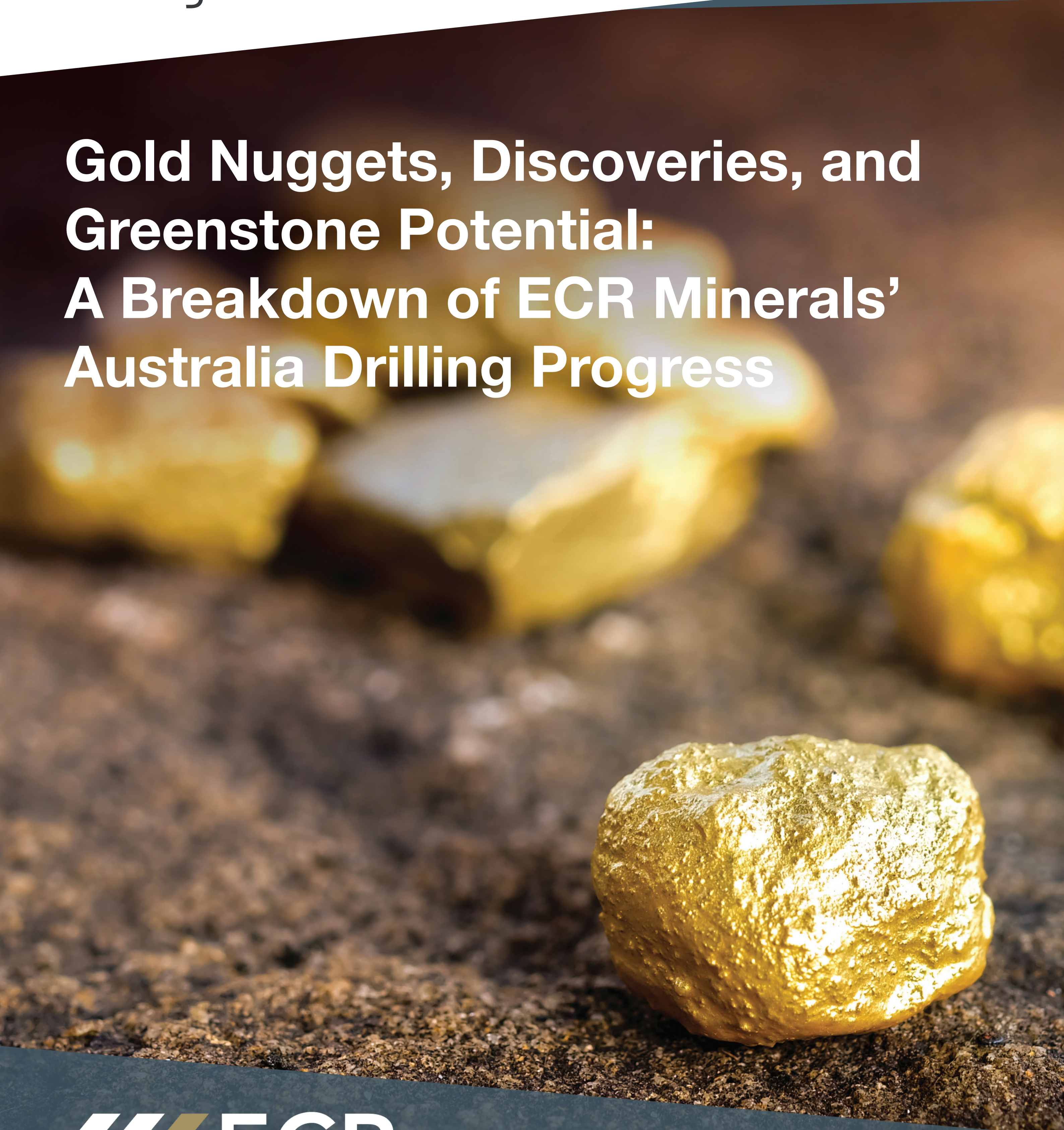
MiningMaven

Gold Nuggets, Discoveries, and Greenstone Potential: A Breakdown of ECR Minerals' Australia Drilling Progress



ECR MINERALS

LSE:ECR
June 2019

Introduction

This year has seen ECR Minerals (LSE:ECR) launch an extensive exploration campaign across the highly popular Australian state of Victoria as it continues its search for multi-million-ounce gold deposits. Early signs of success have supported a substantial increase in the company's share price from 0.75p to 1p, despite a harsh commodity market backdrop and weak investor sentiment in the UK, where it is based. Here, we break down ECR's progress and plans at each of its Victoria prospects and outline its activity across the rest of Australia.

