

# PT Archi Indonesia Tbk (IDX: ARCI)

## Earnings Call – 1H22

Published date: 5 August 2022



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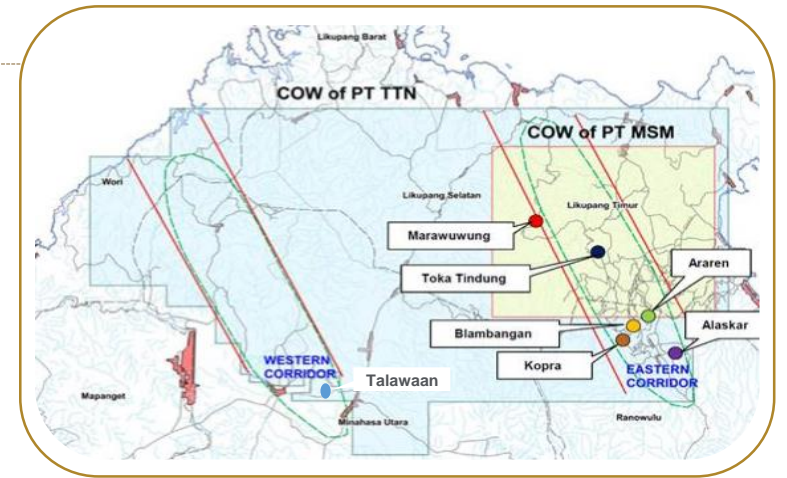
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# Asset Overview

<b>Asset / Project</b>	Toka Tindung Gold Mine
<b>Operating Companies</b>	PT Meares Soputan Mining (“PT MSM”) & PT Tambang Tondano Nusajaya (“PT TTN”); both are wholly-owned subsidiaries of PT Archi Indonesia Tbk
<b>Location</b>	North Sulawesi, Indonesia
<b>Mine Life</b>	c. 21 years with expansion (as of end 2021)
<b>Operation History</b>	Commenced mining operations in 2009, first gold pour in 2011

<b>Mineral Resources</b>	5.5 Moz (as of end 2020)
<b>Ore Reserves</b>	3.9 Moz (as of end 2020)
<b>Contract of Work</b>	Contract of Works (“CoWs”), expires on 2041 (extendable as IUPK for another 2x10 years)
<b>Mining Method</b>	Open Pit (with future prospect of underground mining)
<b>Processing Plant Capacity</b>	<ul style="list-style-type: none"> <li>• 4.0 Mtpa (as of end 2021)</li> <li>• Carbon in Leach (CIL)</li> </ul>



# Key Highlights – 1H22

- 1 Ore processed reached 1.82 Mt, 4% higher compared to 1.75 Mt in the same period last year. While the average gold head grade of ore processed was 1.10 g/t, 35% lower compared to the same period last year of 1.70 g/t. As a result, gold production was 29% lower at 58.3 koz compared to 81.6 koz in the same period last year.
- 2 Consolidated revenue reached US\$119.6 million, 16% lower compared to the same period last year of US\$142.4 million. This was mainly due to the 18% lower gold sold volume to 62.5 koz compared to 76.1 koz in the same period last year.
- 3 EBITDA reached US\$49.3 million, 35% lower than the same period last year of US\$75.5 million. Furthermore, the Company's net profit reached US\$14.1 million, 57% lower compared to the same period last year of US\$32.6 million.
- 4 Total net debt was at US\$313.7 million at 30 June 2022, thus, the Company's debt to equity ratio ("DER") as of 30 June 2022 was 1.3x.
- 5 Capex realized amounted to US\$32.2 million during the period, mainly for development activities of mining infrastructure, tailing storage facility and pit remediation post natural disasters.
- 6 Remediation process for pit affected by natural disasters is still on progress align with the Company's plan/targets, and is expected to start the production by the fourth quarter of 2022.

**The Company successfully maintained operational safety with current LTI free hours were 10.5 million hours**



## Lower gold produced mainly due lower average gold head grade

- ❑ The Company has optimized mining activities of 3 (three) mining pits and processed high grade ore to maintain operational performances.
- ❑ Stripping ratio was significantly lower at 3.2x compared to 10.2x in the same period last year, led to higher total ore mined during the period to 2.5 mn tons from 1.9 mn tons in the same period last year.
- ❑ The Company was able to process higher volume of ore at 1.82 mn tons supported by the completion of increased mill capacity, but at lower average gold head grade at 1.10 g/t, resulting in lower gold produced of 58 koz compared to 82 koz in the same period last year.

