
EASTERN GOLDFIELDS LIMITED

(FORMERLY KNOWN AS SWAN GOLD MINING LIMITED)

ABN 69 100 038 266

HALF- YEAR FINANCIAL REPORT

31 DECEMBER 2014

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
CORPORATE DIRECTORY AND CONTENTS**

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Michael Fotios Non- Executive Director
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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Facsimile: (61-8) 6241 1811
admin@swangoldmining.com.au
Web-site: www.swangoldmining.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

Allion Legal

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.

CONTENTS

| | |
|---|----|
| Directors' report..... | 2 |
| Auditor's independence declaration | 7 |
| Consolidated statement of comprehensive income (loss) | 8 |
| Consolidated statement of financial position.... | 9 |
| Consolidated statement of changes in equity. | 10 |
| Consolidated statement of cash flows..... | 11 |
| Notes to the Consolidated financial statements | 12 |
| Directors' declaration | 17 |
| Independent auditor's review report | 18 |

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
DIRECTORS' REPORT**

The directors of Eastern Goldfields Limited (Eastern Goldfields or Company) formerly known as Swan Gold Mining Limited present their report on the results and state of affairs of the Eastern Goldfields and its subsidiaries (Consolidated Entity or Group) for the half- year ended 31 December 2014.

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 (Appointed – 31 March 2015)

John Poynton (Resigned – 31 March 2015)
Wayne Zekulich (Resigned – 22 December 2014)

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 its historically producing gold mines being the Davyhurst Gold Project and the Mt Ida 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 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 costing's was complete.
- Geologically modelling and Resource estimation activities were undertaken on the Golden Eagle, Sandking and Makai projects.
- Diamond drilling commenced on the Golden Eagle deposits returning encouraging results
- Exploration reviews continue on the extensive list of potential exploration targets
- A total of 1,048 metres of diamond drilling was completed

Golden Eagle Project Area (SWA 100%)

A total of 1,048 metres of diamond drilling was completed on the Golden Eagle deposit during the half year.

The Company continues to evaluate the mining potential of a number of deposits, including the Golden Eagle (GE) Deposit. Initial assessment of the down plunge extensions to the GE open pit demonstrates a potential viability for a short term underground mining operation which is hoped to be confirmed by additional diamond drilling.

Resource development work completed during the quarter included the geologic re-logging and re-interpretation of the existing drill holes. This data was incorporated into an updated geological model, which in turn culminated in the development of an underground Resource Model.

The Underground mine evaluation work, which includes the evaluation of toll milling options continued. The mine design primarily targets the gold enriched high grade hanging wall contact of the large (approx. 15m true width) and consistent mineralised zone that was previously mined in the pit.

Sandking and Missouri Project Area (SWA 100%)

A program of core re-logging was established at Sandking, also with a view to expanding a geological model on which to base future resource models.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
DIRECTORS' REPORT**

Work continued on an area south east of the Missouri pit where gold mineralisation was identified by previous operators but not included in the current resource estimations. A Resource estimation was completed on this area named Missouri South East and further incorporated into the largely Missouri Deposit Resource estimation.

As part of an ongoing mine evaluation process the current Sandking and Missouri Resources were optimised using an AUD1,450 gold price and indicative mining and process costs. Results were encouraging leading the Company to engage Entech Engineering consultants to provide an independent assessment of potential open pit operations at Sandking and Missouri. Future work will involve additional Resource, metallurgical and geotechnical drilling, followed by additional detailed evaluation work.

Makai/Lights of Israel Project Area (SWA 100%)

The Makai shoot is a region of high grade mineralisation up dip of the extensively mined Lights of Israel (LOI) shoot. The shoot extends from surface to more than 200 vertical metres below surface, plunging NNW for more than 400m, at a similar attitude to the LOI shoot. Mining evaluation work has commenced which is looking to leverage off the extensive capital development that is already in place as part of the LOI mine.

