Evolution MINING

ABN: 74 084 669 036

Registered Office
Level 28
175 Liverpool Street
Sydney NSW 2022

P +61 2 9696 2900
F +61 2 9696 2901

www.evolutionmining.com.au

For personal use only

ASX Announcement

2 September 2013

GOLD HEDGE TO UNDERWRITE EDNA MAY CAPITAL PROGRAM

Evolution Mining Limited (ASX: EVN) is pleased to report that it has forward sold 156,281 ounces of gold at an average price of A$1,598/oz with scheduled deliveries out to 30 June 2016.

The objective of the gold hedge is to underpin the projected returns from the Company's Edna May gold mine and ensure that the mine not only generates sufficient cash flow to self-fund all of its near-term capital expenditure but also provides an appropriate return on the capital commitment. The sharp fall in the gold price experienced in April this year necessitated a Company-wide review of capital expenditure and all planning for FY14 was based on a spot gold price assumption of A$1,400/oz. At Edna May the open pit mining schedule was modified to improve the capital expenditure profile in FY14 and non-critical capital projects were suspended. Resuming open pit waste mining deferred in FY14, scheduled to recommence in FY15, was dependent on a gold price of at least A$1,500/oz. The gold price achieved by the hedge program now ensures that deferred capital expenditure can be recommenced in FY15 and will achieve an appropriate rate of return.

The gold hedge covers approximately 85% of the expected gold production from Edna May and less than 20% of Evolution's total expected gold production out to FY16. The hedge is priced in Australian Dollars to match Evolution's cost base and debt denomination.

Commenting on the gold hedge program, Evolution's Executive Chairman Jake Klein said:

> "Locking in additional hedging was a prudent economic decision. It now ensures that Edna May is able to not only self-fund all of the capital expenditure associated with the open pit cutback, when work resumes in FY15, but also provide an appropriate return on the capital commitment. While most of Evolution's mines would be able to withstand a significant fall in the gold price due to either low operating costs, low capital requirements or operational flexibility, Edna May does not have this flexibility so it was prudent to lock in a gold price that will insure the future of the operation."
>
> "Evolution retains significant leverage to the gold price. The hedge book accounts for less than 20% of the Company's expected production over the next three years. This new hedge is a very specific and targeted program. The Company does not anticipate putting in place any further hedging."

The pricing and delivery schedule of Evolution's gold hedging program is described in the following table.

	Existing Hedge		New Hedge		Final Position	
Quarter Ending	**Ounces**	**A$/oz**	**Ounces**	**A$/oz**	**Ounces**	**A$/oz**
Dec 2013	-	-	20,455	1,566	20,455	1,566
Mar 2014	-	-	20,455	1,570	20,455	1,570
Jun 2014	-	-	20,455	1,575	20,455	1,575
Sep 2014	679	1,573	20,455	1,581	21,134	1,581
Dec 2014	17,978	1,573	2,477	1,587	20,455	1,575
Mar 2015	17,073	1,573	3,382	1,594	20,455	1,576
Jun 2015	16,795	1,573	3,660	1,601	20,455	1,578
Sep 2015	16,878	1,573	3,577	1,610	20,455	1,579
Dec 2015	-	-	20,455	1,620	20,455	1,620
Mar 2016	-	-	20,455	1,630	20,455	1,630
Jun 2016	-	-	20,455	1,641	20,455	1,641
Total	69,403	1,573	156,281	1,598	225,684	1,590

For personal use only

For further information please contact:

Jake Klein
Executive Chairman
Evolution Mining Limited
Tel: +61 2 9696 2900

Tim Churcher
Chief Financial Officer
Evolution Mining Limited
Tel: +61 2 9696 2900

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. At an AUD:USD exchange rate of 0.9250 this equates to globally competitive cash costs of US$710/oz to US$760/oz. The additional costs of royalties, deferred open pit stripping, rehabilitation, sustaining capital and corporate overheads add approximately A$310/oz providing for Group All-in Sustaining Costs of A$1,080/oz to A$1,130/oz (US$1,000/oz to US$1,045/oz).

About the Edna May Gold Mine

The Edna May gold mine is located 350 kilometres east of Perth, Western Australia, near the township of Westonia. The mine was first operated in the 1900s and has had three historical periods of mining. The current single pit operation commenced production in 2010 and currently has a forecast mine life of nine years. The process plant has a throughput capacity of 2.6 million tonnes per annum and is a conventional crushing, grinding, carbon-in-leach circuit producing gold doré.

Open pit mining is by conventional drill and blast, load and haul method. A bulk mining approach has been adopted to the extraction of remnant high-grade reef structures and associated stockwork mineralisation with a life-of-mine strip ratio of 2.1:1. This allows the mine to employ a single mining fleet over the mine life. The open pit is being mined in four stages and is carried out on 10 metre benches and 2.5 metre flitches.

Gold production in FY13 totalled 86,216 ounces. The gold production forecast for FY14 is 85,000 – 95,000 ounces at a cash operating cost of between A$800 to A$850 per ounce.