

PT Merdeka Copper Gold Tbk FY2021 Results: Merdeka exceeds guidance, advances growth projects

JAKARTA, 23 February 2022 – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“MDKA”, “Merdeka” or “the Company”) has released its financial performance for the full year of 2021 (FY2021).

Key Highlights

- MDKA gold production for the FY2021 reached 124,730 ounces, exceeding 2021 gold production guidance of 100,000 to 120,000 ounces. Copper production in FY2021 was 19,045 tonnes, representing a significant increase compared to FY2020 copper production of 5,377 tonnes and also exceeding 2021 copper production guidance of 15,500 to 18,500 tonnes.
- Consolidated revenue for FY2021 was US\$381 million with 110,011 ounces of gold sold at an average price of US\$1,806/oz (including hedging) and 17,147 tonnes of copper sold at an average price of US\$9,455/t (including hedging).
- All-in sustaining costs (“AISC”) in FY2021 were US\$860/oz for gold production net of silver credits and US\$5,126/t for copper production.
- FY2021 EBITDA was US\$221.0 million, 46.8% higher compared to FY2020 EBITDA of US\$150.6 million.
- Net profit attributable to shareholders of the Company was US\$36 million for FY2021.
- In November 2021, MDKA successfully completed a one-year IDR Bond raise for a total amount of Rp1.5 trillion with a coupon of IDR 5.0%. This was swapped into US\$105 million with an effective interest rate of 1.95%.
- In December 2021, MDKA invested US\$80.16 million to subscribe for a 50.1% interest in PT Andalan Bersama Investama (“ABI”). This results in MDKA increasing its economic interest in the Pani Gold Project from 40% to 60%.
- Cash and cash equivalents, net of restricted cash, as of 31 December 2021 was US\$185 million. In addition to this, MDKA has US\$75 million of undrawn debt facilities.

Table 1. Highlights of Consolidated Statement of Income

in US\$million	Q1-21	Q2-21	Q3-21	Q4-21	FY21	FY20	Variance (%)
Revenue	46.5	88.9	125.7	119.8	381.0	321.9	18.4%
Cost of revenue	(48.8)	(58.2)	(80.5)	(73.4)	(260.9)	(207.7)	25.6%
Gross (loss)/profit	(2.2)	30.6	45.3	46.4	120.1	114.1	5.2%
<i>Gross (loss)/profit margin</i>	<i>(4.8%)</i>	<i>34.5%</i>	<i>36.0%</i>	<i>38.7%</i>	<i>31.5%</i>	<i>35.5%</i>	<i>(11.1%)</i>
G&A expenses	(6.7)	(6.4)	(8.1)	(8.1)	(29.3)	(20.0)	46.2%
Operating (loss)/profit	(8.9)	24.3	37.1	38.3	90.8	94.1	(3.5%)
<i>Operating (loss)/profit margin</i>	<i>(19.1%)</i>	<i>27.3%</i>	<i>29.5%</i>	<i>32.0%</i>	<i>23.8%</i>	<i>29.2%</i>	<i>(18.4%)</i>
Finance income	0.4	0.7	0.2	0.2	1.5	0.3	433.5%
Finance expenses	(2.0)	(3.6)	(5.3)	(2.2)	(13.0)	(18.3)	(29.1%)
Other income/(expenses), net	1.8	(7.0)	(6.5)	(10.9)	(22.6)	(19.8)	14.0%
(Loss)/profit before tax	(8.7)	14.5	25.6	25.4	56.7	56.2	0.9%
Tax benefit/(expenses)	2.4	(4.8)	(10.3)	(10.6)	(23.3)	(27.3)	(14.6%)
Net (loss)/profit	(6.3)	9.7	15.2	14.9	33.4	28.9	15.6%
<i>Net (loss)/profit margin</i>	<i>(13.6%)</i>	<i>10.9%</i>	<i>12.1%</i>	<i>12.4%</i>	<i>8.8%</i>	<i>9.0%</i>	<i>(2.4%)</i>
EBITDA	25.0	59.5	69.7	66.9	221.0	150.6	46.8%
<i>EBITDA margin</i>	<i>53.6%</i>	<i>67.0%</i>	<i>55.4%</i>	<i>55.8%</i>	<i>58.0%</i>	<i>46.8%</i>	<i>24.0%</i>

FY2021 Financial Results

- Revenue
 - Precious metals revenue from the Tujuh Bukit (“TB”) Gold Mine in FY2021 was US\$217 million, slightly lower than FY2020 mainly driven by lower production. The decrease in gold sales was offset by the increase in gold price from US\$1,732/oz in FY2020 to US\$1,806/oz in FY2021.
 - Wetar Copper Mine sales increased from US\$32 million in FY2020 to US\$162 million in FY2021 as production from the new Partolang pit ramped up from 5,377 tonnes in 2020 to 19,045 tonnes in 2021. Revenue growth was also supported by a higher copper price of US\$9,455/t in FY2021 from US\$6,112/t in FY2020.
- Profitability
 - Despite the higher revenue in FY2021 due to higher production levels at Wetar, MDKA was able to maintain a similar level of cost of revenue and G&A expenses (excluding depreciation and amortization expenses), which resulted in EBITDA of US\$221.0 million which was US\$70.4 million higher than FY2020 EBITDA of US\$150.6 million. Depreciation and amortization expenses increased from FY2020 to FY2021 largely contributed by the significant increase in copper production, as the assets are depreciated using the unit-of production method, resulting in a lower operating profit in FY2021 compared to FY2020. The improvement in EBITDA was partially driven by the

recognition of US\$14 million of insurance proceeds for business interruption. The EBITDA margin in FY2021 was 58.0%, higher than the FY2020 results of 46.8%.

