

ASX ANNOUNCEMENT

Coarse flake downstream JV with YXGC

HIGHLIGHTS

- Evolution has executed a binding term sheet for a joint venture with Yichang Xincheng Graphite Co Ltd ("YXGC") for the downstream processing of coarse flake concentrate into value added graphite products ("Term Sheet").
- The Term Sheet provides for the completion of a Market Study, Scoping Study and Definitive Feasibility Study to assess the development of a downstream processing plant.
- Upon completion of the Scoping Phase, the parties shall proceed to form an incorporated joint venture (JV). The parties' interests in the JV will be Evolution 60% and YXGC 40%.
- The downstream JV is in addition to the binding offtake agreement with YXGC executed in May 2022 for the purchase of 30,000tpa of coarse flake concentrate from the Company's Chilalo Graphite Project in Tanzania for an initial period of three years.

Evolution Energy Minerals ("Evolution" or the "Company") (ASX: EV1, FSE: P77) is pleased to announce the execution of a binding term sheet with YXGC with regards to the downstream processing of coarse flake concentrate from the Company's Chilalo Graphite Project ("Chilalo"), which is located in south-east Tanzania. The Term Sheet, the details of which are in Appendix 1, envisages, subject to positive results and approvals, the establishment of a processing facility for the processing of 25,000tpa of coarse flake concentrate into high-value graphite products including graphite foil, bi-polar plates and seals for electric vehicles. The Company has undertaken a preliminary review of suitable locations, with a focus on Europe and the Middle East.

In May 2022, the Company signed a binding offtake agreement with YXGC to supply 30,000 tonnes per annum of flake graphite concentrate (from +100 mesh up to +32 mesh) for a period of three years from first production at Chilalo. However, in addition to this important offtake relationship, both parties are seeking to establish downstream manufacturing outside China which allows Evolution to capture greater margins in the value chain and provides YXGC with an opportunity for international expansion using their cutting-edge technologies.

This Term Sheet is a critical step in positioning Evolution as a downstream manufacturer of graphite foil and bi-polar plates. Partnering with YXGC, a global leader in the manufacture of expandable graphite and graphite foil, places Evolution in a strong position to capitalise on the opportunity to realise the material value uplift from accessing these markets.

Phil Hoskins, Evolution's Managing Director, commented: "Evolution's strategy is grounded in sustainably producing graphite products for the modern economy. YXGC is a global leader in the processing of coarse flake graphite to manufacture high-value products such as graphite foils. Combining Chilalo's high-quality coarse flake graphite with YXGC's experience, technology and know-how will enable Evolution to capture additional margins and maximise the value of Chilalo. We look forward to this initiative being the next step change beyond our immediate focus of financing the Chilalo mine development."

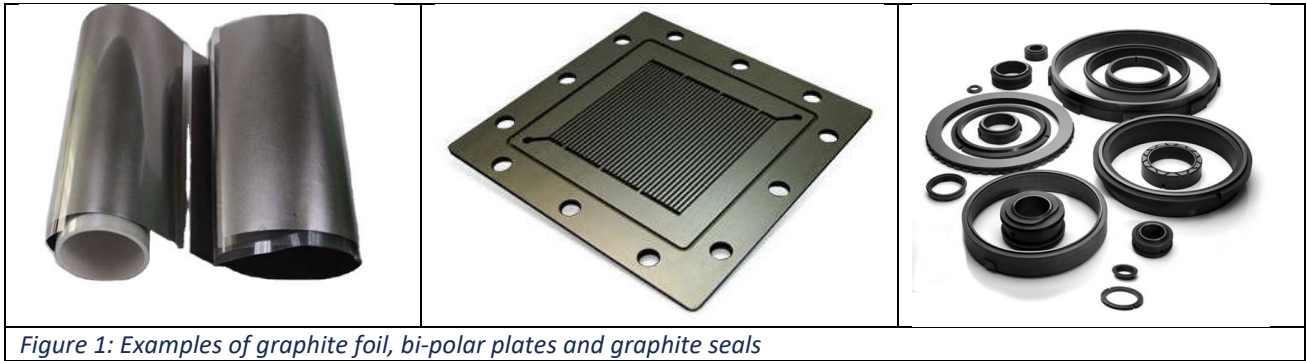


Figure 1: Examples of graphite foil, bi-polar plates and graphite seals

Evolution's Vertically Integrated Strategy

Evolution's strategy is to become a vertically integrated producer of high-value graphite products and entering into this Term Sheet is central to that strategy as it positions Evolution as a downstream manufacturer of graphite foil, bi-polar plates and graphite seals.

Chilalo will produce flake graphite concentrate across a range of sizes, to be further processed into end products depending on the flake size:

- a) Battery materials, including lithium-ion and alkaline batteries using Chilalo fine flake graphite; and
- b) Graphite foil and bi-polar plates for application in hydrogen fuel cells using Chilalo coarse flake graphite.

The demand for graphite foil and bi-polar plates is increasing and supply of these products is constrained principally by the lack of availability of quality coarse flake graphite feedstock. In response to rising international demand, YXGC recently expanded its plant, increasing capacity by 25%.

Key Terms

The Term Sheet provides for three key phases:

- a) A scoping phase that comprises:
 - i. A Market Study to identify the nature and scale of the opportunity and to confirm the market size and indicative graphite product pricing;
 - ii. Completion of a Scoping Study to +/- 30% accuracy that will contain indicative financial metrics, proposed plant size and required land;
 - iii. Selection of a suitable site;

(**"Scoping Phase"**)
- b) Subject to the results of the Scoping Phase, a decision to undertake a definitive feasibility study ("**DFS**");
- c) Subject to the results of the DFS, a decision to construct a downstream processing plant.

