

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 2016

Results for Announcement to the Market

Key Information

	31 December 2016 \$'000	31 December 2015 \$'000	Up / (down) \$'000	% increase/ (decrease)
Revenues from ordinary activities	711,150	607,083	104,067	17%
Earnings before Interest, Tax, Depreciation, Amortisation & Fair value adjustments (EBITDA)	345,298	285,613	59,685	21%
Profit / (loss) from ordinary activities after income tax attributable to members	136,670	(15,466)	152,136	-%

Dividend Information

	Amount per share cents	Franked amount per share \$	Tax rate for franking
Interim dividend per share	2	-	-%

Net Tangible Assets

	31 December 2016 \$	31 December 2015 \$
Net tangible assets per share	1.78	1.66

Earnings Per Share

	31 December 2016 Cents	31 December 2015 Cents
Basic earnings / (loss) per share	8.56	(1.18)
Diluted earnings / (loss) per share	8.50	(1.18)

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

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
201 Sussex Street
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

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Evolution Mining Limited Half-Year Financial Report Directors' Report 31 December 2016

Directors' Report

The Directors present their report on the consolidated entity ("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 2016 ("the period").

Directors

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

Company Secretary

The name of the Company Secretary during the whole of the half-year ended 31 December 2016 and up to the date of this report is as follows:

Evan Elstein

Principal activities

The Group's principal activities during the financial period were operating, identifying and developing gold related mining projects in both Australia and New Zealand.

There was no significant change in the nature of the activity of the Group during the period.

Dividends

In June 2016, the Directors approved a change to the dividend policy of whenever possible paying a half-yearly dividend equivalent to 4% of the Group's sales revenue. The change in policy doubled the payout ratio from the previous level of 2% to 4% of revenue. The change was effective immediately and was applied to the final dividend for 2016 and interim dividend for 2017.

The Board has confirmed that Evolution is in a sound position to continue its commitment to pay an interim unfranked dividend for the current period of 2 cents per share, totalling \$33.595 million. This equates to 4.7% of sales revenue for the half-year ended 31 December 2016 which is higher than the 4% policy level. This is due to the fact the Company issued equity during the period as part of acquiring an economic interest in the Ernest Henry Copper-Gold Operation; however, this asset will not commence generating full revenue until the second half of the year. For consistency, the Board has decided to maintain the dividend at 2 cents per share for the interim period. Evolution shares will trade excluding entitlement to the dividend on 23 February 2017, with the record date being 27 February 2017 and payment date of 27 March 2017.

In relation to Evolution's dividend policy, the Board of Directors approved the implementation of a Dividend Reinvestment Plan ("DRP"). The DRP allows shareholders to elect to reinvest all or part of any dividends payable on their Evolution shares to acquire additional Evolution shares. The allotted shares in respect of the first FY17 dividend will be issued at a 5.0% discount to the daily VWAP for the 5 days immediately after the record date.



**Evolution Mining Limited
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31 December 2016**

Dividends (continued)

The Company paid a final unfranked dividend (relating to sales in the six month period to 30 June 2016) of \$29.365 million in September 2016.

Dividends paid, pre DRP, to members during the financial period were as follows:

	2016 \$'000	2015 \$'000
Final dividend		
Final dividend for the year ended 30 June 2016 of 2 cents per share unfranked (30 June 2015: 1 cent per share unfranked) per fully paid share paid on 23 September 2016	29,365	14,405
	<u>29,365</u>	<u>14,405</u>

Review of operations

Overview

Evolution is a leading, growth-focused Australian gold company. As at 31 December 2016, the Group consisted of six wholly-owned operating gold mines: Cowal in New South Wales, Cracow, Mt Carlton and Mt Rawdon in Queensland and Mungari and Edna May 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 half-year ended 31 December 2016 record underlying net profit after tax of \$136.252 million, an increase of 26% (31 December 2015: underlying net profit after tax of \$107.850 million), driven by record half production, strong gold price and a continued focus on cost control.

The period also saw two months contribution from the acquisition of the economic interest in the Ernest Henry Copper-Gold Operation which is expected to improve the quality and longevity of Evolution's portfolio as well as materially reduce the Group's cost profile. In September 2016, the Group disposed of the Pajingo asset to Minjar Gold Pty Limited as part of its strategy to maintain a quality asset portfolio of 6 to 8 producing mines.

The statutory net profit after tax for the period was \$136.670 million (31 December 2015: net loss after tax of \$15.466 million) and includes one-off transaction and non-operating costs which have been excluded from the Group's underlying profit after tax. These costs include acquisition and integration costs of \$6.107 million incurred on the Ernest Henry and Pajingo transactions, tax effected fair value accounting adjustments of \$21,977 million incurred on the prior year Cowal and Mungari transactions, a loss of \$2.378 million on the sale of Pajingo and a non-cash deferred tax benefit of \$30.880 million which is related to the recognition of previously unrecognised tax losses.

All operations produced positive operating mine cash flows totalling \$339.426 million (31 December 2015: \$289.322 million) representing a 17% improvement. Total capital expenditure increased 46% which was in line with plan at \$125.780 million (including all sustaining and major capital expenditure and capital stripping) and had a large impact on the resulting 5% increase in net mine cash flow.

As a result of the significant net cash flows in excess of capital requirements during the period, the Group has been able to accelerate repayments on the Senior Secured Syndicated Revolving and Term Facility. The Group made mandatory and voluntary repayments of \$160 million during the period with commitments met up to October 2017.



