

Appendix 4D (Listing Rule 4.2A.3)

EVOLUTION MINING LIMITED ACN 084 669 036

AND CONTROLLED ENTITIES

HALF-YEAR FINANCIAL REPORT

For the half-year ended 31 December 2017

Results for Announcement to the Market

Key Information

	31 December 2017 \$'000	31 December 2016 \$'000	Up / (down) \$'000	% increase/ (decrease)
Revenues from ordinary activities	782,139	711,150	70,989	10%
Earnings before Interest, Tax, Depreciation, Amortisation & Fair value adjustments (EBITDA)	399,099	345,298	53,801	16%
Statutory profit before income tax	175,091	121,017	54,074	45%
Profit from ordinary activities after income tax attributable to members	122,518	136,670	(14,152)	(10)%

Dividend Information

	Amount per share Cents	Franked amount per share Cents
Interim dividend for the year ended 30 June 2018 Dividend to be paid on 30 March 2018	3.5	3.5

Net Tangible Assets

	31 December 2017 \$	31 December 2016 \$
Net tangible assets per share	1.29	1.21

Earnings Per Share

	31 December 2017 Cents	31 December 2016 Cents
Basic earning per share	7.25	8.56
Diluted earnings per share	7.21	8.50

Additional Appendix 4D disclosure requirements can be found in the notes of this Half-Year Financial Report and the Directors' Report attached thereto. This report is based on the consolidated Half-Year Financial Report which has been subject to review by PricewaterhouseCoopers.



Evolution Mining Limited Half-Year Financial Report

Corporate Information

ABN 74 084 669 036

Directors

Jacob (Jake) Klein	Executive Chairman
Lawrence (Lawrie) Conway	Finance Director and Chief Financial Officer
Colin (Cobb) Johnstone	Lead Independent Director
James (Jim) Askew	Non-Executive Director
Graham Freestone	Non-Executive Director
Thomas (Tommy) McKeith	Non-Executive Director
Naguib Sawaris	Non-Executive Director
Sebastien de Montessus	Non-Executive Director
Andrea Hall (i)	Non-Executive Director
Vincent Benoit	Alternate Non-Executive Director for Naguib Sawaris
Amr El Adawy	Alternate Non-Executive Director for Sebastien de Montessus

(i) Appointed as Non-Executive Director effective 1 October 2017.

Company Secretary

Evan Elstein

Registered Office

Level 30, 175 Liverpool Street
SYDNEY NSW 2000

Postal Address

Level 30, 175 Liverpool Street
SYDNEY NSW 2000

T: +61 2 9696 2900
F: +61 2 9696 2901

Share Register

Link Market Services
Level 12, 680 George Street
SYDNEY NSW 2000

T: +61 2 9315 2333
F: +61 2 9287 0303

Auditor

PricewaterhouseCoopers
One International Towers Sydney
SYDNEY NSW 2000

T: + 61 2 8266 0000
F: + 61 2 8266 9999

Website

www.evolutionmining.com.au

Stock Exchange Listing

Evolution Mining Limited (EVN) shares are listed on the Australian Securities Exchange.



Evolution Mining Limited Half-Year Financial Report

Table of Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	12
Half-Year Financial Report	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Consolidated Balance Sheet	14
Consolidated Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Consolidated Financial Statements	17
Directors' Declaration	33
Independent Auditor's Review Report to the Members	34

For personal use only



Evolution Mining Limited Half-Year Financial Report Directors' Report 31 December 2017

Directors' Report

The Directors present their report together with the consolidated financial report of the Evolution Mining Limited Group ("the Group") consisting of Evolution Mining Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2017 ("the period").

Directors

Jacob (Jake) Klein	Executive Chairman
Lawrence (Lawrie) Conway	Finance Director and Chief Financial Officer
Colin (Cobb) Johnstone	Lead Independent Director
James (Jim) Askew	Non-Executive Director
Graham Freestone	Non-Executive Director
Thomas (Tommy) McKeith	Non-Executive Director
Naguib Sawaris	Non-Executive Director
Sebastien de Montessus	Non-Executive Director
Andrea Hall (i)	Non-Executive Director
Vincent Benoit	Alternate Non-Executive Director for Naguib Sawaris
Amr El Adawy	Alternate Non-Executive Director for Sebastien de Montessus

(i) Appointed as Non-Executive Director effective 1 October 2017.

Company Secretary

The name of the Company Secretary during the whole of the half-year ended 31 December 2017 and up to the date of this report is as follows:

Evan Elstein

Principal activities

The principal activities of the Group during the period were exploration, mine development, mine operations and the sale of gold and gold/copper concentrate in Australia. There were no significant changes to these activities during the period.

Key highlights for the period

Key highlights for the half year ended 31 December 2017 include:

- Safety of our people is of paramount importance and our focus has been demonstrated through maintaining a steady total recordable injury frequency rate (TRIFR) of 6.2 and lost time injury frequency rate (LTIFR) of 0.4.
- The Group recorded a statutory net profit after tax of \$122.5 million for the period to 31 December 2017. Underlying net profit after tax increased to \$124.7 million (31 December 2016: \$115.0 million).
- A record low AISC of \$785/oz representing a decrease of 20% on the prior period (\$978/oz) despite a 4% fall in production to 407,459 ounces.
- The Directors have approved a fully franked dividend of 3.5 cents per fully paid ordinary share. The aggregate amount of the proposed dividend to be paid on 30 March 2018 is \$59.2 million.
- In December 2017, the Group made its first income tax payment of \$36.2 million related to the 30 June 2017 financial year.



**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017**

Key highlights for the period (continued)

- In September 2017, the Group repaid the outstanding balance of \$40.0 million on the Senior Secured Term Loan ("Facility B") using the upfront cash payment received on the sale of the Edna May Operation. No additional repayments have been made to the existing \$395.0 million Senior Secured Term Loan ("Facility D"). The Senior Secured Revolving Loan ("Facility A") remains fully repaid at 31 December 2017.
- On 3 October 2017, the sale of the Edna May Operation to Ramelius Operations Pty Ltd was completed for total proceeds of up to \$90.0 million. The consideration comprised of a \$40.0 million up front cash payment and contingent consideration in the form of either a cash royalty, Ramelius shares, or combination of both up to \$50.0 million.
- On 4 August 2017, the Group agreed to subscribe for a \$2.5 million investment in the initial public offering of Riversgold Ltd, a new gold-focussed exploration company whose strategy is to build a portfolio of high quality mineral projects with a view to sell or enter into a joint venture at an appropriate time in the project life cycle.