<i>Toka Tindung Operational Data</i>	<i>UoM</i>	<i>FY2020</i>	<i>FY 2021</i>	<i>H1 2021</i>	<i>H12022</i>
Ore Mined	<i>mn tons</i>	5.0	4.6	1.9	2.5
Waste Mined	<i>mn tons</i>	18.6	41.1	19.5	7.9
Material Mined	<i>mn tons</i>	23.6	45.7	21.4	10.4
Stripping Ratio	<i>x</i>	3.7	9.0	10.2	3.2
Ore Processed	<i>mn tons</i>	3.44	3.64	1.75	1.82
Avg. Gold Head Grade	<i>g/t</i>	2.12	1.93	1.70	1.10
Gold Recovery Rate	<i>%</i>	87.7	87.0	87.2	86.2
Gold Produced	<i>koz</i>	206.8	194.4	81.6	58.3
Gold Sold	<i>koz</i>	213.8	188.1	76.1	62.5

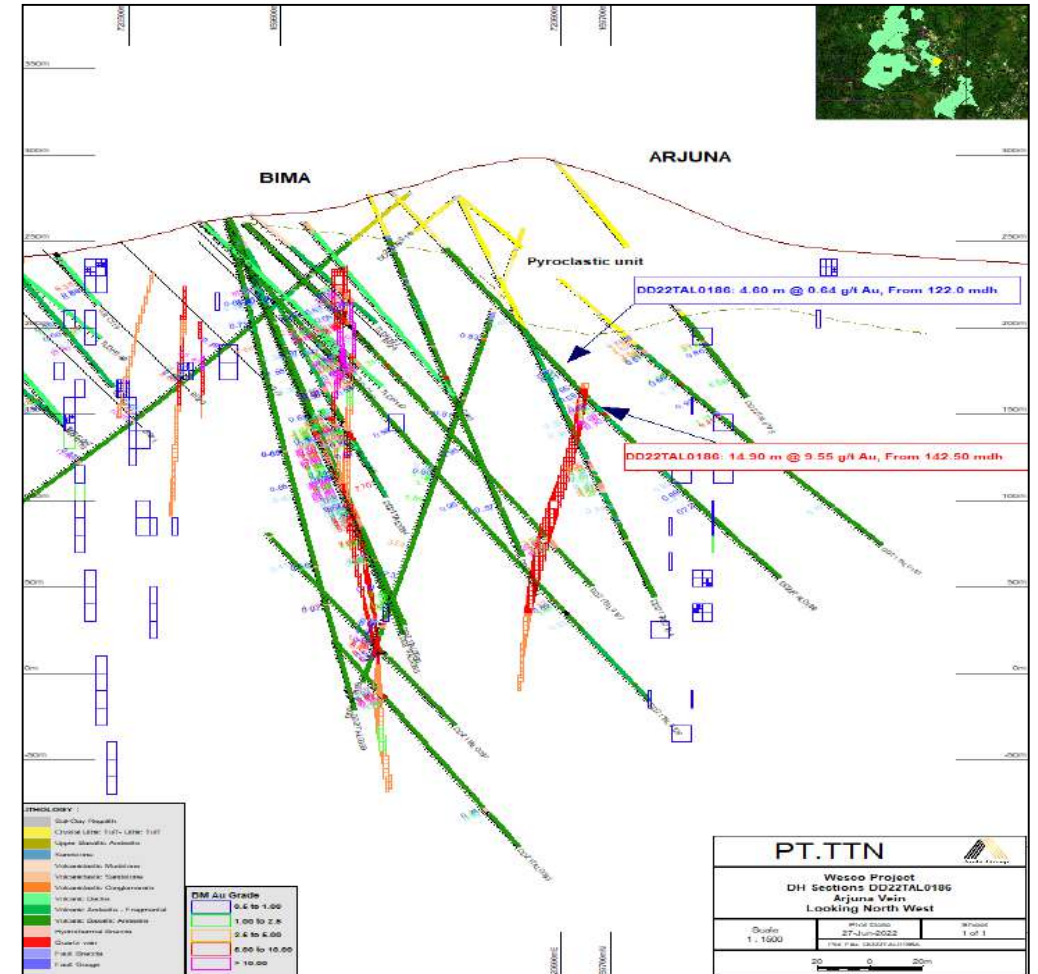


# Exploration Updates

Throughout the first six months of 2022, Archi continued doing exploration activities, both in the Eastern and Western Corridor, in order to discover new Mineral Resources and Ore Reserves.

