



Evolution
MINING

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ASX Announcement

13 February 2019

FY19 HALF-YEAR FINANCIAL RESULTS AND INTERIM DIVIDEND

Evolution Mining Limited (ASX: EVN) has today reported a half-year statutory net profit after tax of A\$91.1 million and underlying profit after tax of A\$92.2 million for the six months ended 31 December 2018 (“the half-year”).

This result was underpinned by a consistent operating performance across Evolution’s asset portfolio with half-year gold production of 382,214 ounces. All-in Sustaining Costs (AISC)¹ for the half-year of A\$928 per ounce (US\$672/oz)² rank Evolution as one of the lowest cost gold producers in the world.

Group cash generation continues to be strong with mine operating cash flow of A\$387.9 million. Net mine cash flow was A\$237.8 million, with all operations delivering positive cash flow after meeting their operating and capital needs. The major cash flow contributors were Ernest Henry (A\$108.1 million), Mt Carlton (A\$37.5 million) and Cowal (A\$36.8 million).

Key financial highlights for the half-year included:

- EBITDA of A\$359.7 million (H1 FY18: A\$399.1M)
- EBITDA margin of 48% (H1 FY18: 53%³)
- Statutory profit before income tax of A\$132.1 million (H1 FY18: A\$175.1M)
- Statutory net profit after income tax of A\$91.1 million (H1 FY18: A\$122.5M)
- Underlying net profit after income tax of A\$92.2 million (H1 FY18: A\$124.7M)
- Mine operating cash flow of A\$387.9 million (H1 FY18: A\$415.1M)
- Net bank debt reduced to A\$41.4 million (H1 FY18: A\$231.5M)
- Gearing reduced to 1.4% (H1 FY18: 9.5%)

Fully franked interim dividend declared based on a policy of 50% of after tax earnings:

- Dividend amount – 3.5 cents per share fully franked
- Ex-dividend date – 21 February 2019
- Record date – 22 February 2019
- Payable date – 29 March 2019
- Nil Conduit Foreign Income (CFI) component

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

These half year financial results continue to demonstrate the quality of Evolution’s asset portfolio. The exceptionally strong mine operating cash flow of over A\$1,000 per ounce has allowed us to invest heavily in capital projects that will extend mine life and deliver additional high margin ounces. We are also increasing our investment in exploration with the ongoing success of the discovery programs at Cowal and Mungari. Importantly, we have maintained our commitment to return excess cash to shareholders via our interim dividend of 3.5 cents per share fully franked.

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 A\$0.7246
3. H1 FY18 EBITDA margin excludes Edna May operation which was divested in October 2017

Driving a safety culture where our people do the right thing because they want to, not because they have to, underpins our safety programs. The total recordable injury frequency (TRIF) was 7.3 (30 June 2018: 5.5). This reflected an increase in minor injuries with a need to increase focus on promoting mindfulness and pre-task risk identification. Safety programs included HSE Systems and Critical Control verification audits. The focus continues to be on improving Evolution's safety culture and embedding critical controls across all sites. Evolution published its inaugural Sustainability Report in the December 2018 half-year.

The Group recorded a statutory net profit after tax of A\$91.1 million and underlying net profit after tax of A\$92.2 million for the period to 31 December 2018 (31 December 2017: A\$122.5 million and A\$124.7 million respectively). The lower profit was driven predominantly by the impact of non-cash related items which reduced profit before tax by A\$35.3 million while cash related items reduced profit before tax by A\$11.3 million. These were partially offset by lower tax expense of A\$11.6 million and the impact of the divestment of Edna May of A\$3.7 million.

Full-year production and cost guidance remains unchanged. This indicates a planned improved operational performance for the second half of the financial year. In addition, the gold price is currently A\$155/oz higher than the achieved price for the half-year to December 2018 of A\$1,695/oz. If this level is sustained, then a materially better profit in the second half of the year is likely.

Evolution continued investing for extensions of mine life and production growth, including the approval of major development projects and exploration drilling at Cowal, and an underground mine development and plant upgrade at Mt Carlton.

