



Echo Resources Limited

ACN 108 513 113

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ASX Announcement

ASX Code: EAR

Echo Delivers Compelling Scoping Study for Julius

HIGHLIGHTS

- Julius Gold Project Scoping Study delivers excellent results and **compelling economics**
- **Shallow open pit mining operation** to deliver at least 66,500 ounces of gold within two years
- 95% of in-pit gold resources are in the JORC Indicated Mineral Resource Category
- Indicated Resource; **802,000t @ 2.6g/t Au**. Waste to Ore ratio low at 4.6:1
- **Low upfront capital** requirement (circa \$2.9m)
- Base Case of A\$1,600/oz illustrates **positive cash flow** of \$47m (\$1,700/oz \$54m)
- AISC estimated to be \$921/oz Au
- Julius gold mineralisation is open along strike and at depth with excellent potential to grow the current Resource
- Echo is debt free with cash of ~\$3.2m

Mr Simon Coxhell, Executive Director of Echo commented:

"We are very pleased with the results of the Julius Scoping Study which has indicated highly favourable economics based on a toll treatment scenario using nearby processing facilities. Julius is a high grade near surface gold deposit lending itself to low capital and operating costs with high margins."

"We have made significant headway with advancing Julius in just a few months and look forward to continuing to rapidly advance all facets of the Project with the aim of achieving cash flow as soon as possible. In the meantime, Echo has many first rate exploration targets of which at least five have high grade gold drill intercepts and therefore we will continue exploring for and defining new gold deposits within the Company's prospective tenement package. The cash flow from Julius will allow Echo to keep its issued capital at a minimum".

Cautionary Statement

The Scoping Study referred to in this announcement is based on lower-level technical and economic assessments and is insufficient to support estimation of Ore Reserves, or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. Further, the Company cautions that there is no certainty that the forecast financial information derived from production targets will be realised. All material assumptions underpinning the production targets and forecast financial information derived from the production targets are set out in this announcement. The estimated mineral resources underpinning the Scoping Study production targets have been prepared by competent persons in accordance with the current JORC Code 2012 Edition and the current ASX Listing Rules.

Echo has concluded it has a reasonable basis for providing the forward looking statement included in this announcement (also see Appendix 3).

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Executive Summary

Echo Resources Limited (“Echo”, “the Company”, ASX: EAR) is pleased to report results from the Scoping Study (“the Study”) on the Julius Gold Project (“Julius”, “the Project”).

The aim of the Study was to establish the potential economics of the Julius gold deposit to assist with defining the optionality of multiple stage pit designs to reduce up front capital requirements to achieve first cash flow. The Study results indicate the Project has very attractive economic outcomes and good upside through optimised mining and additional resource drilling.

The Company is focussed on near-term cash flow from Julius with low upfront capital outlay. The Study is initially based on mining near surface high grade open pit resources from Julius. Resources will then be hauled by road train to one of a number of toll treatment facilities within 100 kilometres of the deposit.

A gold price of \$1,600/ounce was used as the base case with work completed including:

- Pit optimisation studies and pit design work based on the optimal shells completed by Minecomp Pty Ltd (Kalgoorlie) using typical North-Eastern Goldfields mining costs;
- Review of the positive metallurgical work completed at Julius and utilising a gold recovery of 93%;
- Preliminary scheduling considerations with an initial focus on the shallow laterite gold mineralisation followed by development of the pit targeting the high grade supergene gold mineralisation;
- Evaluation of toll milling and transport opportunities in the district; and
- Review of environmental and Native Title considerations at Julius.

The key outcome from the Study suggests the mining of a total of 843,000t @ 2.6 g/t Au within an open pit totalling 1,700,000 cubic metres of waste for the production of 68,740 ounces of gold at an estimated operating cost of \$921/ounce. Significant gold resources lie outside this pit design and considerable potential exists to mine additional gold resources at Julius.

