

# ASX Announcement

27 June 2022

## BUSINESS UPDATE

Following the completion of Evolution Mining Limited's (ASX:EVN) ("Evolution") annual planning process, the Company provides the following update on expected performance for FY22 and outlook for FY23 and FY24.

### FY22 Operations Update

In the June 2022 quarter we are expecting production will be 15% higher than the March 2022 quarter at around 170,000 ounces.

The transformation at Red Lake is continuing and we expect production to increase 15% from the March 2022 quarter to produce around 38,000 ounces in the June 2022 quarter.

Production at Cowal was impacted by further wet weather in May which restricted access to the open pit and Mungari production has been impacted by COVID related staff absenteeism. Since the Western Australian border opened in early March, over 30% of the workforce (of approx. 500) have been absent for at least 7 days due to either COVID infection or being deemed a close contact.

FY22 gold production is now expected to be around 640,000 ounces.

FY22 All-in Sustaining Cost (AISC) is expected to be ~\$1,250/oz (US\$875/oz). The final reported AISC for FY22 will largely depend on the closing copper price for June 2022 which is used to revalue unsettled concentrate shipments from Ernest Henry. On average there are four months of production that are subject to revaluation. At the current copper price, this adjustment will negatively impact FY22 AISC. This negative impact will result in the group AISC being above the guidance range of \$1,135 – \$1,195/oz (US\$795 – US\$835/oz).

Sustaining and major capital are both expected to be at the lower end of their guidance ranges (guidance was \$150 – 175 million and \$440 - \$505 million respectively).

Ernest Henry is on track to deliver over \$400 million of mine cash flow for FY22. The integration of the asset has progressed well. An update of the Mineral Resource model is planned for release in the September 2022 quarter. This model includes ~42km of additional drilling since May 2021. This will inform the Ernest Henry Extension Pre-Feasibility Study (PFS) which remains on schedule for completion by December 2022. Drilling results are expected to extend the copper-gold footprint across the mineralised lenses in the PFS area and below. Further information on the Mineral Resource model update is included in the presentation titled "Business Update Presentation" also released today.

The balance sheet is strong with around \$900 million of liquidity including \$540 million of cash expected at the end of FY22.

### FY23 Guidance and FY24 Group Outlook

Group production for FY23 is guided to increase 12% on the current year to 720,000 ounces +/- 5% and the outlook for FY24 is expected to increase a further 11% to 800,000 ounces +/- 5%. This will deliver a total increase of 25% over the two years.

These production levels are lower than our previous plans primarily due to the Red Lake transformation being achieved a year later than planned. Red Lake production is expected to be 160,000 ounces +/- 5% in FY23, ramping up to around 200,000 ounces +/- 5% in FY24.

### **FY23 Guidance and FY24 Group Outlook (continued)**

The FY23 AISC guidance and FY24 AISC outlook is expected to be in line with the current year at approximately \$1,240 per ounce +/- 5% (~US\$870/oz). These costs are higher than previously outlined due to industry wide cost pressures and the lower production at Red Lake. However, this cost level continues to place Evolution as one of the lowest cost global gold producers.

Sustaining capital is guided to be approximately \$190 – \$240 million in FY23 with the same outlook for FY24. This is higher than previously outlined due to the inclusion of capital in FY23 for fleet replacement at Ernest Henry given the confidence of a mine life extension. The main driver to the change to the FY24 outlook is at Cowal, due to higher underground mine development rates linked to the latest mine plan. Sustaining capital at other operations have not materially changed from the previous outlook.

The guidance for FY23 major capital remains unchanged at \$530 - \$600 million while the outlook for FY24 has been lowered to \$330 – \$380 million. The majority of this capital is for development of the Cowal Underground mine; the transformation of Red Lake; and progressing studies on growth opportunities at Cowal Open Pits, Ernest Henry Extension, and Plant Expansion at Mungari.

The guidance and outlook for both sustaining and major capital is also being impacted by some investment in FY22 being deferred or delayed into FY23. This has contributed to capital spend being at the bottom end of FY22 guidance.

Commenting on the updated outlook, Evolution's Executive Chairman Jake Klein said:

*“Our portfolio is well positioned. Our confidence in the turnaround and potential at Red Lake is growing, the Cowal underground mine is on budget and schedule and the cash generation and geological upside at Ernest Henry is outstanding.*

*Aligned with our strategy, during this period of increasing costs and a challenging labour market all planned expenditure will be thoroughly assessed and gated with a focus on ensuring we continue to prioritise margins over volume and earn an appropriate return on capital.*

*I am confident that Evolution is one of the best positioned gold companies with its high-quality, low-cost portfolio of assets.”*

### **Relevant Proportions of Mineral Resources and Ore Reserves underpinning the Production Target**

Evolution's updated Group FY23 and FY24 Outlook for Gold Production comprises 11% Proved Ore Reserves, 80% Probable Ore Reserves, 2% Indicated Mineral Resources and 7% Inferred Mineral Resources.

