

# Quarterly Report

For the period ending 31 December 2012

## Highlights

### ***Delivering on guidance***

- Record quarterly Group gold production of 101,663 ounces – significantly above guidance for the quarter
  - Pajingo gold production of 24,340 ounces, up 55% on the September quarter, due to very high-grades from the Sonia orebody
- Group average December quarter cash cost of A\$764 per ounce – within FY13 cash cost guidance range
- FY13 production and cash cost guidance confirmed at 370,000 – 410,000 ounces gold equivalent at A\$730 – A\$790 per ounce
- Group safety performance continued to improve with the lost time injury frequency rate reduced to 5.5 and total recordable injury frequency rate reduced to 24.0; Pajingo, Cracow and Mt Rawdon LTI free

### ***Delivering a significant growth project***

- Commencement of commissioning at the Mt Carlton gold-silver-copper project with first concentrate production expected in the March quarter 2013

### ***Delivering on exploration upside***

- At Cracow, underground drilling confirmed the grade and continuity of the Coronation discovery and surface drilling confirmed the discovery of mineralisation west of Sovereign
- At Pajingo, mineralisation confirmed at Io along the Moonlight corridor over a 200m strike length; the mineralisation remains open down plunge and along strike

### ***Very strong financial position***

- A\$200 million unsecured corporate revolving debt facility placed with two major Australian banks; as at 31 December 2012, A\$81.8 million of the facility had been drawn
- Cash in bank as at 31 December 2012 was A\$49.2 million



## OPERATIONS

Record gold production of 101,663oz was achieved in the December quarter (Sep 2012 qtr: 94,446oz) at an average cash cost of A\$764/oz (Sep 2012 qtr: A\$732/oz). This result was significantly higher than production guidance for the quarter of 85,000 – 90,000oz and was within FY13 cash cost guidance.

Group gold production for the March quarter is forecast to be in the range of 85,000 – 90,000oz, despite the impact of flooding in Southern Queensland and the impact that it has had at Mt Rawdon (as reported to the ASX on 29 January 2013). Full year production and cost guidance remains unchanged.

Group safety performance continued to improve with the lost time injury frequency rate (LTIFR) reduced to 5.5 (6.2\*) and total recordable injury frequency rate (TRIFR) reduced to 24.0 (24.6\*). Pajingo, Cracow and Mt Rawdon were each LTI free in the December quarter.

\* September Quarter 2012 safety statistics have been restated following audit of monthly reporting and calculation processes.

### Consolidated Production and Sales Summary

	Units	Dec Quarter 2012	Sep Quarter 2012
<b>Total gold produced</b>	<b>oz</b>	<b>101,663</b>	<b>94,446</b>
Total silver produced	oz	84,747	79,743
<b>C1 Cash Cost<sup>1</sup></b>	<b>A\$/oz</b>	<b>764</b>	<b>732</b>
Total Cost <sup>2</sup>	A\$/oz	1,241	1,135
Gold sold	oz	103,258	90,960
Achieved gold price	A\$/oz	1,646	1,613
Silver sold	oz	84,747	79,743
Achieved silver price	A\$/oz	31	30

1. Before royalties and after silver credits

2. Includes cash costs, depreciation, amortisation, royalties and exploration

### Cracow, Queensland (100%)

The Cracow operation was LTI free during the quarter. The twelve-month moving average LTIFR reduced to 5.8 (9.3) and the TRIFR also reduced slightly to 31.5 (34.1).

December quarter production was 28,574oz of gold at a cash cost of A\$861/oz. This is an 11% increase compared with the September quarter production of 25,750oz at a cash cost of A\$736/oz.

Ore mined was slightly above budget with 124,207t mined at 7.37g/t Au. The primary ore source was Kilkenny while Roses Pride also provided a significant development ore source in the second half of the quarter.

Costs increased in the December quarter due to higher than expected contract mining costs, specifically in mobile equipment maintenance costs, power charges and manning. Unit costs are expected to reduce in the second half of FY13 following changes in the mobile equipment fleet (numbers and productivities) and the associated reduced manning numbers and improved efficiencies.

The mine exceeded the last quarter's development record by achieving 2,149m (1,847m) or averaging 716m per month. Capital development was 1,086m and operating development was 1,063m for the quarter. The development achieved was in-line with budgeted expectations and completed in the Kilkenny, Empire and Roses Pride ore bodies. This development will provide greater production flexibility by providing multiple, concurrent ore sources.

A total of 141,548t of ore was treated through the plant at an average grade of 6.70g/t Au. The tonnes throughput increased by 25% from the September quarter (113,000t) as crusher circuit issues were resolved and no major shutdowns were scheduled or occurred during the period. Plant utilisation improved to 97.7% (93.9%) and gold recovery was at 93.7% (93.9%).

## **Pajingo, Queensland (100%)**

The Pajingo operation was LTI free during the quarter and the twelve-month moving average LTIFR was reduced to 1.4 (4.8) and TRIFR reduced to 22.9 (23.8).

December quarter production increased to 24,340oz of gold, a 55% improvement compared with the September quarter production of 15,651oz. Cash costs decreased significantly to A\$695/oz (A\$966/oz).

The increase in gold production was largely due to the re-establishment of access to the high-grade material in the Sonia orebody as discussed in the September quarter. Significantly, the Sonia 725 E P2 stope produced 5,979t at 35.2g/t Au for 6,766oz. Further high grade material will be mined from Sonia over the remainder of the financial year where, as an example, 18,110t at 29.3g/t Au is planned to be mined from Sonia 746 E stope for 17,000oz.

Total underground development for the quarter was 1,186m (1,340m) comprising 845m of capital development and 341m of operating development. Underground ore mined for the quarter consisted of 79,151t grading 8.3g/t sourced from the Sonia, Jandam, Veracity, Zed, Vera South and Faith orebodies.

Commissioning of the Zed East Exhaust Ventilation Project was completed during the quarter. This new ventilation system will support future mining and exploration further east along strike of the Vera/Nancy trend.

Total material movement from the Venue/VNU open pit was 2,552,106t comprising 73,106t of ore at 1.4g/t Au and 2,479,000t of waste, which was ahead of schedule for the quarter (Sep 2012 qtr: 1,279,000t total; 11,000t of ore at 1.6g/t Au; and 1,268,000t waste).

Ore treated for the quarter lifted to 141,656t grading 5.55g/t Au at 96.2% gold recovery compared to the previous quarter (Sep 2012: 106,153t grading 4.77g/t Au, 96.1% gold recovery).

