

# Quarterly Report

For the period ending 30 June 2012

## Highlights

- Record quarterly group gold production of 97,149 ounces at an average cash cost of A\$762 per ounce in the June quarter, a 15% increase in production from the March quarter
- Group gold production for FY2012 of 346,979 ounces (280,401 ounces attributable) in-line with FY2012 production guidance of 335,000 – 375,000 ounces (265,000 – 300,000 ounces attributable<sup>1</sup>). Average cash costs for FY2012 significantly below guidance at A\$771 per ounce compared to guidance of A\$800 – A\$850 per ounce reflecting an ongoing focus on cost reduction
- Record quarterly production of 32,734 ounces from Mt Rawdon, up 25.4% due to higher than expected grades in the central ore zone in the Stage 2 cutback
- Production from Cracow up 8.7% to 26,215 ounces in the quarter in line with expectations
- Improved plant reliability and mine productivity at Edna May increases quarterly production by 21.7% to 19,863 ounces
- Pajingo FY2012 outstanding production of 75,747 ounces, up 165% on FY2011
- Development activity at Mt Carlton continues apace with construction approximately 50% complete and the project on schedule for commissioning in the December quarter 2012
- Drilling completed at Greenfinch prospect, within the Edna May mine lease, successfully extended high-grade gold mineralisation down-dip a further 150 metres. Additional drilling is planned and an updated resource estimate is targeted in 2HFY2013
- Cash in bank at 30 June 2012 was A\$142 million (A\$171 million at 31 March 2012). This does not include 11,460 ounces of gold sold, worth approximately A\$17 million, with cash received after the end of the quarter. Capital expenditure and exploration expenditure for the quarter was A\$98 million including A\$44 million invested at Mt Carlton
- FY2013 production guidance range higher and cost guidance range lower than FY2012 – production forecast between 370,000 and 410,000 ounces gold equivalent with cash operating costs expected to be in the range of A\$730 per ounce to A\$790 per ounce

1. Includes increased interest in Cracow from 30% to 100% on 2 November 2011, 100% of Mt Rawdon from 2 November 2011, and 100% of Pajingo from 18 October 2011

## OPERATIONS

Group gold production increased by 15% to a record 97,149oz for the June quarter (Mar 2012 qtr: 84,122oz) at an average cash cost of A\$762/oz (Mar 2012 qtr: A\$809/oz). This exceptional performance was driven by the 25.4% higher production from Mt Rawdon and a 21.7% improvement from Edna May. All four operations recorded higher quarterly production compared to the previous quarter in an outstanding June quarter for Evolution.

Group gold production for the 12 months to 30 June 2012 was 346,979oz (280,401oz attributable<sup>1</sup>) at an average cash cost of A\$771/oz (attributable). This result was within production guidance range of between 335,000 – 375,000oz (265,000 – 300,000oz attributable<sup>1</sup>) and was below cost guidance of A\$800 – A\$850/oz. This was an extremely satisfying result, especially given that it was achieved in Evolution's first financial year following its creation through the merger of Catalpa Resources with Conquest Mining in October 2011 and Cracow and Mt Rawdon acquisitions from Newcrest Mining Limited in November 2011. The excellent cash cost result is testament to Evolution's ongoing focus on reducing operating costs and improving efficiency across all of its operations.

Group gold production for the September quarter is forecast to be in the range of 85,000 - 90,000oz.

Evolution is committed to building a strong and participative safety culture. Safety performance in the June quarter was disappointing with 6 lost time injuries (LTI) and 23 total recordable injuries (TRI) across all operations. The LTIs consisted of 3 back injuries and 3 hand injuries, spread equally between underground and open cut operations. The Company is currently developing a new group-wide Health, Safety and Environment (HSE) management system and is implementing a safety leadership program in the coming quarter to support our focus on improving workplace safety.

### Outlook FY2013

Evolution Mining is forecasting increased production in FY2013 of between 370,000 - 410,000oz gold equivalent as a result of the commencement of production from Mt Carlton and continued improvements at Pajingo. Cash operating costs (before royalties and after by-product credits) are expected to be in the range of A\$730/oz to A\$790/oz which is similar to that achieved in FY2012. Included in these costs is an allowance for the carbon tax which is expected to add about A\$15/oz to group cash operating costs in FY2013.

A mine-by-mine breakdown of the production forecasts is provided in the table below.

| Guidance FY2013 | Gold Equivalent Production<br>(oz) | Cash Operating Costs<br>(A\$/oz) |
|-----------------|------------------------------------|----------------------------------|
| Cracow          | 90,000 – 100,000                   | 780 – 820                        |
| Pajingo         | 85,000 – 90,000                    | 730 – 780                        |
| Mt Rawdon       | 95,000 – 110,000                   | 600 – 660                        |
| Edna May        | 75,000 – 80,000                    | 840 – 890                        |
| Mt Carlton      | 25,000 – 30,000                    | 790 – 860                        |
| <b>Group</b>    | <b>370,000 – 410,000</b>           | <b>730 – 790</b>                 |

Mt Carlton will produce two distinct concentrates in FY2013, a gold-silver-copper concentrate from the V2 deposit and a silver-copper concentrate from the A39 deposit. The majority of FY2013 production is expected to come from the high-grade, silver-rich A39 deposit. The production guidance provided in the table above refers to payable metal (i.e. after smelter deductions) and converts A39 silver production to a gold equivalent figure (on the basis of a commodity price ratio of A\$1,500/oz for gold and A\$28/oz for silver). At the V2 deposit, silver and copper production is accounted for as a by-product (i.e. silver and copper revenue is offset against operating costs). Similarly at the A39 deposit, copper production is accounted for as a by-product. Offtake agreements are

1. Includes increased interest in Cracow from 30% to 100% on 2 November 2011, 100% of Mt Rawdon from 2 November 2011, and 100% of Pajingo from 18 October 2011

in place for both concentrates. Mt Carlton is forecast to produce approximately 9,250 wet metric tonnes ("wmt") of concentrate from the V2 deposit, containing 13,000 - 14,000oz of gold and 200,000 - 250,000oz of silver, and approximately 13,000wmt of concentrate from the A39 deposit, containing 1,250,000 - 1,350,000oz of silver, in FY2013. Expected metal production from Mt Carlton therefore equates to 40,000 – 45,000oz gold equivalent in concentrate. Evolution has previously provided guidance for Mt Carlton on the basis of metal contained in concentrate (rather than payable metal) and on this basis FY2013 Group production guidance would be 385,000 – 425,000oz gold equivalent.

