

ABSTRACT FOR PACRIM 2019

Tujuh Bukit – The Story So Far

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Tujuh Bukit is located in Banyuwangi Regency, East Java, Indonesia. The asset is controlled by Jakarta based PT Merdeka Copper Gold Tbk, a listed Indonesian company (IDX:MDKA). The asset consists of an open pit heap leach gold mine (high-sulphidation epithermal) and an underlying large undeveloped porphyry copper- gold deposit, a possible future mass underground mine.

Despite a controversial history, some significant headwinds and real operational challenges, Tujuh Bukit represents arguably one of the more successful mine start-ups globally in recent years. In this presentation the author hopes to tell the story and to communicate some of the key lessons learnt.

The Tujuh Bukit Oxide Mine was constructed close to its budget of USD \$130M. First gold was poured in March 2017 just 6 weeks late despite record rainfall during the year. In the 21 months to the end of 2018, the mine was commissioned and ramped up ahead of plan and produced in excess of 300koz of gold generating more than USD \$250M EBITDA. Importantly, the site recently achieved 13 million hours without an LTI and has had no reportable environmental incidents since operations began.

The success to date really stems from having the right people, systems and processes in place required to identify and manage project risks and opportunities. These risks include technical, social, financial, construction execution and operational readiness to name a few. Careful management of these risks underwrote the success of Tujuh Bukit to date and allowed sufficient confidence to invest in further growth. For instance, once financing and construction risk were largely attenuated, the team was able to reoptimize the oxide pits and expand production capacity adding significant value to the life of mine. Strong cashflows from operations also early refinancing to lower cost debt and for funding to be possible for an exploration decline and pre-feasibility study into the porphyry project. It is expected that PFS will cost approximately USD \$100M and take 3 years to complete.