# Appendix 4E (Listing Rule 4.2A.3)

## EVOLUTION MINING LIMITED ACN 084 669 036

## AND CONTROLLED ENTITIES

## ANNUAL FINANCIAL REPORT

## For the year ended 30 June 2015

**Results for Announcement to the Market**

**Key Information**

| | 30 June 2015 $'000 | 30 June 2014 $'000 | Up / (down) $'000 | % Increase/ (decrease) |
|---|---|---|---|---|
| Revenues from ordinary activities | 665,958 | 634,420 | 31,538 | 5% |
| Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) | 266,357 | 207,556 | 58,801 | 28% |
| Profit from ordinary activities after income tax attributable to the members | 100,115 | 50,017 | 50,098 | 100% |

**Dividend Information**

| | Amount per share Cents | Franked amount per share $ | Tax rate for franking % |
|---|---|---|---|
| Final dividend | | | |
| Final ordinary dividend for the year ended 30 June 2014 of 1 cent unfranked (30 June 2013: 1 cent unfranked) per fully paid share paid on 3 October 2014 | 1 | - | -% |
| Interim dividend | | | |
| Interim ordinary dividend for the period ended 31 December 2014 of 1 cent unfranked (31 December 2013: 1 cent unfranked) per fully paid share paid on 27 March 2015 | 1 | - | -% |

**Net Tangible Assets**

| | 30 June 2015 $ | 30 June 2014 $ |
|---|---|---|
| Net tangible assets per share | 1.32 | 1.56 |

**Earnings Per Share**

| | 30 June 2015 Cents | 30 June 2014 Cents |
|---|---|---|
| Basic earnings per share | **13.71** | 7.06 |
| Diluted earnings per share | **13.44** | 6.83 |

Additional Appendix 4E disclosure requirements can be found in the notes to these financial statements and the Directors' Report attached thereto. This report is based on the consolidated financial statements which have been subject to review by PricewaterhouseCoopers.

# Evolution Mining Limited

**ABN 74 084 669 036**

**Appendix 4E and**

**Annual Financial Report**

**for the year ended 30 June 2015**

# Evolution Mining Limited
# Annual Financial Report

## Corporate Information

### ABN 74 084 669 036

**Directors**

| | |
|---|---|
| Jacob (Jake) Klein | Executive Chairman |
| Lawrie Conway | Finance Director and Chief Financial Officer |
| James (Jim) Askew | Non-Executive Director |
| Graham Freestone | Lead Independent Director |
| Colin (Cobb) Johnstone | Non-Executive Director |
| Thomas (Tommy) McKeith | Non-Executive Director |
| John Rowe | Non-Executive Director |

**Company Secretary**

Evan Elstein

**Registered Office**

Level 30, 175 Liverpool Street
SYDNEY NSW 2000

**Postal Address**

Level 30, 175 Liverpool Street
SYDNEY NSW 2000

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

**Share Register**

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

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

**Auditor**

PricewaterhouseCoopers
201 Sussex Street
SYDNEY NSW 2000

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

**Website**

www.evolutionmining.com.au

**Stock Exchange Listing**

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

**Evolution Mining Limited**
**Annual Financial Report**

# Contents

# Evolution Mining Limited
# Annual Financial Report
# Directors' Report
# 30 June 2015

## Directors' Report

The Directors present their report on the consolidated entity ("the Group") consisting of Evolution Mining Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2015 ("the period").

**Directors**

The following persons were Directors of Evolution Mining Limited during the financial year and until the date of this report. Directors were in office for this entire period unless otherwise stated.

| | |
|---|---|
| Jacob (Jake) Klein | Executive Chairman |
| Lawrie Conway | Finance Director and Chief Financial Officer (i) |
| James (Jim) Askew | Non-Executive Director |
| Graham Freestone | Lead Independent Director |
| Colin (Cobb) Johnstone | Non-Executive Director |
| Thomas (Tommy) McKeith | Non-Executive Director |
| John Rowe | Non-Executive Director |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.

**Company Secretary**

The name of the Company Secretary during the whole of the year ended 30 June 2015 and up to the date of this report is as follows:

Evan Elstein

**Principal activities**

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

There were no significant changes in the nature of the activities of the Group during the year, other than those included in the key highlights on page 3.

**Dividends**

In accordance with the Board's adopted policy of; whenever possible paying a half-yearly dividend equivalent to 2% of the Group's sales revenue, the Company paid a final unfranked dividend (relating to production in the six month period to 30 June 2014) of $7.132 million in October 2014 and an interim unfranked dividend (relating to production in the six month period to 31 December 2014) of $7.149 million in March 2015.

The Board has confirmed that Evolution is in a sound position to continue its commitment to pay a final dividend for the current period to 30 June 2015 of 1 cent per share unfranked, totalling $14.383 million. Evolution shares will trade excluding entitlement to the dividend on 3 September 2015, with the record date being 7 September 2015 and payment date of 2 October 2015.

In relation to Evolution's dividend policy, the Board of Directors approved the implementation of a Dividend Reinvestment Plan ("DRP"). The DRP allows shareholders to elect to reinvest all or part of any dividends payable on their Evolution shares to acquire additional Evolution shares. The allotted shares in respect of the FY15 final dividend will be issued at a 5.0% discount to the daily VWAP for the 5 days immediately after the record date.

**Dividends (continued)**

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

| | **30 June 2015 $'000** | **30 June 2014 $'000** |
|---|---|---|
| Final dividend | | |
| Final ordinary dividend for the year ended 30 June 2014 of 1 cent unfranked (30 June 2013: 1 cent unfranked) per fully paid share paid on 3 October 2014 | **7,132** | 7,086 |
| Interim dividend | | |
| Interim ordinary dividend for the period ended 31 December 2014 of 1 cent unfranked (31 December 2013: 1 cent unfranked) per fully paid share paid on 27 March 2015 | **7,149** | 7,087 |
| | **14,281** | 14,173 |

**Review of operations**

**Overview**

Evolution is a leading, growth-focused Australian gold miner. The Group consists of five wholly-owned operating gold mines: Cracow, Pajingo, Mt Carlton and Mt Rawdon in Queensland and Edna May in Western Australia.

The Group's strategy is to deliver shareholder value through efficient gold production, growing gold reserves and acquiring assets to improve the quality of the portfolio. Since its formation in November 2011, the Group has built a strong reputation for operational predictability and stability through a record of consistently achieving production and operating cost guidance. This has been achieved primarily as a result of the Group owning a number of similar sized mines, rather than a single mine or one dominant mine like many of its peers. This portfolio approach to production provides Evolution with a Group-wide level of operational stability and predictability. The Group's high-performance team culture, clearly defined business plans and goals, and locations within Australia and New Zealand, further contribute to delivering reliable and consistent results.

To build a sustainable business, the Group maintains a strong commitment to growth through exploration and a disciplined methodical approach to business development through opportunistic, logical, value-accretive acquisitions. The Group is actively involved in these activities within Australia and most recently New Zealand. Both jurisdictions are highly attractive destinations due to the location of the Group's asset base and management knowledge, low political risk, high gold endowment, weakening Australian dollar (which benefits US dollar denominated gold revenue) and an environment of low inflation.

The Group posted a record underlying profit after tax of $106.050 million and a record statutory net profit after tax of $100.115 million (30 June 2014: $50.017 million) for the year ended 30 June 2015, an increase of 100% on 2014. This increase was driven by record production, a strong focus on cost control and a favourable Australian dollar gold price.

Total production for the year increased 2% to 437,570 oz despite a decline in the average gold equivalent grade by 2% to 1.94g/t (30 June 2014: 427,703 oz, 1.98g/t). This was achieved by a 3% higher throughput with 7,932kt (30 June 2014: 7,720kt) of ore processed.

A record mine cash flow of $137.793 million (30 June 2014: $93.582 million) was also achieved during the year, representing a 47% improvement over the prior year. All operations were cash flow positive after all sustaining and major capital expenditure, including capital stripping.

**Review of operations (continued)**

**Overview (continued)**

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

| Key Business Metrics | 30 June 2015 | 30 June 2014 | % Change |
|---|---|---|---|
| Total underground ore mined (kt) | 920 | 829 | 11% |
| Total underground lateral development (m) | 11,179 | 11,083 | 1% |
| Total open pit ore mined (kt) | 6,306 | 6,631 | (5)% |
| Total open pit waste mined (kt) | 22,950 | 18,127 | 27% |
| Processed tonnes (kt) | 7,932 | 7,720 | 3% |
| Gold equivalent grade processed (g/t) | 1.94 | 1.98 | (2)% |
| **Gold equivalent production (oz)** | **437,570** | **427,703** | **2%** |
| Unit cash operating costs (A$/oz) | 711 | 781 | 9% |
| All in sustaining cost ($/oz) | 1,036 | 1,083 | 4% |
| All in cost ($/oz) | 1,293 | 1,305 | 1% |
| Gold price achieved (A$/oz) | 1,489 | 1,442 | 3% |
| Silver price achieved (A$/oz) | 20.83 | 22.07 | (6)% |
| Total revenue | 665,958 | 634,420 | 5% |
| Cost of sales (excluding D&A) | (360,525) | (397,060) | 9% |
| Corporate, admin, exploration and other costs (excluding D&A) | (33,141) | (29,804) | (11)% |
| Acquisition and integration costs | (5,935) | - | -% |
| EBIT * | 113,636 | 63,732 | 78% |
| EBITDA * | 266,357 | 207,556 | 28% |
| **Statutory profit after income tax expense** | **100,115** | **50,017** | **100%** |
| **Underlying profit after income tax expense** | **106,050** | **50,017** | **112%** |
| Capital expenditure | 168,231 | 154,386 | (9)% |
| Mine cash flow | 137,793 | 93,604 | 47% |

* EBITDA and EBIT are non-IFRS financial information and are not subject to audit.

**Key Highlights for the Year**

Key highlights for the year ended 30 June 2015 include:

- Safety of our people is of paramount importance and our focus has been demonstrated through reductions in the total recordable injury frequency rate (TRIFR) to 9.6 (30 June 2014: 11.7). Vehicle incidents and significant safety occurrences have also decreased by 30% and 41% respectively.
- During the year the Group reached a record production milestone of 437,570 gold equivalent ounces. This was the upper end of original and unchanged guidance for the year of 400,000 - 440,000 gold equivalent ounces.
- Unit cash operating costs reduced 9% to $711/oz during the year, as a result of a sustained focus on cost reduction and productivity improvements. The Group achieved savings on a number of supply contracts in addition to the successful transition to owner-miner at Mt Rawdon and Mt Carlton.
- All mines contributed a positive cash flow for the year resulting in a record mine cash flow of $137.793 million.

**Review of operations (continued)**

**Key Highlights for the Year (continued)**

- During the year the Group strengthened its balance sheet through the refinancing of the current debt facility and expansion of the facility to fund acquisitions. The Group also improved the balance sheet via a $248 million Entitlement Offer. The Entitlement Offer was completed in two components: the Institutional Component, completed on 29 May 2015; and the Retail Component, completed on 19 June 2015. The funds raised through the Entitlement Offer were for the acquisition of the Cowal gold mine which completed on 24 July 2015. In the interim the funds were used in part to pay down the Senior Secured Corporate Revolving Credit Facility to nil at 30 June 2015 with the remaining being held in cash.
- On 7 July 2014, the Group entered into the Earn-in and Joint Venture Agreement with Emmerson Resources Limited (“Emmerson”) and acquired 49.144 million Emmerson ordinary shares at a price of $0.0381 per share. Under the terms of the Earn-in agreement, the Group will sole fund exploration expenditure of $15 million over three years to earn a 65% interest (Stage 1 Earn-in) in Emmerson's tenement holdings in the Tennant Creek Mineral Field. A further $10 million minimum spend, sole funded by the Group over two years following the Stage 1 Earn-in, will allow the Group to earn an additional 10% (Stage 2 Earn-in) of the tenement holdings. The Group must spend a minimum of $7.5 million on exploration before it can terminate the Earn-in.
- On 20 April 2015, the Group entered into a binding agreement with La Mancha Group International BV (“La Mancha”) to acquire 100% of La Mancha’s Australian operations (“La Mancha Australia”). Upon completion, La Mancha will be issued 445.885 million new fully-paid Evolution ordinary shares consisting of 322.024 million shares issued as consideration and an additional subscription of 123.861 million shares at a price of $0.90 per share, representing a total interest of 31% of the Group’s enlarged share capital. La Mancha Australia’s operations include the high-grade Frog’s Leg underground gold mine, the adjacent White Foil open-pit gold mine and the recently completed 1.5Mtpa Mungari carbon in leach (CIL) processing plant, all located in close proximity to Kalgoorlie in Western Australia. La Mancha Australia’s high quality integrated operating assets provide a strong strategic fit with the Group’s long term objective of pursuing value accretive acquisition opportunities which improve the quality of the Group’s asset portfolio. La Mancha Australia’s assets will contribute production of 130,000 - 160,000 ounces per annum at an AISC of $950 - $1000/oz, generating strong cash margins with limited future capital expenditure requirements. The La Mancha acquisition was approved by the shareholders at the Extraordinary General Meeting held on 30 July 2015 and received foreign investment review board (FIRB) approval on 21 August 2015. The transaction was completed on 25 August 2015.
- On 23 April 2015, the Group entered into a binding sale and purchase agreement with De Grey Mining Limited to acquire 100% of the Puhipuhi exploration project (EP 51985) in New Zealand for a purchase price of $370,000. The acquisition was completed on 19 June 2015.
- On 8 May 2015, the Group subscribed for 44 million shares in Phoenix Gold Limited (“Phoenix”) at $0.075 per share, giving the Group a 9.36% shareholding in Phoenix. The Phoenix tenement package adjoins La Mancha’s Australian operations and covers a significant strike length of the highly prospective Zuleika Shear and the Kunanalling Shear. Many of the exploration targets developed by Phoenix, on its tenements, are geologically similar to the Frog’s Leg and White Foil mines. Subsequent to year end, the Group purchased an additional 49 million Phoenix shares at $0.12 per share taking its shareholding to 19.8%.

**Review of operations (continued)**

**Key Highlights for the Year (continued)**

- On 25 May 2015, the Group entered into an agreement with Barrick (Australia Pacific) Pty Limited (“Barrick”) to acquire the Cowal gold mine through the purchase of 100% of the shares in Barrick (Cowal) Pty Limited for a purchase price of US$550 million. The Cowal gold mine in New South Wales is one of Australia’s most attractive gold assets. Cowal is a large scale, long life, low cost gold mine which provides a strong strategic fit with the Group’s long term objective of pursuing value accretive acquisition opportunities which improve the quality of the Group’s asset portfolio. Cowal will contribute production of 230,000 - 260,000 oz per annum. The Cowal acquisition was completed on 24 July 2015.
- On 20 August 2015, the Group announced its intention to make an off-market takeover offer ("the Offer") to acquire all of the ordinary shares of Phoenix Gold Limited ("Phoenix") that it does not currently own. At the date of the Offer the Group held approximately 19.8% of the shares in Phoenix. The Phoenix tenement package adjoins La Mancha's Australian operations and covers a significant strike length of the highly prospective Zuleika Shear and the Kunanalling Shear. Many of the exploration targets developed by Phoenix, on its tenements, are geologically similar to the Frog's Leg Mine and the White Foil Mine. The close proximity of the Phoenix tenements to be newly built 1.5Mtpa Mungari processing plant creates the opportunity for numerous synergies.

**Mining Operations**

Cracow

| Key Business Metrics | 30 June 2015 | 30 June 2014 | % Change |
|---|---|---|---|
| Total underground ore mined (kt) | 541 | 519 | 4% |
| Total underground lateral development (m) | 5,704 | 6,095 | (6)% |
| Processed tonnes (kt) | 541 | 514 | 5% |
| Grade processed (g/t gold) | 5.72 | 6.12 | (7)% |
| **Gold production (oz)** | **93,064** | **95,064** | **(2)%** |
| Unit cash operating cost ($/oz) | 726 | 726 | -% |
| All in sustaining cost ($/oz) | 1,050 | 1,058 | 1% |
| All in cost ($/oz) | 1,112 | 1,115 | % |
| Capital expenditure ($'000) | 28,539 | 29,556 | 3% |
| Mine cash flow ($'000) | 33,373 | 30,340 | (10)% |

Cracow proved its reliability and repeated last year’s strong gold production result with 93,064 oz at a unit cash operating cost of $726/oz and an AISC of $1,050/oz (30 June 2014: 95,064 oz, $726/oz, $1,058/oz).

A record total of 541kt of ore was mined at an average grade of 5.85g/t (30 June 2014: 519kt, 6.12g/t) targeting the Roses Pride, Kilkenny, Empire, Tipperary and Klondyke ore bodies. A record ore processed milestone was also achieved of 541kt (30 June 2014: 514kt) from a higher plant utilisation of 97.6% compared with 94.2% in the prior year. The reduced production was primarily driven by a 7% decrease in the average processed grade of 5.72g/t (30 June 2014: 6.12g/t).

Underground development during the year comprised of 3,105m in operating development and 2,599m in capital development (30 June 2014: 3,693m, 2,402m). Production drilling focused on improving stoping flexibility with ore development at the Empire ore zone extremities reduced with multiple additional stoping areas becoming available. Capital development focused on establishing diamond drilling platforms in the Coronation and Kilkenny lower zones for resource definition.

**Review of operations (continued)**

**Mining Operations (continued)**

Cracow (continued)

Productivity improvements and cost reductions achieved during the year included:

- Transfer of surplus equipment between sites delivered reduced costs and reduced contractor dependency.
- Execution of initiatives around improved scheduling and processes provided a platform for record ore mined and ore processed.
- Implementation of a service vehicle for the underground provided for increased productivity of loaders and drill rigs through less travelling time to the surface.

Pajingo

| Key Business Metrics | 30 June 2015 | 30 June 2014 | % Change |
|---|---|---|---|
| Total underground ore mined (kt) | 379 | 310 | 22% |
| Total underground lateral development (m) | 5,475 | 4,988 | 10% |
| Processed tonnes (kt) | 374 | 398 | (6)% |
| Grade processed (g/t gold) | 5.78 | 4.96 | 17% |
| **Gold production (oz)** | **65,919** | **60,766** | **8%** |
| Unit cash operating cost ($/oz) | 787 | 894 | 12% |
| All in sustaining cost ($/oz) | 1,163 | 1,291 | 10% |
| All in cost ($/oz) | 1,241 | 1,410 | 12% |
| Capital expenditure ($'000) | 24,875 | 26,926 | 8% |
| Mine cash flow ($'000) | 13,511 | 8,590 | (57)% |

Pajingo capitalised on an improved ore reserve model during the year which was a driving factor behind the 12% reduction in unit cash operating costs to $787/oz (30 June 2014: $894/oz) and 10% decrease in AISC to $1,163/oz (30 June 2014: $1,291/oz). Gold production increased 8% to 65,919 oz (30 June 2014: 60,766 oz), driven primarily by a 17% increase in the average processed grade to 5.78g/t. Mining focused on the Sonia East, Sonia Splay, Zed East and Zed West ore bodies with total ore mined of 379kt at an average grade of 5.78g/t (30 June 2014: 310kt, 6.05g/t).

Underground development of 5,475m comprised of 3,133m in operating development and 2,342m in capital development (30 June 2014: 2,525m, 2,464m). Operating development for the year focused on opening up more areas for stoping including the Veracity and Jandem ore bodies. Capital development included the completion of a ventilation escape-way and establishing the initial drill platform for the eastern extension into the Zed and Sonia structure and further resource definition drilling within Camembert.

Underground diamond drilling was a focus with 45,735m of grade control and resource definition drilling completed during the year.

Capital projects commissioned during the year included:

- A tailings dam lift allowing for approximately two years of tailings storage at the current production rate.
- A ventilation/escape-way rise.
- Commencement of a development drill drive platform to test potential eastern extensions of the major structures.

**Review of operations (continued)**

**Mining Operations (continued)**

Edna May

| Key Business Metrics | 30 June 2015 | 30 June 2014 | % Change |
|---|---|---|---|
| Total open pit ore mined (kt) | 2,279 | 2,101 | 8% |
| Total open pit waste mined (kt) | 8,259 | 2,052 | 302% |
| Processed tonnes (kt) | 2,827 | 2,547 | 11% |
| Grade processed (g/t gold) | 1.16 | 1.04 | 12% |
| **Gold production (oz)** | **98,766** | **80,165** | **23%** |
| Unit cash operating cost ($/oz) | 747 | 1,017 | 27% |
| All in sustaining cost ($/oz) | 898 | 1,213 | 26% |
| All in cost ($/oz) | 1,202 | 1,294 | 7% |
| Capital expenditure ($'000) | 38,465 | 17,381 | (121)% |
| Mine cash flow ($'000) | 35,770 | 16,894 | (112)% |

Edna May finished the year as the Group's second highest producer and exceeded expectations realising a 27% reduction in unit cash operating costs to $747/oz (30 June 2014: $1,017/oz) and a 26% decrease in AISC to $898/oz (30 June 2014: $1,213/oz). Gold production increased 23% to a site record 98,766 oz (30 June 2014: 80,165 oz) driven primarily by a 12% increase in the average processed grade. Production also benefited from the mining of remnant underground material left behind from historical mining activity. A total of 2,279kt of ore was mined at an average grade of 1.27g/t (30 June 2014: 2,101kt at 1.06g/t).

Better fragmentation of blasted ore, controlled blending practices and process control consistency allowed improved throughput of 2,827kt (30 June 2014: 2,547kt) during the year. Mill utilisation also increased largely due to the capital investment in a mobile crusher to allow direct feeding of the SAG mill when the primary crusher is unavailable.

The site transitioned back to 24-hour mining in February to achieve planned volumes from the Stage 2 cutback over at least an 18 month period.

Mt Rawdon

| Key Business Metrics | 30 June 2015 | 30 June 2014 | % Change |
|---|---|---|---|
| Total open pit ore mined (kt) | 3,283 | 3,638 | (10)% |
| Total open pit waste mined (kt) | 11,928 | 11,265 | 6% |
| Processed tonnes (kt) | 3,405 | 3,574 | (5)% |
| Grade processed (g/t gold) | 1.03 | 0.98 | 5% |
| **Gold production (oz)** | **102,162** | **103,756** | **(2)%** |
| Unit cash operating cost ($/oz) | 631 | 670 | 6% |
| All in sustaining cost ($/oz) | 873 | 854 | (2)% |
| All in cost ($/oz) | 1,203 | 1,271 | 5% |
| Capital expenditure ($'000) | 50,817 | 55,312 | 8% |
| Mine cash flow ($'000) | 32,915 | 11,691 | (182)% |

**Review of operations (continued)**

**Mining Operations (continued)**

Mt Rawdon (continued)

Mt Rawdon delivered the Group's lowest unit cash operating cost gold production of 102,162 oz at a unit cash operating cost of $631/oz and an AISC of $873/oz (30 June 2014: 103,756 oz, $670/oz, $854/oz). A total of 3,283kt of ore was mined at an average grade of 1.04g/t (30 June 2014: 3,638kt, 0.97g/t). Lower production was driven primarily by a 2% decrease in the processed tonnes of 3,405kt (30 June 2014: 3,574kt), as ore mined was impacted by rain from the ex-tropical cyclone Marcia in February and delayed access to high grade ore at the bottom of the pit.