Mt Carlton FY2013 cash operating costs are being impacted by a high proportion of production from the A39 deposit and costs associated with the ramp-up in production rate. In FY2013 the milled grade at the A39 deposit is expected to average 240g/t silver and have a cash operating cost of A\$20/oz silver payable. The position improves significantly in FY2014 when a larger proportion of V2 ore is processed and Mt Carlton cash operating costs are forecast to fall below A\$500/oz gold equivalent payable which will substantially lessen Evolution's average group cash costs.

Cracow, Pajingo, Mt Rawdon and Edna May guidance, as shown in the table above, refers only to gold production (i.e. silver production has not been included as a gold equivalent co-product but accounted for as a by-product).

With the formation of Evolution Mining a change in accounting policy on mine development was implemented. Previously all costs associated with open pit 'cut-back' activity were treated as deferred mining expenditure rather than as a mine development asset. This change was implemented at Edna May during FY2012. To ensure consistency the change will be implemented at Mt Rawdon in FY2013 and is reflected in the FY2013 cash operating cost guidance provided in the table above.

### Consolidated Gold Production Summary

|                                               | Units         | June<br>Quarter 2012 | March<br>Quarter 2012 | December<br>Quarter 2011 | September<br>Quarter 2011 | July 2011 to<br>June 2012 |
|-----------------------------------------------|---------------|----------------------|-----------------------|--------------------------|---------------------------|---------------------------|
| Total gold produced                           | oz            | 97,149               | 84,122                | 89,812                   | 75,895                    | 346,979                   |
| <b>Attributable gold produced<sup>1</sup></b> | <b>oz</b>     | <b>97,149</b>        | <b>84,122</b>         | <b>74,095</b>            | <b>25,036</b>             | <b>280,401</b>            |
| Total silver produced                         | oz            | 91,846               | 89,327                | 69,511                   | 90,778                    | 341,462                   |
| Attributable silver produced <sup>1</sup>     | oz            | 91,846               | 89,327                | 52,599                   | 21,512                    | 255,284                   |
| <b>Attributable Cash Cost<sup>2</sup></b>     | <b>A\$/oz</b> | <b>762</b>           | <b>809</b>            | <b>698<sup>4</sup></b>   | <b>833</b>                | <b>771</b>                |
| Attributable Total Cost <sup>3</sup>          | A\$/oz        | 1,073                | 1,132                 | 976 <sup>4</sup>         | 1,078                     | 1,087                     |
| Achieved gold price                           | A\$/oz        | 1,590                | 1,604                 | 1,632                    | 1,608                     | 1,613                     |

### Cracow, Queensland (100%)

Cracow June quarter production increased to 26,215oz of gold at a cash cost of A\$703/oz. This compares with the March quarter production of 24,119oz at a cash cost of A\$707/oz.

Cracow FY2012 annual gold production of 102,565oz was towards the upper end of the guidance range of between 90,000 - 107,000oz. Cash operating costs for FY2012 were A\$678/oz, at the lower end of the guidance range of A\$670/oz to A\$740/oz.

1. Includes increased interest in Cracow from 30% to 100% on 2 November 2011, 100% of Mt Rawdon from 2 November 2011, and 100% of Pajingo from 18 October 2011

2. Before royalties and after silver credits

3. Includes cash costs, depreciation, amortisation, royalties and exploration

4. Re-stated cash cost following implementation of standardised accounting policies in line with current Australian industry practice resulting in a material impact on Edna May's reported cash operating costs

Quarterly gold production was in line with expectations with 115,434t of ore mined at 7.96g/t Au with ore sourced from five orebodies; Kilkenny, Phoenix, Sovereign, Royal and Roses Pride.

Access was re-established to the lower Kilkenny orebody following the successful upgrade of the primary ventilation circuit. Additional resources (an extra longhole drill and twin-boom development jumbo) were added to the fleet early in the quarter to increase drilled and developed stocks respectively. Development of the newly defined Empire and Tipperary orebodies commenced during the quarter.

A total of 136,415t were treated at an average grade of 6.32g/t Au. The mill achieved excellent availability of 98% and recovery of 94.6% for the quarter. Preparation works for a girth gear change-out and crusher motor control centre upgrade in the September quarter were completed.

### **Pajingo, Queensland (100%)**

Pajingo June quarter production was 18,336oz of gold at a cash cost of A\$1,013/oz, an increase to the March quarter production of 17,588oz at a cash cost of A\$832/oz. Cash costs increased in the June quarter due to a higher proportion of lower grade open cut ore processed.

Pajingo FY2012 gold production of 75,747oz was above guidance of 70,000oz and cash operating costs for FY2012 were A\$780/oz, well below guidance of A\$867/oz. FY2012 gold production represents a 165% increase on that achieved in the previous year of 45,889oz – an excellent outcome and a direct result of the retooling and capital investment programs implemented by Evolution to improve Pajingo's long-term sustainable performance.

Ore production from underground totalled 85,728t at 5.0g/t Au from Jandam, Veracity, Eva, Bell Vein, Zed West, Faith, Sonia and Sonia East orebodies with total development of 1,472m during the quarter.

Open pit ore processed during the quarter was 68,879t at a grade of 2.9g/t Au sourced from cutback activities in the Janet A open pit. The Janet A open pit is now complete. Mining of the Venue/VNU pit is anticipated to commence early in the September quarter 2012. Venue/VNU is forecast to produce approximately 30,000oz gold over 16 months.

A total of 154,397t grading 3.9g/t Au were treated during the quarter, a 40% increase on the previous quarter's performance (Mar 2012: 110,533t grading 5.1g/t Au).

### **Edna May, Western Australia (100%)**

Edna May June quarter production increased by 21.7% to 19,863oz of gold at a cash cost of A\$990/oz. This compares with the March quarter production of 16,312oz of gold at a cash cost of A\$988/oz. Improved production was the result of improved plant reliability and gold recovery, improved rock fragmentation, and a lift in mine productivity.

Edna May FY2012 gold production of 73,264oz was up 11.7% on FY2011 production, however it was below the FY2012 guidance range of between 85,000 - 93,000oz predominantly as a result of poor plant reliability. Cash operating costs of A\$949/oz were in-line with guidance (A\$890 - A\$990/oz). Initiatives to improve plant reliability, commenced in the June half, are expected to positively impact production performance in FY2013.

