

Merdeka announces 1H 2022 Results

JAKARTA, 12 September 2022 – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“MDKA”, “Merdeka” or “the Company”) is pleased to announce its financial performance for the first half of 2022 (1H 2022)

Key Highlights

- During 1H 2022, MDKA completed the acquisition of a 55.3% shareholding in PT Merdeka Battery Materials (“MBM”). MBM owns a 51.0% stake in one of the world’s largest pre-production nickel resources, 50.1% in two operating nickel smelters with a third nickel smelter currently under construction
- Total production in 1H 2022 of 69,783 ounces of gold, 9,951 tonnes of copper and 8,890 tonnes of nickel in nickel pig iron (“NPI”)
- EBITDA of US\$183 million (+116% YoY) and consolidated revenue of US\$341 million (+152% YoY) in 1H 2022 at an average realised selling price of US\$1,868/oz gold, US\$9,691/t copper and US\$18,669/t nickel in NPI. This includes US\$42 million of insurance claim settlement
- All-in sustaining costs (“AISC”) for 1H 2022 were US\$961/oz for gold production net of silver credits, US\$6,930/t for copper production and US\$14,803/t for NPI production
- On 26 April 2022, the Company completed a new shares issuance and successfully raised US\$238 million. As a result of this issuance and further acquisitions, Brunp Catl became a strategic investor with a 5% shareholding in MDKA. Brunp Catl and MDKA have signed a collaboration agreement to develop mineral projects in Indonesia
- In April 2022, MDKA successfully completed the issuance of the second tranche of Year 2022 IDR bond for a total amount of Rp2 trillion (equivalent to ~US\$140 million)
- On 10 June 2022, the Company obtained private placement approval through Extraordinary General Meeting of Shareholders (“EGMS”) to issue up to 10% of the issued capital or equivalent to 2.29 billion shares
- In May 2022, MBM entered into a US\$300 million loan with ING and Barclays, which has an applicable interest rate of 4.25% per annum plus SOFR
- Cash and cash equivalents, net of restricted cash, as at 30 June 2022 was US\$411 million. In addition to this, MDKA has US\$100 million of undrawn debt facilities (i.e., MDKA RCF)
- Subsequent to 1H 2022, MDKA successfully completed the final issue of IDR bonds for a total amount of Rp4.0 trillion (or equivalent to ~US\$269 million) offered over three series

Table 1. Highlights of Consolidated Statement of Income

in US\$ million	Q1-22	Q2-22	1H-22	1H-21	Variance (%)
Revenue	123.1	218.3	341.4	135.4	152.1%
Cost of revenue	(77.5)	(159.5)	(237.0)	(107.0)	121.5%
Gross (loss)/profit	45.6	58.8	104.4	28.4	267.5%
Gross (loss)/profit margin	37.1%	26.9%	30.6%	21.0%	45.8%
G&A expenses	(16.1)	(13.1)	(29.2)	(13.0)	124.7%
Operating (loss)/profit	29.5	45.6	75.2	15.4	388.1%
Operating (loss)/profit margin	24.0%	20.9%	22.0%	11.4%	93.6%
Finance income	3.2	10.7	13.9	1.1	1164.7%
Finance expenses	(3.4)	0.4	(3.0)	(5.5)	(46.6%)
Other income/(expenses), net	57.6	(15.0)	42.6	(5.2)	(913.8%)
(Loss)/profit before tax	87.0	41.7	128.6	5.7	2143.3%
Tax benefit/(expenses)	(21.5)	(7.0)	(28.6)	(2.4)	1080.3%
Net (loss)/profit	65.4	34.7	100.1	3.3	2919.8%
Net (loss)/profit margin	53.1%	15.9%	29.3%	2.4%	1097.8%
EBITDA	105.0	77.8	182.8	84.5	116.3%
EBITDA margin	85.3%	35.6%	53.5%	62.4%	(14.2%)

