

## EGS ENTERS STRATEGIC JOINT VENTURE WITH INTERMIN RESOURCES ON MENZIES AND GOONGARRIE PROJECTS

### Highlights

- Heads of Agreement entered into with Intermin Resources Limited
- EGS to earn in to IRC's Menzies and Goongarrie Projects
- Projects contain resources of 171,000 oz Au and 25,000 oz Au respectively
- Historic gold production from project areas in excess of 830,000 oz, mostly from the Menzies area
- EGS to spend \$2M within 2 years to earn 25% interest
- EGS to then spend additional \$2M within 4 years to earn 50% interest
- EGS to spend a further \$1.5M within 4 years to earn a 65% interest
- Upon earning 50%, both parties to establish a co-contributing Joint Venture (JV) Committee, with EGS as Manager
- EGS has agreed to subscribe for \$1.5M of shares in a placement undertaken by IRC

Eastern Goldfields Limited (ASX:EGS or "the Company") is pleased to announce it has entered into an exploration and development earn-in joint venture with Intermin Resources Limited (ASX:IRC) on tenements containing nearly 200,000 oz Au in reported resources, and with historic production in excess of 830,000 oz, primarily from underground sources. The Project areas lie approximately 50km northeast and east of the Davyhurst mill (refer Figure 1).

Executive Chairman Michael Fotios said:

*"Access to the Menzies and Goongarrie Projects and resources is aligned with the Company's plan to complete a Bankable Feasibility Study ("BFS") into the development of a stand-alone mill at its Mt Ida Hub. The Menzies project may also offer a viable alternate location for the positioning of a second production hub away from Davyhurst, potentially accessing gold resources from the north, east, and south of Menzies."*

EGS rates the gold prospectivity of the Project areas as very high, in particular for larger, high grade underground extensions and discoveries. Commencement of the BFS and associated resource definition drilling program is expected to commence during the December quarter.

