

Egan Street Resources Limited
(ASX: EGA)

January 2018

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Note: This report is based on information provided by the company as at 30 January 2018

Investment Profile	
Share Price as at 29 Jan 2018	A\$0.275
12 month L/H	A\$0.21/\$0.34
Price Target	A\$0.44/share
Issued Capital:	
Ordinary Shares (Inc Escrowed)	80.72m
Listed Options (Inc. Escrowed)	48.09m
Unlisted Options (Inc. Escrowed)	3.90m
Incentive Options (Escrowed)	8.25m
Fully Diluted	140.96m
In Money Options	58.22m
Market Capitalisation - UD	A\$22.20m
Market Capitalisation - Diluted for In-Money Options	A\$38.90m
Current Cash	A\$2.88m
Cash on Option Conversion	A\$14.42m

Board and Management	
Mr Barry Sullivan: Non-Executive Chairman	
Mr Marc Ducler: Managing Director	
Mr Lindsay Franker: Executive Director	
Mr Hedley Widdup: Non-Executive Director	
Mr Simon Eley: Non-Executive Director	
Ms Julie Reid: Geology Manager	
Mr Richard Hill: Chief Financial Officer	

Major Shareholders	
Lion Selection Group	16.59%
Retzos Executive	9.85%
Board and Management	7.33%
Top 20	50.89%



Senior Analyst – Mark Gordon

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HIGH MARGIN, HIGH GRADE GOLD

With the Rothsay Gold Project ("Rothsay" or "the Project") in Western Australia, Egan Street Resources Limited (ASX: EGA, "EganStreet" or "the Company") has a quality, potentially low cost and near term development opportunity in a world-class mining destination. Rothsay is distinguished by its high resource grade of 10.9g/t Au, with a pre-feasibility study ("PFS") completed in May 2017 highlighting a low and potentially easily financeable ~A\$25 million direct capex operation producing over 40,000ozpa at an estimated competitive AISC of A\$1,020 over an initial five year mine life.

The Company is now working towards a definitive feasibility study ("DFS"), which it plans to complete in Q2, 2018, which will incorporate the very positive results of work completed subsequent to the PFS, including a resource expansion (with more to come) and ongoing metallurgy. This will be followed closely by a decision to mine, with all going well, the Company expecting finalisation of financing and permitting early in Q3, 2018.

A number of drilling programmes completed since the listing of EganStreet in September 2016 have expanded and upgraded the resource, with these also highlighting the potential for further additions. There is also upside outside of the drilled area, with a considerable strike length of parallel and along strike mineralised shears yet to be drill tested. Other upside exists in metallurgy, with initial work responding well to ore sorting, which could add significant value to an already robust project.

KEY POINTS

High grade resource: With a current Inferred and Indicated Mineral Resource Estimate ("MRE") of 880kt @ 10.9g/t Au for 307,000oz contained gold, Rothsay is high grade and, although narrow vein, has the potential to return very good operational economics.

May PFS delivers low cost, robust project: Results of the May PFS have highlighted the potential of Rothsay as a low cost, robust underground gold project, which returned a pre-tax NPV of A\$58.1 million and an IRR of 57% for an estimated initial capital outlay of A\$33.9 million (including A\$8.9 million in working capital); cash costs were estimated at A\$836/oz with an AISC of A\$1,020/oz, which compare favourably to other similar operations.

Upside potential: The PFS was built on an earlier resource estimate, with subsequent drilling resulting in the December estimate as presented above; additional drilling has highlighted the resource expansion potential, with additional scope for resource increases through new discoveries on the over 14km strike length of prospective shears within the property - the majority of this, despite the fact that there are numerous historic workings, has seen no drilling.

Short term, low cost development: Given the location on a granted mining lease with a history of mining, there is the potential for a relatively short term development due to decreased permitting requirements; also, the relatively modest capex required should ease financing, with this also helped by the potential cash available from the conversion of options.

Existing development: By virtue of mining in the early 1990's, there is a decline down to around 140mbs and other level development, thus reducing estimated capital costs.

Positive sentiment for gold: Our view is that the medium term outlook for gold will continue to be positive.

Attractive mining destination: Western Australia is one of the world's premier mining destinations, hosting, in the Yilgarn, one of the major gold producing regions globally. The state continually ranks well in the Fraser Institute's annual surveys, and in 2016 ranked third globally and first in Australia.

Experienced and committed personnel: The Company's Board and Management has extensive experience in the resources industry, with the well balanced Board comprising directors with experience covering all facets of operations; in addition insiders hold over 7% of the stock in EganStreet, thus aligning their interests with those of other shareholders.

Steady News Flow: Ongoing activities should provide steady news flow through 2018, including ongoing drilling and metallurgical results and completion of the DFS, which should lead to a positive development decision.

VALUATION SUMMARY

We have completed a valuation for EganStreet, with this resulting in a risked base case Company valuation/price target of A\$61 million, or A\$0.44/share, on a share base diluted for option conversions and which uses a conceptual funding model for Rothsay.

We see considerable upside in this (our unrisks valuation is A\$144 million, or A\$1.04/share) and would expect this to increase with positive results from ongoing work and de-risking as the Project advances.

SWOT ANALYSIS

Strengths

- ◆ **Near development project:** Rothsay is an advanced, near development project situated on mining leases and with a history of mining.
- ◆ **High grade resource:** At 10.9g/t Au Rothsay is high grade by any measure, which has the ability to forgive any number of adverse factors.
- ◆ **Reduced permitting requirements:** Due to the current mining lease, permitting requirements will be less than those for a project on a new ML application - this includes Native Title considerations, with the original grant of the ML extinguishing Native Title.
- ◆ **Infrastructure rich in an established mining jurisdiction:** Being located in an established mining area, Rothsay has ready access to infrastructure, including roads and a skilled workforce and service providers.
- ◆ **Low initial capex:** The initial estimated capex of A\$33.9 million (including A\$8.9 of working capital) should be able to be readily funded, particularly in the current equities and gold market.
- ◆ **Experienced people with skin in the game:** Company personnel have significant experience in the resources game as well as significant shareholdings in EganStreet, thus aligning their interests with those of other investors.
- ◆ **Cash position:** There are 48.09 million (listed A\$0.25 listed options that expire in March 2018 - these are currently in the money, and although the conversion will be dilutive, there is the potential for ~A\$12 million to be provided, and which is sufficient to fund ongoing activities, and partially fund development. Other in the money options include 1.875 million unlisted \$0.18 options expiring in May 2018, and 8.25 million, \$0.25 incentive options expiring on September 13, 2019. The majority of the unlisted options and all of the incentive options are escrowed until September 13, 2018, and hence shares resulting from the conversion of escrowed options will remain in escrow until that date.
- ◆ **Strong gold price:** Our view is that the gold price will continue to remain strong for the foreseeable future.

Weaknesses

- ◆ **Narrow vein resource:** In the case of Rothsay this is largely mitigated by the grade, however these can be relatively high cost operations, with the potential for dilution to be an issue; however the Company is very much aware of this and programmes have included significant geotechnical work. This may be also be mitigated by ore sorting, with early stage test work to date giving very positive results.

Opportunities

- ◆ **Resource expansion:** Despite having sufficient reserves for a robust operation at Rothsay, there is good potential to expand these with mineralisation being open down dip and along strike.
- ◆ **Exploration success:** The Rothsay property also has good blue sky potential with ~70% of the mapped veins/shears not being tested by drilling, despite being discovered in 1894, and having a number of periods of mining subsequent to that.

