

Eastern Goldfields Enters into a Recapitalisation Transaction

Plan To Drive Value Through Production And Exploration

HIGHLIGHTS

- **\$75M recapitalisation plan resets and delivers strong balance sheet to underpin future growth.**
 - **\$8.75M of interim funding to be received via the issue secured Loan Notes which will convert into ordinary shares.**
 - **Binding commitments for a \$36.8M Placement received from sophisticated, professional and institutional investors.**
 - **Adaman Resources to perform up to \$17.5M of In-kind services.**
 - **Conversion of the syndicated facility \$9.6M and certain trade creditors \$2.5M.**
- **Adaman Resources, a provider of turnkey mining solutions, has executed a Recapitalisation and Services Deed for the provision of up to \$17.5M of in-kind services to support near term working capital requirements.**
 - **Adaman will partner with Pit N Portal, the existing underground mining contractor at the Davyhurst Project, who will convert \$2.5M of outstanding trade debts.**
- **New leadership team with the proposed restructured board to leverage relevant industry knowledge and expertise.**
 - **Proposed board to comprise Peter Mansell, Craig Bradshaw, David Quinlivan, Keith Jones and Tony Patrizi.**
 - **Mr Craig Bradshaw to be appointed as Managing Director.**
- **Revised operating strategy provides a clear path to achieve business improvement and develop the significant resource base owned in the Eastern Goldfields – 1.78Moz (21Mt @ 2.6g/t).**
- **\$5M entitlements issue to be offered to existing shareholders.**
- **Current Directors to unanimously recommend that shareholders vote in favour of the resolutions required to give effect to the Recapitalisation.**
- **Company to be renamed Eris Gold Limited.**

BOARD OF DIRECTORS

Mr Craig Readhead
Non-Executive Director

Mr Campbell Baird
Non-Executive Director

Mr Peter Mansell
Non-Executive Director

Mr Brendon Morton
Company Secretary

CHIEF EXECUTIVE

Mr Victor Rajasooriar

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Eastern Goldfields Limited (ASX: EGS) (**Eastern Goldfields** or the **Company**) is pleased to announce that it has successfully agreed a recapitalisation package with relevant stakeholders including institutional investors, participants in the upcoming placement, the Company's secured debt financier, Adaman Resources and trade creditors (the **Recapitalisation**), which will facilitate the future long-term growth of the Company.

As part of the Recapitalisation, the Company is:

- receiving \$8.75 million (before costs) in interim financing through the issue of secured loan notes which, upon receipt of requisite shareholder approvals, will convert into ordinary shares in the capital of the Company;
- raising at least \$36.8 million (before costs) by way of a placement to sophisticated and professional investors (the **Placement**);
- entering into a Recapitalisation and Services Deed with Adaman Resources Pty Ltd (**Adaman**) to deliver a complete mining solution;
- reducing its outstanding debts and strengthening its balance sheet by negotiating settlements with existing trade creditors; and
- undertaking a 1 for 7 non-renounceable pro-rata entitlement offer at the price of \$0.05 per new share, with one free attaching new option for every five new shares acquired to raise approximately \$5 million (before costs) (the **Entitlement Offer**).

Non-executive Chairman, Peter Mansell said:

"We are pleased with the Recapitalisation and the prospects that it will provide for the future growth of the Company.

The agreement of the recapitalisation package, together with the alignment of key stakeholders represents a significant milestone and presents a solid platform from which to rebuild the Company and deliver profitability and long-term shareholder value.

Completion of the Recapitalisation will ensure that Eastern Goldfields is well funded with a strong balance sheet to enable it to focus on the development of the Company's significant portfolio of projects in close proximity to the Davyhurst mill.

Under Craig's new leadership team, the Company plans to complete a review of the mine plan, implement the operating strategy and recommence mining operations at Davyhurst.

We appreciate the strong support that each of Hawke's Point, Adaman and the Company's new and existing institutional shareholders have given us in order to implement our recapitalisation strategy."

SYNDICATED FACILITIES AGREEMENT AND INTERIM FINANCING

As announced by the Company on 29 August 2018, Hawke's Point Holdings I Limited (**Hawke's Point**) agreed to acquire debt owing by the Company under its syndicated facilities agreement with Investec Australia Limited (**Investec**) (**Syndicated Facilities Agreement**) by agreeing to:

- a) purchase the outstanding debt owed by the Company to Investec; and
- b) acquire an assignment of the Syndicated Facilities Agreement and the associated security documents from Investec.

