

## **MBMA announces 1H 2023 Results**

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**Jakarta, Indonesia, 29 September 2023** – PT Merdeka Battery Materials Tbk (IDX: MBMA) (“MBMA” or the “Company”) is pleased to announce its financial performance for the first half ending 30 June 2023 (“1H 2023”).

### Key Highlights for 1H 2023

- MBMA achieved production of 21,238 tonnes of nickel in nickel pig iron (“NPI”) and 4,438 tonnes of nickel in nickel matte, following the acquisition of PT Huaneng Metal Industry (“HNMI”). HNMI is a high-grade nickel matte conversion facility and is expected to produce 28,000 to 31,000 tonnes of nickel in nickel matte, following acquisition completion in 2Q 2023.
- A third RKEF smelter, PT Zhao Hui Nickel (“ZHN”) was successfully commissioned in June 2023, producing 2,145 tonnes of nickel in NPI. ZHN is forecast to produce 21,000 to 25,000 tonnes of nickel in NPI in 2H 2023 and more than double MBMA’s NPI production capacity from 38,000 to 88,000 tonnes per annum of nickel in NPI.
- Total sales of 19,222 tonnes of nickel in NPI and 3,036 tonnes of nickel in nickel matte at an average selling price of US\$15,543/t nickel in NPI and US\$17,196/t nickel in nickel matte.
- MBMA recorded revenue and EBITDA of US\$351 million and US\$12 million, respectively, at All-In Sustaining Costs (“AISC”) of US\$14,336/t for NPI and US\$15,517/t for nickel matte.
- MBMA completed its Initial Public Offering (“IPO”) on the Indonesia Stock Exchange (“IDX”) in April 2023. The IPO, priced at IDR795 per share, was well supported by domestic and foreign institutional investors, regional sovereign wealth fund and strategic investors. 11.6 billion new shares were issued representing IDR9.2 trillion in new capital and approximately 10.7% of the total outstanding shares.
- As of 30 June 2023, cash and cash equivalents were US\$328 million with total outstanding bank debt of US\$289 million.

### Key Events Subsequent to 1H 2023

- The haul road upgrade linking the SCM mine to IMIP was completed in August 2023, allowing the saprolite ore haulage to commence in mid-August 2023.
- The Huayue Feed Preparation Plant (“FPP”) construction project inside the SCM mine concession area is nearing completion and is now preparing for commissioning along with the slurry pipeline completion in 4Q 2023, allowing the transport and sale of limonite ore from the SCM mine to begin.
- AIM Project construction is nearing completion. The ore delivery process and pyrite plant commissioning have commenced in anticipation of first acid production at the end of 4Q 2023.
- MBMA announced the execution of definitive agreements with wholly owned subsidiaries of GEM Co., Ltd (“GEM”) to construct an HPAL processing plant with a nameplate capacity of 30,000 tonnes per annum of nickel in Mixed Hydroxide Precipitate (“MHP”). The project will be constructed and operated under PT ESG New Energy Material (“ESG”), with MBMA holding a 55% / GEM 45% interest in ESG.
- MBMA announced a Memorandum of Understanding (“MoU”) with The Korea Development Bank (“KDB”), encouraging collaboration between MBMA and KDB to promote Korean companies to evaluate a potential investment in MBMA and foster the growth of the respective countries’ midstream and downstream battery materials value chains.

**Table 1. Highlights of Consolidated Statement of Income**

In US\$ million	1H 2023	1H 2022
Revenue	351.0	129.0
Cost of Revenue	(332.6)	(107.1)
<b>Gross Profit</b>	<b>18.4</b>	<b>21.9</b>
<i>Gross Profit Margin</i>	<i>5.2%</i>	<i>16.9%</i>
G&A Expenses	(17.5)	(2.5)
<b>Operating Profit</b>	<b>0.9</b>	<b>19.4</b>
<i>Operating Profit Margin</i>	<i>0.3%</i>	<i>15.0%</i>
Finance Costs, net	(16.3)	(3.0)
Other Income, net	1.2	25.7
<b>Profit Before Tax</b>	<b>(14.1)</b>	<b>42.1</b>
Tax Benefit	0.2	-
<b>Net (Loss)/Profit</b>	<b>(13.9)</b>	<b>42.1</b>
<i>Net (Loss)/Profit Margin</i>	<i>4.0%</i>	<i>32.6%</i>
<b>EBITDA</b>	<b>12.4</b>	<b>23.3</b>
<i>EBITDA Margin</i>	<i>3.5%</i>	<i>18.1%</i>