2022 First Half Financial Results

- Revenue
 - A significant increase in revenue can be attributable to:
 - Additional revenue of US\$94 million from MBM's NPI sales of 5,041 tonnes of nickel with an average selling price of US\$18,669/t. The revenue represented the sales of NPI post completion of the MBM acquisition on 17 May 2022
 - A 34% increase in TB Gold Mine revenue from 1H 2021 was mainly driven by the increase in gold production, from 54,364 ounces in 1H 2021 to 69,783 ounces in 1H 2022 and increase in the average realised gold price from US\$1,794/oz in 1H 2021 to US\$1,870/oz in 1H 2022
 - Wetar Copper Mine revenue also increased 96% from US\$50 million in 1H 2021 to US\$98 million in 1H 2022. This was mainly driven by higher copper production from 7,492 tonnes in 1H 2021 to 9,951 tonnes in 1H 2022 as mining activities increased and an increase in the average realised copper price from US\$9,091/t to US\$9,797/t
- Profitability
 - MDKA generated EBITDA of US\$183 million in 1H 2022, representing a 116% increase from 1H 2021. This resulted from strong operational performance from TB Gold Mine and Wetar Copper Mine, a final insurance claim of US\$42 million in relation to business interruption at TB Gold Mine and MBM EBITDA of US\$17 million
 - In regard to the insurance claim, US\$53 million out of US\$60 million was received in 1H 2022, the remaining balance is expected to be received in 2H 2022

- Cash flow
 - The improvement in gold and copper production levels and recent inclusion of NPI production have resulted in higher operating cash flows for the quarter
 - The strong operating cash flows for the quarter were also supported by the financing activities, including proceeds from a new shares issue of US\$238 million and an IDR bond issue of ~US\$140 million
 - MDKA has successfully maintain its liquidity and financial strength through debt and equity transactions conducted throughout 1H 2022

Liquidity and Capital Resources

- Cash
 - As of 30 June 2022, MDKA's cash balance was US\$411 million, higher than the cash balance recorded as of 30 June 2021 of US\$278 million. In addition, MDKA has undrawn debt facilities of US\$100 million
- Debt Transactions in 2Q 2022
 - On 28 April 2022, MDKA successfully completed the issuance of the second tranche of Year 2022 IDR bond for a total amount of Rp2 trillion (equivalent to ~US\$140 million). The IDR Bond consists of two series, with tenors of 3 years and 5 years amounting to Rp310 billion and Rp1.69 trillion, respectively. To swap IDR exposures back into USD, hedging in the form of cross currency swaps were entered with detail as follows:
 - 3-year coupon rate: IDR 7.80% swapped to SOFR + USD 2.70%; and
 - 5-year coupon rate: IDR 9.25% swapped to SOFR + USD 3.40%
 - MBM entered into a US\$300 million loan with ING and Barclays on 19 May 2022. The loan has an applicable interest rate of 4.25% per annum plus SOFR with final maturity date on 30 September 2026
 - BSI has fully drawn US\$50 million of Revolving Credit Facility in June 2022

Subsequent Events

- On 29 July 2022, MDKA provided debt funding of US\$150 million to MBM to repay US\$150 million of the MBM Senior Loan
- On 31 August 2022, MDKA entered into a US\$260 million of term loan facilities with Credit Agricole, ING, Natixis, OCBC, HSBC and UOB, to finance the construction of AIM Project. In addition to this, MDKA also entered into a ~US\$29 million of VAT financing facility with UOB
- On 2 September 2022, MDKA successfully completed the final issue of Continuation Bond III for a total amount of Rp4.0 trillion (or equivalent to ~US\$269 million) which offered in three series as follow:
 - Series A: Bond principal amounting to Rp1,472,965,000,000 with coupon rate of IDR 5.50% per annum for a one-year tenor;
 - Series B: Bond principal amounting to Rp1,729,395,000,000 with coupon rate of IDR 8.25% per annum for a three-year tenor; and
 - Series C: Bond principal amounting to Rp797,640,000,000 with coupon rate of IDR 9.50% per annum for a five-year tenor

- Capital Investments
 - TB Copper Project: During the quarter, MDKA invested US\$13 million in the TB Copper Project. This brought the cumulative investment to US\$121 million. Underground drilling in 2Q 2022 was 11,410 metres with eight underground drill rigs and two surface drill rigs
 - AIM Project: During the quarter US\$54 million was invested with cumulative expenditure to 30 June 2022 of US\$149 million. AIM Project construction activities continue to progress towards first production in July 2023 with all project construction works self-performed by PT Merdeka Mining Servis (“MMS”)

