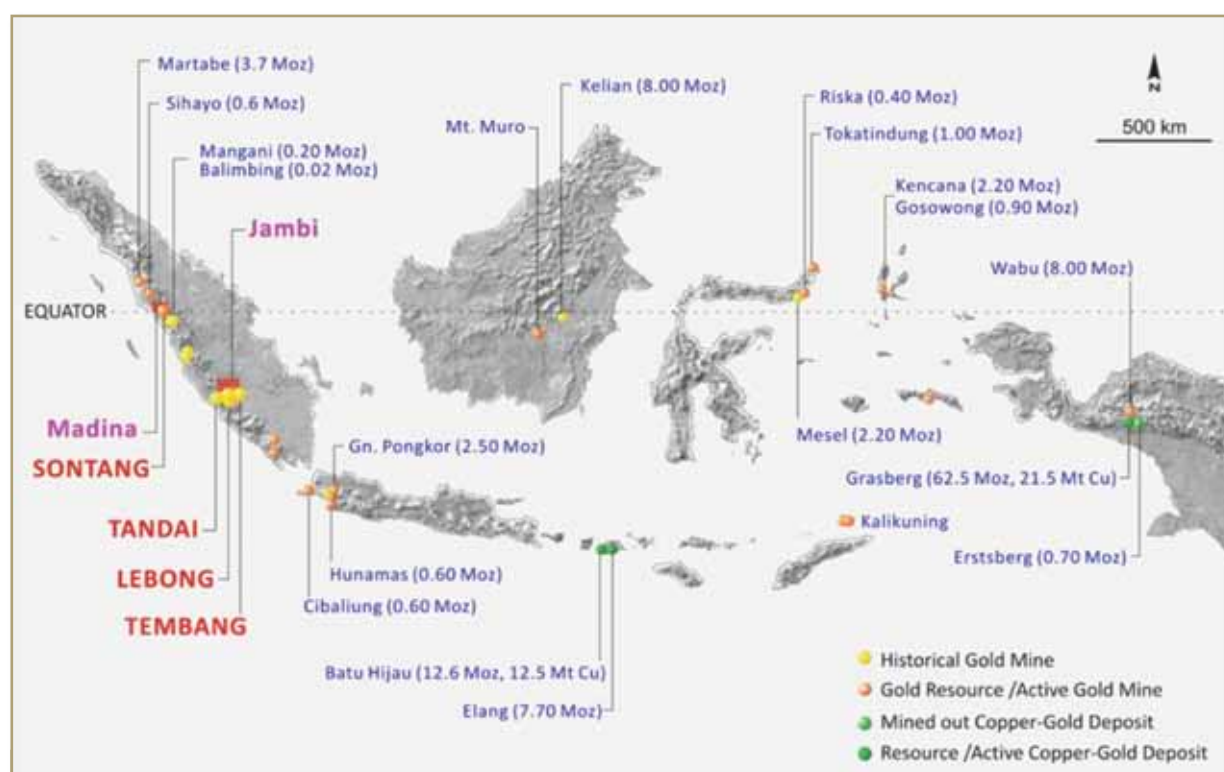
Sumatra is an emerging producer and minerals exploration company with 100% ownership of 7 exploration licences covering 3,219 km² in central Sumatra, Indonesia.

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 central 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.



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

Review of Operations

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".

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.



Location of the Tembang, Tandai, Sontang and Jambi projects

Review of Operations

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.

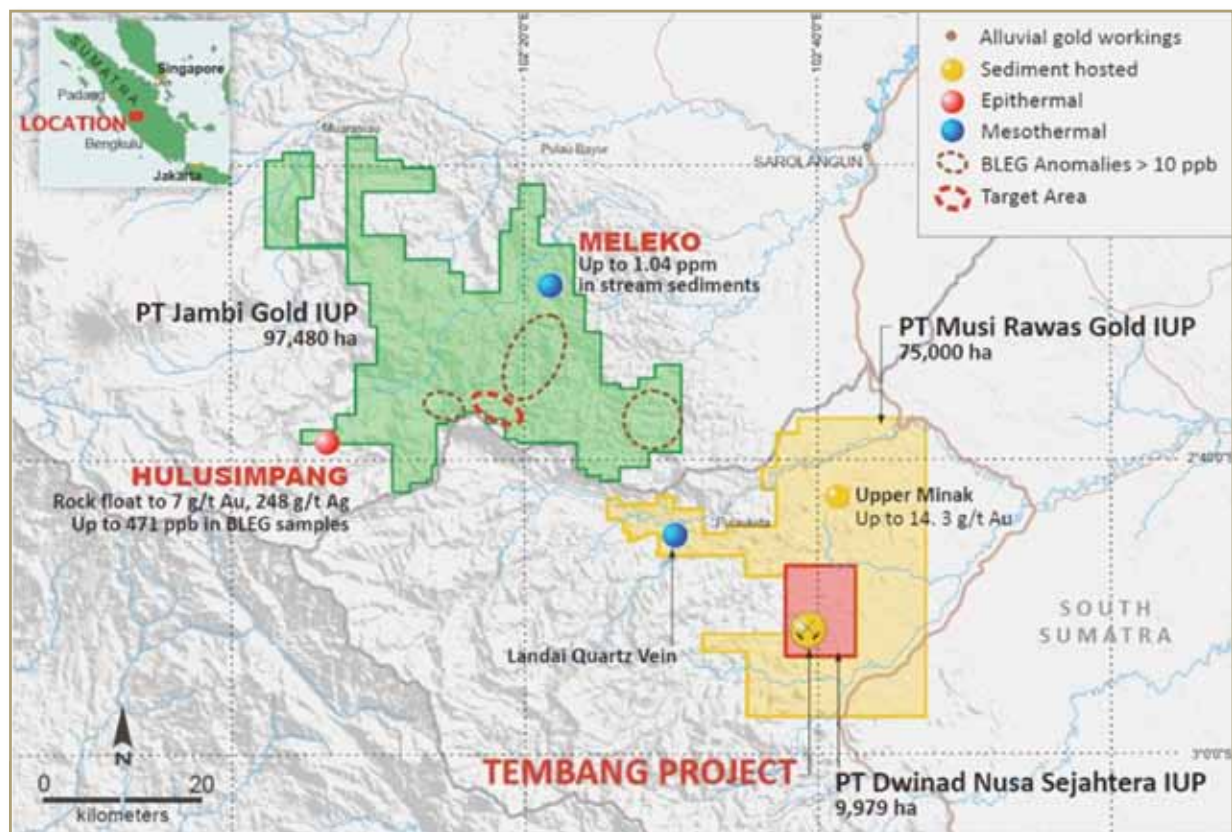
Tembang was previously mined from 1997 to 2000 when production ceased due to a declining gold price to around US\$250 per ounce at the time of closure.

Development Plans

The Company continued development during the year with two Pre-feasibility Studies undertaken and the environmental permitting process well underway at year end.

The mine development was investigated based on two approaches:

1. Large scale, low grade, multiple open pit mining operation with an underground mine later in the project schedule feeding a 1.0 Mtpa process plant over a 6 year period.
2. A small stand-alone high grade underground mining operation feeding a small 200 ktpa process plant over a 3 to 4 year period.



Tembang project location with Musi Rawas and Jambi IUPs

Review of Operations

The first approach proved uneconomic but the second reported positive financial outcomes based on the preliminary level (+/-25%) capital and operating estimates. This provided support for a two stage development approach whereby a smaller, lower capital intensive underground mine and process plant is fast tracked and the Stage 2 multiple open pit and expanded plant could follow after optimisation and consideration of the prevailing gold prices.

The two stage project development approach was adopted late in the year with the two feasibility reports providing combined support for the Environmental Impact Assessment and Environmental Management Plan ('AMDAL') and Mining Permit applications. The combination of these two documents was presented to the Department of Mines in the Musi Rawas Regency and the AMDAL approval was received in March 2012.

Following the successful financial outcomes reported in the Stage 1 Pre-feasibility Study, a process of optimisation commenced which focused on the underground development and potential to reduce pre-production capital costs significantly by accessing the Belinau orebody in an open pit initially in advance of underground mining from an in-pit mine portal. A Definitive Feasibility Study ('DFS') has commenced and will focus on optimising the Belinau mine design and include investigations in supplementing feed with any open pit material which has low grade ore at surface.

Stage 1 Development - Pre-feasibility Study ('PFS')

Preliminary underground design, capital and operating cost estimates were completed by Mining Plus Pty Ltd for the Belinau orebody. This consisted of conventional boxcut, decline and level development to access the steeply dipping orebody. The mining method selected was open stoping of the vein with backfilling using waste material.

The initial mining strategy was to develop to the base of the deposit and then retreat stopes upwards using waste to backfill resultant voids. An option to commence stoping in the middle of the deposit, which could lead to earlier cash flow to cover operational costs, was explored and found to be viable. This study is considered as being a base case and there are a number of opportunities which may reduce both capital and operating expenses. These opportunities will be investigated in the next stage of development during the first half of 2012.

Geotechnical work undertaken by AMC Consultants Pty Ltd indicates that open stopes of moderate dimensions will be feasible. Empirical design methods indicate that if 20 metre sub-levels are selected then stopes up to 50 metres in length should be stable. A shallow depth of weathering is expected in the vicinity of the boxcut and ground conditions should improve quickly within the decline as it proceeds deeper. Ground support and reinforcement in the boxcut have been recommended. This is similar to designs employed in Western Australian mines.

Within the decline, fair to good ground conditions are expected and it is proposed ground support would consist of rebar, fibrecrete and/or wire mesh. Ore drives, of smaller dimensions, will also have a similar ground support system installed but requirements will be less per metre of advance. If areas of poor ground are encountered, the installed support will be upgraded to handle the expected ground conditions. The shallow depth of the mine indicates that stress induced mining problems are unlikely to manifest. Only a minor number of core samples have been tested for strength determination and further test work was recommended to provide a comparison to estimated rock strength from core logging. Two samples of Belinau core have been tested.

The process preliminary plant design, capital and operating cost estimates were completed by Como Engineers Pty Ltd based on the Stage 1 design throughput of 200 ktpa. A single stage crush/SAG milling and conventional Carbon-in-Leach ('CIL') process route was selected based upon the potential to utilise the carbon stripping circuit in Stage 2.

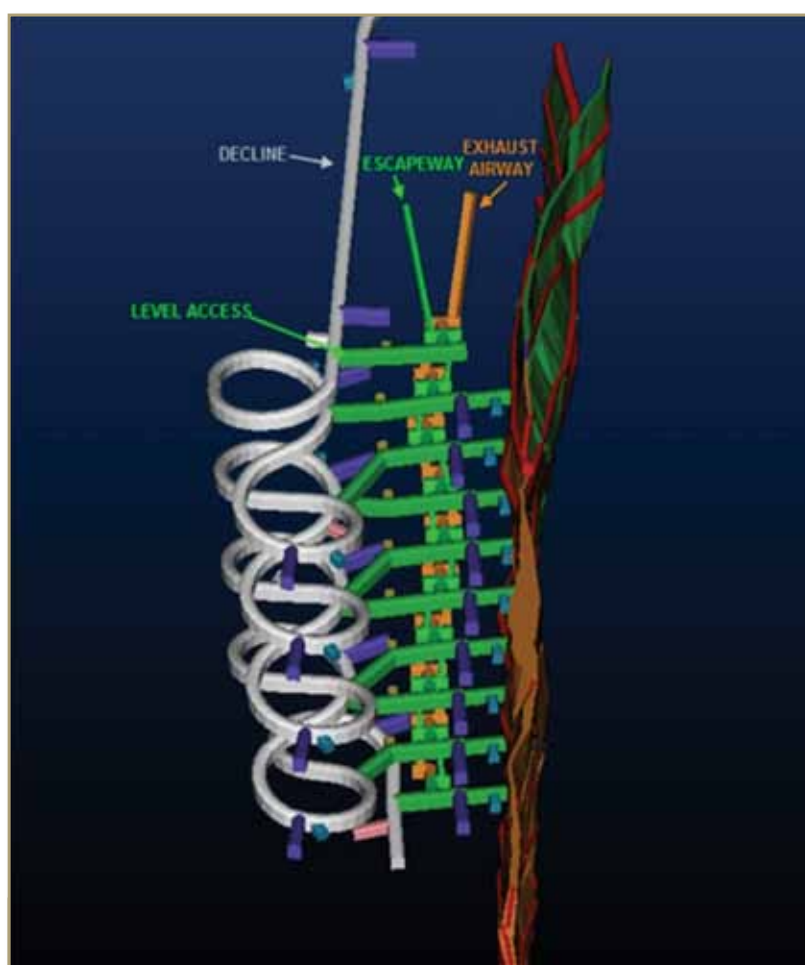
The Stage 1 PFS describes the technical and financial position of the project as at first quarter 2012 in United States dollars which forms the basis for future development. The base case has assumed precious metal prices of \$1,500/ounce Au and \$30/ounce Ag. All capital and operating costs estimates are to an accuracy of +/-25%.

Review of Operations

The following financial parameters were established for Stage 1 of the project:

Life-of-Mine (LOM)	US\$M
Project revenue	175.5
Royalties	6.6
Operating costs and sustaining capital	69.5
Project operating cash flow (pre-tax)	99.4
Pre-production capital expenditure	48
Project cash flow (pre-tax)	43.5
Project NPV @ 7% discount rate	28.65
Project IRR	31%

Capital Cost	US\$M
Construction (plant, equipment and infrastructure)	22
Underground mine development	22
Other pre-production costs	4
Total Pre-production Capital	48



Mine development looking west

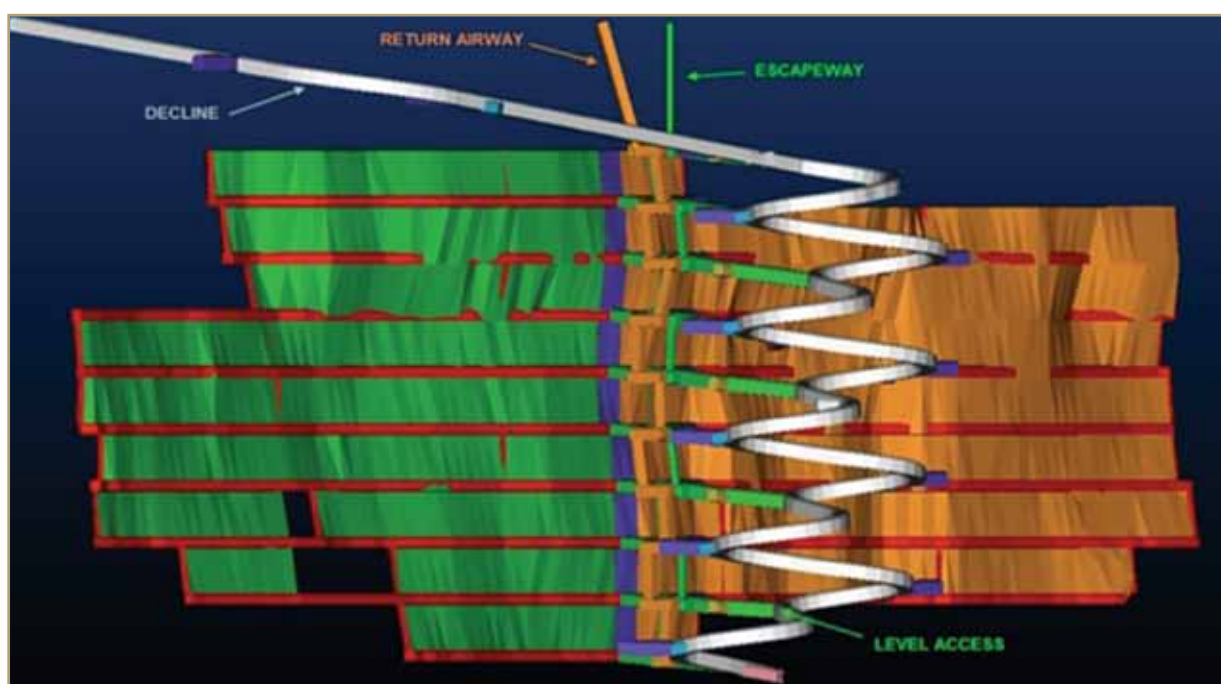
Review of Operations

The following mining parameters were established for Stage 1 of the project:

Belinau	
Orebody average dip (sub vertical)	86 degrees
Strike length	560 metres
Mining depth	225 metres
Average orebody width	2.3 metres
Diluted tonnage	611,448 tonnes @ 5.8 g/t Au and 50 g/t Ag
Mining mineral recovery	81%
Development drive dilution	72%
Stope dilution	10%

Further key fundamentals reported in the Stage 1 PFS:

PFS Fundamentals	
Mining method	Underground open stoping with rockfill
Project construction	9 months (before first mineralised material milled)
First production	6 months before first mineralised material accessed from underground
Processing rate	Stage 1 - 200,000 tpa
Mine life	3 years
Metallurgical recovery of gold	90%
Metallurgical recovery of silver	80%
Average annual gold production	34,000 ounces
Gold production (LOM)	101,000 ounces
Silver production (LOM)	765,000 ounces
C ₁ cash operating costs (LOM)	US\$511/ounce (including silver credits using US\$30 per ounce silver)



Mine access and capital development layout

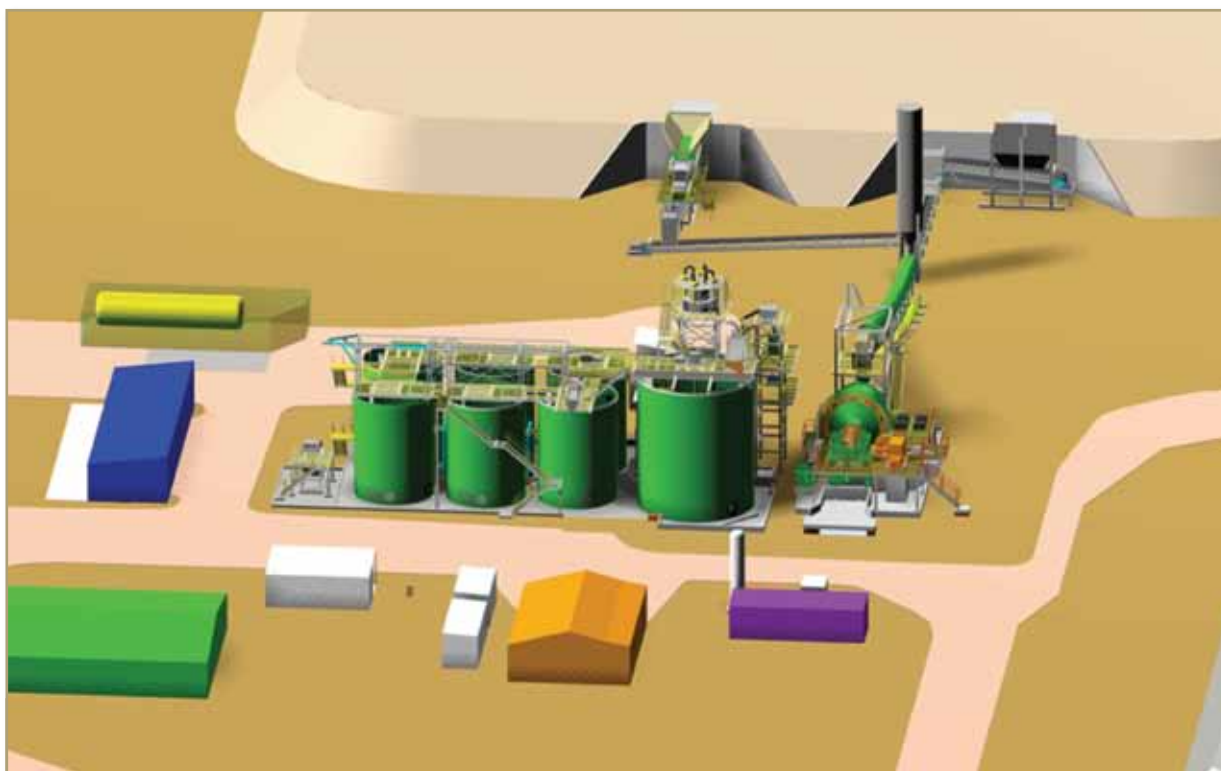
Review of Operations

The process preliminary plant design, capital and operating cost estimates were completed by Como Engineers Pty Ltd based on the Stage 1 design throughput of 200 ktpa. A single stage crush/SAG milling and conventional CIL process route was selected based upon the potential to utilise the carbon stripping circuit in Stage 2.

Metallurgical Testwork

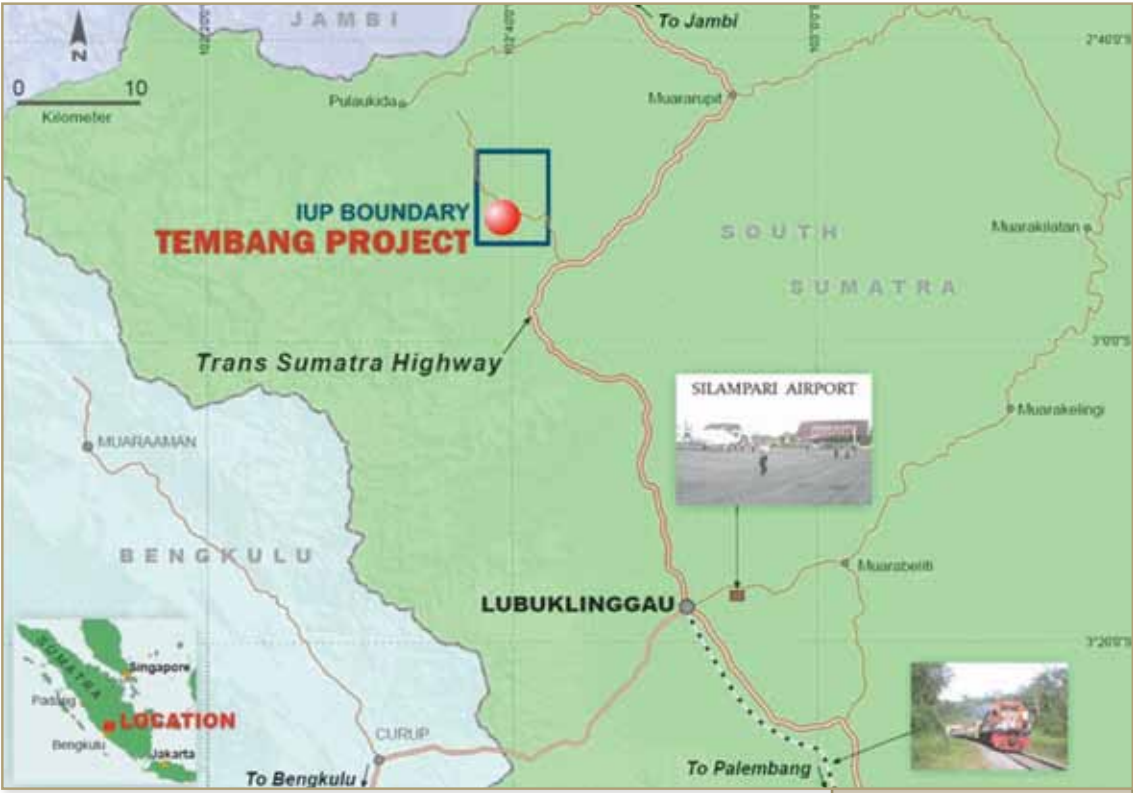
The following interpretation was prepared from the results of the latest test program relating to Stage 1 development at Tembang:

- Gravity extraction was high and a gravity circuit should be included in the plant design.
- Leaching at a finer grind of 80% passing -53µm of the master composite under similar conditions gave a similar recovery indicating a finer grind would not be beneficial.
- Leach testing on the master composite to assess the effects of lead nitrate and oxygen indicated lead nitrate had little affect while oxygen improved leach kinetics. Lead nitrate is not required.
- Leach testing on the master composite to assess the effects of cyanide concentration was undertaken. Increasing the cyanide concentration increased the leach kinetics. Overall cyanide and lime consumptions are low on an industry comparative scale.
- Gold deportment in the leach tailings indicated sulphide locked gold as the main losses, followed by carbonate and silicate locked. However, over 90% of the gold is free leaching.
- Oxygen uptake is initially high but quickly satisfied indicating ore oxygen demand will be low. High dissolved oxygen levels in the CIL circuit will be relatively easy to maintain.
- Viscosity testing indicated no issues are expected with cyclone classification or CIL agitation.
- Pre-adsorption leach testing on the master composite at a grind size of 80% passing -75µm, confirmed the extraction to liquor of +90% Au and +80% Ag at 48 hours.
- Cyanide detox testing showed the air/SO₂ method achieved discharge levels of <1.00 ppm free and <2.90 ppm total Cn in a 1 hour reactor with typical reagent consumptions.

