

## Merdeka announces Q1 2023 Results

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**JAKARTA, 31 May 2023** – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“Merdeka” or “the Company”) is pleased to announce its financial performance for the first quarter of 2023 (“Q1 2023”).

### Key Highlights

- Total production of 25,830 ounces of gold, 4,053 tonnes of copper and 9,368 tonnes of nickel in nickel pig iron (“NPI”).
- Total sales of 19,996 ounces of gold, 3,603 tonnes of copper and 8,170 tonnes of nickel in NPI at an average realised selling price of US\$1,887/oz gold, US\$8,799/t copper and US\$17,470/t nickel in NPI.
- Revenue of US\$214 million and EBITDA of US\$43 million.
- All-in sustaining costs (“AISC”) of US\$1,262/oz for gold production net of silver credits, US\$10,653/t for copper production and US\$15,436/t for NPI production. In accordance with the mining schedule, production is expected to ramp up in the coming quarters, with the AISCs decreasing as production ramp up.
- On 31 March 2023, Merdeka announced its updated Mineral Resources and Ore Reserves Statement as of 31 December 2022. Merdeka’s Mineral Resources are estimated to contain 35.2 million ounces of gold, 8.4 million tonnes of copper, 79 million ounces of silver and 13.8 million tonnes of nickel.
- Merdeka issued the second tranche of Continuation Bonds Phase IV amounted to IDR2.5 trillion (equivalent to US\$163 million) with 367 days tenor at 6.5% interest rate per annum on 8 March 2023.
- Subsequent to the quarter, Merdeka Battery Materials (“MBMA”), a subsidiary of Merdeka, completed its IPO on the Indonesia Stock Exchange. Shares of MBMA commenced trading on Tuesday, 18 April 2023. The IPO, priced at IDR 795 per share, was well supported by domestic and foreign institutional investors, regional sovereign wealth fund and strategic investors. A total of 11.6 billion new shares was issued, representing approximately US\$619 million.
- Cash and cash equivalents, net of restricted cash, as of 31 March 2023, was US\$381 million. In addition, Merdeka has US\$165 million in undrawn debt facilities. After completing the MBMA IPO, Merdeka’s proforma cash and cash equivalents position, net of restricted cash, was US\$712 million as of 30 April 2023.

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

in US\$ million	Q1-23	Q1-22
Revenue	214.2	123.1
Cost of Revenue	(182.7)	(77.5)
<b>Gross Profit</b>	<b>31.5</b>	<b>45.6</b>
<i>Gross Profit Margin</i>	14.72%	37.07%
G&A Expenses	(13.5)	(16.1)
<b>Operating Profit</b>	<b>18.0</b>	<b>29.5</b>
<i>Operating Profit Margin</i>	8.40%	23.99%
Cross Currency Swap Transaction	3.6	4.0
Finance Expenses, net	(22.8)	(4.1)
Other Income (Expenses), net	6.5	57.6
<b>Profit Before Tax</b>	<b>5.3</b>	<b>87.0</b>
Tax Expenses	(2.5)	(21.5)
<b>Net Profit</b>	<b>2.8</b>	<b>65.4</b>
<i>Net Profit Margin</i>	1.28%	53.14%
<b>EBITDA</b>	<b>43.6</b>	<b>105.0</b>
<i>EBITDA Margin</i>	20.36%	85.27%

Financial Results for the first quarter ending 31 March 2023

- Revenue

The significant increase in revenue can be attributable to:

- Additional revenue of US\$142 million from MBMA NPI sales of 8,170 tonnes of contained nickel with an average selling price of US\$17,470/t.

Netted off with:

- Tujuh Bukit (“TB”) Gold Mine recorded gold sales of 19,996 ounces, revenue of US\$39 million and an average gold selling price of US\$1,887/oz (US\$1,871/t in Q1 2022). The decline in revenue is attributable to the lower volume of gold sold due to planned lower production in accordance with the mining schedule. Production is expected to increase in the second half of 2023; and
- Wetar Copper Mine recorded copper sales of 3,603 tonnes, revenue of US\$32 million and an average sales price of US\$8,799/t (US\$9,920/t in Q1 2022).

- Cost of Revenue
  - Operating costs attributable to NPI were US\$131 million. Over the past year, NPI production costs have increased due to higher LME nickel prices, increasing ore purchase prices, and higher costs for electricity and coal used in the production process.
  - Total operating costs attributable to gold and copper were US\$62 million (US\$77 million in Q1 2022). Lower operating costs in Q1 2023 are netted off with higher diesel price.
- Profitability
  - Merdeka generated an EBITDA of US\$43 million during Q1 2023. Q1 2022 EBITDA included the final insurance claim recognition of US\$42 million.
  - Lower profitability from the TB Gold Mine and the Wetar Copper Mine resulted from lower production for the quarter. Production is expected to increase in the second half of 2023, and Merdeka remains on track to achieve full year guidance.
  - EBITDA from MBMA amounted to US\$11 million in Q1 2023.
- Cash Flow
  - The addition of NPI production has resulted in higher operating cash flows for the quarter compared to Q1 2022.
  - The strong operating cash flows for the quarter were also supported by financing activities, including proceeds from an IDR bond issuance of ~US\$163 million and further drawdown of MTI term loan and MTI VAT facility totalling US\$37 million.