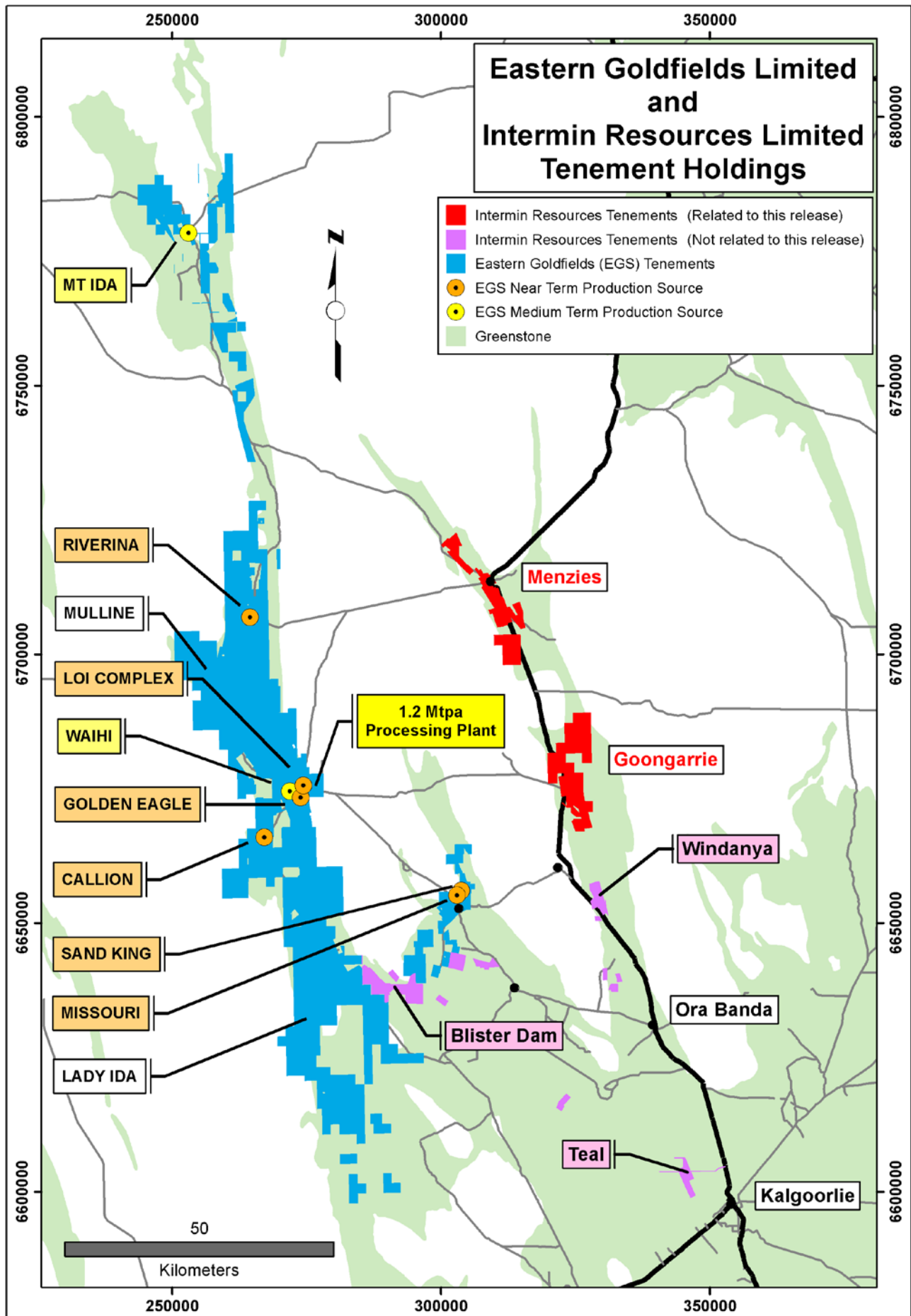


Figure 1: Location of IRC Menzies and Goongarrie Projects in relation to Davyhurst

## **Material Terms of Heads of Agreement**

- (a) EGS to solely contribute to expenditure of \$2M on the Projects to earn a 25% interest within 2 years of the commencement date ("Initial Interest");
- (b) EGS to solely contribute to further expenditure of \$2M on the Projects to earn a further 25% interest within 2 years of earning the Initial Interest ("Further Interest");
- (c) EGS to solely contribute to further expenditure of \$1.5m on the Projects (inclusive of a BFS to support a mill installation in the Mt Ida/Menzies region) to earn a further 15% interest within 2 years of earning the Initial Interest ("Second Further Interest");
- (d) while EGS is sole funding the Projects, it will manage the exploration programs on the Projects and be responsible for maintaining tenure over the Projects areas in good standing, subject to IRC providing in a timely manner all cooperation required by EGS;
- (e) EGS may withdraw from the above expenditure obligations at any time but will be entitled to retain any interest in the Projects earned (if any) at the date of withdrawal;
- (f) IRC will transfer legal title to each of the Initial Interest and Further Interests as soon as EGS has earned the beneficial interest as mentioned above;
- (g) In respect to the Goongarrie Lady mining lease M29/420, IRC and EGS agree that the current resource of 272,014t @ 2.86g/t for 25,000 ounces currently under feasibility study is excluded from the farm in and both parties will work together on potential milling of the project at the Davyhurst Mill under standard commercial terms; and
- (h) For avoidance of doubt, exploration on M29/420 outside of (g) above forms part of the joint venture covering the Goongarrie Project area.

Upon EGS earning a Project interest of 50%, the parties will:

- (a) thereafter each contribute to expenditure on the Projects in accordance with their respective percentage Project interests from time to time;
- (b) establish a joint venture committee to make all decisions in respect of exploration, resource development, definitive feasibility studies, approvals and any other matters required for consideration ("Joint Venture");
- (c) appoint EGS as manager of the Joint Venture unless otherwise agreed, provided that IRC will continue to provide in a timely manner all cooperation required by EGS;
- (d) make all Joint Venture decisions by majority vote in accordance with the respective percentage Project interests of the parties from time to time;
- (e) apply a standard industry straight line dilution formula; and
- (f) permit assignment by each party of its Projects interest at any time, provided that the incoming party enters into a Deed of Assignment and Assumption upon terms reasonably required by the ongoing party.

