APPENDIX 4D
EVOLUTION MINING LIMITED ACN 084 669 036
AND CONTROLLED ENTITIES
HALF-YEAR FINANCIAL REPORT
For the half-year ended 31 December 2018

Results for Announcement to the Market

Key Information

	31 December 2018 $'000	31 December 2017 $'000	Up / (down) $'000	% increase/ (decrease)
Revenues from ordinary activities	756,218	782,139	(25,921)	(3)%
Earnings before Interest, Tax, Depreciation, Amortisation & Fair value adjustments (EBITDA)	359,659	399,099	(39,440)	(10)%
Statutory profit before income tax	132,057	175,091	(43,034)	(25)%
Profit from ordinary activities after income tax attributable to members	91,110	122,518	(31,408)	(26)%

Dividend Information

	Amount per share Cents	Franked amount per share Cents
Interim dividend for the year ended 30 June 2019 Dividend to be paid on 29 March 2019	3.5	3.5

Net Tangible Assets

	31 December 2018 $	31 December 2017 $
Net tangible assets per share	1.38	1.29

Earnings Per Share

	31 December 2018 Cents	31 December 2017 Cents
Basic earnings per share	5.37	7.25
Diluted earnings per share	5.34	7.21

Additional Appendix 4D disclosure requirements can be found in the notes of this Half-Year Financial Report and the Directors' Report attached thereto. This report is based on the consolidated Half-Year Financial Report which has been subject to review by PricewaterhouseCoopers.

Evolution Mining Limited
Half-Year Financial Report

Corporate Information

ABN 74 084 669 036

Directors

Jacob (Jake) Klein	Executive Chairman
Lawrence (Lawrie) Conway	Finance Director and Chief Financial Officer
Thomas (Tommy) McKeith (i)	Lead Independent Director
Colin (Cobb) Johnstone	Non-Executive Director
James (Jim) Askew	Non-Executive Director
Graham Freestone	Non-Executive Director
Andrea Hall	Non-Executive Director
Naguib Sawiris (ii)	Non-Executive Director
Sebastien de Montessus (ii)	Non-Executive Director
Andrew Wray (ii)	Alternate Non-Executive Director for Naguib Sawiris and Sebastien de Montessus

(i) Appointed as Lead Independent Director effective 1 December 2018.
(ii) Resigned effective 1 August 2018.

Company Secretary

Evan Elstein

Registered Office

Level 24, 175 Liverpool Street
SYDNEY NSW 2000

Postal Address

Level 24, 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
One International Towers Sydney
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.

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Directors' Report

Directors' Report

Directors

Jacob (Jake) Klein	Executive Chairman
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Company Secretary

The name of the Company Secretary during the whole of the half-year ended 31 December 2018 and up to the date of this report is as follows:

Evan Elstein

Key highlights for the period

Key highlights for the half-year ended 31 December 2018 include:

- Driving a safety culture where our people do the right thing because they want to, not because they have to, underpins our safety programs. The total recordable injury frequency (TRIF) was 7.3 (30 June 2018: 5.5). This reflects an increase in minor injuries with a need to increase focus on promoting mindfulness and pre-task risk identification. Safety programs included HSE Systems and Critical Control verification audits. The focus continues to be on improving Evolution's safety culture and embedding critical controls across all sites.
- Evolution published its inaugural Sustainability Report in the December 2018 half-year.
- The Group recorded a statutory net profit after tax of $91.1 million and underlying net profit after tax of $92.2 million for the period to 31 December 2018 (31 December 2017: $122.5 million and $124.7 million respectively). The lower profit was driven predominantly by the impact of non-cash related items which reduced profit before tax by $35.3 million while cash related items reduced profit before tax by $11.3 million. These were partially offset by a lower tax expense of $11.6 million and the impact of the divestment of Edna May of $3.7 million.
- Full-year production and cost guidance remains unchanged. This indicates a planned improved operational performance for the second half of the financial year. In addition, the gold price is currently $155/oz higher than the achieved price for the half-year to December 2018 of $1,695/oz. If this level is sustained, then a materially better profit in the second half of the year is likely.
- Evolution continued investing for extensions of mine life and production growth, including the approval of major development projects and exploration drilling at Cowal, and an underground mine development and plant upgrade at Mt Carlton.
- Key results are as follows:
    - Total gold production of 382,214 oz at an AISC of $928/oz.
    - Operating mine cash flow of $387.9 million.

Directors' Report

Key highlights for the period (continued)

- Net mine cash flow of $237.8 million, with all operations delivering positive cash flow generation after meeting their operating and capital needs.
- Net bank debt reduced by $30.7 million to $41.1 million (30 June 2018: $71.8 million).

- A $67.8 million fully franked dividend in respect of the year ended 30 June 2018 was paid during the period. The Directors have approved an interim fully franked dividend of 3.5 cents per fully paid ordinary share. The aggregate amount of the proposed dividend to be paid on 29 March 2019 is estimated at $59.4 million.
- During the period ended 31 December 2018, the Group made $40.0 million of repayments on the Senior Secured Term Loan (“Facility D”). The $350.0 million Senior Secured Revolving Loan ("Facility A") remains undrawn at 31 December 2018.
- A total investment of $29.9 million in discovery and resource definition drilling programs across the Group delivered excellent results during the period. Highlights include continued success from the exploration drilling programs at Cowal’s GRE46 and Dalwhinnie, and Mungari’s Scottish Archer and Ora Banda projects.
- During the period, the Company took advantage of the elevated Australian dollar gold price to hedge a further 300,000oz of production at an average price of A$1,871/oz for quarterly deliveries between July 2020 and June 2023. The additional hedging provides support to the balance sheet during a period of major capital investment while leaving the majority of production unhedged.
- During December 2018, the Group agreed to subscribe for a further 3.2 million shares in Riversgold Ltd, taking the Company’s shareholding to 15.7 million shares and a total of 18.7% of the outstanding shares in Riversgold Ltd.
- In October 2018, the Board approved the Mt Carlton underground development and plant upgrade modifications. The capital expenditure required for the underground development and plant modifications is estimated at $60.0 million to be incurred from FY19 to FY22. First ore from the underground is planned for FY21.
- In October 2018, the Cowal operation was granted regulatory approval from the NSW Department of Planning and Environment to increase the plant processing rate by 31% from 7.5 million tonnes per annum (Mtpa) to 9.8Mtpa. Other key features of the modification application include the implementation of a secondary crushing circuit at the processing plant and the development of an Integrated Waste Landform (IWL) to facilitate storage of tailings over the life of mine. Subsequent to this regulatory approval, the Board approved the first stage upgrade to the Cowal processing plant in November 2018. The first stage of the project will take the processing capacity to 8.7Mtpa at an estimated capital investment of $25 to $30 million.
- In October 2018, regulatory approval to commence the development of the Galway-Regal-E46 (GRE46) exploration decline at Cowal was received. The decline will allow Evolution to conduct further resource definition and discovery drilling at GRE46 as well as further drilling to delineate the Dalwhinnie Lode. Works will commence in the March 2019 quarter.
- In September 2018, Evolution entered into an earn-in joint venture agreement with Andromeda Metals Limited over the Drummond exploration project. Drummond is an early-stage gold exploration project located in northern Queensland covering roughly 520km². The project is approximately 50km southwest of Evolution’s Mt Carlton operation. The key terms of the agreement are as follows:
    - Evolution can earn a 51% interest in the project by making a cash payment of $300k to Andromeda and spending $2 million on exploration over a two year period.
    - Evolution can earn a further 29% (for a total of over 80%) by making an additional cash payment of $200k and spending $4 million on exploration over two years.
- In August 2018, La Mancha sold a portion of their shareholding in the Company, taking their total holding down to 9.6%. In line with the terms of the Share Sale Agreement signed between the two Companies, La Mancha’s nominee Directors Mr Naguib Sawiris, Mr Sebastian de Montessus and their Alternate Director Mr Andrew Wray resigned from the Board of Directors in August 2018.