- Exploration activities carried out by the Company, through its subsidiaries PT MSM and PT TTN, for the year were focused on increasing the potential additional discoveries of the current open pit operations in the Eastern Corridor area and gold resource drillings in Western Corridor area.
- During the period, the Company had undertaken a total of 36 Diamond Drill (“DD”) holes, represents almost 8,754 drilling meters, with the total cost for exploration activities carried out amounted to US\$2.5 mn.
- There were several significant exploration results in the Western Corridor which are suitable for future underground project.
  - @8.0m, Au 17.8 g/t and Ag 17.9 g/t, including @2.1m, Au 45.6 g/t and Ag 29.7 g/t.
  - @14.9m, Au 9.55 g/t and Ag 7.1 g/t, including @2.4m, Au 46.6 g/t and Ag 33.6 g/t.
  - @5.4m, Au 2.9 g/t and Ag 3.1 g/t, including @1.9m, Au 6.2 g/t and Ag 5.5 g/t.

The initial exploration drilling of geothermal project has been carried out in July 2022 (Archi in collaboration with PT Ormat Geothermal Indonesia)



# Consolidated Profit & Loss Statement – 1H22

## Selected Key Items

In US\$ million, unless stated otherwise	For the period ended 30 <sup>st</sup> June		
	2022	2021	% chg
<b>Revenue</b>	<b>119.6</b>	<b>142.4</b>	<b>(16.0)</b>
Cost of goods sold	(79.2)	(81.8)	(3.2)
<b>Gross profit</b>	<b>40.4</b>	<b>60.6</b>	<b>(33.3)</b>
Selling, general & administrative expenses	(6.1)	(4.4)	38.6
Other income / (expenses)	(2.9)	6.1	(147.5)
<b>Income from Operations</b>	<b>31.4</b>	<b>55.5</b>	<b>(43.4)</b>
Finance income / (costs)	(8.5)	(10.9)	(22.0)
Share in profit of associates	0.5	0.5	0.0
<b>Profit before income tax expenses</b>	<b>23.4</b>	<b>51.8</b>	<b>(54.8)</b>
Income tax expenses	(9.4)	(19.2)	(51.0)
<b>Net profit</b>	<b>14.1</b>	<b>32.6</b>	<b>(56.7)</b>
<b>EBITDA<sup>(1)</sup></b>	<b>49.3</b>	<b>75.5</b>	<b>(34.7)</b>

### Lower revenue and profitability as a result from lower gold sales volume

- ❑ Archi's consolidated revenue reached US\$119.6 mn, 16% lower compared to the same period last year of US\$142.4 mn. This decrease was mainly due to a decrease in gold sold volume from 76.1 koz to 62.5 koz.
- ❑ Archi's EBITDA reached US\$49.3 mn, 35% lower compared to the same period last year of US\$75.5 mn. This decrease was mainly due to a decrease in gold sold volume as well as addition remediation expenses of pit post natural disaster incident.
- ❑ Overall, Archi's net profit was US\$14.1 mn, 57% lower compared to the same period last year of US\$32.6 mn.

Note: The financial results for the six-month' period ended 30th June 2022 and 2021 have been prepared in accordance with Indonesian Financial Accounting Standards and are unaudited.

(1) EBITDA refers to profit for the year before finance costs/income, income tax expense, depreciation and amortization.



# Consolidated Statement of Financial Position – 30<sup>th</sup> June 2022

## Selected Key Items

<i>In US\$ million, unless stated otherwise</i>	As at 30 <sup>th</sup> Jun 2022	As at 31 <sup>st</sup> Dec 2021	% chg
Cash and cash equivalents <sup>(1)</sup>	12.4	12.3	0.8)
Inventories - current	38.0	39.1	(2.8)
<b>Total current assets</b>	<b>87.2</b>	<b>79.2</b>	<b>10.1</b>
Inventories – non current	105.7	101.7	3.9
Fixed assets	161.9	149.2	8.5
Mine properties	276.5	273.1	1.2
Exploration and evaluation assets	56.5	57.7	(1.7)
<b>Total assets</b>	<b>710.7</b>	<b>689.7</b>	<b>3.0</b>
Short-term bank loans	62.6	34.2	83.0
Trade payables	52.6	41.7	26.1
Current maturities of long-term liabilities	2.2	68.4	(96.8)
<b>Total current liabilities</b>	<b>158.9</b>	<b>201.4</b>	<b>(21.1)</b>
Long-term non-current liabilities	250.3	201.2	24.4
<b>Total liabilities</b>	<b>463.8</b>	<b>457.1</b>	<b>1.4</b>
Retained earnings	136.3	121.8	11.9
<b>Total equity</b>	<b>246.9</b>	<b>232.6</b>	<b>6.1</b>

### Maintain debt to equity (“DER”) level

- ❑ Increase in short term bank loans due to additional of working capital loan in June 2022
- ❑ Total net debt as of June 2022 was US\$313.7 mn, reflected debt to equity (“DER”) ratio at 1.3x.
- ❑ The Company has amended some clauses in loan agreement which was related to repayment schedule.

