

**THE DISCLOSURE INFORMATION TO THE SHAREHOLDERS OF  
PT MERDEKA COPPER GOLD TBK**

This information is made and addressed to the shareholders of the Company in compliance with Bapepam and LK Regulation No. IX.E.1 on Affiliated Transaction and Conflict of Interest of Certain Transaction, Attachment of Decision of Chairman of Bapepam and LK No. KEP-412/BL/2009 dated 25 November 2009 ("**Rule No. IX.E.1**") and Bapepam and LK Regulation No. IX.E.2 on Material Transaction and Change of Main Business Activities, Attachment of Decision of Chairman of Bapepam and LK No. KEP-614/BL/2011 dated 28 November 2011 ("**Rule No. IX.E.2**").



**PT Merdeka Copper Gold Tbk  
(the "Company")**

**Business Activities:**

Engages in the business of trading, mining, development, transport and services

Domiciled in South Jakarta, Jakarta, Indonesia.

**Head Office:**

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The information contained in this Disclosure Information is important to be read and understood by the shareholders of the Company to make any decision regarding Material Transaction and Affiliated Transaction of the Company.

If you are having difficulty in understanding the information contained in this Disclosure of Information, you should consult with your broker, investment manager, legal counsel, public accountant, other professional advisors.

The Board of Commissioners and Board of Directors both individually and jointly, are fully responsible for the completeness and accuracy of the whole information or material facts contained herein and emphasize that the information stated hereon are accurate and there is no omission of material facts which may cause the material information in this Disclosure of Information to be inaccurate and/or misleading.

**This Disclosure Information is published on 18 April 2018**

## I. GENERAL

### A. General Description of the Company

The Company, established under the name of PT Merdeka Serasi Jaya is a limited liability company, established under and subject to the laws of the Republic of Indonesia, pursuant to the Deed of Establishment No. 2 dated 5 September 2012, drawn before Ivan Gelium Lantu, S.H., M.Kn., Notary in Depok, which has been approved by the Minister of Law and Human Rights of the Republic of Indonesia (“**MOLHR**”) by virtue of its Decree No. AHU-48205.AH.01.01.Tahun 2012 dated 11 September 2012, registered in the Company Register under No. AHU-0081346.AH.01.09.Tahun 2012 dated 11 September 2012, and has been published in the State Gazette of the Republic of Indonesia No. 47 dated 11 June 2013, Supplement No. 73263.

After the Company completed its Initial Public Offering, the Company’s Articles of Association has been amended several times, most recently by the Deed of Statement of General Meeting of Shareholders Resolution No. 41 dated 8 June 2017, drawn before Mala Mukti, S.H.,LL.M., Notary in Jakarta, which has been notified to MOLHR as reflected in the Letter of Acceptance of Notification of Amendment of the Articles of Association No. AHU-AH.01.03-0150635 dated 6 July 2017 and has been registered in the Company Register under No. AHU-0083048.AH.01.11.Tahun 2017 dated 6 July 2017 (“**Deed No. 41/2017**”). Pursuant to Deed No. 41/2017, the shareholders of the Company have approved to: (i) delete the provision in the article 10 paragraph 14, 11 paragraph 10, 14 paragraph 10, and 17 paragraph 7 of the Company’s Articles of Association; (ii) adding sentence to article 11 paragraph 1 letter c of the Company’s Articles of Association, (iii) amend the provisions of Article 14 paragraph 6 of the Company’s articles of association; and (iv) amend the provisions of Article 17 paragraph 3 of the Company’s Articles of Association.

The Company is domiciled at The Convergence Indonesia, 20<sup>th</sup> floor, Rasuna Epicentrum Boulevard, Jl. HR Rasuna Said, Karet Kuningan, Setiabudi, Jakarta 12940, Indonesia.

Based on article 3 of the Company’s Articles of Association, the Company’s business activity is to engage in mining, developing, transporting and services.

