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EVOLUTION ENERGY MINERALS

ABN 53 648 703 548

# INTERIM FINANCIAL REPORT

## For the half-year ended 31 December 2021

# Corporate Information

**ABN 53 648 703 548**

**Directors**
Mr Trevor Benson (Non-Executive Chairman)
Mr Phil Hoskins (Managing Director)
Mr Michael Bourguignon (Executive Director)
Ms Amanda van Dyke (Non-Executive Director)

**Company Secretary**
Mr Stuart McKenzie

**Registered Office**
Level 1, Emerald House, 1202 Hay Street
WEST PERTH WA 6005
Tel +61 8 9200 3426

**Bankers**
National Australia Bank
Level 14, 100 St Georges Terrace
PERTH WA 6000

**Share Register**
Automic Group
Level 2
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Perth WA 6000
Telephone: 1300 288 664
Website: automicgroup.com.au

**Auditors**
BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000

**Website Address**
www.evolutionenergyminerals.com.au

**ASX Code**
Shares are listed on the Australian Securities Exchange under stock code EV1.

# Contents

# Director's report

Your directors present their report on the consolidated entity (referred to hereafter as the **Group**) comprising Evolution Energy Minerals Limited (**Evolution** or the **Company**) and the entities it controlled at the end of, or during, the six months ended 31 December 2021 and the auditor's report. Evolution is a company limited by shares that is incorporated and domiciled in Australia.

## Directors and Company Secretary

The following persons were directors of Evolution (**Directors**) during the half-year ended 31 December 2021 and up to the date of this report:

Mr Trevor Benson (Non-Executive Chairman) (Appointed 1 April 2021)

Mr Phil Hoskins (Managing Director) (Appointed 15 March 2021)

Mr Michael Bourguignon (Executive Director) (Appointed 19 July 2021)

Ms Amanda van Dyke (Non-Executive Director) (Appointed 24 September 2021)

The Company Secretary is Mr Stuart McKenzie. Mr McKenzie was appointed to the position of Company Secretary on 15 March 2021.

Directors were in office for the entire period unless otherwise stated.

## Principal activities

During the period, the principal continuing activities of the Group related to the acquisition, exploration and development of the Company's Chilalo Graphite Project in southern Tanzania.

## Significant changes in the state of affairs

Evolution was incorporated on 15 March 2021. Evolution completed an initial public offering (**IPO**) and was admitted to the official list of the ASX on 12 November 2021. Evolution shares commenced trading on the ASX on 16 November 2021. Further information on the IPO is set out below in the review of operations. The Company acquired subsidiaries Evolution Energy Minerals UK Limited (**EEMUK**) and Ngwena Tanzania Limited (**NTL**) as part of a spin out and IPO when that Group were all subsidiaries and under the common control of Marvel Gold Limited (**Marvel**). Under the share exchange agreement executed between Marvel and Evolution (**Share Exchange Agreement**) the Company acquired control of EEMUK and NTL on 20 September 2021.

In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as Evolution was established for the sole purpose of facilitating the listing process and to acquire EEMUK and NTL by way of a common control transaction.
Consequently, this interim report presents:

- The results of EEMUK and NTL for the period from 1 July 2021 to 31 December 2021;
- The results of the consolidated Group for the period from 1 July 2021 to 31 December 2021; and
- The consolidated Group position as at 31 December 2021.

The comparative financial information included in the Company's financial statements is that of EEMUK and NTL, not the Company. Further information on the common control transaction is detailed in note 3(o) and note 5.

Evolution's listing on the ASX resulted from an IPO capital raising of 110,000,000 New Shares at $0.20 per shares to raise $22,000,000 (before costs). The IPO share issue comprised:

- the general offer, which was open to all applicants with a registered address in Australia and certain applicants in New Zealand, Mauritius, the United Kingdom, Hong Kong and Guernsey;
- the priority offer, which was available only to existing Marvel shareholders; and
- the cornerstone offer, which was made to the ARCH Sustainable Resources Fund (**ARCH SRF**) in accordance with the investment deed executed between ARCH SRF and Evolution (**Investment Deed**).

