

ROTHSAY SCOPING STUDY CONFIRMS A ROBUST GOLD PROJECT

13 December 2016

HIGHLIGHTS

Egan Street Resources Limited (ASX: EGA) is pleased to release the Scoping Study on the Rothsay Gold Project, which has been prepared by the Company with input and contributions by several independent and highly reputable consultants.

The Scoping Study shows a technically and financially viable project based on the key assumptions adopted for the purpose of this study. Highlights include:

- › A mining production target of 493kt at a fully diluted grade of 6.7g/t Au for 106koz from an initial **3.75 year life of mine (LOM)**, based on the current JORC (2012) compliant Mineral Resource.
- › Gold production of 101koz from 501kt¹ at 6.6g/t Au ramping up to a **peak production rate of 40,000ozpa**.
- › Purpose built CIL process plant of 200ktpa, to be situated at Rothsay.
- › High potential for growth of current Mineral Resources, which are open along strike and at depth, as well as new mineralisation occurrences within the broader Rothsay tenements.
- › Low initial **Capex of circa A\$20.4m** (as a part of the total funding requirement of A\$28.1m including a 15% contingency of A\$3.1m and A\$4.6m working capital) for a payback of 1.8 years.
- › Estimated LOM **Cash Costs (C1) of A\$907/oz** and **AISC² of A\$1,056/oz**.
- › LOM operating cash surplus of A\$26.7m (pre-tax) from revenue of A\$161m.
- › NPV³, IRR (at 5% discount rate & pre-tax) and Payback sensitivity analysis:

TABLE 1 - GOLD PRICE SENSITIVITY

| (A\$/oz) | NPV (A\$m) | IRR (%) | Payback (Years) |
|--------------|-------------|------------|-----------------|
| 1,400 | 3.1 | 11% | 2.4 |
| 1,500 | 12.3 | 27% | 2.0 |
| 1,550 | 16.8 | 33% | 1.9 |
| 1,600 | 21.4 | 40% | 1.8 |
| 1,650 | 26.0 | 46% | 1.7 |
| 1,700 | 30.6 | 52% | 1.6 |
| 1,800 | 39.8 | 63% | 1.5 |

- › The EganStreet Board has approved commencement of a Feasibility Study with completion expected in the second half of 2017.

¹ Includes current surface ore stockpile of 8,000t at 2.8g/t Au see Item 12 of Appendix 3

² AISC = Cash Cost (site based mining, processing & site services operating costs + administration costs) + royalties + sustaining capital costs, this applies for the entire announcement

³ NPV, IRR and Payback period are calculated at A\$1,600/oz and at a 5% discount rate, this applies for the entire announcement

Cautionary Statement

The Scoping Study referred to in this announcement has been undertaken to ascertain whether a business case can be made to proceed to more definitive studies on the viability of the Rothsay Gold Project (Rothsay or the Project). It is a preliminary technical and economic study of the potential viability of the Project. It is based on low-level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further exploration and evaluation work and appropriate studies are required before Egan Street Resources Limited (EganStreet or the Company) will be in a position to estimate any ore reserves or to provide any assurance of an economic development case.

The Scoping Study is based on the material assumptions outlined below. These include assumptions about the availability of funding. While EganStreet considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Scoping Study will be achieved.

To achieve the range of outcomes indicated in the Scoping Study, funding in the order of A\$28.1million will likely be required. Investors should note that there is no certainty that EganStreet will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of EganStreet's existing shares.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Scoping Study.

Commenting on the Scoping Study, EganStreet's Managing Director, Marc Ducler said:

"EganStreet is delighted to present the Rothsay Scoping Study. It is 3 months to the day, since our official listing on the ASX, and to deliver this in such a short timeframe is a pleasing outcome."

The Rothsay Scoping Study presents an economically attractive potential gold project, with a low capital requirement to first gold production. The high-grade nature of the deposit enables an anticipated low cash cost (C1) of circa \$900/oz. The short construction timeframe of approximately 6 months for the purpose-built process plant ties in well with timing on the portal and decline rehabilitation in order for the underground to deliver first ore to the plant 6 months after commencement."

We are confident that the strong technical and economic aspects of the project will enable us to secure the required funding."

Our strategy moving forward is focused on the Feasibility Study that we expect to deliver in H2, 2017. The Feasibility Study will include results from our current drill program, which has been designed to infill the portion of Inferred Resources that are included in this study, and may increase confidence such that they can be upgraded to Indicated."

The Scoping Study shows a short payback period of 1.8 years, which enables the Company to have a fully developed underground mine, operational process plant & all other associated infrastructure (offices, workshops, camp). The project is strongly cash flow positive which will allow EganStreet to self-fund its exploration and on the basis of positive exploration results, will unlock the potential upside of the Rothsay Gold Project."

EXECUTIVE SUMMARY

Egan Street Resources Limited (ASX: EGA) (**EganStreet** or the **Company**) is pleased to release the findings of the Scoping Study on the Rothsay Gold Project (Rothsay or the Project).

The Scoping Study has determined that Rothsay represents a robust Project, which is economically attractive and with low technical risk. The Scoping Study indicates the following based on A\$1,600 gold price and 5% discount rate:

- › Low initial Capex of circa A\$20.4m (as a part of the total funding requirement of A\$28.1m including an additional 15% contingency of A\$3.1m and A\$4.6m working capital).
- › 493kt at 6.7g/t Au (diluted) for 106koz mined over a LOM of 3.75 years.
- › 101koz produced.
- › AISC of A\$1,056/oz.
- › A\$26.8m in free cash flow.
- › NPV of A\$21.4m, IRR of 40%.
- › Payback of 1.8 years.

TABLE 2 - KEY PHYSICALS

| | | Pre-Production | Year 1 | Year 2 | Year 3 | Year 4 | Total |
|---------------------------|-------|----------------|--------|--------|--------|--------|--------------|
| Ore Mined | kt | 10.4 | 121.8 | 188.1 | 160.0 | 12.6 | 492.9 |
| ROM Grade | g/t | 4.00 | 5.92 | 7.30 | 6.65 | 6.63 | 6.66 |
| Ounces Mined | koz | 1.3 | 23.2 | 44.1 | 34.2 | 2.7 | 105.5 |
| Ore Processed | kt | - | 140.2 | 186.6 | 161.5 | 12.6 | 500.9 |
| Plant Recovery | % | | 95% | 95% | 95% | 95% | 95% |
| Ounces Produced | koz | | 24.0 | 41.6 | 32.8 | 2.6 | 100.9 |
| Cash Cost (C1) | \$/oz | | 1,103 | 794 | 870 | 1,375 | 907 |
| AISC | \$/oz | | 1,338 | 920 | 998 | 1,375 | 1,056 |
| Gross Revenue | A\$m | (28.1) | 6.3 | 28.3 | 19.7 | 0.6 | 26.8 |
| Cumulative Revenue | A\$m | (28.1) | (21.8) | 6.5 | 26.2 | 26.8 | |
| NPV | A\$m | (28.1) | (22.1) | 3.7 | 20.9 | 21.4 | 21.4 |
| IRR | % | | (143%) | 15% | 40% | 40% | 40% |

TABLE 3 - KEY FINANCIALS

| Description | | | |
|--------------------------------------|--|--------------|--------------|
| Capex | | A\$m | |
| UG Rehabilitation & Mining | | 2.9 | |
| Process Plant | | 14.1 | |
| Camp | | 1.3 | |
| HV Power Plant | | 1.2 | |
| Other Infrastructure | | 0.9 | |
| Total Capex | | 20.4 | |
| Contingency | | 15% | 3.1 |
| Working Capital | | 4.6 | |
| Funding Requirement | | 28.1 | |
| Opex | | A\$/t | A\$/oz |
| Mining | | 103.3 | 505 |
| Processing | | 46.8 | 232 |
| Site Services | | 24.8 | 123 |
| Royalties | | 9.5 | 47 |
| Cash Costs (C1) | | 184.4 | 907 |
| Sustaining Capex | | 30.6 | 149 |
| AISC | | 214.9 | 1,056 |
| Project | | 107 | |
| Initial LOM | | Years | 3.75 |
| NPV (Pre-Tax) at discount rate of 5% | | A\$m | 21.4 |
| IRR (Pre-Tax) | | % | 40% |
| Payback | | Years | 1.8 |

Subsequent to the positive results of the Scoping Study the Company has commenced the feasibility study on the Rothsay Gold Project, in order to progress to a decision to mine. The feasibility study will include the results of the current drill program, which will be incorporated into a new Mineral Resource Estimate scheduled for completion in Q1, 2017.

