



28 October 2016

Quarterly Report

September 2016

Highlights

- **Merger proposal received from Echo Resources Ltd (ASX: EAR).**
- **Echo offering one EAR share for 2.5 MKO shares valuing MKO shares at approximately 8.8 cents at the date of the Offer.**
- **Board recommends MKO shareholders accept the offer in absence of a superior bid.**
- **Bid Implementation agreement executed by Echo and Metaliko.**
- **Directors' M Ruane and P Hunt and other MKO shareholders holding 60.36% of MKO shares have given Statements of Intention to accept the Offer.**
- **Echo Shareholder Meeting (AGM) to approve the transaction set down for 11 November 2016.**

Corporate Activities

Expenditure by the Company on Exploration and Development activities during the September period was approximately \$610,000. Major portion of the costs relate to RC drilling conducted in the previous quarter. Tenement costs were also significant this quarter with Department of Mines and Petroleum rentals and Shire rates falling due during this quarter. Available funds at the end of the period stood at approximately \$960,000.

Echo Resources Ltd – Merger Proposal

During the quarter, Metaliko was approached by the Board of Echo Resources Ltd (EAR) regarding a possible merger of Echo and Metaliko.

On 29 September 2016, the parties announced the execution of a Bid Implementation Agreement setting and out terms and conditions for a proposed merger. (See EAR & MKO ASX release 29 September 2016).

In summary, it is proposed that Echo Resources acquires all the shares in Metaliko by a share swap on the basis of one Echo share for each 2.5 MKO shares held by MKO shareholders. On the basis of a 22 cent price of Echo shares at the time, the offer valued MKO shares at approximately 8.8 cents per share valuing MKO at \$38 million.

In view of the premium payable on MKO share price and the potential synergies between the two Companies, the Board of Metaliko unanimously recommend acceptance of the offer by the MKO shareholders.

Echo Resources is required to seek approval of its shareholders for the issue of its securities in consideration for acquisition of MKO securities from MKO Director Michael Ruane who is deemed to be a Related Party. This approval is sought via a resolution at the Annual General meeting of Echo to be held on 11 November 2016. Prior to the AGM meeting, Echo will provide a Bidding Statement relating to the proposed transaction for consideration by Metaliko shareholders.

Metaliko will provide a Target's Statement with response to the Bidders Statement – also prior to the Echo Shareholder meeting.

Bronzewing Mill Lease Status

On 30 June 2016, the Company advised that it had entered into a conditional agreement for the lease of the Bronzewing Mill to Bullseye Mining Ltd (BML). During the period, BML conducted detailed appraisal of the Bronzewing Mill and infrastructure with site inspections and engineering assessment. The lease of the plant by BML is subject to a number of Conditions Precedent which have not as yet been met. Metaliko is expecting an update with respect of the Conditions Precedent from BML in the near future. Echo Resources is aware of the BML lease agreement and the effect of the lease in relation to future milling activities of Echo. The agreement provides for significant portion of milling capacity being available for processing MKO and Echo ore.

Exploration Activities

Corboys Project

During the period, Metaliko released an updated gold resource for the Corboys prospect located 40km north of the Bronzewing Mill.

The updated resource which extends from the surface to an average depth of 120m was calculated to contain a total of 2.14Mt @ 1.82 g/t Au for 126,000 oz, using a bottom Au cut of 1.0 g/t. This represents a 58% increase in contained gold from Metaliko's initial 20 February 2015 resource estimate (1.5Mt @ 1.65 g/t for 79,500 oz). The breakdown of the updated resource using the 1 g/t cut is given below:

- ***Indicated Resources 1.67 Mt @ 1.8 g/t Au***
- ***Inferred Resources 0.47 Mt @ 1.91 g/t Au***
- An optimisation analysis using this new ore block model returned a promising range of results using industry standard operating and processing costs. The optimum shell (105m vertical depth) indicated that approximately 1.98Mt @ 1.58 g/t Au could be mined and processed for 94,700 oz of recovered gold for a net profit of \$32.7m (including an estimated \$4.5m in Capital Cost Items). The gold price used was AUD \$1600/oz.
- Corboys is open at depth with several shoots recording high grade RC intercepts. A number of new lodes have also been delineated at around 30-60m depth. Further resource drilling is planned at Corboys and Corboys North.
- A breakdown of the Corboys Resource versus cut off grade is provided in Table 1. The extent of the resource upgrade is pleasing in that Metaliko has achieved a 58% increase in the resource inventory at a discovery cost of around \$6/oz. The resource has lifted in grade due to the stronger mineralisation often found in the deeper holes. Further resource upgrades are expected when recently delineated ore shoots are followed up.