In addition to the IPO, there were ancillary offers of the following:

- the offer of 20,000,000 cornerstone options to ARCH SRF;
- the offer of 14,600,000 incentive options to Directors and Key Management Personnel;
- the offer of 7,500,000 joint lead manager options issued to the joint lead managers or their nominees; and
- the offer of 1,875,000 shares to the company's marketing advisor.

# Director's report

## Vision

"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."

## Review of operations

Since completing its IPO and listing on the ASX on 16 November 2021, Evolution's activities have focused on advancing the Chilalo Graphite Project (**Chilalo Project**) to a final investment decision (**FID**) as soon as possible. This has involved laying the platform for leading environmental, social and governance (**ESG**) performance, enhancing capability in Tanzania and undertaking optimisation studies to improve project economics.

### Successful completion of IPO

In November 2021, the Company completed the acquisition of the Chilalo Project and an IPO to facilitate the listing of Evolution on the Australian Securities Exchange (**ASX**). The IPO raised $22 million, of which $9.5 million was paid to Castlelake L.P. in order to extinguish a debt held by Marvel. In addition, $2 million was paid to Marvel and 50 million Evolution shares issued to Marvel as consideration for the acquisition of the Chilalo Project.

### ARCH SRF cornerstone investor in IPO

The IPO was cornerstoned by a strategic investment from ESG focused investor, ARCH SRF, which invested $8 million (to acquire 40 million shares) for an initial 25% interest in Evolution. ARCH SRF's investment of A$8 million is part of an overall potential allocation of up to US$25 million for ongoing financial support to the Chilalo Project. In addition, ARCH SRF acquired a 1.7% net sales return royalty on minerals from the Chilalo Project in exchange for A$2 million.

ARCH SRF is advised by ARCH Emerging Markets Partners Limited, a specialist investment advisory firm with deep experience in emerging markets, private equity, asset management and environmental, social and governance (**ESG**) matters. ARCH SRF also provides the Company with critical insight into the expectations of ESG fund managers with respect to ESG standards, which is seen as critically important in order for the Company to be able to access funding required for the development of the Chilalo Project.

### Commitment to ESG

Under the terms of the Investment Deed with ARCH SRF, Evolution has agreed to a course of action to advance its ESG credentials and embed its ESG commitments into its corporate governance structures.

As Evolution drives towards an FID later this year, a commitment to ESG performance is fundamental to accessing the substantial and growing pools of ESG-focused finance for the development of the Chilalo Project.

Central to this commitment, the Company has adopted an ESG Framework that is designed to ensure that Evolution is 'investment-ready' for global investment funds ahead of an FID in 2022. The ESG Framework will be applied across all aspects of the Company's activities.

To oversee the integration of the ESG Framework into the Company's business and to drive ESG performance more broadly, the Company has established an independent ESG Committee. The ESG Committee, which is supported by a dedicated ESG Committee Charter, will also advise the Board in relation to matters which involve ESG considerations or impact the Company's ESG credentials.

In order to support the Company's commitment to ESG and to provide a third party validated assessment of ESG performance, Evolution engaged Digbee ESG™ (**Digbee**). Digbee is an on-demand data, research and ESG platform for the mining industry endorsed by the industry's leading stakeholders, including financiers such as Blackrock, Orion Mining Finance and ARCH SRF. In February 2022, the Company's ESG performance rating was assessed at "B". The associated report provided by Digbee set out a number of recommendations for attention, which, together with the implementation of the Company's ESG Framework, is expected to see the rating improve to an "A" later in the year.

# Director's report

### Strengthening of in-country capability

In order to support the Company's efforts to position it for an FID later in 2022, Evolution recognised the need to enhance its in-country capability across a range of disciplines, particularly in an environment where there is likely to be ongoing challenges with international travel.

Accordingly, the Company appointed Ms Vickey Puncheon as General Manager Corporate Services, Ms Mary Mwanjelwa as a non-executive director of the Company's Tanzanian subsidiary, Ngwena Tanzania Limited and Mr Marc Smith as Site Manager.

Vickey, who was previously General Manager Business Services with Syrah Resources where she played a key role alongside Evolution's Executive Director Michael Bourguignon in the development and operation of Syrah's Balama graphite project in Mozambique, will lead Evolution's initiatives in Tanzania across a number of key areas, including management of the Company's commitment to local content and supporting engagement with local communities.

