Nusantara Resources Limited

Awak Mas De-Risking Continues: Binding Agreement Signed, Funding Coming in 2020

Update Report

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Indika Energy Investment in Awak Mas Project Becomes Binding

On 19 December 2019, Nusantara announced that its Indonesian partner, Indika Energy (Indika), had conditionally agreed to a non-binding term sheet to take a 40% stake in Awak Mas for US$40m. As of 26 February 2020, the project equity terms have been completed into a binding agreement.

The agreement requires Nusantara shareholder approval, with the meeting to be held on 29 April 2020.

US$30m Available to Awak Mas in 2020

Upon approval of the deal by shareholders, funding will be available as follows:

- **US$15m cash for Indika stake:** US$15m will be available to the project from Indika's investment to obtain 25% of the project, which will constitute Indika's stage 1 investment
- **US$15m from Petrosea for FEED:** US$15m funding will be available to the project from project contractor Petrosea for Front-End Engineering and Design (FEED) and other early works
- **A$3.57m from Indika share placement:** Indika will subscribe to 10,500,000 shares at A$0.34, raising A$3.57m for Nusantara.

Nusantara continues to de-risk the Awak Mas project and deliver on key milestones.

The Gold Price: Upside Potential to Reserves, Production and Mine Life

The gold price currently sits at US$1689 an ounce. The 1.1moz of reserves for Awak Mas are calculated at US$1250 an ounce. The project has a resource base of 2moz based on a gold price of US$1400/oz. A higher gold price assumption has the potential to increase reserves, allowing a longer mine life, higher annual production or both, having a substantial positive effect on valuation. This report reviews the upside potential of reserves.

A Caveat: Effect of COVID-19 Pandemic

The recent events surrounding COVID-19 have had a material effect on the entire market, across all aspects of doing business. These events have placed risk on the project's timeframes, which could result in its not being completed in a timely manner.

Valuation: A$0.57 fully diluted Spot Valuation A$0.81

We have reviewed our valuation for Nusantara and have a fully diluted valuation of A$0.57. Our spot price valuation is A$0.81.

NUSANTARA RESOURCES LIMITED

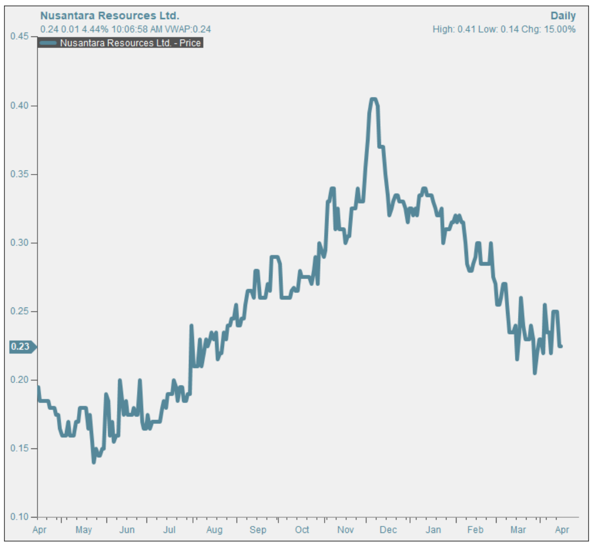
Nusantara is an emerging Australian mining company with a 100% interest in the Awak Mas Gold Project in Indonesia. With a Definitive Feasibility Study (DFS) completed and an estimated capital cost of US$162m, the project hosts an open pit Indicated and Inferred Resource for 2 million ounces (2 moz) of gold and an updated Ore Reserve of 1.1 moz of gold. Production of approximately 100,000 ounces (100 koz) per annum is targeted with a minimum 11-year life.