Table 1. Corboys JORC 2012 Resource Breakdown (Ordinary Kriging)

Total Indicated OK - 21 g/t Upper Cut				Total Inferred OK - 21 g/t Upper Cut			
cutoff	Tonnes	Au (g/t)	Ounces	cutoff	Tonnes	Au (g/t)	Ounces
0	3,661,653	1.16	136,482	0	1,206,676	1.11	42,872
0.1	3,657,599	1.16	136,477	0.1	1,199,028	1.11	42,855
0.2	3,622,990	1.17	136,294	0.2	1,183,301	1.12	42,781
0.3	3,495,774	1.2	135,215	0.3	1,141,361	1.16	42,437
0.4	3,252,336	1.27	132,467	0.4	1,056,995	1.22	41,499
0.5	2,989,252	1.34	128,670	0.5	942,748	1.31	39,857
0.6	2,712,678	1.42	123,770	0.6	830,443	1.42	37,860
0.7	2,458,501	1.5	118,450	0.7	716,342	1.54	35,483
0.8	2,198,736	1.59	112,195	0.8	613,237	1.67	32,997
0.9	1,925,420	1.69	104,734	0.9	543,465	1.78	31,083
1	1,676,374	1.8	97,128	1	467,559	1.91	28,777
1.5	846,658	2.38	64,743	1.5	253,709	2.49	20,320
2	490,388	2.85	44,996	2	160,027	2.94	15,128
2.5	274,982	3.35	29,642	2.5	94,482	3.42	10,388
3	149,821	3.88	18,685	3	59,761	3.82	7,332

Costs Estimate and Optimisation Results for Corboys (Shell 36)

The key results from the Whittle optimisation, in particular shell 36, indicated:

- Net profit of \$32.7m based on a AUD\$1600/oz gold price including capital costs (see below).
- 1.98Mt of ore could be mined at an average grade of 1.58 g/t for 94,700 oz of recovered gold.
- A production (mining/processing) cash cost of \$1207/oz Au.
- The average production cost would be \$57.7/tonne of milled ore.
- A strip ratio of 5.6:1 was anticipated.
- Depending upon external factors such as third party toll treatment or leasing of the plant (see ASX announcement 30 June 2016), Metaliko tentatively believes Corboys could be treated at a rate of 750,000 tpa.
- The capital costs to positive cash flow are estimated to be around \$4.5M. For further details of the optimisation and Cautionary Statements please refer to the Company's announcement of 23 August 2016.
- For further information and Competent Person Statements please refer to the Company's ASX announcement of 23 August 2016.

Cockburn Project Update

Open Pit Potential

Independent Resource and Optimisation studies were completed on the Cockburn prospect during the period. The Cockburn prospect has been on care and maintenance since mining was terminated in March 2013. A significant resource still remains.

A global Indicated and Inferred Resources at Cockburn to a maximum depth of 370 vertical meters were calculated to contain 5.59 Mt @ 1.94 g/t Au for 349,000 oz.

- ***Indicated Resources 2.26 Mt @ 2.41 g/t Au***
 - ***Inferred Resources 3.33 Mt @ 1.62 g/t Au***
- Total Resources 5.59 Mt @ 1.94 g/t Au***

A whittle optimisation using a gold price of AUD \$1,500 indicated that a 220m deep pit from the surface which incorporates the current 120m pit, returns a positive cash flow. The optimisation demonstrated that 1.92Mt @ 1.89 g/t Au could be mined for 108,000 oz of recovered gold (93%) with a 7.8:1 strip ratio. Mining of this resource would require a cutback of the Cockburn Pit.

A promising resource target at Cockburn is the 5-15m wide Orelia lode which is exposed on the western pit floor (400m RL) and would be mineable without a cutback. It is estimated that the current pit could be deepened another 40m – 50m. Pivotal to this is further resource and grade control drilling from the pit floor. Any additional gold ore discovered would further enhance the Orelia (open cut) economics.

