



EASTERN GOLDFIELDS LIMITED

ABN 69 100 038 266

ASX: EGS

HALF- YEAR FINANCIAL REPORT

FOR THE PERIOD ENDED

31 DECEMBER 2017

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
CORPORATE DIRECTORY AND CONTENTS**

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Michael Fotios	Executive Chairman
Alan Still	Non-Executive Director
Craig Readhead	Non-Executive Director

COMPANY SECRETARY

Shannon Coates

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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AUDITORS

Ernst & Young

SOLICITORS

Squire Patton Boggs

BANKERS

National Australia Bank Limited

SECURITIES EXCHANGE LISTING

Shares in Eastern Goldfields Limited are listed on the Australian Securities Exchange under the trading code EGS.

CONTENTS

Directors' Report.....	2
Auditor's Independence Declaration	9
Consolidated Statement of Comprehensive Income	12
Consolidated Statement of Financial Position.....	13
Consolidated Statement of Changes in Equity.....	14
Consolidated Statement of Cash Flows.....	15
Notes to the Consolidated Financial Statements.....	16
Directors' Declaration	25
Independent Auditor's Review Report	26

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

The Directors present their report together with the consolidated financial statements of the Group comprising of Eastern Goldfields Limited ("the Company") and its subsidiaries for the half year ended 31 December 2017.

DIRECTORS

The Directors of the Company at any time during the half year and up to the date of this report are as follows:

Michael Fotios
Craig Readhead
Alan Still

All Directors held their position as a Director throughout the entire half year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial period were gold mining and processing from the Davyhurst Operation, gold exploration and evaluation of projects. There was a significant change as the project shifted to a production footing with first gold poured during the half-year.

REVIEW OF OPERATIONS

Project evaluation work examining potential mining opportunities and exploration target generation continued during the half-year over the entire Davyhurst gold processing plant. This included:

- Commissioning of the Company's 1.2Mtpa gold processing plant completed at Davyhurst, ramp up continues.
- Gold sales for the period totalled 2,213.7 ounces from low grade stockpile ore, including subgrade commissioning stock.
- Milling for the period totalled 104,168t @ 1.17g/t for 3,928 ounces, including subgrade commissioning stock.
- Siberia near-surface mine extensions uncovered, returning 36m @ 4.09 g/t Au in a rip line.
- Underground mining progressing strongly at Golden Eagle, with first ore produced.
- Continued drilling success at Callion.

Davyhurst Gold Project Area Overview

The Davyhurst Gold Project, which includes both open cut and underground mining targets, is located 120 kilometres north-west of Kalgoorlie, Western Australia. Open pit mining operations and underground mining operations commenced during the reporting period.

Davyhurst Processing Plant

Commissioning activities at the Company's 1.2Mtpa gold processing plant were completed at Davyhurst, with ramp up activities continuing at period end. The plant was commissioned on sub-grade material before transitioning to a blend of low grade surface stockpiles. Total tonnes treated for the period totalled 104,168t @ 1.17g/t for 3,928 ounces, with the grade lifting significantly in the December quarter to 1.37g/t (1.08g/t Sept Qtr).

In September 2017, the processing plant underwent a planned maintenance and engineering shutdown aimed at eliminating a collection of minor inefficiencies along with some material handling and bottlenecking issues. Ramping up activities continued within the processing plant, with significant progress made on the PLC crusher controls, and successful performance testing of the grinding circuit reaching the nameplate capacity of 150t/hrs.

Unplanned shutdowns occurred due to an adverse weather event impacting the broader Kalgoorlie region, resulting in a Western Power mains power outage, a subsequent transformer failure in the power house, and lack of road access due to the wet weather.

Siberia Open Pit Mining Operations

The Siberia mining centre is 37 kilometres south east of the Davyhurst Mill and has a current Mineral Resource estimate of 5.7Mt @ 3.1g/t Au for 577,000 ounces. The two main deposits at Siberia, namely Sand King and Missouri, are at a mine-ready state as recently announced (3 January 2017 and 15 December 2016 respectively). The project has a combined open pit mining Reserve for the Missouri and Sand King deposits of 2,025,000t @ 2.3g/t Au for 150,000 ounces (as announced 14 February 2017).

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

REVIEW OF OPERATIONS (continued)

Open pit mining contractor RJV Mining Services mobilised a mining fleet to the Siberia open pit project during the June quarter. Operations continued during the reporting period, focusing on site establishment and early works, progressing to the mining of the existing historic low grade stockpile created by Western Mining Corporation during the 1980s.

Activities completed during the period included:

- Site establishment and civil works relating to mining operations at Siberia.
- Stockpiling of low grade ore at Siberia.
- Commencement of surface haulage operations.
- Initial Siberia grade control drilling program.
- Construction of Siberia bypass haul road nearing completion.
- Pre-stripping and exposure of near surface gold east of the Sand King open pit.

Internal haul roads and ROM pad construction/upgrades were completed during the period. A bypass haul road linking the mining directly to the Ora Banda – Davyhurst road was also completed, significantly reducing ore haulage times and distances.

Approximately 780 metres of RC grade control drilling has been completed at Sand King to date. This drilling was extended to target the potential for near-surface gold mineralisation, based on sparse drilling intercepts to the immediate east of the Sand King open pit. Additional work confirmed the presence of near surface gold mineralisation. Mining operations moved to pre-strip this area and expose the ore horizon. Additional rip lines totalling 498 metres were completed and sampled to assess the extent of mineralisation, with the best rip line returning 36m @ 4.09 g/t Au, including 3m @ 28.8 g/t Au. For further details of the Company's update on Siberia near-surface mine extensions, refer to ASX announcement on 29 August 2017.

Open pit mining operations are scheduled to recommence in the March quarter following the temporary suspension of operations during the December quarter. Upon recommencement, focus will be on the extraction of the recently identified near surface laterite gold mineralisation before moving to the Stage 1 cut back of the southern high wall in the Sand King open pit.

Additional grade control holes have been planned during the period for the near surface laterite gold mineralisation.

Golden Eagle Underground Mining

Development of the Golden Eagle decline commenced during the reporting period, with portal access works, vent portal establishment and decline development being undertaken.

A drill platform was completed on the 388 Level which will allow underground diamond drilling to commence, targeting the down plunge positions of the Golden Eagle central shoot. Drilling is scheduled to commence in the March quarter.

At period end, the Golden Eagle underground capital development program had progressed achieving 395 metres (238m Sept Qtr) of total advance.

First ore was intersected during the December quarter, with subsequent ore development totalling 110 metres of advance on the first level, producing 6,848 tonnes at 3.9 g/t Au, for 860 contained ounces. The main lode target, the Quartz-Feldspar Lode "QFL", has been consistently exposed on the hanging wall contact of the larger biotite schist unit, with additional footwall mineralisation occasionally identified. The QFL displays excellent grade continuity, which augurs well for the upcoming stoping event. Ore exposures have demonstrated predictability in both gold grade distribution and ore geometry. Ground conditions are considered good with very low water ingress rates encountered on the first level.

