

**PT Merdeka Copper and Gold Tbk.**

IDX Code: MDKA

As at 30 September 2017

**Capital structure**

3,569,587,140 listed shares

Share price: IDR 2,350

Market capitalisation: US\$ 622m

**Cash & bullion, debt**

Cash and bullion: US\$ 46m

Loan facilities: US\$ 137m

**Board of Commissioners**

*Edwin Soeryadjaya (President)*

*Garibaldi Thohir (Commissioner)*

*Richard Bruce Ness (Independent)*

*Dhohir Farisi (Independent)*

**Board of Directors**

*Adi Adriansyah Sjoekri (President)*

*Colin Francis Moorhead (Vice President & CEO)*

*Gavin Arnold Caudle*

*Hardi Wijaya Liong*

*Michael W.P. Soeryadjaya*

*David Thomas Fowler*

*Rony N. Hendropriyono*

*Chrisanthus Supriyo (Independent)*

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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”) is pleased to report on the production performance and development activities at its Tujuh Bukit Gold Mine located in Banyuwangi Regency, East Java, Indonesia. Key points:

1. 53,230 ounces of gold produced at an All-in Sustaining Cost (“AISC”) of US\$ 416/oz.
2. Nameplate production rate of 4 million tonnes per annum achieved during the September quarter.
3. All operating and cost parameters are in line with or better than plan year to date.
4. Achieved 4.6 million hours lost time injury (“LTI”) free with zero LTI’s and no reportable environmental incidents during the quarter.
5. Development projects including Oxide Expansion and Porphyry Copper studies progressed well.
6. Full year gold production guidance increased to 110,000 to 120,000 ounces at an AISC of US\$ 520 to US\$ 570/oz.

## Production Summary

At the Tujuh Bukit Mine, conventional excavate, load and haul mining activities are undertaken by an independent contracting group under the direction of the Company's management team. Following crushing and agglomeration, the transportation of agglomerated ore to the heap leach pad for stacking is also carried out by the same contracting group.

All other operational, administrative and external affairs functions are performed by the Company's management team and employees.

Currently there are approximately 1,600 people working at the mine, comprising 99% Indonesian Nationals and less than 1% Expatriates. Pleasingly, 62% of our workforce comes from the Regency of Banyuwangi, including approximately 40% from the local Sub-District of Pesanggaran.

During the September quarter, the mining, crushing, agglomeration and heap leach pad activities (including stacking and irrigation of the ore) all reached levels consistent with full annualised operating levels, notionally at 4 million dry tonnes per annum.

The table below details the key production statistics for the mine and highlights the strong production of 53,230 ounces of gold during the quarter.

Table 1: Tujuh Bukit Mine – Key Production Statistics

	Unit	June Quarter 2017	Sep Quarter 2017	Year to Date 2017
<b>Open Pit Mining</b>				
Ore Mined	Tonnes	924,263	1,172,340	2,429,488
Waste Mined	Tonnes	921,249	1,546,867	2,954,436
Mined Grade	Au g/t	1.78	2.64	2.12
	Ag g/t	6.70	8.45	7.51
Contained Metal	Au oz	52,975	99,337	165,388
<b>Heap Leach Production</b>				
Ore Crushed and Stacked	Tonnes	819,985	981,395	2,136,131
Grade Stacked	Au g/t	2.13	2.30	2.10
	Ag g/t	7.46	7.69	7.47
Recovered Gold	Au oz	25,063	53,230	80,996
Recovered Silver	Ag oz	6,420	15,683	22,620

## Operational Cost Summary

The operational cost performance achieved during the September quarter was very pleasing. The unit costs per tonne crushed and stacked were at or below levels forecast in the Company's internal plan.

The Tujuh Bukit mine continued to deliver Cash Costs below US\$ 300/oz of production and the All-in Sustaining Costs for September quarter were US\$ 416/oz. This result is driven by both low operating costs as expected in the heap leach process and by higher than forecast gold grades that contributed to strong gold production in the quarter. This performance clearly confirms Tujuh Bukit as a low-cost gold mine.

The Cash Costs per tonne is lower than planned as a result of shorter haul profiles, lower cyanide consumption and lower than expected electricity consumption offset by higher administration costs. The low cost per ounce compared to previous guidance is driven by higher than planned gold grades.

The majority of the sustaining capital expenditure during the quarter related to the construction of the Stage 2 Heap Leach Pad, construction of the Candrian Bay all weather access road and reforestation of land.

