EGAN STREET RESOURCES LIMITED

ACN 144 766 236

(and Controlled Entities)

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2018

CORPORATE DIRECTORY

Head Company
Egan Street Resources Limited

Directors
Barry Sullivan – Non-Executive Chairman
Marc Ducler – Managing Director
Lindsay Franker – Executive Director
Simon Eley – Non-Executive Director
Hedley Widdup – Non-Executive Director

Company Secretary
Simon Robertson

Registered and Principal Office
Suite 2, 6 Lyall Street
South Perth WA 6151
Telephone: (+61) 8 6424 8130

Share Register
Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
Perth Western Australia 6000

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Solicitors
GTP Legal
68 Aberdeen St
Northbridge WA 6003

Securities Exchange Listing
The company is listed on the Australian Securities Exchange.
ASX Code: EGA

Website
www.eganstreetresources.com.au

CONTENTS

DIRECTORS' REPORT

The Directors present the financial report of Egan Street Resources Limited and its controlled entities (the **Group** or **Egan Street** or the **Company**) for the half-year ended 31 December 2018.

DIRECTORS

The names of the Directors who held office during or since the end of the half year are:

- Mr Barry Sullivan – Non-Executive Chairman
- Mr Marc Ducler – Managing Director
- Mr Lindsay Franker – Executive Director
- Mr Simon Eley – Non-Executive Director
- Mr Hedley Widdup – Non-Executive Director

All Directors were in office for the entire period unless otherwise stated.

COMPANY SECRETARY

- Mr Simon Robertson

REVIEW AND RESULTS OF OPERATIONS

The net loss of the consolidated entity after income tax for the half year ended 31 December 2018 amounted to a loss of $3,827,872 (2017: $3,532,979).

REVIEW OF OPERATIONS

The Company is pleased to report further significant progress during (and subsequent to) the half year ended 31 December 2018, toward its goal of developing a new high-grade gold operation at the 100%-owned Rothsay Gold Project in Western Australia, (**Rothsay** or the **Project**) (*Figure 1*).

The most significant achievements during the half year, were the completion of a positive Definitive Feasibility Study (DFS) for Rothsay in July 2018, followed by the completion of an updated Mineral Resource Estimate (MRE) during November 2018.

The completion and announcement of the positive DFS in July 2018 confirmed Rothsay as a low capex, high-grade, high-margin project, with a maiden ore reserve of 200,000oz underpinning an initial 6.5-year mine life, ramping up to 60,000oz p.a. gold production, with a forecast all-in-sustaining-cost (AISC) of A$1,083/oz.

The November 2018 Mineral Resource Estimate Update incorporated the results of successful extensional and in-fill drilling programmes.

The increased MRE comprises 1.54 million tonnes at 9.2 g/t Au for 454,000 oz, reflecting the outstanding high-grade nature of the Project and its strong potential to be a low-cost, high-margin project which can deliver robust financial returns.

The Company continued to progress approvals for Rothsay, including permitting and project financing discussions, putting it in a strong position to make a Final Investment Decision and commence construction of a standalone mining and processing operation.

Subsequent to the end of the half-year, the Company announced an Updated Definitive Feasibility Study (**Updated DFS**) on its 100% owned Rothsay Gold Project (refer to the announcement "Rothsay Boosted by Production Target Upgrade", dated 12 February 2019).

