

ASX Announcement

17 November 2021

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EVOLUTION SECURES FULL OWNERSHIP OF ERNEST HENRY

Evolution Mining Limited (ASX: EVN) (“**Evolution**” or the “**Company**”) is pleased to announce that it has entered into a binding agreement with Glencore to acquire 100% of the shares in Ernest Henry Mining Pty Ltd, the owner of the world class Ernest Henry copper-gold mine located ~38km north-east of Cloncurry, Queensland (“**Ernest Henry**”) for a total consideration of A\$1 billion (the “**Transaction**”), comprising A\$800 million payable upfront upon Transaction completion, and A\$200 million payable on the first anniversary of Transaction completion.

In November 2016 Evolution acquired an economic interest in Ernest Henry via a joint venture structure with the asset managed and operated by Glencore. Under the Transaction, these joint ventures will expire, and Evolution will receive 100% ownership and operatorship of the asset.

The Transaction will result in Evolution’s copper production increasing, lowering its All-in Sustaining Cost per ounce and cementing its position as one of the lowest cost gold producers in the world.

As part of the overall funding of the Transaction and associated costs¹, Evolution has successfully priced a new US\$200 million US Private Placement (USPP) maturing in FY31, at a fixed coupon of 3.06%. Evolution’s investment grade rating was reaffirmed, and the placement was oversubscribed reflecting the note investors’ view on the quality of the Transaction. Following completion of this USPP and payment of the A\$800 million upfront consideration Evolution will have liquidity of approximately A\$900 million. No additional funding is required to complete the Transaction, which has taken into account the deferred settlement amount.

The economic effective date of Evolution’s 100% interest in Ernest Henry is 1 January 2022. The Transaction is expected to complete on 6 January 2022.

Commenting on the Transaction, Evolution’s Executive Chairman Jake Klein said:

“We have long coveted to own Ernest Henry. It is a world-class asset in Australia and one which we know extremely well due to our successful investment in the asset in 2016 and proud that it will once again be 100% Australian owned. The acquisition is consistent with our strategy, materially improves the quality of our portfolio and delivers both strong cash flow and mine life extension opportunities.

The site management team have an outstanding track record of operational delivery and we are delighted they will be joining Evolution and look forward to working with them to make this an even better operation.

We are also pleased to be continuing our strong relationship with Glencore and that the product will continue to be treated in the local region at their Mt Isa smelter and Townsville refinery.”

Transaction Highlights

- Acquisition aligned with Evolution’s strategy – a world-class asset in a Tier 1 jurisdiction operated to a consistently high standard
- Immediate material increase in cash flow generation
- Lowers Group All-in Sustaining Cost per ounce by 12% on an annualised basis and cements Evolution as one of the world’s lowest cost gold companies
- Significant extension potential with drilling results indicating ore body extension at depth
- Fully financed with low-cost debt
- Transaction metrics attractive relative to comparable recent transactions

¹ Includes stamp duty and Transaction related fees

Ernest Henry Overview

Ernest Henry is a large-scale, long-life, copper-gold mine located ~38km north-east of Cloncurry, Queensland. The operation commenced as an open pit mine in 1998 and transitioned to underground mining in 2011.

The current shaft underground mining operation employs a low-cost and highly efficient sub-level caving ore extraction method. There is also an underground primary crusher and ore handling system. Ore is brought to surface via a 1km shaft with a hoisting capacity in excess of 6Mt per annum. The operation also has an effective and sophisticated above and below ground water management system.

Copper, gold and silver are recovered from the ore using traditional grinding and flotation methods in the concentrator. The plant has a current processing rate of ~6.8Mtpa (8.5Mtpa capacity and scalable to ~11Mtpa). The concentrator incorporates grinding (four mills), conventional flotation and dewatering. A single copper-gold-silver concentrate is produced by a rougher and a three-stage cleaning circuit. The concentrate is treated at Glencore's Mt Isa smelter (~150km trucking distance) and metal is refined at Glencore's Townsville refinery.