Key results for the December 2018 half-year are as follows:

- Total gold production of 382,214 oz at an AISC of A\$928/oz
- Mine operating cash flow of A\$387.9 million
- Net mine cash flow of A\$237.8 million, with all operations delivering positive cash flow after meeting their operating and capital needs
- Net bank debt reduced by A\$30.7 million to A\$41.4 million

Total outstanding bank debt in the Senior Secured Term Loan ("Facility D") was reduced by A\$40.0 million during the period to A\$355.0 million. The Senior Secured Syndicated Revolver Facility of A\$350.0 million remains undrawn.

The cash balance at 31 December 2018 was A\$313.6 million (31 Dec 2017: A\$163.5M).

During the period, the Company took advantage of the elevated Australian dollar gold price to hedge a further 300,000oz of production at an average price of A\$1,871/oz for quarterly deliveries between July 2020 and June 2023. The additional hedging provides support to the balance sheet during a period of major capital investment while leaving the majority of production unhedged. The Group's total gold hedge book at 31 December 2018 was 475,000oz at an average price of A\$1,816/oz.

A total investment of A\$29.9 million in discovery and resource definition drilling programs across the Group delivered excellent results during the period. Highlights include continued success from the exploration drilling programs at Cowal's GRE46 and Dalwhinnie, and Mungari's Scottish Archer and Ora Banda projects.

In October 2018, the Board approved the Mt Carlton underground development and plant upgrade modifications. The capital expenditure requirement for the underground development and plant modifications is estimated at A\$60.0 million to be incurred from FY19 to FY22. First ore from the underground is planned for FY21.

In October 2018, the Cowal operation was granted regulatory approval from the NSW Department of Planning and Environment to increase the plant processing rate by 31% from 7.5 million tonnes per annum (Mtpa) to 9.8Mtpa. Other key features of the modification application include the implementation of a secondary crushing circuit at the processing plant and the development of an Integrated Waste Landform (IWL) to facilitate storage of tailings over the life of mine. Subsequent to this regulatory approval, the Board approved the first stage upgrade to the Cowal processing plant in November 2018. The first stage of the project will take the processing capacity to 8.7Mtpa at an estimated capital investment of A\$25.0 to A\$30.0 million.

In October 2018, regulatory approval was received to commence the development of the Galway-Regal-E46 (GRE46) exploration decline at Cowal. The decline will allow Evolution to conduct further resource definition and discovery drilling at GRE46 as well as further drilling to delineate the Dalwhinnie Lode. Works will commence in the March 2019 quarter.

In September 2018, Evolution entered into an earn-in joint venture agreement with Andromeda Metals Limited (ASX: ADN) over the Drummond exploration project. Drummond is an early-stage gold exploration project located in northern Queensland covering roughly 520km². The project is approximately 50km southwest of Evolution's Mt Carlton operation. The key terms of the agreement are as follows:

- Evolution can earn a 51% interest in the project by making a cash payment of A\$300,000 to Andromeda and spending A\$2.0 million on exploration over a two-year period
- Evolution can earn a further 29% (for a total of over 80%) by making an additional cash payment of A\$200,000 and spending A\$4.0 million on exploration over two years

During December 2018, the Group agreed to subscribe for a further 3.2 million shares in Riversgold Ltd (ASX: RGL), taking the Company's shareholding to 15.7 million shares and a total of 18.7% of the outstanding shares in Riversgold Ltd.

Dividend payment

The Evolution Board has agreed to pay a fully franked interim dividend of 3.5 cent per share. The aggregate amount of the dividend is estimated at A\$59.4 million. The record date for receiving the dividend is 22 February 2019 and the dividend payment will be made on 29 March 2019.

The dividend is based on the Company's policy of, whenever possible, paying a half-yearly dividend equivalent to 50% of the Group's after-tax earnings.

Full details of the FY19 Half-Year Financial Results are available in the Appendix 4D released to the Australian Securities Exchange (ASX) today and are also available on Evolution's website www.evolutionmining.com.au.

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 FY19 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 093 431
- International Toll: +61 2 8047 9393

Participant PIN Code: 81997204#



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About Evolution Mining

Evolution Mining is a leading, growth-focussed Australian gold miner. Evolution operates five wholly-owned mines – Cowal in New South Wales, Cracow, Mt Carlton and Mt Rawdon 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.

FY19 Group gold production guidance is 720,000 – 770,000 ounces at an AISC of A\$850 – A\$900 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.