

# Evolution Mining

## 2016 Half Year Financial Results

For the six month period ending 31 December 2015

18 February 2016

Jake Klein – Executive Chairman

Lawrie Conway – Finance Director and Chief Financial Officer



## Forward looking statement

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- These materials prepared by Evolution Mining Limited (or “the Company”) include 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.

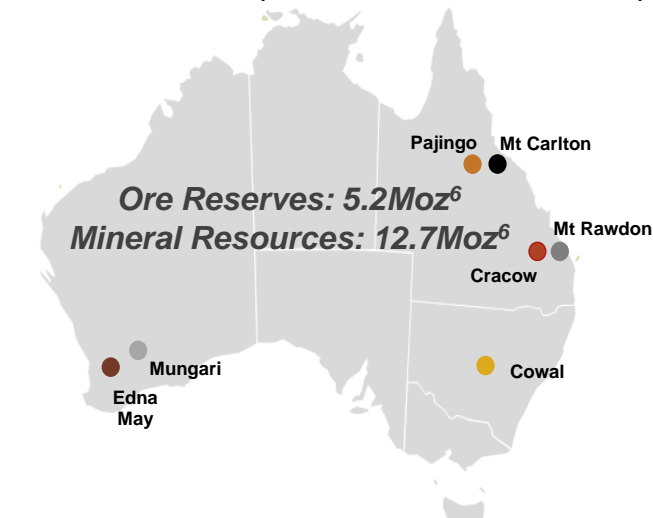
# Australia's 2<sup>nd</sup> largest gold producer

- All assets 100% owned
- FY16 attributable production guidance of 770,000 – 820,000oz
- FY16 AISC<sup>1</sup> guidance A\$970 – 1,020/oz (US\$700 – 740/oz)<sup>2</sup>

Cowal	
Gold Reserves (Moz) <sup>5</sup>	2.18
Gold Resources (Moz) <sup>5</sup>	5.09
FY2015A Au Production (Koz)	277
Reserve Grade (Au g/t)	0.9

Mungari	
Gold Reserves (Moz) <sup>4</sup>	0.78
Gold Resources (Moz) <sup>4,7</sup>	2.64
FY2015A Au Production (Koz)	131
Reserve Grade (Au g/t)	2.6

Edna May	
Gold Reserves (Moz) <sup>3</sup>	0.39
Gold Resources (Moz) <sup>3</sup>	1.06
FY2015A Au Production (Koz)	99
Reserve Grade (Au g/t)	1.0



Cracow	
Gold Reserves (Moz) <sup>3</sup>	0.25
Gold Resources (Moz) <sup>3</sup>	0.71
FY2015A Au Production (Koz)	93
Reserve Grade (Au g/t)	6.7

Pajingo	
Gold Reserves (Moz) <sup>3</sup>	0.10
Gold Resources (Moz) <sup>3</sup>	0.82
FY2015A Au Production (Koz)	66
Reserve Grade (Au g/t)	7.0

Mt Carlton	
Gold Reserves (Moz) <sup>3</sup>	0.63
Gold Resources (Moz) <sup>3</sup>	0.87
FY2015A Au Production (Koz)	78
Reserve Grade (Au g/t)	4.4

Mt Rawdon	
Gold Reserves (Moz) <sup>3</sup>	0.88
Gold Resources (Moz) <sup>3</sup>	1.16
FY2015A Au Production (Koz)	102
Reserve Grade (Au g/t)	0.8

1. Includes C1 cash cost, plus royalty expense, sustaining capital, general corporate and administrative expense. Calculated on per ounce sold basis

2. Calculated using an average AUD:USD exchange rate for the six months to 31 December 2015 of US\$0.723

3. This information is extracted from the report entitled "Annual Mineral Resources and Ore Reserve Statement 2014" released to ASX on 14 May 2015 and is available to view on [www.evolutionmining.com.au](http://www.evolutionmining.com.au)

4. This information is extracted from the report entitled "Evolution to Combine with La Mancha Resources Australia to Form a Leading Growth-focused Australian Gold Producer" released to ASX on 20 April 2015 and is available to view at [www.evolutionmining.com.au](http://www.evolutionmining.com.au)

5. This information is extracted from the report entitled "Resources and Reserves increased at Cowal" released to ASX on 26 August 2015 and is available to view on [www.evolutionmining.com.au](http://www.evolutionmining.com.au)

6. This information is extracted from the report entitled "FY15 Financial Results Presentation" released to ASX on 27 August 2015 and is available to view on [www.evolutionmining.com.au](http://www.evolutionmining.com.au)

