



PT Adaro Minerals Indonesia Tbk Quarterly Activities Report Fourth Quarter of 2022

For the Three Months Ending Dec 31, 2022

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Highlights:

- PT Adaro Minerals Indonesia Tbk (IDX: ADMR) FY22 production of 3.37 Million tonnes (Mt) was 47% higher compared with 2.30 Mt in FY21. This achievement surpassed our guidance of 2.8 to 3.3 Mt. Coal sales volume in FY22 was 3.20 Mt, 39% higher from 2.30 Mt in FY21.
- ADMR will lead the Adaro Group's business transformation, and in FY22 has achieved several milestones, including the signing of an MoU with Hyundai Motor Company regarding the production and supply of aluminium, and the signing of a Conditional Share Subscription Agreement with its partners, through its subsidiary, for the aluminium smelter project.

PT ADARO MINERALS INDONESIA TBK (“ADMR”) 4Q22 QUARTERLY ACTIVITIES REPORT

REVIEW OF THE METALLURGICAL COAL MARKET IN 4Q22

The prices of Australian coal exports and imported coal to China continued to be disjointed, with FOB Premium Hard Coking Coal Australia (“FOB PHCC Australia”) increasing by approximately 10% q-o-q while CFR Premium Hard Coking Coal China (“CFR PHCC China”) dropped by more than 3% q-o-q. Australian exports were challenged by supply disruptions, supporting prices despite demand from Europe, Southeast Asia and East Asia (except China) being soft. High energy cost and low steel demand were the key drivers of steel producers in those regions lowering utilization rates of their blast furnaces. Conversely, Indian manufacturing PMI pointed to a positive close in 2022, showing resiliency amid difficult economic situations elsewhere. Indian domestic demand for steel was stable but metallurgical coal import demand was subject to the availability of cheap imported coke. The supply side was the main supporting factor of the uptrend in FOB PHCC Australia as wet weather conditions and shortages of manpower resulted in Australian supply tracking lower through 4Q22. The FOB PHCC Australia averaged around US\$278/tonne in the last quarter in 2022.

The CFR PHCC China prices were relatively stagnant in the earlier part of 4Q22 as demand from the seaborne market was constrained by weak economic conditions as the zero COVID policy remained in place. At the same time, China received increased supplies from landborne (Mongolia). Steel mills’ margins were subdued amid falling steel prices by 7% q-o-q for Hot Rolled Coil and 9% q-o-q for long steel. Crude steel production continued to trend down since September 2022. However, towards the end of 2022, market sentiment turned positive as the government decided to relax COVID restrictions, supporting the CFR PHCC China to rise above US\$310. The CFR PHCC China averaged approximately US\$305 per tonne in 4Q22. The reopening of China’s importation of Australian coal was a highlight in the metallurgical coal market, with the expectation that the competitive advantage of the shorter distance between Australia and China compared to suppliers from the Atlantic would shift Chinese buyers’ preference. Indonesian coal has a similar benefit of short haul to China, and it is expected support demand for Indonesian coal from China.

REVIEW OF ADMR’S PERFORMANCE

PT Maruwai Coal

PT Adaro Minerals Indonesia Tbk (IDX: ADMR) achieved strong operational performance in FY22, surpassing its coal production target for the year of 2.8 Mt – 3.3 Mt despite challenges from abnormal weather condition. Coal production increased by 47% to 3.37 million tonnes (Mt) in FY22, compared to 2.30 Mt in 2021. Since operation from PT Maruwai Coal started in 2019, ADMR has been able to consistently grow its production and sales. ADMR aims to achieve sales of 3.8 to 4.3 Mt in FY23. Coal sales volume in FY22 reached 3.20 Mt, 39% higher than 2.30 Mt in FY21. ADMR recorded overburden removal volume of 8.32 million bank cubic meter (Mbcm) in FY22, 62% increase from 5.15 Mbcm in FY21. This led to its strip ratio increasing to 2.47x in FY22, a 10% increase from 2.24x in FY21. In FY22, ADMR sold 85% of its coal to three countries,

i.e. Japan, China and India. We expect to tap new markets in 2023 as well as increasing our sales volume to the domestic market.

The Lampungut hard coking coal from PT Maruwai Coal, is known for its strong coking characteristics, rated 9 for its CSN (crucible swelling number) on a scale of 1-9. Lampungut coal also has ultra-low ash content and high vitrinite content, making it a unique metallurgical coal product suitable for blending. Due to these characteristics, the Lampungut coal has its own competitive advantage over coking coal from other countries.

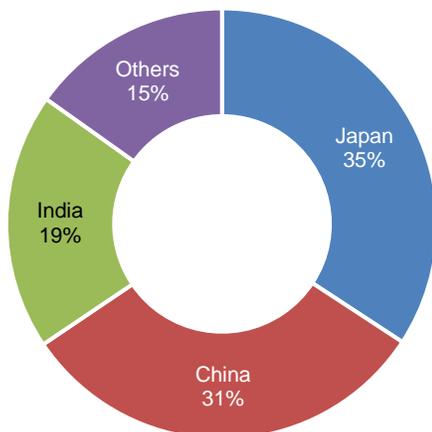
ADMR's coal production in 4Q22 was 0.81 Mt, 41% increase from 0.57 Mt in 4Q21, and coal sales in the quarter reached 1.02 Mt, 35% higher than 0.75 Mt in 4Q21. Overburden removal volume in 4Q22 was 2.26 Mbcm, up by 86% from 1.22 Mbcm in 4Q21. ADMR booked a strip ratio of 2.81x for the quarter, higher than the 2.14x in 4Q21.

