

For personal use only



ECHO RESOURCES LIMITED

ACN 108 513 113

FINANCIAL REPORT

FOR THE HALF YEAR END

31 DECEMBER 2010

Contents	Page
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	10
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	11
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	12
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	13
CONSOLIDATED STATEMENT OF CASH FLOWS	14
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	15
DIRECTORS' DECLARATION	17
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS	18

These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by Echo Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

Your Directors are pleased to present their report on the consolidated entity consisting of Echo Resources Limited and the entity it controlled at the end of, or during, the half-year ended 31 December 2010.

DIRECTORS

The names of the Directors who held office during or since the end of the half-year, to the date of this report, are:

- Peter Andrews (Non-Executive Chairman)
- Ernst Kohler (Managing Director)
- Graham Anderson (Non-Executive Director and Company Secretary)

REVIEW OF OPERATIONS

The half-year was very productive for Echo. Major advances were made at the Julius Gold Discovery, which is situated in the Yandal Gold Province, between the multi-million ounce Jundee and Bronzewing – Mount McClure gold deposits (Figure 1). The Yandal Gold Province has the potential to host large undiscovered gold deposits undercover.

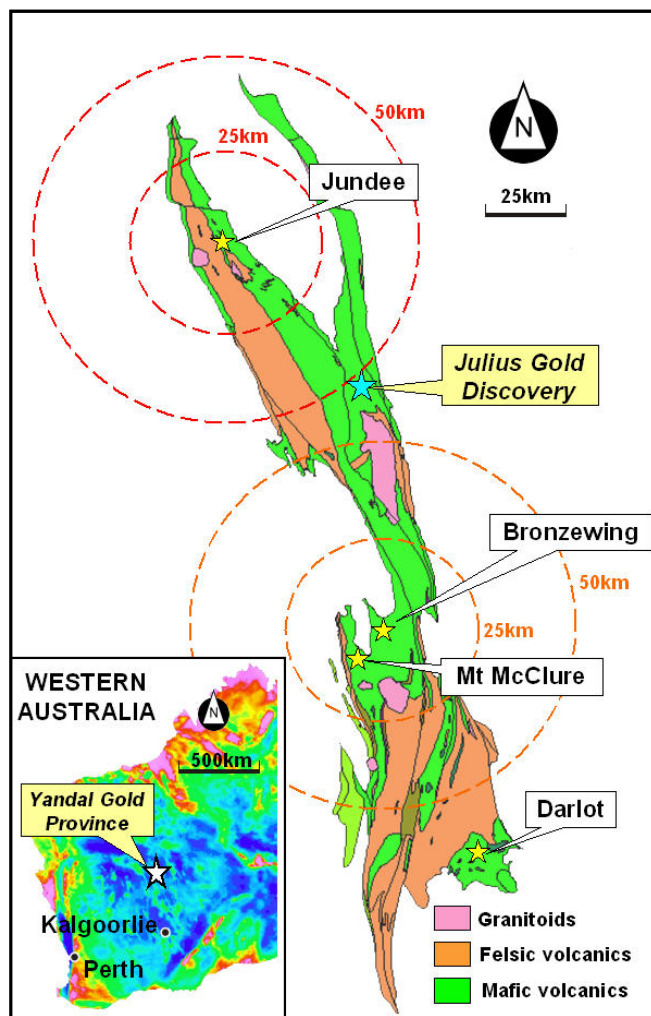


Figure 1: Yandal Gold Province.

The bedrock geology at Julius is comprised of ultramafic rocks in structural contact with granodiorite along a west-dipping shear zone. The Julius shear zone forms part of a large gold mineralised fault complex in the central Yandal Gold Province. The principal structural trends at Julius are similar to those hosting the major gold lodes at Jundee (Figure 2A). Geophysical data also show that the fault complex straddles a deep-seated contact or structure termed the Bungara Worm (Figure 2B). The Bungara Worm is interpreted as the pathway for gold-bearing hydrothermal fluids sourced from deep in the crust.