The Project is expected to have a relatively short construction and mine rehabilitation timeframe. The Scoping Study has indicated a 6-month time frame from start of plant construction to commissioning. It is expected that underground mine rehabilitation, mine capital development and production stoping will be well enough advanced to allow a smooth transition from commissioning to steady state production.

Approximately 73% of the total production target is in the Indicated Resource category. The remainder of the production target is in the Inferred Resource category (25%) and planned mine dilution (2%).

Cautionary Statement - There is a low level of geological confidence associated with inferred mineral resources, 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.

As detailed in the Scoping Study summary that follows, EganStreet believe an initial circa 3.75 year LOM for 101k ounces of gold production is possible and will be assessed to an increased level of confidence in a Feasibility Study scheduled for completion in Q3, 2017. Following the delivery of a positive Feasibility Study the EganStreet Board will then proceed to the decision to mine.

Rothsay is located approximately 300km NNE of Perth, and 68km by road to the town of Perenjori, in the Southern Murchison region of Western Australia. The Project is well serviced, with a RAV 7 road network up to the Rothsay mine gate and is only 250kms by road from the regional city of Geraldton.

With the low capital investment, the standard gold process flowsheet (with known historic recoveries in fresh rock from the previous mine operator), the short construction to production time frame and coupled with a 40% IRR, makes the Rothsay Gold Project an exciting, high grade opportunity.

The Scoping Study 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, June 2016
- › **Environment Approvals** - Symbiosis Environmental Services, Oct/Nov 2016
- › **Geotechnical Review** - Turner Mining & Geotechnical Pty Ltd - Rothsay Gold Mine Portal and Decline Rehabilitation Report, October 2016
- › **Mining** - Maksena Engineering Solutions Pty Ltd & EganStreet – Underground Mining Scoping Study, Aug/Nov 2016
- › **Process Plant, Power Provision and HV Reticulation** - CPC Process 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
- › **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 Process Design Pty Ltd, numerous mining contractors and Beamer Nominees. EganStreet constructed the Financial Model which has been independently reviewed by ADB Consultancy Pty Ltd.

This announcement reports the results of the Scoping Study as follows.

SCOPING STUDY SECTIONS

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1. INTRODUCTION

The Rothsay Gold Project is located approximately 300km NNE of Perth, in the Southern Murchison region of Western Australia (Figure 1). The Rothsay Project covers an area of approximately 69.4km² comprising the Rothsay Tenements.

The Project has historically been partially exploited by shallow open-pits and underground mining techniques up until the early 1990's. The project was last mined by Metana Minerals NL, which ceased production in May 1991. Extensive underground development infrastructure from historical workings remains in place.

EganStreet is investigating the potential to recommence production of the Rothsay Gold Mine. The Scoping Study outlines the capital and operating cost estimates, the production schedule (mining and processing), environmental and licensing aspects and considers the financial viability of the project.

The Study is completed to the level of Scoping Study as defined in clause 38 of the 2012 Edition of the JORC Code.



FIGURE 1:ROTHSAY LOCATION

2. MINERAL RESOURCE ESTIMATION

The Mineral Resource Estimate (MRE) for the Rothsay Gold Project was updated by Cube Consulting Pty Ltd (Cube) in June 2016. 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. (Table 4)

TABLE 4: GLOBAL MRE

| Resource Category | kt | Grade (g/t Au) | Contained Metal (Au koz) |
|-------------------|-----|----------------|--------------------------|
| Indicated | 318 | 11.7 | 119 |
| Inferred | 306 | 10.8 | 107 |
| Total | 624 | 11.3 | 226 |

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 5. For the purpose of this study only the A-Shear has been used for mine design purposes.

TABLE 5: A-SHEAR MRE

| Resource Category | kt | Grade (g/t Au) | Contained Metal (Au koz) |
|-------------------|-----|----------------|--------------------------|
| Indicated | 318 | 11.7 | 119 |
| Inferred | 294 | 11.0 | 104 |
| Total | 612 | 11.4 | 223 |

3. PERMITTING REQUIREMENTS

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

Baseline flora studies are currently being finalised and baseline fauna studies are scheduled to commence in H1 of 2017. The outcomes of these studies, and other relevant recent investigations, will be used to generate all necessary approval applications.

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

4. UNDERGROUND REHABILITATION

Existing development at Rothsay underground from previous mining activities is down to approximately the 1210mRL or about 150m below surface. The underground mine is flooded and prior to recommencing mining both the portal and decline require rehabilitation. An independent geotechnical engineer has inspected the portal and decline, the recommendations that have been made are described in Section 4.2 & 4.3. The work required as a result of these recommendations are not onerous and have served to reinforce the positive view the Company holds with respect to rehabilitation of the underground mine.

4.1 DE-WATERING EXISTING UNDERGROUND WORKINGS

Underground workings at Rothsay are flooded from approximately the 1305mRL or 55m below surface and will need to be dewatered before access can be gained to the existing underground openings. The current preferred method for initially dewatering the underground workings is via a submersible pump lowered down the British Queen Shaft, which has its lowest point at approximately the 1275mRL. Interrogation of the supplied

as-built voids between the 1305mRL (current water level) and the 1275mRL (British Queen Shaft bottom) indicates a volume of approximately 35ML of water.

Once the water level has been lowered to the bottom of the shaft, further dewatering can take place from the decline using a “travelling” mono-pump, which is progressively moved further down the decline as the water recedes and as the decline rehabilitation is completed. Interrogation of the voids below the 1275mRL indicates a volume of 55ML of water.

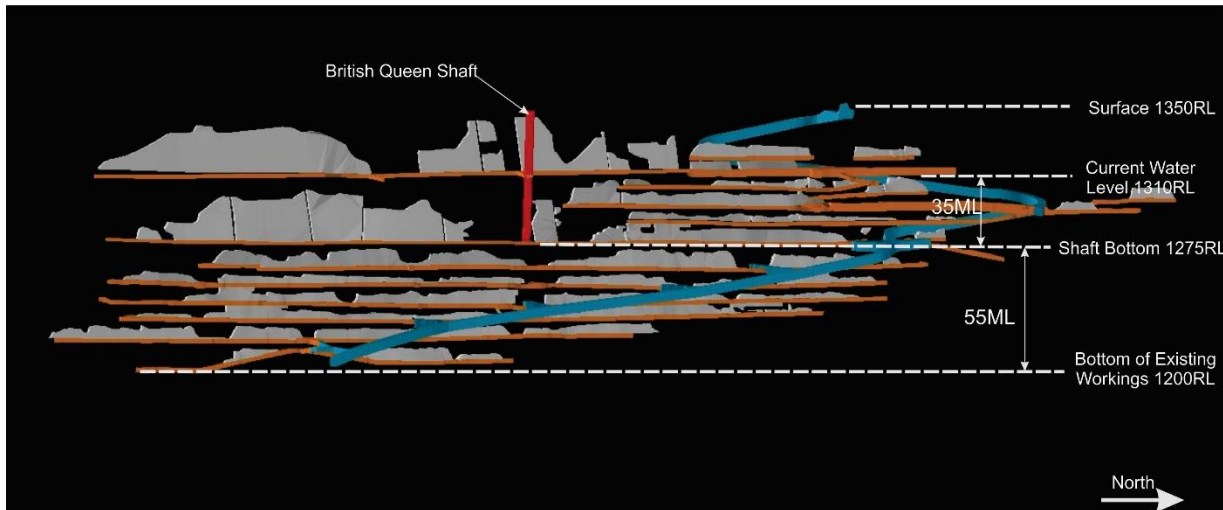


FIGURE 2: ROTHSAY WATER VOLUME ESTIMATES

4.2 PORTAL REHABILITATION

The portal is located in the Rothsay A-Shear pit and is in need of rehabilitation.

The portal will be rehabilitated using pre-fabricated steel sets, which will be pushed into place after initial cleaning of the floor to the required level and gradient. The total length to be protected by steel sets is approximately 12m (Figure 3). The sets will extend 2m beyond the edge of the upper exposed rock surface to provide protection from rock and debris falling over the open pit crest.

The space between the rock and the sets will be filled with a low strength foaming cement or similar material.