**Table 3: Tujuh Bukit Mine - Cash Costs per tonne Ore Crushed and Stacked**

Tujuh Bukit	Unit	Sep Qtr 2017	YTD 2017	Unit	Sep Qtr 2017	YTD 2017
Mining costs	US\$m	7.612	17.210	\$/t	7.76	8.06
Processing costs	US\$m	3.939	10.171	\$/t	4.01	4.76
General & admin costs	US\$m	2.578	7.380	\$/t	2.63	3.46
<b>Operating Cash Costs</b>	<b>US\$m</b>	<b>14.129</b>	<b>34.761</b>	<b>\$/t</b>	<b>14.40</b>	<b>16.27</b>

**Table 4: Tujuh Bukit Mine - Cash Costs and All-in Sustaining Costs**

Tujuh Bukit	Unit	Sep Qtr 2017	YTD 2017	Unit	Sep Qtr 2017	YTD 2017
Mining costs	US\$m	7.612	11.724	\$/oz	143	158
Processing costs	US\$m	3.939	6.271	\$/oz	74	84
General & admin costs	US\$m	2.578	4.208	\$/oz	48	57
Inventory movements	US\$m	(1.646)	(3.022)	\$/oz	(31)	(49)
Silver credits	US\$m	(0.170)	(0.198)	\$/oz	(3)	(3)
<b>Cash Costs</b>	<b>US\$m</b>	<b>12.313</b>	<b>18.984</b>	<b>\$/oz</b>	<b>231</b>	<b>247</b>
Royalties	US\$m	1.926	2.285	\$/oz	36	31
Post employment	US\$m	0.216	0.859	\$/oz	4	12
<b>Total Cash Costs</b>	<b>US\$m</b>	<b>14.455</b>	<b>22.127</b>	<b>\$/oz</b>	<b>272</b>	<b>289</b>
Capital works (sustaining)	US\$m	6.722	10.341	\$/oz	126	139
Corporate costs	US\$m	0.961	1.605	\$/oz	18	22
<b>All-in Sustaining Cost *</b>	<b>US\$m</b>	<b>22.138</b>	<b>34.073</b>	<b>\$/oz</b>	<b>416</b>	<b>450</b>
<b>All-in Costs</b>	<b>US\$m</b>	<b>25.553</b>	<b>38.692</b>	<b>\$/oz</b>	<b>480</b>	<b>512</b>

**QUARTERLY REPORT: SEPTEMBER 2017**

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\* All-in Sustaining Cost calculations commenced from May 2017 and as such the year to date reflects 74,258 oz of production compared with the full year production of 80,966 oz



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## Operational Report

### Environmental, Safety and Social Performance

The mine's total recordable injury frequency rate per million hours worked was 0.79 at the end of September, with 4.6 million man-hours lost time injury free.

During the quarter, management continued to implement corporate social responsibility ("CSR") programs covering health, education, livelihood and infrastructure development. The major projects undertaken by the CSR team included sponsoring the repairs to four bridges and the commencement of renovations to local primary schools.

A total of 1,278 environmental samples were taken during the 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 8.52 hectares was either newly rehabilitated and / or maintained from prior period works.

### Mining

Ore mined for the quarter was 1,172 kt with waste mined of 1,547 kt. Total tonnes mined was 47% above the prior quarter in line with the operational mine plan. Mining operations achieved an annualised material movement of 11.9 Mt during the September quarter which exceeds full year material movement requirements.

Ore reserves continue to reconcile favourably with materially higher contained gold mined project to date. Since operations commenced gold grade mined has over performed the ore reserve and this was partially offset by lower ore tonnes mined. While higher grade ore is scheduled early in the mine sequence at above average life-of-mine grades, mining of these higher grade zones is showing a positive grade variance against the ore reserves. Short range high grade structures that are apparent in the grade control drilling and pit mapping appear to be under represented in the ore reserve. Structural contacts are sharper than modelled which is contributing to the lower ore tonnes mined. The next mineral resources and ore reserves estimates will include additional drilling and pit mapping information to reflect these trends.

### Processing

During the quarter, the ore preparation plant ("OPP") crushed 981 kt of ore at a gold grade of 2.30 g/t. The OPP performed at nameplate design throughput rates and achieved above nameplate rates for sustained periods in the quarter. All material crushed and agglomerated was hauled and stacked onto the heap leach pad, with hauled material containing 73 koz of gold.