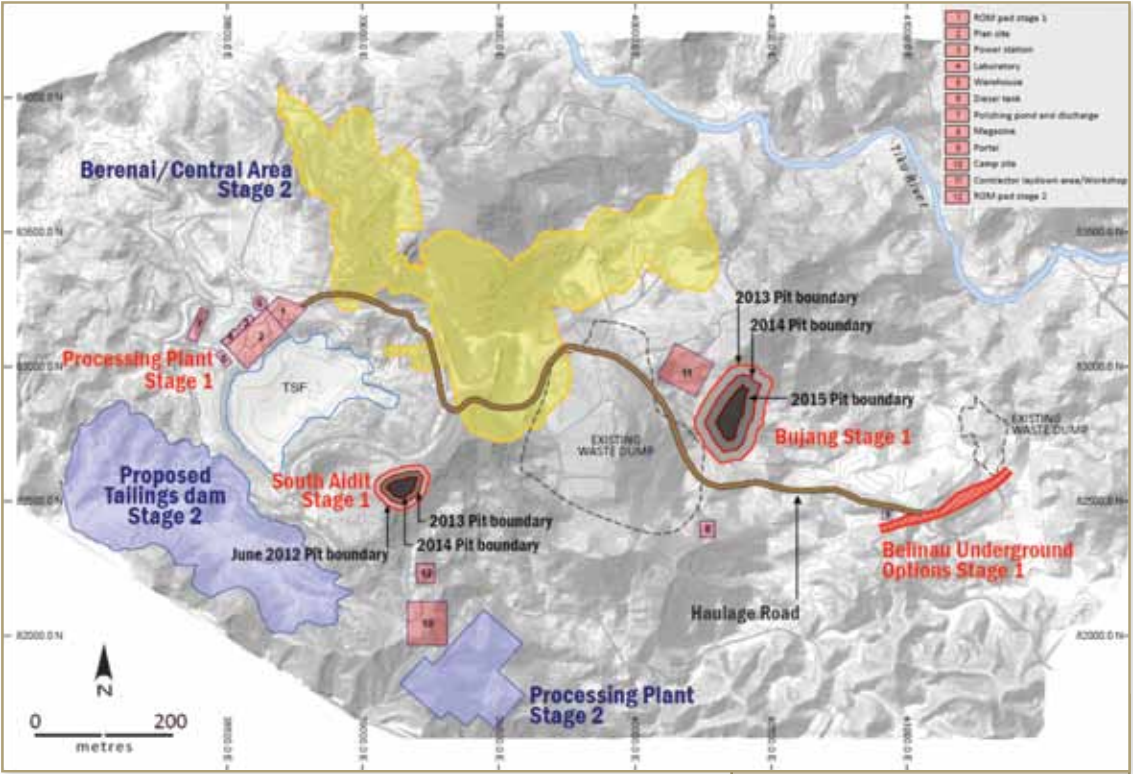


Conceptual processing plant layout

Review of Operations



Tembang project location



Tembang mine development layout

Review of Operations

Development Drilling and Resource Update

The 5,000 metre in-fill drilling program was completed and successfully converted the majority of the inferred resources that lie within the US\$1,000 pit optimisation to at least the indicated category. As a result, an updated resource statement reported to JORC standards for Tembang was completed in August 2011. The project now 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**. Further definition has been added to the ore zones, improving resource confidence in some key areas. This resource is very similar to the previous global resource reported in March 2011 with a tighter drill pattern.

The principal differences between this and the March 2011 resource lie in the revisions to the density values used and their application, estimated for each block, inferred, and the change to a higher reporting cut-off for Belinau to reflect the change in mining method. Tighter search parameters have resulted in a reduction in inferred resources and a limitation on the influence of high grade assays. Drilling at Buluh and Bujang trimmed away some inferred high grades.

The infill drilling program succeeded in better defining the resource at Belinau and Berenai, with further scope to add to Berenai's resource following the extension of the southern high grade shoot which still remains open at depth.

Drilling at Belinau increased the size of the northern high grade shoot and gave further definition to the southern high grade shoot. The size and grade of the Belinau resource now constitutes a stand-alone potential underground resource. The northern high grade shoot is closed but the southern shoot is still open at Belinau. Potential remains to explore for additional vein development along the strike of this highly prospective structural corridor.

Halo mineralisation, renamed as peripheral sheeted veins ('PSV') to more correctly reflect the style of mineralisation, saw a 5% drop in tonnages due to the revision downwards by some 20% for the density of oxidised zone. As with the previous March 2011 resource, the new model and estimate have been reviewed by Hellman & Schofield.



Review of Operations

Tembang Mineral Resource August 2011 reported to JORC Code Standards						
Belinau Above 2.78g/t Underground Cut-Off						
		Ktonnes	Au g/t	Ag g/t	Au koz	Ag koz
BELINAU VEIN	Measured	149	7.22	75.5	35	361
	Indicated	266	8.02	67.9	69	580
	Inferred	72	10.50	81.4	24	188
	Sub-Total	487	8.14	72.2	127	1,130
All Veins Excluding Belinau Above 0.5g/t Open Pit Cut-Off						
		Ktonnes	Au g/t	Ag g/t	Au koz	Ag koz
OTHER VEINS	Measured	2,598	2.27	37.8	190	3,156
	Indicated	4,423	1.80	25.6	256	3,637
	Inferred	3,554	1.80	20.3	202	2,319
	Sub-Total	10,575	1.91	26.8	648	9,112
PSV Material Above 0.3g/t Open Pit Cut-Off						
		Ktonnes	Au g/t	Ag g/t	Au koz	Ag koz
PSV	Measured					
	Indicated	11,323	0.54	6.9	198	2,523
	Inferred	194	0.50	4.6	3	29
	Sub-Total	11,517	0.54	6.9	201	2,552
Combined Total Resource Open Pit + Underground						
		Ktonnes	Au g/t	Ag g/t	Au koz	Ag koz
ALL	Measured	2,747	2.54	39.9	224	3,517
	Indicated	16,012	1.02	13.1	522	6,741
	Inferred	3,820	1.90	20.7	229	2,536
	Total	22,579	1.35	17.6	976	12,794

Note: Rounding errors may occur, reporting cut-offs as indicated, significant figures do not imply any added level of precision.

Belinau (Stage 1 pit)

At Belinau, significant intercepts were returned in hole RDD 11169 which encountered **4.0 metres @ 5.42 g/t Au, 101.7 g/t Ag** from 92.8 to 96.8 metres and from Hole RDD 11139 which intersected **1.5 metres @ 4.47 g/t Au, 6.8 g/t Ag** from 213.0 to 214.5 metres. This hole has extended the northern high grade shoot which is an excellent result. A shallow hanging wall vein was intersected during drilling in hole RDD 11167 which returned 6.0 metres @ 0.56 g/t Au and 32.9 g/t Ag from 14.6 to 20.6 metres downhole.

A further five holes, RDD 11191 to RDD 11195, were drilled for geotechnical purposes, which includes strength testing and visually confirmed the existence of typical banded, dark grey sulphidic quartz within both shoots. Hole RDD 11192 intersected the Belinau vein from 228.5 to 230.1 metres (1.6 metres) comprising blackish white, massive, colloform and crustiform banded with black sulphide bands and spots black sulphide, including sphalerite and galena, sulphide in quartz up to 2%. The vein is typical of previous high grade intercepts which if confirmed again opens the southern shoot at depth. Sampling will be carried out after rock strength test work is completed.

Review of Operations

Results were initially received from two of these holes and returned the following significant intersections **1.5 metres @ 32.14 g/t Au and 71.1 g/t Ag** from 228.5 to 230.0 metres downhole, confirming the southern shoot is open to the south west (RDD 11192) and **2.7 metres @ 10.45 g/t Au, 14.5 g/t Ag** from a depth of 170.6 metres downhole in the northern shoot (RDD 11193).

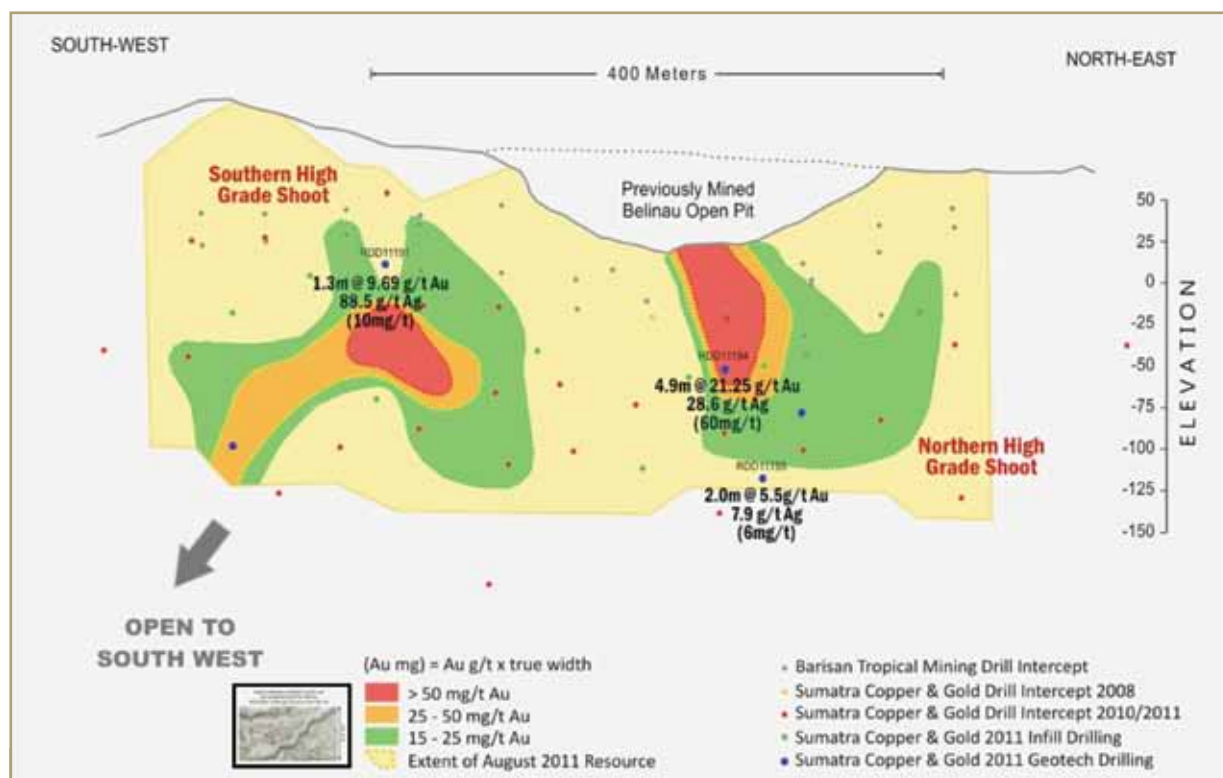
Assays were received from the remaining three holes and all returned significant intercepts including RDD11194 **4.9m @ 21.25g/t Au, 28.6g/t Ag** from the northern shoot, RDD11191 which returned **1.3m @ 9.69g/t Au, 88.5g/t Ag** and RDD11195 which returned **2.0m @ 5.59g/t Au, 7.9g/t Ag** (main vein fracture & stringers).

Berenai (Stage 2 pit)

Drilling results were in line with expectations. However, a wide intercept of hydrothermal breccia and veining was intersected in hole RDD11147 at Berenai which returned **27.4 metres @ 1.25 g/t Au and 15.3 g/t Ag** from 144.1 to 171.5 metres.

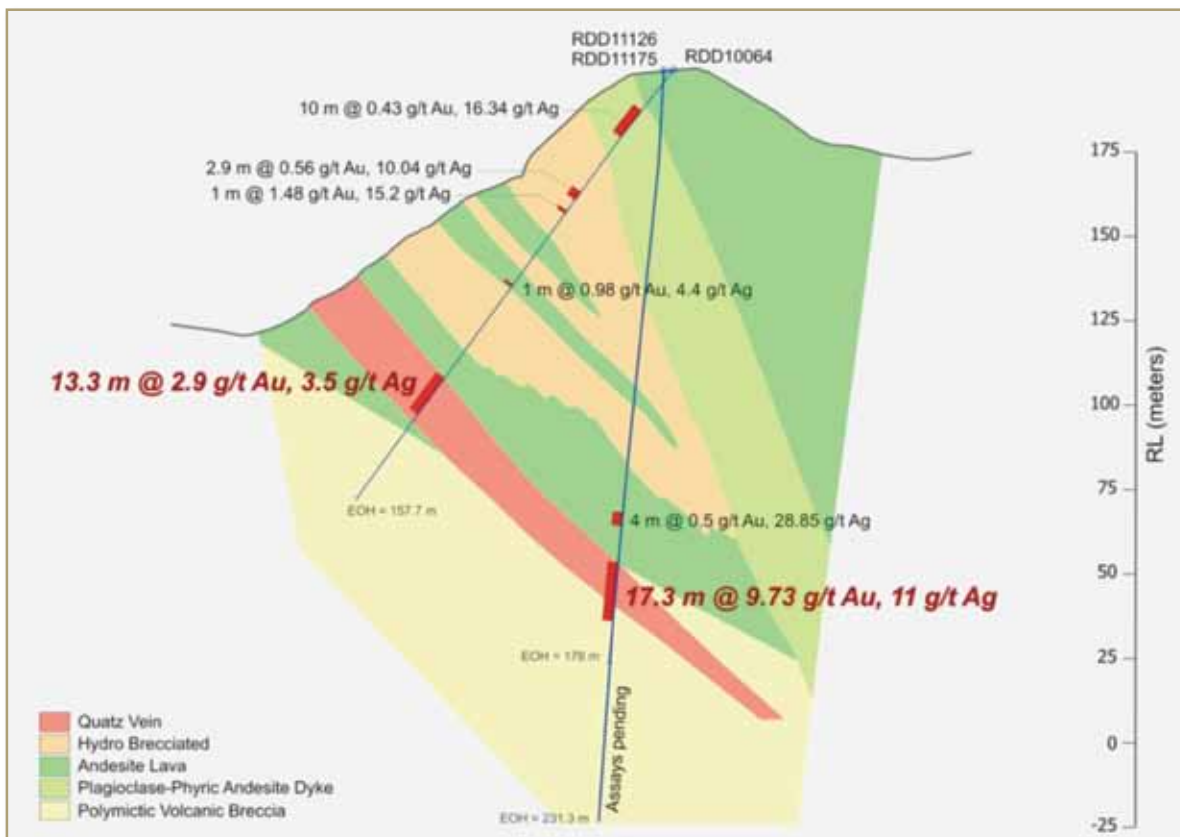
RDD 11175 drilled below the southern shoot, where the Company reported its best ever intersection in hole RDD11126, intersected an extensive zone of quartz veining and hydrothermal breccia which returned **32.8 metres @ 1.99 g/t Au, 13.2 g/t Ag** (true width is 11.0 metres) the intersection included a higher grade section grading **13.6 metres @ 3.20 g/t Au, 8.2 g/t Ag** (true width 4.5 metres). A further significant zone of veining was intersected in RDD 11178 which returned **5.9 metres @ 1.40 g/t Au, 41.3 g/t Ag**.

Overall, infill drilling results have either exceeded or been in-line with expectations.

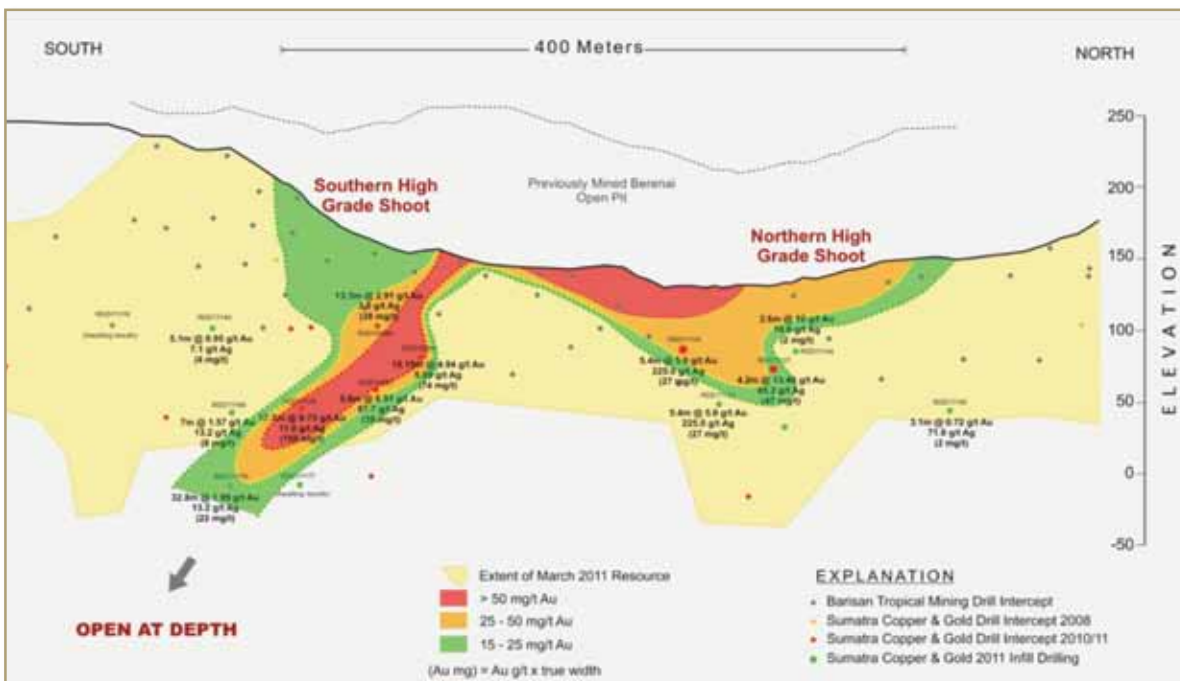


Long section through Belinau showing drill pierce points and grade thickness

Review of Operations



Berenai section RDD 11126 looking north-west



Long section through Berenai showing drill pierce points and grade thickness

Review of Operations

Asmar (Stage 2 pit)

Results have generally been in line with expectations at Asmar with some encouraging high grade intersections. The best results were **4.0 metres @ 24.47 g/t Au and 67.8 g/t Ag** from 71.6 to 75.6 metres in hole RDD 11148 and **4.2 metres @ 15.20 g/t Au, 24.0 g/t Ag** from 61.2 metres down hole. The best result in the halo mineralisation was **2.0 metres @ 6.36 g/t Au and 13.3 g/t Ag** from 164.0 to 166.0 metres in hole RDD 11158.

Buluh (Stage 2 Pit)

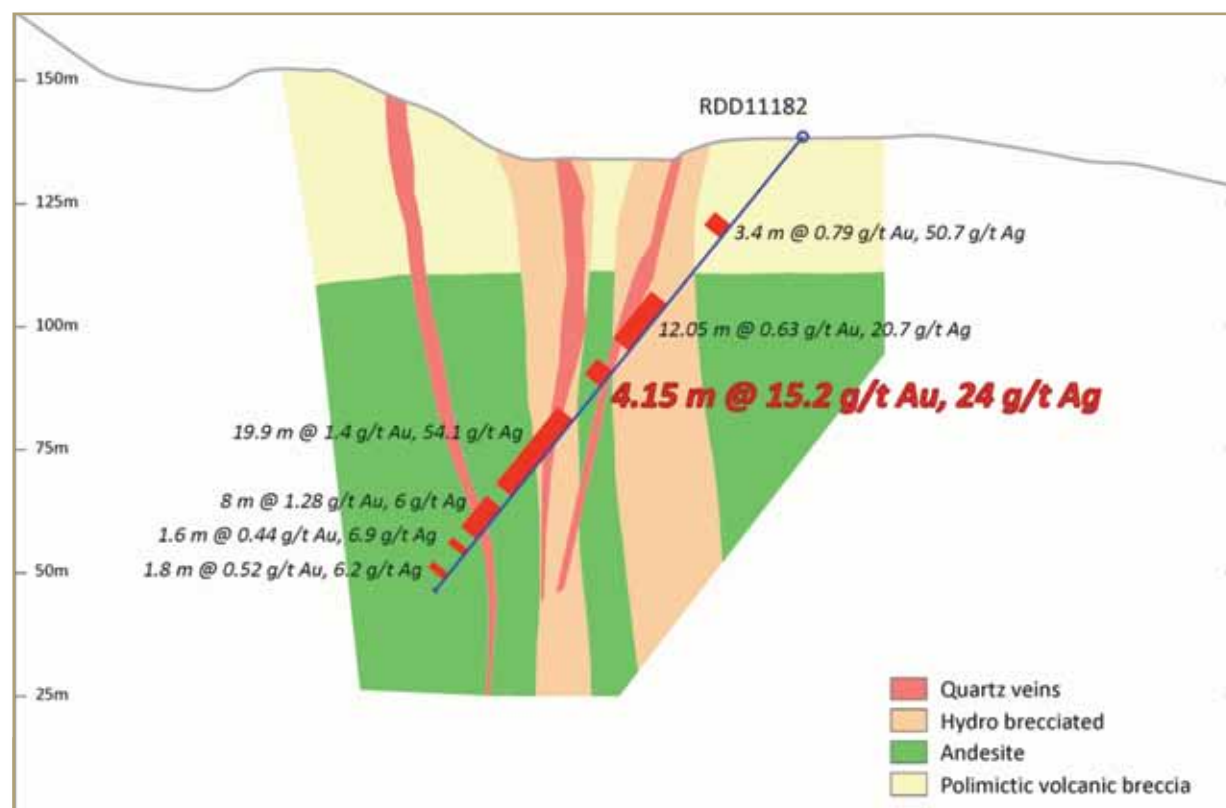
Some very good results were returned from the infill drilling at Buluh where hole RDD 11159 returned **5.1 metres @ 5.23 g/t Au and 31.3 g/t Ag** from 91.8 metres to 96.9 metres downhole and hole RDD 11162 yielded **1.8 metres @ 4.40 g/t Au and 9.8 g/t Ag** from 98.2 to 100.0 metres downhole.

Waste Dumps

Further good results were returned from the main waste dump during the infill drilling. The best result was from Asmar which returned **14.3 metres @ 0.55 g/t Au and 6.4 g/t Ag** from 2.7 to 17.0 metres downhole in hole RDD 11158. At Nuri, RDD 11145 returned **6.0 metres @ 0.59 g/t Au and 1.5 g/t Ag** from 2.0 to 8.0 metres downhole. The waste dumps will not be included in any feasibility studies but continue to show potentially significant near surface resources.

Metallurgical Drilling

Eleven mostly large diameter PQ holes were drilled at Nuri, Asmar, Belinau, Berenai and Buluh for metallurgical test work. The holes targeted the main ore zones with the aim of generating sample for both metallurgical and physical property testing.



Asmar section RDD 11182 looking north-west

Review of Operations

Tailings Dam Drilling

Five short holes, PBH 01 to PBH 05, were drilled along the dam wall of the existing tailings storage facility. The purpose of the holes was to install piezometers to monitor any water flow through the dam wall. The total metres drilled for the five holes were 198.5 metres.

Discovery Costs and Conclusions - Successful and Cost Effective Drilling Program

The 5,000 metre infill program completed during 2011 brought to a conclusion 21 months of drilling from January 2010 until September 2011. A total of 26,582 metres of drilling was completed over 174 drill holes. Drilling succeeded in targeting high grade shoots within the main veins at Tembang. The drilling program was able to both increase the vein resource and significantly raise the overall gold grade. Importantly, drilling has indicated that further potential remains, particularly for the discovery of unexploited blind vein systems within the Tembang District.

Comparing the original 2007 vein resource estimated before the Company commenced any drilling at Tembang with the latest August 2011 vein resource, drilling has added some 312,000 ounces of gold to the resource at an approximate cost of US\$19 per ounce. This has been a successful and very cost effective exploration program.

Tembang Discovery Costs August 2011					
Tembang October 2007 Resource above 0.5g/t Au					
	Tonnes	Au g/t	Ag g/t	Au oz	Ag oz
Measured	0	0.00	0.0	0	0
Indicated	5,072,512	2.03	33.4	330,291	5,448,540
Inferred	2,337,807	1.90	31.3	143,176	2,353,869
Total	7,410,320	1.99	32.7	473,467	7,802,409

Tembang August 2011 Resource above 0.5g/t Au					
	Tonnes	Au g/t	Ag g/t	Au oz	Ag oz
Measured	2,747,650	2.54	39.8	224,433	3,517,431
Indicated	4,736,104	2.15	28.0	327,471	4,261,337
Inferred	3,764,443	1.93	21.3	233,771	2,575,713
Total	11,248,197	2.17	28.6	785,674	10,354,481

	Tonnes	Au oz	Ag oz
Difference	3,837,877	312,207	2,552,072

Gold ounces added to resource	312,207
Total metres drill at Tembang	30,189
Approximate cost per metre	\$200.00
Cost per Au ounce added	\$19.30

Surface Exploration Activities

At the conclusion of drilling programs at Tembang, exploration has been focused on strike extensions to known mineralised structures especially Belinau as well as district wide exploration to identify new targets for drilling in 2012.

