



8<sup>th</sup> May 2023

## Near Term High-Grade Nickel Matte Production

**Jakarta, Indonesia – PT Merdeka Battery Materials Tbk (IDX: MBMA) (“MBMA” or the “Company”)** is pleased to announce that the Company has entered into conditional agreements to acquire a 60% interest in PT Huaneng Metal Industry (“**HNMI**”), a high-grade nickel matte (“**HGNM**”) conversion facility, located within the Indonesia Morowali Industrial Park (“**IMIP**”) (the “**Proposed Acquisition**”).

### HNMI Overview

HNMI was constructed and commissioned by Eternal Tsingshan Group Limited (“**Tsingshan**”) and has been in steady production since 2022. HNMI processes low-grade nickel matte (“**LGNM**”) <sup>1</sup> produced by RKEF smelters, reducing the iron content, to produce HGNM containing more than 70% nickel. Historically HNMI has sustained an annual production rate of 50,000 tonnes of nickel in nickel matte <sup>2</sup>. In recent times, HGNM producers in IMIP have achieved an incremental EBITDA margin above nickel pig iron (“**NPI**”) of approximately US\$2,000 per tonne.

### Transaction Overview

The total consideration for the Proposed Acquisition is approximately US\$75 million for MBMA’s 60% interest in HNMI, with a subsidiary of Tsingshan holding the remaining 40%. The Proposed Acquisition will allow MBMA to transition its larger RKEF asset base to *Class 1* nickel production and unlock value. The Proposed Acquisition is targeted for completion in mid-2023, subject to completing conditions customary for a transaction of this nature.

### Nickel Matte

Tsingshan, MBMA’s operating partner, pioneered the technology to produce HGNM from its RKEF smelter. Nickel matte, an intermediate product used in producing nickel sulphate, is an integral component of the battery value chain. Nickel matte has historically achieved superior margins to NPI, with higher payability on a per tonne of nickel basis.

Initially a Tsingshan entity will supply LGNM to HNMI at a small premium to the prevailing NPI price with HNMI benefiting from the additional margin between NPI and HGNM. Over time it is expected that MBMA will make the necessary modifications to its own RKEF smelter lines to supply HNMI directly.

The Proposed Acquisition of HNMI, an operating asset that will deliver immediate cashflow, demonstrates MBMA’s ability to capture added profit margin from the production and sale of HGNM and produce various nickel intermediates to capitalise on market dynamics. As part of MBMA’s strategy to deliver value to its shareholders, MBMA continues to evaluate additional nickel matte and other downstream expansion projects to produce higher value-added *Class 1* battery materials, which are critical to support the fast-growing electric vehicle value chain.

<sup>1</sup> Low-grade nickel matte grade typically ranges from 18 – 22%.

<sup>2</sup> The ultimate high-grade nickel matte production volume is a function of the nickel contained in the low-grade nickel matte.



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