2010 Annual Report

EXCO RESOURCES LTD

EXCO RESOURCES LTD

ABN: 99 080 339 671

DIRECTORS

Barry Sullivan (Chairman)

Michael Anderson (Managing Director)

Alasdair Cooke (Executive Director)

Peter Reeve (Non-executive Director)

Craig Burton (Non-executive Director, Resigned 30 March 2010)

SECRETARY

Eamon Byrne

MANAGEMENT

Bruce McLarty (Commercial Manager)

Geoff Laing (Corporate & Project Development Manager)

Steve Konecny (Exploration Manager)

Christine Shore (Resource Manager)

PRINCIPAL & REGISTERED OFFICE

Level 2, 8 Colin Street

West Perth Western Australia 6005

Telephone: (08) 9211 2000

Facsimile: (08) 9211 2001

Email: info@excoresources.com.au

Website: www.excoresources.com.au

SOLICITORS

Blakiston & Crabb

1202 Hay Street

West Perth Western Australia 6005

Blake Dawson

Level 32 Exchange Plaza

2 The Esplanade

Perth Western Australia 6000

AUDITORS

KPMG

235 St George's Terrace

Perth Western Australia 6000

SHARE REGISTRY

Advanced Share Registry Services

Unit 2, 150 Stirling Highway

Nedlands Western Australia 6009

Telephone: (08) 9389 8033

Facsimile: (08) 9389 7871

Annual Report 2010

Managing Director's Letter

Dear Shareholders

Without doubt we believe the last year to be the most important and successful in Exco's history to date. In April 2010 the Company made the significant transition from explorer to producer at the White Dam Gold Project in South Australia, whilst over the last 12 months we have also made substantial progress towards our key objectives at the Cloncurry Copper Project in north-west Queensland.

Recently a number of key investors were also attracted onto the Company's register, which bodes well as Exco's Board and Management look to optimise the development strategy for our portfolio of copper projects in and around Cloncurry.

The achievements to date at White Dam are particularly satisfying. Our joint venture partner, Polymetals Group Pty Ltd, played a key role in what was a text-book construction and commissioning phase. The first few months of operations have also gone extremely well. Production levels and prevailing gold prices are both well above target and, having enjoyed the financial support of Barclays Capital, we now shape to repay Barclays significantly ahead of schedule. As a result, Exco expects to benefit from substantial cash flows from the project throughout 2011. After such a successful start-up, the challenge is now to extend the life of the project. We remain confident that the near-mine exploration and resource development, which is well underway at Vertigo, White Dam North and Ambush, can do just that.

In north-west Queensland much of the Company's recent effort has been spent on progressing both the Definitive Feasibility Study and the approvals process for the Cloncurry Copper Project (CCP) through to a successful conclusion. As we near this important milestone our focus has also turned to selecting the optimum development scenario for the project. We are fortunate to have a number of potential options in this regard, but recognise the importance of making the right choice for the Company in a timeframe that ensures we capitalise on our opportunities. You can certainly rest assured that we will apply an objective approach with a view to maximising the value proposition for the Company and our shareholders.

In addition to the various study-related activities in north-west Queensland we have recommenced a targeted programme of exploration across our highly prospective portfolio. Having previously assembled a 'critical mass' of resources for the CCP, the aim of this exploration is to identify the next generation of discoveries. Initial results from prospects such as Tanbah and Salebury have been extremely encouraging, whilst work is also ongoing at Eight Mile Creek East and Turpentine. The latter form part of the promising Hazel Creek Project, which we see as the next logical development in Exco's pipeline of projects.

As always we have relied on contributions from our key personnel and numerous contractors and consultants, whose collective input has been a major factor in the Company's progress and achievements. I am often asked what it is that potentially differentiates Exco from our peers. I typically answer that any Company is only as good as its assets and people. We would suggest that the quality of our project portfolio is starting to speak for itself, and I have no doubt that the strength-in-depth and experience of the Exco Team, combined with our many established industry relationships, is an asset in itself.

So, all in all, a very eventful and positive year for Exco. That said I know I speak on behalf of my Board and Management colleagues in suggesting that the best has yet to come.