Threats

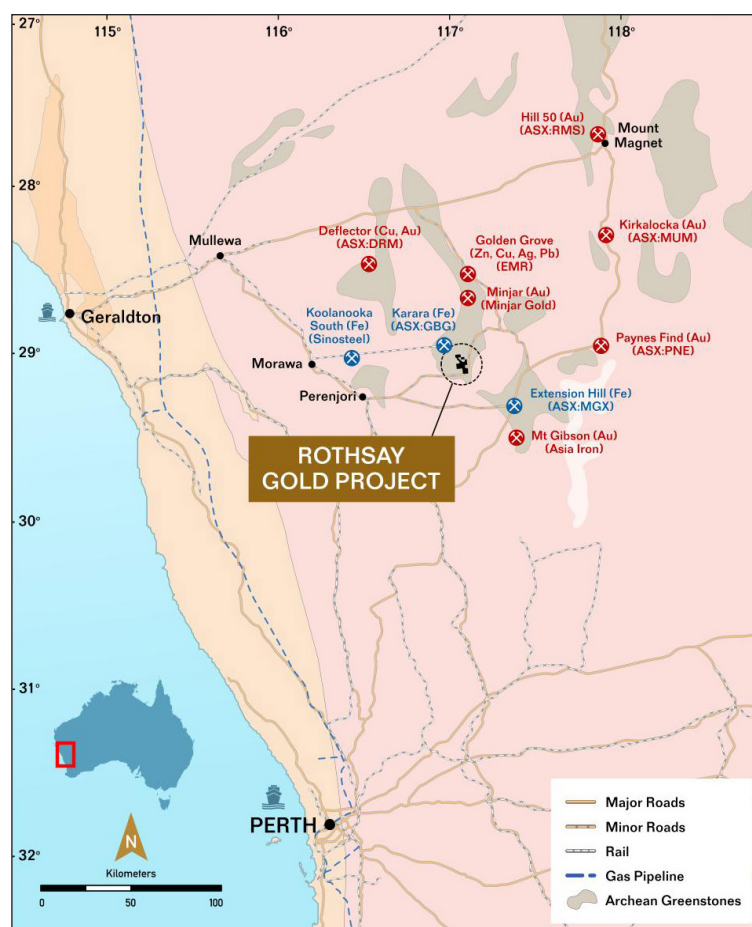
- ◆ **Permitting:** This is a perennial threat for near development projects, however in the case of Rothsay is largely mitigated being located on a granted ML in Western Australia - our view is that the main risk here may be in permitting taking longer than expected, rather than permits not being granted.
- ◆ **Lack of drilling success:** This applies to both the expansions of the current resources and the discovery of new zones of mineralisation; however results of drilling to date, which has already discovered a new zone of mineralisation in the Woodley's ultramafic, and the presence of numerous historical workings lessens this threat.
- ◆ **Prices and markets:** These are constant threats to junior resource companies, and will affect the ability to raise capital, however this is offset by the low up-front capital requirements and the significant cash that should be provided on the conversion of options.

OVERVIEW

STRATEGY AND PROJECT OVERVIEW

- ◆ EganStreet's activities are concentrated on the high grade Rothsay Gold Project, located in the Mid-West region of Western Australia (Figure 1).
- ◆ After completing a robust PFS in May 2017, the Company has completed additional drilling and increased resources, with a further resource upgrade expected in early 2018.
- ◆ This, and other ongoing studies, including metallurgy, will be used in a DFS, which is expected to be completed in Q2, 2018, with finalisation of permitting and financing in Q3, 2018.
- ◆ In addition to the current resource, the tenements host ~14km strike of prospective shears, of which ~70% has not seen any substantive drilling - drilling on some of these areas is imminent.

Figure 1: Rothsay project location map



Source: EganStreet

FINANCIAL POSITION

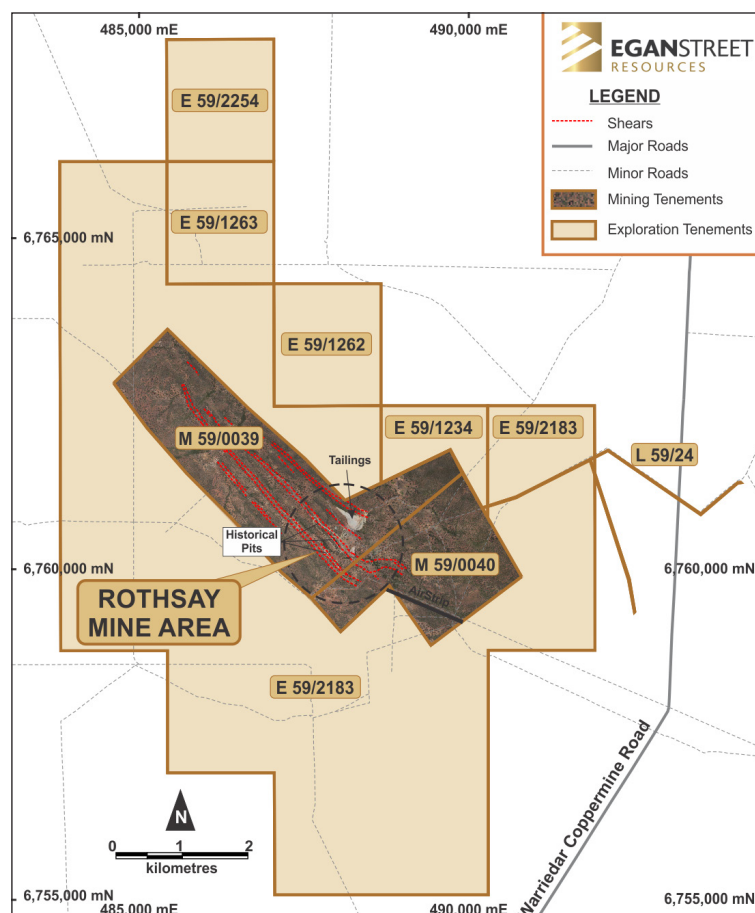
- ◆ As of December 31, 2017, the Company had A\$2.881 million in cash and no debt.
- ◆ There are currently 49.967 million options (including escrowed options with exercise dates earlier than the escrow date) that are in the money - these have the potential to bring in A\$12.360 million in cash, with these including 48.092 million, A\$0.25 listed options that have an exercise date of March 13, 2018.
- ◆ In addition, 8.250 million escrowed incentive options are in the money, with an exercise price of A\$0.25 on or before September 13, 2019 and an escrow date of September 13, 2018.
- ◆ Since listing in September 2016, the Company has spent A\$4.227 million on exploration and A\$2.237 million on administration and staff.
- ◆ Over the same period A\$10.035 million has been raised from the issue of shares - this includes the 3x oversubscribed IPO which raised A\$6.000 million before costs at A\$0.20/share, and A\$4.035 million raised at A\$0.25/share in a placement in September 2017.

ROTHSAY GOLD PROJECT - EGANSTREET 100%

Location and Tenure

- ◆ Rothsay comprises two mining leases ("ML"), five exploration licences and one miscellaneous licence ("L") for a total area of 62.3km² (Figure 2), all of which are in good standing.
- ◆ The Project is located ~450km by road NNW of Perth, including ~380km of sealed road to the wheatbelt town of Perenjori and then 70km of shire maintained gazetted road, of which ~50% is bitumen.
- ◆ The minesite is also served by a 1,300m gravel airstrip.

Figure 2: Rothsay Gold Project location and tenements



Source: EganStreet

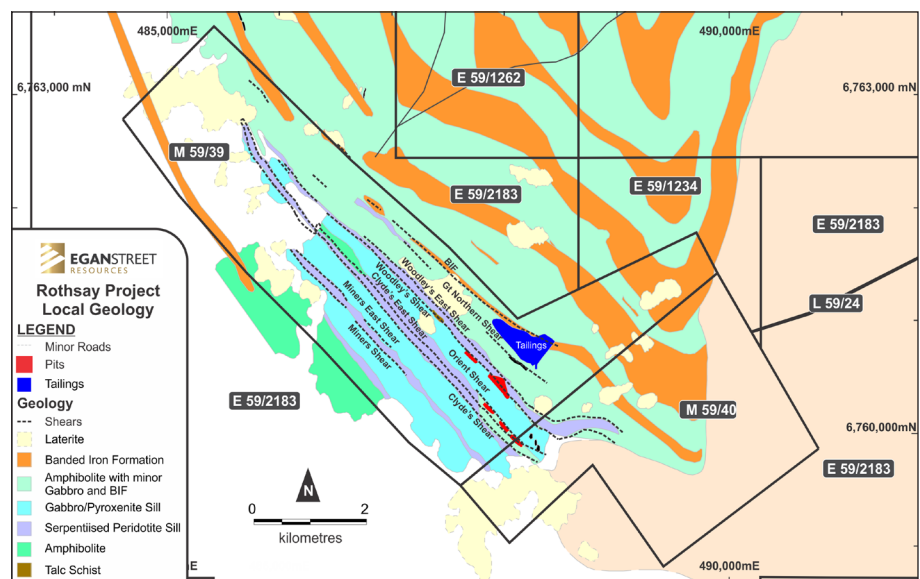
Geology and Mineralisation

- ◆ Rothsay is located within the Warriedar Greenstone Belt, which is one of a number of greenstone belts within the Murchison Domain/Youanmi Terrane of the Archaean Yilgarn Craton.
- ◆ The mineralisation, which is hosted in one of a series of five parallel, NW trending shears, is interpreted as being located on the steeply dipping western limb of a double plunging syncline, truncated to the south and east by orogenic granites (Figures 3 and 4).
- ◆ The lithologies include a basal sequence of amphibolite and gabbro/pyroxenite/serpentinised peridotite sills, overlain by intercalated amphibolites and banded iron formations ("BIF") - it has been postulated that the contact between the two sequences may be faulted.
- ◆ The shears hosting the mineralisation occur at the boundaries of the peridotite sills, and have been recognised for a combined strike length of ~14km, and are marked by numerous historic pits and generally small scale underground workings.
- ◆ Mineralisation is hosted within generally narrow quartz veins within the shears, with these pinching and swelling along strike and down dip - vein widths of up to 5m have been intersected, however are generally in the order of 0.5m to 2.0m within the shear

zone, however they are high grade, with grades being reasonably continuous within the shears.

