

Financial Results for 1Q 2024

Jakarta, Indonesia, 3rd June 2024 – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“Merdeka” or the “Company”) is pleased to announce its financial performance for the three months ending 31 March 2024 (“1Q 2024”).

Key Highlights for 1Q 2024

- Revenue and EBITDA of US\$541 million and US\$57 million, representing YoY growth of 152.6% and 29.5%, respectively.
- Gold, copper, nickel pig iron (“NPI”) and nickel matte production were in accordance with expectations. Nickel operations continued to operate profitably during the recent low nickel price environment.
- Merdeka achieved the following milestones in the quarter:

	Production	Sales	Sales Price	Cash Cost
Gold	24,139 ounces	26,633 ounces	US\$2,106/oz	US\$1,065/oz
Copper	3,046 tonnes	4,313 tonnes	US\$8,352/t	US\$5,885/t
Ni in NPI	20,900 tonnes	21,621 tonnes	US\$11,055/t	US\$10,107/t
Ni in Matte	12,041 tonnes	14,404 tonnes	US\$13,673/t	US\$13,120/t
Limonite	1,191,696 wmt	623,307 wmt	US\$13/wmt	US\$10/wmt
Saprolite	457,042 wmt	144,931 wmt	US\$28/wmt	US\$10/wmt

- On 23 February 2024, Merdeka successfully completed the issuance of the fifth tranche of Continuation Bonds IV for a total amount of Rp1.5 trillion (equivalent to approximately US\$96 million), offered in two series. The outstanding balance of IDR bonds as of 31 March 2024 was equivalent to approximately US\$1.0 billion.
- Merdeka raised US\$50 million in equity via a private placement in 1Q 2024 to support its development projects.
- As of 31 March 2024, cash and cash equivalents, net of restricted cash, was US\$424 million. In addition, Merdeka has US\$100 million in undrawn debt facilities.

Table 1. Highlights of Consolidated Statement of Income

in US\$ million	1Q 2024	1Q 2023
Revenue	541.1	214.2
Cost of Revenue	(507.8)	(182.7)
Gross Profit	33.3	31.5
<i>Gross Profit Margin</i>	6.2%	14.7%
G&A Expenses	(12.8)	(13.5)
Operating Profit	20.5	18.0
<i>Operating Profit Margin</i>	3.8%	8.4%
Finance Expenses, net	(22.8)	(19.2)
Other Income (Expenses), net	(5.8)	6.5
Profit Before Tax	(8.2)	5.3
Tax Expenses	(1.1)	(2.6)
Net Profit	(9.3)	2.8
<i>Net Profit Margin</i>	(1.7%)	1.3%
EBITDA	56.5	43.6
<i>EBITDA Margin</i>	10.4%	20.4%

1Q 2024 Financial Results

Revenue

The significant increase in revenue of US\$327 million is attributable to:

- Gold sales of 26,633 ounces from the Tujuh Bukit gold mine (“TB Gold”) in 1Q 2024, compared to 1Q 2023 sales of 19,996 ounces. The average sales price (“ASP”) in 1Q 2024 was US\$2,106/oz, compared to US\$1,887/oz in 1Q 2023.
- Copper sales of 4,313 tonnes from the Wetar copper – pyrite mine (“Wetar”) in 1Q 2024, compared to 1Q 2023 sales of 3,603 tonnes. The ASP in 1Q 2024 was US\$8,352/t, compared to US\$8,799/t in 1Q 2023.
- NPI sales of 21,621 tonnes from three RKEF plants (BSID, CSID and ZHN) in 1Q 2024, representing a significant increase from 8,170 tonnes NPI sold from only two RKEF plant in 1Q 2023. The ASP in 1Q 2024 was US\$11,055/t for NPI, compared to US\$17,470/t in 1Q 2023.
- Nickel matte sales of 14,404 tonnes in 1Q 2024 at an ASP of US\$13,673/t.
- The SCM mine sold 0.6 million wet metric tonnes (“wmt”) of limonite ore to PT Huayue Nickel Cobalt (“HNC”) with an ASP of US\$13/wmt.