Evolution acquired an economic interest in Ernest Henry in November 2016 from Glencore via joint ventures that delivered 100% of future gold and 30% of future copper and silver produced within an agreed life of mine area. Evolution pays 30% of the operating costs and capital of the operation. Outside the agreed life of mine area, Evolution would have a 49% interest in future additional copper, gold and silver production, and would pay 49% of the operating and capital costs. Throughout the duration of the partnership, Glencore has operated the asset exceptionally well and has consistently delivered results which exceeded the agreed mine plan.

From completion of the acquisition, which is targeted for 6 January 2022, Evolution's interest in Ernest Henry will transition to 100% legal ownership of the underlying asset. Economic interest in Ernest Henry on a 100% basis will transfer to Evolution from 1 January 2022 via a locked box mechanism (subject to completion occurring). Additionally, a new offtake arrangement has been agreed for 100% of Ernest Henry's concentrate to be sold to Glencore on standard market terms that will also take effect from 1 January 2022.

Glencore recently commenced a pre-feasibility study on the extension potential below the current mine footprint which is expected to be completed in the September 2022 quarter. The study activities will include confirmation of the capital estimate, mine design and production plan. Key decisions around the optimal materials handling solution and options for additional power will also be addressed. Drilling will continue to develop ore body knowledge with 15km planned during the 2022 calendar year.

Transaction Funding

The Transaction consideration will be funded from available cash and a new USPP issue of US\$200 million maturing in February 2031 at a fixed coupon of 3.06%. The US dollar exposure has been hedged at an AUD/USD rate of 0.7316. The placement is subject to customary conditions and is expected to be settled in February 2022.

Upon settlement of the new USPP, Evolution will have total debt of A\$1,833 million and net debt of ~A\$1,300 million with an average maturity of 6 years. Evolution will have liquidity of ~A\$900 million post completion of the Transaction through cash on hand and the undrawn A\$360 million Revolving Credit Facility (Facility A). No additional funding is required to complete the Transaction, which has taken into account the deferred settlement amount.

Updated FY22 Guidance and Three-Year Outlook

The addition of 100% of Ernest Henry from 1 January 2022 increases FY22 copper production guidance for Ernest Henry from 17 – 19kt to 34 – 38kt, while there is no change to gold production guidance as Evolution already receives 100% of gold production from the current mining area above the 1,200RL. For FY23 and FY24, annual copper production will increase by 40kt to approximately 60kt per annum. It will also result in a reduction to FY22 Group AISC of approximately A\$90 – A\$100/oz. The impact on the Group AISC outlook for FY23 and FY24 is a reduction by approximately A\$190/oz and A\$140/oz respectively.

At Red Lake, development metres in excess of the 1,200 metres per month target was achieved for the first time in October. However, the improvements to stoping efficiency have been slower than planned. Production and costs from the operation in the December 2021 quarter are expected to be the same as the September 2021 quarter. Material improvements in production and costs are anticipated in the second half of FY22. The underperformance is expected to increase FY22 Group AISC by approximately 2-3% or A\$25 – 35/oz.

Group FY22 gold production guidance remains unchanged at 670,000 – 725,000 ounces. Group AISC is reduced by A\$65/oz to A\$1,135– A\$1,195/oz which includes the benefit of Ernest Henry and underperformance at Red Lake.

Sustaining capital reflects the movement from 30% to 100% at Ernest Henry and changes FY22 by A\$27.0 million. The change in FY23 and FY24 is A\$35 million per annum. Major capital reflects investment in the extension at Ernest Henry as works on the pre-feasibility study are underway. The impact is A\$10.0 million in FY22 and approximately A\$50 – 60 million in FY23 and FY24.

