

PT Merdeka Copper Gold Tbk Q1-2022 Results: MDKA recorded all-time high quarterly EBITDA

JAKARTA, 17 May 2022 – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“MDKA”, “Merdeka” or “the Company”) has released its financial performance for the quarter ended March 31, 2022.

Key Highlights

- In quarter 1 2022, MDKA produced 33,968 ounces of gold and 5,267 tonnes of copper, representing a significant increase compared to production in quarter 1 2021 of 16,585 ounces of gold and 2,489 tonnes of copper.
- Consolidated revenue for the quarter was US\$123 million with 38,320 ounces of gold sold at an average price of US\$1,869/oz and 4,649 tonnes of copper sold at an average price of US\$9,920/t.
- All-in sustaining costs (“AISC”) for the quarter were US\$934/oz for gold production net of silver credits and US\$7,209/t for copper production.
- EBITDA for the quarter was US\$105.0 million, significantly improved from EBITDA in quarter 1 2021 of US\$25 million. This included US\$42 million for recognition of the business interruption portion of insurance claim settlement.
- During the quarter, MDKA’s subsidiary, PT Bumi Suksesindo (“BSI”) successfully entered into an additional Secured Bullion Forward Hedge and Finance Transaction (“BSI Prepayment Facility”) with a total amount of US\$47.2 million.
- In March 2022, MDKA successfully completed the issuance of the first tranche of Year 2022 IDR bond for a total amount of Rp3 trillion (or equivalent to US\$207 million).
- Further, MDKA also entered into a Merdeka Revolving Credit Facility (“MDKA RCF”) of US\$100 million with PT UOB Indonesia, The Korea Development Bank and PT Bank Mizuho Indonesia, which was undrawn as of 31 March 2022.
- On 28 March 2022, MDKA announced an investment of US\$374 million to subscribe for 55.67% of equity interest in PT Hampanan Logistik Nusantara (“HLN”) through Merdeka’s 100% owned subsidiary, PT Batutua Tembaga Abadi (“BTA”). HLN has acquired a world class nickel mining project and operating nickel smelters, (collectively referred as “Nickel Assets”).
- MDKA announced a transaction with Lion Selection Asia Limited (“LSA”) to purchase 50% of LSA’s interest in PT Pani Bersama Jaya (“PBJ”), and completion of its previously announced acquisition of 50.1% interest in PT Andalan Bersama Investama (“ABI”). These acquisitions take MDKA’s effective ownership of the Pani project to 70%
- Cash and cash equivalents, net of restricted cash, as at 31 March 2022 was US\$122 million. In addition to this, MDKA has US\$100 million of undrawn debt facilities.

Table 1. Highlights of Consolidated Statement of Income

in US\$ million	Q1-22	Q1-21	Variance (%)
Revenue	123.1	46.5	164.4%
Cost of revenue	(77.5)	(48.8)	58.8%
Gross (loss)/profit	45.6	(2.2)	(2150.0%)
<i>Gross (loss)/profit margin</i>	<i>37.1%</i>	<i>(4.8%)</i>	<i>(875.3%)</i>
G&A expenses	(16.1)	(6.7)	142.0%
Operating (loss)/profit	29.5	(8.9)	(432.5%)
<i>Operating (loss)/profit margin</i>	<i>24.0%</i>	<i>(19.1%)</i>	<i>(225.8%)</i>
Finance income	3.2	0.4	795.0%
Finance expenses	(3.4)	(2.0)	71.8%
Other income/(expenses), net	57.6	1.8	3,169.4%
(Loss)/profit before tax	87.0	(8.7)	(1,097.2%)
Tax benefit/(expenses)	(21.5)	2.4	(1,005.4%)
Net (loss)/profit	65.4	(6.3)	(1,131.6%)
<i>Net (loss)/profit margin</i>	<i>53.1%</i>	<i>(13.6%)</i>	<i>(490.1%)</i>
EBITDA	105.0	25.0	320.4%
<i>EBITDA margin</i>	<i>85.3%</i>	<i>53.6%</i>	<i>59.0%</i>