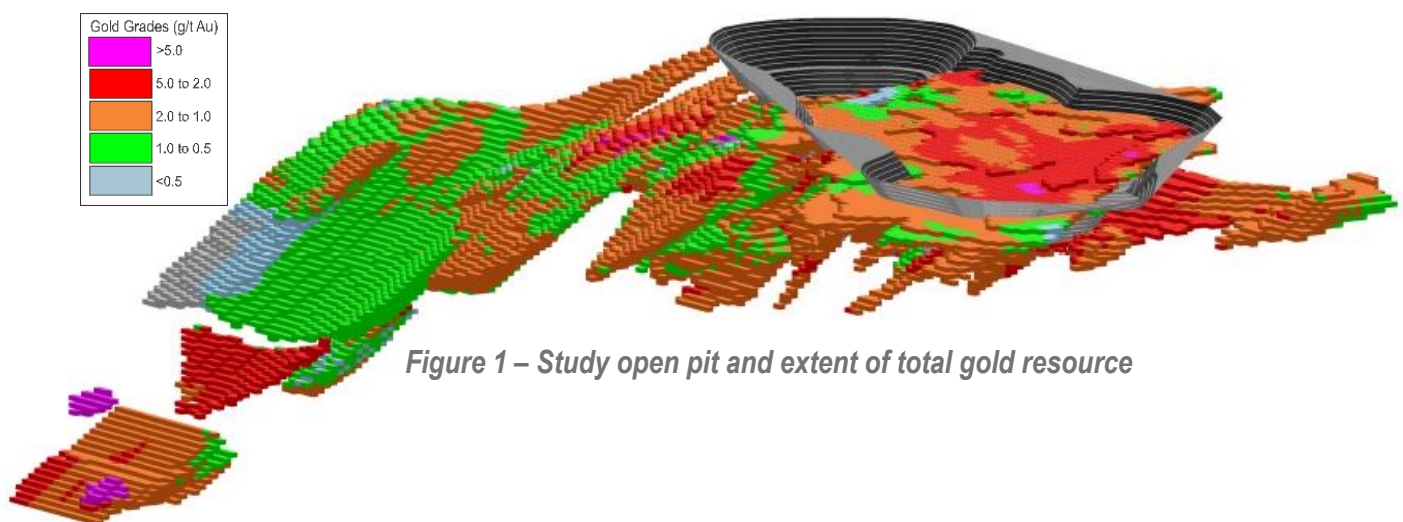


Figure 1 – Study open pit and extent of total gold resource

Future work to move the project forward will be encapsulated in a Feasibility Study and will include infill drilling to convert Indicated Mineral Resources to Measured, deeper drilling to follow up on previous high grade intersections, finalisation of the Mining Proposal and Native Title negotiations leading to the grant of the Mining Lease. Additional metallurgical testwork to confirm and further define the expected recoveries is in progress and toll milling opportunities are being investigated.



Study Details

Introduction

Julius is located approximately 450 kilometres north of Kalgoorlie and 70 kilometres east of Wiluna. The Project is accessed via an eight kilometre unsealed track from the Barwidgee Road and lies within Echo's 700 square kilometres of prospective exploration tenements. Julius is located on granted Exploration Licence E53/1042 and within Mining Lease Application M53/1099 which are 100% owned by Echo.

