



HALLGARTEN & COMPANY

Initiation of Coverage

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ECR Minerals

(AIM:ECR)

Strategy: LONG

Key Metrics		
Price (GBP)	0.825	pence
12-Month Target Price (GBP)	2.50	pence
Upside to Target	203.0%	
12-mth hi-low (GBP)	0.625 to 0.123	pence
Market Cap (GBP)	£3.68	mns
Shares Outstanding	445.84	mns
Fully diluted	747.52	mns

ECR Minerals

Reviving the Central Victorian Goldfields

- + The main focus of ECR has turned back to Australia, particularly the historically prolific Central Victorian Goldfields and the Yilgarn Craton in Western Australia
- + The company has staked key positions in past producing areas at Creswick, Bailieston and nearby areas with a goal of reviving exploration and potentially production
- + Recent staking of new territory for gold exploration in Western Australia expands the Australian footprint
- + Gold price firmness over last two months puts the yellow metal back into investor spotlight
- + Cash balance is healthy, with nearly GBP1.2mn in the bank following successful financings in 2018, and ECR's Australian subsidiary is expected to receive R&D rebates from the Australian government for past exploration undertaken
- + Interesting legacy assets in Argentina, where mining investment is reviving, present an opportunity for some corporate actions
- ✗ Argentina is not entirely back in investors' good books yet
- ✗ Raising money for gold projects is still no easy task with many other projects competing for investors' attention

District with a Storied History

The greatest gold rushes in history were the California Goldrush and the Victorian Goldrush, which followed hot on its heels. Indeed some of the prospectors from California crossed the Pacific to pursue their chances at the newly found zone bringing their skills, techniques and capital to the booming goldfields to the northwest of Melbourne in the Port Phillip colony.

Victoria is one of the world's major gold provinces. Total recorded gold production, from 1851 to June 1998 is about 2,500 tonnes (80.4mn ozs). Total Victorian gold production represents 32% of all the gold mined in Australia and 2% of all the gold mined in the world. The Victorian alluvial gold production from 1851 to present is approximately 710 tonnes (22.8 mn ozs), making it possibly the largest alluvial gold province in the world. Victoria has slipped down in investors' focus on gold producing areas but still hosts several successful mining operations. ECR has identified Central Victoria's goldfields as an underexplored zone with strong potential and has focused its asset accumulation in the highly prospective area between Bendigo and Ballarat.

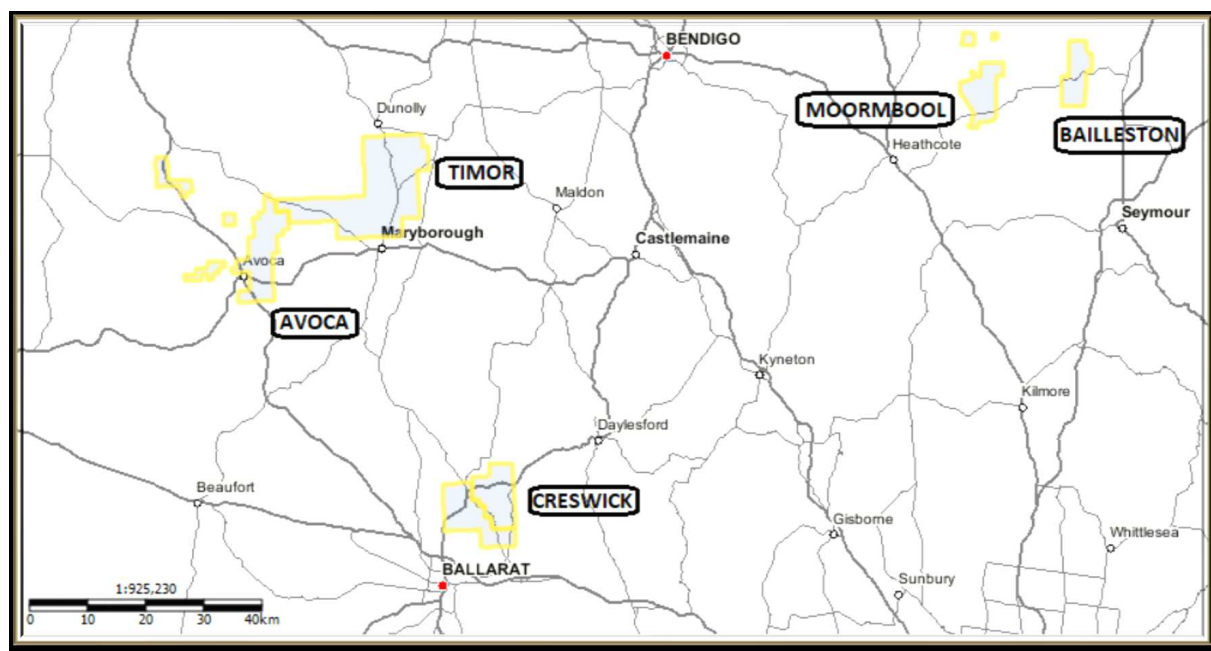
Over the past two to three years ECR Minerals has managed to steer its activities away from its previous focus on the Philippines (which underwent adverse political changes in 2016 and has yet to improve) and Argentina (which was made problematic by the hostile previous leadership there) towards a portfolio of assets anchored in Victoria's Central Goldfields. It has accumulated a highly prospective land package around the old gold mining towns of Creswick and Avoca, and in the Bailieston area.

The Victoria Gold Projects

ECR's current focus is on exploration for gold in Central Victoria, Australia, where its wholly-owned subsidiary Mercator Gold Australia Pty Ltd (MGA) is the holder of the Avoca (EL5387) and Bailieston (EL5433) exploration licenses following their acquisition from Currawong Resources Pty Ltd in 2016. MGA was granted two additional exploration licenses, Timor (EL006278) and Moormbool (EL006280) in 2017.

In early 2018, it also added territory around Creswick (EL006184) to the portfolio. In late 2018 it applied for further tenements around Bailieston and Creswick.

The first two properties that ECR Minerals picked up were the Avoca and Bailieston projects, which are located approximately 183kms west northwest and 150kms north, respectively, of Melbourne, with good road access. The projects are located geologically within the major orogenic Lachlan Fold Belt. This belt is subdivided into zones, based on distinct geological and metallurgical characteristics, with the Avoca project lying to the west, within the Stawell Zone, and the Bailieston project lying to the east, within the Melbourne Zone. As can be noted in the map below the target areas are in the immediate vicinity of the famed cities of Bendigo and Ballarat where the Gold Rush of the 1850s occurred.



In March 2016, ECR's subsidiary MGA entered into a deed of assignment and assumption with Currawong Resources for the acquisition by MGA of 100% ownership of the Avoca and Bailieston gold projects.

Currawong had identified exploration potential for mesothermal quartz vein hosted gold and related placer-style 'deep lead' gold mineralisation at Avoca, and epithermal 'Carlin' style disseminated or sheeted vein hosted gold mineralisation at Bailieston.

Closeology?

A good guide for many investors and explorers is the proximity of other projects (particularly producing ones) and in the case of ECR the nearest producers of consequence are the Fosterfield and Costerfield mines.