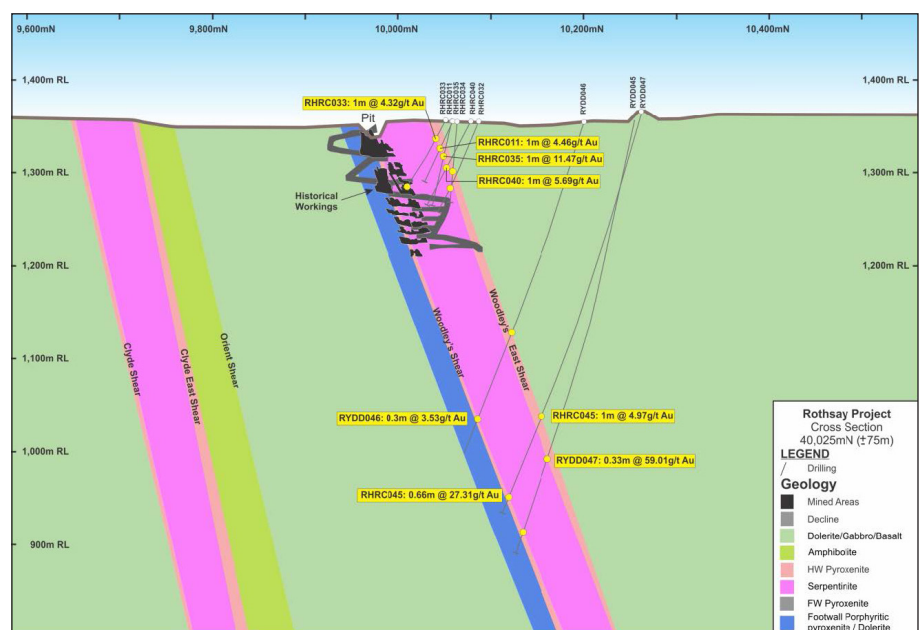
- ◆ It has been suggested that there have been at least two phases of mineralisation, with one including chalcopyrite that historically caused metallurgical issues (which will not be an issue with the planned operation).
- ◆ Current resources are limited to the Woodley's (formerly "A") and the Woodley's East (formerly "H") shears, which occur respectively at the footwall and hanging wall of what is termed the Woodley Ultramafic - the two shears are between 30m and 50m apart, which will allow ready underground access from the one decline.
- ◆ Mineralisation has been intersected for a strike length of ~1,500m and to a depth of up to ~450m at Woodley's, and for a strike length of 750m and to a depth of ~250m at Woodley's East (Figures 5 and 6) - mineralisation is open along strike to the NW and down dip along both structures.
- ◆ Recent drilling has also recognised what may be an intermediate shear within the Woodley's Ultramafic between Woodley's and Woodley's East.

Figure 3: Rothsay interpreted geology.



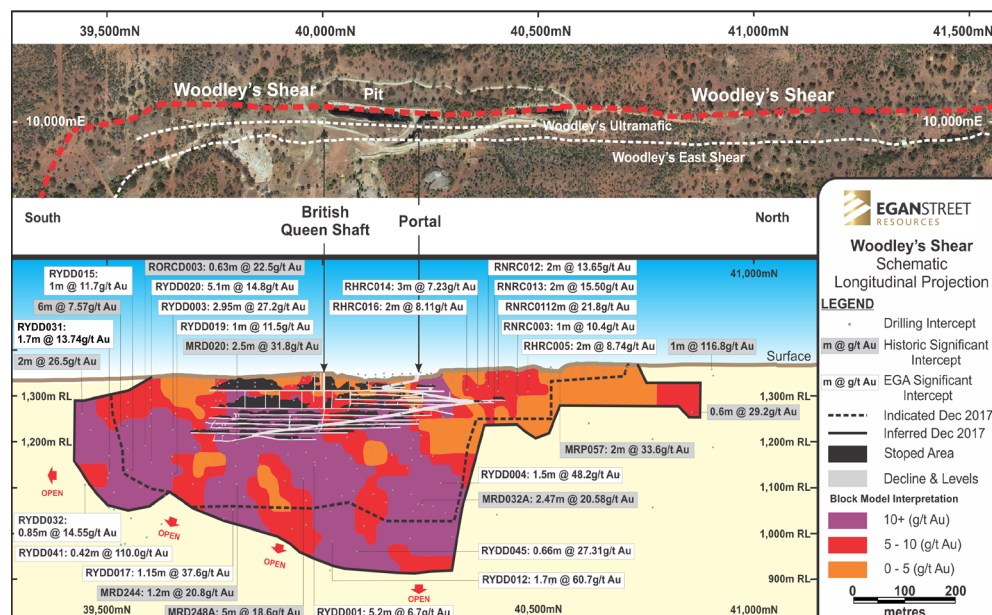
Source: EganStreet

Figure 4: Typical Rothsay cross section looking NW, showing intersections and existing decline



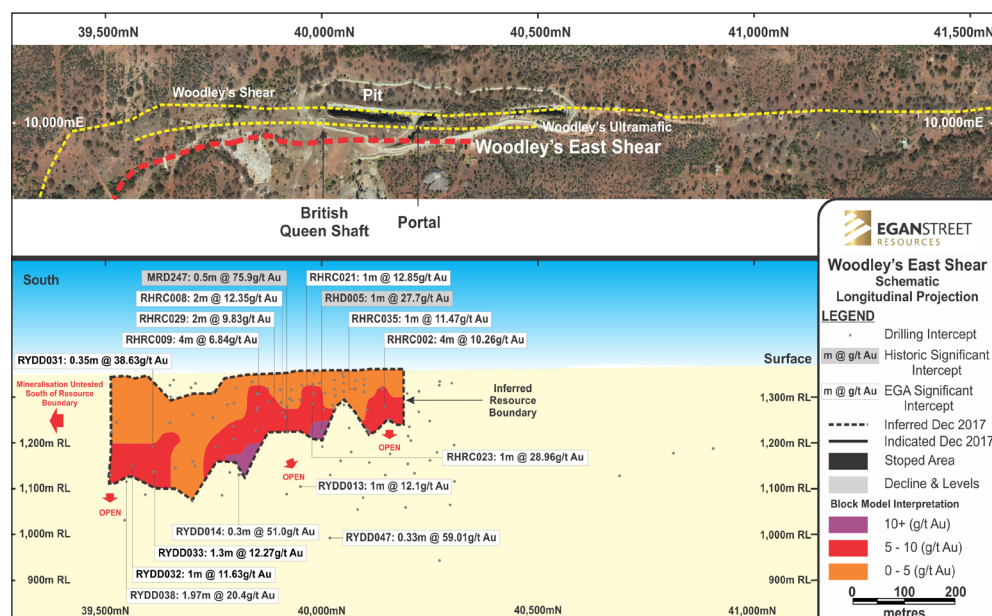
Source: EganStreet

Figure 5: Woodley's long projection looking NE



Source: EganStreet

Figure 6: Woodley's East long projection looking NE



Source: EganStreet

Previous Work

- ◆ Rothsay has seen a long history of mining and exploration since the initial discovery of gold at the site in 1894.
- ◆ Initial operations were from 1898 until 1902, with 3,298oz of gold reportedly recovered from 8,966 tonnes of ore at a recovered grade of 11.27g/t Au, with significant copper associated with this.
- ◆ Operations continued in the district until the 1920's with ~54,000oz of gold being produced from shallow open pits and small underground mines.
- ◆ The next mining was carried out by Rothsay Gold Mines NL from 1935 until 1940, with around 7,100oz being produced from 31,458 tonnes of ore at a grade of 7.03g/t Au - this reportedly may have included ore from outside sources.
- ◆ In the late 1980's mid-tier miner Metana Minerals NL in JV with GENMIN delineated an underground resource of 450,000 tonnes @ 10g/t Au, and commenced open cut operations, followed by underground operations in January 1989.
- ◆ Operations, which produced 36,000oz of gold from 214,500t @ 5.0g/t Au continued until April 1991, when they ceased due to a low gold price.

