

# ASX ANNOUNCEMENT

## December Quarterly Activities Report

### HIGHLIGHTS

- Completion of key conditions to the satisfaction of BTR New Material Group Co., Ltd. to facilitate 9.9% investment
- Ongoing collaboration with BTR regarding downstream processing in the US, with a positive visit to the US held during the quarter, which included:
  - Review of potential site locations;
  - Meetings with local government officials;
  - Engagement with suppliers of consumables required for battery anode production.
- Raised \$4.6 million via a two-tranche placement

Evolution Energy Minerals (Evolution or the Company) (ASX: EV1, FSE: P77) is pleased to report the Company's activities for the quarter ended 31 December 2023.

During the quarter, the Company progressed due diligence activities with BTR New Material Group Co., Ltd (BTR) with regards to an investment in Evolution by BTR that will deliver BTR a 9.9% interest in the Company (BTR Investment), a binding offtake agreement for the sale of fine flake graphite from Chilalo and a memorandum of understanding for downstream processing (Downstream MOU).

Post quarter end, the Company announced that key conditions to completion of the BTR Investment had been satisfied, including BTR having completed due diligence to its satisfaction.

Completion of the BTR Investment now remains conditional only on obtaining approval of Evolution shareholders for the purposes of Listing Rule 7.1, with a meeting of Evolution shareholders to be held on 29 February 2024 for that purpose, and there being no material adverse event with respect to Evolution.

Due diligence undertaken by BTR included visits to the Perth office, Chilalo project in Tanzania, a US downstream processing site investigation trip and battery anode testwork on graphite from Chilalo. The Company expects the transaction to be completed in the March quarter.<sup>1</sup>

### Evolution Managing Director, Phil Hoskins, commented:

*"The work undertaken during the quarter was critical for the timely development of the Chilalo Graphite Project in Tanzania. A significant amount of information and product was supplied to BTR to allow it to be satisfied with the quality of the project and with Evolution itself."*

*"The site visits to Perth, Tanzania and various locations in the US was fundamental to BTR recognising the quality of the work carried out by the Company as it seeks to develop Chilalo and position as a vertically integrated graphite company. Partnering with the global leader in the production of anode materials is a key element of delivering on our strategy of vertical integration."*

*"Our interactions with BTR during the quarter have given us a high degree of confidence that advancing our relationship with BTR has the potential to deliver material benefit to both Evolution and BTR."*

<sup>1</sup> For further information on the Investment Agreement, see ASX announcements dated 16 August 2023, 30 October 2023 and 22 January 2024.

## BTR INVESTMENT

During the quarter, Evolution advanced its engagement with BTR, primarily to support BTR's due diligence. Due diligence conducted by BTR during the quarter included:

- A site visit to Perth for detailed meetings with Evolution's management and key technical advisors;
- A site visit to the Chilalo Project in Tanzania to view the project area and meet with various stakeholders;
- A US trip with Evolution's Australian and US management to meet various stakeholders and visit various sites under consideration for the proposed downstream processing facility; and
- Spheronisation and battery anode testwork on Chilalo product to validate the previous studies completed by Evolution and to assess the properties utilising BTR processes.

Post quarter end, the Company announced that BTR had confirmed that it had completed due diligence to its satisfaction. In particular, BTR advised that:

- Completion of spherical graphite testwork to confirm the suitability of Chilalo fine flake graphite for the production of spherical graphite for use in the manufacture of anode materials. BTR has advised that its testwork delivered exceptional yields into spherical graphite. Figure 1 below shows a Scanning Electron Micrograph of typical spheroidal particles formed through BTR's spheronisation process.
- BTR's due diligence team spent one week in Perth, after which they spent one week in Tanzania that included time at the Chilalo project site and the surrounding townships. BTR conducted a comprehensive assessment of the Chilalo Project, that included meetings with Evolution executives in Perth and Tanzania, review of both the 2020 Definitive Feasibility Study (**2020 DFS**) and the 2023 updated DFS (**Updated DFS**), meetings with key consultants involved in preparation of the 2020 DFS and Updated DFS, and consideration of tenement documents and key permits. BTR's review of the Chilalo project confirmed that Chilalo met BTR's graphite project investment criteria.
- The final element of BTR's due diligence related to the flotation testwork and mineralogy on ore samples collected from surface trenches at Chilalo during BTR's site visit, which has now been completed to BTR's satisfaction.

A meeting of Evolution shareholders is expected to take place on 29 February 2024. Subject to there being no material adverse event with respect to Evolution, the Company will issue 25,860,000 shares to BTR at \$0.14 per share, representing a 9.9% interest in Evolution.

## CHILALO PROJECT

During the quarter, the Company continued to undertake activities targeted to positioning Chilalo for development.

