

29 September 2016  
ASX Release  
ASX Codes: EAR, MKO

## ECHO AND METALIKO TO MERGE

### HIGHLIGHTS

- Merger to create a substantial gold business pursuing a rapid and modest-cost pathway to production through the combination of established mineral resources at Julius and the 2 Mtpa Bronzewing processing facility
- Post-merger, Echo will hold:
  - o Global gold mineral resources (JORC 2004 and JORC 2012) of in excess of 800,000 ounces<sup>1</sup> with substantial exploration and resource conversion potential
  - o Total landholding of approximately 1,600 km<sup>2</sup> between the operating Jundee and Darlot gold mines in the Yandal Belt, one of Australia's most prolific gold belts, which has yielded resources in excess of 15 million ounces since the 1990's
  - o Bronzewing gold processing plant and associated infrastructure
- Scoping study base case indicated EBITDA of \$47m (A\$1,600/oz Au) from Julius Stage 1 & 2 open pit (assuming toll treatment)<sup>2</sup> (the high case indicated EBITDA of \$54m with A\$1,700/oz Au), with potentially higher returns by utilising the Bronzewing mill
- All-in Sustaining Costs (AISC) from Julius Stage 1 & 2 estimated to be \$921/oz (assuming toll treatment)<sup>2</sup>, with potentially lower costs by utilising the Bronzewing mill
- Bankable Feasibility Study under way with objective of confirming metrics from Echo's Julius Scoping Study<sup>2</sup>
- Provides a clear development pathway with the aim of allowing Echo's Julius Project to be fast tracked into production by mid-2017
- Aggressive exploration programme to be conducted over Echo's highly prospective targets to unlock further value
- Metaliko board unanimously recommend the merger by off-market takeover offer (Offer) in the absence of a superior offer.
- Metaliko shareholders holding 60.36% of Metaliko's shares have given Statements of Intention to accept the Offer (in the absence of a superior proposal) following receipt of Echo Shareholder Approval (see further below in relation to this approval).

<sup>1</sup> See Appendix 1 for full details of mineral resource estimates

<sup>2</sup> Refer Julius Scoping Study – released by Echo to ASX 21 June 2016. All material assumptions underpinning the production targets and forecast financial information derived from the production targets set out in the announcement of 21 June 2016 continue to apply and have not materially changed. Echo has concluded it has a reasonable basis for providing these forward looking statements.

Echo Resources Limited (ASX:EAR) (“Echo”) and Metaliko Resources Limited (ASX:MKO) (“Metaliko”) have entered into a Takeover Bid Implementation Agreement (“Agreement”) to merge the two companies.

Under the Agreement, Echo will acquire all of the issued shares of Metaliko by way of an off-market takeover offer (“Offer”) whereby Metaliko shareholders will receive **1 new Echo share for every 2.5 Metaliko shares held**.

Based on Echo’s last closing share price of \$0.22 on the ASX on 27 September 2016, the Offer values Metaliko at approximately **\$38.9 million** or **\$0.088 per Metaliko Share**. This represents a premium of approximately:

- **24%** to the last closing price on the ASX of Metaliko Shares of \$0.071 on 27 September 2016; and
- **38%** to the 20-day volume weighted average market price (VWAP) of Metaliko Shares on the ASX of \$0.066 to 27 September 2016.

The Offer is unanimously recommended by the directors of Metaliko who have also agreed to accept Echo’s Offer in respect of all Metaliko shares they control (which together comprise a total of 31.42% of MKO’s issued shares as set out below), in both cases in the absence of a superior offer, within 10 business days of Echo’s shareholders approving the Offer for the purposes of ASX Listing Rule 10.1 (see further below in relation to this approval).

