

8 December 2023

Dear Shareholder

**Extraordinary General Meeting – Notice and Proxy Form**

Notice is hereby given that an Extraordinary General Meeting (**Meeting**) of Shareholders of Evolution Energy Minerals Limited (ACN 648 703 548) (**Company**) will be held at the President's Room, The Celtic Club, 48 Ord Street, West Perth on Monday, 8 January 2024 at 3:00 pm (WST).

Shareholders are encouraged to submit questions in advance of the Meeting to the Company. Questions must be submitted in writing to Stuart McKenzie, Company Secretary at [info@ev1minerals.com.au](mailto:info@ev1minerals.com.au) at least 48 hours before the Meeting.

The Company will not be dispatching physical copies of the Notice of Meeting (**NOM**) to shareholders. Instead, a copy of the NOM is available at <https://evolutionenergyminerals.com.au/asx-announcements/>.

As you have **not** elected to receive notices by email, a copy of your personalised proxy form is enclosed for your convenience. Shareholders are encouraged to complete and lodge their proxies online or otherwise in accordance with the instructions set out in the proxy form and the NOM.

Proxies should be returned as follows:

<b>Online</b>	At <a href="https://investor.automic.com.au/#/loginsah">https://investor.automic.com.au/#/loginsah</a>
<b>By mail</b>	Share Registry – Automic, GPO Box 5193, Sydney NSW 2001
<b>By fax</b>	+ 61 2 8583 3040
<b>By hand</b>	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

To be valid, your proxy voting instruction must be received by 3:00 pm (WST) on Saturday, 6 January 2024, being not less than 48 hours before the commencement of the Meeting. Any proxy voting instructions received after that time will not be valid for the Meeting.

The NOM is important and should be read in its entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant or other professional adviser. If you have any difficulties obtaining a copy of the NOM, please contact the Company Secretary by email at [info@ev1minerals.com.au](mailto:info@ev1minerals.com.au).

**Stuart McKenzie**  
**Company Secretary**

**EVOLUTION ENERGY MINERALS LIMITED**

**EVOLUTION ENERGY MINERALS LIMITED**  
**ACN 648 703 548**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**The Extraordinary General Meeting of Evolution Energy Minerals Limited will be held at the President's Room, The Celtic Club, 48 Ord Street, West Perth on Monday, 8 January 2024 at 3:00 pm (WST).**

*The Notice of Extraordinary General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by email at [smckenzie@ev1minerals.com.au](mailto:smckenzie@ev1minerals.com.au).*

**Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice.**

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# EVOLUTION ENERGY MINERALS LIMITED

ACN 648 703 548

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Evolution Energy Minerals Limited (**Evolution** or **Company**) will be held at the President's Room, The Celtic Club, 48 Ord Street, West Perth on President's Room, The Celtic Club, 48 Ord Street, West Perth on Monday, 8 January 2024 at 3:00 pm (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders at 3:00 pm (WST) on Saturday, 6 January 2024.

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

## AGENDA

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### 1. Resolution 1 - Approval to issue Shares to ARCH

To consider, and if thought fit, to pass as an **ordinary resolution** the following:

*"That, for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:*

- (a) *the Company to issue 8,119,399 Shares at \$0.14 per Share to ARCH on the terms and conditions set out in the Explanatory Memorandum, which will result in the ARCH Parties' voting power in the Company increasing from 22.02% to up to 24.71%; and*
- (b) *the ARCH Parties to acquire a relevant interest in the Shares set out in paragraph (a) above."*

**Short explanation:** The Company is seeking Shareholder approval under section 611 (item 7) of the Corporations Act to issue 8,119,399 Shares to ARCH pursuant to the Placement that was announced on 9 October 2023, which will have the effect of increasing the ARCH Parties' voting power in the Company from 22.02% to up to 24.71%.

An Independent Expert's Report prepared by Nexia Perth Corporate Finance Pty Ltd AFSL 289 358 (Independent Expert) is included with this Notice of Meeting in Annexure 1.

The Independent Expert has formed the view that the transaction proposed by this resolution is not fair but reasonable. Shareholders should carefully consider the Independent Expert's Report.

Please refer to the Explanatory Memorandum for more information.

#### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the ARCH Parties or any of their respective associates.

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## **2. Resolution 2 - Approval to issue the BTR Shares**

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

*“That for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 25,860,000 Shares to BTR (or its nominee) at an issue price of \$0.22 per Share, in accordance with the terms of the BTR Investment Agreement, on the terms and conditions set out in the Explanatory Memorandum.”*

#### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- (a) BTR (or its nominee); or
- (b) an associate of that persons or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary, provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

#### **BY ORDER OF THE BOARD**

Stuart McKenzie  
Company Secretary

Dated: 8 December 2023

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# EVOLUTION ENERGY MINERALS LIMITED

ACN 648 703 548

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the President's Room, The Celtic Club, 48 Ord Street, West Perth on Monday, 8 January 2024 at 3:00 pm (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 1:	Introduction
Section 2:	Action to be taken by Shareholders
Section 3:	Background to Resolutions
Section 4:	Resolution 1 - Approval to issue Shares to ARCH
Section 5:	Resolution 2 - Approval to issue the BTR Shares
Section 6:	Enquiries
Schedule 1:	Definitions
Schedule 2:	Summary of the BTR Investment Agreement
Annexure 1	Independent Expert's Report

#### 1.1 Time and place of Meeting

Notice is given that the Meeting will be held at the President's Room, The Celtic Club, 48 Ord Street, West Perth on Monday, 8 January 2024 at 3:00 pm (WST).

#### 1.2 Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

#### 1.3 Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 3:00 pm (WST) on Saturday, 6 January 2024.

## **1.4 Defined terms**

Capitalised terms in this Notice of Meeting and Explanatory Memorandum are defined either in Schedule 1 or where the relevant term is first used.

## **1.5 Responsibility**

This Notice of Meeting and Explanatory Memorandum have been prepared by the Company under the direction and oversight of its Directors.

## **1.6 ASX**

A final copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this document.

## **1.7 No internet site is part of this document**

No internet site is part of this Notice of Meeting and Explanatory Memorandum. The Company maintains an internet site ([www.evolutionenergyminerals.com.au](http://www.evolutionenergyminerals.com.au)). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

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# **2. Action to be taken by Shareholders**

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

## **2.1 Voting in person**

A shareholder that is an individual may attend and vote in person at the meeting. If you wish to attend the meeting, please bring the enclosed proxy form to the meeting to assist in registering your attendance and number of votes. Please arrive 20 minutes prior to the start of the meeting to facilitate this registration process.

## **2.2 Voting by corporate representative**

A shareholder that is a corporation may appoint an individual to act as its representative to vote at the meeting in accordance with section 250D of the *Corporations Act 2001* (Cth). The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed. The appropriate "Appointment of Corporate Representative" form should be completed and produced prior to admission to the meeting. This form may be obtained from the Company's share registry.

## **2.3 Appointment of proxies**

Each Shareholder entitled to vote at the Meeting may appoint a proxy to attend and vote at the Meeting. To vote by proxy, please complete, sign and return the enclosed Proxy Form in accordance with its instructions. A proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should

bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Share Registry.

A Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the member's votes to be exercised, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

(a) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands;
- (iii) if the proxy is the chair of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (iv) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(b) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (ii) the appointed proxy is not the chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either of the following applies:
  - (A) the proxy is not recorded as attending the meeting;
  - (B) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The Chair intends to exercise all available proxies in favour of all Resolutions.

## 2.4 Lodgement of proxy documents

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at an address given below by 3:00 pm (WST) on Saturday, 6 January 2024.

Any proxy form received after that time will not be valid for the scheduled meeting. Proxies should be returned as follows:

<b>Online</b>	At <a href="https://investor.automic.com.au/#/loginsah">https://investor.automic.com.au/#/loginsah</a>
<b>By mail</b>	Share Registry - Automic, GPO Box 5193, Sydney NSW 2001
<b>By fax</b>	+ 61 2 8583 3040
<b>By hand</b>	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

## 2.5 Voting exclusions

Pursuant to requirements of the Corporations Act and Listing Rules, voting exclusions apply to certain Resolutions. Please refer to discussion of the relevant Resolutions in the Notice for details of the applicable voting exclusions.

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## 3. Background to Resolutions

### 3.1 Placement

On 18 October 2023, the Company completed the placement of 24,737,744 Shares (**Placement Shares**) to sophisticated and professional investors at an issue price of \$0.14 per Share, to raise approximately \$3.46 million (before costs) (**Placement**).

### 3.2 Issue of ARCH Shares to ARCH

Prior to the issue of the Placement Shares, ARCH and the other ARCH Parties held 24.71% of the voting power in the Company. Following the issue of the Placement Shares, ARCH and the other ARCH Parties now hold 22.02% of the voting power in the Company.

In connection with the Placement, and as announced on 9 October 2023, ARCH has agreed to subscribe for 8,119,399 Shares at \$0.14 per Share (**ARCH Shares**) with a view to returning ARCH (and the other ARCH Parties) to its up to 24.71% voting power in the Company.

The issue of the ARCH Shares to ARCH is subject to and conditional upon receipt of the approval of Shareholders pursuant to item 7 of section 611 of the Corporations Act, as set out in section 4.

Please refer to the table in section 4.5(b) for more information on the effect of the issue of the ARCH Shares (and the BTR Shares) on the Company's capital and the ARCH Parties' voting power.

### 3.3 BTR Transactions

On 16 August 2023, the Company announced that it had reached agreement with BTR New Materials Co. Ltd (**BTR**) on a series of transactions (**BTR Transactions**) that, on completion, will position the Company (via a downstream entity to be agreed with BTR) as a vertically integrated producer of lithium-ion battery (**LiB**) anode materials using flake graphite from its Chilalo Graphite Project located in south-east Tanzania.



BTR is the global leader in the manufacture of LiB anode materials and has substantial capability in research and development which ensures it remains at the forefront of LiB technology advancements.

The BTR Transactions<sup>1</sup> comprise three agreements:

- (a) An investment agreement (**BTR Investment Agreement**) under which, subject to the satisfaction of certain conditions, BTR will subscribe for 25,860,000 shares (**BTR Shares**), representing 9.90% of Evolution's issued Shares on a post-issue basis (taking into account the issuance of the Placement Shares, the ARCH Shares and the BTR Shares) (**BTR Placement**). The BTR Shares will be issued at a price of \$0.22 per BTR Share.
- (b) A memorandum of understanding covering a downstream processing collaboration between BTR and Evolution for (i) the production of battery anode materials, with an initial focus on North America and (ii) BTR's further participation in the financing of the development of Chilalo; and
- (c) An offtake agreement (**Offtake Agreement**) under which, subject to the satisfaction of certain conditions, BTR will purchase 100% of the fine flake graphite produced at the Chilalo Project for three years (with an option to extend for an additional three years). The conditions to completion of the BTR Offtake Agreement include:
  - (i) Evolution having obtained the finance necessary for the construction of the Chilalo Project on or before 31 March 2024;
  - (ii) construction at the Chilalo Project having commenced on or before 31 March 2024;
  - (iii) BTR completing product qualification testwork to its satisfaction;
  - (iv) execution of a downstream cooperation agreement on or before 31 March 2024; and
  - (v) completion of the BTR Placement.

A summary of the material terms of the BTR Investment Agreement is set out in Schedule 2.

As announced on 30 October 2023, the date for satisfaction of the conditions precedent under the BTR Investment Agreement (**CP Satisfaction Date**) was extended to 31 January 2024. Evolution and BTR have agreed to extend the CP Satisfaction Date in order to facilitate:

- the finalisation of BTR's due diligence activities;
- Evolution shareholder approval of the BTR Investment being sought at the same time as shareholder approval is sought for the issue of the ARCH Shares; and
- the maximisation of BTR's investment, being 9.90%, post issue of the ARCH Shares, which can only be achieved if shareholder approval of the issue of the

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<sup>1</sup> For more detailed information on the BTR Transactions, see the Company's ASX announcements dated 16 August 2023 and 30 October 2023.

BTR Shares occurs at the same time as approval of the issue of the ARCH Shares.<sup>2</sup>

The BTR Investment Agreement remains subject to conditions precedent, including Chinese regulatory approval and BTR completing due diligence to its satisfaction.

Investors are cautioned that there is no certainty that the BTR Investment Agreement will complete, either on the currently agreed terms or at all.

Resolution 2 seeks Shareholder approval to the issue of the BTR Shares to BTR under and for the purposes of Listing Rule 7.1.

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## **4. Resolution 1 - Approval to issue Shares to ARCH**

### **4.1 Background**

Please refer to the background information provided in section 3.1 and section 3.2 above.

### **4.2 Corporations Act**

Section 606(1) of the Corporations Act provides that a person must not (without an available exemption under the Corporations Act) acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to the securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power in the listed company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities. It does not matter how remote the relevant interest is, or how it arises.

However, there are certain specified exceptions to the prohibition in section 606(1). In particular, under item 7 of section 611 of the Corporations Act, an acquisition approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, is exempt from the prohibition in section 606(1), if:

- (a) no votes are cast in favour of the resolution by:
  - (i) the person proposing to make the acquisition and their associates; or
  - (ii) the persons (if any) from whom the acquisition is to be made and their associates; and
- (b) the members of the Company were given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that is material to the decision on how to vote on the resolution, including:

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<sup>2</sup> For further information, see the Company's ASX announcement dated 30 October 2023.

- (i) the identity of the person proposing to make the acquisition and their associate;
- (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
- (iii) the voting power that person would have as a result of the acquisition;
- (iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
- (v) the voting power that each of that person's associates would have as a result of the acquisition.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person, and the person's associates, have a relevant interest.

An "associate" of a company includes (among others):

- (a) a body corporate that controls the company or a body corporate controlled by the company;
- (b) a person with whom the company has, or proposes to enter into, a relevant agreement for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- (c) a person who is acting or proposing to act in concert in relation to the company's affairs.

There is another specified exception to the prohibition in section 606(1) set out in item 9 of section 611 of the Corporations Act. This exception is known as the 'creep exception' and it enables a person to acquire a relevant interest in a company's voting shares without breaching the prohibition in section 606(1), if:

- (a) throughout the 6 months before the acquisition that person, or any other person, has had voting power in the company of at least 19%; and
- (b) as a result of the acquisition, none of the persons referred to in paragraph (a) above would have voting power in the company more than 3% higher than they had 6 months before the acquisition.

Owing to an internal restructure completed by ARCH on 7 August 2023,<sup>3</sup> ARCH is not able to rely on the 'creep exception' to acquire the ARCH Shares.

Accordingly, Resolution 1 seeks Shareholder approval under item 7 of section 611 of the Corporations Act for the issue of the ARCH Shares to ARCH.

#### **4.3 Listing Rule 10.11**

Listing Rule 10.11 provides that, unless one of the exceptions in Listing Rule 10.12 applies, a company must not issue Equity Securities to persons in a position of influence without first obtaining shareholder approval.

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<sup>3</sup> For further information, see the Form 604 (Notice of change of interests of substantial holder) dated 19 September 2023 on the Company's ASX announcements.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

- (a) a related party;
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an associate of a person referred to in (a) to (c) above; and
- (e) a person whose relationship with the company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by shareholders.

By virtue of ARCH being a substantial (10%+) holder in the Company and having nominated a director to the Board of the Company pursuant to its rights under the Investment Deed dated 28 September 2021 as novated between the Company and ARCH (amongst others) (**Investment Deed**), the issue of the ARCH Shares to ARCH falls within Listing Rule 10.11.3 and requires Shareholder approval (unless an exception in Listing Rule 10.12 applies).

Pursuant to Exception 6 in Listing Rule 10.12, Listing Rule 10.11 does not apply to an issue of equity securities which has been approved for the purposes of item 7 of section 611 of the Corporations Act.

As such, the Company is not required to seek Shareholder approval under Listing Rule 10.11 for the issue of the ARCH Shares to ARCH if Shareholder approval is obtained by the Company under item 7 of section 611 of the Corporations Act.

#### **4.4 Listing Rule 7.1**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Pursuant to Exception 8 in Listing Rule 7.2, an issue of equity securities which has been approved for the purposes of item 7 of section 611 of the Corporations Act will be excluded in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the equity securities.

The Company is not required to seek Shareholder approval under Listing Rule 7.1 for the issue of the ARCH Shares to ARCH because the Company has sufficient capacity to under Listing Rule 7.1 and, if Shareholder approval under item 7 of section 611 of the Corporations Act is obtained, the ARCH Shares will be excluded in calculating the Company's 15% limit in ASX Listing Rule 7.1.

#### **4.5 Information required under item 7(b) of section 611**

For the purposes of item 7(b) of section 611 of the Corporations Act, the Company provides the following information in respect of Resolution 1:

- (a) The identity of the person proposing to make the acquisition and their associates

The identity of the person proposing to make the acquisition by being issued the ARCH Shares is ARCH itself.

In addition, upon the issue of the ARCH Shares, the following further parties will also acquire a relevant interest in the ARCH Shares (via corporate group connections and control, as detailed in the substantial holder notice announced to the ASX on 19 October 2023 in relation to the Company):

- (i) ARCH Sustainable Resources GPCo Limited in its capacity as general partner for and on behalf of ARCH Sustainable Resources Fund LP;
- (ii) ARCH EM (GSY) PCC Limited (Cell SRF);
- (iii) ARCH Emerging Markets Partners Limited;
- (iv) AEMP Limited;
- (v) African Rainbow Capital Guernsey Limited;
- (vi) African Rainbow Capital Pty Ltd;
- (vii) Ubuntu-Botho Investments (Pty) Ltd;
- (viii) Sizanani-Thusanang Helpmekaar Investments Pty Ltd;
- (ix) Ubuntu-Ubuntu Commercial Enterprises Pty Ltd;
- (x) JCH & Partners LLP;
- (xi) Johan Hattingh; and
- (xii) Dr Patrice Tlhopane Motsepe,

(together with ARCH, the **ARCH Parties**).

The ARCH Parties each hold (as at the date of this Notice) voting power of 22.02% in the Company (arising from ARCH's holding of 50,038,610 Shares). The ARCH Parties each also hold a relevant interest in those Shares.

In addition, ARCH has a director nominated to the Board.

ARCH is an owner-managed investment group with multi-decade experience of emerging markets, private equity and asset management, operating on a strong governance framework with a focus on environmental, social and governance considerations at the core of its fund strategies.

ARCH focuses on emerging market sectors and geographies and applies a thematic approach across the Private Equity and Alternatives asset class with a focus on its key sectors of Resources, Energy and Logistics.

ARCH invests in what it describes as the next generation of metals and minerals projects that are contributing to the global energy transition.

The following ARCH Parties are associates of each other via corporate group connections and control, as detailed in the substantial holder notice lodged with the ASX on 28 March 2023 in relation to the Company:

- (i) ARCH;
- (ii) ARCH Sustainable Resources GPCo Limited in its capacity as general partner for and on behalf of ARCH Sustainable Resources Fund LP;
- (iii) ARCH EM (GSY) PCC Limited (Cell SRF);
- (iv) ARCH Emerging Markets Partners Limited;
- (v) AEMP Limited; and
- (vi) JCH & Partners LLP.

The following additional ARCH Parties are associates of each other via corporate group connections and control, as detailed in the substantial holder notice lodged with the ASX on 20 September 2023 in relation to the Company:

- (vii) African Rainbow Capital Guernsey Limited;
- (viii) African Rainbow Capital Pty Ltd;
- (ix) Ubuntu-Botho Investments (Pty) Ltd;
- (x) Sizanani-Thusanang Helpmekaar Investments Pty Ltd; and
- (xi) Ubuntu-Ubuntu Commercial Enterprises Pty Ltd.

None of the ARCH Parties other than ARCH hold Shares.

- (b) The maximum extent of the increase in that person's voting power in the company

ARCH currently holds 50,038,610 Shares and is proposing to acquire the ARCH Shares (comprising a further 8,119,399 Shares). ARCH and the other ARCH Parties may also acquire further Shares at their respective discretions in future, subject to compliance with the Corporations Act.

The maximum extent of the increase in the ARCH Parties' voting power in the Company that would result from the acquisition of the ARCH Shares is set out in the table below.

	Prior to issue of the ARCH Shares and the BTR Shares	Following issue of the ARCH Shares	Following issue of the BTR Shares
Shares on issue	227,237,744	235,357,143	261,217,143
ARCH Parties' voting power	50,038,610 (22.02%)	58,158,009 (24.71%)	58,158,009 (22.26%)
BTR voting power	-	-	25,860,000 (9.90%)

- (c) The voting power that the person would have as a result of the acquisition

Refer to the table in section 4.5(b) above.

- (d) The maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition

No ARCH Parties other than ARCH hold Shares, and no ARCH Parties other than ARCH will acquire the ARCH Shares if Resolution 1 is passed by Shareholders.

The maximum extent of the increase in the voting power of the ARCH Parties who are associated with each other (as detailed above) is detailed in the table in section 4.5(b) above.

- (e) The voting power that each of the acquirer's associates would have as a result of the acquisition

The maximum voting power that each of the ARCH Parties who are associated with each other (as detailed above) will have as a result of the acquisition is detailed in the table in section 4.5(b) above.

#### 4.6 Information required under ASIC Regulatory Guide 74

ASIC Regulatory Guide 74 also specifies certain requirements where a company seeks an acquisition to be exempt under section 611 (item 7).

For the purposes of ASIC Regulatory Guide 74.25, the Company provides the following information in respect of Resolution 1:

- (a) Reasons for the proposed acquisition

Pursuant to the terms of the Investment Deed, Evolution is required to offer ARCH the opportunity to participate in certain offers of Equity Securities by Evolution. Evolution issued a participation notice to ARCH in connection with the Placement and ARCH elected to participate by applying for the ARCH Shares, subject to the requisite approval of Shareholders.

The issue of the ARCH Shares to ARCH is being made on the same terms as the Placement, which the Directors considered was the most appropriate means to meet the Company's funding requirements for the following reasons:

- (i) the Placement was completed under section 708 of the Corporations Act, which is common among listed entities in the small and mid market capitalisation segment of the Australian market;

- (ii) debt finance was not available to the Company on attractive terms (or at all) at the time of the Placement, and even if it was available, it was unlikely to be advanced to the Company in a timeframe and at a cost that suited the Company's capital needs at the time; and
- (iii) a pro rata offer to Shareholders did not suit the Company's timeframe for raising funds at the time.

In addition, the Directors believe that ARCH is a valuable cornerstone investor, whose support is expected to contribute to the development of the Chilalo Project and the implementation of the Company's strategy.

(b) When the proposed acquisition is to occur

If Resolution 1 is passed by Shareholders, the ARCH Shares will be issued on a date after the Meeting and, in any event, within 5 business days of the date of the Meeting (or such other time as may be agreed between ARCH and the Company).

(c) Material terms of the proposed acquisition

Refer to the background information set out in section 3.2 above.

Apart from as already set out in this Explanatory Memorandum, there are no other material terms of the proposed issue of the ARCH Shares to ARCH.

(d) Details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition

There are no other relevant agreements between ARCH and the Company (or any of their associates) that are conditional on (or directly or indirectly depend on) Shareholder approval of the proposed issue of the ARCH Shares to ARCH.

However, as previously mentioned, the Investment Deed between ARCH and the Company provides ARCH with the right to nominate a Director to the Board, and ARCH has nominated Mr Cameron Dowling to the Board as its nominee director.

(e) Intentions of ARCH

ARCH has advised the Company as follows:

- (i) **Business of the Company** - should Resolution 1 be approved, ARCH has no current intention of making any change to the business of the Company;
- (ii) **Injection of further capital into the Company** - ARCH has no current intention to inject further capital into the Company, but may (in its sole discretion) elect to participate or not participate in future equity raisings;
- (iii) **Future employment of present employees of the Company** - ARCH has no current intention to seek any change to the existing employment arrangements of the Company, except that ARCH



reserves its rights to express views to the Company in relation to the performance of senior employees and executives of the Company;

- (iv) **Transfers of assets between the Company and ARCH or its associates** - ARCH has no current intention to transfer assets between the Company and itself or between the Company and ARCH's associates;
- (v) **Redeployment of the fixed assets of the Company** - ARCH has no current intention to seek redeployment of the fixed assets of the Company;
- (vi) **Financial and dividend distribution policies of the Company** - ARCH does not currently propose any change to the financial and dividend distribution policies of the Company; and
- (vii) **Director representation** - ARCH has the right to nominate one director to the Board of the Company, and its current nominee is Mr Cameron Dowling who was appointed as a Director on 12 September 2023 and whose re-election was approved at the Company's annual general meeting on 24 November 2023. ARCH reserves its rights pursuant to the Investment Deed and its rights as a Shareholder (including as a substantial Shareholder), such as in relation to the composition of the Board.

These intentions are based on information concerning the Company, its business and the business environment which is known to ARCH at the date of this document.

Shareholders should note that ARCH's intentions set out in this section 4.6 may change as a consequence of the passage of time or a change in circumstances of the Company or ARCH or for any other reason in ARCH's sole discretion (without limitation).

- (f) The interests that any director has in the acquisition or any relevant agreement

The Directors (other than Mr Cameron Dowling) do not have any personal interest in the issue of the ARCH Shares to ARCH or the outcome of Resolution 1.

Mr Cameron Dowling does not have any personal interest in the issue of the ARCH Shares to ARCH or the outcome of Resolution 1. However, the Company does not consider Mr Cameron Dowling to be independent, on the basis that he is a representative of ARCH.

#### **4.7 Effect of the issue of the ARCH Shares on the Company's financial position**

The issue of the ARCH Shares will raise approximately \$1.14 million for the Company (before costs).

#### **4.8 Voting consequences**

If Resolution 1 is approved, the Company will issue 8,119,399 Shares to ARCH and the Company will receive proceeds of approximately \$1.14 million (before costs), which will be applied to:

- (a) continue execution of the resettlement action plan;

- (b) progress the project financing process;
- (c) advancing the proposed investment of BTR to completion;
- (d) progress the US downstream battery anode collaboration with BTR; and
- (e) corporate and working capital.

If Resolution 1 is not approved, the Company will not issue 8,119,399 Shares to ARCH and the Company will not have the benefit of receiving proceeds of approximately \$1.14 million (before costs) it would thereby have raised. In that case, the Company will have to seek other sources of capital.

#### **4.9 Advantages of the issue of the ARCH Shares to ARCH**

The Directors consider that Shareholders may consider voting in favour of Resolution 1, because:

- (a) the Company will receive proceeds of approximately \$1.14 million (before costs) which will be applied as set out in section [4.8];
- (b) ARCH is a long term, strategic investor whose support for the Company is regarded by the Directors as an important endorsement of the Company's strategy;
- (c) the Company is at an important stage in the development of its strategy of vertical integration and needs additional capital to execute this strategy; and
- (d) ARCH committed to invest in the ARCH Shares on what the Board considered to be reasonable terms at the time of the commitment, being the same price at which the Placement was completed.

#### **4.10 Disadvantages of the issue of the ARCH Shares to ARCH**

The Directors consider that Shareholders may consider voting against Resolution 1, because:

- (a) Shareholders may believe that the Company's capital requirements may be satisfied from alternative sources on better terms;
- (b) The issue of the ARCH Shares to ARCH is considered by the independent expert to be not fair, but reasonable; and
- (c) Shareholders may believe that the potential impact on control of the Company, due to the dilution of other Shareholders, is adverse.

#### **4.11 Independent Expert's Report**

To assist Shareholders in their consideration of the issue of the ARCH Shares, the Board commissioned the Independent Expert to prepare an independent expert's report setting out the Independent Expert's opinion as to whether the issue of the ARCH Shares as contemplated in Resolution 1 is fair and reasonable.

A copy of the IER accompanies this Notice at Annexure 1 and should be read carefully by Shareholders.

The Independent Expert concluded that the issue of the ARCH Shares to ARCH:

- (a) is not fair but reasonable;

The Independent Expert notes that the key advantages of the proposal raised in Resolution 1 to the Company and existing Shareholders, and the non-associated Shareholders are as follows:

- (a) The issue of the ARCH Shares to ARCH will provide funding that is required by the Company. If the issue of the ARCH Shares to ARCH is not approved, the Company will not be permitted to issue the ARCH Shares to ARCH and the Company will not receive the proceeds of \$1.14 million. If this happens, the Company may have to return to its capital raising process to raise the balance funding it needs from alternative sources of capital;
- (b) All else unchanged, the issue of the ARCH Shares to ARCH is non-dilutionary to existing shareholders when compared to the shareholding interest of shareholders prior to the Placement. ARCH held a shareholding interest and voting power of 24.71% before the Share Placement. As a result of the issuance of 24,737,744 new shares to raise approximately \$3.46 million of funding under the Placement, ARCH's shareholding interest and voting power in the Company reduced from 24.71% (prior to the Share Placement) to 22.02%. The issue of the ARCH Shares to ARCH is expected to return ARCH to its 24.71% shareholding interest and voting power in the Company (prior to issue of the BTR Shares). As a result, all else unchanged, the existing non-associated shareholders are not facing a dilution of their shareholding when compared to their position before the Placement.
- (c) The issue of the ARCH Shares to ARCH reinforces the support of ARCH as a key shareholder and opens up opportunities for ARCH to provide key shareholder support for the development of the Chilalo Project and implementation of the Company's strategy more broadly. ARCH is an important strategic investor and funding partner for Evolution. The interest that ARCH has taken in subscribing for the ARCH Shares indicates its support for the Company's strategic plans and its commitment as a key and major shareholder.

The key disadvantages noted by the Independent Expert are as follows:

- (a) The independent expert concluded that the issue of the ARCH Shares to ARCH is not fair. The fairness conclusion is based on the comparison between the value assessed on a minority basis (with a minority discount applied) post issue of the ARCH Shares to ARCH and the value on a controlling basis pre issue of the ARCH Shares to ARCH. The independent expert has noted that this assessment is based on the guidance prescribed under ASIC Regulatory Guide 111 for control transactions.
- (b) The Proposed Transaction will increase ARCH's interest and voting power in Evolution from the current 22.02% to 24.71% which may not be desirable for Shareholders. The independent expert notes that should Shareholders approve Resolution 2, ARCH's interest and voting power in Evolution will reduce from 24.71% to 22.26%.