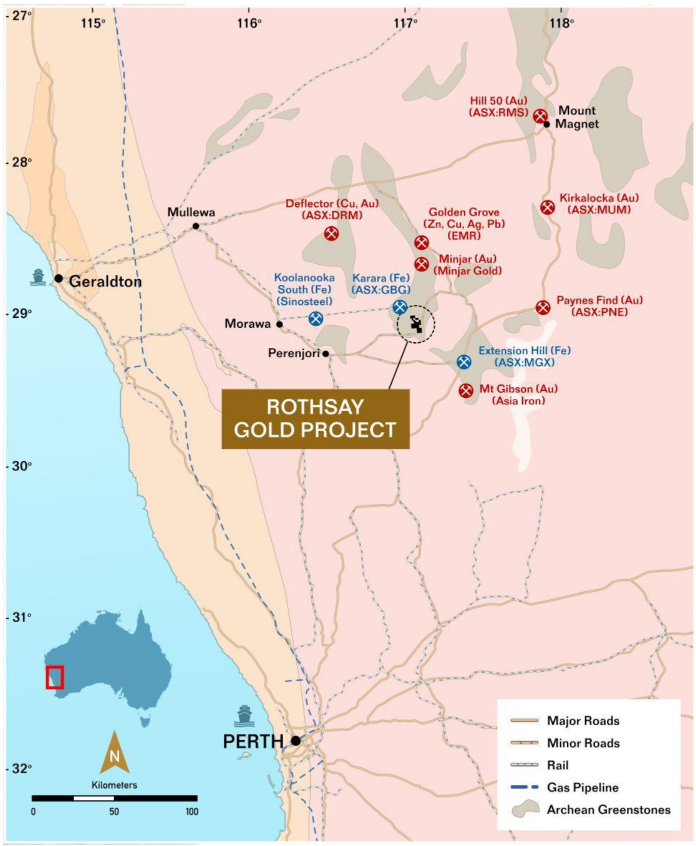

FIGURE 1 – ROTHSAY GOLD PROJECT, REGIONAL LOCATION

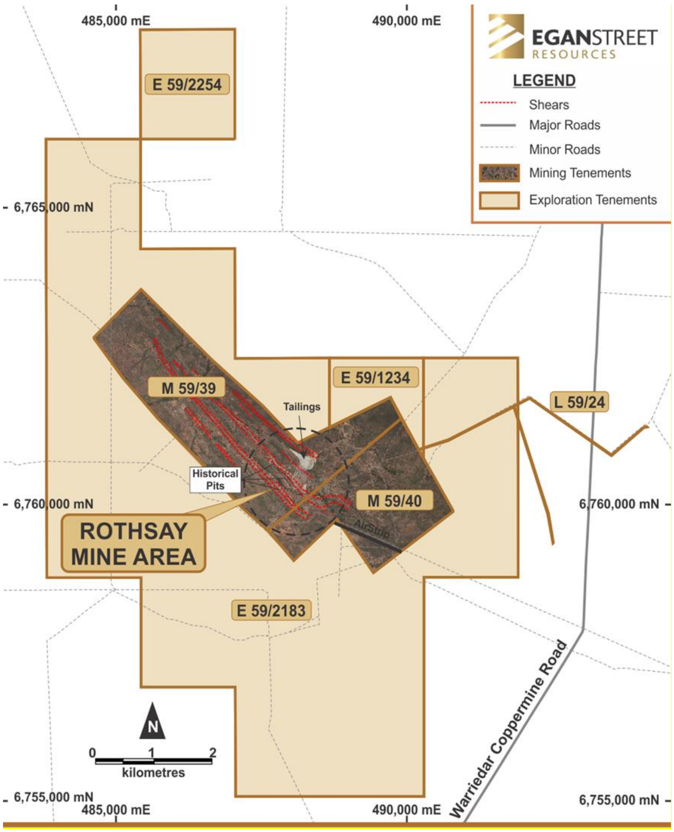

FIGURE 2 – EGANSTREET TENEMENT HOLDINGS AT ROTHSAY

DEFINITIVE FEASIBILITY STUDY

Updated Definitive Feasibility Study (February 2019)

During February 2019, subsequent to the end of the half-year, the Company announced an Updated DFS for Rothsay (refer to the announcement "Rothsay Boosted by Production Target Upgrade", dated 12 February 2019). The Updated DFS built upon the July 2018 DFS (released July 2018 and discussed below) with the results demonstrating a significant increase in the production target, free cash flow generation and Net Present Value (NPV) of the Rothsay Project. The Updated DFS was released following a new mine design on the November 2018 Mineral Resource Estimate (discussed below).

The Updated DFS is based on processing 1.3Mt at an average grade of 7.2 g/t Au for approximately 289,000oz of gold production (up from 1.2MT at 6.9 g/t Au for 250,000oz in the July 2018 DFS).

Forecast life of mine (LOM) cash costs C1 are A$876/oz and all-in sustaining costs (AISC) are A$1,069/oz.

The proposed 7-year LOM production target contains material from both the Indicated and Inferred Resource categories. The majority of the production target (75% of ounces) is sourced from Indicated Resources with the remaining (25% of ounces) drawn from Inferred Resources.

Based on these parameters, the Rothsay Gold Project delivers a Net Present Value using a 5% discount rate of $95.1 million and has an estimated capital payback period of less than 1.3 years. A gold price of US$1,275/oz and an exchange rate (USD: AUD) of 75 cents (A$1,700/oz gold price) has been assumed for the Updated DFS.

Gold produced over the first four years averages 57,000ozpa (peaking at 64,000ozpa for the first two years), which equates to $32 million of free cash flow per year.

Definitive Feasibility Study (July 2018)

The Company announced the completion of the DFS on the Rothsay Gold Project on 19 July 2018 (refer to "Rothsay DFS Confirms Low Capex High Margin Operation", dated 19 July 2018), with the results confirming the potential for a new low-cost, high-margin Australian gold project capable of delivering strong financial returns for shareholders (**July 2018 DFS**). The July 2018 DFS was subsequently superseded by the Updated DFS, released during February 2019 (subsequent to the end of the half-year).

DECEMBER 2018 MINERAL RESOURCE ESTIMATE

he Company completed and published a revised Mineral Resource Estimate (MRE) for the Rothsay Gold Project during November 2018 (refer to the ASX Announcement dated 27 November 2018). The total Rothsay Mineral Resource estimate increased to **1.54 million tonnes @ 9.2g/t Au for 454,000oz**. The November 2018 Mineral Resource Estimate is an update on the May 2018 Mineral Resource Estimate of 1.42 million tonnes @ 8.8g/t Au for 401,000 oz (***May 2018 MRE***).

The November 2018 Mineral Resource Estimate upgrade incorporates results of reverse circulation (RC) and diamond drilling programmes completed between May 2018 and September 2018, consisting of 46 holes for 5,042m or RC and 16 holes for 4,631m of diamond core.

Importantly, the Indicated portion of the MRE, which is available for conversion to Ore Reserves, has increased **by 45.8k oz to 950kt @ 9.6g/t Au for 292k oz** from the May 2018 MRE.

The Inferred portion of the Mineral Resource has increased by 5% to **590kt @ 8.6g/t Au for 162koz** from the May 2018 MRE.

The November 2018 MRE upgrade is a strong result which clearly demonstrates the outstanding potential of Rothsay as a high-grade deposit.

