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## ROTHSAY PRE-FEASIBILITY STUDY CONFIRMS POTENTIAL FOR NEW HIGH-GRADE, HIGH- MARGIN AUSTRALIAN GOLD PROJECT

Egan Street Resources Limited (ASX: EGA) is pleased to announce that the Pre-Feasibility Study (PFS) on its 100%-owned **Rothsay Gold Project**, located 300km north-east of Perth in WA's Midwest region, has confirmed the potential for it to be developed as a new high-grade, high-margin Australian gold project capable of delivering strong financial returns for shareholders.

### **ASX Chapter 5 Compliance and Pre-feasibility Study Cautionary Statement**

*The information and production target presented in this announcement is based on a pre-feasibility study ("PFS"). The PFS has been conducted to determine the potential viability, and optimum pathway to production, of an underground mining operation and CIL processing route for the Rothsay Gold Project ("Rothsay" or the "Project"). The results of the PFS have been sufficient for Egan Street Resources Ltd ("EganStreet or the "Company") to reach a decision to proceed to a Feasibility Study for the Project.*

*The Company has concluded that it has a reasonable basis for providing the forward-looking statements and forecast financial information included in this announcement. The detailed reasons for that conclusion are outlined throughout this announcement and all material assumptions, including the JORC modifying factors, upon which the forecast financial information is based are disclosed in this announcement and in Table 1 Annexure A. This announcement has been prepared in accordance with the JORC Code (2012) and the ASX Listing Rules.*

*The Company advises that the PFS results, production targets and forecast financial information contained in this announcement are preliminary in nature as the conclusions are based on medium-level technical and economic assessments, conducted to an overall level of accuracy of +/- 25%, and are insufficient to support the estimation of Ore Reserves or to provide an assurance of economic development. The Company cautions that there is no certainty that the forecast financial information derived from the production targets will be realised.*

*The production target referred to in this announcement is based on Mineral Resource estimates which are classified as Indicated (65%), Inferred (32%) and planned dilution (3%). There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.*

*The stated Production Target is based on the Company's current expectations of future results or events and should not be relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish further confidence that this target will be met. The Company believes it has a reasonable ground for reporting the results of the PFS based partially on Inferred resources due to the availability of historical production and mining studies completed to date.*

*If the Inferred resources within the mine design are excluded, the preliminary economic analysis still forecasts a positive financial performance, based upon the PFS assumptions, by processing of only the current Indicated Mineral Resources. The Company therefore is satisfied that the use of Inferred Mineral Resources in the production target and forecast financial information is not the determining factor in overall Project viability and that it is reasonable to report the PFS including the Inferred Mineral Resources.*

*The PFS outputs contained in this report relate to 100% of the Project. Unless otherwise stated all cashflows are in Australian dollars, are not subject to inflation/escalation factors and all years are calendar years.*

*The Company believes it has sufficient funds to be able to complete the proposed feasibility study and then fund and develop the Project. However, there is no certainty that the Company can raise funding when required.*

# ROTHSAY PRE-FEASIBILITY STUDY CONFIRMS POTENTIAL FOR NEW HIGH-GRADE, HIGH- MARGIN AUSTRALIAN GOLD PROJECT

**Low funding requirement of \$33.9m underpins strong economics and potential rapid pathway to production**

## HIGHLIGHTS

- › Pre-Feasibility Study (PFS) demonstrates the potential for EganStreet's 100%-owned Rothsay Gold Project in WA to be a high-grade, high-margin gold project.
- › Life-of-mine (LOM) production target of 936kt grading 7.0g/t Au for 211koz of gold – double the LOM production target in the December 2016 Scoping Study.
- › Initial mine life of 5.5 years, with significant exploration potential.
- › Estimated total funding requirement of \$33.9m\* (including 15% contingency and \$8.9m of working capital).
- › Estimated LOM C1 cash cost of \$836/oz and all-in sustaining cost (AISC) of \$1,020/oz#.
- › Forecast LOM free cash-flow of \$82.3m.
- › Capital payback period of 23 months.
- › Net Present Value (NPV<sub>8%</sub>) of \$58.1m
- › Results will form part of a fast-tracked Feasibility Study on the Rothsay Project, which is well underway and targeted for completion by late Q3 2017.
- › First gold production targeted for mid-2018.
- › Multi-pronged exploration programs continuing, aimed at growing the current high-grade 262koz resource inventory at Rothsay.

The PFS builds on a Scoping Study completed in December 2016, delivering an almost two-fold increase in projected life-of-mine (LOM) gold production to 200koz, together with lower forecast C1 costs and all-in sustaining costs (AISC) – demonstrating that the Rothsay Gold Project has the potential to generate strong cash-flows underpinned by high-grade gold production and low pre-production capital costs.

In light of the advanced nature of the Rothsay Gold Project and the strong results from the 2016 Scoping Study, EganStreet has already commenced many of the key elements required for a Definitive Feasibility Study, which is on track for completion next quarter.

The PFS concludes that the Rothsay Gold Project is financially and technically viable based on its previously announced redevelopment strategy targeting unmined fresh material which can be accessed via an existing

\* Note: all Dollars are Australian Dollars unless otherwise specified

# ASIC = Cash Cost (C1) (site based mining, processing, site services operating costs & administration costs) + royalties + sustaining capital costs, this applies for the entire announcement

decline which requires rehabilitation. Rothsay has a rich mining history dating back to the discovery of gold in 1894 and including several phases of mining, most recently by Metana Minerals in the late 1980s.

The PFS forecasts life-of-mine (LOM) production of 936kt grading 7.0g/t Au for approximately 200koz of gold (up from 493kt grading 6.7g/t Au for 106koz in the December 2016 Scoping Study).

Forecast LOM C1 cash costs are \$836/oz and all-in sustaining costs (AISC) are \$1,020/oz (down from \$907/oz and \$1,056/oz respectively).

The proposed 5.5-year LOM production target contains 65% of Indicated Mineral Resources and 32% of Inferred Mineral Resources. The remainder, 3%, is planned mine dilution.

The total funding requirement is forecast at \$33.9 million, including a \$3.3 million contingency and \$8.9 million of working capital. This represents a slight increase over the \$28.1 million forecast in the Scoping Study due to additional mine capital development required to deliver the expanded LOM production target.

Based on these parameters, the Rothsay Gold Project delivers a Net Present Value using an 8% discount rate of \$58.1 million and has an estimated capital payback period of just 23 months.

A gold price of US\$1,200/oz and an exchange rate (USD: AUD) of 75 cents, giving A\$1,600/oz gold price has been assumed for the PFS.

Based on the strength of these results, Egan Street will now work to complete the Definitive Feasibility Study, which is well advanced and targeted for completion by late in the third Quarter of this year.

This timetable will allow the Company to target first gold production by mid-2018.

EganStreet's Managing Director, Marc Ducler, said the completion of the Pre-Feasibility Study marked a significant milestone towards the Company's objective of becoming a low-cost, high-grade gold producer at Rothsay within the next 1.5 years.

*"The PFS is a significant improvement on the Scoping Study completed late last year, doubling the projected production profile and more than tripling the free cash flow of the Rothsay Gold Project with only a modest increase in the total funding requirement – which remains at a very low \$33.9 million including contingencies and working capital.*

*"This is a great result which outlines a very clear and straightforward pathway to production and cash-flow for the Company. The high quality PFS results will feed directly into the current Definitive Feasibility Study, which is well advanced and expected to be completed late next quarter.*

*"This aggressive development timetable should allow us to secure financing and commence project development and construction early next year – putting us on track to produce our first gold by the middle of 2018.*

*"At the same time, we have also been ramping up our exploration activities at Rothsay with a view to growing our gold inventory and unlocking the broader potential of the project. Drilling is currently underway targeting shallow up-plunge extensions of the main "A" Shear resource to the north. Subsequent drilling will also target potential shallow mineralisation to the south of the resource and in the hanging wall shears.*

*"There is also outstanding potential to extend the deposit at depth and down-plunge from future underground drilling positions and, in the surrounding area, to make new discoveries along parallel shear zones.*

*"Our strategy is to establish a clear pathway to production and cash-flow while in parallel working hard to demonstrate the longer-term growth potential and upside of the Rothsay Project. With the completion of the PFS and exploration activities now ramping up, we are in a great position to deliver on both of these objectives."*

TABLE 1 – KEY PHYSICALS

		Pre-Production	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Ore Mined</b>	kt	14.3	148.7	212.7	202.1	191.7	166.7	<b>936.1</b>
<b>ROM Grade</b>	g/t	4.9	6.5	7.2	7.6	6.9	6.7	<b>7.0</b>
<b>Ounces Mined</b>	koz	2.0	30.9	49.3	49.6	42.7	35.9	<b>210.7</b>
<b>Ore Processed</b>	kt	-	163.0	200.0	200.0	200.0	173.2	<b>936.1</b>
<b>Plant Recovery</b>	%		95%	95%	95%	95%	95%	<b>95%</b>
<b>Ounces Produced</b>	koz		31.5	45.3	47.1	41.5	34.8	<b>200.2</b>
<b>Cash Cost</b>	\$/oz		975	835	758	836	817	<b>836</b>
<b>AISC</b>	\$/oz		1,298	1,015	920	1,004	927	<b>1,020</b>
<b>Gross Revenue</b>	A\$m	(33.9)	9.5	26.5	32.0	24.7	23.4	<b>82.3</b>
<b>Cumulative Revenue</b>	A\$m	(33.9)	(24.4)	2.1	34.1	58.9	82.3	
<b>NPV<sub>8%</sub></b>	A\$m							<b>58.1</b>
<b>IRR</b>	%							<b>57%</b>

