

## Merdeka announces 9M 2022 Results

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**JAKARTA, 16 December 2022** – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“MDKA”, “Merdeka” or “the Company”) is pleased to announce its financial performance for the nine months ending 30 September 2022 (“9M 2022”)

### Key Highlights

- Total production for 9M 2022 of 107,168 ounces of gold, 15,793 tonnes of copper and 28,918 tonnes of nickel in nickel pig iron (“NPI”)
- EBITDA of US\$247 million<sup>1</sup> (+60% YoY) and revenue of US\$626 million (+140% YoY) for the 9M 2022 at an average realised selling price of US\$1,820/oz gold, US\$9,321/t copper and US\$16,602/t nickel in NPI
- All-in sustaining costs (“AISC”) for the 9M 2022 were US\$985/oz for gold production net of silver credits, US\$6,878/t for copper production and US\$13,661/t for NPI production
- On 31 August 2022, Merdeka’s subsidiary, PT Merdeka Tsingshan Indonesia (“MTI”) successfully entered into (i) US\$260 million Term Loan Facility (“MTI Term loan”) with Credit Agricole, ING Bank, Natixis, OCBC, HSBC Indonesia, OCBC NISP and UOB Indonesia and (ii) IDR430 billion of MTI Value Added Tax funding facility (“MTI VAT Facility”) with PT Bank UOB Indonesia. As of September 2022, MTI has drawn US\$160 million of MTI Term Loan and IDR138.5 billion (equivalent to ~US\$9 million) of MTI VAT facility
- On 1 September 2022, Merdeka successfully completed the issuance of the third tranche of Year 2022 IDR bonds for a total amount of IDR4.0 trillion (equivalent to ~US\$269 million), offered in three series at the following rates:
  - 1 Year: IDR1,473 billion at IDR 5.50% per annum;
  - 3 Year: IDR1,729 billion at IDR 8.25% per annum; and
  - 5 Year: IDR797 billion at IDR 9.50% per annum
- During the quarter, Merdeka provided debt funding of US\$225 million to PT Merdeka Battery Materials (“MBM”) to partially repay the MBM Senior Loan
- Cash and cash equivalents, net of restricted cash, as at 30 September 2022 was US\$365 million. In addition to this, as of 30 September 2022, Merdeka has US\$269 million of undrawn debt facilities (i.e., MDKA RCF, BSI RCF and partial portion of MTI Term Loan and MTI VAT Facility)

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<sup>1</sup> EBITDA includes US\$42 million in relation to an insurance claim settlement

**Table 1. Highlights of Consolidated Statement of Income**

<b>in US\$ million</b>	<b>9M22</b>	<b>9M21</b>	<b>Variance</b>
Revenue	626.0	261.2	139.7%
Cost of Revenue	(481.9)	(187.5)	157.1%
<b>Gross Profit</b>	<b>144.1</b>	<b>73.7</b>	<b>95.5%</b>
<i>Gross Profit Margin</i>	<i>23.0%</i>	<i>28.2%</i>	<i>(18.4%)</i>
G&A Expenses	(35.7)	(21.2)	68.9%
<b>Operating Profit</b>	<b>108.4</b>	<b>52.5</b>	<b>106.2%</b>
<i>Operating Profit Margin</i>	<i>17.3%</i>	<i>20.1%</i>	<i>(14.0%)</i>
Cross Currency Swap Transaction	10.1	6.7	50.3%
Finance Expenses, net	(33.4)	(16.3)	105.5%
Other Income (Expenses), net	10.4	(11.7)	(188.4%)
<b>Profit Before Tax</b>	<b>95.4</b>	<b>31.3</b>	<b>204.9%</b>
Tax Expenses	(25.2)	(12.8)	97.0%
<b>Net Profit</b>	<b>70.3</b>	<b>18.5</b>	<b>279.3%</b>
<i>Net Profit Margin</i>	<i>11.2%</i>	<i>7.1%</i>	<i>58.2%</i>
<b>EBITDA</b>	<b>247.0</b>	<b>154.2</b>	<b>60.2%</b>
<i>EBITDA Margin</i>	<i>39.4%</i>	<i>59.0%</i>	<i>(33.2%)</i>

