Indonesian Mining
Big prizes for the persistent

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Highlights

- Indonesia is host to some of the world’s largest and most intensely mineralised gold and copper projects. The Indonesian geology remains highly prospective for further deposits, in particular copper/gold porphyries, best evidenced by IAU’s Tujuh Bukit discovery.

- Despite Indonesia’s geological appeal, recent changes to mining and forestry legislation have largely complicated and added to uncertainty surrounding title and permitting. Broad brush methods and vague updates to legislation by the Indonesian authorities have resulted in confusion and a distinct lack of clarity.

- In this note, we look at Indonesian geology, mining and forestry law with the purpose of trying to add some clarity to an otherwise challenging environment. In addition, we have looked at 10 ASX listed companies with interests in Indonesia in the context of assets, permitting and company structures.

The setting

- The Indonesian archipelago consists of over 18,000 islands extending over 5,000km from East to West. It is situated at the boundaries of three major tectonic plates Indonesia has a rich and varied mineral endowment that includes igneous rock related deposits of copper, gold and silver as well as sedimentary deposits such as coal and peat.

The rules

- Under the new Mining Law, Law No 4 of 2009 on Minerals and Coal Mining, “CoWs” and “KPs” were replaced by a permit system, namely IUPs.

- New IUPs for metallic minerals and coal can only be obtained through a tender process. Foreigners are required to hold no more than 80% of an IUP after five years and must divest any interest above this level. “CoWs” are no longer issued under the new Mining Law, although those in existence prior to the new law continue but are required to be amended to capture elements of the new law.

- IUPs are typically held on a one for one basis by an Indonesian company. Foreigners are only able to invest in those companies structured for foreign investment and known as PMA companies. Investment by foreigners often requires the conversion of companies holding IUP’s to PMA type companies.

- Indonesian Forestry Law makes reference to three principal categories of State Forest, namely conservation forest, protected forest and production forest. Where mining in State Forest is allowed, both exploration and mining activities need to be approved through the issue of forestry permits known as Ijin Pinjam Pakai.

Indonesian picks

- Hillgrove resources (HGO): HGO’s exploration assets in Indonesia offer significant exploration potential, and we currently see next to no value in the share price for these two projects. Drilling is ready to commence at Birds Head subject to the grant of a forestry permit (Ijin Pinjam Pakai). Management describe the granting of the permit as “close”. The tenements have the potential to host a significant porphyry copper/gold deposit.

- Augur Resources (AUK): We see early stage potential for the Wonogiri project in Central Java, Indonesia, to become a company maker deposit. Recent drilling includes 218m @ 0.97 g/t Au & 0.20% Cu from 40m, including 84m @ 1.29 g/t Au and 0.26% Cu from 154m from porphyry material. The project is currently being drilled along strike and the property is not exposed to any forestry classifications.

Equities Research – Indonesian Mining
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### EXECUTIVE LANDSCAPE

<table>
<thead>
<tr>
<th>Company</th>
<th>ASX Code</th>
<th>Share price</th>
<th>Shares (m)</th>
<th>Shares (dil)</th>
<th>Mkt Cap dil ($m)</th>
<th>Cash $m</th>
<th>EV $m</th>
<th>Asset</th>
<th>Location</th>
<th>Interest</th>
<th>Indonesian Company/Partners</th>
<th>Title</th>
<th>Forestry</th>
<th>Status</th>
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<td>PT Sumber Mineral Nusantara</td>
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<td>East Sumbawa</td>
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<td>Papua Alliance</td>
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<td>PT Osindo (MMG)</td>
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<td>Jampang</td>
<td>Central Java</td>
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<td>282</td>
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<td>Wetar Island</td>
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<td>PMA</td>
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<td>Exploration</td>
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<td>Sumba</td>
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<td>Java</td>
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<td>Sumatra</td>
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<td>86</td>
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<td>17.9</td>
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<td>Tambang Tinggi</td>
<td>North Sumatra</td>
<td>75%</td>
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<td>CoW 7th</td>
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<td>Sumatra Copper &amp; Gold PLC</td>
<td>SUM</td>
<td>0.240</td>
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<td>187</td>
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<td>PMA</td>
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<td></td>
<td></td>
<td>Tandai</td>
<td>Sumatra</td>
<td>30%</td>
<td>PT BUG / Newcrest</td>
<td>PMA</td>
<td>None</td>
<td>Exploration</td>
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- Cash as at 31 March 2011 where applicable
- Share prices as at 4 July 2011
- Source: Bloomberg, Company filings
THE SETTING

1. Indonesian geology

The present day geology of Indonesia is broadly the result of subduction and collision at the Eurasian subduction margin. The archipelago formed over the past 300 million years by reassembly of Gondwanaland fragments that arrived at this margin.

Today, the Indonesian archipelago consists of over 18,000 islands extending over 5,000km from East to West. It is situated at the boundaries of three major tectonic plates: Eurasia, India-Australia, and Pacific-Philippine. In Western Indonesia, the boundary between the Eurasian and Indian plates is the Sunda Trench. Parallel to this in Sumatra is the Sumatra fault. West of Java, active deformation occurs within a complex suture zone up to 2,000km wide.

Indonesia – Present Day Tectonic Boundaries and Volcanism

The subduction zones are mainly well defined by seismicity extending to depths of about 600km and by volcanoes. Sumatra’s Lake Toba represents the remnants of the super volcano, Mt Toba, which was the site of what is believed to have been the world’s largest volcanic eruption in the last 25 million years. The Mt Toba eruption of 1815 had a major impact on the world’s climate in 1816, with the Northern Hemisphere experiencing the absence of a summer, crop failures and famine.

The interior of Indonesia, particularly the Java Sea, Sunda Shelf, and surrounding emergent, but topographically low, areas of Sumatra and Kalimantan, in contrast is largely free of seismicity and volcanism. This area known as Sundaland, extends north to the Thai-Malay peninsula and Indochina, and was an exposed land mass during the Pleistocene period.

In the Eastern part of Indonesia, the Sorong fault runs over the Northern part of the Bird’s head peninsula and then runs West under the sea. Its continuation to the West is known as the Matano fault on mainland Sulawesi.

The complexity of the region has resulted from various kinds of terranes which have come into existence as a result of the breaking up lithospheric plate into micro continents, fragmentation of oceanic crust, collision and accretion followed by amalgamation. Thus the non-volcanic arcs represent accretionary wedges; the East Sulawesi ophiolite complex is obducted oceanic crust onto the West Sulawesi volcanic arc; the Sulawesi Sea and Banda Sea Basins are entrapped oceanic crust; and Buru Island, Banggai-Sula platform and Tukang-besi platform are micro continents.

While the present physiography of Indonesia is largely reflective of geological events and processes of the Quaternary period, there are notable areas of Indonesia characterized by rocks that date back as far as the Cambrian and Pre-Cambrian periods. Examples include Silurian and Devonian age rocks such as schists, gneisses and other metamorphics which form the basement rocks in East Irian Jaya, Sumatra and West Kalimantan.
More widespread are Upper Palaeozoic age rocks found on a number of islands including clastics and carbonates that have undergone low grade metamorphism to slates and phyllites. In Irian Jaya, shallow marine clastics with subordinate deep marine and terrestrial clastics are developed.

Amongst Mesozoic rocks, are the well known tin bearing granites on the islands off the East coast of Sumatra. In comparison to pre-tertiary rocks, tertiary rocks are more abundant and as a rule unconformably overlie or are in tectonic contact with pre-tertiary rocks. Depending on location, the rocks vary from marine to terrestrial, with or without volcanic elements.

Many of the tertiary formations are well known as source rocks for hydrocarbon accumulations, or are represented by coal or lignite deposits. Magmatic activity took place throughout the tertiary, with intrusive bodies of various composition, some of which are ore bearing. Extensive shelf carbonates were deposited in Irian Jaya, Sulawesi, Sumba and various other islands.

Indonesia has a rich and varied mineral endowment that includes sedimentary deposits such as coal and peat, as well as igneous rock related deposits of copper, gold and silver. Kalimantan in particular is notable for its extensive coal deposits which underpin Indonesia’s position as the world’s largest exporter of thermal coal, while Irian Jaya hosts one of the world’s largest copper-gold deposits at Grasberg. The ultramafic rocks of Eastern Indonesia are the source rocks for nickel laterite deposits such as those being mined in Sulawesi. There are also iron sands deposits in Java and occurrences of manganese in Timor.

**Major Indonesian Deposits and Prospects**
2. Mining legislation – the old

Prior to 2009 and the passing of the new Mining Law, Law No 4 of 2009, by the Indonesian Parliament, mining in Indonesia was administered by Law No 11/1967. This law provided for the involvement of foreign companies in the Indonesian mining industry by way of “Contracts of Work” (“CoWS” and “CCoWs” – coal contracts of work) which were contracts with the Government of Indonesia. Domestic Indonesian companies operated under a separate regime or licensing system of so-called “KPs” or “Kuasa Pertambangan” which were only available to Indonesian citizens and Indonesian owned entities.

A “CoW” (and “CCoW”, both referred to hereafter as “CoW”) was essentially a contract between the Central Government of Indonesia and an Indonesian incorporated contractor company. CoWs could only be amended by agreement of both parties, had to be approved by the Indonesian House of Representatives, had a life commensurate with the life of the project, contained “locked down” tax provisions and disputes were resolved through international arbitration. CoWs passed through several “generations” over the years culminating in the final 7th generation CoW which provided for 100% foreign ownership for the first 15 years, followed by a maximum divestment of 5% of the project thereafter. Importantly, the CoW system operated for over 30 years and provided a basis for foreign companies to secure financing against their Indonesian mining projects.

The CoW system however lost its effectiveness after 1999 when mining regulation became more decentralized, with very few new contracts entered into after that time. Instead foreign investors used various structures to participate in “KPs” with typically the foreign investor providing capital and taking security over the assets. A related service company would conduct mining and marketing on behalf of the holder of the “KP” for a fee. The problems with these structures were many, including the inability of the foreign investor to obtain an interest in the “KP”, the illegality under Indonesian law of the so called “nominee” arrangements and the need for the Indonesian party to act as the contact point for licensing issues.

Ultimately, from 2000 onwards, Indonesia found itself out of favour as a destination for foreign mining and exploration companies due to various issues including uncertainty over the introduction of a new mining law, forestry issues and decentralization of Government authority for mining related issues.
3. Mining Legislation – the new

Under the new Mining Law, Law No 4 of 2009 on Minerals and Coal Mining, CoWs and KPs were replaced by a permit system, namely IUPs, of which there are several variations. The type of permit granted and the issuing authority depend on the location and type of mining area and the mineral to be mined. Importantly, there is no distinction between domestic and foreign investors.

Each IUP has a specified area known as a WIUP, the boundaries of which are determined by the Central Government after coordination with the Regional Government.

Separate IUPs are issued for the exploration and mining phases. The holder of an exploration IUP is guaranteed the award of a mining IUP, subject to compliance with all requirements for the granting of a mining IUP. The issuing authority for an IUP is determined by reference to whether the IUP is contained within one region (Regional Government), more than one region within a province (Provincial Government) or more than one province (Central Government). An IUP (and previously CoW) does not of itself confer an ownership right to land. Rather, it is an exclusive right to conduct mining activities within a specific area. The IUP holder must separately either acquire the land from the local landowner/s or enter into a separate agreement for access.

IUPs are held on a one for one basis by an Indonesian company, this now being a requirement under the law. The exception is a situation where the company held multiple KPs prior to the new mining law, and where those KPs have subsequently been converted to IUPs. Such situations however raise issues where a potential investor is not interested in investing in all of the company’s IUPs, as mining rights are not assignable by one party to another, and change of ownership can only be affected through acquisition of shares in the company itself.

New IUPs for metallic minerals and coal can only be obtained through a tender process. Foreigners are required to hold no more than 80% of an IUP company after five years and must divest any interest above this level. If the requisite 20% interest has not been divested to Indonesian interests after five years, the Government has priority and only if it does not wish to acquire the interest, will it be available to other Indonesian entities.