The above is a summary only. For further details of the assessment made by the Independent Expert in determining the fairness and reasonableness of the proposal raised in Resolution 1, please refer to the IER in Annexure 1.

#### **4.12 Directors' recommendation**

The Directors (with Mr Cameron Dowling abstaining) are of the opinion that the issue of the ARCH Shares to ARCH is in the best interests of Shareholders for the reasons set out in this Section 4 and, accordingly, the Directors (with Mr Cameron Dowling abstaining) recommend that Shareholders vote in favour of Resolution 1.

The Directors are not aware of any information other than as set out in this Notice that would be reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass Resolution 1 or not.

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## **5. Resolution 2 - Approval to issue the BTR Shares**

### **5.1 Purpose of Resolution 2**

A summary of the BTR Placement is set out in section 3.3 and a summary of the material terms of the BTR Investment Agreement is included in Schedule 2.

Pursuant to the BTR Investment Agreement, BTR (and/or its nominee) has agreed to subscribe for, and the Company has agreed to issue to BTR (and/or its nominee), the BTR Shares conditional on the receipt of Shareholder approval pursuant to Listing Rule 7.1 (amongst other things).

Resolution 2 seeks Shareholder approval under Listing Rule 7.1 for the issue of the BTR Shares to BTR (and/or its nominee).

### **5.2 Listing Rule 7.1**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The proposed issue of the BTR Shares does not fit within any of the exceptions set out in Listing Rule 7.2. As it has not yet been approved by Shareholders, the issue of the BTR Shares effectively uses up part of the 15% limit in Listing Rule 7.1, thereby reducing the Company's capacity to issue further Equity Securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the BTR Shares.

### **5.3 Information required by Listing Rule 14.1A**

If Resolution 2 is passed, the BTR Shares will be excluded in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the BTR Shares.

If Resolution 2 is not passed, the BTR Shares will be included in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively decreasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the BTR Shares.

### **5.4 Information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 2:

- (a) the BTR Shares will be issued to BTR (and/or its nominee) in accordance with the terms of the BTR Investment Agreement;
- (b) the number of BTR Shares to be issued to BTR (and/or its nominee) is 25,860,000 Shares;
- (c) the BTR Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Shares;
- (d) the BTR Shares will be issued 10 Business Days after the date of satisfaction of the conditions precedent in the BTR Investment Agreement, which is expected to be not later than 14 February 2024 and, in any event, will be issued no later than three months after the date of the Meeting;
- (e) the BTR Shares will be issued at a price of \$0.22 per BTR Share and the Company has not received (and will not receive) any other consideration for the issue of the BTR Shares under the BTR Investment Agreement;
- (f) the purpose of the BTR Placement is to raise approximately A\$5.69 million, which funds are intended to be applied to those workstreams set out in section 3.1;
- (g) the BTR Shares are being issued pursuant to the BTR Investment Agreement, the material terms of which are set out in Schedule 2; and
- (h) a voting exclusion statement is included in the Notice for Resolution 2.

#### **5.5 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 2. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 2.

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## **7. Enquiries**

Shareholders are requested to contact Evolution's company secretary, Mr Stuart McKenzie by email at [smckenzie@ev1minerals.com.au](mailto:smckenzie@ev1minerals.com.au) if they have any queries in respect of the matters set out in this Notice.

## Schedule 1 - Definitions

**\$** means Australian dollars.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ARCH** means SRF Holdco GP PCC Limited in its capacity as general partner for and on behalf of SRF SPP 1 LP.

**ARCH Parties** means ARCH, ARCH Sustainable Resources GPCo Limited in its capacity as general partner for and on behalf of ARCH Sustainable Resources Fund LP, ARCH EM (GSY) PCC Limited (Cell SRF), ARCH Emerging Markets Partners Limited, AEMP Limited, African Rainbow Capital Guernsey Limited, African Rainbow Capital Pty Ltd, Ubuntu-Botho Investments (Pty) Ltd, Sizanani-Thusanang Helpmekaar Investments Pty Ltd, Ubuntu-Ubuntu Commercial Enterprises Pty Ltd, JCH & Partners LLP, Johan Hattingh and Dr Patrice Tlhopane Motsepe.

**ARCH Shares** has the meaning given in section 3.2.

**Board** means the current board of directors of the Company.

**BTR** has the meaning given in section 3.3.

**BTR Investment Agreement** has the meaning given in section 3.3.

**BTR Placement** has the meaning given in section 3.3.

**BTR Shares** has the meaning given in section 3.3.

**BTR Transactions** has the meaning given in section 3.3.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Chilalo Project** means the Company's flake graphite project located in the Ruangwa District of the Lindi Region in south-eastern Tanzania.

**Company** or **Evolution** means Evolution Energy Minerals Limited (ACN 648 703 548).

**Corporations Act** means the *Corporations Act 2001* (Cth).

**CP Satisfaction Date** has the meaning given in section 3.3

**Directors** means the current directors of the Company.

**Eligible Entity** has the meaning given in the Listing Rules.

**Explanatory Memorandum** means the explanatory statement accompanying the Notice.

**Extraordinary General Meeting** or **Meeting** means the meeting convened by the Notice.

**IER or Independent Expert's Report** means the Independent Expert's Report, as set out in full in Annexure 1.

**Independent Expert** means Nexia Perth Corporate Finance Pty Ltd AFSL 289 358.

**Investment Deed** has the meaning given in section 4.3.

**Key Management Personnel** or **KMP** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**LiB** means lithium-ion battery.

**Listing Rules** means the rules of the ASX that apply with respect to the Company's Equity Securities and the Company's conduct.

**Meeting** means the meeting convened by the Notice.

**Offtake Agreement** has the meaning given in section 3.3.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

**Placement** has the meaning given in section 3.1.

**Placement Shares** has the meaning given in section 3.1.

**Proxy Form** means the proxy form accompanying the Notice.

**Record Date** means the record date set by Directors in accordance with Section 1.3 of the Explanatory Memorandum.

**Resolutions** means the resolutions set out in the Notice.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## Schedule 2 - Summary of the material terms of the BTR Investment Agreement

Term	Summary
<b>Parties</b>	The Company  BTR New Material Group Co., Ltd.
<b>Subscription</b>	Subject to the satisfaction or waiver of the conditions precedent, BTR agrees to subscribe for the Shares which represent a 9.9% interest in Evolution on a post-issue basis.  Following the completion of the Placement, the number of Shares to be issued to BTR is 25,860,000 Shares (based on current shares on issue).  BTR agrees to subscribe for the Shares at A\$0.22 per Share.
<b>Conditions precedent</b>	Completion is conditional on the following conditions precedent being satisfied or waived on or before 31 January 2024: <ul style="list-style-type: none"> <li>• BTR obtaining all necessary PRC governmental approvals;</li> <li>• the Company obtaining Shareholder approval for the issue of Shares to BTR pursuant to Listing Rule 7.1;</li> <li>• BTR completing due diligence on the Company to its satisfaction; and</li> <li>• no material adverse event having occurred in respect of the Company, or the cancellation or loss of mining rights for the Chilalo Project.</li> </ul>
<b>Participation right</b>	Following completion, BTR must be given a reasonable opportunity to participate in specified equity offers of the Company on terms no less favourable than other subscribers in the relevant equity offer.
<b>Warranties</b>	The Company provided a limited set of representations and warranties that are customary for a transaction of this nature.



## **Annexure 1 - Independent Expert's Report**

## **Evolution Energy Minerals Limited**

### **Independent Expert's Report and Financial Services Guide**

**23 November 2023**

## **FINANCIAL SERVICES GUIDE**

**Dated: 23 November 2023**

### **What is a Financial Services Guide ('FSG')?**

This FSG is designed to help you decide whether to use any of the general financial product advice provided by Nexia Perth Corporate Finance Pty Ltd ABN 84 009 342 661 ('NPCF'), Australian Financial Services Licence Number 289358 ('AFSL').

This FSG includes information about:

- NPCF and how they can be contacted;
- the services NPCF is authorised to provide;
- how NPCF are paid;
- any relevant associations or relationships of NPCF;
- how complaints are dealt with as well as information about internal and external dispute resolution systems, and how you can access them; and
- the compensation arrangements that NPCF has in place.

Where you have engaged NPCF we act on your behalf when providing financial services. Where you have not engaged NPCF, NPCF acts on behalf of our client when providing these financial services and are required to provide you with a FSG because you receive a report or other financial services from NPCF.

### **Financial Services that NPCF is authorised to provide**

NPCF, which holds an AFSL authorising it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

### **NPCF's responsibility to you**

NPCF has been engaged by the independent directors of Evolution Energy Minerals Limited ('Evolution' or the 'Client') to provide general financial product advice in the form of an independent expert's report dated 23 November 2023 ('Report'), which is to be included in the Notice of General Meeting (the 'Notice of Meeting' or the 'Document') to be sent to Evolution shareholders on or around 6 December 2023.

You have not engaged NPCF directly but have received a copy of the Report because you have been provided with a copy of the Document. NPCF or the employees of NPCF are not acting for any person other than the Client.

NPCF is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

## **General Advice**

As NPCF has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Notice of Meeting.

## **Fees NPCF may receive**

NPCF charges fees for preparing reports. These fees will usually be agreed with and paid by the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay NPCF \$36,500 (excluding GST and out of pocket expenses) for preparing the Report. NPCF and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

## **Referrals**

NPCF does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

## **Associations and Relationships**

Through a variety of corporate and trust structures NPCF is controlled by and operates as part of the Nexia Perth Pty Ltd. NPCF's directors and authorised representative may be directors in the Nexia Perth Pty Ltd group entities ('Nexia Perth Group'). Ms Evelyn Tan, and Ms Muranda Janse Van Nieuwenhuizen, both Directors and Representatives of NPCF, have prepared this Report. The financial product advice in the Report is provided by NPCF and not by the Nexia Perth Group.

From time to time, NPCF, the Nexia Perth Group and related entities ('Nexia entities') may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years, in addition to the fees disclosed for the preparation of this Report, Nexia entities have assisted Evolution with some option valuations and charged a total of \$6,375 plus GST for these services. Other than the fees disclosed, Nexia entities have not received any other fees from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the proposed transaction described in this Report.

## **Complaints Resolution**

If you have a complaint, please let NPCF know. Formal complaints should be sent in writing to:

Nexia Perth Corporate Finance Pty Ltd  
Head of Compliance  
GPO Box 2570  
Perth WA 6001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Susan Montanari, on +61 8 9463 2463 and she will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

### **External Complaints Resolution Process**

If NPCF cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority ('AFCA'). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available on its website [www.afca.org.au](http://www.afca.org.au) or by contacting it directly via the details set out below.

Australian Financial Complaints Authority  
GPO Box 3, Melbourne, Victoria 3001  
Telephone: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

### **Compensation Arrangements**

NPCF has professional indemnity insurance cover as required by the Corporations Act 2001 (Cth).

Contact Details  
You may contact NPCF at:

**Nexia Perth Corporate Finance Pty Ltd**  
**GPO Box 2570**  
**Perth WA 6001**

23 November 2023

[nexia.com.au](http://nexia.com.au)

The Independent Directors  
Evolution Energy Minerals Limited  
Level 1, Oliver House  
1318 Hay Street  
WEST PERTH WA 6005

Dear Sirs / Madams,

## Independent Expert's Report

### 1. BACKGROUND AND OUTLINE OF THE PROPOSED TRANSACTION

#### 1.1 Background

On 9 October 2023, Evolution Energy Minerals Limited ('Evolution' or the 'Company') announced that it had received firm commitments to complete a two-tranche share placement of approximately 32.9 million fully paid ordinary shares at \$0.14 per share in order to raise a total of \$4.6 million of funding (before costs).

The announcement stated that the issue price of \$0.14 represented a 15.2% discount to the last traded price of Evolution shares of \$0.165 (the price of Evolution's shares on 6 October 2023 prior to the announcement) and 18.3% discount to the five-day volume weighted average price ('VWAP') as at the close of trading on 5 October 2023 of \$0.171.

The two tranches of placement are as follows:

- Tranche One: issuance of 24,737,744 new shares to institutional, sophisticated and professional investors at \$0.14 per share, raising approximately \$3.46 million of funding (before costs), and
- Tranche Two: issuance of 8,119,399 new shares at \$0.14 per share to SRF Holdco GP PCC Limited in its capacity as general partner for and on behalf of SRF SPP 1 LP, which will result in ARCH Sustainable Resources GPCo Limited in its capacity as general partner for and on behalf of ARCH Sustainable Resources Fund LP, ARCH EM (GSY) PCC Limited (Cell SRF), ARCH Emerging Markets Partners Limited, AEMP Limited, African Rainbow Capital Guernsey Limited, African Rainbow Capital Pty Ltd, Ubuntu-Botho Investments (Pty) Ltd, Sizanani-Thusanang Helpmekaar Investments Pty Ltd, Ubuntu-Ubuntu Commercial Enterprises Pty Ltd, JCH & Partners LLP, Johan Hattingh and Dr Patrice Tlhopane Motsepe acquiring a relevant interest in Evolution (collectively 'ARCH'), to raise approximately \$1.14 million of funding (before costs).

Proceeds from the share placement will be used primarily for progressing the development of the Company's exploration asset, the Chilalo project, as well as for general working capital for operations.

ARCH held a 24.71% relevant interest and voting power in Evolution prior to the recent two-tranche share placement and capital raising announced on 9 October 2023. Following the issue of 24,737,744 new shares to institutional, sophisticated and professional investors at \$0.14 per share, raising approximately \$3.46 million of funding under the first tranche, ARCH's relevant interest and voting power was reduced to 22.02%. For ARCH to participate in the second tranche of the same share placement and capital raising, and to be issued 8,119,399 new shares at \$0.14 per share to raise approximately \$1.14 million (before costs), ARCH's relevant interest and voting power will increase from 22.02% to 24.71% ('the Proposed Transaction').

### Advisory. Tax. Audit.

AFSL 289 358

Nexia Perth Corporate Finance Pty Ltd (ABN 84 009 342 661) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see [www.nexia.com.au/legal](http://www.nexia.com.au/legal). Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

Liability limited under a scheme approved under Professional Standards Legislation.

As ARCH's voting power is expected to increase from a position above 20% to a position less than 90%, ARCH's participation in the second tranche of the share placement and capital raising requires shareholders' approval under section 611 of the Corporations Act 2001 ('Corporations Act'). ARCH could rely, in some circumstances, on the 3% creep exception but due to an internal restructure completed by ARCH on 7 August 2023, ARCH is now unable to rely on that exception.

Nexia Perth Corporate Finance Pty Ltd ('us', 'our', 'we' or 'NPCF') has been requested by Evolution to prepare an independent expert's report ('IER' or 'this Report') to express an opinion on whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of Evolution ('Shareholders').

This Report is to be included in the Company's Notice of Meeting and Explanatory Memorandum ('Notice of Meeting') which will be distributed to the shareholders of the Company, to assist the non-associated shareholders in their decision whether or not to approve the Proposed Transaction.

Dollar amounts are in Australian dollars ('AUD' or 'A\$') or as indicated throughout this Report.

## 1.2 Outline of the Proposed Transaction

As announced on 9 October 2023, Evolution had received firm commitments to complete a share placement of approximately 32.9 million fully paid ordinary shares at \$0.14 per share in order to raise a total of \$4.6 million (before costs) of funding ('Share Placement') which comprised two tranches as follows:

- Tranche One: issuance of 24,737,744 new shares to institutional, sophisticated and professional investors at \$0.14 per share, raising approximately \$3.46 million of funding (before costs), and
- Tranche Two: issuance of 8,119,399 new shares at \$0.14 per share to ARCH to raise approximately \$1.14 million of funding (before costs).

On 18 October 2023, Evolution issued 24,737,744 new shares under Tranche One of the Share Placement. New shares under Tranche Two of the Share Placement have not been issued as the issuance of shares to ARCH is subject to and conditional upon receipt of approval of Evolution's shareholders. As a result, ARCH's relevant interest and voting power in the Company reduced from 24.71% (prior to the Share Placement) to 22.02% (following the issue of new shares under Tranche One of the Share Placement). The issue of new shares under Tranche Two of the Share Placement is expected to return ARCH to its 24.71% relevant interest and voting power in the Company.

	Before the Proposed Transaction	After the Proposed Transaction
Number of shares on issue to ARCH	50,038,610	58,158,009
Total number of shares on issue	227,237,744	235,357,143
ARCH's relevant interests	22.02%	24.71%

Source: Notice of Meeting and NPCF analysis

As detailed below, Evolution is currently progressing with a series of transactions with BTR New Materials Co. Ltd ('BTR'), aiming to position the Company as a producer of lithium-ion battery. One of the transactions includes Evolution having to issue 25,860,000 shares to BTR, which will then bring ARCH's relevant interest to 22.26% and BTR's shareholding interest to 9.90% should the share issue to BTR take place. The issue of shares to BTR is also one of the resolutions that will be subject to and conditional upon receipt of approval of Evolution's shareholders at the general meeting scheduled for November 2023.

	Before the BTR share issuance*	After the BTR share issuance
Number of shares on issue to ARCH	58,158,009	58,158,009
Total number of shares on issue	235,357,143	261,217,143
ARCH's relevant interests	24.71%	22.26%

*\*assumes that the Proposed Transaction is approved and ARCH's relevant interest and voting power is returned to 24.71%.*

*Source: Notice of Meeting and NPCF analysis*

Evolution is seeking the approval from non-associated shareholders for the issue of 8,119,399 shares at \$0.14 per share to ARCH under Resolution 1 in the Notice of Meeting. This IER is prepared for this purpose.

Evolution is seeking the approval for the issue of shares to BTR under Resolution 2 in the Notice of Meeting but this Report has not been prepared for this purpose.

## **2. PURPOSE OF REPORT AND BASIS OF ASSESSMENT**

### **2.1 Purpose of Report**

The purpose of this Report is to provide an opinion on whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of Evolution.

Section 606 of the Corporations Act prohibits any person to acquire an interest, in an Australian public company, from below 20% to above 20% or from above 20% to under 90% without triggering a compulsory takeover offer to all shareholders unless an exemption applies. Item 7 of section 611 of the Corporations Act provides an exemption to this prohibition if the transaction is approved by shareholders in a general meeting.

ARCH held a 24.71% interest and voting power in Evolution prior to the Share Placement. Following the issue of 24,737,744 new shares to institutional, sophisticated and professional investors under Tranche One of the Share Placement, ARCH's relevant interest and voting power was reduced to 22.02%. The issue of new shares to ARCH under Tranche Two of the Share Placement is expected to result in ARCH's relevant interest and voting power to increase from 22.02% to 24.71%. As ARCH's voting power is expected to increase from a position above 20% to a position less than 90%, ARCH's participation in Tranche Two of the Share Placement requires shareholders' approval.

Regulatory Guide 74 Acquisitions approved by members does not mandate for an independent expert's report to be provided if directors have sufficient expertise, experience and resources to prepare a detailed report on the proposed transaction to satisfy the obligation to disclose all the material information on how to vote on the item 7 resolution (which should comply with Regulatory Guide 111 Content of expert report).

The independent directors of Evolution have decided to voluntarily commission an independent expert's report to satisfy this disclosure obligation. The report provided by the independent expert is required to state the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

This Report is prepared in accordance with the guidance of Australian Securities and Investments Commission's ('ASIC') Regulatory Guide 111 Content of expert report ('RG 111'), Regulatory Guide 112 Independence of experts ('RG 112') and Regulatory Guide 74 Acquisitions approved by members ('RG 74').

### **2.2 Basis of assessment**

RG 111 provides guidance to experts on how to draft an expert report that satisfies the requirements of the Corporations Act. Paragraphs RG 111.24 to RG 111.28 provide guidance on control transactions to be approved under item 7 of section 611 of the Corporations Act.



A control transaction, when a person acquires, or increases, a controlling stake in a company can be achieved by a number of different legal mechanisms. The regulatory guide states that when analysing control transactions, an expert needs to focus on the substance of the control transaction rather than the legal mechanism used to effect it.

Accordingly, paragraphs RG 111.24 and RG 111.25 state that, where share issues to be approved under item 7 of section 611 of the Corporations Act are comparable to takeover bids under Chapter 6 of the Corporations Act, the expert should apply the analysis outlined in RG 111.10 to RG 111.17 as if it was a takeover bid under Chapter 6. However, references to the 'bidder' and the 'target' should be taken to mean the 'allottee' and 'company' respectively.

In analysing a control transaction as if it was a takeover bid under Chapter 6 of the Corporations Act, the expert is required to express an opinion on whether the offer is 'fair and reasonable' from the perspective of non-associated members. RG 111.10 states that the 'fair and reasonable' phrase is not regarded as a compound phrase. There should be a separate assessment of whether the transaction is 'fair' and 'reasonable'.

An offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities, the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Since this will be a control transaction, if assessed as if it was a takeover bid, the comparison should also be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash.

An offer is 'reasonable' if it is 'fair' but it might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for security holders to approve the proposed transaction.

## **2.3 Conduct of our assessment**

We have assessed the Proposed Transaction as being:

- 'fair' if the value per share of Evolution after the Proposed Transaction (on a minority basis) is equal to or greater than the value per share of Evolution before the Proposed Transaction (on a 100% or controlling basis); and
- 'reasonable' if it is fair, or despite not being fair, after considering other significant factors, we believe there are sufficient reasons for non-associated shareholders to approve the Proposed Transaction, in the absence of any alternative offers.

This engagement is conducted in accordance with Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

## **3. SUMMARY AND OPINION**

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion should be read in conjunction with this Report in its entirety. Our opinion is based solely on information available as at the date of this Report.

**In our opinion, the Proposed Transaction is not fair but reasonable to Shareholders.**

### **3.1 Assessment of Fairness of the Proposed Transaction**

In determining whether or not the Proposed Transaction is fair to Shareholders, we have compared the value of one Evolution share prior to the Proposed Transaction to the value of one Evolution share after the Proposed Transaction. This is summarised as follows.

In A\$	Ref	Low	Preferred	High
Pre-Transaction value per Evolution share (controlling basis)	9.1	0.125	0.154	0.183
Post-Transaction value per Evolution share (minority basis)	10.1	0.089	0.114	0.140

Source: NPCF analysis

The analysis shows that the value per Evolution share after the Proposed Transaction (on a minority basis) is lower than the value per Evolution share before the Proposed Transaction (on a controlling basis). Therefore, **we have concluded that the Proposed Transaction is not fair to Shareholders.**

### 3.2 Assessment of Reasonableness of the Proposed Transaction

In accordance with RG 111, a related party transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, there are sufficient reasons for Shareholders to approve the Proposed Transaction, in the absence of any alternative offers.

In forming our opinion, we have considered the following relevant factors (see section 12).

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• The Proposed Transaction will provide the balance funding that the Company requires</li> <li>• All else unchanged, the Proposed Transaction is non-dilutionary to existing Shareholders when compared to the shareholding interest of Shareholders prior to the Share Placement</li> <li>• The Proposed Transaction reinforces the support of ARCH as a key shareholder and opens up opportunities for ARCH to provide key shareholder support when the Company decides to develop the Chilalo project</li> </ul>	<ul style="list-style-type: none"> <li>• The Proposed Transaction is not fair</li> <li>• The Proposed Transaction will increase ARCH's relevant interest and voting power further from the current 22.02% to 24.71% which may not be desirable for Shareholders</li> </ul>

We note that, if the approval sought in the Notice of Meeting relating to the Proposed Transaction is not obtained, that is Resolution 1 of the Notice of Meeting is not passed, the Company will not issue the Tranche Two shares to ARCH and the Company will not receive the proceeds from the capital raising of \$1.14 million (before costs) it would have raised, in which case the Company will have to seek alternative sources of capital.

After taking into account other significant factors, and in the absence of a more superior alternative offer, **we have concluded that the Proposed Transaction is reasonable.**

## 4. LIMITATIONS

### 4.1 Individual shareholders' circumstances

The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's own assessment of the Proposed Transaction and own assessment of their circumstances, including their own risk profile, liquidity preference, tax position and expectations as to value and future market conditions. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of General Meeting, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction. If in doubt about the Proposed Transaction or matters dealt with in this Report, shareholders should seek independent professional advice.

#### **4.2 Limitations on reliance on information**

The documents and information relied on for the purposes of this Report are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that documents and material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose. We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

An important part of the information used in forming an opinion of the kind expressed in this Report is the opinions and judgement of Directors and management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

NPCF are not the auditors of Evolution. We have analysed and reviewed information provided by the Directors and management of Evolution and made further enquiries where appropriate. Preparation of this Report does not imply that we have in any way audited the accounts or records of Evolution.

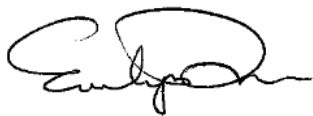
In forming our opinion we have assumed:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Notice of General Meeting to be sent to shareholders is complete, accurate and fairly represented in all material respects; and
- the publicly available information relied upon by NPCF in its analysis was accurate and not misleading.

This Report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this Report which may impact upon this Report or which may impact upon the assumptions referred to in the Report.

Yours faithfully

**Nexia Perth Corporate Finance Pty Ltd**



**Evelyn Tan**  
Director



**Muranda Janse Van Nieuwenhuizen**  
Director

## STRUCTURE OF REPORT

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## 5. OVERVIEW OF EVOLUTION ENERGY MINERALS LIMITED

### 5.1 Background

Evolution Energy Minerals Limited is an Australian-based exploration company that focuses on the development of the Chilalo Graphite Project. The Company was incorporated in March 2021 as a spin-out of Marvel Gold Limited (ASX code: MVL) ('Marvel Gold'), specifically incorporated for the purpose of owning the Chilalo project, which is a high-grade, coarse flake graphite project located in the Ruangwa District of the Lindi Region in south-eastern Tanzania, East Africa ('Chilalo Project' or 'the Project'). On 17 September 2021, Evolution acquired, from Marvel Gold, all of the shares in the capital of Evolution HoldCo, which resulted in the Company holding 100% interest in the Chilalo Project. Consideration for the acquisition included 49,999,999 million shares in Evolution and cash consideration of \$2 million. Subsequently, Evolution was admitted to the official list of the Australian Securities Exchange ('ASX') in November 2021 (ASX code: EV1).

Evolution has a number of wholly owned subsidiaries incorporated across USA and UK and a partly owned subsidiary in Tanzania. The Tanzanian subsidiary, Kudu Graphite Limited ('Kudu') was incorporated for the purpose of controlling the Company's Chilalo Project through holding of the mining and prospecting licences. Kudu is jointly owned by Evolution (through its wholly owned UK subsidiary) and the Tanzanian Government, with ownerships of 84% and 16%, respectively.

Evolution's objective is to become an integrated producer of sustainably sourced graphite products and battery materials, which revolves around the development of the Chilalo Project and partnering with established entities to obtain exposures to battery anode market which will enable the Company to capture greater margins in the value chain and maximise company valuation.

### 5.2 Overview of Evolution's Project – the Chilalo Project

The Chilalo Project is a high-grade, coarse flake graphite project located in the Ruangwa District of the Lindi Region in south-eastern Tanzania, East Africa. The Project is situated within rocks of the late Proterozoic Mozambique Belt (MB), approximately 100 km north of the border with Mozambique, 240 km north-west of the port city of Mtwara and 400 km south of Tanzania's largest city, Dar es Salaam. Access to the site is via road from the town of Ruangwa that is accessible either from the city of Mtwara or the city of Dar es Salaam.



Source: Evolution's website

Evolution (through Kudu) holds two tenements within the Chilalo Project, one being a Mining Licence ('ML') ML716/2023 (expiry date 28 August 2033) and Prospecting Licence ('PL') PL12590/2023 over an area of 170.7 km<sup>2</sup>.

Exploration activities in the Chilalo Project dated back to 2014 where its initial drill programs were carried out in the last quarter of the year. The most recent Mineral Resource Estimate declared for Chilalo was assessed and reported in August 2019, under the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') published in 2012 ('JORC 2012').

Evolution had a recent front-end engineering design ('FEED') and updated Definitive Feasibility Study ('DFS') completed for the Chilalo Project, which was announced on 20 March 2023. During FY23, the Company also undertook exploration drilling to identify opportunities for mineral resource growth. In September 2023, the Company reported the final assay result from its RC drilling program, which identified high-grade mineralisation proximate to the existing mineral resources. Chilalo currently hosts a total high-grade Mineral Resource of 20.1Mt 9.9% total graphitic carbon for 1,991Kt of contained graphite.

In August 2023, the Company entered into (i) a strategic investment agreement with BTR to acquire 9.9% interest in Evolution, (ii) a Memorandum of Understanding ('MOU') for downstream collaboration between BTR and Evolution to manufacture battery anode materials and (iii) a binding offtake agreement whereby Evolution is to supply 100% of fine flake graphite from the Chilalo Project to BTR for three years (with an option to extend) until the proposed downstream facility is established under the MOU.

### 5.3 Directors and Key Management

Below is a table of the Directors and key management personnel of Evolution:

Name	Position
Henk Ludik	Acting Non-Executive Chairman
Philip Hoskins	Managing Director
Cameron Dowling	Non-Executive Director
Mike Spreadborough	Non-Executive Director
Stephen Dennis	Non-Executive Director
Stuart McKenzie	Company Secretary
Chris Knee	Chief Financial Officer

### 5.4 Financial Information

Set out in this section are the unaudited consolidated financial statements of Evolution for the financial year ended 30 June 2021 ('FY 2021') and audited consolidated financial statements of Evolution for the financial years ended 30 June 2022 and 30 June 2023 ('FY 2022' and 'FY 2023', respectively).

The auditor's reports for FY 2022 and FY 2023 were unqualified. In its independent auditor's report for FY 2022, the auditor contained a key audit matter ('KAM') with regards to accounting for common control transaction in relation to the acquisition of subsidiaries Evolution Energy Minerals UK Limited ('EEMUK') and Ngwena Tanzania Limited ('NTL') as part of the spin-out and initial public offering ('IPO') process of Evolution, which were operating under common control of Marvel Gold. The transaction was accounted for as a common control transaction and not an acquisition. Consequently, the FY 2022 audited financial statements presented the results of EEMUK and NTL during FY 2021 and their consolidated financial positions as at 30 June 2021 for comparative purposes. These comparative figures were unaudited.