The Company has entered into binding agreements with Hawke's Point and other lenders (the **Noteholders**) to issue 87,500 Loan Notes to the Noteholders to raise \$8.75 million (before costs) (the **Loan Notes**). The Company expects to issue the Loan Notes shortly.

The Loan Notes are secured debt instruments of the Company (comprising a loan from the relevant Noteholder to the Company) and do not carry any rights to conversion into Shares until receipt of Shareholder approval at an extraordinary general meeting of the Company, proposed to be held in November 2018. Following the receipt of the required approval, the Loan Notes will become convertible into ordinary shares in the capital of the Company (**Conversion Shares**) in accordance with their terms.

At the same time as the conversion of the Loan Notes, all or substantially all of the outstanding amount under the Syndicated Facilities Agreement will be converted to equity on the same terms as the conversion of the Loan Notes.

Hawke's Point has agreed to provide a further standstill in relation to its rights under the Syndicated Facilities Agreement and the associated security documents until the completion of the Placement.

The Loan Notes and any amounts converted under the Syndicated Facilities Agreement will be converted to ordinary shares in the capital of the Company (**Conversion Shares**) at a price of \$0.05 with a corresponding 1 for 4 free attaching unlisted option to acquire a Share (**Conversion Option**).

Each Conversion Option will entitle the holder to subscribe for one Share at an exercise price of \$0.075 per Conversion Option. The Conversion Options expire on the date that is 4 years from the date of the completion of the Placement.

The key terms of the Loan Notes are set out in Appendix 1.

PLACEMENT

The binding agreements entered between the Company and the Noteholders contemplate the issue and conversion of the Loan Notes being undertaken as part of a broader capital raising being carried out by the Company.

The Company has received binding commitments from sophisticated and professional investors to raise an additional \$36.8 million, via the issue of up to 736 million ordinary shares in the capital of the Company (**Placement Shares**) at an issue price of \$0.05 per Share with a corresponding 1 for 5 free attaching option to acquire a Share (**Placement Option**), by way of a placement to sophisticated and professional investors.

Each Placement Option will entitle the holder to subscribe for one Share at an exercise price of \$0.10 per Option. The Placement Options expire on the date that is 4 years from the date of the completion of the Placement. It is proposed that the Company will seek for the Placement Options to become quoted on ASX.

The completion of the Placement is conditional on, among other things:

- the Australian Securities Exchange (**ASX**) not refusing to grant quotation of any Securities issued under the Offer;
- the ASX not refusing to the reinstatement of the Company's securities from suspension; and
- all necessary shareholder and regulatory approvals having been obtained by the Company (including for the purposes of ASX Listing Rule 7.1) to undertake the Placement.

Further details regarding the Placement will be set out in the notice of meeting to be issued in relation to an extraordinary general meeting of the Company proposed to be held in November 2018.

ADAMAN TRANSACTION

Adaman Resources is a privately-owned resource investment company that was established in 2017 as a turnkey mining solutions provider by the owners of three independent mining services companies, Mitchell Group, SMS Mining Services and Rivet Mining Services.

In connection with the Recapitalisation, the Company has executed a Recapitalisation and Services Deed with Adaman pursuant to which Adaman will:

- a) provide core contracting services (open pit mining, underground mining, load and haul, drill and blast, grade control and exploration drilling) to the Company on commercial arm's length terms, with the Company able to issue up to \$15 million of Shares to Adaman in lieu of payment for the services on the same terms as the Placement; and
- b) at Adaman's election, participate in the Placement to the value of \$2.5 million or provide additional in-kind services of \$2.5 million.

Adaman has also partnered with the Company's existing underground mining contractor, Pit N Portal, in respect of some of the core contracting services to be provided under the Recapitalisation and Services Deed. In

connection with this, Pit N Portal has agreed to convert \$2.5 million of outstanding trade debts owed to it by the Company into Shares under the Placement.

The key terms of the Recapitalisation and Services Deed with Adaman are set in Appendix 2.

ENTITLEMENT OFFER

The Company intends to undertake the Entitlement Offer to raise a further \$5 million (before costs) via the issue up to approximately 109 million New Shares. The Entitlement Offer will be undertaken on the basis of one new ordinary share in the capital of the Company (**New Share**) for every 7 existing Shares held at the record date, at an issue price of \$0.05 per new share, with 1 free attaching new option for every 5 New Shares acquired (**New Options**). The Entitlements Offer will be non-renounceable and will not be underwritten.

