

## Financial Results for FY2023

**Jakarta, Indonesia, 27<sup>th</sup> March 2024** – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“Merdeka” or the “Company”) is pleased to announce its financial performance for the 12 months ending 31 December 2023 (“FY2023”).

### Key Highlights for FY2023

- Revenue and EBITDA of US\$1.7 billion and US\$242 million, respectively, representing growth of 96.2% and 2.6%, compared to FY2022<sup>1</sup>.
- Gold, nickel pig iron (“NPI”) and nickel matte production were in accordance with expectations. Copper production was lower than expectations, resulting in lower cash margins for the year. NPI and nickel matte margins remain positive but were lower in FY2023 due to lower average sales prices for NPI and nickel matte, notwithstanding the reduction in cash costs.
- Merdeka recorded a net cash increase of US\$77 million. US\$57 million of net cash inflow was generated from operating activities, US\$738 million of net cash inflow from financing activities and US\$718 million of net cash outflow for investing activities.
- Merdeka achieved the following milestones in FY2023:

	Production	Sales	Sales Price	Cash Cost
<b>Gold</b>	138,666 ounces	129,867 ounces	US\$1,939/oz	US\$842/oz
<b>Copper</b>	12,706 tonnes	13,217 tonnes	US\$8,578/t	US\$8,243/t
<b>Ni in NPI</b>	65,117 tonnes	64,526 tonnes	US\$13,536/t	US\$12,095/t
<b>Ni in Matte</b>	30,333 tonnes	28,129 tonnes	US\$15,592/t	US\$14,755/t

- On 15 December 2023, Merdeka successfully completed the issuance of the fourth tranche of Continuation Bonds IV for a total amount of Rp2.1 trillion (equivalent to approximately US\$135 million), offered in two series. The outstanding balance of IDR bonds as of 31 December 2023 was US\$1.1 billion.
- As of 31 December 2023, cash and cash equivalents, net of restricted cash, was US\$519 million. In addition, Merdeka has US\$100 million in undrawn debt facilities.

<sup>1</sup> EBITDA growth calculated based on adjusted FY2022 EBITDA of US\$235.4 million which excludes one-off insurance claim payment of US\$42 million.

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

<b>in US\$ million</b>	<b>FY2023</b>	<b>FY2022</b>
Revenue	1,706.8	869.9
Cost of Revenue	(1,561.1)	(705.2)
<b>Gross Profit</b>	<b>145.7</b>	<b>164.7</b>
<i>Gross Profit Margin</i>	8.5%	18.9%
G&A Expenses	(48.9)	(53.1)
<b>Operating Profit</b>	<b>96.7</b>	<b>111.6</b>
<i>Operating Profit Margin</i>	5.7%	12.8%
Finance Expenses, net	(67.2)	(41.9)
Other Income (Expenses), net <sup>2</sup>	(17.2)	20.2
<b>Profit Before Tax</b>	<b>12.3</b>	<b>89.9</b>
Tax Expenses	(6.7)	(25.1)
<b>Net Profit</b>	<b>5.7</b>	<b>64.8</b>
<i>Net Profit Margin</i>	0.3%	7.5%
<b>EBITDA</b>	<b>241.5</b>	<b>277.4</b>
<i>EBITDA Margin</i>	14.2%	31.9%
<b>Normalised EBITDA<sup>2</sup></b>	<b>241.5</b>	<b>235.4</b>
<i>Normalised EBITDA Margin</i>	14.2%	27.1%

## **FY2023 Financial Results**

### **Revenue**

- A significant increase in revenue of US\$837 million is attributable to a full year of contribution from the nickel operations.

Netted off with:

- Gold sales of 129,867 ounces from the Tujuh Bukit gold mine (“TB Gold”) in FY2023, compared to FY2022 sales of 134,411 ounces. The average sales price in FY2023 was US\$1,939/oz, compared to US\$1,803/oz in FY2022. The decline in gold sales is attributable to timing of sales, which will be recognised during 1Q 2024.
- Copper sales of 13,217 tonnes from the Wetar copper / pyrite mine (“Wetar”) in FY2023, compared to FY2022 sales of 20,338 tonnes. The average sales price in FY2023 was US\$8,578/t, compared to US\$8,822/t in FY2022. The decline in copper sales was in line with lower copper production which was caused by unscheduled interruptions in the delivery of explosives due to permitting delays. Copper production was also impacted by slower leach kinetics and higher levels of clay content ores which are stockpiled for future processing.

<sup>2</sup> Other expenses in FY2023 included founders’ tax related to the MBMA IPO of US\$16 million. Other income in FY2022 included insurance proceeds of US\$42 million in relation to business interruption (EBITDA item) and US\$18 million related to property damage (non-EBITDA item) at TB Gold.