A geological review has commenced at the Lights of Israel Mine (LOI) at Davyhurst. While the focus is initially on the localised geological controls of the Makai shoot, the 3D geology model encompasses the Lights of Israel (LOI) and Great Ophir mineralisation. While the review is still in progress several key geological controls have been identified to date that suggest the likely repetition of the structural setting that host the LOI gold mineralisation. This new detailed geological concept will assist in developing an exploration model aimed at identifying exploration opportunities, both footwall and down plunge to the known Resource.

Riverina Project Area (SWA 100%)

The Riverina deposit was previously modelled using grade only as there was no geological model. To address this a program of re-logging RC drill chips and core was completed together with pit mapping. A series of drill sections were selected, and holes on the sections were re-logged to provide logging consistency which was absent in the current logging. Wireframing based on a sectional interpretation produced a 3D geological model for the Riverina deposit. Areas of ultramafic and sediment within the meta basalts were identified with reasonable consistency from section to section. The location of the western ultramafic was modelled together with cross-cutting pegmatite dykes which stope out the resource. The model will be refined with further drilling but provides the basis for more consistent logging from future drilling.

Callion Project Area (SWA 100%)

Following a review of Swan's resources, the Callion deposit was re-interpreted as part of the revised resource estimation process. The deeper mineralisation at Callion has historically been accessed by numerous vertical shafts and more recently via a portal and decline from the pit. The Company is in the process of re-evaluating the potential remnant resource base. Directly south of the historically underground mine, the down plunge position of the mineralised structure has only been lightly drill tested. The area is another high priority exploration area.

Historic underground plans of workings, geology and assays data has been scanned and is currently being digitised. This information will be used to produce a resource model for the underground portion of the deposit. Once complete, this data set will be utilised to re-run the resource estimate and also to plan future exploration activities.

Mill Refurbishment Programme (SWA 100%)

The Company concluded an preliminary four step process to evaluate the task list, timelines, costs and approvals involved 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 2014 was \$4,042,545 (31 December 2013: \$3,590,866).

Share based payments as Compensation

On the 8 July 2014, the Company's 2013 AGM was held and shareholders approved the Employee Option Plan and the issue of a total 25,800,000 options to Messrs Fotios, Poynton, Zekulich and Readhead. These options were never issued, as approved and authorised by the Board.

Share Placement to Eastern Goldfields Directors'

On 11 July 2014 the Company issued 5,000,000 ordinary fully paid shares to Mr Craig Readhead and Mr John Poynton at a fair value price of 1.5 cents per share raising \$75,000. The placement was approved by an ordinary resolution of shareholders at the Company's Annual General Meeting held on 8 July 2014.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
DIRECTORS' REPORT**

1 for 10 Share Consolidation

On 15 July 2014 the Company completed a share consolidation achieved through the conversion of ten fully paid ordinary shares into one fully paid ordinary share.

The below table summarises the Eastern Goldfields capital structure pre and post the share consolidation:

| Class | Name | Pre- consolidation | Post- consolidation |
|-------|----------------------------|--------------------|---------------------|
| E36 | Escrowed shares | 666,668 | 66,668 |
| ORD | Ordinary fully paid shares | 917,820,993 | 91,783,555 |
| | Total issued capital | 918,487,661 | 91,850,223 |

As a result of the share consolidation all references in this Half Year Report relating to the number and value of shares allotted during and since the end of the financial year are stated on a post consolidation basis unless otherwise stated.

Lodgement of Prospectus

On 11 August 2014 the Company lodged with the Australian Securities and Investment Commission ('ASIC') a prospectus which is seeking to raise a minimum of \$13,500,000 by the issue of up to 67,500,000 Shares at \$0.20 per share and a maximum of \$20,000,000 by the issue of up to 100,000,000 shares at \$0.20 per Share with the ability to accept over subscriptions to raise an additional \$5,000,000, in each case, before costs.

Board Changes

On 22 December 2014, Mr Wayne Zekulich has resigned as Director and Company Secretary of the Company. Mr Michael Fotios replaced Mr Zekulich as Company Secretary.

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

Mr Alan Still was appointed as Non-Executive Director, replacing Mr John Poynton on 31 March 2015.

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, the funding of anticipated re-list costs and general working capital.