The New Shares will rank equally in all respects with the Company's existing Shares. The Company will apply to ASX for quotation of the New Shares.

Each New Option will entitle the holder to subscribe for one Share at an exercise price of \$0.10 per New Option. The New Options expire on the date that is 4 years from the date of the completion of the Placement.

As the Shares issued under the Placement will not be on the Company's register as at the Record Date, the Placement Participants will not be entitled to participate in the Entitlement Offer in respect of Shares to be issued under the Placement.

Further information regarding the Entitlement Offer, including details of the proposed timetable, will be provided once the Prospectus has been issued by the Company.

USE OF FUNDS

Funds raised by the issue of the Loan Notes, the Placement and the Entitlement Offer will be used for the normalisation of trade creditors, the settlement of legal matters (including the settlement with GR Engineering Services Limited), the repayment of substantially all of the amount outstanding under the Syndicated Facilities Agreement, capital expenditure in connection with the Davyhurst plant, head office costs and general working capital (including the in-kind services to be provided by Adaman).

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

BOARD AND MANAGEMENT CHANGES

The Company proposes to restructure the board such that the board will be governed by a majority of independent, non-executive directors. It is proposed that the Company will make the following board and management changes following completion of the Placement:

- a) the appointment of Mr Craig Bradshaw as the Managing Director of the Company;
- b) the continuation of Mr Peter Mansell as the Chairman of the Company;
- c) the appointment of Mr David Quinlivan, Mr Keith Jones and Mr Tony Patrizi as non-executive directors of the Company with the board actively looking for a sixth independent non-executive director;
- d) the resignation of Mr Campbell Baird and Mr Craig Readhead as directors of the Company; and
- e) the resignation of Mr Victor Rajasooriar as Chief Executive Officer.

It is anticipated that the appointments of Mr Bradshaw, Mr Quinlivan and Mr Jones, as well as the resignations of Mr Baird and Mr Readhead, will take effect from the date on which the Placement is completed. The appointment of Mr Patrizi is expected to occur following the satisfaction of all the respective obligations of all parties under the settlement agreement between the Company and GR Engineering Services Limited.

The Board would like to thank Mr Baird, Mr Readhead and Mr Rajasooriar for their service to the Company since their respective appointments. We wish Mr Baird, Mr Readhead and Mr Rajasooriar every success in their future endeavours.

Further details on the proposed directors are included in Appendix 3 and the material terms of Mr Bradshaw's employment agreement (which have been agreed in principle) are set out Appendix 4.

CHANGE OF COMPANY NAME

The Company proposes to change its name from 'Eastern Goldfields Limited' to 'Eris Gold Limited' and to amend the constitution to reflect the change of name.

The change of name is subject to shareholder approval of a special resolution which will be included in the notice of meeting outlined below. If the special resolution is approved, the Company's ASX listing code will change from EGS to ERI (if available), which will be announced on the ASX's announcement platform when the change takes effect.

PROSPECTUS AND NOTICE OF MEETING

The Company expects to shortly lodge a Prospectus with the Australian Securities and Investments Commission setting of the material information relating to the Entitlement Offer, as well as to facilitate the trading of shares issued under the Placement and shares to be issued on the exercise of the Noteholder Options and Placement Options. A copy of the Prospectus, together with an application form, will be mailed to all eligible shareholders shortly. The Prospectus will also be available on the Company's website (<http://easterngoldfields.com.au/>) and on the ASX website.

The Company also expects to issue a notice of meeting in respect of an extraordinary general meeting of the Company to be held in November 2018 for the purposes of seeking all necessary shareholder approvals in connection with the conversion of the Loan Notes, the completion of the Placement and any other matters relating to the Recapitalisation.

This announcement does not lift the voluntary suspension in trading of Eastern Goldfields shares. The Company considers that, upon completion of the Placement and the Entitlement Offer, the Company's financial condition will be adequate to warrant the continued quotation of its securities and its continued listing on the ASX and is currently seeking reinstatement of its securities to Official Quotation.

NEXT STEPS FOR SHAREHOLDERS

Shareholders are not required to take any action at the present time. A shareholder meeting is expected to be convened in November to consider the resolutions required to give effect to the remaining Recapitalisation transaction.

