



**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**

**24 November 2016**

## **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 are able to 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.

We live in a world of immense geopolitical and financial uncertainty. Both the Brexit vote and Donald Trump's election win in the United States completely wrong-footed financial markets. These events present investors with complex decisions and potentially new paradigms as we navigate uncharted economic territory. Based on history, gold responded as expected to the Brexit vote but its reaction to Trump's election win was an entirely different story. Markets have cheered on the Trump victory in anticipation of stimulatory economic policy in the form of reduced regulation, lower corporate taxes and potentially trillions of dollars of fiscal stimulus through infrastructure spending without any immediate concerns around the inflationary effect of these policies.

The World Gold Council made the following statement in a recent market update: "Gold is the only de-facto currency that cannot be debased by printing more of it and the only one that does not carry political risk. This is the reason why gold has outperformed every major currency throughout history." I concur with this view and believe that gold will continue to be that very important asset class over the long term. However, we are likely to experience continued volatility in the gold price over the short to medium term.

Ultimately, as a gold producer, you cannot influence the gold price so the Board and Management's role is to build a Company that not only prospers when the gold price is rising, but throughout the cycle. That is why at Evolution one of our core areas of focus remains improving the quality of the portfolio and it is this area that I believe we have made material and important progress over the last 18 months. Our strategy has not changed since Evolution was formed in 2011 when we articulated a very clear vision to build a globally relevant mid-tier Australian gold miner. We will continue to relentlessly focus on improving the quality of our portfolio. Whilst our portfolio of assets now has an average reserve life of over eight years our goal is to continue to work towards reaching a point where each of our assets has at least an eight-to-ten year mine life. Importantly, with the recent acquisition of an economic interest in Ernest Henry and our acquisition of the Cowal gold mine last year, we now have two cornerstone operations that each have the potential for mine lives of 15 years and beyond. This provides us with a very important long term, strategic planning horizon. This enormous improvement to the quality of our portfolio makes me very confident of our future and is a major reason why Evolution achieved a record 2016 Financial Year on almost every metric.

To succeed as a company we need to live our core value of safety. I am pleased to say that in FY16 Evolution achieved further improvements in our safety performance with a further 33% reduction in our total recordable injury frequency rate. While this is an encouraging result, we recognise there is always more work to do in this area.

Operationally, the Company continued its track record of delivering to or outperforming production and cost guidance, marking five consecutive years of achieving guidance since the Company's inception.

Evolution's gold production increased by 84% to a record 803,476 ounces at an average All-in Sustaining Cost (AISC) of A\$1,014 per ounce and an All-in Cost (AIC) of A\$1,134 per ounce. Using the average AUD:USD exchange rate for FY16, Evolution's AISC equated to US\$739 per ounce, placing the Company in the lowest cost quartile of global gold producers. The contribution from our new, low cost assets, our "acting like owners" culture across our workforce, and maintaining a focus on cost and efficiency gains, saw our AIC fall by 12% in the 2016 Financial Year.

In 2016 Evolution's underlying net profit increased by 114% to a record A\$226.9 million. The strong Australian dollar gold price and lower cost base resulted in record high cash margins and a record operating cash flow of A\$628.4 million. Net mine cash flow, after all sustaining and major project capital expenditure, increased by 211% to A\$428.2 million.

This strong cash generation enabled Evolution to make A\$322.0 million in debt repayments during the period. As a result, the Company's gearing was reduced to 15% by 30 June 2016 after peaking at 32% in July 2015 at the completion of the Cowal transaction.

Our confidence in the future cash generation of the business allowed Evolution's Board of Directors to approve the doubling of the Company's dividend payout ratio to 4% of gold revenue. This change was announced in June 2016 and was applied to the final dividend declared in August 2016.

Following on from the Cowal and Mungari acquisitions that were announced during FY15, Evolution moved quickly to acquire Phoenix Gold Limited. This transaction was completed in January 2016. The Phoenix tenement package adjoined the Mungari operation and covers a significant strike length of the highly prospective Zuleika Shear and Kunanalling Shear. Evolution now has a land package of approximately 880km<sup>2</sup> surrounding the newly built 1.6Mtpa Mungari plant – just 20 kilometres west of Kalgoorlie in Western Australia.

Subsequent to the end of the 2016 financial year, Evolution continued to actively pursue its strategy of upgrading the quality of its asset portfolio. In August 2016 Evolution announced the acquisition of an economic interest in the Ernest Henry mine – a large scale, long life, copper-gold asset operated by Glencore plc in Queensland. Evolution's economic interest will deliver 100% of future gold and 30% of future copper and silver produced from an agreed 11 year life of mine area. Beyond the life of mine area, Evolution will have a 49% interest in all future copper, gold and silver production.

If Evolution had owned this asset in FY16 it would have delivered pro forma production of 88,000 ounces of gold at an AISC of A\$(59) per ounce and a net mine cash flow of A\$142.0 million.

In August 2016 Evolution also announced the divestment of the Pajingo gold mine for total proceeds of up to A\$52.0 million, including an upfront cash payment of A\$42.0 million. Pajingo made a very important contribution to Evolution for the last six years, however, our significant growth in the last 18 months means it made strategic sense for the asset to be operated by an emerging gold producer that can provide the focus needed to extend the mine's operating life. We sincerely thank all the team at Pajingo for their contribution to Evolution.

Discovery remains a key part of our business as we continue to focus on increasing our reserve base to extend the average Group mine life. During the year Evolution invested A\$26.8 million in exploration and exciting progress was made across our portfolio, particularly from Cowal, Mungari, Mt Carlton and the Tennant Creek JV.

In June 2016, Dr Glen Masterman was appointed as our new VP Discovery and Chief Geologist and brings more than 20 years of experience in the gold sector in senior technical and management roles both in Australia and internationally.

At Evolution our vision is to be a valued and respected industry leader in environmental stewardship. In FY16 we implemented Evolution Environmental Protocols at our new sites, Cowal and Mungari, and an assurance audit program across all seven sites as part of the continued high level of focus on environmental stewardship across the Group.

Evolution is committed to building relationships with our community stakeholders based on trust, mutual respect and genuine partnership. We strive to always leave a positive legacy in the communities in which we operate. In FY16 we continued to make significant contributions in this area evidenced by: more than 70% of our workforce being employed from local communities; over A\$43.0 million directly spent on local procurement; and a stakeholder perception survey conducted during the year indicating that over 85% of stakeholders felt positive to very positive toward Evolution.

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 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. I would also like to acknowledge the contribution of John Rowe who retired as a Director during the year.

Evolution has had a strong start to the 2017 Financial Year. In FY17 production guidance has been forecast at 800,000 – 860,000 ounces of gold at an AISC of A\$900 – A\$960 per ounce and we expect to further improve on this in the coming years.

Evolution has a strong platform of high quality assets, all located in a stable region with a highly skilled workforce, and in an operating environment where costs have declined and the currency is low. Our balance sheet is strong, our assets are generating substantial cash flow and our business is well positioned for the future.

**For further information please contact:**

Bryan O'Hara  
Group 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 six wholly-owned mines – Cowal in New South Wales; Mt Carlton, Mt Rawdon, and Cracow, in Queensland; and Mungari and Edna May 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.

In FY16 Evolution produced 803,476 ounces of gold at an AISC of A\$1,014 per ounce generating an operating cash flow of A\$628.4 million.

As a result of the acquisition of an economic interest in Ernest Henry, Evolution has revised FY17 Group gold production guidance to 800,000 – 860,000 ounces at an AISC of A\$900 – A\$960 per ounce.