
EASTERN GOLDFIELDS LIMITED

ABN 69 100 038 266

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2015

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
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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BALCATT
WA 6021

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Web-site: www.easterngoldfields.com.au

SHARE REGISTRY

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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

STOCK EXCHANGE LISTING

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

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**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
DIRECTORS' REPORT**

The directors of Eastern Goldfields Limited (Eastern Goldfields or Company) formerly Swan Gold Mining Limited present their report on the results and state of affairs of Eastern Goldfields and its subsidiaries (Consolidated Entity or Group) for the half- year ended 31 December 2015.

DIRECTORS

The names of the directors of Eastern Goldfields in office during the course of the half-year and up to the date of this report are as follows:

Michael Fotios
Craig Readhead
Alan Still

Unless otherwise indicated, 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, and care and maintenance of the Davyhurst Gold Project and the Mt Ida Gold Projects.

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 project area. This included;

- A Phase 1 review and initial validation of the surface geochemistry database was completed for approximately 150,000 records. A compilation of all available surface sampling data is now available to the exploration team.
- Mine evaluation works continued on the Golden Eagle, Sand King, Missouri, Makai, Riverina and Callion deposits which included geological modelling, revised resource estimations, open pit optimisation, financial modelling and prioritisation.
- The detailed Processing Plant Refurbishment evaluation work and an initial cost was completed.
- Geologically modelling and Resource estimation activities were undertaken on the Golden Eagle, Sandking and Makai projects.
- Diamond drilling completed on the Golden Eagle deposits returning encouraging results.
- Exploration reviews continue on the extensive list of potential exploration targets.

Mill Refurbishment Programme (SWA 100%)

The Company commenced definitive engineering study to determine the cost and timeframes required for refurbishing the Davyhurst Processing plant to its name plate capacity of 1.2million tonnes per annum under a 50% oxide / 50% sulphide feed blend scenario.

RESULTS OF OPERATIONS

The net loss after tax of the Consolidated Entity for the half-year ended 31 December 2015 was \$4,794,660 (31 December 2014: \$4,042,545).

Change of Company Name

The Company confirms that, further to shareholder approval at the 2013 Annual General Meeting held on 8 July 2014, the name of the Company has been changed from Swan Gold Mining Limited to Eastern Goldfields Limited.

The Australian Securities and Investments Commission recorded the change of name on 11 November 2015. The ASX ticker code will change to EGS on or around 3 December 2015.

Placement raises \$1.6 million

Further to the Appendix 3B lodged on 27 November 2015, Eastern Goldfields is also pleased to announce it has completed a placement to sophisticated investors, issuing 10,666,667 fully paid ordinary shares at an issue price of \$0.15 to raise \$1.6 million.

The funds raised will be applied towards the development of the Davyhurst Gold Project, ASX reinstatement costs and general working capital.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
DIRECTORS' REPORT**

Corporate Activities

The Company further advises that, Ms Shannon Coates has been appointed as Company Secretary effective 26 November 2015.

In December 2015, Eastern Goldfields lodged two key documents (Notice of General Meeting and Prospectus) with the ASX, both of which are critical to an anticipated reinstatement of the Company's securities on the ASX on or before the end of March 2016.

Prospectus

On 29 December 2015, Eastern Goldfields lodged a Prospectus to raise a minimum of \$6m and a maximum of \$10m of new equity in Eastern Goldfields Limited at \$0.15 per shares with the ability to accept over subscriptions to raise an additional \$5m.

General Meeting

A Notice of General Meeting was dispatched to shareholders on 1 December 2015. The meeting was held on 30 December 2015 and shareholders have approved the following resolutions:

- i) Placement of up to 66,666,667 shares at \$0.15 each to sophisticated and professional investors to raise \$10,000,000.
- ii) Conversion of related parties debt – issue up to 90,390,313 shares at a deemed price of \$0.15 to Investmet, Delta and Fotios Family Trust in settlement of debts.

Related party	Proportion of Debt held	Maximum number of Shares to be issued
Investmet	\$4,858,547	32,390,313
Delta	\$6,900,000	46,000,000
The Fotios Family Trust	\$1,800,000	12,000,000
Total	\$13,558,547	90,390,313

- iii) Conversion of unrelated parties debt – issue up to 47,371,287 shares at a deemed price of \$0.15 to other lenders in settlement of \$7,105,693 debt.
- iv) Conversion of DCM debt – issue up to 28,000,000 shares at a deemed price of \$0.15 to Investmet in settlement of \$4,200,000 debt.
- v) Conversion of interest component of the debt and DCM debt of related parties – issue up to 19,795,701 at a deemed price of \$0.15 to Investmet, Delta and Fotios Family Trust in settlement of the interest component of the debts.