Stock	NUS.AX
Price	A$0.235
Market cap	A$45m

Company data	
Cash (31/12/19)	US$6.6m
Shares on issue	200.99m
Options outstanding	67.07m
Code ASX	NUS
Primary exchange	ASX

Next steps
Shareholder approval of Indika agreement
Reserves upgrade

NUS share price – One Year



Indika Investment in Awak Mas Now Binding; US$30m Available to Awak Mas Project in 2020 for Early Capital Development and FEED

After Resolutions Pass: Stage 1 Indika Proceeds to Be Received, FEED to Be Funded

We have assumed that the resolutions for the general meeting on 29 April will be passed (see Appendix 1 for details of the meeting and the Independent Expert's report). Upon this, the Awak Mas project will receive two injections of funding, **making up to $US30m available for the remainder of 2020**.

The US$30m will be utilised in completing FEED, pre-development activities, and Tailings Storage Facility (TSF) design and permitting.

Receipt of Indika Stage 1 Funding

Indika's Stage 1 investment into Awak Mas is for US$15m and will entitle Indika to 25% of the project. This funding will be received into the project within 5 days of the resolutions passing at the general meeting.

Petrosea FEED Funding

The 9-month FEED contract has been awarded to Petrosea, which is 70% owned by Indika Energy. The FEED contract is initially funded by an early term finance arrangement that facilitates the completion of FEED works during 2020 while delaying payment until project finance is established. Up to US$15m of this is provided for in this FEED contract.

Petrosea has agreed to a total of US$40m early term finance and the balance of this is to be agreed in the future Engineering, Procurement and Construction (EPC) contact.

The Petrosea finance will be paid back upon the completion of a final funding package.

Remaining Funding of Awak Mas to be Completed in 2020

Over the course of 2020, JV partners Nusantara and Indika will look to complete project debt financing and to move into a construction and commissioning phase in 2021.

Noah's Rule has been appointed as specialist debt and hedge adviser to Awak Mas to commence formal engagement of a debt financing syndicate. Noah's Rule has completed over A$2 billion of successful mine financings across a range of metals and continents and maintains active relationships with most of the leading lenders to the industry.

2020 Critical Path Items: An Update

There are three critical path items in 2020. FEED, land access and the Tailings Storage Facility (TSF) design and permitting.

FEED: FEED is key to implementing the project and plays a key role in cost estimate and delivers the project's technical requirements in detail. FEED comprises a detailed project scope, complete project budget, total cost of ownership, implementation timeline, and risk assessment, all of which combine to help reduce risk and uncertainty during the design and commissioning phases. A strong FEED process can help create lasting value throughout the production lifecycle.

Land access: Local land acquisition is governed by a legislative procedure and will be required to be completed before the project can proceed. Nusantara is strongly engaged with the local landholders and have local management in place to manage the process. Local landholders must be adequately compensated under the legislation. Reaching successful land compensation agreements will be a major milestone for the project.

TSF design and permitting: The project has obtained all the major approvals for construction and is secured by a contract of work. The only remaining approval of significant importance is the TSF. The TSF is a key piece of infrastructure within the project, ensuring that all tailings (waste product) from the processing of the ore are stored safely and that all environmental regulations are met. The TSF Design and permitting is critical in allowing construction of the project to move forward.

Additional Funds for Nusantara - Indika Subscription for Nusantara Shares

In December 2019, Nusantara conducted a capital raising, obtaining firm commitments of A$11.6m. The participation of Indika in this raising requires shareholder approval. Assuming approval is obtained on 29 April, Indika will subscribe to 10.5m Nusantara shares at A$0.34 to raise A$3.57m. The price for the raising is above the current Nusantara share price.

Awak Mas Gold Reserves – Upside from Higher Gold Prices

The Awak Mas DFS defined the gold reserves for the Awak Mas project and set the amount of gold that is commercially viable for the project. The reserves for the project were calculated on a gold price of US$1250/oz. The current gold price sits at US$1689/oz.

