

Gold, the ultimate mineral

Old gold a winner for junior explorer

They say the best place to look for gold is to next to an old gold mine and for EganStreet Resources, that strategy has paid off in spades.

Even better, the old gold mine in question, Rothsay Gold Project, is just 300 kilometres or four hours' drive north of the company's Perth headquarters.

"We can finish off a strategy meeting in the morning and be on site in the afternoon cutting drill core," EganStreet managing director Marc Ducler says.

EganStreet aims to bring Rothsay into production over the next 12 months. When complete, it may be one of the highest-grade gold mines in Australia.

"I'd been looking for a quality asset like this prior to joining EganStreet. Our team has now been built around Rothsay – we're here to grow it and build it," Ducler says.

The fast-growing junior listed on the ASX in September 2016 following a \$6 million IPO. The first gold from Rothsay is expected in 2019 and all signs point to it being a profitable haul.

In the gold rush, the area was known as Woodley's reward. Prospector George Woodley discovered gold here in 1894 and a series of underground shafts were mined until 1939. Rothsay was last mined in the late 1990s by Metana Minerals, a former high-flying mid-tier gold miner.

EganStreet took over the tenements in 2011. Since the 1990s mining technology has improved and the price per ounce for gold has jumped significantly (up by almost \$1200 per ounce), meaning gold mining is once again highly profitable.

"Since listing 18 months ago, we've drilled over 20 kilometres, increased the resource by 36 per cent, completed a pre-feasibility study and now we're well advanced with a definitive feasibility study which is due next quarter," Ducler says.

"The rigs are out there drilling, we're still growing the resource base and we're confident that, when we put out our DFS next quarter, it will be a significant improvement on the PFS released last year."

Investors are confident the mine's golden years are far from over.

An updated resource of 307,000 ounces was unveiled by EganStreet last December, grading 10.9 grams per tonne gold. With the drills currently turning on the ground, the number is likely to head north.

The PFS completed in May last year showed a relatively simple pathway to production, leveraging off the existing infrastructure on site.

A capital outlay of just \$21.7 million was estimated to produce 200,000oz of gold at a forecast all-in sustaining cost of \$1020 per ounce, generating \$82 million in free cash.

"The existing portal and decline gives us easy access," Ducler says. "Once we rehabilitate the existing underground infrastructure, add 100 metres of mine development, we're into multiple high-grade production areas. The mine is high-grade and narrow, however the mining method we have selected targets the quartz vein that hosts the gold in a way that minimises the potential dilution as we move forward."



The golden years may be returning at Rothsay Gold Project.

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Marc Ducler

"Recently, we've also had some fantastic success using an ore sorting technology, so we are more confident than ever of our ability to successfully and profitably mine the Rothsay ore body."

It's the kind of operational challenge that doesn't phase EganStreet – 80 per cent of the company's board is made up of mining professionals.

"It's essential," Ducler says. "The board

understands mining, its challenges and the huge rewards that are out there when you get it right. We understand the technical detail and how to turn on a mine.

"By Q2 this year we'll have finalised the definitive feasibility study, and we are on track to be fully funded by Q3 – putting us in a position to start mining by the end of the year."

The site's potential is further bolstered by the fact there's been little modern exploration of the multiple shear zones – the rock structures which host the high-grade gold – surrounding the existing resource.

"Back in its heyday, the old timers had payable grades along six kilometres of the strike. EganStreet's high-grade resource sits on only one kilometre of that," Ducler says. "There's 14 kilometres of known strike. There's so much to drill, potentially we could double or triple our ounces in the ground. It's really exciting."

Rothsay also enjoys strong community support:

"The Perenjori Shire is progressive and supportive of mining. We've conducted fauna, flora and heritage studies, and we're very confident the permitting process will run its course. The engagement we've had thus far with the regulators has been positive and no red flags have been raised."

More than 120 years after Rothsay's gold was discovered, Ducler hopes that this opportunity is the start of something big. Mark Gordon, senior analyst at Independent Investment Research agrees, suggesting EganStreet's stock could quadruple if they deliver on their plans at Rothsay.

"This is a great opportunity, Ducler says. "With Rothsay, we have the potential to build a portfolio of quality, high-grade ore bodies, and develop EganStreet into a profitable mid-tier player."

"Once we've successfully turned Rothsay on and repaid the faith shown by our investors, we'll be on the lookout for other high-grade assets and looking to repeat that success."

On the fast track to high-grade gold production in WA

- Rothsay Gold Project, 300km NE of Perth – 307,000oz Resource at 10.9g/t
- Aggressive drilling continuing to deliver further Resource growth
- Definitive Feasibility Study due Q2 2018, with a decision to mine in Q3

"We have completed a valuation for EganStreet, with this resulting in a risked base case valuation/price target of 44c per share... We see considerable upside in this (our unrisked valuation is \$1.04 per share) and would expect this to increase with positive results from ongoing work and de-risking as the project advances."

– Independent Investment Research, January 2018



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