Cost of Revenue

- The increased cost of revenue is representative of the enlarged NPI production profile following the successful commissioning of the PT Zhao Hui Nickel (“ZHN”) smelter and the 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\$229 million from three RKEF plants in 1Q 2024, compared to US\$131 million from two RKEF plants in 1Q 2023.

Profitability

- Merdeka generated an EBITDA of US\$57 million in 1Q 2024, compared to 1Q 2023 EBITDA of US\$44 million. The higher EBITDA is attributable to the nickel contribution from listed subsidiary, PT Merdeka Battery Materials Tbk (IDX: MBMA), higher gold and copper production from TB Gold and Wetar, netted off with lower NPI EBITDA margins (1Q 2024: US\$836/t vs. 1Q 2023: US\$2,021/t).
- A reduction in the gross profit margin is mainly attributable to the fall in the ASP of NPI from US\$17,470/t in 1Q 2023 to US\$11,055/t in 1Q 2024.
- Finance costs have increased due to higher interest rates and overall debt levels incurred in support of the Company's growth plans, underpinned by the acquisition of MBMA foundation assets, development of significant High Pressure Acid Leach ("HPAL") processing capacity, construction of the AIM plant and ongoing development costs for the Pani Gold Project and Tujuh Bukit. US\$23 million of finance expenses include US\$1.3 million of cross currency swap gain.
- Other expenses in 1Q 2024 include unrealised foreign exchange loss of US\$3 million and borrowing cost amortisation of US\$3 million, compared to 1Q 2023 other income which included unrealised foreign exchange gain of US\$9 million, netted off with borrowing cost amortisation of US\$1 million and remediation cost of US\$1 million.

Cash Flow

- Cash flow from operations in 1Q 2024 was US\$34 million.
- Cash flow from investing in 1Q 2024 was US\$107 million. This capital was deployed to developing Merdeka and MBMA growth projects.
- Cash flow from financing in 1Q 2024 amounted to US\$15 million. This included an US\$80 million loan facility from MBMA UOB, an IDR bond issuance of approximately US\$96 million, proceeds from Merdeka's private placement of US\$50 million. These were offset by IDR bond repayments totalling US\$219 million and other net financing activities approximately US\$22 million.

Liquidity and Capital Resources

Cash

- As of 31 March 2024, cash and cash equivalents, net of restricted cash, was US\$424 million. In addition, Merdeka has US\$100 million in undrawn debt facilities.

Debt Transactions in 1Q 2024

- On 23 February 2024, Merdeka completed the issuance of the fifth tranche of Continuation Bonds IV for a total amount of Rp1.5 trillion (equivalent to approximately US\$96 million), offered in two series, as follows: Series A of one-year tenor amounting to Rp750 billion (equivalent to approximately US\$48 million) with coupon rate of 7.25% IDR per annum, hedged to maturity at an average fixed-interest rate of 5.1% USD per annum. Series B of three-year tenor amounting to Rp750 billion (equivalent to approximately US\$48 million) with coupon rate of 9.00% IDR per annum, hedged to maturity at an average fixed-interest rate of 7.5% USD per annum.
- 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. This facility was fully drawn in 1Q 2024 and subsequently fully repaid after the quarter using proceeds from MBMA's first IDR bond issuance, which was completed in April 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.
- After the quarter, PT ESG New Energy Material (“PT ESG”), an HPAL JV between MBMA and GEM Co., Ltd. (“GEM”) entered a financing arrangement for up to US\$490 million with Bangkok Bank Public Limited Company, PT Bank Negara Indonesia (Persero) Tbk and PT Bank Mandiri (Persero) Tbk to fund the HPAL construction. MBMA’s interest in PT ESG is held via its subsidiary, PT Merdeka Industri Anantha (“MIA”). As a part of the overall financing of PT ESG, MIA has obtained a funding proposal from Arniko Materials Pte Ltd (“Arniko”), a regional financial investor based in Singapore. Under the funding proposal, Arniko will subscribe for new shares in MIA, resulting in a 55% shareholding, with MBMA holding the remaining 45%. MBMA retains a call option to re-acquire the 55% stake. As a result, the debt financing will not be consolidated in the financial statements of MBMA and MIA is fully funded for its construction funding obligations.

