BUSINESS UPDATE

The following discussion contains the most recent update on operating and financial performance of PT Cita Mineral Investindo Tbk. (the "Company" or "Cita") as at 30 June 2021. Unless otherwise stated or the context otherwise requires, "we", "us" and "our" refer to the Company and its subsidiaries taken as a whole. This document is prepared by the Company on October 7, 2021.

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Certain amounts (including percentage amounts) in this document, including financial, statistical and operating information, have been rounded for convenience. As a result, the totals of certain amounts presented in this document may vary from the actual arithmetic totals of such amounts or quotients

This document includes forward-looking statements. These forward-looking statements involve known andunknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on Management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "targets", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts.They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Management or the Company concerning, among other things, expansion plans, the results of operations, financial condition, liquidity, prospects, growth, strategies, and dividend policy of the Company and the industry in which it operates. These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company, including:

- *our ability to successfully implement our strategy for growth and expansion;*
- *economic, social and political conditions in Indonesia;*
- *changes in the demographic environment;*
- *changes in business trends;*
- *changes in the competitive landscape;*
- *actions by customers and suppliers;*
- *labour unrest and other difficulties;*
- *increases in regulatory burdens in Indonesia;*
- *performance of global financial markets;*
- *fluctuations in foreign currency exchange rates; and*
- *other risks, uncertainties and factors set forth in this document.*

Such risks and uncertainties could cause actual results to vary materially from the future results indicated, *expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this document speak only as of the date of this document. The Company, the Board of Commissioners, the Board of Directors, the Management and their respective affiliates and representatives expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law or regulation.*

UPDATE ON OUR RESERVE AND RESOURCE REPORT

The Company requested AMC Consultants Pty Ltd ("**AMC**") to prepare a desk top technical review ("**Review**") to validate the Company's bauxite ore reserves located in West Kalimantan Indonesia.

The scope of the Review was to provide confirmation that ore reserve estimates included in the mining plan, upon which the financial model is based, have been properly prepared and reported in accordance with the JORC Code[1] and its guidelines. AMC was to opine on whether the Company's bauxite ore reserves represent a reasonable estimate of reserves over the proposed financing period and the remaining life of the mine.

Due to current Covid travel restrictions a site visit was not possible hence AMC has reviewed information provided by the Company including reports, data bases and videos and photos of current operations, together with discussions with the Company staff to clarify issues as requested by AMC.

AMC has found no fatal flaws in the process involved in the development of the ore reserves which are the basis of the Life of Mine Plan ("**LOMP**") which is the basis of the financial model for the Company bauxite project in West Kalimantan.

The project exploration and resource data base is a result of data collection over an extended period of time from 2004, via mapping, test pitting, and drilling. AMC is of the opinion that in general this data has been collected under industry accepted standards with appropriate monitoring and control of the quality of the information. AMC however has noted a number of matters where improvements can be made and some which require active management to ensure the outcomes of the LOMP are achieved and these are reported below.

- AMC notes issues with the reactive silica ("**RSiO2**") data. In general, the levels of RSiO2 at the Company's bauxite projects are suitable for Bayer processing of the bauxite. High levels of RSiO2 can cause expensive loss of caustic soda during Bayer processing. The Company reports that $RSiO_2$ analyses are not conducted on all sample intervals. AMC observes that only 72% of the samples at Air Upas having RSiO2 assays. Given the importance of RSiO2, along with Al2O3, in defining the depth and thickness of the bauxite layer and the suitability of the bauxite for processing, this lack of RSiO2 analyses must impact on the efficient determination of the bauxite horizon and subsequently on mineral resource and ore reserve determination.

- The absence of RSiO2 assay data has resulted in many blocks appearing to have zero RSiO2 estimates. In calculating the average grade from the estimates the Company has ignored those absent blocks which is preferable to treating the absent estimates as zero. In the current circumstances, AMC believes this is the only reasonable method for calculating the average grades. As noted above AMC believes wider coverage of $RSiO_2$ analyses is desirable for greater confidence in $RSiO_2$ estimates.

- As part of the Company quality assurance quality control (QAQC) system, the Company has noted issues with the precision and accuracy of the RSiO2 data. This is apparent in the quality assurance measures adopted, certified reference materials and umpire laboratory comparisons. The current titration method for determination of RSiO2 is not considered by the Company as capable of producing precise assays of RSiO2. AMC endorses the Company's stated intention to investigate and upgrade the analytical method used for RSiO2 analyses. The issue of potential bias in the RSiO2 data requires further attention.

AMC concludes that the mineral resource estimates used as the basis for the estimation of ore reserves are likely to be slightly conservative and as noted by both the Company and AMC, the tonnage underestimated by perhaps 5%. However, the Company note that generally the differences resulting from the modelling techniques occur within the inferred resources which do not form part of the LOMP. AMC considers that a stratigraphic or seam model may provide clearer resolution of boundaries but is unlikely to have a material impact on ore reserves.

AMC concludes from the Review that the 2021 ore reserves estimated for Sandai and Air Upas are accurately reported in accordance with the JORC Code and that the estimation of the ore reserves complies with good

[1] The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition, published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia

industry practice, and the appropriate application of the Modifying Factors has been incorporated into the estimation.

The Company has reported its ore reserves and mineral resources as at 31 March 2021 as follows:

Category		Region	Washed Tonnes (Million WMT)	Al2O3 (%)	SiO2 (%)	RSiO2 (%)	Fe2O3 (%)	TiO2 (%)
Reserves	Proved	Central	46.3	47.3	16.3	4.9	10.0	1.1
		South	18.0	50.1	9.8	3.7	10.0	0.8
	Probable	Central	26.8	47.3	16.9	5.1	9.8	1.2
		South	53.2	49.3	11.2	4.3	9.9	0.9
Sub-total Reserves	Proved		64.3	48.1	14.5	4.6	10.0	1.1
	Probable		80.1	48.7	13.1	4.5	9.8	1.0
Total Ore Reserves			**144.3**	**48.4**	**13.7**	**4.6**	**9.9**	**1.0**
Resources	Measured	North	42.3	50.6	10.8	3.4	10.5	1.0
		Central	59.2	47.5	16.6	5.1	9.6	1.1
		South	6.8	48.1	12.2	4.7	11.3	0.7
	Indicated	North	48.6	48.2	16.2	3.6	9.3	0.9
		Central	55.2	47.2	17.0	4.8	9.8	1.1
		South	8.9	47.9	12.8	4.9	11.1	0.7
	Inferred	North	42	48	17	4	9	1
		Central	42	47	18	5	10	1
		South	28	49	12	5	10	1
Sub-total Resources	Measured Indicated Inferred		108.3 112.6 112	48.8 47.7 48	14.1 16.3 16	4.4 4.3 5	10.0 9.7 10	1.0 1.0 1
Total Mineral Resources			**333.2**	**48.0**	**15.6**	**4.4**	**9.7**	**1.0**

The mineral resources reported are additional to the ore reserves. Ore reserves are depleted for production to 31 March 2021. In AMC's opinion, the Company ore reserves and mineral resources have been reported in accordance with the JORC Code and by suitably qualified competent persons with appropriate relevant experience. AMC has not reviewed the North Region as there are no ore reserves in that region and it does not contribute to the company LOMP.

UPDATE ON OUR MINING LICENCE

The Company has renewed its mining license number 503/11/MINERBA/DPMPTSP.C.1/2018 in relation to one of the Sandai mines with the renewed license 787/1/IUP/PMDN/2021 which sets to expire in April 2032.

SELECTED OPERATING DATA AND FINANCIAL INFORMATION

The table below shows certain operating data for the periods indicated.

	Six Month Periods Ended June 30		***Year Ended as of December 31,***		
	2021	**2020**	**2020**	**2019**	**2018**
MGB produced (wet metric tonnes)	4,421,915	5,605,742	11,002,473.08	9,103,499.79	4,635,594.78
MGB sold (dry metric tonnes)	3,965,381	4,597,136	7,948,725	7,335,095	3,968,114
Export MGB sales (dry metric tonnes)	3,460,477	4,044,752	6,795,347	6,236,775	2,664,132
Domestic MGB sales (dry metric tonnes)	504,903	552,384	1,153,378	1,098,319	1,303,981
Average selling price of bauxite (Rp. /dry metric tonne)	550,269	552,387	546,591	530,978	504,691
Average selling price of bauxite (USD/dry metric tonne)(1)	38.0	38.1	37.7	36.6	34.8
Moisture content (%)	15.8%	16.5%	16.3%	16.0%	14.6%
Al_2O_3 content (%)	51.2%	49.7%	49.8%	49.7%	49.4%

Operating Cost (excl. D&A, change in inventory) (Rp. / production wet metric tonne)

Direct production cost (Rp. /production wet metric tonne) breakdown:					
Hauling and overburden	165,565	149,201	150,578	114,056	142,803
Fuel and lubricants	14,140	15,298	13,300	20,297	9,052
Direct labor	14,973	11,795	11,740	12,130	9,372
Clearing	5,413	3,862	4,725	5,326	5,401
Others	10,433	8,809	9,016	33,910	29,439
Direct production cost	210,525	188,966	189,360	185,720	196,066
Indirect production cost (Rp. /production wet metric tonne) breakdown:					
Repairs and maintenance	21,995	13,908	16,650	8,017	5,619
Others	20,448	12,303	13,544	6,996	11,607
Indirect Production costs	42,443	26,211	30,194	15,013	17,226
Selling Expenses (Rp. /production wet metric tonne) breakdown					
Loading, transportation and claims	73,871	74,643	64,368	78,815	69,878
Taxes and license	46,421	32,960	28,699	32,888	30,420
Royalty	35,144	31,686	27,524	16,327	14,370
Others	2,160	1,793	1,547	1,699	2,110
Selling expenses	157,596	141,081	122,139	129,730	116,777
General and administrative expenses (Rp. /production wet metric tonne) breakdown					
Salaries and employees' benefits	8,581	5,741	5,889	7,097	8,194
Others	4,340	2,754	3,979	5,050	4,872
General and administrative expense	12,922	8,496	9,868	12,147	13,067
Operating cost (Rp. /production wet metric tonne)	423,485	364,754	351,561	342,609	343,136

Note:

(1) Solely for the convenience of the reader, the Rupiah amounts have been translated into US dollars using the exchange rate of USD1 = Rp.14,496 giving effect to rounding, where applicable. The convenience translation is unaudited and should not be construed as a representation that the Rupiah amounts represent, or have been or could be converted into, US dollars at this or at any other exchange rate.

	Six Month Periods Ended June 30		***Year Ended as of December 31,***		
	2021	**2020**	**2020**	**2019**	**2018**
Operating Cost (excl. D&A, change in inventory) (USD/wet metric tonne) (1)					
Direct production cost (USD/production wet metric tonne)(1) breakdown:					
Hauling and overburden	11.4	10.3	10.4	7.9	9.9
Fuel and lubricants	1.0	1.1	0.9	1.4	0.6
Direct labor	1.0	0.8	0.8	0.8	0.6
Clearing	0.4	0.3	0.3	0.4	0.4
Others	0.7	0.6	0.6	2.3	2.0
Direct production cost	14.5	13.0	13.1	12.8	13.5
Indirect production cost (USD/production wet metric tonne)(1) breakdown:					
Repairs and maintenance	1.5	1.0	1.1	0.6	0.4
Others	1.4	0.8	0.9	0.5	0.8
Indirect Production costs	2.9	1.8	2.1	1.0	1.2
Selling Expenses (USD/production wet metric tonne)(1) breakdown					
Loading, transportation and claims	5.1	5.1	4.4	5.4	4.8
Taxes and license	3.2	2.3	2.0	2.3	2.1
Royalty	2.4	2.2	1.9	1.1	1.0
Others	0.1	0.1	0.1	0.1	0.1
Selling expenses	10.9	9.7	8.4	8.9	8.1
General and administrative expenses (USD/ production wet metric tonne)(1) breakdown					
Salaries and employees' benefits	0.6	0.4	0.4	0.5	0.6
Others	0.3	0.2	0.3	0.3	0.3

General and administrative expense	0.9	0.6	0.7	0.8	0.9
Operating cost (USD/production wet metric tonne) *(1)*	29.2	25.2	24.3	23.6	23.7

Note:

(1) Solely for the convenience of the reader, the Rupiah amounts have been translated into US dollars using the exchange rate of USD1 = Rp.14,496 giving effect to rounding, where applicable. The convenience translation is unaudited and should not be construed as a representation that the Rupiah amounts represent, or have been or could be converted into, US dollars at this or at any other exchange rate.

The following table reconciles EBITDA to net sales, the most closely comparable measure under IFAS for the year/period:

	Six Month Periods Ended June 30		***Year Ended as of December 31,***		
	2021	**2020 (*Unaudited*)**	**2020**	**2019**	**2018**
			(Rp. in billions)		
Reconciliation of EBITDA					
Income before income tax expense	374.6	473.5	841.9	848.2	725.0
Depreciation expense	57.9	57.1	115.6	101.7	91.0
Amortization expense	-	-	-	-	6.2
Additional mining properties from depreciation of fixed assets	(0.6)	(1.0)	(1.7)	(2.8)	(3.1)
Financing expenses	2.8	15.7	17.8	63.8	72.5
Foreign exchange differentials - net	0.1	(19.5)	(23.3)	(43.4)	92.7
Rent income	(8.7)	(4.4)	(15.4)	(23.3)	(5.9)
Interest income	(1.7)	(6.0)	(10.3)	(2.9)	(4.6)
Equity in net profit of Associate	(115.8)	(17.1)	(106.1)	(221.5)	(598.2)
Gain (loss) on sale of fixed assets	(0.4)	(0.0)	(0.2)	2.6	(0.9)
Miscellaneous - net	0.0	0.6	(2.5)	(0.9)	(7.5)
EBITDA	**308.2**	**499.0**	**815.8**	**721.5**	**367.2**
EBITDA margin	*14.1%*	*19.7%*	*18.8%*	*18.5%*	*18.3%*

The table below shows the cash and cash equivalents and capitalisation of the Company as at June 30, 2021 on an actual basis. This information has been extracted from the Company's consolidated financial information as at June 30, 2021.

As at June 30, 2021

	(Rp. billions)	**(US dollars millions)**
Cash and cash equivalents	177.9	12.3
Short-term bank loans	145.0	10.0
Long-term debt — portion due over one year	-	-
Total debt	145.0	10.0
Capital stock	396.1	27.3
Additional paid in capital	1,125.4	77.6
Other paid-in capital	24.0	1.7
Retained earnings	1,895.3	130.7
Non-controlling interest	(0.748)	(0.1)
Total equity	3,440.1	237.2
Total capitalisation (excluding cash and cash equivalents)	3,585.1	247.2

Note:

(1) Solely for the convenience of the reader, the Rupiah amounts have been translated into US dollars using the exchange rate of USD1 = Rp.14,496 giving effect to rounding, where applicable. The convenience translation is unaudited and should not be construed as a representation that the Rupiah amounts represent, or have been or could be converted into, US dollars at this or at any other exchange rate.

There has been no material change in our capitalisation since June 30, 2021 to date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

OPERATIONS

We are an Indonesian mining company focused on the mining and quarrying of bauxite. In 2020, we were the largest bauxite producer in Indonesia and Southeast Asia by production volume according to AME. We also invest in alumina refining operations through an associate company, PT Well Harvest Winning Alumina Refinery ("**WHW**"). All of our mined bauxite is further processed by using the beneficiation process to become Metallurgical Grade Bauxite ("**MGB**"). We have invested in mining investment and mining activities in Indonesia since December 2005, through the acquisition of PT Harita Prima Abadi Mineral ("**HPAM**") and, further, through the acquisition of PT Karya Utama Tambangjaya ("**KUTJ**" and, together with HPAM, the "**Subsidiaries**") in March 2010.

As of March 31, 2021, we held a total concession area of approximately 139,239 hectares. Our concession areas are divided into three regions, all within the bauxite-rich region of West Kalimantan, Indonesia: north (comprising Labai and Simpang Dua), central (comprising Tayap and Sandai) and south (comprising Air Upas and Kendawangan). The most convenient access points are Pontianak, which is about three hours by overland travel to our north region mine, and Ketapang, which is approximately three hours of overland travel to our central region mine. In total, we hold fourteen mining licenses.

Our key assets are:

Mine	Status	IUP Area	Proved and Probable Reserves (MGB)		Measured, Indicated and Inferred Resources (MGB)	
			Tonnage (m WMT)	**Al_2O_3 (%)**	**Tonnage (m WMT)**	**Al_2O_3 (%)**
Air Upas/ Kendawangan	Producing	28,627	71.2	49.5%	43.7	48.5%
Sandai/ Tayap	Producing	63,270	73.1	47.3%	156.3	47.2%
Labai/ Simpang Dua	Not producing	47,342	-	-	133.2	48.8%
Total		**139,239**	**144.3**	**48.4%**	**333.2**	**48.0%**

We have significant resources proved and probable reserves to meet anticipated increasing global demand for bauxite. As of March 31, 2021, our total mineral resource was estimated to be 333.2 MT of MGB at an average Al_2O_3 content of 48.0%. As of March 31, 2021, we have total reserves of 144.3 MT of MGB at an average Al_2O_3 content of 48.4%. According to the Alumina and Bauxite Report prepared by AME Mineral Economics Pty Ltd dated August 13, 2021 (the "**AME Report**"), we ranked first in Indonesia and eleventh globally by production volume in 2020. Overall, we have been operating for more than 15 years, successfully producing a cumulative total of 97.5 million wmt of bauxite from 2005 to June 2021. In Fiscal 2020, we recorded a production volume of 11.0WMT of MGB from our mines, with sales of Rp. 4.34 trillion.

We are one of the few bauxite producers with interests in alumina refining in Southeast Asia. We hold a 30% interest in WHW, a joint venture company which was established in 2012 and is engaged in alumina processing from MGB and is the largest producer of Smelter Grade Alumina ("**SGA**") in Southeast Asia, according to the AME Report. We account for our 30% interest in the profit of WHW in our income statement under the line item "equity in net profit of associate". This relationship provides us with significant sales opportunities in the domestic market, as MGB is a key requirement for the smelting of alumina.

The diagram below illustrates the process whereby raw bauxite is processed into aluminium metal.

We own our equity interest in WHW together with our joint venture partners, China Hongqiao Group Limited, Winning Investment (HK) Company Ltd and China Hongqiao's indirect subsidiary Shandong Weiqiao Aluminium and Electricity Co., Ltd, which hold 56%, 9%, and 5% stakes in WHW, respectively. Our umbrella offtake agreement with WHW provides that we supply a certain minimum of the bauxite required as feedstock to WHW (unless otherwise agreed by the parties), with a certain maximum to be sourced from third-party suppliers. WHW has been operational since June 2016 and currently has a refining capacity of 1million tonnes, and has begun construction on phase two of its refinery. Following the completion of Phase 2, currently expected by the end of 2021, we anticipate that WHW will have a production capacity of 2 million tonnes, providing us with a significantly greater possibility of increasing our domestic sales.

We also have significant export sales to international customers including Glencore International AG and Pengtai International Trading Pte. Ltd. Under current Indonesian regulations, bauxite ore with a content level of Al_2O_3 of 42% or more may be exported until June 10, 2023, and we do so under export quotas that have been granted to us by the Indonesian Ministry of Trade and Ministry of Energy and Mineral Resources, for 12-month periods each April and October. The proportion of our total MGB sales volumes exported to seaborne markets amounted to 67.1%, 85.0%, 85.5% and 87.3% in 2018, 2019, 2020 and the six months ended June 30, 2021, with local sales to WHW accounting for the remainder.

Our predecessor company, PT Cipta Panelutama, became a listed company on the IDX in March 2002. We changed our name to PT Cita Mineral Investindo Tbk in 2007. As of the date of this publication, our Controlling Shareholder held 62.1% of our shares, following the increase in 2020 by Glencore International Investments Ltd. of its stake in our company from 18% to 30%, which reduced our Controlling Shareholder's stake to its current level. Our Controlling Shareholder is part of the Harita Group, a large Indonesian business conglomerate. Harita Group is a family-owned and controlled conglomerate, with core businesses in the natural resources sector, including businesses in nickel mining and smelting, coal mining, the agriculture and timber sector, as well as shipping, mining support, real estate and securities.

Our net sales for the years ended December 31, 2018, 2019 and 2020 were Rp. 2,002.7 billion, Rp. 3,894.8 billion and Rp. 4,344.7 billion, respectively. Our net sales for the six months ended June 30, 2020 and 2021 were Rp. 2,539.4 billion and Rp. 2,182.0 billion, respectively. We further divide our net sales into local and export segments, with the local segment comprising net sales solely to WHW. For years ended December 31, 2018, 2019 and 2020, our local net sales were Rp. 555.8 billion, Rp. 484.3 billion and Rp. 521.6 billion, respectively, and our export net sales were Rp. 1,446.9 billion, Rp. 3,410.5 billion and Rp. 3,823.1 billion, respectively. For the six months ended June 30, 2020 and 2021, our local net sales were Rp. 250.4 billion and Rp. 228.4 billion, respectively, and our export net sales were Rp. 2,289.0 billion and Rp. 1,953.6 billion. Our EBITDA for the years ended December 31, 2018, 2019 and 2020 was Rp.367.2 billion, Rp.721.5 billion and Rp.815.8 billion, respectively. Our EBITDA for the six months ended June 30, 2020 and 2021 was Rp. 499.0 billion and Rp.308.2 billion, respectively.

Principal Factors Affecting Our Results of Operations

Our results of operations are affected primarily by the following factors:

Price of Metallurgical Grade Bauxite

Our net sales are sensitive to, and significantly depend on, fluctuations in the global price of Metallurgical Grade Bauxite ("**MGB**"). As MGB is a commodity product, global MGB prices depend principally on the supply and demand dynamics of the world MGB market. As the main raw material for the production of Smelter Grade Alumina ("**SGA**"), the demand for MGB is primarily linked to the production of SGA, which is in turn linked to the demand and supply of aluminium.