There are two types of Indonesian company, those available and those not available for foreign investment. The former are referred to as PMA companies (“Penanaman Modal Asing”). Indonesian only investment companies can be converted to PMA companies and this is required where the IUP has been held by Indonesian interests exclusively, but where those interests are seeking foreign capital to explore or develop projects. The process of conversion typically takes many months. Where an IUP is held by a Indonesian only investment company seeking foreign investment, the foreign investor will typically hold its interest via a commercial arrangement (typically described as a joint venture) prior to PMA company conversion.

The foreign company typically commences funding of the project on the basis that on successful conversion, it will be assigned the agreed direct equity interest in the PMA company. During the period of PMA conversion, the foreign investor is significantly reliant on the relationship with the Indonesian equity holders to assist with conversion, and to follow through as per the terms of the commercial agreement. The foreign investor will also typically be free-carrying the Indonesian investors through to a decision to mine.

Other requirements of the new Mining Law include that related party contractors are only able to be used with the Minister’s approval, with priority to be given to Indonesian contractors and other contractors only able to be employed if Indonesian contractors are unavailable.

CoWs are no longer issued under the new Mining Law, although those in existence prior to the new law continue for their stated period but must make adjustments for the new law. The adjustments are unclear but indications are that they relate to the preferential taxation provisions set in the CoWs.
The Central Government has an increased role in the Indonesian mining industry under the new law by virtue of its determination of the boundaries of WIUPs. However, Regional and Provincial Government bodies remain responsible for the issue of IUPs. The Central Government has been establishing a central database for all IUPs in existence in Indonesia, and Regional and Provincial Governments have been required to provide it with the details of all IUPs which they have issued. The deadline for submission of the details was early May 2011. One of the primary purposes of this exercise is the resolution of overlapping permits and land use designations.

The new Mining Law was silent on the status of existing KPs, although it was subsequently made necessary for all “KPs” to be converted to IUPs. Any investment via a KP, or the conversion of a KP to an IUP after May 2010, maybe at risk of being declared void.
4. Forestry permitting

Indonesia’s forestry laws and regulations as they relate to mining activities are to a degree vague.

The Forestry Law makes reference to three principal categories of State Forest, namely conservation forest, protected forest and production forest. There is a further related classification known as National Park.

Mining is not permitted in conservation forest, and open cut mining is not permitted in protected forest. Underground mining is permitted in areas of protected forest provided that it does not damage underground aquifers, cause permanent change to the forest area or impact the surface through subsidence. Both open pit and underground mining are permitted in areas of production forest. Protected forests are distinguished by their main function being determined to be the protection of life-supporting systems for hydrology, preventing floods, controlling erosion, preventing sea water intrusion and maintaining soil fertility. In contrast, production forests have as their main function the production of wood products.

Where mining in State Forest is allowed, both exploration and mining activities need to be approved through the issue of forest lease licences known as Ijin Pinjam Pakai. The English translation of Ijin Pinjam Pakai is “borrow and use permit” meaning that in most cases, where mining impacts State Forest, other unaffected land must be provided as compensation together with in some cases with prescribed taxes. Separate Ijin Pinjam Pakai are required for the exploration and mining phases and in the latter case the issue of the permit may require the approval of the Indonesian Parliament. Permits for mining have typically been granted for 20 years, with permits for exploration granted for two years, with the ability of the Ministry of Forestry to grant extensions. The application process for an Ijin Pinjam Pakai is complicated and amongst other things, requires a letter of recommendation from the Provincial Governor and DCMG (Directorate-General of Minerals, Coal and Geothermal). The Minister of Forestry in Jakarta is the responsible issuing authority for Ijin Pinjam Pakai where mining or exploration in State Forest is concerned.

Subject to an application for an Ijin Pinjam Pakai being complete in all respects, in principle it can be issued within 120 working days of the receipt of application. However, the lead time is often much longer, with currently over 400 applications before the Minister. The Minister also has the power to issue an “in-principle approval” for the issue of a Ijin Pinjam Pakai where the application meets the regulatory requirements. Such an approval does not permit mining activities but approval can be sought to carry out certain activities before the grant of the permit in certain circumstances.

In respect of applications for a Ijin Pinjam Pakai for mining, the application requirements as would expected are more demanding, and in particular must include an AMDAL, or Environmental Impact Assessment.

While the above is the general thrust of the forestry law, from time to time the administration of the law is affected by various regulations and recently a Presidential Instruction.

In early 2010, the Indonesian President, Susilo Bambang Yudhoyono signed a regulation legalizing the conversion of protected and conservation forest areas for business purposes. Article 36 of the regulation effectively allowed the status of protected forest areas to be shifted into conservation and production forests. Similarly, the regulation permitted the shifting of conservation forest areas into protected and/or production forest. The licences to change the status of the forest are issued by the Ministry of Forestry based on requests by local Government bodies.

In 2011, the Indonesian President has issued a “Presidential Instruction”, in respect of forestry lands which while not legislation or a regulation, will no doubt be persuasive as to how areas of forestry are managed.
The instruction calls for the postponement of the issue of new Ijin Pinjam Pakai for “primary natural forest” and “peatland” in conservation forests, protected forests, production forests and other designated areas. The reference to “primary natural forest” introduces another level of uncertainty. Notwithstanding this issue, there are several exceptions to the instruction, namely:

a. Where applications have already been approved in principle by the Minister of Forestry.

b. Where issues of vital national development are involved, such as geothermal power, oil and gas development, electricity, and land for rice and sugar cane.

c. Extension of existing licences for forest exploitation and/or forest area utilization as long as the licence for the business remains valid.

d. Ecosystem restoration.

The background to the Presidential Instruction lies in a partnership (“climate and forest partnership”) entered into between the Governments of Indonesia and Norway in 2010. As part of the partnership, the Norwegian Government agreed to provide Indonesia with US$1.0b in assistance to combat deforestation and forest degradation. As part of phase 2 implementation of the agreement, a two year suspension of new forest conversion concessions was proposed for peat lands and natural forest. However, the phase 2 proposals as set out in a Letter of Intent between the Norwegian and Indonesian Governments in May 2010 was not meant to be exhaustive and the 2011 Presidential Instruction referred to above seems to have been an extension of the terms of the agreement.
5. Forestry conversions – a case study

Straits Asia Resources

Straits Asia Resources “Straits” has been successful in applying to the Indonesian Government, for the re-zoning of ‘protected’ forest.

In October 2007, Straits acquired the northern tenements to its Sebuku operation, these tenements were classified as protected forest. The acquired tenements were located to the north and immediately adjacent to SRL’s Tanah Putih open-pit mine. The mine is located on the Island of Sebuku, just east of Kalimantan, Indonesia, and Straits has been mining on Sebuku since 1997.

Shortly after the acquisition, Straits submitted an application to re-zone the northern tenements for open pit mining. It was anticipated at the time that the re-zoning would be completed by the end of 2008.

The northern tenements were re-zoned by Government decree as a production (as opposed to protected) forest in August 2009. The applications for mining permits were made shortly after and the company expected the final permits to be granted towards the end of 2010.

In January 2011, the Minister of Forestry granted Straits, a Principle Licence (Izin Prinsip) for the northern tenements. This licence was the precursor to the issue of the borrow and use permit (Inzin Pinjam Pakai).

The borrow and use permit (Inzin Pinjam Pakai) was granted on 27 April, allowing mining and exploration work on the northern tenements to start.

Newmont Mining

Newmont has also been successful in seeking a re-zoning of protected forest, although the process appears to have been very drawn out.

The area surrounding Newmont’s Batu Hijau mine in Indonesia was classified as a protected forest by the Indonesian government shortly after the mine commenced operation in 1997.

An application for access was first submitted in 2004.

In mid 2009, Newmont warned that it was running low on space to stockpile ore, and that without a reclassification of land use, mining operations could cease as early as 2011, with processing ceasing by 2017. This compared to the original plan for processing to continue until 2027.

In December 2009, Newmont secured a 20 year borrow and use permit (Izin Pinjam Pakai) over a relatively small 6.4 acre area adjacent to the Batu Hijau mine. The area provided sufficient additional room for the mine to continue with the optimal mining plan.

Churchill Mining – failed permitting

In September 2010, Churchill Mining PLC “Churchill” under took consultation regarding the legal standing of four mining licenses that form the company’s East Kutia Coal Project “EKCP” in Indonesia. The consultation was to address ongoing irregular actions and potential misrepresentations by third party Indonesians in respect of the EKCP. Specifically, it related to the East Kutai Regent “Regent”, having cancelled Churchill’s four EKCP licenses.

Churchill sought arbitration from the State Administrative Tribunal.

The Regent claimed that Churchill conducted mining on the EKCP licenses without appropriate permitting. Churchill objected to the claim and reiterated that the company had never conducted any mining on the EKCP licenses. In addition, Churchill countered with statements from the Ministry of Forestry that confirmed that local landowners were supportive of Churchill and that Churchill had never
performed any illegal activities.

Churchill also claimed that the Regent violated its administrative protocols that led to the cancelation of the four licenses.

On 3 March 2011, the State Administrative Tribunal ruled in favour of the Regent in its attempt to cancel the EKCP licenses. The Tribunal cited having received reports from locals that Churchill had conducted mining activities that led to the damage to forestry areas.

The four key outcomes from the Tribunal were:

• Part of the EKCP licences were covered by a forestry area, which required a borrow and use permit (Izin Pinjam Pakai) before exploration activities could commence. This permit was not issued at the time Churchill conducted exploration.

• There were irregularities pertaining to the upgrading of the EKCP licenses on 9 April 2008, including part of the license area overlapping with a licence issued to the Nusantara Group on 18 February 2010.

• The Forestry Minister is to ask the Regent to stop Churchill’s activities following allegations of forgery and Churchills attempt to compel the issue of a borrow and use permit.

• And that the Regent was within its rights to cancel the EKCP licences.

However, the Tribunal’s decision was not final and or binding as a matter of law and is open to an appeal process. Churchill has rejected the conclusions put forward by the Tribunal and has lodged an appeal to the Administrative High Court in Jakarta.

Churchill maintains that the EKCP licenses did not fall within a forestry area and as such, a borrow and use permit was not required before the production stage. Moreover, Churchill has rejected the allegations of irregularities or forgeries that may have led to the overlap in licenses.
THE PLAYERS

6. Chart data

Market capitalization comparison

The range of market capitalisation is wide and is illustrative of the varying degrees of exploration success. This is best evidenced by IAU, which boasts a tier one undeveloped asset that is clearly reflected in its market capitalisation. In addition, IAU highlights the re-rating potential on offer for companies that have similar copper/gold porphyry exploration potential, such as HGO.

Major regional gold producers (2010)

Indonesia is host to some of the world largest copper/gold porphyry mines. The Indonesian geology continues to remain prospective for further similar tier one porphyry assets. We see HGO’s Birds Head and AUK’s Wonogiri prospects as prospective for similarly related gold/copper porphyry assets, albeit at a very infant stage.
The size and grades of Indonesian gold reserves and resources is varied. These Indonesian projects tend to be typified by either low grade bulk porphyry deposits such as Grasberg and Tujuh Bukit, and high grade low tonnage epithermal deposits such as Gosowong and Way Linggo.

Copper mineralisation in Indonesia tends to be associated with bulk porphyry systems and therefore is typified by large, low grade type deposits. FND’s Wetar project is an exception, though the previous miners Billiton did mine the gold cap off the top of the remaining a copper sulphide system, leaving FND with a pure SX/EW copper project that is relatively rich in copper at 2.5% Cu.
7. Company summaries
Arc Exploration Limited (ARX)

Early stage explorer; free carry with Anglo American

4 July 2011

$0.23

No rating

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James Brennan-Chong
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james.brennan-chong@wilsonhtm.com.au

Highlights

- Early stage Indonesian gold explorer.
- Two primary projects (Trenggalek, Bima) operated by ARX are prospective for epithermal and porphyry related mineralisation. Two rigs are drilling at Trenggalek as part of a 15,000m scout drilling program. Results from an initial four holes over 910m were weakly mineralised over narrow intercepts. However, the results did demonstrate the presence of gold mineralisation.
- The third project is a fully funded 20% interest in the Papua project with Anglo American.