Development Face Highlights include:

- 4.0 m @ 8.6 g/t (uncut 23.8 g/t)
- 4.8 m @ 9.9 g/t (uncut 11.0 g/t)
- 4.2 m @ 8.6 g/t (uncut 10.6 g/t)
- 4.2 m @ 6.8 g/t (uncut 9.5 g/t)
- 5.9 m @ 5.0 g/t (uncut 6.3 g/t)

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

REVIEW OF OPERATIONS (continued)

Project Development Update

Riverina Project Area

The Riverina Project area is located approximately 48 kilometres north of the Davyhurst Mill, and has a current Mineral Resource estimate of 2.6Mt @ 2.5g/t Au for 207,000 ounces. It is one of several high priority drilling targets within the Company's Davyhurst Project and is seen as the next open pit mining focus following on from Siberia.

Resource definition drilling activities progressed in the quarter with 16 diamond holes for a total of 1,861.1 metres drilled as part of a Mineral Resource upgrade program. Within the latest drill holes a one metre true width fresh-rock quartz vein has been intersected with visible gold (RVDD16018 from 70 metres downhole or 62m vertical from surface, as announced 8 August 2017).

Drilling Highlights returned during the period included:

- 19.0 m @ 2.41 g/t Au East lode system
 - 20.0 m @ 1.37 g/t Au East lode system
 - 27.0 m @ 1.00 g/t Au East lode system
 - 20.0 m @ 1.00 g/t Au East lode system
 - 18.0 m @ 1.94 g/t Au East lode system
 - 18.0 m @ 1.47 g/t Au East lode system
 - 4.0 m @ 7.54 g/t Au Main Lode
- (see ASX announcement dated 26 October 2017)

The identification of consistent broad zones of gold mineralisation present the company with an exciting opportunity to significantly increase the tonnage potential of the Riverina Deposit.

Drilling activities were suspended for the December quarter and are now due to recommence during the March quarter. Upon recommencement, drilling will continue to evaluate the shallow near surface low stripping ratio gold mineralisation (East Lode System), before shifting to the higher-grade underground mining potential (Main Lode).

Callion Project Area

The Callion Deposit is 14 kilometres south west of the Davyhurst processing plant and has a current Mineral Resource estimate of 169Kt @ 2.6g/t Au for 14,000 ounces. The Company has an exploration target of 350-450Kt @ 10-14g/t and considers this a high priority resource definition target (see ASX announcement dated 31 August 2017).

Drilling at Callion has confirmed the presence of several high grade areas within the historical underground mine, returning 6.0 m @ 5.64 g/t Au (CNRC108) and 5.0 m @ 3.50 g/t Au (CNRC107). These are supported by other previously announced results from within the historical mine area which include 2 m @ 17.25 g/t Au, 5 m @ 6.68 g/t Au and 4 m @ 3.22 g/t Au (see ASX announcement dated 31 August 2017). These results represent a critical step towards bringing this part of the Callion Mineral Resource in line with JORC 2012 standard.

In the northern part of the deposit, drilling was successful in intercepting near surface (open pitable) mineralisation, with 4.0 m @ 4.54 g/t Au, 4.0 m @ 2.27 g/t, 2.0 m @ 1.73 g/t and 2.0 m @ 2.18 g/t all located within 20 m from the base of the existing pit and only 50 m from surface.

The conceptual development plan for the Callion deposit includes an open pit cut back to establish portal access, followed by remnant underground mining within the historical mine, leading to virgin underground mining at depth.

Work relating to a resource estimation upgrade for the Callion deposit commenced during the December quarter. Results from this work are expected during the March quarter.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

REVIEW OF OPERATIONS (continued)

Davyhurst Project Area

Waihi Complex

The Waihi Complex consists of the historical Waihi and Golden Pole Deposits, and extends south to include the Dexy, Lady Eileen and Lady Eileen South deposits. Both The Waihi and Golden Pole deposits were initially mined in the early-mid 1900s as high grade underground mines to a maximum depth of 180 metres, targeting steeply dipping, north plunging shoots, producing approximately 95,500 ounces at an average grade of 27g/t Au. In the late 1990s, approximately 740,000 tonnes @ 2.40g/t Au was extracted via open pit methods at the Waihi Deposit, to a maximum depth of 90 metres, for an additional 56,000 ounces. The current mineral resource stands at 914,000 tonnes at 2.4g/t Au for 71,000 ounces of gold.

The Company has recovered all of the available historical mining records for the Golden Pole underground mine. The survey plans and stoping records have been utilised in the reconstruction of the historical mine in three dimensional space. This model has been integral in providing direction to the current exploration effort.

As part of ongoing technical reviews across the Davyhurst Project the Waihi Complex has been identified as containing significant potential to provide high grade underground feed to complement the open pit material from Siberia. As such a comprehensive Resource update was initiated during the quarter to bring the Waihi Resource into JORC 2012 status while also allowing more detailed economic assessment of the deposit. The resource update is expected to be delivered in the March quarter.

Mt Ida Project Area

The Mt Ida Project is located 126 kilometres north of the Company's Davyhurst operations. Historical production of 547,000t @ 17.2g/t Au for 302,000 ounces was derived through underground mining. The current Mineral Resource estimate stands at 318,000 tonnes at 13.8g/t Au for 141,000 ounces of gold.

Project work continued on the Mt Ida trend during the reporting period, focusing on data validation and the development of geological models, as a precursor to drilling planning and resource updates.

Exploration Update

The Exploration team continues to acquire, validate and examine base datasets for the region, including mapping, geophysical and geochemical data. Priority RC and diamond drill programmes are planned for the Peachtree-Young Australia, Siberia-Consols and the Timber Flats areas; the latter containing the poorly drilled-tested but historically rich Golden Wonder and Little Wonder workings, interpreted to lie proximal to the Zuleika Shear, north of the Lights of Israel Complex. The company expects to drill test these opportunities at the earliest opportunity.

