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ASX Announcement

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EVOLUTION DELIVERS INCREASE IN NET PROFIT AND COMMITS TO GOLD-LINKED DIVIDEND POLICY

Evolution Mining (ASX: EVN) has today reported a net profit of $40.7 million for the six month period ending 31 December 2012 ("the half-year").

Key financial highlights for the half-year included:

- Revenue from gold and silver sales increased by 108% to $321.6 million
- Group gold production of 196,110 ounces – above guidance
- Group average cash costs of A$749/oz – within guidance
- Underlying EBITDA increased by 151% to $135.5 million
- Underlying net profit increased by 188% to $40.7 million
- Strong balance sheet with cash of $49.2 million and 7% gearing at 31 December 2012
- Commitment to a gold-linked dividend policy – equivalent to 2% of gold production

Commenting on the financial results, Evolution's Executive Chairman Jake Klein said:

> "Evolution continues to deliver solid, predictable operating performance and this is reflected in the financial results for the first six months of FY13. I am also pleased to announce our intention to commence paying a dividend, from the second half of this financial year, linked directly to 2% of our gold production. I believe that by committing to a gold-linked dividend payment we are providing shareholders with an attractive income stream that allows them to directly participate in the production success of the Company."

Results Summary

Evolution's gold production for the half-year ended 31 December 2012 was 196,110oz, a 98% increase on the previous half-year production result of 99,130oz. Cash operating costs for the period were A$749/oz, a 2% increase on the prior period result unit cash operating cost of A$732/oz.

The Group reported underlying EBITDA of $135.5 million and net profit of $40.7 million for the half-year.

Net cash from operating activities for the half-year was $101.0 million. This cash inflow, together with $92.6 million of cash reserves and $46.5 million from financing activities (primarily debt draw down), funded the $218.7 million investment in development and growth capital and a $21.4 million stamp duty payment in the half-year.

Cash at bank was $49.2 million at 31 December 2012 with $118.2 million of undrawn credit capacity remaining on the corporate loan facility.

Note: All $ figures refer to A$ unless otherwise stated. A$ occasionally used for clarity.

The Board has adopted a policy of, whenever possible, paying a dividend equivalent to 2% of Evolution's gold production. The policy aims to increase the level of predictability around shareholder distributions and enhance the link between gold price and shareholder returns (details provided below).

The consolidated statutory and underlying results (before non-recurring items) for the current and prior period are summarised below. Note that as Evolution was formed in November 2011, the prior period represented only partial ownership of the Company's assets.

Financial Summary	6 months ending		% Increase (Decrease)
	31-Dec-12 $'000	31-Dec-11 $'000	
Total Revenue	321,642	154,615	108%
Underlying EBITDA (1)	**135,468**	**54,066**	151%
Underlying EBIT (1)	63,600	23,887	166%
Underlying Net Profit (1)	**40,687**	**14,134**	**188%**
Business combination costs (2)	0	(29,427)	
Fair value uplift of 30% Cracow (3)	0	8,097	
Other tax effected amounts	0	(10,750)	
Reported Net Profit	**40,687**	**(17,946)**	

(1) Underlying EBITDA, EBIT and Net Profit are non-IFRS financial information and are not subject to audit.
(2) The estimate of expenses relating to the acquisition of Conquest Mining Limited and the Newcrest mine assets. This expense was revised to $19.96 million at 30 June 2012.
(3) The estimate of the fair value uplift of Evolution's existing 30% interest in the Cracow Gold Mine. This estimate was revised to $1.93 million at 30 June 2012.

Gold-linked dividend policy

The Board of Directors has adopted a policy of, whenever possible, paying a dividend equivalent to 2% of Evolution's gold production, payable in cash. The total distribution to shareholders will be based on 2% of Evolution's gold production in the dividend period multiplied by the average gold price received by the Company in the same period.

Evolution believes that a gold-linked dividend demonstrates a commitment to returning capital to shareholders that is consistent with the Company's operating performance. The gold-linked dividend should also enhance the correlation between gold price and shareholder returns by providing shareholders with a distribution that is directly related to the value of gold produced by the Company.

The first declaration of the dividend is planned for the six month period ending 30 June 2013 and payable in September 2013. The Board has committed to interim and final dividend payments from 30 June 2013. The declaration and payment of dividends remains at the discretion of the Board and will depend on the Company's financial results, cash requirements, business outlook and prospects and other factors deemed relevant by the Board.

Revenue

Sales revenue for the half-year was $321.6 million, a 108% increase on the previous corresponding period, reflecting the growth of gold production following the merger with Conquest Mining Ltd and the acquisition of the Mt Rawdon gold mine and 70% of the Cracow gold mine.

