



Evolution
MINING

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ASX Announcement

18 February 2016

FY16 HALF-YEAR FINANCIAL RESULTS AND INTERIM DIVIDEND

Evolution Mining Limited (ASX: EVN) has today reported a record half-year underlying net profit of A\$107.9 million for the six months ended 31 December 2015 (“the half-year”). This represents a 150% increase compared to the A\$43.1 million underlying net profit reported in the prior corresponding period.

This result was driven by the immediate positive impact of the Cowal and Mungari acquisitions which resulted in record half-year production of 377,869 ounces (H1 FY15: 220,444 ounces). The Group saw continued margin expansion due to lower All-in Sustaining Costs (AISC)¹ of A\$954 per ounce (H1 FY15: A\$1,035/oz) and a higher average gold price achieved of A\$1,547 per ounce (H1 FY15: A\$1,429 per ounce).

All operations produced positive cash flow resulting in a Group net mine cash flow of A\$202.9 million after all sustaining and major capital expenditure, including stripping. The major cash flow contributors were Cowal (A\$69.0 million), Mungari (A\$44.9 million), and Mt Carlton (A\$42.4 million).

Key financial highlights for the half-year included:

- Record underlying net profit of A\$107.9 million – an increase of 150% (H1 FY15: A\$43.1 M)
- EBITDA of A\$285.6 million – an increase of 117% (H1 FY15: A\$131.8 M)
- EBITDA margin of 47% (H1 FY15: 41%)
- Statutory net loss of A\$15.5 million – after acquisition related charges
- Revenue from gold, silver and copper sales of A\$607.1 million (H1 FY15: A\$325.0 M)
- Net mine cash flow of A\$202.9 million – an increase of 250% (H1 FY15: A\$58.0 M)
- Group gold production of 377,869 ounces (H1 FY15: 220,444oz)
- Group average AISC³ of A\$954 per ounce (US\$690/oz)²
- Voluntary and early debt repayments of A\$127 million
- Gearing reduced to 23% (peaked in July 2015: 32%)

Interim dividend declared based on a gold revenue linked dividend policy:

- Dividend amount – 1 cent per share unfranked
- Ex-dividend date – 25 February 2016
- Record Date – 29 February 2016
- Payable Date – 29 March 2016

Commenting on the record half-year, Evolution’s Executive Chairman Jake Klein said:

“The 150% increase in underlying net profit and an EBITDA margin of 47% is a clear reflection of the significantly improved quality of the portfolio and strong operational performance. Evolution is well positioned to be a major beneficiary of the renewed investor interest in the Australian gold sector.”

1. AISC (All-in Sustaining Costs) includes C1 cash cost, plus royalty expense, plus sustaining capital expense, plus general corporate and admin expense. Calculated on a per ounce sold basis
2. All USD values in this announcement have been calculated using the average AUD:USD exchange rate for the half-year of \$0.723

Evolution's half-year results were achieved at an average realised gold price of A\$1,547 per ounce (H1 FY15: A\$1,429 per ounce).

Sales revenue for the half-year period was A\$607.1 million – an 87% increase on the prior corresponding period.

Unit cash operating costs for the period were A\$700 (US\$506) per ounce with AISC of A\$954 (US\$690)¹ per ounce. The addition of Cowal and Mungari to the portfolio has had an immediate impact on lowering Group costs. The ongoing focus across all sites to generate productivity gains and reduce costs continues to be effective and has helped place Evolution among global leaders in low cost gold production.

Net mine cash flow for the period was A\$202.9 million post all capital expenditure, including stripping. A significant point of note is that this cash flow was generated with Cowal and Mungari only being part of the Group for approximately 5 and 4 months respectively.

Total Group capital expenditure for the period, which includes sustaining and growth capital, was A\$86.3 million. FY16 guidance for capital expenditure of A\$190.0 million to A\$235.0 million is unchanged although it is expected that expenditure will be at the low end of guidance.

Discovery is an integral part of Evolution's growth strategy. Discovery expenditure for the period was A\$11.5 million. The Company remains committed to investing A\$25.0 – A\$30.0 million on discovery in FY16. The exploration team is currently focusing on key projects at Cowal, Mungari and Mt Carlton.

The Group's gold hedge book at 31 December 2015 was 726,934 ounces at an average price of A\$1,589 per ounce. These hedges are over a period from January 2016 through until December 2019.

During the half-year Evolution made voluntary and early repayments totalling A\$127.0 million. This comprised of A\$50.0 million into the Senior Secured Syndicated Term Facility and A\$77.0 million into the Senior Secured Syndicated Revolver Facility. As at 31 December 2015 gearing had been reduced to 23% which was down from a peak of 32% in July 2015 following the completion of the Cowal transaction.

Subsequent to the end of the half, an additional A\$25.0 million early repayment was made into the Senior Secured Syndicated Term Facility. This further reduced the debt outstanding to A\$455.0 million, comprising A\$130.0 million in the Senior Secured Syndicated Revolver Facility and A\$325.0 million in the Senior Secured Syndicated Term Facility. The undrawn amount of the Senior Secured Syndicated Revolver Facility remains at A\$170.0 million.

On 17 February 2016 Evolution gave notice to make another early repayment of A\$15.0 million on the Term Facility. This repayment will be made on 25 February 2016.

