

# ASX Announcement

16 February 2022

[www.evolutionmining.com.au](http://www.evolutionmining.com.au)

## FY22 HALF-YEAR FINANCIAL RESULTS AND INTERIM DIVIDEND

Evolution Mining Limited (ASX: EVN) has today reported a statutory net profit of A\$90.8 million for the six months ended 31 December 2021 (“the half-year”) and that it will pay an interim dividend of 3.0 cents per share fully franked, the 18<sup>th</sup> consecutive dividend paid since 2013.

### Key highlights for the half-year included:

- Statutory net profit after income tax of A\$90.8 million (H1 FY21: A\$228.7 million)
- Underlying net profit after income tax of A\$100.1 million (H1 FY21: A\$234.0 million)
- EBITDA of A\$393.3 million (H1 FY21: A\$514.6 million)
- Strong EBITDA margin of 44% (H1 FY21: 52%)
- Mine operating cash flow of A\$396.4 million (H1 FY21: A\$531.2 million)
- Net mine cash flow of A\$120.4 million (H1 FY21: A\$353.9 million) after A\$203.7 million of planned investment in major projects
- Mineral Resources increased 12% year-on-year to 29.6 million ounces (31 December 2020: 26.4Moz)<sup>1</sup>
- Ore Reserves increased 5% year-on-year to 10.3 million ounces (31 December 2020: 9.9Moz)<sup>1</sup>
- Gold production of 318,766 ounces at an All-in Sustaining Cost of A\$1,381 per ounce<sup>2</sup> (US\$1,011/oz)<sup>3</sup>
- Cash position increased to A\$1,150.3 million (30 June 2021: A\$160.1 million) ahead of the completion of the Ernest Henry acquisition on 6 January 2022
- Net debt<sup>4</sup> of A\$449.2 million
- Full year production and cost guidance maintained with business positioned for a very strong second half of the financial year

### Fully franked interim dividend declared based on Evolution’s policy of a percentage of Group free cash flow, targeting a 50% payout rate per annum

The Directors have declared a fully franked interim dividend of 3.0 cents per share for the half-year (31 December 2020: 7.0 cents per share), an aggregate payment to shareholders of A\$55 million. This is the 18<sup>th</sup> consecutive dividend paid to shareholders for a total of A\$988 million since 2013. The dividend considers the material lift in cash flow expected in the second half from Ernest Henry and balances capital investment and balance sheet management with investor returns.

- Dividend amount – 3.0 cents per share fully franked
- Ex-dividend date – 28 February 2022
- Record date – 1 March 2022
- Payment date – 25 March 2022
- Nil Conduit Foreign Income (CFI) component

<sup>1</sup> See ASX release entitled “Annual Mineral Resources and Ore Reserves Statement” dated 16 February 2022 for details on Mineral Resources and Ore Reserves, available to view at [www.evolutionmining.com.au](http://www.evolutionmining.com.au)

<sup>2</sup> AISC (All-in Sustaining Costs) includes C1 cash cost, plus royalties, plus sustaining capital, plus general corporate and admin expense. Calculated on a per ounce sold basis

<sup>3</sup> All USD values in this release have been calculated using the average AUD:USD exchange rate for the half-year of A\$0.7319

<sup>4</sup> Excluding pre-paid loan fees

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

*"The half-year to 31 December 2021 has been transformational for Evolution. The portfolio has benefitted from key acquisitions and a significant investment in growth projects at our cornerstone assets, which is supported by a high-quality Mineral Resource and Ore Reserve base and our business is well positioned to deliver a very strong second half. Full ownership of Ernest Henry will deliver a material increase in cash flow and financial performance and was considered when declaring the interim dividend. Evolution's history of dividend payments with almost A\$1 billion paid since 2013 demonstrates our commitment to maximising shareholder returns."*

ESG performance was recognised with an improved rating from ISS ESG and confirmation of continued inclusion in S&P Global's Dow Jones Sustainability Index Australia, ranking Evolution among the top performing Australian mining companies for corporate sustainability and one of only three gold mining companies in this category.

Evolution's FY21 Sustainability Report and FY21 Modern Slavery Statement were published during the period, and four shared value projects with the Yalka-binbi Girls Academy Program, Galari Agricultural Company, Kalgoorlie-Boulder Chamber of Commerce and the University of Queensland's Research for COVID-19 Immune Response Using Gold were approved.

COVID-19 continues to be a significant focus for the business and the formal crisis management response protocols remain activated. Whilst the impact to operational performance has not been material to date, positive cases in the community around Cowal and Red Lake and isolation of close contacts has resulted in up to 15% of the workforce at those sites unavailable at times during the December quarter.

The Group's total recordable injury frequency (TRIF) was 9.4 as at 31 December 2021 (30 June 2021: 9.6)

The Group recorded a statutory net profit after tax of A\$90.8 million for the half-year to 31 December 2021, a 60.3% decrease on the same period prior year (31 December 2020: A\$228.7 million). EBITDA margins of 44% were recorded reflecting the high-quality portfolio and makes Evolution one of the lowest cost gold producers in the world.

Basic earnings per share was 5.01 cents per share (31 December 2020: 13.39 cents).

The Group's cash balance increased to A\$1,150.3 million as at 31 December 2021 (30 June 2021: A\$160.1 million). The higher cash balance was due to the proceeds from a US Private Placement in preparation for completion of the Ernest Henry acquisition which took place on 6 January 2022.