## **Edna May, Western Australia (100%)**

The Edna May operation recorded one LTI during the quarter; the twelve-month moving average LTIFR was 8.3 (6.7) and TRIFR was 24.8 (21.7).

Edna May produced 22,763oz of gold, compared to the record September quarter production of 25,925oz.

Cash costs increased to A\$838/oz compared with the September quarter of A\$752/oz, however, costs remain below FY13 cost guidance. The higher cost per ounce was largely the result of costs incurred for close out of contracts and the commencement of new contracts (mobilisation charges), in addition to increased costs associated with drill and blast.

Total material movement for the quarter was a record at 2,511,000t comprising 976,000t of ore at 0.95g/t Au and 1,535,000t of waste (Sep 2012 qtr: 1,956,000t total; 579,000t of ore at 1.30g/t Au; and 1,377,000t waste). Waste movements comprised 725,000t of capital waste and 810,000t of operating waste. Ore was predominantly sourced from the C cutback. Pre-strip work commenced in preparation for the next cutback which will ensure continuity of ore supply for the life of mine.

A total of 692,019t of ore was treated at an average grade of 1.15g/t Au and gold recovery of 89% (Sep 2012qtr: 658,380t at 1.32g/t Au, 93% gold recovery). Plant utilisation also improved significantly to 92.8% (84.5%), demonstrating improved reliability of the plant.

Contractor secondary crushing trials to increase the Edna May milling rate to above 3.0Mtpa commenced in January 2013. Early results have been encouraging. Crushing of meaningful quantities of ore will occur in the March quarter 2013.

**Edna May Open-pit: C Cutback December 2012**



### **Mt Rawdon, Queensland (100%)**

The Mt Rawdon operation was LTI free during the quarter and the twelve-month moving average LTIFR reduced to 3.9 (4.1). Two Medically Treated Injuries (MTIs) and one Restricted Work Injury (RWI) resulted in the TRIFR increasing to 19.5 (16.5).

December quarter production was 25,986oz of gold produced at a cash cost of A\$658/oz. This compares with the September quarter production of 27,121oz of gold at a cash cost of A\$576/oz and FY13 cost guidance of A\$600-A\$660/oz. Gold production in the quarter was in-line with expectations, with ore extraction continuing from the main ore zone of the Stage 2 cutback. The Stage 3 cutback progressed well and is on track to expose production ore quantities in FY2014 as planned.

Total material movement for the quarter was 5,076,000t, comprising 1,090,004t of ore at 0.92g/t Au and 3,986,276t of waste (Sep 2012 qtr: 5,159,000t total, 1,095,000t of ore at 0.93g/t Au, 4,064,000t waste). Total waste mined comprised 3,292,404 tonnes of capital waste and 693,872 tonnes of operating waste.

A total of 850,281t of ore graded at 1.04g/t Au was treated in the quarter, a decrease on the September quarter (Sep 2012 qtr: 870,647t at 1.05g/t Au). Average throughput for the quarter was 9,242tpd (Sep 2012 qtr: 9,464tpd).

**Mt Rawdon Open-pit: Stage 3 Cutback December 2012**



## December Quarter 2012 Production

December 2012 Quarter	Units	Cracow	Pajingo	Edna May	Mt Rawdon	Total/ Average
UG lateral development - capital	m	1,086	845	0	0	1,838
UG development - operating	m	1,063	341	0	0	1,497
Total UG lateral development	m	2,149	1,186	0	0	3,335
UG ore mined	kt	124	79	0	0	203
UG grade mined	g/t	7.37	8.30	0	0	7.73
OP capital waste	kt	0	1,425	725	3,292	5,443
OP operating waste	kt	0	1,055	810	694	2,558
OP ore mined	kt	0	73	976	1,090	2,139
OP grade mined	g/t	0	1.41	0.95	0.92	0.95
Total ore mined	kt	124	152	976	1,090	2,342
Total tonnes processed	kt	142	142	692	850	1,826
Grade processed	g/t	6.70	5.55	1.15	1.04	1.87
Gold recovery	%	94	96	89	91	93
<b>Gold produced</b>	<b>oz</b>	<b>28,574</b>	<b>24,340</b>	<b>22,763</b>	<b>25,986</b>	<b>101,663</b>
Silver produced	oz	24,920	24,170	11,241	24,416	84,747
Gold sold	oz	29,035	24,745	24,695	24,784	103,258
Achieved gold price	A\$/oz	1,646	1,642	1,655	1,639	1,646
<b><u>Cost Summary</u></b>						
Mining	A\$/oz	589	444	373	238	416
Processing	A\$/oz	181	213	510	340	303
Administration and selling costs	A\$/oz	92	111	129	86	103
Deferred waste and stockpile adjustments	A\$/oz	26	(43)	(159)	22	(33)
By-product credits	A\$/oz	(27)	(31)	(15)	(29)	(26)
<b>C1 Cash Cost</b>	<b>A\$/oz</b>	<b>861</b>	<b>695</b>	<b>838</b>	<b>658</b>	<b>764</b>
Royalties	A\$/oz	85	74	80	72	78
Depreciation & Amortisation – Acquisition <sup>1</sup>	A\$/oz	36	69	0	172	71
Depreciation & Amortisation – Operations <sup>2</sup>	A\$/oz	403	315	201	371	328
<b>Total Cost</b>	<b>A\$/oz</b>	<b>1,384</b>	<b>1,152</b>	<b>1,119</b>	<b>1,273</b>	<b>1,241</b>

1. Depreciation & Amortisation – Acquisition: represents the depreciation and amortisation of the fair value

2. Depreciation & Amortisation – Operations: represents the depreciation and amortisation of book value of asset and where applicable the estimated cost of future mine development.