As a part of accounting for the acquisition of the Cowal and Mungari assets, under the accounting standards, Evolution is required to complete the purchase price allocation. This process entails allocating the total consideration paid for both Cowal and Mungari.

The allocation is to be made at fair value on the respective acquisition date across all identifiable assets acquired (tangible and intangible) and the liabilities assumed. The fair value uplift to the balance sheet is then to be 'unwound' or amortised over future periods. The net impact on the half-year profit is an expense totalling A\$69.3 million due to net fair value adjustments (A\$34.0 million) and goodwill write-off (A\$35.3 million). A further A\$40.0 – 50.0 million is expected to be amortised in the full-year profit to June 2016.

Additional one-off costs of A\$54.0 million associated with acquisitions impacted statutory net profit in the December half-year. These related to stamp duty on acquisitions (A\$49.6 million) and other acquisition and integration expenses (A\$4.4 million).

Full details of the H1 FY16 Financial Results are available in the Appendix 4D released to the Australian Securities Exchange today and also available on the Company's website.

Development of Edna May Underground

The Evolution Board has approved Phase 1 development of the Edna May Underground project. The initial capital investment of A\$16.0 million targets an initial resource base of approximately 200,000 ounces. Development costs are expected to be relatively low given the ability to use an existing decline which requires rehabilitation. The portal is planned to be cut in the June 2016 quarter with production from the underground mine expected from FY18.

The development of Phase 1 potentially offers an attractive return on investment and is expected to materially improve production and cash flow at Edna May. It will also provide better access to drill out deeper zones which, if successful, would further increase reserves and extend mine life.

Senior Management and Board changes

Roric Smith, VP Discovery and Chief Geologist, will be stepping down from his current role effective 1 July 2016 due to health related issues. Roric will continue working with Evolution in a part-time consulting role on technical matters and growth opportunities. During his three and a half years at Evolution Roric has been instrumental in defining and implementing a long-term discovery strategy for the business. His hard work has been rewarded with strong recent exploration results across the portfolio. Evolution thanks Roric for his contribution to the Leadership Team and his active role in shaping the future of the Company.

Effective 31 March 2016, John Rowe will step down as a Non-executive Director of the Company. John has been a valued member of the Board since the formation of Evolution in November 2011. Prior to that, John was a director of Catalpa Resources Limited making him Evolution's longest serving Board member. Evolution wishes to sincerely thank John for his outstanding contribution during his time as a Director.

Dividend payment

The Evolution Board has agreed to pay an interim dividend of 1 cent per share. The Record Date for receiving the dividend is 29 February 2016 and the dividend payment will be made on 29 March 2016.

The dividend is based on the Company policy of, whenever possible, paying a dividend equal to the value of 2% of Evolution's revenue for the period. In this case however, the total dividend amount of A\$14.7 million equates to approximately 2.4% of Evolution's sales revenue in the six months to 31 December 2015.

Evolution has a Dividend Reinvestment Plan (DRP) that allows shareholders to elect to reinvest all or part of any dividends payable on their Evolution shares to acquire additional Evolution shares. DRP information is available on Evolution's website www.evolutionmining.com.au. Notification to participate in the DRP must be received before 5.00pm (Sydney time) on 1 March 2016. The allotted shares in respect of the H1 FY16 interim dividend will be issued at a 5.0% discount to the volume-weighted average price for the five days immediately after the record date of 29 February 2016.

Final reviews of company structures on the completion of the La Mancha transaction has confirmed that the previously expected availability of A\$11.8 million of franking credits in the La Mancha structure will not be available to the Evolution group. Therefore the interim dividend will not be franked for Australian taxation purposes and has a nil Conduit Foreign Income (CFI) component.

Given the strong cash generation of the Group it is the intention of the Board to review the dividend policy when the FY16 full year accounts are considered.

Conference Call

Evolution's Executive Chairman, Jake Klein, and Finance Director and Chief Financial Officer, Lawrie Conway, will host a conference call to discuss the FY16 Half-Year Financial Results at 11.00am (Sydney time) **today**. Access details are provided below.

Shareholders – Live Audio Stream

A live audio stream of the conference call will be available on Evolution's website www.evolutionmining.com.au. The audio stream is 'listen only'.

The audio stream will also be uploaded to the website shortly after the conclusion of the call and can be accessed at any time.

Analysts and Media – Conference Call Details

Conference call details for analysts and media includes Q & A participation. Please dial-in five minutes before the conference starts and provide your name and the Participant PIN Code.

Dial-in numbers:

- Australia: 1800 268 560
- International Toll: +61 2 8047 9300

Participant PIN Code: 821005#

For further information please contact:

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About Evolution Mining

Evolution Mining is a leading, growth-focussed Australian gold miner. Evolution operates seven wholly-owned mines – Cowal in New South Wales, Cracow, Mt Carlton, Mt Rawdon and Pajingo in Queensland, and Edna May and Mungari in Western Australia.


Group production for FY15 from Evolution's five original operating assets (prior to completion of the Cowal and Mungari acquisitions) totalled 437,570 ounces gold equivalent at an All-In Sustaining Cost of A\$1,036 per ounce.

Evolution has guided FY16 attributable gold production from all seven operating assets of 770,000 – 820,000 ounces at an AISC of A\$970 – A\$1,020 per ounce.

Forward looking statements

This announcement includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the Company operates or may in the future operate,



environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.

Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.