2022 Developments

- TB Copper Project
 - The Underground Resource Definition Drilling will continue throughout 2022, with between 35,000 to 40,000 metres of drilling scheduled for the remainder of 2022
 - MDKA expects to announce Pre-Feasibility Study (“PFS”) results in 1Q 2023, followed by additional ongoing resource drilling to be incorporated into the study
- TB Gold Mine
 - MDKA has completed 8,713 meters of drilling targeting mine life extensions during the quarter
 - On 1 September 2022, MDKA announced new drilling results that focused near mine drilling on identifying additional open pit gold resources to extend mine life. Recent drill holes have returned very encouraging intercepts of gold mineralisation
- Wetar Copper Mine
 - There is significant potential to extend mine life at the Wetar Copper Mine. The 2021 drilling successfully upgraded the Partolang resources and incorporated Partolang Barat as resources. Further expansions of Partolang, Partolang Barat, the bridge area between the two resources and new targets within the mining lease will be targeted in 2022
- AIM Project
 - In the AIM feasibility study and detailed design, copper is expected to be produced in the form of copper sponge. In 2Q 2022, following the completion of the Feasibility Study, the decision was made to include a furnace and small electro-refinery to convert the sponge copper to copper cathode
 - As a result of covid lockdown in China that commenced in February 2022 and continued until early June 2022, the construction of AIM Project has been delayed by three months with the first acid production is now expected in July 2023
- Pani Gold Project
 - MDKA increased its effective economic interest in Pani Gold Project to 70%
 - By the end 2Q 2022, eight drill rigs were operating at Pani targeting the central Baganite zone with a total of 5,797m of diamond drilling completed
 - The Feasibility Study is scheduled for completion in 2023 with a subsequent investment decision for the project construction. Pani is expected to achieve the first gold production in 2H 2025

- Merdeka Battery Materials
 - MDKA completed the acquisition of MBM in May 2022. MBM holds 51.0% interest in PT Sulawesi Cahaya Mineral Nickel Mine (“SCM Mine”), 50.1% interest in two operating RKEF smelters (PT Cahaya Smelter Indonesia (“CSIS”) and PT Bukit Smelter Indonesia (“BSIS”)), and 50.1% interest in a third smelter (PT Zhao Hui Nickel Smelter (“ZHN”)) which is currently under construction. The acquisitions were fully funded through a combination of cash and debt
 - SCM Mine holds the mining permit (“IUP”) for one of the world’s largest pre-production nickel resources of 1.1 billion dmt of ore at 1.22% nickel containing 13.8Mt nickel and at 0.08% cobalt containing 1.0Mt cobalt¹
 - Each of CSIS and BSIS has a nameplate capacity of 19,000 tonnes of nickel in NPI per annum. Both have been operating successfully since early 2020
 - There has been significant progress made to date with ZHN construction reaching 35% with an estimated completion date of July 2023 to achieve a nameplate capacity of 50,000 tonnes of NPI per annum
 - SCM Mine is expected to begin ramp up of mining activities in 4Q 2022, with volume expected to increase significantly in 2023
 - MBM is currently upgrading the haul road from the mine site to Indonesia Morowali Industrial Park (“IMIP”) to improve access and allow the efficient delivery of saprolite ore from the mine site to the RKEF smelters. The project construction is being managed by MMS with the haul road expected to reach a 15% grade during 3Q 2022. MBM will continue to upgrade the haul road further with aim to achieve a 9% grade by 3Q 2023

Outlook

TB 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\$1,200/oz, net of silver credits. As of 30 June 2022, a total of 34,419 ounces of gold are hedged at an average price of US\$1,857/oz

Wetar Copper mine

2022 full year production is expected to be in the range of 18,000 to 22,000 tonnes of copper at an AISC US\$7,040/t to US\$7,920/t. Production rates should increase further in subsequent years following the commissioning of the Water Treatment Plant. As of 30 June 2022, a total of 1,500 tonnes of copper are hedged at an average price of US\$10,000/t

MBM

Each of CSIS and BSIS are expected to produce in the range of 17,000 to 19,000 tonnes of nickel in NPI at an AISC of US\$13,500/t to US\$15,500/t. One of the major cost components of the smelter is ore feedstock, the price of which varies depending on the nickel price

¹ Source: Mineral Resource: February 2022 JORC prepared by AMC Consultants Pty Ltd

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About PT Merdeka Copper Gold Tbk.

PT Merdeka Copper Gold Tbk (IDX: MDKA) (“Merdeka” or “the Company”), a holding company with operating subsidiaries engaging in mining business activities, encompassing: (i) exploration; (ii) production of gold, silver, copper, nickel (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 (Merdeka Battery Materials); (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