

## **ASX Announcement**

**5 October 2021**

### **AGREEMENT TO DIVEST MT CARLTON GOLD MINE FOR UP TO A\$90 MILLION**

Evolution Mining Limited (ASX:EVN) (“Evolution” or the “Company”) has entered into a binding agreement with Navarre Minerals Limited (ASX:NML) (“Navarre”) to sell the Mt Carlton gold mine (includes Crush Creek) in Queensland for a total consideration of up to A\$90 million. The total consideration consists of:

- A\$40 million payable upon completion, comprising a mix of equity and cash. Evolution has agreed to participate in Navarre’s equity raise up to a maximum shareholding of 19.9% (approximately A\$20 million), with the final holding determined after the equity raise has concluded<sup>1</sup>;
- Up to A\$25 million contingent consideration payable on cumulative gold production milestones from Crush Creek with A\$5 million payable upon achievement of 50,000 ounces, A\$5 million payable upon achievement of 100,000 ounces and A\$15 million payable upon achievement of 175,000 ounces; and
- Up to A\$25 million contingent consideration payable in the form of a 5% gold price linked royalty where the average spot gold price is greater than A\$2,250/oz in a given quarter. The royalty is payable on production from both Mt Carlton and Crush Creek from 1 July 2023 for up to 15 years.

Evolution has consistently stated that a key objective of its corporate strategy is to continuously seek to upgrade the quality of its portfolio through either acquisition or divestment and the sale of Mt Carlton is consistent with this strategy. Consistent with other divestments, Evolution will retain upside exposure to Mt Carlton through the shareholding in Navarre of up to 19.9%<sup>1</sup> and the contingent considerations.

Navarre’s economic interest in Mt Carlton will commence from 1 October 2021, with the transaction expected to close in the December 2021 quarter. Evolution will be providing support to Navarre to ensure a safe and smooth transition of ownership.

Commenting on the transaction, Executive Chairman Jake Klein said:

*“Mt Carlton was Evolution’s first development project and has generated excellent returns for shareholders since it was commissioned in 2013. With the Company focussed on delivery of growth projects at the cornerstone assets in the portfolio, we believe now is the time to hand Mt Carlton over to an emerging gold producer who can focus on extending the operation’s mine life. The exposure we have retained will enable Evolution shareholders to benefit from the future success of the operation.”*

*Evolution would like to thank our employees, contractors, suppliers, the traditional custodians of the land the Birriah People, and the local community for their contribution to Mt Carlton’s success. We are confident that Navarre will be a great partner for those stakeholders in the future.”*

### **Updated Group FY22 Guidance and Three Year Outlook**

Mt Carlton represents 1.5% of Evolution’s gold Mineral Resources and 1.7% of gold Ore Reserves<sup>2</sup>, and was guided to produce between 45,000 and 50,000 ounces in this financial year at an All-in Sustaining Cost (“AISC”) of A\$1,650 to A\$1,700 an ounce. The sale of Mt Carlton lowers group AISC by A\$40/oz to A\$1,180 – A\$1,240/oz and reduces FY22 production to 670,000 – 725,000 ounces. Sustaining and major capital also reduce by A\$2 – A\$8 million and A\$10 – A\$15 million respectively. Details of the updated FY22 guidance by operation are shown below.

<sup>1</sup> The total number of ordinary shares to be issued to the Company is subject to a potential scale back to a minimum investment of A\$10 million and is not to exceed 19.9% of post-Placement issued share capital of Navarre. Refer to Navarre’s ASX release dated 5 October 2021 titled “Transformational Acquisition of the Mt Carlton Operations and Equity Raising” for further details regarding the Placement.

<sup>2</sup> As at December 2020.

