EASTERN GOLDFIELDS LIMITED
AND ITS CONTROLLED ENTITIES
(IN ADMINISTRATION AND SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ABN 69 100 038 266

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED

31 DECEMBER 2018

EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
(IN ADMINISTRATION AND SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018
CORPORATE DIRECTORY AND CONTENTS

CORPORATE DIRECTORY

DIRECTOR
Peter Mansell Non-executive Director

ADMINISTRATORS
Martin Jones and Andrew Smith
Ferrier Hodgson
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AUDITORS
Ernst & Young
11 Mounts Bay Road
Perth WA 6000

SECURITIES EXCHANGE LISTING
Listed on the Australian Securities Exchange under the trading code **EGS**

EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
(IN ADMINISTRATION SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018
DIRECTOR'S REPORT

The Director presents his report together with the interim condensed consolidated financial statements of the Group comprising Eastern Goldfields Limited ('Company') and its controlled entities for the half year ended 31 December 2018.

DIRECTORS

The Directors of the Company at any time during the half year and up to the date of this report are set out below. Directors have been office for this entire period unless otherwise stated.

Michael Fotios – Executive Director (appointed 17 September 2012 / resigned 28 August 2018)
Craig Readhead – Non-executive Director (appointed 27 March 2013 / resigned 22 February 2019)
Alan Still – Non-executive Director (appointed 31 March 2015 / resigned 28 August 2018)
Peter Mansell – Non-executive Director (appointed 22 June 2018)
Campbell Baird – Non-executive Director (appointed 15 May 2018 / resigned 22 February 2019)

PRINCIPAL ACTIVITIES

The principal activities of the Group prior to the appointment of Administrators were mineral exploration and evaluation, and open pit and underground mining combined with gold processing activities at the Davyhurst processing plant. The Group also conducted care and maintenance activities at its historically producing gold mine located at Mt Ida.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the six months to 31 December 2018, the following significant events have occurred:

- On 8 August 2018 the Group entered a repayment plan with the ATO in relation to a debt of $421,689. The final payment under the plan of $321,689 was made on 31 August 2018;
- On 13 August 2018 the Group announced a settlement had been agreed with GR Engineering Services Ltd ('GR') involving the payment of cash to GR and the issue of Eastern Goldfields shares to the total value of $8.25 million (inclusive of GST), payable in three tranches. On 4 November 2018 the Group reached agreement with GR that the final instalment would be paid on or before 30 November 2018. This payment has not been made and as a result the settlement was cancelled and withdrawn;
- On 16 August 2018 a Deed of Settlement was executed between the Group and Eureka Mine Constructions Pty Ltd, which required a payment to Eureka of $150,000 by 20 September 2018. The payment was not made;
- On 28 August 2018 Hawke's Point Holdings I Ltd ('Hawke's Point') completed the acquisition of the outstanding debt owed by the Group to Investec, pursuant to the Investec Debt Facility, as well as the assignment of the Syndicated Facility Agreement (and associated security documents), from Investec;
- On 3 September 2018 all mining and processing activities were suspended to mitigate spending, whilst a proposed recapitalisation plan was developed;
- On 27 September 2018 the Group raised an additional $8.75 million from the issue of convertible notes to each of Hawke's Point, Donald Smith Value Fund LP, National Nominees Ltd (as nominee for Perennial Value Microcap Opportunities Fund) and Wyllie Group Pty Ltd;
- On 28 September 2018 the Group announced a $75 million recapitalisation plan. This plan included a restructured board and leadership team, and a $5 million entitlements issue to existing shareholders. The $75 million recapitalisation plan was to comprise:
  - $8.75 million interim funding via the issue of secured convertible loan notes;
  - $36.8 million placement to sophisticated, professional and institutional investors;
  - Up to $17.5 million of in-kind services to be performed by Adaman Resources Pty Ltd; and
  - Conversion of the Syndicated Facility of $9.6 million and certain trade creditors of $2.5 million;
- On 27 November 2018 the Group announced that the $75 million recapitalisation plan would no longer proceed; and
- On 29 November 2018 the Group resolved to appoint Martin Jones and Andrew Smith of Ferrier Hodgson as Joint and Several Administrators of the Group.

EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
(IN ADMINISTRATION SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018
DIRECTOR'S REPORT

REVIEW AND RESULTS OF OPERATIONS

On 3 September 2018 all mining and processing activities were suspended. Thereafter the Group focussed its efforts on a recapitalisation plan. Other factors which impacted the Group's operations for the six months to 31 December 2018 have been outlined under Significant Changes in State of Affairs.

The net loss after tax of the consolidated entity for the half-year ended 31 December 2018 was $17,523,000 (31 December 2017: $16,733,000).

DIVIDENDS

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

EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

1. On 18 January 2019 the Administrators received a Deed of Company Arrangement ('DOCA') proposal from Hawke's Point Holdings I Limited ('Hawke's Point'). The proposed DOCA included the following key features:

Key Elements	DOCA Proposal
Purpose	• Ensure that creditors of the Companies receive a better return than in liquidation. • Facilitate a capital raising for the Companies of not less than $22 million, expected to comprise a rights issue, issue of convertible notes and placement of shares. • Minimise holding costs and reducing the further administrators' fees that may be incurred. • Ensure that, at the conclusion of the DOCA process, the Group is sufficiently funded to pursue a resource development and mine planning programme.
Creditors Trust	A creditors' trust will be established for the purposes of the DOCA, named 'Eastern Goldfields Creditors' Trust.'
Contributions	The funds available for distribution to creditors of the Companies out of the Creditors' Trust will be an amount of up to $7.3 million out of proceeds of the Capital Raising.
Capital raising	Not less than $22 million shall be raised to: • satisfy the obligations of the Companies under the DOCA; and • provide the Companies with adequate working capital to advance its business post administration. It is intended that this amount shall be raised via any or all of the following (each carried out by EGS): • a one-for-one rights issue priced at one cent per share, which will be underwritten as to at least 25% (inclusive of its entitlement amount) by Hawke's Point or such lesser percentage as required to ensure it is fully underwritten (Rights Issue); • an offering of: o secured convertible notes ('New Convertible Notes'), to be converted at one cent per share; and o ordinary shares ('Placement Shares') to be issued via a placement. Capital Raising participants subscribing for Placement Shares, if any, shall escrow their subscription funds contemporaneous with the funding of the New Convertible Notes; and • such other equity and/or debt capital raising as the directors of EGS, the Deed Administrators and Hawke's Point agree, having regard to the objects of the DOCA. Finalisation of the Capital Raising will be subject to the Deed Administrators and the directors of EGS being satisfied that the events subsequent to completion of the DOCA will occur, including the passing of certain shareholder approvals for EGS.
Position of Creditors	Creditors' claims are to be dealt with in the following categories of creditor: 1) Employee entitlements;

<table>
<tr><th>Key Elements</th><th>DOCA Proposal</th></tr>
<tr><td></td><td>2) Debts due to government and statutory authorities;
3) Supporting Creditors;
4) PPSR Secured Creditors;
5) Non-Supporting Creditors – Pool A;
6) Non-Supporting Creditors – Pool B.