7. Additional resources from Phoenix Gold acquisition not included

Mineral Resources are reported inclusive of Ore Reserves

The Company confirms that it is not aware of any new information or data that materially affects the information included in the Report and that all material assumptions and technical parameters underpinning the estimates in the Report continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the Report. The Company's Mineral Resource and Ore Reserve Statement is planned to be released in the June quarter 2016

# FY16 half year financial highlights

- Robust underlying financials
  - Statutory loss of A\$15.5M due to acquisition related costs
  - Record underlying profit up 150% to A\$107.9M
  - EBITDA up 117% to A\$285.6M
- Continued momentum in lowering costs and expanding margins
  - Group AISC<sup>1</sup> of A\$954/oz (US\$690/oz)<sup>2</sup>
  - Group AIC<sup>3</sup> reduced by 15% to A\$1,095/oz (US\$792/oz)
  - EBITDA margin increased to 47%
- Balance sheet
  - Gearing reduced to 23% from July 2015 peak of 32%
  - Interim dividend declared – 1 cent per share unfranked

1. Includes C1 cash cost, plus royalty expense, sustaining capital, general corporate and administrative expense. Calculated on per ounce sold basis

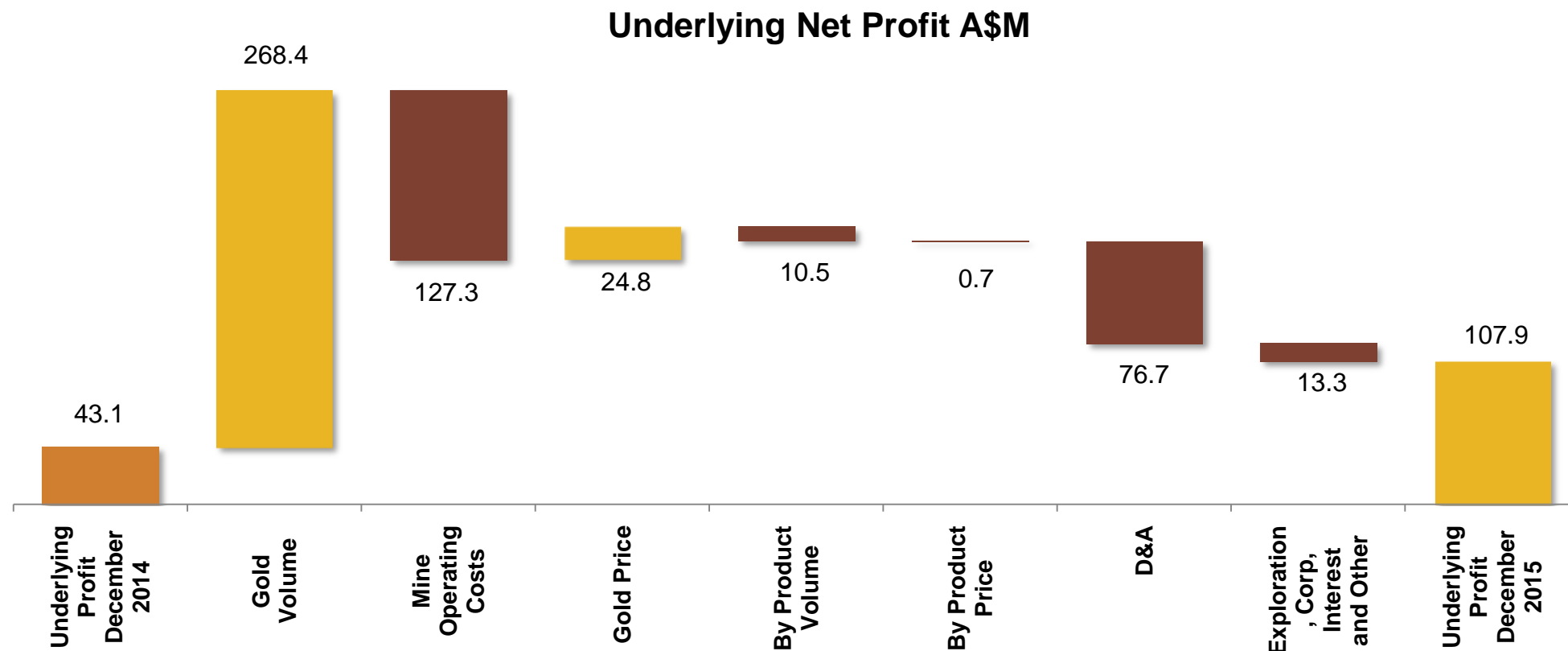
2. Calculated using an average AUD:USD exchange rate for the six months to 31 December 2015 of US\$0.723