### Resettlement Action Plan

In November, the Company completed a second round of compensation to project affected persons, with the final compensation payment expected to be made in March 2024. In connection with the payment of compensation, the Company held financial training sessions with the local communities.

The Company progressed implementation of the Livelihood Restoration Plan, the key aspects of which included:

- Planting of 3000 cashew seedlings which will be used to support community cashew farm projects, and to replace losses for planting that was not successful last season.
- Preparation of a demonstration plot for sesame farming is under way, which is expected to provide an opportunity for crop diversification over time.

- Further training sessions were held at the Chilalo bee nursery as part of the development of a commercial bee keeping enterprise for the local communities and a honey processing area has been established.

As part of the Livelihood Restoration Program, a significant amount of training is carried out with the local communities.

- Rotational crop and sesame harvesting training, to support food security among local communities.
- Baiting of bee boxes, transferring bee hives and ongoing beehive maintenance.
- Grievance redress mechanism procedures to assist local communities develop the capacity to handle grievances.

### Project finance

During the quarter, work continued in addressing key lender's due diligence reports from Palaris Limited, who was appointed as the Independent Technical Engineer, Prime Resources Pty Ltd as the Independent Environmental and Social Consultant and Fastmarkets as the Independent Graphite Market Consultant.

## REGULATORY ENVIRONMENT DRIVING NEW GRAPHITE SUPPLY SOURCES

The Chinese Government has introduced regulations under which the export of graphite (natural, spherical and synthetic) after 1 December 2023 can only be undertaken with an authorised permit from the Chinese Government. China is the world's largest producer of natural graphite and conducts practically 100% of the purification and spherization processing steps in the production of spherical graphite for battery anodes.

The impact of China's export controls is demonstrated by exports of flake graphite reducing 94% month on month from 23,343 tonnes in November 2023 to 1,427 tonnes in December 2023. Exports of spherical graphite also reduced 92% month on month from 12,187 tonnes in November 2023 to 949 tonnes in December 2023.

These regulations have further highlighted the importance of developing new natural graphite supply sources and anode processing facilities outside of China. China's well entrenched refining and processing capabilities have made it the dominant player in the critical mineral supply chain, including the production of cathode and anode active materials and battery cells required to manufacture batteries essential to the clean energy transition.

Adding to this need are the requirements of US and European governments seeking to reduce their reliance on China for the supply of critical minerals. Of particular significance for graphite are the tax credits available under the US *Inflation Reduction Act (IRA)* for the manufacturers of electric vehicles in the US whose critical minerals and components are extracted, processed or recycled in the US or Free Trade Agreement country.

Against this regulatory backdrop, there is a clear need for ex-China flake graphite supply and anode production capacity outside China.

## CORPORATE

### Placement

In October 2023, the Company announced it had received firm commitments for a two-tranche placement to raise A\$4.6 million. The placement consisted of the issue of approximately 32.9 million fully paid ordinary shares to institutional, sophisticated and professional investors at a price of \$0.14 per share (**Placement**). The Placement was completed as follows:

- Tranche One, which entailed the issue of 24,737,744 shares to institutional, sophisticated and professional investors at \$0.14 per share, utilising the Company's existing placement capacity under Listing Rule 7.1, to raise approximately \$3.46 million (before costs) was completed on 18 October 2023; and

- Tranche Two, which entailed the issue of 8,119,339 shares to ARCH Sustainable Resources Fund, the Company's cornerstone investor, to maintain its 24.71% interest in the Company was completed on 16 January 2024, following the approval of Evolution shareholders on 8 January 2024.

The proceeds of the Placement will be used primarily to:

- Carry out optimisation work to enhance the economics of the Chilalo project;
- Advance the project finance process;
- Continue the execution of the RAP, a pre-requisite for the development of Chilalo;
- Progressing US downstream battery anode collaboration with BTR; and
- General working capital.

## Cash

As at 31 December 2023, the Company had cash of \$1.48 million. In January 2024, \$1.14 million was received from ARCH following the receipt of shareholder approval and, subject to Evolution shareholders approving the BTR Investment at a general meeting to be held on 29 February 2024, the Company expects to receive proceeds of \$3.62 million (before costs).

## Personnel

In early January 2024, the Company's Chief Operating Officer (**COO**), Mr Michael Bourguignon resigned to pursue other opportunities. The functions of the COO are currently being undertaken by Mr John Nolan, Manager Operational Readiness, while the Company determines its approach to replacing Mr Bourguignon.

## INFORMATION REQUIRED UNDER ASX LISTING RULES

### Information required under Listing Rules 5.3.1 and 5.3.2

Evaluation and exploration expenditure during the Quarter amounted to \$1.3 million. During the quarter, there were no mining production and development activities.

### Information required under Listing Rule 5.3.3 – tenement information

The Company's tenement interests as at 31 December 2023 are shown below.