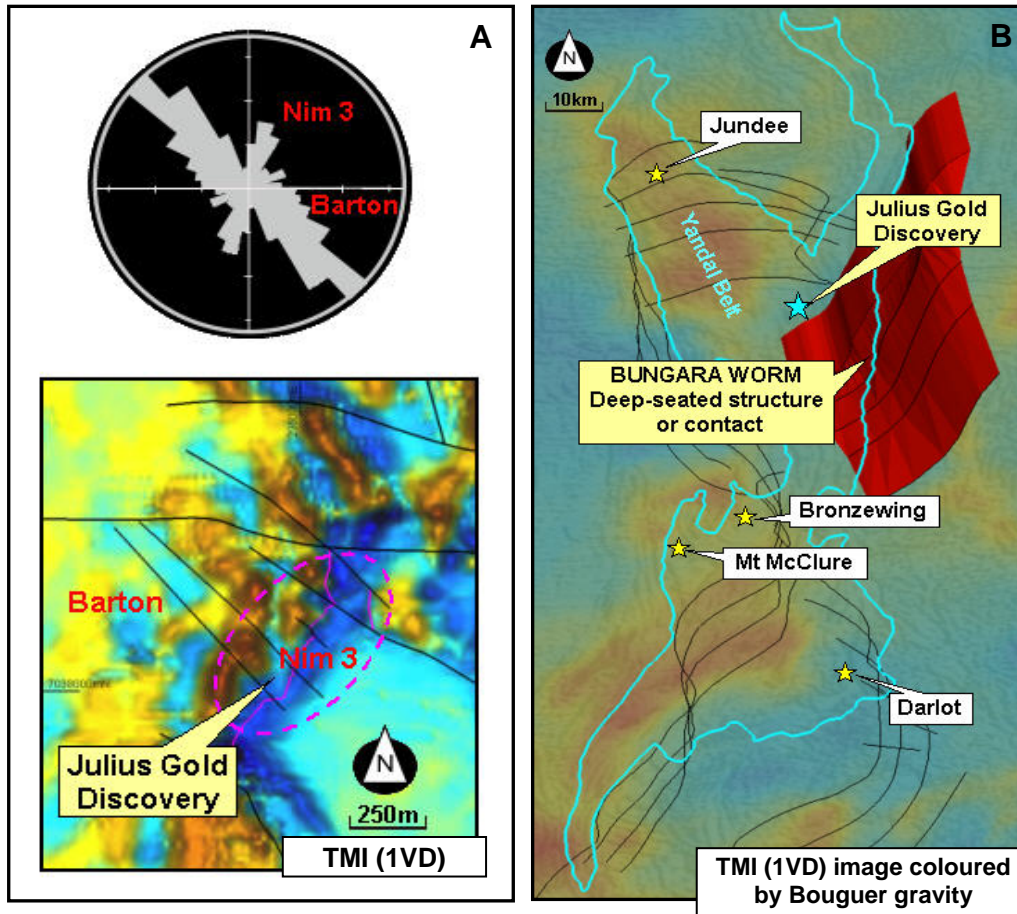


Figure 2: A - strike orientations of the major Barton and Nim 3 gold lode trends at Jundee (top), and similar interpreted structural orientations at the Julius Gold Discovery (bottom). B - 3D model of the Bungara Worm.

Reverse circulation (RC) drilling at Julius during the Half Year returned the following high-grade intercepts (Figure 3; Table 1):

2m @ 7.6g/t Au within 4m @ 4.2g/t Au

2m @ 8.9g/t Au within 12m @ 2.9g/t Au

1m @ 16.7g/t Au within 4m @ 5.2g/t Au

2m @ 6.7g/t Au within 5m @ 4.5g/t Au

2m @ 6.9g/t Au within 5m @ 3.5g/t Au

The latest drilling results confirm the presence of high-grade shoots along several larger gold lodes at Julius, including lodes hosted entirely by granodiorite east of the Julius shear zone.

The gold mineralisation is open to the west, north and east (Figure 4).