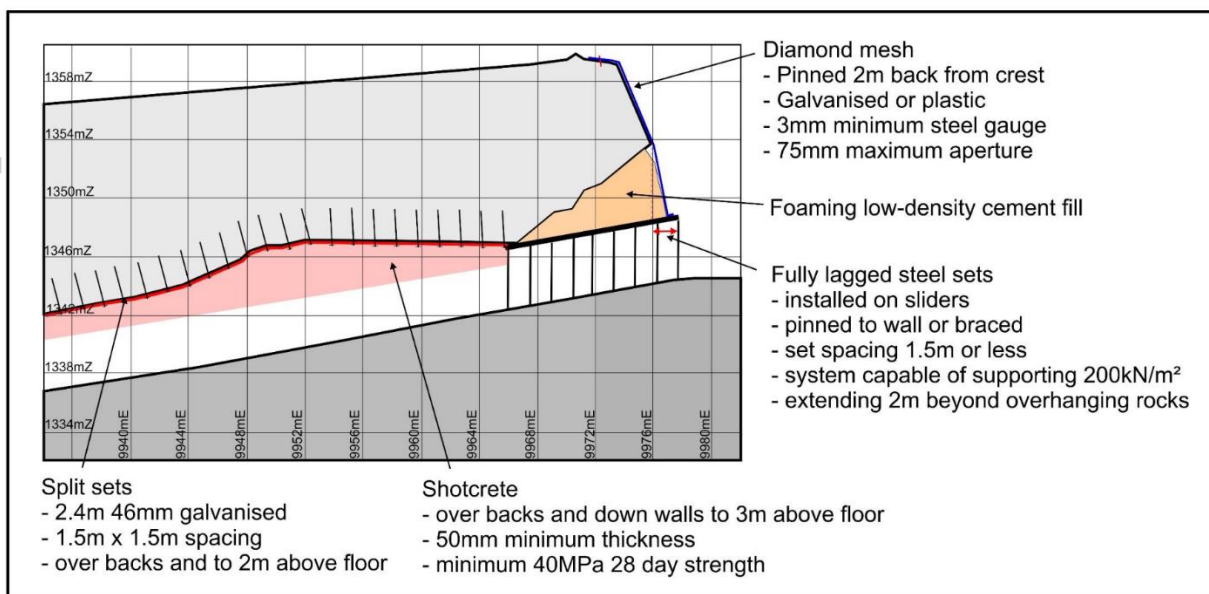


FIGURE 3: ROTHSAY PORTAL REHABILITATION

4.3 DECLINE REHABILITATION

The decline is accessible to approximately the 1305mRL, beyond this point the decline is flooded.

Rehabilitation of the upper decline section from below the proposed steel sets to 1325mRL will consist of a 50mm minimum layer of fibrecrete followed by 2.4m galvanised split sets (Figures 4). The decline below 1325mRL will be supported with galvanised 2.4m 46mm split sets and 5.6mm galvanised weld mesh.

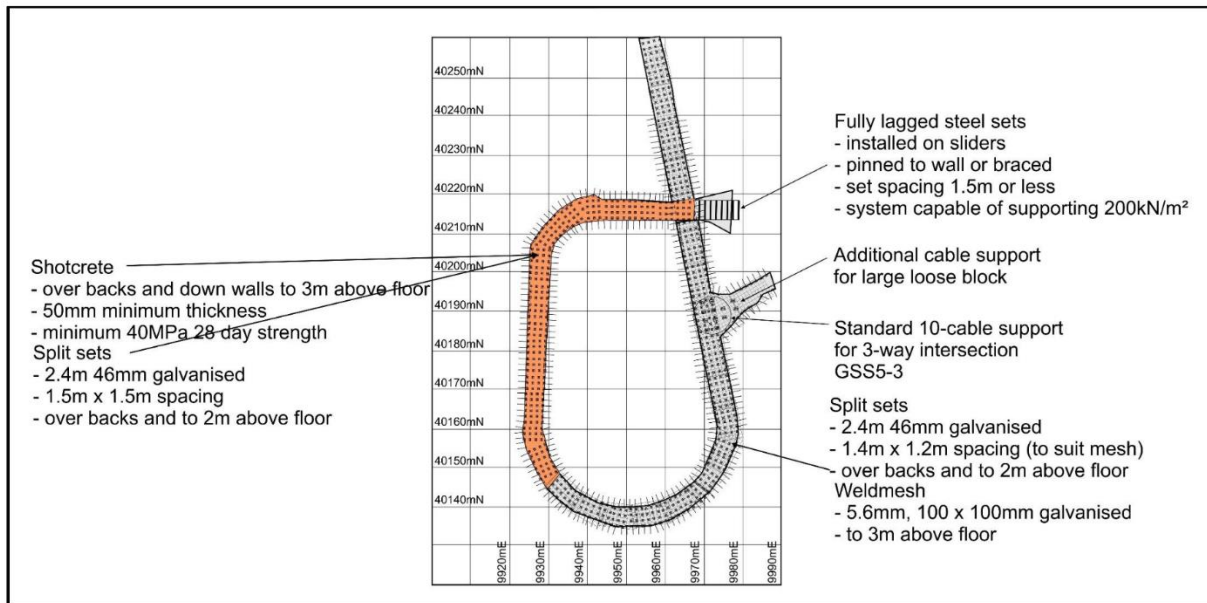


FIGURE 4: ROTHSAY UPPER DECLINE REHABILITATION

5. MINING

As a part of the Scoping Study, Maksena Engineering Solutions Pty Ltd & EganStreet completed a study to Pre-feasibility level of accuracy. Costs associated for mining capital and operating costs were supplied by two independent mining contractors. A detailed mine design, schedule and cost estimation was completed based on the MRE for the A-Shear, directly beneath 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 Scoping Study. The deposit characteristics, particularly the orebody geometry in the form of strike length, dip and thickness has been influential in the selection of mining method. Long Hole Open Stopping (LHOS) was the method chosen for design and scheduling purposes. In the next stage of studies consideration to the mining method selection will need further investigation; this may include a combination of mechanised and hand held methods.

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

5.1 MINE DESIGN

The mine has been designed on a typical LHOS layout applicable for the Rothsay A-Shear orebody. The design parameters are outlined in Table 6.

TABLE 6: MINE DESIGN PARAMETRES

| Description | |
|---------------------------------------|---------------|
| Decline gradient | 1 in 7 |
| Decline Profile | 5.0mW x 5.0mH |
| Decline Turning Radius | 20m |
| Level Spacing | 18m |
| Stope Height (Back to Floor) | 15m |
| Ore Drive Profile | 2.5mW x 3.0mH |
| Stope Dilution | 0.2m |
| Minimum Mining Width (incl. dilution) | 1.2m |
| Average Stope Width | 1.7m |
| Maximum Stope Width | 4.4m |
| Stope Recovery | 80% |
| Maximum Stope Length | 25m |

The decline has been designed at a 1 in 7 gradient to be 5.0mW x 5.0mH with arched shoulders to permit the passage of the largest fleet item, namely the haulage trucks, while maintaining required and statutory standoff distances to the excavation boundary and associated services (air, water, pumping, power, communications, and secondary ventilation). A 'Figure-8' style decline configuration with a minimum radius of 20m has been designed to provide optimal access to levels every 18 vertical metres, while also allowing trucks to operate at a productive speed when travelling up and down the decline.

Crosscuts have been designed to intersect the orebody in 18m vertical increments due to the 18m level interval utilised for stoping. Crosscuts have been situated as close to the centre of the orebody strike as possible.