## **Conditions**

The Heads of Agreement is conditional upon:

- (a) EGS being satisfied with its due diligence investigations in respect of the Project areas;
- (b) EGS's Board resolving to proceed with the transaction set out in this Heads of Agreement;
- (c) such other conditions precedent that are customary in transactions of this nature together called "Conditions Precedent".

## Placement

Eastern Goldfields has agreed to subscribe for shares in a placement undertaken by IRC whereby EGS will subscribe for 12,500,000 new fully paid ordinary shares in IRC ("Placement") at 12 cents per share ("Subscription Price") being equal to the terms being offered by IRC to other investors. It's understood the Placement may occur in two tranches with the second tranche subject to shareholder approval.

In consideration of making the Placement, IRC will issue to EGS 6,250,000 options with an exercise price of 17 cents per option and with an expiry date of 31 August 2018.

## The Menzies Project

The Menzies tenements are located in a greenstone sequence in the Eastern Goldfields of the Archaean Yilgarn Craton, within a 14km strike corridor located 130km north of Kalgoorlie, Western Australia (Figure 2).

The Menzies greenstone belt divides at Menzies into a western section continuing to the northwest and an eastern section continuing northwards to Twin Hills. The greenstone sequence consists of a lower ultramafic formation to the west, overlain by meta-sedimentary rocks which are in turn overlain by mafic intrusives and extrusives to the east. Two major shear zones are identified, the Menzies Shear Zone and the Moriarty Shear Zone, which impart a strong foliation and lineation to the underlying rock.

Gold workings at Menzies typically occur extensively along and proximal to the major shear zones and splays. Host rocks are usually amphibolite facies with porphyroblastic grain textures, marked schistosity and mineral lineations. Ore zones have shallow westerly dips and a southerly plunging fabric. Alteration assemblages associated with high grade gold typically comprise biotite, silica, pyrrhotite, pyrite, galena, sphalerite, arsenopyrite and chalcopyrite. Well-foliated basalts, sedimentary rocks, mafic and ultramafic contacts, cross-cutting features and felsic porphyry intrusives are also associated with gold mineralisation.

Significant past production from high-grade open pit and underground mines has occurred in the Menzies Project area. Up until WW1, approximately 653,000 oz was mined from the tenements, mostly from the First Hit, Lady Shenton and Yunndaga underground mines. More recent open cut mining in the 1990's has delivered an additional 143,000oz, with most of the ore being treated at the Paddington Mill to the south.

IRC report total Mineral Resources (JORC 2012) for its Menzies Project of:

**2.42Mt at 2.20g/t Au for 171,310oz** (at 1.0g/t Au lower grade cut-off) (*refer IRC ASX release 8 March 2016*)

The Yunndaga Mine is the most significant deposit mined in the Menzies area, developed to a maximum depth of 600 vertical metres, and typically produced at grades in excess of 15 g/t from underground. The principal ore shoot mined historically was called the Princess May (or May Shoot), a 120 metres long, 1 metre thick vein above 300 metres, and 2 metres thick below 300 metres in depth. There are a series of narrower and less continuous shoots between the Princess May and the Hanging Wall, along the strike of the Yunndaga Shear, shown along the full length of the open cut (refer Figure 3).

The deposit is hosted in amphibolite rocks below around 60m of regolith development, along the margin of the Yunndaga sedimentary package, and consists of quartz veins with an envelope parallel to the stratigraphy and sinistral shear bands. The lode trends north-south, dips 70 degrees west and plunges south-west. Pyrite and arsenopyrite are dominant, with some chalcopyrite, galena, and sphalerite.