The Fosterfield gold mine has been producing since 2005. It was held by Newmarket Gold until its acquisition by Kirkland Lake Gold (TSX:KL) in 2016. The mine is located some 30km to the west of the Bailieston project and 20kms from the city of Bendigo. It is a high-grade, low-cost underground mine and currently the largest producing gold mine in Victoria, with a production guidance of over 330,000 ozs in 2018. The mine has thus far produced over a million ounces of gold. The project has 2.15mn ozs of Measured and Indicated Resources at an average grade of 4.8 g/t Au, and Inferred Mineral Resources of 1.9mn ounces at an average grade of 7.1 g/t Au and 1.7 million ounces of reserves at 23.1 g/t Au.

The Costerfield gold-antimony mine has been covered by us in the past with our review of Mandalay Resources (TSX: MND). This mine is located some 30km southwest of the Bailieston project.

Other modern nearby open-cut gold operations which have operated include: Hill 158 at Nagambie and Red Hill at Heathcote.

The Strategy

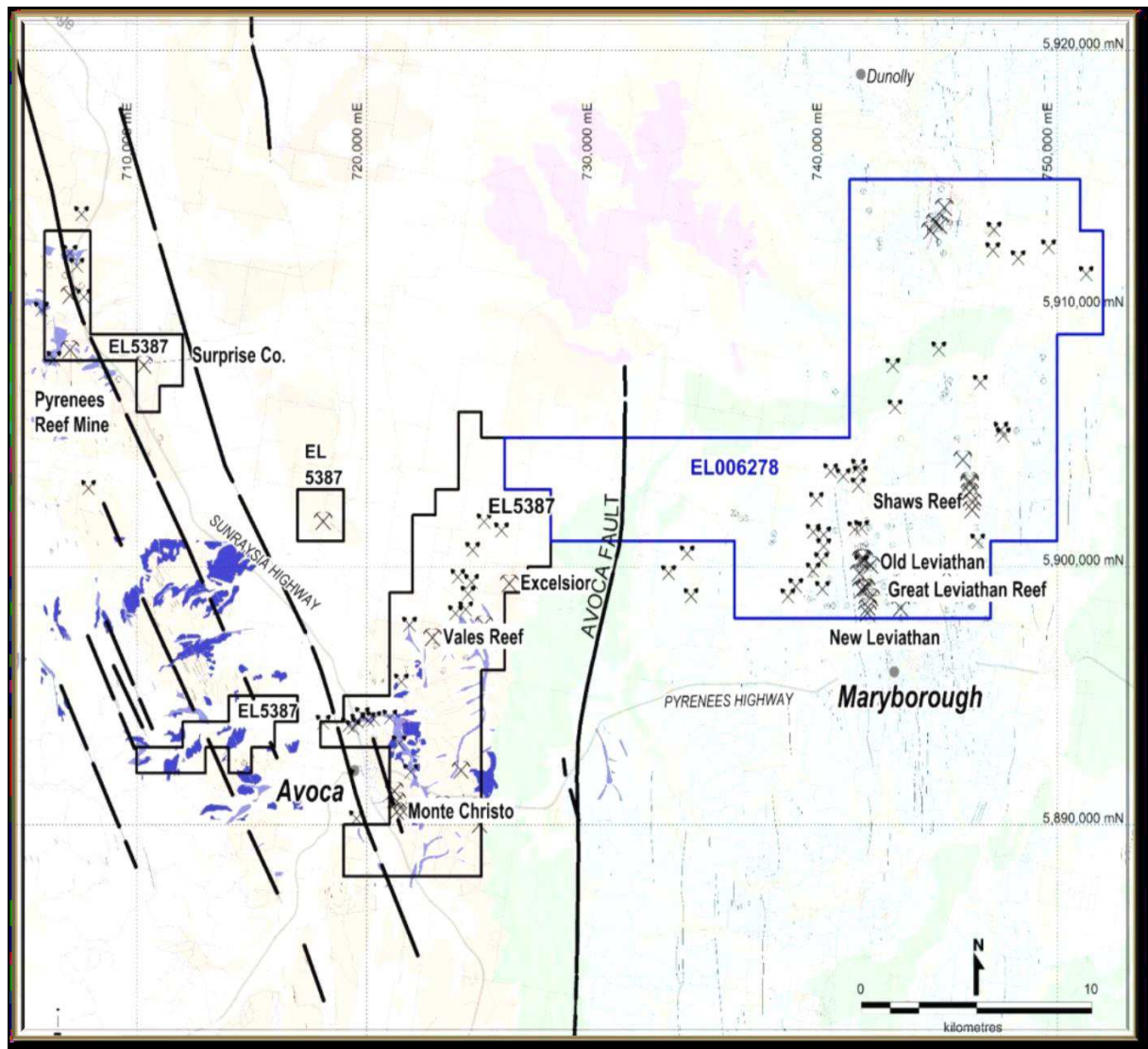
The prime drivers of the company's focus on Australia are:

- Management likes gold. Its attitude is that gold always has a market and it's only the price that differs
- Additionally gold does not have special or novel processing requirements. All the production methods are known quantities
- The company is not finding or building to sell. It intends to produce. But is seeking produceable deposits, not "unicorns" that require higher Au price points or special political circumstances to be viable
- It regards Australia as a safe jurisdiction
- It would sell a project at the right price. Never say never

The Avoca project

The Avoca project is centred on the historic mining town of Avoca, some 71 km northwest of Ballarat. This project is an exploration licence, EL5387, valid until November 2021. The tenement map at Avoca is shown on the following page.

The Avoca project consists of a flysch of intensely folded Cambrian turbidites, altered to greenschist facies, slate and greywacke. Granite intrusives provide the regional fluid and structural control. Mineralisation is hosted by quartz-filled brittle/ductile fault structures and is characterised by gold with base metal sulphides.



Primary gold mineralisation mainly accompanied the Benambran orogeny (450 Ma to 430 Ma). Deposits are mostly associated with quartz veins developed in brittle ductile reverse faults, and the strongly auriferous deposits tend to be sulphide rich. Secondary alluvial gold deposits were generated from the erosion of these primary deposits and occur throughout the EL5387. The auriferous alluvial deposits progress down the various valleys, burial becoming generally deeper. These networks of buried auriferous river bed deposits are locally referred to as “deep leads”.

The Avoca area has a significant production history of alluvial gold from Tertiary river beds and “deep leads”, which represent palaeochannels that have been buried by basalt lava flows or fluvial terraces. The gold in these locations is trapped by undulations on the basement rock and follows the sinuous course of these palaeochannels.

This project is centred on mesothermal quartz vein hosted gold and related placer-style “deep lead”

The most significant recent discovery was made by Perseverance Corporation Ltd, leading to the development of the Hill 158 open-cut gold mine, 7 km east of Nagambie and approximately 10 km east of the Bailieston project. This was a low-grade, bulk mining stockwork or layered vein structures and operated. The mine was started in 1989 and 132,000 ozs of gold was obtained from the Nagambie Hill 158 mine through the 1990s, an amount that exceeds the sum of all gold production in the district prior to that year.

Perseverance operated the Bailieston open cut mine on the Welcome Reef, only 2 km north of EL5433, between January 1996 and December 1997. State government records indicate production of 7,154 ounces from 1,032,864 tonnes. Crushed ore was heap leached with cyanide solution to extract the gold.

ECR's focus is centred on disseminated or sheeted vein-hosted gold mineralisation at Bailieston. This concept is premised on the exploitation of such a deposit immediately to the north of EL5433 by Perseverance, and geological evidence that the structure which hosts this deposit is repeated within the Bailieston project area.

