

Financial Results for 9M 2023

Jakarta, Indonesia, 21 November 2023 – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“Merdeka” or the “Company”) is pleased to announce its financial performance for the nine months ending 30 September 2023 (“9M 2023”).

Key Highlights for 9M 2023

- Merdeka recorded revenue and EBITDA of US\$1.2 billion and US\$182 million, respectively for 9M 2023. EBITDA of US\$107 million for the September quarter is a significant improvement on the June quarter, representing a 243% increase.
- Merdeka achieved production of 109,159 ounces of gold, 9,309 tonnes of copper and 42,976 tonnes of nickel in nickel pig iron (“NPI”) and 17,649 tonnes of nickel in nickel matte.
- Sales of 98,694 ounces of gold, 11,011 tonnes of copper, 42,054 tonnes of nickel in NPI, and 16,430 tonnes of nickel in nickel matte, at an average selling price of US\$1,942/oz gold, US\$8,660/t copper, US\$14,305/t nickel in NPI, and US\$16,572/t nickel in nickel matte. All-in sustaining costs (“AISC”) were US\$1,138/oz for gold, US\$11,986/t for copper, US\$12,958/t for NPI, and US\$15,247/t for nickel matte.
- Saprolite ore delivery to PT Merdeka Battery Materials Tbk (IDX: MBMA) RKEF smelters commenced in mid-August 2023. A total of 44,000 wet metric tonnes (“wmt”) of saprolite ore was delivered in the September quarter. Haulage will increase to 600,000 – 800,000 wmt in the December quarter and is expected to ramp up to a haulage rate of six million wmt per annum by the end of 2024, generating significant operating cash flow.
- On 4 August 2023, Merdeka successfully completed the issuance of the third tranche of Continuation Bonds IV for a total amount of Rp2.6 trillion (equivalent to approximately US\$170 million). Merdeka repaid a total of US\$162 million equivalent of IDR bonds during the September quarter.
- MBMA signing a new partnership with GEM Co., Ltd (“GEM”) to construct a majority MBMA owned High-Pressure Acid Leach (“HPAL”) processing plant, located within the Indonesia Morowali Industrial Park (“IMIP”), with a nameplate capacity of 30,000 tonnes per annum of contained nickel in Mixed Hydroxide Precipitate (“MHP”).
- As of 30 September 2023, cash and cash equivalents, net of restricted cash, was US\$431 million. In addition, Merdeka has US\$160 million in undrawn debt facilities.

Table 1. Highlights of Consolidated Statement of Income

in US\$ million	9M 2023	9M 2022
Revenue	1,170.2	626.0
Cost of Revenue	(1,051.6)	(481.9)
Gross Profit	118.6	144.1
<i>Gross Profit Margin</i>	10.1%	23.0%
G&A Expenses	(38.1)	(35.7)
Operating Profit	80.5	108.4
<i>Operating Profit Margin</i>	6.9%	17.3%
Cross Currency Swap Transaction	8.7	10.1
Finance Expenses, net	(68.5)	(33.4)
Other Income (Expenses), net	(15.6)	10.4
Profit Before Tax	5.1	95.4
Tax Expenses	(9.0)	(25.2)
Net Profit	(3.9)	70.3
<i>Net Profit Margin</i>	(0.3%)	11.2%
EBITDA	181.8	247.0
<i>EBITDA Margin</i>	15.5%	39.4%

9M 2023 Financial Results

Revenue

- A significant increase in revenue of US\$544 million is attributable to additional revenue of US\$618 million from the sale of NPI and nickel matte, resulting from the commissioning of the 50,000 tonnes per annum PT Zhao Hui Nickel (“ZHN”) smelter and the acquisition of PT Huaneng Metal Industry (“HNMI”), a high-grade nickel matte (“HGNM”) plant, in the June quarter.

Netted off with:

- Gold sales of 98,694 ounces from the Tujuh Bukit gold mine (“TB Gold”) in 9M 2023, compared to 9M 2022 sales of 113,450 ounces. The decline is attributable to planned lower production in accordance with the mining schedule. The average selling price in 9M 2023 was US\$1,942/oz, compared to US\$1,820/oz in 9M 2022; and
- Copper sales of 11,011 tonnes from the Wetar copper / pyrite mine (“Wetar”) in 9M 2023, compared to 9M 2022 sales of 15,659 tonnes. The decline in the volume of copper sold was in line with lower copper production. The average selling price in 9M 2023 was US\$8,660/t, compared to US\$9,079/t in 9M 2022.