Competent Person Statements

The information in this report that relates to Exploration Results is based on information compiled under the supervision of Mr Andrew Czerw, a permanent employee of Eastern Goldfields Limited, who is Member of the Australian Institute of Mining and Metallurgy. Mr Czerw has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Czerw consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Sand King, Missouri and Low Grade Stockpile Mineral Resources is based on information compiled under the supervision of Mr Michael Thomson, a former employee of Eastern Goldfields Limited, who is Member of the Australian Institute of Mining and Metallurgy. Mr Thomson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented have not been modified from the original announcement and, in the case of estimates of Mineral Resources, all material assumptions and technical parameters underpinning the estimates in the initial announcement continue to apply and have not materially changed.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

REVIEW OF OPERATIONS (continued)

The information in this report that relates to Mineral Resources (with the exception of Sand King, Missouri and Low Grade Stockpile Mineral Resources) is based on information compiled under the supervision of Mr Michael Thomson, a former employee of Eastern Goldfields Limited, who is Member of the Australian Institute of Mining and Metallurgy. Mr Thomson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented have not been modified from the original announcement and, in the case of estimates of Mineral Resources, all material assumptions and technical parameters underpinning the estimates in the initial announcement continue to apply and have not materially changed. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to Ore Reserves is based on information compiled by Mr Craig Mann, who is an independent mining engineering consultant and a full-time employee of Entech PTY LTD, and has sufficient relevant experience to advise Eastern Goldfields Limited on matters relating to mine design, mine scheduling, mining methodology and mining costs. Mr Mann is satisfied that the information provided in this statement has been determined to a PFS level of accuracy, based on the data provided by Eastern Goldfields Limited. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented have not been modified from the original announcement and, in the case of estimates of Ore Reserves, all material assumptions and technical parameters underpinning the estimates in the initial announcement continue to apply and have not materially changed.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

REVIEW OF OPERATIONS (continued)

EGS Mineral Resource Statement

PROJECT	MEASURED (^{'000t})	(g/t Au)	INDICATED (^{'000t})	(g/t Au)	INFERRED (^{'000t})	(g/t Au)	TOTAL MATERIAL (^{'000t})	(g/t Au)	(^{'000oz.})
GOLDEN EAGLE	0	0.0	345	2.5	311	2.6	656	2.5	54
LIGHTS OF ISRAEL UNDERGROUND	0	0.0	74	4.3	180	4.2	254	4.2	35
MAKAI SHOOT	0	0.0	1,985	2.0	153	1.7	2,138	2.0	136
WAIHI	0	0.0	805	2.4	109	2.4	914	2.4	71
Central Davyhurst Subtotal	0	0.0	3,200	2.2	800	2.6	3,962	2.3	296
LADY GLADYS	0	0.0	1,858	1.9	190	2.4	2,048	1.9	128
RIVERINA AREA	0	0.0	941	2.4	1,644	2.5	2,585	2.5	205
FOREHAND	0	0.0	386	1.7	436	1.9	822	1.8	48
SILVER TONGUE	0	0.0	155	2.7	19	1.3	174	2.5	14
SUNRAYSIA	0	0.0	175	2.1	318	2.0	493	2.0	32
Riverina-Mulline Subtotal	0	0.0	3,515	2.1	2,607	2.3	6,122	2.2	427
SAND KING	0	0.0	1,773	3.3	680	3.7	2,453	3.4	272
MISSOURI	0	0.0	2,022	3.0	409	2.6	2,431	2.9	227
PALMERSTON / CAMPERDOWN	0	0.0	118	2.3	174	2.4	292	2.4	22
BERWICK MOREING	0	0.0	0	0.0	50	2.3	50	2.3	4
BLACK RABBIT	0	0.0	0	0.0	434	3.5	434	3.5	49
THIEL WELL	0	0.0	0	0.0	18	6.0	18	6.0	3
Siberia Subtotal	0	0.0	3,913	3.1	1,765	3.2	5,678	3.1	577
CALLION	0	0.0	86	2.8	83	2.3	169	2.6	14
Callion Subtotal	0	0.0	86	2.8	83	2.3	169	2.6	14
FEDERAL FLAG	32	2.0	112	1.8	238	2.5	382	2.3	28
SALMON GUMS	0	0.0	199	2.8	108	2.9	307	2.8	28
WALHALLA	0	0.0	448	1.8	216	1.4	664	1.7	36
WALHALLA NORTH	0	0.0	94	2.4	13	3.0	107	2.5	9
MT BANJO	0	0.0	109	2.3	126	1.4	235	1.8	14
MACEDON	0	0.0	0	0.0	186	1.8	186	1.8	11
Walhalla Subtotal	32	2.0	962	2.1	887	2.0	1,881	2.1	126
IGUANA	0	0.0	690	2.1	2,032	2.0	2,722	2.0	177
LIZARD	106	4.0	75	3.7	13	2.8	194	3.8	24
Lady Ida Subtotal	106	4.0	765	2.3	2,045	2.0	2,916	2.1	201
Davyhurst Total	138	3.5	12,441	2.5	8,187	2.4	20,728	2.4	1,641
BALDOCK	0	0.0	136	18.6	0	0.0	136	18.6	81
BALDOCK STH	0	0.0	0	0.0	0	0.0	0	0.0	0
METEOR	0	0.0	0	0.0	143	9.3	143	9.3	43
WHINNEN	0	0.0	0	0.0	39	13.3	39	13.3	17
Mount Ida Total	0	0.0	136	18.6	182	10.2	318	13.8	141
Combined Total	138	3.5	12,577	2.7	8,369	2.6	21,046	2.6	1,782

1. All Resources listed above with the exception of the Missouri and Sand King Resources were prepared and first disclosed under the JORC Code 2004 (refer to ASX release "Swan Gold Prospectus", 13/2/2013). It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.
2. The Missouri and Sand King Mineral Resources has been updated and complies with all relevant aspects of the JORC code 2012.
3. The above table contains rounding errors

Corporate Activities

On 11 July 2017, the Company received a writ of summons for proceedings in the Supreme Court of Western Australia commenced by GRES Engineering Services Limited ("GRES") to recover payments that GRES claimed are associated with outstanding progress and variation claims in relation to the Davyhurst Gold Project refurbishment contract ("Contract") entered in to by GRES and the Company on 22 September 2016. The Contract price was approximately \$12.5 million, of which Eastern Goldfields Limited had already paid the sum of \$10.4 million to GRES.

GRES made further payment claims in April 2017 that did not comply with the Contract and are disputed by the Company. GRES then wrongfully suspended work at the Davyhurst Mill in May 2017. On 15 June 2017, GRES represented to the Company that it would immediately and unconditionally recommence works towards commissioning the Davyhurst Mill but failed to do so. As a consequence, the Company took steps itself to complete the refurbishment of the Davyhurst Mill, during which it discovered numerous defects and omissions by GRES. Rectifying those defects, GRES' wrongful suspension and GRES' failure to assist the Company to complete the refurbishment delayed the recommencement of production. GRES claimed "liquidated damages in the sum of \$9,940,991 or alternatively \$5,000,000". The Company is rigorously defending the proceedings and pursuing by counterclaims its rights to damages and costs arising from GRES' breaches of contract, defective work and other conduct.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

REVIEW OF OPERATIONS (continued)

On 14 July 2017, the Company issued 100,000 shares at an issue price of \$0.35 per share pursuant to a portion of tranche 2 of the placement as announced 18 April 2017 and approved by shareholders on 30 May 2017. On the same date, the Company issued a further 574,030 shares at an issue price of \$0.168 per share pursuant to the conversion of unlisted options. All shares issued were fully paid ordinary shares.