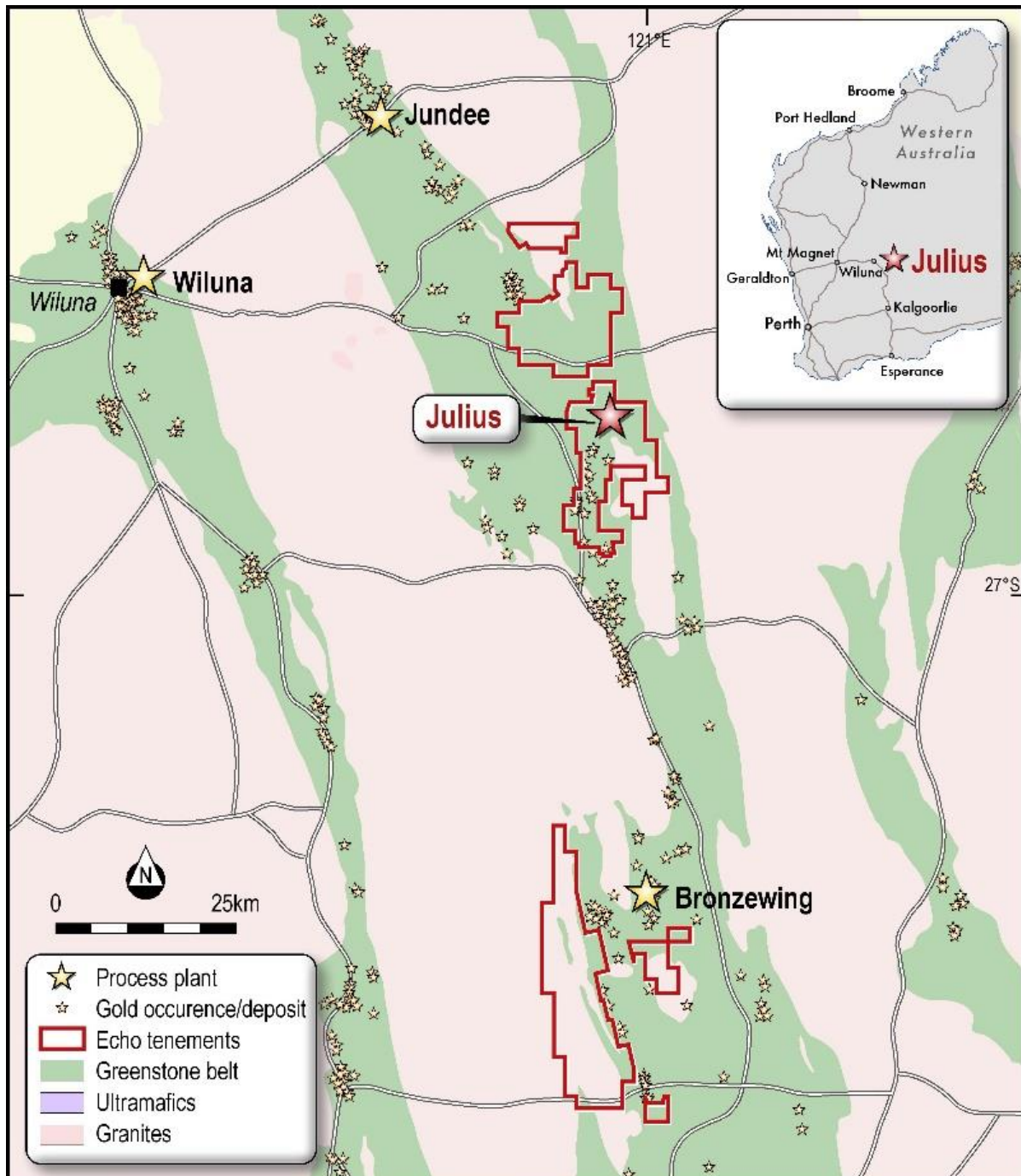


Figure 2 – Julius Gold Project Location Map

Since strategic changes were implemented at Board level in February 2016, Echo has completed substantial work to evaluate the Julius gold deposit. A maiden JORC (2012) Mineral Resource Estimate of 226,257 ounces of gold has been estimated for Julius by an Independent Consultant¹.

¹ Refer to ASX Announcement Julius Gold Project Initial Resource Estimate dated 8 April 2016.



This was followed by a comprehensive air core drilling programme which targeted the near surface (0-50m) gold mineralisation to better define likely tonnes and grade present in a simple shallow open pit. Numerous significant intersections were returned from the recent drilling and provided solid support for the establishment of an open pit mining operation², including:

- 6 metres @ 5.49 g/t Au from 9 metres (JAC007)
- 7 metres @ 5.73 g/t Au from 8 metres (JAC017)
- 6 metres @ 4.23 g/t Au from 8 metres (JAC020)
- 8 metres @ 3.31 g/t Au from 28 metres (JAC052)
- 6 metres @ 8.81 g/t Au from 40 metres (JAC054)
- 24 metres @ 3.46 g/t Au from 32 metres (JAC057)
- 3 metres @ 14.37 g/t Au from 40 metres (JAC058)
- 12 metres @ 8.27 g/t Au from 34 metres (JAC061)
- 19 metres @ 3.81 g/t Au from 32 metres (JAC062)
- 9 metres @ 16.95 g/t Au from 30 metres (JAC064)