In closing I would sincerely like to thank all of our shareholders for your support and encouragement. We very much look forward to keeping you informed as our plans unfold, and of course remind you that you can always find up-to-date details of the Company's activities on the website www.excoresources.com.au

Michael Anderson
Managing Director

White Dam's positive performance has created the platform for Exco to become a successful and sizeable mining company.

CLONCURRY COPPER PROJECT (CCP), NW QUEENSLAND

(EXCO 100%)
Copper, Gold, Uranium

The Cloncurry Copper Project is centred approximately 40 kilometres north west of Cloncurry in NW Queensland. The project is made up of seven main deposits located in four different geological settings, three deposits in the Mt Margaret area (E1 North, South and East), two at Monkoff (Monakoff and Monakoff East), one deposit on the edge of Cloncurry at the historical Great Australia mine, and one deposit at the Mt Colin deposit (see **Figures 1, 2 & 6**). The project is centred around the E1 Camp which is located 8km east of the existing Ernest Henry Mine owned by Xstrata, in a region well serviced by infrastructure.

Total resources for the CCP now comprise **55.7Mt @ 0.85% Cu & 0.22 g/t Au** of which **9.17Mt @ 0.87% Cu & 0.25g/t Au** is in the Measured category and **28.7Mt @ 0.86% Cu & 0.22 g/t Au** is classified as Indicated (see **Table 1**).