The heap leach pad performed per design with project to date recoveries at the end of September in line with forecast leach recovery curves that indicate average gold recoveries of between 78% and 82% for oxide ores after the 150 day leach cycle. An independent review of leach pad performance was completed in the quarter which confirmed these recoveries. The pregnant leach solution pumps were upgraded during the quarter, resulting in a 25% increase to solution flow going to the Adsorption Desorption and Recovery ("ADR") plant. Metal production for the quarter was 53,230 ounces of gold and 15,683 ounces of silver.

## Operating and Development Outlook

Full year guidance for 2017 has been increased to 110,000 - 120,000 ounces of gold at an All-in Sustaining Cost of US\$ 520 - US\$ 570/oz net of silver credits.



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## Exploration and Development

### Oxide Expansion Project (“OXP”)

During the quarter a Pre-Feasibility Study (“PFS”) into the potential expansion of the oxide project was substantially completed. This study evaluated the options available to expand production from the current 4 million tonnes per annum rate to greater than 6 million tonnes per annum of ore crushed, stacked and placed under irrigation. The study also evaluated options to expand the leach pad capacity from its current design limit of 36 million tonnes to greater than 50 million tonnes total capacity. It is expected that increasing the leach pad capacity will de-constrain the Tujuh Bukit oxide ore reserve which is currently limited to 36 million tonnes.

Subject to an ongoing Competent Independent Review, the Company expects to be able to announce plans to implement the preferred option for this expansion in Q4 2017 with implementation likely in calendar year 2018, with higher throughput rates from 1 January 2019.

### Tujuh Bukit Porphyry Project (“TPP”)

An updated Concept Study was also largely completed during the quarter. This study focussed on the Upper High Grade Zone of the Tujuh Bukit Porphyry Copper, Gold, and Molybdenum deposit. The Concept Study determined that a mass underground mine (possibly a series of trough or block caves) operating at a notional rate of 12 million tonnes per annum is worthy of progressing to the PFS stage, commencing with the development of an exploration decline in 2018. An update on the Tujuh Bukit Porphyry Project will also be released in Q4 2017.

Site investigation drilling was completed during the quarter to select the location for the boxcut and portal and to design the decline. Tenders for the exploration decline scope were also received and evaluated with the preferred contractor to be confirmed in Q4 2017, with the aim of mobilising to site for commencement of underground development in Q1 2018. Permitting for the boxcut and decline was also ongoing during the quarter with all necessary approvals expected in Q4. This decline will initially require approximately 1,800 metres of underground development and will create the drilling platforms required to acquire the bulk of the data for the PFS. It is expected that development of the decline will take much of calendar year 2018 with drilling commencing in Q4 of that year. Drilling is expected to take 12 to 18 months with the aim of completing a PFS level study by end 2020.

## Finance

### Cash and Cash Equivalents

Cash and cash equivalents, net of restricted cash, at 30 September 2017 were US\$ 46 million including bullion on hand at the end of the quarter with a market value of US\$ 20 million.

### Gold Sales and Hedging

A total of 40,185 ounces of gold and 10,288 ounces of silver were sold at an average price of US\$ 1,274/oz and US\$ 17/oz respectively for total revenue of US\$ 51.3 million. Gold sales were delayed by late out turns from the local gold refinery. Hedging details during the quarter were as follows:

- 13,671 oz of gold were delivered into hedges at a price of US\$ 1,201/oz.
- Loss on hedging for the quarter totalled US\$ 1.2 million.

There were no new gold or silver hedges entered into during the quarter.

Table 4: Gold Sales for September 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	40,185	1,274	51.183	10,288	17	0.170	51.353

### Capital Structure

There were no shares issued during the quarter.

Table 5: Major Shareholders as at 30 September 2017

Shareholders	No. of shares	%
PT Mitra Daya Mustika (Provident)	588,540,000	16.49
PT Trimitra Karya Jaya (Saratoga)	488,726,653	13.69
Maya Miranda Ambarsari	316,274,300	8.86
Merdeka Mining Partners Pte. Ltd. (Provident)	245,906,250	6.89
Garibaldi Thohir	243,530,000	6.82
Pemda Kabupaten Banyuwangi	229,000,000	6.41
PT Saratoga Investama Sedaya	167,148,288	4.68
Indoaut Mining Limited	164,782,857	4.62
Asian Metal Mining Developments Ltd.	162,360,000	4.55
PT Srivijaya Kapital (Provident)	162,360,000	4.55
<b>Total Top 10 Shareholders</b>	<b>2,768,628,348</b>	<b>77.56</b>
Others	800,958,792	22.44
<b>Total shares on issue as 30 September 2017</b>	<b>3,569,587,140</b>	<b>100.00</b>



## Appendix 1 – Heap Leach Process & Estimated Recoverable Gold

The majority of gold heap leach operations around the world are characterised by the following key activities: mining, ore preparation (crushing and agglomeration), placing of agglomerated ores on the heap leach pad (ore stacking), the irrigation of the ores on the heap leach pad, known as the leaching process, the collection of gold and silver in solution, known as the pregnant leach solution (“PLS”) and the processing of that PLS in the gold processing plant, known as an Adsorption, Desorption and Recovery plant (“ADR”) to produce gold dore product.

