

## 2020 Tax Corporate Governance Statement

### Introduction

Evolution Mining Limited (Evolution) is committed to building on existing relationships with our stakeholders based on trust, mutual respect and genuine partnership. Underpinning this is Evolution's objective that it will comply with all applicable laws, internal policies and other commitments to our stakeholders, including meeting all our tax responsibilities.

Evolution strives to ensure that every interaction with our stakeholders is positive and aligned with our values of Safety, Excellence, Accountability and Respect. We communicate regularly with our stakeholders with integrity in an open, timely and transparent way.

Evolution became tax payable during the 2017 income year following the utilisation of a significant portion of income tax losses. Tax losses commenced being utilised from the 2015 income years, demonstrating that Evolution commenced realising the benefits of its earlier capital investments from when the company was formed in 2011.

To ensure transparency with our stakeholders and the public, Evolution publishes this Tax Governance Statement on a voluntary basis. This report also includes information recommended to be disclosed under the Australian Voluntary Tax Transparency Code (TTC).

### Evolution corporate structure

Evolution was formed in late 2011 through the merger of Catalpa Resources Ltd and Conquest Mining Ltd and the concurrent acquisition of Newcrest Mining Limited's interest in the Cracow and Mt Rawdon mines.

Evolution now owns and operates five gold operations. Two of the Company's operations are located in Queensland, one in New South Wales, one in Western Australia and one in Canada that was recently acquired late in the 2020 year. In addition, Evolution has an economic interest in the Ernest Henry mine, in Queensland.

Evolution also conducts exploration on its existing operations and other potentially prospective permits and tenements.

### Financial and tax reporting

Evolution prepares a single consolidated set of financial statements that discloses the accounting profit before tax and tax expense.

Evolution and its wholly owned subsidiaries in Australia have formed a tax consolidated group for Australian income tax purposes. This means that a single consolidated income tax return is lodged by Evolution with the Australian Taxation Office for the entire Australian group.

Evolution's recently acquired Canadian operation is fully subject to Canadian taxes. Evolution will lodge Canadian tax returns for its Canadian operation. This Statement does not include commentary on Canadian taxes.

As all of Evolution's subsidiaries are wholly owned companies, the composition of Evolution's reporting group for accounting and tax purposes is the same.

### Voluntary Tax Transparency Code

The Australian Government has endorsed the TTC that requires large business taxpayers to disclose certain tax information. The following tax information is voluntarily disclosed under the requirements of the TTC.

### Australian tax-related contribution summary

A summary of Evolution's tax related contribution over the last 3 years is provided below. All of Evolution's tax related contributions are paid to State and Federal tax authorities in Australia.

#### A\$ millions

	Corporate income tax	Government royalties	State payroll taxes & other <sup>(1)</sup>	Stamp duty <sup>(2)</sup>	Total
<b>2020</b>	92.5 <sup>(3)</sup>	75.4	15.6	Nil	<b>183.5</b>
<b>2019</b>	43.6	63.0	13.6	0.7	<b>120.9</b>
<b>2018</b>	65.0	65.9	14.5	Nil	<b>145.4</b>

<sup>(1)</sup> Comprise of employer payroll taxes paid to State Governments and Fringe Benefits Tax (FBT).

<sup>(2)</sup> Stamp duty paid in relation to acquisitions

<sup>(3)</sup> Higher 2020 corporate income tax due to higher revenue from higher gold prices.

Note the table above excludes taxes withheld from employees or shareholders, as Evolution does not consider withholding taxes to be tax-related contributions made by the company.

The total taxes paid by Evolution since its formation in the 2012 income year to 2020 (inclusive) are as follows:

**A\$ millions**

Corporate income tax	Govt royalties	Carbon pricing	State payroll taxes & other	Stamp duty	Total
237.3	443.0	15.6	95.9	72.8	<b>864.6</b>

**Prior year tax-related contributions**

Evolution's prior year tax-related contributions since the company's formation are as follows:

**A\$ millions**

Year	Corp Tax	Govt royalties	Carbon pricing <sup>(3)</sup>	State payroll taxes & other <sup>(4)</sup>	Stamp duty	Total
<b>2017</b>	36.2	62.5	-	16.5	3.3	<b>118.5</b>
<b>2016</b>	-	55.7	-	14.6	47.4	<b>117.7</b>
<b>2015</b>	-	35.1	-	6.8	-	<b>41.9</b>
<b>2014</b>	-	32.5	8.2	5.5	-	<b>46.2</b>
<b>2013</b>	-	30.4	7.4	5.7	21.4	<b>64.9</b>
<b>2012</b>	-	22.5	-	3.1	-	<b>25.6</b>
<b>Total</b>	<b>36.2</b>	<b>238.7</b>	<b>15.6</b>	<b>52.2</b>	<b>72.1</b>	<b>414.8</b>

<sup>(3)</sup> Comprise of net carbon liabilities plus fuel tax credits denied due to deemed carbon cost.