Mary was a member of the Tanzanian parliament since 2010, where she has held a range of leadership positions, including Deputy Minister of Agriculture and Deputy Minister of State in the President's office. Mary also has resources industry experience having worked as senior liaison manager with Placer Dome Tanzania.

Mark, who is based in Ruangwa, the closest township to the Chilalo Project, has significant experience in construction and minerals projects in Africa. Mark has responsibility for managing the Company's day to day relationships with the local communities, overseeing the updated relocation action plan that is currently under way, engagement with the local government, coordinating site visits and generally positioning the Chilalo Project for development.

### Optimisation of the definitive feasibility study

The Company has commenced several optimisation studies which are expected to improve the economics and reduce the carbon footprint of Chilalo. Optimisation of the DFS is a continual exercise as the Company moves towards a construction decision, however such a decision is not conditional on the outcomes of optimisation studies.

Mining costs have been identified as one of the more significant opportunities for improvement in Chilalo economics and a review of the mine plan is under way. The Company also commenced exploration in June 2021 to identify undrilled high-conductance exploration targets on its tenement holdings. A ground fixed loop electromagnetic survey is being implemented to identify high-conductance targets with a focus on high-grade, near surface, coarse flake graphite deposits. The discovery of additional graphite deposits at surface has the potential to deliver a reduced strip ratio, lower mining costs, extended mine life and an improved NPV.

The Company has engaged MinViro to undertake a life cycle assessment for the Chilalo Project, in order to determine the quantity of greenhouse gases that the Chilalo Project will produce. Simultaneously, the company is reviewing options to reduce emissions through the use of renewable power and is in advanced discussions with independent power providers to convert Chilalo's proposed diesel generated power supply to a hybrid solar/diesel solution, which is expected to substantially reduce the carbon footprint and deliver operating cost savings.

The Company recently tendered a Front-End Engineering Design (**FEED**) package for the Chilalo Project, aimed at advancing the design sufficiently to identify and mitigate against potential risks to the schedule, and further define the project cost estimate. FEED work is expected to commence in Q2 2022 and is envisaged to take four months.

# Director's report

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307 of the *Corporation Act 2001* is set out on page 7.

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

Trevor Benson
Chairman of the Board
PERTH
On the 15th day of March 2022

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Australia



DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF EVOLUTION ENERGY MINERALS LIMITED

As lead auditor for the review of Evolution Energy Minerals Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2022

# Consolidated statement of profit or loss and other comprehensive income

**for the half-year ended 31 December 2021**

| | Notes | 31 December 2021 $ | 31 December 2020 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Fair value gain on loan | 8 | 488,928 | 1,307,349 |
| Other income | | 82 | - |
| Foreign currency gain / (loss) | | (174,169) | 896,773 |
| Corporate and administration expense | | (742,033) | (95,086) |
| Employee benefits | | (350,463) | (10,707) |
| Business development and marketing expense | | (396,561) | - |
| Environment, social and governance expense | | (42,118) | - |
| Finance costs | | (976,853) | (1,111,586) |
| Exploration and evaluation expense | | (634,290) | (104,399) |
| Share based payments | 10 | (1,659,247) | - |
| **Loss before income tax** | | **(4,486,724)** | **882,344** |
| Income tax expense | | - | - |
| **Profit / (loss) for the half-year after tax** | | **(4,486,724)** | **882,344** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | (28,506) | 366,894 |
| **Total comprehensive gain / (loss) for the period** | | **(4,515,230)** | **1,249,238** |
| **Net gain / (loss) is attributable to:** | | | |
| Owners of Evolution Energy Minerals Limited | | **(4,486,724)** | **882,344** |
| **Total comprehensive loss is attributable to:** | | | |
| Owners of Evolution Energy Minerals Limited | | **(4,515,230)** | **1,249,238** |
| **Gain / (loss) per share attributable to owners of the Company** | | **$** | **$** |
| Basic EPS | | (0.22) | 0.04 |
| Diluted EPS | | (0.22) | 0.04 |

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the interim financial report.