Longreach Capital and Ashanti Capital have acted as lead managers in relation to the Recapitalisation. Squire Patton Boggs has acted for the Company as legal advisor in relation to the Recapitalisation.

– ENDS –

Enquiries

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APPENDIX 1

The key terms of the Loan Notes are set out in the below table:

Term	Summary
Face Value	\$100
Interest	Accrues daily at 8% per annum.
Security	The Loan Notes will be secured against the assets of the Company by reason of the indebtedness being recognised and brought under the current security package issued by the Company in connection with the Syndicated Facilities Agreement.
Conditions Precedent to Conversion	<p>(a) All necessary shareholder approvals being received for the issue of the Conversion Shares, the Noteholder Options and the Company undertaking the Placement.</p> <p>(b) The Company receiving cleared funds from the issue of Placement Shares for an amount not less than \$36,900,000.</p> <p>(c) Other standard conditions precedent for an agreement of this nature.</p>
Conversion	The Loan Notes will convert to Ordinary Shares on the date that is two business days after the date on which all conditions precedent to conversion have been satisfied or waived.
Conversion Price	The Conversion Price is \$0.05.
Number of Conversion Shares	<p>The number of Conversion Shares to be issued on conversion of the Loan Notes is calculated as follows:</p> $\frac{A}{B}$ <p>where: A = the Principal Money of the total number of Loan Notes (including any capitalised interest); and B = the Conversion Price.</p>
Noteholder Options	Each Noteholder will be issued one free attaching option for every four Conversion Shares issued to the Noteholder (Noteholder Options). The Noteholder Options will have an exercise price of \$0.075 and an expiry date of 4 years after the date on which the Placement is completed.
Redemption	Where the Loan Notes have not been earlier converted, the Loan Notes must be redeemed by cash repayment on the date that is 8 weeks after the issue date of the Loan Notes.
Event of Default	<p>(a) All necessary shareholder approvals for the issue of the Conversion Shares, the Noteholder Options, the Placement Shares and the Placement Options are not received.</p> <p>(b) Other standard events of default for an agreement of this nature.</p>

APPENDIX 2

The key terms of the Recapitalisation and Services Deed with Adaman are set out below:

Term	Summary
Services	Adaman agrees to provide, or procure to provide, at least \$37.5 million (exclusive of GST) of Services, to be provided subject to closing of the Capital Raising, to the Company on commercial arms-length terms.
Term	12 months with the option for Adaman to extend by 2 years subject to performance
In-kind payments	Adaman agrees to invest at least \$15 million, but up to \$17.5 million, in the Capital Raising pursuant to the Subscription Agreement as in-kind payment for the Services at a deemed price of \$0.05 per ordinary share (Service Shares), with a free attaching Placement Option for every 5 ordinary shares issued.
Timing of issue of Shares	Subject to the receipt of necessary Shareholder approvals, half of the Shares to be issued to Adaman will be issued to Adaman shortly following the Company's general meeting with a holding lock placed over the securities. The holding lock will be removed progressively upon the provision of services by Adaman and the receipt of the related invoices. Once the holding lock has been entirely removed, the remaining Shares will be progressively issued to Adaman upon the provision of services by Adaman and the receipt of the related invoices. The Company has applied for a waiver from Listing Rule 7.3.2 to permit the Notice not to state that the second tranche of Shares to be issued to Adaman will be issued no later than three months after the date of the shareholders' meeting.
Pricing	The pricing of individual work packages will be on a case-by-case basis. Where the Company and Adaman are unable to agree on the pricing of the Services, the matter will be referred to an independent technical mining consultant for expert determination.
Participation in Capital Raising	Adaman will participate in the Capital Raising by either (at the election of Adaman): (a) investing \$2.5 million in cash under the Placement; or (b) increasing the in-kind services available to the Company under the Adaman Recapitalisation and Services Deed to \$17.5 million. Pit N Portal will invest \$2.5 million under the Placement by way of setting off outstanding trade debts owed by the Company.
Board Appointment Right	For so long as Adaman holds at least 10% of the shares on issue in the Company, Adaman may nominate one person to be appointed as a director of the Company.

