Evolution MINING

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ASX Announcement

28 February 2012

RELEASE OF HALF-YEAR FINANCIAL RESULT

- **Creation of Evolution Mining delivers strong financial results**
- **Revenue increases by 222% to $154.6 million on gold sales of 92,582 ounces**
- **EBITDA (pre-NRI[1]) increases by 310% to $54.1 million**
- **Profit before tax (pre-NRI) increases to $20.2 million**
- **Strong balance sheet with cash of $167 million**
- **Production guidance maintained**

Commenting on the half year result Evolution Executive Chairman, Jake Klein, said:

> "Evolution was established to fill the gap created through consolidation of mid-tier companies in the Australian gold industry. Today's financial results demonstrate that this has been achieved and we now have a great platform to grow an outstanding gold company. We have all the critical ingredients – strong underlying production from four wholly owned operations, excellent growth from the current development of the Mt Carlton mine, a healthy balance sheet with cash of $167 million and strong strategic support from our 33% shareholder, Newcrest Mining Limited."

Financial Result for the half-year ended 31 December 2011

Evolution Mining Limited (ASX: EVN) today released its interim financial report for the half-year ended 31 December 2011. The reported financial and operating results for the interim period reflect six months of Catalpa Resources Limited (100% Edna May and 30% of Cracow operations), the consolidation of Conquest Mining Limited from 17 October 2011, the consolidation of Mt Rawdon and the remaining 70% interest in Cracow from 2 November 2011, and includes a number of acquisition accounting adjustments relevant to period. Comparative data are all based on Catalpa Resources' financial results before the merger.

[1] Non-recurring items

The profit for the period included significant non-recurring items (NRI) relating to the merger and acquisition which totalled a net expense of $21.3 million (expense of $29.4 million relating predominantly to stamp duty but also advisory fees, legal fees and restructuring costs, which was offset by a gain of $8.1 million related to a fair value re-measurement of Evolution's existing 30% interest in the Cracow gold mine).

Financial Performance

Gold sales achieved were 92,582 ounces at an average realised price of $1,630/oz during the period. Sales revenue was $154.6 million, a 222% increase on the prior corresponding period, reflecting the growth of the business through the asset acquisitions and merger.

EBITDA (pre-NRI) was $54.1 million for the half-year compared to $13.2 million for the prior period. After depreciation and amortisation expense of $30.2 million, the Company recorded EBIT (pre-NRI) of $23.9 million.

The underlying profit before tax (pre-NRI) was $20.2 million for the half-year ended 31 December 2011. The reported loss before tax was $1.1 million and reported net loss after tax was $17.9 million. A tax expense of $16.8 million was recorded which includes $8.8 million tax expense for non-deductible items relating to the merger and acquisition and $6.3 million relating to the non-recognition of tax losses.

The net assets of the Group increased from $160 million at June 2011 to $1,007 million as at 31 December 2011. This $847 million increase in net assets reflects the fair value addition of assets acquired in the Conquest merger and Newcrest asset acquisitions and the recent equity raising.

Cash at bank increased to $167.4 million at period end reflecting increased net mine operating cash flow and the proceeds from the successful Entitlement Offer which raised $152.5 million.
Bank debt relating to the Edna May Project Finance Facility reduced to $38.5 million (December 2010: $59.3 million) during the period.

The gold hedge book supporting the Edna May project reduced to 255,333oz hedged at A$1,573/oz at 31 December 2011, and represents 7% of the Company's total reserves (December 2010: 29%).

Operational Performance

Gold production increased by 115% for the half-year to 31 December 2011 to 99,130oz of gold, relative to the prior half-year result of 46,082oz. This growth was delivered by improved performance at Edna May, continued strong performance from the 30% interest in Cracow and the addition of new assets in the December quarter (Pajingo Mine added from 17 October 2011, Mt Rawdon and a 70% interest in Cracow added from 2 November 2011). Group production for the interim period was in line with expectations. Average Group cash costs for the half-year were $732/oz.

Six months ended 31 Dec 2011	Units	Cracow	Edna May	Mt Rawdon	Pajingo	Total/Average
Attributable tonnes mined	000' t	126	1,303	806	122	2,357
Attributable Grade mined	g/t	6.49	1.03	0.70	7	1.51
Attributable tonnes processed	000' t	142	1,220	521	114	1,996
Attributable Head grade	g/t	6.59	1.07	0.81	6.27	1.69
Attributable Gold recovery	%	92.73	88.69	90.90	96.1	91.7
Attributable gold produced	**oz**	**28,444**	**37,089**	**12,367**	**21,229**	**99,130**
Attributable gold sold & accrued	oz					92,582
Attributable silver produced	oz	18,246	14,015	11,996	22,216	66,472
Attributable Cash Cost[1]	**A$/oz**	**630**	**870**	**893**	**535**	**732**
Attributable Total Cost[2]	**A$/oz**	**1,008**	**1,086**	**1,030**	**831**	**1,002**
Attributable Cash Cost[1]	US$/oz	649	897	921	552	755
Attributable Total Cost[2]	US$/oz	1,039	1,119	1,062	857	1,033
Gold Price Received	A$/oz					1,630

1. Before royalties and after silver credits
2. Includes cash costs, depreciation, amortisation, and royalties

Attributable results include increased interest in Cracow from 30% to 100% on 2 November 2011, and 100% of Mt. Rawdon from 2 November 2011, and 100% of Pajingo from 17 October 2011.

With the formation of Evolution Mining, the group has aligned the application of its accounting policies across all its operations. This process has a material impact on Edna May's reported cash operating costs. A significant portion of mining activity during the half consisted of overburden removal to enable access to ore in future periods. These stripping costs have been capitalised as mine development. This has resulted in the capitalisation of an additional $8.5 million in operating costs in the half-year. This treatment is in line with current Australian industry practice and the Company believes the change in accounting policy will provide more relevant and reliable information.

The standardised accounting treatment lowers the reported Edna May C1 cash operating cost in the six months to 31 December 2011 from $1,101/oz to $870/oz. This change in accounting does not affect free cash flow generated by the operation, as the reduction in site costs is reflected by a corresponding increase in mine capital costs. Significant focus remains on improving the current performance of Edna May.

Production Guidance FY12

Evolution plans to produce between 80,000 and 85,000oz in the March 2012 quarter and remains on track to meet the previously announced production guidance of between 335,000 and 375,000oz (total basis) for the current financial year.

For further information please contact:

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About Evolution Mining

Evolution Mining was formed through the all scrip merger of equals of Catalpa Resources Limited and Conquest Mining Limited, and the concurrent purchase of Newcrest Mining Limited's interests in the Cracow and Mt Rawdon gold mines in Queensland.