The owner-miner transition on 1 July 2014 was completed without disruption, with both equipment and personnel performing well. This move has led to significant cost savings reflected in lower mining unit rates of $3.36/t (30 June 2014: $4.91/t).

The northern wall of the Stage 4 pit cutback was a large focus for the year with a 6% increase in waste mined to 11,928kt. The northern wall is the narrowest section of the cutback with capital waste removed of 9,972kt. Operating waste movements of 1,956kt involved opening up the floor of the Stage 3 pit to expose ore used in production during the year.

Productivity improvements and cost reductions achieved during the year included:

- Installation of a real-time monitoring application for the truck fleet which provided benefits in safety, material movement efficiency and reduced operating costs.
- Use of larger diameter pre-split drilling.
- Tighter control over the consumption of consumables through an improved inventory process.

Mt Carlton

| Key Business Metrics | 30 June 2015 | 30 June 2014 | % Change |
|---|---|---|---|
| Total open pit ore mined (kt) | 744 | 893 | (17)% |
| Total open pit waste mined (kt) | 2,763 | 4,811 | (43)% |
| Processed tonnes (kt) | 785 | 687 | 14% |
| Grade processed (g/t gold) | 4.25 | 5.82 | (27)% |
| **Gold equivalent production (oz)** | **77,658** | **87,952** | **(12)%** |
| Unit cash operating cost ($/oz) | 687 | 675 | (2)% |
| All in sustaining cost ($/oz) | 912 | 886 | (3)% |
| All in cost ($/oz) | 1,127 | 1,063 | (6)% |
| Capital expenditure ($'000) | 25,535 | 25,211 | (1)% |
| Mine cash flow ($'000) | 22,224 | 26,089 | 15% |

The Group's only concentrate producing mine, Mt Carlton produced gold equivalent production of 77,658 oz at a unit cash operating cost of $687/oz and an AISC of $912/oz (30 June 2014: 87,952 oz, 675/oz, $886/oz). A total of 744kt of ore was mined at an average grade of 4.42g/t (30 June 2014: 893kt, 4.77g/t).

A change in focus to mining the low and medium grade zones in Stage 2 of the V2 pit resulted in a lower average grade processed of 4.25 g/t. Campaign mining of both the A39 high-grade silver pit and V2 in the prior period yielded average gold equivalent processed grades of 5.82g/t.

A total of 75,292 oz of payable gold equivalent contained in 53,090 wet metric tonnes (wmt) of gold concentrate and 3,542 wmt of silver concentrate was produced during the year. The concentrate shipments for the year of 56,316 wmt were split across four shipments of A39 concentrate and nineteen shipments of V2 concentrate.

**Review of operations (continued)**

**Mining Operations (continued)**

Mt Carlton (continued)

Productivity improvements and cost reductions achieved during the year included:

- Installation of a gravity circuit at the beginning of the milling process delivered a higher recovery rate.
- More competitive market conditions benefited tendering of various site contracts yielding reductions in administrative and service contract costs.
- A cost saving of $40,000 p.a. in assay costs through the purchase of customised certified reference material (blanks and standards).

**Financial Performance**

Profit or Loss

Revenue for the year ended 30 June 2015 was up by 5% to $665.958 million (30 June 2014: $634.420 million) driven by a 11% increase in gold sold during the period to 426,562 oz (30 June 2014: 383,184 oz) and an increase of $36/oz in the average achieved gold price to $1,489/oz (30 June 2014: $1,452/oz).

The Group delivered 85,147 oz into its hedge book during the year at an average gold price of $1,571/oz. The Group also forward sold an additional 225,000 oz of gold during the year, with scheduled quarterly deliveries from April 2016 through to June 2018. The hedge book at 30 June 2015 totaled 306,820 oz (30 June 2014: 164,319 oz) at an average gold price of $1,536/oz (30 June 2014: $1,597/oz).

Operating costs decreased by 9% to $360.525 million (30 June 2014: $397.060 million) and is considered sustainable through strong cost control over all operating activities. The transition to an owner-miner model at Mt Rawdon on 1 July 2014 and the more recent transition at Mt Carlton was one of the driving forces behind the reduction in operating costs for the year ended 30 June 2015. This is offset by an increase in depreciation and amortisation of 6% to $151.560 million (30 June 2014: $142.746 million) due to the Group’s growing asset base and increased production.

The cost reductions realised during the year also had a positive effect on the Groups unit cash operating costs, decreasing 8% to $711/oz (30 June 2014: $772/oz).

Total exploration expenditure for the year ended 30 June 2015 was $23.981 million (30 June 2014: $20.272 million) with an exploration write-off of $6.968 million (30 June 2014: $6.252 million).

The Group posted a record underlying profit after tax of $106.050 million and a record statutory net profit after tax of $100.115 million (30 June 2014: $50.017 million) for the year ended 30 June 2015, an increase of 100% on 2014. This increase was driven by record production, a strong focus on cost control and an improved Australian dollar gold price.

Balance Sheet

Prior to the completion of the Entitlement Offer the Group's gearing ratio was 4.30%, down 64% from 11.96% at 30 June 2014. The Group's debt balance was reduced to nil during the year following the completion of the Entitlement Offer and the voluntary repayment of the revolving credit facility.

The Group’s net assets increased by 43% to $1.125 billion (30 June 2014: 785.304 million) largely as a result of the increase in the cash balance to $205.788 million (30 June 2014: 31.607 million) and reduction in the revolving credit facility to nil (30 June 2014: 126.784 million) following strong cash generation from the operating assets and the completion of the Entitlement Offer.

**Review of operations (continued)**

**Financial Performance (continued)**

Balance Sheet (continued)

Total assets increased 18% during the year to $1.312 billion (30 June 2014: $1.110 billion). Excluding the significant increase in the cash balance at year end, the increase was driven by a 10% increase in mine development to $544.733 million offset by decreases in trade and other receivables and property, plant and equipment of $10.514 million and $470.522 million respectively. Capital additions for mine development and exploration totalled $145.464 million and largely related to the continuing of the Stage 4 cutback at Mt Rawdon and the ramping up of the Stage 2 cutback at Edna May for the open pit operations and continuing capital development at the underground operations. Property, plant and equipment additions totalled $44.719 million and were incurred as part of the Mt Rawdon and Mt Carlton owner-miner transition. Total assets also included the investment in Phoenix Gold and Emmerson Resources held at the carrying value of $4.840 million and $1.376 million respectively at 30 June 2015.

Total liabilities decreased 42% to $187.678 million as at 30 June 2015 (30 June 2014: $324.219 million). Excluding the decrease in interest bearing liabilities due to the voluntary repayment of the revolving credit facility, the decrease in total liabilities was largely attributed to an 18% decrease in trade and other payables to $55,702 million (30 June 2014: $67.816 million) which was indicative of the cost control focus during the period, offset by an increase in employee provisions of $9.150 million.

Cash Flow

Net cash inflows from operating activities were $284.737 million, an increase of 41% (30 June 2014: $202.197 million). This can be attributed to increased sales receipts of $60.125 million and a reduction in payments to suppliers of $21.285 million due to the focus on stronger cost control.

Net cash outflows from investing activities were $195.071 million, an increase of 15% (30 June 2014: $169.865). Capital investment in property, plant and equipment was consistent with the prior year while mine development activities increased to $146.400 million as the Stage 4 cutback at Mt Rawdon and Stage 2 cutback at Edna May progressed. The Group also took an investment in Phoenix Gold Limited and Emmerson Resources Limited for $3.300 million and $1.872 million respectively, with a view to future growth opportunities.

Net cash flow before financing activities were a record $89.666 million (30 June 2014: $32.332 million).

Net cash inflows from financing activities were $84.515 million (30 June 2014: outflow $14.387 million). Financing for the year included the completion of the Entitlement Offer raising $248.105 million offset by the voluntary repayment of the revolving credit facility.

Total cash flows for the year amounted to $174.181 million (30 June 2014: $17.945 million).

Taxation

As at the year ended 30 June 2015, the balance sheet carried no deferred tax asset or liability as a result of a deferred tax asset being recognised in respect of available tax losses and prior year asset impairments.

The Company recognised a $30.622 million tax benefit in the current period from previously unrecognised tax losses to reduce the current tax expense. The Group has available tax losses of $270.508 million as at 30 June 2015 for returns lodged up to 30 June 2014.

**Review of operations (continued)**

**Financial Performance (continued)**

Capital Expenditure

Total capital expenditure was 10% higher at $168.027 million during the year ended 30 June 2015 (30 June 2014: $152.690 million). Expenditure on sustaining capital items such as near-mine exploration and resource development remained consistent with prior years at $77.012 million (30 June 2014: $75.275 million), while major project capital saw an 18% increase to $91.015 million (30 June 2014: $77.414 million). This increase can be attributed to the continuing of the Stage 4 cutback at Mt Rawdon and the ramping up of the Stage 2 cutback at Edna May for the open pit operations and continuing capital development at the underground operations.

Financing

Total finance costs for the year ended 30 June 2015 were $14.382 million (30 June 2014: 14.384 million), inclusive of $4.421 million in debt establishment fee amortisation and discount unwinding on mine rehabilitation liabilities.

In February 2015, the Group refinanced its existing $200 million revolving credit facility and rolled over the outstanding debt amount of $126.784 million. The term sheet was finalised with a syndicate of lenders to provide a $200 million Senior Secured Corporate Revolving Credit Facility and $120 million Performance Bond Facility (the “Facility”) with a $100 million Accordion Provision to 31 March 2018. The Accordion Provision was a new feature and allowed the Group to request an additional $100 million to fund acquisition opportunities.

At 30 June 2015, the Group had nil drawings on the Facility (30 June 2014: $126.784 million).

In May 2015, the Group entered into a refinancing arrangement by way of a letter of commitment. The new Corporate Credit Facility (the “New Facility”) comprises a $300 million Senior Secured Revolving Loan (“Facility A”), a new $400 million Senior Secured Term Loan (“Facility B”), and a $155 million performance bond facility (“Facility C”). The New Facility was executed on 20 July 2015 and is effective from this date.

The New Facility was conditional on the successful financial close of the Cowal and La Mancha transactions, specifically:

- Facility A was conditional on the successful completion of either the Cowal or La Mancha transactions.
- Facility B and the increase in Facility C were conditional on the successful completion of the Cowal transaction.

The New Facility was drawn down on 24 July 2015 on completion of the Cowal acquisition and is repayable over the following periods:

- Facility A: 31 July 2018.
- Facility B: 5 years from date of the Facility Agreement.
- Facility C: 3 years from date of the Facility Agreement.

As at 30 June 2015, the Company held a forward foreign exchange contract for US$550 million to fix the purchase price of the Cowal asset. The contract was entered into on signing the share sale agreement for Cowal giving a final purchase consideration of $707 million.

**Review of operations (continued)**

**Future outlook**

**Material business risks**

The Group prepares its business plans using estimates of production and financial performance based on a range of assumptions and forecasts. There is uncertainty in these assumptions and forecasts, and risk that variation from them could result in actual performance being different to expected outcomes. The uncertainties arise from a range of factors, including the nature of the mining industry and general economic factors. The material business risks faced by the Group that may have an impact on the operating and financial prospects of the Group as at 30 June 2015 are:

Fluctuations in the gold price and Australian dollar

The Group's revenues are exposed to fluctuations in both the gold price and the Australian dollar. Volatility in the gold price and Australian dollar creates revenue uncertainty and requires careful management of business performance to ensure that operating cash margins are maintained should the Australian dollar gold price fall.

Declining gold prices can also impact operations by requiring a reassessment of the feasibility of a particular exploration or development project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment could cause substantial delays and/or may interrupt operations, which may have a material adverse effect on our results of operations and financial condition.

Ore Reserves and Mineral Resources

The Group's Ore Reserves and Mineral Resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of gold, silver or any other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted. No assurance can be given that any part or all of the Group's Mineral Resources constitute or will be converted into Ore Reserves.

Market price fluctuations of gold and silver as well as increased production and capital costs may render the Group's Ore Reserves unprofitable to develop at a particular site or sites for periods of time or may render Ore Reserves containing relatively lower grade mineralisation uneconomic. Estimated reserves may have to be re-estimated based on actual production experience. Any of these factors may require the Group to reduce its Ore Reserves and Mineral Resources, which could have a negative impact on the Group's financial results.

Replacement of depleted reserves

The Group must continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature. The Group's exploration projects involve many risks and are frequently unsuccessful. Once a site with mineralisation is discovered, it may take several years from the initial phases of drilling until production is possible.

As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions or that divestitures of assets will lead to a lower reserve base. The mineral base of the Group may decline if reserves are mined without adequate replacement and the Group may not be able to sustain production beyond the current mine lives, based on current production rates.

**Review of operations (continued)**

**Material business risks (continued)**

Mining risks and insurance risks

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, unavailability of materials and equipment, pit wall failures, rock bursts, seismic events, cave-ins, and weather conditions (including flooding and bush fires), most of which are beyond the Group's control. These risks and hazards could result in significant costs or delays that could have a material adverse effect on the Group's financial performance, liquidity and results of operation.

The Group maintains insurance to cover the most common of these risks and hazards. The insurance is maintained in amounts that are considered reasonable depending on the circumstances surrounding each identified risk. However property, liability and other insurance may not provide sufficient coverage for losses related to these or other risks or hazards.

Production and cost estimates

The Group prepares estimates of future production, cash costs and capital costs of production for its operations. No assurance can be given that such estimates will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the Group's future cash flows, profitability, results of operations and financial condition.

The Group's actual production and costs may vary from estimates for a variety of reasons, including: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability and floods; and unexpected labour shortages or strikes.

Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, cost of commodities, general inflationary pressures and currency exchange rates.

Environmental, health and safety; permits

The Group's mining and processing operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species. The Group's ability to obtain permits and approvals and to successfully operate may be adversely impacted by real or perceived detrimental events associated with the Group's activities or those of other mining companies affecting the environment, human health and safety or the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals may adversely affect the Group's operations, including its ability to continue operations.

While the Group has implemented extensive health, safety and community initiatives at its sites to ensure the health and safety of its employees, contractors and members of the community affected by its operations, there is no guarantee that such measures will eliminate the occurrence of accidents or other incidents which may result in personal injuries or damage to property, and in certain instances such occurrences could give rise to regulatory fines and/or civil liability.

**Review of operations (continued)**

**Material business risks (continued)**

Community relations

The Group has an established community relations function, both at a Group level and at each of its operations. The Group function has developed a community engagement framework, including a set of principles, policies and procedures designed to provide a structured and consistent approach to community activities across our sites whilst recognising that, fundamentally, Community Relations is about people connecting with people. The Group recognises that a failure to appropriately manage local community stakeholder expectations may lead to dissatisfactions which have the potential to disrupt production and exploration activities.

Risk management

The Group manages the risks listed above, and other day-to-day risks through an established management framework which conforms to Australian and international standards and guidance. The Group's risk reporting and control mechanisms are designed to ensure strategic, operational, legal, financial, reputational and other risks are identified, assessed and appropriately managed. These are reviewed by the Risk Committee throughout the year.

The financial reporting and control mechanisms are reviewed during the year by management, the Audit Committee and the external auditors.

The Group has policies in place to manage risk in the areas of Health and Safety, Environment and Equal Employment Opportunity.

The Leadership Team, the Risk Committee and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

**Events occurring after the reporting period**

No matter or circumstance has occurred subsequent to the year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group or economic entity in subsequent financial years except for the following matters:

**(a) Acquisition of Toledo Holdings (Ausco) Pty Limited**

On 20 April 2015, the Group announced that it had entered into a binding agreement with La Mancha Group International BV ("La Mancha") to acquire 100% of La Mancha's Australian operations ("La Mancha Australia") in exchange for the issuance of 322.024 million Evolution shares. The transaction will be effected via the acquisition by Evolution of all of the shares in Toledo Holdings (Ausco) Pty Ltd, the holding company of La Mancha Australia. La Mancha Australia's operations comprise the Frog's Leg underground gold mine, the White Foil open-pit gold mine, and the newly constructed Mungari CIL processing plant.

The transaction was subject to a number of conditions, including Evolution shareholder approval at an Extraordinary General Meeting held on 30 July 2015. The transaction was approved at the Extraordinary General Meeting and FIRB approval was received on 21 August 2015 with the transaction completed on 25 August 2015. Effective 1 September 2015, Naguib Sawaris and Sebastien de Montessus will be appointed as Directors with Vincent Benoit and Amr El Adawy to be appointed as their Alternate Directors.

On completion, La Mancha subscribed to an additional 123.861 million shares at a price of $0.90 per share.

The financial effects of this transaction have not been recognised at 30 June 2015. The operating results and assets and liabilities of the acquired company will be consolidated from the date of acquisition.

**Events occurring after the reporting period (continued)**

**(a) Acquisition of Toledo Holdings (Ausco) Pty Limited (continued)**

(i) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Toledo Holdings Pty Limited. In particular, the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

(ii) Acquisition-related costs

Acquisition-related costs of $0.756 million were included in acquisition and integration costs in the profit or loss for the year ended 30 June 2015. A majority of the costs, including stamp duty will be recognised in the year ended 30 June 2016.

**(b) Acquisition of Barrick (Cowal) Pty Limited**

On 25 May 2015, the Group announced that it had entered into an agreement with Barrick (Australia Pacific) Pty Limited ("Barrick") to acquire the Cowal gold mine through the purchase of 100% of the shares in Barrick (Cowal) Pty Limited ("Cowal") for a price of US$550 million. Completion of the Cowal Transaction was conditional upon Barrick obtaining written consent (either without conditions or on conditions reasonably satisfactory to Evolution having regard to the materiality of those conditions in the entirety of the sale of the Cowal shares) under the Mining Act 1992 (NSW) from the NSW Minister for Resources and Energy to the change in control and foreign acquisition of substantial control in Cowal, in relation to EL 1590 and EL 7750. Ministerial consent was obtained on 17 July 2015 and the transaction completed on 24 July 2015.

(i) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Cowal. In particular, the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

(ii) Purchase consideration

The purchase consideration was US$550 million. Upon signing of the share sale agreement with Barrick the Group entered into a forward foreign exchange contract to lock in the final purchase consideration. As at 30 June 2015, the Company held a forward foreign exchange contract giving a final purchase consideration on 24 July 2015 of $707 million.

(iii) Acquisition-related costs

Acquisition-related costs of $4.206 million were included in acquisition and integration costs in the profit or loss for the year ended 30 June 2015. A majority of the costs, including stamp duty will be recognised in the year ended 30 June 2016.

**Events occurring after the reporting period (continued)**

**(c) Refinancing of borrowings**

In May 2015, the Group entered into a refinancing arrangement by way of a letter of commitment. The new Corporate Credit Facility ("the New Facility") comprises $300 million Senior Secured Revolving Loan (“Facility A”), a new $400 million Senior Secured Term Loan (“Facility B”), and a $155 million performance bond facility (“Facility C”).

The New Facility was executed on 20 July 2015 and is effective from this date.

The New Facility was conditional on the successful financial close of the Cowal and La Mancha transactions, specifically:

- Facility A was conditional on the successful completion of either the Cowal or La Mancha transactions.
- Facility B and the increase in Facility C were conditional on the successful completion of the Cowal transaction.

The New Facility was drawn down on 23 July 2015 on completion of the Cowal acquisition and is repayable over the following periods:

- Facility A: 31 July 2018
- Facility B: 5 years from date of the Facility Agreement
- Facility C: 3 years from date of the Facility Agreement

**(d) Phoenix Gold Limited**

On 24 July 2015, the Group increased its interest in Phoenix Gold Limited (ASX Code: PXG) from 9.8% to 19.8% with the acquisition of an additional 49 million ordinary shares for $5.9 million. The total cash investment to date is $9.180 million.

On 20 August 2015, the Group announced its intention to make an off-market takeover offer ("the Offer") to acquire all of the ordinary shares of Phoenix Gold Limited ("Phoenix") that it does not currently own. At the date of the Offer the Group held approximately 19.8% of the shares in Phoenix.

Accepting Phoenix shareholders will receive 0.06 Evolution Shares and $0.06 cash for each Phoenix Share. The Offer is approximately equal to $0.12 per Phoenix Share valuing the equity in Phoenix at approximately $56.4 million.

The Offer will be subject to a limited number of conditions including FIRB approval, completion of the La Mancha transaction and a number of other customary conditions.

**Likely developments and expected results of operations**

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this Annual Financial Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

### Environmental regulation

The Group is subject to significant energy regulation in respect of its activities as set out below:

Energy efficiency reporting requirements

The Energy Efficiency Opportunities Act 2006 required the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. This Act was repealed effective 30 June 2014. However, the Group continues to investigate and implement energy efficiency opportunities.

Greenhouse gas and energy data reporting requirements

The National Greenhouse and Energy Reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and submitted its 2013/14 report to the Greenhouse and Energy Data Officer on 31 October 2014.

