

PT Merdeka Copper Gold Tbk 9M 2021 Results: Production improvement boosts financial performance

JAKARTA, 30 November 2021 – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“MDKA” or “the Company”) has released its financial performance for the first nine-month period of 2021 (9M-21).

Key Highlights

- In quarter 3 2021, MDKA produced 41,520 ounces of gold and 5,896 tonnes of copper, representing significant improvement in production compared to quarter 2 2021 of 37,779 ounces of gold and 5,003 tonnes of copper. YTD production was 95,884 ounces of gold and 13,388 tonnes of copper.
- Consolidated revenue for the nine-month period to September 2021 was US\$ 261 million with 81,913 ounces of gold sold at an average price of US\$ 1,809/oz with hedging and 10,342 tonnes of copper sold at an average price of US\$ 9,312/t with hedging.
- All-in sustaining costs (“AISC”) for the nine-month period to September 2021 were US\$ 808/oz for gold production and US\$ 5,346/t for copper production.
- EBITDA for the nine-month period to September 2021 was US\$ 154 million. EBITDA for quarter 3 2021 was US\$ 70 million.
- Net profit attributable to shareholders of the Company was US\$ 21 million for the nine-month period to September 2021.
- Cash and cash equivalents, net of restricted cash, as at 30 September 2021 was US\$ 203 million. In addition to this, MDKA has US\$ 75 million of undrawn debt facilities.
- Subsequent to quarter 3 2021, in November 2021 MDKA successfully completed a one-year IDR Bond raise for a total amount of Rp 1.5 trillion with a coupon of IDR 5.0%. This was swapped in to US\$ 105 million with an interest rate of 1.95%.

Table 1. Highlights of Consolidated Statement of Income

in US\$ million	Q1-21	Q2-21	Q3-21	9M-21	9M-20	Variance (%)
Revenue	46.5	88.9	125.7	261.2	296.5	(11.9%)
Cost of revenue	(48.8)	(58.2)	(80.5)	(187.5)	(176.7)	6.1%
Gross (loss)/profit	(2.2)	30.6	45.3	73.7	119.8	(38.5%)
<i>Gross (loss)/profit margin</i>	<i>(4.8%)</i>	<i>34.5%</i>	<i>36.0%</i>	<i>28.2%</i>	<i>40.4%</i>	<i>(30.2%)</i>
G&A expenses	(6.7)	(6.4)	(8.1)	(21.2)	(19.8)	6.8%
Operating (loss)/profit	(8.9)	24.3	37.1	52.5	100.0	(47.5%)
<i>Operating (loss)/profit margin</i>	<i>(19.1%)</i>	<i>27.3%</i>	<i>29.5%</i>	<i>20.1%</i>	<i>33.7%</i>	<i>(40.3%)</i>
Finance income	0.4	0.7	0.2	1.3	0.3	376.9%
Finance expenses	(2.0)	(3.6)	(5.3)	(10.8)	(12.5)	(13.3%)
Other income/(expenses), net	1.8	(7.0)	(6.5)	(11.7)	(5.2)	125.0%
(Loss)/profit before tax	(8.7)	14.5	25.6	31.3	82.6	(62.1%)
Tax benefit/(expenses)	2.4	(4.8)	(10.3)	(12.8)	(31.2)	(59.1%)
Net (loss)/profit	(6.3)	9.7	15.2	18.5	51.3	(63.9%)
<i>Net (loss)/profit margin</i>	<i>(13.6%)</i>	<i>10.9%</i>	<i>12.1%</i>	<i>7.1%</i>	<i>17.3%</i>	<i>(59.0%)</i>
EBITDA	25.0	59.5	69.7	154.2	151.0	2.1%
<i>EBITDA margin</i>	<i>53.6%</i>	<i>67.0%</i>	<i>55.4%</i>	<i>59.0%</i>	<i>50.9%</i>	<i>16.0%</i>

2021 First Nine-Month Period Financial Results

- Revenue
 - Precious metals revenue from the Tujuh Bukit (“TB”) Gold Mine was US\$ 162 million for the nine-month to September 2021. Revenue in quarter 3 2021 continued to increase from revenue in quarter 2 2021 as production recovered from the heap leach pad incident. The heap leach pad recoveries were in accordance with expectation.
 - Wetar Copper Mine sales increased from US\$ 24 million in the first nine-month period of 2020 to US\$ 96 million in the first nine-month period of 2021 as production from the new Partolang pit ramped up.
 - The full benefit of higher production levels from precious metals and copper has not been fully reflected in revenue as sales realisation trails production.
- Profitability
 - Stronger revenue in quarter 3 2021 is also reflected in higher EBITDA of US\$ 70 million for the quarter, representing a 17% increase from quarter 2 2021 of US\$ 60 million. The EBITDA margin for the first nine-month of 2021 was 59.0%, higher than 50.9% for the first nine-months of 2020. The improvement in MDKA’s EBITDA margin was partially driven by the recognition of a US\$ 20 million interim insurance claim of which US\$ 14 million has been allocated to business interruption.