## Cost of Revenue

- The increase in cost of revenue is reflective of the enlarged NPI production profile following the successful commissioning of PT Zhao Hui Nickel (“ZHN”) smelter and acquisition of a 60% interest in PT Huaneng Metal Industry (“HNMI”) nickel matte converter in June 2023.
- The total cost of revenue attributable to NPI was US\$814 million from twelve months of operation in FY2023, compared to US\$383 million from only eight months of operation in FY2022.
- The total cost of revenue attributable to nickel matte was US\$423 million. More than 90% of the costs are associated with purchasing low-grade nickel matte (“LGNM”), one of the primary raw materials to produce high-grade nickel matte (“HGNM”).

## Profitability

- Merdeka generated EBITDA of US\$242 million in FY2023, compared to FY2022 normalised EBITDA of US\$235 million<sup>3</sup>. The higher operating EBITDA in FY2023 is attributable to US\$98 million nickel contribution from PT Merdeka Battery Materials Tbk (“MBMA”), netted off with lower gold and copper production from TB Gold, Wetar and lower NPI EBITDA margins (FY2023: US\$1,347/t vs. FY2022: US\$2,126/t).
- A reduction in the gross profit margin is mainly attributable to the fall in the average selling price of NPI from US\$16,324/t in FY2022 to US\$13,536/t in FY2023. One primary NPI production cost component is the nickel ore price, which varies depending on the international nickel price and global supply conditions. The SCM mine will supply approximately half of the saprolite ore required by the MBMA RKEF smelters in 2024, reducing its exposure to nickel ore price fluctuations.
- Finance costs have increased due to higher interest rates and overall debt levels incurred in support of the Company’s transformational growth, underpinned by the acquisition of MBMA foundation assets, the construction of the AIM Project and ongoing development costs for the Pani Gold Project and Tujuh Bukit. US\$67 million of finance expenses include US\$11 million of cross currency swap gain.

## Cash Flow

- Cash flows from operations in FY2023 was US\$57 million. This is netted off with investment in working capital for PT Sulawesi Cahaya Mineral (“SCM”) and ZHN smelter as both projects were completing construction in 1H 2023 and entered production in 2H 2023.
- Cash flows from investing in FY2023 was US\$718 million. This capital was deployed to developing Merdeka and MBMA growth projects.

<sup>3</sup> FY2022 EBITDA includes non-recurring final insurance claim payment of US\$42 million.

- Cash flows from financing in FY2023 was US\$738 million which included MBMA IPO proceeds of approximately US\$614 million, IDR bond issuance of approximately US\$468 million, drawdown of MTI term loan and MTI VAT facility totalling US\$41 million and drawdown of US\$60 million of Merdeka RCF. These are netted-off with IDR bonds repayment amounting to US\$217 million.

## **Liquidity and Capital Resources**

### **Cash**

- As of 31 December 2023, cash and cash equivalents, net of restricted cash, was US\$519 million. In addition, Merdeka has US\$100 million in undrawn debt facilities.

### **Debt Transactions in 4Q 2023**

- On 15 December 2023, Merdeka completed the issuance of the fourth tranche of Continuation Bonds IV for a total amount of Rp2.1 trillion (equivalent to approximately US\$135 million), offered in two series. Series A was offered with a bond principal amounting to Rp 801 billion and a coupon rate of 7.75% per annum for 367 days tenor. Series B was offered with a bond principal amounting to Rp 1.3 trillion and a coupon rate of 9.50% per annum for a three-year tenor.
- MBMA entered a US\$80 million Single Currency Term Facility with PT Bank UOB Indonesia on 28 December 2023. This loan has a final maturity date falling six months from (and including) the date of the initial utilisation with an applicable margin of (i) 3.75 to 3.85% per annum plus SOFR. Subsequent to the quarter, MBMA has fully drawn this facility and expects to repay the facility from MBMA's first IDR bond issuance, which is expected to be completed in early 2Q 2024.
- Merdeka has drawn US\$60 million of RCF as of 31 December 2023. The undrawn RCF balance at the end of the quarter was US\$100 million.

### **Capital Investments in FY2023**

#### **Pani Gold Project**

- Merdeka has allocated substantial resources towards developing site infrastructure, resource drilling and acquiring mobile equipment for Pani construction with total investment of US\$101 million in FY2023.

#### **TB Copper Project**

- Merdeka invested US\$44 million during FY2023 for feasibility work to advance the project, including resource definition drilling, geological modelling, and technical studies.

## **MBMA**

- During 4Q 2023, Merdeka invested an additional US\$46 million in the AIM Project, bringing the total FY2023 investment to US\$280 million.

## **FY2023 Developments**

### **Pani Gold Project**

- The Pani Feasibility Study (“FS”) was published in March 2024. The FS confirms Pani as a multi-decade mining operation with an ultimate processing capacity of 19.0Mtpa, expected peak gold production of approximately 500,000 ounces per annum positions Pani as one of the largest gold mines in Indonesia and the Asia-Pacific region with mineral resource of 281.3Mt at a grade of 0.74 g/t gold for 6.7Moz of gold.
- Pani will be developed in phases commencing with an initial heap leach operation with an ore processing capacity of 7.0Mtpa to maximise near term cash flow, producing approximately 140,000 ounces of gold per annum. A second development phase utilising a carbon-in-leach (“CIL”) gold recovery circuit with an initial ore processing capacity of 7.5Mtpa, expanding to 12.0Mtpa – giving an ultimate processing capacity of 19.0Mtpa.
- Project construction is advancing and targeting commissioning in late 2025 with first gold production expected in 1Q 2026.

