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Group Eleven Resources has a "heavily assymetrical" risk/reward profile, Sprott says

The maiden resource for Group Eleven Resources Corp's (CVE:ZNG) StonePark zinc project in Ireland exceeded the expectations of broker, Sprott Capital Partners.

The estimate is 5.3mln tonnes at a grade of 11.15% zinc and lead combined (8.55% zinc and 2.60% lead) in the lower confidence inferred category.

READ Group Eleven Resources hails maiden resource for Stonepark project of 5.3mln tonnes at 11.15% zinc and lead? Sprott had expected 3-4mln tonnes at 8-10% zinc plus lead, so the estimate topped expectations on both tonnage and grade, yielding always twice the expected contain medal.

While further drilling is required to give confidence to this initial inferred estimate, the 1.1mln of gold equivalent ounces (oz) at 6.35 grams per tonne is already within a potentially economic range, the broker asserted.

"Though management have not yet revealed their plans for Stonepark going forward as the implications of the larger-than-expected resource are assessed, we see potential at least for an economic assessment as a standalone operation," Sprott said.

The mining costs used to optimize the resource were US\$46.50 per tonne and US\$21.25 per tonne for processing, which compares to the Sprott model which has a payable recoverable rock value of US\$281 per tonne, which means the project demonstrates "robust margins".

The bulk of the tonnage lies in the high-grade Stonepark North ore-body, which contains 4mln tonnes grading 11.95% zinc and lead (9.10% zinc and 2.86% lead) and lies 190m to 240m below surface.

Also of interest is its immediate proximity to Glencore's Pallas Green deposit, which is one of the largest undeveloped zinc deposits in the world.

"In any economic scenario, this [inferred resource] would accelerate capital payback, either for a standalone operation, or for a combined Stonepark-Pallas Green operation," Sprott said.

"With an attractive resource already banked and no 'step-change' discovery required, the bar is now low for Group Eleven to incrementally grow this resource and add value," Sprott said.

"In conclusion, we see this resource as a substantial upgrade for the company," Sprott said.

Stonepark is a joint venture between Group Eleven, which has 76.56% and Connemara Mining PLC (LON: CON), which has a 23.44% stake.

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