### Information on Directors

The following information is current as at the date of this report:

| Jacob (Jake) Klein, BCom Hons, ACA, Executive Chairman | | |
|---|---|---|
| Experience and expertise | Mr Klein was appointed as Executive Chairman in October 2011, following the merger of Conquest Mining Limited and Catalpa Resources Limited. Previously he served as the Executive Chairman of Conquest Mining Limited. Prior to that, Mr Klein was President and CEO of Sino Gold Mining Limited, where along with Mr Askew (director from 2002 and Chairman from 2005 of Sino Gold) he managed the development of that company into the largest foreign participant in the Chinese gold industry. Sino Gold Mining Limited was listed on the ASX in 2002 with a market capitalisation of A$100 million and was purchased by Eldorado Gold Corporation in late 2009 for over A$2 billion.<br><br>Mr Klein is currently a non-executive director of Lynas Corporation Limited (since August 2004), a company with operations in Australia and Malaysia, and formerly a non-executive director of OceanaGold Corporation, a company with operations in the Philippines and New Zealand. Both Lynas Corporation Limited and OceanaGold Corporation are ASX- listed companies. | |
| Other current directorships | Non-Executive Director of Lynas Corporation Limited (since 1 August 2004) | |
| Former directorships in last 3 years | OceanaGold Corporation (From December 2009 to July 2014) | |
| Special responsibilities | Executive Chairman | |
| Interests in shares and options | Ordinary Shares - Evolution mining Limited (EVN) | 6,984,683 |
| | Options over ordinary shares (EVN) | 4,677,436 |
| | Rights over ordinary shares (EVN) | 5,532,415 |

### Information on Directors (continued)

| **Lawrie Conway B Bus, CPA, Finance Director and Chief Financial Officer** | | |
|---|---|---|
| Experience and expertise | Mr Conway was appointed Finance Director and Chief Financial Officer of Evolution with effect from 1 August 2014 (previously a non-executive director since October 2011).<br><br>Mr Conway is the former Newcrest Executive General Manager (Commercial and West Africa) and was responsible for Newcrest's group supply and logistics, marketing, information technology, and laboratory functions as well as Newcrest's business in West Africa. Mr Conway has more than 24 years' commercial experience in the resources sector across a diverse range of commercial and financial activities while at Newcrest and previously at BHP Billiton. While with Newcrest he was a company director of PT Nusa Halmahera Minerals, the owner of the Gosowong Gold Mine in Indonesia. While with BHP Billiton he spent 3 years in Chile working at the Escondida Copper Mine.<br><br>Mr Conway has held a mix of corporate and operational commercial roles within Australia, Indonesia, Papua New Guinea and Chile. | |
| Other current directorships | None | |
| Former directorships in last 3 years | None | |
| Special responsibilities | Finance Director and Chief Financial Officer | |
| Interests in shares and options | Ordinary Shares - Evolution mining Limited (EVN) | 138,462 |
| | Options over ordinary shares (EVN) | - |
| | Rights over ordinary shares (EVN) | 536,347 |

| **James Askew, BE (Mining), MEngSci, FAusIMM, MCIMM, MSME (AIME), Non-Executive Director** | | |
|---|---|---|
| Experience and expertise | Mr Askew is a mining engineer with over 40 years' broad international experience as a Director and Chief Executive Officer for a wide range of Australian and international publicly listed mining, mining finance and other mining related companies.<br><br>Mr Askew has served on the boards of numerous mining and mining services companies, which currently include OceanaGold Limited (chairman since November 2006), a company with operations in the Philippines and New Zealand, Asian Mineral Resources (since 2012), a company with operations in Vietnam, and Syrah Resources Limited (chairman since October 2014), a company with operations in Mozambique. | |
| Other current directorships | Chairman of OceanaGold Limited (since November 2006), Syrah Resources Limited (since October 2014) and Asian Mineral Resources Ltd (since 2012). Non-executive Director of Nevada Copper Limited since June 2015. | |
| Former directorships in last 3 years | Non-executive Director of Ivanhoe Limited, Golden Star Resources Ltd and PMI Gold Ltd | |
| Special responsibilities | Member of the Risk Committee and Member of the Nomination and Remuneration Committee | |
| Interests in shares and options | Ordinary Shares - Evolution mining Limited (EVN) | 669,231 |
| | Options over ordinary shares (EVN) | 488,651 |
| | Rights over ordinary shares (EVN) | - |

### Information on Directors (continued)

| **Graham Freestone, BEc (Hons), Lead Independent Director** | | |
|---|---|---|
| Experience and expertise | Mr Freestone has over 45 years' experience in the petroleum and natural resources industry. He has a broad finance, corporate and commercial background obtained in Australia and internationally through senior finance positions with the Shell Group, Acacia Resources Limited and AngloGold Ashanti Limited.<br><br>Mr Freestone was the Chief Financial Officer and Company Secretary of Acacia Resources Limited from 1994 until 2001. From 2001 to 2009 he was a non-executive director of Lion Selection Limited and from 2009 to 2011 he was a non-executive director of Catalpa Resources Limited. | |
| Other current directorships | None | |
| Former directorships in last 3 years | None | |
| Special responsibilities | Lead Independent Director and Chair of the Audit Committee | |
| Interests in shares and options | Ordinary Shares - Evolution mining Limited (EVN) | 97,473 |
| | Options over ordinary shares (EVN) | - |
| | Rights over ordinary shares (EVN) | - |

| **Colin Johnstone, BEng (Mining), Non-Executive Director** | | |
|---|---|---|
| Experience and expertise | Mr Johnstone is a mining engineer with over 30 years' experience in the resources sector. He has served as General Manager at some of Australia's largest mines including the Kalgoorlie Super Pit in Western Australia, the Olympic Dam Mine in South Australia and the Northparkes Mine in New South Wales. International experience includes Senior Vice President and Chief Operating Officer for the Iron Ore Company of Canada and Joint Venture General Manager for Alumbrera, a major open cut copper-gold mine in Argentina.<br><br>Mr Johnstone was Vice President of Operations and Chief Operating Officer at Equinox Minerals Limited, a company with operations in Zambia, prior to the C$7.3 billion acquisition by Barrick Gold Corporation in 2011. Prior to that role, Mr Johnstone was Chief Operating Officer of Sino Gold Mining Limited, where he oversaw the development and operation of gold mines in China.<br><br>Mr Johnstone is also a non-executive director of Metallum Limited, a company with operations in Chile, and held a non-executive director role at Reed Resources Limited. | |
| Other current directorships | Metallum Ltd | |
| Former directorships in last 3 years | Reed Resources Ltd | |
| Special responsibilities | Chair of the Risk Committee and Member of the Audit Committee | |
| Interests in shares and options | Ordinary Shares - Evolution mining Limited (EVN) | 93,554 |
| | Options over ordinary shares (EVN) | - |
| | Rights over ordinary shares (EVN) | - |

### Information on Directors (continued)

| **Thomas McKeith, BSc (Hons), GradDip Eng (Mining), MBA, Non-Executive Director** | | |
|---|---|---|
| Experience and expertise | Mr McKeith is a geologist with 25 years' experience in various mine geology, exploration and business development roles. He was formerly Executive Vice President (Growth and International Projects) for Gold Fields Ltd where he was responsible for global greenfields exploration and project development. Mr McKeith was also Chief Executive Officer of Troy Resources Ltd and held non-executive director roles at Sino Gold Ltd and Avoca Resources Limited. | |
| Other current directorships | None | |
| Former directorships in last 3 years | None | |
| Special responsibilities | Member of the Audit Committee and Member of the Nomination and Remuneration Committee | |
| Interests in shares and options | Ordinary Shares - Evolution mining Limited (EVN) | 138,462 |
| | Options over ordinary shares (EVN) | - |
| | Rights over ordinary shares (EVN) | - |

| **John Rowe, BSc (Hons) ARSM, MAusIMM, Non-Executive Director** | | |
|---|---|---|
| Experience and expertise | Mr Rowe has some 40 years' experience within the gold, nickel and copper industries. He has held a variety of positions in mine management, exploration and business development.<br><br>Mr Rowe was appointed as a non-executive director of Westonia Mines Limited on 12 October 2006. Through a series of corporate transactions, Westonia Mines subsequently changed name to Catalpa Resources Limited and then Evolution Mining Limited.<br><br>Mr Rowe is also a non-executive director of Panoramic Resources Limited and was formerly non-executive director of Southern Cross Goldfields Limited. | |
| Other current directorships | Non-Executive Director of Panoramic Resources Limited (since 2006) | |
| Former directorships in last 3 years | Non-Executive Director of Southern Cross Goldfields Limited (2010- September 2013). Non-Executive Chairman of Magma Metals Limited since June 2012, which was then delisted at the end of June 2012. | |
| Special responsibilities | Chair of Nomination and Remuneration Committee and Member of the Risk Committee. | |
| Interests in shares and options | Ordinary Shares - Evolution mining Limited (EVN) | 157,792 |
| | Options over ordinary shares (EVN) | - |
| | Rights over ordinary shares (EVN) | - |

### Company Secretary

| Evan Elstein, BCom (Accounting and Finance), ACA, GradDipACG | |
|---|---|
| Company Secretary and Vice President Information Technology and Community Relations | |
| Experience and expertise | Mr Elstein is the Company Secretary and Vice President for Information Technology and Community Relations. He is a Chartered Accountant and a member of the Institute of Chartered Accountants in Australia. He has over 20 years' experience in senior financial, commercial and technology roles, where his responsibilities have included the roll out of IT projects and services, business improvement initiatives and merger and acquisition activities. He has held senior positions with IT consulting companies in Australia, and previously served as the Chief Financial Officer and Company Secretary of Hartec Limited. Prior to that, Mr Elstein was employed by Dimension Data and Grant Thornton in South Africa. |

### Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

| | Board | | Meetings of committees | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Audit | | Risk Management | | Nomination and Remuneration | |
| | A | B | A | B | A | B | A | B |
| Jacob (Jake) Klein | 9 | 9 | - | - | - | - | - | - |
| Lawrie Conway | 9 | 9 | 1 | 1 | - | - | 1 | 1 |
| James (Jim) Askew | 7 | 9 | - | - | 2 | 2 | 3 | 3 |
| Graham Freestone | 9 | 9 | 4 | 4 | - | - | - | - |
| Colin (Cobb) Johnstone | 9 | 9 | 3 | 3 | 2 | 2 | - | - |
| Thomas (Tommy) McKeith | 9 | 9 | 4 | 4 | - | - | 2 | 2 |
| John Rowe | 9 | 9 | - | - | 2 | 2 | 3 | 3 |

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

### Shares under option

At the date of this report, the Company has 7,649,738 unissued shares under option with exercise prices ranging between $1.398 and $2.412 and with expiry dates between 6 October 2015 and 25 November 2016.

The holders of these options, which are unlisted, do not have the right, by virtue of the option, to participate in any share issue of the Company.

Details of shares issued during and up to the date of this report as a result of exercise of unlisted and listed options issued by the Company are:

| Date | Details | Balance at 1 July 2014 | Number Converted into Shares | Amount Paid for Shares | Amount Unpaid for Shares | Options Expired | Balance at 30 June 2015 |
|---|---|---|---|---|---|---|---|
| | Unlisted Options | 9,383,738 | - | - | - | - | - |
| 01/06/2015 | Expired | - | - | - | - | 1,215,000 | 8,168,738 |
| 30/06/2015 | Expired | - | - | - | - | 519,000 | 7,649,738 |
| **30/06/2015** | **Total** | **9,383,738** | **-** | **-** | **-** | **1,734,000** | **7,649,738** |

### Remuneration Report (Audited)

### Introduction

The Remuneration Report forms part of the Directors' Report for the year ended 30 June 2015. This report contains details of the remuneration paid to the Director and Key Management Personnel ("KMP") as well as the remuneration strategy and policies that were applicable in the 2015 financial year. The remuneration philosophy of the Board is to ensure that the Company remunerates fairly and responsibly. It is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and retain appropriately experienced Directors and employees. The remuneration strategies and practices in place have been designed to support this philosophy.

The remuneration report is presented under the following sections:

(a) Director and Key Management Personnel Details
(b) Summary of Key Terms
(c) Remuneration Governance
(d) Industry Context
(e) Remuneration Strategy and Philosophy
(f) Remuneration Policy
(g) Relationship between Remuneration and Performance
(h) Remuneration of Directors and Key Management Personnel
(i) Executive Service Agreements
(j) Share-based Compensation and Performance Rights
(k) Director and Key Management Personnel Equity Holdings

### Remuneration Report (Audited) (continued)

### (a) Directors and Key Management Personnel

| Executive and Non-executive Directors | |
|---|---|
| **Name** | **Position** |
| Jacob (Jake) Klein | Executive Chairman |
| Lawrie Conway * | Finance Director and Chief Financial Officer |
| James (Jim) Askew | Non-Executive Director |
| Graham Freestone | Lead Independent Director |
| Colin (Cobb) Johnstone | Non-Executive Director |
| Thomas (Tommy) McKeith | Non-Executive Director |
| John Rowe | Non-Executive Director |

* Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.

| Key Management Personnel | |
|---|---|
| **Name** | **Position** |
| Aaron Colleran | Vice President Business Development and Investor Relations |
| Paul Eagle | General Manager People and Culture |
| Evan Elstein | Company Secretary & Vice President Information Technology and Community Relations |
| Mark Le Messurier | Chief Operating Officer |
| Roric Smith | Vice President Discovery |
| Tim Churcher * | Vice President Finance & Chief Financial Officer |

* Employment terminated 1 July 2014.

### (b) Summary of Key Terms

Below is a list of key terms with definitions used within the Director's Report:

| Key Term | Definition |
|---|---|
| **The Board of Directors (–the Board“ or –the Directors“)** | The Board of Directors, the list of persons under the relevant section above. |
| **Key Management Personnel ("KMP")** | Senior executives have the authority and responsibility for planning, directing and controlling the activities of the Company and are members of the senior leadership team. KMP for the financial year ended 30 June 2015 are listed above. |
| **Total Fixed Remuneration ("TFR")** | Total Fixed Remuneration comprises a base salary plus superannuation. This is currently positioned at the median (50th percentile) of the industry benchmarking report. |
| **Short Term Incentive ("STI") and Short Term Incentive Plan (–STIP“)** | STI is the short-term incentive component of Total Remuneration. The STI usually comprises a cash payment that is only received by the employee if specified annual goals are achieved. STIP refers to the plan under which the incentives are granted and paid. |

**Remuneration Report (Audited) (continued)**

**(b) Summary of Key Terms (continued)**

| Key Term | Definition |
|---|---|
| **Long Term Incentive ("LTI") and Long term Incentive Plan ("LTIP")** | LTI is the long-term incentive component of Total Remuneration. The LTI comprises Options or Performance Rights, usually with a three year vesting period that are subject to specified vesting conditions established by the Board. Further details of the vesting conditions associated with the performance rights are detailed in the Vesting Conditions of Performance Rights section. Options and Performance Rights cannot be exercised unless the vesting conditions have been satisfied. LTIP refers to the plan under which LTIs are granted and is aimed at retaining and incentivising KMP and senior managers to achieve business objectives that are aligned with shareholder interests, and are currently provided via Performance Rights. |
| **Total Annual Remuneration** | Total Fixed Remuneration plus STI. |
| **Total Remuneration** | Total Fixed Remuneration plus STI and LTI. |
| **Superannuation Guarantee Charge ("SGC")** | This is the employer contribution to an employee nominated superannuation fund required by law. The percentage contribution was set at 9.5% in the reporting period and is capped in line with the SGC maximum quarterly payment. |
| **Employees and Contractors Option Plan ("ECOP")** | The plan permits the Company, at the discretion of the Directors, to grant Options over unissued ordinary shares of the Company to eligible Directors, members of staff and contractors as specified in the plan rules. The plan is currently dormant and no further Options will be issued under this plan. |
| **Employee Share Option and Performance Rights Plan ("ESOP")** | The plan permits the Company, at the discretion of the Directors, to grant both Options and Performance Rights over unissued ordinary shares of the Company to eligible Directors and members of staff as specified in the plan rules. |
| **Total Shareholder Return ("TSR")** | TSR is the total return on an ordinary share to an investor arising from growth in the share price plus any dividends received. |
| **Key Performance Indicators ("KPIs")** | A form of performance measurement for individual performance against a pre-defined set of goals. |
| **Peer Group** | 20 comparator gold mining companies selected to be included in the Peer Group to measure the Company's performance within this selected Group. |
| **Volume Weighted Average Share Price ("VWAP")** | A 30 day volume weighted average share price quote on the Australian Stock Exchange (ASX). The VWAP is to be used when assessing Company performance for TSR. |
| **C1 Cash Cost Rank** | Evolution's C1 cash cost per ounce performance relative to the Peer Group. |
| **Fees** | Fees paid to Executive and Non-Executive Directors for services as a Director, including sub-committee fees as applicable. |

**Remuneration Report (Audited) (continued)**

**(c) Remuneration Governance**

The Board of Directors ("the Board") has an established Nomination and Remuneration Committee, consisting solely of Non-Executive Directors, with the delegated responsibility to report on and make recommendations to the Board on the:

- appropriateness of the remuneration policies and systems, having regard to whether they are:
  - relevant to the Company's wider objectives and strategies;
  - legal and defensible;
  - in accordance with the human resource objectives of the Company;
- performance of the Executive Directors (on an annual basis) and ensure there is a process for determining key performance indicators for the ensuing period; and
- remuneration of the Executive, Non-Executive Directors and Key Management Personnel, in accordance with approved Board policies and processes.

**(d) Industry Context**

During the year the Group has seen a stronger gold price environment with the Australian dollar (A$) gold price averaging $1,485/oz. The last 12 months have created opportunities on a number of fronts with a tough period for the mining sector as a whole and a number of global gold mining companies focusing on deleveraging their balance sheets through the divestment of some or all of their Australian assets. The gold sector has been a more attractive option for candidates. As a Group we have continued to focus on adapting quickly to the prevailing conditions over the past few years, through effectively stripping out costs within the business, combined with effective cash flow and cost management, while consistently delivering on guidance. In the year ended 30 June 2015, the Group has also seen a strong year with our growth agenda and we have managed to acquire some excellent talent from the market place.

Over the last few years, from a remuneration perspective, we have continued to take a "share in the good times and ride the tough times" approach to how we manage our remuneration and incentives with a focus on our decision making being underpinned by our remuneration principles. The latest McDonald's remuneration benchmarking report (April 2015 - 101 companies, covering 176 operations, of which 70% are owner operator and 30% operated by mining contractors), had the following key findings:

- Considering weak macro-economic data and the headwinds facing other commodity groups, low levels of increases are expected over the next 12 months;
- Variable pay as a component of total remuneration continues to grow in popularity as employers increasingly pursue higher productivity and sustainable fixed wage spend;
- Commute workers (FIFO/DIDO) continue to be paid more than residential workers who get to go home to their families every night;
- Despite the recent coverage of some companies moving to a 2/1 roster pattern, roster configurations remain largely unchanged from 2014. Most popular patterns are owner operator 5/2 and 8/6 and contractors 8/6, 2/1 and even;

Evolution's remuneration strategy and approach is firmly linked to our mining peers as an external benchmark. We will continue to track market norms and reward performance.

We firmly believe we have the right vision and strategy and our remuneration strategy aims to ensure that we have the right mix of responding to the prevailing market conditions, recognising and rewarding the good work done over the last 12 months and ensuring that we have motivated and engaged employees to enable the successful delivery of short term goals and longer term strategic objectives.

**Remuneration Report (Audited) (continued)**

### (e) Remuneration Strategy and Philosophy

The remuneration strategy was set in the year ended 30 June 2012 with the assistance of Mercer Australia ("remuneration consultants"), which included the setting of short term ("STIP") and long term incentive plans ("LTIP") to align with objectives of the newly established entity. For the year ended 30 June 2015, new STIP and LTIP measures were agreed and aligned to the key objectives for the Group.

The Group's target remuneration philosophies are:

- **Total Fixed Remuneration** (TFR being base salary plus superannuation) positioned at the median (50th percentile) based on the industry benchmark McDonald report (an industry recognised gold and general mining remuneration benchmarking survey covering over 100 organisations within the industry);
- **Total Annual Remuneration** (TFR plus STIP) at the 75th percentile; and
- **Total Remuneration** (TFR plus STIP plus LTIP) at the 75th percentile, with flexibility to provide up to the 90th percentile levels for critical roles.

The overarching objectives and principles of the Group's remuneration strategy are that:

- total remuneration for each level of the workforce is appropriate and competitive;
- total remuneration comprises a competitive fixed component and a sizeable "at risk" component based on performance hurdles;
- short term incentives are appropriate with hurdles that are measureable, transparent and achievable;
- incentive plans are designed to motivate and incentivise for high performance and delivery on organisational objectives;
- the corporate long term incentives are focused on shareholder value; and
- the principles and integrity of the remuneration review process deliver fair and equitable outcomes.

### (f) Remuneration Policy

**Executive Directors and Key Management Personnel Remuneration Policy**

The Group remuneration policy has been designed to align Executive Directors and Key Management Personnel objectives with shareholder and business objectives by providing a TFR component and offering specific "at risk" short and long-term incentives based on key performance areas affecting the Group's overall performance. The Nomination and Remuneration committee was formed to review the specifics of Directors and KMP remuneration and oversee all Group compensation changes and principles. The Board believes the remuneration policy to be strategic, appropriate and effective in its ability to attract and retain Executive Directors and KMP and to operate and manage the Group effectively.

The Group defines and applies its remuneration policy and elements by considering the overall business plan, external market conditions, key employee value drivers, individual employee performance and industry benchmark data.

All KMP receive a remuneration package in line with the overall Group policy and additionally takes into account factors such as length of service and experience. The Nomination and Remuneration Committee reviews executive packages annually by reference to the Group's performance, individual KMP performance and comparable information from industry sectors and surveys, as well as other listed companies in similar industries.

The remuneration elements offered by the Group include TFR, which consists of a base salary plus superannuation and a variable or "at risk" remuneration component provided through short and long term incentive plans. Every permanent employee has eligibility under the Group's various STIPs.

**Remuneration Report (Audited) (continued)**

**(f) Remuneration Policy (continued)**

**Executive Directors and Key Management Personnel Remuneration Policy (continued)**

Executive Directors and KMP receive a superannuation guarantee contribution (“SGC”) required by law, of 9.5% and capped in line with the SGC maximum quarterly payment, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

No changes were made to the remuneration structure during the year. The at Target achievement remuneration mix for Executive Directors and KMP for the current and prior year is as follows:

| | Fixed Remuneration | | At Risk - STI | | At Risk - LTI | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **Executive Directors** | | | | | | |
| Jacob Klein | 33.3% | 33.3% | 20.0% | 20.0% | 46.7% | 46.7% |
| Lawrie Conway (i) | 47.6% | 100% | 23.8% | - | 28.6% | - |
| **Key Management Personnel** | | | | | | |
| Aaron Colleran | 47.6% | 47.6% | 23.8% | 23.8% | 28.6% | 28.6% |
| Paul Eagle | 55.6% | 55.6% | 22.2% | 22.2% | 22.2% | 22.2% |
| Evan Elstein | 47.6% | 47.6% | 23.8% | 23.8% | 28.6% | 28.6% |
| Mark Le Messurier | 47.6% | 47.6% | 23.8% | 23.8% | 28.6% | 28.6% |
| Roric Smith | 47.6% | 47.6% | 23.8% | 23.8% | 28.6% | 28.6% |
| Tim Churcher (ii) | - | 47.6% | - | 23.8% | - | 28.6% |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Employment terminated on 1 July 2014.

**Non-Executive Directors Remuneration Policy**

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Nomination and Remuneration Committee determines Non-Executive Directors fees and reviews this annually, based on market practice, their duties and areas of responsibility. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders (currently $750,000 per annum). Fees for Non-Executive Directors are not linked to the performance of the Group and they do not participate in the Group’s STIP or LTIP.

