

2016 Tax Corporate Governance Statement

Introduction

Evolution Mining Limited (Evolution) is committed to building relationships with our community 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 incurred significant tax losses during previous years, which resulted in the company carrying forward accumulated tax losses. This was mainly due to the fall in gold prices during the 2013 year and substantial investments in operations and exploration during the same period, including the construction and commissioning of the Mt Carton gold mine and processing plant, the construction of the Edna May gold processing plant, the construction of the Mungari gold processing plant and recommencement of the open pit mine at Mungari, and significant mine expansions at Edna May and Mt Rawdon.

As at 30 June 2014, Evolution had carried forward group tax losses of \$252.5m. A significant portion was utilised during the 2016 income year, with the balance expected to be utilised by the end of the 2017 income year. The utilisation of tax losses by Evolution shows that it has matured as a company since its formation and is now realising the benefits of its earlier capital investments.

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

Evolution corporate structure

Evolution was founded in late 2011 to form a mid-tier Australian gold producer 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 six gold operations, all of which are in Australia. Three of the operations are located in Queensland, one in New South Wales and two in Western Australia. In addition, Evolution holds an economic interest in the Ernest Henry mine, in Queensland.

In addition, Evolution conducts exploration on its existing operations and other potentially prospective permits and tenements.

Evolution also owns a small area containing no previously discovered deposits (referred to as a 'greenfields exploration project') in New Zealand. Apart from this, the Company has no other legal or beneficial presence in any entity or economic interest outside of Australia.

Financial and tax reporting

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

Under the Australian tax law, Evolution is permitted to form a tax consolidated group. This allows a group of entities to be treated as a single taxpayer for Australian tax purposes. Evolution and its wholly owned subsidiaries have formed a tax consolidated group for income tax purposes. This means that a single consolidated income tax return is lodged by Evolution with the Australian Taxation Office for the entire group.

As all of Evolution's subsidiaries are Australian 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 is provided below. All of Evolution's tax related contributions are paid to State and Federal tax authorities in Australia.

AUD \$millions

	Corporate income tax	Government royalties	State payroll taxes & other ⁽¹⁾	Stamp duty ⁽²⁾	Total
2016	0.0	55.7	14.6	47.4	117.7

⁽¹⁾ Comprise of employer payroll taxes paid to State Governments and Fringe Benefits Tax.

⁽²⁾ Stamp duty paid in relation to acquisitions

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.

Prior year tax-related contributions

Evolution has made the following tax contributions since the company's formation:

AUD \$millions

Year	Government royalties	Carbon pricing ⁽³⁾	State payroll taxes & other ⁽⁴⁾	Stamp duty	Total
2015	35.1		6.8		41.9
2014	32.5	8.2	5.5		46.2
2013	30.4	7.4	5.7	21.4	64.9
2012	22.5		3.1		25.6
Total	120.5	15.6	21.1	21.4	178.6

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

⁽⁴⁾ 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:

	30 June 2016 (\$millions)
Sales revenue	1,328.6
Cost of sales and other expenses	
Mine operating costs	(618.5)
Depreciation and amortisation	(334.5)
Royalty costs	(55.7)
Fair value amortisation and expenses	(88.3)
Other expenses	(253.1)
(Loss)/profit before income tax expense	(21.5)
Tax at the Australian tax rate of 30%	(6.5)
Non-temporary differences	26.5
Recognition of tax losses	(17.2)
Income tax expense	2.8

* For further details, please refer to the 2016 Annual Report of Evolution at the following link:

[2016 Annual Report – Note 4 Income tax expense](#)

Reconciliation to income tax paid

As discussed in the Introduction above, Evolution incurred significant tax losses during previous years. This was mainly due to the fall in gold prices during the 2013 year and the substantial investments in operations and exploration made by Evolution during the same period.

A summary of the tax losses incurred and utilised (including tax offsets) by Evolution since its formation is provided below. The company is yet to finalise the income tax return for 2016, however a significant amount of tax losses is expected to be utilised.

AUD \$millions

Year	Tax Losses	Utilisation
2011	70.0	
2012	31.4	
2013	89.9	
2014	61.1	
2015	Nil	(17.6)

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



Source: goldprice.org

Under tax law, companies can carry forward unused tax losses and offset those losses against income in future years, provided strict legislative carry forward rules are satisfied. In the 2016 financial year, Evolution's taxable income was offset against its tax losses carried forward and as such, no income tax was 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 therefore nil for 2016 as it had an accounting loss for the year.

Evolution (along with many other organisations) often has an effective tax rate lower than the Australian corporate rate of 30%, meaning that they may pay a small amount or no income tax. This does not necessarily mean that tax minimisation strategies are being employed. Carrying forward tax losses is a legitimate reason why Evolution's effective tax rate is lower than the Australian corporate rate. Further, the carry-forward tax loss rules which are available to Evolution are in line with the tax policy of the Australian Government which introduced the measures, to encourage investment.

In order for Evolution to carry forward these 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 2016 is provided below:

30 June 2016 (AUD \$millions)

Non-temporary differences	Impairment loss on goodwill	35.3	Increases taxable income
	Stamp duty	50.0	Increases taxable income
Temporary differences	Impairment loss on asset	77.3	Increases taxable income
	Difference in accounting and tax depreciation	19.3	Increases taxable income

* The amounts in the table above are subject to the preparation and lodgment of the 2016 income tax return.

For the 2016 year, there were significant accounting expenses that were not deductible for tax purposes, including write-down of goodwill on acquisition and impairment charges.

Other temporary differences for 2016 mainly relate to the difference in taxation treatment of capital expenditure for tax and accounting purposes, which gave rise to additional taxable income.

These significant adjustments resulted in Evolution returning a taxable income for the 2016 year (despite having an accounting loss for that year), which was then offset against prior year tax losses under the tax law.

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 particular, and 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 Evolution. 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 consultants 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 does not engage in any cross-border transactions apart from a small greenfields exploration project in New Zealand.

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