### B. Capital Structure and Shareholders Ownership of the Company

Pursuant to: (i) Deed of Statement of Meeting Resolution No. 19 dated 5 March 2015, drawn before Humberg Lie, S.H., S.E., M.Kn., Notary in North Jakarta, which has been approved by MOLHR according to its Decree No. AHU-0003541.AH.01.02.Tahun 2015 dated 6 March 2015, registered under the Company Register under No. AHU-0027266.AH.01.11.Tahun 2015 dated 6 March 2015 and (ii) Deed of Statement of Shareholders Resolution No. 71 dated 13 July 2015 drawn before Humberg Lie S.H., M.Kn., Notary in Jakarta which has been notified to MOLHR as reflected in the Letter of Acceptance of Notification of Amendment of the Articles of Association No. AHU-AH.01.03.0954237 dated 4 August 2015, registered under the Company Register under No. AHU-3537625.AH.01.11.Tahun 2015 dated 4 August 2015, the Company’s capital structure are as follows:

Authorized Capital	: Rp 1,100,000,000,000
Issued Capital	: Rp 356,958,714,000
Paid up Capital	: Rp 356,958,714,000

Authorized capital of the Company's is divided into 11,000,000,000 shares each with a par value of Rp 100.

According to the Shareholders Register of the Company dated 28 February 2018, issued by PT Datindo Entrycom as Shareholders Registrar of the Company, the shareholders of the Company are as follows:

DESCRIPTION	NOMINAL VALUE OF RP100 PER SHARES		
	NUMBER OF SHARES	TOTAL OF NOMINAL VALUE (Rp)	(%)
A. Authorized Capital	11,000,000,000	1,100,000,000,000	
B. Issued and Paid up Capital			
1. PT Mitra Daya Mustika	588,540,000	58,854,000,000	16.49
2. PT Trimitra Karya Jaya	488,726,653	48,872,665,300	13.69
3. Merdeka Mining Partners Pte. Ltd	245,906,250	24,590,625,000	6.89
4. Garibaldi Thohir	243,530,000	24,353,000,000	6.82
5. Pemda Kabupaten Banyuwangi	229,000,000	22,900,000,000	6.42
6. Maya Miranda Ambarsari	197,671,500	19,767,150,000	5.54
7. Masyarakat (each with the ownership less than 5%)	1,576,212,737	157,621,271,700	44.15
Total of Issued and Fully Paid up Shares	3,569,587,140	356,958,714,000	100,00
C. Portofolio Shares	7,430,412,860	743,041,286,000	

### C. Structure of the Company's Board of Commissioners and the Board of Directors

Pursuant to the Deed of Statement of Meeting Resolution No. 37 dated 8 June 2016, drawn before Humberg Lie, S.H., S.E., M.Kn., Notary in Jakarta, which has been notified to MOLHR as reflected in the Letter of Acceptance of Notification of Amendment of the Companies Data No. AHU-AH.01.03-0063180 Dated 30 June 2016 and registered under the Company Register under No. AHU-0081780.AH.01.11.Tahun 2016 dated 30 June 2016 ("**Deed No. 37/2016**"), the composition of the Company's Board of Directors and Board of Commissioners on the date of this Disclosure Information are as follows:

#### **Board of Commissioners**

President Commissioner	: Edwin Soeryadjaya
Commissioner	: Garibaldi Thohir
Independent Commissioner	: Richard Bruce Ness
Independent Commissioner	: Dhohir Farisi

#### **Board of Directors**

President Director	: Adi Adriansyah Sjoekri
Vice President Director and CEO	: Colin Francis Moorhead
Director	: Gavin Arnold Caudle
Director	: Hardi Wijaya Liong
Director	: Michael W.P. Soeryadjaya
Director	: David Thomas Fowler
Director	: Rony N. Hendropriyono
Independent Director	: Chrisanthus Supriyo

## II. INFORMATION REGARDING TRANSACTIONS

### Description Regarding the Transaction

#### **Object of the Transaction**

Eastern Field Developments Limited, a company established under the laws of British Virgin Islands, having registered address at c/- Vistra Corporate Services Centre, Wickhams, Cay II, Road Town, Tortola VG 1110, British Virgin Islands (“**EFDL**”) had signed a Facility Agreement on 17 April 2018, where EFDL as the debtor obtain loan in the amount of US\$ 50,000,000, with Standard Chartered Bank, Singapore Branch as the *Arranger*, Standard Chartered Bank (Hong Kong) Limited as the Agent, and Standard Chartered Bank as the Security Agent (“**Facility Agreement**”). As one of the requirements of the Facility Agreement, the Company has agreed to sign the Put Option Deed together with EFDL as the debtor, Standard Chartered Bank (Hong Kong) Limited as the Agent, and Standard Chartered Bank as the Security Agent with the terms and conditions as described herein below (“**Put Option Deed**”). The signing of Put Option Deed by the Company for the benefit of EFDL (“**Transaction**”) is a material transaction as regulated under the Regulation No. IX.E.2 and an affiliated transaction as regulated under the Regulation No. IX.E.1.