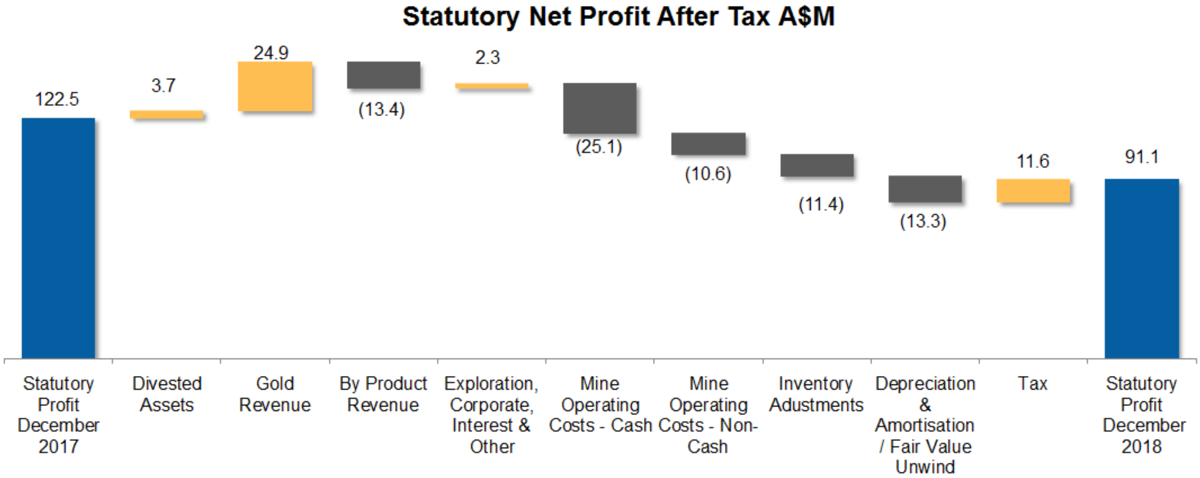
Directors' Report

Operating and Financial Review

Overview

As at 31 December 2018, the Group consisted of five wholly-owned operating gold mines; Cowal in New South Wales; Cracow, Mt Carlton and Mt Rawdon in Queensland; Mungari in Western Australia, and an economic interest in the Ernest Henry Copper-Gold Operation (100% of gold and 30% of copper and silver) in Queensland.

The Group posted a statutory profit after tax of $91.1 million for the half-year ended 31 December 2018 (31 December 2017: $122.5 million). The following graph shows the movements in the Group's statutory profit for the half-year ended 31 December 2017 compared to 31 December 2017.



Statutory profit was lower mainly due to the impact of non-cash related items including; utilisation of ore stockpiles at Mt Rawdon of $11.4 million; a higher depreciation and amortisation expense of $13.3 million; and lower capitalisation of mine costs of $10.6 million in the current period for both underground and open pit (mainly the completion of the White Foil cutback at Mungari). Higher achieved gold prices were offset by lower silver and copper revenue and higher operating costs for an overall net impact of $11.3 million. Mine operating costs which impacted cash were $25.1 million higher, in part driven by higher labour, power and diesel costs. The prior period included a loss of $3.7 million at Edna May which was sold in October 2017.

Full-year production and cost guidance remains unchanged. This indicates a planned improved operational performance for the second half of the financial year. In addition, the gold price is currently $155/oz higher than the achieved price for the half-year to December 2018 of $1,695/oz. If this level is sustained, then a materially better profit in the second half of the year is likely.

The Group recorded an underlying net profit after tax of $92.2 million for the period ended 31 December 2018 (31 December 2017: $124.7 million). The underlying net profit after tax excludes one-off transactions of $1.0 million.

The table below shows the differences of statutory profit before tax to the underlying profit after tax.

	2018 $'000	**2017 $'000**
Statutory profit before income tax	132,057	175,091
Fair value gain	-	(3,142)
Transaction and integration costs	1,040	1,192
Underlying profit before income tax	133,097	173,141
Income tax expense	(40,947)	(52,573)
Tax expense on sale of subsidiary	-	4,165
Underlying profit after income tax	**92,150**	**124,733**

Operating and Financial Review (continued)

Overview (continued)

The positive impact of a 5% increase in achieved gold price of $1,695/oz was offset by a 3% higher cost of sales and a 6% lower achieved copper price to generate operating mine cash flow of $387.9 million (31 December 2017: $415.1 million).

Total capital expenditure increased 23% to $150.9 million (including all sustaining and major capital expenditure, rehabilitation costs and capital stripping). The planned increase in capital expenditure is in the most part attributable to Stage H development, the Float Tails Leach project and land acquisition costs at Cowal; underground mine development at Cracow, Mt Carlton and Mungari; and capital waste stripping at both Mt Carlton and Mt Rawdon.

Directors' Report

Operating and Financial Review (continued)

Overview (continued)

Key Results

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

Key Business Metrics	31 December 2018	31 December 2017	% Change (ii)
Total underground ore mined (kt)	4,014	3,878	4%
Total underground lateral development (m)	6,717	6,835	(2)%
Total open pit ore mined (kt)	5,768	7,768	(26)%
Total open pit waste mined (kt)	21,300	18,011	18%
Processed tonnes (kt)	10,687	10,942	(2)%
Gold grade processed (g/t)	1.33	1.36	(2)%
Gold production (oz)	**382,214**	**407,459**	**(6)%**
Silver production (oz)	**383,183**	**529,241**	**(28)%**
Copper production (t)	**11,448**	**11,949**	**(4)%**
Gold sold (oz)	**384,556**	**409,705**	**(6)%**
Unit cash operating cost (A$/oz) (i)	626	507	(23)%
All in sustaining cost (A$/oz) (i)	928	785	(18)%
All in cost (A$/oz) (i)	1,201	993	(21)%
Gold price achieved (A$/oz)	1,695	1,621	5%
Silver price achieved (A$/oz)	21	21	-
Copper price achieved (A$/t)	8,424	8,997	(6)%
Total Revenue	756,218	782,139	(3)%
Cost of sales (excluding D&A and fair value adjustments (i))	(377,776)	(365,234)	(3)%
Corporate, admin, exploration and other costs (excluding D&A)	(18,783)	(17,806)	(5)%
EBITDA (i)	359,659	399,099	(10)%
EBIT (i)	154,739	203,598	(24)%
Statutory profit/(loss) after income tax	**91,110**	**122,518**	**(26)%**
Underlying profit after income tax	**92,150**	**124,733**	**(26)%**
Operating mine cash flow	387,923	415,113	(7)%
Capital expenditure (iv)	(150,136)	(122,583)	(22)%
Net mine cash flow	237,787	292,530	(19)%

(i) EBITDA, EBIT, Unit cash operating cost, All in sustaining cost (AISC), and All in cost (AIC) are non-IFRS financial information and are not subject to audit.

(ii) Percentage change represents positive/(negative) impact on the business

(iii) Ernest Henry mining and processing statistics are in 100% terms while costs represent Evolution's cost and not solely the cost of Ernest Henry's operation.

(iv) Capital expenditure excludes corporate spend of $790k for the half-year to 31 December 2018.