3. Includes AISC plus growth (major project) capital and discovery expenditure. Calculated on per ounce sold basis

*A global leader in low cost production*

# Record underlying net profit

- Underlying net profit driven by
  - Increased volume – Cowal and Mungari
  - Higher margins – lower costs and higher price

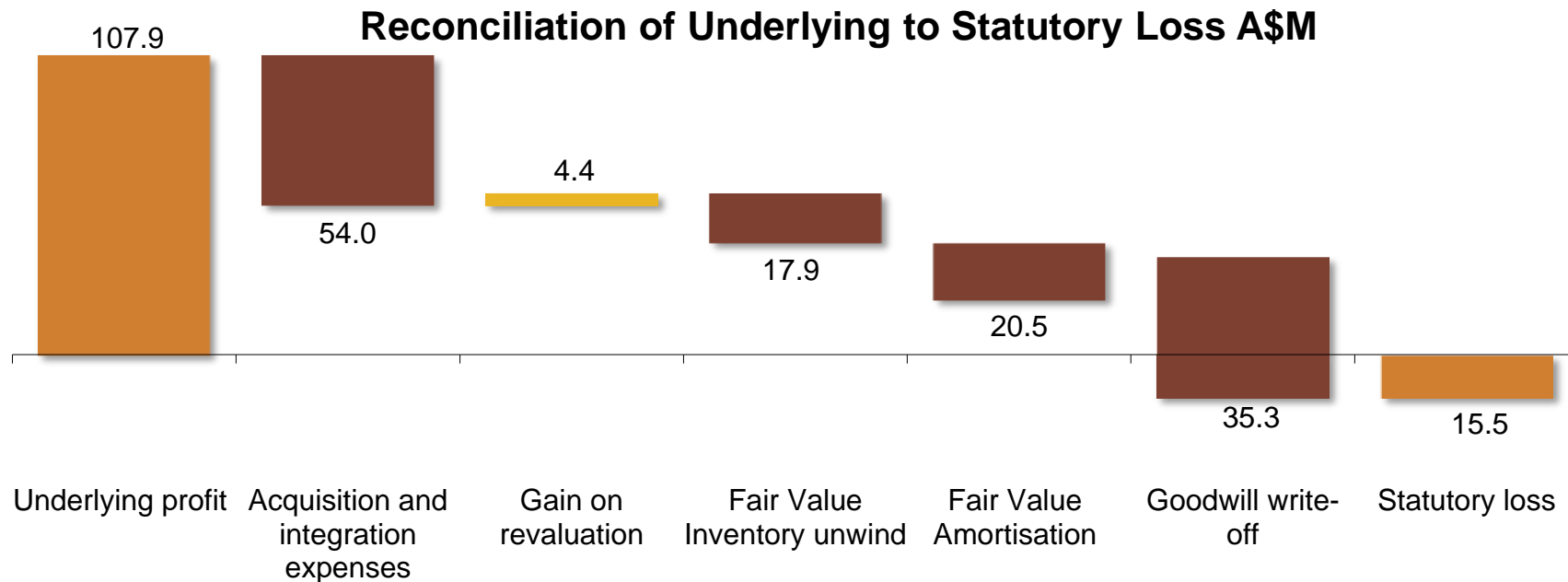


# Accounting impact of acquisitions

- Goodwill write-off on La Mancha acquisition due mainly to share price appreciation

	Announcement Date 20 April 2015	Completion Date 24 August 2015	Increase
Share price (A\$/share)	0.93	1.03	0.10
Shares issued to La Mancha (M)	322.0	322.0	322.0
Consideration (A\$M)	299.4	331.6	32.2
Other Goodwill (A\$M)			3.1

- Acquisition accounting summary



# Cost environment

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- Market conditions continue to present cost reduction opportunities
- No signs of upward pressure evident
- Cowal and Mungari acquisitions provide aggregation potential
- Additional internal resources allocated to increase rate of market negotiations
- Considerable progress delivered in last 6 months
  - Savings in the range of 5 – 40% (majority averaging 20 – 25%)
  - Financial benefits in the order of A\$8 – A\$10M achieved
- Goods and services delivering most value in recent negotiations
  - Civil works
  - Exploration drilling
  - Electricity
  - Explosives (including drill and blast services)
  - Mobile equipment (purchase and hire)

