

ASX ANNOUNCEMENT

December Quarterly Activities Report

HIGHLIGHTS

- Commencement of reverse circulation exploration drilling program
- Independent life cycle assessment demonstrated Chilalo's low carbon footprint
- Updated DFS and Front-end Engineering Design on track for release in early 2023
- Advancement of vertical integration strategy with preparation for a feasibility study on the establishment of a downstream processing facility in the USA

Evolution Energy Minerals ("Evolution" or the "Company") (ASX: EV1, FSE: P77) is pleased to report on the Company's activities for the quarter ended 31 December 2022.

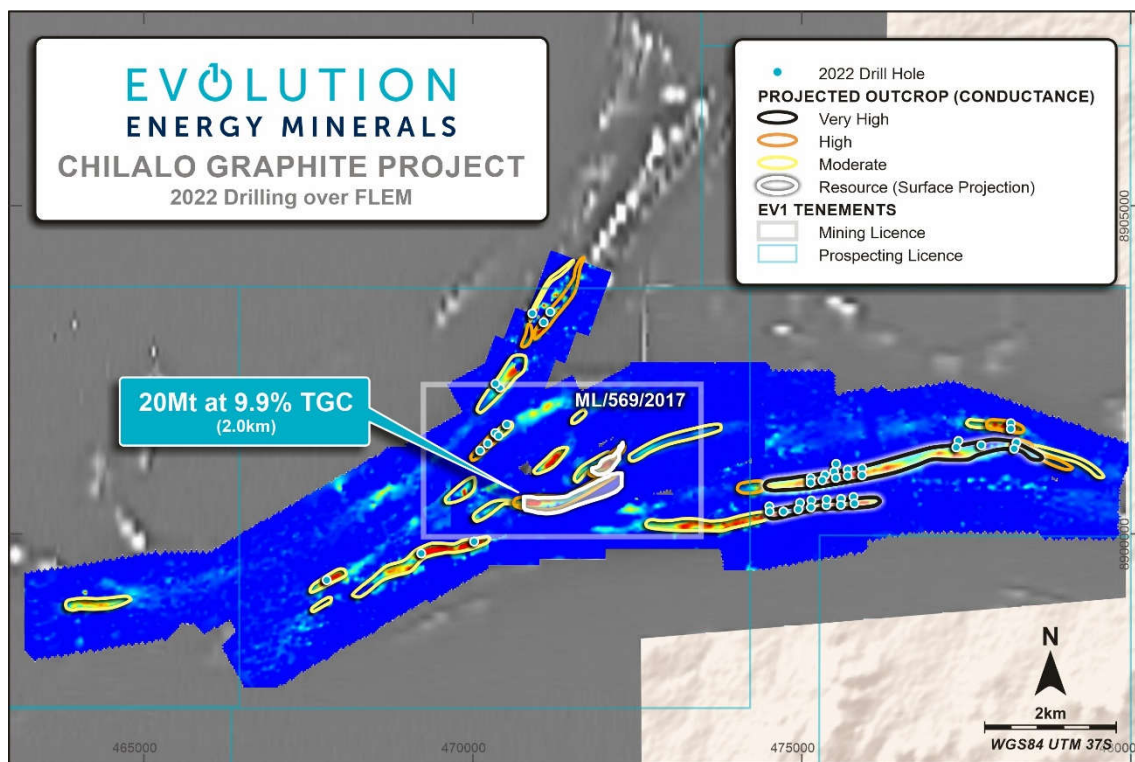
CHILALO PROJECT

Exploration drilling

During the quarter, the Company commenced reverse circulation exploration drilling at its Chilalo Graphite Project ("Chilalo") located in south-east Tanzania. The drilling program, which concluded in late 2022 due to the onset of the wet season, comprised 44 holes for 5,440 metres, with assay results expected to be available in the March quarter.

The drilling tested a number of the strongest electromagnetic ("EM") conductors (see Figure 1 for location of drillholes).

Figure 1: 2022 drillhole locations over electromagnetics¹



¹ ASX announcement 8 March 2022 - Geophysics highlights potential for multi-decade mine life and production expansion

The Company has had significant success with the use of EM surveys to identify the conductors that are indicative of high-grade and/or thick graphite mineralisation, with this being a key aspect of the exploration strategy that led to the discovery of Chilalo. Based on the previous results generated from this approach, the Company is confident that it will again deliver success in delineating near surface, high-grade graphite.