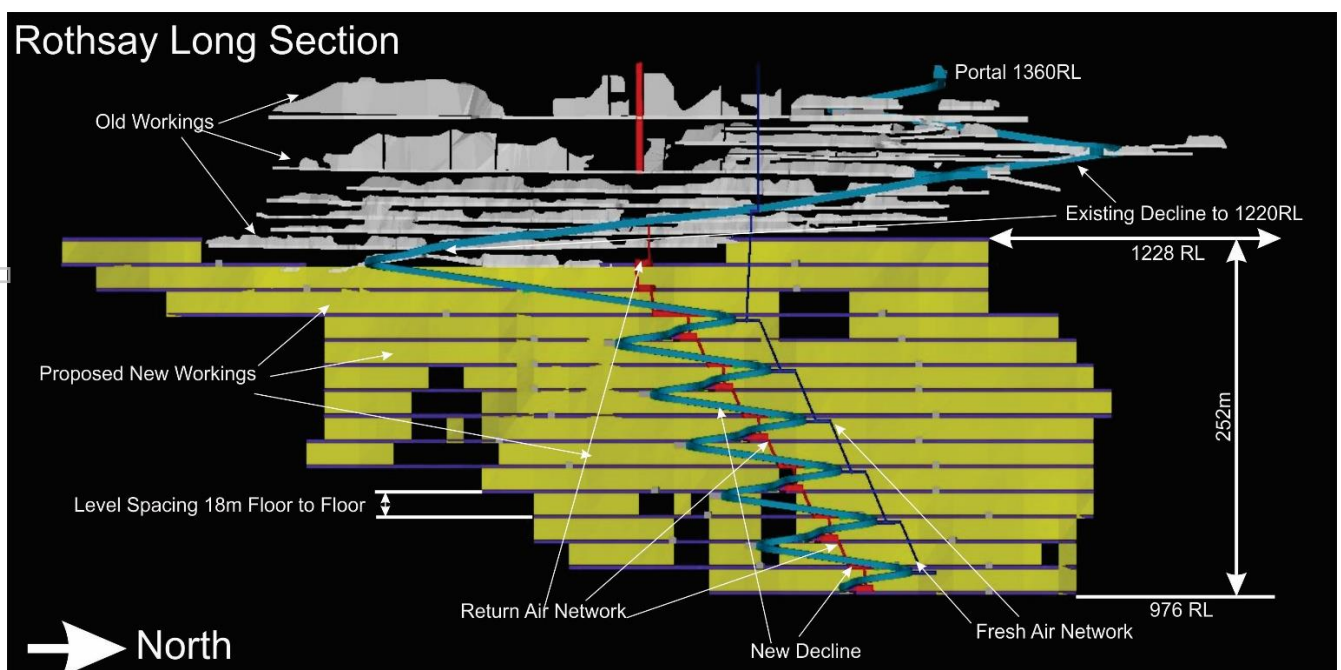


FIGURE 5: ROTHSAI LONG SECTION

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 4m². 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 976mRL (approximately 384m below the surface). This was the vertical limit that the Project was economically viable under the cost structure within the financial model.

The typical mine layout for the Rothsay underground design can be seen in Figure 6.

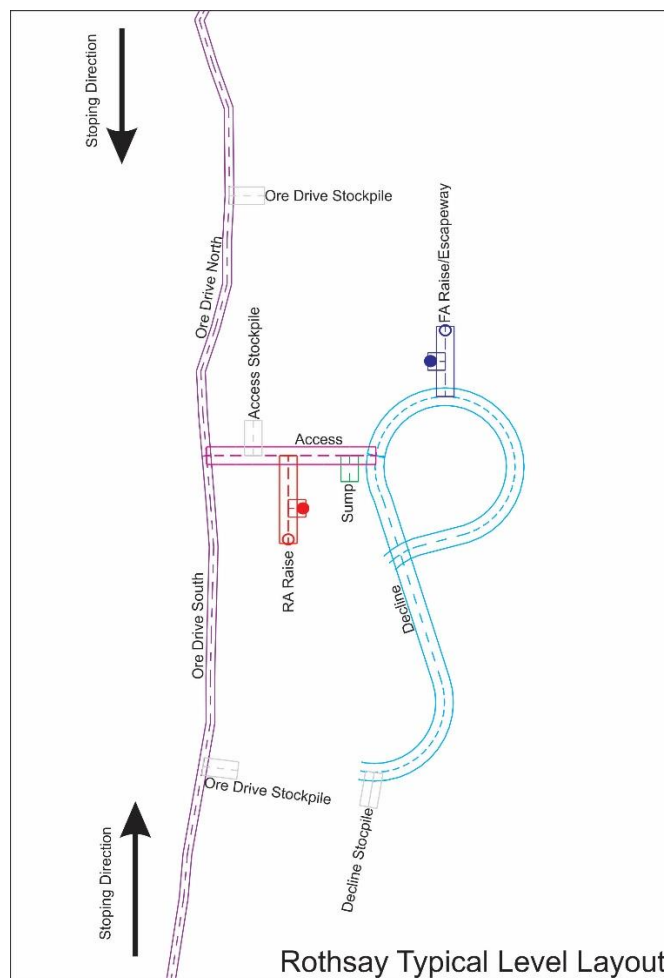


FIGURE 6: ROTHSAI TYPICAL LEVEL LAYOUT

5.2 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. Thus, in a simple example:

- › Drilling rate for stopes = 180 m/day (individual driving activity rate)
- › Total drills available = 1 drill rig (resources available)
- › Maximum drilling that can be done per day = $180 \times 1 = 180$ m production drilling per day.

The development rates were divided into two categories; capital development and operating development.

Capital development (all development other than ore drives) single heading advance was scheduled at a maximum rate of 100m/month. This maximum rate of 100m/month was applied down to the 1138RL (inclusive). From the 1120RL (inclusive) and below the capital development rate was reduced to 50m/month. The reduction in development rate was applied to the levels 1120RL and below because the observation was made that at the higher rate the capital/decline was significantly 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 100m/month.

It is assumed that 2 jumbos with an overall efficiency of 200m/month each will be required for the life of the development cycle.

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

- › Stope Slotting – 1.8m/day (3 slotting resources)
- › Stope Production Drilling – 180m/day (1 production drilling resource)
- › Stope Bogging – 500t/day (2 bogging resources)

A mining schedule has been developed in keeping with the mining methodology and sequencing/scheduling assumptions.

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

TABLE 7 – UNDERGROUND KEY PHYSICALS

| Key Physical | | |
|---------------------|------------|-------|
| Mine Project Life | (quarters) | 14 |
| Total Mined Ore | (kt) | 492.9 |
| Mined Ore Grade | (g/t Au) | 6.66 |
| Mined Ounces | (koz) | 105.5 |

Table 8 gives a summary of the underground mining production.

TABLE 8 - ROTHSAY QUARTERLY UNDERGROUND PRODUCTION¹

| Period | Tonnes | Grade (g/t Au) | Ounces (oz) |
|--------|--------|----------------|-------------|
| Q1 | 10,427 | 4.00 | 1,340 |
| Q2 | 20,025 | 5.63 | 3,624 |
| Q3 | 31,293 | 5.57 | 5,608 |
| Q4 | 35,084 | 5.98 | 6,750 |
| Q5 | 35,395 | 6.33 | 7,204 |
| Q6 | 42,441 | 7.67 | 10,469 |
| Q7 | 46,477 | 6.73 | 10,049 |
| Q8 | 47,654 | 8.10 | 12,408 |
| Q9 | 51,534 | 6.76 | 11,194 |
| Q10 | 43,719 | 6.83 | 9,606 |
| Q11 | 46,214 | 7.19 | 10,685 |
| Q12 | 42,350 | 6.48 | 8,821 |
| Q13 | 27,669 | 5.69 | 5,062 |
| Q14 | 12,638 | 6.63 | 2,695 |

5.3 POTENTIAL MINE PLAN RESOURCE CATEGORIES

The Rothsay mine plan 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 this Scoping Study can be seen in the Table 9.

Cautionary Statement - There is a low level of geological confidence associated with inferred mineral resources, 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 9 - ORE REPORT BY RESOURCE CLASSIFICATION¹

| Ore Report by Resource Classification | | % of Total |
|---|---------|------------|
| Final Recovered Indicated Ore Tonnes (t) | 191,594 | 39% |
| Final Recovered Indicated Ore Grade (g/t Au) | 12.47 | |
| Final Recovered Indicated Ore Ounces (oz) | 76,825 | 73% |
| Final Recovered Inferred Ore Tonnes (t) | 73,881 | 15% |
| Final Recovered Inferred Ore Grade (g/t Au) | 11.34 | |
| Final Recovered Inferred Ore Ounces (oz) | 26,936 | 25% |
| Final Recovered Inventory/Dilution Ore Tonnes (t) | 227,443 | 46% |
| Final Recovered Inventory/Dilution Ore Grade (g/t Au) | 0.24 | |
| Final Recovered Inventory/Dilution Ore Ounces (oz) | 1,755 | 2% |

A visual long section representation of the stope delineation by resource category can be seen in Figure 7, with the green stope areas depicting indicated stopes and the red areas depicting inferred stopes.

¹ Note tables may not match due to apparent rounding errors.