- An insurance claim for material damage and business interruption pertaining to the heap leach incident is ongoing. Insurers agreed to an interim payment of US\$ 20 million which was recognised as income in quarter 1 2021. US\$ 16.9 million, as part of the interim payment amounting to US\$ 20 million was received up to September 2021. A further US\$ 2.6 million was received in October 2021 with the remaining US\$ 0.5 million from the interim payment is expected to be received in Q4 2021. The full claim is expected to be settled in the first half of 2022.
- Cash flow
 - As of 30 September 2021, MDKA's cash balance was US\$ 203 million, higher than the US\$ 84 million cash balance recorded as of 30 September 2020.
 - In line with the gold production recovery, operating cash flows in quarter 3 2021 significantly improved resulting in operating cash flow of US\$ 91 million in the first nine-month period of 2021 (1H21: US\$ 4 million).
 - MDKA has successfully maintain its liquidity and set the group up for further growth through debt and equity transactions conducted throughout the first nine-month period of 2021.

Liquidity and Capital Resources

- Cash
 - MDKA has successfully maintained its strong financial position through a non-pre-emptive rights issuance of US\$ 170 million in March 2021, completion of an IDR Bond issuance that raised US\$ 104 million in March 2021, and a US\$ 100 million BSI Prepayment Facility in June 2021. In addition to this, MDKA has US\$ 75 million in undrawn debt facilities.
- Debt Transactions in Quarter 3 2021
 - On 7 August 2021 and 16 September 2021, MDKA paid principal bonds Series A from Continuation Bonds I Phase I and II amounting to US\$ 46 million and US\$ 10 million, respectively. The outstanding balance of IDR Bonds at the end of quarter 3 2021 was equivalent to US\$ 167 million.
 - In quarter 3 2021, BSI repaid US\$ 17 million of BSI Prepayment Facility to ING Bank N.V., Singapore Branch ("ING"). The balance of this facility at the end of quarter 3 2021 was US\$ 83 million.
- Capital Investments
 - TB Copper Project: As of 30 September 2021, MDKA had cumulatively invested US\$ 88 million in the TB Copper Project with the majority of the expenditure incurred for underground decline development, resource definition drilling and technical studies. Underground drilling for the nine-month period of 2021 was 22,500 metres with five underground drill rigs and one surface drill rig operating. Total investment made in the first nine-month period of 2021 was US\$ 15 million.
 - AIM Project: The execution of AIM Project continued with detailed design/engineering and long lead procurement on critical equipment. A total of US\$ 72 million has been committed to 30 September 2021.

2021 Developments

- TB Copper Project
 - MDKA will continue with the Pre-Feasibility Study program, which is planned for release in quarter 1 2022. Drilling is focusing on the Upper High-Grade Zone (“UHGZ”) exploration target of between 250 and 300 million tonnes at 0.7% to 0.9% copper and 0.7 g/t to 0.9 g/t gold.
- Wetar Copper Mine
 - Wetar Copper Mine has significant potential to extend its mine life. Exploration aimed at defining additional copper resources near Partolang is planned during the remainder of 2021, including further drilling and geological mapping at the Partolang Barat prospect and the “Bridge” zone between Partolang and Partolang Barat.
- AIM Project
 - An investigation to increase annual acid production capacity from 1.0 million tonnes to 1.2 million tonnes was completed in quarter 3 2021. This increase in acid capacity translates to corresponding increase in iron pellet and metals production.
 - The increase in acid capacity also triggered a comprehensive review of project capital, the capital expenditure is forecasted to be US\$ 387 million, including contingency.
 - Based on project capital costs of US\$ 387 million, the AIM Project yields a compelling net present value (“NPV”) of US\$ 513 million at 8% discount rate with an internal rate of return (“IRR”) of 29.5%. Average annual EBITDA over the first five years is expected to be approximately US\$ 160 million.
 - The AIM project is currently in construction and first production is expected at the end of the first quarter of 2023.

Covid-19

MDKA has established COVID-19 protocols that generally allow operations and development projects to continue with limited impacts. All supply lines, both domestic and international for all operations remain open. Reviews have been conducted on supplies and planned mitigation measures developed to ensure critical supply stocks are sufficient to operate.

99% of MDKA’s employees and contractors are now fully vaccinated and at the end of quarter 3 2021 there were currently no active COVID-19 cases within the MDKA group of companies. Given the reduced risk, rosters have been returned to normal and quarantine requirements before entering sites have now been dropped.

2021 Outlook

At the Tujuh Bukit Gold Mine, 2021 full year production is expected to be in the range of 100,000 to 120,000 ounces of gold at an AISC of US\$ 825/oz to US\$ 900/oz, net of silver credits.

At the Wetar Copper mine, copper production in 2021 is expected to be in the range of 15,500 to 18,500 tonnes of copper at an AISC US\$ 4,180/t to US\$ 5,280/t.

For further information, please contact:

Mr. David Fowler (Director)
The Convergence Indonesia, 20th Floor,
Rasuna Epicentrum Boulevard, HR Rasuna Said
Jakarta 12940 - Indonesia
T: +62 21 2988 0393

E: investor.relations@merdekacoppergold.com

About PT Merdeka Copper Gold Tbk.

PT Merdeka Copper Gold Tbk (“Merdeka” or “the Company”), a holding company with operating subsidiaries engaging in mining business activities, encompassing: (i) exploration; (ii) production of gold, silver, copper (and other related minerals); and (iii) mining services.

The Company’s major assets are the: (i) Tujuh Bukit Copper Project; (ii) Wetar / Morowali Acid Iron Metal Project; (iii) Pani Joint Venture; (iv) Tujuh Bukit Gold Mine and; (v) 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 8.7 million tonnes of copper and 28 million ounces of gold.

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.

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