The Company operates four wholly-owned Australian gold mines – Cracow, Edna May, Mt Rawdon and Pajingo – and the Mt Carlton development project, providing the company with a defined path for further growth.

APPENDIX 4D (Listing Rule 4.2A.3)

EVOLUTION MINING LIMITED ACN 084 669 036
(formerly known as Catalpa Resources Limited)
AND CONTROLLED ENTITIES
HALF-YEAR FINANCIAL REPORT
For the half-year ended 31 December 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended 31 December 2010)

KEY INFORMATION

	31 December 2011 $'000	31 December 2010 $'000	Up/(down) $'000	% movement
Revenues from ordinary activities	154,615	48,060	106,555	222%
(Loss) profit from ordinary activities after tax attributable to members	(17,946)	1,981	(19,927)	(1006%)
Net(loss) profit attributable to members	(17,946)	1,981	(19,927)	(1006%)

DIVIDEND INFORMATION

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking
Interim dividend per share	nil	nil	n/a

NET TANGIBLE ASSETS

	31 December 2011 ($)	31 December 2010 ($)
Net tangible assets per security	1.58	1.22

ENTITIES WHICH CONTROL HAS BEEN GAINED

Conquest Mining Limited and subsidiaries (2011: 100% ownership interest; 2010: nil)

Date of the gain of control for this financial report: 17 October 2011

Including subsidiaries with 100% interest:

- CQT Holdings Pty Limited
- CQT Gold Australia Pty Limited
- NQM Exploration Pty Ltd
- Walker Resources Pty Ltd
- NQM Gold Pty Ltd
- NQM Gold 2 Pty Ltd
- Baal Gammon Operations Pty Ltd

Additional Appendix 4D disclosure requirements can be found in the notes to this half-year financial report and in 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

(formerly known as Catalpa Resources Limited)

ABN 74 084 669 036

Half-Year Financial Report
for the six months ended 31 December 2011

CORPORATE INFORMATION

ABN 74 084 669 036

Directors

Jacob Klein	(Executive Chairman)
John Rowe	(Non-Executive Director)
James Askew	(Non-Executive Director)
Lawrie Conway	(Non-Executive Director)
Paul Marks	(Non-Executive Director)
Graham Freestone	(Non-Executive Director)
Peter Smith	(Non-Executive Director)

Company Secretary
Evan Elstein

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Email: registrars@linkmarketservices.com.au

Auditors
PricewaterhouseCoopers
201 Sussex Street
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Tel: (+612) 8266 0000

Internet Address
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Stock Exchange Listing
Evolution Mining Limited (EVN) shares are listed on the Australian Securities Exchange.

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The December 2011 half-year results and balances reflect six months of Catalpa Resources Limited (100% Edna May and 30% of Cracow operations), the consolidation of Conquest Mining Limited from 17 October 2011 and the consolidation of Mt Rawdon and a 70% interest in Cracow from 2 November 2011. Comparative data is based on Catalpa Resources Limited results before the merger.

DIRECTORS' REPORT

The directors of Evolution Mining Limited (formerly Catalpa Resources Limited) submit the Half-year Financial Report of Evolution Mining Limited and its subsidiaries (the Group) for the half-year ended 31 December 2011. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The names of the directors of the Company during or since the end of the half-year are:

Jacob Klein	(Executive Chairman) – appointed 19 October 2011
Bruce McFadzean	(Managing Director) – appointed 16 May 2008, resigned 25 January 2012
John Rowe	(Non-Executive Director) – appointed 12 October 2006
James Askew	(Non-Executive Director) – appointed 19 October 2011
Lawrie Conway	(Non-Executive Director) – appointed 19 October 2011
Paul Marks	(Non-Executive Director) – appointed 19 October 2011
Graham Freestone	(Non-Executive Director) – appointed 10 December 2009
Peter Smith	(Non-Executive Director) – appointed 19 October 2011
Barry Sullivan	(Non-Executive Director) – appointed 16 June 2008, resigned 19 October 2011
Murray Pollock	(Non-Executive Director) – appointed 21 October 2000, resigned 19 October 2011
Peter Maloney	(Non-Executive Chairman) – appointed 10 December 2009, resigned 19 October 2011

The above named directors held office during and since the end of the half-year unless otherwise stated.

CONSOLIDATED RESULTS

Evolution Mining is Australia's newest mid-tier gold producer. Evolution Mining was formed in November 2011 through the merger of Catalpa Resources Limited and Conquest Mining Limited and the concurrent acquisition of Newcrest Mining's 70% interest in the Cracow Gold Mine and 100% interest in the Mt Rawdon mine. The Company owns and operates four gold mines in Queensland and Western Australia and is developing a fifth gold-silver-copper project in Queensland. The Company's key assets are 100% interests in the Edna May Gold Mine, the Cracow Gold Mine, the Pajingo Gold Mine, the Mt Rawdon Gold Mine and the Mt Carlton gold, silver, copper project development.

The Group reported loss before tax of $1.138 million for the six months to 31 December 2011. The net income for the period included significant non-recurring items (NRI) totalling a net expense of $21.330 million. Underlying profit before tax for the period, after excluding significant items, was $20.192 million. Reported net loss after tax was $17.946 million. The consolidated statutory and underlying results (before NRIs) for the period can be summarized as follows:

	Period ending 31 Dec 2011 Statutory $'000	**Period ending 31 Dec 2011 NRI Adjustment $'000**	**Period ending 31 Dec 2011 Underlying $'000**	**Period ending 31 Dec 2010 Reported $'000**
Sales revenue	154,615	Nil	154,615	48,060
EBITDA	32,736	21,330	54,066	13,172
Depreciation and amortisation	30,178	Nil	30,178	8,900
EBIT	2,557	21,330	23,887	4,272
(Loss)/profit before tax	**(1,138)**	**21,330**	**20,192**	**3,017**

Note: The significant non-recurring items (NRIs) included in the table above have not been subject to audit review and have been extracted from information on the Consolidated Statement of Comprehensive Income.

Significant non-recurring items in the statutory profit before tax for the period were:

	Period ending 31 Dec 2011 $'000	Period ending 31 Dec 2010 $'000
Costs related to business combinations[(1)]	(29,427)	Nil
Fair value re-measurement of previously held interest in Cracow Gold mine[(2)]	8,097	Nil
Total NRI	**(21,330)**	**Nil**

Note

(1) Significant expenses incurred which directly related to the acquisition of Conquest Mining Limited and the Newcrest mine assets. These expenses predominantly consist of stamp duty but also include advisory fees, legal fees and restructuring costs.