Related party	Proportion of Interest Component held	Shares to be issued
Investmet	\$1,514,653	10,097,687
Delta	\$1,153,729	7,691,527
The Fotios Family Trust	\$300,973	2,006,487
Total	\$2,969,355	19,795,701

- vi) Conversion of the interest component of debt of unrelated parties – issue up to 7,920,813 at a deemed price of \$0.15 to other lenders in settlement of the interest component of debts amounting to \$1,188,122.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
DIRECTORS' REPORT**

- vii) Conversion of Investmet loan – issue up to 15,487,592 at an issue price of \$0.15 in settlement of loan amount to \$2,323,138.

Related party	Proportion of Investmet Loan (principal)	Shares to be issued
Investmet	\$1,000,000	6,666,667
Delta	\$735,843	4,905,621
The Fotios Family Trust	\$587,295	3,915,304
Total	\$2,323,138	15,487,592

- viii) Conversion of interest component of Investmet loan – issue up to 2,053,061 at a price of \$0.15 in settlement of \$307,959 interest component of Investmet loan.

Related party	Proportion of interest component of Investmet Loan	Shares to be issued
Investmet	\$132,562	883,745
Delta	\$97,545	650,297
The Fotios Family Trust	\$77,853	519,019
Total	\$307,960	2,053,061

- ix) Issue of 15,000,000 Options to Mr Michael Fotios under the Company's Option Plan.
x) Issue of 3,600,000 Options to Mr Alan Still under the Company's Option Plan.
xi) Issue of 3,600,000 Options to Mr Craig Redhead under the Company's Option Plan.
xii) Issue of 87,717 shares at a deemed price of \$0.15 to Investmet in lieu of fees of \$13,158.
xiii) Issue of 2,493,333 shares at a deemed price of \$0.15 to Mr Michael Fotios in lieu of fees of \$374,000.
xiv) Issue of 7,851,997 shares at a deemed price of \$0.15 to Whitestone in lieu of fees of \$1,177,800.
xv) Issue of 3,973,109 shares at a deemed price of \$0.15 to Delta in lieu of fees of \$595,966.
xvi) Issue of 27,500,000 options to a financier of the Company.
xvii) Selective buy back and cancel 8,892,922 shares currently held by Stirling Gold.
xviii) Approval for Investmet and Mr Michael Fotios to increase their relevant interest in the Company.
xix) Conversion of loan agreements up to an aggregate of \$10,000,000 and the issue of up to 66,666,667 Shares at a deemed price of \$0.15 each upon conversion of the principal and interest of such loans to the 2015 lenders.
xx) Ratification of the issue of 10,666,667 shares at an issue price of \$0.15 each, a placement completed in November 2015.

On 30 December 2015, the Company announced a revised settlement arrangement with Stirling Resources Pty Ltd. Eastern Goldfields has entered into a Settlement Deed with Stirling which provides for the following:

- Payment of the remainder of \$529,000 pursuant to the previous settlement arrangement to occur in two tranches of \$150,000 on 31 December 2015 and \$379,000 plus accrued interest on the diminishing balance of the previous settlement amount since 1 July 2015 at a rate of 6 per cent per annum to occur on 8 January 2016;
- Upon payment of the settlement amounts, all amounts owing to Stirling under the loan facility agreement with the Company and other parties, and all related security, will be released;
- Acknowledgement of the amount of \$1,000,000 already paid by Eastern Goldfields under the previous settlement arrangement;
- Agreement to the share buy-back of all of the shares held by Stirling in Eastern Goldfields;

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
DIRECTORS' REPORT**

- A further payment of \$150,000 by Eastern Goldfields to be made on the earlier of the date which is 3 months after commencement of gold production at the Davyhurst gold operation and 30 September 2016; and
- Subject to commencement of gold production at the Davyhurst gold operation, an issue of 4.5 million ordinary shares by Eastern Goldfields in two equal tranches on the date of payment of the further \$150,000 referred to above and the earlier of the date which is within 6 months of commencement of gold production and 31 December 2016.

DIVIDENDS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' 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 2016, the Company announced that the ASX had granted the Company an extension within which to obtain reinstatement to trading of the Company's securities on the ASX to 24 March 2016.

If Eastern Goldfields' securities are not reinstated to trading by 24 March 2016, the Company will be automatically removed from the official list of the ASX.

On 29 February 2016, Eastern Goldfields announced that its offer to raise a minimum of \$6 million and a maximum of \$20 million with the ability to accept oversubscriptions for an additional \$5 million, in each case before costs, pursuant to the Prospectus dated 24 December 2015 (Offer), has closed oversubscribed following excellent investor support for the Company.