Licence	Project	Location	Beneficial Interest at start of quarter <sup>1</sup>	Beneficial Interest at end of quarter <sup>1</sup>
ML/00951/2023 – Chilalo	Chilalo	Tanzania	84%	84%
PL/25161/2023	Chilalo	Tanzania	84%	84%

1. The remaining 16% is held by the Government of Tanzania as an undiluted, free-carried interest in Kudu.

### Information required under Listing Rule 5.3.4

Proposed Use of Funds	Prospectus use of funds (estimate) (\$)	Actual use of funds (16/11/21 to 31/12/2023) (\$)	Variance (\$)	Footnote
Lender Debt Repayment	9,500,000	9,500,000	-	1
Marvel Cash Consideration	2,000,000	2,000,000	-	1
Offer associated costs	2,114,744	2,282,631	(167,887)	2

Proposed Use of Funds	Prospectus use of funds (estimate) (\$)	Actual use of funds (16/11/21 to 31/12/2023) (\$)	Variance (\$)	Footnote
Exploration & Tenement Costs	1,500,000	2,646,631	(1,146,751)	3
DFS Optimisation	1,000,000	3,813,878	(2,813,878)	4
Downstream Studies/opportunities	2,500,000	2,043,512	456,488	5
Graphite product qualification	450,000	3,143,053	(2,693,053)	6
ESG Compliance	400,000	5,531,449	(5,131,449)	7
Early works	1,100,000	-	1,100,000	8
Working Capital*	3,435,256	7,893,038	(4,457,782)	9
<b>Total</b>	<b>24,000,000</b>	<b>38,854,313</b>	<b>(14,854,312)</b>	

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

1. N/A – Immaterial variation
2. Legal and advisory costs. Variance not significant.
3. Complete a more expansive drilling program to test a larger number of near mine targets and ongoing tenement costs.
4. Additional study work associated with the dry stacking of tailings (eliminating a significant ESG risk and reducing capex), mine optimisation (resulting in lower p/t cost of mining) and metallurgical test work optimisation.
5. Testwork on the suitability of Chilalo graphite to battery anode and other value applications has been undertaken. Set-up of U.S. subsidiary and study work to around accessing US IRA funding.
6. Product qualifications continuing with binding offtake agreement signed and ongoing negotiations around vertical integration partnerships.
7. The Company has undertaken an extensive RAP and environmental studies are ongoing. Current quarter included the payment of US\$250k to affected persons in compensation as required under the RAP.
8. Early works will commence after project financing has been secured.
9. Working capital will continue to be incurred.

### Information required under Listing Rule 5.3.5

During the Quarter, the Company made payments to related parties of \$194,000, all of which comprised payments to Evolution directors (two executive directors and two non-executive directors) in accordance with the applicable terms of engagement.

### Reference to Previous ASX Announcements

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

This announcement has been approved for release by Evolution's Board of Directors.

### For further information please contact:

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# ABOUT EVOLUTION (ASX:EV1)



## Development ready

Chilalo Graphite Project in Tanzania



## Chilalo Project

High margin, low capex



## BTR strategic partnership

Transformational offtake, funding and downstream collaboration



## Battery suitability

Premium quality CSPG produced from fines



## Vertically integrated strategy

Accelerated and de-risked partnership model with proven technology

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

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

**EVOLUTION**  
ENERGY MINERALS

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## Appendix 5B

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

Name of entity

Evolution Energy Minerals Limited

ABN

53 648 703 548

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(1,306)	(2,321)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(683)	(1,259)
	(e) administration and corporate costs	(764)	(1,200)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (graphite marketing, financing and downstream)	(984)	(1,745)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(3,737)</b>	<b>(6,525)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(14)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (sale of royalty over the Chilalo project)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(14)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,463	3,463
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(225)	(225)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (IPO transaction costs)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,239</b>	<b>3,239</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,519	4,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,737)	(6,525)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(14)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,239	3,239



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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	455	334
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,476</b>	<b>1,476</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,476	1,519
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,476</b>	<b>1,519</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	194 <sup>1</sup>
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<sup>1</sup> Fees, salaries and superannuation paid to directors.		

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

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

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,737)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,737)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,476
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,476
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	0.4
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes – During January 2024 the Company received \$1.14M, following shareholder approval for the issue of the remainder of the shares under the capital raising announced on 9 October 2023. Additionally, it was announced on 22 January 2024 that key conditions to completion of the issue of shares to BTR to raise \$3.62M, including the due diligence condition precedent, had been satisfied and, subject to obtaining approval from Evolution's shareholders and no material adverse event occurring in respect of the Company, it is expected that the investment of \$3.62M from BTR will occur in early March 2025, following the meeting of Evolution shareholders on 29 February 2024.	

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

Answer: Yes - given the responses to 8.8.1 and 8.8.2 above.

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

## Compliance statement

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

Date: 31 January 2024

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

## Notes

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