On 15 August 2017, the Company received an order from the Supreme Court of Western Australia to appoint liquidators and to wind-up the Company, in relation to an application made by a creditor of the Company on account of non-payment of money for services totalling approximately \$383,000. On 17 August 2017, the order was set aside by the Supreme Court of Western Australia on the basis that the moneys claimed by the creditor had been paid, that the Company was solvent, and that creditors and shareholders of the Company would be prejudiced if the winding up was not terminated. Accordingly, the winding up process was terminated, and the Company was returned to the management of its Directors.

On 16 August 2017, the Company's securities were suspended from official quotation from the ASX pursuant to ASX Listing Rule 17.3.

On 2 November 2017, the Company issued 4,500,000 fully paid ordinary shares as part consideration under the Stirling Settlement Deed as announced on 30 December 2015.

On 19 December 2017, the Company convened its Annual General Meeting. All resolutions put to shareholders were carried unanimously on a show of hands.

RESULTS OF OPERATIONS

The net loss after tax of the consolidated entity for the half-year ended 31 December 2017 was \$16,733,000 (31 December 2016: \$2,444,000).

DIVIDENDS

No dividends have been paid or provided for during the half-year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* ('Corporation Act') is included immediately following the Directors' Report and forms part of the Directors' Report.

EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

On 4 January 2018, the Company convened a General Meeting pertaining to issuing securities. All resolutions put to shareholders were carried unanimously on a show of hands.

On 24 January 2018, the Company announced that, in relation to the claim commenced by GRES, the Supreme Court of Western Australia ordered that the proceedings commenced by GRES be stayed, referring the disputes to arbitration. Eastern Goldfields Limited applied for the proceedings to be stayed on 30 August 2017. In granting the stay, the Court rejected GRES' submission that its claim of \$9,940,991 should be heard by the Court because it was a "*payment due under the Contract*". The Court stated that it was "*satisfied that the contentions between the parties are such that there are differences or disputes between them*". As announced on 12 July 2017, the Company will seek to recover loss and damage arising from GRES breaches of contract, including wrongful suspension of work, failure to assist the Company to complete the Davyhurst mill refurbishment and GRES' defective work and omissions that the Company has had to rectify.

On 31 January 2018, the Company issued 65,350,000 fully paid ordinary shares to institutional investors (including 12,500,000 fully paid ordinary shares to Investmet Limited as conversion of part of its loan to equity) at an issue price of \$0.20 per share, raising \$13,070,000 before costs. The Company issued a further total of 65,350,000 options to acquire shares, the options being free and attaching to the shares issued. The issue was in 2 tranches. Tranche 1 was for 32,675,000 options exercisable at \$0.25 per share and expiring on or before 31 January 2023. Tranche 2 was for 32,675,000 options exercisable at \$0.275 per share and expiring on or before 31 January 2023.

On 31 January 2018, the Company issued 750,000 fully paid ordinary shares at a deemed issue price of \$0.20 per share to director Mr Craig Readhead, in lieu of director fees and outstanding fees for legal consulting services provided to the Company, as approved by shareholders on 4 January 2018.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR (continued)

On 31 January 2018, the Company announced that it had appointed Mr Victor Rajasooriar as Chief Executive Officer, and Mr Padraig O'Donoghue as Chief Financial Officer effective 31 March 2018.

On 31 January 2018, the Company received a letter from Investec regarding the Revolving Loan Facility Agreement it has with the Company. Whilst supportive of the Company's position and plans going forward, Investec did note that the Company has subsisting defaults under the Facility Agreement. Under the letter, however, Investec has agreed to provide the Company with a standstill period until 1 May 2018 to allow the Company to remedy all existing Events of Default and Review Events under the Facility Agreement, subject to:

- The equity raising (A\$30.0M) being completed as announced by 9 February 2018;
- No new Events of Default or Review Events occurring;
- All facility repayments, interest and costs being paid to Investec as and when due;
- Investmet Limited meeting or funding the Company to allow it to meet the 1 February 2018 repayment to Investec; and
- Completion of the management appointments (CEO and CFO) by 31 January 2018 and completion of the proposed Independent Board Appointment by 31 March 2018 (unless otherwise agreed).

At the conclusion of that period and subject to all Events of Default and Review Events being remedied to Investec's satisfaction (acting reasonably), Investec agrees not to take any action in relation to those Remedied Events of Default and Review Events for the purposes of the Facility Agreement. Should all Events of Default and Review Events not be remedied, Investec has reserved all of its rights under the Facility Agreement. As at the date of this report the Group is not in default with any of the above conditions of the standstill period.

On 1 February 2018, the Company issued a Prospectus to raise \$7,184,854 (before costs) by way of a non-renounceable pro-rata rights issue. The Prospectus is for the issue of 35,924,270 rights issue shares to be issued at \$0.20 per share, issued on the basis for 1 new share for every 20 existing shares, with a free attaching option for each new share acquired. The funds raised would be used for payment of creditors, additional exploration, ongoing resource development and feasibility studies in relation to the Company's Mt Ida and Menzies projects, as well as providing general working capital for the gold operations at Davyhurst.

The Prospectus also contained an offer for the issue of 100 shares to investors at an issue price of \$0.20 per share to raise \$20, and an offer for the issue of 87,500,000 options to Hawke's Point Holdings L.P. to facilitate trading of the Company's securities.

On 2 February 2018, the Company issued 87,500,000 fully paid ordinary shares to Hawke's Point Holdings L.P. at an issue price of \$0.20 per share, raising \$17,500,000 before costs.

On 2 February 2018, the Company issued 7,642,500 options to acquire shares, at an exercise price of \$0.26 each, expiring on or before 2 February 2021. On the same day, the Company issued a further 1,000,000 options to acquire shares, at an exercise price of \$0.465 each on or before 2 February 2021. All options were issued to Jett Capital Advisors LLC in part consideration for services provided to the Company in January 2018 in relation to securing the subscription agreement with Hawkes Point, as announced on 1 February 2018.

On 9 February 2018, the Company issued a total of 87,500,000 options to acquire shares pursuant to the Prospectus dated 1 February 2018. The issue was in 2 tranches. Tranche 1 was for 43,750,000 options exercisable at \$0.25 per share and expiring on or before 2 February 2023. Tranche 2 was for 43,750,000 options exercisable at \$0.275 per share and expiring on or before 2 February 2023.

The Company's securities are currently suspended from trading on the ASX. The Company considers that, upon completion of the non-renounceable pro-rata rights issue the subject of the Prospectus dated 1 February 2018, the Company's financial condition will be adequate to warrant the continued quotation of its securities and its continued listing on the ASX, and is currently seeking reinstatement of its securities to official quotation.

On 20 February 2018, the Company issued a Supplementary Prospectus in relation to the Prospectus issued on 1 February 2018.

