



## Evolution Mining Limited

# Explanatory Memorandum



HERBERT  
SMITH  
FREEHILLS

Legal adviser

**This is an important document and  
requires your immediate attention.**

If you are in any doubt about how to deal with this document, you should contact your broker or financial, taxation, legal or other professional adviser immediately.

In relation to the proposed acquisition by Evolution Mining Limited (**Evolution**) of all of the issued share capital of Toledo Holding (Ausco) Pty Limited (**Toledo**) from La Mancha Group International BV (**LM Vendor**) in exchange for the issue of 322,023,765 Evolution Shares and the issue of the Additional Evolution Shares for an aggregate subscription price of up to A\$112 million.

The Evolution Directors unanimously recommend that you **vote in favour** of the Resolution, in the absence of a superior proposal.

A Notice of Meeting is included as Attachment 2 to this Explanatory Memorandum, and a proxy form for the Meeting accompanies this Explanatory Memorandum.

The Meeting will be held at 11:00am (Sydney time) on 30 July 2015 at the Sofitel Sydney Wentworth Hotel, 61 - 101 Phillip Street Sydney NSW.

If, after reading this Explanatory Memorandum, you have any questions about the Resolution, please contact the Evolution Shareholder Information Line on 1300 653 497 within Australia (or +61 1300 653 497 for overseas callers) between 8:30am and 5:30pm (AEST) Monday to Friday.

# Disclaimer and important notice

## General

You should read this Explanatory Memorandum in full before making any decision as to how to vote at the Meeting.

## Purpose of this document

This Explanatory Memorandum has been prepared for Evolution Shareholders in connection with the extraordinary general meeting to be held at 11:00am (Sydney time) on 30 July 2015. The purpose of this Explanatory Memorandum is to provide Evolution Shareholders with information that the Evolution Directors believe to be material to deciding whether or not to approve the Resolution detailed in the Notice of Meeting included as Attachment 2.

This Explanatory Memorandum does not constitute or contain an offer to Evolution Shareholders, or a solicitation of an offer from Evolution Shareholders, in any jurisdiction.

A copy of this Explanatory Memorandum has been provided to ASIC and ASX. None of ASIC or ASX, or their officers take any responsibility for the contents of this Explanatory Memorandum.

## Defined terms, times and dates

Capitalised terms used in this Explanatory Memorandum are defined in section 11 of this Explanatory Memorandum. Section 11 also sets out some rules of interpretation which apply to this Explanatory Memorandum.

All times and dates referred to in this Explanatory Memorandum are times and dates in Sydney, Australia, unless otherwise indicated.

## No investment advice

This Explanatory Memorandum has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Evolution Shareholder or any other person. The information and recommendations contained in this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. The Evolution Board encourages you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Resolution.

This Explanatory Memorandum is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to vote in favour of the Resolution. In particular, it is important that you consider the potential risks of the proposed La Mancha Transaction, as set out in section 9 of this Explanatory Memorandum, and the views of the Independent Expert set out in the Independent Expert's Report contained in Attachment 1 to this Explanatory Memorandum.

If you are in doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser.

## Forward looking statements

Some of the statements appearing in this Explanatory Memorandum may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Explanatory Memorandum (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'guidance', 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of Evolution or LM SARL and LM Vendor are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Evolution, LM SARL and LM Vendor operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Evolution or LM SARL and LM Vendor or their respective officers, directors, employees or advisers or any person named in this Explanatory Memorandum or involved in the preparation of this Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Explanatory Memorandum reflect views held only at the date of this Explanatory Memorandum. Subject to any continuing obligations under the ASX Listing Rules or the Corporations Act, Evolution, LM SARL and LM Vendor and their respective officers, directors, employees and advisers disclaim any obligation or undertaking to distribute after the date of this Explanatory Memorandum any updates or revisions to any forward looking statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

## Responsibility statement

Except as outlined below, the information contained in this Explanatory Memorandum has been prepared by Evolution and is its responsibility alone. Except as outlined below, neither LM SARL, LM Vendor nor any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

LM Vendor and LM SARL have together prepared and provided the La Mancha Information and are together responsible for that information. Neither Evolution, nor its directors, officers or advisers assume any responsibility for the accuracy or completeness of the La Mancha Information.

Ernst & Young Transaction Advisory Services Limited (**Ernst & Young**) has prepared the Independent Expert's Report (as set out in Attachment 1 to this Explanatory Memorandum) and takes responsibility for that report. None of Evolution, LM Vendor or LM SARL, nor any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of Evolution, in relation to the information which it has provided to the Independent Expert.

No consenting party has withdrawn their consent to be named before the date of this Explanatory Memorandum.

## Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Explanatory Memorandum has been prepared in accordance with the laws of the Commonwealth of Australia and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of a jurisdiction outside Australia.

## Financial amounts

All financial amounts in this Explanatory Memorandum are expressed in Australian currency unless otherwise stated.

Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

All financial and operational information set out in this Explanatory Memorandum is current as at the date of this Explanatory Memorandum, unless otherwise stated.

## Charts, maps and diagrams

Any diagrams, charts, maps, graphs or tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the date of this Explanatory Memorandum.

## Privacy

Evolution may collect personal information in the process of implementing the La Mancha Transaction. The type of information that it may collect about you includes your name, contact details and information on your shareholding in Evolution and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Evolution to conduct the Meeting and implement the La Mancha Transaction. Without this information, Evolution may be hindered in its ability to issue this Explanatory Memorandum and implement the La Mancha Transaction. Personal information of the type described above may be disclosed to the Evolution Share Registry, third party service providers (including print and mail service providers and

## Disclaimer and important notice (continued)

parties otherwise involved in the conduct of the Meeting), authorised securities brokers, professional advisers, related bodies corporate of Evolution, regulatory authorities, and also where disclosure is otherwise required or allowed by law.

Evolution Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of information about you held by the Evolution Share Registry in connection with Evolution Shares, please contact the Evolution Share Registry.

Evolution Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform such an individual of the matters outlined above.

### Date of Explanatory Memorandum

This Explanatory Memorandum is dated 23 June 2015.

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# Letter from the Chairman of Evolution

23 June 2015

Dear Evolution Shareholder,

On behalf of the Board of Directors of Evolution Mining Limited (Evolution), I am pleased to present you with an acquisition proposal that I believe will add significant value to your investment in Evolution.

Evolution has entered into a binding agreement with La Mancha Group International B.V. (**La Mancha**) to acquire 100% of La Mancha's Australian operations (**La Mancha Australia**) (the **La Mancha Transaction**).

The purchase consideration for the La Mancha Transaction is the issue to La Mancha of approximately 322.024 million new fully-paid Evolution ordinary shares. In addition, La Mancha has agreed to subscribe for up to approximately A\$112 million of additional Evolution Shares at a subscription price of \$0.90 per Evolution Share being the same price offered to Evolution Shareholders under the Entitlement Offer. Immediately following those share issues, La Mancha will hold approximately 31% of Evolution Shares on issue<sup>1</sup>.

When we announced the La Mancha Transaction, La Mancha had signalled its intent to support Evolution's future growth opportunities with an in principle commitment of up to A\$100 million in equity. With the Cowal opportunity emerging in the interim, La Mancha has strongly supported this acquisition and has agreed to firm up and increase that commitment to A\$112 million. This commitment was important in enabling Evolution to submit its successful offer to acquire Cowal.

We believe all Evolution Shareholders will benefit from the La Mancha Transaction as it is a significant step towards realising our long-standing goal of becoming a globally relevant mid-tier gold company.

**The Evolution Board unanimously recommends that Evolution Shareholders VOTE IN FAVOUR of the La Mancha Transaction.**

La Mancha Australia's Mungari Operation includes the high-grade Frog's Leg underground gold mine, the adjacent White Foil open-pit gold mine and the recently completed 1.5 Mtpa Mungari CIL processing plant – all located in close proximity to Kalgoorlie in Western Australia.

Combined annual production from La Mancha Australia's Mungari Operation is in the range of 130,000 – 160,000 ounces of gold at an all-in sustaining cost (**AISC**) of \$A950 – A\$1,000 per ounce.

Following completion of the La Mancha Transaction and assuming completion of the Cowal Transaction, Evolution will have annual production of 760,000 – 860,000 ounces of gold from seven operations all located in Australia, at a globally competitive AISC of \$A950 – A\$1,020 per ounce.

The combination will result in La Mancha becoming Evolution's largest shareholder and long-term strategic partner. Both companies have a shared vision of building on Evolution's track record of operational excellence to create a globally-relevant, Australian focused mid-tier gold producer.

The La Mancha Transaction has the dual benefit of delivering a high quality asset into Evolution's portfolio and partnering Evolution with a long-term strategic shareholder who shares our vision. This is demonstrated by the La Mancha Group's willingness to enter into an equity lock-up for two years in respect of a portion of the New Evolution Shares and the commitment to subscribe for approximately A\$112 million of additional Evolution Shares.

The La Mancha Australia assets are an excellent addition to Evolution's existing portfolio, and are exactly the type of high-quality, low-cost producing assets that Evolution has been seeking to acquire. They are also located in a highly prospective and strategically important region of Australia that offers significant exploration potential.

For some time we have been saying that this is a pivotal time for the gold industry. Asset values are in the range of 60% - 70% below their peak in 2011 and sentiment, which is set on the basis of the prevailing US dollar gold price, is poor.

This negative outlook for gold equities is occurring at the exact time that many of the largest gold companies in the world find themselves with over geared balance sheets and the need to recapitalise is driving the ongoing and well publicised asset sales by a number of these major gold companies. At the same time, junior gold companies are also finding themselves in the capital wilderness with limited or no access to capital.

<sup>1</sup> \$0.90 per Evolution Share is the offer price under the Evolution pro rata entitlement offer announced on 25 May 2015 (Entitlement Offer). The exact number of Evolution Shares to be issued to La Mancha will depend on the number of Evolution Shares issued under the Entitlement Offer and the issue of Evolution Shares to La Mancha will not occur if the La Mancha Transaction does not proceed.

Amidst this gloomy global sentiment for gold and gold equities there is a bright spot – the Australian gold producer. Assisted by a depreciating Australian dollar which has supported increased revenues and lower costs, Evolution continues to make progress towards increasing both production and cash margins.

Since our formation some three-and-a-half years ago, we have demonstrated a capacity to deliver an enviable level of operational predictability and a track record of meeting or exceeding guidance. We have established a very strong team capable of delivering across the three core pillars of our business – Operations, Discovery and Mergers & Acquisitions.

Our excellent operational performance and strong financial position provide us with a fantastic platform to take the next step and deliver on our goal to improve the quality of our asset portfolio. Both the Cowl Transaction and the combination with La Mancha's Australian operations clearly achieve this goal.

The Cowl Transaction and the La Mancha Transaction are the culmination of three-and-a-half years of hard work which has seen Evolution emerge from a very challenging time in the Australian gold industry in a very strong position. The outstanding performance of our operations since Evolution's creation in November 2011 is a major reason why the La Mancha Group has selected Evolution as its chosen partner to grow a globally significant gold miner within Australia.

Ernst & Young, the Independent Expert engaged by the Evolution board to opine on the La Mancha Transaction, has concluded that the La Mancha Transaction is not fair but reasonable. Ernst & Young has arrived at this conclusion on the basis that, pursuant to ASIC policy, the La Mancha Transaction must be assessed as a control transaction (essentially a takeover of Evolution by La Mancha) due to the fact that La Mancha will have an interest in Evolution of more than 20% following implementation.

Assessing the transaction as a control transaction, Ernst & Young has assessed the fair value of an Evolution Share on a controlling interest and concluded that the La Mancha Transaction is not fair because the fair value of an Evolution Share on a controlling interest prior to the La Mancha Transaction is greater than the pro-forma fair value of an Evolution Share post the La Mancha Transaction on a minority basis.

ASIC policy recognises that there may be circumstances where an entity may acquire 20% or more of another entity without obtaining or increasing its practical level of control in that entity. If the expert believes this to be the case then the expert could take this outcome into account in assessing whether the issue of the shares is 'reasonable' if the expert has determined that the price at which the shares are being issued is 'not fair'.

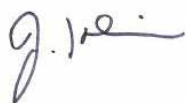
Ernst & Young is of the opinion that the La Mancha Transaction does not represent a control transaction and has concluded that the La Mancha Transaction is reasonable to Evolution shareholders. Under its consideration of reasonableness, Ernst & Young has assessed the value of the assets being acquired by Evolution to be greater than the amount Evolution is paying.

The Independent Expert Report is included in full in this Explanatory Memorandum as Attachment 1.

We believe the combination of a high quality asset with a long term strategic shareholder is a terrific outcome for Evolution. This is why the Evolution Board unanimously recommends that Evolution shareholders VOTE IN FAVOUR of the La Mancha Transaction and the issue of the Additional Evolution Shares to La Mancha for up to A\$112 million upon Completion of the La Mancha Transaction.

On behalf of all the Evolution Directors I thank you for your support on our journey so far and we look forward to your continued support as we transform Evolution from a good company into a great one.

Yours sincerely,



Jake Klein  
Executive Chairman  
Evolution Mining Limited

# 1 Key dates

Key dates	
Date of this Explanatory Memorandum	23 June 2015
Time and date for determining eligibility to vote at the Meeting	7:00pm (Sydney time), 28 July 2015
Latest time and date for receipt of proxy forms or powers of attorney by the Evolution Share Registry for the Meeting	11:00am (Sydney time), 28 July 2015
Time and date of the Meeting	11:00am (Sydney time), 30 July 2015

If the Resolution is approved by Evolution Shareholders:

Target completion of La Mancha Transaction and issue of New Evolution Shares to LM Vendor	Late July - early August 2015
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All dates in the above timetable are indicative only and are subject to change. The parties may vary any or all of these dates and times and will provide reasonable notice of any such variation. Any changes will be announced by Evolution to ASX and published on Evolution's website at [www.evolutionmining.com.au](http://www.evolutionmining.com.au).



## 2 Meeting details and instructions on how to vote

### 2.1 Meeting details

The Meeting will be held at 11:00am (Sydney time) on 30 July 2015 at the Sofitel Sydney Wentworth Hotel, 61 - 101 Phillip Street, Sydney, NSW.

### 2.2 Voting entitlements

A person's entitlement to vote at the Meeting will be taken to be the entitlement of that person shown on the Evolution Share Register at 7:00pm (Sydney time) on 28 July 2015, unless in respect of the Resolution, a voting exclusion applies to them.

### 2.3 Voting in person

To vote in person at the Meeting, Evolution Shareholders must attend the Meeting. An Evolution Shareholder entitled to attend and vote at the Meeting will be admitted to the Meeting upon providing evidence of their name and address at the point of entry to the Meeting.

### 2.4 Voting by proxy or attorney

A Proxy Form is included with this Explanatory Memorandum.

Evolution Shareholders wishing to appoint a proxy to attend and vote at the Meeting must complete and return the Proxy Form in accordance with the instructions on it. The proxy may, but does not need to be, an Evolution Shareholder and can be an individual or a body corporate. For further details on how to complete the Proxy Form, please refer to the instructions in the Notice of Meeting set out in Attachment 2 and the Proxy Form included with this Explanatory Memorandum.

There are a number of ways Proxy Forms may be submitted:

**Online:** The Proxy Form can be lodged online by visiting <https://investorcentre.linkmarketservices.com.au/>

**By mail:** Sent to the Evolution Share Registry (using the reply paid envelope enclosed with this Explanatory Memorandum), addressed to Evolution Mining, c/ Link Market Services Limited at Locked Bag A14, Sydney South, NSW 1235, Australia.

**By fax:** Sent to +61 2 9287 0309

**Hand Delivery:** Delivered during business hours to the Evolution Share Registry at Link Market Services Limited, 1A Homebush Bay Drive, Rhodes, NSW, 2138.

Proxy Forms must be received by the Evolution Share Registry by no later than 11:00am (Sydney time) on 28 July 2015.

If you have an attorney sign a Proxy Form on your behalf, the original or a certified copy of the power of attorney or other evidence of your attorney's authority must be received by the Evolution Share Registry at the same time as the Proxy Form (unless previously provided to the Evolution Share Registry).

A proxy will be admitted to the Meeting upon providing evidence of their name and address at the point of entry to the Meeting.

Proxy appointments may be revoked by the delivery of a written revocation to Link Market Services' office at 1A Homebush Bay Drive, Rhodes, NSW, 2138.

### 2.5 Voting by corporate representative

Evolution Shareholders who are bodies corporate may have a corporate representative attend and vote at the Meeting on their behalf. The appointment must comply with section 250D of the Corporations Act. Persons attending the Meeting as a corporate representative should bring to the Meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

### 2.6 Further information

Please refer to the Notice of Meeting for further information on voting procedures and details of the Resolution to be voted on at the Meeting (including who is excluded from voting on the Resolution).

## 3 Reasons to vote for or against the Resolution

### 3.1 Reasons to vote in favour of the proposed La Mancha Transaction

#### (a) Improvement in the quality of Evolution's asset portfolio

The inclusion of LM Australia Group's high-quality integrated Mungari Operation will improve the overall quality of the Combined Group's asset portfolio. These assets are expected to contribute combined annual production in the range of 130,000 – 160,000 ounces of gold at an AISC of A\$950 – A\$1,000 per ounce.

Completion of the La Mancha Transaction and the Cowal Transaction is expected to result in total annual production of 760,000 – 860,000 ounces of gold at an AISC of A\$950 – A\$1,020 per ounce.

	Evolution	Cowal	Evolution + Cowal	LM Australia Group	Evolution + Cowal + LM Australia Group
Annual Production (koz) <sup>(1)</sup>	400 – 440	230 – 260	630 – 700	130 – 160	760 – 860
Ore Reserves (Moz) <sup>(2)</sup>	2.2	1.6	3.8	0.8	4.6
Mineral Resources (Moz) <sup>(2)</sup>	5.0	3.4	8.4	2.6	11.0

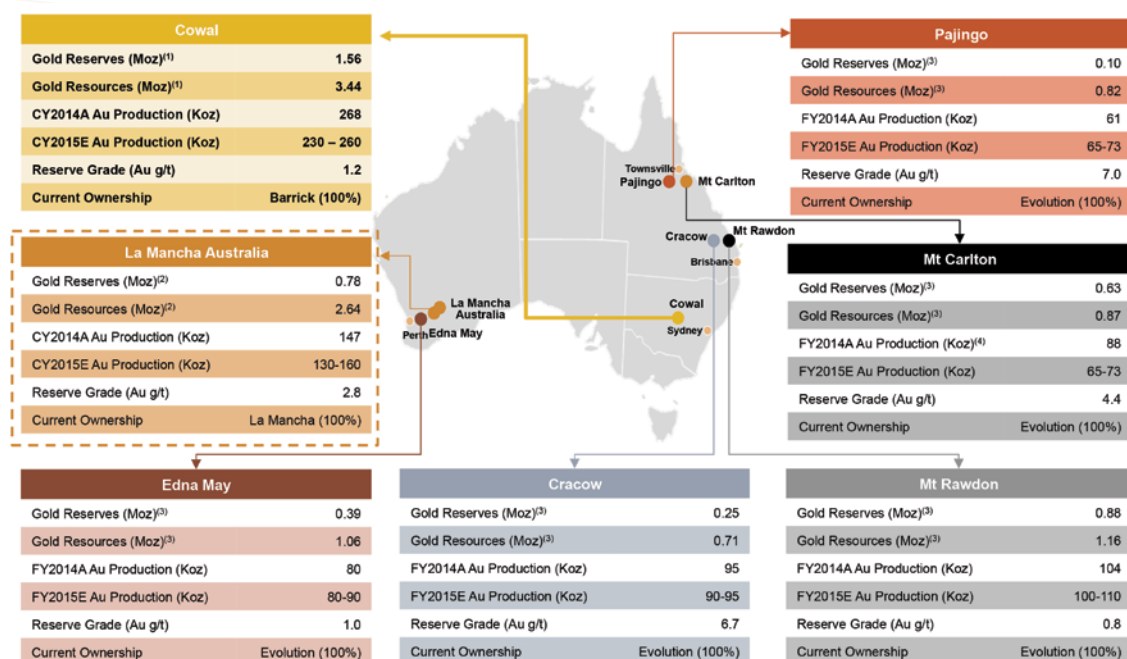
(1) Evolution as per FY15 Guidance. Cowal and LM Australia Group are based on estimated annual production.

(2) See section 6.4 "Evolution's Mineral Resources and Ore Reserves", section 6.5 "Cowal's Mineral Resources and Mineral Reserves" and section 7.1 "Information regarding LM Australia Group" for further detail on reserve and resource estimates for each of Evolution, Cowal and LM Australia Group. Mineral Resources are reported inclusive of Ore Reserves.

#### (b) Additional diversification through adding Australian assets that are a natural fit within the existing portfolio

Evolution currently operates solely in Australia – a low risk, politically stable, first world jurisdiction with a large gold endowment. The recent combination of a declining cost base and depreciating Australian dollar is rapidly moving Australia back down the cost curve relative to global peers. Adding a low cost and well capitalised long mine-life Australian asset with significant exploration upside is a compelling addition to Evolution's existing portfolio of assets.

## Evolution's diversified Australian portfolio of assets



1. See section 6.5 "Cowl's Mineral Resources and Mineral Reserves" for further detail on the reserve and resource estimates for Cowl. Mineral Resources are reported inclusive of Ore Reserves.
2. See section 7.1 "Information regarding LM Australia Group" for further detail on reserve and resource estimates for the LM Australia Group. Mineral Resources are reported inclusive of Ore Reserves.
3. See section 6.4 "Evolution's Mineral Resources and Ore Reserves" for further detail on reserve and resource estimates for Evolution. Mineral Resources are reported inclusive of Ore Reserves.
4. Mt Carlton production recorded as payable gold production. Silver production from the A39 silver deposit at Mt Carlton is recorded as gold equivalent using gold to silver ratio of 1:65.2 for the September quarter 2013, 1:61.9 for the December quarter 2013, 1:62.5 for the March quarter 2014 and 1:65.6 for the June quarter 2014.

### (c) Stronger financial capacity

The La Mancha Transaction increases Evolution's production profile with a lower overall Combined Group cost base and is thereby expected to generate materially stronger cash flows for Evolution following its Completion.

The subscription by LM Vendor of the Additional Evolution Shares for up to approximately A\$112 million upon Completion of the La Mancha Transaction is considered by Evolution to be an important component of the overall funding plan for Evolution following completion of the La Mancha Transaction and the Cowl Transaction.

The issue of the Additional Evolution Shares for up to A\$112 million will reduce Evolution's gearing. If the La Mancha Transaction does not complete in circumstances where the Cowl Transaction completes, Evolution will consider alternative ways to de-risk its balance sheet which could involve hedging part of Evolution's future gold production.

### (d) Formation of a long-term strategic partnership with the La Mancha Group, to continue to pursue value accretive growth opportunities

As a future long-term strategic partner, the La Mancha Group has confirmed to Evolution that it intends to support Evolution in the development and execution of Evolution's growth strategy. Consistent with this vision, LM Vendor has committed to subscribe for the Additional Evolution Shares for an aggregate subscription price of up to A\$112 million at Completion of the La Mancha Transaction. In addition, the La Mancha Group has indicated it will provide Evolution with technical support around operational and exploration activities.

### 3 Reasons to vote for or against the Resolution (continued)

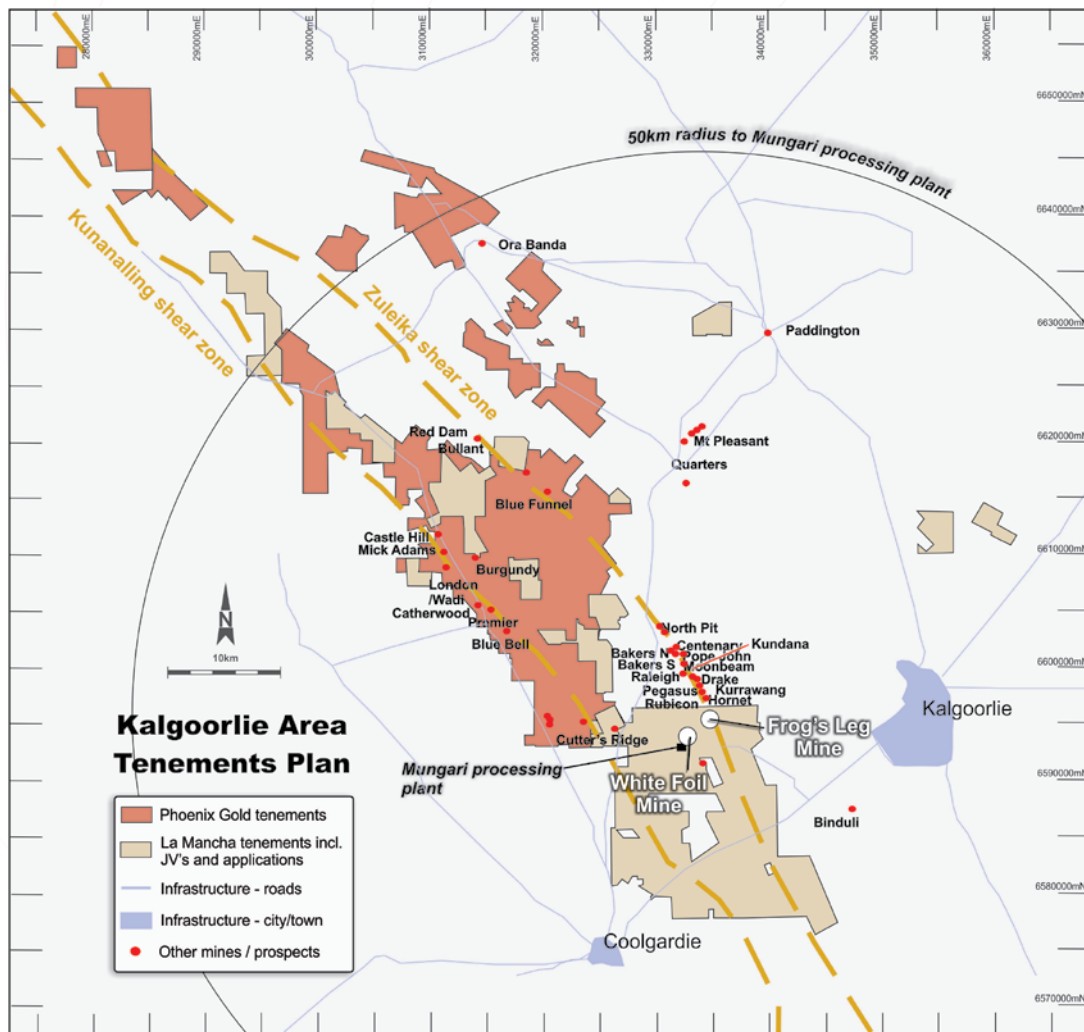
LM Vendor has also agreed to an equity lock-up on 322,023,765 of the New Evolution Shares that are issued to it as part of the La Mancha Transaction for a period of 24 months following Completion of the La Mancha Transaction, subject to limited exceptions.

#### (e) Increased organic growth potential through large exploration footprint

The La Mancha Transaction, if completed, provides Evolution Shareholders exposure to a relatively underexplored tenement package covering an area of 340km<sup>2</sup> in the Kalgoorlie region.

LM Australia Group's tenement package adjoins Phoenix Gold's tenement package. In May 2015, Evolution entered into a subscription agreement with Phoenix Gold. Under the agreement, Evolution agreed to subscribe for up to 105.9 million shares in Phoenix Gold in two separate tranches, which would represent 19.9%<sup>2</sup> of the shares in Phoenix Gold. Evolution completed the subscription of the first tranche of shares on 8 May 2015 (44 million shares representing approximately 9.4%<sup>3</sup> as at 8 May 2015). On 22 June 2015, Evolution and Phoenix Gold agreed to vary the subscription agreement such that Evolution would not proceed with the subscription for the second tranche of shares (being approximately 61.9 million shares in Phoenix Gold). The combined operations of Phoenix Gold and LM Australia Group cover a significant strike length of the Zuleika Shear and the Kunanalling Shear.

Location of the Mungari Operation and Phoenix Gold's tenements

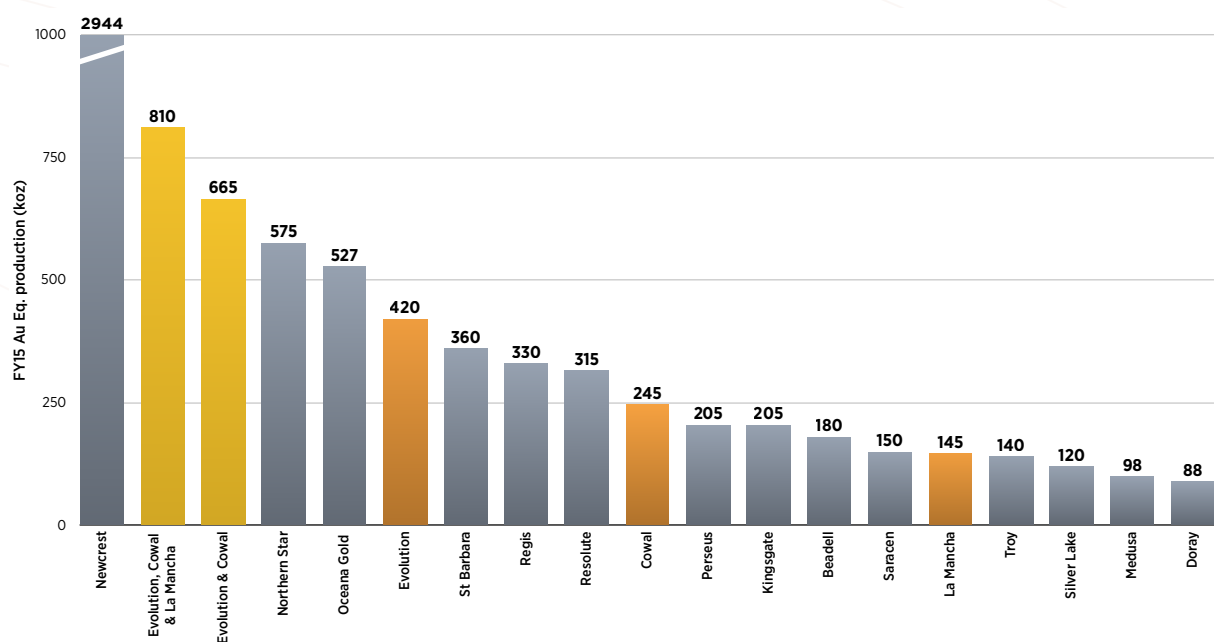


<sup>2</sup> This percentage is based on the share capital of Phoenix Gold on an undiluted basis.

<sup>3</sup> This percentage is based on the share capital of Phoenix Gold on an undiluted basis.

## (f) Significant step towards building a leading, globally-relevant Australian focused mid-tier gold producer

Evolution will be a larger and lower cost Australian gold producer. The Combined Group's production is expected to increase to 760,000 – 860,000 ounces of gold per annum from seven operations all located in Australia. The Evolution Directors expect that this is likely to attract increased investor interest both domestically and internationally. The Evolution Directors further expect that increased market presence will assist in providing access to capital to fund growth opportunities which the Evolution Directors consider may not otherwise be available to Evolution in its current form.



- Production figures based on the mid-point of company guidance.
- CY15 (Jan-Dec) production figures have been used where a company does not report a FY production figure.

### 3 Reasons to vote for or against the Resolution (continued)

#### (g) The Independent Expert has concluded that the La Mancha Transaction is not fair but reasonable

The Independent Expert has concluded that the La Mancha Transaction is not fair but reasonable. This conclusion is on the basis that, pursuant to ASIC policy, the La Mancha Transaction must be assessed as a control transaction (essentially a takeover of Evolution by La Mancha) due to the fact that La Mancha will have an interest in Evolution of more than 20% following implementation.

Assessing the transaction as a control transaction, Ernst & Young has assessed the fair value of an Evolution Share on a controlling interest and concluded that the La Mancha Transaction is not fair because the fair value of an Evolution Share on a controlling interest prior to the La Mancha Transaction is greater than the pro-forma fair value of an Evolution Share post the La Mancha Transaction on a minority basis.

ASIC policy recognises that there may be circumstances where an entity may acquire 20% or more of another entity without obtaining or increasing its practical level of control in that entity. If the expert believes this to be the case then the expert could take this outcome into account in assessing whether the issue of the shares is 'reasonable' if the expert has determined that the price at which the shares are being issued is 'not fair'.

The Independent Expert is of the opinion that the La Mancha Transaction does not represent a control transaction and has concluded that the La Mancha Transaction is reasonable to Evolution shareholders. Under its consideration of reasonableness, the Independent Expert has assessed the value of the assets being acquired by Evolution to be greater than the amount Evolution is paying.

The Independent Expert also notes in section 8.3.6 of the Independent Expert's Report that while fairly closely correlated, their analysis indicates that since the announcement of the La Mancha Transaction, Evolution's share price has outperformed both the ASX gold index and the A\$ gold price. The Independent Expert further notes that if the La Mancha Transaction is not approved it is likely that Evolution's share price would decrease, potentially to levels experienced before the announcement of the La Mancha Transaction.

The Independent Expert Report is included in full in this Explanatory Memorandum as Attachment 1.

#### (h) The La Mancha Transaction has the unanimous support of the Evolution Board

After carefully considering the advantages and disadvantages of the La Mancha Transaction for Evolution Shareholders, for the reasons set out above and in the other parts of this Explanatory Memorandum, the Evolution Directors believe that the La Mancha Transaction is in the best interests of the Evolution Shareholders and unanimously recommend that Evolution Shareholders vote in favour of the Resolution at the Meeting.

## 3.2 Why you may consider voting against the proposed La Mancha Transaction

### (a) You may not agree with the recommendation by the Evolution Directors and the Independent Expert

Notwithstanding the unanimous recommendation of the Evolution Board and the Independent Expert's opinion, you may believe the La Mancha Transaction is not in your best interest.

### (b) The risk profile of the Combined Group will change, which you may consider to be disadvantageous to you relative to the risk profile of the current Evolution business

Evolution Shareholders are currently exposed to certain risks by virtue of having an equity interest in Evolution. If the La Mancha Transaction is implemented, Evolution Shareholders will maintain a level of exposure to these risks and will become exposed to additional risks associated with having an equity interest in the LM Australia Group's assets (all of which will be owned by Evolution following Completion of the La Mancha Transaction) and with the implementation of the La Mancha Transaction more generally. However, following Completion, Evolution's diversified portfolio of assets will mean that Evolution Shareholders have a reduced risk exposure to any one asset.

### (c) Your percentage shareholding and voting power in Evolution will be diluted as a significant number of new shares will be issued to LM Vendor

Your equity interest in Evolution's existing assets will be diluted if the La Mancha Transaction is implemented. In this regard, implementation of the La Mancha Transaction will reduce Evolution Shareholders' interest in Evolution's current assets from 100% to a minimum of 69% as a result of the issue of the New Evolution Shares to LM Vendor, though Evolution Shareholders will gain exposure to the higher quality assets of the Mungari Operation.

### (d) You may want to maintain your current investment profile

While Evolution and LM Australia Group are both gold producers, the production profile, capital structure and size of the Combined Group will be different from that of Evolution as it currently stands. Evolution Shareholders may wish to maintain an interest in Evolution as it currently stands because they are seeking an investment in a listed company with the specific characteristics, investment focus and scale of Evolution as it currently stands.

## 4 Frequently asked questions

This section 4 answers some frequently asked questions about the La Mancha Transaction. It is not intended to address all relevant issues for Evolution Shareholders. This section 4 should be read together with all other parts of this Explanatory Memorandum.

Question	Answer	More information
<b>Why have I received this Explanatory Memorandum?</b>	<p>The information set out in this Explanatory Memorandum will assist you, as an Evolution Shareholder, to decide how you wish to vote on the Resolution to approve the La Mancha Transaction (which is discussed below) at the extraordinary general meeting to be held on 30 July 2015.</p> <p>The Resolution concerns approval of the La Mancha Transaction only. It does not relate to the Cowal Transaction (which is not conditional on the approval of Evolution Shareholders). It may be that the Cowal Transaction has completed before the Meeting is held.</p>	Please see section 3 of the Explanatory Memorandum for further information as to reasons to vote for or against the Resolution.
<b>What is the La Mancha Transaction?</b>	<p>The La Mancha Transaction consists of the following components:</p> <ul style="list-style-type: none"> <li>■ Evolution will acquire 100% of the shares in Toledo from LM Vendor; and</li> <li>■ Evolution will issue Evolution Shares (equivalent to 31% of the Evolution Shares on issue) to LM Vendor as follows: <ul style="list-style-type: none"> <li>- 322,023,765 Evolution Shares as consideration for the Toledo shares; and</li> <li>- the Additional Evolution Shares for an aggregate subscription price of up to A\$112 million payable by LM Vendor.</li> </ul> </li> </ul>	Please see sections 5, 8 and 10 of this Explanatory Memorandum for further information regarding the La Mancha Transaction.
<b>Who is LM Vendor and LM SARL?</b>	<p>LM Vendor is a private company incorporated in the Netherlands and is, indirectly, wholly owned by LM SARL.</p> <p>LM Vendor is a holding company for LM SARL's Australian operations (the LM Australia Group).</p> <p>LM SARL is a private limited company existing under the laws of Luxembourg. Through its subsidiaries, in addition to its interests in Australia, LM SARL holds interests in a gold mine in Côte d'Ivoire, Ity (55%), and has recently announced the sale of its 44% interest in the Sudanese gold and copper project Hassai to the Sudanese Government.</p> <p>LM SARL was privatised in 2012 by the Sawiris family, a prominent Egyptian family.</p>	Please see section 7 of this Explanatory Memorandum for further information regarding LM Vendor and LM SARL.
<b>What is the LM Australia Group's Mungari Operation?</b>	<p>LM Australia Group's Mungari Operation is comprised of:</p> <ul style="list-style-type: none"> <li>■ the Frog's Leg underground gold mine;</li> <li>■ the White Foil open-pit gold mine;</li> <li>■ the recently constructed Mungari CIL processing plant; and</li> <li>■ a 340km<sup>2</sup> regional exploration portfolio.</li> </ul>	Please see section 7 of this Explanatory Memorandum for further information on the LM Australia Group and the Mungari Operation.



Question	Answer	More information
<b>What will LM Vendor's shareholding in Evolution be after Completion of the La Mancha Transaction?</b>	If the La Mancha Transaction proceeds, immediately following Completion of the La Mancha Transaction LM Vendor will hold approximately 31% of the Evolution Shares on issue.	Please see sections 5, 8 and 10 of this Explanatory Memorandum for further information regarding the La Mancha Transaction.
<b>What are the conditions to the La Mancha Transaction proceeding?</b>	<p>The conditions to the La Mancha Transaction proceeding are:</p> <ul style="list-style-type: none"> <li>■ Evolution Shareholder approval of the La Mancha Transaction at the extraordinary general meeting to be held on 30 July 2015;</li> <li>■ FIRB Approval of the La Mancha Transaction;</li> <li>■ no material adverse changes to Evolution or LM Vendor; and</li> <li>■ no restraints.</li> </ul> <p>The provision by the ASX to Evolution of written approval for official quotation of the New Evolution shares was previously a condition to the La Mancha Transaction proceeding. This condition has been satisfied.</p> <p>Completion of the La Mancha Transaction is not conditional on completion of the Cowal Transaction and completion of the Cowal Transaction is not conditional on Completion of the La Mancha Transaction. It may be that the Cowal Transaction has Completed before the Meeting is held.</p>	Please see section 10.2 of this Explanatory Memorandum for further information regarding the conditions to the La Mancha Transaction.
<b>Do the Evolution Directors recommend the La Mancha Transaction?</b>	Each of the Directors on the Evolution Board unanimously recommends that Evolution Shareholders approve the La Mancha Transaction, in the absence of a superior proposal.	Please see section 5.3 of this Explanatory Memorandum for further information regarding the recommendation of the Evolution Directors.
<b>What has the Independent Expert said?</b>	<p>The terms and conditions of the La Mancha Transaction have been reviewed by the Independent Expert, Ernst &amp; Young.</p> <p>Ernst &amp; Young has concluded that the La Mancha Transaction is not fair but reasonable.</p>	Please see Attachment 1 of this Explanatory Memorandum for a full copy of the Independent Expert's Report.
<b>When will the La Mancha Transaction be completed and implemented?</b>	Evolution currently expects that Completion of the La Mancha Transaction will occur in late July or early August 2015.	Please see section 1 of this Explanatory Memorandum for the key dates that are relevant to the La Mancha Transaction and section 10 of this Explanatory Memorandum for further information regarding the key terms of the La Mancha Transaction.

## 4 Frequently asked questions (continued)

Question	Answer	More information
<p><b>What is the rationale for the La Mancha Transaction and what are the possible key benefits of the La Mancha Transaction?</b></p>	<p>The Evolution Directors consider that the La Mancha Transaction represents a rare opportunity for Evolution to acquire a high quality asset in an off-market transaction. LM Australia Group's high quality assets, being the Mungari Operation, provide a strong strategic fit with Evolution's long term objective of pursuing value accretive acquisition opportunities which improve the quality of Evolution's asset portfolio.</p> <p>The possible key benefits of the La Mancha Transaction include:</p> <ul style="list-style-type: none"> <li>■ improvement in the quality of Evolution's asset portfolio through inclusion of LM Australia Group's high quality Mungari Operation;</li> <li>■ additional diversification through adding Australian assets that are a natural fit within Evolution's existing portfolio;</li> <li>■ stronger financial capacity provided by an increased production profile with a lower overall Combined Group cost base;</li> <li>■ formation of a long-term strategic partnership with the La Mancha Group, to continue to pursue value accretive growth opportunities;</li> <li>■ increased organic growth potential through large exploration footprint; and</li> <li>■ a significant step towards building a leading, globally-relevant Australian focused mid-tier gold producer.</li> </ul>	<p>Please see section 5.2 of this Explanatory Memorandum for further information regarding the rationale for the La Mancha Transaction and section 3.1 of this Explanatory Memorandum for reasons to vote in favour of the La Mancha Transaction.</p>
<p><b>What are the potential disadvantages of the La Mancha Transaction?</b></p>	<p>The potential disadvantages of the La Mancha Transaction include:</p> <ul style="list-style-type: none"> <li>■ the risk profile of the Combined Group will change, which you may consider to be disadvantageous to you relative to the risk profile of the current Evolution business (risks are described in more detail in the answer to the question below);</li> <li>■ your percentage shareholding and voting power in Evolution will be diluted as a significant number of new shares will be issued to LM Vendor; and</li> <li>■ you may want to maintain your current investment profile – the production profile, capital structure and size of the Combined Group will be different from that of Evolution as it currently stands.</li> </ul>	<p>Please see section 3.2 of this Explanatory Memorandum for reasons to vote against the La Mancha Transaction.</p>

Question	Answer	More information
<p><b>What are the potential risks of the La Mancha Transaction?</b></p>	<p>If the La Mancha Transaction is implemented, Evolution Shareholders may be exposed to several risks including, but not limited to:</p> <ul style="list-style-type: none"> <li>■ risks associated with the implementation of the La Mancha Transaction, including in relation to integration risks, contractual restrictions on change of control and transaction costs;</li> <li>■ risks associated with the presence of LM Vendor as a 31% shareholder of Evolution;</li> <li>■ risks associated with the La Mancha Restructure; and</li> <li>■ general risk factors that may affect the Combined Group including risks in relation to: <ul style="list-style-type: none"> <li>- production and cost estimates;</li> <li>- ore reserves and mineral resource estimates;</li> <li>- the ability to replace depleted ore reserves;</li> <li>- geological and geotechnical issues;</li> <li>- fluctuations in the gold price;</li> <li>- hedging agreements;</li> <li>- foreign exchange rate fluctuations;</li> <li>- regulatory requirements;</li> <li>- available water sources;</li> <li>- weather and climate conditions;</li> <li>- insurance risk; and</li> <li>- environmental risk.</li> </ul> </li> </ul>	<p>Please see section 9 of this Explanatory Memorandum for further information regarding the potential risks in relation to the La Mancha Transaction.</p>
<p><b>What happens if the Resolution is not approved?</b></p>	<p>If the Resolution is not approved the La Mancha Transaction will not proceed. This means that:</p> <ul style="list-style-type: none"> <li>■ Evolution will not acquire Toledo or issue Evolution Shares to LM Vendor in return; and</li> <li>■ LM Vendor will not pay an additional subscription amount of up to A\$112 million to Evolution in consideration for the issue of the Additional Evolution Shares.</li> </ul> <p>If the Resolution is not approved, the Cowal Transaction (if it has not already completed) can still proceed because it is not conditional on the outcome of the Resolution or the Completion of the La Mancha Transaction.</p> <p>As noted above, if the Resolution is not approved, LM Vendor will not pay the additional subscription amount of up to A\$112 million. This amount, if paid, would reduce Evolution's gearing. Accordingly, if the La Mancha Transaction does not proceed in circumstances where the Cowal Transaction proceeds, Evolution will look at alternative ways to de-risk its balance sheet which could involve hedging part of Evolution's future gold production.</p>	<p>Please see section 9.3 of this Explanatory Memorandum for further information regarding what happens if the Resolution is not approved.</p>

## 4 Frequently asked questions (continued)

Question	Answer	More information
<p><b>What will Evolution's asset portfolio look like if the La Mancha Transaction and the Cowl Transaction proceeds?</b></p>	<p>Following completion of the La Mancha Transaction and the Cowl Transaction, Evolution is expected to have the following key attributes:</p> <ul style="list-style-type: none"> <li>■ forecast pro-forma FY16 gold production of 760,000 – 860,000 ounces at an AISC of A\$950 – A\$1,020 per ounce;</li> <li>■ combined Mineral Resources (inclusive of Ore Reserves) of 11.0 Moz of gold<sup>4</sup>; and</li> <li>■ combined Ore Reserves of 4.6 Moz of gold<sup>5</sup>.</li> </ul>	<p>Please see section 8 of this Explanatory Memorandum for an overview of the effects of the La Mancha Transaction on the Combined Group.</p>
<p><b>Is the La Mancha Transaction conditional on the Cowl Transaction?</b></p>	<p>No, Completion of the La Mancha Transaction is not conditional on completion of the Cowl Transaction.</p> <p>In other words, the La Mancha Transaction can proceed even if the Cowl Transaction is terminated or has not yet completed at that time.</p>	<p>Please see section 6.3 of this Explanatory Memorandum for further information regarding the Cowl Transaction and section 10.2 of this Explanatory Memorandum for further information regarding the conditions to the La Mancha Transaction.</p>
<p><b>Is the Cowl Transaction conditional on the La Mancha Transaction?</b></p>	<p>No, completion of the Cowl Transaction is not conditional on Completion of the La Mancha Transaction. It may be that the Cowl Transaction has completed before the time of the Meeting.</p>	<p>Please see section 6.3 of this Explanatory Memorandum for further information regarding the Cowl Transaction and section 10.2 of this Explanatory Memorandum for further information regarding the conditions to the La Mancha Transaction.</p>
<p><b>What will be the composition of the Evolution Board after the La Mancha Transaction completes?</b></p>	<p>The current Evolution Directors and Evolution senior management team are not expected to change as a result of the La Mancha Transaction.</p> <p>However, following Completion of the La Mancha Transaction LM Vendor will have a right to nominate persons for appointment to the Evolution Board as Non-Executive Directors as follows:</p> <ul style="list-style-type: none"> <li>■ <b>one</b> nominee, if LM Vendor holds more than 10% of the Evolution Shares on issue but less than 20% of the Evolution Shares on issue; and</li> <li>■ <b>two</b> nominees, if LM Vendor holds more than 20% of the Evolution Shares on issue.</li> </ul> <p>LM Vendor has notified Evolution that it will nominate Naguib Sawiris and Sebastien de Montessus as nominees to the Evolution Board on Completion of the La Mancha Transaction.</p>	<p>Please see section 8.2 of this Explanatory Memorandum for information regarding the identity of LM Vendor's nominees to the Evolution Board.</p>

<sup>4</sup> See section 6.4 "Evolution's Mineral Resources and Ore Reserves", section 6.5 "Cowl's Mineral Resources and Mineral Reserves" and section 7.1 "Information regarding LM Australia Group" for further detail on reserve and resource estimates for each of Evolution, Cowl and LM Australia Group.

<sup>5</sup> See footnote 5.

Question	Answer	More information
<b>Has Evolution received any alternative proposals to the La Mancha Transaction?</b>	<p>Evolution has not received any alternative proposals to the La Mancha Transaction.</p> <p>Evolution has granted certain exclusivity rights to the La Mancha Group in the Sale Agreement including “no shop” and “no talk” restrictions, notification rights and a commitment to cease other discussions or negotiations existing as at 19 April 2015 relating to a competing proposal. The “no talk” restriction is subject to customary fiduciary exceptions.</p>	Please see section 10.2 of this Explanatory Memorandum for further information regarding the exclusivity arrangements contained in the Sale Agreement.
<b>Has Evolution agreed to pay a break fee?</b>	Evolution has not agreed to pay a break fee in relation to the La Mancha Transaction.	Please see section 10.2 of this Explanatory Memorandum for further information regarding the exclusivity arrangements contained in the Sale Agreement.
<b>If I wish to support the La Mancha Transaction, what should I do?</b>	<p>If you wish to support the La Mancha Transaction, you should vote in favour of the Resolution by one of the following methods:</p> <ul style="list-style-type: none"> <li>■ voting in person at the Meeting to be held on 30 July 2015;</li> <li>■ completing a personalised Proxy Form (enclosed with this Explanatory Memorandum); or</li> <li>■ appointing a representative with power of attorney to vote for you.</li> </ul>	Please see section 2 for further information regarding instructions on how to vote.
<b>What if I cannot or do not wish to attend the Meeting?</b>	Evolution Shareholders who cannot or do not wish to attend the Meeting may complete a personalised Proxy Form (enclosed with this Explanatory Memorandum) or alternatively appoint a representative with power of attorney.	Please see section 2 for further information regarding instructions on how to vote.
<b>Is voting compulsory?</b>	Voting is not compulsory. However, your vote is important in deciding whether the La Mancha Transaction is approved.	N/A
<b>When will the results of the Meeting be known?</b>	<p>Results of the Resolution are expected to be known shortly after the close of the Meeting to be held on 30 July 2015.</p> <p>Results will be released to the ASX and uploaded to Evolution’s website once they are known.</p>	N/A

## 4 Frequently asked questions (continued)

Question	Answer	More information
<p><b>What are the tax implications of the La Mancha Transaction for Evolution Shareholders?</b></p>	<p>Evolution will inherit the franking credits in the LM Australia Group. These franking credits may be used by Evolution to declare franked dividends to Evolution shareholders. Australian shareholders will receive imputation credits and non-resident shareholders will not be subject to withholding taxes to the extent dividends received from Evolution are franked. LM Australia Group has a franking credit balance of A\$11.8m as at 30 June 2014. A franking credit balance of A\$11.8m can support fully franked dividends of A\$27.5m.</p> <p>Evolution is also expected to inherit the tax losses in the LM Australia Group. If these tax losses are inherited, they will be available to shelter future taxable income of the Combined Group. The availability of the LM Australia Group tax losses is subject to the LM Australia Group satisfying certain carry forward requirements under the applicable tax laws.</p> <p>Evolution has carried forward tax losses. The issue of New Evolution Shares for the proposed acquisition of LM Australia Group is not expected to affect Evolution's ability to carry forward its tax losses under the applicable tax laws.</p>	<p>N/A</p>
<p><b>Further questions</b></p>	<p>For further information, please contact the Evolution Shareholder Information Line on 1300 653 497 within Australia (or +61 1300 653 497 for overseas callers) between 8:30am and 5:30pm (AEST), Monday to Friday.</p> <p>If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.</p>	<p>N/A</p>

## 5 Overview of the La Mancha Transaction

### 5.1 Overview of the La Mancha Transaction

Evolution will acquire 100% of the share capital of Toledo from LM Vendor in exchange for the issuance of 322,023,765 Evolution Shares to LM Vendor. The acquisition delivers to Evolution a 100% interest in the LM Australia Group's Mungari Operation, which primarily comprise the Mungari CIL processing plant, the Frog's Leg underground mine and the White Foil open pit mine. In addition, LM Vendor has committed to subscribe for the Additional Evolution Shares for an aggregate subscription price of up to A\$112 million at A\$0.90 per Evolution Share at Completion of the La Mancha Transaction<sup>6</sup>.

LM Australia Group's Mungari Operation is expected to contribute immediate production of 130,000 – 160,000 ounces of gold per annum at an AISC of A\$950 – A\$1,000 per ounce, and is expected to generate strong cash margins with limited future capital expenditure requirements. This contribution is expected to enhance Evolution's existing production base and cash flow, increasing the Combined Group's production to 760,000 – 860,000 ounces of gold per annum at a globally competitive AISC of A\$950 – A\$1,020 per ounce.

At Completion, LM Vendor will be issued a 31% shareholding in Evolution, making LM Vendor Evolution's largest shareholder on Completion. 322,023,765 of the New Evolution Shares issued to LM Vendor will be subject to an equity lock-up for a period of 24 months after Completion (subject to specified exceptions).

Following Completion of the La Mancha Transaction, LM Vendor will have a right to nominate two directors to the Evolution Board (provided it holds more than 20% of the Evolution Shares on issue). If LM Vendor's shareholding falls below 20% but remains above 10%, it can appoint one director.

LM Vendor is expected to be a supportive and long term shareholder of Evolution. Evolution has also agreed to allow and assist technical representatives of the La Mancha Group to obtain an understanding of Evolution's annual business plans, budgets and forecasts for its operations, including exploration prospects.

The Evolution Board recommends that Evolution Shareholders vote in favour of the La Mancha Transaction, subject to a superior proposal not being received.

### 5.2 Rationale for the La Mancha Transaction

The Evolution Directors consider that the La Mancha Transaction represents a rare opportunity for Evolution to acquire a high quality asset in an off-market transaction. LM Australia Group's high quality assets, being the Mungari Operation, provide a strong strategic fit with Evolution's long term objective of pursuing value accretive acquisition opportunities which improve the quality of Evolution's asset portfolio.

The La Mancha Transaction is expected to capture synergies and leverage Evolution's successful track record of optimising Australian operating assets through capital discipline, productivity improvements and cost reduction programmes.

There is potential to add further value through exploration success in the Mungari region, where LM Australia Group has a substantial tenement package with significant exploration potential. LM Australia Group's Mungari tenements are located in a well-endowed region and have seen minimal exploration expenditure in recent years due to capital constraints. There is also potential to add value through regional consolidation as the Evolution Directors believe that there may be some further acquisition opportunities in that region.

LM Australia Group's tenement package adjoins Phoenix Gold's tenement package. In May 2015, Evolution entered into a subscription agreement with Phoenix Gold. Under the agreement, Evolution agreed to subscribe for up to 105.9 million shares in Phoenix Gold in two separate tranches, which would represent 19.9%<sup>7</sup> of the shares in Phoenix Gold. Evolution completed the subscription of the first tranche of shares on 8 May 2015 (44 million shares representing approximately 9.4%<sup>8</sup> as at 8 May 2015). On 22 June 2015, Evolution and Phoenix Gold agreed to vary the subscription agreement such that Evolution would not proceed with the subscription for the second tranche of shares (being approximately 61.9 million shares in Phoenix Gold). The combined operations of Phoenix Gold and LM Australia Group cover a significant strike length of the Zuleika Shear and the Kunanalling Shear.

<sup>6</sup> \$0.90 per Evolution Share is the offer price under the Evolution pro rata entitlement offer announced on 25 May 2015.

<sup>7</sup> This percentage is based on the share capital of Phoenix Gold on an undiluted basis.

<sup>8</sup> This percentage is based on the share capital of Phoenix Gold on an undiluted basis.

## 5 Overview of the La Mancha Transaction (continued)

The La Mancha Transaction will result in LM Vendor becoming Evolution's largest shareholder and long-term strategic partner. The La Mancha Group and Evolution both share a vision of working together to build on Evolution's track record of operational excellence and to create an Australian mid-tier gold producer with the scale and quality sought by global investors.

As a commitment to this strategic partnership, LM Vendor has committed to subscribe for the Additional Evolution Shares for an aggregate subscription price of up to A\$112 million at Completion of the La Mancha Transaction. The subscription by LM Vendor of the Additional Evolution Shares for up to approximately A\$112 million upon Completion of the La Mancha Transaction is considered by Evolution to be an important component of the overall funding plan for Evolution following completion of the La Mancha Transaction and the Cowl Transaction.

The La Mancha Transaction supports many of the ambitions and plans that Evolution has been working on since its creation in November 2011. It is a logical step for Evolution. As a result, there is no current intention to change the business of Evolution; change the employment of present employees of Evolution; transfer assets between Evolution and LM Vendor or the La Mancha Group more broadly; redeploy fixed assets of Evolution; or to significantly change the financial or dividend distribution policies of Evolution.

### 5.3 Recommendation of the Evolution Directors

The Evolution Directors unanimously recommend that you **vote in favour** of the Resolution, in the absence of a superior proposal.

Ernst & Young, the Independent Expert engaged by the Evolution Directors to opine on the La Mancha Transaction, has concluded that the La Mancha Transaction is not fair but reasonable. Ernst & Young has arrived at this conclusion on the basis that, pursuant to ASIC policy, the La Mancha Transaction must be assessed as a control transaction (essentially a takeover of Evolution by La Mancha) due to the fact that La Mancha will have an interest in Evolution of more than 20% following implementation.

Assessing the transaction as a control transaction, Ernst & Young has assessed the fair value of an Evolution Share on a controlling interest and concluded that the La Mancha Transaction is not fair because the fair value of an Evolution Share on a controlling interest prior to the La Mancha Transaction is greater than the pro-forma fair value of an Evolution Share post the La Mancha Transaction on a minority basis.

ASIC policy recognises that there may be circumstances where an entity may acquire 20% or more of another entity without obtaining or increasing its practical level of control in that entity. If the expert believes this to be the case then the expert could take this outcome into account in assessing whether the issue of the shares is 'reasonable' if the expert has determined that the price at which the shares are being issued is 'not fair'.

Ernst & Young is of the opinion that the La Mancha Transaction does not represent a control transaction and has concluded that the La Mancha Transaction is reasonable to Evolution shareholders. Under its consideration of reasonableness, Ernst & Young has assessed the value of the assets being acquired by Evolution to be greater than the amount Evolution is paying.

The Independent Expert Report is included in full in this Explanatory Memorandum as Attachment 1.



## 6 Profile of Evolution

### 6.1 Overview of Evolution

Evolution owns and operates four gold mines in Queensland and one gold mine in Western Australia. Evolution holds a 100% interest in all of its operations.

Evolution has built a strong reputation for operational predictability and stability. Group production for the year ended 30 June 2014 totalled 427,703 ounces gold equivalent at an average C1 Cash Cost of A\$781/oz and an AISC of A\$1,083/oz - in-line with original and unchanged guidance.

Evolution is forecasting total production in FY15 of 400,000 - 440,000 ounces gold equivalent. C1 Cash Costs are expected to be at or below the range of A\$750/oz - A\$820/oz and AISC is expected to be at or below the range of A\$1,050/oz - A\$1,130/oz.

A mine-by-mine breakdown of production and cost forecasts is provided in the table below:

Guidance FY15	Gold Equivalent Production (oz)	C1 Cash Costs (A\$/oz)	AISC (A\$/oz)
Cracow	90,000 - 95,000	660 - 730	1,000 - 1,080
Pajingo	65,000 - 72,500	700 - 770	1,050 - 1,120
Mt Rawdon	100,000 - 110,000	660 - 730	880 - 950
Edna May	80,000 - 90,000	980 - 1,060	1,120 - 1,200
Mt Carlton	65,000 - 72,500	760 - 840	1,020 - 1,100
Corporate	-	-	50
<b>Group</b>	<b>400,000 - 440,000</b>	<b>750 - 820</b>	<b>1,050 - 1,130</b>

Expenditure on sustaining capital in FY15 is forecast to be in the range of A\$55 million - A\$75 million.

Investment in growth (major project) capital and discovery is additional to the costs included in AISC. Investment in major project capital in FY15 is forecast to be in the range of A\$80 million - A\$100 million and exploration expenditure is expected to total approximately A\$20 million. These costs are equivalent to approximately A\$260/oz but this includes discretionary projects that can be reduced or rescheduled, if required.

Evolution is currently on track to achieve its annual production guidance with FY15 year-to-date production (nine months through to March 2015) of 323,750 ounces of gold equivalent achieved at an average C1 Cash Cost of A\$718/oz and an AISC of A\$1,032/oz. Evolution has achieved FY15 year-to-date All-in Costs (AIC)<sup>9</sup> of A\$1,284/oz.

<sup>9</sup> All-in Costs: All-in Sustaining Costs plus growth (major project) capital plus discovery expenditure.

## 6 Profile of Evolution (continued)

A mine-by-mine breakdown of FY15 (nine months to 31 March 2015) production and cost results is provided in the table below:

FY15 YTD Result	Gold Equivalent Production (oz)	C1 Cash Costs (A\$/oz)	AISC (A\$/oz)
Cracow	65,196	764	1,126
Pajingo	50,336	770	1,148
Mt Rawdon	74,921	656	905
Edna May	76,483	688	845
Mt Carlton	56,813	740	938
Corporate			57
<b>Group</b>	<b>323,750</b>	<b>718</b>	<b>1,032</b>

### 6.2 Evolution's principal operations and projects

#### (a) Mt Rawdon Gold Mine

The Mt Rawdon mine is located 75 kilometres south west of Bundaberg in Queensland and commenced production in 2001. The mine is 100% owned by Evolution.

Mt Rawdon consists of a single open pit mine with conventional CIL processing. The mine successfully transitioned to owner-miner in July 2014. This has resulted in significant cost savings with year-to-date unit mining costs in FY15 of A\$3.67 per tonne which compares favourably to the same nine month period to-March in FY14 of A\$4.81 per tonne.

In FY14 Mt Rawdon produced 103,755 ounces of gold at an average C1 Cash Cost of A\$670/oz and an AISC of A\$854/oz.

FY15 production guidance for Mt Rawdon is 100,000 - 110,000 ounces of gold at an average C1 Cash Cost of A\$660/oz - A\$730/oz and an AISC of A\$880/oz - A\$950/oz. Mt Rawdon is well placed to achieve this guidance with FY15 year-to-date production in the nine months through to March 2015 of 74,921 ounces of gold achieved at an average C1 Cash Cost of A\$656/oz and an AISC of A\$905/oz.

Mineral Resources<sup>10</sup> at 31 December 2014 were 50.69 million tonnes grading 0.7g/t Au for 1,156koz of contained gold at a cut-off grade of 0.23g/t Au.

Ore Reserves at 31 December 2014 were 35.22 million tonnes grading 0.8g/t Au for 879koz of contained gold at a cut-off grade of 0.3g/t Au.

#### (b) Mt Carlton Gold-Silver-Copper Mine

The Mt Carlton mine is located 150 kilometres south of Townsville in Queensland. The mine commenced production in 2013 and is 100% owned by Evolution.

Mt Carlton consists of the gold-silver-copper V2 deposit and the silver-rich A39 deposit. Mining of the A39 open pit has ceased and production is currently derived solely from the V2 open pit. Processing is through conventional crushing, grinding and floatation to produce a polymetallic concentrate.

In FY14 Mt Carlton produced 87,952 gold equivalent ounces<sup>11</sup> at an average C1 Cash Cost of A\$675/oz and an AISC of A\$886/oz.

<sup>10</sup> Mineral Resources are reported inclusive of Ore Reserves.

<sup>11</sup> Mt Carlton production recorded as payable gold production. Silver production from the A39 silver deposit at Mt Carlton is recorded as gold equivalent using a gold to silver ratio of 1:65.2 for the September quarter 2013, 1:61.9 for the December quarter 2013, 1:62.5 for the March quarter 2014 and 1:65.6 for the June quarter 2014.

FY15 guidance is 65,000 – 72,500 ounces gold equivalent at an average C1 Cash Cost of A\$760 – A\$840/oz and an AISC of A\$1,020/oz – A\$1,100/oz. Mt Carlton is well placed to achieve this guidance with FY15 year-to-date production in the nine months through to March 2015 of 56,813 ounces gold equivalent<sup>12</sup> achieved at an average C1 Cash Cost of A\$740/oz and an AISC of A\$938/oz.

Mineral Resources<sup>13</sup> at 31 December 2014 were 8.82 million tonnes grading 3.1g/t Au for 871koz of contained gold equivalent at a cut-off grade of 0.35g/t Au for open-pit and 2.5g/t Au for underground.

Ore Reserves at 31 December 2014 were 4.45 million tonnes grading 4.4g/t Au for 625koz of contained gold equivalent at a cut-off grade of 0.9g/t Au for the V2 open-pit.

### (c) Edna May Gold Mine

The Edna May mine is located 310 kilometres east of Perth in Western Australia and recommenced production in 2010. The project is 100% owned by Evolution.

Edna May currently consists of a single open pit mine with conventional CIL processing.

In FY14 Edna May produced 80,165 ounces of gold at an average C1 Cash Cost of A\$1,017/oz and an AISC of A\$1,213/oz.

FY15 guidance is 80,000 – 90,000 ounces of gold at an average C1 Cash Cost of A\$980/oz – A\$1,060/oz and an AISC of A\$1,120/oz – A\$1,200/oz. Edna May is well placed to outperform this guidance with FY15 year-to-date production in the nine months through to March 2015 of 76,483 ounces of gold achieved at an average C1 Cash Cost of A\$688/oz and an AISC of A\$845/oz.

Mineral Resources<sup>14</sup> at 31 December 2014 were 31.73 million tonnes grading 1.0g/t Au for 1,056koz of contained gold at a cut-off grade of 0.4g/t Au for open-pit and 3.0g/t for underground.

Ore Reserves at 31 December 2014 were 11.73 million tonnes grading 1.0g/t Au for 387koz of contained gold at a cut-off grade of 0.5g/t Au.

### (d) Cracow Gold Mine

The Cracow mine is located approximately 500km north west of Brisbane in Queensland and commenced production in 2004. The project is 100% owned by Evolution.

Cracow is mined by underground open stoping methods accessed through decline. Ore is treated by conventional CIP processing. Cracow successfully transitioned to owner mining in July 2013.

In FY14 Cracow produced 95,064 ounces of gold at an average C1 Cash Cost of A\$728/oz and an AISC of A\$1,058/oz.

FY15 guidance is 90,000 – 95,000 ounces of gold at an average C1 Cash Cost of A\$660/oz – A\$730/oz and an AISC of A\$1,000/oz – A\$1,080/oz. Cracow's FY15 year-to-date production in the nine months through to March 2015 is 65,196 ounces of gold achieved at an average C1 Cash Cost of A\$764/oz and an AISC of A\$1,126/oz.

Mineral Resources<sup>15</sup> at 31 December 2014 were 3.22 million tonnes grading 6.8g/t Au for 707koz of contained gold at a cut-off grade of 2.8g/t Au.

Ore Reserves at 31 December 2014 were 1.16 million tonnes grading 6.7g/t Au for 248koz of contained gold at a cut-off grade of 3.5g/t Au.

<sup>12</sup> Mt Carlton production recorded as payable gold production. Silver production from the A39 silver deposit at Mt Carlton is recorded as gold equivalent using a gold to silver ratio of 1:62.7 for the September quarter 2014, the last quarter of production from A39.

<sup>13</sup> Mineral Resources are reported inclusive of Ore Reserves.

<sup>14</sup> Mineral Resources are reported inclusive of Ore Reserves.

<sup>15</sup> Mineral Resources are reported inclusive of Ore Reserves.

## 6 Profile of Evolution (continued)

### (e) Pajingo Gold Mine

The Pajingo mine is located 50km south of Charters Towers in Queensland and commenced production in 1986. The project is 100% owned by Evolution.

Similar to Cracow, Pajingo is mined by underground open stoping methods accessed via decline. Ore is treated by conventional CIP processing.

In FY14 Pajingo produced 60,766 ounces of gold at an average C1 Cash Cost of A\$894/oz and an AISC of A\$1,291/oz.

FY15 guidance is 65,000 – 72,500 ounces of gold at an average C1 Cash Cost of A\$700/oz – A\$770/oz and an AISC of A\$1,050/oz – A\$1,120/oz. Pajingo's FY15 year-to-date production in the nine months through to March 2015 is 50,336 ounces of gold achieved at an average C1 Cash Cost of A\$770/oz and an AISC of A\$1,148/oz.

Mineral Resources<sup>16</sup> at 31 December 2014 were 4.73 million tonnes grading 5.4g/t Au for 823koz of contained gold at a cut-off grade of 2.5g/t Au for underground and 0.75g/t for open-pit.

Ore Reserves at 31 December 2014 were 0.44 million tonnes grading 7.0g/t Au for 98koz of contained gold at a cut-off grade of 3.3g/t Au.

### (f) Exploration

Evolution is committed to discovery as a core part of its business and recognises the long-term nature of the commitment. Evolution has been investing approximately A\$20 million per year on discovery related expenditure.

Evolution has pioneered the use of 3D seismic surveys in epithermal gold systems. 3D seismic surveys have been conducted at Cracow and Pajingo to identify exploration targets.

In June 2014 Evolution entered into a joint venture arrangement with Emmerson Resources Ltd over the Tennant Creek gold-copper project located in the Northern Territory. The Tennant Creek Mineral Field is historically one of Australia's highest grade gold and copper fields, having produced more than 5.5Moz of gold and 470,000t of copper from a variety of deposits, many of which are located within Emmerson Resources Ltd's tenement portfolio.

In May 2015 Evolution entered into a subscription agreement with Phoenix Gold. Under the agreement, Evolution agreed to subscribe for up to 105.9 million shares in Phoenix Gold in two separate tranches, which would represent 19.9%<sup>17</sup> of the shares in Phoenix Gold. Evolution completed the subscription of the first tranche (approximately 9.4%<sup>18</sup>) on 8 May 2015. On 22 June 2015, Evolution and Phoenix Gold agreed to vary the subscription agreement such that Evolution would not proceed with the subscription for the second tranche of shares (being approximately 61.9 million shares in Phoenix Gold). Phoenix Gold is a Kalgoorlie-based gold exploration and development company with a tenement holding located in very close proximity to the 1.5Mtpa Mungari CIL processing plant. Phoenix Gold's tenement package adjoins the Mungari Operation and covers a significant strike length of the Zuleika Shear and the Kunanalling Shear. Many of the exploration targets developed by Phoenix Gold, on its tenements, are geologically similar to the Frog's Leg mine and the White Foil mine.

Evolution holds a 100% interest in three exploration tenements covering an area of approximately 890 km<sup>2</sup> surrounding the historic Wirralie gold mine in North Queensland and has also entered into an agreement to acquire a 100% interest in the Puhipuhi Project on the North Island of New Zealand. This acquisition has now completed.

<sup>16</sup> Mineral Resources are reported inclusive of Ore Reserves.

<sup>17</sup> This percentage is based on the share capital of Phoenix Gold on an undiluted basis.

<sup>18</sup> This percentage is based on the share capital of Phoenix Gold on an undiluted basis.

## 6.3 Cowal Transaction

Evolution announced on 25 May 2015 that it had entered into an agreement with Barrick (Australia Pacific) Pty Limited (**Barrick**) to acquire the Cowal gold mine through the purchase of 100% of the shares in Barrick (Cowal) Pty Limited for a price of US\$550 million (the **Cowal Transaction**).

Evolution is raising approximately A\$248 million through the Entitlement Offer to partly fund the Cowal Transaction. The balance of the purchase price will be funded by refinanced corporate credit facilities comprising an upsized A\$300 million Senior Secured Revolver and a new A\$400 million Senior Secured Term Loan.

Completion of the Cowal Transaction is conditional upon Evolution receiving Australian Foreign Investment Review Board approval, either unconditionally or on terms reasonably satisfactory to Evolution; and Barrick obtaining written consent (either without conditions or on conditions reasonably satisfactory to Evolution having regard to the materiality of those conditions in the entirety of the sale of the Cowal shares) under the Mining Act 1992 (NSW) from the NSW Minister for Resources and Energy to the change in control and foreign acquisition of substantial control in Cowal, in relation to EL 1590 and EL 7750. All conditions precedent must be satisfied by 22 September 2015 or such later date as may be agreed by the parties.

The Cowal gold mine is located approximately 40km north-east of West Wyalong in New South Wales, Australia. It is a high quality Australian gold asset with a long history of stable, large scale, low cost production. Production is currently sourced from a single open pit (E42 deposit) where conventional drill and blast, load and haul mining methods are employed. The Cowal processing plant has a capacity of around 7.7Mtpa which currently has an operating permit to run at 7.5Mtpa.

Cowal will contribute immediate annual production of 230,000 – 260,000 ounces per annum at an AISC of A\$850 – A\$900 per ounce. At 31 December 2014 Cowal had Mineral Resources (excluding Mineral Reserves) of 1.9 million ounces of gold and Mineral Reserves of 1.6 million ounces of gold<sup>19</sup>.

Evolution has identified several areas where Evolution currently considers that its operating expertise may potentially be able to be applied to reduce costs and improve production efficiencies. The potential to revise reserve price assumptions also indicates an opportunity to potentially increase reserves, resources and the mine life of the operation.

In addition to the operating assets of Cowal, Evolution is also acquiring a regional tenement package covering an area of approximately 683km<sup>2</sup>. There are several existing identified exploration targets including E41, E46, South Cowal, and Regal and Galway Deeps. Regional exploration in recent years has been limited.

<sup>19</sup> See section 6.5 "Cowal's Mineral Resources and Mineral Reserves" for further detail on reserve and resource estimates for Cowal.

## 6 Profile of Evolution (continued)

### 6.4 Evolution's Mineral Resources and Ore Reserves

Evolution Group's Ore Reserve Statement as at 31 December 2014 is shown below.

Evolution Ore Reserves - December 2014											
Gold			Proved			Probable			Total Reserve		
Project	Type	Cut-Off	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
Cracow	Underground	3.5	0.38	7.41	91	0.78	6.31	158	1.16	6.67	248
Pajingo	Underground	3.3	0.15	7.85	38	0.29	6.50	60	0.44	6.96	98
Edna May	Open-Pit	0.5	-	-	-	11.73	1.02	387	11.73	1.02	387
Mt Carlton	Open-Pit	0.9	0.09	6.00	17	4.36	4.30	607	4.45	4.40	625
Mt Rawdon	Open-Pit	0.3	1.04	0.50	17	34.19	0.78	862	35.22	0.80	879
<b>Total</b>			<b>1.66</b>	<b>3.05</b>	<b>163</b>	<b>51.35</b>	<b>1.26</b>	<b>2,074</b>	<b>53.00</b>	<b>1.31</b>	<b>2,237</b>

Evolution Group's Mineral Resource Statement as at 31 December 2014 is shown below.

Evolution Mineral Resources - December 2014														
Gold			Measured			Indicated			Inferred			Total Resource		
Project	Type	Cut-Off	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
<b>Cracow</b>	<b>Total</b>	2.8	0.38	9.58	118	1.27	7.69	313	1.57	5.45	276	3.22	6.82	707
Pajingo	Open-Pit	0.5	-	-	-	0.00	8.04	1	0.25	1.33	11	0.25	1.45	12
Pajingo	Underground	2.5	0.10	11.10	37	1.88	6.08	368	2.49	5.07	406	4.48	5.64	811
<b>Pajingo</b>	<b>Total</b>		<b>0.10</b>	<b>11.10</b>	<b>37</b>	<b>1.90</b>	<b>6.08</b>	<b>369</b>	<b>2.76</b>	<b>4.74</b>	<b>417</b>	<b>4.73</b>	<b>5.41</b>	<b>823</b>
Edna May	Open-Pit	0.4	-	-	-	26.00	0.94	783	5.22	0.99	167	31.22	0.95	949
Edna May	Underground	3.0	-	-	-	-	-	-	0.51	6.45	106	0.51	6.45	106
<b>Edna May</b>	<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>26.00</b>	<b>0.94</b>	<b>783</b>	<b>5.73</b>	<b>1.48</b>	<b>273</b>	<b>31.73</b>	<b>1.03</b>	<b>1,056</b>
Mt Carlton	Open-Pit	0.35	0.09	6.00	17	8.40	3.02	815	-	-	-	8.49	3.07	832
Mt Carlton	Underground	2.5	-	-	-	-	-	-	0.33	3.65	39	0.33	3.65	39
<b>Mt Carlton</b>	<b>Total</b>		<b>0.09</b>	<b>6.00</b>	<b>17</b>	<b>8.40</b>	<b>3.02</b>	<b>815</b>	<b>0.33</b>	<b>3.65</b>	<b>39</b>	<b>8.82</b>	<b>3.07</b>	<b>871</b>
<b>Mt Rawdon</b>	<b>Total</b>	<b>0.23</b>	<b>1.04</b>	<b>0.51</b>	<b>17</b>	<b>46.00</b>	<b>0.72</b>	<b>1,069</b>	<b>3.65</b>	<b>0.59</b>	<b>69</b>	<b>50.69</b>	<b>0.71</b>	<b>1,156</b>
Twin Hills	Open-Pit	0.5	-	-	-	-	-	-	3.06	2.1	204	3.06	2.1	204
Twin Hills	Underground	2.3	-	-	-	-	-	-	1.56	3.9	194	1.56	3.9	194
<b>Twin Hills</b>	<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.62</b>	<b>2.7</b>	<b>399</b>	<b>4.62</b>	<b>2.7</b>	<b>399</b>
<b>Total</b>			<b>1.61</b>	<b>3.65</b>	<b>189</b>	<b>83.57</b>	<b>1.25</b>	<b>3,349</b>	<b>18.66</b>	<b>2.46</b>	<b>1,473</b>	<b>103.81</b>	<b>1.50</b>	<b>5,012</b>

Data is reported to significant figures to reflect appropriate precision and may not sum precisely due to rounding. Mineral Resources are reported inclusive of Ore Reserves. Includes stockpiles +Twin Hills has not changed as it is being reported as 2004 JORC Code.

Due to depletion of A39 at Mt Carlton and lower grade Ag, Cu for remaining resource at Mt Carlton, the 2014 Mineral Resources and Ore Reserves statement has been reported in gold ounces.

This information is extracted from the report entitled "Annual Mineral Resources and Ore Reserves Statement" created on 14 May 2015 and is available to view at [www.evolutionmining.com.au](http://www.evolutionmining.com.au).

## 6 Profile of Evolution (continued)

### 6.5 Cowal's Mineral Resources and Mineral Reserves

Cowal's Mineral Resources as at 31 December 2014 are estimated at 53.01 million tonnes at 1.10g/t Au for 1.88 million ounces of contained gold and are reported exclusive of Mineral Reserves. Cowal's Mineral Reserves as at 31 December 2014 are estimated at 41.47 million tonnes at 1.17g/t Au for 1.56 million ounces.

This information is reported on the basis of a Foreign Estimate (as that term is defined in the ASX Listing Rules) and as such, is not reported in accordance with the JORC Code. Cowal's Mineral Resources and Mineral Reserves are disclosed according to Canadian NI 43-101 standards. The estimates and disclosures for Cowal do not purport to be reported in accordance with the JORC Code. A competent person has not yet done sufficient work to classify the Foreign Estimates as "Mineral Resources" or "Ore Reserves" in accordance with the JORC Code. However, Evolution notes the similarity of the Canadian NI 43-101 standards and the JORC Code. It is uncertain that following evaluation and/or further exploration work that these Foreign Estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. The information relating to Cowal is extracted from Evolution's announcement to the ASX on 25 May 2015 on the Cowal Transaction available at [www.evolutionmining.com.au](http://www.evolutionmining.com.au). Evolution confirms that the supporting information in the 25 May 2015 announcement relating to the Mineral Resources and Mineral Reserves of Cowal continues to apply and has not materially changed.

Following completion of the Cowal Transaction, it is currently Evolution's intention to undertake an evaluation of the data relating to Cowal to verify whether the Foreign Estimate can be reported as "Mineral Resources" or "Ore Reserves" in accordance with the JORC Code.

Cowal Mineral Resources - December 2014 at a variable cut-off															
Deposit	Type	Measured (M)			Indicated (I)			(M) + (I)	Inferred			Total Resource			
		Tonnes (Mt)	Gold Grade (g/t)	Contained (koz)	Tonnes (Mt)	Gold Grade (g/t)	Contained (koz)	Contained (koz)	Tonnes (Mt)	Gold Grade (g/t)	Contained (koz)	Tonnes (Mt)	Gold Grade (g/t)	Contained (koz)	
E42	Oxide	-	-	-	1.28	1.5	61	61	0.26	5.13	42	1.53	2.09	103	
	Primary	-	-	-	27.66	1.12	998	998	3.26	0.94	98	30.93	1.1	1,096	
	Stockpile	7.19	0.63	146	-	-	-	146	-	-	-	7.19	0.63	146	
E41	Oxide	-	-	-	4.48	1.3	188	188	0.21	1.67	11	4.69	1.32	199	
	Primary	-	-	-	3.66	1.2	141	141	0.34	1.32	15	4.00	1.21	156	
E46	Oxide	-	-	-	4.29	1.17	161	161	0.02	3.49	2	4.31	1.18	163	
	Primary				0.36	1.09	12	12	-	-	-	0.36	1.09	12	
<b>Total</b>		<b>7.19</b>	<b>0.63</b>	<b>146</b>	<b>41.73</b>	<b>1.16</b>	<b>1,562</b>	<b>1,708</b>	<b>4.09</b>	<b>128</b>	<b>168</b>	<b>53.01</b>	<b>1.10</b>	<b>1,875</b>	

Canadian Institute of Mining, Metallurgy and Petroleum (CIM) definitions were followed for Mineral Resources for Cowal. Mineral Resources are estimated at a cut-off grade of 0.46 g/t Au for oxide material and 0.63 g/t Au for primary material. Mineral Resources are estimated using an average long-term gold price of US\$1,400 per ounce, and a US\$1.00=A\$1.11 exchange rate. Bulk density varies from 1.74 t/m<sup>3</sup> to 2.83 t/m<sup>3</sup>. Numbers may not add due to rounding.



Cowal Mineral Reserves - December 2014										
Deposit	Type	Proven			Probable			Total Reserve		
		Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
E42	Oxide	-	-	-	-	-	-	-	-	-
	Primary	-	-	-	25.96	1.28	1,070	25.96	1.28	1,070
Stockpiles	Oxide	9.70	0.87	271	-	-	-	9.70	0.87	271
	Primary	5.68	1.09	199	-	-	-	5.68	1.09	199
Inventory	Plant	0.12	1.44	6	-	-	-	0.12	1.46	6
	Leach	-	-	10	-	-	-	-	-	10
<b>Total</b>		<b>15.51</b>	<b>0.97</b>	<b>485</b>	<b>25.96</b>	<b>1.28</b>	<b>1,070</b>	<b>41.47</b>	<b>1.17</b>	<b>1,555</b>

Canadian Institute of Mining, Metallurgy and Petroleum (CIM) definitions were followed for Mineral Reserves.

Mineral Reserves are estimated using an average long-term gold price of US\$1,100 per ounce, and US\$1.00 = A\$1.10 exchange rate.

Proven category is stockpile material, hence no cut-off grade supplied.

Numbers may not add due to rounding.

Mineral Reserves as defined under CIM are equivalent to Ore Reserves as defined under the JORC Code.

## 6.6 Evolution Directors

Brief profiles of the directors of Evolution as at the date of this Explanatory Memorandum are as follows.

### (a) Jacob Klein BCom (Hons), ACA

#### Executive Chairman

Mr Klein was appointed as Executive Chairman in October 2011, following the merger of Conquest Mining Limited and Catalpa Resources Limited. Previously he served as the Executive Chairman of Conquest Mining Limited. Prior to that, Mr Klein was President and CEO of Sino Gold Mining Limited, where along with Mr Askew (director from 2002 and Chairman from 2005 of Sino Gold) he managed the development of that company into the largest foreign participant in the Chinese gold industry. Sino Gold Mining Limited was listed on the ASX in 2002 with a market capitalisation of A\$100 million and was purchased by Eldorado Gold Corporation in late 2009 for over A\$2 billion.

Mr Klein is currently a non-executive director of Lynas Corporation Limited (since August 2004), a company with operations in Australia and Malaysia, and formerly a non-executive director of OceanaGold Corporation, a company with operations in the Philippines and New Zealand. Both Lynas Corporation Limited and OceanaGold Corporation are ASX-listed companies.

## 6 Profile of Evolution (continued)

### (b) Lawrie Conway BBus, CPA

#### **Finance Director and Chief Financial Officer**

Mr Conway is the former Newcrest Executive General Manager (Commercial and West Africa) and was responsible for Newcrest's group supply and logistics, marketing, information technology, and laboratory functions as well as Newcrest's business in West Africa. Mr Conway has more than 24 years' commercial experience in the resources sector across a diverse range of commercial and financial activities while at Newcrest and previously at BHP Billiton. While with Newcrest he was a company director of PT Nusa Halmahera Minerals, the owner of the Gosowong Gold Mine in Indonesia. While with BHP Billiton he spent 3 years in Chile working at the Escondida Copper Mine.

Mr Conway has held a mix of corporate and operational commercial roles within Australia, Indonesia, Papua New Guinea and Chile.

He was appointed Finance Director and Chief Financial Officer of Evolution with effect from 1 August 2014 (previously a non-executive director since October 2011).

### (c) James Askew BEng (Mining), MEng Sc, FAusIMM, MCIMM, MSME (AIME)

#### **Non-Executive Director**

Mr Askew is a mining engineer with over 40 years' broad international experience as a Director and Chief Executive Officer for a wide range of Australian and international publicly listed mining, mining finance and other mining related companies.

Mr Askew has served on the boards of numerous mining and mining services companies, which currently include OceanaGold Limited (chairman since November 2006), a company with operations in the Philippines and New Zealand, Asian Mineral Resources (since 2012), a company with operations in Vietnam, and Syrah Resources Limited (chairman since October 2014), a company with operations in Mozambique.

### (d) Graham Freestone BEc (Hons)

#### **Lead Independent Director**

Mr Freestone has over 45 years' experience in the petroleum and natural resources industry. He has a broad finance, corporate and commercial background obtained in Australia and internationally through senior finance positions with the Shell Group, Acacia Resources Limited and AngloGold Ashanti Limited.

Mr Freestone was the Chief Financial Officer and Company Secretary of Acacia Resources Limited from 1994 until 2001. From 2001 to 2009 he was a non-executive director of Lion Selection Limited and from 2009 to 2011 he was a non-executive director of Catalpa Resources Limited.

## (e) Colin Johnstone BEng (Mining)

### **Non-Executive Director**

Mr Johnstone is a mining engineer with over 30 years' experience in the resources sector. He has served as General Manager at some of Australia's largest mines including the Kalgoorlie Super Pit in Western Australia, the Olympic Dam Mine in South Australia and the Northparkes Mine in New South Wales. International experience includes Senior Vice President and Chief Operating Officer for the Iron Ore Company of Canada and Joint Venture General Manager for Alumbrera, a major open cut copper-gold mine in Argentina.

Recently, Mr Johnstone was Vice President of Operations and Chief Operating Officer at Equinox Minerals Limited, a company with operations in Zambia, prior to the C\$7.3 billion acquisition by Barrick Gold Corporation in 2011. Prior to that role, Mr Johnstone was Chief Operating Officer of Sino Gold Mining Limited, where he oversaw the development and operation of gold mines in China.

Mr Johnstone is also a non-executive director of Metallum Limited, a company with operations in Chile, and held a non-executive director role at Reed Resources Limited.

## (f) Thomas McKeith BSc (Hons), GradDip Eng (Mining), MBA

### **Non-Executive Director**

Mr McKeith is a geologist with 25 years' experience in various mine geology, exploration and business development roles. He was formerly Executive Vice President (Growth and International Projects) for Gold Fields Ltd where he was responsible for global greenfields exploration and project development. Mr McKeith was also Chief Executive Officer of Troy Resources Ltd and held non-executive director roles at Sino Gold Ltd and Avoca Resources Limited.

## (g) John Rowe BSc (Hons), ARSM, MAusIMM

### **Non-Executive Director**

Mr Rowe has some 40 years' experience within the gold, nickel and copper industries. He has held a variety of positions in mine management, exploration and business development.

Mr Rowe was appointed as a non-executive director of Westonia Mines Limited on 12 October 2006. Through a series of corporate transactions, Westonia Mines subsequently changed name to Catalpa Resources Limited and then Evolution Mining Limited.

Mr Rowe is also a non-executive director of Panoramic Resources Limited and was formerly non-executive director of Southern Cross Goldfields Limited.

## 6.7 Evolution Senior Management

Brief profiles of the senior management team of Evolution as at the date of this Explanatory Memorandum are as follows.

### (a) Jacob Klein BCom (Hons), ACA

#### **Executive Chairman**

See section 6.6(a).

### (b) Lawrie Conway BBus, CPA

#### **Finance Director and Chief Financial Officer**

See section 6.6(b).

## 6 Profile of Evolution (continued)

### (c) Mark Le Messurier BEng, MBA

#### **Chief Operating Officer**

Mark is responsible for Evolution's five operations with the site-based General Managers reporting directly to him.

Mark is a mining engineer with extensive experience in mine development and operation. Prior to his current role, Mark was Chief Operating Officer of Conquest Mining Limited, where he was responsible for the Pajingo gold mine and Mt Carlton development project in north Queensland. Immediately prior to this he was Vice President (China Operations) with Eldorado Gold Corporation where he was responsible for the Jinfeng, Tanjianshan and White Mountain gold mines and the Eastern Dragon development project in China. Mark was the former General Manager, Operations with Sino Gold Mining Limited.

### (d) Aaron Colleran BEng (Geology), BCom (Finance), MAICD

#### **VP Investor Relations and Business Development**

Aaron was originally an exploration geologist with experience in Australia and Papua New Guinea across a range of commodities. He has spent most of his career working in the finance industry, initially as a mining analyst with a global stock broking firm and more recently in investment banking where he provided strategic corporate advice to junior and mid-tier mining companies in Australia and Asia. He has over 20 years of experience in mining finance and corporate advice and has led a number of successful corporate transactions (acquisitions, takeovers and mergers), equity raisings and project financings.

Prior to his current role he was General Manager Corporate for Conquest Mining Limited where he oversaw the exploration and business development functions.

### (e) Roric Smith BSc Hons, PhD Geology, MAIG

#### **VP Discovery and Chief Geologist**

Roric has over 25 years of experience in senior technical and management roles both locally and internationally within the gold sector, most recently as Senior Vice President Global Greenfield Exploration at AngloGold Ashanti Ltd.

Prior to this role he has held various roles in China and Mongolia. In Australia he held senior roles with AngloGold Ashanti Ltd and Normandy Mining Limited.

Roric's specialist geology skills have contributed to understanding of structural controls in orogenic and epithermal systems and the exploration for blind porphyry systems, leading to new discoveries and increases in resources in a number of regions, including Australasia, Africa and South America.

**(f) Evan Elstein BCom (Accounting and Finance), ACA, GradDip ACG, AGIA, ACIS**

**Company Secretary and VP Information Technology and Community Relations**

Evan is a Chartered Accountant and a Chartered Secretary, and a member of the Institute of Chartered Accountants, the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

Evan has over 20 years' experience in senior financial, commercial and technology roles, where his responsibilities have included the roll out of IT projects and services, business improvement initiatives and merger and acquisition activities. He has held senior positions with IT consulting companies in Australia, and previously served as the Chief Financial Officer and Company Secretary of Hartec Limited. Prior to that, Evan was employed by Dimension Data and Grant Thornton in South Africa.

Prior to his current role Evan was Company Secretary and General Manager IT and Business Systems for Conquest Mining Limited.

**(g) Paul Eagle CAHRI, Certified Coach, MNLP**

**General Manager - People and Culture**

Paul was appointed General Manager - People and Culture in 2013, with responsibility for human resources and people and organisational effectiveness.

Paul has effectively operated at a senior level across a range of industries, including FMCG, Finance, Industrial Services, and Mining and driven strategic and innovative business solutions. Paul has worked in a range of different countries and environments, including Australia, New Zealand, the UK and parts of Europe in both business management and Human Resources roles.

## 6.8 Evolution Directors' interests and dealings in Evolution Securities

The Evolution Directors' Relevant Interests in Evolution Securities as at the date of this Explanatory Memorandum are detailed below:

Director	Evolution Shares	Evolution Options	Evolution Performance Rights
Jacob Klein	6,358,628	4,677,436	5,532,415
Lawrie Conway	100,000	-	536,347
James Askew	500,000	488,651	-
Graham Freestone	70,398	-	-
Colin Johnstone	67,567	-	-
Thomas McKeith	100,000	-	-
John Rowe	113,961	-	-

## 6 Profile of Evolution (continued)

### 6.9 Evolution Options

Each Evolution option confers on its holder the right to subscribe for one Evolution Share at a specified exercise price (**Evolution Option**).

All of the existing Evolution Options were issued under either:

- Evolution's Employee Share Option and Performance Rights Plan (**ESOP**) which was first approved at Evolution's annual general meeting on 23 November 2010; or
- Evolution's Employees and Contractors Option Plan (**ECOP**) which was approved at Evolution's annual general meeting on 27 November 2008. No further Evolution Options will be issued under the ECOP.

Number of Evolution Options	Exercise price	Expiry date	Details of issue	Currently exercisable?
46,786	\$1.822	25/11/2015	Issued under the ECOP	Yes
582	\$1.782	25/11/2015	Issued under the ECOP	Yes
1,405	\$1.860	25/11/2015	Issued under the ECOP	Yes
42,097	\$1.936	25/11/2015	Issued under the ECOP	Yes
58,766	\$1.879	25/11/2015	Issued under the ECOP	Yes
32,117	\$2.072	25/11/2015	Issued under the ECOP	Yes
200,042	\$1.802	25/11/2015	Issued under the ECOP	Yes
53,902	\$1.4722	25/11/2015	Issued under the ECOP	Yes
20,523	\$2.072	18/11/2016	Issued under the ECOP	Yes
32,432	\$2.412	18/11/2016	Issued under the ECOP	Yes
<b>488,652</b>	<b>Sub Total</b>			
165,000	\$1.400	6/10/2015	Issued under the ESOP	Yes
582,141	\$1.472	25/11/2015	Issued under the ESOP	Yes
53,902	\$1.472	25/11/2015	Issued under the ESOP	Yes
159,000	\$1.690	30/6/2015	Issued under the ESOP	Yes
360,000	\$1.690	30/6/2015	Issued under the ESOP	Yes
582	\$1.782	25/11/2015	Issued under the ESOP	Yes
6,290	\$1.782	25/11/2016	Issued under the ESOP	Yes
200,042	\$1.802	25/11/2015	Issued under the ESOP	Yes
1,560,450	\$1.802	25/11/2016	Issued under the ESOP	Yes
46,786	\$1.822	25/11/2015	Issued under the ESOP	Yes

Number of Evolution Options	Exercise price	Expiry date	Details of issue	Currently exercisable?
505,291	\$1.822	25/11/2016	Issued under the ESOP	Yes
600,000	\$1.840	25/11/2016	Issued under the ESOP	Yes
1,405	\$1.860	25/11/2015	Issued under the ESOP	Yes
58,766	\$1.879	25/11/2015	Issued under the ESOP	Yes
634,672	\$1.879	25/11/2016	Issued under the ESOP	Yes
555,000	\$1.880	1/4/2016	Issued under the ESOP	Yes
15,172	\$1.860	22/11/2016	Issued under the ESOP	Yes
42,097	\$1.936	25/11/2015	Issued under the ESOP	Yes
454,645	\$1.936	25/11/2016	Issued under the ESOP	Yes
32,117	\$2.072	25/11/2015	Issued under the ESOP	Yes
346,865	\$2.072	25/11/2016	Issued under the ESOP	Yes
242,168	\$2.072	18/11/2016	Issued under the ESOP	Yes
675,000	\$2.130	25/11/2015	Issued under the ESOP	Yes
382,696	\$2.412	18/11/2016	Issued under the ESOP	Yes
<b>7,680,087</b>	<b>Sub Total</b>			
<b>8,168,739</b>	<b>Total</b>			

## 6 Profile of Evolution (continued)

### 6.10 Evolution Performance Rights

Each Evolution performance right confers on its holder the right to acquire one Evolution Share for a nil subscription price, subject to vesting conditions which are set out in the following table (**Evolution Performance Right**).

Performance target	Description	Weighting for FY13 grants	Weighting for FY14 grants	Weighting for FY15 grants
TSR Performance	Evolution's relative total shareholder return (TSR) measured against the TSR for a peer company group of 20 comparator gold mining companies (Peer Group)	60%	33.33%	25%
C1 Cash Costs Performance	Evolution's net C1 Cash Costs per ounce ranking amongst the Peer Group	20%	-	
Increasing Mine Life	Increasing mine life to 8 year mine life at June 2015 production rates	20%	-	
Absolute TSR performance	Evolution's absolute TSR return	-	33.33%	25%
Growth in Earnings Per Evolution Share	Growth in Evolution's earnings per Evolution Share	-	33.33%	25%
Increase Ore Reserves per Evolution Share	Increasing the Ore Reserves per Evolution Share over a 3 year period	-	-	25%

Upon vesting of an Evolution Performance Right, the holder is immediately issued with one Evolution Share. All of the existing Evolution Performance Rights were issued under the ESOP.

Grant date	Number of Evolution Performance Rights	Expiry date
FY13 granted on 14/9/2012 and 9/01/2013	3,186,183	30 June 2015
FY14 granted on 30/8/2013 and 20/01/2014	8,207,024	30 June 2016
FY15 granted on 3/9/2014 and 8/01/2015	9,988,904	30 June 2017
<b>Total</b>	<b>21,382,111</b>	



## 6.11 Historical financial information

Group Key metrics – for the year ended	30 June 2014 \$'000	30 June 2013 \$'000
Total UG ore mined (kt)	829	827
Total lateral development (m)	11,083	13,449
OP ore mined (kt)	6,631	7,532
OP waste mined (kt)	18,127	37,169
Processed tonnes (kt)	7,720	7,172
Gold equivalent grade processed (g/t)	1.98	1.90
<b>Gold equivalent production (oz)</b>	<b>427,703</b>	<b>392,920</b>
Unit cash operating cost (A\$/oz)	781	790
All in sustaining costs (A\$/oz)	1,083	1,228

Financial Position – for the year ended	30 June 2014 \$'000	30 June 2013 \$'000
Current Assets	123,643	102,649
Non-Current Assets	985,880	919,321
<b>Total Assets</b>	<b>1,109,523</b>	<b>1,021,970</b>
Current Liabilities	101,373	98,542
Non-Current Liabilities	222,846	176,173
<b>Total Liabilities</b>	<b>324,219</b>	<b>274,715</b>
<b>Net Assets</b>	<b>785,304</b>	<b>747,255</b>
<b>Total Equity</b>	<b>785,304</b>	<b>747,255</b>

## 6 Profile of Evolution (continued)

Financial Summary – for the year ended	30 June 2014 \$'000	30 June 2013 \$'000
Total Revenue	634,420	605,034
Cost of Sales (excluding D&A)	(397,060)	(358,286)
Corporate, Admin, Exploration and other costs	(29,803)	(35,023)
<b>Underlying EBITDA</b>	<b>207,556</b>	<b>211,725</b>
Depreciation and Amortisation (D&A)	(143,824)	(141,384)
<b>Underlying EBIT</b>	<b>63,732</b>	<b>70,340</b>
Net interest expense	(13,715)	(6,851)
Underlying tax expense	0	(19,047)
<b>Underlying Net Profit</b>	<b>50,017</b>	<b>44,443</b>
Asset and investment impairments	0	(384,285)
Business combination costs	0	0
Fair value uplift of 30% Cracow	0	0
Other Tax effected amounts	-	32,421
<b>Reported Net Profit/(Loss)</b>	<b>50,017</b>	<b>(307,421)</b>
<b>Cash flow from operating activities</b>	<b>202,197</b>	<b>232,990</b>

## 7 Information regarding LM Australia Group and profile of the La Mancha Group

### 7.1 Information regarding LM Australia Group

#### (a) Overview of LM Australia Group

The LM Australia Group is a privately owned gold producer with two existing gold producing assets in Western Australia. The LM Australia Group of companies is comprised of the following:

- **Toledo** - Toledo is the Australian holding company of the LM Australia Group. The company holds no assets other than in relation to its shareholdings in its Subsidiaries (described below).
- **Amalco and Minera Patagonia S.A.** - Amalco is a wholly owned subsidiary of Toledo that was formed following the amalgamation of two Canadian companies. Amalco holds a 95% interest in Minera Patagonia S.A., a company incorporated in Argentina<sup>20</sup>. The remaining 5% in Minera Patagonia S.A. is held by private interests on trust for Amalco.