Total material movement for the quarter was 2,162,298t comprising 666,174t of ore at 1.11g/t Au and 1,495,524t of waste (Mar 2012 qtr: 2,001,366t total; 722,572t of ore at 1.07g/t Au and 1,278,749t waste). Ore was predominantly sourced from the B-Cut pit and smaller amounts of oxide and transitional ore were sourced from the now exposed ore in C-Cut.

A total of 612,687t were treated at an average grade of 1.11g/t Au (Mar 2012qtr: 541,030t at 1.05g/t Au). A nine day shutdown was completed during the quarter as planned, including an unbudgeted ball mill girth gear rotation and pinion replacement. A major shutdown to replace the SAG mill girth gear and pinion and to complete works on major equipment is planned in the September quarter.

Plant reliability improvement works continue and remain a primary focus to increase plant availability. Plant availability achieved 88.5%, an increase from 81.3% in the previous quarter. Key maintenance personnel have been recruited to implement this strategy and will be supported by external technical specialists. A continuous improvement program will commence in the September 2012 quarter focusing initially on maintenance planning and execution.

Implementation of Mine-to-Mill strategies for improving rock fragmentation resulted in reduced secondary breakage requirements during the quarter.

Construction of the process water bore field and pipeline 15km west of Edna May to improve water security is now complete.

A desk top evaluation of the potential for increasing the Edna May milling rate to above 3.0Mtpa and thereby producing circa 100,000ozpa of gold has been completed with positive results.



### **Mt Rawdon, Queensland (100%)**

Mt Rawdon June quarter production was outstanding with a record 32,734oz of gold produced, up 25.4%, at a cash cost of A\$531/oz (previous record of 32,450oz - Sep 2007 qtr). This compares with the March quarter production of 26,104oz of gold at a cash cost of A\$776/oz.

Mt Rawdon 2012 annual gold production of 95,403oz was within the guidance range of between 90,000oz and 105,000oz. Cash operating costs for FY2012 were A\$684/oz, well below guidance of A\$760/oz.

Gold production in the quarter was above expectations due to positive grade reconciliations compared to the resource model, together with ore extraction from the central, higher grade ore zone in the Stage 2 cutback.

Total material movement for the quarter was 4,850,138t, comprising 899,882t of ore at 1.23g/t Au and 3,950,256t of waste (Mar 2012 qtr: 4,246,088t total, 1,016,199t of ore at 0.88g/t Au, 3,229,889t waste). Total material mined was above the March quarter as the drier season commenced and the opening up of more productive mining widths within the Stage 3 cutback. The availability of higher grade ore allowed the focus to remain on the waste movement in Stage 3.

A total of 841,346t of ore graded at 1.31g/t Au was treated in the quarter, a decrease on March quarter throughput that was more than offset by a higher grade (Mar 2012 qtr: 895,474t at 1.00g/t Au). Increased gravity gold recovery capacity was installed and scheduled mill relines were completed during a planned four day shutdown in the quarter. Average throughput for the quarter was 9,246tpd (Mar 2012 qtr: 9,840tpd).

Work commenced on the next major lift of the tails storage facility, with completion of civil construction work expected in September.



Mt Rawdon Open Pit: June 2012

## June Quarter Production Summary

| June 2012 Quarter                        | Units         | Cracow        | Pajingo       | Edna May      | Mt Rawdon     | Total/<br>Average |
|------------------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| UG ore mined                             | 000' t        | 115           | 86            | -             | -             | 201               |
| UG mined grade                           | g/t           | 7.96          | 5.00          | -             | -             | 6.70              |
| UG development                           | m             | 1,503         | 1,472         | -             | -             | 2,975             |
| OP ore mined                             | 000' t        | -             | 74            | 667           | 900           | 1,641             |
| OP mined grade                           | g/t           | -             | 2.89          | 1.11          | 1.23          | 1.26              |
| OP waste mined                           | 000' t        | -             | 205           | 1,496         | 3,950         | 5,651             |
| Total ore production                     | 000' t        | 115           | 160           | 667           | 900           | 1,842             |
| Total tonnes processed                   | 000' t        | 136           | 154           | 613           | 841           | 1,745             |
| Head grade                               | g/t           | 6.32          | 3.85          | 1.11          | 1.31          | 1.86              |
| Gold recovery                            | %             | 94.6          | 96.0          | 90.7          | 92.2          | 93.2              |
| <b>Total gold produced</b>               | <b>oz</b>     | <b>26,215</b> | <b>18,336</b> | <b>19,863</b> | <b>32,734</b> | <b>97,149</b>     |
| Total silver produced                    | oz            | 20,816        | 27,311        | 5,473         | 38,246        | 91,846            |
| Achieved gold price                      | A\$/oz        | 1,592         | 1,597         | 1,573         | 1,594         | 1,590             |
| <b><u>Cost Summary</u></b>               |               |               |               |               |               |                   |
| Mining                                   | A\$/oz        | 481           | 583           | 204           | 558           | 514               |
| Processing                               | A\$/oz        | 168           | 301           | 621           | 324           | 293               |
| Admin and selling costs                  | A\$/oz        | 97            | 109           | 147           | 55            | 95                |
| Deferred waste and stockpile adjustments | A\$/oz        | -20           | 63            | 26            | -370          | -113              |
| Silver credits                           | A\$/oz        | -23           | -43           | -8            | -36           | -28               |
| <b>Cash Cost <sup>1</sup></b>            | <b>A\$/oz</b> | <b>703</b>    | <b>1,013</b>  | <b>990</b>    | <b>531</b>    | <b>762</b>        |
| Royalties                                | A\$/oz        | 83            | 85            | 69            | 88            | 82                |
| Depreciation & Amortisation              | A\$/oz        | 304           | 257           | 159           | 194           | 229               |
| <b>Total Cost <sup>2</sup></b>           | <b>A\$/oz</b> | <b>1,090</b>  | <b>1,356</b>  | <b>1,218</b>  | <b>812</b>    | <b>1,073</b>      |