Study Parameters

The Scoping Study is based on the following key parameters:

- April'16 JORC (2012) Julius Resource Estimate of 3.0Mt at 2.08 g/t Au³ (at a 1.0 g/t Au cut off)
- Base case gold price of A\$1,600 (US\$1,200) per ounce (US\$0.75:A\$1.00)
- Open-pit earthmoving conducted by contractors
- Toll treatment of resources at a third party mill within 100km of the deposit with an assumed recovery of 93%, which is supported by testwork completed by ALS Metallurgy.

Key outcomes of the Scoping Study

A table of key Study outcomes are provided below including sensitivity to gold price.

	Low Case	Base Case	High Case
Gold Price (A\$1:US\$0.75)	\$1,500/oz (US\$1,125/oz)	\$1,600/oz (US\$1,200/oz)	\$1,700/oz (US\$1,275/oz)
Resources Mined ¹	►	843,000t @ 2.6g/t	◄
Life of Mine (LOM) ²	►	<2 years	◄
LOM Strip Ratio	►	4.6:1	◄
LOM Gold Production ¹	►	68,740oz	◄
Capital Cost (pre-cash flow) ³	►	\$2.9 million	◄
LOM Revenue	\$103 million	\$110 million	\$117 million
All-in Sustaining Costs (AISC) ³	►	A\$921/oz	◄
LOM EBITDA	\$40 million	\$47 million	\$54 million

Table 1: Key Project Economics

Notes 1: The Mineral Resources underpinning the above production target have been prepared by a Competent Person or Persons in accordance with the requirements of the JORC (2012) Code. Refer to ASX Announcement dated 8 April 2016. Recoveries through the toll treatment mill are assumed to be 93%

2: Assumes reasonable available capacity at the toll treatment facility yet to be finalised

3: Refer to tables 3 and 4 below for details.

² Refer to ASX Announcements dated 16 May 2016 and 27 May 2016.

³ Refer to ASX Announcement Julius Gold Project Initial Resource Estimate dated 8 April 2016.



A gold price of A\$1,600/ounce was used for pit optimisations and financial modelling. More than 95% of the material to be processed is classified as a JORC (2012) Indicated Resource. Production rate assumptions are yet to be finalised and will be based on available plant capacity at the relevant toll treatment facility at the time of processing.

Geology

The Julius gold deposit is hosted on the contact of a shallow west dipping granite contact and ultramafic rocks within the Yandal greenstone belt which has been the host of resources in excess of 12 million ounces of gold⁴.

Gold resources and past production at major deposits within the Yandal belt include Bronzewing (4Moz Au), Jundee (5Moz Au), Mt McClure (1Moz Au) and Darlot (3Moz Au). All major deposits are hosted by Fe-rich mafic rocks and mineralisation displays a combination of different orientations and morphologies.

Gold mineralisation at Julius is developed in an upper flat lying laterite deposit located between eight and sixteen metres vertical depth and in supergene and fresh mineralisation in a west shallow dipping shear zone focussed on Fe-rich ultramafic rocks and a prominent granite pluton.

The defined mineralisation trends north northeast over a strike length of approximately 900 metres and dips shallowly at 25-30 degrees to the west. A number of high grade intersections at depth suggest considerable longer term potential.

Mining Inventory

Resources will be mined at the Julius gold deposit in a two stage single open cut pit. The Study assumes industry standard drill, blast, load and haul mining methodologies and costs which are widely used and undertaken by mining contractors.

Pit optimisation followed by design was undertaken by Minecomp Pty Ltd (Kalgoorlie) and assumes a two stage pit sequence which initially targets higher grade laterite gold mineralisation before a cutback to include the remaining laterite and high grade supergene gold mineralisation, both laterally and at depth. The optimisation utilised the April 2016 JORC Resource with excess of 95% of the in pit resource categorised as an Indicated Resource. An A\$1,600/ounce gold price (US\$1,200/oz at US\$0.75:AU\$1.00) was used as the base case.