Any exploration success is expected to not only enhance Chilalo's project economics, with the discovery of any additional near-surface high-grade deposits having the potential to contribute to a reduction in mining operating costs compared to those in the 2020 definitive feasibility study ("**DFS**"), by deferring the need to mine the existing deposit to the depth assumed in the DFS, but also support meaningful mine life extensions or to enable a production expansion to meet the rapidly growing demand for battery anode materials and expandable/expanded graphite.

Front-end Engineering Design ("FEED**") and Updated Definitive Feasibility Study ("**DFS**")**

The updated Definitive Feasibility Study ("**Updated DFS**") and Front-end Engineering Design ("**FEED**") for the Company's Chilalo Graphite Project, located in southeast Tanzania, is expected to be released in early 2023.

The anticipated timing of the Updated DFS and FEED is a result of the additional study work and redesign that has been undertaken in connection with the adoption of dry stacking of tailings (as opposed to conventional disposal, using a standard tailings storage facility ("**TSF**").

Testwork has confirmed that the Chilalo tailings could be filtered and centrifuged into a low moisture 'cake' capable of being stored safely with other mine waste. Accordingly, the decision was made to remove the TSF and pursue a strategy of dry stacking of tailings. The removal of the TSF not only eliminates a significant ESG risk but is also expected to deliver improved project economics through the elimination of the associated earthworks and ongoing sustaining capital expenditure for additional lifts to the TSF.

Framework Agreement with the Tanzanian Government

In relation to the Framework Agreement with the Government of Tanzania negotiations with the Government on the terms of the Framework Agreement have concluded during the December quarter and the Company is now awaiting instructions regarding the protocols and timing for execution of the agreement.

VERTICAL INTEGRATION

During 2022, extensive testwork was carried out as part of Evolution's vision to become a vertically integrated producer of sustainably sourced graphite products and battery materials.

Testwork has confirmed the suitability of Chilalo fine flake concentrate for the manufacture of coated spherical graphite for use in lithium-ion batteries, with the results showing exceptional electro-chemical performance.² Working with the Company's US based technology partner to obtain vertically integrated exposure to the lucrative battery anode market is expected to enable the Company to capture greater margins in the value chain and drive a materially higher company valuation.

The Company appointed a USA based specialist consultant with experience in the battery anode sector and in Government lobbying and begun preparation for a feasibility study to assess the establishment of a downstream processing facility in the USA. The feasibility study is expected to commence during the March quarter.

² ASX Announcement 21 July 2022 – Long term battery cycling maintains exceptional performance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Life cycle assessment

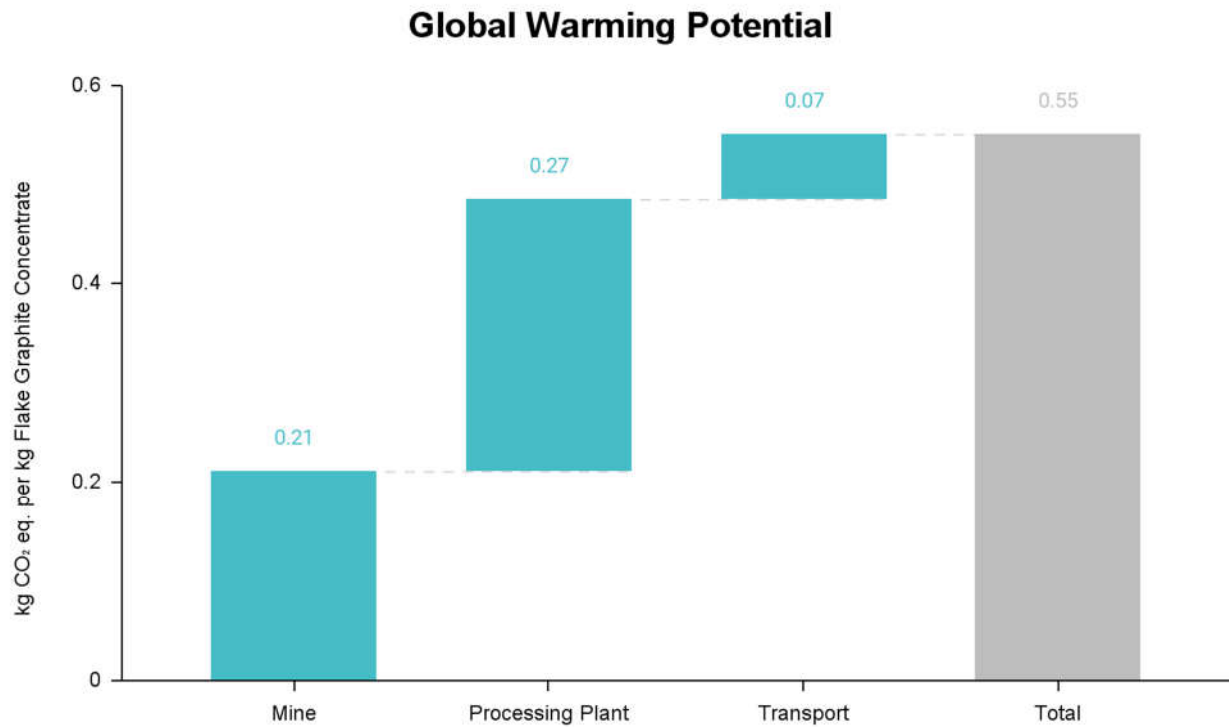
During the quarter, the Company reported the outcomes of its first Life Cycle Assessment (“LCA”) for flake graphite produced from the Chilalo Graphite Project in Tanzania.