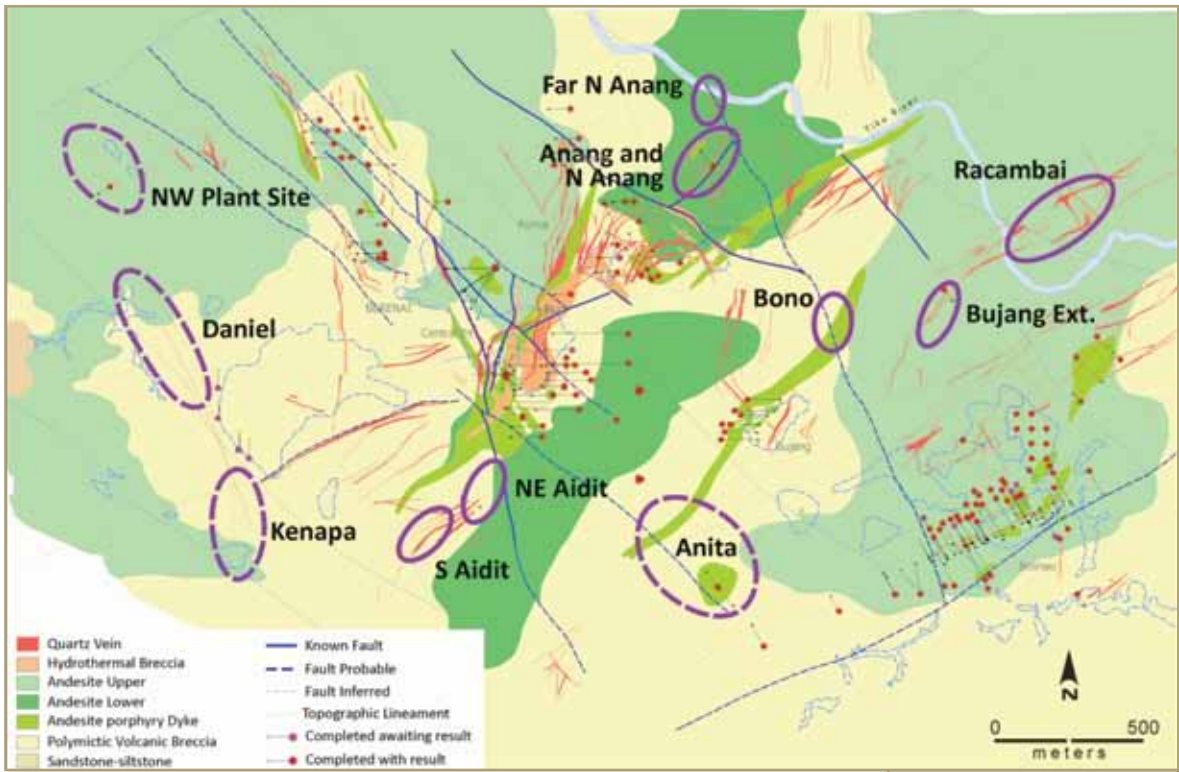
The program has been three fold with grid based ground magnetic surveying, detailed geological mapping where appropriate and complemented by wacker sub-soil geochemistry. This approach outlines the close association between the veins and earlier andesite dykes and is used to identify suitable drill targets.



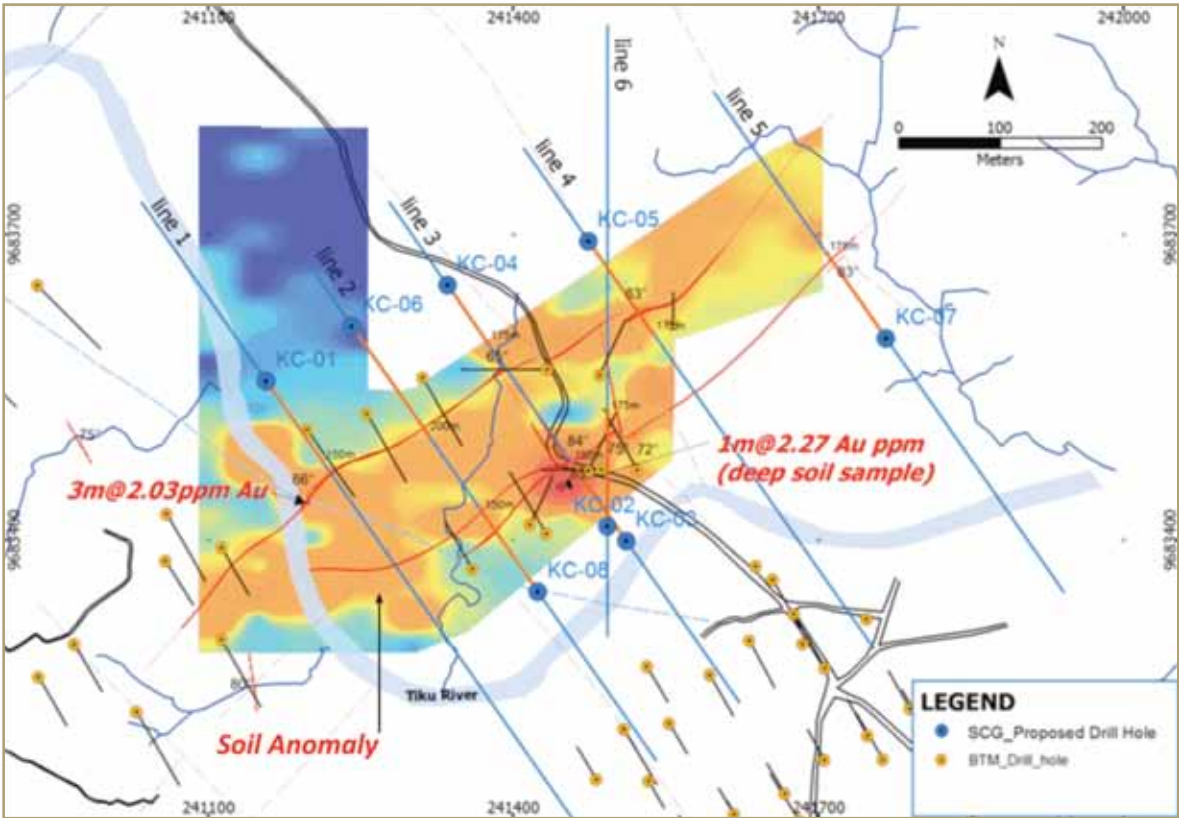
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Drill targets at Tembang



Racambai proposed drilling

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Tembang Significant Intersections Highlights 2011/2012								
Hole No	Location	Type	From	To	Length	Au g/t	Ag g/t	Comments
RDD11131	Belinau	Vein	120.30	123.35	3.05	13.15	13.8	Hanging wall vein
RDD11131	Belinau	Vein	176.10	177.20	1.10	1.74	4.8	Main vein
RDD11134	Belinau	Vein	166.60	170.50	3.90	6.01	34.9	
RDD11135	Belinau	Vein	167.70	168.90	1.20	3.28	20.7	
RDD11137	Belinau	Vein	135.80	137.50	1.70	21.79	315.9	
RDD11138	Belinau	Vein	97.50	99.25	1.75	3.33	3.6	Includes 1.1m <0.35g/t Au
RDD11139	Belinau	Vein	213.00	214.50	1.50	4.47	6.8	Includes 0.8m <0.35g/t Au
RDD11147	Central	Vein	144.10	171.50	27.40	1.25	15.3	Includes 4.8m <0.35g/t Au
RDD11148	Asmar	Vein	71.60	75.60	4.00	24.47	67.8	
RDD11159	Buluh	Vein	91.80	96.90	5.10	5.23	31.3	
RDD11162	Buluh	Vein	54.15	57.20	3.05	4.03	166.9	
RDD11162	Buluh	Halo	78.20	79.20	1.00	0.77	27.6	
RDD11162	Buluh	Vein	98.20	100.00	1.80	4.40	9.8	Includes 1.1m <0.35g/t Au
RDD11162	Buluh	Vein	135.70	138.50	2.80	1.38	11.6	Includes 1.0m <0.35g/t Au
RDD11169	Belinau	Vein	92.80	96.80	4.00	5.42	101.7	
RDD11175	Berenai	Halo	145.00	146.00	1.00	4.33	3.8	
RDD11175	Berenai	Vein	182.50	215.30	32.80	1.99	13.2	Includes 4.6m <0.35g/t Au, Includes 13.6m @ 3.20g/t Au, 8.15g/t Ag
RDD11176	Belinau	Vein	115.30	120.85	5.55	4.10	48.0	Includes 0.85m <0.35g/t Au
RDD11179	Nuri	Vein	31.70	33.30	1.60	2.18	5.8	Includes 0.8m <0.35g/t Au
RDD11179	Nuri	Vein	69.60	79.00	9.40	1.14	9.8	Includes 3.0m <0.35g/t Au
RDD11182	Asmar	Halo	23.60	27.00	3.40	0.79	50.7	Includes 2.4m <0.35g/t Au
RDD11182	Asmar	Halo	44.15	56.20	12.05	0.63	20.7	Includes 5.3m <0.35g/t Au
RDD11182	Asmar	Vein	61.15	65.30	4.15	15.20	24.0	Includes 0.5m <0.35g/t Au
RDD11182	Asmar	Vein	74.00	93.90	19.90	1.40	54.1	Includes 4.0m <0.35g/t Au
RDD11182	Asmar	Vein	97.00	105.00	8.00	1.28	6.0	Includes 3.8m <0.35g/t Au
RDD11182	Asmar	Halo	107.80	109.40	1.60	0.44	6.9	Includes 0.2m <0.35g/t Au
RDD11182	Asmar	Halo	113.80	115.60	1.80	0.52	6.2	
RDD11184	Buluh	Vein	127.65	129.00	1.35	5.24	109.0	
RDD11184	Buluh	Vein	141.60	142.60	1.00	1.72	12.7	
RDD11186	Nuri	Vein	90.55	91.60	1.05	7.14	217.0	
RDD11186	Nuri	Halo	131.60	132.60	1.00	1.07	12.6	
RDD11186	Nuri	Vein	152.40	162.20	9.80	2.96	108.2	Includes 1.3m <0.35g/t Au
RDD11186	Nuri	Vein	166.40	170.50	4.10	1.38	16.4	Includes 0.6m <0.35g/t Au
RDD11191	Belinau	Vein	75.60	76.90	1.30	9.69	88.5	Includes 0.7m <0.35g/t Au
RDD11192	Belinau	Vein	228.45	230.00	1.55	32.14	71.1	
RDD11193	Belinau	Vein	170.55	173.30	2.75	10.45	14.5	
RDD11194	Belinau	Vein	158.00	162.90	4.90	21.25	28.6	
RDD11195	Belinau	Hanging wall	24.20	25.20	1.00	1.57	183.0	
RDD11195	Belinau	Vein	225.00	227.00	2.00	5.59	7.9	

Resource drilling highlights of Significant Intersections Au >0.35 g/t. All widths are apparent.
The full results of all drilling results are in the 2011 quarterly reports.

Review of Operations

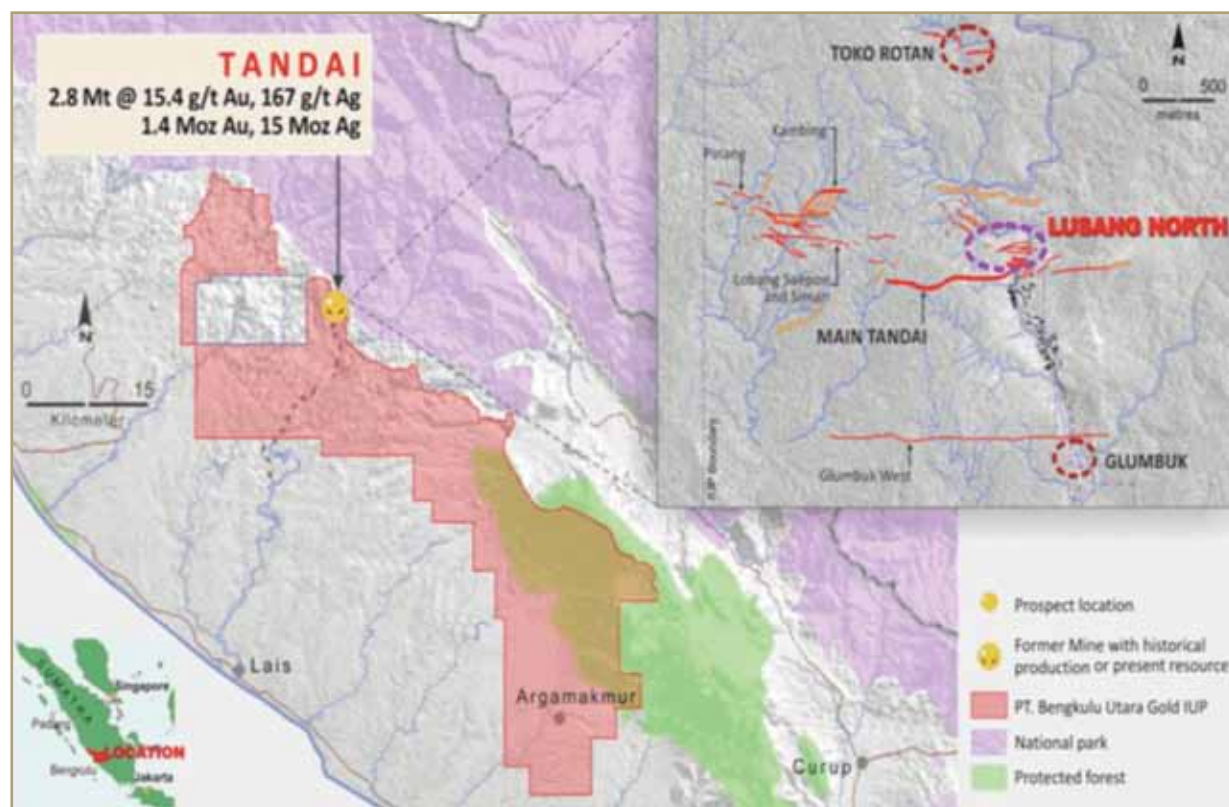
Tandai Project

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.

Exploration is focusing on discovering further high grade mineralisation along known vein systems as well a potentially intact new system under cover. The geometry of mineralisation identified to date indicates significant mineralisation will lie at depths that can only be developed by underground mining.



Review of Operations

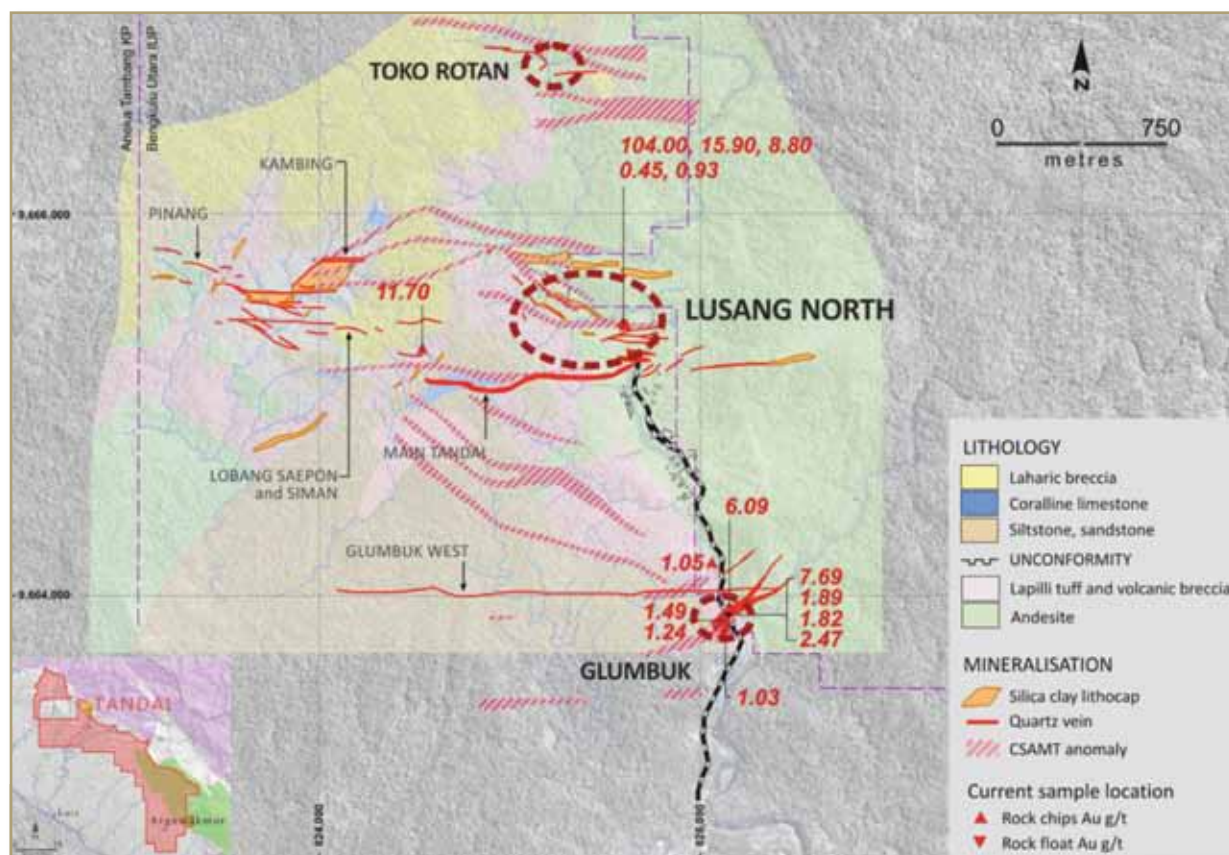
Exploration Activities

During the year, exploration activities focused on the Tandai District, where detailed mapping, soil geochemical sampling and controlled source audio magnetotelluric technique ('CSAMT') geophysical surveying have been used to outline drilling targets. A helicopter supported regional exploration program is on-going throughout the 1,000 km² IUP to look for other exploration targets. Both of these programs have been successful with significant wide high grade mineralisation being intersected at the Lusang North discovery, just to the north of Tandai with a best intercept of **21.0 metres @ 4.74 g/t Au and 36.2 g/t Ag** from a depth of 86.9 metres including **1.9 metres @ 27.56 g/t Au and 28.0 g/t Ag**.

The regional exploration has been successful in generating a high level epithermal prospect area named Ulukau which is located approximately 10 kilometres south-southeast of Tandai with recent rock assays returning up to **3.72 g/t Au**.

Drilling

During the year, the diamond drilling program focused on the Glumbuk, Toko Rotan, Lusang North prospects as well as CSAMT anomalies. Fifteen holes were completed for a total of 5,103 metres during the year. Success has come from Lusang North with technical success at Glumbuk with a wide zone of veining and breccia intersected throughout the program. The drilling of CSAMT targets continues to intersect resistive zones which in some cases are characterised by silicification, and in places veining which is encouraging.



Tandai district CSAMT anomalies and prospect areas

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Glumbuk

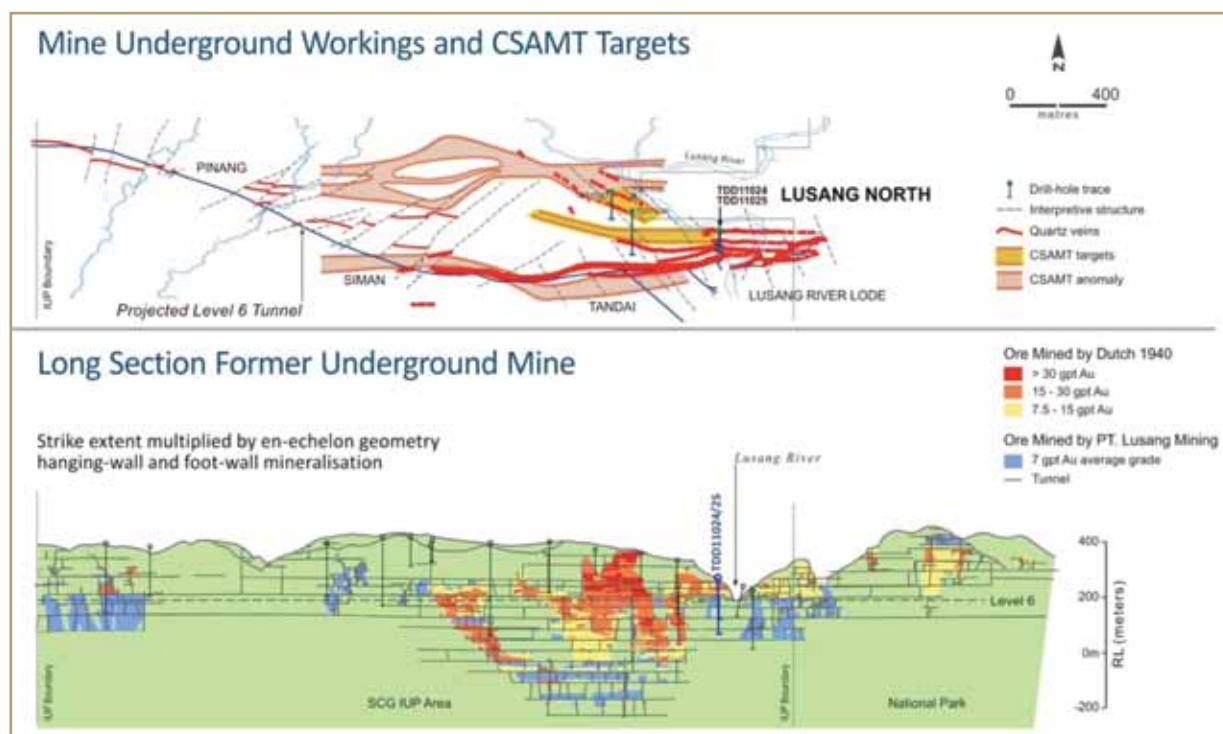
This undrilled prospect was outlined in the first quarter of 2011 by systematic soil sampling and mapping. A predominantly east west trending extensive corridor of veining and hydrothermal breccia was delineated from the eastern banks of the Lusang river passing under shallow cover to the west.

A fence of holes (TDD 11016 to TDD 11018) was designed to test the continuity of this wide zone of veining. One further hole, TDD 11022, was drilled at the northern end of the prospect to follow up on the **1.0 metre @ 4.00 g/t Au** result from TDD 11018 at depth. The hole intersected a sequence of interbedded volcanics and volcanoclastics as well as several cataclastic faults however did not return any significant assay results.

Toko Rotan

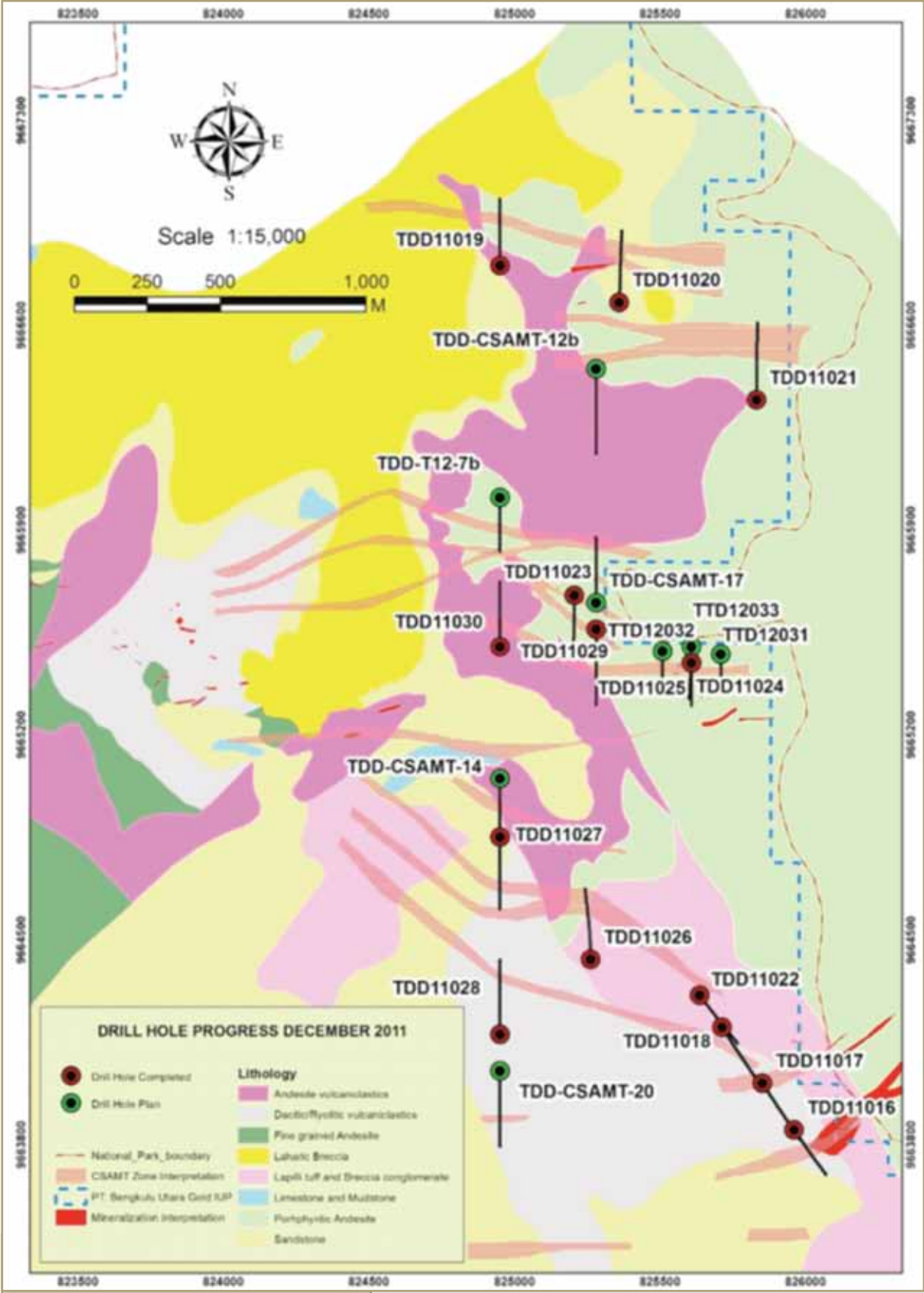
The Toko Rotan prospect is located about 1.7 kilometres north of the main Tandai Lode. This prospect was outlined by the Company's consultant geologists as a potential target based on surface manifestation of breccia and veining and localised multi-phase sulphidic breccia assaying up to **1.21 g/t Au**.