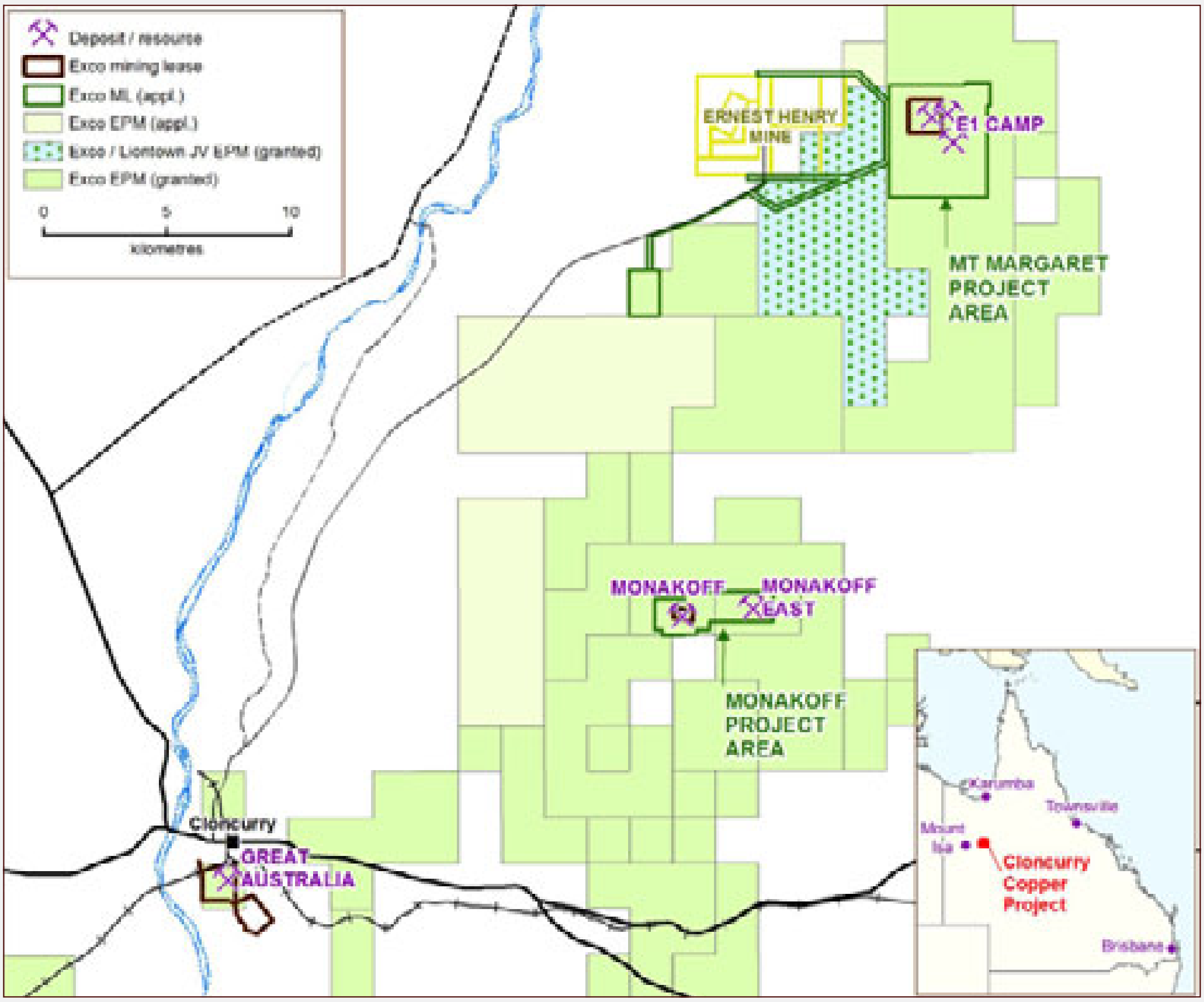

Figure 1: Location Map highlighting E1 Camp, Monakoff & Great Australia Deposits

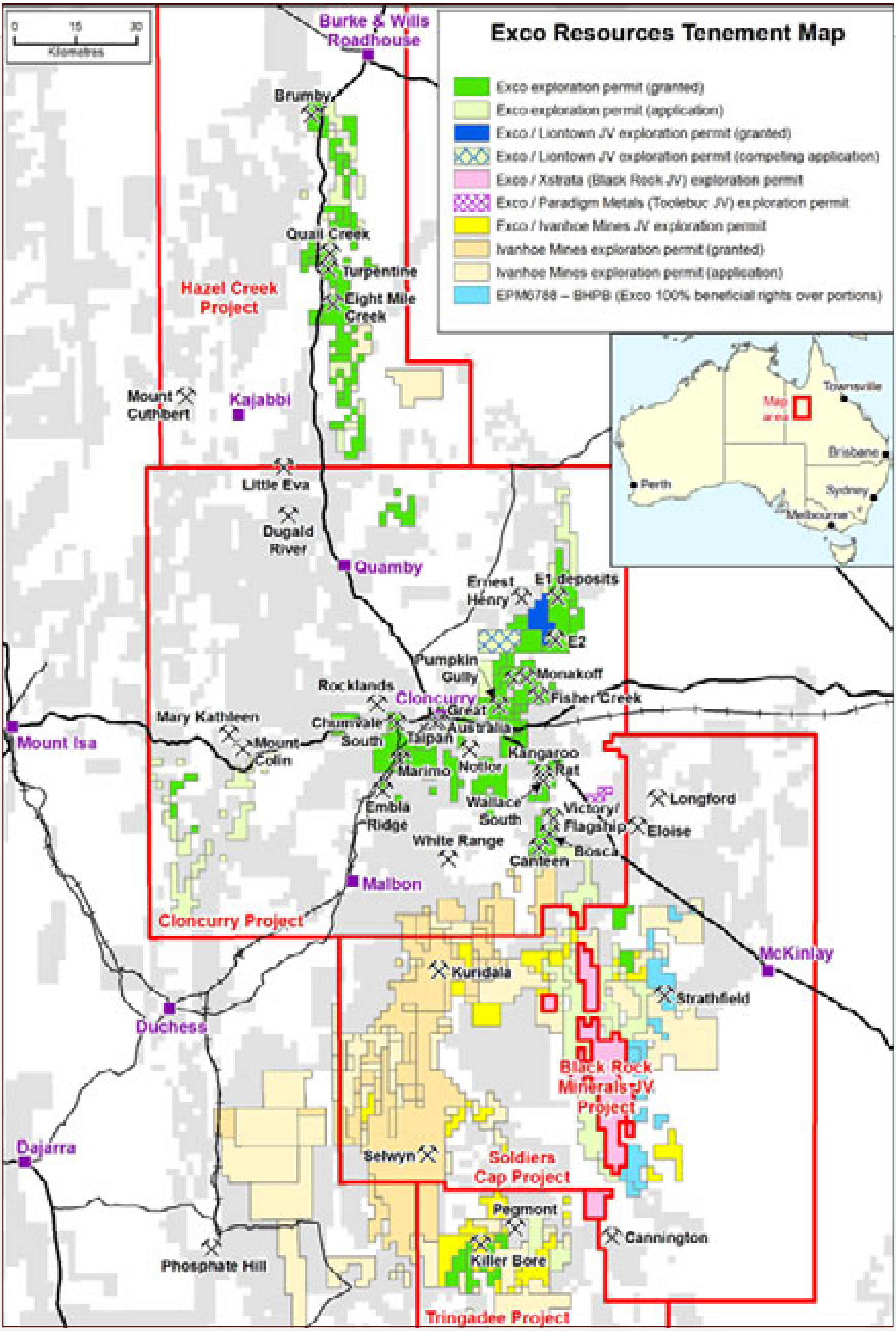

Figure 2: NW Queensland Tenement Map highlighting Exco's ground position & the location of key deposits & prospects

TABLE 1: EXCO RESOURCES – NW QUEENSLAND Cu-Au RESOURCE SUMMARY

Deposit	Class	Tonnes	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
E1 Camp (2)	Measured	9,170,000	0.87	0.25	80,000	75,000
	Indicated*	24,700,000	0.71	0.21	177,000	165,000
	Inferred*	14,200,000	0.64	0.2	91,000	90,000
	TOTAL	**48,100,000**	**0.72**	**0.21**	**348,000**	**330,000**
Monakoff (1)	Indicated	2,000,000	1.39	0.44	28,000	28,000
& Monakoff East	Inferred	2,000,000	1.3	0.4	25,000	26,000
	TOTAL	**4,000,000**	**1.32**	**0.42**	**53,000**	**54,000**
Great Australia (1)	Indicated	1,400,000	1.53	0.13	21,000	6,000
	Inferred	800,000	1.57	0.14	12,000	3,000
	TOTAL	**2,100,000**	**1.54**	**0.13**	**33,000**	**9,000**
Mt Colin (1)	Indicated**	620,000	3.14	-	19,500	-
	Inferred**	870,000	2.0	-	17,500	-
	TOTAL**	**1,490,000**	**2.47**	**-**	**37,000**	**-**
Sub-total – CCP	**Measured**	**9,170,000**	**0.87**	**0.25**	**80,000**	**75,000**
	Indicated	**28,720,000**	**0.86**	**0.22**	**246,000**	**199,000**
	Inferred	**17,870,000**	**0.82**	**0.21**	**146,000**	**119,000**