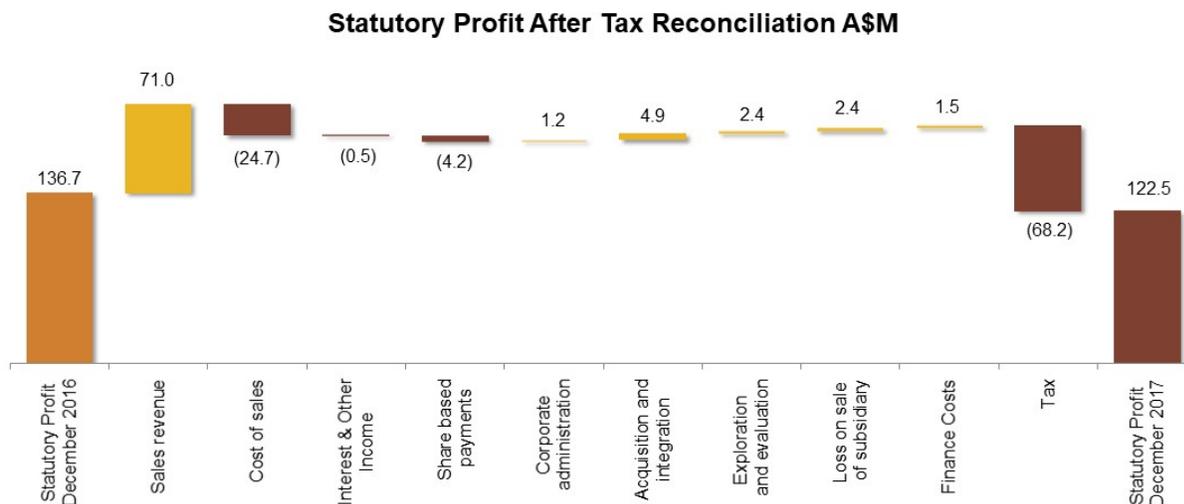
Operating and Financial Review

Overview

As at 31 December 2017, the Group consisted of five wholly-owned operating gold mines; Cowal in New South Wales; Cracow, Mt Carlton and Mt Rawdon in Queensland; Mungari in Western Australia, and an economic interest in the Ernest Henry Copper-Gold Operation (100% of gold and 30% of copper and silver) in Queensland.

The Group posted a statutory profit after tax of \$122.5 million for the half year ended 31 December 2017 (31 December 2016: \$136.7 million) largely due to a full six month contribution from the Ernest Henry Copper-Gold Operation compared to two months in the previous half year. The prior year statutory profit included a non-cash deferred tax benefit of \$30.9 million which was related to the recognition of previously unrecognised tax losses.

The following graph shows the movements in the Group's statutory profit after tax for the half year ended 31 December 2017.





**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017**

Operating and Financial Review (continued)

Overview (continued)

The Group recorded an underlying net profit after tax of \$124.7 million for the period ended 31 December 2017 (31 December 2016: \$115.0 million). The statutory net profit after tax includes one-off transactions and non-operating costs which have been excluded from the Group's underlying profit after tax.

The table below shows the differences of statutory profit before tax to the underlying profit after tax.

	2017 \$'000	2016 \$'000
Statutory profit before income tax	175,091	121,017
Fair value (gain)/expense	(3,142)	964
Loss on sale of subsidiary	-	2,378
Transaction and integration costs	1,192	6,107
Underlying profit before income tax	173,141	130,466
Income tax (expense)/benefit	(52,573)	15,653
Tax expense on sale of subsidiary	4,165	-
Tax effect of adjustments	-	(289)
Recognition of previously unrecognised tax losses	-	(30,880)
Underlying profit after income tax (*)	124,733	114,950

(*) Consistent with the 30 June 2017 financial statements, underlying profit includes the fair value amortisation related to the acquisition of Cowal and Mungari. For consistency, the 2016 underlying profit has been amended to reflect this treatment. No change to statutory profit was required. Underlying profit is a non-IFRS measure. Refer also to the Appendix 4E and Annual Financial Report for the year ended 30 June 2017.

Operating cash flow increased 9% against a 2% decline in the gold price to \$1,621/oz, with all operations producing positive operating mine cash flows totalling \$415.1 million (31 December 2016: \$339.4 million). Total capital expenditure decreased 3% to \$122.6 million (including all sustaining and major capital expenditure, rehabilitation costs and capital stripping). The decrease in capital expenditure is attributable to the disposal of Edna May, contributing savings of roughly \$3.1 million on the prior year.



Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017

Operating and Financial Review (continued)

Overview (continued)

Key Results

The consolidated operating and financial results for the current and prior period are summarised below. All \$ figures refer to Australian thousand dollars (A\$'000) unless otherwise stated.

Key Business Metrics	31 December 2017	31 December 2016	% Change (iii)
Total underground ore mined (kt)	3,878	1,700	128%
Total underground lateral development (m)	6,835	5,017	36%
Total open pit ore mined (kt)	7,768	9,957	(22)%
Total open pit waste mined (kt)	18,011	16,622	8%
Processed tonnes (kt)	10,942	9,335	17%
Gold grade processed (g/t)	1.36	1.63	(17)%
Gold production (oz)	407,459	423,120	(4)%
Unit cash operating cost (A\$/oz) (i)	507	667	24%
All in sustaining cost (A\$/oz) (i)	785	978	20%
All in cost (\$/oz) (i)	993	1,120	11%
Gold price achieved (A\$/oz)	1,621	1,656	(2)%
Silver price achieved (A\$/oz)	21.48	24.32	(12)%
Copper price achieved (A\$/t)	8,997	7,456	21%
Total Revenue	782,139	711,150	10%
Cost of sales (excluding D&A and fair value adjustments (i))	(365,234)	(348,661)	(5)%
Corporate, admin, exploration and other costs (excluding D&A)	(17,806)	(17,191)	(4)%
EBITDA (i) (ii)	399,099	345,298	16%
EBIT (i) (ii)	203,598	173,471	17%
Statutory profit before income tax	175,091	121,017	45%
Statutory profit after income tax	122,518	136,670	(10)%
Underlying profit after income tax	124,733	114,950	9%
Mine operating cash flow	415,113	339,426	22%
Capital expenditure	(122,583)	(125,990)	3%
Net mine cash flow	292,530	213,646	37%

- (i) EBITDA, EBIT, Unit cash operating cost, All in sustaining cost (AISC), and All in cost (AIC) are non-IFRS financial information and are not subject to audit.
- (ii) Percentage change represents positive/(negative) impact on the business

Mining Operations

Cowal

Cowal was the highest producer in the Group, achieving gold production of 132,425oz at an average C1 cash cost of \$607/oz and AISC of \$779/oz. Capital expenditure in the period was \$40.2 million, of which \$25.4 million relates to the Stage H and Float Tails (Dual) Leach projects.

Cowal ore mining activities focussed on the E42 Stage G cutback to a current operating level of 867mRL. All pre-work required to facilitate the Stage H cutback was completed during the period to 31 December 2017 and full-scale mining activity has now commenced.