TABLE 2 - KEY FINANCIALS

Description				
<b>Capex</b>				A\$m
UG Rehabilitation & Mining				2.9
Process Plant				14.5
Camp				1.4
HV Power Plant				1.2
Other Infrastructure				1.7
<b>Total Capex</b>				<b>21.7</b>
Contingency	15%			3.3
Working Capital				8.9
<b>Funding Requirement</b>				<b>33.9</b>
<b>Opex</b>	A\$/t	A\$/oz		A\$m
Mining	110.9	519		103.8
Processing	43.4	203		40.6
Site Services	24.5	115		23.0
<b>Cash Costs</b>	<b>178.8</b>	<b>836</b>		<b>167.4</b>
Royalties	9.3	43		8.7
Sustaining Capex	30.0	140		28.1
<b>AISC</b>	<b>218.0</b>	<b>1,020</b>		<b>204.1</b>
<b>Project</b>				
Initial LOM	Years			5.5
NPV (Pre-Tax) at discount rate of 8%	A\$m			58.1
IRR (Pre-Tax)	%			57%
Payback	Years			1.9

The PFS has been prepared by a number of independent consultants in conjunction with (and brought together by) EganStreet employees and management. Contributors are described in more detail below:

- › **Mineral Resource Estimate** – Cube Consulting Pty Ltd: Mineral Resource Estimate, Technical Report Rothsay Gold Project, March 2017
- › **Environment Approvals** – Symbiosis Environmental Services, May 2017
- › **Geotechnical Review** – Turner Mining & Geotechnical Pty Ltd: Rothsay Gold Mine Portal and Decline Rehabilitation Report, October 2016 and Rothsay Gold Mine Geotechnical Study, December 2016
- › **Mining** – Maksana Engineering Solutions Pty Ltd & EganStreet: Underground Mining Pre-Feasibility Study, May 2017
- › **Process Plant, Power Provision and HV Reticulation** – CPC Project Design Pty Ltd: Process Plant Design & Cost Estimate, Power Plant Design & Cost Estimate, Rothsay Gold Project Prefeasibility Study, Sept/Nov 2016
- › **Tailings Dam** – Mine Waste Solutions Pty Ltd: Tailings storage preliminary modelling and design Rothsay Gold Project, November 2016; and Knight Piésold: Preliminary 1Mt Design Option, Material Quantities and Costs, May 2017
- › **Surface Infrastructure** – Midwest Minesite Management Pty Ltd: Rothsay Gold Project Surface Infrastructure Proposal, April 2017
- › **Metallurgical Testwork:**
  - › Scanned metallurgy production records, Metana Minerals: January to September 1990, monthly production records and reports
  - › B G Harris Consulting Geologist – Rothsay Gold Project: Report on Diamond Drill Sampling for Metallurgical Testing, September 2002
- › **Financial Model** – Costs were provided to EganStreet by CPC Project Design Pty Ltd, numerous mining contractors and Midwest Minesite Management. EganStreet constructed the Financial Model which has been independently reviewed by ADB Consultancy Pty Ltd.

This announcement reports the results of the PFS as follows:

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## 1. INTRODUCTION

EganStreet is an emerging West Australian gold company which is focused on the exploration and development of the 100%-owned Rothsay Gold Project, located 300km north-east of Perth in WA's Midwest region. (Figure 1)

The Rothsay Gold Project currently hosts high-grade Mineral Resources of 262koz at an average grade of 11.6 g/t Au (Indicated 399kt @ 11.9g/t Au and Inferred 303kt @ 11.3g/t Au) and a production target of 936kt @ 7.0g/t for 200koz of gold produced.

The Company is focused on increasing the geological confidence of the Mineral Resource, expanding the known mineralisation and carrying out the necessary evaluation, modelling and feasibility studies to progress a potential near-term, low capital intensity opportunity to commence mine development and gold production operations.

EganStreet has a strong Board and Management team which has the necessary range of technical and commercial skills to progress the Rothsay Gold Project to production.

The Company is funded to progress the Rothsay Gold Project to a decision to mine (technical and commercial studies completed, funding secured and key construction, mining and processing contracts in place).

EganStreet's longer term growth aspirations are based on a strategy of utilising the cash-flow generated by an initial mining operation at Rothsay to target extensions of the main deposit and explore the surrounding tenements, which include a 10km strike length of highly prospective and virtually unexplored stratigraphy.

This Study is completed to the level of Pre-Feasibility Study as defined in clause 39 of the 2012 Edition of the JORC Code.



FIGURE 1: ROTHSAY GOLD PROJECT LOCATION

## 2. MINERAL RESOURCE ESTIMATION

The Mineral Resource Estimate (MRE) for the Rothsay Gold Project was updated by Cube Consulting Pty Ltd in March 2017. The 2017 MRE is an update of the 2016 MRE, following the in-fill drilling campaign carried out in late 2016 consisting of 11 diamond drill holes with a total of 3,600m drilled. The MRE has been classified and reported in accordance with the 2012 Edition of the JORC Code. The estimated model has been reported on a depleted basis above a gold lower cut-off of 5.0g/t Au (reported to approximately 400m below surface) with an assumed medium to small-scale underground mining method of exploitation (see Table 3). Additionally, a halo interpretation to the "A" Shear has been constructed, in order to estimate gold grades contained in the hanging wall and footwall dilution for this shear to be considered in underground mine design and Ore Reserve definition.

TABLE 3: GLOBAL MRE

Resource Category	kt	Grade (g/t Au)	Contained Metal (Au koz)
Indicated	399	11.9	152
Inferred	303	11.3	110
Total	701	11.6	262

Included in the global MRE, is the "A" Shear only Mineral Resource estimate above a gold lower cut-off of 5.0g/t Au which is summarised in Table 4. For the purpose of the PFS only the "A" Shear has been used for mine design purposes.

TABLE 4: A-SHEAR MRE

Resource Category	kt	Grade (g/t Au)	Contained Metal (Au koz)
Indicated	398	11.9	152
Inferred	291	11.5	108
Total	689	11.7	260

## 3. PERMITTING REQUIREMENTS

The approvals considered necessary for the recommencement of mining and processing at the Rothsay Gold Project have been re-assessed by independent environmental consultants in May 2017.

Baseline flora studies and fauna studies have been completed. Woodman Environmental Consulting conducted a spring flora and vegetation survey which did not identify any declared rare flora within the two granted mining tenements at the Rothsay Gold Project (M59/39, M59/40). Similarly, a fauna assessment conducted by Bamford Consulting in early 2017 did not identify any listed species of significance. Targeted searching was undertaken for the Western Spiny-tailed Skink, Mallee-fowl and Shield-backed Trapdoor Spider, no evidence of these were found. Once surface infrastructure locations are finalised, the Company will apply for the necessary permitting for land clearing.

Detailed hydrogeology, hydrology and tailings storage facility studies are currently underway and will feed into Department of Mining and Petroleum (DMP) *mining proposal* submission and the Department of Environmental Regulation (DER) *works approval* application.

From current estimates, it is considered that the approvals process will not impact the Project schedule.

## 4. MINING

As a part of the PFS, Maksena Engineering Solutions Pty Ltd and EganStreet completed a mining study to a Pre-Feasibility level of accuracy. Estimates with mining capital and operating costs were supplied by independent mining contractors. A detailed mine design, schedule and cost estimation was completed based on the MRE for the "A" Shear, directly beneath and also to the south of the underground workings. The existing development was incorporated as part of the design.



A number of mining methods were considered as a part of the PFS. The deposit characteristics, particularly the orebody geometry in the form of strike length, dip, thickness and high gold grade nature has been influential in the selection of mining method. Two methods have been chosen, namely:

- › The majority of the Production Target is mined by Long Hole Open Stoping (LHOS) with Cemented Rock Fill pillars (CRF). A top-down method that pre-mines the pillars and fills with high strength CRF prior to commencing stoping. The high-grade nature of the orebody more than justifies the additional cost associated with CRF for higher mining recoveries
- › Bench Stoping is employed in the Southern Upper Zone above the 1225RL. This is a bottom-up method, where stopes are extracted and filled with rock-fill. Then working off the rock-fill, the above level is extracted.

LHOS and Benching methods were chosen as the preferred option in the PFS, however, the handheld shrinkage method should not be discounted as an option in the future, specifically in the narrower stopes.

These methods provide early cash-flow as production can commence as soon as initial ore levels are established; it also provides operational flexibility, as the mine will have two separate zones, the Southern Upper Zone utilising Benching and the Lower Zone below the existing working utilising LHOS.

EganStreet anticipates contractors will perform the underground mining, while EganStreet will undertake technical services and the management of the operation.

#### 4.1 UNDERGROUND REHABILITATION

The expected underground rehabilitation requirement for the Rothsay Gold Project remains unchanged from that detailed in the Scoping Study (see ASX announcement “Rothsay Scoping Study Revised” dated 23 December 2016 for additional detail).

#### 4.2 GEOTECHNICAL & MINE DESIGN

The mine has been designed on a typical LHOS/Benching layout applicable for the Rothsay “A” Shear orebody. The design parameters are outlined in Table 5.

TABLE 5: MINE DESIGN PARAMETRES

Description	
Decline gradient	1 in 7
Decline Profile	5.0mW x 5.0mH
Decline Turning Radius	17.5m & 20m
Level Spacing	15m
Stope Height (Back to Floor)	12m
Ore Drive Profile	2.5mW x 3.0mH
Stope Dilution	0.4m
Minimum Mining Width	1.0m
Average Stope Width	1.4m
Maximum Stope Width	4.4m
CRF Pillars	20%
Maximum Stope Length	50m

The previous design outlined in the Scoping Study had a level spacing of 18m. Geotechnical work completed by Turner Mining & Geotechnical Pty Ltd (Turner Mining) has recommended that this be reduced to 15m, to provide more optimal control of the hanging wall stability. Turner Mining estimated an average dilution of 0.4m (0.1m from the footwall and 0.3m from the hanging wall).

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CRF pillars will be pre-installed in extracted stopes a level below the deepest producing level to enable top-filling. A high strength CRF above 10MPa will be required with a cement content of 5-10%. The geotechnical parameters indicate 20% of the open stope void will be filled with CRF pillars. Actual pillar and stope void sizes will be reviewed once further geotechnical testing, which is currently underway, is completed for inclusion in the DFS.