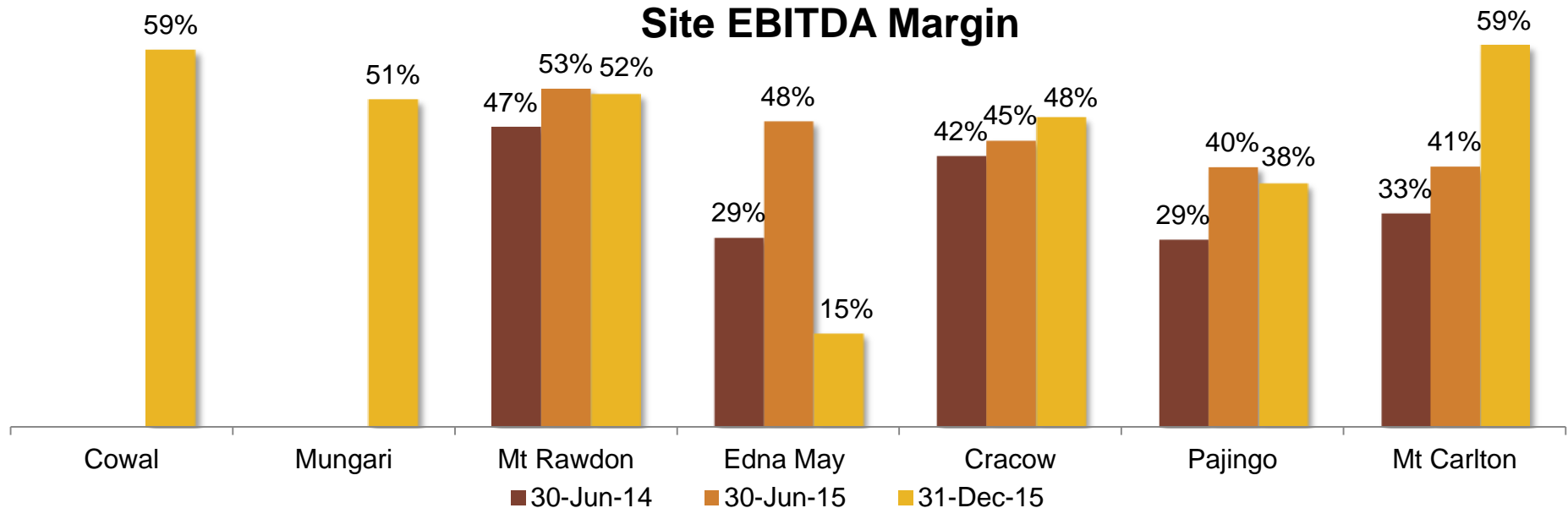
# EBITDA margins

- Group EBITDA margins continue to expand
- Immediate benefits of Cowal and Mungari evident
- Mt Carlton operational improvements and higher grade flowing through to higher margin
- Edna May performance driven by increased operational stripping and lower grade