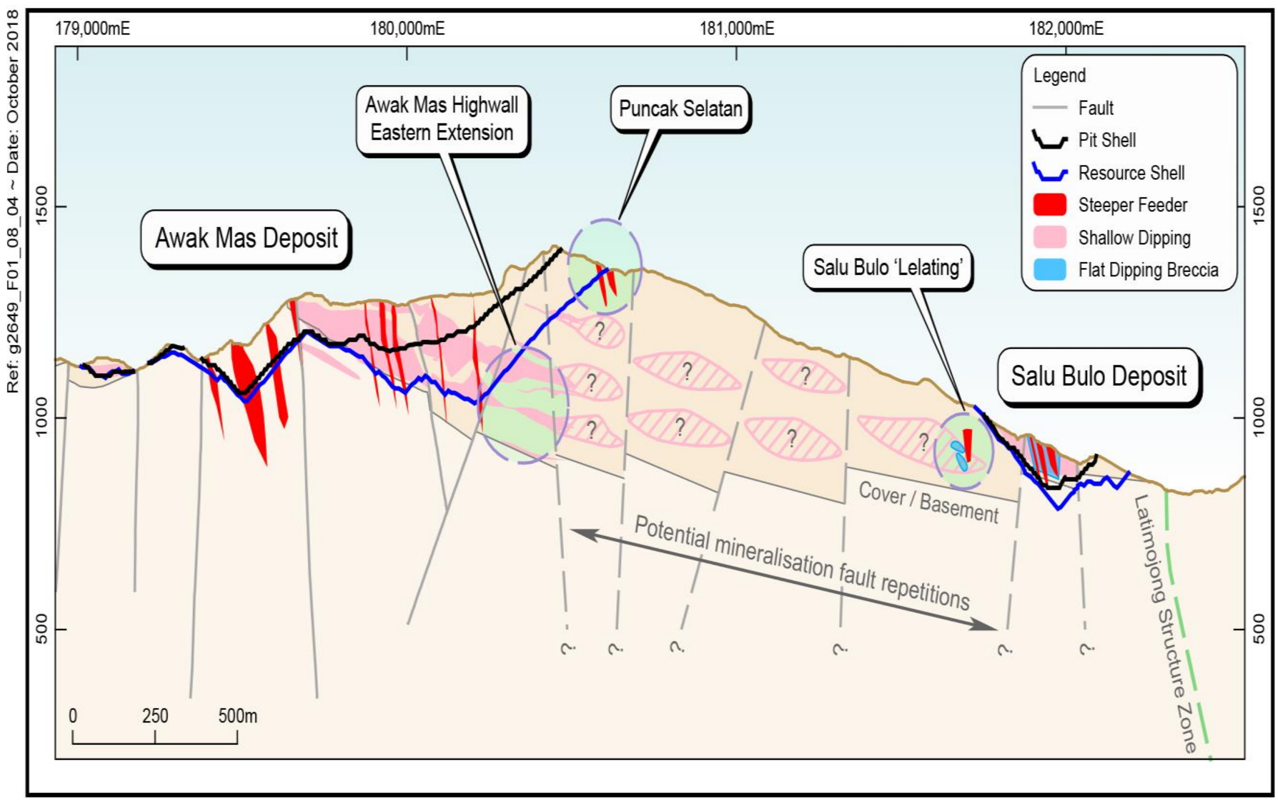
Figure 1 shows the proposed pit shell for the Awak Mas and Salu Bulo deposits that encompass the reserves, which sit at 26.9mt at a grade of 1.32g/t for 1.14moz of gold. This reserve has set Awak Mas as a 11-year project producing approximately 100,000oz of gold per year.

Figure 1 also shows the pit shell for the resource calculation of the project. The resource was calculated at US$1400/oz and results in 45.3mt at a grade of 1.4g/t for 2moz of gold.