Evolution Mining Limited
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Review of operations (continued)

Overview (continued)

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 2016	31 December 2015	% Change
Total underground ore mined (kt)	1,700	707	140%
Total underground lateral development (m)	5,017	5,803	(14)%
Total open pit ore mined (kt)	9,957	7,154	39%
Total open pit waste mined (kt)	16,622	18,539	(10)%
Processed tonnes (kt)	9,335	7,723	21%
Gold grade processed (g/t)	1.63	1.75	(7)%
Gold production (oz)	423,120	377,869	12%
Unit cash operating cost (A\$/oz) (i)	667	700	5%
All in sustaining cost (A\$/oz) (i)	978	954	(3)%
All in cost (\$/oz) (i)	1,120	1,095	(2)%
Gold price achieved (A\$/oz)	1,656	1,547	7%
Silver price achieved (A\$/oz)	24.32	20.35	20%
Copper price achieved (A\$/t)	7,456	6,728	11%
Total Revenue	711,150	607,083	17%
Cost of sales (excluding D&A and fair value adjustments (i))	(348,661)	(308,642)	(13)%
Corporate, admin, exploration and other costs (excluding D&A)	(17,191)	(12,828)	(34)%
EBIT (i) (ii)	173,471	127,678	36%
EBITDA (i) (ii)	345,298	285,613	21%
Statutory profit/(loss) after income tax	136,670	(15,466)	(984)%
Underlying profit after income tax	136,252	107,850	26%
Mine operating cash flow	339,426	289,322	17%
Capital expenditure	(125,780)	(86,442)	(46)%
Net mine cash flow	213,646	202,880	5%

(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) All in sustaining cost (AISC) and All in cost (AIC) are calculated on a per ounce sold basis.

Mining Operations

Cowal

Cowal achieved record gold production under Evolution ownership in the December quarter with 71,903oz of gold produced and record total gold production for the half year ended 31 December 2016 of 135,935oz. The unit cash operating cost for the period stood at \$598/oz, with an AISC and AIC of \$862/oz and \$865/oz respectively (31 December 2015: \$583/oz, \$693/oz, and \$700/oz).

Mining continued in the Stage G cutback with 6,317kt of material moved, comprised of 5,217kt of ore mined at an average grade of 1.24g/t and 1,100kt of operating waste (31 December 2015: 3,966kt, 1.06g/t, 1,972kt). Higher ore mined tonnes were driven by an increase in ex pit volumes, positive ore reconciliations and a focus on mining in high grade areas.



Evolution Mining Limited Half-Year Financial Report Directors' Report 31 December 2016

Review of operations (continued)

Mining Operations (continued)

Cowal (continued)

Resource definition drilling was completed during the period as part of the Stage H cutback feasibility study. This was completed ahead of time, under budget and delivered strong results.

Total ore processed for the period was 3,599kt at an average grade of 1.40g/t with gold recovery of 83.6% (31 December 2015: 3,060kt, 1.23g/t, 83.5%)

Cowal generated a record \$97.082 million in net mine cash flows during the period, further solidifying the quality of this asset.

Mungari

Mungari finished the period as the Group's second highest producer with 79,940oz at a unit cash operating cost of \$835/oz, AISC of \$1,047/oz and AIC of \$1,285/oz (31 December 2015: 59,782oz, \$737/oz, \$963/oz, \$1,036/oz). Despite the increase in production, costs were higher as a result of reduced average mined and processed grades.

Underground ore mined at Frog's Leg for the period totalled 363kt at an average grade mined of 5.12g/t (31 December 2015: 277kt, 5.38g/t). Mining targeted the Fog, Dwarf, Mist and Rocket orebodies, with some higher than expected grade stopes in the Mist orebody. A drill platform for the Mist orebody will be developed in the six months to June 2017 to test the resource at further depth.

Open pit ore mined from White Foil for the period was 537kt at an average grade mined of 1.18g/t with total material moved of 5,471kt (31 December 2015: 509kt, 1.36g/t, 3,755kt). Production completed in the Stage 2a area of the pit and focus moved to the Stage 2b cutback and Stage 3 areas. Water in Stage 2b significantly reduced drill and blast activities. However drilling capacity is being sourced to address the ground and water conditions in the second half of the year.

Mt Carlton

As the Group's only wholly owned concentrate producing mine, Mt Carlton produced 51,218oz of payable gold for the period at a low unit cash operating cost of \$300/oz, AISC of \$682/oz and AIC of \$834/oz (December 2015: 54,239oz, \$408/oz, \$658/oz, \$816/oz).

Mining of the Stage 2 pit area was completed during the period leading to accelerated mining of the Stage 3a pit area which would allow access to high-grade ore in the second half of the year. Blasting of the Stage 3b pre-strip sediments commenced in December.

Construction of concrete civils for the gravity recovery of gold circuit commenced in December and is expected to be commissioned in the March quarter.

Mt Rawdon

Mt Rawdon produced 50,862oz of gold for the period at a unit cash operating cost of \$594/oz, AISC of \$833/oz and AIC of \$1058/oz (31 December 2015: 48,275oz, \$656/oz, \$942/oz, \$1386/oz). These lower costs are a realisation of a declining strip ratio as the cutback nears completion and increased processing grades of 1.05 g/t (31 December 2015: 0.96 g/t).



Evolution Mining Limited Half-Year Financial Report Directors' Report 31 December 2016

Review of operations (continued)

Mining Operations (continued)

Mt Rawdon (continued)

Mining activity has been focused on the completion of Stage 3 and the progression of the Stage 4 cutback with total material moved of 8,741kt comprising 2,521kt of ore mined and 6,220kt of capital and operation waste. The ore extracted from Stage 4 provided the majority of the mill feed and continues to reconcile positively against the resource model.

Edna May

Edna May produced 38,600oz of gold for the period at a unit cash operating cost of \$1,338/oz, AISC of \$1,475/oz and AIC of \$1,811/oz (31 December 2014: 36,035oz, \$1,298/oz, \$1,411/oz, \$1,551/oz). Costs remained high following a decrease in production and an increase in capital expenditure for the underground. The lower material movement in the prior year due to weather events and mine scheduling issues are continuing to impact performance during the period.

Following the performance issues encountered in the prior year and the beginning of the current year a full review of Edna May was undertaken. As a result of this review, plans have been implemented to target higher volume open pit mining, increasing material movements to 1Mt per month for the remainder of the current year. This will benefit the production and cost performance in the latter stages of the second half of the year.

Mining activity during the period continued to focus on the Stage 2 cutback. With total material moved of 3,496kt comprising ore mined of 824kt and capital and operating waste of 2,672kt (31 December 2015: 1,087kt, 4,194kt). An increase in ore grade is anticipated in the second half of the year as mining nears the base of the Stage 2 cutback.