(v) Included in the prior year comparatives are results from the divested Edna May asset. During the period that Edna May was still under Evolution ownership in the prior year, Edna May produced 21,639oz of gold at an AISC of $1,588oz.

Directors' Report

Operating and Financial Review (continued)

Mining Operations

Cowal

Key Business Metrics	31 December 2018	31 December 2017	Change	% Change
Operating cash flow($'000)	112,070	127,550	(15,480)	(12)%
Sustaining capital ($'000)	(22,338)	(14,811)	(7,527)	51%
Major capital ($'000)	(52,839)	(25,408)	(27,431)	108%
Total capital ($'000)	(75,177)	(40,219)	(34,958)	87%
Net mine cash flow ($'000)	36,800	87,330	(50,530)	(58)%
Gold production (oz)	**119,504**	**132,425**	**(12,921)**	**(10)%**
All-in Sustaining Cost ($/oz)	989	779	(210)	(27)%
All-in Cost ($/oz)	1,463	971	(492)	(51)%

Cowal was the highest producer in the Group, achieving gold production of 119,504oz at an average C1 cash cost of $765/oz and AISC of $989/oz. Capital expenditure in the period was $75.2 million, of which $52.8 million related to the Stage H and Float Tails (Dual) Leach project and land acquisition costs.

At 31 December 2018, Stage H material moved is ahead of plan. Mining activities have moved into fresh rock, commencing drill and blast activities.

In October 2018, the Cowal operation was granted regulatory approval from the NSW Department of Planning and Environment to increase the plant processing rate by 31% from 7.5 million tonnes per annum (Mtpa) to 9.8Mtpa. Other key features of the modification application include the implementation of a secondary crushing circuit at the processing plant and the development of an Integrated Waste Landform (IWL) to facilitate storage of tailings over the life of mine. This approval is an important milestone toward achieving a sustainable 300,000oz per annum production profile. The capital expenditure requirement for the processing plant expansion is estimated to be in the order of $40 - $45 million.

The Float Tails (Dual) Leach project construction was completed in December with first gold pour achieved during January 2019. Ongoing work to optimise flow, gold recovery and cyanide destruction will continue over the remainder of the year with a ramp up to full capacity by June 2019.

During the period, drill testing completed at the GRE46, Dalwhinnie and E41 targets, returning excellent results. An accelerated drilling program for Dalwhinnie and GRE46 resource definition is being undertaken in response to these excellent results and is expected to commence during the second half of the year. Further to this, regulatory approval to commence development of the GRE46 exploration decline was received during the period. The portal establishment and decline development will commence in the second half of the financial year.

Mungari

Key Business Metrics	31 December 2018	31 December 2017	Change	% Change
Operating cash flow($'000)	35,540	39,480	(3,940)	(10)%
Sustaining capital ($'000)	(8,013)	(6,495)	(1,518)	23%
Major capital ($'000)	(4,488)	(21,648)	17,160	(79)%
Total capital ($'000)	(12,501)	(28,143)	15,642	(56)%
Net mine cash flow ($'000)	23,040	11,330	11,710	103%
Gold production (oz)	**65,112**	**58,509**	**6,603**	**11%**
All-in Sustaining Cost ($/oz)	1,279	1,169	(110)	(9)%
All-in Cost ($/oz)	1,453	1,664	211	13%

Directors' Report

Operating and Financial Review (continued)

Mining Operations (continued)

Mungari (continued)

Mungari produced a total of 65,112oz of gold at an average C1 cash cost of $1,095/oz and an AISC of $1,279/oz. Capital expenditure in the period was $12.5 million, of which $3.4 million relates to underground mine development at Frog's Leg underground mine and $1.0 million related to capital waste stripping on the White Foil open pit. No further capital stripping on White Foil is anticipated for the remainder of FY19.

Frog's Leg underground mine produced 239kt ore tonnes at a grade of 5.0g/t gold. Total development was 576m, with a focus on completion of the exploration decline. The development of the drill platform to be utilised for drilling below the level of current workings was completed during the period. Drill testing of the Banjo target zone is accordingly set to commence and complete during H2.

The processing plant performed well with 791kt of ore processed at an average grade of 2.72g/t gold. Gold recoveries of 93.4% were impacted by planned shutdowns in the crushing circuit during the period.

Investment in discovery and resource definition drilling programs across the Mungari tenement package continued during the period. Exploration drilling at Scottish Archer, north of the Mungari processing plant has intersected high-grades, and resource extension drilling at Castle Hill intersected high grades including at the base of the resource shell indicating potential upside. Cultural and environmental land surveys for the haul roads to Cutters Ridge and Stage 1 of Castle Hill were completed during the period with work to commence in the second half of the year.

Mt Carlton

Key Business Metrics	31 December 2018	31 December 2017	Change	% Change
Operating cash flow ($'000)	56,210	72,480	(16,270)	(22)%
Sustaining Capital ($'000)	(7,241)	(4,434)	(2,807)	63%
Major Capital ($'000)	(11,501)	(10,546)	(955)	9%
Total capital ($'000)	(18,742)	(14,980)	(3,762)	25%
Net mine cash flow ($'000)	37,470	57,500	(20,030)	(35)%
Gold production (oz)	**52,298**	**59,921**	**(7,623)**	**(13)%**
All-in Sustaining Cost ($/oz)	772	464	(308)	(66)%
All-in Cost ($/oz)	1,008	656	(352)	(54)%

Mt Carlton produced 52,298oz at a C1 cash cost of $463/oz and AISC of $772/oz. Costs were impacted by lower copper and silver by-product credits and higher sustaining capital with the construction of the Stage 5 Tailings Storage Facility wall raise. Capital expenditure for the 6 months to 31 December 2018 totalled $18.7 million and consisted primarily of $9.6 million of capital waste stripping and $1.1 million spend on mine development.

Mining activities focussed on Stage 3 and the development of the Stage 4 cutback. Sufficient ore stocks were generated from Stage 3 to sustain mill feed as a contingency during the wet season.

A total of 398kt at 5.28g/t was processed during the period. Processing plant recoveries of 89.2% were impacted by an upgrade to the concentrate thickener completed in July.

During October 2018, the Board approved the Mt Carlton underground development and plant upgrade modifications. The development of the underground mine will allow production from the high grade Link zone to be brought forward with the first ore from the underground planned for delivery in FY21. The capital expenditure requirement for the underground development and plant modifications is estimated at $60 million to be incurred from FY19 to FY22.

Directors' Report

Operating and Financial Review (continued)

Mining Operations (continued)

Mt Rawdon

Key Business Metrics	31 December 2018	31 December 2017	Change	% Change
Operating cash flow ($'000)	36,330	23,460	12,870	55%
Sustaining capital ($'000)	(4,864)	(4,079)	(785)	19%
Major capital ($'000)	(16,155)	(8,047)	(8,108)	101%
Total capital ($'000)	(21,019)	(12,126)	(8,893)	73%
Net mine cash flow ($'000)	15,320	11,330	3,990	35%
Gold production (oz)	**50,119**	**43,183**	**6,936**	**16%**
All-in Sustaining Cost ($/oz)	1,277	1,070	(207)	(19)%
All-in Cost ($/oz)	1,605	1,253	(352)	(28)%

Mt Rawdon produced 50,119oz at a C1 cash cost of $1,094/oz and AISC of $1,277/oz. Production and costs were negatively impacted due to the processing of low-grade stockpiles as a result of scheduled ore availability in the pit. Capital expenditure of $21.0 million consisted primarily of $16.2 million of capital waste stripping.