<sup>(4)</sup> Comprise of employer payroll taxes paid to State Governments and Fringe Benefits Tax.

**Reconciliation of accounting profit to income tax expense**

A reconciliation of accounting profit to income tax expense is provided below:

	<b>30 June 2020 (A\$ millions)</b>
Sales revenue	1,941.8
Cost of sales and other expenses	
Mine operating costs	(777.6)
Depreciation and amortisation	(404.0)
Royalty and other selling costs	(75.4)
Fair value amortisation and expenses	(17.9)
Other expenses	(258.3)
Profit/(loss) before income tax expense	<b>408.6</b>
Tax at the Australian tax rate of 30%	<b>122.6</b>
Non-temporary differences (including accounting gain on sale of subsidiary)	(15.6)
Income tax expense	<b>107.0</b>
<b>Reconciled to income tax payable</b>	
Temporary differences	(28.0)
Adjustment for Canadian deferred taxes	13.3
Adjustment to current tax	0.8
Net capital gain on sale of subsidiary	1.9
Less: tax losses	(2.5)
Income tax payable	<b>92.5</b>

For further details, please refer to Evolution's 2020 Annual and Sustainability Report at the following link:

[2020 Annual and Sustainability Report – Note 3 Income tax expense](#)

**Reconciliation to income tax paid**

The TTC prescribes that the effective tax rate of a company is calculated as income tax expense (company tax only) divided by accounting profit. Evolution's effective corporate tax rate is 26.2% for 2020. This is a less than the 2019-year due mine expansions and exploration carried out during the 2020 year that incurred higher deductible expenses. Evolution's effective tax rate over the last 3 years has been in line with the Australian corporate tax rate of 30%.

Evolution incurred significant tax losses during its early years. This was mainly due to the fall in gold prices from 2011 through to 2013 and the substantial investments in operations and exploration made by Evolution since formation. A significant portion of tax losses were utilised during the 2015 to 2019 years. The Australian taxation law provides for higher upfront deduction for mining and exploration expenditure, which in the main contributor to the tax losses in the early years.

The historical gold prices (in USD) over the last 5 years is illustrated in the chart below:



Source: [goldprice.org](http://goldprice.org)

A summary of the tax losses incurred and utilised (including tax offsets) by Evolution since its formation is provided below.

**A \$millions (at 30% tax rate)**

Year	Tax Losses Incurred	Tax Losses Utilised
2011	26.5	
2012	12.4	
2013	29.2	
2014	41.7	
2015	10.4	(3.8)
2016	1.0	(46.8)
2017	Nil	(27.3)
2018	Nil	(19.7)
2019	Nil	(8.4)
2020	Nil	(2.5)

Evolution has \$11.6m of tax losses (at 30% tax rate) carried forward into the 2021 year. As these losses were acquired the utilisation of them will be on a proportional basis over a number of years.

In order for Evolution to carry forward prior year tax losses, it must satisfy strict legislative requirements. Evolution has self-assessed its tax losses against these rules, and as a result Evolution has cancelled approximately \$54.0 million of tax losses over several years that it has self-assessed as no longer being available.

## Material temporary and non-temporary differences

A summary of material non-temporary and temporary differences for the year ended 30 June 2020 is provided below:

(A \$millions)

<b>Non-temporary differences</b>	Share-based payments	3.2	Not tax deductible
<b>Temporary differences</b>	Difference in accounting and tax depreciation	(29.3)	Tax deductible

The amounts in the table above are subject to the preparation and lodgment of the 2020 income tax return.

### Tax Corporate Governance

Evolution is committed to complying with its obligation to pay the right amount of tax legally due federally or in any state or territory, in accordance with the laws set out by governments. To meet this commitment, Evolution has in place a Tax Risk Management Policy, Strategy and Procedures to manage tax risks.