The Mineral Resource Estimate as at December 2018 for the Rothsay Gold Project reflects the November 2018 MRE and is set out in Table 1 below:

TABLE 1 –MINERAL RESOURCE ESTIMATE AS AT 31 DECEMBER 2018 (AS PER JORC CODE 2012)

Resource Category	kt	Grade (g/t Au)	Contained Metal (Au koz)
Indicated	950	9.6	292
Inferred	590	8.6	162
Total [1],[2]	**1,540**	**9.2**	**454**

Full details in relation to the November 2018 Mineral Resource Estimate were provided in the Company's ASX Announcement dated 27 November 2018, including the various Cut-Off Grades (COG's) in Table 2 below.

TABLE 2 – NOVEMBER 2018 MRE – SHOWING VARIOUS CUT-OFF GRADES (COG'S)

COG	Tonnes (Mt)	Grade (g/t Au)	Ounces (koz)
0.0	6.04	2.6	510
1.0	1.81	8.0	469
2.0	1.62	8.8	460
2.5	**1.54**	**9.2**	**454**
3.0	1.45	9.6	446
4.0	1.23	10.7	422
5.0	1.07	11.6	399
8.0	0.73	14.0	329

EXTENSIONAL AND REGIONAL DRILLING

During the half year, Company maintained a strong focus on exploration, with a regional RC programme and an extensional diamond programme completed, with assays confirming extensions to high-grade mineralisation beyond the current Resource on the Woodley's (*refer Figure 3*) and Woodley's East Shears (*refer Figure 4*).

The resource extension drilling programme at Woodley's was completed during the Half comprising 15 holes for 4,219 metres. The programme was designed to target the extension of the Woodley's Shear position up-dip and to the south of an offset of the lode position that was interpreted from magnetics, plus one extensional hole at depth in the central section of Woodley's and Woodley's East.

[1] Note Resources quoted above 2.5g/t Au cut-off.

[2] Note totals may not match due to rounding.

Woodley's Shear

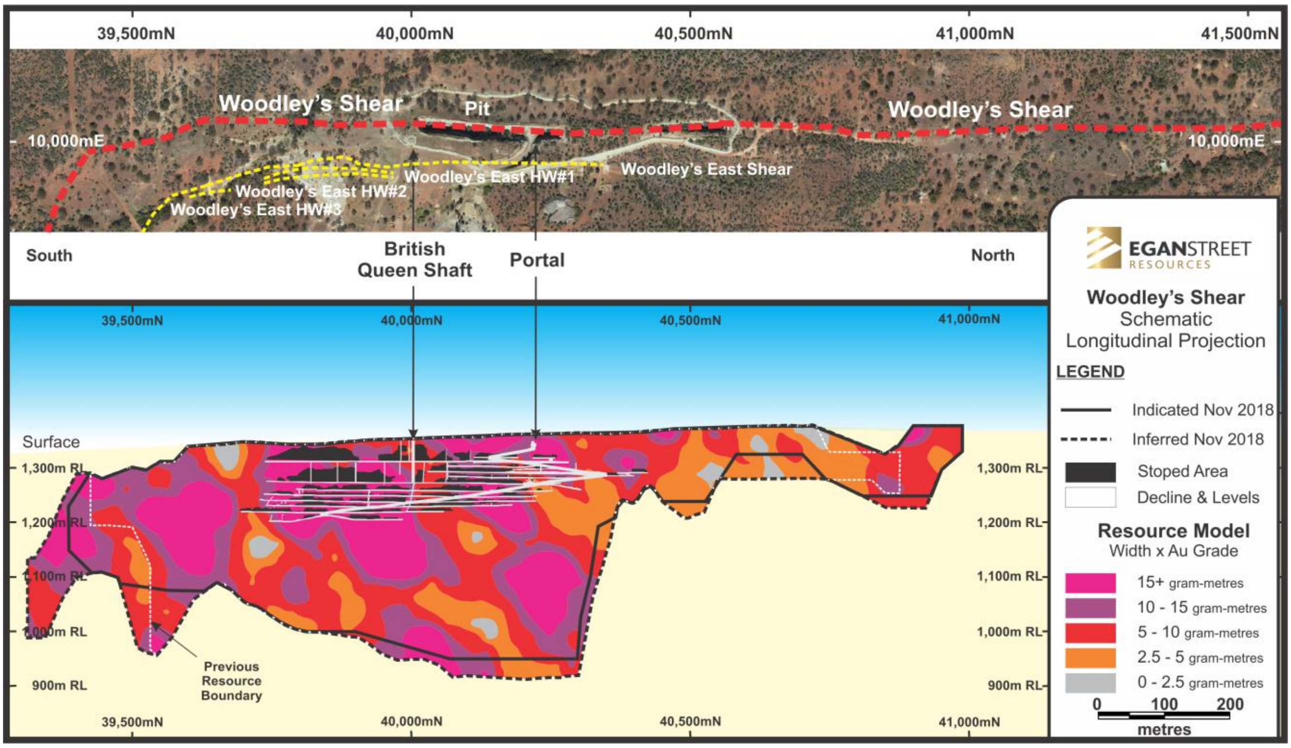

FIGURE 3 – WOODLEY'S SHEAR PROJECTION SHOWING MRE BOUNDARIES AND BLOCK MODEL INTERPRETATION.