Cracow

Cracow continued its track record of production reliability in the period with 41,317oz produced at a unit cash operating cost of \$820/oz, AISC of \$1,267/oz and AIC of \$1,365/oz (31 December 2015: 46,010oz, \$710/oz, \$1,026/oz, \$1,122/oz). Planned capital expenditure including a tailings storage facility lift, increased resource definition drilling and the Fine Grind Mill project impacted AISC and AIC.

The period saw ore mined of 263kt of ore mined at an average grade of 5.05g/t (31 December 2015: 227kt, 6.34g/t). This was primarily sourced from the Kilkenny, Empire and Klondyke orebodies. Grades are expected to improve in the second half of the year with the increased production from Kilkenny and Empire orebodies.

Total lateral development of 1,518m (31 December 2015: 2,626m) focused on the Coronation and Griffin deposits while a drill platform for testing the Baz and Killarney deposits was completed.

Pajingo

Pajingo was sold on 1 September 2016 to Minjar Gold Pty Limited for total proceeds of up to \$52 million consisting of a \$42.0 million upfront cash payment and a 1% NSR (net smelter return) royalty of up to \$10.0 million for gold production above 130,000oz.

During the 62 days of the period Pajingo was still under Evolution ownership, Pajingo produced 10,991oz of gold at a unit cash operating cost of \$897/oz, AISC of \$1,422/oz and AIC of \$1,577/oz (31 December 2015: 32,317oz, \$869/oz, \$1,221/oz, \$1,364/oz).



Evolution Mining Limited Half-Year Financial Report Directors' Report 31 December 2016

Review of operations (continued)

Mining Operations (continued)

Ernest Henry

The Ernest Henry transaction was completed on 1 November 2016 and is expected to improve the quality and longevity of the Group's portfolio as well as materially reduce the cost profile.

Attributable production for the period commencing 1 November 2016 was 14,257oz of gold and 3,125t of copper at a unit cash operating cost of \$(481)/oz, AISC of \$(114)/oz and AIC of \$(114)/oz. Gold production does not contribute towards the Group's gold sold for the period and is instead classified as inventory until sold which will begin in the second half of the year. The Group anticipates contributions from Ernest Henry of annualised gold equivalent production of 80,000 - 85,000oz at an AISC of \$100 - \$150/oz which includes copper and silver by-product credits.

Financial Performance

Profit or Loss

Revenue for the period ended 31 December 2016 increased by 17% to \$711.150 million (31 December 2015: \$607.083 million). This is largely a product of the increase in gold sold of 5% to 404,640oz (31 December 2015: 385,120oz) and the increase in achieved gold price to \$1,656/oz (31 December 2015: \$1,547/oz) which contributed \$74.431 million in gold sales. Copper sales also increased as a result of the two months sales contributed by Ernest Henry which totalled \$24.085 million.

Deliveries into the hedge book were 127,501oz at an average price of \$1,578/oz (31 December 2015: 105,474oz, \$1,590/oz). The remaining 277,139oz were sold at spot price achieving an average price of \$1,656/oz (31 December 2015: 279,646oz, \$1,526/oz). The Group's hedge book totals 579,487oz as at 31 December 2016 at an average price of \$1,633/oz for deliveries to December 2020.

Operating costs, excluding depreciation, amortisation and fair value adjustments of \$203.223 million, increased to \$348.273 million (31 December 2015: \$308.084 million) largely as a result of the inclusion of two months of Ernest Henry and the shift from capital to operating stripping at both Edna May and Mt Rawdon.

The Group's All in Sustaining Cost increased 2% to \$978/oz (31 December 2015: \$954/oz) despite the increase in gold sold of 5% during the period offset by the increase in sustaining capital of 70% to \$194/oz (31 December 2015: \$114/oz).

Total exploration expenditure for the period was \$17.968 million (31 December 2015: \$11.113 million) with an exploration write-off of \$3.715 million (31 December 2015: \$0.807 million).

Balance Sheet

The Group's net assets increased by 34% to \$2.070 billion (30 June 2016: \$1.551 billion), primarily due to the completion of the Ernest Henry transaction which contributed net assets of \$886.925 million offset by the resulting draw down of \$475 million on the Senior Secured Syndicated Revolving and Term Facility. At 31 December 2016, the Group held a cash balance of \$14.479 million and total debt of \$603.013 million. Total debt comprises \$587.598 million of corporate debt (inclusive of \$12.402 million of capitalised borrowing costs), \$5.086 million of finance leases and \$10.329 million of other short-term debt.



Evolution Mining Limited Half-Year Financial Report Directors' Report 31 December 2016

Review of operations (continued)

Financial Performance (continued)

Balance Sheet (continued)

Total assets increased during the period to \$3.014 billion (30 June 2016: \$2.187 billion), representing a 38% movement. This increase was largely due to the completion of the Ernest Henry transaction which contributed \$909.380 million offset by the sale of Pajingo which reduced total assets by \$77.621 million. Excluding the Ernest Henry and Pajingo transactions, total assets held steady which can be attributed to the decrease in property, plant and equipment of 7% offset by the 7% increase in ore inventories. Capital additions for property, plant and equipment totalled \$37.700 million, while depreciation totalled \$68.976 million. Mine development and exploration additions totalled \$105.475 million mainly as a result of continued stripping at several sites, while amortisation totalled \$110.625 million.

Total liabilities for the Group increased to \$943.646 million as at 31 December 2016 from \$635.726 as at 30 June 2016. This increase is largely due to the draw down on a new \$475 million Term Facility which was used to fund the Ernest Henry transaction. The balance of the Facility as at 31 December 2016 was \$445 million.

Cash Flow

The Group ended the period with a cash balance of \$14.479 million and available credit of \$225 million through its Senior Secured Syndicated Revolving and Term Facility.

Net cash inflow from operating activities was \$296.713 million, an increase of \$83.638 million (31 December 2015: \$213.075 million).

Net cash outflows from investment activities were \$989.022 million, a \$157.700 million increase (31 December 2015: \$831.322 million) consisting of payments for the acquisition of the economic interest in Ernest Henry Copper-Gold Operation of \$884.004 million (including capitalised transaction fees) and receipt of \$41.900 million on the sale of Pajingo. Capital investments excluding the payment for Ernest Henry for the period include property plant and equipment of \$35.610 million and mine development and exploration of \$105.198 million.