Resource Classification	Mined Tonnes (Mt)	Grade (g/t Au)	Contained Gold (koz Au)
Indicated Resource	802,000	2.6	66,500
Inferred Resource ³ (% of total)	41,000 (4.9%)	1.7	2,240 (3.3%)
Total	843,000	2.6	68,740

Table 2: Mining Inventory

Note 1: Mineral Resource conforms with JORC Code (2012) definitions

2: Mineral Resource estimated using a 0.5g/t cut-off constrained within a A\$1,600 optimised pit shell

3: Sequencing of Inferred Minerals Resources is not provided as they constitute less than 5% of total tonnes mined

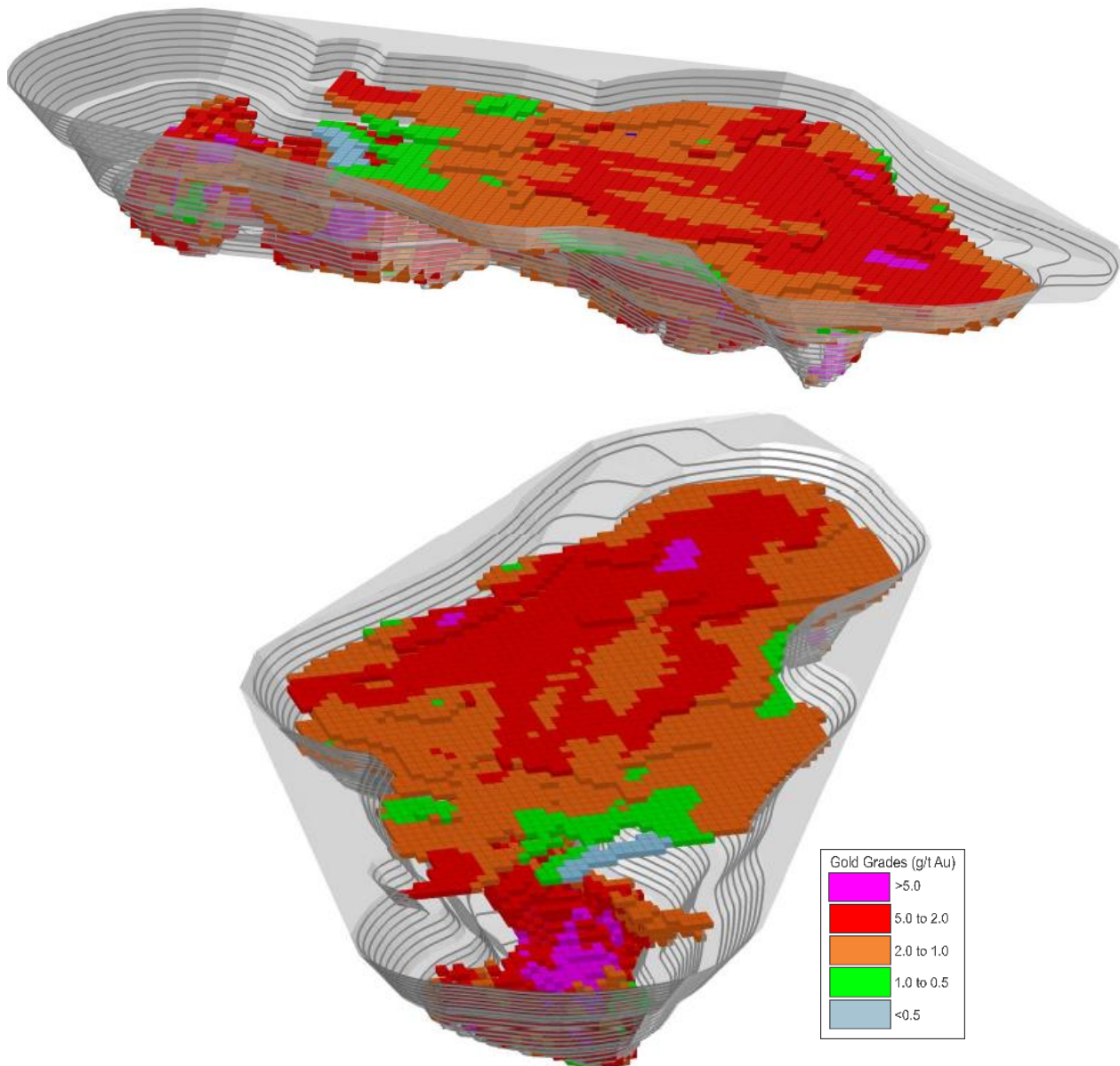
4: All figures are rounded to reflect appropriate levels of confidence.