Cost of Revenue

- The increase in cost of revenue is primarily attributable to additional nickel production costs. The total cost of revenue attributable to NPI was US\$560 million from nine months of operation in 9M 2023, compared to US\$282 million from only five months of operation in 9M 2022. The increase of NPI cost also reflects the enlarged NPI production profile following the successful commissioning of ZHN, in June 2023.
- In addition, the total cost of revenue attributable to nickel matte was US\$250 million. More than 90% of the costs are associated with purchasing low-grade nickel matte (“LGNM”), one of the primary raw materials to produce HGNM.

Profitability

- Merdeka generated EBITDA of US\$182 million in 9M 2023, compared to 9M 2022 EBITDA of US\$247 million which included a one-time, non-recurring final insurance claim of US\$42 million. EBITDA contribution from MBMA was US\$64 million in 9M 2023. The lower EBITDA is attributable to lower gold and copper production from TB Gold and Wetar, and lower NPI margins.
- Merdeka recorded gold sales of 98,694 ounces compared to gold production of 109,159 ounces. This difference resulted in profit recognition being deferred to Q4 2023. Lower Wetar profitability is mainly driven by lower copper production and average selling price.
- Finance costs have increased due to higher interest rates and higher overall debt levels incurred to finance the Company’s transformational growth, underpinned by the acquisition of MBMA foundation assets and construction of the AIM Project.
- Other expenses in 9M 2023 included a one-time, non-recurring founders’ tax related to the MBMA IPO of US\$16 million.

Cash Flow

- Financing activities during 9M 2023 included MBMA IPO proceeds, IDR bond issuance of approximately US\$163 million in 1Q 2023 and approximately US\$170 million in 3Q 2023, and drawdown of PT Merdeka Tsingshan Indonesia (“MTI”) term loan and MTI VAT facility totalling US\$41 million.
- Financing activities also included full repayment of MBMA’s outstanding principal loan of US\$75 million to ING Bank and MDKA IDR bond principal repayments of approximately US\$66 million in 1Q 2023 and approximately US\$162 million in 3Q 2023.
- Merdeka has maintained its liquidity and financial strength through debt and equity transactions conducted throughout 9M 2023.

Liquidity and Capital Resources

Cash

- As of 30 September 2023, cash and cash equivalents, net of restricted cash, was US\$431 million. In addition, Merdeka has US\$160 million in undrawn debt facilities.

Debt Transactions in 3Q 2023

- On 4 August 2023, Merdeka successfully completed the issuance of the third tranche of Continuation Bonds IV for a total amount of Rp2.6 trillion (equivalent to approximately US\$170 million), offered in two series. Series A was offered with bond principal amounting to Rp 1.1 trillion, and a coupon rate of 6.75% per annum for 367 days tenor, whereas for Series B was offered with bond principal amounting to Rp 1.5 trillion, and a coupon rate of 8.00% per annum for a three-year tenor.
- The IDR Bond issuance is netted off with a total repayment of US\$162 million equivalent of IDR bonds during the same quarter.

Capital Investments in 9M 2023

Pani Gold Project

- Merdeka has allocated substantial resources in completing pre-development construction activities, including independent access roads, mobile fleet maintenance facilities, personnel accommodation camp and geology core shed facilities.
- In addition to the considerable expenditure incurred in previous years, Merdeka has invested \$70 million on resource drilling, mining fleet purchases and site infrastructure development during 9M 2023.

TB Copper Project

- Merdeka invested US\$35 million during 9M 2023 for feasibility work to advance the project, including resource definition drilling, geological modelling, and technical studies.

MBMA

- During 3Q 2023, an additional US\$117 million was invested at the AIM Project, bringing the total 9M 2023 investment to US\$234 million.
- Completion of the haul road upgrade to facilitate saprolite ore haulage from the SCM mine to IMIP with a total project-to-date investment of approximately US\$84.5 million.

Environment, Social & Governance (“ESG”)

- In late October 2023, MSCI Inc. upgraded Merdeka’s ESG rating to an ‘A’ rating, an improvement from the ‘BBB’ rating of the previous year. This rating places Merdeka as the highest rated Indonesian metals and mining company. This upgrade

demonstrates Merdeka's commitment to operating sustainably and responsibly, creating value for stakeholders and positively impacting the economy, environment, people, and local communities.

9M 2023 Developments

Pani Gold Project

- Merdeka completed 60,923 metres of drilling during 9M 2023, with a further 14,000 metres of drilling schedule for the remainder of 2023.
- Results from the most recent drill holes continue to demonstrate the continuity of mineralisation, increase confidence in the resource categories and show potential for resource expansion.
- Merdeka is completing a feasibility study to optimise the project and constructing a 7Mtpa heap leach operation, with gold production expected to commence by the end of 2025.

