

## **Tembang Exploration Update**

### **Highlights**

- **Exploration strategic alliance formed with Merdeka Copper Gold to extend mine life and target production increases**
- **Initial investment of US\$1.5 million over the next 6 months**
- **Exploration drilling from the base of Belinau underground mine anticipated to commence in the December 2017 quarter**
- **US\$2.0 million of cornerstone support secured for US\$7.5 million equity raise**

Sumatra Copper & Gold plc ("the Company") provides the following update on exploration at its Tembang gold-silver operation located in southern Sumatra, Indonesia.

The Company is pleased to announce that it has formed a Strategic Alliance with Indonesian gold producer Merdeka Copper Gold Tbk ("Merdeka"), whereby Merdeka will fund ongoing exploration to extend mine life and target production increases.

Under the alliance, Merdeka will initially invest US\$1.5 million over the next 6 months. The Company will in turn issue CDI's to Merdeka at a price representing the 5 trading day VWAP prior to the signing of a formal agreement detailing the specifics of the agreed exploration program. The CDI's will be issued to Merdeka in tranches based on the exploration spend by Merdeka during each 3 month period (quarter) and within 1 month of quarter end, with the first quarter concluding on 30 November 2017.

Ultimately Merdeka intends to invest in stages for up to US\$10.0 million under similar terms for each successive approved exploration program, subject to ongoing exploration success and appropriate corporate approvals.

Merdeka is a Jakarta Stock Exchange listed mining company with a market capitalisation of approximately US\$600 million. Merdeka currently operates the Tujuh Bukit gold-copper mine in East Java, Indonesia and has an experienced executive team headed by Mr Colin Moorhead. Mr Moorhead is a former Director of Exploration at Newcrest in Indonesia, responsible for the multi-million ounce Gosowong mine and Newcrest's past joint venture with the Company at Tandai. Merdeka is expanding its mining footprint in Indonesia and offers a strong balance sheet and technical expertise through Mr Moorhead and his team.

As previously disclosed in the Company's ASX announcement of 6 September 2017, two exploration drill drives will be established at the Belinau underground mine between Levels 11 and 12 (the current base of planned development) to drill for depth extensions to the orebody. Two specialised diamond drill rigs have been ordered for this program, which is anticipated to commence in the December 2017 quarter. A summary of the other priority exploration targets at Tembang is provided in the Appendix to this announcement.

The Company has also signed an agreement with its major shareholders Provident Minerals Pte Ltd and PT Saratoga Investama Sedaya Tbk to accelerate US\$2.0 million of the US\$7.5 million Major Equity Raise planned for November 2017 under the Amended Facility as previously announced to the market on 27 June 2017. The funds will be provided by way of a subordinated loan that will be converted into equity in November 2017.

The Company's Chairman, Mr Jocelyn Waller commented: "The potential to increase resources and reserves at Tembang has long been recognised, but to date the Company's focus has been on

production. With this strategic alliance with Merdeka, the Company now has a strong local partner to enable the discovery process to be expedited. It's a significant and positive development for the Company that will add value."

#### For further information please contact:

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#### About Sumatra Copper & Gold plc

Sumatra Copper & Gold plc (ASX: SUM) is a gold and silver producer and precious metals explorer in southern Sumatra, Indonesia. The Company's flagship asset is its Tembang gold-silver mine, currently in production. The Company also has an extensive exploration portfolio with projects ranging from brownfield, near-production opportunities to strategically located greenfield holdings.

#### Directors

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Non-Executive Chairman

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Andy Robb  
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### Other Resource Extension Targets

The Company completed open pit mining of the Siamang and Siamang East composite vein structures in early January 2017 with the adjoining Buluh deposit scheduled to be mined in 2018. Narrow, high-grade mineralisation continues at depth on all known veins.

The resource model is being updated using the recent mapping and mining data to investigate the potential for strike extensions as well as depth extensions for underground mining. Previous drilling has shown good potential for underground resources to be defined.