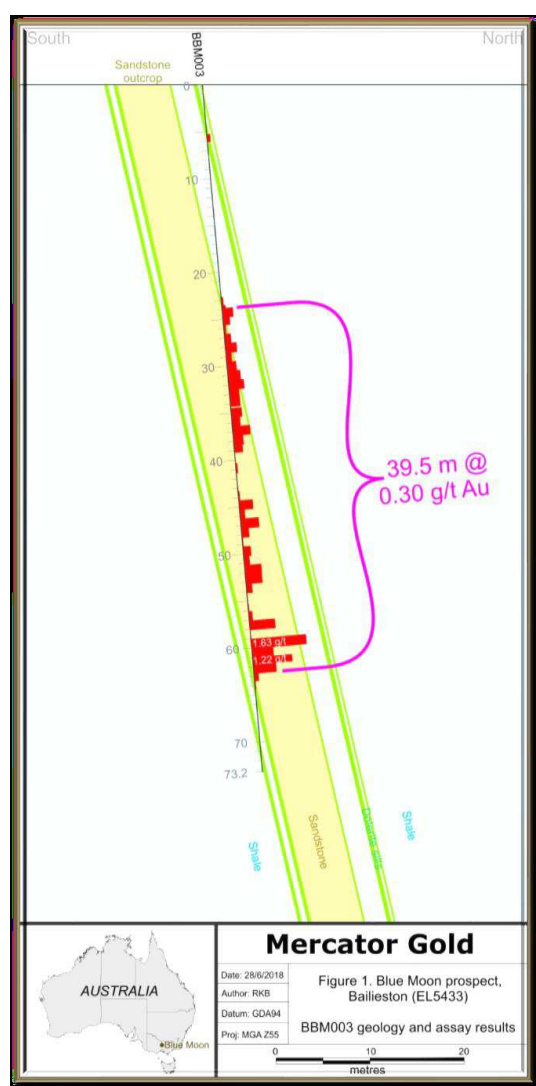
The Blue Moon Prospect

The front-ranking prospect in the Bailieston project area right now is Blue Moon. The company regards Blue Moon as a disseminated gold (Fosterville-style) target.

Results were released last July for the three holes drilled at Blue Moon. BBM001 and BBM002 were designed to establish the dip of the host sandstones and assess the potential for gold mineralisation. Meanwhile, BBM003 was drilled down dip to obtain a large number of samples for analysis.

Drilling produced a large mineralised gold intercept of 39.5 metres (apparent width) just 24.2 metres from surface in hole BBM003 (pictured at right) in host rock sandstone that outcrops at the surface.

All three holes intercepted gold mineralisation and the results support ECR's hypothesis that Blue Moon is a disseminated gold system comparable to some of the mineralisation exploited at the nearby Fosterville mine.



As discussed later, Blue Moon is soon to be drill-tested again with the target being the sulphide zone, which is presumed to underlie the area drilled so far where the long intercept was perceived to have been heavily leached of its gold over the millennia.

The Deal with Currawong

Currawong assigned all of its title and interest in the Bailieston and Avoca projects to ECR's local subsidiary, in exchange for AUD\$250,000 worth of fully paid ordinary shares of ECR, of which Currawong has already received AUD\$100,000 worth. As the project develops, ECR will be required to issue:

- A further AUD\$50,000 worth of ordinary shares due on commercial production being established from either of the projects
- A further AUD\$50,000 worth of ordinary shares due six months from such commercial production being established
- A further AUD\$50,000 worth of ordinary shares due twelve months from such commercial production being established

In respect of future production from the projects, Currawong will be paid a net profits interest royalty of 20% in respect of mine dumps and 10% in respect of other deposits. These royalty rates also apply to further licenses acquired by ECR within a 10kms distance of the current boundaries of the projects. The total royalty payable to Currawong is capped at AUD\$3.5mn. The royalty would be payable quarterly and calculated based on gross revenue received from the projects minus allowable deductions and adjustments.

The Snowden Report

In 2016 Snowden Mining Industry Consultants were commissioned to produce a JORC Code-compliant technical report regarding the Bailieston and Avoca projects. The report was published in April 2016.

Previous Exploration

Currawong (and an associated company, Flitegold Pty Ltd) carried out significant early stage exploration in relation to the projects, including: soil and rock chip sampling at Bailieston; and augur sampling of historical mine dumps, ground penetrating radar surveys, preliminary development studies and limited drilling at Avoca.

As mentioned earlier most past efforts by holders of the Avoca ground have focused on alluvial aspects of the project. Currawong however identified at least 20 auriferous quartz veins within the tenement, and one structure was drilled. Flitegold conducted programmes of geochemical sampling and seven holes were drilled at the Surprise prospect for a total of 348m, targeting granite-related gold, silver and base metal (Pb-Bi-Te-Mo) mineralisation as stockworks, veins or dykes.

Recent exploration in the Bailieston district has focused on the four major historic goldfields of Rushworth, Whroo, Bailieston and Mitchellstown. No exploration has been carried out at the northern part of the Mitchellstown goldfield, and only sporadic stream sediment sampling has been completed along the Cherry Tree Anticline, which links the Bailieston and Mitchellstown goldfields.

At Bailieston in the 1980s, Gold Mines of Kalgoorlie (GMK - then a gold major in Australia) undertook work at the Byron prospect. The company identified a number of zones of mineralisation in the Byron

area, which is also known as Historic Reserve No. 3 (or HR3). Currawong's interpretation of this data indicated a series of parallel northwest trending structures within the hinge zone of the Bailieston Anticline. These parallel zones are, from west to east:

- Byron Reef
- Scoulers–Dan Genders Reef
- Maori Reef
- New Hard Up Reef

Significant drill and trench results from GMK's 1980s work are presented in the table below (ppm being equivalent to g/t).

Hole ID	From (m)	To (m)	Length (m)	Au (ppm)	Reef	Type
BLP126	40	43	3	13.80	Scoulers North	Drill RC
BLP136	44	46	2	17.16	Maori	Drill RC
BLP140	35	38	3	14.74	Byron	Drill RC
BLP181	24	54	30	0.75	Dan Genders	Drill RC
TR14	138	162	24	0.56	Scoulers South	Trench

While Snowden considered these results to be historical and therefore indicative only, they seem to indicate some high-grade potential.

GMK's drilling near the main shaft hit old stopes, while further south a narrow, high grade intercept was encountered (BLP140: 3 m at 14.74 ppm Au). At the Maori reef, drillhole BLP136 intersected 2 m at 17.2 ppm Au from 44 m downhole. Other holes encountered stopes (BLP008 and BLP172), with remnant mineralisation intersected prior to the stopes.

In their report Snowden noted that Currawong had produced a non-JORC compliant estimate based upon this GMK work.

