
EASTERN GOLDFIELDS LIMITED

ABN 69 100 038 266

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2016

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
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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Balcatta WA 6021

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Facsimile: (61-8) 6241 1811
admin@easterngoldfields.com.au
Web-site: www.easterngoldfields.com.au

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 11, 172 St. George's Terrace
Perth WA 6000

Telephone: (61-8) 9323 2000
Facsimile: (61-8) 9323 2033
E-mail: perth.services@computershare.com.au
Web-site: www.computershare.com.au

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.

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**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
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 2016.

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 activity of the Group during the half year was mineral exploration and evaluation of mineral resources, and the refurbishment of the Davyhurst Gold Project. There were no significant changes in the nature of the Group's activity 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:

- Refurbishment of the Company's 1.2Mtpa gold processing plant at Davyhurst, with construction and commissioning expected to be completed in the March 2017 quarter.
- Resource estimation works on the Sandi King and Missouri Deposits, which resulted in an increase of 85% and 91% in ounces respectively, over the previous Mineral Resource.
- Continuation of mine evaluation works on the Golden Eagle, Makai, and Riverina Deposits, which included geological modelling, revised Mineral Resource estimations, open pit optimisation, financial modelling and prioritisation.
- Callion drilling, which confirmed the presence of significant mineralisation below the deepest level of the existing workings.

Davyhurst Gold Project Area

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 are planned to commence in the June 2017 quarter at the Siberia area followed by underground operations within the Davyhurst area during the June 2017 quarter.

The refurbishment of the Company's 1.2Mtpa gold processing plant continued to progress during the half-year. The bulk of the foundation and concrete repairs were completed throughout the plant. All gearboxes and motors were inspected and where they were found to be beyond repair, have been replaced. Two new cone crushers have been installed and the installation of a new thickener has commenced. The contract for the new power station has been agreed and detail design commenced. The refurbishment of the bulk storage fuel facility is 90% complete.

Sand King and Missouri Project Areas

A total of 93 holes were drilled at Siberia during the period for a total of 9,116 metres. Drilling was concluded during the period, resulting in the subsequent JORC 2012 Mineral Resource update for both the Missouri and Sand King Deposits, with a combined total Mineral Resource of 4.88 Mt @ 3.2g/t Au for 498,000 ounces (1g/t cut-off) (see ASX announcement 14 February 2017). This represents an 88% increase from the previously published resource.

Final drilling results for the Missouri and Sand King Deposits were received, continuing to confirm strong zones of mineralisation across both deposits, which remain open at depth. The exploration focus at Siberia will now shift to assessing underground potential at the Missouri and Sand King Deposits while also assessing nearby deposits.

Entech Pty Ltd, an independent international mining consultant specialising in mining engineering, conducted a mining study at the Missouri Deposit that successfully defined an Ore Reserve of 2.2 g/t AU for 78,600 ounces (see ASX announcement 15 December 2016).

Callion Project Area

Callion Deposit

A total of 25 holes were drilled at Callion during the period, for a total of 3,059 metres. Preliminary underground mine evaluation works, based on the historical record, have resulted in a focussed exploration effort at Callion. The Company has decided to proceed with a comprehensive drill program aimed at assessing the open pit and underground potential of the Callion Deposit.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
DIRECTORS' REPORT**

Glasson North Prospect

A total of 2 holes were drilled at Glasson North during the period, for a total of 238 metres. The Glasson North Prospect consists of a number of old workings and two lines of anomalous RC drill holes, completed by the Company in 2015. Mineralisation is associated with biotite shearing and quartz veins that dip moderately to steeply east. Two diamond holes were drilled to test down dip and northern extensions of this structure.

Lights of Israel Mining Centre

A total of five holes were drilled at the Lights of Israel Deposit ("LOI") during the period for a total of 1,892 metres. This drilling is part of a first pass drilling program aimed at assessing the broader biotite schist within LOI. These holes in particular relate to drilling in the projected down plunge position of the Great Ophi Deposit. All holes will be incorporated into the LOI geological models and will be utilised to direct the next phase of drilling.