Gold sales during the half-year of 194,219oz generated revenue of $316.6 million and silver sales of 164,490oz generated an additional $5.0 million in revenue. The average gold price achieved during the half-year was A$1,630/oz with 82% of sales at spot prices and the remainder sold into the hedge book. Gold sales of 159,410oz were completed at an average spot price of A$1,647/oz with the remaining 34,808oz of gold delivered at an average hedged price of A$1,554/oz. Silver sales were completed at an average price of A$30.4/oz.

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The Company's mines delivered an evenly balanced contribution to gold sales. During the half-year the highest contributor was the Cracow gold mine, at 28% of sales volume, and the lowest contributor was the Pajingo gold mine, at 21% of sales volume.

Gold Sales **Six months ended 31-Dec-12**	**Edna May**	**Cracow**	**Pajingo**	**Mt Rawdon**	**Total**
Gold sales (oz)	49,476	53,526	39,941	51,276	194,219
Av. sales price (A$/oz)	1,628	1,633	1,633	1,628	1,630
Total revenue* ($'000)	81,220	88,847	66,462	85,113	321,642

*Includes $5.0 million of silver revenue

The gold hedge book at 31 December 2012 was 189,369 ounces at an average deliverable price of A$1,573/oz.

Cost of Sales

Cost of sales increased by 107% to $240.7 million as a result of increased production rates and increased depreciation and amortisation. Included in Cost of Sales was $169.2 million of operating costs, consisting of $154.2 million of mine operating costs and $15.1 million of royalty expense, and $71.5 million of depreciation and amortisation expense. Revenue, operating costs, total cost of sales and EBIT for each mine are shown in the table below:

Financial Results Summary ($'000)	**Edna May**	**Cracow**	**Pajingo**	**Mt Rawdon**	**Total**
Revenue	81,220	88,847	66,462	85,113	321,642
Operating Costs	(46,109)	(49,577)	(37,005)	(36,545)	(169,236)
D & A	(9,710)	(19,688)	(13,563)	(28,491)	(71,452)
Total Cost of Sales	(55,819)	(69,265)	(50,567)	(65,037)	(240,688)
Underlying Mine EBIT*	**25,401**	**19,582**	**15,895**	**20,076**	**80,954**

* Excludes corporate and exploration costs. EBIT is non-IFRS financial information and not subject to audit.

The EBIT contribution by mine was relatively consistent with all mines contributing between 20-30% of Group EBIT. The greatest contributor to EBIT for the half-year was the Edna May gold mine. Good operating performance in the half-year, combined with the lower depreciable asset base (fair value uplifts were applied to all assets except for Edna May during the creation of Evolution Mining), delivered $25.4 million of EBIT, or some 30% of Group EBIT.

Mine operating costs

Mine operating costs of $154.2 million included $151.9 million of direct mine operating costs and $2.3 million of other costs, including changes in gold inventory. Relative to the prior period, Group unit cash operating costs increased by 2%, however within the result Edna May and Mt Rawdon showed significant improvement, while Pajingo and Cracow experienced slightly higher costs.

Mine operating costs at Edna May reduced by 9% to A$792/oz in the half-year, from A$870/oz in the prior period. This improvement was a result of improvements in processing throughput, plant availability and ore grades.

Mine operating costs at Mt Rawdon reduced by 31% to A$616/oz in the half-year, from A$893/oz in the prior period. This improvement reflected of a 30% increase in head grade due to improved ore scheduling and material movements in the open pit. Evolution has committed to significant investment in waste stripping to improve ore availability and operational predictability.

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Mine operating costs at Cracow increased by 27% to A$802/oz in the half-year, from A$630/oz in the prior period. This deterioration in unit costs was partly due to changes in the mine plan (sourcing ore from a larger number of narrow orebodies) but also reflected deterioration in the cost performance of the mining contract. The contract is under review to improve performance.

Mine operating costs at Pajingo increased by 50% to A$801/oz in the half-year, from A$535/oz in the prior period. This increase in costs was largely due to a 20% reduction in head grade relative to the prior period as there was a delay in accessing high grade ore sources in the current period. The volatility in cost performance is being addressed through significant investment in underground lateral development. The significant investment to date has delivered a marked growth in gold production (a 65% increase in output from FY11 production of 45,889oz to FY12 production of 75,747oz) with the next phase of capital aimed at improving operational predictability through the delivery of a robust and flexible mine plan.