Results from intersections within the Woodley's Shear include:

- *2.63m @ 57.2g/t Au* from 185.1m in RYDD074,
  - *Including 0.5m @ 216g/t Au & 0.48m @ 66.3g/t Au*
- *0.6m @ 8.33g/t Au* from 134.2m in RYDD078,
- *1.02m @ 23.96g/t Au* from 242.48m in RYDD072
- *2.58m @ 22.6g/t Au* from 150.55m in RYDD067 (previously reported)
- *0.7m @ 18.74g/t Au* from 149.8m in RYDD068

Full details of the extensional drilling results were provided in the Company's ASX announcement of 11 October 2018 and 7 November 2018.

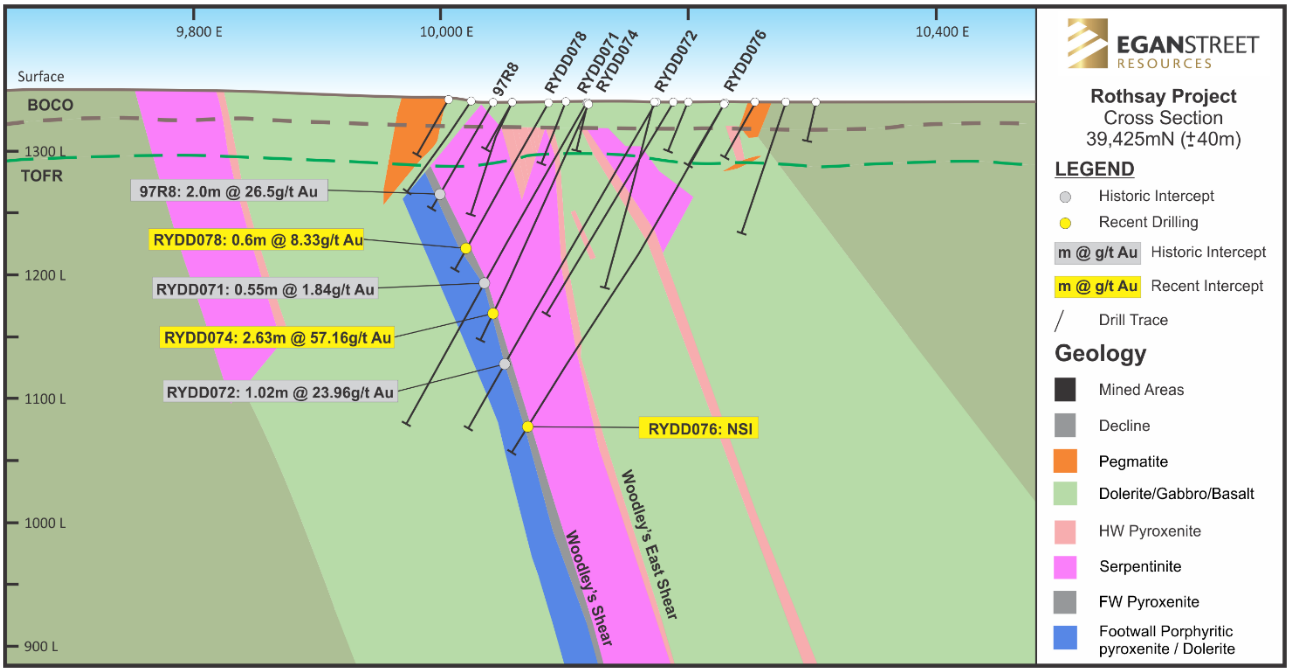

FIGURE 4 – GEOLOGICAL CROSS-SECTION SHOWING INTERSECTIONS

Woodley's East Shear

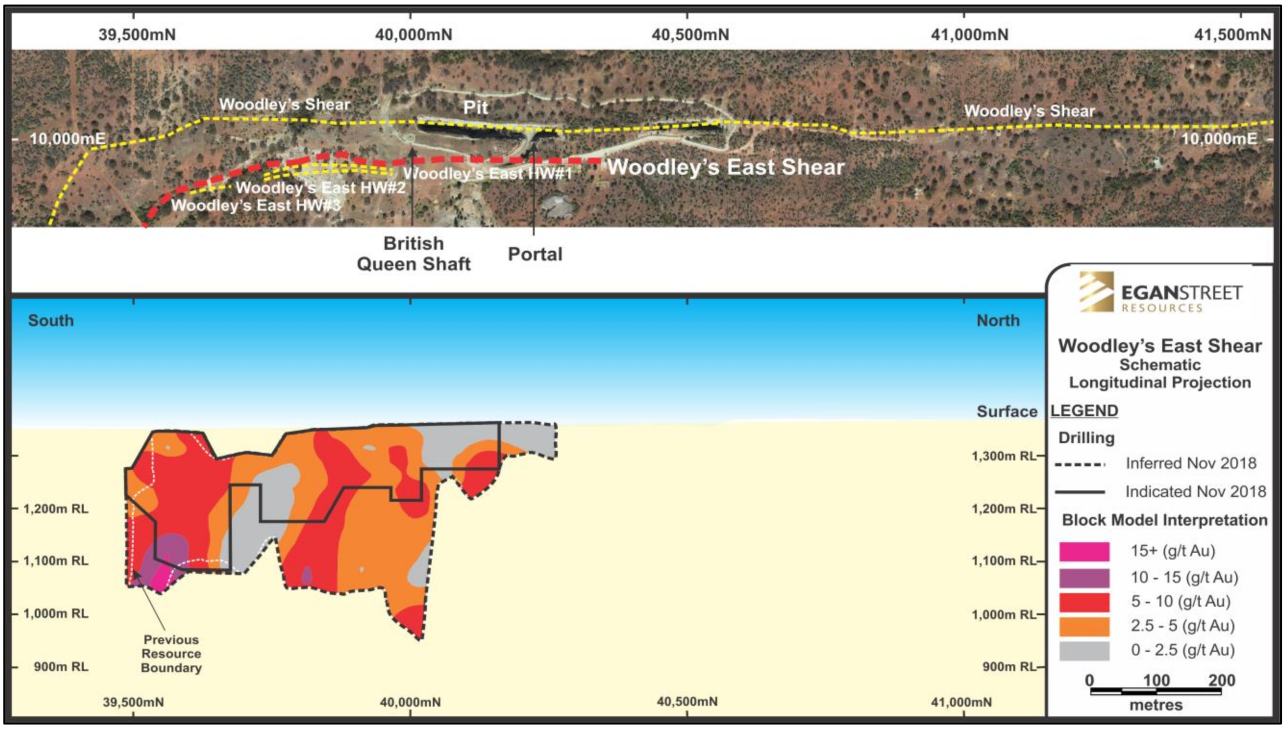

FIGURE 5 – WOODLEY'S EAST SHEAR PROJECTION SHOWING MRE BOUNDARY AND BLOCK MODEL INTERPRETATION.

The extent of the Woodley's East Shear was confirmed with the following intersections:

- *2.0m @ 116.9g/t Au* from 264.0m in RYDD080,
  - *Including 0.3m @ 776g/t Au*
- *0.8m @ 5.6g/t Au* from 259.0m in the HW of Woodley's East of RYDD080,
- *0.3m @ 7.01g/t Au* from 218.0m in the HW of Woodley's East of RYDD080,
- *0.97m @ 129.2g/t Au* from 73.0m in RYDD067 (previously reported),

- *0.4m @ 14.8g/t Au* from131.7m in RYDD066 (previously reported) and
- *0.3m @ 9.9g/t Au* from 83.55m in the FW of Woodley's East of RYDD068 (previously reported).

ORIENT SHEAR RC PROGRAMME

An RC drilling programme was completed during the December Quarter on the Orient Shear (previously named the "B" Shear), which is located ~200m west of Woodley's, and is on a basalt/gabbro contact.

The drill programme was designed to test below the historical Orient South Pit where a proposed portal and decline may be required to access the Southern zone of the now extended Woodley's Shear.

This sterilisation programme was part of a greater Orient RC programme, which covers the area beneath all three historical Orient pits to test for further mineralisation. Historical high-grade assays such as MRP191, which returned 2m @ 84.12g/t Au (including 1m @ 145.9g/t Au) below the current Orient pits, have not been followed up since they were drilled nearly 30 years ago.

The programme consisted of 60 RC holes for 4,765 metres. Results were received post 31 December 2018, refer to the announcement "High-Grade Gold Hits on the Orient Shear", dated 11 February 2019 , which is available to view at www.eganstreetresources.com.au and www.asx.com.au.

CURRENT PROJECT STATUS

APPROVALS

On 3 October 2018, the WA Department of Mines, Industry Regulation and Safety (DMIRS) approved the Project Management Plan (PMP) for the Rothsay Project, which is the first of three key Government approvals required to allow construction activities and operations at Rothsay to commence.