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 has 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 January 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.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
DIRECTORS' REPORT**

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.
- ii) Conversion of related parties debt – issue up to 90,390,313 shares at a deemed price of \$0.15 to Investmet, Delta, Fotios Family Trust and other lenders nominee.
- iii) Conversion of unrelated parties debt – issue up to 47,371,287 shares at deemed price of \$0.15 to other lenders nominee.
- iv) Conversion of DCM debt – issue up to 28,000,000 shares at deemed price of \$0.15 to Investmet.
- 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, Fotios Family Trust and other lenders nominee.
- vi) Conversion of interest component of debt of unrelated parties – issue up to 7,920,813 at deemed price of \$0.15 to other lenders nominee.
- vii) Conversion of Investmet loan – issue up to 15,487,592 at an issue price of \$0.15.
- viii) Conversion of interest component of Investmet loan – issue up to 2,053,061 at a price of \$0.
- ix) Issue of 15,000,000 Options Mr Michael Fotios under the Company's Option Plan.
- x) Issue of 3,600,000 Options Mr Alan Still under the Company's Option Plan.
- xi) Issue of 3,600,000 Options 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.
- xiii) Issue of 2,493,333 shares at a deemed price of \$0.15 to Mr Michael Fotios in lieu of fees.
- xiv) Issue of 7,851,997 shares at a deemed price of \$0.15 to Whitestone in lieu of fees.
- xv) Issue of 3,973,109 shares at a deemed price of \$0.15 to Delta in lieu of fees.
- 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 Investment 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;
- 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.

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.

The Company also advises that it has invested significant Board and management time in 2015 into securing a Project Loan sufficient to re-commission the Davyhurst mine and re-commence gold production at the Davyhurst Gold Project in 2016, and a successful conclusion to those discussions is anticipated in the coming weeks.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
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
8 February 2016

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 2014, 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
8 February 2016

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)**

| | 31 Dec 2014 | 31 Dec 2013 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Revenue | 1,945 | 17,401 |
| Other income | 58,832 | 941,299 |
| Employee benefits expenses | (381,140) | (347,731) |
| Raw materials and consumables used | (9,146) | (224,323) |
| Corporate and Administrative expenses | (502,967) | (664,978) |
| Finance costs | (1,227,300) | (919,558) |
| Exploration expenditure | (1,953,523) | (2,367,713) |
| Impairment of property, plant and equipment | (3,998) | (25,263) |
| Other expenses | <u>(25,248)</u> | <u>-</u> |
| Loss before income tax expense | (4,042,545) | (3,590,866) |
| Income tax expense | <u>-</u> | <u>-</u> |
| Loss for the period | (4,042,545) | (3,590,866) |
| Other comprehensive income | <u>-</u> | <u>-</u> |
| Total comprehensive loss for the period | <u>(4,042,545)</u> | <u>(3,590,866)</u> |
| Total comprehensive loss attributable to: | | |
| Equity holders of the Parent | <u>(4,042,545)</u> | <u>(3,590,866)</u> |
| | <u>(4,042,545)</u> | <u>(3,590,866)</u> |
| Loss per share attributable to the ordinary equity holders of the Parent: | Cents | Cents |
| Basic and diluted loss per share | (4.40) | (3.91) |

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | Notes | 31 Dec 2014 \$ | 30 Jun 2014 \$ |
|--------------------------------------|-------|---------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 25,885 | 215,699 |
| Trade and other receivables | | <u>117,758</u> | <u>772,758</u> |
| TOTAL CURRENT ASSETS | | <u>143,643</u> | <u>988,457</u> |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | | - | 64,160 |
| Property, plant and equipment | | <u>3,000,000</u> | <u>3,000,000</u> |
| TOTAL NON-CURRENT ASSETS | | <u>3,000,000</u> | <u>3,064,160</u> |
| TOTAL ASSETS | | <u>3,143,643</u> | <u>4,052,617</u> |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 2,876,022 | 1,410,413 |
| Loans and borrowings | 4 | 33,308,132 | 31,706,201 |
| Provisions | | <u>49,273</u> | <u>58,242</u> |
| TOTAL CURRENT LIABILITIES | | <u>36,233,427</u> | <u>33,174,856</u> |
| NON-CURRENT LIABILITIES | | | |
| Provisions | | <u>4,148,100</u> | <u>4,148,100</u> |
| TOTAL NON-CURRENT LIABILITIES | | <u>4,148,100</u> | <u>4,148,100</u> |
| TOTAL LIABILITIES | | <u>40,381,527</u> | <u>37,322,956</u> |
| NET LIABILITIES | | <u>(37,237,884)</u> | <u>(33,270,339)</u> |
| SHAREHOLDERS' DEFICIT | | | |
| Contributed equity | 5 | 168,040,332 | 167,965,332 |
| Accumulated losses | | (210,570,830) | (206,528,285) |
| Reserves | | <u>5,292,614</u> | <u>5,292,614</u> |
| Parent entity interest | | <u>(37,237,884)</u> | <u>(33,270,339)</u> |
| Non-controlling interest | | - | - |
| TOTAL SHAREHOLDERS' DEFICIT | | <u>(37,237,884)</u> | <u>(33,270,339)</u> |