Mapping and sampling along strike of the hydrothermal breccia and veining zone at the Dutch Dam delineated a zone of silica/clay/pyrite alteration and base metal sulphides, which appears to be increasing to the west. Several broadly north south trending fault breccia zones were also identified.



Tandai composite long section

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Tandai district completed drilling during 2011

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Three holes were drilled to test the best zones of alteration and veining, along with the highest surface geochemistry. The first hole, TDD 11019, intersected porphyritic andesite for its entire length. Two narrow but mineralised zones were intersected at 188.6 metres. The first, a 0.4 metre quartz vein zone with fine grey sulphide and the second zone of interest was at 290.7 metres and is a 0.2 metre quartz vein breccia with 5 mm aggregates of galena, sphalerite, and chalcopyrite. Several narrow and weakly gold anomalous results were associated with these zones.

The second hole, TDD 11020, intersected porphyritic andesite with local dacitic dykes and occasional fault zones. From 139.1 to 143.8 metres, a quartz vein stockwork was intersected with 10% quartz and trace pyrite. The best assay result was from 162.1 to 163.1 metres which returned **0.92 g/t Au and 8.9 /t Ag**.

The final hole, TDD 11021, intersected a sequence of andesite and porphyritic andesite. Two narrow zones of quartz vein breccia were intersected from 127.3 to 128.7 metres and from 196.5 to 196.6 metres, however these zones did not return any significant mineralisation.

Lusang North

Two holes, TDD 11024 and TDD 11025, were designed to test the down dip extension of the high grade mineralisation in the artisanal working (Pak Parmin's lode) adjacent to the Lusang River. Both of these holes intersected significant widths of hydrothermal breccia and veining. The geometry of these zones is complex and the current interpretation is an easterly striking, sub-vertical main veins and north easterly striking, secondary ladder veins dipping moderately to the south-east. However this is yet to be confirmed by follow up drilling.

TDD 11024 was designed to test the down dip extension of the high grade Lusang North prospect. Two significant quartz vein breccia zones were encountered further downhole. Several crustiform banded quartz vein breccia zones with chlorite and pyrite were intersected at 142.9 to 143.4 metres, 151.6 to 154.1 metres and from 155.9 to 165.5 metres, hosted by light grey silicified andesite, with quartz veinlets and limonite fracture filling. From 165.5 metres to 185.0 metres four further zones of quartz vein breccia were encountered from 167.9 to 168.4 metres, 169.0 to 169.3 metres, 167.9 to 168.4 metres and 169 to 169.3 metres hosted by andesitic polymictic breccia.

TDD 11025 was designed to test the continuity of the mineralised structures encountered in TDD 11024. Significant quartz vein breccia zones with chlorite and sulphides (pyrite, galena and sphalerite) were encountered from 33.0 to 34.2 metres, 41.8 to 43.7 metres, 60.7 to 62.8 metres, 69.9 to 70.3 metres and 181.0 to 188.9 metres.

Results for both holes TDD 11024 and TDD 11025 returned multiple zones of significant mineralisation. TDD 11024 intersected a total of six significantly mineralised zones of multiphase base metal rich vein breccia with the best intercept of **21.0 metres @ 4.74 g/t Au, 36.2 g/t Ag** from a depth of 86.9 metres including **1.9 metres @ 27.56 g/t Au, 28g/t Ag** from a depth of 91.3 metres. Results from TDD 11025 were equally as good, despite the width and intensity of brecciation being not as strong as TDD 11024. Seven zones of significant mineralisation were encountered with the best intercept of **4.0 metres @ 20.00 g/t Au, 19.5 g/t Ag** from a depth of 31.0 metres including **2.1 metres @ 37.00 g/t Au, 35.6 g/t Ag** from a depth of 32.9 metres.

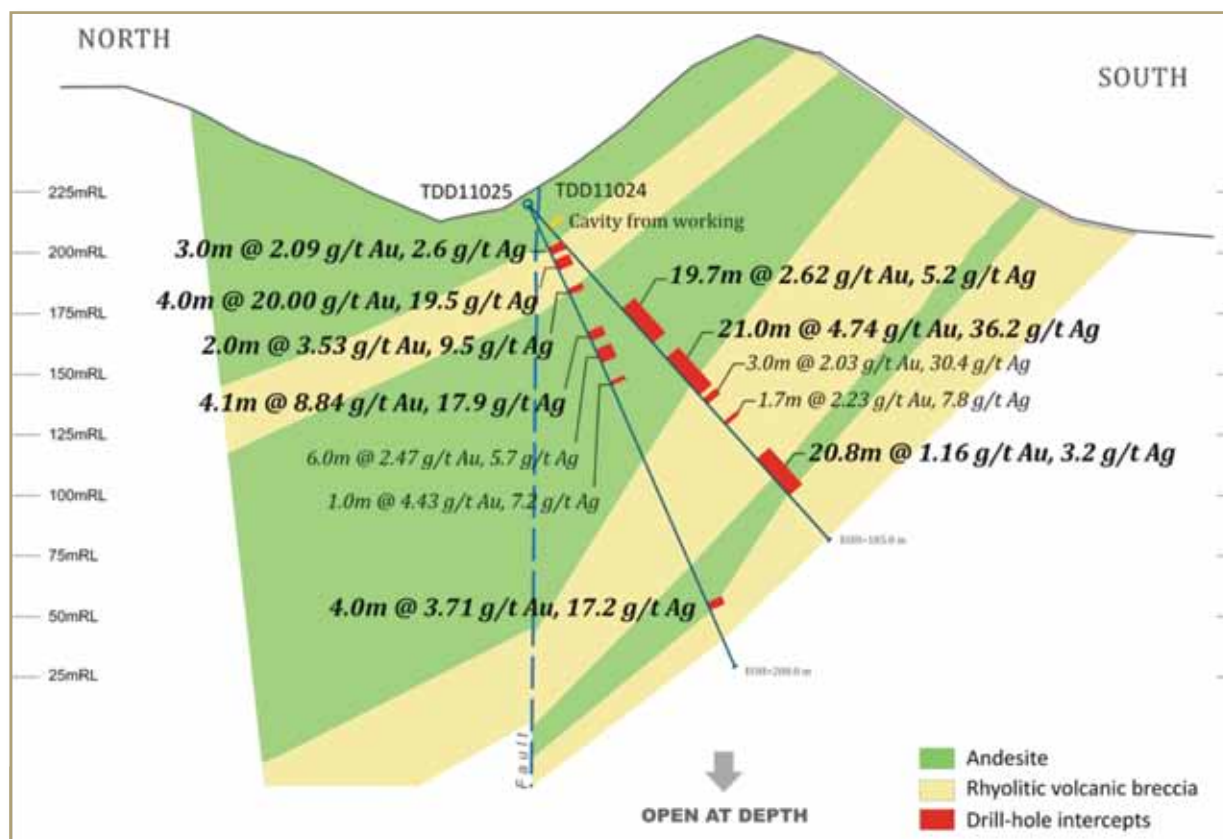
Further drilling on 100 metre step outs is in progress to determine the potential strike length and depth extent of these zones of significant vein breccia mineralisation.

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CSAMT Targets

The 17.1 line kilometre CSAMT survey was completed over the Tandai district and the data processed and interpreted. CSAMT is a very useful technique in exploration for epithermal vein deposits which we hope can penetrate the post mineral cover and identify potential resistors or zones of silicification which at Tandai, and most epithermal deposits, are associated with quartz veining (precious metal) mineralisation. This method is also being used to characterise the signature of quartz/breccia mineralisation at depth. If successful this could then be used as a tool to explore, especially under cover, for shallowly buried vein/breccia systems to the west and north of the outcropping vein systems which would not have been discovered by the Dutch.

Holes TDD 11026 to TDD 11030 have targeted blind CSAMT anomalies throughout the district at Glumbuk (TDD 11026 and TDD 11027), "core shed" (TDD 11028), and to the west of Lusang North (TDD 11029 and TDD 11030). Each of the holes has encountered a zone of silicification or a siliceous horizon at approximately the same depth as the interpreted structure from the CSAMT. No significant quartz vein development has been identified to date.



Simplified drill section TDD 11024 and TDD 11025

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Tandai Significant Intersection Highlights 2011/2012														
Hole ID	Type	Location	Northing	Easting	RL	EOH	Azimuth	Dip	From	To Interval	Width	Au g/t	Ag g/t	Comments
TDD11018	Diamond	Glumbuk	825715	9664200	353	400.0	145	-50	127.5	128.5	1.0	4.00	38.6	
TDD11024	Diamond	N.Lusang	825608	9665435	220	185.0	180	-50	58.8	78.5	19.7	2.62	5.2	
TDD11024	Diamond	N.Lusang							86.9	107.9	21.0	4.74	36.2	Includes 9.5m grading <1.0g/t Au
TDD11024	Diamond	N.Lusang							Includes: 91.3	93.2	1.9	27.56	28.0	
TDD11024	Diamond	N.Lusang							110.2	113.2	3.0	2.03	30.4	Includes 7.2m grading <1.0g/t Au
TDD11024	Diamond	N.Lusang							123.3	125.0	1.7	2.23	7.8	
TDD11024	Diamond	N.Lusang							138.1	138.8	0.7	1.09	7.3	
TDD11024	Diamond	N.Lusang							144.3	165.1	20.8	1.16	3.2	Includes 10.3m grading <1.0g/t Au
TDD11025	Diamond	N.Lusang	825608	9665445	220	215.0	180	-65	21.0	24.0	3.0	2.09	2.6	
TDD11025	Diamond	N.Lusang							31.0	35.0	4.0	20.00	19.5	Includes 0.9m grading <1.0g/t Au
TDD11025	Diamond	N.Lusang							Includes: 32.9	35.0	2.1	37.00	35.6	
TDD11025	Diamond	N.Lusang							41.0	43.0	2.0	3.53	9.5	
TDD11025	Diamond	N.Lusang							60.0	64.1	4.1	8.84	17.9	
TDD11025	Diamond	N.Lusang							68.0	74.0	6.0	2.47	5.7	
TDD11025	Diamond	N.Lusang							82.0	83.0	1.0	4.43	7.2	
TDD11025	Diamond	N.Lusang							183.0	187.0	4.0	3.71	17.2	

Table of Significant Intersections Au >1.0 g/t. All widths are apparent. The full results of all drilling results are in the 2011 quarterly reports.

Review of Operations

Regional Exploration Program

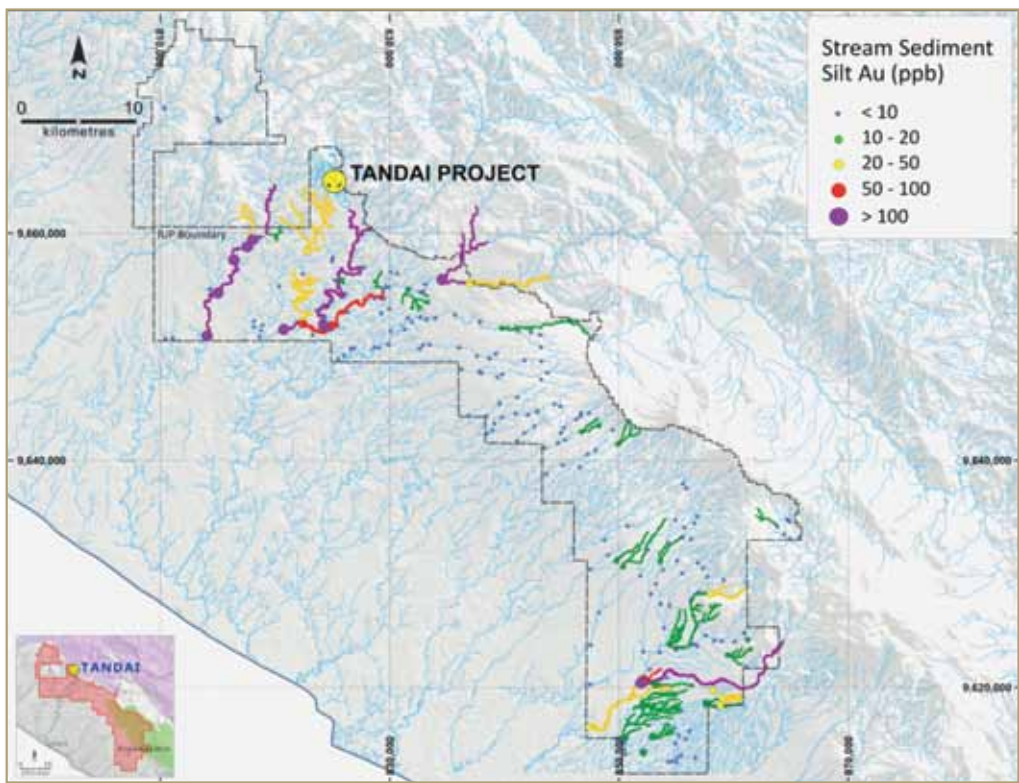
The IUP scale regional exploration program commenced in June 2011. The plan involved an intensive stream sediment and BLEG program running in conjunction with prospecting and mapping of areas identified either from the high resolution quickbird satellite imagery or from a review of the historical sampling over the IUP. To date a total of 301 stream sediment and 89 BLEG samples along with 376 rock float and outcrop samples were collected. Approximately 20 sites remain from the phase one program. Our community relations team is still working at getting permission to access the PT Sandabi palm plantation area so that the remaining phase one samples can be collected.

The program has been successful in outlining a new prospect area at Ulukau and a number of very promising multiphase epithermal vein float samples similar to what we see in the Tandai district.

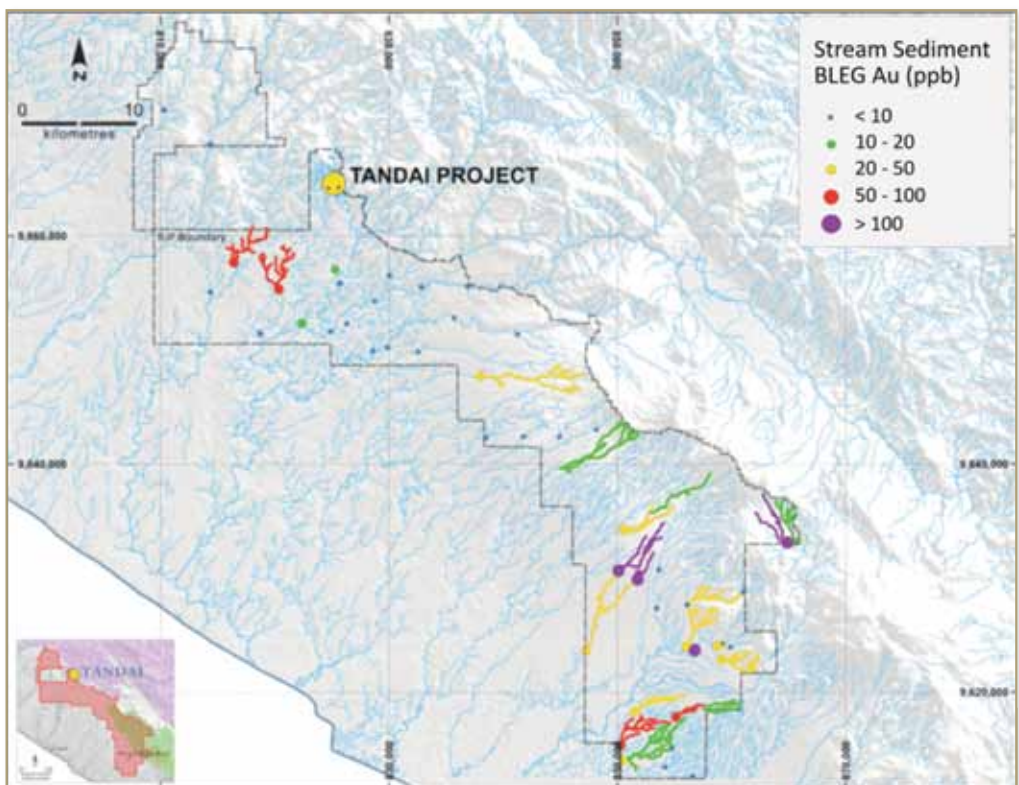
To date twelve rock samples have returned values above 0.5 g/t Au to a maximum value of **9.05 g/t Au**. Four stream sediment samples returned values greater than **100 ppb Au** with a peak value of **278 ppb Au** and some consistent BLEG anomalies have been returned to a maximum of **127 ppb Au**. The results confirm the widespread moderate to strong gold anomalism at Aek Nokan - Aek Lais, Aek Padang drainages and also the drainages at Arga Makmur areas.



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Regional exploration -80# stream sediment results



Regional exploration BLEG results

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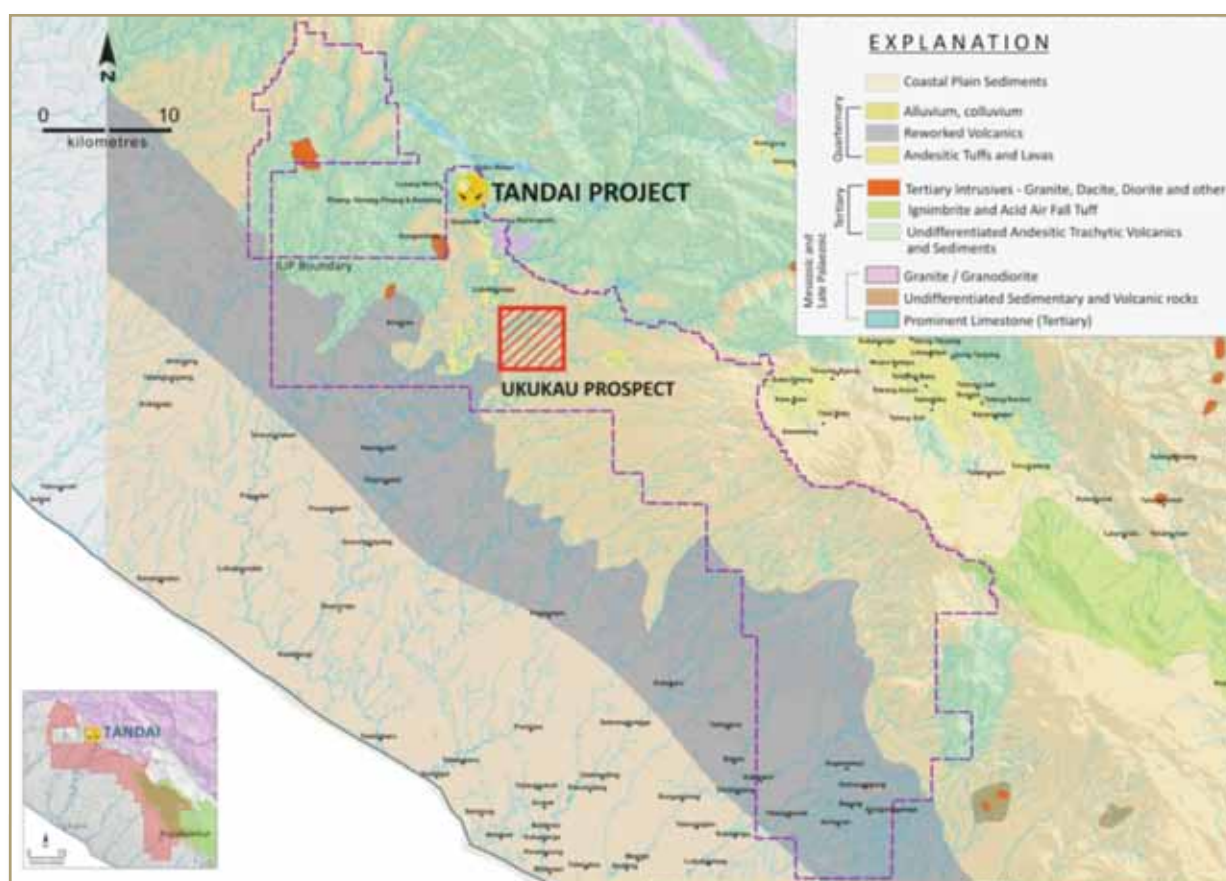
Ulukau

The Ulukau prospect is located approximately 10 kilometres south southeast of Tandai. This prospect was first identified during the regional sampling program with three outcrop samples returning assays of **1.53 g/t Au, 2.81 g/t Au and 3.72 g/t Au**. The zone occurs along the banks of the Ketahun river drainage and is approximately 100 metres long and up to 15 metres wide, characterised by intense quartz-hematite/limonite stockwork hosted by a moderate to strong silica-clay \pm pyrite altered plagioclase phyric andesite. The main vein set strikes 120° and dips steeply to the north-northeast.

A follow up mapping and sampling program commenced in mid-December. The follow up program to date has comprised of tape and compass surveying, detailed geological mapping and rock outcrop and channel sampling. Cutting of grid lines for a grid based soils sampling and ground magnetics survey is on-going.

Planned Program

The joint venture continues to maintain an aggressive district scale drill intensive program testing a combination of geophysical, geochemical, structural and geological targets. Particular emphasis will be placed on step out drilling at Lusang North. The Ulukau prospect will be advanced towards drill status, should results warrant, at the same time as maintaining follow up of the best exploration targets from the IUP wide regional exploration program.



Ulukau prospect location map

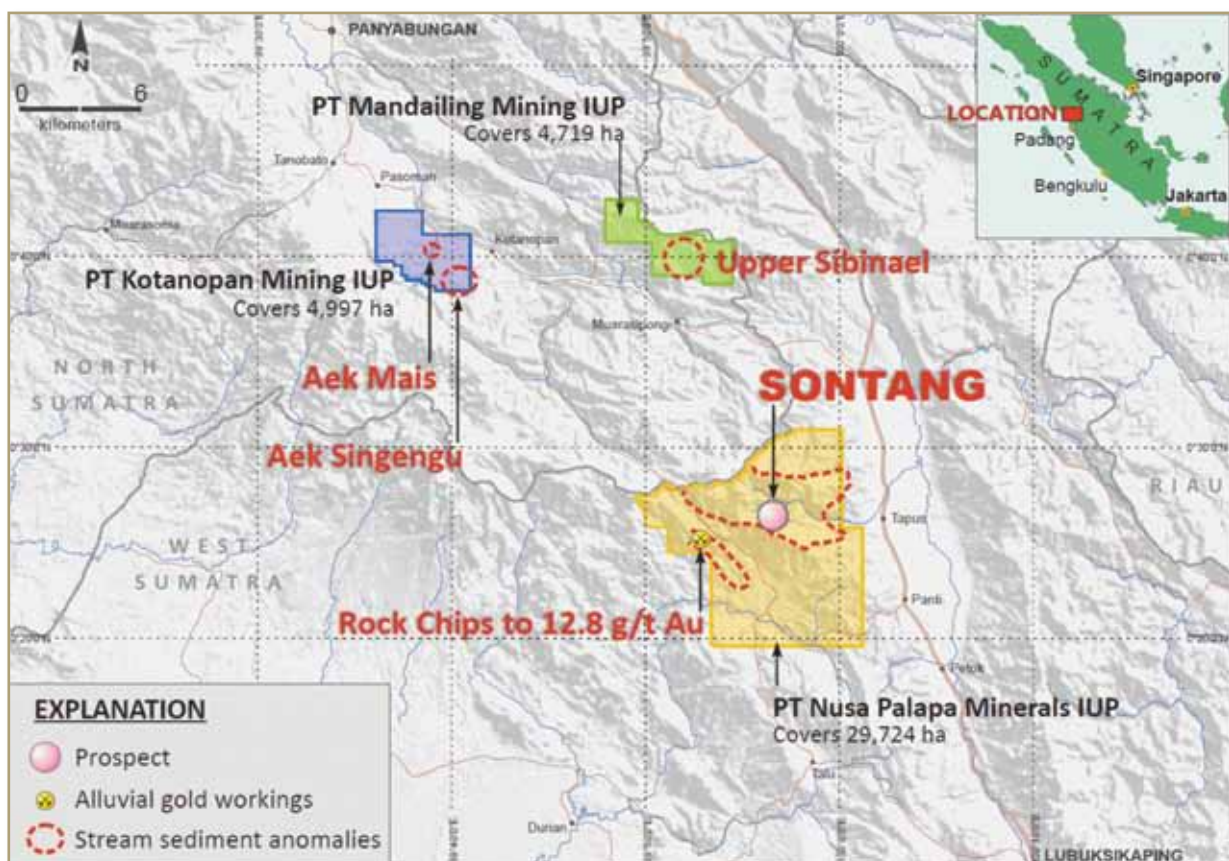
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Sontang Project

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.