LCA is a method to assess the environmental impacts associated with all stages of a product, process or activity. Importantly, LCA makes it possible to evaluate indirect impacts that occur in the development of a product or process system over its entire life cycle, providing information that otherwise may not be considered.

The cradle-to-gate LCA for Chilalo assesses the life cycle impact of the production of 1 kg of flake graphite concentrate (95-97% C) produced from natural flake graphite ore extracted at the Chilalo project. The total production chain includes mining, processing and transportation stages.

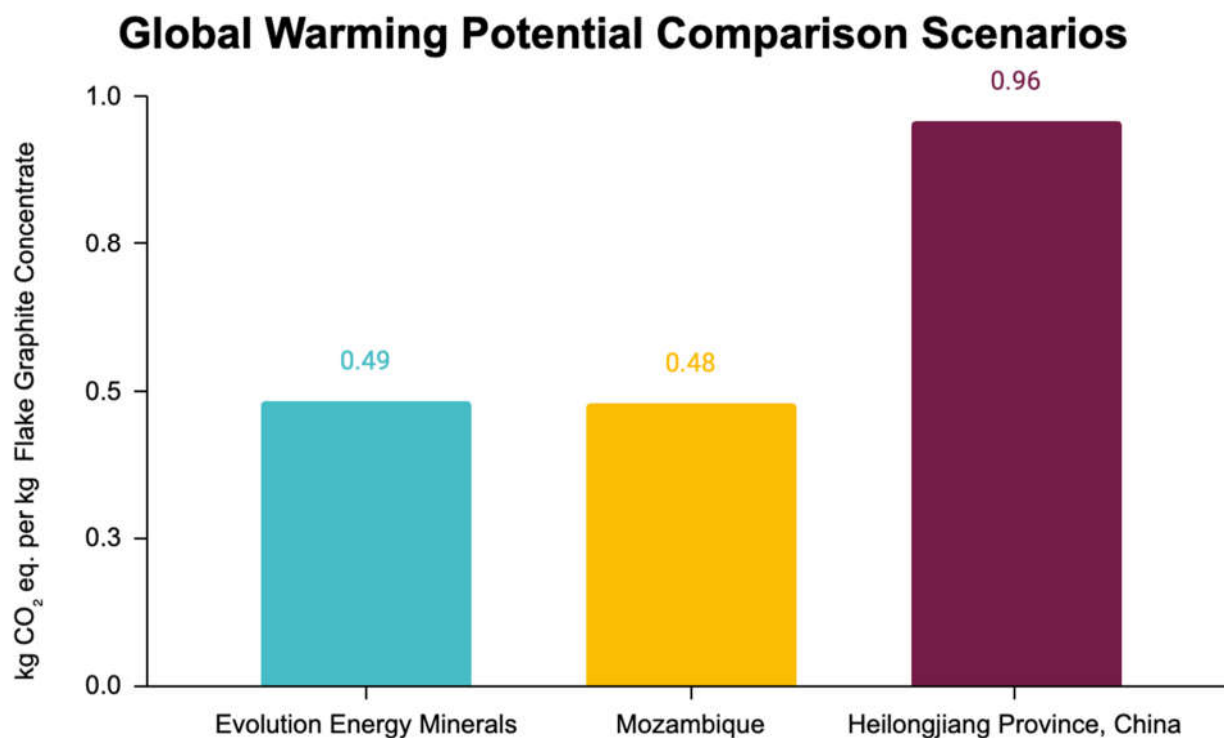
Figure 2 shows the contribution of each component of the mining, processing and transportation stage to the overall global warming potential measured as 0.55kg CO₂ eq per kg of flake graphite concentrate. Mining and processing contribute the highest levels due to the modelled use of diesel fuel in the 2020 DFS. The Company anticipates that the Updated DFS will provide for a lower global warming potential.