- ◆ Underground mining was carried out as a decline operation, with hand held shrinkage stoping being undertaken at 10m sub-levels and with ore being treated through a conventional CIP plant, with a secondary circuit utilising flotation and INTEC copper-gold technology to separate a copper concentrate for smelting.
- ◆ Significant underground development, including a decline to ~140m below surface is still in place - this will be refurbished as part of planned operations.
- ◆ Subsequent owners have included Hunter Exploration, Central West Gold, Menzies Gold, Thundelarra (ASX: THX) and Silver Lake Resources (ASX: SLR).
- ◆ These operators carried out significant drilling and completed resource estimations and metallurgical test work amongst other activities.
- ◆ Recorded drilling on the Project prior to EganStreet's entry included 888 holes for 60,553m - this includes 175 diamond holes (37,557m), 189 RC holes (7,384m), 314 open hole percussion holes (8,594m), 181 RAB holes (5,965m) and 19 holes of unknown type for 1,104m.

Work by EganStreet

- ◆ Initial work by EganStreet included a nine hole, 1,931m diamond drilling programme in 2012, which, with a proportion of the historical drilling, was used to estimate a JORC 2004-compliant MRE of 745,000t @ 8.1g/t Au for 194,000oz contained gold using a 5g/t Au cut-off.
- ◆ Subsequent work has included infill and extensional diamond and RC drilling, which has included the following programmes:
 - 11 diamond holes for 3,546m completed in Q4, 2016,
 - 4 diamond holes for 1,686m completed in Q1, 2017,
 - 13 diamond holes for 4,118m completed in Q3, 2017,
 - 57 RC holes for 5,112m completed in Q3, 2017,
 - 9 diamond holes for 3,430m completed in Q4, 2017, and,
 - 21 RC holes for 1,838m being completed in Q4, 2017.
- ◆ Results from the first diamond drilling programme were used in the initial resource upgrade (announced on March 14, 2017), which had Inferred and Indicated Resources of 701,000t @ 11.6g/t Au for 262,000oz contained gold (up 35% on the 2012 estimate; this included Indicated Resources of 399,000t @ 11.9g/t Au for 152,000oz contained gold).
- ◆ This resource was also used in the May 2017 PFS as discussed below; this followed on from a Scoping Study released in December 2016.
- ◆ Results from the 2nd and 3rd diamond and 1st RC drilling programmes were used in the latest MRE update (discussed below), released on December 4, 2017, with results from the current programmes to be used in the next MRE update, expected in Q1, 2018.
- ◆ Diamond drilling (NQ and PQ sizes are generally used) has been used for resource expansion and some infill drilling, with RC drilling being used for shallow cost and time effective infill work where structural and geotechnical information amongst others is not required.
- ◆ Some typical drilling results are shown in Figures 4, 5 and 6, and other results include:
 - 5.1m @ 14.8g/t Au from 211.4m in hole RYDD020 (Woodley's),
 - 1.7m @ 60.7g/t Au from 401.0m in hole RYDD012 (Woodley's),
 - 1.0m @ 29.0g/t Au from 78.0m in hole RHRC023 (Woodley's East), and,
 - 0.42m @ 110g/t Au from 418.7m in hole RYDD041 (Woodley's).

Mineral Resources

- ◆ The most recent resource upgrade was released to the market on December 4, 2017 – this has increased the contained ounces by 17% to 307koz as shown in Table 1 (also up 58% on the 2012 MRE), with 55.4% being in the Indicated category.
- ◆ This includes an initial MRE for Woodley's East lode, which includes 110kt @ 7.6g/t Au for 27,000oz of contained gold; in addition there are ~15,000oz of gold grading at between 2.5g/t and 5.0g/t not included in the published MRE - this is generally in shallower areas as shown in orange on Figure 5.
- ◆ As mentioned earlier an upgrade is planned for early 2018 with initial Ore Reserves to be declared as part of the DFS.

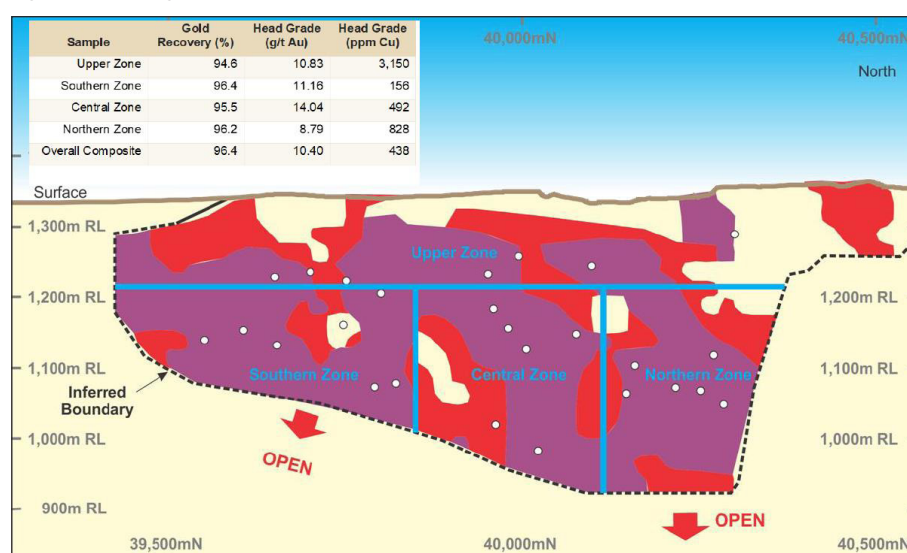
Table 1: Rothsay Mineral Resource Estimate

Rothsay Mineral Resource Estimate				
Category	Tonnes (kt)	Grade g/t Au	Contained Au (koz)	% of total ounces
Indicated	460	11.5	170	55.4%
Inferred	420	10.2	137	44.6%
Total	880	10.9	307	100.0%

Source: EganStreet

Metallurgy

- ◆ The Company has carried out metallurgical test work, with results being very positive, and are presented in Figure 7 - results of this and ongoing work will be included in the DFS.
- ◆ 27 samples were collected to represent the production profile as presented in the PFS, with the average recovery of 96.4% being above the 95% as used in the PFS (Figure 7).
- ◆ The recoveries of 94.6% in the Upper Zone, which includes the historically mined area, are virtually identical to recoveries of 94.7% as reported by Metana; however the bulk of EganStreet's planned production is from the three lower zones, with recoveries of up to 98.4% being reported from the latest test work.
- ◆ Approximately 30% of the gold is recovered through the gravity circuit, with the balance through cyanidation.

Figure 7: Metallurgical test work

Source: EganStreet

- ◆ More recent work has included ore sorting test work at Nagrom in Perth, with results released to the market on January 9, 2018 and with the work being carried out on low grade stockpile material grading 2.51g/t Au.
- ◆ The results were very positive (also considering that lower grade material can be the most difficult to treat), with the following key outcomes using a Steinert Multi-Sensor Ore Sorter:
 - 33% of the mass was rejected at a grade of 0.2g/t Au,
 - The work achieved an overall gold recovery of 97.2%, and,
 - The mill feed grade was 1.5x the stockpile grade.
- ◆ One of the considerations in narrow vein mining is dilution, with expected dilution as used in the PFS being 43% of the mill feed, with 59% of this coming from the ultramafic hanging hall.
- ◆ The ore sorting results indicate that the majority of the ultramafic dilution may be able to be eliminated from the mill feed, with key outcomes including the ability to increase mine output without increasing plant size and hence lower operation costs, both per RoM tonne and per ounce produced.
- ◆ Test work is ongoing, and will include variability work including on ore grade material.