Note: The financial position as at 30th June 2022 have been prepared in accordance with Indonesian Financial Accounting Standards and are unaudited. The financial position as at 31st December 2021 has been prepared in accordance with Indonesian Financial

Accounting Standards and audited in accordance with the auditing standards established by the Indonesian Institute of Certified Public Accountants

(1) Cash and cash equivalents were excluding restricted cash in relation to Debt Service.

(2) Net Debt is calculated as the total balance of interest bearing debt reduced by current restricted cash in relation to Debt Service.





# Consolidated Statement of Cash Flow – 1H22

## Selected Key Items

In US\$ million, unless stated otherwise	For the period ended 30 <sup>th</sup> June		
	2022	2021	chg
Net cash flows provided from operating activities	16.6	64.4	(74.2)
Net cash flows used for investing activities	(32.2)	(75.7)	(57.4)
Net cash flows used for financing activities	16.1	12.7	26.7
<b>Net (decrease) / increase in cash &amp; cash equivalents</b>	<b>0.55</b>	<b>(23.9)</b>	<b>102.3</b>
Net effect of foreign exchange rate changes			
Cash on hand and in banks at the beginning of the period	12.3	40.19	(69.3)
<b>Cash on hand and in banks at the end of the period</b>	<b>12.4</b>	<b>16.1</b>	<b>(22.9)</b>

### Sustainable cash flows to support capital expenditures requirements

- ❑ Net cash flows provided from operating activities was US\$16.6 mn for the period, primarily represents cash receipts from customers of US\$123.2 mn and payment to contractors, suppliers and others of US\$71.0 mn.
- ❑ Net cash flows used for investing activities was US\$32.2 mn, represents capex spending during the period.
- ❑ Net cash flows received from financing activities was US\$16.1 million for the period, primarily represents additional working capital loans of US\$28.5 million and repayment of long-term bank loans amounted to US\$17.5 million.



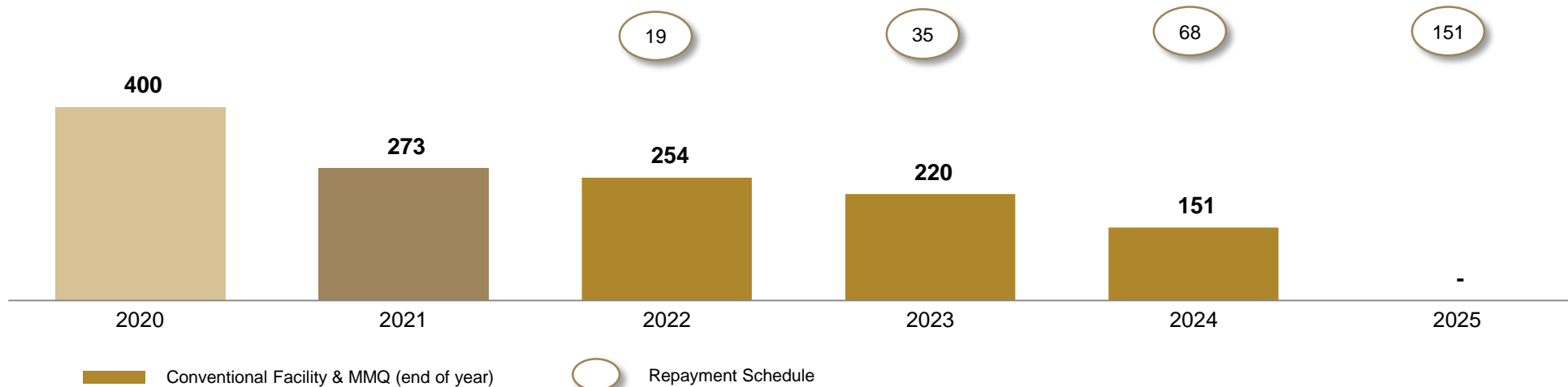
# Long-term Debt Repayment Schedule

## Existing Long-term Debt

	Outstanding Balance (as at 30 <sup>th</sup> June 2022)	Interest Rate	Tenor (Years)	Maturity Date
Conventional Facility and MMQ <i>(excl. amortized costs)</i>	US\$255.6mn	LIBOR / JIBOR + 4.00% <sup>(1)</sup>	5.0	2025

## Repayment Schedule

(US\$ mn)



Note: (1) Project life coverage ratio = Remaining free cash flow up to Life of Mine (LOM) + ending cash balance for the period / net debt.  
 (2) Ratio is based on JORC Compliant Ore Reserves / Ore reserves at the Maturity date up LOM.



