

ASX Announcement

16 August 2016

AGREEMENT TO DIVEST PAJINGO GOLD MINE

Evolution Mining Limited (ASX:EVN) ("Evolution" or the "Company"), via a wholly-owned subsidiary, has entered into a binding agreement with Minjar Gold Pty Limited ("Minjar Gold") to sell the Pajingo gold mine and surrounding exploration tenements¹ in North Queensland for total proceeds of up to A\$52.0 million. The total proceeds consist of a A\$42.0 million upfront cash payment² and a 1% NSR (net smelter return) royalty of up to A\$10.0 million for gold production above 130,000 ounces³. The transaction is unconditional - Minjar Gold has met all the requirements in relation to Chinese approvals and FIRB approval for the transaction.

Evolution has consistently stated that a key objective of its corporate strategy is to improve the quality of its asset portfolio over time. The sale of Pajingo is consistent with this strategy.

Commenting on the transaction, Evolution Executive Chairman, Jake Klein said:

"Pajingo has made a very important contribution to our business over the last six years. Evolution has grown significantly in the past 18 months and it now makes strategic sense for the asset to be operated by an emerging gold producer that can provide the right level of focus on further extending the mine's operating life."

We thank all of our team at Pajingo for their contribution to Evolution. Their level of focus and commitment has ensured Pajingo continues to be a profitable gold mine 30 years after commencing production."

As noted in the ASX release dated 9 August 2016, Evolution will book a loss on the sale of A\$77.3 million based on the carrying value of the asset.

The sale is expected to close on 1 September 2016⁴. Evolution is committed to assisting Minjar Gold to ensure an orderly transition of ownership at the Pajingo operations.

As a result of the sale, Evolution has revised its FY17 gold production guidance to 745,000 – 800,000 ounces (from 800,000 – 860,000 ounces) at an AISC⁵ of A\$970 – A\$1,030 per ounce (from A\$985 – A\$1,045 per ounce).

Treadstone Resource Partners acted as financial advisor to Evolution. Allens acted as legal advisor to Evolution.

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1. Includes the Twin Hills and Wirralie tenement packages
2. Comprising: (i) A\$41.9 million payable on completion of the transfer of shares in the Pajingo holding company ("**Share Transfer**"); and (ii) A\$100,000 payable on completion of the transfer of a stand-alone exploration permit once Ministerial approval under the *Mineral Resources Act 1989* (Qld) is obtained ("**Stand-Alone Tenement Transfer**"). The A\$41.9 million amount is subject to a working capital adjustment.
3. No royalty is payable in respect of the first 130,000 ounces produced following completion of the Share Transfer. Once the 130,000 ounce production threshold has been reached, the royalty will be payable in respect of each subsequent 6 month period if the average daily gold price during each such period is above A\$1,400 per ounce and production is at least 50,000 ounces on an annualised basis. The aggregate amount of the royalty is capped at A\$10.0 million
4. This is for the Share Transfer. Completion of the Stand-Alone Tenement Transfer is subject to receipt of Ministerial approval under the *Mineral Resources Act 1989* (Qld)
5. Includes C1 cash costs plus royalty expense, sustaining capital, general corporate and admin expense per ounce sold

About Minjar Gold

Minjar Gold is a wholly-owned subsidiary of Shandong Tyan Home Co. Ltd (“Tyan Home”). Tyan Home is a publicly listed company which trades on the Shanghai Stock Exchange under the code 600807.SS with a current market capitalisation of approximately A\$2.6 billion. Tyan Home is involved in property and mining.

Tyan Home is 29.45% owned by the Shandong Tianye Group (“STG”). STG was founded in 1999 and is a private Chinese company based in Jinan, the capital of the Shandong Province. STG operates a diversified multi-national conglomerate with interests in property, property development, energy and mining.

Minjar Gold owns the Minjar gold mine, 550km northeast of Perth, Western Australia. Minjar acquired the Minjar gold mine in 2009 and delineated a resource base to support the recommencement of mining and milling operations in 2013. The operation produces approximately 35,000 ounces of gold per annum.

In 2015 Minjar Gold acquired the Kirkalocka gold project, 70km south of Mount Magnet, Western Australia.

Minjar Gold is seeking to further grow its production profile with acquisitions within Australia.

About Evolution Mining

Evolution Mining is a leading, growth-focussed Australian gold miner. Following the sale of Pajingo, Evolution will operate six wholly-owned mines – Cowal in New South Wales; Mt Carlton, Mt Rawdon, and Cracow, in Queensland; and Mungari and Edna May in Western Australia.

In FY16 Evolution produced 803,476 ounces of gold at an AISC of A\$1,014 per ounce generating a net mine cash flow of A\$428.2 million.

Following the sale of Pajingo, Evolution has revised FY17 gold production guidance to 745,000 – 800,000 ounces at an AISC of A\$970 – A\$1,030 per ounce.