# Consolidated statement of financial position

## as at 31 December 2021

| | Notes | 31 December 2021<br>$ | 30 June 2021<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 10,728,329 | 22,446 |
| Trade and other receivables | | 232,391 | 32,069 |
| **Total current assets** | | **10,960,720** | **54,516** |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 5,289 | 3,770 |
| Exploration and evaluation assets | 6 | 5,000,000 | 5,000,000 |
| **Total non-current assets** | | **5,005,289** | **5,003,770** |
| **Total assets** | | **15,966,009** | **5,058,286** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 7 | 1,311,144 | 76,109 |
| Loans and borrowings | 8 | - | 8,730,035 |
| Provisions | | 10,222 | 2,391 |
| **Total current liabilities** | | **1,321,366** | **8,808,535** |
| **Total liabilities** | | **1,321,366** | **8,808,535** |
| **Net (liabilities)/assets** | | **14,644,643** | **(3,750,249)** |
| | | | |
| **EQUITY** | | | |
| Share capital | 9 | 25,348,523 | 4,950,000 |
| Reserves | 10 | 2,455,051 | (28,042) |
| Accumulated losses | | (13,158,931) | (8,672,207) |
| **Total equity** | | **14,644,643** | **(3,750,249)** |

The above consolidated statement of financial position is to be read in conjunction with the notes to the interim financial report.

## Consolidated statement of changes in equity

**for the half-year ended 31 December 2021**

| | Notes | Contributed equity | Foreign currency translation reserve | Share based payment reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at 1 July 2020** | | 4,950,000 | 551,001 | - | (6,212,088) | (711,087) |
| **Total comprehensive income for the period:** | | | | | | |
| Profit / (loss) for the period | | - | - | - | 882,344 | 882,344 |
| Foreign exchange translation differences | | - | 366,894 | - | - | 366,894 |
| Total comprehensive profit / (loss) for the period | | - | 366,894 | - | 882,344 | 1,249,238 |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Issue of shares net of transaction costs | | - | - | - | - | - |
| **Balance at 31 December 2020** | | **4,950,000** | **917,895** | **-** | **(5,329,744)** | **538,151** |

# Consolidated statement of changes in equity

**for the half-year ended 31 December 2021**

| | Notes | Contributed equity | Foreign currency translation reserve | Share based payment reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at 1 July 2021** | | 4,950,000 | (28,042) | - | (8,672,207) | (3,750,249) |
| **Total comprehensive income for the period:** | | | | | | |
| Loss for the period | | - | - | - | (4,486,724) | (4,486,724) |
| Foreign exchange translation differences | | - | (28,506) | - | - | (28,506) |
| Total comprehensive loss for the period | | - | (28,506) | - | (4,486,724) | (4,515,230) |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Issue of initial public offering (**IPO**) shares | 9 | 22,000,000 | - | - | - | 22,000,000 |
| Share placement costs | 9 | (749,125) | - | - | - | (749,125) |
| Options issued to joint lead managers of the IPO | 9, 10 | (852,352) | - | 852,352 | - | - |
| Options issued to employee under the employee share scheme | 10 | - | - | 1,659,247 | - | 1,659,247 |
| **Balance at 31 December 2021** | | **25,348,523** | **(56,548)** | **2,511,599** | **(13,158,931)** | **14,644,643** |

The above consolidated statement of changes in equity is to be read in conjunction with the notes to the interim financial report.

# Consolidated statement of cash flows

**for the half-year ended 31 December 2021**

| | Notes | 31 December 2021 $ | 31 December 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (814,055) | (95,821) |
| Payments for business development and marketing | | (18,641) | - |
| Payment of exploration and evaluation expenditure | | (971,545) | (133,888) |
| **Net cash (outflow) from operating activities** | | **(1,804,241)** | **(229,709)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | (6,085) | - |
| Proceeds from the sale of royalty | 6 | 2,000,000 | - |
| Payments for project acquisition | | (1,000,000) | - |
| **Net cash inflow from investing activities** | | **993,915** | **-** |
| | | | |
| **Cash flows from financing activities** | | | |
| Payment for IPO costs | | (377,920) | - |
| Funding from former parent Marvel | | - | 237,904 |
| Repayment of loan notes | 8 | (9,500,000) | - |
| Proceeds from the issue of ordinary shares | 9 | 22,000,000 | - |
| Share issue transaction costs | | (749,125) | - |
| **Net cash inflow from financing activities** | | **11,372,955** | **237,904** |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | 10,562,629 | 8,194 |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 22,446 | 14,233 |
| Effects of exchange rate changes on cash and cash equivalents | | 143,254 | 3,306 |
| **Cash and cash equivalents at the end of the period** | | **10,728,329** | **25,733** |

The above consolidated statement of cash flows is to be read in conjunction with the notes to the interim financial report.