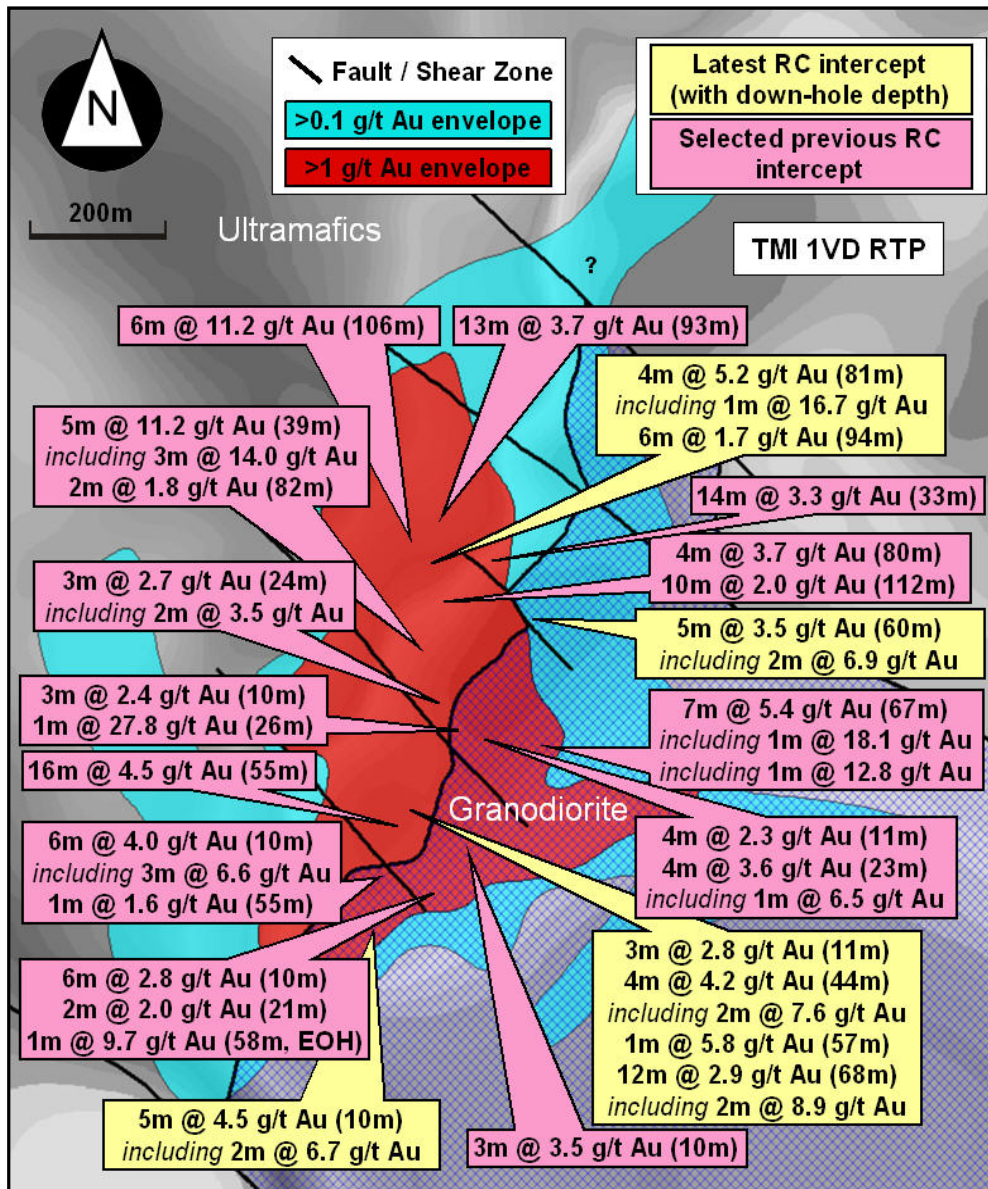


Figure 3: Summary of RC drill intercepts, Julius Gold Discovery.

Gold lodes at Julius are associated with muscovite-biotite-calcite-silica alteration containing minor pyrite and rare chalcopyrite. The mineralised zones typically contain elevated molybdenum (Mo), tellurium (Te) and bismuth (Bi). These elements extend beyond the gold zone, and may be used to locate gold mineralisation in both weathered and fresh bedrock.

