

## Evolution keeps on growing

<b>Company/ASX Code</b>	Evolution Mining/EVN
<b>AGM time and date</b>	11am Thursday, 21 November
<b>Location</b>	The Mint, 10 Macquarie St, Sydney
<b>Registry</b>	Link Market Services
<b>Type of meeting</b>	Physical meeting with live audio stream* <a href="https://evolutionmining.cmail20.com/t/i-l-fjhjydd-ttkhktiycl-i/">https://evolutionmining.cmail20.com/t/i-l-fjhjydd-ttkhktiycl-i/</a>
<b>Monitor</b>	Julieanne Mills and John Cowling
<b>Pre-AGM Meeting</b>	Jake Klein Executive Chair, Evan Elstein, Company Secretary Peter O'Connor, GM Investor Relations

Monitor Shareholding: The individuals involved in the preparation of this voting intention have a shareholding in this company.

### 1. How we intend to vote

No.	Resolution description	
1	Adoption of Remuneration Report	For
2	Election of Ms Fiona Hick as a Director of the Company	For
3	Re-Election of Mr Jason Attew as a Director of the Company	For
4	Issue of Performance Rights to Mr Jacob Klein Executive chair	For
5	Issue of Performance Rights to Mr Lawrence Conway MD/CEO	For
6	Renewal of Proportional Takeover Provisions	For
7 & 8	Financial Assistance proposed under section 260b	For

Evolution Mining (EVN) is a leading, gold and copper miner. It currently operates six mines, being five wholly-owned mines – Cowal in New South Wales, Ernest Henry and Mt Rawdon in Queensland, Mungari in Western Australia, and Red Lake in Ontario, Canada, and this year added an 80% share of Northparkes in New South Wales.

This is the second time we have monitored this company with a year between. Considerable progress has been made in that time, but it has not been without its challenges with unpredictable weather that significantly impacted 2023 results. The purchase of Northparkes in December 2023 has added considerably to the overall performance, mine life and expertise of the company.

This is a cyclical business with the annual report pointing to positive gold and copper market fundamentals in the short and medium term due to geopolitical changes and uncertainty.

It is founder led company, has good sustainability, a strong culture and pays a dividend.

## 2. Summary of Issues and Voting Intentions for AGM

At our pre-AGM meeting we discussed Chair and board independence and governance. With an executive Chair, who oversees the overseer? The role of executive chair, succession plan, founder-led is this still appropriate? EVN has independent board members, who review the Chair's performance, and since April 2024 independent non-executive Peter Smith has taken the role of Lead Independent Director.

We also discussed the progress with Mt Rawdon pumped hydro as well as sustainability and climate challenges. EVN says its prepared for the start of Australian Sustainability Reporting Standards for financial periods starting on 1 January 2025.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

## 3. Matters Considered

### Accounts and reports

#### Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	422.3	163.5	323.3	345.3	301.6
UPAT (\$m)	481.7	205	274.7	354.3	405.4
EBITDA (\$m)	1,513	844.5	898.8	914.2	1,029.4
Share price (\$)	3.50	3.22	2.38	4.50	5.67
Dividend (cents)	7.0	4.0	10.0	12.0	16.0
Simple TSR (%)	10.8%	36.9%	(46%)	(18.5%)	33.7%
EPS (cents)	22.02	8.91	17.74	20.21	17.71
Executive Chair (Mr Klein) total statutory remuneration, (\$m)	3.314 2.664*	3.904 2.388*	3.094	2.896	3.723
CEO (Mr Conway) total statutory remuneration, (\$m)	3.346 2.249*	2.889 1.856*	NA	NA	NA

\*actual remuneration

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.)

We note that the share price has generally increased since 30 June 2024, to be \$4.78 at time of publishing this report

Mr Klein was MD and executive chair until January 2023. The role is now split with Mr Conway appointed MD/CEO on the 1 January 2023. We have included both sets of remuneration for clarity and comparison.

In FY24 Evolution Group produced 716,700 ounces of gold at all in sustainable cost (AISC) of A\$1,477 per ounce, one of the lowest cost gold producers in the world. The low AISC is largely due to the copper produced with its gold assets. The AISC was above the guided range, but it was considered reasonable given inflationary impacts. Copper now represents 29% of the Gross Revenue of the company (2023 – 26%).

Production was below expectations, but it was better than last year. Record prices for both copper and gold produced record profits. A record underlying profit after tax of \$482M was up 135% on the prior year with a record net profit of \$422M. Underlying EBITDA increased by 68% to \$1.5 billion (2023 - \$0.9 billion).