The design contains two separate decline working areas: the main decline servicing the majority of the resource below the current workings and a minor incline servicing the Southern upper resource adjacent to the existing workings. The main decline is a continuation of the existing decline from approximately the 1220RL, while the Southern upper incline branches off the new decline at 1210RL. The main decline is designed in a 'Figure-8' style configuration while the Southern upper incline is designed in a "spiral" type configuration. The declines have a minimum radius of 17.5m to provide optimal access to levels every 15 vertical metres, whilst also allowing trucks to operate at a productive speed when travelling up and down the decline.

The main decline has a downward gradient while the Southern upper decline has an inclined gradient; both declines have been designed at a minimum 1:7, this is considered to be optimal from the point of view of maximising capability of the haulage fleet whilst minimising decline length per vertical metre and, thus, capital spend.

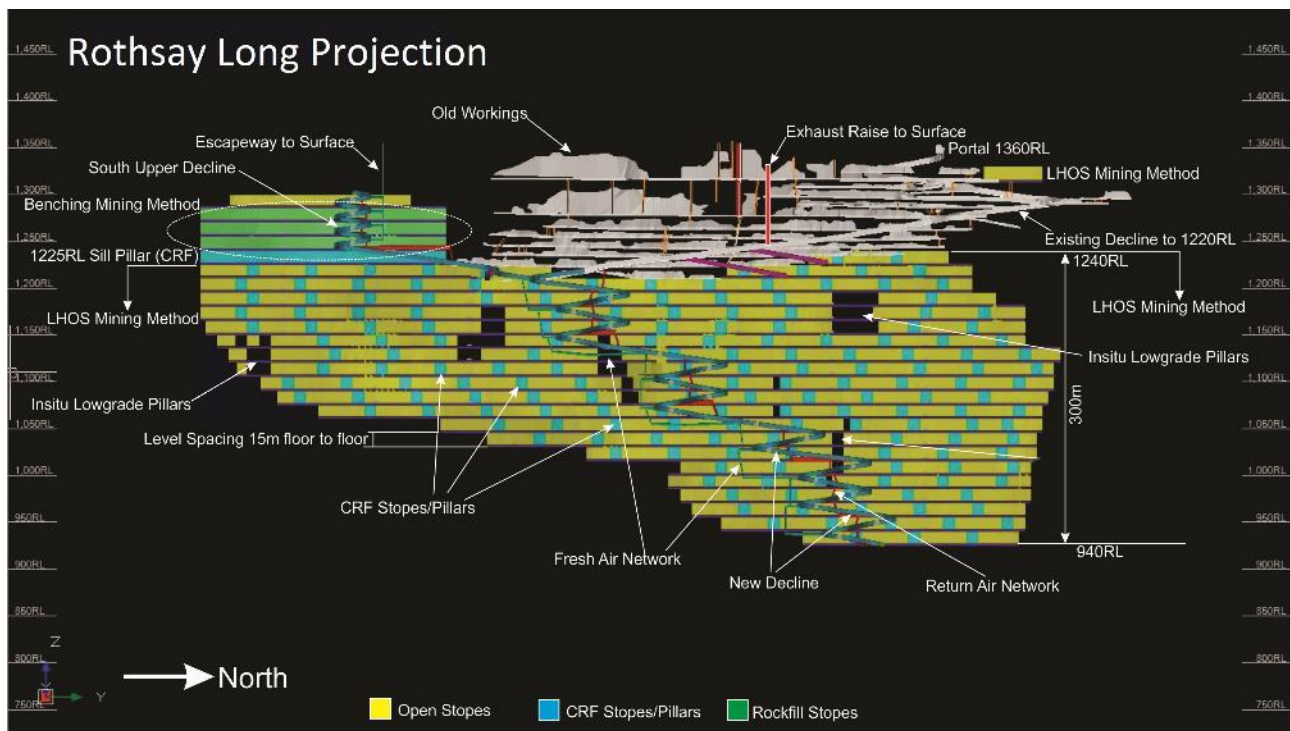


FIGURE 2: ROTHSAY LONG SECTION

Vertical capital development consists of the fresh air (escapeway) raises (FAR) and return air raises (RAR).

The FAR linking vertically the escapeway drives allows personnel to egress the underground workings, bypass unsafe mine areas or otherwise reach safe refuge during emergency situations. This vertical development is established via standard raisebore drill methods at a nominal diameter of 1.5 metres.

The RAR are sub-vertical excavations, similar to a shaft, that link vertically two return/intake airway drives and facilitate the flow of air between them. This is established by standard long-hole methods at a cross-sectional profile of 2.0m x 2.0m, giving a cross-sectional area of 4m<sup>2</sup>. This return airway dimension will be reviewed as part of future studies.

The RAR/FAR network has been tied in to the existing shaft network at approximately the 1240mRL.

Ore drives are to be developed at a profile of 2.5mW x 3.0mH. The ore drive profile, in particular the width, is critical to the overall project because it can have a significant impact on the mined grade from dilution due to the narrow nature of the orebody.

The mine was designed down to the 925mRL (approximately 435m below the surface). This was the vertical limit that the Project was economically viable under the cost structure within the financial model, given the strike extent of known mineralisation at those depths.

### 4.3 VENTILATION

The proposed layout of the Rothsay ventilation circuit is essentially a single series circuit, connected to one primary ventilation fan [installed on the existing British Queen shaft] and making use of existing historic workings for a large portion of the return air pathway. Figure 3 shows a basic schematic of the proposed ventilation circuit.

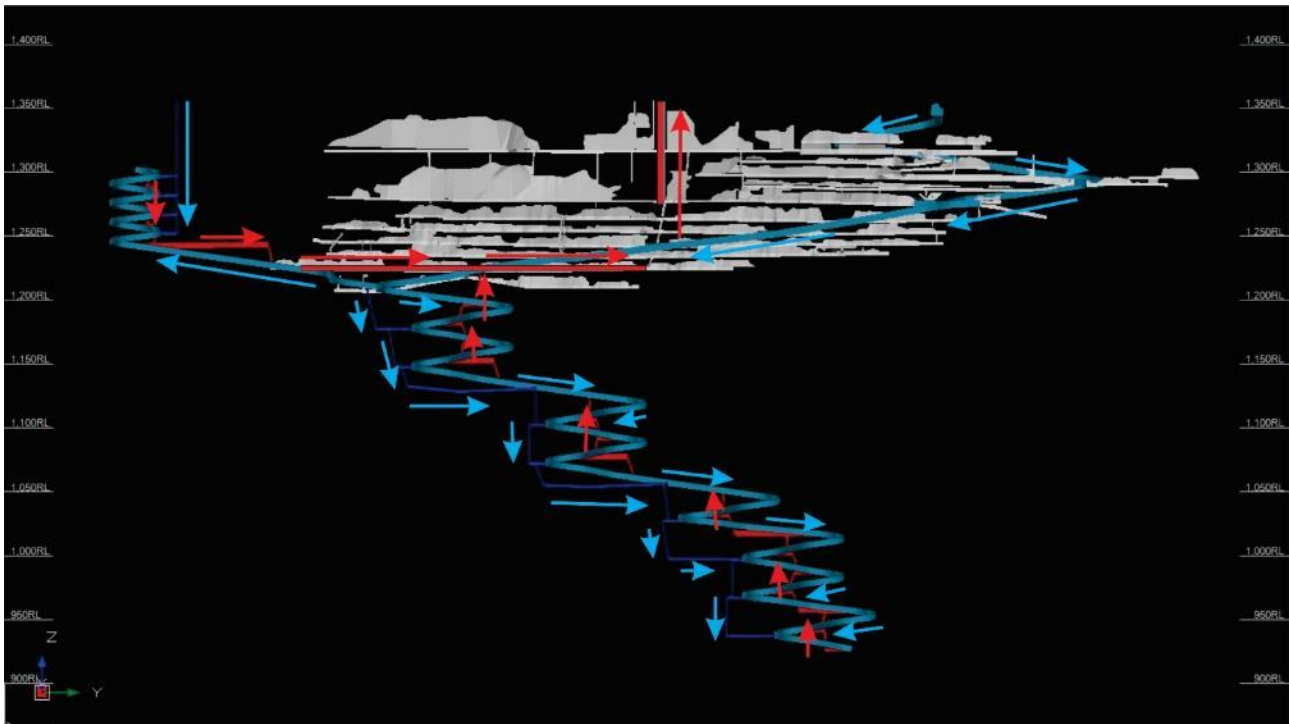


FIGURE 3: ROTHSAY PRIMARY VENT CIRCUIT

The majority (90%) of the intake air for the mine will be via the decline. The remaining air will be drawn into the mine via the emergency egress airways. The emergency egress airways account for a limited portion of the air due to their small size and their inherently high resistance as a result of having ladderways and associated equipment installed. The design dimensions for the emergency egresses are 1.5m diameter. The design dimension of the return airways is circular with a 2m diameter.

The proposed mine design is such that each return airway connection is located on a cross-cut, allowing for air from each working level to be immediately directed to the return without re-entering the decline airflow.

### 4.4 MINE SCHEDULING

The mine production rates were split into the various mining activities within the mine. These were between the development and production activities. There were two main criteria that defined the rate that could be achieved: the driving rate of the individual activity and the overall number of resources that could be used at the same time.

Capital development (all development other than ore drives) single heading advance was scheduled at a maximum rate of 120m/month. This maximum rate of 120m/month was applied only to the decline during the initial ramp-up period and until such point as the decline was far enough in advance of the stoping front so as not to become a constraint on the schedule. A further factor taken into consideration for advancing the decline

at a faster rate was in order to establish the CRF Stope/Pillars in advance of the open stoping front. The decline rate was subsequently reduced to around 40m/month after the point in the schedule that the decline was sufficiently in advance of the stoping front and it was deemed pertinent to offset capital advance on an as-needed basis, but to a point that it would not affect the advance of the stoping front.

Operating development (ore drives) single heading advance was scheduled at a rate of 80m/month.

It was assumed that two jumbo's with an overall efficiency of 300m/month each would be required for the first 2 years of mine life and 1 jumbo thereafter for the remainder of the life of the development cycle.