As an indication of the potential of the upside for Awak Mas production and/or mine life, a 100% resource-to-reserve conversion, calculated at US$1400/oz, has the potential to add approximately 9 years of mine life at 100koz per annum for minimal capital expenditure. An increased reserve could also have the potential to increase annual production. This would require some additional capex in order to increase the capacity of the mining fleet and processing plant.

Refer to the valuation section of this report for a detailed analysis of the valuation upside from a reserves increase.

Figure 1 – Awak Mas Reserves and Resources Pit Shell



Source: NUS

Valuation – A Solid Gold Project with Valuation Upside

Valuation – Fully Diluted Valuation of A$0.57

Our valuation is A$0.57. In our previous update our valuation was A$0.61. Although the overall valuation has not changed significantly, we have revised a number of the components (see Tables 2 and 3).

- We have increased our assumption of the gold price from US$1350/oz to US$1450/oz for the 76% of production that is unhedged. The continued strength of the gold market and the prevailing monetary conditions have been the main drivers of this change.
- For the 24% of production that is hedged, we apply the current spot price, which is US$1689/oz. We were previously assuming $US1523/oz
- The operating cost base as estimated by the DFS is an estimate within a +/- 15% range. We consider the mining costs most susceptible to inflation and have increased them by 10% over our previous assumptions and DFS estimates.
- We have brought forward US$30m of capital expenditure into CY2020, to reflect the Indika investment and Petrosea early term FEED finance. This amount was previously in CY2021.
- We have pushed back our assumption of the start of the project to the beginning of CY2023. We are confident in management's ability to deliver the project on time. However, given that the current conditions may put some factors out of management's control, we consider it prudent to build in some delay to the start of the project. We were previously assuming commencement of the project in the 2nd half of CY2022. Management expects the project will take 2 years to construct under normal conditions.

Table 1 – Valuation Summary

Valuation Summary	A$ Fully Diluted	A$ Undiluted
Project Value	0.55	0.73
Cash	0.04	0.05
SG&A	-0.02	-0.04
Net Value	**0.57**	**0.74**

Source: MST estimates

Table 2 – Material Project Assumptions

Assumptions	
Average Annual Production Average	97,000oz
Mine Life	11 Years
Average Gold Grade	1.32g/t
Gold Recovery	91%
US$/A$	$0.70
Gold Price US$/oz	$1,450
Capex Factor (i.e % in First Year) -after initial $30m	50.0%
Capex Factor (i.e % in Second Year) - after initial $30m	50.0%
Gold Royalty Rate	3.8%
Maintenace Capex US$/t	$27
Discount Rate	9%
C1 Cash Costs Life of Mine US$/oz	$688
AISC Costs Life of Mine US$/oz	$820
Capital Cost US$m	$188
Cost Inflation	2%
Project Ownership	60%
Production Hedging	24%
Gold Hedge Price (spot) US$/oz	$1,689

Source: MST estimates

Table 3– Capital Cost Assumptions

	Capital Costs			
	2020	2021	2022	TOTAL
Mining Facilities and Contractor Mobilisation	$5,850,000	$8,400,000	$2,550,000	**$16,800,000**
Processing Plant and Earthworks		$24,800,000	$24,800,000	**$49,600,000**
TSF		$6,500,000	$6,500,000	**$13,000,000**
Infrastructure and Services	$6,950,000	$6,950,000		**$13,900,000**
Site Support Functions		$5,350,000	$5,350,000	**$10,700,000**
Project Execution	$17,200,000			**$17,200,000**
Owners Costs		$5,850,000	$5,850,000	**$11,700,000**
Pre Production Stripping and Preparation		$7,900,000	$7,900,000	**$15,800,000**
Growth Allowance		$6,300,000	$6,300,000	**$12,600,000**
MST Inflation Allowance		$5,000,000	$5,000,000	**$10,000,000**
Total Initial Capital	$30,000,000	$77,050,000	$64,250,000	**$171,300,000**
Funding Costs		$9,000,000	$8,033,333	**$17,033,333**
Total Capex inc Funding Costs	$30,000,000	$86,050,000	$72,283,333	**$188,333,333**
Nus Share 60%	$18,000,000	$51,630,000	$43,370,000	**$113,000,000**

Source: MST estimates

Alternative Valuation Scenarios: Possible Upside from Increased Gold Price Assumptions; Potential Increase to Reserves, Mine Life and Annual Production

The gold reserves are currently 1.14moz. The current resource estimate is 2.0moz.

