

PT Merdeka Copper and Gold Tbk.

IDX Code: MDKA

As at 30th June 2017

Capital structure

3,569,587,140 listed shares

Share price: IDR 2,300

Market capitalisation: US\$ 617 m

Cash & bullion, debt

Cash and bullion: US\$ 36 m

Loan facilities: US\$ 151 m

Board of Commissioners

Edwin Soeryadjaya (President)

Garibaldi Thohir

Richard Ness (Independent)

Dhohir Farisi (Independent)

Board of Directors

Adi Sjoekri (President)

Colin Moorhead (CEO)

Gavin d Caudle

Hardi Wijaya Liong

Michael W.P. Soeryadjaya

David Fowler

Rony N. Hendropriyono

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PT Merdeka Copper Gold is proudly an Indonesian owned and operated company and is listed on the Indonesian Stock Exchange.

PT Merdeka Copper Gold Tbk (“the Company”)

has confirmed its position as Asia’s newest low-cost operating gold mine and is pleased to present its maiden quarterly operations report.

The report details activities for the Company’s Tujuh Bukit Gold Mine (“Tujuh Bukit” or “the mine”), located in Banyuwangi Regency, East Java, Indonesia.

Post achieving first gold pour at the mine in March 2017, significant progress towards ramping up to full annualised production rates was achieved during the June quarter.

The strong gold production seen in the quarter is consistent with achieving overall expected gold grades and recoveries.

Production

- 25,063 ounces of gold and 6,420 ounces of silver
- Cash Costs of US\$ 286/oz Au
- All-in Sustaining Cost (AISC) of US\$ 505/oz Au
- Confirming the mine’s position in the lowest quartile of operating costs for gold mines globally

Safety

- Zero Lost Time Injuries (LTI’s) during the quarter
- Total of 3.3 million man-hours completed LTI-free

Financial

- Cash and cash equivalents: US\$ 29 million
- Bullion on hand: US\$7 million at market value

Development Activities

- A pre-feasibility study to expand the annual production rate of the mine progressed well and is expected to be completed in the September Quarter.
- Pre-engineering and permitting for an exploration decline, designed to support a pre-feasibility study for a mass underground porphyry copper gold mine commenced and subject to approvals the decline development is planned to commence in Q1 2018.

Outlook

- Full year 2017 production forecast of 100,000 – 110,000 ounces of gold at an AISC of US\$550 – \$650/oz

Operations Summary

At the Tujuh Bukit Gold Mine an independent contracting group, under the direction of the company's management team conducts all open pit mining activities. The same contractor also performs management of the ROM Pad and agglomerate trucking and heap leach pad stacking services. All other technical, operational, administrative and external affairs functions are performed by the company's management team and employees.

Currently there are approximately 1,500 people (inclusive of employees and contractors) working at the mine on operations and sustaining capital projects, comprising 99% Indonesian Nationals and less than 1% Expatriates. Pleasingly, 44% of the workforce comes from the local villages and 64% from the Kabupaten of Banyuwangi, East Java.

During the June Quarter, the mining, crushing, agglomeration and heap leach pad activities (including stacking and irrigation of the ore) all reached levels consistent with the company's broad targets and well on track to meet full annualised operating levels in the September Quarter.

The table below details the key production statistics for the mine and highlights the strong production of 25,063 ounces of gold during the quarter.

Table 1: Tujuh Bukit Mine – Key Production Data

	Unit	March Quarter 2017	June Quarter 2017	Full Year 2017
Open Pit Mining				
Ore mined	tonnes	332,884	924,263	1,257,147
Waste Mined	tonnes	486,320	921,249	1,407,569
Mined grade	Au g/t	1.24	1.78	1.64
	Ag g/t	6.45	6.70	6.64
Contained metal	Au oz	13,270	52,975	66,245
Heap Leach Production				
Ore crushed and stacked	Tonnes	334,751	819,985	1,154,736
Grade stacked	Au g/t	1.43	2.13	1.93
	Ag g/t	6.85	7.46	7.28
Contained metal	Au oz	15,359	56,248	71,607
Recovered gold	Au oz	2,703	25,063	27,766
Recovered silver	Ag oz	514	6,420	6,934
Metal Inventory (Estimated Recoverable Ounces)				
Ore stocks	Au oz	775	4,914	4,914
Metal in the Heap Leach Pad*	Au oz	9,603	28,898	28,898
Metal in the ADR Plant	Au oz	816	2,621	2,621
Dore at the Refinery	Au oz	1,884	11,815	11,815
Bullion On hand	Au oz	0	5,672	5,672

* Metal in the Heap Leach Pad calculated as total tonnes stacked x grade stacked x forecasted recovery (79%)

Operational Cost Summary

The operational cost performance achieved during the June Quarter was very pleasing. The overall unit costs were in line with forecast levels.