**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017**

Operating and Financial Review (continued)

Mining Operations (continued)

Cowal (continued)

Contracts were awarded for the project management and construction of the Float Tails Leach project during the period. An engineering design review was completed and bulk earth works commenced. Major construction works are expected to start in the second half of the financial year. The project remains on schedule and on budget and is expected to increase recoveries by 4-6% once commissioned in the December 2018 half year.

Key Business Metrics	31 December 2017	31 December 2016	Change	% Change
Net mine cash flow (\$'000)	87,330	97,082	(9,752)	(10)%
Major capital (\$'000)	25,410	-	-	-%
Sustaining capital (\$'000)	14,810	26,760	(11,950)	(45)%
Gold production (oz)	132,425	135,935	(3,510)	(3)%
All in sustaining cost (\$/oz)	779	862	(83)	10%
All in cost (\$/oz)	971	865	106	(12)%

Mungari

Mungari produced a total of 58,509oz of gold at an average C1 cash cost of \$936/oz and an AISC of \$1,169/oz. Capital expenditure in the period was \$28.2 million, of which \$4.3 million relates to underground mine development at Frog's Leg underground mine and \$17.3 million related to capital waste stripping on the White Foil open pit.

Frog's Leg underground mine produced 244kt ore tonnes at a grade of 5.12g/t gold. Total development was reduced on the prior year after scaling back for development and rehabilitation operations at the start of the 2018 financial year. White Foil open pit completed mining Stage 2b, and has commenced mining the Stage 3 cutback and Stage 2X.

The process plant performed well with 842kt of ore processed at an average grade of 2.31g/t gold. Increased gold recoveries of 93.6% were achieved through the successful commissioning of an additional Knelson concentrator allowing for increased recoveries by the gravity circuit. Plant utilisation was impacted by adverse weather and power interruptions in the period, and a full mill reline was completed on schedule in October.

Investment in discovery and resource definition programs across the Mungari tenements continued during the period. Successful follow-up drilling was completed at regional resource targets Burgundy and Emu confirming extended high-grade mineralisation outside of existing resources. Full results from resource definition drilling beneath the White Foil pit are outstanding at the period end. A decision whether to move to a second phase of drilling is expected in the second half of the year based on the initial drilling results.

Key Business Metrics	31 December 2017	31 December 2016	Change	% Change
Net mine cash flow (\$'000)	11,330	42,750	(31,420)	(73)%
Sustaining capital (\$'000)	6,500	9,010	(2,510)	(28)%
Major capital (\$'000)	21,650	13,270	8,380	63%
Gold production (oz)	58,509	79,940	(21,431)	(27)%
All in sustaining cost (\$/oz)	1,169	1,047	122	(12)%
All in cost (\$/oz)	1,664	1,285	379	(29)%



**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017**

Operating and Financial Review (continued)

Mining Operations (continued)

Mt Carlton

Mt Carlton produced 59,921oz at a C1 cash cost of \$242/oz and AISC of \$464/oz. The gravity circuit continues to contribute value reflected in the production of 10,138oz of gold during the period. Doré production is expected to increase in the second half of the financial year following successful ongoing optimisation work. Payback of the A\$4 million project capital is expected to be achieved in the second half of the year, fewer than 12 months from when the project was fully commissioned.

Mining of the Stage 3a western end of the V2 open pit has focussed on accessing high-grade ore to blend with low to medium grade Run of Mine (ROM) stocks. Mining of the eastern end Stage 3b pre-strip continued on schedule.

The Definitive Feasibility Study on either an underground mine or stage 4 of the pit continued during the period. The resource definition drilling program was completed in December with the updated Mineral Resource estimation model currently underway.

Key Business Metrics	31 December 2017	31 December 2016	Change	% Change
Net mine cash flow (\$'000)	57,500	39,070	18,430	47%
Sustaining Capital (\$'000)	4,430	10,570	(6,140)	(58)%
Major Capital (\$'000)	10,550	7,200	3,350	47%
Gold production (oz)	59,921	51,218	8,703	17%
All in sustaining cost (\$/oz)	464	682	(218)	32%
All in cost (\$/oz)	656	834	(178)	21%

Mt Rawdon

Mt Rawdon produced 43,183oz at a C1 cash cost of \$873/oz and AISC of \$1,070/oz. Production has been negatively impacted in the period by an extreme weather event in October and a ball mill engine failure in December which resulted in an eight day unplanned shutdown of the plant.

Mining activities were focussed on the progression of the Stage 4 cutback. Ore was sourced from the western and northern section of the open pit with waste movement activities concentrated in the southern and western sections of the pit.

For personal use only



**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017**

Operating and Financial Review (continued)

Mining Operations (continued)

Mt Rawdon (continued)

Drilling activities have identified targets immediately to the west and north of the current pit and are currently being incorporated into the upcoming Mineral Resource and Ore Reserve estimate. This drilling was aimed at the conversion of unclassified mineral inventory into Inferred or Indicated Resources.

Key Business Metrics	31 December 2017	31 December 2016	Change	% Change
Net mine cash flow (\$'000)	11,330	18,400	(7,070)	(38)%
Sustaining capital (\$'000)	4,080	7,020	(2,940)	(42)%
Major capital (\$'000)	8,050	11,280	(3,230)	(29)%
Gold production (oz)	43,183	50,862	(7,679)	(15)%
All in sustaining cost (\$/oz)	1,070	833	237	(28)%
All in cost (\$/oz)	1,253	1,058	195	(18)%

Cracow

Cracow produced 43,612oz at an average C1 cash cost of \$787/oz and AISC of \$1,136/oz. Safety continues to be a key focus with the operation passing 1,600 days without a lost time injury during the period.

A total of 259kt of ore was mined at an average grade of 5.40 g/t gold. Primary ore sources were the Kilkenny, Griffin and Empire ore bodies. Grades are expected to increase in the second half of the year with the commencement of production from the Coronation ore body as well as Kilkenny and Empire stopes.

The success of the resource definition and exploration drill programs in 2017 has resulted in a high level of confidence in mine life extensions beyond the current four year life of mine plan.

Key Business Metrics	31 December 2017	31 December 2016	Change	% Change
Net mine cash flow (\$'000)	17,020	14,310	2,710	19%
Sustaining capital (\$'000)	6,410	10,340	(3,930)	(38)%
Major capital (\$'000)	6,790	6,860	(70)	(1)%
Gold production (oz)	43,612	41,317	2,295	6%
All in sustaining cost (\$/oz)	1,136	1,267	(131)	10%
All in cost (\$/oz)	1,228	1,365	(137)	10%

Ernest Henry

Attributable production from Ernest Henry was 48,169oz of gold, 28,569oz of silver and 10,772t of copper at a negative average C1 cash cost of \$(956)/oz and a negative AISC of \$(621)/oz.