### Liquidity and Capital Resources

- Cash
  - Cash and cash equivalents, net of restricted cash, as of 31 March 2023, was US\$381 million. In addition, Merdeka has US\$165 million in undrawn debt facilities. After completion of the MBMA IPO, Merdeka's cash and cash equivalents position, net of restricted cash, was US\$712 million as of 30 April 2023.
- Debt Transactions in Q1 2023
  - Merdeka issued the second tranche of Continuation Bonds Phase IV amounted to IDR2.5 trillion (equivalent to ~US\$163 million) with 367 days tenor at 6.5% interest rate per annum on 8 March 2023.
  - The undrawn balance of Revolving Credit Facilities ("RCFs") as of 31 March 2023 was US\$160 million.

- Merdeka further withdrew a total of US\$37 million from the US\$260 million AIM Term Loan and IDR430 billion (equivalent to ~US\$29 million) AIM VAT Facility. As of 31 March 2023, the AIM Term Loan has been fully drawn, and the balance of AIM VAT Facility was IDR61 billion (equivalent to ~US\$5 million).
- Capital Investments
  - TB Copper Project: Merdeka invested US\$13 million on in-fill drilling to upgrade resources from inferred category to indicated and detailed feasibility work to advance the project. Merdeka completed 10,072 metres of underground drilling during the quarter with eight underground drill rigs and four surface drill rigs.
  - MBMA Haul Road: During the quarter, approximately US\$9.9 million has been invested in upgrading the haul road to allow ore to be hauled from the Konawe SCM mine to IMIP.
  - AIM Project: During the quarter, US\$59 million was invested in the AIM project. Construction of the AIM project continues with detailed design nearing completion, all mechanical and electric equipment purchase orders placed, and prioritised tender finalisation for pipes, cables, manual valves and remaining steel structures. Construction activities are progressing towards first acid production in 4Q 2023.
  - Pani Gold Project: During the quarter, US\$13 million was invested on drilling and feasibility study ("Pani FS"), which included exploration and project development activities. The FS is scheduled for completion in late Q3 2023, with results announced in Q4 2023.

### Environment, Social & Governance ("ESG")

- ESG Rating
  - Morningstar Sustainalytics upgraded Merdeka's ESG risk rating leading to a significant improvement of the global ranking from 96<sup>th</sup> to 46<sup>th</sup>, placing Merdeka in the highest quartile among other rated diversified metal and mining companies. The improvement confirms Merdeka's commitment to sustainable business conduct supported by robust ESG policies, programs and practices.

### Q1 2023 Developments

- TB Copper Project
  - Pre-Feasibility Study ("PFS") results were announced on 15 May 2023 and confirms the technical and economic viability of developing the project adopting a phased approach, starting with a 4Mtpa sub-level cave mine, transitioning to a larger block caving operation, with staged construction of processing plant modules supporting the ramp up in output to 24Mtpa.
  - The Feasibility Study commenced in May 2023 and will assess longer term optimisation opportunities, including primary economic drivers such as metallurgy and near term open pit potential.

- The updated Mineral Resources and Ore Reserves Statement as of 31 December 2022 indicates Mineral Resources of 1.71 billion tonnes of ore at a grade of 0.47% Cu and 0.50 g/t Au containing approximately 8.1 million tonnes of copper and 27.4 million ounces of gold, including an Indicated Resource of 442 million tonnes of ore at 0.60% Cu and 0.66 g/t Au.
- TB Gold Mine
  - Four diamond drill rigs and one RC rig drilled 12 diamond holes for 3,122 metres, and 37 RC holes for 8,069 metres during the quarter. A total of 30,000 metres of RC and diamond drilling is planned to continue testing along strike of current resources (Pit A and Pit C) during 2023.
- Wetar Copper Mine
  - During Q1 2023, fifty-three drill holes were completed with RC and DD for 8,527 metres in the Partolang area, consisting of 43 RC holes for 6,760 metres, eight DD resource definition holes for 1,418 metres and two DD metallurgical holes for 349 metres.
- Pani Gold Project
  - A combined Mineral Resource Estimate (“MRE”) consisting of Pani IUP and Pani CoW with 263.6 million tonnes of ore at 0.75 g/t Au for 6.35 million ounces of gold was declared during the quarter. The MRE, incorporating the latest drilling data as of end December 2022, was reported in February 2023<sup>1</sup>.
  - After the quarter, Merdeka announced, on 25 May 2023<sup>2</sup>, that further drilling has focused on raising the confidence levels of the MRE by infilling areas classified as inferred, as well as continuing to test the extents of the system. This has resulted in a further upgrade of the MRE to 275.8 million tonnes of ore at 0.75 g/t Au for 6.63 million ounces of gold. This infill drilling program has converted more than 1 million ounces of gold from the inferred resource category to the indicated resource category. This brings the total indicated resources for Pani Gold Project to 5.54 million ounces of gold.
  - At the end of March 2023, eleven drill rigs were operating at Pani carrying out metallurgical drilling and resource definition drilling and two rigs were operating in the Dulamayou area undertaking a sterilisation drilling program. 109 drill holes were completed (including 19 sterilisation holes) for approximately 25,703 metres of diamond drilling during the quarter.
  - Drilling is ongoing at Pani with twelve drill rigs carrying out both resource definition and sterilisation drilling, with approximately 70,000 metres of drilling

