

ASX Announcement

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CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING

Good morning. My name is Jake Klein and I am the Executive Chairman of Evolution Mining Limited ("**Evolution**" or the "**Company**"). It is my pleasure to welcome you to the Company's Annual General Meeting for the 2019 Financial Year. We appreciate you joining us this morning.

I would like to start by acknowledging 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 People here today.

Evolution was formed in 2011 at a time when nearly three quarters of Australia's annual gold production was owned by foreign operators. From the very beginning we developed a clear and consistent strategy to capitalise on what we felt would be a transformational period in the Australian gold industry. We set out to become a globally relevant, mid-tier Australian gold company that can prosper through the cycle.

In the years that followed we had the courage to act countercyclically to acquire great assets from offshore companies which were divesting assets in Australia to repair their balance sheets. Through focus and commitment, we have added significant value to these assets which now cornerstone our portfolio.

Today we are a very different company, but our vision and strategy has not changed. In FY19 we produced 753,001 ounces of gold at an All-in Sustaining Cost (AISC) of A\$924 per ounce (US\$661/oz). This ranks Evolution as one of the lowest cost gold producers in the world.

No amount of financial or operational success is worth anything if we can't keep our people safe. In FY19 Evolution's Group Total Recordable Injury Frequency (TRIF) rose to 8.3 (FY18: 5.5). We are disappointed with this performance and all sites have refocused their efforts on embedding behavioural safety initiatives to drive improvements. On a positive note, we have seen an improvement in the reporting culture, a reduction in the severity of injuries, and improved responsiveness to investigating significant incidents and implementing corrective actions.

We continue to relentlessly pursue our strategy of upgrading the quality of our asset portfolio with the overriding imperatives of patience and discipline. Before this week, it had been over three years since we announced our last major acquisition which was of an economic interest in Ernest Henry in August 2016.

With rising valuations for quality Australian gold assets, in 2017 our business development focus broadened to North America, and particularly into the low risk jurisdiction of Canada where asset valuations remain comparatively low. For three years we have assessed a range of assets through the lens of whether they would improve the quality of our portfolio, present an opportunity for operational improvement, had high geological prospectivity and would be accretive to our shareholders.

We have found an asset that ticks all of these boxes in the Red Lake Gold Complex in Ontario. On Tuesday morning we agreed to acquire the asset from Newmont Goldcorp for US\$375 million which will be fully debt funded by a new five-year A\$600 million Term Loan.

We believe that through a well-directed investment of US\$100 million in capital and US\$50 million in exploration over the next three years we can restore Red Lake's position as a low-cost gold producer. In time, we see the asset as being able to produce in excess of 200,000 ounces per annum for less than US\$1,000 per ounce. Newmont Goldcorp shares our vision for the asset and has retained exposure to future upside through a contingency payment of up to US\$100 million for certain hurdles of increased Mineral Resources.

Our upfront payment of US\$375 million was derived by taking the reserve case, then adopting a moderate view of the conversion of known resources to reserves and applying a conservative overall gold price assumption. We think we have received good value for the current reserves and resources and only pay for the potential

upside through the contingent payment mechanism dependant on success.

The acquisition is highly accretive with increases to production per share of 22%, reserves per share of 25% and resources per share of 46%. We understand and accept that it is the cost per ounce side we need to work on to truly demonstrate the value of this acquisition.

It is a turnaround opportunity that we are confident will, in time, become a cornerstone asset of Evolution.

Let me start by giving you some context behind our decision and why we see this as a fantastic turnaround opportunity.

Just like in the property sector where the old adage is location, location, location, Red Lake has a trophy geological address. The Red Lake complex has historically produced over 25 million ounces at 20 grams per tonne making it the largest, highest grade gold camp in the world outside of South Africa. Our initial interest was amplified when Glen Masterman, our VP Discovery and Business Development, concluded it was the most exciting geological property he and his team had reviewed.

The next appropriate question to ask was how did such a high-grade camp – one that drove Goldcorp in its best years to be the world's largest gold company – become a high cost mine and can it be turned around? Here again, we think there are clear, logical and rational reasons. With renovation and re-invigoration, this trophy address can, once again, be a low-cost operation.

If we reflect back to 2015, Goldcorp was coming off a period of significant capital investment after building a number of new mines including Cerro Negro, Éléonore and Penasquito. That year Red Lake produced 376,000 ounces at an AISC of US\$906 an ounce.