## FY13 Production Summary

July 2012 to December 2012	Units	Cracow	Pajingo	Edna May	Mt Rawdon	Total/Average
UG lateral development - capital	m	2,618	1,727	0	0	4,252
UG development - operating	m	1,379	798	0	0	2,270
Total UG lateral development	m	3,996	2,526	0	0	6,522
UG ore mined	kt	248	167	0	0	415
UG grade mined	g/t	7.33	6.84	0.00	0.00	7.13
OP capital waste	kt	0	2,659	2,094	6,626	11,379
OP operating waste	kt	0	1,055	818	1,425	3,297
OP ore mined	kt	0	84	1,555	2,185	3,824
OP grade mined	g/t	0	1.43	1.08	0.93	1.00
Total ore mined	kt	248	251	1,555	2,185	4,239
Total tonnes processed	kt	254	248	1,350	1,721	3,574
Grade processed	g/t	7.07	5.22	1.23	1.05	1.84
Gold recovery	%	94	96	91	92	93
<b>Gold produced</b>	<b>oz</b>	<b>54,324</b>	<b>39,991</b>	<b>48,687</b>	<b>53,107</b>	<b>196,110</b>
Silver produced	oz	47,450	40,503	22,042	54,496	164,490
Gold sold	oz	53,526	39,941	49,476	51,276	194,219
Achieved gold price	A\$/oz	1,633	1,633	1,628	1,628	1,630
<b><u>Cost Summary</u></b>						
Mining	A\$/oz	566	570	263	258	408
Processing	A\$/oz	192	249	525	333	324
Administration and selling costs	A\$/oz	102	129	121	92	110
Deferred waste and stockpile adjustments	A\$/oz	(31)	(116)	(104)	(36)	(68)
By-product credits	A\$/oz	(27)	(31)	(14)	(31)	(26)
<b>C1 Cash Cost</b>	<b>A\$/oz</b>	<b>802</b>	<b>800</b>	<b>792</b>	<b>616</b>	<b>749</b>
Royalties	A\$/oz	81	78	72	77	77
Depreciation & Amortisation – Acquisition <sup>1</sup>	A\$/oz	52	64	0	174	74
Depreciation & Amortisation – Operations <sup>2</sup>	A\$/oz	310	275	199	363	290
<b>Total Cost</b>	<b>A\$/oz</b>	<b>1,245</b>	<b>1,217</b>	<b>1,063</b>	<b>1,229</b>	<b>1,190</b>

1 Depreciation & Amortisation – Acquisition: represents the depreciation and amortisation of the fair value

2 Depreciation & Amortisation – Operations: represents the depreciation and amortisation of book value of asset and where applicable the estimated cost of future mine development.

## **Mt Carlton, Queensland (100%)**

The Mt Carlton gold-silver-copper project incurred one LTI during the quarter. The twelve-month moving average LTIFR reduced to 6.8 (8.7) and TRIFR reduced to 22.4 (27.4).

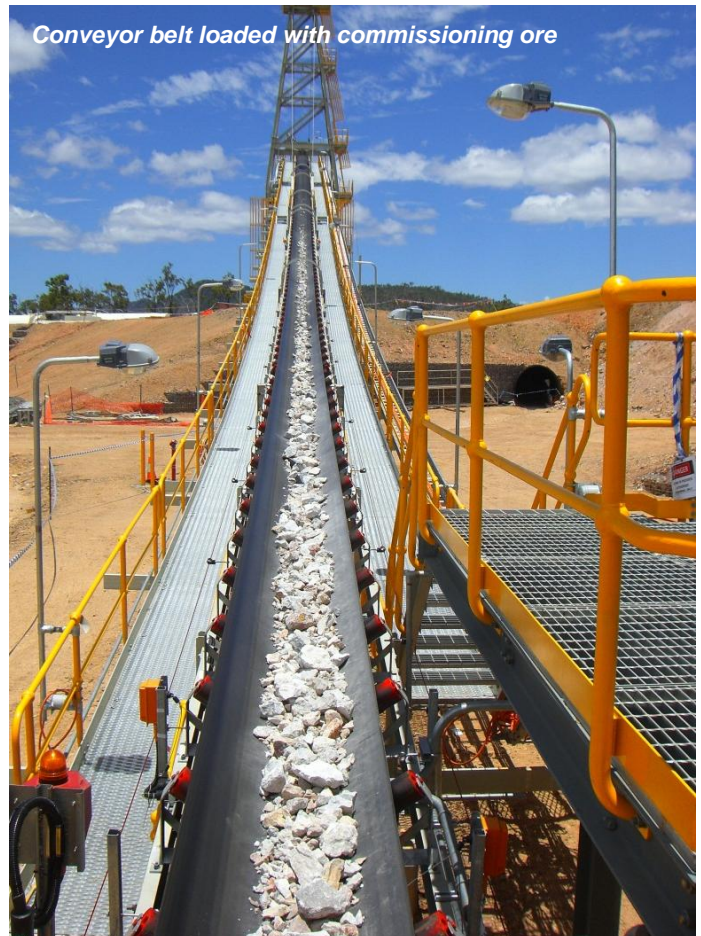
Evolution made significant progress at Mt Carlton during the December quarter. Key milestones included the completion of the Tailings Storage Facility and Main Water Dam and, at the end of the quarter, the commencement of project commissioning.

Structural Mechanical Piping progressed with all structural works complete and major mechanical equipment installed. The only outstanding works were completion of small bore pipework, connection of the switchrooms for the flotation and concentrate areas, and the programming of the plant control system. First concentrate production, from the silver rich A39 deposit, is expected in the March quarter 2013.

Development of both the A39 and V2 open pits advanced with a total of 2.9 million tonnes of material (predominantly waste) being mined during the quarter. Mining focussed mainly on the delivery of suitable materials for completion of the site infrastructure.

Capital expenditure at Mt Carlton totalled A\$52.1 million in the quarter consisting of growth capital of A\$39.9 million related to project construction; accelerated capital of A\$11.3 million related to the advanced stripping of the V2 orebody; and sustaining capital of A\$0.9 million related to the purchase of light vehicles and plant spares. Expenditure to date in FY13 is A\$77.3 million (project to date: A\$162 million). Project costs will be finalised upon completion of the project in the March quarter with an expectation that they will be approximately A\$180 million, being at the upper end of the previously released guidance.

The primary targets for the March quarter include operational readiness and integration of Evolution's processing team with the commissioning team to ensure a smooth transition into the operating phase.





*Tailings Storage Facility at Mt Carlton*



*Mining progress at A39 open pit*



*SAG mill in readiness for commissioning*



*Mt Carlton ROM stockpile - A39 open pit ore*

## EXPLORATION

During the quarter, exploration drilling (diamond and RC) totalled 33,071m and resource definition drilling totalled 25,186m. A significant proportion of this drilling was completed at Pajingo and Cracow (30,441m) where infill and extensional drilling has confirmed high-grade zones of mineralisation, extensions to known orebodies and additional resource potential from new discoveries.