Delivering Cash Costs of sub US\$300/oz of production and All-in Sustaining Costs of US\$ 505/oz clearly confirms Tujuh Bukit mine as a low cost, long life gold mine.

The commencement of royalty payments to the Government of Indonesia in accordance with prevailing regulations also occurred during the quarter.

Table 2: Tujuh Bukit Mine – Cash Costs per stacked tonne From 1 January 2017

	Unit	June Qtr 2017	YTD 2017	Unit	June Qtr 2017	YTD 2017
Mining costs	US\$m	5.913	9.597	\$/t	7.21	8.31
Processing costs	US\$m	3.365	6.232	\$/t	4.10	5.40
General & admin costs	US\$m	2.499	4.803	\$/t	3.05	4.16
Royalties	US\$m	0.437	0.447	\$/t	0.44	0.31
Total Cash Costs	US\$m	12.214	21.079	\$/t	14.80	18.18
Ore stacked	tonnes	819,985	1,154,736			

Table 3: Tujuh Bukit Mine – Cash Costs and All-in Sustaining Costs (AISC) From Commercial Production on 30 April 2017

	Unit	June Qtr 2017 *	YTD 2017 *	Unit	June Qtr 2017	YTD 2017
Mining costs	US\$m	4.111	4.111	\$/oz	196	196
Processing costs	US\$m	2.332	2.332	\$/oz	111	111
General & admin costs	US\$m	1.631	1.631	\$/oz	78	78
Inventory movements	US\$m	(2.030)	(2.030)	\$/oz	(97)	(97)
Silver Credits	US\$m	(0.028)	(0.028)	\$/oz	(1)	(1)
Cash Costs	US\$m	6.016	6.016	\$/oz	286	286
Royalties	US\$m	0.359	0.359	\$/oz	17	17
Total Cash costs	US\$m	6.376	6.376	\$/oz	304	304
Capital works (sustaining)	US\$m	3.567	3.567	\$/oz	170	170
Corporate costs	US\$m	0.647	0.647	\$/oz	31	31
All-in Sustaining Cost (AISC)	US\$m	10.589	10.589	\$/oz	505	505
Production	oz Au	21,028	21,028			

* Commercial production was declared on 30 April 2017. Production and cost data is for two (2) months, May and June 2017. Costs, net of inventory credits, prior to 30 April 2018 were capitalised

Operational Report

Social Performance

The mines total recordable injury frequency rate per millions hours worked was 0.21 at the end of June, with 3.3M man-hours lost time injury (LTI) free.

During the quarter, management continued to implement community social responsibility (CSR) programs covering health, education, livelihood and infrastructure development.

At the start of the quarter, a new Collective Labor Agreement (CLA 2017-19) was signed with the employee labour union. The signing of the CLA at the start of the operational period ensures clear direction forward, with the most significant addition in the new agreement relating to the sponsorship educational opportunities for our employees' children.

A total of 1092 environmental samples were taken during this quarter. This encompasses permit and statutory based sampling requirements as well as Company driven internal monitoring.

As part of the company's rehabilitation program, during this quarter a total of 17.31 hectares was either newly covered cropped, tree planted or maintained.

June 5th marked World Environmental Day. To commemorate this day, a symbolic 30 tree planting event was performed at Pulau Merah Beach with Local Officials. Further planting of 6,000 trees will take in September which is the start of the wet season. Since 2016, a total of 9,270 trees have been donated to the community as part of the company's commitment to the environment and community and government programs.

Mining

Ore mined for the quarter was 924,263 tonnes with waste mined of 921,249 tonnes. Total material mined was 125% above the prior quarter in line with the operational ramp up plan. Mining operations achieved an annualised material movement of 8.8 million tonnes during June which exceeds full year material movement requirements. Ore reserves are reconciling favourably in regard to contained gold with gold grade mined over performing the ore reserve.