Figure 2: Chilalo’s Global Warming Potential (2020 DFS)



The LCA for Chilalo demonstrates that the Project will have lower emissions than comparative production in other parts of the world, namely China, in particular the Heilongjiang Province where more than 50% of the world’s graphite is produced. This is shown in Figure 3 which compares Chilalo with other known production.

Figure 3: Global Warming Potential – Peer Comparison (Evolution’s figure adjusted to reflect the same system boundaries as comparatives)



Resettlement Action Plan

In August, the Resettlement Action Plan (“**RAP**”) for the Company’s Chilalo Project was approved by the Government of Tanzania and initial compensation payments under the RAP were made.

The RAP was completed in accordance with IFC Performance Standards on Social and Environmental Sustainability, which is generally a condition precedent to project finance.

A number of supporting studies, including socio-economic baseline studies, replacement housing design, resettlement host site suitability and town planning evaluation and a vulnerable peoples plan are at different stages of preparation and will support implementation of the RAP and the livelihood restoration plan.

ESG Framework

ARCH Sustainable Resources Fund LP (“**ARCH SRF**”), a specialist investment advisory firm with deep experience in emerging markets, private equity, asset management and ESG matters is the major shareholder of Evolution. Under the terms of the Investment Deed with ARCH SRF, Evolution has agreed to a course of action to advance its ESG credentials and embed its ESG commitments into its corporate governance structures, which among other things, includes the adoption and implementation of various policies and plans.

During the Quarter, the Company made significant progress with a Health Impact Assessment, Climate Change Risk Assessment and Biodiversity Assessment, all of which will inform the development of Chilalo.

Sustainability Report

In order to ensure transparency of its ESG performance and activities, the Company has committed to publishing a Sustainability Report, which is expected to be released later in the March quarter.

Community Projects

During the quarter, the Company funded the construction of a residence for use by an incoming doctor to service the Nangurugai village and surrounding areas. Construction of the residence was overseen by Evolution Site Manager, Marc Smith, to ensure that the residence was built to standard.

In accordance with the Livelihood Restoration Plan that forms part of the RAP, the Company has established a tree nursery (see Figure 4 below). During stakeholder engagement meetings, the communities supported the growing of replacement cashew trees that may be lost through the resettlement phase. Cashew trees are an important commercial crop in south-east Tanzania. The nursery will not only grow new cashew trees, but also provide training for basic agriculture practices, rotational crops, vegetable gardening for personal subsistence and planting for nutrition.

Figure 4: Tree nursery



During the quarter, an audit and review of the grievance documentation was undertaken and a central electronic record system was developed. Available grievance information was collated and sorted, a grievance register was compiled and a gap analysis undertaken. A review of the grievance resolution mechanism and procedures and of the status of all grievances and commitments is under way.

CORPORATE

Share placement

The Company completed a two-tranche placement of 40,625,000 fully paid ordinary shares ("**New Shares**") to institutional, sophisticated and professional investors at a price of \$0.32 per New Share, to raise \$13 million (the "**Placement**"). The first tranche of the Placement, which entailed the placement of 24,281,250 million

New Shares was completed in August 2022, with the second tranche of the Placement completed in early October 2022, following approval of Evolution shareholders at a general meeting held on 23 September 2022.

Cash

As at 31 December 2022, the Company had cash of \$10.2 million, which included proceeds from the Placement.

Annual General Meeting

The Company's annual general meeting was held on 30 November 2022, with all resolutions put to shareholders passed on a poll.

INFORMATION REQUIRED UNDER ASX LISTING RULES

Information required under Listing Rules 5.3.1 and 5.3.2

Evaluation and exploration expenditure during the Quarter amounted to \$2.3 million. During the Quarter, there were no mining production and development activities.

Information required under Listing Rule 5.3.3 – tenement information

The Company's tenement interests as at 31 December 2022 are shown below.

Project	Project	Location	Beneficial Interest at start of quarter	Beneficial Interest at end of quarter
ML 569/2017 – Chilalo	Chilalo	Tanzania	100%	100%
PL 11050/2017 – Chilalo West	Chilalo	Tanzania	100%	100%
PL 11034/2017 – Chilalo	Chilalo	Tanzania	100%	100%
PL 9929/2014 – Chikwale	Chilalo	Tanzania	100%	100%
PL 9946/2014 – Machangaja	Chilalo	Tanzania	100%	100%

Information required under Listing Rule 5.3.4

In accordance with ASX Listing Rule 5.3.4, the Company provides the following information. The Use of Funds table below is a statement of the Company's intentions at that point in time. Investors should note that the allocation of funds set out in the table may change depending on a number of factors, including the results of exploration, outcome of studies and development activities, regulatory developments and market and general economic conditions.