The Group's key operating results for the half-year to 31 December 2021 are as follows:

- Total gold production of 318,766oz at an AISC of A\$1,381/oz
- Operating mine and net mine cash flow of A\$396.4 million and A\$120.4 million respectively

In July 2021, the Group successfully completed a A\$400 million fully underwritten institutional placement of approximately 104 million new fully paid ordinary Evolution shares to institutional investors at a price of A\$3.85 per share. The funds raised under the placement were used to fund the acquisition of the Kundana mine and Carbine project, a 51% interest in the East Kundana Joint Venture (EKJV), and a 75% interest in the West Kundana Joint Venture (together the Kundana assets). The Group also successfully raised approximately A\$68 million under the Share Purchase Plan at A\$3.85 per new share in August 2021 with the funds to be used for general corporate purposes. Both capital issues received exceptionally strong support from the market.

On 13 August 2021, the Group announced that it had received an investment grade credit rating and successfully priced a US\$550 million placement in the United States private placement market. The drawdown of the inaugural US Private Placement was completed in November 2021, resulting in an increase to cash of A\$749.5 million.

On 18 August 2021 the acquisition of the Kundana assets from Northern Star Resources Limited was completed. The first higher grade ore from Kundana was processed in late August and the first ore processing campaign for East Kundana (Evolution interest: 51%) was completed as planned in October. Integration activities are progressing well to bring the operating teams together and to remove duplication of activities.

Consistent with the Group's strategy to continuously seek to upgrade the quality of its portfolio, it was announced on 5 October 2021 that Evolution had entered into a binding agreement with Navarre Minerals Limited to sell the Mt Carlton gold mine in Queensland for a total consideration of up to A\$90 million. The sale was completed on 14 December 2021 with Navarre's economic interest in Mt Carlton commencing from 1 October 2021.

On 17 November, the Group announced the acquisition of full ownership of the Ernest Henry operation. Evolution previously held an economic interest in Ernest Henry which is a large-scale, long-life, copper-gold

mine located ~38km north-east of Cloncurry, Queensland. An immediate increase in copper production will reduce the Group's All-in Sustaining Costs and position Evolution as one of the lowest cost gold producers in the world. The acquisition was effected via an agreement with Glencore to acquire 100% of the shares in Ernest Henry Mining Pty Ltd for A\$1 billion. To complete the acquisition an initial consideration of A\$800 million was paid to Glencore on 6 January 2022, with the remaining A\$200 million due and payable on 6 January 2023. The transaction was partly funded from a new US\$200 million US Private Placement maturing in FY31, at a fixed coupon of 3.06%, which settled on 14 February 2022.

Today the Company released its annual Mineral Resource and Ore Reserve estimates as at 31 December 2021. Highlights include a 12% year-on-year increase in Mineral Resources to 29.6 million ounces (31 December 2020: 26.4 million ounces) and a 5% year-on-year increase in Ore Reserves to 10.3 million ounces (31 December 2020: 9.9 million ounces) net of mining depletion of 520,000 ounces. There is excellent potential for extensions to Mineral Resources and Ore Reserves at Ernest Henry and a Pre-feasibility Study is in progress. Full details are contained in the annual Mineral Resources and Ore Reserves Statement released to the ASX and are also available on Evolution's website [www.evolutionmining.com.au](http://www.evolutionmining.com.au).

### **Dividend payment**

The Directors have approved a fully franked interim dividend of 3.0 cents per fully paid ordinary share. The aggregate amount of the proposed dividend to be paid on 25 March 2022 is estimated at A\$55.0 million. The elevated payout rate for this dividend considers the material lift in cash flow expected in the second half from Ernest Henry and balances capital investment and balance sheet management with investor returns.

This is Evolution's 18<sup>th</sup> consecutive dividend and increases the total amount returned to shareholders, upon payment of this interim dividend, to A\$988 million since August 2013.

This dividend is based on the policy approved by the Board in August 2019 of whenever possible paying a dividend based on free cash flow generated during a year. The policy targets a payout ratio of around 50% of cash flow per annum. The Group's free cash flow is defined as cash flow before debt, dividends and any acquisitions or divestments.

The Board has confirmed that Evolution is in a sound position to meet its commitment under this policy to pay a fully franked interim dividend for the current period of 3.0 cents per share on 25 March 2022.

Full details of the FY22 Half-Year Financial Results are available in the Appendix 4D released to the ASX today and are also available on Evolution's website [www.evolutionmining.com.au](http://www.evolutionmining.com.au).

### **Approval**

This release has been approved by the Evolution Board of Directors.

### **Conference Call**

Evolution's Executive Chairman, Jake Klein, Finance Director and Chief Financial Officer, Lawrie Conway and Vice President Discovery and Business Development, Glen Masterman, will host a conference call to discuss the FY22 Half-Year Financial Results and the Annual Mineral Resources and Ore Reserves Statement 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](http://www.evolutionmining.com.au). The audio stream is 'listen only' and available to access on the home page and under the menu, Investors/Webcasts & Media. 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.

### **Analyst and Media – Conference Call Details**

Conference call details for analysts and media includes Q & A participation. To access the conference call, participants will pre-register for the call at the link below.

<https://s1.c-conf.com/diamondpass/10018661-j3i445.html>

You will receive a dial in number, a passcode and a unique code which will be emailed to you as a calendar invite. Please dial in five minutes before the conference call starts, enter the passcode followed by your pin and you will join the conference. To ask a question, participants will need to dial \*1 (star, 1) on their telephone keypad.

**For further information please contact:**

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**About Evolution Mining**

Evolution Mining is a leading, globally relevant gold miner. Evolution 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. 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. 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.