In 2016, Goldcorp announced a 20:20:20 strategy which aimed to increase production by 20%, reduce costs by 20% and increase reserves by 20%. Our due diligence and discussions with management identify this as a critical juncture for the Red Lake operation. Whilst this strategy may have had merit at other Goldcorp operations, it was not suited to Red Lake. By 2016 the High Grade Zone was effectively depleted and a very selective approach towards narrow vein mining was required to ensure profitability. Implementing a strategy that prioritised volume over value at a time when capital was being directed towards other assets meant that the mine started suffering from chasing increased tonnes without a proportional increase in investment in exploration and mine development. These elements were crucial to the sustainability of the operation.

Likewise, when Newmont acquired Goldcorp at the beginning of this calendar year their focus was appropriately on the larger Goldcorp assets and for the last 12 months there has effectively been a freeze on capital expenditure and exploration at Red Lake.

That's the position the mine finds itself in today. It is behind the eight ball, with high costs and lower production, having suffered from at least five years of underinvestment in capital, development and exploration.

We see a clear opportunity for a complete reset of the operation. This vision and view is shared by both Newmont Goldcorp and the site team. But we also recognise it's going to take time. We think it will be a three-year journey. However, for less than 10% of our market capitalisation, we are confident that we have secured a cornerstone asset for Evolution that, in time, will be able to produce in excess of 200,000 ounces at less than US\$1,000 an ounce.

It will also take significant investment which is why we have commitment to spend over US\$100 million in capital and mine development and US\$50 million in exploration and discovery over the next three years.

The key elements which highlight the potential to be a cornerstone Evolution asset are in place.

- First and foremost, the operation has an outstanding safety performance which is a great credit to the team on site.
- There is a sound reserve base as at 30 June 2018, of 2.1 million ounces, and a large resource base totalling 7.0 million ounces grading 11.2 grams per tonne. It should be noted that this is before depletion for the period and does not yet apply the conservative gold price assumptions that Evolution uses. Nevertheless, it is a significant, high grade mineral inventory. There is also outstanding exploration upside and Newmont Goldcorp share this view as evidenced by their strong desire to retain exposure to this exploration upside via the contingent payment mechanism.
- There are many good, highly skilled people on the site and there is also recognition and acceptance that to turn the site back into a low cost, high margin, profitable and sustainable business, will require change.
- Finally, our extensive due diligence identified a number of areas for operational improvement and productivity changes.

In summary, it's an operation that has significant potential but desperately needs a reset.

We see many elements in this operation that are similar to other assets that have been acquired from majors and have proven successful for the acquiring company. There is clear, recognisable upside but the asset has not been able to get the attention, focus and allocation of capital needed to revitalise the operation within the larger organisation.

Newmont Goldcorp understand and agree with the turnaround potential of Red Lake, recognising that in their portfolio it would not have the priority required to achieve this. They have been exceptionally good to deal with since the process began and are committed to helping us succeed at the operation by agreeing to give us access to the wide range of skills and knowledge within their organisation to support our success. I am also optimistic that this will lead to other opportunities for Newmont Goldcorp and Evolution to work together.

The next exciting chapter in Evolution's history has begun.

With the Australian dollar gold price currently near record highs, there is no doubt that it's a fantastic time to be an Australian gold producer. But if history is any guide, we are entering a challenging period if we wish to remain a credible and high margin business so we are determined to stay focused.

Over the five years to 30 June 2019, since we acquired Mungari, Cowal and the economic interest in Ernest Henry, we have generated over A\$1.5 billion in free cash flow which has enabled us to repay A\$910 million of debt, return A\$345 million in dividends to you, our shareholders, and grow our cash balance by over A\$300 million. All of this was achieved at a gold price that averaged A\$1,626 per ounce which is substantially below the current spot price.

Our Mineral Resources and Ore Reserves are perhaps the best gauge of the sustainability of this cash generation. In FY19 we were again successful at adding to resources and reserves after allowing for mining depletion. Over the last five years our discovery budget has grown from A\$20 million to over A\$80 million and our average reserve life has increased from five years to over 10 years.

In 2019 Evolution reported statutory net profit of A\$218 million. This was achieved on the back of operating mine cash flow of A\$772 million, net mine cash flow of A\$498 million, and Group free cash flow of A\$292 million. These continued strong results moved the balance sheet to a net cash position and allowed us to further increase the final dividend declared in August 2019 by 50% to 6 cents per share fully franked. Importantly, the Red Lake acquisition funding allows for an unchanged dividend policy.

