

Merdeka announces 1H 2023 Results

Jakarta, Indonesia, 29 September 2023 – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“Merdeka” or the “Company”) is pleased to announce its financial performance for the first half ending 30 June 2023 (“1H 2023”).

Key Highlights for 1H 2023

- MDKA achieved production of 64,277 ounces of gold, 7,181 tonnes of copper, 21,238 tonnes of nickel in nickel pig iron (“NPI”) and 4,438 tonnes of nickel in nickel matte.
- Total sales of 49,540 ounces of gold, 7,876 tonnes of copper, 19,222 tonnes of nickel in NPI and 3,036 tonnes of nickel in nickel matte, at an average selling price of US\$1,937/oz gold, US\$8,745/t copper, US\$15,543/t nickel in NPI and US\$17,196/t nickel in nickel matte.
- MDKA recorded revenue and EBITDA of US\$520 million and US\$75 million, respectively. All-In Sustaining Costs (“AISC”) were US\$1,141/oz for gold production net of silver credits, US\$10,714/t for copper production, US\$14,336/t for NPI production, and US\$15,517/t for nickel matte production.
- PT Merdeka Battery Materials Tbk (IDX: MBMA) completed its Initial Public Offering (“IPO”) on the Indonesia Stock Exchange (“IDX”) in April 2023. The IPO, priced at IDR795 per share, was well supported by domestic and foreign institutional investors, regional sovereign wealth fund and strategic investors. 11.6 billion new shares were issued, representing IDR9.2 trillion in new capital and approximately 10.7% of the total outstanding shares. As of 30 June 2023, MDKA’s effective ownership of MBMA was 49.8%.
- As of 30 June 2023, cash and cash equivalents, net of restricted cash, was US\$496 million. In addition, MDKA has US\$160 million of undrawn debt facilities.

Key Events Subsequent to 1H 2023

- Pani Gold Project Feasibility Study (“FS”) is nearing completion, assessing two processing methods, including a fast-tracked path to production through a low capex, oxide gold heap leach recovery starter operation commencing before the end of 2025. FS optimisations are ongoing with positive results to be announced in 4Q 2023.
- MBMA announced the execution of definitive agreements with wholly owned subsidiaries of GEM Co., Ltd (“GEM”) to construct an HPAL processing plant with a nameplate capacity of 30,000 tonnes per annum of nickel in Mixed Hydroxide Precipitate (“MHP”). The project will be constructed and operated under PT ESG New Energy Material (“ESG”), with MBMA holding a 55% / GEM 45% interest in ESG.

Table 1. Highlights of Consolidated Statement of Income

in US\$ million	1H 2023	1H 2022
Revenue	520.0	341.4
Cost of Revenue	(473.9)	(237.0)
Gross Profit	46.1	104.4
<i>Gross Profit Margin</i>	8.9%	30.6%
G&A Expenses	(27.7)	(29.2)
Operating Profit	18.4	75.2
<i>Operating Profit Margin</i>	3.5%	22.0%
Cross Currency Swap Transaction	7.4	6.6
Finance Expenses, net	(47.1)	(15.7)
Other Income (Expenses), net	(30.2)	62.6
Profit Before Tax	(51.4)	128.6
Tax Expenses	(3.5)	(28.6)
Net Profit	(54.9)	100.1
<i>Net Profit Margin</i>	(10.6%)	29.3%
EBITDA	74.5	182.8
<i>EBITDA Margin</i>	14.3%	53.5%

1H 2023 Financial Results

- Revenue

A significant increase of US\$179 million in revenue can be attributable to additional revenue of US\$222 million from sale of NPI and nickel matte.

