

Financial Results for FY2023

Jakarta, Indonesia, 27th March 2024 – PT Merdeka Battery Materials Tbk (IDX: MBMA) (“MBMA” or the “Company”) is pleased to announce its financial performance for the 12 months ending 31 December 2023 (“FY2023”).

Key Highlights for FY2023

- MBMA achieved record financial and operational performance in FY2023.
- Revenue and EBITDA of US\$1.3 billion and US\$98 million, representing a 192% and 103% increase compared to FY2022, respectively. This growth is underpinned by record production of 65,117 tonnes of nickel in nickel pig iron (“NPI”) and 30,333 tonnes of nickel in nickel matte, following the successful ramp-up of additional RKEF smelter capacity and the acquisition of a high-grade nickel matte conversion facility during the year.
- Total sales of 64,526 tonnes of nickel in NPI and 28,129 tonnes of nickel in nickel matte at an average selling price of US\$13,536/t and US\$15,592/t and a cash cost of US\$12,095/t and US\$14,755/t for NPI and nickel matte.
- Nickel ore mined of 6.3 million wet metric tonnes (“wmt”) comprising 4.0 million wmt of limonite ore and 2.3 million wmt of saprolite ore.
- Saprolite ore delivery to MBMA RKEF smelters commenced in mid-August 2023 with a total of 0.8 million wmt sold and delivered in FY2023 at an average selling price of US\$35/wmt. An additional 1.3 million wmt of saprolite ore was sold at the end of FY2023, for FY2024 delivery, at an average selling price of US\$31/wmt. In December 2023, MBMA commenced limonite ore sales to PT Huayue Nickel Cobalt (“HNC”) of 0.9 million wmt at an average selling price of US\$17/wmt.
- MBMA is targeting FY2024 saprolite and limonite ore sales of 4.0 to 5.0 and 10.0 to 11.0 million wmt, respectively.
- Downstream expansion is well advanced following the establishment of PT ESG New Energy Material (“ESG”), a partnership with 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”). ESG 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.
- On 28 December 2023, MBMA entered a US\$80 million Single Currency Term Facility with PT Bank UOB Indonesia. This loan has a final maturity date falling six months from (and including) the date of the initial utilisation. MBMA has fully drawn this facility in January 2024.
- MBMA corporate credit rating was upgraded to ‘A’ based on a rating certificate issued by PT Pefin (Pefindo). MBMA is expecting to complete its first IDR Bond issuance in the beginning of April 2024.
- As of 31 December 2023, cash and cash equivalents were US\$290 million, with total outstanding bank debt of US\$288 million.
- Subsequent to the December quarter, MBMA was included in the LQ45 and IDX80 equity indices on the Indonesia Stock Exchange.

Table 1. Highlights of Consolidated Statement of Income

In US\$ million	FY2023	FY2022
Revenue	1,328.3	455.7
Cost of Revenue	(1,250.8)	(411.3)
Gross Profit	77.5	44.4
<i>Gross Profit Margin</i>	5.8%	9.7%
G&A Expenses	(29.9)	(13.9)
Operating Profit	47.6	30.5
<i>Operating Profit Margin</i>	3.6%	6.7%
Finance Costs, net	(14.5)	(21.3)
Other Income, net	0.4	28.3
Profit Before Tax	33.5	37.5
Tax (Expense)/Benefit	(0.2)	0.4
Net Profit	33.3	37.9
<i>Net Profit Margin</i>	2.5%	8.3%
EBITDA	97.5	48.1
<i>EBITDA Margin</i>	7.3%	10.6%

FY2023 Financial Results

- **Revenue**

A significant increase in revenue is attributable to:

- An 92% increase in NPI sales for total sales of 64,526 tonnes generating a revenue of US\$873 million at an average selling price of US\$13,536/t (27,640 tonnes sold at an average selling price of US\$16,489/t in FY2022).
- Additional revenue of US\$439 million generated from the sale of 28,129 tonnes of nickel in nickel matte at an average selling price of US\$15,592/t.
- The significant increase in NPI revenue is attributable to higher production volume following the successful commissioning and ramp-up of the PT Zhao Hui Nickel (“ZHN”) RKEF smelter in June 2023. Since June 2023, ZHN has contributed 26,401 tonnes of nickel in NPI sales, generating a total revenue of US\$335 million. Additionally, FY2022 represented only eight months of NPI revenue. In comparison, FY2023 represents the full 12 months of NPI revenue from PT Cahaya Smelter Indonesia (“CSID”), PT Bukit Smelter Indonesia (“BSID”) and pro rata contribution from ZHN.
- MBMA sold and delivered 0.8 million wmt of saprolite ore in FY2023 at an average selling price of US\$35/wmt. In December 2023, MBMA sold limonite ore of 0.9 million wmt at an average selling price of US\$17/wmt, adding a revenue of US\$16 million in FY2023.

- **Cost of Revenue**

- The total cost of revenue attributable to NPI was US\$814 million. This represents a total cash cost of US\$12,095/t, which is significantly lower, on a unit cost basis, compared to FY2022 cash cost of US\$14,289/t. The significant cost decrease is attributable to the lower cost of reductant agents and electricity.