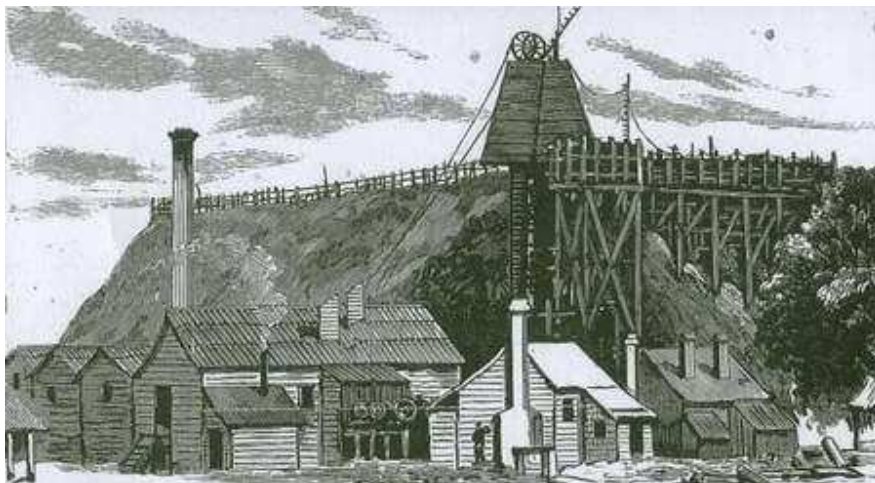
Deposit	Volume (m ³)	Tonnage	Au ppm
Byron Reef	24,073	60,183	9.11
North Scoulers Reef	14,654	36,635	5.62
Maori Reef	26,300	71,011	2.60
Subtotal	65,027	167,829	5.59
Cherry East Reef	5,571	13,928	2.04
Cherry Tree Reef	33,742	91,103	0.95
Total		272,860	3.86

This would require considerable fleshing out from its current 'back of the envelope' nature with substantially more testing and drilling but it does provide a tempting glimpse of potential.

The results of drilling completed by MGA at the Byron prospect in June 2017 support further exploration, and the results of an interpretation and targeting study completed for MGA by Terra Resources using open-file geophysical data covering the Avoca, Bailieston, Moormbool and Timor projects are very encouraging. The results of this study were announced in December 2017.

Creswick

Creswick is a former gold-mining township 20kms north of Ballarat, set in undulating ranges, partly forested. More than 25,000 miners are thought to have been in the Creswick area at the peak of the gold rush. The easy alluvial gold was quickly won, and deep-lead mining became the main focus of mining after the early 1870s, particularly to the north of Creswick. Notable underground mines were the Madame Berry and the New Australasian (shown below).

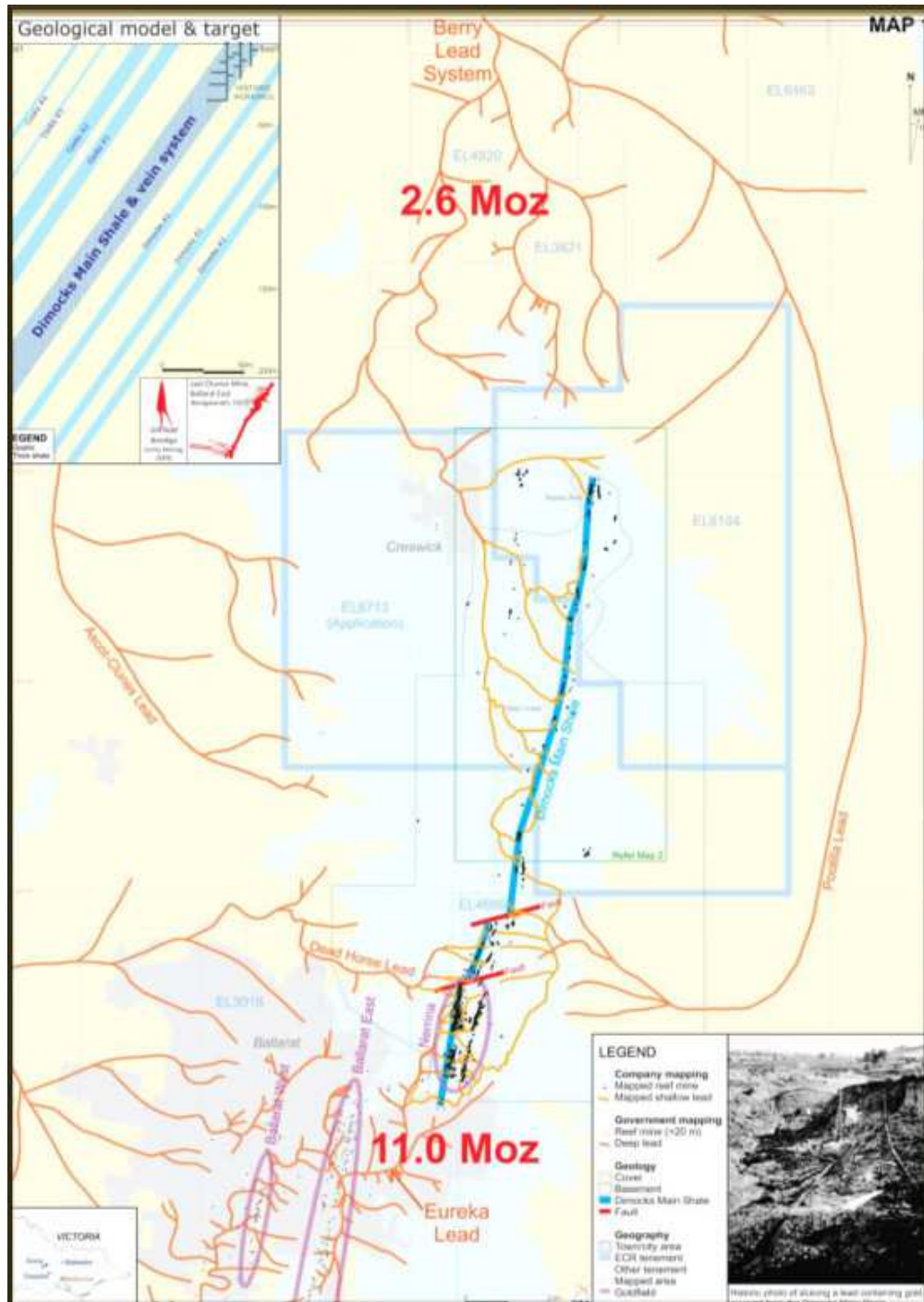


In April of 2018, ECR Minerals announced that its local subsidiary had acquired 100% ownership of the Creswick gold project. EL006184 was transferred by the previous holder with no consideration payable by ECR. The expiry date of the license is 28 December 2021. It is worth noting that the area was previously held (earlier in the decade) by New Ballarat Consolidated, which had Dr Rodney Boucher, now ECR's consultant, as its chief geologist.

The main geological feature is the Dimocks Main Shale (DMS), which extends over a 15 km trend from the mining centre of Ballarat to the south, approximately 7 km of which is covered by MGA's granted exploration licences and exploration licence applications.

In the project area, the Dimocks Main Shale (DMS) is an approximately 25m wide shale containing bedding- and cleavage-parallel auriferous quartz veins with potential for bulk mining. The width of the shale and the occurrence of multiple veins in some zones indicates that potential open pit mining targets may present themselves as exploration progresses.

The DMS is believed to be the source of much alluvial and deep-lead gold. Almost 1,500 shallow primary workings have been mapped in the belt from North Ballarat to Spring Hill (Creswick). Historical alluvial production is estimated at up to 2.6mn ounces Au in the Creswick/Berry lead system, and up to 11 million ounces Au in the Ballarat area as a whole, of which the DMS is a significant contributor.



In the 1800s miners selectively mined individual quartz veins up to two metres in width on the reefs at Nerrina with recorded gold grades commonly exceeding 1 oz per tonne. Veins up to two metres wide are parallel and perpendicular to bedding and upright on cleavage, forming a low density stockwork.