The gold price is one of the key inputs in calculating the reserves (the commercially viable amount of gold in the project) and resources (the gold that has reasonable prospects for economic extraction). A higher gold price assumption will potentially:

- increase the resource estimate, and
- increase the reserves within the resource estimate, potentially allowing for increased annual production from the mine, an extended mine life or both.

We see potential valuation uplift from an increase in the reserves of the project. The current gold price assumption in calculating reserves is US$1250/oz and for resource estimation is US$1400/oz. We view the current gold price for the reserves calculation as conservative. It is US$200/oz less than our gold price forecast for the valuation of the project. The current spot price for gold is US$1689/oz.

Increased reserves from higher gold price assumption

Our calculation of a higher potential reserve estimate is based on the current resource estimate. If a new reserve estimate was calculated at US$1400/oz (the gold price used for the resource), then we can assume that the current gold resource has the potential to convert to a reserve and the new gold reserve potential is 2.0moz.

It is uncommon for a resource to fully convert to a reserve, as reserve definition requires a thorough technical analysis of the ore body and mining techniques.

Increased reserves from exploration success, grade increase and improved definition of ore body

It is important to note, that other than an increase to the gold price assumption, reserves can be increased by expansion of existing ore bodies or discovery of new ore bodies through exploration success. Increased drilling of existing ore bodies can also lead to more accurate definition of the structure and of gold grades, which can lead to further reserve enhancement. Nusantara has had exploration success in and around the Awak Mas project. There is the potential for the high-grade veins to be quantified by closer space drilling and the opportunity to encounter higher grade veins 'missed' by wider spaced drilling. Numerous opportunities are also available to test largely untested areas outside the known corridors of mineralisation. There are multiple opportunities to increase grade, increase the mine life, extend the resource, and define new areas of mineralisation.

For the purposes of this analysis we look at the potential for production increase and/or mine life extension under two assumptions:

- **Assumption 1: 100% of the resource converts to a reserve** for a 2.0moz reserve (0.9moz of additional gold in the reserve estimate)
- **Assumption 2: 50% of the resource converts to a reserve** for a 1.55moz reserve (0.45moz of additional gold in the reserve estimate).

Assumption 1 sensitivity analysis: 100% of resource converts to reserves; reserves of 2.0moz

Scenario 1: Increase to mine life – alternative valuation of A$0.86

With an increase in reserves to 2.0moz, an additional 900koz of gold becomes available to extract.

We have assumed an additional 9 years of mine life for the Awak Mas project. We have kept all other assumptions constant and assumed no additional capex is required.

Scenario 2: Increase to annual production – alternative valuation of A$1.14

We have assumed that the mine life remains the same as under our current assumptions but that the additional 900koz of gold is produced via an increase in annual production. The annual production will increase by approximately 80% pa.

Under this scenario we have assumed that there will be a requirement for additional capital expenditure. We have assumed an additional US$50m for processing plant and US$30m for mining and infrastructure.

Scenario 3: Increase to annual production and mine life – alternative valuation of $1.10

We have assumed that annual production is increased by 40% pa and that the mine life as a result is extended by 4 years.

Under this scenario we have assumed that there will be a requirement for additional capital expenditure. We have assumed an additional US$25m for processing plant and US$15m for mining and infrastructure.

Table 3 shows the valuation upside from the reserve increase scenarios.