Since 2007, the mining operations encountered challenging grade control conditions with both View Resources (Calista underground decline) and Navigator (Orelia – Cumberland open cut) reporting variable and negative outcomes when attempting to reconcile the production figures with the resource/reserve estimates. Cockburn has been on care and maintenance since mining ceased.

With the current gold price being above \$1,500 AUD/oz, Metaliko views the Cockburn deposit as a prospective satellite ore source that could significantly contribute ore to the BZW plant and underpin a recommencement of mining and milling activities. Cockburn already has established infrastructure in place, such as offices, workshops, wash bays, magazine storage, 110KL diesel storage tank, waste dumps and haul roads.

MKO acknowledges the reconciliation difficulties between reserves and recovered gold since 2007 and that this needs to be addressed prior to any recommencement of mining.

Cockburn Underground Resources

In addition to developing an open pit resource at Cockburn, several high grade drill intercepts were encountered approximately 60-100m below the pit floor, examples being ARLMM2666D (60m @ 11.81 g/t Au) and ARLMM2688D (35m @ 8.91 g/t Au) which are too deep for the current open pit to access without a substantial western cutback. Underground mining is the logical approach.

In 2002, Newmont Australia Ltd completed a detailed Pre-Feasibility Study for mining of the Cockburn underground mineralisation. A JORC compliant (1999) resource was estimated and Mining Plans prepared. Key Newmont inputs used included a gold price of AUD \$545/oz and 90% metallurgical recovery. A project breakeven of 5.8 g/t was projected. A review of the project parameters appears warranted. However, Newmont ceased operations at Bronzewing in late 2003 and did not undertake any underground mining at Cockburn, focusing their efforts on underground mining at the nearby Lotus deposit.

MKO plans to RC drill the Orelia shoots, testing both the shallow ore (0-50m) and deep ore (50-200m) horizons. Approximately 30 holes for 2,500m have been planned. All holes are accessible within the pit confines following some work on the pit ramp. A proposed work program has been submitted to the Department of Mines and Petroleum for approval.

For further information and Competent Person Statements please refer to Company announcement of 1 September 2016.

For further information, please contact:

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TENEMENT SCHEDULE FOR MKO MINES PTY LTD

Project, Tenement Number	Percentage interest held at the end of the quarter	Percentage interest acquired during the quarter	Percentage interest disposed during the quarter
Yandal Gold Project, W.A.			
E36/604	100%	-	-
E36/748	100%	-	-
E36/749	100%	-	-
E36/761	100%	-	-
E36/838	100%	-	-
E36/862	100%	100%	-
ELA36/884	100%	100%	-
ELA36/885	100%	100%	-
ELA36/886	100%	100%	-
ELA36/887	100%	100%	-
ELA53/1855	100%	-	-
ELA53/1867	100%	-	-
E53/1874	100%	100%	-
L36/100	100%	-	-
L36/106	100%	-	-
L36/107	100%	-	-
L36/111	100%	-	-
L36/112	100%	-	-
L36/127	100%	-	-
L36/176	100%	-	-
L36/183	100%	-	-
L36/184	100%	-	-
L36/185	100%	-	-
L36/186	100%	-	-
L36/190	100%	-	-
L36/192	100%	-	-
L36/200	100%	-	-
L36/204	100%	-	-
L36/205	100%	-	-
L36/219	100%	-	-
L36/55	100%	-	-
L36/62	100%	-	-
L36/65	100%	-	-
L36/82	100%	-	-
L36/84	100%	-	-
L36/98	100%	-	-
L37/218	100%	-	-
L37/219	100%	-	-
L53/133	100%	-	-
L53/162	100%	-	-
M36/107	100%	-	-
M36/146	100%	-	-
M36/200	100%	-	-
M36/201	100%	-	-
M36/202	100%	-	-
M36/203	100%	-	-
M36/244	100%	-	-
M36/263	100%	-	-
M36/295	100%	-	-