# Latest Conditions in Araren Pit

- ❑ Pit wall remediation on progress (in April, ESDM has allowed the Company to access Araren for pit remediation for the purpose of mining activities preparation).
- ❑ Araren river has been diverted
- ❑ Road relocation → currently used temporary road.
- ❑ Fully operations for remediation work at the bottom of the pit.



Pit condition prior to Occurrence



Pit condition post to Occurrence



Pit condition per July 2022

Araren pit is expected to start the production by Q4 2022



# Business Prospects

- ❑ Considering the natural disaster incident which affected Araren pit, the Company expects that gold production for this year will be reduced by approximately 25% compared to 2021, and impacted financial performance accordingly.
- ❑ The Company is currently studying underground mining development opportunities, which currently are in feasibility study. The Company believes that underground mining can boost gold production and furthermore improve profitability margin for years to come.





# Q & A Session

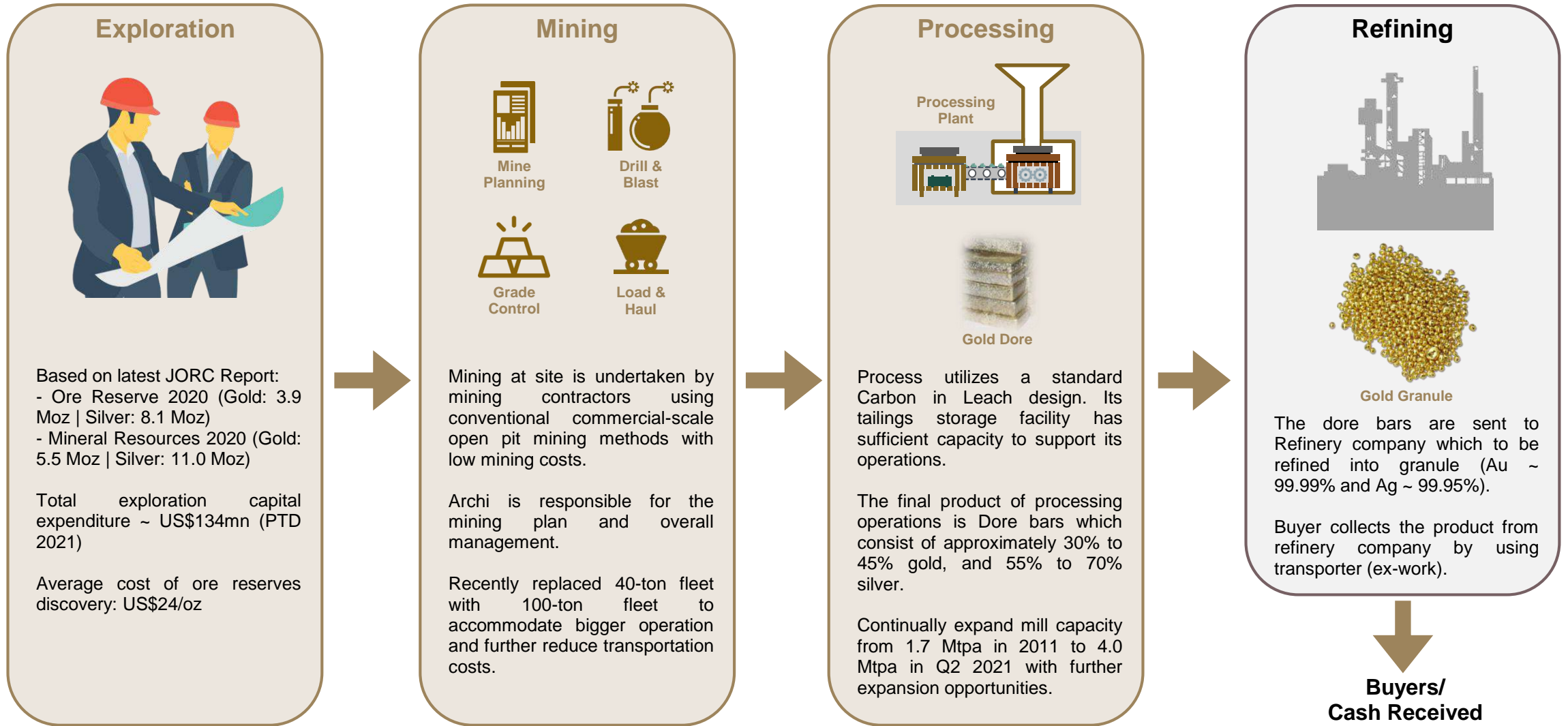




# Appendix



# Business Overview



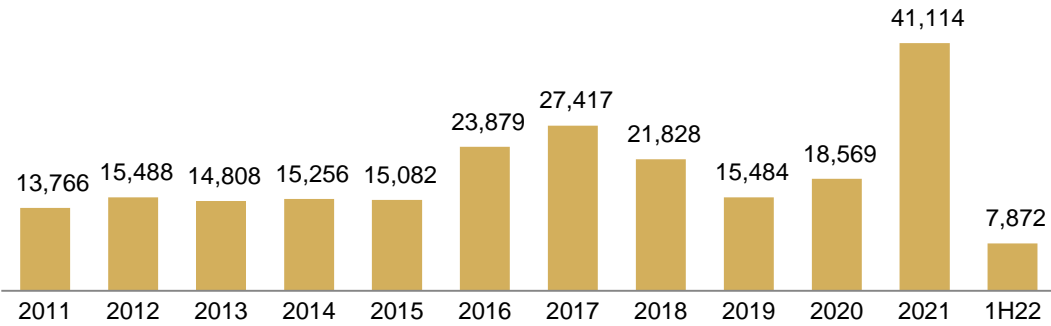
Established exploration, mining and processing activities with no fatality incidents



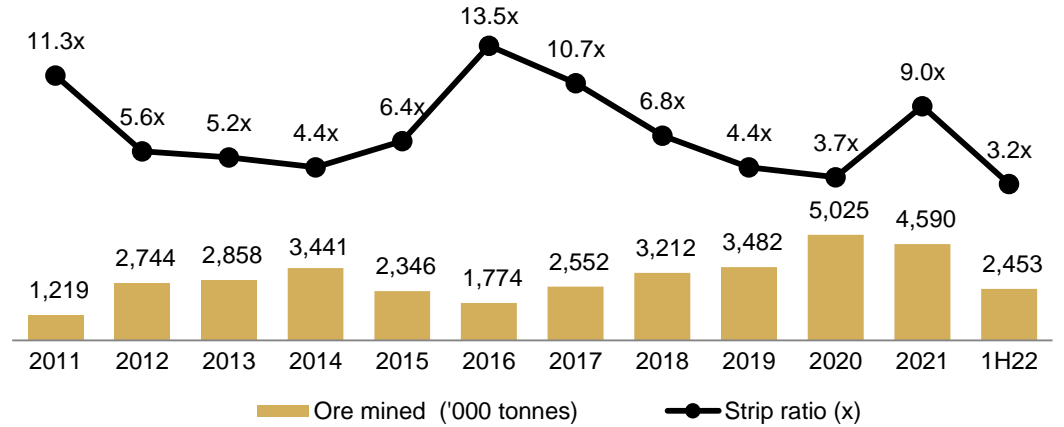
# Historical Operational Trend

## Waste Mined

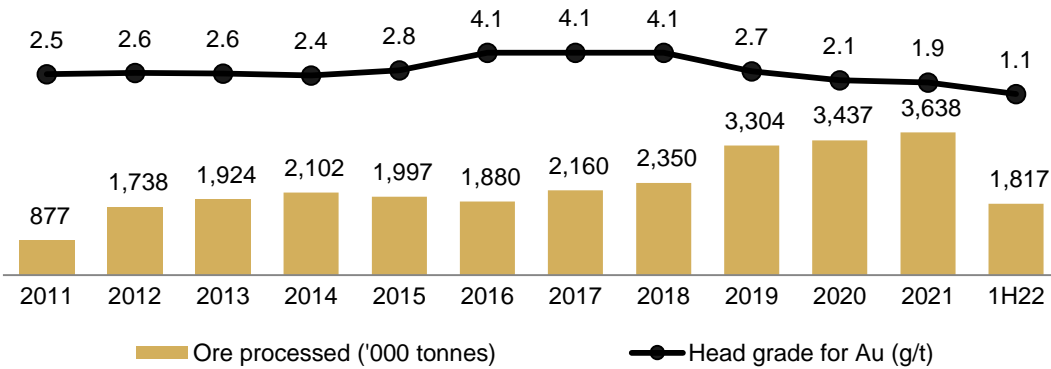
('000 tonnes)