Minera Patagonia S.A. is currently subject to bankruptcy proceedings in Argentina and is under the administration of the trustee and bankruptcy court. The bankruptcy court has dismissed the extension of bankruptcy application that may have extended liability in the Minera Patagonia bankruptcy proceeding to Amalco, and any further claims against Amalco are now time-barred. Accordingly, Amalco will not have any liability for claims, costs or fees in relation to Minera Patagonia's bankruptcy proceedings. Amalco is, however, facing a claim in Argentina by Minera El Colorado S.A.C.I (Colorado). The total potential liability of Amalco in relation to the Colorado claim is estimated to be approximately US\$3.15 million, plus a portion of legal costs. The final result of the Colorado litigation may not be known until 2017, and Amalco is contesting the claims made by Colorado in that litigation.

In light of the above, it is proposed to transfer the shares in Amalco to another La Mancha Group member before Completion of the La Mancha Transaction so that neither Amalco nor Minera Patagonia S.A. will form part of the Combined Group. If the La Mancha Restructure is not implemented before Completion, LM Vendor remains responsible for the conduct of the bankruptcy proceedings and indemnifies Evolution for certain matters as a result of these companies continuing to be part of the LM Australia Group. See section 10.2 for further detail regarding the La Mancha Restructure.

- **LMRA** - LMRA is the entity which operates the business of LM Australia Group from its offices in Perth, Western Australia.

LMRA is wholly owned by Amalco. If the La Mancha Restructure is implemented, LMRA will be 100% owned by Toledo. See section 10.2 for further detail regarding the La Mancha Restructure.

LMRA is a gold mining company with two existing gold producing assets in Western Australia.

As at 31 December 2014, LMRA has a combined Mineral Resource of approximately 2.6 million ounces of gold and a combined Ore Reserve of approximately 0.8 million ounces of gold.

In CY14, LMRA produced 147,019 ounces of gold. LMRA is expected to produce between 130,000 and 160,000 ounces of gold at an AISC of A\$950 - A\$1,000 per ounce in CY15.

LMRA is a growth-orientated company, focused on optimising and increasing production at its existing operations, while pursuing exploration on its prospective tenement package.

- **La Mancha (Mungari East) Pty Ltd** - La Mancha (Mungari East) Pty Ltd is wholly owned by LMRA and is a dormant entity.

<sup>20</sup> The La Mancha Group understands that it may be possible that the Canadian government holds 45% of the shares in Minera Patagonia S.A. due to the technical operation of Canadian legislation following the dissolution of the Canadian entity that previously held some of the shares, La Mancha Resources Argentina Inc. If this is the case, the La Mancha Group understands that this should not impact the La Mancha Restructure and it is open to the La Mancha Group to effect a transfer of that 45% shareholding to Amalco.

## 7 Information regarding LM Australia Group and profile of the La Mancha Group (continued)

A structure diagram of LM Australia Group is set out below.



## (b) The principal operations and activities of LM Australia Group

### Frog's Leg Gold Mine (100%)

#### Overview

The Frog's Leg mine is located 20km directly west of Kalgoorlie in Western Australia and is 100% owned by LM Australia Group.

Frog's Leg is an underground operation mined by conventional methods utilising drilling, blasting, loading, hauling and backfill systems. Ore mined at Frog's Leg is transported to the Mungari CIL processing plant for processing.

The Frog's Leg operation commenced mining from the open pit in June 2004. Open pit mining ceased in October 2005. Underground mining commenced on the site in August 2007 and continues today.

Following the privatisation of LM Australia Group in 2012, LM Australia Group consolidated its ownership of Frog's Leg in 2013 by acquiring the remaining 49% not already owned from Alacer Gold Corporation for A\$144 million.

#### Geology

The Kundana gold deposits are structurally related to the Zuleika Shear Zone, a regional NNW-trending shear zone that juxtaposes the Ora Banda domain to the east and the Coolgardie domain to the west. The Frog's Leg deposit is located on the sheared contact between the porphyritic "cat rock" (regionally known as the Victorious Basalt) and volcanoclastic rocks of Black Flag Beds.

Mineral Resources<sup>21</sup> at 31 December 2014 were 3.8 million tonnes grading 6.37g/t Au for 770koz of contained gold at a cut-off grade of 2.5g/t Au.

Ore Reserves at 31 December 2014 were 2.5 million tonnes grading 5.46g/t Au for 443koz of contained gold at a cut-off grade of 3.0g/t Au.

Frog's Leg Mineral Resources - December 2014 <sup>22</sup>															
Project	Type	Cut-off (g/t Au)	Measured			Indicated			Inferred			Total Resource			
			Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	
Frog's Leg	Underground	2.50	1,467	7.11	335	1,820	6.18	362	465	4.83	72	3,752	6.37	769	
Frog's Leg	Stockpile		10	4.38	1	-	-	-	-	-	-	10	4.38	1	
	<b>Total</b>		<b>1,477</b>	<b>7.08</b>	<b>336</b>	<b>1,820</b>	<b>6.19</b>	<b>362</b>	<b>465</b>	<b>4.82</b>	<b>72</b>	<b>3,762</b>	<b>6.37</b>	<b>770</b>	

<sup>21</sup> Mineral Resources are reported inclusive of Ore Reserves.

<sup>22</sup> Frog's Leg Mineral Resource data is reported to significant figures to reflect the appropriate precision and may not sum precisely due to rounding. Mineral Resources are reported inclusive of Ore Reserves.

## 7 Information regarding LM Australia Group and profile of the La Mancha Group (continued)

Frog's Leg Ore Reserves - December 2014 <sup>23</sup>											
Project	Type	Cut-off (g/t Au)	Proved			Probable			Total Reserve		
			Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)
Frog's Leg	Underground	3.00	1,795	5.53	319	720.5	5.30	123	2,515.50	5.46	442
Frog's Leg	Stockpile		10	4.38	1	-	-	-	10	4.38	1
	<b>Total</b>		<b>1,805</b>	<b>5.51</b>	<b>320</b>	<b>721</b>	<b>5.30</b>	<b>123</b>	<b>2,526</b>	<b>5.46</b>	<b>443</b>

This information is extracted from the release entitled "Evolution to Combine with La Mancha Australia to Form a Leading Growth-focused Australian Gold Producer" dated 20 April 2015 and is available to view at [www.evolutionmining.com.au](http://www.evolutionmining.com.au).

### Production

In CY14 124,119 ounces of contained gold was mined at Frog's Leg. In addition to the ore mined some stockpiled ore was also processed leading to overall gold production from Frog's Leg in CY14 of 125,476 ounces at an average C1 Cash Cost of A\$670/oz.

### **Frog's Leg - Recent historic production (100% basis)<sup>24</sup>**

	CY12	CY13	CY14
Ore mined (kt)	677,254	718,563	794,420
Ore grade (g/t)	6.00	5.63	4.86
Contained gold, 100% (oz)	130,636	130,017	124,119

CY15 annual production is expected to be between 90,000 - 110,000 ounces of gold.

<sup>23</sup> Frog's Leg Ore Reserve data is reported to significant figures to reflect the appropriate precision and may not sum precisely due to rounding.

<sup>24</sup> Production data is shown on a 100% basis. The LM Australia Group purchased the remaining 49% of Frog's Leg it did not already own in March 2013.

## White Foil Gold Mine (100%)

### Overview

The White Foil mine is located 2 kilometres west of the Frog's Leg mine in Western Australia. The mine is 100% owned by LM Australia Group.

The White Foil mine consists of a single open pit and is mined using conventional drilling, blasting, loading and hauling systems. Ore mined at White Foil is transported to the Mungari CIL processing plant for processing.

Following completion of the Mungari CIL processing plant in May 2014, LM Australia Group restarted mining activities at the White Foil operation. By utilising the Mungari CIL processing plant LM Australia Group is no longer required to toll mill the White Foil ore through a third party, improving the economics of the operation.

### Geology

The White Foil deposit is also located in the southern portion of the Kundana mining area, 20km west of Kalgoorlie, within the Achaean Norseman-Wiluna greenstone belt of the Eastern Goldfields Province.

The Kundana gold deposits are structurally related to the Zuleika Shear Zone, a regional NNW-trending shear zone that juxtaposes the Ora Banda domain to the east and the Coolgardie domain to the west. The White Foil deposit is within the Coolgardie domain and is hosted within a quartz rich gabbro unit which is part of the Powder Sill intrusive complex.

Mineral Resources<sup>25</sup> at 31 December 2014 were 36.0 million tonnes grading 1.62g/t Au for 1,867koz of contained gold at a cut-off grade of 0.5g/t Au for the open-pit Mineral Resource and 1.2g/t for the underground Mineral Resource.

Ore Reserves at 31 December 2014 were 6.8 million tonnes grading 1.55g/t Au for 338koz of contained gold at a cut-off grade of 0.75g/t Au.

White Foil Mineral Resources - December 2014 <sup>26</sup>															
Project	Type	Cut-off (g/t Au)	Measured			Indicated			Inferred			Total Resource			
			Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	
White Foil	Open-pit	0.50	-	-	-	18.69	1.35	813	3.74	1.08	129	22.43	1.31	942	
White Foil	Stock-pile		-	-	-	0.44	1.16	16	-	-	-	0.44	1.16	16	
White Foil	Under-ground	1.20	-	-	-	6.72	2.07	447	6.35	2.26	462	13.08	2.16	909	
	<b>Total</b>		-	-	-	<b>25.85</b>	<b>1.54</b>	<b>1,276</b>	<b>10.09</b>	<b>1.82</b>	<b>591</b>	<b>35.95</b>	<b>1.62</b>	<b>1,867</b>	

<sup>25</sup> Mineral Resources are reported inclusive of Ore Reserves.

<sup>26</sup> White Foil Mineral Resource data is reported to significant figures to reflect the appropriate precision and may not sum precisely due to rounding. White Foil open-pit was reported as a global estimate above a nominal RL to reflect open-pit mining methods. White Foil underground deposit is reported as a global estimate.

## 7 Information regarding LM Australia Group and profile of the La Mancha Group (continued)

White Foil Ore Reserves - December 2014 <sup>27</sup>											
Project	Type	Cut-off (g/t Au)	Proved			Probable			Total Reserve		
			Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)	Tonnes (Mt)	Grade Au (g/t)	Cont. Au (koz)
White Foil	Open-pit	0.75	-	-	-	6.35	1.58	322	6.35	1.58	322
White Foil	Stockpile		-	-	-	0.44	1.16	16	0.44	1.16	16
	<b>Total</b>		-	-	-	<b>6.79</b>	<b>1.55</b>	<b>338</b>	<b>6.79</b>	<b>1.55</b>	<b>338</b>

This information is extracted from the release entitled "Evolution to Combine with La Mancha Australia to Form a Leading Growth-focused Australian Gold Producer" dated 20 April 2015 and is available to view at [www.evolutionmining.com.au](http://www.evolutionmining.com.au).

### Production

The White Foil gold mine was restarted in June 2014 following the completion of the Mungari CIL processing plant.

White Foil produced 21,542 ounces of gold in the second half of the year ending December 2014 at an average C1 Cash Cost of A\$962/oz.

CY15 annual production is forecast to be between 40,000 - 50,000 ounces of gold.

### **Mungari CIL Processing Plant (100%)**

#### Overview

Ore mined at both the Frog's Leg and White Foil mines is processed at the recently constructed Mungari CIL processing plant, located on-site. The plant is 100% owned by LM Australia Group.

The Mungari CIL processing plant was completed in May 2014 on-time and on-budget for a total capital cost of A\$113 million (excluding capitalised start-up costs). The plant consists of the following key components:

- Tertiary crushing with single stage 4.4 MW ball mill;
- Gravity gold recovery;
- CIL tanks consisting of cyanide leaching (3 tanks) followed by carbon adsorption (6 tanks); and
- Acid wash, elution, followed by smelting to produce gold doré.

The plant has a modular design to allow for cost effective future expansions if required.

#### Performance

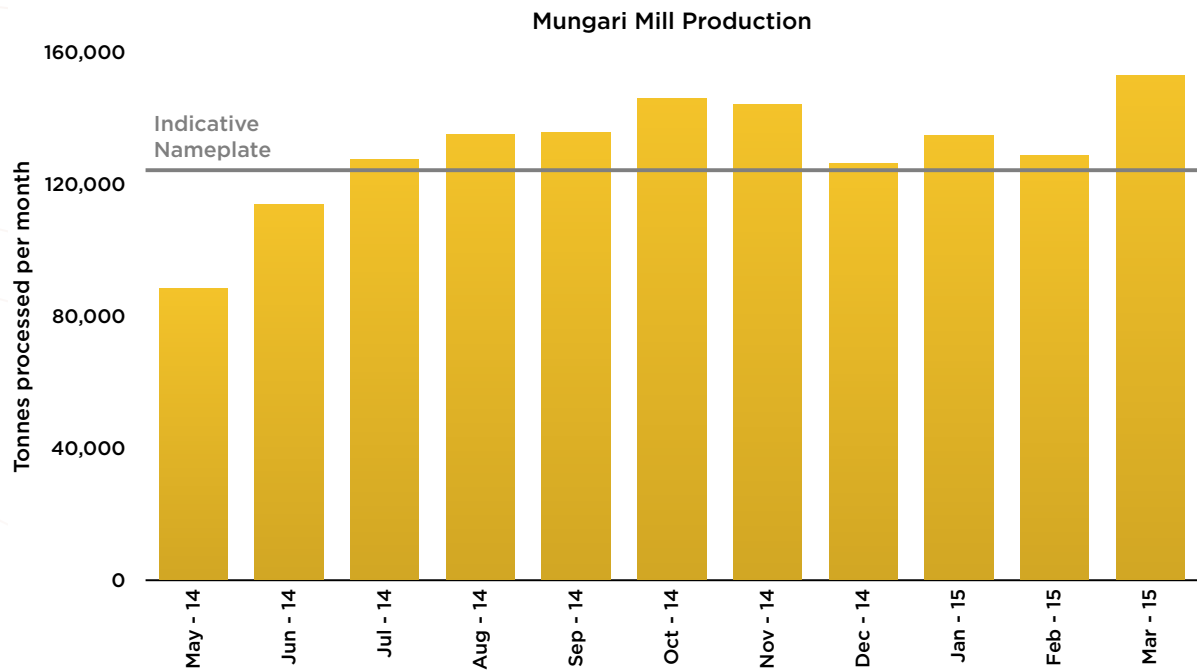
The Mungari CIL processing plant has a nameplate throughput capacity of 1.5 million tonnes per annum, which was achieved six weeks after completion in June 2014. The mill has since outperformed its design throughput capacity, reaching a throughput rate of 1.6 million tonnes per annum in the third quarter of CY14, and 1.7 million tonnes per annum in the fourth quarter of 2014.

During February and March 2015 the plant has run more than 11% above its design throughput at more than 1.65Mpta on an annualised basis.

<sup>27</sup> White Foil Ore Reserve data is reported to significant figures and differences may occur due to rounding. Figures are based on February 2015 Ore Reserve estimate, plus January 2015 and February 2015 mine production.



### Mungari CIL processing plant production (tonnes processed/month)



### Exploration

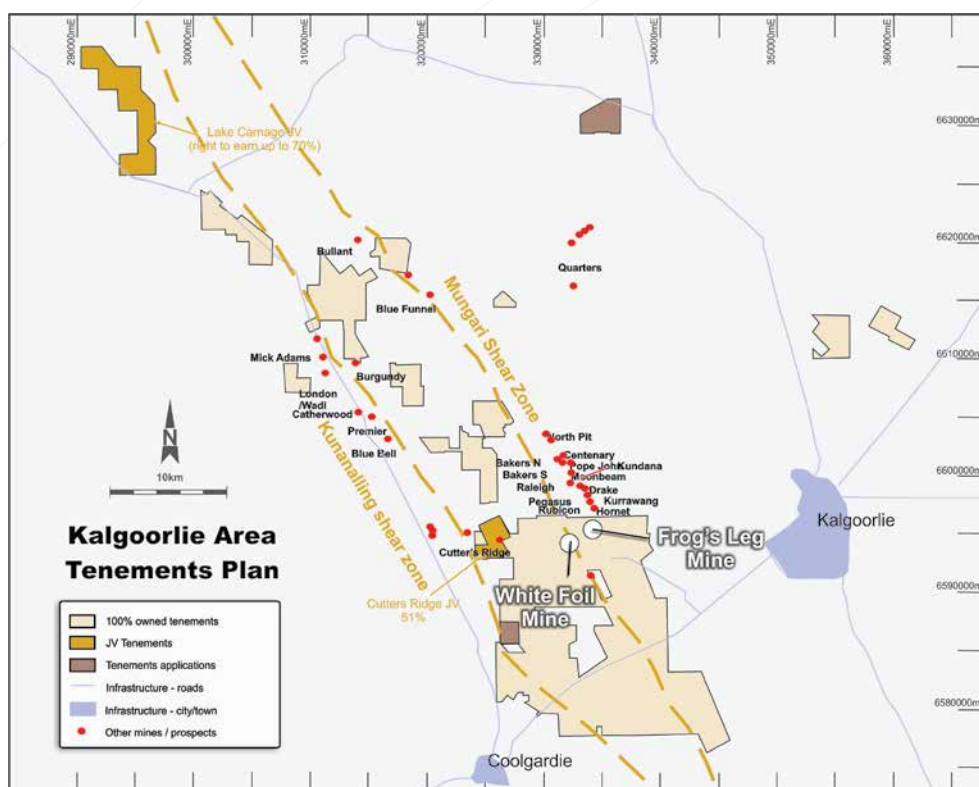
#### Overview

LM Australia Group owns a prospective tenement package, located in close proximity to its existing operations in the Kalgoorlie region, Western Australia. The tenement package covers an area of approximately 340km<sup>2</sup>, as shown in the figure below.

A number of exploration targets have been identified through multidisciplinary methods (geology, geochemistry, geophysics etc.) and are the subject of a planned exploration program. These include both near-mine and greenfield targets including Frog's Leg South, Broad's Dam, Kintore and Cutter's Ridge.

## 7 Information regarding LM Australia Group and profile of the La Mancha Group (continued)

### LM Australia Group's current tenement holding



The tenement package has undergone limited exploration since LM Australia Group's privatisation in 2012. This was due to La Mancha Group's previous strategy to minimise exploration capital spent in Australia as they focused on consolidating Frog's Leg's ownership, construction of the Mungari CIL processing plant and developing their African operations.

### (c) Material contracts and change of control provisions triggered by the La Mancha Transaction

There are a number of contracts relating to the business of LM Australia Group which contain provisions requiring third parties to provide their consent for the La Mancha Transaction. These include the following:

- LMRA's facility agreement, which relates to a facility provided by a syndicate of lenders of which \$124 million will be owing at Completion;
- LMRA's Perth office lease, which relates to the lease of office space at 37 St Georges Terrace, Perth;
- electricity sale agreements relating to the supply of electricity to the Mungari CIL processing plant and the Frog's Leg mine; and
- a sodium cyanide solution supply agreement, which relates to the supply of sodium cyanide to the Mungari CIL processing plant.

LM Vendor will be seeking the consents required under these contracts prior to Completion.

The process of obtaining consent to the La Mancha Transaction as required under LMRA's facility agreement is being managed by LM Vendor in conjunction with Evolution and Evolution's financiers. It is currently envisaged that the LMRA facility will be re-financed by Evolution following Completion.

The other material contracts that contain change of control requirements (i.e., the office lease, electricity sale agreements and the sodium cyanide solution supply agreement) each relate to the ordinary operation of LMRA's business and are expected to remain in place immediately following Completion. LMRA enjoys good relationships with the counterparties to each of these material contracts and in LM Vendor's opinion it is not anticipated that LMRA will have any significant difficulty in obtaining these consents.

LM Vendor and LMRA are managing the process of obtaining these consents in a timely manner.

#### (d) Financial information relating to LM Australia Group

The historical information provided below has been compiled and reviewed by the La Mancha Group. The financial information is intended to provide a high level financial overview of Toledo's historical position.

The historical information in respect of Toledo has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, and in accordance with Toledo's and LMRA's accounting policies. The historical information does not include information regarding Amalco (currently a wholly owned subsidiary of Toledo). This is because Evolution and LM Vendor currently intend for Amalco to be transferred to another member of the La Mancha Group prior to Completion. See section 10.2 for further detail regarding the La Mancha Restructure.

The information below is only a summary of the financial statements and has been prepared only for the purposes of this Explanatory Memorandum.

Group Key metrics for the year ended	30 December 2014	30 December 2013
UG ore mined (kt)*	794	719
OP ore mined (kt)	771	0
OP waste mined (kt)	1,844	0
Processed tonnes (kt)	1,335	654
Gold grade processed (g/t)	3.67	5.38
<b>Gold production (oz)</b>	<b>147,019</b>	<b>105,061</b>
Unit cash operating cost (A\$/oz)	708	807
All in sustaining costs (A\$/oz)	932	1,137

\*Shown on a 100% basis. Note that the remaining Frog's Leg 49% stake was purchased in March 2013.

## 7 Information regarding LM Australia Group and profile of the La Mancha Group (continued)

Financial Position (A\$'000)	30 December 2014	30 December 2013
Current Assets	45,273	35,403
Non-Current Assets	267,889	581,172
<b>Total Assets</b>	<b>313,162</b>	<b>616,575</b>
Current Liabilities	176,759	91,854
Non-Current Liabilities	167,173	278,552
<b>Total Liabilities</b>	<b>343,932</b>	<b>370,406</b>
<b>Net Assets</b>	<b>(30,770)</b>	<b>246,169</b>
<b>Total Equity</b>	<b>(30,770)</b>	<b>246,169</b>

Financial Summary – for the year ended	30-Dec-14 A\$'000	30-Dec-13 A'000
<b>Total Revenue</b>	<b>231,675</b>	<b>143,518</b>
Cost of Sales (excluding D&A)	(120,139)	(79,504)
Corporate, Admin, Exploration and other costs	(11,871)	(16,048)
<b>Underlying EBITDA</b>	<b>99,665</b>	<b>47,966</b>
Depreciation and Amortisation (D&A)	(65,524)	(47,141)
<b>Underlying EBIT</b>	<b>34,141</b>	<b>825</b>
Net interest expense and net gain on financial instruments	(60,764)	32,744
Underlying tax expense	0	0
<b>Underlying Net Profit</b>	<b>(26,623)</b>	<b>33,569</b>
Asset and investment impairments	0	0
Other Tax effected amounts	1,104	5,366
<b>Reported Net Profit/(Loss)</b>	<b>(25,519)</b>	<b>38,935</b>
<b>Cash flow from operating activities</b>	<b>118,914</b>	<b>(46,638)</b>

## 7 Information regarding LM Australia Group and profile of the La Mancha Group (continued)

### 7.2 Profile of LM SARL

LM SARL is a private limited company existing under the laws of Luxembourg. The company, through its subsidiaries, holds interests in two Western Australian gold mines, Frog's Leg and White Foil (100%), a gold mine in Côte d'Ivoire, Ity (55%), and has recently announced the sale of its 44% interest in the Sudanese gold and copper project Hassai to the Sudanese Government.

LM SARL indirectly holds 100% of the shares in LM Vendor which, in turn, holds 100% of the shares in Toledo.

In the year ending December 2014, LM SARL had total attributable gold production of 216,453 ounces.

LM SARL was privatised in late 2012 when the Sawiris family purchased the Toronto Stock Exchange listed company following an auction process instigated by then major shareholder Compagnie Française de Mines et Métaux, a wholly-owned subsidiary of AREVA Mines.

Following the privatisation, LM SARL has actively looked to expand and optimise its operations, aiming to become a mid-tier gold producer with annual attributable production of more than 500,000 ounces of gold.

LM SARL is administered by a Board of Managers that can take any actions necessary or useful to realise the corporate objective (subject to the powers expressly reserved by law or by the articles of association of LM SARL to the sole shareholder). The Board of Managers is assisted by LM SARL's Advisory Board and Consultative Committees.

LM SARL is one of the many businesses managed by the Sawiris family of Egypt. The Sawiris family holds substantial indirect interests in existing operations in the telecommunications, construction, fertilisers, cement, real estate and hotel development industries, which, in addition to the interest held in LM SARL, include:

- Telecommunications - majority stake in Orascom Telecom Media and Technology Holding SAE (**OTMT**), listed on the Egyptian Stock Exchange and GDS listed on the London Stock Exchange ([www.otmt.com](http://www.otmt.com));
- Construction and fertilisers - conducted by Orascom Construction Industries SAE (**OCI**), listed on the Egyptian Stock Exchange and GDS listed on the London Stock Exchange ([www.orascomci.com](http://www.orascomci.com));
- Real estate and hotel development - conducted by Orascom Development Holding AG (**ODH**), listed on the Swiss Stock Exchange ([www.orascomdh.com](http://www.orascomdh.com)); and
- Cement - a 14% economic stake in Lafarge, the world's largest cement company ([www.lafarge.com/fr](http://www.lafarge.com/fr)).

A summary of LM SARL's African operations is set out below.

#### **Ity gold mine, Côte d'Ivoire (55%)**

The Ity gold mine is located approximately 500 kilometres northwest of Abidjan in Côte d'Ivoire and commenced production in 1991. LM SARL has, through its subsidiaries, a 55% interest in the project, with the remaining ownership interest held by the Ivorian State (40%) and other Ivorian investors (5%).

Ity is an open pit multiple deposit mine with heap leach processing. The mine has produced more than 1 million ounces of gold since opening in 1991.

In calendar year 2014, Ity produced 80,578 ounces of gold on 100% basis (44,318 ounces attributable to the La Mancha Group).

The La Mancha Group is currently working on a definitive feasibility study to build a 2.0mtpa CIL plant which should allow the mine to increase its production to over 130,000 ounces per year.

#### **Hassaï gold-copper project, Sudan**

LM SARL recently announced that it had sold its indirect (through Compagnie Minière, 100% subsidiary of LM SARL) minority 44% interest in the Ariab Mining Company, owner of the Hassaï gold and copper mine, for circa €90 million.

The Hassaï mine is an open-pit gold heap leach operation which has produced over 2.3 million ounces of gold to date from mining the upper gold-rich oxidized cap rock of multiple deposits. In addition to the current operation, a definitive feasibility study has been completed to build a CIL plant to treat the significant amount of tailings accumulated over the past 20+ years and a pre-feasibility study has been completed to build a flotation plant to treat the volcanogenic massive sulphide (VMS) deposits underlying the current open pits.

Hassaï currently has annual gold production of approximately 55,000 ounces.

### **7.3 Profile of LM Vendor**

LM Vendor is a private company incorporated in the Netherlands and is, indirectly, wholly owned by LM SARL. LM Vendor is a holding company for LM SARL's Australian operations, which are conducted by LMRA (as described above).

Under the terms of the Sale Agreement, LM Vendor must hold 322,023,765 of the New Evolution Shares for a period of two years after Completion of the La Mancha Transaction, subject to limited exceptions. Please see section 10.2(a) for further details in relation to these equity lock-up arrangements.

## 8 Effect of the La Mancha Transaction

### 8.1 Overview

#### (a) Key attributes following Completion

Following completion of the La Mancha Transaction and the Cowal Transaction, Evolution is expected to have the following key attributes:

- (1) A globally relevant, mid-tier gold producer with attractive leverage to future upside in gold prices. Evolution will be the second largest gold mining company listed on the ASX in terms of gold production with:
  - forecast pro-forma FY16 gold production of 760,000 – 860,000 ounces at an AISC of A\$950 – A\$1,020 per ounce;
  - combined Mineral Resources (inclusive of Ore Reserves) of 11.0 Moz of gold; and
  - combined Ore Reserves of 4.6 Moz of gold.
- (2) A diversified gold company underpinned by a stable platform of Australian mines. Evolution's current portfolio of gold mines has a reputation for predictable results and reliable cash flow. The low cost mines at Mungari and Cowal increases the size and improves the quality of the existing Evolution portfolio.
- (3) Strong growth prospects and improved access to capital. As a result of its enhanced scale and market relevance, Evolution will have better access to capital to fund growth opportunities at a time when traditional sources of capital for mining investment are scarce.
- (4) An exciting exploration portfolio and a strong commitment to continued investment in cutting edge exploration.

#### (b) Cowal Transaction

The information regarding the Combined Group in this section and other parts of this Explanatory Memorandum includes information relating to Barrick (Cowal) Pty Limited (**Cowal**) and its assets, noting that if the Cowal Transaction is terminated, the Combined Group will not include Cowal and its assets.

#### (c) Reserve and resource information

Following completion of the La Mancha Transaction and the Cowal Transaction, Evolution will have total attributable Mineral Resources of 11.0 Moz made up of 5.0 Moz contributed by Evolution's pre-transaction assets (45%), 2.6 Moz contributed by LM Australia Group's assets (24%) and 3.4 Moz contributed by Cowal's assets (31%). Mineral Resources are reported as inclusive of Ore Reserves.

Following completion of the La Mancha Transaction and the Cowal Transaction, Evolution will have total attributable Ore Reserves of 4.6 Moz made up of 2.2 Moz contributed by Evolution's pre-transaction assets (49%), 0.8 Moz contributed by LM Australia Group's assets (17%) and 1.6 Moz contributed by Cowal's assets (34%).

The methods for estimating the Mineral Resources and Ore Reserves of Evolution, LM Australia Group and Cowal are similar but not identical. Calculations to sum the total attributable Mineral Resources and Ore Reserves should therefore be considered as indicative only and will be subject to change once the assets of LM Australia Group and Cowal are estimated with the same methodology as used for the assets of Evolution.

More detailed information relating to Evolution's Mineral Resources and Ore Reserves is set out in section 6.4.

More detailed information relating to LM Australia Group's Mineral Resources and Ore Reserves is set out in section 7.1.

More detailed information relating to Cowal's Mineral Resources and Mineral Reserves is set out in section 6.5. Cowal's Mineral Resources and Mineral Reserves are reported on the basis of a Foreign Estimate (as that term is defined in the ASX Listing Rules) and as such, are not reported in accordance with the JORC Code. Cowal's Mineral Resources and Mineral Reserves are disclosed according to Canadian NI 43-101 standards. The estimates and disclosures for Cowal do not purport to be reported in accordance with the JORC Code. Canadian Institute of Mining, Metallurgy and Petroleum (**CIM**) definitions were followed for Mineral Resources and Mineral Reserves in relation to Cowal. "Mineral Reserves" as defined under CIM are equivalent to Ore Reserves as defined under the JORC Code<sup>28</sup>.

<sup>28</sup> See section 6.5 "Cowal's Mineral Resources and Mineral Reserves" for further detail on reserve and resource estimates for Cowal.



Following completion of the Cowal Transaction, it is Evolution's intention to undertake an evaluation of the data relating to Cowal to verify the Foreign Estimate as Mineral Resources or Ore Reserves in accordance with the JORC Code.

## (d) Issue of New Evolution Shares and capital structure of the Combined Group

### *New Evolution Shares*

The New Evolution Shares to be issued to LM Vendor at Completion of the La Mancha Transaction comprises:

- 322,023,765 Evolution Shares issued as consideration for the acquisition by Evolution of all the issued share capital of Toledo; plus
- the Additional Evolution Shares to be issued to LM Vendor for a maximum aggregate subscription price of A\$112 million at a price of \$0.90 per Evolution Share (consistent with the offer price of the Evolution Shares under the Entitlement Offer).

The exact number of Additional Evolution Shares to be issued to LM Vendor at Completion is to be confirmed. It will be calculated to ensure that immediately following Completion, LM Vendor will hold 31% of the Evolution Shares on issue. Although the number cannot be calculated at this stage as it will vary depending on the number of Evolution Shares issued by Evolution under its Entitlement Offer, Evolution currently expects the Additional Evolution Shares to be up to approximately 123,861,085 Evolution Shares.

### *Current substantial holders of Evolution*

As at 18 June 2015, based on the holdings of the known<sup>29</sup> substantial shareholders of Evolution Shares (being those with an interest in Evolution of 5% or greater), the substantial shareholders of Evolution are Newcrest Mining Limited, with a 11.71% interest, Allan Gray, with a 6.18% interest, and Van Eck Associates Corporation, with a 6.52% interest.

## (e) Combined debt

Following Completion of the La Mancha Transaction, Evolution will assume the debt position of the LM Australia Group of A\$124 million, increasing its overall long term debt to A\$191 million as at 30 June 2015 and based on current projections. Evolution expects to refinance this debt amount under an upsized A\$300 million Senior Secured Revolver with a three year tenor.

Evolution is raising approximately A\$248 million through the Entitlement Offer to partly fund the Cowal Transaction. The balance of the purchase price for the Cowal Transaction will be funded by refinanced corporate credit facilities comprising an upsized A\$300 million Senior Secured Revolver (with three year tenor) and a new A\$400 million Senior Secured Term Loan (with five year tenor).

The subscription by LM Vendor of the Additional Evolution Shares for up to approximately A\$112 million upon Completion of the La Mancha Transaction is considered by Evolution to be an important component of the overall funding plan for Evolution following completion of the La Mancha Transaction and the Cowal Transaction.

The issue of the Additional Evolution Shares for up to A\$112 million will reduce Evolution's gearing. If the La Mancha Transaction does not complete, Evolution will consider alternative ways to de-risk its balance sheet which could involve hedging part of Evolution's future gold production.

## (f) Combined hedging

Following Completion of the La Mancha Transaction, Evolution will assume LM Australia Group's gold hedge book which, at 1 July 2015, is expected to be a total of 245,985 ounces forward sold at an average price of A\$1,600/oz through to December 2017. This will increase Evolution's total forward sales to 552,805 ounces at an average price of A\$1,564 per ounce through to June 2018. There is no gold hedging associated with the Cowal Transaction.

<sup>29</sup> Based on substantial holder notices submitted to the ASX by the relevant Evolution Shareholders as at 18 June 2015.

## 8 Effect of the La Mancha Transaction (continued)

### (g) Dividend policy

Evolution currently expects to maintain its current dividend policy of, whenever possible, paying a half-yearly dividend equal to 2% of its gold equivalent sales revenue.

### 8.2 Evolution Directors following Completion of the La Mancha Transaction

The current Evolution Directors as described in section 6.6 and Evolution senior management team as described in section 6.7 are not expected to change as a result of the La Mancha Transaction. However, following Completion of the La Mancha Transaction LM Vendor will have a right to nominate persons for appointment to the Evolution Board as Non-Executive Directors as follows:

- **one** nominee, if LM Vendor holds more than 10% of the Evolution Shares on issue but less than 20% of the Evolution Shares on issue;
- **two** nominees, if LM Vendor holds more than 20% of the Evolution Shares on issue.

Evolution has agreed to appoint each person nominated by LM Vendor as a Non-Executive Director, provided that the person so nominated meets the Nomination and Remuneration Committee general criteria for approval of Directors.

LM Vendor has notified Evolution that it will nominate the following individuals as nominees to the Evolution Board on Completion of the La Mancha Transaction. Both of these candidates meet the Nomination and Remuneration Committee general criteria for approval of Directors.

#### ■ **Naguib Sawiris**

Mr Sawiris is currently the chairman of the advisory board of La Mancha Holding S.à r.l, the Chairman of the Board of Orascom TMT Investments S.à r.l., LM SARL's sister company and is also the Executive Chairman and Chief Executive Officer of Orascom Telecom Media and Technology Holding S.A.E.

Mr Sawiris founded Orascom Telecom Holding and developed it into a leading regional telecom player until a merger with Vimpelcom Ltd created the world's sixth largest mobile telecommunications provider.

Mr Sawiris has received a number of honorary degrees, industry awards and civic honors, including the "Legion d'honneur" the highest award given by the French Republic for outstanding services rendered to France, the Honor of Commander of the Order of the "Stella della Solidarietà Italiana", the prestigious "Sitara-e-Quaid-e-Azam" award for services rendered to the people of Pakistan in the field of telecommunication, investments and social sector work.

Mr Sawiris serves on a number of additional Boards, Committees and Councils including the Advisory Committee to the NYSE Board of Directors, the International Advisory Board to the National Bank of Kuwait, the Egyptian Council for Foreign Affairs and the Arab Thought Foundation.

Mr Sawiris holds a diploma of Mechanical Engineering with a Masters in Technical Administration from the Swiss Federal Institute of Technology Zurich ETH Zürich and a Diploma from the German Evangelical School, Cairo, Egypt.

#### ■ **Sebastien de Montessus**

Mr de Montessus (40 years old) is the Chief Executive Office of the La Mancha Group since 2012.

Prior to his role with La Mancha Mr de Montessus was a member of the Executive Board and Group Deputy CEO of AREVA Group (world leader in nuclear energy) and CEO of AREVA Mining (uranium), where he oversaw the design and implementation of a 5-year strategic plan, which saw Areva Mining significantly increase profitability and become the largest uranium producer in the world with production in Canada, Africa and Kazakhstan.

Prior to this role Mr de Montessus was the Vice President Strategy, Marketing and Business Development for AREVA's Transmission and Distribution – network electrical equipment business.

Before joining AREVA in 2002, Mr de Montessus was an investment banker at Morgan Stanley in London (M&A and Equity Capital Market).

Mr de Montessus is a business graduate from ESCP-Europe Business School in Paris.

LM Vendor's right to nominate persons for appointment to the Board terminates on LM Vendor ceasing to hold at least 10% of the Evolution Shares. This right will also terminate upon written notice from Evolution that a person other than a member of the La Mancha Group has acquired a Relevant Interest in more than 50% of the Evolution Shares on issue.

LM Vendor has notified Evolution that it intends to appoint, subject to approval from existing Evolution Directors, the following individuals to act as alternate Directors should either Mr Naguib Sawiris or Mr Sebastien de Montessus be unavailable to attend to their duties as a Director of Evolution.

■ **Vincent Benoit**

Mr Benoit is the Executive Vice President Strategy and Business Development of the La Mancha Group.

Mr Benoit has over 20 years of Corporate Finance, M&A and Investor Relations experience in the telecoms & IT, energy and mining sectors. Prior to joining La Mancha, he worked at France Telecom Orange where he acted as Director of Strategy & Investor Relations from 2006 until 2010, and subsequently as Director of Merger & Acquisitions until 2013. He previously joined Areva in 2001, where he held the position of Financial Communication Director and was in charge of the IPO project. He started his career as an auditor and consultant at PwC.

Mr Benoit graduated from ESC-Bordeaux Business School and is a Chartered Accountant.

■ **Amr El Adawy**

Mr Adawy is the Chief Financial Officer of the La Mancha Group.

Mr Adawy is an international finance executive, with nearly two decades experience in the telecoms business. Prior to joining La Mancha he served as Chief Financial Officer of WIS Telecom (since 2010) and at the same time was Chief Executive Officer of the Italian subsidiary, MENA SCS SpA (since 2011). Prior to joining the Orascom group, Mr Adawy held senior finance management positions in several multinational companies, such as Adler-France; Pepsi Cola-France and in a JV of Carrefour-France with Majid Al Futtaim group for its activity in the Middle East.

Mr Adawy holds a Finance Management and Accounting degree from the CNAM of Paris.

## 8.3 Pro-forma financial information

### (a) Background

The Evolution pro-forma historical financial information provided in this Explanatory Memorandum comprises a pro-forma consolidated statement of financial position as at 31 December 2014 which is based upon:

- the Evolution consolidated historical statement of financial position as at 31 December 2014;
- the Barrick (Cowan) Pty Limited (**Cowal**) historical statement of financial position as at 31 December 2014;
- the Toledo and LMRA historical statements of financial position as at 31 December 2014; and
- the relevant acquisition accounting and other adjustments required to present the pro-forma consolidated statement of financial position of the Combined Group.

A pro-forma historical statement of comprehensive income has not been provided as the income generating capacity of the Mungari Operation for the most recent reporting period, the year ended 31 December 2014, was not representative of the steady-state or future capacity of these assets as the Mungari CIL processing plant and White Foil open pit mine were in commissioning and ramp up phases for the year ended 31 December 2014.

The directors of Evolution, Toledo and LMRA are jointly responsible for the preparation of the pro-forma historical financial information, including the determination of the pro-forma adjustments. The directors of Evolution are responsible for the information regarding Evolution, the directors of Toledo and LMRA are responsible for the information regarding Toledo and LMRA which was provided to Evolution in order to prepare the pro-forma historical financial information.

## 8 Effect of the La Mancha Transaction (continued)

### (b) Basis of preparation

The pro-forma historical financial information of the Combined Group set out below is provided for illustrative purposes only.

In addition, the pro-forma historical financial information of the Combined Group has been presented in an abbreviated form insofar as it does not contain all disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

A pro-forma historical statement of comprehensive income for the Combined Group has not been provided as the income generating capacity of the Mungari Operation for the most recent reporting period, being the half-year to 31 December 2014, was not representative of the steady-state or future capacity of these assets as the Mungari CIL processing plant and White Foil open pit mine were in commissioning and ramp up phases for the half-year period to 31 December 2014.

Further information about the basis of preparation is set out below.

#### **(i) Cowal Transaction**

The pro-forma historical financial information of the Combined Group is prepared on the assumption that Evolution acquired the shares of Cowal on 31 December 2014. Cowal's balance sheet is extracted from the unaudited management accounts as at 31 December 2014 provided to Evolution.

The historical financial information in respect of Cowal has been prepared using the historical management accounts of Cowal, adjusted to exclude those assets and liabilities that will not be acquired by Evolution under the sale agreement in connection with the Cowal Transaction.

#### **(ii) La Mancha Transaction**

The pro-forma historical financial information of the Combined Group is prepared on the assumption that Evolution acquired the shares in Toledo and the New Evolution Shares were issued to LM Vendor on 31 December 2014. The Toledo full year financial statements as at 31 December 2014 have not been adopted by the relevant directors or audited. LMRA's full year financial statements as at 31 December 2014 were audited and the auditor issued an unqualified audit opinion.

The historical financial information in respect of Toledo and LMRA has been prepared using the historical statements of financial position for each of Toledo and its subsidiary LMRA, and adjusted to exclude those assets and liabilities that will not transfer in accordance with the Sale Agreement. The historical financial information in respect of Toledo and LMRA has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, and in accordance with Toledo and LMRA accounting policies.

The pro-forma consolidated statement of financial position does not include information regarding Amalco (currently a wholly owned subsidiary of Toledo). This is because Evolution and LM Vendor currently intend for Amalco to be transferred to another member of the La Mancha Group prior to Completion, subject to relevant confirmations being received as outlined further in section 10.2. LM Vendor is currently liaising with the WA OSR and NSW OSR to obtain the confirmations outlined in section 10.2. Amalco is currently a non-trading holding company. The potential liabilities associated with Amalco are set out in further detail in section 7.1.

#### **(iii) Evolution (standalone)**

The Evolution information in the pro-forma consolidated statement of financial position for the Combined Group is based on Evolution's half-year financial statements as at 31 December 2014. These financial statements were reviewed by PwC who issued an unqualified review conclusion. A copy of Evolution's financial statements can be found on its website: [www.evolutionmining.com.au](http://www.evolutionmining.com.au).

The historical financial information in respect of Evolution has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, and in accordance with its accounting policies, as set out in the financial report of Evolution for the half-year ended 31 December 2014.

## (c) Combined Group pro-forma consolidated statement of financial position

Combined Group pro forma consolidated statement of financial position	COWAL TRANSACTION				LA MANCHA TRANSACTION				
	Evolution 31/12/2014 \$'000	Cowal 31/12/2014 \$'000	Total Adjustments \$'000	Notes	EVN - Cowal Combined \$'000	La Mancha 31/12/2014 \$'000	Total Adjustments \$'000	Notes	EVN - Cowal - La Mancha Combined \$'000
<b>Current assets</b>									
Cash and cash equivalents	47,444	1,668	(117,755)	(i) (iii) (iv) (v)	(68,643)	7,470	79,734	(vii) (viii) (xii) (xiii)	18,562
Trade and other receivables	24,807	599,409	(596,353)	(ii)	27,863	7,444	-		35,307
Inventories	67,069	109,706	-		176,775	17,415	-		194,190
Other financial assets	-	-	-		-	11,917	-		11,917
Other assets	-	791	-		791	1,027	-		1,818
<b>Total current assets</b>	<b>139,320</b>	<b>711,574</b>	<b>(714,108)</b>		<b>136,786</b>	<b>45,273</b>	<b>79,734</b>		<b>261,794</b>
<b>Non-current assets</b>									
Inventories	2,533	125,538	-		128,071	-	-		128,071
Other financial assets	2,123	-	-	(v) (vi)	2,123	14,705	-		16,828
Property, plant and equipment	480,998	309,443	-		790,441	-	-		790,441
Mine development and exploration	518,975	134,440	126,015	(vi)	779,430	127,248	165,104	(x)	1,071,782
Other non-current assets	82	(1,860)	-		(1,778)	125,936	-		124,158
<b>Total non-current assets</b>	<b>1,004,711</b>	<b>567,561</b>	<b>126,015</b>		<b>1,698,287</b>	<b>267,889</b>	<b>165,104</b>		<b>2,131,280</b>
<b>Total assets</b>	<b>1,144,031</b>	<b>1,279,135</b>	<b>(588,093)</b>		<b>1,835,073</b>	<b>313,162</b>	<b>244,839</b>		<b>2,393,074</b>
<b>Current liabilities</b>									
Trade and other payables	64,375	32,977	-		97,352	27,018	(116)	(viii)	124,254
Interest bearing liabilities	145,759	-	-		145,759	145,579	(264,506)	(viii) (xi)	26,832
Derivatives held for trading	1,601	-	-		1,601	-	-		1,601
Provisions	10,843	9,893	-		20,736	4,162	-		24,898
<b>Total current liabilities</b>	<b>222,578</b>	<b>42,870</b>	<b>-</b>		<b>265,448</b>	<b>176,759</b>	<b>(264,622)</b>		<b>177,585</b>
<b>Non-current liabilities</b>									
Interest bearing liabilities	10,392	-	384,250	(i) (iv)	394,642	4,162	215,784	(xi) (xii)	614,588
Derivative liabilities	-	-	-		-	-	-		-
Redeemable preference shares	-	-	-		-	149,205	(149,205)	(viii)	-
Provisions	87,514	59,657	-		147,171	13,806	-		160,977
<b>Total non-current liabilities</b>	<b>97,906</b>	<b>59,657</b>	<b>384,250</b>		<b>541,813</b>	<b>167,173</b>	<b>66,579</b>		<b>775,565</b>
<b>Total liabilities</b>	<b>320,484</b>	<b>102,527</b>	<b>384,250</b>		<b>807,261</b>	<b>343,932</b>	<b>(198,043)</b>		<b>953,150</b>
<b>Net assets</b>	<b>823,547</b>	<b>1,176,608</b>	<b>(972,343)</b>		<b>1,027,812</b>	<b>(30,770)</b>	<b>442,882</b>		<b>1,439,924</b>
<b>Equity</b>									
Issued capital	1,051,564	551	240,009	(i) (iii) (vi)	1,292,124	115,076	296,406	(ix) (xii)	1,703,606
Reserves	17,380	44,921	(44,921)	(vi)	17,380	-	-		17,380
Accumulated (losses)/ earnings	(245,397)	1,131,136	(1,167,431)	(i) (ii) (vi)	(281,692)	(145,846)	146,475	(vii) (viii) (ix) (xi) (xii) (xiii)	(281,062)
<b>Total equity</b>	<b>823,547</b>	<b>1,176,608</b>	<b>(972,343)</b>		<b>1,027,812</b>	<b>(30,770)</b>	<b>442,882</b>		<b>1,439,924</b>

## 8 Effect of the La Mancha Transaction (continued)

### (d) Pro-forma Adjustments (Cowal)

The following pro-forma adjustments have been made in preparing the Combined Group pro-forma consolidated statement of financial position as at 31 December 2014:

- I. A decrease in cash and cash equivalent of A\$59.485 million, together with a corresponding decrease in accumulated earnings of A\$36.295 million, representing an estimation of Evolution's costs associated with the Cowal Transaction (including an estimate for stamp duty payable), a reduction in interest bearing liabilities of A\$15.750 million representing debt raising costs and a reduction in equity of A\$7.440 million representing equity issuing costs.
- II. A decrease in trade and other receivables of A\$596.353 million together with a corresponding decrease in accumulated earnings of A\$596.353 million to reflect the commitments by Barrick on completion balances.
- III. An increase in cash and cash equivalent together with an increase in issued capital of A\$248.000 million, representing the expected issue of equity by Evolution under the Entitlement Offer.
- IV. An increase in non-current interest bearing liabilities with a corresponding increase in cash and cash equivalents representing increased borrowings of A\$400.000 million to fund the Cowal Transaction.
- V. A decrease in cash and cash equivalents of A\$706.270 million together with an increase in other financial assets of A\$706.270 million representing the consideration to be paid for the acquisition of Cowal. This represents a purchase price of US\$550 million converted at an average hedge rate of US\$0.7787:A\$1.
- VI. Recognition of the following consolidation adjustments:
  - A decrease in other financial assets of A\$706.270 million, representing the elimination of the investment in Cowal.
  - A reduction in contributed equity of A\$0.551 million representing the elimination of Cowal contributed equity.
  - A reduction in accumulated earnings of A\$534.783 million and a reduction in reserves of A\$44.921 million representing the elimination of Cowal pre-acquisition reserves.
  - Recognition of an additional mine development asset of A\$126.015 million arising from the acquisition of Cowal (see section 8.3(e) below relating to acquisition accounting).

### (e) Acquisition accounting (Cowal)

Acquisition accounting will be applied in accordance with AASB3: Business Combinations. The financial information has been prepared on the assumption that the book value of assets (excluding mine development assets) and liabilities at 31 December 2014 reflected a reasonable approximation of their fair values. The difference between the fair value of the consideration payable by Evolution for the acquisition of Cowal and the book value of the assets and liabilities of Cowal has been treated as an increase in mine development assets and is illustrated in the table below:

	Carrying amounts of Net Assets A\$'000	Equity Consideration Paid A\$'000	Excess Consideration (Recognised in Mine Development Assets) A\$'000
Cowal	580,255	706,270	126,015

Goodwill is the potential residual amount that may arise after the comparison of the fair value of the purchase consideration with the fair value of the net identifiable assets (including contingent liabilities) acquired. Based on the pro-forma values used to prepare the pro-forma consolidated statement of financial position for the Combined Group, it is anticipated that no significant goodwill will be attributable to Cowal as there is not expected to be a material difference between the fair values of the assets of Cowal and the consideration payable by Evolution under the Cowal Transaction. However, this position could change once actual valuations are performed as at the acquisition date (being the date for completion of the Cowal Transaction).



Following implementation of the Cowal Transaction, Evolution intends to undertake a detailed valuation of the identifiable assets, liabilities and contingent liabilities of Cowal to ascertain the appropriate allocation of this difference (if any). The tax carrying values of Cowal's assets will also be required to be reset which Evolution currently expects will result in a net increase in the deferred tax liabilities of the Combined Group. These adjustments will impact depreciation and amortisation charges in future financial periods. For the purposes of compiling the pro-forma consolidated statement of financial position of the Combined Group an assumption has been made that a full tax step up in the tax cost base is available. As a result, no deferred tax liability has been recognised in the pro-forma consolidated statement of financial position for the Combined Group. Due to the above, the actual impact of acquisition accounting will vary from that disclosed in the pro-forma consolidated statement of financial position for the Combined Group as set out above.

## (f) Pro-forma adjustments (La Mancha)

The following pro-forma adjustments have been made in preparing the Combined Group pro-forma consolidated statement of financial position as at 31 December 2014:

The La Mancha Transaction was implemented on 31 December 2014 with:

- Evolution to acquire 100% of LM Australia Group's operations; and
- LM Vendor to be issued with new fully-paid shares in the capital of Evolution, representing 31% of Evolution's enlarged share capital.

For the purposes of the pro-forma adjustments described above, the value of consideration paid to LM Vendor for its Australian assets, is based on an indicative Evolution share price of A\$0.93 (being the closing price of Evolution Mining on the ASX on 17 April 2015 (being the last trading day prior to the announcement of the Transaction (**Last Trading Day**)). The actual value of the consideration paid will depend on the actual Evolution Share price on the day of Completion of the La Mancha Transaction.

- VII. A decrease in cash and cash equivalent of A\$26.696 million, comprising an increase in accumulated losses of A\$25.001 million, representing an estimation of Evolution's transaction costs associated with the La Mancha Transaction (including an estimate for stamp duty payable) and an increase in pre-acquisition accumulated losses of Toledo and LMRA of A\$1.695 million representing an estimation of Toledo's and LMRA's costs associated with the La Mancha Transaction.
- VIII. An increase in cash and cash equivalent of A\$2.530 million, a decrease in trade and other payables of A\$0.116 million, a decrease in interest bearing liabilities of A\$17.996 million and a decrease in redeemable preference shares of A\$149.205 million and a decrease in pre-acquisition losses of A\$169.847 million to reflect the expected commitments by LM Vendor on completion balances under the La Mancha Transaction.
- IX. The elimination of Toledo contributed equity of A\$115.076 million, together with the equity consideration of A\$299.482 million (based on an indicative Evolution Share price of A\$0.93 (being the closing price of Evolution Shares on the ASX on the Last Trading Day)), resulting in additional contributed equity of A\$184.406 million and the elimination of pre-acquisition accumulated losses of A\$19.302 million.
- X. Recognition of an additional mine development asset of A\$165.104 million arising from the acquisition of the Mungari Operation from LM Vendor (see section 8.3(g) below relating to acquisition accounting).
- XI. A decrease in current interest bearing liabilities of A\$125.514 million to reflect the post year end refinancing of the Evolution debt facility. This is offset by a corresponding increase in non-current interest bearing liabilities of A\$126.784 million and an increase in accumulated loss to reflect the expensing of Evolution's deferred borrowing costs of A\$1.274 million. A decrease in current interest bearing liabilities of A\$120.996 million to reflect the assumption of LMRA's debt facility by Evolution. This is offset by a corresponding increase in non-current interest bearing liabilities of A\$124 million and an increase in pre-acquisition accumulated losses of Toledo and LMRA of A\$3.0 million representing the expensing of the LM Vendor deferred borrowing costs.
- XII. A decrease in cash and cash equivalents of A\$8.100 million representing the voluntary debt repayment by Evolution of A\$35.000 million made on 16 March 2015 and cash contributions for the March 2015 quarter of A\$26.900 million. This resulted in a decrease in accumulated losses of A\$26.900 million.
- XIII. An increase in cash and cash equivalent together with an increase in issued capital of A\$112 million, representing the proposed issue of the Additional Evolution Shares.

## 8 Effect of the La Mancha Transaction (continued)

### (g) Acquisition accounting (La Mancha)

Acquisition accounting will be applied in accordance with AASB3: Business Combinations. The value of the consideration for the acquisition of LM Australia Group's assets will be measured based upon the value of Evolution Shares at the close of trading on the date of Completion of the La Mancha Transaction. For the purposes of the Combined Group pro-forma consolidated statement of financial position, a value of A\$0.93 per Evolution Share has been assumed (being the closing price of Evolution Shares on ASX on the Last Trading Day). Consequently, the value of the purchase consideration for accounting purposes may differ from the amount assumed in the Evolution pro-forma consolidated statement of financial position.

The financial information has been prepared on the assumption that the book value of assets (excluding mine development assets) and liabilities at 31 December 2014 reflected a reasonable approximation of their fair values. The difference between the fair value of the consideration payable by Evolution Mining for LM Australia Group and the book value of the assets and liabilities of LM Australia Group has been treated as an increase in mine development assets and is illustrated in the table below:

	Carrying amounts of Net Assets A\$'000	Equity Consideration Paid A\$'000	Excess Consideration (Recognised in Mine Development Assets) A\$'000
LM Australia Group assets	134,378	299,482	165,104

Goodwill is the potential residual amount that may arise after the comparison of the fair value of the purchase consideration with the fair value of the net identifiable assets (including contingent liabilities) acquired. Based on the pro-forma values used to prepare the pro-forma consolidated statement of financial position for the Combined Group, it is anticipated that no significant goodwill will be attributable to LM Australia Group's assets as there is not expected to be a material difference between the fair values of those assets and the consideration payable by Evolution for them. However, this position could change once actual valuations are performed as at the acquisition date.

Following implementation of the La Mancha Transaction, a detailed valuation of the identifiable assets, liabilities and contingent liabilities of LM Australia Group will be undertaken to ascertain the appropriate allocation of this difference (if any). The tax carrying values of LM Australia Group's assets will also be required to be reset which Evolution currently expects will result in a net increase in the deferred tax liabilities of the Combined Group. These adjustments will impact depreciation and amortisation charges in future financial periods. For the purposes of compiling the pro-forma consolidated statement of financial position an assumption has been made that a full tax step up in the tax cost base is available. As a result, no deferred tax liability has been recognised in the pro-forma consolidated statement of financial position. Due to the above, the actual impact of acquisition accounting will vary from that disclosed in the combined group pro-forma consolidated statement of financial position above.



## 9 Key risks associated with the La Mancha Transaction

### 9.1 Key risks if the La Mancha Transaction is approved

This section 9.1 sets out some of the risks that Evolution Shareholders may be exposed to if the La Mancha Transaction is implemented.

The risks and uncertainties described below:

- are not, and should not be considered to be or relied on as, an exhaustive list of the risks that Evolution Shareholders may face if the La Mancha Transaction is implemented; and
- are general in nature and regard has not been had to the investment objectives, financial situation, tax position or particular needs of any individual Evolution Shareholder.

Additional risks and uncertainties that Evolution is unaware of, or that it currently considers to be immaterial or that it has not otherwise outlined below for various reasons, may also become important factors that can adversely affect Evolution's operating and financial performance.

#### (a) Risk factors specific to the La Mancha Transaction

##### Integration risks

An important factor which may impact the long-term success of Evolution is likely to be the successful integration of the businesses of LM Australia Group into the Combined Group. Whilst a committee comprising representatives from each of Evolution and the La Mancha Group has been established for the purpose of overseeing the integration process, difficulties may be encountered in connection with this process which could result in the failure of Evolution to realise some of the anticipated benefits of the La Mancha Transaction or could result in those benefits being realised later than expected.

Responsibility for the management of the operations at the Mungari Operation is expected to be transferred from LM Australia Group to Evolution after the implementation of the La Mancha Transaction. The methods adopted by Evolution in respect of operating the Mungari Operation may differ from the methods employed prior to the implementation of the La Mancha Transaction. This may result in revisions to reserves and resources, life of mines, methodology for calculating cash costs, production forecasts and exploration and development targets for the Mungari Operation.

##### LM Vendor shareholding

As noted earlier in this Explanatory Memorandum, the consideration payable by Evolution under the La Mancha Transaction is the issue of 322,023,765 new Evolution Shares to LM Vendor. LM Vendor will also subscribe for the Additional Evolution Shares for an aggregate subscription amount of up to A\$112 million. As detailed in section 5.1 of this Explanatory Memorandum, as a result of the implementation of the La Mancha Transaction, LM Vendor will have an interest in Evolution of approximately 31%. As a result, while LM Vendor will not control Evolution as a result of the La Mancha Transaction, it will be able to vote the Evolution Shares it holds (subject to all applicable laws) in relation to matters requiring shareholder approval, including the election of directors, significant corporate transactions and certain issues of equity securities. In this regard, LM Vendor's interests may not always be aligned with those of other shareholders in Evolution. LM Vendor's intentions in relation to Evolution are set out in sections 5.2 and 10.4 of this Explanatory Memorandum.

LM Vendor's interest in Evolution may also mean that its support for any proposal by a third party to acquire all of the shares in Evolution may potentially be important for that proposal to be successful. Further, it is possible that the presence of LM Vendor as a substantial shareholder in Evolution may be perceived by the market as reducing the likelihood of a takeover of Evolution. This may potentially cause Evolution Shares to trade at a discount to the value at which they would trade if LM Vendor did not hold its stake in Evolution. In addition, the sale of Evolution Shares in the future by LM Vendor (after the equity lock-up period expires) may result in movements in the share price of Evolution Shares.

##### Contractual restrictions on change of control and assignment or novation

Entities in the LM Australia Group are party to contracts containing change of control provisions that, in the absence of counterparty consent, may be triggered by implementation of the La Mancha Transaction. If a counterparty's consent is not obtained, Evolution may lose the benefit of that contract (which could potentially be a material contract). This may potentially adversely impact Evolution's operations and performance of the Mungari Operation.

## 9 Key risks associated with the La Mancha Transaction (continued)

The La Mancha Group has outlined in section 7.1 a list of material contracts that they have identified as containing change of control provisions. These include LMRA's facility agreement, LMRA's Perth office lease, and electricity and sale agreements relating to the supply of electricity to the Mungari CIL processing plant and the Frog's Leg mine. The Evolution Directors currently believe Evolution could replace these contracts, if required, on terms that are not materially worse than the current terms of the contracts.

### La Mancha Transaction costs

If the Resolution is approved, transaction costs such as legal and advisory fees will be payable by Evolution. In the event that the Resolution is not approved, Evolution will still be liable for certain costs.

### La Mancha Restructure

The La Mancha Restructure described in section 10.2 involves the transfer of Amalco by Toledo to another member of the La Mancha Group. LM Vendor must use its best endeavours to procure that the La Mancha Restructure occurs prior to Completion, subject to confirmation from the WA OSR that the transactions to give effect to the transfer will not be liable to duty under the *Duties Act 2008* (WA).

If the La Mancha Restructure does not occur prior to Completion, Evolution will acquire Amalco and any liabilities or obligations associated with it, including any potential litigation liabilities. If the La Mancha Restructure is not implemented prior to Completion, LM Vendor indemnifies Evolution for certain matters as a result of Amalco continuing to be part of the LM Australia Group for a period of five years following Completion. The potential liabilities of Amalco (which would be inherited by Evolution if the La Mancha Restructure is not implemented prior to Completion) are set out in section 7.1 in further detail, including the risk of claims made against Amalco in connection with the bankruptcy proceedings of its 95% subsidiary Minera Patagonia S.A. (a company incorporated in Argentina). The likelihood or quantum of these claims cannot be estimated accurately at this time.

## (b) General risk factors that may affect the Combined Group

### Production and cost estimates

The ability of the Combined Group to achieve production targets, or meet operating and capital expenditure estimates on a timely basis cannot be assured. The assets of the Combined Group (which, in addition to Evolution's current assets, will include the assets of LM Australia Group), as any others, are subject to uncertainty with ore tonnes, grade, metallurgical recovery, geotechnical conditions, operational environment, funding for development, regulatory changes, accidents and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment.

Evolution and LM Australia Group prepare estimates of future production, cash costs and capital costs of production for its operations. No assurance can be given that such estimates will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the Combined Group's future cash flows, profitability, results of operations and financial condition.

Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade, ore hardness, metallurgy, labour costs, general inflationary pressures and currency exchange rates.

Unforeseen production cost increases could result in the Combined Group not realising its operational or development plans or in such plans costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on the Combined Group's financial and operational performance.

### Ore Reserves and Mineral Resources

The Ore Reserves and Mineral Resources for Evolution, Cowal and LM Australia Group are expressions of judgement based on industry practice, experience and knowledge and are estimates only. Estimates of Ore Reserves and Mineral Resources are necessarily imprecise and depend to some extent on interpretations which may prove inaccurate. No assurance can be given that the estimated reserves and resources are accurate or that the indicated level of gold, silver or any other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted. No assurance can be given that any or all of the Combined Group's Mineral Resources constitute or will be converted into Ore Reserves.

Market price fluctuations of gold as well as increased production and capital costs may render the Combined Group's Ore Reserves unprofitable to develop at a particular site or sites for periods of time or may render mineral reserves containing relatively lower grade mineralisation uneconomic. Estimated reserves may have

to be reestimated based on actual production experience. Any of these factors may require the Combined Group to reduce its mineral reserves and resources, which could have a negative impact on the Combined Group's financial results and the expected operating life of its mines.

Actual Ore Reserves and Mineral Resources may differ from those estimated, which could have a positive or negative effect on the Combined Group's financial performance.

#### **Replacement of depleted Ore Reserves**

Evolution and LM Australia Group must continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature. Evolution's exploration projects involve many risks and are frequently unsuccessful. There is no assurance that current or future exploration programs will be successful. Also, if a discovery is made, it may take several years from the initial phases of drilling until production is possible.

There is a risk that depletion of reserves will not be offset by discoveries or acquisitions or that divestitures of assets will lead to a lower reserve base. The reserve base of the Combined Group may decline if reserves are mined without adequate replacement and the Combined Group may not be able to sustain production beyond the current mine lives, based on current production rates.

#### **Geological and geotechnical**

There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining Ore Reserves, such as unusual or unexpected geological conditions, pit wall failures, rock bursts, seismicity and cave-ins. In any of these events, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets.

#### **Fluctuations in the gold price**

Evolution's, Cowal's and LM Australia Group's revenues are exposed to fluctuations in the gold price. Volatility in the gold price creates revenue uncertainty and requires careful management of business performance to ensure that operating cash margins are maintained despite a fall in the spot gold price. The risks associated with such fluctuations and volatility may be minimised by any gold price hedging Evolution may undertake.

Declining gold prices can also impact operations by requiring a reassessment of the feasibility of mine plans and certain projects and initiatives. The development of new ore bodies, commencement and timing of open pit cut backs, commencement of development projects and the ongoing commitment to exploration projects can all potentially be impacted by a decline in the prevailing gold price. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment could potentially cause substantial delays and/or may interrupt operations, which may have a material adverse effect on Evolution's results of operations and financial condition.

#### **Hedging risk**

As set out in section 8.1(f) of this Explanatory Memorandum, Evolution and LM Australia Group have hedging agreements in place for the forward sale of fixed quantities of gold production from its operations. There is a risk that Evolution may not be able to deliver the amount of gold required under its hedging arrangements if, for example, there is a production shortage. In this event, Evolution's financial performance may be adversely affected.

Under the hedging agreements, rising gold prices could result in part of Evolution's gold production being sold at less than the prevailing spot price at the time of sale.

#### **Foreign exchange rate risk**

Evolution, Cowal and LM Australia Group derive revenue from the sale of gold and silver in US dollars. However, their costs are mainly incurred by the businesses in Australian dollars, therefore movements in the US\$/A\$ exchange rate may adversely or beneficially affect Evolution's results of operations and cash flows. The risks associated with such fluctuations and volatility may be minimised by any currency hedging Evolution may undertake, though there is no assurance as to the efficacy of such currency hedging.

#### **Regulatory risks**

The operations of Evolution, Cowal and LM Australia Group are subject to various Federal, State and local laws and plans including those relating to mining, prospecting, development, permit and licence requirements, industrial relations, environment, land use, royalties, water, native title and cultural heritage, land access, mine safety and occupational health.

## 9 Key risks associated with the La Mancha Transaction (continued)

Approvals, licences and permits required to comply with such rules may, in some instances, be subject to the discretion of the applicable government or government officials, and, in some cases, the local community. No assurance can be given that Evolution will be successful in obtaining any or all of the various approvals, licences and permits or maintaining such authorisations in full force and effect without modification or revocation. To the extent such approvals are required and not retained or obtained in a timely manner or at all, Evolution may be curtailed or prohibited from continuing or proceeding with production and exploration.

For example, native title claims or issues on any existing or future tenements held by the Combined Group may potentially impact the Combined Group's operations and future plans. For tenements that may still be subject to native title claims to be validly granted (or renewed), there are established statutory regimes that will need to be followed in connection with those tenements.

### Water sources

The effects of changes in rainfall patterns, water shortages and changing storm patterns and intensities may adversely impact the costs, production levels and financial performance of Evolution's, Cowal's and LM Australia Group's operations. There is no guarantee that there will be sufficient future rainfall to support Evolution's, Cowal's and LM Australia Group's future water demands in relation to its sites and operations, and this could adversely affect production and Evolution's ability to develop or expand projects and operations in the future. In addition, there can be no assurance that Evolution will be able to obtain alternative water sources on commercially reasonable terms or at all in the event of prolonged drought conditions.

### Weather and climatic conditions

Some of Evolution's, Cowal's and LM Australia Group's sites and operations may be subject from time to time to severe storms and high rainfall leading to flooding and associated damage which may result in delays to or loss of production.

### Insurance risk

Evolution, Cowal and LM Australia Group currently each maintain insurance coverage. No assurance can be given that Evolution will continue to be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover all claims.

### Environmental risks

Mining and exploration can be potentially environmentally hazardous, giving rise to potentially substantial costs for environmental rehabilitation, damage control and losses. Evolution is subject to environmental laws and regulations in connection with its operations and could be subject to liability due to risks inherent in its activities, including unforeseen circumstances.

## 9.2 Impact on the status of Evolution under the Foreign Acquisitions and Takeovers Act 1975 (Cth)

Foreign investment in Australia is regulated principally under Commonwealth legislation including the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) and by the Australian Government's Foreign Investment Policy (**Policy**). The Federal Treasurer is ultimately responsible for all decisions relating to foreign investment and administration of the Policy and FATA. The Treasurer is advised and assisted by FIRB which administers FATA in accordance with the Policy.

LM Vendor is a 'Foreign Person' for the purposes of FATA, having regard to its aggregate level of foreign ownership. Upon Completion, LM Vendor will hold 31% of the Evolution Shares. Therefore, Evolution may also be considered a 'Foreign Person' for the purposes of the FATA.

In this case, the Federal Treasurer would have the power to make orders under FATA preventing Evolution from proceeding with certain transactions involving Australian companies or assets.

If Evolution were considered to be a 'Foreign Person', then it would also be required to give notice under FATA as a pre-condition to undertaking certain transactions.

## 9.3 Key implications if the La Mancha Transaction is not approved

### (a) The La Mancha Transaction will not proceed

If the Resolution is not approved, the La Mancha Transaction will not proceed.

In that case, Evolution Shareholders will retain their current interest in Evolution and no Evolution Shares will be issued to LM Vendor. There will be no change to the Evolution Board, other than any retirement and re-election of Evolution Directors pursuant to Evolution's constitution and applicable laws.

### (b) Costs

If the La Mancha Transaction is not implemented, Evolution will incur significant costs, including significant opportunity costs.

### (c) Gearing

The up to A\$112 million of equity funding to be provided by LM Vendor upon Completion of the La Mancha Transaction as consideration for the issue of the Additional Evolution Shares is considered by Evolution to be an important component of the overall funding plan for Evolution following completion of the La Mancha Transaction and the Cowal Transaction. The additional equity issued as a result of the La Mancha Transaction will reduce Evolution's gearing.

If the La Mancha Transaction does not complete or the Additional Evolution Shares are not issued for any reason, Evolution will consider alternative ways to de-risk its balance sheet which could involve hedging part of Evolution's future gold production.

## 10 Additional information

### 10.1 Regulatory approvals

#### (a) FIRB Approval

As noted above, a condition precedent to Completion under the Sale Agreement is for LM Vendor to obtain FIRB Approval.

LM Vendor has submitted an application to FIRB.

As at the date of this Explanatory Memorandum, LM Vendor has not yet obtained FIRB Approval.

#### (b) “Anti-Dilution” right under the Relationship Deed and interaction with ASX Listing Rule 6.18

The Relationship Deed, which will be entered into as a completion deliverable to Completion of the La Mancha Transaction, includes an “Anti-Dilution” right (summarised in section 10.2).

ASX Listing Rule 6.18 prohibits an option to be exercisable over a percentage of an entity’s capital and the ASX has stated that ASX Listing Rule 6.18 applies to any agreement that will enable an investor to achieve or maintain a fixed percentage of the capital of the entity.

ASX has confirmed that it considers that the “Anti-Dilution” right is subject to ASX Listing Rule 6.18 and that it will not grant Evolution a waiver from ASX Listing Rule 6.18 at this time on the basis that LM Vendor will hold more than 25% in Evolution Shares on issue as at the date that the “Anti-Dilution” right would come into effect.

#### (c) ASIC relief from section 606 of the Corporations Act in connection with the equity lock-up

Evolution has been granted relief by ASIC so that the takeover provisions of the Corporations Act will not apply to the Relevant Interest that Evolution would otherwise acquire in 322,023,765 of the New Evolution Shares by way of the ‘equity lock-up’ arrangements described in section 10.2(a).

#### (d) Confirmations in relation to the La Mancha Restructure

LM Vendor is seeking confirmation from the WA OSR that the transactions to be effected pursuant to the La Mancha Restructure will not be liable to duty under the *Duties Act 2008* (WA).

LM Vendor has received similar confirmation from the Office of State Revenue of the New South Wales Government (**NSW OSR**).

As at the date of this Explanatory Memorandum, LM Vendor has not yet obtained the requested confirmation from the WA OSR.

### 10.2 Key transaction documents

#### (a) Sale Agreement

##### Overview

On 19 April 2015, Evolution, LM Vendor and LM SARL entered into the Sale Agreement. The Sale Agreement has since been amended.

The Sale Agreement sets out each party’s obligations in connection with the implementation of the La Mancha Transaction. A summary of the key terms and conditions of the Sale Agreement (as amended) is set out below.

A copy of the Sale Agreement was released in full on the ASX by Evolution on 20 April 2015 and is available at [www.asx.com.au](http://www.asx.com.au).

### Conditions precedent

Completion under the Sale Agreement is subject to the following conditions precedent:

- *FIRB Approval*: LM Vendor obtaining FIRB Approval.
- *ASX Approval*: Evolution obtaining approval from the ASX for the official quotation of the New Evolution Shares on the ASX (provided that any such approval may be subject only to customary conditions). This condition has been satisfied.
- *Evolution Shareholder Approval*: Evolution Shareholders approving the issue of the New Evolution Shares to LM Vendor by ordinary resolution.
- *No material adverse change*: No Evolution Material Adverse Change or La Mancha Material Adverse Change occurs or is reasonably likely to occur between 19 April 2015 and 9:00am on the date of Completion.
- *No restraints*: As at 9:00am on the date of Completion, there not being in effect any material legal restraint or prohibition preventing or delaying Completion.

The conditions precedent to Completion are set out in clause 3 of the Sale Agreement.

### Period before Completion

Each of Evolution and LM Vendor are required to ensure that their respective businesses (or in the case of LM Vendor, the business of LM Australia Group) are conducted materially in the ordinary and usual course consistent with their respective usual business practice from 19 April 2015 until Completion.

Each of Evolution and LM Vendor must also ensure that they do not (and in the case of LM Vendor, LM Australia Group does not) undertake any restricted conduct prior to Completion.

### Termination rights

Evolution and LM Vendor may terminate the Sale Agreement if:

- **(condition precedent)** any condition precedent to the Sale Agreement (summarised above):
  - is not satisfied or waived by the party or parties entitled to the benefit of the condition by 15 September 2015; or
  - becomes incapable of satisfaction;
- **(independent expert)** the Independent Expert's Report concludes the La Mancha Transaction is not "fair" and not "reasonable";
- **(conduct of business)** the other party materially breaches its agreement to:
  - conduct its businesses and operations in the ordinary and usual course consistent with the manner in which those businesses and operations were conducted prior to 19 April 2015; or
  - not undertake certain restricted actions in connection with its business;
- **(board recommendation)** the Evolution Board fails to recommend that Evolution Shareholders vote in favour of the resolution to approve the issue of the New Evolution Shares to LM Vendor, or the Evolution Board withdraws, adversely revises or adversely modifies its recommendation that Evolution Shareholders vote in favour of that resolution; or
- **(superior proposal)** the Evolution Board makes a public statement indicating that it no longer recommends that Evolution Shareholders vote in favour of the resolution to approve the issue of the New Evolution Shares to LM Vendor or recommending, supporting or endorsing another transaction (including any Evolution Competing Proposal).

Evolution may also terminate the Sale Agreement if a La Mancha Prescribed Occurrence occurs. LM Vendor may similarly terminate if an Evolution Prescribed Occurrence occurs.

The termination rights are set out in clause 19 of the Sale Agreement.

### Exclusivity provisions

Evolution and LM Vendor have each agreed that, during the Exclusivity Period, they will each be subject to certain exclusivity arrangements. Those exclusivity arrangements are set out in full in clauses 8 and 9 of the Sale Agreement.



## 10 Additional information (continued)

A summary of those exclusivity arrangements is set out below.

### Evolution

- *No-shop*: Evolution must not, and must ensure that each of its Related Persons does not, encourage or solicit an Evolution Competing Proposal.
- *No-talk*: Evolution must not, and must ensure that each of its Related Persons does not, participate in any negotiations or provide any non-public information to a third party in relation to an Evolution Competing Proposal (unless the fiduciary duties of the Evolution Directors require otherwise).
- *Notifications*: Evolution must inform LM Vendor if it, or any of its Related Persons, receives any Evolution Competing Proposal within two Business Days of receiving the proposal (unless the fiduciary duties of the Evolution Directors require otherwise).
- *No discussions*: Evolution must cease any discussions or negotiations relating to any Evolution Competing Proposal or any other transaction that would reasonably be expected to reduce the likelihood of Completion of the La Mancha Transaction occurring.

### LM Vendor

- *No competing proposal*: LM Vendor must not enter into an agreement in relation to a La Mancha Competing Proposal.
- *No-shop*: LM Vendor must not, and must ensure that each of its Related Persons does not, encourage or solicit a La Mancha Competing Proposal.
- *No-talk*: LM Vendor must not, and must ensure that each of its Related Persons does not, participate in any negotiations or provide any non-public information to a third party in relation to a La Mancha Competing Proposal.
- *No discussions*: LM Vendor must cease any discussions or negotiations relating to any La Mancha Competing Proposal or any other transaction that would reasonably be expected to reduce the likelihood of Completion of the La Mancha Transaction occurring.

The LM Vendor exclusivity arrangements are not subject to an exception for the fiduciary duties of the directors of LM Vendor.

There are no break fees that are payable under the Sale Agreement.

### Cash purchase price adjustment

The La Mancha Transaction is subject to a cash purchase price mechanism whereby LM Vendor must pay Evolution a cash adjustment under certain circumstances.

The cash purchase price adjustment is set out in full in clause 6 of the Sale Agreement.

LM Vendor must also ensure that, as at the later of 30 June 2015 and Completion:

- Toledo and its Subsidiaries must hold nil or more in cash or cash equivalents; and
- LMRA must not have more than A\$124 million outstanding under its syndicated facility agreement dated 8 February 2013 with a syndicate of banks.

### Warranties

The Sale Agreement contains representations and warranties given by Evolution to LM Vendor (**Evolution Warranties**) and representations and warranties given by LM Vendor to Evolution (**La Mancha Warranties**). A brief summary of the key warranties is set out below.

LM Vendor and Evolution have given the La Mancha Warranties and the Evolution Warranties, respectively, in favour of each other including in relation to: structure; legal status, capacity and authority to enter into the Sale Agreement and perform obligations under the Sale Agreement; their financial accounts; their conduct of business; compliance with law; tax and duty and solvency.

LM Vendor and Evolution have also given warranties as to the information that has been disclosed during the due diligence process.

The La Mancha Warranties and the Evolution Warranties are set out in full in Schedule 2 and Schedule 3, respectively, of the Sale Agreement.



### Limitation on claims

Claims made under the Sale Agreement by either LM Vendor or Evolution are subject to certain financial thresholds and time limits (other than specified claims).

LM Vendor and Evolution will not be liable under a claim (other than specified claims) unless the aggregate amount payable in respect of all claims made against the relevant party exceeds \$5 million.

The maximum aggregate amount that either Evolution or LM Vendor is required to pay for any claims under the Sale Agreement (other than specified claims) is \$30 million.

LM Vendor and Evolution will only be liable under a claim if it is made within:

- four years and 30 days after the lodgement of the income tax return of Evolution's head company or LM Vendor's head company (as applicable) for the period that includes or is up to Completion in the case of a specified tax-related claim; or
- two years after Completion in all other cases.

Additionally, any claim amounts payable to either Evolution or LM Vendor are subject to a "true up" calculation to take account of LM Vendor's shareholding in Evolution post-Completion. This calculation is set out in clause 14 of the Sale Agreement.

The other procedures for dealing with claims under the Sale Agreement are set out in full in clauses 12 and 13 of the Sale Agreement.

### Indemnities

LM Vendor and Evolution have given each other reciprocal indemnities in relation to any tax or duty payable by Evolution or any Target Entities (as applicable) that relates to any period up to and including Completion or relates to a failure to comply with a tax law prior to Completion (subject to certain exceptions including a carve-out for tax payable in the ordinary course).

LM Vendor has also provided a number of additional indemnities to Evolution, including in relation to:

- the implementation of the La Mancha Restructure; and
- the La Mancha Restructure not having been implemented prior to Completion.

The La Mancha Restructure is outlined in further detail below.

### La Mancha Restructure

Broadly, the La Mancha Restructure involves the transfer of Amalco by Toledo to another member of the La Mancha Group through a number of steps which, at a high level, include:

- the transfer of Amalco's shareholding in LMRA to Toledo; and
- the transfer of Toledo's shareholding in Amalco to another entity within the La Mancha Group.

LM Vendor must use its best endeavours to procure that the La Mancha Restructure (outlined above) occurs prior to Completion, subject to confirmation from the WA OSR that the transactions to give effect to the transfer will not be liable to duty under the *Duties Act 2008* (WA).

As noted above, if the La Mancha Restructure does not occur prior to Completion, LM Vendor indemnifies Evolution for certain matters as a result of Amalco continuing to be part of the LM Australia Group for a period of 5 years following Completion of the La Mancha Transaction.

### Equity lock-up

LM Vendor has agreed that, from Completion until the date that is 24 months after the date of Completion, it will not dispose of any direct or indirect interest in 322,023,765 of the New Evolution Shares, subject to certain exceptions including:

- LM Vendor using the New Evolution Shares as security for a loan;
- LM Vendor accepting a takeover bid where more than 50% of other Evolution Shareholders have accepted the takeover bid;
- LM Vendor transferring the New Evolution Shares to another La Mancha Group entity;
- the transfer or cancellation of the New Evolution Shares under a scheme of arrangement;
- the buy-back of New Evolution Shares under any buy-back; or

## 10 Additional information (continued)

- where the disposal is required by law.

As noted above, the equity lock-up provisions do not apply to the Additional Evolution Shares.

### La Mancha support of Cowal Transaction

LM Vendor and LM SARL have provided written confirmation to Evolution of their agreement that the transactions contemplated by the Cowal Transaction (including the financing of the Cowal Transaction) by Evolution will not be a breach of the Sale Agreement. LM Vendor and LM SARL have also confirmed that they will not exercise any rights they may have to terminate the Sale Agreement as a result of Evolution entering into agreements in connection with the Cowal Transaction.

### Amendments to the Sale Agreement

As noted above, the Sale Agreement has been amended and pursuant to the amendments:

- LM Vendor and LM SARL provided consent for Evolution to enter into definitive documentation with respect to the Cowal Transaction;
- LM Vendor and LM SARL provided consent for Evolution to launch the Entitlement Offer and other financing arrangements related to the Cowal Transaction, including the refinancing of the LMRA Facility Agreement; and
- the Sale Agreement was amended to incorporate the subscription by LM Vendor for the Additional Evolution Shares and other related amendments.

## (b) Relationship Deed

### Overview

As a completion deliverable under the Sale Agreement, LM Vendor and Evolution will enter into the Relationship Deed in substantially the form attached as schedule 8 to the Sale Agreement.

The key terms of the Relationship Deed are summarised below.

A full copy of the proposed Relationship Deed is set out in schedule 8 to the Sale Agreement which was released in full on the ASX by Evolution on 20 April 2015 and available at [www.asx.com.au](http://www.asx.com.au).

### Entitlement to nominate Evolution Directors

LM Vendor will have a right to nominate persons for appointment to the Board as follows:

- **one** nominee, if LM Vendor holds more than 10% of the Evolution Shares on issue but less than 20% of the Evolution Shares on issue;
- **two** nominees, if LM Vendor holds more than 20% of the Evolution Shares on issue.

LM Vendor's right to nominate persons for appointment to the Board terminates upon written notice from Evolution that a person other than a member of the La Mancha Group has acquired a Relevant Interest in more than 50% of the Evolution Shares on issue.

Evolution also agrees to bear all reasonable travelling and other reasonable expenses incurred by any nominee director of LM Vendor for attending and returning from Board meetings and in performing his or her duties as an Evolution Director. This is consistent with Evolution's current approach in relation to other Evolution Directors.

### Ad hoc operational support and input

Evolution and LM Vendor have also agreed for their technical representatives to meet on a periodic basis, but not less than once per calendar quarter, for the purposes of:

- providing input into Evolution's operations; and
- obtaining information, discussing and providing input into Evolution's business planning, budgets and treasury forecasts for its operations, including in relation to exploration prospects.

For the avoidance of doubt, under the terms of the Relationship Deed, LM Vendor agrees to comply with all applicable insider trading laws in connection with its receipt of any information from Evolution through this forum.

### **Anti-Dilution**

Evolution agrees that it will not offer, issue or sell or enter into any agreement or commitment to offer, issue or sell any Evolution securities unless Evolution first offers in writing to sell the same Evolution securities to LM Vendor at the same time so as to allow LM Vendor to maintain its percentage interest in Evolution on a fully diluted basis, subject to compliance with all regulatory requirements at the relevant time.

As described in section 10.1(b) above, the ASX has not granted Evolution a waiver from ASX Listing Rule 6.18 in connection with this “Anti-Dilution” right at this time.

### **Term and termination**

The Relationship Deed will terminate on the earlier of:

- Evolution and LM Vendor agreeing to terminate the deed in writing;
- LM Vendor or any assignee of LM Vendor (as permitted under the deed) ceasing to hold at least 10% of the Evolution Shares on issue; and
- any assignee of LM Vendor (as permitted under the deed) ceasing to be a wholly owned subsidiary (direct or indirect) of LM SARL.

## **10.3 Terms of New Evolution Shares**

The New Evolution Shares will be fully paid ordinary Evolution Shares that are quoted on the ASX. On issue, the New Evolution Shares will rank equally with all existing Evolution Shares and free from any Encumbrance.

## **10.4 Specific disclosures under item 7 of section 611 of the Corporations Act and RG 74**

Item 7 of section 611 of the Corporations Act allows shareholders to approve an acquisition of Relevant Interests in voting shares that would otherwise contravene the prohibitions in section 606 of the Corporations Act. Accordingly, approval of the Resolution is being sought from Evolution Shareholders.

The information set out below is required to be provided to Evolution Shareholders under the Corporations Act or is recommended to be provided to Evolution Shareholders under RG 74 in respect of obtaining approval for the La Mancha Transaction under item 7 of section 611 of the Corporations Act.

Evolution Shareholders should also refer to the Independent Expert’s Report attached as Attachment 1 to this Explanatory Memorandum.

### **1. Details of LM Vendor and the La Mancha Group**

Background information on LM Vendor and the La Mancha Group is set out in section 7.

### **2. The identity of the person who will acquire a Relevant Interest in the Evolution Shares as a result of the La Mancha Transaction and the extent of its Relevant Interest**

Under the terms of the Sale Agreement, LM Vendor will acquire the New Evolution Shares.

As at the date of this Explanatory Memorandum, neither LM Vendor nor any of its Associates have a Relevant Interest in any Evolution Shares.

As at Completion, LM Vendor will acquire a Relevant Interest in the New Evolution Shares. Specifically:

- The voting power of LM Vendor and its Associates will increase from zero to a maximum of approximately 31% as a result of, and on Completion of, the La Mancha Transaction.
- LM Vendor and its Associates will have maximum voting power of 31% as a result of, and on Completion of, the La Mancha Transaction.
- LM Vendor and its associates will increase voting power by a maximum of 31% as a result of, and on Completion of, the La Mancha Transaction.

### **3. Explanation of the reasons for the La Mancha Transaction**

Please see section 3, which details the reasons to vote for or against the Resolution and section 5.2 which details the rationale for the La Mancha Transaction.

## 10 Additional information (continued)

### 4. When Completion of the La Mancha Transaction will occur

If the Resolution is approved by Evolution Shareholders and all other conditions precedent to the Sale Agreement are either satisfied or waived (as applicable) then Evolution currently expects that Completion of the La Mancha Transaction will occur in late July or early August 2015.

### 5. The material terms of the La Mancha Transaction

Please refer to section 10.2 for a summary of the key terms of the key transaction documents.

### 6. Details of the terms of any other relevant agreement between the La Mancha Group and Evolution that is conditional on (or directly or indirectly depends on) shareholders' approval of the La Mancha Transaction

Please refer to section 10.2 for a summary of the key details of the key transaction documents, including the Relationship Deed.

### 7. LM Vendor's intentions regarding the future of Evolution

If Completion occurs under the Sale Agreement, LM Vendor will have a shareholding of 31% in Evolution and two nominees on the Evolution Board.

Despite this, LM Vendor and the La Mancha Group will not have control of Evolution.

The rationale for the La Mancha Transaction outlined in section 5.2 is consistent with LM Vendor's intentions for Evolution.

### 8. LM Vendor's intentions regarding the financial or dividend distribution policies of Evolution

As noted above, if Completion occurs, LM Vendor and the La Mancha Group will not have control of Evolution. Accordingly, LM Vendor and the La Mancha Group will not have the ability to change the financial or dividend distribution policies of Evolution.

### 9. Interests of any Evolution Directors or proposed directors in relation to any agreement between LM Vendor or LM SARL and Evolution that is conditional on approval of the Resolution

Please see section 6.8 for the Relevant Interest that each Evolution Director has in Evolution Securities.

Please also see section 8.2 setting out details of the proposed nominees of LM Vendor to the Evolution Board following completion of the La Mancha Transaction.

Other than as disclosed in section 6.8 or 8.2, no Evolution Director nor any proposed Evolution Director, has any interest in the La Mancha Transaction nor any relevant agreement disclosed under RG 74.25(d).

### 10. Details of proposed Evolution Directors if the Resolution is approved

Please see section 8.2 for the proposed composition of the Evolution Board if the Resolution is approved (including details of the proposed nominees of LM Vendor).

## 10.5 Voting exclusion statement

In accordance with item 7 of section 611 of the Corporations Act, Evolution will disregard any votes cast on the Resolution by any member of the La Mancha Group or their associates.

## 10.6 Consents

The following persons have given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

1. LM Vendor and the La Mancha Group;
2. Ernst & Young as the Independent Expert;
3. AMC Consultants as the technical expert;
4. Link Market Services Limited as Evolution's share registrar; and
5. Herbert Smith Freehills as Evolution's legal adviser.

LM Vendor and LM SARL have each given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their written consent to the inclusion of the La Mancha Information including, for the avoidance of doubt, the financial information about LM Australia Group that has been prepared by LM Vendor and LM SARL and

provided to Evolution to assist it with the preparation of the pro-forma financial information set out in section 8.3, and the references to that information in the form and context in which they are included in this Explanatory Memorandum.

Ernst & Young as Independent Expert has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the Independent Expert's Report in Attachment 1 and references to that report in the form and context in which they are included in this Explanatory Memorandum.

Other than as specifically outlined above, each party referred to in this section 10.6 has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

## 10.7 Competent Person statement

### (a) Competent Person statement – Evolution

The information in this Explanatory Memorandum that relates to Evolution's Mineral Resources and Ore Reserves is extracted from the report entitled "Annual Mineral Resources and Ore Reserves Statement" created on 14 May 2015 and is available to view at [www.evolutionmining.com.au](http://www.evolutionmining.com.au). Evolution confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Evolution confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

### (b) Competent Person statement – Cowal

Mr Michael Andrew confirms that the information in this Explanatory Memorandum that relates to the Cowal Mineral Resources provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies supplied to Evolution as a foreign estimate. Mr Andrew is a full time employee of Evolution and is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Andrew consents to the inclusion in the Explanatory Memorandum of the matters based on his information in the form and context in which it appears.

Mr Tony Wallace confirms that the information in this Explanatory Memorandum that relates to the Cowal's Mineral Reserves provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies supplied to Evolution Mining as a foreign estimate. Mr Wallace is a full time employee of Evolution and is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Wallace consents to the inclusion in the Explanatory Memorandum of the matters based on his information in the form and context in which it appears.

### (c) Competent Person statement – La Mancha

The information in this Explanatory Memorandum that relates to White Foil and Frog's Leg Mineral Resources is based on information compiled by Mr James Potter, a Competent Person who is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, and is a full-time employee of La Mancha. Mr Potter has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Potter consents to the inclusion in the Explanatory Memorandum of the matters based on their information in the form and context in which it appears.

The information in this Explanatory Memorandum that relates to White Foil and Frog's Leg Ore Reserves is based on information compiled by Mr Matthew Varvari, a Competent Person who is a member of the Australian Institute of Mining and Metallurgy and is a full-time employee of La Mancha. Mr Varvari has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Varvari consents to the inclusion in the Explanatory Memorandum of the matters based on their information in the form and context in which it appears.

# 11 Glossary and interpretation

## 11.1 Definitions

In this Explanatory Memorandum unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
<b>Additional Evolution Shares</b>	approximately 123,861,085 additional Evolution Shares to be issued to LM Vendor at Completion of the La Mancha Transaction, noting that the exact number cannot be calculated at this stage as it will vary depending on the number of Evolution Shares issued by Evolution under its pro-rata entitlement offer which was launched on 25 May 2015.
<b>AISC</b>	all-in sustaining cost.
<b>Amalco</b>	La Mancha Amalco Holdings Pty Ltd (ACN 163 023 498).
<b>AMC Consultants</b>	AMC Consultants Pty Ltd.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning set out in section 12 of the Corporations Act, as if subsection 12(1) of the Corporations Act included a reference to the Sale Agreement and Evolution or LM Vendor (as applicable) was the designated body.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
<b>ASX Listing Rules</b>	the official listing rules of the ASX.
<b>Business Day</b>	a day on which banks are open for business in Sydney and Perth other than a Saturday, Sunday or a public holiday in either city.
<b>C1 Cash Cost</b>	mine operating cost less changes to ore stockpile inventory (ROM and crushed) less royalty expenses and less revenue from by-product sales (by-product credits).
<b>CIL</b>	Carbon In Leach.
<b>CIM</b>	Canadian Institute of Mining, Metallurgy and Petroleum.
<b>CIP</b>	Carbon In Pulp.
<b>Combined Group</b>	Evolution following Completion of the La Mancha Transaction and completion of the Cowal Transaction, being Evolution, comprising of: <ol style="list-style-type: none"> <li>1. Evolution, and each of its Subsidiaries;</li> <li>2. LM Australia Group; and</li> <li>3. Barrick (Cowal) Pty Limited.</li> </ol>
<b>Completion</b>	completion of the sale and purchase of LM Australia Group and the issuance of the New Evolution Shares pursuant to the Sale Agreement.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Cowal</b>	Barrick (Cowal) Pty Limited (ACN 007 857 598).

Term	Meaning
<b>Cowal Transaction</b>	the proposed acquisition by Evolution of 100% of the shares in Cowal.
<b>CY12</b>	the calendar year for the year ended 31 December 2012.
<b>CY13</b>	the calendar year for the year ended 31 December 2013.
<b>CY14</b>	the calendar year for the year ended 31 December 2014.
<b>CY15</b>	the calendar year for the year ended 31 December 2015.
<b>Encumbrance</b>	<p>an interest or power:</p> <ol style="list-style-type: none"> <li>1. reserved in or over an interest in any asset; or</li> <li>2. created or otherwise arising in or over any interest in any asset under a security agreement, a bill of sale, mortgage, charge, lien, pledge, trust or power,</li> </ol> <p>by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes, but is not limited to:</p> <ol style="list-style-type: none"> <li>3. any agreement to grant or create any of the above; and</li> <li>4. a security interest within the meaning of section 12(1) of the <i>Personal Property Securities Act 2009</i> (Cth).</li> </ol>
<b>Entitlement Offer</b>	the 5-for-13 fully underwritten accelerated renounceable entitlement offer launched by Evolution on 25 May 2014 comprising of an accelerated institutional entitlement offer and a retail entitlement offer.
<b>Ernst &amp; Young</b>	Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844).
<b>Evolution</b>	Evolution Mining Limited (ABN 74 084 669 036).
<b>Evolution Board or Board</b>	the board of directors of Evolution and an ' <b>Evolution Board Member</b> ' means any director of Evolution comprising part of the Evolution Board.

## 11 Glossary and interpretation (continued)

Term	Meaning
<b>Evolution Competing Proposal</b>	<p>any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in a Third Party (either alone or together with any Associate):</p> <ol style="list-style-type: none"> <li>1. directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Evolution Shares;</li> <li>2. acquiring control of Evolution for the purposes of section 50AA of the Corporations Act;</li> <li>3. directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of Evolution's business or assets;</li> <li>4. otherwise directly or indirectly acquiring or merging with Evolution; or</li> <li>5. requiring Evolution to abandon, or otherwise fail to proceed with, the La Mancha Transaction,</li> </ol> <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.</p>
<b>Evolution Director or Director</b>	each member of the Evolution Board.
<b>Evolution Group</b>	Evolution and each of its Related Bodies Corporate (other than LM Australia Group) and <b>Evolution Group Member</b> means any member of the Evolution Group.



Term	Meaning
<b>Evolution Material Adverse Change</b>	<p>an event, change, condition, matter, circumstance or thing occurring before, on or after 19 April 2015 (each a <b>Specified Event</b>) which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:</p> <ol style="list-style-type: none"> <li>1. a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Evolution Group taken as a whole;</li> <li>2. without limiting the generality of paragraph 1 above: <ul style="list-style-type: none"> <li>- the effect of a diminution in the value of the consolidated net assets of the Evolution Group, taken as a whole, by at least \$30 million against what it would reasonably have been expected to have been but for such Specified Event; or</li> <li>- the effect of a diminution in the consolidated earnings before interest and tax of the Evolution Group, taken as a whole, by at least \$30 million in recurring financial years for the Evolution Group against what they would reasonably have been expected to have been but for such Specified Event,</li> </ul> </li> </ol> <p>other than those events, changes, conditions, matters, circumstances or things:</p> <ol style="list-style-type: none"> <li>3. required or permitted by the Sale Agreement, the La Mancha Transaction or the transactions contemplated by either or otherwise attributable to the negotiation, execution, announcement or performance of the Sale Agreement, the La Mancha Transaction or the transactions contemplated by either;</li> <li>4. that are fairly disclosed in the disclosure materials given by Evolution and LM Vendor to each other;</li> <li>5. agreed to in writing by LM Vendor;</li> <li>6. arising as a result of any generally applicable change in law or governmental policy;</li> <li>7. arising from changes in economic, political or business conditions (including interest rates);</li> <li>8. relating to the rate at which Australian dollars, United States dollars or Euro dollars can be exchanged for any foreign currency;</li> <li>9. relating to the state of securities or commodity markets in general (including any change in the price of gold);</li> <li>10. resulting from or relating to changes in the gold mining industry in general;</li> <li>11. resulting from any change in applicable financial reporting standards; or</li> <li>12. that Evolution fairly disclosed in an announcement made by Evolution to the ASX, within 12 months prior 19 April 2015.</li> </ol>
<b>Evolution Option</b>	is defined in section 6.9 of this Explanatory Memorandum.
<b>Evolution Performance Right</b>	is defined in section 6.10 of this Explanatory Memorandum.

## 11 Glossary and interpretation (continued)

Term	Meaning
<b>Evolution Prescribed Occurrence</b>	<p>other than as:</p> <ol style="list-style-type: none"> <li>1. required or permitted by the Sale Agreement, the La Mancha Transaction or the transactions contemplated by either;</li> <li>2. agreed to in writing by LM Vendor;</li> <li>3. fairly disclosed by Evolution in an announcement made by Evolution to the ASX within 12 months prior to 19 April 2015; or</li> <li>4. fairly disclosed by Evolution in the disclosure materials given by Evolution to LM Vendor,</li> </ol> <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> <li>1. Evolution converting all or any of its shares into a larger or smaller number of shares;</li> <li>2. Evolution resolving to reduce its share capital in any way;</li> <li>3. Evolution: <ul style="list-style-type: none"> <li>- entering into a buy-back agreement; or</li> <li>- resolving to approve the terms of a buy-back agreement under the Corporations Act;</li> </ul> </li> <li>4. Evolution issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than: <ul style="list-style-type: none"> <li>- to a directly or indirectly wholly-owned Subsidiary of Evolution; or</li> <li>- the issue of Evolution Shares under an option plan or other plan relating to convertible securities, including, for the avoidance of doubt: <ul style="list-style-type: none"> <li>- the issue of Evolution Shares following the vesting of performance rights or the exercise of options issued under Evolution's Employee Share Option and Performance Rights Plan or the exercise of options issued under Evolution's Employees and Contractors Option Plan; and</li> <li>- the issue of Evolution Shares under Evolution's dividend reinvestment plan;</li> </ul> </li> </ul> </li> <li>5. Evolution issuing or agreeing to issue securities convertible into shares other than any issue or agreement to issue performance rights or options under Evolution's Employee Share Option and Performance Rights Plan to senior employees of the Evolution Group that are employed after 19 April 2015;</li> <li>6. Evolution disposing, or agreeing to dispose, of a material part of its business or property;</li> <li>7. Evolution granting an Encumbrance (other than an Encumbrance permitted under the Sale Agreement) or agreeing to grant an Encumbrance (other than an Encumbrance permitted under the Sale Agreement), in respect of the whole, or a substantial part, of its business or property;</li> <li>8. Evolution announcing, declaring or paying any dividends other than in accordance with its dividend policy in place as at 19 April 2015; or</li> <li>9. an Insolvency Event occurs in relation to Evolution.</li> </ol>
<b>Evolution Share</b>	<p>a fully paid ordinary share in the capital of Evolution.</p>

Term	Meaning
<b>Evolution Share Register</b>	the register of members of Evolution maintained by the Evolution Share Registry in accordance with the Corporations Act.
<b>Evolution Share Registry</b>	Link Market Services Limited.
<b>Evolution Shareholders</b>	each person who is registered as the holder of an Evolution Share in the Evolution Share Register (at the relevant time).
<b>Exclusivity Period</b>	the period from and including 19 April 2015 to the earlier of: <ol style="list-style-type: none"> <li>1. the date of termination of the Sale Agreement;</li> <li>2. Completion; and</li> <li>3. 15 September 2015.</li> </ol>
<b>Explanatory Memorandum</b>	this explanatory memorandum, including the attachments to it.
<b>FIRB</b>	Foreign Investment Review Board.
<b>FIRB Approval</b>	approval from, or on behalf of, the Treasurer of the Commonwealth of Australia to the effect that the Commonwealth Government does not object to the issue of the New Evolution Shares to LM Vendor or the Treasurer of the Commonwealth of Australia becoming precluded from making an order in relation to it.
<b>FY13</b>	the financial year for the period ending 30 June 2013.
<b>FY14</b>	the financial year for the period ending 30 June 2014.
<b>FY15</b>	the financial year for the period ending 30 June 2015.
<b>FY16</b>	the financial year for the period ending 30 June 2016.
<b>Independent Expert</b>	Ernst & Young.
<b>Independent Expert's Report</b>	the report in respect of the La Mancha Transaction prepared and issued by the Independent Expert for inclusion in this Explanatory Memorandum (or any update or variation to that report). A copy of the Independent Expert's Report is contained in Attachment 1.