Victoria Resurgence

The Australian state of Victoria has a long history of gold production stretching back almost 200 years. At one point in the nineteenth century, it was the most prolific gold region in the world, with miners discovering more than 60MMozs of the precious yellow metal between 1851 and 1869.

Despite parts of the region having a reputation for being overworked, many remain highly prospective. One example is the '*Golden Triangle*', seen in the image on the right. The Golden Triangle has enjoyed a resurgence in interest over recent years, with everyone from individual panhandlers to multinational firms being drawn in by success stories like the discovery of a 4.1kg nugget in 2016 worth c.£145,000. Likewise, exploration across wider Victoria has become so popular that it can now take up to four weeks for local laboratory staff to process samples as they struggle to keep up with huge volumes.

Map of the 'Golden Triangle' area in Victoria, Western Australia

One firm with a particularly strong footing in Victoria is Kirkland Lake Gold. The company owns the prolific Fosterville Mine, which is estimated to contain a 1.7MMoz gold reserves worth around $2.85bn at current spot prices. However, as well as making money for Kirkland and its investors, efforts to extract Fosterville's gold have provided a boon for Victoria itself. Indeed, the project has created local jobs and injected capital into the area's supply chain and existing businesses.

This '*everybody wins*' dynamic has resonated around the world since Fosterville began to establish itself, and firms of all sizes continue to enter the territory and examine its gold field potential with a renewed enthusiasm. For example, last year saw Newmont Mining Corp, one of the world's largest gold producers, apply for a large block of land in Victoria, pegged adjacent to ECR ground.

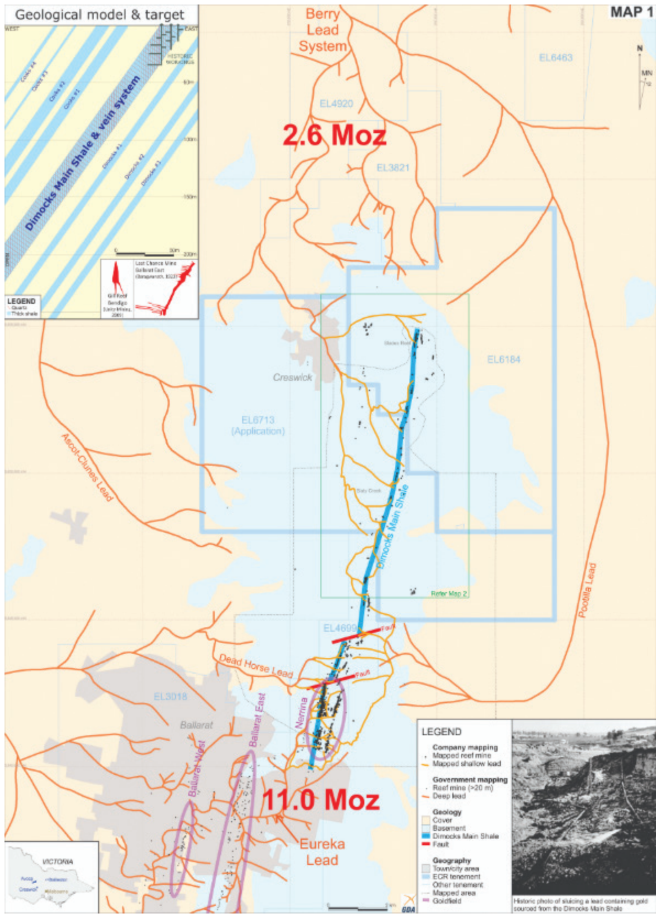
Alongside its reputation for prevalent gold nuggets at shallow depth, a large part of Victoria's attraction to companies is the relative ease with which the precious metal can be sold. Rather than have to engage in expensive and labour-intensive deep mining methods, organisations fortunate enough to discover a haul of nuggets in the area can pretty much sell them straight to market. This requires little in terms of processing and can provide almost instant cash flow.

ECR is one of the miners attempting to benefit from this opportunity. Supported by a £680,000 placing and a £171,000 R&D refund, the firm is currently completing 4,000-6,000m of drilling across its numerous licences in Victoria in a bid to make a multi-million-ounce discovery. Here, we look at the encouraging progress already enjoyed by the business since it began this work at the start of 2019.