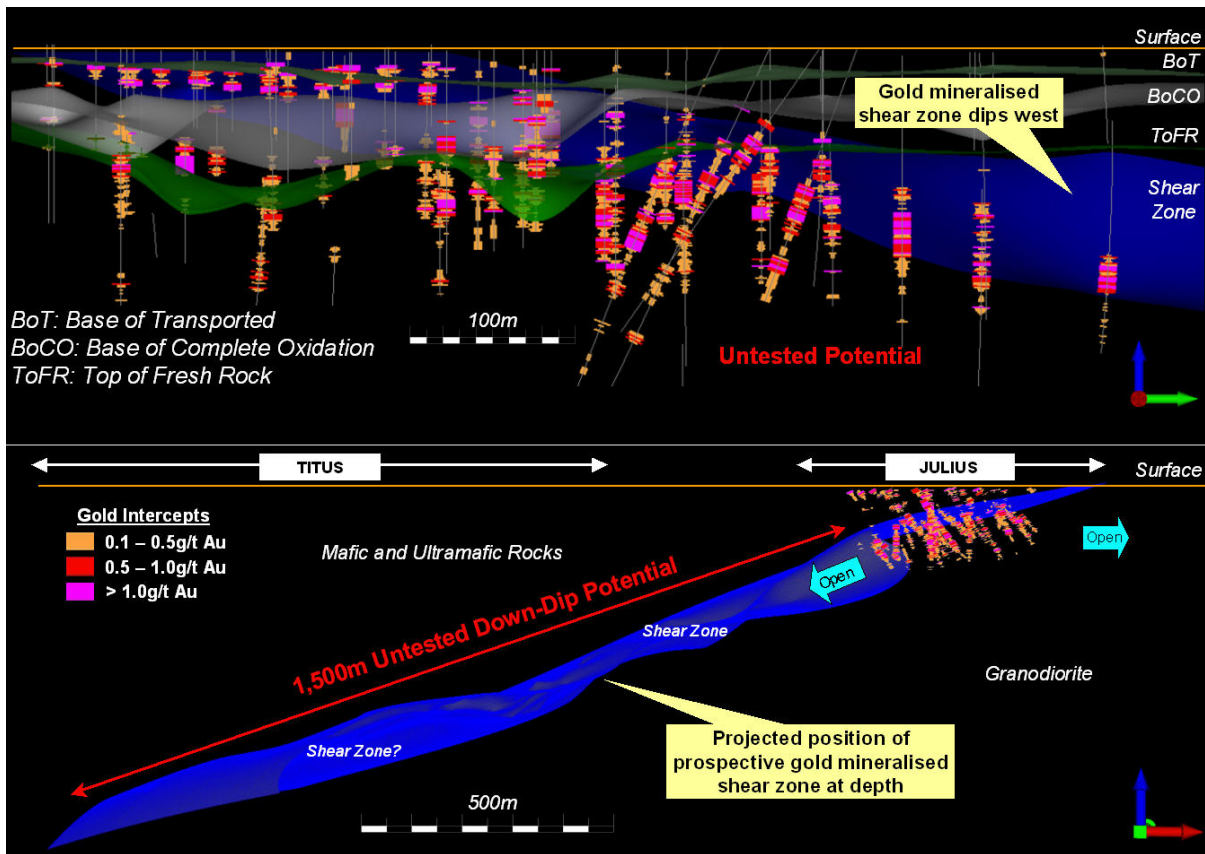


Figure 4: Julius Gold Discovery: long-section looking west (top) and schematic cross-section (bottom).

Scout drill holes at the Titus Target have located a 2km long Bi anomaly beneath a palaeochannel complex west of the Julius Gold Discovery (Figure 5). The Titus Bi anomaly may reflect primary dispersion of Bi from a blind gold mineralised system.

Echo has completed a pre-collar for a step-out RC / diamond core (DC) hole to the west of Julius (Figure 6). This hole is designed to test if the Julius gold zone extends 650m down-dip from previous RC drilling, based on geophysical data showing that the granodiorite body has a down-dip extent of approximately 1,500m (Figure 4). The sheared ultramafic-granodiorite contact is interpreted to pass beneath the Titus Target.

The RC pre-collar for the step-out drill hole intersected hydrothermally altered mafic and ultramafic rocks containing anomalous Mo, Te and Bi above the gold target zone. Drill samples show biotite, calcite and pyrite-chalcocopyrite alteration similar to that recorded above gold mineralised zones at Julius. The logging and geochemical results are interpreted to reflect primary dispersion of hydrothermal fluids and pathfinder elements from a potential gold lode located below the pre-collar.

An aggressive follow-up RC and DC drilling program is planned for Julius and will commence as soon as weather and ground access conditions permit.