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance**

The relative proportions of actual remuneration received by the Directors and KMP of the Group is calculated based on the Remuneration of Directors and KMP table presented on page 38. The At Risk - LTI component comprises the fair value of options and performance rights expensed during the year. The breakdown between fixed and performance related remuneration received for the current and prior year is as follows:

| | Fixed Remuneration | | At Risk - STI | | At Risk - LTI | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **Directors** | | | | | | |
| Jacob Klein | 35.2% | 42.1% | 30.6% | 30.4% | 34.2% | 27.5% |
| Lawrie Conway (i) | 56.0% | 100.0% | 39.7% | - | 4.4% | - |
| James Askew | 100.0% | 100.0% | - | - | - | - |
| Graham Freestone | 100.0% | 100.0% | - | - | - | - |
| Colin Johnstone (ii) | 100.0% | 100.0% | - | - | - | - |
| Thomas McKeith (iii) | 100.0% | 100.0% | - | - | - | - |
| John Rowe | 100.0% | 100.0% | - | - | - | - |
| Peter Smith (iv) | - | 100.0% | - | - | - | - |
| Paul Marks (v) | - | 100.0% | - | - | - | - |
| **Key Management Personnel** | | | | | | |
| Aaron Colleran | 44.6% | 54.5% | 32.1% | 26.2% | 23.3% | 19.3% |
| Paul Eagle | 55.0% | 61.3% | 30.9% | 28.6% | 14.1% | 10.1% |
| Evan Elstein | 46.7% | 55.1% | 33.2% | 29.7% | 20.1% | 15.3% |
| Mark Le Messurier | 45.3% | 49.4% | 32.0% | 33.3% | 22.6% | 17.2% |
| Roric Smith | 45.6% | 52.4% | 31.5% | 28.3% | 22.9% | 19.3% |
| Tim Churcher (vi) | - | 57.8% | - | 21.9% | - | 20.3% |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Appointed as a Director on 30 September 2013.
(iii) Appointed as a Director on 1 February 2014.
(iv) Resigned as a Director on 30 September 2013.
(v) Resigned as a Director on 4 November 2013.
(vi) Employment terminated on 1 July 2014.

**Short Term Incentive Plans**

(i) The Group Plan

The Group STIP applies to employees at the level of Manager and above across the Group. The Group STIP is a cash bonus, up to a maximum percentage of TFR, based on the employee job band. It is assessed and paid annually conditional upon the achievement of key corporate objectives, which for the current financial year were in the areas of safety, group cash contribution, production, costs and a board discretionary element, as well as individual key performance indicators (“KPI"). The Group STIP is currently set at between 20% and 60% of TFR for at Target achievement, with a maximum of 1.5 x Target at 30%-90% of TFR for Stretch achievement, depending on the employee job band.

Details of Group STIP’s and bonuses paid to the Directors and KMP are shown in the Remuneration Table on page 38.

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Short Term Incentive Plans (continued)**

The Group's performance against the STI Scorecard for FY15 is as follows:

| STIP Scorecard | | Target (100%) | STIP Weighting | Result | Award |
|---|---|---|---|---|---|
| **HSE** | Safety Indicator (TRIFR) | 10.0 | 10% | 9.6 | 14% |
| | Vehicle & Mobile Equipment (Incidents) | 168 | 10% | 135 | 15% |
| **Profitability** | Group Cash Contribution ($ million) | 4 | 15% | 61 | 23% |
| | Group Total Mine Costs ($ million) | 535 | 15% | 528 | 17% |
| | Production (koz) | 418 | 15% | 438 | 22% |
| **Discretionary** | Discretionary | 100% | 35% | 140% | 49% |
| **Total** | | | **100%** | | **140%** |

The discretionary component was allocated a high weighting to provide the Board with more input into the overall business performance and to address factors outside of the operational performance (safety, production, costs and cash).

At the time of setting the FY15 STIP measures the Board determined it would consider the following factors when awarding the score for this measure:

- Emphasise the growth component;
- Overall business performance;
- Delivery of growth options;
- Discovery success - new resources at sites and/or new high grade greenfield acquisitions; and
- Improved group asset quality.

The Board approved a discretionary score of 140% for a number of reasons, including:

- Overall business performance on a group basis met or exceeded set targets. A number of records have been achieved throughout the business this year. The weighted average result of the four (4) business performance measures in the STIP was 139%;
- Existing operational performance allowed for the growth options to be progressed or executed;
- Growth options have been delivered on multiple fronts with the La Mancha and Cowal acquisitions being successfully executed. A number of other growth options were advanced and presented to the Board for consideration. Funding was secured for all growth options progressed;
- The two growth options executed clearly demonstrate an improvement in the group asset quality; and
- Discovery success has had mixed outcomes with the Puhi Puhi acquisition, the strategic stake in Phoenix Gold, and the potential at Mungari and Cowal outweighing the lower than expected outcome of new resources at existing assets.

(ii) The Production Bonus

The Production Bonus is a cash award which applies to all employees at Operating Sites who are not eligible for the Group STIP. It is determined on a quarterly basis based on the achievement of each Operating Site’s KPIs. The Production Bonus is currently set at 10% of TFR for at target achievement, with a maximum of 20% of TFR for stretch achievement.

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Short Term Incentive Plans (continued)**

(iii) The Annual Performance Bonus

The Annual Performance Bonus applies to corporate employees and those employees who, by exception, are not included in a Group STIP or Production Bonus Plan. The Annual Performance Bonus is targeted at up to a maximum of 20% for stretch achievement (target of 10%), as a cash bonus on TFR, paid annually against the outcomes of individual KPIs.

**Long Term Incentive Plans**

The Company has two long term incentive plans currently in existence, specifically the Employees and Contractors Option Plan (“ECOP”) and the Employee Share Option and Performance Rights Plan (“ESOP”), together and separately also referred to as the Long Term Incentive Plan (“LTIP”). The ECOP is now effectively dormant with no new options to be issued under this plan.

(i) Employees and Contractors Option Plan (‑ECOP“)

The ECOP was established and approved at the Annual General Meeting on 27 November 2008. The plan permits the Company, at the discretion of the Directors, to grant Options over unissued ordinary shares of the Company to eligible Directors, members of staff and contractors as specified in the plan rules.

Options under ECOP

As at 30 June 2015, there were 488,651 Options outstanding (30 June 2014: 488,651), all of which were on issue to Directors.

The movement in the Options under this plan is summarised in the table below:

| | 2015 Number | 2014 Number |
|---|---|---|
| Outstanding balance at the beginning of the year | 488,651 | 2,034,111 |
| Issued during the period | - | - |
| Exercised during the period | - | - |
| Expired during the period | - | (1,545,460) |
| **Outstanding balance at the end of the year** | **488,651** | **488,651** |

(ii) The Employee Share Option and Performance Right Plan (‑ESOP“)

The ESOP was established and approved at the Annual General Meeting on 23 November 2010, and re-approved at the Annual General Meeting on 26 November 2014. The plan permits the Company, at the discretion of the Directors, to grant both Options and Performance Rights over unissued ordinary shares of the Company to eligible Directors and members of staff as specified in the plan rules.

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Long Term Incentive Plans (continued)**

Under the ESOP, the Options and Performance Rights, issued for nil consideration, are granted in accordance with performance guidelines established by the Board. In exercising their discretion under the rules, the Directors will take into account matters such as the position of the eligible person, the role they play in the Group, the nature or terms of their employment or contract and the contribution they make to the Group as a whole. The Options and Performance Rights are issued for a specified period and each Option or Performance Right is convertible into one ordinary share. The exercise price of the Options, determined in accordance with the rules of the plan, is based on the market price of a share on grant date or another specified date after grant close. All Options and Performance Rights expire on the earlier of their expiry date or termination of the employee's employment subject to Director discretion. Options and Performance Rights do not vest until a specified period after granting and their exercise is conditional on the achievement of certain performance hurdles that are aligned with shareholder interests.

There are no voting or dividend rights attached to the Options or Performance Rights. Voting rights will attach to the ordinary shares when the Options have been exercised or the Performance Rights vested. Unvested Options and Performance Rights cannot be transferred and will not be quoted on the ASX.

Options under ESOP

During the year 1,734,000 Option expired and there were 7,161,087 Options outstanding at 30 June 2015 (30 June 2014: 8,895,087), of which 5,562,436 were issued to Directors and KMP (30 June 2014: 6,312,436).

The movement in the Options under this plan is summarised in the table below:

| | 2015 Number | 2014 Number |
|---|---|---|
| Outstanding balance at the beginning of the year | 8,895,087 | 8,895,087 |
| Issued during the period | - | - |
| Exercised during the period | - | - |
| Expired during the period | (1,734,000) | - |
| **Outstanding balance at the end of the year** | **7,161,087** | **8,895,087** |

Performance Rights under ESOP

The ESOP approved by shareholders on 23 November 2010 provided for the issuance of Performance Rights to Executive Directors and eligible employees. This LTIP was introduced for employees at the level of Manager and above, effective from 1 July 2011 and provides equity based "at risk" remuneration, up to maximum percentages, based on, and in addition to, each eligible employee's TFR. These incentives are aimed at retaining and incentivising KMP and senior managers on a basis that is aligned with shareholder interests, and are provided via Performance Rights.

The movement in Performance Rights under this plan is summarised in the table below:

| | 2015 Number | 2014 Number |
|---|---|---|
| Outstanding balance at the beginning of the year | 14,316,889 | 7,048,629 |
| Performance rights granted during the period | 10,804,370 | 10,498,408 |
| Vested during the period | (724,809) | (559,378) |
| Lapsed during the period | (522,766) | (752,227) |
| Forfeited during the year | (2,491,573) | (1,918,543) |
| **Outstanding balance at the end of the year** | **21,382,111** | **14,316,889** |

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Long Term Incentive Plans (continued)**

During the year the Company issued 10,804,370 Performance Rights to employees.

The second tranche of Performance rights awarded during the 2012 financial year were tested as at 30 June 2014 and vested on 3 September 2014. 724,809 Performance Rights met the performance measures and vested whilst 522,766 Performance Rights did not meet the performance measures and lapsed. This equates to a vesting rate of 63.25% and a lapsing rate of 36.75%.

The Performance Rights awarded during the 2013 financial year were tested as at 30 June 2015. As at the date of this report, 2,262,827 Performance Rights have met the performance measures and are expected to vest subject to Board Confirmation and 923,356 Performance Rights did not meet the performance measures and are expected to lapse. This equates to a vesting rate of 71.02% and a lapsing rate of 28.98%.

There are 10,498,408 Performance Rights granted during the 2014 financial year which will be subject to performance testing as at 30 June 2016.

Vesting Conditions of Performance Rights

Performance Rights issued under the LTIP generally have a term of up to 3 years and vest based on the achievement of specific targets.

Refer below for a summary of the specific targets that Performance Rights will be tested against:

| Performance Target | | Description | Weighting for FY13 grants | Weighting for FY14 grants | Weighting for FY15 and FY16 grants |
|---|---|---|---|---|---|
| (i) | TSR Performance | The Group's relative total shareholder return (TSR) measured against the TSR for a peer Company of 20 comparator gold mining companies (Peer Group) | 60% | 33.33% | 25% |
| (ii) | C1 Cash Costs Performance | The Group's net C1 cash costs per ounce ranking amongst the Peer Group | 20% | - | - |
| (iii) | Increasing Mine Life | Increasing mine life to 8 year mine life at June 2015 production rates | 20% | - | - |
| (iv) | Absolute TSR performance | The Group's absolute TSR return | - | 33.33% | 25% |
| (v) | Growth in Earnings per share | Growth in the Group's Earnings per share | - | 33.33% | 25% |
| (vi) | Increase in ore reserves per share | Increasing the ore reserves per share over a 3 year period | - | - | 25% |

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Long Term Incentive Plans (continued)**

The performance testing date (hereinafter referred to as the “Relevant Date”) for the various grants are summarised below:

- Year ended 30 June 2013: Performance Rights that were granted in the financial year ended 30 June 2013 were tested as at 30 June 2015.
- Year ended 30 June 2014: Performance Rights that were granted in the financial year ended 30 June 2014 will be tested as at 30 June 2016.
- Year ended 30 June 2015: Performance Rights that were granted in the financial year ended 30 June 2015 will be tested as at 30 June 2017.

(i) TSR Performance

A proportion of Performance Rights will be tested against the Group’s TSR performance relative to the Peer Group on the Relevant Date.

The Group’s TSR will be based on the percentage by which its 30-day volume weighted average share price quoted on ASX (“VWAP”) at the close of trade on the Relevant Date (plus the value of any dividends paid during the performance period) has increased over the Group’s applicable 30-day VWAP at the close of trade, relating to the grant of Performance Rights for that period.

The TSR for the Peer Group will be based on the percentage by which the Peer Group’s 30-day VWAP at the close of trade on the Relevant Date (plus the value of any dividends paid during the performance period) has increased over that Group’s applicable 30-day VWAP at the close of trade, relating to the grant of Performance Rights for that period.

The Peer Group for the Performance Rights issued in the financial year ended 30 June 2013 and tested as at 30 June 2015 is as follows:

| | | | |
|---|---|---|---|
| Alacer Gold Corp | CGA Mining Ltd | Medusa Mining Ltd | Resolute Mining Ltd |
| Alamos Gold Inc | Dundee Precious Metals Inc | New Gold Inc | Semafo Inc |
| Allied Gold Ltd | Golden Star Resources Ltd | Oceana Gold Corp | Silver Lake Resources |
| Aurico Gold Inc | Intrepid Mines Ltd | Perseus Mining Ltd | St Barbara Ltd |
| Centamin Egypt Inc | Kingsgate Consolidated Ltd | Regis Resources NL | Troy Resources |

(i) Allied Gold has been replaced with Beadell Resources for the FY14 Peer Group of comparator companies.
(ii) CGA Mining has been replaced with Endeavour Mining Corporation for the FY14 Peer Group of comparator companies.
(iii) Intrepid Mines Ltd has been replaced with Northern Star Resources for the FY14 Peer Group of comparator companies.

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Long Term Incentive Plans (continued)**

The Peer Group for the Performance Rights issued in the financial year ended 30 June 2015 and will be tested as at 30 June 2017 is as follows:

| | | | |
|---|---|---|---|
| Alacer Gold Corp | Centamin Egypt Inc | Medusa Mining Ltd | Regis Resources NL |
| Alamos Gold Inc | Dundee Precious Metals Inc | New Gold Inc | Resolute Mining Ltd |
| Argonaut Gold Inc | Endeavour Mining Corporation | Northern Star Resources NL | Semafo Inc |
| Aurico Gold Inc | Golden Star Resources Ltd | Oceana Gold Corp | Silver Lake Resources |
| Beadell Resources Limited | Kingsgate Consolidated Ltd | Perseus Mining Ltd | Troy Resources |

(i) Argonaut Gold Inc. replaced St Barbara Ltd for the FY15 Peer Group of comparator companies.
(ii) Beadell Resources Limited replaced Allied Gold Ltd for the FY14 Peer Group of comparator companies.
(iii) Endeavour Mining Corporation replaced CGA Mining Ltd for the FY14 Peer Group of comparator companies.
(iv) Northern Star Resources NL replaced Intrepid Mines for the FY14 Peer Group of comparator companies.
(v) Silver Lake Resources replaced Northgate Mineral Corp for the FY12 Peer Group of comparator companies.

The Board has the discretion to adjust the composition and number of the companies in the Peer Group to take into account events including, but not limited to, takeovers, mergers and de-mergers that might occur during the performance period. For the FY15 Peer Group, the Board has exercised its discretion and replaced St Barbara Ltd with Argonaut Gold Inc.

The proportion of the TSR Performance Rights that will vest will be based on the Relevant Date TSR as compared to the Peer Group TSRs. The proportion of the TSR Performance Rights that will vest will be determined as follows:

| Level of performance achieved | Evolution TSR performance as compared to the Peer Group TSR | % of TSR Performance Rights vesting |
|---|---|---|
| **Threshold** | Top 50th percentile | 33% |
| | Above the top 50th percentile and below the top 25th percentile | Straight-line pro-rata between 33% and 66% |
| **Target** | Top 25th percentile | 66% |
| | Above the top 25th percentile and below the top 10th percentile | Straight-line pro-rata between 66% and 100% |
| **Exceptional** | Top 10th percentile or above | 100% |

(ii) C1 Cash Costs Performance

A proportion of Performance Rights will be tested against the Group’s C1 cash costs per ounce performance relative to the Peer Group Companies (“C1 Performance Rights”). This target is applicable to Performance Rights that were granted during the financial years ended 30 June 2012 and 30 June 2013.

The net C1 cash costs per ounce (in Australian dollars) for the Group and the Peer Group will be determined for the period ended on the Relevant Date (“Cash Costs”).

The Group’s Cash Costs will be ranked against the Cash Costs for the Peer Group (“the Group’s C1 Rank”).

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Long Term Incentive Plans (continued)**

The proportion of the C1 Costs Performance Rights that will vest will be determined based on the Group’s C1 Rank as follows:

| Level of performance achieved | Evolution C1 performance as compared to the Peer Group C1 | % of C1 Performance Rights vesting |
|---|---|---|
| **Threshold** | Top 70th percentile | 33% |
| | Above the top 70th percentile and below the top 50th percentile | Straight-line pro-rata between 33% and 66% |
| **Target** | Top 50th percentile | 66% |
| | Above the top 50th percentile and below the top 35th percentile | Straight-line pro-rata between 66% and 100% |
| **Exceptional** | Top 35th percentile or above | 100% |

(iii) Increasing Mine Life

A proportion of Performance Rights granted during the year ended 30 June 2013 will be tested against the Group’s ability to increase its mine life to 8 years calculated at 30 June 2015 production rates, with reference to its ore reserves at that date.

(iv) Absolute TSR Performance

A proportion of Performance Rights granted during the years ended 30 June 2014, 30 June 2015 and to be granted during the financial year ended 30 June 2016, will be tested against the Group’s Absolute TSR performance relative to the 30 days VWAP (Absolute TSR Performance Rights) as at 30 June 2016, 30 June 2017 and 30 June 2018 respectively, measured as the cumulative annual TSR over the three year performance period.

| Level of performance achieved | Evolution Absolute TSR performance | % of Absolute TSR Performance Rights vesting |
|---|---|---|
| **Threshold** | 10% Per Annum Return | 33% |
| | Above 10% Per Annum Return and below 15% Per Annum Return | Straight-line pro-rata between 33% and 66% |
| **Target** | 15% Return Per Annum | 66% |
| | Above 15% Per Annum Return and below 20% Per Annum Return | Straight-line pro-rata between 66% and 100% |
| **Exceptional** | Above 20% Per Annum Return | 100% |

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Long Term Incentive Plans (continued)**

(v) Growth in Earnings Per Share

A proportion of Performance Rights granted during the year ended 30 June 2014, 30 June 2015 and 30 June 2016 will be tested against the Group's growth in Earnings Per Share, calculated by excluding any Non-Recurring Items, and measured as the cumulative annual growth rate over the three year performance period.

| Level of performance achieved | Evolution Earnings per share performance | % of Earnings Per Share Performance Rights vesting |
|---|---|---|
| **Threshold** | 7% Per Annum Growth in EPS | 33% |
| | Above 7% Per Annum Growth in EPS and below 11% Per Annum Growth in EPS | Straight-line pro-rata between 33% and 66% |
| **Target** | 11% Per Annum Growth in EPS | 66% |
| | Above 11% Per Annum Growth in EPS and below 15% Per Annum Growth in EPS | Straight-line pro-rata between 66% and 100% |
| **Exceptional** | Above 15% Per Annum Growth in EPS | 100% |

(vi) Growth in Ore Reserves Per Share

A proportion of Performance Rights granted during the year ended 30 June 2015 and those to be granted during the year ended 30 June 2016, will be tested against the Group's ability to grow its Ore Reserves, calculated by measuring the growth over the three year performance period by comparing the baseline measure of the Ore Reserves as at 31 December 2013 and 31 December 2014 ("Baseline Ore Reserves") to the Ore Reserves as at 31 December 2016 and 31 December 2017 on a per share basis, with testing to be performed at 30 June 2017 and 30 June 2018 respectively.

| Level of performance achieved | Evolution Growth in Ore Reserves per share performance | % of Growth in Ore Reserves Performance Rights vesting |
|---|---|---|
| **Threshold** | 80% of Baseline Ore Reserves | 33% |
| | Above 80% of Baseline Ore Reserves but below 100% Baseline Ore Reserves | Straight-line pro-rata between 33% and 66% |
| **Target** | 100% Baseline Ore Reserves | 66% |
| | Above 100% of Baseline Ore Reserves and below 120% of Baseline Ore Reserves | Straight-line pro-rata between 66% and 100% |
| **Exceptional** | 120% and above of Baseline Ore Reserves | 100% |

Performance Rights Valuation for FY15 Grants

The Performance Rights have four performance components: two market-based TSR conditions, being a relative and an absolute TSR condition, and two non-market based conditions, being the EPS growth condition, the increased ore reserve condition in addition to continued employment at the vesting date.

# Evolution Mining Limited
# Annual Financial Report
# Directors' Report
# 30 June 2015

**Remuneration Report (Audited) (continued)**

**(g) Relationship between Remuneration and Performance (continued)**

**Long Term Incentive Plans (continued)**

The fair value of the TSR Performance Rights (market-based condition) was estimated at the date of grant using Monte Carlo simulation, taking into account the terms and conditions upon which the awards were granted.

The following tables list the model inputs for the Performance Rights granted during the financial year, the fair value of Performance Rights at grant date and number of Performance Rights granted during the year:

| | TSR | Absolute TSR | Growth in EPS | Growth in Ore Reserves |
|---|---|---|---|---|
| **September 2014 rights issue** | | | | |
| Number of rights issued | 1,901,265 | 1,901,265 | 1,901,265 | 1,901,265 |
| Spot price ($) | 0.765 | 0.765 | 0.765 | 0.765 |
| Risk-free rate (%) | 2.70 | 2.70 | 2.70 | 2.70 |
| Term (years) | 2.8 | 2.8 | 2.8 | 2.8 |
| Volatility (%) | 55-65 | 55-65 | 55-65 | 55-65 |
| Fair value at grant date ($) | 0.380 | 0.475 | 0.710 | 0.710 |
| **November 2014 rights issue** | | | | |
| Number of rights issued | 691,578 | 691,578 | 691,578 | 691,578 |
| Spot price ($) | 0.610 | 0.610 | 0.610 | 0.610 |
| Risk-free rate (%) | 2.54 | 2.54 | 2.54 | 2.54 |
| Term (years) | 2.6 | 2.6 | 2.6 | 2.6 |
| Volatility (%) | 55-65 | 55-65 | 55-65 | 55-65 |
| Fair value at grant date ($) | 0.375 | 0.320 | 0.560 | 0.560 |
| **February 2015 rights issue** | | | | |
| Number of rights issued | 108,250 | 108,250 | 108,250 | 108,250 |
| Spot price ($) | 0.985 | 0.985 | 0.985 | 0.985 |
| Risk-free rate (%) | 1.85 | 1.85 | 1.85 | 1.85 |
| Term (years) | 2.4 | 2.4 | 2.4 | 2.4 |
| Volatility (%) | 60-65 | 60-65 | 60-65 | 60-65 |
| Fair value at grant date ($) | 0.820 | 0.705 | 0.940 | 0.940 |

For details of Director and KMP interests in options at year end, refer to page 44.