Nugget Opportunity

One of ECR's primary drilling targets this year has been its Creswick gold project. Approximately 7km of the licences and applications that make up Creswick cover a 25m-wide, 15km-long geological feature called the Dimocks Main Shale (DMS). The DMS is the hard-rock source of a vast amount of alluvial and deep lead gold and has been responsible for a significant portion of Victoria's historical gold production, which totals 15MMozs. As such, ECR believes its licence area has the potential to host large amounts of gold mineralisation.

Map of the Dimocks Main Shale (DMS) formation



ECR enjoyed a significant breakthrough at Creswick last year when its exploration mapping identified an extensive gold system across its DMS gold targets. This year has seen it investigate this potential further through 1,687m of drilling. In an update last month, the company said the work – which targeted multiple quartz vein orientations - had exceeded expectations, with quartz identified in over a third of the ground drilled. This included one zone exceeding 60m in width – more than twice the 25m width expected. Meanwhile, gold was encountered in 9 of 17 holes that had been reviewed by ECR's technical team.

Most importantly, ECR's technical review also confirmed that Creswick's mineralisation is 'nuggety' in nature. This discovery is of particular importance as it may mean that the firm's assay results to date have been understated considerably. This is because the chance of capturing a gold nugget in any drilled metre decreases as the nugget's size increases. Likewise, results could be understated if the small 2kg portion of each 30kg sample bag tested as per industry practice excludes one or more large nugget. It is worth highlighting that this could also lead results to be overstated considerably if a large nugget is captured in the small checked portion of a bag when the untested majority contains a much lower grade of gold.

Much to the delight of investors, ECR revealed that it had already discovered a nugget in a previously-untested sample portion after using a new 'whole-of-bag' sampling technique called gravity concentration. This led the bag to demonstrate gold grades of 11.8g/t - some 528pc higher than the previous 1.88g/t assay result achieved using 'part-of-bag' techniques. As such, the firm said existing assay results might be unreliable indicators of grade, resolving to retrace its steps and complete whole-of-bag tests for all drilling completed to date.

ECR believes there is a good chance that the revised results will be positive. This is because the State of Victoria in Australia is renowned for its large gold nuggets, with the Geological Survey of Victoria reporting several nuggets over 100oz in size near ECR's Creswick drill locations. Likewise, nuggets weighing up to 625oz have been found in alluvial gullies downstream from the DMS.

With ECR's chief executive Craig Brown topping the news off by claiming that the new tests could be '*company transformational*', ECR's shares soared to a high 1.23p in the days following May's update.

Earlier this month, ECR went on to reveal that it had begun using a metal detector on its 640 sample bags to prioritise those that demonstrate a metallic signal. It will then send those bags that return positive results to a laboratory for whole-of-bag testing. Here, the source of the metallic signal will be removed, examined, logged, photographed, and weighed.

Brown went on to add that bags analysed in the first phase of this work had generated a positive signal from the metal detector, adding:

> "I am extremely pleased with the professionalism of the Company's technical team in devising the structured approach to bag testing that has been developed. Creswick is a unique project and the assessment of in-situ gold mineralisation requires bespoke project management and technical application. I am delighted that our first metal detecting of bags has already highlighted metal content, which we expect is reflective of nugget gold mineralisation as samples from depth are unlikely to contain other detectable metals."

Bringing up Bailieston

The remainder of ECR's drilling so far this year has taken place within its Bailiestone project area. Bailiestone sits in the epicentre of Victoria's current gold exploration boom, located 30km from, and targeting the same zone of gold mineralisation as, Fosterville. It is also near the Costerfield gold mine, another prolific producer in the region, and a large block of land recently targeted by Newmont. ECR is searching for a major discovery across several prospects on its Bailieston ground. However, its work this year has so far focused on just two of these prospects- Blue Moon and Black Cat.

At Blue Moon, ECR has spent the last few months following up on its discovery of significant near-surface gold intercepts and evidence of a near-surface mineralised gold system in July last year. In May, the business announced that it had successfully drilled 1,718m across 12 holes, targeting sandstone that has been heavily weathered near surface but thought to host higher grade gold mineralisation at depth.

The work was a success, with an impressive nine holes encountering significant intersections of gold mineralisation. Highlight intersections included 2m at 17.87 g/t gold within a zone of 15m at 3.81 g/t gold from 51m and 3m at 3.88 g/t gold within an area of 11m at 2.42 g/t gold from 169m. This was enough for ECR to classify Blue Moon as a gold discovery when combined with previous exploration work, which indicated that a high-grade zone exists within the target sandstone.