The Dimocks Main Shale may therefore provide an opportunity to bulk mine a series of auriferous veins across the width of the shale. Only two holes have been drilled to test the DMS within EL006184, both in the 1990s. The results of this drilling included an intercept of 2m@ 12.28 g/t Au. The best previous drill intercept into the DMS to the south of Creswick was a rather stunning 2m@ 176 g/t Au.

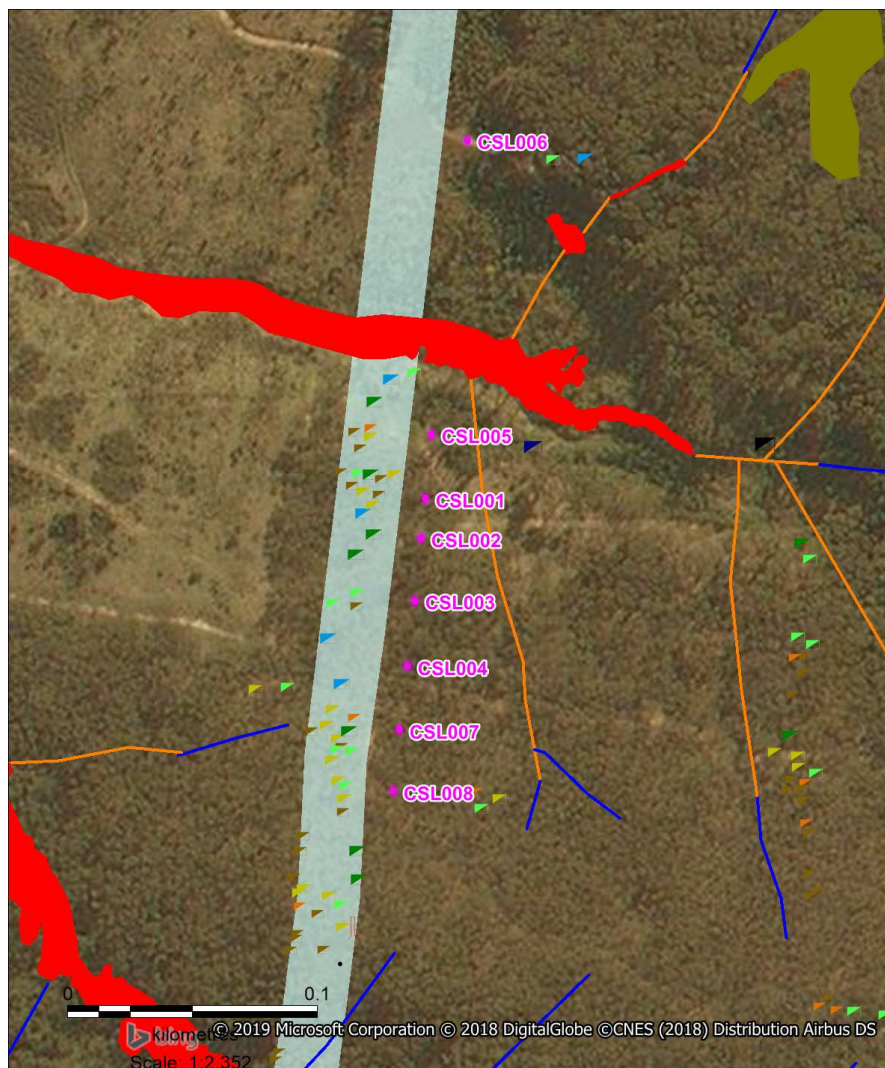
Below one can see a portion of sluiced alluvial workings on the Dimocks Main Shale.



The Next Campaign

The planned work for the first half of 2019 is focused on Creswick (the Dimocks Main Shale) and Ballieston (the Blue Moon occurrence). A significant reverse circulation (RC) drilling program began in early February. It is envisioned as being around 4,000 metres at a total cost of around AUD\$680,000 however this will be defrayed, in part, by R&D grants from the government.

The DMS targets are the best defined so far with a fan of drill holes from up to five locations with around 3-5 holes from each location at varying lengths of between 80-250 metres. The map below shows the mooted locations (not all of which will be drilled):



Then the focus will shift to Blue Moon at Bailieston where the program is still being worked out.

In addition to the RC drilling at Creswick and Blue Moon, a contract has been signed for 450m of rotary air blast (RAB) drilling at the Black Cat gold prospect in the Bailieston project area. Black Cat is among the high priority targets identified by the geophysical interpretation and targeting study completed for MGA by Terra Resources in late 2017 and has not been previously drilled. RAB drilling is a low cost method well suited to the first pass testing required at Black Cat, and the programme is expected to commence this month.

The Black Cat prospect is immediately south of ground recently applied for by Newmont Exploration and contains 220m of historical workings along three known lines of quartz reef. Strong gold-in-soil anomalism in some areas indicates unworked reefs may remain to be discovered, and rock chip sampling of quartz-poor material indicates potential for disseminated gold. Rock chip samples at Black Cat have returned encouraging grades up to 11.3g/t gold.

While the company had around GBP 1.2mn in the bank as at the end of December, the current campaign, while seeming sizeable, will make only a small dent in funds as the company is owed back AUD\$200,000 from the government for past work and should get back (in the future, probably 2020) around \$380,000 for the campaign about to start.

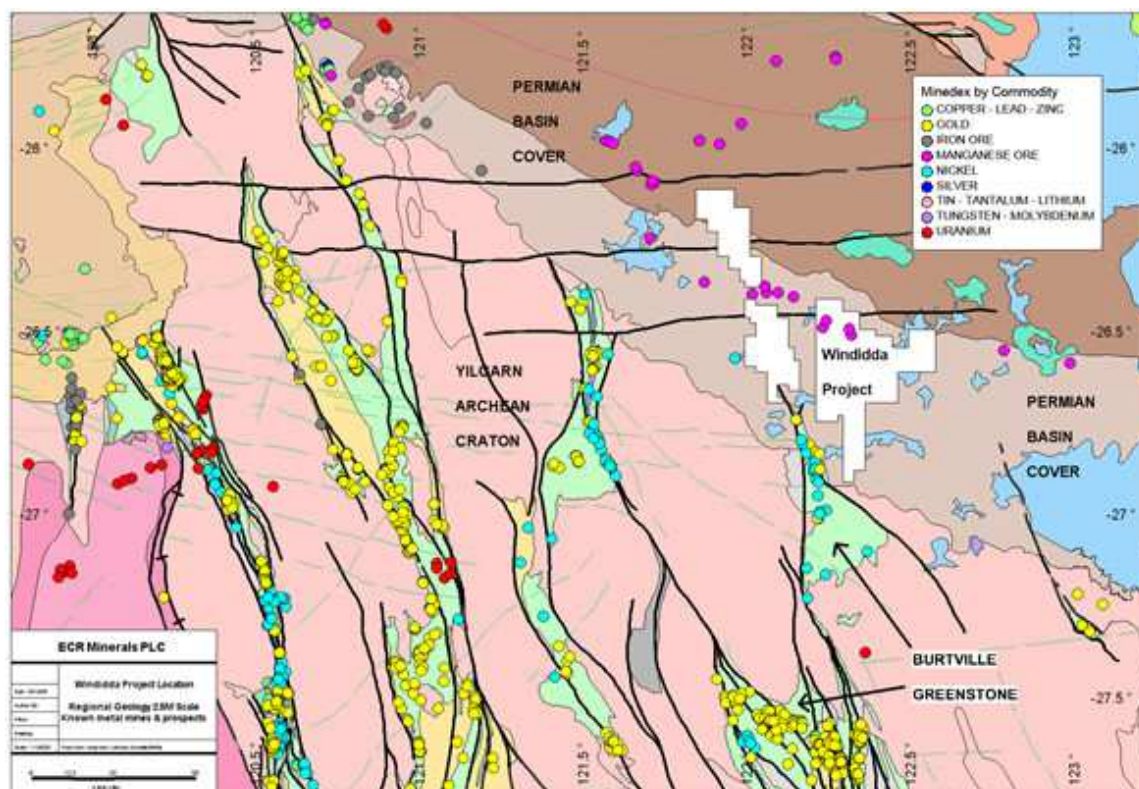
Further Additions in Victoria

In December of 2018 the company announced that four new license applications had been submitted to the Victorian government. Three applications were submitted in the Bailieston/Moormbool gold project area to augment existing licenses and secure available ground south and south and south west of an application submitted by Newmont Exploration in late 2018.