### **1H 2023 Financial Results**

- **Revenue**

A significant increase in revenue can be attributable to:

- Additional revenue of US\$52 million from nickel matte sales of 3,036 tonnes of nickel at an average selling price of US\$17,196/t. This revenue represents the sales of nickel matte following the acquisition completion of a high-grade nickel matte converter on 31 May 2023.
- PT Cahaya Smelter Indonesia (“CSID”) and PT Bukit Smelter Indonesia (“BSID”) recorded sales of 19,222 tonnes of nickel in NPI and revenue of US\$299 million at an average selling price of US\$15,543/t (US\$18,813/t in 1H 2022).
- Compared to 1H 2022, the significant increase in revenue from NPI is attributable to the higher volume of nickel in NPI sales. 1H 2022 represented only two months of NPI revenue, while 1H 2023 represents the full six months of NPI revenue from both CSID and BSID smelters.

- **Cost of Revenue**

- Total cost of revenue attributable to NPI was US\$282 million, compared to US\$107 million from only two months of operation in 1H 2022.
- The total cost of revenue attributable to nickel matte was US\$48 million. More than 90% of the costs are associated with purchasing low-grade nickel matte (“LGNM”), one of the primary raw materials to produce high-grade nickel matte.

- **Profitability**

- MBMA generated an EBITDA of US\$12 million.
- A reduction in the gross profit margin can be attributed to the fall in average selling price of NPI of US\$15,543/t, compared to US\$18,813/t in 1H 2022. NPI AISC was US\$14,336 in 1H 2023 compared to US\$15,095/t in 1H 2022.
- The lower profitability can be attributable to lower average NPI selling price, higher finance costs and higher G&A cost in 1H 2023 of US\$17 million (compared to 1H 2022 G&A cost of US\$2 million) mostly driven by increase in employee costs of US\$5 million, costs related to IPO of US\$6 million and insurance cost of US\$1 million.
- MBMA is expected to generate higher profitability in 2H 2023, driven by additional NPI production from ZHN, six months of nickel matte production from HNMI and sale of nickel ore from the SCM mine.

- **Cash Flow**

- Operating and investing cash flows of US\$614 million were supported by financing activities from IPO proceeds and further drawdown of MTI Term Loan and MTI VAT facility totalling US\$42 million. In addition, there was a drawdown from new loans of MBMA and MTI from PT Merdeka Copper Gold Tbk (“MDKA”) totalling US\$125 million.
- A portion of the IPO proceeds were used to fully repay MBMA’s outstanding principal loan of US\$225 million to MDKA and US\$75 million to ING Bank.

### **Liquidity and Capital Resources**

- **Cash**

- As of 30 June 2023, cash and cash equivalents was US\$328 million with total outstanding bank debt of US\$289 million.

- **Debt Transactions in 1H 2023**

- MBMA fully repaid its outstanding principal loan of US\$225 million to MDKA and US\$75 million to ING Bank on 18 April 2023.
- MTI has fully drawn the US\$260 million MTI Term Loan and the IDR430 billion MTI VAT Facility.
- MBMA has drawn US\$75 million from its US\$175 million loan facility from MDKA. This drawdown funded the acquisition of HNMI nickel matte converter plant.

- **Capital Investments**

- Haul Road: As of the end of 1H 2023, approximately US\$77.5 million has been invested in upgrading the haul road to facilitate saprolite ore haulage from the SCM mine to IMIP. The haul road upgrade linking the SCM mine to IMIP was completed in August 2023, allowing the saprolite ore haulage to commence in mid-August 2023.
- AIM Project: Construction is nearing completion, with engineering, procurement, and construction reaching 91.6% at the end of the quarter. After completing the original engineering design scope, MBMA’s focus is shifting from design-centric to construction and operational readiness with first acid expected to be delivered at the end of 4Q 2023.

## **Sustainability and Environment, Social & Governance (“ESG”)**

### **• Sustainability**

- MBMA has issued its 2022 Sustainability Report that provides a comprehensive overview of MBMA's efforts to integrate sustainable practices into its operations, including environmental stewardship, occupational health and safety, employee welfare, community engagement, human rights, and sustainability governance. The Sustainability Report has been developed in accordance with GRI Standards 2021 and national regulations.

### **• Environmental**

- MBMA has completed a biodiversity management plan (“BMP”) with the assistance of external biodiversity experts. The BMP's objective is to guide the conservation, enhancement, and management of biodiversity within and adjacent to the site while allowing for development, restoration, and aftercare management to proceed. The BMP is an essential part of MBMA's efforts to demonstrate compliance with specific international standards related to mining activities, including the requirements from the International Council on Mining and Metals (“ICMM”) under Principle 7 - Conservation of Biodiversity and the Initiative for Responsible Mining Assurance (“IRMA”) Environmental Responsibility Requirement, Chapter 4.6 - Biodiversity, Ecosystem Services, and Protected Areas.