The Bujang deposit is located approximately 800m to the north-west of the high grade Belinau underground mine on the margin of an andesitic porphyry dyke. Bujang is a discrete quartz-sulphide vein lode with a known strike length of approximately 200m. The last drill program at Bujang in 2014 extended mineralisation along strike to the south where a number of high grade intercepts were made. Follow-up drilling is planned in this area.

In pit mapping at Asmar is ongoing to better understand the controls to the mineralisation. There is potential for upgrading the Inferred Resources with further drilling.

### Near-Mine and Regional Exploration

2016 saw an increase in near-mine exploration activities with the exploration team being augmented with additional geological staff. With the assistance of technical consultants, a whole of project exploration review was completed to identify, rank and prioritise targets for further investigation, leading to the development of the Tembang Exploration Target Pipeline (Figure 3). This work resulted in the definition of 22 targets ranked from “grassroots” to “drill testing” with 8 priority 1, 10 priority 2 and 4 priority 3 targets. Of the 22 targets identified, 15 are located within 2.5km of the Tembang plant (near-mine targets) and 6 are located within 2.5km – 5km of the plant (regional targets).

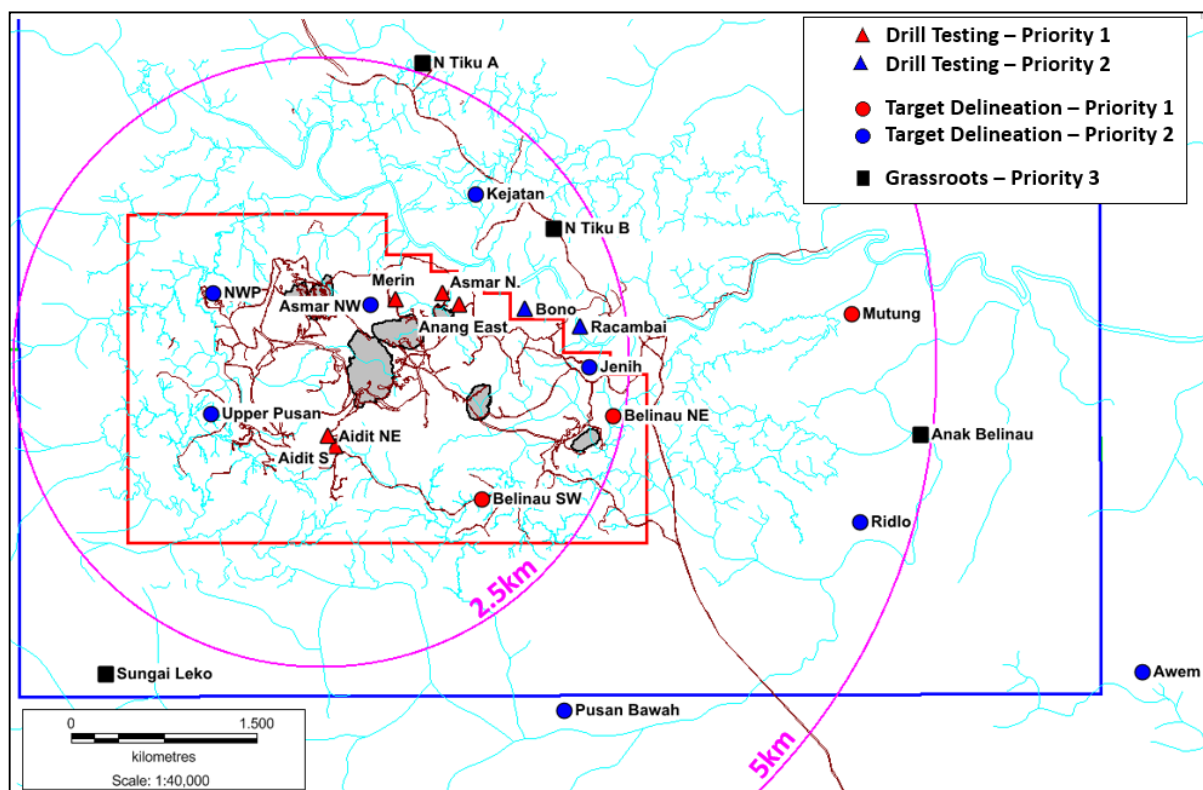


Figure 3: Tembang near-mine and regional exploration targets by stage and priority.