Waihi Deposit

The Company completed two diamond drill holes at the Waihi Deposit during the period. These holes were designed to provide much needed lithological and structural data directly under the existing open pit as much of the historical drilling did not provide this structural information. Drilling intercepted a broad zone of alteration throughout both holes with increased sulphide and quartz veining appearing to be associated with the increase in mineralisation. Significant structural data was collected and is currently being incorporated into the existing geological model with further drilling scheduled during the year.

Bombay Prospect

Much of the drilling to date has been shallow, with no drilling conducted at depth. The Company designed and drilled three diamond holes aimed at defining the structural and stratigraphic setting of the deposit while also confirming the style of mineralisation at Bombay. Drilling successfully intercepted several shear zones with associated chalcopyrite/pyrrhotite/pyrite and arsenopyrite alteration associated with quartz/carbonate veining.

Riverina Project Area

A total of 35 holes for 3,589 drill metres were completed at Riverina during the reporting period. The Riverina Deposit, with a current Mineral Resource of 2.58Mt @ 2.50 g/t Au for 207,000 ounces (see ASX announcement 12 January 2017), is a high priority drill target due to its advanced state, high proportion of oxide tonnes and its proximity to the Davyhurst Processing plant. Riverina historically has a long history of underground mining (100kt @ 15.8 g/t Au) on the main lode in addition to the more recent open pit mining event (22Kt @ 1.78 g/t Au) that focused on the eastern lodes. The current drilling program is aimed at increasing our confidence in the eastern lodes while also assessing the underground Resources on the main lodes with several diamond holes planned.

Mulline Rose Deposit

One hole was drilled at Mulline Rose during the period for a total of 215 metres. The Mulline Rose pit was mined in the early 1990s, and drilled to a maximum depth of 75 vertical metres. Gold mineralisation at Mulline Rose is associated with broad, east dipping mineralised structures. A single diamond hole was drilled on the northern margin of the pit testing for extensions to existing mineralisation, as well as repetitions at depth.

Victoria Old Workings

A total of six holes were drilled at Victoria during the period for a total of 586 metres. The Victoria Old Workings historically have produced 2,500 ounces of gold at around 30g/t. Untested RAB and RC anomalism surround these old workings and indicate a similar geological setting to the Mulline Rose Deposit.

Tietkens Prospect

A total of nine holes were drilled at Tietkens during the period for a total of 966 metres. Regional mapping over the Mulline area identified a NE-SW trending fault to the south of the Giles pit where mineralisation peters out. This fault is interpreted to offset Giles' mineralisation one kilometre to the SW, in a region of significant rotary air blast drill results. In this area known as Tietkens, four RC holes were drilled in the north, and five holes in the south. Drilling encountered pyrrhotite rich altered basalt and mafic/granite contacts, consistent with the style of mineralisation at the Giles pit.

RESULTS OF OPERATIONS

The net loss after tax of the consolidated entity for the half-year ended 31 December 2016 was \$2,444,000 (31 December 2015: \$4,795,000).

Corporate Activities

During the period, the Credit Committee of Investec Australia Limited ("Investec") granted approval for Investec to provide debt facilities totalling A\$25 million ("Credit Approved Facilities").

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
DIRECTORS' REPORT**

The Credit Approved Facilities comprise:

- Revolving Loan Facility of A\$15m ("RLF");
- Equity Linked Facility of A\$10m ("ELF"); and
- Gold Hedging Facility for 40,000 ounces, half of which Eastern Goldfields is required to undertake ("Hedging Program") and the other half at the discretion of the Company.

The Credit Approved Facilities are being utilised to complete the refurbishment of the Davyhurst gold processing plant and also provide working capital through to commencement of gold production in the June quarter 2017 and associated ramp-up of gold production.

The RLF is subject to the following conditions precedent, which were all satisfied post 31 December 2016:

- Completion of legal documentation;
- Confirmation of a committed A\$10m Standby Facility by Investmet Limited (a company controlled by Michael Fotios, Executive Chairman of the Company);
- Satisfactory review of various technical matters in respect of the Davyhurst Gold Project;
- Issue of two equal tranches of call options to Investec; and
- Other conditions precedent for typical facilities of the nature of the Credit Approved Facilities.