On 21 February 2018, the Company closed its non-renounceable rights issue the subject of the Prospectus dated 1 February 2018. On 27 February 2018, under the rights issue, the Company issued 14,021,303 fully paid ordinary shares at \$0.20 per share, raising \$2,804,260 before costs. For each share issued, the Company also issued 7,010,694 free attaching options exercisable at \$0.25 each on or before 2 February 2023, and 7,010,694 free attaching options exercisable at \$0.275 each on or before 2 February 2023.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
DIRECTORS' REPORT**

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191. The Company is an entity to which the ASIC Instrument applies.

In the opinion of the Directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the consolidated entity and the expected results of those operations in subsequent years.

Signed in accordance with a resolution of the Directors.



Michael Fotios
Executive Chairman

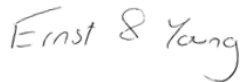
Perth, Western Australia
13 March 2018

Auditor's independence declaration to the Directors of Eastern Goldfields Limited

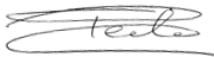
As lead auditor for the review of Eastern Goldfields Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- 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 Eastern Goldfields Limited and the entities it controlled during the financial period.



Ernst & Young



P Teale
Partner
13 March 2018

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Continuing operations			
Sales revenue		3,659	-
Cost of sales	3(a)	<u>(7,228)</u>	<u>-</u>
		<u>(3,569)</u>	<u>-</u>
Expenses			
Corporate and technical services	3(b)	(4,912)	(1,874)
Other operating expenses	3(c)	(7,547)	(526)
Finance income		1	4
Finance costs		<u>(913)</u>	<u>(50)</u>
Loss before income tax expense		<u>(16,940)</u>	<u>(2,446)</u>
Income tax benefit		<u>207</u>	<u>2</u>
Loss for the period		<u>(16,733)</u>	<u>(2,444)</u>
Other comprehensive income			
<i>Items that will be recycled to P&L in subsequent periods</i>			
Changes in fair value of available for sale assets		752	5
Income tax relating to this item		(207)	(2)
Cash flow hedges		<u>(350)</u>	<u>-</u>
Other comprehensive income, net of income tax		<u>195</u>	<u>3</u>
Total comprehensive loss for the period		<u>(16,538)</u>	<u>(2,441)</u>
Total comprehensive loss attributable to:			
Equity holders of the Parent		<u>(16,538)</u>	<u>(2,441)</u>
		<u>(16,538)</u>	<u>(2,441)</u>
Loss per share attributable to the ordinary equity holders of the parent:			
Basic and diluted loss per share (cents)		(2.94)	(0.49)

The accompanying notes form part of these financial statements.

EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	4	83	44
Trade and other receivables	5	4,886	7,986
Inventory		778	-
Total current assets		5,747	8,030
Non-current assets			
Trade and other receivables		1	64
Mine properties	6	58,414	55,703
Capitalised exploration expenditure		639	585
Available for sale financial assets	7	3,010	2,258
Derivative financial instruments		-	271
Total non-current assets		62,064	58,881
Total assets		67,811	66,911
Liabilities and equity			
Current liabilities			
Trade and other payables	8	35,135	28,618
Loans and borrowings	9	15,071	15,060
Derivative financial instruments		79	-
Provisions		648	206
Total current liabilities		50,933	43,884
Non-current liabilities			
Loans and borrowings	9	9,794	-
Provision for rehabilitation		12,057	11,912
Total non-current liabilities		21,851	11,912
Total liabilities		72,784	55,796
Net assets / (liabilities)		(4,974)	11,115
EQUITY			
Contributed equity	10	251,413	251,282
Accumulated losses		(267,273)	(250,333)
Reserves		10,886	10,166
Total equity / (deficiency)		(4,974)	11,115

The accompanying notes form part of these financial statements.

EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity	Accumulated losses	Share based payment reserve	Cash flow hedge reserve	Available for sale asset reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2016	228,343	(232,231)	8,029	-	23	4,164
Loss for the period	-	(2,444)	-	-	-	(2,444)
Other comprehensive income, net of income tax	-	-	-	-	3	3
Total comprehensive loss for the half- year	-	(2,444)	-	-	3	(2,441)
Issue of ordinary shares (note 10)	642	-	-	-	-	642
Share based payments	-	-	320	-	-	320
Balance as at 31 December 2016	<u>228,985</u>	<u>(234,675)</u>	<u>8,349</u>	<u>-</u>	<u>26</u>	<u>2,685</u>
Balance as at 1 July 2017	251,282	(250,333)	9,875	271	20	11,115
Loss for the period	-	(16,733)	-	-	-	(16,733)
Other comprehensive income, net of income tax	-	-	-	(350)	545	195
Total comprehensive loss for the half- year	-	(16,733)	-	(350)	545	(16,538)
Issue of ordinary shares (note 10)	131	-	-	-	-	131
Share based payments	-	-	318	-	-	318
Balance as at 31 December 2017	<u>251,413</u>	<u>(267,066)</u>	<u>10,193</u>	<u>(79)</u>	<u>565</u>	<u>(4,974)</u>

The accompanying notes form part of these financial statements.

EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash flows from operating activities			
Receipts from customers		3,659	-
Payments to suppliers and employees		(9,680)	(992)
Interest received		1	4
Interest paid	9	(434)	(50)
Net cash flows (used in) operating activities		<u>(6,454)</u>	<u>(1,038)</u>
Cash flows from investing activities			
Payments for mine properties		(3,223)	(15,427)
Investments in available for sale assets		-	(909)
Net cash flows (used in) investing activities		<u>(3,223)</u>	<u>(16,336)</u>
Cash flows from financing activities			
Proceeds from loan advances		9,675	1,595
Repayments of loans and loans provided		(90)	-
Proceeds from share issue	10	131	642
Net cash flows provided by financing activities		<u>9,716</u>	<u>2,237</u>
Net increase / (decrease) in cash and cash equivalents held		<u>39</u>	<u>(15,137)</u>
Cash and cash equivalents at the beginning of the financial period		<u>44</u>	<u>15,401</u>
Cash and cash equivalents at the end of the financial period	4	<u><u>83</u></u>	<u><u>264</u></u>

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF HALF-YEAR REPORT

Eastern Goldfields Limited and its controlled entities are a for-profit group of entities incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The nature of the operations and principal activities of the Group are described in the Director's Report. The interim condensed consolidated financial statements for the six months ended 31 December 2017 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and were authorised for issue in accordance with a resolution of the Directors on 13 March 2018. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2017.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017 with the exception of new policies listed below.

a) Revenue – sale of goods

Revenue on sale of mine products is recognised when risks and rewards of ownership of the mine product have passed to the buyer pursuant to a sales invoice. There are no revenue amounts recognised on provisionally priced sales and as a result all invoices are based on final pricing.

b) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal. Cost includes all expenses incurred in the normal course of business include direct material and direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs incurred in bringing each product to its present location and condition.