An initial ("Stage 1") shallow open pit specifically targeting the near surface high grade laterite resource is planned and incorporates the mining of approximately 400,000 bcm of waste material and approximately 200,000t of high grade pisolitic laterite located between eight and twelve metres vertical depth with a very attractive strip ratio of 2:1. A free-dig environment is predominately envisaged for this first stage of operations. This will be followed by

⁴ Phillips, Vearncombe & Eshuys: Yandal greenstone belt, Western Australia: 12 million ounces of gold in the 1990s. In Mineralium Deposita (1998) 22: 310-316.



the development of the main (“Stage 2”) pit incorporating the remainder of the laterite resource and supergene resources.



Figures 3&4 – Orthogonal Views of Julius Pit Block Model (looking East & South)

Infrastructure

Julius is located on the Yandal Gold Belt, a prominent gold province 450 kilometres north of Kalgoorlie, home to some of Western Australia’s largest gold discoveries. In line with the area’s significant discoveries, several mines and processing facilities are in operation presenting opportunities for toll treatment arrangements, substantially reducing the capital requirements for start-up operations.

An eight kilometre haul road is required to be upgraded to enable transport from the Project to the Barwidgee Road and onwards for processing.

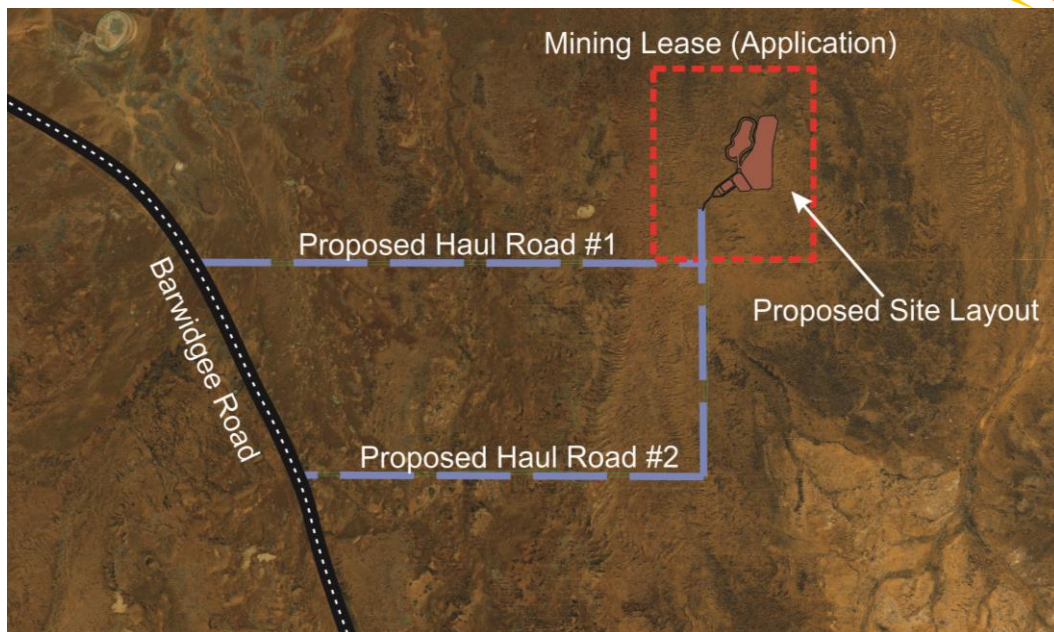


Figure 5 – Location of ML and Misc. Haul Road Licence Applications

Haulage & Processing

Haulage from the Project includes eight kilometres on the site access road to the Barwidgee Road then haulage will proceed either north or south to one of a number of existing processing plants currently being considered for toll treatment. The Study assumes a 15c per tonne per kilometre haulage cost over 80 kilometres.