To the extent that there are any arrears or other amounts due and payable to employees with respect to wages and other employee entitlements, the debts due to employees will be paid in full. To the extent that any government or statutory authority or regulator is a creditor, and the non-payment of the debt to that authority or regulator puts at risk any of the assets of the Companies, such debts will be paid in full.

Supporting Creditors and PPSR Secured Creditors will not participate as creditors/beneficiaries under the Creditors' Trust. Supporting Creditors are defined as the creditors specified at 1 to 8 below with whom the Companies seek to have an ongoing commercial relationship and to whom offers of securities can be made without disclosure under Chapter 6D of the Act and who agree to accept:

• a cash payment out of the Capital Raising equal to 22c/$ of 60% of each Supporting Creditor's agreed claim amount; and
• to convert the remaining 40% of their respective agreed claims to equity in EGS fully paid ordinary shares at the rate of one cent per share,

in full satisfaction of the respective debts owed to them by the Companies.

1 Aggreko Generator Rentals Pty Ltd – to the extent of $674,795.70;
2 GR Engineering Services Ltd – to the extent of $11,554,660.81;
3 Pit N Portal Mining Services Pty Ltd – to the extent of $14,482,318.50;
4 Ralmana Pty Ltd t/as R J Vincent & Co – to the extent of $3,461,378.19;
5 Squire Patton Boggs (AU) – to the extent of $1,930,300.29;
6 Gilbert & Tobin – to the extent of $1,190,932.45;
7 Seismic Drilling Pty Ltd – to the extent of $854,060.36; and
8 Junile Nominees Pty Ltd t/as Red Dirt Personnel Group – to the extent of $679,152. (together the Supporting Creditors).

Supporting Creditors will be paid out of the Capital Raising proceeds and by the Deed Administrators at conclusion of the DOCA.

PPSR secured creditors will be serviced in the ordinary way and will not participate under the Creditor's Trust.</td></tr>
<tr><td>Dividends and order of distribution</td><td>Other unsecured creditors will be split into Pool A and Pool B, subject to whether the claimed debt is greater or less than $50,000. Pool A creditors are defined as those creditors with debts of less than $50,000. They will be paid up to 100 cents in the dollar. Pool B creditors are defined as those creditors with debts greater than $50,000. They will be paid $50,000 plus pro rata amount of the funds available in the Creditors Trust, which is estimated at $3.9 million.</td></tr>
</table>

<table>
<tr><th>Key Elements</th><th>DOCA Proposal</th></tr>
<tr><td>Secured Creditor</td><td>Hawke's Point will agree to:

• take up its entitlements under the Rights Issue in full and underwrite the Rights Issue to the extent of at least 25% (inclusive of its entitlement) or such lesser percentage as required to ensure the Rights Issue is fully underwritten;
• subscribe to at least 25% of the New Convertible Notes or such lesser percentage as required to ensure that the offering of New Convertible Notes is fully subscribed; and
• subsequent to the Rights Issue closing, convert its secured debt (being both its loan facility and its holding of the convertible notes issued 28 September 2018 ('Existing Convertible Notes') into equity at the rate of one cent per share, subject to the approval of the shareholders of EGS at the shareholders meeting to be held after completion of the DOCA, with such conversion to occur simultaneously with the conversion of the New Convertible Notes and the issue of the Placement Shares.

Wyllie Group Pty Ltd, National Nominees Ltd (as nominee for Perennial Value Microcap Opportunities Fund) and Donald Smith Value Fund LP (the Other Secured Creditors), who agree to convert the secured debt under their existing convertible notes into equity at the rate of one cent per share, subject to the approval of the EGS shareholders at the shareholders meeting to be held after completion of the DOCA, with such conversion to occur simultaneously with the conversion of the new convertible notes and the issue of the Placement Shares.</td></tr>
<tr><td>Termination</td><td>In the event that completion does not occur by 30 April 2019 or such other date as agreed between Hawke's Point and the Deed Administrators, the Deed Administrators may:

• Cause the Companies to be placed into liquidation; and/or
• Convene a meeting of creditors to vary or terminate the DOCA.</td></tr>
<tr><td>Key Conditions and Subsequent Events</td><td>The DOCA will complete on the date which is two business days after satisfaction of the last of the following Conditions Precedent:

(a) That the creditors of the Companies approve the DOCA;
(b) The creation of the Creditors' Trust;
(c) The entry into any requisite new contracts or amendments to existing contracts, in each case to be negotiated in good faith, between Supporting Creditors (or any of their respective associated entities) and the Companies (or an associated entity) in respect of their ongoing commercial relationship on terms reasonably acceptable to both parties;
(d) The appointment of the interim managing director; and
(e) The receipt by the Companies of no less than:
a. $22 million from the Capital Raising (other than the funds that are to be received in respect of the issue of Placement Shares, which shall be held in escrow pending shareholder approval); and
b. $19 million (of that sum of $22 million) to be raised from the New Convertible Notes and Rights Issue;
(f) The Conditions Precedent:
a. at (a) above can be waived by Hawke's Point (ie: if entry into the DOCA is not approved by all of the Companies);
b. at (e)(b) can be waived by agreement between Hawke's Point and the Administrators if they are satisfied that sufficient funds are available to the Companies to enable completion to occur;
c. are otherwise for the benefit of Hawke's Point and the Administrators and may only be waived by mutual agreement between Hawke's Point and the Administrators in writing;
(g) Upon completion occurring:
a. the DOCA will terminate;
b. the control of the Companies will return to the New Directors;
c. the sum of $7.3 million out of the Capital Raising will be paid to the Trustee of the Creditors' Trust;
d. the sums due to Supporting Creditors will be paid out of the Capital Raising by the Deed Administrators; and
e. the claims of all creditors except for the PPSR Secured Creditors against the Companies will be released, and creditors other than Supporting Creditors will only be entitled to participate as</td></tr>
</table>

Key Elements	DOCA Proposal
	beneficiaries under the Creditors' Trust; (h) Events subsequent to completion: a. The shareholders of EGS will approve (to the extent required): (1) the conversion of debt to equity by the Supporting Creditors; (2) the conversion of the Proponent's Secured Debt and the secured debt of the Other Secured Creditors; (3) the conversion of the New Convertible Notes; (4) the issuance of the Placement Shares; (5) the effectuation of the Directors LEIP (if necessary); b. The Notice of Meeting seeking the shareholder approvals above will include an independent expert's report stating whether, in the expert's opinion, the conversion of Hawke's Point's Secured Debt to equity is fair and reasonable to shareholders; c. The Companies will change their name to a new name to be agreed by the directors to whom control is being returned at completion;

2. On 1 February 2019 at the concurrent second meeting of creditors of the Group, it was resolved that the Deed of Company Arrangement ('DOCA') proposal received on 18 January 2019 from Hawkes Point I Limited, be executed.