- ◆ Ore sorting is gaining increased popularity in Australian gold mines - amongst others it is currently being used at Anova's (ASX: AWW) Second Fortune Project in WA, with it also being tested by Middle Island Resources (ASX: MDI, Sandstone Gold Project) and Pantoro (ASX: PNR, Nicolsons Gold Mine, NT).
- ◆ All of these companies have reported good results - of these the Anova and Pantoro deposits are high grade, narrow vein similar to Rothsay.
- ◆ One of the key features of ore sorting is the relatively low capital and operating costs, highlighting the potential for it to return significant economic improvements to operations.

Pre-Feasibility Study

- ◆ The PFS, which was released to the market on May 16, 2017, highlights a robust project treating a total of 936,100 tonnes of underground ore to produce 200,200oz of gold over a mine life of 5.5 years.
- ◆ The peak mining/treatment rate is 200,000tpa, with peak gold production of 47,100oz in Year 3 - inputs and outcomes of the PFS are shown in Tables 2 and 3.
- ◆ A significant feature is the relatively modest capital requirement of A\$33.9 million, including working capital, as well as, due to the grade, the reasonable estimated cash costs.
- ◆ Our view is that these figures are reasonable and in line with actual and estimated costs for other operations when costs are scaled using standard economies of scale factors; the weighted average AISC for Australian gold operations in FY2017 was ~A\$980/oz, with cash costs at A\$670/oz.

Table 2: Rothsay PFS inputs

Rothsay PFS inputs			
Capex			
UG Rehabilitation & Mining			A\$2.9m
Process Plant			A\$14.5m
Camp			A\$1.4m
HV Power Plant			A\$1.2m
Other Infrastructure			A\$1.7m
Total Capex			A\$21.7m
Contingency	15%		A\$3.3m
Working Capital			A\$8.9m
Funding Requirement			A\$33.9m
Revenue and Opex	A\$/t	A\$/oz	A\$m
Gold Price		1,600	
Mining	110.9	519	103.8
Processing	43.4	203	40.6
Site Services	24.5	115	23
Cash Costs	178.8	836	167.4
Royalties	9.3	43	8.7
Sustaining Capex	30	140	28.1
AISC	218	1,020	204.1
Initial Capex (Exc. Working Capital)	26.7	125	25.0
Project			
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

Source: Adapted from EganStreet

Table 3: Rothsay PFS mine schedule

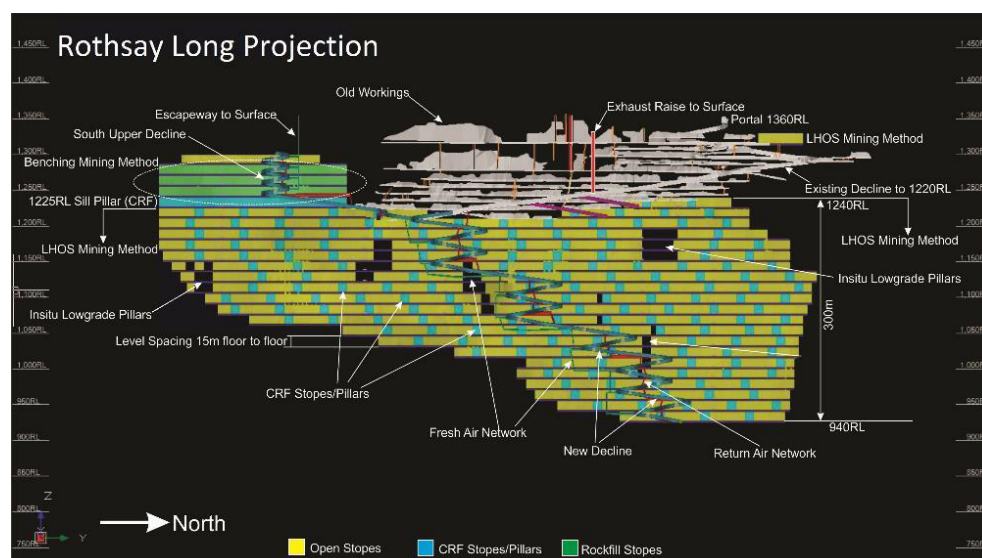
Rothsay PFS schedule								
Cost Area	Units	Pre-Prod	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Ore Mined	kt	14.3	148.7	212.7	202.1	191.7	166.7	936.1
RoM Grade	g/t	4.9	6.5	7.2	7.6	6.9	6.7	7
Ounces Mined	koz	2	30.9	49.3	49.6	42.7	35.9	210.7
Ore Processed	kt	-	163	200	200	200	173.2	936.1
Plant Recovery	%		95%	95%	95%	95%	95%	95%
Ounces Produced	koz		31.5	45.3	47.1	41.5	34.8	200.2
Cash Cost	\$/oz		975	835	758	836	817	836
AISC	\$/oz		1,298	1,015	920	1,004	927	1,020
Gross Revenue	A\$m	-33.9	9.5	26.5	32	24.7	23.4	82.3
Cumulative Revenue	A\$m	-33.9	-24.4	2.1	34.1	58.9	82.3	
NPV ₈	A\$m							58.1
IRR	%							57%

Source: EganStreet

Mining and Processing

- ◆ Planned mining operations are underground, using both long hole open stoping (“LHOS”) and bench stoping, however hand held shrinkage stoping has not been discounted in some areas.
- ◆ Mining will include cemented rock fill rib pillars (“CRF”), which will maximise ore extraction, with the high grade of the ore allowing for the extra cost of the CRF pillars.
- ◆ Planned mining is on 15m levels, with 3m sill pillars, and maximum stope lengths, between CRF pillars of 50m; this, combined with the CRF rib pillars will allow stope extractions of ~80%.
- ◆ The mine plan in the PFS, shown in Figure 8, envisages mining down to ~925m RL, some 435m below the portal, with access via a 1 in 7, 5m x 5m decline - this already is in place down to 1220m RL (140mbs), however requires dewatering from ~1,305mRL and rehabilitation, which will include the installation of steel sets and shotcreting.
- ◆ Planned stope widths range from 1.0m (minimum) to 4.5m (maximum), with an average width of 1.4m - this includes 0.4m dilution.
- ◆ The planned ore drive profile is 2.5m (width) x 3.0m (height).
- ◆ Extensive geotechnical work has been completed and used in stope design; this is ongoing with the additional work to be incorporated in the DFS.

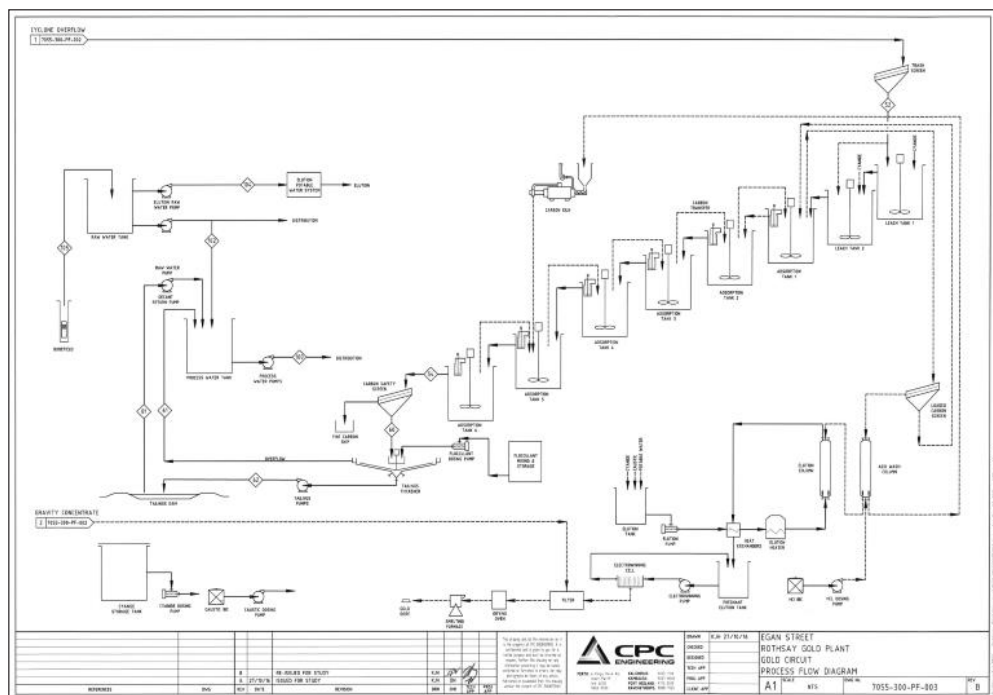
Figure 8: Rothsay proposed operation long section



Source: EganStreet

- ◆ Ore comminution is planned to include a three stage crushing and screening circuit, with crushed ore (P80 of 8mm) fed to a single stage ball mill, with a final product size of P80 - 106 μ .
- ◆ Milled ore will then be treated in a standard gravity and CIL plant to produce dore on site.
- ◆ Assessment of the existing tailings dam concluded that it will meet the requirements of the PFS production with only relatively low levels of capacity increases.
- ◆ The PFS used a gold recovery of 95%, in line with historical operations; however more recent metallurgical test work has highlighted the potential to increase recoveries.
- ◆ In addition the PFS did not look at the potential for ore sorting.