1. Before royalties and after silver credits

2. Includes cash costs, depreciation, amortisation and royalties

## FY2012 Production Summary

| July 2011 to June 2012                        | Units         | Cracow        | Pajingo       | Edna May      | Mt Rawdon     | Total/<br>Average |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| UG ore mined                                  | 000' t        | 457           | 304           | -             | -             | 761               |
| UG mined grade                                | g/t           | 6.96          | 7.84          | -             | -             | 7.31              |
| UG development                                | m             | 5,658         | 5,405         | -             | -             | 11,063            |
| OP ore mined                                  | 000' t        | -             | 193           | 2666          | 3,976         | 6,834             |
| OP mined grade                                | g/t           | -             | 2.72          | 1.07          | 0.90          | 1.02              |
| OP waste mined                                | 000' t        | -             | 996           | 5,470         | 13,634        | 20,100            |
| Total ore production                          | 000' t        | 457           | 497           | 2,177         | 3,976         | 7,106             |
| Total tonnes processed                        | 000' t        | 527           | 487           | 2373          | 3434          | 6,822             |
| Head grade                                    | g/t           | 6.47          | 5.08          | 1.07          | 0.95          | 1.72              |
| Gold recovery                                 | %             | 93.5          | 96.2          | 89.4          | 91.0          | 92.5              |
| Total gold produced                           | oz            | 102,565       | 75,747        | 73,264        | 95,403        | 346,979           |
| <b>Attributable gold produced<sup>1</sup></b> | <b>oz</b>     | <b>78,779</b> | <b>57,154</b> | <b>73,264</b> | <b>71,205</b> | <b>280,401</b>    |
| Total silver produced                         | oz            | 72,694        | 117,402       | 25,198        | 126,168       | 341,462           |
| Attributable silver produced                  | oz            | 56,178        | 87,649        | 25,198        | 86,259        | 255,284           |
| Achieved gold price                           | A\$/oz        | 1,624         | 1,623         | 1,583         | 1,616         | 1,613             |
| <b><u>Cost Summary</u></b>                    |               |               |               |               |               |                   |
| Mining                                        | A\$/oz        | 462           | 467           | 196           | 582           | 424               |
| Processing                                    | A\$/oz        | 153           | 239           | 597           | 347           | 336               |
| Admin and selling costs                       | A\$/oz        | 82            | 89            | 129           | 50            | 88                |
| Deferred waste and stockpile adjustments      | A\$/oz        | 3             | 32            | 36            | -260          | -49               |
| Silver credits                                | A\$/oz        | -22           | -46           | -9            | -36           | -27               |
| <b>Attributable Cash Cost<sup>2, 4</sup></b>  | <b>A\$/oz</b> | <b>678</b>    | <b>780</b>    | <b>949</b>    | <b>684</b>    | <b>771</b>        |
| Royalties                                     | A\$/oz        | 83            | 92            | 72            | 82            | 82                |
| Depreciation & Amortisation                   | A\$/oz        | 318           | 266           | 157           | 195           | 234               |
| <b>Attributable Total Cost<sup>3</sup></b>    | <b>A\$/oz</b> | <b>1,078</b>  | <b>1,138</b>  | <b>1,178</b>  | <b>960</b>    | <b>1,087</b>      |

1. Includes increased interest in Cracow from 30% to 100% on 2 November 2011, 100% of Mt Rawdon from 2 November 2011, and 100% of Pajingo from 18 October 2011, and corrected silver production from the December 2011 quarterly report

2. Before royalties and after silver credits

3. Includes cash costs, depreciation, amortisation and royalties

4. Includes a final year adjustment for Edna May

## DEVELOPMENT

### Mt Carlton, Queensland (100%)

The Mt Carlton gold-silver-copper project in Queensland is Evolution's key organic growth asset and will expand the Company's portfolio of 100% owned, Australian producing mines from four to five during FY2013.

Procurement and engineering is largely complete and construction is approximately 50% complete at 30 June 2012 and remains on schedule for commissioning in the December quarter 2012.

All major procurement has now been completed and all material contracts have been awarded. Therefore, any potential capital cost exposure above the forecast A\$145M has now been reduced to ensuring the project is delivered on schedule and the accuracy of engineered quantities.

During the quarter the focus of project development activities has been:

- Completion of pole installation for the 22kV powerline along the 20km corridor;
- Completion of the installation of SAG mill steel, tailings thickener legs and tank base;
- Advancement in both V2 and A39 stage-one pits;
- New administration building is now in use and the construction administration infrastructure has been relocated for main water dam construction;
- Advancement of concrete works on schedule with SAG mill, flotation, regrind and tankage areas nears completion;
- The Run of Mine ("ROM") mechanically stabilised earth ("MSE") retaining wall nears completion; and
- Commencement of works on the reclaim tunnel and second MSE wall installation.

Mining commenced with a total waste movement of 2,095,482t from the A39 and V2 pits. The majority of the mining fleet has been mobilised to site and the mine is on track to deliver commissioning ore to the processing plant in the December quarter 2012. Waste material has primarily been utilised for the construction of Tailings Storage Facility and Main Water Dam. Unseasonal wet weather has caused minor delays in the placement of clay materials.

The Mt Carlton project is estimated to produce 800,000oz of gold, 17,300,000oz of silver and 34,000t of copper over its current mine life of 12 years.

Mt Carlton: Mining commences at A39 pit



Mt Carlton: ROM wall construction



Mt Carlton: Processing cyclones in construction



Mt Carlton: SAG mill footings and plinth



Mt Carlton: Tailings thickener in construction



## EXPLORATION

Evolution is committed to growth through discovery and believes that there is significant value to be realised within its extensive and highly prospective exploration portfolio in Queensland and Western Australia. An exploration budget of A\$28M for FY2013 was approved by Evolution's Board during the quarter with the objective of delivering operational sustainability (i.e. reserve/resource replacement and extension) while also testing potentially transformational new targets.

Exploration activities were undertaken across a range of prospects at all projects during the June quarter. Exploration efforts and intensity increased following commencement of the field season in north Queensland with a total of 28,049m drilled. Significant results were achieved at Edna May, Pajingo, Cracow and Mt Carlton.

### Cracow, Queensland

#### Resource Definition

Resource definition drilling at Kilkenny, Klondyke North and Roses Pride was undertaken during the quarter. At Kilkenny, a total of 16 holes for 1,112m were completed and returned results in line with expectation with further drilling planned to achieve conversion of Inferred resources to Indicated. At Klondyke North, 15 holes were drilled for a total of 1,780m, targeting strike extents of the shoot with a best intercept of 5.8m grading 10.8g/t Au from 89.8m. Drilling commenced at Roses Pride with 14 holes completed for 1,600m.