(2) Significant income recorded which consists of the fair value uplift of Evolution's existing 30% interest in the Cracow Gold Mine. This uplift is a consequence of acquisition accounting where the book value of the pre-acquisition Cracow Gold Mine assets is uplifted by reference to the fair valuation of the newly acquired 70% interest in the Cracow Gold Mine.

DISCUSSION OF RESULTS

Under Australian Accounting Standards, Evolution accounts for the Conquest Group, Cracow Gold Mine and Mt Rawdon Gold Mine as business combinations. The general accounting principle is that identifiable assets acquired and liabilities assumed are recognised as at the acquisition date and measured at fair value as at that date. Evolution has provisionally accounted for the acquisition entries and has 12 months from the acquisition date to finalise its acquisition accounting entries.

Sales revenue during the six months to 31 December 2011 was $154.615 million, a 222% increase on the prior corresponding period, reflecting the growth of the business through acquisition and merger. A pre-tax profit (before significant non-recurring items) for the Group for the half-year ended 31 December 2011 was $20.192 million (December 2010: pre-tax profit of $3.017 million). Reported pre-tax loss was $1.138 million, with net loss after tax recorded of $17.946 million. A tax expense of $16.808 million was recorded which includes $8.828 million tax expense for non-deductible items relating to the merger and acquisition and $6.290 million relating to the non-recognition of prior year losses.

EBITDA before non-recurring items was $54.066 million for the half-year compared to $13.172 million for the prior period.

This strong increase in underlying financial results is a result of improved performance and a full period operating result at the Edna May Gold Mine (relative to the prior corresponding period), continued strong performance at the Cracow Gold Mine, and the inclusion of a 100% interest in the Pajingo Gold Mine from 17 October 2011 and an additional 70% interest in Cracow and a 100% interest in the Mt Rawdon Gold Mine from 2 November 2011.

- Operational Performance

Gold production for the half-year to 31 December 2011 was 99,130 ounces of gold, a 115% increase on the previous half-year production result of 46,082 oz. Gold sales achieved for the half-year were 92,582 ounces (December 2010: 46,600 ounces) at an average realised price of $1,630/oz (December 2010: $1,492) during the period. Average Group cash costs for the half-year were $732/oz (December 2010: $769/oz).

<u>Cracow Gold Mine, QLD (100%)</u>
Cracow performed strongly in the half-year delivering attributable production of 28,444 oz at a cash cost of $630/oz. Attributable capital expenditure in the half-year was $8.1 million, predominately on underground mine development.

<u>Edna May Gold Mine, WA (100%)</u>
The Edna May production was below expectations with 37,089 oz delivered at a cash cost of $870/oz, largely as a result of below budget process throughput. Capital expenditure in the half-year was $21.1 million, predominately on mine development ($10.8 million), processing upgrades and optimisation work ($5.9 million) and underground drilling.

With the formation of Evolution Mining, the Group is aligning the application of its accounting policies across all its operations. This process has a material impact on Edna May's reported cash operating costs. A significant portion of mining activity during the half-year has been identified as overburden removal associated with a major cutback of the pit to enable access to ore in future periods. These stripping costs have been capitalised as mine development. This has resulted in the capitalisation of some $10.6 million in operating costs in the half-year. This treatment is in line with current Australian industry practice and with the Company's accounting policy in note 3(h).

The standardised accounting treatment lowers the reported C1 cash operating cost but does not alter the cash flow generated by the operation, as displayed in the tables below.

Edna May Gold Mine Cash Cost Analysis – Financial year to date gold production summary

(a) C1 cash cost impact

	December 2011 Quarterly Report	**31 December 2011 Half-year Financial Report**
Production	37,089 oz	37,089 oz
Total site costs	$41.2M	$30.6M
Inventory/stock adjustments	$0.1M	$2.1M
Silver credit	($0.5M)	($0.5M)
Total C1 costs	$40.8M	$32.3M
Attributable Cash cost/oz(1)	$1,101/oz	$870/oz

(b) Cash flow impact

	December 2011 Quarterly Report	**31 December 2011 Half-year Financial Report**
Total site costs	$41.2M	$30.6M
Mine capital costs(2)	$0.2M	$10.8M
Total mine costs	$41.4M	$41.4M
Increase/(decrease)	Nil	Nil

Note
(1) C1 cash cost represents the cost for mining, processing and administration, including accounting movement of stockpiles and gold in circuit. It does not include costs for exploration, mine development, royalties or processing mill capital works. It includes net proceeds from by-product credits.
(2) Only mine development capital is included for this example.

Mt Rawdon Gold Mine, QLD (100%)
The Mt Rawdon operation delivered attributable production of 12,367 oz at a cash cost of $893/oz. The performance was driven by a reduced head grade associated with mining delays resulting from major cutback activity in the pit and unscheduled plant maintenance. Capital expenditure in the half-year was $0.8 million.

Pajingo Gold Mine, QLD (100%)
The Pajingo operation performed very strongly delivering attributable production of 21,229 oz at a cash cost of $535/oz. The performance was driven by a robust head grade. Capital expenditure in the half-year was $7.2 million, of which $6.0 million was invested in mine development.

Mt Carlton development, QLD (100%)
Mt Carlton construction commenced during the half-year following government mining approval for the Mt Carlton gold-silver-copper project. Project expenditure during the period was $18.2 million on site works and supporting development activities.

- Corporate

Cash at bank increased to $167.4 million at period end (30 June 2011: $30.1 million) reflecting increased net mine operating cash flow and the proceeds from the successful Entitlement Offer which raised $152.5 million. Within the Company's $40.6 million of inventory at 31 December 2011, the Company held unsold gold valued at cost at $11.1 million, with a realisable value of approximately $19.8 million.

Bank debt relating to the Edna May Project Finance Facility reduced to $38.5 million (30 June 2011: $47.5 million) during the period.

The gold hedge book supporting the Edna May project reduced to 255,333 ounces hedged at $1,573/oz at 31 December 2011 (30 June 2011: 286,336 oz), and represents 7% of the Company's total reserves (December 2010: 29%).

- Financial Position

The net assets of the Group increased from $160.0 million at 30 June 2011 to $1,007.4 million as at 31 December 2011. This $847.4 million increase in net assets reflects the fair value addition of assets acquired in the Conquest merger and Newcrest asset acquisitions, the recent equity raising and net earnings over the period.

The total fair value of consideration paid to form the Evolution Group was $709.6 million, with the Conquest acquisition totalling $319.3 million (100% Pajingo, 100% Mt Carlton and other corporate assets) and the Newcrest asset acquisition totalling $390.3 million (100% Mt Rawdon, 70% Cracow).

The $629.2 million of mine development and exploration in the balance sheet relates predominantly to Pajingo and Mt Carlton ($287.9 million) and Cracow and Mt Rawdon ($241.5 million).