In addition, the FY 2023 auditor's report drew attention in the notes to the financial statements that the Company incurred a loss and experienced net cash outflows from operating, financing and investing activities during the financial year. The Company's Directors believe there are sufficient funds to meet the Group's committed minimum expenditure requirements and, as at the date of the financial report, believe they can

meet all liabilities as and when they fall due dependent on securing additional funding via a capital raising or other fund-raising activities. These conditions indicated a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The FY 2023 audit report contained a KAM with regards to the accounting for share-based payments in relation to options issued to key management personnel and employees during the financial year.

#### 5.4.1 Statement of Profit or Loss and Other Comprehensive Income

Set out below are Evolution's unaudited Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2021, and the audited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial years ended 30 June 2022 and 30 June 2023:

In A\$	Note	FY2021 Unaudited	FY2022 Audited	FY2023 Audited
Fair value gain on loan	a)	1,307,349	488,928	-
Other income		881	1,555	69,397
Foreign currency gain / (loss)		859,637	342,218	612,661
Corporate and administration expense		(166,185)	(1,086,366)	(1,039,415)
Employee benefits		(20,501)	(1,344,358)	(2,229,013)
Business development and marketing expense		-	(1,083,495)	(2,769,006)
Environment, social and governance expense	b)	-	(1,433,669)	(2,932,653)
Finance costs	c)	(2,068,654)	(989,374)	(338,563)
Exploration and evaluation expense	d)	(266,354)	(2,095,172)	(4,232,547)
Impairment	e)	-	-	(501,416)
Share based payments	f)	-	(1,659,247)	(531,233)
<b>Loss before income tax</b>		<b>(353,827)</b>	<b>(8,858,980)</b>	<b>(13,891,788)</b>
Income tax expense		-	-	-
<b>Loss for the year after tax</b>		<b>(353,827)</b>	<b>(8,858,980)</b>	<b>(13,891,788)</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations		(579,043)	59,154	(235,515)
<b>Total comprehensive loss for the period</b>		<b>(932,870)</b>	<b>(8,799,826)</b>	<b>(14,127,303)</b>
<b>Net loss is attributable to:</b>				
Owners of Evolution Energy Minerals Limited		(353,827)	(8,858,980)	(13,891,788)
<b>Total comprehensive loss is attributable to:</b>				
Owners of Evolution Energy Minerals Limited		(932,870)	(8,799,826)	(14,127,303)

Source: Evolution's 30 June 2021 unaudited financial statements, and 30 June 2022 and 30 June 2023 audited financial statements

We highlight that FY 2021 figures represent results for EEMUK and NTL which were acquired by the Company in September 2021.

The table above should be read in conjunction with the following notes:

- Fair value gain on loan of FY 2021 and FY 2022 were the result of the modification in the terms of the loan. In April 2021, the Company entered in a Deed of Consent with its financier, whereby the outstanding loan notes were to be settled should the IPO completed prior to 30 November 2021. As the IPO was successfully completed on 12 November 2021, the loan notes were fully settled.
- Environment, social and governance ('ESG') expenses consist of environmental studies and ESIA (environmental and social impact assessment), ESG compliance and relocation action plan. Increase



in ESG expenses was in line with the Company's vision to becoming a sustainable producer of graphite products and laying the platform for leading ESG performance to support the Company's development activities.

- c) Finance cost between FY 2021 and FY 2022 mainly related to interest expense from the outstanding loan notes. As these were settled after the Company's IPO, finance cost in FY 2023 was significantly lower and only consisted of project financing expense.
- d) As per Evolution's notes to the financial statements, all the expenses relating to the ongoing exploration on Chilalo Project are/will be expensed as incurred.
- e) Impairment expense of \$501,416 incurred in FY 2023 relates to irrecoverable Value Added Tax ('VAT') borne in Tanzania. As per Tanzanian Tax Authority, VAT refund is only provided to companies that are revenue-generating. Evolution conservatively impaired its VAT refund credit as Evolution is yet to generate revenue from operations.
- f) The decrease in the share-based payment expense in FY 2023 was due to lower number of options issued to employees during the year.

#### 5.4.2 Statement of Financial Position

Set out below are Evolution's unaudited Statement of Financial Position as at 30 June 2021, and the audited Consolidated Statement of Financial Position as at 30 June 2022 and 30 June 2023.

In A\$	Note	30-Jun-21 Unaudited	30-Jun-22 Audited	30-Jun-23 Audited
<b>Current assets</b>				
Cash and cash equivalents	a)	22,446	5,370,037	4,441,568
Trade and other receivables		32,070	160,823	233,348
<b>Total current assets</b>		<b>54,516</b>	<b>5,530,860</b>	<b>4,674,916</b>
<b>Non-current assets</b>				
Property, plant and equipment		3,770	44,382	63,085
Exploration and evaluation assets	b)	5,000,000	5,246,108	5,443,248
<b>Total non-current assets</b>		<b>5,003,770</b>	<b>5,290,490</b>	<b>5,506,333</b>
<b>Total assets</b>		<b>5,058,286</b>	<b>10,821,350</b>	<b>10,181,249</b>
<b>Current liabilities</b>				
Trade and other payables		76,109	445,278	1,018,525
Provisions		2,391	16,025	75,513
Loans and borrowings	c)	8,730,035	-	-
<b>Total current liabilities</b>		<b>8,808,535</b>	<b>461,303</b>	<b>1,094,038</b>
<b>Total liabilities</b>		<b>8,808,535</b>	<b>461,303</b>	<b>1,094,038</b>
<b>Net assets/(liabilities)</b>		<b>(3,750,249)</b>	<b>10,360,047</b>	<b>9,087,211</b>
<b>Equity</b>				
Share capital	d)	4,950,000	25,348,523	37,671,757
Reserves		(28,042)	2,542,711	2,838,429
Accumulated losses		(8,672,207)	(17,531,187)	(31,422,975)
<b>Total equity</b>		<b>(3,750,249)</b>	<b>10,360,047</b>	<b>9,087,211</b>

Source: Evolution's 30 June 2021 unaudited financial statements, and 30 June 2022 and 30 June 2023 audited financial statements

We highlight that FY 2021 figures represent results for EEMUK and NTL which were acquired by the Company in September 2021.



The table above should be read in conjunction with the following notes:

- Significant cash movements between 30 June 2022 and 30 June 2023 were a result of capital raising activities which took place in both financial years, offset by working capital and operational spending.
- Exploration and evaluation expenditure represent the capitalised cost of acquisition of exploration tenements. As at 30 June 2022, exploration and evaluation expenditure included \$2,000,000, which represented the acquisition of the tenements of the Chilalo Project from Marvel Gold. This amount is offset by the sale of future royalty of \$2,000,000, relating to the Net Sales Return Royalty Deed with the Company's major shareholder ARCH SRF.
- In April 2021, the Company entered in a Deed of Consent with its financier, whereby the outstanding loan notes would be settled should an IPO be completed prior to 30 November 2021. As the IPO were successfully completed on 12 November 2021, the loan notes were fully settled and, as a result, loans and borrowings were nil as at 30 June 2022 and 30 June 2023.
- During FY 2023, the company completed two-tranche placement of 40,625,000 new shares, resulting in an increase of \$12,323,234 (after equity raising cost) in share capital.

#### 5.4.3 Statement of Cash Flows

Set out below are Evolution's unaudited Statement of Cash Flows for the financial year ended 30 June 2021, and the audited Consolidated Statement of Cash Flows for the financial years ended 30 June 2022 and 30 June 2023.

In A\$	30-Jun-21 Unaudited	30-Jun-22 Audited	30-Jun-23 Audited
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees	(115,070)	(2,303,970)	(2,777,398)
Payments for business development and marketing	-	(390,811)	(3,092,894)
Payment of exploration and evaluation and project expenditure	(247,988)	(2,867,382)	(7,530,592)
<b>Net cash (outflow) from operating activities</b>	<b>(363,058)</b>	<b>(5,562,163)</b>	<b>(13,400,884)</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment	-	(45,022)	(29,273)
Proceeds from the sale of royalty	-	2,000,000	-
Payments for project acquisition	-	(2,000,000)	-
<b>Net cash (outflow) from investing activities</b>	<b>-</b>	<b>(45,022)</b>	<b>(29,273)</b>
<b>Cash flows from financing activities</b>			
Repayment of loan notes	-	(9,500,000)	-
Proceeds from the issue of ordinary shares	-	22,000,000	13,000,000
Share issue transaction costs	-	(1,316,272)	(676,766)
<b>Net cash inflow from financing activities</b>	<b>-</b>	<b>11,183,728</b>	<b>12,323,234</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(363,058)</b>	<b>5,576,543</b>	<b>(1,106,923)</b>
Cash and cash equivalents at the beginning of the period	304,633	22,446	5,370,037
Effects of exchange rate changes on cash and cash equivalents	80,871	(228,952)	178,454
<b>Cash and cash equivalents at the end of the period</b>	<b>22,446</b>	<b>5,370,037</b>	<b>4,441,568</b>

Source: Evolution's 30 June 2021 unaudited financial statements, and 30 June 2022 and 30 June 2023 audited financial statements

## 5.5 Capital Structure and Ownership

### 5.5.1 Capital structure

Evolution's issued capital comprised as at the following dates is detailed in the table below:

	As at 30-Jun-23 <sup>1</sup>	As at 24-Oct-23 <sup>2</sup>	Post-Proposed Transaction <sup>3</sup>
Fully paid ordinary shares	202,500,000	227,237,744	235,357,143
Unlisted options	48,955,422	48,955,422	48,955,422

Source: Evolution's 30 June 2023 audited financial statements and securities register as at 31 October 2023

Notes:

<sup>1</sup> Evolution's issued capital as at 30 June 2023, being the latest financial year end.

<sup>2</sup> Evolution's issued capital as at 24 October 2023 after the issue of 24,737,744 shares under Tranche One of the Share Placement.

<sup>3</sup> Evolution's issued capital following the proposed issue of 8,119,399 shares to ARCH under Tranche Two of the Share Placement.

### 5.5.2 Fully paid ordinary shares

Evolution's issued capital as at 24 October 2023 comprised 227,237,744 fully paid ordinary shares. The top 20 shareholders hold 71.9% of the issued capital of Evolution as set out below:

Position	Shareholder	Shareholding	% Total
1	SRF HoldCo GP PCC Limited	50,038,610	22.02%
2	Marvel Gold Limited	50,000,000	22.00%
3	HSBC Custody Nominees (Australia) Limited	13,466,972	5.93%
4	Barolo EV1 CT Pty Ltd <Barolo EV1 A/C>	7,254,464	3.19%
5	Auramet Capital Partners LP	7,142,858	3.14%
6	Precision Opportunities Fund Ltd	4,500,000	1.98%
7	BPM Investments Limited	4,000,000	1.76%
8	One Managed Investment Funds Limited	3,569,509	1.57%
9	Ashanti Investment Fund Pty Ltd	2,925,000	1.29%
10	Treasury Services Group Pty Ltd	2,722,000	1.20%
11	Oceanview Road Pty Ltd	2,420,292	1.07%
12	BNP Paribas Nominees Pty Ltd	2,243,251	0.99%
13	Mrs Ling Zhang	2,142,858	0.94%
14	Citicorp Nominees Pty Limited	1,911,176	0.84%
15	S3 Consortium Pty Ltd	1,875,000	0.83%
16	PA & JB Leach Investments Pty Ltd <Leach Family S/F A/C>	1,600,000	0.70%
17	Deutsche Balaton Aktiengesellschaft	1,554,375	0.68%
18	Treasury Services Group Pty Ltd <Nero Resource Fund A/C>	1,428,571	0.63%
19	Clarkson's Boathouse Pty Ltd	1,319,391	0.58%
20	Mr Wilhelm Schroder	1,283,536	0.56%
<b>Top 20 shareholders</b>		<b>163,397,863</b>	<b>71.90%</b>
Other shareholders		63,839,881	28.10%
<b>Total shareholders</b>		<b>227,237,744</b>	<b>100.00%</b>

Source: Evolution's share register as at 24 October 2023

Evolution's latest capital raising was announced on 9 October 2023. The Company announced that it has received firm commitments from institutional, sophisticated and professional investors to raise \$4.6 million (before costs) through a fully committed two-tranche placement of 32.9 million new shares at a price of \$0.14 per share. The table above includes 24,737,744 shares that were issued under Tranche One of the Share Placement on 18 October 2023.

### 5.5.3 Shareholders by size of shareholding

The table below summarises Evolution's current shareholders by size of shareholding as at 24 October 2023:

Holding ranges	Number of holders	Number of units	% of total issue capital
above 0 up to and including 1,000	117	82,131	0.04%
above 1,000 up to and including 5,000	807	2,326,267	1.02%
above 5,000 up to and including 10,000	486	4,232,416	1.86%
above 10,000 up to and including 100,000	624	21,045,485	9.26%
above 100,000	135	199,551,445	87.82%
<b>Total</b>	<b>2,169</b>	<b>227,237,744</b>	<b>100.00%</b>

Source: Evolution's share register as at 24 October 2023

### 5.5.4 Unlisted options

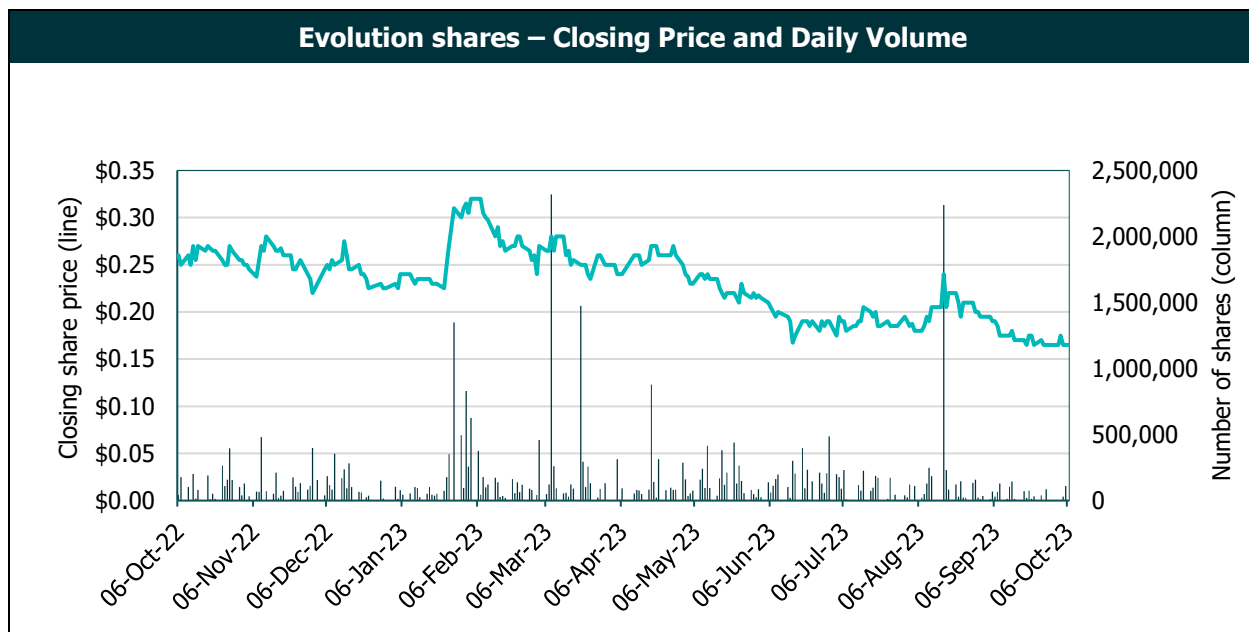
Evolution's issued capital as at 24 October 2023 included 48,955,422 unlisted options as set out below:

Option series	Exercise price (\$)	Expiry date	Number of Options
SRF Holdco GP PCC Limited	\$0.25	8-Nov-24	20,000,000
Directors	\$0.25	9-Nov-24	12,950,000
Other KMP	\$0.25	9-Nov-24	1,650,000
Joint lead manager options	\$0.25	9-Nov-24	7,500,000
Managing Director – one off grant	-	10-Oct-25	1,500,000
Managing Director – one off grant	-	10-Oct-25	750,000
Managing Director – one off grant	-	10-Oct-25	375,000
Managing Director – one off grant	-	10-Oct-25	375,000
Executive Directors – STIs	-	10-Oct-25	938,073
Executive Directors – LTIs	-	10-Oct-27	469,037
Executive Directors – LTIs	-	10-Oct-27	469,037
Non-executive Director – T1	\$0.45	10-Oct-25	140,000
Non-executive Director – T2	\$0.45	10-Oct-25	250,000
Other ESS – STIs	-	10-Oct-27	922,609
Other ESS – LTIs	-	10-Oct-27	333,334
Other ESS – LTIs	-	10-Oct-27	333,334
<b>Total</b>			<b>48,955,422</b>

Source: Evolution's options register as at 24 October 2023

## 5.6 Share Price and Volume Trading Analysis

The following chart provides a summary of the trading volumes and prices for Evolution shares from 6 October 2022 to 6 October 2023 (last full trading day prior to the announcement of the Proposed Transaction):



Source: Yahoo! Finance and NPCF analysis

The chart above shows that over the 12 months to 6 October 2023, the closing share price of Evolution has traded within a range of \$0.165 and \$0.320, with a closing price of \$0.165 on 6 October 2023. Evolution's high and low share prices, volume weighted average prices (or VWAPs) and volume of shares traded for the year to 6 October 2023 are summarised in the table below:

Period	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Shares Traded As % of Capital	% Traded Per Week
1 days	\$0.1650	\$0.1650	-	\$0.1650	-	-
7 days	\$0.1650	\$0.1750	142,493	\$0.1651	0.0704%	0.0503%
30 days	\$0.1650	\$0.2100	1,416,694	\$0.1819	0.6996%	0.1166%
60 days	\$0.1650	\$0.2400	5,997,711	\$0.2091	2.9618%	0.2468%
90 days	\$0.1650	\$0.2400	10,418,703	\$0.2008	5.1450%	0.2858%
180 days	\$0.1650	\$0.3200	29,118,422	\$0.2439	14.3795%	0.3994%
365 days	\$0.1650	\$0.3200	36,487,588	\$0.2454	18.0186%	0.2489%

Source: ASX, Yahoo! Finance and NPCF analysis

From our analysis in the table above, we note that the percentage of the Company's shares traded per week was very minimal – all less than 1% – over the periods assessed. Therefore, we can reasonably conclude that Evolution's shares is an illiquid stock.

## 6. OVERVIEW OF ARCH

ARCH is the Company's major shareholder with a 22.02% voting power and relevant interest in the Company's issued shares. ARCH is an owner-managed investment group with multi-decade experience of emerging markets, private equity and asset management, operating on a strong governance framework with a focus on environmental, social and governance considerations at the core of its fund strategies.

ARCH focuses on emerging market sectors and geographies and applies a thematic approach across the Private Equity and Alternatives asset class with a focus on its key sectors of Resources, Energy and Logistics. ARCH invests in what it describes as the next generation of metals and minerals projects that are contributing to the global energy transition.

## **7. INDUSTRY ANALYSIS**

### **7.1 Overview**

Graphite is one of the major components in the production of lithium-ion batteries, accounting for approximately seven to ten times the amount of lithium component in a battery. Around 60% of graphite production is used for pencils and heat-resistant refractory materials such as crucibles and moulds, and between 20% to 25% of its production is used as the anode material in lithium-ion batteries, which has been widely used in day-to-day equipment such as mobile phones, tablet computers, toys, power tools and electric vehicles ('EV').

There are two different sources of graphite: natural and synthetic graphite. Natural graphite is classified into three deposit types: amorphous graphite, vein graphite, and flake graphite. Among these, flake graphite is highly valued for its use in the manufacture of lithium-ion batteries and electric arc furnaces. On the other hand, amorphous graphite finds extensive use in producing lubricants, paint, and various other applications.

Graphite price reached its peak a decade ago and has recently been experiencing a fall in prices, following a decline in the demand of EV after China ended their subsidy on EV purchases.

### **7.2 Competition**

#### **7.2.1 Alternative materials – synthetic graphite**

Unlike natural graphite, synthetic graphite comes from various carbon-based materials such as petroleum coke, coal-tar pitch or oil in a high-temperature furnace, that goes through further heating process. Given the further processing activity that synthetic graphite has to go through, the material was previously less desirable. However, since 2022, there has been a decrease in the base materials (i.e., coke) price of more than 40%. Due to this, the price variance between the synthetic low-end active anode material ('AAM') (which uses synthetic graphite) versus the natural low-end AAM (which uses graphite) has narrowed to a historical low level of 5%, whereas previously the natural AAM was 50% more affordable than the synthetic AAM.

Synthetic graphite has been favoured because of its longevity and its fast charge turnaround; and a notable increase in synthetic graphite demand has been evident. Synthetic graphite currently accounts for over 50% of the anode market. However, the industry as a whole is now making a shift towards natural graphite due to the lower environmental impact from natural graphite compared to synthetic graphite.

#### **7.2.2 Major producers of graphite**

Historically, China has been the leading graphite producer, accounting for a significant portion of the world's graphite supply. China produces approximately 65% of the world's natural graphite supply, followed by Mozambique and Madagascar producing around 13% and 8%, respectively. China also dominated the production of synthetic graphite, producing approximately 70% of the global supply. However, the classification of graphite as a critical mineral has recently seen substantial investment into graphite production outside of China.

### **7.3 Graphite supply**

Prior to the insurgence of EVs in recent years, graphite supply had been in surplus. However, market experts expect that this will not only reverse by 2025, the market could be in deficit, due to the ever-increasing use of batteries in daily equipment such as mobile phones, tablets, EVs. While many may be predicting natural flake graphite to be in deficit in 2024 and 2025 - due to the inability to meet the strong graphite demand - an expansion in supply has resulted in rising stockpiles among anode consumers in China following its decision to terminate EV purchase subsidy resulting in decreasing output of EVs. However, once stockpiles of graphite

and anode materials have been consumed, growth opportunities for both synthetic and natural graphite, on the back of increased EV sales, may exist.

#### **7.4 Current performance**

EV sales in China dropped by almost 50% on a month-on-month basis and approximately 6.3% on a year-on-year basis in January 2023. China's decision to terminate a subsidy for EV purchases from 31 December 2022, that had been in place for over a decade, has resulted in a decrease in EV sales within China. This reduction has prompted automakers, including Tesla, to offer more significant discounts to sustain sales due to the easing demand in the world's largest market.

Price of spherical graphite began falling in mid-June 2022, falling each month to January 2023. By June 2023, the price of spherical graphite had fallen by more than 40% year-on-year compared to June 2022. Syrah Resources, one of the biggest suppliers of graphite in the world paused production in June 2023 from its mine in Mozambique. This was attributed to low natural graphite concentrate sales and high inventories at China anode consumers.

Compared to the pricing of lithium, graphite spot prices have barely moved over the past decade. The lack of growth in the spot price has potentially contributed to the lack of speculation and investor optimism. This is further exacerbated by the opaque nature of the graphite market. The lack of spot prices and a futures market make it increasingly difficult for investors to participate. Additionally, the market has been in surplus for a long time, while lithium has been in deficit since at least 2021, making graphite a relatively less attractive investment.

#### **7.5 Outlook and challenges**

Graphite, together with minerals like lithium and cobalt are essential in producing batteries. Specifically, the anode in lithium-ion batteries is made from graphite which ties the future success of both minerals together. The International Energy Agency's (IEA) anticipates that grid battery storage will be a leading driver in graphite demand. The IEA has modelled two scenarios - The Sustainable Development Scenario (SDS), which anticipates a 25-fold increase in global graphite demand by 2040, and the more conservative Stated Policies Scenario (STEPS), which foresees graphite demand to increase by up to eight times to facilitate the worldwide clean energy transition.

The lack of transparency over pricing and the market's "opaque nature" have led to barriers in graphite investment. The struggle for funding would be further exacerbated by the suppressed graphite prices. With rhetoric around supply chain security in the West becoming more prominent, and a bullish outlook on future demand for graphite, the struggle for funding may change.

While demand for graphite is expected to substantially rise over the next decade, the main challenge for natural graphite miners is capital project delays associated with establishing graphite mines. Mine construction times outside of China reportedly can take up to 30 years to build out a mine from investment to production. With Western investment into expanding graphite supply chains currently underway, the question remains if supply outside of China can meet this demand.

## **8. VALUATION METHODOLOGIES**

### **8.1 Definition of market value**

Our valuation approach is based upon the guidance of RG 111. In forming our opinion as to whether or not the Proposed Transaction is fair to Shareholders, we have compared the value per share of Evolution before the issue of shares pertaining to Tranche Two to ARCH under the Share Placement ('Pre-Transaction') and the value per share of Evolution after the issue of shares pertaining to Tranche Two to ARCH under the Share Placement ('Post-Transaction').

RG 111 defines fair value as the amount '*assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length...*'.

### **8.2 Selection of Methodology**

RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:

- the discounted cash flow method and the estimated realisable value of any surplus assets (the 'discounted cash flow methodology');
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (the 'capitalisation of earnings methodology');
- the amount that would be available for distribution to security holders on an orderly realisation of assets (the 'realisation of asset methodology');
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale ('quoted market price methodology');
- any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an alternative bidder might be willing to offer if all the securities in the target were available for purchase.

The above are covered in more detail in Appendix D to this Report. Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information. It is possible for a combination of different methodologies to be used together to determine an overall value.

### **8.3 Valuation Methodology Applied for Evolution**

In determining the fair value of the Company, we have applied the sum-of-parts methodology as our primary approach and the quoted market price methodology as our secondary approach. The sum-of-parts methodology is based on the aggregation of the fair market values of the various assets and liabilities of the company, where different valuation methodologies may be adopted for different assets.

The sum-of-parts methodology is relevant because this methodology is fundamentally an asset-based valuation approach which is suitable for exploration companies that predominantly hold interests in tenements that are not yet developed into operating projects.



Evolution does not have a historical track record of positive earnings and therefore the capitalisation of earnings methodology is not suitable to be used.

With the assistance of independent specialist valuer, Mining Insights Pty Ltd ('Mining Insights'), whom we had engaged to undertake an independent valuation of the mineral assets of Evolution, we concluded that the discounted cash flow methodology was not a suitable approach to valuing the Chilalo Project in this instance even though Evolution has completed a DFS and has declared Ore Reserves in accordance with JORC 2012.

Mining Insights had undertaken a high-level assessment of the DFS with the aim of taking a view on the validity and reasonableness of the inputs into the life-of-mine model of the DFS. On the basis that the DFS assumed an average product price that is significantly higher than the spot price and the price forecast by industry consultants identified in the report prepared by Mining Insights, the viability of the project was placed in doubt even before any cost adjustments were made. Although no additional work was undertaken to determine the quantum of the cost adjustments required, Mining Insights indicated that any cost adjustments would only result in a decrease in the valuation.

To assess the fair value of the key mineral assets of Evolution, NPCF engaged the services of independent specialist, Mining Insights, to undertake an independent mineral asset valuation of the Evolution, and in conjunction with this, Mining Insights prepared the Independent Mineral Asset Valuation Report ('MI Valuation Report') for the purpose of our Report.

The sum-of-parts methodology is used to assess the value of Evolution on both the Pre-Transaction and Post-Transaction bases.

## 9. VALUE PER EVOLUTION SHARE PRE-TRANSACTION

In determining the value per share of Evolution, we have adopted the sum-of-parts methodology as our primary valuation methodology and the quoted market price methodology as our secondary valuation methodology.

### 9.1 Value per Evolution share

The value per Evolution share based on the sum-of-parts methodology is set out below:

In A\$	Ref	Low	Preferred	High
Value per Evolution share using sum-of-parts methodology	9.2	0.1251	0.1541	0.1832

Source: NPCF analysis

### 9.2 Sum-of-parts methodology for Evolution

We assessed the equity value of Evolution using the sum-of-parts approach by aggregating the value of Evolution's 84% ownership of Chilalo Project with the fair value of Evolution's other assets and liabilities. NPCF engaged the services of Mining Insights to undertake an independent mineral asset valuation of the Chilalo Project.

The MI Valuation Report was prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports 2015 Edition ('VALMIN Code') and the JORC Code.

Our estimated pre-Transaction value of Evolution based on our primary valuation methodology is summarised as follows.



	Ref	Low	Preferred	High
Value of the Chilalo Project (84% interest) (\$) <sup>1</sup>	9.2.1	23,800,000	30,400,000	37,000,000
Value of Evolution's other assets and liabilities (\$)	9.2.2	1,163,624	1,163,624	1,163,624
<b>Equity value of Evolution (\$)</b>		<b>24,963,624</b>	<b>31,563,624</b>	<b>38,163,624</b>
Evolution shares outstanding Pre-Transaction		202,500,000	202,500,000	202,500,000
<b>Issuance of Tranche One shares:</b>				
Cash received from issuance of Tranche One shares (\$) <sup>2</sup>		3,463,284	3,463,284	3,463,284
Shares issued on issuance of Tranche One shares	1.2	24,737,744	24,737,744	24,737,744
<b>Value after issuance of Tranche One shares</b>				
Equity value of Evolution (incl. cash from Tranche One shares) (\$)		28,426,908	35,026,908	41,626,908
Evolution shares outstanding pre-Transaction	1.2	227,237,744	227,237,744	227,237,744
<b>Value per Evolution share (controlling basis) (\$)</b>		<b>0.1251</b>	<b>0.1541</b>	<b>0.1832</b>

<sup>1</sup>As the MI Valuation Report provided values in millions of dollars, we had to multiply the rounded figure by \$1,000,000 to enable us to work through our analysis to arrive at a value per Evolution share.

<sup>2</sup>Represents cash received from issuance of Tranche One shares before any costs associated with the share issuance.

Source: MI Valuation Report, NPCF analysis

#### 9.2.1 Value of Chilalo Project

We engaged Mining Insights to undertake an independent mineral asset valuation of the mineral assets of Evolution, whose key asset is the Chilalo Project. Mining Insights considered the following generally accepted valuation approaches outlined by the VALMIN Code 2015 as follows:

- Income approach;
- Market approach; and
- Cost approach.