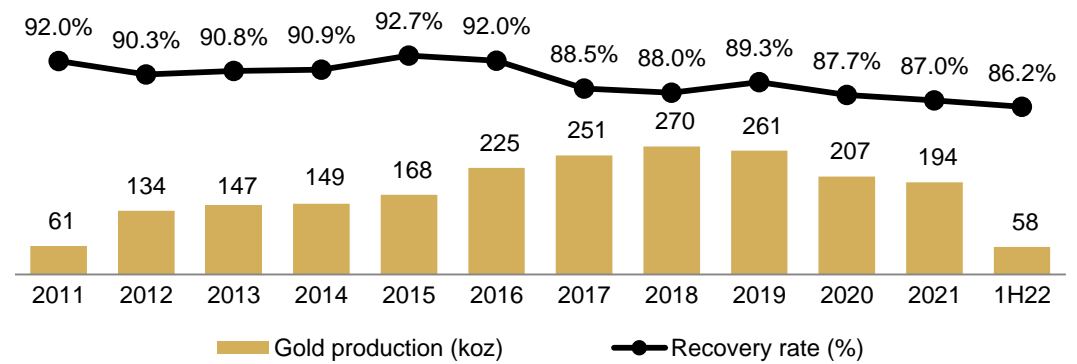
## Ore Mined



## Ore Processed



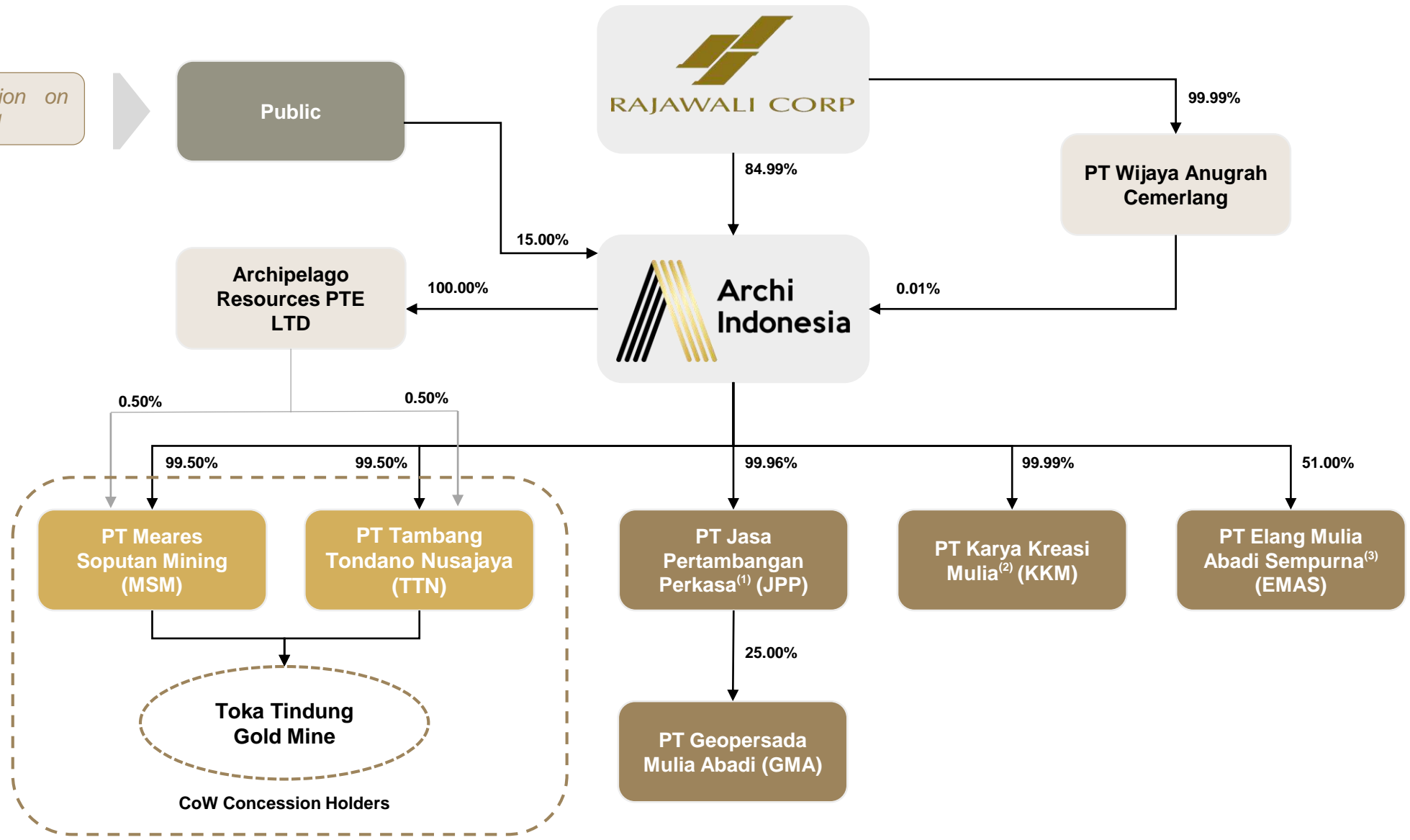
## Gold Produced





# Shareholding Structure

IPO Completion on 28<sup>th</sup> June 2021



Note: (1) Holding company of mining services, which holds 25.00% of PT GMA, our mining contractor.  
 (2) Commenced operations in 2018, providing general management and support services in the areas of tax, legal and accounting exclusively for Archi, PT MSM and PT TTN.  
 (3) A joint venture company incorporated in April 2019 to produce minted gold bars for which Archi holds 51.0%.



Archi will make continuous efforts on sustainable operations and strive to maintain its position as an ESG leader, as recognized by various industry bodies and the Indonesian government.



# Occupational, Health & Safety Measures

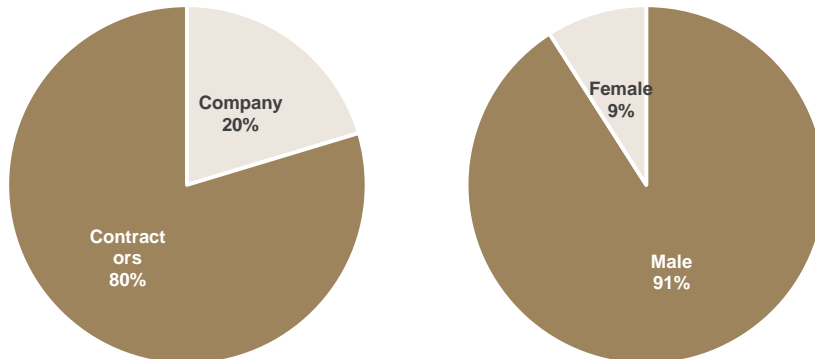
## Improved safety & risk controls helping to reduce higher potential injuries to the workforce

Health & Safety Statistics	2019	2020	2021	1H2022
Incident Frequency Rate	17.33	15.69	13.11	3.12
Lost Time Injury ("LTI")	0	3	0	0
LTI Frequency Rate	0	0.57	0	0
Medically Treated Injury ("MTI")	8	16	4	4
LTI Free Hours	<b>10,467,875 hours</b> (since 29th Dec 2020)			
Record Man-hours without LTI	<b>22,130,456 hours</b> (Jul 2011 – Sep 2016)			



- Management, employees, contractors and all other stakeholders are committed and strive for implementing all mine occupational health and safety management system effectively and efficiently across all operations.