Capital Investments in 1Q 2024

Pani Gold Project

- Merdeka continues with on-site infrastructure development during the quarter with total expenditure of US\$13 million.

TB Copper Project

- Merdeka invested additional US\$7 million during 1Q 2024. Expenditures incurred during the quarter were spent on surface resource drilling, near surface potential open pit exploration targets and technical studies.

MBMA

- During 1Q 2024, in accordance with the development and commissioning plans, Merdeka invested an additional US\$45 million in the AIM plant.

1Q 2024 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 a peak gold production of approximately 500,000 ounces per annum positioning Pani as one of the largest gold mines in the Asia-Pacific region.
- Pani has a mineral resource of 303.1Mt at a grade of 0.70 g/t gold for 6.9Moz of gold. An updated mineral resource estimate (“MRE”) is expected in 3Q 2024.
- Detailed engineering design for the processing, infrastructure and ore stacking is advancing. Bulk earthworks activities are continuing, developing the mining haul roads and processing plant areas ahead of civil concrete activities from 3Q 2024.
- Financing initiatives are advancing starting on 2Q 2024 and construction activities for the heap leach operation are currently progressing. Project commissioning is targeted for the end of 2025, with the first gold pour following shortly after.

MBMA

- During the quarter, detailed engineering design and long lead item purchase for the PT ESG HPAL plant has been substantially completed. Commissioning of the project is targeted for the end of 2024 with the first production of nickel in mixed hydroxide precipitate (“MHP”) following shortly after.
- At the SCM mine, work is underway to widen the main haul road connecting the mine to IMIP with preliminary clearing, grubbing, earthworks culvert installation, temporary camp and workshop construction. A new 22km section of the haul road is also being constructed to replace the use of a third-party road. This road is a more direct route and will reduce haulage costs. In addition, this infrastructure will provide a pipeline and power transmission line corridor.
- Commissioning activities at the AIM acid plant are continuing. First acid was produced from train 1 and delivered to the customer in April 2024. Commissioning of acid plant train 2 and the chloride plant is expected to commence in 3Q 2024. Construction of the copper cathode plant is progressing, with commissioning expected in 4Q 2024. The AIM plant is now receiving a steady supply of pyrite ore from Wetar.

TB Copper Project

- Merdeka declared a 71% increase in indicated resources to 755Mt at 0.60% copper and 0.66 g/t gold during the quarter. The increase in indicated resources has created the opportunity to design a correspondingly larger mining reserve in 2Q 2024. This will likely result in the extension of mine footprints in both the sub-level cave (“SLC”) and block cave mines, likely enhancing the project mine life and economics when completed.
- During the quarter, the historically separate open pit operations and underground project resource models were combined into a single resource model. The purpose is to assess deeper open pit ore sources that might be economically extracted from the surface by open pit mining and shallower ore that had not previously been included in the draw columns in the SLC and block cave production scenarios. The combined resource model will be used to model production scenarios from these mines.
- In addition to geoscience, Merdeka’s optimisation program, following PFS completion in May 2023, continued to advance. Areas under assessment include: 1) the modelling and test work of flotation and downstream treatment processes; 2) economic assessments of the potential of open pit targets to produce copper-gold sulphide mill feed; 3) the potential to increase the SLC output; and 4) the potential to increase the block cave mine life following the substantial increase in indicated resource. Geological and geotechnical data acquisition from the underground drilling program to the standard needed for detailed feasibility studies was completed in January and the assay results were incorporated into the resource model.

TB Gold Mine

- Five diamond drill and two reserve circulation rigs (“RC”) drilled 18 diamond holes for approximately 5,300 metres and 33 RC holes for approximately 8,700 metres proximal to and between the open pits during the quarter. This near mine drilling continues to return promising results, adding further resources and mine life for open pit operations. Our infill and exploration drilling has presented a promising opportunity to significantly extend the oxide gold mine life by at least several years.
- This drilling also confirmed the presence of a copper high sulphidation epithermal (“copper HSE”) zone sitting below the oxide gold and above the Tujuh Bukit porphyry and connectivity between the oxide gold and the porphyry deposit under Pit A.

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.

Project commissioning of PT ESG is expected in 4Q 2024 followed by limited initial production of nickel in MHP.

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