- The total cost of revenue attributable to nickel matte was US\$423 million at a cash cost of US\$14,755/t. 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\$98 million, representing an increase of 103% compared to FY2022, supported by a strong performance in 2H 2023. Higher EBITDA is attributable to the additional production of nickel in nickel matte, additional NPI production from ZHN, realising the full 12 months of NPI production from CSID and BSID, the commencement of nickel ore sales, offset by lower NPI EBITDA margins (2022: US\$2,126/t vs. 2023: US\$1,347/t).
 - A reduction in the gross profit margin is attributable to the fall in the average selling price of NPI of US\$13,536/t, compared to US\$16,489/t in FY2022.
 - The higher G&A cost is mostly driven by transaction cost related to a non-recurring MBMA IPO cost of US\$6 million and employee costs of US\$5 million.
- **Cash Flow**
 - MBMA recorded cash flows from operations of negative US\$15 million, mainly attributable to working capital for SCM Mine and ZHN RKEF smelter. Both projects completed construction in 1H 2023 and entered production in 2H 2023.
 - Cash flows from investing in FY2023 of US\$462 million is mainly attributable to the development of the AIM Project, SCM mine, ZHN, acquisition of HNMI and a final payment related to the MBMA acquisition. Cash flows from investing were mainly supported by MBMA 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”).
 - The MBMA 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, repayment of US\$75 million to MDKA (which was used to acquire HNMI) and to fund the development of the AIM Project, working capital for the SCM Mine, ZHN and MBMA. Total remaining IPO proceeds as of 31 December 2023 was approximately US\$60 million.

Liquidity and Capital Resources

- **Cash**
 - As of 31 December 2023, cash and cash equivalents was US\$290 million with total outstanding bank debt of US\$288 million.
- **Debt Transactions in FY2023**
 - 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\$60 million MDKA Parent Support and Project Expansion Facilities.
 - During FY2023, MBMA drew a total of US\$260 million under the MDKA shareholder loan facility. This was offset by a US\$137 million repayment, bringing the total outstanding balance to US\$123 million as of 31 December 2023.

- **Capital Investments**

- During 4Q 2023, MBMA invested an additional US\$46 million in the AIM Project, bringing the total 2023 investment to US\$280 million.
- MBMA and GEM have invested a total of US\$50 million during FY2023 in connection with the development of ESG, proportionate to each respective parties' shareholding.

FY2023 Developments

- **SCM Mine**

- The haul road upgrade was completed in August 2023, enabling MBMA to commence delivery of saprolite ore to its RKEF smelters at IMIP. In total, approximately US\$103 million has been invested to develop this road. During 2024, the development of this transport corridor will continue with new sections of road and widening of the road to allow more slurry pipelines to be added and haulage costs to be reduced.
- In December 2023, the slurry pipeline linking the HNC Feed Preparation Plant ("FPP") to IMIP was completed, allowing the transport of limonite ore from the SCM Mine to HNC to commence.
- MBMA continues to improve site infrastructure to support mining operations, including developing several mine site roads.

- **AIM Project**

- Pre-commissioning activities continue in the pyrite and acid plants. Insulation for boiler train 1 and waste heat boiler service test in the acid plant is now complete, with scaffolding removal ongoing in train 2. The pre-heating of acid train 1 roaster commenced in January 2024. Construction is continuing in the chloride plant, and pre-commissioning activities commenced in January 2024.
- MBMA is continuing to conduct internal testing in preparation for the commissioning of the AIM Project with the first acid train expected to start production and ramp up to full capacity during 2Q 2024, with the commencement of the second acid train and chloride plant also expected in 2Q 2024.

- **HPAL Partnerships**

- MBMA is partnering with Brunp CATL to develop an HPAL plant with a nameplate capacity of 60,000 tonnes per annum of nickel in MHP. MBMA will own a 66% economic interest, with Brunp CATL owning 34%. Feasibility work is advancing, with detailed engineering and construction expected to commence after the completion of the feasibility work. Commissioning is expected within 24 months from the commencement of construction.

- MBMA is partnering 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 own 55% and 45% of ESG, respectively. The project will be constructed and commissioned in two stages on a “turn-key” basis for an agreed capital expenditure of US\$600 million. 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. MBMA is responsible for the supply of laterite nickel ore to the ESG HPAL plant on commercial terms. ESG will construct an FPP inside IKIP to facilitate ore transportation via pipeline to the ESG HPAL processing plant at IMIP. This is expected to be completed in Q2 2025. 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%. At the end of the quarter, detailed engineering design and long lead item purchase for the HPAL plant was substantially complete.

Outlook for FY2024

SCM Mine

Saprolite and limonite ore sales of 4.0 to 5.0 million wmt and 10.0 to 11.0 million wmt, respectively. Production increases are planned for 2025 with the development of the ESG HPAL processing capabilities.

RKEF Smelters

Nickel in NPI guidance is 85,000 to 92,000 tonnes at a total cash cost of US\$10,000 to 12,000/t.

Nickel Matte

Nickel in nickel matte guidance is 50,000 to 55,000 tonnes at a cash cost of US\$13,000 to 15,000/t.

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