

Egan Street Resources Ltd

13:00 31 Oct 2018

EganStreet Resources progresses Rothsay gold mine plans for WA Mid West

EganStreet Resources Ltd (ASX:EGA) has reported it is making "excellent progress" towards developing its Rothsay Gold Project in Western Australia's Mid West region after securing \$35 million in debt-funding proposals.

The South Perth company had \$19 million in cash reserves at the end of September as it progressed a major works approval and licence application to submit to the state's Department of Water and Environmental Regulation.

READ: EganStreet Resources receives debt funding proposals for Rothsay gold development

EganStreet published its definitive feasibility study (DFS) for the project 300 kilometres northeast of Perth in July.

The DFS outlined a production target of 2.1 million tonnes mined and 1.4 million tonnes processed at 6.9 g/t for 250,000 ounces of gold produced during an initial 6.5-year mine life.

Rothsay's targeted production level could generate strong cash flows of \$100 million from revenues of \$414 million.

The company said yesterday: "The DFS confirmed that the Rothsay project is financially and technically viable based on the previously announced redevelopment strategy targeting unmined fresh material which can be accessed via an existing decline.

"EganStreet's longer term growth aspirations are based on a strategy of utilising the cash flow generated by an initial mining operation at Rothsay to target extensions of the main deposit and explore the surrounding tenements.

"(These) include a 14-kilometre strike length of highly prospective and virtually unexplored stratigraphy."

EganStreet's C1 cash costings were put at \$941 an ounce while its all-in sustaining cost (AISC) was estimated at A\$1,083 an ounce.

Initial capital expenditure came in at \$36.1 million, making the DFS's net present value (NPV) just \$80.4 million at a 5% discount rate.

The estimated capital payback period was less than 1.5 years.

1 Year Share Price Graph



Share Information

Code: EGA
Listing: ASX
Sector: General mining & base metals

Website:
www.eganstreetresources.com.au

Company Synopsis:
Egan Street Resources Ltd (ASX:EGA) is listed on the Australian Securities Exchange.

action@proactiveinvestors.com.au



EganStreet's Rothsay Gold Project is inland from Geraldton port, in WA's Mid West region

EganStreet's estimates were based on a gold price of US\$1,275 an ounce and a US-Australian dollar exchange rate of 75 cents — a \$1,700 an ounce gold price.

Two days ago on October 28 the spot price per troy ounce of gold was sitting at \$1,726.4 in Australian dollar terms while this morning one Australian dollar was buying US71 cents.

December gold futures were down to \$US1,232.30 an ounce earlier this week.

'Excellent progress' towards development

EganStreet recently received WA Government approval of its Rothsay Project

Management Plan, the first of three approvals needed to start constructing its new operation.

The company confirmed yesterday: "Based on the positive outcomes of the DFS, the EganStreet board has approved the Rothsay project to proceed to construction, subject to obtaining a suitable financing arrangement."

Two weeks ago that funding arrangement began to take shape, with financiers committing \$35 million in non-binding debt-funding proposals.

The funding packages near on covered the initial build costs, which could be further funded with the company's cash reserves.

READ: EganStreet Resources high-grade results likely to add to 401,000 ounce gold bounty at Rothsay

The company said in its quarterly activities report published yesterday its flagship project was "proceeding towards development with excellent progress on contractor engagement, funding and approvals."

EganStreet reported its recent exploration activity had highlighted the potential for resource growth at the project currently sized at 401,000 contained ounces at an average grade of 8.8 g/t.

The indicated component of the mineral resource statement is 820,000 tonnes at 9.3 g/t while the inferred tonnage is 600,000 tonnes at 8 g/t.

Diamond drilling (DD) at a recent 16-hole campaign has confirmed extensions to known mineralisation at Woodley's and Woodley's East shears.

Among the best results at Woodley's Shear were 1.02 metres at 23.96 g/t from 242.48 metres and 0.7 metres at 18.74 g/t from 149.8 metres.

READ: EganStreet Resources hits bonanza grades of up to 129.2 g/t gold in extensions to Rothsay project

Drilling has added about 150 metres of strike to the south of the known extent of mineralisation.

Woodley's East Shear has also returned stand-out results of 0.3 metres at 9.9 g/t from 83.55 metres and 0.95 metres at 1.29 g/t from 75.75 metres.

A 15-hole reverse circulation (RC) drill program was also completed to test southern extensions to Woodley's and Woodley's East and infill the DD-hole data to enable a resource estimation for the area.

Funding activities

Outlining its efforts to progress its Rothsay project, the company reported yesterday it had started "multiple work streams" since releasing its DFS.