Exploration highlights from the quarter include:

- At Pajingo, significant intercepts from both surface and underground drilling is anticipated to replace depletion and lead to an overall increase in potential reserves and resources. In addition work is focussing on decoding the map patterns to understand the effect of post-mineral basin inversion on telescoped low-sulphidation epithermal systems. This work is significant, both to current mining area and to the eastern half of the tenement holding where approximately 150km<sup>2</sup> of outcropping andesite host rocks have seen less rigorous exploration.
- At Cracow, drilling is on track to add additional Ore Reserves of 160,000 to 180,000oz gold prior to anticipated mining depletion of 100,000oz in FY13. In addition two new high-grade veins, Denmead and Griffin were discovered.
- At Edna May, work focussed on expanding the mineable resource was completed at Greenfinch, while regional work included completion of an airborne magnetic and radiometric survey over the Holleton tenements.
- At Mt Carlton, encouraging drilling and regional surface geochemical sampling continue to support the regional prospectivity of the broader Capsize trend.



The strategic tenement position at the end of December 2012 is summarised in the table below.

Operation / Project	Granted (km <sup>2</sup> )	Application (km <sup>2</sup> )	Total (km <sup>2</sup> )	Stage
Pajingo	1,403	90	1,493	Mine / Brownfield
Mt Carlton	1,440	0	1,440	Mine / Brownfield
Mt Rawdon	623	513	1,136	Mine / Brownfield
Cracow	551	0	551	Mine / Brownfield
Edna May	770	421	1,191	Mine / Brownfield
Holleton	788	0	788	Greenfield
Twin Hills	128	24	152	Brownfield / Greenfield
<b>TOTAL</b>	<b>5,703</b>	<b>1,048</b>	<b>6,751</b>	

### Cracow, Queensland

At Cracow, exploration is on track to add additional Ore Reserves of 160,000 to 180,000oz gold prior to anticipated mining depletion of 100,000oz in FY13. The near-mine exploration programmes are focussed on bringing to account new Mineral Resources to replace those converted to Ore Reserves. Regional exploration programmes within the tenement holding are being explored to ascertain the potential for undiscovered low-sulphidation vein systems and associated porphyries.

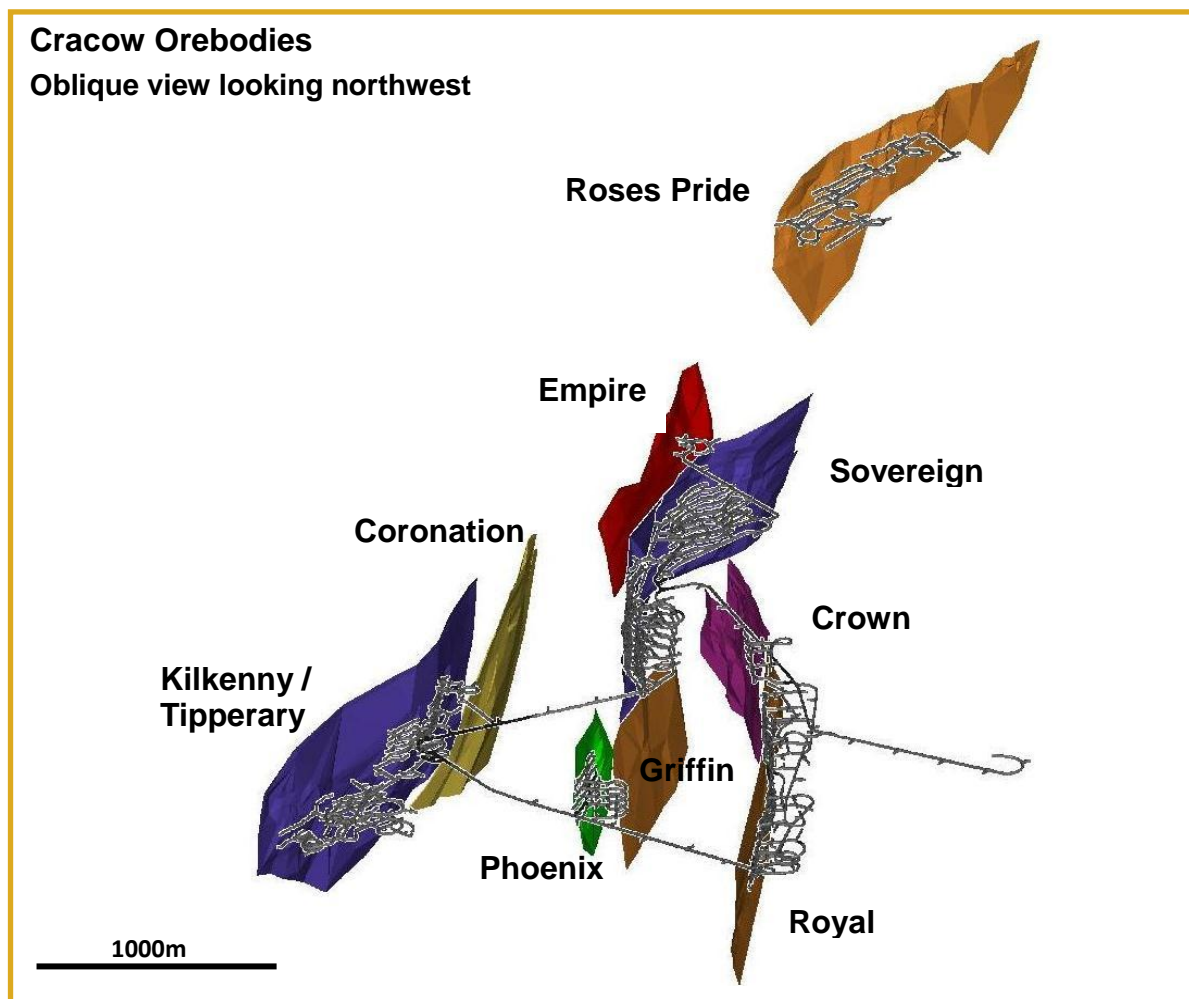


Figure 1: Schematic showing Cracow orebodies and mine development

## Mine Lease Exploration

Underground drilling of the Coronation mineralisation continued with ten holes for 3,908m completed. Results to date (gold grade and thickness) are consistent with previous modelling of the structure. Drilling is soon to be completed, with an Inferred Resource estimate due in the June quarter 2013. Significant results included:

- 2.9m (2.81m estimated true width “ETW”) grading 33.40g/t Au (CNU003)
- 7.1m (6.53m ETW) grading 7.46g/t Au (CNU005)
- 8.0m (7.35m ETW) grading 6.90g/t Au (CNU005)

This drill programme also tested east-west striking mineralisation identified in the previous quarter between the Coronation and Sovereign orebodies. Significant results included:

- 11m (1.25m ETW) grading 8.44g/t Au (CNU005)
- 13m (0.54m ETW) grading 3.99g/t Au (CNU008)

Drilling from surface to better test this newly identified mineralisation, now referred to as the “Denmead” structure, commenced during the quarter.