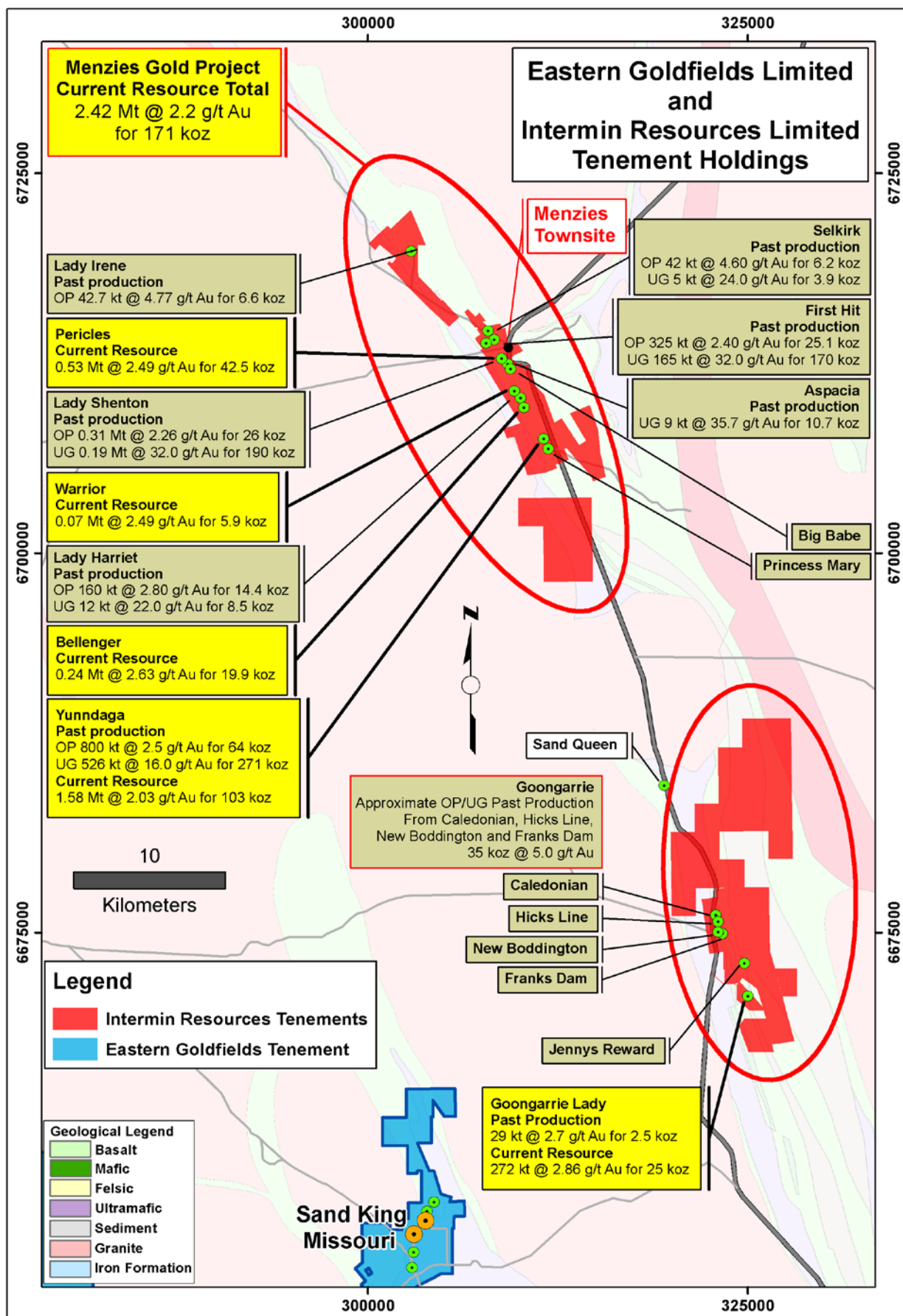


Figure 2: Intermin Resources Project tenure subject to earn in, with significant deposits and advanced prospects, with current resources and previous gold production

Mineralisation forms discrete shoots, hosted along the sheared and altered contact between a mafic amphibolite sequence to the east, and an amphibolite felsic volcanoclastics and shale to the west. The deposit is situated in the highest strain point in the Menzies shear zone.