The following are summary of the terms and conditions of the Facility Agreement:

Amount	: US\$ 50,000,000
Interest	: LIBOR + 3,50% per annum
Maturity Date	: 12 months after the date of the Facility Agreement
Restrictions	: During the validity of the Facility Agreement berlaku, the following are the restrictions applicable to EFDL, i.a.: <ul style="list-style-type: none"><li>• EFDL is prohibited to obtain loans from any other third parties;</li><li>• EFDL is prohibited to use its assets as a guarantee;</li><li>• EFDL is prohibited to transfer or rent its assets to whomsoever;</li><li>• EFDL is prohibited to do merger, dissolution, or restructuring;</li><li>• EFDL is prohibited to change its business;</li><li>• EFDL is prohibited to do share acquisition or participation in any other companies;</li><li>• EFDL is prohibited to issue shares, except to the Company or the fund is used to repay the Facility Agreement;</li><li>• EFDL is prohibited to give a guarantee to guarantee financial obligations of any other parties;</li><li>• EFDL can distribute dividend in the event the Company perform a corporate action and required to allow dividend distribution pursuant to the prevailing regulation.</li></ul>
Event of Default	: The following are events considered as events of default: <ul style="list-style-type: none"><li>• Failure to pay any amount owed under the Facility Agreement;</li><li>• EFDL does not comply with a condition under the Facility Agreement;</li><li>• Statements provided by EFDL is proven materially incorrect;</li><li>• Occurrence of default pursuant to other EFDL loan agreements;</li><li>• EFDL is declared insolvent to pay loans;</li><li>• EFDL involves in a bankruptcy case.</li></ul>
Governing Law	: English Law
Dispute Resolution	: Singapore International Arbitration Centre

The following are summary of the terms and conditions of Put Option Deed:

Object/Scope	: The Company agrees to buy all rights and obligations of the Lender (based on the Facility Agreement) in the amount owed if an Event of Default occurs (based upon the Facility Agreement) or on and after 13 March 2019.
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- Term : For so long the loan pursuant to the Facility Agreement has not been fully paid up.
- Restrictions : During the validity of the Put Option Deed, the following are the restrictions applicable to the Company, i.a.:
- The Company is prohibited to receive loan from other third party;
  - The Company is prohibited to guarantee its assets;
  - The Company is prohibited to transfer or rent its assets to whomsoever;
  - The Company is obligated to maintain its shareholding in PT Bumi Suksesindo at 99,89%;
  - The Company is prohibited to do share acquisition or participation in any other companies.
- Governing Law : The Laws of Singapore
- Dispute Resolution : Singapore International Arbitration Centre

### ***Parties in the Transaction***

1. The Company

Description regarding the Company is as described in Part I of this Disclosure of Information.

2. EFDL

Eastern Field Developments Limited, a company established under the laws of British Virgin Islands, having registered address at c/- Vistra Corporate Services Centre, Wickhams, Cay II, Road Town, Tortola VG 1110, British Virgin Islands.

On the issuance date of this Disclosure of Information, the composition of EFDL management is as follows:

Director : Hari Gurung  
Director : David Thomas Fowler

3. Standard Chartered Bank (Hong Kong) Limited

Having the registered address at 32/F, 4-4A Des Voeux Road, Central, Hong Kong.

4. Standard Chartered Bank

A company incorporated in England by Royal Charter 1853 of One Basinghall Avenue, London EC2V 5DD, United Kingdom.

### ***Value***

The Transaction value is the amount owed by EFDL pursuant to the Facility Agreement, i.e.: in the maximum of US\$ 50.000.000.

Based upon the financial statements of the Company per 31 December 2017 audited by Public Accountant Tanubrata Sutanto Fahmi Bambang dan Rekan, the equity value of the Company is USD189.511.159, so that the Transaction Value is 26,38% of the Company equity. Therefore, the Transaction is a Material Transaction, which must be announced to the public in at least one newspaper in Indonesian language having national circulation.

### **Relation of the Parties in the Transaction**

- Based upon the Register of Members, the Company holds 333 shares or 33% of the issued capital of EFDL; and
- Based upon the Register of Directors, one of the Directors of EFDL is David Thomas Fowler, who is currently also one of the Directors of the Company.

### **Nature of Affiliated Relation of the Parties in the Transaction:**

The Company and EFDL have the same member of the Board of Directors.