Key Points

- **Trenggalek** 95% (converting to PMA), Multiple vein systems showing potential for high-grade epithermal mineralisation, located in East Java (West of Tujuh Bukit). Two rigs commenced drilling in early June as part of a 15,000m program.
- **Bima** 95% (converting to PMA), scout drilling and geophysics suggesting potential for deep bulk copper/gold porphyry systems, located on East Sumbawa (near Batu Hijau).
- Trenching and geophysics work at the Baku prospect, within the Bima project area, has demonstrated a high IP-resistivity anomaly consistent with porphyry related systems. This has been supported by near surface trench results including: 86m @ 2.8 g/t Au. Follow up drilling is planned. However, recent community disputes, unrelated directly to ARX but related to mining activities on the island, have slowed ARX’s ability to drill the target until recently.
- **Papua** 20% with Anglo American 80% (converting to PMA). Located in west Papua, to the south of Hillgrove Resources’ Birds Head project, the target is prospective for a bulk copper/gold deposit. Anglo is funding all costs until a decision to mine. previous drill results included 193m @ 0.13% Cu and 0.2 g/t Au from 698m into porphyry copper/gold mineralisation.

ARX is in the process of converting its IUP beneficial interest into a 95% equity interest in a PMA company. All three projects have separate company structures. The first PMA conversion will likely be for the Papua Strategic Alliance with Anglo American. The conversion to PMA status is expected towards the end of 2011. In addition, applications have been submitted to convert the Protected Forest status that overlays part of the Papua project. ARX anticipates this to be completed by the end of the year.

Management; John Carlile, Managing Director, +25 years experience with gold exploration in Indonesia working with BHP and Newcrest, led the discovery of Gosowong.

Wilson HTM View

- Very early stage exploration. The Papua project looks compelling.
- Cash on hand $8.7m as of 31 March.
- No cornerstone investors. Opportunity exists for long focus investor to acquire a significant interest.
- Scout drilling has just commenced at “Trenggalek”. Results from the first four holes have returned mixed results. However, this was largely expected, as ARX develops its understanding of the geospatial geometry of the potential deposit.
Asset locations

![Map showing asset locations in Indonesia](image)

**Source:** ARX

Timetable of events

![Timeline of events for May to December 2011](image)

**Source:** ARX
Management

**John Carlile,** Managing Director

Appointed Managing Director on 14 January 2008. Mr Carlile is an exploration geologist by background with over 25 years experience in gold exploration in Indonesia. Mr Carlile has previously held senior exploration positions in the Asian region including at BHP and Newcrest Mining, and was Chairman of Pearl Energy Limited, an oil and gas company, which was listed on the Singapore Stock Exchange until mid 2006. Mr Carlile is based in Jakarta.

**Cahyono Halim,** Chief Financial Officer

Appointed Chief Financial Officer and is also based in Jakarta. Mr Halim has 20 years experience in finance and M&A in Indonesia and Singapore. He was previously Treasurer at Pearl Energy Limited and held a senior finance role with the ANJ Group in Indonesia. Prior to that, Mr Halim was with Citibank.

**Andrew Cooke,** Company Secretary

Lawyer and Fellow of the Institute of Chartered Secretaries and Administrators. More than 20 years experience in legal and commercial aspects in the resource sector.

**Brad Wake,** Exploration Manager

Appointed Exploration Manager and leads the exploration team in Indonesia. He is an Australian educated geologist with 20 years experience exploring for gold, silver, base metals, tin and other metals in Australia and the SW Pacific region including over 8 years work experience in Indonesia.

**Dr Renato Bobis,** Principal Geologist

Appointed Chief Generative Geologist and has a track record of gold discovery in Indonesia and China. Mr Bobis has over 25 years experience in gold, base metals exploration and acquisition in the Asia-Pacific region.

Major shareholders

Southo Investments Limited 57m – 6.9%

ANZ Banking Group Limited 48m – 5.8%
Ashburton Minerals Limited (ATN)
Early stage epithermal explorer

4 July 2011

$0.045

No rating

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James Brennan-Chong
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Highlights
- Prospective exploration tenements in south Halmahera, Indonesia. The tenements sit within the same volcanic arc that hosts Newcrest’s high-grade Gosowong deposit.
- Previous drill results are compelling. However, ATN has described the integrity of previous drill logs as inconsistent and this lowers our confidence that the first round of drilling will report similar results to the historical hole; 9.2m @ 26.3 g/t Au.
- ATN sees potential for the Obi Gold project to host a 1Moz Au deposit.
- Drilling has commenced, with the first hole successfully drilled to 300m. The 3,500m program is expected to be completed in three months.

Key Points
- ATN is earning an 85% interest in the Obi Gold project, located in south Halmahera, Indonesia. The IUP is held by partner PT Eka Samudra Nusantara
- The zone of mineralisation sits along the Halmahera arc, which hosts Newcrest’s high-grade Gosowong mine.
- The epithermal mineralised strike extends over 10km and is associated with sulphides in quartz veins and breccias. BHP previously conducted soil sampling and trenching works as well as a ten diamond hole drill program which was completed in 1996. Results included; 9.2m @ 26.3 g/t Au from 38m and 13.7m @ 6.1 g/t Au from 39.4m. However, ATN notes discrepancies in the BHP drill log pertaining to precise coordinates.
- 3000-4000m diamond drill program is set to commence with the arrival of the first drill rig on 23 May. Targeting 12 to 14 holes implies an average hole depth of 270m.
- Drill results are expected late in the September quarter 2011 at the earliest. ATN is looking at securing a second rig to accelerate drilling.
- ATN’s second project is the early stage Mt Webb (100%) IOCG project in Western Australia. A recently completed gravity survey has highlighted several coincident magnetic and gravity highs. Geochemical surveys are currently being planned to further add to the bank of geological data. A drill plan will likely emerge once the geological mapping and survey has highlighted specific targets.
- The Mt Webb project remains a secondary asset and ATN is in the process of negotiating an option/JV agreement with major copper producers.
- $3.7m cash on hand.

Wilson HTM View
- The Halmahera Arc has had little previous exploration activity, and thus suggests increased potential for a new discovery.
- However, the integrity of the previous set of drill results is not robust and we anticipate that the first round of drilling will only partly confirm similar grades and intercepts to the previous drilling. The first set of results will likely be a mixed bag with ATN seeking to confirm the geospatial relationship of any potential deposit.

Equities Research – Ashburton Minerals Limited
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Asset location

![Asset location map](image)

Source: ATN

Management

**Rick Crabb**, Chairman; B.Juris, LLB, MBA, FAICD

Director of listed companies: Paladin Energy, Otto Energy, Golden Rim Resources.

**Tom Dukovcic**, Managing Director; B Sc(Hons), MAIG, MAICD

Geologist with 20+ yrs experience; proactive manager.

**Peter Bradford**, Non-Executive Director; B Sc(Metallurgy); FAusIMM

President/CEO of Copperbelt Resources plc, non-exec director Kula Gold Ltd, former President & CEO of Golden Star Resources ($1B company) and extensive operations and corporate experience at Anvil Mining.

Major shareholders

Directors – 20%

Rick Crabb – 13.5%

JP Morgan Noms – 9.7%
Augur Resources Limited (AUK)  
Flying under the radar with this company maker deposit

4 July 2011  
$0.23

No rating

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Highlights

- AUK’s key project is the Wonogiri project, located in central Java Indonesia.
- Recent drilling has returned wide intersections of 218m @ 0.97 g/t Au & 0.2% Cu from 40m, including 84m @ 1.29 g/t Au and 0.26% Cu from 154m and 215m @ 0.48 g/t Au & 0.17% Cu from 0m to EOH, including 60m @ 0.85 g/t Au and 0.3% Cu from 54m as well as 105.5m @ 0.95 g/t Au and 0.24% Cu from 14m.
- Despite some higher grade zones, the broad intercepts demonstrate relatively consistent mineralisation, which suggest a bulk tonnage potential for the project. Drilling is now focused on confirming strike potential with surface trenching and mapping targeting further potential drill targets.

Key Points

- AUK has the right to earn up to an 80% interest in the Wonogiri project by spending US$1.5m before 15/12/11 to earn the first 51% before spending a further US$2m before 15/12/12 to earn the last 29%.
- Partner PT Oxindo (MMG) can claw back a 65% interest in the project for 2.5 times AUK’s expenditure should a +100mt copper deposit (0.5% cut-off) be defined within 4 years, AUK to retain 80% of any stand alone gold deposit. MMG optioned out the project following a 2009/10 drill program (5 holes) that failed to meet MMG’s copper thresholds.
- The titles are held through an Indonesian only investment company. Conversion to a PMA company is targeted for the end of the first earn in period at the end of 2011.
- The Wonogiri project sits within private lands. There are no forestry overlays.
- The project sits along the Oligocene volcanic arc, which hosts tier 1 copper/gold porphyries including Newmont’s Batu Hijau and Intrepid Mines Tujuh Bukit projects. AUK understands Wonogiri to be a near vertical gold/copper porphyry, associated with extensive stock works, quartz veins and hosted within micro-diorite.
- Initial metallurgical testing has commenced.
- AUK’s second project is the Jampang project (90%) located in West Java. Drilling results include 25m @ 3.92 g/t Au, 5.2 g/t Ag and 0.4% Cu from 83m. Previous owners Mispec put forward an internal (non JORC) resource estimate of 660koz Au and drilled 246 holes for over 32,000m between 1996-1998.
- AUK’s other projects include the Yeoval porphyry prospects in NSW. Recent drilling results include 90m @ 0.9% Cu and 0.14 g/t Au from 83m. In 2009, AUK released a maiden resource of 13mt @ 0.9% Cu and 0.14 g/t Au.

Wilson HTM View

- Wonogiri appears to have the potential to be a company maker deposit.
- Oxindo’s claw back option effectively limits the upside potential for AUK should a significant copper dominated resource be defined within a 4 year period. However, given the recent copper grades are below the required MMG copper threshold (0.5% Cu), we see limited scope for MMG to exercise its claw back. Nevertheless, should a sizeable copper resource compel MMG to exercise its option, AUK would still hold a prized 35% interest in a major copper deposit.
- AUK recently issued 30m shares at $0.20/sh to raise a gross $6m for further exploration work.
Asset location

Wonogiri Project Location
Java, Indonesia
Source: AUK

Wonogiri drill plan
Wide zones of gold and copper mineralisation encountered

59.1m @ 1.31 g/t Gold
48.0 m @ 1.45 g/t Gold
105.5 m @ 0.85 g/t Gold
60.0 m @ 0.85 g/t Gold

WDD007
215 m 0.48 g/t Gold and
0.17% Copper (no cut off)

Source: AUK
Management

Norman Seckold, Chairman

25+ years resources experience Australia and worldwide. Has had extensive board experience with eight previous roles as Chairman of public resource companies. Aside from Augur, Mr Seckold is currently a Chairman of Cockatoo Coal Ltd, Kings Minerals NL, Planet Gas Ltd and Nickel Mines Ltd.

Grant Kensington, Managing Director

Geologist with 20+ years of experience in exploration for porphyry, epithermal, IOCG, Carlin gold and Broken Hill type targets. Management experience at an executive level in the forestry industry in the areas of strategy, finance and business improvement.

Peter Nightingale, Director

Member of the Institute of Chartered Accountants in Australia and has worked as a chartered accountant in Australia and abroad. 20+ years of experience as a company secretary/director with public companies such as Pangea Resources Ltd., Timberline Minerals Inc. and Valdora Minerals NL. Currently chairman of Callabonna Uranium Ltd, a company exploring for uranium in Australia.

Major shareholders

Permgold Pty Ltd – 29.13%
Rosignol Pty Ltd – 6.77%
HSBC Holding – 3.51%
Finders Resources Limited (FND)
Emerging new SX/EW copper producer

4 July 2011
$0.46

No rating

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Highlights
- FND is planning to develop its 95% Wetar SX-EW copper project on Wetar Island, Indonesia
- A recently completed BFS has demonstrated an economic 25ktpa copper cathode project with US$1.09/lb cash cost generating an NPV of US$304m. First production is expected in late 2013.
- FND is unfunded for a capital estimate of US$155m. FND will seek funding of 70:30 debt to equity.

