

ASX Announcement

18 December 2023

SUCCESSFUL COMPLETION OF ACQUISITION OF 80% INTEREST IN NORTHPARKES COPPER-GOLD MINE

Evolution Mining Limited (ASX:EVN) (“**Evolution**”) is pleased to announce it has completed the acquisition of an 80% interest in the Northparkes Copper-Gold Mine (“**Northparkes**” or “**Northparkes JV**”) from CMOC Group Limited (“**CMOC**”).

Northparkes is a well-established copper-gold mine located 27 kilometres north-west of Parkes, in the central west of New South Wales, Australia. Northparkes hosts multiple large-scale porphyry copper and gold deposits suitable for bulk cave mining operations in an area well known to Evolution, and benefits from significant investment to date. The operation is expected to deliver immediate cash flows to support Evolution’s balance sheet deleveraging.

Evolution has paid CMOC US\$399 million (A\$603 million), post preliminary leakage adjustments, which was funded by the recently completed A\$525 million institutional placement and a new A\$200 million 5-year Term Debt Facility. In addition, Evolution announced a non-underwritten share purchase plan targeting up to approximately A\$60 million which is expected to close at 5.00pm (AEDT) on 16 January 2024.

Commenting on the completion of the transaction, Managing Director and Chief Executive Officer, Lawrie Conway said:

“We are delighted to have successfully completed the acquisition of an 80% interest in, and operatorship of Northparkes. This is another important step in our strategy of building a portfolio of long-life, high -margin assets and delivers us two long life assets in Central West NSW.”

“We warmly welcome our new colleagues at Northparkes that will be joining Evolution today, and now turn our attention to delivering value for all stakeholders over the long term from the high-quality Northparkes operation” Mr Conway added.

Evolution also provides further detailed information on the proforma performance of Northparkes in 2023 including details on the treatment of the Triple Flag Stream, and the contingent component of the consideration for the acquisition. This information is provided in Appendix 1.

APPENDIX 1

ADDITIONAL INFORMATION ON NORTHPARKES ACQUISITION

Evolution provides additional information in relation to the treatment of the Triple Flag Metal Purchase and Sale Agreement (“**Triple Flag Stream**”) and the contingent consideration component of up to US\$75 million (“**Contingent Consideration**”) as part of the acquisition price.

Triple Flag Stream

As included in the announcement on 5 December 2023, Evolution will assume the obligations of CMOC under the Triple Flag Stream. Further details as to the stream’s operation are provided below. The obligations under the Triple Flag Stream are exclusively referable to amounts of gold and silver produced from the Northparkes operation.

On 10 July 2020, CMOC entered into a streaming agreement with Triple Flag Precious Metals Corp (“**TFPM**”). Under the terms of that agreement, TFPM is entitled to both gold and silver production referable to CMOC’s attributable share of payable production from Northparkes.

In Stage 1, TPFM receives the equivalent of 67.5% of CMOC’s payable gold up to a total of 630,000 ounces and 100% of payable silver up to a total of 9 million ounces. As at 30 September 2023, approximately 38,000oz of gold have been delivered to TPFM.

In Stage 2, TPFM receives the equivalent of 33.75% of CMOC’s payable gold and 50.00% of payable silver.

In both stages, TPFM is required to make ongoing payments to Evolution equal to 10% of the spot metal price for all metal delivered under the Triple Flag Stream.

Evolution’s share of Northparkes production, sales and costs will be reported consistently with all other assets in the Evolution group.

Evolution’s obligation under the Triple Flag Stream will be accounted for at fair value and reported in Evolution’s balance sheet as a deferred revenue obligation. The estimated value, subject to finalisation of the purchase price allocation, will be A\$539 million (US\$356 million). For tax purposes, this amount forms part of the overall consideration provided by Evolution for the underlying assets of the mine and therefore, in broad terms, will be depreciated over the current mining area being mined at the time of acquisition (~10 years).

The revenue for the stream delivery portion will be included in the Evolution group income. Gold sales will comprise 39% at spot price and 61% at the accounting fair value price at acquisition, which is estimated at \$2,650 per ounce. This revenue will be offset by the tax depreciation noted above and will therefore be reflected in the overall contribution to the Evolution group cash flow from the Northparkes operation. Table 1 shows the cash position of the Northparkes operation before delivery into the stream and in a proforma Evolution reporting format that reflects the treatment outlined above.

Additionally, the purchase price allocation of A\$603 million (US\$399 million) is also part of the consideration provided by Evolution for the Northparkes mine assets, in broad terms, will be depreciated for tax purposes along the same terms which is expected to lower Evolution’s group tax exposure.

