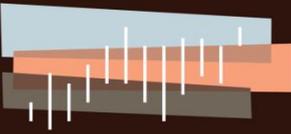


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ASX ANNOUNCEMENT

31 January 2018



Eastern
Goldfields
Ltd

EASTERN GOLDFIELDS SIGNS SUBSCRIPTION AGREEMENT WITH HAWKE'S POINT AND ANNOUNCES NON-RENOUNCEABLE RIGHTS ISSUE TO RAISE FURTHER \$7M

HIGHLIGHTS

- EGS has signed a subscription agreement with Hawke's Point Holdings L.P. for a subscription of \$17.5 million, as part of a wider placement to raise a total of approximately \$30.6 million
- EGS proposes to raise a further \$7.18 million by way of a non-renounceable rights issue to existing shareholders (including Hawke's Point)
- Tranche 1 settled to raise \$13.07 million
- Funds raised will allow for payment of trade 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

SUBSCRIPTION AGREEMENT

Eastern Goldfields Limited (ASX:EGS) (**Eastern Goldfields** or the **Company**) is pleased to announce that, following its announcement on 9 November 2017 and its general meeting held on 4 January 2018, it has entered into a subscription agreement (**Subscription Agreement**) with Hawke's Point Holdings L.P. (**Hawke's Point**) pursuant to which Hawke's Point has agreed to subscribe for 87,500,000 Shares in the Company at a price of \$0.20 per Share, for an aggregate subscription amount of \$17.5 million.

The subscription by Hawke's Point forms part of a wider placement to sophisticated and professional investors to raise a total of approximately \$30.6 million (**Placement**), an update on which is provided below.

Pursuant to the Subscription Agreement, following the issue of securities under the Placement, Hawke's Point will own approximately 12.2% of the issued share capital of the Company. Hawke's Point has been granted various rights under the Subscription Agreement, including the right to appoint a director to the Company's board of directors (**Board**) and an anti-dilution right to maintain its percentage

BOARD OF DIRECTORS

Mr Michael Fotios
Executive Chairman

Mr Craig Readhead
Non-Executive Director

Mr Alan Still
Non-Executive Director

Ms Shannon Coates
Company Secretary

ISSUED CAPITAL

Shares: 564m*
Options: 58m
Current Share Price: \$0.235
Market Capitalisation: \$132m
Cash as at 31/12/2017:
\$80,000**

*66,668 escrowed indefinitely
**Excluding total debt facilities of \$35m, see ASX announcement 31 Jan 2017.

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holding if the Company issues equity securities in the future (as announced on 9 November 2017 and 8 January 2018).

The subscription by Hawke's Point is conditional on a number of conditions precedent being satisfied. These include:

- (a) completion of Tranche 1 of the Placement (outlined below);
- (b) the Company progressing searches for a new CEO and CFO; and
- (c) the Company receiving confirmation from ASX that the Company's financial position is adequate to warrant the continued quotation of its shares and that ASX will lift the current suspension of the Company's shares to trading subject to satisfying conditions imposed by the ASX.

Each of these items is referred to in further detail below.

STATUS OF PLACEMENT

In addition to the subscription by Hawke's Point and in satisfaction of one of the conditions precedent to the Subscription Agreement, Eastern Goldfields has procured additional subscribers (including Michael Fotios and his related parties) to subscribe for a further 65,350,000 Shares in the Company at a price of \$0.20 per Share to raise an additional \$13.07 million.

As announced on 9 November 2017, all Shares issued under the Placement will be issued with a corresponding 1 for 1 free attaching unlisted option to acquire a share in the Company (**Option**). The Options will be issued in two tranches, with one half of the Options having an exercise price of \$0.25 and the other half having an exercise price of \$0.275. The Options will have an expiry date of 5 years after issue subject to an accelerated expiry date should certain objective conditions be met.

The Placement is expected to complete via two tranches, comprising:

- (a) 65,350,000 Shares and 65,350,000 Options being issued to sophisticated, professional and institutional investors on 31 January 2018 (Shareholder approval having been obtained at a general meeting of the Company held on 4 January 2018) (**Tranche 1**), of which 12,500,000 Shares and 12,500,000 Options will be issued to Michael Fotios or his related parties (in consideration of conversion of part of the debt owed to Investmet Limited); and
- (b) 87,500,000 Shares and 87,500,000 Options will be issued to Hawke's Point on 2 February 2018 (Shareholder approval having been obtained at a general meeting of the Company held on 4 January 2018) (**Tranche 2**).

The Company has settled Tranche 1 today and expects to settle Tranche 2 on 2 February 2018.