Adoption of new and revised Accounting Standards:

The Group has adopted and reviewed all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after from 1 July 2017.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Going Concern

As at 31 December 2017, the Group's current liabilities exceeded its current assets by \$45,186,000 and the Group's equity deficiency totalled (\$4,974,000). The consolidated entity recorded a loss of \$18,103,000 for the year ended 30 June 2017 and a loss of \$16,538,000 for the half year ended 31 December 2017.

Subsequent to 31 December 2017, the Company raised \$30.5 million (before costs) via the issue of 152,500,000 fully paid ordinary shares at \$0.20 per share. As announced on 27 February 2018, under a rights issue, the Company raised \$2,804,260 (before costs) via the issue of 14,021,303 fully paid ordinary shares at \$0.20 per share.

The ability of the Group to operate as a going concern and meet its debts as and when they fall due is primarily dependent upon:

- The continuance of its operations and generation of free cash flows from mining activities, including reaching full scale production;
- Further capital raising initiatives; and
- The Group maintaining the Investec and Investmet facilities.

Failure to do so may result in the Group being unable to meet its debts as and when they fall due and realise its assets and settle its liabilities in the ordinary course of business.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The financial report has been prepared on the basis that the consolidated Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors believe that at the date of signing the financial report there are reasonable grounds to believe that having regard to the matters set out above, the consolidated entity will be able to continue as a going concern.

Should the consolidated entity not achieve the matters set out above, there is significant uncertainty whether the consolidated Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

For management purposes, the Group is organised into one main operating segment, focused on the mining and processing of gold, exploration and evaluation of gold mineralisation.

All the activities of the Group are interrelated, and each activity is dependent on the others. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

Geographically, the Group has the one segment based on the location of its customers and non-current assets from where its investing activities are managed in Australia.

3. EXPENSES

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
(a) Cost of sales		
Mining	1,539	-
Processing	1,941	-
Site services	952	-
Employee benefits expenses	635	-
Depreciation	1,482	-
Government levy	679	-
	<u>7,228</u>	<u>-</u>
(b) Corporate and technical services		
Employee benefits	524	94
Administration	4,070	1,460
Share based payments	318	320
	<u>4,912</u>	<u>1,874</u>
(c) Other operating expenses		
Contractors and consumables	1,168	-
Employee benefits	4,140	-
Tenement administration	1,751	-
Other exploration expenses	332	221
Depreciation	156	20
Doubtful debt expense	-	209
Other operating expenses	-	76
	<u>7,547</u>	<u>526</u>

4. CASH AND CASH EQUIVALENTS

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Cash at bank and on hand	<u>83</u>	<u>44</u>

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

5. TRADE AND OTHER RECEIVABLES

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
CURRENT		
Trade receivables	2	3
GST receivables	4,347	6,612
Prepayments	-	515
Security deposits	168	400
Related party receivables	150	232
Other receivables	428	432
Less impairment allowance account for other receivables	(209)	(209)
	<u>4,886</u>	<u>7,986</u>

6. MINE PROPERTIES

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Plant and equipment		
Gross carrying amount - at cost	50,027	14,628
Less accumulated depreciation and impairment	(13,093)	(11,455)
Net carrying amount	<u>36,934</u>	<u>3,173</u>
Mine development		
Gross carrying amount - at cost	21,480	17,333
Less accumulated depreciation and impairment	-	-
Net carrying amount	<u>21,480</u>	<u>17,333</u>
Construction in progress		
Gross carrying amount - at cost	-	35,197
Total mine properties		
Gross carrying amount - at cost	71,507	67,158
Less accumulated depreciation and impairment	(13,093)	(11,455)
Net carrying amount	<u>58,414</u>	<u>55,703</u>

7. AVAILABLE FOR SALE FINANCIAL ASSETS

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Shares in Orion Gold NL	1,104	1,061
Shares in Intermin Resources Limited	1,750	1,138
Listed options in Intermin Resources Limited	156	59
	<u>3,010</u>	<u>2,258</u>

8. TRADE AND OTHER PAYABLES

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
CURRENT		
Trade payables	33,949	24,447
Accruals	1,186	1,304
Other payables	-	2,867
Total trade and other payables	<u>35,135</u>	<u>28,618</u>

EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. LOANS AND BORROWINGS

	31 Dec 2017	30 Jun 2017
	\$	\$
CURRENT		
Unsecured Revolving Loan Facility – Investec Australia Limited	<u>15,071</u>	<u>15,060</u>
NON-CURRENT		
Unsecured Loan Facility – Investmet Limited	9,066	115
Unsecured Loan Facility – Whitestone Minerals Pty Ltd	<u>728</u>	<u>-</u>
	<u>9,794</u>	<u>115</u>

	Investec	Investmet	Whitestone	Total
	\$'000	\$'000	\$'000	\$'000
1 July 2017	15,060	-	-	15,060
Advanced	-	8,747	728	9,675
Interest charged ⁽¹⁾	445	319	-	764
Interest paid	(434)	-	-	(434)
31 December 2017	<u>15,071</u>	<u>9,066</u>	<u>728</u>	<u>24,865</u>

On 31 January 2018, the Company received a letter from Investec regarding the Revolving Loan Facility Agreement it has with the Company. Whilst supportive of the Company's position and plans going forward, Investec did note that the Company has subsisting defaults under the Facility Agreement. Under the letter, however, Investec has agreed to provide the Company with a standstill period until 1 May 2018 to allow the Company to remedy all existing Events of Default and Review Events under the Facility Agreement, subject to:

- The equity raising (A\$30.0M) being completed as announced by 9 February 2018;
- No new Events of Default or Review Events occurring;
- All facility repayments, interest and costs being paid to Investec as and when due;
- Investmet Limited meeting or funding the Company to allow it to meet the 1 February 2018 repayment to Investec; and
- Completion of the management appointments (CEO and CFO) by 31 January 2018 and completion of the proposed Independent Board Appointment by 31 March 2018 (unless otherwise agreed).

At the conclusion of that period and subject to all Events of Default and Review Events being remedied to Investec's satisfaction (acting reasonably), Investec agrees not to take any action in relation to those Remedied Events of Default and Review Events for the purposes of the Facility Agreement. Should all Events of Default and Review Events not be remedied, Investec has reserved all of its rights under the Facility Agreement. As at the date of this report the Group is not in default with any of the above conditions of the standstill period.

For terms of the loan, please refer to the 2017 EGS Annual Report.