The Company has satisfied the conditions precedent resulted in the RLF to become unconditional for the first draw-down on the \$15m RLF the first quarter of 2017. The Company has elected to utilise the Investmet Standby Facility of A\$10m until the gold price recovers to a satisfactory level at which point the Company expects to complete the mandatory hedging under the Investec facilities.

Together, these existing funding sources are sufficient to fund the Company to first production in the June quarter 2017.

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 23 January 2017, the Company announced that it had signed an agreement with Heron Resources Limited ("Heron") and Ardea Resources Limited ("Ardea") whereby the Company will acquire 100% title to the gold rights of various mining tenements in the Siberia Gold Tenement region for consideration of \$100,000 plus payment of a 1.5% royalty to Heron on the gross revenue from gold production on any of the tenements capped at 150,000 ounces of gold plus a payment of \$1,000,000 (in cash or shares, at the Company's election) if the Company declares a gold Mineral Reserve on these tenements to the Australian Securities Exchange of more than 100,000 ounces of gold.

On 27 February 2017, the Company entered into forward contracts for 20,000 ounces of gold production from the Davyhurst Project with Investec. The forward sales were locked in at a weighted average price of AUD\$1,639/oz assuming deliveries commence in April through to September 2017.

In March 2017, the Company drew down the entire \$15,000,000 RLF with Investec. On 23 February, as part of the conditions attached to the drawdown of the RLF, the Company issued 9,578,544 options at an exercise price of \$0.261 per option with an expiry date of 12 December 2018 to a nominee of Investec. The second tranche of options comprising 5,446,623 options exercisable at \$0.459 per option and expiry date of 15 March 2019 were issued to a nominee of Investec on 15 March 2017.

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 2016/191. The Company is an entity to which the ASIC Instrument applies.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
DIRECTORS' REPORT**

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
16 March 2017

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 2016, 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



G H Meyerowitz
Partner
16 March 2017

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Revenue		
Other income	-	1
	<hr/>	<hr/>
Expenses		
Exploration expenditure	(221)	(2,336)
Corporate and administrative expenses	(1,874)	(1,372)
Depreciation and amortisation expense	(20)	-
Doubtful debt expense	(209)	-
Other operating expenses	(76)	-
	<hr/>	<hr/>
Operating loss	(2,400)	(3,707)
Finance income	4	-
Finance costs	(50)	(1,088)
	<hr/>	<hr/>
Loss before income tax expense	(2,446)	(4,795)
Income tax benefit	2	-
	<hr/>	<hr/>
Loss for the period	(2,444)	(4,795)
Other comprehensive income		
Changes in fair value of available for sale assets	5	-
Income tax relating to this item	(2)	-
	<hr/>	<hr/>
Other comprehensive income, net of income tax	3	-
	<hr/>	<hr/>
Total comprehensive loss for the period	(2,441)	(4,795)
	<hr/>	<hr/>
Total comprehensive loss attributable to:		
Equity holders of the Parent	(2,441)	(4,795)
	<hr/>	<hr/>
	(2,441)	(4,795)
	<hr/>	<hr/>
Loss per share attributable to the ordinary equity holders of the parent:		
Basic and diluted loss per share (cents)	(0.49)	(5.11)

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	3	264	15,401
Trade and other receivables		4,163	1,268
Total current assets		4,427	16,669
Non-current assets			
Trade and other receivables		64	64
Mine properties	4	33,046	3,607
Capitalised exploration expenditure		459	454
Available for sale financial assets	5	1,516	533
Total non-current assets		35,085	4,658
Total assets		39,512	21,327
Liabilities and equity			
Current liabilities			
Trade and other payables	6	25,905	7,667
Loans and borrowings	7	1,856	53
Provisions		65	63
Total current liabilities		27,826	7,783
Non-current liabilities			
Provision for rehabilitation		9,001	9,380
Total non-current liabilities		9,001	9,380
Total liabilities		36,827	17,163
Net assets		2,685	4,164
EQUITY			
Contributed equity	8	228,985	228,343
Accumulated losses		(234,675)	(232,231)
Reserves		8,375	8,052
Total equity		2,685	4,164