**Group EBITDA Margin (%)**



**Site EBITDA Margin**

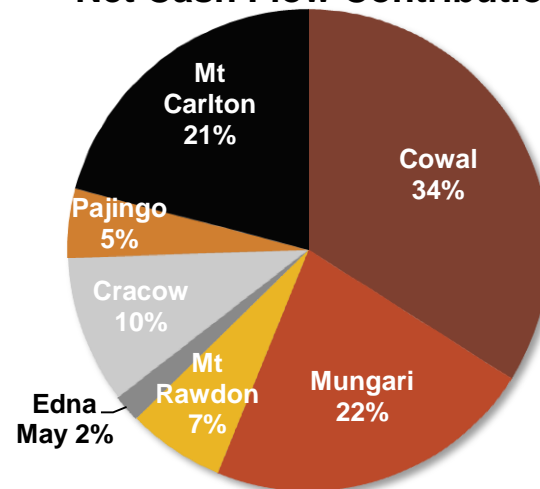




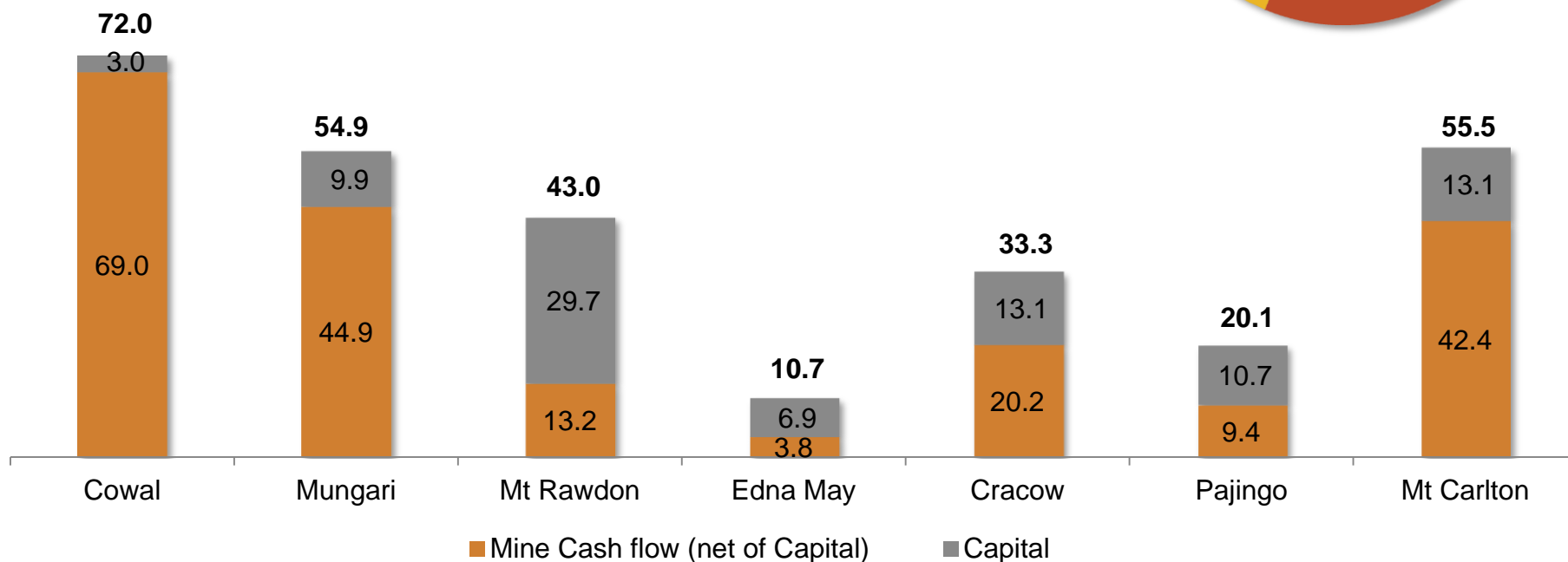
# Mine cash flow

- Net mine cash generation up 250%
- All assets cash flow positive over the period
- Strong contribution from Cowal, Mungari and Mt Carlton