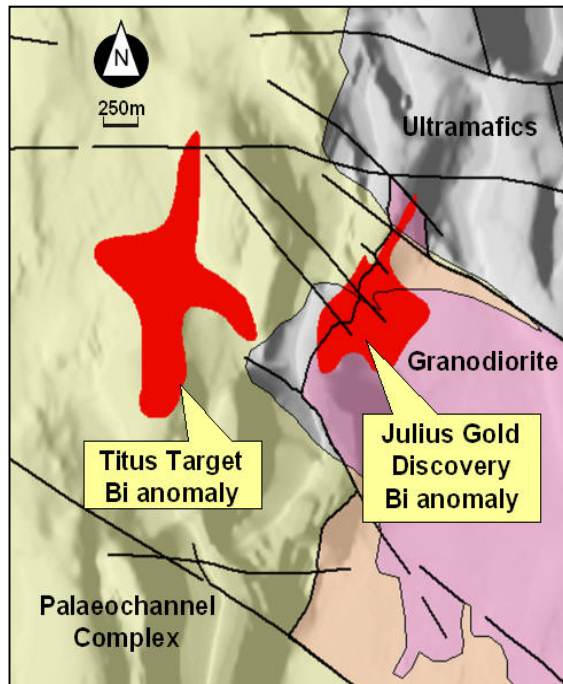


Figure 5: Titus Target Bi anomaly.