Ore mined was 3,376kt at an average grade of 0.57g/t gold and 1.14% copper. Underground development was 3,498m. Ore processed was 3,419kt at an average grade of 0.56g/t gold and 1.14% copper. Gold recovery of 80.5% and copper recovery of 95.9% was achieved with mill utilisation at 89.4%.



Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017

Operating and Financial Review (continued)

Mining Operations (continued)

Ernest Henry (continued)

Key Business Metrics	31 December 2017	31 December 2016	Change	% Change
Net mine cash flow (\$'000)	107,410	1,630	105,780	6,490%
Sustaining capital (\$'000)	8,820	3,200	5,620	176%
Gold production (oz)	48,169	14,257	33,912	238%
All in sustaining cost (\$/oz)	(621)	(114)	(507)	(445)%
All in cost (\$/oz)	(621)	(114)	(507)	(445)%

Edna May

The Edna May Operation was sold on 3 October 2017 to Ramelius Operations Pty Ltd for total proceeds of up to A\$90.0 million. The consideration comprised of a A\$40.0 million up front cash payment and contingent consideration in the form of either a cash royalty, Ramelius shares, or combination of both up to \$50.0 million.

No profit or loss has been recognised on disposal with the value of the consideration, including the net present value of the contingent consideration, closely matching the carrying value of the Edna May Operation at date of disposal. The value of the contingent consideration will be assessed at each reporting period.

During the period that Edna May was still under Evolution ownership, Edna May produced 21,639oz of gold at an AISC of A\$1,588/oz.

Financial Performance

Profit or Loss

Revenue for the period ended 31 December 2017 increased by 10% to \$782.1 million (31 December 2016: \$711.2 million). This is largely due to the inclusion of results from Ernest Henry totalling \$175.3 million (31 December 2016: \$24.1 million). This is comprised of \$97.4 million for copper and silver revenue and \$77.9 million for gold revenue. A 21% increase in the copper price achieved to A\$8,997/t has favourably impacted on revenue in the period. This is partly offset by the disposal of the Edna May Operation which resulted in a decrease of \$27.5 million on the prior year.

Total gold sold equalled 409,705oz which included deliveries into the hedge book of 95,995oz at an average price of \$1,550/oz (31 December 2016: 127,501oz, \$1,578/oz). The remaining 313,710oz were sold at spot price achieving an average price of \$1,645/oz (31 December 2016: 277,139oz, \$1,656/oz). The Group's hedge book totals 362,500oz as at 31 December 2017 at an average price of \$1,670/oz for quarterly deliveries out to June 2020.

Operating costs (excluding depreciation, amortisation and fair value adjustments of \$211.0 million) increased to \$365.2 million (31 December 2016: \$348.3 million) largely as a result of the first year inclusion of Ernest Henry which accounted for operating costs of \$59.1 million offset by \$19.5 million following the sale of Edna May during the year. The operating costs for the remaining five existing mine sites remained consistent at \$271.6 million (31 December 2016: \$268.1 million).

The Group's All in Sustaining Cost decreased by 20% to \$785/oz (31 December 2016: \$978/oz) despite a 17% drop in the average grade processed during the year. The decline in grade was offset by the inclusion of Ernest Henry which contributed an AISC of \$(621)/oz for the period.



Evolution Mining Limited Half-Year Financial Report Directors' Report 31 December 2017

Operating and Financial Review (continued)

Financial Performance (continued)

Profit or Loss (continued)

The Group posted an increase of 45% in profit before income tax driven by increased sales, offset by an income tax expense of \$52.6 million (31 December 2016: benefit of \$15.7 million). Statutory profit after tax was \$122.5 million (31 December 2016: \$136.7 million) and underlying profit after tax totalled \$124.7 million (31 December 2017: \$115.0 million).

Balance Sheet

Total assets at the end of period, were in line with 30 June 2017 at \$2.9 billion (30 June 2017: \$2.9 billion). An increase in cash of \$126.1 million since 30 June 2017 to \$163.5 million combined with the recognition of deferred consideration on the Edna May disposal of \$33.1 million has been offset by the disposal of total assets attributable to Edna May of \$114.0 million as well as a reduction in the net carrying amount of property plant and equipment and producing mines due to a depreciation charge of \$196.1 million outstripping capital additions of \$145.4 million. Non-current inventories increased by \$39.3 million to \$40.2 million and include ore stockpiles at Mt Rawdon (\$20.7 million) and Cowal (\$18.6 million) not expected to be processed within 12 months. The Cowal ore stockpile has been reclassified from Mine Development.

Total liabilities for the Group decreased by \$88.9 million or 11% to \$728.3 million at 31 December 2017. The decrease is in part attributable to the \$40.0 million final repayment of the Senior Secured Term Loan ("Facility B") established for the Cowal acquisition. The remaining decrease is due to the disposal of total liabilities of \$37.6 million related to the sale of Edna May.

The Group ended the period with a cash balance of \$163.5 million and available credit of \$300.0 million in Facility A as part of its Senior Secured Syndicated Revolving and Term Facility.

Taxation

During the period, the Group made its first income tax payment of \$36.2 million and recognised an income tax expense of \$52.6 million (31 December 2017: benefit of \$15.7 million). On the balance sheet the Company recognised a current tax liability of \$26.0 million (30 June 2017: 36.2 million) and a deferred tax liability of \$10.2 million (30 June 2017: asset of \$16.4 million). The tax payment made in respect of the 30 June 2017 financial year combined with tax instalments expected to be paid during the 2018 financial year have enabled the declaration of a fully franked interim dividend.

Capital Expenditure

Capital expenditure for the period to 31 December 2017 totalled \$122.6 million (31 December 2016: \$126.0 million). This consists of sustaining capital, including near mine exploration and resource definition of \$47.1 million (31 December 2016: \$71.3 million) and mine development of \$75.5 million (31 December 2016: \$54.7 million). The main capital projects include the Stage H and Float Tails (Dual) Leach projects at Cowal, underground mine development at Cracow and Mungari, and capital waste stripping at Mt Carlton, Mt Rawdon and Mungari.



**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017**

Operating and Financial Review (continued)

Financial Performance (continued)

Financing

Total finance costs for the year were \$12.3 million (31 December 2016: \$13.9 million), a decrease of 12%. Included in total finance costs is interest expense of \$10.0 million (31 December 2016: \$10.0 million), amortisation of debt establishment costs of \$0.2 million (31 December 2016: \$2.1 million) and discount unwinding on mine rehabilitation liabilities of \$2.2 million (31 December 2016: \$1.5 million).

In September 2017, the Group fully repaid the outstanding balance of \$40.0 million on the Senior Secured Term Loan ("Facility B").

No changes have been made to the existing Senior Secured Term Loan ("Facility D"), the \$155.0 million Performance Bond Facility ("Facility C") or the Senior Secured Revolving Loan ("Facility A").