The Company has received commitments for a total of \$25,000,000 (before costs) after accepting applications for 166,666,667 shares at \$0.15 per share. The Offer, which was managed by Hartleys Limited, was well supported by domestic and international institutional and sophisticated investor clients of Hartleys Limited, and by a number of other institutional and professional investors.

In accordance with the terms of the Offer, the Company expects to issue approximately \$15 million of shares under the Offer on Monday, 29 February 2016, and the remainder of the shares as soon as practicable following receipt of shareholder approval at the 2015 annual general meeting held on 16 March 2016. Given the strong investor demand, the Board will determine the allocation process in respect of oversubscriptions in excess of \$25,000,000 after the settlement of the first tranche and prior to settlement of the second tranche.

On 8 March 2016, the Company issued 100,000,000 shares at \$0.15 per share, raising \$15,000,000 pursuant to the Prospectus dated 24 December 2015. Following shareholders' approval on 16 March 2016, the Company subsequently issued a further 66,666,667 at \$0.15 per share raising a total \$10,000,000 on 21 March 2016, resulting in a total of \$25,000,000 being raised under the Offer.

On 8 March 2016, the Company also issued 212,371,417 shares in settlement of loans, interests' component of loans and in lieu of fees relating to the Resolutions approved by shareholders on 30 December 2015.

The Company will issue 22,200,000 Unlisted options to Directors as approved by shareholders on 30 December 2015 on vesting conditions to be determined.

Director	Exercise Price at \$0.168 expiring 8 March 2018	Exercise Price at \$0.189 expiring 8 March 2020
Michael Fotios	7,500,000	7,500,000
Craig Redhead	1,800,000	1,800,000
Alan Still	1,800,000	1,800,000
Total	11,100,000	11,100,000

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
DIRECTORS' REPORT**

On 16 March 2016, shareholders approved the issue of 560,000 shares at a deemed price of \$0.15 per share in lieu of fees to Mr Craig Readhead of \$84,000.

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
21 March 2016

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

As lead auditor for the review of Eastern Goldfields Limited for half-year ended 31 December 2015, 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
- 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
21 March 2016

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)**

	31 Dec 2015	31 Dec 2014
	\$	\$
Revenue	1,373	1,945
Other income	-	58,832
Employee benefits expenses	(508,821)	(381,140)
Raw materials and consumables used		(9,146)
Corporate and Administrative expenses	(863,439)	(502,967)
Finance costs	(1,087,515)	(1,227,300)
Exploration expenditure	(2,336,258)	(1,953,523)
Impairment of property, plant and equipment	-	(3,998)
Other expenses	-	(25,248)
	<hr/>	<hr/>
Loss before income tax expense	(4,794,660)	(4,042,545)
Income tax expense	-	-
	<hr/>	<hr/>
Loss for the period	(4,794,660)	(4,042,545)
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive loss for the period	<u>(4,794,660)</u>	<u>(4,042,545)</u>
Total comprehensive loss attributable to:		
Equity holders of the Parent	<u>(4,794,660)</u>	<u>(4,042,545)</u>
	<hr/>	<hr/>
	<u>(4,794,660)</u>	<u>(4,042,545)</u>
Loss per share attributable to the ordinary equity holders of the Parent:	Cents	Cents
Basic and diluted loss per share	(5.11)	(4.40)

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	31 Dec 2015 \$	30 Jun 2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	550	52,366
Trade and other receivables		20,118	197,600
Inventory		-	10,911
		<u>20,668</u>	<u>260,877</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Trade and other receivables		64,160	64,160
Property, plant and equipment		3,000,000	3,000,000
		<u>3,064,160</u>	<u>3,064,160</u>
TOTAL NON-CURRENT ASSETS			
		<u>3,084,828</u>	<u>3,325,037</u>
TOTAL ASSETS			
CURRENT LIABILITIES			
Trade and other payables		6,680,352	4,939,837
Loans and borrowings	4	36,232,247	35,081,218
Provisions		115,299	52,391
		<u>43,027,897</u>	<u>40,073,466</u>
TOTAL CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions		4,148,100	4,148,100
		<u>4,148,100</u>	<u>4,148,100</u>
TOTAL NON-CURRENT LIABILITIES			
		<u>47,175,997</u>	<u>44,221,546</u>
TOTAL LIABILITIES			
		<u>(44,091,169)</u>	<u>(40,896,509)</u>
NET LIABILITIES			
SHAREHOLDERS' EQUITY			
Contributed equity	5	169,640,331	168,040,331
Accumulated losses		(219,024,114)	(214,229,454)
Reserves		5,292,614	5,292,614
		<u>(44,091,169)</u>	<u>(40,896,509)</u>
Parent entity interest		(44,091,169)	(40,896,509)
		<u>(44,091,169)</u>	<u>(40,896,509)</u>
TOTAL SHAREHOLDERS' DEFICIT			
		<u>(44,091,169)</u>	<u>(40,896,509)</u>