MGB is generally priced on a contract basis and can vary according to the MGB quality. A typical contract for MGB sales will be based on a Free-on-Board ("**FOB**") basis for dry metric tonnes ("**DMT**") of ore adjusted for relevant basis elements of alumina and silica. It will generally incorporate premium or discount clauses, to take account of variation in quality, including alumina concentration (Al_2O_3 content) and grade impurities such as silica (SiO_2 content).

MGB is generally sold either in international seaborne markets on a Cost, Insurance and Freight ("**CIF**") basis or in the domestic markets on an C&F basis (which excludes insurance costs to the end customer). Our contracts for the export sale of MGB are FOB at the jetty near our mines. Apart from insurance and freight costs differentials, the MGB price in each market can also differ according to the respective market dynamics. We believe that our proximity to WHW's refinery for domestic sales and to markets in China compared to many of our competitors located in Australia and Guinea constitutes a competitive advantage since it serves to lower the transport costs of our customers.

Over the last five years, the global supply balance of MGB moved from a net supply deficit in 2016 to a net supply surplus in 2020. As a result, the average selling price of our MGB increased from Rp. 504,691 (USD34.8, based on USD1 = Rp.14,496) per dry metric tonne in 2018 to Rp. 530,978 (USD36.6, based on USD1 = Rp.14,496) per dry metric tonne in 2019 and to Rp. 546,491 (USD37.7 based on USD1 = Rp.14,496) per DMT in 2020. The average selling price for our MGB in the domestic Indonesian market is fixed through our umbrella offtake agreement with WHW, our sole domestic customer, subject to certain adjustments for MGB quality. However, the average selling price we receive for MGB that is intended for export is negotiated based on the spot price for MGB in the international markets and the quality of the MGB, particularly the concentration of Al_2O_3 and the concentration of any impurities such as SiO_2. The average selling price for MGB that we sell on the export market is generally higher than the fixed price that we receive from our domestic MGB sales to WHW, but volumes of sales are limited by applicable export quotas. This difference in average selling price for our MGB is primarily a result of MGB that is intended for export generally having higher Al_2O_3 concentration and lower levels of grade impurities such as SiO_2 based on the requirements from the export customers, as well as global MGB prices generally being above the fixed price agreed with WHW.

In Indonesia, local demand for MGB is also driven by SGA production, an industry in which our associate WHW is currently one of only two operational domestic SGA refineries, according to the AME Report. We believe that the location of our Sandai and Air Upas mines, as well as our transportation infrastructure, ideally positions us as a key supplier of MGB to WHW when compared to peer Indonesian mining operations. We export our MGB for sale to international commodities traders such as Chalco Trading Hong Kong Co Limited and Glencore International AG, among others. The proportion of our total MGB sales volume exported to seaborne markets amounted to 67.1%, 85.0%, 85.5%, 88.0% and 87.3% in Fiscal 2018, 2019, 2020 and for the six months ended June 30, 2020 and 2021, respectively, with domestic sales accounting for the remainder. We expect these proportions may change after completion of WHW's Phase 2 expansion project, currently scheduled for the end of 2021, which is expected to approximately double WHW's production capacity. We believe that, as global and Indonesian demand fluctuates, our flexible sales strategies allow us to adapt our mine plans and blend production to meet demand of the global and Indonesian markets.

We currently do not enter into forward sales for bauxite and have not entered into any hedging arrangements. We contract our domestic MGB sales to WHW through a fixed-price umbrella offtake agreement, pursuant to which we have agreed to supply a certain minimum (unless otherwise agreed by the parties) of WHW's MGB requirements until 2033 at a fixed price, subject to certain adjustments that must be agreed between the parties, and other adjustments for other factors such as the quality of the MGB. A higher concentration of Al_2O_3 entitles us to receive incentive payments of varying amounts, depending on the concentration of Al_2O_3 above the agreed standard quality. The standard quality of the MGB which we export is generally higher than the MGB we sell in the domestic market and contains around 50% of Al_2O_3 and between 6% to 12% of SiO_2, and as noted below MGB must meet a minimum quality standard of 42% Al_2O_3 concentration in order to be exported under the export quotas. Conversely, a higher concentration of SiO_2 entitles the buyer to impose a penalty of varying amounts, depending on concentration of SiO_2 over the agreed standard quality. These arrangements with WHW are intended to continue following the planned expansion of WHW's refinery upon completion of Phase 2. The prices we receive for our international sales are tied to the spot price of MGB, which exposes us to MGB price fluctuations in the global MGB market. Domestic sales are also sensitive to global MGB prices because if prices WHW can pay to other suppliers are less than our fixed prices and we do not agree alternative prices, WHW will demand less and volumes of and revenues from sales to WHW will diminish.

Our total MGB sales for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were 3,968,113.67MT, 7,335,094.53MT, 7,948,724.76MT, 4,597,136.28MT and 3,965,380.60MT, respectively. Our domestic MGB sales volumes to WHW for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were 1,303,981.48MT, 1,098,319.50MT, 1,153,377.72MT, 552,384.33MT and 504,903.17MT, respectively, which constituted 32.86%, 14.97%, 14.51%, 12.02% and 12.73% of the respective total sales for those periods. Our MGB sales for export for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were 2,664,132.19MT, 6,236,775.03MT, 6,795,347.04MT, 4,044,751.95MT and 3,460,477.44MT, respectively, which constituted 67.14%, 85.03%, 85.49%, 87.98% and 87.27% of the respective total sales for those periods.

MGB Production and Sales Volumes

Our net sales are also significantly dependent upon our MGB production and MGB sales volumes, which are affected by a number of key factors, including prices of MGB as during periods of higher prices we have the capability to adjust our mine plan to increase production, our ore mining rates, ore processing capacity, MGB ore grades and MGB recovery rates. Our maximum MGB production capacity is generally above the demand for MGB at any given time, which allows us to increase production in response to any increases in demand from WHW (including, for example, following completion of WHW's Phase 2 expansion) with minimal additional capital expenditure. Other important factors include weather conditions such as drought (which may limit the water available for our bauxite washing process), the availability of equipment and machinery needed for the mining of ore and disposal of waste and the efficiency of any third-party contractors used.

In addition, our MGB production is primarily constrained by the export quotas imposed by the government and the maximum available refining capacity of WHW. We have historically sold the maximum amount of MGB possible under our export quotas. Under the Indonesian export license regime, we renew our export quotas each April and October for a period of 12 months. We have received an aggregate export quota of approximately 8.3mt in 2019 and 2020, and expect to receive the same aggregate amount in 2021.
For October 2021, we expect to receive a quota of 4.2 million MT based on Phase 2 of WHW's refinery being operational, although the quantity has not been finalised by the Government at the date of this publication.

Our total MGB production for Fiscal 2018, 2019 and 2020 was 4,635,594.78MT, 9,013,499.79MT and 11,002,473.08MT, respectively and 4,421,915.10MT for the six months ended June 30, 2021.

For Fiscal 2020, approximately 74% of ore production from Sandai and 73% from Air Upas is intended for export, especially the premium specification with minimum average grades of 49% Al_2O_3 and 3.5% $RSiO_2$. We adjust the rate of ore production from our Sandai and Air Upas mines based on MGB prices and expected sales volumes on a rolling month-to-month basis, which affects our results of operations, as. our net sales are affected primarily by the volume of domestic and export MGB sales and the domestic and export price of MGB.

Our Equity Investment in WHW

Our equity interest in WHW is accounted for as the line item "equity in net profit of associate" in our income statement, representing our 30% share of WHW's profits or losses for the applicable period. As a 30% shareholder in WHW, we are also entitled to receive our share of dividends paid by WHW in accordance with its dividend policy. In 2019, WHW paid a USD25 million dividend in respect of Fiscal 2018, of which we received our 30% share.

WHW did not pay a dividend in 2020 largely in view of its financial commitments in connection with the Phase 2 expansion project. Under the WHW Facility Agreement, WHW is restricted until 2029 from paying dividends if it fails to make timely payments under the WHW Facility Agreement (among other requirements). The WHW Facility also contains certain financial and project covenants, such as restrictions on WHW's indebtedness level and capital expenditures, as well as certain events of default including non-payment and change of control.

WHW's net sales are significantly dependent on the global demand for SGA as well as SGA price, which are each in turn determined by the production forecasts of the major aluminium producers, who use SGA in their operations to produce aluminium, as well as global demand for products that contain aluminium. SGA average sales prices were exceptionally high in Fiscal 2018, leading to increased profits at WHW.

According to the AME Report, the historical and forecast Australia FOB SGA price from 2018 to 2030 (USD/MT) are as follows:

Year	Price (USD/tonne)
2018	470
2019	334
2020	270
2021F	292
2022F	350
2023F	359
2024F	361
2025F	363
2026F	364
2027F	366
2028F	368
2029F	370
2030F	372

As previously described we substantially depend on WHW in view of the importance of our net sales to WHW under our umbrella offtake agreement, which we expect to increase after completion of the Phase 2 expansion project. For Fiscal 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our sales to WHW accounted for approximately 27.75%, 12.43%, 12.01%, 9.86% and 10.47%, respectively, of our net sales for the periods. The broader financial performance of WHW is however also a key factor in our results of operation that extends beyond WHW's importance as a customer for domestic sales in view of our entitlement to our 30% share in WHW's profits or losses.

The table below represents WHW's SGA production, total sales volume, domestic sales volume, export sales volume and average sale price for the periods presented (which are not consolidated in our results of operations):

	Six Month Periods Ended June 30		**Year ended December 31,**		
	2021	**2020**	**2020**	**2019**	**2018**
SGA production volume (MT)	540,408.13	486,920.27	1,049,848.85	1,028,370.40	999,619.63
Total SGA sales volume (MT)	532,627.59	457,975.03	1,062,385.63	1,073,554.85	963,868.46
Domestic SGA sales volume (MT)	30,111.76	29,721.80	149,942.57	27,242.50	50,033.65
Export SGA sales volume (MT)	502,515.83	428,253.23	912,443.06	1,046,312.35	913,834.81
SGA average sale price (USD)	299	281	278	358	488

The following table illustrates summary financial information of WHW, as it appears in Note 10 to our financial statements.

	June 30, 2021	*December 31, 2020*	*December 31, 2019*	*December 31, 2018*
	(Rp. in billions)			
Summarised statements of financial position				
Cash and cash equivalents	2,711.0	1,283.0	1,558.5	1,657.2
Other current assets (excluding cash)	1,137.6	1,228.1	1,126.5	1,731.5
Total Current Assets	**3,848.6**	**2,511.1**	**2,685.0**	**3,388.7**
Financial liabilities (excluding trade payables)	1,036.6	909.5	780.1	1,258.9
Other current liabilities (including trade payables)	246.3	646.5	561.7	858.9
Total current liabilities	**1,282.9**	**1,556.0**	**1,341.8**	**2,117.8**
Total non-current assets	**14,805.0**	**14,256.1**	**12,782.7**	**12,493.2**
Total non-current liabilities	**8,786.6**	**7,239.7**	**6,602.4**	**6,319.7**
Net assets	**8,584.1**	**7,971.5**	**7,523.5**	**7,444.4**

	Six Month Periods Ended June 30		***Year Ended as of December 31,***		
	2021	**2020 (*Unaudited*)**	**2020**	**2019**	**2018**
	(Rp. in billions)				
Summarised statements of profit or loss and other comprehensive income					
Revenue	2,283.9	2,016.3	4,313.9	5,435.2	6,721.0
Depreciation	(366.9)	(345.7)	(750.7)	(741.5)	(593.1)
Finance income	2.8	1.5	2.1	6.3	4.1
Finance costs	(72.1)	(70.4)	(134.3)	(392.2)	(445.6)
Income before income tax expense	491.0	41.3	379.7	1,023.9	2,587.3
Income for the period	385.8	57.0	353.5	738.4	1,993.9
Total comprehensive income for the period	388.0	57.0	349.9	736.9	1,996.2

The following table shows WHW's EBITDA as derived from its income before income tax expense for the year/period:

	Six Month Periods Ended June 30		***Year Ended as of December 31,***		
	2021	**2020**	**2020**	**2019**	**2018**
WHW's EBITDA(billions of Rupiah)[(1)]	927.2	455.9	1,262.6	2,151.4	3,621.9
WHW's EBITDA Margin[(2)]	40.6%	22.6%	29.3%	39.6%	53.9%

Note:

*(1) The term "**EBITDA**" refers to income before income tax expense less finance income, finance costs, and depreciation. EBITDA and related ratios presented herein are supplemental measures of WHW's performance and liquidity that are not required by, or presented in accordance with, IFAS or IFRS. Further, EBITDA is not a measurement of WHW's financial performance or liquidity under IFAS or IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFAS or IFRS or as an alternative to cash flow from operations or as a measure of our liquidity. We believe EBITDA facilitates operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting finance costs), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), impairment and the age and book depreciation and amortization of tangible (including our mature plantations) and intangible assets (affecting relative depreciation and amortization expense). We also believe that EBITDA is a supplemental measure of WHW's ability to meet debt service requirements. Finally, we present EBITDA and related ratios because we believe these measures are frequently used by securities analysts and investors in evaluating similar issuers.*

(2) EBITDA margin represents EBITDA as a percentage of net sales.

The following table reconciles WHW's EBITDA to income before income tax expense, the most closely comparable measure under IFAS for the year/period:

	Six Month Periods Ended June 30		***Year Ended as of December 31,***		
	2021	**2020 (*Unaudited*)**	**2020**	**2019**	**2018**
	(Rp. in billions)				
Reconciliation of WHW's EBITDA					
Income before income tax expense	491.0	41. 3	379.7	1,023.9	2,587.3
Finance income	(2.8)	(1.5)	(2.1)	(6.3)	(4.1)
Finance costs	72.1	70.4	134.3	392.2	445.6
Depreciation	366.9	345.7	750.7	741.5	593.1
WHW's EBITDA	**927.2**	**455.9**	**1,262.6**	**2,151.4**	**3,621.9**

As noted above, we hold a 30% equity interest in WHW which is accounted for using the equity method in our financial statements. The tables above show WHW's EBITDA based on its results of operations, and does not represent our equity interest in WHW and should not be considered as an alternative to equity in net profit of associate as presented in our consolidated financial statements. WHW reports its results in USD and our share of net earnings of losses of WHW are translated to Indonesian Rupiah using an average exchange rate for the year. We believe that WHW's performance depend, among other factors that are specific to WHW, on the market for aluminium, which has a wide range of applications across packaging, electrical wiring, construction and transportation. The construction, transport, packaging and consumer durables sectors account for an overwhelming share of aluminium consumption, together accounting for approximately 70% of demand for primary aluminium, according to AME. As the dominant country of global demand, consumption from Chinese infrastructure, power and consumer sectors is expected to maintain demand, according to AME. The fuel economy of cars is also a significant driver as is growth of the electric vehicle market.

Additionally, in relation to the expansion of WHW, WHW have received tax benefits through tax allowances and tax holiday benefits. WHW has received the Investment Tax Allowance from the tax authorities for the Phase 1 development of the alumina refinery and Tax Holiday for WHW's Phase 2 expansion plans.

Cost of Operations

As a producer and seller of commodities, our ability to manage costs and expenses has a significant impact on our results of operations. Our key factors affecting costs of operations consist of the costs for the transportation of our MGB to the point of sale, costs of paying our contractor workforce, costs of the fuels and lubricants needed to conduct our operations and other transportation costs. The largest components of our production costs are labour, transportation costs and the supplies necessary to produce MGB from raw bauxite. Cost of goods sold mainly follows revenues and production.

We believe that we have relatively low cash costs compared to other bauxite mines globally and, according to AME, we rank comfortably in the second quartile of bauxite producers. We believe our competitive cost advantages include the economies of scale that accompany being the largest bauxite miner in Indonesia (according to AME), low transportation costs for our customers, as well as strong support from the Harita Group's technical expertise and relationships with governments and communities.

Foreign Exchange Rate Effects

The reporting currency used in our financial statements is the Indonesian Rupiah. In accordance with IFAS, we and our subsidiaries use the U.S. dollar as our functional currency, and transactions included in the financial statements of each entity are recorded in U.S. dollar as revenues are primarily generated in U.S. dollar. We also have USD-denominated receivables and indebtedness, which are each are recorded at the prevailing rates of foreign exchange each relevant reporting date. All of our export sales are paid in U.S. dollars, and all of our trade receivables from third parties are denominated in U.S. dollar. Accordingly, fluctuations in, principally, U.S. dollar, the Indonesian Rupiah, as well as other relevant currencies, will affect the rate at which the accounts of the Company and the subsidiaries are translated into Indonesian Rupiah. In our income statement, for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021, foreign exchange fluctuations resulted in foreign exchange differentials of Rp. (92.7 billion), Rp. 43.4 billion, Rp. 23.3 billion, Rp. 19.5 billion and Rp. (76.0 million), respectively.

Government Policies and Changes in Law

The Government, as well as foreign governments, may, from time to time, issue new policies, laws or regulations that affect our mining operations. Government policies and changes in law that may affect our business include policies or changes in law relating to export quotas, pricing benchmark, onshore processing and/or refining obligations and assurance for the granting of Production Operation IUP validity extensions by the Government.

Onshore processing and refining obligations as well as ore export ban

In general, Law No. 3 of 2020 concerning Amendment of Law No. 4 of 2009 on Mineral and Coal Mining, as amended by Law No. 3 of 2020 and Law No. 11 of 2020 on Job Creation ("**Mining Law (as amended)**") retains the onshore processing and refining obligations which were first introduced in 2009. However, the Mining Law (as amended) now seeks to promote downstream processing and refining by allowing metal mineral and coal mining companies with integrated mining, processing and/or refining facilities to be granted with IUP/IUPKs for a validity period of 30 years (instead of the usual validity period of 20 years), with unlimited guaranteed extensions of 10 years each instead of the usual maximum two extensions of 10 years each, upon the fulfillment of all extension application requirements in accordance with the provisions under laws and regulations. We have an equity interest in refining facilities through WHW, as required by the Mining Law (as amended).

The Mining Law (as amended) also sets certain incentives to mining license holders, including for IUP holders for metal mineral commodities that are developing processing and/or refining facilities to continue to export unrefined metal mineral ore for up to three years. With respect to this export policy, specifically related to the export ban on MGB, prevailing export regulations state that washed MGB with a of Al_2O_3 concentration of 42% or more may be exported until June 10, 2023, which is in line with the incentives generally provided under the Mining Law (as amended). However, there will be no assurance that the Government will not issue new policies or amend the prevailing export regulations which may impose more restrictive requirements for ore export or ban ore export entirely. In addition, the Mining Law (as amended) provides that bauxite products may only be exported after the we pay a 10% export duty to the Government, which results in a loss of revenue from exports, a segment from which we derived 72.2%, 87.6%, 88.0% and 89.5% of net sales in 2018, 2019, 2020 and in the six months ended June 30, 2021, respectively.

Assurance for the granting of Production Operation IUP validity extensions by the Government

As a result of the reforms introduced by the Mining Law (as amended), all Production Operation IUPs for metal mineral products are now guaranteed by the Government for extension upon the fulfillment of all extension application requirements in accordance with the provisions under laws and regulations. Any changes in the Government policies and amendments of laws in relation to the Production Operation IUP extension guarantee are uncertain and cannot be predicted, and may result our ability to continue bauxite mining operations following the end of the relevant validity period of our Production Operation IUPs.

COVID-19 Pandemic

Although we do not believe the COVID-19 pandemic has directly impacted our net sales, a decrease in the average selling prices of SGA due to COVID-19 has resulted in a decrease in WHW's net profit, which in turn has led to a 52.12% decrease in our net profit of Associate in Fiscal 2020. In addition, in February 2020, the Governor of West Kalimantan implemented a central Government policy to temporarily prohibit the entrance of foreigners from China, a response to the initial stages of the COVID-19 pandemic. This prohibition limited our access to foreign expert workers and, accordingly, contributed to a delay in the construction and development of Phase 2 of WHW's SGA refinery in West Kalimantan, from an original planned completion date in the first quarter of 2021 to a targeted completion date by the end of 2021. Delays in the construction of Phase 2 may affect WHW's demand for our bauxite and, accordingly, our local net sales.

Critical Accounting Policies

The preparation of the consolidated financial statements requires management to make certain judgments, estimates and assumptions regarding uncertainties that affect the amounts reported in our consolidated financial statements and disclosed in the accompanying notes. Areas that require significant judgments, estimates and assumptions include classification of financial asset and liabilities, provision for impairment of receivables, employee benefits, depreciation of fixed assets, income tax, financial instruments, minerable reserve and resources estimates, exploration expenditures, provision for environmental and reclamation expenditures and determination of functional currency.

Management uses historical experience and all available information to make the judgments, estimates and assumptions, and actual results may differ from those used to prepare our consolidated financial statements at any given time. For more information, see Note 3 to our consolidated financial statements.

Principal Income Statement Components

Net Sales

We derive our net sales from export and domestic sales of MGB. Royalty paid to the Government and appearing as a selling expense in our income statement is paid on our net sales of MBG, whether the MBG is sold to domestic or export markets.

The table below sets forth the breakdown of our net sales for the periods indicated:

	Six Month Periods Ended June 30		***Year Ended as of December 31,***		
	2021	**2020**	**2020**	**2019**	**2018**
MGB produced (wet metric tonnes)	4,421,915	5,605,742	11,002,473.08	9,103,499.79	4,635,594.78
MGB sold (dry metric tonnes)	3,965,381	4,597,136	7,948,725	7,335,095	3,968,114
Average selling price of bauxite (Rp. /dry metric tonne)	550,269	552,387	546,591	530,978	504,691
Average selling price of bauxite (USD/dry metric tonne)[(1)]	38.0	38.1	37.7	36.6	34.8

Note:

(1) Solely for the convenience of the reader, the Rupiah amounts have been translated into US dollars using the exchange rate of USD1 = Rp.14,496 giving effect to rounding, where applicable. The convenience translation is unaudited and should not be construed as a representation that the Rupiah amounts represent, or have been or could be converted into, US dollars at this or at any other exchange rate.