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| | Attributable to members of Eastern Goldfields | | | | Non- controlling interest | Total deficit |
|--|---|-----------------------------|----------------|--------------|---------------------------------|------------------|
| | Contributed equity \$ | Accumulated losses \$ | Reserves \$ | Total \$ | | |
| Balance as at 1 July 2013 | 167,665,332 | (200,101,066) | 5,292,614 | (27,143,120) | 42,300 | (27,100,820) |
| Loss for the period | - | (3,590,866) | - | (3,590,866) | - | (3,590,866) |
| Total comprehensive loss for the half year | - | (3,590,866) | - | (3,590,866) | - | (3,590,866) |
| Balance as at 31 December 2013 | 167,665,332 | (203,691,932) | 5,292,614 | (30,733,986) | 42,300 | (30,691,686) |
| Balance as at 1 July 2014 | 167,965,332 | (206,528,285) | 5,292,614 | (33,270,339) | - | (33,270,339) |
| Loss for the period | - | (4,042,545) | - | (4,042,545) | - | (4,042,545) |
| Total comprehensive loss for the half- year | - | (4,042,545) | - | (4,042,545) | - | (4,042,545) |
| Issue of ordinary shares (note 5) | 75,000 | - | - | 75,000 | - | 75,000 |
| Balance as at 31 December 2014 | 168,040,332 | (210,570,830) | 5,292,614 | (37,237,884) | - | (37,237,884) |

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
CONSOLIDATED STATEMENT OF CASH FLOWS**

| | Notes | 31 Dec 2014 \$ | 31 Dec 2013 \$ |
|--|-------|-------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | - | 56,764 |
| Payments to suppliers and employees | | (1,730,255) | (4,726,636) |
| Interest received | | 1,945 | 17,401 |
| Interest paid | | (18,535) | (6,268) |
| Research and development refund | | 784,453 | - |
| Net cash flows used in operating activities | | <u>(962,392)</u> | <u>(4,658,739)</u> |
| Cash flows from investing activities | | | |
| Payments for purchase of property, plant and equipment | | (3,998) | (25,262) |
| Proceeds from return of security bonds | | 64,160 | 5,196,700 |
| Proceeds from sale of tenement | | - | 1,400,000 |
| Net cash flows from investing activities | | <u>60,162</u> | <u>6,571,438</u> |
| Cash flows from financing activities | | | |
| Repayment of loans | | - | (335,000) |
| Proceeds from loan | | 637,416 | 85,000 |
| Proceeds from share issue | 5 | 75,000 | - |
| Net cash flows from/(used in) financing activities | | <u>712,416</u> | <u>(250,000)</u> |
| Net (decrease)/increase in cash and cash equivalents held | | (189,814) | 1,662,699 |
| Cash and cash equivalents at the beginning of the financial period | | <u>215,699</u> | <u>235,603</u> |
| Cash and cash equivalents at the end of the financial period | 3 | <u>25,885</u> | <u>1,898,302</u> |

The accompanying notes form part of these financial statements.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
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 2014 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 2014 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 is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publically traded. The principal activity of the Group during the half year was mineral exploration and evaluation, and care and maintenance of its historically producing gold mines being the Davyhurst Gold Project and the Mt Ida Gold Project.