## 11 Glossary and interpretation (continued)

Term	Meaning
<b>Insolvency Event</b>	<p>in relation to an entity:</p> <ol style="list-style-type: none"> <li>1. the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity;</li> <li>2. a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets;</li> <li>3. the entity executing a deed of company arrangement;</li> <li>4. the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at the date of this agreement;</li> <li>5. the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation) or is otherwise presumed to be insolvent under the Corporations Act unless the entity has, or has access to, committed financial support from its parent entity such that it is able to pay its debts; or</li> <li>6. the entity being deregistered as a company or otherwise dissolved.</li> </ol>
<b>JORC Code</b>	the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.
<b>La Mancha Competing Proposal</b>	<p>any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in a Third Party (either alone or together with any Associate):</p> <ol style="list-style-type: none"> <li>1. directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the La Mancha Shares;</li> <li>2. acquiring control of any Target Entity for the purposes of section 50AA of the Corporations Act ;</li> <li>3. directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of any Target Entity;</li> <li>4. otherwise directly or indirectly acquiring or merging with any Target Entities; or</li> <li>5. requiring LM Vendor to abandon, or otherwise fail to proceed with, the La Mancha Transaction,</li> </ol> <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.</p>
<b>La Mancha Group</b>	LM SARL and each of its Subsidiaries (other than LM Australia Group) and <b>La Mancha Group Member</b> means any member of the La Mancha Group.

Term	Meaning
<b>La Mancha Information</b>	<p>the information prepared by LM Vendor and LM SARL for inclusion in this Explanatory Memorandum and for which LM Vendor and LM SARL are responsible, being:</p> <ol style="list-style-type: none"> <li>1. section 7 (Information regarding LM Australia Group and profile of La Mancha Group); and</li> <li>2. the information about LM Australia Group, the La Mancha Group and the nominees of LM Vendor to the Evolution Board that has been provided by LM Vendor to Evolution for the purposes of inclusion in section 8 including to assist with the preparation of the pro-forma financial information set out in section 8.3; and</li> <li>3. the information about the La Mancha Group (including the intentions of LM Vendor and the La Mancha Group) as set out in section 10,</li> </ol> <p>and any references to the information in the above in the form and context in which they are included in this Explanatory Memorandum.</p>

## 11 Glossary and interpretation (continued)

Term	Meaning
<p><b>La Mancha Material Adverse Change</b></p>	<p>an event, change, condition, matter, circumstance or thing occurring before, on or after 19 April 2015 (each a <b>Specified Event</b>) which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:</p> <ol style="list-style-type: none"> <li>1. a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the LM Australia Group taken as a whole;</li> <li>2. without limiting the generality of paragraph 1 above: <ul style="list-style-type: none"> <li>- the effect of a diminution in the value of the consolidated net assets of the LM Australia Group, taken as a whole, by at least \$15 million against what it would reasonably have been expected to have been but for such Specified Event; or</li> <li>- the effect of a diminution in the consolidated earnings before interest and tax of the LM Australia Group, taken as a whole, by at least \$15 million in recurring financial years for the Evolution Group against what they would reasonably have been expected to have been but for such Specified Event,</li> </ul> </li> </ol> <p>other than those events, changes, conditions, matters, circumstances or things:</p> <ol style="list-style-type: none"> <li>3. required or permitted by the Sale Agreement, the La Mancha Transaction or the transactions contemplated by either or otherwise attributable to the negotiation, execution, announcement or performance of the Sale Agreement, the La Mancha Transaction or the transactions contemplated by either;</li> <li>4. that are fairly disclosed in the disclosure materials given by LM Vendor and Evolution;</li> <li>5. agreed to in writing by Evolution;</li> <li>6. arising as a result of any generally applicable change in law or governmental policy;</li> <li>7. arising from changes in economic, political or business conditions (including interest rates);</li> <li>8. relating to the rate at which Australian dollars, United States dollars or Euro dollars can be exchanged for any foreign currency;</li> <li>9. relating to the state of securities or commodity markets in general (including any change in the price of gold);</li> <li>10. resulting from or relating to changes in the gold mining industry in general; or</li> <li>11. resulting from any change in applicable financial reporting standards.</li> </ol>

Term	Meaning
<b>La Mancha Prescribed Occurrence</b>	<p>other than as:</p> <ol style="list-style-type: none"> <li>1. required or permitted by the Sale Agreement, the La Mancha Transaction or the transactions contemplated by either;</li> <li>2. agreed to in writing by Evolution; or</li> <li>3. fairly disclosed by LM Vendor in the disclosure materials given by LM Vendor to Evolution,</li> </ol> <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> <li>1. any Target Entity converting all or any of its shares into a larger or smaller number of shares;</li> <li>2. any Target Entity resolving to reduce its share capital in any way;</li> <li>3. any Target Entity: <ul style="list-style-type: none"> <li>- entering into a buy-back agreement; or</li> <li>- resolving to approve the terms of a buy-back agreement under the Corporations Act;</li> </ul> </li> <li>4. any Target Entity issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than to a directly or indirectly wholly-owned Subsidiary of Toledo;</li> <li>5. any Target Entity issuing or agreeing to issue securities convertible into shares;</li> <li>6. any Target Entity disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;</li> <li>7. any Target Entity granting an Encumbrance (other than an Encumbrance permitted under the Sale Agreement) or agreeing to grant an Encumbrance (other than an Encumbrance permitted under the Sale Agreement), in the whole, or a substantial part, of its business or property;</li> <li>8. any Target Entity determining, declaring or paying any dividends;</li> <li>9. any Target Entity paying, or agreeing to pay (in cash or in kind) to or for the benefit of, LM Vendor or a La Mancha Group Member in respect of any capital in any Target Entity being issued, redeemed, purchased or repaid, or any other return of capital by any Target Entity; or</li> <li>10. an Insolvency Event occurs in relation to any Target Entity.</li> </ol>
<b>La Mancha Restructure</b>	<p>the transfer of Amalco's shareholding in LMRA to Toledo by way of the following steps to be implemented in the following order (or such other steps as may be determined by LM Vendor, with the approval of Evolution (such approval not to be unreasonably withheld or delayed)) before Completion:</p> <ol style="list-style-type: none"> <li>1. the amount of A\$45,453,000 owed by LMRA to Amalco pursuant to existing intra-group loan arrangements being released, waived, forgiven, cancelled, abandoned or otherwise extinguished;</li> <li>2. the shares in LMRA being transferred to Toledo; and</li> <li>3. the shares in Amalco being transferred to a La Mancha Group Member.</li> </ol>
<b>La Mancha Shares</b>	all of the issued share capital in Toledo.
<b>La Mancha Transaction</b>	the transactions described in section 5, including the acquisition by Evolution of the LM Australia Group and the issue of the New Evolution Shares to LM Vendor as contemplated under the Sale Agreement.

## 11 Glossary and interpretation (continued)

Term	Meaning
<b>La Mancha Transaction Agreements</b>	the Sale Agreement and the Relationship Deed.
<b>LM Australia Group</b>	Toledo and each of its Subsidiaries as at Completion.
<b>LM SARL</b>	La Mancha Holding S.À.R.L.
<b>LM Vendor</b>	La Mancha Group International B.V.
<b>LMRA</b>	La Mancha Resources Australia Pty Ltd (ABN 90 002 124 745, ACN 002 124 745).
<b>Meeting</b>	the general meeting of Evolution Shareholders convened by the Notice of Meeting attached to this Explanatory Memorandum.
<b>Mineral Reserves</b>	when used in connection with the Cowal asset, has the meaning given to it by the Canadian Institute of Mining, Metallurgy definition standards and are equivalent to "Ore Reserves" as defined under the JORC Code.
<b>Mineral Resources</b>	has the meaning given to it in the JORC Code when used in connection with the assets of Evolution and the LM Australia Group and has the meaning given to it by the Canadian Institute of Mining, Metallurgy when used in connection with the Cowal asset.
<b>Mungari Operation</b>	all the assets of the LM Australia Group in and around the Mungari region, including: <ol style="list-style-type: none"> <li>1. the Frog's Leg gold mine;</li> <li>2. the White Foil mine;</li> <li>3. the Mungari CIL processing plant; and</li> <li>4. the exploration tenements held by LMRA.</li> </ol>
<b>New Evolution Shares</b>	a number of Evolution Shares that will represent 31% of the Evolution Shares on issue, being the aggregate of: <ol style="list-style-type: none"> <li>1. 322,023,765 Evolution Shares issued in consideration for the acquisition of Toledo; and</li> <li>2. the Additional Evolution Shares.</li> </ol>
<b>NI (National Instrument) 43-101</b>	the Canadian standards for all public disclosure an issuer makes of scientific and technical information concerning mineral properties/projects.
<b>Notice of Meeting</b>	the notice of meeting which is contained in Attachment 2.
<b>NSW OSR</b>	Office of State Revenue of the Department of Finance of New South Wales.
<b>Ore Reserves</b>	has the meaning given to it in the JORC Code when used in connection with the assets of Evolution and the LM Australia Group and means Mineral Reserve when used in connection with the Cowal asset.
<b>Phoenix Gold</b>	Phoenix Gold Limited (ABN 55 140 269 316).



Term	Meaning
<b>Proxy Form</b>	the proxy form for the Meeting accompanying this Explanatory Memorandum.
<b>Related Body Corporate</b>	has the meaning given in section 50 of the Corporations Act.
<b>Related Person</b>	in relation to a party, each director, officer, employee, advisor, agent or representative of that party or Related Body Corporate.
<b>Relationship Deed</b>	the relationship deed to be entered into between LM Vendor and Evolution in substantially the form set out in schedule 8 to the Sale Agreement.
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Resolution</b>	the resolution to be considered at the Meeting, as set out in the Notice of Meeting.
<b>RG 74</b>	Regulatory Guide 74 issued by ASIC in December 2011.
<b>Sale Agreement</b>	the share sale agreement dated 19 April 2015 between Evolution, LM Vendor and LM SARM (as amended).
<b>Subsidiary</b>	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
<b>Target Entity</b>	means each of Toledo, Amalco, Minera Patagonia S.A. (a company incorporated in Argentina), LMRA and La Mancha (Mungari East) Pty Ltd (ABN 93 003 337 782), provided that if the La Mancha Restructure completes in accordance with the Sale Agreement prior to Completion, 'Target Entities' will exclude Amalco and Minera Patagonia S.A. from the date that the La Mancha Restructure completes.
<b>Third Party</b>	any person or entity (including a governmental agency) other than an Evolution Group Member, a La Mancha Group Member or a Target Entity.
<b>Toledo</b>	Toledo Holdings (Ausco) Pty Ltd (ABN 26 159 264 598, ACN 159 264 598).
<b>WA OSR</b>	Office of State Revenue of the Department of Finance of Western Australia.

# 11 Glossary and interpretation (continued)

## 11.2 Interpretation

In this Explanatory Memorandum, unless the context otherwise appears:

- a. words and phrases have the same meaning (if any) given to them in the Corporations Act;
- b. words importing a gender include any gender;
- c. words importing the singular include the plural and vice versa;
- d. an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- e. a reference to a clause, attachment or schedule is a reference to a clause of and an attachment and schedule to this Explanatory Memorandum as relevant;
- f. a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- g. headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Memorandum;
- h. a reference to time is a reference to time in Sydney, Australia;
- i. a reference to writing includes facsimile transmissions; and
- j. a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.



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

Evolution Mining Limited

Issue of Shares to La Mancha Group International BV

23 June 2015



Building a better  
working world

## Part 1 – Independent Expert’s Report

The Directors  
Evolution Mining Limited  
Level 30  
175 Liverpool Street  
SYDNEY NSW 2000

23 June 2015

Dear Directors

### Issue of Shares to La Mancha Group International BV

#### Introduction

On 20 April 2015, Evolution Mining Limited (“Evolution” or the “Company”) announced that it had entered into a binding agreement (the “Share Sale Agreement”) with La Mancha Group International BV and its parent company La Mancha Holding SÁRL (collectively defined as “La Mancha”) to acquire the Australian gold mining operations of La Mancha for a consideration that is to be satisfied through the issue of approximately 322.024 million ordinary shares (the “Consideration Shares”), representing a 31% interest in the expanded issued share capital of Evolution (the “La Mancha Transaction”).

La Mancha’s Australian operations include the Frog’s Leg underground gold mine, the White Foil open-pit gold mine, the recently commissioned Mungari carbon-in-leach (“CIL”) processing plant and a 340km<sup>2</sup> regional exploration portfolio (collectively referred to as “La Mancha Australia”). The mines and processing plant are located adjacent to each other in the Goldfields Region of Western Australia, approximately 20km west of Kalgoorlie.

On 25 May 2015, Evolution announced that it had entered into a share purchase agreement with Barrick (Australia Pacific) Pty Limited to acquire 100% of the shares in Barrick (Cowal) Pty Limited (“Cowal”), the owner of the Cowal gold mine, for \$694 million (US\$550 million) (the “Cowal Transaction”). The Cowal Transaction is expected to be completed by the end of July 2015.

To finance the Cowal Transaction, Evolution is to raise \$248 million through an equity raising via a 5-for-13 fully underwritten pro rata renounceable entitlement offer (“Entitlement Offer”), with the remaining consideration to be debt financed. The Entitlement Offer consists of an institutional and retail offering (“Institutional Component” and the “Retail Component”). As at the date of this report, Evolution had completed the Institutional Component and the Retail Component raising gross proceeds of \$172 million and \$75 million, respectively. Shares under the Entitlement Offer are to be issued at \$0.90 each.

In order for La Mancha to maintain the 31% interest intended under the La Mancha Transaction, the Share Sale Agreement was subsequently amended to include the issue of approximately 123.861 million shares to La Mancha at the same price as the Entitlement Offer for a total cash amount of up to \$112 million (the “Subscription Shares”). Evolution is expecting to use the cash from the Subscription Shares to repay some of the debt associated with the Cowal Transaction.

Collectively, the issue of the Consideration Shares in exchange for La Mancha Australia and the issue of the Subscription Shares are referred to in this report as the “Proposed Transaction”.

The Cowal Transaction is not conditional on the completion of the Proposed Transaction. In the unlikely event that the Cowal Transaction does not proceed, the acquisition of La Mancha Australia will still go ahead as originally anticipated and the number of Subscription Shares will be adjusted so that La Mancha’s interest in the Company will still be 31%.

La Mancha is a privately held gold mining company which is owned by entities associated with Egyptian businessman, Mr Naguib Sawiris and his family. Prior to the acquisition by the Sawiris family in November 2012, La Mancha Resource Inc., now a subsidiary of La Mancha, was listed on the Toronto Stock Exchange (“TSX”). Through the Orascom Group, the Sawiris family has interests in a wide range of businesses operating across a number of sectors, including telecommunications, construction, fertilizers, cement, real estate and hotel development.

La Mancha’s Australian operations are owned by La Mancha Resources Australia Pty Ltd (“LMRA”), which is a wholly owned subsidiary of Toledo Holdings (Ausco) Pty Ltd (“Toledo Holdings”). Toledo Holdings is a wholly owned subsidiary of La Mancha.

On completion of the Proposed Transaction, La Mancha will become Evolution’s largest shareholder. In addition to Evolution’s existing gold mining operations at Cracow, Mt Carlton, Mt Rawdon and Pajingo in Queensland, Edna May in Western Australia and the Cowal gold mine in New South Wales, the Company will own the Frog’s Leg and White Foil gold mining operations in Western Australia.

## **Purpose of the Report**

Under section 606 of the Corporations Act (the “Act”) unless one of the exceptions apply, an entity is prohibited from acquiring a greater than 20% interest in the voting shares of a listed company without making a takeover offer. With La Mancha ‘acquiring’ a 31% interest in Evolution as a consequence of the issue of the Consideration Shares and Subscription Shares under the Proposed Transaction, the prohibition in section 606 is triggered. One of the exceptions to the prohibition is for the acquisition to be approved by shareholders of the listed company pursuant to item 7 of section 611 of the Act. Accordingly, at the Extraordinary General Meeting to be convened on 30 July 2015 (the “Meeting”), Evolution is seeking shareholder approval for the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction pursuant to item 7 of section 611.

Item 7 of section 611 requires that the shareholders of the company subject to the transaction are provided with all information that is material to the decision as to how to vote on the resolution. Furthermore, as outlined in Section 4 of the Explanatory Memorandum, the recommendation of the Proposed Transaction by the Directors of Evolution is subject to the conclusion by an independent expert.

Accordingly, the Board of Directors of Evolution (the “Board”) have therefore appointed Ernst & Young Transaction Advisory Services Limited (“EY Transaction Advisory Services”) as independent expert to prepare a report, the purpose of which is to state whether or not, in our opinion, the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is fair and reasonable to Evolution shareholders.

Our report is to be included with the Notice of Meeting and Explanatory Memorandum being sent to Evolution shareholders in relation to the Meeting. We recommend that shareholders read the Explanatory Memorandum to obtain a full understanding of the issue of the Consideration Shares, the Subscription Shares and the Proposed Transaction.

The Board unanimously recommends that, in absence of a superior proposal and subject to our conclusion, shareholders approve the Proposed Transaction.

## **Basis of Assessment**

The Act does not define the term ‘fair and reasonable’. The Australian Securities & Investment Commission (“ASIC”) has however issued Regulatory Guide 111: Content of expert reports (“RG 111”) which provides some direction as to what matters an independent expert should consider when determining whether or not a particular transaction is fair and reasonable to shareholders.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover bid and is therefore representative of a 'control transaction'. RG 111 requires that where the outcome of the transaction being considered has a similar effect as a takeover bid then that transaction should be analysed as if it were a takeover bid. A takeover bid generally involves a control transaction where one entity is looking to acquire or increase its shareholding in another entity to a level greater than 50%. With respect to a takeover bid RG 111 notes that:

- ▶ an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- ▶ an offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 states that the comparison of the value of the consideration and the value of the securities the subject of a takeover bid is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares".

RG 111 considers all transactions involving an entity increasing its shareholding in another entity to above 20% are control transactions and should be assessed as a takeover bid. With respect to a takeover bid, RG 111 states that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. RG 111 requires that the comparison of the value of the consideration and the value of the securities that are the subject of a takeover bid is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares".

In a general letter dated 5 March 2014, ASIC reiterated the approach detailed in RG 111 and stated that the assessment of 'fairness' for item 7 of section 611 transactions involves a "*comparison of the control value of the company prior to the transactions with the portfolio (i.e. minority interest) value of the shares that will be 'received' by the shareholders post the transaction*".

While RG 111 requires transactions involving a greater than 20% interest to be treated as control transactions, RG 111 does recognise that there may be circumstances where an entity will acquire 20% or more of another entity without obtaining or increasing its practical level of control in that entity. RG 111 states that if the expert believes this to be the case then the expert could take this outcome into account in assessing whether the issue of the shares is 'reasonable' if the expert has determined that the price at which the shares are being issued at are 'not fair'.

Evolution and La Mancha have presented the Proposed Transaction as a long-term strategic partnership not as a control transaction. To test this we have considered the following factors:

- ▶ as a consequence of the Proposed Transaction, La Mancha will become Evolution's largest single shareholder with a 31% interest;
- ▶ La Mancha will have the right to nominate two representatives to Evolution's Board which currently has a membership of seven, with two Executive and five Non-Executive Directors. Accordingly, La Mancha will have two out of nine Director positions, or if two current Directors stand down, two out of seven;
- ▶ Evolution shareholders are effectively exchanging a 31% collective interest in Evolution's mineral assets for a 69% collective interest in the Australian mineral assets of La Mancha. Likewise, La Mancha is exchanging a 69% interest in its Australian mineral assets for a 31% interest in Evolution's mineral assets. On completion of the Proposed Transaction, Evolution shareholders will have a 69% collective interest in the combined mineral assets of Evolution and the Australian mineral assets of La Mancha, and La Mancha will have a 31% interest in the same;

- ▶ the operational policies, procedures and processes of the Company will continue to be managed on a day-to-day basis by Evolution's executive and senior management and will be extended to incorporate La Mancha's Australian operations;
- ▶ while a 31% shareholding interest and two nominees on the Board will enable La Mancha to significantly influence Evolution, it does not provide La Mancha with the ability to control the Company;
- ▶ the strategic direction of Evolution will continue to be determined by a Board and management that will be made up primarily of existing Directors and executives;
- ▶ takeover bids with no minimum acceptance conditions are rare, with offers generally being conditional on the bidder achieving a shareholding of greater than 50%;
- ▶ with the existence of a 31% shareholder, other Evolution shareholders, in our view, are not necessarily forgoing the possibility of receiving a control premium in any future transaction;
- ▶ any steps by La Mancha to increase its ability to 'control' Evolution will be governed by the provisions of the Act and, where applicable, the Australian Securities Exchange ("ASX") Listing Rules; and
- ▶ while having a shareholder with a 31% interest may reduce the opportunity of existing Evolution shareholders receiving a takeover bid for their shares, it does not necessarily prevent such an offer being made.

Having regard to these factors, we do not consider that the Proposed Transaction provides control to La Mancha.

Notwithstanding this, given the guidance contained in RG 111 that transactions involving an entity increasing its shareholding in another entity to above 20% are control transactions, we are required to assess whether or not the issue of the Consideration Shares and the Subscription Shares to La Mancha is fair and reasonable as if the Proposed Transaction was a takeover bid for Evolution. In this circumstance Evolution is the 'target' and La Mancha is the 'bidder'. Under this requirement, in assessing the value of Evolution we have applied an approach "assuming 100% ownership of the target", which by definition, incorporates a premium for control.

## **Fairness**

Consistent with RG 111 and ASIC's letter, we have assessed the fairness of the Proposed Transaction by comparing the fair value of an Evolution share prior to the Proposed Transaction on a controlling basis (i.e. the securities the subject of the offer) with the value of an Evolution share post the Proposed Transaction on a minority interest basis (i.e. what is being offered). In assessing the fair value of Evolution, we have assumed that the Cowal Transaction will be completed.

In assessing the fair value of an Evolution share on a controlling basis, we have divided the fair value of Evolution by the number of shares Evolution will have on issue post the completion of the Entitlement Offer. As detailed in Section 6.1.1, our fair value range of an Evolution share on a controlling basis is \$0.87 to \$1.05 per share.

In assessing the fair value of Evolution post the Proposed Transaction, we have aggregated our assessed fair value of Evolution post the Cowal Transaction with the fair value of La Mancha Australia and the cash to be received from the issue of the Subscription Shares to determine a 'pro-forma' fair value of Evolution post the Proposed Transaction. The assessment is referred to as a 'pro-forma' fair value on the basis that we have not considered the impact of any synergies that are expected to be derived by Evolution from the Proposed Transaction. While Evolution management believes there will be cost savings and efficiencies in combining the operations of Evolution, Cowal and La Mancha Australia, no quantification of the likely benefits has been undertaken.

To calculate the pro-forma fair value on a per share basis, we have divided the pro-forma value of Evolution by the number of shares Evolution will have on issue post the completion of the Entitlement Offer and the Proposed Transaction. In calculating the share value on a minority interest, we applied a 'discount' of 23% (being the inverse of a 30% control premium).

As presented in Section 8.2, we have assessed the pro-forma fair value of an Evolution share post the Proposed Transaction on a minority interest basis to be in the range of \$0.67 to \$0.78.

As prescribed by RG 111, we have compared the value of an Evolution share prior to the Proposed Transaction on a controlling interest basis to the fair value of an Evolution share post the Proposed Transaction on a minority interest basis in the following table:

<b>Evolution - Comparison of Values</b>	<b>Low</b>	<b>High</b>
Fair value of an Evolution share on a controlling interest basis prior to the Proposed Transaction (\$)	0.87	1.05
Pro-forma fair value of an Evolution share post the Proposed Transaction on a minority interest basis (\$)	0.67	0.78

Source: EY analysis

\*The fair value of an Evolution share has been assessed assuming the completion of the Cowal Transaction.

Accordingly, the fair value of an Evolution Share on a controlling interest basis prior to the Proposed Transaction is greater than the pro-forma fair value of an Evolution share post the Proposed Transaction on a minority interest basis. Consistent with the approach detailed in RG 111, the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is 'not fair'.

For the Proposed Transaction to be considered 'fair' under this approach, the pro-forma fair value of an Evolution share post the Proposed Transaction on a minority interest basis would at least need to be in the range of \$0.87 to \$1.05 (i.e. being the fair value of an Evolution Share on a controlling interest basis prior to the Proposed Transaction). Assuming a 30% control premium, the pro-forma fair value of an Evolution share post the Proposed Transaction on a controlling interest basis, using the \$0.87 to \$1.05, would need to be \$1.13 to \$1.36. For Evolution on a post Proposed Transaction controlling interest basis to have a pro-forma value in this range, ignoring the value of any synergies, the fair value of La Mancha Australia and the cash to be paid for the Subscription Shares would need to be in the range of approximately \$760 million to \$920 million. This would mean that La Mancha would need to contribute 47% of the value of Evolution post the Proposed Transaction for a 31% interest.

## Reasonableness

With respect to treating an item 7 of section 611 transaction as a control transaction and assessing it as a takeover bid, RG 111 provides that an offer may be 'reasonable' despite being 'not fair', if the expert believes there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid.

In addition, RG 111 recognises that there may be circumstances where an entity may acquire 20% or more of another entity without obtaining or increasing its practical level of control in that entity. RG 111 states that if the expert believes this to be the case then the expert could take this outcome into account in assessing whether the issue of the shares is 'reasonable' if the expert has determined that the price at which the shares are being issued is 'not fair'.

Consistent with this and our opinion that the Proposed Transaction does not represent a control transaction for the reasons set out above and in Section 2.2, as part of our consideration as to whether or not the issue of the Consideration Shares and Subscription Shares is 'reasonable', we have compared the assessed fair value of the Consideration Shares and Subscription Shares with the fair value of La Mancha Australia plus the cash amount to be paid for the Subscription Shares. If the fair value of La Mancha Australia plus the cash amount to be paid for the Subscription Shares is greater than the fair value of the Consideration Shares and Subscription Shares, La Mancha, in a transaction that does not provide control, is paying a premium. The payment of a premium by La Mancha is to the benefit of Evolution and its shareholders.



We have compared the amount to be 'paid' to La Mancha based on the value of an Evolution share on a minority interest basis compared to what is being acquired by Evolution, represented by La Mancha Australia and the cash to be paid by La Mancha for the Subscription Shares.

In assessing the total fair value of the amount to be 'paid' to La Mancha, we multiplied the fair value of an Evolution share on a minority interest basis by the total number of shares to be received by La Mancha, being the Consideration Shares and Subscription Shares.

Our analysis is summarised below and presented in more detail in Section 8.3.1:

<b>Comparison of Values - The Proposed Transaction not as a Control Transaction</b>		
	<b>Low</b>	<b>High</b>
Value of shares to be issued to La Mancha (\$m)	299.3	360.5
Value of La Mancha Australia and cash for Subscription Shares (\$m)	378.7	424.1

Source: EY analysis

*\*The fair value of an Evolution share used to assess the value of the shares to be issued to La Mancha has been assessed assuming the completion of the Cowal Transaction.*

Accordingly, we have assessed the value of the assets being acquired by Evolution to be greater than the amount Evolution is paying. On this basis, assuming the Proposed Transaction is not a control transaction, La Mancha is paying a premium. The payment of a premium by La Mancha is to the benefit of Evolution and its shareholders.

In addition to the assessment above, Section 8.3.1 and in Sections 8.3.2 to 8.3.10, we considered the following factors in assessing whether the issue of the Consideration Shares and Subscription Shares under the Proposed Transaction is reasonable for Evolution shareholders:

- ▶ The relative contributions from both Evolution and La Mancha;
- ▶ The possible re-rating of Evolution;
- ▶ Considerations of the reasons why our assessed values of an Evolution share is less than the Company's recent trading prices on the ASX;
- ▶ The impact of La Mancha as a significant shareholder;
- ▶ The market reaction to the Proposed Transaction;
- ▶ The view of the Board of Directors; and
- ▶ The advantages and disadvantages of the Proposed Transaction.

## **Opinion**

Based on the analysis summarised above and detailed throughout this report, in our opinion, we conclude that the issue of the Consideration Shares and Subscription Shares to La Mancha under the Proposed Transaction is not fair but reasonable to Evolution shareholders.

## Other Matters

This report has been prepared specifically for Evolution shareholders. Neither EY Transaction Advisory Services, EY nor any employee thereof undertakes responsibility to any person, other than Evolution shareholders, in respect of this report, including any errors or omissions howsoever caused.

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Evolution shareholders. The decision as to whether to approve or not approve the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is a matter for individual shareholders. Evolution shareholders should have regard to the Notice of Meeting and Explanatory Memorandum prepared by the Directors and management of Evolution. Shareholders who are in doubt as to the action they should take in relation to the issue of the Consideration Shares and the Subscription Shares should consult their own professional adviser.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full report as attached.

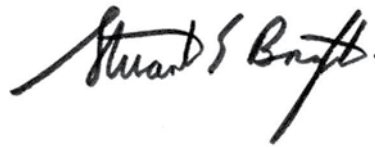
EY Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully,

Ernst & Young Transaction Advisory Services Limited



Ken Pendergast  
Director and Representative



Stuart Bright  
Director and Representative

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# 1. Details of the Proposed Transaction

## 1.1 Overview

Evolution is a mid-tier Australian gold company that operates five gold mines in Queensland and Western Australia. ASX listed, the Company was in effect created in November 2011 from the merger of Catalpa Resources Limited (“Catalpa”) and Conquest Mining Limited (“Conquest”) and the concurrent acquisition of Newcrest Mining Limited’s (“Newcrest”) interests in the Cracow and Mt Rawdon gold operations (the “Merger and Asset Acquisition”).

Since the Merger and Asset Acquisition, Evolution has developed its fifth gold mining operation at Mt Carlton and worked to achieve operational efficiencies across its five different sites. The Company’s gold production has increased to over 400,000 ounces (“oz”) per annum. A key component of Evolution’s strategy has been to seek growth opportunities within the Australian gold sector.

Consistent with this strategy, on 20 April 2015, Evolution announced that it had entered into the Share Sale Agreement with La Mancha Group International BV and La Mancha Holding SÁRL (i.e. La Mancha) to acquire La Mancha’s Australian gold mining operations. Under the terms of the Share Sale Agreement, the consideration payable by Evolution is to be satisfied by the issue to La Mancha of approximately 322.024 million ordinary shares (i.e. the Consideration Shares).

La Mancha Australia includes the Frog’s Leg underground gold mine, the White Foil open-pit gold mine, the recently commissioned Mungari CIL processing plant and a 340km<sup>2</sup> regional exploration portfolio. The mines and processing plant, collectively referred to as the “Mungari Operations”, are located in Western Australia. With the Mungari CIL plant only having been commissioned in June 2014 and the recommencement of mining at White Foil coinciding with that, together Frog’s Leg and White Foil are expected to have full year production of between 130,000 oz and 160,000 oz. Prior to the construction of the Mungari CIL plant, ore from Frog’s Leg, and White Foil historically, was toll processed at third party facilities. LMRA acquired the 49% interest in Frog’s Leg it did not already own from Alacer Gold Corp. (“Alacer Gold”) in March 2013.

Further to Evolution’s ongoing growth strategy, on 25 May 2015, Evolution announced that it was the successful bidder for the acquisition of the Cowal Gold Mine from Barrick for a purchase price of for \$694 million (US\$550 million). Through the Cowal Transaction, Evolution is to acquire the Cowal Gold Mine, incorporating exploration tenements covering an area of approximately 680km. The Cowal Gold Mine currently produces 230,000 oz to 260,000 oz of gold per annum.

The Cowal Transaction is expected to be completed by the end of July 2015 and is subject to Foreign Investment Review Board (“FIRB”) approval and written consent from the New South Wales Minister for Resources and Energy for a change in control of the tenements held by Cowal.

To finance the Cowal Transaction, Evolution is to raise \$248 million through an equity raising via a 5-for-13 fully underwritten pro rata renounceable entitlement offer (i.e. the Entitlement Offer), with the remaining consideration to be debt financed. As at the date of this report, Evolution had completed the Institutional Component and the Retail Component raising gross proceeds of approximately \$172 million and \$75 million, respectively. Shares under the Entitlement Offer are being issued at \$0.90 each.

In order for La Mancha to maintain the 31% interest intended under the La Mancha Transaction, the Share Sale Agreement was subsequently amended to include the issue of approximately 123.861 million shares to La Mancha at the same price of the Entitlement Offer for a total cash amount of up to \$112 million (i.e. the Subscription Shares). Evolution is expecting to use the cash from the Subscription Shares to repay some of the debt associated with the Cowal Transaction.

The Cowal Transaction is not conditional on the completion of the Proposed Transaction (being the issue of the Consideration Shares and the Subscription Shares). In the unlikely event that the Cowal Transaction does not proceed, the acquisition of La Mancha Australia will still go ahead as originally anticipated and the number of Subscription Shares will be adjusted so that La Mancha's interest in the Company will still be 31%.

La Mancha is a privately held gold mining company which is owned by entities associated with Egyptian businessman, Mr Naguib Sawiris and his family. Prior to the acquisition by the Sawiris family in November 2012, La Mancha Resource Inc. was listed on the TSX. In addition to La Mancha Australia, La Mancha has a 55% operating interest in the Ity gold mine in Côte d'Ivoire and until recently held a 44% interest in the Hassaï gold mine in Sudan. The interest in Hassaï was sold to the Sudanese Government. Through the Orascom Group, the Sawiris family has interests in a wide range of businesses operating across a number of sectors, including telecommunications, construction, fertilizers, cement, real estate and hotel development.

La Mancha Australia is owned by LMRA, which is a wholly owned subsidiary of Toledo Holdings. Toledo Holdings is a wholly owned subsidiary of La Mancha Group International BV. Under the Proposed Transaction, Evolution is to acquire the issued shares in Toledo Holdings and issue the Consideration Shares to La Mancha.

At the date of the announcement of the La Mancha Transaction, Evolution had 716.763 million shares on issue. Based on a \$0.93 closing price of the Company's shares on the ASX on 17 April 2015, the last trading day before the La Mancha Transaction was announced; Evolution had a market capitalisation of approximately \$670 million.

While the Cowal Transaction by itself is a significant transaction for Evolution, the combination of La Mancha Australia with the operations of the Company, including the Cowal Gold Mine, will create a globally relevant Australian focused mid-tier gold company with annual production of between 760,000 oz and 860,000 oz at a combined pro-forma all-in sustaining cost ("AISC") per oz of between \$950 and \$1,020.

As part of the Share Sale Agreement, Evolution and La Mancha agreed to enter into the Relationship Deed which provides La Mancha with the entitlement to nominate up to two Directors to the Board of Evolution. In this regard, if La Mancha's shareholding in Evolution is 20% or more then it can nominate two representatives, and if the shareholding is 10% or more and less than 20% then La Mancha can nominate one representative.

The impacts on Evolution's capital structure of the Cowal Transaction and the Proposed Transaction are set out in the following tables:

**Evolution - Impact of the Cowal Transaction on Capital Structure**

	Before		After	
	Shares Held 000's	Interest %	Shares Held 000's	Interest %
<b>Number of shares:</b>				
- Held by existing Evolution shareholders	716,763	100.0%	716,763	72.2%
- Shares to be issued under the Entitlement Offer	-	0.0%	275,678	27.8%
Total shares on issue after the Cowal Transaction (approximate)	716,763	100.0%	992,440	100.0%

Source: Evolution, EY analysis

### Evolution - Impact of the Proposed Transaction on Capital Structure

	Before		After	
	Shares Held 000's	Interest %	Shares Held 000's	Interest %
<b>Number of shares:</b>				
- Held by Evolution shareholders after the Cowal Transaction	992,440	100.0%	992,440	69.0%
- Shares to be issued to La Mancha:				
- the Consideration Shares	-	0.0%	322,024	22.4%
- the Subscription Shares	-	0.0%	123,861	8.6%
	-	0.0%	445,885	31.0%
Total shares on issue after the Proposed Transaction (approximate)	992,440	100.0%	1,438,325	100.0%

Source: Evolution, EY analysis

As a result of the Proposed Transaction, with a 31% interest, La Mancha will become Evolution's largest shareholder. The exact number of Subscription Shares to be issued may vary depending on the outcome of the Entitlement Offer; however La Mancha's interest will remain at 31%.

In addition to the ordinary shares, Evolution has on issue 8,168,739 share options with exercise prices of between \$1.40 and \$2.41 and 21,382,111 performance rights which are subject to a range of performance hurdles.

## 1.2 The Share Sale Agreement

Under the Share Sale Agreement both Evolution and La Mancha have agreed to the terms and conditions under which the Proposed Transaction will be progressed to completion. In this regard both companies have committed to using all reasonable endeavours to ensure all conditions are satisfied by 15 September 2015 (the "Cut-Off Date").

Prior to the Proposed Transaction completing, La Mancha must use all reasonable endeavours to restructure the shareholding in LMRA so that all of the issued shares in LMRA are directly held by Toledo Holdings (the "LMRA Restructure"). LMRA is the holding company of La Mancha Australia, being the Australian gold assets of La Mancha. At present the shares in LMRA are held by a wholly owned subsidiary of Toledo Holdings, La Mancha Amalco Holdings Pty Ltd ("La Mancha Amalco"). Under the LMRA Restructure, the shares held in LMRA by La Mancha Amalco are to be transferred to Toledo Holdings and the shares held in La Mancha Amalco by Toledo Holdings are to be transferred to another member of the La Mancha group of companies. The intercompany loan owing by LMRA to La Mancha Amalco is to be forgiven, waived or cancelled. The LMRA Restructure is subject to receiving written confirmation from the Western Australian Office of State Revenue that the transactions to be effected pursuant to the LMRA Restructure will not be liable for stamp duty under the Duties Act 2008 (WA).

For the period up to completion of the Proposed Transaction, both Evolution and La Mancha have agreed to conduct their respective businesses in the ordinary and usual course on a basis consistent with how they were being operated prior to the date of the Share Sale Agreement.

Completion of the Proposed Transaction is subject to, amongst other matters, the following conditions:

- ▶ FIRB approval;
- ▶ ASX approving the official quotation of the Consideration Shares and the Subscription Shares;
- ▶ Evolution shareholders approving the issue of the Consideration Shares and the Subscription Shares and any other matters requiring shareholder approval;
- ▶ no material adverse change to either Evolution or La Mancha; and
- ▶ no restraints being put in place preventing completion of the Proposed Transaction.

Reference to 'material' adverse changes for Evolution has been quantified to include a diminution in the value of the consolidated net assets by at least \$30 million or a diminution in the consolidated earnings before interest and tax ("EBIT") of at least \$30 million. For La Mancha, 'material' adverse change has been quantified to include a diminution in the value of the consolidated net assets by at least \$15 million or a diminution in the consolidated EBIT of at least \$15 million. Both definitions are subject to specified exceptions. So that the Cowal Transaction could proceed, La Mancha waived the terms to allow for Evolution to acquire a significant asset and to raise debt.

LMRA has a \$183.4 million syndicated debt facility with several banks (the "LMRA Facility"), the proceeds from which were used to fund the acquisition of the 49% interest in Frog's Leg from Alacer Gold and the construction of the Mungari CIL processing plant. Under the Share Sale Agreement, La Mancha must ensure that the balance owing under the LMRA Facility is not greater than \$124 million as at the completion of the Proposed Transaction. At 31 March 2015 the balance outstanding under the LMRA Facility was \$132.5 million.

La Mancha has provided an indemnity to Evolution in relation to specified liabilities if the LMRA Restructure does not complete prior to completion of the Proposed Transaction. This indemnity will be for a period of five years following completion of the Proposed Transaction. La Mancha has also provided an indemnity in relation to any losses incurred as a consequence of the implementation of the LMRA Restructure (if the LMRA Restructure is implemented before completion).

The respective costs and expenses of the Proposed Transaction are being met by Evolution and La Mancha Australia as incurred. In this regard, the cost of preparing the Notice of Meeting and Explanatory Memorandum are essentially being met by Evolution.

In addition to other circumstances if not remedied, Evolution and La Mancha have the right to terminate the Share Sale Agreement if completion has not occurred by the Cut-Off Date or if in our analysis of the Proposed Transaction we, as the independent expert, opine that the issue of the Consideration Shares and the Subscription Shares to be 'not fair and not reasonable'.

Further disclosure of the terms and conditions relevant to the Proposed Transaction is included in the Explanatory Memorandum.



## 2. Scope of this report

### 2.1 Purpose of the report

Under section 606 of the Act an entity is prohibited from increasing its interest in the voting shares of a listed company to greater than 20% without making a takeover offer. An exception to the prohibition is for the increase to be approved by shareholders under item 7 of section 611 of the Act.

As a consequence of the Proposed Transaction and the issue of the Consideration Shares and the Subscription Shares, La Mancha's interest in the voting shares of Evolution will increase from 'nil' to 31%. Accordingly, in response to the prohibition contained in section 606, approval for the issue of the shares to La Mancha under the Proposed Transaction is being sought by Evolution from its shareholders pursuant to item 7 of section 611 of the Act.

Section 611 requires that the Evolution shareholders are provided with information material to the decision as to how to vote on the Proposed Transaction. Furthermore, as outlined in Section 4 of the Explanatory Memorandum, the recommendation of the Proposed Transaction by the directors of Evolution is subject to the conclusion by an independent expert.

The Directors of Evolution have therefore appointed Ernst & Young Transaction Advisory Services Limited ("EY Transaction Advisory Services") as independent expert to prepare a report, the purpose of which is to state whether or not, in our opinion, the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is fair and reasonable to Evolution shareholders.

Our independent expert's report is to be included with the Notice of Meeting and Explanatory Memorandum being sent to the Evolution shareholders in relation to the Meeting.

### 2.2 Basis of evaluation

The Act does not define the term 'fair and reasonable'. In stating this, RG 111 provides some direction as to what matters an independent expert should consider when determining whether or not a particular transaction is fair and reasonable to shareholders.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover bid and is therefore representative of a 'control transaction'. RG 111 requires that where the outcome of the transaction being considered has a similar effect as a takeover bid then that transaction should be analysed as if it were a takeover bid. A takeover bid generally involves a control transaction where one entity is looking to acquire or increase its shareholding in another entity to a level greater than 50%. With respect to a takeover bid:

- ▶ an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- ▶ an offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 states that the comparison of the value of the consideration and the value of the securities that are the subject of a takeover bid is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares".

RG 111 considers that where a company issues shares to the vendor of another entity or business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged businesses, the vendor could have achieved the same or similar outcome by launching a scrip takeover for the company. If this is the case RG 111 states that the expert should apply the analysis detailed above as if the transaction was a takeover bid. Without qualification, RG 111 is suggesting that all transactions involving an entity increasing its shareholding in another entity to above 20% are control transactions and should be assessed as a takeover bid in the manner noted above.

This approach was confirmed by ASIC in a general letter dated 5 March 2014 which amongst other matters provides further guidance as to how experts should assess 'fairness' for item 7 of section 611 transactions where shares are being issued. ASIC reiterated the approach detailed in RG 111 and stated that the assessment of 'fairness' for item 7 transactions involves a "*comparison of the control value of the company prior to the transactions with the portfolio (i.e. minority interest) value of the shares that will be 'received' by the shareholders post the transaction*".

While RG 111 requires transactions involving a greater than 20% interest to be treated as control transactions, RG 111 recognises that there may be circumstances where an entity will acquire 20% or more of another entity without obtaining or increasing its practical level of control in that entity. RG 111 states that if the expert believes this to be the case then the expert could take this outcome into account in assessing whether the issue of the shares is 'reasonable' if the expert has determined that the price at which the shares are being issued are 'not fair'.

Evolution and La Mancha have presented the Proposed Transaction as a long-term strategic partnership not as a control transaction. To test this we have considered the following factors:

- ▶ as a consequence of the Proposed Transaction, La Mancha will become Evolution's largest single shareholder with a 31% interest;
- ▶ La Mancha will have the right to nominate two representatives to Evolution's Board of Directors (the "Board") which currently has a membership of seven, with two Executive and five Non-Executive Directors, providing its shareholding remains at 20% or above. Accordingly, La Mancha will have two out of nine Director positions, or if two current Directors stand down, two out of seven;
- ▶ Evolution shareholders are effectively exchanging a 31% collective interest in Evolution's mineral assets for a 69% collective interest in the Australian mineral assets of La Mancha. Likewise, La Mancha is exchanging a 69% interest in its Australian mineral assets for a 31% interest in Evolution's mineral assets. On completion of the Proposed Transaction, Evolution shareholders will have a 69% collective interest in the combined mineral assets of Evolution and the Australian mineral assets of La Mancha, and La Mancha will have a 31% interest in the same;
- ▶ the operational policies, procedures and processes of the Company will continue to be managed on a day-to-day basis by Evolution's executive and senior management and will be extended to incorporate La Mancha's Australian operations;
- ▶ while a 31% shareholding interest and two nominees on the Board will enable La Mancha to significantly influence Evolution, it does not provide La Mancha with the ability to control the Company;
- ▶ the strategic direction of Evolution will continue to be determined by a Board and management that will be made up primarily of existing Directors and executives;
- ▶ takeover bids with no minimum acceptance conditions are rare, with offers generally being conditional on the bidder achieving a shareholding of greater than 50%;
- ▶ with the existence of a 31% shareholder, other Evolution shareholders, in our view, are not necessarily forgoing the possibility of receiving a control premium in any future transaction;
- ▶ any steps by La Mancha to increase its ability to 'control' Evolution will be governed by the provisions of the Act and, where applicable, the ASX Listing Rules; and

- ▶ while having a shareholder with a 31% interest may reduce the opportunity of existing Evolution shareholders receiving a takeover bid for their shares, it does not necessarily prevent such an offer being made.

Having regard to these factors, we do not consider that the Proposed Transaction provides control to La Mancha.

Notwithstanding this, given the guidance contained in RG 111 that transactions involving an entity increasing its shareholding in another entity to above 20% are control transactions, we are required to assess whether or not the issue of the Consideration Shares and the Subscription Shares to La Mancha is fair and reasonable as if the Proposed Transaction was a takeover bid for Evolution. In this circumstance Evolution is the 'target' and La Mancha is the 'bidder'. Under this requirement, in assessing the value of Evolution and the Consideration Shares we have applied an approach "assuming 100% ownership of the target", which by definition, incorporates a premium for control.

On this basis, if the value of Evolution post the Proposed Transaction on a minority interest basis (i.e. what is being offered) is greater or at least equal to the value assessed for the value of Evolution on a controlling basis prior to the Proposed Transaction (i.e. the securities the subject of the offer) then the issue of the Consideration Shares and Subscription Shares to La Mancha under the Proposed Transaction would be considered 'fair'.

Given La Mancha will have an interest of 31% in Evolution if the Proposed Transaction is approved, EY has been required to assess the fairness of the transaction by comparing the fair value of an Evolution share on a controlling basis with the value of the an Evolution share post the Proposed Transaction on a minority interest basis. In assessing the fair value of Evolution, we have assumed that the Cowal Transaction will complete.

Consistent with RG 111 and our opinion that the Proposed Transaction does not represent a control transaction, in assessing whether the issue of the Consideration Shares and Subscription Shares is 'reasonable', we have valued Evolution for the purpose of assessing the value of the Consideration Shares applying an approach without "assuming 100% ownership of the target". This assessment excludes a premium for control". In stating this we have considered whether or not under the Proposed Transaction, La Mancha is paying or receiving a premium.

In doing so, we have compared the fair value of La Mancha Australia and the cash to be paid for the Subscription Shares (i.e. what is being offered) to the fair value of the Consideration Shares and the Subscription Shares (i.e. the securities the subject of the offer). In assessing the fair value of the Consideration Shares and the Subscription Shares, we have assessed the fair value of Evolution on a minority interest basis assuming that the Cowal Transaction is completed prior to the Proposed Transaction.

As part of our assessment of 'reasonableness' we have also considered the likely advantages and disadvantages, if any, of the Proposed Transaction.

In assessing the fairness of the issue of the Consideration Shares and the Subscription Shares, we have assessed the value of an Evolution share and the value of La Mancha Australia on a fair value basis. Fair value in this context is generally defined to be "*the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length*".

Fair value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

In addition to consideration of the comparative fair values, we have considered a range of other factors including:

- ▶ the pro forma value of Evolution (inclusive of the Cowal Transaction) after the Proposed Transaction, incorporating La Mancha Australia;
- ▶ strategic rationale of the Proposed Transaction;
- ▶ general terms and conditions of the Proposed Transaction;
- ▶ whether La Mancha is paying or receiving a premium under the Proposed Transaction;
- ▶ the prices at which Evolution's shares have historically traded on the ASX;
- ▶ consideration of Evolution's price on the ASX since the announcement of the Proposed Transaction;
- ▶ the proposed involvement of the La Mancha executives and Board in the on-going management of Evolution;
- ▶ the alternatives to the Proposed Transaction, if any;
- ▶ the advantages and disadvantages of the Proposed Transaction for Evolution shareholders;
- ▶ La Mancha's intentions with respect to Evolution;
- ▶ other significant matters.

All amounts in this report are expressed in Australian dollars unless otherwise stated.

A glossary summarising the abbreviations we have used in this report is contained in Appendix G.

## **2.3 Reliance on technical experts**

In considering the fair value of Evolution, the Consideration Shares, the Subscription Shares and La Mancha Australia we have relied on the report prepared by AMC Consultants Pty Ltd ("AMC") (the "AMC Report"), who was appointed as the independent mineral specialist to provide an independent assessment of various technical mining matters including the reasonableness of reserve and resource estimates, mining plans, mine infrastructure, environmental status, capital budgets and operating costs. AMC was also engaged to assess the value of Evolution's exploration and pre-development assets.

We have relied upon the work undertaken by AMC in forming our opinion on the fair value of the Consideration Shares, the Subscription Shares and of La Mancha Australia. A copy of the AMC Report is attached in full at Appendix H and should be read in conjunction with our report.

In placing reliance on the AMC Report we have satisfied ourselves as to AMC's competence and expertise. We are also satisfied that the assumptions, methodologies and source data used by AMC are reasonable and appropriate and that the report contains sufficient information to support the conclusions drawn.

## **2.4 Shareholders' decisions**

This independent expert's report has been prepared specifically for Evolution shareholders at the request of the Directors of Evolution with respect to the issue of the Consideration Shares and the Subscription Shares under the Proposed Transaction. As such, EY Transaction Advisory Services, Ernst & Young and any member or employee thereof, take no responsibility to any entity other than Evolution shareholders, in respect of this report, including any errors or omissions howsoever caused.

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Evolution shareholders. The decision to approve or not approve the Proposed Transaction is a matter for individual shareholders. Evolution shareholders should consider the advice in the context of their own circumstances, preferences and risk profiles. Shareholders should have regard to the Explanatory Memorandum prepared by the Directors and management of the Company.

Evolution shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

EY has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

## **2.5 Independence**

Prior to accepting this engagement, we considered our independence with respect to Evolution and La Mancha with reference to RG 112: Independence of experts. In our opinion, we are independent of both entities.

EY Transaction Advisory Services, EY and global affiliations, have not provided any services to Evolution or La Mancha in relation to the Proposed Transaction.

Within the last two years EY has provided independent services to La Mancha in relation to stamp duty matters. The conduct of these services has no impact on our ability to provide an independent opinion with respect to the issue by Evolution of the Consideration Shares and the Subscription Shares under the Proposed Transaction.

## **2.6 Limitations and reliance on information**

In the preparation of this independent expert's report, EY was provided with information in respect of both Evolution and La Mancha and obtained additional information from public sources, as set out in Appendix F.

Our opinion is based on economic, market and other external conditions prevailing at the date of this report. These conditions can change over relatively short periods of time and these changes can be material.

This report is also based upon financial and other information provided by Evolution and La Mancha in relation to the Proposed Transaction. EY has considered and relied upon this information. Evolution and La Mancha have represented to us that to its knowledge the information provided is correct and that there are no material facts which have been omitted.

The information provided to EY has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the issue of the Consideration Shares and the Subscription Shares under the Proposed Transaction is fair and reasonable. However, EY does not warrant that its enquiries have identified all of the matters that an audit, an extensive examination or 'due diligence' and/or tax investigation might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of Evolution or La Mancha. It is understood that the accounting information that was provided was prepared in accordance with Australian equivalents to International Financial Reporting Standards.

In forming our opinion we have also assumed that:

- ▶ 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 Meeting and Explanatory Memorandum to be sent to Evolution shareholders is complete, accurate and fairly presented in all material respects;
- ▶ the publicly available information relied upon by EY in its analysis was accurate and not misleading; and
- ▶ the Proposed Transaction will be implemented in accordance with its terms.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this independent expert's report are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A of this independent expert's report.

We provided draft copies of this report to the Directors and management of Evolution and La Mancha for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made as results of this review have not changed the methodology or conclusions reached by EY.

This report has been prepared in accordance with APES 225: *Valuation Services (revised)* ("APES 225") issued by the Accounting Professional & Ethical Standards Board Limited in May 2012. In accordance with APES 225, we have performed a Valuation Engagement, which is defined as "*an engagement where the valuer is free to choose the valuation approaches, methods and procedures as appropriate to the circumstances. The estimate of value that results is a conclusion of value.*"

## 3. Overview of Evolution

### 3.1 Company background

Evolution is a mid-tier Australian gold production and exploration company headquartered in Sydney, New South Wales, which owns and operates five gold mines. Four of its mines are located in Queensland, with the fifth mine located in Western Australia. All gold operations are 100% owned by the Company.

The Company was incorporated under the name Westonia Mines Limited (“Westonia”) in 1998 and listed on the ASX in August 2002, raising capital to continue the exploration and evaluation of the historical Edna May open pit mine and adjacent areas approximately 310km east of Perth. Westonia changed its name to Catalpa in September 2008 under which it redeveloped the Edna May mine and constructed a gold processing plant, with production commencing in April 2010.

Evolution in its current form was created in November 2011 from the Merger and Asset Acquisition under which Catalpa and Conquest merged and Newcrest’s interests in the Cracow and Mt Rawdon operations were concurrently acquired. As a consequence of the Merger and Asset Acquisition, Newcrest became the Company’s largest shareholder with an approximate 38% interest. At the same time as the Merger and Asset Acquisition, Evolution undertook an Entitlement Offer to raise approximately \$150 million of new equity to fund the development of Mt Carlton, the continued evaluation of the Edna May underground development, exploration and on-going working capital. As a consequence of the capital raising, Newcrest’s interest reduced to approximately 33%.

As a consequence of the Merger and Asset Acquisition, Evolution has been transformed from a single mine operation producing approximately 100,000 oz of gold per annum to a multi-mine operation producing over 400,000 oz of gold per annum.

As a means of becoming more globally relevant and to achieve further operational efficiencies, a key component of Evolution’s strategy since the Merger and Asset Acquisition has been the pursuit of growth opportunities within the Australian gold sector. Consistent with this strategy, on 20 April 2015, Evolution announced the Proposed Transaction and then on 25 May 2015, announced the Cowal Transaction.

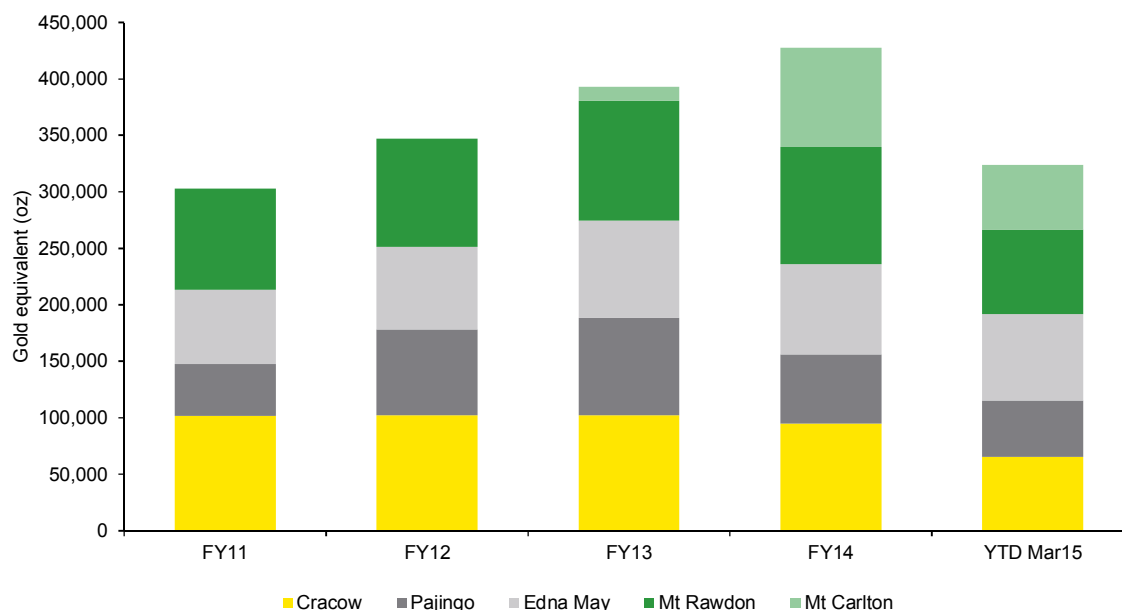
On 27 February 2015, Newcrest announced that it had sold down its shareholding in Evolution to retain a 14.9% interest. The proceeds from the sale by Newcrest totalled approximately \$106 million. Despite the sell down, Newcrest remains Evolution’s largest shareholder.

Evolution’s five gold mining operations are Cracow, Mt Carlton, Mt Rawdon and Pajingo in Queensland and Edna May in Western Australia. The Cowal Transaction is expected to be completed at the end of July 2015. At that time, Evolution will have a 100% interest in the Cowal gold mine located in New South Wales.

The following chart summarises the production at each mine owned by Evolution for the financial years ended 30 June 2011 through to 2014 (“FY11” to “FY14”) and for the nine months to 31 March 2015 (“YTD Mar15”). With the Merger and Asset Acquisition being completed in November 2011, FY13 was the first full financial year that all mines were owned by Evolution. Prior to November 2011, Evolution, as Catalpa, owned Edna May and 30% of Cracow, with Pajingo and Mt Carlton being owned by Conquest and the remaining 70% of Cracow and Mt Rawdon being owned by Newcrest. Accordingly, the amount shown for FY11 is an amalgamation of production from the separate mines under the different owners, while the amount for FY12 is part amalgamation under separate ownership and fully owned by Evolution from November 2011.



### Gold Production from Mines Owned By Evolution



For HY15 Evolution announced record production over corresponding periods of 220,444 gold equivalent oz. This was achieved at an AISC of \$1,035/oz compared to an average realised gold price for the six months of \$1,429/oz. This compares to an AISC of \$1,083/oz and an average realised gold price of \$1,442/oz for FY14.

Production for the quarter to 31 March 2015 totalled 103,305 gold equivalent oz at an AISC of \$1,024/oz, compared to an average realised gold price \$1,562/oz. Evolution is forecasting production for FY15 of between 400,000 oz to 440,000 oz. This is consistent with FY14 production and reflects steady state production from the Company's mines.

## 3.2 Mining Assets

Included below is a summary of Evolutions mining assets. Further detail for all mines excluding Cowal is included in the AMC Report, which is attached as Appendix H.

### 3.2.1 Cracow Gold Project

The mine is located near the small town of Cracow, 500km northwest of Brisbane, Queensland and employs over 200 employees and contractors. Historically, gold from Cracow was mined in open pit; however since 2004 production has been from the Cracow underground. The mine has a forecast life of approximately six years, although this is expected to be extended with ongoing exploration success.

Evolution accelerated underground development during FY13, resulting in greater production flexibility in FY14. Evolution successfully transitioned the mine to owner operator mining in July 2013, allowing for greater operational flexibility and a stronger focus on cost management.

Ore from the mine is processed through a 550,000 tonne per annum ("tpa") mill by a conventional crushing, grinding, carbon-in-pulp ("CIP") circuit to produce gold silver dorè. During FY14, 514,000 tonnes were processed at Cracow at an average grade of 6.12g/t gold and a 94% recovery to produce 95,064 oz of gold.



Gold production for the FY15 March quarter was 20,112 oz, a decrease of approximately 14% compared to the previous quarter. The decrease in production during the quarter reflects a decrease in the average processing grade. Gold production at Cracow is forecast to be 90,000 oz to 95,000 oz for FY15.

As at 31 December 2014, Cracow had an Ore Reserve estimate of 1.2Mt at 6.7g/t for 248,000 oz of contained gold and a Mineral Resource estimate of 3.2Mt at 6.8g/t for 707,000 oz of contained gold.

### **3.2.2 Edna May Gold Project**

The Edna May mine is an open pit mine located near the small town of Westonia approximately 310km east of Perth, Western Australia and employs approximately 150 employees and contractors. Gold was discovered in the region around Westonia in the early 1900s, and mining at Edna May has been conducted at various times since 1922. The current operation commenced in April 2010, and has a forecast mine life of approximately nine years. Mining occurs through a conventional drill and blast, load and haul method.

Ore from the mine is processed through the Edna May processing plant, which was commissioned in 2010. Ore is treated by conventional crushing, grinding, CIL circuit to produce gold/silver alloy dorè.

The Edna May processing plant has a steady state capacity of 2.6 million tonnes per annum (“Mtpa”). During FY14, 2.547 million tonnes (“Mt”) were processed at Edna May at an average grade of 1.04g/t gold and a 94% recovery to produce 80,165 oz of gold.

Gold production for the FY15 March quarter was 25,267 oz, a decrease of approximately 15% compared to the previous quarter. The reduction was primarily due to lower grade and a reduction in mill utilisation. Gold production is forecast to be 80,000 oz to 90,000 oz for FY15.

As at 31 December 2014, the Edna May gold project had an Ore Reserve estimate of 11.7Mt at 1.0g/t for 387,000 oz of contained gold and a Mineral Resource estimate of 31.7Mt at 1.0g/t for 1,056,000 oz of contained gold.

Evolution has undertaken some work in relation to the possible development of an underground mine at Edna May.

### **3.2.3 Mt Carlton Gold Silver Copper Project**

The Mt Carlton mine is an open pit mine located 150km south of Townsville, Queensland. Mt Carlton is Evolution’s newest mine which employs approximately 235 employees and contractors. Production at Mt Carlton commenced in March 2013, and it has a forecast mine life of approximately 12 years. Mining occurs through a conventional drill and blast, load and haul method.

Ore from the mine is processed on site through conventional crushing, grinding and flotation methods to produce a polymetallic concentrate. The processing plant at Mt Carlton has an annual throughput capacity of 800,000 tonnes.

The mine currently has an off-take agreement in place with Shandong Guoda Gold Co. Limited for the sale of gold-silver-copper concentrate. The agreements extend across the entire mine life.

During FY14, 687,000 tonnes were processed at Mt Carlton to produce gold and silver payable stated as a gold equivalent of 87,952 oz.

Production for the FY15 March quarter was 18,460 oz of payable gold, 55,237 oz of silver and 270 tonnes of copper. Gold production at Mt Carlton is forecast to be 65,000 oz to 72,500 oz for FY15.

As at 31 December 2014, the Mt Carlton mine had an Ore Reserve estimate of 4.5Mt at 4.4g/t for 625,000 oz of contained gold and a Mineral Resource estimate of 8.8Mt at 3.1g/t for 871,000 oz of contained gold.

### **3.2.4 Mt Rawdon Gold Project**

The Mt Rawdon mine is an open pit mine located 75km southwest of Bundaberg, Queensland and employs approximately 230 employees and contractors. The mine was acquired from Newcrest in November 2011 as part of the Merger and Asset Acquisition. Production at the mine commenced in 2001 while under the ownership of Equigold NL. Mining occurs through a conventional drill and blast, load and haul method and has a mine life of approximately 10 years.

Ore is treated on site by conventional crushing, grinding, CIL circuit to produce gold-silver dorè. The processing plant has a design capacity of 3.5Mt per annum. During FY14, 3.574Mt were processed at Mt Rawdon at an average grade of 0.98g/t gold and a 92% recovery to produce 103,755 oz of gold.

Gold production for the FY15 March quarter totalled 21,315 oz at an AISC of \$864/oz. The mine is Evolution's lowest cost mine. The Company successfully transitioned the mine to owner operator mining in July 2014, allowing for greater operational flexibility and a stronger focus on cost management. Gold production is forecast to be 100,000 oz to 110,000 oz for FY15.

As at 31 December 2014, the Mt Rawdon mine had an Ore Reserve estimate of 35.2Mt at 0.8g/t for 879,000 oz of contained gold and a Mineral Resource estimate of 50.7Mt at 0.7g/t for 1,156,000 oz of contained gold.

Mt Rawdon is approximately 170km east of Evolution's Cracow mine.

### **3.2.5 Pajingo Gold Project**

The Pajingo mine is an underground mine located 50km south of Charters Towers, north Queensland and employs approximately 265 employees and contractors. Production at the mine commenced in 1986 while under the ownership of Battle Mountain Gold Inc, which was acquired by Newmont Mining Corporation in 2001. Conquest acquired a 40% interest in the mine from Heemshirk Consolidated Limited in September 2010 and the remaining 60% in the takeover of North Queensland Metals Limited in November 2010.

Underground mining at Pajingo is based on long-hole open stoping with ore hauled to the surface via a decline. The mine has a forecast life of approximately five years, although, this is expected to be increased with ongoing exploration success.

Ore from the mine is processed through a 650,000 tpa mill by a conventional crushing, grinding, CIP circuit to produce gold/silver alloy dorè. During the first half of FY14, the operations at Pajingo were restructured to focus on underground mining only and a move to campaign milling, which reduced total milling costs by approximately 30%. For FY14, 398,000 tonnes were processed at Pajingo at an average grade of 4.96g/t gold and a 96% recovery to produce 60,766 oz of gold.

Gold production for the FY15 March quarter was 18,151 oz, an increase of approximately 3% compared to the previous quarter. Gold production is forecast to be 65,000 oz to 72,500 oz for FY15.

As at 31 December 2014, the Pajingo gold project had an Ore Reserve estimate of 0.4Mt at 7.0g/t for 98,000 oz of contained gold and a Mineral Resource estimate of 4.7Mt at 5.4g/t for 823,000 oz of contained gold.

Pajingo is approximately 200km west of Evolution's Mt Carlton mine, which has enabled collaboration between the two operations with respect to the sharing of equipment, knowledge and ancillary resources has led to additional efficiencies and cost savings.

### 3.2.6 Cowal Gold Mine

The Cowal Gold Mine is an open pit mine located 40km north-east of West Wyalong in New South Wales and approximately 350km west of Sydney and employs approximately 430 employees and contractors. Production at the mine commenced in April 2006 after being developed by Barrick at a capital cost of approximately US\$420 million.

Mining occurs at the E42 ore body through a conventional drill and blast, load and haul operation. Cowal has a current mine life of approximately 10 years with production expected to continue after that time assuming a further permit extension beyond 2024.

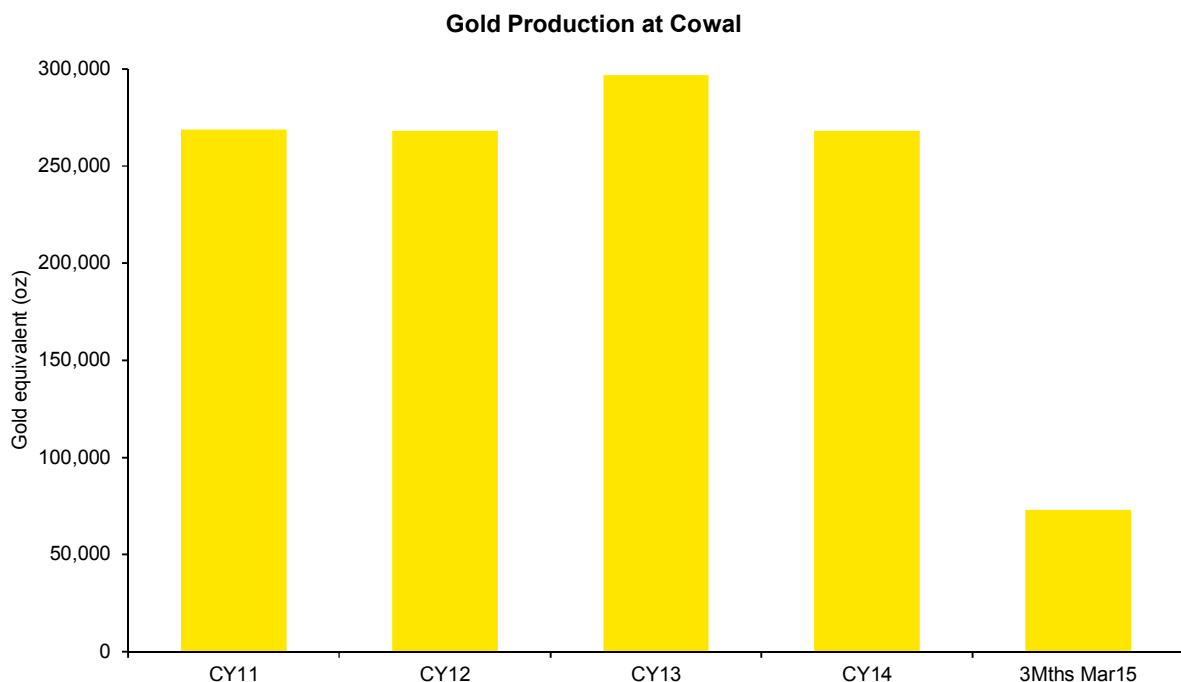
Ore is processed through a gold processing plant which has historically operated at a throughput of approximately 7.3 Mtpa. The processing route includes crushing, two-stage grinding, sulphide flotation, regrind and CIL recovery, with power to the site supplied by a 132 kV transmission line from the township of Temora.

Gold production for the FY15 March quarter totalled approximately 73,000 oz at an AISC of US\$636/oz compared to approximately 70,000 oz of production at an AISC of US\$815/oz for the corresponding 2014 quarter. Following the completion of the acquisition, Evolution expects annual production at the Cowal mine to be between 230,000 oz to 260,000 oz at an AISC of between \$850/oz to \$900/oz.

As at 31 December 2014, the Cowal gold mine had an Mineral Reserve estimate of 41.5 Mt at 1.2 g/t for approximately 1.6 Moz of contained gold and a Mineral Resource estimate, inclusive of Reserves, of 94.5 Mt at 1.1 g/t for approximately 3.4 Moz of contained gold.

In addition to the operating assets and open pit mine at the E42 orebody, Evolution is also acquiring the surrounding exploration tenement package covering approximately 680km<sup>2</sup>. The area includes several identified exploration targets including E41, E46, Regal and Galway Deeps. While exploration in these areas in recent years has been limited, the prospectivity of these targets is considered high.

The following chart summarises the production at the Cowal mine for CY11 to CY14 and for the three months to 31 March 2015 ("3Mths Mar15").



### 3.2.7 Reserves and Resources

Evolution's latest JORC compliant statement of Ore Reserves and Mineral Resources (excluding Cowal) for gold is summarised in the tables below.

#### Evolution's JORC Gold Ore Reserves as at 31 December 2014

	Proved			Probable			Total Reserves		
	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
Cracow	0.4	7.4	91	0.8	6.3	158	1.2	6.7	248
Pajingo	0.2	7.9	38	0.3	6.5	60	0.4	7.0	98
Edna May	0.0	0.0	0	11.7	1.0	387	11.7	1.0	387
Mt Carlton	0.1	6.0	17	4.4	4.3	607	4.5	4.4	625
Mt Rawdon	1.0	0.5	17	34.2	0.8	862	35.2	0.8	879
<b>Total</b>	<b>1.7</b>	<b>3.1</b>	<b>163</b>	<b>51.4</b>	<b>1.3</b>	<b>2,074</b>	<b>53.0</b>	<b>1.3</b>	<b>2,237</b>

Source: Evolution

#### Evolution's JORC Gold Mineral Resources (inclusive of Reserves) as at 31 December 2014

	Measured			Indicated			Inferred			Total Resources		
	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
Cracow	0.4	9.6	118	1.3	7.7	313	1.6	5.5	276	3.2	6.8	707
Pajingo	0.1	11.1	37	1.9	6.1	369	2.8	4.7	417	4.7	5.4	823
Edna May	0.0	0.0	0	26.0	0.9	783	5.7	1.5	273	31.7	1.0	1,056
Mt Carlton	0.1	6.0	17	8.4	3.0	815	0.3	3.7	39	8.8	3.1	871
Mt Rawdon	1.0	0.5	17	46.0	0.7	1,069	3.7	0.6	69	50.7	0.7	1,156
Twin Hills	0.0	0.0	0	0.0	0.0	0	4.6	2.7	399	4.6	2.7	399
<b>Total</b>	<b>1.6</b>	<b>3.7</b>	<b>189</b>	<b>83.6</b>	<b>1.3</b>	<b>3,349</b>	<b>18.7</b>	<b>2.5</b>	<b>1,473</b>	<b>103.8</b>	<b>1.5</b>	<b>5,012</b>

Source: Evolution reports

In addition to gold, at 31 December 2014, Ore Reserves at Mt Carlton totalled 4.5Mt at 21g/t silver and 0.3% copper for contained silver of 2.926 million oz and 14 tonne of copper. At the same date, Mineral Resources at Mt Carlton totalled 8.8Mt at 22g/t silver and 0.3% copper for contained silver of 6.143 million oz and 24 tonne of copper.

In addition to the Evolution Ore Reserves and Mineral Resources stated above, and as a result of the Cowal Transaction, the table below summarises the Mineral Reserves and Mineral Resources for the Cowal mine. As disclosed in further detail in the Explanatory Memorandum, Cowal's Mineral Reserves and Resources are disclosed according to Canadian NI 43-101 standards and are therefore not currently reported in accordance with the JORC code.

#### Cowal Gold Mineral Reserves as at 31 December 2014

	Proved			Probable			Total Reserves		
	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
Cowal - open pit	15.5	1.0	485	26.0	1.3	1,070	41.5	1.2	1,555
<b>Total</b>	<b>15.5</b>	<b>1.0</b>	<b>485</b>	<b>26.0</b>	<b>1.3</b>	<b>1,070</b>	<b>41.5</b>	<b>1.2</b>	<b>1,555</b>

Source: Evolution ASX announcement

#### Cowal Gold Mineral Resources (exclusive of Reserves) as at 31 December 2014

	Measured			Indicated			Inferred			Total Resources		
	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
Cowal - open pit	7.2	0.6	146	41.7	1.2	1,562	4.1	1.3	168	53.0	1.1	1,875
<b>Total</b>	<b>7.2</b>	<b>0.6</b>	<b>146</b>	<b>41.7</b>	<b>1.2</b>	<b>1,562</b>	<b>4.1</b>	<b>1.3</b>	<b>168</b>	<b>53.0</b>	<b>1.1</b>	<b>1,875</b>

Source: Evolution ASX announcement

As at 31 December 2014, the Cowal mine had an Ore Reserve estimate of 41.5Mt at 1.2g/t for 1.6Moz of contained gold and a Mineral Resource estimate of 94.5Mt at 1.1g/t for 3.4Moz of contained gold.

### 3.2.8 Exploration and Investments

The majority of exploration undertaken by Evolution is focused around existing operations. Other early stage projects the Company has interests in are summarised below.

#### Twin Hills

Evolution owns the Twin Hills gold project which is located in north Queensland approximately 190km south of Pajingo. Mining operations took place at Twin Hills between March 2005 and March 2007 when it was put on care and maintenance. Acquired in July 2009 it was intended that the project would be redeveloped to provide ore feed for Pajingo. However improvements undertaken separately at Pajingo mitigated the immediate need to source ore from Twin Hills so the proposed redevelopment never went ahead.

As at 31 December 2014, Twin Hills had an Inferred Mineral Resource of 4.62Mt at 2.7g/t for 399,000 oz of contained gold. This resource estimate was determined on a basis consistent with the requirements of JORC Code 2004 and has not been updated to JORC Code 2012 requirements as Twin Hills is not currently classified as a material mining project

#### Tennant Creek

In June 2014, Evolution entered into a farm-in and joint venture arrangement (the “Emmerson Farm-in”) with ASX listed company, Emmerson Resources Ltd (“Emmerson”), under which Evolution can earn an initial 65% interest in the Tennant Creek gold-copper project located in central Northern Territory by sole funding \$15 million of exploration over three years. Emmerson’s tenements at Tennant Creek cover an area of approximately 2,500km<sup>2</sup> and contain a number of high quality gold-copper targets that will be the initial focus of the proposed exploration program.

In addition to the commitment to spend \$15 million for a 65% interest, Evolution can earn an additional 10% interest by spending a further \$10 million over two years. The Company also agreed to subscribe for 49.144 million shares in Emmerson at a price of \$0.0381 per share to raise \$1.872 and to issue 2,504,383 of its own shares to Emmerson at a price of \$0.7986 per share to the value of \$2.0 million. The share issues occurred in July 2014. The shares held by Evolution represent a 13.01% interest in Emmerson.

Evolution can terminate the Emmerson Farm-in only after \$7.5 million has been spent on exploration. At 31 March 2015, Evolution had spent \$2.158 million under the Emmerson Farm-in.

#### Puhipuhi Gold Project

On 23 April 2015, Evolution announced that it had entered into a binding sale and purchase agreement with ASX listed company, De Grey Mining Limited (“De Grey”), to acquire the 100% interest in the Puhipuhi gold project in New Zealand for a cash consideration of A\$370,000. The transaction closed on 19 June 2015.

The Puhipuhi gold project, which is held under an exploration permit, comprises 6,116 hectares located approximately 30km northwest of Whangarei, in the Northland Region of New Zealand, approximately 160km north of Auckland. The permit is contained within an area defined by New Zealand’s Ministry of Economic Development as being open for mineral exploration. The permit’s original five year term was set to expire in October 2014; however, prior to expiry, De Grey was granted an extension of two years.

Prior to De Grey owning the permit, Waihi Gold Company Limited, a subsidiary of Newmont, completed geophysical work which combined with historic geochemistry survey, identified 11 target areas, nine of which are considered high priority. Despite previous exploration efforts, the project remains relatively underexplored and is considered to have significant exploration potential.

### **Phoenix Gold**

On 1 May 2015, Evolution announced that it had agreed to the terms of a strategic partnership with ASX listed company, Phoenix Gold Limited (“Phoenix Gold”) covering the Broads Dam, Kundana North, Carbine and Zuleika project areas, located approximately 45km northwest of Kalgoorlie.

Under the arrangement, Evolution agreed to subscribe for 105.9 million shares in Phoenix Gold at an average price of \$0.085 per share for a total investment of \$9.0 million. The share issue is to be in two tranches. The first for 44 million shares at \$0.075 per share and the second for 61.9 million shares at \$0.092 per share. The first tranche has been completed, with the second tranche being subject to a number of conditions, including approval by Phoenix Gold shareholders. On completion of the issue of the shares, Evolution will have a 19.9% interest in Phoenix Gold’s shares (on an undiluted basis).

Phoenix Gold is required to allocate 60% of the \$9.0 million received from Evolution to accelerating exploration on the highly prospective Zuleika area.

Phoenix Gold’s tenement areas are located within a 75km radius of La Mancha Australia’s operations.

### 3.3 Financial information

#### 3.3.1 Evolution's financial performance

Included below is a summary of Evolution's financial performance for the financial years FY13 and FY14 and for the nine months ended 31 March 2015 ("YTD Mar15"), as extracted from the Company's audited financial statements for FY13 and FY14 and the unaudited March 2015 management accounts .

<b>Evolution - Statement of Financial Performance</b>			
<b>\$'000's</b>	<b>FY13</b>	<b>FY14</b>	<b>YTD Mar15</b>
Sales revenue	605,034	634,420	490,211
Cost of sales	(498,757)	(539,806)	(381,905)
<b>Gross profit</b>	<b>106,277</b>	<b>94,614</b>	<b>108,306</b>
Interest income	1,738	264	369
Other income	362	405	318
Exploration and evaluation costs expensed	(9,077)	(6,252)	(375)
Share based payments expense	(2,201)	(1,729)	(1,887)
Corporate and other administration costs	(25,020)	(20,868)	(16,479)
Property, plant and equipment asset write off	-	(2,033)	-
Impairment loss on assets	(376,598)	-	-
Finance costs	(8,589)	(14,384)	(12,103)
<b>Profit before income tax expense</b>	<b>(313,108)</b>	<b>50,017</b>	<b>78,149</b>
Income tax benefit	13,374	-	-
<b>Profit after income tax benefit</b>	<b>(299,734)</b>	<b>50,017</b>	<b>78,149</b>
<b>Other comprehensive income</b>			
Changes in fair value of available for sale financial assets	(7,687)	(600)	(546)
Changes in fair value of cash flow hedges	-	(153)	(925)
<b>Total comprehensive income</b>	<b>(307,421)</b>	<b>49,264</b>	<b>76,678</b>
<b>Production and Sales</b>			
Gold produced (Au equivalent oz) <sup>1</sup>	392,920	427,703	323,750
Gold sold (oz)	376,978	383,184	314,779
Gold price achieved (A\$/oz)	1,582	1,442	1,473
Silver sold (oz)	307,726	3,316,072	1,038,523
Silver price achieved (A\$/oz)	28	22	21
Copper sold (tonne)	-	1,126	709
Copper price achieved (A\$/tonne)	-	7,543	6,961
<b>Costs</b>			
C1 cash costs (A\$/oz) <sup>2</sup>	790	781	718
AISC (A\$/oz) <sup>3</sup>	1,228	1,083	1,032

Source: Evolution Financial Reports

Notes:

1 - Gold plus Mt Carlton payable silver as gold equivalent using a gold to silver ratio based on average prices across the different periods.

2 - C1 cash costs includes mining, milling, administration and selling, stockpile adjustments and by-product credits.

3 - AISC includes C1 cash costs plus royalties, sustaining capital expenditure, general corporate and administration expenses.

In relation to Evolution's financial performance we note:

- ▶ The increase in production for FY14 reflects the first full financial year of operation for the Mt Carlton mine. Production per mine across the period considered is summarised as follows:

<b>Evolution - Gold Production (oz gold equivalent)</b>	<b>FY13</b>	<b>FY14</b>	<b>YTD Mar15</b>
Cracow	102,560	95,064	65,196
Pajingo	85,918	60,766	50,336
Edna May	86,216	80,165	76,483
Mt Rawdon	106,089	103,756	74,921
Mt Carlton	12,138	87,952	56,813
	<b>392,921</b>	<b>427,703</b>	<b>323,749</b>

*Source: Evolution Financial Reports*

The reduction in production at Pajingo reflects the restructure of operations undertaken in the first half of FY14 to focus on underground mining only and a move to campaign milling.

- ▶ While the volume of gold sold in FY14 appears flat when compared to FY13, if the gold equivalent oz for the Mt Carlton silver sales are included, the volume sold for FY13 is approximately 382,000 oz and approximately 436,000 oz for FY14, representing an increase of 14%.
- ▶ Despite this 14% increase in gold equivalent oz sold, sales revenue between FY13 and FY14 only increased by 5%, with the differential being reflected in the decrease in the gold price achieved of around 9% for FY14.
- ▶ The increased gross margin experienced for YTD Mar15 reflects a reduction in costs with AISC reducing 5% across the period from FY14.
- ▶ Corporate and other administration costs include operating lease payments, employee wages and salaries as well as contractor, consultants and advisory costs.
- ▶ The \$376.6 million impairment loss recognised by Evolution in FY13 reflects the decrease in the 'value in use' of each of the mines as a result of the decline in gold prices over the last quarter of FY13 and the short term outlook. Within this period, the gold price decreased from approximately US\$1,600/oz to US\$1,200/oz, representing a fall of approximately 25%.
- ▶ Finance costs include finance leases, the unwinding of the discount on provisions and bank loan interest.
- ▶ The changes in the fair value of available for sale financial assets made in FY13 reflected the write down in the value of Evolution's investments in ASX listed resource companies, Renaissance Minerals Limited ("Renaissance") and Monto Minerals Limited ("Monto"). The shares held in Renaissance were sold in August 2013. The amount for FY14 represents a further write down of the investment in Monto. The adjustment for HY15 includes an additional reduction in the value of Monto and an adjustment for the reduction in value of the Emmerson shares taken up in July 2014.



### 3.3.2 Evolution's financial position

Included below is a summary of Evolution's financial position to a net asset position as at 30 June 2013, 2014 and 31 March 2015 ("Jun13", "Jun14" and "Mar15"), as extracted from the Company's audited financial statements and unaudited management accounts.

<b>Evolution - Statement of Financial Position (Net Assets)</b>			
<b>\$000s</b>	<b>Jun13</b>	<b>Jun14</b>	<b>Mar15</b>
<b>Current Assets</b>			
Cash and cash equivalents	13,662	31,607	32,506
Trade and other receivables	16,199	27,774	14,005
Inventories	72,788	64,262	68,580
	<u>102,649</u>	<u>123,643</u>	<u>115,090</u>
<b>Non-Current Assets</b>			
Other financial assets	1,640	900	1,578
Inventories	-	2,533	2,533
Other non-current assets	61	80	80
Property, plant and equipment	276,058	489,172	474,364
Mine development and exploration	641,562	493,195	531,017
	<u>919,321</u>	<u>985,880</u>	<u>1,009,572</u>
<b>Total Assets</b>	<b>1,021,970</b>	<b>1,109,523</b>	<b>1,124,662</b>
<b>Current Liabilities</b>			
Trade and other payables	79,271	67,816	52,580
Derivative financial instruments	-	-	676
Interest bearing liabilities	8,526	22,985	18,223
Provisions	10,745	10,572	12,210
	<u>98,542</u>	<u>101,373</u>	<u>83,689</u>
<b>Non-Current Liabilities</b>			
Derivative financial instruments	-	153	-
Interest bearing liabilities	125,933	138,483	98,251
Provisions	50,240	84,210	88,739
	<u>176,173</u>	<u>222,846</u>	<u>186,990</u>
<b>Total Liabilities</b>	<b>274,715</b>	<b>324,219</b>	<b>270,679</b>
<b>Net Assets</b>	<b>747,255</b>	<b>785,304</b>	<b>853,984</b>

Source: Evolution Financial Reports

In relation to Evolution's financial position we note:

- ▶ Cash and cash equivalents increased from \$13.7 million at Jun13 to \$31.6 million at Jun14 and \$32.5 million at Mar15. Reflecting Evolution's strong trading performance in the nine months to 31 March 2015 during the Mar15 quarter the Company repaid \$35 million of debt.
- ▶ Non-current other financial assets consist of available for sale financial assets. The balance at Mar15 is comprised of Evolution's investment in ASX listed companies, Monto and Emmerson. The Company's shareholding in Monto dates back to before the Merger and Asset Acquisition. The 300 million shares held in Monto represent a 22.6% interest. The 49,100,000 shares held in Emmerson represent a 13.01% interest and were taken up by Evolution as part of the Emmerson Farm-in in July 2014. At Mar15 the value of the Monto shares was \$300,000 and the value of the Emmerson shares was \$1.278 million.

- ▶ The increase in property, plant, and equipment and the decrease in mine development and exploration between FY13 and FY14 reflect the completion of construction at Mt Carlton. The increase across the nine months to 31 March 2015 reflects the capital expenditure incurred transitioning at Mt Rawdon to owner miner.
- ▶ The derivative financial instrument liability of \$676,000 at Mar15 relates to the 'marked-to-market' position of the Company's interest rate and diesel fuel swaps. Evolution is a party to the instruments in the normal course of business in order to hedge its exposure to fluctuations in interest rates and the costs of diesel. As at Mar15, Evolution held approximately \$81 million of interest rate swaps, covering approximately 88% of outstanding loan principal as at that date. As at Mar15 Evolution held approximately 5.8 million litres of diesel fuel swap contracts to fix approximately 90% of the Company's forecast diesel consumption out to 30 June 2015.
- ▶ Current and non-current interest bearing liabilities at Mar15 reflect the 'rollover' in February 2015 of Evolution's previous \$200 million corporate loan facility that was maturing in November 2015 into a new \$200 million Senior Secured Corporate Revolving Credit Facility with an attaching \$100 million accordion provision maturing on 31 March 2018 (the "Evolution Facility"). Interest is payable on the Evolution Facility at the Bank Bill swap bid rate plus a margin of 2.0% per annum.
- ▶ As well as employee entitlements and long service leave, non-current provisions include rehabilitation provisions in relation to the Company's operating mines. As at Mar15, the balance of the rehabilitation provisions totalled \$81.881 million.
- ▶ As at Dec14, Evolution had available tax losses of \$185.287 million (gross).
- ▶ Evolution has a number of physical gold delivery contracts outstanding for the delivery of gold across the period until June 2018. The contracts are accounted for as sale contracts with revenue recognised once the gold has been delivered to the contracted counterparties. The physical gold delivery contracts are considered contracts to sell a non-financial item and are therefore out of the scope of the accounting standard dealing with the recognition and measurement of financial instruments. Accordingly, no derivative amounts are required to be brought to account. The Company has no other gold sale commitments with respect to its current operations. Details of Evolution's gold delivery commitments as at Mar15 are summarised as follows:

<b>Evolution - Gold Delivery Commitments</b>	<b>Gold for physical delivery oz</b>	<b>Contracted sale price (Average) A\$/oz</b>	<b>Value of committed sales A\$'000</b>
<b>As at 31 March 2015</b>			
Within one year	81,820	1,602	131,069
Later than one year	245,455	1,518	372,500
	<b>327,275</b>		<b>503,569</b>

Source: Evolution

It should be noted that Evolution will not be acquiring any hedges contracts in the Cowal Transaction.

### 3.4 Capital structure

As at 2 June 2015, Evolution had the following securities on issue:

- ▶ 716,762,574 fully paid ordinary shares;
- ▶ 8,168,739 unlisted options with exercise prices of between \$1.40 and \$2.41 and exercise dates of between 30 June 2015 and 25 November 2016; and
- ▶ 21,382,111 unlisted performance rights which are subject to a range of performance hurdles.

The options were issued under the Employees and Contractors Option Plan and the performance rights under the Employee Share Option and Performance Rights Plan. The options and performance rights are held by executives and employees of the Company. Given the exercise prices of the options are substantially out-of-the money and that the achievability of the performance hurdles remains uncertain, in our analysis of the issuance of the Consideration Shares and the Subscription Shares, we have not taken the options and/or the performance rights into account.

Under the Entitlement Offer, Evolution is expected to issue a further 275.678 million ordinary shares, which will increase the number of share on issue to 922.440 million.

In accordance with the Proposed Transaction, Evolution is to issue 322.024 million ordinary shares (i.e. the Consideration Shares) and subscribe for up to 123.861 million additional ordinary shares (i.e. the Subscription Shares). This will increase the number of shares Evolution has on issue to up to 1,438.325 million.

### 3.5 Major shareholders

Based on information provided by Evolution management as at 22 April 2015, adjusted for substantial holding notices as disclosed on the ASX to 2 June 2015, the top 10 shareholders of Evolution (on a beneficial interest basis) held 52.2% of the shares on issue. At that date, the Company had approximately 11,200 shareholders.

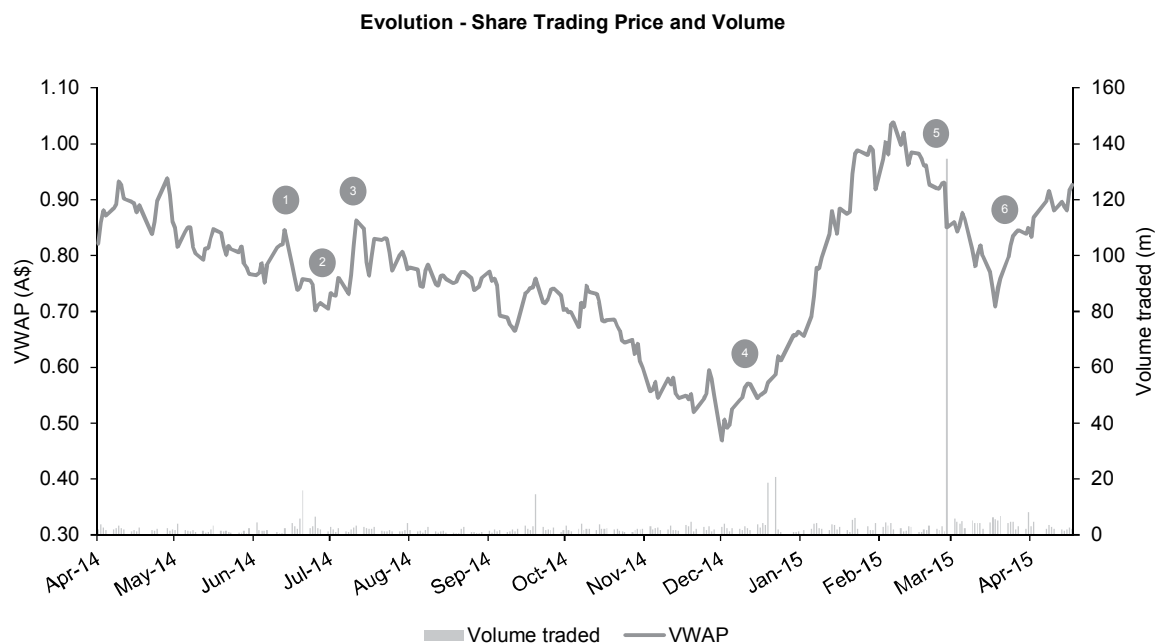
With the Entitlement Offer and the issue of a further 275.678 million shares it is expected that the shareholder structure of Evolution may change, this is especially the case if the Company's top shareholders do not participate in the Retail Component. Notwithstanding that, the following table has been presented for information purposes.

<b>Evolution - Top 10 Shareholders</b>		
	<b>No. of shares</b>	<b>%</b>
1 Newcrest	106,482,631	14.9%
2 Allan Gray Investment Management	54,291,079	7.6%
3 Van Eck Global	47,243,594	6.6%
4 Vinva Investment Management	35,193,460	4.9%
5 Ruffer Investment Management	33,916,368	4.7%
6 Dimensional Fund Advisors	28,647,335	4.0%
7 AMP Capital Investors	23,526,814	3.3%
8 UBS	15,227,132	2.1%
9 Wellington Management Company	15,148,908	2.1%
10 State Street Corporation	14,822,664	2.1%
Top 10 shareholders	374,499,985	52.2%
Other Evolution shareholders	342,262,589	47.8%
<b>Total Shares on Issue</b>	<b>716,762,574</b>	<b>100.0%</b>

The table reflects the sell down by Newcrest of its interest in Evolution from 33% to the 14.9% announced on 27 February 2015. The balance of shares held by Allan Gray Investment Management has been adjusted to reflect the substantial shareholder notices lodged on 27 April 2015 and 27 May 2015.

### 3.6 Share price performance

The chart below shows the daily volume weighted trading price (“VWAP”) and trading volumes of Evolution shares on the ASX between 1 April 2014 and 17 April 2015. Over that period, Evolution’s share price traded from a low of \$0.44 on 1 December 2014 to a high of \$1.04 on 5 February 2015. Evolution’s closing share price on 17 April 2015, being the last trading day prior to the announcement of the Proposed Transaction, was \$0.93.



Source: S&P Capital IQ

In addition to the regular quarterly, interim and annual reporting announcements, the material announcements made by Evolution between 1 April 2014 and 17 April 2015 annotated in the chart above that may have had an impact on Evolution’s share price are summarised below:

1. 13 June 2014 – Evolution announced the successful application of three exploration tenements surrounding the historic Wirralie gold mine in North Queensland, with the tenements located approximately 100km south of Mt Carlton and Pajingo.
2. 25 June 2014 – Evolution released its annual Mineral Resources and Ore Reserves estimate, with an effective date of 31 December 2013.
3. 7 to 11 July 2014 – Evolution announced the Emmerson Farm-in resulting in Evolution acquiring the right to earn an initial 65% interest in Emmerson’s highly prospective Tennant Creek tenement holding.
4. 15 December 2014 – Evolution announced the refinancing of its \$200 million corporate loan facility and an increase in the amount of physical gold hedged.
5. 27 February 2015 – Newcrest announced a reduction of its ownership in Evolution from 33% to 14.9%. Total proceeds of the sale were approximately \$106 million. Newcrest’s remaining shares are held in escrow until the release of Evolution’s full year 2015 financial results, subject to market standard exemptions.

6. 27 March 2015 – Evolution noted recent media speculation in relation to potential corporate activity and confirmed recent discussions were held with La Mancha; however, the discussions were noted as ongoing and may or may not lead to a transaction.

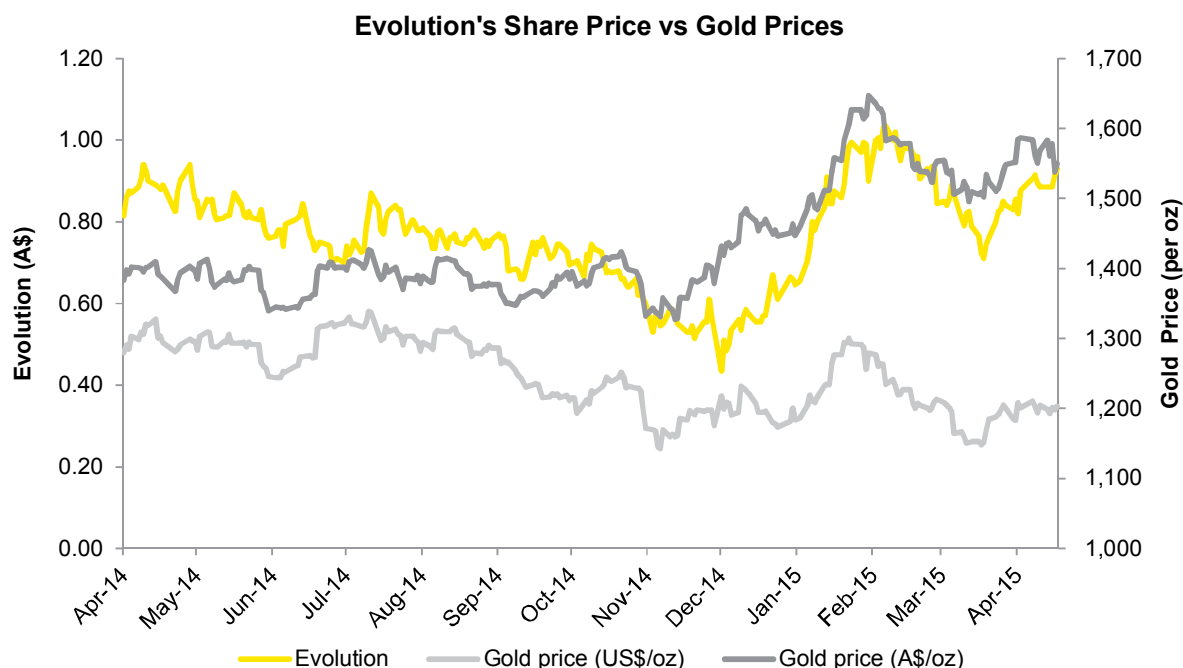
The following table summarises the monthly trading prices of Evolution's shares on the ASX over the period 1 May 2014 and 17 April 2015.