**Remuneration Report (Audited) (continued)**

**(h) Remuneration of Directors and Key Management Personnel**

The following tables show details of the remuneration received by the Directors and the KMP of the Group for the current and previous financial year.

| | Total Fixed Remuneration | | Post Employment Benefits | STI | LTI | | |
|---|---|---|---|---|---|---|---|
| **2015** | **Base Salary and Fees** | **Non-Monetary Benefits (ii)** | **Super-annuation** | **Bonus** | **Amortised Value (iii)** | **Other benefits (iv)** | **Total** |
| **Directors** | | | | | | | |
| Jacob Klein | 985,017 | - | 18,783 | 700,000 | 780,403 | 150,000 | 2,634,203 |
| Lawrie Conway (i) | 536,601 | - | 18,102 | 325,000 | 35,739 | 320,240 | 1,235,682 |
| James Askew | 111,875 | - | - | - | - | - | 111,875 |
| Graham Freestone (v) | 124,155 | - | 10,845 | - | - | - | 135,000 |
| Colin Johnstone | 111,875 | - | - | - | - | - | 111,875 |
| Thomas McKeith (v) | 109,886 | - | 9,489 | - | - | - | 119,375 |
| John Rowe | 112,500 | - | - | - | - | - | 112,500 |
| **Key Management Personnel** | | | | | | | |
| Aaron Colleran | 398,167 | - | 18,783 | 300,000 | 217,270 | 125,000 | 1,059,220 |
| Paul Eagle | 301,217 | - | 18,783 | 180,000 | 82,133 | - | 582,133 |
| Evan Elstein | 326,217 | - | 18,783 | 245,000 | 148,169 | - | 738,169 |
| Mark Le Messurier | 431,217 | 10,108 | 18,783 | 325,000 | 229,708 | 75,000 | 1,089,816 |
| Roric Smith | 406,217 | 10,108 | 18,783 | 300,000 | 218,541 | - | 953,649 |
| | **3,954,944** | **20,216** | **151,134** | **2,375,000** | **1,711,962** | **670,240** | **8,883,496** |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Non-monetary benefits relate to car parking benefits provided by the Company.
(iii) Amortised value of share based rights comprises the fair value of options and performance rights expensed during the year.
(iv) Other benefits include a one-off discretionary bonus approved by the board for work completed on business development activities. Also included are relocation costs for Lawrie Conway.
(v) Included in Base Salary and Fees is an amount for work performed on the Entitlement Offer Due Diligence Committee.

**Remuneration Report (Audited) (continued)**

**(h) Remuneration of Directors and Key Management Personnel (continued)**

| 2014 | Total Fixed Remuneration | | Post Employment Benefits | STI | LTI | | |
|---|---|---|---|---|---|---|---|
| | Base Salary and Fees | Non-Monetary Benefits (vii) | Super-annuation | Bonus | Amortised Value (viii) (ix) | Other Benefits (x) | Total |
| **Directors** | | | | | | | |
| Jacob Klein | 984,065 | - | 17,775 | 580,000 | 523,795 | - | 2,105,635 |
| Lawrie Conway (i) | 97,883 | - | 2,117 | - | - | - | 100,000 |
| James Askew | 102,500 | - | - | - | - | - | 102,500 |
| Graham Freestone | 105,263 | - | 9,737 | - | - | - | 115,000 |
| Colin Johnstone (ii) | 69,375 | - | - | - | - | - | 69,375 |
| Thomas McKeith (iii) | 35,279 | - | 3,263 | - | - | - | 38,542 |
| John Rowe | 102,500 | - | - | - | - | - | 102,500 |
| Peter Smith (iv) | 23,125 | - | - | - | - | - | 23,125 |
| Paul Marks (v) | 29,965 | - | 1,958 | - | - | - | 31,923 |
| **Key Management Personnel** | | | | | | | |
| Aaron Colleran | 398,180 | - | 17,775 | 200,000 | 147,675 | - | 763,630 |
| Paul Eagle | 272,225 | - | 17,775 | 135,000 | 47,719 | - | 472,719 |
| Evan Elstein | 307,225 | - | 17,775 | 175,000 | 90,045 | - | 590,045 |
| Mark Le Messurier | 418,225 | 9,234 | 17,775 | 300,000 | 155,144 | - | 900,378 |
| Roric Smith | 398,180 | 9,234 | 17,775 | 230,000 | 156,902 | - | 812,091 |
| Tim Churcher (vi) | 398,180 | - | 27,093 | 161,000 | 149,226 | 236,908 | 972,407 |
| | **3,742,170** | **18,468** | **150,818** | **1,781,000** | **1,270,506** | **236,908** | **7,199,870** |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Appointed as a Director on 30 September 2013.
(iii) Appointed as a Director on 1 February 2014.
(iv) Resigned as a Director on 30 September 2013.
(v) Resigned as a Director on 4 November 2013.
(vi) Employment terminated on 1 July 2014.
(vii) Non-monetary benefits relate to car parking benefits provided by the Company.
(viii) Amortised value of share based rights comprises the fair value of options and performance rights expensed during the year.
(ix) An immaterial error, both individually and in aggregate, was identified during the year resulting in a restatement of the 2014 amortised value.
(x) Other benefits includes termination benefits paid to Tim Churcher during the year.

**Remuneration Report (Audited) (continued)**

**(h) Remuneration of Directors and Key Management Personnel (continued)**

The following tables show details of the STIP granted by the Directors and the KMP of the Group for the current and previous financial year.

| 2015 | Total STIP Granted ($) | % of Maximum Entitlement Granted | % of Maximum Entitlement Forfeited |
|---|---|---|---|
| **Directors** | | | |
| Jacob Klein | 700,000 | 96.8% | 3.2% |
| Lawrie Conway * | 325,000 | 96.3% | 3.7% |
| **Key Management Personnel** | | | |
| Aaron Colleran | 300,000 | 95.9% | 4.1% |
| Paul Eagle | 180,000 | 93.8% | 6.2% |
| Evan Elstein | 245,000 | 94.7% | 5.3% |
| Mark Le Messurier | 325,000 | 96.3% | 3.7% |
| Roric Smith | 300,000 | 94.1% | 5.9% |

* Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.

| 2014 | Total STIP Granted ($) | % of Maximum Entitlement Granted | % of Maximum Entitlement Forfeited |
|---|---|---|---|
| **Directors** | | | |
| Jacob Klein | 580,000 | 80.4% | 19.6% |
| Lawrie Conway * | - | - | - |
| **Key Management Personnel** | | | |
| Aaron Colleran | 200,000 | 80.1% | 19.9% |
| Paul Eagle | 135,000 | 77.6% | 22.4% |
| Evan Elstein | 175,000 | 71.7% | 28.3% |
| Mark Le Messurier | 300,000 | 91.7% | 8.3% |
| Roric Smith | 230,000 | 73.7% | 26.3% |
| Tim Churcher | 161,000 | 51.6% | 48.4% |

* Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.

**Remuneration Report (Audited) (continued)**

**(i) Executive Service Agreements**

Remuneration and other key terms of employment for the Executive Directors and KMP are formalised in the Executive Services Agreements table below:

| Name | Term of agreement and notice period | Total Fixed Remuneration | Notice Period by Executive | Notice period by Evolution | Termination payments |
|---|---|---|---|---|---|
| **Existing Executive Directors and Key Management Personnel** | | | | | |
| Jacob Klein<br>Executive Chairman | Open | 800,000<br>200,000 fixed Director's Fees | 6 months | 6 months | 12 month Total Fixed Remuneration |
| Aaron Colleran<br>Vice President Business Development and Investor Relations | Open | 415,955 | 3 months | 6 months | 6 months Total Fixed Remuneration |
| Lawrie Conway<br>Finance Director and Chief Financial Officer (i) | Open | 450,000<br>95,000 fixed Director's Fees | 3 months | 6 months | 6 months Total Fixed Remuneration |
| Paul Eagle<br>General Manager - People and Culture | Open | 345,000 | 3 months | 6 months | 6 months Total Fixed Remuneration |
| Evan Elstein<br>Company Secretary and Vice President - Information Technology and Community Relations | Open | 370,000 | 3 months | 6 months | 6 months Total Fixed Remuneration |
| Mark Le Messurier<br>Chief Operating Officer | Open | 450,000 | 3 months | 6 months | 6 months Total Fixed Remuneration |
| Roric Smith<br>Vice President Discovery and Chief Geologist | Open | 425,000 | 3 months | 6 months | 6 months Total Fixed Remuneration |
| Timothy Churcher<br>Chief Financial Officer (ii) | Open | 415,000 | 3 months | 6 months | 6 months Total Fixed Remuneration |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Employment terminated on 1 July 2014.

Fixed salary, inclusive of the required superannuation contribution amount, is reviewed annually by the Board following the end of the financial year. The amounts set out above are the Executive Directors and KMP total fixed remuneration as at the date of this report.

**Remuneration Report (Audited) (continued)**

**(j) Share-based Compensation and Performance Rights**

Options

The following share Options granted to Directors and KMP as remuneration lapsed before the end of the year. No grants of share-based payment compensation to Directors and KMP were exercised during the financial year. No share Options were granted to Directors and KMP during the year.

| | Awarded Number | Grant Date | Expiry Date | Fair Value per Award | Fair Value of Options at Grant Date | Exercise Price | Vested |
|---|---|---|---|---|---|---|---|
| **Key Management Personnel** | | | | | | | |
| Aaron Colleran | 750,000 | 17/10/2011 | 01/06/2015 | $0.867 | 650,250 | $1.267 | 100% |

(i) Performance rights

The following Performance Rights were granted to Executive Directors and KMP as remuneration during the year.

| Name | Grant date | Max No. of Performance Rights Granted | Value of Performance Rights at Grant date |
|---|---|---|---|
| **Directors** | | | |
| Jacob Klein (ii) | 26/11/2014 | 2,229,965 | 1,011,847 |
| Lawrie Conway (i) (ii) | 26/11/2014 | 536,347 | 243,368 |
| **Key Management Personnel** | | | |
| Aaron Colleran | 03/09/2014 | 495,770 | 281,969 |
| Paul Eagle | 03/09/2014 | 254,268 | 144,615 |
| Evan Elstein | 03/09/2014 | 411,200 | 233,870 |
| Mark Le Messurier | 03/09/2014 | 536,347 | 305,047 |
| Roric Smith | 03/09/2014 | 506,550 | 288,100 |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Grant of Performance Rights was subject to shareholder approval at the Annual General Meeting, which occurred on 26 November 2014.

Details of the Performance Rights plan and vesting conditions are provided on page 30 of this report.

The value of share-based payments granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

**Remuneration Report (Audited) (continued)**

**(k) Director and Key Management Personnel Equity Holdings**

(i) Fully Paid Ordinary Shares

| | Balance at 1 July 2014 | Received during the year on conversion of performance rights | Received during the year on exercise of options | Other changes | Balance at 30 June 2015 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Jacob Klein | 6,117,002 | 241,626 | - | 626,055 | 6,984,682 |
| Lawrie Conway (i) | - | - | - | 138,462 | 138,462 |
| James Askew | 500,000 | - | - | 169,231 | 669,231 |
| Graham Freestone | 68,523 | - | - | 28,950 | 97,473 |
| Colin Johnstone | - | - | - | 93,554 | 93,554 |
| Thomas McKeith | - | - | - | 138,462 | 138,462 |
| John Rowe | 112,582 | - | - | 45,210 | 157,792 |
| **Key Management Personnel** | | | | | |
| Aaron Colleran | 126,283 | 54,807 | - | (60,561) | 120,529 |
| Paul Eagle | - | - | - | | - |
| Evan Elstein | 23,190 | 24,663 | - | 20,218 | 68,071 |
| Mark Le Messurier | 66,217 | 55,355 | - | 102,723 | 224,295 |
| Roric Smith | 7,118 | - | - | 3,007 | 10,125 |
| Tim Churcher (ii) | 36,278 | 45,597 | - | 34,594 | 116,469 |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Employment terminated on 1 July 2014.

**Remuneration Report (Audited) (continued)**

**(k) Director and Key Management Personnel Equity Holdings (continued)**

(ii) Performance Rights

| | Balance at 1 July 2014 | Granted as compen-sation | Converted | Other changes | At end of the year: Balance at 30 June 2015 | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Jacob Klein | 3,704,090 | 2,229,965 | (241,626) | (160,013) | 5,532,416 | 241,626 | 5,532,416 |
| Lawrie Conway (i) | - | 536,347 | - | - | 536,347 | - | 536,347 |
| James Askew | - | - | - | - | - | - | - |
| Graham Freestone | - | - | - | - | - | - | - |
| Colin Johnstone | - | - | - | - | - | - | - |
| Thomas McKeith | - | - | - | - | - | - | - |
| John Rowe | - | - | - | - | - | - | - |
| **Key Management Personnel** | | | | | | | |
| Aaron Colleran | 832,565 | 495,770 | (54,807) | (43,554) | 1,229,975 | 54,807 | 1,229,975 |
| Paul Eagle | 275,425 | 254,268 | - | - | 529,693 | - | 529,693 |
| Evan Elstein | 543,768 | 411,200 | (24,663) | (19,599) | 910,705 | 24,663 | 910,705 |
| Mark Le Messurier | 868,933 | 536,347 | (55,355) | (43,990) | 1,305,936 | 55,355 | 1,305,936 |
| Roric Smith | 734,206 | 506,550 | - | - | 1,240,756 | - | 1,240,756 |
| Tim Churcher (ii) | 816,038 | - | (45,597) | (770,441) | - | 45,597 | - |
| | 7,775,025 | 4,970,447 | (422,048) | (1,037,597) | 11,285,828 | 422,048 | 11,285,828 |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Employment terminated on 1 July 2014.

**Remuneration Report (Audited) (continued)**

**(k) Director and Key Management Personnel Equity Holdings (continued)**

(iii) Options

| | Balance at the start of the year | Granted as compen-sation | Exercised | Other changes | At end of the year: Balance at the end of the year | At end of the year: Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Jacob Klein | 4,677,435 | - | - | - | 4,677,435 | 4,677,435 | - |
| Lawrie Conway (i) | - | - | - | - | - | - | - |
| James Askew | 488,651 | - | - | - | 488,651 | 488,651 | - |
| Graham Freestone | - | - | - | - | - | - | - |
| Colin Johnstone | - | - | - | - | - | - | - |
| Thomas McKeith | - | - | - | - | - | - | - |
| John Rowe | - | - | - | - | - | - | - |
| **Key Management Personnel** | | | | | | | |
| Aaron Colleran | 1,080,000 | - | - | (750,000) | 330,000 | 330,000 | - |
| Paul Eagle | - | - | - | - | - | - | - |
| Evan Elstein | 105,000 | - | - | - | 105,000 | 105,000 | - |
| Mark Le Messurier | 450,000 | - | - | - | 450,000 | 450,000 | - |
| Roric Smith | - | - | - | - | - | - | - |
| Tim Churcher (ii) | - | - | - | - | - | - | - |
| | **6,801,087** | **-** | **-** | **(750,000)** | **6,051,086** | **6,051,086** | **-** |

(i) Appointed as Finance Director and Chief Financial Officer on 1 August 2014, previously a Non-Executive Director.
(ii) Employment terminated on 1 July 2014.

**Indemnification of officers and auditors**

During the financial year the Company paid a premium in respect of a contract insuring the Directors of the Company, the company secretaries and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has entered into a Deed of Indemnity, Insurance and Access with each Director. In Summary the Deed provides for:

- Access to corporate records for each Director for a period after ceasing to hold office in the Company;
- The provision of Directors and Officers Liability Insurance; and
- Indemnity for legal costs incurred by Directors in carrying out the business affairs of the Company.

Except for the above the Company has not otherwise, during or since the financial year, except to the amount permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

### Non-audit services (continued)

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Other assurance services** | | |
| PricewaterhouseCoopers firm: | | |
| Due diligence services | **45,000** | - |
| Non PricewaterhouseCoopers audit firms | | |
| Due diligence services | **78,000** | - |
| Internal audit services | **94,514** | 28,550 |
| **Total remuneration for other assurance services** | **217,514** | 28,550 |
| **Taxation services** | | |
| PricewaterhouseCoopers firm: | | |
| Tax compliance services | **-** | 17,000 |
| Non PricewaterhouseCoopers audit firms | | |
| Tax compliance services | **12,000** | 47,573 |
| Tax advisory services | **51,565** | - |
| **Total remuneration for taxation services** | **63,565** | 64,573 |
| **Other services** | | |
| PricewaterhouseCoopers firm: | | |
| Accounting advice | **-** | 6,520 |
| **Total remuneration for other services** | **-** | 6,520 |
| **Total remuneration for non-audit services** | **281,079** | 99,643 |

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 48.

### Rounding of amounts

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

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

Jacob (Jake) Klein
Executive Chairman

Graham Freestone
Lead Independent Director

Sydney
27 August 2015

# Auditor's Independence Declaration

As lead auditor for the audit of Evolution Mining Limited for the year ended 30 June 2015, 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 audit; and

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

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

Tim Goldsmith

Tim Goldsmith
Partner
PricewaterhouseCoopers

Sydney
27 August 2015

***PricewaterhouseCoopers, ABN 52 780 433 757***
*Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171*
*T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

# Evolution Mining Limited
# Annual Financial Report
# Consolidated Statement of Profit or Loss and Other Comprehensive Income
# For the year ended 30 June 2015

| | Notes | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|---|
| Sales revenue | 2 | **665,958** | 634,420 |
| Cost of sales | 3 | **(512,085)** | (539,806) |
| **Gross Profit** | | **153,873** | 94,614 |
| | | | |
| Interest income | 2 | **497** | 264 |
| Other income | 2 | **364** | 405 |
| Exploration and evaluation costs expensed | 3 | **(6,968)** | (6,252) |
| Share based payments expense | 17 | **(1,868)** | (1,729) |
| Corporate and other administration costs | 3 | **(25,466)** | (20,868) |
| Acquisition and integration costs | 3 | **(5,935)** | - |
| Property, plant and equipment asset write-off | 6(c) | **-** | (2,033) |
| Finance costs | 3 | **(14,382)** | (14,384) |
| **Profit before income tax expense** | | **100,115** | 50,017 |
| | | | |
| Income tax benefit/(expense) | 4 | **-** | - |
| **Profit after income tax expense** | | **100,115** | 50,017 |
| | | | |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Changes in the fair value of available-for-sale financial assets | 7(b) | **444** | (600) |
| Changes in the fair value of cash flow hedges | 7(b) | **6,915** | (153) |
| | | | |
| **Other comprehensive income, net of tax** | | **7,359** | (753) |
| | | | |
| **Total comprehensive income** | | **107,474** | 49,264 |
| | | | |
| Total comprehensive income for the year is attributable to: | | | |
| Owners of Evolution Mining Limited | | **107,474** | 49,264 |
| | | **107,474** | 49,264 |
| | | Cents | Cents |
| **Earnings per share for profit attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share | 19 | **13.71** | 7.06 |
| Diluted earnings per share | 19 | **13.44** | 6.83 |

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

# Evolution Mining Limited
# Annual Financial Report
# Consolidated Balance Sheet
# As at 30 June 2015

| | Notes | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5(a) | **205,788** | 31,607 |
| Trade and other receivables | 5(b) | **10,514** | 27,774 |
| Inventories | 6(a) | **66,496** | 64,262 |
| Derivative financial instruments | 10(a) | **6,762** | - |
| **Total current assets** | | **289,560** | 123,643 |
| **Non-current assets** | | | |
| Inventories | 6(a) | **827** | 2,533 |
| Other financial assets | 5(c) | **6,516** | 900 |
| Property, plant and equipment | 6(c) | **470,522** | 489,172 |
| Mine development and exploration | 6(d) | **544,733** | 493,195 |
| Other non-current assets | 6(b) | **80** | 80 |
| **Total non-current assets** | | **1,022,678** | 985,880 |
| **Total assets** | | **1,312,238** | 1,109,523 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 5(d) | **55,702** | 67,816 |
| Interest bearing liabilities | 5(e) | **17,391** | 22,985 |
| Provisions | 6(e) | **22,832** | 14,419 |
| **Total current liabilities** | | **95,925** | 105,220 |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 5(e) | **6,525** | 138,483 |
| Derivative financial instruments | 10(a) | **-** | 153 |
| Provisions | 6(e) | **85,228** | 80,363 |
| **Total non-current liabilities** | | **91,753** | 218,999 |
| **Total liabilities** | | **187,678** | 324,219 |
| **Net assets** | | **1,124,560** | 785,304 |
| **EQUITY** | | | |
| Issued capital | 7(a) | **1,292,620** | 1,048,424 |
| Reserves | 7(b) | **27,446** | 18,219 |
| Accumulated losses | 7(c) | **(195,506)** | (281,339) |
| Capital and reserves attributable to owners of Evolution Mining Limited | | **1,124,560** | 785,304 |
| **Total equity** | | **1,124,560** | 785,304 |

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

# Evolution Mining Limited
# Annual Financial Report
# Consolidated Statement of Changes in Equity
# For the year ended 30 June 2015

| | Notes | Issued capital $'000 | Share-based payments $'000 | Fair value revaluation reserve $'000 | Cash flow hedges $'000 | Accu-mulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2013** | | 1,047,195 | 17,243 | - | - | (317,183) | 747,255 |
| Profit after income tax expense | | - | - | - | - | 50,017 | 50,017 |
| Changes in fair value of available-for-sale financial assets | | - | - | (600) | - | - | (600) |
| Changes in fair value of cash flow hedges | | - | - | - | (153) | - | (153) |
| **Total comprehensive income** | | **-** | **-** | **(600)** | **(153)** | **50,017** | **49,264** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Contributions of equity | 7(a) | 1,229 | - | - | - | - | 1,229 |
| Dividends provided for or paid | 11(b) | - | - | - | - | (14,173) | (14,173) |
| Recognition of share based payments | 17 | - | 1,729 | - | - | - | 1,729 |
| | | 1,229 | 1,729 | - | - | (14,173) | (11,215) |
| **Balance at 30 June 2014** | | **1,048,424** | **18,972** | **(600)** | **(153)** | **(281,339)** | **785,304** |
| **Balance at 1 July 2014** | | 1,048,424 | 18,972 | (600) | (153) | (281,339) | 785,304 |
| Profit after income tax expense | | - | - | - | - | 100,115 | 100,115 |
| Changes in fair value of available-for-sale financial assets | | - | - | 444 | - | - | 444 |
| Changes in fair value of cash flow hedges | | - | - | - | 6,915 | - | 6,915 |
| **Total comprehensive income** | | **-** | **-** | **444** | **6,915** | **100,115** | **107,474** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Contributions of equity | 7(a) | 244,196 | - | - | - | - | 244,196 |
| Dividends provided for or paid | 11(b) | - | - | - | - | (14,282) | (14,282) |
| Recognition of share-based payments | 17 | - | 1,868 | - | - | - | 1,868 |
| | | 244,196 | 1,868 | - | - | (14,282) | 231,782 |
| **Balance at 30 June 2015** | | **1,292,620** | **20,840** | **(156)** | **6,762** | **(195,506)** | **1,124,560** |

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

## Evolution Mining Limited
## Annual Financial Report
## Consolidated Statement of Cash Flows
## For the year ended 30 June 2015

| | Notes | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from sales | | **679,105** | 618,980 |
| Payments to suppliers and employees | | **(384,678)** | (405,963) |
| Other income | | **364** | 405 |
| Interest received | | **495** | 252 |
| Interest paid | | **(10,549)** | (11,477) |
| **Net cash inflow from operating activities** | 8(a) | **284,737** | 202,197 |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(44,330)** | (42,972) |
| Payment for mine development and exploration | | **(146,400)** | (127,017) |
| Proceeds from sale of available-for-sale financial assets | | **-** | 144 |
| Payments for available-for-sale financial assets | | **(5,172)** | - |
| Transfer to / (from) in term deposits | | **1** | (20) |
| Proceeds from sale of property, plant and equipment | | **830** | - |
| **Net cash outflow from investing activities** | | **(195,071)** | (169,865) |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of interest bearing liabilities | | **(126,784)** | - |
| Proceeds from short term borrowings | | **45,283** | 7,062 |
| Repayment of short term borrowings | | **(51,432)** | - |
| Dividends paid | | **(11,513)** | (12,944) |
| Proceeds from issues of shares | | **248,105** | - |
| Payment of transaction costs for issuing shares | | **(8,552)** | - |
| Payment of finance lease liabilities | | **(10,592)** | (8,505) |
| **Net cash inflow / (outflow) from financing activities** | | **84,515** | (14,387) |
| | | | |
| **Net increase in cash and cash equivalents** | | **174,181** | 17,945 |
| Cash and cash equivalents at the beginning of the period | | **31,607** | 13,662 |
| **Cash and cash equivalents at end of year** | 5(a) | **205,788** | 31,607 |

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

# Evolution Mining Limited
# Annual Financial Report
# Notes to the Consolidated Financial Statements

## Contents of the Notes to the Consolidated Financial Statements

## How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the Group, including:

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction
(b) analysis and sub-totals, including segment information
(c) information about estimates and judgements made in relation to particular items.