Aktifitas drop point Sontang



Sontang and northern projects IUP location map

Review of Operations

Drilling

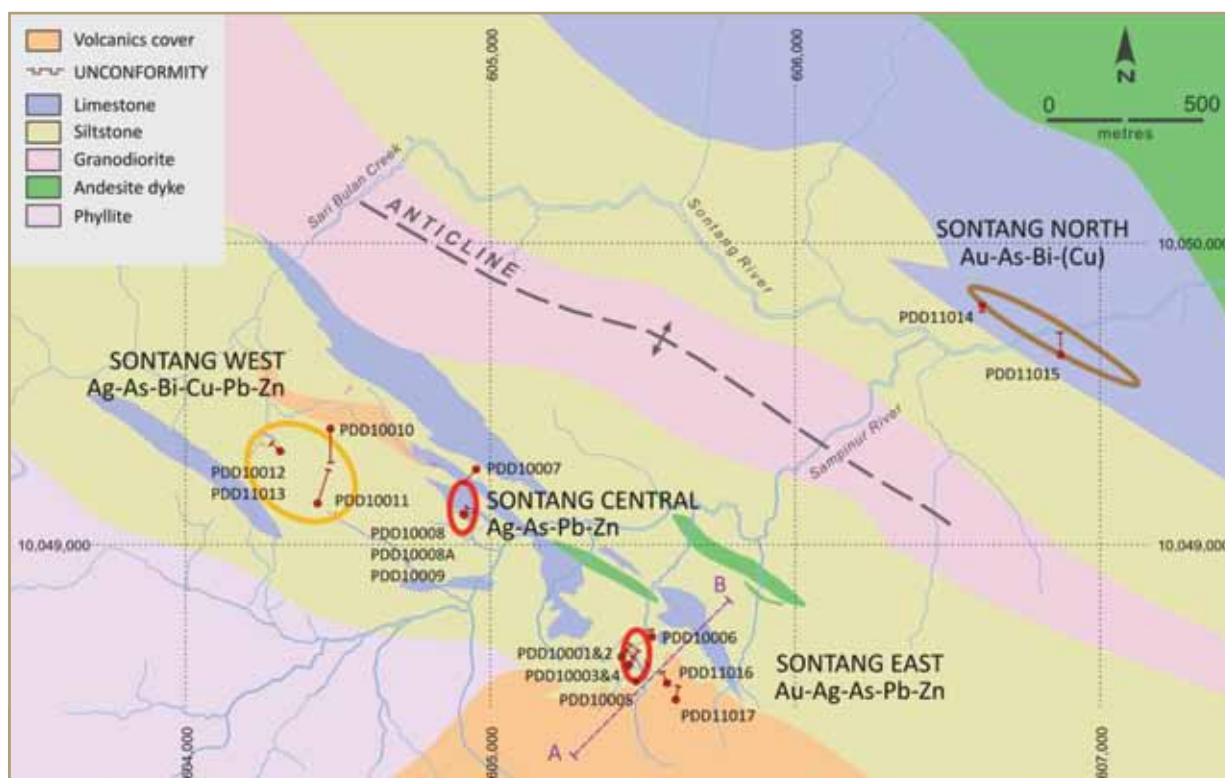
The successful scout drilling program at the Company's Sontang project, located in West Sumatra, Indonesia was completed in February 2011, with almost every hole intersecting significant gold, silver and base metals (mostly zinc) mineralisation.

A total of seventeen holes were drilled in four prospect areas at East, Central, West and North Sontang project areas for a total of 2016.5 metres. The highest intercept was returned from hole PDD11016 which intersected **11.9 metres @ 6.5 g/t Au, 33.3 g/t Ag and 8.0% Zn** from 57.6 to 69.5 metres down hole. This hole extends the strike length of the East Sontang zone over 150 metres before mineralisation goes undercover. Geological mapping subsequent to the drilling program was successful identifying massive sulphide float in streams draining to the south-east. This indicates this zone of mineralisation may continue under cover to the south east of the last drill hole PDD 11017.

At West Sontang, holes PDD 10010 to PDD10013 all intersected mineralisation at a lower tenor than East and Central Sontang. The results are in line with previous surface sampling which showed anomalous copper and arsenic, with lower gold and silver in highly fractured siltstones. This is consistent with the hypothesis of a possible deeper intrusive source for mineralisation.

Two holes were drilled in the large gold copper soil anomaly at North Sontang. PDD11014 intersected **2.2 metres @ 2.95 g/t Au and 13.7 g/t Ag** from 28.2 to 30.4 metres downhole. PDD11015 was barren. This suggests the large soil anomaly may be a deflation surface with gold and copper spread over a wide area due to erosion. However, more detailed exploration is required to determine the source of the strong gold and base metals anomalism.

Assay results from West and Central Sontang indicate that the gold and base metal mineralisation is largely contained within the massive sulphide lenses and at this stage a bulk tonnage target is not evident.



Sontang summary geology and drill hole locations

Review of Operations

Review

The geometry of the mineralised outcrops in the field suggests strong structural control and this has been confirmed by the drilling. The best mineralisation occurs at structural intersections of northerly trending cross structures with the deep seated regional west-northwest to east-southeast trend. This regional trend has also focused the emplacement of felsic and intermediate dykes.

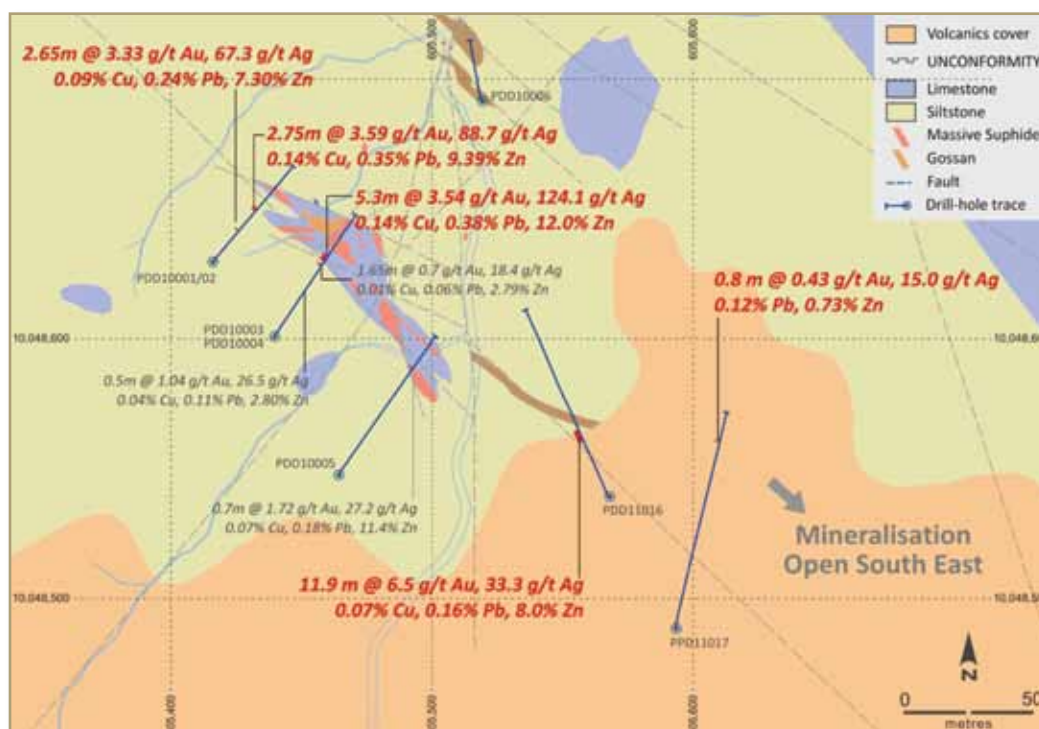
The drilling also confirmed the difference in style of mineralisation from base metal rich veins dominated by pyrite and arsenopyrite at West Sontang and more massive sulphide mineralisation at Central and East Sontang dominated by fine grained pyrrhotite. This was reflected in the geochemistry with high arsenic and copper in the west, proximal to an intrusive source and higher gold, silver, zinc and lead in Central and East Sontang.

A review of the project and the drilling data has been conducted by our in-house consultant to assist in determining the future exploration approach at Sontang. Key recommendations for ongoing and future exploration are summarised as follows:

- Assess the south easterly strike-extent of the mineralised corridor by prospecting streams to south-east of East Sontang.

- In mapping outcrop in anomalous areas, focus on the geometry of limestone units, mantos, veins, fractures and faults to better target high grade gold, Au-Ag-Zn zones.
- Assess regional potential of Pasaman IUP by investigating stream geochemical anomalies, Miocene volcanic rocks north and west of Sontang and Paleozoic and Mesozoic sedimentary rocks north-east of Sontang.

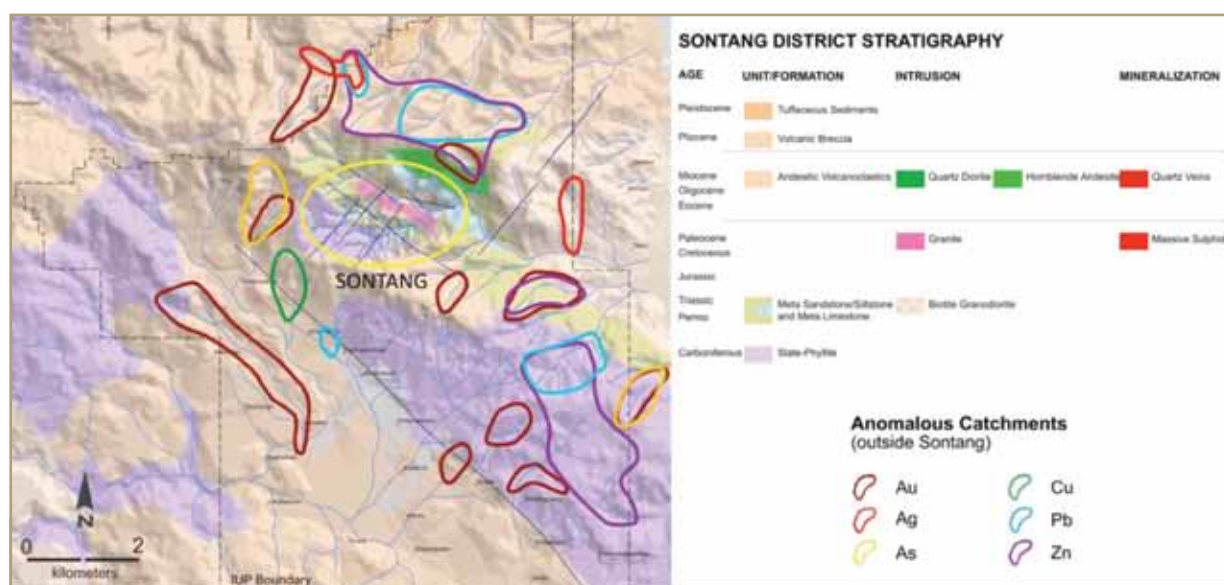
As part of this review process an additional 64 samples from 5 holes were taken outside the zones of massive sulphide to better constrain mineralisation. After the completion of the drilling program some re-sampling of drill core was carried after re-logging to assess the tenor of further narrow zones of mineralisation. Some interesting results were returned including PDD 10004 which gave **1.9 metres @ 2.43 g/t Au and 111.6 g/t Ag** from 3.0 to 4.9 metres and PDD 11017 which intersected **0.8 metres @ 0.43 g/t Au and 15 g/t Ag** from 116.2 to 117.0 metres. The latter intersection is the last hole in East Sontang which indicates mineralisation may be derived from manto massive sulphide fragments in post mineral sedimentary breccias and may be open at depth as well as along strike.



East Sontang detailed geology and significant intercepts

Review of Operations

Sontang Significant Intersection Highlights 2010/2011										
Hole No	Location	From	To	Length	Au g/t	Ag g/t	Cu %	Pb %	Zn %	Comments
PDD10001	East Sontang	45.30	48.05	2.75	3.59	88.7	0.14	0.36	9.39	
PDD10002	East Sontang	67.35	70.00	2.65	3.33	67.3	0.09	0.24	7.28	
PDD10003	East Sontang	57.55	59.20	1.65	0.70	18.4	0.01	0.06	2.79	
PDD10003	East Sontang	61.80	67.10	5.30	3.54	124.1	0.14	0.38	12.00	
PDD10004	East Sontang	3.00	4.90	1.90	2.43	111.6	0.04	1.53	0.23	
PDD10004	East Sontang	71.00	71.50	0.50	1.04	26.5	0.04	0.11	2.80	
PDD10005	East Sontang	87.80	88.50	0.70	1.72	27.2	0.07	0.18	11.40	
PDD10008	Central Sontang	21.70	29.70	8.00	0.19	214.0	0.01	2.35	7.70	Includes 5.5m @ 0.26g/t Au, 297g/t Ag, 0.01% Cu, 3.31% Pb and 11.03% Zn
PDD10008	Central Sontang	31.30	31.80	0.50	0.13	215.0	0.01	3.50	7.25	
PDD10010	West Sontang	24.45	26.90	2.45	0.04	91.3	0.05	0.99	2.41	
PDD10010	West Sontang	30.90	33.35	2.45	0.09	57.9	0.36	0.33	1.30	
PDD10010	West Sontang	58.30	68.20	9.90	0.01	61.1	0.07	0.38	0.88	
PDD10012	West Sontang	16.30	17.30	1.00	0.82	19.4	0.52	0.08	4.20	
PDD10012	West Sontang	26.30	31.85	5.55	0.84	27.6	0.32	0.08	1.83	
PDD10012	West Sontang	56.35	61.35	5.00	0.05	24.2	0.42	0.15	3.17	
PDD11013	West Sontang	18.40	24.00	5.60	0.53	16.4	0.48	0.03	0.39	
PDD11013	West Sontang	71.00	73.70	2.70	0.15	43.0	0.39	0.22	5.03	
PDD11014	North Sontang	28.23	30.40	2.17	2.95	13.7	0.11	0.05	0.39	
PDD11016	East Sontang	57.60	69.50	11.90	6.50	33.3	0.07	0.16	8.00	Includes 3.9m @ 14.24g/t Au, 54g/t Ag, 0.1% Cu, 0.28% Pb and 13.5% Zn
PDD11017	East Sontang	116.20	117.00	0.80	0.43	15.0	0.00	0.12	0.73	



Summary of regional target areas in Pasaman IUP

Review of Operations

Regional Exploration

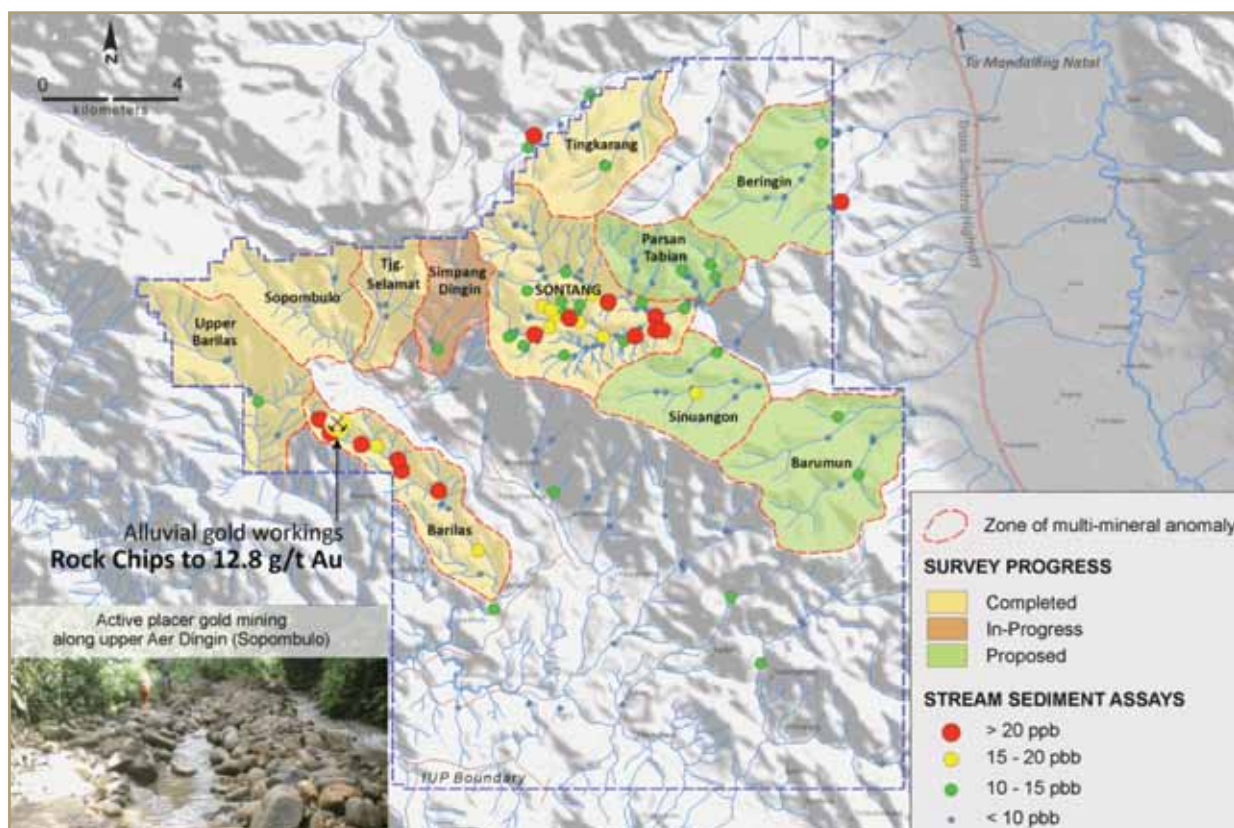
After a comprehensive review of the project and the recent drilling activities the Company elected to continue with a low cost reconnaissance based exploration program investigating other anomalies with the IUP. This has achieved good results with banded epithermal quartz float discovered in the Simpang Godang area in the south west part of the licence area. This area lies along a major west-northwest trending regional fault and there are numerous alluvial gold artisanal workings nearby. The Company has also elected to look for joint venture partners to assist in exploration of this property including the prospective East Sontang discovery in the light of concentrating its activities on the development of Tembang.

Systematic exploration, involving stream sediment sampling, mapping and ridge and spur soils have been used to better define the zones of anomalous gold mineralisation in the Simpang Godang area

(Barilas area) in the south-west part of the licence. During this exploration program a large quartz vein has been located in the headwaters of the stream. Preliminary assays of up to **0.3 g/t Au and 101 g/t Ag** have been returned from this outcrop. Exploration work is on-going to locate the high grade epithermal float, running up to **12.8 g/t Au and 648 g/t Ag**.

Musi Rawas and Jambi IUPs

The Company holds two exploration properties, one in Jambi Province and one in South Sumatra. A separate exploration team has been established with offices in both provinces to explore these prospective licences. The Musi Rawas IUP comprises of 75,000 hectares and encompasses the Dwinad licence area. The Jambi IUP comprises of 97,480 hectares and is a large greenfields exploration project with numerous occurrences of alluvial gold clustered around the margins of a pre-Tertiary dome.



Pasaman IUP regional stream sediment anomalies



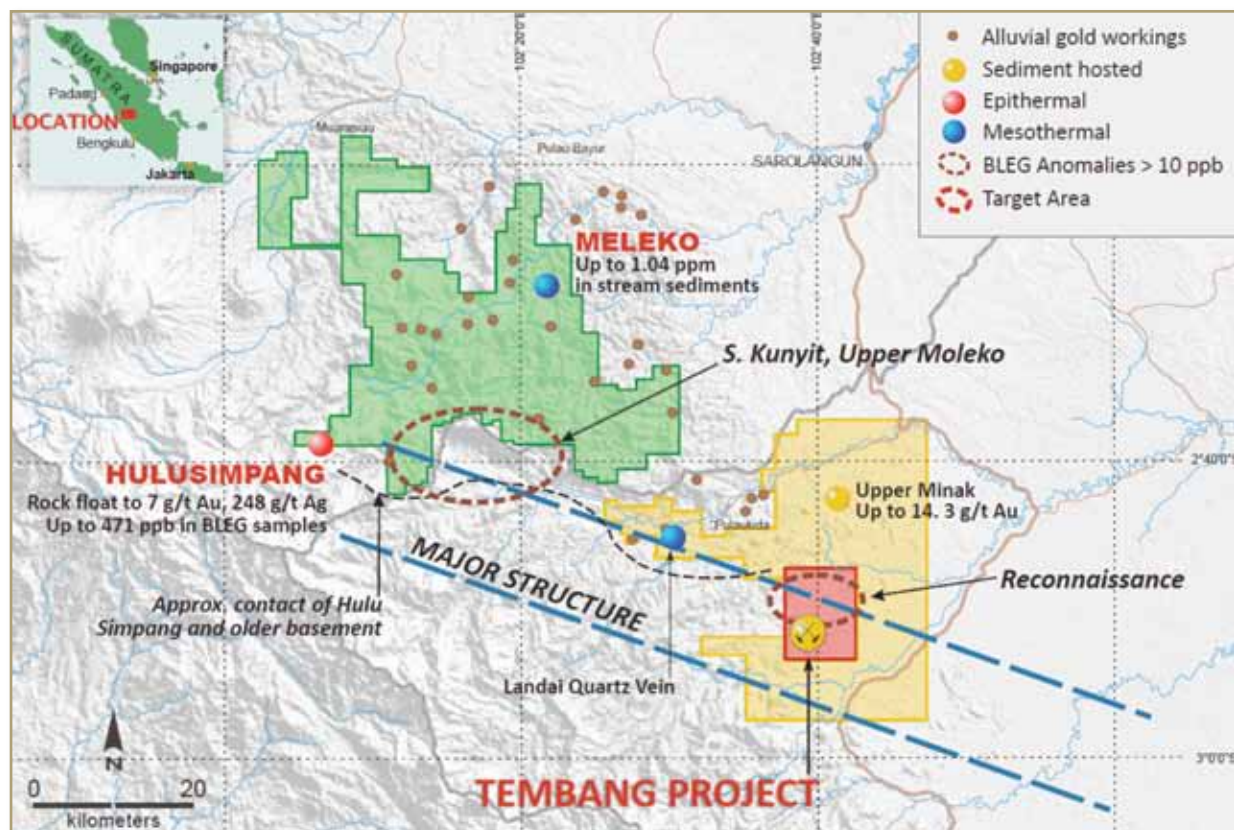
Review of Operations

Musi Rawas IUP

Exploration activities were initially focused on following up previous vein and recently discovered sediment hosted mineralisation at the Upper Minak area. Activities were concentrated on the western part of the Minak area called Fossil Minak which is stratigraphically younger than the east and the veins are more likely to be preserved. This area is particularly attractive given its proximity to the Tembang project. Recent sampling has identified replacement style mineralisation within calcareous sandstones. Assay results from a recently discovered 6 metre wide silicified zone at we returned consistent low to moderate grade gold values from **0.31 g/t Au to 0.77 g/t Au** with coincident very high arsenic, 3380 to 9370 ppm. This high level of arsenic and antimony is considered promising and is commonly associated with sediment hosted gold systems.

Later this year, a more regional approach will be implemented whereby regional stream sediment sampling complemented by reconnaissance mapping will be undertaken throughout most of the licence area as well as parts of the Dwinad IUP. This change in approach is based on the understanding that there is west-northwest regional control on significant epithermal mineralisation with a number of intrusive centres that have yet to be fully prospected within the Dwinad and Musi Rawas IUPs. Secondly, since the original work was done, there have been many advances in stream sediment geochemistry such as BLEG with more subtle detection limits. It is likely that this work will generate new anomalies to follow up.

Some significant coincident stream sediment and BLEG anomalies have recently led to the discovery of outcropping quartz stockworks hosted by prospective andesite tuffs to the south-east of Tembang. Exploration is on-going to ascertain the size and overall tenor of this mineralisation.