#### Mine Lease Exploration

Surface drilling continued at the Coronation discovery announced at the end of the March quarter, with a focus on defining the upper extents of the new zone of mineralisation. Further drilling will be undertaken from underground positions during FY2013 with the aim of upgrading the target to an Inferred Resource by the end of FY2013.

The Coronation shoot is located approximately 550m below surface and 250m north of active mining operations (Figure 1), underscoring the potential significance of the find which remains open along strike.

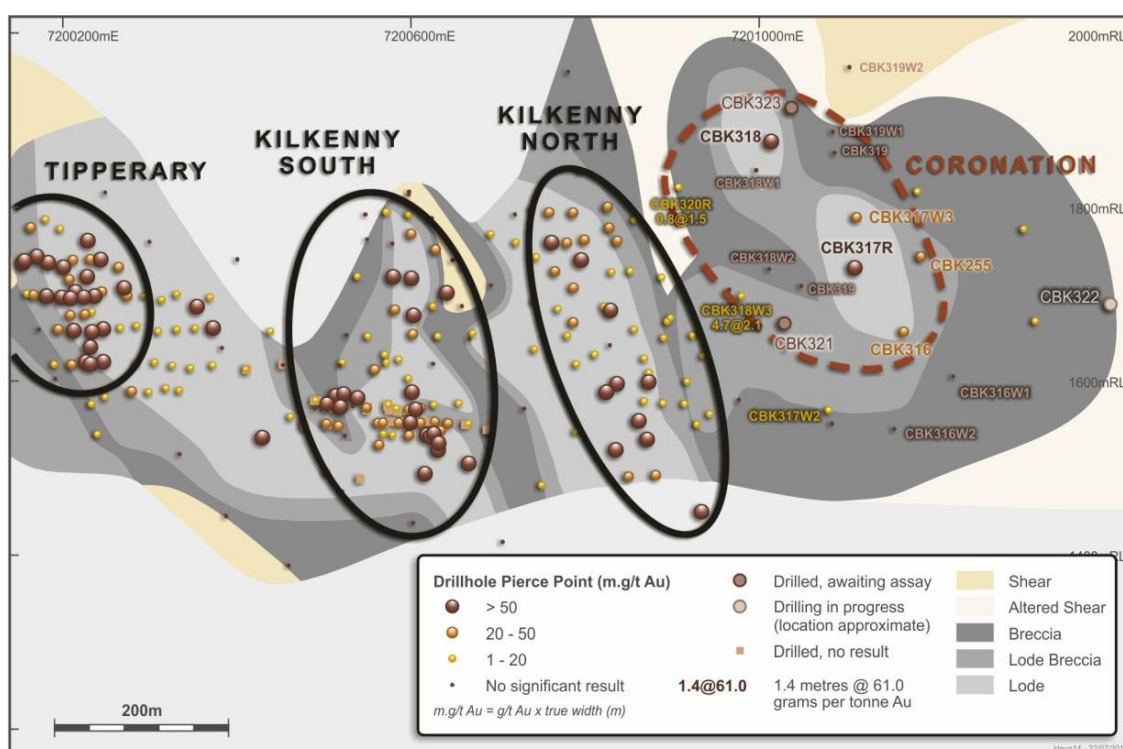


Figure 1: Schematic longitudinal section of Coronation with significant intercepts shown

## Regional Exploration

A 27km<sup>2</sup> gradient array survey continued during the quarter, designed to identify resistive and chargeable mineralisation south of the Cracow Gold Field. Geological mapping of this area was also undertaken to help define potential drill targets. Interpretation of the mapping and gradient array data has been completed and it is anticipated that a number of prospective targets generated from this work will be drill tested in FY2013.

## Pajingo, Queensland

### Resource Definition

A series of short extensional and resource definition underground drill programs totalling 103 holes for 13,621m were completed during the quarter at Sonia, Eva, Zed East and Veracity.

Underground drilling at Sonia extended mineralisation and confirmed the continuity of a structurally controlled, high-grade dilational zone. Drilling to convert a portion of Sonia from Inferred to Indicated Resource was completed. Best results returned to date included:

- 0735\_04\_SN: 1.8m grading 29.4g/t Au
- 0739\_10\_SN: 3.7m grading 9.8g/t Au
- 0739\_11\_SN: 2.1m grading 171.7g/t Au
- 0739\_12\_SN: 9.2m grading 22.2g/t Au
- 0739\_13\_SN: 1.8m grading 19.6g/t Au

Final results from the Zed East drill program returned a number of holes exhibiting zones of multiple veining with moderate to high-grade mineralisation. Best intersections included:

- 0929\_01\_ZE: 5.0m grading 28.4 g/t Au
- 0929\_03\_ZE: 2.3m grading 13.8 g/t Au
- 0929\_04\_ZE: 9.5m grading 9.3 g/t Au
- 0929\_05\_ZE: 5.1m grading 12.3 g/t Au

Drilling at Veracity extended the mineralisation along strike with mineralisation widths of up to 3.5m downhole were intersected.

Note: Intersections are not true width with some being acute to the interpreted orebody