Ore mined was 875kt at an average grade of 1.08g/t. Mining activities were focused on the Stage 4 cutback and the installation of additional ground support in the western area of the pit until mid-October when a significant storm event resulted in a geotechnical mine slip in the southern section of the pit. Remediation work will be ongoing for the remainder of FY19 and ore will be sourced from the northern section of the pit.

Cracow

Key Business Metrics	31 December 2018	31 December 2017	Change	% Change
Operating cash flow ($'000)	32,870	30,220	2,650	9%
Sustaining capital ($'000)	(9,524)	(6,412)	(3,112)	49%
Major capital ($'000)	(6,251)	(6,786)	535	(8)%
Total capital ($'000)	(15,775)	(13,198)	(2,577)	20%
Net mine cash flow ($'000)	17,100	17,020	80	%
Gold production (oz)	**44,731**	**43,612**	**1,119**	**3%**
All-in Sustaining Cost ($/oz)	1,231	1,136	(95)	(8)%
All-in Cost ($/oz)	1,309	1,228	(81)	(7)%

Cracow produced 44,731oz at an average C1 cash cost of $822/oz and AISC of $1,231/oz. Capital expenditure totalled $15.8 million with $6.2 million of spend incurred on underground mine development.

A total of 306kt of ore was mined at an average grade of 5.05g/t gold. Primary ore sources were the Kilkenny, Coronation and Imperial ore bodies. The plant processed a six monthly throughput record of 292kt at an average grade of 5.17g/t and recovery of 92.0%.

Resource definition drill programs continue to deliver strong results from the Killarney structure where mineralisation is continuing to be defined both down dip and along strike to the south of the currently defined resource.

Directors' Report

Operating and Financial Review (continued)

Mining Operations (continued)

Ernest Henry

Key Business Metrics	31 December 2018	31 December 2017	Change	% Change
Operating cash flow ($'000)	114,980	116,230	(1,250)	(1)%
Sustaining capital ($'000)	(6,922)	(8,824)	1,902	(22)%
Major capital ($'000)	-	-	-	-%
Total capital ($'000)	(6,922)	(8,824)	1,902	(22)%
Net mine cash flow ($'000)	108,060	107,410	650	1%
Gold production (oz)	**50,450**	**48,169**	**2,281**	**5%**
All-in Sustaining Cost ($/oz)	(506)	(621)	115	19%
All-in Cost ($/oz)	(506)	(621)	115	19%

(i) Ernest Henry mining and processing statistics are in 100% terms while costs represent Evolution's cost and not solely the cost of Ernest Henry's operation.

Attributable production from Ernest Henry was 50,450oz of gold, 35,088oz of silver and 10,882t of copper at a negative average C1 cash cost of $(781)/oz and a negative AISC of $(506)/oz after copper and silver by-product credit of $(1,830)/oz. The 19% increase in AISC and AIC on 31 December 2017 was impacted by a 6% decrease in the achieved copper price to $8,424/oz to in the period to 31 December 2018.

Ore mined was 3,468kt at an average grade of 0.57g/t gold and 1.09% copper. Underground development was 2,963m. Ore processed was 3,568kt at an average grade of 0.57g/t gold and 1.09% copper. Gold recovery of 80.0% and copper recovery of 96.8% was achieved.

During the period to 31 December 2018, the New Reserves Joint Venture was formed which relates to resources outside the current mine plan to the 1200RL. Drilling below the 1200RL is scheduled for the latter part of the 2019 calendar year with a view to extend mine life.

Financial Performance

Profit or Loss

Revenue for the period ended 31 December 2018 decreased by 3% to $756.2 million (31 December 2017: $782.1 million). This was driven by a 6% decrease in produced ounces to 382,214 oz (31 December 2017: 407,459 oz) offset by a 5% increase in the achieved gold price to $1,695/oz. Further to this, the disposal of the Edna May Operation in October 2017 contributed $37.2 million in sales during the period to 31 December 2017.

Gold sold totalled 384,556oz, which included gold delivery commitments of 75,000oz at an average price of $1,684/oz (31 December 2017: 95,995oz, $1,550/oz). The remaining 309,556oz were sold at spot price achieving an average price of $1,697/oz (31 December 2017: 313,710oz, $1,645/oz). The Group's gold delivery commitments total 475,000oz as at 31 December 2018 at an average price of $1,816/oz for quarterly deliveries out to June 2023.

Operating costs (excluding depreciation, amortisation and fair value adjustments of $218.3 million) increased to $377.8 million (31 December 2017: $365.2 million). This is largely as a result of higher cost ounces from utilisation of ore stockpiles at Mt Rawdon combined with increased operating expenditure in both underground and open pit in comparison to the prior year. This has been in part offset by $34.5 million in operating costs incurred by Edna May in the period to 31 December 2017.

Operating and Financial Review (continued)

Financial Performance (continued)

Profit or Loss (continued)

The Group's All in Sustaining Cost increased by 18% to $928/oz (31 December 2017: $785/oz) impacted by a 2% drop in the average grade processed during the year and an increase in sustaining capital levels combined with the decrease in gold sales and increase in operating costs as discussed above.

The Group posted a decrease of 25% in profit before income tax to $132.1 million, driven by decreased sales and increased cost of sales resulting in a net impact of $45.1 million on the period to 31 December 2018. The cost of sales increase was driven by a drawdown of inventory at Mt Rawdon, higher power rates at Cowal and the completion of the Mungari White Foil cutback in FY18 which resulted in mining costs which were capitalised in the December 2017 period being expensed in the December 2018 period as the operation transitioned from mining waste to ore production. Statutory profit after tax was $91.1 million (31 December 2017: $122.5 million) and underlying profit after tax totalled $92.2 million (31 December 2017: $124.7 million).

Balance Sheet

Total assets at the end of period, reduced slightly to $2,997.5 million (30 June 2018: $3,056.3 million). The decrease is driven by a reduction in cash and cash equivalents of $9.6 million and $11.4 million decrease in inventories primarily driven by the utilisation of stockpiles at Mt Rawdon. Further to this, a decrease of $44.3 million in the net carrying amount of mine development and exploration to $1,699.5 million was incurred due to a depreciation charge of $143.1 million outstripping capital additions of $113.7 million.

Total liabilities for the Group decreased by $83.2 million or 11% to $684.7 million at 31 December 2018. The decrease is in part attributable to a $40.0 million repayment on the Senior Secured Term Loan ("Facility D"). A net decrease in tax liabilities of $24.1 million and a $10.4 million decrease in trade and other payables comprised the other changes in liabilities.

The Group ended the period with a cash balance of $313.6 million and available credit of $350.0 million in Facility A as part of its Senior Secured Syndicated Revolving and Term Facility. Net bank debt was $41.4 million with a gearing of 1.4% at 31 December 2018.

Taxation

During the period, the Group made income tax payments of $64.6 million and recognised an income tax expense of $40.9 million (31 December 2017: $52.6 million). On the balance sheet the Company recognised a current tax liability of $0.02 million (30 June 2018: 47.3 million) and a deferred tax liability of $23.0 million (30 June 2018: asset of $0.4 million).

The tax payment made in respect of the 30 June 2018 financial year combined with tax instalments expected to be paid during the 2019 financial year have enabled the declaration of a fully franked interim dividend. The franking credit balance as at 31 December 2018 was a surplus of $36.9 million.

Capital Expenditure

Capital expenditure for the period to 31 December 2018 totalled $150.9 million (31 December 2017: $122.6 million). This consists of sustaining capital, including near mine exploration and resource definition of $59.7 million (31 December 2017: $47.1 million) and mine development of $91.2 million (31 December 2017: $75.5 million). The main capital projects include the Cowal Stage H development, Float Tails Leach project and E46 land acquisition costs ($52.8 million); underground mine development at Cracow ($6.2 million), Mt Carlton ($1.1 million) and Mungari ($3.4 million); and capital waste stripping at Mt Carlton ($9.6 million) and Mt Rawdon ($16.2 million).