Cost of Goods Sold

Our cost of goods sold primarily consists of (i) direct production costs (including hauling and overburden, fuel and lubricants, direct labour, clearing, rent, environmental and laboratory analysis) and (ii) indirect production costs (including repairs and maintenance, depreciation, amortization and other costs).

The table below sets forth the breakdown of our cost of goods sold for the periods indicated.

	Six Month Periods Ended June 30,		Year Ended as of December 31,		
	2021	**2020 (*Unaudited*)**	**2020**	**2019**	**2018**
			(Rp. in billions)		
Direct Production Costs					
Hauling and overburden	732.1	836.4	1,656.7	1,038.3	662.0
Direct labor	66.2	66.1	129.2	110.4	43.4
Fuel and lubricants	62.5	85.8	146.3	184.8	42.0
Clearing	23.9	21.7	52.0	48.5	25.1
Rent	19.6	22.0	46.4	290.4	125.9
Environmental	20.9	21.3	42.6	13.4	8.8
Laboratorium analysis	5.7	6.0	10.2	4.9	1.8
Indirect Production Costs					
Repairs and maintenance	97.3	78.0	183.2	73.0	26.0
Depreciation	50.7	48.8	99.2	82.6	65.7
Amortization	-	-	-	-	6.2
Indirect production costs - others	38.9	37.3	75.8	62.2	32.1
Beginning inventories	689.8	342.5	342.5	369.6	387.9
Ending inventories	(691.9)	(350.8)	(689.8)	(342.5)	(369.6)
Exchange differences from translation	18.5	(7.9)	(8.4)	(72.6)	(46.7)
Elimination of transaction between Company and Subsidiaries with Associate	32.9	39.5	81.6	74.0	68.4
Total	**1,167.1**	**1,246.7**	**2,167.5**	**1,937.0**	**1,079.0**

Selling Expenses

Our selling expenses comprise expenses relating to loading, transportation and claims, taxes and license, royalty, inspection fee, sales commission, depreciation and others.

The table below represents the breakdown of our selling expenses for the periods indicated.

	Six Month Periods Ended June 30		Year Ended as of December 31,		
	2021	**2020 (*Unaudited*)**	**2020**	**2019**	**2018**
			(Rp. in billions)		
Selling Expenses					
Loading, transportation and claims	326.6	418.4	708.2	717.5	323.9
Taxes and license	205.3	184.8	315.8	299.4	141.0
Royalty	155.4	177.6	302.8	148.6	66.6
Inspection fee	5.0	5.9	10.3	9.3	-
Sales commission	3.3	3.8	6.3	5.5	4.5
Depreciation	0.3	0.1	0.4	0.3	2.1
Others (each bellow Rp 500 million)	1.2	0.4	0.5	0.7	5.3
Total Selling Expenses	**697.1**	**791.0**	**1,344.3**	**1,181.3**	**543.4**

General and Administrative Expenses

Our general and administrative expenses primarily comprise expenses relating to salaries and employees' benefits, professional fees, taxes and license, insurance, entertainment, rent, depreciation, business travelling and others. The table below represents our general and administrative expenses for the periods indicated:

	Six Month Periods Ended June 30,		Year Ended as of December 31,		
	2021	2020 (*Unaudited*)	2020	2019	2018
			(Rp. in billions)		
General and Administrative Expenses					
Salaries and employees' benefits	37.9	32.2	64.8	64.6	38.0
Taxes and license	7.4	1.0	11.6	19.3	3.1
Professional fees	5.2	5.0	16.0	7.7	9.3
Insurance	3.5	2.7	6.0	5.0	3.1
Rent	1.7	1.8	3.7	6.1	2.2
Depreciation	0.9	0.6	1.3	1.0	0.4
Business travelling	0.5	0.6	1.2	2.8	1.7
Business Entertainment	0.2	3.7	3.8	1.7	1.4
Others	0.8	0.7	1.5	3.3	1.8
Total General and Administrative Expenses	**58.1**	**48.3**	**109.9**	**111.5**	**61.0**

Financing Expenses

Financing expenses primarily comprise interest on bank loans, and to a lesser extent, bank administrative expenses. Our working capital and capital expenditure needs have been primarily funded with internal cash flows and proceeds from loans from commercial banks. Our borrowing costs are dependent on the amount of debt we have outstanding and the applicable interest rates. Our interest paid on loans was Rp.65.9 billion, Rp.57.9 billion and Rp.15.2 billion in Fiscal 2018, 2019 and 2020, respectively, and were Rp.14.2 billion and Rp.1.4 billion for the six months ended June 30, 2020 and 2021, respectively.

Equity in Net Profit of an Associate

Equity in net profit of an associate comprises our equity in the net profit of our associate WHW, in which we hold a 30% interest. Our equity in net profit of an associate generated profit of Rp.598.2 billion, Rp.221.5 billion and Rp.106.1 billion in Fiscal 2018, 2019 and 2020, respectively, and Rp. 17.1 billion and Rp. 115.8 billion in the six months ended June 30, 2020 and 2021, respectively.

Production Halt

Production halt comprises certain expenses as detailed in Note 27 to our consolidated financial statements that are separated in our consolidated financial statements because they relate to subsidiaries that are no longer operating and/or are no longer eligible to export MGB under MEMR Regulation No. 5/2017.

Income Tax Expense

Income tax expense consists of current tax and deferred tax. We were subject to an effective tax rate of 25%, 25%, 22%, 22% and 22% in Fiscal 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021. As part of Indonesia's response to the COVID-19 pandemic, the Government introduced legislation that would reduce the corporate income tax rate to 20% from 2022 onwards.

Our income tax expense was Rp.63.7 billion, Rp.190.5 billion, Rp.192.0 billion, Rp.114.9 billion and Rp.68.7 billion in Fiscal 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, respectively, with current tax obligations comprising more than 98% of income tax expense for each period.

Results of Operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated statements of comprehensive income:

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Six Month Periods Ended June 30,		Year Ended as of December 31,		
	2021	2020 (Unaudited)	2020	2019	2018
			(Rp. in billions)		
NET SALES	2,182.0	2,539.4	4,344.7	3,894.8	2,002.6
COST OF GOODS SOLD	(1,167.1)	(1,246.7)	(2,167.5)	(1,937.0)	(1,079.0)
GROSS PROFIT	***1,014.9***	***1,292.7***	***2,177.2***	***1,957.8***	***923.6***
Selling expenses	(697.1)	(791.0)	(1,344.3)	(1,181.3)	(543.4)
General and administrative expenses	(58.1)	(48.3)	(109.9)	(111.5)	(61.0)

Financing expenses	(2.8)	(15.7)	(17.8)	(63.8)	(72.5)
Foreign exchange differentials - net	(0.1)	19.5	23.3	43.4	(92.7)
Rent income	8.7	4.4	15.4	23.3	5.9
Interest income	1.7	6.0	10.3	2.9	4.6
Equity in net profit of Associate	115.8	17.1	106.1	221.5	598.2
Production halt	(8.8)	(10.5)	(21.1)	(42.4)	(46.1)
Gain (loss) on sale of fixed assets	0.4	0.0	0.2	(2.6)	0.9
Miscellaneous - net	(0.0)	(0.7)	2.5	0.9	7.5
INCOME BEFORE INCOME TAX EXPENSE	**374.6**	**473.5**	**841.9**	**848.2**	**725.0**
INCOME TAX EXPENSE					
Current tax	(68.7)	(113.1)	(189.6)	(190.7)	(67.1)
Deferred tax	0.0	(1.8)	(2.4)	0.2	3.4
Income tax expense	(68.7)	(114.9)	(192.0)	(190.5)	(63.7)
INCOME FOR THE PERIOD	**305.9**	**358.6**	**649.9**	**657.7**	**661.3**
OTHER COMPREHENSIVE INCOME (LOSS) Item that Will Not be reclassified Subsequently to Profit or Loss					
Actuarial income (loss) of defined benefit plan	2.8	(5.9)	(6.2)	(3.1)	(6.0)
Share of other comprehensive income (loss) of Associate	0.7	-	(1.1)	(0.4)	0.7
Income tax of actuarial income (loss) of defined benefit plan	(0.6)	1.3	1.4	0.8	1.5
Item that Will be Reclassified Subsequently to Profit or Loss					
Difference arising from foreign currency translation	37.8	8.1	(20.2)	(140.5)	(72.3)
Other comprehensive income (loss) - net of tax	**40.7**	**3.5**	**(26.1)**	**(143.2)**	**(76.1)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**346.6**	**362.1**	**623.8**	**514.5**	**585.2**

Six-month period ended June 30, 2021 compared with six-month period ended June 30, 2020

Net Sales

Net sales decreased 14.07% to Rp.2,182.0 billion in the six months ended June 30, 2021 from Rp.2,539.4 billion in the six months ended June 30, 2020 primarily attributable to delays in the timing of the recognition of net sales of MGB owing to the difficulties of our export customers in souring appropriate maritime transport (in particular, interruptions to maritime transport caused by COVID-19, as well as diversions of maritime transport which would otherwise have been used for bauxite shipment to coal shipment as a response to China's ban on Australian coal exports).

Cost of Goods Sold

Our costs of goods sold decreased 6.38% to Rp.1,167.1 billion in the six months ended June 30, 2021 from Rp.1,246.7 billion in the six months ended June 30, 2020 primarily due to a decrease in the volume of MGB sales and MGB production volume, as these decreases have a corresponding effect on variable costs such as hauling and overburden and fuel and lubricant costs. Direct labour cost remained relatively stable (increasing slightly from Rp. 66.1 billion to Rp. 66.2 billion), and indirect production cost and repair costs increased from Rp. 78.0 billion to Rp. 97.3 billion due to certain of our infrastructure and heavy equipment requiring increased repair and maintenance due to aging and ordinary wear and tear.

Gross Profit

Our gross profit decreased 21.49% to Rp.1,014.9 billion in the six months ended June 30, 2021 from Rp.1,292.7 billion in the six months ended June 30, 2020 primarily due to a decrease in net sales. Our gross margins declined to 46.51% in the six months ended June 30, 2021, compared to 50.90% in the six months ended June 30, 2020.

Selling Expenses

Our selling expenses decreased 11.87% to Rp.697.1 billion in the six months ended June 30, 2021 from Rp.791.0 billion in the six months ended June 30, 2020 primarily due to decreased sales volume, as a decrease in net sales has a corresponding effect on the primary components of selling expenses such as loading, transportation and claims which decreased to Rp.326.6 billion in the six months ended June 30, 2021 from Rp.418.4 billion in the six months ended June 30, 2020, as well as royalty expenses which decreased to Rp.155.4 billion in the six months ended June 30, 2021 from Rp.177.6 billion in the six months ended June 30, 2020. Taxes and license expenses increased to Rp.205.3 billion in the six months ended June 30, 2021 from Rp.184.8 billion in the six months ended June 30, 2020, largely as a result of an export tax rate increase of USD0.7 per tonne.

General and Administrative Expenses

Our general and administrative expenses increased 20.26% to Rp.58.1 billion in the six months ended June 30, 2021 from Rp.48.3 billion in the six months ended June 30, 2020 primarily due to retroactive tax payments for Fiscal 2018 of Rp.6.7 billion following a payment made in accordance with an Underpayment Tax Assessment Letter (SKPKB) and a slight increase in insurance costs, as well as due to an increase in salaries and employees' benefits to Rp.37.9 billion in the six months ended June 30, 2021 from Rp.32.2 billion in the six months ended June 30, 2020.

Financing Expenses

Our financing expenses decreased 82.02% to Rp.2.8 billion in the six months ended June 30, 2021 from Rp.15.7 billion in the six months ended June 30, 2020 primarily due to decrease in loan interest following the repayment of bank loans from the proceeds of our Limited Public Offering (PUT) III rights issue in February 2020.

Foreign Exchange Differentials – Net

Net foreign exchange differentials decreased 100.39% to Rp.76 million in the six months ended June 30, 2021 from Rp.19.5 billion in the six months ended June 30, 2020 primarily due to the repayment of loan facilities which were denominated in USD.

Rental Income

Our rental income increased 97.23% to Rp.8.7 billion in the six months ended June 30, 2021 from Rp.4.4 billion in the six months ended June 30, 2020 primarily due to an increased rent for transportation and heavy equipment assets by a contractor in the amount of Rp.3.0 billion.

Interest Income

Our interest income decreased 70.85% to Rp.1.7 billion in the six months ended June 30, 2021 from Rp.6.0 billion in the six months ended June 30, 2020 primarily due to decreased interest received from time deposits.

Equity in Net Profit of Associate

Equity in net profit of an associate company (WHW) increased by more than 100.00% to Rp.115.8 billion in the six months ended June 30, 2021 from Rp.17.1 billion in the six months ended June 30, 2020 as a result of the increased profit generated by WHW.

Revenue generated by WHW increased by 13.27% to Rp. 2,283.9 billion in the six months ended June 30, 2021 from Rp. 2,016.3 billion in the six months ended June 30, 2020. This was due to an increase in SGA sales volumes by 16.30% to 532,628 MT in the six months ended June 30, 2021 from 457,975 MT in the six months ended June 30, 2020, and a slight increase in SGA average sale price by 6.4% to USD299/MT in the six months ended June 30, 2021 from USD281/MT in the six months ended June 30, 2020 as the market started to recover from the COVID-19 pandemic.

As a result of the foregoing, WHW's total income for the period increased more than 100.0% to Rp. 385.8 billion in the six months ended June 30, 2021 from Rp. 57.0 billion in the six months ended June 30, 2020.

Production Halt

Production halt of certain of our subsidiaries as a result of MEMR Reg No. 5/2017 decreased 15.40% to Rp.8.8 billion in the six months ended June 30, 2021 from Rp.10.5 billion in the six months ended June 30, 2020 primarily due to a decrease in the depreciation expense for the affected subsidiaries.

Income Before Income Tax Expense

As a result of the foregoing, our income before income tax expense decreased 20.89% to Rp.374.6 billion in the six months ended June 30, 2021 from Rp.473.5 billion in the six months ended June 30, 2020.

Income Tax Expense

Our income tax expense decreased 40.19% to Rp.68.7 billion in the six months ended June 30, 2021 from Rp.114.9 billion in the six months ended June 30, 2020 primarily due to a decline in taxable income.

Income for the Period

As a result of the foregoing, our income for the period decreased 14.72% to Rp.305.9 billion in the six months ended June 30, 2021 from Rp.358.6 billion in the six months ended June 30, 2020.

Other Comprehensive Income (Loss)

We had other comprehensive income (loss) of Rp.40.7 billion in the six months ended June 30, 2021. Our actuarial income (loss) of defined benefit plan increased more than 100.00% to Rp.2.8 billion in the six months ended June 30, 2021 from Rp.(5.9 billion) in the six months ended June 30, 2020 primarily due to a change of actuarial assumption related to post-employment benefits. Our share of other comprehensive income (loss) of an associate company increased to Rp.649.6 million in the six months ended June 30, 2021 from Rp.0.0 in the six months ended June 30, 2020 primarily due to an increase in WHW's other comprehensive income. Our income tax of actuarial income (loss) of defined benefit plan decreased more than 100.00% to Rp.(559.3 million) in the six months ended June 30, 2021 from Rp.1.3 billion in the six months ended June 30, 2020 primarily due to actuarial loss from a defined benefit plan. The difference arising from foreign currency translation increased more than 100.00% to Rp.37.8 billion in the six months ended June 30, 2021 from Rp.8.1 billion in the six months ended June 30, 2020 primarily due to the measurement of a non-monetary asset against the exchange rate . Our other comprehensive income (loss), net of tax increased more than 100.00% to Rp.40.7 billion in the six months ended June 30, 2021 from Rp.3.5 billion in the six months ended June 30, 2020 primarily due to an actuarial loss from a defined benefit plan.

Total Comprehensive Income for the Period

As a result of the foregoing, our total comprehensive income for the period decreased 4.31% to Rp.346.6 billion in the six months ended June 30, 2021 from Rp.362.1 billion in the six months ended June 30, 2020.

Year ended December 31, 2020 compared with year ended December 31, 2019

Net Sales

Net sales increased 11.55% to Rp.4,344.7 billion in the year ended December 31, 2020 from Rp.3,894.8 billion in the year ended December 31, 2019. This increase was primarily due to increased overall overseas demand and sales to a number of new third party customers. These increases were partially offset by decreases of sales to certain other third party customers in Fiscal 2020.

Cost of Goods Sold

Our costs of goods sold increased 11.90% to Rp.2,167.5 billion in the year ended December 31, 2020 from Rp. 1,937.0 billion in the year ended December 31, 2019. The increase in our cost of goods sold in Fiscal 2020 was primarily due to increase of Rp.392.7 billion in our direct production costs as a result of more production volume in Fiscal 2020 compared to Fiscal 2019 resulting from an increase in hauling and overburden and repair and maintenance costs offset by an increase in ending inventory, and by an increase of Rp.110.2 billion in our repair maintenance cost in order to maintain equipment for mining and transporting ore due to aging and ordinary wear and tear. This was also offset by decreases in rent costs, to Rp.46.4 billion in Fiscal 2020 from Rp.290.4 billion in Fiscal 2019, as well as decreases in fuel and lubricants costs, to Rp.146.3 billion in Fiscal 2020 from Rp.184.8 billion in Fiscal 2019, primarily due to a significant decrease in the price of fuel in Indonesia.

Gross Profit

As a result of the foregoing, our gross profit increased 11.21% to Rp.2,177.2 billion in the year ended December 31, 2020 from Rp.1,957.8 billion in the year ended December 31, 2019. Our gross margins remained stable at 50.11% in the year ended December 31, 2020, compared to 50.27% in the year ended December 31, 2019.

Selling Expenses

Our selling expenses increased 13.80% to Rp.1,344.3 billion in the year ended December 31, 2020 from Rp.1,181.3 billion in the year ended December 31, 2019. This increase was primarily due to the increase of Rp.154.2 billion in royalty expenses as a result in the increase in volume of MGB sold in Fiscal 2020.

General and Administrative Expenses

Our general and administrative expenses decreased 1.45% to Rp.109.9 billion in the year ended December 31, 2020 from Rp.111.5 billion in the year ended December 31, 2019. This slight decrease was primarily due to an increase in professional fees and entertainment expenses, which was offset by a decrease in tax and license.

Financing Expenses

Our financing expenses decreased 72.04% to Rp.17.8 billion in the year ended December 31, 2020 from Rp.63.8

billion in the year ended December 31, 2019. This decrease in our financing expenses was primarily due to a decrease in interest on bank loans, which resulted from the repayment of short-term and long-term bank loans of Rp.479.6 billion and Rp.264.1 billion, respectively, in Fiscal 2020.

Foreign Exchange Differentials – Net

Net foreign exchange differentials decreased 46.22% to Rp.23.3 billion in the year ended December 10, 2020 from Rp.43.4 billion in the year ended December 31, 2019. This decrease was primarily due to the repayment of short-term and long-term bank loans, resulting in greater monetary assets compared to liabilities which leads to more favourable foreign exchange differentials due to a lesser impact of the foreign exchange rate on liabilities.

Rental Income

Our rental income decreased 33.99% to Rp.15.4 billion in the year ended December 31, 2020 from Rp.23.3 billion in the year ended December 31, 2019. This decrease was primarily due to higher levels of rental invoicing in Fiscal 2019, which included rental income that had been incurred in Fiscal 2017 and Fiscal 2018, which was not repeated in Fiscal 2020.

Interest Income

Interest income increased 258.17% to Rp.10.3 billion in the year ended December 31, 2020 from Rp.2.9 billion in the year ended December 31, 2019. This increase was primarily due to receiving increased interest received from time deposits.

Equity in Net Profit of Associate

Equity in net profit of an associate company was Rp.106.1 billion in the year ended December 31, 2020, compared to Rp.221.5 billion in the year ended December 31, 2019.

Revenue generated by WHW decreased by 20.6% to Rp. 4,313.9 billion in the year ended December 31, 2020 from Rp. 5,435.2 billion in the year ended December 31, 2019. This was due to a decline in SGA sales volumes by 1.0% to 1,062,386 MT in the year ended December 31, 2020 from 1,073,555 MT in the year ended December 31, 2019, and a decline in SGA average sale price by 22.3% to USD278/MT in the year ended December 31, 2020 from USD358/MT in the year ended December 31, 2019. This was the result of the global effects of COVID-19 pandemic in 2020 which affected the global demand for primary aluminium.

As a result of the foregoing, WHW's total income for the period decreased 52.1% to Rp. 353.5 billion in the year ended December 31, 2020 from Rp. 738.4 billion in the year ended December 31, 2019.

Production Halt

Production halt decreased 50.25% to Rp.21.1 billion in the year ended December 31, 2020 from Rp.42.4 billion in the year ended December 31, 2019. This decrease was primarily due to a decrease of environmental rehabilitation costs in Fiscal 2020.

Gain (Loss) on Sale of Fixed Assets

Gain (loss) on sale of fixed assets increased more than 100.00% to Rp.181.7 million in the year ended December 31, 2020 from Rp.(2.6 billion) in the year ended December 31, 2019. The gain on sale of fixed assets in Fiscal 2020 was due primarily to sales of fully depreciated vehicles.

Miscellaneous – Net

Net miscellaneous profit increased more than 100.00% to Rp.2.5 billion in the year ended December 31, 2020 from Rp.954.6 million in the year ended December 31, 2019. This increase was primarily due to an increase in operational activity resulting in higher transaction volume of mining equipment.

Income Before Income Tax Expense

As a result of the foregoing, our income before income tax expense decreased 0.75% to Rp.841.9 billion in the year ended December 31, 2020 from Rp.848.2 billion in the year ended December 31, 2019.

