



**Evolution**  
MINING

ABN: 74 084 669 036

**Registered Office**

Level 30  
175 Liverpool Street  
Sydney NSW 2022

P +61 2 9696 2900

F +61 2 9696 2901

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

# **ASX Announcement**

**23 November 2017**

## **CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING**

Good morning. It is my pleasure to welcome you to the Annual General Meeting of Evolution Mining Limited. We are delighted that you can join us this morning.

I acknowledge the Gadigal people of the Eora nation, on whose land we meet today. I pay my respects to their Elders past and present, and to all Aboriginal and Torres Strait Islander Peoples here today.

My name is Jake Klein and I am Evolution's Executive Chairman. I would like to take this opportunity to make some opening remarks before we begin the formal business of today's meeting.

Evolution is proud to be part of Australia's vibrant and healthy mining sector that employs over 200,000 people, pays more than A\$8 billion annually in salaries and wages, makes payments to state and federal governments of almost A\$11 billion each year and supports more than 9,000 businesses across our great country.

But at the same time our industry faces significant headwinds. If we are to sustain ourselves as globally competitive for the benefit of all Australians, there are issues we must address with urgency.

We desperately need to make mining an attractive career option for young people again. We need to compete with the allure of the likes of Facebook and Google to attract and retain the best and brightest talent back to our industry. It should be of great concern that the University of Western Australia is forecasting only eight students will graduate as mining engineers in 2018 and enrolment in mining engineering at the University of New South Wales in 2017 was also just eight – the lowest level in 40 years. We also need governments to invest in infrastructure in regional Australia and to provide access to reliable power at globally competitive pricing.

The support and understanding from the general community of the importance of the mining sector to our country's past and future prosperity is undoubtedly eroding. While the role of Australia's largest export products – iron ore and coal – should be well understood, how many Australians are aware of the gold industry's contribution? Gold was in fact our country's fourth largest and fastest growing export in 2016 when its value increased by 30 per cent or more than A\$4 billion. Not only was the value of gold exports higher than that of LNG, but gold exported from Australia last year was worth more than our beef, wheat and petroleum exports combined.

It is critical for us to regain the high ground in the debate of the priorities of our country and ensure the undeniable importance of the resources sector resonates more broadly. If we do not take on this challenge, we run a very real risk that we will continue to be seen as a politically acceptable target and situations like the recently proposed 50% increase in the gold royalty in Western Australia – which was appropriately not approved by the WA Parliament – will continue to occur.

We are proud at Evolution to have played an important part in the renaissance of the Australian gold industry in recent years. The 2017 Financial Year (FY17) was another year in which we continued to deliver on our strategy of leveraging our operating success to improve the quality of our asset portfolio and build a business that will prosper through the cycle. In FY17 the Company again performed very well operationally to achieve records on nearly every metric. It was also a year in which the asset portfolio quality was significantly upgraded by the acquisition of an economic interest in Ernest Henry and the divestment of Pajingo. In early October we continued down this path with the sale of the higher cost Edna May gold mine. Our portfolio of assets now has an average reserve life of approximately nine years and an average All-in Sustaining Cost (AISC) of around A\$850 per ounce.

In the recent September 2017 quarter we produced a record 221,971 low cost ounces. Evolution also delivered record cash flow and margins at an AISC of A\$786 per ounce or US\$620 per ounce which is undoubtedly sector leading. Our cash balance increased by a further A\$62.9 million in October to A\$113.0 million and our net bank debt has fallen to A\$282.0 million. Our gearing level of around 16% at the end of June has been reduced to close to 11% in only four months.

I find it remarkable that in the September 2017 quarter, Australian gold producers occupied positions one, two and three as the lowest cost gold producers in the world among the major and mid-tier producers, with Evolution proudly occupying the number one spot. This is a far cry from where Australian gold producers were just four years ago and it is fantastic to see that as a sector, we are again showing the way.

In the six years since our inception the Company has built a reputation as a consistent and reliable gold producer. Importantly, all our operating assets are located in Australia – a low risk, politically stable jurisdiction with an immense mineral endowment.

Our core value of safety is critical to our success as a Company. Evolution remains focused on improving our high safety standards across our business. It is pleasing that in FY17 the Group achieved continued improvements in both our Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate. At the same time, the Company continued its track record of achieving or outperforming production and cost guidance, marking six consecutive years of delivering to guidance since the Company's inception in 2011.

While we have been successful in reducing our AISC in every year since inception, we recognise that this is an area where we must maintain a relentless drive to improve productivity and efficiency across all of our operations. Current initiatives include the investment in a Float Tails project at Cowal – which is expected to increase gold recoveries by 4 to 6 per cent – and the introduction of a gravity circuit at Mt Carlton which will lift margins by recovering up to 20,000 ounces of gold on site each year rather than producing it as a concentrate.

In FY17 Evolution reported a record statutory net profit of A\$217.6 million. This was achieved on the back of a record operating cash flow of A\$706.5 million and a record net mine cash flow, after all sustaining and major project capital expenditure, of A\$461.5 million.

This strong cash generation enabled Evolution to make A\$325.0 million in debt repayments during FY17 and as of the end of September 2017, the Company had repaid debt totalling A\$687.0 million in the 26 months since July 2015.

It is pleasing to report that our partnership with Glencore at the Ernest Henry mine has delivered operating results that have exceeded our expectations while the rising prices of both gold and copper in Australian dollar terms have further boosted revenue. Ernest Henry is a cornerstone asset for Evolution that is expected to produce strong free cash flow for at least the next decade. This asset has made an immediate positive impact on the portfolio. In the six months to September 2017 Ernest Henry delivered a net mine cash flow to Evolution of over A\$100.0 million.