REINSTATEMENT OF SECURITIES TO QUOTATION

Completion of the Placement will satisfy one of the conditions to reinstatement of the Company's securities to official quotation, as imposed on the Company by ASX. The Company is continuing to progress matters associated with the re-quotation of its securities to trading and intends to provide further information to ASX for release to the market in the near future.

APPOINTMENT OF CEO AND CFO

The Company is pleased to announce that Victor Rajasooriar has been appointed as Chief Executive Officer (CEO) of the Company with immediate effect. The Company has also appointed a Chief Financial Officer (CFO), Padraig O'Donohue.

The biographies of Victor and Padraig are below.

Victor is a Mining Engineer with more than 20 years' experience of technical and operational experience in the mining industry in multiple disciplines including both underground and open pit operations. Most recently he was the Chief Operating Officer for underground mining contractor Barmenco and a non-executive director of African Underground Mining Services. Prior to joining Barmenco in 2013 he was the managing director of ASX-listed company, Breakaway Resources. He previously held senior operational positions for mine owners such as Bass Metals, Gold Fields, Grange Resources and Newmont having worked in Australia and North America.

He has extensive experience in the exploration and production phases including commodities such as gold, copper, lead, zinc, tin, nickel and magnetite. Victor holds a Bachelor of Engineering (Mining) from the WA School of Mines, holds a West Australian First Class Mine Managers Certificate and is a member of the Australian Institute of Company Directors and AusIMM.

In accordance with Listing Rule 3.16, the key terms of the employment of Victor as chief executive officer are as follows:

- (a) Base salary of \$450,000 per annum including statutory superannuation;
- (b) Short term and long term incentives to be agreed; and
- (c) Notice of 6 months by both the Company and Victor.

Padraig is a Chartered Accountant with over 20 years' experience in the mining and construction industries. He has held CFO positions with Consolidated Rutile Limited (ASX:CRT), Jabiru Metals Limited (ASX:JML), Barmenco (unlisted), Navigator Resources Limited (ASX:NAV), and VDM Group Limited (ASX:VMG). His career also includes PriceWaterhouse in Vancouver Canada and 10-years with major international gold companies Barrick Gold and Placer Dome.

Executive Chairman, Michael Fotios will focus on Corporate, Resource Development and Exploration whilst Victor's initial focus will be advancing operations and new mine development. Chief Commercial Officer, Neil Porter completes the executive team and will hand over CFO duties to Padraig when he joins the Company on 12 February 2018.

INTENTIONS TO REFRESH BOARD OF DIRECTORS

As announced on 9 November 2017, pursuant to the Subscription Agreement and for as long as it holds at least 10% of the issued share capital of the Company, Hawke's Point has the right to appoint a director to the Company's Board. The Company understands that Hawke's Point intends to invoke this right in the near future. The Company is obliged under the Subscription Agreement to appoint at least one additional director to the Board within 3 months of completion of the Placement (which may be the nominee of Hawkes Point referred to above) and to appoint a further director to the Board within 9 months of completion of the Placement (so that the total number of Board members is at least 5).

The Company continues to consider the composition of its Board and intends to make further announcements in this regard shortly.

OPERATIONS UPDATE

Currently, the Company is moving towards steady state production based on treatment of existing low and medium grade surface stockpiles. Treatment of the stockpiled Golden Eagle ore commenced this week and is being blended with the other stockpile material.

The Company expects to ramp up production during the March quarter, based on the introduction of higher grade open pit and laterite ore feed from the Siberia Mining Centre and ongoing ore supply from the Golden Eagle underground operation. Detailed operations and exploration updates will be provided during February.

2018 REVENUE GUIDANCE

The Company is pleased to release guidance regarding its budgeted revenue for the 2018 calendar year. The guidance set out in the below table is based upon the following assumptions:

- the actual average gold price (in \$A) in each quarter is materially consistent with the forecast gold price outlined below;
- the Company's mining and processing activities accord with the Company's detailed mine plans; and
- the tonnes mined by the Company will be from existing reserves and resources as previously announced by the Company.

Quarterly Forecast 2018 Physicals Summary	Q1	Q2	Q3	Q4	2018
Tonnes mined (including stockpiles moved)	256,343	376,252	415,944	412,434	1,460,973
Tonnes processed (t)	229,589	299,178	302,466	302,466	1,133,699
Head grade (g/t)	2.12	2.39	2.79	2.95	
Recovery	90%	92%	92%	93%	
Ounces recovered (oz)	14,052	21,232	24,958	26,558	86,800
Forecast average gold price (\$A/oz)	\$1,655	\$1,651	\$1,650	\$1,643	\$1,649
Revenue	23,261,248	35,051,769	41,178,388	43,641,962	143,133,367

RIGHTS ISSUE

Eastern Goldfields is also pleased to announce its intention to undertake a non-renounceable rights issue at an issue price of \$0.20 per share on the basis of 1 new share for every 20 existing shares, with a free attaching option per new share acquired, to raise up to approximately \$7.18 million before costs (**Rights Issue**).