APPENDIX 3

PROPOSED BOARD MEMBERS

Craig Bradshaw: Managing Director

- As part of the transaction, EGS will appoint experienced resources executive, Mr Craig Bradshaw, as the Managing Director
- Mr Bradshaw is a mining engineer with more than 22 years' experience in the Australian and international mining industry having held numerous senior operational and executive roles with a range of companies.
- Mr Bradshaw was Chief Operating Officer for Saracen Minerals from 2013 to 2017, a leading mid-tier gold producer.
- Prior to joining Saracen, Mr Bradshaw was Chief Operating Officer for Inter Mining and Navigator Resources, Operations Manager at St Ives Gold Mines for Gold Fields Australia, Mining Manager for Albidon at the Munali Nickel Project in Zambia and Chief Operating Officer for Fox Resources. He also worked for WMC Limited at the Perseverance Nickel Mine and Leinster Nickel Operations

Peter Mansell: Non-Executive Chairman

- Peter Mansell has 40 years' experience as a Corporate and Resources Lawyer and is currently the Director of Aurecon Group Pty Ltd. Peter serves as the President of the Council of the Australian Institute of Company Directors, Western Australia Division.
- Peter served as the Head of Office at Freehills' in Perth and advised extensively on a number of wide-ranging corporate transactions. He has a wealth of experience in the corporate arena and was a Corporate and Resources Partner at Freehills where he also served as National Chief Operating Officer, National Chairman and President.
- Peter has over 15 years as a listed company director; including chair of two ASX 100 companies for some years, Zinifex Limited and West Australian Newspapers Limited.

David Quinlivan: Non-Executive Director

- Mr Quinlivan is currently non-executive chairman of Silver Lake Resources.
- Mr Quinlivan is a Mining Engineer with significant mining and executive leadership experience having 11 years of service at WMC Resources Limited, followed by a number of high-profile mining development positions.
- He has served as Chief Executive Officer of Sons of Gwalia Ltd (post appointment of administrators), Chief Operating Officer of Mount Gibson Iron Ltd, President and Chief Executive Officer of Alacer Gold Corporation and Chairman of Churchill Mining PLC

Keith Jones: Non-Executive Director

- Mr Jones has 38 years of professional experience providing expert financial and strategic advice to industry leaders across Australia. He was appointed the Chairman of Cannings Purple in June 2017, after retiring from the role of Chairman of Deloitte Australia.
- During his time leading Deloitte in Western Australia, Keith also led the Energy and Resources Group for Deloitte Australia and established the China Services Group in Australia.
- Mr Jones led the Western Australian practice of Deloitte for 15 years, and as Chairman of the Board, was responsible for maintaining strong corporate governance, ensuring the appropriate standards of integrity and professional practice were maintained and providing oversight of strategy, risk and operational issues.
- Mr Jones also acts as Chair of Gindalbie Resources Limited.

Tony Patrizi: Non-Executive Director

- Mr Patrizi cofounded and is currently an executive director of GR Engineering.
- Mr Patrizi is a mechanical engineer with over 30 years experience in the mining and mineral processing industry as a company director, operations manager, project manager and maintenance engineer.
- Mr Patrizi was previously the operations manager of JR Engineering which had over 300 personnel and provided workshop, maintenance, engineering and construction services to mining and mineral processing project in Western Australian and interstate.

APPENDIX 4

MANAGING DIRECTOR REMUNERATION

In accordance with ASX Listing Rule 3.16.4, the material terms of Mr Bradshaw's employment agreement (which have been agreed in principle) are set out below:

- a) base salary of \$300,000 per annum exclusive of superannuation and any other statutory payments;
- b) initial term of 12 months;
- c) a short-term incentive of up to 50% of base salary which will be calculated based on 100% quantitative factors;
- d) subject to the receipt of any necessary shareholder approval, the issue of the options under the Company's employee option plan as follows:
 - i) 15 million nil exercise price options which will vest upon the satisfaction of an annual production target of 100,000oz; and
 - ii) 15 million nil exercise price options which will vest upon the satisfaction of an annual production target of 200,000oz.

Forward Looking Statements

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

Competent Person Statement

Information relating to the mineral resource estimate at the Sand King deposit is extracted from the ASX announcement dated 3 January 2017 entitled "Sand King Deposit Mineral Resource Update" (which is available at <http://easterngoldfields.com.au/>).

Eastern Goldfields confirms that it is not aware of any new information or data that materially affects the information included in this ASX announcement and that all material assumptions and technical parameters underpinning the estimates, the production target and forecast financial information derived from the production target in the announcements continue to apply and have not materially changed.