Figure 9: Rothsay processing flowsheet



Source: EganStreet

Transport and Logistics

- ◆ The Project is well served by road, as well as having an airstrip on site.

Power

- ◆ The PFS envisages 3.6MW of diesel generators and 1.2MW of standby power, constructed under a build-own-operate ("BOO") arrangement with a third party.
- ◆ Diesel would be trucked to storage tanks on site.

Water

- ◆ The Company has a licence to extract and use up to 400,000m³ of water per annum, substantially more than that required for a 200,000tpa operation.

Permitting

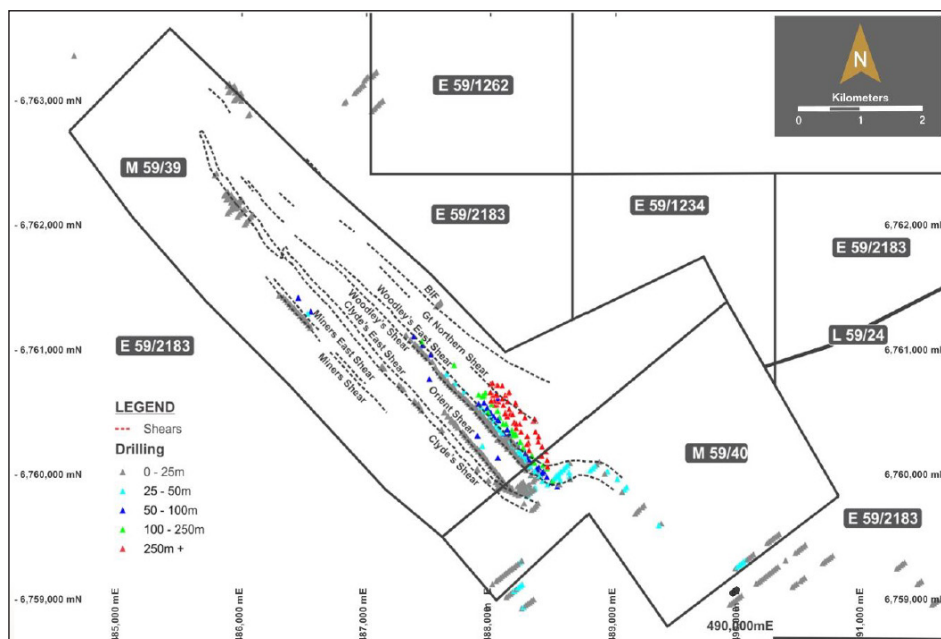
- ◆ Permitting works, including environmental studies are continuing, with flora and fauna studies now completed.
- ◆ Permitting is expected to be finalised soon after completion of the DFS, with the DFS required as part of the permitting - the Company expects that permitting will be finalised early in Q3, 2018.

Resource Upside/Exploration Potential

- ◆ One of the key strengths of Rothsay is the upside resource potential - as mentioned earlier, over 14km combined strike length of prospective shears have been recognised, with only around 30% tested by any sort of drilling.
- ◆ Ongoing drilling at Woodley's and Woodley's East has reinforced the upside, with each drilling programme adding new ounces, and also finding new zones of mineralisation; mineralisation on both of these shears remains open at depth and along strike (Figures 4 and 5).

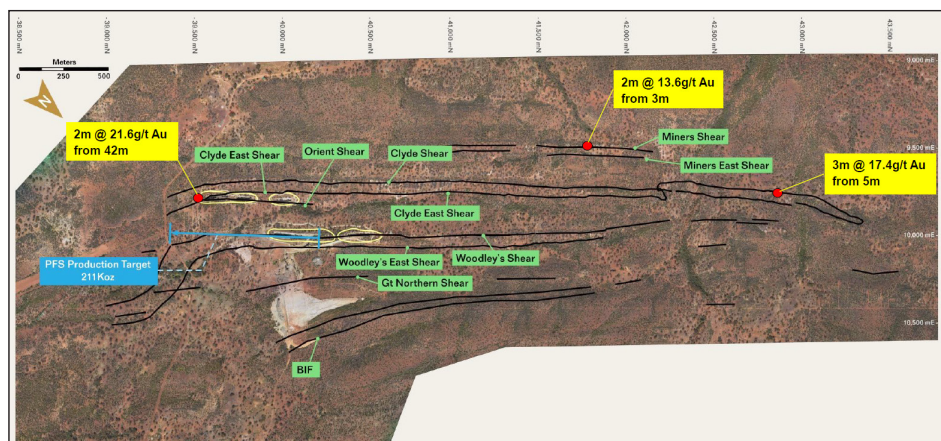
- ◆ The potential is also highlighted in Figures 10 and 11 - Figure 10 shows RC and diamond drilling completed, showing the significant areas that remain untested, and in addition, the average depth of all drilling to date (including RAB) is <45m, and that for diamond, RC and open hole percussion is still a relatively shallow 80m.
- ◆ Figure 11 highlights some intersections away from the PFS resource area (shown in blue) - these are of similar grades and widths to those at Woodley's Shear.
- ◆ Although drilling to date has been concentrated at Woodley's and Woodley's East, the Company is due to start drilling at a number of other areas.

Figure 10: Rothsay collars



Source: EganStreet

Figure 11: Workings and drilling results



Source: EganStreet

Ongoing and Upcoming Work

- ◆ Current activities are targeted towards finalisation of the DFS by early Q2, 2018, with critical items including completion of drilling and the updating of the MRE, including initial Ore Reserves.
- ◆ Key steps include finalisation of the processing flowsheet before finalisation of the DFS and lodgement of the DFS with the relevant authorities to finalise the Mining Proposal application.
- ◆ Activities currently underway include, amongst others:
 - Ongoing drilling,
 - Financial modelling,
 - Metallurgical optimisation test work (including ore sorting), and,
 - Permitting activities,

- ◆ As announced to the market on January 19, 2018, the Company has accelerated drilling activities, with this now including drilling of other previously undrilled shears, including Orient, Clyde, Clyde East and Miners.
- ◆ The company intends to continue resource expansion and exploration drilling through delivery of the DFS and beyond.

PEERS

- ◆ Table 4 lists a number of peers of EganStreet - this includes gold developers with some producers, largely operating in Australia.
- ◆ These have been ranked on the EV per ounce of gold, with EV being the undiluted market capitalisation less cash plus debt.
- ◆ This does not take into account of the value of projects that do not have published resources, and hence the metric should be considered as indicative only, and may overstate the value of assets with resources.
- ◆ What this shows is that the multiple for EganStreet is close to the overall average, however this does not include consideration for the high grade resource; when the four companies with a resource grade of >5g/t Au are considered the average EV/oz is A\$220.91, ~3.5 x EganStreet's current multiple.
- ◆ We would expect significant uplift in value with increasing resources and exploration/drilling success.
- ◆ The closest analogue in deposit style may be Pantoro's (EV of A\$180.9m) Nicolsons deposit near Halls Creek in WA, which is a steeply dipping, narrow vein mine (with some previous open pit mining), with similar contained gold but a 30% lower grade; operations at Nicolsons are now largely underground with open pit operations winding down.