Income Tax Expense

Our income tax expense increased 0.75% to Rp.192.0 billion in the year ended December 31, 2020 from Rp.190.5 billion in the year ended December 31, 2019. This increase in our income tax expense was primarily due to an increase of deferred tax expense related to temporary difference of tax and accounting principle employed.

Income for the Period

As a result of the foregoing, our income for the period decreased 1.19% to Rp.649.9 billion in the year ended December 31, 2020 from Rp.657.7 billion in the year ended December 31, 2019.

Other Comprehensive Income (Loss)

We had other comprehensive loss of Rp.26.1 billion in the year ended December 31, 2020. Our actuarial loss of defined benefit plan increased 100.83% to Rp.6.2 billion in the year ended December 31, 2020 from Rp.3.1 billion in the year ended December 31, 2019 primarily due to a change of actuarial assumption related to post-employment benefits. Our share of other comprehensive loss of Associate increased 147.26% to Rp.1.1 billion in the year ended December 31, 2020 from Rp.438.8 million in the year ended December 31, 2019 primarily due to an increase in WHW's other comprehensive income. Our income tax of actuarial loss of defined benefit plan increased 76.73% to Rp.1.4 billion in the year ended December 31, 2020 from Rp.774.1 million in the year ended December 31, 2019 primarily due to an actuarial loss from a defined benefit plan. The difference arising from foreign currency translation decreased 85.62% to Rp.(20.2 billion) in the year ended December 31, 2020 from Rp.(140.5 billion) in the year ended December 31, 2019 primarily due to the measurement of a non-monetary asset against the exchange rate. Our other comprehensive loss, net of tax decreased 81.75% to Rp.26.1 billion in the year ended December 31, 2020 from Rp.143.2 billion in the year ended December 31, 2019 primarily due to an actuarial loss from a defined benefit plan.

Total Comprehensive Income for the Period

As a result of the foregoing, our total comprehensive income for the period increased 21.24% to Rp.623.8 billion in the year ended December 31, 2020 from Rp.514.5 billion in the year ended December 31, 2019.

Year ended December 31, 2019 compared with year ended December 31, 2018

Net Sales

Net sales increased 94.48% to Rp.3,894.8 billion in the year ended December 31, 2019 from Rp.2,002.6 billion in the year ended December 31, 2018. This increase was due primarily to an increase in sales to Chalco Trading Hong Kong Co Limited and Pengtai International Trading Pte., Ltd, which were our largest customers in Fiscal 2019, and increases in sales to certain other overseas third party customers, combined a total increase of 84.9% in sales volume, due to an increase in the MGB export quota as well as a 10.5% increase in the average selling price. These increases were offset in part by a decrease of sales in Fiscal 2019 to a number of third party customers to whom we had recorded sales in Fiscal 2018.

Cost of Goods Sold

Our costs of goods sold increased 79.51% to Rp.1,937.0 billion in the year ended December 31, 2019 from Rp.1,079.0 billion in the year ended December 31, 2018. This increase was primarily due to an increase of Rp.781.9 billion in our direct production costs, resulting from an increase in our variable costs, including hauling and overburden, fuels and lubricants and direct labour costs as a result of increased sales and production volumes.

Gross Profit

As a result of the foregoing, as well as increased average selling price and higher efficiencies, our gross profit increased 111.97% to 1,957.8 billion in the year ended December 31, 2019 from Rp.923.6 billion in the year ended December 31, 2018. Our gross margins improved to 50.27% in the year ended December 31, 2019, compared to 46.12% in the year ended December 31, 2018.

Selling Expenses

Our selling expenses increased 117.36% to Rp.1,181.3 billion in the year ended December 31, 2019 from Rp.543.4 billion in the year ended December 31, 2018. This increase was primarily due to an increase in selling activity in Fiscal 2019. In particular, our selling expenses increased largely due to increases in loading, transportation and claims expenses as a result of increased sales and production volumes, export tax and license expenses and royalty expenses to the Government in connection with increased sales.

General and Administrative Expenses

Our general and administrative expenses increased 82.89% to Rp.111.5 billion in the year ended December 31, 2019 from Rp.61.0 billion in the year ended December 31, 2018. This increase was primarily due to an increase in salaries and employees' benefits to support increased operational activities in our Sandai and Air Upas mines. The increase was also due to an increase in taxes and license expenses, to Rp. 19.3 billion from Rp.3.1 billion, due to a retroactive tax payment made in accordance with an Underpayment Tax Assessment Letter (SKPKB)***.***

Financing Expenses

Our financing expenses decreased 12.05% to Rp.63.8 billion in the year ended December 31, 2019 from Rp.72.5 billion in the year ended December 31, 2018. This decrease was primarily due to a decrease in our interest on bank loans as a result of repaying some of our long-term bank loans in Fiscal 2019.

Foreign Exchange Differentials – Net

Net foreign exchange differentials increased 146.81% to Rp.43.4 billion in the year ended December 31, 2019 from Rp.92.7 billion in the year ended December 31, 2018. This increase in foreign exchange differentials – net was primarily due to a decrease in the exchange rate of USD to the Rupiah in Fiscal 2019 compared to Fiscal 2018, as well a decrease in liabilities resulting from repayment of bank loans.

Rental Income

Our rent income increased 296.63% to Rp.23.3 billion in the year ended December 31, 2019 from Rp.5.9 billion in the year ended December 31, 2018. This increase was primarily due to additional heavy equipment rental transactions to our third-party mining contractors.

Interest Income

Our interest income decreased 37.05% to Rp.2.9 billion in the year ended December 31, 2019 from Rp.4.6 billion in the year ended December 31, 2018. This decrease was primarily due to more frequent time deposit placement transactions in our subsidiaries.

Equity in Net Profit of Associate

Equity in net profit of an associate company was Rp.221.5 billion in the year ended December 31, 2019, compared to Rp.598.2 billion in the year ended December 31, 2018. This decrease was primarily due to a decrease in the selling price of SGA sold by WHW during Fiscal 2019 as compared to Fiscal 2018.

Revenue generated by WHW declined by 19.1% to Rp. 5,435.2 billion in the year ended December 31, 2019, from Rp. 6,721.0 billion in the year ended December 31, 2018. Although SGA sales volumes increased by 1.0% to 1,073,555 MT in the year ended December 31, 2029 from 963,869 MT in the year ended December 31, 2018, this was offset by a larger decline in SGA average sale price by 26.64% to USD358/MT in the year ended December 31, 2019 from USD488/MT in the year ended December 31, 2018. This was due to the normalization of global SGA prices which peaked in 2018 following exceptional one-off events which disrupted SGA supply globally.

As a result of the foregoing, WHW's total income for the period decreased 63.0% to Rp. 738.4 billion in the year ended December 31, 2019 from Rp. 1,993.9 billion in the year ended December 31, 2018.

Production Halt

Production halt decreased 8.06% to Rp.42.4 billion in the year ended December 31, 2019 from Rp.46.1 billion in the year ended December 31, 2018. This decrease was primarily due to lower remaining depreciation cost.

Gain (Loss) on Sale of Fixed Assets

Gain (loss) on sale of fixed assets decreased 400.66% to Rp.(2.6 billion) in the year ended December 31, 2019 from Rp.881.0 million in the year ended December 31, 2018. The loss on sale of fixed assets in Fiscal 2019 was primarily due to heavy equipment which was no longer fit for purpose being sold below book value.

Miscellaneous – Net

Net miscellaneous profit decreased 87.54% to Rp.954.6 million in the year ended December 31, 2019 from Rp.7.5 billion in the year ended December 31, 2018. This decrease was primarily due to a gain of management fee from our subsidiaries that was recorded in Fiscal 2018 but booked as a reduction in cost of goods sold in Fiscal 2019.

Income Before Income Tax Expense

As a result of the foregoing, our income before income tax expense increased 17.00% to Rp.848.2 billion in the year ended December 31, 2019 from Rp.725.0 billion in the year ended December 31, 2018.

Income Tax Expense

Our income tax expense increased 199.29% to Rp.190.5 billion in the year ended December 31, 2019 from Rp.63.7 billion in the year ended December 31, 2018. This increase was primarily due to a higher pre-tax income of a parent entity, which deducts equity in net profit of associate and other fiscal corrections when calculating income tax expense.

Income for the Period

As a result of the foregoing, our income for the period decreased 0.55% to Rp.657.7 billion in the year ended December 31, 2019 from Rp.661.3 billion in the year ended December 31, 2018.

Other Comprehensive Income (Loss)

We had other comprehensive loss of Rp.143.2 billion in the year ended December 31, 2019. Our actuarial loss of defined benefit plan decreased 48.74% to Rp.3.1 billion in the year ended December 31, 2019 from Rp.(6.0 billion) in the year ended December 31, 2018 primarily due to a loss from translation of foreign exchange. Our share of other comprehensive income (loss) of an associate company increased 163.93% to Rp.(438.8 million) in the year ended December 31, 2019 from Rp.686.3 million in the year ended December 31, 2018 primarily due to an increase in WHW's other comprehensive income. Our income tax of actuarial loss of defined benefit plan decreased 48.74% to Rp.774.2 million in the year ended December 31, 2019 from Rp.1.5 billion in the year ended December 31, 2018 primarily due to actuarial loss from a defined benefit plan. The difference arising from foreign currency translation increased 94.34% to Rp.(140.5 billion) in the year ended December 31, 2019 from Rp.(72.3 billion) in the year ended December 31, 2018 primarily due to measurement of non-monetary assets against the exchange rate. Our other comprehensive loss, net of tax increased 88.15% to Rp.143.2 billion in the year ended December 31, 2019 from Rp.76.1 billion in the year ended December 31, 2018 primarily due to actuarial loss from a defined benefit plan.

Total Comprehensive Income for the Period

As a result of the foregoing, our total comprehensive income for the period decreased 12.08% to Rp.514.5 billion in the year ended December 31, 2019 from Rp.585.2 billion in the year ended December 31, 2018.

Liquidity and Capital Resources

Our primary liquidity needs have been to finance our operations, working capital needs, debt service and capital expenditures relating to our exploration and projects. In Fiscal 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, we have financed our liquidity requirements primarily through cash flows from our operations and long-term debt from bank loans, as well as a series of equity raises and proceeds from the Limited Public Offering (PUT) III rights issue in February 2020.

We expect that our working capital will continue to be addressed by various funding sources, including cash from operating activities and bank loans from existing and/or new facilities. As of June 30, 2021, we had drawn USD10 million from our existing credit facilities out of USD20 million available, and we had cash and cash equivalents of Rp.177.9 billion.

We expect to have sufficient resources to meet our working capital and capital expenditure requirements for at least 12 months from the date of this publication. Our ability to obtain adequate financing, including new credit facilities, to satisfy our capital expenditures, contractual obligations and debt and interest service requirements may be limited by our financial condition and results of operations and the liquidity of domestic and international financial markets. We cannot provide any assurance that we will be able to obtain such financing on terms acceptable to us, or at all.

As of June 30, 2021, we had a total outstanding indebtedness of Rp.145.0 billion.

Cash Flows

As of June 30, 2021, our cash and cash equivalents amounted to approximately Rp.177.9 billion and, as of the date of this publication, we believe we have sufficient liquidity and capital resources to meet our working capital needs.

The following table sets forth certain information about our cash flows during 2018, 2019, 2020 and for the six-month periods ended June 30, 2020 and 2021:

Consolidated Statements of Cash Flow

	Six Month Periods Ended June 30		***Year Ended as of December 31,***		
	2021	**2020 (*Unaudited*)**	**2020**	**2019**	**2018**
			(Rp. in billions)		

CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	2,072.2	2,562.3	4,444.9	3,650.9	2,109.6
Payment to suppliers	(898.6)	(1,134.1)	(2,146.5)	(1,518.1)	(729.1)
Payment of operating expenses	(461.6)	(782.0)	(1,085.4)	(894.6)	(533.2)
Payment to employees	(106.2)	(100.2)	(188.2)	(156.8)	(83.0)
Cash provided by operations	605.8	546.0	1,024.8	1,081.4	764.3
Payment of tax	(340.6)	(116.1)	(604.7)	(463.0)	(32.6)
Payment of interest	(1.0)	(15.7)	(16.8)	(58.0)	(65.9)
Other receipt (payment) - net	2.7	25.4	23.9	(38.9)	(121.9)
Net cash provided by operating activities	266.9	439.6	427.2	521,5	543.9
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	(41.0)	(33.6)	(84.4)	(203.8)	(165.9)
Proceeds from sale of fixed assets	0.4	0.0	0.2	1.9	1.1
Addition in mining properties	(6.0)	(4.4)	(3.7)	(8.0)	(2.7)
Addition in exploration and evaluation assets	-	-	-	(2.5)	(0.5)
Net cash used in investing activities	(46.6)	(38.0)	(87.9)	(212.4)	(168.0)
CASH FLOW FROM FINANCING ACTIVITIES					
Received bank loans	142.9	-	-	-	-
Payment of bank loans	-	(1,083.5)	(1,083.5)	(291.7)	(337.8)
Other receivables - related parties	-	-	-	11.6	(10.5)
Payment of finance lease payable	(7.1)	(6.9)	(13.9)	(13.9)	(16.8)
Receipt (payment) of devidend	(360.4)	-	(368.3)	104.9	-
Payment of liabilities for purchase of fixed assets	(16.7)	(17.9)	(35.3)	(31.6)	(1.3)
Proceeds from issuance of shares	-	1,184.2	1,184.2	-	-
Net cash provided by (used in) financing activities	(241.3)	75.9	(316.8)	(220.7)	(366.4)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(21.0)**	**477.5**	**22.5**	**88.4**	**9.5**
EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATION ON CASH AND CASH EQUIVALENTS	**5.4**	**(15.1)**	**46.4**	**(1.1)**	**0.0**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**193.5**	**124.6**	**124.6**	**37.3**	**27.8**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**177.9**	**587.0**	**193.5**	**124.6**	**37.3**

Cash from operating activities has been our primary source of liquidity over the past three financial years. Our main use of funds has been to make capital expenditures relating to our mining and exploration activities.

Net Cash Flows Provided by Operating Activities

Our net cash flows provided by operating activities was Rp.266.9 billion in the six months ended June 30, 2021, primarily comprising cash receipts from customers of Rp. 2,072.2 billion, partially offset by payment to suppliers of 898.6 billion and payment of operating expenses of Rp. 461.6 billion relating to selling expense, general administrative expenses and other expenses.

Our net cash flows provided by operating activities was Rp.427.2 billion in 2020, primarily comprising cash receipts from customers of Rp.4,444.9 billion, partially offset by payment to suppliers of Rp.2,146.5 billion and payment of operating expenses of Rp.1,085.4 billion relating to selling expense, general administrative expenses and other expenses.

Our net cash flows provided by operating activities was Rp.521.5 billion in 2019, primarily comprising cash receipts from customers of Rp.3,650.9 billion, partially offset by payment to suppliers of Rp.1,518.1 billion and payment of operating expenses of Rp.894.6 billion relating to selling expense, general administrative expenses and other expenses.

Our net cash flows provided by operating expenses was Rp.543.9 billion in 2018, primarily comprising cash receipts from customers of Rp.2,109.6 billion, partially offset by payment to suppliers of Rp.729.1 billion and payment of operating expenses of Rp.533.2 billion relating to selling expense, general administrative expenses and other expenses.

Net Cash Flows Used in Investing Activities

Our net cash flows used in investing activities was Rp.46.6 billion in the six months ended June 30, 2021, primarily comprising an acquisition of fixed assets of Rp.41.0 billion, relating mainly to strengthing the embankment at our Sandai and Air Upas sites, as well as purchases of office equipment and vehicles.

Our net cash flows used in investing activities was Rp.87.9 billion in 2020, primarily comprising acquisition of fixed assets of Rp.84.4 billion relating mainly to construction of infrastructure such as strengthing the embankment at our sites, increasing our sediment pond capacity and repair and maintenance of mine site facilities, as well as the purchase of office equipment and vehicles.

Our net cash flows used in investing activities was Rp.212.4 billion in 2019, primarily comprising acquisition of fixed assets of Rp.203.8 billion relating mainly to construction of warehouses and other infrastructure such as additional facilities to increase our production capacity and volumes and increasing our sediment pond capacity, as well as the purchase of office equipment and vehicles.

Our net cash flows used in investing expenses was Rp.168.0 billion in 2018, primarily comprising acquisition of fixed assets of Rp.165.9 billion relating mainly to to construction of infrastructure such as ports, roads and workshop (particularly at our Sandai site), purchase of office equipment and vehicles and expenses related to exploration activities.

Net Cash Flows Used in Financing Activities

Our net cash flow used in financing activities was Rp.241.3 billion in the six months ended June 30, 2021, primarily comprising a dividend payment of Rp.360.4 billion and the proceeds of a bank loan of Rp.142.9 billion.

Our net cash flow used in financing activities was Rp.316.8 billion in 2020, primarily comprising payment of bank loans in the amount of Rp.1,083.5 billion, proceeds from the issuance of shares of Rp.1,184.2 billion (which includes Rp. 1,192.2 billion invested by Glencore minus expenses related to the issuance) and a dividend payment of Rp.368 billion.

Our net cash flow used in financing activities was Rp.220.7 billion in 2019, primarily comprising payment of bank loans in the amount of Rp.291.7 billion, which was partially offset by a dividend from WHW in the amount of USD7.5 million.

Our net cash flow used in financing expenses was Rp.366.4 billion in 2018, primarily comprising payment of bank loans in the amount of Rp.337.8 billion.

Off-Balance Sheet Arrangements and Contingent Liabilities

As of June 30, 2021, we did not have any off-balance sheet arrangements or contingent liabilities.

Capital Expenditures

Capital expenditures consist of our fixed assets, such as buildings, infrastructure and heavy equipment. The following table sets forth our capital expenditures incurred for the periods indicated:

	Year ended December 31,			**Six-month period ended June 30,**	
	2018	**2019**	**2020**	**2020 (unaudited)**	**2021**
			(Rp. in billions)		
Buildings	2.1	1.3	3.2	2.4	0.2
Infrastructures	-	1.8	4.6	2.8	0.4
Heavy equipment	157.3	20.6	-	-	-
Production equipment	3.9	6.7	7.1	5.4	0.2
Machinery and installation	9.8	7.5	3.2	2.6	1.4
Office equipment	2.0	4.2	3.1	0.7	1.0
Vehicles	10.4	10.2	5.2	0.4	0.9
Assets under construction	39.8	277.7	124.7	35.0	49.2

Our planned sustaining capital expenditure is about Rp64 billion per year. We anticipate that our capital expenditures in the second half of 2021 and for the full year of 2022 will be financed by a combination of cash from operations, bank loans from new and/or existing facilities. We may also rely on additional debt financing. Our actual capital expenditures may be significantly higher or lower than these planned amounts due to various factors, including, among others, the price of MGB, changes in macroeconomic conditions, unplanned cost overruns, our ability to generate sufficient cash flows from operations and our ability to obtain adequate external financing for these planned capital expenditures. In addition, we cannot assure you whether, or at what cost, our planned or other possible capital projects will be completed or that these projects will be successful if completed.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to commodity price risk, foreign exchange risk, interest rate risk, credit risk, liquidity risk and capital risk arising in the normal course of business. Our management continually monitors our risk management process to ensure the appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities.

UPDATE ON OUR BUSINESS

Our Competitive Strengths

Established track record with a history of operational excellence and supported by reputable sponsors and strategic partners

We are an industry-leading, cost-competitive business comprising two businesses in Indonesia: mining and processing of bauxite to become MGB; and, through the operations of our associated company WHW, one of the largest SGA refineries in Southeast Asia in which we hold a 30% strategic stake, the production of SGA. Overall, we have been operating for more than 15 years, successfully producing a cumulative total of 97.5 million WMT of bauxite from 2005 to June 2021.

We successfully produced 11.0 million WMT of bauxite in 2020 and 4.4 million WMT in the six months ended June 30, 2021, significantly above production levels in 2018 and 2019 of 4.6 million WMT and 9.1 million WMT respectively. Our dedication to operational excellence has enabled us to navigate market conditions that were unfavorable. Despite a decrease in alumina and bauxite prices from 2018 to 2020 of 43% and 15%, respectively, we remained profitable during this period. Our productivity improvements have captured incremental cost savings, by focusing on improvements in mining, operations, efficient use of raw materials, resources and other inputs. We believe we are well positioned to be resilient against volatile market conditions and strongly placed to capitalize on upswings in the market cycle.

We benefit from the close affiliation and strong support from the Harita Group. Established in 1915, Harita Group is a leading conglomerate with a diversified business portfolio with core businesses in the natural resources sector, including nickel mining and smelting, coal mining, the agriculture and timber sector, as well as shipping, mining support, real estate and securities. The Harita Group has played a vital role in the development and growth of Cita's bauxite mining operations since 2005 by leveraging on Harita Group's technical expertise, know-how in dealing with Indonesian regulators and local governments, which we believe is a result of its long-standing and good relationships with central and local governments and communities in which it operates.

We have also formed strategic partnerships and joint ventures to support and expand its outreach and ability to create value across our businesses, through sharing of technical expertise and access to marketing intelligence and networks.

We own 30% of WHW which is a joint venture together with China Hongqiao Group Limited, Winning Investment (HK) Company and China Hongqiao's indirect subsidiary Shandong Weiqiao Aluminium and Electricty Co., Ltd. (part of China Hongqiao Group Limited), which hold 56%, 9% and 5% respectively.

Glencore plc, a leading global integrated trader, producer and marketer of commodities with worldwide activities in the marketing and production, processing, storage and transport of various commodity products holds a 30% stake in us through its affiliate Glencore International Investments Ltd. We believe we further benefit from the industry experience, best practices and the commodity-marketing network of Glencore.