FY22 Guidance	Gold production (oz)	AISC (A\$/oz) *	Sustaining Capital (A\$M) **	Major Capital (A\$M) **
Cowal	230,000 – 250,000	1,180 – 1,220	35.0 – 40.0	260.0 – 280.0
Red Lake	155,000 – 165,000	1,600 – 1,660	55.0 – 60.0	130.0 – 155.0
Mungari	115,000 – 125,000	1,750 – 1,800	15.0 – 22.5	25.0 – 40.0
Mt Rawdon	75,000 – 80,000	1,470 – 1,520	5.0 – 10.0	12.5 – 17.5
Mt Carlton ***	15,000	1,830	3.0	2.5
Ernest Henry	80,000 – 90,000	(780) – (720)	10.0 – 12.5	0
Corporate		70 – 75		
<b>Group</b>	<b>670,000 – 725,000</b>	<b>1,180 – 1,240</b>	<b>123.0 – 148.0</b>	<b>430.0 – 495.0</b>

\* AISC assumes A\$2,200/oz Au and A\$11,000/t Cu for royalties and by-products

\*\*Corporate capital of A\$3M (Sustaining) and A\$2M (Major) not included above

\*\*\* Estimated September 2021 quarter performance

In addition to the updated FY22 Guidance, Evolution's updated Three Year Outlook for FY23 and FY24 is shown in the table below.

Three Year Outlook	Gold production (oz)	AISC (A\$/oz) *	Sustaining Capital (A\$M)	Major Capital (A\$M)
FY23	775,000 – 830,000	1,085 – 1,145	115.0 – 155.0	480.0 – 550.0
FY24	855,000 – 915,000	1,130 – 1,190	120.0 – 160.0	265.0 – 335.0

\* AISC assumes A\$2,200/oz Au and A\$11,000/t Cu for royalties and by-products

This represents a reduction of A\$40/oz in AISC and A\$5.0 million in sustaining capital in each year. Major capital reduces by A\$10.0 million and A\$25.0 million respectively.

Production will be 40,000 oz and 90,000 oz lower respectively. The higher production impact in FY24 relates to the production that was scheduled to come from the development of Crush Creek. Evolution will participate in this production through the specific contingent payment.

Evolution's revised Three Year Outlook comprises 4% Proved Ore Reserves, 81% Probable Ore Reserves, 7% Indicated Mineral Resources, 8% Inferred Mineral Resources.

There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production targets will be realised.

#### Material assumptions for Evolution assets

Material assumptions for Evolution assets on which the Group Three-year Outlook is based are presented in ASX releases entitled "Annual Mineral Resources and Ore Reserves Statement" and "Cowal Underground Board Approval, Red Lake Growth Update and Group Three-year Outlook" released to the ASX on 12 February 2020 and 16 July 2021 respectively. Material assumptions for the Kundana and EKJV assets are presented in ASX release entitled "Acquisition to elevate Mungari to a cornerstone asset and A\$400 million equity raising" released to the ASX on 22 July 2021. All these releases are available to view at [www.evolutionmining.com.au](http://www.evolutionmining.com.au).

The material assumptions upon which the Group Three-year Outlook forecast financial information is based are: Gold A\$2,200/oz; Silver A\$27.50/oz; Copper A\$11,000/t; and Diesel A\$80/bbl. The AISC Outlook is based on a Gold price of A\$2,200/oz (Royalties) and a Copper price of A\$11,000/t (by-product credits).

#### Competent Persons Statement

The Ore Reserves and Mineral Resources underpinning the Group Three Year Outlook have been prepared by Competent Persons in accordance with the requirements of the JORC Code 2012.

Treadstone Resource Partners acted as financial advisor and Allens acted as legal advisor to Evolution on the transaction.

This announcement has been authorised for release to the ASX by the Executive Chairman.

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**About Evolution Mining**

Evolution Mining is a leading, globally relevant gold miner. Evolution operates four wholly-owned mines, post completion of this divestment – Cowal in New South Wales, Mungari in Western Australia, Mt Rawdon in Queensland, and Red Lake in Ontario, Canada. In addition, Evolution holds an economic interest in the Ernest Henry copper-gold mine in Queensland.