Key Points
- FND has a 95% interest in PT Batutua Tembaga Raya (PT BTR), the holder of the Wetar IUP’s.
- The Wetar copper project is a heap leaching SX-EW operation on the Island of Wetar in Indonesia, with a reserve of 8.12mt @ 2.5% Cu for 204kt Cu.
- The Bankable Feasibility Study returned robust project economics including a US$304m NPV at a 10% WACC. The project is to produce at an average rate of 25ktpa of high-grade copper cathodes @ US$1.09/lb cash cost for 9 years. Capital is estimated at US$155m, a 31% increase to the 2009 DFS.
- Cash costs inclusive of royalties (4%) and financing costs (70% debt) have been estimated at US$1.82/lb.
- Recoveries are estimated at 75% life of mine. Prior to the completion of the BFS, the Wetar demonstration plant returned a maximum copper recovery of 80%, indicating potential production upside from higher recoveries.
- FND is planning to mine from two pits, Kali Kuning and Lerokis. The Kali Kuning pit is to be mined first and hosts a proven reserve grade of 2.6%, slightly higher than the average life of mine grade of 2.5%.
- Approximately half of the planned Lerokis pit is classified production forest, or about 12.5% of the total reserve. FND has applied for a borrow and use permit (Izin Pinjam Pakai) to allow the company to mine the deposit. In addition, the local governing Regent has also applied to re-classify the forestry lands within its jurisdiction as open land. We understand the Regent’s application to not be open to debate and therefore the conversion is just a matter of time. FND expects this to happen before the end of 2011.
- First production is expected at the end of 2013.
- Steps to securing project financing began in March 2011. FND has indicated a funding preference of 70:30 debt to equity.
- Cash at 31 March was $10.3m

Wilson HTM View
- The key hurdle for FND now is financing. FND is seeking to fund the US$155m capital cost with 70% debt, ~US$110, with the likely balance funded through equity, ~US$45m. FND is expecting to complete financing in the September quarter.
- We see limited risks associated with the production forest overlay. Given that the project was previously mined by Billiton, the forestry classification over the project appears to be an oversight by the Forestry Ministry and will likely be removed, as evidenced by the Regent’s support.
Asset location

Source: FND
Wetar Copper Project – 95%

- FND has a 95% interest in PT Batutua Tembaga Raya (PT BTR) which is a PMA company. PT BTR has a 95% interest in PT Batutua Kharisma Permai (PT BKP) and PT Batutua Barit Wetar and these two companies hold all relevant IUP’s for copper operations and copper processing and refining.

- By virtue of Wetar producing copper cathode, our expectation is that FND should fulfil the Indonesian requirement for downstream processing of mined production that is expected to be required from 2014.

- Wetar is located on the northern part of Wetar Island, which is part of the Maluku Province in Indonesia. The island is immediately north of Timor.

- Mineralisation at Wetar consists of coherent massive sulphides that are dominated by chalcocite and covellite.

- The gold cap of the deposit was previously mined by Billiton until 2004. FND inherited the underlying copper deposit as well as a significant amount of infrastructure including, camps, haul roads and port facilities.

- FND completed a Bankable Feasibility Study (BFS) in June 2011, highlights include;
  - Heap leaching SX-EW operation. 1.65mtpa throughput @ 2.5% Cu to produce 25kt of copper cathode with average life of mine cash cost of US$1.09/lb (excludes royalties), mining from two pits, Kali Kuning and Lerokis. Stripping ratio of 0.95:1, 75% recovery, 9.2 year mine life.
  - Capital costs estimated at US$155.4m, inclusive of US$12m for a Marine Fuel Oil (MFO) power plant and US$17m contingency.
  - First production at the end of calendar 2013.
  - Post tax NPV of US$304m using a 10% WACC, and the copper forward curve as at 16 June with a reversion to a long term price of US$2.50/lb from 2017 (approximately 3 years from first production)

- Prior to the BFS, a demonstration plant was used to prove recoveries could be high despite elevated arsenic levels. To determine the optimal conditions for maximum recovery, 100kt of ore was crushed and stacked onto four heaps of varying heights and crush sizes. The maximum recovery was 80.3% after 645 days of leaching.

- The BFS has improved on the 2009 Definitive feasibility study with production capacity increasing from 23ktpa to 25ktpa Cu with a slight increase in mine life from 8.7 to 9.2 years. However, capital costs have increased 31% from US$118m to US$155.4m and average C1 cash costs have also increased 9% from US$1.00/lb to US$1.09/lb.

- FND will mine from two pits, Kali Kuning and Lerokis. Kali Kuning is scheduled to be mined first and hosts slightly higher average grades than Lerokis, 2.5% versus 2.4%. Moreover, the Kali Kuning hosts a proved reserve grade of 2.6%.

- Processing consists of two plants; the first is an expansion of the 1,825tpa SX-EW demonstration plant to 7,000tpa Cu and the second is the main 18,000tpa SX-EW plant to be relocated from Whim Creek. Combined, these two circuits will produce 25,000tpa grade A LME grade copper cathode. The expanded plant and much larger 18,000tpa plant have estimated cash costs of US$1.50/lb and US$0.60/lb respectively.

- The life of mine US$1.09/lb C1 cash cost assumes; US$0.22/lb mining, US$0.57/lb processing, US$0.30/lb G&A and is exclusive of a 4% royalty. C3 cash cost is estimated at US$1.82/lb and includes D&A, royalties and financing costs based on 70% debt funding. Cost of debt is estimated between 6-8%.
- Cash costs assume MFO of US$1.01/lt versus diesel fuel at US$1.13/lt.
- The Wetar project is partly classified as production forest. 50% of the planned Lerokis pit design is covered by this production forest status. Although this type of forest status does not preclude open-pit mining, it requires the issue of a borrow and use permit (Izin Pinjam Pakai) by the Forestry Department.
- FND has applied for a borrow and use permit (Izin Pinjam Pakai) to conduct mining operations. In addition, the province of Maluku has sponsored and submitted plans for the re-zoning of forestry lands to open ground.

**Lerokis pit design**

![Lerokis pit design diagram](image)

**Demonstration plant copper recoveries**

![Cumulative copper recoveries graph](image)

**Wetar reserves & resources**

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<th>Tonnes (m)</th>
<th>Cu %</th>
<th>Cu (kt)</th>
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<tr>
<td>Resources</td>
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<td>2.45%</td>
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*Source: FND*
Ojolali Project – 71%

- FND has a 71% interest in PT Way Kanan Resources (PMA), which is in partnership with Great Northern Resources (22.8%) and PT Batutua Kharisma Permai (5.5%). FND has an option to purchase 100% of the project on completion of a feasibility study.
- Ojolali is located at the southern end of Sumatra, Indonesia.
- The project hosts high level epithermal gold/silver veins.
- FND is targeting a resource of greater than 300koz Au and sees potential for a low cost open-pit mine producing between 30-50kozpa Au.

Ojolali reserves & resources

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<th>Tonnes (m)</th>
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Source: FND
Management

Chris Farmer, Managing Director

20 years of international experience, with an emphasis on international joint ventures and business development. Former VP Australasia, Phelps Dodge Exploration Corporation; and Senior geologist Billiton Indonesia BV working at the Lebong Tandai and Wetar gold mines.

James Wentworth, Finance Director

More than 17 years of finance and investment experience with a focus on mining and mining services in Australia and internationally. Areas covered included principal investment, debt and equity raisings, mergers and acquisitions and project and structured finance at CHAMP Ventures, Macquarie Bank, Goldman Sachs and Lehman Brothers.

Shareholders

Resource Capital Fund – 10.5% (12.6% diluted)

Straits Resources Ltd – 11.1%

Acorn Capital Ltd – 10.4%
Hillgrove Resources Limited (HGO)
Permitting close, then the deep holes

4 July 2011
$0.26
BUY

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James Brennan-Chong
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Highlights

- HGO’s exploration assets in Indonesia offer significant exploration potential, and we currently see next to no value in the share price for these two projects.
- The Birds Head project in West Papua is highly prospective for copper/gold related porphyry systems.
- A drilling rig is ready to commence drilling at Birds Head subject to the grant of a forestry permit (Izin Pinjam Pakai). Management describe the granting of the permit as “close”.
- Recent scout drilling at the Sumba prospect failed to return significant mineralisation. However, from a geological perspective, the core revealed pervasive silica “flooding” indicative of the top of a high sulphidation epithermal system. The results warrant further testing as the scout drilling program was likely too shallow to intercept significant mineralisation.

Key Points

- The eagerly awaited scout drillhole results from the Pelitalira prospect on Sumba Island proved disappointing against expectations with no significant mineralisation intersected. However, the drillholes were shallow (<=150m) and the drilling was early stage. Further work is warranted.
- On a more positive note, at the Masu Prospect, rock chip and trench sampling has outlined a +1km long gold in soil anomaly at the Karipi-Kanjilu target area. Rock chip samples grade commonly to 5-10g/t Au while trench sample results commonly grade 1-3g/t and over 5.0g/t in one case. Mineralised intercepts are typically 5-10m and range up to 80m. The area represents the strongest gold geochemical anomaly in the Masu area to date.
- Access to Bird’s Head for drilling remains dependent on the grant of an Izin Pijam Pakai, the requisite permit for drilling in areas of protected or production forest. The application has been in progress for around six months. In the interim, geological mapping and sampling continues.
- The Kanmantoo Copper mine in South Australia is over 65% complete. The project remains on time and within budget with first copper/gold production expected in November 2011.
- General construction activities are expected to be completed by the end of September, with wet commissioning commencing in early October.
- Management have allowed 6 months for the mill to reach nameplate throughput of 2.4mtpa. We forecast a small amount of copper production in the January 2012 quarter of 2.7kt Cu, before increasing to 20kt Cu in the 2012 calendar year.
- Cash at 31 May was $71m and HGO has access to a A$30m debt facility.
- The holding company of the Sumba IUP, PT Fathi, has recently converted to a PMA company, providing HGO with direct equity interest in the IUP company.

Wilson HTM View

- HGO remains a BUY and a WHTM high conviction stock.
- The stock remains exceptionally cheap. Not only do we view the current share price as not fully valuing the Kanmantoo asset, our valuation and target price have only $0.02/sh applied to the exploration potential.
- It is our view that a discovery of economic porphyry copper mineralisation at Bird’s Head offers the greatest opportunity for shareholder value creation.

Wilson HTM Corporate Finance Ltd acted as Joint Lead Manager and Underwriter for the placement announced by Hillgrove Resources Limited in October 2010 and earned fees for acting in this capacity.

Equities Research – Hillgrove Resources Limited
Issued by Wilson HTM Ltd ABN 68 010 529 665 - Australian Financial Services Licence No 238375, a participant of ASX Group and should be read in conjunction with the disclosures and disclaimer in this report. Important disclosures regarding companies that are subject of this report and an explanation of recommendations can be found at the end of this document.
Sumba Island – 80%

Sumba Island – Topographic Elevation Model And IUP Boundaries

Masu Project

- HGO has an 80% interest in PT Fathi, which holds the IUP covering ~1000 sq km. PT Fathi is a PMA company.
- Exploration focussed on extending coverage of geological mapping over untested regions, extending geochemical soil sampling over prospective volcanic rocks, and infill soil sampling and trenching over the Karipi-Kanjilu soil gold anomalies.
- The Karipi-Kanjilu area was the main focus area in the quarter at the Masu Prospect. At Karipi a <1km gold in soil anomaly has been identified with associated high grade rock chip sample values. A total of 10 trenches covering 914m were completed over an 800m strike length. Gold bearing zones grading +1g/t delineated a NW trending zone of gold bearing veins, stockwork and brecciation over the 800m strike. Mineralisation was not closed off along strike or laterally.
- While a number of the rock chip and trench sample results demonstrate the existence of significant gold mineralisation at surface, only drilling will determine the true significance of the surface and near surface sampling. Hillgrove notes that these low temperature low sulphidation vein systems are highly susceptible to surface enrichment of gold values with subsequent dispersion of gold values.
- Notwithstanding the cautionary statements, the Karipi-Kanjilu area represents the strongest gold geochemical response delineated to date at the Masu Prospect. Plans for scout drilling are being finalised.
Location Map – Significant Sampling Results – Rock Chips, Trenching

Source: Hillgrove Resources Limited
Pelitalira Prospect

- Pelitalira Hill and in particular the drilling of nine scout holes was a focus during the June 2011 quarter.