EGS rate the gold prospectivity of the Menzies Project area as very high, in particular for larger, high grade underground extensions and discoveries in the areas of previous workings at Yunndaga, Lady Shenton (where underground workings extended to a vertical depth of 280m to recover 185,000t @ 32g/t Au for 190,300oz, and 26,200 oz was mined via open pit in the 1990's), and at Pericles, immediately north of the Lady Shenton deposit.

### **The Goongarrie Project**

The Goongarrie Project is located some 40km south of Menzies, within the Bardoc Tectonic Zone, which extends north from Kalgoorlie to Menzies. Gold mineralisation typically consists of a series of north-striking 45 degrees west-dipping quartz-bearing lodes, situated on the highly sheared contact between mafic and sediment sequences. Several steeply-dipping northwest trending faults displace the sheared contact and the mineralisation by 10 to 20m laterally.

Gold mineralisation at the Goongarrie Lady deposit is developed in an upper flat-lying oxide supergene deposit located between 30 - 55 metres vertical depth, and in primary mineralisation in a sub-vertical west and east-dipping shear zones. Mineralisation is strongly influenced by flexures along the northwest-southeast striking Peyes Farm Shear zone which trends parallel to the regional geology. The mineralisation trends NNW over a strike length of approximately 650 metres

IRC report total Mineral Resources (JORC 2012) for its Goongarrie Project of:

**0.27Mt at 2.86g/t Au for 25,000oz** (at 1.0g/t Au lower grade cut-off) (*refer IRC ASX release 16 August 2016*)

This current resource solely relates to the Goongarrie Lady gold deposit on granted Mining Lease M29/420. A shallow open pit exists on the Goongarrie Lady deposit mined by Julia Mines in 1989, with just over 2300 oz gold recovered at an average grade of 2.7g/t Au extracted.

A number of high grade intersections at depth suggest excellent down plunge potential, and EGS regard the prospectivity of the Project area highly, with potential for open pit and high grade underground development at a number of deposits in the area.