The acquisition has generated Goodwill of $50.5 million and relates to a number of items including the ability to control 100% of the Cracow Gold Mine, increased sized of the Group allowing improved access to debt and equity markets, synergy benefits of an enlarged group and the realisation of Newcrest as a major shareholder.

Trade and other payables of $70.2 million are comprised of trade creditors, accruals and an estimate of stamp duty payable on the asset transactions.

Current provisions of $5.0 million relate predominantly to annual leave entitlements and non-current provisions of $33.0 million relate primarily to environmental rehabilitation obligations.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 6 of the half-year financial report.

ROUNDING OFF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Jacob Klein
Executive Chairman

Graham Freestone
Non-Executive Director and
Chair of the Audit Committee

Auditor's Independence Declaration

As lead auditor for the review of Evolution Mining Limited for the half year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Tim Goldsmith

Tim Goldsmith
Partner
PricewaterhouseCoopers

Sydney
28 February 2012

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 December 2011

	Notes	Consolidated Half-year ended 31 December 2011 $'000s	31 December 2010 $'000s
Continuing Operations			
Sales revenue		154,615	48,060
Cost of sales	6	(116,125)	(36,853)
Gross profit		38,490	11,207
Other income		80	-
Finance income		1,759	647
Change in fair value of held for trading securities		(150)	-
Fair value re-measurement of previously held interest in the Cracow gold mine	12	8,097	-
Exploration and evaluation costs expensed as incurred		(3,024)	(2,126)
Share based payments expense		(1,588)	
Administrative costs		(9,920)	(4,809)
Costs related to business combinations	12	(29,427)	-
Finance costs		(5,455)	(1,902)
(Loss)/profit before income tax expense		**(1,138)**	**3,017**
Income tax expense	7	(16,808)	(1,036)
(Loss)/profit for the period attributable to owners of the parent		**(17,946)**	**1,981**
Other comprehensive (loss)/ income, net of income tax			
Change in fair value of available for sale financial asset (net of tax)		(524)	490
Total comprehensive (loss)/ income for the period attributable to owners of the parent		**(18,470)**	**2,471**
Earnings per share			
Basic (loss) /profit per share (cents per share)	14	(5.15)	1.22
Diluted (loss) /profit per share (cents per share)	14	(5.15)	1.17

Notes to the condensed consolidated financial statements are included on pages 11 to 32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2011

	Notes	Consolidated	
		31 December 2011	**30 June 2011**
		$'000s	**$'000s**
Current assets			
Cash and cash equivalents		167,430	30,051
Trade and other receivables		22,947	2,719
Inventories		40,647	18,099
Mine development and exploration		5,473	1,255
Total current assets		**236,497**	**52,124**
Non-current assets			
Other financial assets	8	8,660	784
Other assets		1,198	864
Property, plant and equipment		231,149	103,367
Mine development and exploration		629,198	60,526
Deferred tax asset		2,287	13,134
Goodwill	12	50,450	-
Total non-current assets		**922,942**	**178,675**
Total assets		**1,159,439**	**230,799**
Current liabilities			
Trade and other payables		70,215	19,496
Interest bearing liabilities	9	17,181	15,133
Provisions		4,992	1,716
Total current liabilities		**92,388**	**36,345**
Non-current liabilities			
Interest bearing liabilities	9	26,676	29,620
Provisions		33,009	4,840
Total non-current liabilities		**59,685**	**34,460**
Total liabilities		**152,073**	**70,805**
Net assets		**1,007,366**	**159,994**
Equity			
Issued capital	9	1,042,194	185,465
Reserves		13,890	5,301
Accumulated losses		(48,718)	(30,772)
Total equity		**1,007,366**	**159,994**

Notes to the condensed consolidated financial statements are included on pages 11 to 32

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 December 2011

Consolidated	Issued capital $'000s	Share-based payments reserve $'000s	Fair value Revaluation Reserve $'000s	Accumulated losses $'000s	Total equity $'000s
Balance at 1 July 2010	162,613	4,584	-	(28,469)	138,728
Profit for the period	-	-	-	1,981	1,981
Other comprehensive income for the period:					
Fair value gain on available for sale financial asset	-	-	490	-	490
Total comprehensive income for the period	-	-	490	1,981	2,471
Issue of share capital	92	-	-	-	92
Recognition of share-based payments	-	198	-	-	198
Balance at 31 December 2010	**162,705**	**4,782**	**490**	**(26,488)**	**141,489**

Consolidated	Issued capital $'000s	Share-based payments reserve $'000s	Fair value Revaluation Reserve $'000s	Accumulated losses $'000s	Total equity $'000s
Balance at 1 July 2011	185,465	5,144	157	(30,772)	159,994
Loss for the period	-	-	-	(17,946)	(17,946)
Other comprehensive loss for the period:					
Fair value loss on available for sale financial asset	-	-	(524)	-	(524)
Total comprehensive loss for the period	-	-	(524)	(17,946)	(18,470)
Issue of share capital	860,292	-	-	-	860,292
Transaction costs on share issues	(3,563)	-	-	-	(3,563)
Cost of replacement options	-	7,525	-	-	7,525
Recognition of share-based payments	-	1,588	-	-	1,588
Balance at 31 December 2011	**1,042,194**	**14,257**	**(367)**	**(48,718)**	**1,007,366**

Notes to the condensed consolidated financial statements are included on pages 11 to 32

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 December 2011

	Notes	Consolidated Half-year ended 31 December 2011 $'000s	Consolidated Half-year ended 31 December 2010 $'000s
Cash flows from operating activities			
Receipts from sales of gold		150,283	48,060
Payments to suppliers and employees		(107,693)	(33,235)
Interest received		1,360	577
Interest paid		(2,437)	(1,612)
Net cash provided by operating activities		41,513	13,790
Cash flows from investing activities			
Gold sale receipts capitalised		-	21,481
Interest paid and capitalised		-	(1,921)
Purchase of property, plant and equipment		(14,849)	(8,562)
Payment for mine development and exploration		(46,427)	(25,435)
Cash acquired on acquisition of Conquest Mining Limited		12,748	-
Proceeds on the disposal of investments		2	-
Net cash used in investing activities		(48,526)	(14,437)
Cash flows from financing activities			
Proceeds from issue of equity securities		158,261	92
Transaction costs of issuing shares		(4,591)	-
Repayment of interest bearing liabilities		(9,278)	(5,648)
Net cash provided by (used in) financing activities		144,392	(5,556)
Net increase in cash and cash equivalents		137,379	(6,203)
Cash and cash equivalents at the beginning of the period		30,051	35,113
Cash and cash equivalents at the end of the period		167,430	28,910

Notes to the condensed consolidated financial statements are included on pages 11 to 32

1. STATEMENT OF COMPLIANCE

The condensed half-year financial report is prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

2. BASIS OF PREPARATION

This condensed 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 Report for the year ended 30 June 2011 and any public announcements made by Evolution Mining Limited entities (formerly Catalpa Resources Limited) and Conquest Mining Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The December 2011 half-year results and balances reflect six months of Catalpa Resources (100% Edna May and 30% of Cracow operations), the consolidation of Conquest Mining Limited from 17 October 2011 and the consolidation of Mt Rawdon and a 70% interest in Cracow from 2 November 2011. Comparative data is based on Group's results before the business combinations outlined in note 12.