Net Cash Flow Contribution



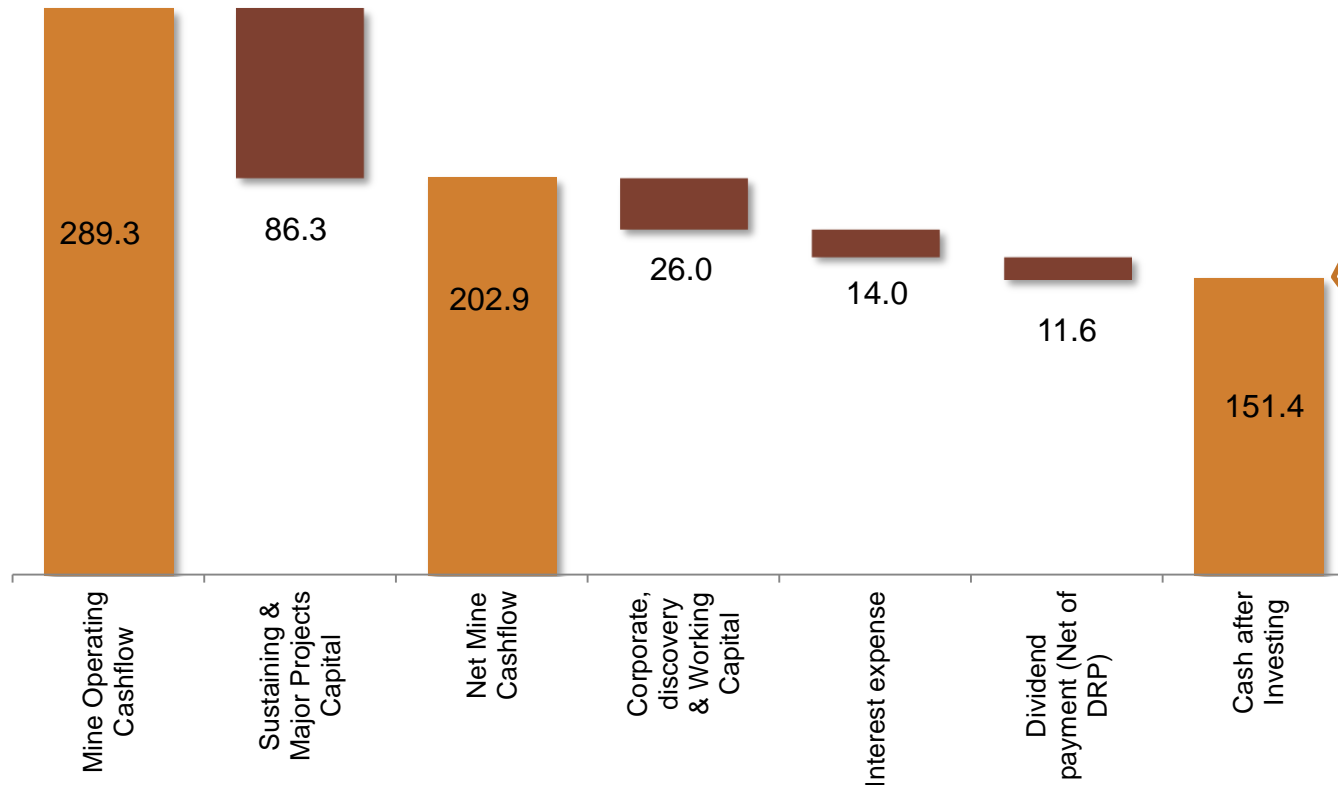
FY16 H1 Mine Cash Flow (A\$M)



# Group underlying cash flow

- Strong underlying cash flow generation from diversified portfolio of Australian operations
- Half year cash flow includes only part period contribution from Cowal and Mungari
- Movement of gold price by A\$25/oz equivalent to A\$6 – A\$7M free cash (for 2<sup>nd</sup> half)

**Group underlying cash flow A\$M**

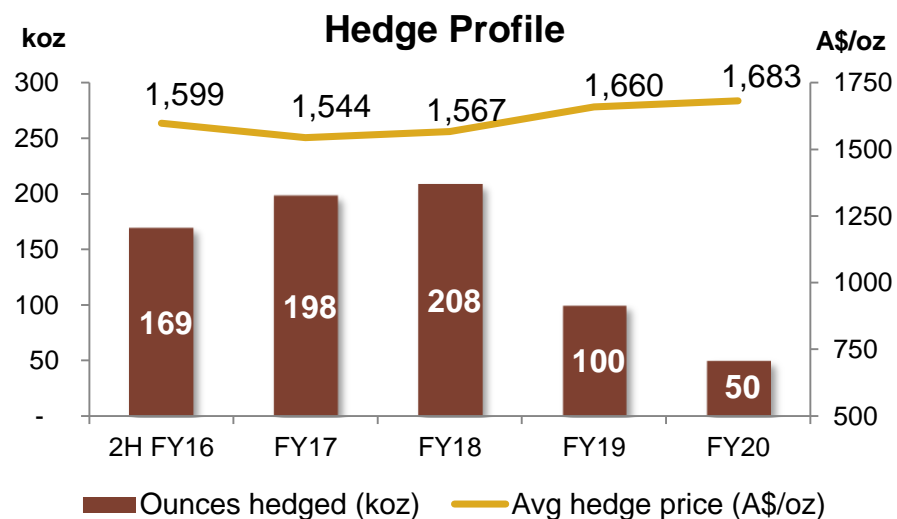
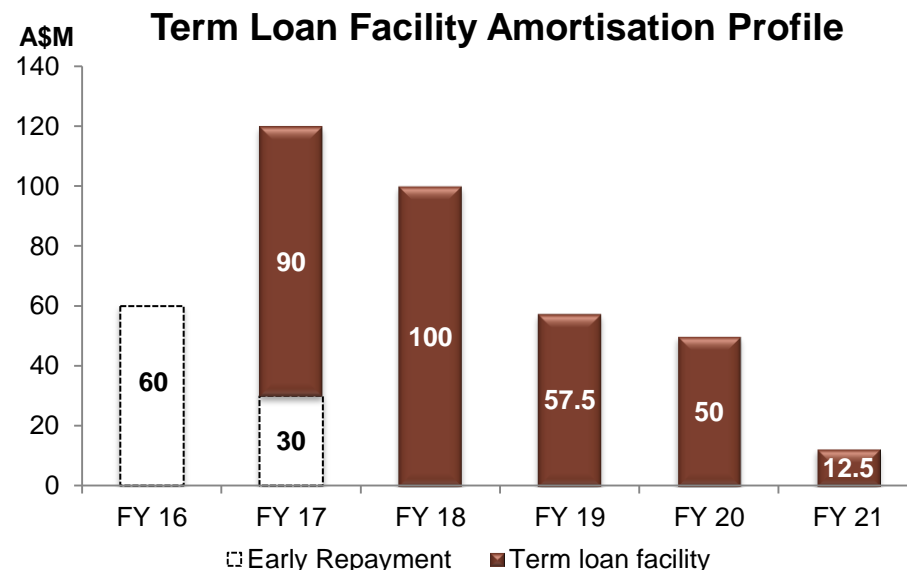