Net cash inflows from financing activities were \$689.453 million, an increase of \$231.875 million (31 December 2015: outflow \$457.578 million). Financing for the period included the drawing of \$475 million on the Senior Secured Syndicated Revolving and Term Facility and the subsequent repayments totalling \$160 million, net proceeds received on the issue of shares to fund the Ernest Henry transaction of \$395.244 million, dividend payment of \$25.323 million and a net drawing of \$1.857million for Mt Carlton shipment refinancing and insurance premiums.

Taxation

During the period, the Group made the determination to recognise previously unrecognised tax losses on the balance sheet. The Company recognised a tax benefit of \$15.653 million (31 December 2015: \$nil) in the current period consisting of a current tax liability of \$7.605 million, deferred tax liability of \$7.622 million and deferred tax asset on previously unrecognised tax losses of \$30.880 million.



Evolution Mining Limited Half-Year Financial Report Directors' Report 31 December 2016

Review of operations (continued)

Financial Performance (continued)

Capital Expenditure

Capital expenditure for the period totalled \$125.780 million (31 December 2015: \$86.442 million) with the main change being the inclusion of Cowal and Mungari in the Group for a full half-year to 31 December 2016 compared to the prior half-year to 31 December 2015. This consists of sustaining capital, including near mine exploration and resource definition of \$70.900 million (31 December 2015: \$32.051 million) and mine development of \$54.880 million (31 December 2015: \$54.390 million). The main capital projects include the Cowal resource definition drilling, Edna May underground mine project, capital waste stripping and development at Mt Rawdon, the Edna May North and South cutbacks, Mungari capital stripping and underground development, Cracow underground mine development, and the Mt Carlton mine development and Stage 2 North Waste block.

Financing

Total finance costs for the period were \$13.861 million (31 December 2015: \$20.860 million), a decrease of 34% which is largely attributable to the reduction in interest expense as a result of lower interest rates. Included in total finance costs is amortisation of debt establishment costs of \$2.131 million (31 December 2015: \$4.847 million) and discount unwinding on mine rehabilitation liabilities of \$1.511 million (31 December 2015: 2.076 million).

In September 2016, the Group entered into a new financing arrangement ("the New Facility") comprising a \$475 million Senior Secured Term Loan ("Facility D") and an amendment to the repayment profile of the existing \$300 million Senior Secured Revolving Loan ("Facility A") to reflect the Group's accelerated repayments on the previous Facility. No changes have been made to the existing \$400 million Senior Secured Term Loan ("Facility B") or the \$155 million Performance Bond Facility ("Facility C").

The new Facility was executed on 29 September 2016 and was effective from that date.

The new Facility was drawn down on 31 October 2016 on completion of the Ernest Henry acquisition. The repayment periods and the outstanding balances as at 31 December 2016 on each facility are set out below:

Facility	Term date	Outstanding balance
Senior Secured Revolving Loan - Facility A	31 July 2018	\$75 million
Senior Secured Term Loan - Facility B	15 July 2018	\$80 million
Performance Bond Facility - Facility C	20 July 2018	\$124 million
Senior Secured Term Loan - Facility D	31 October 2021	\$445 million



**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2016**

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 except for the following matters:

- (a) On 20 January 2017, Evolution obtained an Australian Taxation Office (ATO) Private Ruling ruling which allows the Group to amortise the \$880 million upfront payment along with the monthly production costs as parcels of metal are delivered each month. A similar methodology has been adopted for tax and accounting purposes.
- (b) On 9 February, Evolution was granted regulatory approval from the NSW Department of Planning and Environment to extend the Cowal operations mine life to 2032.
- (c) On 15 February, the Board approved the commencement of the E42 Stage H cutback and Dual Leach Project at the Cowal operation.



**Evolution Mining Limited
Half-Year Financial Report
Directors' Report
31 December 2016**

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 11.

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
Chairman of the Audit Committee

Sydney



Auditor's Independence Declaration

As lead auditor for the review of Evolution Mining Limited for the half-year ended 31 December 2016, 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 Mining Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Upcroft', is written over the printed name.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
16 February 2017



Evolution Mining Limited
Half-Year Financial Report
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2016

		31 December 2016 \$'000	31 December 2015 \$'000
	Notes		
Sales revenue	3	711,150	607,083
Cost of sales	4	<u>(551,496)</u>	<u>(504,441)</u>
Gross Profit		159,654	102,642
Interest income	3	1,288	1,032
Other income	3	419	499
Share based payments expense		(371)	(2,896)
Corporate and other administration costs	4	(13,912)	(10,183)
Acquisition and integration costs	4	(6,107)	(53,989)
Gain on revaluation of available-for-sale assets		-	4,365
Exploration and evaluation costs expensed	9	(3,715)	(806)
Loss on sale of subsidiary		(2,378)	-
Impairment loss on goodwill		-	(35,270)
Finance costs	4	<u>(13,861)</u>	<u>(20,860)</u>
Profit/(loss) before income tax expense		121,017	(15,466)
Income tax benefit/(expense)	6	15,653	-
Profit/(loss) after income tax expense		136,670	(15,466)
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets		3,199	(798)
Changes in the fair value of cash flow hedges		127	(9,382)
Exchange differences on translation of foreign operations		<u>40</u>	<u>-</u>
Other comprehensive income/(expense), net of tax		3,366	(10,180)
Total comprehensive income/(expense)		140,036	(25,646)
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Evolution Mining Limited		<u>140,036</u>	<u>(25,646)</u>
		140,036	(25,646)
		Cents	Cents
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings/ (loss) per share		8.56	(1.18)
Diluted earnings/ (loss) per share		8.50	(1.18)