- Unfortunately, while a technical success in the sense of confirming the existence of the uppermost section of a high sulphidation epithermal gold system, the gold mineralisation intersected was largely low grade and inconsistent. Drilling was likely too shallow to intersect any higher grade mineralisation that might be present.

- The drill core which we understand includes significant lengths of silicified rock will be examined petrographically to determine where the intersected lithologies are likely located relative to the intrusive body.

Pelitalira Drillhole Intersections

<table>
<thead>
<tr>
<th>Hole ID</th>
<th>FROM</th>
<th>TO</th>
<th>Interval</th>
<th>Au ppm</th>
<th>Ag ppm</th>
</tr>
</thead>
<tbody>
<tr>
<td>TDD001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TDD002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TDD003</td>
<td>4</td>
<td>8</td>
<td>4m</td>
<td>1.62</td>
<td>15.35</td>
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<td>TDD004</td>
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<tr>
<td>TDD005</td>
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<td>2</td>
<td>2m</td>
<td>1.63</td>
<td>0.5</td>
</tr>
<tr>
<td>TDD006</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
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<td>TDD007</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>TDD008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TDD009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Gold assays determined by averaging up to 3 repeats using 50gm Fire Assay method
Silver values calculated from multi element sweep using ICP analytical method
Significant intercepts calculated as weighted average, maximum of 2m internal waste at a 0.5ppmAu cut off
East Sumba datum: WGS84 Zone 51 Southern Hemisphere
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia
NSI: No Significant Interceptions
Birds Head – 80%

- The Bird’s Head project is located in the north-western portion of Papua Barat province in far East Indonesia.
- HGO has an 80% beneficial interest in partner PT Akram, the IUP holder, and similarly to its interest in the Sumba project, will be transitioning to a corporatized ownership structure (PMA company).
- HGO is responsible for exploration and development activities and is sole funding up to a decision to mine.
- The Bird’s Head project is located along the Orogenic Belt in far Eastern Indonesia. The belt has already yielded multimillion-ounce deposits including Grasberg, Porgera, Ok Tedi and Hidden Valley. Early indications from HGO geologists suggest potential for similar porphyry mineralisation below shallow epithermal veining.
- HGO’s tenements cover approximately 1000km² and the KP licences’ have recently been converted into the new Exploration Mining Business Licence or IUP, for a term of 7 years.

Birds Head location

Source: HGO
Management

Drew Simonsen, Managing Director & CEO
Appointed MD & CEO in August 2010. 35 years in resources, investment and commercial banking and financial markets in Australia, the USA and Hong Kong. Involved with advising on or financing of many energy, resources and infrastructure projects and corporate financings in Australia and overseas. Has worked for CRA (now Rio Tinto), Bank of America and Westpac, before operating his own consultancy business.

Russell Middleton, CFO
Appointed CFO in January 2008, with 20 years experience in the resources industry. Senior management position in accounting, commercial and planning roles. Significant experience with mine projects evaluation and construction of new mines. Previously held a number of roles at BHP

Cam Schubert, GM Kanmantoo
Appointed late 2009, with 21 years experience in the resources industry. Previously served as mine Operations Development Manage for BHP’s Olympic Dam Expansion Project from 2007-2009. A significant portion of Cam’s career was spent at Xstrata’s Ernest Henry open-cut copper/gold mine in north Queensland.
Key Points

- IAU’s Tujuh Bukit is one of the most recent tier one copper/gold discoveries. The growth of the asset in terms of geological understanding and resource size has been impressive and this is evidenced in the share price increasing in 2010 from a low of $0.23/sh to a 2011 high of $2.40/sh.

- However, the growth potential may have slowed. Recent drilling of the Tumpangpitu south extension failed to excite the market with a mixed bag of results suggesting that the extension was only weakly mineralised.

- This was largely confirmed with the second porphyry resource upgrade, in which the resource envelope only marginally expanded to the southeast. Since that time, exploration efforts have focused on satellite targets including the Candrian prospect.

- In our opinion, the shift of focus suggests that the size of the primary Tumpangpitu porphyry could be reaching its limits, with further material resource extensions likely to come from satellite deposits such as Candrian, Katak or Gunung Manis.

- These satellite deposits are less well understood and earlier in the exploration phase relative to the primary Tumpangpitu porphyry. Therefore, in the near term, exploration drilling results from these earlier stage deposits will likely have only a minor incremental impact on the share price.

- With exploration growth probably having slowed due to the size of the existing porphyry, we see the market as characterising IAU as less of a pure explorer and increasingly as transitioning towards feasibility. We view this as problematic as the Tumpangpitu porphyry is in part subject to a protected forest classification, which prohibits open pit mining. Moreover, the status prohibits the change of surface elevation and this complicates potential bulk mining techniques, such as block caving. A scoping study is not expected until mid 2012.

- The porphyry resource is 990mt @ 0.4% Cu and 0.45 g/ Au for 4mt Cu and 14.3moz Au. The next porphyry resource estimate is expected at the end of the December quarter.

- There have been limited new drilling results released from the porphyry, such that it is difficult to predict the potential size of the next resource estimate. Drilling has been ongoing, including infill drilling and we therefore anticipate that the confidence of the resource estimated will likely increase beyond the inferred category in the December quarter.

- The company remains fully funded for exploration with $181m in cash at the end of March 2011.

Wilson HTM View

- Despite the Tujuh Bukit copper/gold project boasting a tier one deposit, we see limited near term catalysts.

- Even if exploration drilling from satellite targets returns significant intersections, the value increment to IAU will likely be small given the size of Tumpangpitu. Until such time as a sizeable log of geological data and drilling returns a high probability of further resource additions, we see the stock as likely to consolidate, notwithstanding the possibility of the stock becoming a takeover target given the +30% share price fall.

- At current levels, the stock is considered undervalued using a market benchmark EV/Resource multiple of $106/oz Au.
Tumpangpitu; Porphyry – 80%

- Tujuh Bukit (the project) is a large scale copper/gold porphyry deposit covering a total area of 11,621ha located on the island of Java in Indonesia. The project is part of a series of prospects, of which Tumpangpitu is the primary focus.

- Intrepid Mines (IAU) holds an 80% beneficial interest in the project with local partner PT Indo Multi Niaga (PT IMN) holding a 20% interest. The project comprises two Izin Usaha Pertambangans (IUP) for the Tujuh Bukit project. The exploration IUP is valid until 25 January 2014.

- Tumpangpitu is partly located within a “protected forest”. This type of forest under Indonesian Forestry Law prohibits open-pit mining.

- IAU has announced a second inferred porphyry resource of 990mt, which was just shy of the targeted 1Bt. The current resource has been defined with 26 holes. 13 holes delivered the maiden 500mt resource in September 2010.

- The resource increase includes an expansion of the interpreted porphyry outline that now includes part of the apparent southeast extension. However, we understand that only a small part of the resource increase is attributable to the area south of hole GTD-190. The majority of the resource increase remains largely within the previous porphyry outline or main zone.

- The updated interpreted porphyry outline covers an area of approximately 2.4km x 1.4km, with a vertical extent greater than 1km. The maiden resource outline covered an area of approximately 1.4km in diameter, with a vertical extent of 800m.

- The interpreted outline remains open and Intrepid anticipates further growth with additional drilling.

- The maiden 500mt resource at Tumpangpitu was estimated in September 2010 with 13 deep drill holes, and results from the deeper portions of the near-surface oxide drilling.

Results from the Southeast extension

- Results from four new drill holes have been included in the latest resource increase. The latest drill results also include the best intercept to date and this hole (GTD 190) is located immediately south of the previous resource outline or main zone. However, results from the remaining three holes continue to appear weakly mineralised, similar to previous results released on 3 March 2011 and reported in “Porphyry results: A mixed bag” 4 March 2011.

9 May 2011 results

GTD-190: 630m @ 0.73 g/t Au, 0.5% Cu from 420m, including 172m @ 1.23 g/t Au, 0.69% Cu.

GTD-192: 492m @ 0.49 g/t Au, 0.41% Cu from 472m

GTD-193: 54m @ 0.26 g/t Au, 0.45% Cu from 246m

GTD-195: 188m @ 0.1 g/t Au, 0.42% Cu from 648m
Surface projection of inferred resource – May 2011

Porphyry resource estimates with various cut-off grades

<table>
<thead>
<tr>
<th>Date</th>
<th>Category</th>
<th>Cut-Off Cu % or Au g/t</th>
<th>Tonnes</th>
<th>Cu %</th>
<th>Au g/t</th>
<th>Cu Mt</th>
<th>Au Moz</th>
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<tbody>
<tr>
<td>May 11</td>
<td>Inferred</td>
<td>0.2</td>
<td>990</td>
<td>0.40</td>
<td>0.45</td>
<td>4.0</td>
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<td>Sep 10</td>
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<td>598</td>
<td>0.38</td>
<td>0.44</td>
<td>2.3</td>
<td>8.5</td>
</tr>
<tr>
<td></td>
<td>Change</td>
<td></td>
<td>66%</td>
<td>5%</td>
<td>2%</td>
<td>74%</td>
<td>69%</td>
</tr>
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</table>

Source: IAU

<table>
<thead>
<tr>
<th>Date</th>
<th>Category</th>
<th>Cut-Off Au g/t</th>
<th>Cu</th>
<th>Tonnes</th>
<th>Cu %</th>
<th>Au g/t</th>
<th>Cu Mt</th>
<th>Au Moz</th>
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<tr>
<td>May 11</td>
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<td>0.2</td>
<td>880</td>
<td>0.44</td>
<td>0.47</td>
<td>3.9</td>
<td>13.3</td>
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<tr>
<td>Sep 10</td>
<td>Inferred</td>
<td>0.2</td>
<td>500</td>
<td>0.43</td>
<td>0.47</td>
<td>2.1</td>
<td>7.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Change</td>
<td></td>
<td>76%</td>
<td>2%</td>
<td>0%</td>
<td>84%</td>
<td>76%</td>
<td></td>
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</table>

Source: IAU

<table>
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<tr>
<th>Date</th>
<th>Category</th>
<th>Cut-Off Au g/t</th>
<th>Cu</th>
<th>Tonnes</th>
<th>Cu %</th>
<th>Au g/t</th>
<th>Cu Mt</th>
<th>Au Moz</th>
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<tr>
<td>May 11</td>
<td>Inferred</td>
<td>0.2</td>
<td>850</td>
<td>0.42</td>
<td>0.5</td>
<td>3.6</td>
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<td>Sep 10</td>
<td>Inferred</td>
<td>0.2</td>
<td>480</td>
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<td>0.52</td>
<td>1.9</td>
<td>8.0</td>
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<tr>
<td></td>
<td>Change</td>
<td></td>
<td>77%</td>
<td>5%</td>
<td>-4%</td>
<td>86%</td>
<td>70%</td>
<td></td>
</tr>
</tbody>
</table>

Source: IAU

Equities Research – Intrepid Mines Limited
Tumpangpitu; Oxide cap – 80%

- The Tumpangpitu oxide cap is located immediately above the porphyry copper/gold deposit.
- A Preliminary Economic Assessment (PEA) of the oxide project returned favourable economics. The project is advancing to the pre-feasibility stage, which should further refine production and cost estimates.
- The PEA has suggested potential for a 7.2mtpa heap leach operation, producing 143koz Au pa @ US$376/oz after by product credits. Pre-development capital is estimated at US$204m.
- The PEA has estimated mineable production of 57mt @ 0.86 g/t Au and 23 g/t Ag. There is no reserve for the oxide project. A resource of 130mt @ 0.55 g/t Au, 18 g/t Au was reported in December 2010. We look for a reserve statement in the December half 2011 to increase confidence in the project economics.
- The PEA has not provided guidance on recoveries. We estimate that with a production rate of 7.2mtpa and a mined grade of 0.86 g/t Au, the implied gold recovery is 71.8% based on 143koz of gold produced. Further metallurgical test work will refine this estimate.
- Although no explicit time to first production has been provided in the PEA, we have assumed first production in 2014. In our opinion, the absence of a time to first production is a reflection of the company’s official stance that there is no assurance that the forestry reclassification will be granted.

