

# Echo Resources Limited: Summary Analysis by The Sophisticated Investor

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Perth - Echo Resources (ASX:EAR) is a gold exploration and development company, which has commenced an aggressive exploration program across their holdings in the highly prospective Yandal greenstone belt in Western Australia. Results to date particularly at the Orelia deposit have been excellent, as they include 49 m @ 9.43 g/t Au from 29 m, 36m @ 8.81 g/t Au from 84 m and 45m @ 4.01 g/t Au from 52 m.

The company also owns the Bronzewing 2Mtpa processing facility and associated infrastructure. This infrastructure will allow for a significant reduction in capital expenditure when a decision to commence production is made in the future.

Analyst Comment: The Western Australian gold fields have a history of reviving operations that were closed as they were deemed no longer economical. A key theme regarding failed restarts has been the new operator did not clearly identify all of the underlying reasons why the project closed and did not have a sufficient mine life.

Echo Resources has learnt from other operators' mistakes, and does not look likely to repeat them, as they have set upon an aggressive three pronged exploration strategy targeting an increase to the current mine life (reserves), and higher grade (target +2g/t Au) compared to the historical Bronzewing operation (1.5 g/t Au), before they consider re-commencing production.

Exploration - Exploration results to date have been impressive, particularly at the historical Orelia deposit (as highlighted above), which signals a potential shift from the historical bulk tonnage operation, towards a slower, more selective, higher grade operation.

And whilst the on-going exploration program looks likely to increase the size and grade of the reserves when updated later this year, it is the "Blue Sky" exploration potential that offers the greatest long term upside in the company's share price. The company is currently prioritising key targets with the inaugural drill program to test this potential to commence later this year.

Low Capital - When a decision to recommence production is made, it will be at a significantly lower capital cost compared to the industry average (+\$100m), as it has been estimated the refurbishment costs to recommence production will be \$12.5m (Echo - Julius DFS). This is due to the significant existing infrastructure which includes a 2Mtpa processing facility, camp, power, and other essential items required to commence a mining operation.

Valuation: We initiated coverage on Echo Resources with a target valuation of \$0.34 / share (current share price \$0.12 / share).

The information is general information only. Any advice is general advice only. Neither your personal objectives, financial situation or needs have not been taken into consideration. Accordingly you should consider how appropriate the advice (if any) is to those objectives, financial situation and needs, before acting on the advice. Adam Kiley (AR No. 458224) is an authorised representative of Intelligent Financial Markets Pty Ltd (AFSL No. 426359).

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**About Echo Resources Limited:**

Echo Resources is an ASX-listed gold exploration business with a large and highly prospective ground position in the Eastern Goldfields of Western Australia. We are focused on applying modern exploration methods to establish a high grade gold resource and reserve base at our 100% owned Yandal Gold Project.

Source: [Echo Resources Ltd.](#)

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