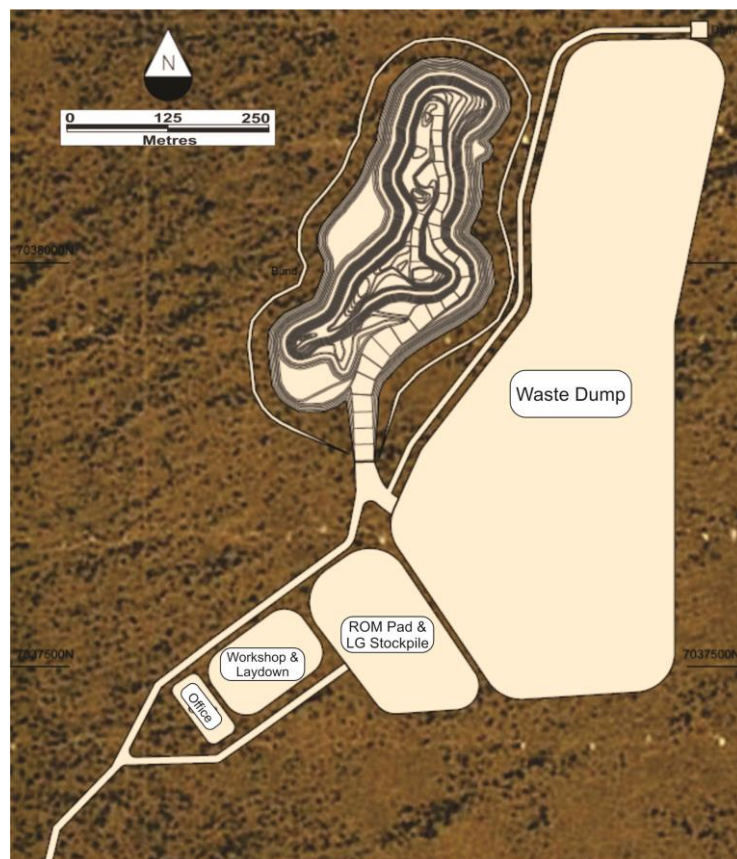


Figure 6 – Julius Gold Project proposed site layout

At this stage there has been no toll treatment arrangement formalised in relation to Julius. Favourable metallurgical testwork to date suggests that resources from Julius will be amenable to processing at most processing sites in the Project's vicinity with an anticipated recovery (based on previous test work) of 93%.



Cost Estimates & Financial Evaluation

The capital cost estimate of \$2.9 million includes Project development costs until first cash flow is received from gold production. A cut-back is envisaged to occur following the completion of mining of Stage 1 and will be funded out of available cash flow.

Capital costs were developed using inputs from a number of Western Australian mining contractors who also provided mining, toll treatment processing and other operating cost estimates for this Study based on recent quotes for similar operations in the region.

Capital Cost Item	Capital Cost (A\$M)
Earthmoving Mobilisation	\$0.3
Pre-Strip (Stage 1)	\$0.4
Haul Road Construction	\$1.0
Site Infrastructure	\$0.3
Working Capital	\$0.5
15% Contingency	\$0.4
Total	\$2.9

Table 3: Capital Cost Estimate

Information Sheet 214 Funding Discussion: Despite the Company's current cash balance being greater than that required per Table 3 above, based on anticipated expenditures before first production, additional funding will be required to bring the Julius Gold Project into production. The Company's current market capitalisation of approximately \$30 million is significantly greater than the total capital required. As a result, the entity believes there are reasonable grounds for concluding that funding will become available to the entity as and when it is required by the Project's development or production schedules.