TABLE 1		Northparkes Proforma 80% (Pre-Stream) 1 Jan – 31 Oct 2023	Northparkes 80% Proforma EVN Reporting 1 Jan – 31 Oct 2023
Payable Metal Sold			
Gold	oz	15,256	15,256
Copper	t	20,382	20,382
Gold Split			
Stream (net of TFPM 10% payment)	oz	9,306	9,306
Spot	oz	5,950	5,950
Price			
Gold Stream	A\$/oz	2,892	2,650
Gold Spot	A\$/oz	2,892	2,892
Gold Achieved	A\$/oz	2,892	2,744
Copper	A\$/t	13,027	13,027
Revenue			
Gold Stream	A\$m	26.9	24.7
Gold Spot	A\$m	17.2	17.2
Total Gold Revenue	A\$m	44.1	41.9
Copper Revenue	A\$m	265.5	265.5
Silver Revenue	A\$m	6.6	6.6
Total Revenue	A\$m	316.2	314.0
Less			
Stream Delivery (Gold & Silver)¹	A\$m	-	(30.6)
Net Cash Revenue	A\$m	316.2	283.4
Operating Costs	A\$m	(185.9)	(185.9)
Operating Cashflow	A\$m	130.4	97.5
Capital	A\$m	(34.5)	(34.5)
Net Mine Cashflow	A\$m	95.8	63.0
Lower Evolution Group tax expense ²	A\$m		16.4
Net Cash from Northparkes	A\$m	95.8	79.4

The net cash contribution from Northparkes will be dependent upon the metal mix from the different orebodies where periods of a higher proportion of copper volume or price will deliver higher net cash contribution. A higher contribution from copper is not expected to impact on the expenses for the stream deliveries.

The depreciating expenses will have a different timing to the net cash from Northparkes, however the above value estimate for Northparkes is reflective of the contribution over a full 12-month period.

¹ Silver stream revenue is total revenue less 10% payment from TFPM to Evolution

² Incremental tax depreciation deduction referable to the purchase price allocated for the stream

Contingent Consideration

The Contingent Consideration is a copper price-linked payment structure with a revenue sharing arrangement on the following key terms:

- 3-year term, commencing 1 July 2024 and ending 30 June 2027 (inclusive) with no periods of extension.
- Payments made annually to CMOC based on three incremental pricing thresholds:
 - Threshold 1: 25% of incremental revenue per pound of payable copper at prices above US\$4.00/lb but less than US\$4.25/lb; *plus*
 - Threshold 2: 35% of incremental revenue per pound of payable copper at prices above US\$4.25/lb but less than US\$4.50/lb; *plus*
 - Threshold 3: 45% of incremental revenue per pound of payable copper at prices above US\$4.50/lb.
- Contingent Consideration is capped at US\$75 million over the 3-year term with no annual cap.
- Contingent Consideration, if payable, will be based on annual payable production at the average LME benchmark copper price.
- Contingent Consideration will give rise to a depreciable tax base when it is paid.

It is to be noted that this consideration is contingent on the copper price averaging above US\$4.00/lb in a financial year. If the average for a financial year is below US\$4.00/lb then no Contingent Consideration is payable.

Importantly, the majority of the benefit of a copper price above US\$4.00/lb will be retained by Evolution and the trigger price is above the copper price assumed in the valuation and guidance.

The table below shows indicative contingent payment and retained additional revenue for Evolution based on the proforma FY24 copper production guidance at the various threshold copper prices if they were to average the respective price for the full 3-year Contingent Consideration period.

POTENTIAL CONTINGENT CONSIDERATION OVER A 3 YEAR PERIOD

Proforma FY24 copper production	25,000				
Scenario for average copper price over 3 years					
Copper (US\$/lb)	4.01	4.25	4.50	5.00	5.25
Copper (A\$/t) ³	13,395	14,196	15,032	16,702	17,537
CMOC contingent payment (US\$m)	0.4	10.3	24.8	62.0	75.0
CMOC contingent payment (A\$m)	0.6	15.7	37.6	93.9	113.6
- 25% of revenue above US\$4.00/lb (A\$m)	0.6	15.7	15.7	15.7	15.7
- 35% of revenue above US\$4.25/lb (A\$m)	-	-	21.9	21.9	21.9
- 45% of revenue above US\$4.50/lb (A\$m)	-	-	-	56.4	76.1
Evolution retained incremental revenue (A\$m)⁴	1.9	47.0	87.7	156.6	199.5

³ Assuming 2204.62lb / t and A\$1:US\$0.66

⁴ Refers to the revenue over and above US\$4.00/lb that would accrue to Evolution after payment of any contingent consideration.



This release has been approved by Evolution Mining's Executive Chair, Jake Klein.

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About Evolution Mining

Evolution Mining is a leading, globally relevant gold miner. Evolution currently operates five wholly-owned mines – Cowal in New South Wales, Ernest Henry and Mt Rawdon in Queensland, Mungari in Western Australia, and Red Lake in Ontario, Canada and an 80% share of Northparkes in New South Wales. Financial Year 2024 gold production guidance is 789,000 ounces ($\pm 5\%$) and copper production of 62,500 tonnes ($\pm 5\%$) at a sector leading All-in Sustaining Cost of \$1,340 per ounce ($\pm 5\%$).