Processing

During the quarter, the ore preparation plant (OPP) was commissioned with 819,985 tonnes of ore crushed at a gold grade of 2.13g/t. The OPP performed at 87% of name plate design and is also ramping up in line with the plan. All material crushed was hauled and stacked onto the heap leach pad, with hauled material containing 56,248 ounces of gold.

The leach pad performed per design with project to date recoveries at the end of June in line with forecast leach recovery curves. A decision was made to upgrade the pregnant leach solution (PLS) pump and this will be replaced during Q3, resulting in a 25% increase to solution flow to the ADR plant. Metal production for the quarter was 25,063 ounces of gold and 6,420 ounces of silver.

Operating and Development Outlook

Full year guidance for 2017 remains unchanged at 100,000 - 110,000 ounces of gold at an All in Sustaining cost of \$550 - \$650/oz net of silver credits.

Exploration and Development

Oxide Expansion Project (OXP)

A Concept Study was completed in March that demonstrated expanding the heap leach pad capacity from 36 to 50 million tonnes would enable increasing the ore stacking rate from 4 to 6 Mtpa and could increase the project value significantly. A prefeasibility study (PFS) commenced in April to determine the optimal expansion option, scoped with sufficient detail to support an upgrade of the Tujuh Bukit Oxide Ore Reserves.

During the June quarter, the following assessments and reviews were undertaken to inform the project; pit slopes, leach times, crush sizes, OPP upgrade options, agglomerate haulage options, ADR plant upgrade requirements and additional pit waste storage options.

Concept level design and costs for the expansion options were also prepared for the following; the addition of a near pit primary crusher and conveyor, upgrading the capacity of the existing ore preparation plant, an overland conveying system as an alternative to agglomerate trucking and stacking and ADR plant upgrade requirements. An enterprise optimization exercise was also undertaken using the ore type throughput/recovery data and expansion options to determine the optimal ore processing rate and production schedule.

Commencing in the September quarter an infill diamond drilling programme consisting of approximately 3,000m will be conducted at Pit's A, C, and B West. The aim of this programme is to upgrade the resource classification of material currently classified as Inferred Resources within the larger pit shells expected as a result of this study.

The OXP PFS is scheduled for completion by the end of the September Quarter. Major activities to complete are; finalisation of the optimised case, mine design and production scheduling, PFS level design and costing of the expansion options, PFS level owner mining cost estimates, implementation planning, financial analysis, assessment of alternative scenarios.

Tujuh Bukit Porphyry Project

A globally recognised underground mining consultant was engaged to undertake a fresh concept study on the upper high grade zone (UHGZ) of the Tujuh Bukit porphyry copper, gold, molybdenum deposit and to assist with preliminary planning for the development of an exploration decline. Outcomes from this revised concept study are expected in the December Quarter. Subject to approvals, it is planned to commence this decline in Q1 2018. The aim of this decline is to provide the necessary underground access required to support a prefeasibility study into a mass underground mine. Geotechnical site investigations along proposed boxcut locations and decline routes commenced during the Quarter with 10 diamond drill holes completed for a total 1,796m.

Exploration Activities

No material exploration activities were undertaken during the quarter.

Finance

Cash and cash equivalents

Cash and cash equivalents at 30 June 2017 were US\$ 29 million with bullion on hand at the end of the quarter with a value of US\$ 7.1 million.

Gold Sales and Hedging

A total of 7,523 ounces of gold and 1,608 ounces of silver were sold at an average price of US\$ 1,267/oz and US\$17/oz respectively for total revenue of US\$9.6 million as follows:

- 11,421 oz of gold were delivered into hedges at a price of US\$1,201/oz.
- Loss on hedging for the quarter totalled US\$ 0.7 million.

There were no new gold or silver hedges entered into during the quarter. (NB; Gold sales were low relative to production in the quarter due to issues at the Logum Mulia Refineray in Jakarta. It is expected these issues will be largely resolved in the September Quarter).

Table 4: Gold Sales for June 2017 Quarter

Sales	Gold sold (Au)			Silver sold (Ag)			Total
	oz Au	US\$/oz	US\$m	oz Ag	US\$/oz	US\$m	US\$m
Total sales	7,523	1,267	9.534	1,608	17	0.028	9.561

Capital structure

There were no shares issued during the quarter.

