



# Echo Resources Limited

ACN 108 513 113

27 October 2016

ASX Code: EAR

## Quarterly Activities Report

For the quarter to 30 September 2016

### Highlights

#### Echo and Metaliko Merger Transaction

- Metaliko shareholders to receive 1 new Echo share per 2.5 Metaliko shares held by way of an off-market takeover offer
- Merger will 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 gold mineral resources (JORC 2004 and JORC 2012) in excess of 800,000 ounces<sup>1</sup>, and a total landholding of approximately 1,600 km<sup>2</sup> between the operating Jundee and Darlot gold mines
- Transaction provides a clear development pathway for both Companies and is unanimously recommended by the Metaliko board in the absence of a superior offer
- Meeting of Echo shareholders to approve transaction to be held on 11 November 2016.

#### Julius Gold Project

- Bankable Feasibility Study (BFS) well advanced with substantial drilling and testwork completed
- Completion of an infill and step-out drill program completed with results including<sup>2</sup>:
  - 22 metres @ 10.75 g/t Au from 30 metres (JAC085)
  - 17 metres @ 21.60 g/t Au from 32 metres (JAC089)
  - 19 metres @ 20.98 g/t Au from 34 metres (JAC092)
- Comprehensive metallurgical testwork program demonstrated excellent total gold recoveries from samples within the proposed Stage 1 Julius open pit
- BFS on track for completion by the end of 2016.

#### Corporate

- Mr. Simon Coxhell appointed Chief Executive Officer
- Closing cash balance of \$1.9 million.

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

<sup>2</sup> Refer to ASX Announcements dated 22 October and 16 September 2016 for full details and results



## Echo and Metaliko to Merge<sup>3</sup>

On 29 September 2016 Echo Resources Limited (“Echo”) and Metaliko Resources Limited (“Metaliko”) announced that they had 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.

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 at the Annual General Meeting of the Company on 11 November 2016.

### Strategic Rationale for the Transaction

The combination of Echo and Metaliko via the transaction 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>4</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.

<sup>3</sup> For full details of the proposed merger please refer to ASX Announcements released on 29 September 2016 titled Echo Resources to acquire Metaliko Resources and Bid Implementation Agreement

<sup>4</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.