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Contributed equity	Accumulated losses	Share based payment reserve	Available for sale asset reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	168,040	(214,229)	5,293	-	(40,897)
Loss for the period	-	(4,795)	-	-	(4,795)
Total comprehensive loss for the half- year	-	(4,795)	-	-	(4,795)
Issue of ordinary shares (note 8)	1,600	-	-	-	1,600
Balance as at 31 December 2015	169,640	(219,024)	5,293	-	(44,091)
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 8)	642	-	-	-	642
Share based payments	-	-	320	-	320
Balance as at 31 December 2016	228,985	(234,675)	8,349	26	2,685

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
CONSOLIDATED STATEMENT OF CASH FLOWS**

	Notes	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(992)	(1,717)
Interest received		4	1
Interest paid		(50)	-
Net cash flows used in operating activities		<u>(1,038)</u>	<u>(1,715)</u>
Cash flows from investing activities			
Payments for mine properties		(15,427)	-
Investments in available for sale assets		(909)	-
Net cash flows from investing activities		<u>(16,336)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from loan		1,595	64
Proceeds from share issue	8	642	1,600
Net cash flows from/(used in) financing activities		<u>2,237</u>	<u>1,664</u>
Net (decrease)/increase in cash and cash equivalents held		<u>(15,137)</u>	<u>(52)</u>
Cash and cash equivalents at the beginning of the financial period		<u>15,401</u>	<u>53</u>
Cash and cash equivalents at the end of the financial period	3	<u><u>264</u></u>	<u><u>1</u></u>

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

The interim condensed consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with AASB 134 *Interim Financial Reporting*. 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 2016.

Adoption of new and revised Accounting Standards:

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 2016.

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 2016.

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 2016, the Group's current liabilities exceeded its current assets by \$23,399,000 and the Group's equity totalled \$2,685,000. The consolidated entity recorded a loss of \$18,001,000 for the year ended 30 June 2016 and a loss of \$2,444,000 for the half year ended 31 December 2016.

The Group is working towards the operation and production of the Davyhurst Project. The Group's aim is to generate free cash flow from the production of gold from the Davyhurst Project to sustain itself in the long term. As part of the process, the Group has the ability to draw down on a \$25 million facility entered into with Investec Australia Limited. The funds drawn down will be applied towards the completion of the construction and commissioning of the Davyhurst Project.

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 Directors meeting the terms and conditions under the Loan Facility Agreement and successfully commissioning the Davyhurst Project. 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.

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 meet the terms and conditions under the Investec transaction and successfully commission the Davyhurst Project.

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 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

2. SEGMENT INFORMATION

The Group has identified its segments based on the internal management reporting that is used by the executive management team in assessing performance and allocating resources. At present the Group's focus has been on the exploration and evaluation of its interests in mineral tenement licenses associated with the Davyhurst Gold Project.

The Group operates in one geographical segment – Australia.

As such the Consolidated Entity only operates in one segment and no additional information is provided to that contained in the Consolidated Financial Statements contained herein.

3. CASH AND CASH EQUIVALENTS

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Cash at bank and on hand	<u>264</u>	<u>15,401</u>

4. MINE PROPERTIES

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Plant and equipment		
At cost	14,145	14,145
Less accumulated depreciation and impairment	<u>(11,145)</u>	<u>(11,145)</u>
	<u>3,000</u>	<u>3,000</u>
Mine development		
At cost	<u>13,910</u>	<u>-</u>
Construction in progress		
At cost	<u>16,136</u>	<u>607</u>
Total mine properties		
At cost	44,191	14,752
Less accumulated depreciation and impairment	<u>(11,145)</u>	<u>(11,145)</u>
	<u>33,046</u>	<u>3,607</u>

5. AVAILABLE FOR SALE FINANCIAL ASSETS

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Shares in listed entities		
Orion Gold NL	891	533
Intermin Resources Limited	<u>625</u>	<u>-</u>
	<u>1,516</u>	<u>533</u>

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

6. TRADE AND OTHER PAYABLES

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Trade payables	22,401	3,985
Accruals	1,595	2,340
Payable to Stirling Resources Pty Ltd	-	150
Other payables	1,909	1,192
Total trade and other payables	<u>25,905</u>	<u>7,667</u>