## 1 Segment information

### (a) Description of segments

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

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

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

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

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

### (b) Segment information

The segment information for the reportable segments for the year ended 30 June 2015 is as follows:

| | Cracow $'000 | Pajingo $'000 | Edna May $'000 | Mt Rawdon $'000 | Mt Carlton $'000 | Exploration $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **30 June 2015** | | | | | | | | |
| Segment Revenue | 138,558 | 96,697 | 153,462 | 156,777 | 120,464 | - | - | **665,958** |
| EBITDA | 61,823 | 39,121 | 73,051 | 82,546 | 48,892 | (6,968) | (32,108) | **266,357** |
| Capital additions* | 24,052 | 24,579 | 41,329 | 47,773 | 28,097 | 23,981 | 372 | **190,183** |

* Capital additions include assets that were acquired under finance leases during the period.

The segment information for the reportable segments for the year ended 30 June 2014 is as follows:

| | Cracow $'000 | Pajingo $'000 | Edna May $'000 | Mt Rawdon $'000 | Mt Carlton $'000 | Exploration $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **30 June 2014** | | | | | | | | |
| Segment revenue | 139,040 | 91,074 | 120,751 | 148,795 | 134,760 | - | - | **634,420** |
| EBITDA | 58,573 | 26,561 | 35,609 | 69,464 | 44,846 | (6,252) | (21,245) | **207,556** |
| Capital additions* | 41,096 | 22,951 | 17,381 | 77,751 | 37,463 | 20,272 | 1,408 | **218,322** |

* Capital additions include assets that were acquired under finance leases during the period.

## 1 Segment information (continued)

### (c) Segment Reconciliation

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Reconciliation of profit before income tax expense** | | |
| EBITDA | **266,357** | 207,556 |
| Depreciation and amortisation | **(152,721)** | (143,824) |
| Interest income | **497** | 264 |
| Other income | **364** | 405 |
| Finance costs | **(14,382)** | (14,384) |
| **Profit before income tax expense** | **100,115** | 50,017 |

## 2 Revenue and other income

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Sales revenue | | |
| Gold sales | **634,986** | 552,722 |
| Silver sales | **23,985** | 73,201 |
| Copper sales | **6,987** | 8,497 |
| | **665,958** | 634,420 |
| Other revenue | | |
| Interest income | **497** | 264 |
| Other income | **364** | 405 |
| | **861** | 669 |

### (a) Recognising revenue from major business activities

Revenue is recognised for the major business activities using the methods outlined below.

(i) Metal Sales

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 Group;
- 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 Group;
- The selling price can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred, or expected to be incurred, in respect of the transaction can be measured reliably.

## 2 Revenue and other income (continued)

### (a) Recognising revenue from major business activities

As a result of the above policy generally revenue is recognised at the time of shipment. Where metal is delivered into physical gold delivery contracts, revenue is recognised at the time of the metal transfer into the buyer's metals account. Refined bullion at the mint awaiting metal transfer to buyer's account is treated as inventory as significant risks and rewards have not passed to the buyer.

(ii) Concentrate Sales

Contract terms for the Group's concentrate sales allow for an adjustment in sales value determined by the final assay of the concentrates based on the final metal content. Initial recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination. The terms of concentrate sales contracts with third parties contain provisional pricing arrangements. The selling price for metal in concentrate is determined by prevailing spot prices at the time of shipment to the customer. Adjustments to the sales price occur determined by the movements in quoted market prices based on prevailing spot prices during specified future period after the shipment (the "quotation period"). The period between provisional invoicing and final settlement can be between two to three months.

(iii) Other revenue

See note 22(e) for the recognition and measurement of other revenue.

## 3 Expenses

**Breakdown of expenses by nature**

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Cost of sales** | | |
| Mine operating costs | **325,451** | 364,563 |
| Depreciation and amortisation expense | **151,560** | 142,746 |
| Royalty and other selling costs | **35,074** | 32,497 |
| | **512,085** | 539,806 |
| **Corporate and other administration costs** | | |
| Depreciation and amortisation expense | **1,161** | 1,078 |
| Operating lease payments | **1,255** | 1,433 |
| Corporate wages and salaries expense | **17,458** | 13,186 |
| Contractor, consultants and advisory expense | **3,189** | 4,004 |
| Other administrative | **2,129** | 898 |
| Loss on disposal of assets | **274** | 269 |
| | **25,466** | 20,868 |
| **Acquisition and integration costs** | | |
| Contractor, consultants and advisory expense | **5,088** | - |
| Corporate and administration expense | **847** | - |
| | **5,935** | - |

## 3 Expenses (continued)

**Breakdown of expenses by nature**

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Finance costs** | | |
| Finance lease interest expense | **1,339** | 1,024 |
| Amortisation of debt establishment costs | **1,229** | 1,496 |
| Write off of debt establishment costs | **1,094** | - |
| Interest expense | **8,622** | 9,872 |
| Unwinding of discount on provisions | **2,098** | 1,992 |
| | **14,382** | 14,384 |
| **Impairment losses and asset write offs** | | |
| Property, plant and equipment | **-** | 2,033 |
| Exploration and evaluation assets | **6,968** | 6,252 |
| | **6,968** | 8,285 |
| **Depreciation and amortisation** | | |
| Cost of sales | **151,560** | 142,746 |
| Corporate and other administration costs | **1,161** | 1,078 |
| | **152,721** | 143,824 |

## 4 Income tax expense

**(a) Income tax expense**

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Deferred tax | **30,622** | 14,258 |
| Previously unrecognised tax loss now recognised | **(30,622)** | (14,258) |
| | **-** | - |

## 4 Income tax expense (continued)

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

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Profit before income tax expense | **100,115** | 50,017 |
| Tax at the Australian tax rate of 30% (30 June 2014: 30%) | **30,035** | 15,005 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Share-based payments | **560** | 519 |
| Other | **27** | (1,266) |
| Previously unrecognised tax loss now recognised | **(30,622)** | (14,258) |
| Income tax expense | **-** | - |

### (c) Recognised deferred tax balances

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Inventories | **289** | 286 |
| Exploration and evaluation expenditure | **(29,969)** | (24,006) |
| Property, plant and equipment | **(3,263)** | (2,352) |
| Mine development | **(27,074)** | (4,848) |
| Employee benefits | **7,275** | 4,530 |
| Provisions | **5,346** | 4,717 |
| Capitalised interest | **(1,191)** | (1,191) |
| Other | **(2,409)** | (1,719) |
| Deferred tax balances from temporary differences | **(50,996)** | (24,583) |
| Adjustments for deferred tax of prior periods | **30,622** | - |
| Tax losses carried forward | **20,374** | 24,583 |
| Tax assets | **-** | - |

## 4 Income tax expense (continued)

### (d) Movement in deferred tax balances during the year

| | Balance at 1 July 2014 $'000 | Adjustments of deferred tax for prior periods $'000 | Recognised in profit or loss $'000 | Balance at 30 June 2015 $'000 |
|---|---|---|---|---|
| Inventories | 286 | - | 3 | 289 |
| Exploration and evaluation expenditure | (24,006) | 20,053 | (5,963) | (9,916) |
| Property, plant and equipment | (2,352) | 10,450 | (911) | 7,187 |
| Mine development | (4,848) | 1,462 | (22,226) | (25,612) |
| Employee benefits | 4,530 | - | 2,745 | 7,275 |
| Provisions | 4,717 | - | 629 | 5,346 |
| Capitalised interest | (1,191) | - | - | (1,191) |
| Other | (1,719) | - | (690) | (2,409) |
| Tax losses carried forward | 24,583 | (1,343) | (4,209) | 19,031 |
| Deferred tax assets / (liabilities) | - | 30,622 | (30,622) | - |

### (e) Tax losses

The Group has available tax losses of $270.508 million as at 30 June 2015 for returns lodged for tax years up to 30 June 2014.

## 5 Financial assets and financial liabilities

The Group holds the following financial instruments:

| | Notes | At fair value through other comprehen-sive income $'000 | | At amortised cost $'000 | |
|---|---|---|---|---|---|
| **30 June 2015** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 5(a) | - | - | 205,788 | 205,788 |
| Trade and other receivables | 5(b) | - | - | 10,514 | 10,514 |
| Derivative financial instruments | 10(a) | - | 6,762 | - | 6,762 |
| Available-for-sale financial assets | 5(c) | 6,516 | - | - | 6,516 |
| | | 6,516 | 6,762 | 216,302 | 229,580 |
| **Financial Liabilities** | | | | | |
| Trade and other payables | 5(d) | - | - | (55,702) | (55,702) |
| Interest bearing liabilities | 5(e) | - | - | (23,916) | (23,916) |
| | | - | - | (79,618) | (79,618) |

| | Notes | At fair value through other comprehen-sive income $'000 | Derivatives used for hedging $'000 | At amortised cost $'000 | Total $'000 |
|---|---|---|---|---|---|
| **30 June 2014** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 5(a) | - | - | 31,607 | 31,607 |
| Trade and other receivables | 5(b) | - | - | 27,774 | 27,774 |
| Available-for-sale financial assets | 5(c) | 900 | - | - | 900 |
| | | 900 | - | 59,381 | 60,281 |
| **Financial Liabilities** | | | | | |
| Trade and other payables | 5(d) | - | - | (67,816) | (67,816) |
| Interest bearing liabilities | 5(e) | - | - | (161,468) | (161,468) |
| Derivative financial instruments | 10(a) | - | (153) | - | (153) |
| | | - | (153) | (229,284) | (229,437) |

The Group's exposure to various risks associated with the financial instruments is discussed in note 10. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

## 5 Financial assets and financial liabilities (continued)

### (a) Cash and cash equivalents

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash at bank | **205,282** | 31,045 |
| Short term deposits * | **506** | 562 |
| | **205,788** | 31,607 |

* Short term deposits are held with investment grade banks in Australia for time frames to ensure an appropriate balance between liquidity and the interest rate earned. As at 30 June 2015, short term deposits were held at a fixed interest rate of 4.2%.

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the Consolidated Statement of Cash Flows at the end of the financial year as follows:

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Balances as above | **205,788** | 31,607 |
| Balances per Consolidated Statement of Cash Flows | **205,788** | 31,607 |

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 22(i) for the Group's other accounting policies on cash and cash equivalents.

(iii) Risk exposure

The Group's exposure to interest rate risk is discussed in note 10. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## 5 Financial assets and financial liabilities (continued)

### (b) Trade and other receivables

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Current assets** | | |
| Trade receivables | **3,969** | 20,079 |
| Accrued interest income | **13** | 12 |
| GST refundable | **4,725** | 4,069 |
| Other receivables | **252** | 1,348 |
| Prepayments | **1,555** | 2,266 |
| | **10,514** | 27,774 |

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 10(c) and 22(j) respectively.

(ii) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(iii) Fair value of trade and other receivables

Due to the nature of these receivables, their carrying amount is assumed to approximate their fair value.

(iv) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk can be found in note 10.

### (c) Available-for-sale financial assets

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Listed securities - Non-current** | | |
| Shares in Monto Minerals Limited * | **300** | 900 |
| Shares in Emmerson Resources Limited ** | **1,376** | - |
| Shares in Phoenix Gold Limited *** | **4,840** | - |
| | **6,516** | 900 |

* As part of the Merger with Conquest Mining Limited in 2011, the Company inherited 300 million shares in Monto Mineral Ltd (Monto) at a share price of $0.020 per share. The investment in Monto was written down to a carrying value of $1.5 million as part of the impairment recorded in the financial year ended 30 June 2013.

## 5 Financial assets and financial liabilities (continued)

### (c) Available-for-sale financial assets

At 30 June 2015, The share price of Monto was $0.001. The Company holds the investment at fair value and has recognised a fair value loss of $0.600 million in other comprehensive income.

** On 7 July 2014, the Company subscribed to purchase 49.144 million shares from Emmerson Resources Limited (Emmerson) at the weighted 20 day average price of $0.0381 per share as part of the Tenant Creek Mineral Field Farm-in Agreement.

At 30 June 2015, The share price of Emmerson was $0.0280. The Company holds the investment at fair value and has recognised a fair value loss of $0.496 million in other comprehensive income.

*** On 1 May 2015, the Company subscribed to purchase 44 million shares from Phoenix Gold Limited (Phoenix) at an issue price of $0.075 per share giving Evolution a 9.4% shareholding in Phoenix.

At 30 June 2015, The share price of Phoenix was $0.110. The Company holds the investment at fair value and has recognised a fair value gain of $1.540 million in other comprehensive income.

(i) Classification of financial assets as available-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See note 22(l) for further details about the Group's impairment policies for financial assets

(iii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Gains/(losses) recognised in other comprehensive income | **444** | (600) |
| | **444** | (600) |

(iv) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 5(f) below. None of the financial assets are either past due or impaired.

All available-for-sale financial assets are denominated in Australian dollars. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to note 10(b).

## 5 Financial assets and financial liabilities (continued)

### (d) Trade and other payables

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade creditors and accruals | **46,418** | 59,911 |
| Other creditors | **9,284** | 7,905 |
| | **55,702** | 67,816 |

Trade payables are unsecured and are paid on normal commercial terms.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

(i) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 10.

### (e) Interest bearing liabilities

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Finance lease liabilities | **11,982** | 11,426 |
| Other borrowings | **5,409** | 11,559 |
| | **17,391** | 22,985 |
| | | |
| **Non-current liabilities** | | |
| Bank loans - Corporate Revolving Credit Facility * | **-** | 126,784 |
| Less: Borrowing costs | **(1,750)** | (2,024) |
| Finance lease liabilities | **8,275** | 13,723 |
| | **6,525** | 138,483 |
| | | |
| Total interest bearing liabilities | **23,916** | 161,468 |

* During the year, a portion of the proceeds received from the shares issued under the Entitlement Offer have been used to pay down the balance of the Corporate Revolving Credit Facility. As at 30 June 2015, the Facility was still available for redraw.

In December 2014, the Company agreed terms by way of a letter of commitment to refinance its $200 million revolving credit facility and roll over the outstanding debt amount of $126.784 million. The term sheet was finalised with a syndicate of lenders to provide an $200 million Senior Secured Corporate Revolving Credit Facility (the “Facility”) with a $100 million Accordion Provision to 31 March 2018.

## 5 Financial assets and financial liabilities (continued)

### (e) Interest bearing liabilities

The rates and fees under the Facility were negotiated at materially better terms than the previous facility and equate to a saving of approximately $10 million over the term of the Facility, based on the outstanding debt amount of $126.784 million.

The Facility was executed on 12 February 2015 and is effective from this date, with the funds rolled over on 16 February 2015.

(i) Secured liabilities and assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Security on the Corporate Revolving Credit Facility is held in the form of a General Security Agreement over the Groups operating assets. The carrying amounts of assets pledged as security for current and non-current borrowings is $887.6 million.

(ii) Compliance with loan covenants

Evolution Mining Limited has complied with the financial covenants of its borrowing facilities as at the financial years ended 30 June 2015 and 30 June 2014, see note 11 for details.

(iii) Finance leases

The Group leases various plant and equipment with a carrying amount $18.548 million (30 June 2014: $21.086 million) based on the cost of the assets. These leases expire within one to five years and under the terms of the leases, at the expiry the ownership of the leased assets will transfer to the Group.

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Commitments in relation to finance leases are payable as follows: | | |
| Within one year | **12,811** | 12,659 |
| Later than one year but not later than five years | **8,578** | 14,407 |
| Minimum lease payments | **21,389** | 27,066 |
| Future finance charges | **(1,132)** | (1,917) |
| Total lease liabilities | **20,257** | 25,149 |
| Representing lease liabilities: | | |
| Current | **11,982** | 11,426 |
| Non-current | **8,275** | 13,723 |
| | **20,257** | 25,149 |

(iv) Fair value

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method.

(v) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 10.

## 5 Financial assets and financial liabilities (continued)

### (f) Recognised fair value measurements

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **30 June 2015** | | | | |
| **Financial assets** | | | | |
| Derivative financial instruments | | | | |
| Derivatives used for hedging | **-** | **6,762** | **-** | **6,762** |
| Other financial assets | | | | |
| Shares available for sale | **6,516** | **-** | **-** | **6,516** |
| **Total financial assets** | **6,516** | **6,762** | **-** | **13,278** |

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **30 June 2014** | | | | |
| **Financial assets** | | | | |
| Other financial assets | | | | |
| Shares available for sale | 900 | - | - | 900 |
| **Total financial assets** | 900 | - | - | 900 |
| **Financial liabilities** | | | | |
| Derivative financial instruments | | | | |
| Derivatives used for hedging | - | 153 | - | 153 |
| **Total financial liabilities** | - | 153 | - | 153 |

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

The Group did not measure any financial assets or liabilities on a non-recurring basis as at 30 June 2015.

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

## 5 Financial assets and financial liabilities (continued)

### (f) Recognised fair value measurements

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in either level 1 or 2. There are no financial instruments included in level 3 for the year ended 30 June 2015.

## 6 Non-financial assets and liabilities

### (a) Inventories

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Current** | | |
| Stores * | **27,655** | 24,845 |
| Ore | **20,664** | 20,580 |
| Dore and concentrate | **9,528** | 9,578 |
| Metal in circuit | **8,649** | 9,259 |
| | **66,496** | 64,262 |
| **Non-current** | | |
| Stores * | **827** | 2,533 |
| | **827** | 2,533 |

* During the year, $3.488 million of capital spares have been reclassified from stores to property, plant and equipment.

(i) Assigning costs to inventories

Inventory is valued at the lower of cost or 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 material into finished goods.

## 6 Non-financial assets and liabilities (continued)

### (a) Inventories

(ii) Amounts recognised in profit or loss

Write-downs of inventories to net realisable value amounted to $5.357 million (30 June 2014: $27.870 million). These were recognised as an expense during the year ended 30 June 2015 and included in 'cost of sales' in profit or loss.

### (b) Other non-current assets

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Tenement security bonds | **65** | 64 |
| Administration and office bonds | **15** | 16 |
| | **80** | 80 |

### (c) Property, plant and equipment

| | Freehold land $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|
| **At 1 July 2014** | | | |
| Cost | 10,365 | 592,679 | 603,044 |
| Accumulated depreciation | - | (113,872) | (113,872) |
| Net carrying amount | 10,365 | 478,807 | 489,172 |
| **Year ended 30 June 2015** | | | |
| Carrying amount at the beginning of the year | 10,365 | 478,807 | 489,172 |
| Additions | - | 44,719 | 44,719 |
| Transfers to Mine Development and Exploration | - | (2,068) | (2,068) |
| Reclassifications | (10) | 3,498 | 3,488 |
| Disposals | - | (1,094) | (1,094) |
| Depreciation | - | (63,695) | (63,695) |
| Carrying amount at the end of the year | 10,355 | 460,167 | 470,522 |
| **At 30 June 2015** | | | |
| Cost | 10,355 | 637,734 | 648,089 |
| Accumulated depreciation | - | (177,567) | (177,567) |
| Net carrying amount | 10,355 | 460,167 | 470,522 |
| **Included in above** | | | |
| Carrying amount of lease assets | - | 18,548 | 18,548 |
| Carrying amount of assets under construction | - | 20,184 | 20,184 |
| | - | 38,732 | 38,732 |

## 6 Non-financial assets and liabilities (continued)

### (c) Property, plant and equipment

| | Freehold land $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|
| **At 1 July 2013** | | | |
| Cost | 9,817 | 324,475 | 334,292 |
| Accumulated depreciation | - | (58,234) | (58,234) |
| Net carrying amount | 9,817 | 266,241 | 276,058 |
| **Year ended 30 June 2014** | | | |
| Carrying amount at the beginning of the year | 9,817 | 266,241 | 276,058 |
| Additions | 548 | 67,538 | 68,086 |
| Transfers to Mine Development and Exploration | - | (6,903) | (6,903) |
| Reclassifications | - | 211,068 | 211,068 |
| Disposals | - | (1,466) | (1,466) |
| Depreciation | - | (55,638) | (55,638) |
| Asset write-off | - | (2,033) | (2,033) |
| Carrying amount at the end of the year | 10,365 | 478,807 | 489,172 |
| **At 30 June 2014** | | | |
| Cost | 10,365 | 592,679 | 603,044 |
| Accumulated depreciation | - | (113,872) | (113,872) |
| Net carrying amount | 10,365 | 478,807 | 489,172 |
| **Included in above** | | | |
| Carrying amount of lease assets | - | 21,086 | 21,086 |
| Assets in the course of construction | - | 35,179 | 35,179 |
| | - | 56,265 | 56,265 |

(i) Non-current assets pledged as security

Refer to note 5(e) for information on non-current assets pledged as security by the Group.

(ii) Depreciation methods and useful lives

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.

See note 22(o) for the other accounting policies relevant to property, plant and equipment.