# Notes to the financial statements

## 1. Corporate information

Evolution Energy Minerals Limited (**Evolution** or the **Company**) is a company incorporated in Australia and limited by shares. Evolution shares are publicly traded on the Australian Securities Exchange under the stock code EV1. The consolidated interim financial statements of the Company as at, and for the half-year ended, 31 December 2021 comprise the Company and its subsidiaries (together the **Group**).

During the period, the principal continuing activities of the Group related to the acquisition, exploration and development of the Company's Chilalo Graphite Project in southern Tanzania.

The Company commenced trading on the ASX on 16 November 2021. Refer to note 2 below for the explanation of the comparative information in this report.

This financial report was authorised for issue in accordance with a resolution of the Directors on 15 March 2022.

## 2. Basis of preparation and accounting policies

This general purpose interim financial report for the half-year ended 31 December 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report does not include all notes of the type normally included within the annual financial report. However, selected explanatory notes are included to explain events and transactions that are important to an understanding of the Group's financial position and performance for the half-year.

It is recommended that this interim financial report be read in conjunction with any public announcements made by the Company during the half-year ended 31 December 2021 in accordance with the Company's continuous disclosure obligations.

During the half-year, the Company acquired its subsidiaries Evolution Energy Minerals UK Limited (**EEMUK**) and Ngwena Tanzania Limited (**NTL**) as part of a spin out and IPO when the Group were all subsidiaries of Marvel.

In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as EV1 was established for the sole purpose of facilitating the listing process and to acquire EEMUK and NTL by way of a an equity swap or common control transaction.

Consequently, this interim report presents:

- The results of EEMUK and NTL for the period from 1 July 2021 to 31 December 2021;
- The results of the consolidated Group for the period from 1 July 2021 to 31 December 2021; and
- The consolidated Group position as at 31 December 2021.

The comparative financial information included in the Company's financial statements is that of EEMUK and NTL, not the Company.

The Financial Information has been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

### (a) Going concern

The half-year financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group has incurred net losses after tax of $4,486,725 (31 December 2020: $882,344 gain) and experienced net cash inflows from operating, financing and investing activities of $10,562,629 for the half-year ended 31 December 2021 (31 December 2020: $8,194). As at 31 December 2021, the Group had cash assets of $10,728,329 (30 June 2021: $22,446) and net assets of $14,644,643 (30 June 2021: $3,750,249 net liability).

The directors believe there are sufficient funds to meet the Group's committed minimum expenditure requirements and, as at the date of this report, the directors believe they can meet all liabilities as and when they fall due.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate.

# Notes to the financial statements

## 3. Accounting policies

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with Australian Accounting Standards.

**(a) New and amended standards adopted by the Company**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period.

**(b) Impact of standards issued but not yet adopted by the entity**

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**(c) Principles of consolidation**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Investments in subsidiaries are accounted for at cost in the parent entity information disclosures of Evolution.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(d) Impairment**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(e) Property, plant and equipment**

*Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and costs directly attributable to bringing the asset to a working condition for their intended use.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

*Depreciation*

Depreciation of plant and equipment is calculated on a straight-line basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 2% and 50% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

# Notes to the financial statements

**(f) Exploration and evaluation costs**

Costs arising from the acquisition of exploration and evaluation activities are carried forward where these activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ongoing exploration activities are expensed as incurred.

The Directors believe that this policy results in the carrying value of exploration expenditure more appropriately reflecting the definition of an asset, being future benefits controlled by the Group. All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, in particular when exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area.