The financial report was authorised for issue by the Directors on 8 February 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 2014.

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 2014, the Group's current liabilities exceeded its current assets by \$36,089,784 and the group's Shareholders' deficit totalled \$37,237,884. The consolidated entity recorded a loss of \$6,469,017 for the year ended 30 June 2014 and a loss of \$4,042,545 for the half year ended 31 December 2014.

Readmission to the ASX and Fundraising

The Company is working towards the re-admission of its ordinary shares to official quotation on the ASX. As part of the re-admission process, the Company intends to raise circa \$6-\$10 million via a placement to institutional sophisticated investors. Whilst there is strong appetite for the placement at this stage no binding term sheet exists nor is there any certainty that the placement will occur. In November 2015, Eastern Goldfields 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, the funding of anticipated re-list costs and general working capital.

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 recapitalising the Group. 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. On 30 December 2015, the Company held a general meeting to approve various resolutions in relation to the conversion of debt and announced a revised settlement agreement with Stirling Resources Pty Ltd (refer note 6).

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

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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 Investmet transaction and successfully recapitalize the Group.

Should the consolidated entity not achieve the matters set out above, there is significant uncertainty whether the consolidated entity 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 or to the amounts and classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

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. Segments have been identified as the ongoing care and maintenance and mine development work segment, and the exploration activities segment. The Group operates in one geographical segment – Australia.

The accounting policies used by the Group in reporting segment information internally, is the same as those contained in Note 1 to the financial statements.

The following items and associated assets and liabilities are not allocated to operating segments as management do not consider these to be part of the core operations of both segments:

- Impairment of assets
- Corporate assets and liabilities
- Administrative expenses.

| | Mine under Care and Maintenance | Exploration | Consolidated |
|---|--|--------------------|---------------------|
| Half year ended 31 December 2014 | \$ | \$ | \$ |
| Segment revenue | 1,000 | 0 | 1,000 |
| Unallocated revenue | - | - | 945 |
| Total revenue | | | 1,945 |
| Segment loss | (1,528,000) | (438,000) | (1,966,000) |
| Other unallocated corporate costs | - | - | (2,076,545) |
| Total loss | | | (4,042,545) |

| | Mine under Care and Maintenance | Exploration | Consolidated |
|---|--|--------------------|---------------------|
| Half year ended 31 December 2013 | \$ | \$ | \$ |
| Segment revenue | 924,000 | 9,000 | 933,000 |
| Unallocated revenue | - | - | 25,700 |
| Total revenue | | | 958,700 |
| Segment loss | (1,003,000) | (828,000) | (1,831,000) |
| Other unallocated corporate costs | - | - | (1,759,866) |
| Total loss | | | (3,590,866) |

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

3. CASH AND CASH EQUIVALENTS

| | 31 Dec 2014 | 30 Jun 2014 |
|---------------------------|--------------------|--------------------|
| | \$ | \$ |
| Cash and cash equivalents | 25,885 | 215,699 |

4. LOANS AND BORROWINGS

| | 31 Dec 2014 | 30 Jun 2014 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Secured and Unsecured non- interest bearing loans (i) | 33,308,132 | 31,706,201 |

Reconciliation of loans and borrowings

| | \$'000 |
|----------------------|---------------|
| 1 July 2014 | 31,706,201 |
| Advanced | 637,416 |
| Capitalised interest | 964,515 |
| 31 December 2014 | 33,308,132 |

- (i) The secured and unsecured non- interest bearing loans are comprised of:
- \$5,469,645 Loan from Stirling Resources Pty Ltd
 - \$27,447,897 Loan from Investmet Limited
 - \$390,590 Loan from other parties