Depreciation and amortisation

Depreciation and amortisation was $71.5 million in the half-year, this included a charge of $14.6 million relating to the amortisation of the fair value uplifts from the creation of Evolution Mining.

The depreciation and amortisation charge on a gold produced basis of $364/oz is trending at expected levels.

Other Expenses

Total exploration expenditure in the half-year period was $16.3 million, with $5.4 million charged against income. The capitalisation rate of 67% in the half-year reflected the focus and succuss of the current exploration activity around the existing mines.

Corporate administration costs of $11.1 million were similar to the prior period and are trending at expected levels.

Tax expense of $17.8 million was charged to income. Taxable temporary differences predominantly relating to the immediate deduction of certain mining and exploration costs for tax purposes and the recoupment of prior year tax losses have increased the net deferred tax liability by $17.8 million. With the temporary timing differences and the availability of prior year losses, it is forecast that the Group will have nil tax payable for the 2013 financial year.

Finance

Total finance costs in the half-year were $6.5 million. The increase in finance costs was due to higher levels of debt during the half-year and the amortisation of debt facility costs relating to the successful placement of a $200 million unsecured corporate loan facility during the half-year.

Included in the total charge of $6.5 million was $3.6 million of debt amortisation costs and discount unwinding on mine rehabilitation liabilities. Debt amortisation costs were above average during the half-year due to expensing of remaining costs on the repaid $31.5 million Edna May project loan and the commencement of amortisation of charges under the new corporate loan facility.

At 31 December 2012, the Company had interest bearing corporate debt of $81.8 million with $118.2 million of undrawn credit capacity remaining on the corporate loan facility. In addition, the Company had finance lease debt of $5.1 million related predominantly to the mobile fleet at Pajingo.

Cash flow

Cash at bank declined by $92.6 million to $49.2 million at 31 December 2012. This reflected a period of significant investment in development and growth capital.

Net cash provided by activities for the half-year was $101.0 million and was delivered on sales receipts of $322.8 million after payments to suppliers and employees of $220.3 million, and net interest paid of $1.5 million. Payments to suppliers and employees included direct mine operating costs of $167.0 million, increase in ore stockpile and deferred waste inventories of $37.8 million, corporate costs of $10.7 million, exploration costs of $5.4 million and inflow from other working capital changes of $0.6 million.

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Net cash used in investing activities (PP&E, Mine Development & Exploration and Stamp Duty) was $240.1 million. This was a significant increase on the prior period largely due to the construction of the Mt Carlton project and the $21.4 million stamp duty payment associated with the acquisition activity in FY12.

Net cash provided from financing activities was $46.5 million, reflecting the repayment of the $31.5 million Edna May project loan and subsequent $77.2 million draw-down of the new corporate loan facility (net of borrowing costs).

Balance Sheet

Net assets (or total equity) for the Group increased by $41.7 million to $1,098.2 million. As at 31 December 2012, the Group held corporate debt of $81.8 million, which delivered a gearing ratio of 7% (debt to debt plus equity).

Total assets for the Group increased by $94.9 million to $1,364.3 million. Current assets reduced by $54.9 million as cash was invested in non-current assets, predominantly PP&E and mine development, which increased by $149.7 million.

Total liabilities for the Group increased by $53.1 million to $266.1 million. Current liabilities reduced by $28.1 million due to a reduction in creditors and the repayment of the current portion of the Edna May project loan. Non-current liabilities increased by $81.2 million due to draw-down of the corporate loan facility and an increase in the deferred tax liability.

Mine asset additions

Within non-current assets of the Group, the PP&E and Mine Development asset classes increased by $151.5 million to $1,175.3 million as at 31 December 2012. The increase reflected the addition of $223.4 million of assets less $71.9 million of depreciation in the half-year.

The $223.4 million addition of assets in the half-year comprised $213.4 million of mine capital expenditure and approximately $10.0 million of capitalised exploration expenditure. Of the total mine capital expenditure, a total of $109.6 million was invested at the Mt Carlton project; $22.6 million at Cracow; $34.2 million at Pajingo; $17.0 million at Edna May; and $30.0 million at Mt Rawdon. Mine capital expenditure other than Mt Carlton development capital consisted largely of advanced mine development.

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About Evolution Mining

Evolution Mining is a leading, growth-focused Australian gold miner. The Company operates four wholly-owned Australian mines – Cracow, Edna May, Mt Rawdon and Pajingo – and is commissioning its fifth, the Mt Carlton gold-silver-copper project. Group production for the current financial year is forecast at between 370,000 and 410,000 ounces gold equivalent with cash operating costs expected to be in the range of A$730 per ounce to A$790 per ounce.

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