The strong balance is generating substantial cash flow. Operating cash flow was 2024 -\$1.3 billion; 2023 - \$0.7 billion.

EVN is continuing with its policy of extending mine lives and in 2024 \$740m was invested back into the business in sustaining existing operations (\$209 million) and on major new capital works (531million) including: the mill expansion Mungari 4.2, Red Lake mine development, Cowal underground mine and Ernest Henry underground extension.

Average reserves life of 14 years represents 11.4 million tonnes of gold metal (2023 10 million tonnes)

Gearing has improved to 25% from 33% even after \$76m in dividend payments following the board's decision to progressively reduce leverage down to 15% which is considered the long term target. The investment grade credit rating has been maintained.

EVN has consistently paid a dividend out of cash flow. This year saw a 25% increase from the prior year. EVN provided a 7 cent full year dividend that is predicted to increase as debt is paid down.

### **Governance and culture**

Jake Klein maintains an executive chair role. As the founder he has been very involved in setting the culture and direction of the company and we are impressed by what he has achieved.

He and the board are very aware of the issues attached to founder led companies. There is a lead independent director and separate board meetings without Mr Klein's presence to discuss his performance. Peter Smith's appointment as Lead Independent Director followed Jason Attew's time in the role. The rotation of lead independent director encourages diversity and a fresh set of eyes.

The board is currently made up of 9 directors with the addition of director Fiona Hicks from 1 July 2024. Mr Askew will be stepping down soon and a board of 8 will continue. They have now achieved their 30% target with women representing 37% of the board. There are two executive directors, the CEO and executive chair. There is an appropriate range of age, skills and experience of which Ms Hicks will add considerable contemporary operational expertise and aligned values.

A self-assessed board skills matrix is included in the Governance Statement, we would like to see it in the Annual Report. It is general in nature and doesn't align to specific directors, however the biographies in the report are quite detailed. External reviews are carried out every two years and internal reviews every year. There is a need for IT skills and possibly further engineering and project engineering skills. The nominations committee is made up of independent directors.

A third of directors' fees are paid in share rights, reducing the cash base fee to \$120k and aligning directors with shareholders. The lead director is paid a minimal additional fee.

A dividend policy distributes excess cash to shareholders with a 50% pay-out ratio from group free cash flow before debt, dividends and M& A.

### **Key events**

In FY23, a one in one hundred year rainfall event caused significant delays to production at the Ernest Henry mine in North Queensland. The mine is now fully recovered to its former production levels. Potential adverse weather events are being addressed with an approach to better weatherproofing sites and having pre-emptive recovery plans in place. Ernest Henry has now completely repaid its investment capital and produced \$334 net mine cash flow in FY24. A feasibility study to extend mine life is underway. Ernest Henry mine life has been extended to 2040.

In December 2023, EVN acquired an 80% stake in Northparkes copper and gold mine, which has contributed to cashflow and profitability. It was funded by a \$525m institutional placement, a \$32m SPP and a \$200m 5 year term debt facility. The purchase has extended the mine life of EVN with its 30 years of reserves and 70 years of mine life, improved team skills and expertise, and is immediately cash generating.

The \$250m expansion of Mungari mill will double capacity of production it is currently on time and budget.

Cowal underground mine is now at commercial production with record annual gold production as it transitions to a cash contributor.

Mining at Mt Rawdon is expected to stop in 1H FY25. This has been the final year of full production. The 50% owned Mt Rawdon Pumped Hydro (MRPH) is progressing with feasibility and Environmental Impact Statement completed and preparations for a sale to Clean Co. The change in the Queensland government at the recent State election could mean a different path forward, however. The board has alternative plans in place. The project has the potential to produce the lowest cost pumped hydro and deliver 20 GWh of renewable energy but needs \$7bn invested in it. A rehabilitation program at Mt Rawdon includes a wetlands project with CSIRO.

Evolution's move into Canada with the Red Lake acquisition is beginning to perform to targets despite a slow and underperforming start. Purchased in 2019 (mine) and 2021 (mill) for \$895m, originally, it was projected to need time and hundreds of millions in investment, to bring the mine production up to 200,000 oz pa. In 2024, Red Lake produced 112,700 ounces and it is projected to be cash positive in 2025.