The repayment periods and outstanding balances as at 31 December 2017 on each facility are set out below:

Facility	Term date	Outstanding balance
Senior Secured Revolving Loan - Facility A	31 July 2018	\$ nil
Performance Bond Facility - Facility C	20 July 2018	\$131 million
Senior Secured Term Loan - Facility D	31 October 2021	\$395 million

Dividends

In August 2017, the Directors approved a change to the dividend policy of whenever possible paying a dividend equivalent to 50% of the Group's after tax earnings. The change was effective immediately and was applied to the final dividend for 2017 and interim dividend for 2018.

The Board has confirmed that Evolution is in a sound position to meet its commitment under the new policy to pay a final fully franked dividend for the current period of 3.5 cents per share, totalling \$59.2 million. Evolution shares will trade excluding entitlement to the dividend on 23 February 2018, with the record date being 26 February 2018 and payment date of 30 March 2018.

The Dividend Reinvestment Plan ("DRP") remains suspended.

Matters subsequent to the end of the financial year

No matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group or economic entity in subsequent financial periods.



**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2017**

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12 .

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read "J. Klein".

Jacob (Jake) Klein
Executive Chairman

A handwritten signature in black ink, appearing to read "Graham Freestone".

Graham Freestone
Non-Executive Director

Sydney



Auditor's Independence Declaration

As lead auditor for the review of Evolution Mining Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Evolution Mining Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M Upcroft', is written over a light grey grid background.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
15 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Evolution Mining Limited
Half-Year Financial Report
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2017

		31 December 2017 \$'000	31 December 2016 \$'000
	Notes		
Sales revenue	3	782,139	711,150
Cost of sales	3	<u>(576,235)</u>	<u>(551,496)</u>
Gross Profit		205,904	159,654
Interest income		860	1,288
Other income		366	419
Share based payments expense		(4,589)	(371)
Corporate and other administration costs		(12,631)	(13,912)
Transaction and integration costs		(1,192)	(6,107)
Exploration and evaluation costs expensed	7	(1,307)	(3,715)
Loss on sale of subsidiary		-	(2,378)
Finance costs		<u>(12,320)</u>	<u>(13,861)</u>
Profit before income tax		175,091	121,017
Income tax (expense)/benefit	4	<u>(52,573)</u>	<u>15,653</u>
Profit after income tax expense		122,518	136,670
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets		(1,349)	3,199
Changes in the fair value of cash flow hedges		-	127
Exchange differences on translation of foreign operations		<u>42</u>	<u>40</u>
Other comprehensive (loss)/income, net of tax		(1,307)	3,366
Total comprehensive income		121,211	140,036
Total comprehensive income for the period is attributable to:			
Owners of Evolution Mining Limited		<u>121,211</u>	<u>140,036</u>
		121,211	140,036
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		7.25	8.56
Diluted earnings per share		7.21	8.50

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



**Evolution Mining Limited
Half-Year Financial Report
Consolidated Balance Sheet
As at 31 December 2017**

	31 December 2017 Notes	30 June 2017 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	163,500	37,385
Trade and other receivables	83,429	63,119
Inventories	241,547	276,869
Total current assets	488,476	377,373
Non-current assets		
Inventories	40,183	827
Available-for-sale financial assets	6,112	4,962
Property, plant and equipment	6 644,368	741,189
Mine development and exploration	7 1,716,225	1,801,479
Deferred tax assets	-	16,448
Other non-current assets	36,329	3,191
Total non-current assets	2,443,217	2,568,096
Total assets	2,931,693	2,945,469
LIABILITIES		
Current liabilities		
Trade and other payables	132,570	156,627
Interest bearing liabilities	8 98,774	53,401
Current tax liabilities	25,982	36,214
Provisions	30,179	30,173
Other current liabilities	63	3,206
Total current liabilities	287,568	279,621
Non-current liabilities		
Interest bearing liabilities	8 295,075	382,723
Provisions	135,519	154,873
Deferred tax liabilities	10,157	-
Total non-current liabilities	440,751	537,596
Total liabilities	728,319	817,217
Net assets	2,203,374	2,128,252
EQUITY		
Issued capital	9 2,183,727	2,183,727
Reserves	42,077	38,795
Accumulated losses	(22,430)	(94,270)
Capital and reserves attributable to owners of Evolution Mining Limited	2,203,374	2,128,252
Total equity	2,203,374	2,128,252

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.



Evolution Mining Limited
Half-Year Financial Report
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Notes	Issued capital \$'000	Share-based payments \$'000	Fair value revaluation reserve \$'000	Cash flow hedges \$'000	Foreign currency translation \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016		1,770,987	29,496	(110)	(127)	104	(248,917)	1,551,433
Profit after income tax expense		-	-	-	-	-	136,670	136,670
Other comprehensive income		-	-	3,199	127	40	-	3,366
Total comprehensive income		-	-	3,199	127	40	136,670	140,036
Transactions with owners in their capacity as owners:								
Contributions of equity	9	406,547	-	-	-	-	-	406,547
Dividends provided for or paid	5	-	-	-	-	-	(29,380)	(29,380)
Recognition of share-based payments		-	1,611	-	-	-	-	1,611
		406,547	1,611	-	-	-	(29,380)	378,778
Balance at 31 December 2016		2,177,534	31,107	3,089	-	144	(141,627)	2,070,247
Balance at 1 July 2017		2,183,727	37,149	1,589	-	57	(94,270)	2,128,252
Profit after income tax expense		-	-	-	-	-	122,518	122,518
Other comprehensive expense		-	-	(1,349)	-	42	-	(1,307)
Total comprehensive income		-	-	(1,349)	-	42	122,518	121,211
Transactions with owners in their capacity as owners:								
Dividends provided for or paid	5	-	-	-	-	-	(50,678)	(50,678)
Recognition of share-based payments		-	4,589	-	-	-	-	4,589
		-	4,589	-	-	-	(50,678)	(46,089)
Balance at 31 December 2017		2,183,727	41,738	240	-	99	(22,430)	2,203,374

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Evolution Mining Limited
Half-Year Financial Report
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

