

PRESS RELEASE

For Immediate Release



PT Merdeka Copper Gold Tbk Q1-2021 Results: Strong and sound financial position to support development of growth projects

JAKARTA, 19 May 2021 – PT Merdeka Copper Gold Tbk (IDX: MDKA) (“MDKA” or “the Company”) has released its financial performance for the quarter ended 31 March 2021.

Key Highlights

- In Q1-21, MDKA produced 16,585 ounces of gold and 2,489 tonnes of copper, representing significant improvement compared to production in Q4-20 of 5,355 ounces of gold and 1,017 tonnes of copper. Production has improved mainly from (i) positive progress on remediation of the heap leach pad at Tujuh Bukit (“TB”) Gold Mine and (ii) production ramp-up at the Wetar Copper Mine.
- Consolidated revenue for the quarter was US\$47m with 14,370 ounces of gold sold at an average price of US\$1,779/oz, 2,139 tonnes of copper sold at an average price of US\$7,883/t and 143,071 of silver sold at an average price of US\$26/oz.
- All-in sustaining costs (“AISC”) for the quarter were US\$1,342/oz for gold production and US\$5,874/t for copper production.
- EBITDA for the quarter was US\$25m.
- As previously announced on 28 April 2021, MDKA was advised by loss adjuster that insurers have determined that the cover for property damage and business interruption are triggered under the insurance policy, subject to certain policy terms and conditions. As a result, US\$20m of income was recorded for the quarter.
- Net loss attributable to shareholders of the Company was US\$5m for the quarter. Low production levels and heap leach reinstatement cost of US\$11m recorded during the quarter impacted results for the quarter.
- MDKA, Eternal Tsingshan Group Limited (“Tsingshan”) and their respective affiliates signed a Joint Venture Agreement (“JVA”) for the Acid Iron Metal (“AIM”) Project. Subsequently, the parties established an Indonesian incorporated joint venture company, PT Merdeka Tsingshan Indonesia (“MTI”) which is 80% held by MDKA and 20% by Tsingshan. The AIM Project will begin construction in Q2-21 and is targeted to commence production in Q4-22.
- As at 31 March 2021, MDKA has a cash balance of US\$277m following the receipts of US\$104m from an IDR Bond issuance and US\$170m proceeds from non-pre-emptive rights (“NPR”) issuance.

Table 1. Highlights of Consolidated Statement of Income

in US\$ million	Q1 2021	Q1 2020	Variance (%)
Revenue	46.5	103.8	(55.1%)
Cost of revenue	(48.8)	(69.2)	(29.5%)
Gross (loss)/profit	(2.2)	34.6	(106.4%)
<i>Gross (loss)/profit margin</i>	<i>(4.8%)</i>	<i>33.3%</i>	<i>(114.4%)</i>
G&A expenses	(6.7)	(5.2)	28.7%
Operating (loss)/profit	(8.9)	29.4	(130.2%)
<i>Operating (loss)/profit margin</i>	<i>(19.1%)</i>	<i>28.3%</i>	<i>(167.4%)</i>
Finance income	0.4	0.1	287.8%
Finance expenses	(2.0)	(4.6)	(57.0%)
Other income/(expenses), net	1.8	(0.0)	(6523.4%)
(Loss)/profit before tax	(8.7)	24.9	(135.0%)
Tax benefit/(expenses)	2.4	(10.8)	(122.1%)
Net (loss)/profit	(6.3)	14.1	(144.9%)
<i>Net (loss)/profit margin</i>	<i>(13.6%)</i>	<i>13.6%</i>	<i>(200.2%)</i>
EBITDA	25.0	49.4	(49.4%)
<i>EBITDA margin</i>	<i>53.6%</i>	<i>47.6%</i>	<i>(12.8%)</i>

2021 First Quarter Financial Results

- Revenue
 - MDKA posted revenue of US\$47m in Q1-21, lower than revenue posted in Q1-20 of US\$104m mainly attributed to lower revenue generated from the sales of gold (US\$26m vs US\$93m) as a result of lower production due to the heap leach incident at TB Gold Mine, which occurred on 12 September 2020. Reinstatement of the heap leach pad has been progressing ahead of schedule, with construction expected to be completed by end of Q2-21 and normal operations expected to resume by Q3-21.
 - The decline in gold sales volume was partially offset by an increase in copper sold resulting from production ramp-up at the Wetar Copper Mine's new pit, Partolang, with revenue increasing to US\$17m in Q1-21 compared to US\$14m in Q1-20.
- Profitability
 - An insurance claim for property damage and business interruption pertaining to the heap leach incident has been lodged with the Company's insurers. On 23 April 2021, the Company received confirmation that insurers have accepted that the insurance policies will respond to the claim. As a result, US\$20m of income has been recorded for the quarter. This is an interim recognition of income that is expected to increase as the claim value is agreed during 2021.

