

Quick Comment

Echo Resources Ltd (EAR \$0.16) Speculative Buy

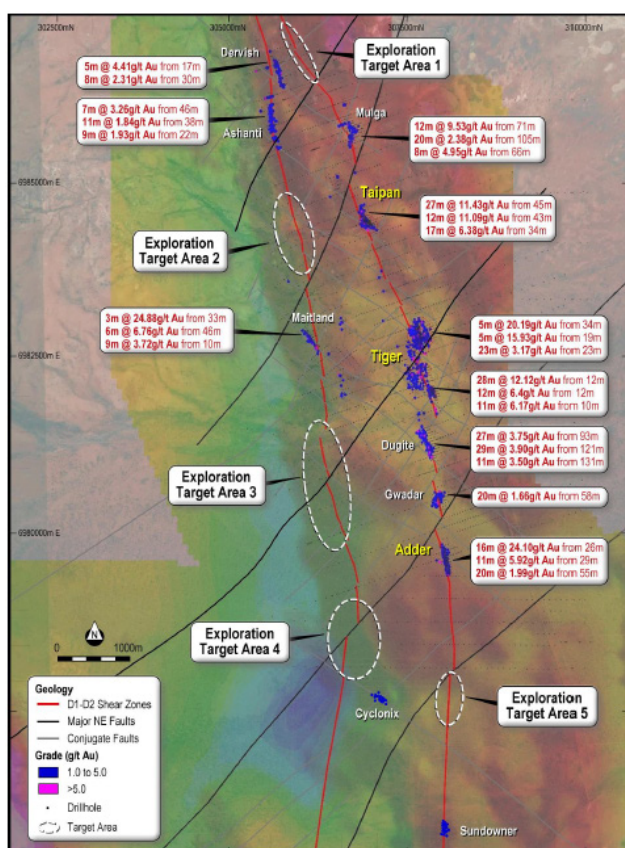


Analyst	Date	Price Target
Andrew Clayton	25 th June 2019	\$0.30/sh

Mt Joel Resource increases to 91.6koz @ 2.1 g/t

Key Points

- Mt Joel (70% EAR) has announced a resource of 91.6koz @ 2.1 g/t from three deposits (Tiger, Taipan and Adder). The largest deposit is Tiger which contains 80% of the total resource (73.8koz). Over 98% of the resource is in the Indicated category. Total resource for the Yandal Gold project has increased to 1.8moz @ 2 g/t Au.



- Mt Joel is located only 15km from the existing Bronzewing processing plant. The current optimised DFS assumes no ounces from Mt Joel so this remains genuine upside.
- There remains significant potential to increase the resource with all deposits open along strike and at depth. Drilling to target these extensions will commence in Aug'19. In addition to the existing deposits, EAR has identified a further seven deposits that have not been sufficiently drill tested and hence no resource estimation. Drilling will be conducted on these deposits in the 2nd H CY'19.
- Post the \$15m equity raising and \$3.2m SPP, EAR is well funded for an aggressive exploration program over the next 1-2 yrs.
- We expect initial aircore results from drilling north of the Ramone deposits in the near future.

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Investment Thesis

With 98% of the resource in the Indicated category we would be hopeful that a reasonable portion (30-40%) of this may convert to reserves and help to flesh the current 4 yr mine life. The real aim is to add at least another two years to the mine life either via the drill bit or sensible M&A to make it a more robust development. A re start based on 6yrs @ >100koz is more appealing than rushing into production on a 4yr LOM base case. Drilling at the Hadrian Trend has commenced - a 20km long corridor extending from Julius deposit in the south to NST's Ramone (350koz) gold mine in the north and initial results are expected shortly. Our valuation remains at \$0.26/sh and we remain hopeful that additional high margin ounces will be added. There will be plenty of news flow with drilling underway.

Echo Resources Ltd (EAR)

Share Price	0.16	A\$/sh	Enterprise Value	90	A\$/m
Price Target	0.30	A\$/sh	Debt	Nil	A\$/m
Valuation	0.26	A\$/sh	Cash	20	A\$/m
Shares on issue	691	m(dil)	Largest Shareholder	NST 22%	
Market Capitalisation	110	A\$m			

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