The stoping schedule is based on the following rates for the three main production activities:

- > Stope Slotting – 2.0m/day (2 slotting resources)
- > Stope Production Drilling – 150m/day (1 production drilling resource)
- > Stope Boggging – variable dependent on the distance from access
  - > Stopes <100m from Access – 500t/day
  - > Stopes 100m – 200m from Access – 400t/day
  - > Stopes 200m – 300m from Access – 300t/day
  - > Stopes 300m – 400m from Access – 200t/day
  - > Stopes > 400m from Access – 100t/day
- > Stope Backfilling – 500m<sup>3</sup>/day

An indicative mining schedule has been developed in keeping with the mining methodology and sequencing/scheduling assumptions outlined in the sections above.

Table 6 gives a summary of the underground mining production.

**TABLE 6 - ROTHSAY QUARTERLY UNDERGROUND PRODUCTION<sup>1</sup>**

Period	Tonnes	Grade (g/t)	Ounces (oz)
Q1	14,297	4.87	2,240
Q2	28,397	5.70	5,200
Q3	28,709	5.68	5,240
Q4	43,874	6.86	9,671
Q5	47,691	7.03	10,774
Q6	52,420	7.37	12,416
Q7	51,821	7.15	11,914
Q8	57,428	6.91	12,763
Q9	51,018	7.44	12,200
Q10	52,716	7.40	12,543
Q11	52,596	7.69	13,007
Q12	51,099	7.54	12,388
Q13	45,659	7.97	11,704
Q14	50,639	6.70	10,916
Q15	47,899	7.65	11,776
Q16	49,263	6.64	10,522
Q17	43,936	6.72	9,499
Q18	47,194	6.68	10,139
Q19	47,952	5.82	8,980
Q20	43,731	7.34	10,324
Q21	27,801	7.26	6,486

The key results of the schedule are itemised below in Table 7.

TABLE 7 - KEY PHYSICALS

Key Physical	
UG Mine Project Life	5.25 years
Total Mined Ore Tonnes	936.1kt
Mined Ore Grade	7.0g/t Au
Mined Ounces	210.7 koz
Annualised Steady State Production Rate (approx.)	200ktpa (~50koz)

#### 4.5 PRODUCTION TARGET RESOURCE CATEGORIES

The Rothsay mine production target contains mineral resource classifications of various confidence levels as reported in the MRE. A summary of the different types of resource material classifications that make up the mine plan discussed in the PFS can be seen in Table 8.

*Cautionary Statement* – There is a low level of geological confidence associated with Inferred Mineral Resources, and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

TABLE 8 - ORE REPORT BY RESOURCE CLASSIFICATION<sup>1</sup>

Ore Report by Resource Classification	% of Total	
Final Recovered Measured Ore (kt)		
Final Recovered Measured Ore Grade (g/t Au)		
Final Recovered Measured Ore Ounces (koz)		
Final Recovered Indicated Ore Tonnes (kt)	541.9	
Final Recovered Indicated Ore Grade (g/t Au)	7.9	
Final Recovered Indicated Ore Ounces (koz)	137.9	65%
Final Recovered Inferred Ore Tonnes (kt)	318.4	
Final Recovered Inferred Ore Grade (g/t Au)	6.6	
Final Recovered Inferred Ore Ounces (koz)	67.2	32%
Final Recovered Unclassified/Dilution Ore Tonnes (kt)	75.8	
Final Recovered Unclassified/Dilution Ore Grade (g/t Au)	2.3	
Final Recovered Unclassified/Dilution Ore Ounces (koz)	5.6	3%

The majority of the ounces mined will be from the Indicated category (65%) and are predominantly mined prior to the Inferred Mineral Resource (from which 32% of the total ounces will be produced). Approximately 67% of the total ounces mined from the Inferred Mineral Resource will be extracted in the final 2.5 years of the mine schedule.

A combination of drilling from surface and underground will be utilised to in-fill the Inferred portion of the Mineral Resource once cash flow is established. Drilling from underground provides more optimal information as holes are shorter, easier to control and gives a higher confidence on the targeted intercept.

<sup>1</sup> Note tables may not match due to apparent rounding errors.

## ROTHSAY OUNCES BY RESOURCE CATEGORY

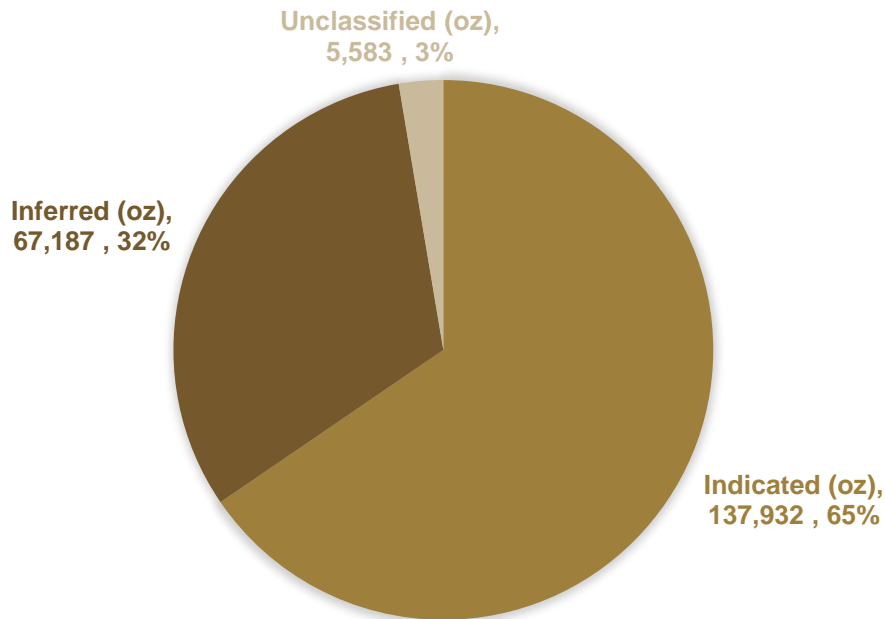


FIGURE 4: ROTHSAV OUNCES BY RESOURCE CATEGORY

## 5. PROCESSING

As a part of the original Scoping Study, CPC Project Design (a wholly owned subsidiary of CPC Engineering) completed a study to a Pre-Feasibility level of accuracy for capital and operating costs associated with constructing and operating a gold processing plant at Rothsay.

The proposed plant design and process flow for Rothsay is based on well understood and proven technology.

### 5.1 DESIGN CRITERIA AND FLOWSHEET

The design of the 200ktpa gold plant consists of:

- › 3-stage crushing and screening circuit to handle a top feed size of 0.6m and producing a P<sub>80</sub> of 8mm, the circuit is designed to operate on a single shift at 50tph.
- › A single stage ball milling and classification circuit producing a final product size of P<sub>80</sub> 106µm. The grinding and CIL circuit is designed to operate at 91.3% overall utilisation (8000 hrs per year).
- › A gravity recovery circuit consisting of a Falcon Concentrator and Gemini Table.
- › A CIL circuit of two leach tanks and six adsorptions tanks for a 24-hr residence time.
- › High rate tailings thickener.
- › A 1.0 t AARL elution circuit with separate acid wash column and elution columns capable of stripping every 24 hrs, 6 days per week.
- › A secure gold room with a tilting furnace, calcine oven and associated gold room equipment.

Proposed process flow diagrams for the crushing and milling circuit and the gold circuit are provided below.

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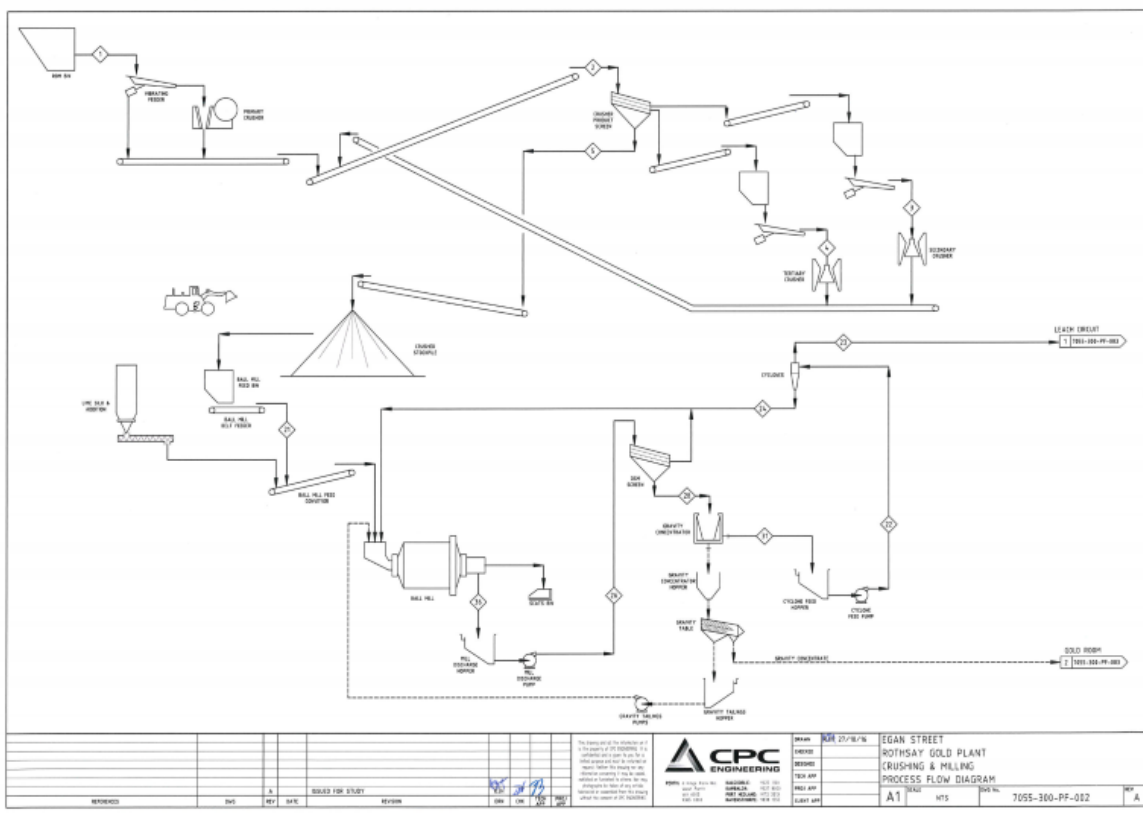