TB Copper Project

- Merdeka is now completing optimisation studies, including the potential to improve metallurgical recoveries, higher underground production throughput and open pit mining of additional copper ore.
- Underground drilling is continuing, with the next mineral resource update, targeted for 1Q 2024, expected to deliver significant additional indicated resource tonnage.
- Drilling activities for 9M 2023 resulted in 26,290 metres completed by the end of the September quarter and will continue throughout the rest of the year with a further 10,375 metres of resource definition drilling planned.
- Drilling during the September quarter, which related to the extension of TB Gold, has identified copper-gold mineralisation extending from below the TB Gold open pits to the underground indicated resource.
- In proximity to Pit A and Pit C, geotechnical and hydrological investigation holes were extended, totaling 2,693 meters drilled over nine holes. This was part of an effort to test oxide mineralisation in areas with sparse prior drilling.
- The RC holes were drilled for 1,974 metres into the Candrian high sulphidation alteration area. A further eight RC holes and nine diamond drill holes are planned to be drilled in this area in Q4 2023. Two rigs drilled a total of six geotechnical investigation holes for 152 metres in this area.
- Surface exploration activities were initiated at the Lompongan regional prospect, including mapping, soil sampling, trenching, and drilling. Three diamond holes, amounting to 481 meters, were drilled by two rigs, with the primary focus on near-surface gold and porphyry copper-gold mineralisation.

- Preliminary drilling of this potential open pit copper-gold resource and other high-priority open pit prospects within the concession area is ongoing.
- The potential mining of this copper-gold mineralisation from an open pit is a low-risk, brownfield expansion of the existing mining operations. It would potentially increase, accelerate and de-risk the initial production profile of the TB Copper Project.

MBMA

- MBMA signed an agreement with GEM to construct a majority MBMA owned HPAL processing plant, located within IMIP, with a nameplate capacity of 30,000 tonnes per annum of contained nickel in MHP. MBMA and GEM (including its supply chain affiliates) will establish, through their respective subsidiaries, PT ESG New Energy Material (“ESG”) to develop an HPAL plant with ownership of 55% and 45%, respectively. The project will be constructed and commissioned in two stages on a “turn-key” basis. Stage one will have a nameplate capacity of 20,000 tonnes per annum of nickel in MHP, and stage two will increase the nameplate capacity to 30,000 tonnes per annum of nickel in MHP. Stage one and stage two target commissioning dates are the end of 2024 and mid-2025, respectively. MBM is responsible for the supply of laterite nickel ore to the ESG HPAL plant on commercial terms. ESG will construct a feed preparation plant inside the SCM Mine concession to facilitate ore transportation via pipeline to the ESG HPAL processing plant at IMIP. In addition, MBMA has the option to participate in GEM’s planned HPAL expansion of an additional 20,000 tonnes per annum of nickel in MHP, with a shareholding of not less than 20%.
- Commissioning at the AIM Project has commenced as construction nears completion. The first shipment of pyrite ore from Wetar to IMIP was completed in September 2023 and targeting a run-rate shipment of one million tonnes per annum by the end of 2024. The first acid train is expected in January 2024, followed by the second acid train and chloride plant ramping up to full capacity in 1Q 2024.

TB Gold

- During 3Q 2023, six diamond drill rigs and one reverse circulation (“RC”) rig drilled 19 diamond holes for 4,372 metres and 30 RC holes for 8,234 metres, focusing on identifying and assessing near-mine targets for extending mine’s life.

Wetar

- During 3Q 2023, 57 RC holes were completed for 8,035 metres, and 12 DD holes were completed for 1,300 metres.
- RC drilling focused on resource definition programs, both infill and extension drilling, in Ortega, Partolang Bridge, and beneath the Partolang pit.

Outlook

TB Gold Mine

2023 guidance is 120,000 to 140,000 ounces of gold at an AISC of US\$1,100 to 1,300/oz.

Wetar Copper / Pyrite Mine

2023 guidance is 14,000 to 16,000 tonnes of copper at an AISC of US\$4.20 to 5.00/lb.

Merdeka Battery Materials

SCM mine is expected to deliver 600,000 to 800,000 wmt of saprolite ore to RKEF smelters at IMIP in 2023 and ramp up to 6 million wmt per annum by the end of 2024.

Nickel guidance of 57,000 to 65,000 tonnes of nickel in NPI at an AISC of US\$12,500 to 14,000/t and 28,000 to 31,000 tonnes of nickel in nickel matte.

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