Mining Insights considered the applicability of various valuation approaches depending on the stage of exploration or development of the Project. In deciding the appropriate methods to value the Project's mineral resources and its exploration potential, Mining Insights considered the stage at which the Project is currently at. The valuation methods applied to form an opinion of the value of the Project's mineral resources include market-based 'Comparable Transactions Method' and the 'Yardstick Valuation Method'. In terms of valuing the exploration potential of the Project, Mining Insights has used the 'Multiples of Exploration Expenditure Method' and 'Geoscientific Rating Method'.

The 'Comparable Transactions Method' is based on recent market transactions involving the sale and purchase of similar assets, whereas the 'Yardstick Valuation Method' is typically used as a supporting approach, whereby value is computed based on a percentage of the current metal price. In valuing the exploration potential, the 'Geoscientific Rating Method' values the exploration tenements based on the future prospectivity of the Project area, whereas 'Multiples of Exploration Expenditure Method' uses the Project's previous exploration expenditure and future committed exploration expenditure to derive a base estimate of value for the exploration tenements. A multiplier (which is adjusted for market premium or discount and consideration of the exploration results quality) is then factored into the base value to arrive at the market value of the tenements.

Mining Insights has placed equal weightage on the values obtained from the above valuation methods to arrive at a low, high and preferred value of an 84% interest in the Chilalo Project. The preferred value is the midpoint value of the low and high value range.

A summary of the valuation of the Chilalo Project is shown below. Values are in millions of Australian Dollars.

Valuation	Method	Implied value (A\$ million)		
		Low	Preferred	High
<b>Mineral Resource</b>	Comparable Transaction Method	20.3	23.5	26.6
	Yardstick Method	21.0	28.3	35.7
	<b>Selected valuation</b>	<b>20.6</b>	<b>25.9</b>	<b>31.1</b>
<b>Exploration Potential</b>	Geoscientific Rating Method	5.7	9.9	14.1
	Multiples of Exploration Expenditure	9.8	10.7	11.7
	<b>Selected valuation</b>	<b>7.7</b>	<b>10.3</b>	<b>12.9</b>
Valuation		Implied value (A\$ million)		
Chilalo Project Valuation (100% basis)		28.4	36.2	44.0
<b>Chilalo Project Valuation (Evolution's 84% interest)</b>		<b>23.8</b>	<b>30.4</b>	<b>37.0</b>

Source: MI Valuation Report

A copy of the MI Valuation Report is provided in Appendix E of this Report.

#### 9.2.2 Value of Evolution's other assets and liabilities

We made adjustments to the assets and liabilities of Evolution to arrive at the value of other assets and liabilities that are to be added to the value of the Chilalo Projects under the sum-of-parts approach:

In A\$	Note	30-Jun-23	Adjustments	Adjusted
<b>Current assets</b>				
Cash and cash equivalents	a)	4,441,568	(2,922,347)	1,519,221
Trade and other receivables	a)	233,348	124,643	357,991
<b>Total current assets</b>		<b>4,674,916</b>	<b>(2,797,704)</b>	<b>1,877,212</b>
<b>Non-current assets</b>				
Property, plant and equipment	a)	63,085	13,332	76,417
Exploration and evaluation assets	b)	5,443,248	(5,443,248)	-
<b>Total non-current assets</b>		<b>5,506,333</b>	<b>(5,429,916)</b>	<b>76,417</b>
<b>Total assets</b>		<b>10,181,249</b>	<b>(8,227,620)</b>	<b>1,953,629</b>
<b>Current liabilities</b>				
Trade and other payables	a)	1,018,525	(304,737)	713,788
Provisions	a)	75,513	704	76,217
<b>Total current liabilities</b>		<b>1,094,038</b>	<b>(304,033)</b>	<b>790,005</b>
<b>Total liabilities</b>		<b>1,094,038</b>	<b>(304,033)</b>	<b>790,005</b>
<b>Net assets</b>		<b>9,087,211</b>	<b>(7,923,587)</b>	<b>1,163,624</b>

Source: Evolution's 30 June 2023 audited financial statements, Evolution's management accounts as at 30 September 2023 and NPCF analysis

The table above should be read in conjunction with the following notes:

- These balances were adjusted to reflect the balances as at 30 September 2023 based on Evolution's management accounts. Management of Evolution confirmed that this position has not changed materially since 30 September 2023 that would result in a material impact on our conclusion; and
- The value of the Chilalo Project is separately valued by Mining Insights in the MI Valuation Report, therefore not included in the value of other assets and liabilities.

### 9.3 Quoted Market Price Methodology for Evolution

Trading history analysis of the quoted market price of a security provides a reliable measure of the fair market value of the securities of a company if, in an efficient and liquid market, it reflects all publicly available information.

As detailed below, to provide a comparison to the valuation of an Evolution share in section 9.1, as a secondary approach, we assessed the quoted market price for Evolution shares by analysing the VWAP of Evolution shares over various periods during the 365 days to 6 October 2023, the last full day of trading prior to the announcement of the Proposed Transaction.

Period	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Shares Traded As % of Capital	% Traded Per Week
1 days	\$0.1650	\$0.1650	-	\$0.1650	-	-
7 days	\$0.1650	\$0.1750	142,493	\$0.1651	0.0704%	0.0503%
30 days	\$0.1650	\$0.2100	1,416,694	\$0.1819	0.6996%	0.1166%
60 days	\$0.1650	\$0.2400	5,997,711	\$0.2091	2.9618%	0.2468%
90 days	\$0.1650	\$0.2400	10,418,703	\$0.2008	5.1450%	0.2858%
180 days	\$0.1650	\$0.3200	29,118,422	\$0.2439	14.3795%	0.3994%
365 days	\$0.1650	\$0.3200	36,487,588	\$0.2454	18.0186%	0.2489%

Source: ASX, Yahoo! Finance and NPCF analysis

From our analysis in the table above, we note that the percentage of the Company's shares traded per week was very minimal – all less than 1% – over the periods assessed. Therefore, we can reasonably conclude that Evolution's shares is an illiquid stock.

As the quoted market price of an Evolution share is reflective of a minority interest, a control premium is applied to the price when comparing with the Pre-Transaction value of an Evolution share that is computed on a controlling basis.

To determine an appropriate control premium, we have analysed the control premiums paid by acquirers of ASX listed mining companies over the last three years. Our analysis identified 11 transactions (with meaningful data) involving diversified metals mining companies. Excluding one outlier, the average control premium paid by acquirers was approximately 36%.

In assessing a control premium that a potential acquirer is likely to pay for Evolution, we considered the relative attractiveness of the Company as a target for a potential acquirer, including the stage at which Evolution's Project is currently at. We assessed that a control premium of between 30% and 40% for Evolution shares would not be unreasonable.

As shown below, based on the quoted market price ('QMP') approach, we have assessed the range of values for one Evolution share on a controlling basis using our VWAP analysis to be between \$0.2146 and \$0.2811 with a midpoint of \$0.247 per share.

In A\$	Low	Midpoint	High
Value per Evolution share using QMP methodology (minority basis)	0.1650	0.1830	0.2008
Value per Evolution share using QMP methodology (controlling basis)	0.2146	0.2470	0.2811

Source: NPCF analysis

#### 9.4 Assessment of the value of Evolution

The table below summarises our assessment of the value per Evolution share using the sum-of-parts as the primary approach and QMP methodology as a secondary approach:

In A\$	Ref	Low	Preferred/ midpoint	High
Value per Evolution share using sum-of-parts methodology	9.1	0.1251	0.1541	0.1832
Value per Evolution share using QMP methodology	9.3	0.2146	0.2470	0.2811

Source: NPCF analysis

We note that the values obtained from the QMP methodology are higher than the values obtained using the sum-of-parts methodology. The difference in values obtained from the two different approaches may be due to the following:

- low liquidity in the trading of Evolution shares (that is, an absence of a sufficiently active trading market) may suggest that the share price may not reflect a fair market value of the Company's shares;
- investors' perceived value of the Chilalo Project may differ from the valuation opinion of Mining Insights as investors may not necessarily have the same access to both private and public information that the independent specialist had access to; and
- investors' perception of the Chilalo Project may have incorporated different views of the prospectivity of the tenements, outlook on commodity prices, and the potential returns expected from them.

Additionally, we believe that the difference in values may have stemmed from the fact that Mining Insights had not used the DCF approach in valuing the Chilalo Project (for reasons explained in section 8 of this Report and in the MI Valuation Report) whilst investors may have used the DFS announcement made by Evolution on 20 March 2023 to guide their perception of the value of the Chilalo Project and of the Company.

Considering all the above, including the current state of the graphite market, we have relied on the primary approach, being the sum-of-parts valuation method, to conclude on the fair value of an Evolution share. We believe that there are sufficient reasons to explain the higher value obtained from the QMP methodology compared to the sum-of-parts valuation method.

**Therefore, we consider the value per Evolution share Pre-Transaction (on a controlling basis) to be between \$0.1251 and \$0.1832 with a preferred value of \$0.1541.**

#### 10. VALUE PER EVOLUTION SHARE POST-TRANSACTION

In determining the Post-Transaction value per Evolution share, we have adopted the sum-of-parts methodology as our primary valuation methodology.

##### 10.1 Fair value per Evolution share

The fair value per Evolution share based on the sum-of-parts methodology is set out below:

In A\$	Low	Preferred	High
Value per Evolution share using sum-of-parts methodology	0.0892	0.1137	0.1399

Source: NPCF analysis

We used the sum-of-parts methodology applied in valuing the Post-Transaction value per share of Evolution. As the sum-of-parts approach assesses value on a controlling basis, as required by RG 111, we applied a minority discount to arrive at the value of an Evolution share Post-Transaction on a minority basis.

Minority interest discount is calculated as the inverse of the control premium. Australian studies indicate that the premiums required to obtain control of companies range between 20% and 40%. However, to determine an appropriate minority discount, we analysed the control premiums paid by acquirers of ASX listed mining companies over the last three years. Our analysis identified 11 transactions (with meaningful data) involving diversified metals mining companies. Excluding one outlier, the average control premium paid by acquirers was approximately 36%.

In assessing a control premium that a potential acquirer is likely to pay for Evolution, we considered the relative attractiveness of the Company as a target for a potential acquirer, including the stage at which Evolution's Project is currently at. We assessed that a control premium of between 30% and 40% for Evolution shares would not be unreasonable. The minority interest discount, being the inverse of this control premium, is calculated to be between 23% and 29%.

Our estimated of the value of Evolution shares Post-Transaction based on our primary valuation methodology is summarised as follows.

	Ref	Low	Preferred	High
Pre-Transaction equity value of Evolution (\$)	9.2	28,426,908	35,026,908	41,626,908
Pre-Transaction no. of Evolution shares outstanding	9.2	227,237,744	227,237,744	227,237,744
<b>Issuance of Tranche Two shares to ARCH:</b>				
Cash received from issuance of Tranche Two shares <sup>1</sup> (\$)		1,136,716	1,136,716	1,136,716
Shares issued on issuance of Tranche Two shares	1.2	8,119,399	8,119,399	8,119,399
<b>Post-Transaction value:</b>				
Equity value of Evolution (incl cash from Tranche Two shares) (\$)		29,563,624	36,163,624	42,763,624
Evolution shares outstanding post-Proposed Transaction	1.2	235,357,143	235,357,143	235,357,143
Value per Evolution share (controlling basis) (\$)		0.1256	0.1537	0.1817
Minority discount		29%	26%	23%
<b>Value per Evolution share (minority basis) (\$)</b>		<b>0.0892</b>	<b>0.1137</b>	<b>0.1399</b>

<sup>1</sup>Represents cash received from proposed issuance of Tranche Two shares before any costs associated with the share issuance  
Source: NPCF analysis

We have relied on the primary approach using the sum-of-parts valuation method to conclude on the Post-Transaction value of an Evolution share.

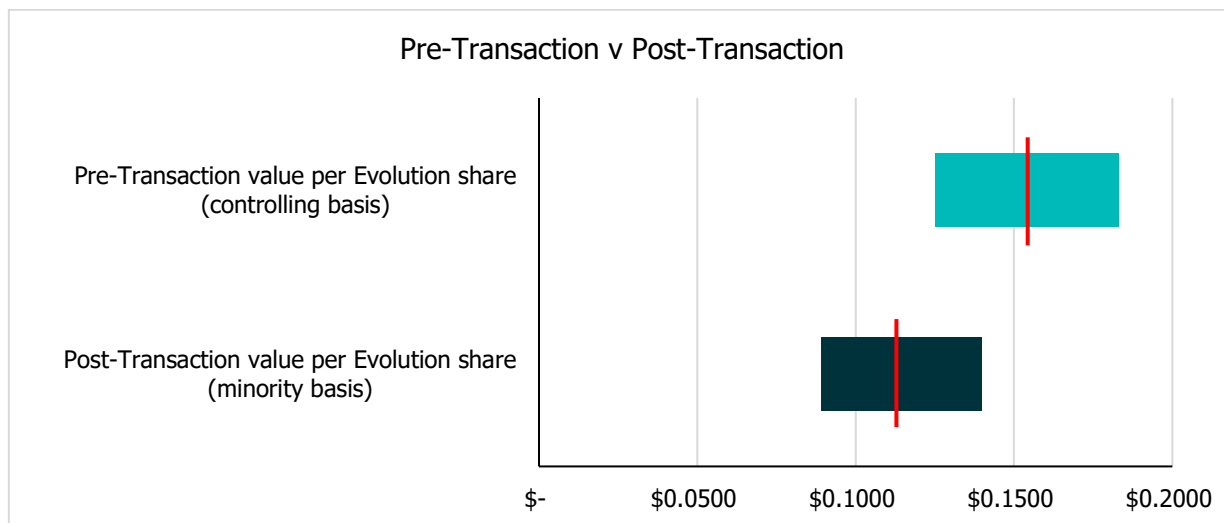
**Therefore, we consider the value per Evolution share Post-Transaction (on a minority basis) to be between \$0.0892 and \$0.1399 with a preferred value of \$0.1137.**

## 11. ASSESSMENT OF FAIRNESS OF THE PROPOSED TRANSACTION

In determining whether or not the Proposed Transaction is fair to Shareholders, we have compared the value of one Evolution share before the Proposed Transaction (on a controlling basis) to the value of one Evolution share after the Proposed Transaction (on a minority basis). This is summarised as follows.

In A\$	Ref	Low	Preferred	High
Pre-Transaction value per Evolution share (controlling basis)	9.1	0.1251	0.1541	0.1832
Post-Transaction value per Evolution share (minority basis)	10.1	0.0892	0.1137	0.1399

Source: NPCF analysis



Source: NPCF analysis

The analysis shows that the value per Evolution share after the Proposed Transaction is lower than the value per Evolution share before the Proposed Transaction. Therefore, **we have concluded that the Proposed Transaction is not fair to Shareholders.**

The fairness conclusion is based on the comparison between the Post-Transaction value assessed on a minority basis (with a minority discount applied) and the Pre-Transaction value on a controlling basis, as required under the guidance of RG 111.

## 12. ASSESSMENT OF REASONABLENESS OF THE PROPOSED TRANSACTION

### 12.1 Approach to assessing Reasonableness

In forming our conclusions in this Report, we have considered the advantages and disadvantages of the Proposed Transaction, as well as the consequences of Shareholders not approving the Proposed Transaction.

### 12.2 Advantages of the Proposed Transaction

We consider the following advantages for Shareholders to approve the Proposed Transaction.

#### 12.2.1 The Proposed Transaction will provide the balance funding that the Company requires

As announced on 9 October 2023, Evolution had received firm commitments to complete a share placement of approximately 32.9 million fully paid ordinary shares at \$0.14 per share in order to raise a total of \$4.6 million (before costs) of funding which comprised two tranches as follows:

- Tranche One: issuance of 24,737,744 new shares to institutional, sophisticated and professional investors at \$0.14 per share, raising approximately \$3.46 million of funding (before costs), and
- Tranche Two: issuance of 8,119,399 new shares at \$0.14 per share to ARCH to raise approximately \$1.14 million of funding (before costs). The proceeds of approximately \$1.14 million (before costs) will be applied to various activities to be undertaken by Evolution as set out in the Notice of Meeting.

On 18 October 2023, Evolution issued 24,737,744 new shares under Tranche One of the Share Placement. New shares under Tranche Two of the Share Placement have not been issued as the issuance of shares to ARCH is subject to and conditional upon receipt of approval of Evolution's shareholders.

If the Proposed Transaction is not approved, the Company will not be permitted to issue the Tranche Two shares to ARCH and the Company will not receive the proceeds from the capital raising of \$1.14 million (before costs) it would have raised. If this happens, the Company may have to return to its capital raising process to raise the balance funding it needs from alternative sources of capital. In this regard, we draw attention to the importance of securing additional funding in relation to the conditions highlighted in section 5.4 regarding material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

**12.2.2 All else unchanged, the Proposed Transaction is non-dilutionary to existing Shareholders when compared to the shareholding interest of Shareholders prior to the Share Placement**

ARCH held a relevant interest and voting power of 24.71% before the Share Placement. As a result of the issuance of 24,737,744 new shares to raise approximately \$3.46 million of funding under Tranche One of the Share Placement, ARCH's relevant interest and voting power in the Company reduced from 24.71% (prior to the Share Placement) to 22.02% (following the issues of new shares under Tranche One of the Share Placement or as referred to as 'Pre-Transaction' in the table below).

The issue of new shares under Tranche Two of the Share Placement is expected to return ARCH to its 24.71% relevant interest and voting power in the Company. This means that, all else unchanged, the existing non-associated shareholders are not facing a dilution of their shareholding when compared to their position before the Share Placement.

	<b>Before the Share Placement</b>	<b>Pre-Transaction</b>	<b>Post-Transaction</b>
Number of shares on issue to ARCH	50,038,610	50,038,610	58,158,009
Total number of shares on issue	202,500,000	227,237,744	235,357,143
ARCH's relevant interests	24.71%	22.02%	24.71%

*Source: Notice of Meeting and NPCF analysis*

The Investment Deed entered into between Evolution and Marvel Gold and ARCH dated 28 September 2021 ('Investment Deed') includes a clause relating to the obligation of the Company to give ARCH the right to participate in any equity capital raising that Evolution undertakes. Tranche Two of the Share Placement was offered to ARCH in order to comply with the right to participate provision in the Investment Deed and it is not unreasonable to offer the shares to ARCH at the same price as shares were offered to all potential subscribers under the same capital raising.

From the ASX announcements that we extracted, we note that ARCH's relevant interest has mostly been consistently maintained at 24.71%.

<b>ASX announcement date</b>	<b>ARCH's shareholding</b>	<b>Announcement / Comments</b>
16-Nov-21	24.71%	Form 603 Notice of initial substantial holder as of 8 Nov 21 (from initial raising at IPO)
23-Aug-22	21.49%	Form 604 Notice of change of interests of substantial holder as of 18 August 2022 as a result of a two-tranche capital raising where the first tranche of shares were issued under the Company's ASX Listing Rule 7.1 placement capacity
10-Oct-22	24.71%	Form 604 Notice of change of interests of substantial holder as of 6 October 2022 as a result of a two-tranche capital raising where the second tranche of shares were issued, following shareholders' approval, to ARCH, to professional and sophisticated investors and to directors of the Company
28-Mar-23	24.71%	Form 604 Notice of change of interests of substantial holder as of 24 March 2023 as a result of 'off-market transfer of shares between associated entities of ARCH
20-Sep-23	24.71%	Form 604 Notice of change of interests of substantial holder as of 7 August 2023 as a result of 'off-market transfer of shares between associated entities of ARCH
19-Oct-23	22.02%	Form 604 Notice of change of interests of substantial holder as of 18 October 2023 as a result of the issue of shares under Tranche One of the Share Placement

*Source: ASX announcements*



The latest announcement on 19 October 2023 reflects the current relevant interest of ARCH following the issue of shares from Tranche One of the Share Placement.

The above table shows that ARCH has participated in a similar capital raising process with Evolution before, in a two-tranche placement to raise \$13 million announced by the Company on 10 August 2022. Following shareholders' approval, the issue of shares under the second tranche of that capital raising returned ARCH to its 24.71% relevant interest and voting power in the Company. In a similar way, the Proposed Transaction will return ARCH to its 24.71% relevant interest and voting power in the Company, and all else unchanged, the existing non-associated shareholders are not facing a dilution of their shareholding when compared to their position before the Share Placement.

**12.2.3 The Proposed Transaction reinforces the support of ARCH as a key shareholder and opens up opportunities for ARCH to provide key shareholder support when the Company decides to develop the Chilalo Project**

Evolution has completed its DFS for the Chilalo Project. Should market conditions become attractive for the Company to commence the development of the Project, it will need a significant amount of funding to support the development and construction of the mine, its mining activities and downstream processing operations.

Being a key and major shareholder, ARCH is an important strategic investor and funding partner for Evolution. The interest that ARCH has taken in participating in the Company's Share Placement indicates its support for the Company's strategic plans and its commitment as a key and major shareholder.

As articulated in the Notice of Meeting, ARCH has indicated to the Company that it intends to support the Company and has no intention of making any change to the business of the Company including but not limited to existing employment arrangements, transfer of assets, redeployment of any assets, structure of the board and to the financial and dividend distribution policies. Notwithstanding the current intention, Shareholders should note that these intentions may change as a consequence of the passage of time or a change in circumstances of the Company or ARCH (amongst other things). Whilst ARCH has no current intention to inject further capital into the Company, it may elect to participate in future equity raisings. We understand that ARCH has the capability to deliver added value to its investments and the financial capacity to fund further investments if it decides to do so.

Notwithstanding the intentions articulated in the Notice of Meeting, we note that the Investment Deed entered into between Evolution and Marvel Gold and ARCH dated 28 September 2021 includes a clause relating to the subscriber's funding commitment where ARCH intends to allocate a minimum of US\$25 million for investment into the Chilalo Project (inclusive of the A\$10 million initially and already invested in the Company) subject to certain conditions to be met by the Company on its capital raising for the Chilalo Project. Although the clause does not constitute a binding commitment on ARCH to invest further funds into the Company or the Chilalo Project, it appears to suggest that ARCH has the intention to provide key shareholder support to develop the Chilalo Project.

Since ARCH is already 'heavily' invested in the Company, there will be a motivation to protect its investment in Evolution, align its objectives with the Company and support Evolution's future growth and development. The presence of ARCH as a key and major shareholder may also help build investors' confidence in the Company and its Project.



### 12.3 Disadvantages of the Proposed Transaction

#### 12.3.1 The Proposed Transaction is not fair

As assessed in section 11 above, we have concluded that the Proposed Transaction is not fair. The fairness conclusion is based on the comparison between the Post-Transaction value assessed on a minority basis (with a minority discount applied) and the Pre-Transaction value on a controlling basis. We note that this assessment is based on the guidance prescribed under RG 111 for control transactions.

However, we note that the Investment Deed includes a clause relating to the obligation of the Company to give ARCH the right to participate in any equity capital raising that Evolution undertakes. Tranche Two of the Share Placement was offered to ARCH in order to comply with the right to participate provision in the Investment Deed and it is not unreasonable to offer the shares to ARCH at the same price as shares were offered to all potential subscribers under the same capital raising. It is also not unusual for shares to be offered at a discount to the Company's share price to all investors.

#### 12.3.2 The Proposed Transaction will increase ARCH's relevant interest and voting power further from the current 22.02% to 24.71% which may not be desirable for Shareholders

The Proposed Transaction will increase ARCH's relevant interest and voting power further from the current 22.02% to 24.71%. Having a controlling interest provides a shareholder with significant power and influence within a company. Currently, ARCH has the right to nominate one director to the board of the Company. Its current nominee is Mr Cameron Dowling who was appointed as a director on 12 September 2023. With already a controlling stake and a board seat, ARCH will further increase its relevant interest and voting power from the current 22.02% to 24.71%.

Even though ARCH is merely maintaining its relevant interest and voting power from before the Share Placement, an increase from 22.02% to 24.71% may not be desirable for Shareholders, particularly as a 24.7% shareholding is close to a 25% shareholding interest which is the threshold over which one can block the passing of special resolutions. However, whilst not contemplated in this Report, we note that if Resolution 2 is passed for the issue of shares to BTR, ARCH's relevant interest is expected to subsequently reduce from 24.71% to 22.26% as set out in section 1.2 of this Report.

### 12.4 Consequences of not approving the Proposed Transaction

We note that, if the approval sought in the Notice of Meeting relating to the Proposed Transaction is not obtained, that is Resolution 1 of the Notice of Meeting is not passed, the Company will not issue the Tranche Two shares to ARCH and the Company will not receive the proceeds from the capital raising of \$1.14 million (before costs) it would have raised, in which case the Company will have to seek alternative sources of capital.

After taking into account other significant factors, and in the absence of a more superior alternative offer, **we have concluded that the Proposed Transaction is reasonable.**

## 13. OPINION

**In our opinion, the Proposed Transaction is not fair but reasonable to Shareholders.**

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of General Meeting, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

## APPENDIX A – GLOSSARY

Term	Definition
<b>AAM</b>	Active anode material
<b>AFCA</b>	Australian Financial Complaints Authority
<b>AFSL</b>	Australian Financial Services Licence
<b>APES 225</b>	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
<b>ARCH</b>	SRF Holdco GP PCC Limited in its capacity as general partner for and on behalf of SRF SPP 1 LP, together with the following further parties who will also acquire a relevant interest in the ARCH shares (via corporate group connections and control): <ul style="list-style-type: none"> <li>(i) ARCH Sustainable Resources GPCo Limited in its capacity as general partner for and on behalf of ARCH Sustainable Resources Fund LP</li> <li>(ii) ARCH EM (GSY) PCC Limited (Cell SRF);</li> <li>(iii) ARCH Emerging Markets Partners Limited;</li> <li>(iv) AEMP Limited;</li> <li>(v) African Rainbow Capital Guernsey Limited;</li> <li>(vi) African Rainbow Capital Pty Ltd;</li> <li>(vii) Ubuntu-Botho Investments (Pty) Ltd;</li> <li>(viii) Sizanani-Thusanang Helpmekaar Investments Pty Ltd;</li> <li>(ix) Ubuntu-Ubuntu Commercial Enterprises Pty Ltd;</li> <li>(x) JCH &amp; Partners LLP;</li> <li>(xi) Johan Hattingh; and</li> <li>(xii) Dr Patrice Tlhopane Motsepe</li> </ul>
<b>ASIC</b>	Australia Securities and Investment Commission
<b>ASX</b>	Australian Securities Exchange
<b>AUD or A\$</b>	Australian Dollar
<b>BTR</b>	BTR New Materials Co. Ltd
<b>Chilalo Project or the Project</b>	The graphite project located in the Ruangwa District of the Lindi Region in south-eastern Tanzania, East Africa
<b>Client or Company</b>	Evolution Energy Minerals Limited (ACN: 648 703 548)
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>DFS</b>	Definitive Feasibility Study
<b>EEMUK</b>	Evolution Energy Minerals UK Limited
<b>ESG</b>	Environment, social and governance
<b>EV</b>	Electric vehicles
<b>Evolution</b>	Evolution Energy Minerals Limited (ACN: 648 703 548)
<b>FEED</b>	Front-end engineering design
<b>FSG</b>	Financial Services Guide
<b>FY 2021</b>	the financial year ended or as at 30 June 2021
<b>FY 2022</b>	the financial year ended or as at 30 June 2022
<b>FY 2023</b>	the financial year ended or as at 30 June 2023
<b>Investment Deed</b>	Investment Deed entered into between Evolution and Marvel Gold and ARCH dated 28 September 2021
<b>IPO</b>	Initial public offering
<b>JORC Code</b>	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
<b>JORC 2012</b>	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition
<b>KAM</b>	Key audit matter
<b>Kudu</b>	Kudu Graphite Limited

Term	Definition
<b>Kt</b>	Kilo tonne
<b>Marvel Gold</b>	Marvel Gold Limited (ACN: 610 319 769)
<b>MI Valuation Report</b>	Mining Insight's Independent Mineral Asset Valuation Report on the Chilalo Graphite Project
<b>Mining Insights</b>	Mining Insights Pty Ltd
<b>ML</b>	Mining Licence
<b>MOU</b>	Memorandum of Understanding covering a proposed downstream processing collaboration between BTR and Evolution
<b>Mt</b>	Metric tonne
<b>Notice of Meeting or Document</b>	The Notice of General Meeting & Explanatory Statement sent to shareholders on or about the date of this Report in which this Report is included
<b>Nexia entities</b>	Related entities within the Nexia Perth Group
<b>Nexia Perth Group</b>	Nexia Perth Pty Ltd group entities
<b>NPCF</b>	Nexia Perth Corporate Finance Pty Ltd (AFSL 289358)
<b>NTL</b>	Ngwena Tanzania Limited
<b>Report or IER</b>	Independent Expert's Report
<b>PL</b>	Prospecting Licence
<b>Pre-Transaction</b>	Before the issuance of Tranche Two shares to ARCH
<b>Post-Transaction</b>	After the issuance of Tranche Two shares to ARCH
<b>Proposed Transaction</b>	The proposed issuance of Tranche Two shares to ARCH as part of capital raising
<b>QMP</b>	Quoted market price
<b>RG 74</b>	ASIC Regulatory Guide 74: Acquisitions approved by members
<b>RG 111</b>	ASIC Regulatory Guide 111: Content of expert reports
<b>RG 112</b>	ASIC Regulatory Guide 112: Independence of experts
<b>Shareholders</b>	The non-associated shareholders of Evolution
<b>Share Placement</b>	Share placement of approximately 32.9 million fully paid ordinary shares to raise a total of \$4.6 million fund
<b>us, our or we</b>	Nexia Perth Corporate Finance Pty Ltd (AFSL 289358)
<b>VAT</b>	Value Added Tax
<b>VALMIN Code</b>	Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports 2015 Edition
<b>VWAP</b>	Volume weighted average price of shares

## **APPENDIX B – SOURCES OF INFORMATION**

This Report has been based on the following information:

- Audited financial statements of Evolution Energy Minerals Limited for the years ended 30 June 2022 and 30 June 2023;
- Unaudited financial statements of Evolution Energy Minerals Limited for the year ended 30 June 2021;
- Management accounts for Evolution Energy Minerals Limited for the period to 30 September 2023;
- Evolution Energy Minerals Limited's top 20 shareholders register, top 20 options register and shareholder range report;
- Draft Notice of General Meeting and Explanatory Memorandum prepared by Evolution Energy Minerals Limited;
- Independent Mineral Asset Valuation Report dated 23 November 2023 prepared by Mining Insights Pty Ltd;
- Subscription based data from S&P Capital IQ;
- Publicly available information; and
- Discussions with directors and/or management of Evolution Energy Minerals Limited.