FIGURE 5 - CRUSHING AND MILLING CIRCUIT

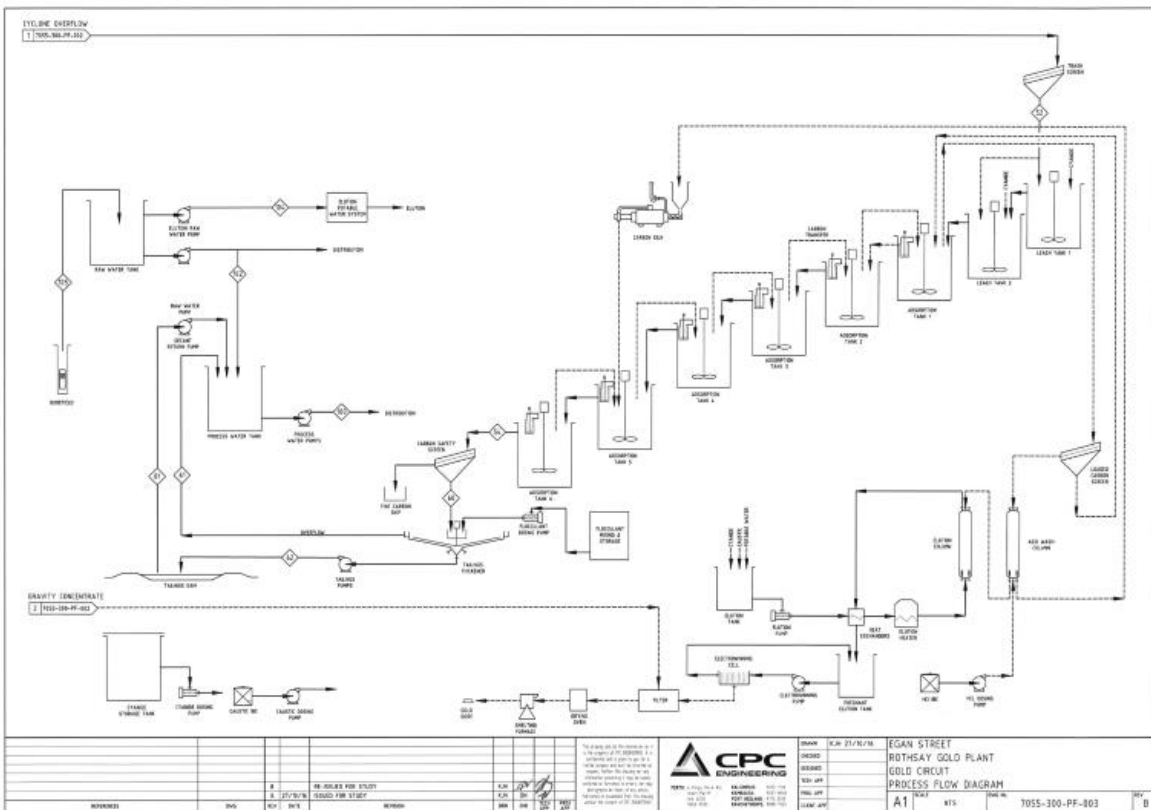


FIGURE 6 - GOLD CIRCUIT

## 5.2 METALLURGY & PROCESS DESIGN

While EganStreet has not collected any new metallurgical data for inclusion in this PFS, the design is based on a review of the existing metallurgical testwork and historical production records from Metana Minerals (the previous mine operator which, at the time, was operating a CIL plant):

- > Production records consisted of 65 pages of scanned monthly production reports that spanned January to September of 1990. From the period of time that the process plant was treating exclusively fresh rock from underground mining (a period of three months), 31,599 tonnes were treated at a head grade of 7.04g/t Au for a gold recovery of 94.7%. The production target contemplated in the PFS is immediately beneath and adjacent to the existing workings and consists solely of fresh rock.
- > Diamond Drill Sampling for Metallurgical Testing, dated September 2002, which consisted of 5.3m of core (from 4 diamond drill holes representing 400m of strike) that was combined into two metallurgically representative samples and subjected to gravity and cyanide leach testwork.
- > Groundwater sampling results 2013 – 2016.

TABLE 9 - SUMMARY OF HISTORICAL AND TESTWORK DATA

	PRODUCTION REPORTS	DRILL TESTWORK
Data points	3 months (31.6kt)	2 tests (4 diamond drill holes)
Head Grade	7.04 g/t Au (YTD)	11.1 & 18.0 g/t Au (Ave 14.6 g/t Au)
Recovery	94.7% YTD	96.8% & 97.9% (Ave 97.5%)
Gravity Recovery		39% & 28.7%
Cyanide (kg/t)	5.76 (4.4 – 6.6)	0.91 & 1.29
Lime (kg/t)		0.4
Caustic (kg/t)	0.71 (0.19 – 1.76)	

A recovery of 95% was assumed for the PFS. This compares well with the historical recoveries achieved and is considered conservative when compared to the diamond drill hole metallurgical testing referred to above.

A comprehensive metallurgical testing programme is currently underway (see ASX announcement “EganStreet Commences Key Metallurgical Test Work Program for Rothsay Gold Project”, 26 April 2017) for inclusion in the DFS.



### 5.3 PLANT LAYOUT

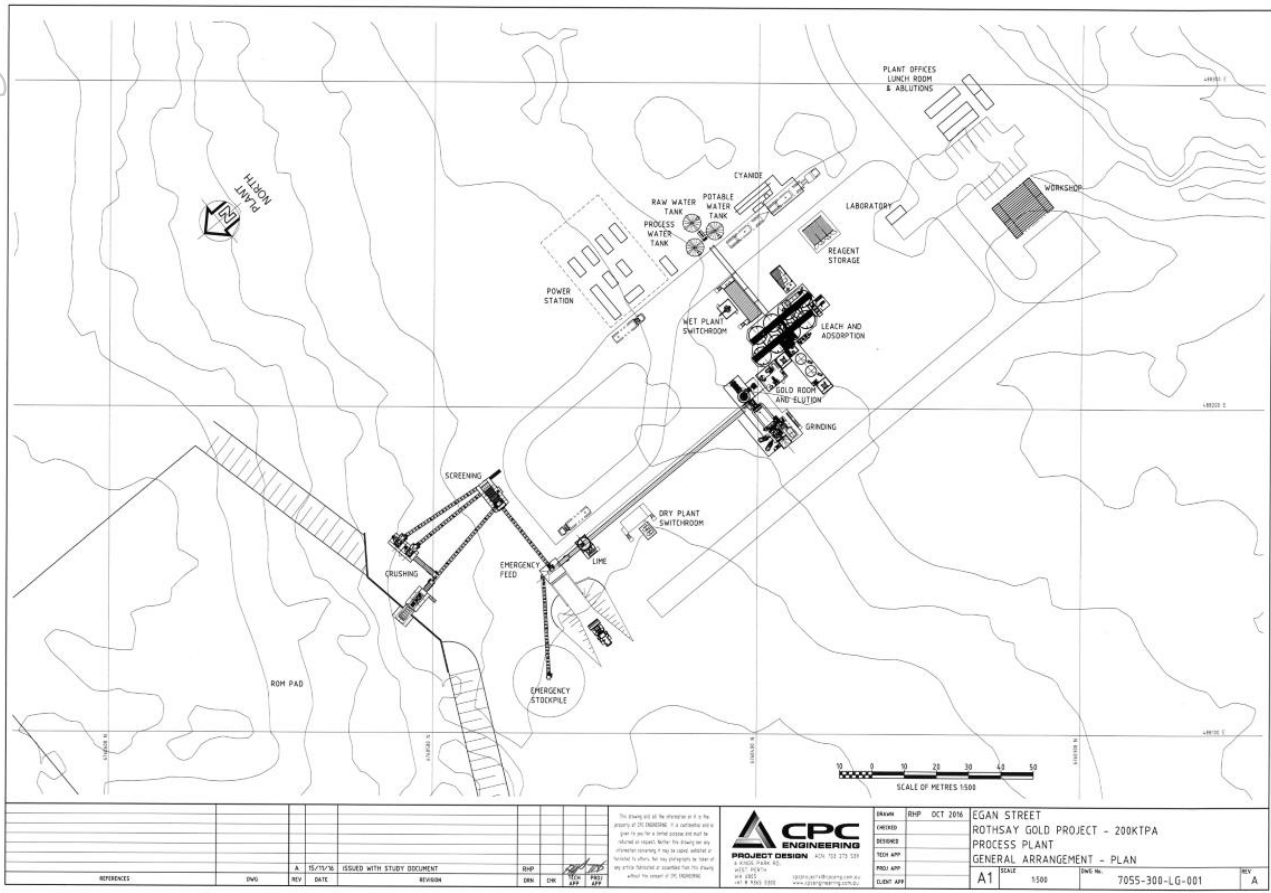


FIGURE 7 - PLANT LAYOUT

### 5.4 TAILINGS STORAGE FACILITY

Rothsay has a previously constructed tailings storage facility (TSF). A recent survey of the area and preliminary design has shown that the remaining capacity will meet the PFS Life of Mine with relatively low levels of construction materials required. Knight Piésold have estimated a staged approach requiring 35,000m<sup>3</sup> of fill being required for the first two years of the project and a further 90,000m<sup>3</sup> for the LOM. The design relies on the following assumptions:

- > 1.5 t/m<sup>3</sup> in-situ dry density for high density tailings disposal
- > Design beach slopes of 1:70 for high density discharge (beach slopes may increase to 1:50, resulting in increased tailings storage capacity, this will be refined during the feasibility stage)
- > The preliminary design assumes a downstream embankment for the first lift and then upstream embankment construction thereafter. The current mine schedule has sufficient waste for the downstream lift, capping the outer shell of upstream raises and capping the surface of the TSF post mine completion
- > Assumes a tailings D<sub>80</sub> of 106µm

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## 6. POWER INFRASTRUCTURE

### 6.1 POWER GENERATION

For the purposes of the PFS, power generation was costed by the provision of a build own operate (BOO) power supplier. These costs include provision of:

- › 3 of 1.2MW diesel generator sets
- › 1 of 1.2MW standby generator set
- › Transformers for 415V to 11kV step up
- › Self-bunded diesel storage tanks

### 6.2 POWER DISTRIBUTION

Power distribution has been based on the power station being located adjacent to the process plant to minimise distribution requirements and utilise the 415V output from the gensets for reticulation to the process plant. A ring main unit is located at the mine and fed by buried cable from the process plant and the camp transformer is fed by 11kV overhead powerline.

