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## Echo Resources - King of the Yandal Province

In the pursuit of happiness in the mineral resource industry, the mecca of strategies is to secure yourself a 'Province' or 'Belt'. I like the word province as it feels like you have got more :-).

For Echo Resources Limited (ASX:EAR), it was the realisation that the Yandal Belt is a province of great wealth that until now has not been fully realised.

The Yandal province has brought much wealth to the gold industry and has been a known gold producing region. The famous prospector Mark Creasy cut his teeth here and made his first fortune (a \$150 million fortune) kicking rocks here.

### Starting point

Echo Resources listed on the ASX in 2006. It was a robust listing with \$6 million which in those days was a right amount of money.

They had one project in Western Australia and several in Queensland. A simple strategy of wanting to chase a gold, copper and nickel project. They are pretty high standards:

- Gold: > 3 million ounces at >3 g/t gold;
- Copper-Gold: > 440 million pounds of copper at >1.5% copper equivalent; and
- Nickel: > 90 million pounds of nickel at >5% nickel.

### Share Information

**Code:** SAMSO

**Listing:** PRIVATE-AU

**Sector:** Investments and investor services

**Website:** samso.com.au

### Company Synopsis:

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Echo Resources Limited (ASX:EAR) projects at the time of listing on the ASX in 2006. (Source: Echo Resources)

This story is not a greenstone discovery story but one that is impressive not for their expectations but in the fact that at that time, they were able to secure such a sizeable acreage in such a prospective province.

According to their information, they had indicated resources in the ground:

- 196,000 ounces of gold (75% indicated);
- 97 million pounds of copper (75% indicated); and
- 924,000 ounces of silver (95% indicated).

## History

Life for the directors of Echo Resources has been volatile. Starting with the combination of Queensland base-metal projects and a West Australian gold project was always going to be challenging to juggle. I have always looked at such portfolios as one that is for the BHPs of the world. Small minnows should stick to projects that make sense logistically.

There is nothing wrong with being multi-commodity, but the projects should be geographically close to each other. I think when I see portfolios like that, I know that three-quarters are a space filler. If you show me that you have a cash balance of \$20 million, then I will change my views.

As expected, in December 2014, Echo Resources announced that they would be divesting their Queensland projects. When I look at those projects, the first that came to my mind was that is just too difficult. A swag of environmental issues will probably be arising or some land access issues. I will say that I did not investigate as that is no longer an asset of the company.

What is exciting and humorous is that in 2015, the company received a 249D requesting the board make changes. That indicates to me that life on the board was "interesting". The board would have been affected with significant shareholders meddling, and in most cases, they would have hampered real work. Shadow director things are the worst for people who want to get things to happen.

In September 2016, the company announced the friendly merger/takeover of Metaliko Resources Limited. In December 2016, the merger created the present package of tenements. A 1600 square kilometre coverage of the Yandal Province.

## Corporate Information

Market Capitalisation: \$127 million (03/2019)

Outstanding Shares: 551 million (03/2019)

Top Twenty Shareholding: 60% (03/2019)

Echo Resources Limited (ASX:EAR) all-time share price chart. (Source: Commsec)

## Why is the Yandal Province attractive?

I am familiar with the Yandal Province due to my time working at Bronzewing and working with a group with some holdings in this area. It is a great place to explore and there are more questions than answers.

I worked in the area in the 1990s. Firstly as a field assistant and then being 'promoted' to a graduate geologist in 1992. It was my first job out of University with Great Central Mines (no longer exist) on the Bronzewing project.

When I arrived, it coincided with the time when they got the discovery result from the first pass RAB drilling that brought a mass of activities that led to the discovery of the Bronzewing gold mine.

As usual, unbeknown to me, that period of my employment turned out to be one of two discovery teams I was to get involved with in my geological career. The other was the Merlin Diamond Field.

Again unbeknown to me, I had drilled through the pipe and did not understand it. What I did realise was that it was different from the other holes I had supervised at that time.

Every time I went on break, there would be one more drill rig, and more people were coming into the camp. When I arrived in August 1992, there was one RC rig at Mt Joel and one RAB drilling at Bronzewing. When I left in January 1993, there was four diamond rigs, four RC rigs and one RAB (mine). The rest is history.