Review of Operations

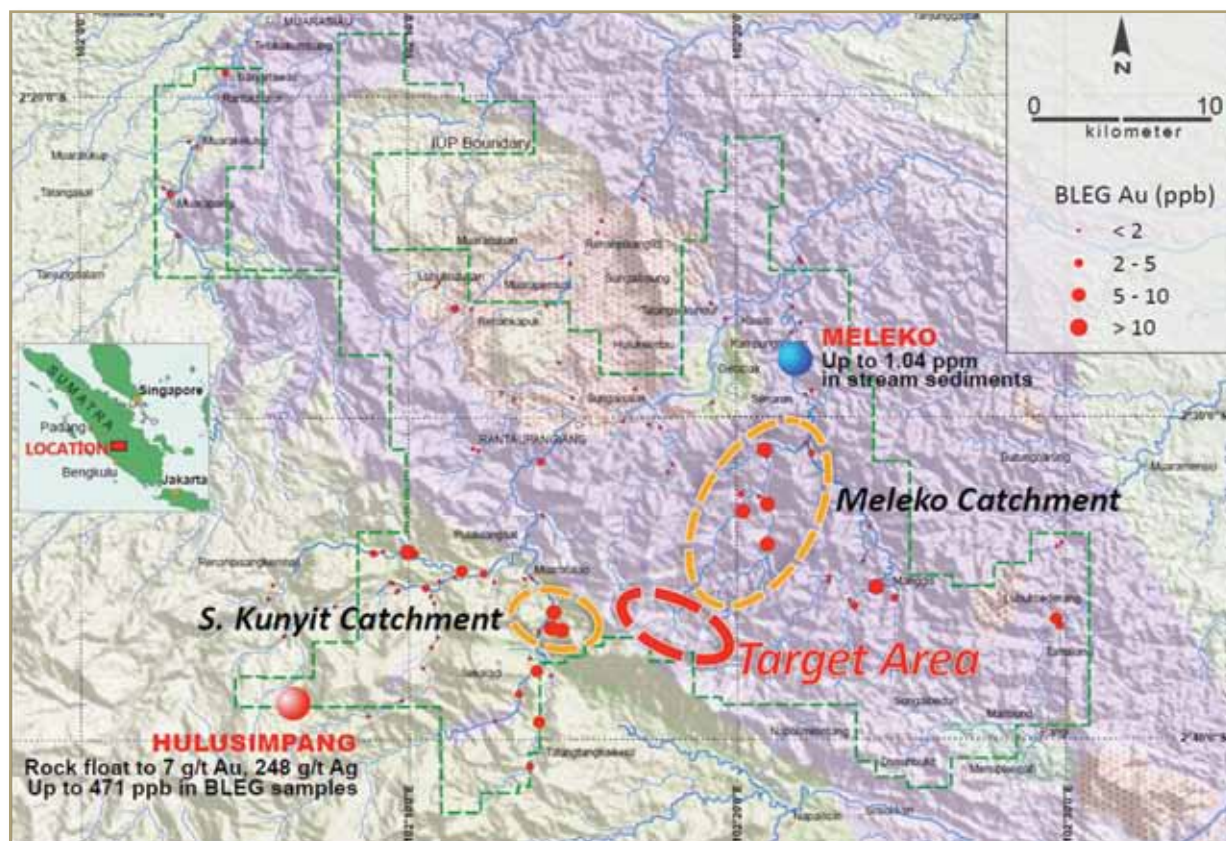
Jambi IUP

The original IUP area was selected on the basis of numerous alluvial gold occurrences and favourable geology. The tenement encompasses pre-Tertiary basement with peripheral Tertiary age epithermal and porphyry related gold mineralisation at the margins of a basement high. The IUP is directly north of an advanced epithermal prospect held by Aneka Tambang.

Initial stream sediment sampling was carried out in a 12 x 13 km² catchment area in the south and west of the IUP. This area was chosen based on prospective regional geology where the Hulusimpang volcanic formation (which is host to most significant precious metal mineralisation in south Sumatra) crops out adjacent to a basement high. Secondly Aneka Tambang have discovered and drilled a series of epithermal veins at Batang Asai on the south-western margin of our IUP.

Encouraging results were returned from the sampling with stream sediment values up to **471 ppb Au** from the Kunit River which appears to be on a major west-northwest trending structure on which lies the Landai prospect. Rock samples of multi-phase quartz float also returned up to **7.02 g/t Au and 248 g/t Ag**. Follow-up results were also good with 4 samples returning above 10 ppb Au including a high sample of **72.8 ppb Au**. Three of the four significant samples were from the Kunit River, whilst one significant sample was from upper reaches of the Batangasai River. It is possible that the source of the anomalous samples is shedding from a topographic high located east of the Kunit River and south-southwest of the Meleko River. This area will be followed up as a first priority when exploration resumes later this year.

Follow-up work based on the encouraging results of the regional program are planned in the first quarter of 2012. The two main target areas are BLEG anomalous catchments and gold bearing rock float in the Hulu Simpang area and further follow-up of the BLEG and stream sediment anomalies in the far south of the IUP adjacent to a major west-northwest trending fault which most likely controls the emplacement of vein style mineralisation at Tembang.



Jambi IUP sampling highlights

Review of Operations

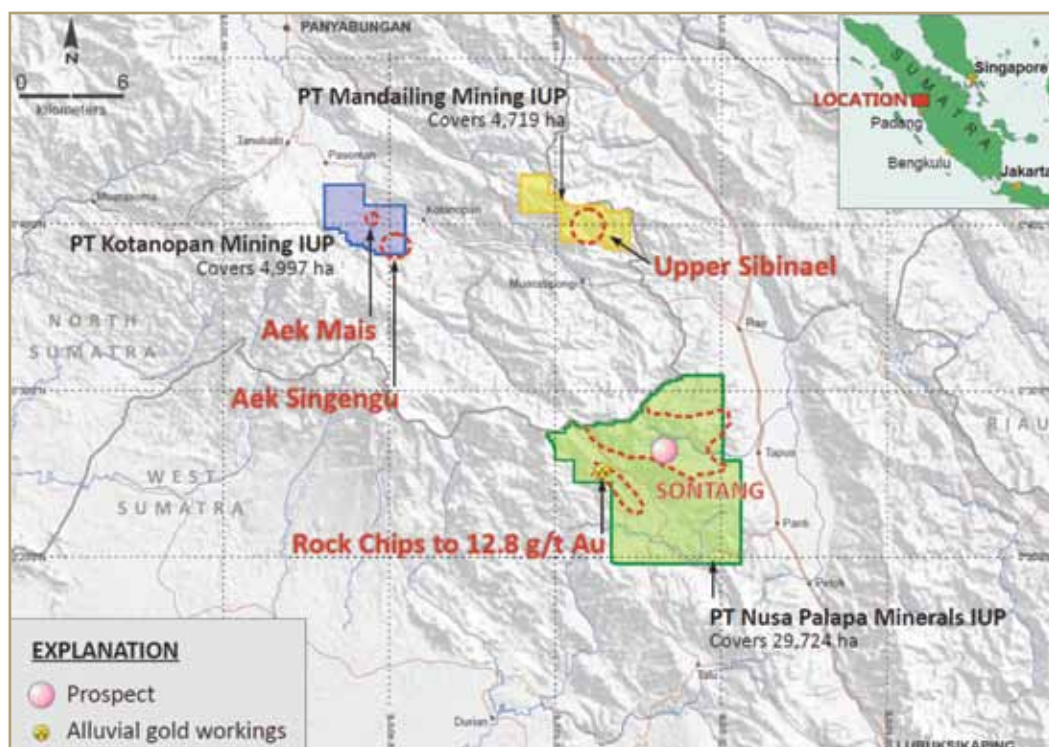
The North Sumatra prospects are held in two IUPs, Mandailing Mining (4,997 hectares) and PT Kotanopan Mining (4,719 hectares). These are greenfields projects and only limited exploration work has been undertaken to date due to the exploration focus on the Sontang project.

Reconnaissance exploration work consisting of infill stream sediment and BLEG sampling and regional creek mapping was carried out in the PT Mandailing IUP and was successful in outlining float trains of significant copper mineralisation in the Upper Sibinael drainage. The highest rock chip assay was 4% copper hosted by an acid intrusive rock to the south east of the IUP.

Follow-up exploration is planned in early 2012 at the Kotanopan Mining IUP once our community relations team has successfully negotiated access.



Kotanopan Mining and Mandailing Mining IUPs



Northern Sumatra tenements with stream sediment anomalies



Review of Operations

CORPORATE ACTIVITIES

Agreement to Increase Ownership of Tenements to 100%

In February 2011, the Company completed a transaction with Mr Adi Sjoekri to restructure the ownership arrangements of five operating entities, resulting in Sumatra increasing its ownership from 92.5% to 100% of:

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

Consideration for the acquisition was 3,800,000 new Sumatra CHESS Depositary Interests ('CDIs') for shares and A\$368,000 in cash, of which A\$68,000 was paid during 2010. The increase to 100% ownership has been made possible by the provisions of the 2009 Mining Law that now allows up to 100% foreign ownership of Indonesian foreign investment ('PMA') mining companies that hold IUPs.

The transaction also covers two small IUPs in North Sumatra held respectively by PT Kotanopan Mining and PT Mandailing Mining, local companies also owned by Adi Sjoekri and his affiliate. In the case of these companies, Adi Sjoekri's interest is subject to the terms of a Co-operation Agreement. These two IUPs cover green field exploration targets.

Agreements with Newcrest

Exploration Joint Venture at Tandai

During the year, the Company announced the formal completion of the joint venture arrangements with Newcrest Mining Limited ('Newcrest') in respect of PT Bengkulu Utara Gold ('PT BUG') and its 100,000 hectare exploration IUP located in the Bengkulu Utara regency of Bengkulu Province, Sumatra, Indonesia.

As part of this transaction Newcrest Singapore (Tandai) Pte Ltd ('Newcrest Tandai'), a subsidiary of Newcrest, subscribed US\$1.75 million for new shares in PT BUG for a 70% interest on completion following the receipt of formal approvals required under Indonesian law.

The US\$1.75 million subscription by Newcrest Tandai 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. In December 2011 Newcrest invested another US\$2.4 million. 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. During the Minimum Spend Period the project will continue to be managed by Sumatra and thereafter Newcrest can elect to take over the management role. Since the year end Newcrest has invested a further US\$1.2 million.

As detailed above, the joint venture is currently undertaking an aggressive drilling program focusing on numerous exploration targets.

Tembang Option

During 2010, as part of the arrangements with Newcrest, Sumatra granted an option to Newcrest to acquire a 25% stake in the Company's Tembang project for US\$10 million of which US\$500,000 was a non-refundable deposit. The option expired on 31 March 2011 and was not exercised.

Review of Operations

Appointment of Julian Ford as Managing Director

In May 2011 the Company announced the appointment of Mr Julian Ford as Chief Executive Officer effective from 1 June 2011 following the retirement of incumbent Managing Director and company co-founder Mr Jocelyn Waller. Jocelyn Waller remains on the Sumatra Board as a Non-Executive Director.

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.

He 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.

In January 2012, Julian Ford was appointed to the position of Managing Director, joining the Board of Directors.

Other Changes to the Board

In March 2011, the Company announced the resignation of Lord Daresbury as a Non-Executive Director of the Company due to other commitments. At the same time the Company announced the appointment of Mr Adi Sjoekri as a Director of the Company.

Adi Sjoekri is an Indonesian National and graduated with 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.

He 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.

In January 2012 the Company announced the resignation of Dr Michael Price as a Non-Executive Director of the Company due to other commitments.

Both Lord Daresbury and Dr Price had been Non-Executive Directors of the Company since July 2007. The Board of Sumatra expresses its gratitude to Lord Daresbury and Dr Price for their valuable contributions to the Company.

Review of Operations

Key Appointments to the Tembang Project

In September 2011 the Company announced the appointment of Mr Grant Harding as Tembang Project Manager - Engineering Client Representative with a focus on engineering design, construction and commissioning of Stage 1 of Sumatra's two-stage production plan at Tembang. Mr Harding is an employee of Jakarta based PT Como Engineers and will be sub-contracted to Sumatra for the client representative role.

Mr Harding is a qualified extractive metallurgist with more than 25 years' experience in the mining industry. He has extensive senior operational, engineering and project management experience in Australia, Indonesia, Myanmar, Ghana, Tanzania and the Philippines.

In February 2012 the Company announced the appointment of Mr Don Harper as Tembang Mine Manager, responsible for managing and overseeing Stage 1 of the Tembang project.

Mr Harper has a strong track record of project management and taking resources projects from pre-feasibility stage into production. He is a qualified mining engineer with more than 21 years' experience in the mining industry.

Placement of 30,707,500 new CDIs to raise A\$4,913,200

During the year, the Company completed capital raisings primarily to further advance feasibility studies at the Tembang project.

In September 2011, the Company placed 23,980,000 new CDIs at A\$0.16 per CDI to a range of institutions and sophisticated investors for proceeds of A\$3,836,800 (£2,357,641) before expenses. The Company subsequently placed an additional 6,250,000 new CDIs at A\$0.16 per CDI with RMB Resources Pty Limited for proceeds of A\$1,000,000 (£651,600) before expenses and 477,500 new CDIs at A\$0.16 per CDI with Newcrest for proceeds of A\$76,400 (£49,454).

In addition, in February 2011, the Company issued 2,200,000 new CDIs for A\$440,000 (£277,069) following the exercise of 2,200,000 options at A\$0.20 per share by the Chairman, Mr Warwick Morris.

Competent Person

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Matthew Farmer, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. Matthew Farmer is an employee of the Company who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Matthew Farmer has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The Tembang Mineral Resource was estimated by Mr David Stock MAusIMM who is a Geological Consultant to the Company and is a Competent Person as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2004 Edition) 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.



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 of which three Directors were Independent Non-Executive Directors and the Company complied with Recommendation 2.1. 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 there remain only two Independent Directors on the Board. The Board believes this to be sufficient as there remains three 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.

Statement of Corporate Governance

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.

Performance Review and Evaluation

The Company has established a Remuneration Committee consisting of the two Independent Non-Executive Directors. Originally the roles were performed by Lord Daresbury and Dr Michael Price. Following the resignation of Lord Daresbury in March 2011 and Dr Price in January 2012 their positions on the Remuneration Committee were filled by Warwick Morris and Peter Nightingale 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.

Statement of Corporate Governance

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.
- Peter Nightingale since October 2010.
- 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.

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.

Statement of Corporate Governance

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. 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 2011 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.

Statement of Corporate Governance

Principle 4 - Safeguard integrity in financial reporting

Audit Committee

The Company has followed Recommendation 4.1 and has an Audit Committee. At the start of the year the Audit Committee consisted of Dr Michael Price as Chairman of the Audit Committee, and Lord Daresbury. Following the resignation of Lord Daresbury on the Board during the year his position on the Audit Committee was filled by Jocelyn Waller. Since the end of the financial year Dr Price has resigned as a Director. Jocelyn Waller has taken his place as Chairman of the Audit Committee and the Chairman 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 2011 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.

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.

Statement of Corporate Governance

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.

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 2011, 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.

Statement of Corporate Governance

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. At the start of the year the Audit Committee consisted of Lord Daresbury, as Chairman of the Audit Committee, and Dr Michael Price. Following the resignation of Lord Daresbury from the Board during the year his position on the Remuneration Committee was filled by Warwick Morris. Since the end of the financial year Dr Price has resigned as a Director and Peter Nightingale has joined the Remuneration Committee. 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 2011;
- 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					
Adi Adriansyah Sjoekri (appointed 30 March 2011)	2011*	123,478	-	123,478	-
	2010	-	-	-	-
Alan Flint (resigned 22 May 2010)	2011	-	-	-	-
	2010*	39,158	-	39,158	-
Non-Executive Directors					
Warwick Morris (Chairman)	2011	48,079	141,404	189,483	74.6%
	2010	44,751	15,223	59,974	25.4%
Lord Daresbury (resigned 30 March 2011)	2011*	5,600	-	5,600	-
	2010	22,400	7,611	30,011	25.4%
Peter Nightingale (appointed 28 October 2010)	2011	58,309	28,281	86,590	32.7%
	2010*	9,565	-	9,565	-
Dr Michael Price (resigned 30 January 2012)	2011	22,400	-	22,400	-
	2010	22,400	7,611	30,011	25.4%
Jocelyn Waller (resigned as Managing Director 31 May 2011)	2011	142,805	-	142,805	-
	2010	118,948	15,223	134,171	11.4%
Total, all specified Directors	2011	400,671	169,685	570,356	29.8%
	2010	257,222	45,668	302,890	15.1%

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

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 £188,207 (£101,246 primary fees and £86,961 fair value of options granted).



Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

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:

Mr Warwick George Morris

BSc (Hons), MSc, MAusIMM

Independent and Non-Executive Chairman

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.



Mr Julian Ford

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

Managing Director - appointed 30 January 2012. Formerly CEO appointed 30 May 2011

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 - appointed 30 March 2011

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

Adi 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

Peter James Nightingale

BEC, CA

Independent and Non-Executive Director

Peter Nightingale is an Australian National who was appointed as a Director of the Company in October 2010. He graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for over 20 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Callabonna Uranium Limited and Bolnisi Gold N.L. Mr Nightingale is currently a director of Augur Resources Ltd, Cockatoo Coal Limited, Planet Gas Limited and unlisted public companies Equus Resources Limited and Nickel Mines Limited.



Lord Daresbury

MA (Hons) (Cantab)

Independent and Non-Executive Director - resigned 30 March 2011

Peter Daresbury is a British national who was appointed as a Non-Executive Director of the Company in July 2007. Peter Daresbury graduated from Cambridge University with a Master of Arts (Hons) in History, and later graduated from the London Business School following an executive management program.

Peter Daresbury has served as CEO and director of a number of publicly listed companies. His recent mining sector experience includes being executive and non-executive Chairman of Highland Gold Mining and Kazakh Gold Group respectively. Current directorships include non-executive chairmanship of Mallett plc, Nasstar plc and Stellar Diamonds plc.

Dr Michael Allan Price

CEng, FEANI, BSc, PhD (Mining Engineering)

Independent and Non-Executive Director - resigned 30 January 2012

Dr Michael Price is a British national who was appointed as a Non-Executive Director of the Company in July 2007. Dr Price qualified with a PhD from the University of Cardiff and has more than 30 years of mining and mining finance experience.

Dr Price gained financial institution experience at Rothschild, Societe Generale and Barclays Capital. He is currently a consultant and advisor to Resource Capital Funds, a resource focused private equity fund. Additionally, Dr Price has extensive board experience of junior mining companies through a number of past and present non-executive directorships.

Directors' Report

Mr Jocelyn Severyn de Warrenne Waller

MA (Hons) (Cantab)

Non-Executive Director - resigned as Managing Director 31 May 2011

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 ('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.



Mr Richard Edwards

BCom, CPA, SA Fin

CFO and Company Secretary

Richard Edwards is an Australian national who was appointed to the positions of CFO and Company Secretary in November 2009. Mr Edwards graduated with a Bachelor of Commerce degree from the University of New South Wales and is a member of CPA Australia and the Securities Institute of Australia. Following eight years as an owner/manager of his own business Mr Edwards has worked for over ten years providing financial reporting and company secretarial services to a range of publicly listed companies in Australia with a focus on the mining sector. He is also CFO and Company Secretary of ASX listed Callabonna Uranium Limited.



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:

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held*	Attended	Held	Attended
Warwick Morris	13	12	-	-	1	1
Lord Daresbury	4	3	1	1	1	-
Peter Nightingale	13	13	-	-	-	-
Dr. Michael Price	13	12	2	2	2	2
Adi Sjoekri	9	9	-	-	-	-
Jocelyn Waller	13	12	1	1	-	-

* Since the end of the financial year there has been one meeting of the Audit Committee.

Directors' Interests

At 31 December 2011, the beneficial interests of each Director of the Company in the issued share capital of the Company are:

Specified Directors	Held at 1 January 2011	Purchased	Sold	Exercise of Options	Held at 31 December 2011
Warwick Morris	4,443,328	600,000	-	2,200,000	7,243,328
Lord Daresbury	6,871,700	-	-	-	6,871,000^
Peter Nightingale	1,235,000	-	-	-	1,235,000
Dr. Michael Price	80,000	-	-	-	80,000
Adi Sjoekri	4,724,000*	-	-	-	4,724,000
Jocelyn Waller	4,922,348	-	-	-	4,922,348

* Number of shares held at date of appointment as Director on 30 March 2011.

^ Number of shares held at date of resignation as Director on 30 March 2011.

Directors' Report

Option Holdings

Options granted to Directors

At 31 December 2011, 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 2011	Granted	Modified/ Lapsed	Exercised	Held at 31 December 2011	Exercise Price	Expiry Date
Warwick Morris	2,200,000	-	-	(2,200,000)	-	A\$0.20	26/10/2014
	500,000	-	-	-	500,000	A\$0.25	26/10/2014
	-	2,000,000	-	-	2,000,000	A\$0.35	26/10/2014
	2,700,000	2,000,000	-	(2,200,000)	2,500,000		
Lord Daresbury	1,500,000	-	(1,500,000)	-	-	A\$0.20	-
	250,000	-	(250,000)	-	-	A\$0.25	-
	1,750,000	-	(1,750,000)	-	-		
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		
Adi Sjoekri	500,000*	-	-	-	500,000	A\$0.25	26/10/2014
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		
Specified Executives							
Julian Ford	-*	2,500,000	-	-	2,500,000	A\$0.35	26/10/2014
	-*	5,000,000	(2,500,000)^	-	2,500,000	A\$1.00	26/10/2014
	-	7,500,000	(2,500,000)	-	5,000,000		

* Number held at the date of appointment as Director/CEO. Julian Ford was appointed CEO on 1 June 2011, but was not appointed to the Board of Directors until January 2012.

^ As announced in December 2011 the Company will be seeking at the 2012 Annual General Meeting the issue of these Performance Options with an exercise price of A\$0.50.

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
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
5,250,000	A\$0.35	26 October 2014
2,500,000	A\$1.00	1 June 2016
22,831,322		

Details of options and warrants 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

During or since the end of the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by 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	
	2011 £	2010 £
Statutory audit:		
Auditors of the Company		
- audit and review of financial reports	63,634	64,798
	63,634	64,798
Services other than statutory audit:		
Other assurance services		
- other services	23,720	37,744
	23,720	37,744

Directors' Report

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 detailed review of the business can be found in the Review of Operations.

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 compliant status of projects (see Review of Operations for further information). The operating cash outflow for 2011 was £1,126,906 (2010: £1,017,488) and year end cash balance was £1,569,562 (2010: £4,247,841).

Results and Dividends

The Group's loss for the financial period was £3,475,512 (2010: loss of £870,657). The Directors do not propose the payment of a dividend for the period (2010: £nil), and the loss of £3,475,512 has been deducted from reserves (2010: loss of £870,657).

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 2011. 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 55 at the end of the year (2010 - 16 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

In March 2012 the Company announced the approval of the Environmental Impact Assessment and Environmental Management Plan ('AMDAL') for its Tembang project.

Also in March 2012 the Company entered into a convertible debt facility with Macquarie Bank for A\$5,000,000 to continue development of the Tembang project and for working capital.

Corporate Governance

A statement on Corporate Governance is set out on pages 49 to 56.

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 2011, the Group had cash and cash equivalents of £1,569,562 and since the year end, as disclosed in Note 2 of the Group financial statements, has entered into a convertible debt facility to raise A\$5,000,000. The Directors have prepared detailed cash flow forecasts for the period to 31 March 2013, which show that the Group has sufficient working capital for the forecast period.

Directors' Report

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 a 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.

Political and Charitable Contributions

During the period the Group, via its Indonesian operating subsidiaries made charitable donations to local Indonesian charities totalling £16,389 (2010: £27,915). There have been no political donations made during the year (2010: £nil).

Share Capital and Share Options

Details of changes in share capital and details of share options are given in note 18.

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 20 for details on financial risk management.

Principal Risks and Uncertainties

The mineral projects in which the Company has an interest range from very early stage exploration to pre-feasibility stage and are without fully proven commercial ore reserves. No assurances can be given that any of the 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 comply with the Companies Act 2006. 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.

In accordance with Section 418, Directors' Reports shall include a statement, in the case of each Director in office at the date the Directors' Report is approved, that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) each Director has 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
30 March 2012

Independent Auditors' Report

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 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity and 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 Statement of Directors' Responsibilities set out on page 68, 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 directors' 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 2011 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.

Independent Auditors' Report

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 is dependent upon raising additional finance. 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.