Operating and Financial Review (continued)

Financial Performance (continued)

Financing

Total finance costs for the period were consistent at $12.3 million (31 December 2017: $12.3 million). Included in total finance costs is interest expense of $9.5 million (31 December 2017: $10.0 million), amortisation of debt establishment costs of $1.1 million (31 December 2017: $0.2 million) and discount unwinding on mine rehabilitation liabilities of $1.7 million (31 December 2017: $2.2 million). Debt establishment costs at 31 December 2018 total $7.2 million and an amortisation charge of $1.1 million has been recognised in the period.

Finance income for the period totalled $4.0 million (31 December 2017: $0.9 million). The increase is driven by a 92% increase in cash and cash equivalents on 31 December 2017.

The Senior Secured Term Loan ("Facility D") balance outstanding at 31 December 2018 was $355.0 million.

No changes have been made to the existing Senior Secured Term Loan ("Facility D"), the $175.0 million Performance Bond Facility ("Facility C") or the Senior Secured Revolving Loan ("Facility A").

The repayment periods and outstanding balances as at 31 December 2018 on each facility are set out below:

Facility	Term date	Outstanding balance
Senior Secured Revolving Loan - Facility A ($350.0 million)	31 July 2021	$ nil
Performance Bond Facility - Facility C	31 July 2021	$135 million
Senior Secured Term Loan - Facility D	15 October 2021	$355 million

Dividends

In August 2017, the Directors approved a change to the dividend policy of whenever possible paying a dividend equivalent to 50% of the Group's after tax earnings. The change was effective immediately. This policy remains consistent at 31 December 2018. Dividends will be rounded up to the nearest half-cent.

The Board has confirmed that Evolution is in a sound position to meet its commitment under the new policy to pay a final fully franked dividend for the current period of 3.5 cents per share, estimated at $59.4 million. Evolution shares will trade excluding entitlement to the dividend on 21 February 2019, with the record date being 22 February 2019 and payment date of 29 March 2019.

Matters subsequent to the end of the financial year

No matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group or economic entity in subsequent financial periods.

Directors' Report

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 13 .

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the instrument 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	Andrea Hall Chair of the Audit Committee

Sydney

Auditor's Independence Declaration

As lead auditor for the review of Evolution Mining Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
13 February 2019

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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EVOLUTION MINING LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Revenue	3	**756,218**	782,139
Cost of sales		**(595,397)**	(576,235)
Gross profit		**160,821**	205,904
Interest income		**3,999**	860
Other income		**259**	366
Share based payments expense		**(4,512)**	(4,589)
Corporate and other administration costs		**(12,786)**	(12,631)
Transaction and integration costs		**(1,040)**	(1,192)
Exploration and evaluation costs expensed		**(2,448)**	(1,307)
Gain on sale of subsidiary		**106**	-
Finance costs		**(12,342)**	(12,320)
Profit before income tax		**132,057**	175,091
Income tax expense	4	**(40,947)**	(52,573)
Profit after income tax expense		**91,110**	122,518
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**-**	42
Items that will not be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets		**(1,240)**	(1,349)
Other comprehensive (loss)/income, net of tax		**(1,240)**	(1,307)
Total comprehensive income		**89,870**	121,211
Total comprehensive income for the period is attributable to:			
Owners of Evolution Mining Limited		**89,870**	121,211
		89,870	121,211
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**5.37**	7.25
Diluted earnings per share		**5.34**	7.21

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

EVOLUTION MINING LIMITED

Consolidated Balance Sheet

As at 31 December 2018

	Notes	31 December 2018 $'000	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**313,626**	323,226
Trade and other receivables		**77,772**	71,296
Inventories		**246,719**	264,221
Total current assets		**638,117**	658,743
Non-current assets			
Inventories		**44,554**	38,459
Available-for-sale financial assets		**4,640**	5,536
Property, plant and equipment	6	**573,038**	571,775
Mine development and exploration	7	**1,699,488**	1,743,752
Deferred tax assets		**-**	419
Other non-current assets		**37,616**	37,632
Total non-current assets		**2,359,336**	2,397,573
Total assets		**2,997,453**	3,056,316
LIABILITIES			
Current liabilities			
Trade and other payables		**141,998**	152,430
Interest bearing liabilities	8	**103,085**	93,496
Current tax liabilities		**224**	47,312
Provisions		**30,960**	32,085
Total current liabilities		**276,267**	325,323
Non-current liabilities			
Interest bearing liabilities	8	**243,995**	292,470
Provisions		**141,442**	150,129
Deferred tax liabilities		**23,018**	-
Total non-current liabilities		**408,455**	442,599
Total liabilities		**684,722**	767,922
Net assets		**2,312,731**	2,288,394
EQUITY			
Issued capital	9	**2,183,727**	2,183,727
Reserves		**46,390**	45,407
Retained earnings		**82,614**	59,260
Capital and reserves attributable to owners of Evolution Mining Limited		**2,312,731**	2,288,394
Total equity		**2,312,731**	2,288,394

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

EVOLUTION MINING LIMITED

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

	Notes	Issued capital $'000	Share-based payments $'000	Fair value revaluation reserve $'000	Foreign currency translation $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2017		2,183,727	37,149	1,589	57	(94,270)	2,128,252
Profit after income tax expense		-	-	-	-	122,518	122,518
Other comprehensive income		-	-	(1,349)	42	-	(1,307)
Total comprehensive income		**-**	**-**	**(1,349)**	**42**	**122,518**	**121,211**
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	5	-	-	-	-	(50,678)	(50,678)
Recognition of share-based payments		-	4,589	-	-	-	4,589
		-	4,589	-	-	(50,678)	(46,089)
Balance at 31 December 2017		**2,183,727**	**41,738**	**240**	**99**	**(22,430)**	**2,203,374**
Balance at 1 July 2018		2,183,727	45,640	(336)	103	59,260	2,288,394
Profit after income tax expense		-	-	-	-	91,110	91,110
Fair value loss on available-for-sale financial assets, net of tax		-	-	1,137	-	-	1,137
Exchange differences on translation of foreign operations		-	-	-	(103)	-	(103)
Total comprehensive income		**-**	**-**	**(1,137)**	**(103)**	**91,110**	**89,870**
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	5	-	-	-	-	(67,756)	(67,756)
Recognition of share-based payments		-	2,223	-	-	-	2,223
		-	2,223	-	-	(67,756)	(65,533)
Balance at 31 December 2018		**2,183,727**	**47,863**	**(1,473)**	**-**	**82,614**	**2,312,731**

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

EVOLUTION MINING LIMITED

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities			
Receipts from sales		**756,958**	767,083
Payments to suppliers and employees		**(419,600)**	(398,436)
Other income		**259**	366
Interest received		**3,486**	496
Interest paid		**(9,485)**	(10,000)
Income taxes paid		**(64,598)**	(36,200)
Net cash inflow from operating activities		**267,020**	323,309
Cash flows from investing activities			
Payments for property, plant and equipment		**(59,206)**	(37,097)
Payments for mine development and exploration		**(110,559)**	(103,391)
Proceeds from sale of property, plant and equipment		**2,182**	80
Payments for available-for-sale assets		**(240)**	(2,500)
Proceeds from sale of subsidiary		**-**	40,000
Cash disposed on sale of subsidiary		**-**	(13)
Payments for transaction and integration costs		**(1,040)**	(1,192)
Transfer from term deposits		**16**	-
Net cash outflow from investing activities		**(168,847)**	(104,113)
Cash flows from financing activities			
Repayment of interest bearing liabilities - Senior Secured Syndicated Revolving and Term Facility		**(40,000)**	(40,000)
Proceeds from short term borrowings		**-**	66,121
Repayment of short term borrowings		**-**	(67,701)
Payment of finance lease liabilities		**-**	(854)
Dividends paid		**(67,773)**	(50,688)
Net cash outflow from financing activities		**(107,773)**	(93,122)
Net (decrease)/increase in cash and cash equivalents		**(9,600)**	126,074
Cash and cash equivalents at the beginning of the period		**323,226**	37,385
Effects of exchange rate changes on cash and cash equivalents		**-**	41
Cash and cash equivalents at end of period		**313,626**	163,500

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

Notes to the Consolidated Financial Statements

Contents of the notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

1 Significant changes in the current reporting period

No matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group or economic entity in subsequent financial years.