⁽¹⁾ Interest charges includes a \$200,000 line facility fee payable associated with the Investmet Limited Loan Facility Agreement.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

10. CONTRIBUTED EQUITY

	31 Dec 2017		30 Jun 2017	
	Shares	\$'000	Shares	\$'000
(a) Share capital	564,952,084	251,413	559,778,054	251,282
(b) Movements in ordinary share capital				
			Shares	\$'000
Balance 1 July 2016			494,097,819	228,343
Exercise of options - 28 December 2016			3,600,000	642
Balance 31 December 2016			497,697,819	228,985
Balance 1 July 2017			559,778,054	251,282
Exercise of options – 14 July 2017			574,030	96
Issue of shares – 14 July 2017			100,000	35
Issue of shares – 2 November 2017			4,500,000	-
Balance 31 December 2017			564,952,084	251,413

11. EVENTS OCCURRING AFTER THE REPORTING DATE

On 4 January 2018, the Company convened a General Meeting. All resolutions put to shareholders were carried unanimously on a show of hands.

On 24 January 2018, the Company announced that, in relation to the claim commenced by GRES, the Supreme Court of Western Australia ordered that the proceedings commenced by GRES be stayed, referring the disputes to arbitration. Eastern Goldfields Limited applied for the proceedings to be stayed on 30 August 2017. In granting the stay, the Court rejected GRES' submission that its claim of \$9,940,991 should be heard by the Court because it was a "payment due under the Contract". The Court stated that it was "satisfied that the contentions between the parties are such that there are differences or disputes between them". As announced on 12 July 2017, the Company will seek to recover loss and damage arising from GRES breaches of contract, including wrongful suspension of work, failure to assist the Company to complete the Davyhurst mill refurbishment and GRES' defective work and omissions that the Company has had to rectify.

On 31 January 2018, the Company issued 65,350,000 fully paid ordinary shares to institutional investors (including 12,500,000 fully paid ordinary shares to Investmet Limited as conversion of part of its loan to equity) at an issue price of \$0.20 per share, raising \$13,070,000 before costs. The Company issued a further total of 65,350,000 options to acquire shares, the options being free and attaching to the shares issued. The issue was in 2 tranches. Tranche 1 was for 32,675,000 options exercisable at \$0.25 per share and expiring on or before 31 January 2023. Tranche 2 was for 32,675,000 options exercisable at \$0.275 per share and expiring on or before 31 January 2023.

On 31 January 2018, the Company issued 750,000 fully paid ordinary shares at a deemed issue price of \$0.20 per share to director Mr Craig Readhead, in lieu of director fees and outstanding fees for legal consulting services provided to the Company, as approved by shareholders on 4 January 2018.

On 31 January 2018, the Company announced that it had appointed Mr Victor Rajasooriar as Chief Executive Officer, and Mr Padraig O'Donoghue as Chief Financial Officer effective 31 March 2018.

On 31 January 2018, the Company received a letter from Investec regarding the Revolving Loan Facility Agreement it has with the Company. Whilst supportive of the Company's position and plans going forward, Investec did note that the Company has subsisting defaults under the Facility Agreement. Under the letter, however, Investec has agreed to provide the Company with a standstill period until 1 May 2018 to allow the Company to remedy all existing Events of Default and Review Events under the Facility Agreement, subject to:

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

11. EVENTS OCCURRING AFTER THE REPORTING DATE (continued)

- The equity raising (A\$30.0M) being completed as announced by 9 February 2018;
- No new Events of Default or Review Events occurring;
- All facility repayments, interest and costs being paid to Investec as and when due;
- Investmet Limited meeting or funding the Company to allow it to meet the 1 February 2018 repayment to Investec; and
- Completion of the management appointments (CEO and CFO) by 31 January 2018 and completion of the proposed Independent Board Appointment by 31 March 2018 (unless otherwise agreed).

At the conclusion of that period and subject to all Events of Default and Review Events being remedied to Investec's satisfaction (acting reasonably), Investec agrees not to take any action in relation to those Remedied Events of Default and Review Events for the purposes of the Facility Agreement. Should all Events of Default and Review Events not be remedied, Investec has reserved all of its rights under the Facility Agreement. As at the date of this report the Group is not in default with any of the above conditions of the standstill period.

On 1 February 2018, the Company issued a Prospectus to raise \$7,184,854 (before costs) by way of a non-renounceable pro-rata rights issue. The Prospectus is for the issue of 35,924,270 rights issue shares to be issued at \$0.20 per share, issued on the basis for 1 new share for every 20 existing shares, with a free attaching option for each new share acquired. The funds raised would be used for payment of creditors, additional exploration, ongoing resource development and feasibility studies in relation to the Company's Mt Ida and Menzies projects, as well as providing general working capital for the gold operations at Davyhurst.

The Prospectus also contained an offer for the issue of 100 shares to investors at an issue price of \$0.20 per share to raise \$20, and an offer for the issue of 87,500,000 options to Hawke's Point Holdings L.P.

On 2 February 2018, the Company issued 87,500,000 fully paid ordinary shares to Hawke's Point Holdings L.P. at an issue price of \$0.20 per share, raising \$17,500,000 before costs.

On 2 February 2018, the Company issued 7,642,500 options to acquire shares, at an exercise price of \$0.26 each, expiring on or before 2 February 2021. On the same day, the Company issued a further 1,000,000 options to acquire shares, at an exercise price of \$0.465 each on or before 2 February 2021. All options were issued to Jett Capital Advisors LLC in part consideration for services provided to the Company in January 2018 in relation to securing the subscription agreement with Hawkes Point, as announced on 1 February 2018.

On 9 February 2018, the Company issued a total of 87,500,000 options to acquire shares pursuant to the Prospectus dated 1 February 2018. The issue was in 2 tranches. Tranche 1 was for 43,750,000 options exercisable at \$0.25 per share and expiring on or before 2 February 2023. Tranche 2 was for 43,700,000 options exercisable at \$0.275 per share and expiring on or before 2 February 2023.

The Company's securities are currently suspended from trading on the ASX. The Company considers that, upon completion of the non-renounceable pro-rata rights issue the subject of the Prospectus dated 1 February 2018, the Company's financial condition will be adequate to warrant the continued quotation of its securities and its continued listing on the ASX and is currently seeking reinstatement of its securities to official quotation.

On 20 February 2018, the Company issued a Supplementary Prospectus in relation to the Prospectus issued on 1 February 2018.

On 21 February 2018, the Company closed its non-renounceable rights issue the subject of the Prospectus dated 1 February 2018. On 27 February 2018, under the rights issue, the Company issued 14,021,303 fully paid ordinary shares at \$0.20 per share, raising \$2,804,260 before costs. For each share issued, the Company also issued 7,010,694 free attaching options exercisable at \$0.25 each on or before 2 February 2023, and 7,010,694 free attaching options exercisable at \$0.275 each on or before 2 February 2023.