### **Explanation, Consideration, and Reason to Perform the Transaction Compared with Non-Affiliated Parties and the Impact to the Financial Condition of the Company**

There is no alternative if the Transaction is performed with other parties, which are not affiliated with the Company other than EFDL because the purpose of the Transaction is to provide guarantee on EFDL loan for EFDL need of fund in supporting development of the Company group by acquiring shares of Finders Resources Limited (“FRL”).

### **Appraiser Report Summary**

The Company had appointed Public Appraiser Service Office (*Kantor Jasa Penilai Publik*) Iskandar dan Rekan (hereinafter referred to as “**Appraiser**”) as independent appraiser to provide fairness opinion on the Transaction. The Independent Appraiser declares having no affiliated relation either directly or indirectly with the Company as defined under the Law of Capital Market.

The following is summary of the Fairness Opinion Report of Put Option Transaction Plan on Loan Receivable of Eastern Field Developments Ltd from Standard Chartered Bank by PT Merdeka Copper Gold Tbk File No. 020.2/IDR/DO.2/BFO/IV/2018 dated 10 April 2018:

### ***Parties in the Transactions***

Parties in the Transaction are EFDL as the debtor, Standard Chartered Bank (“**SCB**”) as the Security Agent, Standard Chartered Bank (Hong Kong) Limited (“**SCBHK**”) as the Agent and the Company as the grantor.

### ***Object of the Valuation***

The Object of Valuation is Put Option Transaction Plan on Loan Receivables of EFDL from SCBHK by the Company with the maximum amount of USD 50,000,000. Under the transaction, the Company is obligated to buy and pay in the event SCBHK exercises the option to the Company and the Company will become the Creditor of EFDL.

### ***Purpose and Objective of the Valuation***

The purpose of the valuation is to provide fairness opinion on the transaction plan to execute such transaction plan.

### ***Assumptions and Qualifications***

- The Fairness Opinion is prepared by considering market and economy conditions, general business and financial conditions, and government regulation as of this Opinion is issued. This Fairness Opinion is prepared solely for the Transaction Plan described above.
- This Fairness Opinion is prepared based upon the principle of information and data integrity. In preparing this Fairness Opinion, the Appraiser relies and depends on the information and data as provided by the management of the Company, which based on reasonableness, are true, complete, dependable and not misleading. The Appraiser does not perform audit nor due diligence on explanation and data provided by the management of the Company, either verbally or in writing, and

thus the Appraiser cannot provide assurance or be responsible on the correctness and completeness of the information and explanation.

- As the basis for the Appraiser to perform analysis in preparing the Fairness Opinion on the Transaction Plan, the Appraiser uses data as listed on the Source of Data in the fairness opinion report as reference.
- The Appraiser relies on the management representation letter on the assignment of the Appraiser to prepare Fairness Opinion Report, that they have provided all important and relevant information regarding the Transaction Plan and, to the management knowledge, there is no material factors, which have not been disclosed and can be misleading.
- Considering that there is possible time lapse between the date of this report and the execution of the Transaction Plan, then the conclusion is valid should there is no changes having significant impact to the value of the Transaction Plan. Such change includes either internal changes in each company or external changes such as: market and economy condition, general business and economy condition, and regulations of the Indonesian Government after the issuance of this report. If after the issuance date of the Fairness Opinion report, the above changes occur, then the fairness opinion on the Transaction Plan may be different.

### ***Approach and Method***

This Fairness Opinion is provided after having analysis on:

- Amount of fund from the object of the transaction.
- Financial impact from the transaction to the Company's interest.
- Business consideration from the management related to the transaction plan to the shareholders' interest.

In performing the analysis above, the following analysis is performed:

- a. Performing transaction analysis.
- b. Performing quantitative analysis on the transaction plan.
- c. Performing qualitative analysis on the transaction plan.
- d. Performing feasibility analysis on the transaction plan.
- e. Performing fairness analysis of transaction value.
- f. Performing analysis on guarantee.

### ***Conclusion***

#### **A. Transaction Analysis**

##### ***1. Analysis of the Effect of Transaction to the Company's Financial***

With put option transaction on EFDL loan from SCBHK by the Company will reduce current assets in the form of Company's cash and add non-current assets in the form of related party's receivables and increase long-term liabilities in the form of debt of related parties. Thereby reducing current assets and adding non-current assets and adding to the Company's long-term liabilities. With transaction, liquidity and solvency of the Company will decrease.

##### ***2. Liquidity Analysis of the Transaction***

Based on the pro forma analysis of the Company's financial position, the Company's liquidity transaction will decrease.