Period	High	Low	Close	VWAP	Monthly Volume	Liquidity
	A\$	A\$	A\$	A\$	millions	%
May 2014	0.870	0.760	0.760	0.819	33.5	4.7%
June 2014	0.870	0.690	0.700	0.754	64.6	9.1%
July 2014	0.895	0.705	0.780	0.792	46.2	6.5%
August 2014	0.800	0.730	0.755	0.763	27.1	3.8%
September 2014	0.788	0.658	0.695	0.732	53.5	7.5%
October 2014	0.760	0.585	0.600	0.684	48.0	6.7%
November 2014	0.615	0.510	0.535	0.557	47.4	6.6%
December 2014	0.685	0.435	0.645	0.564	84.0	11.8%
January 2015	1.010	0.635	0.900	0.872	57.7	8.1%
February 2015	1.050	0.830	0.845	0.881	180.0	25.2%
March 2015	0.895	0.680	0.855	0.807	99.5	13.9%
April 2015	0.935	0.815	0.930	0.889	28.8	4.0%

Source: S&P Capital IQ

The table shows that over the period from May 2014, Evolution's share price generally trended downwards from \$0.76 at the end of May to a low of \$0.435 in December 2014. Throughout 2015, Evolution's shares have traded from \$0.635 to \$1.05, averaging between \$0.80 and \$0.90.

The increase in Evolution's share price across December 2014 in January 2015 and beyond partly reflects the fall in the A\$ against the US\$ from levels above US\$1.00:A\$0.90 to levels of around US\$1.00:A\$0.80 and the corresponding increase in the A\$ gold price. At 31 October 2014 the A\$ gold price was A\$1,332/oz and A\$1,647/oz at 31 January 2015, representing an increase of 23.6%. The correlation between Evolution's share price and the gold price, in US\$ and A\$ terms is shown in the chart below:



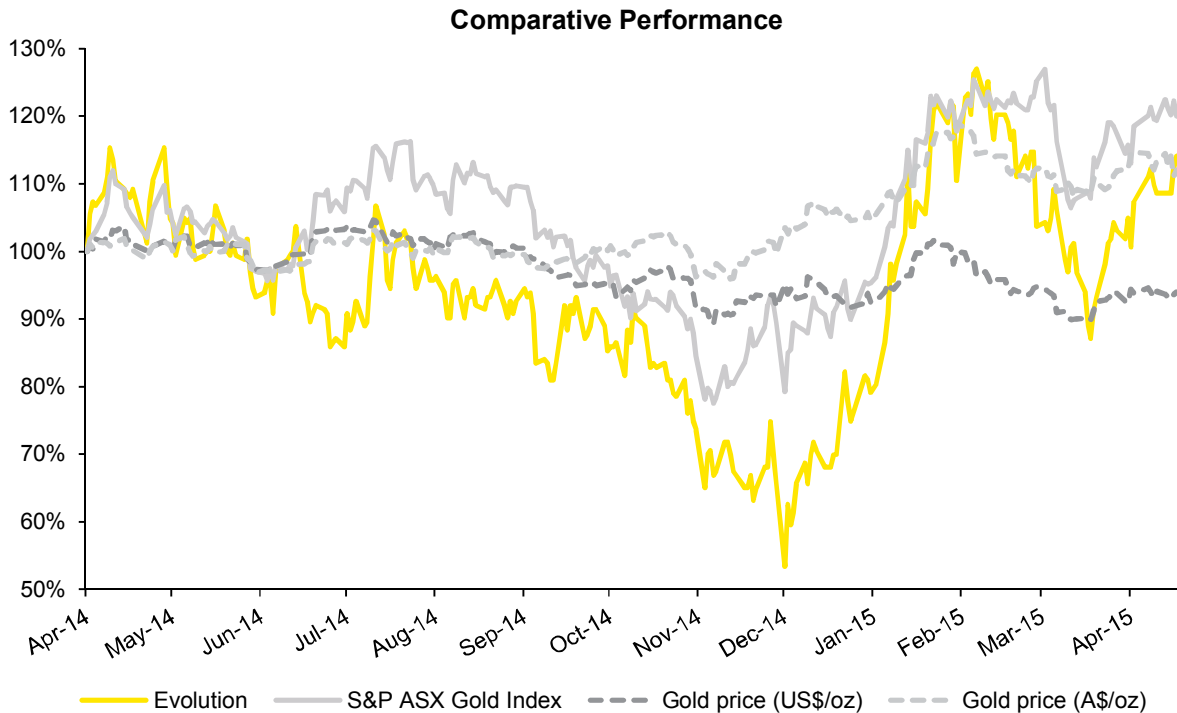
Source: S&P Capital IQ

The monthly liquidity of Evolution shares over the period ranged between 3.8% in August 2014 to 25.2% in February 2015 when Newcrest sold 124.6 million of its shares, reducing its interest in the Company from 33% to 14.9%. Newcrest sold its shares at a price of \$0.85. The higher volume traded in March 2015 may have been an outcome of the sale by Newcrest as new shareholders traded recently acquired shares. Excluding the disposal by Newcrest, the average monthly volume of Evolution shares trade was approximately 8%.

Our analysis of the movements in Evolution's share price and trading volumes indicates that its shares are relatively liquid:

- ▶ Over the period from 1 May 2014 to 20 April 2015, the average monthly liquidity in Evolution's shares was approximately 8% (excluding the sale by Newcrest), implying an annualised turnover of around 90% of total issued capital.
- ▶ Evolution's shares that are likely to trade (i.e. all shares excluding those held by substantial shareholders (being those with a 5% or more interest) and Directors) is approximately 69%.
- ▶ Evolution is a member of the S&P ASX 200 Index and as such certain funds, particularly index tracker funds, will be required to hold shares.

The following chart illustrates the correlation between movements in Evolution's share price with the S&P ASX Gold Index and the underlying gold price over the period 1 April 2014 and 17 April 2015.



Source: S&P Capital IQ

The graph shows that between April 2014 and June 2014, Evolution's relative share price performed in line with the S&P ASX Gold Index and the underlying gold price. Between July 2014 and December 2014, the Company's share price underperformed compared to the S&P/ASX Gold Index and the gold price. The Company's share price tracked the S&P/ASX Gold Index over January and February 2015 before falling back over March and April 2015. Over the period since January 2015, Evolution's share price has outperformed when compared to the gold price.

## 4. Overview of La Mancha and LMRA

### 4.1 Company background

#### La Mancha

Prior to being acquired by entities associated with Mr Naguib Sawiris and his family in November 2012, La Mancha was listed on the TSX. In September 2006, La Mancha acquired the gold exploration and mining interests of French nuclear energy company, Areva NC Inc. ("Areva"). The gold assets vended into La Mancha by Areva included a 51% interest in Frog's Leg, a 51% interest in White Foil and the associated exploration tenements, together with a 49.5% interest (increased to 55% in January 2014) in the Ity gold mine in Côte d'Ivoire and the 44% interest in the Hassaï gold mine in Sudan. As a result of the sale of the gold assets to La Mancha, Areva became the company's largest shareholder with an approximate 63% interest. Areva wanting to sell its interest in La Mancha as being 'non-core' precipitated the acquisition of La Mancha by the Sawiris family.

#### LMRA

La Mancha's Australian gold operations, which are the subject of the Proposed Transaction, are held within LMRA. LMRA's immediate parent company is La Mancha Amalco which is a wholly owned subsidiary of Toledo Holdings. Prior to the Proposed Transaction occurring, La Mancha is required to use all reasonable endeavours to complete the LMRA Restructure under which the shares held in LMRA by La Mancha Amalco will be transferred to Toledo Holdings so that LMRA will be a direct subsidiary of Toledo Holdings. The shares in La Mancha Amalco are to be transferred to another La Mancha company.

Toledo is a wholly owned subsidiary of La Mancha and is an investment holding company without any operations of its own. After the LMRA Restructure is completed, the company's only 'investment' will be in LMRA. For further information on the group structure of La Mancha's Australian operations, refer to section 7.1 of the Explanatory Memorandum.

LMRA is headquartered in Perth, Western Australia, and is the long term owner of the majority interest in the Frog's Leg underground gold mine, the White Foil open-pit gold mine and, more recently, the newly constructed 1.5 Mtpa Mungari CIL processing plant, all of which are located adjacent to each other in the Goldfields Region of Western Australia, approximately 20km west of Kalgoorlie. LMRA also holds an extensive regional exploration portfolio.

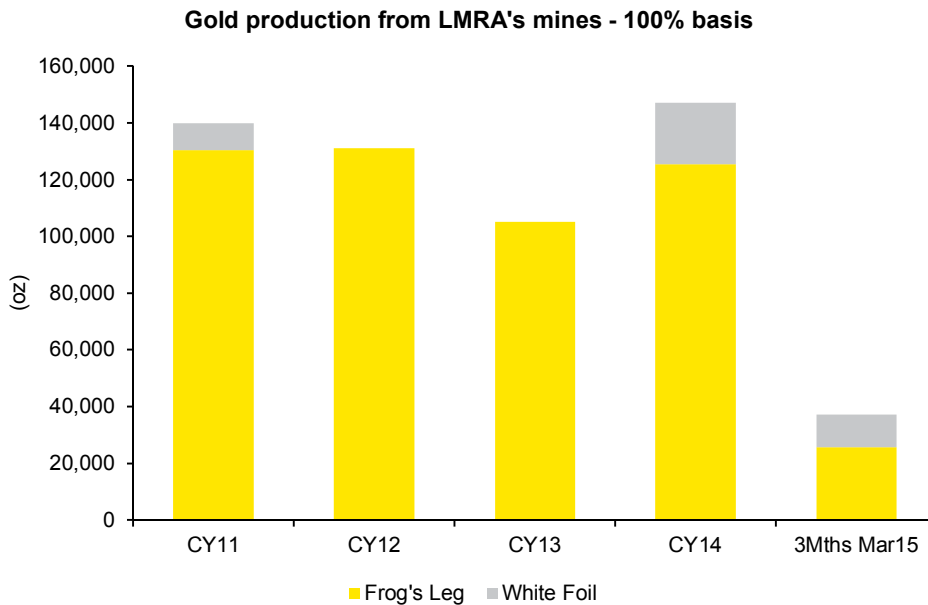
Areva, under its then structure, began gold exploration in Australia in 1986, with activities concentrated around the Meekatharra and Kalgoorlie regions of Western Australia. At the end of 1994 many of the gold tenements in the Kalgoorlie area were transferred to LMRA (under the company's previous name of Mines & Resources Australia Pty Ltd ("MRA")). MRA discovered the deposits at White Foil (1996) (the subject of the Mungari West Joint Venture) and Frog's Leg (1999) (the subject of the Mungari East Joint Venture). The 49% interest in White Foil not held was acquired by LMRA in September 2006 from Placer Dome Inc.

At the time La Mancha was acquired by Mr Sawiris, LMRA owned 51% of Frog's Leg, with the remaining 49% owned by Alacer Gold. The ore mined at Frog's Leg was transported and toll processed through third party facilities. At the time, the White Foil mine was considered uneconomical due to the high costs associated with the third party processing of its ore.

LMRA acquired the 49% interest in Frog's Leg from Alacer Gold in March 2013 for \$144 million. At the same time construction on the Mungari CIL processing plant commenced. As part of the acquisition of the 49% interest, LMRA entered into a toll milling service agreement with Alacer Gold for the processing of ore mined at Frog's Leg for a period of 18 months. LMRA completed construction on the Mungari plant in May 2014 at a capital cost of approximately \$110 million. With its own processing facility, mining at White Foil recommenced.



The chart below summarises the historic production at Frog's Leg and White Foil for the years ended 31 December 2011 to 2014 ("CY11" to "CY14") and for the three months to 31 March 2015 (i.e. 3Mths Mar15). Production is shown on a 100% basis albeit LMRA has only owned 100% of Frog's Leg since March 2013.



Source: La Mancha's model and unaudited management accounts, Alacer Gold reports

Full year production for both Frog's Leg and White Foil forecast for CY15 is between 130,000 oz and 160,000 oz.

## 4.2 Mining Assets

### 4.2.1 Frog's Leg

The high-grade Frog's Leg deposit was discovered by LMRA (then known as MRA) in 1999. After extensive evaluation and feasibility was completed, mining at Frog's Leg began as an open pit operation in June 2004. Mining from the open pit ceased in October 2005 and the last of the mine's stockpiled ore was treated by June 2006. A significant drilling program commenced in 2006 in order to define sufficient resources for the possible development of an underground mining operation. Production from the underground mine commenced in 2007.

The ore mined at Frog's Leg was transported and toll processed through third party processing facilities. Based on a definitive feasibility study ("DFS") completed in 2012, on acquiring Alacer Gold's 49% interest in early 2013, La Mancha announced the decision to proceed with the construction of the Mungari CIL processing plant to process ore from both Frog's Leg and White Foil. The commencement of processing ore through the Mungari plant has reduced processing costs, including transport of ore, from levels of around \$50/t to \$60/t to \$20/t to \$25/t.

As at December 2014, Frog's Leg had 770,000 oz (3.76Mt grading 6.37g/t) of Mineral Resources (inclusive of Ore Reserves) and 443,000 oz (2.53Mt grading 5.46g/t) of Ore Reserves. Based on current Ore Reserves, the mine has a forecast life of approximately seven years. Annual production for the past three years at Frog's Leg (both LMRA's interest and Alacer Gold's interest) has averaged approximately 120,000 oz, with gold production for the March 2015 quarter of 25,596 oz from the treatment of 181,936 tonnes at an average grade of 4.7 g/t.

## 4.2.2 White Foil

Discovery of the White Foil deposit was made in 1996. After completion of a feasibility study in 1999, open pit mining commenced in February 2002. Following excessive inflow of ground water into the pit, mining operations were suspended in August 2003. The White Foil mine is located approximately two kilometres from the Frog's Leg mine. Although the mine returned to production for a brief period in 2010 and 2011 for the period from 2003 until the completion of the construction of the Mungari plant, White Foil has been under care and maintenance.

With the construction and commissioning of the Mungari Plant, the White Foil open pit mining operation recommenced in June 2014.

As at 31 December 2014, White Foil had Mineral Resources totalling 1,867,000 oz (35.95 Mt grading 1.62 g/t) and 338,000 oz (6.79 Mt grading 1.55 g/t) of Ore Reserves. Based on current Ore Reserves, the mine has a forecast life of approximately eight years. Gold production for the March 2015 quarter was 11,483 oz, which was consistent with the CY14 production rate, where 21,542 oz was produced over a period of less than six months of operations.

## 4.2.3 Exploration Projects

La Mancha owns approximately 140 tenements covering approximately 340km<sup>2</sup> with numerous largely under-explored tenements and deposits, including White Tail, Park Dam Project, Cutters Ridge, Kintore Project and the Broads Dam Project.

For further information on La Mancha's exploration areas, refer to Section 5 of the AMC report in Appendix H.

## 4.2.4 Reserves and Resources

La Mancha's latest JORC compliant statement of Ore Reserves and Mineral Resources for its two operating projects is provided in the tables below.

### La Mancha's JORC Ore Reserves as at 31 December 2014

		Proved			Probable			Total Reserves		
		Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
White Foil	Open-pit	0.0	0.0	0	6.4	1.6	322	6.4	1.6	322
	Stockpile	0.0	0.0	0	0.4	1.2	16	0.4	1.2	16
Frog's Leg	Underground	1.8	5.5	319	0.7	5.3	123	2.5	5.5	442
	Stockpile	0.0	4.4	1	0.0	0.0	0	0.0	4.4	1
<b>Total</b>		<b>1.8</b>	<b>5.5</b>	<b>320</b>	<b>7.5</b>	<b>1.9</b>	<b>461</b>	<b>9.3</b>	<b>2.6</b>	<b>781</b>

Source: Evolution Announcement La Mancha MORO Dec 2014

### La Mancha's JORC Mineral Resources (inclusive of Ore Reserves) as at 31 December 2014

		Measured			Indicated			Inferred			Total Resources		
		Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)	Tonnes (Mt)	Gold Grade (g/t)	Gold Metal (koz)
White Foil	Open-pit	0.0	0.0	0	18.7	1.4	813	3.7	1.1	129	22.4	1.3	942
	Underground	0.0	0.0	0	6.7	2.1	447	6.4	2.3	462	13.1	2.2	909
	Stockpile	0.0	0.0	0	0.4	1.2	16	0.0	0.0	0	0.4	1.2	16
Frog's Leg	Underground	1.5	7.1	335	1.8	6.2	362	0.5	4.8	72	3.8	6.4	769
	Stockpile	0.0	4.4	1	0.0	0.0	0	0.0	0.0	0	0.0	4.4	1
<b>Total</b>		<b>1.5</b>	<b>7.1</b>	<b>336</b>	<b>27.7</b>	<b>1.8</b>	<b>1,638</b>	<b>10.6</b>	<b>2.0</b>	<b>663</b>	<b>39.7</b>	<b>2.1</b>	<b>2,637</b>

Source: Evolution Announcement La Mancha MORO Dec 2014

LMRA also has Mineral Resources for some of its early stage exploration assets. For further details, refer to the AMC Report at Appendix H.

## 4.2.5 Operational performance

A summary of LMRA's production and sales for CY14 and the 3Mths Mar15 are detailed as follows.

LMRA Operating Performance		CY14			3Mths Mar15		
		Frog's Leg	White Foil	Combined	Frog's Leg	White Foil	Combined
Waste mined	<i>t</i>	206,965	1,843,681	2,050,646	45,796	2,776,518	2,822,314
Ore mined	<i>t</i>	794,420	771,429	1,565,849	188,756	136,935	325,691
Gold contained	<i>kg</i>	3,861	1,187	5,048	875	242	1,117
Grade extracted	<i>g/t</i>	4.9	1.5	3.2	4.6	1.8	3.4
Ore processed	<i>t</i>	891,697	442,511	1,334,208	181,936	214,807	396,743
Grade processed	<i>g/t</i>	4.4	1.9	3.7	4.7	1.8	3.1
Recovery rate	<i>%</i>	93%	94%	93%	94%	94%	94%
Quantity produced	<i>oz</i>	125,476	21,542	147,018	25,596	11,479	37,075
Quantity sold	<i>oz</i>			155,578			37,670
Gold price achieved	<i>A\$/oz</i>			1,360			1,540
C1 Cash cost	<i>A\$/oz</i>	707	962	745	693	817	725
AISC	<i>A\$/oz</i>			1,047			1,031
C1 Cash cost	<i>US\$/oz</i>	638	868	672	551	650	576
AISC	<i>US\$/oz</i>			939			902

Source: LMRA's Monthly Management Reports

In relation to the above we note:

- ▶ The CY14 amounts reflect the cessation of toll processing of Frog's Leg ore at the Jubilee plant and commencement of processing at the Mungari plant. Practical completion of the Mungari plant occurred in April 2014 with the first gold pour at the beginning of May. Commissioning and ramp-up took place over the third quarter of CY14, with the plant consistently achieving throughput tonnage greater than the 1.5Mtpa nameplate capacity in the period to 31 December 2014.
- ▶ Mining at White Foil recommenced in June 2014. The high waste to ore ratio experienced to 3Mths Mar15 at White Foil reflects the development work undertaken within the open pit.
- ▶ Gold ore mined at the two mine sites were consistent for the full year CY14, with gold produced at Frog's Leg three times greater due to the significantly higher head grades.
- ▶ Gold production for CY14 totalled 147,018 oz, representing an increase of 27% over production on a 100% basis in CY13. Most of this increase reflected the 21,542 oz produced from White Foil, which was under care and maintenance in CY13.
- ▶ The higher C1 cash cost for the White Foil mine experienced in CY14 reflects the costs incurred in recommencing mining.
- ▶ Based on gold produced for 3Mths Mar15, the combined operations are on track to meet full year forecasts of between 130,000 oz and 160,000 oz.

## 4.3 Financial performance and position

### 4.3.1 LMRA's financial performance

The table below summarises LMRA's trading performance for CY13, CY14 and 3Mths Mar15. The data has been extracted from LMRA's audited financial statements and unaudited management accounts.

<b>LMRA - Statement of financial performance</b> <b>\$000's</b>	<b>CY13</b>	<b>CY14</b>	<b>3Mths Mar15</b>
Sales revenue	132,653	211,576	57,994
Cost of sales	(125,473)	(184,872)	(46,283)
<b>Gross profit</b>	<b>7,180</b>	<b>26,704</b>	<b>11,711</b>
Other income	233	56	2
Finance income	72,701	19,861	1,108
Acquisition costs	(9,279)	-	-
Exploration and evaluation costs expensed	(2,795)	(3,048)	(1,197)
Care and maintenance expenses	(1,073)	(487)	-
Corporate and other administration costs	(6,607)	(7,842)	(1,785)
Other expenses	(1,980)	(273)	(53)
Finance costs	(11,098)	(49,377)	(29,035)
<b>Profit / (loss) before income tax expense</b>	<b>47,282</b>	<b>(14,406)</b>	<b>(19,249)</b>
Income tax benefit	5,366	289	-
<b>Profit / (loss) after income tax expense</b>	<b>52,648</b>	<b>(14,117)</b>	<b>(19,249)</b>
<b>Other comprehensive income</b>			
Loss arising on revaluation of financial assets	56	-	-
Income tax relating to components of other comprehensive income	(17)	-	-
<b>Total comprehensive income / (loss)</b>	<b>52,687</b>	<b>(14,117)</b>	<b>(19,249)</b>

Source: LMRA Financial Report and Monthly Management Reports

In relation to La Mancha's financial performance we note:

- ▶ LMRA's share of gold produced over the period included above is summarised as follows:

<b>LMRA - Gold Production (LMRA's share)</b> <b>(oz gold)</b>	<b>CY13</b>	<b>CY14</b>	<b>3Mths Mar15</b>
Frog's Leg	105,061	125,476	25,596
White Foil	-	21,542	11,479
	<b>105,061</b>	<b>147,018</b>	<b>37,075</b>

Source: LMRA Financial and Management Reports

- ▶ CY14 represents the first full year that LMRA had 100% ownership of Frog's Leg. In CY13 LMRA held a 51% interest from 1 January 2013 to 31 March 2013, thereafter the company owned 100% of Frog's Leg. Through CY13 and up until June 2014, LMRA's share of ore from Frog's Leg was toll processed at the Jubilee processing plant. Since then and across the second half of CY14, all ore from Frog's Leg was processed through LMRA's Mungari plant.

No mining was undertaken at White Foil during CY13. Mining at White Foil commenced in the second quarter of 2014 as the Mungari CIL plant was being ramped-up.

Because of the change in ownership interest in Frog's Leg and the construction of the Mungari CIL processing plant, comparison of LMRA's CY13 and CY14 results is somewhat redundant.

- ▶ Frog's Leg generated the majority of LMRA's CY14 revenue, with mining at White Foil recommencing in June 2014.
- ▶ Finance income in CY14 includes realised gains of \$19.59 million on gold price hedge derivatives. Finance costs include unrealised losses on gold price hedge derivatives (\$34.116 million) and interest and borrowing expenses (\$15.261 million). Finance income was significantly higher in CY13 as a result of \$72 million of realised and unrealised net gains on gold price hedge derivatives. The realised gains for 3Mths Mar15 totalled \$1.045 million, while the unrealised losses totalled \$25.391 million and interest and borrowing expenses totalled \$3.644 million.
- ▶ LMRA generated a loss for CY14 and for 3Mths Mar15 as a result of the unrealised losses on its gold price hedge derivatives.

### 4.3.2 LMRA's financial position

A summary of LMRA's financial position as at Dec13, Dec14 and Mar15 is summarised in the table below. The data has been extracted from LMRA's audited financial statements and unaudited management accounts.

<b>LMRA - Statement of Financial Position (Net Assets)</b>			
<b>\$000s</b>	<b>Dec13</b>	<b>Dec14</b>	<b>Mar15</b>
<b>Current Assets</b>			
Cash and cash equivalents	3,211	7,470	11,261
Trade and other receivables	1,802	8,311	3,374
Other financial assets	23,372	11,917	1,678
Inventories	27,305	17,415	15,814
Current tax receivables	1,857	-	-
Other	456	1,027	509
	<b>58,003</b>	<b>46,140</b>	<b>32,636</b>
<b>Non-Current Assets</b>			
Other financial assets	37,578	14,705	1,028
Property, plant and equipment	115,267	127,248	121,821
Mine development and exploration	140,799	125,936	126,735
	<b>293,644</b>	<b>267,889</b>	<b>249,584</b>
<b>Total Assets</b>	<b>351,647</b>	<b>314,029</b>	<b>282,220</b>
<b>Current Liabilities</b>			
Trade and other payables	30,202	29,034	27,038
Borrowings	178,391	145,579	133,268
Provisions	3,091	4,162	4,411
	<b>211,684</b>	<b>178,775</b>	<b>164,717</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	-	-	1,477
Borrowings	44,767	49,615	49,712
Provisions	9,246	13,806	13,730
	<b>54,013</b>	<b>63,421</b>	<b>64,919</b>
<b>Total Liabilities</b>	<b>265,697</b>	<b>242,196</b>	<b>229,636</b>
<b>Net Assets</b>	<b>85,950</b>	<b>71,833</b>	<b>52,584</b>

Source: LMRA Financials

In relation to La Mancha's financial position we note:

- ▶ Inventory consists of run-of-mine ("ROM") stockpiles, gold-in-circuit, finished goods and stores, all recorded at cost.
- ▶ Other financial assets consist of derivative financial instruments represented by the marked-to-market value of the company's gold hedges. At Mar15, La Mancha had 271,235 oz of gold under hedging contracts at an average price of A\$1,600/oz. The contracts extend out to December 2017 with average delivery per quarter of approximately 25,000 oz per quarter, representing around 70% of production.

- ▶ Current borrowings at Mar15 included \$132.5 million owing under the LMRA Facility, which is fully repayable by the end of 2017. At 31 December 2014, LMRA had determined that it was non-compliant with one of the financial covenants under the LMRA Facility, resulting in inability to have the unconditional right to defer the payment for at least 12 months. Because of this the amount owing is required to be classified as a current liability. In April 2015, LMRA received a waiver from its financiers in respect of this breach. Accordingly, in future periods the LMRA Facility will be reclassified as non-current.

Under the Proposed Transaction La Mancha must ensure that the balance owing under the LMRA Facility is not greater than \$124 million.

- ▶ Non-current borrowings at Mar15 include a loan owing to La Mancha Amalco of \$49. This balance is subordinated to the LMRA Facility. As part of the Proposed Transaction, this intercompany debt is set to be forgiven, waived or cancelled.
- ▶ As at Dec14, LMRA had \$93 million of available tax losses (gross).

#### **4.4 Mr Naguib Sawiris and the Sawiris family**

La Mancha is ultimately owned and controlled by entities associated with Mr Naguib Sawiris and his family. Mr Sawiris, an Egyptian businessman, together with his father and two brothers, own the Orascom Group (“Orascom”), which has significant interests in telecommunications, construction, fertilizers, cement, real estate and hotel development in Egypt and internationally. Orascom was founded by Mr Onsi Sawiris, Mr Sawiris’ father, in 1950.

Mr Sawiris founded Orascom Telecom Holding S.A.E. (“OTH”) which grew to become the leading regional telecom company until it merged the majority of its operations with VimpelCom Ltd (“VimpelCom”), to create the world’s sixth largest mobile telecommunications provider. Those OTH businesses not transferred to VimpelCom were ‘spun-off’ to create Orascom Telecom Media and Technology Holding S.A.E. as an Egyptian listed telecommunications company with operations in Egypt, North Korea, Lebanon, Pakistan and other North African and Middle-Eastern countries.

Mr. Sawiris serves on a number of Boards, Committees and Councils including the Advisory Committee to the NYSE Board of Directors, the International Advisory Board to the National Bank of Kuwait, the Egyptian Council for Foreign Affairs, and the Arab Thought Foundation.

## 5. Valuation methodology and approach

### 5.1 Definition of fair value

In forming our opinion as to whether or not the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is fair and reasonable, we have assessed the fair value of Evolution and the fair value of La Mancha Australia.

Fair value is generally defined as *“the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm’s length”*.

Fair value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser rather than being available to all potential purchasers. In a competitive bidding situation, to ensure success a purchaser may be prepared to pay to the seller part, or all, of the special value that they expect to realise from the asset being acquired.

As discussed in Section 2.2, RG 111 considers transactions involving an entity increasing its shareholder in another entity to above 20% are control transactions and therefore should be assessed as a takeover bid. This approach was reiterated by ASIC in a general letter dated 5 March 2014 letter. Accordingly, in valuing Evolution for the purpose of assessing the fair value we have valued the Company “assuming 100% ownership of the target”.

In assessing the fair value of Evolution and La Mancha Australia, AMC was engaged to undertake a technical assessment of each company’s operating mines and to assess the value of each company’s exploration assets. The AMC Report is included as Appendix H of this report. Consistent with the VALMIN Code, AMC describes the values determined for Evolution and La Mancha Australia’s exploration assets as representing a Technical Value, adjusted with a premium or discount relating to market, strategic or other considerations. Given the methodologies applied and the assumptions upon which the valuation of Evolution and La Mancha Australia’s exploration assets are based, in our opinion, the values assessed by AMC are representative of the fair values of each of the assets under the abovementioned definition.

In determining the fair value of Evolution we have taken into account the Cowal Transaction. In relation to the Cowal Gold Mine, including the associated tenement areas, given the open and competitive bid process undertaken by Barrick with several potential acquirers on a *“willing seller/willing buyer”* basis, for the purpose of this report we have taken the purchase price to be paid by Evolution, as the successful bidder, to represent ‘fair value’. In adopting the purchase price as fair value we have not taken into account transaction and other costs that may be capitalised as part of the book value of the asset for accounting purposes.

In considering the fair value of Evolution assuming completion of the Proposed Transaction, we have determined a pro-forma value of Evolution by aggregating our assessed fair value of Evolution post the Cowal Transaction with the fair value of La Mancha Australia and the cash to be received from the issue of the Subscription Shares. We have not considered any synergies that may be derived by the Company from the Cowal Transaction and/or the Proposed Transaction as part of this aggregation.



## 5.2 Valuation methodologies adopted

Given the nature of Evolution and LMRA as mining and exploration companies, we have assessed the value of each company on a net asset backing basis after considering the underlying value of their assets and liabilities on a going concern basis. A summary of the methods adopted to value each of the mineral assets is summarised in the table below.

Summary of Mining Assets	
	Valuation Methodology
<b>Evolution:</b>	
Cracow	DCF
Pajingo	DCF
Edna May	DCF
Mt Carlton	DCF
Mt Rawdon	DCF
Twin Hills exploration	Contained gold resources multiples
Other exploration	\$ per unit area
Cowal	Transaction value
<b>La Mancha Australia:</b>	
Mungari Operations	DCF
White Foil Underground exploration	Contained gold resources multiples
Other exploration	\$ per unit area

Source: AMC Report, EY analysis

The valuation methods for the exploration assets applied by AMC and the valuation results are summarised in Sections 6.1.7 and 7.1.3 of this report. For further details, the AMC Report is attached in full in Appendix H and should be read in conjunction with our report.

By their nature, mineral assets, particularly early stage or development assets are difficult to value. Key considerations in valuing mineral assets include long term views on commodity prices, development, operational and financial risks, quality of the underlying resource base and expectations on the timing of the development of the asset. As such, while the valuation approaches and assumptions represented EY and AMC's views at the time of preparing this report, changes to market views on these key considerations could materially impact the values of the assets.

### 5.2.1 Producing Gold Projects

Mineral projects in the later stages of development or in production are typically valued using a discounted cash flow ("DCF") approach as projects of this type are generally well defined technically and supported by reliable cash flows forecasts.

Given Evolution and La Mancha's producing gold projects have production history and detailed life of mine ("LOM") models are available, we have valued the projects using the DCF methodology.

To assist in our assessment and to be consistent with the requirements of the VALMIN Code, the technical, production and cost assumptions adopted in the LOM models have been reviewed by AMC. Based on their review, AMC formulated production cases for each of the operating mines. All other inputs, including commodity prices, foreign exchange rates, discount rates and taxation analysis were determined by EY.

The forecast cash flows were estimated in Australian dollars on a post-tax, ungeared basis.

AMC's comments and findings are detailed in the AMC Report, which is included as Appendix H.

## 5.2.2 Exploration Projects

The exploration projects for both companies were valued by AMC, with the exclusion of the exploration assets to be acquired as part of the Cowal Transaction. In summary, AMC applied the yardstick method for pre-development assets with JORC Code compliant Mineral Resources. This method involves the application of a value per contained metal unit (e.g. oz of gold or gold equivalent) against the asset's Mineral Resources to assess the value of the project. For projects or areas without a stated JORC compliant Mineral Resource, AMC applied the Past Expenditure Method that applies a multiplier to past expenditure based on the future prospectivity of the area. Where a recent transaction has occurred, AMC adopted the transaction value per resource ounce approach. Details of these approaches are contained in Section 2 of the AMC Report.

## 5.2.3 Other assets and liabilities

We have assessed the value of Evolution and LMRA's other assets and liabilities as follows:

- ▶ listed securities were valued using a market assessment based on quoted prices;
- ▶ negative value attributable to corporate costs was assessed on discounted cash flow basis;
- ▶ tax losses and tax asset benefits were valued on a discounted cash flow basis;
- ▶ the fair value of cash and net debt were considered to be commensurate with their book value; and
- ▶ hedge assets and liabilities have been marked-to-market using our forecast gold price assumptions.

## 5.2.4 Valuation cross checks

For both Evolution and La Mancha Australia, we considered the reasonableness of our assessed valuation ranges by comparison with the transaction and trading multiples of companies with similar, but not necessarily the same, operations to the companies.

In addition, for Evolution, we compared our valuation of an Evolution share with the prices at which the Company's shares have recently traded on the ASX and considered the valuation ranges as disclosed by the broking firms covering Evolution.

## 6. Valuation

### 6.1 Valuation of Evolution

#### 6.1.1 Summary of values

We have valued Evolution on a net asset backing basis after considering the value of the Company's assets and liabilities on a going concern basis. Our valuation is summarised in the following table. Our assessment is primarily based on Evolution's balance sheet as at 31 March 2015 adjusted for the values assessed for the Company's mineral assets, Evolution's corporate costs, the Cowal Transaction and other assets and liabilities that were not included in the valuation of the mineral assets. Evolution management has confirmed that no balances have materially changed from 31 March 2015 to the date of this report.

<b>Evolution - Summary of fair values of underlying assets and liabilities</b>			
<b>\$m's</b>	<b>Ref</b>	<b>Low</b>	<b>High</b>
- Mt Raw don	6.1.2	183.0	209.0
- Mt Carlton	6.1.3	344.0	391.0
- Edna May	6.1.4	84.0	123.0
- Carcow	6.1.5	101.0	121.0
- Pajingo	6.1.6	71.0	84.0
- Exploration	6.1.7	11.5	24.5
<b>Total mining assets</b>		<b>794.5</b>	<b>952.5</b>
- Inventory	6.1.8	43.9	43.9
- Net working capital	6.1.8	(38.6)	(38.6)
- Available for sale investments	6.1.8	4.0	4.0
- Hedges	6.1.8	(23.3)	(23.8)
- Corporate costs	6.1.8	(93.3)	(95.9)
- Tax assets	6.1.8	75.1	97.3
- Net debt	6.1.8	(87.3)	(87.3)
<b>Fair value of equity - pre-Cowal Transaction</b>		<b>675.1</b>	<b>852.2</b>
- Cowal assets	6.1.9	694.0	694.0
- Debt associated with the Cowal Transaction	6.1.9	(504.0)	(504.0)
<b>Fair value of equity - post-Cowal Transaction</b>		<b>865.1</b>	<b>1,042.2</b>

Source: EY analysis and AMC Report

Accordingly, we have determined the fair value of Evolution inclusive of the Cowal Transaction on a net asset backing basis to be in the range of \$865.1 million to \$1,042.2 million. Given the valuation methods applied in valuing the mineral assets and our overall approach, this assessment represents the value of Evolution on a 100% interest basis, which, by definition, includes a control premium.

The range of values reflects the underlying nature of the Company's mineral assets. In particular, we note the following:

- ▶ Due to Evolution's gold mines having a forecast life of mine ranging from four to 11 years, the value of Evolution's gold producing mines is sensitive to movements in the gold price with discount rate movements having minimal impact, particularly the mines with short remaining lives. Our average Australian dollar gold price applied over the life of the mines is \$1,575 (real basis). By increasing or decreasing the gold price by 10%, the combined net present value of the projects increases and decreases by approximately 30%, reflecting the significant impact a change in forecast gold prices has on the overall value of the gold producing assets and Evolution as a whole.

- ▶ For the producing mines, AMC's base production case includes production from Ore Reserves and that part of Mineral Resources and exploration potential for which AMC considers there to be a high confidence of future conversion to Ore Reserves.

Where AMC prepared a second production case it typically added to the base case mining and processing tonnages which AMC considers to represent further additions to Ore Reserves from existing Mineral Resources and from readily demonstrable exploration potential, but to a lesser confidence level than in the base case. In some instances, the second case provides for a significant expansion of production and/or other technical upgrades and improvements. Nevertheless, AMC believes that the second production cases are also based on reasonable grounds.

We note that no additional value has been ascribed to the Mineral Resources for each of the projects that are not included in the operating cases as AMC considers the values derived from the application of their assessed production cases are all encompassing.

In determining the production cases for each of the mines, AMC has been mindful of the requirements of ASX Listing Rule 5.16 in regards to reference and inclusion of 'production targets'.

AMC has noted that for several of Evolution's mining projects, particularly Mt Carlton, Cracow and Pajingo, there is upside potential whereby the operations could be extended by another two years pending ongoing exploration and resource definition drilling. This upside has not been factored into the production cases prepared by AMC.

The production cases provided by AMC result in fairly narrow ranges of values for Evolution's producing mineral assets. In order to derive an appropriate but not excessively wide range of value as recommended by RG 111 we have extended the valuation range by applying a range of  $\pm 5\%$  to our low and high end values. The extended range aims to reflect the potential upside to reflect AMC's comments related to the further prospectively of some of the projects and to reflect the sensitivity of the values to the gold price.

- ▶ In addition to its five operating projects, Evolution has exploration assets consisting of the Emmerson Farm-in, a 9.1% interest in ASX listed Phoenix Gold which has prospective tenements within a 75km radius of La Mancha Australia's operations and a 100% interest in the Puhipuhi gold project in New Zealand which is held under an exploration permit. There is also separate exploration potential related to the areas surrounding the current operating projects.
- ▶ Evolution's net debt has been calculated as its interest bearing debt and lease obligations less its cash as at Mar15 and less \$3.3 million incurred in April 2015 to acquire its initial interest in Phoenix Gold. Other significant assets and liabilities include Evolution's tax losses and other assets as well as an estimation of future corporate overhead costs that were not included as part of the operating project values.
- ▶ The fair value associated with the net assets to be acquired through the Cowal Transaction has been assumed to be equal to the purchase price agreed to between Evolution and Barrick of \$694 million (US\$550 million), net of the additional \$504 million of debt that is to be drawn down to partially fund the acquisition.

In determining the value of an Evolution share, we divided our assessed fair value of Evolution as a whole inclusive of the Cowal Transaction by the number of shares the Company will have on issue as a result of the full completion of the Entitlement Offer.

We have assessed the fair value of an Evolution share before the Proposed Transaction to be as follows:

<b>Evolution - Value per Share on a 100% Interest Basis, post-completion of the Cowal Transaction</b>		
	<b>Low</b>	<b>High</b>
Fair value of Evolution (\$m)	865.1	1,042.2
Number of shares on issue (m)	992.4	992.4
<b>Fair value of an Evolution share - 100% interest basis (\$)</b>	<b>0.87</b>	<b>1.05</b>

Source: EY analysis

Accordingly, on a 100% interest basis we have assessed the fair value of an Evolution share to be in the range of \$0.87 and \$1.05, post-completion of the Cowal Transaction.

So as to cross check our assessed value of Evolution with the prices at which the Company's shares traded at prior to the announcement of the La Mancha Transaction (and the Cowal Transaction), included below is the value of an Evolution share excluding the Cowal Transaction and the Entitlement Offer.

<b>Evolution - Value per Share on a 100% Interest Basis, exclusive of the Cowal Transaction</b>		
	<b>Low</b>	<b>High</b>
Fair value of Evolution (\$m)	675.1	852.2
Number of shares on issue (m)	716.8	716.8
<b>Fair value of an Evolution share - 100% interest basis (\$)</b>	<b>0.94</b>	<b>1.19</b>

Source: EY analysis

It is of note that the valuation assessed for an Evolution share post the Cowal Transaction is less than the value of an Evolution share excluding the Cowal Transaction and the Entitlement Offer. This reflects the fact that the price of the Entitlement Offer is \$0.90 per share which is less than the \$0.94 to \$1.19 range determined above and is therefore dilutive to value.

Our assessed valuation range of an Evolution share excluding the Cowal Transaction and the Entitlement Offer has been considered in conjunction with Evolution's share trading price leading up to the announcement of the La Mancha Transaction, recent broker valuations, along with benchmark analysis based on trading multiples of comparable companies and precedent transactions. Refer to sections 6.1.10 for our analysis of cross checks.

## **6.1.2 Mt Rawdon Project**

We assessed the value of the Mt Rawdon Project using the DCF approach. Cash flows for the Mt Rawdon Project were based on LOM plans provided by Evolution management and adjusted by AMC. For the purposes of this assessment, AMC prepared one production case ("Mt Rawdon Case").

The Mt Rawdon Case is based on the Mt Rawdon LOM plan prepared by Evolution adjusted by AMC for their views on the production profile based on current assumptions, along with their analysis of operating and capital costs throughout the LOM.

In valuing the Mt Rawdon Project, EY undertook its own analysis to determine forecast gold prices and separately calculated an appropriate discount rate range.

## Mt Rawdon Case Overview

The operating statistics for the Mr Rawdon Case are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Waste mined	kt	3,010	12,826	10,861	4,306	4,000	2,000	1,770	678	-	-	-
Ore mined	kt	673	5,645	5,463	4,373	4,986	4,070	4,070	3,008	-	-	-
Ore treated	kt	884	3,589	3,532	3,532	3,532	3,652	3,416	3,516	3,516	3,516	882
Gold head grade	gpt Au	0.9	1.0	1.0	1.0	1.0	0.9	0.7	0.6	0.5	0.4	0.4
Gold recovery	%	91.3%	91.1%	91.3%	91.3%	91.3%	91.3%	91.3%	91.3%	90.9%	88.7%	86.2%
Gold produced	koz	23.3	102.2	104.7	104.6	104.7	98.3	66.2	56.8	46.2	40.1	9.8

Source: AMC Model

Key matters relevant to the Mt Rawdon Case's production forecast are summarised as follows:

- ▶ Ore production is based on eight years of mining, with processing continuing for an additional three years LOM. The LOM plan from AMC includes 86% of Ore Reserves and 66% of total Mineral Resources, with total ore mined of 32.287 Mt.
- ▶ The LOM plan assumes 4.0 to 5.6 million tonnes of ore mined per annum, reducing to 3.0 million tonnes in the final year of operations.
- ▶ The gold head grade ranges from 0.4g/t to 1.0g/t across the LOM, averaging 0.8%.
- ▶ Metallurgical recoveries average 91% throughout the LOM.
- ▶ Total gold produced across the life of mine is forecast to be 756,800 oz

The table below summarises the key capital and operating costs associated with the Mt Rawdon Case. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Unit mining costs	\$/t mined	2.2	1.3	1.7	4.7	5.0	5.6	7.5	10.7	-	-	-	-	-
Unit processing costs	\$/t treated	10.8	10.8	10.8	10.9	10.7	10.5	10.5	10.5	12.0	12.0	12.0	-	-
Unit admin costs	\$/t treated	2.7	2.7	2.6	2.1	1.9	1.9	1.9	1.9	1.5	1.4	1.3	-	-
<b>Expenditure type</b>	<b>Unit</b>													
Initial / Expansion	\$m	-	-	-	-	-	-	-	-	-	-	-	-	-
Sustaining	\$m	2.9	19.9	16.7	7.0	7.0	7.0	7.0	7.0	6.2	1.3	0.3	-	-
Capital Development	\$m	6.9	39.5	32.3	-	-	-	-	-	-	-	-	-	-
Resource Definition / Exploration	\$m	0.1	1.5	0.5	-	-	-	-	-	-	-	-	-	-
Rehabilitation and Closure	\$m	-	2.0	-	3.0	3.0	-	2.5	6.0	5.7	5.3	4.1	3.5	3.0
<b>Total</b>	<b>\$m</b>	<b>9.9</b>	<b>62.9</b>	<b>49.5</b>	<b>10.0</b>	<b>10.0</b>	<b>7.0</b>	<b>9.5</b>	<b>13.0</b>	<b>11.9</b>	<b>6.6</b>	<b>4.4</b>	<b>3.5</b>	<b>3.0</b>

Source: AMC Model

Key matters relevant to AMC's capital and operating cost forecasts include:

- ▶ Evolution recently moved to an owner operator model the main earthmoving operation at Mt Rawdon. Contractors continue to be used from drilling, blasting and other earthworks (including expansion of the tailing storage facilities ("TSF") at Mt Rawdon).

- ▶ Operating costs of:
  - Open pit mining costs of \$1.3/t to \$7.5/t mined, increasing to \$10.7/t of ore mined in the final year of mining. Mining costs per tonne are lower in 2016 and 2017, as the significant capital outlay in those years for waste mined has been capitalised and included in capital development. In later years, mining costs represent both waste and ore mining.
  - Processing costs averaging \$11/t ore treated.
  - Administration costs averaging \$2.0/t ore treated.
- ▶ Processing costs in later years increases due to rehandle cost for reclaiming stockpiled material.
- ▶ Sustaining capital for 2016 is projected to be approximately \$20 million, with approximately \$40 million of the waste mining capitalized, and \$1.5 million allocated to exploration. An amount of \$2 million has been added for an additional 20 groundwater monitoring bores and groundwater remediation in 2016. An annual sustaining capital cost of \$7 million was included for the additional operational years for additional capital required for increased TSF capacity and major mining equipment rebuilds to extend the life of the mining fleet.
- ▶ Closure costs were increased to \$25.9 million to account for the full amount of the guarantee lodged with the Queensland state government.

#### Commodity prices and foreign exchange rates

Our adopted forecast commodity prices and foreign exchange rates are based on broker consensus estimates, forward prices and recent and spot prices and rates. Due to the recent high volatility in commodity markets, we have limited the broker reports considered to those published since 31 March 2015. We note that these prices represent our view of forecast prices and exchange rates that a market participant would apply when considering a transaction. It is important to note that the value of the mineral assets will be materially impacted by any significant change in commodity prices and exchange rates.

A summary of the data observed and our adopted gold prices and exchange rates for the valuation of Mt Rawdon are outlined below, presented on a real basis:

Gold - US\$/oz	2015	2016	2017	2018	2019	2020+
Low	1,147	1,043	989	979	1,041	1,100
First quartile	1,192	1,152	1,142	1,128	1,157	1,192
Mean	1,210	1,196	1,193	1,193	1,200	1,260
Median	1,211	1,221	1,204	1,210	1,186	1,295
Third quartile	1,228	1,230	1,240	1,251	1,244	1,313
High	1,250	1,331	1,373	1,371	1,368	1,400
<b>EY adopted</b>	<b>1,210</b>	<b>1,220</b>	<b>1,204</b>	<b>1,210</b>	<b>1,200</b>	<b>1,300</b>

Source: EY analysis

<b>AUD:USD</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020+</b>
Low	0.74	0.69	0.65	0.64	0.75	0.73
First quartile	0.77	0.75	0.76	0.78	0.77	0.75
Mean	0.78	0.76	0.77	0.77	0.79	0.78
Median	0.78	0.76	0.77	0.79	0.80	0.76
Third quartile	0.78	0.77	0.78	0.80	0.82	0.81
High	0.80	0.80	0.80	0.81	0.82	0.89
<b>EY adopted</b>	<b>0.78</b>	<b>0.76</b>	<b>0.77</b>	<b>0.79</b>	<b>0.80</b>	<b>0.76</b>

Source: EY analysis

The above adopted assumptions result in the following Australian dollar gold prices:

<b>Gold - A\$/oz</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020+</b>
Gold price	1,551	1,605	1,564	1,532	1,500	1,711

Source: EY analysis

### Taxation

We adopted the Australian corporate tax rate of 30%. In assessing taxable income we adopted Evolution's tax written down values. No carried forward tax losses were included in our analysis by project.

### Inflation

In restating the LOM plan from a real to nominal basis we applied an inflation rate of 2.5%.

### Discount rate

To value the Mt Rawdon Project using a DCF approach, we applied an A\$ based nominal post-tax discount rate range of between 9.0% and 10.0%. A detailed description of the discount rate determination is set out in Appendix D.

### Sensitivity analysis

The following outlines the valuation of the Mt Rawdon Project and its sensitivity to commodity prices – primarily the A\$ gold price. The table presents the impact of a 5% increase and decrease from our assumed base case prices along with our range of discount rates.

<b>(A\$m)</b>	<b>Commodity Price Change</b>		
	<b>-5.0%</b>	<b>0.0%</b>	<b>5.0%</b>
<b>Discount Rate</b>			
9.0%	153.5	198.8	244.2
9.5%	151.3	195.9	240.5
10.0%	149.1	193.0	236.8

Source: EY analysis

As shown in the table above, the value of the Mt Rawdon Project is highly sensitive to the A\$ gold price. Although production is forecast for 11 years, the discount rate applied has comparatively limited impact.

### Valuation range

We have assessed the value of the Mt Rawdon Project in a range of \$183.0 million to \$209.0 million. We note that the implied contained gold resource and reserve multiples are broadly consistent with the implied multiples of comparable companies.



### 6.1.3 Mt Carlton Project

We assessed the value of the Mt Carlton Project using the DCF approach. Cash flows for the Mt Carlton Project were based on LOM plans provided by Evolution management and adjusted by AMC. For the purposes of this assessment, AMC prepared one production case ("Mt Carlton Case").

The Mt Carlton Case is based on the Mt Carlton LOM plan prepared by Evolution adjusted by AMC for their views on the production profile based on current assumptions, along with their analysis of operating and capital costs throughout the LOM.

In valuing the Mt Carlton Project, EY undertook its own analysis to determine forecast gold prices and separately calculated an appropriate discount rate range.

#### Mt Carlton Case Overview

The operating statistics for the Mt Carlton Case are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Waste mined	kt	733	3,013	2,965	3,295	4,431	4,621	1,464	-
Ore mined	kt	247	930	973	644	975	1,090	936	-
Ore treated	kt	211	842	842	842	842	842	842	659
Gold head grade	gpt Au	4.3	4.1	3.6	4.6	4.0	3.3	3.8	-
Silver head grade	gpt Ag	11.4	23.8	31.4	26.3	11.1	20.1	11.7	-
Copper head grade	% Cu	0.22	0.24	0.37	0.43	0.18	0.42	0.24	-
Gold recovery	%	88.4%	88.4%	88.4%	88.4%	88.4%	88.4%	88.3%	86.9%
Silver recovery	%	81.1%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	79.5%
Copper recovery	%	94.3%	94.3%	93.2%	91.9%	93.7%	91.8%	92.7%	93.7%
Gold recovered	koz	23.9	95.7	95.7	95.7	95.7	95.7	84.7	57.2
Silver recovered	koz	66.9	456.0	669.0	605.3	299.7	412.1	336.1	188.0
Copper recovered	kt	0.4	1.9	2.8	3.0	1.7	3.0	2.5	1.4

Source: AMC Model

Key matters relevant to the Mt Carlton Case's production forecast are summarised as follows:

- ▶ The main earthmoving operation is in transition to owner-mining, after Evolution agreed to acquire the mining fleet, facilities, and operating spares from their mining contractor. The transition to owner-mining is expected to be completed by June 2015. Other mining activities carried out by contractors are drilling and blasting.
- ▶ The production case provided by AMC is based on the 31 December 2014 Ore Reserve estimate, with additional tonnage from Indicated Resources, with mining until 2021 and processing until 2022, resulting in an eight year LOM. The LOM plan includes total Ore Reserves and 74% of total Mineral Resources, with total ore mined of 5.795 Mt.
- ▶ The LOM plan assumes 842 Kt of throughput per annum, with 659 kt in the final year.
- ▶ Grades and recoveries, respectively, average across the LOM as follows:
  - Gold – 3.9 g/t, 88.3%
  - Silver – 20.0 g/t, 80.0%
  - Copper – 0.31%, 92.9%

► Total production across the life of mine is forecast to be as follows:

- Gold - 644,500 oz
- Silver – 3.03 Moz
- Copper – 16,700 tonnes

The table below summarises the key capital and operating costs associated with AMC's Case for the Mt Carlton Project. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Unit mining costs	\$/t mined	4.1	8.1	7.9	7.9	8.2	8.2	7.3	-	-	-	-	-
Unit processing costs	\$/t treated	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	-	-	-	-
Unit admin costs	\$/t treated	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	-	-	-	-
Expenditure type	Unit												
Sustaining	\$m	3.5	14.1	3.2	10.1	5.2	7.4	3.0	3.4	-	-	-	-
Capital Development	\$m	4.6	-	-	-	-	-	-	-	-	-	-	-
Resource Definition / Exploration	\$m	-	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Rehabilitation and Closure	\$m	-	-	-	1.0	1.0	2.0	3.0	6.0	6.0	6.0	2.1	3.0
<b>Total</b>	<b>\$m</b>	<b>8.1</b>	<b>15.1</b>	<b>4.2</b>	<b>12.1</b>	<b>7.2</b>	<b>10.4</b>	<b>7.0</b>	<b>9.4</b>	<b>6.0</b>	<b>6.0</b>	<b>2.1</b>	<b>3.0</b>

Source: AMC Model

Key matters relevant to AMC's capital and operating cost forecasts include:

- Evolution recently moved to an owner operator model for Mt Carlton.
- Operating costs of:
  - Excluding 2015, open pit mining costs of \$7.9/t to \$8.2/t mined, decreasing to \$18.7/t mined in the final year. Mining costs are considerably lower in 2015 due to fewer tonnes of waste ore mined.
  - Processing costs averaging \$35/t ore treated.
  - Administration costs averaging \$16/t ore treated.
- Sustaining capital expenditures of \$14.1 million.
- An amount of \$6 million was included over six years for ongoing exploration and resource definition drilling and studies to support the inclusion of the additional 1.5 Mtpa of Indicated Resources into the mine plan and to upgrade the knowledge of the existing deposit.
- Closure costs were increased to \$30.1 million closure cost to account for the full amount of the guarantee lodged with the state government.

### Commodity prices and foreign exchange rates

Our adopted forecast commodity prices are based on broker consensus estimates, presented on a real basis. Due to the recent high volatility in commodity markets, we have limited the broker reports considered to those published since 30 March 2015. We note that these prices represent our view of forecast prices that a market participant would apply when considering a transaction. It is important to note that the value of the mineral assets will be materially impacted by any significant change in commodity prices.

Our adopted gold prices and exchange rates are summarised in Section 6.1.2. A summary of the data observed and our selected commodity prices for silver and copper are outlined below:

<b>Silver - US\$/oz</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020+</b>
Low	16.4	15.6	13.4	15.2	15.6	13.0
First quartile	17.0	16.5	17.2	18.5	18.6	18.5
Mean	17.3	17.8	18.1	19.2	18.9	20.0
Median	17.2	17.6	18.0	19.4	19.2	20.1
Third quartile	17.5	18.6	19.1	20.1	19.7	21.7
High	18.2	20.0	21.2	21.9	21.0	24.0
<b>EY adopted</b>	<b>17.3</b>	<b>17.8</b>	<b>18.1</b>	<b>19.2</b>	<b>19.0</b>	<b>20.0</b>

Source: EY analysis

<b>Copper - US\$/lb</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020+</b>
Low	2.60	2.60	2.38	2.69	2.74	2.70
First quartile	2.74	2.67	2.65	2.95	2.89	2.96
Mean	2.81	2.84	2.93	3.11	3.11	3.03
Median	2.80	2.81	2.95	3.01	3.07	3.00
Third quartile	2.88	2.93	3.23	3.23	3.23	3.10
High	3.20	3.22	3.43	3.72	3.65	3.40
<b>EY adopted</b>	<b>2.80</b>	<b>2.81</b>	<b>2.95</b>	<b>3.01</b>	<b>3.07</b>	<b>3.00</b>

Source: EY analysis

### Taxation

We adopted the Australian corporate tax rate of 30%. In assessing taxable income we adopted Evolution's tax written down values. No carried forward tax losses were included in our analysis by project.

### Inflation

In restating the LOM plan from a real to nominal basis we applied an inflation rate of 2.5%.

### Discount rate

To value the Mt Carlton Project using a DCF approach, we applied an A\$ based nominal post-tax discount rate range of between 9.0% and 10.0%. A detailed description of the discount rate determination is set out in Appendix D.

### Sensitivity analysis

The following outlines the valuation of the Mt Carlton Project and its sensitivity to commodity prices – primarily the A\$ gold price. The table presents the impact of a 5% increase and decrease from our assumed base case prices along with our range of discount rates.

<b>(A\$m)</b>	<b>Commodity Price Change</b>		
	<b>-5.0%</b>	<b>0.0%</b>	<b>5.0%</b>
<b>Discount Rate</b>			
9.0%	339.6	372.1	404.6
9.5%	335.0	367.1	399.1
10.0%	330.6	362.2	393.8

Source: EY analysis

As shown in the table above, the value of the Mt Carlton Project is highly sensitive to the A\$ gold price. Given the LOM is eight years, the discount rate applied has comparatively limited impact.

### Valuation range

We have assessed the value of the Mt Carlton Project in a range of \$344.0 million to \$391.0 million. We note that the implied contained gold resource and reserve multiples are broadly consistent with the implied multiples of comparable companies, albeit on the high end of the multiples as a result of the silver and copper produced in addition to gold.

As noted in Section 4.5.13 in the AMC Report, Mt Carlton is a new open pit mine which commenced operation on the basis of mining two orebodies, V2 and A39. AMC's production case is based on the reported open-pit Mineral Resources and Ore Reserves remaining in V2 for which a mine plan has been prepared.

Additional Mineral Resources have been reported in extensions to V2, but no mine plan has been developed. As well, recent exploration has identified other targets which could contribute to future production, but more drilling is required before estimates of Mineral Resources can be reported. AMC considers that several deposits have the potential to extend the mining operations for another two years beyond Case 1 at similar annual tonnes and grade. This assumes that Evolution commits sufficient expenditure to ongoing exploration and resource definition drilling.

### 6.1.4 Edna May Project

We assessed the value of the Edna May Project using the DCF approach. Cash flows for the Edna May Project were based on LOM plans provided by Evolution management and adjusted by AMC. For the purposes of this assessment, AMC prepared two production cases:

- ▶ Edna May Case 1 is based on the Edna May LOM plan for the Edna May and Greenfinch pits as provided by Evolution, which includes the December 2014 open pit Ore Reserve, depleted for mining to 31 March 2015, plus approximately 2 Mt of mining and processing tonnages comprising Inferred Resources from existing Mineral Resources.
- ▶ Edna May Case 2 is based on the mining and processing tonnages included in Case 1, plus additional Indicated Resource from existing Mineral Resources that reasonably can be expected to be mined from the proposed underground operation below the Edna May pit. In Case 2, underground production is scheduled in parallel with the open pits. This results in the mine life for Case 2 being the same as for Case 1, as the additional mining tonnage equates to less than one third of the scheduled annual processing rate, with the additional tonnes from underground utilising available processing plant capacity in 2020, the final year of the schedule.

AMC has included low-grade oxide stockpile material that is currently classified as an Inferred Mineral Resource. This ore, when blended with open pit ore, contributes approximately 9% of the total mill feed tonnes and 3% of the contained gold over the LOM.

#### Edna May Case 1 Overview

The operating statistics included in Edna May Case 1 are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20
Waste mined	kt	4,359	8,747	4,542	3,274	8,125	-
Ore mined	kt	951	3,021	2,680	3,073	3,106	129
Ore treated	kt	808	2,800	2,800	2,800	2,800	1,009
Gold head grade	gpt Au	0.8	1.0	1.0	1.0	1.0	1.4
Gold recovery	%	93.9%	94.0%	94.0%	94.0%	94.0%	94.0%
Gold produced	koz	18.8	82.3	83.1	84.3	84.2	43.5

Source: AMC Model

Key matters relevant to the Edna May Case 1's production forecast are summarised as follows:

- ▶ Ore production is based on the six year LOM. The LOM plan includes all Ore Reserves and 38% of total Mineral Resources, with total ore mined of 12.960 Mt.
- ▶ The LOM plan assumes 2.8 Mt of throughput per annum, reducing to 1.0 Mt in the final year of operations.
- ▶ The gold head grade ranges from 0.8g/t to 1.4g/t across the LOM, averaging 1.0g/t.
- ▶ Metallurgical recoveries of 94% throughout the LOM.
- ▶ Total gold produced across the life of mine is forecast to be 396,300 oz

The table below summarises the key capital and operating costs associated with AMC's Case 1 for the Edna May Project. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21
Unit mining costs	\$/t mined	3.3	2.8	4.9	3.5	4.9	9.8	-
Unit processing costs	\$/t treated	14.2	16.0	16.0	16.0	16.0	16.0	-
Unit admin costs	\$/t treated	3.0	3.7	3.7	3.7	3.7	4.4	-
Expenditure type	Unit							
Initial / Expansion	\$m	-	-	-	-	-	-	-
Property, Plant & Equipment	\$m	-	4.0	3.2	3.2	3.2	3.2	-
Open Pit Capital Waste	\$m	2.4	23.2	-	9.1	-	-	-
Resource Definition	\$m	-	-	-	-	-	-	-
Closure Costs	\$m	-	-	-	-	1.3	4.3	6.7
<b>Total</b>	<b>\$m</b>	<b>2.4</b>	<b>27.2</b>	<b>3.2</b>	<b>12.3</b>	<b>4.5</b>	<b>7.5</b>	<b>6.7</b>

Source: AMC Model

Key matters relevant to AMC's capital and operating cost forecasts include:

- ▶ Operating costs of:
  - Open pit mining costs of \$2.8/t to \$4.9/t mined, increasing to \$9.8/t in the final year of operations.
  - Processing costs of \$16/t ore treated.
  - Administration costs averaging \$3.7/t ore treated.
- ▶ Plant and equipment costs include \$2 million for TSF lifts every three years, with operators indicating that construction will occur approximately every 15 months. Other sustaining capital of \$10.8 million which represents 1% to 2% of the estimated capital replacement cost of the plant has been provided.
- ▶ AMC has not included exploration expenditure for Case 1. The majority of capital expenditures related to capitalised waste costs.
- ▶ Closure costs total \$12.3 million which is forecast to be incurred over the final three years.

## Edna May Case 2 Overview

The operating statistics for Edna May Case 2 are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20
Waste mined	kt	4,359	8,747	4,542	3,274	8,125	-
Ore mined	kt	951	3,021	2,754	3,382	3,377	234
Ore treated	kt	808	2,800	2,800	2,800	2,800	1,767
Gold head grade	gpt Au	0.8	1.0	1.1	1.5	1.4	1.5
Gold recovery	%	93.9%	94.0%	93.9%	93.6%	93.6%	93.8%
Gold produced	koz	18.8	82.3	93.0	125.9	118.7	79.5

Source: AMC Model

Key matters relevant to the Edna May Case 2's production forecast are summarised as follows:

- ▶ Ore production is based on the six year LOM. The LOM plan includes all Ore Reserves and 79% of total Mineral Resources, with total ore mined of 13,718 Mt. Ore mined includes 758 Mt from the underground pit.
- ▶ Throughput is consistent with Case 1 at a rate of 2.8 Mtpa, reducing to 1.8 Mt in the final year of operations.
- ▶ The gold head grade ranges from 0.8g/t to 1.5g/t across the LOM, averaging 1.0g/t.
- ▶ Metallurgical recoveries of 94% throughout the LOM.
- ▶ Total gold produced across the life of mine is forecast to be 518,100 oz

The table below summarises the key capital and operating costs associated with AMC's Case 2 for the Edna May Project. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21
Unit mining costs (underground)	\$/t mined	-	-	97.1	96.2	94.8	101.7	-
Unit mining costs (open cut)	\$/t mined	3.3	2.8	4.9	3.3	4.8	2.2	-
Unit processing costs	\$/t treated	14.2	16.0	16.0	16.0	16.0	16.0	-
Unit admin costs	\$/t treated	3.0	3.7	3.7	3.7	3.7	2.5	-
Expenditure type	Unit							
Open Pit Capital Waste	\$m	2.4	23.2	-	9.1	-	-	-
Underground Capital Development	\$m	-	-	10.0	11.2	8.8	0.0	-
Underground Start up Capital	\$m	-	-	12.2	-	-	-	-
Resource Drilling	\$m	-	1.0	2.0	1.5	-	-	-
Property, Plant & Equipment	\$m	-	4.0	3.2	3.2	3.2	3.2	-
Closure Costs	\$m	-	-	-	-	1.3	4.3	6.7
<b>Total</b>	<b>\$m</b>	<b>2.4</b>	<b>28.2</b>	<b>27.4</b>	<b>25.0</b>	<b>13.3</b>	<b>7.5</b>	<b>6.7</b>

Source: AMC Model

Key matters relevant to AMC's capital and operating cost forecasts include:

- ▶ Operating costs of:
  - Mining costs have been split between those associated with open pit and underground mining.
  - Processing costs of \$16/t ore treated.
  - Administration costs averaging \$3.7/t ore treated.
- ▶ Plant and equipment costs include \$2 million for TSF lifts every three years, with operators indicating that construction will occur approximately every 15 months. Other sustaining capital of \$10.8 million which represents 1% to 2% of the estimated capital replacement cost of the plant has been provided.
- ▶ In Case 2 an allowance of \$4.5 million has been included for further resource drilling to increase resource confidence for the proposed Edna May underground operation.
- ▶ Underground capital has been included in Case 2 as detailed in the preliminary study for:
  - Start-up capital to re-establish access, underground services and primary ventilation airways.
  - Capital development.
- ▶ Similar to Case 1, closure costs total \$12.3 million which is forecast to be incurred over the final three years.

#### **Commodity prices and foreign exchange rates**

Refer to Section 6.1.2 for a summary of our methodology and adopted gold prices and exchange rates that were applied in the valuation of the Edna May Project.

#### **Taxation**

We adopted the Australian corporate tax rate of 30%. In assessing taxable income we adopted Evolution's tax written down values. No carried forward tax losses were included in our analysis.

#### **Inflation**

In restating the LOM plans from a real to nominal basis we applied an inflation rate of 2.5%.

#### **Discount rate**

To value the Edna May Project using a DCF approach, we applied an A\$ based nominal post-tax discount rate range of between 9.0% and 10.0%. A detailed description of the discount rate determination is set out in Appendix D.

#### **Sensitivity analysis**

The following outlines the valuation of the Edna May Project and its sensitivity to commodity prices – primarily the A\$ gold price. The table presents the impact of a 5% increase and decrease from our assumed base case prices along with our range of discount rates.

#### **Edna May Case 1:**

(A\$m)	Commodity Price Change		
	-5.0%	0.0%	5.0%
Discount Rate			
9.0%	65.6	89.9	109.2
9.5%	64.6	88.7	107.9
10.0%	63.6	87.4	106.5

Source: EY analysis

### Edna May Case 2:

(A\$m)	Commodity Price Change		
Discount Rate	-5.0%	0.0%	5.0%
9.0%	93.9	118.7	142.6
9.5%	92.3	116.8	140.5
10.0%	90.7	115.0	138.4

Source: EY analysis

As shown in the table above, the value of the Edna May Project is highly sensitive to the A\$ gold price. Given the LOM is six years, the discount rate applied has comparatively limited impact.

### Valuation range

We have assessed the value of the Edna May Project in a range of \$84.0 million to \$123.0 million. We note that the implied contained gold resource and reserve multiples are broadly consistent with the implied multiples of comparable companies, albeit at the low end, reflecting Edna May's higher operating costs.

### 6.1.5 Cracow Project

We assessed the value of the Cracow Project using the DCF approach. Cash flows for the Cracow Project were based on LOM plans provided by Evolution management and reviewed by AMC. For the purposes of this assessment, AMC prepared two production cases.

- ▶ Cracow Case 1 is based on the current underground operation and Evolution's 2014 Ore Reserve statement, depleted to 31 March 2015, plus additional material from conversion of Inferred Resources yet to be fully evaluated for mining.
- ▶ Cracow Case 2 is based on the mining and processing tonnages included in Case 1, extended by one year, based on conversion of additional Inferred Resources.

In valuing the Cracow Project, EY undertook its own analysis to determine forecast gold and silver prices and separately calculated an appropriate discount rate range.

### Cracow Case 1 Overview

The operating statistics for Cracow Case 1 are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18
Waste mined	kt	56	255	214	49
Ore mined	kt	137	550	550	550
Ore treated	kt	137	550	550	550
Gold head grade	gpt Au	5.5	5.2	5.1	4.9
Gold recovery	%	93.5%	93.5%	93.5%	93.5%
Gold produced	koz	22.8	85.4	84.6	81.7

Source: AMC Model

Key matters relevant to the Cracow Case 1's production forecast are summarised as follows:

- ▶ Ore production is based on the four year LOM. The LOM plan includes all Ore Reserves and 39% of total Mineral Resources, with total ore mined of 1.788 Mt.
- ▶ The LOM plan assumes 550 kt of throughput per annum.
- ▶ The gold head grade ranges from 4.9g/t to 5.5 g/t across the LOM, averaging 5.1g/t.
- ▶ Metallurgical recoveries of 93.5% throughout the LOM.



- ▶ Total gold produced across the life of mine is forecast to be 274,400 oz

The table below summarises the key capital and operating costs associated with AMC's Case 1 for the Cracow Project. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19
Unit mining costs	\$/t mined	51.2	49.2	51.8	52.3	-
Unit processing costs	\$/t treated	35.0	35.0	35.0	35.0	-
Unit admin costs	\$/t treated	18.0	20.0	20.0	15.0	-
Expenditure type	Unit					
Initial / Expansion	\$m	-	-	2.0	-	-
Sustaining	\$m	2.5	10.8	6.0	2.4	-
Capital Development	\$m	4.2	20.8	7.0	-	-
Resource Definition / Exploration	\$m	1.0	4.0	2.0	-	-
Rehabilitation and Closure	\$m	-	-	-	5.0	7.5
<b>Total</b>	<b>\$m</b>	<b>7.7</b>	<b>35.6</b>	<b>17.0</b>	<b>7.4</b>	<b>7.5</b>

Source: AMC Model

Key matters relevant to AMC's capital and operating cost forecasts include:

- ▶ Operating costs of:
  - Mining costs of \$49/t to \$52/t mined. Mining costs are high reflecting the project's underground operations.
  - Processing costs of \$35/t ore treated.
  - Administration costs averaging \$18/t ore treated.
- ▶ Capital costs include exploration costs to account for the inclusion of production from Mineral Resources.
- ▶ Closure costs total \$12.5 million which is forecast to be incurred over the final three years.

### Cracow Case 2 Overview

The operating statistics for Cracow Case 2 are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18	FY19
Waste mined	kt	56	255	214	273	49
Ore mined	kt	137	550	550	550	550
Ore treated	kt	137	550	550	550	550
Gold head grade	gpt Au	5.5	5.2	5.1	4.9	4.5
Gold recovery	%	93.5%	93.5%	93.5%	93.5%	93.5%
Gold produced	koz	22.8	85.4	84.6	81.7	74.4

Source: AMC Model

Key matters relevant to the Cracow Case 2's production forecast are summarised as follows:

- ▶ Ore production is based on the five year LOM. The LOM plan includes all Ore Reserves and 49% of total Mineral Resources, with total ore mined of 2.338 Mt.
- ▶ Similar to Case 1, the LOM plan assumes 550 kt of throughput per annum.
- ▶ The gold head grade ranges from 4.5g/t to 5.5 g/t across the LOM, averaging 5.0g/t.
- ▶ Metallurgical recoveries of 93.5% throughout the LOM.
- ▶ Total gold produced across the life of mine is forecast to be 348,400 oz

The table below summarises the key capital and operating costs associated with AMC's Case 1 for the Cracow Project. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20
Unit mining costs	\$/t mined	51.2	49.2	51.8	48.1	52.3	-
Unit processing costs	\$/t treated	35.0	35.0	35.0	35.0	35.0	-
Unit admin costs	\$/t treated	18.0	20.0	20.0	20.0	15.0	-
Expenditure type	Unit						
Initial / Expansion	\$m	-	-	2.0	-	-	-
Sustaining	\$m	2.5	10.8	6.0	2.4	0.7	-
Capital Development	\$m	4.2	20.8	17.1	7.0	-	-
Resource Definition / Exploration	\$m	1.0	4.0	4.0	2.0	-	-
Rehabilitation and Closure	\$m	-	-	-	-	5.0	7.5
<b>Total</b>	<b>\$m</b>	<b>7.7</b>	<b>35.6</b>	<b>29.1</b>	<b>11.4</b>	<b>5.7</b>	<b>7.5</b>

Source: AMC Model

Key matters relevant to AMC's capital and operating cost forecasts include:

- ▶ Operating costs, consistent with Case 1, of:
  - Mining costs of \$49/t to \$52/t mined.
  - Processing costs of \$35/t ore treated.
  - Administration costs averaging \$18/t ore treated.
- ▶ Capital costs include exploration costs to account for the inclusion of production from Mineral Resources. Case 2 includes additional costs compared to Case 1 to account for the further Mineral Resources included in the production forecast.
- ▶ Similar to Case 1, closure costs total \$12.5 million which is forecast to be incurred over the final three years.

### Commodity prices and foreign exchange rates

Refer to Section 6.1.2 for a summary of our methodology and adopted gold prices and exchange rates that were applied in the valuation of the Cracow Project.

### Taxation

We adopted the Australian corporate tax rate of 30%. In assessing taxable income we adopted Evolution's tax written down values. No carried forward tax losses were included in our analysis.

### Inflation

In restating the LOM plans from a real to nominal basis we applied an inflation rate of 2.5%.

### Discount rate

To value the Cracow Project using a DCF approach, we applied an A\$ based nominal post-tax discount rate range of between 9.0% and 10.0%. A detailed description of the discount rate determination is set out in Appendix D.

### Sensitivity analysis

The following outlines the valuation of the Cracow Project and its sensitivity to commodity prices – primarily the A\$ gold price. The table presents the impact of a 5% increase and decrease from our assumed base case prices along with our range of discount rates.

#### Cracow Case 1:

(A\$m)	Commodity Price Change		
Discount Rate	-5.0%	0.0%	5.0%
9.0%	89.1	107.6	121.4
9.5%	88.4	106.7	120.5
10.0%	87.7	105.9	119.6

Source: EY analysis

#### Cracow Case 2:

(A\$m)	Commodity Price Change		
Discount Rate	-5.0%	0.0%	5.0%
9.0%	97.5	116.1	132.9
9.5%	96.5	115.0	131.7
10.0%	95.5	113.9	130.5

Source: EY analysis

As shown in the table above, the value of the Cracow Project is highly sensitive to the A\$ gold price. Given the LOM is four to five years, the discount rate applied has comparatively limited impact.

### Valuation range

We have assessed the value of the Cracow Project in a range of \$101.0 million to \$121.0 million. We note that the implied contained gold resource and reserve multiples are broadly consistent with the implied multiples of comparable companies, albeit at the low end of the multiples reflecting the underground operation and its short mine life.

As noted in Section 4.4.14 in the AMC Report, based on historic exploration success at the deposit, it is reasonable to expect that operations will continue well beyond what can be scheduled on the basis of reported Mineral Resources and Ore Reserves.

Exploration at Cracow has identified new veins and extensions to existing veins which are likely to contribute to future production, but more drilling is required before estimates of Mineral Resources can be reported. These include Empire Deeps, Tipperary, Coronation, Griffin, and Imperial, which AMC considers have the

potential to extend the mining operations for another two years beyond Case 2 at similar annual tonnes and grade. This assumes that Evolution commits sufficient expenditure to ongoing exploration and resource definition drilling.

### 6.1.6 Pajingo Project

We assessed the value of the Pajingo Project using the DCF approach. Cash flows for the Pajingo Project were based on LOM plans provided by Evolution management and adjusted by AMC. For the purposes of this assessment, AMC prepared two production cases.

- ▶ Pajingo Case 1 is based on the 31 December 2014 underground Ore Reserves, plus substantial additional material comprising remnant Mineral Resources, Mineral Resources yet to be fully evaluated for mining and exploration targets. No open-pit mining is proposed, although there is some potential for a small amount of low-grade production.
- ▶ Pajingo Case 2 is based on the mining and processing tonnages included in Case 1 and includes the conversion of Inferred Resources to Ore Reserves and exploration and conversion of the exploration target, resulting in the addition of two years to the LOM.

In valuing the Pajingo Project, EY undertook its own analysis to determine forecast gold prices and separately calculated an appropriate discount rate range.

#### Pajingo Case 1 Overview

The operating statistics for Case 1 are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18
Waste mined	kt	35	142	142	-
Ore mined	kt	89	394	384	400
Ore treated	kt	89	394	384	400
Gold head grade	gpt Au	6.0	5.8	5.6	4.9
Gold recovery	%	95.0%	95.0%	95.0%	95.0%
Gold produced	koz	16.5	69.6	65.5	59.6

Source: AMC Model

Key matters relevant to the Pajingo Case 1's production forecast are summarised as follows:

- ▶ Ore production is based on three years of mining, with ore processing continuing into the fourth year. The LOM plan includes all Ore Reserves and 26% of total Mineral Resources, with total ore mined of 1.267 Mt.
- ▶ The LOM plan assumes processing throughput of 0.4 Mtpa.
- ▶ The gold head grade ranges from 4.9g/t to 6.0g/t across the LOM, averaging 5.4g/t.
- ▶ Metallurgical recoveries of 95% throughout the LOM.
- ▶ Total gold produced across the life of mine is forecast to be 52,800 oz

The table below summarises the key capital and operating costs associated with AMC's Case 1 for the Pajingo Project. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19
Unit mining costs	\$/t mined	57.3	58.8	58.4	65.0	-
Unit processing costs	\$/t treated	40.0	40.0	40.0	40.0	-
Unit admin costs	\$/t treated	22.0	22.0	20.0	18.0	-
Expenditure type	Unit					
Initial / Expansion	\$m	-	-	-	-	-
Sustaining	\$m	1.9	7.0	4.0	1.0	-
Capital Development	\$m	3.3	13.3	6.6	-	-
Resource Definition / Exploration	\$m	0.5	4.0	2.0	-	-
Rehabilitation and Closure	\$m	-	-	3.0	3.0	8.5
<b>Total</b>	<b>\$m</b>	<b>5.7</b>	<b>24.3</b>	<b>15.6</b>	<b>4.0</b>	<b>8.5</b>

Source: AMC Model

Key matters relevant to AMC's capital and operating cost forecasts include:

- ▶ Operating costs of:
  - Underground mining costs of \$57/t to \$65/t mined.
  - Processing costs of between \$40/t ore treated.
  - Administration costs of \$22/t ore treated.
- ▶ Sustaining capital for the processing plant is planned at approximately \$1.25M per year until 2018, and tapering off in the final two years of the mine. This represents approximately 2% of the replacement cost of the plant. Approximately \$2.0 million per year for five years (2015 to 2019) is provided for construction of lifts to expand the capacity of TSF.
- ▶ Closure costs are forecast to total \$14.5 million.

### Pajingo Case 2 Overview

The operating statistics for Case 2 are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20
Waste mined	kt	35	142	142	142	71	-
Ore mined	kt	89	394	384	400	400	400
Ore treated	kt	89	394	384	400	400	400
Gold head grade	gpt Au	6.0	5.8	5.6	4.9	4.9	4.8
Gold recovery	%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Gold produced	koz	16.5	69.6	65.5	59.6	59.6	58.6

Source: AMC Model

Key matters relevant to the Pajingo Case 2's production forecast are summarised as follows:

- ▶ Ore production is based on five years of mining, with ore processing continuing into the sixth year. The LOM plan includes all Ore Reserves and 40% of total Mineral Resources, with total ore mined of 2.067.4 Mt.
- ▶ The LOM plan assumes processing throughput of 0.4 Mtpa.
- ▶ The gold head grade ranges from 4.9g/t to 6.0g/t across the LOM, averaging 5.4g/t.
- ▶ Metallurgical recoveries of 95% throughout the LOM.
- ▶ Total gold produced across the life of mine is forecast to be 52,800 oz

The table below summarises the key capital and operating costs associated with AMC's Case 2 for the Pajingo Project. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21
Unit mining costs	\$/t mined	57.3	58.8	58.4	59.1	68.0	65.0	-
Unit processing costs	\$/t treated	40.0	40.0	40.0	40.0	40.0	40.0	-
Unit admin costs	\$/t treated	22.0	22.0	22.0	22.0	20.0	18.0	-
Expenditure type	Unit							
Initial / Expansion	\$m	-	-	-	-	-	-	-
Sustaining	\$m	1.9	7.0	7.3	7.3	4.0	1.0	-
Capital Development	\$m	3.3	13.3	13.3	13.3	6.6	-	-
Resource Definition / Exploration	\$m	0.5	4.0	4.0	4.0	2.0	-	-
Rehabilitation and Closure	\$m	-	-	-	-	3.0	3.0	8.5
<b>Total</b>	<b>\$m</b>	<b>5.7</b>	<b>24.3</b>	<b>24.6</b>	<b>24.6</b>	<b>15.6</b>	<b>4.0</b>	<b>8.5</b>

Source: AMC Model

- ▶ Mining, processing and administrative costs are all consistent with those adopted in Case 1.
- ▶ AMC increased the exploration expenditure in Case 2 to account for the assumed conversion to Ore Reserves of Inferred Resources and exploration target scheduled for production in the later years.

### Commodity prices and foreign exchange rates

Refer to Section 6.1.2 for a summary of our methodology and adopted gold prices and exchange rates that were applied in the valuation of the Pajingo Project.

### Taxation

We adopted the Australian corporate tax rate of 30%. In assessing taxable income we adopted Evolution's tax written down values. No carried forward tax losses were included in our analysis.

### Inflation

In restating the LOM plans from a real to nominal basis we applied an inflation rate of 2.5%.

### Discount rate

To value the Pajingo Project using a DCF approach, we applied an A\$ based nominal post-tax discount rate range of between 9.0% and 10.0%. A detailed description of the discount rate determination is set out in Appendix D.

### Sensitivity analysis

The following outlines the valuation of the Pajingo Project and its sensitivity to commodity prices – primarily the A\$ gold price. The table presents the impact of a 5% increase and decrease from our assumed base case prices along with our range of discount rates.

#### Pajingo Case 1:

(A\$m)	Commodity Price Change		
Discount Rate	-5.0%	0.0%	5.0%
9.0%	64.4	74.8	85.1
9.5%	64.0	74.3	84.5
10.0%	63.6	73.8	84.0

Source: EY analysis

#### Pajingo Case 2:

(A\$m)	Commodity Price Change		
Discount Rate	-5.0%	0.0%	5.0%
9.0%	65.6	80.7	95.8
9.5%	64.9	79.8	94.7
10.0%	64.1	78.9	93.6

Source: EY analysis

As shown in the table above, the value of the Pajingo Project is highly sensitive to the A\$ gold price. Given the LOM is four to six years, the discount rate applied has comparatively limited impact.

### Valuation range

We have assessed the value of the Pajingo Project in a range of \$71.0 million to \$84.0 million. We note that the implied contained gold resource and reserve multiples are broadly consistent with the implied multiples of comparable companies, albeit at the low end of the multiples reflecting the underground operation and its short mine life.

As noted in Section 4.2.14 in the AMC Report, due to the type of gold mine, Pajingo only has a few years of identified Mineral Resources and Ore Reserves at any point in time. Ongoing exploration and resource definition is required to replace mine production and sustain the operation. Pajingo commenced underground mining operations in 1996, and has maintained production for almost 20 years. The tenements have not yet been exhaustively explored, as demonstrated by the recent Camembert discovery. On this basis it is reasonable to expect that operations will continue well beyond that which can be scheduled on the basis of reported Mineral Resources and Ore Reserves.

Exploration at Pajingo has identified new veins and extensions to existing veins which are likely to contribute to future production, but more drilling is required before estimates of Mineral Resources can be reported. AMC considers the surrounding area to have the potential to extend the mining operations for another two years beyond Case 2 at similar annual tonnes and grade. This assumes that Evolution commits sufficient expenditure to ongoing exploration and resource definition drilling.

## 6.1.7 Exploration

The value of Evolution's exploration assets has been assessed by AMC. Further details of Evolution's exploration assets are detailed in Section 5 of the AMC Report, with valuation methodologies discussed in Section 2.

The exploration values pertain to the areas located in the area adjacent and surrounding Evolution's producing mines. To assess a value for these areas, which do not have a JORC compliant Mineral Resource, AMC applied a value per unit area to account for the future prospectivity of the area.

For the Twin Hills deposit, which has an Inferred Mineral Resource, AMC applied a yardstick valuation methodology.

The valuation assumptions used by AMC are summarised in the following table:

Fair value of exploration assets					
	Area (km <sup>2</sup> )	Multiple - Low (\$/km <sup>2</sup> )	Multiple - High (\$/km <sup>2</sup> )	Low (\$m)	High (\$m)
Edna May	518	2,000	4,000	1.0	2.1
Pajingo	1,403	3,000	6,000	4.2	8.4
Mt Raw don	205	1,000	2,000	0.2	0.4
Cracow	515	4,000	7,000	2.1	3.6
Mt Carlton	1,005	3,000	6,000	3.0	6.0
Tw in Hills				1.0	4.0
Total				11.5	24.5

Source: AMC Report

AMC has valued Evolution's exploration assets in the range of \$11.5 million to \$24.5 million.

## 6.1.8 Other assets and liabilities

### Inventory

For financial reporting purposes, consumables, work in progress and finished goods inventories are physically measured or estimated and valued at the lower of cost and net realisable value. Cost comprises direct material, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Based on our review of the composition of the inventory balances, we concluded that any fair value adjustments to the book value of inventory would be immaterial. As a result, we included the book value as at Mar15 from Evolution's management accounts as the fair value of the inventory, which includes finished goods and work-in-progress. These amounts have not been included in the LOM models prepared by AMC. The total value for inventory we have included in our assessment is \$44 million.

### Available-for-sale financial assets

Evolution has investments in three ASX listed companies: Monto, Emmerson and Phoenix Gold. The value of Evolution's available for sale financial assets were marked to market as at Mar15 for financial reporting purposes. To account for any share price movement since that date, we applied the closing share price on 1 June 2015 for each of the investments. Due to the immaterial combined value of the investments, we have not sought to include a liquidity discount to account for the lack of liquidity caused by the lack of trading in these companies. The fair value of Evolution's investment in ASX listed companies was assessed at \$4.0 million.



### **Corporate costs**

Evolution incurs corporate costs that have not been included in the valuation of its mining assets. Corporate costs include administration costs related to its mining and exploration operations and head office costs. Evolution management estimated corporate costs to be approximately \$20.0 million per year, reducing over time to \$15.0 million once the operations at its shorter life mines have ceased. In assessing the present value of the corporate costs, we applied a discount rate range of 9.0% to 10.0% to the tax affected cash flows.

### **Net debt**

At Mar15, Evolution's net debt consisted of \$116.5 million in interest bearing debt and \$32.5 of cash.

### **Tax assets**

The tax asset value represents the present value of the expected benefit of Evolution's carried forward tax losses as well as the present value of the benefit of consolidating Evolution's operations for tax purposes. Each DCF is conducted on a standalone basis; therefore, the benefit of allowing unutilised tax deductions to be applied against assessable income from other projects is not captured in the standalone DCF assessments. Unutilised tax deductions include:

- ▶ Deductions relating to rehabilitation and mine closure costs;
- ▶ Corporate overhead/head office cost deductions; and
- ▶ Deductions from losses on hedge contracts.

We have not allocated Evolution's carried forward tax losses, which estimate would be approximately \$215 million at 31 March 2015 to any particular project, as such they are only considered in the consolidated tax calculations. The difference between the tax payable under the consolidated tax calculations and the sum of the tax payable from each individual project represents the tax benefit. These amounts are then discounted to calculate the present value.

### **Provisions**

At Mar15, Evolution's restoration and rehabilitation provision for financial reporting purposes was \$79.3 million. This provision represents the Company's obligation to restore operating locations, including dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation, revegetation and monitoring of affected areas.

AMC has reviewed the costs and made adjustments where necessary within the production cases. As a result, all restoration and rehabilitation costs have been included in the project values and therefore no further deduction for these provisions is required.

### **Other non-operating assets and liabilities**

Other non-operating assets and liabilities include working capital excluded from the valuation of the operating projects and gold sale contracts.

For reporting purposes, due to the nature of the gold sale contracts, there is no asset or liability recorded. To account for the difference between our forecast gold prices and the prices that Evolution will receive when it sells a portion of its gold produced, we have calculated the differential and have included the present value as a liability.

## **6.1.9 Cowal Gold Mine**

As a result of the Cowal Transaction, which is expected to be closed at the end of July 2015, Evolution will acquire the Cowal Gold Mine and its related exploration tenements. Given the agreement to acquire the shares in Cowal was completed as part of a competitive bid process, and due to the recent nature of the transaction, we have reflected the price to be paid by Evolution as representative of its current fair value. As a result, we have adopted the purchase price as the fair value of the Cowal Gold Mine. We have also included the debt that will be used to finance the transaction of \$504.0 million.

## 6.1.10 Valuation cross check

### Comparison to recent trading prices

On a minority interest basis, assuming a minority discount of 23% (representing the inverse of a control premium of 30%), our value of an Evolution share prior to consideration of the Cowal Transaction of \$0.94 to \$1.19 on a 100% basis is restated to a range of \$0.73 and \$0.92. This range is consistent with the prices Evolution's shares traded on the ASX prior to the announcement of the Proposed Transaction, with the exception of the period between mid-January and early March 2015, when the Australian gold price was at or around \$1,600/oz. The closing price of Evolution on 17 April 2015, the last trading day before the announcement of the La Mancha Transaction, was \$0.93. We note that the closing share price on 26 March 2015, being the last trading day prior to the commencement of observable market speculation of an impending transaction, was \$0.85 per share.

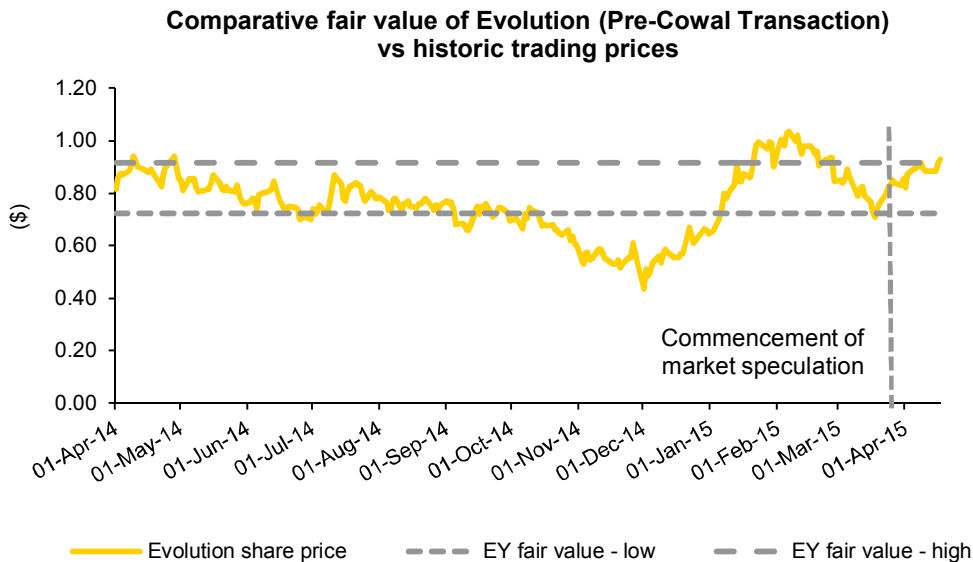
As discussed further in Section 8.3.6, since the announcement of the Proposed Transaction to 18 June 2015, Evolution's share price has had a volume weighted average price of approximately \$1.15 and has reached as high as \$1.30, which occurred on the 18 June 2015. On the same day the share price closed at \$1.26. The increase in share price may reflect a combination of:

- ▶ the resultant performance of gold equities as seen through the ASX All Ordinaries Gold Index slightly increasing from 26 March 2015 to 18 June 2015.
- ▶ Evolution's positive first quarter results, announced on 20 April 2015;
- ▶ anticipated synergies created by the Proposed Transaction;
- ▶ re-rating of the Company as a result of the anticipated completion of the Proposed Transaction;
- ▶ Limited impact by the gold price as the spot price for gold and US\$:A\$ exchange rate remained consistent over the same time period; and
- ▶ Minimal movement in Evolution's share price upon the announcement of the Cowal Transaction and the lifting of the trading halt leading up to the announcement.

Based on our analysis presented in Section 3.6, Evolution's shares appear to be well traded with a significant institutional shareholder base. As such, the shares appear to be readily marketable. In addition, the market appears to be well informed as to Evolution's performance and prospects and therefore its trading price in a liquid market is likely to be reflective of market value.

As a result, to cross check our value range, we compared our per share value of Evolution pre-Cowal Transaction on a minority interest basis in the range of \$0.76 and \$0.88 to its recent trading history.

The following chart illustrates the value range on a minority interest basis compared to Evolution's trading price from 1 April 2014 to 17 April 2015.



Source: EY analysis and S&P Capital IQ

Our valuation range is consistent with the prices Evolution's shares traded on the ASX prior to the announcement of the Proposed Transaction, with the exception of the period between mid-January and early March 2015, which may have been positively influenced by the gold price reaching A\$1,600/oz.

### Comparison to broker valuations

As a high level cross check of our valuation range, we reviewed the share valuations of various brokers based on their estimation of net present value per share in the days following the announcement of the Proposed Transaction. Based on the reports reviewed, our valuation range, on a controlling interest basis of \$0.94 to \$1.19 is broadly consistent with the views of the brokers.

### Trading multiples of comparable companies

To assess the reasonableness of the values assessed for Evolution, we compared the contained gold resource multiples implied from our valuation range inclusive of the Cowal Transaction with resource multiples calculated for broadly comparable listed companies with producing gold projects.

The implied multiples from our valuation range of Evolution are presented in the table below.

<b>Evolution Implied Resource Multiples</b>	<b>Low</b>	<b>High</b>
Fair value of Evolution (\$m)	865	1,042
Add: Net interest bearing debt (\$m)	591	591
Enterprise value (\$m)	1,456	1,633
Attributable Mineral Resources to Evolution (Moz)	8.4	8.4
Attributable Ore Reserves to Evolution (Moz)	3.8	3.8
EV/oz of contained Au equivalent resources (A\$/oz)	173	194
EV/oz of contained Au equivalent reserves (A\$/oz)	383	430

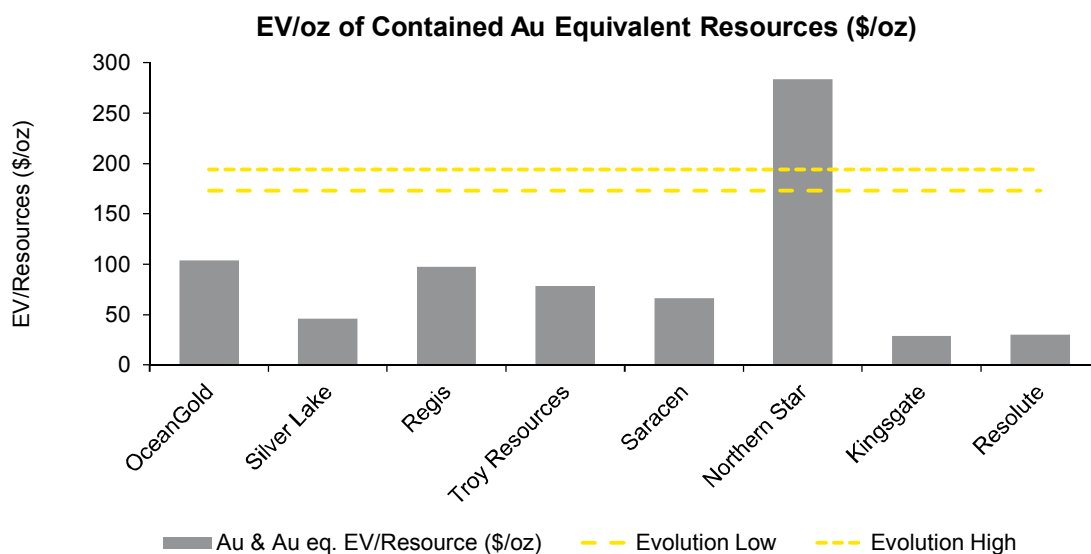
Source: EY analysis

On the basis that our assessment of the fair value of Evolution is on a 100% basis, which implicitly includes a control premium, we have considered the trading multiples inclusive of a premium for control. In our assessment of the appropriate control premium applicable to our trading multiple analysis, we have considered:

- ▶ The median bid premium paid on global transactions across all industries in the 12 months to December 2014 was 27% based on 145 transactions.
- ▶ The median bid premium paid on transactions within the Mining industry in the 12 months to December 2014 was 39% based on 40 transactions.
- ▶ The median bid premium paid on transactions within the Metals Mining sector in the 12 months to December 2014 was 80% based on 10 transactions. Of those transactions, only three had transaction values greater than \$100 million, which had an average premium of 60%. Premiums for metals mining companies ranged from negative 63% to 143%.
- ▶ The range of control premiums consistently referred to in Australia is generally between 20% and 40%<sup>1</sup>, which recognises that such premiums will vary from circumstance to circumstance.

Based on the above, we have adopted a control premium of 30%.

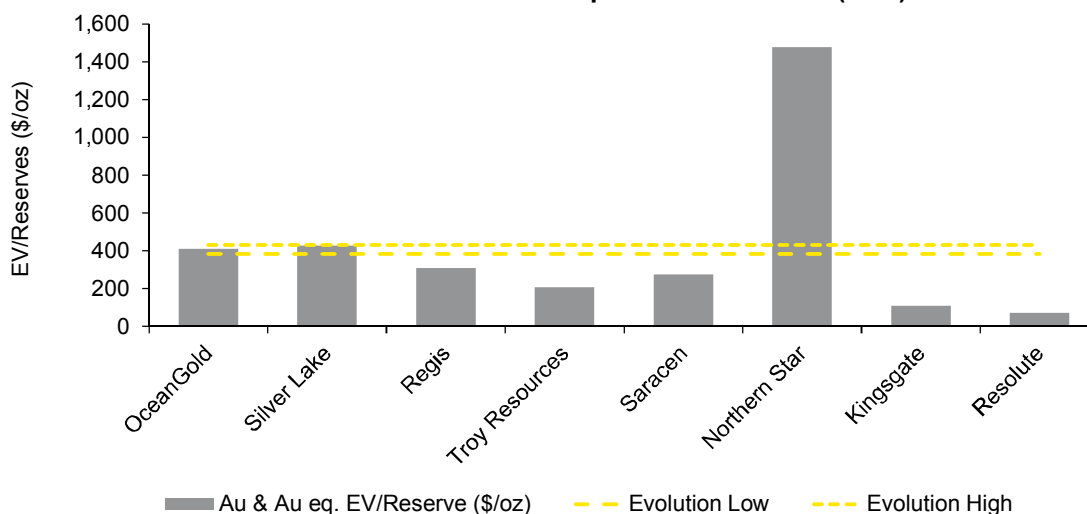
The implied EV/oz of contained gold equivalent multiples based on Mineral Resources (EV/oz of Contained Au Equivalent Resources) and EV/oz of contained Au equivalent multiples based on Ore Reserves (EV/oz of Contained Au Equivalent Reserves) for each of the comparable companies is shown in the graphs below.



Source: Annual Reports, ASX announcements and S&P Capital IQ

<sup>1</sup> Lonergan, W, *The Valuation of Businesses, Shares and Other Equity* 4th Edition, 2003

### EV/oz of Contained Au Equivalent Reserves (\$/oz)



Source: Annual Reports, ASX announcements and S&P Capital IQ

The analysis of EV/oz of Contained Au Equivalent Resources shows the trading multiples of gold producers have a median of \$78/oz and mean of \$117/oz, with a range of \$30/oz to \$284/oz. These multiples compare to the implied EV/oz of contained Au equivalent resources multiples for Evolution that range from \$173/oz to \$194/oz on a whole of company basis inclusive of the Cowal Transaction.

The analysis of EV/oz of Contained Au Equivalent Reserves shows the trading multiples of gold producers have a median of \$310/oz and mean of \$445/oz, with a range of \$73/oz to \$1,478/oz. These multiples compare to the implied EV/oz of Contained Au Equivalent Resources multiples for Evolution range from \$383/oz to \$430/oz on a whole of company basis inclusive of the Cowal Transaction.

The following table summarises key statistics for each of the companies presented in the chart above. A summary description of the companies is contained in Appendix D.