### **Cautionary Statement concerning the proportion of 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**

Material assumptions on which the FY23 and FY24 Outlook is based are presented in ASX release titled "Annual Mineral Resources and Ore Reserves Statement" dated 16 February 2022 (available to view at [www.evolutionmining.com.au](http://www.evolutionmining.com.au)). An AUD:CAD exchange rate assumption of 0.9 has been used for Red Lake.

- Gold: \$1,450/oz for Ore Reserves, \$2,000/oz for Mineral Resources
- Silver: \$20.00/oz for Ore Reserves, \$26.00/oz for Mineral Resources
- Copper: \$6,000/t for Ore Reserves, \$9,000/t for Mineral Resources

All open pit Mineral Resource estimates are reported within optimised pit shells which have been developed using a \$2,000/oz price assumption and take into account forecast mining costs and metallurgical recoveries. All underground Mineral Resources (except Ernest Henry) are reported within underground mining shapes (MSOs) using a \$2,000/oz price assumption and take into account forecast mining costs and metallurgical recoveries.

Ernest Henry Mineral Resource estimate is reported above a 0.7% Cu cut-off grade within the interpreted 0.7% copper envelope. All open pit Ore Reserve estimates are reported within detailed pit designs and all underground Ore Reserves are reported within mineable underground shapes (except Ernest Henry). Pit designs and underground mining shapes have taken into account all applicable modifying factors, forecast mining costs and metallurgical recoveries and have been developed subject to an economic test to verify that economic extraction is justified. The economic test includes all applicable capital costs and is performed via a sensitivity analysis using a range of assumed gold prices from \$1,450 to \$2,200 per ounce and considers a range of financial metrics including AISC, NPV and FCF. Assets may use different assumptions within this range during optimisation or financial modelling stages depending on specific requirements as documented in their individual statements.

Glencore commodity price assumptions used to estimate the Ernest Henry December 2021 Ore Reserves cut-off grades are: gold price of US\$1,300/oz, copper price of US\$6,500/t and AUD:USD exchange rate of 0.75.

The material assumptions upon which the Group FY23 Outlook forecast financial information is based are: Gold A\$2,400/oz; Silver A\$30/oz; Copper A\$12,500/t; and Diesel A\$130/bbl. The material assumptions upon which the Group FY24 Outlook forecast financial information is based are: Gold A\$2,400/oz; Silver A\$30/oz; Copper A\$12,500/t; and Diesel A\$115/bbl.

### **Competent Persons Statement**

The Ore Reserves and Mineral Resources underpinning the Group FY23 and FY24 Outlook have been prepared by Competent Persons in accordance with the requirements in Appendix 5E (JORC Code).

### Conference Call

Jake Klein (Executive Chairman) and Lawrie Conway (Finance Director and Chief Financial Officer) will host a conference call for investors, analysts and media to discuss the announcement at 11:00am (AEST) on 27 June 2022. Access details are provided below.

### Conference Call Details – Analysts and Media

Conference call details for analysts and media includes Q & A participation. Please dial in five minutes before the conference call starts and provide your name and the participant ID number. To ask a question, participants will need to dial \*1 (star, 1) on their telephone keypad.

To access the conference call, participants will pre-register for the call at the link below.

<https://s1.c-conf.com/diamondpass/10023098-asnwr33.html>

You will receive a calendar invite and a unique code which is to be quoted when dialling into the call.

### Live Audio Stream – Shareholders

A live audio stream of the conference call will be available on Evolution's website [www.evolutionmining.com.au](http://www.evolutionmining.com.au) under 'Latest News'. The audio stream is 'listen only'. The audio stream will also be uploaded to Evolution's website shortly after the conclusion of the call and can be accessed at any time.

### Approval

This announcement is authorised by the Board of Directors.

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### About Evolution Mining

Evolution Mining is a leading, globally relevant gold miner. Evolution operates five wholly-owned mines – Cowal in New South Wales, Ernest Henry and Mt Rawdon in Queensland, Mungari in Western Australia, and Red Lake in Ontario, Canada.

### Forward-looking statements

This announcement includes forward-looking statements, including forward looking statements relating to the future operation of the Company. These forward-looking statements are based on the Evolution's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Evolution, which could cause actual results to differ materially from such statements. Evolution makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement to reflect the circumstances or events after the date of this announcement.