7. LOANS AND BORROWINGS

	31 Dec 2016 \$	30 Jun 2016 \$
Unsecured non- interest bearing loans	<u>1,856</u>	<u>53</u>

Reconciliation of loans and borrowings

	Delta Resources Pty Ltd \$'000	Investmet Limited \$'000	Whitestone Mining Services Pty Ltd \$'000
1 July 2016	53	-	-
Advanced	-	1,660	200
Repayment	(53)	-	(4)
31 December 2016	<u>-</u>	<u>1,660</u>	<u>196</u>

8. CONTRIBUTED EQUITY

	31 Dec 2016		30 Jun 2016	
	Shares	\$'000	Shares	\$'000
(a) Share capital	497,697,819	228,985	494,097,819	228,343
(b) Movements in ordinary share capital			Shares	\$'000
Balance 1 July 2015			<u>91,850,223</u>	<u>168,040</u>
Share Placement at \$0.15 per share - 27 November 2015			10,666,667	1,600
Balance 31 December 2015			<u>102,516,890</u>	<u>169,640</u>
Balance 1 July 2016			<u>494,097,819</u>	<u>228,343</u>
Exercise of options - 28 December 2016			3,600,000	642
Balance 31 December 2016			<u>497,697,819</u>	<u>228,985</u>

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

9. EVENTS OCCURRING AFTER THE REPORTING DATE

On 23 January 2017, the Company announced that it had signed an agreement with Heron Resources Limited (“Heron”) and Ardea Resources Limited (“Ardea”) whereby the Company will acquire 100% title to the gold rights of various mining tenements in the Siberia Gold Tenement region for a consideration of \$100,000 plus payment of a 1.5% royalty to Heron on the gross revenue from gold production on any of the tenements capped at 150,000 ounces of gold plus a payment of \$1,000,000 (in cash or shares, at the Company’s election) if the Company declares a gold Mineral Reserve on these tenements to the Australian Securities Exchange of more than 100,000 ounces of gold.

On 27 February 2017, the Company entered into forward contracts for 20,000 ounces of gold production from the Davyhurst Project with Investec. The forward sales were locked in at a weighted average price of AUD\$1,639/oz assuming deliveries commence in April through to September 2017.

In March 2017, the Company drew down the entire \$15,000,000 RLF with Investec. On 23 February, as part of the conditions attached to the drawdown of the RLF, the Company issued 9,578,544 options at an exercise price of \$0.261 per option with an expiry date of 12 December 2018 to a nominee of Investec. The second tranche of options comprising 5,446,623 options exercisable at \$0.459 per option and expiry date of 15 March 2019 were issued to a nominee of Investec on 15 March 2017.

10. 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 \$285,633 (inclusive of GST) (30 June 2016: \$112,079). A total of \$207,127 remains due and payable as at 31 December 2016 (30 June 2016: \$25,705). All charges are on commercial terms. A repayment of a working capital loan from Delta to the Company of \$52,844 was made to repay in full the loan amount outstanding at 30 June 2016.

Whitestone Minerals Pty Ltd (“Whitestone”), 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 \$8,168,426 (inclusive of GST) (30 June 2016: \$3,803,409). \$5,239,495 remains due and payable as at 31 December 2016 (30 June 2016: \$1,809,675). All charges are on commercial terms. During the half-year, Whitestone advanced \$200,000 to the Company by way of an unsecured loan. The loan is non-interest bearing and repayable on demand. This loan was repaid in full subsequent to balance date.

Horseshoe Metals Limited, a company which Mr Michael Fotios is a substantial shareholder in and a Director of, received consulting and administrative support from the Company to the value of \$35,015 (inclusive of GST) (30 June 2016: \$24,974). A total of \$31,831 remains due and receivable by the Company as at 31 December 2016 (30 June 2016: \$55,866). All charges are on commercial terms. Interest is not charged.

Pegasus Metals Limited, a company which Mr Michael Fotios is a substantial shareholder in and a Director of, received consulting and administrative support from the Company to the value of \$8,610 (inclusive of GST) (30 June 2016: \$45,848). A total of \$7,827 remains due and receivable by the Company as at 31 December 2016 (2015: \$0). All charges are on commercial terms. Interest is not charged.