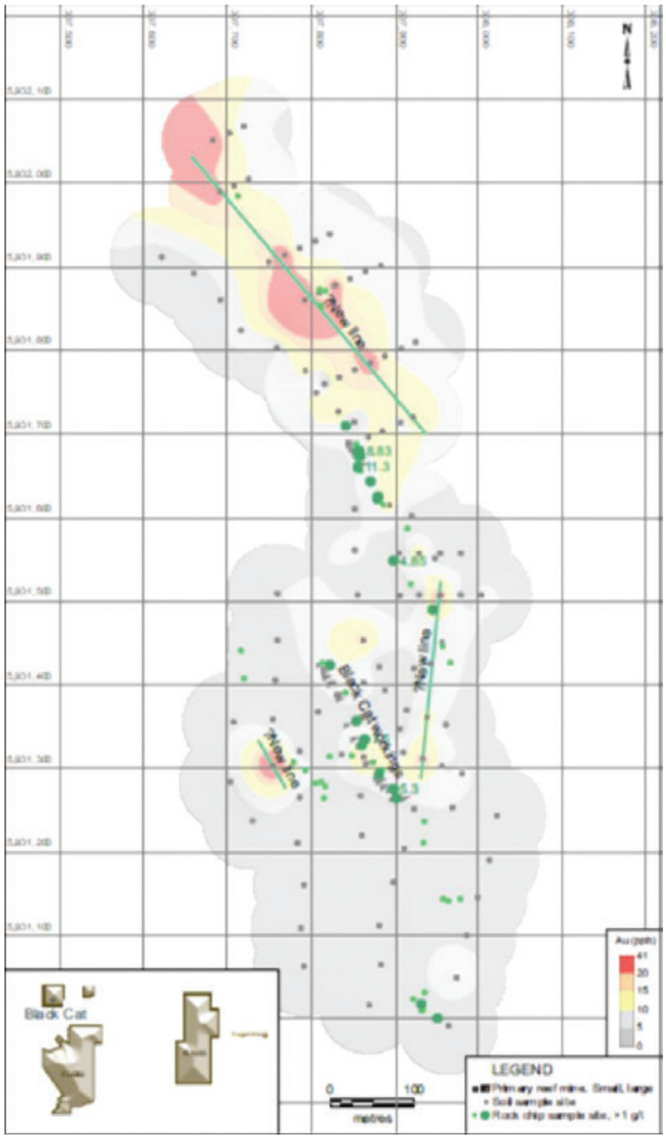
May's results also indicated that Blue Moon's host sandstone is thicker on its west section, where gold grades are also significantly higher. As such, the company will now follow the system to the west, subject to agreeing access to additional ground with landowners. This work is likely to comprise surface geochemical sampling and drill testing.

Elsewhere, ECR announced in April that it had completed 485m of low-cost reconnaissance rotary air blast (RAB) drilling across 18 shallow holes on its Black Cat target on Bailieston. Black Cat lies immediately south of ground recently applied for by Newmont Exploration and is among the high priority targets identified by a geological study completed in 2017. Before ECR's work this year, no drilling had taken place at the prospect.

However, strong gold-in-soil anomalism indicated unworked reefs might be discovered, while rock chip samples returned grades of up to 11.3g/t gold.

ECR's work at the site this year encountered numerous gold intersections including 7m at 1.76 g/t gold from 35m, 3m at 4.26 g/t gold from 16m, and 1m at 6.3 g/t gold from 18m. The company believes that the results suggest the potential for supergene-enriched mineralisation at the water table interface and deeper primary mineralisation. With its RAB drilling only reaching a maximum depth of 47m, the business is now looking at following up its work with deeper holes.