2022 First Quarter Financial Results

- Revenue
 - A significant increase in Tujuh Bukit Gold Mine revenue in quarter 1 2022 as compared to quarter 1 2021 was mainly driven by the increase in gold production, from 16,585 ounces in quarter 1 2021 to 33,968 ounces in quarter 1 2022. The average gold price increased from US\$1,779/oz in Q1 2021 to US\$1,869/oz in Q1 2022.
 - Wetar Copper Mine revenue increased from US\$17 million in quarter 1 2021 to US\$46 million in quarter 1 2022. This was mainly driven by higher copper production from 2,498 tonnes in Q1 2021 to 5,267 tonnes in Q1 2022 as mining activities increased. Average copper prices for Quarter 1 2021 were US\$7,883/t compared to US\$9,920/t in quarter 1 2022. Sustaining costs were affected by higher sustaining capital anticipated for 2022.

- Profitability
 - Stronger revenue in quarter 1 2022 resulted in higher EBITDA of US\$80 million in the quarter, a significant increase from quarter 1 2021 of US\$25 million. The improvement in MDKA's EBITDA was partially driven by a final insurance claim of US\$42 million for business interruption
 - The negotiation on the final insurance claim value for material damage and business interruption pertaining to the heap leach incident that occurred in September 2020 has been completed in quarter 1 2022. Insurers agreed to a final settlement of US\$60 million which was recognised as income in the quarter, bringing the total claim value to

US\$80 million. US\$5 million, as part of the final payment was received in quarter 1 2022, with the remaining is expected to be received in quarter 2 2022.

- Cash flow
 - The improvement in gold and copper production levels has resulted in higher operating cash flows for the quarter. The strong operating cash flows were supported by the proceeds from an IDR bond issue of US\$207 million, payment was made for an advance investment of US\$350 million in relation to the subscription of a 55.67% equity interest in HLN and acquisition payment of US\$21 million to increase MDKA's economic interest in Pani Project to 70%.
 - MDKA has successfully maintain its liquidity and set the group up for further growth through debt and equity transactions conducted throughout the first quarter of 2022.

Liquidity and Capital Resources

- Cash
 - As of March 31, 2022, MDKA's cash balance was US\$122 million and undrawn debt facilities of US\$100 million.
- Debt Transactions in Quarter 1 2022
 - BSI successfully entered into additional BSI Prepayment Facility of US\$27.7 million and US\$19.5 million in January and March 2022, respectively, and BSI has drawn US\$50 million of Revolving Credit Facility in March 2022.
 - On 8 March 2022, MDKA successfully completed the issuance of the first tranche of Year 2022 IDR bond for a total amount of Rp3 trillion (or equivalent to US\$207 million), at the following rates:
 - 1 Year: Rp959 billion at IDR 5.00%; and
 - 3 Year: Rp2,041 billion at IDR 7.80%.
 - On 30 March 2022, MDKA entered into MDKA RCF of US\$100 million with PT UOB Indonesia, The Korea Development Bank and PT Bank Mizuho Indonesia. The MDKA RCF has an applicable interest of 3.85% per annum plus SOFR with a final repayment on 31 March 2023, which was undrawn as of 31 March 2022.

Subsequent Events

- On 28 April 2022, MDKA successfully completed the issuance of second tranche of Year 2022 IDR bond for a total amount of Rp2 trillion (or equivalent to US\$140 million), at the following rates:
 - 3 Year: Rp310 billion at IDR 7.80%; and
 - 5 Year: Rp1,690 billion at IDR 9.25%.
- On 26 April 2022, the Company issued 1,205,999,956 shares through a pre-emptive rights issue ("PRI") with an exercise price of Rp2,830 and successfully raised Rp3.4 trillion (or equivalent to US\$235 million). In conjunction with the PRI, Hong Kong Brunp CATL Co. Ltd., an affiliate of Contemporary Amperex Technology Co., Limited ("Brunp CATL") aims to become a strategic investor with up to a 5% shareholding in MDKA. In addition to making this strategic investment in MDKA, Brunp CATL and MDKA intend to form a strategic partnership in Indonesia. The parties have signed a memorandum

of Understanding (“MoU”) to engage in a “win-win” cooperation, focusing on the battery metals supply chain in Indonesia.