3. Settlement deeds have been executed in relation to critical tenements subject to plaints. It is intended plaint applications on non-critical tenements will be defended by the Group.

Apart from the above, no other matters have arisen since the end of the half year that would impact or are likely to impact the results of the Group in subsequent financial periods.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included immediately following the Directors' Report and forms part of this Directors' Report.

Signed in accordance with clauses 2.4(a)(1) and 2.4(f) of the Deed of Company Arrangement.

Peter Mansell
Non-executive Director

Perth, Western Australia
1 April 2019

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Auditor's Independence Declaration to the Directors of Eastern Goldfields Limited

As lead auditor for the review of the financial report of Eastern Goldfields Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Eastern Goldfields Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Philip Teale
Partner
1 April 2019

TH:CT:EGS:012

EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue from contracts with customers – Gold sales		6,094	3,659
Cost of sales		(8,342)	(7,228)
Gross Loss		**(2,248)**	**(3,569)**
Other (expenses)/income		(307)	-
General and administration		(7,545)	(4,912)
Other operating expenses		(5,604)	(7,547)
Operating loss		**(15,704)**	**(16,028)**
Finance income		-	1
Finance costs		(1,863)	(913)
Loss before income tax expense		**(17,567)**	**(16,940)**
Income tax benefit		44	207
Loss for the period		**(17,523)**	**(16,733)**
Other comprehensive income			
Items that will not be reclassified to P&L in subsequent periods			
Changes in fair value of financial assets, net of tax		103	545
Items that will be reclassified to P&L in subsequent periods			
Cash flow hedges		-	(350)
Other comprehensive income, net of tax		103	195
Total comprehensive loss for the period, net of tax		(17,420)	(16,538)
Attributable to:			
Equity holders of the parent		(17,420)	(16,538)
		(17,420)	(16,538)
Loss per share attributable to the ordinary equity holders of the parent:			
Basic and diluted loss per share (cents)		(2.31)	(2.94)

The accompanying notes form part of these financial statements.

EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
(IN ADMINISTRATION AND SUBJECT TO DEED OF COMPANY ARRANGEMENT)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 Dec 2018 $'000	30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	5	2,759	5
Trade and other receivables		121	1,481
Inventories		79	2,058
Total current assets		**2,959**	**3,544**
Non-current assets			
Trade and other receivables		64	64
Mine properties	8	38,460	38,460
Financial Assets	6	945	3,845
Derivatives	6	-	119
Total non-current assets		**39,469**	**42,488**
Total assets		**42,428**	**46,032**
Liabilities and Equity			
Current liabilities			
Trade and other payables	6	44,372	40,627
Loans and borrowings	6	31,935	21,543
Derivative financial instruments		-	293
Provisions	9	1,104	1,303
Total current liabilities		**77,411**	**63,766**
Non-current liabilities			
Provisions	9	18,289	18,243
Total non-current liabilities		**18,289**	**18,243**
Total liabilities		**95,700**	**82,009**
Net liabilities		**(53,272)**	**(35,977)**
SHAREHOLDERS' (DEFICIT)/EQUITY			
Issued capital	10	287,168	287,168
Accumulated losses		(353,778)	(336,255)
Reserves		13,338	13,110
Total shareholders' deficit		**(53,272)**	**(35,977)**

The accompanying notes form part of these financial statements.

EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
(IN ADMINISTRATION AND SUBJECT TO DEED OF COMPANY ARRANGEMENT)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued capital	Accumulated losses	Share based payment reserve	Cash flow hedge reserve	Financial Assets at FVTOCI	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2017	251,282	(250,333)	9,875	271	20	11,115
Loss for the period	-	(16,733)	-	-	-	(16,733)
Other comprehensive income, net of income tax	-	-	-	(350)	545	195
Total comprehensive loss for the half- year	-	(16,733)	-	(350)	545	(16,538)
Issue of ordinary shares (Note 10)	131	-	-	-	-	131
Share based payments	-	-	318	-	-	318
Balance as at 31 December 2017	251,413	(267,066)	10,193	(79)	565	(4,974)
Balance as at 1 July 2018	287,168	(336,255)	11,892	-	1,218	(35,977)
Loss for the period	-	(17,523)	-	-	-	(17,523)
Other comprehensive income, net of income tax	-	-	-	-	103	103
Total comprehensive loss for the half- year	-	(17,523)	-	-	103	(17,420)
Issue of ordinary shares (Note 10)	-	-	-	-	-	-
Share based payments	-	-	125	-	-	125
Balance as at 31 December 2018	287,168	(353,778)	12,017	-	1,321	(53,272)

The accompanying notes form part of these financial statements.

EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
(IN ADMINISTRATION AND SUBJECT TO DEED OF COMPANY ARRANGEMENT)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 $'000	31 Dec 2017 $'000
Operating activities			
Receipts from customers		6,094	3,659
Payments to suppliers and employees		(12,877)	(9,680)
Interest received		-	1
Interest paid		(184)	(434)
Net cash flows used in operating activities		(6,967)	(6,454)
Investing activities			
Payments for mine properties		(1,565)	(3,223)
Proceeds from sale of financial assets at FVTOCI		2,386	-
Net cash flows provided by/(used in) investing activities		821	(3,223)
Financing activities			
Proceeds from borrowings	6	8,900	9,675
Repayments of borrowings		-	(90)
Proceeds from share issues	10	-	131
Net cash flows provided by financing activities		8,900	9,716
Net increase in cash and cash equivalents held		2,754	39
Cash and cash equivalents at 1 July		5	44
Cash and cash equivalents at 31 December		2,759	83

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

Eastern Goldfields Limited and its controlled entities (in administration and subject to Deed of Company Arrangement) are a for-profit group of entities incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX'). The nature of the operations and principal activities of the Group are described in the Director's Report.