Project, Tenement Number	Percentage interest held at the end of the quarter	Percentage interest acquired during the quarter	Percentage interest disposed during the quarter
M36/615	100%	-	-
P36/1734	100%	-	-
P36/1735	100%	-	-
P36/1736	100%	-	-
P36/1737	100%	-	-
P36/1738	100%	-	-
Barwidgee			
E36/578	100%	-	-
E36/693	100%	-	-
E36/698	100%	-	-
E53/1373	100%	-	-
ELA53/1744	100%	-	-
M53/15	100%	-	-
M53/544	100%	-	-
M53/547	100%	-	-
P36/1713	100%	-	-
P36/1740	100%	-	-
P36/1754	100%	-	-
P36/1755	100%	-	-
P36/1772	100%	-	-
P36/1773	100%	-	-
P36/1774	100%	-	-
P53/1622	100%	-	-
P53/1623	100%	-	-
East Yandal			
E36/593	100%	-	-
E36/673	100%	-	-
E36/762	100%	-	-
E36/847	100%	-	-
E37/846	100%	-	-
E37/847	100%	-	-
E37/848	100%	-	-
Mount Joel			
M53/294	100%	-	-
M53/295	100%	-	-
M53/296	100%	-	-
M53/297	100%	-	-
M53/393	100%	-	-
Yanbo			
P37/8514	100%	-	-
Mandaline Well			
E37/1200	100%	-	-
E53/1847	100%	-	-

TENEMENT SCHEDULE FOR METALIKO RESOURCES LTD

Project, Tenement Number	Percentage interest held at the end of the quarter	Percentage interest acquired during the quarter	Percentage interest disposed during the quarter
Kalgoorlie Gold Project, W.A.			
Anthill			
L16/92	100%	-	-
M16/531	100%	-	-

Forward Looking Statements and Disclosures

Investor Coverage

Recent news on the Company activities can be found on the Metaliko Resources Limited website <http://www.metaliko.com.au/>

About Metaliko Resources Limited

Metaliko acquired the Yandal Project in 2014 which included the Bronzewing 2.3mtpa capacity CIP/CIL plant, associated infrastructure, historic open pit and underground mines, numerous historic resources/prospects, an extensive geological database and Yandal exploration tenements. The Yandal tenements have produced >3.5 million ounces of gold from a number of deposits with processing at the Bronzewing plant in the period 1988 – 2013.

Strong potential remains at the Yandal Project to extend existing resources and make new economic discoveries. Metaliko's immediate focus is:

- An extensive reassessment of the historical data base.
- Consolidate tenement holdings - Third Parties.
- Commence targeted exploration programs.
- Exploration will be aimed at making new significant gold discoveries.
- Assess resources close to surface for potential early cash flow opportunities.
- Assess current plant inventory and identify items that are surplus to requirements.

In the period 2010-2013 the Bronzewing plant operated at nameplate capacity when ore was available – treating 5.3Mt of hard ore. The plant is on care and maintenance and remains in excellent condition.

Competent Person Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr David O'Farrell, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr O'Farrell is a consultant to Metaliko Resources Limited. Mr O'Farrell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 O'Farrell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Metaliko Resources Limited advises that resource parameters for the Cockburn Deposit (2016) in this report are based on information compiled by Mr Simon Coxhell of CocksRocks. Mr Coxhell is a Member of the Australasian Institute of Mining and Metallurgy and is a consultant Metaliko Resources Limited. This information was prepared and disclosed under the JORC Code 2012. Mr Coxhell has sufficient experience that is relevant to the style of mineralisation, 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, Mineral Resource and Ore Reserves'. Mr Coxhell consents to the inclusion in this report of the matters based on this information in the form and context in which they appear.

Forward Looking Statements

No representation or warranty is made as to the accuracy, completeness or reliability of the information contained in this release. Any forward looking statements in this release are prepared on the basis of a number of assumptions which may prove to be incorrect and the current intention, plans, expectations and beliefs about future events are subject to risks, uncertainties and other factors, many of which are outside of Metaliko Resources Limited's control. Important factors that could cause actual results to differ materially from the assumptions or expectations expressed or implied in this release include known and unknown risks. Because actual results could differ materially to the assumptions made and Metaliko Resources Limited's current intention, plans, expectations and beliefs about the future, you are urged to view all forward looking statements contained in this release with caution. The release should not be relied upon as a recommendation or forecast by Metaliko Resources Limited. Nothing in this release should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.