## 7. SITE PERSONNEL

Detailed estimates have been provided by two independent mining contractors for underground mining labour requirements, CPC Project Design for process plant labour requirements and Midwest Minesite Management for camp facilities management.

The Rothsay Gold Project will be a combination of 14/7, 8/6 and 5/2-4/3 rosters. It is assumed that personnel will be employed on drive in/drive out and fly in/fly out employment arrangements. Where applicable, residents of the Perenjori Shire will be given priority for employment opportunities.

These are detailed in the table below:

TABLE 10 - SITE PERSONNEL ESTIMATE

AREA	TOTAL	DAY SHIFT	NIGHT SHIFT	ON SITE
Technical and admin	13	9		9
Contract mining	43	19	11	30
<b>Mining sub total</b>	<b>56</b>	<b>28</b>	<b>11</b>	<b>39</b>
Processing	15	7	2	9
Camp facilities management	8	5	1	6
<b>Rothsay Gold Project personnel total</b>	<b>79</b>	<b>40</b>	<b>14</b>	<b>54</b>

## 8. INFRASTRUCTURE

Midwest Minesite Management have supplied a fully costed proposal to build all the surface infrastructure requirements for the Rothsay Gold Project. This included:

- › a 64-person camp complete with recreation room/wet mess, drymess & gymnasium
- › mine site complex inclusive of:
  - office building with capacity for 15 workstations, a meeting room and 3 enclosed offices

- change facilities for the underground workforce
- 1 x 14.4m by 3.3m combined male and female toilet block and first aid room
- 1 x 14.4m by 3.3m crib room with kitchen facilities
- > 2 x workshops inclusive of:
  - 2 x 40ft sea container
  - 1 x 20ft sea container
  - 12.5m x 6.25m concrete pad and
  - dome shelter to suit
- > Concrete bunded areas for fuel dispensing (separate light vehicle and heavy vehicle)
- > Wash down bay suitable for 40t underground dump truck as the largest heavy vehicle equipment

## 9. FINANCIALS

Assuming a gold price of A\$1,600/oz, the operation is shown to produce A\$82.3 million in free cash-flow, which equates to a net present value of approximately A\$58.1 million at a discount rate of 8%, and an internal rate of return of 57%.

An indicative sensitivity analysis to the gold price and operating costs for key financial metrics have been included in Table 14.

TABLE 11- KEY ASSUMPTIONS

Description		
<b>General</b>		
Basis	Project level, pre-tax, excludes depreciation & debt financing	
Construction Period	0.5 years	
UG LOM	5.25 years	
Exchange Rate	USD: AUD 0.75	
Gold Price	US\$1,200/oz	
Royalty Rate	Up to a max of A\$700,000 plus 2.5%	
CRF Pillars	20%	
Minimum Mining Width	1.0m	
<b>Resource Category Mined</b>	<b>koz</b>	<b>% oz</b>
Indicated Resource	137.9	65.5%
Inferred Resource	67.2	31.9%
Mineralised Waste	5.6	2.6%
Total	210.7	
<b>Ore Processed</b>		
Plant throughput	200,000tpa	
Plant Recovery	95.0%	
Ounces Produced	200.2koz	

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TABLE 12 - KEY PHYSICALS

		Pre-Production	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Ore Mined</b>	kt	14.3	148.7	212.7	202.1	191.7	166.7	<b>936.1</b>
<b>ROM Grade</b>	g/t	4.9	6.5	7.2	7.6	6.9	6.7	<b>7.0</b>
<b>Ounces Mined</b>	koz	2.0	30.9	49.3	49.6	42.7	35.9	<b>210.7</b>
<b>Ore Processed</b>	kt	-	163.0	200.0	200.0	200	173.2	<b>936.1</b>
<b>Plant Recovery</b>	%		95%	95%	95%	95%	95%	<b>95%</b>
<b>Ounces Produced</b>	koz		31.5	45.3	47.1	41.5	34.8	<b>200.2</b>
<b>Cash Cost</b>	\$/oz		975	835	758	836	817	<b>836</b>
<b>AISC</b>	\$/oz		1,298	1,015	920	1,004	927	<b>1,020</b>
<b>Free Cashflow</b>	A\$m	(33.9)	9.5	26.5	32.0	24.7	23.4	<b>82.3</b>
<b>Cumulative Free Cashflow</b>	A\$m	(33.9)	(24.4)	2.1	34.1	58.9	82.3	
<b>NPV<sub>8%</sub></b>	A\$m							<b>58.1</b>
<b>IRR</b>	%							<b>57%</b>

TABLE 13 - KEY FINANCIALS

Description			
<b>Capex</b>			A\$m
UG Rehabilitation & Mining			2.9
Process Plant			14.5
Camp			1.4
HV Power Plant			1.2
Other Infrastructure			1.7
<b>Total Capex</b>			<b>21.7</b>
Contingency	15%		3.3
Working Capital			8.9
<b>Funding Requirement</b>			<b>33.9</b>
<b>Opex</b>	A\$/t	A\$/oz	A\$m
Mining	110.9	519	103.8
Processing	43.4	203	40.6
Site Services	24.5	115	23.0
<b>Cash Costs</b>	<b>178.8</b>	<b>836</b>	<b>167.4</b>
Royalties	9.3	43	8.7
Sustaining Capex	30.0	140	28.1
<b>AISC</b>	<b>218.0</b>	<b>1,020</b>	<b>204.1</b>
<b>Project</b>			
Initial LOM	Years		5.5
NPV (Pre-Tax) at discount rate of 8%	A\$m		58.1
IRR (Pre-Tax)	%		57%
Payback	Years		1.9

**TABLE 14 – A\$ GOLD SENSITIVITY AND OPEX SENSITIVITY**

(A\$/oz)	NPV <sub>8%</sub> (A\$m)	IRR (%)	Payback (Years)	Sensitivity %	Opex (\$/t)	NPV <sub>8%</sub> (A\$m)	IRR (%)	Payback (Years)
1,400	25.8	31%	2.6	-25	134.1	100.0	97%	1.3
1,500	41.9	44%	2.2	-15	152.0	83.2	80%	1.5
1,550	50.0	51%	2.1	-5	160.9	74.8	72%	1.7
<b>1,600</b>	<b>58.1</b>	<b>57%</b>	<b>1.9</b>	<b>Base Case</b>	<b>178.8</b>	<b>58.1</b>	<b>57%</b>	<b>1.9</b>
1,650	66.1	63%	1.8	+5	196.7	41.3	42%	2.3
1,700	74.2	70%	1.7	+15	205.6	32.9	35%	2.5
1,800	90.3	82%	1.5	+25	223.5	16.1	21%	3.0

## 9.1 CAPITAL COSTS

To recommence production at the Rothsay Gold Project, the following capital cost expenditure is required:

**TABLE 15 - CAPITAL COST ESTIMATE**

Description	Cost (A\$m)	Contingency (15%)	Total cost (A\$m)
UG Rehabilitation & Mining	2.9	0.4	3.3
Process Plant	14.5	2.2	16.7
Camp	1.4	0.2	1.6
HV Power Plant	1.2	0.2	1.4
Other Infrastructure	1.7	0.3	2.0
<b>Construction Total</b>	<b>21.7</b>	<b>3.3</b>	<b>25.0</b>
Working Capital			8.9
<b>Total Capital Expenditure</b>			<b>33.9</b>

The total project funding requirement is A\$33.9 million, which is made up of A\$21.7 million in capital expenditure (including underground dewatering and rehabilitation), a 15% contingency of A\$3.3 million and A\$8.9 million in working capital to get the operation to a cash-flow positive position.

## 9.2 PROJECT OPERATING COSTS

The operating costs have been determined to a ± 25% level of accuracy.

**TABLE 16 - OPERATING COST ESTIMATE**

Item	A\$/t	A\$/oz	Opex Cost (A\$m)
Mining	110.9	519	103.8
Processing	43.4	203	40.6
Site Services	24.5	115	23.0
<b>Cash Costs (C1)</b>	<b>178.8</b>	<b>836</b>	<b>167.4</b>
Royalties	9.3	43	8.7
Sustaining Capex	30.0	140	28.1
<b>AISC*</b>	<b>218.0</b>	<b>1,020</b>	<b>204.1</b>

\* Totals may not match due to rounding

## 10. PROJECT FUNDING

EganStreet remains sufficiently funded to complete the work/assessments required to finalise the Definitive Feasibility Study (DFS) and take the Rothsay Gold Project through to the decision to mine.

The PFS estimates that A\$33.9 million is required for capital works, contingency and working capital to achieve first gold production. It is anticipated that finance will be sourced through a combination of equity and debt instruments

The Board of EganStreet believes there is a reasonable basis to assume that the necessary funding for the Rothsay Gold Project will be able to be obtained for the following reasons:

- › The quantum of finance is small compared to the size and frequency of recent capital raisings by mining companies at a similar development stage on the ASX.
- › The Company has a total of 48.1m listed options, (to acquire one ordinary fully paid share) of which 45m are exercisable at 25c before 13 March 2018 and, if fully exercised, would provide A\$11.25m of cash. These funds could be applied to the project funding requirement, if received prior to these expenditures being incurred. Alternatively, these funds could be applied to future debt reduction payments, if debt is successfully secured as part of the project funding package.
- › The IPO, which was concluded in September 2016, was well supported with the underwriting oversubscribed three times.
- › The Company has commenced preliminary discussions with potential debt and equity providers, has received proposals from several debt advisory consultancies and will continue discussions to progress funding options.
- › Discussions entered into with potential process plant providers have contemplated Build, Own, Operate and Transfer (BOOT) and Build, Own and Transfer (BOT) style commercial agreements. A BOOT or BOT commercial agreement is where the process plant provider funds the capital cost of the process plant and over an agreed contract period (once production and positive cash-flow is established), EganStreet would pay a fixed cost fee over and above the operating cost until such time as the process plant is effectively transferred to EganStreet. This has the potential to reduce the amount of equity or debt funding required to complete project development significantly.
- › EganStreet's cornerstone investors have been strongly supportive during the IPO process and continue to demonstrate strong support for the Company.
- › The Board & Management have a strong financing track record in mining project finance and equity raising.
- › The Company is confident that it will continue to increase the MRE at the Project to extend the mine life beyond what is currently assumed in the PFS. Further resource drilling is currently underway.