Cultural problems were inherited from previous ownership and COVID delayed the change in management. High absenteeism and other issues have meant much lower than expected outputs. EVN says this is now under control. EVN needs a 1.1m tonne run rate to fill the mill's capacity and to justify further capital investment and generate cash. The mill can be expanded to 1.8m tonnes processing capacity but the mine needs to be able to produce 60% more rock (hosting gold) to reach the target. It produced 254,000 tonnes in the 4Q24.

### **Key board or senior management changes**

The company founder and executive chair Mr Klein is still very involved in the company but transitioning to a possible non-executive chair role.

Mr Conway is now CEO and focused on running the operational elements of the company. Mr Klein and Mr Conway, as CFO, have been working together since the start of Evolution in 2011.

A new CFO Barrie van der Merwe has been in place since March 2023. As the company has grown so has the executive team with a new Chief Technology Officer, Nancy Guay now leading the long term planning. Mr Faulkner has been replaced by a new Chief Operating Officer, Mathew O'Neil.

### **Sustainability/ESG**

EVN prides itself on the focus it has had on sustainability from its beginnings. The Board has a risk and sustainability committee, and a VP of Sustainability is on the executive team. The comprehensive sustainability report is included within the annual report, it is an interesting read.

They have significant professional recognition for their sustainability reporting including e.g. AA rating from MSCI sustainability.

Evolution is supporting the communities that it works in with 65% local employment opportunities, training, career progression and procurement. They have helped set up several worthwhile local projects. This year includes a women's refuge in Kalgoorlie. They spent \$261m in direct spend and community contributions in FY24.

Indigenous engagement operates at a local (grass roots) level. EVN has agreements with traditional owners in place in all their communities and strong ongoing relationships. EVN's indigenous workforce is currently at 6.8%. An inaugural First Nations summit was held in Queensland in FY24.

Women make up 19% of the workforce. The target is for 22% by 2025. However, the gender pay gap is above the industry medium at 17.7%.

EVN produced their 4<sup>th</sup> Modern Slavery Statement in FY24. They operate in low risk jurisdictions, have supplier codes of conduct in place and spend \$419m on local and regional procurement.

A focus on safety has seen no fatalities, a 13% reduction in total recordable injury frequency rate at 7.37 and lost time injury frequency rate LTIF at 1.81.

The 83% staff retention rate reflects the strong company culture.

Evolution has a target of a 30% reduction in emissions by 2030. The chair acknowledges there are challenges ahead as most scope 2 emissions relate to electricity use and consequently the government must meet its targets to support EVN reaching its goals. EVN has achieved a 12% reduction in emissions against a FY20 adjusted baseline, largely through power purchase agreements and energy efficiency improvements.

Material climate related risks are identified and managed.

There are water management plans in place and freshwater use has been reduced by 45% against FY 20 baseline.

ESG targets are linked to 30% of incentive remuneration.

## **4. Rationale for Voting Intentions**

### **Resolution 1 Adoption of Remuneration Report (for)**

The remuneration report is transparent and detailed. Actual Remuneration is now reported. Remuneration seems fair and reasonable with strong alignment to shareholder returns. Board discretion has been used for a downward adjustment which was supported by management even though the KPI was impacted by events largely outside their control. Although ASA prefer a 50:50 cash to equity payout for STIP we can see that the incentive payments are weighted to LTIP which is paid in share rights. These are expected to be very difficult to achieve at maximum. Further details are provided in the notice of meeting.

See Appendix for further details.

The ASA see the remuneration report as reasonable and will vote for its adoption.

### **Resolution 2 Election of Ms Fiona Hick as a Director of the Company (for)**

Fiona has 29 years in mining and energy industry including senior roles at Rio Tinto, Woodside and Fortescue Metals Group.

She has been a director of CO2CRC, Chair of Australian Petroleum Production and Exploration Association APPEA Environmental Science Committee and a member of Chief Executive Women. Fiona is currently a director of Incitec Pivot Ltd and Infrastructure W.A.

Fiona has significant mining and energy expertise and will add to the sustainability and health, safety skills, recent operations expertise and diversity on the board. ASA fully supports her election. She has no shares after joining the board in July 2024.

### **Resolution 3 Re-Election of Mr Jason Attew as a Director of the Company (for)**

Mr Attew has been a director of EVN for 4 years.

He is President and CEO of Osisko Gold Royalties, and is past CEO Liberty Gold, Gold Standard Ventures and past CFO of Gold Corp.