	ALL	**55,700,000**	**0.85**	**0.22**	**472,000**	**394,000**
OTHER DEPOSITS						
Turpentine	Indicated	1,627,000	1.04	0.21	17,000	11,000
	Inferred	215,000	0.9	0.16	2,000	1,000
	TOTAL	**1,841,000**	**1.03**	**0.2**	**19,000**	**12,000**
Taipan	Inferred	1,460,000	0.80	0.1	12,000	5,000
Kangaroo Rat (1)	Inferred	875,000	1.65	1.0	14,400	28,000
Wallace South	Inferred***	1,000,000	-	1.6	-	53,000
Victory-Flagship	Inferred	196,000	1.2	1.4	2,000	9,000
Sub-total - Other		**5,400,000**	**0.88**	**0.62**	**47,400**	**107,000**
TOTAL		**61.0 Mt**	**0.85**	**0.25**	**519,400**	**500,000**

Note: Discrepancies in totals are as result of rounding
(1) Granted Mining Lease
(2) ~30 % of E1 camp resources on a granted Mining Lease
Unless otherwise stated the above resources are reported at a 0.5% Cu cut-off
** E1 resources completed at 0.3%Cu cut-off*
*** Mt Colin resource cut-off = 1.25% Cu*
**** Wallace South resource cut-off = 0.5g/t*

E1 Camp

The E1 Camp (made up of E1 North, South, and East) is located 40km north-east of Cloncurry, and approximately 8km east of Xstrata's Ernest Henry mine (see **Figure 3**). The E1 Deposits lie beneath a flat pastoral landscape and are hosted in a series of steeply dipping, folded and brecciated meta-sediments and meta-volcanic lenses.