During 2016, significant exploration activities were undertaken at 9 near-mine targets including soil geochemistry, geological mapping, rock chip sampling, ground magnetics and trenching. No exploration drilling was undertaken during the period. Initial site visits were undertaken to a number of regional targets confirming prospectivity from the limited activities completed.

Soil geochemical surveys were completed in the Asmar-Merin-Anang East area, Belinau SW, Belinau NE and Jenih areas (Figure 4) highlighting a series of encouraging gold-silver + pathfinder element (As, Sb, Cu, Pb etc) anomalies warranting follow-up. In addition to the soil geochemical programs, detailed re-evaluation of available datasets resulted in the definition of the Adit prospect as a priority target.

Follow-up trenching of soil anomalies was undertaken at the Asmar North, Anang East, Merin & Belinau SW prospects. Of these, the Asmar North prospect returned particularly encouraging results including the definition of a 300m long x 150m wide corridor of epithermal quartz veining and stockworking extending northeast from the junction of the Asmar & Tembang-Anang gold resource areas (Figure 5). Ten trenches completed to date have intersected encouraging veining with best results including 1.20m at 7.5 g/t Au & 7.0 g/t Ag (RTR16014), 0.70m at 3.83 g/t Au & 2.5 g/t Ag (RTR16022), 1m at 5.81 g/t Au and 4.3 g/t Ag (RTR16012), 2m at 4.05g/t Au & 3.13g/t Ag and 2m at 2.04g/t Au & 1.78g/t Ag (RTR16031) and 2m at 1.11g/t Au & 1.5g/t Ag (RTR16032).

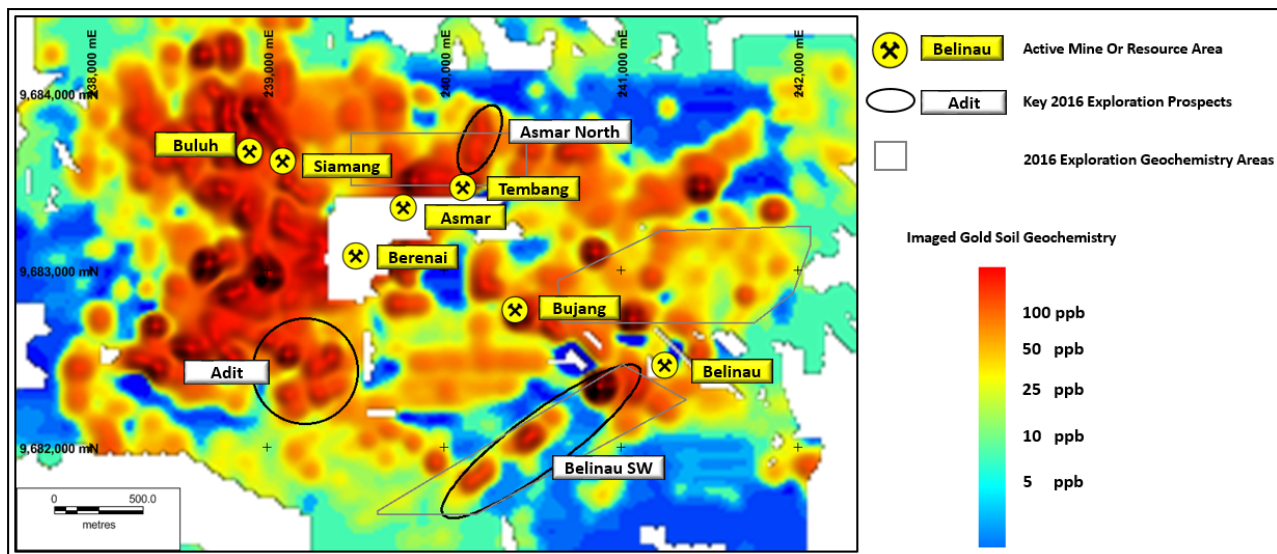


Figure 4: Tembang gold soil geochemistry with mine and key prospect locations.