Our portfolio of assets again demonstrated the benefits of diversification by delivering another consistent operational performance. We continue to focus on the transformation and effectiveness of our business with our innovation pipeline delivering a number of projects into operating phase including the high intensity grinding (HIG) mill at Cracow, the Float Tails Leach plant at Cowal and tele-remote drilling at Mt Rawdon.

Cowal continued to deliver reliable, low-cost production with 251,500 ounces of gold produced at an AISC of A\$995 per ounce. Mt Carlton also had another strong year with production of 102,774 ounces at an AISC of A\$737 per ounce. Ernest Henry continued to be an impressive contributor to the portfolio producing 98,689 ounces of gold at an AISC of A\$(539) per ounce to generate net mine cash flow of A\$222 million.

We continue to invest capital in projects that improve our business and generate an appropriate return on our shareholder's funds. In FY19 capital expenditure totalled A\$275 million of which A\$180 million was major capital. The main major capital projects included the Cowal Stage H development, Float Tails Leach and E46 land acquisition costs; underground mine development at Cracow, Mt Carlton and Mungari; and capital waste stripping at Mt Carlton and Mt Rawdon.

We believe focusing on organic growth opportunities within our business and earlier stage opportunities presents a tremendous opportunity to create value. Since Glen Masterman joined Evolution three years ago to head our Discovery team, he has been building out our discovery strategy, defining our strengths and targets, assembling a fantastic team and building momentum in this critical area. We currently have four early stage exploration partnerships and a number of others in the pipeline. We have committed to spend between A\$80 and A\$105 million on discovery in FY20 which is almost double what we spent in FY19 and multiples of any previous year. Drilling at Cowal, Mungari and across our greenfields projects are expected to consume the lion's share of the FY20 Discovery budget.

FY19 was the second year we released a Sustainability Report outlining the efforts of our people to ensure our business has a sustainable future for our stakeholders. Evolution continues to deliver measurable value for our business and the communities in which we operate by furthering our objective of delivering long-term stakeholder value through safe, low-cost gold production in an environmentally and socially responsible manner. I am proud that our higher levels of transparency have been recognised with Evolution included in this year's Dow Jones Sustainability Index Australia. Evolution is only the second ASX -listed gold miner to be included in

this index. This reflects our commitment to improve Evolution's performance and reporting on topics of safety, excellence in environmental stewardship, helping our communities thrive and developing our people.

Mining is often portrayed negatively in many areas of mainstream media. As an industry we must get better at articulating the enormous contribution our industry has made to Australia's past economic prosperity and the importance of our sector to its future. At Evolution alone, in only the 12 months in FY19, we contributed around A\$1.3 billion dollars to the economy and provided much needed jobs in our country's regional areas. Importantly, we have nine shared value projects underway which are designed to create a tangible, sustainable legacy in our communities beyond the life of the mine. The communities in which we operate and our employees are potentially our most powerful advocates. We need to continually work to demonstrate that we are worthy of their support and trust.

Across our entire business our people continued to work incredibly hard during FY19 and I would like to thank each and every Evolution employee and contractor for their contribution. I would also like to acknowledge the outstanding effort of our team in securing the Red Lake deal. Right throughout the Company, from our extensive technical and legal due diligence, commercial contract negotiations, securing debt funding, finalising the announcements and presentations, our people have stepped up. As I jokingly said to one of my colleagues, if the Wallabies had worked as hard as our team has, they would be the rugby world champions today.

Our people are our most important asset and we want to make every person's time at Evolution a highlight of their career. 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. In particular, I would like to thank Graham Freestone who is stepping down from the Board. Graham has been a member of the Board since the Company's formation in 2011 and we are sincerely grateful for the significant contribution he has made to Evolution's growth over the years. I would also like to welcome our new Board member, Jason Attew, who adds very important and relevant skills to the Board.

Evolution has a strong platform of high-quality assets with an average reserve life of over ten years. All assets are located in the safe jurisdictions of Australia and Canada, with a highly skilled workforce, and in an attractive operating environment. Our balance sheet is strong, our assets are generating substantial cash flow and our business is well positioned to prosper from the current gold price environment and through the cycle.

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About Evolution Mining

Evolution Mining is a leading, growth-focused Australian gold miner. Evolution operates five wholly-owned mines – Cowal in New South Wales, Cracow, Mt Carlton and Mt Rawdon in Queensland, and Mungari 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.

Evolution has guided FY20 gold production, excluding Red Lake, of 725,000 – 775,000 ounces at an All-in Sustaining Cost of A\$890 – A\$940 per ounce.