- Capital Investments
 - TB Copper Project: During the quarter, MDKA invested US\$9.6 million in the TB Copper Project. This brought the cumulative investment to US\$109 million. Underground drilling in quarter 1 2022 was 9,606 metres with six underground drill rigs and two surface drill rigs.
 - AIM Project: During the quarter US\$37.6 million was invested with cumulative expenditure to 31 March 2022 of US\$95.4 million. AIM Project construction activities have increased dramatically with a change in project execution. All project construction works are self-performed by Merdeka Mining Services.

2022 Developments

- TB Copper Project
 - The Underground Resource Definition Drilling will continue throughout 2022, with between 50,000 to 60,000 metres of drilling scheduled.
 - MDKA expects to announce pre-feasibility study result in quarter 1 2023, and there will be an additional ongoing resource drilling to be incorporated into the study.
- Wetar Copper Mine
 - There is significant potential to extend mine life at the Wetar Copper Mine. The drilling in Partolang successfully upgraded the Partolang and Partolang Barat resources. Further expansions of Partolang and new targets within the mining lease will be targeted in 2022.
- AIM Project
 - The AIM construction remains on budget and schedule, with first acid production is expected at the end of the first quarter of 2023.
- Pani Gold Project
 - Following the completion of MDKA’s transaction with ABI and LSA, MDKA’s effective economic interest in Pani Gold Project increased to 70%.
 - In quarter 1 2022, MDKA commenced drilling and feasibility study (“FS”) work with an initial program of ~50,000 meters. The FS is expected to be completed in 2023 with gold production is expected in 2025.

- Nickel Assets
 - During the quarter, MDKA announced the acquisition of a world class nickel mine project and operating nickel smelters (collectively “Nickel Assets”), this includes stakes in the following:
 - PT Sulawesi Cahaya Mineral (“SCM”) Nickel Mine, one of the world’s largest undeveloped nickel resources. A total JORC resource of over 1.1 billion dmt at 1.22% Ni, containing 13.8Mt Nickel and at 0.08% Co containing 1.0Mt Cobalt
 - PT Cahaya Smelter Indonesia (“CSI”) and PT Bukit Smelter Indonesia (“BSI”), two operating and cash flow generating Rotating Kiln Electric Furnace (“RKEF”) nickel smelters with a combined nameplate production capacity of 38ktpa of nickel
 - Indonesia Konawe Industrial Park (“IKIP”), a joint venture with Tsingshan to develop a downstream nickel processing industrial park within SCM’s IUP.

2022 Outlook

At the Tujuh Bukit Gold Mine, 2022 full year production is expected to be in the range of 100,000 to 120,000 ounces of gold at an AISC of US\$1,000/oz to US\$1,100/oz, net of silver credits. As of 31 March 2022, a total of 59,826 ounces of gold are hedged at an average price of US\$1,860/oz.

At the Wetar Copper mine, copper production in 2022 is expected to be in the range of 18,000 to 22,000 tonnes of copper at an AISC US\$6,820/t to US\$7,480/t. Production rates should increase further in subsequent years following the commissioning of the Water Treatment Plant. As of 31 March 2022, a total of 3,000 tonnes of copper are hedged at an average price of US\$9,934/t.

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About PT Merdeka Copper Gold Tbk.

PT Merdeka Copper Gold Tbk (“Merdeka” or “the Company”), a holding company with operating subsidiaries engaging in mining business activities, encompassing: (i) exploration; (ii) production of gold, silver, copper (and other related minerals); and (iii) mining services.

The Company’s major assets are the: (i) Tujuh Bukit Copper Project; (ii) Nickel Mining and Refining Assets; (iii) Pani Gold Project; (iv) Wetar / Morowali Acid Iron Metal Project; (v) Tujuh Bukit Gold Mine and; (vi) Wetar Copper Mine.

The Tujuh Bukit Copper Project deposit is one of the world’s top ranked undeveloped copper and gold mineral resources, containing approximately 8.2 million tonnes of copper and 28.6 million ounces of gold.

As a world-class Indonesian mining company, Merdeka is owned by prominent Indonesian shareholders including: PT Saratoga Investama Sedaya Tbk., PT Provident Capital Indonesia and Mr. Garibaldi Thohir. Merdeka’s three major shareholders have exceptional track records in successfully identifying, building, and operating multiple publicly listed companies in Indonesia.

Refer Annual Statements of Mineral Resources and Ore Reserves on www.merdekacoppergold.com