Available uses of surplus cash

- Growth:
  - Cowal / Mungari transactions
  - Phoenix
- Accelerated debt reduction
  - Voluntary revolver payments
  - Early term loan payments
- Dividends
  - Review at end of FY16

# Balance sheet and gearing

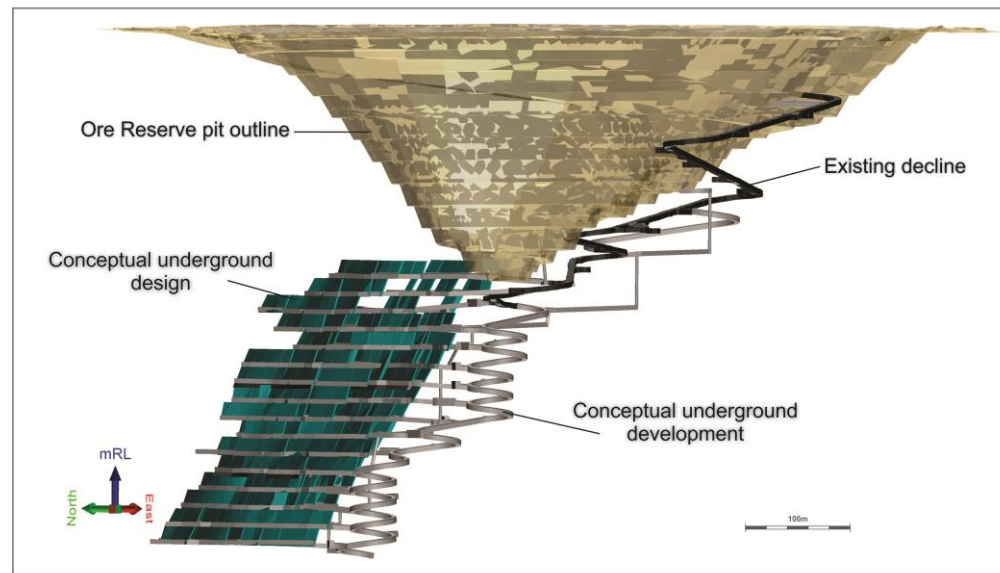
- Attention on accelerated debt reduction
  - Voluntary repayment of A\$77M into Revolver Facility
  - Early repayment of A\$50M into Term Loan
  - Further action subsequent to half year
    - Repayment of A\$25M in January 2016
    - Notification of A\$15M in February 2016
  - Continue to remain ahead of commitments
- Gearing reduced to 23% from July 2015 peak of 32%
- Hedge profile aligns to debt repayment commitments
  - Total of 726,394oz at A\$1,589/oz average
- Dividend maintained
  - Interim of 1 cent per share unfranked
  - Review of policy at end of FY16
- Available Group tax losses of A\$354M