The interim consolidated financial statements for the six months ended 31 December 2018 were authorised for issue pursuant to clauses 2.4(a)(1) and 2.4(f) of the Deed of Company Arrangement on 1 April 2019.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

a. Basis of preparation

The interim consolidated financial statements are condensed general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the interim financial statements be read in conjunction with the annual financial report of the Company as at 30 June 2018 and considered together with any public announcements made by the Company during the half year ended 31 December 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX listing rules.

b. Going Concern

As at 31 December 2018, the Group's current liabilities exceeded its current assets by $74,452,000 and the Group's equity deficiency totalled ($53,272,000). The Group recorded a consolidated loss after tax of $17,523,000 for the six months to 31 December 2018 (31 December 2017: consolidated loss after income tax of $16,733,000).

As outlined in the Director's Report, the Directors of the Group appointed Voluntary Administrators on 29 November 2018. Following their appointment, the Administrators received a Deed of Company Arrangement ('DOCA') proposal from Hawkes Point I Limited (see Note 11) which was put to creditors and approved on 1 February 2019. The DOCA was subsequently executed by the Group on 12 February 2019.

The ability of the Group to continue as a going concern is primarily dependent upon:

- The Group undertaking a capital raising to raise an amount of not less than $22 million, as contemplated by the DOCA;
- All terms and conditions of the DOCA being satisfied, including obtaining necessary regulatory and shareholder approvals, including from ASIC and ASX; and
- The Group's Davyhurst operations remaining on care and maintenance for 18 months from the date of the capital raising.

At the date of these interim financial statements, the Group has:

- Executed the DOCA whereby if the terms and conditions are satisfied all the Group's secured creditors will be issued shares to convert the entire value of their claim to equity; all supporting creditors will receive 22 cents in the dollar for 60% of each supporting creditor's claim, with 40% of their respective claims being converted into equity at a conversion price of 1 cent per share and all remaining creditors to be paid out of a separately established trust to be funded up to an amount of $7.3 million from the capital raising;
- Signed a mandate letter with Hartleys Limited in relation to the capital raising referred to above, to raise a minimum of $22 million; and
- As part of the DOCA, Hawke's Point I Limited will underwrite 25% of the capital raising.

The Director believes that at the date of signing the financial report, and with the Group's Davyhurst facility remaining on care and maintenance, there are reasonable grounds to believe that having regard to the matters set out above, the Group will be able to continue as a going concern.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

b. Going Concern (Continued)

However, should any of the matters detailed above not be successfully concluded, the Group may be 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 at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

c. New and amended accounting standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the new policies resulting from the adoption of new standards effective as of 1 July 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. As required by AASB 134, the nature and effect of these changes are disclosed below.

AASB 15 *Revenue from Contracts with Customers (AASB 15)*

AASB 15 and its related amendments supersede AASB 118 *Revenue* (AASB 118) and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group adopted AASB 15 using the full retrospective method of adoption. The effect of adopting AASB 15 is set out below.

Overall impact

The Group's revenue comprises one main stream being the sale of gold bullion to one customer, Perth Mint. The Group undertook an analysis of the impact of the new revenue standard based on a review of the terms of its principal revenue stream with the focus being to understand whether the timing and amount of revenue recognised could differ under AASB 15.

Under AASB 118, revenue from the sale of gold bullion was recognised when risks and rewards of ownership were transferred to Perth Mint. This occurred when Perth Mint accepted the refined gold on out-turn of the gold, and the Group agreed to sell the gold to Perth Mint. This is also the point in time when control transfers and the performance obligation is satisfied in accordance with AASB 15. There are no advance payments received from Perth Mint under this arrangement. A transaction price is determined at outturn by virtue of a deal confirmation received from Perth Mint and there are no further adjustments to this price. For the Group's principal revenue stream, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under AASB 15, is the same as that under AASB 118.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

AASB 9 *Financial Instruments (AASB 9)*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* ('AASB 139') for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018 and has elected to restate comparative information for the period beginning 1 July 2017. There were no material impacts on the comparative balances other than a change in classification of some receivables (see below).

The effects of adopting AASB 9 are set out below.

(i) Classification and measurement

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit or loss ('FVTPL') or fair value through other comprehensive income ('FVTOCI').

For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest ('SPPI') on the principal amount outstanding. A financial asset can only be measured at amortised cost if both these criteria are satisfied.

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurements requirements of AASB 9 did not have a significant impact on the Group. The following are the changes in the classification of the Group's financial assets:

- Trade receivables, related party receivables and other receivables, previously classified as Loans and receivables – these were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured at amortised cost. The Group has no receivables which are subject to provisional pricing;
- Equity investments previously classified as available for sale financial assets are now classified and measured as financial assets at fair value through other comprehensive income. The Group elected to classify its equity investments under this category as it does not hold these investments for trading. There were no impairment losses recognised in profit and loss for these investments in prior periods.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

In summary, upon adoption of AASB 9, the Group reclassified its financial assets as follows:

As at 1 July 2018

	Carrying Amount	AASB 9 Measurement Category		
		FVTPL	Amortised Cost	FVTOCI
AASB 139 Measurement Category	**$'000**	**$'000**	**$'000**	**$'000**
Loans and receivables				
Trade & other receivables	1,545	-	1,545	-
Available for sale				
Quoted equity investments	3,845	-	-	3,845
Fair value through profit and loss				
Derivative financial instruments – listed options	119	119	-	-
Total	**5,509**	**119**	**1,545**	**3,845**

Financial Liabilities
Other than derivative financial liabilities, the Group has not designated any financial liabilities as at fair value through the profit or loss. There are no changes in classification or measurement of the Group's financial liabilities.

(ii) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for financial assets not held at fair value through profit or loss.

As all of the Group's trade receivables and other current receivables which the Group measures at amortised cost are short term (ie: less than 12 months), the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements.

(iii) Hedge Accounting

The Group has elected to adopt the new general hedge accounting model under AASB 9 which will be applied prospectively. At the date of initial application there were no existing hedge relationships eligible to be treated as continuing hedges.

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share Based Payment Transactions*

This Standard amends AASB 2 *Share Based Payments,* that addresses three main areas: the effects of vesting conditions on the measurement of a cash settled share based payment transaction; the classification of a share based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. This standard is effective for annual periods commencing on or after 1 January 2018.

The Group has no share-based payment transactions with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transactions. Therefore, these amendments do not have a material impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

For management reporting purposes, the Group is organised into one operating segment, focussed on the mining and processing of gold, and the exploration and evaluation of gold mineralisation. All the activities of the Group are interrelated, and each activity is dependent on the others. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are identical to that contained in these interim consolidated financial statements.