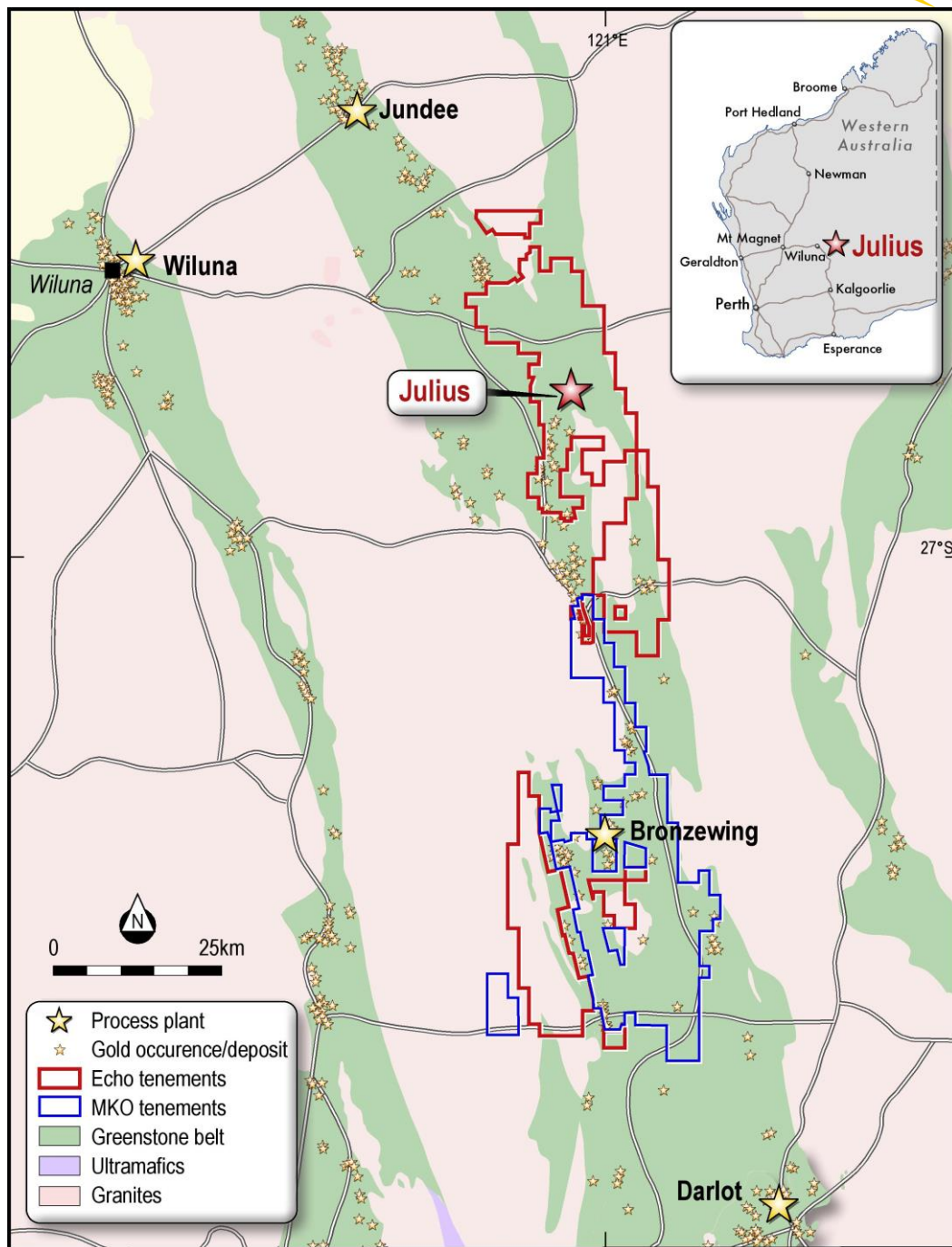


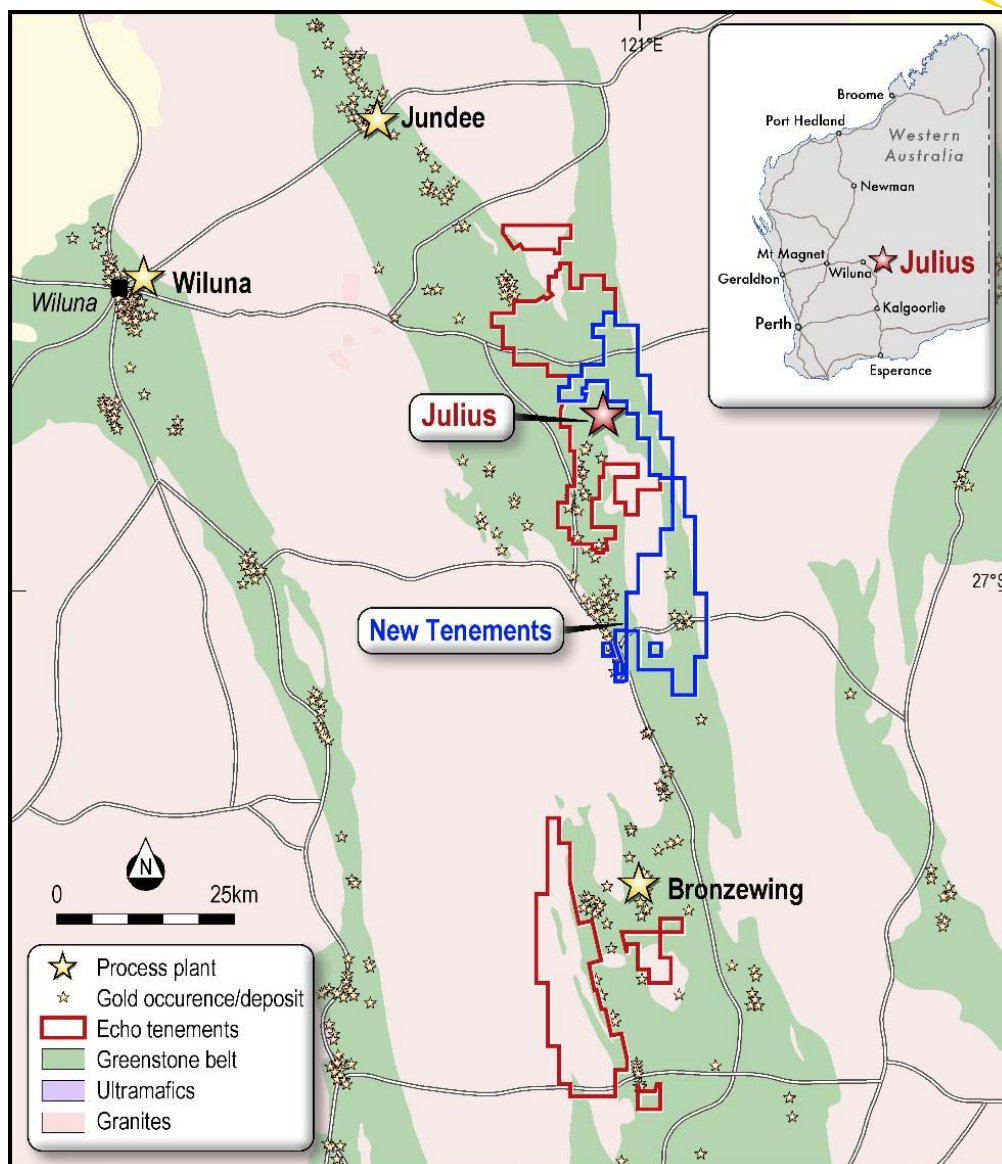
Figure 1: Combined Tenement Map

## Operational Activities

Project development activities during the quarter were focussed on advancing the 100% owned Julius Gold Project, located approximately 450 kilometres north of Kalgoorlie and 70 kilometres east of Wiluna.

## Significant Addition to Yandal Footprint

Early in the Quarter, Echo acquired a tenement which provides access to large contiguous exploration landholding proximate to the Julius gold deposit as well as a 70% interest in tenement applications over 215km<sup>2</sup> of prime Yandal exploration ground located immediately to the south of Echo's existing large landholding. The new southernmost tenure included two shallow gold deposits; Lowlands and Slav Well as well as a number of other prospects with multiple historical gold intersections.



**Figure 2 – Location of tenements acquired during the quarter**

Subsequent to the quarter the Company completed this transaction which resulted in the issue of 1 million fully paid ordinary shares to the vendor on 14 October 2016.

### Julius Gold Project – Infill and Step-Out Drilling

On 21 July 2016 the Company provided a Bankable Feasibility Study (BFS) update to shareholders specifically noting that substantial infill and step-out drilling was underway to increase the definition of the existing resources at the Julius gold deposit as well as potentially increase its overall size.

In total 67 aircore holes were drilled for 2,879 metres with an average depth of 42 metres extending throughout the surface footprint of the proposed Stage 1 pit. All aircore samples were submitted to the laboratory for analysis with results released subsequent to quarter end. RC and Diamond drilling at Julius was also completed with a total of 53 reverse circulation holes for 5,113 metres and 9 HQ diamond holes for 481 metres completed.

Drilling was completed on a 10m x 10m pattern designed to accurately quantify the tonnes and grade of previously defined soft oxide gold mineralisation present between 24 and 60 metres vertical depth. Outstanding additional high grade gold was intersected at the northern end of the proposed Stage 1 open pit, including:



- 22 metres @ 10.75 g/t Au from 30 metres (JAC085)
- 17 metres @ 21.60 g/t Au from 32 metres (JAC089)
- 19 metres @ 20.98 g/t Au from 34 metres (JAC092).