The Company has also submitted its Mining Proposal to the DMIRS. Once the Mining Proposal approval is received, Egan Street will be in a position to commence key works at Rothsay including construction of the camp and other key infrastructure including site offices and power station.

Works Approval and License Application has been submitted to the Department of Water and Environmental Regulation (DWER). Once the approval is received, Egan Street will be in a position to commence construction of the process plant and associated infrastructure requiring licensing.

PROJECT DEVELOPMENT

Contractual negotiations have been progressed (based on a limited order to proceed) in order to allow construction works to commence when approvals have been received.

A contract for the 100-person camp and non-process infrastructure (NPI) is anticipated to be executed in early 2019. Camp construction will commence as soon as approvals are received.

The reverse osmosis water treatment plant (WTP) and wastewater treatment plant (WWTP) contract has been awarded and is progressing on schedule.

The Build, Own and Operate (BOO) contract for on-site power generation for use at the plant, mine and camp at Rothsay is in the final stages of negotiation, with award expected during the March 2019 quarter.

The fixed price lump sum, design & construct (D&C) contract for the process plant construction is ready to award and onsite construction will commence on receipt of environmental approvals. Detailed design and long lead procurement have been progressed on a limited order to proceed basis.

Invitations for Tender (ITT) for the underground mining contract incorporating dewatering, rehabilitation of the existing portal and decline, development works, and underground mining activities were received from the market during the December quarter and are currently being reviewed.

PROJECT FINANCE

During the half-year, in conjunction with its financial adviser, PCF Capital Group, Egan Street received and completed an initial assessment of several indicative and non-binding offers, which were received from a range of financing groups.

The non-binding offers provide for financing solutions ranging up to $35 million of debt and which contain commercial terms consistent with a project financing of this nature.

The Company appointed an Independent Technical Expert (ITE) during the quarter to review the DFS, the ITE report has now been finalised, all material assumptions in the DFS have been confirmed and no material risks have been identified. The ITE report has been submitted to the Company's preferred financiers.