Underground drilling was completed on the Griffin structure (formally known as “180 Structure”) located approximately 100m to the east and parallel to the Phoenix lode. A Mineral Resource estimate for the Griffin structure will be completed in the March quarter 2013. Several significant results were received from this drilling and included:

- 3.3m (2.75m ETW) grading 9.56g/t Au (PHU042)
- 7.6m (6.86m ETW) grading 5.88g/t Au (PHU044)

## Regional Exploration

In the eastern section of the southern Cracow Field, drilling tested mapped veins and blind veins defined by gradient array IP for epithermal mineralisation with generally disappointing results. However, KRC126 intersected approximately 120m of altered andesite grading roughly 0.1% copper, and when extended the diamond tail intersected altered porphyry dyke grading 0.3% copper between 348-378m. Further work to understand the significance of this within the context of epithermal-porphyry model is being undertaken.

## Pajingo, Queensland

Resource definition drilling for the quarter focused on Sonia, Sonia East, Zed and Eva lodes underground. Near mine surface exploration was undertaken at Orchid, where potential open-pit targets were tested and current areas of known mineralisation extended with the aim of converting to a maiden resource. Regional exploration at the Moonlight prospect (Moonlight and Io) and the Starlight Corridor continued.

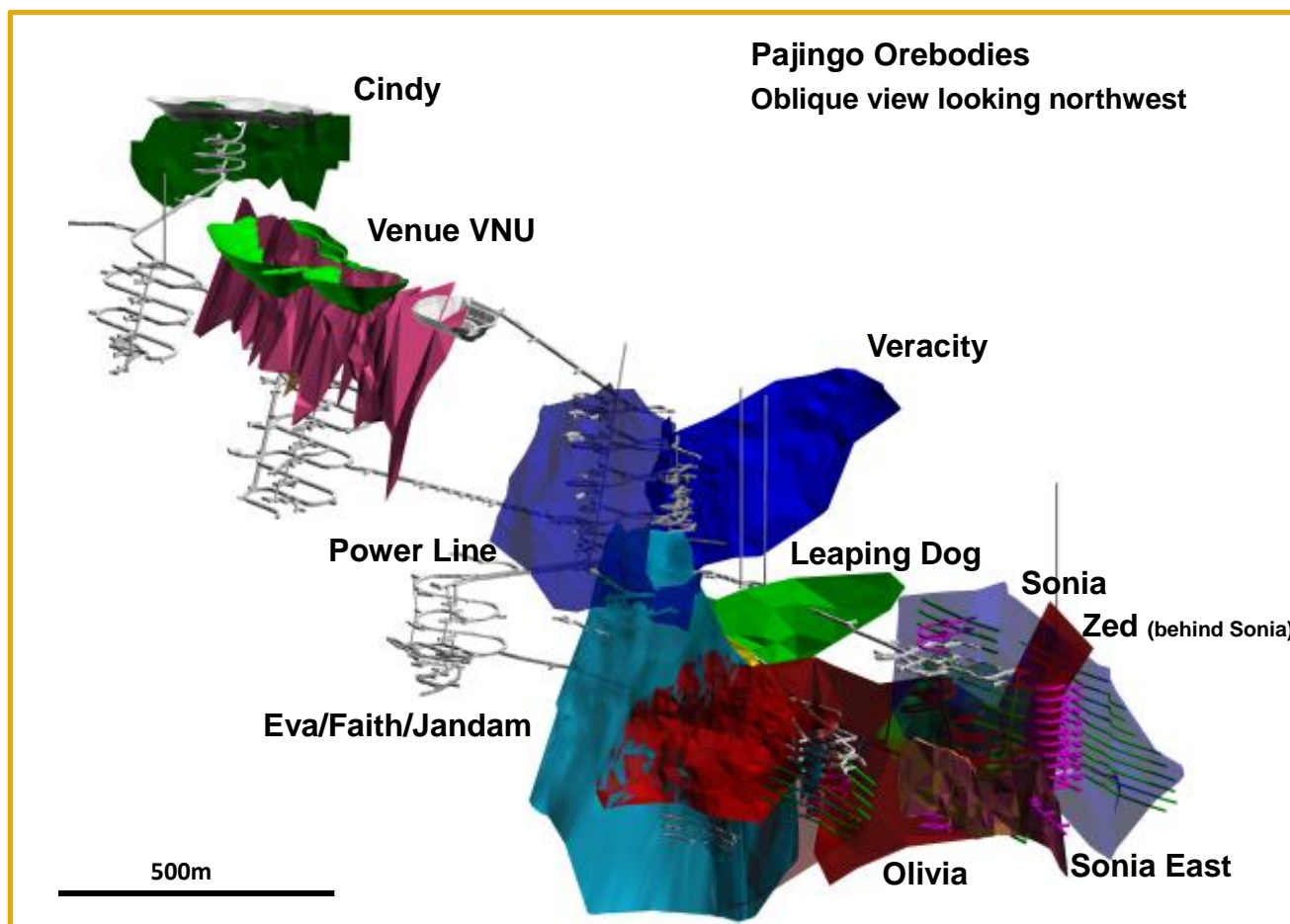
### Sonia

Two drill programmes were completed in two separate parts of the Sonia orebody to better define the higher grade mineralisation. The 16 hole programme for 1,811m was drilled in the lower east of the Sonia ore body infilling a structurally complex high grade area of the lode. Significant assays returned included:

- 5.57m grading 13.97 g/t (0736\_03\_SN)
- 2.18m grading 12.95 g/t (0736\_06\_SN)
- 3.97m grading 77.00 g/t (0736\_14\_SN)
- 3.81m grading 20.54 g/t (0736\_14\_SN)
- 4.49m grading 97.11 g/t (0736\_17\_SN)

At depth, the lode splits into at least two structures characterised by a dominant footwall lode (main lode) and subordinate hanging wall splay splits. These results are important as they indicate that the high-grade veins currently mined in the Sonia orebody continue at depth within a structurally complex area where multiple high-grade veins are developed.