All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2011 annual financial report for the financial year ended 30 June 2011 except where noted otherwise. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(a) New standards and interpretations not yet adopted

The Group did not adopt any new and/or revised Accounting Standards, Amendments and Interpretations from 1 July 2011 which had an effect on the financial position or performance of the Group.

The Group has not elected to early adopt any other new standards, amendments or interpretations that are issued but are not yet effective.

(b) Basis of consolidation

(i) Business Combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisition related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

If the Group holds a non-controlling equity investment in an acquiree immediately before obtaining control, the Group re-measures that previously held equity investment at its acquisition date fair value and recognises any resulting gain or loss in profit or loss.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and no goodwill is recognised as a result of these transactions.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Joint venture arrangements

Until the acquisition of the Newcrest assets on 2 November 2011, the Group had an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising its interest in the assets and the liabilities of the joint venture. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Cash and cash equivalents

For cash flow statement presentation purposes, 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.

(d) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(e) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held-for-trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed to profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses from investment securities.

Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Fair value
The fair values of quoted investments are based on last trade prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through the income statement.

(f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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 balance sheet date. The quoted market price used for financial assets held by the Group is the last trade price.
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(g) Inventories

Gold in solution form, gold dore, refined gold bullion, stockpiled ore, concentrates and work in progress are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods.

Materials and supplies are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(h) Mine development and exploration

(i) Mine development

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine (or pit), before production commences, stripping costs are capitalised as mine development.

During the production stage of some pits, further development of the pit may require a phase of unusually high overburden removal activity that is similar in nature to pre-production pit development. This typically occurs when 'cut-backs' are made to gain access to a specific section of the ore body. The costs of such unusually high overburden removal activity are also capitalised as mine development.

Mine development costs are amortised on a units of production basis over the life of the pit to which they relate. In applying the units of production method, amortisation is calculated using the expected total contained ounces within the pit to achieve a consistent amortisation rate per ounce. To achieve this, the amortisation rate is based on the ratio of total pit development costs (incurred and anticipated) over the expected total contained ounces.

Change in policy from 1 July 2011
A voluntary change in accounting policy on mine development has been applied from 1 July 2011 to align the accounting treatment across the new operations within the Group. Previously, all costs associated with open pit 'cut-back' activity was treated as deferred mining expenditure rather than as a mine development asset. The change in policy has reduced cost of sales by $8.5 million in the period and increased non-current assets in Mine development and exploration by $8.5 million. The impact on the prior period has not been determined as it is considered impractical to determine the effect of this change in policy on prior periods.

ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting market and finance studies.

Early stage exploration expenditure on new areas of interest are expensed as incurred. Exploration and evaluation expenditure is capitalised in relation to areas of interest in or around producing mines or where management believes the costs are recoverable.

Exploration expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

An impairment review is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement.

Expenditure is transferred to mine development assets once the work completed to date supports the future development of the property and such development receives appropriate approvals.

(i) Deferred mining expenditure

The Group incurs costs of removing overburden and other waste during the production phase of a pit. These costs are deferred where this is the most appropriate basis for matching the costs against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of a pit.

The amount of stripping costs expensed or deferred is based on the stripping ratio which is determined by dividing the tonnage of waste mined by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period stripping ratio exceeds the life of pit ratio. Such deferred costs are then expensed in subsequent periods to the extent that the current period stripping ratio falls short of the life of pit stripping ratio.

The impact of changes in the estimated life of pit stripping ratios is accounted for prospectively from when the change is determined.

(j) Property, plant and equipment

Land is carried at historical cost. All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation of plant and equipment is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The rates vary between 10% and 33% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(k) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The Group performs its impairment testing using discounted cash flows under the fair value less costs to sell or under the value in use methodology. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

(l) Impairment of assets

Goodwill is not amortised and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. At each reporting date, the Group reviews the carrying amounts of its tangible and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash in-flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Borrowing costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(p) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(q) Royalties

Western Australian State government royalties and other royalties payable under existing agreements are payable on production and are therefore recognised on delivery of gold dore to the refinery. Queensland State government royalties are payable on a revenue basis and therefore recognised at the time of revenue recognition.

(r) Employee benefits

(i) Wages and salaries, annual leave and other employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other short-term employee benefits are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(ii) Share based payments

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The Group provides awards to its employees and directors through the Company's Employee Share Option and Performance Rights Plan. Shares and options may also be issued directly to other parties.

Vesting conditions that are linked to the price of shares of the Company (market conditions) are taken into account when determining the fair value of equity settled transactions. Other vesting conditions such as service conditions are excluded from the measurement of the grant.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model. A Monte Carlo simulation in conjunction with the Black Scholes model is applied to take into account any market conditions associated with an award.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

(a) The grant date fair value of the award.
(b) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
(c) The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Company or the participant, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(s) Operating Segments

An operating segment is a component of equity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision makers.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Chairman and the management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group has identified its operating segments as being Edna May, Cracow, Mt Rawdon and Pajingo mine sites, with Mt Carlton and Corporate combined for reporting purposes.

(t) Site restoration

Costs of site restoration are recognised in full at present value as a non-current liability. An equivalent amount is capitalised as part of the cost of the asset when an obligation arises to decommission or restore a site to a certain condition after abandonment as a result of bringing the assets to its present location. The capitalised cost is amortised over the life of the project and the provision is accreted periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as interest expense.

Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology.

Any changes in the estimates for the costs or other assumptions are accounted for on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. The costs are determined on the basis that restoration will be completed within one year of abandoning a site.

(u) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue from sales of refined metals is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured, which means the following:

- The product is in a form suitable for delivery and no further processing is required by or on behalf of the consolidated entity;
- The quantity and quality (grade) of the product can be determined with reasonable accuracy;
- The product has been dispatched to the customer and is no longer under the physical control of the consolidated entity;
- The selling price can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the consolidated entity; and
- The costs incurred, or expected to be incurred, in respect of the transaction can be measured reliably.