Financial Results for the Nine Months ending 30 September 2022

- Revenue
  - A significant increase in revenue can be attributable to:
    - Additional revenue of US\$255 million from MBM NPI sales of 15,386 tonnes of contained nickel with an average selling price of US\$16,602/t. The revenue represented the sales of NPI post completion of the MBM acquisition on 17 May 2022
    - A 36% increase in TB Gold Mine revenue to US\$220 million in 9M 2022 which was mainly driven by an increase in gold production, from 95,883 ounces in 9M 2021 to 107,168 ounces in 9M 2022 and an increase in the average selling gold price from US\$1,795/oz in 9M 2021 to US\$1,820/oz in 9M 2022
    - Wetar Copper Mine revenue also increased 49% from US\$95 million in 9M 2021 to US\$142 million in 9M 2022. This was mainly driven by higher copper production, from 13,388 tonnes in 9M 2021 to 15,793 tonnes in 9M 2022, with an average selling copper price of US\$9,321/t
- Profitability
  - Merdeka generated EBITDA of US\$247 million during 9M 2022, representing a 60% YoY increase. This resulted from strong operational performance from TB Gold Mine and Wetar Copper Mine, a final insurance claim of US\$42 million<sup>2</sup> in relation to business interruption at TB Gold Mine and MBM EBITDA of US\$31 million

<sup>2</sup> Regarding the insurance claim, US\$58.5 million out of US\$60 million was received in 9M 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 financing activities, including proceeds from an IDR bond issuance of ~US\$269 million and MTI term loan and MTI VAT facility totalling US\$169 million
  - Merdeka has maintained its liquidity and financial strength through debt and equity transactions conducted throughout 9M 2022

### Liquidity, Capital Resources and Environment, Social & Governance (“ESG”)

- Cash
  - As of 30 September 2022, Merdeka’s cash balance was US\$365 million, higher than the cash balance recorded as of 30 September 2021 of US\$203 million. In addition, Merdeka has US\$269 million of undrawn debt facilities
- Debt Transactions in Q3 2022
  - On 1 September 2022, Merdeka successfully completed the issuance of the third tranche of Year 2022 IDR bonds for a total amount of IDR4.0 trillion (equivalent to ~US\$269 million), offered in three series at the following rates:
    - ◆ 1 Year: IDR1,473 billion at IDR 5.50% per annum;
    - ◆ 3 Year: IDR1,729 billion at IDR 8.25% per annum; and
    - ◆ 5 Year: IDR797 billion at IDR 9.50% per annum
  - Merdeka has partially hedged the above-mentioned IDR bonds in the form of cross swap currency to swap IDR exposures back into USD, with details as follows:
    - ◆ Fully swapped 1-year coupon rate to Secured Overnight Financing Rate (“SOFR”) minus USD ~1.24%;
    - ◆ IDR1,263 billion of 3-year coupon rate was swapped to USD ~1.71% fixed; and
    - ◆ IDR594 billion of 5-year coupon rate was swapped to USD ~5.88% fixed
  - During the quarter, Merdeka provided debt funding of US\$225 million to MBM to partially repay the MBM Senior Loan
  - MTI entered a US\$260 million MTI Term Loan and IDR430 billion (equivalent to US\$29 million) of MTI VAT Facility on 31 August 2022. MTI Term Loan is used for, among others finance capital expenditure, construction costs and operating costs of AIM Project, payment of interest, fees and expenses related to the facility and any general funding. MTI Term Loan has final maturity in August 2027 with applicable margin of:
    - ◆ Offshore lenders: 3.75% per annum plus SOFR; and
    - ◆ Onshore lenders: 3.95% per annum plus SOFR
  - MTI VAT Facility is utilised to finance value added tax payable in connection with the capital expenditure, construction costs and operating costs associated with the AIM Project. This facility has an applicable margin of 3.50% per annum plus Jakarta Interbank Offered Rate (“JIBOR”) with a final maturity in August 2026