## **APPENDIX C – STATEMENT OF DECLARATION & QUALIFICATIONS**

### **Confirmation of Independence**

Prior to accepting this engagement Nexia Perth Corporate Finance Pty Ltd ('NPCF') determined its independence with respect to Evolution Energy Minerals Limited with reference to ASIC Regulatory Guide 112: Independence of expert's Reports ('RG 112'). NPCF considers that it meets the requirements of RG 112 and that it is independent of Evolution Energy Minerals Limited.

Also, in accordance with s648(2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Evolution Energy Minerals Limited, their related parties or associates that would compromise our impartiality.

Evelyn Tan and Muranda Janse Van Nieuwenhuizen, both Directors and Representatives of NPCF, have prepared this Report. Neither they nor any related entities of NPCF have any interest in the promotion of the Proposed Transaction nor will NPCF receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, NPCF does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

NPCF provided a draft copy of this Report to the Directors and management of Evolution Energy Minerals Limited for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of NPCF alone. Changes made to this Report, as a result of the review by the Directors and management of Evolution Energy Minerals Limited, have not changed the methodology or conclusions reached by NPCF.

### **Qualifications**

NPCF carries on business at Level 3, 88 William Street, Perth WA 6000. NPCF holds Australian Financial Services Licence No 289358 authorising it to provide financial product advice on securities to retail clients. NPCF's directors and representatives are therefore qualified to provide this Report.

The persons specifically involved in preparing and reviewing this Report were Evelyn Tan and Muranda Janse Van Nieuwenhuizen, both of whom are Directors of NPCF. Evelyn Tan is a CFA® Charterholder, a member of the CFA Institute and a member of the CFA Society Perth. She is also an affiliate member of Chartered Accountants Australia and New Zealand. Evelyn holds a Master of Applied Finance from the University of Melbourne and has over 20 years of combined professional experience in the fields of corporate finance and banking in Australia and Singapore. Muranda Janse Van Nieuwenhuizen is a member of Chartered Accountants Australia and New Zealand as well as the South African Institute of Chartered Accountants. She is also a Registered Company Auditor.

### **Consent and Disclaimers**

The preparation of this Report has been undertaken at the request of the Directors of Evolution Energy Minerals Limited. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the Report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to Evolution Energy Minerals Limited shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of NPCF's opinion as to whether or not the Proposed Transaction is fair and reasonable to Evolution Energy Minerals Limited shareholders.

NPCF consent to the issue of this Report in the form and context in which it is included in the Notice of General Meeting to be sent to Evolution Energy Minerals Limited shareholders.

Shareholders should read all documents issued by Evolution Energy Minerals Limited that consider the Proposed Transaction in their entirety, prior to proceeding with a decision. NPCF had no involvement in the preparation of these documents, with the exception of our Report.

This Report has been prepared specifically for the non-associated shareholders of Evolution Energy Minerals Limited. Neither NPCF, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of Evolution Energy Minerals Limited, in respect of this Report, including any errors or omissions howsoever caused. This Report is 'General Advice' and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

#### **APES 225**

Our Report has been prepared in accordance with APES 225 Valuation Services.

## **APPENDIX D – VALUATION METHODOLOGIES**

In preparing this Report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

### **Discounted Cash Flow Method**

#### Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

#### Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early-stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

## **Capitalisation of Earnings Method**

### Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX or the NSX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology.

### Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.



## **Asset Based Methods**

### Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset-based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but do not take account of realisation costs.

The asset / cost approach is generally used when the value of the business's assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

### Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

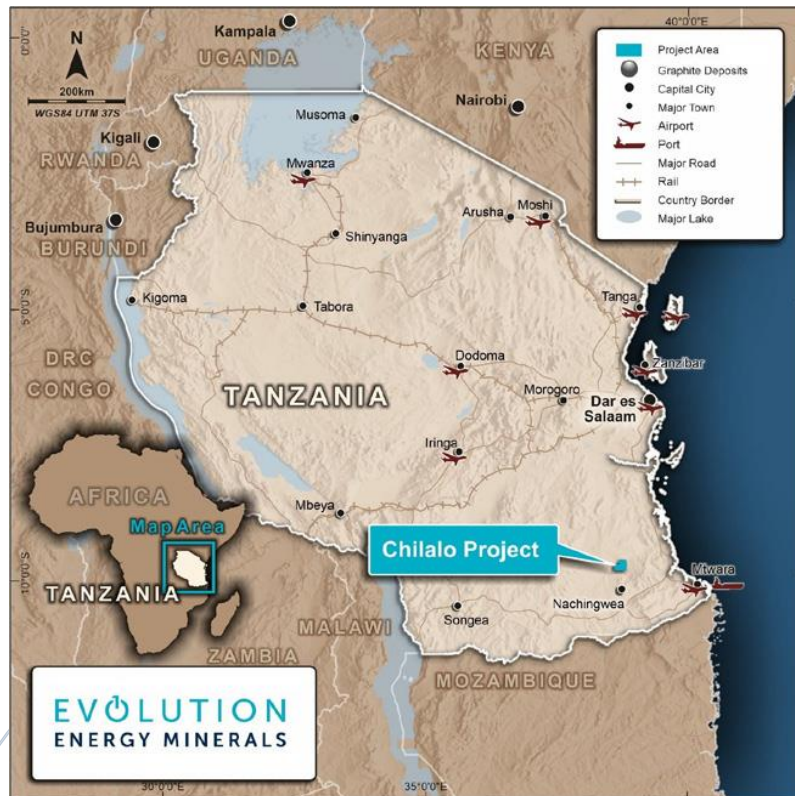
## **Analysis of Share Trading**

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

**APPENDIX E – INDEPENDENT MINERAL ASSET VALUATION REPORT PREPARED BY MINING  
INSIGHTS**

# Independent Mineral Asset Valuation Report – Evolution Energy Minerals Ltd.

Report Prepared for  
Nexia Perth Corporate Finance Pty Ltd.



Report Prepared by



November 2023

## Nexia Perth Corporate Finance Pty Limited

### Independent Mineral Asset Valuation Report – Evolution Energy Minerals Ltd.

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#### Mining Insights Pty Ltd (Mining Insights)

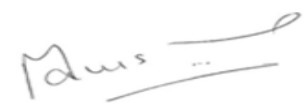
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**23 November 2023**

**Project Number P2323**

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## Key Abbreviations

\$ or AUD	Australian Dollar
Evolution Energy	Evolution Energy Minerals Ltd
AusIMM	Australasian Institute of Mining and Metallurgy
ha	Hectare(s)
JORC	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Mineral Council of Australia
K	Thousand
Kg	Kilogram
Km	Kilometres(s)
Km <sup>2</sup>	Square kilometre(s)
Kt	kilotonne (one thousand tonnes)
M	Million
m	Meter
m <sup>3</sup>	cubic metre
Mt	Millions of tonnes
Mineral Resource	A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, quality, and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, continuity, and other geological characteristics of a Mineral Resource are known, estimated, or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated, and Measured categories.
Mtpa	Millions of tonnes per annum
Ore Reserve	An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Coal Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include the application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.  The reference point at which Reserves are defined, usually, the point where Ore is delivered to the processing plant must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.
Mining Insights	Mining Insights Pty Ltd.
t	Tonne
TGC	Total Graphitic Carbon
tpa	Tonnes per annum



## Executive Summary

Nexia Perth Corporate Finance Pty Ltd ('Nexia') has been engaged by Evolution Energy Minerals Limited ('Evolution Energy' or 'the Company') to prepare an independent expert's report ('IER') for SRF Holdco GP PCC Limited in its capacity as general partner for and on behalf of SRF SPP 1 LP ('ARCH'), who is already an existing shareholder of Evolution Energy with a relevant interest of 22.02% in Evolution Energy's shares, to participate in the second tranche of the share placement announced by Evolution Energy on 9 October 2023 ('Proposed Transaction').

Mining Insights Pty Ltd. ('Mining Insights') was instructed by Nexia to prepare an Independent Mineral Asset Valuation Report ('IVR' or 'Report') which Nexia will use as part of their IER.

This report is complete up to and including 23 November 2023. A draft of the technical component of the report was provided to Evolution Energy, along with a written request to identify any material errors or omissions prior to lodgement.

## Chilalo Project

The Chilalo Project (Chilalo Project or Project) is situated in the Ruangwa District of the Lindi Region in south-eastern Tanzania, approximately 180 km west of the coastal port city of Mtwara on the Indian Ocean.

## Tenements

There are two tenements, being one Mining License (ML716/2023) and a Prospecting License (PL12590/2023) that cover an area of 170.7 km<sup>2</sup>.

The Chilalo tenements are majority held by Evolution Energy through its Tanzanian subsidiary, Kudu Graphite Limited (Kudu). Kudu was established for the purpose of holding the Chilalo licenses and permits and undertaking the development of the Project. The New Mining License and Prospecting License has been granted to Kudu, which was established pursuant to the Framework Agreement and Shareholders' Agreement concluded with the Government of Tanzania in April 2023 which allowed for a 16% non-dilutable free carried interest in the Project for the Government of Tanzania. Kudu is owned 84% by Evolution (indirectly) and 16% by the Government of Tanzania.

## Geology

The Chilalo Project is situated within rocks of the late Proterozoic Mozambique Belt (MB) in south-eastern Tanzania. The MB is a dominantly north-south trending orogenic domain of highly deformed and metamorphosed rocks that formed during the oblique collision of East and West Gondwana and are part of the Pan African orogenic system.

The Chilalo graphite deposit is a series of intercalated graphitic horizons within a package of felsic gneiss, amphibolite, and occasional marble horizons. The package was deformed (folded) during several tectonic events, followed by a final fourth brittle deformation (faulting)

event. During the latter deformation, the local geology was intruded by granitic stocks and dykes of variable composition, most likely exploiting existing structures from previous deformation events. There does not appear to have been any significant impact on mineralisation in this stage of deformation.

The graphite mineralisation strikes approximately 60° east and generally dips at about 45° to the south-southeast. The deposit swings gradually east-west in the western part of the deposit.

## Exploration

Geophysical techniques are an indirect way of mapping geological and/or mineralisation trends across an exploration project. Given that graphite and associated metal sulphide minerals – for example pyrite and pyrrhotite – are conductors, various electromagnetic (EM) methods can be highly effective exploration tools for graphite mineralisation. EM surveys can be carried out on the ground, downhole or from the air.

A versatile time domain electromagnetics (VTEM) geophysical survey was initially completed over a large portion of the property, initially targeting nickel sulphides. The VTEM map showed several elongated EM targets highlighted. Some were drilled in 2014, which led to the discovery of the Chilalo graphite deposit. A fixed loop electromagnetic (FLEM) surveys were carried out during several field seasons to collect ground EM data over multiple linear conductive graphitic schist horizons identified in the existing VTEM survey data. Downhole electromagnetic (DHEM) surveys were carried out on reverse circulation (RC) drillholes, with the aim of verifying known graphite mineralisation and to detect off-hole EM responses possibly associated with graphite mineralisation.

A total of 2,312 m of diamond core from 50 holes and 1,305 m of RC samples from 30 holes were drilled within the interpreted mineralisation zones at Chilalo main deposit and analysed for Total Graphite Carbon (TGC) and other elements.

Recently, 44 drill holes (5,440m) were drilled in late 2022 at the East and E2 deposits, located approximately 2km to the east of the main deposit. Assay results from 13 holes at Chilalo East and 11 holes at Chilalo E2 were released by Evolution Energy during May and July 2023.

## Mineral Resource

The Mineral Resource estimate (MRE) at Chilalo was last updated by Graphex Mining Limited (MVL) in August 2019 (ASX: MVL 28 August 2019 and ASX: EV1 prospectus, 12 November 2021). The MRE's for the Chilalo deposit was reported by Dr Andrew Scogings of CSA Global.

## Chilalo Project - Mineral Resources Estimate

Chilalo Mineral Resource Inventory – August 2019					
Domain	JORC Classification	Deposit	Tonnage (Mt)	TGC %	Contained graphite (kt)
High Grade	Indicated	Main	9.2	10.6	982
		North East	1	9.5	100
		All	10.3	10.5	1,082
	Inferred	Main	7.4	9.5	704
		North East	2.3	8.8	205
		All	9.8	9.3	908
High Grade	Indicated + Inferred	All	20.1	9.9	1,991
Low Grade	Inferred	Main	37.8	3.4	1,282
		North East	9.5	4.1	394
Low Grade	Inferred	All	47.3	3.5	1,677
MRE Total	Indicated + Inferred	Main + North East	67.3	5.4	3,667

*Note: The Mineral Resource was estimated within constraining wireframe solids using core high-grade domains defined above a nominal 5% TGC cut-off within surrounding low-grade zones defined above a nominal 2% TGC cut-off. The Mineral Resource is reported for blocks above a lower cut-off grade of 2% TGC. Differences may occur due to rounding.*

Source: ASX: EV1 Prospectus, 12 November 2021

Note: The Competent Person for Chilalo MRE was Dr Andrew Scogings of CSA Global, MRE report dated 19 November 2019

## Ore Reserves

The Ore Reserve Estimate (ORE) was estimated during the assessment carried out by Resolve Mining Solutions in February 2023 as a part of the 2023 FS for the Project.

### Chilalo Project – Ore Reserve Estimate

Chilalo Ore Reserve Estimate – February 2023			
Description	Mt	Grade TCG %	Contained TGC (kt)
Proved Ore			
Probable Ore	8	10.5	836
Total Ore Reserves	8	10.5	836

**Notes:**  
Ore Reserves are a subset of Mineral Resources.  
Ore Reserves conform with and use the JORC Code 2012 definitions.  
Ore Reserves are calculated using a cut-off grade of 5.0 % TCG.  
Tonnages are reported including mining dilution  
All figures are rounded to reflect appropriate levels of confidence which may result in apparent errors of summation.

Source: ASX: EV1, 20 March 2023

Note: The Competent Person for Chilalo ORE was Andrew Hutson of Resolve Mining Solutions.

The ORE is based on the information and modifying factors as outlined in the 2023 FS. The regularised block model based on a selective mining unit (SMU) applicable to the planned mining fleet and practices, used a block size of 5 m x 5 m x 5 m. Analysis of the regularised block model determined that the block model includes 10% dilution and mining losses of 2%. Modelling dilution and recovery into the regularised model is common industry practice and based on planned equipment and mining dimensions, values considered are suitable for the

Project. Further losses have also been considered due to the implementation of long-term drainage channels, sterilising part of the mineable reserve. A 98% recovery factor has been applied to the ORE after subtracting ore sterilised by the drainage system.

## Mineral Asset Valuation

Mining Insights has estimated the value of the Project considering the technical information available as at the valuation date as described further in the body of this report. There are declared Mineral Resource Estimates and Ore Reserves within the Project which have been prepared applying the guidelines of the 2012 edition of the Australasian Code for Reporting of Exploration Targets, Mineral Resources and Ore Reserves (JORC 2012).

The Chilalo Project, 84% owned by Evolution energy was primarily valued using a comparable transaction method based on resource multiples with additional value added using the geoscientific rating method for the exploration on the adjacent tenement. Secondary valuations for the Chilalo Project were determined using the Yardstick Method for the Mineral Resources and adding additional value via the Multiples of Exploration Expenditure (MEE) method for the exploration tenement which contained no Mineral Resources.

Considering the Mineral Resources, and exploration potential of the Project, in Mining Insights' opinion, the Mineral Assets owned by Evolution Energy have a market value of between \$23.8 million and \$37.0 million with a preferred value of \$30.4 million.

Method	Method	Implied Value (\$M)		
		Low	Preferred	High
Mineral Resource	Comparable Transaction	20.3	23.5	26.6
	Yardstick Method	21.0	28.3	35.7
	Valuation (Selected)	<b>20.6</b>	<b>25.9</b>	<b>31.1</b>
Exploration Potential	Geoscientific Rating Method	5.7	9.9	14.1
	Multiples of Exploration Expenditure	9.8	10.7	11.7
	Valuation (Selected)	<b>7.7</b>	<b>10.3</b>	<b>12.9</b>
Chilalo Project Valuation (100% basis)		<b>28.4</b>	<b>36.2</b>	<b>44.0</b>
Chilalo Project Valuation (Evolution Energy 84% equity basis)		<b>23.8</b>	<b>30.4</b>	<b>37.0</b>

This valuation range is considered appropriate for the Project at this stage of development, reflecting the uncertainty of the eventual extraction of a mineral resource.

# 1 Introduction

Nexia Perth Corporate Finance Pty Ltd ('Nexia') has been engaged by Evolution Energy Minerals Limited ('Evolution Energy' or 'the Company') to prepare an independent expert's report ('IER') for SRF Holdco GP PCC Limited in its capacity as general partner for and on behalf of SRF SPP 1 LP ('ARCH'), who is already an existing shareholder of Evolution Energy with a relevant interest of 22.02% in Evolution Energy's shares, to participate in the second tranche of the share placement announced by Evolution Energy on 9 October 2023 ('Proposed Transaction').

Mining Insights Pty Ltd. ('Mining Insights') was instructed by Nexia to prepare an Independent Mineral Asset Valuation Report ('IVR' or 'Report') which Nexia will use as part of their Independent Expert Report.

This report is complete up to and including 23 November 2023. A draft of the technical component of the report was provided to Evolution Energy, along with a written request to identify any material errors or omissions prior to lodgement.

## 1.1 Compliance with JORC and VALMIN Code

This report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, 2015 Edition ("The VALMIN Code") and the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves 2012 Edition (JORC 2012).

Both codes are binding upon Members of the Australian Institute of Geoscientists (AIG), the Australasian Institute of Mining and Metallurgy (AusIMM), the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves and the rules and guidelines issued by such bodies as ASIC and Australian Securities Exchange (ASX), which pertain to Independent Experts' Reports.

The authors have taken due note of the rules and guidelines issued by bodies such as the Australian Securities and Investments Commission (ASIC) and the ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

## 1.2 Qualifications

The principal personnel responsible for the preparation and review of this report are Mr Manish Garg (Director), a Mineral Valuation Specialist and Mr Rob Wason (Senior Geologist).

Mr Manish Garg [Beng (Minerals Engineering), Master of Applied Finance, MAusIMM] is a mineral asset valuation specialist with over 30 years' experience in mining operations, mining feasibility studies, consulting and corporate roles in lead, zinc, copper, nickel, gold, graphite and coal – project management, metallurgy, scoping study and valuation.

Mr Rob Wason [BSc (Geology), MSc (Geology), MAusIMM] is a geologist with over 10 years' experience in the mining industry as an exploration geologist and geological consultant. Rob

has worked in a variety of commodities, including gold, copper, base metals, REE, phosphate and coal – exploration and geology.

The information in this report that relates to the technical assessment and valuation of mineral assets reflects information compiled and conclusions derived by Mr Manish Garg and Mr Rob Wason who are both Members of the Australasian Institute of Mining and Metallurgy. Mr Garg and Mr Wason are consultants to Mining Insights and not related parties to Evolution Energy.

Mr Garg and Mr Wason have sufficient experience relevant to the technical assessment and valuation of the mineral assets under consideration and to the activity they are undertaking to qualify as Practitioners as defined in the 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets. Mr Garg and Mr Wason consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

### **1.3 Data Sources**

Mining Insights has based its review of the Project on the information made available to the principal author by Evolution Energy along with technical reports prepared by consultants, government agencies and previous tenements holders, and other relevant published and unpublished data. Mining Insights has relied upon discussions with Evolution Energy's management as well as recent exploration reports for the information contained within this report.

Mining Insights has used its reasonable endeavours to verify the accuracy and completeness of the information provided to it by Evolution Energy on which it has relied in compiling the report. We have no reason to believe that any of the information or explanation so supplied is false or that material information has been withheld.

### **1.4 Site Visit**

The mineral asset valuation specialist involved in this assignment has previously conducted a review of other graphite projects in the region. Mining Insights did not consider that a site visit was warranted as it was considered that a site visit would not reveal information or data material to the outcome of this report. The specialist is satisfied that there is sufficient current information available to allow an informed evaluation to be made without an inspection.

### **1.5 Tenement Status Verification**

The legal firm, Bowmans Tanzania Limited (Bowmans) was engaged by the Company to provide an independent assessment of the status of its tenements in Tanzania. Mining Insights has relied on Bowmans' report, dated 22 November 2023.

Mining Insights notes that it is not qualified to make legal representations regarding the ownership and legal standing of the mineral tenements that are the subject of this valuation.

Mining Insights has relied on the accuracy and completeness of the tenure documentation supplied to it by Bowmans and Evolution Energy.

## 1.6 Independence

Neither Mining Insights nor the author(s) of this report, have or have previously had, any material interest in Evolution Energy or its projects/assets.

Mining Insights' relationship with Evolution Energy is solely one of professional association between client, Project owner and independent consultant.

## 1.7 Professional Fees

Mining Insights' estimated fee for completing this report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, Mining Insights' knowledge of the assets and the availability of data. The fee payable to Mining Insights for this engagement is estimated at approximately \$35,000. The payment of this professional fee is not contingent upon the outcome of the report.

## 1.8 Consent

Mining Insights consents to this report being included, in full, in Nexia's IER in the form and context in which the technical assessment is provided, and not for any other purpose.

Mining Insights provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this report are considered with, and not independently of, the information set out in the complete report.

## 1.9 Disclaimer

The opinions expressed in this report are appropriate as of 23 November 2023. The opinions expressed in this Report are based upon the information supplied to Mining Insights by Evolution Energy. The opinions in this Report are provided in response to a specific request from Nexia to do so.

Mining Insights has exercised all due care in reviewing the supplied information. Whilst Mining Insights has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant upon the accuracy and completeness of the supplied data. Mining Insights does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this report apply to the site conditions and features as they existed at the time of the investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this report, about which Mining Insights had no prior knowledge nor had the opportunity to evaluate. Evolution Energy was provided with a technical section of this report and requested to identify any material errors or omissions prior to its lodgement.



## 2 Graphite Industry & Markets

### 2.1 Graphite Industry

Graphite is an industrial mineral with unique physical properties which include superior thermal/electrical conductivity. It generally occurs in one of three forms: Microcrystalline or amorphous, Crystalline lump or vein and Crystalline flake.

**Microcrystalline or amorphous type graphite** is made up of aggregates of fine graphite crystals, which give the material a soft, black, earthy appearance. This material is usually hosted by quartzites, phyllites, metagreywackes and conglomerates. Amorphous graphite is defined as being finer than 40µm in diameter, but some trade statistics define the upper limit at 70µm. Generally, the 40 – 70µm is the limit of resolution of the human eye. Deposits with grades of over 80% carbon are considered to be economically viable.

**Crystalline lump or vein-type graphite** is found as interlocking aggregates of coarse and/or microcrystalline platy, or less commonly, acicular graphite. The veins are hosted by igneous and metamorphic rocks, such as gneiss, schist, quartzite and marble.

**Flake-type graphite** occurs as flat, plate-like crystals, with angular, rounded or irregular edges, with the crystals disseminated throughout originally carbonaceous metasediments. Flake graphite ranges in flake size from 1mm to 25mm, with an average size of 2.5mm. For commercial purposes, flake graphite is divided into:

- jumbo flake;
- large flake;
- medium flake;
- fine flake; and,
- powder.

Impurities include minerals that are commonly found in metasediments – usually quartz, feldspar, mica, amphibole, garnet and calcite, with occasional amphiboles, pyrrhotite, pyrite and magnetite.

**Natural Flake Graphite** occurs in host rocks such as quartz-mica schist, feldspathic or micaceous quartzite and gneiss. Flake graphite may also occur in metamorphosed carbonate rocks, though these occurrences are currently of little economic significance. Flake graphite deposits are usually strata bound, with individual beds or lenses ranging from 30cm to more than 30m thick and extending for lengths of two km or more. Ore bodies are normally tabular, occasionally lenticular, and occur locally as irregular bodies in the hinge zones of folds. Most economic deposits of flake graphite are of Archean to late Proterozoic age. These rocks may contain up to 90% graphite, although 10-15% graphite is a more typical grade for an orebody.



## 2.2 Graphite Economics: Characteristics and Processing

Flake graphite occurs in host rocks such as quartz-mica schist, feldspathic or micaceous quartzite and gneiss. Flake graphite may also occur in metamorphosed carbonate rocks, though these occurrences are currently of little economic significance. Flake graphite deposits are usually strata bound, with individual beds or lenses ranging from 30cm to more than 30m thick and extending for lengths of two km or more. Ore bodies are normally tabular, occasionally lenticular, and occur locally as irregular bodies in the hinge zones of folds. Most economic deposits of flake graphite are of Archean to late Proterozoic age. These rocks may contain up to 90% graphite, although 10-15% graphite is a more typical grade for a mineral deposit.

Favourable mineralogy is critical for the easy liberation of graphite. Mineralogical characterisation of graphite-bearing rocks should primarily aim to determine the graphitic carbon content and graphite flake size, as these two properties largely determine the economic value of the graphite.

**Table 2:1 Typical Graphite Classification**

Graphite Size	Size (microns)
Jumbo Flake	>300
Large Flake	300 – 180
Medium Flake	180 - 150
Fine Flake	150 - 105
Powder	<105

Source: Syrah Resources Website

Flakes in the size range 300µm-1mm command the highest prices, with medium graphite flakes (down to 150µm) also in some demand. An excess of graphitic fines will reduce the flake size and therefore the value of the final product. Further, fine graphite will coat other minerals, which may then act as graphite during froth flotation and be recovered with the graphite concentrate. This thereby reduces the grade of the product. Mica will often occur interlayered with graphite and may be difficult to remove during preparation. Fine material (such as clay and lateritic soil) may also coat the graphite.

Mined ore Natural graphite is then beneficiated into graphite concentrate containing typically 94% to 98% total graphitic carbon (TGC).

## 2.3 Graphite Usage

Graphite has many unique physical properties:

- Superior thermal/electrical conductivity
- Stable wide temperature range
- High melting point
- Excellent lubrication

- Malleable
- Resistant to chemical attack
- Fire retardant and thermally efficient building products

Natural Flake Graphite find uses in:

- Refractories
- Batteries (Lithium-Ion Batteries)
- Foundries
- Friction Products
- Lubricants

Traditional demand for graphite is largely tied to the steel industry where it is used as a liner for ladles and crucibles, as a component in bricks that line furnaces (“refractories”), and as an agent to increase the carbon content of the steel. In the automotive industry, it is used in brake linings, gaskets and clutch materials. Graphite also has a myriad of other emerging uses in batteries, thermal management in consumer electronics, lubricants, fire retardants, and reinforcements in plastics.

The global demand for commercial graphite is growing. This growth profile is being driven by the increasing number of applications for graphite in technology and industry. The material has applications in electronics, nuclear reactors, manufacturing, aircraft and automotive production and in developing energy markets. Notably, graphite is an essential component of the modern lithium-ion battery, making it a key material in smartphones, tablets, laptops and electric cars.

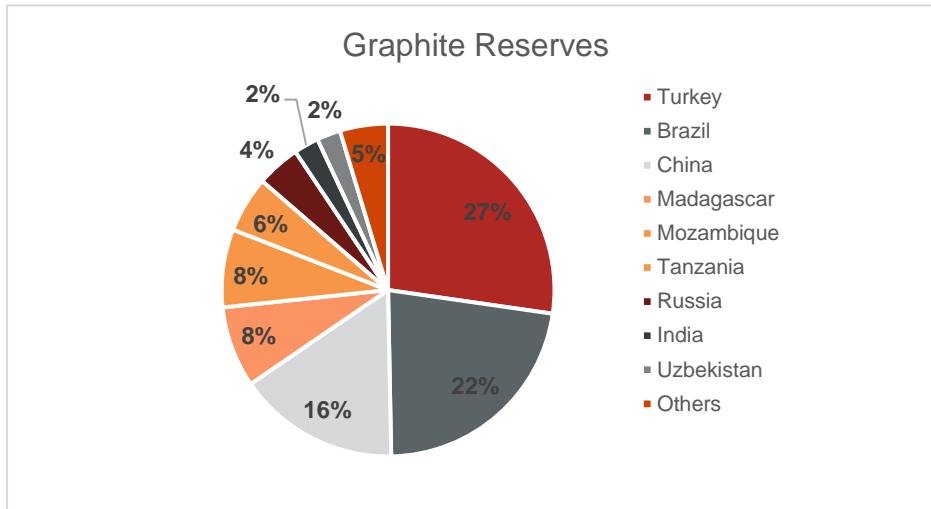
Graphite is also used to produce graphene. Graphene is an allotrope of carbon, essentially a one-atom-thick layer of graphite. Its weight and shape make graphene desirable for uses in computer chips, laptops, optics lasers etc.

Graphite, if it possesses the special property of ‘expandability,’ can also be further processed to produce ‘expanded’ graphite. ‘Expanded’ graphite is used to produce flexible graphite sheets and foils for manufacturing gaskets, packaging and other sealing materials in critical applications. In particular, it is useful in high temperature and high-pressure environments and is also considered valuable in the battery market. ‘Expanded’ graphite is highly valuable and highly sought after.

Graphite is a highly valuable commodity and its unique physical and chemical properties make it difficult to substitute.

## 2.4 Graphite Reserves

Approximately 65% of the world's 330 million tonnes of known graphite reserves are located in the just three countries. Turkey, China and Brazil host substantial reserves of 27%, 22% and 16% respectively, while Madagascar, Mozambique and Tanzania hold 8%, 8% and 6% respectively as shown below.