- EBITDA for the quarter was US\$25m. Despite the decline in operating margin, EBITDA margin for the quarter was 53.6%, higher than Q1-20 results of 47.5% mainly due to US\$14m of interim insurance claim income for business interruption.
- Net loss attributable to shareholders of the company was US\$5m for the quarter. Low production levels at both operating mines and heap leach reinstatement cost of US\$11m recorded during the quarter impacted results for the quarter.
- Cash flow
 - As at 31 March 2021, MDKA cash balance was US\$277m, higher than the cash balance as at 31 March 2020 of US\$63m.
 - Despite temporary low production levels which resulted in negative operating cash flows of US\$16m for the quarter (Q1-20: positive US\$37m), MDKA has successfully maintained its liquidity through debt and equity transactions in Q1-21.

Liquidity and Capital Resources

- Cash
 - MDKA strengthened its financial position in Q1-21 through a significantly over subscribed NPR issuance of US\$170m, followed by the successful completion of an IDR Bond issuance raising US\$104m.
 - These funding initiatives are part of an integrated 2021 plan to demonstrably support the financial position and growth opportunities for MDKA, such as the proposed development of the TB Copper Project and AIM Project.
- Debt and equity transactions for the quarter
 - On 5 March 2021, MDKA successfully issued ~1 billion new shares at Rp2,420 via an NPR issuance. The offer was significantly over subscribed and MDKA raised a total of Rp2.4T (equivalent to US\$170m).
 - On 26 March 2021, MDKA successfully completed an IDR Bond raise for a total amount of Rp1.5T, which was swapped to US\$104m at the following rates:
 - 1 year: Rp560b at IDR 7.50% swapped to US\$39m at USD 3.60%; and
 - 3 years: Rp940b at IDR 9.85% swapped to US\$65m at USD 5.40%.
- Capital Investments
 - During the quarter, MDKA invested US\$4m in pre-feasibility study (“PFS”) expenditure at the TB Copper Project. The majority of the expenditure was spent on resource definition drilling. Total drilling for the quarter was 6,850.6 metres from underground with five underground drill rigs operating at the end of Q1-21.
 - During the quarter, the AIM Project feasibility study was finalised and subsequently announced in April 2021. Based on a capital cost estimate of \$290m, the AIM Project will deliver compelling economics, with a Net Present Value (“NPV”) of US\$407m at 8% discount rate and an Internal Rate of Return (“IRR”) of 26%.

2021 Developments

- TB Copper Project
 - As part of ongoing effort to develop the TB Copper Project, MDKA will continue with the PFS program by targeting approximately 50,000 metres of drilling during 2021 focusing on the Upper High Grade Zone (“UHGX”) 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. Up to 31 March 2021, MDKA has invested US\$77m on the PFS program, the results of which are planned to be released in Q1-22.
- AIM Project
 - With the signing of the JVA with Tsingshan, completion of the FS, and establishment of an Indonesian incorporated joint venture company, MTI, the next steps on AIM Project development:
 - Construction which is forecast to commence in Q2-21;
 - Financing of the project has commenced and is expected to be concluded in Q3-21; and
 - First production is targeted in Q4-22.

2021 Outlook

Despite the large scale social restrictions (“PSBB”) implemented by the Government of Indonesia in response to the corona virus (“Covid-19”) pandemic, the Company’s operations are still running smoothly. In addition, given that the vaccines are now being rolled out in most economies, the fundamentals are in place for a strong economic recovery later in 2021.

At the TB Gold Mine, normal operations are expected to resume in early Q3-21. Guidance for 2021 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.

With the completion of strategic review for Wetar Copper Mine, copper production is expected to reach consistent production levels in Q2-21. Guidance for 2021 is expected to be in the range of 14,000 to 17,000 tonnes of copper at an AISC of US\$4,620/t to US\$5,720/t.

Consolidated revenue, EBITDA and profit in 2021 is expected to improve going forward, following the expected normal operation of TB Gold Mine in Q3-21 and consistent copper production levels from Wetar Copper Mine.

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About PT Merdeka Copper Gold Tbk.

PT Merdeka Copper Gold Tbk (“Merdeka”), 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 current 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