2 Performance by Mine

(a) Description of segments

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

The Group’s operational mine sites, 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.

(b) Segment information

The segment information for the reportable segments for the half-year ended 31 December 2018 is as follows:

	Cowal $'000	Mungari $'000	Mt Carlton $'000	Mt Rawdon $'000	Cracow $'000	Ernest Henry $'000	Edna May $'000	Explo-ration $'000	Corp-orate $'000	Total $'000
31 December 2018										
Revenue	212,756	113,326	95,973	84,827	74,192	175,144	-	-	-	**756,218**
EBITDA	110,024	38,103	55,983	26,168	33,800	114,364	-	(2,448)	(16,335)	**359,659**
Sustaining Capital	22,338	8,013	7,241	4,864	9,524	6,922	-	-	786	**59,688**
Major Capital	52,839	4,488	11,501	16,155	6,251	-	-	-	-	**91,234**
Total Capital	75,177	12,501	18,742	21,019	15,775	6,922	-	-	786	**150,922**

The segment information for the reportable segments for the half-year ended 31 December 2017 is as follows:

	Cowal $'000	Mungari $'000	Mt Carlton $'000	Mt Rawdon $'000	Cracow $'000	Ernest Henry $'000	Edna May $'000	Explo-ration $'000	Corp-orate $'000	Total $'000
31 December 2017										
Revenue	221,251	96,390	110,714	72,817	68,451	175,345	37,171	-	-	**782,139**
EBITDA	128,606	35,674	73,801	29,034	30,890	116,287	2,629	(1,310)	(16,512)	**399,099**
Sustaining Capital	14,811	6,495	4,434	4,079	6,412	8,824	1,599	-	422	**47,076**
Major Capital	25,408	21,648	10,546	8,047	6,786	-	3,072	-	-	**75,507**
Total Capital	40,219	28,143	14,980	12,126	13,198	8,824	4,671	-	422	**122,583**

Notes to the Consolidated Financial Statements

2 Performance by Mine (continued)

(c) Segment Reconciliation

	31 December 2018 $'000	31 December 2017 $'000
Reconciliation of profit before income tax expense		
EBITDA	**359,659**	399,099
Depreciation and amortisation	**(204,920)**	(195,501)
Interest income	**3,999**	860
Transaction costs	**(1,040)**	(1,192)
Loss on sale of subsidiary	**106**	-
Fair value amortisation	**(13,405)**	(18,997)
Fair value unwinding	**-**	3,142
Finance costs	**(12,342)**	(12,320)
Profit before income tax expense	**132,057**	175,091

3 Revenue and expenses

	31 December 2018 $'000	31 December 2017 $'000
Sales revenue		
Gold sales	**651,834**	663,959
Silver sales	**7,688**	11,147
Copper sales	**96,696**	107,033
	756,218	782,139

	31 December 2018 $'000	31 December 2017 $'000
Cost of sales		
Mine operating costs	**346,831**	332,074
Royalty and other selling costs	**30,945**	33,160
Depreciation and amortisation expense	**204,216**	195,146
Fair value amortisation	**13,405**	18,997
Fair value gain	**-**	(3,142)
	595,397	576,235

Notes to the Consolidated Financial Statements

3 Revenue and expenses (continued)

	31 December 2018 $'000	31 December 2017 $'000
Corporate and other administration costs		
Depreciation and amortisation expense	**704**	355
Corporate overheads	**12,082**	12,276
	12,786	12,631
Transaction and integration costs		
Contractor, consultants and advisory expense	**793**	219
Corporate and administration expense	**231**	973
Stamp duty on business combinations	**16**	-
	1,040	1,192
Finance costs		
Finance lease interest expense	**-**	17
Amortisation of debt establishment costs	**1,115**	161
Unwinding of discount on provisions	**1,742**	2,159
Interest expense	**9,485**	9,983
	12,342	12,320
Depreciation and amortisation		
Cost of sales (excluding Ernest Henry)	**137,609**	131,828
Cost of sales (Ernest Henry)	**66,607**	63,318
Corporate and other administration costs	**704**	355
	204,920	195,501

Notes to the Consolidated Financial Statements

4 Income tax

(a) Income tax

	31 December 2018 $'000	31 December 2017 $'000
Current tax on profits for the period	**21,640**	38,875
Deferred tax	**19,307**	17,677
Adjustments for current tax of prior periods	**-**	(3,979)
Total income tax expense	**40,947**	52,573

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

	31 December 2018 $'000	31 December 2017 $'000
Profit before income tax	**132,057**	175,091
Tax at the Australian tax rate of 30%	**39,617**	52,527
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Profit on sale of subsidiary	**(32)**	-
Share-based payments	**1,354**	1,376
Deferred tax expense on sale of subsidiary	**-**	4,165
Adjustments for current tax of prior periods	**-**	(3,979)
Other	**8**	(1,516)
Total income tax expense	**40,947**	52,573

(c) Tax losses

The Group has unrecognised available tax losses of $31.428 million as at 31 December 2018. These tax losses have not been recognised due to the uncertainty of their recoverability in future periods.

Notes to the Consolidated Financial Statements

5 Dividends

(a) Ordinary Shares

	31 December 2018 $'000	31 December 2017 $'000
Final dividend - 2018		
Final dividend for the year ended 30 June 2018 of 4 cents per share fully franked (30 June 2017: 3 cent per share fully franked) paid on 28 September 2018	**67,773**	50,678
	67,773	50,678

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

In August 2017, the Directors approved a change to the dividend policy of whenever possible paying a dividend equivalent to 50% of the Group's earnings. The interim dividend for 2019 has been calculated accordingly.