He has experience in corporate strategy, capital markets and investment banking mergers and acquisitions. He was involved in Newmont /Gold Corp US \$32bn Merger. Gold Corp were the previous owners of Red Lake and Mt Attew is Canadian.

Shareholding: 101,377 shares

### **Resolution 4 Issue of Performance Rights to Mr Jacob Klein (for)**

Approval of the issue of 661,313 Performance Rights to Mr Klein under the Evolution Mining Limited Employee Share Option and Performance Rights Plan. The details of which are described in the notice of meeting. These shares represent 350% of Fixed Remuneration (FR) and are allocated on a face value basis.

### **Resolution 5 Issue of Performance Rights to Mr Lawrence Conway (for)**

Approval of the issue of 880,373 Performance Rights to Mr Conway under the Evolution Mining Limited Employee Share Option and Performance Rights Plan. This is the maximum amount he could be awarded should he reach stretch performance. These will be tested at the end of the 3

year period ending 30 June 2027 against the performance conditions described in the notice of meeting.

### **Resolution 6 Renewal of Proportional Takeover Provisions (for)**

Rules 6.1 to 6.3 of the Constitution provide that the Company can prohibit the registration of a transfer of shares resulting from a proportional (or partial) takeover unless shareholders in general meeting approve the offer. The proposed resolution seeks to reinstate the provision of Rules 6.1 to 6.3 of the Constitution for three years from the date of approval of the proposed resolution. Further information is provided in the notice of meeting. This essentially protects shareholders from a partial takeover.

At least 75% of the votes cast by shareholders present and entitled to vote on the resolution must be in favour of the resolution.

ASA supports this resolution.

### **Resolution 7 & 8 Financial Assistance proposed under section 260b (for)**

This is a resolution that is used where the assets and liabilities of subsidiaries for various reasons can't be grouped, and where during a transaction, the acquirers require security beyond the individual subsidiary engaged in the transaction.

On 5 December a wholly owned subsidiary of Evolution purchased an 80% stake in Northparkes and Northparkes Mining Services issued share capital: as described in full in the Notice of Meeting. This resolution makes Evolution compliant with obligations under its Financing Arrangements.

At least 75% of the votes cast by shareholders present and entitled to vote on the resolution must be in favour of the resolution.

ASA will vote in favour of these resolutions.

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## Appendix 1

### Remuneration framework detail

CEO Mr Conway Framework for FY25	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.065	25%	1.065	18%
STI – Cash only	0.798 (75%)	18%	1.1928 (112%)	20%
STI - Equity		0%		0%
2027 LTI - performance rights (face value)	2.428	57%	3.7275	62%
Total (\$m)	4.26	100.0%	5.985	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. \*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

The table above refer to the current CEO Mr Conway.

Mr Klein has been reducing his remuneration and Mr Conway's is increasing as he gradually transitions out of an executive role.

FR is benchmarked against the median. Total remuneration is set at between 75<sup>th</sup> percentile for target and 90<sup>th</sup> percentile for maximum. Discretion is used by the board and was applied downward in FY24.

The Short Term Incentive Plan (STIP) is paid to all employees from site superintendents and above, and group executive. It is paid in cash as a percentage of their FR.

It is measured across: Safety (TRIF) 10%, Risk 20%, Gold production 15%, Cash contribution 20%, AISC 15%, Rest of business 20% (this includes sustainability, key projects and portfolio improvement.)

The CEO and executive chair STIP is assessed at 70% group and 30% individual.

FY24 STIP outcome for Mr Klein was 45.7% of maximum or \$450k and Conway 42.3% or \$486k. The STIP is paid in cash only.

LTIP Employee Share Option Plan is applicable to the executive chair and CEO and KMP and other invitees.

LTIP 2027 for Mr Conway and Mr Klein.

The maximum is 350% of FR with allocation based on face value. These shares will be issued to the extent that performance conditions are met.



The Long Term Incentive Plan (LTIP) is measured over 3 years against the following performance: relative TSR 25%, absolute TSR 25%, AISC 25%, Ore Reserves 25%.

Outcome for FY22-24 LTI was 50% of maximum.

The 2027 LTI the NOM shows an indicative fair value (as required by the accounting standards) for Mr Conway's performance rights of \$2.98m whereas the amount at face value is significantly more (\$3.73m) as indicated in the table above. The actual outcome will depend on the performance and share price on vesting.

Mr Klein sold 1,250,000 shares in 2024 and has a total holding of 15,052,446