Preliminary Economic Assessment - Key inputs

<table>
<thead>
<tr>
<th>Oxide Gold Project</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource</td>
<td>130mt @ 0.55 g/t Au, 18 g/t Ag for 2.4moz Au and 80moz Ag</td>
</tr>
<tr>
<td>Life of mine production</td>
<td>57mt @ 0.86 g/t Au, 23 g/t Ag for 1.6moz Au and 42moz Ag</td>
</tr>
<tr>
<td>Start date</td>
<td>2014 (WHTMe)</td>
</tr>
<tr>
<td>Life of mine mining rate</td>
<td>20ktpd / 7.2mtpa</td>
</tr>
<tr>
<td>Recovery</td>
<td>71.8% (WHTMe)</td>
</tr>
<tr>
<td>Annual production</td>
<td>143koz Au</td>
</tr>
<tr>
<td>Mining cost</td>
<td>US$5.76/t processed, US$2.74/t mined</td>
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<tr>
<td>G&amp;A cost</td>
<td>US$0.80/t processed</td>
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<tr>
<td>Total operating costs</td>
<td>US$10.82/oz</td>
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<tr>
<td><strong>Cash Costs</strong></td>
<td><strong>US$376/oz after silver credits</strong></td>
</tr>
<tr>
<td>Preproduction capital</td>
<td>US$204m</td>
</tr>
<tr>
<td>Sustaining capital</td>
<td>US$5m pa (WHTMe)</td>
</tr>
<tr>
<td>Company tax</td>
<td>25%</td>
</tr>
<tr>
<td>Royalties</td>
<td>3.75% on sale price</td>
</tr>
</tbody>
</table>

Costs are in 2011 dollars
Source: IAU
Risking 50% - Protected forestry status a key obstacle

- Notwithstanding likely demanding technical and development issues, a key obstacle to developing the oxide project is the Protected Forest status partly covering the Tumpangpitu project area. This classification prohibits open pit mining.

- Although there have been instances of re-classification of protected forest to production forest and spatial rezoning of the forests, these processes tend to be long and drawn out. Newmont Mining and Straits Resources have previously achieved the successful re-zoning of a protected forest.

- We value Intrepid’s 80% interest in the oxide project using the gold futures methodology at $300m. The PEA valued the project at $446m using a 10% WACC and US$1,450/oz Au price.

- In appreciation of the difficulties and likely length of time to rezone the protected forest, we risk the oxide project 50%. We therefore value the oxide project at a risked value of $149m or $0.28/sh.
Candrian – 80%

- Candrian is located 2.2km to the east of the Tumpangpitu porphyry and is similarly subject to classification as protected forest.
- Recent drilling has returned two complete drill results and a partial assay result from a third. The results have confirmed the discovery of a new porphyry system at the Candrian prospect.
- Results included: CND 001 208m @ 0.15 g/t Au and 0.18% Cu from 378m, CND 002 138m @ 0.8 g/t Au and 0.21% Cu from 6m, including 40m @ 1.6 g/t Au and 0.36% Cu.
- The results are part of a ten-hole maiden drill program. We look to the next set of results to help define the geometry of the deposit as well as hint at the economic potential of the new system.
- These initial results further add to the exploration potential of the Tujuh Bukit area. The Candrian prospect covers a similar sized area to that of the Tumpangpitu porphyry.

Tujuh Bukit topographical map and drill plan

Source: IAU
Candrian cross section A

Source: IAU

Candrian cross section B

Source: IAU
Management

Colin G. Jackson, Chairman, Non-executive Director
Appointed director 23 December 2003

Mr Jackson is a metallurgist/mineral process design engineer graduate of Birmingham University and Royal School of Mines, Imperial College, London University. 10+ years experience in mine design and operations. 12 years as Director of Research and Corporate for McIntosh Securities Ltd (now Merrill Lynch International (Australia) Ltd) where he raised equity for a significant number of gold companies. Currently chairman of asx listed Red 5 and a director of EIM Capital Managers Pty Ltd.

Brad A. Gordon, Chief Executive Office and Managing Director
Appointed director 11 March 2008

More than 10 years’ experience in senior management positions in the gold industry in Australia, PNG and Fiji. Most recently employed as Managing Director of Placer Dome Niugini Ltd and prior to that as General Manager of Porgera, Mr Gordon has also held General Manager or Operations Manager roles at Kalgoorlie West for Aurion Gold, Kanowna Belle for Delta Gold, Leonora for Sons of Gwalia and Vatukoula and Tuvalu for Emperor Mines Limited.

Malcolm Norris, Executive General Manager Exploration
Appointed EGM Exploration and New Business March 2008

Malcolm is an exploration specialist, and came to Emperor after holding the position of General Manager – Exploration and Business Development at Indophil Resources since 2005. Malcolm has previously held senior positions with WMC Resources including, among others, the roles of Group Manager – Exploration (2003 – 2005), Global Exploration Manager – Gold (2001 – 2002) and several years as Country Manager for WMC Resources in the Philippines.

Stephen Smith, Chief Financial Officer
Appointed CFO 2 June 2008

Stephen has over twenty years’ local and international experience in the mining industry, most recently having held the position of Chief Financial Officer of Peabody Pacific, a subsidiary of Peabody Energy. Prior to that, Stephen spent sixteen years with Canadian miner, Placer Dome Limited, the last four as Executive General Manager Finance for Placer Dome Asia Pacific.

Vanessa Chidrawi, General Counsel & Company Secretary
Appointed Company Secretary March 2008

Ms Chidrawi had 12 years’ private practice experience in commercial law and litigation, practising for her own account in Johannesburg. Prior to joining Emperor Mines Limited in May 2006 as Corporate Counsel, and later Company Secretary, Ms Chidrawi project-managed Emperor’s acquisition of DRD GOLD’s PNG assets.

Adi Maryono, Senior Manager Project Development

Adi has over 20 years diverse experience on gold-copper exploration. Initially with BHP and then Newmont in Indonesia, Pakistan, Vietnam, Australia, PNG and Solomon Islands covering various project stages. Over the last 3 years Adi was Newmont’s Exploration Manager SE Asia. Adi was team leader for a number of discoveries including world-class porphyry gold-copper deposits at Reko Diq in Pakistan and Newmont’s Elang deposit in Indonesia.
Kingsrose Mining Limited (KRM)
High-grade low cost gold producer

4 July 2011
$1.37
No rating

Keith Williams
03 9640 3802
keith.williams@wilsonhtm.com.au

James Brennan-Chong
03 9640 3893
james.brennan-chong@wilsonhtm.com.au

Highlights
- The Way Linggo mine is a high grade (+10 g/t Au) narrow quartz vein underground operation in Sumatra, Indonesia
- Commissioning began in August 2010 and the mine continues to move to the nameplate production rate of 140ktpa for 45koza Au. In the March quarter, the mine milled at an annualised rate of 89.2ktpa. KRM continues to address debottlenecking issues associated with wet and sticky clay ores that were ill-defined prior to first production.

Key Points
- KRM has an 85% interest in the high-grade underground Way Linggo gold mine in Sumatra. 15% partner PT Natarang Mining holds a 4th generation CoW for the project with KRM.
- The Way Linggo mine is characterised by a clustering of low sulphidation epithermal quartz veins ranging in width from 0.1m to 12m with an average of 4.5m. Grades range from 10-20 g/t Au and 150-200 g/t Ag
- Targeted production is 45koza Au @ US$150/oz cash cost. The reserve is small at only 123koz Au and therefore implies a relatively short three year mine life. However, given the nature of the high grade veins, KRM expects reserve growth.
- In the March quarter 2011, the mill processed 22.3kt @ 15.7 g/t Au and 203 g/t Ag to produce 10.4koZ Au and 123koZ Ag @ US$25/oz Au cash cost. Cash costs benefited from higher than expected silver grades and silver prices. Recoveries year to date have averaged 91.2%, slightly higher than the life of mine average of 90%.
- The mine continues to experience commissioning issues. Commissioning began in August 2010 and remains ongoing. KRM continues to address debottlenecking issues pertaining to the Merrill Crowe circuit, maintenance practices and the operation of the crushing circuit. Commissioning issues relate to previous technical studies failing to appropriately predict the clayey nature of the ore, which has limited throughput. KRM are in the process of retrofitting a SAG mill to rectify the issue, and this will likely lift throughput capacity by up to 50%, currently 140ktpa.
- Additional sources of ore feed could potentially be found at one of three new exploration targets located at the northern extremity of the project area. Early results from this area have demonstrated the presence of multiple parallel quartz veins, and further geophysical mapping has highlighted additional parallel vein targets. It is hypothesised that these northern targets form part of a much larger system that is open in all directions.
- Cash at 31 March was A$23.9m. We understand the CoW for the project was granted ‘pre-existing’ status as part of the 2004 amendment to the new forestry law passed in 1999.

Wilson HTM View
- The Way Linggo mine is processing comparable grades to Newcrest’s high-grade Gosowong mine, which milled 152kt @ 23 g/t Au for 110koz Au in the March quarter. However, unlike Gosowong, Way Linggo’s small reserve and mine life will continue to limit shareholder value.
- Without successful exploration and reserve growth, we see increased share price risk.
Way Linggo – 85%

- 85% interest, PT Natarang Mining 15%. 4th generation CoW. We understand PT Natarang Mining to have been granted ‘pre-existing’ status to the ban on open-pit mining activities in protected forests.

- Way Linggo is located in the Lampung province, Southern Sumatra, 80km west of Bandar Lampung. Situated on the trans-Sumatran fault zone.

- The Way Linggo project is centred on an extensive epithermal gold/silver system in which mineralised quartz veins and associated wall-rock alteration have been identified over a strike length of 800m. The near vertical veins vary in width from 0.1m to 12m with an average of 4.5m with grades ranging from 10-20 g/t Au and 150-200 g/t Ag.

- Current resource stands at 636kt @ 8.09 g/t Au and 124 g/t Ag for a total of 170 koz Au and 210 koz Au equivalent.

- Design operating details include; 140ktpa throughput with a head grade of 11 g/t Au and 180 g/t Ag with 90% recovery to produce 45kozpa Au. We estimate a three year life of mine.

- In the March quarter 2011, the cash costs after by product credits and royalties was US$21/oz with a long term target of US$150/oz. High silver prices during the quarter and high silver production were quoted as reasons for current cash cost running below budget.

- Commissioning of the Way Linggo processing plant began in August 2010, and the ramp up to the production rate of 45kozpa remains ongoing. Monthly throughputs have yet to reach the targeted 12kt/m rate. Despite this, cash costs are tracking well below budgeted levels, due largely to favourable silver grades.

- The commissioning process has been slowed in part due to wet and sticky ores that have resulted in KRM retro-fitting a SAG mill to the plant. A SAG mill was acquired in early 2011 and is expected to be commissioned in July.

- Kingsrose are continuing to ramp up their exploration activities and have completed 31 drill holes with significant intercepts received at all three new prospects; Talang Toha, Talang Santo and Talang Samin. All quartz veins encountered thus far have been sampled at surface or through drilling. Grades have ranged from 0.5 g/t up to 25.1 g/t for gold and 1.0 g/t up to 1048 g/t for silver.