5. CONTRIBUTED EQUITY

| | CONSOLIDATED | |
|---|---------------------|--------------------|
| | 31 Dec 2014 | 30 Jun 2014 |
| | \$ | \$ |
| (a) Share capital | | |
| 91,850,223 (30 June 2014: 913,487,661) ordinary fully paid shares | 168,040,332 | 167,965,332 |
| (b) Movements in ordinary share capital | Shares | \$ |
| Balance 1 July 2013 | 893,487,661 | 167,665,332 |
| Balance 31 December 2013 | 893,487,661 | 167,665,332 |
| Balance 1 July 2014 | 913,487,661 | 167,965,332 |
| Share Placement at \$0.015 per share -11 July 2014(1) | 5,000,000 | 75,000 |
| Consolidation 1 for 10 – 15 July 2014 (2) | (826,637,438) | - |
| Balance 31 December 2014 | 91,850,223 | 168,040,332 |

(1) On 11 July 2014, the Company placed 5,000,000 fully paid ordinary shares at a price of \$0.015 per share to Directors raising \$75,000. These shares were issued at fair value.

(2) On 15 July 2014, a share consolidation of 1 for 10 shares held was completed.

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

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

6. EVENTS OCCURRING AFTER THE REPORTING DATE

Mr Alan Still was appointed as Non-Executive Director, replacing Mr John Poynton on 31 March 2015.

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 changed 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, the funding of anticipated re-list costs and general working capital.

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 has 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 January 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.
- ii) Conversion of related parties debt – issue up to 90,390,313 shares at a deemed price of \$0.15 to Investmet, Delta, Fotios Family Trust and other lenders nominee.
- iii) Conversion of unrelated parties debt – issue up to 47,371,287 shares at deemed price of \$0.15 to other lenders nominee.
- iv) Conversion of DCM debt – issue up to 28,000,000 shares at deemed price of \$0.15 to Investmet.
- 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, Fotios Family Trust and other lenders nominee.
- vi) Conversion of interest component of debt of unrelated parties – issue up to 7,920,813 at deemed price of \$0.15 to other lenders nominee.
- vii) Conversion of Investmet loan – issue up to 15,487,592 at an issue price of \$0.15.
- viii) Conversion of interest component of Investmet loan – issue up to 2,053,061 at a price of \$0.
- ix) Issue of 15,000,000 Options Mr Michael Fotios under the Company's Option Plan.
- x) Issue of 3,600,000 Options Mr Alan Still under the Company's Option Plan.
- xi) Issue of 3,600,000 Options 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.
- xiii) Issue of 2,493,333 shares at a deemed price of \$0.15 to Mr Michael Fotios in lieu of fees.
- xiv) Issue of 7,851,997 shares at a deemed price of \$0.15 to Whitestone in lieu of fees.
- xv) Issue of 3,973,109 shares at a deemed price of \$0.15 to Delta in lieu of fees.
- 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 Investment 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.

**EASTERN GOLDFIELDS LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2014
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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;
- 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.

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.

The Company also advises that it has invested significant Board and management time in 2015 into securing a Project Loan sufficient to re-commission the Davyhurst mine and re-commence gold production at the Davyhurst Gold Project in 2016, and a successful conclusion to those discussions is anticipated in the coming weeks.

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.

7. CONTINGENT LIABILITIES AND COMMITMENTS

Under the terms of mineral tenement licences held by the Group, minimum annual expenditure obligations of \$4,183,710 (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 2014 and no significant changes to commitments since 30 June 2014.

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 2014
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 2014 and of its performance for the half year ended on that date; and
 - ii. Complying with AASB 134 Interim Financial Reporting.
 - b. Subject to the matters disclosed in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made in accordance with a resolution of the Board of directors in accordance with section 295A of the Corporations Act 2001 for the half year ended 31 December 2014.

On behalf of the board



Michael Fotios
Executive Chairman

Perth, Western Australia
8 February 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 2014, 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 2014 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 2014 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 2014 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 2014 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.

Carrying value of the Stirling Resources Pty Ltd loan

Included in the 31 December 2014 current loans and borrowings balance is an amount due to Stirling Resources Pty Ltd of \$5,470,000.

As at the date of our review, we have been unable to obtain sufficient appropriate review evidence to support the completeness of the carrying value of this loan. Consequently, we are unable to determine whether any adjustment to the carrying value of this loan 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 2014 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*.

Emphasis of matter

Without further qualification to our qualified review conclusion, we draw attention to Note 1 which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



G H Meyerowitz
Partner
Perth
8 February 2016