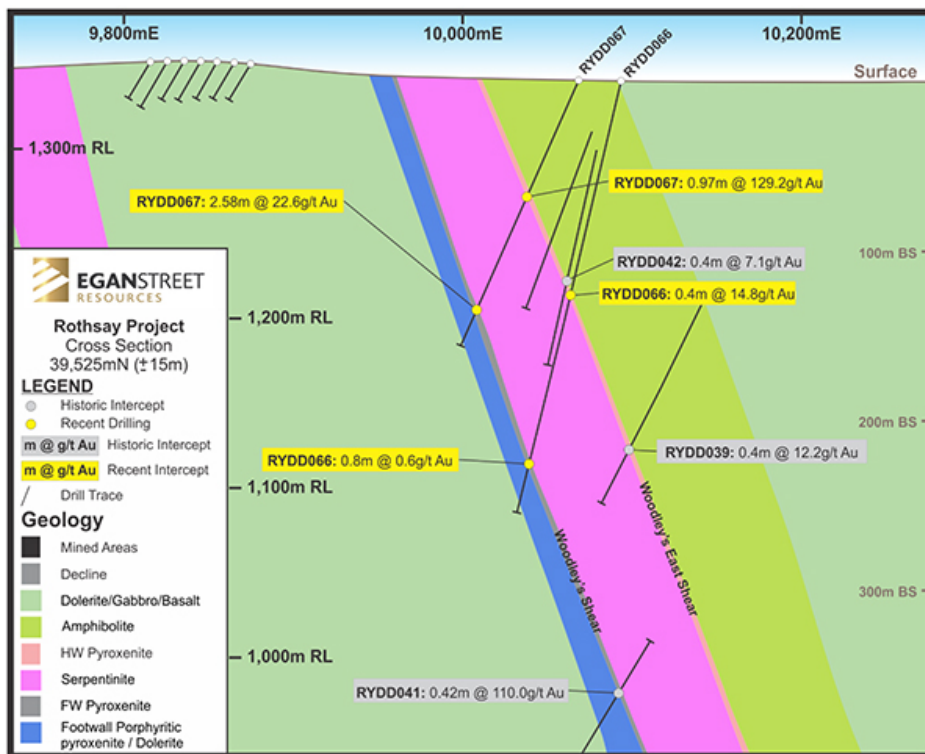
These included having its financial advisor PCF Capital Group engage with financing groups, with its output being indicative term sheets that came early this month.

EganStreet is reviewing these and expecting to agree to a financing solution in the coming months.

Regulatory approvals

The company hopes to match its October 3, 2018 Department of Mines, Industry Regulation and Safety plan approval with a works approval and licence from the WA Government's natural resources agency, the Department of Water and Environmental Regulation (DWER).

EganStreet expects to submit the two regulatory approval applications to DWER this week.



The decline at Rothsay project

Procurement efforts

EganStreet has also made progress on the procurement front and has received key contractor proposals.

The company has chosen an independent technical engineering contractor, with due-diligence work underway on technical and legal fronts.

In the September quarter it advanced key contracts, including a limited order for a fixed price lump sum, design and construct (D&C) contract for Rothsay's 200 kilotonne a year process plant.

The order allows the contractor, likely to be formally appointed this quarter, to procure long lead-time items.

On-site construction is tipped to start in the March 2019 quarter.

A preferred contractor has also been chosen for a 100-man camp and non-process infrastructure, with camp construction due to start this quarter.

A build-own-operate contract for on-site power generation is at preferred contractor status, with LNG and diesel set-ups included in a limited order to enable secondhand LNG engine optioning.

Expressions of interest for underground mining contracts have been received with a shortlist of contractors to tender for the job this quarter as the company hopes to start to underground operations in the March 2019 quarter.

Camp operations, civil engineering and communications proposals have also been received and are being reviewed.

People power

A commercial manager, senior project engineer and construction manager have all been appointed to bolster the project team.

EganStreet believes it has the team to advance its project, saying: "EganStreet has a strong board and management team which has the necessary range of technical and commercial skills to progress the Rothsay Gold Project.

"The company is focused on successfully bringing the Rothsay Gold Project into production."

Its full steam ahead at EganStreet, as the company transitions from development to mining.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.

In exchange for publishing services rendered by the Company on behalf of Egan Street Resources Ltd named herein, including the promotion by the Company of Egan Street Resources Ltd in any Content on the Site, the Company receives from said issuer annual aggregate cash compensation in the amount up to Twenty Five Thousand dollars (\$25,000).