### **3. Transaction Value**

The amount of fund from the transaction object based on Put Option Deed between the Company, EFDL, SCB and SCBHK with the maximum amount of USD 50,000,000. Thus the transaction value is USD 50,000,000.

### **4. Materiality of the Transaction**

The amount of the Company's equity based on the audited financial statements as of December 31, 2017 amounted to USD 189,511,159.

The maximum transaction value is USD 50,000,000, thus the materiality of the transaction value is 26.38% equity or > 20% equity.

Accordingly, under Regulation No. IX.E.2 the transaction plan is included as material transactions that do not require the approval from the General Meeting of Shareholders of the Company.

### **5. Relation of the Parties in the Transaction**

Based on the analysis of share ownership relationship, there is a share ownership relationship between the Company and EFDL i.e the Company as a shareholder of 33.34% EFDL. Thus between the Company and EFDL there is a relationship of ownership. There is no share ownership relationship between SCB, SCBHK and EFDL and the Company.

Based on the management relationship analysis, David Thomas Fowler as Director of the Company is also the Director of EFDL. Thus between the Company to EFDL there is a management relationship. There is no management relationship between SCB, SCBHK and EFDL and the Company.

As such, the plan of the transaction is included as the Affiliated Transactions as referred to in OJK Regulation No.IX.E.1 regarding Affiliate Transactions and Conflict of Interest of Certain Transactions.

### **6. Analysis of agreement and the agreed terms**

On the date of this Disclosure of Information, the Put Option Deed Agreement between EFDL, SCB, SCBHK and Company has been signed.

Pursuant to the Facility Agreement between EFDL and SCBHK explain the followings:

Borrower	: Eastern Field Developments
Lender	: Standard Chartered Bank, Singapore Branch
Principal Amount Loan	: Up to USD50,000,000
Interest	: 3 months LIBOR in USD with Margin 3,5% per annum
Term of Loan	: 12 months since the date of the agreement.
Use of Loan	: To acquire shares of FRL.

Based on the result of confirmation with the management of the Company, in the Facility Agreement there will be no other collateral for the loan (except, the charge on the EFD shares granted by the EFD shareholders and other guarantees as determined in the Facility Agreement) and there are financial covenants in Article 19 of the Facility Agreement which must be fulfilled



by EFDL during the loan period and based on confirmation with the management of the Company, the payment of the loan repayment shall be made by means of a single payment.

Based on Put Option Deed between the Company, EFDL and SCBHK explain the following:

Borrower	:	Eastern Field Developments
Lender	:	Standard Chartered Bank, Singapore Branch
Grantor	:	PT Merdeka Copper Gold Tbk
Principal Amount Loan	:	Up to USD50,000,000
Interest	:	3 months LIBOR in USD with Margin 3,5% per annum
Term of Loan	:	12 months since the date of the agreement
Purpose	:	SCBHK has the option to sell all of its rights and obligations in the Facility Agreement (to other Grants under Facility Agreement) to Grantor and Grantor must purchase and pay the price to SCBHK.

Based on the document of the existing transaction plan, there is no agreement and agreed upon terms that are reliable and binding so that the transaction can be executed. Therefore, based on agreement analysis and agreed terms based on transaction plan document in the form of Facility Agreement and Put Option Deed is not fair because the transaction plan has not been executed yet.

## **7. Analysis of benefits and risks from transactions.**

The benefits of the transaction are as follows:

- The Company as a shareholder has the better understanding of the ability of EFDL to generate profits. With the transaction conducted, the Company may transfer the interest paid by EFDL to SCBHK to the Company which will increase the Company's revenue.
- Improve the creditor's trust in the Company.

The transaction risk is as follows:

- If EFDL does not reach the expected profit target, so it cannot afford to pay interest and principal.

## **B. Qualitative Analysis**

### **1. Industrial and environmental analysis**

Gold supply from mines around the world declines in 2017. The price of gold becomes strong, in line with the existence of geopolitical tension. The growth of mine production (gold) is at its lowest point since the financial crisis. The risk is getting bigger.

Until May 2017, world gold production fell 2 percent compared to the same period last year based on data of World Bureau of Statistics Metal. Meanwhile, production in May 2017 alone fell 3.1 percent on an annual basis. Changes in policy conditions in producer countries create uncertainty and hit the global gold supply.

With the retained investment conditions, there is likely to be no improvement in the supply of gold mines in the near future. On the other hand, consumer demands are increasing. According to data from the World Gold Institution, the demand for gold bars and coins grew 13 percent in the second quarter of 2017, driven by demand growth in China which reached 56 percent. Gold prices

are getting stronger due to geopolitical risks, including the US-North Korean tensions and the signals that the US President cast.