Company	EV (AUDm)	Reserves/	Resources	Reserves	Resources	Production	
		Resources %	(Moz)	(Moz)	Grade (%)	(rounded) (oz)	Location of key projects
Evolution	1,194	44.6%	5.01	2.24	1.50	430,000	Australia
OceanGold	1,256	25.3%	12.17	3.08	1.32	310,000	New Zealand, Philippines
Silver Lake	124	10.7%	2.36	0.25	4.43	210,000	Australia
Regis	825	31.6%	8.01	2.53	0.97	270,000	Australia
Troy Resources	151	37.6%	1.76	0.66	3.47	130,000	Guyana
Saracen	475	24.0%	6.88	1.65	1.62	130,000	Australia
Northern Star	1,605	19.2%	6.18	1.19	4.17	220,000	Australia
Kingsgate	317	26.3%	10.34	2.72	1.07	210,000	Australia, Thailand
Resolute	331	42.4%	9.53	4.04	1.46	340,000	Mali, Australia

Source: EY research, company reports

We note that the implied multiples for Evolution are generally higher than the comparable companies when compared to the Mineral Resource multiples and are consistent with comparable companies on an Ore Reserve basis. Further explanation of the differences is as follows:

- ▶ Due to the nature of mining operations, there can be significant differences between mining assets including the size of the Mineral Resources and Ore Reserves, gold grade, location, annual production, type of mining operation, the presence of other metals and the cost of infrastructure. As a result, no mining operation will be comparable to the subject asset or company in all aspects. The use of resource multiples of comparable companies provides an indication of value at best.

- ▶ Evolution has a higher proportion of Ore Reserves to Mineral Resources compared to the majority of the peer group and may be interpreted to reflect a 'quality' premium, resulting in higher Mineral Resource multiples.
- ▶ Evolution's resource multiples includes only a small amount of Mineral Resources from non-operating projects, whereas most of the comparable companies have some level of Mineral Resources associated to exploration assets. As a result, the multiples of the comparable companies will be lower.
- ▶ Some of the comparable companies produce other commodities besides gold, reducing their multiple on a gold equivalent basis.
- ▶ OceanaGold Corporation ("OceanaGold") is comparable to Evolution in terms of its annual production being approximately 431koz gold equivalent for the year ended 31 December 2014, which is similar to Evolution's 428koz gold equivalent for the year ended 30 June 2014. It also has a similar market capitalisation to Evolution, and produces off similar yet slightly lower grades compare to Evolution. However, OceanaGold's key projects are located in Philippines and New Zealand and the company has more Mineral Resources and Ore Reserves compared to Evolution.
- ▶ Silver Lake Resources Limited's ("Silver Lake") projects are located in Australia, which is comparable to Evolution's project locations. It has much lower market capitalisation and Mineral Resources and Ore Reserves compared to Evolution. However, it produces gold off of much higher grades, and reported a production of 215koz of gold during the year ended 30 June 2014.
- ▶ Regis Resources Limited ("Regis") has its key projects located in Australia. It has more Mineral resources and Ore Reserves than Evolution. However Regis produces lower production off of lower grades, having reported annual production of 271koz of gold for the year ended 30 June 2014. This is also reflected on its smaller market capitalisation. The company has a comparatively high proportion of Ore Reserves to Mineral Resources compared to the peer group, yet still slightly lower than Evolution's proportion.
- ▶ Troy Resources Limited ("Troy") has much lower market capitalisation and Mineral Resources and Ore Reserves compared to Evolution. However, it produces gold off of much higher grades, and reported a production of 133koz of gold equivalent during the year ended 30 June 2014. Troy has the closest proportion of Ore Reserves to Mineral Resources ratio with Evolution compared to the peer group. The company has its key project located in Guyana, South America.
- ▶ Saracen Mineral Holdings Limited's ("Saracen") key projects are located in Australia, which is comparable to Evolution's project locations. It also produces off similar grades compared to Evolution. Saracen has slightly higher level of Mineral Resources and lower level of Ore Reserves compared to Evolution, reflecting its lower proportion of Ore Reserves to Mineral Resources ratio. It has a lower market capitalisation and reported production of 133koz of gold in the year ended 30 June 2014.
- ▶ Northern Star Resources Limited's ('Northern Star') key projects are located in Australia, which is comparable to Evolution's project locations. It has similar yet higher market capitalisation compared to Evolution. Northern holds slightly higher Mineral Resources and lower Ore Reserves as to Evolution. However the company produces off from much higher grades from underground operations and reported annual production of 215koz of gold in the year ended 30 June 2014.
- ▶ Kingsgate Consolidated Limited ("Kingsgate") owns and operates its two major projects in Australia and Thailand. The company has higher level of Mineral Resources and Ore Reserves compared to Evolution. However it produces off a lower grade than Evolution. Kingsgate reported annual production of 209koz of gold for the year ended 30 June 2014.

- ▶ Resolute Mining Limited ('Resolute') holds attributable reserve of approximately 4.4Moz and attributable resources of approximately 9.5Moz, which are much higher than Evolution. A large proportion of Mineral Resources and Ore Reserves are from development and exploration projects, and the company has a relatively high proportion of Ore Reserves to Mineral Resources compared to the peer group, yet still slightly lower than Evolution's proportion. Resolute's key projects are located in Mali as well as Australia, with considerably higher grades than Evolution's mineral assets. Resolute reported an annual production of 343koz of gold for the year ended 30 June 2014.

The implied multiples for our assessed valuation range for Evolution on an Ore Reserve basis are broadly consistent with comparable companies.

### **Transaction multiple analysis**

We have also considered prices achieved from transactions involving the sale of gold companies with producing assets. These transactions include the sale of companies that produce only gold.

The analysis shows an EV/oz of contained gold resource transaction multiples range of \$6/oz to \$278/oz, with a median of \$73/oz and a mean of \$93/oz. Analysis on a contained reserve basis shows an EV/oz of contained gold reserve transaction multiple range of \$27/oz to \$827/oz, with a median of \$209/oz and a mean of \$249/oz.

We note that the Cowal Transaction has an implied multiple of \$204/oz on a contained gold resource basis and \$434/oz on a contained gold reserves basis.

In considering the transaction multiples in comparisons to those implied by our valuation of Evolution, we have had regard to the following:

- ▶ The nature of the asset acquired (only gold producing), its stage of development and its location.
- ▶ The percentage of the target acquired.
- ▶ The relative size of the transaction or the comparable companies.
- ▶ The timing of the transaction.

It is possible that the transactions identified may involve an element of 'special' value which reflects additional benefits such as the ability to combine assets with infrastructure solutions or the increase in project optimisation through the combination of complimentary deposits. The extent to which this special value is reflected in the transaction price may depend on the level of synergies expected to be created as well as the alternatives available to the acquirer and the target.

We conclude that our assessed valuation range for Evolution is supported by multiples from precedent transactions.

## 7. Valuation of La Mancha Australia

### 7.1 Valuation of La Mancha Australia

#### 7.1.1 Summary of values

We valued La Mancha Australia on a net asset backing basis after considering the value of the company's assets and liabilities on a going concern basis. Our valuation is summarised in the following table. Our assessment is primarily based on La Mancha Australia's balance sheet as at 31 March 2015 adjusted for the values assessed for the company's mineral assets, La Mancha Australia's corporate costs and other assets and liabilities that were not included in the valuation of the mineral assets. La Mancha management has confirmed that no balances have materially changed from 31 March 2015 to the date of this report.

<b>La Mancha Australia - Summary of fair values of underlying assets and liabilities</b>			
<b>\$m</b>	<b>Ref</b>	<b>Low</b>	<b>High</b>
- Mungari Operations	7.12	372.0	411.0
- Exploration	7.13	8.5	15.1
<b>Total mining assets</b>		<b>380.5</b>	<b>426.1</b>
- Inventory	7.14	15.8	15.8
- Working capital	7.14	(23.7)	(23.7)
- Financial derivatives	7.14	(3.9)	(4.0)
- Tax assets	7.14	26.3	26.4
- Corporate costs	7.14	(14.4)	(14.6)
- Net debt	7.14	(114.0)	(114.0)
<b>Fair value</b>		<b>266.7</b>	<b>312.1</b>

Source: EY analysis

Accordingly, we have determined the fair value of La Mancha Australia on a net asset backing basis to be in the range of between \$266.7 million and \$312.1 million. Given the valuation methods applied in valuing the mineral assets and our overall approach, this assessment represents the value of La Mancha Australia on a 100% interest basis, which, by definition, includes a control premium.

The range of values reflects the underlying nature of the Company's mineral assets. In particular, we note the following:

- ▶ Due to La Mancha Australia's Mungari Operation having a forecast life of mine of seven years and no significant capital expenditures required, the value of La Mancha Australia's gold producing mines is sensitive to movements in the gold price with discount rate movements having minimal impact. Our average Australian dollar gold price applied over the life of mines is \$1,575 (real basis). By increasing or decreasing the gold price by 10%, the net present value of the projects increases and decreases by approximately 23%.
- ▶ For the producing mines, AMC has prepared a single production case which includes production from Ore Reserves and that part of other Mineral Resources and exploration potential for which AMC considers there to be a high confidence of future conversion to Ore Reserves.

Similar to the valuation of Evolution, no additional value has been ascribed to the Mineral Resources for each of the projects that are not included in the operating cases as AMC considers the values derived from the application of their assessed production cases are all encompassing.

In determining the production cases for each of the mines, AMC has been mindful of the requirements of ASX Listing Rule 5.16 in regards to reference and inclusion of 'production targets'.



As disclosed in the AMC Report, since La Mancha Australia is not a publically listed company, its Mineral Resource and Ore Reserve estimates had not been reported, prior to the Evolution merger announcement. However, at Frog's Leg, there are likely lode extensions, both laterally and at depth, which have not been reported as Mineral Resource or an Exploration Target. AMC considers that these have the potential to equate to an additional one to two years of mine life that has not been included in the production case developed by AMC for the Frog's Leg underground mine, resulting in potential upside to the valuation range for the Mungari Operations.

Consistent with the valuation of Evolution, the production case provided by AMC results in a fairly narrow range of values for the Mungari Operations. In order to derive an appropriate but not excessively wider range of value as recommended by RG 111 we have extended the valuation range by applying a range of  $\pm 5\%$  to our low and high end values. The extended range aims to reflect the potential upside to reflect AMC's comments related to the further prospectively of the Mungari Operations and to reflect the sensitivity of the values to the gold price.

- ▶ In addition to its two operating projects and processing plant, La Mancha Australia has exploration assets in the potential for an underground mine development at White Foil along with exploration potential related to the areas surrounding the current operating projects.
- ▶ In accordance with the Proposed Transaction, La Mancha Australia's net debt position is expected to be \$114 million, consisting of \$124 million of interest bearing debt and \$10 million of cash. Although La Mancha's no longer requires a minimum amount of cash to be on hand at completion of the Proposed Transaction due to amendments to the Share Sale Agreement, Evolution Management has stated that they have assumed that La Mancha will hold a minimum of \$10 million at completion.
- ▶ Other significant assets and liabilities include La Mancha Australia's tax losses and other assets as well as an estimation of future corporate overhead costs that were not included as part of the operating project values.

Our assessed valuation range has been considered in conjunction with trading multiples of comparable companies and precedent transactions. Refer to sections 7.1.5 for our analysis of cross checks.

### **7.1.2 Mungari Operations**

We assessed the value of the Mungari Operations using the DCF approach. Cash flows for the Mungari Operations, which includes Frog's Led and White Foil, were based on LOM plans provided by La Mancha management and adjusted by AMC. For the purposes of this assessment, AMC prepared one production case ("Mungari Operations Case").

The Mungari Operations Case is based on the LOM plan prepared by La Mancha and adjusted by AMC for their views on the production profile based on current assumptions, along with their analysis of operating and capital costs throughout the LOM.

In valuing the Mungari Operations, EY undertook its own analysis to determine forecast gold prices and separately calculated an appropriate discount rate range.

## Mungari Operations Case Overview

The operating statistics for the Mungari Operations Case are outlined below:

Parameter	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21
Waste mined	kt	2,770	8,272	10,735	8,741	3,681	56	-
Ore mined	kt	864	1,811	1,637	2,159	2,368	637	-
Ore treated	kt	681	1,537	1,712	1,706	1,712	1,694	1,063
Gold head grade	gpt Au	3.0	3.2	3.1	3.1	3.5	3.0	1.0
Gold recovery	%	92.9%	93.6%	93.4%	93.5%	94.1%	93.0%	90.0%
Gold produced	koz	61.2	146.7	156.9	161.6	181.7	150.6	29.5

Source: AMC Model

Key matters relevant to the Mungari Operations Case's production forecast are summarised as follows:

- ▶ The production plan is based on the December 2014 Ore Reserve estimates, depleted for mining to end of March 2015, plus approximately 1.1 Mt of additional Indicated and Inferred Resources contained in lode extensions at Frog's Leg.
- ▶ Ore production is based on a seven year LOM. The LOM plan includes total Ore Reserves and 56% of total Mineral Resources, with total ore mined of 9.476 Mt.
- ▶ The gold head grade ranges from 3.0g/t to 3.5g/t across the LOM, averaging 3.2g/t.
- ▶ Metallurgical recoveries average 93% throughout the LOM.
- ▶ Total gold produced across the life of mine is forecast to be 888,100 oz

The table below summarises the key capital and operating costs associated with the Mungari Operations. All costs are stated in real dollars:

Activity	Unit	Q4 FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Unit mining costs	\$/t mined	8.6	6.4	5.9	7.9	12.0	58.4	-	-
Unit processing costs	\$/t treated	12.5	22.0	22.0	22.0	22.0	22.0	22.0	-
Unit admin costs	\$/t treated	6.9	5.5	4.5	4.6	4.1	4.5	2.4	-
Expenditure type	Unit								
Mine Development	\$m	4.9	11.4	10.2	10.0	10.7	4.4	-	-
Backfill	\$m	4.6	9.7	9.8	11.2	12.7	11.3	-	-
Open Pit	\$m	1.3	5.3	4.0	-	-	-	-	-
Property, Plant & Equipment	\$m	0.8	3.5	4.2	3.9	3.1	0.9	-	-
Resource Drilling	\$m	0.7	1.3	2.1	1.5	-	-	-	-
Closure Costs	\$m	-	-	-	-	0.2	1.5	3.8	4.1
<b>Total</b>	<b>\$m</b>	<b>12.3</b>	<b>31.2</b>	<b>30.3</b>	<b>26.7</b>	<b>26.7</b>	<b>18.1</b>	<b>3.8</b>	<b>4.1</b>

Source: AMC Model

Key matters relevant to AMC's capital and operating cost forecasts include:

- ▶ Evolution recently moved to an owner operator model the main earthmoving operation at Frog's Leg. Contractors continue to be used from drilling, blasting and other earthworks (including expansion of TSF).

- ▶ Operating costs of:
  - Open pit and underground mining costs of \$5.9/t to \$12.0/t mined, increasing to \$58.4/t mined in the final year of operations. Mining costs are much higher in the final year as a result of production in that year from Frog's Leg only.
  - Processing costs averaging \$22/t ore treated.
  - Administration costs averaging \$4.6/t ore treated.
- ▶ The majority of capital expenditure relates to open pit capitalised waste in the White Foil pit and capital development at Frog's Leg.
- ▶ Sustaining capital costs have been included for construction of lifts on the TSF, processing plant and mine related infrastructure at Frog's Leg.
- ▶ Closure costs of \$2.2 million for Frog's Leg and \$7.4 million for the Mungari processing plant and White Foil have been included.

#### **Commodity prices and foreign exchange rates**

Refer to Section 6.1.2 for a summary of our methodology and adopted gold prices and exchange rates that were applied in the valuation of the Mungari Operations.

#### **Taxation**

We adopted the Australian corporate tax rate of 30%. In assessing taxable income we adopted La Mancha Australia's tax written down values. No carried forward tax losses were included in our analysis.

#### **Inflation**

In restating the LOM plan from a real to nominal basis we applied an inflation rate of 2.5%.

#### **Discount rate**

To value the Mungari Operations using a DCF approach, we applied an A\$ based nominal post-tax discount rate range of between 9.0% and 10.0%. A detailed description of the discount rate determination is set out in Appendix D.

#### **Sensitivity analysis**

The following outlines the valuation of the Mungari Operations and its sensitivity to commodity prices – primarily the A\$ gold price. The table presents the impact of a 5% increase and decrease from our assumed base case prices along with our range of discount rates.

<b>(A\$m)</b>	<b>Commodity Price Change</b>		
	<b>-5.0%</b>	<b>0.0%</b>	<b>5.0%</b>
<b>Discount Rate</b>			
9.0%	349.6	396.0	442.4
9.5%	345.2	391.1	437.0
10.0%	340.9	386.3	431.7

Source: EY analysis

As shown in the table above, the value of the Mungari Operations is highly sensitive to the A\$ gold price. Since the LOM is seven years, the discount rate applied has comparatively limited impact.

### Valuation range

We have assessed the value of the Mungari Operations in a range of \$372.0 million to \$411.0 million. We note that the implied contained gold resource and reserve multiples are broadly consistent with the implied multiples of comparable companies.

### 7.1.3 Exploration

The value of La Mancha Australia's exploration assets has been assessed by AMC. Further details of La Mancha Australia's exploration assets are detailed in Section 5 of the AMC Report, with valuation methodologies discussed in Section 2.

For the Mineral Resources associated with the potential underground operation at White Foil, which has been excluded from the production case and which has an Inferred Mineral Resource, AMC applied a yardstick valuation methodology.

The exploration values pertain to the areas located adjacent to and surrounding the Mungari Operations. To assess a value for these areas, which do not have a JORC compliant Mineral Resource, AMC applied a value per unit area to account for the future prospectivity of the area.

The values assessed by AMC are summarised in the following table:

Fair value of exploration assets	Low (\$m)	High (\$m)
White Foil Underground	6.4	11.8
All other exploration	2.1	3.3
Total	8.5	15.1

Source: AMC Report

AMC has valued La Mancha's exploration assets in the range of \$8.5 million to \$15.1 million.

### 7.1.4 Other assets and liabilities

#### Inventory

For financial reporting purposes, consumables, work in progress and finished goods inventories are physically measured or estimated and valued at the lower of cost and net realisable value. Cost comprises direct material, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Based on our review of the composition of the inventory balances, we concluded that any fair value adjustments to the book value of inventory would be immaterial. As a result, we included the book value as at Mar15 from La Mancha Australia's management accounts as the fair value of the inventory, which includes finished goods and work-in-progress. These amounts have not been included in the LOM models prepared by AMC. The total value we have included in our valuation is \$15.8 million.

#### Corporate costs

La Mancha Australia incurs corporate costs that have not been included in the valuation of its mining assets. Corporate costs include administration costs related to its mining and exploration operations and head office costs. La Mancha Australia management estimated corporate costs to be approximately \$5.0 million per year, reducing over time to \$1.0 million as its operations reach the end of the LOM. In assessing the present value of the corporate costs, we applied a discount rate range of 9.0% to 10.0% to the tax affected cash flows.

#### Net debt

In accordance with the Proposed Transaction, La Mancha Australia's net debt position at completion is to be \$114 million, consisting of \$124 million of interest bearing debt and \$10 million of cash.

### **Tax assets**

The tax asset value represents the present value of the expected benefit of La Mancha's carried forward tax losses as well as the present value of the benefit of consolidating La Mancha's operations for tax purposes. Each DCF is conducted on a standalone basis, therefore the benefit of allowing unutilised tax deductions to be applied against assessable income from other projects is not captured in the standalone DCFs. Unutilised tax deductions include:

- ▶ Deductions relating to rehabilitation and mine closure costs;
- ▶ Corporate overhead/head office cost deductions; and
- ▶ Deductions from losses on hedge contracts.

We have not allocated La Mancha's carried forward tax losses, which estimate would be approximately \$93 million at 31 March 2015 to any particular project, as such they are only considered in the consolidated tax calculations. The difference between the tax payable under the consolidated tax calculations and the sum of the tax payable from each individual project represents the tax benefit. These amounts are then discounted to calculate the present value.

### **Provisions**

At Mar15, La Mancha Australia's restoration and rehabilitation provision for financial reporting purposes was \$13.327 million. This provision represents the company's obligation to restore operating locations, including dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation, revegetation and monitoring of affected areas.

AMC has reviewed the costs and made adjustments where necessary within the production cases. As a result, all restoration and rehabilitation costs have been included in the project values and therefore no further deduction for these provisions is required.

### **Other non-operating assets and liabilities**

Other non-operating assets and liabilities include working capital excluded from the valuation of the operating projects and gold hedge contracts.

For reporting purposes, La Mancha Australia records the marked to market position of its gold hedge contracts. To calculate the fair value of the hedges, we adopted our forecast gold prices and calculated the differential between the forecast prices and the contracted gold prices. The present value of the differential has been included as a liability.

## **7.1.5 Valuation cross check**

### **Trading multiples of comparable companies**

To assess the reasonableness of the values assessed for La Mancha Australia, we compared the contained gold resource multiples implied from our valuation range with resource multiples calculated for broadly comparable listed companies with producing gold projects.

The implied multiples from our valuation range of La Mancha Australia are presented in the table below.

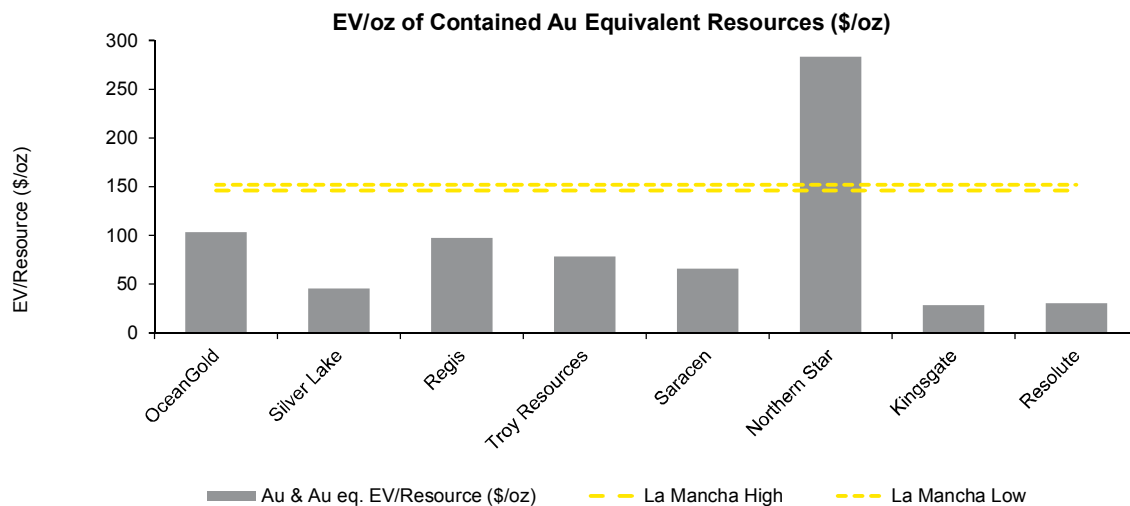
### La Mancha Australia Implied multiples

<b>\$Am</b>	<b>Low</b>	<b>High</b>
Fair value of La Mancha Australia	267	312
Add: Net interest bearing debt (\$m)	114	114
Enterprise value (\$m)	381	426
Attributable Mineral Resources to La Mancha Australia (Moz)	2.6	2.6
Attributable Ore Reserves to La Mancha Australia (Moz)	0.8	0.8
EV/oz of contained Au equivalent resources (A\$)	144	162
EV/oz of contained Au equivalent reserves (A\$)	487	546

Source: EY analysis

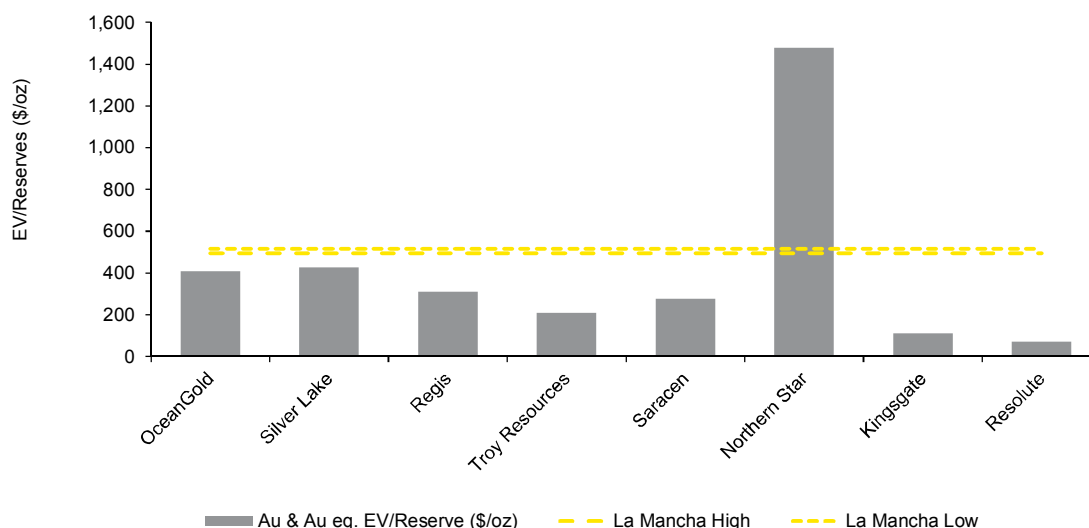
On the basis that our assessment of the fair value of La Mancha Australia is on a 100% basis, which implicitly includes a control premium, we have considered the trading multiples inclusive of a premium for control. Refer to Section 6.1.10 for our discussion on control premiums.

The implied EV/oz of contained gold equivalent multiples based on Mineral Resources (EV/oz of Contained Au Equivalent Resources) and EV/oz of contained Au equivalent multiples based on Ore Reserves (EV/oz of Contained Au Equivalent Reserves) for each of the comparable companies is shown in the graphs below.



Source: Annual Reports, ASX announcements and S&P Capital IQ

### EV/oz of Contained Au Equivalent Reserves (\$/oz)



Source: Annual Reports, ASX announcements and S&P Capital IQ

The analysis of EV/oz of Contained Au Equivalent Resources shows the trading multiples of gold producers have a median of \$78/oz and mean of \$117/oz, with a range of \$30/oz to \$280/oz. These multiples compare to the implied EV/oz of contained Au equivalent resources multiples for La Mancha Australia that range from \$144/oz to \$162/oz on a whole of company basis.

The analysis of EV/oz of Contained Au Equivalent Reserves shows the trading multiples of gold producers have a median of \$310/oz and mean of \$445/oz, with a range of \$73/oz to \$1,478/oz. These multiples compare to the implied EV/oz of Contained Au Equivalent Resources multiples for La Mancha Australia range from \$487/oz to \$546/oz on a whole of company basis.

The following table summarises key statistics for each of the companies presented in the chart above. A summary description of the companies is contained in Appendix D.

Company	EV (AUDm)	Reserves/ Resources %	Resources (Moz)	Reserves (Moz)	Resources Grade (%)	Production (rounded) (oz)	Location of key projects
Evolution	1,194	44.6%	5.01	2.24	1.50	430,000	Australia
OceanGold	1,256	25.3%	12.17	3.08	1.32	310,000	New Zealand, Philippines
Silver Lake	124	10.7%	2.36	0.25	4.43	210,000	Australia
Regis	825	31.6%	8.01	2.53	0.97	270,000	Australia
Troy Resources	151	37.6%	1.76	0.66	3.47	130,000	Guyana
Saracen	475	24.0%	6.88	1.65	1.62	130,000	Australia
Northern Star	1,605	19.2%	6.18	1.19	4.17	220,000	Australia
Kingsgate	317	26.3%	10.34	2.72	1.07	210,000	Australia, Thailand
Resolute	331	42.4%	9.53	4.04	1.46	340,000	Mali, Australia

Source: EY research, company reports

We note that the implied multiples for La Mancha Australia are generally higher than the comparable companies. The reasons for the differences are likely to be the same as those detailed in Section 6.1.10 for Evolution.

The implied multiples for our assessed valuation range for La Mancha Australia on an Ore Reserve basis are broadly consistent with comparable companies.

### Transaction multiple analysis

As noted in Section 6.1.10, we have also considered prices achieved from transactions involving the sale of gold companies with producing assets. These transactions include the sale of companies that produce only gold.



The analysis shows an EV/oz of contained gold resource transaction multiples range of \$6/oz to \$278/oz, with a median of \$73/oz and a mean of \$93/oz. Analysis on a contained reserve basis shows an EV/oz of contained gold reserves transaction multiple range of \$27/oz to \$827/oz, with a median of \$209/oz and a mean of \$249/oz.

We note that the Cowal Transaction has an implied multiple of \$204/oz on a contained gold resource basis and \$434/oz on a contained gold reserves basis.

We conclude that our assessed valuation range for La Mancha Australia is further supported by multiples from precedent transactions.



## 8. Assessment of the issue of the Consideration Shares and Subscription Shares

### 8.1 Overview

In forming our opinion as to whether or not the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is fair and reasonable, we have considered fairness in Section 8.2 and reasonableness in Section 8.3.

### 8.2 Fairness

As detailed in Section 2.2, RG 111 considers that all transactions involving an entity increasing its shareholding in another entity to above 20% should in the first instance be considered to be control transactions and should be assessed as a takeover bid. With respect to a takeover bid, RG 111 states that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. RG 111 requires that the comparison of the value of the consideration and the value of the securities that are the subject of a takeover bid is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares".

In a general letter dated 5 March 2014, ASIC reiterated the approach detailed in RG 111 and stated that the assessment of 'fairness' for item 7 of section 611 transactions involves a "*comparison of the control value of the company prior to the transactions with the portfolio (i.e. minority interest) value of the shares that will be received by the shareholders post the transaction*".

Consistent with RG 111 and ASIC's letter, we have assessed the fairness of the Proposed Transaction by comparing the fair value of an Evolution share prior to the Proposed Transaction on a controlling basis (i.e. the securities the subject of the offer) with the value of an Evolution share post the Proposed Transaction on a minority interest basis (i.e. what is being offered). In assessing the fair value of Evolution, we have assumed that the Cowl Transaction will be completed.

We assessed the fair value of Evolution and La Mancha Australia using a net asset backing approach, having regard to the underlying value of their assets and liabilities on a going concern basis. Our valuation of Evolution is summarised in Section 6.1 and our valuation of La Mancha Australia is summarised in Section 7.1.

In assessing the fair value of an Evolution share on a controlling basis, we have divided the fair value of Evolution by the number of shares Evolution will have on issue post the completion of the Entitlement Offer. As detailed in Section 6.1.1, our fair value range of an Evolution share on a controlling basis is \$0.87 to \$1.05 per share.

In assessing the fair value of Evolution post the Proposed Transaction, we have aggregated our assessed fair value of Evolution post the Cowl Transaction with the fair value of La Mancha Australia and the cash to be received from the issue of the Subscription Shares to determine a 'pro-forma' fair value of Evolution post the Proposed Transaction. The assessment is referred to as a 'pro-forma' fair value on the basis that we have not considered the impact of any synergies that are expected to be derived by Evolution from the Proposed Transaction. While Evolution management believes there will be cost savings and efficiencies in combining the operations of Evolution, Cowl and La Mancha Australia, no quantification of the likely benefits has been undertaken.

To calculate the pro-forma fair value on a per share basis, we have divided the pro-forma value of Evolution by the number of shares Evolution will have on issue post the completion of the Entitlement Offer and the Proposed Transaction. In calculating the share value on a minority interest, we applied a 'discount' of 23% (being the inverse of a 30% control premium).

Our calculation of the pro-forma fair value of Evolution post the Proposed Transaction on a minority interest basis is summarised in the following table:

<b>Pro-forma fair value of Evolution post the Proposed Transaction on a Minority Interest Basis</b>			
	<b>Ref</b>	<b>Low</b>	<b>High</b>
Fair value of Evolution on a controlling basis (\$m)	6.1.1	865.1	1,042.2
Contribution by La Mancha:			
- Fair value of La Mancha Australia on a controlling basis (\$m)	7.1.1	266.7	312.1
- Cash to be paid by La Mancha for the Subscription Shares (\$m)	3.4	112.0	112.0
		378.7	424.1
Pro-forma fair value of Evolution post the Proposed Transaction		1,243.7	1,466.2
Number of shares on issue post the Proposed Transaction (m)	3.4	1,438.3	1,438.3
Pro-forma fair value of an Evolution share on a controlling interest basis (\$)		0.86	1.02
<b>Pro-forma fair value of an Evolution share on a minority interest basis (\$)</b>		<b>0.67</b>	<b>0.78</b>

Source: EY analysis

\*The fair value of Evolution has been assessed assuming the completion of the Cowal Transaction.

Accordingly, we have assessed the pro-forma fair value of an Evolution share post the Proposed Transaction on a minority interest basis to be in the range of \$0.67 to \$0.78.

As prescribed by RG 111, we have compared the value of an Evolution share prior to the Proposed Transaction on a controlling interest basis to the fair value of an Evolution share post the Proposed Transaction on a minority interest basis in the following table:

<b>Evolution - Comparison of Values</b>		
	<b>Low</b>	<b>High</b>
Fair value of an Evolution share on a controlling interest basis prior to the Proposed Transaction (\$)	0.87	1.05
Pro-forma fair value of an Evolution share post the Proposed Transaction on a minority interest basis (\$)	0.67	0.78

Source: EY analysis

\*The fair value of Evolution has been assessed assuming the completion of the Cowal Transaction.

Accordingly, the fair value of an Evolution Share on a controlling interest basis prior to the Proposed Transaction is greater than the pro-forma fair value of an Evolution share post the Proposed Transaction on a minority interest basis. Consistent with the approach detailed in RG 111, the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is 'not fair'.

We note that the above pro-forma fair value of Evolution post the Proposed Transaction does not include the impact of any synergies that are expected to be derived by the Company from the combination of Evolution, Cowal and La Mancha.

It is of note that the value of an Evolution share prior to the Proposed Transaction on a minority interest basis is in the range of \$0.67 and \$0.81, which is broadly consistent with the pro-forma value of an Evolution share prior to the Proposed Transaction on a minority interest \$0.67 and \$0.78. Likewise, the pro-forma value of an Evolution share prior to the Proposed Transaction on a controlling interest basis of \$0.86 to \$1.02 is broadly consistent with the fair value of an Evolution share prior to the Proposed Transaction on a controlling interest basis of \$0.87 and \$1.05.

For the Proposed Transaction to be considered ‘fair’ under this approach, the pro-forma fair value of an Evolution share post the Proposed Transaction on a minority interest basis would at least need to be in the range of \$0.87 to \$1.05 (i.e. being the fair value of an Evolution Share on a controlling interest basis prior to the Proposed Transaction). Assuming a 30% control premium, the pro-forma fair value of an Evolution share post the Proposed Transaction on a controlling interest basis, using the \$0.87 to \$1.05, would need to be \$1.13 to \$1.36. For Evolution on a post Proposed Transaction controlling interest basis to have a pro-forma value in this range, ignoring the value of any synergies, the fair value of La Mancha Australia and the cash to be paid for the Subscription Shares would need to be in the range of approximately \$760 million to \$920 million. This would mean that La Mancha would need to contribute 47% of the value of Evolution post the Proposed Transaction for a 31% interest.

### **8.3 Reasonableness**

Under the analysis contained in Section 8.1, which is consistent with the requirements of RG 111, we concluded that the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is ‘not fair’. With respect to treating an item 7 of section 611 transaction as a control transaction and assessing it as a takeover bid, RG 111 provides that an offer may be ‘reasonable’ despite being ‘not fair’, if the expert believes there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid.

In addition, RG 111 recognises that there may be circumstances where an entity may acquire 20% or more of another entity without obtaining or increasing its practical level of control in that entity. RG 111 states that if the expert believes this to be the case then the expert could take this outcome into account in assessing whether the issue of the shares is ‘reasonable’ if the expert has determined that the price at which the shares are being issued is ‘not fair’.

Consistent with this and our assessment that the Proposed Transaction does not represent a control transaction for the reasons set out in Section 2.2, as part of our consideration as to whether or not the issue of the Consideration Shares and Subscription Shares is ‘reasonable’, we have compared the assessed fair value of the Consideration Shares and Subscription Shares with the fair value of La Mancha Australia plus the cash amount to be paid for the Subscription Shares. If the fair value of La Mancha Australia plus the cash amount to be paid for the Subscription Shares is greater than the fair value of the Consideration Shares and Subscription Shares, La Mancha, in a transaction that does not provide control, is paying a premium. The payment of a premium by La Mancha is to the benefit of Evolution and its shareholders.

Other factors that Evolution shareholders may consider when forming a view as to whether or not to vote in favour of the issue of the Consideration Shares and the Subscription Shares are set out below. We note that individual Evolution shareholders may interpret these factors differently depending on their specific circumstances.

#### **8.3.1 Comparison of values assuming the Proposed Transaction is not a control transaction**

Given our assessment that the Proposed Transaction does not represent a control transaction, we have compared the amount to be ‘paid’ to La Mancha based on the value of an Evolution share on a minority interest basis compared to what is being acquired by Evolution, represented by La Mancha Australia and the cash to be paid by La Mancha for the Subscription Shares.

In assessing the total fair value of the amount to be ‘paid’ to La Mancha, we multiplied the fair value of an Evolution share on a minority interest basis by the total number of shares to be received by La Mancha, being the Consideration Shares and Subscription Shares.

The following table summarises our comparison of values:

<b>Comparison of Values - The Proposed Transaction not as a Control Transaction</b>			
	<b>Ref</b>	<b>Low</b>	<b>High</b>
<b>Value of what is being 'paid' by Evolution</b>			
Number of Consideration Shares (m)	3.4	322.0	322.0
Number of Subscription Shares (m)	3.4	123.9	123.9
Shares to be issued to La Mancha under the Proposed Transaction		445.9	445.9
Fair value of an Evolution share prior to the Proposed Transaction (\$):			
- on a controlling interest basis (\$)	6.1.1	0.87	1.05
- on a minority interest basis (\$)		0.67	0.81
<b>Value of shares to be issued to La Mancha (\$m)</b>		<b>299.3</b>	<b>360.5</b>
<b>Value of what is being 'acquired' by Evolution</b>			
Fair value of La Mancha Australia (\$m)	7.1.1	266.7	312.1
Cash to be paid by La Mancha for the Subscription Shares (\$m)	3.4	112.0	112.0
<b>Value of La Mancha Australia and cash for Subscription Shares (\$m)</b>		<b>378.7</b>	<b>424.1</b>

Source: EY analysis

\*The fair value of Evolution has been assessed assuming the completion of the Cowal Transaction.

Accordingly, we have assessed the value of what is being acquired by Evolution to be greater than the value that Evolution is paying. On this basis, based on our assessment that the Proposed Transaction is not a control transaction, La Mancha is paying a premium. The payment of a premium by La Mancha is to the benefit of Evolution and its shareholders.

### 8.3.2 Relative Contribution

If the Proposed Transaction is approved, Evolution shareholders will have a collective 69% interest in the Company, with La Mancha holding the remaining 31%. Of the 31% interest, a 24.5% interest is to be obtained through the sale of La Mancha Australia and a 6.5% through the take-up of the Subscription Shares for cash. Included in the table below is an analysis of the Proposed Transaction based on the relative contribution of both entities based on Ore Reserves and Mineral Resources, production, our fair value assessment and the shareholder base. The appropriate comparison of Ore Reserves and Mineral Resources and production is on a 24.5% basis, rather than the 31%.

<b>Comparative contribution</b>	<b>Evolution</b>	<b>Cowal</b>	<b>Evolution + Cowal</b>	<b>La Mancha Australia</b>	<b>Evolution's Contribution</b>	<b>La Mancha Australia's Contribution</b>
<b>Gold Ore Reserves and Mineral Resources:</b>						
Gold Ore Reserves (000 oz)	2,237	1,555	3,792	781	82.9%	17.1%
Gold Mineral Resources (000 oz)	5,012	3,430	8,442	2,637	76.2%	23.8%
Forecast FY15/CY15 gold production <sup>1</sup> (000 oz)	421	245	666	145	82.1%	17.9%
Assessed equity values - midpoint (100% basis) (A\$m)	764	190	954	401	70.4%	29.6%
Shareholder base post the Proposed Transaction					69.0%	31.0%
Shareholder base post the Proposed Transaction (excluding Subscription Shares)					75.5%	24.5%

Source: EY analysis

Note 1 - Based on the average forecast annual production estimates.

The relative contributions between Evolution and La Mancha across each of the aspects considered except for forecast FY15/CY15 production are materially consistent with the relative shareholdings post the Proposed Transaction. Excluding Cowal, the relative contribution of La Mancha Australia to forecast production of just Evolution and La Mancha Australia would be 25.6%, which is still short of the 31% equity interest.

### 8.3.3 Possible re-rating of Evolution

Included in the table below is a summary of Evolution's Ore Reserves and Mineral Resources, production and fair values post the Proposed Transaction.

<b>Evolution - Pro-forma Statistics</b>	<b>Evolution</b>	<b>Cowal</b>	<b>Evolution + Cowal</b>	<b>La Mancha Australia</b>	<b>Evolution - post completion</b>
<b>Gold Ore Reserves and Mineral Resources:</b>					
Gold Ore Reserves (000 oz)	2,237	1,555	3,792	781	4,573
Gold total Mineral Resources (000 oz)	5,012	3,430	8,442	2,637	11,079
Forecast FY15/CY15 gold production <sup>1</sup> (000 oz)	400 - 440	230 - 260	630 - 700	130 - 160	760 - 860
Fair values - minority interest basis (\$m)	588	146	734	309	1,043

Source: EY analysis

Note 1 - Based on the average forecast annual production estimates.

Evolution shareholders will have an interest in a gold producer that based on current level is expected to produce 760,000 oz to 860,000 oz of gold per annum. The combination of its own operations with Cowal and La Mancha Australia will make Evolution the second largest Australian focused gold producer behind Newcrest. The more diversified portfolio of projects and exploration opportunities should make Evolution a more attractive company from a local and global investor perspective. Given the significance of the Cowal Transaction and the La Mancha Transaction the increased relevance of Evolution could lead to increased index participation and a positive re-rating. Any positive re-rating would be to the benefit of all shareholders.

Since the announcement of the Proposed Transaction, Evolution's share price has increased from \$0.93 on 17 April 2015 to a high of \$1.30 on 18 June 2015, to close on the same day at \$1.26. As such, the market may already be factoring the re-rating of Evolution into its trading prices.

### 8.3.4 Comparison of values to current trading prices

Our valuation range presented in Section 6.1.10 for Evolution on a minority basis excluding the Cowal Transaction is \$0.73 to \$0.92. This range compares to the closing price of an Evolution share on 17 April 2015, the last trading day before the announcement of the La Mancha Transaction, of \$0.93. We note that the closing share price on 26 March 2015, being the last trading day prior to the commencement of observable market speculation of an impending transaction, was \$0.85 per share.

As noted in Section 8.3.3 and in more detail in Section 8.3.6, since mid-April 2015, Evolution's share price has increased to a high of \$1.25 and then trended downwards to a price of \$1.10 on the day prior to the trading halt leading up to the announcement of the Cowal Transaction. For the week following the announcement of the Cowal Transaction, Evolution's share price ranged from \$1.10 to \$1.16, increasing to \$1.26 in the days leading up to, and including, 18 June 2015.

As shown in Section 8.2, our value range of an Evolution share post the Cowal Transaction on a minority interest basis is in the range of \$0.67 to \$0.81. In Section 8.3.1, we assessed the fair value of an Evolution share on a pro-forma minority interest basis including the Proposed Transaction in a range of \$0.67 to \$0.78.

The following factors may be contributors to the fact that our valuation range on a minority basis is lower than current trading prices:

- ▶ The valuation range for Evolution's projects, while based on production from Ore Reserves and that part of Mineral Resources and exploration potential for which AMC considers there to be a high confidence of future conversion to Ore Reserves, does not include additional value for further prospectivity, which may be factored into the market's expectations of increased mine plans beyond the forecast production captured in the AMC production cases.

- ▶ Evolution's Ore Reserve and Mineral Resources statement is currently assessed on a gold price of A\$1,350/oz compared to current spot prices of approximately A\$1,500/oz. As a result, the market may be placing more value on the projects as compared to the values assessed adopting the production profiles in our report.
- ▶ Our gold price and exchange rate assumptions are based on median forecast prices from a number of analysts along with current forward prices. While our preferred prices are focused on median prices, as noted in Section 6.1.2, the long term gold price forecasts vary considerably from US\$1,100/oz to US\$1,400/oz. By increasing our Australian dollar gold price assumption by 10%, the value of an Evolution share on a minority interest basis increases by up to 18%, reflecting the sensitivity of the expected gold price to the value assessments set out in this report.
- ▶ Our valuation range does not include the potential increase in value that may arise due to the combination of Evolution and La Mancha Australia's assets and any potential synergies.
- ▶ Since the announcement of the Proposed Transaction, Evolution has released its March 2015 quarterly results and its annual Mineral Resources and Ore Reserves Statement.
- ▶ As noted in Section 8.3.6, Evolution's share price has outperformed the ASX S&P All Ordinaries Gold Index and the A\$ gold price since the announcement of the Proposed Transaction which may indicate the market has already started to re-rate Evolution on a post-completion basis. The La Mancha Transaction, in conjunction with the Cowal Transaction will result in Evolution becoming the second largest gold producer listed on the ASX and therefore increasing the profile of Evolution within the gold sector and the investment community.
- ▶ Under the Cowal Transaction, Evolution is set to increase its debt by approximately \$504 million, while acquiring assets worth approximately \$694 million. To finance the transaction, Evolution is raising funds through the Entitlement Issue at a price of \$0.90 per share. The net value attributed to the Cowal Transaction included in our valuation of Evolution is \$190 million (calculated as \$694 million less \$504 million), representing a 'value per share' based on the number of shares to be issued in the Entitlement issue of \$0.69 per share compared to the funds raised of \$0.90 per share. As a result, the Cowal Transaction at the current time and without consideration of any potential synergies, is dilutive to Evolution's value per share in our analysis.

### **8.3.5 La Mancha to become a significant shareholder**

#### **Major shareholder**

If the Proposed Transaction proceeds, La Mancha will become Evolution's major shareholder with an interest of 31% of the issued capital. Other than La Mancha, no other shareholder will hold more than 10% of the total outstanding shares. As a result of not participating in the Entitlement Offer, Newcrest's shareholding is expected to be diluted to approximately 7.4% if both the Entitlement Offer and Proposed Transaction are completed.

Under the terms of the Proposed Transaction and subject to certain conditions, La Mancha must hold the Evolution shares issued for a period of two years.

#### **Board and Management**

Under the Proposed Transaction, La Mancha has the right to nominate two representatives to the Board and retain that membership provided its shareholding in Evolution remains greater than 20%. The operational policies, procedures and processes of the Company will continue to be managed on a day-to-day basis by Evolution's executive and senior management and will be extended to incorporate the operations of La Mancha Australia. The strategic direction of Evolution will continue to be determined by a Board and management that will be made up primarily of existing Directors and executives.

La Mancha has notified Evolution that it will nominate Sebastien De Montessus and Naguib Sawiris as nominees to the Board on completion of the Proposed Transaction. For further details of La Mancha's nominees, refer to Section 8.2 of the Explanatory Memorandum.



## La Mancha's intentions

La Mancha, as disclosed in the Explanatory Memorandum, has stated an intention to be a supportive and long term shareholder of Evolution, which has been evidenced by La Mancha's support and involvement in the Cowal Transaction via the proposed take-up of the Subscription Shares.

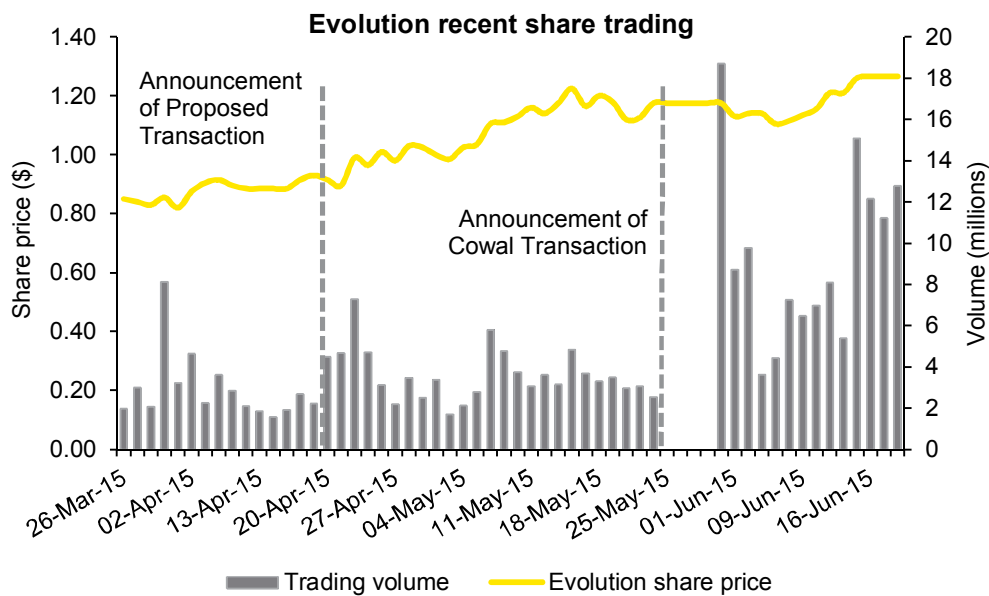
If the Proposed Transaction is approved and La Mancha becomes the holder of a 31% interest in Evolution, subject to a number of available exceptions under the Act, La Mancha will not be able to increase its interest in Evolution by more than 3% every six months.

In addition, any transaction between Evolution and La Mancha will be subject to the related party provisions of both the Act and the ASX Listing Rules. Any material transaction would need to be approved by shareholders other than La Mancha pursuant to ASX Listing Rule 10.1.

### 8.3.6 Market reaction to the Proposed Transaction

The last trading price of an Evolution share on 17 April 2015, being the last trading day prior to the announcement of the La Mancha Transaction, was \$0.93. While the La Mancha Transaction was not announced until 20 April 2015, market speculation of a possible transaction between Evolution and La Mancha caused the Company to issue a statement on 27 March 2015, confirming that the two companies had been in discussion but a transaction may or may not happen. The Cowal Transaction (incorporating the Proposed Transaction) was announced on 25 May 2015 with the Company in a trading halt pending the Entitlement Offer until 29 May 2015.

The following chart illustrates the prices and volumes at which Evolution's shares traded over the period 26 March 2015 to 18 June 2015.

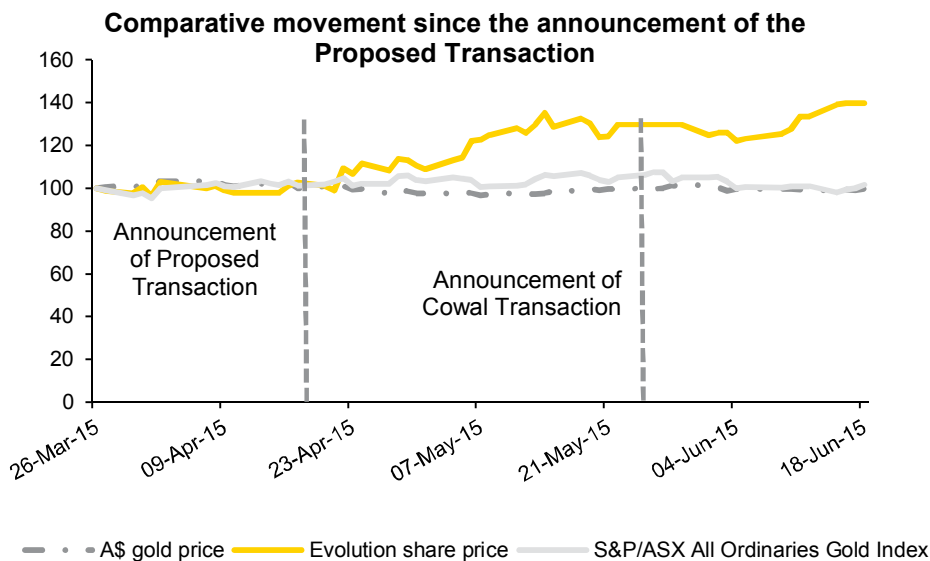


Source: S&P Capital IQ, EY analysis

Evolution's share price on 26 March 2015 closed at \$0.85. Between then and 17 April 2015, the Company's share price generally traded upward to close at \$0.93 on that date. Evolution shares went ex-dividend on 27 March 2015. Since the announcement of the La Mancha Transaction on 20 April 2015, Evolution's shares have traded upwards to a high on 14 May 2015 of \$1.25.

The closing price of Evolution's shares on 22 May 2015, the last trading day before the Cowal Transaction announcement was \$1.10. For the week following the announcement of the Cowal Transaction, Evolution's share price ranged from \$1.10 to \$1.16, increasing to \$1.26 in the days leading up to, and including, 18 June 2015. Since the announcement of the Proposed Transaction, Evolution has had a volume weighted average price of approximately \$1.15.

To assess the possible impact of the change in gold price on Evolution's share price, the chart below shows a comparison between Evolution's share price to the ASX S&P All Ordinaries Gold Index and the A\$ gold price. While fairly closely correlated prior to the announcement of the Proposed Transaction, the analysis indicates that since the announcement of the Proposed Transaction, Evolution's share price has outperformed both the ASX gold index and the A\$ gold price.



Source: S&P Capital IQ and EY analysis

Based on analysis above, the market appears to have had a positive response in respect of the Proposed Transaction.

If the Proposed Transaction is not approved it is likely that Evolution's share price would decrease, potentially to levels experienced before the announcement of the Proposed Transaction.

### 8.3.7 Other considerations

#### If the Proposed Transaction does not proceed

In the event the Proposed Transaction does not proceed, Evolution will continue to own and operate its five producing mines within Australia along with the Cowal Gold Mine, there will be no changes to the Board and Evolution may continue to investigate alternative acquisitions and other growth opportunities.

#### Board view

We note that the Directors of Evolution have unanimously recommended the Proposed Transaction to Evolution shareholders, in the absence of a superior proposal. The support of the Directors should provide additional comfort to Evolution's shareholders.



## Other considerations

This independent expert's report has been prepared to assist Evolution shareholders in assessing the merits of the issue of the Consideration Shares and Subscription Shares under the Proposed Transaction. In doing so, the report provides general information only and does not consider the individual situation, objectives and needs of each Evolution shareholder. On this basis, Evolution shareholders should consider whether this report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. If there is any doubt, Evolution shareholders should seek their own professional advice.

Whether individual Evolution shareholders should approve the Proposed Transaction depends upon their own individual situation, objectives and needs, as well as their view as to the reasonableness factors outlined in this report.

### 8.3.8 Advantages and disadvantages

As part of assessing whether or not the issue of the Consideration Shares and Subscription Shares is fair and reasonable, we have also considered the likely advantages and disadvantages to Evolution shareholders if the Proposed Transaction is implemented, with the advantages and disadvantages to those shareholders if it is not. In doing this we have considered the commercial and qualitative factors relating to the Proposed Transaction.

The factors considered are summarised below. We note that individual Evolution shareholders may interpret these factors differently depending on their specific circumstances.

### 8.3.9 Advantages

- ▶ **Evolution shareholders will hold an interest in a wider portfolio of assets:** Evolution shareholders will continue to have an interest in Evolution and obtain an interest in the Cowal Gold Mine; however, if the Proposed transaction is completed the Company's expanded operations will include the Frog's Leg and White Foil gold mines, the Mungari CIL processing plant, along with an expanded portfolio of prospective exploration projects across Western Australia. Accordingly, after implementation of the Proposed Transaction, Evolution Shareholders will have an interest in a wider and more diversified group of gold assets as compared to Evolution on a standalone basis.
- ▶ **Synergies:** The combination of Evolution and La Mancha Australia's operating mines, processing plants and tenement holdings are anticipated to result in synergies related to financial, personnel and mining resources. Evolution shareholders will own 69% of Evolution post the Proposed Transaction and therefore will share in 69% of the benefit from any synergies achieved. If the Proposed Transaction does not proceed, Evolution shareholders will not benefit from any anticipated synergies;
- ▶ **Combined skill set of Evolution and LMRA:** The Proposed Transaction is expected to generate opportunities for Evolution management to continue its successful track record of optimising Australian operating assets through capital discipline, productivity and efficiency improvements and cost reduction programs. La Mancha Australia's skills and experience may serve to enhance the development and operation of Evolution's mining projects.
- ▶ **Decreased risk associated with gold price movements given La Mancha's gold hedging profile:** Following completion of the Proposed Transaction, Evolution will assume the gold hedge book of La Mancha Australia of 245,985 oz forward sold at an average price of A\$1,600/oz through to December 2017. This will increase Evolution's total forward sales to 552,805 oz at an average price of A\$1,564 per ounce through to June 2018. The amount of hedging equates to an estimate 30% to 35% of total production through to June 2018. There is no gold hedging associated with the Cowal Transaction.

### 8.3.10 Disadvantages

- ▶ **Exposure to additional risks:** While the Proposed Transaction will increase the diversification of the assets that Evolution shareholders will have exposure to, Evolution shareholders will also be subject to the risks associated with La Mancha Australia's mineral assets and higher debt levels.
- ▶ **Significant influence by La Mancha:** If the Proposed Transaction proceeds, Evolution shareholders will collectively hold 69% of the Company, with La Mancha owning the remaining 31%. As discussed in Section 2.2, La Mancha will not be able to control the Evolution; however through its ownership interest La Mancha will be able to significantly influence the Company and its future operations.

As noted in Section 8.3.5, ASX Listing Rules will limit La Mancha's ability to transact with related parties and the Act limits La Mancha to acquiring 3% of Evolution's shares every six months without shareholder approval.

- ▶ **Dilution of current Evolution shareholders:** Current Evolution shareholders will have their ownership interests in Evolution's existing assets diluted through the issuance of shares to La Mancha.
- ▶ **Transaction costs:** Evolution management has estimated that incremental costs associated with the Proposed Transaction, will be approximately \$36 million. These incremental costs include legal, accounting and advisory fees, estimated stamp duty payable, costs for the preparation of the Extraordinary Memorandum, professional fees and costs associated with the dispatch of documents.
- ▶ **Inability to realise synergies:** The directors of Evolution and La Mancha Australia believe that the Proposed Transaction will create significant benefits for Evolution through the combination of the two entities' financial, personnel and mining resources. There is a risk that these perceived benefits do not eventuate in the short to medium term or at all. Failure to realise these perceived benefits may have an adverse impact on the future performance of Evolution.

### 8.3.11 Conclusion on reasonableness

For the reasons set out above, we conclude that the issue of the Consideration Shares and Subscription Shares is reasonable to Evolution shareholders.



## 9. Conclusion

Based on the analysis detailed throughout this report, EY Transaction Advisory Services is of the opinion that the issue of the Consideration Shares and the Subscription Shares to La Mancha under the Proposed Transaction is not fair but reasonable to Evolution shareholders.

## Appendix A Statement of qualifications and declarations

EY, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this report. The directors of EY responsible for this report have not provided financial advice to Evolution.

Prior to accepting this engagement, EY considered its independence with respect to Evolution with reference to Regulatory Guide 112: *Independence of experts*.

This report has been prepared specifically for Evolution shareholders in relation to the Proposed Transaction. Neither EY, Ernst & Young and any employee thereof undertakes responsibility to any person, other than Evolution shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report EY has relied upon and considered information believed after due inquiry to be reliable and accurate. EY has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. EY has evaluated the information provided to it by Evolution, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. EY does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix F to this report.

Evolution has provided an indemnity to EY for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

EY provided draft copies of this report to Evolution for comments as to factual accuracy, as opposed to opinions, which are the responsibility of EY alone. Changes made to this report as a result of this review by the Directors and management of Evolution have not changed the methodology or conclusions reached by EY.

EY will receive a professional fee based on time spent in the preparation of this report estimated at approximately \$200,000 (exclusive of GST). EY will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Ken Pendergast, a director and representative of EY and a partner of Ernst & Young and Mr Stuart Bright, a director and representative of EY and a partner of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other EY staff has been consulted in the preparation of this report where appropriate.



It is not intended that the report should be used for any other purpose other than to be included in the Explanatory Memorandum to be sent to Evolution Shareholders with respect to the Proposed Transaction. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the issue of the Consideration Shares to La Mancha under the Proposed Transaction is fair and reasonable to Evolution shareholders.

EY consents to the issue of this report in the form and context in which it is included in the Explanatory Memorandum.

## Appendix B Valuation methodologies

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

- ▶ Discounted cash flow method and the estimated realisable value of any surplus assets;
- ▶ 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;
- ▶ Amount that would be available for distribution to security holders on an orderly realisation of assets;
- ▶ 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;
- ▶ Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets; and
- ▶ Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

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 adopted in valuing such an asset and the availability of appropriate information.

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as mining projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing methodology involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

## Appendix C Industry Overview

### 9.1 The Global Mining & Metals Sector

The global mining and metals sector has experienced substantial volatility in recent years. A slowing Chinese economy and rising supply, among other factors, have contributed to a de-rating of sector valuations from the highs experienced three to four years ago.

More broadly, global economic growth has somewhat recovered from post-global financial crisis (“GFC”) lows, with gains being experienced in the US and other developed world economies. Notwithstanding this, shares in global mining and metals companies have underperformed the broader market, reflecting the lack of investor confidence, both in the global demand outlook and in the ability of resource companies to deliver acceptable returns in an environment of weakening margins.

The IMF’s World Economic Outlook forecasts a global economic growth in 2015 of 3.5% and 3.7% for 2016. While growth rates in emerging markets and developing countries are relatively strong, there is a wide variation in the speed of recovery between advanced economies.

Base metals continue to be challenged by weaker growth and rising supply. The price of most base metals decreased over the final months of 2014, with the fall in copper prices being the most material. While copper prices have stabilised since late January 2015 they remained approximately 4% lower in the first quarter of 2015. In response to lower prices, resource companies have looked to reduce operating costs and capital expenditures, with capital spending falling approximately 50% since 2012.

The performance of precious metals prices is generally impacted by demand for safe haven assets during times of economic uncertainty. Improving US and global economic conditions, a strengthening US dollar and rising US bond yields have turned investor sentiment away from safe haven assets. This led to a significant fall in prices across 2013 and into 2014. After breaching US\$1,300/oz in February 2015, the gold price has since fallen and averaged US\$1,217/oz for the first quarter of 2015.

### 9.2 The Gold Market

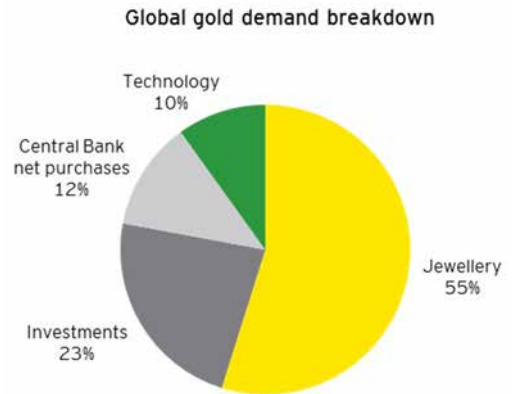
Gold is a precious metal, which as well as being a store of value, is used in jewellery, electronics and dental applications. Gold predominantly occurs in a metallic state and is commonly associated with sulphide minerals. Global gold production is typically sourced from open pit mines. Underground mining is undertaken when the depth of the ore below the surface renders open pit mining uneconomical.

The processing technique applied, either free milling or refractory, is dependent on the nature of the ore. Free milling ore is ore from which gold can be removed by crushing, grinding and cyanidation without the need for additional processing. Refractory ore is ore where gold is locked in the sulphide minerals such that additional processing, including roasting or biological leaching, is required before cyanidation to achieve satisfactory levels of gold recovery. After processing, gold is smelted and refined.

## 9.2.1 Global demand for gold

Gold is often seen as a natural hedge, given that the gold price has historically been negatively correlated to general economic conditions. This observation is often based on the following views:

- ▶ Gold is a store of value for risk-averse investors during periods of uncertainty. Increased gold demand has historically occurred while there has been ongoing uncertainty surrounding the increase in public sector debt in some major economies, natural disasters in Japan, political uncertainty in the Middle East and foreign exchange rate fluctuations. In addition, during the GFC demand for gold increased as an investment asset.
- ▶ Gold is a hedge against inflation. Increases in gold demand have historically occurred while there have been rising oil and food prices and ongoing expansionary monetary policy in many developing economies, such as China and India.



Source: World Gold Council

Gold consumer demand is almost entirely driven by the jewellery industry, investments (bars and coins) and the technology sector. Demand decreased significantly from 2013 to 2014, with the decline sharpest in China as 2013's aggressive demand levels proved too high to maintain. In India, growth in jewellery demand in 2014 was offset by significantly lower investments in gold as an asset class. In 2014, India and China together accounted for 36% of global end-user investment and 62% of global jewellery demand. Consumer demand in selected countries is provided in the table below.

Consumer Gold Demand	2013			2014			Year on year % change		
	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total
<b>Tonnes</b>									
India	613	362	975	662	181	843	8.1%	(50.1%)	(13.6%)
Greater China	989	395	1,384	667	200	868	(32.5%)	(49.3%)	(37.3%)
Middle East	189	54	243	174	42	216	(8.1%)	(22.6%)	(11.3%)
Turkey	73	102	175	66	68	134	(10.1%)	(33.2%)	(23.5%)
USA	122	68	190	132	47	179	8.5%	(30.8%)	(5.5%)
Europe ex CIS	44	269	313	46	220	266	6.4%	(18.3%)	(14.9%)
Total above	2,030	1,250	3,280	1,748	757	2,506	(13.9%)	(39.4%)	(23.6%)
Other	355	516	870	405	306	711	14.1%	(40.6%)	(18.3%)
<b>World total</b>	<b>2,385</b>	<b>1,765</b>	<b>4,150</b>	<b>2,153</b>	<b>1,064</b>	<b>3,217</b>	<b>(9.7%)</b>	<b>(39.8%)</b>	<b>(22.5%)</b>

Source: EY Research

Ongoing economic uncertainty in the European Union, accommodative monetary policy by the European Central Bank and countries such as Japan and China, and demand from India and China may provide support to the gold prices. The recent removal of the 80:20 import-export restrictions on gold in India is positive for demand. In addition, official sector purchases will continue, led by emerging markets, as some countries seek stabilisation of domestic currencies and diversification of foreign exchange reserves through gold holdings.



## 9.2.2 Global supply of gold

Primary sources of gold supply are mining and recovery from recycled scrap. From 2011 to 2014, mine production increased while recycled supply (largely from recycled jewellery) decreased noticeably.

<b>World Gold Supply (Tonnes)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>CAGR*</b>
Mine production	2,836	2,870	3,051	3,114	3.2%
Net producer hedging	11	(40)	(39)	42	nm
Total mine supply	2,847	2,830	3,011	3,157	3.5%
Recycled gold	1,669	1,634	1,262	1,122	(12.4%)
<b>Total Supply</b>	<b>4,516</b>	<b>4,464</b>	<b>4,273</b>	<b>4,279</b>	<b>(1.8%)</b>

Source: EY Research

In 2014, the total supply of gold reached 4,279 metric tonnes, which represents a marginal increase in comparison to 2013. Mine production was stable during 2014, with record annual production being largely offset by shrinking recycling volumes. Lower gold prices are expected to limit investment in new mines and therefore restrict mine supply from 2016, with IBISWorld sighting scarcity of gold deposits on the supply side to support price growth in the forthcoming years. Historically, gold producers have largely been unresponsive to prices. For example, production increased in 2013 by 5% although prices fell by 29%. This is predominately the result of the lengthy time lag between discoveries and first production. Nevertheless, a sustained lower gold price will lead producers to assess the viability of their respective projects, restricting higher-cost supply from entering the market.

Lower gold prices are expected to reduce scrap and recycled supply, with recycled gold being the most flexible component of gold supply. After a decade of growth through to 2011, the level of recycled supply has decreased given its high sensitivity to gold prices, with the CAGR over the period 2011 and 2014 being approximately negative 12%.

## 9.2.3 Gold prices

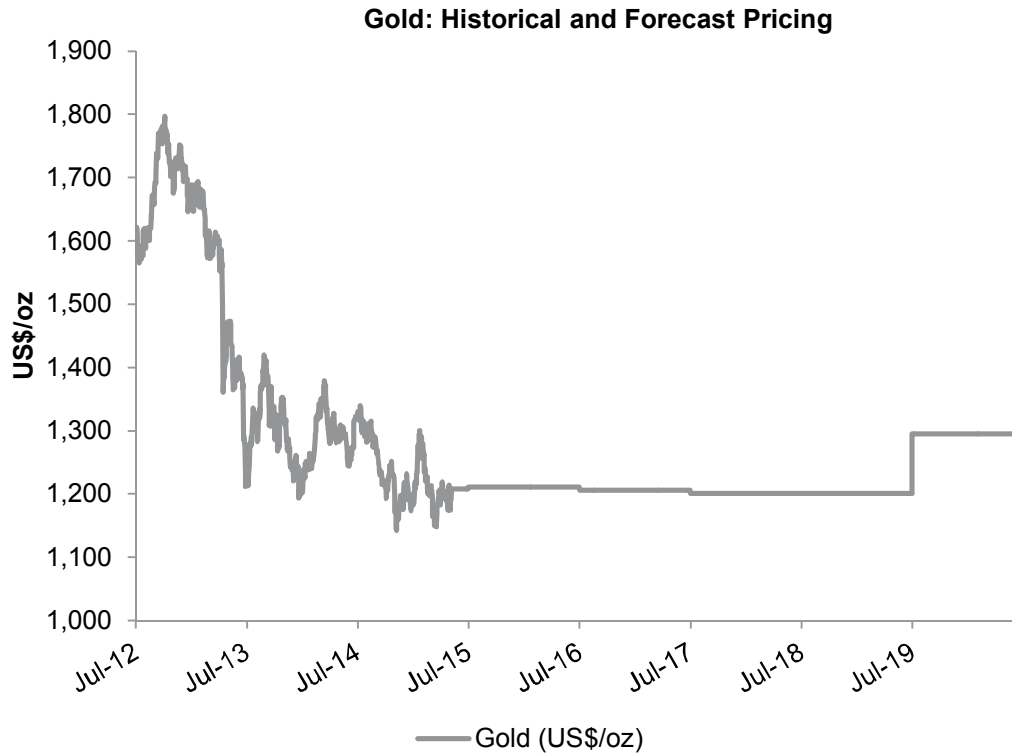
With the global uncertainty brought about by the onset of the GFC in 2008, gold prices in that year increased by 25% from 2007 levels. Continued uncertainty caused by public debt concerns in the US and the Eurozone supported high gold price growth. After reaching historical highs in 2012 of around US\$1,800/oz, gold prices decreased across 2013 as the US and global economy showed signs of recovery. From January 2013 to December 2013, the gold price decreased to a level of approximately US\$1,200/oz.

The fall in the gold price put higher cost producers and higher cost mines under some pressure and made it more difficult for companies to manage their debt and hedged positions. In response, producers looked to rationalise their operations by divesting high cost mines. In Australia this has led to increased transaction activity.

The gold price came under some pressure in the second half of 2014, declining by 4% in the fourth quarter to 31 December. This was largely due to a recovering US economy, including an appreciating dollar, positive wage and inflation data and an expected increase in the US interest rates. Over 2014, the gold price averaged US\$1,266/oz and US\$1,217/oz for the quarter to 31 March 2015.

The outlook for global gold prices remains subdued as analysts expect gold prices to remain largely consistent with current prices. The key drivers in the price of gold looking forward include rising real US interest rates and bond yields, a strong US dollar, lack of inflationary pressure and expected gains for equity markets, particularly in developed nations. The gold price in 2015 is forecast to be in the range of US\$1,150/oz to US\$1,250/oz.

The following chart shows the historical price for gold as well as the consensus broker forecasts for 2015 to 2019. Actual prices are stated in nominal dollars and forecast prices in real (2015) dollars.



While individual forecasts vary, overall, analysts are forecasting gold prices to stabilise at real price levels of US\$1,208/oz in 2015 and remain stable at around US\$1,200/oz through to 2019, with a long-term real price of US\$1,300/oz forecasted.

### 9.2.4 Key issues facing gold producers

Some of the key issues gold producers are currently facing include:

- ▶ The capital outlay to develop a mine has significantly increased over the last 10 years, from US\$560 per oz of gold production capacity in 2004 to more than US\$2,300/oz in 2013. The cost was forecast to increase in 2014 to around US\$2,400/oz. Being capital intensive, the capital cost of capacity generally lags behind movement in gold prices. High capital costs in a lower price environment have seen some projects delayed and others cancelled.
- ▶ Gold producers continue to pursue opportunities to reduce costs and divest non-core assets as a means of maintaining margins.
- ▶ For Australian producers, the lower Australian dollar has enabled them to remain profitable in a lower US dollar gold price environment.

### 9.3 The Silver Market

Silver is a precious metal, albeit more abundant than gold. It is used in a wide variety of sectors, including jewellery, store of value (investments), high-value tableware and numerous industrial processes. Silver is often produced as a by-product of gold, copper and other minerals during the refining stage.

Silver prices peaked in 2011 at US\$35.20/oz on the back of high gold prices. Like gold, silver prices have significantly decreased in recent years, falling to US\$19.10/oz in 2014. In the first quarter of 2015, silver prices experienced a strong appreciation, increasing by approximately 6%. Nevertheless, consensus brokers remain conservative with regard to long-term silver pricing, sighting a strengthening world economy, a resurgent US dollar and subdued growth in gold prices as catalysts for slow growth in silver prices.

The following chart shows the historical price for silver as well as the consensus broker forecasts for 2015 to 2019. Actual prices are stated in nominal dollars and forecast prices in real (2015) dollars.



Overall, analysts are forecasting silver prices to stabilise at real price levels of approximately US\$17/oz in 2015, increasing to US\$19/oz by 2019, with a long-term real price of US\$20/oz from 2020.

## Appendix D Determination of discount rates

Our valuation of Evolution and La Mancha Australia's mining operations is based on cash flows that have been prepared on a nominal, un-gearred and post-tax basis in Australian dollars.

To determine the net present value of the cash flows for each of Evolution and La Mancha Australia's operating mines, we have assessed the appropriate weighted average cost of capital ("WACC").

The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided.

Under a classical tax system the post-tax WACC is commonly calculated as follows:

$$WACC = R_e \times \frac{E}{D + E} + R_d (1 - t_c) \times \frac{D}{D + E}$$

Where:

WACC - post tax weighted average cost of capital

$R_e$  - required rate of return on equity capital

$E$  - market value of equity capital

$D$  - market value of debt

$R_d$  - required rate of return on debt capital

$t_c$  - statutory corporate tax rate

In the following paragraphs we comment on each of the assumptions we make in respect of each of the main variables in this formula.

### Required rate of return on equity

The capital asset pricing model (CAPM) is a model for estimating the rate of return required by an equity investor on an investment.

Under CAPM the required rate of return on equity ( $R_e$ ) is calculated as follows:

$$R_e = R_f + \beta_e \times (R_m - R_f) + R_s$$

Where:

$R_e$  - rate of return on equity

$R_f$  - risk free rate of return

$\beta_e$  - expected equity beta of the investment

$R_m$  - expected rate of return on the market portfolio of risky investments

$(R_m - R_f)$  - excess return of the market over the risk free rate, or the market risk premium

$R_s$  - specific risk premium

### Risk free rate

The 10 year government bond market is a widely adopted proxy for the risk free rate. 10 year Australian Treasury bond yield as at the date of this report was approximately 3.0%.

We have adjusted the discount rates for a specific risk premium of 1.25%. We believe this additional risk premium is justified taking into account the current risk free rate (referenced above as the 10 year Australian Commonwealth Government bond rate) being at historically low levels. Most market observers regard this low rate to be inconsistent with current share prices, the observed volatility in the markets and general economic uncertainty. In response, many valuers have either used a normalised risk free rate, increased their estimates of the market risk premium or have included an additional risk factor in their calculations of the cost of equity.

The most common approach we have observed in Australia has been for valuers to include or increase an additional risk premium (often referred to a specific risk premium or alpha) to ensure that the overall discount rate determined by the CAPM is considered to be appropriate for the asset subject to valuation.

Based on a historical analysis of the risk free rate (five year and 10 year Australian Commonwealth Government bond rate), and a recognition of the lives of the assets included in the values set out in this report we have applied a premium of 1.25% to the risk free rate. The addition of the risk premium results in an effective risk free rate of 4.25%.

### Market risk premium

The market risk premium ( $R_m - R_f$ ) represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. Generally, most estimates fall within a range of approximately 4.0% to 8.0%. However, investor's expectations of the premium can change as the market fluctuates and perceptions of the riskiness of equities change.

We adopted a market risk premium of 6.0% in calculating our range of Australian denominated WACCs.

### Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation. In order to determine an appropriate beta to use for the valuation of Evolution's mining operations, we have considered the observed betas of comparable companies.

Beta can be expressed as an equity beta, which includes the effect of gearing on equity returns, and as an asset beta, which removes the impact of gearing. The asset beta will be lower than the equity beta for any given investment, with the extent of the difference dependent on the level of debt in the capital structure. The greater the level of gearing, the greater is the risk faced by equity holders (as debt holders have a contractual right of return and so first claim on the operating income). Accordingly, for a given asset beta, the equity beta will increase as the level of gearing increases.

We used the following formula to undertake the de-gearing and re-gearing exercise:

$$\beta_e = \beta_a \left( 1 + \frac{D}{E} (1 - t_c) \right)$$

Where:

$\beta_e$  – the equity or geared beta

$\beta_a$  – the ungeared beta

$t_c$  – the statutory corporate tax rate

$D/E$  - equals the market value of debt divided by the market value of equity capital

In assessing a range of betas, we selected a group of companies deemed comparable to Evolution and La Mancha Australia. We selected those companies with producing gold mines, either within Australia or internationally. Our data set included both companies with small scale operations limited to a single country and those with more diversified operations.

We note that for many of the comparable companies, the data sourced for calculating the betas resulted in non-meaningful data. We have excluded any betas where the correlation was less than 0.04.

The table below summarises the beta information of companies where the betas produced were considered statistically meaningful.

Comparable company	Country	Market Cap (\$m) <sup>1</sup>	Local Index			MSCI Index		
			Equity Beta	Net Debt/Equity <sup>2</sup>	Asset beta <sup>3</sup>	Raw Beta	Net Debt/Equity <sup>2</sup>	Asset beta <sup>3</sup>
OceanaGold Corporation	Australia	921	nmf	16.4%	nmf	(1.83)	16.4%	(1.65)
Silver Lake Resources Limited	Australia	91	1.43	(1.0%)	1.43	1.01	(1.0%)	1.01
Regis Resources Limited	Australia	627	0.81	1.2%	0.81	nmf	1.2%	nmf
Troy Resources Limited	Australia	86	(3.34)	(7.5%)	(3.34)	(3.13)	(7.5%)	(3.13)
Saracen Mineral Holdings Limited	Australia	381	nmf	(2.0%)	nmf	nmf	(2.0%)	nmf
Northern Star Resources Limited	Australia	1,256	2.82	(13.0%)	2.82	1.19	(13.0%)	1.19
Evolution Mining Limited	Australia	835	2.44	12.4%	2.25	1.14	12.4%	1.05
Kingsgate Consolidated Limited	Australia	180	nmf	30.2%	nmf	nmf	30.2%	nmf
Resolute Mining Limited	Australia	231	(0.34)	13.4%	(0.31)	1.33	13.4%	1.21
Barrick Gold Corporation	Canada	19,012	nmf	34.7%	nmf	nmf	34.7%	nmf
New mont Mining Corporation	United States	17,181	nmf	19.4%	nmf	nmf	19.4%	nmf
AngloGold Ashanti Ltd.	South Africa	5,554	nmf	40.8%	nmf	nmf	40.8%	nmf
Goldcorp Inc.	Canada	19,992	nmf	5.5%	nmf	nmf	5.5%	nmf
Kinross Gold Corporation	Canada	3,623	nmf	11.6%	nmf	nmf	11.6%	nmf
New crest Mining Limited	Australia	11,151	nmf	23.0%	nmf	nmf	23.0%	nmf
Gold Fields Ltd.	South Africa	3,709	nmf	27.7%	nmf	nmf	27.7%	nmf
Polyus Gold International Limited	United Kingdom	10,841	0.73	0.3%	0.73	0.73	0.3%	0.73
Sibanye Gold Limited	South Africa	2,229	nmf	9.1%	nmf	nmf	9.1%	nmf
Harmony Gold Mining Company	South Africa	897	nmf	2.8%	nmf	nmf	2.8%	nmf
Yamana Gold, Inc.	Canada	4,648	nmf	14.1%	nmf	nmf	14.1%	nmf
Eldorado Gold Corporation	Canada	4,551	nmf	(1.3%)	nmf	nmf	(1.3%)	nmf
High			2.82	40.8%	<b>2.82</b>	1.33	40.8%	<b>1.21</b>
Mean			0.65	11.3%	<b>0.63</b>	0.06	11.3%	<b>0.06</b>
Median			0.81	11.6%	<b>0.81</b>	1.01	11.6%	<b>1.01</b>
Low			(3.34)	(13.0%)	<b>(3.34)</b>	(3.13)	(13.0%)	<b>(3.13)</b>
High (excl. outliers)			2.82	12.4%	2.82	1.33	13.4%	1.21
Mean (excl. outliers)			1.65	(0.0%)	1.61	1.08	2.4%	1.04
Median (excl. outliers)			1.43	0.3%	1.43	1.08	6.4%	1.03
Low (excl. outliers)			0.73	(13.0%)	0.73	0.73	(13.0%)	0.73

Source: S&P Capital IQ, EY Analysis

Notes:

Nmf – not meaningful

1. Equity beta calculated over a five year period with monthly observations, regressed against the company's local index and the international MSCI index.
2. Market Capitalisation in A\$
3. Net debt is calculated as total debt less cash and cash equivalents over a 5 year historic period (where available)
4. Where the Net Debt/Equity ratio is negative, it is taken to equal nil and the asset beta has been taken to equal the equity beta

We have adopted an asset beta in the range of 0.9 to 1.1. In selecting this beta range, we have considered the following:

- ▶ Evolution's asset beta of 1.05 based on 5 year monthly data.
- ▶ The average and median asset betas of comparable producing companies (excluding outliers) are 1.04 and 1.03 based on the MSCI data, respectively.
- ▶ Observed betas for individual companies fall within a wide range and also vary depending on the data source considered.

### **Capital structure**

In calculating the WACC, we need to determine an optimal capital structure at which to re-gear the asset beta, and with which to weight the cost of equity and cost of debt. Generally, the gearing level adopted should reflect the level of debt that can reasonably be sustained by any company operating in an industry, rather than actual gearing maintained by the current business owners.

In order to determine an appropriate capital structure, we have had regard to both Evolution's own capital structures, and the capital structure of other companies in the industry. In relation to the capital structure, we note:

- ▶ Evolution's average debt to equity ratio over the last two and five years was 28.0% and 12.4%, respectively.
- ▶ The average debt to total invested capital for our comparable companies based on recent data is 24%.
- ▶ The average and median debt to equity ratio of comparable companies was 38.0% and 24.6% over the last two years and 16.8% and 12.4% over the last 5 years, respectively.
- ▶ As at 31 March 2015, Evolution had net debt of \$87.3 million and La Mancha Australia is expected to have net debt of \$114 million.

Accordingly, we have assumed that for gold producers, a debt to total invested capital ratio of 20% to 25% is appropriate as a proxy for the optimal gearing ratio for gold producing assets.

### **Cost of debt**

The estimated cost of debt for the Australian denominated WACC is based on the margin over the yield on 10 year Australian Treasury bonds.

The debt premium over the risk free rate reflects debt related risks specific to the business being valued (i.e. the risk that the business will default on payments). The cost of debt represents the cost of funding over the life of the cash flow models. In arriving at an appropriate debt premium we have had regard to a number of factors including:

- ▶ The margin implicit in corporate bond yields over government bond yields. Implied yields reflect the market's view of risk as at a point in time and care should be exercised before incorporating these into any assessment of an entity's cost of debt.
- ▶ The debt ratings of comparable companies, in particular, Standard & Poor's BBB credit ratings.

After considering the above factors, with particular emphasis on the long-term spread of BBB rated corporate bonds, we adopted a nominal, pre-tax cost of debt of 5.3%.

## WACC

On the basis of the above, we have adopted the following inputs in our calculation of a range of nominal post-tax WACCs as shown in the table below.

Parameter	Low	High
Risk Free Rate	3.0%	3.0%
Market Risk Premium	6.0%	6.0%
Additional Risk Premium	1.2%	1.2%
Asset Beta	0.90	1.10
Equity Beta	1.11	1.43
Debt Premium	1.1%	1.1%
Nominal Pre-Tax Cost of Debt	5.3%	5.3%
Tax Rate	30.0%	30.0%
Debt: Equity	33.3%	42.9%
Debt Proportion	25.0%	30.0%
Equity Proportion	75.0%	70.0%
Cost of Equity	10.9%	12.8%
Nominal Post Tax WACC	9.1%	10.1%
<b>Adopted</b>	<b>9.0%</b>	<b>10.0%</b>

Source: EY Analysis

As shown in the tables above, we have adopted a nominal, post-tax discount rate range of 9.0% to 10.0%.



## Appendix E Description of comparable companies

### **Kingsgate Consolidated Limited**

Kingsgate Consolidated Limited is engaged in the exploration, development, and mining of mineral properties in Australia, South East Asia and South America. The company owns and operates two gold projects, including the Chatree Mine in Thailand and the Challenger underground gold mine in South Australia. It also holds interest in the Nueva Esperanza silver-gold project in Chile and the Bowdens silver project in New South Wales. As at 30 June 2014, the company has 2.72 Moz of gold reserves and 10.34 Moz of gold resources and produced 209,500oz of gold in the year ended 30 June 2014. Kingsgate Consolidated Limited is based in Sydney, Australia.

### **Northern Star Resources Limited**

Northern Star Resources Limited explores and produces gold properties in Ashburton, Kalgoorlie, and Plutonic regions, Western Australia. The company also explores for silver. Its properties include the Paulsens, Plutonic, Kundana, Kanowna and Hermes gold mines located in Western Australia. As at 30 June 2014, the company had 1.19 Moz of gold reserves and 6.18 Moz of gold resources and produced 215,419 oz of gold in the year ended 30 June 2014. Northern Star Resources Limited is headquartered in Perth, Western Australia.

### **OceanaGold Corporation**

OceanaGold Corporation explores, develops and operates gold and other mineral properties. Its flagship operation is the Didipio Mine located in the northern Philippines. The company also operates the Macraes open pit, Frasers underground, and Reefion mines located on the South Island of New Zealand. As at 31 December 2014, the company had 2 Moz of gold, 3.58 Moz of silver and 0.21 Mt of copper reserves. It also has 11.94 Moz of gold, 16.27 Moz of silver and 0.28 Mt of copper resources. The company produced 307,463oz of gold and 25,010t of copper in the year ended 31 December 2014. OceanaGold Corporation is headquartered in Melbourne, Australia.

### **Regis Resources Limited**

Regis Resources Limited engages in the exploration, evaluation and development of gold projects in the Eastern Goldfields of Western Australia. It owns the Duketon gold project comprising a tenement packaging covering approximately 2,000km<sup>2</sup>, which include various deposits, such as the Moolart Well gold, Garden Well gold, Rosemont gold, Erlistoun gold and Satellite gold deposits located in the North Eastern Goldfields of Western Australia. The company also holds interests in the McPhillamys gold project consisting of three granted exploration permits covering 477km<sup>2</sup> in the Central Western region of New South Wales. As at 30 June 2014, the company had 2.53 Moz of gold reserves and 8.01 Moz of gold resources and produced 270,759 oz of gold in the year ended 30 June 2014. Regis Resources Limited is based in Perth, Australia.

### **Resolute Mining Limited**

Resolute Mining Limited produces gold and prospects and explores for minerals. It operates three gold mines in Africa and Australia. The company primarily holds an 80% interest in the Syama Gold Project located in the south of Mali, West Africa. It also produces silver. As at 30 June 2014, the company had 4.04 Moz of gold reserves and 9.53 Moz of gold resources and produced 342,774 oz of gold in the year ended 30 June 2014. Resolute Mining Limited is based in Perth, Australia.

### **Saracen Mineral Holdings Limited**

Saracen Mineral Holdings Limited is engaged in the gold mining and mineral exploration business in Australia. The company holds a 100% interest in the Carosue Dam operations located in north-east of Kalgoorlie, Western Australia. It also holds interests in Thunderbox operations located in the Yandal belt and the Agnew-Wiluna belt in the North Eastern Goldfields of Western Australia. As at October 2014, the company had 1.65 Moz of gold reserves and 6.88 Moz of gold resources and produced 133,492oz of gold in the year ended 30 June 2014. The company is headquartered in Perth, Australia.

### **Silver Lake Resources Limited**

Silver Lake Resources Limited, together with its subsidiaries, operates as a gold producing and exploration company in Australia. It holds interests in the Mount Monger goldfield that covers an area of 1,728km<sup>2</sup> located to the southeast of Kalgoorlie, the Murchison goldfield, which include Tuckabianna, Comet, Eelya, and Moyagee projects located between Mount Magnet and Cue areas, and the Great Southern Project that covers an area of 2,500km<sup>2</sup> located near the town of Ravensthorpe on the southern coast of Western Australia. The company also holds interests in the Copper Lakes project that consists of an exploration license application covering an area of 267km<sup>2</sup> located to the southeast of Port Hedland. As at 30 June 2014, the company had 0.25 Moz of gold reserves and 2.36 Moz of gold resources and produced 214,866 oz of gold in the year ended 30 June 2014. Silver Lake Resources Limited is headquartered in South Perth, Australia.

### **Troy Resources Limited**

Troy Resources Limited engages in the exploration and production of gold and silver properties in South America. The company holds interests in the Casposo project located at Andorinhas in Para State, Brazil and Andorinhas in San Juan Province, Argentina. It also holds interests in the Karouni gold project located in Guyana. As at 30 June 2014, the company had 0.51 Moz of gold reserves and 1.76 Moz of gold equivalent resources and produced 132,939 oz of gold equivalent in the year ended 30 June 2014. The company is based in Perth, Australia.

## Appendix F Sources of information

In arriving at our views, we have had regard to the following sources of information:

- ▶ audited financial statements of Evolution for the financial years ended 31 December 2012 to 2014 and unaudited management accounts for the three months ended 31 March 2015
- ▶ audited financial statements of La Mancha Australia for the financial years ended 31 December 2012 to 2014 and unaudited management accounts for the three months ended 31 March 2015
- ▶ the draft Explanatory Memorandum
- ▶ the AMC Report, included in Appendix H of this report
- ▶ financial models prepared by Evolution and La Mancha Australia management and updated by AMC
- ▶ details of company shareholders as provided by Evolution management
- ▶ ASX announcements for Evolution including quarterly reports
- ▶ analyst reports for Evolution and comparable companies
- ▶ company websites for Evolution, La Mancha and comparable companies
- ▶ Market data obtained from sources including ThompsonOne, S&P Capital IQ, DatAnalysis and Factiva.

In addition we held discussions with various members of senior management of Evolution.

## Appendix G Glossary

Abbreviation	Full Title / Description
\$	Australian dollars
3Mths Mar15	Three months to 31 March 2015
Act	The Corporations Act
AISC	All-in sustaining cost
Alacer Gold	Alacer Gold Corp
AMC	AMC Consultants Pty Ltd
AMC Report	The report prepared by AMC
APES 225	Accounting Professional & Ethical Standards Board 225
Areva	Areva NC Inc.
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Board	The Board of Directors of Evolution
CAPM	Capital Asset Pricing Model
Catalpa	Catalpa Resources Limited
CIL	Carbon-in-leach
CIP	Carbon in pulp
Conquest	Conquest Mining Limited
Consideration Shares	The issue of approximately 322.024 million ordinary shares
Cowal	Barrick (Cowal) Pty Limited
Cowal Transaction	Evolution's acquisition of the Cowal gold mine on 25 May 2015
Cut-Off-Date	15 September 2015
CYXX	Calendar year ending 31 December XX
DCF	Discounted cash flow
De Grey	De Grey Mining Limited
DFS	Definite feasibility study
EBIT	Earnings before interest and tax
Emmerson	Emmerson Resources Ltd
Emmerson Farm-in	The farm-in and joint venture arrangement with Emmerson
Entitlement Offer	Equity raising via a 5-for-13 fully underwritten pro rata renounceable entitlement offer
Evolution / Company	Evolution Mining Limited
Evolution Facility	Evolution's \$200 million Senior Secured Corporate Revolving Credit Facility with an attaching \$100 million accordion provision maturing on 31 March 2018
EY Transaction Advisory Services / EY / Ernst & Young / we / us / our	Ernst & Young Transaction Advisory Services Limited
FIRB	Foreign Investment Review Board
FSG	Financial Services Guide
FYXX	Financial year ending 30 June XX
GFC	Global Financial Crisis
HY15	Half year ending 31 December 2014
Institutional Component	The Entitlement Offer completed through an institutional offering
JORC	Joint Ore Reserves Committee
JORC Code	The Code for Reporting Mineral Resources and Ore Reserves as prescribed by the Australasian Joint Ore Reserves Committee
JunXX	As at 30 June XX
K	Thousand
Kingsgate	Kingsgate Consolidated Limited
Km	Kilometre
km <sup>2</sup>	Square Kilometres
La Mancha	La Mancha Group International BV and its parent company La Mancha Holding SÁRL
La Mancha Amalco	La Mancha Amalco Holdings Pty Ltd
La Mancha Australia	La Mancha's Australian operations including Frog's Leg, White Foil and the Mungari processing plant
La Mancha Transaction	The acquisition of the Australian gold mining operations from La Mancha

Abbreviation	Full Title / Description
LMRA	La Mancha Resources Australia Pty Ltd
LMRA Facility	\$183.4 million syndicated debt facility with several banks
LMRA Restructure	The restructure the shareholding in LMRA so that all of the issued shares in LMRA are directly held by Toledo Holdings
LOM	Life of mine
Mar15	As at 31 March 2015
Meeting	Extraordinary General Meeting to be convened in late July 2015.
Merger and Asset Acquisition	The merger of Catalpa and Conquest and the concurrent acquisition of the Cracow and Mt Rawdon gold operations
Monto	Monto Minerals Limited
MRA	Mines & Resources Australia Pty Ltd
Mt	Million tonnes
Mt Carlton Case	Production case based on the Mt Carlton LOM plan
Mt Rawdon Case	Production case based on the Mt Rawdon LOM plan
Mtpa	Million tonnes per annum
Mungari Operations Case	Production case based on the LOM plan prepared by La Mancha management
Newcrest	Newcrest Mining Limited
Northern Star	Northern Star Resources Limited
OceanaGold	OceanaGold Corporation
Orascom	Orascom Group
OTH	Orascom Telecom Holding S.A.E.
Oz	Ounce
Phoenix Gold	Phoenix Gold Limited
Regis	Regis Resources Limited
Renaissance	Renaissance Minerals Limited
Resolute	Resolute Mining Limited
Retail Component	The Entitlement Offer completed through a retail offering
RG 111	Regulatory Guide 111: Content of expert reports
ROM	Run of mine
Saracen	Saracen Mineral Holdings Limited
Share Sale Agreement	The agreement between Evolution and La Mancha on 20 April 2015
Silver Lake	Silver Lake Resources Limited
Subscription Shares	The issue of approximately 123.861 million shares to La Mancha for \$112 million
Toledo Holdings	Toledo Holdings (Ausco) Pty Ltd
Tpa	Tonnes per annum
Troy	Troy Resources Limited
TSF	Tailing storage facility
TSX	Toronto Stock Exchange
US\$	United States dollar
VimpelCom	VimpelCom Ltd
VWAP	Volume weighted trading price
WACC	Weighted Average Cost of Capital
Westonia	Westonia Mines Limited
YTDMar15	Nine months ended 31 March 2015



## Appendix H    The AMC Report

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# Report

## **Independent Technical Specialist's Report** **Ernst & Young Transaction Advisory Services Limited**

AMC Project 215035  
23 June 2015

23 June 2015

The Directors  
Ernst & Young Transaction Advisory Services Limited  
Ernst & Young Building  
11 Mounts Bay Road  
PERTH WA 6000

Dear Sirs

## **EVOLUTION AND LA MANCHA AUSTRALIA INDEPENDENT TECHNICAL SPECIALIST'S REPORT**

Evolution Mining Limited (Evolution) announced on 20 April 2015 (Announcement) that it had entered into an agreement (Proposed Transaction) with La Mancha Group International BV (La Mancha) to acquire, subject to a number of conditions, 100% of La Mancha's Australian operations (La Mancha Australia).

La Mancha Australia's operations include the Frog's Leg underground gold mine, the adjacent White Foil open pit gold mine, and the recently completed Mungari processing plant, all located in close proximity to Kalgoorlie, Western Australia.

Evolution operates five wholly-owned mines – Cracow, Mt Carlton, Mt Rawdon, and Pajingo in Queensland, and Edna May in Western Australia.

The Announcement advised that Evolution shareholders will receive documentation in relation, to the Proposed Transaction including an independent expert's report (IER).

The Directors of Evolution appointed Ernst & Young Transaction Advisory Services Limited (EY) to prepare the IER in relation to the Proposed Transaction.

The Directors of Evolution also commissioned AMC Consultants Pty Ltd (AMC) to provide EY with this independent technical specialist's report (ITSR) on the mineral assets of La Mancha Australia and Evolution, under instruction from EY.

The scope of the ITSR as advised by EY to AMC includes:

- A description of the mineral assets.
- Technical examination of geology, mineral resources and ore reserves, development plans, mining aspects, processing methods, production schedules, capital costs and operating costs, and exploration potential for each operation or development project.
- Life-of-mine production cases for each operation and development project including physicals (tonnes, grades, and metallurgical recoveries) and capital and operating cost projections.
- Valuations of the exploration properties to the extent they are not covered by the life-of-mine production cases for the operations and development projects.

EY also advised AMC that the ITSR will be appended to the IER.

In general terms, AMC has modelled two production cases for each operation and development project.

Case 1 is typically based on Ore Reserve (JORC Code<sup>1</sup> defined) estimates and that part of other Mineral Resources (JORC Code defined) and exploration potential for which AMC judges there is a high confidence of future conversion to Ore Reserves.

---

<sup>1</sup> Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition. Effective 20 December 2012 and mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC).



Case 2 typically adds mining and processing tonnages to those of Case 1 which AMC judges to represent further additions to Ore Reserves from existing Mineral Resources and from readily demonstrable exploration potential, but to a lesser confidence level than in Case 1. In some instances, Case 2 provides for a significant expansion of production and/or other technical upgrades and improvements. Nevertheless, AMC believes that the Case 2 production cases are also based on reasonable grounds.

The production cases developed by AMC include capital and operating cost schedules based on information provided by La Mancha Australia and Evolution. Those costs do not include off-site costs such as head office.

AMC believes that the production cases provided to EY are based on reasonable grounds.

As referred to above, this ITSR includes valuations of the exploration properties of La Mancha Australia and Evolution to the extent they are not covered by the life-of-mine production cases.

For exploration properties, it is not possible to project cash flows and/or production estimates with sufficient confidence to rely on discounted cash flow methodology. Therefore, AMC has considered other methods to value the exploration properties. These methods are commonly used in Australia to value exploration properties and are discussed in this report.

The VALMIN Code<sup>2</sup> defines a Technical Value as an assessment of future net economic benefit. The code defines a Fair Market Value as one which is based on a Technical Value, adjusted with a premium or discount relating to market, strategic or other considerations. AMC's values of exploration properties as presented in this ITSR are Fair Market Values. Some of the exploration valuation methods result in a Technical Value, but AMC does not believe it appropriate at this time to apply a premium or discount to exploration properties such as those considered in this ITSR to obtain Fair Market Value.

AMC has been provided with independent specialist's reports on the status of the material tenements of La Mancha Australia and Evolution. It is concluded in those reports that the material tenements of La Mancha Australia and Evolution are in good standing in all material respects. Accordingly, AMC has prepared this ITSR on the basis that the material tenements of La Mancha Australia and Evolution are in good standing.

AMC has completed its commission to prepare this ITSR as a Specialist in accordance with the VALMIN Code to the extent that the code is relevant to AMC's commission.

AMC's use, in this report, of the terms Mineral Resources and Ore Reserves is in accordance with the JORC Code.

Principal sources of information considered by AMC in the preparation of this report are listed in Appendix A.

For the purposes of preparing this report, AMC has visited the operating sites of La Mancha Australia and Evolution, reviewed material technical reports and management information, and held discussions with management staff both on site and in the Perth offices of Evolution. AMC has not visited the exploration projects located away from the operations as they are not considered to be material to the overall value of La Mancha Australia and Evolution.

AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on data that AMC considers to be of acceptable quality and reliability. Where AMC has not been so satisfied, AMC has included comment in this report and made modifications to that information in preparing the production cases and valuations of exploration properties provided by AMC to EY.

