

## Financial Results for 9M 2023

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**Jakarta, Indonesia, 21 November 2023** – PT Merdeka Battery Materials Tbk (IDX: MBMA) (“MBMA” or the “Company”) is pleased to announce its financial performance for the nine months ending 30 September 2023 (“9M 2023”).

### Key Highlights for 9M 2023

- MBMA achieved production of 42,976 tonnes of nickel in nickel pig iron (“NPI”) and 17,649 tonnes of nickel in nickel matte.
- Total sales of 42,054 tonnes of nickel in NPI and 16,430 tonnes of nickel in nickel matte at an average selling price of US\$14,305 and US\$16,572 per tonne, respectively.
- Nickel ore mined of 3.3 million wet metric tonnes (“wmt”) comprising 2.4 million wmt of limonite ore and 0.9 million wmt of saprolite ore. Saprolite ore delivery to MBMA’s RKEF smelters commenced in mid-August 2023. A total of 44,000 wmt of saprolite ore was delivered in the September quarter. Haulage will increase to 600,000 – 800,000 wmt in the December quarter and is expected to ramp up to a haulage rate of six million wmt per annum by the end of 2024, generating significant operating cash flow.
- MBMA recorded revenue and EBITDA of US\$874 million and US\$64 million, respectively, at an All-In Sustaining Cost (“AISC”) of US\$12,958 and US\$15,247 per tonne for NPI and nickel matte, respectively.
- Other significant developments during and after the September quarter include:
  - Signing a new partnership with GEM Co., Ltd (“GEM”) to construct a majority MBMA owned High-Pressure Acid Leach (“HPAL”) processing plant located within IMIP, with a nameplate capacity of 30,000 tonnes per annum of contained nickel in Mixed Hydroxide Precipitate (“MHP”);
  - Execution of a Memorandum of Understanding (“MoU”) with Korea Development Bank (“KDB”). This MoU is encouraging 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;
  - MBMA corporate credit rating was upgraded to ‘A’ based on a rating certificate issued by PT Perneringkat Efek Indonesia (Pefindo). MBMA is expecting to complete its first IDR Bond issuance in the quarter ending March 2024; and
  - Successful delivery of the first shipment of pyrite ore to the AIM Project.
- As of 30 September 2023, cash and cash equivalents were US\$327 million, with total outstanding bank debt of US\$288 million.

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

In US\$ million	9M 2023	9M 2022
Revenue	873.9	289.4
Cost of Revenue	(812.5)	(258.1)
<b>Gross Profit</b>	<b>61.4</b>	<b>31.3</b>
<i>Gross Profit Margin</i>	7.0%	10.8%
G&A Expenses	(21.1)	(11.5)
<b>Operating Profit</b>	<b>40.3</b>	<b>19.8</b>
<i>Operating Profit Margin</i>	4.6%	6.8%
Finance Costs, net	(15.2)	(9.9)
Other Income, net	2.1	22.5
<b>Profit Before Tax</b>	<b>27.3</b>	<b>32.4</b>
Tax (Expense)/Benefit	(0.4)	0.1
<b>Net Profit</b>	<b>26.9</b>	<b>32.5</b>
<i>Net Profit Margin</i>	3.1%	11.2%
<b>EBITDA</b>	<b>64.2</b>	<b>29.6</b>
<i>EBITDA Margin</i>	7.3%	10.2%

### **9M 2023 Financial Results**

- **Revenue**

A significant increase in revenue is attributable to:

- Additional revenue of US\$272 million from the sale of 16,430 tonnes of nickel in nickel matte at an average selling price of US\$16,572 per tonne.
- An 108% increase in NPI sales with total sales of 42,054 tonnes of nickel in NPI and revenue of US\$602 million at an average selling price of US\$14,305 per tonne (17,202 tonnes of nickel in NPI at an average selling price of US\$16,827 per tonne in 9M 2022).
- Compared to 9M 2022, the significant increase in revenue from NPI is attributable to the higher volume of nickel in NPI sales following the commissioning of the PT Zhao Hui Nickel ("ZHN") RKEF smelter in June 2023. Since commissioning, ZHN has contributed 14,101 tonnes of nickel in NPI sales. Additionally, 9M 2022 represented only five months of NPI revenue, while 9M 2023 represents the full nine months of NPI revenue from the PT Cahaya Smelter Indonesia ("CSID") and PT Bukit Smelter Indonesia ("BSID") smelters and production from ZHN.