Where tenements or part of an area of interest are disposed of, the proceeds of this partial disposal will reduce the value of the asset by the fair value of those proceeds. This recognises that part of the future economic benefit of the asset has effectively been disposed.

**(g) Accounts payable**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost when the Group becomes obliged to make payments resulting from the purchase of goods and services. The amounts are non-interest-bearing, unsecured and are usually paid within 30 days of recognition.

**(h) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

**(i) Employee benefits**

*Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on costs, when the liabilities are settled. The expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.
*Share-based payment transactions*

The fair value is measured at grant date and recognised over the period during which the Directors, employees or contractors become unconditionally entitled to the options.
The fair value of the options at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

# Notes to the financial statements

The fair value of these equity instruments does not necessarily relate to the actual value that may be received in future by the recipients. The Company accounts for share based payments issued to non-employees in accordance with the share based payments standard.

**(j) Income tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

***Current tax***

Current tax is the expected tax payable of the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

***Deferred tax***

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

***Tax exposures***

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**(k) Revenue recognition**

Interest revenue is recognised as it accrues in profit or loss, using the effective interest method.

**(l) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. The Company uses an 'expected credit loss' model to recognise an allowance if not collectable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

## Notes to the financial statements

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**(m) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of financial position.

**(n) Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(o) Acquisition of entities under common control**

*Predecessor accounting*

Acquisitions involving entities under common control are accounted for using the predecessor accounting method. Under this method:

- carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained. As a result, no fair value adjustments are recorded on acquisition; and
- the carrying value of net assets acquired or liabilities assumed is recorded as a separate element of equity on consolidation.

### 4. Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

***Exploration and evaluation***

Exploration and evaluation acquisition costs have been capitalised on the basis that activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering the recoverability of the value of the asset. The Company assesses whether any impairment indicators may exist over the area of interest to assess recoverability each year.

***Share-based payment transactions***

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

# Notes to the financial statements

**COVID-19 pandemic**

Judgement has been exercised in considering the impacts that the COVID-19 has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates.

Other than as addressed in specific notes, there does not currently appear to be any other significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

## 5. Common control entity

On 15 March 2021, Evolution was incorporated as a vehicle for listing the Group including the Chilalo Graphite Project on the Australian Securities Exchange (ASX).

On 20 September 2021 Evolution completed a transaction with its parent entity Marvel. Evolution acquired 100% of the share capital in EEMUK including wholly owned subsidiary NTL in exchange for 50,000,000 ordinary shares of Evolution. At the time of the acquisition Evolution, EEMUK and NTL were all subsidiaries of Marvel.

Refer to note 3(o) for the accounting policy on common control entities.

As at the date of acquisition, the consolidated net assets of Evolution were zero.

## 6. Exploration and evaluation expenditure

| | 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $ | $ |
| **(a) Reconciliation of exploration and evaluation expenditure** | | |
| Carrying amount at beginning of the period | 5,000,000 | 5,000,000 |
| Acquisition costs – cash | 2,000,000 | - |
| Sale of future royalty | (2,000,000) | - |
| **Carrying amount at the end of the period** | **5,000,000** | **5,000,000** |

During the half year, the Company entered into a Share Exchange Agreement. Under this agreement, upon successful IPO, the Company was required to pay Marvel $2,000,000 as consideration for the Chilalo Graphite project. $1,000,000 was paid upon IPO, with the second $1,000,000 payable on successful reinstatement of prospecting license (**PL**) 11034/2017 on or prior to 31 December 2021. PL 11034/2017 was reinstated on 31 December 2021.

During the half year, the Company entered into the Net Sales Return Royalty Deed with the Company's major shareholder ARCH SRF. Under the terms of this agreement the Company is bound to pay a royalty of 1.7% on the future net sales returns of graphite concentrate from the Chilalo Graphite Project less allowable deductions. Allowable deductions include the costs of processing, freight, handling, marketing and administration costs. The royalty is uncapped and is for the life of the project.

## 7. Trade and other payables

| | 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $ | $ |
| Creditors | 1,086,262 | 7,032 |
| Accruals | 25,419 | - |
| Other payables | 199,463 | 69,077 |
| | **1,311,144** | **76,109** |

Included in trade creditors is a payable of $1,000,000 to Marvel under the Share Exchange Agreement which is detailed in note 6 above.