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<sup>2</sup> Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition, Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

# Independent Technical Specialist's Report

Ernst & Young Transaction Advisory Services Limited

215035

AMC presents the Technical Specialist's Report which follows in the form of:

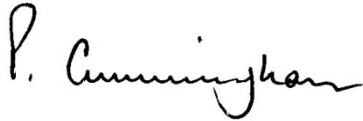
- 1. Mineral Assets
- 2. Valuation Methods
- 3. La Mancha Australia
- 4. Evolution
- 5. Exploration Properties
- 6. Qualifications

All monetary figures in this report are expressed in 2015 Australian Dollars ("\$" or "A\$") unless otherwise noted. Costs are presented on a cash cost basis unless otherwise specified.

Reporting of production and costs in this report is presented on a financial year (July to June) basis except where otherwise specified.

For definitions of abbreviations used in this report, refer to Appendix B, and for contributors to this report, refer to Appendix C.

Yours faithfully



**Peter Cunningham**  
MAusIMM



**L J Gillett**  
FAusIMM (CP)

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Appendix A Principal sources of information

Appendix B Abbreviations

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Appendix D La Mancha Australia tenements

Appendix E Evolution tenements



## 1 Mineral assets and tenements

### 1.1 Mineral assets

This independent technical specialist's report (ITSR) prepared by AMC Consultants Pty Ltd (AMC) in relation to the La Mancha Group International BV (La Mancha), Australian mineral assets (La Mancha Australia), and Evolution Mining Limited (Evolution) includes:

- A description of each of the mineral assets.
- A description of the life-of-mine (LOM) production cases for each of the operations.
- Valuations of the exploration properties to the extent they are not covered by the LOM production cases for the operations.

The material mineral assets of La Mancha Australia are:

- The Frog's Leg underground gold mine, located 20 km west of Kalgoorlie, Western Australia.
- The White Foil open pit gold mine, located 2 km west of Frog's Leg.
- The newly-constructed Mungari carbon-in-leach (CIL) processing plant (completed in May 2014) at which the ore from Frog's Leg and White Foil is processed.
- Exploration properties in the Coolgardie Mineral Field, Western Australia

La Mancha Australia's tenements cover part of the Norseman-Wiluna Greenstone belt which in turn is part of the Eastern Goldfields Superterrane of the Yilgarn Craton, Western Australia.

The material mineral assets of Evolution are:

- The Edna May open pit gold mine and processing plant, located in the eastern part of the Central Wheat Belt of Western Australia, approximately 300 km east of Perth.
- The Pajingo underground gold mine and processing plant, located 53 km south of Charters Towers in north Queensland.
- The Mt Rawdon open pit gold mine and processing plant, located in south-east Queensland, approximately 80 km south-west of Bundaberg and 300 km north-north-west of Brisbane.
- The Cracow underground gold mine, located 100 km south of Biloela, south-east Queensland.
- The Mt Carlton open pit gold-copper mine and concentrator, located 150 km south of Townsville in the Charters Towers Mining Region of north Queensland.

It should be noted that Evolution's investment of up to 19.9% in Phoenix Gold per ASX announcement on 1 May 2015 is not considered in this ITSR.

For this ITSR, the following aspects of each operation have been reviewed:

- Geology and Mineral Resources.
- Mining and Ore Reserves.
- Metallurgy and processing operations.
- Waste rock and tailings storage.
- Environmental aspects.
- Exploration projects and prospectivity.

La Mancha Australia and Evolution operations and production cases are reviewed and discussed in Section 3 and 4 respectively. Valuation of exploration properties for both La Mancha Australia and Evolution are covered in Section 5.

### 1.2 Tenements

Lists of the material tenements of La Mancha Australia and Evolution are presented in Appendix D and Appendix E respectively.

AMC has been provided with reports on the status of the material tenements of La Mancha Australia and Evolution prepared by independent specialists:

- La Mancha Australia – prepared by McMahon Mining Title Services Pty Ltd.



- Evolution – prepared by TAS Legal Pty Ltd.

AMC is satisfied that the authors of those reports are qualified as Specialists under the VALMIN Code, and that their reports satisfy the requirements of the VALMIN Code. It is concluded in those reports that the material tenements of La Mancha Australia and Evolution are in good standing in all material respects. Accordingly, AMC has prepared this ITSR on the basis that the material tenements of La Mancha Australia and Evolution are in good standing.

## 2 Valuation methods – exploration properties

Where projections of production physicals and related costs can be reasonably determined for an operation or development project, it is accepted industry practice to prepare discounted cash flow (DCF) models from which net present value (NPV) estimates can be determined for the operation or project. Accordingly, for each of La Mancha Australia's and Evolution's operations, AMC has prepared production and capital and operating cost projections (production cases) for consideration by EY in its generation of NPVs for those operations.

However, where a project is not sufficiently advanced to provide a reasonable basis for use of the DCF method, AMC considers those projects as exploration properties for valuation purposes.

The methods used by AMC for valuation of the exploration properties of La Mancha Australia and Evolution are described below. The preferred value for the valuation ranges presented in this report is the midpoint of the range.

The valuation of exploration properties, particularly those for which Mineral Resources have not been estimated, is very subjective. There are, however, several generally accepted methods to value exploration projects and AMC has used such methods as appropriate to arrive at balanced judgments of value.

Where possible, AMC attempts to use more than one method before selecting the valuation appropriate to that project. Values are rounded, and outliers in contributing estimates are sometimes excluded.

The methods considered by AMC in this ITSR for valuation of the exploration properties of La Mancha Australia and Evolution are as follows.

### The Past Expenditure Method

A prospectivity enhancement multiplier (PEM) generally between 0.5 and 3.0 is applied to past expenditure which AMC judges to be effective in regard to future prospectivity.

### The Yardstick Value Method

Rules of thumb or Yardstick Values can be used for properties where a Mineral Resource has been quantified. A value per contained metal unit (e.g. ounce of gold or gold equivalent) is assigned to an actual Mineral Resource or to a preliminary mineralization estimate.

### Actual or Comparable Transaction Method

A value is determined by reference to either actual transactions for the property in question (Actual Transaction method) or to recent transactions for projects considered to be similar to those under review (Comparable Transaction method). Comparable Transactions are converted to a value per unit area.

### Joint Venture Terms Method

Many transactions on exploration tenements are of a farm-in nature and AMC assesses a "cash equivalent" value for them from the terms of the "deemed expenditure" on the property at the time of the deal discounted by a time and probability factor for the likelihood that the farm-in will complete its earning requirement. AMC adjusts the resulting value for any other terms of the joint venture and/or for the results of work carried out since the commencement of the farm-in.

### Expected Value Method

An Expected Value valuation can be applied where there is sufficient information to enable an indicative NPV calculation, which takes into account the costs of ongoing exploration and with a probability/risk factor for the chances of that exploration being successful.

This method is most relevant when the exploration area is closely associated with an existing mining operation or development project where a production scenario has been developed for valuation.

### 3 La Mancha Australia

#### 3.1 Location and background

##### 3.1.1 Location

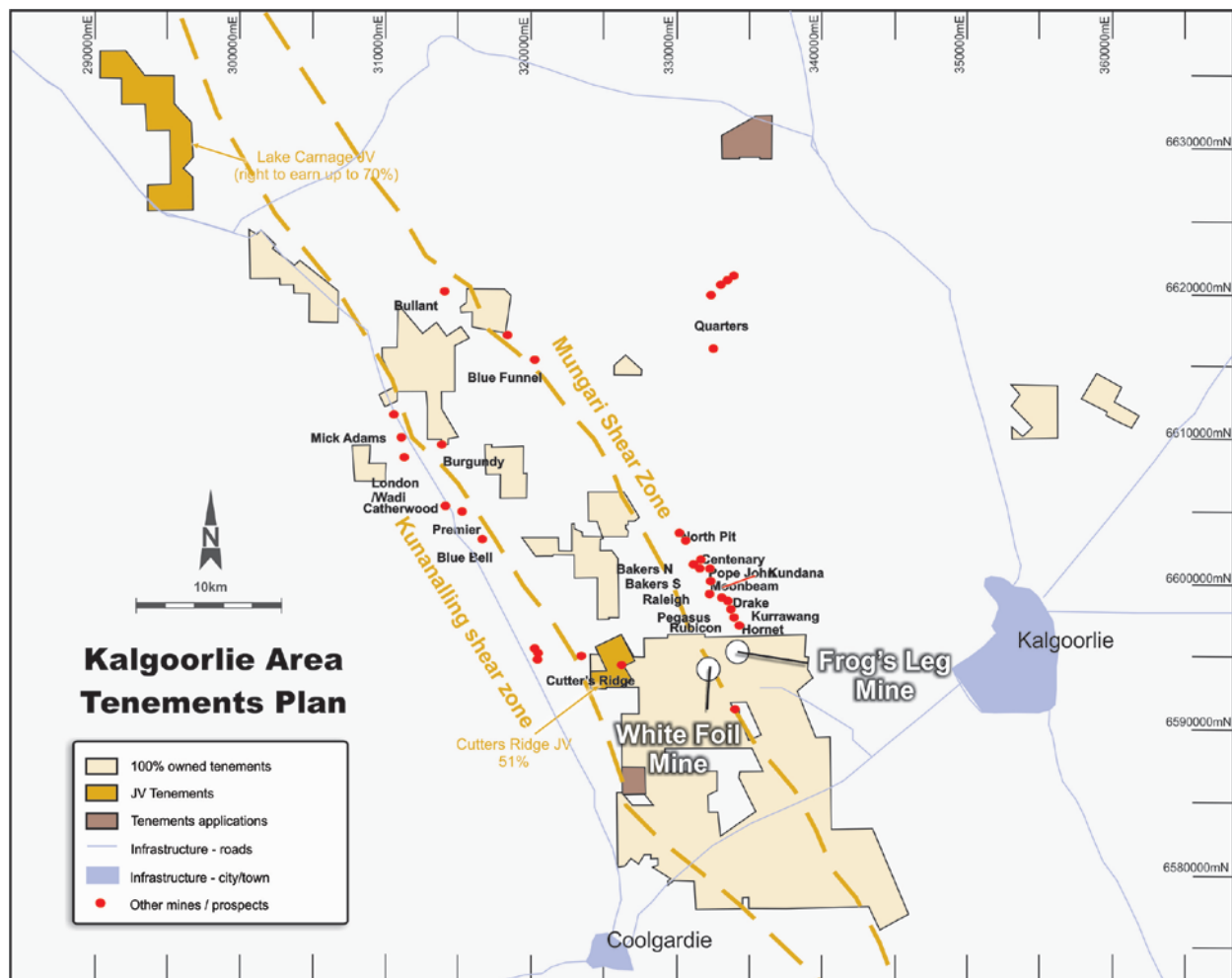
La Mancha Australia's operations comprise the Frog's Leg underground gold mine, the White Foil open pit and the Mungari processing plant, collectively referred to as the Mungari Operations. The operations are located 20 km west of Kalgoorlie (refer Figure 3.1), which has an estimated population of approximately 31,100 persons (2011 Census). It is the hub of the Western Australian Goldfields region.

The operations are accessed from Kalgoorlie via the sealed Great Eastern Highway and the unsealed Kundana Haul Road.

The topography is typically flat and is made up of dry or shallow lakes, proximal salt flats, sand dunes and low ridges.

The area has a dry climate with hot summers and cool winters. The annual mean rainfall is 260 mm.

**Figure 3.1 La Mancha Australia's Operations location map**



##### 3.1.2 Background

The Frog's Leg gold mine was originally owned by the Mungari East Joint Venture (MEJV) held by Dioro Exploration NL (Dioro; 49%) and Mines and Resources Australia Pty Ltd (MRA; 51%).

In September 2006, MRA sold its joint venture interest to La Mancha Resources Inc via a reverse takeover. Dioro was taken over by Avoca Resources Limited (Avoca) in 2010, Avoca subsequently merged with Alacer Gold Pty Ltd (Alacer) in 2011, La Mancha Australia acquired 100% of the MEJV in 2013.

The Frog's Leg deposit was discovered by air-core drilling in late 1999, followed by diamond drilling in January 2000. Open pit production began in April 2004 and the first gold was poured in July 2004. Open pit operations terminated in October 2005 with the last of the ore treated during the fourth quarter of 2005.

In late 2006, the MEJV began a significant diamond-drilling programme in order to define potential resources for an underground mining operation. During December 2007, the MEJV completed the Frog's Leg underground feasibility study. In July 2007, the joint venture commenced decline development at the Frog's Leg underground mine with ore production commencing early in 2008.

Until commissioning of the Mungari processing plant in April 2014, all production from Frog's Leg was toll treated off-site.

White Foil was discovered in 1996 by follow-up reverse circulation (RC) drilling after identifying a small resource at Kopai South, several kilometres south of White Foil but within the same stratigraphy. Resource definition drilling commenced shortly after with the maiden resource completed in 1997-1998.

White Foil originally commenced mining in 2002 but was placed on care and maintenance in 2003 due to lack of available processing capacity and a lack of permitting to discharge groundwater. A second mining campaign was undertaken over a six month period in 2010. La Mancha Australia commenced the current phase of mining in June 2014.

La Mancha Australia's current operations comprise the Frog's Leg underground gold mine, the White Foil open pit gold mine, the newly constructed Mungari CIL processing plant which was commissioned in April 2014 and a regional exploration portfolio.

## 3.2 Frog's Leg

### 3.2.1 Geology

The Frog's Leg deposit is located in the Archaean Norseman-Wiluna Belt of the Eastern Goldfields Province of the Yilgarn Craton. The granite-greenstone belt is characterized by thick, rift-controlled accumulations of ultramafic, mafic and felsic volcanic, intrusive and sedimentary rocks metamorphosed through greenschist to amphibolite grades. Greenstone belt successions occur in north-north-west trending structural terrains bound by. The Zuleika Shear Zone is one of the key structures that passes through the Kundana mining district and probably provides a locus for associated structures and resulting gold emplacement. The Zuleika Shear Zone has divided the formations into the Ora Banda domain on the east and the Coolgardie domain on the west.

Frog's Leg is a structurally complex deposit within the Frog's Leg Shear Zone associated with the Zuleika Shear Zone. Mineralized zones at Frog's Leg are truncated by later faults.

The Frog's Leg Shear Zone places volcanoclastic rocks of the Black Flag Group against basalt and porphyritic basalt (locally called 'catrock'). Competency contrasts between more brittle volcanoclastic rocks and more ductile basalts and shales influenced the development of veins and shear zones associated with gold deposition. The metamorphic grade ranges from upper greenschist to lower amphibolite.

Lodes are steeply west-dipping (75° to sub-vertical) and vary in width between 2 m to 20 m. Gold mineralization is associated with intense shear deformation, quartz veining and brecciation.

The Dwarf-Peron lode extends about 1,200 m along strike and about 720 m down-dip. Depending on the position within the deposit, the Dwarf-Peron lode is located both on the contact between volcanoclastic and catrock and on the hangingwall contact of the main catrock unit. The lode is characterized by quartz veining and alteration of host rocks. The highest gold grades are typically associated with laminated veins associated with galena, sphalerite and scheelite.

The Mist-Rocket lode is located mainly on the sheared contact between footwall volcanoclastic rocks and the hangingwall basalt and catrock and is characterized by alteration and quartz veining. The thickness of the lode is variable and ranges between 1 m to 10 m.

The Rocket South lode has been domained separately from the Mist-Rocket lode as it is characterized by a different mineralization style. It consists of narrow, laminated quartz veins in the footwall volcanoclastics unit. Little to no alteration is present. The lode terminates against the Dwarf-Peron lode.

The Fog and Whistle lodes are located between the hangingwall and footwall lodes. Mineralized zones are characterized by late-stage quartz-veining and low to moderate alteration with associated pyrrhotite.

The Fog lode has been split by the north-west trending Elizabeth fault. The volcanoclastic-hosted portion of the Fog lode has been domained into two domains based on the percentage of quartz veining. Close to the Elizabeth fault the mineralization is hosted in zones of intense veining and brecciation with very high gold grades. Further from the Elizabeth fault the intensity of quartz veining decreases rapidly along with gold grade.

South of the Elizabeth fault the Whistle lode is hosted entirely within strongly altered catrock and is characterized by quartz veining and sulphide mineralization.

The Quartz lode sits at the south end of the deposit and is characterized by a 1 m to 5 m zone of quartz veining hosting gold mineralization. The Quartz lode dips at approximately 50° to the west and is interpreted to converge with the main Dwarf-Peron structure at depth.

### 3.2.1.1 Data collection

The December 2014 Mineral Resource estimate used all resource development and grade control holes drilled from underground positions. Apart from some deep drillholes and holes targeting the Quartz lode and near surface Dwarf-Peron lode, no other surface holes were included.

Underground resource drilling is planned to provide coverage of the ore zones at 40 m spacing. Underground grade control diamond drilling is aimed at in-filling that pattern at 20 m spacing. Most drilling is NQ diameter but smaller diameter LTK48 and BQTK is also used. Drillhole collars are surveyed. Drillholes are surveyed downhole using non-magnetic survey instruments.

Drill core is geologically logged for rock type, texture, alteration, veining, sulphide mineralization and deformation.

### 3.2.1.2 Resource estimation

The Mineral Resource estimate is based on interpretation of the lodes using geological features but the lodes largely correspond to a 1 g/t Au grade boundary. Assays were composited to 1 m and top-cuts applied to limit the influence of statistical outliers. Gold grades were estimated using ordinary kriging with estimation parameters determined from a study of variography. A three pass approach was used that restricted the influence of higher-grades in wider passes. A uniform density of 2.80 t/m<sup>3</sup> was applied from the mean of 633 samples.

The Mineral Resource estimate has been classified as:

- Measured Resource where there are ore development drives, face sampling occurs on 3.5 m intervals, and backs are mapped.
- Indicated Resource where drilling approaches 40 m x 40 m spacing.
- Inferred Resource where drill spacing is greater than 40 m x 40 m spacing or where geological continuity is not evident.

Mineral Resources at 31 December 2014 reported at a 2.5 g/t Au cut-off are listed in Table 3.1.

**Table 3.1 Frog's Leg Mineral Resources as at 31 December 2014**

Item	Measured			Indicated			Inferred			Total		
	Tonnes	Grade	Contained Gold	Tonnes	Grade	Contained Gold	Tonnes	Grade	Contained Gold	Tonnes	Grade	Contained Gold
	(Mt)	(g/t Au)	(koz)	(Mt)	(g/t Au)	(koz)	(Mt)	(g/t Au)	(koz)	(Mt)	(g/t Au)	(koz)
Frog's Leg	1.47	7.11	335	1.82	6.18	362	0.47	4.82	72	3.75	6.37	769
Stockpiles	0.01	4.38	1	-	-	-	-	-	-	0.01	4.38	1
<b>Total</b>	<b>1.48</b>	<b>7.08</b>	<b>336</b>	<b>1.82</b>	<b>6.19</b>	<b>362</b>	<b>0.47</b>	<b>4.82</b>	<b>72</b>	<b>3.76</b>	<b>6.37</b>	<b>770</b>

AMC considers that the Frog's Leg Mineral Resource estimate has been completed using accepted industry practices and has been classified in accordance with the JORC Code.

## 3.2.2 Ore Reserves

The Ore Reserve estimate for Frog's Leg as at 31 December 2014 is shown in Table 3.2. The underground Ore Reserve estimate for Frog's Leg is reported at a cut-off grade of 3.0 g/t Au for stoping and 0.8 g/t Au for development. AMC has reviewed the assumptions, processes and modifying factors involved in the estimation of ore reserves, and considers them to be appropriate for the style of orebody and methods of mining.

**Table 3.2 Frog's Leg Ore Reserve as at 31 December 2014**

Item	Proved			Probable			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Underground	1.80	5.53	319	0.72	5.30	123	2.52	5.46	442
Stockpile	0.01	4.38	1	–	–	–	0.01	4.38	1
<b>Total</b>	<b>1.81</b>	<b>5.51</b>	<b>320</b>	<b>0.72</b>	<b>5.30</b>	<b>123</b>	<b>2.53</b>	<b>5.46</b>	<b>443</b>

### 3.2.2.1 Frog's Leg mining dilution and recovery estimation

The average mining dilution and recovery factors used in the Frog's Leg reserve calculation are:

- Mining dilution: 20.9%.
- Mining recovery: 94.6%.

These factors are based on a review of stoping performance for 49 stopes, comparing in situ tonnes and gold grade and mined tonnes and gold grade as estimated by the mine geology group based on the grade control model and final stope survey.

As part of the resource estimation process, grade estimation parameters have been reviewed against process plant reconciliation information and adjusted accordingly

### 3.2.2.2 Conclusion

In AMC's opinion, the 31 December 2014 Ore Reserve estimate for Frog's Leg has been prepared using acceptable industry practice and the classification of the estimate is appropriate. In AMC's opinion, the estimate has been prepared by a Competent Person in accordance with the JORC Code.

## 3.2.3 Mining operations

The Frog's Leg mine was originally an open pit mine (2004-2005) which was converted to an underground operation (2008). Current operations utilize a top-down long hole open stoping mining method with paste fill. Access to the mine is via a decline from within the Frog's Leg open pit. All production is hauled to the surface by trucks via the decline. Mining has been developed to a depth of approximately 450 m below the surface. The mine is owner-operated.

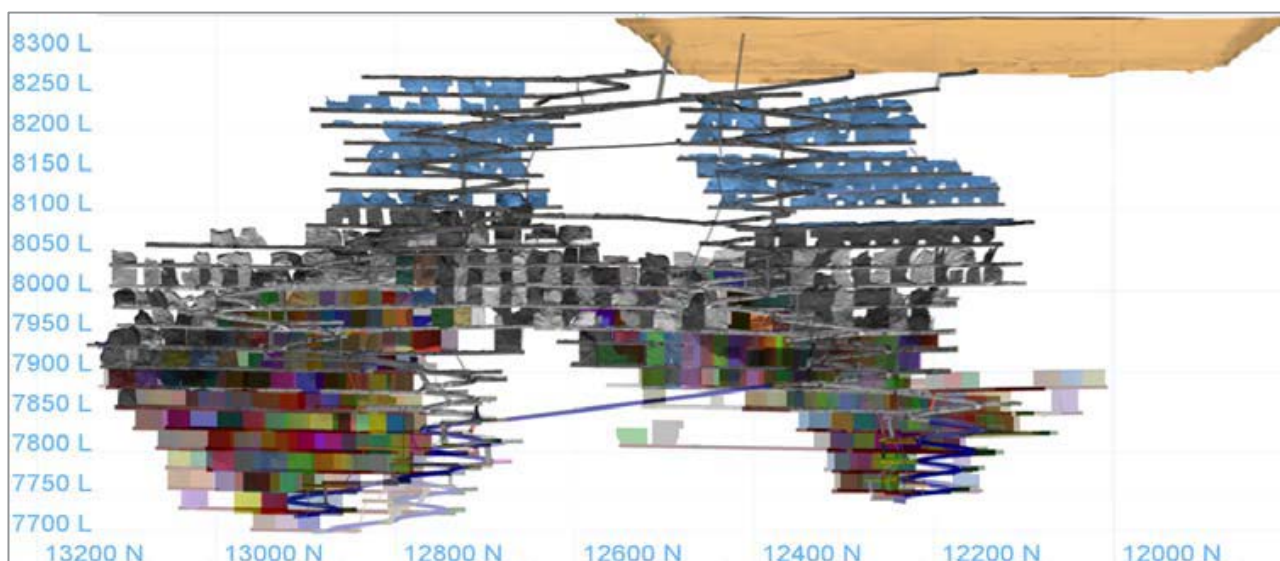
Current Ore Reserves extend to approximately 650 m below surface.

Historically, the Frog's Leg mine annual production rate has ranged from approximately 650 kt to 800 kt. The annual production rate in the life-of-mine plan (LOMP) prepared by La Mancha Australia ranges from approximately 550 kt to 700 kt.

All ore is processed at the recently commissioned Mungari processing plant located adjacent to the White Foil open pit, which is approximately 2 km to the west of the Frog's Leg mine. The general layout of the mine is shown in Figure 3.2.



**Figure 3.2** Frog's Leg general layout



Historical production, reported in calendar years (CY) from 2011 to 2014 and March 2015 year-to-date (YTD) is shown in Table 3.3.

**Table 3.3** Frog's Leg historical production

Period*	Mined Ore (kt)	Gold Grade (g/t)	Contained Gold (koz)
CY2011	661	6.55	139
CY2012	667	6.47	139
CY2013	719	5.63	130
CY2014	794	4.90	124
CY2015 YTD	189	4.60	28

\* Note: La Mancha Australia reporting periods are based on calendar years.

### 3.2.4 Non-reserve production sources

The LOMP for Frog's Leg includes Ore Reserves plus lode extensions adjacent to current Ore Reserves, as well as lode extensions at depth. The AMC production case for Frog's Leg includes only the lode extensions within the resource model that are reported as either Indicated or Inferred Resource.

The production case excludes all potential lode extensions that are external to the current resource model. Even though there are good indications that those lode extensions will be shown to exist, this material has been excluded as it has not been reported as a Mineral Resource or as an Exploration Target per the JORC Code.

The Indicated and Inferred Resource within the included lode extensions comprise approximately 30% of the total tonnes and contained gold ounces in the production case for Frog's Leg.

## 3.3 White Foil

### 3.3.1 Geology

The White Foil deposit is part of the Mungari West Project in the Eastern Goldfields Superterrane of the Archaean Yilgarn Craton. The region comprises arcuate greenstone belts intruded and flanked by a granite complex. The greenstone belt stratigraphy is characterized by a tholeiitic and komatiitic metabasaltic lava flows, overlain by felsic volcanoclastic sediments with lesser mafic and intermediate facies. The regional structure is dominated by large-scale deformation zones.

The Mungari West tenement area is covered by a variable weathering profile from outcropping rock to deeply weathered volcanoclastic sediments with palaeochannel sand and clay. A Tertiary lateritic profile has been variably eroded.

The geology of the project area is almost completely restricted to felsic and intermediate volcanoclastic sandstones and breccias associated with the Black Flag Beds at Kalgoorlie, interbedded with graphitic black shale. There are also deformed and sheared subaqueous tholeiitic and komatiitic lava flow units, intruded by metadolerites and metagabbros.

The White Foil deposit is hosted by a quartz gabbro bound to the west by hangingwall volcanoclastic rocks of the Black Flag Beds consisting of fine to coarse-grained, volcanoclastic and minor epiclastic rocks. The volcanoclastic sequence limits mineralization to the west. To the east mineralization becomes irregular and uneconomic in the more melanocratic gabbro. To the north and south of the deposit the quartz gabbro phase becomes disjointed and mineralization also becomes disjointed.

Mineralization is controlled by sheeted stockwork veining, which has imparted strong alteration and sulphidation to the quartz gabbro. Pyrrhotite is the main sulphide, which is associated with mineralization, while pyrite is associated with mineralized and unmineralized rock. Pyrrhotite is rarely present in the volcanoclastic rocks.

### 3.3.1.1 Data collection

White Foil has been drilled in several RC and diamond drilling campaigns since 1997; the most recent being an 11,530 m diamond drilling programme carried out during 2013. It has been common practice to drill RC an average of 100 m and then continue the holes with diamond drilling. Most of the drillholes have been sampled on one-metre intervals.

Prior to 2006 several different assay methods had been used for White Foil drilling campaigns. Bottle roll leach techniques were favoured as the most appropriate technique in the historic database. Fire assay on 30 g, 40 g, or 50 g charge have also been used. An assessment by La Mancha Australia in 2012 of the techniques showed that there was no material difference between bottle roll leach methods and fire assay.

Assay quality control protocols have varied over time. Current protocols include:

- Certified reference materials.
- Blanks.
- Field duplicates.
- Pulp repeats.
- Umpire assays.

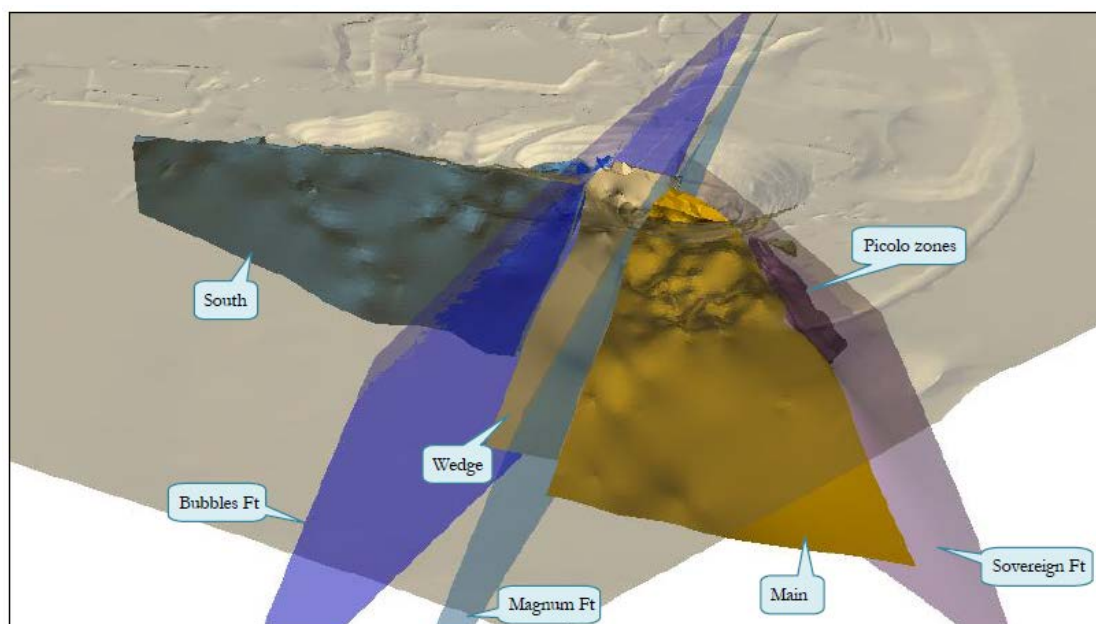
### 3.3.1.2 Resource estimation

The mineralized zones are intersected and constrained by the interpreted position of three faults: the Bubbles, Sovereign, and Magnum Faults. Within this framework, a mineralized halo at nominally a 0.5 g/t Au cut-off has been developed. For both the faults and the mineralized domains drillhole puncture points were flagged which were used to interpolate continuous surfaces that honoured the geological constraints. Four mineralization domains are identified, separated by the faults: South, Wedge, Main, and Piccolo. Fresh rock and oxidized zones are also identified.

Figure 3.3 shows the White Foil mineralization domains and faults, looking to the south-east.



**Figure 3.3 White Foil mineralization domains and faults looking to the south-east**



Grade was estimated into a block model using a combination of ordinary kriging and multiple indicator kriging. Multiple indicator kriging was used in domains with large data sets and ordinary kriging used in others. The multiple proportions and grades generated by the multiple indicator kriging estimate were resolved into a single gold grade referred to as the E-type mean. Assays were not composited and the uniform 1.0 m original samples were used for estimation. Top-cuts were applied to limit the influence of statistical outliers. Estimation parameters for the ordinary kriging and multiple indicator kriging estimate were derived from a study of variography.

The estimate is classified as Indicated Resource where blocks must have an average distance to samples of less than 30 m and have been estimated from at least two drillholes. Inferred Resources are estimated with samples further than 30 m from the block concerned.

White Foil Mineral Resources at 31 December 2014 reported at a 0.4 g/t Au cut-off for the open pit Mineral Resource and 1.2 g/t Au for the underground Mineral Resource are listed in Table 3.4.

**Table 3.4 White Foil Mineral Resources as at 31 December 2014**

Item	Measured			Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Open Pit	-	-	-	18.69	1.35	813	3.74	1.08	129	22.43	1.31	942
Underground	-	-	-	6.72	2.07	447	6.35	2.26	462	13.08	2.16	909
Stockpile	-	-	-	0.44	1.16	16	-	-	-	0.44	1.16	16
<b>Total</b>	-	-	-	<b>25.85</b>	<b>1.54</b>	<b>1,276</b>	<b>10.09</b>	<b>1.82</b>	<b>591</b>	<b>35.95</b>	<b>1.62</b>	<b>1,867</b>

AMC considers that the White Foil Mineral Resource estimate has been completed using accepted industry practices and has been classified in accordance with the JORC Code.

### 3.3.2 Ore Reserves

The Ore Reserve estimate for White Foil as at 31 December 2014 is shown in Table 3.5. The open pit Ore Reserve estimate for White Foil is reported at a cut-off grade of 0.75 g/t Au. AMC has reviewed the assumptions, processes and modifying factors involved in the estimation of Ore Reserves and considers them appropriate for the style of orebody and mining method.

**Table 3.5 White Foil Ore Reserve as at 31 December 2014**

Item	Proved			Probable			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Open pit	–	–	–	6.35	1.58	322	6.35	1.58	322
Stockpile	–	–	–	0.44	1.16	16	0.44	1.16	16
<b>Total</b>	–	–	–	<b>6.79</b>	<b>1.55</b>	<b>338</b>	<b>6.79</b>	<b>1.55</b>	<b>338</b>

An underground Mineral Resource of approximately 13 Mt has been reported for White Foil comprising roughly equal portions of Indicated and Inferred Resources, which have not been converted to Ore Reserves. This Mineral Resource is located below the White Foil open pit. A preliminary, scoping level, assessment of the underground Mineral Resource has indicated that there may be potential for an economic underground operation, which has the potential to extend the mine life however, additional resource and geotechnical information is required to support a definitive assessment.

### 3.3.2.1 White Foil mining dilution and recovery estimation

The average mining dilution and recovery factors for the White Foil reserve calculation are:

- Mining dilution: 11.7%.
- Mining recovery: 99.7%.

The factors were determined via a reconciliation of the White Foil resource model (end of December 2013) against ore mined and processed in Stage 1 from the 270 mRL to 210 mRL. This material was extracted during the 2010 mining campaign (270 mRL to 260 mRL) and since the re-commencement of mining activities in June 2014 (260 mRL to 210 mRL). Production from earlier mining in the pit (2001-2003) was not included due to the lack of sufficiently reliable data.

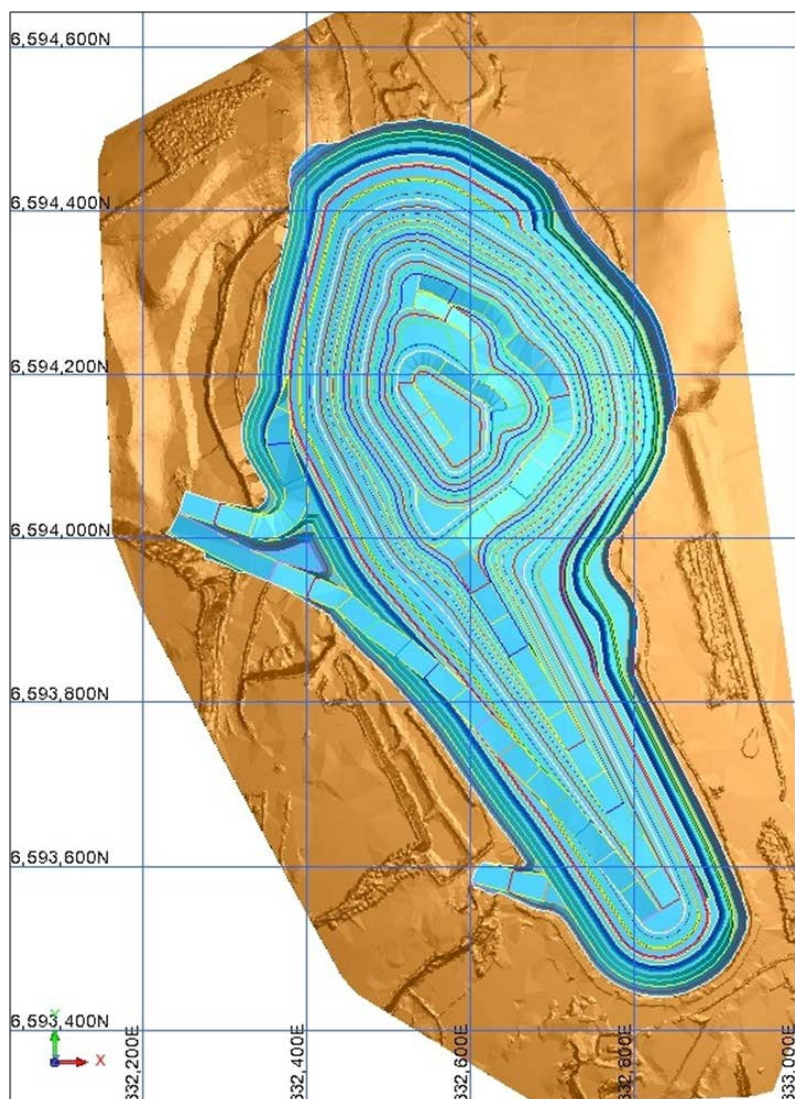
### 3.3.2.2 Conclusion

In AMC's opinion, the 31 December 2014 Ore Reserve estimate for White Foil has been prepared using acceptable industry practice and the classification of the estimate is appropriate. In AMC's opinion, the estimate has been prepared by a Competent Person in accordance with the JORC Code.

### 3.3.3 Mining operations

White Foil open pit production re-commenced in June 2014. Mining activities are being undertaken via a conventional drill-and-blast, truck and excavator open pit operation with 10 m high benches mined in four 2.5 m flitches. The pit is designed to be mined in four stages, comprising the initial Stage 1 pit and a southern and two northern cutbacks. Figure 3.4 shows the final pit outline at the completion of Stage 4 mining.

**Figure 3.4 White Foil final pit outline**



**3.3.4 Non-reserve tonnage sources**

There are no non-reserve tonnage sources from White Foil that have been included in AMC's production case.

As discussed in the Ore Reserve section, a preliminary scoping level, assessment of the underground Mineral Resource at White Foil has indicated that there may be potential for an economic underground operation; however, based on the current level of assessment, this Mineral Resource has been valued using exploration valuation methods. This is included in the Exploration Properties section of this report.

**3.4 Mungari Operations reconciliation**

Table 3.5 lists reconciliation of monthly mine production against Mungari processing plant output for the period September 2014 to January 2015, comparing metal estimated to have been mined with metal produced, taking into consideration the processing plant recovery factor.

**Table 3.6 Mungari gold reconciliation factors**

Month	Gold Call Factor (%)
September 2014	103
October 2014	88
November 2014	93
December 2014	94
January 2015	103

## 3.5 Metallurgy and processing operations

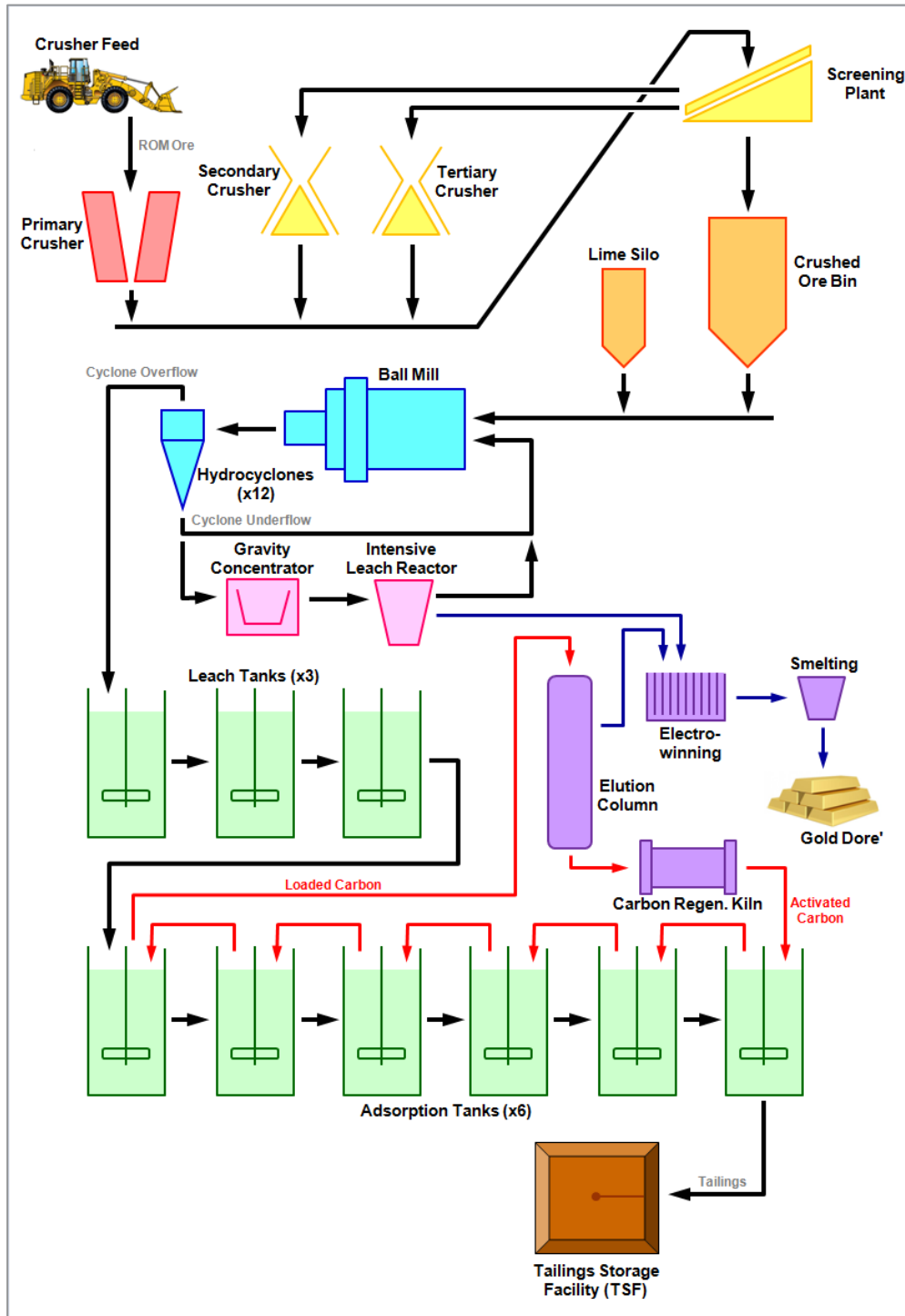
### 3.5.1 Processing plant description

The Mungari plant is of conventional design and is appropriate for the hard, free-milling ore from Frog's Leg and White Foil. Key unit operations of the plant are:

- Three-stage crushing to produce crushed ore.
- Ball milling to produce leach feed.
- Gravity gold separation in a Knelson Concentrator.
- Conventional leaching circuit
- Carbon management
- Electrowinning and smelting to produce doré bars.

A flowsheet for the processing plant is presented in Figure 3.5. The plant is designed for a throughput of 1.5 Mtpa, operating at 187.5 tph for 91.3% of all available time. La Mancha Australia has designed conservatively wherever possible; using well known, name-brand equipment and a moderate level of instrumentation and automatic control. Materials of construction and fittings are appropriate for the aggressively corrosive conditions that are present as a result of using hypersaline ground water in the plant. From commissioning, operators set 1.7 Mtpa as the target throughput for the plant.

Figure 3.5 Mungari processing plant flowsheet



3.5.2 Processing plant performance

Ore for the Mungari plant is drawn from two sources; Frog's Leg and the nearby White Foil. Historically, ore had been toll treated in the Kalgoorlie area at a number of facilities. The Mungari plant was designed and constructed by Sedgman Limited. It was commissioned in April 2014. Plant performance data is summarized in Table 3.7.

The plant initially suffered from low availability and increased processing costs as a result of the hard, abrasive nature of the run-of-mine (ROM) ore. Operators have worked through the majority of these issues; achieving feed rates of 210 dry tph and overall time utilizations up to 95%. At this feed rate, an average utilization of 93% is sufficient to achieve the target throughput of 1.7 Mtpa.

Gold recovery averaged 92.5% in the commissioning year (CY2014), and has improved to 93.9% in CY March 2015 YTD. This performance is in line with historical recoveries achieved during tolling campaigns of the La Mancha Australia's ores.

**Table 3.7 Mungari processing plant historical performance**

Parameter	Unit	2014 Actual	March 2015 YTD	
			Actual	Budget
Ore Processed (dry)	kt	1,348	397	415
Gold Grade (recon.)	g/t Au	3.70	3.10	3.00
Gold Recovery	%	92.5	93.9	93.4
Gold Produced	koz	147.0	37.1	37.8
Processing Cost	\$/t	27.70	26.30	23.90

### 3.5.3 Metallurgy and future plant performance

The La Mancha Australia ores can be broadly described as free milling sulphides. The predominant sulphide mineral present is pyrrhotite  $[Fe_{(1-x)}S]$ . In excess of 96% of gold present is available for direct cyanidation, and custom processing plants have reliably achieved more than 93% gold recovery when treating La Mancha Australia ore of sufficient grade.

The LOMP calls for processing at 1.7 Mtpa which has been demonstrated as achievable from the feed rate of 210 dry tph referred to above, and an overall utilization of time of 92.5%. The plant is able to meet these parameters and, in AMC's opinion, the planned throughput is reasonable.

Gold recoveries ranging from 93.4% to 94.1% have been estimated by Evolution based on the grade of plant feed. This range is within the demonstrated capability of the plant and AMC believes it to be reasonable.

### 3.6 Waste rock and tailings storage

The tailings storage facility (TSF) was designed by a well-known international firm specializing in design and construction of tailings storage structures. The design features seven lifts; an initial starter embankment, a second downstream lift, then five upstream lifts. All construction uses suitable mine waste or local borrow material. The first six lifts will contain 1.5 Mt each and the seventh is designed to hold 2.0 Mt.

The TSF is designed to contain a 72 hour, 1-in-100 year rainfall event; which is standard for the industry.

### 3.7 Infrastructure and power

Power is supplied to the site at 33 kV through the Western Power network. A 25 km supply line from the substation was constructed for the project.

Potable water is supplied to the site from the Goldfields water supply scheme. An 11 km, small diameter, plastic line has been run along the access road.

Plant water is supplied ultimately from the dewatering of Frog's Leg and White Foil. A new raw water dam has been constructed to receive mine water. The Mungari plant draws raw water from the dam as required. Excess water is discharged to the Pope John facility at Kundana, and then to White Flag Lake. La Mancha Australia is permitted to release 12 MLpa in this manner, which is 17 times the average discharge rate, and five times the estimated peak discharge rate. The site water balance conducted for the Mungari plant's definitive feasibility study indicated that the plant usage of 54.1 L/s will be met by a combination of 21.6 L/s returning from the TSF, and 32.5 L/s from the raw water dam. Operators state that mine dewatering is capable of meeting the plant's demand for water.

Raw water drawn from the dam for the Mungari plant is hypersaline. Appropriate precautions have been taken to protect equipment and structures from salt corrosion. High salt content does not affect the metallurgical operation of the plant.



## 3.8 Environmental and permitting

### 3.8.1 Environmental overview

The Mungari Operations do not have significant environmental challenges or sensitivities.

Statutory environmental approvals have been obtained primarily through the Mining Proposal processes of the Mining Act, with operating licences issued under Part V of the Environmental Protection Act (EP Act). The more time-consuming, expensive and public protocols of Part IV of the EP Act have not been applied by the regulators.

Impacts on the conservation estate are inconsequential. No National Parks, Nature Reserves or similar reserves are directly or indirectly affected, and no rare or endangered flora or fauna species or habitats are likely to be impacted.

Water supply and management are uncomplicated, with no significant issues regarding management of excess water. The generally hypersaline groundwater has few if any alternative uses or users, and abstraction volumes have been well below licensed levels.

Acid and metalliferous drainage is a minor issue at Frog's Leg, where a small proportion of potentially acid-forming (PAF) waste is easily managed by encapsulation with inert and acid-consuming waste.

With the nearest neighbour some 9 km distant, community issues are rarely a concern.

AMC estimates closure liabilities of \$2.2M for Frog's Leg and \$7.4M for Mungari/White Foil. These estimates are some 30% less than La Mancha Australia estimates, which have been developed using generic software packages that characteristically over-estimate actual closure liabilities.

### 3.8.2 Individual environmental aspects

#### Statutory approvals

The operations have been approved by the Department of Mines and Petroleum (DMP) via the Mining Proposal protocol of the Mining Act, which provides for final approval within 30 days of acceptance by DMP of the required documentation. The more demanding procedures of Part IV of the EP Act, administered by the Environmental Protection Authority (EPA), have not been applied – a direct reflection of the absence of significant risk of major environmental impacts.

Neither operation has necessitated application of the Commonwealth Environmental Protection and Biodiversity Conservation Act (EPBC Act), since no potential environmental impact could reasonably be considered to involve impacts of a magnitude likely to trigger EPBC thresholds.

Authorities to construct (Works Approvals) and EP Act Licences (to operate) are administered by the Department of Environmental Regulation (DER) under Part V of the EP Act. These instruments provide for monitoring and reporting protocols, and require submission of Annual Environmental Reports (AERs), which are submitted to both DMP and DER. No major environmental breaches have been reported in recent AERs.

Clearing of vegetation is managed via Native Vegetation Clearing Permits issued by DMP under delegation from DER.

#### Biological impacts

No conservation reserves are directly impacted or likely to be indirectly impacted by operations at Frog's Leg and Mungari/White Foil. And no Threatened Ecological Communities or Priority Ecological Communities exist in or near the project areas.

No rare or endangered flora or fauna species have been identified in project areas. Broad-ranging databases might indicate potential occurrences, but these have not been observed in flora and fauna surveys carried out to date. Some, less-sensitive, Priority Flora Species (PFSs) occur in the general area, but potential impacts are most unlikely to constrain operations – most PFSs have low levels of protection against disturbance, and with rare exceptions are well represented locally and regionally in undisturbed terrain.

## Water supply and management

Project water supply is from groundwater, which is saline to hypersaline, and from mine dewatering. Two production bores are used, with monitoring bores to allow ongoing assessment of impacts on the resource (of which there are few if any alternative users). In 2013, the Frog's Leg operation abstracted 12% of its licensed allocation, while Mungari/White Foil used 37% of its allocation.

## Acid and metalliferous drainage

Geochemical testwork has been carried out for both operations to assess acid and metalliferous drainage (AMD) risks. AMD is not currently an issue at the Mungari Operations, while a small amount of AMD waste has been identified at Frog's Leg. The consultants performing the testwork are competent and experienced, and the selection of samples for testing appears to have been risk-focused.

The PAF waste at Frog's Leg is black shale which constitutes only 2% of the total waste volume. This material is easily managed by encapsulation with inert and acid-consuming material within the waste stockpile. Provided it is covered with a sufficient depth of inert material to prevent long-term ingress of water and oxygen, AMD is unlikely to become an issue – given the semi-desert environment, this risk is extremely small.

It is anticipated that testwork will continue as future ore, particularly with different lithologies, is identified.

## Closure and rehabilitation

Past rehabilitation trials at Frog's Leg have generally been unsuccessful, so that much remains to be completed. It is anticipated that most closure work will be carried out in the last and subsequent years of mine life.

La Mancha Australia has produced closure cost estimates of \$3M for Frog's Leg and \$10.9M for Mungari/White Foil. These estimates have in part relied on submissions in accordance with the DMP's Mine Rehabilitation Fund (MRF), which has recently replaced the Unconditional Performance Bond system, which required lodgement of either a bank guarantee or, in some instances, cash. The MRF involves a pro-forma spreadsheet with limited choices for unit rates for various types of disturbance (waste stockpiles, TSFs, roads, plant areas, etc.), and an annual payment of 1% of the authorized closure cost estimate.

AMC has used area disturbances (by type) and current actual rates for closure and rehabilitation operations to develop closure estimates of \$2.2M for Frog's Leg and \$7.4M for Mungari/White Foil. That the AMC estimates are lower than those developed by La Mancha Australia is not unusual: internally-developed estimates, often based on accounting protocols, are generally conservative; they often include personnel costs (redundancy, relocation), and do not offset salvage revenue against demolition. For these reasons, AMC considers its lower estimates of closure costs to be realistic.

## 3.9 Capital and operating costs

AMC has been provided with the LOMP for the Mungari Operations as prepared by La Mancha Australia. The LOMP includes physical and cost schedules, along with actual and forecast costs for 2015 (calendar year) for both Frog's Leg and White Foil. These data have been used as the basis for the AMC production case.

### 3.9.1 Capital costs

Exploration expenditure is included for Frog's Leg resource drilling from 2015 to 2019. No exploration expenditure is included for White Foil.

Open pit mining capital costs for waste has been included for the White Foil pit based on scheduled waste tonnes. Similarly underground capital development costs have been included for Frog's Leg based on scheduled quantities of capital development.

Property, plant and equipment capital specifically to support the underground operation at Frog's Leg has also been included for the scheduled LOM.



AMC has used areas disturbances (by type) and current actual rates for closure and rehabilitation operations to develop closure estimates of \$2.2M for Frog's Leg and \$7.4M for Mungari processing plant and White Foil. These estimates are less than La Mancha Australia estimates.

Sustaining capital for the two mine sites, the Mungari processing plant and the Mungari TSF is allowed for at an average of \$3.7M per year. AMC estimates \$1M per year (approximately 1% of replacement cost of the processing plant and facilities) will be required for sustaining replacements with a significant portion of the remainder required for construction of lifts on the TSF. AMC believes the overall sustaining capital in the LOMP to be reasonable.

### 3.9.2 Operating costs

AMC has reviewed CY 2015 actual and budget costs. YTD unit costs for mining are in line with budget, processing is significantly above budget and site administration is below budget. CY March 2015 YTD actual and 2015 budget unit costs are summarized in Table 3.8.

**Table 3.8 La Mancha Australia unit operating costs**

Cost Area	Unit	CY March 2015 YTD Actual	CY 2015 Budget
Frog's Leg Mining	\$/t ore	68.30	65.70
White Foil Mining	\$/t material	2.72	2.95
Processing	\$/t ore	26.60	20.93
Administration	\$/t ore	4.21	4.97

With the exception of processing, AMC considers the CY March 2015 YTD actual and budget unit costs to be a reasonable guide for the LOM costs.

Processing unit cost averaged \$27.70/t processed in CY 2014 (commissioning year), and is averaging \$26.30/t processed in CY March 2015 YTD. Operators state that the current cost is approximately \$22/t milled and are confident that new equipment and new wear components that have been sourced will allow the plant to continue to process for this unit cost. AMC believes it is reasonable to plan for a \$22/t unit cost for processing in the LOMP.

### 3.10 AMC Production Case

AMC has prepared one production case for the Mungari Operations.

The Case 1 production plan is based on the Frog's Leg and White Foil LOMP as provided by La Mancha Australia, depleted to end of March 2015. It equates to the December 2014 Ore Reserve estimates, depleted for mining to end of March 2015, plus approximately 1.1 Mt of additional Indicated and Inferred Resources contained in lode extensions at Frog's Leg.

The majority of capital expenditure relates to open pit capitalized waste in the White Foil pit and capital development at Frog's Leg.

Sustaining capital costs have been included for construction of lifts on the TSF, processing plant and mine related infrastructure at Frog's Leg.

Closure costs of \$2.2M for Frog's Leg and \$7.4M for Mungari processing plant and White Foil have been included.

Table 3.9 summarizes key parameters of Case 1 for Mungari Operations.

**Table 3.9 Mungari Operations AMC Production Case 1**

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022	Total
<b>Physicals</b>										
Ore Tonnes Mined	kt	864	1,811	1,637	2,159	2,368	637	-	-	9,476
Waste Tonnes Mined	kt	2,770	8,272	10,735	8,741	3,681	56	-	-	34,256
Ore Tonnes Processed	kt	681	1,537	1,712	1,706	1,712	1,694	1,063	-	10,106
Gold Recovered	koz	61	147	157	162	182	151	30	-	888
<b>Capital Costs</b>										
Initial / Expansion	A\$M	-	-	-	-	-	-	-	-	-
Sustaining	A\$M	5.3	13.2	14.0	15.2	15.7	12.2	-	-	75.6
Capital Development	A\$M	6.3	16.7	14.2	10.0	10.7	4.4	-	-	62.3
Resource Definition / Exploration	A\$M	0.7	1.3	2.1	1.5	-	-	-	-	5.6
Rehabilitation and Closure	A\$M	-	-	-	-	0.2	1.5	3.8	4.1	9.6
<b>Total</b>	<b>A\$M</b>	<b>12.3</b>	<b>31.2</b>	<b>30.3</b>	<b>26.7</b>	<b>26.7</b>	<b>18.1</b>	<b>3.8</b>	<b>4.1</b>	<b>153.2</b>
<b>Operating Costs</b>										
Mining	A\$M	31.4	64.6	73.0	85.7	72.6	44.2	-	-	371.6
Processing	A\$M	8.5	33.8	37.7	37.5	37.7	37.3	23.4	-	215.9
Administration	A\$M	4.7	8.5	7.7	7.8	7.0	7.7	2.5	-	45.8
Other	A\$M	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>A\$M</b>	<b>44.6</b>	<b>106.9</b>	<b>118.4</b>	<b>131.0</b>	<b>117.3</b>	<b>89.2</b>	<b>25.9</b>	<b>-</b>	<b>633.3</b>

### 3.11 Upside potential – Frog's Leg

As La Mancha Australia is not a publically listed company, its Mineral Resource and Ore Reserve estimates had not been reported, prior to the Evolution merger announcement. However, at Frog's Leg, there are likely lode extensions, both laterally and at depth. They have not been reported as Mineral Resource or an Exploration Target. AMC considers that these have the potential to equate to an additional one to two years of mine life that has not been included in the production case developed by AMC for the Frog's Leg underground mine.

### 3.12 Opportunities and risks

AMC considers that additional opportunities that might become available at Mungari Operations include:

- Potential for resource extension both laterally and at depth at Frog's Leg.
- Potential underground mining below White Foil pit following additional resource definition and geotechnical data to support more definitive evaluation.

AMC considers that risks that apply at Mungari Operations include:

- Poor conversion to Ore Reserves of the Indicated and Inferred Resource included as lode extensions at Frog's Leg resulting in a reduced mine life.

## 4 Evolution

### 4.1 Edna May Gold Mine

#### 4.1.1 Location and background

##### 4.1.1.1 Location

The Edna May Gold Mine (Edna May) is located in the eastern part of the Central Wheat Belt of Western Australia, approximately 300 km east of Perth.

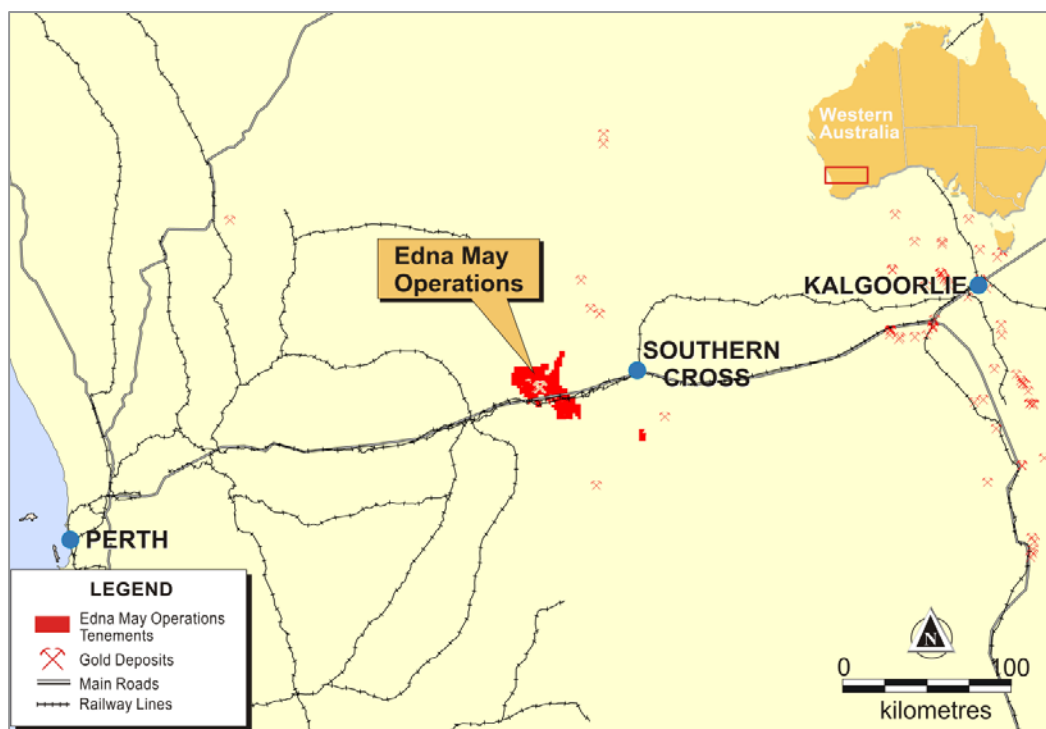
Access from Perth is gained via the Great Eastern Highway to the settlement of Carrabin, 40 km east of Merredin, and thence by 10 km of sealed road north to the township of Westonia, which serves as the administrative centre for the surrounding Westonia Shire. The location of the Edna May project is shown in Figure 4.1.

The project area features flat to gently undulating terrain and averages about 340 m above sea level.

The area has a Mediterranean climate with hot dry summers and cool moist winters. Rainfall averages 328 mm per year.

The dominant land use is broad-acre dry-land cropping of wheat. Much of the original vegetation has been cleared for agriculture. Remnant vegetation comprises mallee eucalypt and acacia woodland.

**Figure 4.1 Edna May location map**



##### 4.1.1.2 Background

Mining at Edna May has occurred in four phases.

Gold was discovered at Edna May in 1911. Several mining companies worked the field, with the main Edna May Reef mined to a depth of 245 m below surface (mbs) and other reefs to about 130 mbs, before ore depletion in the smaller leases, dewatering difficulties and manpower shortages following World War 1 forced the closure of all operations by 1922.

Production from the first two phases was estimated at 575 kt at a recovered grade of 19.5 g/t Au for approximately 360 koz.

A second phase of underground mining was undertaken from 1935 until 1947. Mining was concentrated on reefs other than the Edna May Reef, with mining reaching down to 180 mbs. The mine was closed in 1947 due to the collapse of metal prices.

In 1984, Australian Consolidated Minerals Limited entered into an option to purchase agreement over the Edna May area. Construction of an open pit mine began in September 1985. Underground decline development commenced in 1988 reaching 260 mbs to provide a platform for diamond drilling. However, underground mining was stopped in early 1990.

Following completion of the open pit and treatment of low-grade stockpiles, the mine was closed in 1991, the site rehabilitated and the process plant sold.

Catalpa Resources Limited (Catalpa) acquired the Edna May project in 1994. Between 1994 and 2004 Catalpa undertook extensive drilling programmes, technical design, and environmental studies resulting in completion of a feasibility study in 2004. The feasibility study outlined a 90 koz per annum project with a seven year mine life and capital cost of \$46M. The project did not proceed based on this study due to the low gold price at that time.

In December 2008, an updated feasibility study was completed that outlined a project containing an Ore Reserve of 19.1 Mt, grading 1.2 g/t Au and containing 738 koz at a \$1,025/oz gold price and cut-off grade of 0.5 g/t Au. The ore would be processed at an initial rate of 2.8 Mtpa, increasing to 3.2 Mtpa after two years using a refurbished and upgraded process plant. The mine life was scheduled at seven years producing 675 koz of gold.

Mining and plant construction commenced in late 2009, with first gold produced in April 2010.

In November 2011 Evolution acquired 100% of Edna May via the merger of Catalpa and Conquest.

## 4.1.2 Geology and resources

Mineral Resources for Edna May at 31 December 2014 are listed in Table 4.1.

**Table 4.1 Edna May Mineral Resources as at 31 December 2014**

Item	Measured			Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Open Pit	-	-	-	26	0.94	783	5.22	0.99	167	31.22	0.95	949
Underground	-	-	-	-	-	-	0.51	6.45	106	0.51	6.45	106
<b>Total</b>	-	-	-	<b>26</b>	<b>0.94</b>	<b>783</b>	<b>5.73</b>	<b>1.48</b>	<b>273</b>	<b>31.73</b>	<b>1.03</b>	<b>1,056</b>

### 4.1.2.1 Geology

The Edna May and Greenfinch gold deposits are hosted by quartz-feldspar-biotite gneiss (the Edna May Gneiss) that forms part of the Westonia greenstone belt in the Archaean Yilgarn Craton. The gneiss forms an irregular body over about 1,400 m strike and averaging about 100 m thick. The body of gneiss dips to the north at about 50° and is in contact to the south with mafic amphibolite and to the north with ultramafic amphibolite.

Historic mining and underground development in the 1980s targeted high-grade arcuate quartz-sulphide veins that form splays from a footwall shear zone. Seven prominent veins were mined. Larger tonnage and lower grade gold mineralization comprises swarms of thin sheeted quartz veins throughout the gneiss that mainly follow the gneissic foliation, but can cross cut to form stockworks. Gold can also be associated with alteration selvages consisting of diopside, amphibole, biotite, and silica with minor associated sulphide minerals. Individual veins are generally less than 5 cm thick but locally can be up to several metres wide. Veining tends to be better developed in the footwall half of the Edna May Gneiss around the reefs.

Post-mineralization pegmatite dykes intrude the gneiss, stoping out parts of the mineralized gneiss. A younger series of microgranite dykes also post-date mineralization and metamorphism. The dykes are generally sub-horizontal.

Total oxidation occurs to about 30 mbs in the western part of the potential open pit area and up to 60 mbs in the east. The top of fresh rock occurs at about 50 mbs in the west and 60 mbs to 70 mbs in the east.

Mining in the 1980s removed much of the oxide mineralization.

The Greenfinch deposit is located to the north-west of the Edna May deposit and has a currently defined strike length of 550 m, width of 100 m and depth extent of 130 m.

Gold mineralization at Greenfinch is contained within the western continuation of the Edna May Gneiss, slightly offset by a series of north to north-north-west trending faults. The gneiss is 80 m thick and is locally cut by a series of flat to moderately dipping leucogranite dykes that are barren of gold and generally less than 10 m thick. No modern mining has occurred at Greenfinch but there are small scale historical underground workings.

Mineralization primarily consists of highly deformed, structurally controlled quartz reefs concentrated along the hangingwall contact. It was the extraction of the quartz reefs that were the focus of historical mining activity.

Two distinct orientations have been interpreted for the mineralized lodes with most mineralization controlled by subvertical quartz reefs with other lodes shallow dipping.

The Golden Point Gneiss is a separate body of gneiss in the footwall to the Edna May Gneiss. Mineralization in the Golden Point Gneiss forms part of the Edna May open pit resource estimate.

#### 4.1.2.2 Data Collection

Drilling has been carried out in many campaigns and has consisted of rotary air blast, RC and diamond drillholes (DDH). Rotary air blast drillholes have not been used for resource estimation. The area covered by the Mineral Resource estimate has been drilled to between 25 mE x 12.5 mN and 25 mE x 25 mN spacing to about 90 m below surface which is approximately the deepest level of the 1980s open pit. Drilling from surface and from underground in the 1980s was augmented by subsequent RC and DDH drilling since 2003. Further drilling has been completed:

- Beneath the planned open pit to increase confidence in resource estimation from Inferred Resource to Indicated Resource.
- To drill the Golden Point mineralization for inclusion in the open pit resource estimate.
- To test the Edna May Gneiss and higher-grade quartz reefs at depth with deep DDH.

All DDH and most RC drillholes have been surveyed downhole, and drillhole collars have been surveyed with conventional surveying and GPS.

Surface topography is based on photogrammetry and incorporates the 1980s open pit.

Assaying of drillhole samples for gold has been conducted using various methods over time, including:

- 50 g charge fire assay.
- Mixed acid digest with inductively coupled plasma optical emission spectrometer.
- 2 kg bottle roll cyanide leach.
- 1 kg accelerated cyanide leach.
- Pulverize and leach.
- Screen fire assay.

No independent sample quality control data are available for drilling undertaken prior to 1994. A data review in 2006 examined different drillhole sample types and assay types comparing older data with more recently obtained data. The comparison was acceptable with older data possibly under-representing true grades.

A common industry assay protocol was not used in drilling up to 2006, but routine laboratory quality control data are available. Drilling since 2006 has been supported by a common industry assay quality control protocol involving certified reference materials, repeat assays and blanks. The results of these protocols are generally acceptable.

### 4.1.2.3 Mineral Resource estimate

Previous open pit Mineral Resource estimates for Edna May have applied the multiple indicator kriging method of recoverable resource estimation. The underground resource estimate had been based on conventional interpretation and ordinary kriging estimation. The September 2014 estimate is based on a single geological interpretation of the open pit and underground incorporating interpretation of:

- Lodes: Adam, Bonnie, Brian, Carter, Chris, Cleveland, Ernie Chicken, Evil Monkey, Herbert, Joe, Kevin, Lois, Meg, Patrick, Peter, Quagmire, Rupert, Stewie, Tricia.
- Prominent veins: two north hangingwall veins.
- Gneiss domains: Edna May Gneiss north and south domains, seven Golden Point Gneiss domains.
- Reefs: Central, Consolidated, Edna May Main, Middle, Regina, South, Western.
- Faults.
- Intrusive dykes.

Grades were estimated constrained by domain boundaries using ordinary kriging applied to 2 m composites with estimation parameters derived from a variogram study. Top-cuts were applied to restrict the influence of statistical outliers.

Mineralization and waste bulk densities have been applied to the Mineral Resource estimate based on determination of bulk densities using the Archimedes method as follows:

- Wash material 2 t/m<sup>3</sup>.
- Oxide material 1.8 t/m<sup>3</sup>.
- Transition 2.4 t/m<sup>3</sup>.
- Fresh rock in gneiss and veins 2.7 t/m<sup>3</sup>.
- Fresh rock in dykes 2.55 t/m<sup>3</sup>.

The change from a multiple indicator kriging recoverable resource estimate to a selective interpretation of lodes and reefs is a significant change approach to resource estimation. AMC has reviewed the interpretation and it appears to be reasonable, although interpreting continuity of very narrow, high-grade zones has inherent geological risk. The selective interpretation is a more suitable approach for the underground Mineral Resource estimate, although geological risk may be higher in areas of wider drillhole spacing.

Previous open pit Mineral Resource estimates for Greenfinch have applied multiple indicator kriging methods. The May 2014 estimate is based on a geological interpretation of multiple lodes and estimation using ordinary kriging.

The lode interpretation consists of multiple narrow zones in steeply-dipping or flat-lying orientation. Many of the lodes are discontinuous and supported by only one or two drillhole intercepts. AMC considers there to be significant geological risk in the interpretation.

Grades were estimated constrained by domain boundaries using ordinary kriging applied to 1 m composites with estimation parameters derived from a variogram study. Top-cuts were applied to restrict the influence of statistical outliers.

Mineralization and waste bulk densities have been applied to the Mineral Resource estimate based on determination of bulk densities using the Archimedes method as follows:

- Oxide material 1.8 t/m<sup>3</sup>.
- Transition 2.4 t/m<sup>3</sup>.
- Fresh rock in gneiss, ultramafics and dykes 2.7 t/m<sup>3</sup>.

The Mineral Resource estimate is classified as Indicated and Inferred Resource, largely reflecting drillhole spacing.

Although AMC considers there to be significant geological risk in the interpretation, AMC considers that the Greenfinch Mineral Resource has been estimated using accepted industry practice and classified in accordance with the JORC Code.

## 4.1.3 Geotechnical and hydrological Issues

### 4.1.3.1 Geotechnical

Since Catalpa obtained ownership of the project in 1994, ground conditions influencing open pit wall stability have been assessed by a number of geotechnical consultants.

Following the commencement of mining by Catalpa in 2009, wall stability has varied from very poor (collapsed) to good.

The current pit design follows pit slope recommendations for hangingwall, footwall and endwalls per a geotechnical assessment completed by an experienced and independent industry consultant.

A Ground Control Management Plan developed by Evolution, covering the planning, design and implementation requirements for managing rock mass conditions is used to manage geotechnical matters at the Edna May operation.

### 4.1.3.2 Hydrology

Average annual rainfall at the project area is typically 328 mm of which over half typically falls in the four months May to August. Rainfall run-off is likely to occur as a broad, shallow sheet-flow across the site with some localized channelling.

Ground water is encountered some 28 m to 40 m below surface and is saline at approximately 25,000 mg/L total dissolved salts. Inflows experienced in previous phases of mining at Edna May have been estimated at 60 L/sec.

Pit dewatering is achieved through transient sumps established in the open pit in conjunction with the mining operations, along with production bores drilled to intersect underground voids from prior mining operations. It is assumed the network of voids is sufficiently clear and connected to the underground aquifers.

There are no significant natural potable water sources in the region.

### 4.1.3.3 Conclusion

AMC considers that geotechnical and hydrogeological assessment and design approaches are consistent with good industry practice, and that these matters should not impose material risk to the operation.

## 4.1.4 Ore Reserves

The Ore Reserve estimate is reported as at 31 December 2014 and is shown in Table 4.2. The estimate reflects geological reinterpretation and re-estimation of both the Edna May and Greenfinch resource models, mining depletion, design adjustments resulting from cost reductions and stockpile changes, when compared to the previous Ore Reserve estimate as at 31 December 2013.

The Mineral Resource reported for Edna May comprises Indicated and Inferred Resource only; hence there is no Proved Reserve.



**Table 4.2 Edna May Ore Reserves as at 31 December 2014**

Item	Proved			Probable			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Edna May <sup>1</sup>	–	–	–	11.73	1.02	387	11.73	1.02	387

<sup>1</sup> Includes Greenfinch and stockpiles

#### 4.1.4.1 Conclusion

AMC concludes that the Edna May Ore Reserves have been estimated using appropriate methods by a Competent Person and have been classified and reported in accordance with the JORC Code.

#### 4.1.5 Mining operations

##### 4.1.5.1 Edna May and Greenfinch open pits

Mining of Edna May open pit is undertaken using conventional open pit methods. Backhoe excavators and rigid frame off-highway trucks are used to mine and haul the ore and waste. Material is drilled and blasted on 10.5 m high benches and excavated on 3.5 m flitches.

Mining is by owner-mining, utilizing a dry hire fleet supplied and maintained by an equipment hire group. Evolution personnel operate all equipment.

The Edna May pit is being mined in three stages, comprising the initial Stage 1 pit, followed by southern and northern cutbacks.

The Greenfinch pit is adjacent to the Edna May pit and will be mined as a single staged pit utilizing the same, or similar, equipment to that being used in the Edna May pit.

The use of staging enables smoothing of the mining rates over the mine life, provides regular ore supply to the process plant, and allows review of the interim pit wall performance before designing and mining the final pit walls.

##### 4.1.5.2 Open pit mining equipment

Major items of equipment are:

- 1 x Ex3600 Excavator (primary loading).
- 1 x Ex1900 Excavator (primary loading).
- 1 x Ex1200 Excavator (backup and miscellaneous works).
- 1 x Cat 992G Wheel Loader (stockpile rehandle).
- 6 x Cat785D Trucks.
- 4 x Cat777D Trucks.
- 2 x CatD10 Dozers.

An equipment service and hire supply contractor supplies and maintains the mobile equipment on a fixed and variable price contract. There is a fixed monthly charge for labour, infrastructure, and overheads, with a variable charge covering Service Meter Units hours at a fixed rate per hour and consumables at cost.

Drilling, blasting, and grade control is contracted to other specialist service providers.

##### 4.1.5.3 Mining performance

Actual annual mining performance from the Edna May pit is provided in Table 4.3. Recent annual results differ, reflecting that in the June 2013 quarter the mining workforce was reduced from four crews to two crews with mining taking place on day-shift only. Then, throughout 2014, campaign mining was undertaken to match processing plant throughput. In the March 2015 quarter, the operation transitioned back to two-shift a day operation with four crews, to achieve planned volumes from the Stage 2 cutback.



**Table 4.3 Edna May actual mining performance**

Production	Unit	2012	2013	2014	March 2015 YTD
Ore mined	kt	2,666	2,856	2,101	1,993
Grade	g/t Au	1.07	1.01	1.06	1.22
Waste mined	kt	5,470	6,524	2,022	5,285
<b>Total Mined</b>	<b>kt</b>	<b>8,136</b>	<b>9,380</b>	<b>4,123</b>	<b>7,278</b>

#### 4.1.5.4 Voids

Significant reef mining has occurred on the Edna May and other reefs during previous periods of underground mining. As a result, voids or loosely filled stopes and other openings are encountered in the pit. Suitable management practices have been developed to prevent safety concerns and production difficulties. This is common to pits in similar areas of historic mining.

There is a potential for wall instability due to voids intersecting the walls and floor of the pit. AMC believes that with appropriate consideration, this issue should not adversely impact materially on the open pit mining operations.

#### 4.1.5.5 Conclusion

AMC considers the mining methods to be standard industry practice. The use of dry hire equipment operated by the owner is relatively common.

AMC considers sufficient equipment is scheduled, provided planned productivities and equipment availabilities are achieved.

#### 4.1.6 Non-reserve production sources

##### 4.1.6.1 Edna May underground

Evolution has completed a preliminary study to assess the viability of an underground operation below the Edna May pit. The study is based on Inferred Resource and hence is not reported as an Ore Reserve.

Underground mining at Edna May has been carried out in the past, with the most recent phase ending in 1990.

The study proposes using the existing portal to access the underground, a modified Avoca mining method, loose waste to backfill stopes and truck haulage of ore to the surface. This is a similar mining method to what has been used at Evolution's Cracow and Pajingo operations. Limited geotechnical data is currently available.

Underground mining operations could be carried out in parallel with mining of the remaining stages of the Edna May pit, supplementing the open pit processing plant feed with a higher grade ore which would be blended. Based on the mining tonnage derived in the preliminary study, this increases the LOM processing plant feed tonnes by approximately 6% and contained gold by approximately 30%.

AMC has included underground mining at Edna May in its production Case 2, based on the mining tonnage and costs derived in the preliminary study.

##### 4.1.6.2 Inferred stockpile resource

The December 2014 Edna May Inferred Mineral Resource includes low-grade oxide stockpile material. This material is blended with the open pit ore for processing, contributing approximately 9% of total processing plant feed tonnes and 3% of the contained gold over the LOM.

#### 4.1.7 Metallurgy and processing operations

##### 4.1.7.1 Processing plant description

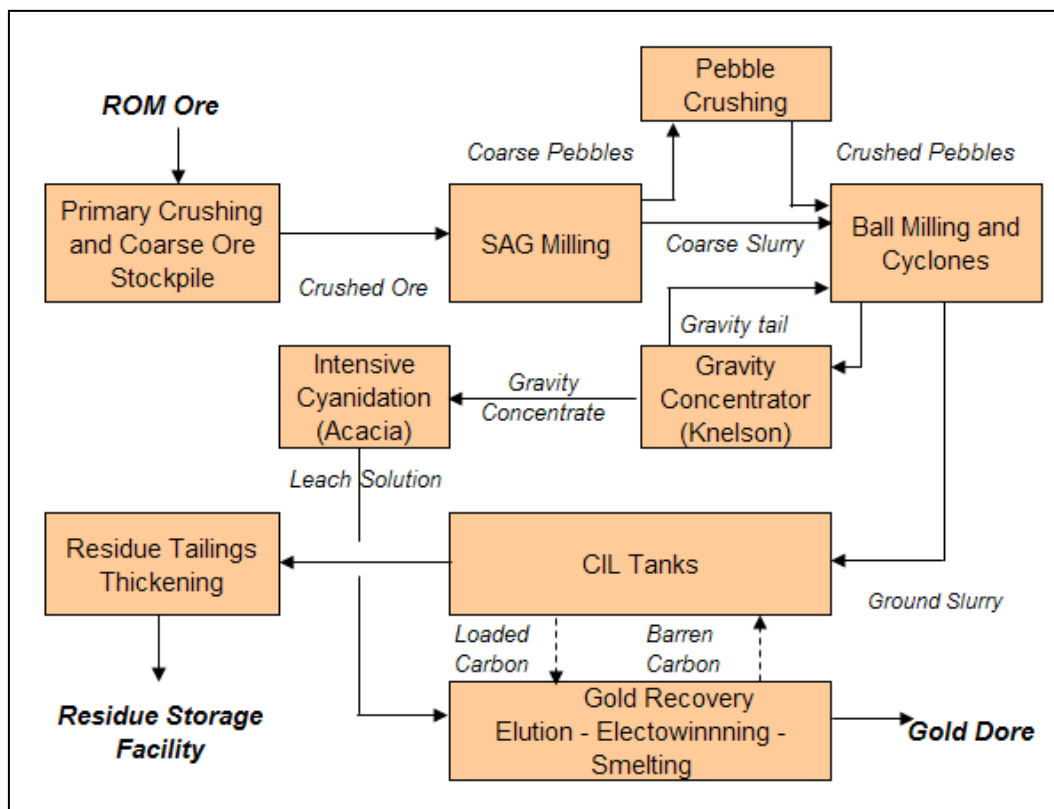
The refurbished Edna May gold processing plant is a conventional milling and CIL facility. A significant number of equipment items installed at Edna May were sourced from a previous operation at Big Bell gold

mine in Western Australia. Commissioning of the refurbished plant commenced in April 2010. The plant consists of the following unit operations:

- Primary crushing of ROM ore in a new single toggle jaw crusher.
- Storage of primary crushed ore in a coarse ore stockpile with reclaim facilities.
- Milling of ore in a two-stage circuit consisting of:
  - A primary semi-autogenous grind (SAG) mill.
  - Secondary ball mill.
- Pebble crushing of SAG mill oversize in a cone crusher.
- Classification of ground slurry in hydrocyclones.
- Gravity concentration via a Knelson concentrator to recover coarse gold.
- Cyanidation of ground ore slurry in a CIL circuit.
- Oxygen addition to leaching.
- Acid washing of loaded carbon.
- Desorption of gold from carbon by elution, followed by recovery of gold by electrowinning and smelting.
- Reagent storage and addition systems.
- Residue thickening and subsequent pumping of thickened barren residue to a TSF.

A simplified flowsheet for the processing plant is presented in Figure 4.2.

**Figure 4.2 Edna May processing plant simplified flowsheet**



#### 4.1.7.2 Processing plant performance

The Edna May plant was commissioned in April/May 2010 and has produced at approximately the nominal throughput rate of 2.5 Mtpa for the last two years. Historical plant performance data is shown in Table 4.4. March 2015 YTD throughput is 2.07 Mt compared with the budget of 2.16 Mt of ore.

**Table 4.4 Edna May processing plant performance**

Parameter	Unit	Historical Performance					March 2015 YTD	
		2010	2011	2012	2013	2014	Actual	Budget
Ore Processed (dry)	kt	379	2,316	2,373	2,607	2,547	2,067	2,164
Gold Grade (recon.)	g/t Au	0.71	0.98	1.07	1.07	1.04	1.23	1.02
Gold Recovery	%	91.6	89.7	89.4	90.5	94.1	93.9	94.0
Gold Produced	koz	9.2	65.6	73.3	86.2	80.2	76.5	66.6
Processing Cost	\$/t	14.60	18.43	18.49	19.05	17.58	16.63	16.04

Plant throughput has shown a marked increase since February 2015 when a mobile crushing and screening plant began producing -8 mm ROM ore for direct feed into the ball mill. This arrangement alleviates the ball mill power constraint on feed rate, and has resulted in the plant being able to readily operate at 360 dry tph. Gold recovery averaged 94.1% in 2014, and is averaging 93.9% for March 2015 YTD.

### 4.1.7.3 Future plant performance

#### Throughput

Plant operators have demonstrated the ability to run the plant consistently at 3,360 dry tph, which will result in an annual throughput capacity of 2.8 Mtpa at the demonstrated overall plant utilization of time of 91.7%. AMC believes it is reasonable to project annual throughput at this level.

#### Recovery

The plant has achieved 94% recovery over the last two years, and AMC believes that it is reasonable to project this performance in future years.

### 4.1.8 Waste rock and tailings storage

Waste rock from the open pit mining is placed on the new Corsini waste dump located between the north edge of the Edna May pit and the current TSF. The new waste dump is located on land purchased from a neighbouring landholder. The waste dump has a planned height of 25 m above surface.

The current TSF is located north of the open pit and to the north of the previous TSF. The current TSF is designed to store 28.8 Mt of tailings and be constructed in a number of stages.

### 4.1.9 Environmental and permitting

#### 4.1.9.1 Overview

Located adjacent to the Town of Westonia and surrounded by agricultural land, Edna May faces significant noise and other environmental-nuisance challenges. However, the operation enjoys a history of sound community consultation and general acceptance of efforts made to minimize impacts.

A rare flora species, *Eremophila resinosa*, also occurs on the project footprint. This issue has been well managed, and is considered unlikely to pose a significant constraint on future operations.

Despite these issues, statutory approval has been uncomplicated and relatively prompt, involving only the Mining Proposal protocol and the licensing processes of Part V of the EP Act. The Commonwealth agency decided that the *Eremophila resinosa* matter did not necessitate application of the EPBC Act, and the WA EPA did not invoke the time-consuming and comparatively expensive and more public processes of Part IV of the EP Act.

Water supply and management is uncontentious, particularly since the excess water from the mine dewatering required to enable the re-start of operations several years ago is no longer an issue. Management of excess water is no longer an issue.

Acid and metalliferous drainage is a minor issue, but requires ongoing scrutiny as different lithologies are mined in future.

AMC believes that closure and rehabilitation can be achieved at a cost of \$12M. This is 25% less than Edna May's internal estimate, but AMC considers that estimate to be overly conservative.

#### 4.1.9.2 Individual environmental aspects

##### Statutory approvals

Despite the occurrence of the rare plant *Eremophila resinosa* on the project area, the project was not originally assessed under the comparatively demanding procedures of Part IV of the EP Act. The EPA formed the view that, based on the studies carried out and management plans developed to sustain, if not improve, the conservation status of this species, interaction with and management by other agencies would afford adequate environmental protection and conservation. Thus, the project was assessed under the Mining Proposal system (now administered by the DMP) and licensed under Part V of the EP Act by the DER. Vegetation clearing is managed via Native Vegetation Clearing Permits issued by DMP under delegation from DER.

As noted above, the Commonwealth regulator did not consider the *Eremophila resinosa* issue to trigger EPBC thresholds.

The Greenfinch development, for which approval has yet to be sought, is unlikely to demand more intensive assessment than did the current operation. While there are likely to be issues concerning the placement of mine waste, biological and other environmental considerations are unlikely to be new or different in scale.

No significant breaches of licences or other permits have been recorded in recent times. There is significant groundwater mounding beneath the TSF, but trigger levels have yet to be reached – recovery bores may be required in future. Fortunately, the groundwater gradient is towards the mine pit, so that broader environmental impacts, especially to native vegetation, is not yet a significant risk.

##### Biological impacts

The *Eremophila resinosa* issue has been well managed by conducting numerous surveys to determine both the local and regional status of the species, by underwriting scientific studies into its propagation, and by establishing translocated populations in undisturbed local and regional areas. In this way, the company's reputation as a sound environmental steward has been firmly established. The species is now growing as an ornamental plant in the main street of Westonia.

Continued biological survey and study can reasonably be expected to further reduce the risk that *Eremophila resinosa* will impose a constraint on project operation and development. The species' conservation status is now far more secure than it was a decade ago.

No conservation reserves, Threatened Ecological Communities or Priority Ecological Communities are likely to be impacted, directly or indirectly, by project operations. A number of Priority Flora Species (PFSs) are likely to occur in and around the project area, but none has the conservation status likely to constrain operations. Ongoing survey work is likely to further improve knowledge of PFSs occurrence and distribution, since by far the majority of PFSs-listed species are simply poorly studied and under-assessed.

##### Water supply and management

The operation's water supply is predominantly from groundwater, which is saline-to-hypersaline and therefore of low utility to other users or uses. Mine dewater is a small component of project water supply. Fresh water is obtained from the nearby Goldfields Water Supply Scheme pipeline, which also serves the township of Westonia.

The mine dewatering required to allow re-start of operations some 8 years ago was managed in a large evaporation pond, which is no longer in operation. There were concerns at the time that a ferrololysis reaction in the subsoil under the pond was producing an acid groundwater mound that affected nearby vegetation, but that mound has since dissipated.

##### AMD

A small but likely increasing amount of PAF waste is being encountered at Edna May, as predicted by a thorough geochemical assessment in 2012 by an experienced and practical environmental geochemist

based in Western Australia. However, there is much acid-consuming waste to be mined, and encapsulation of PAF material can be expected to provide an easy and long-term means of isolating it from the water and oxygen required to oxidize sulphides to acid.

It is noteworthy that much material that exceeds the 0.3% sulphur level that is a rule of thumb for AMD risk is co-mingled with significant quantities of carbonates and other acid-consuming constituents. Net acid-generating potentials are accordingly less than would be predicted on the basis of sulphur content alone.

## Community

For the last decade, operators of Edna May have recognized the “social licence” implications of being located on the edge of the township of Westonia. Regular and sustained community consultation has resulted in widespread community acceptance of the positive values of the mine, but not without complaint.

Most complaints concern noise. The construction of a noise attenuation bund between the operating area and the Town has been partly successful but noise complaints from town residents are unavoidable, especially under atmospheric and weather conditions that increase risks of impacts on residents. Noise complaints are also received from farmers located to the north-east, across a wide, shallow valley.

Complaint management involves detailed logging and investigation, with follow-up as required. Increased depth of mining has assisted noise attenuation, but the proposed move to night-shift operations will no doubt elicit additional complaints.

The mine owner maintains close liaison with townspeople, through open days and other community-focused activities, and consults widely prior to initiatives being taken. Little more can be expected, and it is inevitable that noise complaints will continue to demand significant management and other resources to avoid confrontations and circumstances that constrain operations.

## Closure

Edna May has an internal closure estimate of \$16M, which is largely based on its pro-forma MRF submission – which produced an annual MRF payment (1% of total closure cost) of \$162,000.

AMC has developed a closure estimate using areas of disturbance by type (waste stockpiles, TSFs, plant, void, roads etc.) and application of current actual unit rates for various closure and rehabilitation works. The AMC estimate is \$12M.

AMC believes that the MRF (and other accounting-orientated generic models) tend to over-estimate closure costs. Also, they do not allow for salvage revenue, which for some operations can match or exceed demolition costs.

Thus, AMC considers \$12M to be a reasonable estimate of actual closure costs, with 80% to 90% of expenditure in the last year of mine life and the following year. Monitoring for up to 10 years, barring a need for major re-work, is usually a small cost for monitoring of critical areas.

### 4.1.10 Infrastructure and power

Compared to many like mining operations, Edna May generally is well serviced with support infrastructure, principally as a result of its location.

## Access

The Great Eastern Highway, the main road from Perth to Kalgoorlie and the east coast of Australia runs some 12 km to the south of the mine. A sealed road connects the township of Westonia, which sits adjacent to the mine and the highway. Being situated some 312 km from Perth by highway, the mine has good access to industrial support.

The majority of personnel are bussed to the mine, principally from Perth; a trip taking approximately four hours.

An airstrip is situated some 5 km south of the mine and is suitable for the Royal Flying Doctor Service.

## Water supply

The Goldfields water supply pipeline runs adjacent to the highway to the south, and currently supplies water to the township of Westonia and to the mine site.

Process water is obtained from the western borefield located 15 km north-west of the site. This allows dewatering of the underground mine prior to the proposed re-establishment of underground mine access.

## Electricity

Electricity is sourced from the south-west interconnected system via a 22 kV line from the Carrabin 66/22 kV substation located 12 km to the south of the mine.

## Accommodation

Catalpa has established a 130-room camp to accommodate mine personnel in the township of Westonia.

### 4.1.11 Capital and operating costs

Evolution provided AMC with the Evolution LOMP for Edna May, detailing physical and cost schedules, along with actual and forecast costs for 2015. These data have been used as the basis for the AMC production cases.

#### 4.1.11.1 Capital costs

In Case 1, no exploration expenditure is allocated. In Case 2 an allowance of \$4.5M has been included for further resource drilling to increase resource confidence for the proposed Edna May underground operation.

Open pit mining capital costs for waste have been included for both the Edna May and Greenfinch pits.

Underground capital has been included in Case 2 as detailed in the preliminary study for:

- Start-up capital to re-establish access, underground services and primary ventilation airways.
- Capital development.

AMC has estimated a closure cost of \$12.25M based on areas of disturbance by type (stockpiles, TSF, plant, void, road, etc) and application of current actual unit rates for closure and rehabilitation works.

#### 4.1.11.2 Sustaining

TSF lifts are allocated \$2M approximately every three years, with operators indicating that construction will occur approximately every 15 months.

Other sustaining capital of \$10.8M which represents 1% to 2% of the estimated capital replacement cost of the plant has been provided. AMC finds this to be a reasonable level of sustaining expenditure to maintain the facility.

#### 4.1.11.3 Operating costs

AMC has reviewed 2015 actual and budget costs. March 2015 YTD unit costs for mining are in line with budget, whilst processing and site administration are marginally above budget. March 2015 YTD actual and budget unit costs are summarized in Table 4.5.

**Table 4.5 Edna May unit operating costs**

Cost Area	March 2015 YTD Actual	March 2015 YTD Budget
Mining (\$/t mined)	4.38	4.37
Processing (\$/t processed)	16.63	16.04
Administration (\$/t processed)	3.63	3.44

AMC considers the 2015 budget open pit and administration costs to be a reasonable guide for the LOM costs.



Unit operating cost for the processing function averaged \$16.63/t processed March 2015 YTD. AMC projects a value of \$16.00/t processed in future years in light of significant cost reduction initiatives enacted and currently under way.

For the proposed underground mining, AMC has used the unit costs included in Evolutions preliminary study report with the exception of the mining cost, which has been increased by 15% to reflect the level of accuracy of the evaluation and hence direct mining related activities.

The unit costs for administration included in the Edna May LOMP as provided by Evolution are considered by AMC to be reasonable.

## 4.1.12 AMC Production Cases

AMC has prepared two production cases for the Edna May Gold Mine.

### 4.1.12.1 AMC Production Case 1

Case 1 production plan is based on the Edna May LOMP for Edna May and Greenfinch pits as provided by Evolution, depleted to 31 March 2015. It equates to the December 2014 open pit Ore Reserve, depleted for mining to 31 March 2015, plus approximately 2 Mt of mining and processing tonnages comprising Inferred Resources from existing Mineral Resources, made up of:

- Low grade oxide stockpile.
- Mining to a 0.4 g/t cut-off (background grade) when the Ore Reserve is reported at a 0.5 g/t cut-off grade.
- Minor quantity of Inferred Resource within the pit, that was excluded from the Ore Reserve estimate.

Open pit operating costs are based on the Edna May LOMP as provided by Evolution.

The majority of capital expenditure for Case 1 relates to open pit capitalized waste.

Sustaining capital costs of \$2M every three years for expansion of the TSF have been included.

Closure costs of \$12.25M have been included.

Table 4.6 summarizes key parameters of Case 1 for Edna May.

**Table 4.6 Edna May AMC Production Case 1**

Item	Unit	2015	2016	2017	2018	2019	2020	2021	Total
<b>Physicals</b>									
Ore Tonnes Mined	kt	951	3,021	2,680	3,073	3,106	129	-	12,960
Waste Tonnes Mined	kt	4,359	8,747	4,542	3,274	8,125	-	-	29,047
Ore Tonnes Processed	kt	808	2,800	2,800	2,800	2,800	1,009	-	13,017
Gold Recovered	koz	19	82	83	84	84	44	-	396
<b>Capital Costs</b>									
Initial / Expansion	A\$M	-	-	-	-	-	-	-	-
Sustaining	A\$M	-	4.0	3.2	3.2	3.2	3.2	-	16.8
Capital Development	A\$M	2.4	23.2	-	9.1	-	-	-	34.7
Resource Definition / Exploration	A\$M	-	-	-	-	-	-	-	-
Rehabilitation and Closure	A\$M	-	-	-	-	1.3	4.3	6.7	12.3
<b>Total</b>	<b>A\$M</b>	<b>2.4</b>	<b>27.2</b>	<b>3.2</b>	<b>12.3</b>	<b>4.5</b>	<b>7.5</b>	<b>6.7</b>	<b>63.8</b>
<b>Operating Costs</b>									
Mining	A\$M	15.9	31.3	33.4	20.2	52.5	0.3	-	153.7
Processing	A\$M	11.5	44.8	44.8	44.8	44.8	16.1	-	206.8
Administration	A\$M	2.4	10.3	10.3	10.3	10.3	4.4	-	48.0
Other	A\$M	1.7	2.0	2.0	2.0	2.0	1.0	-	10.7
<b>Total</b>	<b>A\$M</b>	<b>31.6</b>	<b>88.4</b>	<b>90.5</b>	<b>77.3</b>	<b>109.6</b>	<b>21.8</b>	<b>-</b>	<b>419.2</b>

## 4.1.12.2 AMC Production Case 2

Case 2 production includes all material in Case 1 plus additional Indicated Resource from existing Mineral Resources that reasonably can be expected to be mined from the proposed underground operation below the Edna May pit. In Case 2, underground production is scheduled in parallel with the open pits. This results in the mine life for Case 2 being the same as for Case 1, as the additional mining tonnage equates to less than one third of the scheduled annual processing rate, with the additional tonnes from underground utilising available processing plant capacity in 2020, the final year of the schedule.

Open pit operating costs are based on the Edna May LOMP as provided by Evolution.

Underground mine operating costs have been sourced from the preliminary study report prepared by Evolution. Given the preliminary nature of the underground study and the high-level of mining cost assessment, AMC has increased the underground mining costs by 15% for Case 2. All other costs were considered to be reasonable.

Capital expenditure for Case 2 includes the additional cost of accessing and developing the underground operation below the Edna May pit.

Sustaining capital costs have been included. These costs include \$2M every three years for expansion of the TSF.

Closure costs of \$12.25M have been included.

Table 4.7 summarizes key parameters of AMC's Case 2 for Edna May.

**Table 4.7 Edna May AMC Production Case 2**

Item	Unit	2015	2016	2017	2018	2019	2020	2021	Total
<b>Physicals</b>									
Ore Tonnes Mined	kt	951	3,021	2,754	3,382	3,377	234	-	13,718
Waste Tonnes Mined	kt	4,359	8,747	4,542	3,274	8,125	-	-	29,047
Ore Tonnes Processed	kt	808	2,800	2,800	2,800	2,800	1,767	-	13,775
Gold Recovered	koz	19	82	93	126	119	80	-	518
<b>Capital Costs</b>									
Initial / Expansion	A\$M	-	-	12.2	-	-	-	-	12.2
Sustaining	A\$M	-	4.0	3.2	3.2	3.2	3.2	-	16.8
Capital Development	A\$M	2.4	23.2	10.0	20.3	8.8	-	-	64.8
Resource Definition / Exploration	A\$M	-	1.0	2.0	1.5	-	-	-	4.5
Rehabilitation and Closure	A\$M	-	-	-	-	1.3	4.3	6.7	12.3
<b>Total</b>	<b>A\$M</b>	<b>2.4</b>	<b>28.2</b>	<b>27.4</b>	<b>25.0</b>	<b>13.3</b>	<b>7.5</b>	<b>6.7</b>	<b>110.5</b>
<b>Operating Costs</b>									
Mining	A\$M	17.7	33.3	42.2	50.7	79.5	11.0	-	234.4
Processing	A\$M	11.5	44.8	44.8	44.8	44.8	28.3	-	218.9
Administration	A\$M	2.4	10.3	10.3	10.3	10.3	4.4	-	48.0
Other	A\$M	-	-	-	-	-	-	-	-
<b>Total</b>	<b>A\$M</b>	<b>31.6</b>	<b>88.4</b>	<b>97.3</b>	<b>105.8</b>	<b>134.6</b>	<b>43.7</b>	<b>-</b>	<b>501.4</b>

## 4.1.13 Opportunities and risks

AMC considers that additional opportunities that might become available at Edna May include:

- Potential for the resource drilling planned to improve confidence and test extension of the existing underground Mineral Resource below the Edna May pit may delineate a larger mineable tonnage than that which is currently being targeted.

AMC considers that risks that apply at Edna May include:

- Open pit mining may be impacted by the north wall instability.
- Resource drilling for the proposed underground mine does not provide the confidence to proceed with underground mining.