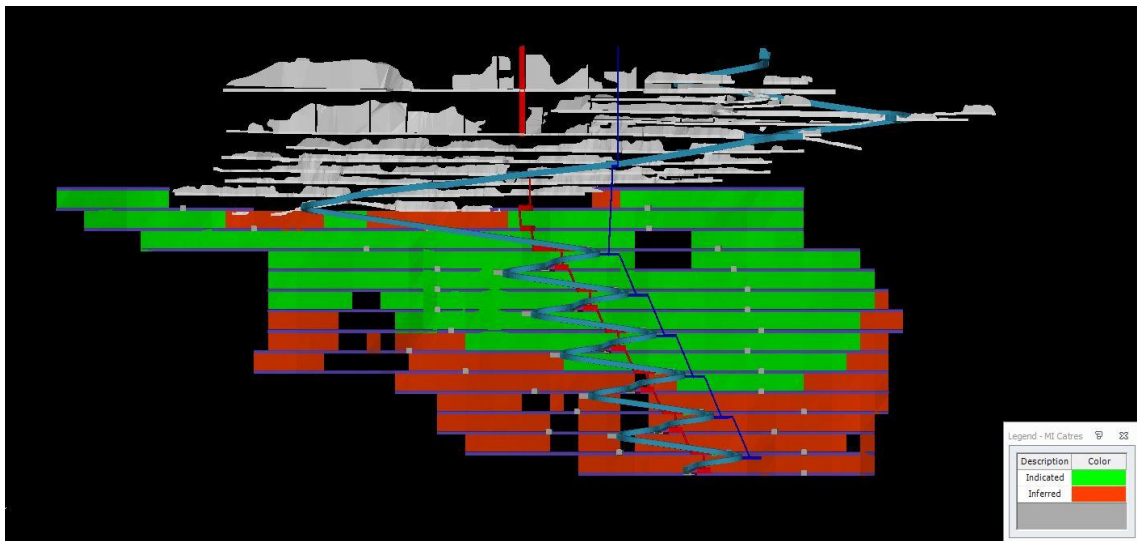


FIGURE 7: STOPE DELINEATION BY RESOURCE CATEGORY

The majority of the ounces mined will be from the Indicated category (73%) and are predominately mined prior to the Inferred Mineral Resource (from which 25% 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 12 months of the mine schedule. The remaining 2% of ounces mined are mineralised waste from planned mine dilution.

A drilling program has been planned and is mostly completed, to infill the area of inferred resource considered by this study. The intended purpose of the drilling is to provide sufficient drill density to convert these resources to a higher level of confidence should results support the existing surrounding drilling data.

6. PROCESSING

As a part of the Scoping Study, CPC Process Design (a wholly owned subsidiary of CPC Engineering) completed a study to Pre-feasibility level of accuracy for capital and operating costs associated with constructing and operating a gold processing plant at Rothsay. CPC Engineering is a privately-owned company that was established in 1970 and currently employs over 300 people providing services in; Metallurgical testwork, feasibility studies, engineering design, project management, construction, commissioning and asset management.

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

6.1 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 P₈₀ 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 P₈₀ 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 Gemeni Table.
- › A CIL circuit of 2 leach tanks and 6 adsorptions tanks for a 24-hr residence time
- › 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 A100 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.



6.2 METALLURGY & PROCESS DESIGN

Whilst EganStreet has not collected any new metallurgical data, the design is based on a review of the existing metallurgical testwork and historical production records from Metana Minerals (previous mine operator, that 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 3 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 Scoping Study is immediately beneath 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 2 metallurgically representative samples and subjected to gravity and cyanide leach testwork.
- › Groundwater sampling results 2013 – 2016.

TABLE 10 - 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 Scoping Study. This compares well with the historic recoveries achieved and is considered conservative when compared to the diamond drill hole metallurgical testing referred to above.

6.3 PLANT LAYOUT

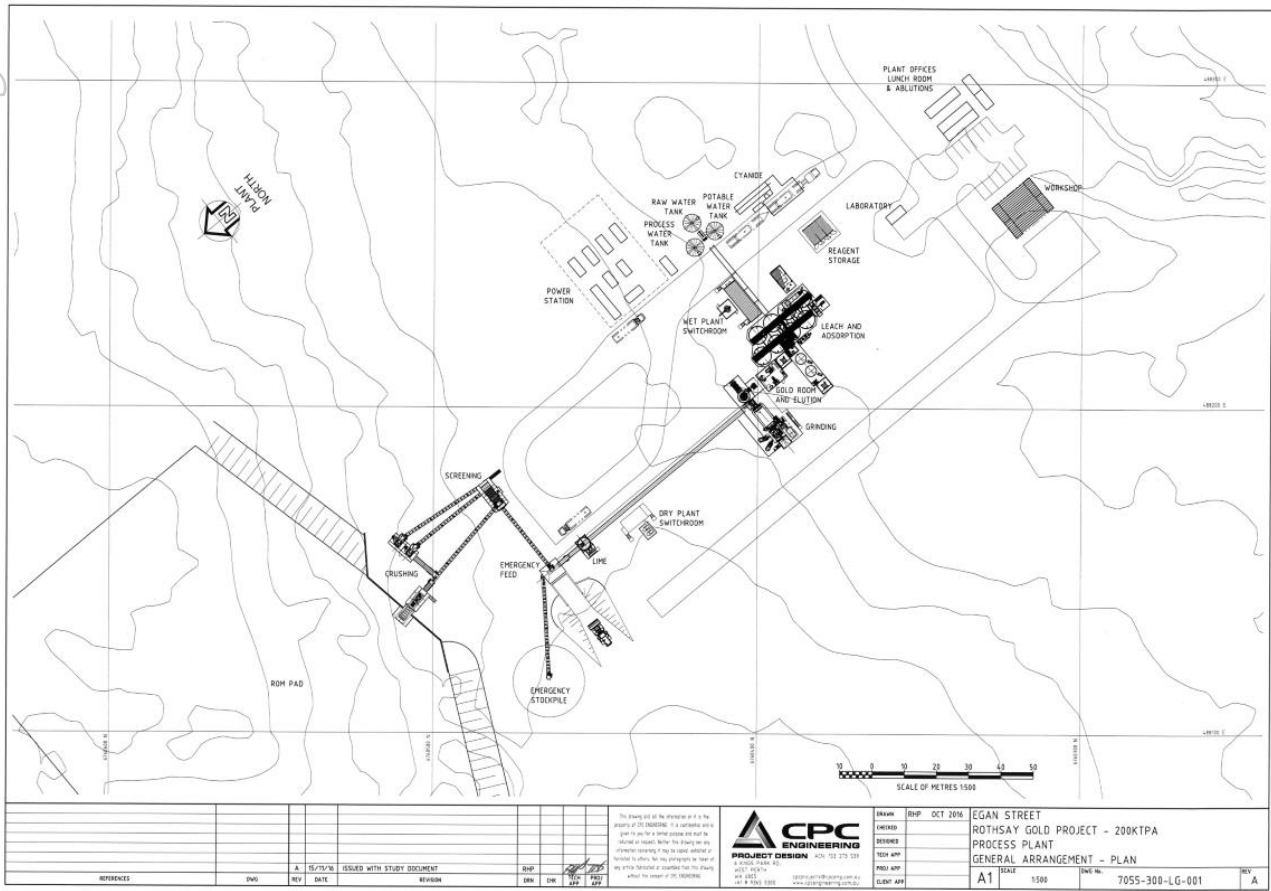


FIGURE 10 - PLANT LAYOUT

6.4 TAILS STORAGE FACILITY

The Rothsay Gold Project has a previously used tailing storage facility (TSF). A recent survey of the area has shown that the remaining capacity will meet the Scoping Study Life of Mine with 33,800m³ of fill being required for lifting of the current embankment. This falls within the range of acceptable ratios for tailings deposition versus construction embankment material (current concept design ratio = 10% versus industry practice of 10%-20%). The design relies on the following assumptions:

- 1.5 t/m³ 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)
- Only downstream construction of embankment is being considered at Scoping Stage (this will be reviewed upon compilation of existing construction documentation and further geotechnical studies completed as part of the feasibility stage)
- Assumes a tailings D₈₀ of 106µm