### ***Investor and media enquiries***

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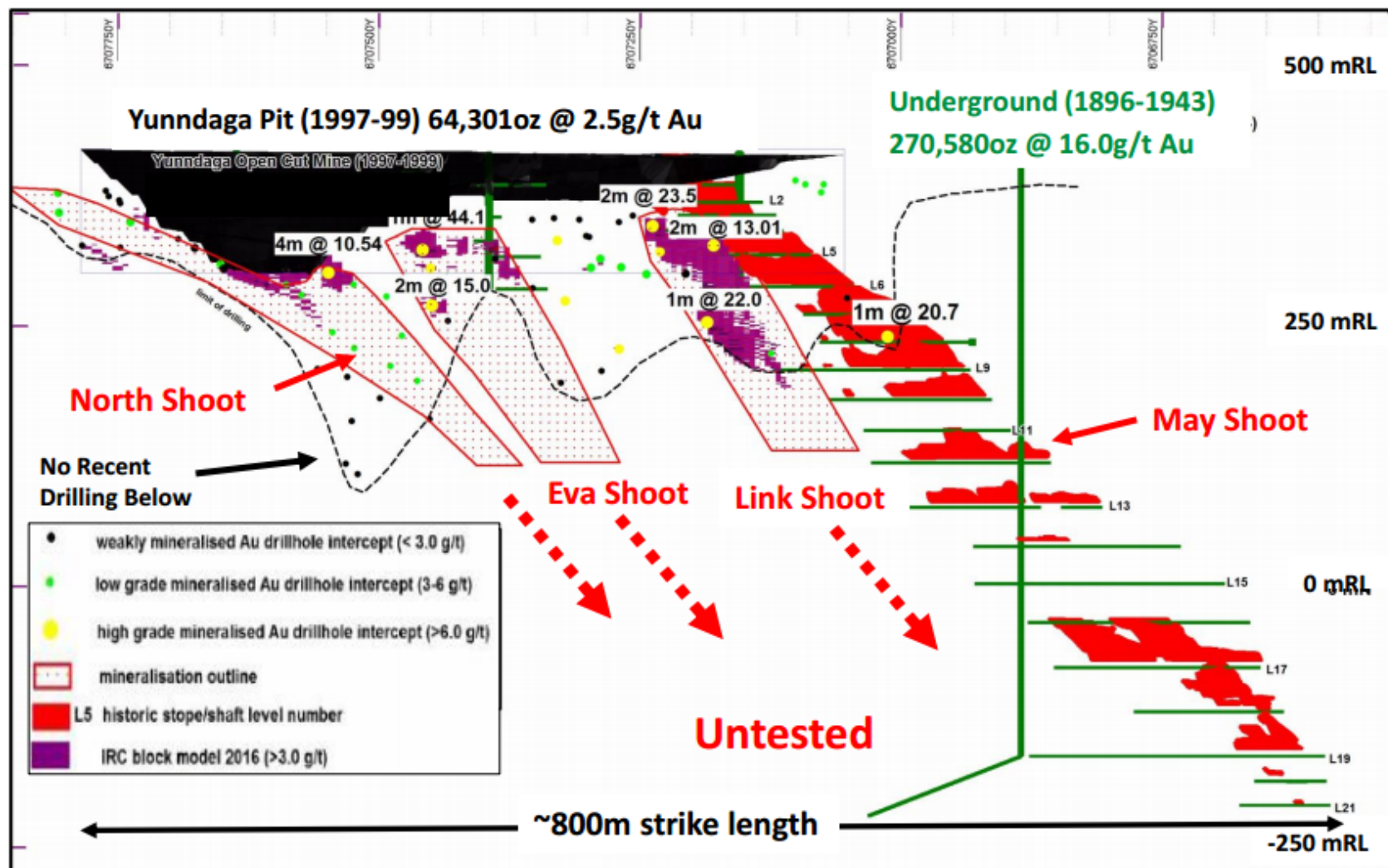


Figure 3. Yunndaga Deposit long section, showing shoot development and depth potential (taken from IRC August presentation at Diggers and Dealers)

### ***Competent Person Statement***

The information in this report that relates to Exploration Results is based on information compiled by Mr Craig Hall, a contractor to Eastern Goldfields Limited, who is Member of the Australian Institute of Geoscientists. Mr Hall 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 Hall 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 announcement that relates to Mineral Resources is based on, and fairly represents, information and supporting documentation compiled by or under the supervision of Mr Craig Hall, a Competent Person who is a member of the Australasian Institute of Geoscientists, a 'Recognised Professional Organisation' ('RPO') included in a list that is posted on the ASX website from time to time. Mr Hall 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 Editions of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Eastern Goldfields Limited confirms that it is not aware of any new information or data that materially affects the information included in the original market 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 confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

### ***Forward Looking Statements***

Eastern Goldfields Limited has prepared this announcement based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Eastern Goldfields Limited, its directors, employees or agents, advisers, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it. This announcement is not an offer, invitation, solicitation or other recommendation with respect to the subscription for, purchase or sale of any security, and neither this announcement nor anything in it shall form the basis of any contract or commitment whatsoever. This announcement may contain forward looking statements that are subject to risk factors associated with gold exploration, mining and production businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.