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 2016

		31 December 2016 \$'000	30 June 2016 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		14,479	17,295
Trade and other receivables		55,580	26,953
Inventories		241,101	213,168
Assets classified as held for sale		-	77,621
Total current assets		311,160	335,037
Non-current assets			
Inventories		827	827
Available-for-sale financial assets		6,462	3,263
Property, plant and equipment	8	754,671	789,770
Mine development and exploration	9	1,906,702	1,058,173
Deferred tax assets	6	30,880	-
Other non-current assets		3,191	89
Total non-current assets		2,702,733	1,852,122
Total assets		3,013,893	2,187,159
LIABILITIES			
Current liabilities			
Trade and other payables		135,982	121,509
Interest bearing liabilities	10	48,264	16,788
Derivative financial instruments		-	127
Current tax liabilities	6	7,605	-
Provisions		26,032	24,994
Liabilities directly associated with assets classified as held for sale		-	32,621
Other current liabilities		5,696	4,621
Total current liabilities		223,579	200,660
Non-current liabilities			
Interest bearing liabilities	10	554,749	279,667
Provisions		157,608	152,104
Deferred tax liabilities	6	7,710	89
Other non-current liabilities		-	3,206
Total non-current liabilities		720,067	435,066
Total liabilities		943,646	635,726
Net assets		2,070,247	1,551,433
EQUITY			
Issued capital	11	2,177,534	1,770,987
Reserves		34,340	29,363
Accumulated losses		(141,627)	(248,917)
Capital and reserves attributable to owners of Evolution Mining Limited		2,070,247	1,551,433
Total equity		2,070,247	1,551,433

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 2016

	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 2015		1,292,620	20,840	(156)	6,762	-	(195,506)	1,124,560
Profit after income tax expense		-	-	-	-	-	(15,466)	(15,466)
Other comprehensive income		-	-	(798)	(9,382)	-	-	(10,180)
Total comprehensive income		-	-	(798)	(9,382)	-	(15,466)	(25,646)
Transactions with owners in their capacity as owners:								
Contributions of equity	11	471,705	-	-	-	-	-	471,705
Dividends provided for or paid	5	-	-	-	-	-	(14,405)	(14,405)
Recognition of share-based payments		-	2,896	-	-	-	-	2,896
		471,705	2,896	-	-	-	(14,405)	460,196
Balance at 31 December 2015		1,764,325	23,736	(954)	(2,620)	-	(225,377)	1,559,110
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	11	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

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 2016

	31 December 2016 Notes \$'000	31 December 2015 \$'000
Cash flows from operating activities		
Receipts from sales	687,228	595,400
Payments to suppliers and employees	(382,003)	(370,582)
Other income	419	499
Interest received	1,288	1,032
Interest paid	(10,219)	(13,274)
Net cash inflow from operating activities	296,713	213,075
Cash flows from investing activities		
Payments for property, plant and equipment	(35,610)	(18,359)
Payments for mine development and exploration	(105,198)	(72,920)
Payment for economic interest in Ernest Henry	(884,004)	-
Proceeds from sale of property, plant and equipment	-	29
Proceeds from sale of available-for-sale financial assets	41,900	-
Payments for acquisition and integration costs	-	(4,405)
Payments for stamp duty related to business combinations	(3,272)	(24,138)
Cash acquired through business combinations	-	20,185
Payments for subsidiaries acquired through business combinations	-	(731,714)
Transfer from/ (to) term deposits	(2)	-
Transaction costs of business combinations	(2,836)	-
Net cash outflow from investing activities	(989,022)	(831,322)
Cash flows from financing activities		
Proceeds from interest bearing liabilities - Senior Secured Syndicated Revolving and Term Facility	475,000	607,000
Repayment of interest bearing liabilities - Senior Secured Syndicated Revolving and Term Facility	(160,000)	(127,000)
Repayment of interest bearing liabilities - La Mancha Debt Facility	-	(124,000)
Proceeds from short term borrowings	80,054	59,138
Repayment of short term borrowings	(78,197)	(49,043)
Payment of finance lease liabilities	(4,574)	(8,332)
Dividends paid	(25,323)	(11,653)
Proceeds from issues of shares	408,808	111,468
Payment of transaction costs for issuing shares	(6,315)	-
Net cash inflow from financing activities	689,453	457,578
Net decrease in cash and cash equivalents	(2,856)	(160,669)
Cash and cash equivalents at the beginning of the period	17,295	205,788
Effects of exchange rate changes on cash and cash equivalents	40	-
Cash and cash equivalents at end of period	14,479	45,119

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 reporting period:

- The institutional and retail share offer to fund the acquisition of an economic interest in the Ernest Henry Copper-Gold Operation.
- The entry into a new financing agreement to secure funding for the consideration of the Ernest Henry transaction and to realign the repayment schedule to reflect the Group's accelerated repayments on previous Facilities.
- The completion of the acquisition of an economic interest in the Ernest Henry Copper-Gold Operation.
- The sale of the Pajingo operation to Minjar Gold Pty Limited.

For a detailed discussion about the group's performance and financial position please refer to our review of operations on pages 2 to 8.



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

2 Segment information

(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 (including the economic interest in Ernest Henry), 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 and New Zealand.

(b) Segment information

The segment information for the reportable segments for the half-year ended 31 December 2016 and the half-year ended 31 December 2015 is as follows:

	Cowal \$'000	Mungari \$'000	Mt Carlton \$'000	Mt Rawdon \$'000	Edna May \$'000	Cracow \$'000	Ernest Henry \$'000	Pajingo \$'000	Explo- ration \$'000	Corp- orate \$'000	Total \$'000
31 December 2016											
Segment											
Revenue	228,436	129,981	94,713	84,542	64,715	67,160	24,085	17,518	-	-	711,150
EBITDA	135,944	59,483	62,459	48,627	10,728	30,224	12,410	2,614	(3,715)	(13,476)	345,298
Capital additions (i)	33,809	22,220	17,544	16,097	14,111	17,176	3,200	-	17,968	1,050	143,175
31 December 2015											
Segment											
Revenue	153,770	104,468	91,679	75,118	60,874	70,272	-	50,902	-	-	607,083
EBITDA	90,244	53,216	54,461	38,826	8,776	33,847	-	19,071	(806)	(12,022)	285,613
Capital additions (i)	12,011	14,027	12,384	27,595	6,632	10,502	-	9,628	11,113	150	104,042

(i) Capital additions include the remeasurement of rehabilitation assets and assets that were acquired under finance leases during the period.