For full details of infill drilling results available to date refer to ASX Announcements dated 22 October and 16 September 2016 as well as Appendix 1 for sample cross sections.

## Julius Gold Project – Metallurgical Testwork Delivered Excellent Results

During the quarter Echo also released the results of a comprehensive metallurgical testwork program which demonstrated excellent total gold recoveries from samples within the proposed Stage 1 Julius open pit.

The test work program was designed to test gold recoveries via a combination of gravity and cyanide leach processes. Total gold extraction (gravity gold plus cyanide leach gold) for three composite samples (each from different ore zone) returned the following results:

Ore Type	Gravity Gold Recovery	Total Gold Recovery
Laterite Zone	30%	96.7%
Upper Oxide Zone	67%	96.9%
Lower Oxide Zone	77%	99.8%

**Table 1 – Total Extraction Metallurgical Results**

The results demonstrated outstanding overall gold recoveries, as high as 99.8% from the lower oxide zone. In addition, results have shown a high proportion of gold is recoverable by a gravity process which reduces the burden on the Carbon in Leach (CIL), elution and carbon reactivation circuits, thereby potentially lowering operating costs substantially.

	Laterite	Upper Oxide	Lower Oxide
<b>Gold Extraction</b>	<b>95.3%</b>	<b>90.8%</b>	<b>99.1%</b>
Cyanide consumption (kg/t)	0.82	0.76	0.86
Lime consumption (kg/t)	4.9	7.2	3.0

**Table 2 – Bottle Roll Leach Metallurgical Results**

Comminution metallurgical testwork on diamond core samples are currently being undertaken by ALS Ammtec in conjunction with Orway Mineral Consultants. This work will advise on the optimum crushing and grinding circuit for the Julius ore and will also estimate comminution consumables including power demand, grinding media and crusher wear parts.

For full details of infill drilling results available to date refer to ASX Announcements dated 16 August 2016.

## Corporate

At 30 June 2016 Echo held \$1.9 million in cash.

In August the Company held a General Meeting with all resolutions strongly supported by shareholders, including the election of Mr Barry Bolitho as a director of the Company in which 47% of all Echo shares voted FOR his election.

In addition, the Board formally appointed existing director Mr Simon Coxhell as Chief Executive Officer of Echo. Mr Coxhell was appointed as a director by shareholders in February 2016 and has worked diligently to understand and document the value of Julius and the other assets of the Company, culminating in the release of a maiden Mineral Resource estimate and Scoping Study for Julius. Mr Coxhell's blend of past experience ranging from exploration through to production, predominantly in the gold sector, coupled with his previous Executive Director roles will provide Echo with an ideal skillset to lead the Company through this exciting phase of growth.



**For further information please contact:**

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For further information about Echo please visit our website at [www.echoresources.com.au](http://www.echoresources.com.au)





## APPENDIX 1 – JULIUS INFILL AND STEP OUT DRILLING RESULTS

The programme of aircore drilling totalled 67 holes for 2,879 metres with an average depth of 42 metres extending throughout the surface footprint of the proposed Stage 1 pit. RC and Diamond drilling at Julius has also finished with a total of 53 reverse circulation holes for 5,113 metres and 9 HQ diamond holes for 481 metres completed.

A cross-section of a number of results received to date and released in ASX Announcement dated 16 September 2016 are provided below.