Cita's bauxite operations together with our strategic interest in alumina refining through WHW, one of the largest SGA refineries in Southeast Asia is a significant competitive advantage

We believe our business model unlocks the value of our bauxite mines located in West Kalimantan via two channels: through exports to third party overseas alumina refineries under the export quota regime for Indonesia; and as a key supplier to WHW's alumina refinery (currently subject to Phase 2 upgrade and expansion scheduled to be completed at the end of 2021), which is also located in West Kalimantan.

Through our bauxite operations and our 30% strategic interest in WHW, we are able to participate across the bauxite mining and alumina value chain. We hold our minority stake in WHW together with a 61% controlling stake owned by China Hongqiao, the world's largest aluminium producer (according to AME), and its indirect subsidiary Shandong Weiqiao. Our umbrella offtake agreement with WHW allows for a steady supply of bauxite. Our domestic

MGB sales volumes to WHW for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were 1,303,981.48MT, 1,098,319.50MT, 1,153,377.72MT, 552,384.33MT and 504,903.17MT, respectively

Operational since May 2016, WHW has an existing capacity of 1.0 mtpa of SGA. With the expected completion of its Phase 2 expansion project, WHW will see its capacity double to 2.0 mtpa by end-2021. We believe the completion of Phase 2 will reinforce WHW's lead position as one of the largest SGA refineries in Southeast Asia. WHW's alumina refinery operations enjoys first-quartile cost curve position according to AME and is estimated by AME to be one of the lowest cost producers in the global alumina industry by cash cost in 2020. We believe this has allowed WHW to remain cost competitive to its regional peers. WHW is one of the few refineries in Southeast Asia with the technical capabilities of producing SGA. Manufacturers use SGA to produce aluminium, which is used in industries such as the automotive industry (e.g., automotive body sheets). Other refineries in the region produce chemical grade alumina, which has a limited end-market.

We believe we enjoy the following benefits through our operations and strategic interest in WHW:

- Our fixed-price umbrella offtake agreement with WHW provides offtake certainty for Cita (subject to certain adjustments) and ensures stability of supply to WHW's alumina operations. Our domestic MGB sales volumes to WHW for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were 1,303,981.48MT, 1,098,319.50MT, 1,153,377.72MT, 552,384.33MT and 504,903.17MT, respectively.

- The bauxite supply and the mines' close proximity to WHW mitigates any potential supply chain constraints or disruptions that may develop. It also reduces costs of transporting bauxite from our mines to WHW's refinery and by doing so, can reduce the cost for WHW. We believe that a similar dynamic is at play with respect to our exports because of the proximity of our mines to the Chinese market and corresponding cost savings to Chinese buyers.

- Cita is a direct beneficiary of WHW's future expansion plans through its ownership of a strategic 30% interest in WHW and potential enhanced volume of sales to WHW under the umbrella offtake agreement after completion of the Phase 2 expansion.

We believe we pass on these benefits to our customers through more competitive pricing and by being a trusted, reputable and stable supplier of high quality bauxite and, through our interest in WHW, alumina in the region. This reinforces our positioning of being the only bauxite producer with a strategic interest in alumina refining in Southeast Asia, and we believe this is a significant competitive advantage.

Sustainable cash generative business with strong balance sheet

Our efficient business operations underpinned by our comparatively low-cost base (according to the AME Report) enables us to generate strong earnings and healthy cash flows. Our net sales for 2018, 2019 and 2020 were Rp.2,003 billion, Rp.3,895 billion and Rp.4,345 billion, respectively, and we achieved a CAGR of 47% during this period. We achieved EBITDA margins of 18.3%, 18.5% and 18.8% in 2018, 2019 and 2020, respectively believe that our business can generate sufficient free cash flows to fund our growth initiatives and support our operations sustainably.

In addition, we have a conservative debt profile with the opportunity to further optimize our capital structure while maintaining our debt coverage ratios. Our net debt to EBITDA ratio for 2018, 2019 and 2020 were 3.8x, 1.4x and, after the increased equity investment in Cita by our shareholder Glencore (among other shareholders) and debt repayment, -0.2x, respectively and we have maintained sustainable leverage ratios over time.

Our business historically has generated sufficient cash flow to cover our debts, as demonstrated by our operating cash flow in 2018, 2019 and 2020 of Rp.544 billion, Rp.522 billion and Rp.427 billion, respectively. Our operational cash flows have been sufficient to fund capital expenditure needs of the business, having recorded capital expenditure in 2018, 2019 and 2020 of Rp.166 billion, Rp.204 billion and Rp.84 billion, respectively. As a result, we have been able to de-leverage the business organically.

Our strong cash generation has built up our cash reserves, with the capacity to pay dividends to our stakeholders while funding our business operations. We paid dividends of Rp.368 billion and Rp.360 billion for July 2020 and May 2021, respectively, to our shareholders. Going forward, we will maintain a flexible dividend policy, which takes into account our business and capital needs.

Premier bauxite assets with low cash cost

We have access to large bauxite deposits with total reserves of 144.3 million WMT, resources of 333.2 million WMT as at March 2021 and with 11.0 million WMT of production in 2020, we are the eleventh largest bauxite producer globally and also the largest bauxite producer in both Southeast Asia and Indonesia according to AME.

We believe our significant bauxite production capabilities give us a competitive advantage due to economies of scale from efficient mining operations and logistics support. As of 2020, we enjoy second quartile cost curve position with a low cash cost of USD 24.45 / DMT bauxite based on Al_2O_3 content of 49.7%, compared to a global average of USD49.6 per tonne contained alumina according to AME.

Our significant reserves and resources support a long mine life. The total life of mine in all areas is approximately 24 years starting from 2021 to 2044. Our mining licenses have on average more than seven years of validity with a consistent track record of license renewals. For example, on August 13, 2021, we secured renewal for a period of 10 years for IUP license number 503/11/MINERBA/DPMPTSP.C.1/2018 (with renewed license 787/1/IUP/PMDN/2021 set to expire in April 27, 2032) in relation to one of the Sandai mines, and renewal for IUP license number 658/Distamben/2014, set to expire in 2022, is in progress.

Our mining, processing, development and exploration activities are supported by existing installed infrastructure such as a jetty, wet ore stock pile facilities, final stockyards, residue storage facilities, hauling roads, a port, living quarters for employees, mining ponds for water storage, on-site office and services facilities.

Being located in West Kalimantan, Indonesia, we are centrally located near various demand markets, particularly China, with freight cost advantage over Australian and African bauxite producers, according to AME. Indonesian bauxite deposits in general, and including our deposits are generally regarded to be good quality with high alumina content and relatively low reactive silica content. High quality bauxite feedstock are generally preferred by alumina refiners due to lower cost to refine bauxite to alumina, which reduces the overall cost of producing aluminium in addition to the freight cost advantage.

In short, with our long mine life, high quality bauxite reserves and resources, central location and competitive cost positioning, we believe we are well positioned to be the premier bauxite producer in the region.

We are well positioned to benefit from favourable market trends in the bauxite and alumina markets

Bauxite

The growth in demand for bauxite is expected to outpace supply growth over the next few years. According to AME, forecast bauxite demand growth from 2020 to 2025F is expected to record a CAGR of 3.2%, outpacing supply CAGR of 2.3% over the same period. This is expected to continue from 2025 to 2030, with forecast bauxite demand growth moderating to a CAGR of 1.7% compared to supply CAGR of -0.4% during the same period, according to AME. Overall, bauxite demand growth is expected to outperform supply growth over the next ten years from 2020 to 2030F, recording a forecast CAGR of 2.4% and 0.9% respectively, according to AME.

The current surplus supply situation in the global bauxite market is expected to improve over the next few years, according to AME. Historically, global bauxite market periodically moves between oversupply and undersupply, which is primarily driven by the timing of new supply entering the market. From 2014 to 2017, the global bauxite market experienced a net deficit position with demand outstripping supply, and as strong demand from China drove expansion of new supply from Guinea, this resulted in the global balance turning into a net surplus position. As Chinese producers consolidate their supply chains between China and Guinea, China’s bauxite production is expected to be displaced by Guinea with overall surplus expected to peak in 2022, with expected net surplus reducing to 15mt by 2030.

The expected improvement in the bauxite surplus supply situation potentially drives stable growth in bauxite prices in the medium to long term. According to AME, CIF China bauxite prices are expected to grow at a stable 2.0% CAGR from US$45.6/DMT in 2020 to US$50.3/DMT in 2025F; and at 1.0% CAGR from 2025F to US$52.8/DMT in 2030F.

SGA

The growth in demand for SGA is expected to be in line with supply growth over the next few years. According to AME, SGA forecast demand growth from 2020 to 2025 is expected to record a CAGR of 2.0%, comparable to supply CAGR of 2.0% over the same period. This is expected to continue from 2025 to 2030, with forecast SGA demand growth moderating to a CAGR of 1.7% compared to supply CAGR of 1.7% during the same period, according to AME. Overall, forecast SGA demand growth is expected to be comparable to supply growth over the next ten years from 2020 to 2030, recording a CAGR of 1.8% and 1.9% respectively, according to AME.

The market balance of SGA is expected to remain stable according to AME. Historically, the SGA market has not experienced significant periods of over or under supply due to the integrated nature of a significant proportion of production and due to the nature of the material itself. SGA is hydroscopic which readily absorbs moisture from the atmosphere, and presents difficulty and consequently discourages long-term storage of any excess supply. Hence, the market balance is expected to remain at a modest surplus position of approximately 2.0 mtpa from 2025 to 2030.

According to AME, over the medium term, the price of alumina is expected to recover to around USD363 per tonne by 2025F. We believe this forecast price appreciation is driven primarily by the return of manufacturing and easing of restrictions within China, which is the single largest source of demand for primary aluminium, of which alumina is the key raw input. Although SGA prices are expected to remain subdued in the short term with a full year average of forecast US$292 per tonne in 2021, a more significant rise is expected in 2022 with average prices forecast to reach US$350 per tonne when economic conditions are expected to normalize, according to AME. Over the longer term, AME expects the price of alumina to gradually recover, and more closely reflect production costs to reach around USD372 per tonne in 2030F. The global market is assumed to remain relatively stable with fundamental price drivers, such as new smelter capacity developments, typically having long lag times allowing the alumina industry some time to react. AME expects the alumina prices to gradually increase, more closely reflecting production costs expected to reach US$372/t in 2030. A potential price driver is also the curtailment of capacity in China as producers are required to align refining and processing activities with stricter environmental requirements.

Geographical proximity to key markets

China is the largest consumer of bauxite and accounts for approximately 50% of global demand in 2020, according to AME. The declining quality of Chinese bauxite and the associated increase in production costs is anticipated to lead Chinese refineries increasingly to look to imported bauxite to lower operating costs, provided that freight costs can be appropriately managed. Compared to other major sources of bauxite such as Australia and Guinea which are the largest and second largest suppliers of bauxite globally, Indonesia has a closer geographical proximity to China, rendering a freight cost advantage.

Similarly, China is the largest consumer of alumina accounting for approximately 56% of global alumina demand in 2020, according to AME. Australia, which is the largest supplier of bauxite globally according to AME is geographically further from china than Indonesia. This provides Indonesia alumina suppliers with a freight advantage.

Indonesia as a future Electric Vehicle (“EV”) hub

The Indonesian government has recently set a goal for EVs to make up 20% of all domestic cars and motorbikes manufactured by 2025. To support the transition, the Indonesian government has introduced a number of policies to support the promotion of EV manufacturing. Higher aluminium use lowers vehicle mass and improves battery mileage, and the advent of EV in Indonesia will therefore drive aluminium demand in the future. EV transition is closely linked with Indonesia’s economic development and energy Industry, and Indonesia is aiming to become a global manufacturing powerhouse for EV batteries. Apart from EV manufacturing, the Indonesian government is looking to develop EV infrastructure to support the EV ecosystem which will potentially drive further growth in electrical demand for aluminium.

Experienced management team with substantial industry expertise and strong corporate governance culture

Our management team has a strong track record of performance and execution, with a Board consisting of members who have each more than 20 years of experience in the metals and mining sector.

Our key management representatives are as follows:

- Lim Gunawan Hariyanto, our President Commissioner has more than 20 years of working experience in top level management capacity of mining companies. He also holds the position of President Director and Chief Executive Officer of PT Harita Jayaraya and is the Executive Chairman and Chief Executive Officer of Bumitama Agri Limited;
- Harry Kesuma Tanoto, our President Director has more than 22 years of working experience in the senior management of several multi-national companies;
- Ferry Kadi, our Chief Operating Officer with more than 20 years of working experience in the management of operations for mining, manufacturing and technology. He also serves as the Director of WHW;
- Hidayat Sugiarto, our Chief Financial Officer has more than 20 years of working experience in the management of finances for mining, and also holds the position of Deputy Head of Finance & Accounting of WHW;
- Robby Irfan Rafianto, our Head of Exploration & Mining has more than 20 years of working experience in the fields of exploration management for bauxite, nickel, gold and base metals. He is also the Head of Exploration at Harita’s nickel and bauxite divisions. He is a member of several professional organizations including IAGI and AusIMM and is registered as a Competent Person for reporting of mineral resource exploration and estimation of nickel;
- Yusak Lumba Pardede, our Company Secretary, has a long track record of more than 15 years in several Public Accountant Offices as a senior auditor; and
- Tonny Gultom, our Head of Environmental, Health & Safety has more than 25 years of working experience in the mining and refinery industry, mainly focusing on health, safety, and environmental matters. He is also the Head of Environmental, Health & Safety of PT Harita Jayaraya.

We have implemented robust corporate governance structures and policies to allow for effective stakeholder management. We regularly monitor and review to make strategy decisions in accordance to company governance policies. We believe our corporate governance framework helps us to maintain good relationships, coordination and communication with the MEMR, local governments and local communities. We also believe in adhering to a strict moral code and upholding strong business integrity to drive the success and sustainability of our company. Our internal controls cover various aspects such as anti-corruption, anti-money laundering, sanctions, whistle-blowing, risk management, and selection and capacity enhancement for suppliers and vendors policy.

Strong ESG Commitment through focus on operational excellence, sustainability and HSE

We regularly review our strategy and operational performance with a view towards maximizing our use of resources and our effective control of emissions, waste, land use, and to improve our general environmental performance. Cita is committed to implement environmental management best practices based on approved Environmental Impact Assessment (AMDAL) and related environmental. On safety, Cita applies Mining Safety Management System (SMKP) and implements a high standard of operation safety to ensure the safety of Cita's employees throughout operations.

Cita undertakes progressive, as opposed to end of line of mine, reclamation of their mine sites in order to manage and minimize the consequent environmental impact, erosion and sedimentation control. Additionally, Cita has optimized the use of wastewater and runoff water in order to reduce the operational need for fresh water. Employee trainings on topics such as reclamation and re-vegetation, water management, flora and fauna, EMS, environmental impact analysis, bio-diversity and others are regularly conducted.

As part of Cita's social outreach, Cita implements a Community Development and Empowerment Program (PPM) which involves five key focus areas – economy, infrastructure, socio cultural, education and health. To improve the economic conditions of small-micro business, we help to improve various infrastructure such as development of agricultural land, fish ponds and new livestock land. Our PPM program also aims to conserve local traditional culture as part of its social cultural focus area. Through our education programs, Cita supports government programs by improving teaching quality and providing scholarship assistance. In addition, our healthcare related outreach include COVID-19 prevention, medical assistance, vaccination, and providing staple foods to the local community.

Cita has have received the following awards in recognition of our ESG efforts: Indonesia Best CSR Award with Outstanding Program in Improving Local Community Infrastructure for Mining category from Warta Ekonomi, and Certificates of appreciation from the Government of West Kalimantan Province for our participation and assistance in providing chemical laboratory equipment and basic foodstuffs to assist the province's response to COVID-19 in April and May 2020.

Key strategies

Leverage on existing bauxite reserves and infrastructure to deliver sustainable growth in bauxite production levels

As of March 31, 2021, we have total reserves and resources of 144.3 million WMT and 333.2 million WMT of bauxite respectively that have been determined in accordance with internationally recognized JORC standards. We have invested in various infrastructure assets to support the future growth of the business such as private hauling roads, stockpiling facilities, and new mining equipment. Operationally, we remain committed in making further infrastructure improvements as required to increase or maintain our production level from our reserve base. In addition, as of March 31, 2021, we have a total concession area of 139,239 hectares within the bauxite-rich region of West Kalimantan. This provides significant upside potential for additional reserves and resource for mining operations for the future.

We intend to maintain or increase bauxite production through exploration work and development drilling activities in our existing concession areas. We will continue to explore opportunities to further the construction and expansion of haulage roads, stockpiling, blending facilities and the addition of other physical infrastructure to increase our production in the near future.

We conduct both brownfield and greenfield exploration work to ensure the sustainability of our reserves and resources. Brownfield exploration work includes development drilling, with detailed mapping and advanced visualization of structural data; and greenfield exploration work which involves geological analysis to map new regions to discover new inferred resources.

Our exploration efforts require a balance between prioritizing brownfield and greenfield exploration which is determined by efficiency and mineral discovery rates. This ensures we meet our goal of replenishing and sustaining our bauxite resource and reserves.

In addition to our bauxite mines in Sandai and Air Upas which are currently operational and contribute to most of our total bauxite resources, our Labai mine is currently not producing, and we believe represents a significant upside opportunity for future mining operations as current resources may be converted into reserves following the grant of a forestry permit and the fulfilment of certain other modifying factors required for the conversion from resources to reserves. We have a total concession area of 139,239 hectares, of which about 38% or 26,167 ha remains unexplored. This provides significant upside potential for securing additional reserves and resources for mining operations for the future.

Leverage on WHW's Phase 2 expansion plans which will see the doubling of total processing capacity

Cita is well positioned to benefit from WHW's Phase 2 expansion plans of its alumina refinery. Our domestic MGB sales volumes to WHW for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were 1,303,981.48MT, 1,098,319.50MT, 1,153,377.72MT, 552,384.33MT and 504,903.17MT, respectively. WHW's ongoing Phase 2 expansion of its alumina refinery is expected to be completed by end-2021 and is expected to double annual processing capacity to 2.0 mtpa. Additional land is available to support future expansion efforts beyond Phase 2, which has the potential to increase capacity to 4.0 mtpa, although no firm plans are in place as of the date of this publication. Based on Cita's existing umbrella offtake agreement with WHW, there is flexibility for Cita to increase its supply to WHW as the need arises. Cita, through its 30% stake in WHW will indirectly participate in the region's strong growth in alumina demand.

As part of WHW's Phase 2 expansion plans, existing port and power plant facilities will be upgraded to support the approximate doubling of processing capacity. For example, our current power plant supplies captive power and steam requirements of the refinery with "N+2" redundancy, equipped with technology to circulate fluidised bed boilers and steam turbines. An additional 80MW power plant is currently underway to support the increased power and steam requirements of the processing plant. Upgrades to port facilities are also ongoing to cater to higher production volumes. Following the Phase 2 expansion, the increase in annual throughput of port facilities would result in higher unloading capacity of 3mtpa for bauxite, 1mtpa for coal and 0.2mtpa for other cargo, and higher loading capacity of 2mtpa for alumina. WHW will also see higher capacity of its living quarters and accommodate up to 3,000 personnel, which includes office buildings, residential buildings and associated facilities.

Intensify sales and marketing efforts to strengthen existing and develop new customer relationships

Cita, together with WHW, has the scale, reach and proximity to major markets to deliver its products to customers and its supply chains. Cita sells most of its bauxite to customers in China whereas WHW sells alumina to customers in Indonesia, China, Malaysia and India. For example, Cita's customers include both alumina refiners and commodity buyers such as Chalco Trading Hongkong Co., Limited, Glencore International AG, PT Well Harvest Winning Alumina Refinery, and Pengtai International Trading Pte. Ltd, amongst others.

We believe our strong customer network and deep technical expertise position us to be the supplier of choice. We believe our extensive reach provides customer diversity that can enable us to benefit from local or regional economic cycles. The customers include both large commodity buyers that trade commodity goods internationally, and also alumina refineries that require bauxite feedstock. In short, Cita's high quality bauxite are traded internationally in the global metal commodities market by both commodity buyers and operators.

We have implemented sales strategies to consolidate our customer base in existing markets and take advantage of opportunities in new markets. By being responsive to changes in global markets, we believe we are positioned to cater to growing demand in the global developing markets such as China and Southeast Asia.
As part of our business development efforts, we identify and target new customers by leveraging on our network and the global marketing network of our strategic partner, Glencore. We also gain from repeat customers by building and maintaining relationships with key customers in regional markets, by being a reliable and competitive supplier of high quality bauxite. Hence, our efforts to pass on the cost savings to our customers from our operations is important to remain competitive.

We believe the COVID-19 pandemic has further reinforced Cita and WHW's position as a supplier that customers can rely on. We believe the impact of COVID-19 on our business operations have been limited to effects such as reduced mobility of foreign workers and indirect effects through changes affecting WHW as a result of COVID-19 and as a result, improved our standing among customers.

Improve on operating margins through various cost saving initiatives

Cita believes it is well positioned to improve on operating margins through implementation of a broad range of cost-saving initiatives, such as:

- Regularly review and upgrade of mining fleet to increase efficiency, such as:
  - Control idle time and fuel consumption of both owned and rented units;
  - Monthly review of heavy equipment and production costs;
  - Monitoring of idle time and truck carry bag;
  - Controlling of truck matrix; and
  - Reduction of ore relays and implementation of double side method in ore loading;

- Regularly review terms of suppliers and contractors based on their ability to offer competitive terms. Our Commercial Department applies flowchart quality control as part of a strict vendor selection criterion. Our dedicated Cost Control Department conducts annual review of vendor contract and standardise the penalty SOPs for Cita's vendors;
- De-bottlenecking exercises to improve operational efficiency, such as land rights acquisition strategy tailored according to life of mine plan;
- Initiatives to reduce cost of repairs and maintenance works such as inventory management, waste management, and scheduled maintenance of plant and equipment; and
- Infrastructure investments to increase efficiency or productivity such as filter press to extract and filter bauxite reside, additional mine water pump to increase bauxite processing plant productivity, and extension of primary trammel to ensure product quality.