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

2 Segment information (continued)

(c) Segment Reconciliation

	31 December 2016 \$'000	31 December 2015 \$'000
Reconciliation of profit before income tax expense		
EBITDA	345,298	285,613
Depreciation and amortisation	(171,827)	(157,935)
Interest income	1,288	1,032
Acquisition and integration costs	(6,107)	(53,989)
Loss on sale of subsidiary	(2,378)	-
Gain on revaluation of available-for-sale assets	-	4,365
Fair value amortisation and unwinding expense	(31,396)	(38,422)
Impairment loss on goodwill	-	(35,270)
Finance costs	(13,861)	(20,860)
Profit/(loss) before income tax expense	121,017	(15,466)

3 Revenue

	31 December 2016 \$'000	31 December 2015 \$'000
<i>Sales revenue</i>		
Gold sales	670,077	595,646
Silver sales	12,722	7,085
Copper sales	28,351	4,352
	711,150	607,083
<i>Other revenue</i>		
Interest income	1,288	1,032
Other income	419	499
	1,707	1,531



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

4 Expenses

	31 December 2016 \$'000	31 December 2015 \$'000
Cost of sales		
Mine operating costs	318,433	283,022
Depreciation and amortisation expense	171,439	157,377
Royalty and other selling costs	30,228	25,620
Fair value amortisation	30,432	20,545
Fair value expense	964	17,877
	551,496	504,441
 Corporate administrative costs		
Depreciation and amortisation expense	388	558
Operating lease payments	466	611
Corporate wages and salaries expense	2,751	3,495
Contractor, consultants and advisory expense	2,006	1,935
Other administrative	8,301	3,584
	13,912	10,183
 Acquisition and integration costs		
Contractor, consultants and advisory expense	1,664	2,945
Corporate and administration expense	1,171	1,460
Stamp duty on business combinations	3,272	49,584
	6,107	53,989
 Finance costs		
Finance lease interest expense	254	663
Amortisation of debt establishment costs	2,131	4,847
Unwinding of discount on provisions	1,511	2,076
Interest expense	9,965	13,274
	13,861	20,860



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

4 Expenses (continued)

	31 December 2016 \$'000	31 December 2015 \$'000
Depreciation and amortisation		
Cost of sales (excluding Ernest Henry)	161,950	157,377
Cost of sales (Ernest Henry)	9,489	-
Depreciation and amortisation expense	<u>388</u>	<u>558</u>
	171,827	157,935
Amortisation recognised in inventory	<u>7,774</u>	<u>-</u>
	179,601	157,935

5 Dividends

(a) Ordinary Shares

	31 December 2016 \$'000	31 December 2015 \$'000
<i>Dividends provided for or paid during the half-year</i>		
Final dividend (unfranked)	<u>29,365</u>	<u>14,405</u>
	29,365	14,405

The Board of Directors approved the implementation of a DRP as part of the Groups existing dividend policy. The DRP allows shareholders to elect to reinvest all or part of any dividends payable on their Evolution shares to acquire additional Evolution shares. The participation rate in the final dividend for the year ended 30 June 2016 was 13.8% of the Company's ordinary shares, with 1,927,526 shares issued at \$2.1037 per share. The cash payment amount for the final dividend for the period was \$25.323 million. As at 31 December 2016, the Group held an amount for unclaimed dividends of \$0.267 million.

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

In June 2016, the Directors approved a change to the dividend policy of whenever possible paying a half-yearly dividend equivalent to 4% of the Group's sales revenue. The change in policy doubled the payout ratio from the previous level of 2% to 4% of revenue (relating to sales in the six month period). The change was effective immediately and has been applied to the final dividend for 2016 and interim dividend for 2017.



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

5 Dividends (continued)

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

	31 December 2016 \$'000	31 December 2015 \$'000
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In addition to the above dividends, since period end the Directors have proposed the payment of an interim unfranked dividend of 2 cents per fully paid ordinary share (31 December 2015 - 1 cent). The aggregate amount of the proposed dividend expected to be paid on 27 March 2017 out of retained earnings at 31 December 2016, but not recognised as a liability at the period end is:

33,595	14,657
33,595	14,657

6 Income tax expense

(a) Income tax expense

	31 December 2016 \$'000	31 December 2015 \$'000
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Current tax	(7,605)	-
Deferred tax	(7,622)	(18,350)
Previously unrecognised tax loss now recognised	30,880	18,350
Total income tax benefit	15,653	-

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

Profit/(loss) before income tax expense	121,017	(15,466)
Tax at the Australian tax rate of 30%	(36,305)	4,640
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss on sale of subsidiary	(713)	-
Share-based payments	(111)	(869)
Costs of business acquisitions	(982)	(11,527)
Impairment loss on goodwill	-	(10,581)
Other	(330)	(13)
Tax loss recognised to reduce deferred tax expense	30,880	18,350
Tax losses used to reduce current tax expense	23,214	-
Total income tax benefit	15,653	-

The Group has unrecognised available tax losses of \$49.5 million as at 31 December 2016. 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

7 Ernest Henry Operation

(a) Description

On 24 August 2016, the Group announced that through a wholly owned subsidiary, it had entered into a transaction with Glencore plc to acquire an economic interest in the Ernest Henry Copper-Gold Operation for an upfront payment of \$880 million. Evolution also announced the entry into a strategic alliance with Glencore in respect of potential future regional acquisitions and the commitment the parties made to cooperate on exploration activities in the region surrounding Ernest Henry. The transaction was completed on 1 November 2016.

Under the agreement, Evolution has a right to the production output when produced in relation to 100% of future gold and 30% of future copper and silver from the agreed life of mine area. In addition to the upfront payment, Evolution must also contribute 30% of future production costs in respect of the life of mine area.

(b) Financial performance and position

The below information presents the financial performance and balance sheet information of the Ernest Henry operation included in the Consolidated Financial Statements for the two months ended 31 December 2016.

