



20 November 2009

The Manager Companies  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

(4 pages by email)

Dear Madam

### **TEMBANG PROJECT UPDATE**

The Directors of Sumatra Copper & Gold plc ('Sumatra' or 'the Company') are pleased to report that a drilling contract has been executed with PT Parts Sentra Indomandiri ('PSI Drilling'), facilitating the deployment of a multi-purpose rig from Malaysia to Sumatra and the commencement of a minimum of 5,000 metres of drilling at the Tembang project in December 2009.

#### **Background to Tembang**

Tembang is a former mine with exploration activity dating back to the 1980s when CRA owned the property. It was in production from late 1997 to March 2000, ceasing operations due to the declining gold price. In March 2000, the gold price was below US\$300 per ounce, compared to the current gold price of more than US\$1,100 per ounce.

The Company holds rights to an area of about 760 km<sup>2</sup> over and around the old mine which is host to known and partially explored epithermal gold-silver and copper-gold porphyry systems, possibly reflecting extensions of the historically important goldfields of Bengkulu to the west.

Tembang is a large low-sulphidation epithermal deposit comprising gold-silver bearing quartz sulphide veins hosted by Tertiary volcanics. Two vein styles are present; a relatively wide and continuous vein set surrounded by irregular narrower veins that occur in both the footwall and hanging-wall providing a 'halo' of mineralisation peripheral to the main veins.

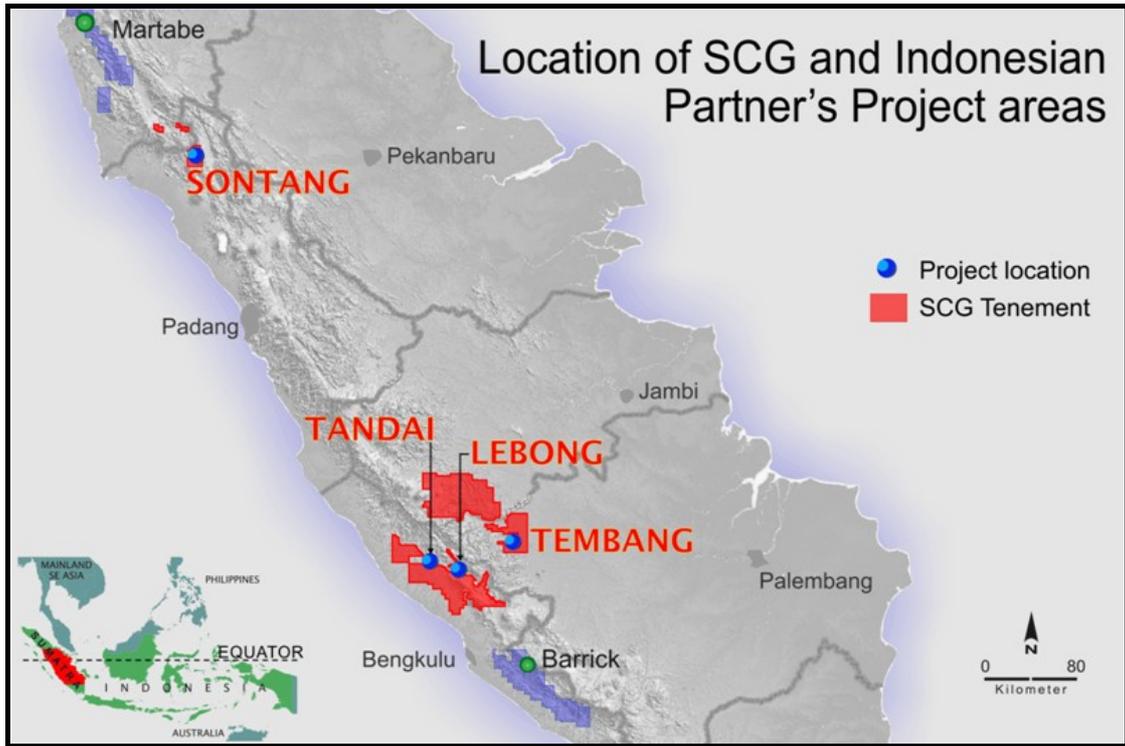
The historic mine commenced production under a previous operator in late 1997 and ceased production in March 2000 due to a declining gold price. The prior operator mined only the main veins to a cut-off grade of 1.0 g/t Au and discarded the lower grade halo mineralisation. The Company plans to mine the halo to a lower cut-off grade and process it by upgrading the mineralisation to CIP feed grade levels through beneficiation.