	Units	4Q22	3Q22	4Q22 vs. 3Q22	4Q21	4Q22 vs. 4Q21	FY22	FY21	FY22 vs. FY21
Overburden Removal	Mbcm	2.26	2.55	-11%	1.22	86%	8.32	5.15	62%
Coal Transported	Mt	0.81	0.93	-13%	0.66	24%	3.37	2.27	49%
Coal Production	Mt	0.81	1.04	-22%	0.57	41%	3.37	2.30	47%
Coal Sales	Mt	1.02	0.90	12%	0.75	35%	3.20	2.30	39%

In 4Q22, ADMR made further progress in the expansion of Muara Tuhup Port. We completed the final report of soil studies lab test and had used the data to finalize the detailed engineering design (DED). Upon the completion of the DED, ADMR can begin the next phase to prepare for construction. We have also completed the vendor selection for upgrade of hauling road and fuel storage facility. These projects are going to support ADMR's medium term production target of 6 Mtpa.

ADMR's Lampungut Coal – a hard coking coal product with premium characteristics of ultra-low ash, low phosphorus, and high vitrinite content – continues to build its brand and is receiving strong demand from Japan, China and Indian steel producers.

Sales by destination in 2022



ADARO MINERALS 2023 GUIDANCE

- Sales volume: 3.8-4.3 Mt. ADMR continues to ramp up volume supported by strong demand from customers, in-line with its 6 Mtpa medium-term target.
- Strip ratio: 3.8x. ADMR expects higher strip ratio in FY23 as we plan to restart operation from PT Lahai Coal, which has higher strip ratio compared with PT Maruwai Coal.
- Capex: \$70 - \$90 million for our metallurgical coal business.
This capex figure does not include capex for our aluminium smelter. We expect to achieve financial close for this project in 1H23 and will make further announcement on our equity portion at a later time.

PT ADARO INDO ALUMINIUM / PT KALIMANTAN ALUMINIUM INDUSTRY

Through PT Kalimantan Aluminium Industry (“KAI”), ADMR is actively participating in the downstream industry of minerals in Indonesia. The Adaro Group first announced its interest in aluminium smelter in late 2021 and within a year, we have been able to secure the partners and offtake commitment. ADMR will lead the Adaro Group’s transformation process to support the green economy.

On November 13, 2022, ADMR signed an MoU with Hyundai Motor Company (“HMC”) in B20 summit in Bali. Based on the MoU, HMC has the right to purchase aluminium produced by KAI at the early stage, and of the first negotiation as to the purchase of low carbon aluminium produced by KAI in the future (undetermined offtake volume in the range of about 50 thousand to 100 thousand tons of aluminium per annum).

On December 20, 2022, KAI signed a Conditional Share Subscription Agreement with Aumay Mining Pte. Ltd. (“Aumay”) and PT Cita Mineral Investindo Tbk (“CITA”), where according to the agreement, the ownership of KAI will be as constituted: ADMR 65% (through its subsidiary), Aumay 22.5%, and CITA 12.5%.

Proceeds from this transaction will be used to develop KAI’s aluminium smelter which will be the first project at the green industrial park in North Kalimantan. Phase 1 of the aluminium smelter will produce 500,000 tons of aluminium per annum. Construction of the jetty, land preparation, and other supporting infrastructures for the aluminium smelter have commenced, and we expect that the first phase of the project will be completed in the first half of 2025 as construction is estimated to take approximately 24 months.

HEALTH, SAFETY, AND ENVIRONMENT (HSE)

In FY22, we experienced two lost-time injury (LTI) incidents. We recorded 0.24 lost-time injury frequency rate (LTIFR) and 7.54 severity rate (SR) with total man-hours worked of 8,353,087 during the year.

Implementation of Adaro Zero Accident Mindset (AZAM) to strengthen the safety culture of ADMR’s employees and contractors continued to be enforced throughout the company. Our

health and safety programs focus on the implementation of Good Mining Practices (GMP) through, among others, health and safety risk assessment, workplace inspections, industrial health and hygiene inspection, and working environment monitoring. In the quarter, ADMR carried out mandatory audit of its mining safety management system (sistem manajemen keselamatan pertambangan or SMKP) for all companies and contractors.

On the environment front, ADMR's commitment to protect the environment is carried through the implementation of the following programs: biodiversity study, acid mine water treatment, re-vegetation of the mining disposal area, hazardous waste management and environmental compliance monitoring. ADMR is currently in progress to revise the AMDAL of PT Maruwai Coal and PT Lahai Coal to increase production capacity and starting mining activity in block BARA of PT Lahai Coal.

CORPORATE ACTIVITIES AND AWARDS

- PT Maruwai Coal obtained ISO 14001:2015 and ISO 45001:2018 for integrated management system from the certification body, PT BSI Group Indonesia.
- PT Maruwai Coal was awarded Gold Award at the Indonesian Sustainable Development Goals Award for its “Posyandu” empowerment program to prevent “AKI/AKB” in Murung Raya, Central Kalimantan. This award was given by the Corporate Forum for CSR Development.
- PT Maruwai Coal obtained PROPER Blue Award from the Ministry of Environment and Forestry.
- PT Maruwai Coal was awarded Utama Award in Mining Technique Management category, and PT Lahai Coal was awarded Pratama Award in Environmental Management for Mining from the Ministry of Energy and Mineral Resources

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