## 6 Non-financial assets and liabilities (continued)

### (d) Mine development and exploration

| | Mines under construction $'000 | Producing mines $'000 | Exploration and evaluation $'000 | Total $'000 |
|---|---|---|---|---|
| **At 1 July 2014** | | | | |
| Cost | - | 769,038 | 40,568 | 809,606 |
| Accumulated amortisation | - | (304,025) | (12,386) | (316,411) |
| Net carrying amount | - | 465,013 | 28,182 | 493,195 |
| | | | | |
| **Year ended 30 June 2015** | | | | |
| Carrying amount at the beginning of the year | - | 465,013 | 28,182 | 493,195 |
| Additions | - | 121,483 | 23,981 | 145,464 |
| Transfers from property, plant and equipment | - | 2,068 | - | 2,068 |
| Reclassifications | - | 5,574 | (5,574) | - |
| Amortisation | - | (89,026) | - | (89,026) |
| Asset write-off | - | - | (6,968) | (6,968) |
| Carrying amount at the end of the year | - | 505,112 | 39,621 | 544,733 |
| | | | | |
| **At 30 June 2015** | | | | |
| Cost | - | 898,163 | 52,007 | 950,170 |
| Accumulated amortisation | - | (393,051) | (12,386) | (405,437) |
| Net carrying amount | - | 505,112 | 39,621 | 544,733 |
| | | | | |
| **Year ended 30 June 2014** | | | | |
| Carrying amount at the beginning of the year | 287,365 | 316,433 | 37,764 | 641,562 |
| Additions | - | 129,964 | 20,272 | 150,236 |
| Transfers from property, plant and equipment | - | 30,505 | (23,602) | 6,903 |
| Reclassifications | (287,365) | 76,297 | - | (211,068) |
| Amortisation | - | (88,186) | - | (88,186) |
| Asset write-off | - | - | (6,252) | (6,252) |
| Carrying amount at the end of the year | - | 465,013 | 28,182 | 493,195 |
| | | | | |
| **At 30 June 2014** | | | | |
| Cost | - | 769,038 | 40,568 | 809,606 |
| Accumulated amortisation | - | (304,025) | (12,386) | (316,411) |
| Net carrying amount | - | 465,013 | 28,182 | 493,195 |

(i) Non-current assets pledged as security

Refer to note 5(e) for information on non-current assets pledged as security by the Group.

## 6 Non-financial assets and liabilities (continued)

### (d) Mine development and exploration

(ii) Amortisation methods and useful lives

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.

See note 22(n) for the other accounting policies relevant to mine development and exploration.

### (e) Provisions

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Current** | | |
| Employee entitlements | **22,832** | 14,419 |
| | **22,832** | 14,419 |
| **Non-current** | | |
| Employee entitlements | **1,812** | 1,075 |
| Rehabilitation provision | **83,416** | 79,288 |
| | **85,228** | 80,363 |

(i) Information about individual provisions and significant estimates

Employee entitlements

The provision for employee benefits relates to the Group's liability for long service leave and annual leave.

See note 22(v) for the other accounting policies relevant to employee benefits.

Rehabilitation provision

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 the requirements of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology.

See note 22(t) for the other accounting policies relevant to site restoration costs.

## 6 Non-financial assets and liabilities (continued)

### (e) Provisions

(ii) Movements in provisions

Movements in each class of provision during the financial year are set out below:

| | Employee benefits $'000 | Rehabilitation $'000 | Total $'000 |
|---|---|---|---|
| **30 June 2015** | | | |
| Carrying amount at the beginning of the year | 15,494 | 79,288 | 94,782 |
| Charged/(credited) to profit or loss | | | |
| - unwinding of discount | - | 2,098 | 2,098 |
| - additional provisions recognised | 9,150 | - | 9,150 |
| Re-measurement of provision | - | 2,972 | 2,972 |
| Other movements | - | (942) | (942) |
| Carrying amount at the end of the year | 24,644 | 83,416 | 108,060 |
| **30 June 2014** | | | |
| Carrying amount at the beginning of the year | 11,382 | 49,603 | 60,985 |
| Charged/(credited) to profit or loss | | | |
| - unwinding of discount | - | 1,992 | 1,992 |
| - additional provisions recognised | 4,112 | - | 4,112 |
| Re-measurement of provision | - | 27,693 | 27,693 |
| Carrying amount at the end of the year | 15,494 | 79,288 | 94,782 |

## 7 Equity

### (a) Contributed equity

(i) Share capital

| | 30 June 2015 Shares | 30 June 2014 Shares | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|---|---|
| Ordinary shares | | | | |
| Fully paid ordinary shares | **992,435,234** | 709,989,453 | **1,292,620** | 1,048,424 |
| | **992,435,234** | 709,989,453 | **1,292,620** | 1,048,424 |

## 7 Equity (continued)

### (a) Contributed equity

(ii) Movements in ordinary share capital

| | Number of shares | $'000 |
|---|---|---|
| Opening balance 1 July 2013 | 708,092,989 | 1,047,195 |
| Shares issued on vesting of performance rights | 559,378 | - |
| Shares issued under DRP for interim dividend | 1,337,086 | 1,229 |
| Balance 30 June 2014 | 709,989,453 | 1,048,424 |
| | | |
| Issue of shares to Emmerson Resources Limited | 2,504,383 | 2,000 |
| Shares issued on vesting of performance rights | 724,811 | - |
| Shares issued under DRP for final dividend | 1,703,000 | 1,139 |
| Shares issued under DRP for interim dividend | 1,840,927 | 1,503 |
| Shares issued under Institutional Component of Entitlement Offer | 192,463,833 | 173,217 |
| Shares issued under Retail Component of Entitlement Offer | 83,208,827 | 74,888 |
| Less: Transaction costs arising on share issue | - | (8,552) |
| Balance 30 June 2015 | 992,435,234 | 1,292,620 |

(iii) Ordinary shares

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

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

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

(iv) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan based on the daily VWAP for the 5 days immediately after the record date. Any DRP or discount are subject to Board approval.

(v) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 17.

### (b) Other reserves

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Fair value revaluation reserve | **(156)** | (600) |
| Cash flow hedge reserve | **6,762** | (153) |
| Share-based payments | **20,840** | 18,972 |
| | **27,446** | 18,219 |

## 7 Equity (continued)

### (b) Other reserves

| | Notes | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|---|
| **Movements:** | | | |
| Fair value revaluation reserve | | | |
| Balance at the beginning of the year | | **(600)** | - |
| Change in fair value of available-for-sale financial assets | | **444** | (600) |
| Balance at the end of the year | | **(156)** | (600) |
| Cash flow hedges | | | |
| Balance at the beginning of the year | | **(153)** | - |
| Change in the fair value of cash flow hedges | | **6,915** | (153) |
| Balance at the end of the year | | **6,762** | (153) |
| Share-based payments | | | |
| Balance at the beginning of the year | | **18,972** | 17,243 |
| Share based payments expense | 17 | **1,868** | 1,729 |
| Balance at the end of the year | | **20,840** | 18,972 |

(i) Nature and purpose of other reserves

Financial assets at fair value through other comprehensive income

As explained in note 22(l), the Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated in a separate reserve within equity. The entity does not have any policy on transferring amounts from this reserve to another reserve or to retained earnings when the relevant equity securities are sold.

Cash flow hedges

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and are recognised in other comprehensive income, as described in note 22(m). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Share-based payments

The option reserve comprises the consideration received for the issue of Options over unissued ordinary shares of the Company and the fair value of Options over unissued ordinary shares granted as employee remuneration until the Options are exercised or expire.

## 7 Equity (continued)

### (c) Retained earnings

Movements in retained earnings were as follows:

| | Notes | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|---|
| Balance at the beginning of the year | | **(281,339)** | (317,183) |
| Net profit for the year | | **100,115** | 50,017 |
| Dividends paid and shares issued under the DRP | 11(b) | **(14,282)** | (14,173) |
| Balance at the end of the year | | **(195,506)** | (281,339) |

## 8 Cash flow information

### (a) Reconciliation of profit after income tax to net cash inflow from operating activities

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Profit for the year | **100,115** | 50,017 |
| Depreciation and amortisation | **152,735** | 143,824 |
| Share-based payments expense | **1,868** | 1,729 |
| Unwind of discount on provisions | **2,098** | 1,992 |
| Amortisation of debt establishment costs | **2,323** | 1,496 |
| Loss on disposal of assets | **274** | 269 |
| Exploration and evaluation costs expensed | **6,968** | 6,252 |
| Property, plant and equipment asset write-off | **-** | 2,033 |
| Change in operating assets and liabilities: | | |
| Decrease / (increase) in operating receivables | **17,260** | (11,574) |
| (Increase) / decrease in inventories | **(4,026)** | 5,993 |
| Decrease in operating payables | **(1,979)** | (3,897) |
| Decrease in borrowing costs | **(2,049)** | - |
| Increase in other provisions | **9,150** | 4,063 |
| Net cash inflow from operating activities | **284,737** | 202,197 |

### (b) Non-cash investing and financing activities

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Acquisition of plant and equipment by means of finance leases | **5,718** | 26,974 |
| Acquisition of available-for-sale asset by means of share swap | **2,000** | - |
| | **7,718** | 26,974 |

# Risk

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

## 9 Critical estimates, judgements and errors

In the application of Australian Accounting Standards, management is required to make judgements, 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 judgements. 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.

The judgements, estimates and assumptions 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 are discussed below.

**(a) Determination of mineral resources and ore reserves**

The Group estimates its Mineral Resources and Ore Reserves in accordance with the Australasian 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, impairment assessments and provisions for decommissioning and restoration.

**(b) Estimation of 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. Factors that will affect this liability include future disturbances caused by further development, changes in technology, changes in regulations, price increases and change in the timing of cash flows. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

**(c) 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.

**(d) Impairment of non-current assets**

The group undertakes an impairment review to determine whether any indicators of impairment are present. Where an indicator of impairment exists, an estimate of the recoverable amount of the CGU is made. Each mine is considered to be a separate CGU.

## 9 Critical estimates, judgements and errors (continued)

### (d) Impairment of non-current assets

In 2013, the group recognised significant impairment losses in each CGU following the significant decline in the gold price, and related market valuations and sentiment around gold equities. At 30 June 2015, an indicator of potential impairment was the company's market capitalisation relative to its book value and the group assessed the recoverable amounts of each CGU. No CGU was assessed to be impaired at 30 June 2015.

The recoverable amount has been determined based on the higher of the CGU's fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as reserves and anticipated mine operating lives, discount rates, exchange rates, commodity prices, grade of ore mined, recovery percentage, operating performance, costs and capital estimates. Given the impairment expense recognised in 2013, a significant negative change in these assumptions in isolation would likely result in an additional impairment expense.

## 10 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group has used derivative financial instruments such as interest rate swaps to hedge interest rate risk exposures.

Risk management is carried out at a corporate level under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors approves written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, gold price risk and use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group holds the following financial instruments:

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | **205,788** | 31,607 |
| Trade and other receivables (excluding GST refundable) | **5,790** | 23,706 |
| Derivative financial instruments | **6,762** | - |
| Other financial assets | **6,516** | 900 |
| | **224,856** | 56,213 |
| **Financial Liabilities** | | |
| Trade and other payables | **55,702** | 67,816 |
| Interest bearing liabilities | **23,916** | 161,468 |
| Derivative financial instruments | **-** | 153 |
| | **79,618** | 229,437 |

## 10 Financial risk management (continued)

### (a) Derivatives

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The group has the following derivative financial instruments:

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Current assets** | | |
| Forward foreign exchange contracts - cash flow hedges | **6,762** | - |
| Total current derivative financial instrument assets | **6,762** | - |
| **Non-current liabilities** | | |
| Interest rate swap - cash flow hedge | **-** | 153 |
| Total non-current derivative financial instrument liabilities | **-** | 153 |

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in note 22(m). For hedged forecast transactions that result in the recognition of a non-financial asset, the Group has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(ii) Fair value measurements

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 5(f).

### (b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional. As at 30 June 2015, the Group held US$0.172 million (30 June 2014: US$0.695 million) in a US dollar currency bank account and outstanding receivables of US$1.858 million (30 June 2014: US$9.565 million) relating to the Mt Carlton operation.

Management has set up a policy to manage their foreign exchange risk against their functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. An increase/decrease in AUD:USD foreign exchange rates of 5% will result in a $8,600 (30 June 2014: $34,750) increase/decrease in US dollar currency bank account balances and a $92,900 (30 June 2014: $478,250) increase/decrease in US dollar receivables.

## 10 Financial risk management (continued)

### (b) Market risk

(ii) Price risk

The Group is currently exposed to the risk of fluctuations in prevailing market commodity prices on the gold and silver currently produced from its gold mines and market share prices on the available-for-sale assets. The Group has in place physical gold delivery contracts as at 30 June 2015 covering sales of 306,820 oz (30 June 2014: 164,319 oz) of gold at an average flat forward price of $1,536 (30 June 2014: $1,597) per ounce. An increase/decrease in market share prices on available-for-sale assets of 10% will result in a $651,603 (30 June 2014: $90,000) increase/decrease in available-for-sale assets.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest bearing liabilities. As at 30 June 2015 the Group did not hold any interest bearing liabilities (30 June 2014: $126.784 million) which incur interest at a variable rate. An increase/decrease of variable interest rates of 0.25% will result in a nil (30 June 2014: $633,919) increase/decrease in interest expense relating to interest bearing liabilities.

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities. At the balance sheet date there were no significant concentrations of credit risk given customers and banks have investment grade credit ratings. The total trade and other receivables outstanding at 30 June 2015 was $5.776 million (30 June 2014: $23.693 million).

### (d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and term deposits, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(i) Financing arrangements

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

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Bank loans - revolving credit facility | | |
| Expiring beyond one year | **200,000** | 73,216 |
| | **200,000** | 73,216 |

(ii) Maturities of financial liabilities

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and
(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

## 10 Financial risk management (continued)

### (d) Liquidity risk

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Total contractual cash flows $'000 | Carrying amount (assets)/ liabilities $'000 |
|---|---|---|---|---|---|---|
| **At 30 June 2015** | | | | | | |
| **Non-derivatives** | | | | | | |
| Trade and other payables | **55,702** | **-** | **-** | **-** | **55,705** | **55,702** |
| Finance lease liabilities | **12,811** | **7,075** | **1,503** | **-** | **21,389** | **20,257** |
| Other borrowings | **5,409** | **-** | **-** | **-** | **5,409** | **5,409** |
| **Total non-derivatives** | **73,922** | **7,075** | **1,503** | **-** | **82,503** | **81,368** |
| **At 30 June 2014** | | | | | | |
| **Non-derivatives** | | | | | | |
| Trade and other payables | 67,816 | - | - | - | 67,816 | 67,816 |
| Finance lease liabilities | 12,659 | 10,088 | 4,353 | - | 27,100 | 25,149 |
| Corporate revolving credit facility | 6,656 | 133,440 | - | - | 140,096 | 126,784 |
| Other borrowings | 11,559 | - | - | - | 11,559 | 11,559 |
| **Total non-derivatives** | 98,690 | 143,528 | 4,353 | - | 246,571 | 231,308 |

## 11 Capital management

### (a) Risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group’s focus has been to raise sufficient funds through equity and debt capital markets to fund capital investment in working capital and exploration and evaluation activities.

The Group monitors its liquidity through analysis of regular cash flow forecasts.

(i) Loan covenants

The lenders have placed covenants over the corporate loan facility based on the current ratio, leverage ratio, interest coverage ratio and the gearing ratio. The Group has complied with these covenants as at 30 June 2015.

## 11 Capital management (continued)

### (b) Dividends

(i) Ordinary shares

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Final dividend | | |
| Final ordinary dividend for the year ended 30 June 2014 of 1 cent unfranked (30 June 2013: 1 cent unfranked) per fully paid share paid on 3 October 2014 | **7,132** | 7,086 |
| Interim dividend | | |
| Interim ordinary dividend for the period ended 31 December 2014 of 1 cent unfranked (31 December 2013: 1 cent unfranked) per fully paid share paid on 27 March 2015 | **7,149** | 7,087 |
| | **14,281** | 14,173 |

The Board of Directors approved the implementation of a DRP as part of the Groups existing dividend policy. The DRP allows shareholders to elect to reinvest all or part of any dividends payable on their Evolution shares to acquire additional Evolution shares. The participation rate in the final dividend for the year ended 30 June 2014 was 16.05% of the Company's ordinary shares, with 1,703,000 shares issued at $0.6689 per share. The cash payment amount for the final dividend for the year ended 30 June 2014 was $5.993 million. The participation rate in the interim dividend for the half-year ended 31 December 2014 was 21.08% of the Company's ordinary shares, with 1,840,927 shares issued at $0.8162 per share. The cash payment amount for the interim dividend for the half-year ended 31 December 2014 was $5.646 million. As at 30 June 2015, the Group held an amount for unclaimed dividends of $0.126 million. Total cash paid for dividends during the year was $11.513 million.

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

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 1 cents per fully paid ordinary share (30 June 2014: 1 cent), unfranked. The aggregate amount of the proposed dividend expected to be paid on 2 October 2015 out of retained earnings at 30 June 2015, but not recognised as a liability at year end, is | **14,383** | 7,100 |

## Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation
- transactions with non-controlling interests, and
- interests in joint operations.

A list of significant subsidiaries is provided in note 12. This note also discloses details about the Group's equity accounted investments.

## 12 Interests in other entities

### (a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 22(b):

| Name of entity | Country of incorporation | Class of shares | Equity holding 2015 % | 2014 % |
|---|---|---|---|---|
| Evolution Mining Management Services Pty Ltd | Australia | Ordinary | **100** | 100 |
| Conquest Mining Pty Ltd (i) (ii) | Australia | Ordinary | **100** | 100 |
| CGT Gold Aust Pty Ltd (i) | Australia | Ordinary | **100** | 100 |
| CQT Holdings Pty Ltd (i) | Australia | Ordinary | **100** | 100 |
| NQM Gold 2 Pty Ltd (i) (ii) | Australia | Ordinary | **100** | 100 |
| Edna May Ops Pty Ltd (i) (ii) | Australia | Ordinary | **100** | 100 |
| Mt Rawdon Operations Pty Ltd (i) (ii) | Australia | Ordinary | **100** | 100 |
| Westonia Mines Minerals Pty Ltd (i) | Australia | Ordinary | **100** | 100 |
| Lion Selection Pty Ltd (i) | Australia | Ordinary | **100** | 100 |
| Auselect Pty Ltd (i) | Australia | Ordinary | **100** | 100 |
| Lion Mining Pty Ltd (i) (ii) | Australia | Ordinary | **100** | 100 |
| Sedgold Pty Ltd (i) | Australia | Ordinary | **100** | 100 |
| Fernyside Pty Ltd (i) | Australia | Ordinary | **100** | 100 |
| Evolution Tennant Creek Pty Ltd (ii) | Australia | Ordinary | **100** | 100 |
| Evolution Mining NZ Pty Ltd (ii) | Australia | Ordinary | **100** | - |

(i) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 20.
(ii) These entities are considered to be the material controlled entities of the Group. Their principal activities are identifying, developing and operating gold related projects in both Australia and New Zealand.

Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

# Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

(a) Unrecognised tax amounts – see note 6
(b) Non-cash investing and financing transactions – see note 10(b).

## 13 Contingent liabilities and contingent assets

### (a) Contingent liabilities

The Group had contingent liabilities at 30 June 2015 in respect of:

(i) Claims

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

(ii) Guarantees

The Group has provided bank guarantees in favour of various government authorities and service providers with respect to site restoration, contractual obligations and premises at 30 June 2015. The total of these guarantees at 30 June 2015 was $64.32 million with various financial institutions (30 June 2014: $57.256 million).

## 14 Commitments

### (a) Capital and lease commitments

(i) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements the Group is required to perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Within one year | **2,549** | 3,485 |
| Later than one year but not later than five years | **5,247** | 5,125 |
| Later than five years | **2,564** | 1,575 |
| | **10,360** | 10,185 |

(ii) Capital commitments

The Group has the following capital commitments in relation to capital projects and joint venture requirements at each of the sites.

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Within one year | **7,602** | 19,064 |
| Later than one year but not later than five years | **-** | 2,500 |
| | **7,602** | 21,564 |

## 14 Commitments (continued)

### (a) Capital and lease commitments

(iii) Non-cancellable operating leases

The Group leases mining equipment, office space and small items of office equipment under operating leases. The leases typically run for one month to five years with an option to renew at the expiry of the lease period. None of these leases include contingent rentals.

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | **22,372** | 26,626 |
| Later than one year but not later than five years | **3,110** | 7,207 |
| | **25,482** | 33,833 |

### (b) Gold delivery commitments

| | Gold for physical delivery oz | Contracted sales price A$/oz | Value of committed sales $'000 |
|---|---|---|---|
| **As at 30 June 2015** | | | |
| Within one year | **94,320** | **1,601** | **150,750** |
| Later than one year but not greater than five years | **212,500** | **1,514** | **320,539** |
| | **306,820** | | **471,289** |
| **As at 30 June 2014** | | | |
| Within one year | 82,499 | 1,577 | 130,101 |
| Later than one year but not greater than five years | 81,820 | 1,618 | 132,385 |
| | 164,319 | | 262,486 |

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

## 15 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to the year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group or economic entity in subsequent financial years except for the following matters:

**(a) Acquisition of Toledo Holdings (Ausco) Pty Limited**

On 20 April 2015, the Group announced that it had entered into a binding agreement with La Mancha Group International BV ("La Mancha") to acquire 100% of La Mancha's Australian operations ("La Mancha Australia") in exchange for the issuance of 322.024 million Evolution shares. The transaction will be effected via the acquisition by Evolution of all of the shares in Toledo Holdings (Ausco) Pty Ltd, the holding company of La Mancha Australia. La Mancha Australia's operations comprise the Frog's Leg underground gold mine, the White Foil open-pit gold mine, and the newly constructed Mungari CIL processing plant.

The transaction was subject to a number of conditions, including Evolution shareholder approval at an Extraordinary General Meeting held on 30 July 2015. The transaction was approved at the Extraordinary General Meeting and FIRB approval was received on 21 August 2015 with the transaction completed on 25 August 2015. Effective 1 September 2015, Naguib Sawaris and Sebastien de Montessus will be appointed as Directors with Vincent Benoit and Amr El Adawy to be appointed as their Alternate Directors.

On completion, La Mancha subscribed to an additional 123.861 million shares at a price of $0.90 per share.

The financial effects of this transaction have not been recognised at 30 June 2015. The operating results and assets and liabilities of the acquired company will be consolidated from the date of acquisition.

(i) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Toledo Holdings Pty Limited. In particular, the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

(ii) Acquisition-related costs

Acquisition-related costs of $0.756 million were included in acquisition and integration costs in the profit or loss for the year ended 30 June 2015. A majority of the costs, including stamp duty will be recognised in the year ended 30 June 2016.