### **• Social and Governance**

- MBMA has completed cultural heritage management plan (“CHMP”) with the support of a third party, Hasanudin University. The CHMP presents a comprehensive strategy for MBMA to manage the cultural heritage impacted by its mining activities at the SCM mine, following heritage preservation procedures. As a guide, the CHMP will aid MBMA in upholding its commitment to safeguarding cultural heritage within the mining concession area and its surroundings.

## **1H 2023 Developments**

### **• SCM Mine**

- Significant progress on upgrading haul road to a 9% grade has been made, with 98% completion at the end of the quarter. The ore road upgrade was completed after the end of the quarter, with saprolite ore haulage to MBMA RKEF smelter commencing in mid-August 2023.
- MBMA is monitoring Huayue's FPP construction project inside the SCM mine concession area. The FPP is nearing completion and began commissioning during the quarter. Installation of the slurry pipeline from the FPP to the PT Huayue Nickel Cobalt HPAL plant (“HNC”) at IMIP is underway. Project completion is expected in 4Q 2023, allowing the transport and sale of limonite ore from the SCM mine to begin.

### **• RKEF Smelters**

- ZHN was successfully commissioned in June 2023 and is expected to produce 21,000 to 25,000 tonnes of nickel in NPI in 2H 2023. ZHN will more than double MBMA's NPI production capacity from 38,000 to 88,000 tonnes per annum of nickel in NPI.

- **Nickel Matte**

- On 31 May 2023, MBMA completed the acquisition of a 60% interest in HNMI, a high-grade nickel matte conversion facility located in IMIP, with the remaining 40% interest held by Tsingshan Group. By acquiring an existing nickel matte converter, MBMA is benefiting from immediate incremental cashflow by selling a higher value product. HNMI can produce on average 50ktpa of high-grade nickel matte, complementing MBMA's significant NPI production base and diversifying sales to include *class 1* nickel sold to the battery materials value chain.

- **AIM Project**

- The construction is nearing completion with engineering, procurement and construction reaching 91.6% at the end of the quarter. After completing the original engineering design scope, MBMA's focus is shifting from design centric to construction and operational readiness.
- The project team is focusing on the pyrite plant as the first operational area to ensure a smooth transition to operation. The work has shifted from civil and structural installation to mechanical, piping, and electrical installation. Around all project areas, ongoing critical equipment installation consists of chain grate, rotary kiln, and iron pellet cooler. Electrical installations continue with cable supports, lighting, local and equipment control panel.

- **Other Key Developments**

- HPAL JV:
  - On 16 March 2023, MBMA entered into a MoU with Brunp CATL regarding the development of an HPAL plant, producing nickel in MHP, to be constructed within IKIP. The first phase of HPAL plants will have a total capacity of 120,000 tonnes per annum of nickel in MHP split into two 60ktpa tranches. Detailed feasibility and engineering have commenced.
- Subsequent to the 1H 2023, MBMA announced:
  - A MoU with KDB. This MoU will encourage collaboration between MBMA and KDB to promote Korean companies to evaluate a potential investment in MBMA, establish a reliable supply chain of nickel and other battery materials minerals, and foster the growth of the respective countries' midstream and downstream battery materials value chains; and
  - On 25 September 2023, MBMA announced the execution of definitive agreements with wholly owned subsidiaries of GEM Co., Ltd ("GEM") to construct an HPAL processing plant with a nameplate capacity of 30,000 tonnes per annum of nickel in MHP.

## **Outlook**

### **RKEF Smelters**

BSID and CSID are expected to produce 18,000 to 20,000 tonnes of nickel in NPI at an AISC of US\$13,000 to 15,000/t for 2023. One of the major cost components is nickel ore, which varies depending on the international nickel price. MBMA will be self-sustaining and less exposed to the ore price fluctuations following the commencement of saprolite hauling activities from SCM mine.

ZHN is expected to produce 21,000 to 25,000 tonnes of nickel in NPI for this year following its commissioning in June 2023.

### **Nickel Matte**

HNMI is expected to produce 28,000 to 31,000 tonnes of nickel in nickel matte, following acquisition completion in 2Q 2023.

HNMI has an agreement to purchase LGNM at the prevailing NPI price plus a small margin. As a large-scale producer of NPI, MBMA is naturally hedged against the cost of LGNM.

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