The Group operates in one geographical segment, being Australia.

4. EXPENSES

	31 Dec 2018 $'000	31 Dec 2017 $'000
Loss from continuing operations before income tax has been determined after the following specific expenses:		
Depreciation and amortisation	872	732
Impairment of mine properties	693	-
Exploration and evaluation expensed	877	1,280
Operating lease expenses	112	268
Onerous lease provision	(141)	-
Share-based payments	126	318
Employee benefits expenses	4,568	4,119
Directors' fees	18	57
Consulting fees	784	433
Mining costs	5,926	7,094
Processing costs	1,544	1,719
Site contractors and consultants	2,070	1,486
Loss on derecognition of derivatives classified at FVTPL	119	-

5. CASH AND CASH EQUIVALENTS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Cash at bank and on hand	2,759	5

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Below is an overview of financial assets, other than cash and cash equivalents, held by the Group as 30 June 2018 and 31 December 2018:

	31 Dec 2018 $'000	30 Jun 2018 $'000
Debt instruments at amortised cost		
Related party and other receivables	3,018	3,018
Less impairment allowance for receivables	(3,018)	(3,018)
Equity instruments at fair value through OCI		
Quoted equity shares	945	3,845
Financial instruments at fair value through profit or loss		
Quoted equity options	-	119
Total	**945**	**3,964**
Total current	**945**	**3,964**
Total non-current	**-**	**-**

Below is an overview of financial liabilities held by the Group as 30 June 2018 and 31 December 2018:

	31 Dec 2018 $'000	30 Jun 2018 $'000
Financial liabilities at amortised cost		
Trade and other payables	44,372	40,627
Current interest bearing secured loans and borrowings		
- Investec Australia Loan Facility	-	10,102
- Hawke's Point Loan Facility	10,255	-
Convertible notes	8,919	-
Current interest bearing unsecured loans and borrowings		
- Investmet Ltd	11,738	10,592
- Michael Fotios Family Trust	1,023	849
Financial liabilities at fair value through profit or loss		
Forward gold contract derivatives	-	293
Total	**76,307**	**62,463**
Total current	**76,307**	**62,463**
Total non-current	**-**	**-**

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	Investec/Hawke's Point $'000	Investmet $'000	Michael Fotios $'000	Convertible Notes $'000	Total $'000
Movements in loans and borrowings					
Balance as at 1 July 2018	10,102	10,592	849	-	21,543
Advanced	-	70	80	8,750	8,900
Interest charged	307	1,076	94	169	1,646
Interest paid	(154)	-	-	-	(154)
Balance as at 31 December 2018	10,255	11,738	1,023	8,919	31,935

Investec Australia Limited Syndicated Facility Agreement

Under the terms of the Syndicated Facilities Agreement, the Group was required to make a payment of $5 million plus accumulated interest on 1 August 2018 ('Repayment') to Investec Australia Ltd. The Group did not make the Repayment to Investec.

The Group subsequently entered into a standstill agreement with Investec pursuant to which the date to make the Repayment was extended to 15 August 2018. The standstill agreement was conditional on:

a) full repayment of all amounts owing under the Syndicated Facilities Agreement by no later than 12 September 2018;
b) a capital plan being provided by the Group to Investec by no later than 9 August 2018;
c) the issue of $300,000 fully paid shares in the capital of the Group to Investec at an issue price equivalent to the price under the Group's recapitalisation capital raising; and
d) existing hedging contracts in place with Investec being closed out with the proceeds applied against monies outstanding under the Facility Agreement.

A revised Standstill Agreement was negotiated with Investec, pursuant to which the date to make the Repayment was extended to 22 August 2018. The revised agreement was conditional upon full repayment of all other amounts owing under the Syndicated Facilities Agreement by no later than 22 August 2018 or such earlier date, where the Group has received funds as part of a capital raising or has the ability to repay all amounts outstanding under the Syndicated Facilities Agreement in full, offset by proceeds received of $460,000 from the close-out of gold forward contracts. The repayment date was subsequently revised under an extension to the Revised Standstill Agreement, to 30 August 2018. No repayment was made by the Group and the proceeds from the close out of gold forward contracts were not used to repay the Investec facility.

Following the above, Hawke's Point Holdings I Ltd, agreed to acquire the Investec debt and on 28 August 2018, Hawke's Point executed documentation with Investec, whereby Hawke's Point agreed:

- To purchase the outstanding debt owed by the Group to Investec; and
- To acquire an assignment of the Syndicated Facilities Agreement and the associated security documents from Investec.

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Convertible Notes

On 27 September 2018 the Group raised $8.75 million from the issue of convertible notes to each of Hawke's Point, Donald Smith Value Fund LP, National Nominees Ltd ANF Perennial Investment Management Limited and Wyllie Group Pty Ltd. The key terms and conditions attached to the convertible notes were as follows:

Issue Date	4 October 2018
Face Value per Note	$100
Number of Notes Issued	87,500
Conversion Price	$0.05
Coupon Interest	Accrues daily at 8% per annum
Maturity Date	4 December 2018

Other pertinent matters:

Redemption	• To the extent that the loan notes have not been converted, they must be redeemed for cash no later than eight weeks after the issue dates of the loan notes.
Conversion	• Loan notes are secured debt and have no right to convert into ordinary shares until and unless shareholder approval (at a general meeting) has been obtained to issue the conversion shares and the company has raised not less than $36.9 million through a share issue placement at a placement price of $0.05 a share.
Free attaching options	• Noteholders to be issued with one free attaching option for every four conversion shares. Exercise price of $0.075 and expiry period of four years. The options are contingent on the debt being converted.

Under the terms of the convertible note agreements, the new noteholders would receive joint security over the Group's assets alongside the existing Hawke's Point security.

The loan notes were assessed as being a compound financial instruments with the conversion right and free attaching options representing an equity instrument. Due to the short-term nature of the loan notes and as the note holders will have joint security over the assets of the Group, the fair value of the equity component of the loan notes at inception determined to be insignificant.

Following the approval by creditors of the DOCA on 1 February 2019, conversion of the convertible notes into ordinary shares will be at the rate of one cent per share. Refer to Note 11 for further information.

Trade and Other Payables

GR Engineering Services Ltd

During the six months to 31 December 2018, the Group agreed to settle all claims with GR Engineering Services Ltd ('GR') arising under or relating to the contract for refurbishment of the Davyhurst processing plant, including resolution of Court proceedings involving the Group, GR and other parties. On 13 August 2018, the Group and GR executed a deed of settlement and release, which involved the payment of cash and shares to GR for a total amount of $8.25 million, payable in three tranches. At the date of this report, no such payments have been made by the Group, and as a result, the settlement agreement terminated. The amount owing to GR remains at $11,554,661 based on GR's original claim. Following the appointment of Administrators to the Group, amounts owing to GR will be repaid in accordance with the terms outlined in the DOCA. Refer to Note 11 for further information.