	31 December 2017 Notes \$'000	31 December 2016 \$'000
Cash flows from operating activities		
Receipts from sales	767,083	687,228
Payments to suppliers and employees	(398,436)	(382,003)
Other income	366	419
Interest received	496	1,288
Interest paid	(10,000)	(10,219)
Income taxes paid	(36,200)	-
Net cash inflow from operating activities	323,309	296,713
Cash flows from investing activities		
Payments for property, plant and equipment	(37,097)	(35,610)
Payments for mine development and exploration	(103,391)	(105,198)
Proceeds from sale of property, plant and equipment	80	-
Proceeds from sale of subsidiary	40,000	41,900
Payments for stamp duty related to business disposal	-	(3,272)
Cash disposed through business combination	(13)	-
Payments for available-for-sale financial assets	(2,500)	-
Transfer from term deposits	-	(2)
Transaction costs related to business disposal	(1,192)	(2,836)
Payment for economic interest in Ernest Henry	-	(884,004)
Net cash outflow from investing activities	(104,113)	(989,022)
Cash flows from financing activities		
Proceeds from interest bearing liabilities - Senior Secured Syndicated Revolving and Term Facility	-	475,000
Repayment of interest bearing liabilities - Senior Secured Syndicated Revolving and Term Facility	(40,000)	(160,000)
Proceeds from short term borrowings	66,121	80,054
Repayment of short term borrowings	(67,701)	(78,197)
Payment of finance lease liabilities	(854)	(4,574)
Dividends paid	(50,688)	(25,323)
Proceeds from issues of shares	-	408,808
Payment of transaction costs for issuing shares	-	(6,315)
Net cash (outflow)/inflow from financing activities	(93,122)	689,453
Net increase/(decrease) in cash and cash equivalents	126,074	(2,856)
Cash and cash equivalents at the beginning of the period	37,385	17,295
Effects of exchange rate changes on cash and cash equivalents	41	40
Cash and cash equivalents at end of period	163,500	14,479

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Evolution Mining Limited Half-Year Financial Report Notes to the Consolidated Financial Statements

1 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the period:

- The Group made its first income tax payment in December 2017, enabling the declaration of fully franked dividends.
- Completion of a \$2.5 million investment in the initial public offering of Riversgold Ltd.
- The sale of the Edna May asset to Ramelius Operations Pty Ltd.

For a detailed discussion about the Group's performance and financial position please refer to the Operating and Financial review on page 2 to 10.

For personal use only



Evolution Mining Limited Half-Year Financial Report Notes to the Consolidated Financial Statements

2 Performance by Mine

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Chairman and the Senior Leadership Team (the chief business decision makers) in assessing performance and in determining the allocation of resources.

The Group's operational mine sites, Exploration and Corporate are each treated as individual operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Corporate includes share-based payment expenses and other corporate expenditures supporting the business during the period.

Segment performance is evaluated based on earnings before interest, tax, depreciation and amortisation (EBITDA).

The Group's operations are all conducted in the mining industry in Australia.

(b) Segment information

The segment information for the reportable segments for the half-year ended 31 December 2017 is as follows:

	Cowal \$'000	Mungari \$'000	Mt Carlton \$'000	Mt Rawdon \$'000	Cracow \$'000	Ernest Henry \$'000	Edna May \$'000	Pajingo \$'000	Explo- ration \$'000	Corp- orate \$'000	Total \$'000
31 December 2017											
Revenue	221,251	96,390	110,714	72,817	68,451	175,345	37,171	-	-	-	782,139
EBITDA	128,606	35,674	73,801	29,034	30,890	116,287	2,629	-	(1,310)	(16,512)	399,099
Sustaining Capital	14,811	6,495	4,434	4,079	6,412	8,824	1,599	-	-	422	47,076
Major Capital	25,408	21,648	10,546	8,047	6,786	-	3,072	-	-	-	75,507

The segment information for the reportable segments for the half-year ended 31 December 2016 is as follows:

	Cowal \$'000	Mungari \$'000	Mt Carlton \$'000	Mt Rawdon \$'000	Cracow \$'000	Ernest Henry \$'000	Edna May \$'000	Pajingo \$'000	Explo- ration \$'000	Corp- orate \$'000	Total \$'000
31 December 2016											
Revenue	228,436	129,981	94,713	84,542	67,160	24,085	64,715	17,518	-	-	711,150
EBITDA	135,944	59,483	62,459	48,627	30,224	12,410	10,728	2,614	(3,715)	(13,476)	345,298
Sustaining Capital	26,765	9,005	10,572	7,020	10,339	3,200	1,175	2,824	-	365	71,265
Major Capital	-	13,272	7,199	11,276	6,857	-	12,562	3,559	-	-	54,725



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

2 Performance by Mine (continued)

(c) Segment Reconciliation

	31 December 2017 \$'000	31 December 2016 \$'000
Reconciliation of profit before income tax expense		
EBITDA	399,099	345,298
Depreciation and amortisation	(195,501)	(171,827)
Interest income	860	1,288
Transaction costs	(1,192)	(6,107)
Loss on sale of subsidiary	-	(2,378)
Fair value amortisation	(18,997)	(30,432)
Fair value unwinding	3,142	(964)
Finance costs	(12,320)	(13,861)
Profit before income tax expense	175,091	121,017

3 Revenue and expenses

	31 December 2017 \$'000	31 December 2016 \$'000
Sales revenue		
Gold sales	663,959	670,077
Silver sales	11,147	12,722
Copper sales	107,033	28,351
	782,139	711,150

For personal use only



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

3 Revenue and expenses (continued)

	31 December 2017 \$'000	31 December 2016 \$'000
Cost of sales		
Mine operating costs	332,074	318,433
Depreciation and amortisation expense	195,146	171,439
Royalty and other selling costs	33,160	30,228
Fair value amortisation	18,997	30,432
Fair value (gain)/expense	(3,142)	964
	576,235	551,496
Corporate and other administration costs		
Depreciation and amortisation expense	355	388
Operating lease payments	589	466
Corporate wages and salaries expense	3,566	2,751
Contractor, consultants and advisory expense	1,635	2,006
Other administrative expense	6,486	8,301
	12,631	13,912
Transaction and integration costs		
Contractor, consultants and advisory expense	219	1,664
Corporate and administration expense	973	1,171
Stamp duty on business combinations	-	3,272
	1,192	6,107
Finance costs		
Finance lease interest expense	17	254
Amortisation of debt establishment costs	161	2,131
Unwinding of discount on provisions	2,159	1,511
Interest expense	9,983	9,965
	12,320	13,861
Depreciation and amortisation		
Cost of sales (excluding Ernest Henry)	131,828	161,950
Cost of sales (Ernest Henry)	63,318	9,489
Corporate and other administration costs	355	388
	195,501	171,827

For personal use only



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

4 Income tax

(a) Income tax

	31 December 2017 \$'000	31 December 2016 \$'000
Current tax on profits for the period	38,875	7,605
Deferred tax	17,677	7,622
Previously unrecognised tax loss now recognised	-	(30,880)
Adjustments for current tax of prior periods	(3,979)	-
Total income tax expense/(benefit)	<u>52,573</u>	<u>(15,653)</u>

(b) Numerical reconciliation of income tax to prima facie tax payable

Profit before income tax	175,091	121,017
Tax at the Australian tax rate of 30%	52,527	36,305
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss on sale of subsidiary	-	713
Share-based payments	1,376	111
Costs of business acquisitions	-	982
Deferred tax expense on sale of subsidiary	4,165	-
Adjustments for current tax of prior periods	(3,979)	-
Other	(1,516)	330
Tax loss recognised to reduce deferred tax expense	-	(30,880)
Tax losses used to reduce current tax expense	-	(23,214)
Total income tax benefit	<u>52,573</u>	<u>(15,653)</u>

(c) Tax losses

The Group has unrecognised available tax losses of \$48.530 million as at 31 December 2017. These tax losses have not been recognised due to the uncertainty of their recoverability in future periods.