# Notes to the financial statements

## 8. Loans and borrowings

| | 31 December 2021 $ | 30 June 2021 $ |
|---|---|---|
| Opening loan balance | 8,730,035 | 6,661,275 |
| Borrowing costs | - | 150,000 |
| Fair value gain on modification of terms | (488,928) | (1,307,349) |
| Effective interest capitalised | 955,858 | 4,010,260 |
| Foreign currency movement | 303,035 | (784,151) |
| Repayment of loan notes | (9,500,000) | - |
| | **-** | **8,730,035** |

On 27th April, the Company entered in a Deed of Consent with the Company's financier in relation to the Loan Notes. The Deed of Consent facilitates fixing the balance of the loan at $9.5 million, should the IPO of Evolution occur prior to 30 November 2021. As a result, the Loan Notes were settled during the period on successful completion of the IPO.

## 9. Share capital

| | 31 December 2021 | | 30 June 2021 | |
|---|---|---|---|---|
| | Shares | $ | Shares | $ |
| **(a) Issued and paid up capital** | | | | |
| Ordinary fully paid shares – Evolution Energy Minerals UK Limited | 1 | 4,950,000 | 1 | 4,950,000 |
| Ordinary fully paid shares – Evolution Energy Minerals Limited | | | | - |
| **(b) Movement in ordinary shares** | | | | |
| Opening balance at 1 July | | | | |
| Issue of equities | | | | |
| Shares issued to Marvel as acquisition consideration[3] | 49,999,999 | - | - | - |
| Shares issued for marketing services | 1,875,000 | 375,000 | - | - |
| Initial Public Offer Placement [1] | 110,000,000 | 22,000,000 | - | - |
| | 161,875,000 | 22,375,000 | 1 | - |
| Less: Equity raising cost | - | (1,976,477)[2] | - | - |
| | **161,875,000** | **25,348,523** | **1** | **4,950,000** |

[1] The issue of shares was 110,000,000 fully paid ordinary shares for $0.20 consideration via the initial public offer.

[2] Equity raising costs comprise of $852,353 of options issues to the joint lead managers of the IPO disclosed in note 10, $375,00 of shares issued for marketing services and $749,125 of cash costs relating to broker costs for the IPO and listing fees.

[3] Refer to note 5 for further details of the acquisition.

## 10. Share based payments

During the half year ended 31 December 2021, the following options were issued to Directors and Officers of the Company and the joint lead managers as part of the IPO. The Directors' and Officers' options were issued under the Company's Employee Share Scheme which was last approved in November 2021.

| Option series | Exercise price | Grant date | Vesting date | No. of options | Total expense recognized | Equity raising cost |
|---|---|---|---|---|---|---|
| Directors | $0.25 | 16-Nov-21 | 16-Nov-21 | 12,950,000 | $1,471,729 | - |
| Other KMP | $0.25 | 16-Nov-21 | 16-Nov-21 | 1,650,000 | $187,518 | - |
| Joint lead manager (**JLM**) options | $0.25 | 16-Nov-21 | 16-Nov-21 | 7,500,000 | - | $852,353 |
| **Total** | | | | **22,100,000** | **$1,659,247** | **$852,353** |

# Notes to the financial statements

The fair value of services received in return for the share options granted is measured by reference to the fair value of options granted. The Black Scholes option pricing model was used to determine the fair value of the options issued to the lead manager, cornerstone investor, Directors and KMP.

The assumptions used for the options valuation are as follows:

| | Director ESS options | KMP ESS options | JLM ESS options |
|---|---|---|---|
| Underlying value of the security | $0.20 | $0.20 | $0.20 |
| Exercise price | $0.25 | $0.25 | $0.25 |
| Valuation date | 16/11/21 | 16/11/21 | 16/11/21 |
| Vesting date | 16/11/21 | 16/11/21 | 16/11/21 |
| Expiry date | 09/11/24 | 09/11/24 | 09/11/24 |
| Risk free rate | 1.04% | 1.04% | 1.04% |
| Volatility | 100% | 100% | 100% |
| Life of Options in years | 2.98 | 2.98 | 2.98 |
| Number of Options | 12,950,000 | 1,650,000 | 7,500,000 |
| Valuation per Option | $0.114 | $0.114 | $0.114 |
| Amount expensed during the half year | $1,471,729 | $187,518 | - |
| Equity raising cost during the half year | - | - | $852,353 |

There are no vesting conditions associated with above options.