<b>Director related MKO Shareholders</b>	<b>MKO Shares</b>	<b>% of MKO</b>
Kesli Chemicals Pty Ltd <Ruane Super Fund Account>	66,288,529	15.01%
Tyson Resources Pty Ltd	63,069,093	14.28%
Michael Ruane	4,399,682	1.00%
Natjo Nominees Pty Ltd	4,657,125	1.05%
Hunt Corporate Investments Pty Ltd	350,000	0.08%
<b>TOTAL</b>	<b>138,764,429</b>	<b>31.42%</b>

Metaliko shareholders representing a further 28.94% of Metaliko issued Shares (as set out below) have made statements of intention to accept the Offer, in respect of the Metaliko Shares they control or can influence voting in respect of, in the absence of a superior offer, within 10 business days of Echo’s shareholders approving the Offer for the purposes of ASX Listing Rule 10.1.

<b>Additional MKO Shareholders</b>	<b>MKO Shares</b>	<b>%</b>
ASF Resources (WA) Pty Ltd	45,000,000	10.19%
Harbour Capital Management Limited, f/b/o Harbour Asia Opportunity Master Fund	39,700,000	8.99%
Regal Funds Management	10,500,000	2.38%
Bill Brooks Pty Ltd <Bill Brooks Super Fund A/c>	9,586,330	2.17%
Gasmere Pty Ltd	7,329,779	1.66%
Sisu Pty Ltd	6,686,672	1.51%
Carlo Chiodo	3,100,000	0.70%
Hawthorn Grove Pty Ltd	3,000,000	0.68%
Shomron Pty Ltd	2,000,000	0.45%
Taurus Corporate Services Pty Ltd	900,000	0.20%
<b>TOTAL</b>	<b>127,802,781</b>	<b>28.94%</b>

## Strategic Rationale for the Transaction

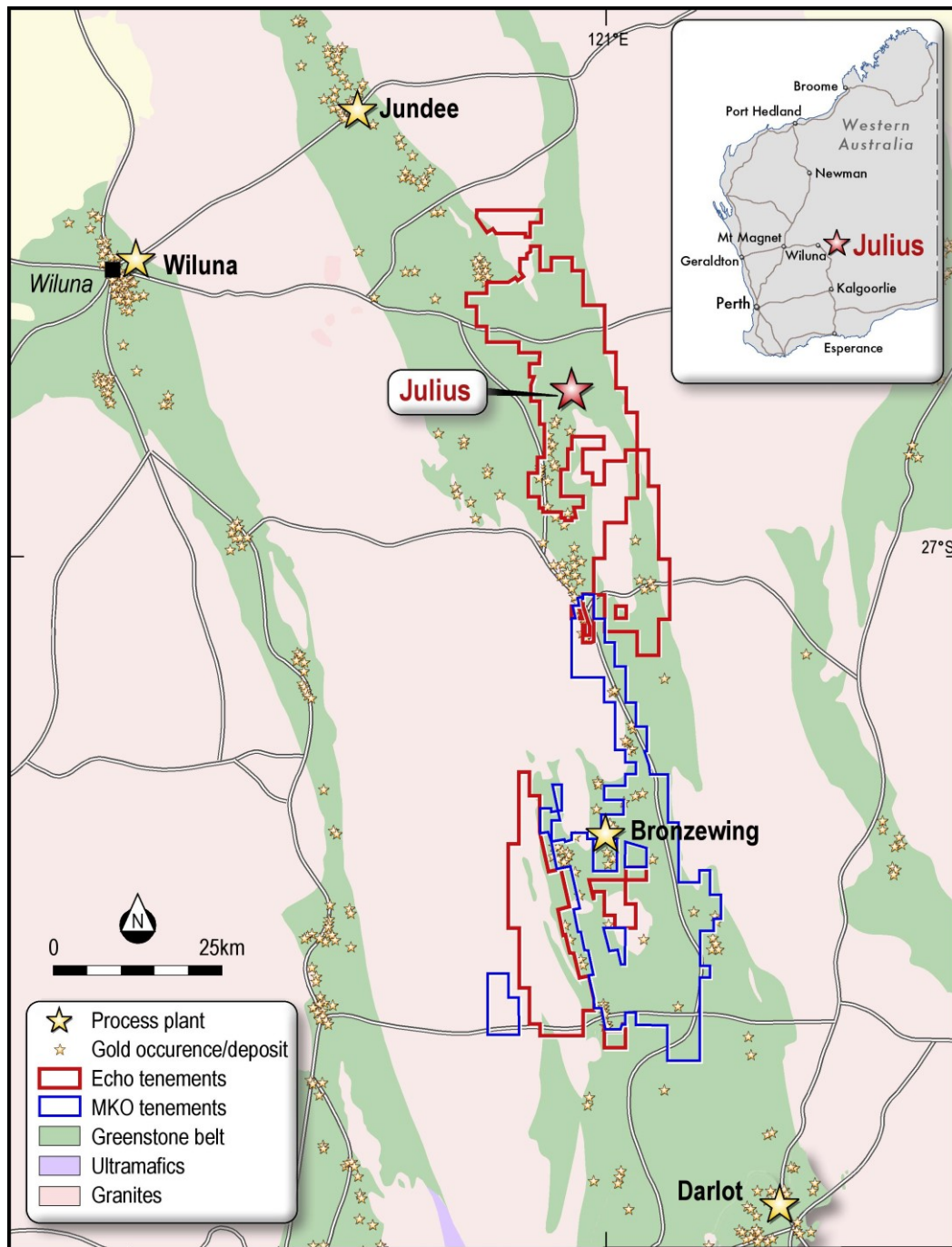
The combined entity will create a strong emerging gold exploration company with potential for near term production and positive cashflow with excellent exploration upside in one of the premier Australian gold provinces.