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

5 Dividends

(a) Ordinary Shares

	31 December 2017 \$'000	31 December 2016 \$'000
Final dividend - 2017		
Final dividend for the year ended 30 June 2017 of 3 cents per share fully franked (30 June 2016: 2 cent per share unfranked) per fully paid share paid on 26 September 2017	50,678	29,365
	<u>50,678</u>	<u>29,365</u>

(b) Dividends not recognised at the end of the reporting period

In June 2017, the Directors approved a change to the dividend policy of whenever possible paying a dividend equivalent to 50% of the Group's earning. The change was effective immediately and has been applied to the final dividend for 2017 and interim dividend for 2018.

	31 December 2017 \$'000	31 December 2016 \$'000
In addition to the above dividends, since period end the Directors have approved the payment of an interim fully franked dividend of 3.5 cents per fully paid ordinary share (31 December 2016 - 2 cents unfranked). The aggregate amount of the proposed dividend expected to be paid on 30 March 2018 out of retained earnings at 31 December 2017, but not recognised as a liability at the period end is:	59,241	33,595
	<u>59,241</u>	<u>33,595</u>

For personal use only



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

6 Property, plant and equipment

	Freehold land \$'000	Plant and equipment \$'000	Total \$'000
At 30 June 2017			
Cost	16,841	1,640,294	1,657,135
Accumulated depreciation	-	(915,946)	(915,946)
Net carrying amount	<u>16,841</u>	<u>724,348</u>	<u>741,189</u>
Half-year ended 31 December 2017			
Carrying amount at beginning of period	16,841	724,348	741,189
Additions	-	37,097	37,097
Reclassification	-	(110)	(110)
Disposals	-	(80)	(80)
Depreciation	-	(59,247)	(59,247)
Depreciation relating to fair value uplift on business combinations	-	(2,358)	(2,358)
Disposal of subsidiary	(2,580)	(69,543)	(72,123)
Carrying amount at the end of the period	<u>14,261</u>	<u>630,107</u>	<u>644,368</u>
At 31 December 2017			
Cost	14,261	1,525,863	1,540,124
Accumulated depreciation	-	(895,756)	(895,756)
Net carrying amount	<u>14,261</u>	<u>630,107</u>	<u>644,368</u>
Included in above			
Carrying amount of lease assets	-	489	489
Carrying amount of assets under construction	-	79,378	79,378
	<u>-</u>	<u>79,867</u>	<u>79,867</u>

For personal use only



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

7 Mine development and exploration

	Producing mines \$'000	Exploration and evaluation \$'000	Total \$'000
At 30 June 2017			
Cost	2,959,137	128,128	3,087,265
Accumulated amortisation	(1,285,786)	-	(1,285,786)
Net carrying amount	<u>1,673,351</u>	<u>128,128</u>	<u>1,801,479</u>
Half-year ended 31 December 2017			
Carrying amount at beginning of period	1,673,351	128,128	1,801,479
Additions	92,719	15,630	108,349
Amortisation	(136,254)	-	(136,254)
Amortisation recognised in inventory	(599)	-	(599)
Amortisation relating to fair value uplift on business combinations	(16,639)	-	(16,639)
Asset write-off	-	(1,307)	(1,307)
Reclassifications	110	-	110
Disposal of subsidiary	(20,108)	(172)	(20,280)
Reclassification to long term inventory	(18,634)	-	(18,634)
Carrying amount at the end of the period	<u>1,573,946</u>	<u>142,279</u>	<u>1,716,225</u>
At 31 December 2017			
Cost	2,916,606	142,279	3,058,885
Accumulated amortisation	(1,342,660)	-	(1,342,660)
Net carrying amount	<u>1,573,946</u>	<u>142,279</u>	<u>1,716,225</u>

For personal use only



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

8 Interest Bearing Liabilities

	31 December 2017 \$'000	30 June 2017 \$'000
Current		
Bank loans	95,000	50,000
Less: Borrowing costs	(2,005)	(4,813)
Finance lease liabilities	489	1,344
Other borrowings	5,290	6,870
	<u>98,774</u>	<u>53,401</u>
Non-Current		
Bank loans	300,000	385,000
Less: Borrowing costs	(4,925)	(2,277)
	<u>295,075</u>	<u>382,723</u>
Total interest bearing liabilities	<u>393,849</u>	<u>436,124</u>

In September 2017, the Group repaid the outstanding balance of \$40 million on the Senior Secured Term Loan ("Facility B") using the upfront cash payment received on the sale of the Edna May Operation. This repayment was made 7 months ahead of the facility repayment schedule. No additional repayments have been made to the existing \$300 million Senior Secured Revolving Loan ("Facility A"), the \$155 million Performance Bond Facility ("Facility C") or the \$395 million Senior Secured Term Loan ("Facility D").

The repayment periods and outstanding balances as at 31 December 2017 on each facility are set out below:

	Term date	Outstanding balance
Senior Secured Revolving Loan - Facility A	31 July 2018	\$ nil
Performance Bond Facility - Facility C	20 July 2018	\$131 million
Senior Secured Term Loan - Facility D	31 October 2021	\$395 million



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

8 Interest Bearing Liabilities (continued)

(a) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	31 December 2017 \$'000	30 June 2017 \$'000
<i>Bank loans - revolving credit facility</i>		
Expiring within one year	300,000	-
Expiring beyond one year	-	300,000
	<u>300,000</u>	<u>300,000</u>

(b) Contractual maturities of interest bearing liabilities

The tables below analyse the Group's interest bearing liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows, which also includes interest and commitment fees.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
At 31 December 2017						
Bank loans	109,635	138,846	174,184	-	422,665	395,000
Finance lease liabilities	489	-	-	-	489	489
Other borrowings	5,290	-	-	-	5,290	-
	<u>115,414</u>	<u>138,846</u>	<u>174,184</u>	<u>-</u>	<u>428,444</u>	<u>395,489</u>
At 30 June 2017						
Bank loans	64,356	163,660	233,036	-	461,052	435,000
Finance lease liabilities	1,344	-	-	-	1,344	1,344
Other borrowings	6,870	-	-	-	6,870	6,870
	<u>72,570</u>	<u>163,660</u>	<u>233,036</u>	<u>-</u>	<u>469,266</u>	<u>443,214</u>



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

8 Interest Bearing Liabilities (continued)

(c) Debt covenants

The Senior Secured Revolving and Term Loan have covenants in place based on the current ratio, leverage ratio, debt service ratio and the tangible net worth ratio. The Group has complied with these covenants during the period.