	31 December 2018 $'000	31 December 2017 $'000
In addition to the above dividends, since period end the Directors have approved the payment of an interim fully franked dividend of 3.5 cents per fully paid ordinary share (31 December 2017 - 3.5 cents fully franked). The aggregate amount of the proposed dividend expected to be paid on 29 March 2019 out of retained earnings at 31 December 2018, but not recognised as a liability at the period end is:	**59,397**	59,241
	59,397	59,241

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

	Freehold land $'000	Plant and equipment $'000	Total $'000
At 1 July 2018			
Cost	14,261	1,590,847	1,605,108
Accumulated depreciation	-	(1,033,333)	(1,033,333)
Net carrying amount	14,261	557,514	571,775
Year ended 31 December 2018			
Carrying amount at the beginning of period	14,261	557,514	571,775
Additions	-	59,206	59,206
Disposals	-	(2,182)	(2,182)
Depreciation	-	(54,699)	(54,699)
Depreciation relating to fair value uplift on business combination	-	(1,062)	(1,062)
Carrying amount at the end of the year	14,261	558,777	573,038
At 31 December 2018			
Cost	14,261	1,646,809	1,661,070
Accumulated depreciation	-	(1,088,032)	(1,088,032)
Net carrying amount	14,261	558,777	573,038
Included in above			
Assets in the course of construction	-	126,896	126,896

Notes to the Consolidated Financial Statements

7 Mine development and exploration

	Producing mines $'000	Exploration and evaluation $'000	Total $'000
At 30 June 2018			
Cost	3,085,507	152,301	3,237,808
Accumulated depreciation	(1,494,056)	-	(1,494,056)
Net carrying amount	1,591,451	152,301	1,743,752
Half-year ended 31 December 2018			
Carrying amount at beginning of period	1,591,451	152,301	1,743,752
Additions	82,097	31,560	113,657
Amortisation	(143,130)	-	(143,130)
Amortisation relating to fair value uplift on business combinations	(12,343)	-	(12,343)
Asset write-off	-	(2,448)	(2,448)
Carrying amount at the end of the period	1,518,075	181,413	1,699,488
At 31 December 2018			
Cost	3,154,628	181,413	3,336,041
Accumulated amortisation	(1,636,553)	-	(1,636,553)
Net carrying amount	1,518,075	181,413	1,699,488

8 Interest Bearing Liabilities

	31 December 2018 $'000	30 June 2018 $'000
Current		
Bank loans	**105,000**	95,000
Less: Borrowing costs	**(1,915)**	(1,504)
	103,085	93,496
Non-Current		
Bank loans	**250,000**	300,000
Less: Borrowing costs	**(6,005)**	(7,530)
	243,995	292,470
Total interest bearing liabilities	**347,080**	385,966

No changes have been made to the existing Senior Secured Term Loan ("Facility D"), the $175.0 million Performance Bond Facility ("Facility C") or the Senior Secured Revolving Loan ("Facility A").

During the period the Group made repayments totalling $40.0 million on the Senior Secured Term Loan ("Facility D") bringing the total balance outstanding at 31 December 2018 to $355.0 million.

The repayment periods and outstanding balances as at 31 December 2018 on each facility are set out below:

	Term date	Outstanding balance
Senior Secured Revolving Loan - Facility A ($350.0 million)	31 July 2021	$ nil
Performance Bond Facility - Facility C	31 July 2021	$135 million
Senior Secured Term Loan - Facility D	15 October 2021	$355 million

Notes to the Consolidated Financial Statements

8 Interest Bearing Liabilities (continued)

(a) Financing arrangements

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

	31 December 2018 $'000	30 June 2018 $'000
Bank loans - revolving credit facility		
Expiring within one year	**-**	-
Expiring beyond one year	**350,000**	350,000
	350,000	350,000

(b) Contractual maturities of interest bearing liabilities

The tables below analyse the Group's interest bearing liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows, which also includes interest and commitment fees.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
At 31 December 2018						
Bank loans	**118,273**	**117,703**	**142,639**	**-**	**378,615**	**355,000**
	118,273	**117,703**	**142,639**	**-**	**378,615**	**355,000**
At 30 June 2018						
Bank loans	109,826	119,873	195,858	-	425,557	395,000
	109,826	119,873	195,858	-	425,557	395,000

(c) Debt covenants

The Senior Secured Revolving and Term Loan have covenants in place based on the current ratio, leverage ratio, debt service ratio and the tangible net worth ratio. The Group has complied with these covenants during the period.

Notes to the Consolidated Financial Statements

9 Issued Capital

(a) Share capital

	Notes	31 December 2018 Shares	31 December 2018 $'000	30 June 2018 Shares	30 June 2018 $'000
Fully paid ordinary shares		**1,697,069,720**	**2,183,727**	1,692,612,049	2,183,727
		1,697,069,720	**2,183,727**	1,692,612,049	2,183,727

(b) Contributed equity

Movements in ordinary share capital

Ordinary shares are fully-paid and have no par value. They carry one vote per share and the rights to dividends. They bear no special terms or conditions affecting income or capital entitlements of the shareholders and are classified as equity.

	Number of shares	$'000
Balance at 1 July 2017	1,682,798,626	2,183,727
Shares issued on vesting of performance rights	9,214,401	-
Shares issued under Employee Share Scheme	501,234	-
Shares issued under NED Equity Plan	97,788	-
Balance at 31 December 2017	1,692,612,049	2,183,727
Balance at 1 July 2018	1,692,612,049	2,183,727
Shares issued on vesting of performance rights	4,063,414	-
Shares issued under Employee Share Scheme	287,716	-
Shares issued under NED Equity Plan	106,541	-
Balance at 31 December 2018	1,697,069,720	2,183,727

Notes to the Consolidated Financial Statements

10 Related party transactions

(a) Transactions with other related parties

Directors fees in the amount of $57,500 were paid to International Mining and Finance Corp, a company of which Mr James Askew is a Director for services provided during the period (31 December 2017: $57,500).

Directors fees in the amount of $150,000 were paid to DAK Corporation, a company of which Mr Jacob Klein is a Director for services provided during the period (31 December 2017: $150,000).

Directors fees in the amount of $66,250 were paid to Lazy 7 Pty Ltd, a company of which Mr Colin Johnstone is a Director for services provided during the period (31 December 2017: $67,500).

Directors fees in the amount of $7,917 were paid to Mr Naguib Sawaris as a Director for services provided during the period (31 December 2017: $47,500).

Directors fees in the amount of $8,750 were paid to Mr Sebastien de Montessus as a Director for services provided during the period (31 December 2017: $52,500)

11 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2018 in respect of:

(i) Claims

At the date of this report the Group was unaware of any material claims, actual or contemplated.

(ii) Guarantees

The Group has provided bank guarantees in favour of various government authorities and service providers with respect to site restoration, contractual obligations and premises at 31 December 2018. The total of these guarantees at 31 December 2018 was $134.737 million with various financial institutions (30 June 2018: $132.356 million).

12 Gold Delivery Commitments

	Gold for physical delivery oz	Contracted sales price A$/oz	Value of committed sales $'000
As at 31 December 2018			
Within one year	**125,000**	**1,693**	**211,592**
Later than one year but not greater than five years	**350,000**	**1,860**	**650,901**
	475,000		**862,493**
As at 30 June 2018			
Within one year	150,000	1,694	254,037
Later than one year but not greater than five years	100,000	1,737	173,667
	250,000		427,704

Notes to the Consolidated Financial Statements

12 Gold Delivery Commitments (continued)

The counterparties to the physical gold delivery contracts are Australia and New Zealand Banking Group Limited ("ANZ"), National Australia Bank Limited ("NAB"), Westpac Banking Corporation ("WBC"), Commonwealth Bank of Australia ("CBA"), Citibank N.A ("Citibank") and Societe Generale ("SG"). Contracts are settled on a quarterly basis by the physical delivery of gold per the banks instructions. The contracts are accounted for as sale contracts with revenue recognised once the gold has been delivered to ANZ, NAB, WBC, CBA, Citibank, SG or one of their agents. The physical gold delivery contracts are considered a contract to sell a non-financial item and is therefore out of the scope of AASB 9 *Financial Instruments*. As a result, no derivatives are required to be recognised. The Company has no other gold sale commitments with respect to its current operations.