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

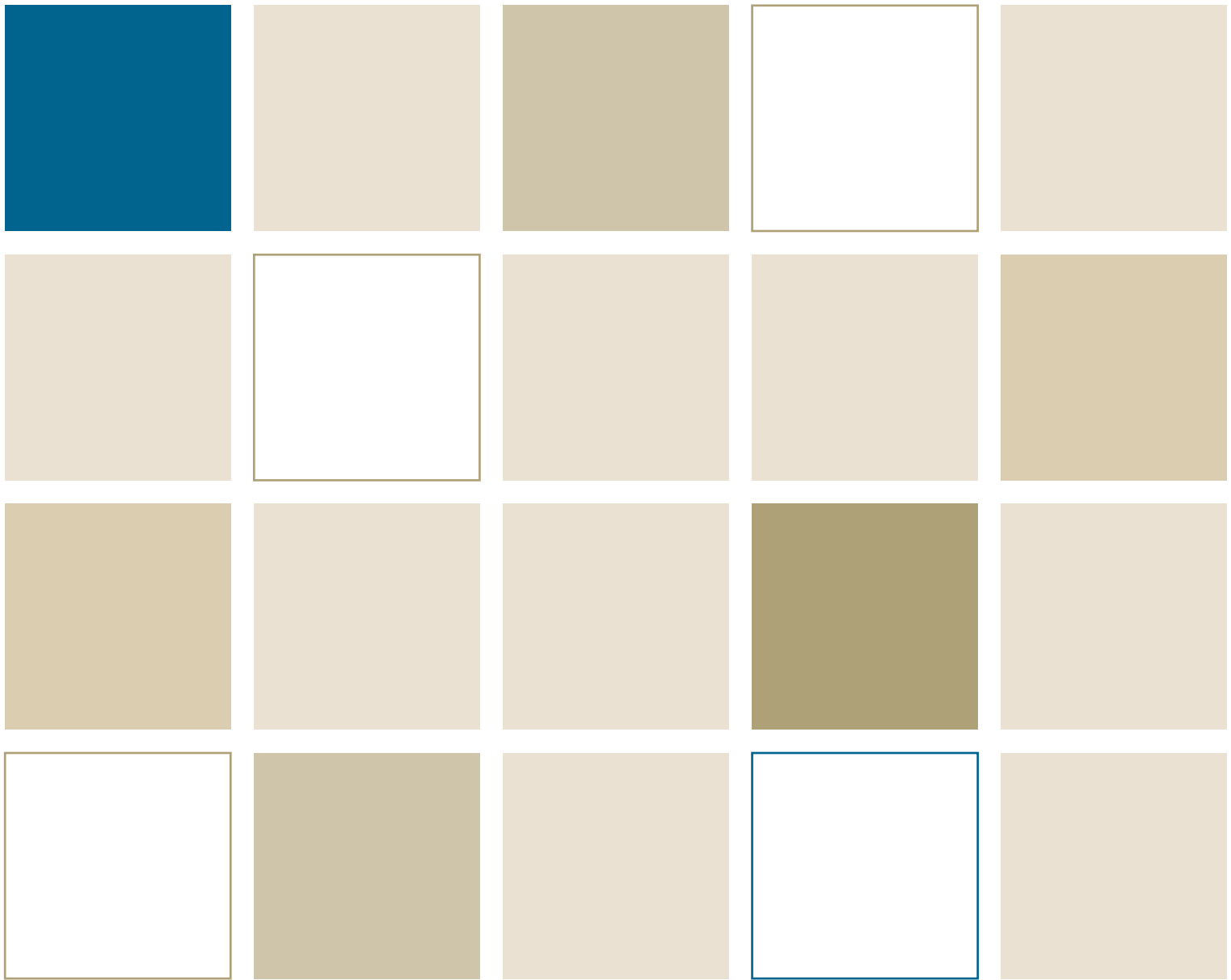
We have reported separately on the parent company financial statements of Sumatra Copper & Gold plc for the year ended 31 December 2011 and the information in the Directors' Remuneration Report that is described as having been audited. That report includes an emphasis of matter.



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

Cambridge

30 March 2012



2011



FINANCIAL REPORT

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2011

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Continuing operations			
General administrative expenses - before impairment		(2,073,722)	(1,640,786)
Provision for impairment	12	(1,533,108)	-
General administrative expenses - after impairment		(3,606,830)	(1,640,786)
Other operating income	4	216,889	320,550
Operating loss		(3,389,941)	(1,320,236)
Financial income	8	81,995	450,133
Financial expense	9	(68,201)	(554)
Net financing income		13,794	449,579
Loss arising on reclassification of subsidiary to associate		(547,721)	-
Gain realised on further investment by majority shareholder in associate	13	467,660	-
Share of loss in associate	13	(19,304)	-
Loss before income tax	5	(3,475,512)	(870,657)
Income tax charges	10	-	-
Loss for the year		(3,475,512)	(870,657)
Other comprehensive (loss)/income			
Foreign exchange translation differences		(89,620)	457,313
Total comprehensive loss for the year		(3,565,132)	(413,344)
Attributable to:			
Owners of the parent		(3,565,178)	(414,139)
Non-controlling interest		46	795
Total comprehensive loss for the year		(3,565,132)	(413,344)
Loss per share attributable to the equity holders of the Company - basic and diluted (pence per share)	11	(2.1)	(0.7)

Consolidated Balance Sheet

As at 31 December 2011

Registered Number 5777015

	Notes	31 December 2011 £	31 December 2010 £
ASSETS			
Non-current assets			
Property, plant and equipment	14	126,877	124,381
Exploration and evaluation costs	12	13,362,814	11,756,894
Investment in equity accounted associate	13	1,149,187	-
		14,638,878	11,881,275
Current assets			
Prepayments and other receivables	15	411,952	366,367
Loan to associate		41,448	-
Cash and cash equivalents	16	1,569,562	4,247,841
		2,022,962	4,614,208
Total assets		16,661,840	16,495,483
LIABILITIES			
Current liabilities			
Trade and other payables	17	(1,508,238)	(997,463)
Net assets		15,153,602	15,498,020
Capital and reserves			
Called up share capital	18	1,906,217	1,539,142
Share premium account	18	13,396,897	9,800,922
Other reserves		373,749	463,415
Profit and loss reserve		(523,261)	3,683,745
		15,153,602	15,487,224
Non-controlling interests		-	10,796
Total equity		15,153,602	15,498,020

The financial statements on pages 73 to 96 were approved by the Board of Directors on 30 March 2012 and were signed on its behalf by:



Julian Ford
Managing Director

Consolidated Statement of Changes In Equity

For the Year Ended 31 December 2011

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss reserve £	Non- controlling interests £	Total £
At 31 December 2009	1,274,867	5,692,148	6,897	4,177,524	10,001	11,161,437
Comprehensive income						
Loss for the period	-	-	-	(870,657)	-	(870,657)
Other comprehensive income						
Currency translation	-	-	456,518	-	795	457,313
Total comprehensive income	-	-	456,518	(870,657)	795	(413,344)
Issue of shares	264,275	4,232,681	-	-	-	4,496,956
Issue costs	-	(123,907)	-	-	-	(123,907)
Share option charge	-	-	-	376,878	-	376,878
Total transactions with owners	264,275	4,108,774	-	376,878	-	4,749,927
At 31 December 2010	1,539,142	9,800,922	463,415	3,683,745	10,796	15,498,020
Comprehensive income						
Loss for the period	-	-	-	(3,475,512)	-	(3,475,512)
Other comprehensive income						
Currency translation	-	-	(89,666)	-	46	(89,620)
Total comprehensive income	-	-	(89,666)	(3,475,512)	46	(3,565,132)
Issue of shares	329,075	3,146,409	-	-	-	3,475,484
Issue costs	-	(193,099)	-	-	-	(193,099)
Share option charge	-	-	-	117,198	-	117,198
Total contributions by and distributions to owners	329,075	2,953,310	-	117,198	-	3,399,583
Acquisition of non-controlling interest	38,000	642,665	-	(848,692)	(10,842)	(178,869)
Total transactions with owners	367,075	3,595,975	-	(731,494)	(10,842)	3,220,714
At 31 December 2011	1,906,217	13,396,897	373,749	(523,261)	-	15,153,602

Consolidated Cash Flow Statement

For the Year Ended 31 December 2011

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Cash used in operations	22	(1,126,906)	(1,016,934)
Interest expense paid		-	(554)
Net cash flow used in operating activities		(1,126,906)	(1,017,488)
Purchase of property, plant and equipment		(98,427)	(68,118)
Payments for exploration and evaluation		(4,482,692)	(3,038,904)
Payments for purchase of equity investments		(178,869)	-
Loan to associate		(124,741)	-
Loans repaid by associate		318,874	-
Overdraft disposed of when a subsidiary was reclassified as an associate		18,222	-
Interest income received		81,995	81,832
Net cash flow used in investing activities		(4,465,638)	(3,025,190)
Proceeds from issue of share capital		3,475,484	4,496,956
Share issue costs		(193,099)	(123,907)
Option fee received		-	320,550
Net cash inflow from financing activities		3,282,385	4,693,599
(Decrease)/Increase in cash and cash equivalents		(2,310,159)	650,921
Cash and cash equivalents at the beginning of the period		4,247,841	3,399,381
Exchange on cash and cash equivalents		(368,120)	197,539
Cash and cash equivalents at the end of the period	16	1,569,562	4,247,841

Notes to the Financial Statements

For the Year Ended 31 December 2011

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 Stock 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

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 2011, the Group had cash and cash equivalents of £1,569,562 and since the year end, as disclosed in Note 23 of the Group financial statements, has entered into a convertible debt facility to raise A\$5,000,000. The Directors have prepared detailed cash flow forecasts for the period to 31 March 2013, 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 a 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 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 following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

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. Effective for annual periods beginning on or after 1 July 2012.

IFRS 9 "Financial instruments on classification and measurement" This is the first part of a new standard to replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through the income statement. This standard is not expected to have a material impact on the results of the Group. Published by the IASB in November 2009, this is effective for accounting periods beginning on or after 1 January 2013.

IFRS 10 "Consolidation" IFRS 10 replaces the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation - special purpose entities' and changes the definition of control so that the same criteria are applied to all entities. The revised definition of control focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. This is not currently relevant but could have an impact if there are any changes to the structure of the Group. The standard is effective for annual periods beginning on or after 1 January 2013. It is not yet endorsed by the EU.

Notes to the Financial Statements

For the Year Ended 31 December 2011

2. Principal Accounting Policies (Cont.)

IFRS 11 "Joint arrangements" Changes in the definitions have reduced the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today, whereby a joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement. In contrast, a joint venture does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint venturers share in the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. This is not currently relevant but could have an impact if there are any changes to the structure of the Group. An entity shall apply this IFRS for annual periods beginning on or after 1 January 2013. The standard is not yet endorsed by the EU.

IFRS 12 "Disclosure of interests in other entities" IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10, 'Consolidated financial statements', and IFRS 11, 'Joint arrangements'. The new standard, IFRS 12, requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This is not currently relevant but could have an impact if there are any changes to the structure of the Group. The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 "Fair value measurement" The requirements 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. IFRS 13 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. This standard is not expected to have a material impact on the results of the Group, but it could have if the Group were to enter into additional transactions that are covered by this standard. The standard is effective for annual periods beginning on or after 1 January 2013.

IAS 28 (Revised) "Investments in associates and joint ventures" IAS 28 defines 'significant influence' and the 'equity method' and provides guidance on their practical application. The revised standard incorporates the accounting for joint ventures as well as the consensus from SIC-13. The disclosure requirements have now been relocated to IFRS 12. This new guidance may impact the classification of investments acquired in the future. This is not currently relevant but could have an impact if there are any changes to the structure of the Group. This standard is effective for annual periods beginning on or after 1 January 2013.

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.

Non-controlling interests in the results and position of the subsidiaries are shown as a separate item in the consolidated financial statements. Non-controlling interests consist of the amount of those interests at the effective date of the business combination and share of the change in net assets since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling interests in the entities' net assets are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make additional investments to cover the losses.

Notes to the Financial Statements

For the Year Ended 31 December 2011

2. Principal Accounting Policies (Cont.)

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 fair value of the share options issued, and the capitalisation of exploration and evaluation expenditure.

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 income statement.

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

Summary of significant accounting policies

Foreign currency translation

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

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 recognized 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.

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 the balance sheet. These differences are recognized in the income statement in the period in which the operation is disposed.

Notes to the Financial Statements

For the Year Ended 31 December 2011

2. Principal Accounting Policies (Cont.)

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.

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.

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 income statement.

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.

Financial instruments

Financial instruments are classified as either loans and receivables or available-for-sale financial assets, 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.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2011

2. Principal Accounting Policies (Cont.)

Employee benefits

The Group makes defined contributions to Indonesia's and the United Kingdom's state health and retirement benefit and unemployment schemes at the statutory rates in force during the years, based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost. 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 income statement 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.

Income tax

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.

Share based payments

The Group issues equity-settled share-based payments to its Employees and certain advisers. 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.

Notes to the Financial Statements

For the Year Ended 31 December 2011

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. For the Group, internal reporting is based on the Group's 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 2011 was £nil (2010: £nil). Accordingly no segment revenue has been provided.

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

2010:

	Australia £	Indonesia £	United Kingdom £	Total £
Operating loss	(438,432)	(250,260)	(631,544)	(1,320,236)
Net financial income				449,579
Loss before tax				(870,657)
Non-current assets	-	11,878,157	3,118	11,881,275
Segment assets	3,744,378	12,704,891	46,214	16,495,483
Segment liabilities	51,502	875,743	70,218	997,463

Notes to the Financial Statements

For the Year Ended 31 December 2011

4. Other Operating Income

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Option fee	-	320,550
Management fee	216,889	-
	216,889	320,550

The option fee relates to the US\$0.5 million non-refundable fee received by the Group on the issuance of the unexercised option to Newcrest to acquire a 25% interest in the Company's Tembang project upon the investment of an additional US\$9.5 million.

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 2011 £	Year ended 31 December 2010 £
This has been arrived at after charging/(crediting) the following:		
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	63,634	52,603
Fees payable to the Company's auditor and its associates for other services	5,397	32,195
Fees payable to the Company's auditor and its associates for tax services	18,323	17,744
Directors' remuneration	400,671	257,222
Foreign exchange losses/(gains)	68,201	(368,301)
Other payroll and related expenses	1,343,806	633,971
Share option costs	117,198	376,878
Legal and professional fees	142,361	143,664
Depreciation	3,478	1,557

Notes to the Financial Statements

For the Year Ended 31 December 2011

6. Directors' Emoluments and Interests

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.

The Directors' remuneration for the year ended 31 December 2010:

	Total £
Warwick Morris	44,751
Jocelyn Waller	118,948
Lord Daresbury	22,400
Peter Nightingale	9,565
Michael Price	22,400
Alan Flint	39,158
	257,222

Notes to the Financial Statements

For the Year Ended 31 December 2011

6. Directors' Emoluments and Interests (Cont.)

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

	At 31 December 2010 Number	Granted during the year Number	Lapsed during the year Number	Exercised during the year Number	At 31 December 2011 Number	Exercise price 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

	At 31 December 2009 Number	Granted during the year Number	Lapsed during the year Number	At 31 December 2010 Number	Exercise price A\$
Warwick Morris	2,200,000	-	-	2,200,000	0.20
	-	500,000	-	500,000	0.25
Jocelyn Waller	2,500,000	-	-	2,500,000	0.20
	-	500,000	-	500,000	0.25
Lord Daresbury	1,500,000	-	-	1,500,000	0.20
	-	250,000	-	250,000	0.25
Michael Price	750,000	-	-	750,000	0.20
	-	250,000	-	250,000	0.25
Alan Flint	3,000,000	-	(3,000,000)	-	0.20
	9,950,000	1,500,000	(3,000,000)	8,450,000	

Notes to the Financial Statements

For the Year Ended 31 December 2011

7. Employee Information

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

	Year ended 31 December 2011 Number	Year ended 31 December 2010 Number
By activity		
Administration	73	64
Exploration and evaluation	110	105
	183	169

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Staff costs (for the above persons)		
Wages and salaries	1,305,521	861,836
Share option compensation charge	117,198	89,448
Social security costs	38,285	29,357
	1,461,004	980,641

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.

Key management costs

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Staff costs (for the above persons)		
Wages and salaries	501,917	257,222
Share option compensation charge	256,646*	45,668
Social security costs	35,803	20,201
	794,366	323,091

* 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 2011

8. Financial Income

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Bank interest income	81,995	81,832
Exchange gains	-	368,301
	81,995	450,133

9. Financial Expense

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Exchange loss	68,201	-
Bank interest expense	-	554
	68,201	554

10. Tax on Loss on Ordinary Activities

(a) Analysis of charges for the year

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Current tax:		
UK corporation tax on profits for the period	-	-
Tax loss on ordinary activities	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2011

10. Tax on Loss on Ordinary Activities (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 2011 £	Year ended 31 December 2010 £
Loss on ordinary activities before tax:	(3,475,512)	(870,657)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 21% (2010: 21%)	(729,858)	(182,838)
Effect of:		
Expenses not deductible for tax purposes	13,534	27,349
Difference in Indonesian tax rate	(89,043)	12,341
Losses carried forward	805,367	143,148
	-	-

(c) Deferred tax

At 31 December 2011, the Group had potential and unrecognised deferred tax assets/(liabilities) as follows:

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Tax effect of temporary differences because of:		
Differences between capital allowances and depreciation	-	-
Tax losses carried forward	1,569,079	763,712
	1,569,079	763,712

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 2011

11. Loss Per Share

Loss per share calculation is:

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Loss attributable to equity holders	(3,475,512)	(870,657)
Weighted average number of shares	167,313,544	132,226,962
Loss per share - basic	(0.0208)	(0.0066)
Loss per share - diluted	(0.0208)	(0.0066)

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 31 December 2009	7,811,331
Additions	3,264,566
Exchange movements	680,997
At 31 December 2010	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

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.

Notes to the Financial Statements

For the Year Ended 31 December 2011

12. Exploration and Evaluation Costs (Cont.)

During the year ended 31 December 2011 the Directors wrote off the carrying value of exploration and evaluation costs totalling £1,533,108. This was split between £1,119,731 associated with the Company's Lebong project following the continuation of the legal dispute involving overlapping mining licences covering the project and £413,377 associated with the Company's Jambi, Madina 1, Madina 2 and Musi Rawas projects as the Directors believed 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.

13. Investment in Equity Accounted Associate

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Opening balance on 1 January	-	-
Arising on partial disposal of subsidiary	700,417	-
Gain realised on further investment by majority shareholder	467,660	-
Foreign exchange gain	414	-
Share of loss in associate	(19,304)	-
	1,149,187	-

As described in Note 12, during the period the Group entered into a joint venture arrangement which reduced its share of its investment in PT Bengkulu Utara Gold ('PT BUG') to 30%. As a result of this disposal a loss of £547,721 was recognised and the investment reclassified as an investment in an equity accounted associate.

During the year ended 31 December 2011, following meeting the minimum spend commitment as described in Note 12 Newcrest made an additional subscription of US\$2,401,436. 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 income statement. Since the end of the year Newcrest has made a further subscription of US\$1,203,646.

Notes to the Financial Statements

For the Year Ended 31 December 2011

14. Property, Plant and Equipment

	£
Cost:	
At 31 December 2009	180,740
Additions	68,118
Exchange movements	14,859
As at 31 December 2010	263,717
Additions	98,427
Disposals	(23,568)
Exchange movements	(7,342)
As at 31 December 2011	331,234
Accumulated Depreciation:	
As at 31 December 2009	86,675
Charge for the year	49,112
Exchange movements	3,549
As at 31 December 2010	139,336
Charge for the year	62,967
Disposals	(144)
Exchange movements	2,198
As at 31 December 2011	204,357
Net Book Value:	
As at 31 December 2011	126,877
As at 31 December 2010	124,381
As at 31 December 2009	94,065

15. Prepayments and Other Receivables

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Loans to related parties	-	61,998
Prepayments and other receivables	86,404	164,519
Sales tax receivable	325,548	139,850
	411,952	366,367

Notes to the Financial Statements

For the Year Ended 31 December 2011

16. Cash and Cash Equivalents

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Cash at bank and on hand	1,569,562	4,247,841

17. Trade and Other Payables

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Trade payables	176,989	337,047
Other taxes and social security costs	777,030	373,179
Accruals and other payables	554,219	287,237
	1,508,238	997,463

18. Share Capital and Premium

	Number of shares	Called up Share capital £	Share premium account £
As at 31 December 2009	127,486,702	1,274,867	5,692,148
Issued in period	26,427,479	264,275	4,232,681
Issue costs	-	-	(123,907)
As at 31 December 2010	153,914,181	1,539,142	9,800,922
Issued in period	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

Notes to the Financial Statements

For the Year Ended 31 December 2011

18. 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 a Newcrest Mining Limited. There were no amounts unpaid on the shares issued. Share issue costs totalled A\$1,500 (£987).

During the year ended 31 December 2010:

- The Group issued 10,000,000 shares for cash totalling A\$2,500,000 (£1,436,750) to Newcrest Mining Limited. There were no amounts unpaid on the shares issued.
- The Group issued 1,483,750 shares for cash totalling £267,075 to Mirabaud Securities plc following their exercise of 1,483,750 warrants at £0.18 per share. There were no amounts unpaid on the shares issued.
- The Group issued 10,666,664 shares for cash totalling A\$3,199,999 (£1,985,431) to a range of institutional and sophisticated investors. There were no amounts unpaid on the shares issued. Share issue costs totalled £123,907.
- The Group issued 50,000 shares for cash totalling £7,500 to Macquarie Bank Limited following their exercise of 50,000 warrants at £0.15 per share. There were no amounts unpaid on the shares issued.
- The Group issued 3,034,000 shares for cash totalling A\$910,222 (£570,273) to the Company's shareholders under the Company's Security Purchase Plan. There were no amounts unpaid on the shares issued.
- The Group issued 1,193,065 shares for cash totalling A\$357,920 (£229,927) to Newcrest Mining Limited. There were no amounts unpaid on the shares issued.

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

Notes to the Financial Statements

For the Year Ended 31 December 2011

18. Share Capital and Premium (Cont.)

Share option scheme

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 31 December 2009	A\$0.20	10,900,000
Granted	A\$0.26	4,470,000
Forfeited	A\$0.20	(3,370,000)
As at 31 December 2010	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

The employee options outstanding at 31 December 2011 have an exercise price in the range of A\$0.20 to A\$0.35 and a weighted average contractual life of 4.75 years.

In addition 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.

In addition, there are 7,751,322 options issued to Macquarie Bank Limited with an exercise price of A\$0.20, which expire in tranches between June and September 2013, and there were 10,000,000 options issued to Newcrest Mining Limited with an exercise price of A\$0.38 which expired unexercised on 20 February 2012. These options have/held no voting or dividend rights.

Options

As at 31 December 2011, 23,256,322 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 £539,055. 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 93.1%, an expected option life of two 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 the period since the Company's securities commenced trading on the ASX.

The total charge in the year was £117,198 (2010: £376,878).

Notes to the Financial Statements

For the Year Ended 31 December 2011

19. 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 2011, 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\$181,504 (£116,934) (2010: A\$32,111 (£19,108)). At 31 December 2011 there was an amount outstanding, included with trade payables, of A\$99 (£65) (2010: A\$65 (£43)).

During the year ended 31 December 2011, 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\$33,950 (£21,969). At 31 December 2011 there was an amount outstanding, included with trade and other payables, of A\$33,950 (£21,969).

During the year the Group received £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 £41,447 was due to the Group.

20. 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 2011 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 Macquarie Bank Limited 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 2011, the exchange rate of UK Pound was 1.5453 to the US Dollar, 13,969 to the Indonesian Rupiah and 1.5185 to the Australian Dollar.

At 31 December 2011, 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 £7,293 (2010: £32,736) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated cash, trade payables, accruals and other liabilities.

Notes to the Financial Statements

For the Year Ended 31 December 2011

20. Financial Risk Management Objectives and Policies (Cont.)

(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.

(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. The Group is not subject to any external covenants.

21. Ultimate Controlling Party

The Group has no ultimate controlling party.

22. Cash Used in Operations

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Cash flows from operating activities		
Loss before tax	(3,472,512)	(870,657)
Adjustments for:		
Depreciation	3,478	1,557
Loss arising on reclassification of a subsidiary	547,721	-
Gain arising on increase in net assets of associate	(467,660)	-
Share of loss in associate	19,304	-
Share options charge	117,198	376,878
Impairment provision	1,533,108	-
Interest and other financial income	(81,995)	(441,417)
Financial expense	368,120	554
Option fee income	-	(320,550)
Operating loss before working capital changes	(1,433,238)	(1,253,635)
Increase in prepayments and other receivables	(70,158)	(28,247)
Increase in trade payables, accruals and other liabilities	376,490	264,948
Cash used in operations	(1,126,906)	(1,016,934)

23. Post Balance Sheet Events

In March 2012, the Company entered into a convertible debt facility with Macquarie Bank Limited for A\$5,000,000 to continue development of the Tembang project and for working capital purposes.

Additional ASX Information

Additional information as at 29 February 2012 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 Sydney.

Audit Committee

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

Substantial Shareholdings

At 29 February 2012 the Register of Substantial Shareholders showed the following:

Macquarie Group Limited	17,517,500 CHESS depository interests
Newcrest International Pty Ltd	13,349,165 CHESS depository interests

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 Depository Interests ('CDIs'). Each CDI is a beneficial interest in a share.