## **2. *Operational analysis and company prospects***

Based on the Company's press release, it mentioned that last year the Company sold 103,967 troy ounces of gold at the price of US \$ 1,273 per ounce troy. That means that during the past year the company obtained gold sales of US \$ 132.35 million. As for silver, the Company successfully sold 21,541 troy ounces at a price of US \$ 17 per troy ounces. So the revenue from silver sales amounted to US \$ 357,000.

This year, the Company targets to produce 155,000-170,000 troy ounces of gold at an overall operational cost at US \$ 550-650 per troy ounce. However, in the first quarter of 2018 the production will not be optimal due to the rainfall. The Company also participated in the takeover bid for FRL which owns a copper mine in Wetar Island, Maluku.

EFDL, which controls 19.8% of Finder shares, offers a price of US \$ 0.23 per share. The takeover bid has been extended. Previously, in 2018, the Company targets a 20.83 percent increase in gold production to 145,000 ounces from last year's target of 120,000 ounces.

This year's gold production guidance increased to 135,000 ounces to 145,000 ounce. Meanwhile, the guidance for the full year's full-time sustaining cost (AISC) for 2018 was reduced to US \$ 425 per ounce to US \$ 475 per ounce.

The increase in gold production target is due to strong operating performance and the continuing positive gold value reconciliation. Last year, the Company targeted gold production from Tujuh Bukit gold mine is expected to exceed the previous guideline of 110,000 ounces to 120,000 ounces. Therefore, the guidelines are upgraded to between 135,000 ounces and 145,000 ounces of gold.

## **3. *Reason for conducting the transaction***

Reasons for the conducting of the transaction are as follows:

- The Company has the better understanding of the ability of EFDL to generate profits. With the transaction conducted, the Company may transfer the interest paid by EFDL to SCBHK to the Company which will increase the Company's revenue.

## **4. *Advantages and disadvantages that are qualitative***

The Company's qualitative advantage is that the Company can expand its business through EFDL which is an investment company by understanding EFDL's financial condition and EFDL's investment so that the Company is known to the public as a growing company.

The qualitative disadvantage of the Company for the transaction are not available.

## **5. *Analysis of the impact of leverage on the Company's finances***

With the transaction conducted, the Company's liabilities based on the pro forma financial position will increase.

## **6. *Analysis of the impact of liquidity on the Company's finances***

With the transaction conducted, the Company's liquidity is lower than without the transactions.

7. **Analyze the financial impact of the Company if the financed project fails**

The financed project is to accept the option to sell from SCBHK which is EFDL's creditor so that the Company will become the EFDL's creditor that shall have the right to collect from EFDL in accordance with the facility agreement between SCBHK and EFDL. The Company's claim to EFDL is interest and principal payable.

If EFDL fails to fulfill the Company's claim right due to the miscalculation of EFDL of its investment options, EFDL will experience a cash deficiency that would disrupt the EFDL operations if it pays such claim right, then the Company will delay the payment of the claim rights for EFDL's business continuity.

The Company will require EFDL to improve its business operations so that no errors can occur and can generate profits until it has sufficient cash to pay its obligations to the Company.

If the project fails where EFDL is involved then the Company's claim to EFDL will be converted into the Company's share in EFDL.

C. Quantitative Analysis

a. PT MERDEKA COPPER GOLD Tbk

1. **Assessment of Potential Revenue, Assets, Liabilities and Financial Condition**

1.1. Historical Performance Assessment and Financial Ratios

During the year 2013-2016, the Company has not recorded any sales. In 2017, the Company obtained sales of USD 129,425,445.

The Company's profitability shown by EBITDA / Sales, EBIT / Sales, EBT / Sales, and EAT / Sales during 2013-2016 does not exist, and in 2017 76.77%, 57.57%, 48.75% , and 33.33%.

In 2013-2017 Current Ratio tends to increase as well as DER and DAR tends to increase. On December 31, 2017, Current Ratio 0.91x, DER 0.96x, and DAR 0.49x.

As of December 31, 2017, the accounts receivable turnover ratio is not available, the inventory turnover ratio, asset turnover ratio, and debt payable turnover are respectively 4.23x, 0.35x, and 21.83x.

1.2. Assessment of cash flows

In 2013-2016, the Company always uses its cash for operating activities. This is due to the absence of acceptance from customers while the Company still have to make cash payments to employees, suppliers and others. In 2017, the Company obtained cash from operating activities amounting to USD 72,292,157 due to receipt from customers.