## Regional Exploration

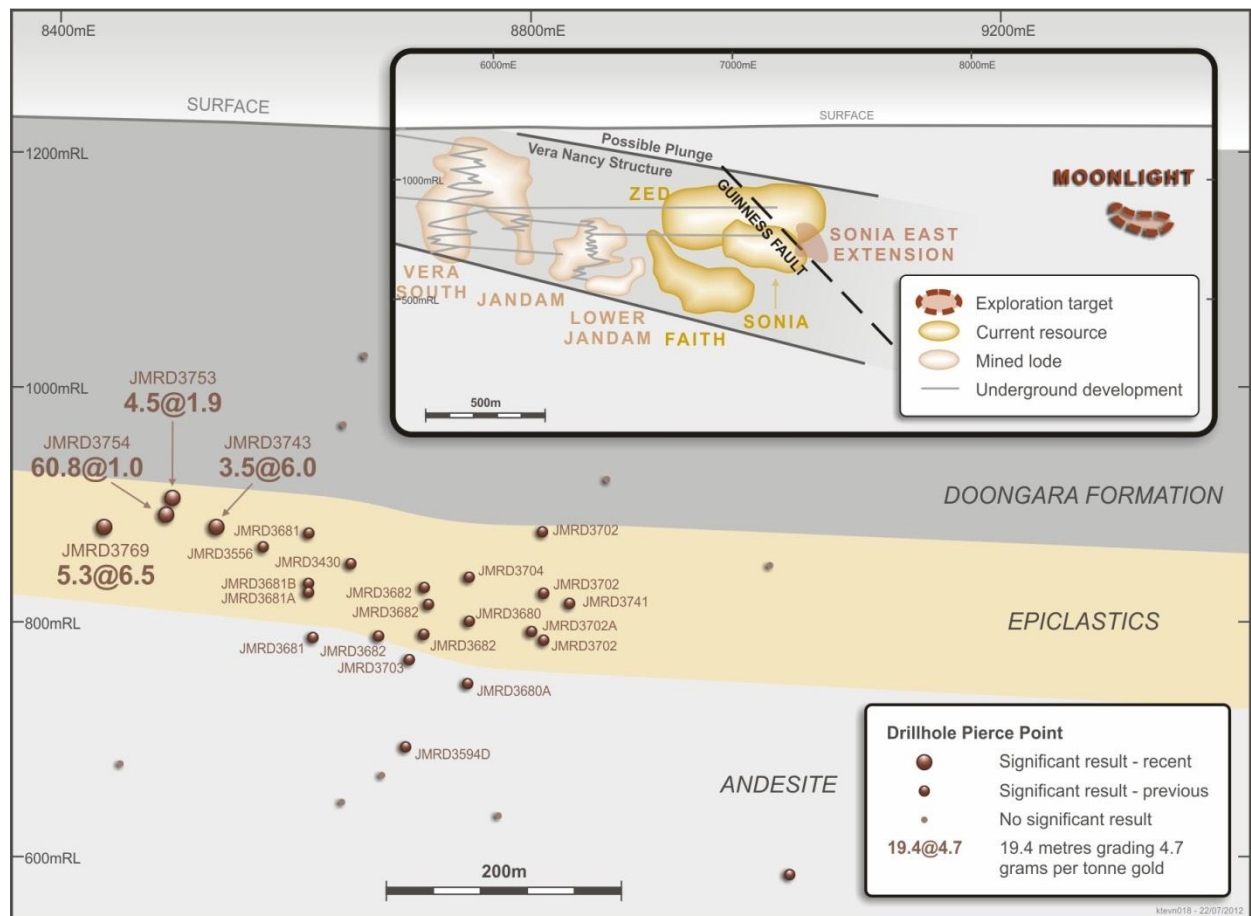
Regional exploration during the quarter continued with drilling at the Moonlight prospect and along the Starlight corridor where a total of 30 holes (RC and diamond) for 9,568m were completed. Regional target development has also commenced in the Aviary Group and Wahines Caldera Area.

### Moonlight Prospect

Drilling at the Moonlight prospect targeted a northwest trending zone of mineralised epithermal quartz veining and brecciation approximately 1.5km south of mine infrastructure. 15 drill holes were completed during the quarter where mineralisation has to date been intersected over a strike length of approximately 400m. The zone of mineralisation remains open along strike to the northwest with recent drilling indicating that it may be closing to the southeast (Figure 2). Best results returned during the quarter included:

- JMRD3743: 3.5m grading 6.05g/t Au from 330m
- JMRD3740: 2.5m grading 3.85g/t Au from 414m
- JMRD3754: 60.8m grading 1.04g/t Au from 319.9m
- JMRD3769: 5.3m grading 6.48g/t Au from 390.7m

Note: Intersections are not true width with some being acute to the interpreted orebody



**Figure 2: Schematic long section of Moonlight prospect**

### Starlight Corridor

The Starlight Corridor is a structural zone of quartz veining and brecciation that intersects the main Vera-Nancy trend. Drilling during the quarter focused on Starlight B prospect where a zone of near surface mineralisation has been defined over a strike length of approximately 200m. The drilling was designed to test western extensions of this zone however assay results failed to highlight significant mineralisation from this phase of drilling. Mineralisation remains open to the east.

Starlight C prospect is located approximately 200m south of Starlight B and roughly 200m east of the current underground development. Results from JMRD3746 and JMRD3747 suggest gold grades are increasing with depth. These intersections are interpreted to represent the upper portion of a mineralised shoot that is open at depth. Best results returned during the quarter included:

- JMRD3746: 6.10m grading 1.64g/t Au from 119m
- JMRD3747: 2.00m grading 4.95g/t Au from 60m and 4.00m grading 5.11g/t Au from 331m
- JMRD3749: 42.45 m grading 1.21g/t Au from 2m

Note: intersections are not true width with some being acute to the interpreted orebody

### Aviary Group

The Aviary prospect is a conceptual porphyry-style exploration target with potential to host large tonnage low-grade gold mineralisation. The outcropping geology at Eagles Nest prospect hosts widespread gold bearing quartz veins (and associated metals) together with extensive sericite alteration suggests the area has potential to host such deposits.

Preliminary work has commenced at Eagles Nest and includes a 4km<sup>2</sup> soil sampling program, mapping and reconnaissance rock chip sampling. To date some 90 rock chip samples have been collected from within the Aviary area with best results of 52.6g/t Au taken from a narrow mesothermal quartz vein from the Pelican prospect.

### Caldera Area

The Caldera Area is interpreted to be a large remnant caldera. The circular distribution of the outcropping rhyolite domes together with the regional gravity data implies the presence of a caldera which is now largely covered by post-intrusive sediments. The Caldera Area represents an exploration target for a mineralised large tonnage intrusive body which will be the focus of reconnaissance exploration in FY2013.