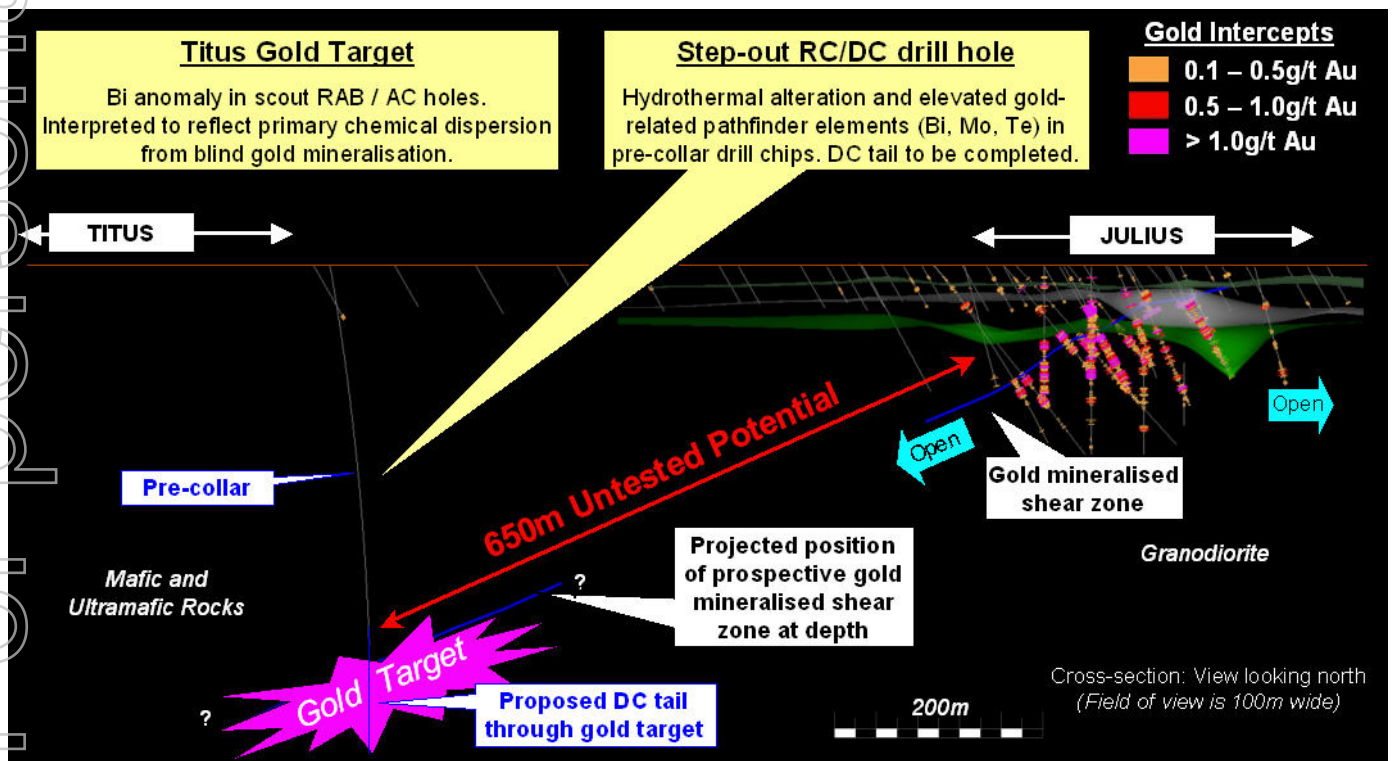


Figure 6: Cross-section view of drilling at the Julius Gold Discovery.

Table 1: Drill intersections

Hole No.	Northing (mN)	Easting (mE)	Dip	Azimuth	From (m)	To (m)	Interval (m)	Assay grade (g/t Au)	Interval width x assay grade (m x g/t Au)
ERC133	7,038,343	296,059	-55°	180°	60	65	5	3.5	17.5
including					62	64	2	6.9	13.8
					71	73	2	4.3	8.6
ERC134	7,038,364	295,967	-70°	180°	81	85	4	5.2	20.8
including					81	82	1	16.7	16.7
					94	100	6	1.7	10.2
ERC139*	7,037,994	295,916	-60°	90°	11	14	3	2.8	8.4
					22	24	2	2.2	4.4
					44	48	4	4.2	16.9
including					44	46	2	7.6	15.1
					51	52	1	1.1	1.1
					57	58	1	5.8	5.8
					63	64	1	1.5	1.5
					68	80	12	2.9	34.3
including					70	72	2	8.9	17.8
ERC143	7,037,865	295,831	-75°	90°	10	15	5	4.5	22.3
including					11	13	2	6.7	13.3

1m riffle split samples assayed by fire assay with AAS finish (SGS Kalgoorlie). The intercepts were calculated using a minimum edge cut-off of 1.0g/t Au and up to 2m wide intervals of internal dilution. No assay top-cut was applied. The drilling locally encountered high water flows and further work is needed to confirm that these results are representative. The intercept widths may not reflect true mineralisation widths. Minor discrepancies in the calculated m x g/t Au values are due to rounding of the interval assays. * Drill hole ERC139 terminated prematurely at a depth of 81m in a mineralised zone due to drilling difficulties.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Dr Ernst Kohler who is a Member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Dr Kohler is Managing Director of Echo Resources Limited. Dr Kohler has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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'. Dr Kohler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information in this presentation relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resource Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. Any potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

This report may contain forward-looking statements concerning the potential of Echo's exploration projects and proposed exploration programs. No assurance can be given that Echo's proposed plans for the exploration of its project areas will proceed as planned, or that they will result in the discovery or delineation of additional or new mineral deposits, or that any mineralisation discovered will be amenable to economic extraction, or that the tenement applications will proceed to grant. Nothing in this announcement should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities.

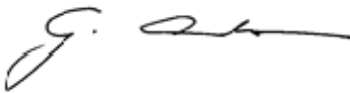
RESULTS OF OPERATIONS

The Company incurred an after tax operating loss for the half-year ended 31 December 2010 of \$561,360 (2009: \$483,549).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

This report is made in accordance with a resolution of Directors and signed for and on behalf of the Directors by:



Graham Anderson
Director

Perth, Western Australia
16 March 2011

16 March 2011

Board of Directors
Echo Resources Limited
Suite 2, 35-37 Havelock Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE BOARD OF DIRECTORS OF ECHO RESOURCES LIMITED

As lead auditor of Echo Resources Limited for the period ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Echo Resources Limited and the entity it controlled during the period.