9 Issued Capital

(a) Share capital

	31 December 2017 Shares	31 December 2017 \$'000	30 June 2017 Shares	30 June 2017 \$'000
Fully paid ordinary shares	1,692,612,049	2,183,727	1,682,798,626	2,183,727
	1,692,612,049	2,183,727	1,682,798,626	2,183,727

(b) Contributed equity

Movements in ordinary share capital

Ordinary shares are fully-paid and have no par value. They carry one vote per share and the rights to dividends. They bear no special terms or conditions affecting income or capital entitlements of the shareholders and are classified as equity.

	Number of shares	\$'000
Balance at 1 July 2016	1,468,262,821	1,770,987
Shares issued on vesting of performance rights	7,961,146	-
Shares issued under DRP for final dividend	1,927,526	4,055
Shares issued under Institutional Component of Entitlement Offer	151,914,603	311,425
Shares issued under Retail Component of Entitlement Offer	44,976,448	90,134
Shares issued under Employee Share Scheme	511,192	-
Shares issued on exercise of unlisted share options	4,178,661	7,249
Less: Transactions costs arising on share issue	-	(6,316)
Balance at 31 December 2016	1,679,732,397	2,177,534
Balance at 1 July 2017	1,682,798,626	2,183,727
Shares issued on vesting of performance rights	9,214,401	-
Shares issued under Employee Share Scheme	501,234	-
Shares issued under NED Equity Plan	97,788	-
Balance at 31 December 2017	1,692,612,049	2,183,727



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

10 Related party transactions

(a) Transactions with other related parties

Directors fees in the amount of \$57,500 were paid to International Mining and Finance Corp, a company of which Mr James Askew is a Director for services provided during the period (31 December 2016: \$56,250).

Directors fees in the amount of \$150,000 were paid to DAK Corporation, a company of which Mr Jacob Klein is a Director for services provided during the period (31 December 2016: \$100,000).

Directors fees in the amount of \$67,500 were paid to Lazy 7 Pty Ltd, a company of which Mr Colin Johnstone is a Director for services provided during the period (31 December 2016: \$65,783).

Directors fees in the amount of \$47,500 were paid to Mr Naguib Sawaris as a Director for services provided during the period (31 December 2016: \$47,500).

Directors fees in the amount of \$52,500 were paid to Mr Sebastien de Montessus as a Director for services provided during the period (31 December 2016: \$51,875)

11 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2017 in respect of:

(i) Claims

At the date of this report the Group was unaware of any material claims, actual or contemplated.

(ii) Guarantees

The Group has provided bank guarantees in favour of various government authorities and service providers with respect to site restoration, contractual obligations and premises at 31 December 2017. The total of these guarantees at 31 December 2017 was \$131.425 million with various financial institutions (30 June 2017: \$125.183 million).

12 Gold Delivery Commitments

	Gold for physical delivery oz	Contracted sales price A\$/oz	Value of committed sales \$'000
As at 31 December 2017			
Within one year	187,500	1,622	304,114
Later than one year but not greater than five years	175,000	1,721	301,130
	362,500		605,244
As at 30 June 2017			
Within one year	208,495	1,567	319,156
Later than one year but not greater than five years	250,000	1,711	427,705
	458,495		746,861

For personal use only



**Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements**

12 Gold Delivery Commitments (continued)

The counterparties to the physical gold delivery contracts are Macquarie Bank Limited ("Macquarie"), Australia and New Zealand Banking Group Limited ("ANZ"), National Australia Bank Limited ("NAB"), Westpac Banking Corporation ("WBC"), Commonwealth Bank of Australia ("CBA"), Citibank N.A ("Citibank") and Societe Generale ("SG"). Contracts are settled on a quarterly basis by the physical delivery of gold per the banks instructions. The contracts are accounted for as sale contracts with revenue recognised once the gold has been delivered to Macquarie, ANZ, NAB, WBC, CBA, Citibank, SG or one of their agents. The physical gold delivery contracts are considered a contract to sell a non-financial item and is therefore out of the scope of AASB 139 *Financial Instruments: Recognition and Measurement*. As a result, no derivatives are required to be recognised. The Company has no other gold sale commitments with respect to its current operations.

13 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.



**Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements**

14 Basis of preparation of half-year report

This consolidated Half-Year Financial Report for the half-year ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the period ended 30 June 2017 and any public announcements made by Evolution Mining Limited during the half-year ended 31 December 2017 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

The accounting policies adopted are consistent with those of the previous Annual Financial Report and corresponding Half-Year Financial Report in the prior period.

(a) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 15 <i>Revenue from Contracts with Customers</i>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.	Management has assessed the effects of applying the new standard on the group's financial statements and has determined that as of 1 July 2018, the impact is not expected to be material.	Mandatory for financial years commencing on or after 1 January 2018.
	The new standard is based on the principle that revenue is recognised when control of a good or service transfers to the customer - so the notion of control replaces the existing notion of risks and rewards.		Expected date of adoption by the Group is 1 July 2018.
	The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.		

For personal use only



**Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements**

14 Basis of preparation of half-year report (continued)

(a) Impact of standards issued but not yet applied by the Group (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
<p>AASB 9 <i>Financial Instruments</i></p>	<p>AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.</p> <p>In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.</p>	<p>While the Group has yet to undertake a detailed assessment of the debt instruments currently classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.</p> <p>There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.</p> <p>The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.</p> <p>The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.</p> <p>To date no material measurement differences have been identified under conversion to AASB 9.</p>	<p>Must be applied for financial years commencing on or after 1 January 2018.</p> <p>Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to early adopt.</p>

For personal use only



Evolution Mining Limited
Half-Year Financial Report
Notes to the Consolidated Financial Statements

14 Basis of preparation of half-year report (continued)

(a) Impact of standards issued but not yet applied by the Group (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 16 <i>Leases</i>	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.	<p>The standard will affect primarily the accounting for the Group's operating leases. To date, work has focussed on the identification of the provisions of the standard which will most impact the Group. In FY18 work on these issues and their resolution will continue, detailed review of contracts will begin, and financial reporting impacts and assessment of process impact will commence.</p> <p>Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.</p>	Mandatory for financial periods commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group does not intend to early adopt.



**Evolution Mining Limited
Half-Year Financial Report
Directors' Declaration
31 December 2017**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 32 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read "J. Klein".

Jacob (Jake) Klein
Executive Chairman

A handwritten signature in black ink, appearing to read "Graham Freestone".

Graham Freestone
Non-Executive Director

Sydney

For personal use only



Independent auditor's review report to the members of Evolution Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Evolution Mining Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration for Evolution Mining Limited. The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Evolution Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Evolution Mining Limited is not in accordance with the *Corporations Act 2001* including:

PricewaterhouseCoopers, ABN 52 780 433 757

*One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

*Level 11, IPSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au*

Liability limited by a scheme approved under Professional Standards Legislation.



1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Marc Upcroft'.

Marc Upcroft
Partner

Sydney
15 February 2018

For personal use only