Total AISC² is estimated to be \$921 per ounce. These costs include all Project royalties and capital costs for the Stage 2 development which will be funded from cash flow.

Operating Cost Item	Base Case
Mining Costs per oz Au ¹ (per bcm ¹)	\$266 (\$8.2)
Haulage Cost per oz Au ³	\$159
Other Costs per oz Au (toll treatment, admin, royalties, rehab)	\$485
Total C3 Cash Cost per oz Au	\$910
Sustaining Capital ⁴	\$11
Total AISC per oz Au²	\$921

Table 4: Life of Mine Operating Costs

Note 1: Includes all pre-strip and waste

2: Total All-In Sustaining Cost per ounce of gold

3: Assumes total haulage distance of 80km at ~15c per t km

4: Includes allowances for haul road and site maintenance and Stage 2 cut-back



Regulatory Approvals

The Julius deposit is located on a granted Exploration Licence and within a Mining Lease Application. A Mining Proposal is currently being prepared to assist in the grant of the Mining Lease. Flora and fauna studies have been conducted and will be included within the Mining Proposal. Native Title/Heritage clearances will commence shortly.

Julius Project Upside

With the completion of this Study, the Company has commenced a Feasibility Study which will include follow up work to further de-risk and improve the Project's economics, including:

- Infill drilling;
- RC drilling to test for deeper mineralisation located between 50-100m vertical depth whereas the currently proposed pit has a maximum depth of 60m;
- Exploration in the vicinity of Julius on the margins of the granite which appears to control a large proportion of the existing gold mineralisation;
- Optimising mining and production schedules; and
- Optimising capital and operating costs.

Next Steps

The positive results from this Study indicate the Project's value and potential to provide substantial value to shareholders. The Company will look to advance all facets of Project development as soon as practicable and has commenced work on a Feasibility Study to refine key elements of the Project and advance the approvals process.

For further information please contact

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Appendix 1 – Modifying Factors

The Mining Inventory (see Table 2 above) is based on existing Mineral Resources (refer to the Company's ASX Announcement of 8 April 2016), and there has been no conversion of the Mineral Resource to Ore Reserves as a result of this Study. Key mining parameters used in the Study are as follows.

The Julius open pit Resource model included the following modifying factors:

- Cut-off grade of 0.5g/t Au
- Mining dilution of 10%
- Mining loss of 5%
- Overall pit slope angles are 45%
- Ramp width of 12m with a gradient of 1 in 9
- Batter angles range from 45-65 degrees and berm heights of 20m with berm widths of 5m.

Appendix 2 – Key Risks

Key risks identified during the course of the Study include, but are not limited to:

- USD Gold price and USD:AUD exchange rate
- Changes to capital and operating costs
- Conversion of existing Resources to Reserves
- Metallurgical recoveries through third party mills
- Project financing
- Regulatory approvals.



Appendix 3 – Forward Looking and Cautionary Statements

No New Information or Data

This announcement contains references to Mineral Resource estimates, all of which have been cross referenced to previous market announcements made by the Company. The Company confirms that it is 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.

Cautionary Statement – “Mining Inventory”

The Company wishes to advise that the Mining Inventory includes a small proportion (~5%) of Inferred Resources and is not an Ore Reserve and will not be classified as such until a pre-feasibility study has been undertaken. The term has been used to refer to Mineral Resources to which reasonable assumptions relating to Modifying Factors in the Julius open pit Resources, detailed in Appendix 1, have been applied.

Competent Persons Statement

The information in this report relating to 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. The information in this announcement that relates to Exploration Results and metallurgical considerations is based on information compiled by Simon Coxhell, a Director of Echo Resources and a member of the Australasian Institute of Mining and Metallurgy. Both have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are 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 and Mr Coxhell consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Forward Looking Statements

This announcement may contain certain “forward-looking statements” which may not have been based solely on historical facts, but rather may be based on the Company’s current expectations about future events and results. Where the Company expresses or implies an expectation of belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to Resource risk, metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the Countries and States in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Cautionary Statement - Production Target

There is a 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.