## 15 Events occurring after the reporting period (continued)

### (b) Acquisition of Barrick (Cowal) Pty Limited

On 25 May 2015, the Group announced that it had entered into an agreement with Barrick (Australia Pacific) Pty Limited ("Barrick") to acquire the Cowal gold mine through the purchase of 100% of the shares in Barrick (Cowal) Pty Limited ("Cowal") for a price of US$550 million. Completion of the Cowal Transaction was conditional upon Barrick obtaining written consent (either without conditions or on conditions reasonably satisfactory to Evolution having regard to the materiality of those conditions in the entirety of the sale of the Cowal shares) under the Mining Act 1992 (NSW) from the NSW Minister for Resources and Energy to the change in control and foreign acquisition of substantial control in Cowal, in relation to EL 1590 and EL 7750. Ministerial consent was obtained on 17 July 2015 and the transaction completed on 24 July 2015.

(i) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Cowal. In particular, the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

(ii) Purchase consideration

The purchase consideration was US$550 million. Upon signing of the share sale agreement with Barrick the Group entered into a forward foreign exchange contract to lock in the final purchase consideration. As at 30 June 2015, the Company held a forward foreign exchange contract giving a final purchase consideration on 24 July 2015 of $707 million.

(iii) Acquisition-related costs

Acquisition-related costs of $4.206 million were included in acquisition and integration costs in the profit or loss for the year ended 30 June 2015. A majority of the costs, including stamp duty will be recognised in the year ended 30 June 2016.

### (c) Refinancing of borrowings

In May 2015, the Group entered into a refinancing arrangement by way of a letter of commitment. The new Corporate Credit Facility ("the New Facility") comprises $300 million Senior Secured Revolving Loan (“Facility A”), a new $400 million Senior Secured Term Loan (“Facility B”), and a $155 million performance bond facility (“Facility C”).

The New Facility was executed on 20 July 2015 and is effective from this date.

The New Facility was conditional on the successful financial close of the Cowal and La Mancha transactions, specifically:

- Facility A was conditional on the successful completion of either the Cowal or La Mancha transactions.
- Facility B and the increase in Facility C were conditional on the successful completion of the Cowal transaction.

The New Facility was drawn down on 23 July 2015 on completion of the Cowal acquisition and is repayable over the following periods:

- Facility A: 31 July 2018
- Facility B: 5 years from date of the Facility Agreement
- Facility C: 3 years from date of the Facility Agreement

## 15 Events occurring after the reporting period (continued)

### (d) Phoenix Gold Limited

On 24 July 2015, the Group increased its interest in Phoenix Gold Limited (ASX Code: PXG) from 9.8% to 19.8% with the acquisition of an additional 49 million ordinary shares for $5.9 million. The total cash investment to date is $9.180 million.

On 20 August 2015, the Group announced its intention to make an off-market takeover offer ("the Offer") to acquire all of the ordinary shares of Phoenix Gold Limited ("Phoenix") that it does not currently own. At the date of the Offer the Group held approximately 19.8% of the shares in Phoenix.

Accepting Phoenix shareholders will receive 0.06 Evolution Shares and $0.06 cash for each Phoenix Share. The Offer is approximately equal to $0.12 per Phoenix Share valuing the equity in Phoenix at approximately $56.4 million.

The Offer will be subject to a limited number of conditions including FIRB approval, completion of the La Mancha transaction and a number of other customary conditions.

# Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

## 16 Related party transactions

### (a) Parent entities

The ultimate parent entity within the Group is Evolution Mining Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 12.

### (c) Key management personnel compensation

| | 30 June 2015 $ | 30 June 2014 $ |
|---|---|---|
| Short-term employee benefits | **6,350,160** | 5,541,638 |
| Post-employment benefits | **151,134** | 150,818 |
| Other benefits | **670,240** | 236,908 |
| Share-based payments (i) | **1,711,962** | 1,270,506 |
| | **8,883,496** | 7,199,870 |

(i) An immaterial error, both individually and in aggregate, was identified during the year resulting in a restatement of the 2014 amortised value.

Detailed remuneration disclosures are provided in the remuneration report on pages 22 to 45.

### (d) Transactions with other related parties

Directors fees in the amount of $111,875 was paid to International Mining and Finance Corp, a company of which Mr James Askew is a Director for services provided during the period (30 June 2014:$102,500).

Directors fees in the amount of $112,500 was paid to John Rowe and Associates, a company of which Mr John Rowe is a Director for services provided during the period (30 June 2014: $102,500).

Directors fees in the amount of $200,000 was paid to DAK Corporation Pty Ltd, a company of which Mr Jacob Klein is a Director for services provided during the period (30 June 2014: $200,000).

Directors fees in the amount of $111,875 was paid to Lazy 7 Pty Ltd, a company of which Mr Colin Johnstone is a Director for services provided during the period (30 June 2014: $69,375).

## 17 Share-based payments

### (a) Types of share based payment plans

The Group has two Option and Performance Rights plans in existence:

(1) Employee Share Option and Performance Rights Plan (ESOP)

The ESOP was established and approved at the Annual General Meeting on 23 November 2010, and amended on 19 October 2011. The latest plan was approved at the Annual General Meeting on 26 November 2014 and permits the Company, at the discretion of the Directors, to grant both Options and Performance Rights over unissued ordinary shares of the Company to eligible Directors and members of staff as specified in the plan rules.

## 17 Share-based payments (continued)

### (a) Types of share based payment plans (continued)

(2) Employees and Contractors Option Plan (ECOP)

An ECOP was established and approved at the Annual General Meeting on 27 November 2008. The plan permits the Company, at the discretion of the Directors, to grant Options over unissued ordinary shares of the Company to eligible Directors, members of staff and contractors as specified in the plan rules. No further Options will be issued under this plan.

### (b) Recognised share based payment expenses

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Expense arising from equity settled share based payment transactions recognised in profit and loss | **1,868** | 1,729 |

### (c) Summary and movement of Options 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 year.

| | 30 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|
| | Number | WAEP ($) | Number | WAEP ($) |
| Outstanding at the beginning of the year | **9,383,738** | **1.79** | 10,929,198 | 1.69 |
| Expired during the year | **(1,734,000)** | **1.39** | (1,545,460) | 1.09 |
| Outstanding at the end of the year | **7,649,738** | **1.88** | 9,383,738 | 1.79 |
| Exercisable at the end of the year | **7,649,738** | **1.88** | 9,383,738 | 1.79 |

The weighted average remaining contractual life of Options outstanding as at 30 June 2015 was 1.13 years (30 June 2014: 1.91 years) with exercise prices ranging from $1.398 to $2.412. No Options were granted during the year.

The outstanding balance as at 30 June 2015 is represented by:

**Options issued as part of ECOP**

- 403,580 Options with an exercise price ranging from $1.398 to $1.862
- 85,071 Options with an exercise price ranging from $1.998 to $2.338

**Options issued as part of ESOP**

- 801,043 Options with an exercise price ranging from $1.400 to $1.472
- 4,681,198 Options with an exercise price ranging from $1.782 to $1.936
- 1,678,846 Options with an exercise price ranging from $2.072 to $2.412

## 17 Share-based payments (continued)

### (d) Summary and movement of performance rights on issue

The following table illustrates the number and movements in, Performance Rights issued during the year.

| | 30 June 2015 Number | 30 June 2014 Number |
|---|---|---|
| Outstanding balance at the beginning of the year | **14,316,889** | 7,048,629 |
| Performance rights granted during the period | **10,804,370** | 10,498,408 |
| Vested during the period | **(724,809)** | (559,378) |
| Lapsed during the period | **(522,766)** | (752,227) |
| Forfeited during the year | **(2,491,573)** | (1,918,543) |
| Outstanding at the end of the year | **21,382,111** | 14,316,889 |
| Exercisable at the end of the year | **-** | - |

Performance rights on issue as part of ESOP have a nil exercise price. The weighted average fair value of Performance Rights granted during the year ended 30 June 2015 was $0.551 (30 June 2014: $0.517)

During the year the Company issued 10,804,370 Performance Rights to employees.

The second tranche of Performance rights awarded during the 2012 financial year were tested as at 30 June 2014 and vested on 3 September 2014. 724,809 Performance Rights met the performance measures and vested whilst 522,765 Performance Rights did not meet the performance measures and lapsed.

The Performance Rights awarded during the 2013 financial year were tested as at 30 June 2015. As at the date of this report, 2,262,827 Performance Rights have met the performance measures and are expected to vest subject to Board Confirmation and 923,356 Performance Rights did not meet the performance measures and are expected to lapse. This equates to a vesting rate of 71.02% and a lapsing rate of 28.98%.

There are 10,498,408 Performance Rights granted during the 2014 financial year which will be subject to performance testing as at 30 June 2016.

### (e) Fair value determination

During the period, the Company issued two allotments of performance rights that will vest on 30 June 2017. They have four performance components being a Total Shareholder Return (“TSR”) condition, an absolute TSR condition, a Growth in Earnings per share (“EPS”) condition and a Growth in Ore Reserves condition.

(i) TSR Performance Right Valuation

The fair value of the TSR Performance Rights (market-based condition) was estimated at the date of grant using Monte Carlo simulation, taking into account the terms and conditions upon which the awards were granted.

(ii) Absolute TSR Performance Right Valuation

The Absolute TSR Performance Right Valuation will be measured as the cumulative annual TSR over the three year period ending 30 June 2016.

(iii) Growth in Earnings per Share

The growth in Earnings per Share is measured as the cumulative annual growth rate in EPS, excluding non recurring items over the three year period ending 30 June 2017.

## 17 Share-based payments (continued)

### (e) Fair value determination (continued)

(iv) Growth in Ore Reserves per Share

The growth in Ore Reserves per share is measured by comparing the Baseline measure of the ore reserves as at 31 December 2013, to the Ore Reserves as at 31 December 2016 on a per share basis, with testing to be performed at 30 June 2017.

The following tables list the inputs to the models used for the Performance Rights granted for the period:

| | TSR | Absolute TSR | Growth in EPS | Growth in Ore Reserves |
|---|---|---|---|---|
| **September 2014 rights issue** | | | | |
| Number of rights issued | 1,901,265 | 1,901,265 | 1,901,265 | 1,901,265 |
| Spot price ($) | 0.765 | 0.765 | 0.765 | 0.765 |
| Risk-free rate (%) | 2.70 | 2.70 | 2.70 | 2.70 |
| Term (years) | 2.8 | 2.8 | 2.8 | 2.8 |
| Volatility (%) | 55-65 | 55-65 | 55-65 | 55-65 |
| Fair value at grant date ($) | 0.380 | 0.475 | 0.710 | 0.710 |
| **November 2014 rights issue** | | | | |
| Number of rights issued | 691,578 | 691,578 | 691,578 | 691,578 |
| Spot price ($) | 0.610 | 0.610 | 0.610 | 0.610 |
| Risk-free rate (%) | 2.54 | 2.54 | 2.54 | 2.54 |
| Term (years) | 2.6 | 2.6 | 2.6 | 2.6 |
| Volatility (%) | 55-65 | 55-65 | 55-65 | 55-65 |
| Fair value at grant date ($) | 0.375 | 0.320 | 0.560 | 0.560 |
| **February 2015 rights issue** | | | | |
| Number of rights issued | 108,250 | 108,250 | 108,250 | 108,250 |
| Spot price ($) | 0.985 | 0.985 | 0.985 | 0.985 |
| Risk-free rate (%) | 1.85 | 1.85 | 1.85 | 1.85 |
| Term (years) | 2.4 | 2.4 | 2.4 | 2.4 |
| Volatility (%) | 60-65 | 60-65 | 60-65 | 60-65 |
| Fair value at grant date ($) | 0.820 | 0.705 | 0.940 | 0.940 |

The volatility above was determined with reference to historical volatility but also incorporates factors that management believes will impact the actual volatility of the Company’s shares in future periods.

## 18 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### (a) PricewaterhouseCoopers

| | 2015 $ | 2014 $ |
|---|---|---|
| Audit and other assurance services | | |
| Audit and review of financial statements | **256,729** | 231,105 |
| Other assurance services | | |
| Due diligence services | **45,000** | - |
| Total remuneration for audit and other assurance services | **301,729** | 231,105 |
| Taxation services | | |
| Tax compliance services | **-** | 17,000 |
| Total remuneration for taxation services | **-** | 17,000 |
| Other services | | |
| Accounting advice | **-** | 6,520 |
| Total remuneration for other services | **-** | 6,520 |
| Total remuneration of PricewaterhouseCoopers | **301,729** | 254,625 |

### (b) Non-PricewaterhouseCoopers related audit firms

| | 2015 $ | 2014 $ |
|---|---|---|
| Audit and other assurance services | | |
| Other assurance services | | |
| Due diligence services | **78,000** | - |
| Internal audit services | **94,514** | 28,550 |
| Total remuneration for audit and other assurance services | **172,514** | 28,550 |
| Taxation services | | |
| Tax compliance services | **12,000** | 47,573 |
| Tax advisory services | **51,565** | - |
| Total remuneration for taxation services | **63,565** | 47,573 |
| Total remuneration of non-PricewaterhouseCoopers audit firms | **236,079** | 76,123 |
| **Total auditors' remuneration** | **537,808** | 330,748 |

## 18 Remuneration of auditors (continued)

It is the Group policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

## 19 Earnings per share

### (a) Basic earnings per share

| | 30 June 2015 Cents | 30 June 2014 Cents |
|---|---|---|
| From continuing operations attributable to the ordinary equity holders of the company | **13.71** | 7.06 |
| Total basic earnings per share attributable to the ordinary equity holders of the Company * | **13.71** | 7.06 |

* Excluding the June Entitlement Offer, the basic earnings per share is 14.01 cents.

### (b) Diluted earnings per share

| | 30 June 2015 Cents | 30 June 2014 Cents |
|---|---|---|
| From continuing operations attributable to the ordinary equity holders of the company | **13.44** | 6.83 |
| Total diluted earnings per share attributable to the ordinary equity holders of the Company * | **13.44** | 6.83 |

* Excluding the June Entitlement Offer, the diluted earnings per share is 13.68 cents.

## 19 Earnings per share (continued)

### (c) Reconciliation of earnings used in calculating earnings per share

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Basic earnings per share | | |
| Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share: | | |
| From continuing operations | **100,115** | 50,017 |
| | **100,115** | 50,017 |
| Diluted earnings per share | | |
| Profit from continuing operations attributable to the ordinary equity holders of the Company | | |
| Used in calculating basic earnings per share | **100,115** | 50,017 |
| Used in calculating diluted earnings per share | **100,115** | 50,017 |
| Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share | **100,115** | 50,017 |

### (d) Weighted average number of shares used as the denominator

| | 2015 Number | 2014 Number |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **730,097,884** | 708,912,087 |
| Adjustments for calculation of diluted earnings per share: | | |
| Share Options and Performance Rights | **14,936,114** | 23,591,193 |
| Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share | **745,033,998** | 732,503,280 |

## 20 Deed of cross guarantee

Evolution Mining Limited and those entities identified in note 12 are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The companies identified above represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Evolution Mining Limited, they also represent the 'extended closed group'.

## 20 Deed of cross guarantee (continued)

The Consolidated Balance Sheet, Consolidated Statement of Profit or Loss and Other Comprehensive Income, and summary of movements in consolidated retained earnings for the year ended 30 June 2015 of the closed group is equal to the Consolidated Balance Sheet, Consolidated Statement of Profit or Loss and Other Comprehensive Income, and Consolidated Statement of Changes in Equity of the Group.

## 21 Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Balance sheet** | | |
| **Assets** | | |
| Current assets | **200,860** | 31,345 |
| Non-current assets | **781,193** | 820,127 |
| Total assets | **982,053** | 851,472 |
| **Liabilities** | | |
| Current liabilities | **16,485** | 22,007 |
| Non-current liabilities | **(1,075)** | 124,095 |
| Total liabilities | **15,410** | 146,102 |
| Net assets | **966,643** | 705,370 |
| **Shareholders' equity** | | |
| Issued capital | **1,292,620** | 1,048,424 |
| Reserves | | |
| Fair Value revaluation reserve | **1,044** | - |
| Share based payment reserve | **20,766** | 18,899 |
| Cash flow hedge reserve | **6,762** | (153) |
| Accumulated losses | **(354,549)** | (361,800) |
| | **966,643** | 705,370 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Profit for the year | **21,532** | 23,037 |
| Other comprehensive income | **-** | - |
| Total comprehensive income | **21,532** | 23,037 |

### (b) Guarantees entered into by the parent entity

The parent entity has provided bank guarantees, as detailed in note 13.

## 21 Parent entity financial information (continued)

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014. For information about guarantees given by the parent entity, please see above.

## 22 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these Consolidated Financial Statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Evolution Mining Limited and its subsidiaries.

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Evolution Mining Limited is a for-profit entity for the purpose of preparing the financial statements.

The presentation or classification of certain comparatives has been amended to be consistent with current year presentation.

(i) Compliance with IFRS

The consolidated financial statements of the Evolution Mining Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the following:

- available-for-sale financial assets - measured at fair value

(iii) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 January 2014:

- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
- Interpretation 1 Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards arising from Annual Improvements 2010-2012 and 2011-2013 Cycles

The adoption of AASB 2014-1 has resulted in additional disclosures required in our segment note. The adoption of the other standards did not have any impact on the current period or any prior period and is not likely to affect any future periods.

The Group has not elected to early adopt any standards.

## 22 Summary of significant accounting policies (continued)

### (a) Basis of preparation

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

## 22 Summary of significant accounting policies (continued)

### (a) Basis of preparation

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by group |
|---|---|---|---|
| AASB 15 Revenue from Contracts with Customers | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.<br><br>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to the customer - so the notion of control replaces the existing notion of risks and rewards.<br><br>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. | Management is currently assessing the impact of the new rules and has identified the following areas that are likely to be affected:<br><br>• Metal and concentrate sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards.<br><br>At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statement. The Group will make more detailed assessments of the impact over the next twelve months. | Mandatory for financial years commencing on or after 1 January 2017.<br><br>Expected date of adoption by the Group is 1July 2017. |

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (b) Principles of consolidation

(i) Subsidiaries

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

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

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

## 22 Summary of significant accounting policies (continued)

### (b) Principles of consolidation

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of Evolution Mining Limited has appointed a strategic steering committee which assesses the financial performance and position of the Group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the Executive Chairman and the Senior Leadership Team.

### (d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Evolution Mining Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## 22 Summary of significant accounting policies (continued)

### (e) Revenue recognition

The specific accounting policies for the group's main types of revenue are explained in note 2. Revenue for other business activities is recognised on the following basis:

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### (f) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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 foreign operations 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.

Evolution Mining Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 22 Summary of significant accounting policies (continued)

### (g) 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 asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 14). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### (h) Impairment of assets

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 CGU 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses for assets other than goodwill, the carrying amount of the asset (CGU) 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 (CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### (i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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 an insignificant risk of changes in value, and bank overdrafts.

### (j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 5(b) for further information about the group’s accounting for trade receivables and note 10(c) for a description of the Group's impairment policies.

## 22 Summary of significant accounting policies (continued)

### (k) 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.

### (l) Investments and other financial assets

(i) Classification

The Group classifies its financial assets 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 the end of each reporting period. The Group may choose to reclassify the financial assets depending on change in intentions and circumstances.

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. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

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 reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the balance sheet.

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 end of the reporting period, which are classified as current assets.

## 22 Summary of significant accounting policies (continued)

### (l) Investments and other financial assets

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 the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

(ii) 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 reclassified to profit or loss as gains and losses from investment securities.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently 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. Changes in the fair value of securities classified as Available-for-sale are recognised in the other comprehensive income. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Details on how the fair value of financial instruments is determined are disclosed in note 5(f).

(iv) 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 Statement of Comprehensive Income.

## 22 Summary of significant accounting policies (continued)

### (m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group currently only designates derivatives as cash flow hedges (hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions). There are no fair value hedges or net investment hedges, nor are there any derivatives that do not classify for hedge accounting.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 5(f). Movements in the hedging reserve in shareholder's equity are shown in note 7(b). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as depreciation in the case of fixed assets.

### (n) 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.

## 22 Summary of significant accounting policies (continued)

### (n) Mine development and exploration

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.

(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; and
- 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 CGU 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 Statement of Comprehensive Income. 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.

### (o) Property, plant and equipment

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

## 22 Summary of significant accounting policies (continued)

### (o) Property, plant and equipment

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are disclosed in note 6(c).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (note 22(h)). These are included in the Statement of Comprehensive Income.

### (p) Intangible assets

(i) Mining tenements, mining rights and mining information

Mining tenements have a finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. The carrying values of mining tenements and mining rights are reviewed to ensure they are not in excess of their recoverable amounts. Amortisation of mining tenements and mining rights commences from the date when commercial production commences or in the case of the acquisitions, from the date of acquisition and is charged to the profit or loss. Mining tenements are amortised over the life of the mine using units of production basis in ounces.

Mining information has a finite useful life and is carried at cost less accumulated amortisation. Mining information amortisation is recognised over the period that the information is expected to remain relevant.

The amortisation of the above intangibles is classified as a cost of sale.

### (q) Trade and other payables

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

### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction and establishment 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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a 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 profit or loss as other income or finance costs.

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 period.

## 22 Summary of significant accounting policies (continued)

### (s) Borrowing costs

Borrowing costs incurred for the construction of any 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.

### (t) Site restoration

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 the requirements of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology.

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 a finance cost.

Any changes in the estimates for the costs or other assumptions against the cost of relevant assets 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.

### (u) 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.

### (v) 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 fair value but are considered in estimating the number of investments that may ultimately vest.

## 22 Summary of significant accounting policies (continued)

### (v) Employee benefits

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. A Monte Carlo simulation in conjunction with the Black Scholes model is applied to take into account any market conditions associated with an award and determine its fair value at grant date.

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").

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

- The grant date fair value of the award;
- 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; and
- 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 recognised 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.

### (w) Contributed equity

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

## 22 Summary of significant accounting policies (continued)

### (x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners 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 and excluding treasury shares.

(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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (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 consolidated balance sheet.

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 flows.

### (z) Rounding of amounts

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

### (aa) Parent entity financial information

The financial information for the parent entity, Evolution Mining Limited, disclosed in note 21 has been prepared on the same basis as the consolidated financial statements.

# Evolution Mining Limited
# Annual Financial Report
# Directors' Declaration
# 30 June 2015

In the Directors' opinion:

(a) the financial statements and notes set out on pages 49 to 114 are in accordance with the Corporations Act 2001, including:
    (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001, and
    (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date, and
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Jacob (Jake) Klein
Executive Chairman

Graham Freestone
Lead Independent Director

Sydney
27 August 2015

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

## *Report on the financial report*

We have audited the accompanying financial report of Evolution Mining Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Evolution Mining Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable to preparation of the financial report that is free from material misstatement, where due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

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

### *Auditor's opinion*

In our opinion:

(a) the financial report of Evolution Mining Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

## ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 22 to 45 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Evolution Mining Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

Tim Goldsmith
Partner

Sydney
27 August 2015