Planned near-mine exploration activities for 2017 will include additional trenching at the Asmar North prospect, where the vein system remains open to the northeast, as well as initial drill testing of a number of prospects including Asmar North and Adit. Assessment of other high priority targets will continue with additional resources applied to the regional targets, many of which have untested extensive soil and rock chip gold anomalies.

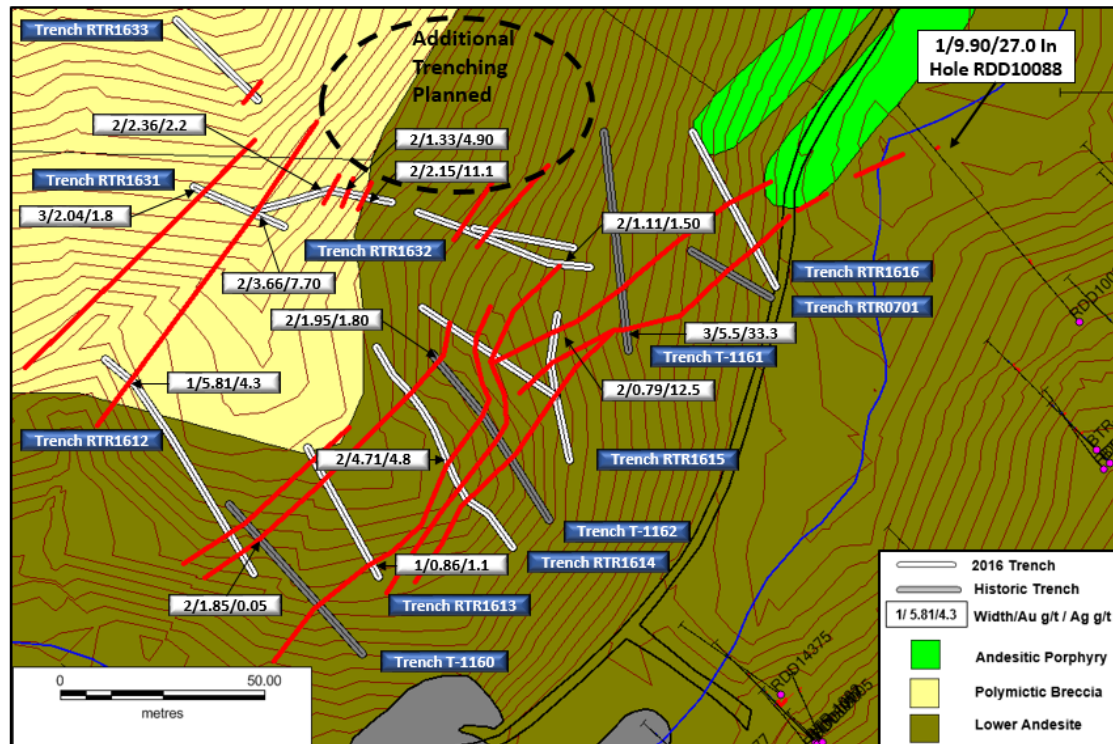


Figure 5: Tembang - Asmar North prospect geology & trench results.

### Competent Person's Statement – Exploration Results

The information in this report that relates to exploration results for in-mine targets is based on information compiled by Mr Gary Powell, who is an independent consultant of the company and a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Powell 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Powell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results for in-mine targets is based on information compiled by Dr Brian New, who is an independent consultant of the company and a Member of the Australasian Institute of Mining and Metallurgy. Dr New 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr New consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results for near-mine and regional exploration is based on information compiled by Mr Simon Rigby, who is a part time consultant to the Company and a Member of the Australian Institute of Geoscientists. Mr Rigby 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Rigby consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.