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<sup>1</sup> Full details of the Pani February 2023 MRE can be obtained at the following location: <https://merdekacoppergold.com/wp-content/uploads/2023/02/Pani-February-2023-Mineral-Resource-Estimate.pdf>

<sup>2</sup> Full details of the Pani May 2023 Resource Upgrade can be obtained at the following location: <https://merdekacoppergold.com/wp-content/uploads/2023/05/Pani-Gold-Project-Resource-Upgrade.pdf>

planned for 2023. A further updated mineral resource will be estimated later this year.

- Merdeka Battery Materials
  - The construction of the ZHN RKEF smelter has reached 91%, with expected completion in Q3 2023 to achieve a nameplate capacity of 50,000 tonnes of nickel in NPI per annum.
  - On 16 March 2023, MBMA entered into a Memorandum of Understanding (“MoU”) with Brunp CATL regarding the development of an HPAL plant, producing Mixed Hydroxide Precipitate (“MHP”), to be constructed within IKIP. The first phase of HPAL plants will have a total capacity of 120ktpa of nickel in MHP split into two 60ktpa tranches. Detailed engineering and construction are expected to commence in 2023.
  - After the quarter, MBMA announced it has entered conditional agreements to acquire a 60% interest in PT Huaneng Metal Industry (“HNMI”), a high-grade nickel matte conversion facility located in IMIP<sup>3</sup>. The proposed acquisition allows MBMA to transition its larger RKEF asset base to value-added Class 1 battery materials production and unlock value.
  
- AIM Project
  - First acid at the AIM Project is anticipated in 2H 2023. On site, the construction activities are progressing with Merdeka self-performing all project construction works.

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<sup>3</sup> Full details of the proposed HNMI acquisition are available:  
[https://www.merdekabattery.com/download.php?filename=230508\\_Corporate%20Update\\_Ni%20Matte%20\(vF\).pdf](https://www.merdekabattery.com/download.php?filename=230508_Corporate%20Update_Ni%20Matte%20(vF).pdf)

## Outlook

### TB Gold Mine

2023 full year production is expected to be 120,000 to 140,000 ounces of gold at an AISC of US\$1,100/oz to US\$1,300/oz, net of silver credits. As of 31 March 2023, 5,304 ounces of gold are hedged at an average price of US\$1,834/oz.

### Wetar Copper mine

2023 full year production is expected to be 16,000 to 20,000 tonnes of copper at an AISC US\$8,140/t to US\$10,340/t.

### Merdeka Battery Materials

2023 full year production for each of CSIS and BSIS is expected to be 18,000 to 20,000 tonnes of nickel in NPI at an AISC of US\$13,000/t to US\$15,000/t. One of the major cost components of the smelter is ore feedstock, which varies depending on the nickel price. Konawe SCM mine is expected to increase its mining volumes gradually in 2023.

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**About PT Merdeka Copper Gold Tbk.**

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

Merdeka’s major assets are the: (i) Tujuh Bukit Copper Project; (ii) PT Merdeka Battery Materials Tbk (IDX: MBMA); (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 8.1 million tonnes of copper and 27.4 million ounces of gold<sup>4</sup>.

MBMA holds a portfolio of high-quality businesses which include 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>5</sup>, operating RKEF smelters with a total nameplate capacity of 88,000 tonnes of nickel in NPI per annum<sup>6</sup>, the Acid Iron Metal (AIM) Project which will produce acid and steam for use in HPAL plants, in addition to producing other metals such as copper, gold and iron. MBM is also developing its first high pressure acid leach plant at the Indonesia Konawe Industrial Park, a future nickel and battery materials-focused industrial estate in Sulawesi, Indonesia (“IKIP HPAL 1”). It is intended that IKIP HPAL 1 will be a 120,000tpa operation (nickel equivalent) split into two 60,000tpa tranches.

The Pani Gold Project is a significant growth project, containing approximately 6.6 million ounces of gold<sup>7</sup> and is expected to become a long-life and low-cost gold mine with the potential to produce a significant amount of gold.

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

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<sup>4</sup> Refer to Annual Statements of Mineral Resources and Ore Reserves on [www.merdekacoppergold.com](http://www.merdekacoppergold.com)

<sup>5</sup> Konawe 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 0.09% Co containing 1.0Mt of cobalt

<sup>6</sup> ZHN RKEF smelter is under construction with a nameplate capacity of 50,000 tonnes per annum

<sup>7</sup> Pani resources update (<https://merdekacoppergold.com/wp-content/uploads/2023/05/Pani-Gold-Project-Resource-Upgrade.pdf>)