Netted off with:

- Gold sales of 49,540 ounces of gold from the Tujuh Bukit gold mine (“TB Gold”) in 1H 2023, compared to 1H 2022 sales of 73,940 ounces of gold. The decline in ounces of gold sold was attributable to delays in selling gold produced late in 2Q 2023. The average selling price in 1H 2023 was US\$1,937/oz, compared to US\$1,870/oz in 1H 2022; and
- Lower copper sales of 7,876 tonnes of copper from the Wetar copper mine (“Wetar”) in 1H 2023, compared to 1H 2022 sales of 10,026 tonnes of copper. The average selling price in 1H 2023 was US\$8,745/t, compared to US\$9,797/t in 1H 2022. The decline in the volume of copper sold was in line with lower copper production.

- Cost of Revenue
 - The increase in cost of revenue is primarily attributable to an increase in MBMA's cost of revenue. Total cost of revenue attributable to NPI was US\$282 million from six months of operation in 1H 2023, compared to US\$107 million from only two months of operation in 1H 2022.
 - TB Gold and Wetar cost of revenue in 1H 2023 of US\$136 million was lower compared to US\$150 million in 1H 2022, in line with lower gold and copper production.
- Profitability
 - MDKA generated EBITDA of US\$75 million in 1H 2023. In comparison, EBITDA in 1H 2022 was US\$183 million which included a one-time, non-recurring final insurance claim of US\$42 million. In addition, the lower EBITDA number can also be attributed to a deferral in sales at TB Gold, lower copper production from Wetar, and lower NPI margins from MBMA.
 - MDKA recorded gold sales of 49,540 ounces compared to gold production of 64,227 ounces. This difference resulted in profit recognition being deferred to 3Q 2023. Lower Wetar profitability is mainly driven by lower copper production as a result of lower ore mined.
 - Lower NPI margins resulted from lower NPI prices and higher costs. NPI prices have fallen due to softer demand for stainless steel in China amidst a moderation in expected economic growth. In 1H 2022, NPI prices averaged 77% of the LME nickel price compared to 64% in 1H 2023. NPI AISC was US\$14,336 in 1H 2023 compared to US\$15,095/t in 1H 2022, the decline is attributable to lower input costs for reductant and power generation costs.
 - Finance costs have increased due to higher interest rates and higher overall debt levels as the Company goes through a transformational growth phase highlighted by the acquisition of MBMA foundation assets and construction of the AIM Project.
 - Other expenses in 1H 2023 included founders' tax related to the MBMA IPO of US\$16 million and foreign exchange losses of US\$8 million from the depreciation of the IDR against the USD and the resulting revaluation of IDR bonds.
- Cash Flow
 - The cash flows were supported by financing activities, including proceeds from the IDR bond issuance of ~US\$163 million and further drawdown of the MTI term loan and MTI VAT facility totalling of US\$41 million.

Liquidity and Capital Resources

- Cash
 - As of 30 June 2023, cash and cash equivalents, net of restricted cash, was US\$496 million. In addition, MDKA has US\$160 million of undrawn debt facilities.
- Debt Transactions in 1H 2023
 - On 19 May 2022, MBMA secured a US\$300 million loan from ING Bank and Barclays at an interest rate of Secured Overnight Financing Rate (“SOFR”) plus 4.25% per annum, maturing on 30 September 2026. In Q3 2022, MDKA provided US\$225 million to MBMA for partial loan repayment. On 18 April 2023, MBMA repaid its US\$225 million loan to MDKA and US\$75 million to ING Bank using MBMA IPO proceeds.
 - On 31 August 2022, MTI secured a US\$260 million term loan and an IDR430 billion (equivalent to US\$29 million) VAT funding facility. These loans will incur an interest rate of SOFR plus 3.75% per annum (offshore) and 3.95% per annum (onshore), maturing in August 2027, and 3.50% per annum plus Jakarta Interbank Offered Rate (“JIBOR”) maturing in August 2026, respectively. As of 30 June 2023, MTI had fully drawn both facilities.
- Capital Investments in 1H 2023
 - Tujuh Bukit Copper Project: MDKA invested US\$24 million mainly for feasibility work to advance the project, including resource definition drilling, geological modelling, and technical studies.
 - Haul Road: As of the end of 1H 2023, approximately US\$77.5 million towards upgrading the haul road linking the SCM mine to the Indonesia Morowali Industrial Park (“IMIP”). The haul road upgrade was completed in August 2023, allowing the saprolite ore haulage to commence in mid-August 2023.
 - AIM Project: During 2Q 2023, MDKA invested an additional US\$58 million, bringing the total 1H 2023 investment to US\$117 million.
 - Pani Gold Project: US\$43 million was spent on FS and significant project development activities including resource definition drilling. FS optimisations are ongoing with positive results to be announced in 4Q 2023.