Proposed Use of Funds	Prospectus use of funds (estimate) (\$)	Actual use of funds (16/11/21 to 31/12/2022) (\$)	Variance (\$)	Footnote
Lender Debt Repayment	9,500,000	9,500,000	-	1
Marvel Cash Cash Consideration	2,000,000	2,000,000	-	1
Offer associated costs	2,114,744	2,282,631	(167,887)	2
Exploration & Tenement Costs	1,500,000	1,108,841	391,159	3

Proposed Use of Funds	Prospectus use of funds (estimate) (\$)	Actual use of funds (16/11/21 to 31/12/2022) (\$)	Variance (\$)	Footnote
DFS Optimisation	1,000,000	2,616,850	(1,616,850)	4
Downstream Studies/opportunities	2,500,000	614,126	1,885,874	5
Graphite product qualification	450,000	1,813,893	(1,363,893)	6
ESG Compliance	400,000	3,430,931	(3,030,931)	7
Early works	1,100,000	-	1,100,000	8
Working Capital*	3,435,256	3,524,294	(89,038)	9
Total	24,000,000	26,891,567	(2,891,567)	

* Working Capital includes \$2m raised from grant of Chilalo Project Royalty

1. N/A – Immaterial variation
2. Legal and advisory costs. Variance not significant.
3. Timing only – drilling completed in Q4 2022 and paid in Q1 2023.
4. Additional study work associated with the dry stacking of tailings (eliminating a significant ESG risk) and mine optimisation.
5. Testwork on the suitability of Chilalo graphite to battery anode and other value applications has been undertaken. The Company has plans to advance feasibility studies in 2023.
6. Product qualifications continuing with binding offtake agreement signed.
7. The Company has undertaken an extensive RAP and environmental studies are ongoing. Part of the additional cost includes \$0.85 million already paid to PAPs as part of the RAP execution.
8. Early works will commence after project financing has been secured.
9. Working capital will continue to be incurred.

Information required under Listing Rule 5.3.5

During the Quarter, the Company made payments to related parties of \$229,000, all of which comprised payments to Evolution directors (two executive directors and three non-executive directors) in accordance with the applicable terms of engagement.

This announcement has been approved for release by the Evolution board of directors.

Reference to Previous ASX Announcements

In relation to previously announced information included in this December Quarterly Activities Report, the dates of which are referenced, the Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements.

For further information please contact:

Phil Hoskins
Managing Director
phoskins@ev1minerals.com.au
T: +61 8 9200 4960

Michael Bourguignon
Executive Director
mbourguignon@ev1minerals.com.au
T: +61 8 9200 4960

Andrew Rowell
White Noise Communications
andrew@whitenoisecomms.com
T: +61 400 466 226

ABOUT EVOLUTION (ASX:EV1)



Development ready

Chilalo Graphite Project in Tanzania



58% > 80 Mesh

World leading flake size = highest margins



Unique offtake and downstream collaboration

Extensive product qualifications with YXGC, global leader for EG and foil



Framework agreement

To provide Tanzanian government certainty



Sustainable battery anode strategy

Superior performance, environmentally friendly thermal purification



Carbon neutrality

Pursuing net zero carbon from day one

Evolution's vision is to become a vertically integrated company that will only supply sustainably sourced graphite products and battery materials.

This will be achieved by combining our unique graphite source with industry-leading technology partners, working closely with customers and producing diversified downstream products in both Tanzania and strategically located manufacturing hubs around the world. Evolution is committed to being global leaders in ESG and ensuring its operations support the push for decarbonisation and the global green economy.

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Evolution Energy Minerals Limited

ABN

53 648 703 548

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(2,328)	(4,321)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(560)	(1,004)
	(e) administration and corporate costs	(201)	(469)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (graphite marketing, financing and downstream)	(1,209)	(1,756)
1.9	Net cash from / (used in) operating activities	(4,298)	(7,550)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(1)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (sale of royalty over the Chilalo project)	-	-
2.6	Net cash from / (used in) investing activities	-	(1)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	50	13,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(672)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (IPO transaction costs)	-	-
3.10	Net cash from / (used in) financing activities	50	12,328

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	14,460	5,370
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,298)	(7,550)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	50	12,328

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	25	90
4.6	Cash and cash equivalents at end of period	10,237	10,237

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	10,237	14,459
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,237	14,459

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	229 ¹
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

¹ Fees, salaries and superannuation paid to directors.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,298)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(4,298)
8.4	Cash and cash equivalents at quarter end (item 4.6)	10,237
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	10,237
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3) <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	2.4
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A		
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A		

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.