# Edna May underground

## *Phase 1 development*

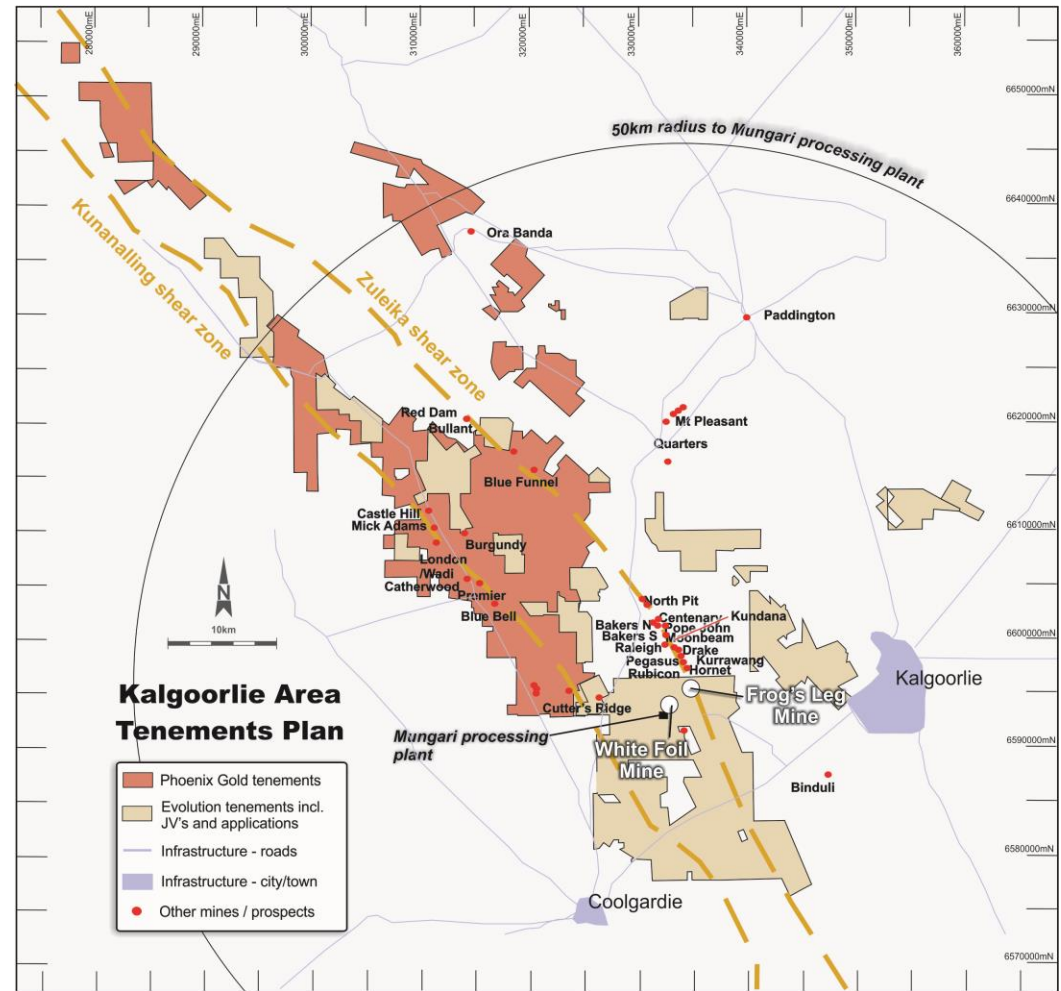
- A\$16M capital investment targeting initial resource base of ~200,000 ounces
- Rehabilitation of existing decline to assist in keeping costs low
- Portal scheduled to be cut in FY16
- Production from underground mine expected from FY18
- Development also provides better access to drill out deeper zones
- Attractive return on capital
- Potential to materially improve Edna May production and cashflow
- Provides opportunity to further extend mine life



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Proposed Edna May Underground in relation to final Stage 2 pit

# Phoenix Gold acquisition

- Transaction finalised in January 2016
- Consolidated Mungari tenement package of ~920km<sup>2</sup> of relatively under-explored, highly prospective ground
- Tenements cover ~45km strike length along Zuleika Shear Zone
- Material addition to Mungari resources will translate to mine life extensions
- Mungari FY16 attributable production guidance of 120 – 135koz at AISC of A\$920 – A\$1,020/oz (US\$665 – US\$735/oz)



Location of Mungari including recently acquired Phoenix Gold tenements

# Summary

- Underlying profit up 150% to A\$107.8M
- Low cost producer with Group AISC of A\$954/oz (US\$690/oz)
- Immediate positive impact from additions of Cowal and Mungari to portfolio
- Strong cash generation funding early debt repayments
- Consistent returns to shareholders via 2% of revenue dividend policy
- Proactive balance sheet management
- Upgraded FY16 Group production guidance of 770,000 – 820,000 attributable ounces
- Reduced FY16 AISC guidance to A\$970 – A\$1,020 per ounce
- Continuing to deliver consistent, reliable results

***We Say, We Do, We Deliver***

# **Evolution Mining**

**ASX Code: EVN**

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