YXGC earns its 40% interest in the JV through the provision of technology and marketing expertise. The value of this contribution is to be agreed between the parties during the Scoping Phase. Evolution earns its interest through sole funding JV activities until it has funded an amount equal to 150% of the agreed value of YXGC's technical and marketing expertise.

The Scoping Phase will be managed in parallel with the Company's current priority, which is the financing and implementation of the Chilalo mine development. Evolution is targeting a Final Investment Decision for Chilalo in early 2023.

This announcement has been approved for release by the Evolution board of directors.

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About YXGC

YXGC is located in Yichang, China. This region of China is famous for being the hydroelectric capital of the world and is one of the largest mineral processing areas in China.

YXGC is a global leader in the manufacture of graphite products, supplying to customers in Europe, North America, and Asia for over 20 years. Using coarse flake graphite, YXGC applies its in-house, proprietary technology to manufacture a range of high-value graphite products, including expandable graphite, fire-retardant materials, foils, sheets, gaskets, and tape that are used in a wide range of industries.

YXGC has three production lines producing 30,000 tonnes per annum of expandable graphite. The company also has ten production lines of flexible graphite foil panels with total production of 10,000 tonnes per annum, and eight sets of sealing material equipment producing 2,000 tonnes per annum of graphite seals. YXGC is building a new plant described further below.

YXGC is certified for ISO9001. The Company has core technologies with proprietary intellectual property rights, and strong product research and innovation ability. The Company currently has six invention patents and 23 utility model patents.

YXGC products are widely used in the petroleum and chemical industry, steel refining, electric power, metallurgy, machinery, automobile, ship building, pharmacy, aerospace, nuclear and, most significantly, a number of distinguished global electronic and technology companies.

YXGC China Plant Expansion

YXGC commenced the construction of an expansion to its production facilities in August 2022. Key information on the expansion includes:

- Production Capacity: 10,000tpa expandable graphite and 7,000tpa bi-polar plate for hydrogen fuels;
- Total land area of the site: 26,680 m²;
- 20 brand-new premium quality graphite foil production lines capable of producing 12,000 tonnes of graphite foil; and
- Planned production by May 2023.



Appendix 1 – Key Terms of the Term Sheet

Parties	Evolution and YXGC
JV Status	Subject to the findings during the Scoping Phase, the Parties shall proceed to form an incorporated JV in order to prepare a Definitive Feasibility Study (DFS) (with a decision to form the JV to be made by 31 December 2023).
Interests in the JV	Evolution 60% YXGC 40%
Initially proposed project scale	Subject to completion of the Market Study during the Scoping Phase, the JV envisages processing 25,000 tonnes of Chilalo flake graphite concentrate to produce approximately 20,000 tonnes per annum of the targeted Graphite Products.
Graphite Products	The JV is targeting the production of the following Graphite Products: <ul style="list-style-type: none"> - Premium quality graphite foil. - Bi-polar plates for hydrogen fuel cells. - Seals for EVs.
Scoping Phase	Activities to be completed during the Scoping Phase include: <ul style="list-style-type: none"> - Completion of a Market Study to determine the exact specifications and price of targeted Graphite Products. - Completion of a Scoping Study. - Agree on the YXGC Expertise Value (the value of the technical and marketing expertise contributed by YXGC). - Make a DFS Decision.
DFS Decision	DFS Decision is the unanimous decision to incorporate the JV and commence the DFS (commencing the DFS Phase). If either Party makes a negative DFS Decision (ie. doesn't elect to proceed to the DFS Phase), that Party is precluded from doing anything to advance a facility outside China to produce the Graphite Products. Note – this does not preclude YXGC from owning or developing competing projects within China.
YXGC Expertise Value	YXGC earns its 40% interest through the provision of technology and marketing IP in producing and selling the Graphite Products. Evolution earns its 60% interest through sole funding JV expenditure during the DFS Phase, and beyond if required, up to the “YXGC Expertise Value multiplied by 150%”.
DFS Phase	Activities to be completed during the DFS Phase include: <ul style="list-style-type: none"> - Completion of a DFS. - Make a Decision to Develop.
Decision to Develop	Decision to Develop is a decision whether to proceed with the development of the downstream processing plant. A Decision to Develop requires unanimous approval of the JV shareholders.
Funding	Subject to the extinguishment of Evolution's sole funding, JV shareholders will need to contribute in proportion to their shareholdings or dilute.
Further Agreements	The JV will need to execute the following agreements: <ul style="list-style-type: none"> - Offtake Agreement to procure flake graphite concentrate from Evolution's Chilalo graphite project. - Master Services Agreement between YXGC and the JV in connection with training and supervision of personnel, commissioning the downstream processing plant and ongoing advisory services to the production and marketing of the Graphite Products.

ABOUT EVOLUTION (ASX:EV1)



Development ready

Chilalo Graphite Project in Tanzania



58% > 80 Mesh

World leading flake size = highest margins



Unique offtake and downstream collaboration

Extensive product qualifications with YXGC, global leader for EG and foil



Framework agreement

To provide Tanzanian government certainty



FID by H1 2023

Strategic ESG fund cornerstone support



Sustainable battery anode strategy

Superior performance, environmentally friendly thermal purification



Carbon neutrality

Pursuing net zero carbon from day one

Evolution's vision is to become a vertically integrated company that will only supply sustainably sourced graphite products and battery materials.

This will be achieved by combining our unique graphite source with industry-leading technology partners, working closely with customers and producing diversified downstream products in both Tanzania and strategically located manufacturing hubs around the world. Evolution is committed to being global leaders in ESG and ensuring its operations support the push for decarbonisation and the global green economy.

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