As a result of the above policy generally revenue is recognised at time of shipment. Where metal is delivered into the physical gold delivery contract with Macquarie Bank Limited ('Macquarie') revenue is recognised at the time of the metal transfer onto to the Macquarie metals account. Refined bullion at the mint awaiting metal transfer to Macquarie's account is treated as inventory.

Revenue from the sale of gold produced during the processing plant commissioning phase is credited to the cost of the processing plant and not recognised as revenue.

Interest Income

Interest income is recognised based on the control of the right to receive the interest payment as it accrues in profit and loss using the effective interest method.

Management fees
Revenue is accrued as work is completed and entity's right to receive the payment is established. Management fees are measured at the fair value of the consideration.

(x) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Australian Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 4(i) and 4(ii) for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

(i) Critical judgements in applying the Group's accounting policies

The following are the critical judgments (apart from those involving estimations which are dealt with below) that management has made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the financial statements.

Determination of mineral resources and ore reserves
The Group estimates its Mineral Resources and Ore Reserves in accordance with the Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code'). The information on mineral resources and ore reserves is prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the Mineral Resources and Ore Reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for decommissioning and restoration.

Fair values of assets and liabilities on acquisition
Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Estimation for the provision for rehabilitation and dismantling
Provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration time value of money.

Deferred mining expenditure
The Group defers mining costs incurred during the production stage of its operations which are calculated in accordance with the accounting policy.

Recovery of deferred tax assets
Deferred tax assets are recognised for tax losses and deductible temporary differences to the extent management considers that it is probable that future taxable profits will be available to utilise those tax losses and temporary differences.

Share-based payments
The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using an option pricing model or the Monte Carlo Simulation model.

(ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Impairment of property, plant and equipment
The Group reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on the higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgements.

Impairment of capitalised mine development expenditure
The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environment restoration obligations) and changes to commodity prices.
To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

5. SEGMENT INFORMATION

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

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Chairman and the management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The presentation of segment information has changed from the previous period as a result of changes in management and the new structure of the larger Evolution group.

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

Segment performance is evaluated based on operating profit or loss before tax for the segment and before consolidation entries.

Half-year ended 31 December 2011	**Edna May Gold Project**	**Cracow**	**Pajingo**	**Mt Rawdon**	**Corporate***	**Total**
	$'000s	**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Revenue						
Total segment revenue	**62,998**	**43,898**	**31,054**	**16,665**	**-**	**154,615**
Segment result before tax	**14,413**	**20,925**	**15,503**	**4,150**	**(57,644)**	**(2,653)**
Business combination adjustments not in management accounts						1,515
Net (loss) before tax per the statement of comprehensive income						**(1,138)**

* Corporate segment result includes transaction costs related to the merger and asset acquisitions, share based payment expense and other corporate expenditures supporting the business during the period.

Half-year ended 31 December 2010	Edna May Gold Project $'000s	Cracow Joint Venture $'000s	Corporate $'000s	Total $'000s
Revenue				
External sales	25,763	22,297	-	48,060
Total segment revenue	**25,763**	**22,297**	**647**	**48,060**
Segment result before tax	**2,393**	**4,786**	**(4,162)**	**3,017**

6. COST OF SALES

	Half-year 31 December 2011 $'000s	Half-year 31 December 2010 $'000s
Mine operating costs	78,771	23,594
Depreciation and amortisation	30,178	8,900
Royalty and other selling costs	5,294	1,625
Other	1,882	2,734
	116,125	36,853

7. INCOME TAX

Numerical reconciliation of income tax expense to prima facie tax payable

	Half year ended 31 December 2011 $'000s	Half year ended 31 December 2010 $'000s
(Loss)/ profit before income tax	(1,138)	3,017
Tax at the Australian tax rate of 30%	(341)	905
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Costs of business combinations	8,828	-
Share based payment expense	476	-
Tax losses not brought to account	6,290	-
Other	1,555	131
	16,808	1,036

8. OTHER FINANCIAL ASSETS

	31 December 2011 $'000s	30 June 2011 $'000s
Non-current		
Available-for-sale investments carried at fair value		
Shares in Renaissance Minerals Limited	560	784
Shares in Monto Minerals Limited	5,400	-

Held-for-trading investments carried at fair value		
Options in Monto Minerals Limited	2,700	-
	8,660	784

9. INTEREST BEARING LIABILITIES

	31 December 2011 $'000s	30 June 2011 $'000s
Current		
Bank loan	15,000	16,000
Less: Borrowing costs	(1,152)	(1,152)
Finance lease liabilities	3,333	285
	17,181	15,133
Non-Current		
Bank loan	23,500	31,522
Less: Borrowing costs	(1,811)	(2,301)
Finance lease liabilities	4,987	399
	26,676	29,620

The Edna May loan facility balance at 31 December 2011 was $38.5 million (30 June 2011: $47.5 million). Payments were made in accordance with repayment terms agreed with Macquarie Bank Limited ('Macquarie'). The loan is secured by:

- A fixed and floating charge over all assets and undertakings of Edna May Operations Pty Ltd
- A mortgage over the Edna May Gold Operations tenements; and
- A fixed charge over Edna May's proceeds account and gold account held with Macquarie.

Macquarie has placed covenants over the bank loan based on production levels and operating costs. The Group has complied with these covenants or in certain cases Macquarie has waived compliance during the period.

10. ISSUED CAPITAL

	31 December 2011 $'000	30 June 2011 $'000
Issued capital comprises 700,995,107 fully paid ordinary shares (30 June 2011: 178,095,822)	1,042,194	185,465

	31 December 2011		30 June 2011	
Movement in issued shares for the period	No.	$'000s	No.	$'000s
Opening balance for the period	178,095,822	185,465	162,749,311	162,613
Shares issued for merger	180,401,006	311,733	-	-
Shares issued for asset acquisition	231,082,631	390,299	-	-
Placement of shares	105,144,047	152,459	15,121,448	23,438
Shares issued on exercise of options	5,245,601	5,801	225,063	248
Compensation payments to option holders	-	-	-	(8)
Shares issued on conversion of performance rights	1,026,000	-	-	-
Costs associated with the issue of shares (net of tax)	-	(3,563)	-	(826)
Closing balance for the period	700,995,107	1,042,194	178,095,822	185,465

During the half-year reporting period, the Company issued 180,401,006 fully paid ordinary shares after the scheme of arrangement between Conquest Mining limited and its shareholders became effective.

The Company also issued 231,082,631 fully paid ordinary shares in exchange for the asset acquisition from Newcrest Mining Limited.