Further enhance and execute on our ESG strategy

Cita is committed to achieving its best performance and put forward health, safety, environment, social relationships and good corporate governance in all its activities to ensure that accidents and environmental contaminations can be prevented through mutual commitment, proper technology application and competent human resources. ESG has been and will continue to be part of our business and decision-making process.

As part of our ESG strategy, we are committed to:

- Complying with the Indonesian rules & regulations and shareholders related to HSE (Health Safety Environment), social community, as well as licensing which has been set in the Environment Management Plan and Environmental Monitoring Plan during the exploration, mining production operation and alumina refinery activities.
- Recognizing and adapting to international sustainability frameworks where possible as part of our global contribution and collaboration.
- Delivering and ensuring optimum availability of human resources in implementation of integrated health and safety program in every stage of our work.
- Creating and executing quality management system, in the form of general instructions, procedures and work standards according to CITA work area.
- Carrying out regular identification, health and safety risk control management, environmental protection, security as well as increasing effectiveness and also preventing unwanted social impacts.
- Conducting programmed and scheduled training to ensure the expected level of competency level in order to create a healthy, safe and comfortable work environment
- Executing continuous improvement and/or performance improvement effort to achieve the best health and safety, security, and social protection.
- Involving the participation of all employees in every activity of health, safety, security and environmental protection.
- Acting professionally in every task and improve performance.
- Participating in corporate social responsibility efforts and maintain good relations with the surrounding community through the implementation of the Five Pillars of Community Development
- Being transparent in disclosing our company's business performance and sustainability efforts to stakeholders including the public.

We remain committed to our ESG policies:

Occupational Health and Safety. Cita is committed to prioritizing, creating, providing a safe working environment for its employees and contractors or others associated with the Company's activities. We strive to continuously improve occupational health and safety for all of our employees across all of our operational activities, involving all our vendors and contractors.

Environmental Protection. Cita is committed to ensuring each stage of operational activities are carried out with deliberation for environmental protection. All tasks in ensuring our environmental legacy must be conducted exceptionally. For example, complying with the Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL) as well as all requirements from environmental permits issued by the Indonesian Government.

Security and Human Rights. Cita is commited to a safe and conducive work environment in its operating areas and surroundings. For example, this includes create safe and equitable conditions in the workplace that recognizes human rights for all, providing fair privileges and equal opportunities for all employees and respecting the diversity, ethics, cultures, interests and customs of our employees and surrounding communities.

Social relations. Cita constantly aims to collaborate with our stakeholders to magnify the positive impacts we could bring to communities. We intend to continue investing in the growth and sustainability of the local communities where our business operates. One of our key focus areas is to maintain a strong relationship with the local communities by continuing to be a major employer of local residents through social programs that benefit education, health, infrastructure, and general social development.

Corporate governance. Cita strives to implement the principles of good corporate governance in every activity of the company in order to create accountable business climate in line with the principles of democracy and an efficient market in line with avoiding corrupt practices. We have developed and set ethical standards for all of our staff as outlined in the Code of Conduct, which is published on our website, as an expression of Cita's commitment to the conduct of business activities and operations based on ethics and integrity.

Tenure and Licenses

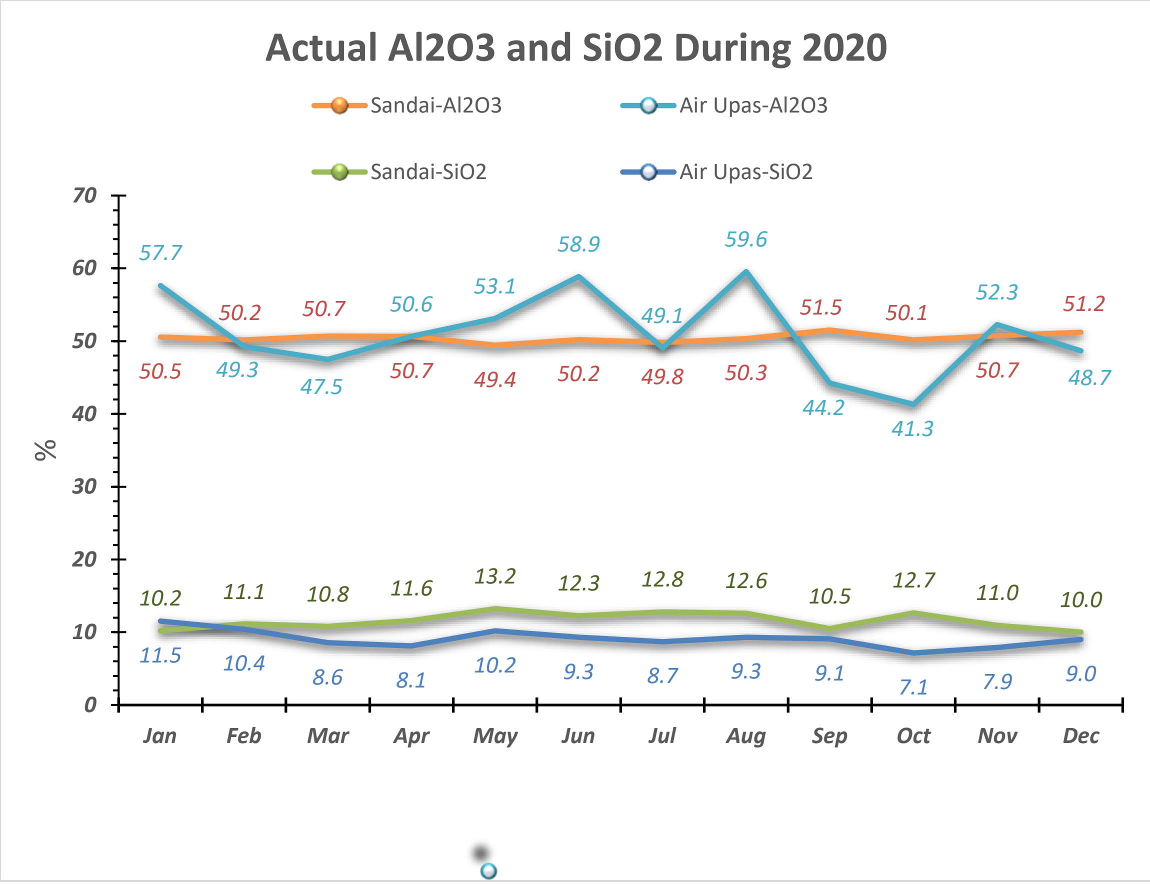
Export Licenses

Our exploration works commenced in 2004 in Kendawangan and later expanded to other areas within West Kalimantan province. Mining operations for our projects were undertaken from 2005 until 2013, after which mining activities ceased temporarily due to newly introduced government regulations prohibiting the export of raw materials including bauxite. The government's export policy nevertheless gives leeway to mining and mineral processing companies which export bauxite at a minimum 42% Al_2O_3 until, under current regulations and unless extended, June 10, 2023. In 2017, we re-commenced mining operations after obtaining the necessary export permits from the government (specifically, from MEMR) and we have obtained export quotas as detailed immediately below since that date, which have been granted to us for 12-month periods generally in April and October of each year. In addition to being available for bauxite with a minimum 42% Al_2O_3, holders of export quotas must have constructed or be in the process of constructing a refinery or smelting facility and have paid all export duties. The grants by the MEMR of export quotas are based on submissions for such quotas in advance of each April and October, with historically the amount of quota granted generally corresponding to the quota we have requested, although this determination is at the sole discretion of the MEMR.

Our export sales volume is largely determined by the export quotas set by MEMR. We have received an aggregate export quota of approximately 8.3mt in 2019 and 2020, and expect to receive the same aggregate amount in 2021.

Bauxite Processing and Overview of WHW's Alumina Refinery Business

In the initial stages of bauxite processing, raw mined bauxite ore is processed at our facilities through a process known as beneficiation, a conventional method used to achieve high Al_2O_3 and low reactive silica contents. Beneficiation involves screening the grains to separate grains of different sizes, washing the grains in the Trommel washing plants at each mine to remove adherent clay minerals, open-air drying the washed grains and blending ore grains with different alumina content as per offtake requirements. Following the beneficiation process, the MGB usually has between a 45% and 51% alumina content.
The table below shows a summary of alumina grade content after beneficiation (MGB hauling) from production in the periods indicated:



Each mine has river port facilities that include truck weighing scales, stockyards, loading conveyors, deck barges and tug boats to facilitate the transport of washed bauxite to anchorage points of the main shipping vessels at sea. MGB is the raw material that undergoes the refining process to ultimately produce SGA at the WHW plant and our third-party export customers or their customers.

WHW processes the MGB that we mine into SGA with around 98.5% of Al_2O_3 content. We export the balance of MBG to third parties. Our investment in WHW is part of our strategy in complying with the provisions of the Law No. 4 Year 2009 concerning the Mineral and Coal Mining and other related rules and regulations.

WHW, the largest producer of SGA in Southeast Asia according to the AME Report, is an Indonesian joint venture between Cita; China Hongqiao Group Limited, the world's largest aluminium producer and listed on the Hong Kong Stock Exchange; and Winning Investment (HK) Company limited, a subsidiary of Winning International Group, which is a company engaging in the transportation of bauxite, alumina and aluminium; and China Hongqiao's indirect subsidiary Shandong Weiqiao Aluminum and Electricity Co. Ltd.

The ownership of WHW as of the date of this publication is set forth below:

Shareholder	**Ownership (%)**
China Hongqiao Group Limited	56%
Cita	30%
Winning Investment (HK) Company, Ltd	9%
Shandong Weiqiao Aluminium and Electricity Co. Ltd	5%
Total	**100.0%**

WHW is located in Kendawangan, West Kalimantan, Indonesia, and the majority of its bauxite requirements are met by us. The WHW refinery is strategically situated near our bauxite mines, with the nearest mine located 115 kilometers from the refinery. All necessary infrastructure required to support the operations of the alumina refinery are located within the project site. The alumina refinery has a total production capacity of 1million tonnes per annum, and, following completion of Phase 2, capacity is expected to be doubled to 2 million tonnes per annum, consisting of four production lines with a capacity of 0.5 million tonnes per annum each. Additional land is available to support future expansion efforts beyond Phase 2, which has the potential to increase capacity to 4 million tonnes per annum, although no firm plans are in place as of the date of this publication. The refinery hosts an embedded power plant with N+2 redundancy, comprising fluidised bed boilers and steam turbines, for purposes of supplying power and steam requirements. The site also includes a port with the ability to accommodate six barges, plus an on-site foundation treatment area, water treatment plant (whereby raw water is extracted from a nearby river and transmitted by a pump station via two 7-kilometer transmission pipes to a reverse osmosis water plant) and storage yard. The port has annual unloading capacity of 3 mtpa of bauxite and a loading capacity of 2 mtpa of alumina. There is also a comprehensive internal grid-layout road network designed based on a reinforced concrete with a conservatively thick base.

Phase 2 of the refinery is expected to be completed by the end of 2021 and to become operational in 2022, and includes the construction of alumina production facilities, a power plant, a jetty, red mud disposal facilities and other facilities. Much of the land area and common supporting infrastructure for Phase 2 was already prepared or constructed during the development of Phase 1. Preventative measures are in place in the Phase 2 development plan in order to limit interruptions to Phase 1 operations, such as the use of heavy duty safety barriers, dedicated roads and passages for construction, fixed time usage of common roads, separated phase 1 and Phase 2 power plants, dedicated warehousing and storage areas for Phase 2 and Phase 2 allocated unloading berths. The estimated capital expenditure budget for Phase 2 is USD400 million and is funded by a combination of equity and incremental debt which is non-recourse to us.

We contract our domestic MGB sales to WHW through a fixed-price umbrella offtake agreement, pursuant to which we have agreed to supply a certain percentage of WHW's bauxite until 2033 at a fixed price, subject to certain adjustments that must be agreed between the parties and other adjustments for other factors such as the quality of the MGB. The offtake agreement requires a minimum of 45% Al_2O_3 content. The standard quality of the MGB which we export is generally higher quality than the MGB we sell in the domestic market and contains around 50% of Al_2O_3 and between 6% to 12% of SiO_2. This umbrella offtake arrangement will continue in force based on the expanded capacity following completion of Phase 2. Our domestic MGB sales volumes to WHW for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were 1,303,981.48MT, 1,098,319.50MT, 1,153,377.72MT, 552,384.33MT and 504,903.17MT, respectively.

WHW sells alumina to customers at prices based on the Australia FOB index, plus a premium reflecting its strategic location, close proximity to export markets and quality of its product. According to AME, WHW is estimated to be situated as one of the lowest cost producers of global alumina industry cash costs in 2020, based on a cash cost of production of approximately USD189 per tonne of alumina. For the years ended December 31, 2018, 2019 and 2020, and for the six months ended June 30, 2020 and 2021, our equity in the net profit of WHW amounted to Rp. 598. 2 billion, Rp. 221.5 billion, Rp. 106.1 billion, Rp. 17.1 billion and Rp. 115.8 billion, respectively.

WHW uses the Bayer process to separate the alumina in the bauxite core from the other components in the ore using an on-site 160MW coal-fired steam and power station which supplies steam and electricity for the Bayer process, ancillary and support processes. Our bauxite is gibbsitic ore, which is amenable to low-temperature Bayer processing using a standard caustic soda digest of bauxite and precipitation of alumina trihydrate. The gibbsitic nature of our core reduces the typical expected energy requirements of the Bayer processing.

Umbrella offtake agreement with WHW

On December 3, 2019, Cita and WHW entered into a supply agreement (the "**WHW umbrella offtake agreement**") pursuant to which Cita agreed to sell and deliver to WHW, or to procure the sale and delivery to WHW of, and WHW has agreed to buy from Cita, MGB during the term of the agreement. Sales are made at the discharge location, which is defined as an appropriately licensed port located on Sungai Tengar, Kabupaten, Ketapang, West Kalimantan.

The obligations of Cita and WHW under the WHW umbrella offtake agreement are subject to following conditions precedent: (i) all material government authorizations required for Cita and WHW to execute, deliver and perform their respective obligations under the agreement have been obtained and be in full force and effect; and (ii) the initial date of the Phase 2 pre-commissioning period has occurred. The WHW umbrella offtake agreement is for a term commencing on the date on which the above conditions precedent have been satisfied and ending on December 31, 2033.

The MGB to be supplied by Cita to WHW under the WHW umbrella offtake agreement is charged at a fixed base price as adjusted based on the content level of Al_2O_3 and SiO_2 in and the grain size of the MGB supplied. Such pricing basis will be reviewed annually and, subject to agreement between Cita and WHW in writing, be amended to reflect any change in the inflation rates published by the indexes commonly used to determine inflation in commodity prices.

The WHW umbrella offtake agreement is subject to a minimum purchase volume requirement, based on which WHW must source a minimum quantity of MGB per annum, as well as a minimum percentage of WHW's annual MGB needs from Cita. The agreement also sets out a maximum supply volume requirement, based on which Cita has no obligation to sell or supply more than a maximum quantity of MGB to WHW. Cita has also confirmed that adequate quantities of bauxite meeting the quality specifications required by the agreement shall be available for delivery during the supply period and that it has adequate reserves to do so.

The agreement provides for respective indemnities for costs, losses and expenses in the event of default by either Cita or WHW in favour of the non-defaulting party, as well as obligations to mitigate damages.

The WHW umbrella offtake agreement and related documentation forms part of the long term debt facility and working capital facility with a view towards, as announced by China Hongqiao, the smooth construction and operation of WHW's Phase 2 expansion project.

Our net sales to WHW and the amount of our related party transactions with WHW are disclosed in Notes 23 and 28 to our consolidated financial statements for the relevant periods covered by such statements.

SELECTED CERTAIN RISKS RELEVANT TO THE COMPANY

Our financial results depend largely on prices for bauxite and related refined products such as alumina and aluminium, which are cyclical in nature and subject to significant fluctuations, and we could be materially adversely affected by declines in such prices, including global, regional and product-specific prices.

We derive substantially all of our revenues from the sale of bauxite for the Indonesian domestic and export markets. The price at which we are able to sell our products is tied to market prices in different ways for export and domestic markets. We generally sell to the export markets based on prices that are tied to the spot price of bauxite. Domestic sales are also sensitive to global bauxite prices.

Our umbrella offtake agreement with WHW is at a fixed price, subject to certain adjustments that must be agreed between the parties and other adjustments for factors such as the quality of the bauxite. Under the umbrella offtake agreement, WHW is obligated to source a certain minimum of its annual bauxite requirements from us, although we may supply up to 100% of WHW's requirements. The parties may agree, however, that we supply less than the agreed minimum of WHW's requirements. Our domestic MGB sales volumes to WHW for Fiscal 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were 1,303,981.48MT, 1,098,319.50MT, 1,153,377.72MT, 552,384.33MT and 504,903.17MT, respectively.

In the event that WHW can pay a lower price to other suppliers due to fluctuations in global bauxite prices generally, WHW may demand lower volumes from us, and we may agree the same to extent the volumes are below the agreed minimum, which in turn will result in a decrease in our revenues from sales to WHW. As WHW's bauxite requirements will increase with the completion of WHW's Phase 2 expansion program at the end of 2021, we may experience additional lost opportunities for sales if our competitors can offer lower prices to WHW.

Our financial results will largely depend on the price of bauxite. Sustained lower prices may reduce or eliminate the profit that we currently expect, cause us to recognize an impairment to the carrying values of mineral properties and/or make recovery of a portion of ore reserves that were certified at a price that was higher than the prevailing price no longer economically viable.

The bauxite market is sensitive to changes in general economic conditions, and has been and may be subject to significant volatility. The overall price of these products is influenced by various factors, many of which are not within our control, including, but not limited to:

- global and regional economic, social and political conditions;
- global supply and demand and expectations of future supply and demand;
- forward selling by producers;
- speculative trading;
- production cost levels in major mining areas;
- actual or expected purchase or release of built-up reserves of bauxite or alumina;
- changes in the use of alumina in industrial applications or as an investment;
- military conflicts, acts of terrorism and global pandemics;
- currency exchange rates, particularly movements in the value of the US dollar against other currencies;
- monetary policies employed by the world's central banks;
- fiscal policies employed by the world's major economies;
- other actions taken by governments and regulators, including in respect of taxation, royalties, import and export restrictions; and
- actual or expected inflation and interest rates.

Bauxite ore is the primary source of aluminium, and accordingly, the price of aluminium may also affect our business. Historical price trends over the past three years have been volatile, with the alumina price averaging USD471 per tonne in 2018, due to events such as the Alunorte curtailment, bauxite supply issues in China, strikes in Western Australia and uncertainty caused by the US sanctions on UC Rusal. However, as the impact of these events was resolved, prices corrected over the following twelve months and stabilised just below USD300 per tonne. The initial Covid-19 lockdowns saw the price fall to five-year lows around USD228 per tonne, before recovering over the rest of 2020 and stabilising around USD300 per tonne for the first quarter of 2021. The June 2020 quarter average alumina price was USD278 per tonne, as it struggles to make price gains despite robust aluminium demand and surging metal prices as global alumina production has seen less disruption than smelters, particularly in China, and down USD20 per tonne from us 2020 year-end peak. The full year price for 2021 is expected to be around USD292 per tonne. High LME inventories, or the release of substantial inventories into the market, could lead to a reduction in the price of aluminium. Declines in the LME price have had a negative impact on our results of operations. Additionally, our results could be adversely affected by decreases in regional premiums that participants in the physical metal market pay for immediate delivery of aluminium. An extended or substantial decline in global prices of bauxite or alumina will adversely affect our business, financial condition, results of operations and prospects. Declines in global prices of alumina could also adversely affect the profit we receive from our 30% interest in our equity investee WHW. In addition, speculative trading in alumina and the influence of hedge funds and other financial institutions participating in commodity markets have also increased in recent years, contributing to higher levels of price volatility.

We do not currently enter into forward sales contracts for bauxite and have not entered into hedging arrangements. Accordingly, our future operations are exposed to the impact of any significant and extended decrease in bauxite prices and any significant or increase in commodity prices. If such prices change significantly or for an extended period of time, we will realize reduced revenues.

Our production volume could decrease and unit production costs could accordingly increase at our mining projects in the future.

Our production volume and unit production costs are based on certain estimates and assumptions. These estimates and assumptions are subject to significant uncertainties and actual production and costs may materially differ from these estimates and assumption for a number of reasons, including variations in bauxite reserves (the "**Ore Reserves**") and resource estimates ("**Mineral Resources**", together with Ore Reserves, "**Reserves and Resources**"), actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; changing waste-to-ore ratios; labour costs; the cost of raw materials; general inflationary pressures; currency exchange rates; short-term operating factors relating to the Ore Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods, and earthquakes; and unexpected labour shortages or strikes. Accordingly, no assurance can be given that our cost estimates and the underlying assumptions will be realized in practice and, in the event that we have underestimated our operating costs, our financial condition and results of operations will be materially and adversely affected.

The open pit mining process typically starts at the top of the ore body and progresses to deeper levels. Production efficiency typically decreases as the mining distance and stripping ratio increases given the increased costs of transporting the ore and waste out of the open pit. As production efficiency decreases, our production costs may increase and our operating margin could be materially and adversely affected.

In addition, if we are unable to identify additional reserves of a similar grade ore to that which we are currently processing we will need to process lower grade ore which will result in reduced sales prices which in turn may have a material and adverse effect on our business and results of operation.

We are exposed to a number of operating risks and hazards inherent in the mining industry and may be subject to conditions or events beyond our control, which could have a material adverse effect on our business.