- Provides potential for a rapid and modest-cost pathway to production for Echo's Julius gold deposit by utilising Metaliko's 2 Mtpa Bronzewing processing facility
- Potentially allows Julius deposit to be brought into production as soon as mid 2017
- The Echo Julius Scoping Study base case indicated that the Julius stage 1+2 open pit would generate an EBITDA of \$47m (A\$1,600/oz Au) via toll treatment<sup>3</sup> (the high case indicated EBITDA of \$54m with A\$1,700/oz Au). Utilising the Bronzewing mill may increase the EBITDA.
- The combined company will hold contiguous tenements along 130km of the Yandal greenstone belt which represents the largest contiguous land holding between the operating Darlot and Jundee gold mines
- For Echo shareholders, the merger provides a clearer potential pathway to near-term gold production removing the requirement for securing toll treating arrangements
- For Metaliko shareholders the merger provides exposure to high quality mineral resources and additional highly prospective tenements

The Bronzewing facility is in good condition and has capacity to treat approximately 2 Mtpa of ore via 2 stage crushing, a 3.5 MW SAG mill, gravity circuit plus leach and CIL. Other infrastructure includes a 240-person camp, borefields, large capacity tailings facility plus other associated infrastructure including an airstrip. In a five year period to 2003, Great Central Mines produced an average of 260,000 ounces of gold per annum from Bronzewing with maximum production of 311,000 ounces in 2001.

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<sup>3</sup> Refer Julius Scoping Study – released by Echo to ASX 21 June 2016. All material assumptions underpinning the production targets and forecast financial information derived from the production targets set out in the announcement of 21 June 2016 continue to apply and have not materially changed. Echo has concluded it has a reasonable basis for providing these forward looking statements.



**Figure 1: Combined Tenement Map**

Echo's Chief Executive Officer, Simon Coxhell, said the merger provided an excellent opportunity to combine two complementary businesses to access the enormous untapped potential of the Yandal greenstone belt.