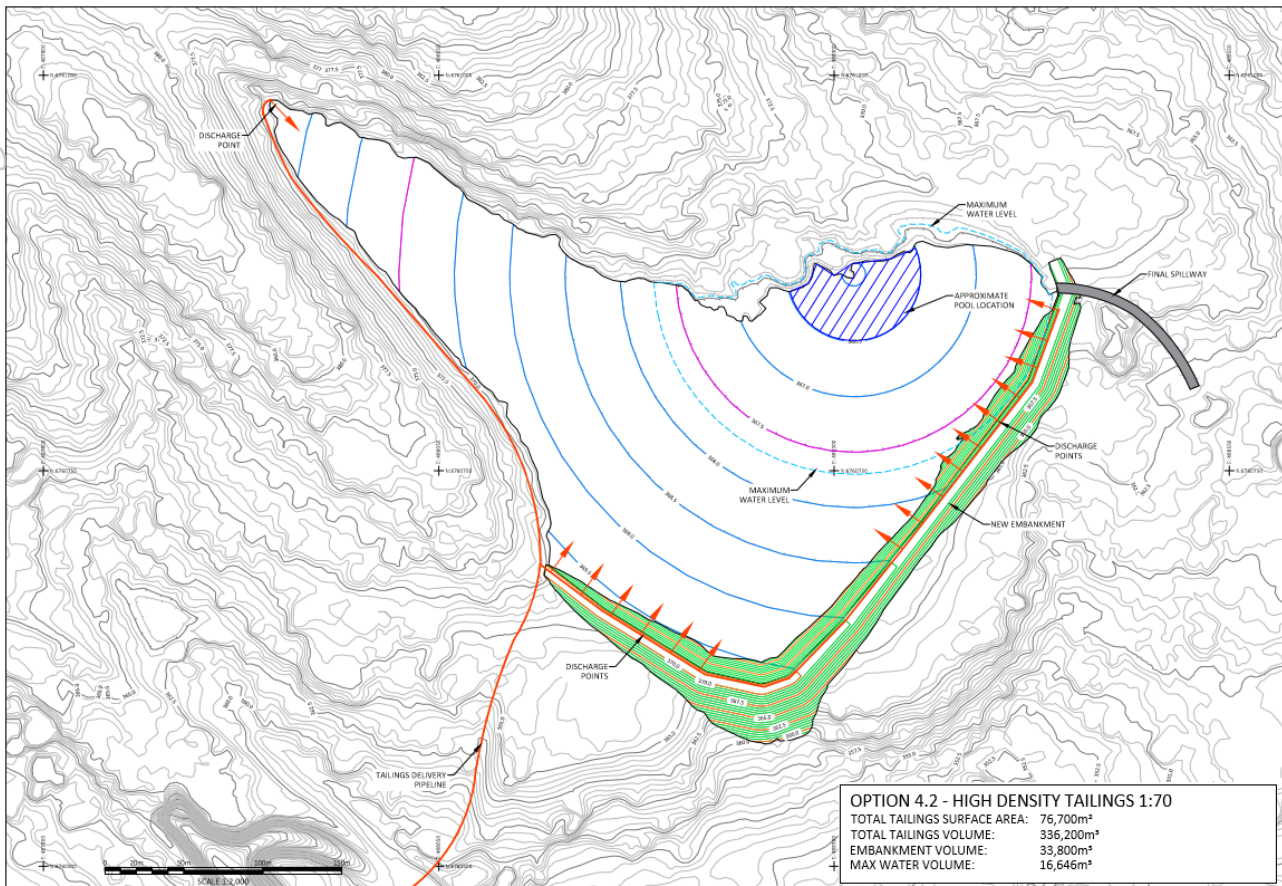


FIGURE 11 - TAILINGS STORAGE FACILITY CONCEPT DRAWING

The initial review of the TSF has demonstrated that sufficient capacity exists within the existing facility and that lifts of the existing embankment will not require excessive amounts of embankment construction materials. This confirms, that for the mine life proposed within the Scoping Study, that the existing TSF will provide a cost-effective tails storage solution.

7. SITE PERSONNEL

Detailed estimates have been provided by two independent mining contractors for underground mining labour requirements, CPC Process Design for process plant labour requirements and from Beamer Nominees for camp facilities management.

The Rothsay Gold Project will be a combination of 2/1, 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 11 - SITE PERSONNEL ESTIMATE

| Area | Total | Day Shift | Night Shift | On Site |
|---|-----------|-----------|-------------|-----------|
| Technical and admin | 9 | 6 | | 6 |
| Contract mining | 37 | 17 | 9 | 25 |
| Mining sub total | 46 | 23 | 9 | 31 |
| Processing | 15 | 8 | 2 | 9 |
| Camp facilities management | 8 | 4 | 1 | 6 |
| Rothsay Gold Project personnel total | 69 | 35 | 12 | 46 |

8. INFRASTRUCTURE

A 52 person remote mine site camp will be constructed as part of the Rothsay Gold Project. This consists of:

- > 13 x 4 person ensuite buildings
- > 1 x laundry building
- > 1 x combined kitchen/dry mess/wet mess/recreation building
- > 1 x gymnasium building
- > 1 x ablution building

A mine site administration complex will also be constructed, this consists of:

- > 1 x office building
- > 1 x crib room building
- > 1 x ablution building
- > 1 x clean/dirty changeroom building
- > 1 x first aid room / mines rescue facility building
- > 1 x heavy vehicle wash bay with oil/water separator
- > 1 x concrete pad for mining contractor workshop facility

8.1 MINE SITE CAMP

The 52-person camp is a replica of the current Redlands Minesite Camp located in the centre of Perenjori. This design has previously been approved by the Perenjori Shire. It will meet the requirements for the Rothsay Gold Project and will present cost saving opportunities to EganStreet as the engineering drawings are complete and will be made available to the Company.

The estimated costs used in the Scoping Study are based on securing second-hand building units utilising current quotes from a Western Australian based supplier of minesite transportable buildings.

8.2 MINE SITE ADMINISTRATION COMPLEX

The mine site administration complex consists of a 9-person office building, crib room capable of accommodating up to 10 people, a 4-person clean/dirty changeroom, ablution facility and first aid room.

The estimated costs are based on securing second-hand building units utilising current quotes from a Western Australian based supplier of minesite transportable buildings.

9. FINANCIALS

Assuming a gold price of A\$1,600/oz, the operation is shown to produce A\$26.8m in free cashflow, which equates to a net present value of approximately A\$21.4m at a discount rate of 5%, and an internal rate of return of 40%. The NPV and IRR have been estimated using varying gold prices as shown in Table 15.

TABLE 12- KEY ASSUMPTIONS

| Description | | | | |
|-------------------------|--|--------|-------|-------|
| General | | | | |
| Basis | Project level, pre-tax, excludes depreciation & debt financing | | | |
| Construction Period | 0.5 years | | | |
| UG LOM | 3.5 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% | | | |
| Stope Recovery | 80% | | | |
| Minimum Mining Width | 1.2m (including 0.2m dilution) | | | |
| | | | | |
| Resource Category Mined | Kt | g/t Au | oz | % oz |
| Indicated Resource | 191.6 | 12.5 | 76.8 | 72.3% |
| Inferred Resource | 73.9 | 11.3 | 26.9 | 25.4% |
| Mineralised Waste | 227.4 | 0.2 | 1.8 | 2.3% |
| Total | 492.9 | 6.66 | 105.5 | 100% |
| | | | | |
| Ore Processed | 500.9 | 6.60 | 106.2 | |
| Plant throughput | 200,000tpa | | | |
| Plant Recovery | 95.0% | | | |
| Ounces Produced | 100.9 | | | |

TABLE 13 - KEY PHYSICALS

| | | Pre-Production | Year 1 | Year 2 | Year 3 | Year 4 | Total |
|---------------------------|-------|----------------|--------|--------|--------|--------|--------------|
| Ore Mined | kt | 10.4 | 121.8 | 188.1 | 160.0 | 12.6 | 492.9 |
| ROM Grade | g/t | 4.00 | 5.92 | 7.30 | 6.65 | 6.63 | 6.66 |
| Ounces Mined | koz | 1.3 | 23.2 | 44.1 | 34.2 | 2.7 | 105.5 |
| Ore Processed | kt | - | 140.2 | 186.6 | 161.5 | 12.6 | 500.9 |
| Plant Recovery | % | | 95% | 95% | 95% | 95% | 95% |
| Ounces Produced | koz | | 24.0 | 41.6 | 32.8 | 2.6 | 100.9 |
| Cash Cost (C1) | \$/oz | | 1,103 | 794 | 870 | 1,375 | 907 |
| AISC | \$/oz | | 1,338 | 920 | 998 | 1,375 | 1,056 |
| Gross Revenue | A\$m | (28.1) | 6.3 | 28.3 | 19.7 | 0.6 | 26.8 |
| Cumulative Revenue | A\$m | (28.1) | (21.8) | 6.5 | 26.2 | 26.8 | |
| NPV | A\$m | (28.1) | (22.1) | 3.7 | 20.9 | 21.4 | 21.4 |
| IRR | % | | (143%) | 15% | 40% | 40% | 40% |