13 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Notes to the Consolidated Financial Statements

14 Basis of preparation of half-year report

This consolidated Half-Year Financial Report for the half-year ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the period ended 30 June 2018 and any public announcements made by Evolution Mining Limited during the half-year ended 31 December 2018 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

The accounting policies adopted are consistent with those of the previous Annual Financial Report and corresponding Half-Year Financial Report in the prior period except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group was not required to make any retrospective adjustments however had to change its accounting policies as a result of adopting these standards:

- AASB 9 *Financial Instruments,* and
- AASB 15 *Revenue from Contracts with Customers.*

The impact of the adoption of these standards and the new accounting policies are disclosed below.

(b) Adoption of new and revised standards

The impact of the adoption of IFRS 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the Group's financial statements is explained below. The new accounting policies that have been applied from 1 July 2018 have also been disclosed where they vary to those applied in prior periods.

(i) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* supersedes AASB139 "*Financial Instruments: Recognition and Measurement*" and covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. AASB 9 modifies the classification and measurement of certain classes of financial assets and liabilities and requires the Group to reassess classification of financial assets into to three primary categories (amortised cost, fair value through profit and loss, fair value through other comprehensive income), reflecting the business model in which assets are managed and their cash flow characteristics. Financial liabilities continue to be measured at either fair value through profit and loss or amortised cost. In addition, AASB 9 introduces an expected credit loss ("ECL") impairment model, whereby anticipated as opposed to incurred credit losses are recognised resulting in earlier recognition of impairments.

The new hedge accounting rules under AASB 9 have no impact as the group is not currently hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation.

Changes in accounting policies resulting from AASB 9 have been applied as at 1 July 2018, with no restatement of comparative information for prior year. The following summarises the impact from the adoption of IFRS 9:

- There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.
- There is no material impact on the Group's accounting for financial assets. A breakdown of the classification considerations and impact by asset class is included below.

Notes to the Consolidated Financial Statements

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

(b) Adoption of new and revised standards (continued)

- Physical gold delivery commitments continue to be treated in line the Group's current accounting policy whereby sale contracts with revenue is recognised at the point gold is delivered. This follows the “own use” exemption per AASB 9 and is consistent with prior treatment under AASB 139.
- At every reporting date the Group is required to assess significant increases/ decreases in credit risk for assets classified as held at amortised cost based on the change in the risk of a default occurring over the expected life of the financial instrument.

Summary of changes in classification and measurement of financial assets under AASB 9 and AASB 139 at the initial date of application, 1 July 2018:

<table>
<tr><th>Financial Asset</th><th>Original measurement category under AASB 139</th><th>New measurement category under AASB 9</th><th>Effect of IFRS 9 adoption</th></tr>
<tr><td>Available for sale financial asset</td><td>Fair value through OCI (FVOCI)</td><td>Fair value through profit and loss (FVTPL)</td><td>Under IFRS 9, the requirement is to value FVTPL unless the Group chooses on an asset by asset basis to present fair value changes through OCI. This option is irrevocable and applies only to equity instruments, which are neither held for trading nor are continent consideration in a business combination.
Where FVOCI is selected, given there is no recycle on disposal and no impairment accounting, there is no longer a requirement to consider whether there is a significant or prolonged decline in the value of the equity instruments. If the fair value of the investment declines, this decrease would merely be recorded as a reduction in equity through OCI.
The Group chooses to continue with the current treatment of FVOCI, noting the impact of no longer recycling through the P&L on disposal. No impact of transition to IFRS 9.</td></tr>
<tr><td>Investment in debt instruments</td><td>Loans and receivables</td><td rowspan="3">Amortised cost</td><td rowspan="3">Amortised cost financial assets are measured using the effective interest rate method and are subject to AASB 9's new expected credit loss model. Gains and losses are recognised in profit and loss when the assets are derecognised or impaired.
For each of these classes of assets, the Group has concluded that the impact of the change in impairment methodology is nil. No lifetime expected credit losses are recognised on transition to AASB 9. No impact on transition.</td></tr>
<tr><td>Trade receivables</td><td>Loans and receivables</td></tr>
<tr><td>Cash and cash equivalents</td><td>FVTPL</td></tr>
</table>

(ii) AASB 15 Revenue from contracts with customers

AASB 15 *Revenue from Contracts with Customers* outlines the principles an entity must apply to measure and recognise revenue and the related cash flows. The standard supersedes AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. AASB 15 has been adopted from 1 July 2018. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer and permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has undertaken a comprehensive analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under AASB 15.

Notes to the Consolidated Financial Statements

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

(b) Adoption of new and revised standards (continued)

(ii) AASB 15 Revenue from contracts with customers (continued)

As the Group's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by AASB 15, the adoption of AASB 15 has had no impact in respect of timing and amount of revenue currently recognised by the Group and accordingly prior period amounts were not restated. Revenue for the period is comprised of the following:

	31 December 2018 $'000	31 December 2017 $'000
Sales revenue		
Gold sales	**651,834**	663,959
Silver sales	**7,688**	11,147
Copper sales	**96,696**	107,033
	756,218	782,139

(c) Accounting policies applied from 1 July 2018

The new accounting policies that have been applied from 1 July 2018 following adoption of IFRS 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* are disclosed below where they vary to those applied in prior periods.

(i) AASB 9 Financial Instruments

(a) Financial Assets

Recognition

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, depends on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

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 (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Notes to the Consolidated Financial Statements

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

(c) Accounting policies applied from 1 July 2018 (continued)

Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments per AASB 9 depends on the group's business model for managing the asset and the cash flow characteristics of the asset. All debt instruments at 31 December 2018 are categorised as held at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Equity instruments

The group subsequently measures all equity investments at fair value. For available for sale financial assets, management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

From 1 July 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(b) Derivatives and hedge accounting

Physical gold delivery commitments continue to be treated in line the Group's current accounting policy whereby sale contracts with revenue is recognised at the point gold is delivered. This follows the "own use" exemption per AASB 9 and is consistent with prior treatment under AASB 139.

(ii) AASB 5 Revenue from contracts with customers

Recognition

Revenue from the sale of goods is recognised when control of the goods or services passes to the customer and no further processing is required by the Group, the quality and quantity of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable. In most instances, control passes and sales revenue is recognised when the product is delivered either upon leaving the gold room or on delivery over the ship's rail at port of loading. Revenue is measured at the fair value of the consideration received or receivable.

Notes to the Consolidated Financial Statements

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

(c) Accounting policies applied from 1 July 2018 (continued)

Measurement

The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods or services. The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (quotation period). Adjustments to the sales price occur based on movements in quoted marked prices up to the date of final settlement. The period between provisional invoicing and final settlement is typically between one and three months. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable.

Notes to the Consolidated Financial Statements

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 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 16 *Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.	The standard will affect primarily the accounting for the Group's operating leases. To date, the group has focussed on the provisions of the standard that will most impact the financial results. Below is a summary of the work performed and the assessed impact of the new standard: • Data gathering: Site and group data has been collated related to contracts that may contain a lease. • Data integrity and analysis: a number of the identified contracts are covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. • Modelling of transition options: Review of the transition options indicates that there is not a material difference to the group between the three transition methodologies. Accordingly, the group intends to apply the modified retrospective transition approach. • Financial reporting: Preliminary review results indicate that under the requirements of AASB 16, a lease asset and liability would be recorded on balance sheet of approximately \$20m-\$25m if the standard applied at 31 December 2018. Work will continue on the implementation of processes and systems prior to the effective date of 1 July 2019.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The group intends to apply the modified retrospective transition approach and will not restate comparative amounts for the year prior to first adoption.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 14 to 36 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Jacob (Jake) Klein	Andrea Hall
Executive Chairman	Chair of the Audit Committee

Sydney

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Evolution Mining Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Evolution Mining Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Evolution Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Evolution Mining Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
13 February 2019