Previous drilling programmes at the E1 Camp have focused on the sulphide resource potential to a depth of only 200 metres. Each of the deposits remains open at depth, and the Company firmly believes that the current and future outlook for metal prices will support open pit mining to deeper levels. Drilling programmes have therefore been aimed at testing the resource potential, both along strike, and at depths of up to 300 metres, whilst infill drilling programmes have been aimed at converting the Inferred resources to the Indicated category.

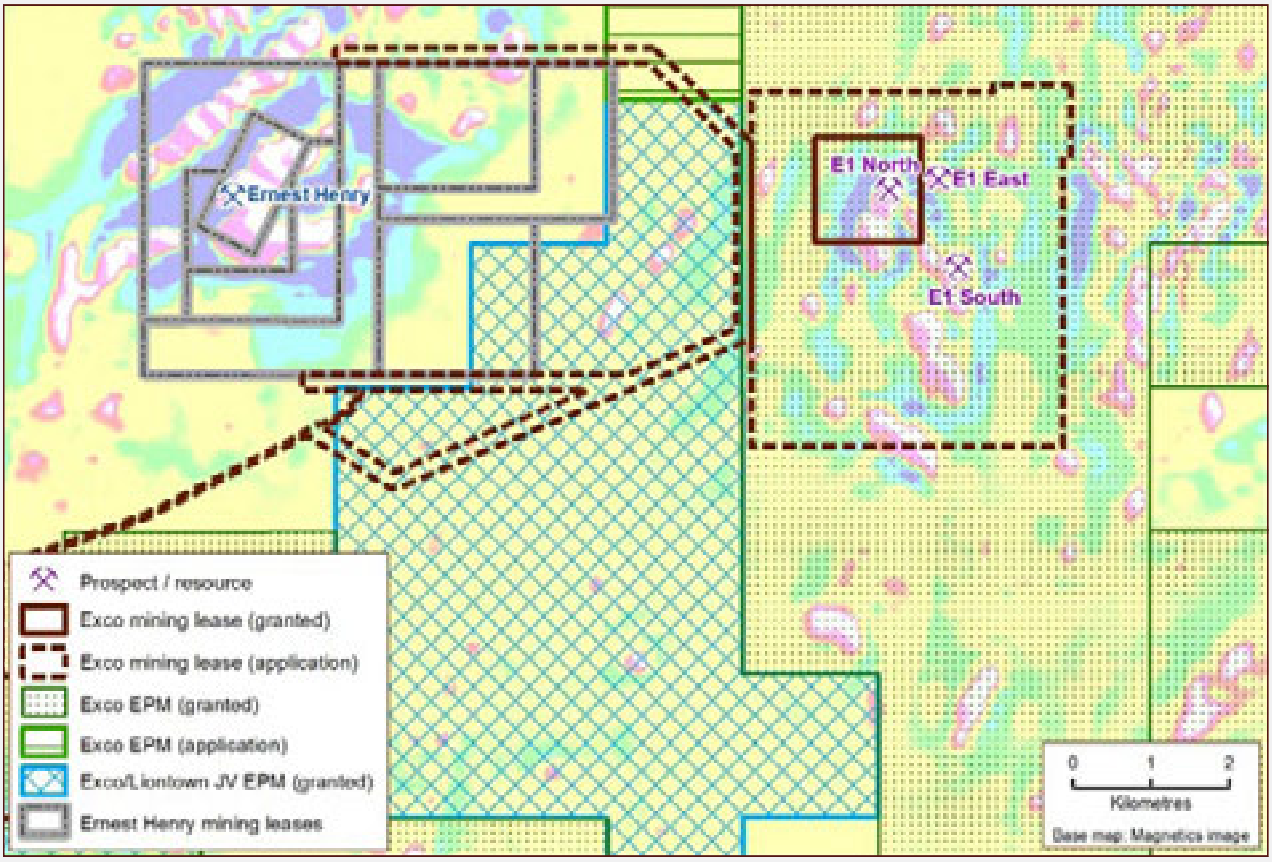

Figure 3: Location map showing E1 Camp and its proximity to Xstrata's Ernest Henry Mine