- 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\$19.5 million, as part of the interim payment amounting to US\$20 million was received during FY2021, with the remaining US\$0.5 million is expected to be received in quarter 1 2022. The final settlement on the insurance claim is expected to be reached in quarter 1 2022.
 - Higher other expenses in quarter 4 2021 mainly consisted of tax expenses related to tax underpayment and rejection of tax appeals amounted to US\$4.1 million.
- Cash flow
 - As of 31 December 2021, MDKA's cash balance was US\$185 million, higher than the US\$51 million cash balance recorded as of 31 December 2020.
 - The recovery of gold and copper production resulted in higher operating cash flows for the year. The strong operating cash flows were partially offset with an investment of US\$80.16 million to increase Merdeka's effective interest in the Pani Gold Project and higher capital spending by US\$57 million for both operating assets and developing projects.
 - MDKA has successfully maintain its liquidity and set the group up for further growth through debt and equity transactions conducted throughout 2021.

Liquidity and Capital Resources

- Cash
 - MDKA has successfully maintained its strong financial position through a non-preemptive rights issuance of US\$170 million in March 2021, completion of IDR Bond issuances that raised US\$104 million and US\$105 million in March and November 2021, and a US\$100 million BSI Prepayment Facility in June 2021. In addition to this, MDKA had US\$75 million in undrawn debt facilities at 31 December 2021.
- Debt Transactions in Quarter 4 2021
 - BSI repaid US\$17 million of a BSI Prepayment Facility to ING Bank N.V., Singapore Branch ("ING"). The balance of this facility at the end of 31 December 2021 was US\$66 million.
 - MDKA completed an issuance of IDR Bonds that raised US\$105 million in November 2021. The outstanding balance of IDR Bonds at the end of 31 December 2021 was equivalent to US\$270 million.

Subsequent Events

- In January 2022, BSI successfully entered into a new financing arrangement in the form of a Secured Bullion Forward Hedge and Financing Transaction of US\$28 million. As part of the arrangement, a total of 15,431 oz gold was hedged with scheduled monthly settlements from February to September 2022, at an average price of US\$1,798/oz.

- Capital Investments
 - TB Copper Project: As of 31 December 2021, MDKA had cumulatively invested US\$99 million in the TB Copper Project with the majority of the expenditure incurred for underground decline development, resource definition drilling, geological modelling and technical studies. Underground drilling for FY2021 was 31,532 metres with six underground drill rigs and two surface drill rig operating. Total investment made for FY2021 was US\$26 million.
 - AIM Project: The execution of the AIM Project continued with detailed design/engineering and long lead procurement on critical equipment. A total of US\$149 million has been committed to 31 December 2021. Total capital spending in FY2021 was US\$55 million.

2021 – 2022 Developments

- TB Copper Project
 - MDKA targets to release an updated resources with a classification upgrade from previously inferred resources to indicated classification, incorporating new drill results during 2021. MDKA will continue with the Pre-Feasibility Study (“PFS”) program, given the exceptional drill results in 2021 which resulted in increases in orebody size and changes in the overall geological model, additional mining optimisations are required to support a higher Indicated Resource which in turn supports higher throughput levels and as a result, the PFS results are now expected to be announced in quarter 1 2023.
 - The Underground Resource Definition Drilling will continue throughout 2022, with between 60,000 to 70,000 metres of drilling scheduled.
- Wetar Copper Mine
 - There is significant potential to extend mine life at the Wetar Copper Mine. An exploration program to define additional copper resources near Partolang is ongoing, which also continued to Partolang Barat and indicates potential for extensions into the “Bridge” zone between Partolang and Partolang Barat.
 - Assay results at Partolang Barat for forty-one holes have been received and a resource update will be completed in March 2022.
- AIM Project
 - Based on 1.2 million tonnes of annual acid production capacity, the AIM Project requires capital expenditure of US\$387 million with a compelling net present value of US\$513 million at 8% discount rate with an internal rate of return of 29.5%. Average annual revenue and EBITDA over the first five years is expected to be approximately US\$280 million and US\$160 million, respectively.
 - The AIM project is currently in construction and first production is expected at the end of the first quarter of 2023.

- Pani Gold Project
 - Following the completion of MDKA's transaction with ABI in December 2021, it will allow the combined resources between the Pani IUP and Pani CoW to develop into one larger gold project.
 - In quarter 4 2021, MDKA has commenced a plan for early ground works to facilitate a rapid start to resource definition drilling in quarter 1 2022.
 - MDKA will make a further announcement during quarter 1 2022 on the strategy to complete the feasibility study work and develop the project.

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.

99.7% of MDKA's employees and contractors have been fully vaccinated and at the end of the year there were 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.

2022 Outlook

At the Tujuh Bukit Gold Mine, 2022 full year production is expected to be in the range of 100,000 to 120,000 ounces of gold at an AISC of US\$1,000/oz to US\$1,100/oz, net of silver credits. A total of 51,477 ounces of gold is hedged at an average price of US\$1,879/oz.

At the Wetar Copper mine, copper production in 2022 is expected to be in the range of 18,000 to 22,000 tonnes of copper at an AISC US\$6,820/t to US\$7,480/t. Production rates should increase further in subsequent years following the commissioning of the Water Treatment Plant. A total of 3,500 tonnes of copper is hedged at an average price of US\$9,950/t.

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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 Gold Project; (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