7. FAIR VALUE MEASUREMENT

Fair values versus carrying values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2018:

	31 December 2018 Carrying Amount $'000	31 December 2018 Fair Value $'000	30 June 2018 Carrying Amount $'000	30 June 2018 Fair Value $'000
Financial Assets				
Cash and cash equivalents	2,759	2,759	5	5
Derivative financial instruments	-	-	119	119
Financial Assets	945	945	3,845	3,845
Total	**3,704**	**3,704**	**3,969**	**3,969**
Financial Liabilities				
Loans and borrowings (i)	31,935	24,226	21,543	17,835
Trade and other payables (i)	44,372	18,052	40,627	27,848
Total	**76,307**	**42,278**	**62,170**	**45,683**

The carrying values of financial assets and financial liabilities which are not measured at fair value, approximate their fair values as a result of their short maturity except as disclosed as follows:

i) The fair values have been estimated using inputs that are based on the Group's net liability position. The fair value estimate allocates the total assets of the Group of $42.4 million (30 June 2018: $46.03 million) less employee benefits provisions of $0.15 million at 31 December 2018 (30 June 2018: $1.2 million) to the secured loans and borrowings, statutory payables and unpaid employee accruals, after which any residual amount was allocated to the remaining unsecured loans and borrowings and trade and other creditors. The fair values were determined using level 3 inputs.

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each applicable level follows beneath the table.

7. FAIR VALUE MEASUREMENT (Continued)

There were no transfers between the fair value hierarchy measurement levels during the six-month period ended 31 December 2018 or the comparative period ended 30 June 2018.

	Level 1 $'000	Level 2 $'000	Total $'000
Recurring fair value measurements			
At 31 December 2018			
Financial Assets			
Financial assets at FVTOCI			
- Australian listed equity securities	945	-	945
Total Financial Assets	945	-	945

	Level 1 $'000	Level 2 $'000	Total $'000
Recurring fair value measurements			
At 30 June 2018			
Financial Assets			
Financial assets at FVTOCI			
- Australian listed equity securities	3,845	-	3,845
Derivatives			
- Derivative financial assets – listed options	119	-	119
Total Financial Assets	3,964	-	3,964
Financial Liabilities			
Derivatives			
- Derivative financial liabilities – hedging instruments	-	(293)	(293)
Total Financial Liabilities	-	(293)	(293)

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The fair value of the Group's derivative hedging instruments was based on observable inputs, being forward gold prices. The fair value was determined based on the difference between contracted gold price and forward gold prices as at reporting dated, discounted to present value.

Level 3 – Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group has no financial assets or financial liabilities that are measured based on Level 3 inputs on a recurring basis.

8. MINE PROPERTIES

	31 Dec 2018 $'000	30 Jun 2018 $'000
Plant and equipment		
Gross carrying amount – at cost	49,785	49,315
Less accumulated depreciation and impairment	(36,055)	(35,585)
Net carrying amount	13,730	13,730
Mine development		
Gross carrying amount – at cost	43,873	42,777
Less accumulated depreciation and impairment	(19,143)	(18,047)
Net carrying amount	24,730	24,730
Total mine properties		
Gross carrying amount – at cost	93,658	92,092
Less accumulated depreciation and impairment	(55,198)	(53,632)
Net carrying amount	38,460	38,460

At 30 June 2018 the carrying value of the Davyhurst Cash Generating Unit ('CGU'), consisting of the plant and equipment and mine development assets was written down to its recoverable amount which was determined based on the CGU's fair value less cost of disposal ('FVLCD'). The FVLCD was based on comparable transactions and the depreciated replacement cost of certain assets within the CGU. As at 31 December 2018, it was assessed that there were no significant changes in market related assumptions to require the FVLCD to be re-determined.' During the period, an impairment expense of $693,000 was recognised in the statement of profit or loss and other comprehensive income, for the net of the capital expenditure incurred and depreciation recognised during the six months to 31 December 2018.

9. PROVISIONS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Current		
Employee entitlements	150	349
Onerous Lease	954	954
	1,104	1,303
Non- Current		
Rehabilitation	15,783	15,595
Onerous lease	2,506	2,648
	18,289	18,243

10. CONTRIBUTED EQUITY

	31 Dec 2018		30 Jun 2018	
	Shares	**$'000**	**Shares**	**$'000**
(a) Share capital	761,784,750	287,168	761,784,738	287,168

(b) Movements in ordinary share capital

	Shares	$'000
Balance as at 1 July 2017	559,778,054	251,282
Exercise of options – 14 July 2017	574,030	96
Issue of shares – 14 July 2017	100,000	35
Issue of shares – 2 November 2017	4,500,000	-
Balance as at 31 December 2017	564,952,084	251,413
Balance as at 1 July 2018	761,784,738	287,168
Issue of shares – 28 September 2018	12	-
Balance as at 31 December 2018	761,784,750	287,168

11. EVENTS OCCURRING AFTER THE REPORTING DATE

1. On 18 January 2019 the Administrators received a Deed of Company Arrangement (DOCA) proposal from Hawke's Point. The proposed DOCA includes the following key features:

Key elements	DOCA proposal
Purpose	• Ensure that creditors of the Companies receive a better return than in liquidation; • Facilitate a capital raising for the Companies of not less than $22 million, expected to comprise a rights issue, issue of convertible notes and placement of shares; • Minimise holding costs and reducing the further administrators' fees that may be incurred; • Ensure that, at the conclusion of the DOCA process, the Group is sufficiently funded to pursue a resource development and mine planning programme.
Creditors Trust	A creditors' trust will be established for the purposes of the DOCA, named 'Eastern Goldfields Creditors' Trust.'
Contributions	The funds available for distribution to creditors of the Companies out of the Creditors' Trust will be an amount of up to $7.3 million out of proceeds of the Capital Raising.
Capital raising	Not less than $22 million shall be raised to: • satisfy the obligations of the Companies under the DOCA; and • provide the Companies with adequate working capital to advance its business post administration. It is intended that this amount shall be raised via any or all of the following (each carried out by EGS): • a one-for-one rights issue priced at one cent per share, which will be underwritten as to at least 25% (inclusive of its entitlement amount) by Hawke's Point or such lesser percentage as required to ensure it is fully underwritten (Rights Issue); • an offering of: o secured convertible notes (New Convertible Notes), to be converted at 1.0 cent per share; and o ordinary shares (Placement Shares) to be issued via a placement. Capital Raising participants subscribing for Placement Shares, if any, shall escrow their subscription funds contemporaneous with the funding of the New Convertible Notes; and • such other equity and/or debt capital raising as the directors of EGS, the Deed Administrators and Hawke's Point agree, having regard to the objects of the DOCA. Finalisation of the Capital Raising will be subject to the Deed Administrators and the directors of EGS being satisfied that the events subsequent to Completion of the DOCA will occur, including the passing of certain shareholder approvals for EGS.
Position of Creditors	Creditors' claims are to be dealt with in the following categories of creditor: 1) Employee entitlements 2) Debts due to government and statutory authorities 3) Supporting Creditors 4) PPSR Secured Creditors 5) Non-Supporting Creditors – Pool A 6) Non-Supporting Creditors – Pool B To the extent that there are any arrears or other amounts due and payable to employees with respect to wages and other employee entitlements, the debts due to employees will be paid in full. To the extent that any government or statutory authority or regulator is a creditor, and the non-payment of the debt to that authority or regulator puts at risk any of the assets of the Companies, such debts will be paid in full.

<table>
<tr><th>Key elements</th><th>DOCA proposal</th></tr>
<tr><td></td><td>Supporting Creditors and PPSR Secured Creditors will not participate as creditors/beneficiaries under the Creditors' Trust. Supporting Creditors are defined as the creditors specified at 1 to 8 below with whom the Companies seek to have an ongoing commercial relationship and to whom offers of securities can be made without disclosure under Chapter 6D of the Act and who agree to accept:

• a cash payment out of the Capital Raising equal to 22c/$ of 60% of each Supporting Creditor's agreed claim amount; and
• to convert the remaining 40% of their respective agreed claims to equity in EGS' fully paid ordinary shares at the rate of 1 cent per share,
in full satisfaction of the respective debts owed to them by the Companies.

1 Aggreko Generator Rentals Pty Ltd – to the extent of $674,795.70;
2 GR Engineering Services Limited – to the extent of $11,554,660.81;
3 Pit N Portal Mining Services Pty Ltd – to the extent of $14,482,318.50;
4 Ralmana Pty Ltd t/as RJ Vincent & Co – to the extent of $3,461,378.19;
5 Squire Patton Boggs (AU) – to the extent of $1,930,300.29;
6 Gilbert & Tobin – to the extent of $1,190,932.45;
7 Seismic Drilling Pty Ltd – to the extent of $854,060.36; and
8 Junile Nominees Pty Ltd t/as Red Dirt Personnel Group – to the extent of $679,152.
(Together the Supporting Creditors).

Supporting Creditors will be paid out of the Capital Raising proceeds and by Deed Administrators at the conclusion of the DOCA.

PPSR creditors will be serviced in the ordinary way and will not participate under the Creditors' Trust.</td></tr>
<tr><td>Dividends and order of distribution</td><td>Other unsecured creditors will be split into Pool A and Pool B, subject to whether the claimed debt is greater or less than $50,000. Pool A creditors are defined as those creditors with debts of less than $50,000. They will be paid up to 100 cents in the dollar. Pool B creditors are defined as those creditors with debts of greater than $50,000. They will be paid $50,000 plus a pro-rata amount of the funds available in the Creditors' Trust, which is currently estimated at $3.9 million.</td></tr>
<tr><td>Secured Creditor</td><td>Hawke's Point will agree to:

• take up its entitlements under the Rights Issue in full and underwrite the Rights Issue to the extent of at least 25% (inclusive of its entitlement) or such lesser percentage as required to ensure the Rights Issue is fully underwritten;
• subscribe to at least 25% of the New Convertible Notes or such lesser percentage as required to ensure that the offering of New Convertible Notes is fully subscribed; and
• subsequent to the Rights Issue closing, convert its secured debt (being both its loan facility and its holding of the convertible notes issued 28 September 2019 ('Existing Convertible Notes') into equity at the rate of one cent per share, subject to the approval of the shareholders of EGS at the shareholders meeting to be held after completion of the DOCA, with such conversion to occur simultaneously with the conversion of the New Convertible Notes and the issue of the Placement Shares.

Wyllie Group Pty Ltd, National Nominees Ltd (as nominee for Perennial Value Microcap Opportunities Fund) and Donald Smith Value Fund LP (the Other Secured Creditors), who agree to convert the secured debt under their existing convertible notes into equity at the rate of one cent per share, subject to the approval of the EGS shareholders at the shareholders meeting to be held after completion of the DOCA, with such conversion to occur simultaneously with the conversion of the new convertible notes and the issue of the Placement Shares.</td></tr>
</table>

Key elements	DOCA proposal
Termination	In the event that completion does not occur by 30 April 2019 or such other date as agreed between Hawke's Point and the Deed Administrators, the Deed Administrators may: • Cause the Companies to be placed into liquidation; and/or • Convene a meeting of creditors to vary or terminate the DOCA.
Key Conditions and Subsequent Events	The DOCA will complete on the date which is two business days after satisfaction of thelast of the following Conditions Precedent: (a) That the creditors of the Companies approve the DOCA; (b) The creation of the Creditors' Trust (c) The entry into any requisite new contracts or amendments to existing contracts, in each case to be negotiated in good faith, between Supporting Creditors (or any of their respective associated entities) and the Companies (or an associated entity) in respect of their ongoing commercial relationship on terms reasonably acceptable to both parties; (d) The appointment of the interim managing directors; and (e) The receipt by the Companies of no less than: a. $22 million from the Capital Raising (other than the funds that are to be received in respect of the issue of Placement Shares, which shall be held in escrow pending shareholder approval); and b. $19 million (of that sum of $22 million) to be raised from the New Convertible Notes and Rights Issue; (f) The Conditions Precedent: a. at (a) above can be waived by Hawke's Point (ie: if the entry into the DOCA is not approved by all of the Companies); b. at (e)(b) can be waived by agreement between Hawke's Point and the Administrators if they are satisfied that sufficient funds are available to the Companies to enable Completion to occur; c. are otherwise for the benefit of Hawke's Point and the Administrators and may only be waived by mutual agreement between Hawke's Point and the Administrators in writing; (g) Upon Completion occurring: a. the DOCA will terminate; b. the control of the Companies will return to the New Directors; c. the sum of $7.3 million out of the Capital Raising will be paid to the Trustee of the Creditors' Trust; d. the sums due to Supporting Creditors will be paid out of the Capital Raising by the Deed Administrators; and e. the claims of all creditors except for the PPSR Secured Creditors against the Companies will be released, and creditors other than Supporting Creditors will only be entitled to participate as beneficiaries under the Creditors' Trust. (h) Events subsequent to completion: a. The shareholders of EGS will approve (to the extent required): (1) the conversion of debt to equity by the Supporting Creditors; (2) the conversion of the Proponent's Secured Debt and the secured debt of the Other Secured Creditors; (3) the conversion of the New Convertible Notes; (4) the issuance of the Placement Shares; (5) the effectuation of the Directors LEIP (if necessary); b. The Notice of Meeting seeking the shareholder approvals above will include an independent expert's report stating whether, in the expert's opinion, the conversion of Hawke's Point's Secured Debt to equity is fair and reasonable to shareholders; c. The Companies will change their name to a new name to be agreed by the directors to whom control is being returned at Completion.