TABLE 14 - KEY FINANCIALS

| Description | | | |
|--------------------------------------|--------------|---------------|-------------|
| Capex | | | A\$m |
| UG Rehabilitation & Mining | | | 2.9 |
| Process Plant | | | 14.1 |
| Camp | | | 1.3 |
| HV Power Plant | | | 1.2 |
| Other Infrastructure | | | 0.9 |
| Total Capex | | | 20.4 |
| Contingency | 15% | | 3.1 |
| Working Capital | | | 4.6 |
| Funding Requirement | | | 28.1 |
| Opex | A\$/t | A\$/oz | A\$m |
| Mining | 103.3 | 505 | 51 |
| Processing | 46.8 | 232 | 23 |
| Site Services | 24.8 | 123 | 12 |
| Royalties | 9.5 | 47 | 5 |
| Cash Costs (C1) | 184.4 | 907 | 92 |
| Sustaining Capex | 30.6 | 149 | 15 |
| AISC | 214.9 | 1,056 | 107 |
| Project | | | |
| Initial LOM | Years | | 3.75 |
| NPV (Pre-Tax) at discount rate of 5% | A\$m | | 21.4 |
| IRR (Pre-Tax) | % | | 40% |
| Payback | Years | | 1.8 |

TABLE 15a – A\$ GOLD PRICE SENSITIVITY ANALYSIS

| (A\$/oz) | NPV (A\$m) | IRR (%) | Payback (Years) |
|--------------|-------------|------------|-----------------|
| 1,400 | 3.1 | 11% | 2.4 |
| 1,500 | 12.3 | 27% | 2.0 |
| 1,550 | 16.8 | 33% | 1.9 |
| 1,600 | 21.4 | 40% | 1.8 |
| 1,650 | 26.0 | 46% | 1.7 |
| 1,700 | 30.6 | 52% | 1.6 |
| 1,800 | 39.8 | 63% | 1.5 |

TABLE 15b – OPEX SENSITIVITY ANALYSIS

| Sensitivity % | Opex (\$/t) | NPV (A\$m) | IRR (%) | Payback (Years) |
|------------------|--------------|-------------|------------|-----------------|
| -25 | 140.6 | 45.8 | 72% | 1.37 |
| -15 | 158.1 | 36.0 | 60% | 1.53 |
| -5 | 175.6 | 26.3 | 47% | 1.67 |
| Base Case | 184.4 | 21.4 | 40% | 1.75 |
| +5 | 193.1 | 16.6 | 33% | 1.88 |
| +15 | 210.6 | 6.8 | 17% | 2.25 |
| +25 | 228.1 | -2.9 | 0.3% | 2.90 |

9.1 CAPITAL COSTS

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

TABLE 16 - CAPITAL COST ESTIMATE

| Description | Cost (A\$m) | Contingency (15%) | Total cost (A\$m) |
|----------------------------------|--------------|-------------------|-------------------|
| Mobilisation & Demobilisation | 0.20 | 0.03 | 0.23 |
| UG Rehabilitation | 2.35 | 0.35 | 2.70 |
| UG Contractor Overheads | 0.33 | 0.05 | 0.37 |
| Mine Office | 0.30 | 0.04 | 0.34 |
| Workforce Camp | 1.30 | 0.19 | 1.49 |
| HV Power Distribution | 1.22 | 0.18 | 1.40 |
| Workshop | 0.40 | 0.06 | 0.46 |
| Leaky Feeder | 0.10 | 0.01 | 0.11 |
| Surface Magazine | 0.11 | 0.02 | 0.13 |
| Process Plant | 14.13 | 2.12 | 16.25 |
| Construction Total | 20.42 | 3.06 | 23.48 |
| Working Capital | | | 4.63 |
| Total Capital Expenditure | | | 28.1 |

The total project funding requirement is A\$28.1m, which is made up of A\$20.4m in capital expenditure (including underground dewatering and rehabilitation), a 15% contingency of A\$3.1m and A\$4.6m 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 $\pm 25\%$ level of accuracy.

TABLE 17 - OPERATING COST ESTIMATE

| Item | A\$/t | A\$/oz | Opex Cost (A\$m) |
|-------------------|--------------|--------------|------------------|
| Mining | 103.3 | 505 | 50.9 |
| Processing | 46.8 | 232 | 23.4 |
| Site Services | 24.8 | 123 | 12.4 |
| Royalties | 9.5 | 47 | 4.7 |
| Cash Costs | 184.4 | 907 | 91.5 |
| Sustaining Capex | 30.6 | 149 | 15.1 |
| AISC | 214.9 | 1,056 | 106.6 |

10. PROJECT FUNDING

EganStreet has sufficient capital to undertake further exploration drill programs, re-estimate the MRE and complete the work/assessments required to finalise the Feasibility Study.

The Scoping Study estimates that A\$28.1m 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.

- › 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, which are exercisable at 25c (to acquire one ordinary fully paid share) before 13 March 2018 and if fully exercised would provide A\$12m of cash. These funds could be applied to the project funding requirement, if received prior to these expenditures taking place. 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 strongly oversubscribed.
- › The Company has conducted preliminary discussions with potential debt and equity providers, and will continue discussions to progress funding options.
- › Discussions entered into with potential process plant providers have contemplated Build, Own Operate and Transfer (BOOT) style commercial agreements. 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 there is a strong possibility that it will continue to increase the MRE at the Project to extend the mine life beyond what is currently assumed in the scoping study. Resource infill and extensional drilling is currently underway.

Due to the low quantum of capital required and robust financial results indicated by the Scoping Study, EganStreet is confident of its ability to raise the required capital.

11. POTENTIAL TIMELINE TO PRODUCTION

Post the release of the Scoping Study, the Company will continue on the current exploration drill program (ASX Announcement 28 October 2016 & 16 November 2016) in order to increase the confidence of the Inferred Mineral Resource. Once the core is logged and assayed these results will be incorporated into a new MRE, which is anticipated to be completed before the end of Q1, 2017.

A decision to mine is anticipated to be made following the completion of a detailed Feasibility Study, which is expected to be before 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\$28.1m 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 could therefore commence Q1, 2018 with first gold production in H2, 2018.

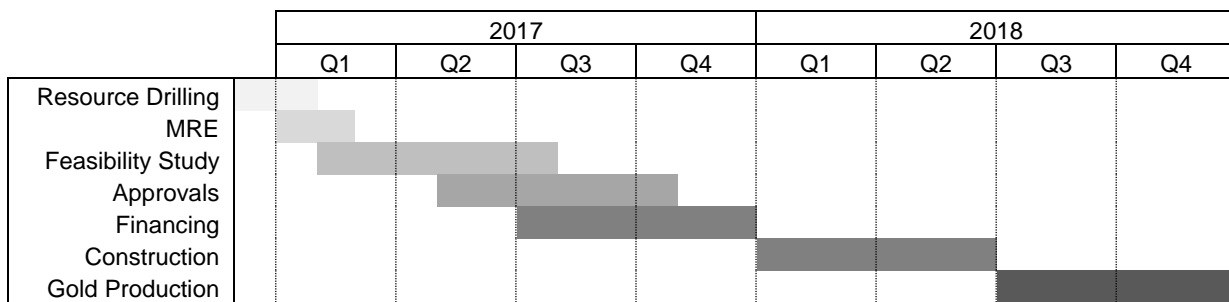


FIGURE 12 – POTENTIAL TIMELINE TO PRODUCTION

12. NEXT STEPS

The Scoping Study has successfully outlined the Company's intended plans to develop the Project. The Scoping Study demonstrates a financially robust project of low technical risk.

Several sections of the Scoping Study have been completed to a standard higher than that which is required for a Scoping Study. These include:

- › Detailed mine design, scheduling and equipment selection.
- › Capital & operating costs have been quoted from independent contractors rather than use of benchmark data which is typical for a scoping study.
- › Process plant design has been performed to a Pre-feasibility level.

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

- › Complete current exploration drill program to infill the current inferred resource below the existing underground infrastructure on the A-Shear, which has been designed to provide sufficient data density to provide for an upgrade to indicated category, should the results support the existing surrounding drilling data.
- › Re-estimate the Mineral Resource with the additional information gained from the current exploration drill program.
- › Conduct sterilisation drilling in the immediate vicinity of the tailings storage facility and also conduct sterilisation drilling for the proposed mining, processing and non-production infrastructure locations.
- › Conduct near mine exploration programs to determine what potential exists to add to the LOM resource.