# Independent Technical Specialist's Report

Ernst & Young Transaction Advisory Services Limited

215035

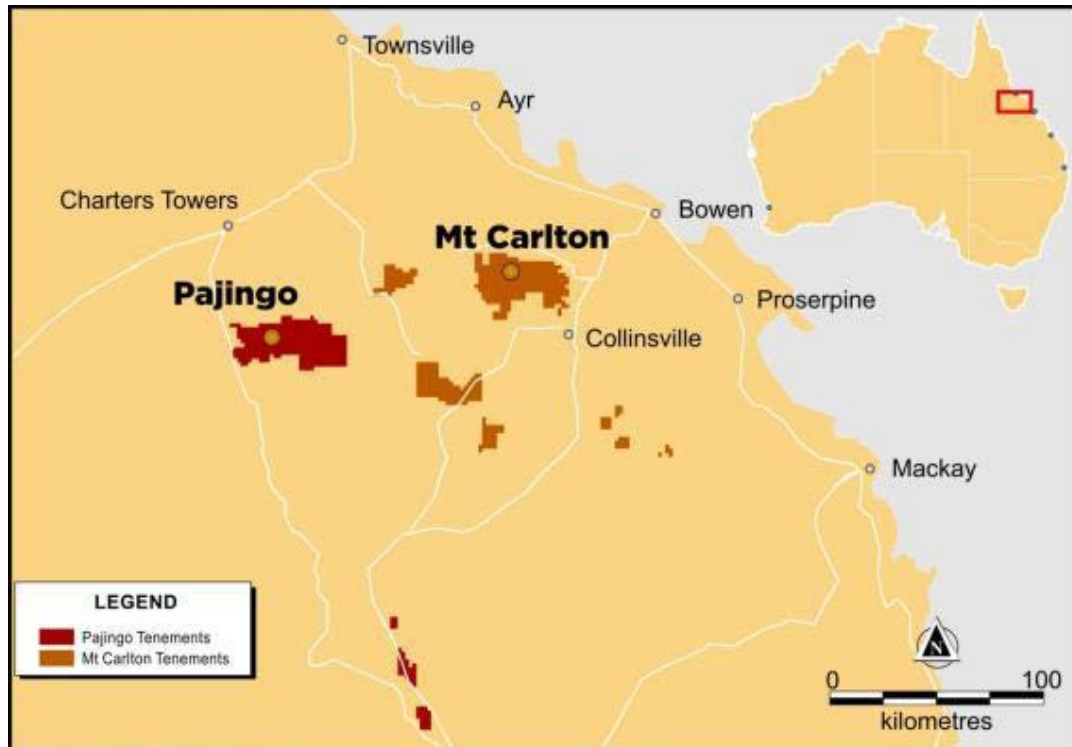
No environmental risks exist at Edna May that AMC considers likely to cause significant operational constraint or significantly-increased management costs, provided the exemplary environmental management programmes operated to date are sustained.

## 4.2 Pajingo Gold Mine

### 4.2.1 Location and background

The Pajingo Gold Mine (Pajingo) is located 53 km south of Charters Towers in north Queensland and is accessed by sealed road from Townsville via Charters Towers (Figure 4.3).

**Figure 4.3 Pajingo location map**



Mineralization in the Pajingo area was discovered in 1983 by Battle Mountain Gold Company (Battle Mountain) and an open pit operation commenced in 1986. In 1991, a joint venture was formed between Battle Mountain and Normandy Mining Limited (Normandy), and underground mining commenced in 1996. Newmont Mining Corporation (Newmont) acquired Battle Mountain in 2001 and, in 2002, acquired 100% of Pajingo via its takeover of Normandy. In 2007, North Queensland Metals (60%) and Heemskirk Consolidated (40%) purchased Pajingo from Newmont.

In May 2010, Conquest initiated a takeover of North Queensland Metals and in September 2010, Conquest agreed to purchase the remaining 40% of Pajingo from Heemskirk Consolidated. In 2011, Evolution acquired 100% of Pajingo via the merger of Conquest and Catalpa.

The majority of ore production since 1996 has been from underground operations along the Vera-Nancy line of mineralization, which has been gradually explored and developed eastwards. Small open pit mines have been operated on near surface mineralization. The process plant has the capability to process up to 650,000 tpa, but in recent years, underground production has been approximately 400,000 tpa.

Mining and processing takes place on four Mining Leases (MLs). Evolution also holds nine Exploration Permits for Minerals (EPMs) and two Petroleum Assessment leases. Details of material tenements are shown in Appendix E.

#### 4.2.1.1 Regional geology

The Pajingo Epithermal System is located in the northern margin of the Devonian-Carboniferous Drummond Basin which has an area of approximately 25,000 km<sup>2</sup>. The Pajingo tenements cover the contact between the Lolworth-Ravenswood block to the north and the Drummond Basin to the south.

Within the Drummond Basin, three stratigraphic cycles of sedimentation have been recognized, the most important of which is the Cycle 1 group, which consists of volcanic and volcanoclastic rocks. This group is the

host of all the epithermal deposits discovered, so far, in the Pajingo area. It contains the Molly Darling Formation and the Mt Janet Volcanics.

Throughout the area, the Drummond Basin sequences are partially overlain by the Tertiary Southern Cross Formation sediments, alluvial and colluvial deposits. Steeply dipping normal and transfer faults have formed at the margins of and within the basin.

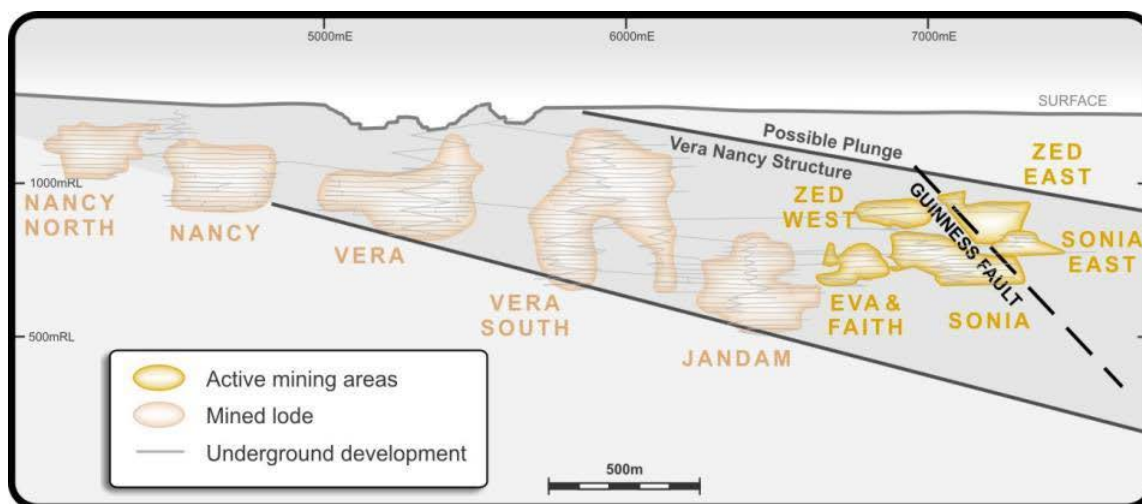
### 4.2.1.2 Local geology

The epithermal mineralization at Pajingo, is hosted by the Mt Janet Volcanic sub-group (part of Cycle 1) which is an andesitic package of massive lava flows, intrusive rocks, auto-brecciated lava and fine ash to block tuffs, which dip approximately 30° to the south.

These andesites are also intruded by multiple thin barren basaltic dykes and sills. Oxidation extends to 80 m below surface.

The Vera-Nancy fault corridor is the main mineralized structure within the Pajingo Epithermal System. There are numerous epithermal quartz veins within the fault corridor. In general, veining strikes grid east with tensional jogs and intersecting faults producing high-grade pods which trend grid east-north-east. The location of the current and previously mined orebodies within the Vera-Nancy fault corridor is shown in Figure 4.4.

**Figure 4.4 Pajingo long section along Vera-Nancy structural trend**



Mineralization is hosted in a series of structurally controlled sub-vertical, low-sulphidation epithermal quartz veins within an andesite host rock. Vein width ranges between 0.5 m and 12 m and extend up to 300 m down-dip and along strike. Where multiple veins occur generally one vein contains the dominant proportion of metal. Veins have moderate to steep dips (60° to 90°) while width can vary rapidly along strike with down-dip width continuity being more consistent. Second order veins 10 cm to 20 cm wide commonly splay from the main structures and can extend 1 m to 2 m into the footwall or hangingwall. The corridor can be traced north-west to south-east for some 6 km to the Moonlight deposit.

In addition to the Vera-Nancy corridor, there are several north-east striking deposits. These include the Scott lode and Cindy, which were both developed as open pit mines to the north of Vera-Nancy, and the recently discovered Camembert deposit, which is located about 1 km east south-east of Zed.

### 4.2.2 Mineral Resource

Mineral Resources for Pajingo are summarized in Table 4.8. The Mineral Resources are inclusive of Ore Reserves and are reported at a 2.5 g/t Au cut-off for the resources perceived to be prospects for underground mining and 0.75 g/t Au for the potential open pit resources.

**Table 4.8 Pajingo Mineral Resources as at 31 December 2014**

Item	Measured			Indicated			Inferred			Total		
	Tonnes	Grade	Contained Gold	Tonnes	Grade	Contained Gold	Tonnes	Grade	Contained Gold	Tonnes	Grade	Contained Gold
	(Mt)	(g/t Au)	(koz)	(Mt)	(g/t Au)	(koz)	(Mt)	(g/t Au)	(koz)	(Mt)	(g/t Au)	(koz)
Open Pit	-	-	-	0.00	8.04	1	0.25	1.33	11	0.25	1.45	12
Underground	0.10	11.10	37	1.88	6.08	368	2.49	5.07	406	4.48	5.64	811
<b>Pajingo Total</b>	<b>0.10</b>	<b>11.10</b>	<b>37</b>	<b>1.90</b>	<b>6.08</b>	<b>369</b>	<b>2.76</b>	<b>4.74</b>	<b>417</b>	<b>4.73</b>	<b>5.41</b>	<b>823</b>

#### 4.2.2.1 Data available

The resource data set for Pajingo is based on RC and diamond drilling from surface, underground diamond drilling and face sampling of drives. The spacing of surface drillholes approximates 60 m along strike and 80 m down-dip. The spacing of underground diamond drilling has varied over time but generally 20 m x 20 m is required to achieve sufficient definition for stope design.

Mapping of development working faces provides geological control with the digitized positions of hangingwall and footwall contacts being used in the construction of the resource and the grade control models. Face samples from ore headings are collected at approximately 4 m intervals depending on the advance of each face.

Drillhole collar and face sample positions were surveyed. Diamond holes were surveyed downhole. All data is stored in an acQuire database. The acQuire database was most recently verified by internal audits in 2012.

#### 4.2.2.2 Resource estimation

The current Mineral Resource estimate for Pajingo is a combination of deposits which are modelled independently of each other. The deposits with potential to be mined by underground methods are the Cindy, Faith, Jandam, Sonia, Sonia East, Veracity, Nancy North, Zed, Eva and Olivia, Vera, Janine, and Moonlight. Potential open pit resources have been defined at Jannine and Orchid.

Mineralized zones are interpreted based on the presence of quartz veins and vein breccia. Within the mineralized zones, domains were identified based on structural control (main vein, splays, etc) and grade continuity. For example, domains were used to limit the extrapolation of high-grades into poorly mineralized parts of the vein systems. Hangingwall and footwall surfaces were digitized and used to create 3D wireframe solids.

Wireframes were filled with blocks. There were some small variations in blocking schemes used for modelling some of the deposits but the scheme used for Zed deposit is typical: parent block cell size of 7.5 m x 2.5 m x 7.5 m (X, Y and Z) and sub-blocks of 1.5 m x 0.5 m x 1.5 m (X, Y and Z). The small block and sub-block sizes are required to provide definition of the thin veins. Grades were estimated into whole blocks, which is an appropriate practice.

Checks were carried out between the volumes of wireframes and the volume of the block models to ensure that the wireframes were coded properly to the block model.

Samples were composited over 1.0 m intervals. Extreme grades were cut (top-cut) based on analysis of grade distributions (log-probability plots, coefficient of variation, etc) within individual domains. In some areas, there appeared to be bias between the face samples and the drillhole samples (face samples reporting higher-grades). In order to reduce the risk of biasing the estimates, the top-cuts applied in these domains were based conservatively on the drillhole composites alone.

Directional variograms were generated to assess spatial continuity of grades and modelled for each domain.

An average dry bulk density of 2.65 t/m<sup>3</sup> was applied to each mineralized domain. Given the mineral assemblage within the mineralized zones and the accumulated density measurements, this is reasonable.

Block grades were estimated by ordinary kriging using multiple search passes. The estimation method included the use of octant searching to control composite selection, search ellipsoids flattened in the plane of the vein, and restrictions on the number of samples from within a single drillhole. These search parameters

were intended to avoid local biases due to clustering of the data, however they are very sensitive to variations in the thickness and orientation of the veins and may produce unpredictable and undesired biases in parts of the models. In AMC's opinion, there is a risk that some blocks in the resource model will be less than optimally estimated but overall this is unlikely to present a material risk to the operation.

On average, 40% to 60% of blocks were reported to be estimated on the first pass. Blocks not estimated on the second pass, which are generally located near the lower-grade periphery of the domains, were assigned grades by nearest neighbour.

Silver grades were estimated with the gold grades but silver is treated as a by-product and is not regarded as economically significant.

The resource models were validated by a statistical comparisons against the composite data, including swath plots, visual comparison against sample data on plan and on section, and comparison against the previous generation of model.

#### **4.2.2.3 Resource classification**

The Mineral Resource estimate is classified primarily according to the spacing of the drillhole composites. Measured Resources are informed by drillhole intercepts at generally less than 15 m spacings, supported by development face sampling, and mapping. Indicated Resources are informed by drillhole intercepts at generally less than 20 m spacings, supported by incomplete development face sampling, and mapping. Inferred Resources lack support from development data.

This classification approach has been generally supported by the reconciled production data.

#### **4.2.2.4 Resource conclusion**

AMC concludes that the 31 December 2014 Pajingo Mineral Resource estimate has been prepared using acceptable industry practice and that the classification of the estimate as Measured, Indicated and Inferred Resources is appropriate.

#### **4.2.3 Exploration and resource development**

Evolution has a programme for increasing its Ore Reserves. The programme comprises three components:

- Improving the definition of Mineral Resources and Ore Reserves in areas of known mineralization.
- Identification of Mineral Resources and Ore Reserves near existing mine developments, in particular, down-plunge in the Vera-Nancy structural corridor.
- Regional exploration, targeting structures identified by 3D seismic surveys.

The most advanced Exploration Target is the newly-discovered Camembert deposit of approximately 1.0 Mt to 1.2 Mt grading 4.7 g/t Au to 5.7 g/t Au for 150 koz Au to 200 koz Au. This zone has been tested by about 20 diamond holes drilled from surface. The thickness and grade of the mineralized intercepts are variable but sufficient to indicate reasonable prospects of defining viable ore zones. Further drilling is required to define Mineral Resources at Camembert.

The Pajingo region is richly endowed with gold-silver mineralization and, with continued drilling, there remains good potential for further discovery of ore.

#### **4.2.4 Geotechnical issues**

There are no major geotechnical issues associated with the relatively shallow underground operations, and typically small opening sizes. As underground mining extends to greater depths, stress levels will increase slightly, but are expected to be manageable provided that current mining practices are continued, and appropriate geotechnical input is incorporated into future designs and operating practices. Current issues which are being managed include relaxation of ore drives after adjacent stoping, and squeezing on clay seams. The mine has a full-time geotechnical engineer with support from a very experienced group geotechnical engineer.

## 4.2.5 Ore Reserves

The Pajingo Ore Reserve estimate as at 31 December 2014 is shown in Table 4.9. The underground Ore Reserve is reported at an approximate cut-off grade of 3.3 g/t Au, as all stopes are assessed individually. There are no open-pit Ore Reserves.

**Table 4.9 Pajingo Ore Reserves as at 31 December 2014**

Item	Proved			Probable			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Underground	0.15	7.85	38	0.29	6.50	60	0.44	6.96	98

Pajingo has substantial Mineral Resources, including Measured and Indicated Resources, that have not been converted to Ore Reserves. These are largely contained in lower-grade remnants around previously mined areas, and access to these areas may be difficult or prohibitively expensive.

### 4.2.5.1 Reconciliation

Reconciliation data for 2014 and 2015 YTD was provided to AMC. During this period declared ore mined (DOM) has consistently achieved a lower than expected grade (78% of the grade forecast by the Ore Reserve), except in January and February 2015 when higher than expected grades were returned from stopes in the Sonia East and Zed East orebodies. The overcall of grade seems to be due to difficulty in accurately predicting mined grade where the orebodies are narrow, or split into multiple thin veins. This challenge seems likely to continue. DOM tonnages fluctuated in 2014, but over the year were as predicted by the Ore Reserve.

In 2015, Pajingo adopted a strategy of infill drilling to convert Inferred Resources to Measured and Indicated Resources, and then mining them before they were declared as Ore Reserves. Consequently, as at the end of February 2015, the YTD DOM tonnage was 179% of that forecast by the Ore Reserve.

Reconciliation in epithermal vein deposits is a challenge and short term grades will fluctuate, but AMC considers that over the longer-term the mine will achieve close to predicted gold production. The assumptions in the AMC production cases referred to later in this report reflect this.

### 4.2.5.2 Conclusion

In AMC's opinion, the 31 December 2014 Ore Reserve for Pajingo has been prepared using acceptable industry practice and that the classification of the estimate as Proved and Probable Ore Reserves is appropriate. In AMC's opinion, the estimate has been prepared by a Competent Person in accordance with the JORC Code.

## 4.2.6 Mine planning inventory

Long-term production planning for Pajingo is based on a mine planning inventory that includes Ore Reserves, plus material derived from the following sources:

- Pajingo has historically recovered a significant amount of remnants from previously mined underground areas, which may not have been economic or practical to mine at that time. Although often at a lower-grade, it is a valuable additional source of ore at the current gold price where the cost of access is not prohibitive. The Pajingo production plan assumes that a significant proportion of its underground gold production will come from these remnants over the next few years, and has a drilling programme to delineate this material. This material is classified as Mineral Resources, which have not been converted to Ore Reserves.
- Resource conversion and exploration success. This material is derived from Inferred Resources in the lodes hosting Ore Reserves, Inferred Resources from recent discoveries, and from Exploration Targets.

AMC has depleted the December 2014 Ore Reserve to take account of production up to 31 March 2015.



## 4.2.7 Mining operations

Pajingo is an owner operation, with most employees commuting on a daily basis from Charters Towers. This ensures a more stable workforce compared with many fly-in-fly out operations. It has been predominantly an underground mine in recent years. Typical narrow vein bench stoping methods are employed using mechanized mobile equipment.

Actual production in 2014 and March 2015 YTD is shown in Table 4.10.

**Table 4.10 Pajingo mine production 2014 and March 2015 YTD**

Period	Mined Ore (kt)	Grade (g/t Au)	Contained Ounces (koz)
2014	310	6.05	60.8
March 2015 YTD	282	5.86	53.1

The underground mine had suffered from a lack of capital investment in equipment, capital development, and resource drilling under the previous owners. Evolution embarked on an ambitious programme to redress these issues and return the mine to a sound operational basis with reasonable future ore supplies. However, cutbacks in exploration expenditure in recent times have resulted in a shortfall in converting Mineral Resources to Ore Reserves, which needs to be urgently addressed.

Only uncemented rockfill was previously used at Pajingo. Post-grouting of this fill has been trialed successfully to improve extraction of remnant pillars in higher-grade areas.

The mine ventilation system is currently adequate, but will need to be extended significantly over the next few years to support the proposed development and production activities.

## 4.2.8 Metallurgy and processing operations

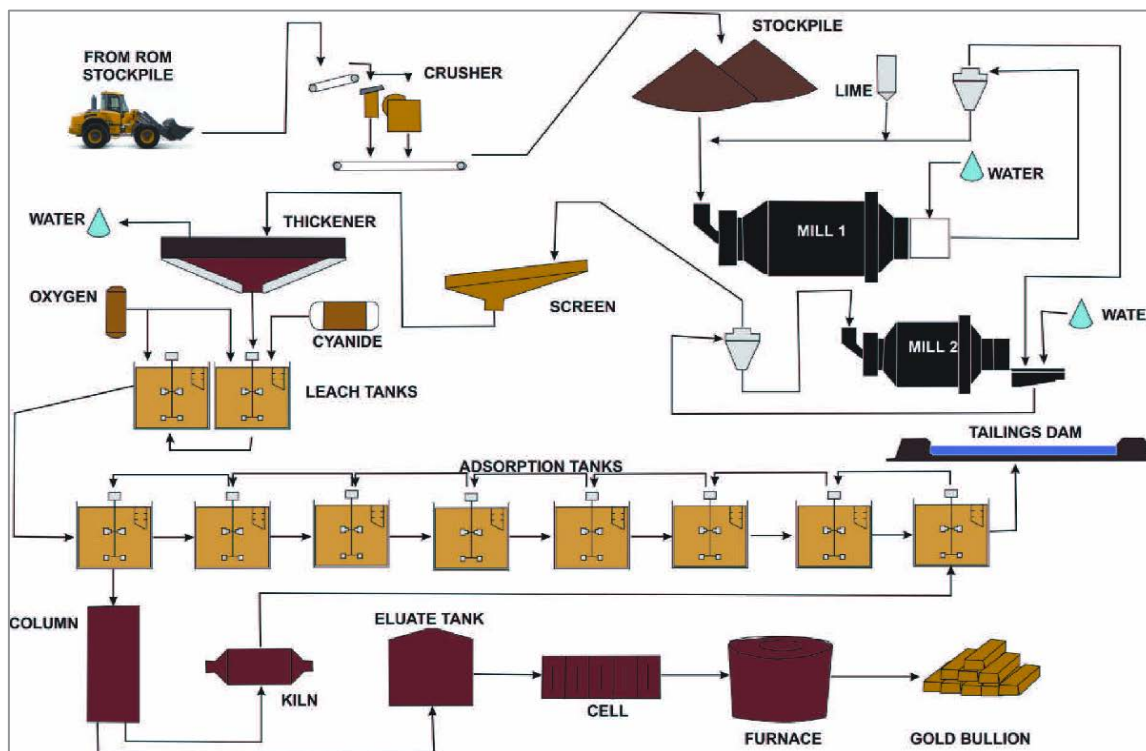
### 4.2.8.1 Introduction

The plant is a typical small gold operation employing conventional gold-ore processing technology comprising:

- Crushing (three-stage).
- Milling and classification.
- Thickening.
- CIL.
- Tailings disposal.
- Elution / carbon regeneration.
- Gold room.

The general arrangement of the circuit is shown in Figure 4.5.

Figure 4.5 Pajingo processing plant flowsheet



Since re-commencing operations in 1997, the processing plant has principally treated ore from numerous underground sources in the Vera-Nancy System. Future production is expected to be sourced from extensions of the existing deposits. The plant has a nominal capacity of 0.7 Mtpa, which would require a feed rate of approximately 85 dry tph. Currently processing is carried out on a four-day-per-week roster, which is sufficient to process all available ROM ore.

4.2.8.2 Historical production

Historical annual production data is presented in Table 4.11 along with March 2015 YTD actuals and budget. The major points of interest are:

- Only one grinding mill was operated from 2007 to 2011. The full milling capability is now used to achieve the desired grind size of 80% passing 38 µm. In this configuration, the plant is easily capable of 85 dry tph to 90 dry tph. In addition, high equipment availability (98.4% March 2015 YTD) is maintained due to three days per week of scheduled downtime when equipment repair and preventative maintenance can be performed, and any weekly production shortfalls can be met by adding run time.
- Gold recovery has ranged from 94.9% to 95.8% since operation of the full plant recommenced.
- Processing costs have been stable in recent years.

Table 4.11 Pajingo processing plant historical performance

Parameter	Unit	Historical Performance					March 2015 YTD	
		2010	2011	2012	2013	2014	Actual	Budget
Ore processed (dry)	kt	304	287	401	611	398	282	312
Gold Grade (recon.)	g/t Au	5.69	5.43	6.10	4.57	4.96	5.86	5.08
Gold Recovery	%	96.3	94.3	95.0	95.8	95.7	94.9	95.1
Gold Produced	koz	55.0	45.9	76.0	85.9	60.8	50.3	48.6
Processing Cost	\$/t	37.71	44.19	40.00	-	39.15	40.74	35.21



### 4.2.8.3 Gold recovery

The numerous underground lodes are grind sensitive and require optimum leaching conditions, which include the addition of oxygen, to achieve recovery in line with historic metallurgical testwork. Re-commissioning of the second mill resulted in a higher mill throughput rate whilst consistently achieving the target grind of 80% passing 38 µm.

In terms of assessing potential gold recovery from future ore deposits, no metallurgical testwork has been completed recently. Over the years, a multitude of orebodies have been processed and metallurgical testwork completed has yielded relatively similar gold recovery performance with typical leaching conditions and the target grind size of 80% passing 38 µm. While the plant is likely capable of recoveries in excess of 96% when operating continuously, in AMC's opinion, 95% is more appropriate for the plant when it is operating in the weekly, stop-start mode as it currently is.

### 4.2.9 Infrastructure and power

Pajingo is a mature mine with generally good infrastructure, services, access and communications, which AMC considers adequate for the current and planned operations. Grid power is supplied under a network connection contract with Ergon Energy.

Raw water is supplied under licence from the Burdekin River. While a consumption rate of 4.0 MLpd is licensed, the supply line to site is only capable of 1.8 MLpd. Currently the plant consumes approximately 1 MLpd.

### 4.2.10 Tailings storage

Tailings generated at Pajingo are currently pumped to the Turkeys Nest TSF. Lift 7 of 12 approved lifts has been constructed and is in operation. It is expected to provide tailings storage capacity for 18 months before lift 8 is required.

Additional tailings storage capacity is provided by the Scott lode TSF which also provides the mandated Design Storage Allowance for wet-season run-off holding capacity, and an alternate tailings destination when construction is under way on the Turkey's Nest TSF walls. In addition, site operators are conducting preliminary studies on an additional pit and a greenfield site as future locations for tailings storage should they be required.

### 4.2.11 Environmental and permitting

#### Real property title, mining tenure and native title

The underlying real property tenure at Pajingo comprises Lot 489 on SP133401, Lot 3237 on SP191769, Lot 576 on PH1155 and Harvest Home Road – Road Case 29114.

It is understood that this land is privately held, or held by the State Government (in the case of the road) and that Compensation Agreements have been made as part of the grant of the ML.

Evolution advises that Native Title Agreements have been made with the Kudjala People and the Birriah People, with four amendments made over time. Cultural heritage protection is covered in the agreements, however, Evolution is in discussions regarding the preparation of a more comprehensive Cultural Heritage Management Plan.

#### Primary mining and environmental approvals

Under Section 250 of the Queensland Environmental Protection Act 1994 (EP Act, 1994), a mining project is an environmentally relevant activity that requires a corresponding Environmental Authority (EA). An EA is a legal instrument that includes a list of regulatory conditions related to the environmental management of a mine. EAs are granted and regulated by the Queensland Department of Environment and Heritage Protection (DEHP).

Mining authority is provided through the grant of the three MLs. An EA (EPML00879413) covering the three granted MLs was issued in 17 October 2014. Collectively, these provided the primary mining and environmental approvals for the operation.

The 2012 Environmental Management Plan (EMP) Amendment is now approved and a component of the current EA (dated 27 October 2014). This authorizes the mining of Nancy, Nancy North and Orchid pits.

## Environmental compliance

AMC notes that 2011 was a particularly wet season and many operations in Queensland had non-compliances associated with unplanned surface water discharges. The remainder of the non-compliances are considered by AMC to be relatively minor, and AMC notes that evolution had responded to the various non-compliances and areas of concern, including.

Third party independent audits against Evolution's Environmental and Health System (EHS) are carried out annually. The year to August 2014 executive summary report was provided to AMC. The audit provided a range of findings and recommendations (including 41 high risk category actions). The report focused on compliance with the EHS, rather than statutory and permit compliance.

It is observed that an Environmental Evaluation had been ordered by DEHP circa 2012 and a copy of the evaluation report was provided. It is understood by AMC that the evaluation is ongoing.

Pajingo conducts monthly internal management reports, quarterly 'health checks', annual compliance audits (required by the EA), and environmental and health system audits. Pajingo also submits an annual return to Department of Environment and Resource Management regarding performance against monitoring criteria documented in the EA.

In summary, based on the audits and inspections reports from DEHP, AMC considers that Pajingo is generally in compliance with legislative and permit requirements, with a few points of ongoing discussion and negotiation with DEHP.

## Environmental performance

Pajingo is an isolated site, remote from sensitive receptors, and air, noise, lighting and other nuisance issues are generally not of concern.

The main operational environmental performance issues for Pajingo are:

- Management of waste rock with acid and metalliferous drainage characteristics.
- Tailings storage and management.
- Surface water management.
- Groundwater management and contamination.

Evolution has protocols and standard procedures in place for the management of each of these issues. These are also addressed in impact assessment documents and the environmental authority for the operation. Hence the regulatory regime and management systems are generally in place to monitor and manage these issues.

## Environmental liabilities and financial assurance

Financial Assurance was calculated under the DEHP calculator at \$14M. This was accepted by DEHP, and a Financial Institution Undertaking (a bank guarantee) was received by the Department of Natural Resources and Mines for this amount in December 2014.

## Summary of environmental and permitting

Primary mining and environmental approvals are in place, and land tenure has been secured.

Historical non-compliances and an environmental and safety system audit identified a range of operational improvements required at the site, indicating risks that required additional environmental management, however, while some are substantial, they are likely to be accommodated within existing operational budgets, and are not considered material to this ITSR.

The main environmental risks are considered by AMC to be regulator actions or enforcement responses that may restrict or suspend operations. Pajingo maintains ongoing discussions and actively responds to regulator concerns, which substantially reduces the likelihood of occurrence of this risk.

## 4.2.12 Capital and operating costs

### 4.2.12.1 Capital costs

AMC has reviewed the capital budget provided in the LOMP and made appropriate adjustments to reflect the two AMC production cases in particular, AMC has increased the exploration expenditure in Case 2 to better align it with the assumed conversion to Ore Reserves of Inferred Resources and Exploration Target scheduled for production in the later years. The allocation for rehabilitation has also been increased to reflect the current Financial Surety and a provision for the required Environmental Offsets.

AMC considers that the budgets for mining sustaining capital and capital development are appropriate, and has only made minor adjustments to match its production cases. No growth capital has been allocated, given the short life of both cases.

Sustaining capital for the processing plant is planned at approximately \$1.25M per year until 2018, and tapering off in the final two years of the mine. This represents approximately 2% of the replacement cost of the plant which is adequate in AMC's opinion. Approximately \$2.0M per year for five years (2015 to 2019) is provided for construction of lifts to expand the capacity of TSF. The cost is based on the Pajingo design and construction costs for previous lifts and appears reasonable in AMC's opinion.

### 4.2.12.2 Operating costs

Mining costs were high at approximately \$100/t for underground ore when Evolution took over the mine. The introduction of new mining equipment and a better focus on managing costs has seen this fall to approximately \$80/t, and AMC expects that this will continue in the future. Costs will reduce in the last year of each case as operating development ceases.

AMC considers a processing cost of \$40/t processed appropriate in the future. Operators are focused on cost control and have demonstrated that the unit cost of processing can be maintained at this level.

Administration costs (including environment, OH&S and overheads) are largely fixed, so any reduction in the unit cost will require an increase in production, which is unlikely in the foreseeable future.

## 4.2.13 AMC Production Cases

AMC has prepared two production cases for Pajingo.

The Case 1 underground mining production plan is based on the 31 December 2014 Ore Reserves, plus substantial additional material comprising remnant Mineral Resources, Mineral Resources yet to be fully evaluated for mining, and Exploration Targets. No open-pit mining is proposed, although there is some potential for a small amount of low-grade production.

Case 2 extends the Case 1 production plan by two years, based on conversion of Inferred Resources to Ore Reserves and exploration and conversion of the Exploration Target.

The AMC production cases are shown in Table 4.12 and Table 4.13. There is no production assumed from Exploration Targets and very little from Inferred Resources in the first two years of each case.

**Table 4.12 Pajingo AMC Production Case 1**

Item	Unit	2015	2016	2017	2018	2019	Total
<b>Physicals</b>							
Ore Tonnes Mined	kt	89	394	384	400	-	1,267
Waste Tonnes Mined	kt	35	142	142	-	-	319
Ore Tonnes Processed	kt	89	394	384	400	-	1,267
Gold Recovered	koz	17	70	66	60	-	211
<b>Capital Costs</b>							
Initial / Expansion	A\$M	-	-	-	-	-	-
Sustaining	A\$M	1.9	7.0	4.0	1.0	-	14.0
Capital Development	A\$M	3.3	13.3	6.6	-	-	23.2
Resource Definition / Exploration	A\$M	0.5	4.0	2.0	-	-	6.5
Rehabilitation and Closure	A\$M	-	-	3.0	3.0	8.5	14.5
<b>Total</b>	<b>A\$M</b>	<b>5.7</b>	<b>24.3</b>	<b>15.6</b>	<b>4.0</b>	<b>8.5</b>	<b>58.2</b>
<b>Operating Costs</b>							
Mining	A\$M	7.2	31.5	30.7	26.0	-	95.4
Processing	A\$M	3.6	15.8	15.4	16.0	-	50.7
Administration	A\$M	2.0	8.7	7.7	7.2	-	25.5
Other	A\$M	-	-	-	-	-	-
<b>Total</b>	<b>A\$M</b>	<b>12.7</b>	<b>55.9</b>	<b>53.8</b>	<b>49.2</b>	-	<b>171.6</b>

**Table 4.13 Pajingo AMC Production Case 2**

Item	Unit	2015	2016	2017	2018	2019	2020	2021	Total
<b>Physicals</b>									
Ore Tonnes Mined	kt	89	394	384	400	400	400	-	2,067
Waste Tonnes Mined	kt	35	142	142	142	71	-	-	531
Ore Tonnes Processed	kt	89	394	384	400	400	400	-	2,067
Gold Recovered	koz	17	70	66	60	60	59	-	329
<b>Capital Costs</b>									
Initial / Expansion	A\$M	-	-	-	-	-	-	-	-
Sustaining	A\$M	1.9	7.0	7.3	7.3	4.0	1.0	-	28.6
Capital Development	A\$M	3.3	13.3	13.3	13.3	6.6	-	-	49.7
Resource Definition / Exploration	A\$M	0.5	4.0	4.0	4.0	2.0	-	-	14.5
Rehabilitation and Closure	A\$M	-	-	-	-	3.0	3.0	8.5	14.5
<b>Total</b>	<b>A\$M</b>	<b>5.7</b>	<b>24.3</b>	<b>24.6</b>	<b>24.6</b>	<b>15.6</b>	<b>4.0</b>	<b>8.5</b>	<b>107.3</b>
<b>Operating Costs</b>									
Mining	A\$M	7.2	31.5	30.7	32.0	32.0	26.0	-	159.4
Processing	A\$M	3.6	15.8	15.4	16.0	16.0	16.0	-	82.7
Administration	A\$M	2.0	8.7	8.4	8.8	8.0	7.2	-	43.1
Other	A\$M	-	-	-	-	-	-	-	-
<b>Total</b>	<b>A\$M</b>	<b>12.7</b>	<b>55.9</b>	<b>54.5</b>	<b>56.8</b>	<b>56.0</b>	<b>49.2</b>	-	<b>285.2</b>

In both cases, the processing plant throughput rate has been maintained at approximately 0.4 Mtpa, with a metallurgical gold recovery of 95%. The nominal weekly operating schedule of the plant (four days at 24 hours per day) at 85 tph to 90 tph feed rate, and with an overall running utilization of time of 94%, will result in the required throughput. In AMC's opinion, this is reasonable, being based on demonstrated performance parameters, and with the added insurance of the availability of 72 hours of unused time each week in which to complete the week's production schedule should it be required.

The underground mining unit costs are based on the Evolution LOMP, but modified slightly by AMC on the basis of recent performance and AMC's adjustments to the mining plan.

Processing unit costs are based on the Evolution LOMP, but modified slightly by AMC on the basis of recent performance and AMC's adjustments to the mining plan. Administration unit costs are also adjusted in accordance with throughput to maintain a fairly constant total cost.

Sustaining capital costs are based on Evolution's LOMP budget and adjusted in future years to ensure that underground capital development and exploration drilling are maintained at an adequate level.

A rehabilitation cost of \$19M has been included in both cases, which matches the current Financial Surety and environmental offset.

#### **4.2.14 Upside potential**

Pajingo is a narrow vein epithermal gold mine, which typically only have a few years of identified Mineral Resources and Ore Reserves at any point in time. Ongoing exploration and resource definition is required to replace mine production and sustain the operation. Pajingo commenced underground mining operations in 1996, and has already maintained production for almost 20 years. The tenements have not yet been exhaustively explored, as demonstrated by the recent Camembert discovery. On this basis it is reasonable to expect that operations will continue well beyond that which can be scheduled on the basis of reported Mineral Resources and Ore Reserves.

Exploration at Pajingo has identified new veins and extensions to existing veins which are likely to contribute to future production, but more drilling is required before estimates of Mineral Resources can be reported. These include Vera South/Jandam, Zed East, Sonia East, Moonlight, and Camembert, which AMC considers have the potential to extend the mining operations for another two years beyond Case 2 at similar annual tonnes and grade. This assumes that Evolution commits sufficient expenditure to ongoing exploration and resource definition drilling.

#### **4.2.15 Risks and opportunities**

There is a risk that some resource blocks are less than optimally estimated but overall this is unlikely to present a material risk to the project.

The Inferred Resources include substantial proportions that have a thickness of less than 2.5 m. AMC cautions that much of the Inferred Resource may be of a combined thickness and grade that cannot be economically mined within the parameters assumed in the LOMP.

The main risk at Pajingo is that of future ore sources, which is typical of this type of epithermal vein gold operation. However, the mine has substantial Inferred Resources and many prospective targets, so provided that an aggressive exploration and infill drilling programme is maintained, the mined ore tonnages in both cases should be achievable.

Another significant risk is that of gold price. The mine has relatively high operational costs and modest gold grades, so a moderate fall in the gold price would threaten viability.

There are opportunities to decrease unit costs by increasing the processing plant throughput (based on future exploration success) to better utilize the existing plant capacity.

A significant portion of the Mineral Resources occur in parts of the deposits that are too narrow to mine economically using current mining methods and equipment. There may be an opportunity to change mining method to suit narrower bodies and thereby convert more Mineral Resources into Ore Reserves.

### 4.3 Mt Rawdon Gold Mine

#### 4.3.1 Location and background

The Mt Rawdon Gold Mine (Mt Rawdon) is an open cut mine situated in south-east Queensland, approximately 80 km south-west of Bundaberg and 300 km north-north-west of Brisbane. Access to the mine is from Gin Gin on the Bruce Highway via a sealed road for 52 km to the township of Mt Perry, and then south-east for 18 km on a gazetted road (Figure 4.6).

The deposit is located beneath the southern side of Mt Rawdon, which is located between Mingham Creek and the Perry River, both of which drain to the Burnett River.

**Figure 4.6** Mt Rawdon location map



Construction of the Mt Rawdon project commenced in early 2000 and was commissioned in January 2001. In 2001, the owner at the time (Equigold NL) completed a diamond drilling programme immediately below and adjacent to the operating pit, which increased the Ore Reserves from 22.8 Mt to 45.9 Mt. In 2005, a redesign of the open pit (involving a change in cut-off grades and steeper ultimate pit wall angles) increased the reserves even further.

Lihir Gold Limited acquired the operation during a merger with Equigold in 2008. In 2010, a merger with Newcrest saw new management installed and a new resource model completed. In 2011, Evolution acquired 100% of Mt Rawdon via Catalpa and Conquest merging and the concurrent acquisition of Newcrest's Cracow and Mt Rawdon gold mines. The current open pit has been producing continuously since 2001.

The Mt Rawdon operation takes place on nine MLs occupying a total area of approximately 20 km<sup>2</sup> within Perry Shire. The company also holds an Exploration Permit for Minerals (EPM 10566) covering 66 sub-blocks (approximately 198 km<sup>2</sup>). The material tenements are included in Appendix E.

#### 4.3.2 Geology

Mt Rawdon is an intrusion related gold system hosted by Triassic rhyodacitic volcanics and intrusive rocks of the Aranbanga Group. The large Eastern Dacite and offshoot Western Dacite intrude a thick water-deposited volcanoclastic pile, subsequently cut by a range of barren dykes and sills ranging from andesitic to



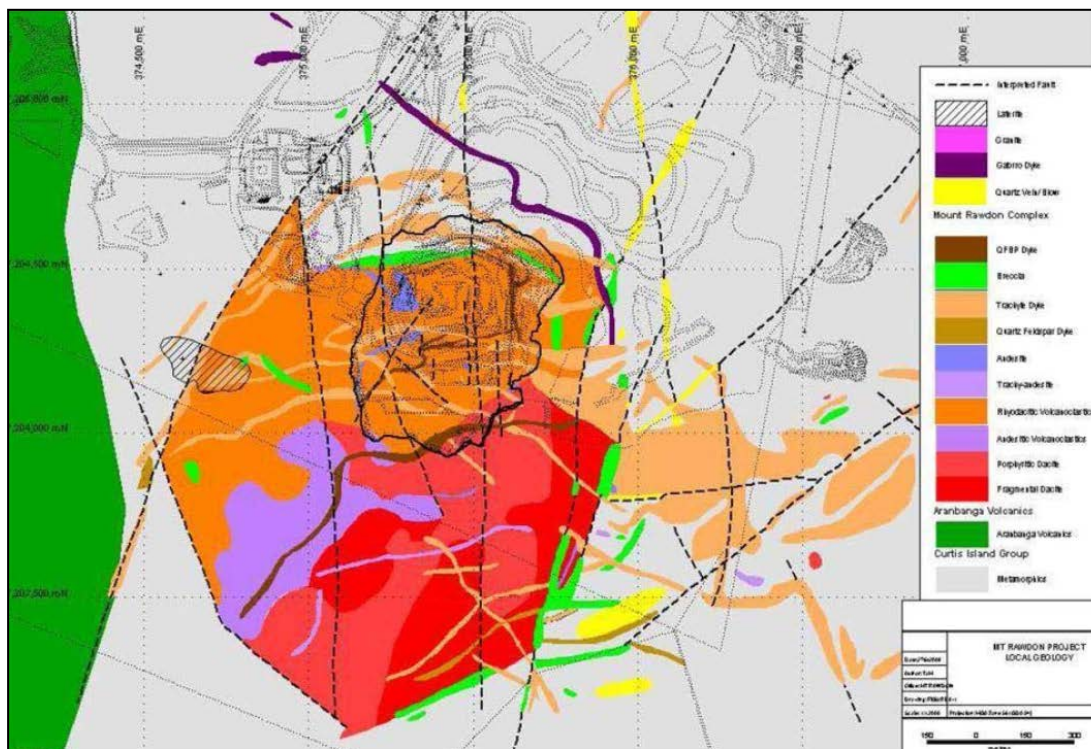
rhyolitic composition. The original topographic high of Mt Rawdon was caused by an erosion-resistant suite of shallow north-dipping trachyte dykes.

Mineralization is strongly associated with disseminated pyrite and small sulphide-rich veinlets controlled by structure and lithology. It forms a large steep-dipping massive low-grade gold-silver orebody within an envelope of K-spar and strong sericite alteration. Internally the deposit contains numerous thin tabular high-grade zones in multiple intersecting orientations. Another major mineralization control is the sub-vertical western contact of the Eastern Dacite. The mineralization is characterized by fresh sulphides, predominantly disseminated pyrite, and as a general rule the higher the sulphide content the higher the gold grade. Associated minor sulphides are chalcopyrite, sphalerite, galena and bismuth sulphosalts.

The Mineral Resource area encompasses the mineralization domain (i.e., modelled 0.1 g/t Au envelope) which has a moderate southerly plunging ovoid shape with approximate dimensions of 950 m (north) by 550 m (east) and extends to a depth of approximately 650 mbs. The mineralized zone is divided by a shallowly dipping late-stage, barren intrusive Quartz-Feldspar-Biotite Porphyry (QFBP). Mineralized domains in the resource model are denoted as either above/below the QFBP.

Figure 4.7 shows a generalized mine geology of Mt Rawdon in plan.

**Figure 4.7 Mt Rawdon generalized geology in plan**



Source: MRO Operations May 2011.ppt.

### 4.3.3 Mineral Resources and Ore Reserves

#### 4.3.3.1 Data available

The Mt Rawdon deposit is defined by 591 drillholes of which approximately 20% are DDH or RC drillholes with diamond tails, with the remaining holes being drilled using RC methods. Core and RC sample recovery has been good. Very few wet RC samples have been recorded and the quantity of groundwater in and adjacent to the deposit is very small. All diamond core was of NQ2 or HQ size and is adequate for resource estimation.

The resource data is stored in an acquire database and has been, and remains, subject to a variety of validation processes.

In AMC's opinion, the resource database is suitable for Mineral Resource estimation.

## 4.3.3.2 Resource estimation

Mineral Resource estimates were updated in December 2014. Drillhole spacing in the remaining part of the deposit varies from about 25 m x 25 m to 50 m x 25 m. Drillholes were composited to 6 m lengths producing 7,347 samples to be used in the estimation. Estimation was constrained using 3D geological wireframes.

Six lithological domains were interpreted and modelled. One of these, the mineralized envelope, is divided into subdomains above and below the QFBP. Since all mineralized oxide material has been mined there was no need to model an oxide zone. The mineralized envelope was interpreted based on a nominal 0.1 g/t Au cut-off.

The continuity of the gold mineralization was evaluated at 14 cut-offs chosen to characterize the distribution of the composite population. Whilst this is a valid approach, selection of the variogram models requires a high-level of consistency in shape and orientation if order relations problems are to be avoided. This consistency is lacking at the high indicator cut-off grades and consequently the estimation of high-grades in the Mt Rawdon block model may be less than optimal.

A block model was constructed with a block size of 25 m x 20 m x 15 m and sub-blocks down to 2 m x 2 m x 1.5 m to provide resolution at the geological boundaries. All grade estimation was applied to whole blocks, which is generally accepted in the industry as the preferred practice.

Block grades for gold were estimated using multiple indicator kriging (E-type estimate). This method was chosen to provide better control of the interpolation of extremely high-grade composites. A minimum of 12 composites and maximum of 24 composites were used, with no more than three composites per drillhole. Estimation was conducted in two passes with initial search ellipses of 55 m x 30 m x 65 m which was expanded to 180 m x 100 m x 70 m for the second pass, however, essentially all the blocks were populated on the first pass.

The resource model was validated by a broad range of statistical comparisons against the composite data, including swath plots, Q-Q plots, and scatter plots, and compared visually against the drillholes on plan and on section.

## 4.3.3.3 Classification and reporting

The Mineral Resource is shown in Table 4.14. It is constrained by a wireframe representing an optimized pit based on a Whittle shell at a \$1,800/oz gold price.

The resource within the pit has been reported at a cut-off grade of 0.23 g/t Au and includes the resource that has been converted to Ore Reserve. Classification of the Mineral Resource is based on a range of relevant factors but primarily the relationship between the drillhole spacing and the continuity of the mineralization, as measured by variography. The vast majority of the Mineral Resource has been classified as Indicated Resource. The Measured Resource is stockpiled material.

**Table 4.14 Mt Rawdon Mineral Resources as at 31 December 2014**

Item	Measured			Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Mt Rawdon	1.04	0.51	17	46.00	0.72	1,069	3.65	0.59	69	50.69	0.71	1,156

Historically, the resource models at Mt Rawdon showed variable performance with respect to the processing plant reconciliation in terms of both tonnes and grade, although over the two years from 2012-2013, contained gold was predicted to within 2% for mining and 5% for processing. Modelling methods were significantly changed in 2013 and over the last year contained gold was predicted to within 13% for mining and 8% for processing. However, there is poor reconciliation for the low-grade predicted by the model (see Section 4.3.5.1).

The proportion of Inferred Resources processed increased from 1% in 2012 to 8% in 2014 and the reconciliation of the ounces in ore processed against ounces forecast by the resource model deteriorated to -8%. This illustrates the lower confidence in the Inferred Resources and shows the need for continued infill drilling to guide mine development.



AMC considers that the resource classification is appropriate but due to the risk of bias in the local grade estimates, and the reconciliation results, there is a risk that the current resource estimate may overstate the tonnes of low-grade material in the deposit.

#### 4.3.3.4 Resource conclusion

In AMC's opinion, the Mt Rawdon geology is well understood and the sample database is adequate to support Mineral Resource estimates. The 31 December 2014 Mineral Resource estimate has been prepared using acceptable industry practices. The classification of the estimate is reasonable and appropriate.

#### 4.3.3.5 Potential for additional resources

The structural and lithological controls on the Mt Rawdon gold mineralization appear to bound the mineralization within an inlier, and limit its cross-strike and along-strike potential in the immediate vicinity of the mine.

The Mt Rawdon mineralization is currently open at depth but drilling indicates that grades decrease with increasing depth. The stripping ratio and lower gold grades pose the most significant issues to the viability of mining at greater depth.

In recent years Evolution has begun to recognize the importance of faults hosting higher-grade mineralized shoots. There may be some potential with further geological mapping, 3D modelling and drilling to identify narrow higher-grade structures that may add to the resource.

#### 4.3.4 Geotechnical issues

Pit walls at Mt Rawdon show numerous instances of bench scale failures and the loss of berm crests through blasting over-break, reducing the catch capacity of berms. In addition, the mining of pushbacks results in the filling of all berms below the pushback with loose material from the operation above. A Ground Control Management Plan exists and a geotechnical audit was completed in 2014 by an independent geotechnical consultant.

The consultant noted from the audit that the east wall of the pit was showing creep movements over a significant period of time and remedial action was required as a high priority. Recommendations for changes in slope design parameters, groundwater management, and changes to the rock reinforcement programme were also made. Trialling of a number of initiatives is in progress, including limited presplit of final walls, changes in blast design, and trialling double height and steeper batters to enable wider catch benches to be installed.

AMC considers that with a continuation of current practices, follow up of the independent audit recommendations, and successful implementation of the initiatives currently being trialled, then geotechnical risks to the operation can be controlled.

#### 4.3.5 Ore Reserves

Ore Reserves reported by Evolution at 31 December 2014 are shown in Table 4.15. They are based on a cut-off grade of 0.3 g/t Au. The Ore Reserve is based on metal prices of \$1,350/oz Au and \$20/oz Ag. The Ore Reserve includes 1 Mt of stockpile material which is classified as Proved. All in situ Ore Reserve is classified as Probable.

**Table 4.15 Mt Rawdon Ore Reserves as at 31 December 2014**

Item	Proved			Probable			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Mt Rawdon	1.04	0.50	17	34.19	0.78	862	35.22	0.80	879

AMC has reviewed the site operating cost and metal recovery parameters and considers that they support the use of the current cut-off grade for operations and are a reasonable input to the reserve estimation process.

## 4.3.5.1 Reconciliation

Mining of ore is done using a 0.3 g/t Au cut-off grade, with the <0.5 g/t fraction generally stockpiled and the >0.5 g/t generally used as processing plant feed. Mt Rawdon completes orebody reconciliations between mine production and model predictions of Indicated and Inferred Resources at a 0.3 g/t Au cut-off grade, and processing plant production and model predictions of Indicated and Inferred Resources at a 0.5 g/t Au cut-off grade. Both reconciliations show reasonable correlation between production results and model predictions.

The current model predicts 7% lower tonnes and 2% higher gold grade (5% lower contained gold) than processed over the last three years, and 6% higher tonnes and 6% lower gold grade (1% lower contained gold) than mined over the last three years. While AMC considers that both these results are reasonable, AMC notes that the model over predicted contained gold ounces in tonnes processed by 8% during 2014.

There is, however, a poor reconciliation between the lower-grade material (0.3 g/t Au to 0.5 g/t Au) predicted by the model (2 Mt at 0.4 g/t Au) compared to what was mined and stockpiled (0.7 Mt at 0.55 g/t Au) over the last three years. As a result, there may not be as much stockpiled low-grade material at the end of mine life as scheduled. AMC has not made any allowance for this apparent discrepancy in its production case described later in this report, as the net effect is not material, and likely to be financially neutral or slightly positive.

## 4.3.5.2 Conclusion

In AMC's opinion, the 31 December 2014 Ore Reserve for Mt Rawdon has been reported in accordance with the JORC Code. AMC has depleted the Ore Reserve estimate to 31 March 2015 using the production forecast from the LOMP for use in the production case described later in this report.

## 4.3.6 Mining operations

Mining at Mt Rawdon uses conventional drill, blast, load, and haul techniques. The main earthmoving operation is carried out by owner mining, after Evolution acquired the mining fleet, facilities, and operating spares from their mining contractor in 2014. Contractors are utilized for:

- Drilling.
- Blasting.
- Other earthworks (including expansion of TSF).

Mining is carried out by three 300 t and one 120 t hydraulic backhoe excavators and a fleet of 150 t rear dump haul trucks. All material is drill-and-blast, with a variety of five top-hole-hammer crawler drills. Support equipment comprises dozers, graders and water carts. Excess equipment is carried on site to allow for the age of equipment and a reduction in equipment moves.

Bench by bench grade control incorporates assaying blasthole drill cuttings. These are assayed for gold in an on-site laboratory. Blasting is carried out on a 15 m bench with subsequent mining on 2 x 7.5 m flitches.

Ore is fed to the primary crusher direct from haul trucks and by front end loader from stockpiles. Oversize rocks are stockpiled and broken by a rock breaker. Low-grade ore is currently stockpiled for future processing, either to overcome shortfalls in pit production or when the pit is exhausted.

## 4.3.7 Metallurgy and processing operations

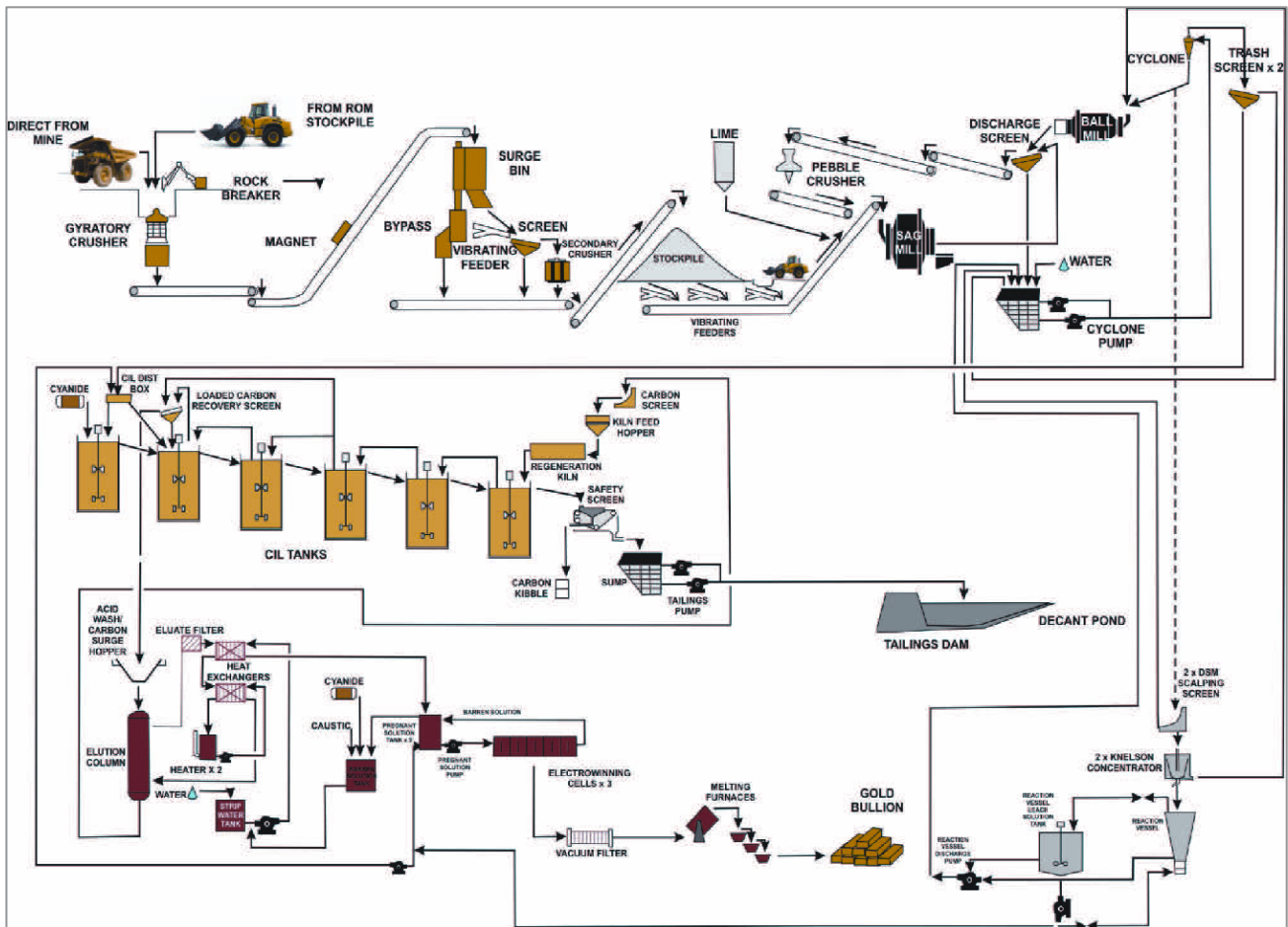
### 4.3.7.1 Introduction

The plant is a typical gold operation employing conventional gold-ore processing technology comprising:

- Crushing (two-stage).
- Milling and classification.
- Leach / absorption.
- Tailings disposal.
- Elution / carbon regeneration.
- Gold room.

The basic circuit arrangement is shown in Figure 4.8. The process plant treats ore from a single open cut deposit. The host lithologies for the gold and silver mineralization are volcanoclastic and dacite rock types. Volcanoclastic ore tends to be blockier and harder than the dacite. Blending is performed when possible to reduce the variation in the ROM size distribution and ore hardness presented to the primary crusher.

Figure 4.8 Mt Rawdon processing plant flowsheet



#### 4.3.7.2 Historical production

The annual production data for the past five years of operation is presented in Table 4.16, together with the corresponding budget targets and actual performance figures for March 2015 YTD. The majority of this information has been sourced from monthly production reports, documents prepared for the 2015 site visit, and from personal communication with site personnel. The major points of interest are:

- Annual throughputs over the past four years have averaged 3.46 Mt. The plant has treated 2.56 Mt of ore in March 2015 YTD, versus the budget of 2.68 Mt. The plant has averaged 419 dry tph in March 2015 YTD, and has utilized 93.0% of operating time. While these values are slightly below the budgeted parameters of 425 dry tph and 95.7% respectively that are required to attain the nominal plant capacity of 3.5 Mtpa, the plant has consistently demonstrated the ability to process at this level and it is AMC's opinion that it can continue to do so. In addition, investigations and plant trials are under way to quantify throughput improvements that may be gained from optimized ROM ore size distribution through controlled blasting in the pit; known as mine-to-mill optimization. Should this programme be successful, throughputs above 3.5 Mtpa will be possible.
- With throughputs and gold recovery largely unchanged over the last seven years, annual gold production has fluctuated in line with the feed grade to the process plant.
- The unit cost of ore treatment has steadily increased over the past seven years; rising from \$7.07/t processed in 2008 to \$10.48/t processed in 2014. Unit production cost for March 2015 YTD is \$10.82/t processed compared to the budget of \$10.46/t processed. The plant is largely operating at budgeted cost, with the exception of plant maintenance, where some unplanned maintenance has resulted in unbudgeted purchase of spare parts.

**Table 4.16 Mt Rawdon historical production and 2015 to March**

Parameter	Units	Historical Performance (Fiscal years)					March 2015 YTD	
		2010	2011	2012	2013	2014	Actual	Budget
Ore Processed (dry)	kt	3,392	3,515	3,434	3,329	3,574	2,564	2,678
Gold Grade (recon.)	g/t Au	1.03	0.88	0.95	1.08	0.98	1.00	0.99
Gold Recovery	%	90.6	89.8	91.0	91.7	91.8	90.7	91.3
Gold Produced	koz	92.5	81.0	111.9	108.9	101.4	102.6	105.0
Processing Cost	\$/t	8.38	9.15	11.18	–	10.48	10.82	10.12

### 4.3.7.3 Gold recovery

The annual gold recovery values obtained for the past four years have been consistent, ranging from 90.7% to 91.8% with an average of 91.3%.

Gold recoveries improved in 2012 as a result of installation of a second gravity gold recovery unit and in-line reactor that raised the recovery of coarse gold to 15%. In general, the metallurgical performance of the plant is quite stable and predictable.

### 4.3.7.4 Future production

The LOMP shows future annual ore throughputs ranging from 3.53 Mtpa in 2017 to 3.65 Mtpa in 2020. AMC believes this level of production is achievable based on historical performance, and the work being done to increase SAG mill throughput by optimizing the size distribution of incoming ROM ore.

The plant holds emergency spares on site for all critical equipment, and has budgeted adequate sustaining capital and operating costs to maintain the current high plant availability rates.

### 4.3.8 Waste rock and tailings storage

Waste rock is hauled to the ex-pit waste rock dump (if non-acid forming (NAF)) or the TSF for co-disposal if PAF. Good water management of the waste rock dumps is critical to intercept as much surface water before contact with disturbed ground or PAF waste rock and to manage the water that falls on the dump to control its discharge to the appropriate water management structures.

Plant tailings are currently being stored in TSF1. Three additional lifts, each of 3 m have been approved by the Queensland Government. The first of the three has been constructed. The lifts will provide sufficient tailings storage capacity for four years at full production. Designs for a second facility (TSF2) have been completed and the approval process is under way and reported by operators to be on track.

Provision has been made for the storage of PAF within TSF1.

### 4.3.9 Infrastructure and power

Power supply is at 66 kV from Gayndah. The supply has been upgraded to 11 MW. The transmission line to site has limited capacity and any upgrade would be very expensive.

Water is sourced from the site weir (Perry weir), and from the Burnett River at Paradise Dam. The water supply from the Burnett River is based on two contracts, a base supply contract, and a priority contract if additional water is required. In addition, water could be sourced from a series of on-site dams that retain surface waters. Water supply has not been an issue in recent years and the Paradise Dam supply has not been accessed in the past 12 months.

The main access road is prone to flooding during high rainfall events when the site is effectively isolated, but the durations are quite short and have not caused serious disruptions to site operations. In addition to the main access road, there is an emergency road which can be used, but not routinely for heavy transportation.

Communications with the mine site is via a Telstra microwave link to Mt Perry, which can be affected periodically by storm damage. There is no reliable mobile service on site.

## 4.3.10 Environmental and permitting

### Real property title, mining tenure and native title

The underlying real property tenure at Mt Rawdon comprises Lot 3 BN37400, Lot 2 SP138073 and Lot 38 BON559. Evolution holds the real property title of these lots.

Evolution advises that a Cultural Heritage Management Plan with the relevant party (Port Curtis Coral Coast People) has been established. Evolution advises that the project is located on freehold land and that native title has therefore been extinguished.

### Primary mining and environmental approvals

Mining authority is provided through the grant of the nine MLs. An EA (EPML00712113) covering the nine granted MLs was issued in 25 February 2015. Collectively, these provide the primary mining and environmental approvals for the operation.

An application to amend the EA was submitted in May 2013 and approved the new authority issued in February 2015. The amendment gained approval for the proposed continuation of the Mt Rawdon within the existing MLs via a Stage 4 cutback of the existing pit and a new waste rock dump, situated adjacent to the existing infrastructure in a valley to the south-west of the pit, along with additional water management infrastructure. The proposed waste rock dump will involve a disturbance area of approximately 70.9 ha. This will be a dump exclusively for NAF material. PAF material from the Stage 4 cutback will be disposed of within the TSF.

Mt Rawdon sought and received a Temporary Environmental Licence to allow discharge of mine impacted stormwater run-off under certain conditions. This was obtained following unplanned discharges following extreme rainfall in January 2013.

Evolution advised that a new TSF2 is required for future expansion. TSF1 as currently approved (lift to 175 m) has approximately four years of storage available. Evolution advises that an application to amend the EA is under preparation. AMC considers that it is reasonable to expect that the new TSF2 approval is achievable within two to three years, allowing at least one year for construction work.

### Environmental compliance

Based on previous reviews of Mt Rawdon by AMC, it is understood that there are a range of surface water and groundwater concerns associated with the operation. An annual water and groundwater compliance report (dated December 2014) was provided to AMC. In summary, the monitoring report concludes that most surface water and groundwater monitoring points are in compliance, with a few exceedances occurring at some locations and measurement points. The report also notes that a causal relationship between Mt Rawdon and exceedances is not always clear, and that further investigations are required to accurately determine whether such relationships do or do not exist.

A groundwater bore census was completed in November 2014. The census identified the likely need to replace approximately 20 sub-standard groundwater monitoring bores, as well as some new bores. AMC considers that it is reasonable to expect that groundwater contamination remediation will be required. Accordingly, a provisional cost of \$1M for new groundwater monitoring bores and a further \$1M for groundwater remediation, is included in AMC's production case for Mt Rawdon.

Evolution also advised that the DEHP had commenced proceedings against Mt Rawdon. Evolution advised it did not expect the proceedings to result in an outcome that would be materially adverse to the ongoing operation.

Third party independent audits against Evolution's EHS are carried out annually. The year to July 2014 executive summary report was provided to AMC. The audit provided a range of findings and recommendations (including 33 high risk category actions). The report focused on compliance with the EHS, rather than statutory and permit compliance.

Annual site inspection reports by DEHP for the Mt Rawdon operation and a series of other relevant correspondence between Mt Rawdon and DEHP was also provided. Generally, key issues related to the ongoing groundwater and surface water management issues at the site. More recent correspondence



acknowledged progress in the assessment of these issues, and actions to address the management of these matters.

Mt Rawdon conducts monthly internal management reports, quarterly 'health checks', annual compliance audits (required by the EA), and environmental and health system audits. Mt Rawdon also submits an annual return to Department of Environment and Resource Management regarding performance against monitoring criteria documented in the EA.

A review of selected monthly executive reports from the past year indicates that the number and type of environmental incidents for the period were small and relatively minor in nature (e.g. oil spills).

Based on DEHP audits provided, AMC considers that, while there are ongoing non-compliance issues at the site, Mt Rawdon is actively engaging with the regulator and seeking to address areas of non-compliance. Apart from those matters noted above, Mt Rawdon appears to be generally in compliance with environmental legislative and permit requirements.

## Environmental performance

Mt Rawdon is a relatively isolated site, remote from sensitive receptors, and air, noise, lighting and other nuisance issues are generally not of concern.

The main operational environmental performance issues for Mt Rawdon are:

- Management of waste rock with acid and metalliferous drainage characteristics.
- Tailings storage and management.
- Surface water management.
- Groundwater management and contamination.

Groundwater contamination continues to be problematic for Mt Rawdon. Further investigations are underway to better understand the cause, effect and extent of groundwater contamination, and whether all observed contamination is attributable to Mt Rawdon. It is reasonable to expect an improvement in the definition of the problem, but that some level of remediation will be required irrespective of the outcomes of the assessments.

## Environmental liabilities and financial assurance

Financial assurance was calculated using third party contractor quotes and rates at \$26M. This was accepted by DEHP.

Evolution advises that the Financial Assurance for Mt Rawdon following the construction of TSF2 (once approved) would be approximately \$36M.

## Summary of environmental and permitting

Primary mining and environmental approvals are in place, and land tenure has been secured. Ongoing water management compliance issues are the subject of investigations and action by Mt Rawdon, showing an intent to improve overall performance and compliance in this matter. Otherwise, the site is generally in compliance with regulatory and approval requirements.

Historical non-compliances and an environmental and safety system audit identified a range of operational improvements required at the site, indicating risks that required additional environmental management, however, while some are substantial, they are likely to be accommodated within existing operational budgets, and are not considered to be material to this ITSR.

The main environmental risks are considered by AMC to be regulator actions or enforcement responses that may restrict or suspend operations and the ongoing surface water and groundwater management issues. Ongoing discussions with regulators, investigations, and actions are underway, and are an appropriate response and mitigation approach to these risks.

### 4.3.11 Capital and operating costs

The average operating costs for Mt Rawdon for March 2015 YTD are:

- Mining cost of \$3.65/t total movement (\$16.80/t of ore processed).

- Ore processing cost of \$10.80/t of ore processed.
- General and administration (G&A) cost of \$2.70/t of ore processed.
- Total site operating cost of \$30/t of ore processed.

Sustaining capital for 2016 is projected to be approximately \$20M, with approximately \$40M of the waste mining capitalized, and \$1.5M allocated to exploration. AMC considers that an additional \$2M may be required to install 20 water monitoring bores and for groundwater remediation.

Evolution considers that it will realize substantial future savings from the move to owner mining, with a successful owner miner transition already completed. AMC's experience is that the transition to successful owner mining is difficult, but can be justified by the savings. Securing the contractors fleet and a substantial part of an experienced workforce has made the transition to owner mining easier. After considerations of increased capital cost and G&A cost, AMC considers that the reduced mining cost justifies the move to owner mining.

AMC understands that additional work is required to fully understand the mining fleet capital requirements for continued owner mining for the Mt Rawdon Stage 4 mine plan. Evolution's mining cost includes regular equipment servicing, including major services. However, AMC has included additional capital in its production cases for the cost of major equipment rebuilds and replacements.

AMC considers Evolution's forecast of mining and processing costs to be realistic.

#### 4.3.12 AMC Production Case

AMC has prepared a single production case (Case 1) for Mt Rawdon (Table 4.17), based on a LOMP prepared by Evolution, AMC's estimate of mining requirements outside of the LOMP, and AMC's analysis of operating and capital costs. The case is based on the 31 December 2014 Ore Reserve estimate and envisages mining until 2022 and processing low-grade stockpiles until 2025.

**Table 4.17 Mt Rawdon AMC Production Case 1**

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
<b>Physicals</b>															
Ore Tonnes Mined	kt	673	5,645	5,463	4,373	4,986	4,070	4,070	3,008	-	-	-	-	-	32,287
Waste Tonnes Mined	kt	3,010	12,826	10,861	4,306	4,000	2,000	1,770	678	-	-	-	-	-	39,451
Ore Tonnes Processed	kt	884	3,589	3,532	3,532	3,532	3,652	3,416	3,517	3,516	3,516	882	-	-	33,567
Gold Recovered	koz	23	102	105	105	105	98	66	57	46	40	10	-	-	757
<b>Capital Costs</b>															
Initial / Expansion	A\$M	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sustaining	A\$M	2.9	19.9	16.7	7.0	7.0	7.0	7.0	7.0	6.2	1.3	0.3	-	-	82.4
Capital Development	A\$M	6.9	39.5	32.3	-	-	-	-	-	-	-	-	-	-	78.7
Resource Definition / Exploration	A\$M	0.1	1.5	0.5	-	-	-	-	-	-	-	-	-	-	2.1
Rehabilitation and Closure	A\$M	-	2.0	-	3.0	3.0	-	2.5	6.0	5.7	5.3	4.1	3.5	3.0	38.0
<b>Total</b>	<b>A\$M</b>	<b>9.9</b>	<b>62.9</b>	<b>49.5</b>	<b>10.0</b>	<b>10.0</b>	<b>7.0</b>	<b>9.5</b>	<b>13.0</b>	<b>11.9</b>	<b>6.6</b>	<b>4.4</b>	<b>3.5</b>	<b>3.0</b>	<b>201.1</b>
<b>Operating Costs</b>															
Mining	A\$M	7.9	24.9	28.2	41.1	44.5	33.7	44.0	39.6	-	-	-	-	-	263.9
Processing	A\$M	9.5	38.8	38.0	38.5	38.0	38.5	36.0	37.1	42.2	42.2	10.6	-	-	369.5
Administration	A\$M	2.4	9.7	9.2	7.4	6.8	6.8	6.4	6.6	5.3	4.7	1.1	-	-	66.3
Other	A\$M	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>A\$M</b>	<b>19.9</b>	<b>73.3</b>	<b>75.4</b>	<b>87.0</b>	<b>89.3</b>	<b>79.1</b>	<b>86.5</b>	<b>83.3</b>	<b>47.5</b>	<b>46.9</b>	<b>11.7</b>	<b>-</b>	<b>-</b>	<b>699.7</b>

AMC has prepared a Case 1 from:

- Evolution LOMP which mined 25 Mt of the Mt Rawdon 35 Mt Ore Reserve.
- AMC included an additional 7 Mt of ore and 6 Mt of waste rock mined over two years and processed over three years from information provided by Evolution for ore, waste rock, and stockpile rehandle tonnes from a larger pit that approximated the Ore Reserve tonnes.

The resultant production case followed Evolution's LOMP until 2019, with modified inputs from 2020 until the end of mine life. AMC has not changed the production plan parameters and costs, except for the following minor changes to metal recoveries and costs.

- The algorithm relating gold recovery to head grade that was used to forecast average annual gold recoveries provides values that are marginally different to those in the LOMP. Metallurgical recoveries over the life of the plan average approximately 91%.

- March 2015 YTD average processing costs were used for the last quarter of 2015 and 2016, which resulted in a slight decrease in ore processing costs.
- March 2015 YTD average G&A costs were used for the last quarter of 2015 and 2016, which resulted in a slight increase in G&A costs.
- An annual sustaining capital cost of \$7M was included for the additional operational years included by AMC for additional capital required for increased TSF capacity and major mining equipment rebuilds to extend the life of the mining fleet.
- An amount of \$2M has been added for an additional 20 groundwater monitoring bores and groundwater remediation in 2016. An amount of \$17.7M has been added to the closure cost to bring costs up to the feasibility study that will be required after completion of TSF2. The additional amounts bring the total closure cost to \$38M.

In AMC's opinion, there are currently no additional Mineral Resources with a reasonable expectation of being mined to justify a second production case.

### 4.3.13 Risks and opportunities

There is a risk that there may be some bias in local grade estimates due to inconsistencies in the selection of variogram models. Notwithstanding this, the classification of the estimate is reasonable and appropriate.

The principal mining risks are:

- The ability of the operation to maintain stable pit walls to allow mining to continue, and access the remainder of the deposit.
- The orebody model has overestimated low-grade ore tonnes over the last three years, and if this continues, it will result in fewer low-grade tonnes in stockpiles, but at a slightly higher-grade. This would result in a shorter period of processing stockpiled low-grade ore after mining is completed, but at a higher-grade. The overall effect on value is likely to be marginal, and possibly positive.
- The high hours on the mining fleet may reduce availability or increase maintenance costs towards the end of the mine life to a greater extent than was allowed in the AMC production case.

The main environmental risks are regulator actions or enforcement responses that may restrict operations, and the ongoing surface water and groundwater management issues.

The principal mining opportunity is the ability to access additional ounces of gold deeper in the deposit through a Stage 5 cutback of the current Stage 4 pit.

Additional ore tonnes and gold ounces may also be recovered from the deposit, if the current blasting trial for higher batters and steeper walls to generate more stable pit slopes is successful.

The orebody model has underestimated high-grade ore tonnes and overestimated the gold grade during the last three years. If this continues, it will result in a longer mine life than the AMC production case, at a slightly lower gold grade, but with more contained gold. The overall effect on value is likely to be marginal.

The AMC production case contains a significant amount of stockpile rehandle, and continued optimization of the mining schedule may reduce the amount of rehandle, and therefore reduce operating costs.



**4.4 Cracow Gold Mine**

**4.4.1 Location and background**

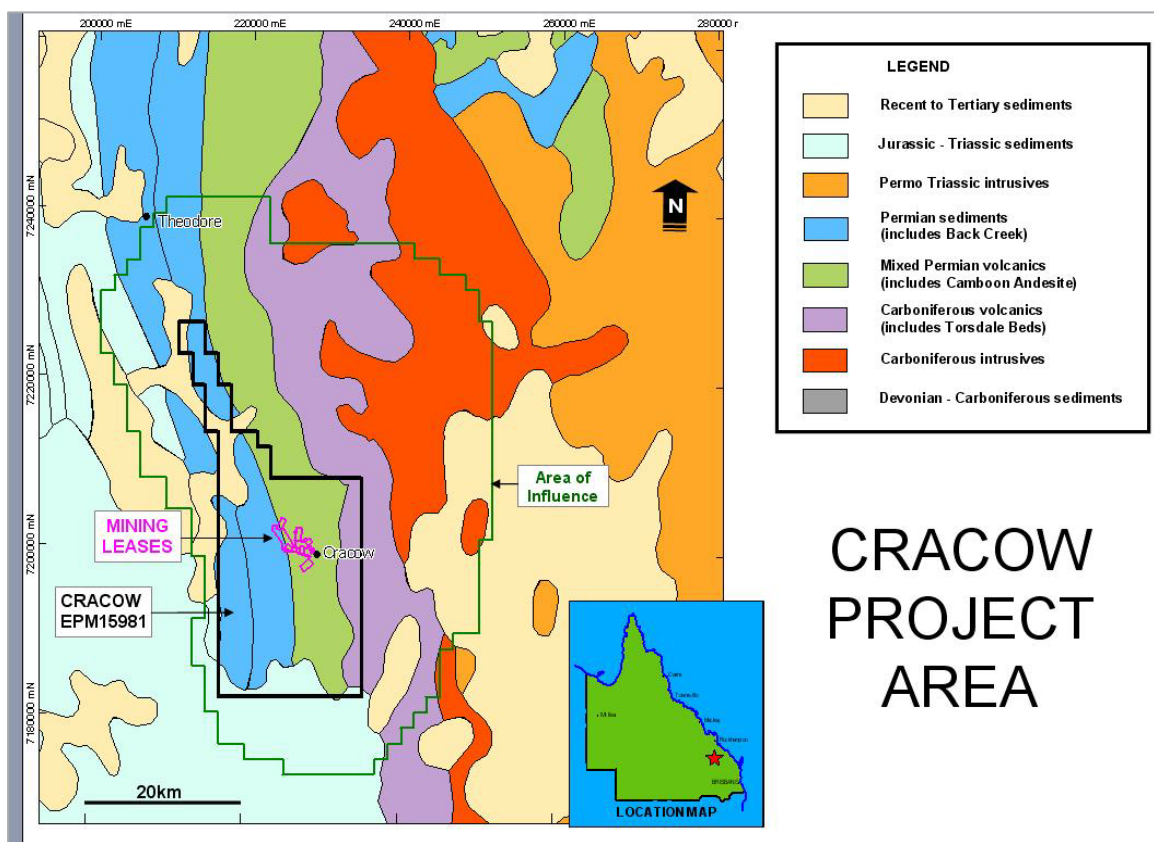
The Cracow Gold Mine (Cracow) is located in the Cracow Goldfield in Banana Shire, approximately 1.5 km west-north-west of the town of Cracow and some 100 km south of Biloela, south-east Queensland.

The historical Cracow Goldfield is located within the northern New England Fold belt on the western margin of the Connor-Auburn Arc. The location of the Cracow tenements is shown in Figure 4.9.

The Cracow area hosts numerous deposits of current and historical importance. Cracow has defined nine deposits for which current Mineral Resources have been estimated. There are other deposits adjacent to the main mineralized zones with exploration potential, and a large exploration area.

The Cracow MLs are totally enclosed by EPM 15981. The material tenements are included in Appendix E.

**Figure 4.9 Cracow location and regional geology**



Source: AMC report 209056.

**4.4.2 Geology and resources**

**4.4.2.1 Geology**

Gold mineralization occurs in structurally controlled, steeply dipping, quartz (carbonate), low sulphidation, epithermal, gold-silver deposits formed within steep-dipping fault zones which range in strike from north-north-east to north-west. The main deposits occur within a zone approximately 6 km long x 2 km wide, although a number of other historical mines occur some kilometres to the east. The structural regime is developed within Permian andesitic lavas, tuffs and coarse fragmental rocks of the Camboon Volcanics Group.

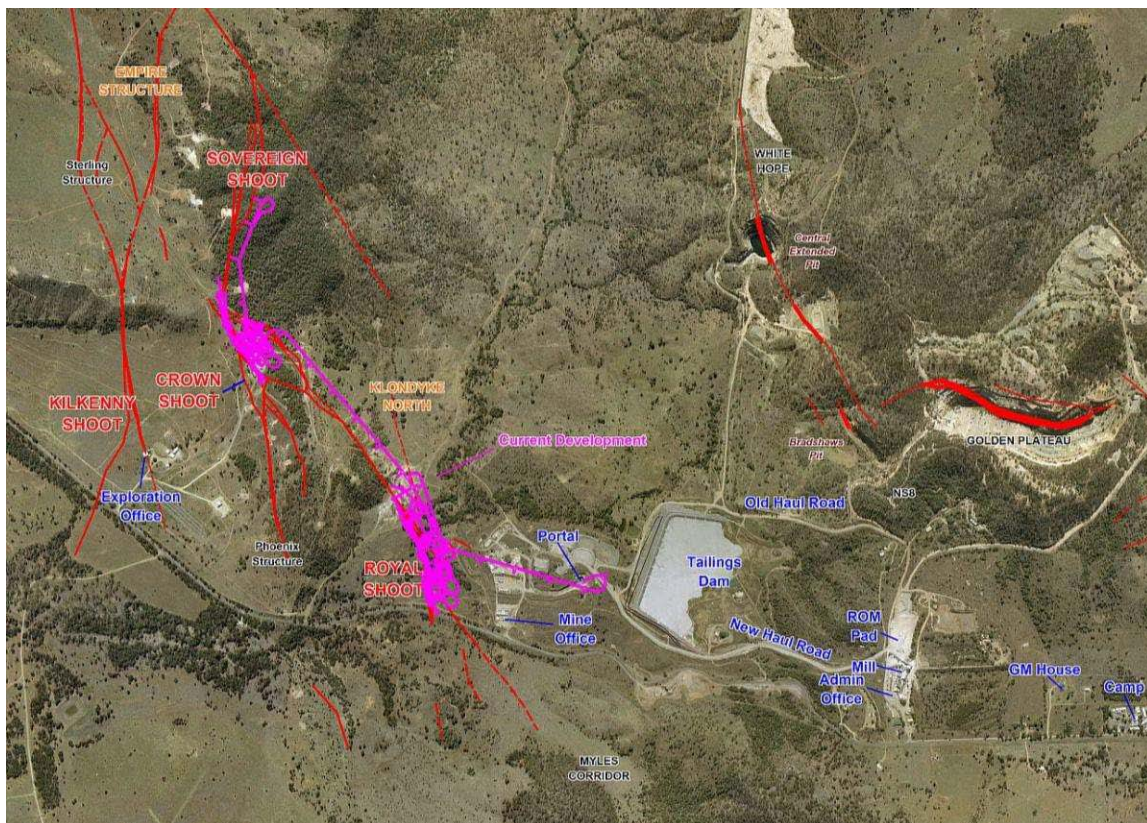
The Cracow resource is currently composed of 12 deposits for which Mineral Resources have been estimated: Royal, Crown, Sovereign, Klondyke North, Empire, Roses Pride, Kilkenny, Tipperary, Phoenix, Coronation, and Griffin. The location of the various deposits is shown in Figure 4.10. These deposits occur within two main groups of anastomosing, steeply-dipping faults.

The deposits have widths ranging from less than 1 m to over 20 m and dip extents of up to 500 m (Royal Shoot). Hangingwall and footwall splay structures and stockworks are common and lodes can vary significantly in width over short distances.

Mineralization can include what is termed a 'bonanza event' within a low-sulphide quartz-carbonate-adularia banded vein and stockwork. Secondary structures occur as splays which are modelled separately or in the stockwork domains. High-grade mineralization is developed in plunging shoots, mostly at changes of strike within the structure.

Post-mineralization faults are also present, which cause thickening and thinning of lodes and some offsets. There remains good potential to discover additional deposits within these structural corridors.

**Figure 4.10 Cracow location of deposits**



Source: Evolution, March 2015.

A second corridor of mineralization lies to the east and north of the Cracow processing plant and includes the historic Golden Plateau, White Hope, Bradshaw's and Central Extended mines. There are no resources currently defined in this corridor.

### 4.4.3 Mineral Resource estimation

#### 4.4.3.1 Data available

Data used to estimate the Mineral Resources are collected using the following methods:

- Underground face (chip) sampling and backs mapping.
- Diamond core drilling, from surface or underground. LTK60, NQ, and HQ core sizes. Core loss in the mineralized zones was negligible.
- RC percussion drilling. Samples were not weighed but recovery within the mineralized zones is expected to have been very good.

All drillholes were geologically logged with the exception of a small proportion of samples from the Roses Pride and Klondyke deposits. Drillhole collar and face sample positions were surveyed. Diamond holes were surveyed downhole.

The resource data is stored in a Datashed SQL database and has been, and remains, subject to a variety of validation processes.

In AMC's opinion, the resource database is suitable for Mineral Resource estimation.

#### 4.4.3.2 Resource estimation

The mineralized veins were interpreted on cross sections and linked to create 3D wireframe models. No minimum thickness criteria were applied. Orebodies were divided into domains to allow separate modelling of splays and variable vein orientations.

The wireframe models were filled with blocks, whose sizes varied between deposits but were generally set to approximately half the drillhole intercept spacing, which is appropriate. Sub-blocks were used to provide resolution of the shape of the vein. All grade estimation was applied to whole blocks, which is generally accepted in the industry as the preferred practice.

Samples were composited to 1.0 m, except in some very narrow veins where a single composite across the vein width was created. Variograms were modelled for each of the domains to define the continuity of mineralization in 3D.

Block grades were estimated by ordinary kriging using multiple search passes. The estimation method included the use of octant searching to control composite selection, search ellipsoids flattened in the plane of the vein, and restrictions on the number of samples from within a single drillhole. These search parameters were intended to avoid local biases due to clustering of the data, however they are very sensitive to variations in the thickness and orientation of the veins and may produce unpredictable and undesired biases in parts of the models. In AMC's opinion there is a risk that some resource blocks will be less than optimally estimated but overall this is unlikely to present a material risk to the operation.

Silver grades were estimated with the gold grades but is treated as a by-product and is not regarded as economically significant.

Over 600 measurements of dry bulk density have been obtained from the Cracow orebodies. As expected from the mineral composition of the ore, the variability of bulk density is low. Consequently, average values have been applied by domain. The bulk density values for each domain vary between 2.60 t/m<sup>3</sup> to 2.64 t/m<sup>3</sup>.

The resource models were validated by a statistical comparison against the composite data, including swath plots, visual comparison against sample data on plan and on section, and comparison against the previous generation of model.

#### 4.4.3.3 Classification and reporting

The combined Mineral Resource estimate for Cracow as at 31 December 2014 is shown in Table 4.18. The Mineral Resource is inclusive of Ore Reserves.

Resource classification is predominantly based on data spacing and observed continuity of mineralization. Data includes drilling and underground face sampling in development drives. The classification into a Measured Resource was based on the proximity of ore development face sampling; Indicated Resource by an interpreted smoothed shape around blocks estimated by the first pass search and Inferred Resources by an interpreted smoothed shape around the second pass search volume.

All Mineral Resources are reported at a cut-off grade of 2.8 g/t Au.

The Cracow resources are modelled without application of a minimum thickness. Development drives are 4.5 m wide and are driven in ore. Consequently, much of the Mineral Resource is diluted by mining waste from the hangingwall or footwall to achieve a practical mining width during extraction. Mining methods have been modified to suit local ore geometry.

When reconciling the resource estimates against mine production, it is expected that the mined tonnages will be greater than predicted by the resource model and the mined grades less. This is what was observed in the 2013 processing plant versus resource model reconciliation. The plant also recovered 6% more gold than forecast by the resource estimate, which was likely due to the inclusion of low-grade mineralization in diluent.



The reconciliation results provide confidence that, in spite of the shortcomings of the search parameters, the resource model provides reasonable estimates of Measured and Indicated Resources.

The Inferred Resources include substantial proportions that have a thickness of less than 2.5 m. AMC cautions that much of the Inferred Resource may be of a combined thickness and grade that cannot be economically mined within the parameters assumed in the LOMP.

**Table 4.18 Cracow Mineral Resources as at 31 December 2014**

Item	Measured			Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Cracow	0.38	9.58	118	1.27	7.69	313	1.57	5.45	276	3.22	6.82	707

#### 4.4.3.4 Resource conclusion

AMC concludes that the 31 December 2014 Cracow Mineral Resource estimate has been prepared using acceptable industry practice and that the classification of the estimate as Measured, Indicated and Inferred Resources is appropriate.

#### 4.4.3.5 Near mine exploration targets

The Cracow Goldfield is a substantial epithermal system within which new gold deposits have been progressively discovered and developed by Evolution and its predecessors for over a decade. Recent discoveries include the Coronation deposit (Inferred Resource) and the Imperial deposit, which lies within the same structural corridor. There are not currently sufficient data points in the Imperial deposit to estimate a Mineral Resource.

Evolution commissioned 2D and 3D seismic surveys in 2014. Detailed interpretation of the 3D seismic data cube was undertaken to identify structural and geological features, which were then compared and confirmed with geological data from historic drilling in 3D space. Several drilling targets were generated for testing and Evolution has begun drilling them to identify zones of mineralization and calibrate the seismic data for further model refinement.

Other target areas include possible extensions to known deposits or new deposits within the currently defined structural corridors. There is also potential to define additional resources adjacent to the old Golden Plateau mine.

#### 4.4.4 Geotechnical issues

The mine has not experienced any major geotechnical issues. Most ground instability around underground openings are structurally controlled. However, the rock strengths are only moderate and large exposure spans are not practical. Attempts to increase the lateral and vertical stope dimensions in the past have led to wall failures and unacceptable levels of dilution.

The mine has a full-time geotechnical engineer which reflects the increasing importance of regular assessment and continuous monitoring of this key aspect of mine performance. AMC considers that the mine has the capability to adequately manage geotechnical risk in the foreseeable future.

#### 4.4.5 Ore Reserves

The Cracow Ore Reserve estimate at 31 December 2014 is shown in Table 4.19. The estimate is not based on a single cut-off grade. Rather, each stope is economically analysed and an individual cut-off grade is applied. The typical cut-off grade is approximately 3.5 g/t Au.

**Table 4.19 Cracow Ore Reserves as at 31 December 2014**

Item	Proved			Probable			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Cracow	0.38	7.41	91	0.78	6.31	158	1.16	6.67	248

## 4.4.5.1 Reconciliation

Reconciliation data for 2014 and March 2015 YTD was provided to AMC. During this period the reconciled processing plant tonnage typically exceeded the estimates derived from the "monthly mine plan (latest model)" by 7% to 10%. In 2014 the processed grade was 7% higher than forecast, probably due to the conservative assumption in the resource model that the waste (dilution) is barren. For December 2015 YTD, reconciled processing plant grade was 1% less than forecast.

The reconciliation results suggest that the Mineral Resource and Ore Reserve models are adequate for mine planning and may be slightly conservative in terms of contained ounces of gold.

The AMC production cases referred to later in this report reflect this.

## 4.4.5.2 Conclusion

In AMC's opinion, the 31 December 2014 Ore Reserve for Cracow has been prepared using acceptable industry practice and that the classification of the estimate as Proved and Probable Ore Reserves is appropriate. In AMC's opinion, the estimate has been prepared by a Competent Person in accordance with the JORC Code.

## 4.4.6 Mine planning inventory

Evolution has provided AMC with a mine planning inventory which includes the 31 December 2014 Ore Reserve and additional material based on Inferred Resources and non-resource material which Evolution anticipates will be converted to Ore Reserves with further exploration and evaluation.

AMC has depleted the Ore Reserve to take account of production up to 31 March 2015. AMC has used its knowledge of the Cracow mine to generate additional mining inventory from the Inferred Resources. Mine development at Cracow generates some low-grade mineralized material which is stockpiled and used to supplement processing plant feed as required. AMC has included a small amount of this material, but has excluded other non-resource material in the Evolution mine planning inventory from its production cases.

## 4.4.7 Mining operations

### 4.4.7.1 Overview of mining operations

Cracow is a modern, mechanized underground mine utilizing standard mobile equipment in a benching operation with waste rock backfill. The phases of the operation are as follows:

- An access decline is developed to the orebody.
- Cross cuts are developed from the decline across to the orebody.
- Strike drives are developed north and south along the orebody under geological control.
- Once the strike drives have been completed, production holes are drilled between two levels and reverse fired from the slot.
- The broken ore is loaded from the stope into 50 t trucks and transported to the ROM stockpile at the processing plant.
- Once the ore has been extracted, the void created is filled with waste rock.
- Sill pillars have been left in some shoots to create multiple mining zones.

Operational challenges relate to the narrow orebody and the relatively small stope sizes, typically only 5 kt to 10 kt each. Although a high proportion of ore is produced from the development of ore drives, several stopes must be extracted each month to achieve the production target.

The narrow orebody widths make dilution a significant issue, which must be well managed to maintain planned ore grades. The nature of the mine means that from month to month there will be significant fluctuations in output and grade, but that on an annual basis production is fairly predictable. The mine has generally been successful in achieving tonnage and grade targets.

Waste rock is used to fill mined out stope voids, providing a working platform for the next lift and to support the hangingwall and footwall.

The mine has the usual services, including power, water, ventilation, communications, emergency egresses and dewatering systems. AMC considers these to be appropriate for the operation and can be readily extended to cope with planned operations. The mine is relatively dry, and there is no evidence of problems arising from the presence of groundwater. The mine dewatering system is adequate to meet foreseeable requirements. Adequately ventilating future extensions into new mining areas may require additional ventilation raises and fan upgrades to be constructed.

#### 4.4.7.2 Mine performance

Mined gold grades have decreased steadily in recent years and no new high-grade ore shoots have been discovered. Consequently, the mine has increased the production rate to maintain annual gold output at approximately 100 koz.

In the absence of a newly discovered high-grade ore shoot, the grade will decrease further, making it unlikely that the 100 koz per annum gold target will be achieved, despite the higher throughput. AMC considers that the mine will struggle to sustain production of more than 530 ktpa of ore from underground, especially without the benefit of the separate Roses Pride mine, which is due to close this quarter. Any production above this will need to be sourced from another separate mine, either open pit or underground.

Evolution has conducted a scoping study on the feasibility of mining a cutback at the old Golden Plateau open pit. Further drilling is required to increase confidence in the geological model. The Golden Plateau pit is a potential future supplementary ore source.

Actual production in 2014 and March 2015 YTD is shown in Table 4.20.

**Table 4.20 Cracow mine production 2014 and March 2015 YTD**

Period	Mined Ore (kt)	Gold Grade (g/t)	Contained Gold (koz)
2014	519	6.12	102
March 2015 YTD	398	5.43	69

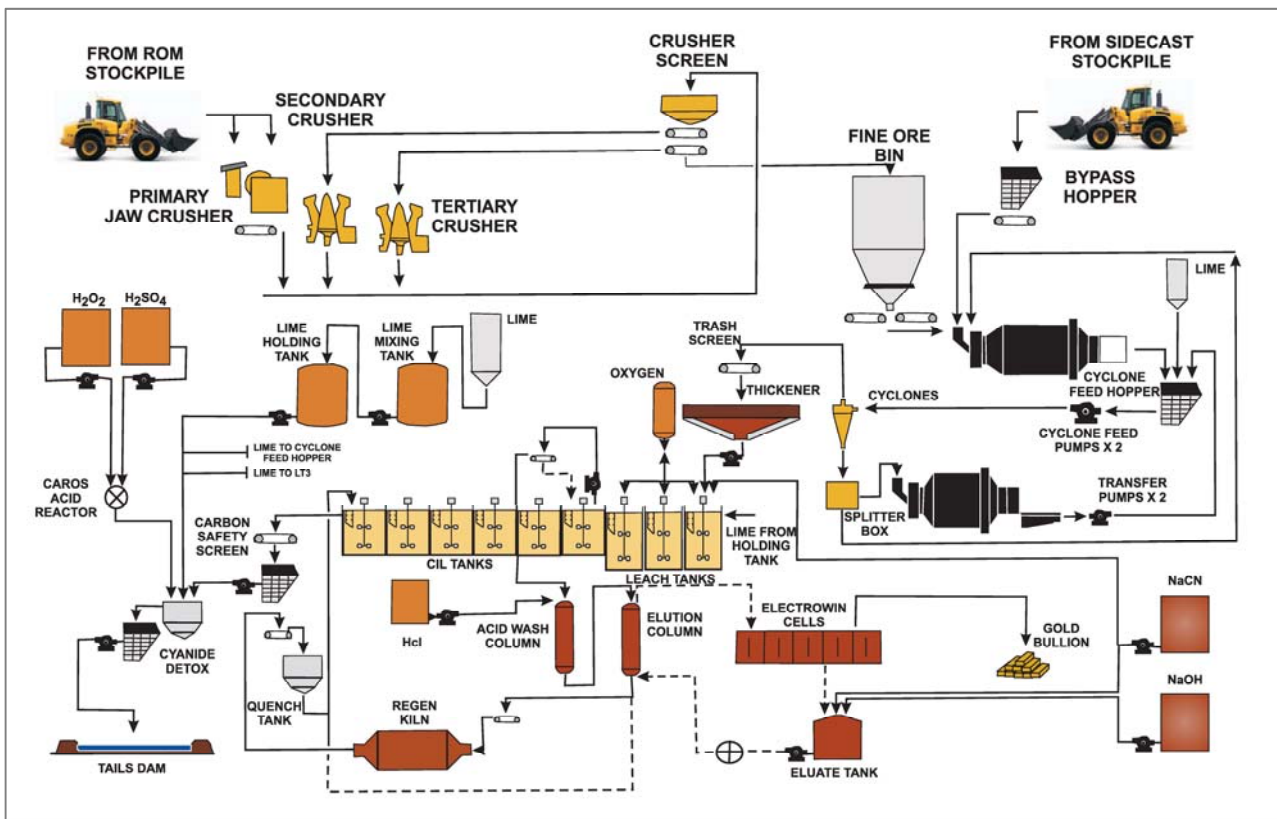
#### 4.4.8 Metallurgy and processing operations

The plant is a typical small gold operation employing conventional gold-ore processing technology comprising:

- Crushing (three-stage).
- Milling (two-stage) and classification.
- Thickening.
- CIL
- Detox / tailings disposal.
- Elution / carbon regeneration.
- Gold room.

The general arrangement of the Cracow circuit is shown in Figure 4.11.

Figure 4.11 Cracow processing plant flowsheet



Cracow has a history of consistent gold production around 100 koz per year. Processed gold grade has declined in recent years; falling from 7.23 g/t in 2010 to 5.37 g/t for March 2015 YTD. The plant has a nominal capacity of 550 ktpa, operating at a feed rate of 65 tph and an overall time utilization of 96.5%. Additional processing plant feed over and above ROM ore production could be sourced using stockpiled low-grade from mineralized development.

4.4.8.1 Historical production

The annual production data for the past five years of operation is presented in Table 4.21 together with actual and budgeted figures for March 2015 YTD. This information has been sourced from monthly reports and summarized information supplied by Evolution. The plant is capable of operation at 67 dry tph. However, indications are that gold recovery suffers when the grind size coarsens as a result of increased feed rate. Operators feel that 65 dry tph is the sustained rate that will allow the plant to achieve recoveries above 94%. The plant is consistently operated with high mechanical availability and utilization of available run time, resulting in overall utilizations routinely above 96%. The plant currently processes all available ROM ore.

Table 4.21 Cracow processing plant historical production

Parameter	Units	Historical Performance					March 2015 YTD	
		2010	2011	2012	2013	2014	Actual	Budget
Ore Processed (dry)	kt	481	498	528	522	514	405	413
Gold Grade (recon.)	g/t Au	7.23	6.86	6.47	6.53	6.12	5.37	5.58
Gold Recovery	%	92.0	92.2	93.5	94.0	94.0	93.0	94.0
Gold Produced	koz	102.8	101.7	102.6	102.6	95.1	65.2	69.7
Processing Cost	\$/t	27.77	30.14	-	37.91	37.63	34.86	34.24

4.4.8.2 Gold recovery

The annual gold recovery for the past three years has been consistent, ranging from 93.0% to 94.0%. The plant can be reliably expected to continue to perform metallurgically in a similar manner.

## 4.4.9 Infrastructure and power

Power is supplied by Ergon Energy on Tariff No. 43 comprising separate 'Day' and 'Night' rates per kWh, plus a demand component based on the maximum kW reading for each meter. Mineral processing accounts for approximately 64% of total Cracow power consumption, mining 33%, and the camp approximately 3%.

The two 22 kV power lines from Theodore substation have a combined rated capacity of 5.4 MW. Ergon funded construction of one of the two power lines on the basis that Cracow takes power for a 30 year period. In the event that power is not taken for the full duration, Cracow is committed to repaying the residual amount from an initial sum of \$5.5M diminishing linearly to zero at the end of the thirty year period.

A capital project has been installed to improve the system power factor and provide an additional 0.5 MW of available power. It is envisaged that all of the added power will be required by the mine to increase production.

Process water supply emanates from three sources:

- Raw water from the Dawson Valley Water Supply Scheme. Cracow is licensed to take 275 GLpa, and is permitted to harvest additional water when supply conditions permit this to occur.
- Tailings dam return water.
- Underground water flowing through the old Golden Valley underground workings into the Central Extended Pit from which it is pumped into the tailings dam.

A second water supply line from the Dawson Valley Supply Scheme has been installed to increase supply, and to mitigate the risk of water-related production curtailment.

Cracow has sealed road access from Biloela via Theodore, and from Mt Perry. This enhances the commute arrangements for employees and for delivery of supplies to site.

The local airport used for charter flights has very basic facilities, but is adequate for the current scale of operations. Commercial flights operate out of Biloela with daily services.

At site, there are two airfields suitable for Royal Flying Doctor Service use and a helipad for emergency use.

The mine has satisfactory telephone and electronic data facilities.