	31 December 2016 \$'000
Revenue (note 3)	24,085
Cost of sales (excluding amortisation)	(11,674)
Amortisation	(9,489)
Profit before income tax	<u>2,922</u>

The carrying amounts of assets and liabilities as at the period end were:

	31 December 2016 \$'000
ASSETS	
Trade and other receivables	24,084
Inventories	15,380
Mine development and exploration	869,916
Total assets	<u>909,380</u>
LIABILITIES	
Trade and other payables	22,455
Total liabilities	<u>22,455</u>
Net assets	<u>886,925</u>



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

8 Property, plant and equipment

	Freehold land \$'000	Plant and equipment \$'000	Total \$'000
30 June 2016			
Cost	10,526	1,565,270	1,575,796
Accumulated depreciation	-	(786,026)	(786,026)
Net carrying amount	<u>10,526</u>	<u>779,244</u>	<u>789,770</u>
Included in above			
Carrying amount of lease assets	-	54,102	54,102
Carrying amount of assets under construction	-	42,437	42,437
	<u>-</u>	<u>96,539</u>	<u>96,539</u>
Half-year ended 31 December 2016			
Carrying amount at the beginning of the period	10,526	779,244	789,770
Additions	4,258	33,442	37,700
Reclassifications	2,057	(2,434)	(377)
Depreciation relating to fair value uplift on business combinations	-	(3,445)	(3,445)
Depreciation	-	(68,976)	(68,976)
Carrying amount at the end of the period	<u>16,841</u>	<u>737,831</u>	<u>754,672</u>
At 31 December 2016			
Cost	16,841	1,596,278	1,613,119
Accumulated depreciation	-	(858,447)	(858,447)
Net carrying amount	<u>16,841</u>	<u>737,831</u>	<u>754,672</u>
Included in above			
Carrying amount of lease assets	-	5,501	5,501
Carrying amount of assets under construction	-	54,102	54,102
	<u>-</u>	<u>59,603</u>	<u>59,603</u>



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

9 Mine development and exploration

	Producing mines \$'000	Exploration and evaluation \$'000	Total \$'000
30 June 2016			
Cost	1,962,882	110,338	2,073,220
Accumulated amortisation	(1,015,047)	-	(1,015,047)
Net carrying amount	<u>947,835</u>	<u>110,338</u>	<u>1,058,173</u>
Half-year ended 31 December 2016			
Carrying amount at the beginning of the period	947,835	110,338	1,058,173
Additions	87,507	17,968	105,475
Acquisition of economic interest in Ernest Henry	884,004	-	884,004
Reclassifications	377	-	377
Amortisation relating to fair value uplift on business combinations	(26,987)	-	(26,987)
Amortisation	(110,625)	-	(110,625)
Asset write-off	-	(3,715)	(3,715)
Carrying amount at the end of the period	<u>1,782,111</u>	<u>124,591</u>	<u>1,906,702</u>
At 31 December 2016			
Cost	2,934,769	124,591	3,059,360
Accumulated amortisation	(1,152,658)	-	(1,152,658)
Net carrying amount	<u>1,782,111</u>	<u>124,591</u>	<u>1,906,702</u>



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

10 Interest Bearing Liabilities

	31 December 2016 \$'000	30 June 2016 \$'000
Current		
Bank loans - Senior Secured Syndicated Revolving & Term Facility	40,000	-
Less: Borrowing costs	(6,662)	-
Finance lease liabilities	4,597	8,316
Other borrowings	10,329	8,472
	<u>48,264</u>	<u>16,788</u>
Non-Current		
Bank loans - Senior Secured Syndicated Revolving & Term Facility	560,000	285,000
Less: Borrowing costs	(5,740)	(6,677)
Finance lease liabilities	489	1,344
	<u>554,749</u>	<u>279,667</u>
Total interest bearing liabilities	<u>603,013</u>	<u>296,455</u>

In September 2016, the Group entered into a new financing arrangement ("the New Facility") comprising a \$475 million Senior Secured Term Loan ("Facility D") and an amendment to the repayment profile of the existing \$300 million Senior Secured Revolving Loan ("Facility A") to reflect the Group's accelerated repayments on the previous Facility. No changes have been made to the existing \$400 million Senior Secured Term Loan ("Facility B") or the \$155 million Performance Bond Facility ("Facility C").

The New Facility was executed on 29 September 2016 and was effective from that date.

The New Facility was drawn down on 31 October 2016 upon completion of the Ernest Henry acquisition. The repayment periods and the outstanding balances as at 31 December on each facility are set out below:

	Term date	Outstanding balance
Senior Secured Revolving Loan - Facility A	31 July 2018	\$75 million
Senior Secured Term Loan - Facility B	15 July 2018	\$80 million
Performance Bond Facility - Facility C	20 July 2018	\$124 million
Senior Secured Term Loan - Facility D	31 October 2021	\$445 million



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

10 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 2016 \$'000	30 June 2016 \$'000
<i>Bank loans - Senior Secured Syndicated Revolving & Term Facility</i>		
Expiring within one year	-	-
Expiring beyond one year	225,000	205,000
	225,000	205,000

(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
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At 31 December 2016

Bank loans - Senior Secured Syndicated Revolving & Term Facility	62,425	201,477	389,667	-	653,569	600,000
Finance lease liabilities	4,746	492	-	-	5,238	5,086
Other borrowings	10,329	-	-	-	10,329	10,329
	77,500	201,969	389,667	-	669,136	615,415

At 30 June 2016

Bank loans - Senior Secured Syndicated Revolving & Term Facility	12,431	80,823	223,853	-	317,107	285,000
Finance lease liabilities	8,630	1,364	-	-	9,994	9,660
Other borrowings	8,472	-	-	-	8,472	8,472
	29,533	82,187	223,853	-	335,573	303,132



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

10 Interest Bearing Liabilities (continued)

(c) Debt covenants

The lenders have placed covenants over the New Facility 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.