- › 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.
- › Implement a geotechnical logging system on all diamond drill core. Further consider re-logging a targeted percentage of available Rothsay core for required geotechnical information (RQD, structure).
- › Obtain oriented geotechnical core samples for the purposes of uniaxial compressive testing in all relevant structural domain types (footwall, ore zone, hangingwall) & consider performing test work to establish an estimation of the insitu stress regime (eg. acoustic emission).
- › Detailed geotechnical assessment of mine design including development and stope design parameters.
- › Complete required metallurgical testing to input into the final design of the process plant, including:
 - › Comminution testing
 - › Leach grind optimisation
 - › 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.
- › Review existing tailings storage facility (TSF) design and construction documentation.
- › Geotechnical testing of the TSF.
- › Seepage and stability analyses of the TSF to determine structural stability and integrity of current state, during deposition and post deposition based on geotechnical test results.
- › Detailed ventilation modelling to be undertaken to determine air flow requirements, size of airways, fan sizing and installation etc.
- › Detailed hydrological assessment to estimate water ingress and pumping requirements.
- › Complete detailed environmental studies as required by the anticipated scope of the project & relevant statutory authorities.
- › Obtain required licences and approvals.
- › Continue discussions on potential financing for the Project.
- › Examine historical production records and mine surveys to identify remnant potential positions within the area previously mined.

For more information, please contact:

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APPENDIX 1 COMPETENT PERSON'S STATEMENT

The information in this announcement that relates to Exploration Results for the Rothsay Gold Project is extracted from the Prospectus lodged on 28 July 2016, which is available to view at www.eganstreetresource.com.au and 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 Prospectus. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the Prospectus.

The information in this announcement that relates to the estimation and reporting of the Rothsay Mineral Resource is extracted from the Independent Geologists Report included in the Prospectus lodged on 28 July 2016 which is available to view at www.eganstreetresource.com.au / 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 Independent Geologists Report included in the Prospectus and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in the Independent Geologists Report included in the Prospectus 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 Independent Geologists Report included in the Prospectus.

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 24 June 2016 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 501kt of ore @ 6.6g/t Au for a total of 101koz of gold produced.</p> <p>Approximately 73% of the total production target is in the Indicated Resource category. Importantly, the remainder of the production target is in the Inferred Resource category (25%) and planned mine dilution (2%).</p> |
| 2 | Parties participating in scoping study and site visits | <p>The Scoping Study has been prepared by a number of independent consultants in conjunction with EganStreet employees and management. The following have provided input into the Scoping Study:</p> <ul style="list-style-type: none"> 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. 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. 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 Scoping Study. Mr Grubic has not visited the site and has completed work based on information provided by EganStreet, Cube Consulting and Turner Mining & Geotechnical. Mr Mike Turner (Turner Mining & Geotechnical) – Mr Turner is the Principal of Turner Mining & Geotechnical. Mr Turner is a Geotechnical Engineer and has visited the site in the completion of the assessments. 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 & cost estimate and the power plant design & cost estimate. Mr Noble did not visit the site and has completed work based on information provided by EganStreet. Mr Don Blenkinsop (Mine Waste Solutions WA) and Mr Gordon McPhail (Water, Waste & Land). Mr Blenkinsop and Mr McPhail are the Principal Consultants and were engaged by EganStreet to undertake preliminary modelling of the Tailings Storage Facility. Mr Blenkinsop and Mr McPhail did not visit site and have completed work based on information provided by EganStreet. 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. Mr Les Panting (Beamer Nominees) – Mr Panting is the Managing Director of Beamer Nominees. 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. |
| 3 | Study Status | <p>The type and level of study is Scoping Study as defined in clause 38 of the 2012 Edition of the JORC Code.</p> <p>The production target and financial information in this release are based on a scoping study. The scoping study referred to in this announcement is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised.</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> |

5 Mining factors or assumptions used in the Rothsay Gold Project Scoping Study

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 1.2m including 0.2m of dilution. 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 has been selected for the basis of the Scoping Study. 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. Minimum capital development stand-off of 30m to protect decline.
- Sublevel spacing: 18m 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. Stope designs are optimised based on orebody widths (bulked out to a minimum mining width of 1.2m) with an 80% recovery factor allowing for rib and sill pillars.

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

| | % of tonnes | % of ozs |
|------------------|-------------|----------|
| Indicated | 39% | 73% |
| Inferred | 15% | 25% |
| Dilution | 46% | 2% |

6 Metallurgical factors or assumptions used in the Rothsay Gold Project Scoping Study

- 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 Scoping Study 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 Scoping Study). 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 from immediately beneath the existing underground workings.

7 Environmental

- 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.
- All proposed activities are located within granted Mining Leases.
- A tailings storage facility is located at the Project and preliminary modelling has indicated that sufficient capacity exists for the proposed production target.
- Preliminary waste rock characterisation has been completed by Graeme Campbell & Associates and was found to be non-acid forming.
- Flora studies are currently underway and it is expected that fauna studies will be required to be completed.
- It is expected that permitting approvals will include; DMP Mining Proposal & 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 Scoping Study.

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| 8 | Infrastructure | <ul style="list-style-type: none"> > 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. > 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. > There is a borefield in place that was previously capable of meeting the previous mining operations process water requirements. > The Scoping Study 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. |
| 9 | Costs | <p>Capital Costs:</p> <ul style="list-style-type: none"> > Mine rehabilitation and mining capital costs have been derived by details provided by two independent mining contractors, CPC Process Design have provided capital costs for the process plant and Beamer Nominees for non-production infrastructure (minesite camp & offices). > 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 estimated from sourced quotation for materials and labour assumptions. <p>Operating Costs:</p> <ul style="list-style-type: none"> > Mine operating costs have been derived by details provided by two independent mining contractors based on preliminary pricing on the basis of a contractor mining model. CPC Process Design have provided operating costs for the process plant using prices obtained in, or escalated to, Q4 of 2016. > The total operating cost has been consolidated by EganStreet and the model has been independently verified by ADB Consultancy. > No specific allowance for gold refining and transport costs for the Perth Mint (or similar) have been included. This cost is not considered material. > The following royalties are applicable to the Project and have been allowed for in the Scoping Study: <ul style="list-style-type: none"> • A 2.5% royalty on revenue applicable to gold mining operations is payable to the Western Australian government. • A royalty payable to Magnetite Mines Ltd & 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. |
| 10 | Revenue Factors | <ul style="list-style-type: none"> > For Scoping Study purposes, it has been assumed that gold will be sold at spot price to the Perth Mint, Western Australia. > A gold price of A\$1,600 per ounce has been used for Scoping Study economic modelling. > Sensitivities for gold price and operating costs were considered as part of the Scoping Study. |
| 11 | Market Assessment | There is a transparent, quoted market for the sale of gold. |
| 12 | Economic Evaluation | <p>EganStreet have prepared a preliminary project level financial model, which has been developed for the Scoping Study. The financial model has been independently reviewed by ADB Consultancy Pty Ltd. The base case assumes:</p> <ul style="list-style-type: none"> > Capital and operating cost inputs as per item 9. > Gold price of US\$1,200/oz (A\$1,600/oz). > Foreign exchange rate of 0.75 USD: AUD. > Minimum mining width 1.2m (including 0.2m dilution). > 80% stope recovery. > Dilution grade of 0.24g/t Au within the mineralised shear zone. > A stockpile of 8,000t with a conservative assigned ore grade of 2.8g/t Au, supported by a 300kg bulk sample which returned a grade of 4.04g/t Au. > Metallurgical recovery of 95%. See item 6. > Discount rate of 5%, no inflation rate has been used. > The NPV sensitivity to gold price and operating cost has been provided in table 15. |

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| 13 | Social | <ul style="list-style-type: none"> ➤ All proposed mining and infrastructure areas lie within granted Mining Leases. ➤ There are no Native Title claims pending over the Rothsay Gold Project area. ➤ The Company believes it has a good relationship with the Shire of Perenjori |
| 14 | Other | <ul style="list-style-type: none"> ➤ There are no known naturally occurring risks to the Project. ➤ There are no material legal or marketing agreements in place. ➤ All proposed mining areas lie within granted Mining Leases. ➤ 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 Feasibility Study. ➤ 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. ➤ 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. |
| 15 | Discussion of relative accuracy/reviews | <ul style="list-style-type: none"> ➤ No Ore Reserve estimate has been completed as a result of the Scoping Study. ➤ Metallurgical recoveries have been based on historical operational and metallurgical testwork. ➤ 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. ➤ Cost estimate accuracy for the Scoping Study is considered to be in the order of $\pm 25\%$ for capital expenditure and $\pm 25\%$ for operating expenditure. |

APPENDIX 3 FORWARD LOOKING STATEMENTS & DISCLAIMERS

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