Details of the updated Group guidance for FY22 and outlook for FY23 and FY24 are summarised in the table below:

Three-Year Outlook	Gold production (oz)	AISC (A\$/oz) *	Sustaining Capital (A\$M)	Major Capital (A\$M)
FY22	670,000 – 725,000	1,135 – 1,195	150 – 175	440 – 505
FY23	775,000 – 830,000	895 – 955	150 – 190	530 – 600
FY24	855,000 – 915,000	990 – 1,050	155 – 195	325 – 395

* AISC is based on Gold price of A\$2,200/oz (royalties) and Copper price of A\$11,000/t (By-product credits)

Evolution's updated Group Three-year Outlook for Gold Production comprises 4% Proved Ore Reserves, 81% Probable Ore Reserves, 7% Indicated Mineral Resources and 8% Inferred Mineral Resources.

There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production targets will be realised.

Material assumptions for Evolution assets

Material assumptions for Evolution assets on which the Group Three-year Outlook is based are presented in ASX releases entitled "Annual Mineral Resources and Ore Reserves Statement" and "Cowal Underground Board Approval, Red Lake Growth Update and Group Three-year Outlook" released to the ASX on 12 February 2020 and 16 July 2021 respectively. Material assumptions for the Kundana and EKJV assets are presented in ASX release entitled "Acquisition to elevate Mungari to a cornerstone asset and A\$400 million equity raising" released to the ASX on 22 July 2021. All these releases are available to view at www.evolutionmining.com.au.

The material assumptions upon which the Group Three-year Outlook forecast financial information is based are: Gold A\$2,200/oz; Silver A\$27.50/oz; Copper A\$11,000/t; and Diesel A\$80/bbl. The AISC Outlook is based on a Gold price of A\$2,200/oz (Royalties) and a Copper price of A\$11,000/t (by-product credits).

Competent Persons Statement

The Ore Reserves and Mineral Resources underpinning the Group Three-Year Outlook have been prepared by Competent Persons in accordance with the requirements in Appendix 5E (JORC Code).

Investor Presentation

Further details of the Transaction may be found in the accompanying Investor Presentation released on the ASX platform today.

Evolution's Advisers

RBC Capital Markets is acting as sole financial adviser and Allens is acting as legal adviser in relation to the Transaction.

Conference Call

Jake Klein (Executive Chairman) and Lawrie Conway (Finance Director and Chief Financial Officer) will host a conference call for investors, analysts and media to discuss the announcement at 9:00am (AEDST) on 18 November 2021. Access details are provided below.

Conference Call Details – Analysts and Media

Conference call details for analysts and media includes Q & A participation. Please dial in five minutes before the conference call starts and provide your name and the participant ID number. To ask a question, participants will need to dial *1 (star, 1) on their telephone keypad.

To access the conference call, participants will pre-register for the call at the link below.

<https://s1.c-conf.com/diamondpass/10018116-evi3ms.html>

You will receive a calendar invite and a unique code which is to be quoted when dialling into the call.

Live Audio Stream – Shareholders

A live audio stream of the conference call will be available on Evolution's website www.evolutionmining.com.au under 'Latest News'. The audio stream is 'listen only'. The audio stream will also be uploaded to Evolution's website shortly after the conclusion of the call and can be accessed at any time.

This announcement has been authorised for release to the ASX by Evolution's Board of Directors.

For further information please contact:

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About Evolution Mining

Evolution Mining is a leading, globally relevant gold miner. Post completion of this Transaction and the divestment of Mt Carlton announced on 5 October 2021, Evolution will operate five wholly-owned mines – Cowal in New South Wales, Mungari in Western Australia, Mt Rawdon and Ernest Henry in Queensland, and Red Lake in Ontario, Canada. Financial year 2022 production guidance is 670,000 – 725,000 ounces of gold at a sector leading All-in Sustaining Cost of A\$1,135 – A\$1,195 per ounce.

Forward-looking statements

This announcement includes forward-looking statements, including forward looking statements relating to the future operation of the Company. These forward-looking statements are based on the Evolution's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Evolution, which could cause actual results to differ materially from such statements. Evolution makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement to reflect the circumstances or events after the date of this announcement.