The Company has acquired the existing comprehensive data sets which include airborne geophysics, 128,000 metres of RC and diamond drilling, soil geochemistry, topography and previous production records. The potential exploration targets at the Tembang project are reasonably well understood and include more than 9.0 million cubic metres of dumps dominated by halo mineralisation mined and discarded by the last operator.

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**Project Location Map**

**Resources and Reserves**

As detailed in the following table, a JORC compliant Mineral Resource totalling 1.64 million ounces of gold and 19.8 million ounces of silver has been estimated at the Tembang project:

Project	Type	Category	Gross					Net Attributable to Sumatra*				
			Mt	Au g/t	Ag g/t	Au Moz	Ag Moz	Mt	Au g/t	Ag g/t	Au Moz	Ag Moz
TEMBANG	Vein	Measured	2.4	2.1	35.7	0.16	2.8	2.2	2.1	35.7	0.15	2.6
		Indicated	6.4	1.9	29.5	0.38	6.1	5.9	1.9	29.5	0.35	5.6
		Inferred	3.2	1.8	21.3	0.18	2.2	3.0	1.8	21.3	0.17	2.0
		<b>Sub-Total</b>	<b>12.0</b>	<b>1.9</b>	<b>28.6</b>	<b>0.73</b>	<b>11.0</b>	<b>11.1</b>	<b>1.9</b>	<b>28.6</b>	<b>0.68</b>	<b>10.2</b>
	Halo	Indicated	11.2	0.6	7.4	0.23	2.7	10.4	0.6	7.4	0.21	2.5
		Inferred	30.5	0.7	6.2	0.68	6.1	28.2	0.7	6.2	0.63	5.6
		<b>Sub-Total</b>	<b>41.7</b>	<b>0.7</b>	<b>6.5</b>	<b>0.91</b>	<b>8.8</b>	<b>38.6</b>	<b>0.7</b>	<b>6.5</b>	<b>0.84</b>	<b>8.1</b>
		<b>TOTAL</b>	<b>53.7</b>	<b>1.0</b>	<b>11.5</b>	<b>1.64</b>	<b>19.8</b>	<b>49.7</b>	<b>1.0</b>	<b>11.5</b>	<b>1.52</b>	<b>18.3</b>

**Note:**

\* Rounding errors may occur. The net attributable to Sumatra amounts to 92.5% of the gross Mineral Resource. The cut-off grade for Tembang is 0.50 g/t Au for the vein mineralisation and 0.35 g/t Au for the halo mineralisation. The Tembang Mineral Resource was estimated by Mr Matthew Nimmo MAusIMM of Snowden Mining Industry Consultants (Mr David Stock MAusIMM, who is a Geological Consultant to Sumatra, provided the geological interpretation and QA/QC validation). Both Mr Nimmo and Mr Stock are Competent Persons as defined by the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2004 Edition) and consent to the inclusion in this report on the matters based on their information in the form and context in which they appear.

In addition, as detailed in the following table, a JORC compliant Ore Reserve of 470,000 ounces of gold and 7.2 million ounces of silver has been estimated at the Tembang project:

			Gross					Net Attributable to Sumatra*					
Project	Type	Category	Mt	Au g/t	Ag g/t	Au Moz	Ag Moz	Mt	Au g/t	Ag g/t	Au Moz	Ag Moz	
TEMBANG	Vein	Proved	2.0	2.2	37.9	0.14	2.5	1.9	2.2	37.9	0.13	2.3	
		Probable	3.3	2.0	32.9	0.21	3.5	3.1	2.0	32.9	0.20	3.3	
		<b>Sub-Total</b>	<b>5.4</b>	<b>2.1</b>	<b>34.8</b>	<b>0.35</b>	<b>6.0</b>	<b>5.0</b>	<b>2.1</b>	<b>34.8</b>	<b>0.33</b>	<b>5.5</b>	
	Halo	Proved	-	-	-	-	-	-	-	-	-	-	-
		Probable	5.0	0.7	7.4	0.11	1.2	4.6	0.7	7.4	0.10	1.1	
		<b>Sub-Total</b>	<b>5.0</b>	<b>0.7</b>	<b>7.4</b>	<b>0.11</b>	<b>1.2</b>	<b>4.6</b>	<b>0.7</b>	<b>7.4</b>	<b>0.10</b>	<b>1.1</b>	
			<b>TOTAL</b>	<b>10.3</b>	<b>1.4</b>	<b>21.6</b>	<b>0.47</b>	<b>7.2</b>	<b>9.6</b>	<b>1.4</b>	<b>21.6</b>	<b>0.43</b>	<b>6.6</b>

**Note:**

\* Rounding errors may occur. The net attributable to Sumatra amounts to 92.5% of the gross Ore Reserve. The cut-off grade for Tembang is 0.48 g/t Au for the vein mineralisation and 0.36 g/t Au for the halo mineralisation. The Tembang Ore Reserve was estimated by Mr Frank Blanchfield MAusIMM of Snowden Mining Industry Consultants. Mr Blanchfield 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 consents to the inclusion in this report on the matters based on his information in the form and context in which it appears.

**Pre-feasibility Study**

A pre-feasibility base case study ('PFS') and a series of other scoping studies were completed by Snowden Mining Industry Consultants ('Snowden') in May 2009 which encouraged the Directors' belief that the beneficiation of the halo mineralisation is conceptually feasible and economies of scale will result from higher processing rates.

The PFS level of accuracy is +/- 20% and investigated the potential to upgrade the halo mineralisation by simple beneficiation as part of a future mining operation.

As part of the PFS, extensive metallurgical studies were conducted by Mineral Engineering Technical Services Pty Ltd in Perth WA. Approximately one tonne of PQ diamond drill core was sent to Australia, and testwork on samples from the halo demonstrates simple mechanical beneficiation (crushing, washing and screening) results in approximately 75% of the wall rock material being discarded, whilst still retaining some 61% of the gold contained in the halo. The results indicate that on average the resultant beneficiated material will have a grade of more than 2.0 g/t Au and which can then be fed to the same cyanidation circuit treating material from the larger main veins.

Approximately half of the Tembang project's resource is represented by halo material, and the ability to economically recover gold from this material has encouraged the Company to identify whether there are economies of scale related to higher processing rates. Snowden investigated this matter in some details and the PFS revealed that the beneficiation of the halo mineralisation is conceptually feasible and offers economies of scale from larger processing rates. Throughputs of up to 2.5 million tonnes per annum ('Mtpa') were considered which forecast an average 120,000 ounces of gold would be produced annually for approximately eight years. These studies were reported as a series of scoping studies.

Snowden report the capital expenditure for the PFS 1.0 Mtpa base case, including the construction of a power plant, totals US\$89 million with an operating cash cost of US\$514 per ounce. At the current gold price of US\$1,140 per ounce the base case would generate approximately US\$200 million in pre-tax free cash flow after recovering capital expenditure. The higher throughput scoping study cases would general additional cash flow but those cash flows would include profit from mining and processing currently inferred resources. The Base Case PFS is based solely on production from the currently defined ore reserves reported in the above Table.

Snowden stated:

“It is immediately apparent that not only does a Base Case PFS already establish an economic project, but Case 2 already demonstrates the upside on processing more halo material. Scoping Study Cases 3 to 8 reveal that a larger project mining and processing more halo material and with lower unit costs, shows superior project economics.”

### **Other**

Unless otherwise attributed, the information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by David Stock, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. David Stock is a consultant to 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'. David Stock has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

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

Yours sincerely



Warwick G. Morris  
Chairman

pjn5080