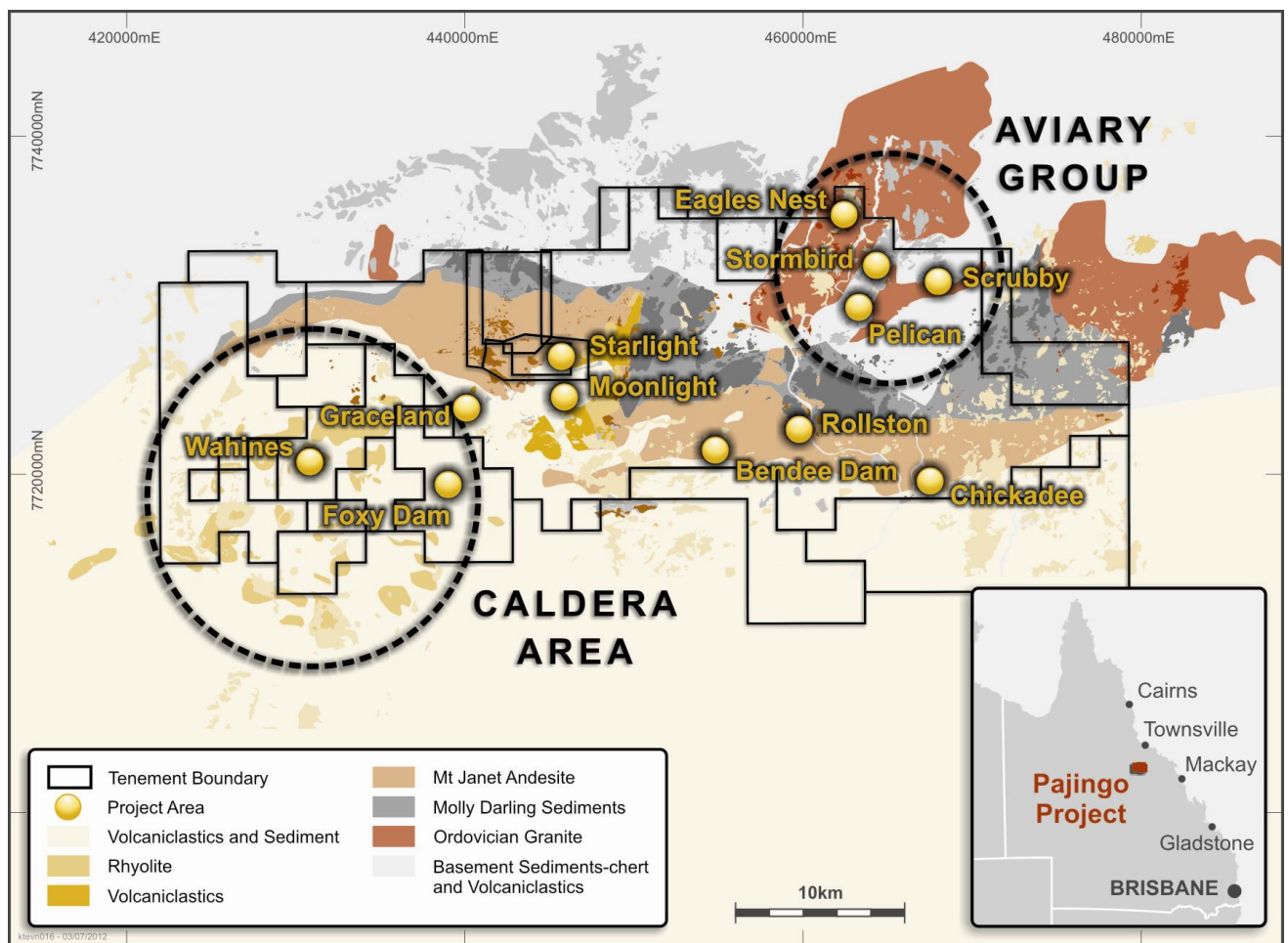


Figure 3: Regional target development highlighting the Caldera Area and Aviary Group of prospects

## Edna May, Western Australia

### Mine Lease Exploration

Diamond and RC drilling completed at Greenfinch targeting extensions to high-grade gold mineralisation successfully extended gold mineralisation down-dip a further 150m. Additional drilling is planned and an updated resource estimate is targeted in 2HFY2013. Drilling in the quarter included nine diamond drill holes for 3,762m and 24 RC holes for 5,970m drilled. Significant diamond intersections included:

- GFD007: 5.18m grading 3.26g/t Au from 306.35m
- GFD008: 3.13m grading 9.07g/t Au from 330.70m
- GFD009: 1.26m grading 93.27g/t Au from 249.73m
- GFD010: 3.08m grading 7.44g/t Au from 191.40m
- GFD011: 2.58m grading 28.19g/t Au from 198.75m

Significant RC intercepts included:

- GFRC115: 6.95m grading 2.00g/t Au from 202m
- GFRC116: 1.93m grading 4.22g/t Au from 262m
- GFRC117: 6.76m grading 11.47g/t Au from 167m
- GFRC118: 0.97m grading 5.06g/t Au from 115m

Note: intersections reported are not true width with some being acute to the interpreted orebody

### Regional Exploration

The Perrins RC drilling program, aimed at delineating a near surface oxide resource, was completed during the quarter. A total of 27 vertical RC holes were drilled for 1,510m. Gold mineralisation was intersected in several holes hosted by a quartzo-feldspathic gneissic rock within 45m of surface. Perrins is located within close proximity (6km) to the Edna May gold operations. Significant intercepts included:

- PRC022: 8.0m grading 10.87g/t Au from 23m
- PRC002: 7.0m grading 2.74g/t Au from 17m
- PRC008: 2.0m grading 2.77g/t Au from 11m
- PRC023: 3.0m grading 3.52g/t Au from 41m

Further drilling is planned at Perrins to test continuity of the primary mineralisation to determine potential for high grade mill feed.

As part of the strategy to maximise the potential of the Edna May operation, Evolution entered into a binding sale and purchase agreement with Independence Group NL ("Independence") to acquire the Holleton Gold Project ("Holleton") during the quarter. Holleton consists of 14 mining, exploration and prospecting licenses covering approximately 650km<sup>2</sup> within the Southern Cross Province of the Yilgarn Craton in Western Australia. The tenement package is located about 70km to the south of Edna May and about 70km to the south-southwest of Southern Cross.

The material terms of the sale and purchase agreement with Independence are as follows:

- Evolution to issue 500,000 Evolution fully paid ordinary shares to Independence; and
- 2% Net Smelter Return Royalty on gold produced from Holleton.

Completion of the acquisition remains subject to satisfaction of certain minor conditions. A pre-emptive right held by a third party was waived, subsequent to the end of the quarter, and completion is expected shortly.

## **Mt Rawdon, Queensland**

### **Regional Exploration**

A number of exploration targets were identified at Mt Rawdon as part of a regional prospectivity review incorporating geophysical, geochemical, structural and geological data. The review was completed at the end of the quarter and targets will be assessed, ranked and incorporated into future exploration programs.

## **Mt Carlton, Queensland**

### **Mine Lease Exploration**

Testing near mine targets continued during the quarter with 7,584m of drilling completed. Drilling to the north-east and north of the mine identified broad zones of weak pyrite-marcasite-enargite veining associated with advanced argillic altered rhyodacites – similar to the V2 deposit; however assays received to date have returned generally low-grade gold and silver results.