All surface buildings and support facilities were constructed new for the current operation and are suitable and adequate. Additional workshop facilities may be required if an open pit operation commenced in the future.

## 4.4.10 Waste rock and tailings storage

Waste rock from underground development is rarely brought to the surface, as it is required for rock filling of completed stope voids. Occasionally, waste rock from existing surface stockpiles is backloaded underground to supplement the requirement for rock fill.

Two TSFs; TSF1 and TD4 are actively used. The facilities were designed and are routinely monitored by an independent consultant. Current tailings are being deposited in TSF1 which has sufficient capacity for the remainder of 2015. A 6 m lift has been installed on TD4 and it is ready to receive material. An additional 6 m lift for TSF1 has been planned for 2016 that will provide two years of capacity. Additional capacity may be required to reach the end of the mine life, but there is ample time available to assess the requirement, design the structure, and complete construction before the storage capacity is required.

## 4.4.11 Environmental and permitting

### Real property title, mining tenure and native title

The Cracow Goldfield has been the subject of several historical ventures since the 1930's and has evidence of past mining activities including TSFs, open cut pits, waste rock dumps, underground workings and low-grade ore stockpiles.



The underlying real property tenure at Cracow comprises numerous land parcels and road reserves. Evolution advises that it has established a Cultural Heritage Management Plan (CHMP) with the Wullli Wullli People. In 2013 Evolution entered into a relationship agreement with the Wullli Wullli People amending how the Indigenous Land Use Agreement and CHMP committees would operate and to update some of the benefits provided to the Wullli Wullli People.

## Primary mining and environmental approvals

Mining authority is provided through the grant of the 18 MLs. An EA (EPML00770913) covering the 18 granted MLs was issued in 17 September 2014. Collectively, these provide the primary mining and environmental approvals for the operation.

An Environmental Management Overview Strategy for Cracow Joint Venture Project was prepared in 2000 and subsequently updated in January 2005. An EMP has been prepared for the site and is dated 25 January 2011. A new EA issued on 17 September that covers the proposed Stage 5, 4 m upstream lift of TD4 and the Stage 4, 6 m upstream lift of TSF1 was issued on 17 September 2014.

## Environmental compliance

Cracow has an Operational Environmental Management Plan and Environmental Management System dated May 2014.

Third party independent audits against Evolution's EHS are carried out annually.

Current material compliance issues for Cracow relate to exceedances of Boughyard Creek receiving water triggers. A transitional environmental programme is in place while this issue is under investigation.

Cracow conducts monthly internal management reports, quarterly 'health checks', annual compliance audits (required by the EA), and environmental and health system audits. Cracow also submits an annual return to DEHP regarding performance against monitoring criteria documented in the EA.

A review of selected monthly executive reports from the past year indicates that the number and type of environmental incidents for the period were small and of a minor in nature.

With the exception of some administrative type non-compliances and the matters identified in the TEP, Cracow is generally in compliance with all legislative and permit requirements.

## Environmental performance

Cracow is located in and around the township of Cracow. AMC was not provided any information regarding air, noise, lighting and other nuisance issues or complaints for the site. The Annual Returns did not indicate any air or noise exceedances.

The main operational environmental performance issues for Cracow are:

- Historical workings.
- Management of waste rock with acid and metalliferous drainage characteristics.
- Tailings storage and management.
- Groundwater and surface water monitoring and contamination.

Evolution has protocols and standard procedures in place for the management of each of these issues. These are also addressed in impact assessment documents and the environmental authority for the operation. Hence the regulatory regime and management systems are generally in place to monitor and manage these issues.

## Environmental liabilities and financial assurance

The EA includes the requirement for a Post Closure Management Plan including all monitoring, operation and maintenance activities for the 30 years minimum post closure plan life. AMC has included a provisional cost of \$100,000 per annum for 30 years in its production case.

AMC notes the potential requirement for upgrades to water holding structures. The transitional arrangements in the EA provides five years to comply, which means Cracow may seek to close and rehabilitate any un-needed structures under cost provisions in the financial assurance.

AMC has included provision for actions arising from groundwater and surface water investigations and potential remediation requirements. A provisional estimate \$2M to \$5M has been considered in AMC's production cases.

Financial assurance was calculated under the DEHP calculator at \$7M.

## **Summary of environmental and permitting**

Primary mining and environmental approvals are in place, and land tenure has been secured.

Historical non-compliances and an environmental and safety system audit identified improvements required at the site, however, they are likely to be accommodated within existing operational budgets, and are not considered material to this ITSR.

### **4.4.12 Capital and operating costs**

AMC has reviewed the capital budget provided in the LOMP and made appropriate adjustments in the two AMC production cases. In particular, AMC has increased the Exploration expenditure in Case 2 to better align it with the assumed conversion to Ore Reserves of Inferred Resources scheduled for production in the later years. The allocation for rehabilitation has also been increased to reflect the current Financial Surety and a provision for management of surface water and ground water.

AMC considers that the budgets for sustaining capital and capital development are appropriate, and has only made minor adjustments in its production cases. minimal growth capital has been allocated, given the limited life of both cases.

### **4.4.13 AMC Production Cases**

AMC has prepared two production cases for Cracow. All ore comes from underground mining. No open-pit mining is proposed, although there is some potential for a small amount of open pit production.

Case 1 underground mining production plan is based on the 31 December 2014 Ore Reserves (depleted to 31 March 2015), plus substantial additional material from conversion of Inferred Resources yet to be fully evaluated for mining.

Case 2 extends the Case 1 production plan by one year, based on conversion of additional Inferred Resources.

Key parameters for Case 1 and Case 2 are summarized in Table 4.22 and Table 4.23. There is very little production from Inferred Resources in the first two years.

**Table 4.22 Cracow AMC Production Case 1**

Item	Unit	2015	2016	2017	2018	2019	Total
<b>Physicals</b>							
Ore Tonnes Mined	kt	138	550	550	550	-	1,788
Waste Tonnes Mined	kt	56	255	214	49	-	574
Ore Tonnes Processed	kt	138	550	550	550	-	1,788
Gold Recovered	koz	23	85	85	82	-	274
<b>Capital Costs</b>							
Initial / Expansion	A\$M	-	-	2.0	-	-	2.0
Sustaining	A\$M	2.5	10.8	6.0	2.4	-	21.7
Capital Development	A\$M	4.2	20.8	7.0	-	-	32.0
Resource Definition / Exploration	A\$M	1.0	4.0	2.0	-	-	7.0
Rehabilitation and Closure	A\$M	-	-	-	5.0	7.5	12.5
<b>Total</b>	<b>A\$M</b>	<b>7.7</b>	<b>35.6</b>	<b>17.0</b>	<b>7.4</b>	<b>7.5</b>	<b>75.2</b>
<b>Operating Costs</b>							
Mining	A\$M	9.9	39.6	39.6	31.3	-	120.4
Processing	A\$M	4.8	19.3	19.2	19.2	-	62.6
Administration	A\$M	2.5	11.0	11.0	8.2	-	32.7
Other	A\$M	-	-	-	-	-	-
<b>Total</b>	<b>A\$M</b>	<b>17.2</b>	<b>69.9</b>	<b>69.8</b>	<b>58.8</b>	-	<b>215.7</b>

**Table 4.23 Cracow AMC Production Case 2**

Item	Unit	2015	2016	2017	2018	2019	2020	Total
<b>Physicals</b>								
Ore Tonnes Mined	kt	138	550	550	550	550	-	2,338
Waste Tonnes Mined	kt	56	255	214	273	49	-	847
Ore Tonnes Processed	kt	138	550	550	550	550	-	2,338
Gold Recovered	koz	23	85	85	82	74	-	349
<b>Capital Costs</b>								
Initial / Expansion	A\$M	-	-	2.0	-	-	-	2.0
Sustaining	A\$M	2.5	10.8	6.0	2.4	0.7	-	22.4
Capital Development	A\$M	4.2	20.8	17.1	7.0	-	-	49.1
Resource Definition / Exploration	A\$M	1.0	4.0	4.0	2.0	-	-	11.0
Rehabilitation and Closure	A\$M	-	-	-	-	5.0	7.5	12.5
<b>Total</b>	<b>A\$M</b>	<b>7.7</b>	<b>35.6</b>	<b>29.1</b>	<b>11.4</b>	<b>5.7</b>	<b>7.5</b>	<b>97.0</b>
<b>Operating Costs</b>								
Mining	A\$M	9.9	39.6	39.6	39.6	31.3	-	160.0
Processing	A\$M	4.8	19.3	19.2	19.2	19.2	-	81.8
Administration	A\$M	2.5	11.0	11.0	11.0	8.2	-	43.7
Other	A\$M	-	-	-	-	-	-	-
<b>Total</b>	<b>A\$M</b>	<b>17.2</b>	<b>69.9</b>	<b>69.8</b>	<b>69.8</b>	<b>58.8</b>	-	<b>285.6</b>

In both cases, the processing plant throughput rate has been maintained at approximately 0.55 Mtpa, with a gold recovery of 93.5%.

The underground mining unit costs are based on the Evolution LOMP, but modified slightly by AMC on the basis of recent performance. Cracow has achieved a significant reduction in mining costs since changing to owner-mining, and this is reflected in the costs used in the AMC production cases.

Processing unit costs are based on the Evolution LOMP, but modified slightly by AMC on the basis of recent performance. Administration unit costs are also adjusted in accordance with throughput to maintain a fairly constant total cost.

Sustaining capital costs are based on Evolution's LOMP budget and adjusted in the production cases to ensure that underground capital development and exploration drilling are maintained at an adequate level.

A rehabilitation cost of \$12.5M has been included in both cases. This covers the current Financial Surety and provision for groundwater remediation and post-closure monitoring.

#### 4.4.14 Upside potential

Cracow is a narrow vein epithermal gold mine, which typically only have a few years of identified Mineral Resources and Ore Reserves at any point in time. Ongoing exploration and resource definition is required to replace mine production and sustain the operation. Cracow commenced underground production in 2004, and has already maintained production for more than 10 years. The tenements have not yet been exhaustively explored, as demonstrated by the recent Coronation discovery. On this basis it is reasonable to expect that operations will continue well beyond what can be scheduled on the basis of reported Mineral Resources and Ore Reserves.

Exploration at Cracow has identified new veins and extensions to existing veins which are likely to contribute to future production, but more drilling is required before estimates of Mineral Resources can be reported. These include Empire Deeps, Tipperary, Coronation, Griffin, and Imperial, which AMC considers have the potential to extend the mining operations for another two years beyond Case 2 at similar annual tonnes and grade. This assumes that Evolution commits sufficient expenditure to ongoing exploration and resource definition drilling.

#### 4.4.15 Risks and opportunities

There is a risk that some resource blocks will be less than optimally estimated due to the use of octant searching during resource estimation, but overall this is unlikely to present a material risk to the project.

The Inferred Resources include substantial proportions that have a thickness of less than 2.5 m. AMC cautions that much of the Inferred Resource may be of a combined thickness and grade that cannot be economically mined within the parameters assumed in the LOMP.

The main mining risk at Cracow is that Ore Reserves will not be replaced at a sufficient rate to meet its long-term production plan. This situation is fairly typical of this type of epithermal narrow vein gold mine. However, the mine has substantial Inferred Resources and some prospective targets, so provided an aggressive exploration and infill drilling programme is maintained, the production plan in both cases should be achieved. A main concern is the grade of new discoveries. Cracow needs at least one high-grade (>10 g/t) ore source to achieve its recent annual gold output of 100 koz.

Another significant risk is that of gold price. The mine has relatively high operational costs and modest gold grades, so a moderate fall in the gold price would threaten viability. The mine is currently running very efficiently and there are few opportunities to achieve significant cost reductions.

The main environmental risks are considered by AMC to be regulator actions or enforcement responses that may restrict operations.

The main opportunities will be new discoveries, especially at a higher gold grade than recent ones. The old Golden Plateau open pit is also an opportunity, both as a modest potential source of low cost ore, and a potential repository for tailings and PAF waste once the ore is extracted. Much more exploration and evaluation work needs to be done, including permitting, before this could be considered in any production scenario.

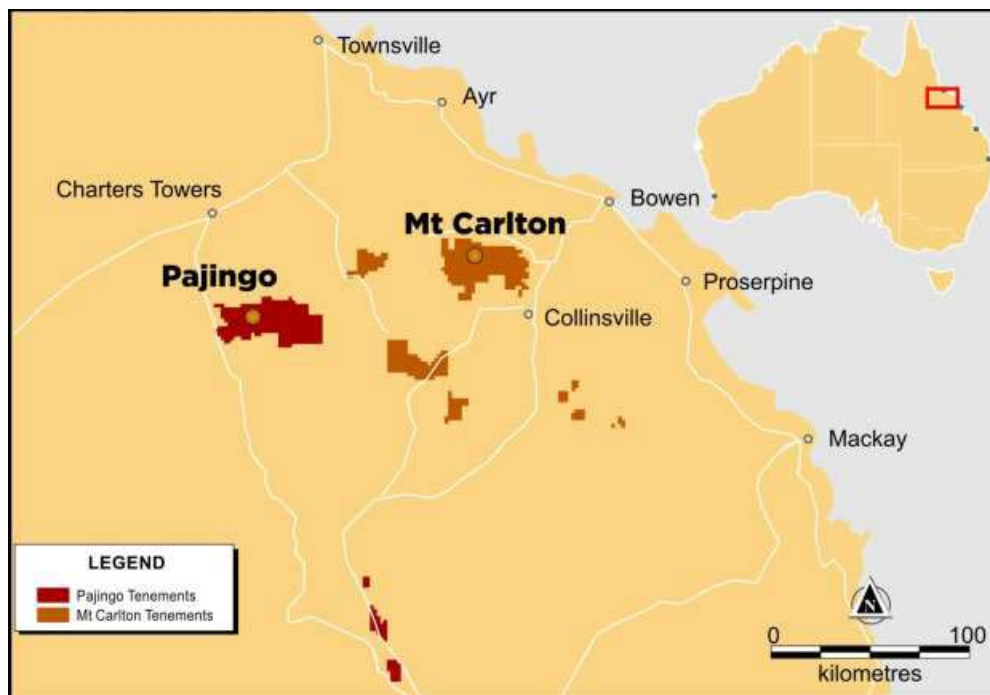
A significant portion of the Mineral Resources occur in parts of the deposits that are too narrow to mine economically using current mining methods and equipment. There may be an opportunity to change the mining method to suit narrower deposits and thereby convert more Mineral Resources into Ore Reserves.

## 4.5 Mt Carlton Project

### 4.5.1 Location and background

The Mt Carlton gold-silver-copper operation (Mt Carlton) is located 150 km south of Townsville, 45 km north-north-west of Collinsville and 80 km south-west of Bowen within the Charters Towers Mining Region of north Queensland, approximately 25 km west of the Burdekin River (Figure 4.12).

**Figure 4.12 Mt Carlton location map**



Conquest discovered Mt Carlton in 2006 and completed a definitive feasibility study (DFS) for an open pit poly-metallic gold-silver-copper project in late 2009, and a DFS Optimization Study in late 2010. Evolution acquired Mt Carlton through acquisition of Conquest in 2010. Commercial production began in July 2013.

The operation is relatively isolated and the local community and surrounding properties are mainly pastoralists. The nearest inhabited residences are located 10 km or more from the northern perimeter of the operation and therefore dust and noise/vibration from the mine activities are unlikely to cause environmental nuisance to sensitive receivers.

The climate of the Mt Carlton site is characterized by a minimum mean daily temperature of 9°C in July and a maximum mean daily temperature greater than 33°C from November to January. The mean annual rainfall is 714 mm with a distinct wet season from December to March. The operation lies in the Burdekin river catchment.

The Mt Carlton operation is located on three MLs and is associated with seven Exploration Permits for Minerals (EPMs). The material tenements are listed in Appendix E.

### 4.5.2 Geology

Mt Carlton covers the northern margin of the Permian Bowen Basin, in particular the basal Lizzie Creek Volcanics with minor Back Creek Group sediments.

The deposit is a high-sulphidation epithermal style deposit. Mineralization is hosted in the basal sequence of felsic to silicic volcanics unconformably overlying the Lower Carboniferous Glen Alpine Adamellite. Mineralization is hosted exclusively within rhyodacite volcanic rocks. The stratigraphy in the area is almost flat lying with a gentle 10° southerly dip. The rhyodacites have been cut by numerous steeply dipping basic dykes. Gold, silver, and copper mineralization occurs in strata-bound silicified layers, stock-works, breccia

zones, and in banded epithermal veins with mineralization primarily as copper arsenic sulphides (enargite), silver arsenic sulphides (tetrahedrite/polybasite), and some native gold (within pyrite).

There are two distinct areas of mineralization occur. To the west in the A39 area, high-grade epithermal silver veins occur in a vertical, east striking fault. This deposit has been largely mined out.

The second distinct area of mineralization is a gold, copper-silver sulphides zone, known as V2. Mineralization occurs as matrix infill to a north dipping breccia or fracture zone at the intersection of north north-east and north north-west trending enargite-pyrite veins. Understanding of the geology of this deposit has increased significantly as a result of exposure by mining, infill drilling and geological mapping of the pit. Stronger structural and stratigraphic controls on mineralization are now recognized by Evolution and three discrete very high-grade domains, carrying coarse free gold have been interpreted.

Mineralization lies in the fresh rock under 20 m to 25 m of oxidized and weathered cover.

## 4.5.3 Mineral Resources

### 4.5.3.1 Data available

The Mt Carlton resource estimate prepared for the DFS was based on total drilling of 81,631 m from 506 holes. By 2011, over 600 RC and DDH had been completed. These were used as input to the 2013 resource model.

Drilling section lines were orientated north-south with 25 m spacing. Drillhole spacing along section lines range from 25 m in the higher-grade areas to 50 m spacing on the eastern flanks of the deposits.

### 4.5.3.2 Resource estimation

The new December 2014 resource model has been estimated using ordinary kriging with uncut gold grades. Although it is unusual not to cut part of the tail of very high-grades during estimation of gold resources, the approach is supported by the positive grade reconciliation at the processing plant. Indeed, reconciliation of the new resource model still shows a significant undercall of gold grade. Whilst further work is required to improve understanding of the mineralization at Mt Carlton, AMC is satisfied that the approach to resource estimation is satisfactory.

### 4.5.3.3 Resource classification and reporting

The Mineral Resource estimate as at 31 December 2014 is summarized in Table 4.24.

**Table 4.24 Mt Carlton Mineral Resource as at 31 December 2014**

Item	Measured			Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Open pit <sup>1</sup>	0.09	6.00	17	8.40	3.02	815	-	-	-	8.49	3.07	832
Underground	-	-	-	-	-	-	0.33	3.65	39	0.33	3.65	39
<b>Total</b>	<b>0.09</b>	<b>6.00</b>	<b>17</b>	<b>8.40</b>	<b>3.02</b>	<b>815</b>	<b>0.33</b>	<b>3.65</b>	<b>39</b>	<b>8.82</b>	<b>3.07</b>	<b>871</b>

<sup>1</sup> Includes stockpiles

The silver grades of the resources are 18 g/t, 22 g/t, and 17 g/t for Measured, Indicated and Inferred Resources (respectively). Silver and copper form less than 10% of the value of the ore. The Mineral Resource estimate is inclusive of Ore Reserves.

Grade control at Mt Carlton is based on RC drilling, with holes angled at 60° towards 135 (beaming) and sampled over 1 m downhole intervals. Until 2013, the RC data was processed using MP3 software to derive ore block outlines for mining. Production reconciliation indicated that the MP3 model was underestimating the ore grade.

Evolution has reconciled 2014 mine production (declared ore mined) against the new December 2014 Mineral Resource model. The resource model overestimated tonnage by 10%, underestimated grade by



25%, and underestimated contained ounces by 18%. The reconciliation indicates that more work is required to improve the resource model but it is likely that the model is conservative.

#### 4.5.3.4 Resource conclusion

AMC concludes that the 31 December 2014 Mineral Resource estimate for Mt Carlton has been prepared using acceptable industry practice and is acceptable. The classification of the estimate as Indicated and Inferred Resources appropriately reflects the current level of uncertainty in the geological understanding.

#### 4.5.3.5 Near mine exploration targets

The Herbert Creek East, Mt Carlton United and Jasper Ridge prospects, which all lie within ML 10343 are mineralized and have been identified by Evolution as having potential for mining.

#### 4.5.4 Geotechnical issues

Pit walls at Mt Carlton are generally clean and free of excessive debris. Geotechnical challenges are associated with the contact between the sediments and the rhyodacite and argillic alteration exposure to water reducing rock mass stability.

AMC considers that with a continuation of current practices, then geotechnical risks to the operation are moderate.

#### 4.5.5 Ore Reserves

Ore Reserves reported by Evolution at 31 December 2014 are shown in Table 4.25. They are based on a cut-off grade of 0.9 g/t Au. The Ore Reserve is based on metal prices of \$1,350/oz Au, \$20/oz Ag, and \$3.00/lb Cu. Due to depletion and lower silver and copper grades, the Ore Reserve reported includes gold ounces only. The Ore Reserve includes 0.1 Mt of stockpile material which is classified as Proved. All in situ Ore Reserve is classified as Probable.

**Table 4.25 Mt Carlton Ore Reserves as at 31 December 2014**

Item	Proved			Probable			Total		
	Tonnes	Grade	Contained Gold	Tonnes	Grade	Contained Gold	Tonnes	Grade	Contained Gold
	(Mt)	(g/t Au)	(koz)	(Mt)	(g/t Au)	(koz)	(Mt)	(g/t Au)	(koz)
Mt Carlton	0.09	6.00	17	4.36	4.30	607	4.45	4.40	625

AMC has reviewed the site operating cost and metal recovery parameters and considers that they support the use of the current cut-off grade for operations and are a reasonable input to the reserve estimation process.

Previous orebody reconciliations showed that the orebody model at the time was not a reliable predictor of tonnes or grade, with the model predicting higher tonnes and lower-grade and contained metal than realized from production. A new model has been developed to better forecast production, although it is too early to determine its accuracy.

Mining costs have been updated to reflect recent performance and the current transition to owner-mining costs.

The ore processing rate is limited to 0.84 Mtpa, with the site working on ways to increase this rate without capital investment.

In AMC's opinion, the 31 December 2014 Ore Reserve for Mt Carlton has been reported in accordance with the JORC Code. AMC has depleted the Ore Reserve estimate to 31 March 2015 using the production forecast from the LOMP for use in the production cases.

#### 4.5.6 Mining operations

Mining at Mt Carlton uses conventional drill, blast, load, and haul techniques. The main earthmoving operation is in transition to owner-mining, after Evolution agreed to acquire the mining fleet, facilities, and operating spares from their mining contractor. The transition to owner-mining is expected to be completed by June 2015. Other mining activities carried out by contractors are drilling and blasting.

Mining is carried out by a 120 t hydraulic backhoe excavator and 100 t rear dump haul trucks. All material is drill-and-blast, with a variety of four top-hole-hammer crawler drills. Support equipment comprises dozers, graders and water carts.

Bench by bench grade control incorporates assaying blasthole drill cuttings. These are assayed for gold, silver, and copper in an off-site laboratory. Blasting is carried out on a 5 m bench with subsequent mining on 2 x 2.5 m flitches.

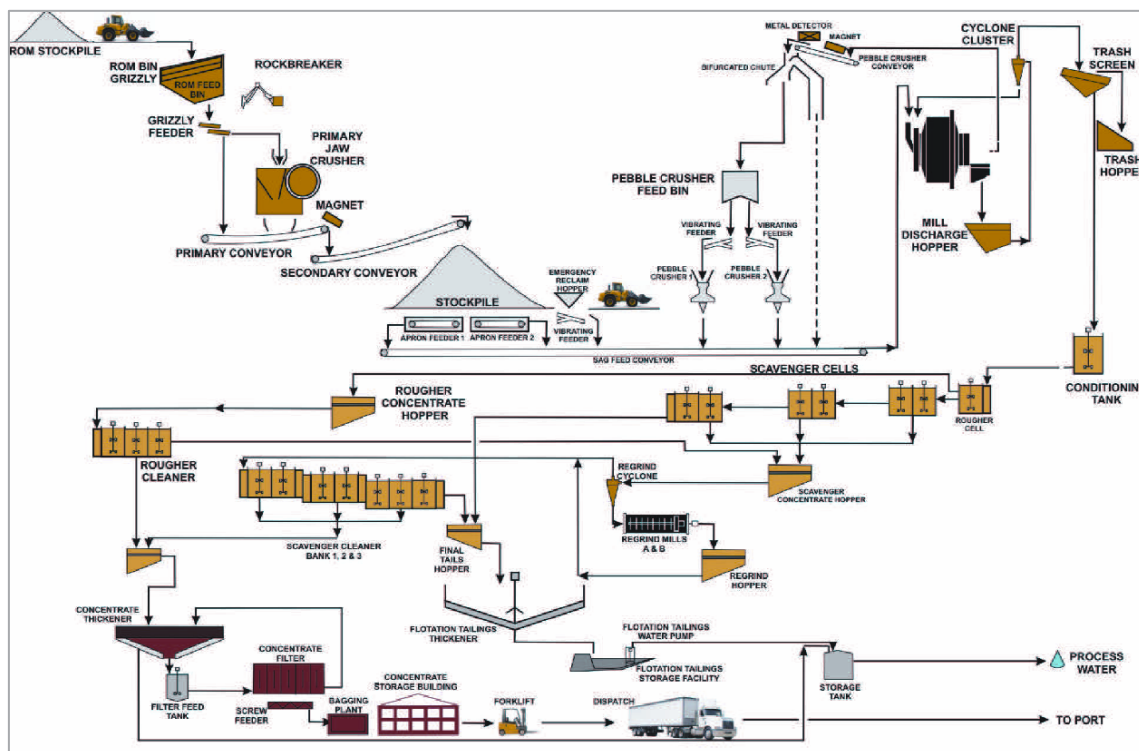
Ore is fed to the primary crusher direct from haul trucks and by front end loader from stockpiles. Oversize rocks are stockpiled and broken by a rock breaker.

Waste rock is hauled to the ex-pit waste rock dump for encapsulation (if PAF) in a clay lined compartment or conventional disposal if NAF. Good water management of the waste rock dumps is critical to intercept as much surface water before contact with disturbed ground or PAF waste rock and to manage the water that falls on the dump to control its discharge to the appropriate water management structures. No water discharge is allowed from the site.

## 4.5.7 Metallurgy and processing operations

The processing flowsheet is designed to produce a bulk copper concentrate containing recovered gold and silver. The basic layout is shown in Figure 4.13. The circuit includes primary crushing, SAG, flotation and concentrate filtering. Concentrate is bagged, transported from site by truck to the port of Townsville, and exported. The nominal ore processing rate is 800 ktpa.

**Figure 4.13 Mt Carlton processing plant flowsheet**



The plant commenced commercial production in July 2013, processing ore from the V2 and A39 deposits separately to produce bulk pyrite concentrates containing gold, silver, and copper values.

ROM ores from the two sources have been run through the processing plant for extended campaigns of up to six months. The plant processed a total of 687,243 t in 2014, suffering below budgeted plant availability of 63%, and below budgeted utilization of available time of 73% on A39 ROM ore and 90% on V2. The plant performed better in 2015; processing 669,187 t through April 2015 YTD which is on pace to reach the nominal capacity of the plant of 800,000 tpa. Feed rate has averaged 101 dry tph with plant availability of 92% and utilization of 98%. Operators state that the plant can operate at 110 dry tph and this value is used for production budgeting.



The A39 pit is now complete and all plant feed is now sourced from the V2 pit. Performance data during V2 campaigns is shown in Table 4.26.

**Table 4.26 Mt Carlton V2 ROM ore processing plant historical performance**

Parameter	Unit	2014 Actual	April 2015 YTD	
			Actual	Budget
Ore Processed (dry)	kt	318	599	685
Gold Grade (recon.)	g/t Au	5.63	4.11	3.02
Silver Grade (recon.)	g/t Ag	61.00	25.00	29.00
Copper Grade (recon.)	%	0.53	0.24	0.38
Gold Recovery	%	87.9	87.7	88.2
Silver Recovery	%	81.8	77.4	88.6
Copper Recovery	%	92.4	94.1	87.7
Gold Produced	koz	50.6	69.4	58.6
Silver Produced	koz	506.6	371.4	562.8
Copper Produced	kt	1,557	1,373	2,283

The April 2015 YTD gold recovery on V2 ROM ore has averaged 87.7% versus the budget of 88.2%.

Concentrate grade is an important metric for the Mt Carlton operation. The following average concentrate grades have been recorded for April 2015 YTD:

- Gold 56.58 g/t
- Silver 303 g/t
- Copper 3.60%

Operators manage grades by blending to the plant, blending of bagged concentrate. No significant issues with making payable grades were reported by plant operators.

A throughput of 842 ktpa has been used for the AMC production case. This is based on a demonstrated feed rate of 105 dry tph and a demonstrated overall utilization of time of 91.5%. Recoveries used in the AMC production case are generally based on recent performance of the plant, with adjustments based on AMC's experience. Concentrate grades were estimated by AMC based on the Evolution mass pull model, without the grade uplift due to silica rejection in later years. AMC considers this to be an unproven technique at this time. While the model predicts that grade penalties will be incurred in a small number of months, it is AMC's opinion that such penalties can be avoided by adjustment of the mine plan and use of blending strategies as referred to above.

#### 4.5.8 Waste rock and tailings storage

Up to 31 Mt of waste rock will be PAF and will require encapsulation. Evolution proposes to shape the base of the proposed waste dump and to fill fractured surface areas with clay or sealing concrete. The remaining surface is to be lined with compacted clay to reduce seepage. The perimeter of the dump is to be covered with NAF waste rock to encapsulate PAF waste rock within the dump. Toe drains will be required around the waste dump to drain seepage into V2 pit. Storm water run-off is to be directed into a lined pond for use in the plant.

#### 4.5.9 Infrastructure and power

Personnel for the project are accommodated locally in an accommodation village managed by a catering contractor. Other major items of infrastructure include administration offices, laboratory, workshops, and warehouse facilities.

The mining facilities include workshop, offices, change house, explosives magazine, and a fuel facility.

Access to Mt Carlton is from Townsville or Bowen via the Bruce Highway and onto sealed local roads.

Power supply for the operation is sourced through Ergon from their existing 132 kV line and the King Creek substation, 15 km west of the mine which is owned by Evolution A 22 kV line runs from the substation to the mine.

The supply of water for the operation is sourced from a combination of pit dewatering, bore fields, surface run-off harvesting and storage, and a pipeline from the Burdekin River. In the past, operation of the processing plant suffered from water-related production curtailments which have now been eliminated by drillings additional bores, and by installation of the Burdekin River pipeline. The pipeline allocation is 400 MLpa which is 90% of average site requirements.

AMC has reviewed the site infrastructure and considers that it is suitable for the operation.

#### **4.5.10 Environmental and permitting**

##### **Real property title, mining tenure and native title**

Mt Carlton comprises three granted MLs (ML 10343, ML10375 and ML100002).

The underlying real property tenure at Mt Carlton comprises two land parcels (Lot 4899 on SB765 and Lot 7 on SB730).

Evolution advises that it the following agreements are in place:

- A CHMP with Birriah (Birri) People covering mining lease ML10343 and associated s31 Deed.
- An Exploration Agreement (protecting CH) with Birriah for EPM's 25136 & 25137 and associated s31 Deed.
- A Native Title Agreement with Birriah covering ML – ML10343.

##### **Primary mining and environmental approvals**

Mining authority is provided through the grant of the three MLs. An EA (EPML00982113) covering the three granted MLs was issued in 11 March 2015. Collectively, these provide the primary mining and environmental approvals for the operation.

An EMP for Mt Carlton was prepared in May 2011 seeking approval for the original project. An application to amend the EA was submitted in July 2014, to cover the construction and operation of a water supply pipeline. The EA was amended and re-issued on 11 March 2015.

##### **Environmental compliance and performance**

Mt Carlton has an Operational Environmental Management Plan and Environmental Management System dated May 2014.

Third party independent audits against Evolution's EHS are carried out annually.

Mt Carlton is in a remote location and the nearest receptor is 8.9 km distance from the mine. Air, noise and light nuisance issues are not anticipated to be an issue.

The main operational environmental performance issues for Mt Carlton are:

- Management of waste rock with acid and metalliferous drainage characteristics.
- Tailings storage and management.

Evolution has protocols and standard procedures in place for the management of each of these issues. These are also addressed in impact assessment documents and the environmental authority for the operation. Hence the regulatory regime and management systems are generally in place to monitor and manage these issues.

Mt Carlton advises that the tailings and waste rock management issues are primarily managed via:

- Fully lined tails dam with the next raise completed prior to wet season.
- No water release site.
- PAF waste rock is clay encapsulated with an engineered cover.

## Environmental liabilities and financial assurance

The EA includes the requirement for a Post Closure Management Plan including all monitoring, operation and maintenance activities for the 30 years minimum post closure plan life. AMC has included a provisional cost of \$100,000 per annum for 30 years in its production case.

Financial Assurance was calculated under the DEHP calculator at \$27M and accepted by DEHP.

## Summary of environmental and permitting

Primary mining and environmental approvals are in place, and land tenure has been secured.

An environmental and safety system audit identified a range of operational improvements required at the site, indicating risks that required additional environmental management, however, they are likely to be accommodated within existing operational budgets, and are not considered material to this ITSR.

The main environmental risks are considered by AMC to be regulator actions or enforcement responses that may restrict operations. The EA for Mt Carlton is extensive and prescriptive. Strict compliance may be more costly than indicated by current estimates and expenditure levels.

### 4.5.11 Capital and operating costs

The average financial year March 2015 YTD operating costs for Mt Carlton are:

- Mining cost of \$8.80/t total movement (\$41/t of ore processed).
- Ore processing cost of \$35/t of ore processed.
- General and administration (G&A) cost of \$16/t of ore processed.
- Total site operating cost of \$92/t of ore processed.

Sustaining capital for 2016 is projected to be approximately \$14M. AMC considers that an allowance of \$1M may be required for exploration.

Evolution considers that they will realize substantial future savings from the move to owner-mining, with an owner-miner transition scheduled for completion by June 2015. AMC's experience is that the transition to successful owner-mining is difficult, but can be justified by the savings. Securing the contractor's fleet and a substantial part of an experienced workforce will make the transition to owner-mining easier. After considerations of increased capital cost and administration cost, AMC considers that the reduced mining cost justifies the move to owner-mining.

AMC understands that additional work is required to fully understand the mining fleet capital requirements for continued owner-mining at Mt Carlton if mining is extended beyond the current Ore Reserves. Evolution's mining cost includes regular equipment servicing, including major services.

### 4.5.12 AMC Production Case

AMC has prepared a single production case for Mt Carlton (Case 1) as shown in Table 4.27, based on Evolution LOMPs detailing physicals and costs estimates, and adjusted by AMC according to its analysis of operating and capital costs. Case 1 is based on the 31 December 2014 Ore Reserve estimate, with additional tonnage from Indicated Resources, and schedules mining until 2021 and processing until 2022.

AMC has prepared its Case 1 from:

- Evolution provided a LOMP which mined Ore Reserves until 2019 and processed ore until 2020. This plan mined all of the 4.3 Mt of the Mt Carlton Ore Reserve.
- Evolution's LOMP included an additional 1.5 Mt of ore from Indicated Resources mined and processed over two years.
- Modified inputs for ore processing throughput, metallurgical recovery, and concentrate recovery based on AMC's analysis of the Mt Carlton plant's ore processing capability and performance.

**Table 4.27 Mt Carlton AMC Production Case 1**

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
<b>Physicals</b>														
Ore Tonnes Mined	kt	247	930	973	644	975	1,090	936	-	-	-	-	-	5,795
Waste Tonnes Mined	kt	733	3,013	2,965	3,295	4,431	4,621	1,464	-	-	-	-	-	20,522
Ore Tonnes Processed	kt	211	842	842	842	842	842	842	659	-	-	-	-	5,922
Gold Recovered	koz	24	96	96	96	96	96	85	57	-	-	-	-	645
Silver Recovered	koz	67	456	669	605	300	412	336	188	-	-	-	-	3,033
Copper Recovered	kt	0.4	1.9	2.8	3.0	1.7	3.0	2.5	1.4	-	-	-	-	16.7
<b>Capital Costs</b>														
Initial / Expansion	A\$M	-	-	-	-	-	-	-	-	-	-	-	-	-
Sustaining	A\$M	3.5	14.1	3.2	10.1	5.2	7.4	3.0	3.4	-	-	-	-	49.9
Capital Development	A\$M	4.6	-	-	-	-	-	-	-	-	-	-	-	4.6
Resource Definition / Exploration	A\$M	-	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-	6.0
Rehabilitation and Closure	A\$M	-	-	-	1.0	1.0	2.0	3.0	6.0	6.0	6.0	2.1	3.0	30.1
<b>Total</b>	<b>A\$M</b>	<b>8.1</b>	<b>15.1</b>	<b>4.2</b>	<b>12.1</b>	<b>7.2</b>	<b>10.4</b>	<b>7.0</b>	<b>9.4</b>	<b>6.0</b>	<b>6.0</b>	<b>2.1</b>	<b>3.0</b>	<b>90.5</b>
<b>Operating Costs</b>														
Mining	A\$M	4.0	31.9	31.1	31.1	44.3	46.8	17.5	-	-	-	-	-	206.9
Processing	A\$M	7.4	29.5	29.5	29.5	29.5	29.5	29.5	23.1	-	-	-	-	207.3
Administration	A\$M	3.4	13.5	13.5	13.5	13.5	13.5	13.5	10.5	-	-	-	-	94.7
Other	A\$M	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>A\$M</b>	<b>14.8</b>	<b>74.9</b>	<b>74.1</b>	<b>74.1</b>	<b>87.3</b>	<b>89.8</b>	<b>60.5</b>	<b>33.6</b>	-	-	-	-	<b>508.9</b>

AMC has changed the following production plan parameters and costs:

- Processing plant throughput was capped at 842,000 t per year, based on achieving 105 t per hour throughput for 91.5% of the time.
- March 2015 YTD gold recovery of 88.4% was used to forecast average annual gold recoveries from 2015 to 2020 and resulted in a slight reduction to those in Evolution's LOMP. Metallurgical recoveries over the production case average approximately 88.3% (Evolution LOMP average 89.0%).
- March 2015 YTD silver recovery of 80.0% was used to forecast average annual silver recoveries from 2016 to 2021 and resulted in a slight reduction to those in Evolution's LOMP. Metallurgical recoveries over the production case average approximately 80.0% (Evolution LOMP average 81.0%).
- March 2015 YTD average processing costs of \$35/t were used from 2015 to end of mine life, which resulted in a significant increase in ore processing costs (Evolution LOMP costs average \$26.80/t).
- March 2015 YTD average administration costs of \$16/t were used from 2015 to end of mine life, which resulted in a significant increase in administration costs (Evolution LOMP costs average \$10.40/t).
- The previous LOMP sustaining capital cost was used, with an additional amount of \$2M included in 2019 for additional mining fleet (second hand) to achieve the 37% increase in material movement for this year. AMC considers an additional excavator, haul trucks, and support equipment will be required.
- An amount of \$6M was included over six years for ongoing exploration and resource definition drilling and studies to support the inclusion of the additional 1.5 Mtpa of Indicated Resources into the mine plan and to upgrade the knowledge of the existing deposit.
- An amount of \$27M was added to the closure cost to the guarantee lodged with the state government. The additional amount brings the total closure cost to \$26M.
- An amount of \$2M has been added for an additional 20 groundwater monitoring bores and groundwater remediation in 2016.

In AMC's opinion, there are currently insufficient Mineral Resources with a reasonable expectation of being mined to justify a second production case.

#### 4.5.13 Upside potential

Mt Carlton is a new open pit mine which commenced operation on the basis of mining two orebodies, V2 and A39. AMC's production case is based on the reported open-pit Mineral Resources and Ore Reserves remaining in V2 for which a mine plan has been done.

Additional Mineral Resources have been reported in extensions to V2 (V2 East and V2 Underground), but no mine plan has been developed. As well, recent exploration has identified other targets which could contribute to future production, but more drilling is required before estimates of Mineral Resources can be reported. These include Mt Carlton United, Herbert Creek East, Capsize, and Jasper Ridge. AMC considers that these have the potential to extend the mining operations for another two years beyond Case 1 at similar annual tonnes and grade. This assumes that Evolution commits sufficient expenditure to ongoing exploration and resource definition drilling.

#### **4.5.14 Risks and opportunities**

The principal mining risk is that mine life may not be extended past the current life of the Ore Reserve by converting 1.5 Mt of Indicated Resource to Ore Reserve.

A new constrained orebody model was recently completed to replace the previous unconstrained orebody model, which overestimated ore tonnes and underestimated grade, and it is unknown how accurately the new model will be able to predict ore tonnes and grade.

The main environmental risks are considered to be regulator actions or enforcement responses that may restrict or suspend operations. The EA for Mt Carlton is extensive and prescriptive. Strict compliance may be more costly than current estimates and expenditure.

The principal mining opportunity is that continued improvements to the operation of the ore processing, and reducing the administration costs may allow a lower cut-off grade to be used, increasing Ore Reserves and extend the life of the operation.

The transition to owner mining may be more successful in reducing mining costs than allowed for in the production case.

## 5 Exploration properties

### 5.1 La Mancha Australia

The La Mancha Australia tenements cover an area of 415 km<sup>2</sup> in 145 tenements over a strike length of about 67 km in the Coolgardie Mineral Field. The tenements are grouped by projects and cover the White Foil and Frog's Leg mining operations.

AMC has valued the underground Mineral Resource at White Foil, and La Mancha Australia's other exploration projects as using methods applicable to exploration properties as follows.

#### Valuation of White Foil

The AMC production case for Mungari Operations includes the White Foil open pit operation. A scoping study evaluated the opportunity for underground mining of the Mineral Resource below the open pit, but the results are equivocal and not to a level such that DCF valuation can be considered.

AMC normally considers that evaluation of a Mineral Resource in a production case reflects the value of the tenement with no additional value assigned to Mineral Resources not scheduled for mining. However, in the case of the White Foil, the Mineral Resource below the open pit could constitute a separate underground mining project and AMC concluded that these Mineral Resources should be valued using exploration valuation methods, as described in Section 2 of this ITSR.

Where a Mineral Resource has been quantified, Yardstick Values can be applied that have been determined from comparable transactions. In this method, a value per unit of metal contained in the Mineral Resource is calculated from transactions and applied to the contained metal in the Mineral Resource that is the subject of the valuation.

AMC examined transactions for tenements in Western Australia containing gold Mineral Resources that occurred between 2012 and 2014. Twenty eight transactions define a range of Yardstick Values. AMC has considered this in developing ranges of values for tenements containing Measured, Indicated and Inferred Resources as follows:

- Measured Resource: \$20/oz to \$28/oz.
- Indicated Resource: \$13/oz to \$20/oz.
- Inferred Resource: \$5/oz to \$13/oz.

In preparing a valuation by this method, AMC has considered the White Foil Mineral Resource reported as the underground Mineral Resource. The grade of that Mineral Resource is low for consideration as an underground mining option and a scoping study did not provide clearly positive project economics. Taking this into account, AMC has selected Yardstick Values at the low end of the range for valuation, with a range of \$6.4M to \$11.8M with a preferred value of \$9.1M.

#### Valuation of other exploration properties

La Mancha Australia's tenements cover part of the Norseman-Wiluna Greenstone belt which in turn is part of the Eastern Goldfields Superterrane of the Yilgarn Craton, Western Australia. The greenstone belt covers a 700 km north-north-west array of arcuate greenstone belts characterized by a tholeiitic and komatiitic metabasaltic lava flows, overlain by felsic volcanoclastics with subordinate mafic and intermediate volcanics. The metabasalt comprises massive and pillowed facies intercalated with fine-grained metasedimentary units broadly categorized into sulphidic, chloritic and siliceous subdivisions.

The Greenstone stratigraphy is intruded and flanked by a granitoid complex.

The structure of the greenstone stratigraphy is governed by a series of anatomising crustal-scale deformation zones. The Kunnalling, Mungari and Zuleika Shear Zones that flank and pass through the tenements are part of this regional-scale structural fabric.

The Eastern Goldfields Superterrane is one of the most mineralized terranes in the world, comprising a number of world class gold deposits. Collectively, gold mineralization has been incorporated into the orogenic lode gold class based on a series of common attributes, mainly their development during large-



scale compressional-transpressional regimes. Mineralization has a spatial association with the structures typically hosted in low displacement brittle/ductile shear zones.

Deposits are predominantly located in sub-mid greenschist and mid greenschist–lower amphibolite palaeocrustal settings.

There has been active exploration over the area covered by the exploration projects for many years. The area of greenstone belt stratigraphy flanked by the Kunnalling, Mungari and Zuleika Shear Zones is host to a number of significant gold deposits and highly prospective for further discovery.

AMC has considered the value of the exploration tenements by reviewing the value per unit area indicated by transactions on gold exploration tenements in Western Australia without Mineral Resources between 2012 and 2014. The transactions indicate a range of values of \$1,100/km<sup>2</sup> to \$8,300/km<sup>2</sup>. To value the La Mancha Australia exploration tenements, AMC considers the upper end of the range to be appropriate. The values by project are listed in Table 5.1 indicating a total value range of \$2.1M to \$3.3M with a preferred value of \$2.7M.

**Table 5.1 La Mancha Australia – other exploration properties – valuations**

Project	Area (km <sup>2</sup> )	Low Value (\$)	High Value (\$)
Avoca JV	19.6	98,000	156,800
Broads Dam	7.9	39,689	63,502
Carbine	15.3	76,612	122,578
Cutters Ridge	6.1	30,461	48,737
Gentle Annie	2.6	13,091	20,946
Kanowna	17.2	86,000	137,600
Kintore	11.5	57,463	91,940
Kintore East	7.7	38,375	61,399
Kurrawang	111.6	558,000	892,800
Lake Carnage	30.8	154,000	246,400
Lake Greta	1.3	6,700	10,720
Little Hill Dam	20.4	101,921	163,074
Mungari West	70.6	352,965	564,744
Park Dam North	20.3	101,343	162,148
Park Dam South	11.3	56,500	90,400
Polaris	6.4	32,049	51,278
Red Dam	10.7	53,664	85,862
Roger Springs	24.5	122,461	195,938
Star Dam	19.2	95,793	153,268
<b>Total</b>	<b>415.0</b>	<b>2,075,084</b>	<b>3,320,134</b>

## 5.2 Edna May

Evolution has a 100% interest in the Edna May gold mine and surrounding exploration tenements, covering some 518 km<sup>2</sup>.

### Valuation

AMC has prepared two production scenarios for Edna May. Case 1 is based on the existing open pit reserves and Case 2 adds a portion of the current underground mineral resource that AMC believes may be recovered by underground mining.

AMC considers there is an exploration value attributable to near-mine and regional exploration not incorporated into Cases 1 and 2. Edna May exploration prospectivity is considered to be reasonable and has been valued by applying Yardstick Values of \$2,000/km<sup>2</sup> to \$4,000/km<sup>2</sup> to the tenement area excluding the



mine area (518 km<sup>2</sup>), which are in the lower to middle region of AMC's Yardstick Values. These methods indicate a value of \$1.0M to \$2.1M with a preferred value of \$1.5M.

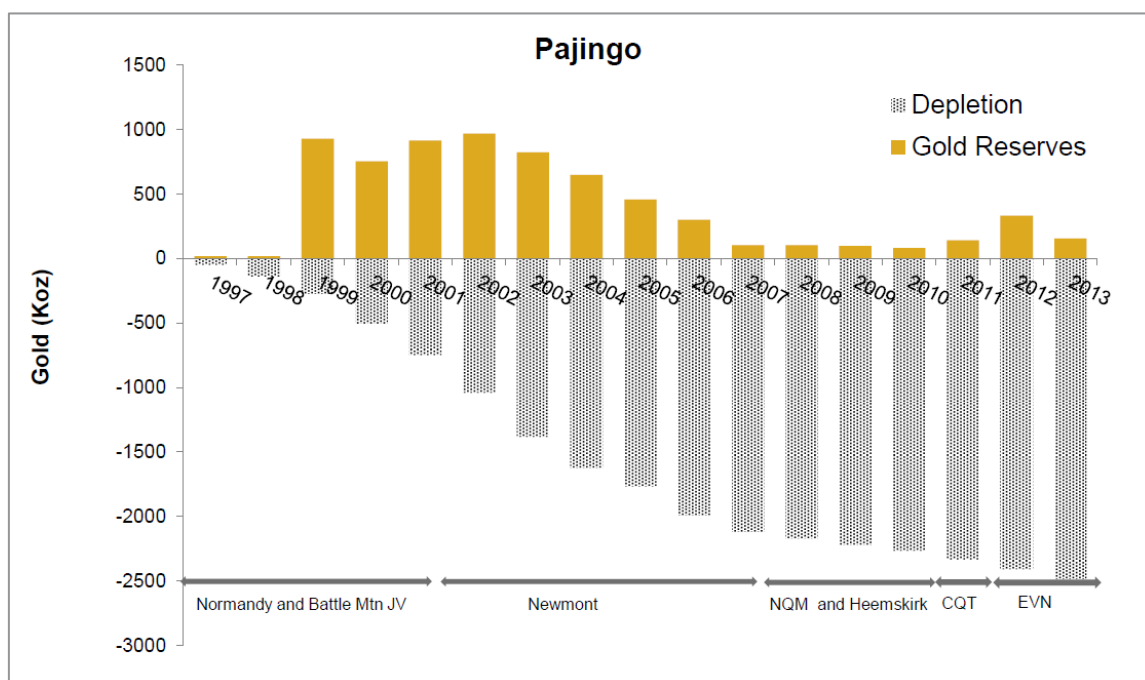
### 5.3 Pajingo

Evolution has a 100% interest in the Pajingo gold mine and surrounding exploration tenements, covering some 1,403 km<sup>2</sup>.

Figure 5.1 presents the Ore Reserve and mine depletion history for Pajingo and shows that reserves peaked at about 1 Moz gold in 2002. Since 2006 the total Ore Reserve has been less than 0.5 Moz but depletion has generally been offset by new discoveries and the conversion of Mineral Resources into Ore Reserves.

Previous owners Normandy and Newmont undertook significant exploration up to 2006, but from 2006 to 2010 exploration was minimal and focused on the area in and adjacent to mining areas. Under Evolution's ownership, drilling has also been focused on testing extensions to the known mineralized structures. In addition, in 2014 Evolution completed a 3D seismic survey designed to map geological structures to a depth of up to 3 km. The seismic interpretation is being used to refine drill targeting.

**Figure 5.1 Pajingo Ore Reserves history**



Source – Evolution Presentation, March 2015

The mine has a long history of discovery of new deposits and progressive conversion of Mineral Resources into Ore Reserves, within the Vera Nancy structural corridor. The latest discovery in this zone is the Moonlight deposit for which a maiden Inferred Resource was included in the 31 December 2014 statement.

Several north-east trending deposits, outside the Vera Nancy line, have also been identified and mined. The latest discovery with this orientation is the Camembert deposit, for which a maiden Exploration Target of 1.0 Mt to 1.2 Mt grading 4.7 g/t Au to 5.7 g/t Au was announced on 14 May 2015.

### Valuation

AMC has prepared two production scenarios for Pajingo. The Case 1 underground mining production plan is based on the 31 December 2014 Ore Reserves, plus substantial additional material from non-reserve material comprising remnant material, Mineral Resources yet to be fully evaluated for mining, and Exploration Targets. No open-pit mining is proposed, although there is some potential for a small amount of low-grade production.

Case 2 extends the Case 1 production plan by two years, based on conversion of Inferred Resources to Ore Reserves and exploration and conversion of the Camembert Exploration Target.

AMC considers there is no additional exploration value attributable to the current resource inventory at Pajingo and the in-mine component of exploration because this potential has been incorporated into the modelling scenarios.

There is an exploration value attributable to the regional exploration. Pajingo remains highly prospective but shallow targets may have been largely tested, so future exploration will likely pursue deeper targets. The tenements have been valued by applying Yardstick Values of \$3,000/km<sup>2</sup> to \$6,000/km<sup>2</sup> to the total tenement area, which are in the middle of AMC's Yardstick Values. This method indicates a value of \$4.2M to \$8.4M with a preferred value of \$6.3M.

## 5.4 Mt Rawdon

Evolution has a 100% interest in the Mt Rawdon gold mine and surrounding exploration tenements, covering some 205 km<sup>2</sup>.

The Mineral Resources at Mt Rawdon lie within or down-dip of the Stage 4 pit shell. Gold grades generally decrease with increasing depth. The focus of Evolution's drilling will be to define resources that can be converted into Ore Reserves within a larger, potential open pit (Stage 5).

In 2013 and 2014 Evolution conducted a programme of mapping and soil sampling over the more extensive exploration tenements held at that time. The results did not warrant retention of many of the tenements and consequently most were relinquished. The remaining EPM surrounds the Mt Rawdon MLs. There are no anomalies considered as advanced exploration targets at present.

### Valuation

AMC has prepared only one production scenario for Mt Rawdon based on the current Ore Reserves, as there are currently no additional Mineral Resources with a reasonable expectation of being mined to justify a Case 2 modelling scenario. Therefore AMC considers there is no additional exploration value attributable to the current resource inventory and the exploration planned to test the immediate down-dip extensions of the known mineralization at the mine.

AMC considers there is an exploration value attributable to regional exploration not incorporated into Case 1, but prospectivity is considered to be low. Evolution has not identified any significant targets. Mt Rawdon exploration prospectivity has been valued by applying Yardstick Values of \$1,000/km<sup>2</sup> to \$2,000/km<sup>2</sup> to the total tenement area, which are in the lower region of AMC's Yardstick Values. This method indicates a value of \$0.2M to \$0.4M with a preferred value of \$0.3M.

## 5.5 Cracow

The EPM and MLs at Cracow owned by Evolution cover some 515 km<sup>2</sup>.

Drilling by Evolution is focused on testing extensions to the many known mineralized structures. The mine has a long history of discovery of new deposits and progressive conversion of Mineral Resources into Ore Reserves, within the main structural corridors. Recent discoveries include the Coronation and Imperial deposits.

In 2014 Evolution completed interpretation of a 3D seismic survey designed to map geological structures to a depth of up to 3 km. Initial drilling results indicate that the seismic method has successfully identified known, and previously unknown, geological structures. The seismic interpretation will therefore be used to refine drill targeting.

### Valuation

AMC has prepared two production cases for Cracow. All ore comes from underground mining. No open-pit mining is proposed, although there is some potential for a small amount of production from Golden Plateau.

Case 1 underground mining production plan is based on the 31 December 2014 Ore Reserves (depleted to 31 March 2015), plus substantial additional material from conversion of Inferred Resources yet to be fully evaluated for mining.

Case 2 extends the Case 1 production plan by one year, based on conversion of additional Inferred Resources.

AMC considers there is no additional exploration value attributable to the current resource inventory at Cracow because this has already been included in the modelling scenarios. There is an exploration value attributable to both near mine and regional exploration. Cracow exploration prospectivity is considered to be good and has been valued by applying Yardstick Values of \$4,000/km<sup>2</sup> to \$7,000/km<sup>2</sup> to the total tenement area, which are in the middle to upper region of AMC's Yardstick Values. This method indicates a value of \$2.1M to \$3.6M with a preferred value of \$2.8M.

## 5.6 Mt Carlton

Evolution has a 100% interest in the Mt Carlton MLs and surrounding exploration tenements, covering some 1,005 km<sup>2</sup>.

Recent geological work by Evolution at Mt Carlton has focused on mapping and drilling to improve understanding of the controls on mineralization in the V2 pit. The Herbert Creek East, Mount Carlton United, Jasper Ridge, and Capsize prospects show extensive alteration associated with high sulphidation epithermal mineralization. Evolution has conducted induced polarization surveys at Capsize and Castle that have identified chargeability anomalies warranting drill testing.

### Valuation

AMC has prepared a single modelling scenario for Mt Carlton (Case 1), based on preliminary LOMP physicals prepared by Evolution, Evolutions operating and capital cost estimates for the previous LOMP, and AMC's analysis of operating and capital costs. The scenario is based on the 31 December 2014 Ore Reserve estimate, with additional tonnage from Indicated Resources.

In AMC's opinion, there are currently no additional Mineral Resources with sufficient expectation of being mined to justify a Case 2 modelling scenario.

There is an exploration value attributable to areas near these deposits as well as regional exploration. Mt Carlton exploration prospectivity is considered to be reasonable and has been valued by applying Yardstick Values of \$3,000/km<sup>2</sup> to \$6,000/km<sup>2</sup> to the total tenement area, which are in the middle region of AMC's Yardstick Values. This method indicates a value of \$3.0M to \$6.0M with a preferred value of \$4.5M.

## 5.7 Twin Hills

### Project description and history

Evolution has a 100% interest in the Twin Hills gold project located in Queensland, 190 km south of the Pajingo mine. The project consists of one granted ML and four EPM's covering approximately 26 km<sup>2</sup>.

Gold mineralization at Twin Hills was discovered in the 1980's at the 309 Deposit and the Lone Sister Deposit. Previous owners operated a small underground operation from 2005 to 2007 with the ore trucked some 280 km north to Rishton for processing. The operation was not profitable.

The Pajingo Joint Venture purchased the project in July 2009 for \$1.75M and completed additional drilling prior to estimation of new Mineral Resources and Ore Reserves. Evolution acquired the project in November 2010 with the acquisition of Pajingo.

In late 2010, Evolution announced it would recommence underground mining at the 309 Deposit to provide feed to the Pajingo processing plant and started redevelopment with a view to commence production by June 2011. However, additional dewatering requirements and the need to develop a bypass around an area of fallen ground in the main access decline resulted in a decision in June 2011 to cease the redevelopment and place the operation under care and maintenance.

The Twin Hills project comprises two known deposits (309 Deposit and Lone Sister) and Evolution has reported Mineral Resources as detailed in Table 5.2. The open-pit Inferred Resource is reported at a cut-off of 0.5 g/t Au within a pit shell designed using a \$1,500/oz gold price. The underground Inferred Resource has been reported at a cut-off of 2.3 g/t Au to reflect an underground mining scenario.

**Table 5.2 Twin Hills Mineral Resources as at 31 December 2014**

Item	Measured			Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz)
Open Pit	-	-	-	-	-	-	3.06	2.1	204	3.06	2.1	204
Underground	-	-	-	-	-	-	1.56	3.9	194	1.56	3.9	194
<b>Total</b>	-	-	-	-	-	-	4.62	2.7	399	4.62	2.7	399

No Ore Reserves are reported. AMC considers this appropriate given that the Twin Hills site remains on care and maintenance and no significant mine planning has been completed since 2010.

There is potential to discover additional mineralization in the immediate vicinity of both the 309 Deposit and Lone Sister, but AMC considers prospectivity is low at both, because significant drilling has been carried out. Away from the two main deposits, the tenements are considered prospective for further discoveries; however, exploration is at an early stage. The main targets are the lateral extensions of the 309 Deposit, the structural corridor between the two deposits, and other potential 309 style deposits in the northern part of the tenement.

## Valuation

AMC has valued the project using exploration valuation methods. In assessing the value of this project, AMC notes:

- In December 2008, an independent consulting firm prepared a technical valuation of the Twin Hills project for BMA Gold Limited, using a Comparable Transactions approach. This resulted in a valuation ranging from \$1.02M to \$4.65M, with a preferred value of \$1.93M, selected by the consulting firm at the lower end of the range.
- In July 2009, the Twin Hills project was acquired by the Pajingo Joint Venture for \$1.75M.
- In August 2010, an Independent Expert's Report for North Queensland Metals included a valuation of the Twin Hills project. Twin Hills and Pajingo were combined in the analysis, so it is not possible to isolate the value of the Twin Hills project; however, a Fair Market Value of the exploration potential outside of the defined resources and reserves existing at the time was estimated. This resulted in a valuation ranging from \$1.47M to \$3.96M, with a preferred value of \$2.72M.

AMC has adopted an approach that values the Mineral Resources based on a Yardstick Value in dollars per ounce of contained gold in resources, with an additional component of value for the exploration potential of the tenement area using a Yardstick Value in dollars per square kilometre. Values of \$2.50/oz to \$10/oz for Inferred Resources were applied. This method indicates a value of \$1.0M to \$4.0M with a preferred value of \$2.5M.

## 5.8 Wirralie

Evolution has a 100% interest in exploration tenements in North Queensland, south of the Pajingo operations and west of the Mt Carlton operations. The portfolio consists of three granted EPMs, covering approximately 830 km<sup>2</sup>.

## Valuation

The Wirralie tenements have not been assessed by AMC and therefore no value has been attributed to them.

## 5.9 Tennant Creek Joint Venture

In June 2014 Evolution entered into a farm-in and joint venture agreement with Emmerson Resources Ltd over tenements in the Tennant Creek area of the Northern Territory. Historically, gold and copper has been produced from high grade deposits in the Tennant Creek Mineral Field.

The tenements subject to the agreement cover about 2,500 km<sup>2</sup>. Evolution proposes to conduct airborne electromagnetic, aeromagnetic and gravity surveys with structural analysis to target new opportunities in this field.

Under the agreement:

- Evolution can earn a 65% interest in the project tenements by spending \$15M and not less than \$5M per year, within three years.
- Evolution can earn an additional 10% by spending a further \$10M within two years.
- Evolution must spend a minimum amount of \$7.5M before it can withdraw from the agreement.

## Valuation

AMC understands that limited expenditure has been contributed to this agreement to date. On that basis, AMC has not attributed any value to the Tennant Creek Joint Venture.

### 5.10 Valuation summary

Table 5.3 presents a summary for the exploration valuations for La Mancha Australia and indicates a value of \$8.5M to \$15.1M with a preferred value of \$11.8M.

**Table 5.3 La Mancha Australia exploration valuations**

Exploration Valuations	Low (\$M)	Preferred (\$M)	High (\$M)
La Mancha Australia	2.1	2.7	3.3
White Foil Underground	6.4	9.1	11.8
<b>Total</b>	<b>8.5</b>	<b>11.8</b>	<b>15.1</b>

Table 5.4 presents a summary for the exploration valuations for Evolution and indicates a value of \$11.5M to \$24.5M with a preferred value of \$17.9M.

**Table 5.4 Evolution exploration valuations**

Exploration Valuations	Low (\$M)	Preferred (\$M)	High (\$M)
Edna May	1.0	1.5	2.1
Pajingo	4.2	6.3	8.4
Mt Rawdon	0.2	0.3	0.4
Cracow	2.1	2.8	3.6
Mt Carlton	3.0	4.5	6.0
Twin Hills	1.0	2.5	4.0
<b>Total</b>	<b>11.5</b>	<b>17.9</b>	<b>24.5</b>

## 6 Qualifications

AMC is a firm of mineral industry consultants whose activities include the preparation of due diligence reports on, and reviews of, mining and exploration projects for equity and debt funding and for public reports. In these assignments, AMC and its subconsultants have acted as independent parties.

AMC has carried out technical consulting assignments for La Mancha Australia and Evolution on their operations. In all these assignments, AMC has acted as an independent party.

AMC has no business relationship with either La Mancha Australia or Evolution other than the carrying out of individual consulting assignments as engaged.

While some employees of AMC and its subconsultants may have small direct or beneficial shareholdings in Evolution, neither AMC nor the contributors to this report nor members of their immediate families have any interests in La Mancha Australia or Evolution that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with La Mancha Australia, Evolution, or EY.

AMC has had no part in formulation of the Proposed Transaction, and has no interest in the outcome of the Proposed Transaction.

AMC is being paid a fee by Evolution according to its normal per diem rates and out-of-pocket expenses in the preparation of this report. AMC's fee is not contingent upon the outcome of the Proposed Transaction.

Prior to being commissioned to prepare this ITSR, AMC considered its independence with respect to ASIC Regulatory Guide 112: Independence of experts. In AMC's opinion, it is independent.

In letters relating to our engagement, Evolution agreed to comply with those obligations of the commissioning entity under the VALMIN Code including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information will be made.

In preparing this report, AMC has relied on information provided by La Mancha Australia and Evolution, and AMC has no reason to believe that information is materially misleading or incomplete or contains any material errors. La Mancha Australia and Evolution have been provided with a draft of our report to enable correction of any factual errors and notation of any material omissions. The views, statements, opinions and conclusions expressed by AMC are based on the assumption that all data provided to it by La Mancha Australia and Evolution are complete, factual and correct to the best of their knowledge.

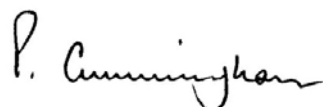
Evolution and La Mancha Australia have represented in writing that to the best of their knowledge, they have provided AMC with all material information relevant to their operations and projects described in this report.

This report and the conclusions in it are effective at 23 June 2015. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the projects and the market for mineral properties.

Evolution has provided AMC with indemnities in regard to damages, losses and liabilities related to or arising out of its engagement other than those arising from illegal acts, bad faith or negligence on its part or its reliance on unauthorized statements from third parties.

This report has been provided to EY for the purposes of forming its opinion in relation to the Proposed Transaction. AMC has given its consent for its report to be appended to the IER prepared by EY and for it to be provided to Evolution shareholders and has not withdrawn that consent before their lodgement with the Australian Securities & Investments Commission. Neither this report nor any part of it may be used for any other purpose without written consent.

The signatories to this report are corporate members of the AusIMM and bound by its Code of Ethics.



**P Cunningham**  
MAusIMM



**L Gillett**  
FAusIMM (CP)



## Appendix A Principal sources of information

In preparing this report, AMC has relied on information provided by Evolution including the documents and files listed below. The list is not exhaustive.

### General

ASX Announcement, 'Evolution to Combine with La Mancha to form a Leading Growth Focused Australian Gold Producer', dated 20 April 2015  
AMC Consultants report "CONQUEST MINING LIMITED AND CATALPA RESOURCES LIMITED. TECHNICAL SPECIALISTS REPORT" September 2011  
Mineral Resources and Ore Reserves December 2014. Powerpoint presentation.  
ASX Announcement 14 May 2015, Annual Mineral Resources and Ore Reserves Statement  
December 2014 MROR Report – Internal use only  
TAS Legal Pty Ltd, Due Diligence in accordance with the VALMIN Code – Evolution Mining Limited – Queensland and Western Australia, 2 June 2015  
McMahon Mining Title Services Pty Ltd, Report on standing of La Mancha Resources Pty Ltd Mining Leases, 18 May 2015  
Annual Mineral Resources and Ore Reserves Statement  
Various monthly geology and reconciliation reports  
Mineral Resources and Ore Reserves, December 2014.pdf  
December 2014 MROR Report Summary– Internal use only.pdf  
Annual Mineral Resources and Ore Reserves Statement – ASX Announcement, 14 May 2015.pdf  
Evolution Monthly Executive Reports – January 2014 to January 2015 and March 2015.pdf

### La Mancha Australia, Mungari Operations

La Mancha, LRMA Finance Reports, December 2014, January 2015, March 2015  
La Mancha LOMP spreadsheet; '2015-01 La Mancha .nt – updated WF UG\_vdef'  
La Mancha spreadsheet; 'Frog's Leg management case extensions'  
La Mancha PowerPoint presentation; AMC site visit – April 2015, '20150429 – LMRA site visit – V2'  
La Mancha, 2015 Budget and Actuals, 'Budget 2015 costs – Q1 Actuals added'  
Snowden, White Foil Scoping Study, March 2015, Project No. AU4576  
La Mancha Australia, Frog's Leg Underground Mine, Ore Reserve Statement, as at end-December 2014  
La Mancha Australia, White Foil Open Pit Mine, Ore Reserve Statement, as at end-February 2014  
La Mancha Resources Australia Pty Ltd, 2013: Mineral Resource Estimation. White Foil Gold Mine. Kalgoorlie Western Australia.  
White Foil resource model, drillhole data, wireframes  
La Mancha Resources Australia Pty Ltd, 2015: Frog's Leg Resource Report. December 2014 Mineral Resource Update.  
Frog's Leg resource model, drillhole data, wireframes  
La Mancha Resources Australia Pty Ltd, 2015: 20150429 - LMRA site visit - V2.pdf  
La Mancha Resources Australia Pty Ltd, 2015: Expenditure Committm..5 - Exploration\_Mar2015.xlsx  
La Mancha Resources Australia Pty Ltd, 2015: La\_ManCHA\_leases\_Mar2015.xlsx  
La Mancha Monthly Reports 2014  
LMRA Finance Report December 2014  
LMRA Finance Report March 2015 – Executive Summary  
2015 Budget La Mancha (spreadsheet)  
Annual Environmental Report 2014.  
Annual Environmental Report 1 January 2011 - 31 December 2013. (Including appendices.)  
Annual Groundwater Production Summary - Frog's Leg and White Foil mines. 1 January 2013 – 31 December 2013.  
Annual Environmental Report 2014 - Frog's Leg Environmental Group.  
Annual Environmental Report 2014 - White Foil- Mungari West Environmental Group.  
Annual Environmental Report 2013 - Mungari Gold Project.  
Frog's Leg Closure Liability 2014. (Spreadsheet.)



Mungari-White Foil Closure Liability 2014. (Spreadsheet.)  
Mine Closure Liability Assessment Report - Mungari and Frog's Leg Projects 2014. Kewan Bond Pty Ltd.  
La Mancha Resources: Movement in rehabilitation balances. Period ended 31 December 2014. (Spreadsheet.)  
Preliminary Assessment of the Potential for Acid Generation - White Foil Gold Project WA. Dames & Moore April 2009.  
Frog's Leg Gold Project: Geochemical characterization of waste rock, low-grade ore and soil samples. Graeme Campbell & Associates. October 2002.  
White Foil Mine: Geochemical characterization of mineralized waste samples. Graeme Campbell & Associates. September 2003.  
Frog's Leg Project: Geochemical assessment of waste rock samples. Graeme Campbell & Associates. July 2004.  
White Foil Tailings. SoilWater Consultants. April 2013.  
White Foil Project: Mungari Mill Stage 1 of 2. January 2013.

## **Edna May**

December 2014 MROR Report – Internal Use Only  
Evolution Mining, Edna May site visit presentation\_Mar 2015F  
Evolution Forecast spreadsheet spreadsheet; 'FY15\_H2\_Forecsat\_Cost\_Model\_Oct2014\_vGD'  
Evolution 2015 LOMP spreadsheet; '2014-12-02 Evolution Life of Mine models PER SHARE v03'  
Evolution, Executive Report, March 2015  
Evolution, Edna May Underground Desktop Study October 2014  
Evolution document, Edna May – 2015 MROR Material Information Summary and Table 1s  
Evolution Quarterly Reports; June 2012, June 2013, June 2014, March 2015  
Edna May site visit presentation Mar 2015  
Edna May Fact Sheet February 2015  
Life of Mine Update Nov 2014  
2014-12-02 Evolution Life of Mine models PER SHARE v03 (spreadsheet)  
Annual Environmental Report 1 April 2012 to 31 March 2013.  
Mine Closure Plan - Edna May Operations. May 2013. MBS Environmental.  
Mine Rehabilitation Fund submission to DMP. June 2014  
Waste Rock Characterization. July 2012. MBS Environmental.  
Corsini Waste Rock Landform and Associated Works Mining Proposal. October 2014. Outback Ecology.  
Corsini Surface Water Report. November 2014. Outback Ecology.  
Westonia Gold Mine. Threatened Flora Management Plan. July 2007. Outback Ecology.  
Evolution, 2014: Validation BM\_EVN\_EMO\_OP\_Sep14.xlsx  
Evolution, 2014: Technical Report, Greenfinch Mineral Resource  
Optiro, 2015: Greenfinch Mineral Resource Estimation  
Greenfinch resource model, drillhole data, wireframes  
Edna May resource model, drillhole data, wireframes  
Life of Mine Update, November 2014.pdf  
2014-12-02 Evolution Life of Mine model PER SHARE v03 (spreadsheet)

## **Pajingo**

PJO site visit presentation\_Mar 2015\_F  
Pajingo Gold Mine. Model change authorization form. BM\_EVN\_Eva\_Nov14.bmf  
Pajingo Gold Mine. Model change authorization form. BM\_EVN\_ZD\_Jan15.bmf  
Pajingo Gold Mine. Model change authorization form. BM\_EVN\_GC\_JD\_VS\_Dec14.bmf  
MROR Material Information summary and Table 1s (Table 1 missing)  
jorc\_code\_table\_1\_rpr\_Pajingo\_Mineral\_Resources\_AE Edit\_23042014  
MROR\_March 2015.xls  
Pajingo site visit presentation Mar 2015  
Pajingo Fact Sheet February 2015  
Pajingo Electricity information  
Pajingo Processing Physicals June 2014  
Pajingo Process Plant March 2015 Report

Pajingo – PJO site visit presentation Mar 2015.pdf  
Pajingo Gold Mine – Ground Control Management Plan (Version 5, undated).pdf

## **Mt Rawdon**

MRO Mineral Resource Dec14 Validation  
MRO site visit presentation\_Mar 2015\_F1  
Mt Rawdon -2015 MROR Material Information summary and Table 1s  
Mt Rawdon Mineral Resource Technical Report December 2013  
Life-of-mine models: FY14 LOM-May 2014 (V1.2).xls, MRO LOM Stage 5 Model (Dec13 Res) - 4Mtpa Option.xls  
Orebody reconciliations: Half-yearly MRO recons since Jun12.xls  
Operating costs: Site Operating Costs (before split in Cap Dev and Op Dev).xls  
Pells Sullivan Meynink Engineering Consultants 2014, "Geotechnical Slope Management Audit", Unpublished report prepared for Evolution Mining Limited on Mt Rawdon Operations, February 2014  
Mining One Pty Ltd 2014, "Mount Rawdon Operations Owner Mining Study", Unpublished report for Evolution Mining Limited, March 2014  
MRO site visit presentation\_Mar 2015\_F1 power.pdf  
FY14 LOM-May 2014 (V1.2) (spreadsheet)  
Mt Rawdon site visit presentation Mar 2015  
Mt Rawdon Fact Sheet February 2015  
Mt Rawdon Processing Production spreadsheet March 2015 (spreadsheet)  
Mt Rawdon – MRO site visit presentation Mar 2015.pdf

## **Cracow**

CRO site visit presentation\_Mar 2015\_F.pdf  
Cracow resource documentation and history summary (2 pages)  
Evolution. Technical report on Mineral Resources. Cracow. December 2013.  
Cracow Monthly Report March 2015 Processing  
CRO site visit presentation Mar 2015  
Cracow Fact Sheet February 2015  
Cracow Processing Production spreadsheet March 2015 (spreadsheet)  
Cracow – CRO site visit presentation Mar 2015  
Cracow – Ground Control Management Plan (Version 1, 29/09/2014)

## **Mt Carlton**

MCO site visit presentation\_Mar 2015\_FwBud  
Mount Carlton resource update, 2015 MROR. Powerpoint slides by Michael Andrew, 13/02/2015  
Mt Carlton -2015 MROR Material Information summary and Table 1s (substantially out of data and incomplete)  
Mt Carlton December 14 Reserve Summary (tables)  
MCO site visit presentation\_Mar 2015\_FwBud.pdf  
March 2015 Executive Report "1503 Executive Report March.pdf"  
Life-of-mine models: MCO 2015 DRAFT LOMP Physicals.xls, 2014-12-02 Evolution Life of Mine models PER SHARE v03.xls  
Orebody reconciliations: Declared Ore Vs GC\_DOP\_Corporate\_Recon.xls, Monthly Reconciliation Summary\_201502.xls  
Mt Carlton Process Plant Reconciliation Summaries – monthly  
Mt Carlton site visit presentation Mar 2015  
Mt Carlton Fact Sheet February 2015  
Mt Carlton – MCO site visit presentation Mar 2015

## Appendix B Abbreviations

\$	Australian dollar unless otherwise specified
\$M	Dollars million
%	Percent
µm	micron
2012 JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition. Effective 20 December 2012 and mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC).
AERs	Annual Environmental Reports
Ag	silver
AMC	AMC Consultants Pty Ltd
AMD	acid and metalliferous drainage
Au	gold
Battle Mountain	Battle Mountain Gold Company
Catalpa	Catalpa Resources Limited
CHMP	Cultural Heritage Management Plan
CIL	carbon-in-leach
Conquest	Conquest Mining Limited
CY	calendar years
DCF	discounted cash flow
DDH	diamond drillholes
DEHP	Department of Environment and Heritage Protection
DER	Department of Environmental Regulation
DFS	Definitive Feasibility Study
Dioro	Dioro Exploration NL
DMP	Department of Mines and Petroleum
DOM	declared ore mined
EA	Environmental Authority
EHS	Environmental and Health System
EMP	Environmental Management Plan
EPA	Environmental Protection Authority
EPBC	Environmental Protection and Biodiversity Conservation
EPMs	Exploration Permits for Minerals
FIFO	fly-in/fly-out
FY	Financial year
g	gram
g/t	grams per tonne
IER	Independent expert's report
ITSR	Independent Technical Specialist's Report
km	kilometres
koz	thousand ounces
kt	thousand tonnes
ktpa	thousand tonnes per annum
La Mancha	La Mancha Resources Inc

La Mancha Australia	La Mancha's Australian operations
LOM	life-of-mine
LOMP	life-of-mine plan
M	million
m	metres
m <sup>2</sup>	square metre
m <sup>3</sup>	cubic metres
MEJV	Mungari East Joint Venture
Mineral Assets	Mineral assets of La Mancha Australia and Evolution
MLs	Mining Leases
mm	millimetres
MRA	Mines and Resources Australia Pty Ltd
MRF	Mine Rehabilitation Fund
mRL	reduced level
Mt	million tonnes
Mtpa	million tonnes per annum
NAF	non-acid forming
Newmont	Newmont Mining Corporation
Normandy	Normandy Mining Limited
NPV	net present value
oz	ounce
PAF	potentially acid-forming
PEM	prospectivity enhancement multiplier
PFS	Priority Flora Species
PoO	Plan of Operation
QFBP	Quartz-Feldspar-Biotite Porphyry
RC	reverse circulation drilling
ROM	run-of-mine
SAG	semi-autogenous
t	tonnes
tpa	tonnes per annum
TSF	tailings storage facility
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
YTD	year-to-date

## Appendix C Report contributors

The contributors to this report include the following:

Name	Qualifications	Affiliations	Involvement
Peter Cunningham	BEng (Mining) (Hons)	AMC Principal Mining Engineer	Project manager and mining review
Lawrie Gillett	BEng (Mining) (Hons)	AMC Practice Leader – Corporate Consulting – Australia	Peer reviewer
Brad Watson	BEng (Mining) (Hons)	AMC Senior Mining Engineer	Valuation modelling and technical support
Chris John	BSc (Agric) (Hons) PhD	John Consulting Services, Director	Environment, permitting and hydrology
Dean Carville	B App Sc (App. Geol)	AMC Geology Manager / Principal Geologist	Geology, resources and exploration property valuations
Glen Williamson	BEng (Mining) (Hons)	AMC Principal Mining Engineer	Mining review
Ian Lipton	BSc (Geology) (Hons)	AMC Corporate Manager and Principal Geologist	Geology, resources and exploration property valuations
Mal Dorricott	BEng (Mining)	AMC Principal Mining Engineer	Mining review and general aspects
Peter Allen	BEng (Enviro)	AMC Principal Environmental Engineer	Environmental review
Rob Chesher	BSc (Metallurgy) (Hons)	AMC General Manager, Brisbane and Principal Consultant	Metallurgy, processing and associated infrastructure

## Appendix D La Mancha Australia tenements

Tenement	Status	Holders	Grant Date	Expiry Date	Extendable	Area	Survey Status	Annual Rent	Annual Rates	Annual Expenditure Commitment	Expenditure since Grant	Conditions	Native Title	Mortgages	Other encumbrances	Standing
M 15/0888	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	25-Mar-94	24-Mar-36	Yes- 21 years Ministerial discretion	952.45 HA	Surveyed	\$15,343.30	\$13,967.87	\$ 95,300	\$556,339,254	Mining Approvals granted; Annual environmental Report due in March; Mine closure report due in 2016	No registered claim	Two Macquarie Bank Ltd Mortgages	6 registered agreements - see table	Good
M 15/0889	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	25-Mar-94	24-Mar-36	Yes- 21 years Ministerial discretion	312.0 Ha	No	\$5,023.20	\$4,572.90	\$ 31,200	\$ 629,166	Standard	No registered claim	Two Macquarie Bank Ltd Mortgages	2 registered agreements - see table	Good
M 15/0829	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	15-Mar-99	14-Mar-20	Yes- 21 years	931.2 HA	Surveyed	\$15,005.20	\$13,817.12	\$ 93,200	\$ 915,812	Mining Approvals granted; Annual environmental Report due in March; Mine closure report due in 2016	No registered claim - Specific tenement conditions - see table	Macquarie Bank Ltd Mortgage	6 registered agreements - see table	Good
M 15/0830	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	15-Mar-99	14-Mar-20	Yes- 21 years	808.1 HA	Surveyed	\$13,024.90	\$12,057.49	\$ 80,900	\$ 74,248,940	Mining Approvals granted; Annual environmental Report due in March; Mine closure report due in 2016	No registered claim - Specific tenement conditions - see table	Macquarie Bank Ltd Mortgage	6 registered agreements - see table	Good
M 15/0836	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	12-Sep-03	11-Sep-24	Yes- 21 years	641.1 HA	No	\$10,336.20	\$9,530.82	\$ 64,200	\$ 560,361	Granted with the exception of Uranium and Iron ore rights	No registered claim - Specific tenement conditions - see table	Two Macquarie Bank Ltd Mortgages		Good
M 15/0837	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	12-Sep-03	11-Sep-24	Yes- 21 years	237.92 HA	No	\$3,831.80	\$3,573.51	\$ 23,800	\$ 999,147	Granted with the exception of Uranium and Iron ore rights	No registered claim - Specific tenement conditions - see table	Two Macquarie Bank Ltd Mortgages		Good
M 15/1188	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	12-Sep-03	11-Sep-24	Yes- 21 years	604 HA	No	\$9,724.40	\$8,970.48	\$ 60,400	\$ 554,171	Granted with the exception of Uranium and Iron ore rights	No registered claim - Specific tenement conditions - see table	Two Macquarie Bank Ltd Mortgages		Good
M 15/1287	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	24-Jun-04	23-Jun-25	Yes- 21 years	332.65 HA	Surveyed	\$5,361.30	\$4,880.53	\$ 33,300	\$ 916,155	Granted with the exception of Uranium and Iron ore rights; Annual environmental Report due in March; Mine closure report due in 2016	No registered claim - Specific tenement conditions - see table	Two Macquarie Bank Ltd Mortgages		Good
M 15/1346	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	06-Sep-12	05-Sep-33	Yes- 21 years	480 HA	No	\$7,728.00	\$7,237.45	\$ 48,000	\$ 120,642	Standard	No registered claim			Good
M 15/1347	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	06-Sep-12	05-Sep-33	Yes- 21 years	650 HA	No	\$10,465.00	\$9,648.79	\$ 65,000	\$ 149,121	Standard	No registered claim	Macquarie Bank Ltd Mortgage		Good
M 15/1407	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	08-Jan-04	07-Jan-25	Yes- 21 years	906.85 HA	Surveyed	\$14,602.70	\$13,438.38	\$ 90,700	\$ 4,338,173	Granted with the exception of Uranium and Iron ore rights; Mining Approvals granted; Annual environmental Report due in March; Mine closure report due in 2016	No registered claim - Specific tenement conditions - see table	Macquarie Bank Ltd Mortgage		Good
M 15/1408	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	08-Jan-04	07-Jan-25	Yes- 21 years	83 HA	No	\$1,336.30	\$1,287.81	\$ 10,000	\$ 1,194,127	Granted with the exception of Uranium and Iron ore rights	No registered claim - Specific tenement conditions - see table	Macquarie Bank Ltd Mortgage		Good
M 15/1741	Live	LA MANCHA RESOURCES AUSTRALIA PTY LTD (100%)	12-Sep-12	11-Sep-33	Yes- 21 years	51 HA	No	\$821.10	\$815.94	\$ 10,000	\$ 130,937	Standard	No registered claim	Macquarie Bank Ltd Mortgage		Good

## Appendix E Evolution tenements



L E G A L

	Tenement type, reference name and/or number and area	Tenement reference name	Area/Surface Area	Ownership, including details of co-venturers and their interests	Impediments to title	Status: application or approval is pending	Grant Date	Expiry and Renewal Date	Tenement expenditure, future expenditure commitments	Tenement expenditure reported to date	Next Scheduled Commitment	Annual rent	Relevant Native Title Claimants	Conditions, endorsements and notes*	
Edna May Gold Mine (WA)	M 77/110	M 77/110	404.35000 Ha	EDNA MAY OPERATIONS PTY LTD - 96/96ths	Nil	Granted	28/01/1987	27/01/2029	\$118,000	\$194,655,982	\$23,600	\$3,799.60	NIL	SC, B	
	M 77/124	M 77/124	140.95000 Ha	EDNA MAY OPERATIONS PTY LTD - 96/96ths	Nil	Granted	21/07/1987	20/07/2029	\$70,500	\$1,052,810	\$14,100	\$2,270.10	NIL	SC, B	
	M 77/88	M 77/88	235.40000 Ha	EDNA MAY OPERATIONS PTY LTD - 96/96ths	Nil	Granted	14/05/1987	13/05/2029	\$202,500	\$17,739,451	\$40,500	\$6,358.50	NIL	SC, B	
Cracow Gold Mine (QLD)	ML 3219	GOLDEN MILE	18.57 Ha / 18.57 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	21/03/1974	31/07/2035	Nil	Nil	Nil	\$1031.70	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3221	CRACOW SLIMES	40.12 Ha / 40.12 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	19/03/1981	31/03/2023	Nil	Nil	Nil	\$2,226.30	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3223	CRACOW SLIMES WEST	1.131 Ha / 1.131 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	27/09/1984	30/09/2026	Nil	Nil	Nil	\$108.60	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3224	CRACOW SLIMES SOUTH	1.476 Ha / 1.476 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	27/09/1984	30/09/2026	Nil	Nil	Nil	\$108.60	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3227	GOLDEN PLATEAU	110.9 Ha / 110.9 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	5/06/1986	30/06/2028	Nil	Nil	Nil	\$6,027.30	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3228	FERNEYSIDE	40 Ha / 40 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	10/07/1986	31/07/2028	Nil	Nil	Nil	\$2,172.00	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3229	ROSE'S PRIDE	98 Ha / 94 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	10/07/1986	31/07/2028	Nil	Nil	Nil	\$5,321.40	QUD6006/2000 Wulli Wulli	SC, B	
Cracow Gold Mine (QLD)	ML 3230	WHITE HOPE	128 Ha / 128 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	10/07/1986	31/07/2028	Nil	Nil	Nil	\$6,950.40	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3231	CRACOW SOUTH	128 Ha / 128 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	30/11/1989	31/07/2035	Nil	Nil	Nil	\$6,950.40	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3232	EXCELSIOR EXTENDED	28.8 Ha / 28.8 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	17/09/1987	31/07/2035	Nil	Nil	Nil	\$1,574.70	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3234	SOUTHERN TAILINGS	16.2 Ha / 13.44 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	30/11/1989	31/07/2035	Nil	Nil	Nil	\$923.10	QUD6006/2000 Wulli Wulli	SC, B	
	ML 3243	GOLDEN PHOENIX	17.05 Ha / 17.05 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	20/04/1989	30/04/2025	Nil	Nil	Nil	\$977.40	QUD6006/2000 Wulli Wulli	SC, B	
	ML 80024	WHITE HOPE EXTENDED	1.6 Ha / 1.6 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	7/04/1994	31/07/2028	Nil	Nil	Nil	\$108.60	QUD6006/2000 Wulli Wulli	SC, B	
	Mt Carlton Gold Mine (QLD)	ML 80088	ROYAL STANDARD	85.2168 Ha / 85.2168 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	16/08/2001	31/08/2022	Nil	Nil	Nil	\$4,669.80	QUD6006/2000 Wulli Wulli	SC, B
		ML 80089	KLONDYKE	334.7274 Ha / 334.7274 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	24/07/2003	31/07/2024	Nil	Nil	Nil	\$18,190.50	QUD6006/2000 Wulli Wulli	SC, B
	Mt Carlton Gold Mine (QLD)	ML 80114	INFRASTRUCTURE LEASE	33.0403 Ha / 33.0403 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	28/10/2004	31/10/2034	Nil	Nil	Nil	\$1,846.20	QUD6006/2000 Wulli Wulli	SC, B
		ML 80120	SOUTHERN ROYAL	22.0503 Ha / 0 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	28/07/2005	31/07/2035	Nil	Nil	Nil	\$1,248.90	QUD6006/2000 Wulli Wulli	SC, B
ML 80144		KILKENNY	312.637 Ha / 186.412 Ha	LIION MINING PTY LTD - 100%	Nil	Granted	31/07/2008	31/07/2035	Nil	Nil	Nil	\$16,995.90	QUD6006/2000 Wulli Wulli	SC, B	
ML 100002		Burdekin River Pipeline	18.98 Ha / 0 Ha	CONQUEST MINING PTY LIMITED - 100%	Application					Nil	Nil	Nil	Nil	QUD6244/1998 Birriah	SC, B
	ML 10343	MT CARLTON	1151.875 Ha / 1151.875 Ha	CONQUEST MINING PTY LIMITED - 100%	Nil	Granted	1/12/2011	31/12/2036	Nil	Nil	Nil	\$62,553.60	QUD6244/1998 Birriah	SC, B	

# Independent Technical Specialist's Report

Ernst & Young Transaction Advisory Services Limited

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Mt Carleton Gold Mine (QLD)	ML 10375	MT CARLTON 2	.314 Ha / .314 Ha	CONQUEST MINING PTY LIMITED - 100%	Nil	Granted	19/02/2015	28/02/2037	Nil	Nil	Nil	\$27.15	QUD6244/1998 Birriah	SC, B
Mt Rawdon Gold Mine (QLD)	ML 1192	HOPEFUL	1.801 Ha / 1.801 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	11/04/1974	31/05/2028	Nil	Nil	Nil	\$108.60	QUD6026/2001 Port Curtis Coral Coast	SC, B
	ML 1203	WEST RIDGE	0.4 Ha / 0.4 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	19/01/1978	31/01/2020	Nil	Nil	Nil	\$54.30	QUD6026/2001 Port Curtis Coral Coast	SC, B
	ML 1204	MOUNT RAWDON	2 Ha / 2 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	19/01/1978	31/01/2020	Nil	Nil	Nil	\$108.60	QUD6026/2001 Port Curtis Coral Coast	SC, B
	ML 1206	SWINDON	41.88 Ha / 41.88 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	4/09/1980	30/09/2022	Nil	Nil	Nil	\$2,280.60	QUD6026/2001 Port Curtis Coral Coast	SC, B
	ML 1210	HUT	16.09 Ha / 16.09 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	16/04/1981	30/04/2023	Nil	Nil	Nil	\$923.10	QUD6026/2001 Port Curtis Coral Coast	SC, B
Mt Rawdon Gold Mine (QLD)	ML 1231	OVERFLOW 2	8 Ha / 8 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	21/08/1986	31/08/2022	Nil	Nil	Nil	\$434.40	QUD6026/2001 Port Curtis Coral Coast	SC, B
	ML 1259	RAWDON	593.63 Ha / 593.63 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	14/05/1992	31/05/2013	Nil	Nil	Nil	\$32,254.20	QUD6026/2001 Port Curtis Coral Coast	SC, B
	ML 50119	RAWDON EXTENDED	485.5 Ha / 485.5 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	30/01/1997	31/01/2014	Nil	Nil	Nil	\$26,389.80	QUD6026/2001 Port Curtis Coral Coast	SC, B
	ML 80095	RAWDON EXTENDED TWO	865.8191 Ha / 865.8191 Ha	MT RAWDON OPERATIONS PTY LTD - 100%	Nil	Granted	4/10/2001	31/05/2028	Nil	Nil	Nil	\$47,023.80	QUD6026/2001 Port Curtis Coral Coast	SC, B
Pajingo Gold Mine (QLD)	ML 10215	VERA	230 Ha / 230 Ha	NQM GOLD 2 PTY LTD - 60% & CQT GOLD AUSTRALIA PTY LTD - 40%	Nil	Granted	3/10/1996	31/10/2016	Nil	Nil	Nil	\$12,489.00	NIL	SC, B
	ML 10246	DOONGARA	1255.3862 Ha / 1255.3862 Ha	NQM GOLD 2 PTY LTD - 60% & CQT GOLD AUSTRALIA PTY LTD - 40%	Nil	Granted	26/04/2001	30/04/2021	Nil	Nil	Nil	\$68,200.80	NIL	SC, B
Pajingo Gold Mine (QLD)	ML 10370	MOONLIGHT	2055.6931 Ha / 2055.6931 Ha	NQM GOLD 2 PTY LTD - 100%	Nil	Granted	30/09/2014	30/09/2034	Nil	Nil	Nil	\$102,337.40	NIL	SC, B
	ML 1575	JANET DARLING	2716.8545 Ha / 2716.8545 Ha	NQM GOLD 2 PTY LTD - 40% & CQT GOLD AUSTRALIA PTY LTD - 60%	Nil	Granted	30/04/1987	30/04/2021	Nil	Nil	Nil	\$147,533.10	NIL	SC, B
	ML 70316 (Twin Hills)	TWIN HILLS	731.1 Ha / 237.7 Ha	NQM GOLD 2 PTY LTD - 60% & CQT GOLD AUSTRALIA PTY LTD - 40%	Nil	Granted	16/12/2004	31/12/2019	Nil	Nil	Nil	\$39,747.60	QUD6230/1998 Jangga	SC, B

\*SC - Standard conditions

\*B: Bond imposed



## Our offices

### Australia

#### Adelaide

Level 1, 4 Greenhill Road  
Wayville SA 5034 Australia  
T +61 8 8201 1800  
F +61 8 8201 1899  
E [amcadelaide@amconsultants.com](mailto:amcadelaide@amconsultants.com)

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#### Singapore

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### United Kingdom

#### Maidenhead

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Company No. 3688365  
Level 7, Nicholsons House  
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Berkshire SL6 1LD United Kingdom  
T +44 1628 778 256  
F +44 1628 638 956  
E [amcm Maidenhead@amconsultants.com](mailto:amcm Maidenhead@amconsultants.com)  
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**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE  
INDEPENDENT EXPERT'S REPORT**

23 June 2015

## **PART 2 – Financial Services Guide**

### **1. Ernst & Young Transaction Advisory Services Limited**

Ernst & Young Transaction Advisory Services Limited (EY Transaction Advisory Services" or "we," or "us" or "our) has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

### **2. Financial Services Guide**

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

### **3. Financial services we offer**

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- ▶ arranging to deal in securities.

### **4. General financial product advice**

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

## 5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$200,000 (exclusive of GST).

EY Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, EY Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

## 6. Associations with product issuers

EY Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

## 7. Responsibility

The liability of EY Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

## 8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

## 9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

<p><b>Contacting EY Transaction Advisory Services</b></p> <p>AFS Compliance Manager Ernst &amp; Young 680 George Street Sydney NSW 2000</p> <p>Telephone: (02) 9248 5555</p>	<p><b>Contacting the Independent Dispute Resolution Offer:</b></p> <p>Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08</p>
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

# Attachment 2 - Notice of meeting

## Evolution Mining Limited ACN 084 669 036

Notice is hereby given that a general meeting of the members of Evolution Mining Limited ACN 084 669 036 will be held at the Sofitel Sydney Wentworth Hotel, 61 - 101 Phillip Street, Sydney, New South Wales on 30 July 2015, commencing at 11:00am (Sydney time).

### Important

- The Resolution should be read in conjunction with the Explanatory Memorandum which sets out a detailed explanation of the background and reasons for the Resolution.
- Section 2 of the Explanatory Memorandum sets out further details regarding the meeting and instructions on how to vote.
- Capitalised terms used below that are not defined below have the meaning given to them in the Glossary of the Explanatory Memorandum (section 11).

### Resolution – Proposed issue of new Evolution Shares to La Mancha Group International B.V. (LM Vendor)

Evolution Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

*That, for the purposes of item 7 of section 611 of the Corporations Act, approval is given for Evolution to issue to LM Vendor up to 445,884,850 Evolution Shares that will represent 31% of the Evolution Shares on issue, on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting and approval is also given for the purposes of any other approval necessarily required for the transactions contemplated under the La Mancha Transaction Agreements pursuant to the Corporations Act or the ASX Listing Rules.*

### Voting exclusion

In accordance with item 7 of section 611 of the Corporations Act, Evolution will disregard any votes cast on the Resolution by any member of the La Mancha Group or any of their Associates.

## Voting Entitlements

A person's entitlement to vote at the Meeting will be taken to be the entitlement of that person shown on the Evolution Share Register at 7:00pm on 28 July 2015, unless in respect of the Resolution, a voting exclusion applies to them.

## Attachment 2 - Notice of meeting (continued)

### Proxies

A Proxy Form is included with this Explanatory Memorandum.

Evolution Shareholders wishing to appoint a proxy to attend and vote at the Meeting must complete and return the Proxy Form in accordance with the instructions on it. The proxy may, but not need not be, an Evolution Shareholder and can be an individual or a body corporate. For further details on how to complete the Proxy Form, please refer to the instructions set out below and the Proxy Form included with this Explanatory Memorandum.

If an Evolution Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) may not be permitted to act as a proxy.

Evolution Shareholders are entitled to appoint up to two individuals to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Evolution Shareholder's voting rights. If the Evolution Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Evolution Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. On a show of hands, neither proxy may vote if more than one proxy attends.

Any directed proxies that are not voted on any poll at the Meeting by an appointed proxy will automatically default to the Chairman of the Meeting, who is required to vote proxies as directed on a poll.

There are a number of ways Proxy Forms may be submitted:

**Online:** The Proxy Form can be lodged online by visiting <https://investorcentre.linkmarketservices.com.au/>

**By mail:** Sent to the Evolution Share Registry (using the reply paid envelope enclosed with this Explanatory Memorandum), addressed to Evolution Mining, c/ Link Market Services Limited at Locked Bag A14, Sydney South, NSW 1235, Australia.

**By fax:** Sent to +61 2 9287 0309

**Hand Delivery:** Delivered during business hours to the Evolution Share Registry at Link Market Services Limited, 1A Homebush Bay Drive, Rhodes, NSW, 2138.

Proxy Forms must be received by the Evolution Share Registry by no later than 11:00am on 28 July 2015.

If you have an attorney sign a Proxy Form on your behalf, the original or a certified copy of the power of attorney or other evidence of your attorney's authority must be received by the Evolution Share Registry at the same time as the Proxy Form (unless previously provided to the Evolution Share Registry).

A proxy will be admitted to the Meeting upon providing evidence of their name and address at the point of entry to the Meeting.

Proxy appointments may be revoked by the delivery of a written revocation to Link Market Services' office at 1A Homebush Bay Drive, Rhodes, NSW, 2138.

By order of the Evolution Board



Evan Elstein  
Company Secretary  
23 June 2015

# Corporate directory

## Evolution Mining Limited

ABN 74 084 669 036

### Registered Office

Level 30, 175 Liverpool Street  
Sydney NSW 2000

## Legal Adviser

Herbert Smith Freehills  
Level 34, ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

## Evolution Share Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

## Evolution Shareholder Information Line

1300 653 497 within Australia  
+61 1300 653 497 outside Australia  
Open between 8:30am and 5.30pm (AEST) Monday to Friday.

## Stock Exchange Listing

Evolution ordinary shares are quoted by the Australian Securities Exchange (ASX: EVN).







**Evolution**  
MINING

ACN 084 669 036

**LODGE YOUR VOTE**

**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**BY MAIL**  
Evolution Mining Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

**BY FAX**  
+61 2 9287 0309

**BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

**ALL ENQUIRIES TO**  
Telephone: +61 1800 554 474 (free call within Australia)

**PROXY FORM**

I/We being a member(s) of Evolution Mining Limited and entitled to attend and vote hereby appoint:

**APPOINT A PROXY**

**the Chairman of the Meeting (mark box)** **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am (Sydney time) on Thursday, 30 July 2015 at the Sofitel Sydney Wentworth Hotel, 61 – 101 Phillip Street, Sydney NSW** (the **Meeting**) and at any postponement or adjournment of the Meeting.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

**VOTING DIRECTIONS**

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

**Resolution**

**Proposed issue of new Evolution Shares to La Mancha Group International B.V. (LM Vendor)**

Evolution Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

*That, for the purposes of item 7 of section 611 of the Corporations Act, approval is given for Evolution to issue to LM Vendor up to 445,884,850 Evolution Shares that will represent 31% of the Evolution Shares on issue, on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting and approval is also given for the purposes of any other approval necessarily required for the transactions contemplated under the La Mancha Transaction Agreements pursuant to the Corporations Act or the ASX Listing Rules.*

For Against Abstain\*

\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED**

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

**EVN PRX501F**



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in 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 A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Sydney time) on Tuesday, 28 July 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

Evolution Mining Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**