Furthermore, during 2013-2017, the Company always uses its cash for investment activities. This usage is primarily for the purchase of mining properties, exploration and evaluation assets, and fixed assets. In 2017, the use of cash for investment activities amounted to USD 61,550,166.

The Company always receives cash from financing activities during 2013-2017. The financing comes from bank debt, third party debt, additional paid-in capital, and related party debt. In 2017, the Company used cash from its principal funding activities to pay the principal of the bank loan, placing its restricted cash and financial burden.

The cash balance in each year is always positive as the cash requirements for operations and investments are adjusted for funding.

b. Eastern Field Developments Ltd

**1. Assessment of the Potential of Revenue, Asset, Obligation and Financial Condition**

1.1. Assessment on the Historical Performance and Financial Ratio

During 2017, EFDL has not recorded any sales. Profitability of the Company that is shown by EBITDA/Sales, EBIT/Sales, EBT /Sales and EAT/Sales in 2017 is not available.

In 2017, the current recorded Current Ratio 0,00x and DER and DAR recorded respectively 1,01x and 090,24x.

As of December 31, 2017, the accounts receivable turnover ratio is not available, then the inventory turnover ratio, asset turnover ratio and business debt turnover ratio are not available.

1.2. History and Use of Loans and Yield Analysis / Interest Rate

History of loan is not available.

EFDL loan to Creditor is used by EFDL to make investments or participation in other companies. Upon the receipt of option to sell by the Company, the Company will become the creditor of EFDL.

By comparison between the loan interest rate of SCBHK to be imposed on EFDL with the loan interest rate from various sources of financing in the market, it can be concluded that with loan in USD the interest rate of loan from SCBHK of 5.19% / year is still in the range of interest rate in the market between 2.97% -8.04%. Thus, the interest rate of the Company is fair.

1.3. Analysis of financial statements before transactions and pro-forma financial statements after the transaction.

Based on the analysis of financial statements before the transaction and the pro-forma of the financial statements after the transaction can be concluded with the transaction of liquidity condition and solvency of the Company will decrease.

1.4. Assessment of the financial projections obtained from management.

The financial projections obtained from the management that the Appraiser has adjusted his assumptions reflecting the fairness of the financial projections made by the management with their achievement capabilities.

Based on projected profit and loss, the transaction will increase the profitability of the Company.

Based on the projected statement of financial position, the liquidity transaction shown by CR increased compared to without transaction and the solvency shown by DER and DAR not changed with and without transaction.

Based on cash flow projection, with and without transaction, projection of the Company's cash flow shows no cash deficiency and the Company's business continuity as long as the projected age is guaranteed.

1.5. Analysis of financial ability to pay off loan at maturity date

Based on an analysis of EFDL's ability to pay off loans at maturity, it can be seen that the DSC in 2018 was 228.86% and in 2019 was 235.16%. Based on these DSC figures, EFDL's ability to pay off all its relatively high maturity liabilities, where DSC is more than 100%.

1.6. Feasibility analysis of debt repayment

Based on the analysis of EFDL's financial ability to repay loan at the maturity date, DSC figures in 2018 and March 31, 2019 are above 100%, indicating that EFDL's ability to pay off debts at maturity date is relatively high. The source of EFDL funds for debt repayment is from cash derived from operating activities net of investments. And based on cash flow projection on March 31, 2019 EFDL's cash accumulation amounted to USD 76,525,845. Thus, it can be concluded that the debt repayment ability by EFDL is feasible.

1.7. Analysis of cash management and financial covenant

***Cash management analysis***

Based on cash management analysis in the loan period, the amount of cash earned from operating activities can meet the cash requirement for working capital, investment, and loan debt payment from the Company.

Net cash flows annually are always positive (surplus), no cash deficiency, and EFDL can pay off the Company's loan as of 31st March 2019.

The accumulated cash of EFDL at the end of the loan period March 31, 2019 amounted to USD 76,525,845.

***Financial covenant analysis***

To the loan to EFDL there is a limitation or condition of the financial condition as long as the debt is not paid off, i.e the ratio of total debt on the last day of the relevant period in respect of the relevant period does not exceed 2: 1.

## D. Incremental Analysis

### 1. **Add Value Contribution**

Based on the projected profit and loss, the Company's profit transactions increased as indicated by EBT in 2018 increased by USD 1,954,757 and in 2019 increased USD 129,866, EAT in 2018 increased by USD 1,466,068 and in 2019 increased USD 97,400.