## Human Resources policy put in place to ensure fairness and non-discrimination employment opportunities



Employment Statistics <sup>(1)</sup>	Male	Female	TOTAL
Company	685	123	808
Contractors	2,185	163	2,348
<b>TOTAL</b>	<b>2,870</b>	<b>286</b>	<b>3,156</b>

Note: (1) Information as of 31st December 2021.



# Corporate Social Responsibilities



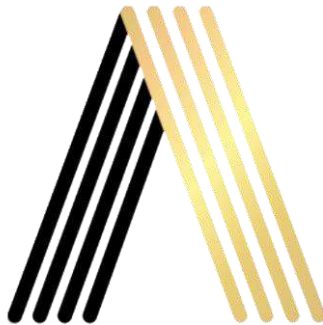
## Social & Cultural

- ▣ Biodiversity conservation
- ▣ Forest conservation
- ▣ Worship facilities construction



## Health

- ▣ Health post centre
- ▣ 1,000-days life program
- ▣ Covid-19 prevention



## Education

- ▣ Scholarship education
- ▣ Teacher training
- ▣ Public library



## Economy

- ▣ Micro economy development
- ▣ Sustainable integrated farming



## Infrastructure

- ▣ Clean water project
- ▣ Public facility construction



Basic foods donation in response to Covid-19 pandemic



1,000 Days of Life program to support babies' health



Integrated chicken poultry cultivation as part of animal husbandry programs



Clean water program for near-mine communities



Nutri Zinc cultivation pilot project in relation to stunting prevention



Integrated health service (Posyandu) activities





For Further Information, please contact:

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**Archi  
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**Thank You!**