Redbank Copper Limited, a company which Mr Michael Fotios is a substantial shareholder in and a Director of, received consulting and administrative support from the Company to the value of \$26,652 (inclusive of GST) (30 June 2016: \$116,324). A total of \$24,228 remains due and receivable by the Company as at 31 December 2016 (30 June 2016: \$120,039). All charges are on market terms. Interest is not charged.

During the half year, the Company drew down on a loan with Investmet Limited (“Investmet”), a company which Mr Michael Fotios is a substantial shareholder and Chairman of, of \$1,660,000 (30 June 2016: nil). 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 also provided consulting services to the Company to the value of \$15,296 (inclusive of GST) (30 June 2016: nil). \$15,296 remains due and payable by the Company as at 31 December 2016 (30 June 2016: nil). All charges are on commercial terms. Interest is not charged.

Readhead Legal, a company which Mr Craig Readhead is a substantial shareholder in, charged \$56,100 (30 June 2016: \$84,000) for consulting fees to the Company. A total of \$56,100 (inclusive of GST) remains due and payable as at 31 December 2016 (30 June 2016: \$37,400).

Zedsee Enterprises Pty Ltd, a company which Mr Alan Still is a substantial shareholder in, charged \$20,000 (30 June 2016: \$40,000) for Directors fees to the Company. A total of nil remains due and payable as at 31 December 2016 (30 June 2016: \$12,500).

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

11. CONTINGENT LIABILITIES AND COMMITMENTS

Under the terms of mineral tenement licences held by the Group, minimum annual expenditure obligations of \$5,202,446 (31 December 2015: \$4,752,000) 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 or its joint venture partners and may be subject to variation from time to time in accordance with Department of Industry and Resources regulations.

There were no contingent liabilities identified as at 31 December 2016 and no significant changes to commitments since 30 June 2016.

12. 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 2016
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 2016 and of its performance for the half year ended on that date; and
 - ii. Complying with AASB 134 *Interim Financial Reporting*.
 - b. 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 2016.

On behalf of the Board



Michael Fotios
Executive Chairman

Perth, Western Australia
16 March 2017

To the members of Eastern Goldfields Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Eastern Goldfields Limited, which comprises the statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls as the directors determine are 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its 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 Eastern Goldfields Limited and the entities it controlled during the half-year, 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Basis of qualified review conclusion

Carrying value of the rehabilitation provision

Our review conclusion on the financial statements of Eastern Goldfields Limited for the half-year ended 31 December 2015 included a qualification on the carrying value of the rehabilitation provision as follows:

"Included in the 31 December 2015 non-current provision balance is an amount of \$4,148,100 for the future rehabilitation obligations for the Davyhurst mine. Management is currently undertaking a detailed review of the consolidated entity's future rehabilitation obligations in relation to the Davyhurst mine.

As at the date of our review, we have been unable to obtain sufficient appropriate review evidence to support the carrying value of the rehabilitation provision. Consequently, we are unable to determine whether any adjustment to the carrying value of the rehabilitation provision is necessary."

Management completed a detailed review of the consolidated entity's future rehabilitation obligations and recognised a provision of \$9,379,934 as at 30 June 2016 (31 December 2015: \$4,148,100). An amount of \$5,231,834 was therefore recognised as an expense in the 30 June 2016 financial year consolidated statement of comprehensive income. For the half year ended 31 December 2015, the expense recognised was nil. As we are unable to determine whether the opening and closing balance of the rehabilitation provision as at 1 July 2015 and 31 December 2015 respectively were accurately stated, we are unable to determine whether the expense recognised in the comparative consolidated statement of comprehensive income, for the half year ended 31 December 2015, is appropriate.

Qualified review conclusion

Based on our review, which is not an audit, except for the effects of the matters described in the 'Basis for qualified review conclusion' paragraphs, we have not become aware of any matter that makes us believe that the half-year financial report of Eastern Goldfields Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its 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*.



Ernst & Young



G H Meyerowitz
Partner
Perth
16 March 2017