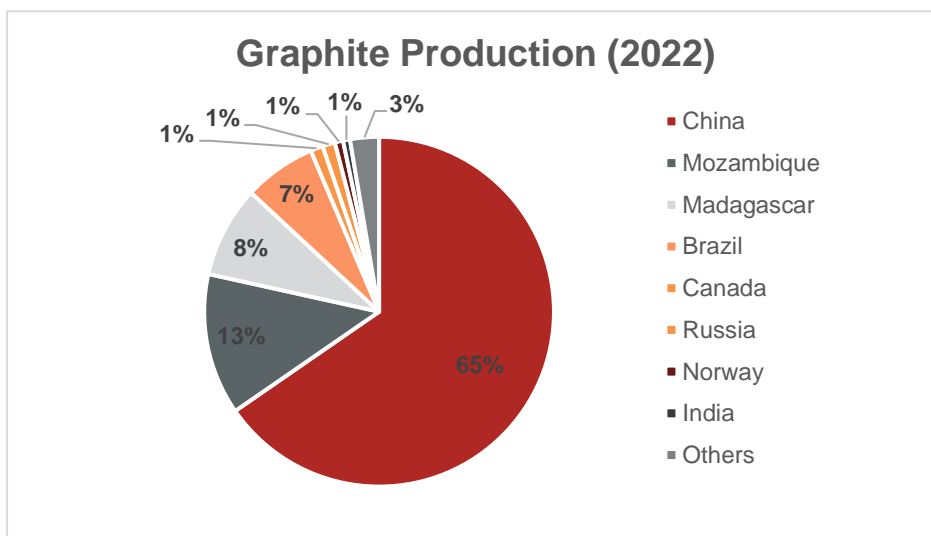


**Figure 2:1 Graphite Reserves by Country**

Source: United States Geological Survey 2023

## 2.5 Demand and Supply

China is the world's leading producer of natural graphite, responsible for approximately 65% of global production in 2022. Together with Mozambique, Madagascar and Brazil, these four countries accounted for approximately 93% of total global production, as shown in the graph below.



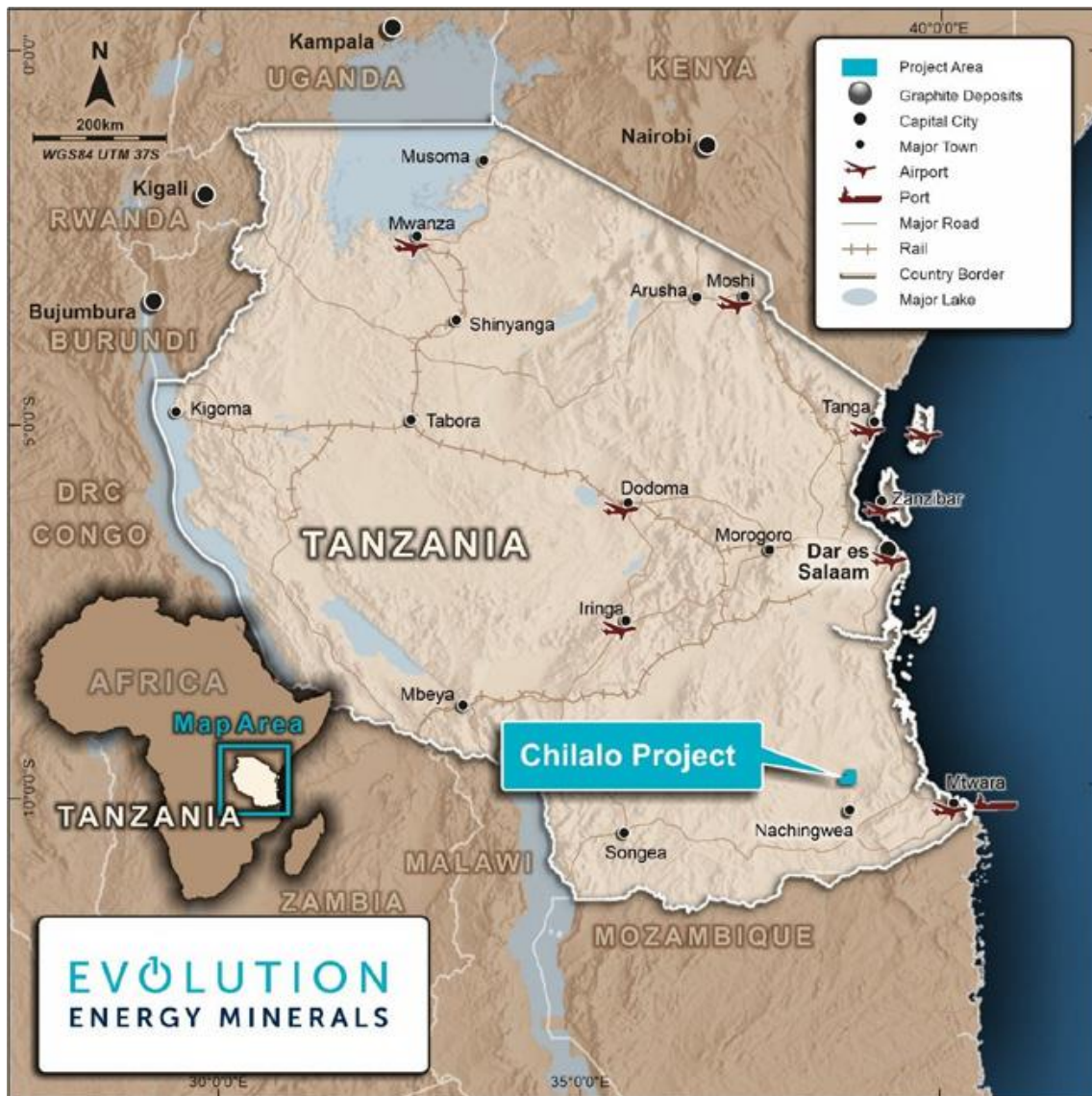
**Figure 2:2 Graphite Production by Country**

Source: United States Geological Survey 2023

### 3 Project Location, Tenure and Climate

#### 3.1 Location

The Chilalo Project (Chilalo Project or Project) is situated in the Ruangwa District of the Lindi Region in south-eastern Tanzania, approximately 180 km west of the coastal port city of Mtwara on the Indian Ocean and 400 km south of Dar es Salaam, Tanzania's largest city (Figure 3:1).



**Figure 3:1 Location of Chilalo Project in Tanzania**

Source: Evolution Energy Website

#### 3.2 Access

The Project is situated approximately 100 km north of the border with Mozambique and approximately 240 km north-west of the coastal port city of Mtwara in the Mbwemkuru Ward within the Ruangwa District in the Lindi Region of Tanzania, as shown in Figure 3.1.

Access to the site is via the road from the town of Ruangwa that is accessible either from the city of Mtwara or the city of Dar es Salaam. The national road network can be used to access the site from Dar es Salaam via Lindi on National route B2, from where the route goes west on the B5 to the mine site which is approximately 26 km from Ruangwa.

The second access route is by using commercial air transport from Dar es Salaam to Mtwara which is the closest significant regional town and major port to Chilalo and then travel onto site by road via the B5 to Nanganga, north to Ruangwa and on to the mine site.

### **3.3 Climate and Physiography**

The Project area has a dry to sub-humid climate. Annual rainfall ranges from 750 mm to 1,200 mm, occurring mainly between mid-November and mid-May. This is followed by six months of generally cooler and very dry weather from June to October. Annual minimum and maximum temperatures range between 17°C and 31°C.

Elevations in the area range from 180 m above sea level to 915 m above sea level. The main exploration activity at the Project has been centred near the 200–230 m elevation and overall, the property is quite flat.

General outcrop exposure is poor and often obscured after the rainy season by thick grasses. Relative exposure improves as the seasonal fires of the dry season remove the vegetation cover.

The Project area is essentially woodland characterised by dry deciduous forest, scrub forest and thicket and secondary grasslands. It is generally considered to have poor agricultural potential. The area is generally underlain by weathered residual soils with a thin oxidised clay veneer. The weathering profile, as intersected in drilling at the Project area, has been observed to extend to depths between 20 m and 40 m.

Most of the river and creek systems are ephemeral, and thus remain dry in the dry season for about six months and become charged during the rainy season and immediately thereafter until residual pools finally evaporate.

The dominant natural vegetation type consists of deciduous Miombo woodland. Other vegetation types include areas of rocky acacia-clad hills, gallery and ground water forests characterised by wild date palm, associated with seasonally flooded sand rivers and small swamps.

The main land use is subsistence farming. Maize, cashew nuts, mango, beans, simsim (sesame), cassava, sorghum, banana, sweet potatoes, rice, cow pea, soya and groundnuts are grown mostly for local consumption (FS, 2020).

### **3.4 Tenements**

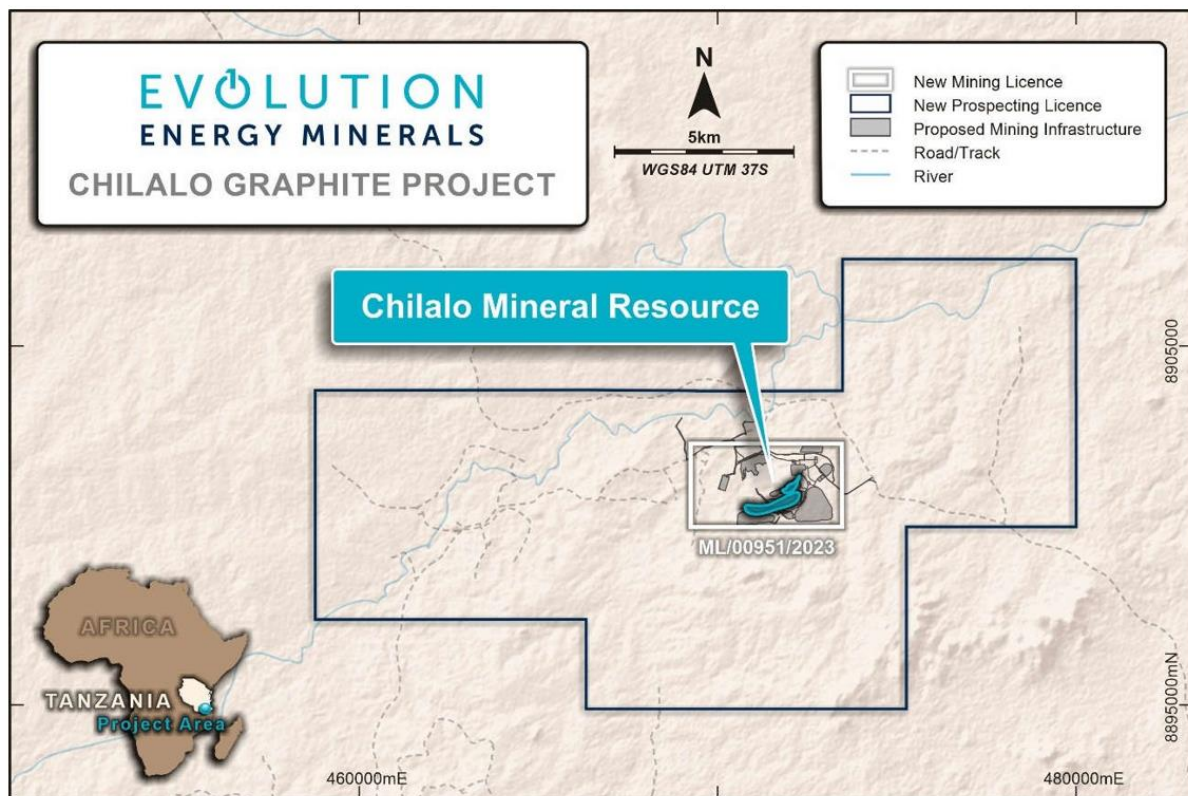
There are two tenements, being one Mining License (ML) and a Prospecting Licences (PL) that cover an area of 170.8 km<sup>2</sup>, as shown in Figure 3:2 and Table 3:1. The Chilalo tenements are majority held by Evolution through its Tanzanian subsidiary, Kudu Graphite Limited (Kudu).



**Table 3:1 Tenement Schedule**

Tenement No.	Holder	Grant Date	Expiry Date	Area (km <sup>2</sup> )
ML716/2023	Kudu Graphite Ltd	28/08/2023	28/08/2033	9.8
PL12590/2023	Kudu Graphite Ltd	14/11/2023	14/11/2027	160.9
Total Area			(Square km)	<b>170.7</b>

\* The Prospecting License has an initial term of four years, after which it is renewable for a further three years (First Renewal). Following the First Renewal period, the Prospecting License is renewable for a further two years (Second Renewal).


**Figure 3:2 Tenements Location**

Source: Evolution Energy ASX Announcement, 28 September 2023

Kudu was established for the purpose of holding the Chilalo licenses and permits and undertaking the development of Chilalo.

A Mining License and Prospecting License has been granted to Kudu, which was established pursuant to the Framework Agreement and Shareholders' Agreement concluded with the Government of Tanzania in April 2023 which allowed for a 16% non-dilutable free carried interest for the Tanzanian Government in the Chilalo Project. Kudu is owned 84% by Evolution (indirectly) and 16% by the Government of Tanzania.

The legal firm, Bowmans Tanzania Limited (Bowmans) was engaged to provide an independent assessment of the status of its tenements in Tanzania. Mining Insights has relied on Bowmans's report, dated 22 November 2023. Bowmans has found that:

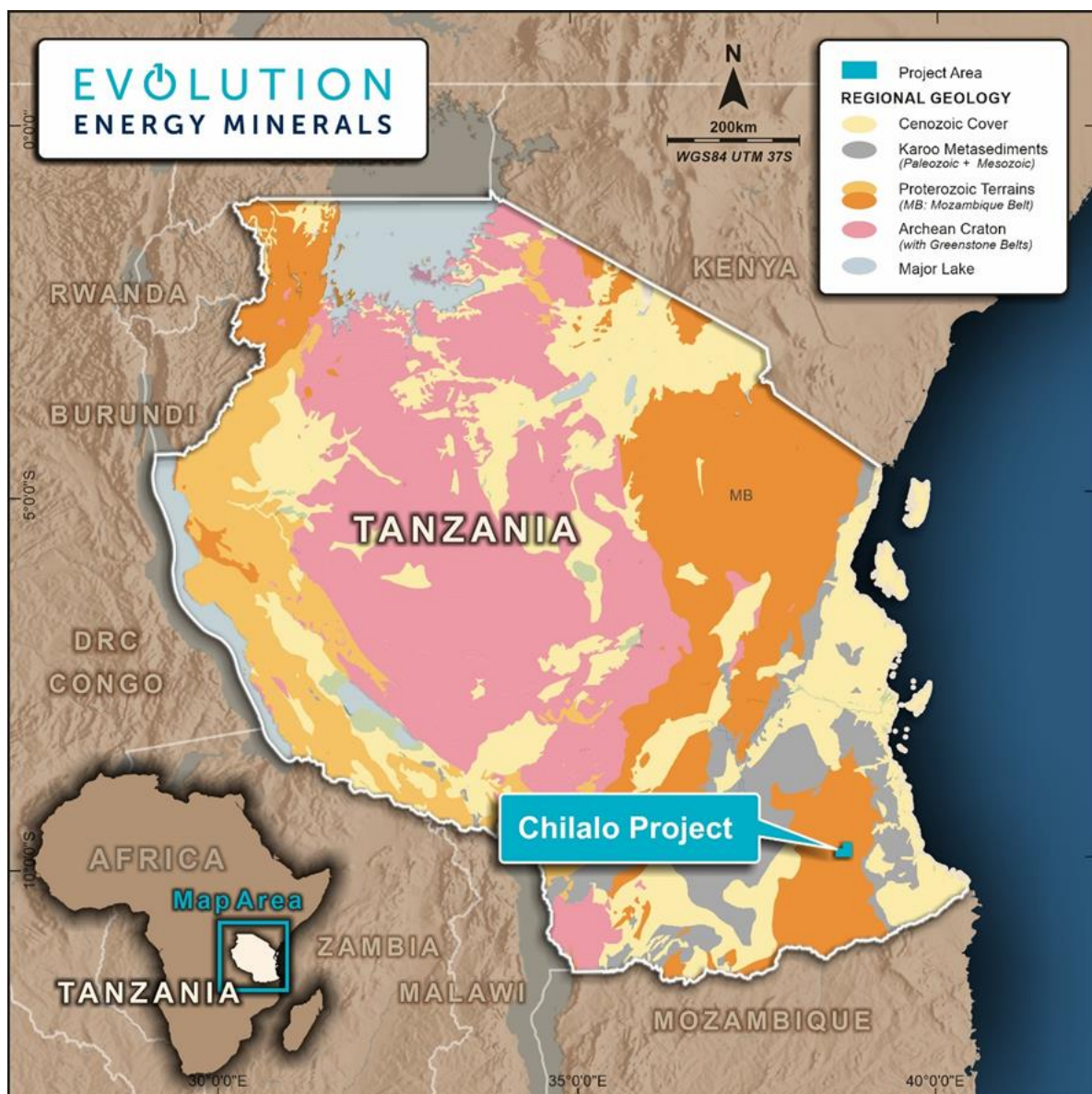
- a. The Mining License and Prospecting License are valid and in force.
- b. Based on the opinions stated in Legal Opinion, Bowmans did not identify any breach or late compliance of the related mining obligations that would risk the grant of the Mining License and Prospecting License.

## 4 Geological Settings

### 4.1 Regional Geology

The Chilalo Project is situated within rocks of the late Proterozoic Mozambique Belt (MB) in south-eastern Tanzania.

The MB is a dominantly north-south trending orogenic domain of highly deformed and metamorphosed rocks that formed during oblique collision of East and West Gondwana and are part of the Pan African orogenic system. Peak metamorphic conditions to granulite facies (high temperature) are dated at 640 Ma (Muhongo et al., 2001; Sommer et al., 2003).



**Figure 4:1 Regional Geology**

Source: Evolution Energy



The MB is bounded to the west by the 2.7 Ga Tanzanian Craton with a narrow intervening band of 2.0 to 1.8 Ga Usagaran Belt rocks. The first stage of MB formation occurred between 1,000 and 700 Ma and was marked by large-scale magmatic intrusive activity relating to a long period of island arc accretion. Evidence of this activity can be found in the eastern part of the MB, where meta-anorthosites and meta-igneous granulites record magmatic ages ranging from 950 to 820 Ma.

The initial phase of MB formation was followed by two collisional phases recorded at 640 to 620 Ma and 580 to 530 Ma, which resulted in west-directed thrust propagation and regional deformation and metamorphism. The 640 to 620 Ma phase involved the onset of deep-seated thrusting and lateral shearing, whereas the 580 to 530 Ma phase involved thrust propagation and exhumation. Regional metamorphic gradients range from green schist facies in the west to granulite facies in the east. In the western part of the MB, magmatic rocks have Archean (2.7–2.5 Ga) crystallisation ages, similar to those of the Tanzanian Craton, and Early Proterozoic (2.0–1.8 Ga) ages reflecting contributions from the Usagaran Belt.

## 4.2 Local Geology

The Chilalo graphite deposit is a series of intercalated graphitic horizons within a package of felsic gneiss, amphibolite, and occasional marble horizons. The package was deformed (folded) during several tectonic events, followed by a final fourth brittle deformation (faulting) event. During the latter deformation, the local geology was intruded by granitic stocks and dykes of variable composition, most likely exploiting existing structures from previous deformation events. There does not appear to have been any significant impact on mineralisation in this stage of deformation.

The graphite mineralisation strikes approximately 60° east and generally dips at about 45° to the south-southeast. The deposit swings gradually east-west in the western part of the deposit.

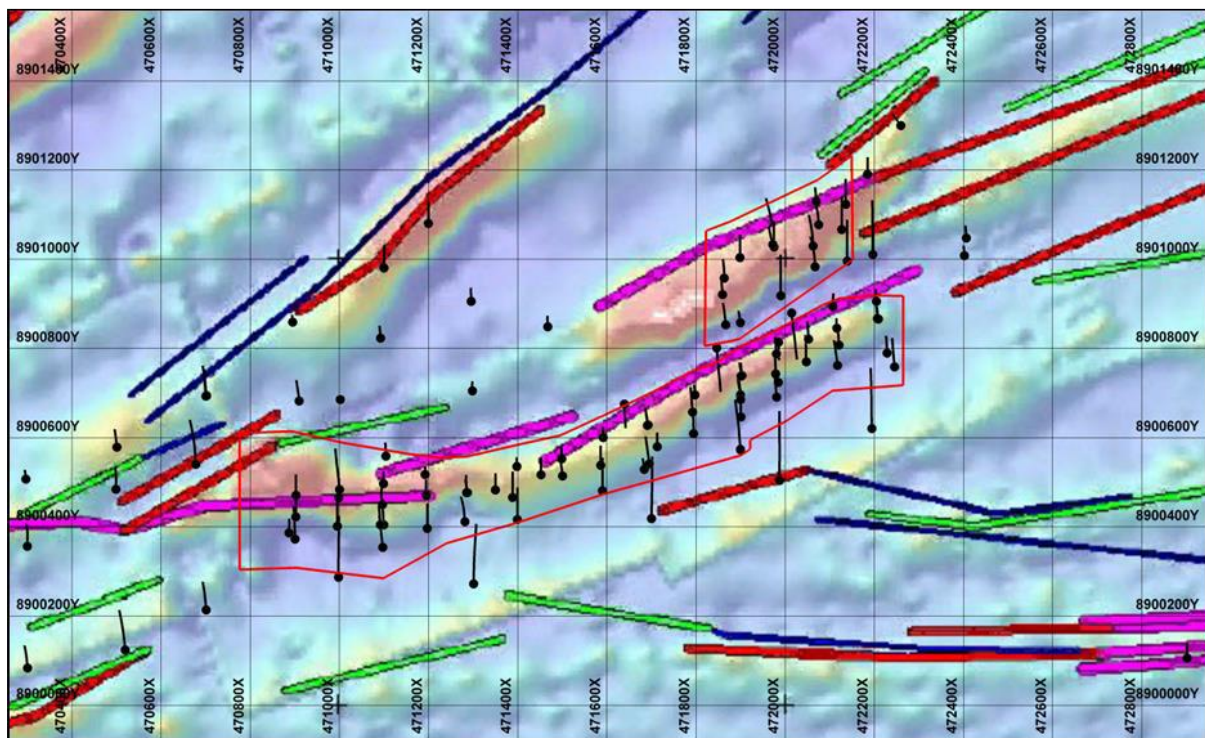
## 5 Exploration History

### 5.1 Geophysical Exploration

Geophysical techniques are an indirect way of mapping geological and/or mineralisation trends across an exploration project. Given that graphite and associated metal sulphide minerals – for example pyrite and pyrrhotite – are conductors, various electromagnetic (EM) methods can be highly effective exploration tools for graphite mineralisation. EM surveys can be carried out on the ground, downhole or from the air.

A versatile time domain electromagnetics (VTEM) geophysical survey was initially completed over a large portion of the property, initially targeting nickel sulphides. The VTEM map showed several elongate EM targets highlighted. Some were drilled in 2014, which led to the discovery of the Chilalo graphite deposit.

A fixed loop electromagnetic (FLEM) surveys were carried out during several field seasons to collect ground EM data over multiple linear conductive graphitic schist horizons identified in the existing VTEM survey data (Figure 5:1).

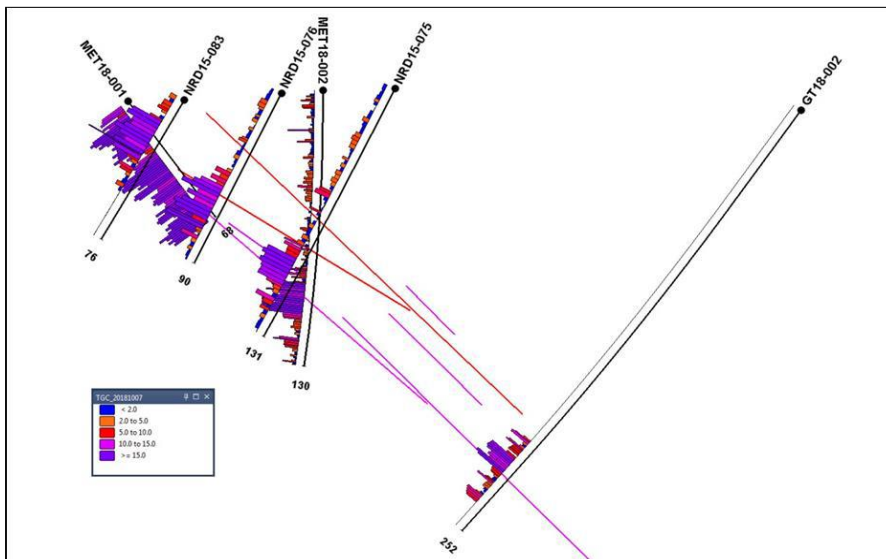


**Figure 5:1 FLEM conductor plates projected to ground surface at the Chilalo deposit**

The 2017 Chilalo Mineral Resource outline is shown as a red polygon; drill collars and traces as black dots and lines. Map grid 200 m x 200 m. The underlying image shows the VTEM anomalies.

Source: Evolution Energy Prospectus

Downhole electromagnetic (DHEM) surveys were carried out on reverse circulation (RC) drillholes, with the aim of verifying known graphite mineralisation and to detect off-hole EM responses possibly associated with graphite mineralisation (Figure 5:2).



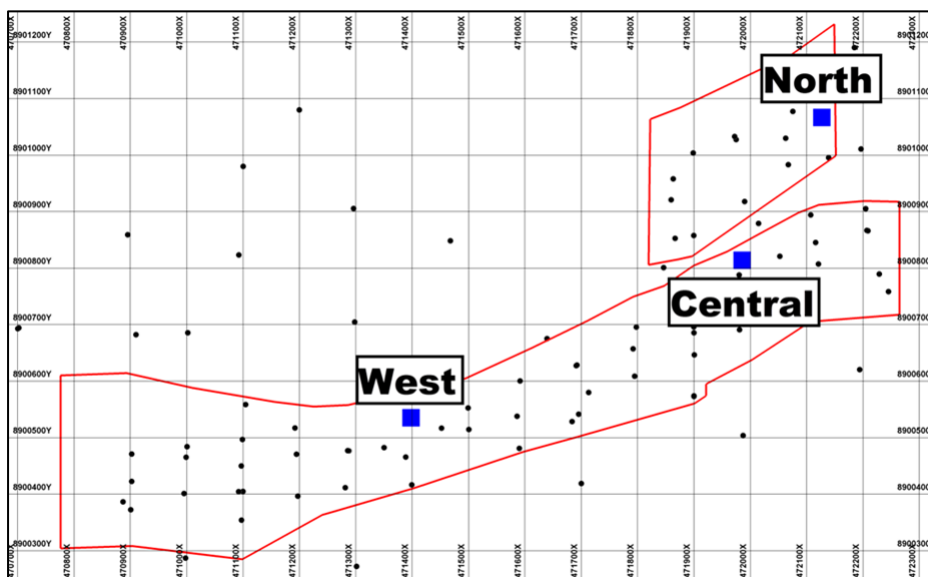
**Figure 5:2 Cross section of the Central deposit showing modelled DHEM plates**

Source: Evolution Energy Feasibility Study, 2020

The VTEM, FLEM and DHEM survey results underpin the modelled extent of graphite mineralisation along strike and down dip at the Chilalo main deposit, including the NE deposit and the SW extension of the main deposit.

## 5.2 Drilling

A total of 2,312 m of diamond core from 50 holes and 1,305 m of RC samples from 30 holes were drilled within the interpreted mineralisation zones at Chilalo main deposit and analysed for Total Graphite Carbon (TGC). Most of the holes were drilled to the north to intersect the mineralisation at approximately right angles.



**Figure 5:3 Chilalo Main Deposit - Location of drill collars**

Note: Red Outline Shows the Extent of Modelled Graphite Mineralisation.

Source: Evolution Energy Feasibility Study, 2020

A total of seven trenches were excavated across the graphite mineralisation outcrop and adjacent rocks to obtain samples for metallurgical testing and to verify the position of the graphite mineralisation and its grade near the surface.

Recently, 44 drill holes (5,440m) were drilled in late 2022 at the East and E2 deposits, located approximately 2km to the east of the Chilalo main deposit. Assay Results from 13 holes at Chilalo East and 11 holes at Chilalo E2 were released by Evolution Energy during May and July 2023.

## 6 Mineral Resource and Ore Reserves

### 6.1 Mineral Resource

The Mineral Resource Estimate (MRE) at Chilalo was updated by Graphex Mining Limited (MVL) in August 2019 (ASX: MVL 28 August 2019 and ASX: EV1 prospectus, 12 November 2021). The estimate is an update of the January 2017 MRE and includes additional drilling (2018) since the 2017 MRE.

The MRE for the Chilalo deposit was reported by Dr Andrew Scogings of CSA Global. Dr Scogings visited the Chilalo Project on several occasions, most recent being in June 2015. Dr Scogings is a member of both the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy. Dr Scogings has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in JORC 2012.

The 2019 MRE was reported in accordance with the JORC 2012. Current (2019) resources (as outlined in Table 6:1) are 67.3 Mt @ 5.4% TGC for 3.67 Mt of contained graphite including 20.1 Mt of high-grade material @ 9.9% TGC for 1.99 Mt of contained graphite.