Due to the low quantum of capital required and robust financial results indicated by the PFS, EganStreet is confident of its ability to raise the required capital for development and production at Rothsay.

## 11. POTENTIAL TIMELINE TO PRODUCTION

A decision to mine is anticipated to be made following the completion of a Definitive Feasibility Study, which is expected by the end of Q3, 2017. Prior to a decision to proceed with construction at Rothsay, and as described in section 10, the Project requires an estimated A\$33.9 million for mine development, infrastructure and working capital to facilitate first production. It is assumed that financing for the project to commence construction will be sourced during H2, 2017. Upon successfully securing the necessary finance, construction is anticipated to commence in Q1, 2018 with first gold production in H2, 2018.

The timeline to gold production remains unchanged from that detailed in the Scoping Study on 23 December 2016, with the company having achieved the milestone for completion of an upgraded MRE and completion of this PFS inside the time anticipated.

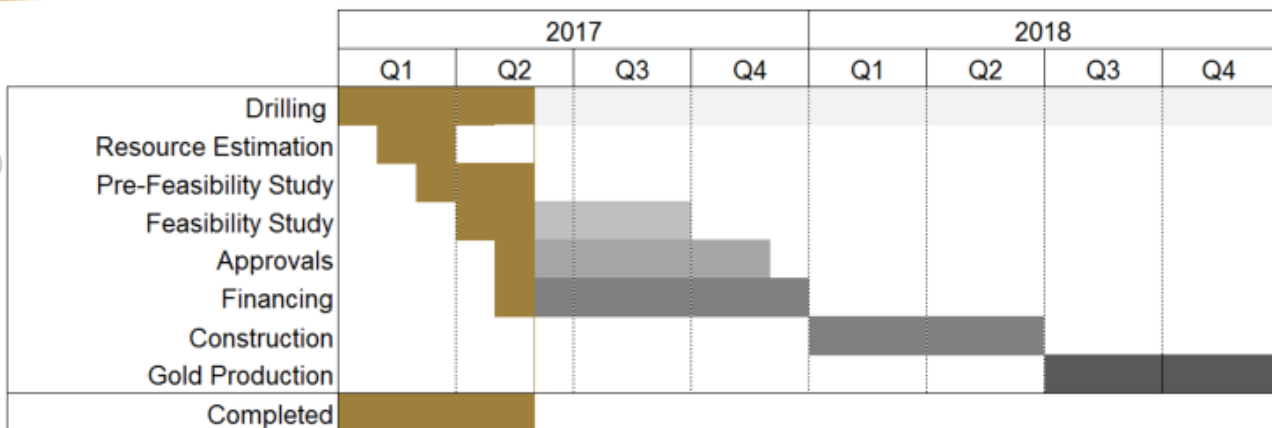


FIGURE 8 – POTENTIAL TIMELINE TO PRODUCTION

## 12. NEXT STEPS

The PFS outlines the Company's plans to develop the Project including underground dewatering and rehabilitation, mining method, mining schedule, processing flowsheet, capital and operating costs and infrastructure requirements to support the commencement of gold production at Rothsay.

The PFS demonstrates that Rothsay is a financially robust project with low technical risk.

In order to advance the Project to the next stage, the Company intends to progress the Definitive Feasibility Study which has already commenced. The following work programs are required:

- › Complete the current RC drill programme (ASX announcement 08/05/2017, "Drilling Commences Targeting Shallow Extensions at Rothsay") to complete sterilisation drilling to test the up-dip shallow portions of the hanging wall shears in the immediate vicinity of the tailings storage facility and also conduct sterilisation drilling for the proposed mining, processing and non-production infrastructure locations.
- › Review the applicability of mining methods and the potential for multiple mining methods to be employed in order to decrease dilution and increase production capacity.
- › Confirm mining method, mine design, schedule and costs.
- › Assess underground fleet selection.
- › Assess underground contractor versus owner operator.
- › Complete Ore Reserve estimation
- › Conduct further geotechnical testing from oriented geotechnical core samples to complement the geotechnical testing that is currently underway
- › Detailed geotechnical assessment of mine design including development and stope design parameters.
- › Finalise the metallurgical testing that is currently underway for input into the final design of the process plant, including:
  - › Comminution testing
  - › Leach grind optimisation
  - › Reagent consumption
  - › Thickening (settling rate testing)
  - › Tailings (acid mine drainage)
  - › Gravity leach testing
  - › Oxygen uptake testing
  - › Carbon in leach testing
  - › Water analysis

- › Detailed power plant design to determine power requirements for process plant, underground, camp and offices.
- › Undertake electrical power supply study to determine applicability of liquid natural gas (LNG) rather than diesel fuel for power generation, also consider location of current grid connected power systems and potential to utilise.
- › Complete the tailings storage facility (TSF) design and construction documentation, including geotechnical testing of the TSF embankment and settled tailings, seepage and stability analyses.
- › Detailed ventilation modelling to determine air flow requirements, size of airways, fan sizing and installation.
- › Detailed hydrogeological assessment to determine ground water ingress and pumping requirements for underground mining and to determine suitability of existing raw water bore field for production and mine camp requirements
- › Detailed hydrology assessment for peak storm water events and potential diversion embankments to protect mine infrastructure

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## APPENDIX 1 COMPETENT PERSON'S STATEMENT

The information in this announcement that relates to the Rothsay Mineral Resource is extracted from the announcement titled "27% Increase in High-Grade Indicated Resource at Rothsay" lodged on 14 March 2017 which is available to view at [www.eganstreetresources.com.au](http://www.eganstreetresources.com.au) / [www.asx.com.au](http://www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resource estimate continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Information in relation to the Rothsay Project Scoping Study, including production targets and financial information, included in this report is extracted from an ASX Announcement dated 23 December 2016 (see ASX Announcement – 23 December 2016, "Rothsay Scoping Study Revised", [www.eganstreetresources.com.au](http://www.eganstreetresources.com.au) and [www.asx.com.au](http://www.asx.com.au)). The Company confirms that all material assumptions underpinning the production target and financial information set out in the announcement released on 23 December 2016 continue to apply and have not materially changed.

## APPENDIX 2 MATERIAL ASSUMPTIONS

ITEM	CRITERIA	ASSUMPTION
1	Mineral resource estimate used for assessment of potential production target	<p>The Mineral Resource estimate declared on 14 March 2017 underpins the production target. This estimate was prepared by a Competent Person in accordance with the 2012 Edition of the JORC Code.</p> <p>The production target is 936kt of ore @ 7.0g/t Au for a total of 200koz of gold produced.</p> <p>Approximately 65% of the total production target is in the Indicated Resource category. The remainder of the production target is in the Inferred Resource category (32%) and unclassified material (3%).</p>
2	Parties participating in PFS and site visits	<p>The PFS has been prepared by a number of independent consultants in conjunction with EganStreet employees and management. The following have provided input into the PFS:</p> <ul style="list-style-type: none"> <li>&gt; Mr Marc Ducler (EganStreet) – Mr Ducler has visited the site and understands the detail associated with the site. Mr Ducler is a Metallurgist by profession, is experienced in gold processing and is the Managing Director for EganStreet.</li> <li>&gt; Mr Lindsay Franker (EganStreet) – Mr Franker has visited the site and understands the detail associated with the site. Mr Franker is a Mining Engineer by profession, is experienced in underground mining of gold deposits and is the Chief Operating Officer for EganStreet.</li> <li>&gt; Mr Denis Grubic (Maksena Engineering Solutions/EganStreet) – Mr Grubic is the Managing Director of Maksena Engineering Solutions and an employee of EganStreet. Mr Grubic was engaged to compile the Underground Mining PFS. Mr Grubic has not visited the site and has completed work based on information provided by EganStreet, Cube Consulting and Turner Mining &amp; Geotechnical.</li> <li>&gt; Mr Mike Turner (Turner Mining &amp; Geotechnical) – Mr Turner is the Principal of Turner Mining &amp; Geotechnical. Mr Turner is a Geotechnical Engineer and has visited the site in the completion of the assessments.</li> <li>&gt; Mr Drew Noble (CPC Project Design) – Mr Noble is an employee of CPC Project Design (which is a subsidiary of CPC Engineering). Mr Noble acted as the Study Manager and completed a Prefeasibility Study on the Rothsay Gold Project for process plant design &amp; cost estimate and the power plant design &amp; cost estimate. Mr Noble did not visit site and has completed work based on information provided by EganStreet.</li> <li>&gt; Mr Ben O'Grady (Symbiosis Environmental Services) – Mr O'Grady is a Partner at Symbiosis Environmental Services. Mr O'Grady was engaged to provide an overview of environmental permitting requirements. Mr O'Grady visited the site during completion of the assessment.</li> <li>&gt; Mr Les Panting (Midwest Minesite Management) – Mr Panting is the Managing Director of Midwest Minesite Management. Mr Panting has constructed owned and operated mine site camps in the Murchison region. Mr Panting was engaged to prepare the capital cost estimate for the non-production infrastructure. Mr Panting has visited the site during the completion of the assessment.</li> </ul>
3	Study Status	<p>The type and level of study is PFS as defined in clause 39 of the 2012 Edition of the JORC Code.</p> <p>The production target and financial information in this release are based on a PFS. All components of the study have been completed. The results of the PFS indicate that the Rothsay Gold Project is technically and economically viable.</p> <p>Modifying Factors based on information currently available have been applied to the PFS Production Target.</p>
4	Cut-off parameters	<p>The MRE is constrained by a 5.0 g/t Au cut-off grade which in the context of medium to small scale underground mining is considered by to be an appropriate minimum grade for eventual economic extraction.</p>

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## 5 Mining factors or assumptions used in the Rothsay Gold Project PFS

Stope shapes were initially delineated by application of stope optimisation software (Deswik.SO) to the Mineral Resource block model and subsequently output shapes were bulked out to a minimum mining width of 1.0m. Development designs were then completed to access stoping areas. All work has been completed by Mr Grubic.