Details of the Rights Issue

Under the Rights Issue, the Company is offering one (1) fully paid ordinary share (**New Share**) for every twenty (20) existing shares held as at 5.00pm WST on Wednesday 7 February 2018 (**Record Date**), with a free attaching option per New Share acquired, to shareholders with a registered address in Australia or New Zealand and to Hawke's Point. The Rights Issue will be partially underwritten to the value of \$4,123,448 by Investmet Limited and Hawke's Point has agreed to take up its rights under the Entitlement Offer to the full extent, being \$876,552.

The Company will issue up to approximately 35,924,270 New Shares at an issue price of \$0.20 per New Share to raise a maximum of \$7,184,854 before costs. The New Shares will rank equally in all respects with the Company's existing shares. The Company will apply to the ASX for quotation of the New Shares.

Optionholders of the Company may participate in the Rights Issue if they convert their options in time to be registered as shareholders on the Record Date, in accordance with the terms and conditions of the options. A separate letter containing further details will be mailed to holders of options.

Use of funds

Funds raised under the Rights Issue and the Placement will be used for payment of trade creditors, additional exploration, ongoing resource development and feasibility studies on the Company's Mt Ida and Menzies projects, and will provide general working capital for gold operations at the Company's Davyhurst project. Funds will also be used for the costs of the Rights Issue.

In the event that circumstances change or other opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise benefits to shareholders.

Indicative Timetable

The Company expects the Rights Issue to be conducted in accordance with the following timetable:

Event	Date
Lodgement of Appendix 3B and Prospectus	Thursday 1 February 2018
Existing Eastern Goldfields shares quoted on an ex-Rights basis	Tuesday 6 February 2018
Record date for determining Rights under the Rights Issue	5.00pm WST Wednesday 7 February 2018
Prospectus with Entitlement and Acceptance Form dispatched, and Rights Issue open for acceptances	Monday 12 February 2018
Closing time for acceptances	5.00pm WST Wednesday 21 February 2018
New Shares under Rights Issue quoted on a deferred settlement basis (subject to the Company's securities being reinstated to official quotation by this date)	Thursday 22 February 2018
Notify ASX of under subscriptions	Monday 26 February 2018
New Shares under Rights Issue issued and holding statements dispatched	Wednesday 28 February 2018
New Shares under Rights Issue expected to commence trading on ASX (subject to the Company's securities being reinstated to official quotation by this date)	Thursday 1 March 2018

The above dates are indicative only. The Company reserves the right to vary the above dates, subject to the ASX Listing Rules and the Corporations Act.

Prospectus

The Company expects to lodge a Prospectus with the Australian Securities and Investments Commission on 1 February 2018 setting out the material information relating to the Rights Issue, as well as to facilitate secondary trading of the Shares issued under the Placement and the Options issued to Hawke's Point. The Prospectus, together with an application form, will be mailed to all eligible shareholders in accordance with the timetable above. The Prospectus will also be available on the Company's website <http://easterngoldfields.com.au> and the ASX website.

Squire Patton Boggs and Jett Capital have respectively acted for the Company as legal advisors and lead manager in relation to the Placement and Rights Issue.

Investor Enquiries

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Executive Chairman

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Forward Looking Statements

Statements contained in this document, including but not limited to those regarding the possible or assumed future costs, projected timeframes, performance, dividends, returns, revenue, exchange rates, potential growth of the Company, industry growth, commodity or price forecasts, or other projections and any estimated company earnings are or may be forward looking statements. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. Forward looking statements including all statements in this presentation regarding the outcomes of preliminary and definitive feasibility studies, projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. These statements relate to future events and expectations and as such involve known and unknown risks and significant uncertainties, many of which are outside the control of the Company. Actual results, performance, actions and developments of the Company may differ materially from those expressed or implied by the forward-looking statements in this document. Such forward-looking statements speak only as of the date of this document. There can be no assurance that actual outcomes will not differ materially from these statements. To the maximum extent permitted by law, the Company and any of its affiliates and their directors, officers, employees, agents, associates and advisers: disclaim any obligations or undertaking to release any updates or revisions to the information in this document to reflect any change in expectations or assumptions; do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this document, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence). Nothing in this document will under any circumstances create an implication that there has been no change in the affairs of the Company since the date of this document.