### Subsequent Events

- On 14 October 2022, BSI amended and restated the Facility agreement of the BSI Revolving Credit Facility whereby the total facility increased to US\$60 million with an extension of the final repayment date to 4 October 2023. The amendment includes the changes on applicable interest rate benchmark from London Interbank Offered Rate (“LIBOR”) to SOFR with applicable Credit Adjustment Spread
- Capital Investments
  - TB Copper Project: During the quarter, Merdeka invested US\$10 million in the TB Copper Project. This brought the cumulative investment to US\$131 million. Underground drilling in Q3 2022 was 11,143 metres with eight underground drill rigs and two surface drill rigs
  - AIM Project: During the quarter US\$33 million was invested with cumulative expenditure to 30 September 2022 of US\$121 million. AIM Project construction activities continue to progress towards first acid production in July 2023 with all project construction works self-performed by PT Merdeka Mining Servis (“MMS”)
  - MBM Haul Road: As of 30 September 2022, US\$27 million has been spent on the haul road upgrade with a further US\$53 million expected to be spent from Q4 2022 to Q2 2023
- MSCI ESG Rating
  - Merdeka’s MSCI ESG rating was upgraded from 'BB' to 'BBB' as of 27 October 2022. Merdeka is one of only a few Indonesian mining companies that has received the ‘BBB’ rating, which is the highest MSCI ESG rating received by Indonesian Metals and Mining companies. The rating upgrade is a recognition of Merdeka’s commitment and continuous efforts to improve its ESG performance. It also reflects Merdeka’s recent ESG related programs and activities which include Human Rights Policy launch, Code of Practice socialisation sessions, review and improvements on Merdeka’s Whistle-blower Policy and internal ISO Audits in preparation for upcoming external ISO Surveillance audits against ISO 14001 (Environment), ISO 45001 (Health & Safety) and ISO 9001 (Quality)

### 2022 Developments

- TB Copper Project
  - Underground Resource Definition Drilling will continue throughout 2022, with between 15,000 to 18,000 metres of drilling scheduled for Q4 2022
  - Subsequent to the quarter, Merdeka released a project update in the form of a Scoping Study which confirms attractive project economics for the development of a globally significant, long life, large scale underground mine producing gold and copper with a peak mill feed of 24Mtpa
  - Merdeka expects to announce Pre-Feasibility Study (“PFS”) results at the end of Q1 2023. Additional resource definition drilling will continue in 2023 to further upgrade resources

- TB Gold Mine
  - Merdeka has completed 9,653 meters of drilling targeting mine life extensions during the quarter comprising four diamond drill rigs and one RC rig. Drill results were announced on 1 September 2022<sup>3</sup> and will be incorporated in the planned resource and reserves updated expected to be released by end of Q1 2023
  
- Wetar Copper Mine
  - There is significant potential to extend mine life at the Wetar Copper Mine. The 2021 drilling successfully upgraded the Partolang resource and incorporated Partolang Barat as a resource
  - 6,734 meters of drilling at Partolang and surrounding areas during the quarter confirmed the continuation of mineralisation between Partolang and Partolang Barat
  - Drill results were announced on 5 October 2022<sup>4</sup> and will be incorporated in the planned resource and reserves updated expected to be released by end of Q1 2023
  
- AIM Project
  - 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 first acid production expected in July 2023
  - Design and international procurement had reached 98% and 75% completion, respectively. On site, the construction activities continue to progress well with MMS self-performing all project construction works with both pyrite and acid plants ahead of schedule
  