Way Linggo Processing Plant

Source: Kingsrose, 2010
Sarinc

Lead-Zinc tailings retreatment project (Pre Feasability)

- 100% Kingsrose
- Inglesias Mining District, south western Sardinia, Italy
- Inglesias has been home to a host of Lead-Zinc producing mines since Roman times and significant amounts of mine tailings have accumulated over the years with over 90mt of material identified so far.
- Grades at the tailings dam average around 2% zinc and 0.5% lead when in sulphide form, and up to 10% zinc and over 40% iron oxide when in calamine or zinc oxide form. A JORC compliant resource statement was expected to be issued in the June 2011 quarter.
- The biggest hindrance to the advancement of the Sarinc project has been lack of progress in attaining a “Contract of Work” type agreement from the largely autonomous Sicilian government. Kingsrose has stated that when such a contract is in place, it intends to devote sufficient personnel and resources to take the project to the feasibility phase.

Lead-Zinc tailings project proposed site

![Image of proposed site](source): Kingsrose, 2010
Management

John C. Morris - Executive Chairman

Has over 36 years experience in exploration, project development and management of public listed resource companies

Prior Directorships in a number of gold and base metals public companies in Australia and overseas including Forsayth NL, Uruguay Mineral Exploration Plc and Amerisur Resources Plc

J. William (Bill) Phillips - Non-Executive Director

30 years experience in mining contracting and mine management

Highly regarded as a leading specialist in underground narrow vein mining.

Most recent role was overseeing development, mining and production at Medusa Mining Limited’s Co-O gold mine and processing plant in the southern Philippines.

Peter G. Cook - Non-Executive Director

Geologist and Mineral Economist and is the current Non-Executive Chairman of Metals X Limited, Aragon Resources Limited and Pacific Niugini Limited

Timothy Spencer - Finance Director

15 years experience in precious and base metal markets from mining to refining and bullion distribution to in-depth precious metals market analysis.

Shareholders

Citicorp Noms – 19.4%

Advance Concepts Holdings Ltd – 12.7%

KRM (WA) pty Ltd – 8.2%
Robust Resources Limited (ROL)
Waiting on a resource...

4 July 2011
$1.49

No rating

Keith Williams
03 9640 3802
keith.williams@wilsonhtm.com.au

James Brennan-Chong
03 9640 3893
james.brennan-chong@wilsonhtm.com.au

Highlights

- Two prospective multi-commodity prospects on Romang Island in Indonesia have shown to be intensely mineralised. A significant amount of drilling has yet to result in a JORC resource.
- The two prospects both demonstrate an irregular transition zone between the oxide (precious metals) and sulphide (base metals) mineralisation.
- We suspect that the inconsistent or unpredictable nature of the transition zone is complicating the estimation and release of a maiden resource.

Key Points

- ROL’s primary exploration target is the Lakuwahi Project, located on Romang Island in Indonesia. Lakuwahi is a multi-metal system hosting Gold, Copper, Lead, and Zinc over two primary prospects, Batu Mas and Batu Hitam.
- ROL has a 77.5% interest in PT Gemala Borneo Utama (PT GBU) with 22.5% partner PT Kilau Sumber Perkasa (PT KSP) holding 22.5%. PT GBU holds the Romang Project IUP.
- 109 diamond drill holes have been completed for 14.4km of drilling, and we note that this has yet to result in a JORC resource.
- Key oxide results include; 57.5m @ 5.28 g/t Au and 90 g/t Ag, 57m @ 3.17 g/t Au and 40 g/t Ag. Key sulphide results include; 83m @ 1.07% Cu equiv (Au, Ag, Cu, Pb, Zn), 130m @ 1.05% Cu equiv (Au, Ag, Cu, Pb, Zn)
- We note that the Cu equivalent grades are not copper dominant. The above holes 130m @ 1.05% Cu equiv has a copper only component of 0.2% Cu.
- ROL is proposing a two stream processing plant, a CIL/CIP circuit for the oxide and a float circuit for the sulphides. Mining is expected to be from a single open pit.
- Initial metallurgical test work has been favourable. The oxide gold/silver cap has averaged recoveries of 94% Au and 95% Ag. The poly-metallic sulphide zone, located beneath the oxide cap, has returned Cu-Pb-Zn recoveries of +90% in float tests.
- ROL has 6 rigs on Romang Island drilling the southern Lakuwahi target, which covers the primary Batu Mas and Batu Hitam deposits.
- ROL has not set a date for a maiden resource estimate.
- $60m cash on hand as at the end of March. $10m CY11 exploration budget.
- No known forestry overlays.

Wilson HTM View

- The transition zone between the oxide (precious metals) and sulphide (base metals) zones at both Batu Mas and Batu Hitam appears irregular. This is likely complicating the estimation of a maiden resource.
- In addition, this will likely have adverse implications for any economic open pit mining scenario. Despite initial favourable metallurgical test work, we see the complex and highly varied transition zone between the oxide and sulphide layers as leading to potential blending issues that could lower overall metal recoveries and impact mine economics.

Equities Research – Robust Resources Limited
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Asset location

Source: ROL
Batu Mas cross section

The polymetallic mineralisation zone is not copper dominant. Hole LWD106 130m @ 1.05% Cu equivalent is comprised of 0.2% Cu, 0.17 g/t Au, 8 g/t Ag, 1.1% Pb and 1.32% Zn.

Batu Hitam cross section
**ROL timetable of events**

<table>
<thead>
<tr>
<th>Quarter Ending</th>
<th>Calendar Year 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparatory work for maiden JORC resource estimate</td>
<td>Mar 11</td>
</tr>
<tr>
<td>Metallurgical testwork</td>
<td>Mining</td>
</tr>
<tr>
<td>IP-Resistivity survey North Romang</td>
<td></td>
</tr>
<tr>
<td>Resource / Reserve drilling Lakuwahi</td>
<td></td>
</tr>
<tr>
<td>Drilling at North Romang</td>
<td></td>
</tr>
<tr>
<td>IP-Resistivity survey Lakuwahi Project</td>
<td></td>
</tr>
</tbody>
</table>

Source: ROL

**Key events**

22 February 2011, ROL restructured. ROL divested 22.5% of the Romang project to PT KSP for A$30.7m. This implied a project value of A$136.4m.

**Management**

**Chairman - Dr David King – PhD, MSc, FAusIMM Appointed January 2010**

Dr King has substantial minerals-related experience, having previously served as Managing Director of North Flinders Mines Ltd., and as a director of Minerals Corporation Ltd., Elmina NL, Spargos Mining NL, Hillgrove Gold Ltd and Saped Ltd (now part of Linc Energy). He is currently Non Executive Director of ASX listed Ausmon Resources Ltd, a founder and Non Executive Director of ASX200 company Eastern Star Gas Ltd. and Chairman of Cellmid Ltd.

**Managing Director - Gary Lewis – B.Com, MBT Appointed Founding Dir**

Mr Lewis is the founding director of Robust Resources and has worked in senior management positions in the pharmaceutical and mining industries. In addition to running his own investment and marketing services businesses, he has 25 years experience in capital and equity markets with an emphasis on strategy and business development.

**Technical Director - John A Levings - BSc, MAusIMM**

Mr Levings is a project geologist with over 30 years experience. He has had extensive overseas geological experience with large multinational companies in consulting and managerial roles both overseas and in Australia, including over 20 years in Indonesia and he speaks Indonesian fluently.

**Major shareholders**

- Talbot Group Investments – 7.6%
- Trafford Resources - 5.8%
- JP Morgan Nominees Aust. – 4.8%
Sihayo Gold Limited (SIH)
1.3moz resource; potential porphyry; exempt from forestry

4 July 2011
$0.13
No rating

Keith Williams
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James Brennan-Chong
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james.brennan-chong@wilsonhtm.com.au

Highlights

- Sihayo’s primary asset is its 75% interest in the Pungkut Gold Project, in Northern Sumatra.
- The June DFS demonstrated an economic project. However, in our opinion, the project appears to be very marginal. Moreover, the DFS has resulted in a material increase in stripping ratio and subsequently cash costs when compared to the 2008 scoping study.
- Highlights from the DFS include: CIL plant with average LOM throughput of 1.2mtpa with a head grade of 2.6 g/t Au and recoveries of 70-72% to produce 72kozpa Au @ US$752/oz cash cost. Capital is estimated at US$80.4 plus a 10% contingency. Cash costs are driven higher by a diesel only power assumption using US$115/bbl, a stripping ratio of 5.4:1 and relatively low gold recoveries.
- The 2008 scoping study demonstrated potential for a plant to mill 1mtpa with a head grade of 2.4 g/t Au and recoveries of 80% to produce 65kozpa @ US$440/oz cash cost for 10 years with CAPEX of US$75m. The stripping ratio was estimated at 3.8:1.
- The project sits within a highly seismic area. In conjunction with the steep terrain, a suitable tailings and waste dump solution will likely be a key hurdle before the project is developed.
- The project is located in close proximity to G Resources' 6moz Martabe gold project and we see scope for possible synergies between the two assets, including sharing of power generation.
- Recent drilling at Tambang Tinggi that followed up a significant intersection of 125m @ 1.4 g/t Au from surface has delivered strong results, including 30m @ 3.9 g/t Au and 12m @ 1.86 g/t Au. Drilling remains at an early stage with only 11 holes drilled to date.
- Drilling at Tambang Tinggi has been relatively shallow. However, the deposit has demonstrated phyllic alteration analogous to the upper portions of copper gold porphyries and this has been supported by increased copper grades at depth. Drilling has returned 63m @ 0.55 g/t Au, 0.09% Cu from 196m and 46m @ 0.35 g/t Au and 0.13% Cu from 116m.
- April 2011: Raised $15m through the issue of 75m shares at $0.20/sh. Cash at hand post raising is estimated at ~A$14m.
- Sihayo’s resource sits within a production forest. However, part of the CoW is within a protected forest. Typically, this type of forestry classification prohibits open-pit mining. However, Sihayo’s joint venture partner, Pt Sorikmas Mining, holds a 7th generation Contract of Work (CoW) and in 2004 by Presidential Decree, was one of thirteen companies granted “pre-existing” status to the 1999 Forestry Law that prohibits open-pit mining in protected forests.

Wilson HTM View

- Sihayo’s partner’s exemption from the limitations imposed by the protected forest classification is a distinct advantage that removes a significant hurdle towards development and eventual mining.
- We see the project as potentially marginal. Key concerns are the high stripping ratio, reliance on diesel power, and low recoveries.
- Post raising, we note that the stock is trading below the achieved offer price. Thus, representing an opportunistic time to get into the stock.

Equities Research – Sihayo Gold Limited
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Sihayo Pungkut Project

- 75% interest in PT Sorikmas, which holds the 7th generation CoW. Remaining 25% held by PT Aneka Tambang
- Northern Sumatra, Indonesia. Located on the Trans Sumatran Fault Zone.
- Mineral resources located within Production forest.
- Partner PT Sorikmas is one of thirteen companies granted "pre-existing" status to the 1999 New Forestry Law, which prohibits open-pit mining in protected forests.
- 2011 scoping study;
  - Study was based on an indicated resource of 13.2mt @ 2.8 g/t Au for 1.2moz Au
  - 72k oz pa @ US$752/oz cash cost
  - CIL plant, 1.2mtpa throughput at 2.6 g/t Au
  - 70-72% recovery, 7.2 year life of mine, two pits, 5.4:1 strip
  - CAPEX US$80.4m plus 10% contingency (processing plant $24.2m)
- The low recoveries are partially impacted by the partial refractory nature of the primary ore. Gold recoveries are based on three ore types, oxide, transitional and primary, with recoveries of 80%, 70%, and 60% respectively.
- SIH has highlighted three key areas of potential improvements in the DFS;
  - **Mine life;** the current mine plan inventory includes only the indicated resources. We note that the indicated resource accounts for more than 90% of the total resource. SIH is drilling along strike with the intention of delineating further resources.
  - ** Recoveries;** Oxide recoveries range between 85-95%. SIH sees potential for production from the oxide ore to be higher than the LOM average in the first few years.
  - **Power;** Power costs assume 100% diesel generated power based on an assumed oil price of US$115/bbl. SIH is assessing potential for a dedicated hydro power plant of approximately 6-8MW. Hydro power costs are estimated at 50% less than diesel generated power. However, no guidance on capital costs have been provided. Given the close proximity of the project to G Resource’s 6moz Martabe gold project, we see potential for the two companies to share hydro power generation.