CORPORATE

Cash and Cash Equivalents

As at 31 December 2018, Egan Street had cash reserves of $5.9 million.

Capital Structure

As at 31 December 2018, the Company had the following securities on issue, including quoted and unquoted securities.

- Shares on issue 130.5 million
- Unlisted options 15.2 million
- Performance Rights 3.3 million

SUBSEQUENT EVENTS

On 12 February 2019, the Company announced an increase in the forecast life-of-mine gold production to 289,000 ounces, following a new Mineral Resource Estimate and mine design. Refer to the announcement "Rothsay Boosted by Production Target Upgrade", dated 12 February 2019 , which is available to view at www.eganstreetresources.com.au and www.asx.com.au.

Other than these matters, there have been no matters or circumstances that have arisen since 31 December 2018 that have significantly affected or may significantly affect:

- the Group's operations in future years; or
- the results of those operations in future years; or
- the Group's state of affairs in future years.

Chief Financial Officer

Brendon Morton was appointed as Chief Financial Officer on 15 February 2018, following the resignation of Richard Hill. Brendon is a Chartered Accountant and Chartered Secretary with more than 20 years of experience across multiple sectors, including mining, resource exploration, project development, construction and professional practice. Brendon has held senior finance roles and company secretarial roles for a number of ASX listed companies operating in the resources sector. Brendon is a member of the Institute of Chartered Accountants Australia and a member of the Governance Institute of Australia.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the directors of the consolidated entity on page 20 forms part of the Directors' report for the half year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors.

Marc Ducler

Managing Director

13 March 2019

Competent Persons' Statement

The information in this report that relates to Exploration Results is based on and fairly represents information and supporting documentation compiled by Ms. Julie Reid, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Ms. Reid is a full-time employee of the Company. Ms. Reid has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms. Reid consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Various information in this report that relates to exploration results is extracted from the following announcements:

- *"Rothsay Boosted by Production Target Upgrade" dated 12 February 2019, and*
- *"High-Grade Gold Hits on the Orient Shear", dated 11 February 2019; and*
- *"Rothsay Resource Increases to 454,000oz at 9.2 g/t Au", dated 27 November 2018; and*
- *"New Bonanza Hits of up to 776 g/t Gold", dated 7 November 2018; and*
- *"Results Highlight Potential for Resource Increase at Rothsay", dated 11 October 2018; and*
- *"Hits up to 129 g/t Au Point to Southern Extensions at Rothsay", dated 6 September 2018; and*
- *"Rothsay DFS Confirms Low Capex High Margin Operation", dated 19 July 2018; and*
- *"High Grade Results from Regional Drilling at Rothsay", dated 11 July 2018; and*
- *the Prospectus lodged on 28 July 2016.*

All above listed ASX announcements are available to view at www.eganstreetresources.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 announcements referred to above or 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 announcements referred to above or the Prospectus.

The information in this announcement that relates to the Rothsay Mineral Resource is extracted from the announcement titled "Rothsay Resources Increases to 454,000oz at 9.2 g/t AU" lodged on 27 November 2018, which is available to view at www.eganstreetresources.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 original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resource Estimate continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Information in relation to the Updated Rothsay Project Definitive Feasibility Study, including ore reserve, production targets and financial information, included in this report is extracted from the ASX announcement, dated 12 February 2019 (refer to ASX Announcement – "Rothsay Boosted by Production Target Upgrade") and the ASX Announcement dated 19 July 2018 (refer ASX Announcement – 19 July 2018, "Rothsay DFS Confirms Low Capex High-Margin Operation", www.eganstreetresources.com.au and www.asx.com.au. The Company confirms that all material assumptions underpinning the ore reserve, production target and financial information set out in the announcement released on 12 February 2019 continue to apply and have not materially changed.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Half year ended 31 December 2018 $	Half year ended 31 December 2017 $
Revenue	80,883	7,735
Employee benefits expense	(742,199)	(190,761)
Administration expenses	(378,388)	(263,466)
Exploration expenditure	(2,250,254)	(2,917,847)
Financing expenses	(113,305)	-
Depreciation and amortisation	(25,011)	(5,333)
Share based payments	(399,598)	(163,307)
Loss from continuing operations before income tax	(3,827,872)	(3,532,979)
Income tax	-	-
Loss from continuing operations after tax	(3,827,872)	(3,532,979)
Discontinued operations		
Loss for the year from discontinued operations	-	-
Net loss for the year	(3,827,872)	(3,532,979)
Other comprehensive Income		
Items that may subsequently be reclassified to profit or loss		
Translation difference on foreign exchange	-	-
Total comprehensive loss for the period	(3,827,872)	(3,532,979)
Net loss is attributable to:		
Owners of Egan Street Resources Limited	(3,827,872)	(3,532,979)
Net loss for the period	(3,827,872)	(3,532,979)
Total comprehensive loss attributable:		
Owners of Egan Street Resources Limited	(3,827,872)	(3,532,979)
Net loss for the period	(3,827,872)	(3,532,979)
Overall Operations		
Basic and diluted loss per share (cents per share)	(1.21)	(4.82)