Phillip Murdoch
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

For personal use only

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Note	Half-year	
		2010 \$	2009 \$
REVENUE FROM CONTINUING OPERATIONS	2	41,251	17,790
EXPENDITURE			
Exploration and evaluation expenses	2	(493,001)	(368,433)
Other expenses		(86,059)	(109,652)
Occupancy expenses		(23,551)	(23,254)
LOSS BEFORE INCOME TAX		(561,360)	(483,549)
Income tax benefit expense		-	-
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF ECHO RESOURCES LTD		(561,360)	(483,549)
Other comprehensive income for the half-year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR ATTRIBUTABLE TO THE OWNERS OF ECHO RESOURCES LIMITED		(561,360)	(483,549)
Basic and diluted loss per share (cents)		(0.85)	(1.10)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	31 December 2010 \$	30 June 2010 \$
CURRENT ASSETS		
Cash and cash equivalents	721,739	1,304,706
Trade and other receivables	47,056	49,614
TOTAL CURRENT ASSETS	768,795	1,354,320
NON-CURRENT ASSETS		
Property, plant and equipment	77,488	79,741
Other financial assets	25,000	25,000
TOTAL NON-CURRENT ASSETS	102,488	104,741
TOTAL ASSETS	871,283	1,459,061
CURRENT LIABILITIES		
Trade and other payables	88,047	114,465
TOTAL CURRENT LIABILITIES	88,047	114,465
TOTAL LIABILITIES	88,047	114,465
NET ASSETS	783,236	1,344,596
EQUITY		
Contributed equity	7,200,782	7,200,782
Options Reserve	266,442	266,442
Accumulated losses	(6,683,988)	(6,122,628)
TOTAL EQUITY	783,236	1,344,596

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Contributed Equity	Accumulated Losses	Options Reserve	Total Equity
CONSOLIDATED				
Balance 1 July 2009	6,359,500	(5,216,519)	266,442	1,409,423
Total comprehensive income for the half year	-	(483,549)	-	(483,549)
Transactions with owners in their capacity as owners	-	-	-	-
Balance 31 December 2009	6,359,500	(5,700,068)	266,442	925,874

	Contributed Equity	Accumulated Losses	Options Reserve	Total Equity
CONSOLIDATED				
Balance 1 July 2010	7,200,782	(6,122,628)	266,442	1,344,596
Total comprehensive income for the half year	-	(561,360)	-	(561,360)
Transactions with owners in their capacity as owners	-	-	-	-
Balance 31 December 2010	7,200,782	(6,683,988)	266,442	783,236

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-year	
	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Government exploration grant received	16,500	-
Payments to suppliers and employees	(152,319)	(116,574)
Payments for exploration	(467,038)	(350,228)
Interest received	19,890	15,122
Net cash outflow from operating activities	(582,967)	(451,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	-	-
Net cash outflow from investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from release of bonds	-	-
Net cash inflow from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(582,967)	(451,680)
Cash and cash equivalents at the beginning of the half-year	1,304,706	1,331,678
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	721,739	879,998

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements have been prepared under the historical cost basis.

These general purpose financial statements do not include all the notes of the type normally included in an annual financial statement. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Echo Resources Ltd during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern

The directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. Although the company incurred a net loss of \$561,360 and a net cash outflow from operating activities of \$582,967, the ability of the company to continue as a going concern is based on the successful completion of a capital raising within the next 12 months.

Half-year	
2010	2009
\$	\$

NOTE 2: REVENUE AND EXPENSES

(a) Revenue

Interest received	24,751	17,790
Exploration grant received	16,500	-
	41,251	17,790

(b) Employment related expenses

Wages and salaries	96,731	124,420
Superannuation	8,307	11,198
	105,038	135,618

NOTE 3: SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information. The Group does not have any customers, and all the Group's assets and liabilities are located within Australia.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: CONTINGENCIES

The Directors are of the opinion that there are no contingent liabilities as at 31 December 2010.

NOTE 5: DIVIDENDS

There were no dividends paid during the half-year ended 31 December 2010.

NOTE 6: EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen since 31 December 2010, which has significantly affected, or may significantly affect the operations of the group, the result of those operations, or the state of affairs of the group in subsequent financial years.

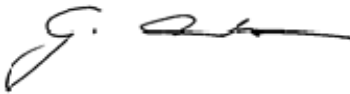
For personal use only

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 11 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with the *Corporations Regulations 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Echo Resources Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



Graham Anderson
Director

Perth, Western Australia
16 March 2011

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ECHO RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Echo Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entity it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Echo Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Echo Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

For personal use only

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Echo Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$561,360 during the half year and net operating cash outflows of \$582,967. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch
Director

Perth, Western Australia
Dated this 16th day of March 2011

For personal use only