## 11. Related party transaction

During the half year ended 31 December 2021, the Company's Directors were issued 12,950,000 options. Refer to note 10 for the terms and valuation of these options.

Director Mr Phil Hoskins was also the Managing Director of Marvel at the time of issue. In accordance with the Prospectus and Share Exchange Agreement, the Company paid or issued Marvel:

- $1,236,143 as a reimbursement of IPO related costs, paying employees and other general operating costs since the Company's incorporation;
- 49,999,999 shares as consideration for the acquisition of the Chilalo Graphite Project; and
- $2,000,000 cash as consideration for the acquisition of the Chilalo Graphite Project.

Mr Hoskins transitioned to Managing Director subsequent to year end, refer to note 12.

At the end of the half year, the Company owed Marvel $1,000,000 as part of the $2,000,000 cash acquisition costs outlined above.

During the half year, the Company entered into service agreements and contracts with its Directors and KMP as follows:

| Component | Executive Chairman [1] | Managing Director [1] | Executive Director – Technical | Other KMP – Senior executives |
|---|---|---|---|---|
| Fixed remuneration | $290,000 plus superannuation. | $290,000 plus superannuation. | $275,000 plus superannuation. | $80,000 |
| Variable remuneration | 5,650,000 options exercisable at $0.25 expiring 9-Nov-24 | 2,400,000 options exercisable at $0.25 expiring 9-Nov-24 | 4,900,000 options exercisable at $0.25 expiring 9-Nov-24 | 825,000 options exercisable at $0.25 expiring 9-Nov-24 |
| Contract duration | Employment contract terminated 20 January 2022. | Ongoing employment contract | Ongoing employment contract | Ongoing service agreement |
| Notice by individual | 3 months | 3 months | 3 months | 3 months |
| Notice by Company | 6 months | 6 months | 6 months | 3 months |
| Termination of employment (with or without cause) | Unvested SBP options to be automatically forfeited unless the Board determines in its discretion to vest some or all of the options. | | | |

# Notes to the financial statements

[1] As disclosed in note 12, subsequent to year end on 24 January 2022, Mr Phil Hoskins was appointed as the Managing Director and Mr Trevor Benson moved from Executive Chairman to Non-Executive Chairman. Therefore, the contracts were consecutive contracts that did not exist in parallel.

## 12. Events since the end of the half-year

Subsequent to year end on 24 January 2022, Mr Phil Hoskins was appointed as the Managing Director and Mr Trevor Benson moved from Executive Chairman to Non-Executive Chairman. As a condition of the appointment the Mr Hoskins will be granted 3,000,000 options subject to shareholder approval.

There are no other matters or circumstances have arisen since the end of the half-year year that significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 13. Contingent liabilities

As at 31 December 2021, the Company is a party to the Net Sales Return Royalty Deed. Under the terms of this deed the Company must pay ARCH SRF a royalty of 1.7% of future sales from the Chilalo Graphite Project less allowable deductions. Allowable deductions include the costs of processing, freight, handling, marketing, and administration costs. The royalty is uncapped and is for the life of the project.

## 14. Operating segments

Management has determined operating segment based on the reports reviewed by the chief operating decision maker.  The Group has one operating segment being exploration, evaluation and development companies Chilalo Graphite Project in Tanzania.

## 15. Commitments

There are no material commitments that the Company has entered into during the period under review.

# Directors' declaration

In accordance with a resolution of the Directors of Evolution Energy Minerals Limited (the **Directors**), I state that:

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* and:

  (i) give a true and fair view of the financial position as at 31 December 2021 and the performance for the half-year ended on that date of the consolidated entity

  (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

(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.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Board

Trevor Benson
Chairman
PERTH
On this 15th March 2022

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# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Evolution Energy Minerals Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Evolution Energy Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

### Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 15 March 2022