Table 4: EganStreet peers

Company	Location	EV Undiluted (A\$m)	Global Resource (Mt)	Global Au Grade (g/t)	Company Equity Share	Contained Au Moz Coy Share	EV oz Au equity share	Project Stage
Pantoro Limited	Australia	\$180.9	1.6	7.43	100%	0.38	\$480.78	Producing
Southern Gold	Aust, Sth Korea	\$8.7	0.1	5.18	100%	0.02	\$368.30	UG Study Underway
Rimfire	Australia	\$25.5	6.3	0.61	100%	0.12	\$204.79	Resource
Middle Island	Australia	\$15.4	2.4	1.31	100%	0.10	\$151.86	Pre-Feasibility
Sumatra	Indonesia	\$54.0	6.1	1.98	100%	0.39	\$138.71	Producing
Copper Gold								
Gascoyne Resources	Australia	\$175.2	52.6	1.39	100%	2.35	\$74.67	Construction
Matsa	Australia	\$25.0	5.6	1.99	100%	0.36	\$69.96	Producing
Explaurum	Australia	\$47.9	11.3	1.91	100%	0.70	\$68.85	Exploration
Egan Street	Australia	\$19.3	0.9	10.88	100%	0.31	\$62.75	PFS Completed
Medusa Mining	Philippines	\$80.9	10.5	3.95	100%	1.34	\$60.45	Producing
Tyranna	Australia	\$9.3	6.9	1.00	75%	0.17	\$55.80	Exploration
Kin Mining	Australia	\$49.4	22.3	1.42	100%	1.02	\$48.35	Development
Alto Metals	Australia	\$10.2	3.6	2.00	100%	0.23	\$44.09	Exploration
Spitfire	Australia	\$49.4	13.1	2.99	100%	1.26	\$39.11	PFS Completed
Anova Metals	USA, WA	\$44.1	17.2	2.22	100%	1.23	\$35.90	Development/ Production
White Cliff Minerals	Kyrgyzstan	\$7.7	1.8	5.20	90%	0.27	\$28.11	Drilling
Stonewall Mining	South Africa	\$50.4	26.7	4.34	74%	2.75	\$18.33	Evaluation
Primary Gold	Australia	\$23.3	53.4	0.89	100%	1.53	\$15.26	PFS Completed
Ave >5gt	N/A	\$54.2	1.10	6.91	N/A	0.25	\$220.91	N/A
Average	N/A	\$48.7	13.47	1.86	N/A	0.81	\$60.36	N/A

Source: IRESS, Company Reports, IIR analysis

VALUATION

- ◆ We have undertaken a valuation of EganStreet, using a “sum of the parts” NAV method – this includes Rothsay, upside and cash (current and that from the conversion of options), as shown in Table 5.
- ◆ Note that this is a base case risked valuation, with the Rothsay valuation risked for resource confidence, and the ore sorting upside risked quite heavily due to the early stage of the test work and uncertainty in costs.
- ◆ We would expect the valuation to increase, both through de-risking through project advancement and increasing Resources/Reserves - the unrisked per share value is currently A\$1.04.
- ◆ Another factor to keep in mind is that once in production well run gold companies commonly trade at significant premiums to their NAV, thus providing further upside potential.

Table 5: EganStreet valuation

EganStreet valuation						
Item	Total (A\$m)	Total/Share	Risk Factor	Riskd (A\$m)	Riskd/Share	Notes
Rothsay After Tax	\$77.33	\$0.557	50%	\$38.66	\$0.278	NPV5
Ore Sorting Upside	\$49.29	\$0.355	10%	\$4.93	\$0.035	NPV5
Exploration Upside	\$20.00	\$0.144	100%	\$20.00	\$0.144	Nominal
Head Office	-\$6.23	-\$0.045	100%	-\$6.23	-\$0.045	NPV5
Residual Option						Full conversion
Cash After Capex	\$4.25	\$0.031	100%	\$4.25	\$0.031	of current in-
Requirements						money options
Cash	\$2.88	\$0.021	100%	\$2.88	\$0.021	31/12/2017
Estimated Cash						
Outflow to Decision	-\$3.24	-\$0.023	100%	-\$3.24	-\$0.023	Budgeted
to Mine						
Total	\$144.28	\$1.04		\$61.26	\$0.441	

Source: IIR analysis

- ◆ This includes a DCF valuation for Rothsay, based on a conceptual 5 year operation treating 200,000tpa at a RoM grade of 7.00g/t Au - this is similar to, but not identical to the PFS model - key parameters and outcomes are shown in Table 6, and similarities/ differences are as follows:
 - We have used the PFS capital and operating costs (Table 2),
 - We have used a gold price of US\$1,300/oz and an AUD:USD exchange rate of 0.78, in contrast to the US\$1,200/0.75 figures as used in the PFS,
 - We have used a flat production profile of 200,000tpa over five years (this assumes resource increases), and,
 - To enable a per share value to be calculated, we have an assumed funding model and presented the valuation on an after tax basis.
 - Tax credits related to carried forward losses of A\$13.3 million as of December 31, 2017 and subsequent budgeted pre-decision to mine expenditure of A\$3.2 million have been accounted for in the DCF model.
- ◆ The per share valuation is calculated on a diluted share base - this includes that diluted for current in the money options (including those currently escrowed and the incentive options) of ~139 million shares.
- ◆ We have used \$10.17 million of this to fund the equity portion of the estimated Rothsay capex requirement; the balance of \$4.25 million is listed as a separate line in the NAV.
- ◆ We have run another scenario, whereby the equity component of the capex is raised through a separate raise at A\$0.40/share (and keeping the option cash in the bank) - this results in a close to equivalent risked per share valuation of A\$0.435, although with a higher unrisked Company valuation of A\$154 million (due to the extra cash) and a diluted share base of 164 million.
- ◆ The head office costs are those incurred during construction and operation; the item “Estimated Cash Outflow to Decision to Mine” include all budget expenditure to complete the DFS, including administration.
- ◆ Upside includes ore sorting and exploration success, which are further explained below.

- ◆ We have also included head office expenses - these have been calculated using annual expenditures of A\$1.0 million for the life of Rothsay discounted at 5%.
- ◆ This is a funded, after tax valuation - we have assumed that the first stage capex is funded by 70% debt/ 30% equity, with the equity coming from option conversion, which have an average exercise price of A\$0.2477/option.

Table 6: Rothsay DCF key inputs and outcomes

Rothsay DCF key inputs and outcomes		
Description	Unit	Value
Mine Life	Years	5
Total Ore Mined	Tonnes	1,000,000
Gold Produced	Ounces	216,063
Gold Sales Price	US\$/ounce	\$1,300
Exchange Rate	AUD:USD	0.78
Gold Sales Price	A\$/Ounce	\$1,666.67
Company Tax Rate	%	30.0%
WA Royalty	%	2.5%
NPV, mid-year, Pre-Tax	A\$m	\$91 m
IRR, Pre-Tax	%	111%
NPV, mid-year, Post-Tax	A\$m	\$72 m
LoM Revenue	A\$m	\$360 m
LoM Opex (Inc Royalty)	A\$m	\$188 m
LoM EBITDA	A\$m	\$172 m
LoM Interest	A\$m	\$4.7 m
LoM Tax	A\$m	\$35 m
LoM Capex	A\$m	\$55 m
Working Capital	A\$m	\$9 m
LoM FCF	A\$m	\$88 m
Peak annual FCF	A\$m	\$22 m
Peak Annual EBITDA	A\$m	\$34 m
Discount Rate	%	5.00%
Project Finance Debt	%	70.00%
Debt Amount	A\$m	\$23.73 m
Financing Term	Years	4
Interest Rate	%	8.00%
Project Finance Equity - Sourced From Option Conversion	A\$m	\$10.17
Equity Price (Average Option Conversion Price)	A\$/share	\$0.2477
Diluted Shares on Issue	Million on Issue	138

Source: IRR analysis

Upside

- ◆ As discussed previously there is potential upside in ore sorting, which we have attempted to quantify.
- ◆ In doing this we have increased the mining, but not the milling rate, by 33% and hence gold recovered by the same amount, and then compared the NPV with that for our base case - the difference is the potential upside from ore sorting.
- ◆ We have not changed costs - we have assumed that potential unit costs decreases on the mining side will cover the minimal expected operating costs of the sorting plant, and on the capex side, ore sorting units are relatively cheap, and will have little effect on the overall capex.
- ◆ We have also included a figure of A\$20 million for discovery upside, largely in relation to resources - work since listing has led to continuous resource expansions, and our view is that this will continue, both through extensions of the current resources and the discovery/delineation of new resources.
- ◆ The value of any such expansions, if brought into the mining inventory is leveraged, in that capital is covered by the current DCF valuation.