*"We are firm believers in the future of the Yandal Greenstone belt and Echo has built a dominant land position with a significant resource base. This merger provides access to the Bronzewing plant plus a large prospective tenement package with enormous potential and considerable existing gold resources," he said.*

*"Our aim is to bring Julius into production by mid next year and our Scoping Study demonstrates the deposit has potential to generate considerable cashflow. This cashflow, if realised, will enable us to invest in a targeted, modern exploration program to uncover the significant upside we believe exists within the combined landholding," he added.*

Metaliko's Executive Director, Michael Ruane, said *"The merger will create a company of considerable scale, with early production possible and a landholding with potential to create Australia's next mid-tier gold miner. Metaliko has a gold resource base of approximately 500,000 ounces within tenements adjoining those held by Echo. I am confident that a robust exploration programme on the combined tenements will enhance this considerably."*

*"We have already seen other companies generate significant shareholder wealth through reinvigorating existing assets in the Yandal belt and elsewhere in WA and we see a similar opportunity for Echo and Metaliko."*

The Bronzewing mine was discovered by Mark Creasy in the late 1980s, commenced production in 1992 and has an historic endowment of resources and production of approximately 5 million ounces of gold. The Bronzewing assets were bought by Metaliko in May 2014. The tenements acquired have had little dedicated expenditure or exploration since 2003.

## **Board and Management**

Post-transaction, Echo Resources will expand its Board to five members, each bringing valuable technical and financial skills to help guide Echo as it executes its strategy.

- Existing Echo Chairman, Barry Bolitho will remain as Chairman of the merged entity.
- Simon Coxhell will remain as Director and Chief Executive Officer.
- Anthony McIntosh will remain in his current role as Non-Executive Director.
- Metaliko will appoint two Non-Executive Directors, Mr Robin Dean and Mr Mark Hanlon

Echo's Chairman, Barry Bolitho commented, *"I look forward to welcoming Robin Dean and Mark Hanlon to the Echo Board post transaction. Their skill sets and experience will be invaluable."*

### **Mr Robin Dean**

Mr Dean holds a Bachelor of Economics degree from the University of Western Australia and has over 30 years' experience in banking, project finance and commodity hedging. Mr Dean has been CEO of a number of Public Companies including St Barbara Mines Limited and Structural Monitoring Systems Limited. He has been instrumental in the funding and development of numerous mining projects throughout Australia. Mr Dean is currently a director of Metaliko Resources Limited.

### **Mr Mark Hanlon**

Mr Hanlon has substantial experience in the resources and resource services sectors as well as experience in commercial and merchant banking. He has most recently been the Finance Director of ENK plc and previously held CFO or equivalent positions with listed companies Century Drilling, Rusina Mining Limited and International Contract Manufacturing Limited. Mark is currently a director of Copper Strike Limited and Red River Resources Limited. He holds a Bachelor of Business in Finance and Accounting and a Master of Business in Banking and Finance.

## Transaction Details

The Offer will be implemented by way of an off-market takeover offer under the Australian Corporations Act.

Following successful implementation of the Offer, Metaliko is expected to become a wholly owned subsidiary of Echo, with current Echo and Metaliko shareholders holding 49.6% and 50.4% respectively of the enlarged entity.

The Implementation Agreement and the Offer are subject to typical conditions, including:

- a 90% minimum acceptance condition, which (at any time prior to Echo receiving acceptances representing 80% of Metaliko Shares) can only be waived with the consent of Metaliko;
- no prescribed occurrence (as defined in the Implementation Agreement) occurring in relation to Metaliko;
- no material adverse change (as defined in the Implementation Agreement) occurring in respect of Metaliko;
- no material acquisitions, disposals or new commitments being undertaken by Metaliko;
- Echo obtaining shareholder approval under ASX Listing Rule 10.1 to issue Echo Shares under the Offer to Mr Michael Ruane and his associates who are Metaliko Shareholders (**Echo Shareholder Approval**)(required because Mr Ruane is deemed to be a related party of Echo as a former director of Echo, and former substantial (12.76%) shareholder in Echo, in the past 6 months); and
- other customary conditions as set out in the Implementation Agreement, including no regulatory intervention which (among other things) restrains or prohibits the Offer.

Refer to the Implementation Agreement, separately released to the ASX, for a full copy of the conditions which will apply to the Offer.

Echo will call a shareholder meeting as soon as practicable to seek the Echo Shareholder Approval and (as required by Listing Rule 10.1) will provide an independent expert's report in the notice of meeting to shareholders.