In its second year under Evolution's ownership Cowal again made a strong contribution, producing 263,015 ounces at an AISC of A\$833 per ounce. In the 26 months since the acquisition of Cowal, it has delivered A\$375.0 million in net mine cash flow. In February 2017, Evolution's Board of Directors approved investments in the E42 Stage H cutback and Float Tails project at Cowal to secure the mine's life until at least 2032, allowing for the continued transformation of this cornerstone asset. It is clear the Cowal story is only just beginning and we continue to assess additional upside opportunities which include running detailed studies on known ore bodies outside of the E42 pit including E41, E46 and Galway/Regal, increasing plant throughput and co-treatment of oxide ore.

Mt Carlton also delivered a strong result with gold production of 105,024 ounces at an AISC of A\$622 per ounce and has generated net mine cash flow of close to A\$100.0 million per year over the last two years. The operation returned Evolution's initial capital investment by the end of the 2016 calendar year and we remain focussed on extending the current mine life of eight years and driving further improvements as demonstrated by the recent introduction of a gravity circuit at the site as previously mentioned.

The continued increase in cash generation of the business allowed Evolution's Board to approve a change in dividend policy to a payout ratio of 50% of after tax earnings. This new policy was applied to the final fully franked dividend paid in September 2017 and Evolution now expects to continue to pay fully franked dividends going forward.

Led by Glen Masterman, our VP Discovery and Chief Geologist, Evolution stepped up its exploration efforts in 2017. Total spending of A\$58.4 million was the highest on record – split between A\$29.4 million on discovery and a further A\$29.0 million on resource definition drilling. The drill program to define Stage H at Cowal was a major success and exciting results were also returned at Mungari, Cracow and Mt Carlton.

In FY18, Evolution's initial plan was to invest approximately A\$50.0 million in this area of the business. However, with the continued success of drill programs at Cowal E41 West and the Cracow Imperial Zone, as announced this morning, additional funds in the order of A\$5.0 – A\$10.0 million are expected to be allocated to follow up on these exciting discoveries. The other major focus area for the year ahead will be on drill programs at the highly prospective Mungari Regional tenement package where encouraging results have recently been delivered.

At Evolution, we aspire to be a valued and respected industry leader in environmental stewardship. We are committed to attaining an outstanding level of performance in all our workplaces through the development and implementation of our Environmental Protocols and Life of Mine Environmental Management Plans. Periodic reviews are undertaken to ensure that our performance targets and objectives are consistently being met or exceeded in this area.

Evolution recognises that to protect and enhance our social license we must go above and beyond what is simply required by way of regulation and legislation, by playing our part in developing strong and sustainable communities. We are partnering with our community stakeholders on legacy projects that provide benefits that will last beyond the life of our mines. A great example of this was Cowal's 'Project Bridge' which won the award for the Best Collaborative Initiative at the 2017 Procurement and Supply Australasia Awards. This project involves Evolution forming a collaborative partnership with the Wiradjuri Condobolin Corporation and key Evolution supply partners to work together to maximise education and employment outcomes for local Wiradjuri people and the broader community in the Central West of NSW.

Across our entire business our people have continued to work incredibly hard during the year and I would like to thank each and every Evolution employee and contractor for their significant contribution. I also appreciate the support that our Leadership Team has received from the Board of Directors this year and recognise this as a critical ingredient of our success.

It is therefore with mixed emotions that, as announced this morning, I advise you that after six and a half years with the company, Mark Le Messurier, our Chief Operating Officer (COO) will be leaving the business at the end of December. Mark and I have worked together for the last eight years at both Sino Gold and Evolution and there are few people I admire and respect more in the mining industry.

During Mark's time at Evolution he has been an exemplary leader of our Operations Group. Our portfolio of mines have an unblemished record of delivering to guidance since the inception of the Company, they have consistently produced low cost ounces and we have been successful at adding reserves to extend our mine lives. This operating performance has been instrumental in creating the platform for the growth that we have achieved as a Company over the last few years and Mark's significant contribution to Evolution will endure.

Today I am very pleased to announce that Bob Fulker will take the role of COO in February 2018.

Bob brings more than 30 years of experience within the mining sector and has held a range of senior roles, most recently as the COO of Australian copper miner Oz Minerals. Prior to this he has held senior roles with Discovery Metals, BHP Billiton, Xstrata and Kalgoorlie Consolidated Gold Mines. Bob's extensive experience and strong commitment to innovation and strategic planning will be highly relevant to our next phase of development.

Evolution has an outstanding team steering a portfolio of high quality assets with an average reserve life of approximately nine years. All our assets are located in the safe jurisdiction of Australia with a highly skilled workforce in an attractive operating environment. Our balance sheet is strong, our assets are generating substantial cash flow and our business is well positioned to prosper through the cycle.

**For further information please contact:**

Bryan O'Hara  
General Manager Investor Relations  
Evolution Mining Limited  
Tel: +61 2 9696 2900

Michael Vaughan  
Media Relations  
Fivemark Partners  
Tel: +61 422 602 720



## **About Evolution Mining**

Evolution Mining is a leading, growth-focussed Australian gold miner. Evolution operates five wholly-owned mines – Cowal in New South Wales; Mt Carlton, Mt Rawdon, and Cracow, in Queensland; and Mungari in Western Australia. In addition, Evolution holds an economic interest in the Ernest Henry copper-gold mine that will deliver 100% of future gold and 30% of future copper and silver produced from an agreed life of mine area. Outside of the life of mine area Evolution will have a 49% interest in future copper, gold and silver production. FY18 Group gold production guidance is 750,000 – 805,000 ounces at an AISC of A\$820 – A\$870 per ounce.