11 Issued Capital

(a) Share capital

	31 December 2016 Shares	31 December 2016 \$'000	30 June 2016 Shares	30 June 2016 \$'000
Fully paid ordinary shares	1,679,732,397	2,177,534	1,468,262,821	1,770,987
	1,679,732,397	2,177,534	1,468,262,821	1,770,987

(b) Movements in ordinary share capital

	31 December 2016 Shares	31 December 2016 \$'000	30 June 2016 Shares	30 June 2016 \$'000
Opening balance	1,468,262,821	1,770,987	992,435,234	1,292,620
Employee share scheme issues	511,192	-	865,520	-
Shares issued on vesting of performance rights	7,961,146	-	2,262,954	-
Shares issued under Institutional Component of Entitlement Offer	151,914,603	311,425	-	-
Shares issued under DRP for final dividend	1,927,526	4,055	2,492,008	2,707
Shares issued under Retail Component of Entitlement Offer	44,976,448	90,134	-	-
Shares issued on exercise of unlisted share options	4,178,661	7,249	180,000	331
Issue of shares as consideration for Phoenix Gold Limited	-	-	22,625,093	29,604
Issue of shares to La Mancha Group International BV on completion of business acquisition	-	-	322,023,765	331,684
Shares issued under DRP for interim dividend	-	-	1,525,313	2,573
Shares issued to La Mancha Group International BV under Entitlement Offer	-	-	123,852,934	111,468
Less: Transactions costs arising on share issue	-	(6,316)	-	-
	1,679,732,397	2,177,534	1,468,262,821	1,770,987



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

11 Issued Capital (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

12 Related party transactions

(a) Transactions with other related parties

Directors fees in the amount of \$56,250 was 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 2015: \$27,500).

Directors fees in the amount of \$100,000 was paid to DAK Corporation, a company of which Mr Jacob Klein is a Director for services provided during the period (31 December 2015: \$100,000).

Directors fees in the amount of \$65,783 was paid to Lazy 7 Pty Ltd, a company of which Mr Colin Johnstone is a Director for services provided during the period (31 December 2015: \$56,028).

Directors fees in the amount of \$47,500 was paid to Mr Naguib Sawaris as a Director for services provided during the period (31 December 2015: \$ nil).

Directors fees in the amount of \$51,875 was paid to Mr Sebastien de Montessus as a Director for services provided during the period (31 December 2015: \$ nil)

13 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2016 in respect of:

(i) Claims

Edna May Operations Pty Ltd, a wholly owned subsidiary of Evolution Mining Limited, received a Writ of Summons from the Supreme Court of Western Australia on 9 July 2014 together with a Statement of Claim filed by Mineral Crushing Services (WA) Pty Ltd claiming damages of approximately \$3 million in relation to contract crushing services provided at the Edna May operation. The Group is vigorously defending the claim.

(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 2016. The total of these guarantees at 31 December 2016 was \$123.634 million with various financial institutions (30 June 2016: \$141.627 million).



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14 Gold Delivery Commitments

	Gold for physical delivery oz	Contracted sales price A\$/oz	Value of committed sales \$'000
As at 31 December 2016			
Within one year	216,987	1,571	340,990
Later than one year but not greater than five years	362,500	1,670	605,244
	579,487		946,234
As at 30 June 2016			
Within one year	248,493	1,584	393,552
Later than one year but not greater than five years	458,495	1,665	754,349
	706,988		1,147,901

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.

15 Fair value measurement of assets and liabilities

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).



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15 Fair value measurement of assets and liabilities (continued)

(a) Fair value hierarchy (continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016 on a recurring basis:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2016				
Financial assets				
<i>Other financial assets</i>				
Shares available for sale	6,462	-	-	6,462
Total financial assets	6,462	-	-	6,462

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2016				
Financial assets				
<i>Other financial assets</i>				
Shares available for sale	3,263	-	-	3,263
Total financial assets	3,263	-	-	3,263

Financial liabilities				
<i>Derivative financial instruments</i>				
Derivatives used for hedging	-	127	-	127
Total financial liabilities	-	127	-	127

There were no transfers between levels 1 and 2 for recurring fair value measurement during the period.

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 31 December 2016.

(b) Valuation techniques

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and financial liabilities held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.



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

15 Fair value measurement of assets and liabilities (continued)

(b) Valuation techniques (continued)

Specific valuation techniques used to value financial assets and financial liabilities include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate and diesel swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

All of the resulting fair value estimates are included in either level 1 or 2. There are no financial instruments included in level 3 for the half-year ended 31 December 2016.

16 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, except for the following:

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, except for the following:

- (a) On 20 January 2017, Evolution obtained an Australian Taxation Office (ATO) Private Ruling ruling which allows the Group to amortise the \$880 million upfront payment along with the monthly production costs as parcels of metal are delivered each month. A similar methodology has been adopted for tax and accounting purposes.
- (b) On 9 February, Evolution was granted regulatory approval from the NSW Department of Planning and Environment to extend the Cowal operations mine life to 2032.
- (c) On 15 February, the Board approved the commencement of the E42 Stage H cutback and Dual Leach Project at the Cowal operation.



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

17 Basis of preparation of half-year report

This consolidated Half-Year Financial Report for the half-year ended 31 December 2016 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 year ended 30 June 2016 and any public announcements made by Evolution Mining Limited during the half-year ended 31 December 2016 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, except as set out below:

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

(i) AASB 9 *Financial instruments*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The group has decided not to adopt AASB 9 until it becomes mandatory on 1 January 2018.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reason:

- The instruments that are currently classified as available-for-sale (AFS) financial assets appear to 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.

There will 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. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the group does not expect to identify any new hedge relationships. As a consequence, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, instruments measured at FVOCI, contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. If the group were to adopt the new rules from 1 January 2017, it estimates that it would not be significantly impacted.



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

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

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

(i) AASB 9 Financial instruments (continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018. The group will adopt the new standard from 1 January 2018.

Management has identified the following area that is likely to be affected:

- Metal and concentrate sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards.
- At this stage the Group is not able to estimate the impact of the rules on the Group's financial statement. The Group will make more detailed assessments of the impact over the next twelve months.

(iii) AASB 16 Leases

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.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of \$38,651,000. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

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.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.



**Evolution Mining Limited
Half-Year Financial Report
Directors' Declaration
31 December 2016**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 33 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 2016 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 "G. Freestone".

Graham Freestone
Chairman of the Audit Committee

Sydney



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 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Evolution Mining Limited (the consolidated entity). 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 2016 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:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Upcroft'.

Marc Upcroft
Partner

Sydney
16 February 2017