One application was submitted to augment ground in the Creswick project area and covers a southern portion of the Dimocks Main Shale.

The Move into Western Australia

In its first announcement of the new year the company informed the markets that it had submitted nine new exploration license applications covering a package of ground prospective for gold mineralisation comprising what the company has styled the Windidda gold project in the Yilgarn Craton east of the town of Wiluna in Western Australia.



The nine licences cover 523 graticular blocks (approximately 1,600 sq kms) and are shown in white in the upper right quadrant of the map on the preceding page.

The areas have been identified as potentially hosting untested gravity-magnetic anomalies representative of Archaean greenstone-hosted gold trends, buried beneath what it is believed may be shallow cover.

Archean greenstones are renowned for hosting significant gold deposits, with the Kalgoorlie Super Pit area having produced in excess of 16mn ounces as of 2014. Tenements in the Yilgarn province are very tightly held and access to free ground, when it becomes available, is highly competitive.

Previous exploration within the project area has targeted base metal and Manganese deposits within the cover sequences. Gravity and magnetic anomalies interpreted to be hosted in greenstone units beneath the cover have not been targeted. The license applications cover a significant proportion of an identified gravity-magnetic trend with known gold prospects along trend in outcropping greenstone to the south of ECR's territory.

The under-cover greenstone gold exploration model has been successfully tested by Greatland Gold (LON:GGP) at its Ernest Giles project, located approximately 125kms east of the Windidda project.

It is believed the depth of cover may be shallow, which would enable low cost initial exploration by aircore drilling. As far as potential exploration is concerned, ECR's target areas appear to be amenable to air-core drilling across gravity-magnetic anomaly targets to enable an early assessment of potential for gold mineralisation. Near term activities will comprise desktop review and planning of the initial exploration programme.

Some Background on Mercator Gold

This story had its genesis in first half of last decade. Mercator Gold PLC was London-listed but its main asset was the Bluebird Gold Mine located 15 km south-south-west of Meekatharra in Western Australia.

The mine was placed on care and maintenance after its Australian subsidiary (MGA) went into administration in October 2008. In January 2011, the mine was sold to Australian mining company Reed Resources for A\$26.7 million.

In December 2014, ECR Minerals announced that MGA had been released from external administration. At the time it was estimated that MGA possessed tax losses of approximately AUD\$80mn. Most of these tax losses are still extant, with the company estimating that around AUD\$66mn is still available for application against earnings to reduce future tax on profits.

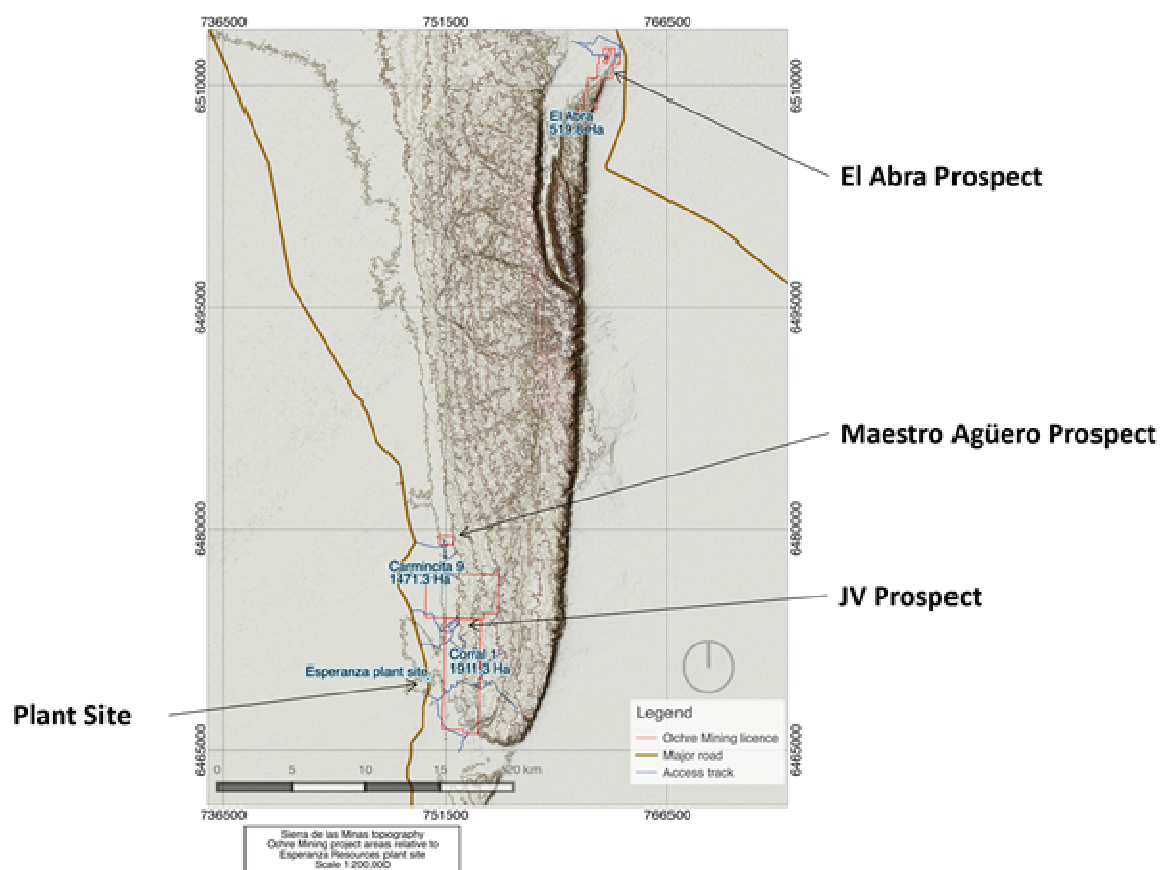
The Argentine Assets

The principal non-Australian asset is the Sierra de las Minas package of properties in the Argentine province of La Rioja, in the northern central part of Argentina approximately 800kms northwest of Buenos Aires.

The swings and roundabouts of what is, and what is not, in favour in the international mining space are hard to keep track of. At the moment Argentina is only semi-back in favour, though we like it a lot. The oil & gas crowd can't get enough of it due to the potential of the massive *Vaca Muerta* discovery, while the mining crowd still remains wary after the hard times of the Kirchner administration.