Table 4 – Valuation Upside Under Assumption 1: Reserve Increase to 2.0moz

	Valuation A$
Increase Mine Life	$0.86
Increase Annual Production	$1.14
Increase Annual Production and Mine Life	$1.10

Source: MST estimates

Assumption 2 sensitivity analysis: 50% of resource converts to reserves; reserves of 1.55moz

Scenario 1: Increase to mine life – alternative valuation of A$0.76

With an increase in reserves to 1.55moz, an additional 450koz of gold becomes available to extract.

We have assumed an additional 4.5 years of mine life for the Awak Mas project. We have kept all other assumptions constant and assumed no additional capex is required.

Scenario 2: Increase to annual production – alternative valuation of A$0.86

We have assumed that the mine life remains the same as under our current assumptions but that the additional 450koz of gold is produced via an increase in annual production. The annual production will increase by approximately 40% pa.

Under this scenario, we have assumed that there will be a requirement for additional capital expenditure. We have assumed an additional US$25m for processing plant and US$15m for mining and infrastructure.

Scenario 3: Increase to annual production and mine life – alternative valuation of A$0.85

We have assumed that annual production increases by 20% pa and that the mine life as a result is extended by 4 years.

Under this scenario, we have assumed that there will be a requirement for additional capital expenditure. We have assumed an additional US$12.5m for processing plant and US$7.5m for mining and infrastructure.

Table 4 shows the valuation upside from the reserve increase scenarios.

Table 5 – Valuation Upside – Reserve Increase to 1.55moz

	Valuation A$
Increase Mine Life	$0.76
Increase Annual Production	$0.86
Increase Annual Production and Mine Life	$0.85

Source: MST Estimates

Alternative valuation using spot gold price – A$0.81

The current spot gold price is US$1689/oz. Applying this price to the Nusantara valuation gives a spot price valuation of A$0.81.

Sensitivity Analysis for Base-Case Valuation

The valuation is sensitive to a number of key assumptions, most notably:

- the gold price
- operating costs
- capital costs
- the discount rate
- gold grades

Tables 6-9 show our valuation's sensitivity to changes in these key assumptions.

Table 6 – Valuation Sensitivity – Gold Price (A$)

GOLD PRICE				
1,350	1,400	1,450	1,500	1,550
0.47	0.52	0.57	0.62	0.67

Source: MST estimates

Table 7 – Valuation Sensitivity – Capital and Operating Costs (A$)

		CAPITAL COST				
		-10%	-5%	0%	5%	10%
OPERATING COST	10%	0.59	0.55	0.50	0.46	0.41
	5%	0.63	0.58	0.54	0.49	0.45
	0%	0.66	0.61	0.57	0.53	0.48
	-5%	0.69	0.65	0.60	0.56	0.51
	-10%	0.72	0.68	0.64	0.59	0.55

Source: MST estimates

Table 8 – Valuation Sensitivity – Discount Rate (A$)