Use of Cash and Assets

Since the Group's listing on the Australian Stock 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 29 February 2012 the twenty largest quoted holders of CDIs held 56.39% of CDIs on issue and are detailed as follows:

	Name	Number	%
1	Macquarie Bank Limited	17,517,500	9.29
2	Newcrest International Pty Ltd	13,349,165	7.08
3	National Nominees Limited	12,271,819	6.51
4	Citicorp Nominees Pty Ltd	10,748,729	5.70
5	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	8,581,234	4.55
6	HSBC Custody Nominees (AUSTRALIA) Limited	8,137,609	4.31
7	RMB Resources Limited <Telluride Investment A/C>	6,250,000	3.31
8	Adi Adriansyah Sjoekri	4,724,000	2.50
9	Berrafall Pty Ltd <Morris Hardwick S/F A/C>	4,060,000	2.15
10	JP Morgan Nominees Australia Limited <Cash Income A/C>	4,035,319	2.14
11	Firestone Fund Ltd	2,909,000	1.54
12	Warwick George Morris	2,350,000	1.25
13	J P Morgan Nominees Australia Limited	2,324,000	1.23
14	GCN Investments Pty Ltd <Seveen Superfund A/C>	2,078,857	1.10
15	Pata Nominees Pty Ltd <The LMST Masel A/C>	1,550,000	0.82
16	All State Secretariat Pty Ltd <All - States Sec Ltd S/F/A/C>	1,262,500	0.67
17	Mrs Angela Mary Sharland	1,106,250	0.59
18	Lofiva Pty Ltd	1,100,000	0.58
19	Mr Matthew Charles Farmer <Farmer Family A/C>	1,000,867	0.53
20	Mr Mitchell James Voss + Mrs Linda Michelle Voss <The MJ & LM Voss Family A/C>	1,000,001	0.53

Distribution of Shareholders

As at 29 February 2012, the distribution of each class of equity was as follows:

CHESS Depositary Interests

Range	Total Holders	Units	% Issued Capital
1 - 1,000	58	5,321	0.00%
1,001 - 5,000	146	510,932	0.27%
5,001 - 10,000	211	1,841,536	0.98%
10,001 - 100,000	775	31,375,277	16.63%
100,001 and over	197	154,881,615	82.12%
	1,387	188,614,681	100.00%

As at 29 February 2012, 144 shareholders held less than marketable parcels of 3,704 CHESS depositary interests.

Additional ASX Information

Fully Paid Ordinary Shares

Range	Total Holders	Units	% Issued Capital
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
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 29 February 2012, no shareholders held less than a marketable parcel of 3,704 shares.

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
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	1,300,000	2 June 2012	A\$0.35	26 October 2014
3	1,300,000	2 June 2012	A\$0.35	26 October 2014
1	2,500,000	Performance based	A1.00	1 June 2016

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)
Peter James Nightingale (Non-Executive Director)
Adi Adriansyah Sjoekri (Executive Director)
Jocelyn Severyn de Warrenne Waller (Non-Executive Director)

Company Secretary

Alison Barr (United Kingdom)
Richard Edwards (Australia)

Registered Office

39 Parkside
Cambridge CB1 1PN
United Kingdom

Australian Office

Level 2, 66 Hunter Street
Sydney NSW 2000
Australia
Phone: +61 2 9300 3377
Fax: +61 2 9221 6333

Bankers

HSBC Bank plc
69 Pall Mall
London SW17 5EY
United Kingdom

Westpac Banking Corporation

275 Kent Street
Sydney NSW 2000
Australia

Statutory Auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge CB3 0AN
United Kingdom

Share Registry

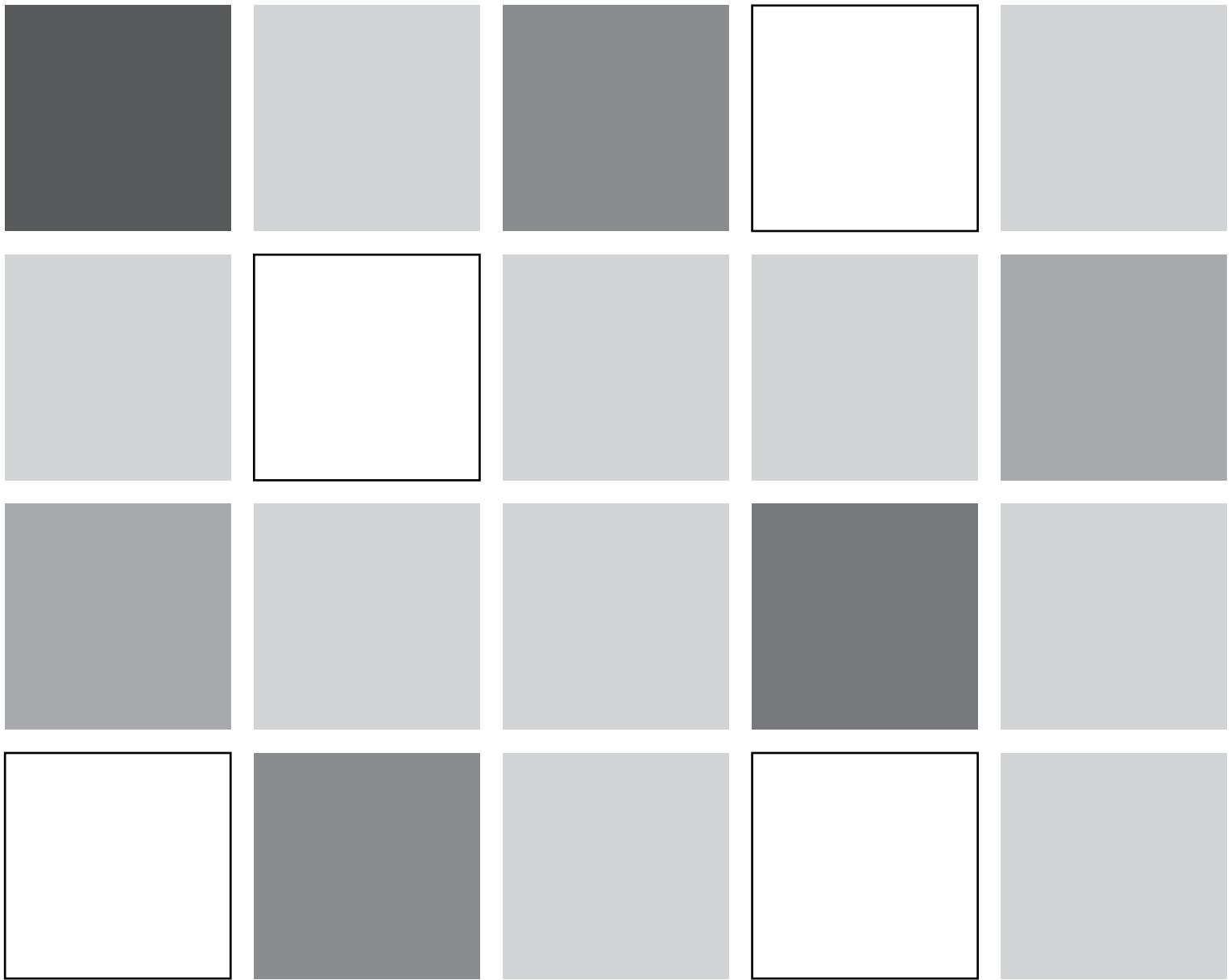
Computershare Investor Services Pty Limited
117 Victoria Street
West End Queensland 4101
Australia
Phone: 1300 552 270 (within Australia)
Phone: +61 3 9415 4000 (outside Australia)

Website

www.sumatracoppergold.com



www.sumatracoppergold.com



Sumatra Copper & Gold plc ('the Company')
gives notice that the Annual General Meeting
of Members is to be convened

at: **Suite 2, Level 3, 66 Hunter Street,
Sydney NSW, 2000**

on: **29 May 2012**

at: **11.00am Australian Eastern Standard Time.**



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

**NOTICE OF ANNUAL
GENERAL MEETING**

Agenda

This Notice of Annual General Meeting and accompanying Explanatory Memorandum and Proxy Form or CDI voting instruction form (as applicable) should be read in their entirety. If Shareholders or CDI holders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

NOTICE OF ANNUAL GENERAL MEETING

Sumatra Copper & Gold plc ('the Company') gives notice that the Annual General Meeting of Members is to be convened at Suite 2, Level 3, 66 Hunter Street, Sydney, NSW, 2000 on 29 May 2011 at 11.00am Australian Eastern Standard Time.

BUSINESS

To consider and, if thought fit, pass the following resolutions, with or without amendment:

Ordinary Resolution 1. Receipt of the Report of Directors and the Audited Financial Statements of the Company

'That the report of the Directors and the audited financial statements of the Company for the year ended 31 December 2011 are hereby received.'

Ordinary Resolution 2. Re-appointment of the Auditors

'That PricewaterhouseCoopers LLP be reappointed as Auditors and authorise the Directors to fix their remuneration.'

Ordinary Resolution 3. Re-election of a Director

'That Mr Warwick Morris be and is hereby re-elected as a Director.'

Ordinary Resolution 4. Re-election of a Director

'That Mr Julian Ford be and is hereby re-elected as a Director.'

Ordinary Resolution 5. Ratification of the Issue of CDIs to Newcrest Mining Limited

'That the issue of 477,500 CDIs in the Company on 19 December 2011 for A\$0.16 per CDI be and is hereby ratified for the purposes of ASX Listing Rules 7.4 and 7.5.'

Ordinary Resolution 6. Ratification of the Prior Issue of Options to Macquarie Bank Limited

'That the issue of 25,544,127 options as part of a facility fee on 2 April 2012, each exercisable at A\$0.16 and expiring on 27 March 2014, be and is hereby ratified for the purposes of ASX Listing Rules 7.4 and 7.5.'

Ordinary Resolution 7. Approval of the Proposed Issue of Options to Macquarie Bank Limited

'That, for the purposes of ASX Listing Rules 7.1 and 7.3, the proposed issue and allotment of up to 5,705,873 options as part of a facility fee, each exercisable at A\$0.16 and expiring on 27 March 2014, be and is hereby approved.'

Ordinary Resolution 8. Approval of the Proposed Issue of Options to Mr Julian Ford

'That, for the purposes of ASX Listing Rule 10.11, the proposed issue and allotment of up to 2,500,000 Performance Options, each exercisable at A\$0.50, expiring on 1 June 2016 and subject to the Performance Condition as set out in the Explanatory Memorandum accompanying this Notice of Meeting, be and is hereby approved.'

Agenda

Ordinary Resolution 9. Approval of the Proposed Issue of Options to Directors

'That, for the purposes of ASX Listing Rule 10.11, the grant of options over an aggregate total of up to 3,750,000 shares to Messrs Julian Ford, Warwick Morris, Peter Nightingale, Adi Sjoekri and Jocelyn Waller, the terms and conditions of which are described in the Explanatory Memorandum accompanying this Notice of Meeting, be and is hereby approved.'

Ordinary Resolution 10. Authority to Allot

'In substitution for all previous like authorities which are hereby revoked and replaced (but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities), the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the Company to allot equity securities (within the meaning of Section 560 of the Act) up to a maximum aggregate nominal amount of £2,700,000.

This authority shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company to be held in 2013, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired'.

Special Resolution 11. Disapplication of pre-emption rights

'That, subject to the passing of Ordinary Resolution 10, and in substitution for all previous like authorities which are hereby revoked and replaced (but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities), the Directors be and are hereby empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Ordinary Resolution 10 as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited:

- (A) To the allotment of equity securities in connection with or pursuant to a pre-emptive issue (as defined in Article 7.3(A) of the Company's Articles of Association) in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them; and
- (B) To the allotment (otherwise than pursuant to paragraph (A) of this resolution), of equity securities up to an aggregate nominal amount of £2,700,000,

And shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 save that the Company may before such expiry make any offer or enter into any agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired'.

Agenda

Proxy Form

If you are a registered holder of ordinary shares whether or not you are able to attend the meeting, you may use the enclosed form of proxy to appoint one or more persons to attend and vote on your behalf. A proxy need not be a member of the Company.

CDI Voting Instruction Form

Holders of CDIs on the Australian CDI registry may only vote by directing CHESS Depositary Nominees Pty Ltd (the depositary nominee in respect of the CDIs) to cast proxy votes in the manner directed in the CDI voting instruction form enclosed.

Proxy forms and CDI voting instruction forms can be returned to either:

Sumatra Copper & Gold plc
Level 2, 66 Hunter Street
Sydney, NSW, 2000
AUSTRALIA

or

Sumatra Copper & Gold plc
39 Parkside
Cambridge CB1 1PN
UNITED KINGDOM

Alternatively you can facsimile your form to **+61 2 9221 6333** or email your form to the Company Secretary at **redwards@scgplc.com**.

By order of the Board



Richard Edwards
Company Secretary

25 April 2012

pjn6636

Explanatory Memorandum

Resolution 1

To receive the report of the Directors and the audited financial statements of the Company for the year ended 31 December 2011.

Resolution 2

To reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to fix the auditor's remuneration.

Resolution 3

In accordance with Article 37 of the Company's Articles of Association, Mr Warwick Morris retires as Director by rotation and, being eligible, offers himself for re-election.

Resolutions 4

In accordance with Article 32 of the Company's Articles of Association, Mr Julian Ford, being appointed as Director since the last Annual General Meeting, offers himself for re-election.

Resolution 5

Resolution 5 seeks the ratification by shareholders of the issue of 477,500 CDIs in the Company on 19 December 2011 for the purposes of ASX Listing Rules 7.4 and 7.5. This ratification will provide the Company with the ability to raise further funds, if required, will maximise the flexibility of the Company's funds management and will facilitate planning for the Company's ongoing activities.

Details of the issue, as required by ASX Listing Rule 7.5 are as follows:

- Number of securities allotted: 477,500.
- Issue price: A\$0.16 per CDI.
- Terms: CDIs ranking pari passu with existing CDIs.
- Name of allottee: Newcrest Mining Limited.
- Intended use of funds: Contribute to the advance of feasibility studies at the Company's Tembang Project.

The Company will disregard any votes cast on Resolution 5 by:

- Newcrest Mining Limited and any of its associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Memorandum

Resolution 6

Resolution 6 seeks the ratification by shareholders of the issue of 25,544,127 options in the Company on 2 April 2012 for the purposes of Listing Rules 7.4 and 7.5. This ratification will provide the Company with the ability to raise further funds, if required, will maximise the flexibility of the Company's funds management and will facilitate planning for the Company's ongoing activities.

Details of the issue, as required by ASX Listing Rule 7.5 are as follows:

- Number of securities allotted: 25,544,127.
- Issue price: Nil cash consideration, the options were issued as part consideration for a facility fee for the bank guarantee facility agreement entered on the 30 March 2012.
- Terms:
 - Unlisted options, each exercisable to acquire one CDI at A\$0.16 on or before 27 March 2014 and vesting immediately.
 - The rights of the optionholder can be changed to comply with the ASX Listing Rules when the Company undertakes a reorganisation of capital.
 - The options do not entitle the holder to participate in new issues without exercising the options.
 - The options do not confer the right to change the exercise price nor a change to the underlying number of ordinary shares over which it can be exercised.
 - The options are transferable.
 - Upon exercise of the options, the options will convert into CDIs which will rank equally in all respect with existing CDIs.
 - The options do not participate in dividends, distributions or interest payments.
- Name of allottee: Macquarie Bank Limited.
- Intended use of funds: The options were issued for nil cash consideration.

The Company will disregard any votes cast on Resolution 6 by:

- Macquarie Bank Limited and any of its associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Memorandum

Resolution 7

Resolution 7 seeks the approval by shareholders of the issue of up to 5,705,873 options for the purposes of ASX Listing Rules 7.1 and 7.3.

Details of the proposed issue and allotment, as required by ASX Listing Rule 7.3 are as follows:

- Number of securities to be issued: Up to 5,705,873.
- Issue price: Nil cash consideration, the options will be issued as part consideration for a facility fee for the bank guarantee facility agreement entered on the 30 March 2012.
- Terms: Identical terms to the options allotted under Resolution 6.
- Name of allottee: Macquarie Bank Limited.
- Allotment date: As soon as practicable after the date of this Annual General Meeting, and in any event, within 3 months of the date of this Annual General Meeting.
- Intended use of funds: The options will be issued for nil cash consideration.

The Company will disregard any votes cast on Resolution 7 by:

- Macquarie Bank Limited and any of its associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8

Resolution 8 seeks the approval by shareholders of the issue of up to 2,500,000 options as soon as practicable after the date of this Annual General Meeting, and in any event, within 1 month of the date of this General Meeting for the purposes of ASX Listing Rule 10.11.

Details of the proposed issue and allotment, as required by ASX Listing Rule 10.13 are as follows:

- Number of securities to be issued: Up to 2,500,000.
- Issue price: Nil cash consideration, the options form part of Mr Ford's remuneration package.
- Terms: Unlisted options, each exercisable to acquire one CDI at A\$0.50 on or before 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. If the Performance Condition is not met by 30 June 2014 the options will lapse.
- Allottee: Mr Julian Ford.
- Intended use of funds: The options will be issued for nil cash consideration.

The Company will disregard any votes cast on Resolution 8 by:

- Mr Julian Ford and any associates of Mr Julian Ford.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Memorandum

Resolution 9

Resolution 9 seeks the approval by shareholders of the issue of up to 3,750,000 options as soon as practicable after the date of this Annual General Meeting, and in any event, within 1 month of the date of this General Meeting for the purposes of ASX Listing Rule 10.11.

Details of the proposed issue and allotment, as required by ASX Listing Rule 10.13 are as follows:

- Number of securities to be issued: Up to 3,750,000.
- Issue price: Nil cash consideration.
- Terms: Unlisted options, each exercisable to acquire one CDI at A\$0.25 within 5 years from the date of issue, vesting immediately upon issue.
- Names of allottees: Mr Julian Ford (2,000,000), Mr Warwick Morris (250,000), Mr Peter Nightingale (250,000), Mr Adi Sjoekri (1,000,000) and Mr Jocelyn Waller (250,000).
- Intended use of funds: The options will be issued for nil cash consideration.

The Company will disregard any votes cast on Resolution 9 by:

- All Directors of the entity and any their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10

This resolution gives the Directors the authority to allot ordinary shares up to an aggregate nominal amount equal to £2,700,000 (representing 270,000,000 ordinary shares of £0.01 each). This amount represents approximately 142% of the issued ordinary share capital of the Company as at 18 April 2012, the latest practicable date prior to publication of this Notice.

The authority sought under this resolution will expire at the conclusion of the Annual General Meeting of the Company held in 2012.

Resolution 11

Your Directors also require additional authority from shareholders to allot shares or grant rights over shares where they propose to do so for cash and otherwise than to existing shareholders in proportion to their existing holdings. Accordingly, Resolution 11 will be proposed as a special resolution to grant such authority. Apart from pre-emptive issues as mentioned the authority will be limited to the issue of shares up to an aggregate amount of 270,000,000 ordinary shares (being approximately 142% of the Company's issued ordinary share capital at 18 April 2012, the latest practicable date prior to publication of this Notice).

The authority sought under this resolution will expire at the conclusion of the Annual General Meeting of the Company held in 2013.



Registered Number 5777015 (United Kingdom)
ABN 14 136 694 267 (Australia)

SUMATRA COPPER & GOLD plc ABN 14 136 694 267

Level 2, 66 Hunter Street, Sydney NSW 2000 Australia **P** +61 2 9300 3377 **F** +61 2 9221 6333

E info@sumatracoppergold.com **W** www.sumatracoppergold.com

Registered in England and Wales Registered Number 5777015

Registered address: 39 Parkside, Cambridge CB1 1PN United Kingdom



CDI VOTING INSTRUCTION FORM

For your vote to be effective it must be received by 5.00 pm Sydney time on 29 May 2012.

CHESS DEPOSITARY NOMINEES will vote as directed.

Voting Instruction to CHESS Depositary Nominees Pty Ltd

I/we _____

of _____

being a holder of CHESS Depositary Interests of Sumatra Copper & Gold plc hereby direct CHESS Depositary Nominees Pty Ltd to vote shares underlying my/our holding at the Annual General Meeting of Sumatra Copper & Gold plc to be held at Level 3, 66 Hunter Street, Sydney, NSW, 2000, Australia on 29 May 2012 at 11.00am Australian Eastern Standard Time and at any adjournment of that meeting.

By execution of this CDI Voting Form the undersigned hereby authorises CHESS Depositary Nominees Pty Ltd to appoint such proxies or their substitutes to vote in their discretion on such business as may properly come before the meeting.

RESOLUTION

	FOR	AGAINST	ABSTAIN
1. Receive the Directors' Report and Audited Financial Statements of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Reappointment of Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Warwick Morris as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-election of Julian Ford as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ratification of the issue of 477,500 CDIs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ratification of the issue of 25,544,127 options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of the issue of 5,705,873 options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Approval of the issue of 2,500,000 options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Approval of the proposed issue of options to Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Approval of the Directors' authority to allot	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Approval of the disapplication of pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature of Securityholder(s) *This section must be completed.*

Dated this _____ day of _____ 2012.

Individual Securityholder(s)

Sole Director and Company Secretary or
Director and Director/Company Secretary

CDI VOTING INSTRUCTION FORM INSTRUCTIONS

1. Each CDI is equivalent to one fully paid ordinary share, so that every one CDI that you own at 29 May 2012 entitles you to one vote. You can vote by completing, signing and returning your CDI Voting Instruction Form. This form gives your voting instructions to CHESS Depository Nominees Pty Ltd, which will vote the underlying shares on your behalf. You need to return the form no later than the time and date shown above to give enough time to tabulate all CHESS Depository Interest votes and to vote on the underlying shares.
2. Holders of CDIs are able to attend the Meeting but may only vote by directing CHESS Depository Nominees Pty Ltd to cast proxy votes in the manner directed in the CDI voting instruction enclosed.

To obtain a copy of the CHESS Depository Nominee's Financial Services Guide, go to www.asx.com.au/documents/products/chess_depository_interest.pdf.

3. All joint holders must sign.
4. All executors of deceased estates must sign.
5. Voting exclusions:

The Company will disregard any votes cast on **Resolution 5** by:

- Newcrest Mining Limited and any associates of Newcrest Mining Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on **Resolution 6** by:

- Macquarie Bank Limited and any associates of Macquarie Bank Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on **Resolution 7** by:

- Macquarie Bank Limited and any associates of Macquarie Bank Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on **Resolution 8** by:

- Mr Julian Ford and any of his associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on **Resolution 9** by:

- all Directors of the entity; and
- any associates of those persons.

6. This CDI Voting Instruction Form (and the original or certified copy of any power of attorney under which this form is signed) must be received at an address given below no later than 48 hours before the time appointed for holding the meeting:
 - in person or by mail at the Company's Australian office, Level 2, 66 Hunter Street, Sydney, NSW 2000 Australia; or
 - in person or by mail at the Company's registered office, 39 Parkside, Cambridge CB1 1PN; United Kingdom; or
 - by facsimile on +61 2 9221 6333; or
 - by email to the Company Secretary at redwards@scgplc.com.

SUMATRA COPPER & GOLD plc ABN 14 136 694 267

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Registered in England and Wales Registered Number 5777015

Registered address: 39 Parkside, Cambridge CB1 1PN United Kingdom



FORM OF PROXY

I/we _____

of _____

being a member/members of Sumatra Copper & Gold plc HEREBY APPOINT

or failing him, the Chairman of the Meeting, as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of Members of the Company to be held at 11.00 am AEST 29 May 2012 and at any adjournment thereof.

The Proxy is directed by me/us to vote as indicated by the marks in the appropriate boxes below:

RESOLUTION	FOR	AGAINST	ABSTAIN
1. Receive the Directors' Report and Audited Financial Statements of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Reappointment of Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Warwick Morris as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-election of Julian Ford as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ratification of the issue of 477,500 CDIs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ratification of the issue of 25,544,127 options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of the issue of 5,705,873 options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Approval of the issue of 2,500,000 options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Approval of the proposed issue of options to Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Approval of the Directors' authority to allot	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Approval of the disapplication of pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain. If you mark the abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Important information if the Chairman of the Meeting is your proxy.

By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by the Chairman for those resolutions other than as a proxy holder will be disregarded because of that interest. By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on all resolutions. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the voting box above (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of each resolution).

The Chairman of the Meeting intends to vote all undirected proxies in favour of each resolution.

☐ *I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on the resolutions (except where I/we have indicated a different voting intention) and acknowledge that the Chairman of the Meeting may exercise my proxy even though the Chairman may have an interest in the outcome of the resolutions, including resolution 1 which is connected directly or indirectly with the remuneration of members of key management personnel.*

Signature of Securityholder(s) *This section must be completed.*

Dated this _____ day of _____ 2012.

Individual Securityholder(s)

Sole Director and Company Secretary or
Director and Director/Company Secretary

PROXY INSTRUCTIONS

1. A member entitled to attend and vote is entitled to more than one proxy provided that each proxy is appointed to represent a different share or specified proportion of shares held by that member.
2. A proxy need not be a member.
3. All joint holders must sign.
4. All executors of deceased estates must sign.
5. Voting exclusions:

The Company will disregard any votes cast on **Resolution 5** by:

- Newcrest Mining Limited and any associates of Newcrest Mining Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on **Resolution 6** by:

- Macquarie Bank Limited and any associates of Macquarie Bank Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on **Resolution 7** by:

- Macquarie Bank Limited and any associates of Macquarie Bank Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on **Resolution 8** by:

- Mr Julian Ford and any of his associate.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on **Resolution 9** by:

- all Directors of the entity; and
- any associates of those persons.

6. This Proxy Form (and the original or certified copy of any power of attorney under which this form is signed) must be received at an address given below no later than 48 hours before the time appointed for holding the meeting:
 - in person or by mail at the Company's Australian office, Level 2, 66 Hunter Street, Sydney, NSW 2000 Australia; or
 - in person or by mail at the Company's registered office, 39 Parkside, Cambridge CB1 1PN; United Kingdom; or
 - by facsimile on +61 2 9221 6333; or
 - by email to the Company Secretary at redwards@scgplc.com.

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