Drill hole HC12RCD1027 targeting eastern extensions of the V2 deposit intersected a broad zone of wide spaced enargite veining and returned results of 1.0 m grading 2.59g/t Au and 3.0m grading 1.62g/t Au with associated Cu to 0.2%.

Pole-dipole IP geophysics undertaken over the western portion of the mining lease identified distinct chargeability and resistivity targets similar to the V2 deposit that are currently being prioritised for drill testing. Initial drilling of the geophysical targets has returned significant alteration and associated massive sulphide veining returning anomalous results of 26.0m grading 60.8g/t Ag, 0.3% Pb and 0.48% Zn from 167m including 5.0m grading 165g/t Au, 0.3% Pb and 0.7% Zn from 176m.

This intercept represents mineralisation in a similar geological setting to the A39 deposit and was drilled in a previously untested area 350m west of the A39 pit. Additional drilling is planned to follow up this significant intercept.

### **Regional Exploration**

Drilling was completed at the Glenking prospect, located 17km west of the Mt Carlton mining lease with six RC holes for 954m targeting outcropping low sulphidation quartz vein and disseminated styles of gold mineralisation. Assays returned results in line with previous drilling in the area, with best results of 7.0m grading 0.83g/t Au and 29.5g/t Ag. A gradient array survey is planned for the September quarter to identify better target positions for follow-up drilling.

Detailed geological mapping has commenced on the Capsize trend, an east-west zone of intense alteration extending over a 15km strike length which includes known prospects at Capsize Creek and Strathmore.

Geological mapping in conjunction with the acquisition of detailed airborne magnetic and radiometric data, detailed multi-element soil geochemistry and follow-up ground geophysical surveys during the September quarter are planned to define additional drill targets along the Capsize trend.

## CORPORATE

### Finance

Attributable gold and silver revenue was A\$161.6M during the quarter from the sale of 99,900oz Au at an average price of A\$1,590/oz. Cash in bank decreased by A\$29M to A\$142M at 30 June 2012 (A\$171M at 31 Mar 2012). The cash in bank does not include 11,460oz Au sold, worth approximately A\$17M, with cash not received by quarter-end.

The A\$29M cash reduction during the quarter is after the investment of some A\$98M in capital at Mt Carlton, existing operations and exploration. Capital invested at existing operations was A\$47.6M and includes:

- Edna May mine development of A\$6.7M and completion of the borefield of A\$3.0M;
- Cracow underground development and other capital of A\$11.6M;
- Pajingo underground development of A\$12M and an accrual for two new loaders of A\$3.2M; and
- Mt Rawdon capital of A\$8.7M including tailings storage facility lift of A\$2.4M and plant improvements of A\$2.5M.

Mt Carlton construction capital was A\$44.4M during the June quarter, bringing the total invested to date to A\$85M.

Exploration expenditure during the quarter was A\$6.1M, the majority of which was invested at Pajingo.

At quarter-end the Company held A\$31.5M of debt relating to the Edna May Project Finance Facility, after a A\$2.5M repayment in June and A\$44.2M in drawn Performance Bond Facilities relating to various site environmental performance obligations.

The Edna May hedge book at 30 June 2012 was 224,177oz Au at an average deliverable price of A\$1,573/oz.

### Conference Call

Jake Klein (Executive Chairman), Tim Churcher (VP and Chief Financial Officer), Mark Le Messurier (VP Operations) and Adrian Pelliccia (GM Discovery) will be hosting a conference for investors and media to discuss the Quarterly results on **Thursday, 26 July, at 2:00pm** (Sydney, Australia time). Dial-in numbers are as follows:

- Australia: 1800 153 721
- New Zealand: 0800 442 709
- United States: 1866 307 0659
- Canada: 1866 307 0658
- United Kingdom: 0808 238 9067
- Switzerland: 0800 000 601
- International Toll Number: +61 2 8212 8333

Participant PIN Code: 580383#

## Competent Person Statement

The information in this report that relates to exploration results, Mineral Resources or Ore Reserves listed in the table below is based on work compiled by the person whose name appears in the same row, who is employed on a full-time basis by the employer named in that row and is a member of the institute named in that row. Each person named in the table below has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he or she has undertaken to qualify as a Competent Person. Each person named in the table consents to the inclusion in this report of the matters based on his or her information in the form and context in which they appear.

| Result/Resource/Reserve                              | Name of Competent Person | Employer                 | Institute                                       |
|------------------------------------------------------|--------------------------|--------------------------|-------------------------------------------------|
| Cracow Exploration Results                           | Shane Pike               | Evolution Mining Limited | Australasian Institute of Mining and Metallurgy |
| Cracow Resource Definition                           | Daniel Henry             | Evolution Mining Limited | Australasian Institute of Mining and Metallurgy |
| Pajingo Exploration Results                          | Brentan Grant            | Evolution Mining Limited | Australian Institute of Geoscientists           |
| Pajingo Resource Definition Results                  | Calvin Ferguson          | Evolution Mining Limited | Australasian Institute of Mining and Metallurgy |
| Edna May Resource Definition and Exploration Results | Luke Cox                 | Evolution Mining Limited | Australasian Institute of Mining and Metallurgy |
| Mt Carlton Exploration Results                       | David Hewitt             | Evolution Mining Limited | Australian Institute of Geoscientists           |

## **CORPORATE INFORMATION**

ABN 74 084 669 036

### **Board of Directors**

|                  |                        |
|------------------|------------------------|
| Jake Klein       | Executive Chairman     |
| Jim Askew        | Non-Executive Director |
| Lawrie Conway    | Non-Executive Director |
| Graham Freestone | Non-Executive Director |
| Paul Marks       | Non-Executive Director |
| John Rowe        | Non-Executive Director |
| Peter Smith      | Non-Executive Director |

### **Company Secretary**

Evan Elstein

### **Investor Enquiries**

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Investor Relations  
Evolution Mining Limited  
Tel: (618) 6216 9700

### **Media Enquiries**

Michael Vaughan  
FTI - Media Relations  
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### **Internet Address**

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Fax: (612) 9696 2901

## **Share Register**

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Tel: (612) 8280 7111

Fax: (612) 9287 0303

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

## **Stock Exchange Listing**

Evolution Mining Limited shares are listed on the  
Australian Securities Exchange under code EVN

## **Issued Share Capital**

At 31 March 2012 issued share capital was  
707,105,713 ordinary shares