Sihayo Pungkut plan section

Source: SIH
Sihayo Pungkut timetable of events

<table>
<thead>
<tr>
<th>Aim to deliver DFS outcomes by March/April 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Time Line</strong></td>
</tr>
<tr>
<td>Definitive Feasibility Study</td>
</tr>
<tr>
<td>Indonesian Enabling &amp; Social Studies</td>
</tr>
<tr>
<td>Govt Indonesia Feasibility Study</td>
</tr>
<tr>
<td>Indonesian Forestry Permits</td>
</tr>
<tr>
<td>Project Financing Debt &amp; Equity</td>
</tr>
<tr>
<td>Construction Starts</td>
</tr>
<tr>
<td>Commissioning Starts</td>
</tr>
</tbody>
</table>

Source: SIH

Tambang Tinggi

- 75% interest, PT Sorikmas 25%. 7th generation CoW.
- Northern Sumatra, Indonesia. Located on the Trans Sumatran Fault Zone.
- 11 holes completed to date. Drilling remains at an early stage. SIH suggests that the deposit could potentially be the cap of a porphyry system. This is demonstrated by phyllic alteration with increasing copper grades at depth.
- Key results include
  - 125m @ 1.4 g/t Au from 0m
  - 12m @ 1.86 g/t Au from 36m
  - 63m @ 0.55 g/t Au and 0.1% Cu from 196m
  - 46m @ 0.35 g/t Au and 0.13% Cu from 116

Source: SIH
Reserves & Resources

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<tr>
<th></th>
<th>Tonnes</th>
<th>Au g/t</th>
<th>Au Moz</th>
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</thead>
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<tr>
<td>Indicated</td>
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<td>2.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Inferred</td>
<td>1.4</td>
<td>2.3</td>
<td>0.1</td>
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<tr>
<td><strong>Resources</strong></td>
<td>14.6</td>
<td>2.8</td>
<td>1.3</td>
</tr>
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</table>

Source: [company]

Next resource update: December 2011

Management

**Peter Bilbe**, Independent Non-exec Chairman

35 years corporate, operational and international mining industry experience. Aztec Resources (MD & CEO), Non-Exec Director - Mount Gibson Iron, Independence Group NL.

**John Blake**, Independent Non-exec Director

35 years Indonesian, SE Asian and Australian mining industry experience including Newcrest (Gosowong, Toguraci, Kencana), PT Agincourt Resources (Martabe).

**Gavin Caudle**, Non-exec Director

20 years investment and finance industry experience across Indonesia, Australia and SE Asia. Director of Saratoga Capital and Summit Investments Pty Ltd.

**Paul Willis**, Chief Executive Officer, Executive Director

20 years investment and mining industry experience across Australia, Indonesia and Hong Kong.

**Greg Entwistle**, Chief Operating Officer

30 years Indonesian, SE Asian and Australian mining industry experience. Newcrest Mining (Gosowong, Toguraci, Kencana) and PT Agincourt Resources (Martabe).

**Graham Petersen**, Chief Geologist (PT Sorikmas Mining)

30 years Indonesian, SE Asian and Australian mining industry experience. Newcrest Mining (Gosowong, Toguraci, Cracow, Telfer), PT Agincourt Resources (Martabe)

Source: SIH
Sumatra Copper & Gold PLC (SUM)  
Pre-feas imminent; NCM cornerstone investor

4 July 2011  
$0.24  
No rating

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03 9640 3802  
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James Brennan-Chong  
03 9640 3893  
james.brennan-chong@wilsonhtm.com.au

Highlights
- Sumatra Copper & Gold has two relatively early stage extensive intermediate epithermal gold projects located in Sumatra, Indonesia.
- A pre-feasibility on the Tembang project is in progress and is targeting first production from 2013 at a rate of 60-70koz Au pa. However, a recent downgrade to the Tembang resource from 1.6moz to 1.0moz highlights the difficulty of resource estimation with irregular narrow veins and this could complicate future mining.
- Newcrest has recently acquired a direct equity interest in SUM (7%) and is earning a 70% interest in SUM’s second asset Tandai. We see NCM’s interest in the project as indicative of tier one potential.

Key Points

Tembang 100% – on the way to development
- Tembang 100%, Newcrest had an option to acquire a 25% interest in the project for US$10m at any time before 31 March 2011. The option was not exercised.
- SUM has set an aggressive development timetable with the company targeting first production in early to mid 2013 at a production rate of 60-70kozpa Au and 600-700kozpa Ag. Based on the existing measured and indicated resources, there is potential for a 10 year mine life.
- SUM has commenced a 50,000m infill drill program to improve the mineral resource confidence. A pre-feasibility study is scheduled for release by mid-2011 with a definitive feasibility study planned for the December half 2011.

Tandai 30% – Newcrest seeing tier one potential?
- Newcrest Mining Limited is earning a 70% interest in the Tandai project by spending US$12m over 5 years. Initial exploration commitment of US$1.75m to May 2012.
- Independent geological consultants CSA have estimated the veins at Tandai to host a multimillion ounce exploration target.
- A total of 1.4moz Au @ 15.4g/t Au was progressively mined underground between 1985 and 1995. We see Newcrest’s interest in the project as suggesting that the Tandai project could potentially be akin to its Gosowong underground mine in northern Sulawesi Indonesia.

Wilson HTM View
- Notwithstanding the recent material downgrade to the Tembang resource, Tembang’s development potential remains compelling and we look to the pre-feasibility results to confirm this. There are no known forestry issues.
- In our opinion, the due diligence that NCM would have likely undertaken prior to signing the agreement suggests that the economic potential of Tandai is larger than face value. We see NCM’s interest in the Tandai project as highly supportive of SUM being able to delineate a material resource, based primarily on a large exploration budget provided for by NCM as well as exploration and geological technical sharing between the two companies.
- Cash at 31 March was GBP$2.7m.

Equities Research – Sumatra Copper & Gold PLC  
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Tenement map

Source: SUM
Tembang – 100%

- SUM has a 100% interest in the Tembang prospect, held through PT Dwinad Nusa Sejahtera (PT DNS).
- Newcrest had an option to acquire a 25% interest in the project for US$10m at any time before 31 March 2011. The option was not exercised.
- Tembang is an intermediate sulphidation epithermal deposit with quartz veins hosting gold/silver mineralisation, located in Sumatra, Indonesia. The deposit was previously mined from 1997-2000.
- The Tembang mineralisation is divided into two parts, Vein and Halo. The Vein portion of the deposit is characterised by wide and relatively continuous mineralisation. The Halo portion of the deposit is characterised by irregular narrow veins that surround the periphery of the Vein portion of the deposit.
- The resource for the Halo mineralisation was recently downgraded by 77%. The Tembang resource is 23.5mt @ 1.0g/t Au and 17.3 g/t Ag for 1moz Au and 13moz Ag.
- Hellman and Schofield noted in the latest resource estimation that the Halo mineralisation is "highly variable and discontinuous" such that a different estimation technique was warranted in its estimation compared to the previous estimation, to allow for the particularly short continuity of mineralisation.

Tembang drill locations

- SUM has commenced a 50,000m infill drill program to improve the mineral resource confidence. Of the Vein mineralisation, 74% of the resource is in the measured and indicated category.
- In May, SUM appointed consultants to prepare the Tembang pre-feasibility study. The study is expected to be completed by mid-2011. Following a successful pre-feasibility study, a definitive feasibility study is scheduled for the December half 2011.
- SUM has set an aggressive development timetable with the company targeting first production in early to mid 2013 at a production rate of 60-70k oz Au and 600-700k oz Ag. Based on the existing measured and indicated resources, there is potential for a 10 year mine life.
Tembang timetable of events

Recent amendment to the Tembang resource

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<thead>
<tr>
<th></th>
<th>Tonnes</th>
<th>Au g/t</th>
<th>Ag g/t</th>
<th>Au Moz</th>
<th>Ag moz</th>
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<tbody>
<tr>
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<td>1.0</td>
<td>11.5</td>
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<tr>
<td>2011 Resource</td>
<td>23.5</td>
<td>1.3</td>
<td>17.3</td>
<td>1.0</td>
<td>13.1</td>
</tr>
</tbody>
</table>

Tembang detailed resource statement

<table>
<thead>
<tr>
<th>Type</th>
<th>Category</th>
<th>Mt</th>
<th>Au g/t</th>
<th>Ag g/t</th>
<th>Au oz</th>
<th>Ag oz</th>
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</thead>
<tbody>
<tr>
<td>VEIN</td>
<td>Measured</td>
<td>3.42</td>
<td>2.25</td>
<td>36.5</td>
<td>247,700</td>
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<td></td>
<td>Indicated</td>
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<td>335,900</td>
<td>4,114,300</td>
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<tr>
<td></td>
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<td>1.81</td>
<td>19.9</td>
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<td>Sub-Total</td>
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<td>2.17</td>
<td>28.5</td>
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<td>HALO</td>
<td>Measured</td>
<td>-</td>
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<td></td>
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<td>TOTAL</td>
<td>23.54</td>
<td>1.32</td>
<td>17.3</td>
<td>1,000,500</td>
<td>13,121,300</td>
</tr>
</tbody>
</table>

Notes: Rounding errors may occur. Vein above 0.5 g/t Au cut-off, halo material above 0.3 g/t cut-off.
Tandai – Does NCM see a potential Gosowong?

- Newcrest Mining Limited is earning a 70% interest in the Tandai project by spending US$12m over 5 years. Initial commitment of US$1.75m to May 2012.
- The exploration IUP is held by Sumatra’s 100% interest in subsidiary PT Bengkulu Ultara Gold (PT BUG). PT BUG is a PMA company.
- Located in Central Sumatra, Indonesia. The IUP covers 99k hectares.
- Tandai is a high grade epithermal intermediate sulphidation system. Gold and silver mineralisation is hosted within veins and breccias over a 5km strike with a known vertical extent of 500m.
- Geological consultants CSA Global have estimated that the mineralised system could host a multi-million ounce deposit.
- Historical underground production of 1.4moz @ 15.4 g/t Au.
- Surface sampling has demonstrated significant mineralisation, potentially representing the up-dip continuation of the previous mined underground mineralisation.
- Newcrest is to spend a minimum US$1.75m until May 2012. SUM management is supervising the drilling program and on completion of the minimum spend, Newcrest has the option to assume management of the project.
- Newcrest’s interest in the project hints that the Tandai project could be supportive of a tier one deposit. The historical high-grade underground operations could suggest that Newcrest sees potential for the Tandai project to be akin to its Gosowong operation in northern Sulawesi Indonesia. The Gosowong mine is largely characterised by discrete epithermal veins. In the March quarter, Gosowong treated 153kt @ 23 g/t Au to produce 110koz Au.

Tandai underground long section

Source: SUM
Management

Warwick George Morris BSc (Hons), MSc, MAusIMM

Non-Executive Chairman
Warwick Morris is an Australian national who was appointed to the Board of Sumatra Copper & Gold as a non executive Director in March 2008. 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 Australian Institute of Mining and Metallurgy and has more than 30 years experience in the resources industry.

Jocelyn Severyn de Warrenne Waller MA (Hons) (Cantab)

Managing Director
Jocelyn Waller is a British national and co-founder who was appointed to the Board of Sumatra Copper & Gold in April 2006. Mr Waller graduated from Churchill College, Cambridge with a Master of Arts in History and has since spent his entire career in the mining industry.

His most recent listed company experience was as CEO (until 2005) of Trans Siberian Gold plc, an AIM-listed Russian gold mining business which Mr Waller established in 2000. He currently also serves as a non-executive director of RusAnt Ltd, an unlisted company that is developing an antimony mining project in Siberia.

Dr Michael Allan Price CEng, FEANI, BSc, Phd (Mining Engineering)

Non-Executive Director
Michael Price is a British national who was appointed as a non-executive Director of Sumatra Copper & Gold in July 2007. Dr Price qualified with a PhD from the University of Cardiff and has over 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.

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