

# ASX Announcement

26 November 2019

## EVOLUTION TO ACQUIRE RED LAKE GOLD COMPLEX IN CANADA

Evolution Mining Limited (ASX:EVN) (“**Evolution**” or the “**Company**”) is pleased to announce that it has, through a wholly owned Canadian subsidiary, entered into an agreement with Newmont Goldcorp Corporation (“**Newmont Goldcorp**”) to acquire 100% of the Red Lake gold complex (“**Red Lake**”) (the “**Transaction**”).

Red Lake is an underground gold mining complex in western Ontario, Canada. The operation comprises the Red Lake and Campbell complexes, each consisting of an underground mine and associated processing facility, and the Cochenour mine. In the 2018 calendar year the mine produced 276,000 ounces of gold at an All-in Sustaining Cost of US\$988 per ounce. In CY2019, Red Lake is forecast to produce 150,000 – 160,000 ounces of gold at an AISC of approximately US\$1,600/oz<sup>1</sup>. Since production commenced in 1949, Red Lake has produced more than 25 million ounces of gold at an average grade in excess of 20g/t.

Evolution has agreed to pay Newmont Goldcorp US\$375 million in cash upon closing of the Transaction, and up to an additional US\$100 million payable upon new resource discovery (“**Contingent Consideration**”)<sup>2</sup>.

Evolution has committed to invest US\$100 million on existing operations and an additional US\$50 million in exploration at Red Lake over the first three-year period following completion of the Transaction.

The Transaction and associated costs will be funded by a new five-year A\$600 million Senior Unsecured Term Loan through Evolution’s syndicate of lending banks.

### Red Lake Transaction Highlights

- High-grade, long life, underground gold mine located in one of Canada’s most prolific gold districts
- Under-capitalised asset providing an attractive opportunity to leverage Evolution’s successful track record in asset optimisation by strategically investing capital to unlock value
- Outstanding exploration potential with historic head grades of over 20g/t hosted in Archaean greenstone gold geology familiar to Evolution
- Located in the Tier-1 mining friendly jurisdiction of Canada
- Transaction funded with 100% debt by a new five-year A\$600 million Term Loan
- Highly accretive on a Reserves, Resources and production per share basis
- Current Mineral Resources<sup>3</sup> of 7.0 million ounces grading 11.2g/t (inclusive of Reserves)
- Current Ore Reserves<sup>2</sup> of 2.1 million ounces grading 7.0g/t
- Strong safety record with current 2019 YTD Total Recordable Injury Frequency (TRIF)<sup>4</sup> of 1.7
- Provides Evolution with attractive geographic diversification for existing Australian operations by establishing a North American production hub
- Current 13-year Life of Mine plan extends the average life of Evolution’s asset portfolio

<sup>1</sup> An explanation of the temporary decline in production in 2019 is provided on page 3 of this announcement

<sup>2</sup> See page 3 for further information on the Contingent Consideration

<sup>3</sup> Mineral Resources and Ore Reserves of Red Lake are taken from Goldcorp’s Mineral Resources & Ore Reserves Update as at 30 June 2018, which was released by Goldcorp on 22 February 2019 and is available on [www.sedar.com](http://www.sedar.com). Those Mineral Resources and Ore Reserves have been prepared using the Canadian NI 43-101 Standards, and are not JORC compliant (for example, under NI 43-101, Mineral Resources are reported inclusive of Ore Reserves). Evolution expects that, when it re-certifies Red Lake Mineral Resources and Ore Reserves following completion of the transaction, Ore Reserves will be revised 30% to 40% lower, using Evolution’s estimation methodology and to allow for mining depletion from 1 July 2018.