Environment, Social & Governance (“ESG”)

- ESG Rating
 - Morningstar Sustainalytics upgraded Merdeka's ESG risk rating in January 2023, improving its ranking from 96th to 46th. This upgrade positions MDKA in the top quartile of 206 rated diversified metal and mining firms globally. This advancement underscores MDKA's dedication to sustainability, backed by firm ESG guidelines and initiatives.

1H 2023 Developments

- TB Copper Project
 - On 15 May 2023, MDKA published the Pre-Feasibility Study (“PFS”) results, demonstrating the project’s potential to be a globally significant, long-life, underground mine¹. Confidence has grown in developing this asset with robust economics and substantial projected output of both copper and gold.
 - Ongoing technical work is assessing several optimisation opportunities which have the potential to improve project economics.
- TB Gold Mine
 - During Q2 2023, MDKA identified new mineralisation near existing operations, noting extensions at Pit A and Pit C. With three diamond drill rigs and one RC rig, completing ~12,478 metres of eight diamond holes and 44 RC holes.
 - A total of ~15,000 metres of RC and diamond drilling is planned to continue testing along strike of and infill of current resources for 2H 2023. A further 10,000 metres RC drilling program is planned to target relatively flat lying copper mineralisation located below Pit A and Pit C but above the TB Copper Project mineralisation, potentially enhancing TB Copper Project operations by providing additional copper ore in the ramp up phase. Regional exploration continued, with targeted drilling commencing in July 2023.
- Wetar Copper Mine
 - During 2Q 2023, RC drilling covered 9,609 metres across 67 holes, with one drill hole ongoing, while diamond drilling covered 1,936.15 metres over 11 holes. Drilling has continued, throughout the year, targeting extensions to Partolang resources.
 - Subsequent to the quarter, the Wetar barge jetty was commissioned with maiden loading and shipment of pyrite ore for delivery to the AIM Project.

¹ Full details of the Tujuh Bukit Copper Project PFS results are available at: <https://merdekacoppergold.com/wp-content/uploads/2023/05/Tujuh-Bukit-Copper-Project-PFS-Results.pdf>

- Pani Gold Project
 - Following the first combined mineral resource estimate (“MRE”) announced in 1Q 2023, 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. Upon receiving results from this drilling, a new mineral resource was released on 25 May 2023², further elevating the MRE and confidence level. This comprised infilling inferred areas and extended system testing, culminating in an MRE upgrade to 275.8 million tonnes at 0.75 g/t Au, representing 6.6 million ounces of gold. The infill drilling alone converted over 1 million ounces from inferred to indicated resources, elevating the total indicated resources to 5.5 million ounces.
 - At the end of June 2023, ten rigs concentrated on resource definition, with two additional rigs for infrastructure sterilisation drilling. The quarter accounted for 151 drill holes (including 18 sterilisation holes) and approximately 20,434 metres of diamond drilling.
 - Approximately 46,000 metres of drilling was completed in 1H 2023 from a total 2023 program of 70,000 metres.
 - The FS is assessing two processing methods, including a fast-tracked path to production through a low capex, oxide gold heap leach recovery starter operation commencing before the end of 2025. FS optimisations are ongoing with positive results to be announced in 4Q 2023.
- Merdeka Battery Materials
 - A third RKEF smelter, PT Zhao Hui Nickel (“ZHN”) was successfully commissioned in June 2023, producing 2,145 tonnes of nickel in NPI. ZHN will more than double MBMA’s NPI production capacity from 38,000 to 88,000 tonnes per annum of nickel in NPI.
 - On 31 May 2023, MBMA completed the acquisition of a 60% interest in PT Huaneng Metal Industry (“HNMI”), a high-grade nickel matte conversion facility located in IMIP, with the remaining 40% interest held by Tsingshan Group. By acquiring an existing nickel matte converter, MBMA is benefiting from immediate incremental cashflow by selling a higher value product. HNMI can produce on average 50,000 tonnes per annum of nickel in nickel matte, complementing MBMA’s significant NPI production base.
 - The AIM Project is on track to produce first acid in 4Q 2023.