Indications from the drill programmes are that the Sonia lode remains open at depth and up dip. Further drilling will be undertaken to extend and define these lodes in the second half of the financial year.



**Figure 2: Schematic showing Pajingo orebodies and mine development**

### Sonia East

Two programmes (16 holes for 1,758m) were undertaken at Sonia East with the intention of infilling high-grade areas and extending the lode along strike to the east. Significant intersections from the programmes included:

- 1.8m grading 25.55g/t Au (0772\_03\_SE)
- 2.4m grading 16.69g/t Au (0772\_05\_SE)
- 0.7m grading 29.20g/t Au (0772\_13\_SE)

During the March quarter 2013, high-grade veins will be targeted from better located underground drill cuddies to extend the lode both up and down-dip.

### Eva

Three substantial extension and infill programmes have been undertaken at Eva over the last six months, with the last of these completed during the quarter. The programmes aimed to extend the Eva structure to the east, west and down dip and infill to a 20 x 20m drill spacing. The final programme (17 holes for 2713.3m) targeted the central and lower parts of Eva. Better intersections from the results this quarter included:

- 8.44m grading 20.63g/t Au from 109.06m (0709\_13\_FA)
- 1.20m grading 8.42g/t Au from 158.4m (0709\_02\_FA)

Hole 0709\_13\_FA was significant as it is located 100m below current development and in an area with relatively broad spaced drilling. It is typical of the Jandam vein-style mineralisation and clearly shows the short-range variation that exists in the smaller high-grade structures at Pajingo. Follow up drilling has been planned around this intersection interpreted as a down dip extension of the Jandam mineralisation. Most other intersections were in the range of 0.5-1.5m in true width with gold grades ranging between 5g/t and 10g/t.

## **Zed**

Three diamond drill programmes from six underground locations were drilled during the quarter and focussed on the upper Zed orebody between the Zed East and Zed West mining areas. The programmes were designed to better define areas of high-grade Inferred Resource and resolve the structural complexity in some zones.

A drill programme (10 holes for 1314.3m) tested the area between Zed West and Zed East and converted the resource to indicated status between these areas. Significant drill results for the quarter include:

- 9.22m grading 5.88g/t Au from 95.55m (0895\_14\_ZW)
- 1.40m grading 59.01g/t Au from 81.2m (0895\_06\_ZW)
- 4.60m grading 29.21g/t Au from 83.8m (0895\_06\_ZW)
- 4.66m grading 8.17g/t Au from 60.1m (0895\_26\_ZW)

Drill programme 0771\_ZE (3 holes for 404m) aimed to extend the Zed East high-grade shoot down-dip and further west. Drill results for the quarter included:

- 3.65m grading 14.95g/t Au from 136.55m (0771\_22\_ZE)
- 1.60m grading 18.02g/t Au from 31.2m (0771\_27\_ZE)
- 2.8m grading 32.52g/t Au from 121.9m (0771\_27\_ZE)

The encouraging results from these programmes demonstrate the consistency of vein development and gold mineralisation at Zed, but also highlight and bring to account previously unrecognised high-grade veins within the Zed East and Zed West areas.

## **Near Mine Exploration**

Near mine exploration during the quarter focussed on drilling at Orchid to test open pit potential.

### ***Orchid***

Ongoing drilling at the Orchid orebody focussed primarily on a near surface high-grade zone located to the north-east of the Vera pit. During the quarter, nine holes for 1,494m were completed at Orchid to further test surface mineralisation within the andesite host rocks. Results will form the basis of a geological interpretation and economic assessment in the June quarter 2013. Significant results from this programme included:

- 7m grading 1.66g/t Au from 1m depth (ORRC16)
- 5m grading 4.20g/t Au from 91m depth (ORRC17)
- 8m grading 1.20g/t Au from 56m depth (ORRC18)
- 7m grading 1.20g/t Au from 69m depth (ORRC18)
- 2m grading 3.94g/t Au from 57m depth (ORRC24)

## **Regional Exploration**

Regional exploration focused on drilling at Io, part of the Moonlight prospect area, 1.5km to the south-east of Sonia East, currently the eastern-most extent of underground workings. In addition, further drilling was undertaken on the Starlight vein systems located 2km from the Vera portal.

### ***Moonlight and Io***

The Moonlight-Io discovery is significant in that it represents the south-eastern most portion of the epithermal field from which a number of high-grade, potentially economic veins systems have been intersected.

During the quarter drilling continued to focus on the north-east trending Io structure located approximately 200m south-east of the main Moonlight mineralisation. To date the vein hosted gold mineralisation has been broadly defined over approximately 200m of strike length. A total of six holes for 2,109m were completed at Io during the period with best results listed below:

- 6.9m grading 2.53g/t Au from 441m including 0.9m grading 8.53g/t from 446.1m (JMRD3848)
- 8.1m grading 6.17g/t Au from 417.4m including 2.7m grading 12.20g/t Au from 422.8m (JMRD3897)
- 2.1m grading 12.82 g/t Au from 434.1m (JMRD3917)

## ***Starlight Corridor***

Drilling during the quarter focussed on the Starlight A prospect where surface rock chips assaying up to 60.3 g/t gold confirmed the location of high-grade quartz veins. The outcrop is characterised by a quartz vein up to 2m wide which has been mapped over a strike length of 200m. Eight reverse circulation drillholes for 1,280m tested the structure to a vertical depth of 50m with best results listed below:

- 2.0m grading 5.81g/t Au from 0m including 1m grading 10.8g/t Au from 1m (JMR3905)
- 5.0m grading 1.73g/t Au from 8m including 1m grading 7.65g/t Au from 12m (JMR3905)
- 3.0m grading 3.43g/t Au from 23m (JMR3906)
- 4.0m grading 1.79g/t Au from 9m including 1m grading 5.78g/t Au from 10m (JMR3907)

## **Edna May, Western Australia**

### **Resource Definition**

At Edna May, a revised geologic interpretation and resource model was completed on the Greenfinch deposit subsequent to drilling in the September quarter with results to be included in the 2013 Mineral Resource Statement.