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 December 2018	30 June 2018
CURRENT ASSETS		$	$
Cash and cash equivalents		5,879,390	11,506,291
Trade and other receivables		302,678	68,652
Other current assets		26,831	5,600
TOTAL CURRENT ASSETS		6,208,900	11,580,543
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,036,516	118,010
Exploration and asset acquisition expenditure	6	7,890	1,360,510
Mine development expenditure	7	2,227,624	-
TOTAL NON-CURRENT ASSSETS		3,272,030	1,478,520
TOTAL ASSETS		9,480,930	13,059,063
CURRENT LIABILITIES			
Trade and other payables		552,159	706,566
Provisions		91,287	86,739
TOTAL CURRENT LIABILITIES		643,446	793,305
TOTAL LIABILITIES		643,446	793,305
NET ASSETS		8,837,484	12,265,758
EQUITY			
Issued capital	4	31,248,386	31,248,386
Reserves		1,737,245	1,304,051
Accumulated losses		(24,148,147)	(20,286,679)
TOTAL SHAREHOLDERS' EQUITY		8,837,484	12,265,758

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Accumulated Losses	Reserves	Total	Total Equity
	$	$	$	$	$
Balance at 1 July 2017	15,561,901	(12,827,084)	885,092	3,619,909	3,619,909
Loss for the year	-	(3,532,979)	-	(3,532,979)	(3,532,979)
Other Comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	(3,532,979)	-	(3,532,979)	(3,532,979)
Transactions with owners in their capacity as owners					
Shares issued during the period (net of costs)	3,819,697	-	-	3,819,697	3,819,697
Share based payments	-	-	163,307	163,307	163,307
Balance at 31 December 2017	19,381,598	(16,360,063)	1,048,399	4,069,934	4,069,934

	Issued Capital	Accumulated Losses	Reserves	Total	Total Equity
	$	$	$	$	$
Balance at 1 July 2018	31,248,386	(20,286,679)	1,304,051	12,265,757	12,265,757
Loss for the year	-	(3,827,872)	-	(3,827,872)	(3,827,872)
Other Comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	(3,827,872)	-	(3,827,872)	(3,827,872)
Transactions with owners in their capacity as owners					
Shares issued during the period (net of costs)	-	-	-	-	-
Share based payments	-	-	399,598	399,598	399,598
Balance at 31 December 2018	31,248,386	(24,114,551)	1,703,649	8,837,484	8,837,484

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Half year ended 31 December 2018	Half year ended 31 December 2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	80,883	7,735
Payments to suppliers and employees	(1,193,893)	(475,483)
Payments for exploration expenditure	(2,582,065)	(3,216,153)
Net cash used by operating activities	(3,695,075)	(3,683,901)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of tenements	(7,890)	-
Payments for plant and equipment	(104,767)	(29,122)
Payments for mine development expenditure	(1,705,864)	-
Net cash used by investing activities	(1,818,521)	(29,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	4,035,000
Costs of capital raising	-	(215,303)
Transactions related to loans and borrowings	(113,305)	-
Net cash (used)/ provided by financing activities	(113,305)	3,819,697
Net increase/(decrease) in cash and cash equivalents held	(5,626,901)	106,674
Cash at the beginning of the financial period	11,506,291	2,774,124
Cash and cash equivalents at 31 December	5,879,390	2,880,798

The accompanying condensed notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the company for the year ended 30 June 2018, together with any public announcements made during the half-year.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as disclosed below.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on Egan Street Resource's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

AASB 9 was generally adopted without restating comparative information. This change in methodology has not had an impact on the financial statements. The Company applies the AASB 9 simplified approach to measuring expected credit losses, which requires expected lifetime credit losses to be recognised from initial recognition of trade and other receivables with maturities of 12 months or less. AASB 15 had no impact on the Company. The adoption of these new accounting policies did not have any effect on the financial position or performance of the Company.

Mine Properties in Development

Mine properties in development represent the expenditure incurred when technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, and includes the costs incurred up until such time as the asset is capable of being operated in a manner intended by management. These costs are not amortised but the carrying value is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

When production commences, mine development costs will be transferred to Mine Properties in Production for the relevant area of interest and will be amortised over the life of the mine according to the rate of depletion of the economically recoverable reserve.

Going concern

The Condensed Consolidated Financial Statements are prepared on a going concern basis. At 31 December 2018, the Company had cash reserves of $5,879,390. The Directors believe that the Company has sufficient cash reserves to meet its continuing costs of operation, including administrative, employee benefit and exploration and evaluation expenditure. No material contracts associated with the development of the Rothsay Gold Project (Rothsay) have been executed by the Company.

The Company is in the process of obtaining final works approvals in relation to Rothsay. Contractual negotiations have been progressed (based on a limited order to proceed) in order to allow construction works to commence upon approvals being received.

A Final Investment Decision (FID) with respect to Rothsay is likely to occur prior to 30 June 2019. A positive FID will require a minimum of $35 million of project financing in order to fund the key items of capital expenditure associated with the development of Rothsay.

NOTE 2: OPERATING SEGMENTS

The consolidated entity has identified its operating segments based on the internal reports are that are reviewed and used by the board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The consolidated entity operates as a single segment which is mineral exploration.

The revenues and results of this segment are those of the Group as a whole and are set out in the statement of profit or loss and other comprehensive income.

NOTE 3: FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurement

Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amounts of trade and other receivables and trade and other payables are assumed to equal their fair value.