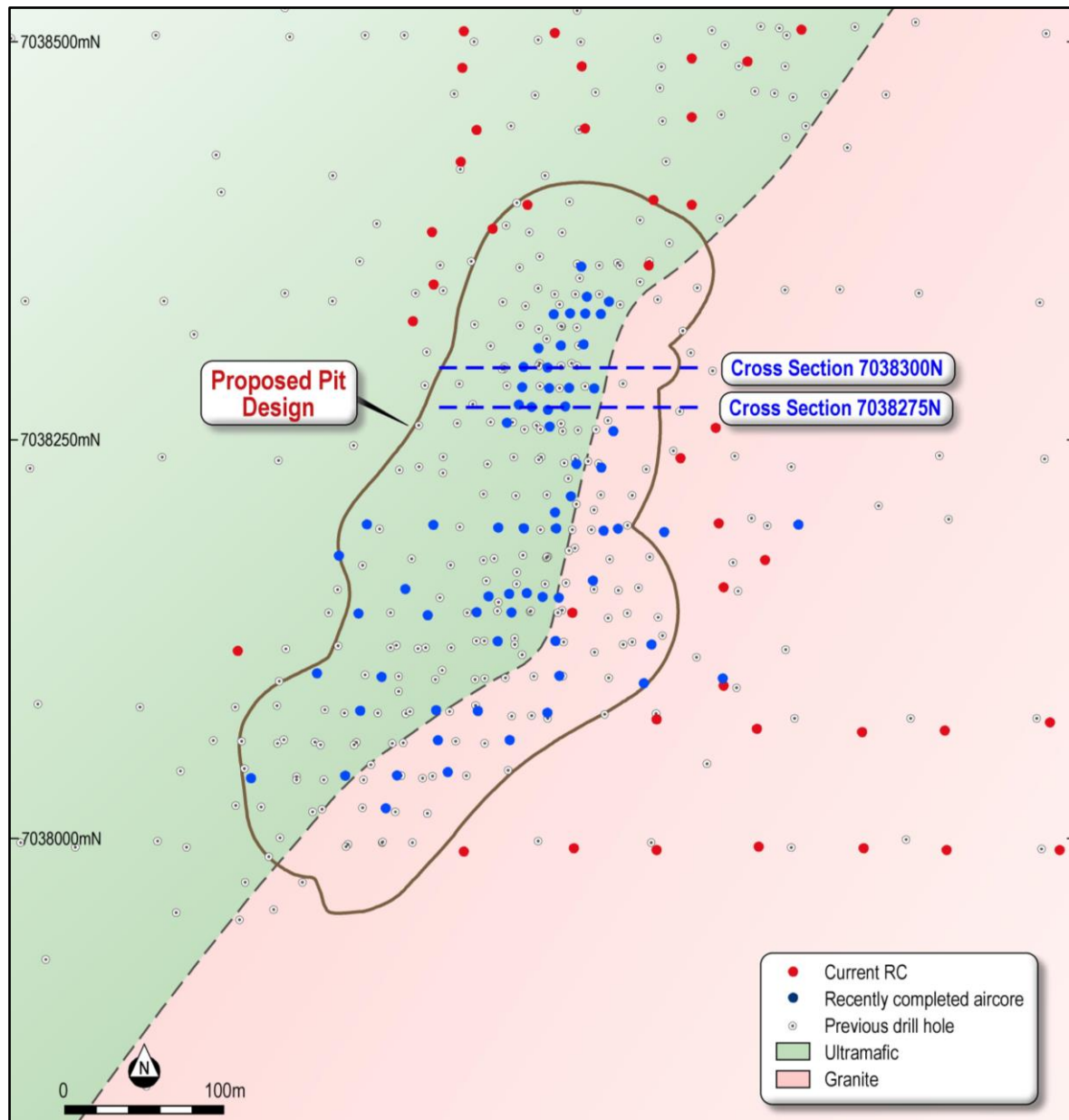


Figure 3: Julius Drilling

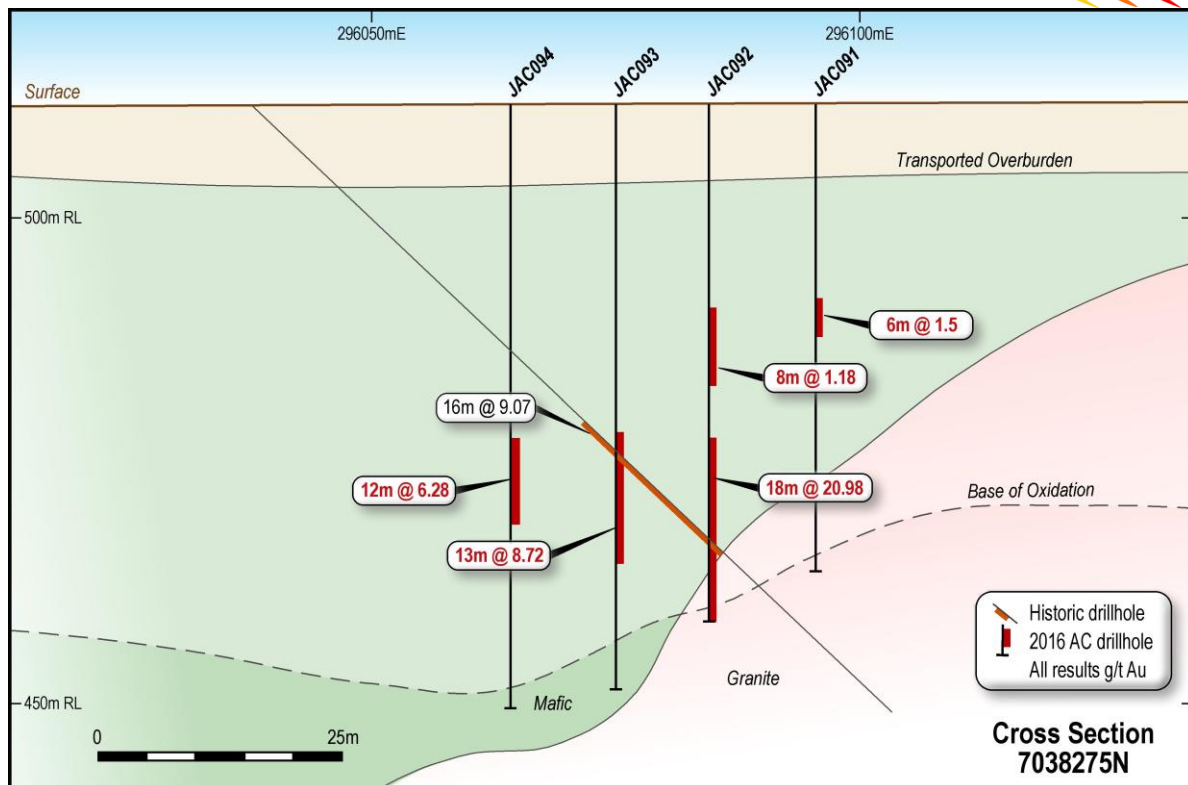


Figure 4: Julius Cross Section 7038275N

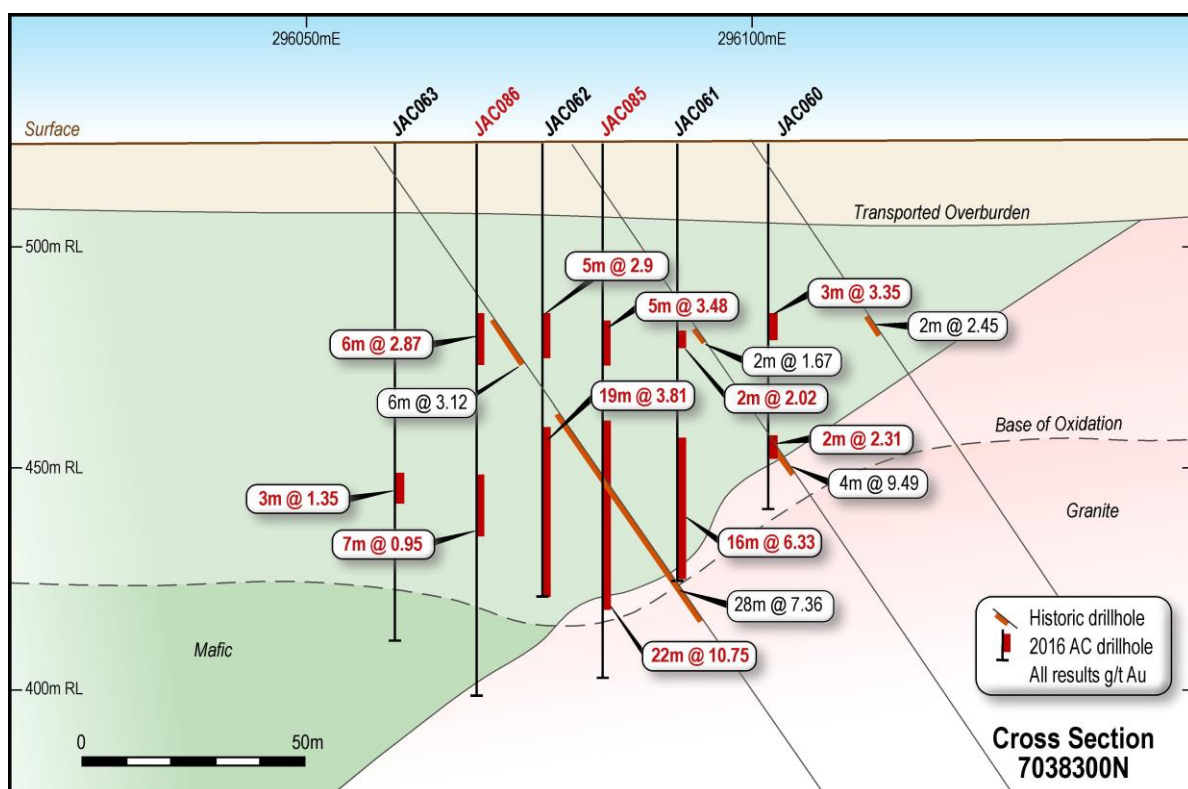


Figure 5: Julius Cross Section 7038300N



## Appendix 2 – 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	Ownership	Cut-off		
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	Ownership	Cut-off		
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.

## APPENDIX 3 – CAUTIONARY STATEMENTS AND DISCLAIMERS

### 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 they operate in. They do, however, relate to future