**Table 1: Mineral Resource Table**

PROJECT	INDICATED			INFERRED			TOTAL		
	Mt	grade	oz Au	Mt	grade	oz Au	Mt	grade	oz Au
Pericles	0.53	2.49	42500				0.53	2.49	42500
Yunndaga				1.58	2.03	103000	1.58	2.03	103000
Bellenger	0.24	2.63	19900				0.24	2.63	19900
Warrior				0.07	2.49	5900	0.07	2.49	5900
<b>Menzie Project Subtotal</b>	<b>0.77</b>	<b>2.52</b>	<b>62400</b>	<b>1.65</b>	<b>2.05</b>	<b>108900</b>	<b>2.42</b>	<b>2.20</b>	<b>171300</b>
Goongarrie Lady	0.2	3.3	21300	0.07	1.64	3700	0.27	2.86	25000
<b>Goongarrie Project Subtotal</b>	<b>0.2</b>	<b>3.30</b>	<b>21300</b>	<b>0.07</b>	<b>1.64</b>	<b>3700</b>	<b>0.27</b>	<b>2.86</b>	<b>25000</b>
<b>Total Project</b>	<b>0.97</b>	<b>2.60</b>	<b>83700</b>	<b>1.72</b>	<b>3.50</b>	<b>112600</b>	<b>2.69</b>	<b>2.27</b>	<b>196300</b>

1. This information was compiled from information released to the ASX by IRC on 8 March and 16 August 2016
2. The above table contains rounding errors

**Table 2: Menzies Tenements subject to EGS earn in**

<b>TENEMENT</b>	<b>STATUS</b>	<b>REGISTERED HOLDER</b>	<b>REGISTERED INTEREST</b>	<b>TENEMENT NAME</b>	<b>Area_Km</b>
E29/0966	PENDING	BLACK MOUNTAIN GOLD LTD	100/100	LAKE GOONGARRIE	56.46
E29/0984	PENDING	BLACK MOUNTAIN GOLD LTD	100/100	YUNNDAGA	20.84
L29/0042	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	YUNNDAGA	0.00
L29/0043	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	YUNNDAGA	0.00
L29/0044	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	YUNNDAGA	0.00
M29/0014	LIVE	BLACK MOUNTAIN GOLD LTD	96/96	MENZIES	1.03
M29/0088	LIVE	BLACK MOUNTAIN GOLD LTD	96/96	YUNNDAGA	0.35
M29/0153	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	MENZIES	9.90
M29/0154	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	MENZIES	3.45
M29/0184	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	YUNNDAGA	5.92
M29/0212	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	MENZIES	9.24
M29/0410	LIVE	WAYNE CRAIG VAN BLITTERSWYK	100/100	YUNDAGA	4.99
P29/2153	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	1.99
P29/2154	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	1.99
P29/2155	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	1.91
P29/2156	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	1.62
P29/2251	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	BLACK JACK	1.99
P29/2252	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	BLACK JACK	2.00
P29/2253	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	BLACK JACK	1.97
P29/2254	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	BLACK JACK	1.92
P29/2344	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	MENZIES	1.56
P29/2345	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	MENZIES	1.58
					<b>52.02</b>

**Table 3: Goongarrie Tenements subject to EGS earn in**

<b>TENEMENT</b>	<b>STATUS</b>	<b>REGISTERED HOLDER</b>	<b>REGISTERED INTEREST</b>	<b>TENEMENT NAME</b>	<b>Area_Km</b>
E29/0419	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	COOLGARRIE LADY (E)	2.97
E29/0922	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	11.88
L29/0109	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	0.09
M29/0420	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE LADY	1.71
P29/2070	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	1.83
P29/2073	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	1.33
P29/2268	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	1.95
P29/2269	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE	1.97
P29/2286	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE LADY	1.98
P29/2287	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE LADY	1.51
P29/2288	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE LADY	2.00
P29/2289	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE LADY	1.78
P29/2290	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE LADY	1.63
P29/2307	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE EAST	1.11
P29/2308	LIVE	BLACK MOUNTAIN GOLD LTD	100/100	GOONGARRIE EAST	1.70
					<b>35.43</b>