The Company also issued 105,144,047 fully paid ordinary shares at $1.45 per share under the Company's accelerated renounceable entitlement offer.

The Company issued 5,245,601 fully paid ordinary shares on exercise of 5,018,319 listed options and 227,282 unlisted options.

The Company issued 1,026,000 fully paid ordinary shares on conversion of performance rights under the Employee Share Option and Performance Rights Plan.

11. EVENTS AFTER THE BALANCE SHEET DATE

On 17 February 2012, 6,110,606 options were exercised to subscribe for 6,060,606 fully paid ordinary shares. The total consideration paid on exercise was $5.1 million. On 21 February 2012, 3,522,727 options were issued under the Evolution Mining Limited Share Option and Performance Rights Plan, which included the 1,336,066 performance rights that were granted during the period.

No other matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect, the operations of the Group, or the state of affairs of the Group and its controlled entities in subsequent periods.

12. BUSINESS COMBINATIONS

On 15 June 2011, Evolution Mining Limited and Conquest Mining Limited announced that they had entered into a binding share purchase agreement to implement a transaction that would result in the creation of a leading growth-focused Australian gold company through an all-scrip merger of equals.

In a separate but inter conditional transaction, Evolution Mining Limited acquired 100% of the Mt Rawdon Gold Project and 70% of the Cracow Gold Project from Newcrest Mining Limited. All regulatory approvals were obtained 17 October 2011. The scheme became effective and the asset acquisitions were completed on 2 November 2011.

Given the date of the acquisition, the Group has provisionally recognised the fair value of the identifiable assets and liabilities of the above business combinations based upon the best information available as of the reporting date. The fair values disclosed for the acquisitions are provisional due to the complexity of the acquisition and due to the inherently uncertain nature of the mining industry and exploration and evaluation assets in particular. At this point in time the Company is still in the process of finalising the tax resetting exercise for the acquisitions which may have an impact on the provisional acquisition accounting. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition date at the latest.

Acquisition of Conquest Mining Limited and subsidiaries (‘Conquest’)

The acquisition date of the Conquest Group by Evolution was 17 October 2011.

Consideration comprised the issue of Evolution Mining fully paid ordinary shares to eligible Conquest shareholders and the replacement of certain Conquest Group options. The new shares were issued at a ratio of 0.3 new shares to 1 Conquest share.

A total of 180,401,006 fully paid ordinary shares were issued to Conquest shareholders as consideration. These shares were valued at $311.7 million based upon the closing share price on the date of acquisition. In addition, 11,324,738 Evolution options were issued as replacement options to Conquest option holders. These options were valued at $7.5 million at the date of acquisition using a Black Scholes model.

The fair value of the identifiable assets and liabilities of the Conquest Group as at the date of acquisition were:

	Acquisition date fair values $'000s
Cash and cash equivalents	12,748
Trade and other receivables	3,682
Inventories	16,138
Investments	8,552
Property, plant and equipment	43,576
Mine development and exploration	265,018
Deferred tax asset	4,434
Total Assets	**354,148**
Trade and other payables	21,338
Interest bearing liabilities	6,113
Provisions	7,439
Total Liabilities	**34,890**
Net Assets	**319,258**

Consideration issued and paid for the above transaction was as follows:

	$'000s
Shares issued, at fair value	311,733
Conquest replacement options issued	7,525
Total consideration	**319,258**

The cash inflow was as follows:

Net cash acquired	12,748
Net consolidated cash inflow	**12,748**

Conquest Mining Limited holds a 100% interest in the following companies:

CQT Gold Australia Pty Ltd	ACN 128 947 419
CQT Holdings Pty Limited	ACN 115 279 653
NQM Gold 2 Pty Limited	ACN 129 020 248
NQM Gold Pty Limited	ACN 126 817 043
Walker Resources Pty Limited	ACN 116 453 742
Baal Gammon Operations Pty Limited	ACN 125 765 451
NQM Exploration Pty Limited	ACN 125 728 154

Acquisition of the Mt Rawdon Gold Mine and 70% of the Cracow Gold Mine from Newcrest Mining Limited (Newcrest)

On 2 November 2011, being the acquisition date for the purpose of this financial report, Evolution acquired a 100% interest in the Mt Rawdon gold mine and the remaining 70% of interest in Cracow gold mine. Evolution previously held a 30% joint venture interest in the Cracow gold mine through its subsidiaries. The transactions were asset acquisitions however certain employees and other elements required to continue the operation of the mine were transferred with the assets acquired.

These transactions have been accounted for as business combinations in this financial report.

The total consideration transferred consisted of the issuing of 231,082,631 Evolution shares to a nominee of Newcrest. The fair value of shares issued was based upon the closing company share price on 2 November 2011.

The fair value of the identifiable assets and liabilities of the Cracow Gold Project (70% interest) and the Mt Rawdon gold project as at the date of acquisition were:

	Acquisition date fair values $'000s
Trade and other receivables	350
Inventories	15,500
Property, plant and equipment	76,451
Mine development and exploration	268,107
Goodwill	50,451
Total Assets	**410,859**
Trade and other payables	1,383
Provisions	19,177
Total Liabilities	**20,560**
Net Assets	**390,299**

Consideration issued and paid for the above transaction was as follows:

	$ $'000s
Shares issued, at fair value	390,299
Total consideration	**390,299**

The net cash inflow from the above transaction was as follows:

Net cash acquired	-
Net consolidated cash inflow	**-**

On 2 November 2011, Evolution gained control of the Cracow gold mine as it increased its interest in the project from 30% to 100%. Evolution remeasured its equity investment in Cracow resulting in a gain of $8.097 million which has been recognised as an income item separately disclosed as a line item of the Statement of Comprehensive Income.

Acquisition costs recognised to date with respect to the above business combinations are $29.4 million.

The acquired entities contributed revenue of $89.6 million and net profit before tax of $24.1 million to the Group for the period. If these acquisitions had occurred on 1 July 2011 consolidated revenue and consolidated profit for the half-year ended 31 December 2011 would have increased by $113.0 million and $40.6 million respectively.

Goodwill has been recognised in the above business combinations due to the synergies which result from the transaction. These benefits include the following:

- The acquisitions allow Evolution to control 100% of the Cracow Gold Mine. The acquisition of the remaining interest will allow Evolution to better manage and prioritise exploration and development expenditure for the growth and sustainability of the mine.
- The increased sized of the Group will allow for improved access to debt and equity markets.
- Cost savings may eventuate from the elimination of duplicated corporate structures, improved procurement power and shared services functions.

13. SHARE BASED PAYMENTS

During the period Evolution issued 11,324,738 unquoted options as consideration for the cancellation of outstanding options previously held by Conquest option holders. The options were issued at various exercise prises and expiry dates. All options were fully vested and no further service period was required for the replacement options.