Echo's Board have advised that they intend to recommend to Echo shareholders that they vote in favour of the Echo Shareholder Approval and that they intend to vote the Echo Shares they control in favour of the Echo Shareholder Approval.

The Offer is expected to close during the fourth quarter of calendar 2016.

## Timetable

It is expected that Echo's Bidder's Statement and Metaliko's Target's Statement, containing further information about the Offer, will be posted to Metaliko Shareholders in November 2016.

Further details about the Offer, the conditions to the Offer, deal protections and proposed timetable are set out in the Implementation Agreement, which will be released on the ASX at the same time as this Announcement.

**For further information please contact:**

<b>Echo Resources</b> <b><i>Investors</i></b> Barry Bolitho - Chairman +61 (0) 409 153 150  Simon Coxhell – CEO +61 (0) 419 833 127	<b>Metaliko Resources</b> <b><i>Investors</i></b> Michael Ruane – Executive Director +61 8 9386 9527  Robin Dean – Director +61 8 9386 9527
<b><i>Media</i></b> Citadel-MAGNUS Michael Weir or Richard Glass +61 402 347 032 or +61 413 660 036	

Further information about the companies is available on Echo's and Metaliko's websites (see [www.echoresources.com.au](http://www.echoresources.com.au) and [www.metaliko.com.au](http://www.metaliko.com.au)).

### **Forward Looking Statements and Disclaimers**

This announcement is for information purposes only and does not constitute a prospectus or prospectus equivalent document. It is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase or otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, nor shall there be any offer, sale, issuance or transfer of securities in any jurisdiction in contravention of any applicable law.

This announcement contains forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "target", "anticipate", "forecast", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions.

The forward looking statements in this announcement are based on current expectations, estimates, forecasts and projections about Echo and Metaliko and the industry in which they operate. They do, however, relate to future matters and are subject to various inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied by any forward looking statements. The past performance of Echo or Metaliko is no guarantee of future performance.

None of Echo, Metaliko or any of their directors, officers, employees, agents or contractors makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law.

You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement.

### **Cautionary Statement – Scoping Study**

This report includes information extracted from Echo Resources Limited ("Echo") ASX announcement dated 21 June 2016 entitled "Echo Delivers Compelling Scoping Study for Julius". The Scoping Study is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or provide assurance of an economic development case at this stage, or to provide certainty that conclusions of the Scoping Study will be realised. There is low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

### **No New Information or Data**

This report contains references to Mineral Resource estimates, which have been cross referenced to previous market announcements made by Echo and Metaliko. Echo and Metaliko confirm they are not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

### **Competent Persons Statements**

The information in this report relating to Echo's exploration activities and exploration potential at Julius and Metaliko's Cockburn, Woorana North, Woorana South, Fat Lady and Mt Joel Mineral Resource estimates is based on information compiled by Mr Simon Coxhell, a Director of Echo Resources Limited, who is a member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Coxhell consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report relating to Echo's Regional Mineral Resource estimates is based on information compiled by Stephen Godfrey, a full-time employee of the independent geological consulting group Golder Associates Pty Ltd. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Godfrey consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report relating to Metaliko's Corboys Deposit Mineral Resource estimate is based on information compiled by Andrew James Hawker, a Competent Person who is a Member or Fellow of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Hawker is the Principle Geologist employed by HGS Australia. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Godfrey consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report relating to the Julius Gold Deposit Mineral Resource estimation is based on information compiled by Mr Steve Hyland, a consultant of Echo Resources Limited, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Hyland has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hyland consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.



