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## **ASX Announcement**

**26 November 2013**

### **CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING**

Good morning. It is my pleasure to welcome you to the Annual General Meeting of Evolution Mining Limited. We are delighted that you have been able to join us this morning.

My name is Jake Klein and I am Evolution's Executive Chairman. I would like to take this opportunity to make some opening remarks before we begin the formal business of today's meeting. Following the closure of the meeting I will be providing a more detailed presentation about the Company.

When Evolution Mining was formed in November 2011, we saw an opportunity to fill a void in the Australian mid-tier gold sector. At that time we put in place a very clear strategy as to how we believed we could capitalise on that opportunity.

We created a portfolio of five similar sized mines, all located in proven gold producing regions in Australia - a low political risk, first world jurisdiction with a high gold endowment. Through this portfolio approach and the benefits of operating solely within Australia, we have been able to deliver operational predictability, stability and growth.

Against the backdrop of the extremely challenging environment the gold industry is currently facing, I am both pleased and proud of the way Evolution has been able to respond and deliver to expectations. In the 2013 financial year we produced 392,920 ounces of gold equivalent at an average (C1) cash operating cost of A\$790/oz. This result was within our original guidance range. We were one of few gold companies who were able to deliver into unchanged full year guidance in terms of both production and costs - a satisfying outcome given the industry-wide cost pressures that prevailed over much of the year.

The 2013 financial year delivered a solid underlying EBITDA of A\$212 million and an underlying Net Profit of \$44m. However, a Net Loss of \$307 million was reported after recognition of impairment losses of \$384 million from the write down in the carrying value of assets following a review required by accounting standards. While disappointing, this impairment was largely a reversal of the fair value uplift of A\$343.1 million that was applied to assets when Evolution was formed in November 2011.

Mt Rawdon again performed strongly while Cracow maintained its reputation for stability and reliability producing very close to the previous year's production. We also achieved substantial production increases at both Edna May and Pajingo.

The key project highlight for the year was the successful completion of construction of the Mt Carlton gold-silver-copper project in Queensland. The first concentrate was produced on 25 March and commercial production later declared as at 1 July 2013. The ramp up in production has proceeded according to plan. This is the first new gold mine to be developed in Queensland in over a decade.

The safety of our workforce is of paramount importance and a core cultural value. I am therefore pleased to report that Evolution's safety performance saw a sustained improvement over the 2013 financial year. The total recordable injury frequency rate reduced significantly from 26.2 to 19.9 and the lost time injury frequency rate was also reduced from 7.1 to 3.7. Strategies to continuously identify and manage risks in the workplace remain a high priority.

Although we achieved production and development success, the 2013 financial year was a challenging year for all gold companies as the gold price fell sharply in the second half of the year. Evolution responded quickly to the lower gold price environment and implemented a number of productivity and efficiency initiatives across its operations. Importantly, all planning for the current financial year has been based on a gold price assumption of A\$1,400/oz such that at this price our operations will generate sufficient cash to cover all capital, a A\$20 million investment in exploration and all corporate expenditure, including interest and dividend payments. In addition, we took advantage of the small window that presented itself when the gold price rallied in August to secure the capital program at Edna May, by locking in an additional 156,000 ounces at a hedged price of \$1,598 to increase our total hedge book to 225,000 ounces at \$1,590. We thought this was a prudent step to take to ensure that the proposed capital investment at Edna May would deliver an appropriate return to shareholders.

Unless something unprecedented happens in the next six weeks, 2013 will mark the first year in more than a decade in which the US\$ gold price will end the year lower than where it started. Equity market sentiment towards gold stocks remains subdued. The sell-off throughout this year has led to gold equities now being the most undervalued they have been in over 30 years. Although the Evolution share price has not been able to escape the falls experienced by the broader sector, we believe we have a robust business that is able to continue to weather the storm and we are confident of emerging from this downturn as a stronger, more efficient gold company.

We are forecasting production in FY14 of between 400,000 - 450,000 ounces gold equivalent. (C1) cash operating costs are expected to be in the range of A\$770/oz - A\$820/oz, similar to that achieved in FY13, and we have guided Group All-in Sustaining Costs to between A\$1,080/oz - A\$1,130/oz. At a US dollar equivalent of under \$1000 an ounce this remains globally competitive in the gold industry.

Total Group capital expenditure, which includes all sustaining and growth capital, is planned to be in the range of A\$160 million to A\$185 million in FY14 which is less than half the amount spent in FY13 of A\$374.7 million. The bulk of the expenditure in FY14 is associated with the open pit cutbacks at Mt Rawdon and Edna May and underground development at Cracow and Pajingo.

We recognise that dividends are an important element of total shareholder returns. In February this year the Board of Evolution adopted a policy of, whenever possible, paying a dividend equivalent to 2% of the company's gold production. Our aim was to demonstrate a commitment to returning capital to shareholders that is consistent with the Company's operating performance. To me a highlight of the year was the declaration of our maiden royalty style gold-linked dividend. I am delighted that in an environment where most gold companies have suspended their dividend program we were able to pay our first dividend to shareholders. We also announced the planned implementation of a Dividend Reinvestment Plan which will give shareholders the option to re-invest all or part of any dividend paid in additional Shares instead of receiving the dividend in cash.

Our Board has undergone change over the past few months. Both Mr Paul Marks and Mr Peter Smith recently resigned from their roles as Non-Executive Director. Paul and Peter had served on the Board since the formation of Evolution in 2011. On behalf of the Board and management I would like to again express our sincere gratitude for the significant contribution they both made to the growth of the company over the past two years. We were pleased to announce the appointment of Mr Colin (Cobb) Johnstone at the end of September. I have very high respect for Cobb, having had a successful and enjoyable working relationship with him at Sino Gold and I look forward to building on this relationship working with him at Evolution.

The past year presented many challenges. It has taken a lot of hard work, commitment and perseverance from everyone involved - employees, shareholders and Directors. So, in concluding, I would like to thank you all for your commitment, energy and courage over the past 12 months. I look forward to working with you in the current year as we continue our exciting journey at Evolution.



**For further information please contact:**

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**About Evolution Mining**

Evolution Mining is a leading, growth-focused Australian gold miner. The Company operates five wholly-owned Australian mines – Cracow, Mt Carlton, Mt Rawdon and Pajingo in Queensland and Edna May in Western Australia.

Group production for FY13 totalled 392,886 ounces gold equivalent at an average cash cost of A\$790/oz. Production is set to increase in FY14 following completion of commissioning at the new Mt Carlton gold-silver copper mine. FY14 forecast production is 400,000 – 450,000 ounces gold equivalent with cash operating costs expected to be in the range of A\$770 – A\$820 per ounce. The additional costs of royalties, deferred open pit stripping, rehabilitation, sustaining capital and corporate overheads add approximately A\$310/oz providing for forecast Group All-in Sustaining Costs of A\$1,080/oz to A\$1,130/oz.