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to members of Eastern Goldfields			
	Contributed	Accumulated	Reserves	Total
	equity	losses		
	\$	\$	\$	\$
Balance as at 1 July 2014	167,965,332	(206,528,285)	5,292,614	(33,270,339)
Loss for the period	-	(4,042,545)	-	(4,042,545)
Total comprehensive loss for the half- year	-	(4,042,545)	-	(4,042,545)
Issue of ordinary shares (note 5)	75,000	-	-	75,000
Balance as at 31 December 2014	<u>168,040,332</u>	<u>(210,570,830)</u>	5,292,614	<u>(37,237,884)</u>
Balance as at 1 July 2015	168,040,331	(214,229,454)	5,292,614	(40,896,509)
Loss for the period	-	(4,794,660)	-	(4,794,660)
Total comprehensive loss for the half- year	-	(4,794,660)	-	(4,794,660)
Issue of ordinary shares (note 5)	1,600,000	-	-	1,600,000
Balance as at 31 December 2015	<u>169,640,331</u>	<u>(219,024,114)</u>	5,292,614	<u>(44,091,169)</u>

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
CONSOLIDATED STATEMENT OF CASH FLOWS**

	Notes	31 Dec 2015 \$	31 Dec 2014 \$
Cash flows from operating activities			
Receipts from customers		-	-
Payments to suppliers and employees		(1,716,702)	(1,730,255)
Interest received		1,373	1,945
Interest paid		-	(18,535)
Research and development refund		-	784,453
		<u>(1,715,329)</u>	<u>(962,392)</u>
Net cash flows used in operating activities			
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		-	(3,998)
Proceeds from return of security bonds		-	64,160
		<u>-</u>	<u>60,162</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Proceeds from loan		63,513	637,416
Proceeds from share issue	5	1,600,000	75,000
		<u>1,663,513</u>	<u>712,416</u>
Net cash flows from/(used in) financing activities			
Net (decrease)/increase in cash and cash equivalents held			
		(51,816)	(189,814)
Cash and cash equivalents at the beginning of the financial period		<u>52,366</u>	<u>215,699</u>
Cash and cash equivalents at the end of the financial period	3	<u><u>550</u></u>	<u><u>25,885</u></u>

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1. BASIS OF PREPARATION OF HALF YEAR REPORT

This general purpose condensed financial report for the interim half year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Eastern Goldfields Limited during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

Eastern Goldfields Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The principal activity of the Group during the half year was mineral exploration and evaluation, and care and maintenance of the Davyhurst Gold Project and the Mt Ida Gold Project.

The financial report was authorised for issue by the Directors on 21 March 2016. The financial report is presented in the Australian currency (AUD).

Adoption of new and revised Accounting Standards:

The accounting policies adopted are consistent with those of the previous financial year.

The Group has 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 2015.

It has been determined by the company 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 company accounting policies.

Going Concern

As at 31 December 2015, the Group's current liabilities exceeded its current assets by \$43,007,230 and the group's Shareholders' deficit totalled \$44,091,169. The Consolidated Entity recorded a loss of \$4,794,660 for the half year ended 31 December 2015.

Readmission to the ASX and Fundraising

On 8 March 2016, the Company issued 100,000,000 shares at \$0.15 per share, raising \$15,000,000 pursuant to the Prospectus dated 24 December 2015. Following shareholders' approval on 16 March 2016, the Company subsequently issued a further 66,666,667 at \$0.15 per share raising a total \$10,000,000 on 21 March 2016, resulting in a total of \$25,000,000 being raised under the Offer.

On 8 March 2016, the Company also issued 212,371,417 shares at a deemed price of \$0.15 per share in settlement of loans, the interest component of loans and in lieu of fees relating to the Resolutions approved by shareholders on 30 December 2015.