² The May 2023 resource upgrade can be obtained at: <https://merdekacoppergold.com/wp-content/uploads/2023/05/Pani-Gold-Project-Resource-Upgrade.pdf>

- HPAL JV:
 - On 16 March 2023, MBMA entered a Memorandum of Understanding (“MoU”) with Brunp CATL regarding the development of an HPAL plant, producing MHP, to be constructed within IKIP. The first phase of HPAL plants will have a total capacity of 120,000 tonnes per annum of nickel in MHP split into two 60ktpa tranches. Detailed feasibility and engineering have commenced.
 - On 25 September 2023, MBMA announced the execution of definitive agreements with wholly owned subsidiaries of GEM Co., Ltd (“GEM”) to construct a HPAL processing plant with a nameplate capacity of 30,000 tonnes of nickel in MHP per annum.

Outlook

TB Gold Mine

2023 production guidance is expected to be 120,000 to 140,000 ounces of gold at an AISC of US\$1,100 to 1,300/oz, net of silver credits.

Wetar Copper mine

2023 production guidance is revised to 14,000 to 16,000 tonnes of copper at an AISC of US\$4.2 to 5.0/lb. The revision is a result of lower waste mining in 3Q 2023 which delays access to planned mining areas in 4Q 2023. Lower waste mining occurred as deliveries of explosives were restricted due to inability to adjust the quotas under the RKAB. Production will instead be deferred to 2024.

Merdeka Battery Materials

NPI

NPI production guidance upgraded to reflect expected production of 21,000 to 25,000 tonnes of nickel in NPI from ZHN, in addition to 18,000 to 20,000 tonnes of nickel in NPI from each of BSID and CSID.

Cost guidance is US\$13,000 to 15,000/t AISC for 2023 but expected to decrease due to economies of scale from the larger, next generation ZHN RKEF smelter and lower input costs. One of the major cost components is nickel ore, which varies depending on the international nickel price. MBMA will be self-sustaining and less exposed to the ore price fluctuations following the commencement of saprolite mining and hauling activities from SCM mine. Mining and ore sales volumes at the SCM mine are anticipated to rise materially throughout the year.

Nickel Matte

HNMI is expected to produce 28,000 to 31,000 tonnes of nickel in nickel matte, following acquisition completion in 2Q 2023.

HNMI has an agreement to purchase low grade nickel matte (“LGNM”) at the prevailing NPI price plus a small margin. As a large-scale producer of NPI, MBMA is naturally hedged against the cost of LGNM.

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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.

MBMA’s portfolio includes one of the world’s largest nickel resources containing approximately 13.8 million tonnes of nickel and 1.0 million tonnes of cobalt, three operating RKEF smelters with a total nameplate capacity of 88,000 tonnes of nickel in NPI per annum, a high-grade nickel matte conversion facility located within IMIP with an average annual production of 50,000 tonnes of nickel in nickel matte, the Acid Iron Metal (“AIM”) Project which will produce acid and steam for use in high pressure acid leach (“HPAL”) plants, in addition to producing other metals such as copper, gold and iron. MBMA is also developing substantial HPAL processing capabilities across multiple joint ventures at the Indonesia Konawe Industrial Park (“IKIP”) and IMIP.

The Pani Gold Project is a significant growth project, containing approximately 6.6 million ounces of gold 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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