(a) Recognised share based payment expenses

	Half-year ended 31 December 2011 $'000s	Half-year ended 31 December 2010 $'000s
Expense arising from equity settled share based payment transactions recognised in profit and loss	1,588	14
Cost of replacement options issued as consideration to Conquest option holders	7,525	-

(b) Summary and movement of options (listed and unlisted) on issue

The following table illustrates the number and weighted average exercise prices (WAEP) in Australian Dollars ($) of, and movements in, share options issued during the period:

	31 December 2011 Number	31 December 2011 WAEP ($)	31 December 2010 Number	31 December 2010 WAEP ($)
Outstanding at the beginning of the period (1 July)	13,895,166	0.98	13,441,229	0.98
Replacement options issued to Conquest option holders	11,324,738	1.89	-	-
Options granted to employees during the period	-	-	679,000	1.69
Exercised during the period	(5,245,601)	1.11	(206,881)	1.10
Expired during the period	(137,223)	1.10	(18,182)	1.14
Outstanding at the end of the period	**19,837,080**	**1.49**	**13,895,166**	**0.98**
Exercisable at the end of the period	**19,837,080**	**1.49**	**13,895,166**	**0.98**

The outstanding balance of options on issue includes 9,376,436 options issued as part of the Employee Share Option and Performance Rights Plan ('ESOPRP'), 2,750,038 options issued as part of the Employee and Contractors Option Plan ('ECOP') and 7,710,606 options issued as share based payments outside of the ESOPRP or ECOP.

(c) Summary and movement of performance rights on issue as part of LTIP

The following table illustrates the number and weighted average exercise prices (WAEP) in Australian Dollars ($) of, and movements in, performance rights issued during the year:

	31 December 2011 Number	31 December 2011 WAEP ($)	31 December 2010 Number	31 December 2010 WAEP ($)
Outstanding at the beginning of the period (1 July)	1,151,000	-	-	-
Performance rights granted during the period	1,336,066	-	1,181,000	-
Exercised during the period	(1,026,000)	-		
Lapsed during the period	(125,000)	-	-	-
Outstanding at the end of the period	**1,336,066**	**-**	**1,181,000**	**-**
Exercisable at the end of the period	**-**	**-**	**-**	**-**

14. EARNINGS PER SHARE

	Half-year ended 31 December 2011	Half-year ended 31 December 2010
Basic earnings (loss)/profit per share (cents per share)	(5.15)	1.22
Diluted earnings (loss)/profit per share (cents per share)	(5.15)	1.17
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	348,316,566	162,773,252
Effect of dilution:		
Share options	-	7,107,228
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	348,316,566	169,880,480

Basic earnings per share ('EPS') is calculated by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares of the Company outstanding during the financial year. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

15. RELATED PARTY TRANSACTIONS

Key management personnel receive compensation in the form of short term employee benefits, post-employment benefits and share based payments. All arrangements with key management personnel are on commercial trading terms.

As outlined in note 11, Newcrest Mining Limited ('Newcrest') received 231,082,631 shares in the Company as consideration for the Cracow and Mt Rawdon gold mines resulting in an initial interest in Evolution of 38.95%. This interest was subsequently diluted to 32.96% following the Company's accelerated renounceable entitlement offer in which Newcrest had agreed not to take up its entitlement. Following the transaction Newcrest continued to provide transitional services to the Company as part of the handover of operations. This arrangement was on commercial terms and on an arm's length basis.

16. GOLD DELIVERY COMMITMENTS

As at 31 December 2011	Gold for physical delivery (ounces)	Contracted sales price $	Value of committed sales $'000
Within one year	64,252	1,573	101,068
Later than one year but not greater than five years	191,081	1,573	300,570
	255,333		**401,638**

As at 30 June 2011	Gold for physical delivery (ounces)	Contracted sales price $	Value of committed sales $'000
Within one year	62,159	1,573	97,776
Later than one year but not greater than five years	224,177	1,573	352,631
	286,336		**450,407**

The counterparty to the physical gold delivery contract is Macquarie Bank Limited ('Macquarie). The contracts are settled on a quarterly basis by physical delivery of gold per Macquarie's instructions. The contracts are accounted for as sale contracts with revenue recognised once the gold has been delivered to Macquarie or its agent. The physical gold delivery contract is considered a contract to sell a non-financial item and is therefore out of the scope of AASB 139. As a result no derivatives are required to be recognised. The Company has no other gold sale commitments with respect to its current operations.

17. CONTINGENCIES

The Group has provided the following guarantees with respect to site restoration, contractual obligations and premises at 31 December 2011 which are not secured by cash term deposits:

- $1.2 million to the Electricity provider to the Edna May Gold Operations to cover the cost of failing to meet any obligations under the contract, including any shortfall in electricity usage (30 June 2011: $1.2 million)
- $3.5 million to the State of Western Australia to cover the cost of site restoration at Edna May (30 June 2011: $3.5 million)
- $0.3 million bond for leased premises (30 June 2011: $0.3 million)
- $4.1 million in favour of the electricity provider at the Cracow Gold Mine (30 June 2011: $4.4million). The value of the guarantee decreases over time reducing to nil in 2034.
- $1.2 million in favour of the electricity provider at the Mt Rawdon Gold Mine (30 June 2011: nil)
- $6.8 million in favour of the State of Queensland to cover the cost of site restoration at Pajingo (30 June 2011: nil)
- $12.3 million in favour of the State of Queensland to cover the cost of site restoration at Mt Carlton (30 June 2011: nil).

In addition to the above guarantees, Newcrest Mining Limited ('Newcrest') are holding $14.8 million in performance bonds on behalf of the Group. These bonding obligations will be transferred to Evolution once the asset sale agreements have been appropriately stamped by the Queensland Office of State Revenue.

The above obligations are covered by a bank guarantee facility of $52.1 million (30 June 2011: $5.1 million).

DIRECTORS' DECLARATION

In the directors' opinion:

a) The financial statements and notes set out on pages 7 to 32 are in accordance with the *Corporations Act 2001,* including:
   i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   ii. Giving a true and fair view of the consolidated entities financial position as at 31 December 2011 and of its performance for the half-year ended on that date, and
b) There are reasonable grounds to believe that Evolution Mining Limited 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 the directors.

On behalf of the Directors

Jacob Klein
Executive Chairman

Graham Freestone
Non-Executive Director and
Chair of the Audit Committee

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, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and 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 both Evolution Mining Limited (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 (including the Australian Accounting Interpretations) 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 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 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 2011 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*.

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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:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

Tim Goldsmith
Partner

Sydney
28 February 2012

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