Accordingly, the financial report has been prepared on a going concern basis.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
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 2015	30 Jun 2015
	\$	\$
	<hr/>	<hr/>
Cash and cash equivalents	<u>550</u>	<u>52,366</u>

4. LOANS AND BORROWINGS

	31 Dec 2015	30 Jun 2015
	\$	\$
	<hr/>	<hr/>
Secured and Unsecured non- interest bearing loans (i)	<u>36,232,247</u>	<u>35,081,218</u>
<i>Reconciliation of loans and borrowings</i>		\$
1 July 2015		35,081,218
Advanced		64,157
Capitalised interest		<u>1,086,872</u>
31 December 2015		<u>36,232,247</u>

- (i) The secured and unsecured non- interest bearing loans are comprised of:
- \$4,841,626 Loan from Stirling Resources Pty Ltd
 - \$29,994,448 Loan from Investmet Limited
 - \$1,396,173 Loan from other parties

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

5. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2015	30 Jun 2015
	\$	\$
(a) Share capital		
102,516,890 (30 June 2015: 91,850,223) ordinary fully paid shares	<u>169,640,331</u>	<u>168,040,331</u>
(b) Movements in ordinary share capital	Shares	\$
Balance 1 July 2014	<u>913,487,661</u>	<u>167,965,331</u>
Share Placement at \$0.015 per share -11 July 2014	5,000,000	75,000
Consolidation 1 for 10 – 15 July 2014	(826,637,438)	-
Balance 31 December 2014	<u>91,850,223</u>	<u>168,040,331</u>
Balance 1 July 2015	<u>91,850,223</u>	<u>168,040,331</u>
Share Placement at \$0.15 per share – 27 November 2015	10,666,667	1,600,000
Balance 31 December 2015	<u>102,516,890</u>	<u>169,640,331</u>

There were no share options issued during the current half year reporting period.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

6. EVENTS OCCURRING AFTER THE REPORTING DATE

On 4 January 2016, the Company announced that the ASX has granted the Company an extension within which to obtain reinstatement to trading of the Company's securities on the ASX to 24 March 2016.

If Eastern Goldfields' securities are not reinstated to trading by 24 March 2016, the Company will be automatically removed from the official list of the ASX.

On 29 February 2016, Eastern Goldfields announced that its offer to raise a minimum of \$6 million and a maximum of \$20 million with the ability to accept oversubscriptions for an additional \$5 million, in each case before costs, pursuant to the Prospectus dated 24 December 2015 (Offer), has closed oversubscribed.

The Company has received commitments for a total of \$25,000,000 (before costs) after accepting applications for 166,666,667 shares at \$0.15 per share.

On 8 March 2016, the Company issued 100,000,000 shares at \$0.15 per share, raising \$15,000,000 pursuant to the Prospectus dated 24 December 2015. Following shareholders' approval on 16 March 2016, the Company subsequently issued a further 66,666,667 shares at \$0.15 per share raising a total \$10,000,000 on 21 March 2016, resulting in a total of \$25,000,000 being raised under the Offer.

On 8 March 2016, the Company also issued 212,371,417 shares in settlement of loans, the interest component of loans and in lieu of fees relating to the Resolutions approved by shareholders on 30 December 2015.

On 16 March 2016, shareholders approved the issue of 560,000 shares at a deemed price of \$0.15 per share in lieu of director's fees to Mr Craig Readhead of \$84,000.

The Company will issue 22,200,000 Unlisted options to Directors as approved by shareholders on 30 December 2015 on vesting conditions to be determined.

Director	Exercise Price at \$0.168 expiring 8 March 2018	Exercise Price at \$0.189 expiring 8 March 2020
Michael Fotios	7,500,000	7,500,000
Craig Redhead	1,800,000	1,800,000
Alan Still	1,800,000	1,800,000
Total	11,100,000	11,100,000

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.

**EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2015
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

7. CONTINGENT LIABILITIES AND COMMITMENTS

Under the terms of mineral tenement licences held by the Group, minimum annual expenditure obligations of \$4,752,250 (2014: \$4,511,774) 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 2015 and no significant changes to commitments since 30 June 2015.

8. 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 2015
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 2015 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 2015.

On behalf of the board



Michael Fotios
Executive Chairman

Perth, Western Australia
21 March 2016

Half-year financial report to the members of Eastern Goldfields Limited

We have reviewed the accompanying half-year financial report of Eastern Goldfields Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 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 31 December 2015 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 2015 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 period, 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 for qualified review conclusion

Carrying value of property, plant and equipment

Included in the 31 December 2015 property, plant and equipment balance is an amount of \$3,000,000 relating to the Davyhurst processing plant, which is currently under care and maintenance.

A valuation of the Davyhurst processing plant was last undertaken in December 2013 and no further valuations have been undertaken since that time.

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

Carrying value of the rehabilitation provision

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.

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 paragraph, 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 2015 and of its performance for the half-year ended on that date
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



G H Meyerowitz
Partner
Perth
21 March 2016