Table 5: Major Shareholders as at 30th June 2017

Shareholders	No. of shares	%
PT Mitra Daya Mustika	588,540,000	16,48
PT Trimitra Karya Jaya	488,726,653	13,69
Maya Miranda Ambarsari	316,274,300	8,86
Merdeka Mining Partners Pte. Ltd.	245,906,250	6,89
Garibaldi Thohir	243,530,000	6,82
Pemda Kabupaten Banyuwangi	229,000,000	6,41
PT Saratoga Investama Sedaya	165,201,888	4,63
Indoast Mining Limited	164,782,857	4,62
Asian Metal Mining Developments Ltd.	162,360,000	4,54
PT Srivijaya Kapital	162,360,000	4,54
Total Top 10 Shareholders	2,766,681,948	77.48
Others	802,905,192	22.52
Total shares on issue as 30 June 2017	3,569,587,140	100

Tenement Status (June 2017)

Category	Details
Company:	PT Bumi Suksesindo
Ownership:	Subsidiary
Type of Permit:	Mining Business Permit
Permit Number:	188/547/KEP/429.011/2012
Total Area:	4,998 ha
Location:	Banyuwangi
Date Issued:	July 9 th , 2012
Permit Period:	Until January 25 th 2030

Category	Details
Company:	PT Bumi Suksesindo
Ownership:	Subsidiary
Type of Permit:	Forestry Borrow to Use Permit
Permit Number:	SK.812/Menhut-II/2014
Total Area:	194.72 ha
Location:	Banyuwangi
Date Issued:	September 25 th , 2014
Permit Period:	Until January 25 th , 2030

Category	Details
Company:	PT Bumi Suksesindo
Ownership:	Subsidiary
Type of Permit:	Forestry Borrow to Use Permit
Permit Number:	18/1/IPPKH/PMDN/2016
Total Area:	798.14 ha
Location:	Banyuwangi
Date Issued:	February 29 th , 2016
Permit Period:	Until January 24 th , 2030



Recent pictures of Tujuh Bukit Gold Mine

Figure 1 – Open pit mining from Pit B West.



Figure 2 – Aerial view of the Ore Preparation Plant (OPP) with heap leach pad and ADR plant in distance.



Figure 3 – Aerial view of the Heap Leach Pad (HLP) and associated ponds.



Figure 4 – Aerial view of the ADR Plant



Figure 5 – Before and after pictures showing rehabilitation progress.



Disclaimer

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About Merdeka Copper & Gold Tbk.

PT Merdeka Copper Gold Tbk. was established in 2012 as a holding company, with four subsidiaries, namely PT Bumi Suksesindo (BSI) as the holder of the production operating permit and PT Damai Suksesindo (DSI) which holds the exploration permit for the gold, silver, copper and other mineral mines in Banyuwangi, East Java, PT Cinta Bumi Suksesindo (CBS) and PT Beta Bumi Suksesindo which will also be running operations in the mineral mining business. The Company’s major asset is the mining project known as the Tujuh Bukit Project which is located in the Banyuwangi Regency, East Java, approximately 205 kilometers southeast of Surabaya. Tujuh Bukit is one of the world’s top ranked undeveloped porphyry copper and gold deposits with an estimated Mineral Resource containing 28 million ounces of gold and 19 billion pounds of copper. Additionally, a near surface oxide gold silver deposit contains a Mineral Resource of 2.45 million ounces of gold and 79 million ounces of silver. Merdeka has developed a 4 million tonne per annum heap leach gold mine to exploit the oxide resources at Tujuh Bukit and is currently evaluation options to expand to 6 million tonnes per annum. Studies and pre-engineering are also underway to progress the concept of a bulk tonnage underground mine to exploit the substantial copper and gold resources identified in the underlying porphyry.

As a world-class Indonesian mineral miner, Merdeka is owned by prominent major Indonesian

QUARTERLY REPORT: JUNE 2017

shareholders which are PT Saratoga Investama Sedaya Tbk., PT Provident Capital Indonesia and Garibaldi Thohir.

ⁱ Refer Annual Statements of Mineral Resources and Ore Reserves on www.merdekcoppergold.com