### **Regional Exploration**

#### ***Holleton***

The Holleton project is located some 70km to the south of Edna May within the Southern Cross Province of the Yilgarn Craton. A high-resolution airborne magnetic survey was completed over the licence area, while smaller more detailed surveys will be flown over the Symes and Brahma prospects at the beginning of the March quarter. The results of this survey combined with other datasets will be used to generate and prioritise drill targets. It is anticipated that drill testing of these targets will commence in the March quarter 2013.

## **Mt Rawdon, Queensland**

### **Resource Definition**

Twenty holes totalling 7,206m were completed during the quarter aimed at converting the existing Inferred Resources to the Indicated category. Significant intersections included:

- 21m grading 1.45g/t Au from 267m (MTRRCD0005)
- 36m grading 0.88g/t Au from 253m (MTRRCD0012)
- 24m grading 0.70g/t Au from 331m (MTRRCD0017)
- 91m grading 0.65g/t Au from 265m (MTRRCD0018)
- 31m grading 0.96g/t Au from 303m (MTRRCD0020)

These results will form the basis of a geological interpretation and economic assessment in the June quarter 2013.

### **Mine Lease Exploration**

A pole-dipole IP geophysical survey was completed over the Rawdon South prospect, located 1km south of the Mt Rawdon pit. A broad moderate-level anomaly and a second smaller elongate chargeability anomaly were defined. Further geophysical interpretation and follow up fieldwork will commence in the March quarter 2013 to refine the location of potential drill sites.

### **Regional Exploration**

#### ***Mt Shamrock Intrusive Complex***

Detailed ground magnetic and gradient array geophysical surveys were completed across the Mt Shamrock Intrusive Complex area (Mt Shamrock and Mt Ophir prospects). Initial interpretation work has outlined a number of chargeability anomalies associated with altered intrusive bodies.

## Mt Carlton, Queensland

### Regional Exploration

During the quarter, major data acquisition programmes continued comprising regional multi-element soil sampling, interpretation of detailed airborne magnetics, radiometric surveys and geological mapping. This included the collection of 10,000 soil samples for low-level multi-element analysis (95% of the planned programme). Initial results from the soil survey have identified coincident gold, silver and copper soil geochemical anomalies at the Boundary prospect southwest of Mt Carlton and the Ortiz and Strathmore prospects towards the eastern end of the Capsize trend.

In addition, 8,466m of drilling was completed to test recently acquired regional pole-dipole IP targets in the near mine area, follow up drilling in the Mt Carlton United prospect area, and other geophysical targets along the Capsize trend to the east of ML10343.

Hole HC12DD106, located 2.5km west of the mine development, targeted outcropping silica-clay alteration on the margin of a broad magnetic low and coincident near surface chargeability anomaly. This hole intersected multiple zones of breccia and altered intrusive rocks with visible mineralisation (chalcopyrite, enargite). Assay results for HC12DD106 included 32m grading 0.92g/t Au, 3.4g/t Ag and 0.03% Cu from 57m and 8m grading 0.78g/t Au, 4.8g/t Ag and 0.19% Cu from 105m.

This interval included a higher-grade zone from 64-71m, 7m at 3.11 g/t Au, 4.2 g/t Ag and 0.04% Cu. The results are encouraging and reflect the widespread low-level gold mineralisation associated with the breccias, and higher-grade gold results associated with zones of better-defined quartz-sulphide veining. Further drilling will be undertaken during the March quarter.

At the Mt Carlton United prospect, located 2km west of the A39 deposit, a drill programme was undertaken to confirm historical intercepts and identify geological and structural controls on mineralisation. The holes intersected high-sulphidation styles of alteration (silica-kaolin-alunite), with broad zones of silica-sulphide healed breccias and quartz veining similar to mineralised systems at Mt Carlton. Better results included:

- HC12DD089: 13m grading 1.19g/t Au, 48g/t Ag and 0.60% Cu (2.71 g/t Au equivalent) from 69m
- HC12DD090: 42m grading 0.60g/t Au, 26g/t Ag and 0.17% Cu (1.26 g/t Au equivalent) from 26m
- HC12DD091: 15.3m grading 2.15g/t Au, 72g/t Ag and 1.5% Cu (5.07 g/t Au equivalent) from 45m
- HC12DD093: 19m grading 0.62g/t Au, 10.6g/t Ag and 0.16% Cu (1.00g/t Au equivalent) from 21m
- HC12DD095: 11m grading 0.73g/t Au, 12g/t Ag and 0.04% Cu (1.02g/t Au equivalent) from 9m
- HC12DD098: 7m grading 0.73g/t Au, 15g/t Ag and 0.11% Cu (1.16g/t Au equivalent) from 47m

Note: Au equivalence based on current resource statement conversions with 1g/t Au =47.17 g/t Ag, 1g/t Au =0.963% Cu.

The resource model for this prospect is being updated to include the new data.

## CORPORATE

### Financial performance

Revenue for the quarter of A\$172.6 million included record gold sales of 103,258oz at an average gold price of A\$1,646/oz.

Group Cash operating costs (C1) were A\$77.7 million, or A\$764/oz (A\$732/oz prior quarter), in the mid-range of the FY13 guidance of A\$730-A\$790/oz. The Company's estimated All-in Cash Cost for the quarter was A\$1,127/oz (see "All-in Cash Cost" section).

The increase in operating costs in the quarter was partly driven by higher volumes, relating to the 7.6% increase in gold production compared to the prior quarter, but also due to increased costs at Cracow. Costs at Cracow increased due to unbudgeted mining contractor costs in November but have since returned to normal levels. Royalties were an additional A\$7.9 million expense.

Total depreciation and amortisation (D&A) expense was A\$40.6 million or A\$399/oz. Total D&A was higher than the prior quarter due to gold mined being 6% higher than gold produced. On a Group basis, D&A is expected to trend around the current year-to-date D&A figure of A\$364/oz.

Exploration costs in the quarter were A\$9.0 million compared to A\$7.3 million for the prior quarter.

### Corporate

Corporate administration costs were A\$5.1 million compared to A\$6.4 million for the prior quarter.

During the quarter, the Company placed a A\$200 million non-secured corporate revolving debt facility with two major Australian banks. The existing A\$31.5 million Edna May project finance facility was refinanced into this new facility, with the facility drawn to A\$81.8 million at quarter end.

The gold hedge book commitment at quarter end was 189,369oz at an average price of A\$1,573/oz.