ECR's tenement position in the Sierra de las Minas area contains widespread historic small scale gold mining areas, including the El Abra mine. The tenements are accessible by paved interprovincial highways from the cities of Mendoza, San Juan and Cordoba, with local access by paved and unpaved provincial routes.

The map on the following page shows the three key prospects - EL Abra, Maestro Agüero and JV - and the various tenements in relation to each other:



La Rioja is the bailiwick of former president Carlos Menem who reformed the country's mining laws back in the 1990s and brought in the first foreign mining to the country since the 1940s. The province has a history of mining and is supportive of further investment in the sector.

The Sierra de las Minas area is considered prospective for the discovery of mesothermal/epithermal gold deposits, potentially associated with silver and base metals.

ECR's work in La Rioja began at the former El Abra mine. The company acquired 100% ownership of the El Abra prospect in January 2011. Historic small scale mine workings at El Abra contain clear indications of high-grade gold mineralisation in the form of visible gold in several areas.

The El Abra mineralisation typically occurs as quartz veins with altered marginal areas. The veins are from a few centimetres to a few metres wide and locally contain very high grade gold values. The altered margins are also auriferous, and the combination of veins and margins has been historically worked to widths of several metres in some areas.

Substantial alluvial mining operations have been conducted in the flats to the north and east of El Abra and elsewhere in the region.

MPH Consulting (MPH), a geological consultancy based in Toronto, Canada, visited the El Abra mine prior to its acquisition by ECR and collected two composite rock chip geochemical samples from quartz vein material. These assayed at:

Gold (g/t)	Silver (g/t)
84.6	27.2
5.1	1.2

MPH recommended ground-based geophysical analysis for the El Abra mine area, along with surface evaluation work including mapping, prospecting and geochemical sampling, followed by drilling and/or test pitting.

The best results obtained from the El Abra mine area as part of a 1997 rock, soil and stream sediment geochemical sampling program carried out over the Sierra de las Minas project area by the then holders, La Plata Gold Corporation, are shown at the right.

El Abra Grab Samples

Gold g/t	Silver g/t	Copper g/t
85.3	6.7	1.39
58.3	5.2	3.1
44.6	2.9	0.08
35.5	2.4	1.86
27.9	23.4	0.01

Then in 2011, after acquisition ECR undertook channel sampling which threw up some high gold grades, including 80.78 g/t Au, 44.98 g/t Au and 39.74 g/t Au over one metre lengths.

In 2012, ECR completed a 1,112m diamond drilling programme at El Abra. Of 13 holes drilled, three holes intersected very high grade gold mineralisation and four more intersected mineralisation grading in excess of 1g/t gold. The best overall intersection of the programme was 3.9m downhole at 11.6g/t gold in Hole 9, including 0.2m at 109.1g/t gold. Metallurgical testwork carried out by ECR in the same year indicated that near surface gold bearing material from El Abra and other prospects at Sierra de las Minas can be processed by conventional methods to achieve high rates of recovery.

Activities in Argentina then went on hiatus while a series of board changes unfolded in London. When activities resumed in 2014, ECR turned its focus more towards the JV and Maestro Aguero prospects, which had received comparatively less attention previously.

At the JV prospect, 3D modelling of historical drilling data carried out in 2014 indicated that the JV-14 zone may have attractive resource potential in the context of ECR's strategy of seeking to bring high grade, low tonnage gold deposits at SLM into production relatively quickly and at a relatively modest capital cost. The JV-14 zone extends over a strike length of approximately 300m, and four auriferous quartz veins are indicated to occur within the zone by historical data. However, JV-14 is part of a larger vein system which appears to continue over a strike length of approximately 600m, based on historical data and present-day fieldwork by ECR.

In 2015, the company undertook channel sampling at the Maestro Aguero prospect to obtain a bulk sample. The program consisted of nineteen channel samples taken across quartz vein and stockwork zones. A total of 595.47kg of material within the channel cuts was collected. Channel cuts were distributed over a strike length of approximately 400m. Head grades ranged from 3.78 g/t gold to 0.13 g/t gold over apparent widths of between 0.7m and 9.3m. Cyanide leach recoveries of between 72.09% and 92.5% were achieved.

Clearly these results give hope that there is substantial economic mineralisation at the projects. Most of ECR's work corresponded to the period in which both the gold investment market was depressed AND Argentina was in the investment doghouse due to the actions of the now-departed regime of President Cristina Fernandez de Kirchner. By the time CFK was gone the company had already pursued the diversification policy away to the Victorian properties.

Revived interest in Argentina raises various possibilities for reactivating efforts in La Rioja, with tapping local investors via the Buenos Aires Stock Exchange being a novel and potentially groundbreaking strategy.

The Philippines Project

In late April 2013 ECR entered into an earn-in and joint venture agreement in relation to the Danglay gold project in the Philippines. Cordillera Tiger Gold Resources, Inc. is a Philippine corporation and the holder of the exploration permit which represents the Danglay project. The project is not moving forward at this time so we shall not expend any attention on it.

Recent Financing

The company finds itself in a very robust financial condition considering the travails that other juniors have in raising funds.

In July of last year, ECR secured a strategic financing package, raised £650,000 through the issue of 92,857,143 new ordinary shares at a price of 0.7p per share. Each of the shares has a warrant to subscribe for a further new ordinary share at a price of 1.125p within two years of the admission date of the financing shares, which could result in the further issue of 92,857,143 new ordinary shares.

However, should the 5-day volume weighted average share price of ECR exceed 5p, ECR will have the right to accelerate exercise.

Then in mid-December the company announced that it had secured a financing raising £700,000 through the issue of 100,000,000 new ordinary shares at 0.7 pence per share. As a result, allowing for the existing cash at bank and the funds raised in this issue, management feels it has sufficient working capital to fund its operational plans, until at least 2Q20.

In this latest raise, each share has a warrant attaching to subscribe for a further new ordinary share at a price of 1.125p within two years of the admission date of the above financing shares resulting in the issue of 100,000,000 1.125p warrants. Should all warrants be converted this financing would generate in excess of £1.77mn, before expenses.

Again, there is an accelerated exercise on the warrants so if the 5-day volume weighted average share price (VWAP) of ECR exceeds five pence then the company will have the right to accelerate conversion of any outstanding warrants.

Funds from both issues were to be primarily applied to Australian operations.

Board & Advisors

Weili (David) Tang is the Non-Executive Chairman. He was previously the President of China Nonferrous Metals Int'l Mining Co., Ltd. (CNMIM) and the Managing Director of China Nonferrous Gold Ltd, an AIM-listed company which was formerly known as Kryso Resources plc. China Nonferrous Gold is focused on the Pakrut gold mine in Tajikistan, where first gold was poured in 2015.

He graduated with a Bachelor of Science degree majoring in computer science from Central-South University, China and also holds a Master of Science degree. In the 1990s, he pioneered the trading system for the first nonferrous metals futures exchange in China. He worked for several years in Canada in investment management and consulting, before returning to China to take up office at CNMIM in 2003. He has previously served as a director of several companies involved in mining or exploration in Africa, South East Asia and Australia.