**Mining Method:**

- > Mining Method: Underground, top down (down dip) mechanised long hole open stoping with CRF pillars as well as bottom up bench stoping with rockfill has been selected for the basis of the PFS. It is deemed appropriate for the steeply dipping narrow style orebody.
- > Ore Body access: Existing decline from the base of the "A" Shear Open Pit in the footwall side of the orebody, continuing down in a 1:7 gradient, figure-8 style with a minimum radius of 20m and 5mW x 5mH with 1m arched shoulders. The Southern Upper Zone is accessed via a 1:7 gradient spiral incline with a minimum radius of 17.5m and 5mW x 5mH with 1m arched shoulders. Minimum capital development stand-off of 30m to protect decline.
- > Sublevel spacing: 15m floor to floor, level access 5mW x 5mH.
- > Orebody development: ore drive along strike at 2.5mW x 3mH.
- > Operating model: Mining Contractor.

**Geotechnical considerations:**

- > Turner Mining & Geotechnical have provided recommendations for ground support for the portal and decline rehabilitation. He has provided parameters in mine designs including
  - > Level spacing: 15m
  - > Decline stand-off: 20m
  - > Max stope length: 60m
  - > Minimum pillar size: 9m rib or 15m CRF

The following describes the percentage of the production target classified as mining dilution:

	% of ozs
<b>Indicated</b>	65%
<b>Inferred</b>	32%
<b>Unclassified</b>	3%

## 6 Metallurgical factors or assumptions used in the Rothsay Gold Project PFS

- > The metallurgical process proposed is a conventional hybrid carbon in leach (CIL) process, inclusive of 3 stage crushing and single stage ball mill circuit with a centrifugal gravity concentrator which is typical for the Australian gold industry.
- > The process is well understood and proven technology. It has been used extensively in Australia. In addition, the previous mine operator used similar technology when the Rothsay deposit was last mined in the late 1980's with acceptable recoveries (94.7%) when treating fresh rock. The PFS has used 95%.
- > Metallurgy testwork has previously been conducted on core representative of the A Shear mineralisation (which is the sole source of feed for the process plant considered in the PFS). This returned a metallurgical recovery averaging 97%.
- > No assumptions or allowances have been made for deleterious elements. Historic production data refers to soluble copper impacting metallurgical recoveries. However, this was not evident in later production records when the previous mine operator was treating fresh rock. The proposed production target only considers fresh rock.

7	Environmental	<ul style="list-style-type: none"> <li>› The Rothsay Gold Project is a brownfields site and as such there is not expected to be any environmental impacts of significance as a result of the proposed mining and processing operation. Much of the disturbance will be on previously disturbed areas.</li> <li>› All proposed activities are located within granted Mining Leases.</li> <li>› A tailings storage facility is located at the Project and preliminary modelling has indicated that sufficient capacity exists for the proposed production target.</li> <li>› Preliminary waste rock characterisation has been completed by Graeme Campbell &amp; Associates and was found to be non-acid forming.</li> <li>› Flora and fauna studies have been completed with no declared rare flora observed nor listed fauna species of significance</li> <li>› It is expected that permitting approvals will include; DMP Mining Proposal &amp; DER Works Approval and subsequent licencing for Prescribed Activities under Part V of the EPA. The Current DoW groundwater licence is considered sufficient for the activities proposed in the PFS.</li> </ul>
8	Infrastructure	<ul style="list-style-type: none"> <li>› The Rothsay Gold Project is located within 220 km of the regional City of Geraldton, there is an unsealed airstrip adjacent to the Project, it is 2.5hrs by road from Geraldton and 4.5hrs by road from Perth.</li> <li>› The Project is serviced by a RAV 7 category road network up to the current mine gate. This is sufficient for 3 trailer combination road haulage up to a gross mass of 107t.</li> <li>› There is a borefield in place that was previously capable of meeting the previous mining operations process water requirements.</li> <li>› The PFS considers the provision of all other necessary infrastructure to facilitate the mining activities proposed including; mining infrastructure, power infrastructure, office and workshop infrastructure and remote minesite camp.</li> </ul>
9	Costs	<p><b>Capital Costs:</b></p> <ul style="list-style-type: none"> <li>› Mine rehabilitation and mining capital costs have been derived by details provided by independent mining contractors, CPC Project Design have provided capital costs for the process plant and Midwest Minesite Management for non-production infrastructure (minesite camp &amp; offices, workshops, etc).</li> <li>› Cost estimates are based on a detail design for the mine with mining contractor preliminary pricing, prefeasibility level design and capital estimate for the process plant and the non-production infrastructure has been derived from recent quotation for materials, lump sum quotation for plumbing and electrical and labour estimates from previous construction programmes of similar scale.</li> </ul> <p><b>Operating Costs:</b></p> <ul style="list-style-type: none"> <li>› Mine operating costs have been derived by details provided by independent mining contractors based on preliminary pricing on the basis of a contractor mining model. CPC Project Design have provided operating costs for the process plant using prices obtained in, or escalated to, Q4 of 2016.</li> <li>› The total operating cost has been consolidated by EganStreet and the model has been independently verified by ADB Consultancy.</li> <li>› No specific allowance for gold refining and transport costs for the Perth Mint (or similar) have been included. This cost is not considered material.</li> <li>› The following royalties are applicable to the Project and have been allowed for in the PFS:             <ul style="list-style-type: none"> <li>• A 2.5% royalty on revenue applicable to gold mining operations is payable to the Western Australian government.</li> <li>• A royalty payable to Magnetite Mines Ltd &amp; Central West Gold NL of \$10 per ounce once gold production exceeds 10,000ozs and is payable up until the date which \$700,000 is paid, at which time the royalty is extinguished.</li> </ul> </li> </ul>
10	Revenue Factors	<ul style="list-style-type: none"> <li>› For PFS purposes, it has been assumed that gold will be sold at spot price to the Perth Mint, Western Australia.</li> <li>› A gold price of A\$1,600 per ounce has been used for PFS economic modelling.</li> <li>› Sensitivities for gold price and operating costs were considered as part of the PFS.</li> </ul>
11	Market Assessment	There is a transparent, quoted market for the sale of gold.

EganStreet have prepared a preliminary project level financial model, which has been developed for the PFS. The financial model has been independently reviewed by ADB Consultancy Pty Ltd. The base case assumes:

- |    |   |   |
|----|---|---|
| 12 | Economic Evaluation                     | <ul style="list-style-type: none"> <li>&gt; Capital and operating cost inputs as per item 9.</li> <li>&gt; Gold price of US\$1,200/oz (A\$1,600/oz).</li> <li>&gt; Foreign exchange rate of 0.75 USD: AUD.</li> <li>&gt; Minimum mining width 1.0m</li> <li>&gt; 95% stope recovery.</li> <li>&gt; Metallurgical recovery of 95%. See item 6.</li> <li>&gt; The PFS discount rate of 8% assumes a mix of debt and equity financing. The Company believes this rate is appropriate in light of the following factors:               <ul style="list-style-type: none"> <li>• The location of the project and its proximity to infrastructure.</li> <li>• The mining and processing methods for extracting the gold are well known and proven.</li> <li>• Previous mining activities have occurred at the project with access to existing infrastructure.</li> <li>• Short term timeframe for production assumed in &lt; 6 years.</li> <li>• Short term payback of capital costs &lt; 2 years.</li> </ul> </li> <li>&gt; No inflation rate has been used.</li> <li>&gt; The NPV sensitivity to gold price and operating cost has been provided in table 14.</li> </ul>  |
| 13 | Social                                  | <ul style="list-style-type: none"> <li>&gt; All proposed mining and infrastructure areas lie within granted Mining Leases.</li> <li>&gt; There are no Native Title claims pending over the Rothsay Gold Project area.</li> <li>&gt; The Company believes it has a good relationship with the Shire of Perenjori</li> </ul>  |
| 14 | Other                                   | <ul style="list-style-type: none"> <li>&gt; There are no known naturally occurring risks to the Project.</li> <li>&gt; There are no material legal or marketing agreements in place.</li> <li>&gt; All proposed mining areas lie within granted Mining Leases.</li> <li>&gt; The Rothsay Gold Project area is a brownfields site with historical mining dating back to the 1890s, there are reasonable grounds to expect that Government approvals will be received when required upon successful completion of a Definitive Feasibility Study.</li> <li>&gt; Government approvals required to advance the project include DMP Mining Proposal, DER Works Approval/Prescribed Activities Licence and DMP Project Management Plan. Given that similar such approvals have been granted to previous operators in 1988 and Mining Proposals submitted by EganStreet to rehabilitate the Rothsay underground mine have been recently approved, there is no reason to suggest that approvals will not be granted.</li> <li>&gt; There are currently no unresolved matters relating to a third party that would prohibit project development, should that be the decision resulting from completion of further study work.</li> </ul> |
| 15 | Discussion of relative accuracy/reviews | <ul style="list-style-type: none"> <li>&gt; No Ore Reserve estimate has been completed as a result of the PFS.</li> <li>&gt; Metallurgical recoveries have been based on historical operational and metallurgical test work. Detailed metallurgical testing is currently underway.</li> <li>&gt; Costs are based on budget quotations provided to EganStreet by various contractors or have been estimated by independent consultants generally from budget quotations, factored estimates or cost data from similar operations / projects.</li> <li>&gt; Cost estimate accuracy for the PFS is considered to be in the order of <math>\pm 25\%</math> for capital expenditure and <math>\pm 25\%</math> for operating expenditure.</li> </ul>  |

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## APPENDIX 3 FORWARD LOOKING STATEMENTS & DISCLAIMERS

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