- **Cost of Revenue**

- The total cost of revenue attributable to NPI was US\$560 million at an AISC of US\$12,958 per tonne, significantly lower on a unit cost basis, compared to 9M 2022 AISC of US\$14,357 per tonne. The significant cost decrease is attributable to the lower cost of electricity and reductant agents.
- The total cost of revenue attributable to nickel matte was US\$250 million at an AISC of US\$15,247 per tonne. 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 ("HGNM").

- **Profitability**

- MBMA generated an EBITDA of US\$64 million, representing an increase of 117% compared to 9M 2022. Higher EBITDA is attributable to the additional production of nickel in nickel matte, additional NPI production from ZHN and realising the full nine months NPI production from CSID and BSID.
- A reduction in the gross profit margin is attributable to the fall in the average selling price of NPI of US\$14,305 per tonne, compared to US\$16,827 per tonne in 9M 2022.
- The lower profitability is attributable to lower average NPI selling price, higher finance costs and G&A cost in 9M 2023 of US\$21 million (compared to 9M 2022 G&A cost of US\$12 million) mostly driven by increase in employee cost of US\$4 million, cost related to MBMA IPO of US\$6 million and insurance cost of US\$1 million.

- **Cash Flow**

- Operating and investing cash flows of US\$443 million were supported by financing activities from IPO proceeds, PT Merdeka Tsingshan Indonesia (“MTI”) Term Loan and MTI VAT facility and a shareholder loan facility from PT Merdeka Copper Gold Tbk (“MDKA”) (“MDKA shareholder loan facility”).
- 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.
- MBMA invested US\$362 million during 9M 2023 to progress the development of the AIM Project, SCM mine and construction of ZHN RKEF smelter, investing US\$151 million, US\$82 million and US\$15 million, respectively, and to fund the acquisition of the nickel matte plant and final payment related to MBMA acquisition amounting to US\$67 million and US\$41 million, respectively.
- During 9M 2023, ZHN drew down US\$93 million of loans from its shareholders for working capital for the commissioning phase. ZHN was successfully commissioned in June 2023.

### **Liquidity and Capital Resources**

- **Cash**

- As of 30 September 2023, cash and cash equivalents was US\$327 million with total outstanding bank debt of US\$288 million.

- **Debt Transactions in 9M 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, the IDR430 billion MTI VAT Facility and the US\$50 million MDKA Parent Support and Project Expansion Facilities.
- MBMA drew an additional US\$30 million under the US\$175 million MDKA shareholder loan facility during the September quarter, bringing the total outstanding balance to US\$105 million. The proceeds were used to fund the acquisition of the nickel matte plant, which was completed in the June quarter. Subsequent to the quarter, MBMA further drew US\$50 million which was offset by a US\$75 million repayment following the approval of resolutions to change the IPO use of proceeds, reducing the outstanding balance to US\$80 million.

- **Capital Investments**

- Haul Road: MBMA completed the haul road upgrade to facilitate saprolite ore haulage from the SCM mine to IMIP with an investment of approximately US\$84.5 million. Saprolite ore haulage commenced in mid-August 2023.
- AIM Project: Commissioning of the pyrite concentrator has commenced. Engineering, procurement, and construction reached 92% and the first shipment of pyrite ore from Wetar copper mine to IMIP was completed in the September quarter. The first acid train is expected to commence production in January 2024, followed by the second acid train and chloride plant ramping up to full capacity in the quarter ending March 2024.

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

- **Sustainability**

- The MBMA sustainability team will finalise the sustainability roadmap in the December quarter, aligning MBMA's sustainability approach with international standards, particularly the GRI Standards 2021.
- In November 2023, MBMA received the prestigious 2023 TrenAsia ESG Award, in recognition of its commitment to ESG best practices in the nickel mining industry.

- **Environmental**

- MBMA has completed a biodiversity management plan (“BMP”) with the assistance of external biodiversity experts. The BMP's objective is to introduce the document and emphasise its implementation during site operation activities, raising awareness about the importance of biodiversity components and sustainable ecosystem services utilisation.