## **MBMA**

- MBMA completed its IPO on the Indonesia Stock Exchange in April 2023 and the acquisition of a 60% interest in HNMI and commissioned its third RKEF smelter, ZHN in June 2023. In 2H 2023, HNMI and ZHN produced 30,333 tonnes of nickel in nickel matte and 26,401 tonnes of nickel in NPI, respectively.
- In August 2023, the haul road linking IMIP to the SCM mine was completed, enabling SCM to commence delivery of saprolite ore to its RKEFs smelters at the Indonesia Morowali Industrial Park (“IMIP”).
- In December 2023, slurry pipeline linking the PT Huayue Nickel Cobalt (“HNC”) Feed Preparation Plant (“FPP”) to IMIP was completed, allowing transport of limonite ore from the SCM Mine to HNC to commence. In December 2023, SCM commenced limonite ore sales to HNC of 0.9 million wet metric tonnes (“wmt”) at an average price of US\$17/wmt. Saprolite ore sales of 0.8 wmt at an average price of US\$34/wmt. The SCM mine produced 4.0 and 2.3 million wmt of saprolite and limonite in FY2023, respectively.
- Pre-commissioning activities continue in the AIM Project pyrite and acid plants. Insulation for boiler train 1 and waste heat boiler service test in the acid plant is now complete, with scaffolding removal ongoing in train 2. The pre-heating of acid train 1

roaster commenced in January 2024. Construction is continuing in the chloride plant, and pre-commissioning activities commenced in January 2024. MBMA has completed operational readiness tasks alongside ongoing construction activities with the transition to operations. These tasks include recruitment and training of operations personnel, formal risk assessment with key safety, operational and construction personnel, securing and first delivering operational reagents and consumables, and developing proactive maintenance management. MBMA is continuing to conduct internal testing in preparation for the commissioning of the AIM Project with the first acid train expected to start production and ramp up to full capacity during 2Q 2024, with the commencement of the second acid train and chloride plant also expected in 2Q 2024. Since completion of the Wetar barge jetty a total of 30,000 tonnes of pyrite ore has been delivered from Wetar to the AIM Project.

- MBMA is partnering with Brunp CATL and GEM Co., Ltd. (“GEM”) to develop HPAL plants.
  - Brunp CATL partnership will have a nameplate capacity of 60,000 tonnes per annum of nickel in MHP. MBMA will own a 66% economic interest, with Brunp CATL owning 34%. Feasibility work is advancing, with detailed engineering and construction expected to commence after the completion of the feasibility work. Commissioning is expected within 24 months from the commencement of construction.
  - GEM partnership will have a nameplate capacity of 30,000 tonnes per annum of nickel in MHP. The project will be constructed and commissioned in two stages on a “turn-key” basis for an agreed capital expenditure of US\$600 million. 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. MBMA is responsible for the supply of laterite nickel ore to the HPAL plant on market terms. A FPP will be constructed inside the SCM mine concession to facilitate ore transportation via pipeline to the HPAL plant at IMIP. At the end of FY2023, detailed engineering design and long lead item purchase for the HPAL plant was substantially complete.

## **TB Copper Project**

- Merdeka published the TB Copper Pre-Feasibility Study (“PFS”) results in May 2023, demonstrating the project’s potential to be a globally significant, low-cost and long-life copper mine.
- Merdeka continues to advance a targeted drilling program to test the potential of open pit copper-gold mineralisation extending from below the TB Gold open pits to the top of the TB Copper underground indicated resource. Optimisation work targeting improved project economics is progressing and delivering encouraging results.

## **TB Gold Mine**

- During 4Q 2023, ten diamond drill rigs and two reverse circulation (“RC”) rig drilled 29 diamond holes for 9,152 metres and 31 RC holes for 8,702 metres proximal to the open pits during the quarter. A total of approximately 30,000 metres of RC and DD is planned to continue testing along strike and infilling current resources for the first half of 2024.

## **Outlook for FY2024**

### **TB Gold Mine**

Guidance is 100,000 to 120,000 ounces of gold at a total cash cost of US\$900 to 1,050/oz.

### **Wetar Copper mine**

Guidance is 14,000 to 16,000 tonnes of copper at a total cash cost of US\$3.25 to 4.00/lb.

### **MBMA**

Saprolite and limonite ore sales of 4.0 – 5.0 million wmt and 10.0 – 11.0 million wmt, respectively.

Nickel in NPI guidance is 85,000 to 92,000 tonnes at a total cash cost of US\$10,000 to 12,000/t.

Nickel in nickel matte guidance is 50,000 to 55,000 tonnes at a cash cost of US\$13,000 to 15,000/t.

Merdeka FY2024 revenue is expected to grow further factoring in a full year of contributions from ZHN and HNMI, nickel ore sales from the SCM mine and commissioning of the AIM Project.

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