matters subject to various inherent risks and uncertainties. Actual events or results may differ materially from events or results expressed or implied by any forward looking statements. 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 4 – TENEMENT HOLDINGS AS AT 30 SEPTEMBER 2016

Tenement ID	Status	Ownership at Quarter End	Interest Acquired During the Quarter	Interest Disposed During the Quarter
M53/183	Granted	100%	-	-
M53/186	Granted	100%	-	-
E36/810	Granted	100%	-	-
E53/1430	Granted	100%	-	-
M53/631	Granted	100%	-	-
M53/1080	Granted	100%	-	-
M53/144	Granted	100%	-	-
M53/145	Granted	100%	-	-
L53/59	Granted	100%	-	-
E36/715	Granted	100%	-	-
M53/721	Granted	100%	-	-
E53/1324	Granted	100%	-	-
M53/170	Granted	100%	-	-
E53/1586	Granted	100%	-	-
M53/379	Granted	100%	-	-
E36/667	Granted	100%	-	-
M53/160	Granted	100%	-	-
M53/434	Granted	100%	-	-
M53/555	Granted	100%	-	-
E53/1405	Granted	100%	-	-
E53/1546	Granted	100%	-	-
M53/149	Granted	100%	-	-
M53/220	Granted	100%	-	-
E53/1736	Granted	100%	-	-
P53/1515	Granted	100%	-	-
E36/826	Granted	100%	-	-
E53/1042	Granted	100%	-	-
E53/1472	Granted	100%	-	-
L53/203	Granted	100%	100%	-
L53/57	Granted	100%	-	-
L53/204	Granted	100%	-	-
EPM14909	Granted	100%	100%	-
EPM17077	Renewal	100%	-	-