- Pani Gold Project
  - By the end of Q3 2022, nine drill rigs were operating at Pani targeting the central Baganite zone and two rigs were operating in the Paceda area undertaking a sterilisation drilling program, with a total of ~22,600 metres of diamond drilling completed during the quarter
  - The Feasibility Study is scheduled for completion in Q3 2023 with a subsequent investment decision for project construction expected by the end of 2023

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<sup>3</sup> Full details of the drill results can be obtained at the following location: [https://merdekacoppergold.com/wp-content/uploads/2022/09/MDKA\\_2022-09-01\\_TB-Gold-Sept-2022-Surface-Results-Release.pdf](https://merdekacoppergold.com/wp-content/uploads/2022/09/MDKA_2022-09-01_TB-Gold-Sept-2022-Surface-Results-Release.pdf)

<sup>4</sup> Full details of the drill results can be obtained at the following location: <https://merdekacoppergold.com/wp-content/uploads/2022/10/Wetar-Oct-2022-Exploration-Results-Release.pdf>

- Merdeka Battery Materials
  - There has been significant progress made to date with the ZHN RKEF smelter construction reaching 58% with an estimated completion date of July 2023 to achieve a nameplate capacity of 50,000 tonnes of nickel in NPI per annum. The SCM mine site is expected to begin ramping up mining in the coming quarters
  - 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. Significant progress has been made and MBM continues to upgrade the haul road further with the aim to achieve a 9% grade by end of Q2 2023 to allow the transport of saprolite to commence
  - During the quarter, Merdeka announced a series of senior level, executive appointments to further strengthen the management team of MBM. Mr. Jason Greive has been appointed as Chief Executive Officer and Mr. Tim Armstrong as Executive Chairman. These leadership positions are newly established roles within the MBM’s executive management team and will be responsible for leading and executing MBM’s operational and growth strategy<sup>5</sup>

## Outlook

### TB Gold Mine

2022 full year production is expected to be in the range of 110,000 to 125,000 ounces of gold at an AISC of US\$1,000/oz to US\$1,200/oz, net of silver credits. As of 30 September 2022, a total of 19,621 ounces of gold are hedged at an average price of US\$1,870/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\$7,055/t to US\$7,936/t. Copper production over the next three quarters is expected to be lower in accordance with scheduled lower ore mining volumes

### MBM

2022 full year production for each of CSIS and BSIS are expected to be 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

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<sup>5</sup> Full details of the announcement made in September 2022 can be obtained at the following location: <https://merdekacoppergold.com/wpcontent/uploads/2022/09/Merdeka-Battery-Materials-Senior-Leadership-Appointments.pdf>

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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) Merdeka Battery Materials (“MBM”); (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<sup>6</sup>.

MBM holds a portfolio of high-quality businesses which includes one of the world’s largest nickel resources (known as the Sulawesi Cahaya Mineral Mine) containing approximately 13.8 million tonnes of nickel and 1.0 million tonnes of cobalt<sup>7</sup>, operating RKEF smelters with a total nameplate capacity of 88,000 tonnes of nickel in NPI per annum<sup>8</sup>, and a strategic joint venture interest with Tsingshan to develop a future nickel and battery materials focused industrial estate, known as Indonesia Konawe Industrial Park (IKIP).

The Pani Gold Project is a significant undeveloped gold resource, containing approximately 4.7 million ounces of gold<sup>6</sup> and expected to become a long-life and low-cost gold mine with the potential to produce more than 250,000 ounces of gold per annum for more than 15 years.

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.

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<sup>6</sup> Refer to Annual Statements of Mineral Resources and Ore Reserves on [www.merdekacoppergold.com](http://www.merdekacoppergold.com)

<sup>7</sup> SCM Mineral Resource: February 2022 JORC prepared by AMC Consultants Pty Ltd. Total resource of 1.9 billion wmt of ore (equivalent to 1.1 billion dmt of ore) at 1.22% Ni containing 13.8Mt of nickel and at 0.08% Co containing 1.0Mt of cobalt

<sup>8</sup> ZHN RKEF Smelter is still under construction with nameplate capacity of 50,000 tonnes