<sup>4</sup> Per million hours

- Following the three-year proposed turnaround phase, the aim is for Red Lake to become a cornerstone asset with annual production in excess of 200,000 ounces at an AISC below US\$1,000 per ounce

**Commenting on the Red Lake Transaction, Evolution’s Executive Chairman, Jake Klein, said:**

*“Evolution is excited to be adding Red Lake to its portfolio, providing the Company with a high-grade, long life gold mine in Canada. We have been actively looking at assets in Canada since 2017 as we believe it is a country with low geopolitical risk, high geological prospectivity and a strong mining culture. Red Lake is an under-capitalised asset which, through a committed investment in development and exploration, is intended to become a cornerstone asset in the Evolution portfolio.”*

*“We have identified a range of opportunities to deliver an operational turnaround of the asset which is expected to create significant value for our shareholders and improve the quality of our portfolio. The camp has significant exploration potential which, coupled with its relatively unexplored recent past, provides significant upside potential for Evolution to extend the longevity of the operation well beyond its current 13-year life of mine plan.”*

*“We are confident that Evolution will be an excellent and committed steward of Red Lake and look forward to continuing Newmont Goldcorp’s track record of safe and sustainable operation for the long-term benefit of a broad range of stakeholders including the local workforce, regional communities and the Lac Seul and Wabauskang First Nations Groups.”*

**Evolution’s Turnaround Plan**

Evolution has identified a range of improvement opportunities to reinvigorate the Red Lake Gold Complex with the objective of reducing costs, increasing production and extending mine life. This plan extends over the next three years. During the turnaround phase, Red Lake will have an elevated AISC position due to low production levels and the required capital investment. However, the aim is that following this three-year proposed turnaround phase, Red Lake will become a cornerstone asset with annual production at that time in excess of 200,000 ounces at an AISC below US\$1,000 per ounce.

The key mining, processing and exploration opportunities which have been identified as part of this plan include:

**Mining:**

- Improve drill and blast practices to increase mining recovery and reduce dilution
- Improve mining fleet efficiency and effectiveness
- Rationalisation of material movement
- Improve geological data management

**Processing:**

- Optimise processing plants by consolidating processing facilities
- Install and commission Acacia reactor to improve gold recovery
- Strategic blending of mill feed
- Improve utilisation of existing plant capacity
- Potential introduction of ore sorting technology

**Exploration:**

- Significant near mine targets identified at Red Lake, Campbell Complex and Cochenour
- Large Mineral Resource with potential to increase conversion to Ore Reserves
- Longer term regional exploration and consolidation opportunities

**Overview of Red Lake**

Red Lake is an underground gold complex with a long history of high-grade production located in western Ontario, Canada. It comprises the Red Lake and Campbell Complexes, each consisting of an underground mine and associated processing facility, and the Cochenour mine. The Cochenour mine is connected to Red Lake by

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a 5km haulage drift, with ore processed at the Red Lake and Campbell Complexes. Commercial production at Cochenour was achieved in April 2019.

As at 30 June 2018, Red Lake had Ore Reserves of 2.1 million ounces grading 7.0g/t gold and significant Mineral Resources (including Ore Reserves) of 7.0 million ounces grading 11.2g/t gold. Those Mineral Resources and Ore Reserves have been prepared using the Canadian NI 43-101 Standards, and are not JORC compliant (for example, under NI 43-101, Mineral Resources are reported inclusive of Ore Reserves). Evolution expects that, when it re-certifies Red Lake Mineral Resources and Ore Reserves following completion of the transaction, Ore Reserves will be revised 30% to 40% lower, using Evolution's estimation methodology and to allow for mining depletion from 1 July 2018.

Mining at the Red Lake Complex is undertaken via long-hole stoping, mechanised underhand or overhand cut-and-fill techniques and the Campbell Complex primarily uses long-hole stoping, with backfill of stope excavations completed on an as-needed basis. Processing is via conventional crushing and grinding, gravity concentration and CIP methods at the Red Lake mill. At the Campbell mill, conventional crushing and grinding is followed by gravity concentration to recover free-milling gold, with refractory gold recovered by floatation followed by pressure oxidation, neutralisation and CIL.