**Table 6:1 Chilalo Project - Mineral Resources Estimate**

Chilalo Mineral Resource Inventory – August 2019					
Domain	JORC Classification	Deposit	Tonnage (Mt)	TGC %	Contained graphite (kt)
High Grade	Indicated	Main	9.2	10.6	982
		North East	1	9.5	100
		All	10.3	10.5	1,082
	Inferred	Main	7.4	9.5	704
		North East	2.3	8.8	205
		All	9.8	9.3	908
High Grade	Indicated + Inferred	All	20.1	9.9	1,991
Low Grade	Inferred	Main	37.8	3.4	1,282
		North East	9.5	4.1	394
Low Grade	Inferred	All	47.3	3.5	1,677
MRE Total	Indicated + Inferred	Main + North East	67.3	5.4	3,667

*Note: The Mineral Resource was estimated within constraining wireframe solids using core high-grade domains defined above a nominal 5% TGC cut-off within surrounding low-grade zones defined above a nominal 2% TGC cut-off. The Mineral Resource is reported for blocks above a lower cut-off grade of 2% TGC. Differences may occur due to rounding.*

Source: ASX: EV1 Prospectus, 12 November 2021

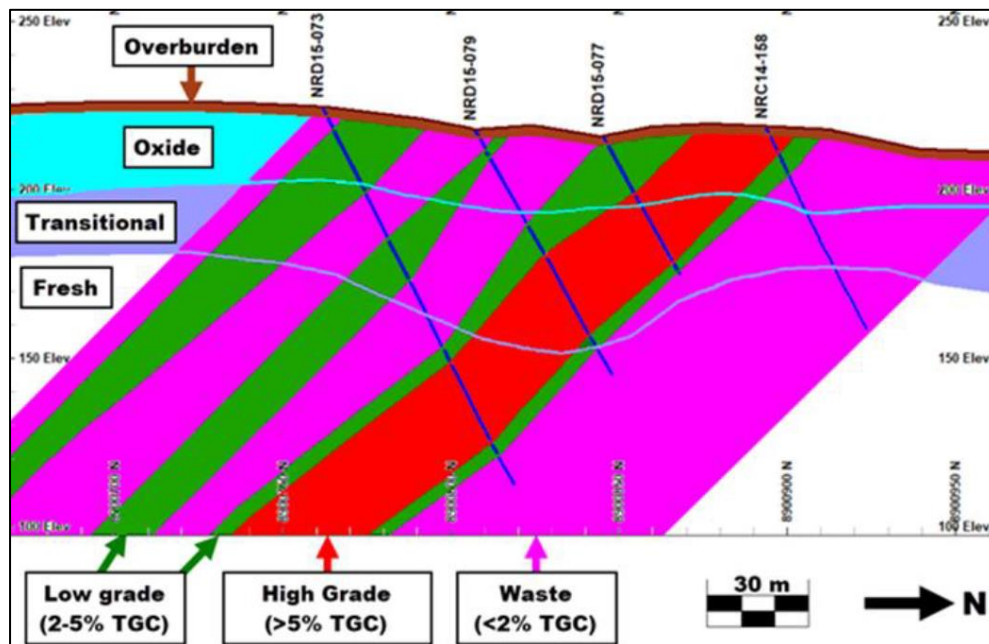
Note: The Competent Person for Chilalo MRE was Dr Andrew Scogings of CSA Global, MRE report dated 19 November 2019

The 2019 MRE includes approximately 30% (by metal content) classified as Indicated and 70% classified as Inferred. Of the total drilling completed in the broader project area, a total of 30 reverse circulation (RC) holes for 2,666 m and 50 diamond (DD) holes for 5,551 m have



been drilled and analysed for graphite content directly covering the two modelled deposits. The MRE is based upon the data obtained from the 2,312 m of DD drill core samples and 1,305 m of RC drill chip samples which lie within the interpreted mineralisation solid wireframes. The mineralisation wireframes were modelled using a nominal lower cut-off grade of 5% TGC for the higher-grade core zones and a nominal 2% TGC lower cut-off grade for the lower grade surrounding zones.

A block model was constructed using Datamine Studio software with a parent cell size of 25 m(E) x 10 m(N) x 5 m(RL). Drillhole sample analytical results were subjected to detailed statistical and spatial (videography) analysis. Composited sample grades for TGC were interpolated into the block model using ordinary kriging with an inverse distance to the power of two weighting check estimate completed for validation purposes. Density values were assigned to the block model based on analysis of measurements taken in the three weathering state domains. The model was validated visually, graphically and statistically. Figure 6:1 displays the cross-section of mineralised interception.



**Figure 6:1 Mineralised Interpretation – South to north cross-section at 472,120E**

Source: ASX: EV1 12 Nov 2021

Mining Insights has conducted a review of the reasonableness of the Mineral Resource within the Chilalo Project and has not identified any material areas of concern. The reader is directed to the Graphex Mining Limited release of 28 August 2019 (ASX: MVL 28 August 2019) and Evolution Energy prospectus (ASX: EV1 prospectus, 12 November 2021) where the Mineral Resources were reported. Whilst Mining Insights agrees with the broad principles and methods involved in the resource estimation, Mining Insights has not independently reviewed the resource geological model in detail. Mining Insights considers that the Chilalo Mineral Resources have been appropriately estimated and that good practice has been followed. The Mineral Resource estimate is considered reasonable.

## 6.2 Project Status, Technical and Economic Studies

Since the MRE reported for the Chilalo Project in August 2019, the Company has undertaken two studies which Mining Insights considered to be pre-feasibility studies (MVL ASX release 19 January 2020) and a feasibility study (2023 FS) in March 2023 (EV1 ASX release 20 March 2023).

The feasibility study included reporting of Ore Reserves for the project with documentation of the modifying factors required under JORC 2012. The 2023 FS is the most recent study by Evolution Energy, which details the assumptions used in the estimated Project Economics and reports that the project has the potential to support a viable long-term operation in the right graphite price environment. The 2023 FS report was compiled by Evolution Energy with input from:

- CSA Global Pty Ltd (Geology)
- Resolve Mining Solutions (Mine planning)
- Open House Management Solutions (Pit & WRD geotechnical)
- ATC Williams (Water diversion channel)
- BatteryLimits (Metallurgy)
- AQ2 Pty Ltd (Water Management)
- Mine Waste Pty Ltd (AMD Management Options)
- ECG (Power supply FS)
- Dhmana (ESG aspects, ESIA, RAP, etc)
- Mowana Engineers (Traffic Impact assessment)
- SRK South Africa (Air quality assessment)
- Mine Earth Pty Ltd (Mine Closure Plan)
- CPC Engineering (Process and Infrastructure cost)

Several iterations of bench scale flotation test work were undertaken supplemented by a small pilot plant run. The metallurgical test work identified the approximately 58% of the concentrate has flake size above 80 Mesh (180 microns).

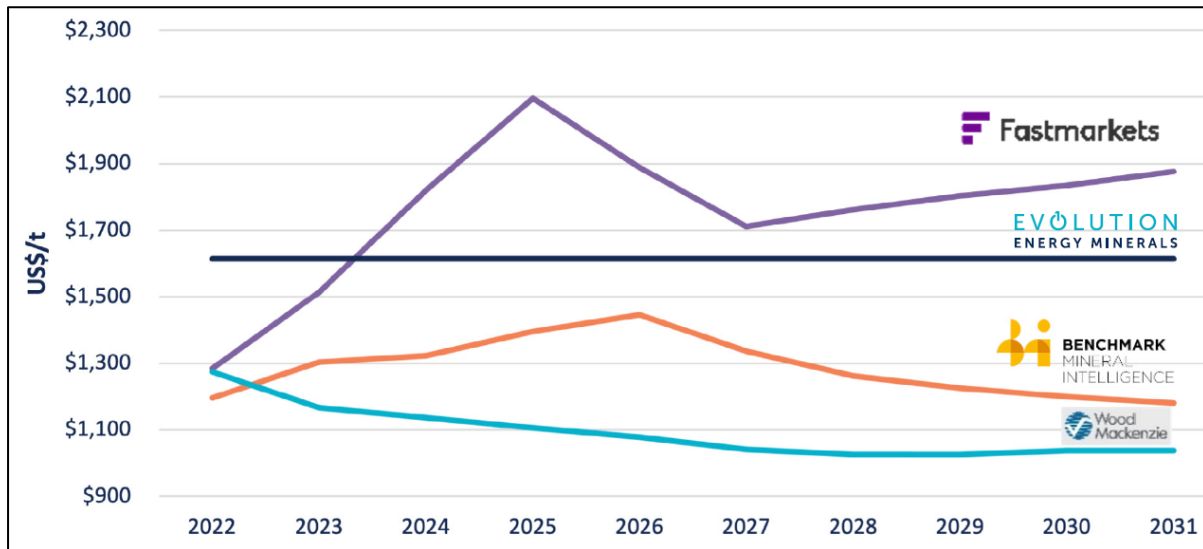
**Table 6:2 Life of Mine Flake Size Distribution**

Mesh	Micron	Mass Distribution %
+32	>500	10.5
+50	300-500	20.6
+80	180-300	26.9
+100	150-180	6.3
-100	<150	35.8

ASX: EV1, 20 March 2023

The natural graphite market appears to be in surplus for the past year due to volatile Chinese anode market conditions which is depressing the spot prices for the graphite product. Syrah Resources Ltd ("Syrah") has been operating the Balama Graphite Operation in Mozambique, one of the largest natural graphite mine outside China on a limited capacity campaign basis

only due to lack of demand and depressed graphite prices. Domestic natural graphite production in China increased seasonally in the June 2023 quarter, resulting in reported natural graphite prices in China falling by ~29% by end of October 2023 since the beginning of 2023. Graphite demand, liquidity and spot prices were weak due to continued consumption of anode material inventory, and aggressive production volumes with price discounting from synthetic graphite Anode Active Material (AAM) suppliers in China.



**Figure 6:2 Average Price Assumption used in 2023 FS vs forecast**

Source: ASX: EV1 FS 2023

The above graph shows that the 2023 FS assumes an average product price of US\$1,614 per tonne (94% - 95% TGC), which is significantly higher than the spot price or the price forecast by Wood McKenzie and Benchmark Mineral Intelligence.

The review completed by Mining Insights was undertaken to assist with validation and a reasonableness check of the inputs into the Discounted Cash Flow (DCF) model. Once Nexia determined that an income-based (DCF) approach was not appropriate, which was based mainly on the graphite price forecast not supporting the viability of the project, no additional work was undertaken to determine the quantum of these cost adjustments. Any cost adjustments would only result in a decrease in the valuation using an income-based approach, therefore this was not performed.

However, Mining Insights still considers that the ORE is current, and should the Company enter into long-term offtake agreements at a higher price or if there is a recovery in the graphite price then an income-based approach would then be considered an appropriate valuation method. Assuming a long-term graphite offtake agreement and the contract price is negotiated at approximately 10% above the short-term graphite price (which is not unheard of or unreasonable) then it is reasonable to conclude that Evolution Energy could negotiate an offtake contract at a price that is close to the graphite price used in the 2023 FS. On that basis Mining Insights considers the ORE detailed in the next section to remain current and reasonable.



### 6.3 Ore Reserves

The ORE, a subset of the pre-existing resource model, was estimated during the assessment carried out by Resolve Mining Solutions in February 2023 as a part of the 2023 FS for the Chilalo Project. These are detailed in the EV1 ASX release of 20 March 2023 and Table 6:3.

**Table 6:3 Chilalo Project – Ore Reserve Estimate**

Chilalo Ore Reserve Estimate – February 2023			
Description	Mt	Grade TCG %	Contained TGC (kt)
Proved Ore			
Probable Ore	8	10.5	836
<b>Total Ore Reserves</b>	<b>8</b>	<b>10.5</b>	<b>836</b>

*Notes:*  
 Ore Reserves are a subset of Mineral Resources.  
 Ore Reserves conform with and use the JORC Code 2012 definitions.  
 Ore Reserves are calculated using a cut-off grade of 5.0 % TCG.  
 Tonnages are reported including mining dilution  
 All figures are rounded to reflect appropriate levels of confidence which may result in apparent errors of summation.

Source: ASX: EV1, 20 March 2023

Note: The Competent Person for Chilalo ORE was Andrew Hutson of Resolve Mining Solutions.

The ORE is based on the information and modifying factors as outlined in the 2023 FS. The regularised block model based on a selective mining unit (SMU) applicable to the planned mining fleet and practices, used a block size of 5 m x 5 m x 5 m. Analysis of the regularised block model determined that the block model includes 10% dilution and mining losses of 2%.

Modelling dilution and recovery into the regularised model is common industry practice and based on planned equipment and mining dimensions, values considered are suitable for the project. Further losses have also been considered due to the implementation of long-term drainage channels, the sterilising part of the mineable reserve. A 98% recovery factor has been applied to the ORE after subtracting ore sterilised by the drainage system.

When operations commence, mined material should be reconciled against the ORE, to validate estimates. With a cut-off grade of 5.0% TGC, 26.4 % of the mineable resource has been converted into reserve material resulting in 8 Mt to be mined over LOM. There is also an additional 56 Mt of mineralised waste to be mined. Of the 8 Mt of ore, 0.3 Mt is Inferred and cannot be included in the ORE, revenue from this material has been discounted which is common practice.

Mining Insights has conducted a review of the reasonableness of the ORE within the Chilalo Project. The reader is directed to the ASX release of 20 March 2023 where the ORE was reported. Other than noted in Section 6.2 above, Mining Insights has not identified any material areas of concern. Mining Insights considers that these do not impact the reasonableness of the ORE as reported by Evolution Energy.

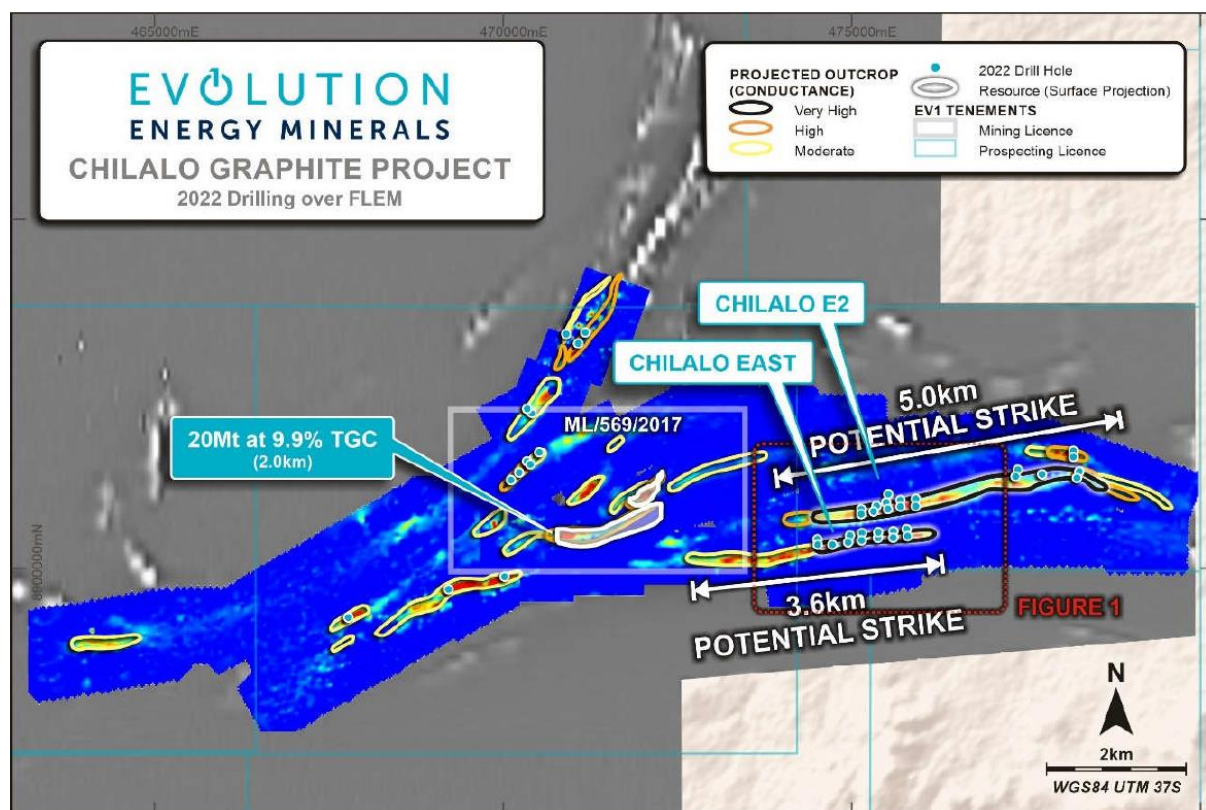
## 6.4 Exploration Potential

Since 2015, significant electromagnetic (“EM”) surveys have been conducted to identify conductive material at the broader Chilalo Project.

A VTEM geophysical survey was initially completed over a large portion of the property, initially targeting nickel sulphides. The VTEM map showed several elongated EM targets, some of which were drilled in 2014, leading to the discovery of the Chilalo graphite deposit.

Based on EM survey data, there is potential for further graphite discoveries in the Chilalo area. The fundamental assumption underlying the concept of additional graphite mineralisation is that anomalous, high EM conductance trends identified in DHEM, FLEM and VTEM data represent graphite mineralisation.

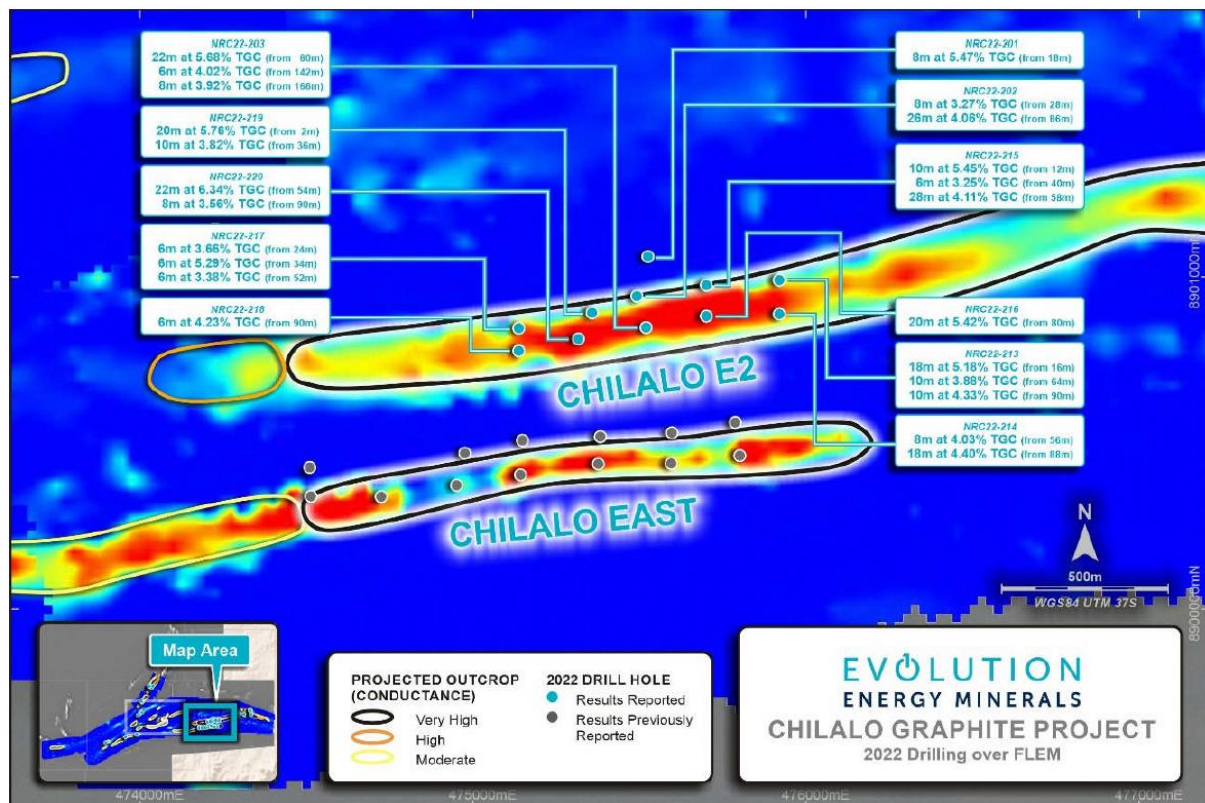
FLEM surveying was completed in 2019 over three graphite targets identified from the VTEM data across the Chilalo project (Sinnott, 2019) (Figure 6:3).



**Figure 6:3 FLEM Survey and Drilling (2022) at Chilalo East and E2**

Source: ASX: EV1 22 May 2023

Subsequently, 44 drill holes (5,440m) were drilled in late 2022 at the Chilalo East and E2 deposits, located approximately 2km to the east of the Chilalo main deposit. Assay Results from 13 holes at Chilalo East and 11 holes at Chilalo E2 were released by Evolution Energy during May and July 2023.



**Figure 6:4 Drilling at Chilalo East and E2 Deposit**

Source: ASX: EV1 31 July 2023

Mining Insights considers that there is considerable exploration potential within the exploration and mining tenements that constitute the broader Chilalo Project. The main targeting tool that has been used since 2015 has been electromagnetic surveys with these followed up by drilling. Mining Insights considers that this approach is the most suitable exploration methodology.

## 7 Project Risks

Mining Insights has identified a range of risk elements or risk factors that may affect the future operations and financial performance of the Chilalo Project. Some of the risk factors are completely external and beyond the control of management. However, project-specific risks can be mitigated by taking the proper measures in advance. Key project risks that have been identified are discussed below.

### 7.1 Sovereign Risk

Sovereign risk is the risk an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control.

The International Business Center (IBC) in the Eli Broad Graduate School of Management at Michigan State University has rated Tanzania as a category C country in a scale of A to E, where A is the lowest risk while E is the highest risk category ([www.globaleedge.msu.edu](http://www.globaleedge.msu.edu)).

### 7.2 Resources & Reserve Risk

The Mineral Resource present within the Chilalo Project has been categorised as separate high-grade and low-grade Graphite Mineral Resource. Moving forward it may be possible that further exploration, geological and metallurgical assessment may result in a reduction or an increase of mineral resource which would have a material impact on the technical value of the Project.

An ORE has been defined for the high-grade mineralisation at Chilalo main deposit. Moving forward it may be possible that further technical studies may result in the decrease in Ore Reserve which would have a material impact on the value of the Project.

### 7.3 Processing Risk

Results so far suggest that high graphite concentrate grades are possible at acceptable recoveries. Although significant results have been obtained from the limited samples test work conducted so far, detailed mineral processing test work is required to ascertain graphite grade and recovery in locked-cycle tests and pilot plant.

Moving forward, it may be possible that unfavorable results from further test work may jeopardise project viability.

### 7.4 Commodity Price Risk

Graphite price and its demand are cyclical and subject to significant fluctuations. Any significant decline in the prices of these or demand could materially and adversely affect the Company's business, its financial condition, results of operations and prospects.

Commodity markets are highly competitive and are affected by factors beyond the Company's control which include but are not limited to:

- Global Economic Condition;
- Government actions including policy on electrical cars; and,
- Fluctuations in industries with high graphite demand.

## **7.5 Mine Infrastructure Associated Risk**

Although the accessibility of the Project is good, a significant mine infrastructure facility needs to be developed before the commencement of mining activity.

## **7.6 Mining Approvals, Tenure, and Permits**

Chilalo Main deposit is located on an approved Mining Permit. However, during mining operations, many governments permits and approvals may be required to develop/ramp up the capacity and the associated infrastructure facilities. Any delays in obtaining the required approvals may affect the production expansion and the mine plan. This may likely cause the project to overrun, which may significantly affect project capital and operating costs.

It is also possible that delays to land access and associated interruptions may occur in the future and that this may have a material impact on the value of the concession.

## **7.7 Environmental and Social Risks**

While environmental and social risks have been identified and management plans are in place, failure to comply with the environment criteria or failure to maintain good relationships with the local community may impact the Project. These risks are not considered to be greater for the Project than for any other graphite projects.



## 8 Valuation

### 8.1 Valuation Approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, Mining Insights considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted valuation approaches:

1. Income Approach;
2. Market Approach; and
3. Cost Approach.

The *Income Approach* is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property (VALMIN 2015). Valuation methods that follow this approach include Discounted Cash Flow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market (CIMVAL, 2003). Methods include Comparable Transactions, MTR and option or farm-in agreement terms analysis.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the Mineral Property.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the property, and hence the amount and quality of the information available on the mineral potential of the property. Table 8:1 presents the various valuation approaches for the valuation of mineral properties at the various stages of exploration and development.

**Table 8:1 Suggested valuation approaches according to Development status**

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

The Market approach to valuation is generally accepted as the most suitable approach for valuation of an Exploration or a Pre-Development Project.

An income-based method, such as a Discounted Cash Flow (DCF) model is commonly adopted for assessing the Value of Tenure containing a deposit where an ORE has been produced following appropriate level of technical studies and to accepted technical guidelines such as the JORC 2012.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties before Mineral Resources are reliably estimated.

A summary of each of these methodologies is outlined in Appendix B of this report. In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The **“Market Value”** is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the IVSC term of the same name. This has the same meaning as Fair Value in RG111. In the 2005 edition of the VALMIN Code, this was known as Fair Market Value.

The **“Technical Value”** is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

In summary, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

## 8.2 Mining Insights’ Valuation Techniques

In estimating the value of the Project as at the Valuation Date, Mining Insights has considered various valuation methods within the context of the VALMIN Code (2015).

The valuation method applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the Project. For this valuation, the mineral assets were classified according to the development stage categories as per the VALMIN Code (2015):

- Early-Stage Exploration Projects – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.

- Advanced Exploration Projects – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- Pre-Development Projects – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- Development Projects – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a pre-feasibility study (PFS).
- Production Projects – Tenure holdings – particularly mines, bore fields and processing plants that have been commissioned and are in production.

Mining Insights has classified Evolution Energy's mineral assets as advance stage exploration to Pre-development project. In estimating the value of Evolution Energy's mineral assets as at the Valuation Date, Mining Insights has considered various valuation methods within the context of the VALMIN Code (2015).

Mining Insights has used a market approach with comparable market transactions and yardstick methods to derive a Market Value of the Chilalo Mineral Resource. In the case of the Exploration Potential, Mining Insights has used multiples of exploration expenditure and geoscientific rating methods.

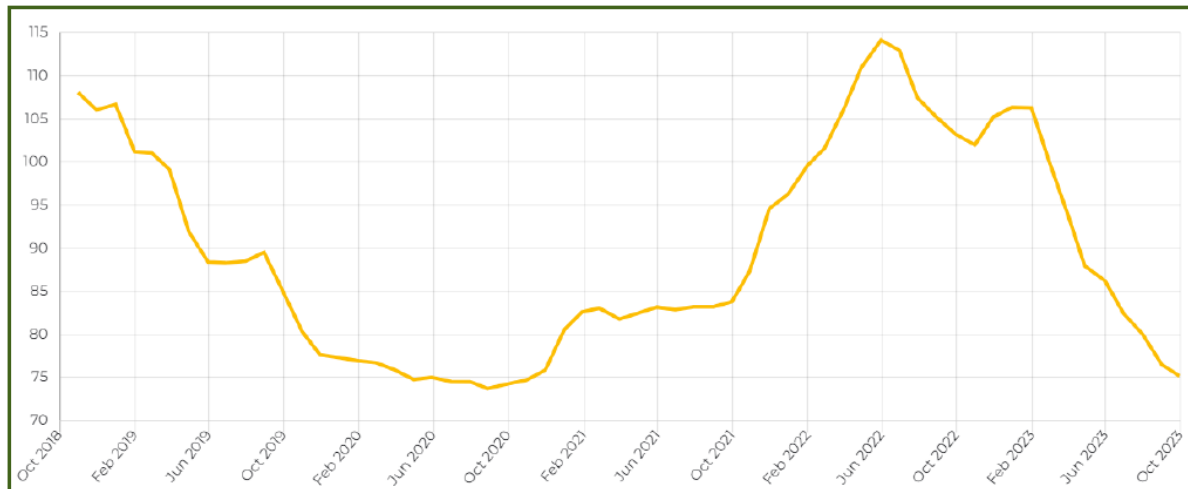
The valuation is on an Evolution Energy equity holding basis in the Chilalo Project (84%).

### 8.3 Graphite Market

There is no spot or futures market for graphite, rather prices are set by private treaty on a contract basis. Graphite prices are determined based on particle (flake) size, carbon content (purity), shape, thickness (layers) and application.



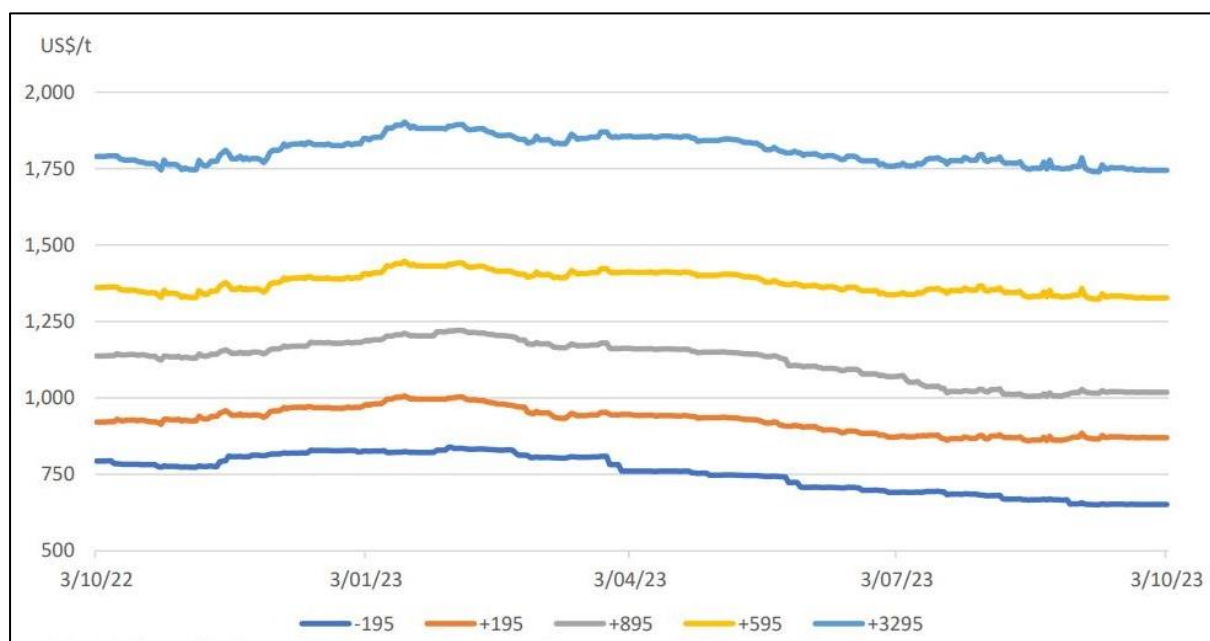
## Flake Graphite Prices, October 2018 – October 2023



**Figure 8:1 Flake Graphite Benchmark Prices for past 5 years**

Source: ASX: VRC 31 October 2023

Looking at graphite prices for the last 12 months, one can see that graphite prices are down between 20% to 29% in 2023. However, the fundamentals of graphite demand vs supply haven't changed and remain supportive of higher prices in the long term.