Based on profit and loss projection, the Company's profitability transactions increase as indicated by EBT / Sales in 2018 increased by 2.39% and in 2019 increased by 0.27%.

### 2. **Relevant costs and revenues**

With the transaction conducted, the Company will earn other income in the form of interest which will increase the profitability of the Company.

### 3. **Relevant non-financial information**

Relevant non-financial information is the conduct of transaction by Company as EFDL's shareholder will become EFDL's creditor who can understand EFDL in conducting their business activities.

### 4. **Procedures for decision-making by the Company**

The decision-making procedure by the Company in determining the transaction plan and the value is performed by the Board of Directors with the approval of the Board of Commissioners of the Company. Transaction plan and value with easy, transparent and accountable requirements that can be fulfilled by the Company in accordance with the prevailing laws and regulations.

Other alternatives to the plan of the transaction, if done with another unaffiliated party, do not exist and the Company does not know the other party.

### 5. **Other Material Matters**

Other material matters are where transactions may be borrowed by shareholders. The guarantee of EFDL's loan payment to the Company is EFDL's cash flow. If EFDL's cash flow is not enough to repay the debt maturity will lead to insolvency. If the settlement of insolvency by exchanging debt to shares, then the Company will possess the EFDL shares and will control the EFDL.

## E. Analysis of fairness of transaction value

### 1. **Feasibility Analysis of Loan Interest Rate**

By comparison between the loan interest rate of SCBHK to be imposed on EFDL with the loan interest rate from various sources of financing in the market, it can be concluded that with loan in USD the interest rate of loan from SCBHK of 5.19% / year is still in the range of interest rate in the market between 2.97% -8.04%. Thus, the interest expense of the Company is fair.

### 2. **Feasibility Analysis of Debt Repayment**

Based on an analysis of EFDL's ability to pay its obligations to the Company at maturity date, DSC figures in 2018 and 2019 are above 100%, indicating that EFDL's ability to pay off debts at maturity is relatively high. Sources of EFDL funds for debt repayment are cash derived from

operating activities net of cash used for working capital and investment activities. Based on the cash flow projection, EFDL is able to pay off debts at maturity and has cash balance at maturity of USD 76,525,845.

Based on cash management analysis with transactions, EFDL cash balance every year is always positive (surplus), no cash deficiency, so that EFDL business continuity can be guaranteed and EFDL has the potential to expand its business.

Based on the analysis, it can be concluded that EFDL has the ability to repay the debt maturity, therefore the selling option from SCBHK on its claim to EFDL is acceptable to the Company.

Based on the results of the feasibility analysis of loan interest rates and the feasibility of debt repayment, it can be concluded that the value of the transaction is fair and provide added value of the conducted transaction.

#### F. Analysis of Warranties

Based on the Facility Agreement between EFDL and SCBHK and result of confirmation with the management of the Company, the granting of SCBHK loan to EFDL will be secured by the security package as set out in Facility Agreement.

#### **Fairness Opinion on the Transaction**

The option to sell SCBHK's receivables to the EFDL is offered under the same terms and conditions as the terms of the facility terms between SCBHK and EFDL. The interest rate imposed by SCBHK on EFDL is within the range of similar lending rates available in the market, thus the interest rate is fair. Upon receipt of the option to sell from SCBHK by the Company, the Company will become the creditor who has the right to collect the claim to EFDL. With the amount of transaction value in the option to sell, based on DSC and cash management analysis, EFDL's ability to pay on the maturity date is high enough, so the uncollectible risk of interest and principal loan is low transaction value, thus the transaction value is **fair**.

The financial impact of the Company from the transaction is to reduce the cash due to purchase option and will add the receivables of related party (EFDL) due to the right to collect the loan to the EFDL as well as to increase the debt of the related party because to buy the option to sell partly using the loan of the related parties. By conducting such transaction the Company will receive interest claim that will add Company's revenue.

Based on the analysis that has been done, by conducting the transaction, based on the projection of Company's financial profitability will increase along with the company's interests.

Analysis result of the management's business consideration related to the transaction to the interest of shareholders is to increase the Company's profit that will increase the Company's shares value, giving conclusion that the business consideration of the management is in line with the shareholders' interests.

Based on the conclusion of such analysis results above, the Appraiser believe that the transaction is **fair** for the Company and the shareholders of the Company.

### **III. ADDITIONAL INFORMATION**

For further information regarding the above, please contact the Company during the office hours to the following address:

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