Our operations are subject to all the hazards and risks normally encountered in the exploration, mining, development and production of bauxite, including:

- environmental hazards including discharge of metals, concentrates, pollutants or hazardous chemicals;
- operational accidents which may include industrial accidents in connection with the operation of mining equipment, milling equipment and/or conveyor systems and in connection with transportation, such as transportation of chemicals, large mining equipment and transportation of employees to and from sites;
- labour disputes;
- encountering unexpected geological structures and formations, as well as other geological or grade problems;
- unanticipated changes in metallurgical characteristics;
- estimating the economic feasibility of mining ore bodies;
- developing appropriate metallurgical processes;
- encountering unexpected ground and underground or water conditions, cave-ins, flooding and other naturally occurring events/disasters;
- unfavourable operating conditions relating to surface activities, including drilling, and stream/river diversion; and
- availability of appropriate equipment and skilled labor.

Any such occurrences could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Processing operations are also subject to hazards such as equipment failure, toxic chemical leakage, loss of power, fast-moving heavy equipment, and failure of retaining dams around tailings containment areas which may result in environmental pollution and consequent liability. We may suffer a material adverse effect on our business, financial condition or results of operations if we incur losses related to any significant events. The impact of these events could lead to disruptions in production and scheduling, increased costs and loss of facilities, which could have a material adverse impact on our results of operations, financial condition and prospects.

Our cash flow and earnings growth are dependent upon the development of our current reserve base and converting our resource base to reserves and production.

Because bauxite mines have limited lives based on proved ore reserves and probable ore reserves, we must continually replace and/or expand our ore reserves and mineral resources. The life-of-mine estimates for our operating mines are based on our best estimate given the information available to us at the time of public reporting. For example, according to our 2021 Mineral Resource and Ore Reserves bauxite operation statement , our mining projects have an estimated 477.5 million tonnes of bauxite reserves and resources as at March 31, 2021. The quality of these estimates may vary based on the information available and the interpretation upon which they are based. Our ability to maintain or increase our annual production of bauxite depends on our ability to find and/or acquire new ore reserves and mineral resources and bring new mines into production, and to expand ore reserves and mineral resources and production rates at existing mines. The long-term profitability of our mining operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors.

The exploration and development of natural resources such as bauxite involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by applicable regulations and requirements, and factors such as the weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions.

Numerous other factors may have a material adverse impact such as the need for orderly development of deposits or the processing of new or different grades. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions or in production scale operations. Material changes in ore reserves or mineral resources, grades, dilution estimates or recovery rates may have a material adverse impact on the economic viability of a project.

Our estimates of Reserves and Resources may be inaccurate and materially different from mineral quantities we actually recover.

There is a significant degree of uncertainty attributable to the estimation of reserves and resources. The process of estimating reserves and resources is complex and requires us to make significant assumptions in the evaluation of available geological, metallurgical and other data. In addition, for reserve estimates, we must make assumptions as to commodity prices, drilling expenses, operating expenses and royalty taxes as well as legal, environmental and social factors, among other things. Many of these assumptions are inherently subjective, and the accuracy of our estimates relies in part on our ability to make accurate assumptions. Actual future commodity prices, production, operating expenses, royalty taxes and quantities of recoverable minerals may vary substantially from our assumptions. As a result, our estimates of reserves and resources may be materially inaccurate. The reserves and resources disclosed by us are not necessarily indicative of future results of operations and should not be interpreted as assurances of mining life or the profitability of our future operations. Until minerals are actually mined and processed, the quantity of ore and grades must be considered as estimates only. Although the mineral resource and reserve estimates have been carefully prepared, reviewed and signed by internal and external Competent Persons, these quantities are estimates only and no assurance can be given that resource or reserve estimates will not vary, or that an identified mineral resource will ever develop as a commercially mineable (or viable) ore body which can be legally and economically exploited. We cannot assure you that our reserves and resources conform to geological, metallurgical or other expectations or that the estimated volume or grade of ore will be covered.

We may not achieve our production estimate, and our adjusted cash costs for our operations may be higher than our estimates.

We prepare estimates of future production and cash operating costs for our operations. We develop our estimates based on, among other things, mining experience, reserve and other mineralized material estimates, assumptions regarding ground conditions and physical characteristics of ores (such as the hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of mining and processing. All of our estimates are subject to numerous uncertainties, many of which are beyond our control. Our actual production may be lower than our production estimates and our actual cash operating costs may be higher than our cash operating costs estimates. While we believe that our estimates are reasonable at the time they are made, actual results will vary and such variations may be material. These estimates are necessarily speculative in nature, and it may be the case that one or more of the assumptions underlying such projections and estimates may not materialize. Investors are cautioned not to place undue reliance on the projections and estimates set forth herein.

Our exploration efforts are highly speculative in nature and we may be unable to locate additional reserves in our concession areas or secure new concessions with reserves that are economically recoverable.

Our reserves will decline as mining continues and we depend on our ability to replenish our reserves and resources for our long-term viability. This, in turn, depends on our ability to acquire additional mining concessions and/or locate additional resources that are economically recoverable within our concession areas or in such other areas where we have permission to carry out exploration activities.

Mining exploration is highly speculative in nature, involves many risks including the risks that we will encounter no commercially mineable reserves, and is frequently unsuccessful. Moreover, once mineable reserves are discovered, it may take a number of years from the initial phase of drilling before production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves and resources through drilling, to determine processes to extract the metals and, if required, to construct mining and processing facilities and obtain the rights on the land and resources required to develop the mining activities. Although we devote efforts to undertake exploration activities at our existing mines and areas where we have exploration permits, we cannot assure you that our exploration programs will result in the expansion or replacement of current production with new proven and probable reserves.

Our inability to acquire additional mining concessions or locate economically viable reserves could lead to a decrease in our production levels and accordingly decreased sales, which may adversely affect our business, financial condition and results of operations.

In addition, as reserves are gradually depleted in the ordinary course of a given mining operation, the average mining depth and operating distance from processing infrastructure increases. As our more easily accessible reserves are depleted, we will need to mine deeper and implement more complex and labor intensive extraction procedures. These rising extraction costs affect the estimated life of the mine, which is determined on the basis of the feasibility of continued extraction in the context of rising costs, and may adversely affect our business, financial condition and results of operation.

There may be overlapping or competing rights to use the land and other resources in our concession areas.

In addition to the mining rights that we currently hold, third parties may have claims underlying portions of our interest, including prior unregistered liens, agreements, transfers or claims, including native title land claims and other landowner rights, and title may be affected by, among other things, undetected defects. While as of the date of this publication, we are not aware of any overlapping issues with other concession areas granted to third parties, portions of our concession areas overlap with palm oil plantation areas belonging to corporations and communities, which renders our bauxite ore reserve classification more challenging and may impose limits on our ability to exploit such concession areas. In addition, a few of our project areas are designated as “Limited Production Forest” and “Protection Forest” areas within the provision of the Decree of the Minister of Forest number SK.733/Menhut-II/2014 dated 2 September 2014 (“**Regulation No. 733/2014**”), which requires certain consents in order to conduct exploration and mining activities. There can be no assurance that no such other right has been granted, or may in the future be granted, by the central, regional or local governments. Such other rights, when and if granted, may overlap or compete with our use of the land pursuant to the terms of our mining rights, and result in the disruption of, delay in or even indefinite suspension of, our exploration or mining activities in the affected concession areas, which could materially and adversely affect our business, financial condition, results of operations and prospects. Further, the decentralization of the central Government’s authority and weakened control over regional activities in recent years may lead to regional and central Governments issuing mining business licenses which conflict with our existing licenses. The laws and regulations pertaining to the process for obtaining a mining business licenses may not provide adequate protection for the existing concession areas in the event that overlapping mining business licenses are issued to third parties in our concession areas and to the extent that we are unable to resolve any disputes relating to such overlapping mining business licenses favourably, our business, financial conditions, results of operations and prospects could be materially and adversely affected.

We cannot assure you that we or our subsidiaries will be successful in defending ourselves in the current or future claims/lawsuits against us or any of our subsidiaries and/or the management. If we and/or our subsidiaries are not successful in defending ourselves against any claims or lawsuits, we may be required to pay penalties or may lose our rights to use the land related to our business activities. In addition, any claim/lawsuit might result in our key personnel being obliged to settle such claim or lawsuit, which could limit our ability to operate our mining activities and we may incur substantial litigation costs in order to settle the claim or lawsuit. As a result, we may be constrained in our ability to operate our mine or unable to enforce our rights with respect to our mine. Any of the foregoing could have a material adverse effect on our future business, financial condition, results of operations and prospects.

Our bauxite mining operations depend on our ability to obtain, maintain and renew necessary permits and approvals from the Government. If we are unable to obtain, maintain or renew the licenses necessary for the development of our activities in a timely manner, this may result in additional costs and expenses with the payment of possible charges, or even compromise the regular development of our activities.

We are required to obtain, maintain, adjust and renew various permits and approvals from the Government for our bauxite mining operations, including our bauxite mining concessions. The licenses from the Government or regional governments required for operations of a bauxite mining business include general corporate, mining, capital investment, labour, environmental, land utilization and other licenses. Because we operate in an industry subject to extensive legislation and regulation and characterized by the need for frequent interaction with government authorities, the procedures to obtain, maintain or renew these licenses, authorizations and permits may become difficult. New licenses, authorization, grants, regulations, permits and registration applicable to our activities may also be imposed. We are also subject to delays by government agencies to issue licenses, which may adversely and materially affect us. We are also subject to inspection or supervision by government authorities to verify compliance with the rules and regulations in force.

Most of these permits have various expiration dates ranging from one to ten years from the date of issue. Two of our mining licenses held in relation to the Sandai mine are expected to expire in April 2022. Renewal for one of these licenses until April 2032 has recently been secured, and renewal on the other (in relation to our Tayap mine) is in progress. Under the relevant regulations, the mining licence holder is required to submit a renewal application along with the required supporting documents to the MEMR. In the event the renewal application documents are deemed by the MEMR to be incomplete, or in the event the MEMR requests additional supporting documents, the MEMR may return the renewal application documents for the relevant mining licence holder to complete. In such case, the relevant mining licence holder would need to resubmit the renewal application documents along with all required supporting documents and additional supporting documents as requested by the MEMR in the previous submission. With respect to the renewal of our mining licence for our Tayap mine, the MEMR has requested additional supporting documents to complete our renewal application, and we will resubmit the renewal application along with all required supporting documents and additional supporting documents. We must renew all of our permits and approvals as they expire, as well as obtain new permits and approvals when required. We cannot assure you that the relevant government authorities (whether at the central Government or regional government level) will not revoke or refuse to issue or renew the permits, will not issue competing permits for the approvals which we require to operate our business or that they will not impose unfavourable terms and conditions in connection with an issuance or renewal of such permits or approvals. This uncertainty partly arises as a result of the regulatory regime within which we operate. A loss of, or failure to obtain or renew, any permits and approvals necessary for bauxite mining business operations could materially and adversely affect our business, financial condition and results of operations.

Our production and our export sales are constrained by the export quota limits set by the Government, and there can be no assurance that we will continue to be eligible for such export quotas.

The proportion of our total MGB sales volumes exported to seaborne markets amounted to 67.1%, 85.0%, 85.5% and 87.3% in Fiscal 2018, 2019, 2020 and the six months ended June 30, 2021. Export sales are generally at higher prices than our local sales. Our export sales are currently conducted under an export regime under MEMR regulations granting export quotas notwithstanding a ban on the export of bauxite from Indonesia, which we have historically been granted in April and October of each year for 12-month periods. In each period we have been granted a quota, we have made export sales up to the limit of that quota.

In 2012, the export ban for bauxite was first introduced by the Government of Indonesia, in order to encourage domestic processing and the development of refiners and smelters. We scaled back our exploration activities during the export ban implementation in 2014, and we re-commenced exploration programs in October 2015 in order to ensure availability of bauxite ore for continuous smelter operations. During this period of the export ban, we stopped production in 2014 and 2015, and engaged in limited production 2016, producing 1.3 WMT, and 2017, producing 1.7 WMT. According to MEMR Regulation No. 25 of 2018 on Mineral and Coal Mining Business Operations as lastly amended by MEMR Regulation No. 17 of 2020 ("**MEMR Regulation 25/2018**"), bauxite ore with a content level of Al_2O_3 of 42% or more may be exported by companies that have constructed or are in the process of constructing a refinery or smelting facility and have paid all export duties. MEMR Regulation 25/2018, however, only authorises such export until June 10, 2023, and there can be no assurance that the date will be extended to permit export sales beyond June 10, 2023. Moreover, the Government may increase or decrease quota limits or eliminate them in their entirety, a development which would be entirely outside of our control. In addition, the regulations governing the export of bauxite from Indonesia may change. The inability to conduct or curtailment of the amount of export sales, whether due to changes in the application of current regulations to us or changes in the regulations themselves (including the re-imposition of the export ban) would have a material adverse effect on our financial condition and results of operation notwithstanding the possibility of increased domestic sales to WHW after completion of its Phase 2 expansion project.

We are dependent on transportation facilities and infrastructure for production and development of mining projects.

Mining, processing, development and exploration activities depend, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Further, the utilization of infrastructure may require us to enter into an agreement with the operator and/or developer of such infrastructure, which may make us dependent on such operator and/or developer for the construction, maintenance or use of such infrastructure. Infrastructure in our project area consists of the WHW-owned bauxite refinery, jetty, wet ore stockpiles, final stockyards, hauling road, a port, living quarters, offices and service facilities and two mining areas with a weigh bridge and a bauxite processing plant or washing plants. We also have residue storage facilities which help to support our current bauxite production target.

In terms of transportation, the road connecting the southern portion of our central region and our south region is poorly maintained, which may impact access to and from our mining sites. We also depend on maritime transport to ship our bauxite from Indonesia to our export markets. In 2020 and 2021, our access to maritime transport has been disrupted due to restrictions resulting from COVID-19, as well as diversions of barges to coal shipments from Indonesia to China due to China's ban on coal exports from Australia, diversions which we expect to continue for so long as the ban or any other restrictions remain in place.

Unusual or infrequent weather phenomena as well as natural disaster such as earthquakes and landslides, sabotage, or community, government or other interference in the maintenance or provision of such infrastructure could materially and adversely affect our operations, financial condition and results of operations. Any natural disaster could significantly damage our mining and general infrastructure. Further, extensive damage to our facilities and employee casualties as a result of natural disasters or for other reasons may adversely affect our ability to conduct our operations and, as a result, reduce our future operating results. Our insurance policies may not be adequate to cover any losses or liabilities resulting from the occurrence of these events, and therefore such events may adversely affect our business, financial condition and results of operation.

We are dependent on WHW, one of our associated companies, for all of our domestic sales. Operational or other difficulties in the WHW business could limit our sale of bauxite to them and diminish the value of our profit share in WHW.

A significant portion of the bauxite produced by our mining projects, and all of the bauxite we produce for domestic sales, is refined by our associate WHW. For Fiscal 2018, 2019 and 2020, and the for the six months ended June 30, 2020 and 2021, our sales to WHW accounted for 27.8%, 12.4%, 12.0%, 9.9% and 10.5% of our net sales, respectively. Damage to, failure of, or operational difficulties faced by WHW, or additional funding requirements of WHW that are not met, in refining the bauxite may cause WHW to diminish its requirements for bauxite and its purchases under our umbrella offtake agreement with WHW, as well as the value of our equity investment in, and the extent to which we may receive dividends from, WHW. For example, in connection with the Phase 2 expansion of its alumina refinery, on November 25, 2019, WHW entered into a senior facility agreement with, among others, PT Bank DBS Indonesia in relation to a USD545.0 million term loan facility (the "**WHW Facility Agreement**"), the inability of which to pay timely or at all may have a material adverse effect on our business, financial condition and results of operations by diminishing its purchases from us and the value of our investment in WHW. Under these circumstances we would only be able to increase our export sales as long as we met the criteria for such sales and our export quotas were increased. In addition, under the WHW Facility Agreement, WHW is restricted until 2029 from paying dividends if it fails to make timely payments under the WHW Facility Agreement (among other requirements). As WHW is the largest SGA alumina refining plant in Indonesia, according to AME, we may find it difficult or impossible to find a suitable replacement domestic purchaser. Operational or other difficulties at WHW could also damage its relationship and standing with its own customers for smelter grade alumina ("**SGA**") which could also have the effect of diminishing our sales, any dividends to us or the value of our investment in WHW. In addition, adverse impacts on WHW's results of operations, as a result of SGA prices or otherwise, could in turn have an effect on our business, financial position, results of operations and prospects. For example, a decrease in the average selling prices of SGA due to COVID-19 in 2020 resulted in a decrease in WHW's net profit, which in turn led to a 52.12% decrease in our equity from net profit of Associate in Fiscal 2020. Finally, the umbrella offtake agreement might be terminated in accordance with its terms. Any of the foregoing could have a material adverse impact on our business, financial position, results of operations and prospects.

Our financial results may be adversely affected as a result of the performance of WHW.

We hold a 30% interest in WHW through a joint venture arrangement, in which China Hongqiao Group Limited owns a controlling 61% stake (directly and through its subsidiary, Shandong Weiqiao Aluminum and Electricity Co. Ltd.). As a result, we do not consolidate WHW for accounting purposes, and instead, we record our 30% interest in the profit of WHW in our income statement under the line item "equity in net profit of associate". For the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, our sales to WHW accounted for 27.8%, 12.4%, 12.0%, 9.9% and 10.5% of our net sales, respectively. Any negative impact to WHW's operations which affect its ability to generate profits in turn may adversely affect our results of operations. For example, a decrease in the average selling prices of SGA due to COVID-19 in 2020 resulted in a decrease in WHW's net profit, which in turn led to a 52.12% decrease in our equity from net profit of Associate in Fiscal 2020. In addition, dividends paid by WHW have also positively contributed to our cash flows in past periods. WHW did not make any dividend payment in respect of the year ended December 31, 2020. Such dividends also are recommended solely by the board of directors of WHW and approved by a resolution of a majority of WHW's shareholders, all of which are not within our control.

In connection with ongoing expansion plans, WHW has incurred substantial debt in connection with the Phase 2 expansion, and we expect this will further impact WHW's ability to pay dividends in future periods. Under the WHW Facility Agreement, WHW is restricted until 2029 from paying dividends if it fails to make timely payments under the WHW Facility Agreement (among other requirements). Accordingly, our business, financial condition, results of operations and prospects have been, and we expect will continue to be, affected by the operating performance of WHW.

We engage in transactions with certain related parties that could result in conflicts of interest.

We are involved, directly or indirectly, in sale-purchase and service transactions with related parties, including WHW, PT Hasta Panca Mandiri Utama, PT Mitra Kemakmuran Line and PT Lima Srikandi Jaya. In accordance with Indonesian law, in broad terms, all transactions with related parties must be made on terms no more favorable to such parties than those offered to third parties. In addition, with respect to public companies, affiliated party transactions must be appraised by an independent appraiser and disclosed to the public unless an exemption applies. Our main transactions with related parties include, among others, bauxite sales to WHW, mining services and freight services. Although we intend to continue entering into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party, such transactions create the potential for, or could result in, conflicts of interest.

The Phase 2 expansion project of WHW's refinery is subject to operational risk that may result in delays.

An integral part of our business strategy is to leverage on WHW's Phase 2 expansion plans which will see the doubling of total processing capacity from 1.0 mtpa of SGA to 2.0 mtpa by the end of 2021. We expect to sell more quantity of bauxite to WHW to cater to higher processing requirements as our existing umbrella offtake agreement will remain in force until 2033.

The Phase 2 expansion project of WHW's refinery is subject to a number of risks that may adversely affect its prospects and profitability, including the following:

- WHW may fail to obtain, or experience delays or higher than expected costs in obtaining, the required agreements, authorizations, permits, licenses and approvals;
- WHW may encounter delays or higher than expected costs in obtaining the necessary equipment, machinery, materials, supplies, labor or services and in implementing new technologies to develop and operate the capacity expansion project;
- WHW may face insufficient cash flow generated from operations and difficulties in obtaining additional financing to meet capital expenditure requirements;
- Accidents, natural disasters and equipment failures, as well as major public health issues such as the current Covid-19 pandemic, which could result in delays, cost overruns, or the suspension or cancelation of the project; and
- Changes in market conditions or regulations may make the project less profitable than expected at the time we initiated work on it.

The construction of Phase 2 was delayed in 2020 due to COVID-19. There is no guarantee that WHW will be able to successfully complete the capacity expansion project on time or at all, which may materially and adversely affect our business, financial condition, results of operations, expansion plans and future business prospects.

Changes to LME warehousing rules could cause aluminium prices to decrease and adversely affect our sales of bauxite.

Since 2013, the LME has been engaged in a program aimed at reforming the rules under which registered warehouses in its global network operate. The initial rule changes took effect on February 1, 2015. Additional changes occurred throughout 2015 and 2016, culminating in an increased minimum daily load-out rate and caps on warehouse charges. These rule changes, and any subsequent changes the exchange chooses to make, could impact the supply/demand balance in the primary aluminium physical market and may impact regional delivery premiums and LME aluminium prices. Decreases in regional delivery premiums and/or decreases in LME aluminium prices could have a material adverse effect on our sales of bauxite and accordingly on our business, financial condition, and results of operations or cash flow.

Joint ventures and other strategic alliances may not be successful.

We own our 30% equity interest in WHW together with our joint venture partners, China Hongqiao Group Limited, Winning Investment (HK) Company Ltd and China Hongqiao's indirect subsidiary Shandong Weiqiao Aluminium and Electricity Co., Ltd, which hold a 56%, 9%, and 5% stake in WHW, respectively.

We may enter into other similar arrangements in the future and, although we have sought to protect our interests in these joint ventures and strategic cooperations, such arrangements inherently involve special risks owing to the fact that the joint venture or other strategic partners are not under common control. Our joint venture or other strategic partners may:

- have economic or business interests or goals that are inconsistent with or opposed to those of the company;
- exercise veto rights so as to block actions that we believe to be in our or the joint venture's or strategic alliance's best interests;
- take action contrary to our policies or objectives with respect to our investments; or
- as a result of financial or other difficulties, be unable or unwilling to fulfill their obligations under the joint venture, strategic alliance or other agreements, such as contributing capital to expansion or maintenance projects.