### Cash Flow

Cash in bank at 31 December 2012 was A\$49.2 million (A\$72.6 million at 30 Sept 2012). Cash inflow in the quarter was A\$119 million made up of A\$73.8 million from operating activities and A\$45.5 million from debt draw down (after financing fees). Cash outflow was A\$142 million on capital expenditure, exploration and corporate and included a A\$21.6 million outflow due to a reduction in creditors.

Positive Group cash flow is forecast to commence in the June quarter of 2013, post the completion of Mt Carlton construction and with the contribution of Mt Carlton concentrate sales.

### Capital Expenditure

Total capital expenditure in the quarter was A\$104.3 million, with A\$52.2 million invested on operating mines and A\$52.1 million invested at the Mt Carlton project.

### FY13 Capital Expenditure Forecast

Capital invested in H1 of FY13 was A\$210 million, with a forecast capital expenditure for H2 of A\$149 million. Whilst Mt Carlton accounts for the largest capital investment in FY13, the balance is largely associated with open-pit cut backs (Mt Rawdon and Edna May) and underground mine development (Pajingo and Cracow) which is planned to secure and extend the mine life at all of these operations.

Planned investment in H2 of FY13 is approximately A\$25 million each at Cracow, Pajingo and Edna May, with A\$40 million at Mt Rawdon and A\$33 million at Mt Carlton (A\$20 million on project construction). At Edna May, waste stripping has been accelerated in line with the expected increased processing rate provided by the increased crushing capacity (currently being trialled). This decision accelerates the expenditure of A\$14 million of capital into FY13 but potentially delivers increased gold production.

As previously disclosed, Mt Rawdon development capital associated with Stages 3 and 4 cutbacks in years FY13, FY14 and FY15 totals some A\$135 million and is planned to average approximately A\$50 million in FY13 and FY14, reducing to A\$35 million in FY15. This cutback delivers a LOM operating strip ratio (waste:ore ratio) of 0.89:1.

The development expenditure at Cracow and Pajingo is aimed at increasing reserves and resources and improving future operational flexibility.

### All-in Cash Costs

The use of Cash Operating Cost "C1" per ounce as a non-GAAP performance measure is an industry standard operating benchmark. It is recognised that the measure does not capture other costs which may lead to a better appreciation of the cash generating capability of an operation under review. The gold industry is moving towards defining a consistent, industry-wide standard of "All-in Cash Costs" to capture and reflect these additional costs.

In anticipation of this move, Evolution has reported All-in Cash Costs using the following definition: "All-in Cash Costs" include C1 Cash Cost, plus royalty expense, plus sustaining capital expense, plus general corporate and administration expenses plus exploration expense. Growth capital is excluded as the measure seeks to reflect the cost of production from current operations.

The Company's All-in Cash Cost for the December 2012 quarter was A\$1,127/oz.

### All-in Cash Cost Summary

	Units	Cracow	Pajingo	Edna May	Mt Rawdon	Group
C1 Cash Cost	A\$/oz	861	695	838	658	764
Royalty	A\$/oz	85	74	80	72	78
Sustaining Capex	A\$/oz	207	249	99	138	175
General & Admin	A\$/oz	44	52	56	49	50
Exploration Expense	A\$/oz	122	63	29	19	61
<b>All-in Cash Cost</b>	A\$/oz	<b>1,319</b>	<b>1,132</b>	<b>1,101</b>	<b>936</b>	<b>1,127</b>



## Conference Call

Jake Klein (Executive Chairman), Tim Churcher (VP Finance and Chief Financial Officer), Mark Le Messurier (Chief Operating Officer), and Roric Smith (VP Discovery and Chief Geologist) will be hosting a conference for investors and media to discuss the Quarterly results on **Wednesday, 30 January, at 11:00am (AEDT)**.

A live audio stream of the conference call will be available on the Company website [www.evolutionmining.com.au](http://www.evolutionmining.com.au) and uploaded for replay shortly after the conclusion of the call.

Dial-in numbers are as follows:

- Australia: 1800 153 721
- New Zealand: 0800 442 709
- United States: 1866 307 0659
- Canada: 1866 307 0658
- United Kingdom: 0808 238 9067
- Switzerland: 0800 000 601
- International Toll Number: +61 2 8212 8333

Participant PIN Code: 580383#

## Competent Person Statement

The information in this report that relates to exploration results, Mineral Resources or Ore Reserves listed in the table below is based on work compiled by the person whose name appears in the same row, who is employed on a full-time basis by the employer named in that row and is a member of the institute named in that row. Each person named in the table below has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he or she has undertaken to qualify as a Competent Person as defined in the 2004 edition of the JORC Code. Each person named in the table consents to the inclusion in this report of the matters based on his or her information in the form and context in which they appear.

	Name of Competent Person	Employer	Institute
Cracow Resource Definition and Exploration Results	Shane Pike	Evolution Mining	Australasian Institute of Mining and Metallurgy
Pajingo Exploration Results	Brentan Grant	Evolution Mining	Australian Institute of Geoscientists
Pajingo Resource Definition Results	Calvin Ferguson	Evolution Mining	Australasian Institute of Mining and Metallurgy
Edna May Resource Definition and Exploration Results	Luke Cox	Evolution Mining	Australasian Institute of Mining and Metallurgy
Mt Carlton Exploration Results	David Hewitt	Evolution Mining	Australian Institute of Geoscientists
Mt Rawdon Exploration Results	Craig Bosel	Evolution Mining	Australasian Institute of Mining and Metallurgy

## **CORPORATE INFORMATION**

ABN 74 084 669 036

### **Board of Directors**

Jake Klein	Executive Chairman
Jim Askew	Non-Executive Director
Lawrie Conway	Non-Executive Director
Graham Freestone	Non-Executive Director
Paul Marks	Non-Executive Director
John Rowe	Non-Executive Director
Peter Smith	Non-Executive Director

### **Company Secretary**

Evan Elstein

### **Investor Enquiries**

Donna Kelly and Liesl Kemp  
Investor Relations  
Evolution Mining Limited  
Tel: (618) 6216 9700

### **Media Enquiries**

Suk Hee Lee  
FTI - Media Relations  
Tel: (612) 8298 6100

### **Internet Address**

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### **Registered and Principal Office**

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### **Share Register**

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Tel: 1300 554 474 (within Australia)  
Tel: (612) 8280 7111  
Fax: (612) 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

### **Stock Exchange Listing**

Evolution Mining Limited shares are listed on the Australian Securities Exchange under code EVN

### **Issued Share Capital**

At 31 December 2012 issued share capital was 708,092,989 ordinary shares