DISCOUNT RATE				
7%	8%	9%	10%	11%
0.70	0.63	0.57	0.51	0.46

Source: MST estimates

Table 9 – Valuation Sensitivity – Gold Grade

GOLD GRADE				
-10%	-5%	0%	5%	10%
0.47	0.52	0.57	0.62	0.66

Source: MST estimates

Financial and Production Summary

Table 10 – Financial and Production Summary

ASSUMPTIONS	CY19A	CY20E	CY21E	CY22E	CY23E	CY24E	CY25E
Material Moved Tonnes					14,000,000	15,500,000	16,200,000
Ore Mined Tonnes					2,800,000	2,400,000	2,450,000
Ore Processed Tonnes					2,500,000	2,500,000	2,500,000
Gold Grade Assumed					1.45	1.34	1.37
Gold Production oz					106,015	98,051	100,097
AUD/USD					$0.70	$0.70	$0.70
Price							
Gold US$					$1,450	$1,450	$1,450
PROFIT AND LOSS STATEMENT US$'000							
Revenue					95,882	88,679	90,530
Operating Costs	2,435	2,993	3,601	3,608	51,975	48,275	49,235
EBITDA	**-2,435**	**-2,993**	**-3,601**	**-3,608**	**43,907**	**40,404**	**41,295**
Depreciation	-120	-120	-120	-6,963	-11,300	-11,472	-11,459
EBIT	**-2,555**	**-3,113**	**-3,720**	**-10,571**	**32,607**	**28,933**	**29,836**
Net Interest	45	45	45	-2,000	-4,000	-3,200	-2,400
Profit before Tax	**-2,509**	**-3,068**	**-3,675**	**-12,571**	**28,607**	**25,733**	**27,436**
Tax Expense					**-9,104**	**-6,326**	**-7,544**
NPAT	**-2,509**	**-3,068**	**-3,675**	**-12,571**	**19,502**	**19,407**	**19,892**
BALANCE SHEET US$'000	**CY19A**	**CY20E**	**CY21E**	**CY22E**	**CY23E**	**CY24E**	**CY25E**
Cash	6,557	18,647	12,011	10,590	22,175	36,170	48,399
Receivables	391	391	391	391	391	391	391
Inventory							
Current Assets	**6,948**	**19,038**	**12,402**	**10,981**	**22,566**	**36,561**	**48,790**
PP&E	81	18,081	69,711	106,118	96,535	86,652	76,814
Exploration and Evaluation Expenditure	36,987	31,338	29,290	30,790	32,290	33,790	35,290
Non-Current Assets	**37,169**	**49,521**	**99,103**	**137,010**	**128,927**	**120,544**	**112,206**
Total Assets	**44,117**	**68,559**	**111,504**	**147,990**	**151,493**	**157,105**	**160,997**
Payables	570	570	570	570	570	570	570
Current Liabilities	**649**	**649**	**649**	**649**	**649**	**649**	**649**
Long-Term Debt		6,750	36,630	80,000	64,000	48,000	32,000
Provisions	37	37	37	37	37	37	37
Tax Liabilities					-9,104	-6,326	-7,544
Non-Current Liabilities		**6,750**	**36,630**	**80,000**	**64,000**	**48,000**	**32,000**
Total Liabilities	**649**	**7,399**	**37,279**	**80,649**	**64,649**	**48,649**	**32,649**
Share Capital & Reserves	52,616	73,375	90,115	95,802	95,802	98,007	98,007
Retained Earnings	-9,148	-12,215	-15,890	-28,461	-8,959	10,448	30,340
Total Equity	**43,468**	**61,160**	**74,225**	**67,341**	**86,843**	**108,455**	**128,347**
CASH FLOW STATEMENT US$'000	**CY19A**	**CY20E**	**CY21E**	**CY22E**	**CY23E**	**CY24E**	**CY25E**
Operating Cash Flow	**-2,180**	**-2,993**	**-3,601**	**-3,608**	**34,802**	**34,079**	**33,751**
Maintenance Capex					-1,717	-1,588	-1,622
Expansion Capex	-4,767	-12,471	-49,701	-44,870	-1,500	-1,500	-1,500
Investing Cash Flow	**-4,767**	**-12,471**	**-49,701**	**-44,870**	**-3,217**	**-3,088**	**-3,122**
Financing Cash Flow	**7,250**	**27,555**	**46,666**	**47,057**	**-20,000**	**-16,995**	**-18,400**
Change in Cash Balance	**303**	**12,090**	**-6,636**	**-1,421**	**11,585**	**13,995**	**12,229**
FX Differences	-111						
Opening Cash Balance	**6,364**	**6,557**	**18,647**	**12,011**	**10,590**	**22,175**	**36,170**
Final Cash Balance	**6,557**	**18,647**	**12,011**	**10,590**	**22,175**	**36,170**	**48,399**

Source: MST estimates NUS

Appendix 1: Overview of General Meeting and Independent Expert's Report

General Meeting: Shareholders (Excluding Indika) to Vote on Indika Investment in Awak Mas and Other Matters

Indika Energy has now made a binding commitment to contribute US$40m for 40% of the Awak Mas project.