If our joint ventures or other strategic cooperations are not successful, our investments in these ventures may be impaired or written down. We cannot assure you that our joint ventures or strategic cooperations will be beneficial to us, whether due to the above-described risks, unfavorable global economic conditions, increases in construction costs, currency fluctuations, political risks, or other factors.

The occurrence of any of these events or any disagreements with our joint venture partners could have a material adverse effect on our business, financial condition and results of operation. As of the date of this publication, we have not entered into any other material joint venture agreements.

We depend on a small number of mines for a substantial portion of our production volume.

Substantially, all our bauxite ore is produced at our Sandai mine and Air Upas mine, with our Labai mine being designated a non-producing mine. It is expected that these mines will continue to provide a substantial portion of our operating revenues and cash flows in at least the short to medium-term. Consequently, to the extent that our operations at these mines are subject to a temporary or prolonged disruption as a result of, among other things, suspension or termination of mining licenses, major equipment failure, failure to receive required supplies in a timely manner or at all, or the occurrence of catastrophic events such as fires, floods or adverse weather conditions, our business, results of operations and financial condition may be adversely affected. In addition, if we were to experience production difficulties at our operating mines, we may encounter difficulties in meeting our commitments to our customers in a sufficient or timely manner, or at all. In such event, our customers may terminate or suspend their respective agreements with us, which may adversely affect our business, financial condition and results of operations.

We have significant mine reclamation and post-mining obligations.

The Government establishes operational and reclamation standards for all aspects of open pit and underground mining operations. We have developed mine reclamation and rehabilitation strategies for our concession areas. The reclamation process is conducted progressively when mining of an area within a mine ceases. As new areas are disturbed, mining expenses relating to the estimated cost of these reclamation and rehabilitation activities, as well as liabilities for the estimated future cash outlays for reclamation and rehabilitation, are recorded. As additional areas are disturbed for mining to increase production, we also incur new expenses for future rehabilitation. We currently have ongoing reclamation and post-mining obligations with respect to the Air Upas, Sandai, Kendawangan and Labai sites, for which we have made a provision totalling Rp.39.5 billion.

Under Government Regulation No. 78 of 2010 regarding Reclamation ("**Indonesian Government Regulation No. 78 of 2010**") and Post-Mining and MEMR Regulation No. 26 of 2018 regarding Implementation of Good Mining Guidance and Mineral and Coal Mining Supervision ("**MEMR Regulation 26/2018**"), we are responsible to the Government for the reclamation and post-mining activities of all mined land and our concession areas. Further, as an implementation for the reclamation and post-mining activities, we are obliged to place a reclamation guarantee and post-mining guarantee in accordance with the discretion of the MEMR or other relevant government authority. However, there can be no assurance that the reclamation and post-mining works that we carry out will meet the standards imposed by the Government. Should the reclamation and post-mining work prove deficient in any respect, our cost may increase significantly, which could have a material adverse effect upon our business, financial conditions, results of operations and prospects. The failure to fulfil the reclamation and post-mining obligations may cause us to be imposed with the administrative sanction (the ultimate sanction is revocation of mining licences) which could materially and adversely affect our business.

Furthermore, we face risks associated with closure of mines, including (i) long-term management of permanent engineered structures; (ii) achievement of environmental closure standards; and (iii) orderly retrenchment of employees. The successful completion of these tasks is dependent on the ability to successfully implement negotiated agreements with the relevant local government, community and employees. There is no guarantee that the closure of mines will be successful. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impact and damage to corporate reputation and suspension and cancellation of mining titles, if desired outcomes cannot be achieved any of which could materially and adversely affect our business and results of operations.

We rely on contractors for a substantial portion of our mining activities.

A substantial portion of our exploration, mining and mine construction supporting works are subcontracted to contractors, principally in the areas of production, barging and other transport and heavy equipment rental. Such arrangements with contractors carry with them risks associated with the possibility that the contractors may take actions contrary to our instructions or requests, be unable, or unwilling, to fulfil their obligations, or have economic or other interests or goals that are inconsistent with our own. Our operations can also be affected by the performance of our contractors. If any contractor fails to perform their tasks or if we fail to maintain a long-term and stable working relationship with them and we are unable to find suitable alternative suppliers, our business, financial condition, results of operations and prospects may be materially and adversely affected. Under Indonesian law, we are responsible and may be held liable for all activities conducted by mining services contractors engaged by us. As a result, our operations are subject to a number of risks, some of which are outside our control, including:

- negotiating agreements with contractors on acceptable terms;
- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement;
- reduced control over those aspects of operations which are the responsibility of the contractor;
- failure of a contractor to perform under its agreement;
- interruption of operations or increased costs in the event that a contractor ceases its business due to insolvency or other unforeseen events;
- failure of a contractor to comply with applicable legal and regulatory requirements, to the extent it is responsible for such compliance; and
- problems of a contractor with managing its workforce, labour unrest or other employment issues.

Further, mining requires skilled labour. As our mining operations expand, our future success will depend significantly on our contractors' continued ability to attract and retain additional skilled and qualified personnel. Any future difficulty in our contractors' ability to attract, recruit, train, and retain skilled and qualified personnel could materially and adversely affect our business, financial conditions, results of operations and prospects.

We may not be able to procure adequate and uninterrupted supplies of electricity, fuel, water, necessary auxiliary materials, equipment and spare parts at favourable prices or at all.

Mining operations and facilities are intensive users of electricity, which we presently derive from primarily from our diesel generators. Energy prices can be affected by numerous factors beyond our control, including global and regional supply and demand, carbon taxes, inflation, political and economic conditions, and applicable regulatory regimes. Energy costs, particularly the costs of electricity generation, comprise a material portion of our cost of production. If energy costs increase for whatever reason, our business and financial condition may be materially and adversely affected. An interruption to our fuel supplies could also have a significant effect on our business, financial condition, results of operations and prospects.

Diesel fuel is used by the mobile fleets of our contractors and its costs comprise a significant portion of our mining costs. Fuel and lubricants constituted approximately 3.9%, 9.5%, 6.8%, 6.9% and 5.4% of our cost of goods sold in Fiscal 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively. As we bear the risk of increases in diesel fuel costs, we are exposed to fluctuations in changes in the prevailing market price of diesel in Indonesia. Any future significant increases in the price of diesel fuel would cause a corresponding increase in our mining costs in future periods. We have not entered into any agreement to hedge our risk arising from fluctuations of oil prices.

Water is one of the main utilities used in our mining operations. We obtain our water supply primarily by recycling from our processing plant and collecting seasonal rainfall in storage ponds. There can be no assurance that future water supply from these sources will be sufficient to maintain mining and processing operations.

In the event that our existing suppliers cease to supply us with, or there are fluctuations in the prices of electricity, fuel, auxiliary materials, equipment or spare parts, our financial condition and results of operations may be materially and adversely affected.

Stricter environmental laws and regulations or more stringent enforcement of existing environmental laws and regulations may impose additional costs on us or alter some aspects of our operations.

Our operations involve the use of environmentally hazardous materials as well as the discharge of materials and contaminants into the environment, disturbance of land, potential harm to flora and fauna, and other environmental concerns. Our business is subject to the extensive environmental controls and regulations in Indonesia, particularly the Job Creation Law - Government Regulation No. 22 of 2021 on Environmental Protection and Management, as recently amended by the Job Creation Law, and its implementing regulations, which can make our exploration and development activities more expensive or prohibit them altogether.

The prevailing environmental regulations generally provide, among others, that mining companies must have the facilities to comply with the reclamation and post-mining obligations in relation to concession areas and bear the costs and expenses of the reclamation and post-mining obligations, and prevent and minimize environmental pollution and destruction resulting from their mining activities. Further, we also shall conduct environmental management of the mining areas under good mining practice principles under the prevailing law and regulations. MEMR Regulation 26/2018, as expanded on by MEMR Decree No. 1827/K/30/MEM/2018, states that environmental management of mining areas includes the implementation of environmental management and supervision according to the company's environmental documents and prevention of, and subsequent recovery of the environment after, pollution events and/or environmental damage.

Although our management believes that our operations are currently in compliance in all material respects with applicable regulations, we cannot assure you that the government authorities will not impose additional regulations or increase the levels of fees, remedy or fines for non–compliance, which could result in a significant increase of our expenditures. The payment of such liabilities incurred to the fees, remedy and or fines in respect of the non–compliance would reduce funds otherwise available to us. If we were unable to fully remedy an environmental problem, we might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

In addition, under Indonesian environmental regulations, remedial and preventative measures and sanctions (such as the imposition of substantial criminal penalties, fines and the cancelation of concessions) may be imposed in order to remedy or prevent pollution caused by mining operations. Such sanctions range from three to fifteen years' imprisonment for any person who intentionally causes environmental pollution or environmental damage, and fines ranging from between Rp.3.0 million to Rp.15.0 billion, subject to an additional penalty of one-third of the fine amount if the charge is filed against the party who ordered the criminal act or the lead conspirator. The Ministry of Environment and Forestry also reserves the right to impose a monetary penalty in lieu of any rehabilitation obligations of a person found to be liable.

The introduction of more stringent environmental laws and regulations dealing with bauxite exploration and production and environment restoration programs, could lead to the need to set aside special rehabilitation and decommissioning reserves or in an increase in our environmental obligations and have a significant impact on some portion of our business, causing those activities to be economically re-evaluated at that time, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are dependent on our mining specialists and senior management. The loss of key employees and inability of attracting or retaining qualified management or key employees could have a material and adverse effect.

Our business is highly dependent on qualified geologists, mining engineers and other mining specialists. Only a limited number of skilled mining specialists with adequate qualifications and experience are available, and there is an increasing demand for such qualified personnel as more international companies invest in mining industries. In addition, our ability to implement our business strategy depends to a large degree on the services of our senior management team, particularly their expertise with respect to employees and local regulations. The loss or diminution of the services of our mining specialists and/or members of our senior management team or an inability to attract or retain similar personnel could have a material adverse effect on our business, financial condition, results of operations and prospects.

We do not insure against all risks to which we may be subject and the insurance coverage or the risks against which we are insured may prove inadequate. Further, the initiation or renewal of insurance policies at commercially reasonable prices or on acceptable terms is subject to market conditions.

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological conditions, adverse environmental and social conditions, industrial accidents, labor disputes, ground or slope failures, landslides, equipment failures, changes in the regulatory environment and natural phenomena such as adverse weather conditions, floods and seismic activity. These risks can result in, among other things, damage to and destruction of mine properties or production facilities, personal injury, environmental damage, delays in mining and production, monetary losses and liability.

We have maintained insurance within certain ranges of coverage which we believe to be consistent with industry practice in Indonesia, such as coverage for our vehicles and heavy machinery equipment. However, in line with what we believe to be industry practice in Indonesia, we have elected not to insure against certain other risks as a result of high premiums or other reasons or have agreed to policy limits on certain coverage.

Moreover, there can be no assurance that we will be able to maintain our current insurance coverage at economically reasonable premiums or at all in the future, or that any coverage we obtain will be adequate and available to cover the extent of any claims against us. In the event that we suffer a significant liability for which we are not insured or our insurance coverage is inadequate to cover the entire liability, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our risk management, internal control systems and compliance procedures may not be adequate or effective.

We have established risk management and internal control systems consisting of relevant organizational framework policies, procedures and risk management methods that we believe are appropriate and adequate for our business operations. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be sufficiently effective in identifying and preventing all such risks. In addition, because our risk management and internal control systems are implemented by our employees, we cannot assure you that such implementation will not involve human error or mistakes. In addition, our compliance procedures may not be sufficient to prevent or detect all misconduct, fraud, acts of corruption or violations of applicable laws by our employees, members of management or other third parties acting on our behalf, in our interest and/or for our benefit, even if indirectly. If we fail to timely adapt and implement our risk management policies and procedures, or if our employees, members of management or other persons related to us engage in fraudulent, corrupt or unfair practices or violate applicable laws and regulations or our internal policies, we may be held liable under applicable laws for any such violations, which may result in penalties, fines or sanctions, then our business, financial condition, results of operations and prospect could be materially and adversely affected.

We may not be able to obtain sufficient financing to fund the expansion and development of our business.

We have relied on a mixture of equity capital and debt financing to fund our acquisition, exploration and development activities. Going forward, we expect to use cash and future cash flows generated from our operations to meet our business growth objectives, including infrastructure development to support our production activities. However, there can be no assurance that our cash and future cash flows will be sufficient, and we may need to secure additional funding through external sources. In such event, there can be no assurance that we will be able to obtain sufficient funding or obtain funding at all when it is required or that such additional funding will be available on commercially acceptable terms. If any such additional equity funding is obtained, it may be on terms that are highly dilutive or otherwise adverse to our existing shareholders. Our failure to obtain additional funding or to obtain additional funding on commercially acceptable terms when needed could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Covenants in our debt agreements may restrict our ability to operate our business.

Our existing revolving loan facility provided by DBS Bank Ltd., PT Bank OCBC NISP Tbk. and Oversea-Chinese Banking Corporation Ltd. and other debt agreements (as set out in "*Description of Material Indebtedness*") (each a "**Debt Facility**" and collectively, "**Debt Facilities**") contain restrictive covenants, including restrictions on our ability to incur indebtedness, become a creditor of any financial indebtedness, or create security interest on or dispose of our assets, and restrictions on our ability to enter into any merger or consolidation arrangements, pay a dividend unless it is from its net earnings or undertake any acquisitions without prior consent from the lenders. These restrictions could limit our ability to effectuate future acquisitions, limit our ability to pay dividends, limit our ability to make capital expenditures or restrict our financial flexibility. Certain Debt Facilities also contain financial covenants requiring us to maintain compliance with specified financial ratios. Our ability to meet the financial covenants or requirements therein may be affected by events beyond our control, and we may not be able to satisfy such covenants and requirements. A breach of these covenants or our inability to comply with the financial ratios, tests or other restrictions contained in a Debt Facility could result in an event of default under one or more of our other Debt Facilities. Upon the occurrence of an event of default under a Debt Facility, and the expiration of any grace periods, the lenders could elect to declare all amounts outstanding under one or more of our other Debt Facilities, together with accrued interest, to be immediately due and payable. If this were to occur, our assets may not be sufficient to fully repay the amounts due under our Debt Facilities, and we may be unable to secure additional financing.

Adverse publicity, protest or inability to maintain good relations with local communities could have a material adverse effect on our business, financial condition, results of operations and prospects.

There is an increasing level of public concern relating to the effect of mining production on its surroundings, communities and environment. NGOs, some of which oppose globalization and resource development, are often vocal critics of the mining industry. While we seek to operate in a socially responsible manner, adverse publicity generated by such NGOs related to the mining industry, or our operations specifically, could have an adverse effect on our reputation and financial condition and/or on our relationships with the communities in which we operate.

We face the risk that our mining operations may be disrupted by local community opposition or unrest. Due to the adverse environmental impact associated with mining activities, local communities surrounding the areas in which we conduct mining operations may oppose, at times violently, the carrying out of further mining activities. Local communities may also cause disruptions arising out of, but not limited to, disputes relating to compensation claims for land acquisitions and land use rights, and contractor or employee death or serious injury. We cannot assure you that we will be able to successfully resolve or overcome opposition from local communities that we may encounter in the future. In the event that our mining operations are disrupted by local community opposition or unrest and we are unable to resolve such disruption in an amicable or timely manner or at all, we may not be able to meet production targets.

Any unanticipated adverse environmental impact resulting from our mining operations may cause NGOs and local communities to protest against us. If our operations are disrupted in the future by protests or complaints from NGOs or members of the local communities, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected.

Severe weather conditions could materially and adversely affect our operations and business.

Severe weather conditions, such as heavy rainfall or drought, may require us to curtail operations and may result in damage to the project site, to our equipment or to our facilities, or to our contractors' equipment, which could result in the temporary suspension of operations or generally reduce our productivity. For example, in the event of a drought, our operations may be negatively impacted due to a lack of water availability because the bauxite washing process relies on a supply of water. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses while production is slowed or stopped altogether. Any damage to our projects or delays in their operations caused by severe weather could materially and adversely affect our business and results of operations.

Our mine operations can be affected by seasonality, particularly during the monsoon season when heavy rains can increase transportation time of ore from the mine to the processing plant. Heavy rainfall will also increase the amount of water in bauxite, which has the effect of diminishing volumes of sales and, accordingly, revenues. Further, a prolonged rainy season can have a significant impact on mining operations, equipment utilization rates and overburden removal rates. For example, heavy rain tends to make ore slippery, which can have the effect of slowing production rates. In addition, actual rainfall and rain hours can vary significantly in the regions where we operate from year to year and can result in our utilization and production volumes for a period or a particular year being significantly lower than anticipated and targeted, even after we build in allowances for typical rainfall and rain hours due to seasonal weather conditions. During the monsoon season, our mine planning needs to anticipate and adjust production levels to take into account such weather-related impact.

Cyberattacks and security breaches may threaten the integrity of our intellectual property and other sensitive information, disrupt our business operations and result in reputational harm and other negative consequences that could have a material adverse effect on our financial condition and results of operations.

We face cybersecurity threats, which may range from uncoordinated individual attempts to sophisticated and targeted measures, known as advanced persistent threats, directed at the company. Cyberattacks and security breaches may include, but are not limited to, attempts to access information, computer viruses, denial of service and other electronic security breaches.

Although we have not to date experienced cyberattacks, we may experience cyberattacks in the future. Due to the evolving nature of cybersecurity threats, the scope and impact of any future incident cannot be predicted. While we continually work to safeguard our systems and mitigate potential risks, there is no assurance that such actions will be sufficient to prevent cyberattacks or security breaches that manipulate or improperly use our systems or networks, compromise confidential or otherwise protected information, destroy or corrupt data, or otherwise disrupt our operations. The occurrence of such events could negatively impact our reputation and our competitive position and could result in litigation with third parties, regulatory action, loss of business, potential liability and increased remediation costs, any of which could have a material adverse effect on our financial condition and results of operations. In addition, such attacks or breaches could require significant management attention and resources, and result in the diminution of the value of our investment in research and development.

Any failure to maintain effective quality control systems in relation to our supplies, procurement and production could have a material adverse effect on our business and operations.

The quality of the products we sell, including with respect to Al_2O_3 and SiO_2 grand and content is critical to our success. Maintaining consistent quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure our employees adhere to those quality control policies and guidelines. Our quality control systems mainly consist of quality control measures for procurement of raw materials and production.

However, there can be no assurance that our quality control systems will prove to be effective at all times. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our reputation, business, results of operations, financial condition and prospects.

The nature of our business includes risks related to litigation and administrative proceedings that may adversely affect our business and financial performance in the event of an unfavourable ruling.

The nature of our business exposes us to litigation relating to labour, environmental, health and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, and criminal prosecution, among other matters. In the context of these and any future proceedings we may not only be required to pay fines or money damages but also be subject to complementary sanctions or injunctions affecting our ability to continue our operations. While we may contest these matters vigorously and make insurance claims when appropriate, litigation and other proceedings are inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation or proceedings. Although we may establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation and judicial processes. We cannot assure you that administrative or other legal proceedings will not have a material adverse effect on our ability to conduct our business, financial condition and results of operations in the event of an unfavourable ruling.

We may experience safety incidents or accidents at our mine sites.

Operations at our mine sites involve the operation of heavy machinery, and industrial accidents resulting in damage to property, personal injury or death may occur. Although we maintain insurance coverage for certain properties and employees, if such events were to occur, we may be liable for loss of life and property, medical expenses, medical leave payments and fines or penalties for violation of applicable Indonesian laws and regulations. These types of accidents or enhanced safety measures imposed by Government authorities could have a material adverse effect on the manner in which we conduct operations, thereby adversely impacting our business, financial condition and results of operations.

Illegal mining may disrupt our operational activities

Unauthorized extraction of minerals and illegal mining is a common problem in Indonesia and has at times caused major disruption to the activities of mining companies. Illegal mining in Indonesia typically increases as mineral prices rise. In addition to having a possible material and adverse effect on our business, financial condition, results of operations and future business prospects, there are other health, safety and security risks. We have no control over such illegal miners and their practices. They may not adhere to international health and safety standards and may breach various environmental regulations in the process, for which we may be liable as a result of our concession rights.

Non-compliance with contracts and obligations by suppliers, contractors, contracted companies and other counterparties could have a material adverse effect on our activities and result in material impacts on results.

We are subject to a number of risks involving our suppliers, contractors, contracted companies and other counterparties, including:

- failures in the performance of the product supplied or service provided;
- non-compliance with contractual provisions, including in relation to performance guarantees for equipment crucial to our operations;
- inability to negotiate and renew contracts on acceptable terms;
- difficulties in replacing contractors and suppliers;
- problems of contractors regarding the local availability of quality labor;
- increases in the price of electricity;
- interruptions in the supply of electricity or water;
- financial difficulties, judicial recovery, extrajudicial recovery, bankruptcy and similar situations; and
- other situations that may lead to the interruption of our activities.

Non-compliance with contracts and obligations by suppliers, contractors, contracted companies, and other counterparties could have a material adverse effect on our business and results in material impacts on results.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties that could subject us to litigation, financial losses and sanctions imposed by governmental authorities, as well as affect our reputation. This misconduct could include:

- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;

- intentionally concealing material facts, or failure to perform necessary due diligence to identify potential risks which are material to us in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- engaging in improper activities such as accepting or offering bribes;
- misappropriation of funds;
- conducting transactions that exceed authorized limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in unauthorized or excessive transactions to the detriment of our customers; or
- otherwise not complying with applicable laws or our internal policies and procedures.

If such fraud or other misconduct does occur, it may cause negative publicity as a result, and may adversely affect our reputation, businesses, financial condition and results of operations.