- **Social and Governance**

- MBMA has completed cultural heritage management plan (“CHMP”) with the support of a third party, Hasanudin University. During the September quarter, MBMA has included CHMP in the mining plan roadmap, demonstrating its commitment to implementing the CHMP.
- MBMA has engaged indigenous leaders in community consultation to develop future community development and empowerment programs for its SCM mine. MBMA is currently formulating a training program for indigenous women groups to improve their skills in developing economic values for their families.

## **9M 2023 Developments**

### **• SCM Mine**

- MBMA continues to improve site infrastructure to support mining operations, including developing several mine site roads. MBMA is also monitoring Huayou's Feed Preparation Plant ("FPP") construction project inside the SCM mine concession. The FPP is nearing completion and commissioning has begun. Installation of the slurry pipeline from the FPP to the PT Huayue Nickel Cobalt ("HNC") HPAL plant at IMIP is underway. Huayou has advised that these construction projects will be completed by the end of 2023, allowing the transport and sale of limonite ore from the SCM mine to begin.

### **• AIM Project**

- The pyrite plant commissioning is underway with all in-loading conveyors and crusher commissioning complete. Pressure testing and other pre-commissioning activities are underway in the acid plant. The demineralised water plant is currently near final commissioning, which will allow acid plant commissioning and temporary delivery of demineralised water to neighbouring HPAL facility, PT QMB New Energy Materials Co., Ltd ("QMB") Power has been established at all the AIM main substations. The pyrite plant, acid and chloride plants are 98%, 95% and 87% complete in construction, respectively.
- MBMA has been progressing with operational readiness tasks in parallel to construction activities and is realigning resources accordingly. These tasks include recruiting and training operations personnel, formal risk assessment with key safety, operational and construction personnel, securing and first delivering operational reagents and consumables, and developing proactive maintenance management systems. Project documentation preparation, such as operating manuals, process control philosophies and standard operating procedures, is progressing to schedule.

### **• HPAL Partnerships**

- On 16 March 2023, MBMA entered into a MoU with Brunp CATL regarding developing a HPAL plant with a nameplate capacity of 60,000 tonnes per annum of nickel in MHP. MBMA will own a 66% economic interest, with 34% owned by Brunp CATL. Feasibility work is advancing, with detailed engineering and construction expected to commence shortly after the completion of the feasibility work. Commissioning is expected within 24 months from the commencement of construction.
- On 24 September 2023, MBMA signed definitive agreements with GEM to develop an HPAL plant with a nameplate capacity of 30,000 tonnes per annum of nickel in MHP. MBMA and GEM (including its supply chain affiliates) will establish, through their respective subsidiaries, PT ESG New Energy Material ("ESG") to develop the HPAL plant with ownership of 55% and 45%, respectively. The project will be constructed and commissioned in two stages on a "turn-key" basis. Stage one will have a nameplate capacity of 20,000 tonnes per annum of nickel in MHP, and stage two will increase the nameplate capacity to 30,000 tonnes per annum of nickel in MHP. Stage one and stage two target commissioning dates are the end of 2024 and mid-2025, respectively. MBM is responsible for the supply of laterite nickel ore to the ESG HPAL plant on commercial terms. ESG will construct an FPP inside the SCM Mine concession to facilitate ore transportation via pipeline to the ESG HPAL processing plant at IMIP. In addition, MBMA has the option to participate in GEM's planned HPAL expansion of an additional 20,000 tonnes per annum of nickel in MHP, with a shareholding of not less than 20%. Subsequent to the quarter, MBMA and GEM subscribed for new ESG shares with a total subscription of US\$50 million, in proportion to each respective joint venture shareholding.

## **Outlook**

### **SCM Mine**

SCM mine is expected to deliver 600,000 to 800,000 wmt of saprolite ore to RKEF smelters at IMIP during 2023 and ramp up to six million wmt per annum by the end of 2024.

### **RKEF Smelters**

BSID and CSID are expected to produce 18,000 to 20,000 tonnes of nickel in NPI and 21,000 to 25,000 tonnes of nickel in NPI for ZHN, following its commissioning in June 2023, at an AISC of US\$12,500 to 14,000 per tonne.

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 as mining and hauling activities continue to ramp up at its SCM mine.

### **Nickel Matte**

PT Huaneng Metal Industry (“HNMI”) is expected to produce 28,000 to 31,000 tonnes of nickel in nickel matte for this year following completion of acquisition in the June quarter.

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