In order for this and other transactions to occur, shareholders (excluding Indika and associates) must pass resolutions at a general meeting. This meeting will be held on 29 April 2020. Shareholders will vote on seven resolutions.

Resolutions to be voted on at upcoming shareholder meeting

Note that Resolutions 1, 2, and 3 require an independent expert's (IE) report to determine if they are fair and reasonable to all non-associated shareholders (this is a requirement of corporations law for Resolution 1, and of listing rules for Resolutions 2 and 3).

Resolution 1 – Issue of shares to Indika and increase in voting power of the Indika Group

The IE report determined that if the resolution is passed, the outcome for all non-associated shareholders:

- is not fair
- is reasonable.

Resolution 2 – Partial divestment of assets – sale of 40% of project to Indika

The IE report determined that if the resolution is passed, the outcome for all non-associated shareholders:

- is not fair
- is reasonable.

Resolution 3 – Grant of share pledge to Petrosea by the company's subsidiary

The IE report determined that if the resolution is passed, the outcome for non-associated shareholders:

- is fair
- is reasonable.

Resolution 4 – Grant of options to Petrosea

Resolution 5 – Grant of options to Indika

Resolutions 6 and 7 – Ratification of prior issue – shares

The Independent Expert's Report: A Closer Look at Resolutions 1 and 2

Resolution 1 – Issue of shares to Indika: IE considered not fair, but reasonable

The IE assessed the value of Nusantara on the basis of a 100% controlling interest of Awak Mas and compared it to the value on a minority interest basis immediately post the assumed issue of the placement shares.

As the value is greater for a controlling interest, the IE considered the issue of shares and granting of options to Indika is **not fair**. However, the IE considered the proposed share and option issues to be **reasonable** because:

- the share placement supports Nusantara's ability to advance the development of, and meet its commitments in relation to, the project
- the share placement is at the same price as (1) the recent placement to new and existing shareholders and (2) the recent share purchase plan
- the share placement is at a higher price than the level at which Nusantara shares have recently traded
- Indika Energy will not materially increase its interest in Nusantara as a result of the share placement
- the existing Indika options, Petrosea share options and Indika Energy share options are exercisable at Nusantara share prices which are above, and in some cases significantly greater than, the current share price
- Indika Energy's direct investment in Nusantara and the proposed issue of the share options are part of a broader funding arrangement, including bringing an Indonesian investor into the project, securing an equity partner to co-fund its development, and attracting debt funding for the project
- if Resolution 1 is not accepted, the Nusantara share price may be adversely impacted.

Resolution 2 – Partial divestment of assets – sale of 40% of project to Indika: IE considered not fair, but reasonable

The IE assessed the fairness of the proposed divestment by Nusantara of up to a 40% interest in Awak Mas by comparing the value of assets divested by Nusantara to the assessed value of consideration to be received.

On the basis that the assessed value of the consideration received is less than the assessed value of the assets divested, the IE considered that the proposed transaction is **not fair**. However, the IE considered the proposed issues to be **reasonable** because:

- Indika Mineral's investment in PT Masmindo is part of a broader funding arrangement that includes bringing an Indonesian investor into the project and securing an equity partner to co-fund development
- the proposed issues are the most cost-effective option relative to available funding alternatives identified as part of a strategic review
- the value of the project implied by the consideration is consistent with the value implied by the Nusantara share price
- the proposed transactions provide greater certainty regarding the ability to fund the equity component of the stage 1 development, which should assist in attracting requisite debt funding for the development of the project
- if Resolution 2 is not accepted, the Nusantara share price may be adversely impacted.

Disclaimers

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