The commercial needs of Evolution are paramount, and all tax outcomes will be undertaken in this context. All transactions must have a business purpose or commercial rationale.

Due consideration will be given to Evolution's reputation, brand, and corporate and social responsibility when considering tax engagements, as well as legal and fiduciary duties of directors and employees of Evolution. In line with these reputational considerations, Evolution pursues a tax strategy that is fair and transparent. This forms part of the overall decision-making and risk assessment process.

### Tax Governance Framework

The Directors believe that Tax Corporate Governance is an important element in maintaining high standards of corporate responsibility and adhering to Evolutions set values of Safety, Excellence, Accountability and Respect. These principles are reflected in Evolution's Corporate Governance standards and policies: <http://evolutionmining.com.au/corporate-governance/>, which have been in place since the formation of the Company. These principles are regularly reviewed to ensure that they reflect current best practices. All staff at every one of Evolution's operations are expected to adhere to these values.

Evolution has a formal tax governance framework that is driven by its Audit Committee (which comprises of independent non-executive directors), managed by a proactive internal tax function and supported by diligent finance teams at each of its business units and function areas. External reviews of Evolution's tax position are carried out regularly by independent advisers to ensure that Evolution continues to act responsibly and meet its tax obligations.

Evolution does not engage in any aggressive tax planning. It does not host any offshore special purpose entities or marketing hubs. It has not engaged in any cross-border transactions. Upon completion of the Canadian asset acquisition in 2020, some cross-border transaction is expected, which will be entered into on an arm's length basis in compliance with applicable tax laws.

Evolution has invested comprehensively in information technology, an integrated accounting platform and tax compliance software to ensure integrity in its financial data and tax reporting.

Furthermore, the operations of Evolution are subject to an annual Internal Audit Review program carried out by an independent consultancy firm to ensure (amongst other things) that the procedures and practices at Evolution are appropriate and complied with, and reflect its high standards of corporate governance.

### Tax and Revenue Office engagement

Evolution has proactively sought private binding rulings from the Australian Taxation Office on areas of the tax law that are not clear. Evolution has been, and continues to be, subject to risk reviews by the Australian Taxation Office and other State Revenue Offices in relation to all taxes and royalties, which it has complied with in a transparent and collaborative way.

Evolution is committed to complying with all relevant tax disclosure and approval requirements in the future. Required disclosure will be clearly presented to the tax authorities or other relevant bodies, as appropriate. Openness, honesty and transparency are paramount in all the Company's dealings with the tax authorities and other relevant bodies.

### Overview of Evolution's approach to tax governance

Audit Committee	<ul style="list-style-type: none"> <li>• Sets the overall tax risk / reward philosophy and the ethos of how risk is assessed;</li> <li>• Periodically monitors and provides guidance for the improvement of the Evolution Tax Risk Management Policy and Strategy;</li> <li>• Independently assesses material transactions and material tax matters that are reported to the Audit Committee and makes decisions in relation to these items when required.</li> </ul>
Senior Management	<ul style="list-style-type: none"> <li>• Provides high level input into the Evolution Tax Risk Management Policy and Strategies design;</li> <li>• Makes decisions in relation to material transactions and material tax matters within its limit of authority.</li> <li>• Monitors how tax is being managed and the performance of tax resources, both internal and external.</li> </ul>
Internal Tax Function	<ul style="list-style-type: none"> <li>• Involved in all areas of tax risk management including primarily: <ul style="list-style-type: none"> <li>○ Preparation of annual tax returns;</li> <li>○ Review and seeking of tax advice on transactions and tax matters;</li> <li>○ The allocation of sufficient and appropriate resources to manage tax risks; and</li> <li>○ Ensuring effective tax processes and procedures are in place and periodically reviewing the effectiveness of those controls and procedures.</li> </ul> </li> </ul>
Business Units & Function Areas	<ul style="list-style-type: none"> <li>• Responsible for providing accurate and complete information to the Internal Tax Function and external tax advisors in a timely manner;</li> <li>• Assist the Internal Tax Function in mitigating tax risks when required.</li> </ul>
Supported by a comprehensive information technology and integrated accounting platform and tax compliance software	
External support	<ul style="list-style-type: none"> <li>• Regular reviews by independent advisers</li> </ul>
Tax Office engagement	<ul style="list-style-type: none"> <li>• Regular engagement with tax authorities</li> </ul>