## So what's the fuss?

The reason I mentioned my working experience is to point out the fact that the last real exploration activity for the Yandal Province. There has not been little exploration since that mid-1990s period. Therefore, the chances of finding something similar to Jundee, Mt McClure, Bronzewing sitting there with millions of ounces of resources, are pretty good.

In my opinion, what Echo Resources may have is something like what Gold Road has with their Yamana Province. The last time I saw something like this was when Mt Holland Gold Field (now better known as the Early Grey Lithium Deposit) was up for grabs. That Forrestania Gold Field was well drilled and mined in the 1980s and 1990s. A nice tenement package like this has never been present.

## The package

When I came across Echo Resources, I was taken aback with the package of tenements. The whole package is 1600 square metres and in the Yandal Belt? That is impressive. Hence I started to have a look at how this came about for Echo Resources. To top it all off, I see that Northern Star is a significant shareholder as well.

Projects that were pre and post-merger with Metaliko Resources in 2016.  
(Source: Echo Resources)

The merged package as shown below looks impressive. Whatever Echo discover here is going to have a big brother waiting to do all of the above. Name the option, and they will want it. Why would they not want it? Jundee is just up the road. Remember that Jundee is an outstanding deposit. It was one of the best discoveries at that time and probably still is in today's standards.

Current tenement package as of March 2019. (Source: Echo Resources)

## The resource

The resources look robust, and I am assuming that all the financing talk and the introduction of mining personnel into the board and senior management tells me that they are gearing up for mining. In saying that, I will assume that the numbers are stacking up.

In my time looking at these projects (not claiming I am an expert, just saying that I am :-), like every punter), I do think about the grade and the resource. The grade of 2.1g at Julius with 96,000 ounces kind of reminds me of the lower grade that Gascoyne Resources had on their deposit. They mined that, and I think things are not going well.

I am not saying that this is a similar deposit, but I find that there are a lot of smaller companies trying to be producers with not enough resource. When things are not going well, their margins get squeezed, and the house of cards begins to fall.

Silverlake Resources Limited (ASX:SLR) did it well with limited resources, so I am aware that it is not always about the size of your resources. Their early downfall was mainly due to their mill and not the mine. When they got that to happen, it was all smooth sailing.

The inside factor on that was Les Davis, and Chris Banisik, who were playing with the same style of deposits during their time at Western Mining in Kambalda. So they knew what they were doing. What happened, in the end, is another story but the company did well when they were mining Daisy Milano.

Global mineral resources and reserves for the Yandal project. (Source: Echo Resources)

The upside for the resource is that you have the higher grade stuff coming from Orelia. The higher grade at the bottom of the pit looks great but renovating a house sometimes is not the best idea. They are saying that they will mine the bottom of the pit and they don't have to spend a lot of money to cut back. I have seen many a great idea like that come undone spectacularly.

## Conclusion

When I first looked at Echo Resources, my impression was this is an exciting story. It seems to have the ducks in line and their future appears bright. I say bright because I like the potential of the area. There are some potential ugly duckings in the package but which package does not. I love the fact that Northern Star Resources (ASX:NST) is a significant shareholder and they have put their money into the business.

There is no need for me to comment on the geology nor the deposit potential. The fact that these guys have put money in and the management is content tells me that a decent amount of due diligence has happened. The result of that process of due diligence would have been positive.

I do remember when I was doing some mapping with a senior guy, we saw a heap of quartz veins, and they sampled well. But when we sent a rig to test them, we came up with nothing. The system there is very mineralised. Maybe some of the recent discoveries were the result of those previous works.

Having a significant shareholder with a mill close by is a substantial part of this puzzle. Northern Star will also be the big brother watching the play, and if they need more ounces for their inventory, it is a done deal. Good or bad, it can be hard to say sometimes, but I think in this case, it is probably closer to the right than sorry here. Well, it's too late to have that debate.

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Samsco has nearly 30 years of experience in developing business ideas and concepts in the Australasian region. Samsco has worked primarily in the mineral resources industry, capital markets and corporate finance. Noel Ong is the founder of SAMSCO.

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