11. EVENTS OCCURRING AFTER THE REPORTING DATE (Continued)

2. On 1 February 2019, at the concurrent second meeting of creditors of the Group, it was resolved that the Deed of Company Arrangement ('DOCA') proposal received on 18 January 2019 from Hawkes Point I Ltd, be executed.

3. Settlement deeds have been executed in relation to critical tenements subject to plaints. It is intended plaint applications on non-critical tenements will be defended by the Group.

Apart from the above, no other matters have arisen since the end of the half year that would impact or are likely to impact the results of the Group in subsequent financial periods.

12. RELATED PARTIES

The following transactions occurred during the half year between the Group and Directors or their director-related entities:

- Delta Resources Management Pty Ltd, a company in which Michael Fotios is a substantial shareholder and director, provided technical and administrative support to the Group to the value of $340,000 (inclusive of GST) (31 December 2017: $281,990). A total of $1,102,000 remains due and payable as at 31 December 2018 (30 June 2018: $1,048,000). Interest has not been charged on the outstanding amounts.

- Whitestone Minerals Pty Ltd is a company wholly owned by Investmet Ltd, a company in which Michael Fotios is a substantial shareholder and director, provided no consulting services to the Company for the six months to 31 December 2018 (31 December 2017: $1,746,714). $155,000 remains due and payable as at 31 December 2018 (30 June 2018: $168,400). All charges are on non-interest-bearing terms.

- Horseshoe Metals Ltd is a company in which Michael Fotios is a substantial shareholder and director. Horseshoe has a loan of $36,000 owing to the Company as at 31 December 2018 (30 June 2018: $36,000). All charges are on non-interest-bearing terms. Interest is not charged. All amounts receivable at 31 December 2018 have been fully provided for.

- Scorpion Minerals Ltd (formerly Pegasus Metals Ltd) is a company in which Michael Fotios is a substantial shareholder. Scorpion has a loan of $4,000 owing to the Company as at 31 December 2018 (30 June 2018: $4,000). All charges are on non-interest-bearing terms. All amounts receivable at 31 December 2018 have been fully provided for.

- Redbank Copper Limited ('Redbank') is a company in which Michael Fotios is a substantial shareholder and director. The amount receivable as a result of services rendered to the Group totals $35,000 as at 31 December 2018 (30 June 2018: $35,000). All charges are on non-interest-bearing terms. All amounts receivable at 31 December 2018 have been fully provided for. During the period Redbank provided services to the Group for which an amount of $9,000 was due and payable by the Group at 31 December 2018.

- Crixus Pty Limited, is a company in which Michael Fotios is a substantial shareholder and director. The amount receivable as a result of the conversion of 5,000,000 options totals $840,000 at 31 December 2018 (30 June 2018: $840,000). All amounts receivable at 31 December 2018 have been fully provided for.

- Apollo Corporation (WA) Pty Ltd, is a related party company of Michael Fotios. The amount receivable as a result of the conversion of 2,500,000 options totals $420,000 at 31 December 2018 (30 June 2018: $420,000). All amounts receivable at 31 December 2018 have been fully provided for.

- The amount receivable from Alan Still as a result of the conversion of 1,800,000 options totals $302,400 at 31 December 2018 (30 June 2018: $302,400). The amount receivable at 31 December 2018 has been fully provided for.

- During the period, the Group received legal and consulting services from Craig Readhead and Readhead Legal Pty Ltd in the amount of $304,000 which remains due and payable by the Group at 31 December 2018.

12. RELATED PARTIES (Continued)

- During the period, the Group received services from Peter Mansell in the amount of $189,000 which remains due and payable by the Group at 31 December 2018.

- Investmet Ltd ('Investmet') is a company in which Michael Fotios is a substantial shareholder and director. The Group owed $11,738,000 (30 June 2018: $10,592,000) to Investmet at 31 December 2018. The interest rate applicable to the loan is 19%. The Investmet loan balance has been classified as a current liability, as the Group has received confirmation from Investmet granting the right to defer payment until 1 April 2019.

- The Group owed $1,023,000 (30 June 2018: $849,000) to the Michael Fotios Family Trust at 31 December 2018. The interest rate applicable to the loan is 19%. The loan balance has been classified as a current liability, as the Group has received confirmation from the Michael Fotios Family Trust granting the right to defer payment until 1 April 2019.

13. DIVIDENDS PAID OR PROPOSED

There were no dividends paid or prosed during the period.

14. CONTINGENT LIABILITIES AND COMMITMENTS

There were no changes to the commitments or contingent liabilities identified as at 30 June 2018.

EASTERN GOLDFIELDS LIMITED AND ITS CONTROLLED ENTITIES
(IN ADMINISTRATION AND SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018
DIRECTORS' DECLARATION

In the opinion of the Director of Eastern Goldfields Limited and its Controlled Entities (subject to Deed of Company Arrangement), I state that:

(a) The financial statements and accompanying notes of the Group are in accordance with the Corporations Act 2001, including:
   (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 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 2, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

2. the Director has been given the declarations required by Section 295A of the Corporations Act 2001 from the Interim Chief Executive Officer and Chief Financial Officer for the half year ended 31 December 2018.

Signed in accordance with clauses 2.4(a)(1) and 2.4(f) of the Deed of Company Arrangement

Peter Mansell
Non-executive Director

Perth, Western Australia
Dated this 1st day of April 2019

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Independent auditor's review report to the members of Eastern Goldfields Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Eastern Goldfields Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim condensed consolidated statement of financial position as at 31 December 2018, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – material uncertainty related to going concern

We draw attention to Note 2(b) in the financial report 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 on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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*.

Ernst & Young

Ernst & Young

Phillip Teale
Partner
Perth
1 April 2019