Due to the length of the leaching process (150 days for the Tujuh Bukit mine) not all contained gold within the ore mined, on a quarterly basis, is actually recovered into gold dore product in the same quarter. As such, each mine seeks to estimate the recoverable gold ounces contained at each step of the overall process for any given standardised time period.

The table below provides the breakdown of estimated recoverable gold ounces from gold contained within ore stockpiles, which is yet to be crushed and agglomerated, right through each key step of the heap leach process at the mine site and further to the gold dore product that has been transported to the gold refinery and any final gold bullion at the refinery that is yet to be sold.

**Table 2: Tujuh Bukit Mine – Estimated Recoverable Gold Statistics**

Recoverable Gold Location	Unit	Jun Qtr 2017	Sep Qtr 2017	Unit	Jun Qtr 2017	Sep Qtr 2017
Ore Stocks	Au oz	4,914	18,526	US\$m	1.196	2.672
Metal in the Heap Leach Pad*	Au oz	28,898	34,246	US\$m	8.241	9.142
Metal in the ADR Plant	Au oz	2,621	7,784	US\$m	0.979	3.028
Dore at the Refinery	Au oz	11,815	9,324	US\$m	4.548	4.269
Bullion On Hand	Au oz	5,672	15,649	US\$m	2.309	7.166

\* Metal in the Heap Leach Pad calculated as total tonnes stacked x grade stacked x forecasted recovery less metal produced

Note: The value of the metal in each stockpile includes a non-cash depreciation allocation. This depreciation allocation is not included in the cash cost Inventory movements amount in table 4

## Appendix 2 - Tenement Status (September 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 <sup>th</sup> , 2012
Permit Period:	Until January 25 <sup>th</sup> 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 <sup>th</sup> , 2014
Permit Period:	Until January 25 <sup>th</sup> , 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 <sup>th</sup> , 2016
Permit Period:	Until January 24 <sup>th</sup> , 2030

## Appendix 3 - Recent pictures of the Tujuh Bukit Gold Mine

Figure 1 - Open pit mining - Pit B West



Figure 2 - Aerial view of the Ore Preparation Plant



Figure 3 – Aerial view of the Heap Leach Pad



Figure 4 – Aerial view of the Adsorption, Desorption and Recovery Plant



Figure 5 - New employee recreational and messing facilities



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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 for the Tujuh Bukit Mine, PT Damai Suksesindo (“DSI”) which holds the adjacent exploration permit, PT Cinta Bumi Suksesindo (“CBS”) and PT Beta Bumi Suksesindo (“BBSI”) which are subsidiaries that may also engage in mining and minerals operations.

The Company’s major assets are the Tujuh Bukit Mine, often referred to as the Tujuh Bukit Oxide Heap Leach Project and the undeveloped Tujuh Bukit Copper Gold deposit, both located in the Banyuwangi Regency, East Java, Indonesia, approximately 205 kilometres southeast of Surabaya, the Provincial Capital.

The Tujuh Bukit Copper Gold deposit is one of the world’s top ranked undeveloped porphyry copper and gold mineral resources, containing approximately 28 million ounces of gold and 19 billion pounds of copper. The operating Tujuh Bukit Mine is based on a near surface oxide gold silver deposit that contains a Mineral Resource of 2.45 million ounces of gold and 79 million ounces of silver<sup>i</sup> and associated Ore Reserves.

As a world-class Indonesian mining company, Merdeka is owned by prominent Indonesian shareholders including; PT Saratoga Investama Sedaya Tbk., PT Provident Capital Indonesia and Mr. Garibaldi Thohir. Merdeka’s three major shareholders have exceptional track records in successfully identifying, building and operating multiple publicly listed companies in Indonesia.

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<sup>i</sup> Refer Annual Statements of Mineral Resources and Ore Reserves on [www.merdekacoppergold.com](http://www.merdekacoppergold.com)