NOTE 4: ISSUED CAPITAL

	31 December 2018		30 June 2018	
	Number	**$**	**Number**	**$**
Ordinary fully paid Shares	130,453,719	31,248,386	130,453,719	31,248,386

	31 December 2018		30 June 2018	
(a) Movements in ordinary share capital	**Number of shares**	**$**	**Number of shares**	**$**
Balance at the beginning of the period	130,453,719	31,248,386	64,579,291	15,561,901
Issued during the period:				
– Shares issued	-	-	65,874,428	16,353,690
Capital raising costs	-	-	-	(667,205)
Balance at the end of the period	130,453,719	31,248,386	130,453,719	31,248,386

Performance Rights

Fair value of performance rights granted in the period

For performance rights with market conditions, the fair value of services received is measured using a binomial pricing model. Vesting is based on the performance conditions being met which are listed below. A total of 3,957,558 performance rights were granted to Directors and employees during the period. Refer to Note 10 for performance rights issued to KMP.

Total number granted	Grant date	Expiry date	Fair value at grant date $ per right	Vesting conditions
1,206,690	19/10/2018	30/06/2021	0.001	Tranche 1
1,206,690	19/10/2018	30/06/2021	0.101	Tranche 2
772,089	19/10/2018	30/06/2021	-	Tranche 1
772,089	19/10/2018	30/06/2021	0.064	Tranche 2
3,957,558				

- Tranche 1 Period: 1 July 2018 – 30 June 2021
- Tranche 2 Period: 1 July 2018 – 30 June 2021

The Performance Rights will only vest if certain performance conditions are met. At the end of each tranche's performance measurement period, the Board will assess the Company's Total Shareholder Return (TSR) and rank the Company's TSR against a peer group of other companies as determined by the Board. The percentage of performance rights in each respective tranche that will vest will depend upon the Company's TSR and TSR performance relative to the companies in the peer group, which will constitute Category A, B, C and D TSR performance, as set out below:

Tranche 1 Performance Rights – TSR Performance

- Category A TSR performance: If the Company's TSR is at/or below 20%, no PRs will vest.
- Category B TSR performance: If the Company's TSR is equal to 20%, 50% of the PRs will vest
- Category C TSR performance: If the Company's TSR is between the 20% and 30%, for each percent over 20% but less than 30%, a pro-rated amount of the PRs will vest.
- Category D TSR performance: If the Company's TSR is at/or above 30%, 100% of the PRs will vest.

Tranche 2 Performance Rights – TSR Performance (Peer Group)

- Category A TSR performance: If the Company's TSR is at/or below the 50th percentile of the peer group of companies' TSR, no PRs will vest.
- Category B TSR performance: If the Company's TSR ranks equal to the 50th percentile of the peer group of companies' TSR, 50% of the PRs will vest
- Category C TSR performance: If the Company's TSR ranks between the 50th and 75th percentile (exclusive) of the peer group of companies' TSR, for each percentile over the 50th percentile but less than the 75th percentile, a pro-rated amount of the PRs will vest.
- Category D TSR performance: For a ranking at or above the 75th percentile of the peer group of companies TSR, 100% of the PRs will vest.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Reconciliations of the carrying amounts at the beginning and end of the half-year are as follows:

	31 December 2018	30 June 2018
Balance at the beginning of the period	118,010	49,776
Additions	943,517	84,704
Disposals	-	-
Depreciation expense	(25,011)	(16,470)
Balance at the end of the period	1,036,516	118,010

NOTE 6: EXPLORATION EXPENDITURE

	31 December 2018	30 June 2018
Opening balance	1,360,510	1,360,510
Tenement acquisition costs	7,890	-
Impairment	-	-
Transfer to mine properties in development	(1,360,510)	-
Closing balance	7,890	1,360,510

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 7: MINE PROPERTIES IN DEVELOPMENT

Reconciliations of the carrying amounts at the beginning and end of the half-year are as follows:

	31 December 2018	30 June 2018
Opening balance	-	-
Transfer from exploration expenditure	1,360,510	-
Additions	867,114	-
Closing balance	2,227,624	-

NOTE 8: SUBSEQUENT EVENTS

On 12 February 2019, the Company announced an increase in the forecast life-of-mine gold production to 289,000 ounces, following a new Mineral Resource Estimate and mine design. Refer to the announcement "Rothsay Boosted by Production Target Upgrade", dated 12 February 2019 , which is available to view at www.eganstreetresources.com.au and www.asx.com.au.

Other than these matters, there have been no matters or circumstances that have arisen since 31 December 2018 that have significantly affected or may significantly affect:

- the Group's operations in future years; or
- the results of those operations in future years; or
- the Group's state of affairs in future years.

NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities remain as those disclosed in the 30 June 2018 financial report.

NOTE 10: RELATED PARTY TRANSACTIONS

During the period:

- Mr Marc Ducler received 1,206,690 performance rights pursuant to the Company's Long Term Incentive Plan, as approved by shareholders on 19 October 2018.
- Mr Lindsay received 1,206,690 performance rights pursuant to the Company's Long Term Incentive Plan, as approved by shareholders on 19 October 2018.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 18 are in accordance with the Corporations Act 2001 and:
   a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
   b. give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Marc Ducler
Managing Director
13 March 2019

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DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF EGAN STREET RESOURCES LIMITED

As lead auditor for the review of Egan Street Resources Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Egan Street Resources Limited and the entities it controlled during the period.

Neil Smith

Director

BDO (Audit) WA Pty Ltd

Perth, 13 March 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Egan Street Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Egan Street Resources Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 13 March 2019