Map of the Black Cat prospect

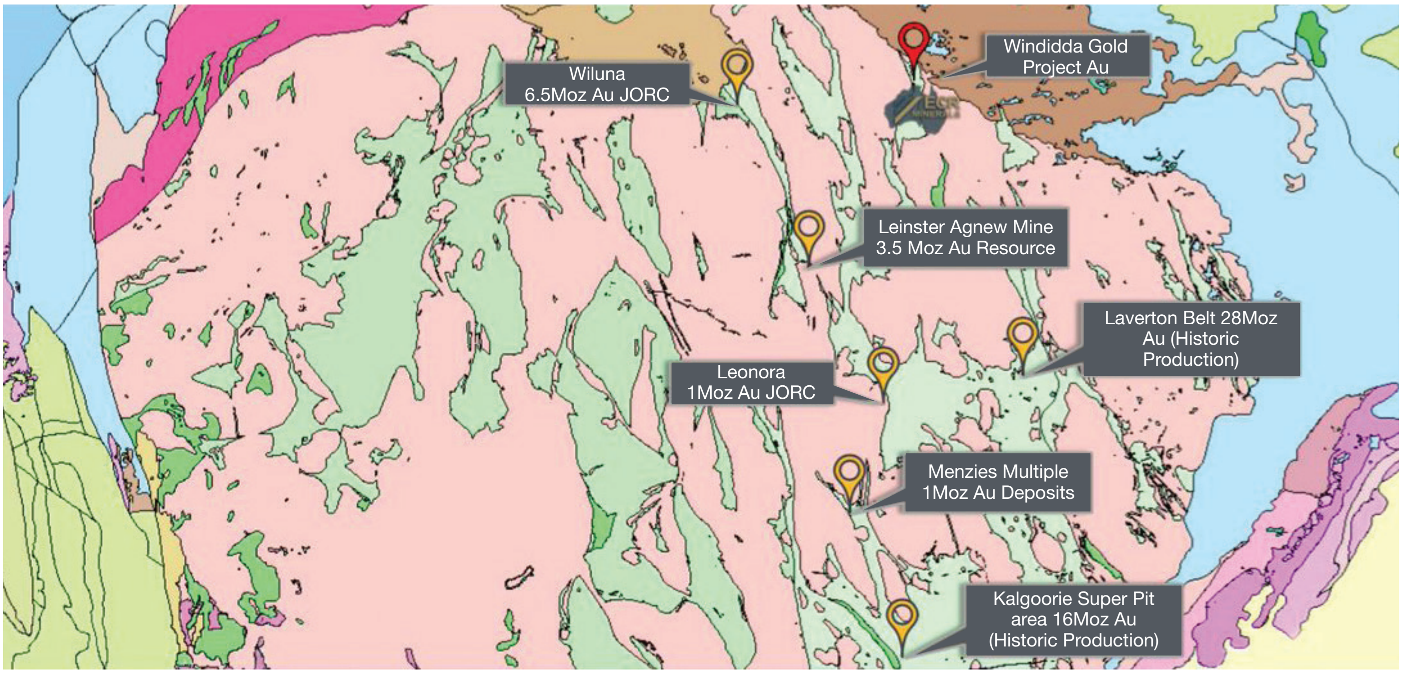


Greenstone Potential

Although the Victoria drilling programme has been ECR's primary focus, the firm has complemented this work with progress in other areas of Australia this year. In January, the business announced that it had submitted nine new exploration applications covering ground thought to be prospective for gold mineralisation in the Yilgarn region of Western Australia. The collective package of licences is called Windidda and covers around 1,600km^2 of the Yilgarn Craton east of a town called Wiluna.

ECR decided to target the land after identifying it as having the previously-ignored potential to contain Archean greenstones under shallow cover. Archean greenstones, which are highly sought after among miners, host many of Western Australia and the world's most prolific gold deposits. Some examples can be seen in the map below.

Archean Greenstone Belt Major Au Deposits



According to ECR, Windidda covers a significant proportion of gravity-magnetic trend with know gold prospects. Meanwhile, the under-cover greenstone gold exploration model has already been tested successfully by Greatland Gold (LSE:GGP) at its nearby Ernest Giles project.

ECR began processing and interpreting airborne and ground geophysics across Windidda in April. It expects this work to help it identify high-profile drill targets that could be amenable to low-cost air core drilling that would allow it to assess gold mineralisation potential with ease.

News on the Horizon

ECR's share price has soared from 0.65p to highs of 1.23p before resting at its current 1p since the beginning of May as investors begin to sit up and listen to organisation's strong results and favourable backdrop in Victoria. With the firm now re-testing its Creswick samples for game-changing results, honing in on mineralisation in Bailieston, and working up Windidda, opportunities for newsflow throughout the rest of 2019 are numerous. If the business can reveal further progress towards its goal of discovering a multi-million-ounce gold deposit, then there is a strong chance that the recent bull-run in its share price could continue.

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