In 2018, Red Lake produced 276,000 ounces of gold at an AISC of US\$988/oz. In 2019, Red Lake is forecast to produce 150,000 – 160,000 ounces of gold at an AISC of approximately US\$1,600/oz. Production in 2019 has been impacted by limited investment on development capital imposed by Newmont Goldcorp during the year pending the outcome of the sale process. Water ingress mitigation at Cochenour also resulted in a three month pause in operations with mining resuming in October 2019. Evolution's commitment to planned development investment over a three-year period is expected to see the operation recover from this temporary decline in production.

Red Lake is accessible by major highways, with commercial air services to the mine from Thunder Bay and Winnipeg. Red Lake is supported by an experienced and highly-skilled workforce largely residing in adjacent towns of Red Lake and Balmertown and benefits from strong community partnerships with Lac Seul and Wabauskang First Nations Groups.

### **Red Lake Gold Camp Exploration Potential**

Red Lake is one of the largest, highest grade gold camps in North America with historical production of over 25 million ounces with head grades exceeding 20 grams per tonne. Evolution has agreed to spend US\$50 million on exploration in the first three years following completion of the Transaction, with a planned drill program of over 100,000 metres per annum. Significant resource growth potential has been identified within the Red Lake – Campbell – Cochenour footprint, as well as across the large regional tenement package. The highest priority and immediate exploration targets include the Upper Main Zone and INCO at Cochenour, the Aviation Complex at Red Lake, and HG Young which is situated 1 km north of Campbell. The small footprint of Red Lake's historic high-grade ore bodies enhances the potential for further discoveries within the complex.

### **Contingent Consideration**

The US\$100 million Contingent Consideration comprises of an additional payment of US\$20 million per one million ounces of new Mineral Resources discovered and added to the existing Red Lake resource base, subject to a cap of an additional five million ounces of new Mineral Resources or US\$100 million in total, over a 15-year period.

### **Timetable and Next Steps**

Completion of the Transaction is subject to customary conditions including Evolution receiving all required consents, permits and regulatory approvals, which is expected to occur around the end of March 2020.

Newmont Goldcorp and Evolution have also commenced discussions around an interim operating plan and budget to be agreed and implemented prior to closing.

## Transaction Advisers

Evolution's financial adviser to the Transaction is Goldman Sachs, Canadian legal adviser is McCarthy Tétrault and Australian legal adviser is Allens.

## Conference Call

Jake Klein (Executive Chairman), Lawrie Conway (Finance Director and Chief Financial Officer) and Glen Masterman (VP Discovery and Business Development) will host a conference call for investors, analysts and media to discuss this announcement at 9.30am Sydney time on 26 November 2019. Access details are provided below.

### Conference Call Details

Conference call details for analysts and media includes Q & A participation. Please dial-in five minutes before the conference starts and provide the Conference ID and your name.

#### *Dial-in numbers:*

- Australia: 1800 870 643
- International Toll: +61 (0) 2 9007 3187
- Canada / U.S. 1855 881 1339
- Hong Kong 800 966 806
- Singapore 800 1012 785
- United Kingdom 0800 051 8245

*Conference ID:* 10003055

#### *Replay numbers:*

- Australia: 1800 265 784
- Australia Local: +61 (0) 7 3107 6325
- Replay PIN: 10003055

Replay available until 2 December 2019.

### **For further information please contact:**

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## About Evolution Mining

Evolution Mining is a leading, growth-focused Australian gold miner. Evolution operates five wholly-owned mines – Cowal in New South Wales, Cracow, Mt Carlton and Mt Rawdon in Queensland, and Mungari in Western Australia. In addition, Evolution holds an economic interest in the Ernest Henry copper-gold mine that will deliver 100% of future gold and 30% of future copper and silver produced from an agreed life of mine area. Outside of the life of mine area Evolution will have a 49% interest in future copper, gold and silver production.

Evolution has guided FY20 gold production, exclusive of Red Lake's contribution, of 725,000 – 775,000 ounces at an All-in Sustaining Cost of A\$890 – A\$940 per ounce. Group guidance is expected to be updated on completion of the Red Lake transaction.