Throughout the year, detailed geological logging and modelling of the E1 deposits was completed, based on currently available information. The updated data has added to the confidence in the resource and allowed a total of **9.17Mt** to be classified as Measured (see **Table 2**).

The E1 resource estimate has been completed by using the ordinary kriging interpolation method in Surpac within geologically and geochemically defined units. The drilling has been completed on a nominal 25 x 50m grid in the core of the deposit and 50 x 50m at depth and along strike. The resource has been extrapolated by half the drill spacing past the last drill hole for each of the host units. The company had the resource reviewed by Runge Pty Ltd and it was found to be in accordance with the JORC code and therefore suitable for release.

Total resources for the CCP now comprise **55.7Mt @ 0.85% Cu & 0.22 g/t Au** of which **37.9 Mt @ 0.86% Cu & 0.22 g/t Au** has been classified as either Indicated or Measured (see **Table 1**).

The Company's revised interim goal of over 30Mt of Indicated resources within the CCP, as the basis for the DFS, has therefore now been achieved. The latest resource upgrades have also increased the Company's confidence that ongoing work will lead to the definition of a 25-30Mt mineable reserve as the basis for an operation centred at the E1 Camp, treating 2.5 to 3Mtpa over a 10 year project life.

TABLE 2: E1 CAMP RESOURCE SUMMARY

Deposit	Class	Tonnes	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
E1 Camp	Measured	9.17Mt	0.87	0.25	80,000	75,000
	Indicated	24.7Mt	0.71	0.21	177,000	165,000
	Inferred	14.2 Mt	0.64	0.2	91,000	90,000
	TOTAL	**48.1 Mt**	**0.72**	**0.21**	**348,000**	**330,000**

FORWARD PROGRAMME

Recent work has led to an increased understanding of the geometry and continuity of the mineralisation at the E1 Camp (see Figure 4). As part of the Definitive Feasibility Study for the CCP, this work will be incorporated into the design of the proposed open pits and project infrastructure.