## Appendix 1 – Mineral Resource Estimates as at September 2016

Metaliko Mineral Resource Estimates			Indicated			Inferred			Total			Ownership	Cut-off
Location	Tonnes	Au g/t	Au oz	Tonnes	Au g/t	Au oz	Tonnes	Au g/t	Au oz	Tonnes	Au g/t	Au oz	
Corboys <sup>3</sup>	1,676,000	1.8	96,992	468,000	1.9	28,739	2,144,000	1.8	125,455	100%	1.0		
Cockburn <sup>2</sup>	2,262,500	2.4	175,306	3,331,000	1.6	173,493	5,593,500	1.9	348,880	100%	0.9		
Woorana North <sup>2</sup>	255,700	1.7	13,811	-	-	-	255,700	1.7	13,811	100%	0.5		
Woorana South <sup>2</sup>	37,000	2.6	3,129	-	-	-	37,000	2.6	3,129	100%	0.5		
Fat Lady <sup>1,2</sup>	687,400	0.9	19,669	-	-	-	687,400	0.9	19,669	70%	0.5		
Mt Joel 4800N <sup>1,2</sup>	190,246	1.7	10,643	-	-	-	190,246	1.7	10,643	70%	0.5		
<b>Metaliko Total Insitu Resource<sup>1</sup></b>	<b>5,108,846</b>	<b>1.9</b>	<b>319,550</b>	<b>3,799,000</b>	<b>1.7</b>	<b>202,231</b>	<b>8,907,846</b>	<b>1.8</b>	<b>521,587</b>				

Echo Mineral Resource Estimates			Indicated			Inferred			Total			Ownership	Cut-off
Location	Tonnes	Au g/t	Au oz	Tonnes	Au g/t	Au oz	Tonnes	Au g/t	Au oz	Tonnes	Au g/t	Au oz	
Julius <sup>4</sup>	2,060,000	2.0	135,110	2,100,000	1.4	91,147	4,160,000	1.7	226,033	100%	0.5		
Regional <sup>5</sup>	-	-	-	2,072,000	1.5	99,925	2,072,000	1.5	99,925	100%	0.5		
<b>Echo Total Insitu Resource</b>	<b>2,060,000</b>	<b>2.0</b>	<b>135,110</b>	<b>4,172,000</b>	<b>1.4</b>	<b>191,072</b>	<b>6,232,000</b>	<b>1.6</b>	<b>325,957</b>				

<b>Total Combined Mineral Resources</b>	<b>7,168,846</b>	<b>2.0</b>	<b>454,661</b>	<b>7,971,000</b>	<b>1.5</b>	<b>393,303</b>	<b>15,139,846</b>	<b>1.7</b>	<b>847,544</b>				
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**Notes:**

1. Resources are adjusted for Metaliko 70% ownership interest

2. Resources estimated by Coxrocks (refer to Competent Persons Statements) in accordance with JORC Code 2012. For full Mineral Resource estimate details refer to the Metaliko Resources Limited announcement to ASX on 1 September 2016. Metaliko is not aware of any new information or data that materially affects the information included the previous announcement, and all material assumptions and technical parameters underpinning mineral resource estimates in the previous announcement continue to apply and have not materially changed.

3. Resources estimated by HGS (refer to Competent Persons Statements) in accordance with JORC Code 2012, for full details of the Mineral Resource estimate refer to the Metaliko Resources Limited announcement to ASX on 23 August 2016. Metaliko is not aware of any new information or data that materially affects the information included the previous announcement, and all material assumptions and technical parameters underpinning mineral resource estimates in the previous announcement continue to apply and have not materially changed.

4. Resources estimated by Steve Hyland (refer to Competent Persons Statements) in accordance with JORC Code 2012, for full details of the Mineral Resource estimate refer to the Echo Resources Limited announcement to ASX on 8 April 2016. Echo Resources Limited is not aware of any new information or data that materially affects the information included the previous announcement, and all material assumptions and technical parameters underpinning mineral resource estimates in the previous announcement continue to apply and have not materially changed.

5. Resource estimates include Bills Find, Shady Well, Orpheus, Empire & Tipperary Well and were estimated by Golders (refer to Competent Persons Statements) in accordance with JORC Code 2004, for full details of the Mineral Resource estimates refer to the Echo Resources Limited prospectus released to ASX on 10 April 2006. This information was prepared and first disclosed under JORC 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.