**Figure 8:2 Graphite Prices (for various product sizes) for past 12 months**

Source: ASX: BKT 30 October 2023

## 8.4 Previous Transactions

There have been three previous announced transactions involving the Chilalo Project.

On 16 August 2023, Evolution Energy announced a strategic investment from BTR New Material Group Co. Ltd (BTR) for offtake agreement along with share issue under which Evolution Energy will issue 22.3 million shares, representing 9.9% of Evolution Energy at \$0.22 per share to raise \$4.9 million. Based on the defined Mineral Resource of 67.3Mt @ 5.4% TGC, the implied multiple is A\$13.5/t TGC. On 30 October 2023, Evolution Energy advises that the date for satisfaction of the condition's precedent under the investment agreement with BTR has been extended to 31 January 2024.

On 12 November 2021, Evolution Energy completed an acquisition of 100% for an estimated value of A\$12 M via a spin-off from Marvel Gold Ltd (MVL). Based on the defined Mineral Resource of 67.3Mt @ 5.4% TGC, the implied multiple is A\$3.27/t TGC.

On 24 May 2017, MVL announced the non-binding term-sheet where a syndicate led by CN Docking to make an equity investment of US\$18-20M (A\$24-27M) for a 50% interest in the Chilalo Project, via a project-level incorporated joint venture. Based on the defined Mineral Resource of 53.5Mt @ 5.6% TGC at the time, the implied multiple is A\$16.07/t - A\$18.08/t TGC. This deal was not completed.

## 8.5 Valuation of Mineral Resource

### 8.5.1 Valuation of Mineral Resource - Market Comparable

To determine the fair market value for the Chilalo Project existing mineral resource, Mining Insights has reviewed recent market transactions for exploration assets involving sale and purchase of tenements with graphite projects with delineated Mineral Resource reported in accordance with JORC 2012.

Mining Insights has identified 16 transactions which can be considered relevant in assessing the fair market value of the Chilalo Mineral Resource. These market transactions are listed in Table 8:2.

**Table 8:2 Comparable Market Transactions with Defined Graphite Mineral Resource**

Date	Project	Seller	Buyer	Location	Interest	Consideration (\$M)	Value \$M (100%)	Resources (Mt)	Grade (TGC %)	Contained TGC (Mt)	Implied Value (\$/t TGC)	Notes
Feb-23	Duwi, Malingunde	Sovereign Metals	NGX Mining	Malawi	100%	8.6	8.6	95.4	7.37%	7.03	\$1.22	Spin-off
Aug-22	McIntosh	Green Critical Minerals Pty	Chase Mining	Western Australia	80%	3.4	4.3	23.8	4.45%	1.06	\$4.06	
Apr-22	Springdale	Comet Resources	International Graphite	Western Australia	100%	8.0	8.0	15.6	6.00%	0.94	\$8.55	Spin-off
Jun-21	Sarytogan	Ustar Ventures	Sarytogan Graphite	Kazakhstan	100%	10.4	10.4	209	28.50%	59.57	\$0.17	
Sep-21	Chilalo	Marvel Gold	Evolution Energy	Tanzania	100%	12.0	12.0	67.3	5.40%	3.67	\$3.27	Spin-off
Jan-20	Munglinup	Gold Terrace Pty	Mineral Commodities	Western Australia	39%	9.8	8.6	7.99	12.20%	0.97	\$8.87	
Dec-20	Mahenge	Black Rock	Posco	Tanzania	15%	9.9	66.1	211.9	7.82%	16.57	\$3.99	
Jan-20	Caula	New Energy Minerals	Virtue Investment Holding Ltd	Mozambique	50%	3.5	7.0	21.9	13.40%	2.93	\$2.39	
Feb-19	Caula	New Energy Minerals	Virtue Investment Holding Ltd	Mozambique	50%	7.0	14.0	21.9	13.40%	2.93	\$4.78	Uncomplete
May-18	Lindi	Undisclosed	Walkabout Resources	Tanzania	30%	1.3	4.4	29.6	11.00%	3.25	\$1.35	
Apr-18	Siviour	Ausmin Development	Renascor	South Australia	51%	5.6	11.0	80.6	7.90%	6.37	\$1.73	
Feb-18	Grafex	Gregory Sheffield	Triton	Mozambique	20%	1.9	9.6	1,443	11.10%	160.3	\$0.06	
Sep-17	Munglinup	Gold Terrace Pty	Mineral Commodities	Western Australia	51%	4.4	8.6	3.6	15.30%	0.56	\$15.36	
May-17	Chilalo	Graphex	CN Docking	Tanzania	50%	24.0	48.0	53.5	5.60%	2.99	\$16.07	Uncomplete
Jun-16	Siviour	Ausmin Development	Renascor	South Australia	29%	0.7	2.3	16.8	7.40%	1.24	\$1.85	
Sep-15	Graphmada	Stratmin Global Resources Plc	Greenwing Resources	Madagascar	100%	5.4	5.4	5.7	4.10%	0.23	\$23.48	
Average \$/t TGC											\$6.07	
Median \$/t TGC											\$3.63	
Quadrant 1 \$/t TGC											\$1.63	
Quadrant 3 \$/t TGC											\$8.63	

Source: ASX Company Announcements

In assessing a valuation factor for unit resource tonnes, Mining Insights analysed these transactions and considered them to be suitable comparatives for the valuation of Chilalo Project. The transactions were analysed in terms of the implied purchase price and the Mineral Resource at the time of the transaction. The share prices at the time of the announcement of the transactions were considered, where shares formed a part of the consideration and the timing of payments, as set out in the initial agreements, was also taken into account.

On 10 February 2023, Sovereign Metals Ltd entered into a demerger deed to demerge its graphite projects (being the Duwi Project and the Malingunde Project) in Malawi into a separate listed entity, NGX Ltd by issuing 42.8 M Shares at a deemed issue price of A\$0.20 per Share, for the In-Specie Distribution its Shareholders. Based on the Mineral Resource and shares issued, this equates to \$1.22/t of TGC.

During June 2022, Chase Mining acquired Green Critical Minerals Pty Limited (GCM), which has the right to acquire up to 80% of the graphite rights for the McIntosh Graphite Project in Western Australia. The terms of the acquisition were revised in Augst 2022. Based on the Mineral Resource, farm-in expenditure commitment and Chase Mining share price at the time, this equates to \$8.19/t of TGC.

In April 2022, International Graphite Ltd (ASX: IG6) entered into a binding tenement sale agreement with Comet Resources Limited pursuant to which the International Graphite agreed to acquire 100% interest in the Springdale Graphite and issue 40,000,000 Shares to Comet in consideration for the acquisition of the Springdale Project. Based on the Mineral Resource and shares issued, this equates to \$8.55/t of TGC.

On 12 November 2021, Evolution Energy completed an acquisition of 100% for an estimated value of A\$12 M via a spin-off from Marvel Gold Ltd (MVL). Based on the defined Mineral Resource of 67.3Mt @ 5.4% TGC, the implied multiple is A\$3.27/t TGC.

During January 2020, Mineral Commodities Ltd (MRC) acquired an additional 39% interest (to 90%) in the Munglinup Graphite Project in Western Australia from Gold Terrace Pty Ltd for an upfront consideration of \$0.8M cash and 30 million shares in MRC. Based on the Mineral Resource and MRC's share price at the time, this equates to \$8.87/t of TGC.

In February 2019, New Energy Minerals Limited (ASX: NEM) entered into conditional agreement with Virtue Investment Holding Ltd to sell its 50% holding in Balama Resources Pty Ltd (Caula Project) for cash consideration of \$7M. Subsequently, On 27th January 2020, New Energy Minerals Limited entered into a Variation Deed with reduced cash consideration of \$3.5 Million. Based on the Mineral Resource at the time, this equates to \$4.78/t of TGC for the 2019 uncompleted deal and \$2.39/t of TGC for the 2020 deal.

In May 2018, Walkabout Resources exercised its option to acquire the remaining 30% interest in the Lindi Graphite Project in Tanzania for US\$1 million (\$1.3M) in cash. Lindi's Resource Estimate of 2016 also includes 0.2% V<sub>2</sub>O<sub>5</sub> apart from 11%TGC. Based on the Mineral Resource, currency exchange rate and the share price at the time, this equates to \$1.35/t of TGC.

During April 2018, Renascor Resources exercised the option to acquire the remaining 51% equity in the Siviour Graphite Project from Ausmin Development Pty Ltd by issuing 187.6

million shares in the company. Based on the Mineral Resource and share price at the time, this equates to \$1.73/t of TGC.

In February 2018, Triton Minerals acquired the remaining 20% of the Tanzania exploration licenses encompassing the areas of Ancuabe, Nicanda Hill, Cobra Plains, Nicanda West and Balama South from its JV partner, Gregory James Sheffield, for US\$1.5M (\$1.9M). Nicanda Project's Mineral Resource also includes 0.29% V<sub>2</sub>O<sub>5</sub> apart from 11% TGC. Based on the Triton's Mineral Resource and exchange rates at the time, this equates to \$0.06/t of TGC.

During September 2017, Mineral Commodities Ltd (MRC) acquired 51% interest in the Munglinup Graphite Project in Western Australia from Gold Terrace Pty Ltd for an upfront consideration of \$3.2M cash and 10 million shares in MRC. Based on the Mineral Resource and MRC's share price at the time, this equates to \$15.56/t of TGC.

In May 2017, CN Docking Joint Investment and Development Co Ltd signed a non-binding term sheet with Graphex for an equity investment of US\$18-US\$20M (\$24M) for a 50% interest in the Chilalo Project along with the off-take agreement. Based on Chilalo's Mineral Resource and exchange rates at the time, this equates to A\$16.07/t - A\$18.08/t of TGC. However, the transaction was not completed as such Mining Insights considers this not to be a reliable comparable transaction.

During September 2015, Bass Metals (renamed, Greenwing Resources) entered into an agreement with Stratmin Global Resources Plc to acquire Graphmada Graphite assets located in Madagascar. These assets have previously operated. The initial payment includes \$1.5M cash in addition to 75 million shares at \$0.01/share. Subsequently in December 2016, Bass renegotiated the deferred consideration payment to \$3.14M, bringing the total cost of acquisition to \$5.39M. Based on the Mineral Resource and share price at the time, this equates to \$23.48/t of TGC.

Considering the risk profile based on project location, geology, metallurgy, size and grade of the deposit, graphite flake size and other micro and macro-economic parameters (including market sentiment) which could affect the project viability and economics, in Mining Insights' opinion, the implied value of delineated mineralisation within the Chilalo Project should be in the range of \$7.25/t to \$8.75t of contained TGC for high grade Mineral Resource and \$3.5/t to \$5.5/t of contained TGC for lower grade Mineral Resource.

Therefore, based upon the market-based comparable transaction method, the valuation of 100% of the Chilalo Project has been assigned in the range of \$20.3M to \$26.6M with a preferred value of \$23.5M. A summary of the Mining Insights' market-based valuation is presented in Table 8:3.

**Table 8:3 Mineral Resource - Market-Based Valuation**

Item	Mineral Resource (TGC kt)	Market Comparable Value (\$/t)			Market Comparable Value (\$M)		
		Lower	Preferred	Upper	Lower	Preferred	Upper
High Grade	1,990	7.25	8.0	8.75	14.4	15.9	17.4
Low Grade	1,677	3.5	4.5	5.5	5.9	7.5	9.2
Mineral Resource - Market-Based Valuation					<b>20.3</b>	<b>23.5</b>	<b>26.6</b>

### 8.5.2 Valuation of Mineral Resource - Yardstick Method

To determine the fair market value for the Chilalo Project existing mineral resource, Mining Insights has reviewed recent market transactions for exploration assets involving sale and purchase of tenements with graphite projects with delineated Mineral Resource reported in accordance with JORC 2012.

The yardstick method can also be considered as a valuation approach, particularly as a cross check or supporting valuation technique to support the valuation generated by a comparable transaction method. This method is typically used as a supporting approach for valuation of Ore Reserves and / or Mineral Resources and is based on a percentage of the current metal price.

For Mineral Resource estimates, a common yardstick value would be between 0.15% and 3% of the current commodity price, dependent on the Mineral Resource classification as at the valuation date. For lower classification levels such as Inferred Mineral Resources this percentage is lower reflecting the higher uncertainty compared to Indicated or Measured categories. The risks relating to the resources described above have been incorporated into the Yardstick approach. The yardstick multiples are commonly used for gold transactions and has been developed by the valuation industry as a basis of possible project valuations based on a large dataset of gold transactions. As there are few transactions for graphite projects this is considered a reasonable guide as to a possible value however due to the lack of transactions it is considered a guide to a possible valuation.

Mining Insights has applied a range of percentage values, corresponding to the classification of the graphite ORE and Mineral Resources within the Project and the price for the graphite concentrate (US\$1,350/t and AUD: USD of 0.64) at the valuation date in order to value the resources within the Projects. The valuations are summarised in Table 8:4.

**Table 8:4 Mineral Resource - Yardstick Valuation**

Domain	Classification	Contained TGC (kt)	Lower %	Upper %	Value – Low (\$'000)	Value - High (\$'000)
High Grade	Indicated	1,082	0.40%	0.60%	9,129	13,694
	Inferred	908	0.25%	0.50%	4,788	9,577
Low Grade	Inferred	1,677	0.20%	0.35%	7,075	12,381
Mineral Resource – Yardstick Valuation		3,667	0.27%	0.45%	20,993	35,652

Therefore, Mining Insights considers the Mineral Resources estimates within the Chilalo Project as detailed above to be valued, based on a yardstick approach, at between \$21.0 million and \$35.7 million with a preferred valuation of \$28.3 million (midpoint between high and low).

## 8.6 Valuation of Exploration Potential

### 8.6.1 Valuation based on Geoscientific Rating Method

The Geoscientific or Modified Kilburn method of valuation, as described by Kilburn (1990), attempts to quantify the relevant technical aspects of a property through the use of appropriate multipliers (factors) applied to an appropriate base (or intrinsic) value. The intrinsic value is referred to as the Base Acquisition Cost (BAC) and is critical as it forms the standard base from which to commence a valuation. It represents “the average cost to identify, apply for and retain a base unit of area of the title”.

Multipliers or factors are considered for Off-property aspects, On-property aspects, Anomaly aspects and Geological aspects. These multipliers are applied sequentially to the BAC to estimate the Technical Value for each tenement. A further Market Factor is then considered to derive a Fair Market Value.

Mining Insights has used a BAC of \$600/km<sup>2</sup>. Mining Insights has compared this BAC against the actual expenditure reported for the past two years and considers it be reasonable. Mining Insights has assessed the Market Factor of 90% based on the current soft market conditions for the graphite industry. The rating criteria used for assessing the modifying factors are provided in Table 8:5.

**Table 8:5 Geoscientific Rating Table**

Rating	Off property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1			No anomaly identified	Unfavourable geological setting
0.5	Unfavourable district/basin	Unknown area	Extensive previous exploration provided poor results	Poor geological setting/ extensive cover
0.9			Poor results to date	Generally, favourable geological setting, undercover or complexly deformed
1	No known mineralisation in the district	No known mineralisation on lease	No targets outlined	Generally favourable geological setting
1.5	Minor workings	Minor workings or mineralised zones exposed	Target identified, initial indications positive	
2	Several old workings in district	Several old workings or exploration targets identified	Several well-defined targets supported by limited drill data	Multiple exploration models being applied simultaneously
2.5			Several well-defined targets with encouraging drill results	Well defined exploration model applied to new areas
3	Mine or abundant workings with significant previous production	Mine or abundant workings with the previous production	Significant grade intercepts evident but not linked on the cross or long section	Significant mineralised zones exposed in prospective host rocks
3.5				



Rating	Off property Factor	On Property Factor	Anomaly Factor	Geological Factor
4	Along strike from a major deposit	Major mine with significant historical production	Several sub-economic grades intercept on adjacent sections	Well understood exploration model, with valid targets in the structurally complex area, or undercover
5	Along strike of the world-class deposit		Marginal economic targets of significant size	Well understood exploration model, with valid targets in well-understood stratigraphy
6			Advanced exploration model constrained by known and well-understood mineralisation	
10		World-class mine		

Geoscientific ratings per tenement and valuation based on a Geoscientific Method for Evolution Energy's tenements are provided in Table 8:6. These Geoscientific ratings have considered the location, prospectivity and level of exploration work completed.

**Table 8:6 Valuation of Exploration Potential - Geoscientific Method**

BAC (\$'000)	Factor Range	Off Property	On property	Anomaly	Geology	Technical Value (\$'000)	Market Factor	Valuation (\$'000)
96.6	Low	2.5	2.5	3.5	3	6,339	90%	5,705
	High	3	3	4.5	4	15,649		14,084

Therefore, Mining Insights considers the Chilalo exploration tenure as detailed above to be valued, based on the geoscientific rating method, at between \$5.7 million and \$14.1 million with a preferred valuation of \$9.9 million (midpoint between high and low).

### 8.6.2 Valuation based on Multiples of Exploration Expenditure (MEE)

The MEE method is largely based on the assumption that, where possible, vendors will seek a return on sunk investments and as a result, multipliers are used to estimate the possible Market Value. This method uses previous exploration expenditure and future committed exploration expenditure to derive a base estimate of value for the tenements. This base value is then factored by a prospectivity enhancement multiplier (PEM) with adjustments for market premium or discount and consideration of the quality of the exploration results used to derive a Market Value for the tenements (Table 8:7).

**Table 8:7 Prospectivity Enhancement Multipliers**

PEM Range	Criteria
0.2 - 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation defined
0.5 - 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 - 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 - 1.5	Exploration has considerably enhanced the prospectivity (geological mapping, geochemical or geophysical activities)
1.5 - 2.0	Scout drilling (RAB, Aircore, RC) has identified economic drill intersections of mineralisation



PEM Range	Criteria
2.0 – 3.0	Detailed drilling has defined prospects with a potential economic interest
2.5 – 3.5	A Mineral Resource has been estimated at Inferred JORC category
3.0 – 4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Pre-feasibility Study
4.0 – 5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

Mining Insights has been provided with details regarding the required committed expenditure for the current financial year by Evolution Energy, while the actual historical exploration expenditure for the past two years was derived from the quarterly activity reports and 2023 Annual Report. Mining Insights has then applied a PEM as summarised in Table 8:8.

**Table 8:8 MEE Valuation for the exploration tenements outside Mineral Resources**

Project	Exploration Expenditure (\$M)	Prospectivity Enhancement Multiplier			MEE Value (\$M)		
		Lower	Preferred	Upper	Lower	Preferred	Upper
Chilalo	3.9	2.5	2.75	3.0	9.8	10.7	11.7
					<b>9.8</b>	<b>10.7</b>	<b>11.7</b>

Based on its analysis using the MEE method, Mining Insights considers the value of the Exploration Potential associated with Chilalo's tenure resides between \$9.8 million and \$11.7 million on a 100% equity interest basis.

## 8.7 Valuation Summary

In forming its opinion of the reasonable value of Evolution Energy's tenements, Mining Insights has taken guidance from the comparable market transactions method, Yardstick, Geoscientific Rating method and MEE. In selecting its overall value range and preferred value, Mining Insights has placed equal weight on the values implied by the various methods, with a preferred value being halfway between the low and high-value range.

Summary of valuation for Evolution Energy's tenements is shown in Table 8:9.

**Table 8:9 Valuation – Evolution Energy Projects**

Method	Method	Implied Value (\$M)		
		Low	Preferred	High
Mineral Resource	Comparable Transaction	20.3	23.5	26.6
	Yardstick Method	21.0	28.3	35.7
	Valuation (Selected)	<b>20.6</b>	<b>25.9</b>	<b>31.1</b>
Exploration Potential	Geoscientific Rating Method	5.7	9.9	14.1
	Multiples of Exploration Expenditure	9.8	10.7	11.7
	Valuation (Selected)	<b>7.7</b>	<b>10.3</b>	<b>12.9</b>
Chilalo Project Valuation (100% basis)		<b>28.4</b>	<b>36.2</b>	<b>44.0</b>
Chilalo Project Valuation (Evolution Energy 84% equity basis)		<b>23.8</b>	<b>30.4</b>	<b>37.0</b>

Based on Market Comparable, Yardstick, Geoscientific Rating and Multiple of Exploration Expenditure methods, the valuation for Evolution Energy's relevant equity interest in Chilalo tenements has been determined to be in the range of \$ 23.8 million to \$37.0 million with a preferred value of \$30.4 million. This valuation range is considered appropriate for the Chilalo Project at this stage of development, reflecting the uncertainty of eventual extraction of a mineral resource.

Compiled by

A handwritten signature in black ink, appearing to read 'Manish', followed by a horizontal line and a small flourish.

Manish Garg

Director / Mineral Asset Valuation Specialist

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## Appendix A – Valuation Approaches and Methods

To ensure compliance with the ASX’s listing rules and the Australian Corporations Act, this report has been prepared in accordance with the VALMIN Code. Under the VALMIN Code, mineral assets are classified according to their maturity. A *mineral asset* includes all property held for the purpose of near-term or eventual mineral extraction, including but not limited to:

- real property;
- intellectual-property;
- concessions, plant, equipment and associated infrastructure.

Most mineral assets can be classified as outlined in the table below.

Mineral asset classification	
Project development stage	Criterion
Exploration areas	Mineralisation may or may not have been defined, but where a Mineral Resource has not been identified.
Advanced exploration areas	Considerable exploration has been undertaken and specific targets identified. Sufficient work has been completed on at least one prospect to provide a good geological understanding and encouragement that further work is likely to result in the determination of a Mineral Resource.
Pre-development / Resource	Mineral Resources and/or Ore Reserves have been identified estimated. A positive development decision has not been made. This includes properties where a development decision has been negative and properties are either on care and maintenance or held on retention titles.
Development	Committed to production but not yet commissioned or not initially operating at design levels.
Operating	Mineral properties, in particular mines and processing plants, which have been fully commissioned and are in production.

Source: VALMIN, 2015

Under the VALMIN Code, the *value* is the fair market value of a mineral asset (2015). Fair market value is the amount of money or the cash equivalent that a willing buyer and seller would exchange on the valuation date in an arm’s length transaction (VALMIN, 2015). Each party is assumed to have acted knowledgeably and without compulsion. In essence, fair market value is comprised of:

- Underlying or ‘technical value’ - a mineral asset’s future economic benefit under a set of assumptions, excluding any premium or discount for the market, strategic, or other considerations
- Market component - a premium relating to market, strategic or other considerations, which can be either positive, negative, or zero.

The market value should include all material information about the asset. For projects with extensive technical detail, the valuer determines the materiality of information based on whether its inclusion would result in the valuation reaching a different conclusion.

There is no single method of valuation that is appropriate for all situations. The applicability of the various valuation approaches and methods varies depending on the stage of exploration or development of the mineral asset, and hence the amount and quality of the information available on the mineral potential of the assets. The table below presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

**Valuation approaches for different types of mineral assets**

Approach	Project development stage			
	Exploration	Resource	Development	Operating
Income	No	Rarely	Yes	Yes
Cost	Yes	Rarely	No	No
Market	Yes	Yes	Yes	Yes

Source: VALMIN Code (2015)

### **Market-based approach**

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value using a process similar to that in the real estate industry. The market-based approach may use the assumption either of joint venture terms or outright acquisitions and can be presented in a range of unitised values including on a dollar per ounce or a tonne of contained metal/mineral; a dollar per square kilometre; or as a percentage of the prevailing commodity price.

In Mining Insights' opinion, a market-based approach is well suited to establishing a likely value for mineral deposits and exploration projects, as it inherently takes into account all value drivers.

### **Related comparable transactions**

Recent comparable transactions can be relevant to the valuation of projects and concessions. While it is acknowledged that it can be difficult to determine to what extent the properties and transactions are indeed comparable unless the transactions involve the specific parties, projects or concessions under review, this method can provide a useful benchmark for valuation purposes. The timing of such transactions must be considered as there can be a substantial change in value with time.

Mining Insights has considered whether any comparable relevant transactions have taken place in recent years which can be used as a basis for estimation of the value of the mining assets assessed herein.

As no two mineral assets are the same, the Expert must be cognizant of the quality of the assets in the comparable transactions, with specific reference to:

- the grade of the resource
- the metallurgical qualities of the resource
- location of the deposit (geopolitical risk associated with the location)
- the proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled workforce, equipment, etc.
- likely operating and capital costs
- the amount of pre-strip (for open pits) or development (for underground mines) necessary

- the likely ore-to-waste ratio (for open pits)
- the size of the concession covering the mineral asset, and
- the overall confidence in the resource.

## **Alternative offers and joint venture terms**

If discussions have been held with other parties and offers have been made on the project concessions under review, then these values are certainly relevant and worthy of consideration. Similarly, joint venture terms where one party pays to acquire an interest in a project or spends exploration funds to earn interest, indicate value.

## **Rules of thumb or yardsticks**

Certain industry ratios are commonly applied to mining projects to derive an approximate indication of value. The most commonly used ratios are dollars per tonne of coal in resources, dollars per tonne of coal in reserves, and dollars per tonne of annual production. The ratios used commonly cover a substantial range which is generally attributed to the 'quality' of the coal, the infrastructure to reach markets and the status of the tonne estimates. The low cost of production tonnes is worth more than high-cost tonnes. Where a project has substantial future potential not yet reflected in the quoted resources or reserves a ratio towards the high end of the range may be justified.

## **Other Expert Valuations**

Where other independent experts or analysts have made recent valuations of the same or comparable properties, these opinions need to be reviewed and to be taken into consideration.

## **Cost-based Approaches**

### **Appraised Valuation or Multiple of exploration expenditure method (MEE)**

Past expenditure or the amount spent on exploration of a concession is commonly used as a guide in determining the value of exploration concessions, and 'deemed expenditure' is frequently the basis of joint venture agreements. The assumption is that well-directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property therefore a 'prospectively enhancement multiplier' (PEM), which commonly ranges from 0.5-3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgment.

To eliminate some of the subjectivity with respect to this method, Mining Insights applies a scale of PEM ranges as follows to the exploration expenditure:

<b>Prospectively enhancement multipliers</b>	
<b>PEM Range</b>	<b>Criteria</b>
0.2 - 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation defined
0.5 - 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 - 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 - 1.5	Exploration has considerably enhanced the prospectivity (geological mapping, geochemical or geophysical activities)

PEM Range	Criteria
1.5 - 2.0	Scout drilling (RAB, Aircore, RC) has identified economic drill intersections of mineralisation
2.0 – 3.0	Detailed drilling has defined prospects with a potential economic interest
2.5 – 3.5	A Mineral Resource has been estimated at Inferred JORC category
3.0 – 4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Pre-feasibility Study
4.0 – 5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

*Source: Mining Insights*

Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties.

### **Geo-Scientific rating (or Kilburn method)**

Geo-Scientific rating (or Kilburn method), is used to value early-stage exploration assets. This method is an attempt by the valuation expert to quantify the various technical aspects of a property through the use of multipliers which are applied to a base or intrinsic value (Goulevitch J & Eupene G S, 1994 and Kilburn,1990). This intrinsic value is known as the base holding cost (BHC) which represents “the average cost to identify, apply for and retain a base unit of area of tenement title”.

To derive a value for each property, the valuation expert considers four key attributes which either enhance or downgrade the BHC of each property. The technical factors considered are:

- the Off-property factor – nearby properties containing physical indications of favourable mining conditions such as old workings and/or mines;
- the On-property factor – the property being assessed hosts favourable mining indications such as historic workings or mines. Importantly any mineralisation capable of supporting a Mineral Resource estimate, compliant according to the guidelines of JORC 2012, will be assessed using other valuation methods;
- the Anomaly factor – assesses the degree of exploration completed over the property and the number of resultant mineralised targets identified, and
- the Geological factor – assesses the area covered by and degree of exposure of favourable rock types and/or structures (if this is related to the mineralisation style being assessed) within the property.

These attributes are given incremental, fractional or integer ratings to arrive at a series of multiplier factors. These multipliers are then applied sequentially to the BHC to estimate the Technical Value of each mineral property. This is adjusted for local market conditions to determine the Fair Market Value of the project as at the effective valuation date. The strength of the geoscientific method is that it makes an attempt to implement a systematic system. Whilst it does require a subjective assessment of the various multipliers, it also demands a degree of detached rigour to account for the key factors that can be reasonably considered to impact on the exploration potential of a property. Mining Insights’ multipliers or ratings and the criteria for rating selection are summarised in the table below.

### Geo-Scientific Rating Criteria

Rating	Off property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1			No anomaly identified	Unfavourable geological setting
0.5	Unfavourable district/basin	Unknown area	Extensive previous exploration provided poor results	Poor geological setting/ extensive cover
0.9			Poor results to date	Generally, favourable geological setting, undercover or complexly deformed
1	No known mineralisation in the district	No known mineralisation on lease	No targets outlined	Generally favourable geological setting
1.5	Minor workings	Minor workings or mineralised zones exposed	Target identified, initial indications positive	
2	Several old workings in district	Several old workings or exploration targets identified	Several well-defined targets supported by limited drill data	Multiple exploration models being applied simultaneously
2.5			Several well-defined targets with encouraging drill results	Well defined exploration model applied to new areas
3	Mine or abundant workings with significant previous production	Mine or abundant workings with the previous production		Significant grade intercepts evident but not linked on the cross or long section
3.5				
4	Along strike from a major deposit	Major mine with significant historical production	Several sub-economic grades intercept on adjacent sections	Well understood exploration model, with valid targets in the structurally complex area, or undercover
5	Along strike of the world-class deposit		Marginal economic targets of significant size	Well understood exploration model, with valid targets in well-understood stratigraphy
6			Several significant ore grade correlate-able intersections	Advanced exploration model constrained by known and well-understood mineralisation
10		World-class mine		

(modified by Mining Insights)



Your proxy voting instruction must be received by **03.00pm (AWST) on Saturday, 06 January 2024**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

## SUBMIT YOUR PROXY

**Complete the form overleaf in accordance with the instructions set out below.**

### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

### STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

### DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

### SIGNING INSTRUCTIONS

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

### Lodging your Proxy Voting Form:

#### Online

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah> or scan the QR code below using your smartphone

**Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.**



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