Sensitivity

- ◆ As part of our modelling we have completed two separate sensitivity analyses - the first is an unrisks project value sensitivity analysis for the modelled Rothsay base case operation (not including the upside items), which is shown in Table 7.
- ◆ This analysis highlights the robust nature of Rothsay, which in our modelling will comfortably absorb 20% adverse movements in key inputs.
- ◆ We note that both gold price and RoM grade have similar effects on the valuation - these, and other "revenue" factors will generally operate on value in a similar manner.
- ◆ The second sensitivity analysis considers the overall risked Company per share valuation sensitivity to operating costs and the gold price, as shown in Table 8.

Table 7: Rothsay operation unrisks, funded base case project sensitivity

Rothsay operation unrisks, funded base case project sensitivity				
Change	Gold Price	Site Costs	Grade	Capex
-20%	\$34.9m	\$98.9m	\$34.9m	\$83.9m
-10%	\$56.1m	\$88.1m	\$56.1m	\$80.6m
0%	\$77.3m	\$77.3m	\$77.3m	\$77.3m
10%	\$98.5m	\$66.5m	\$98.5m	\$74.1m
20%	\$119.7m	\$55.7m	\$119.7m	\$70.8m

Source: IIR analysis

Table 8: EganStreet company risked, funded company per share sensitivity

EganStreet company risked, funded company per share sensitivity							
Change in Rothsay Site Operating Costs							
		\$0.44	-20%	-10%	0%	10%	20%
Gold Price US\$/Ounce	US\$1,150	\$0.43	\$0.39	\$0.35	\$0.31	\$0.27	
	US\$1,200	\$0.46	\$0.42	\$0.38	\$0.34	\$0.30	
	US\$1,300	\$0.52	\$0.48	\$0.44	\$0.40	\$0.36	
	US\$1,350	\$0.55	\$0.51	\$0.47	\$0.43	\$0.39	
	US\$1,400	\$0.58	\$0.54	\$0.50	\$0.46	\$0.42	
	US\$1,450	\$0.61	\$0.57	\$0.53	\$0.49	\$0.45	

Source: IIR analysis

CAPITAL STRUCTURE

- ◆ The Company's share structure is shown in Table 9.
- ◆ The escrow date for outstanding escrowed securities is September 13, 2018.
- ◆ The top 20 hold 50.89%, with insiders holding 7.33%.
- ◆ The largest shareholder is Lion Selection Group, with 16.59%, with Mr Chris Retzos and associated parties being the second largest holder at 9.85%.
- ◆ The Company has over 600 shareholders.

Table 9: EganStreet share structure

EganStreet share structure					
Security Type	Number	In Money Options	Exercise Date	Exercise Price	Cash on Conversion
Ordinary Shares	73,541,430	N/A	N/A	N/A	
Ordinary Shares (Escrow)	7,177,861	N/A	N/A	N/A	
Listed Options	46,328,187	46,328,187	13/03/2018	A\$0.25	A\$11,582,047
Listed Options (Escrow)	1,764,593	1,764,593	13/03/2018	A\$0.25	A\$441,148
Unlisted Options	2,061,668	1,041,668	27/05/2018	A\$0.18	A\$187,500
Unlisted Options (Escrow)	833,332	833,332	27/05/2018	A\$0.18	A\$150,000
Incentive Options (Escrow)	8,250,000	8,250,000	13/09/2019	A\$0.25	A\$2,062,500
Total	140,957,071	58,217,780			A\$14,423,195

Source: IRESS, EganStreet

RISKS

- ◆ **Exploration:** This is the key risk for any exploration company, with survival largely based on the results of exploration. This is largely mitigated in the case of EganStreet in having the near development Rothsay Project, however exploration risk still applies to the largely untested areas of the tenements.
- ◆ **Development and operation:** Depending upon a viable DFS (which seems likely), EganStreet will then face operation and development risks at Rothsay; this however is partially mitigated by the history of mining at the site (with understanding of the conditions) and the experience of the Board and Management.
- ◆ **Permitting:** Given that Rothsay is on a granted Mining Lease (with a history of mining) in a proven mining jurisdiction we considered the issue here will be timing and delays in permitting, rather than permits not being granted.
- ◆ **Markets and Funding:** Although the junior resources sector is performing well at the moment and funding is flowing to the right projects, these can turn on a dime - this is a perennial risk for the sector. However EganStreet may be largely insulated from this, with significant potential funding from the conversion of options in the short term, and a robust project with a relatively low capex.
- ◆ **Metal Prices and Exchange Rates:** Changes, both positive and negative, will affect the DFS and any future operations at Rothsay, however the Project, by virtue of the high grade, is somewhat insulated from any negative changes; also, our view is that gold will maintain similar price levels for the foreseeable future.
- ◆ **Costs:** Adverse cost movements are a risk at any mining operation, and unfortunately history tells us that commonly these are understated in development studies. On the other hand, unlike prices, companies have some control over costs, and that those presented in EganStreet's PFS compare well with those from actual operations.

BOARD AND MANAGEMENT

- ◆ **Mr Barry Sullivan, Engineer, BEng Mining – Non-Executive Chairman:** Mr Sullivan is an experienced and successful mining engineer, with a career spanning 40 years in the mining industry. His initial mining experience was gained in the South African gold mining industry, followed by more than 20 years' with Mount Isa Mines. In the final five years of his tenure with MIM, Mr Sullivan was Executive General Manager, responsible for the extensive Mount Isa and Hilton operations.
- ◆ **Mr Marc Ducler, Metallurgist, BSc Metallurgy (WASM) - Managing Director:** Mr Ducler has over 20 years' experience in the mining industry. For the past 13 years he has been in senior management roles. His operational experience has been gained through senior roles with; Gold Fields Australia (St Ives & Agnew), BHP Billiton (Mt Whaleback), FMG (Cloudbreak), MRL (Carina Iron Ore Mine) and Roy Hill.
- ◆ **Mr Lindsay Franker, Mining Engineer, BEng Mining (WASM) MAusIMM – Executive Director:** Mr Franker has over 20 years' mining experience in both operations and mining related finance. He has been employed by a number of mining companies in operations and consultancy Newcrest (Telfer), Newmont (Mt McClure & Bronzewing), AMC (Big Bell) – specialising in both underground and open pit mining. He has worked for several international investment banks, with a global focus covering greenfield and brownfield projects.
- ◆ **Mr Simon Eley, Lawyer, BA LLB – Non-Executive Director:** Mr Eley is a solicitor with vast experience in the resource sector. He is a founding director of Auricup (EganStreet) and led the acquisition of the Rothsay project. Mr Eley was the chairman of Tierra Grande Resources Inc. (TGRI) on the NASDAQ until the company entered a merger with VNUE Inc. (OTCQB: VNUE). Mr Eley was an Executive Director of Aragon Resources Limited and led the team that secured the Central Murchison Gold Project which became Aragon's core asset.
- ◆ **Mr Hedley Widdup, Geologist / Commercial, BSc, Hons Geology - Non-Executive Director:** Mr Widdup has extensive experience as a mine geologist having worked at Mt Keith, Olympic Dam, Mt Isa (Black Star open cut mine) and the St Ives Gold Mine where he was Senior Mine Geologist of the combined open pits. He joined Lion Manager in July 2007 as an analyst and completed a Graduate Diploma in Applied Finance in 2011. Mr Widdup is currently an Executive Director of Lion Manager Pty Ltd.

- ◆ **Ms Julie Reid, Geologist, BSc Geology MAusIMM, MAIG - Geology Manager:** Ms Reid has over 30 years' experience in exploration and mine geology working throughout Australia, Indonesia and Vietnam covering a range of commodities within diversified geological terrain. Ms Reid has held a number of senior technical and management positions primarily within the Eastern Goldfields for various companies including Dominion, Mount Edon (Tarmoola), Pancontinental, Aurora Gold, Goldfields-AurionGold-Placer Dome Avoca (Higginsville & South Kalgoorlie Operations).
- ◆ **Mr Richard Hill, CPA, BCom, GDACG - Chief Financial Officer:** Mr Hill is an accomplished finance professional with more than 20 years' of experience in the resources sector, primarily in the gold industry. He was most recently CFO at WA gold producer Millennium Minerals and has held the positions of General Manager, Finance with ASX-listed Adamus Resources and Commercial Manager with Newmont Asia Pacific.

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