12. RELATED PARTIES

The following transactions occurred during the year between the Group and Directors or their director-related entities:

Delta Resources Management Pty Ltd ("Delta"), a company which Mr Michael Fotios is a substantial shareholder in, and Chairman of, provided technical and administrative support to the Company to the value of \$281,990 (inclusive of GST) (31 December 2016: \$285,633). A total of \$375,079 remains due and payable as at 31 December 2017 (30 June 2017: \$93,089). All charges are on 30 day non-interest bearing terms. During the period, Delta repaid a loan of \$12,766 as at 30 June 2017 to bring that balance to nil. Delta loaned \$35,892 to the Company during the period which remains payable as at 31 December 2017. Delta also has \$193 owing to the Company for sundry charges as at 31 December 2017.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

12. RELATED PARTIES (continued)

Whitestone Minerals Pty Ltd ("Whitestone") is a company which is 100% owned by Investmet Ltd, a company which Mr Michael Fotios is a substantial shareholder in, and Chairman of, provided consulting services to the Company to the value of \$1,746,714 (inclusive of GST) (31 December 2016: \$8,168,426). \$2,763,177 remains due and payable as at 31 December 2017 (30 June 2017: \$2,670,524). All charges are on non-interest bearing terms. During the period, the Company repaid a loan of \$32,299 as at 30 June 2017 to bring that balance to nil. Whitestone loaned \$728,605 to the Company during the period which remains payable as at 31 December 2017. This loan is not repayable before the 1 year anniversary of the signing of this financial report. Whitestone also has \$25,005 owing to the Company for sundry charges as at 31 December 2017.

Horseshoe Metals Limited is a company which Mr Michael Fotios is a substantial shareholder and a Director. Horseshoe has \$128,124 owing to the Company for sundry charges as at 31 December 2017 (30 June 2017: \$74,916). All charges are on non-interest bearing terms. Interest is not charged. Horseshoe received a loan from the Company of \$17,782 during the period which remains repayable to the Company as at 31 December 2017.

Pegasus Metals Limited is a company which Mr Michael Fotios is a substantial shareholder and a Director. Pegasus has \$25,079 owing to the Company for sundry charges as at 31 December 2017. The Company provided a loan to Pegasus of \$39,526 during the period which remains outstanding as at 31 December 2017. All charges are on non-interest bearing terms. Interest is not charged.

Redbank Copper Limited is a company which Mr Michael Fotios is a substantial shareholder and a Director. The amount receivable as a result of services rendered to the Group totals \$35,473 as at 31 December 2017 (30 June 2017: \$35,473). All charges are on non-interest bearing terms. Interest is not charged. The loan receivable of \$101,744 as at 30 June 2017 had been received in full at 31 December 2017.

Investmet Limited ("Investmet") is a company which Mr Michael Fotios is a substantial shareholder and Chairman. The Company owed \$9,065,638 (30 June 2017: \$115,353) from Investmet at 31 December 2017. The interest rate of the loan is the BBR rate plus a margin of 4% until production at the Davyhurst Project commences and then 3% after production has commenced. Investmet reduced the amount payable of \$15,296 (inclusive of GST) at 30 June 2017 to nil at 31 December 2017. Investmet also has \$751 owing to the Company for sundry charges as at 31 December 2017. The Investmet loan balance has been classified as non-current, as the Company has received confirmation from Investmet granting the right to defer payment until 1 April 2019.

Craig Readhead charged \$112,200 (31 December 2016: \$56,100) for consulting fees to the Company. All charges are on non-interest bearing terms. A total of \$154,400 remains due and payable as at 31 December 2017 (30 June 2017: \$89,400).

Zedsee Enterprises Pty Ltd is a company which Mr Alan Still is a substantial shareholder in, charged \$18,000 (31 December 2016: \$20,000) for Directors fees to the Company. A total of \$7,963 remains due and payable as at 31 December 2017 (30 June 2017: \$7,963).

13. CONTINGENT LIABILITIES AND COMMITMENTS

Under the terms of mineral tenement licences held by the Group, minimum annual expenditure obligations of \$5,130,830 (31 December 2016: \$5,202,446) may be required to be expended during the forthcoming financial year in order for the tenements to maintain a status of good standing. This expenditure may be incurred by the Group and may be subject to variation from time to time in accordance with Department of Industry and Resources regulations.

There are applications from other parties for the forfeiture of certain tenements held within the Group in relation to expenditure commitments on the basis that minimum expenditure for tenements not being met by the Group. The Group has applied for exemptions from the expenditure for the tenements the subject of the claims, and exemptions have been granted on some of the tenements, whilst on others, the applications are still in progress. The Group is confident that it will be successful with these exemptions. If the exemptions are not granted, or upheld, by the Western Australian Department of Mines and Petroleum, the tenements could be forfeited which would have an adverse effect on the mineral resources owned by the Group, which may have an adverse effect on the Group's assets as reflected on the Statement of Financial Position as at 31 December 2017.

There were no other contingent liabilities identified as at 31 December 2017 and no significant changes to commitments since 30 June 2017.

14. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or provided for during the half year.

EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

To provide an indication, about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each applicable level follows underneath the table.

The carrying amount of all trade and other receivables and trade and other payables recognised in the balance sheet approximate their fair values. There were no transfers between the fair value hierarchy measurement levels during the six month period ended 31 December 2017 or the comparative period ended 30 June 2017.

	Level 1 \$'000	Level 2 \$'000	Total \$'000
<i>Recurring fair value measurements</i>			
At 31 December 2017			
Financial Assets			
Financial assets at FVPL			
- Australian listed equity securities	3,010	-	3,010
Total Financial Assets	3,010	-	3,010
Financial Liabilities			
Derivatives			
- Derivative financial liabilities – hedges	-	(79)	(79)
Total Financial Liabilities	-	(79)	(79)

	Level 1 \$'000	Level 2 \$'000	Total \$'000
<i>Recurring fair value measurements</i>			
At 30 June 2017			
Financial Assets			
Financial assets at FVPL			
- Australian listed equity securities	2,258	-	2,258
Derivatives			
- Derivative financial assets – hedges	-	271	271
Total Financial Assets	2,258	271	2,529

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

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant required to fair value an instrument are observable, the instrument is included in Level 2. Valuation inputs include underlying spot prices, implied volatility, discount curves and time until expiration, expressed as a percent of a year.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2017
DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of Eastern Goldfields Limited, I state that:

1. In the opinion of the Directors:

a. The financial statements and accompanying notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and

ii. Complying with AASB 134 *Interim Financial Reporting*.

b. Subject to the matters disclosed in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made in accordance with a resolution of the Board of Directors in accordance with section 295A of the Corporations Act 2001 for the half year ended 31 December 2017.

On behalf of the Board



Michael Fotios
Executive Chairman

Perth, Western Australia
13 March 2018

Independent auditor's review report to the members of Eastern Goldfields Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Eastern Goldfields Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

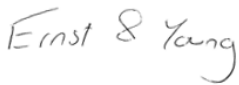
Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

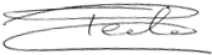
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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*.



Ernst & Young



Phillip Teale
Partner
Perth
13 March 2018