Craig Brown, a director and Chief Executive Officer. He was appointed as Finance Director in May 2016. He was a founding shareholder of Kryso Resources plc, now known as China Nonferrous Gold Ltd. Acted as Finance Director and Company Secretary of Kryso before becoming Managing Director in 2010 and stepping down from the board in September 2013. During this period, Kryso/CNG delineated a five million ounce JORC Mineral Resource at the Pakrut gold project in Tajikistan, completed a bankable feasibility study for the project, obtained debt and equity finance for mine development, and commenced construction of the mine and infrastructure. Prior to his roles with Kryso/CNG, he held positions with Gulf International Minerals and Nelson Gold, both of which also successfully put gold mines into production during his tenure.

Dr Rodney Boucher is a consultant on the Central Victorian projects. He holds a PhD in structural geology and tectonics and has over 20 years of exploration experience. After starting out in the petroleum industry with the South Australian government, he established Linex Pty Ltd in 1997 focusing on gold exploration in central Victoria.

He has consulted extensively for gold explorers around North Ballarat, Bendigo, Ballarat East, Fosterville,

St Arnaud, Lockington and across northeastern Victoria and the Northern Territory. He had many years of involvement with Perseverance Corporation, the original developers of the Fosterville gold mine, which is located in the same district as the company's Bailieston and Moormbool licenses.

His firm has consulted for exploration for Cu-Au, base metals and IOCG exploration in all Australian states in addition to assisting in the first geothermal exploration in the country.

Risks

The risks for the gold space in general are:

- The gold price may move to the downside
- Financing remains difficult in the gold space
- Victoria is not regarded as anti-mining but indications are that underground operations (i.e. with smaller footprint) stand a better chance than open-pit mining

Our premise is for gold to stay roughly unchanged for several years to come. Gold has shown in recent times that it has lost its traditional safe haven status in times of international strife and neither is it the inflation-hedge it once was. Whenever interest rates are mooted to rise there is perceived to be a danger of weakness due to higher carrying costs for those funding gold positions on credit. We do not regard this latter premise as credible as most gold holding is not funded by loans. Indeed the opposite becomes true as gold becomes more expensive for Shorts to fund their borrowings of the metal.

Financing remains difficult and dilutive when it takes place. The prime way to harvest the more attractive price is to be in production and the only way to do that is to finance mine-builds/reactivations.

Conclusion

Gold's resurgence in the last months of 2018 has been a somewhat surprise development and has given a fillip to the financing efforts of companies like ECR and revived interest in gold explorers, after they seemed to be a breed in danger of extinction. Now that is no longer the case. For ECR Minerals the risk is currently mainly with the gold price, as it is for most gold miners.

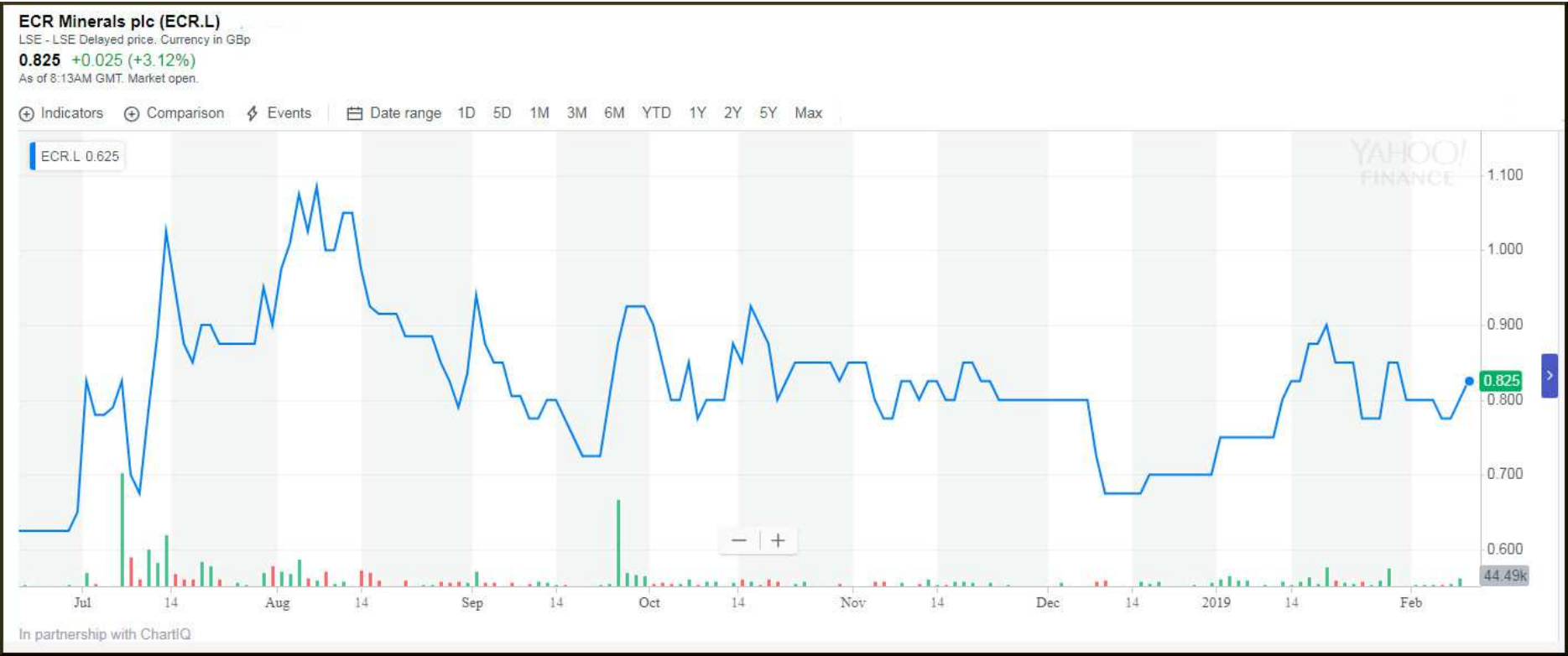
After spending half a decade working on the Philippines and Argentine prospects, ECR then moved to a focus on the historically prolific Central Victoria Goldfields, gaining control over two areas (Avoca and Bailieston) and then adding Creswick. More recently it has added further territory in the neighbourhood of its existing tenements in Victoria. In a further augmentation of its Australian position it has in recent months gone hunting for licenses in Western Australia's Yilgarn Craton, picking up prospective potential under-cover greenstone acreage in what is one of the world's most productive gold provinces.

On the broader international scale the legacy of the long financing drought of the period 2011-16 has been that developers and explorers have gravitated back towards traditional areas where mines have operated in the past. The bigger the historic production, the better. Isolated locations are to be avoided, excessive capex is a red flag and new camps are an innovation too many. This brings areas of traditional

exploitation back into focus whether they be in Ontario, Spain, Ireland or Central Victoria. The logic goes that the more isolated the location the bigger the mine must be to justify the infrastructure capex and the bigger the capex the less likely it is to fly in the eyes of investors. Such projects are dead even before the starter's gun is fired. Zones like Central Victoria and Western Australia's Yilgarn represent the tried and true. Moreover areas like Central Victoria have been ignored in recent decades and thus staking them is a relatively low-cost exercise, as ECR have shown.

In 2016 the malevolent Kirchner government was voted out in Argentina and the political and economic environment became much more benign. This offers the potential to realise value in Argentina at some point, though the Philippines still remains in the doghouse.

With over GBP 1.2mn in the bank as at the end of last year and R&D rebates expected in from the Australian government, the company is well resourced and planned exploration only makes a relatively small dent in funds. This implies little to no dilution in the short term. Therefore we have rated ECR Minerals as a **Long** position with a 12-month target price of GBP 2.5 pence.



Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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