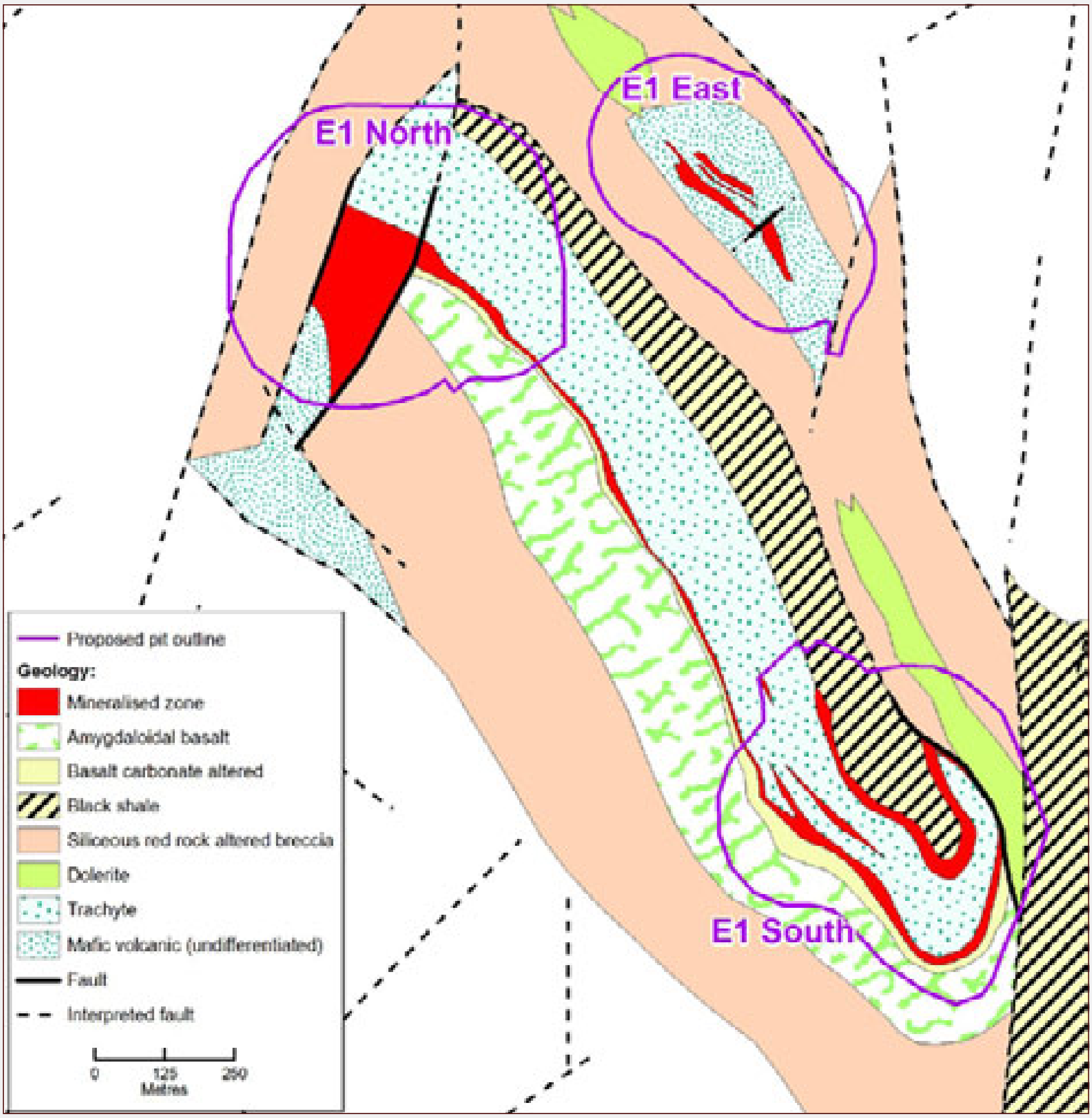

Figure 4: Geological & structural setting of E1 Camp, with conceptual pit outlines

Monakoff Deposits

The Monakoff Deposits are located approximately 22.5km south west of the E1 Camp (see **Figures 1 & 2**) and comprise two key areas of mineralisation; Monakoff and Monakoff East. The deposits occur on the south-dipping limb of the Pumpkin Gully Syncline and are hosted within a regionally extensive magnetite iron formation. Drilling results to date have shown that the deposit contains higher than average copper grades and given their proximity to the E1 Camp, they are strategically important to the Cloncurry Copper Project.

Established resources at the Monakoff and Monakoff East Deposits now comprise **4Mt @ 1.32% Cu & 0.42g/t Au**, containing 53,000t of copper and 54,000oz of gold (see **Table 1**). A key aspect of these deposits is their relatively higher grade. Finding additional sources of similar material is a high priority for the Company.

The region around Monakoff is host to a number of buried magnetic anomalies of similar size and intensity to that associated with the known deposits. The geological and structural setting of these anomalies appears similar to both Monakoff and the E1 deposits to the north.

Throughout the year, four Reverse Circulation (RC) holes for 397 metres tested four new magnetic targets buried under younger overburden within EPM 15870 (see **Figure 5**). Hole EMRC307 intersected a wide zone of low level copper and cobalt anomalism from 32m to the end of the hole at 82m. The hole delivered a best intersection of **6m @ 0.19% Cu from 52-58m.**

Encouraging results were also received from EMRC309 which tested a strong discrete magnetic anomaly. This hole had anomalous copper and gold throughout the basement rocks from 18 to 119 metres, with peak values in 2m sampled intervals of **0.18% Cu & 0.36 g/t Au**. The other two holes (EMRC308 and EMRC310) delivered no significant results.

Further Native Title Heritage surveys have been completed and drill access has been cleared for follow up drilling.

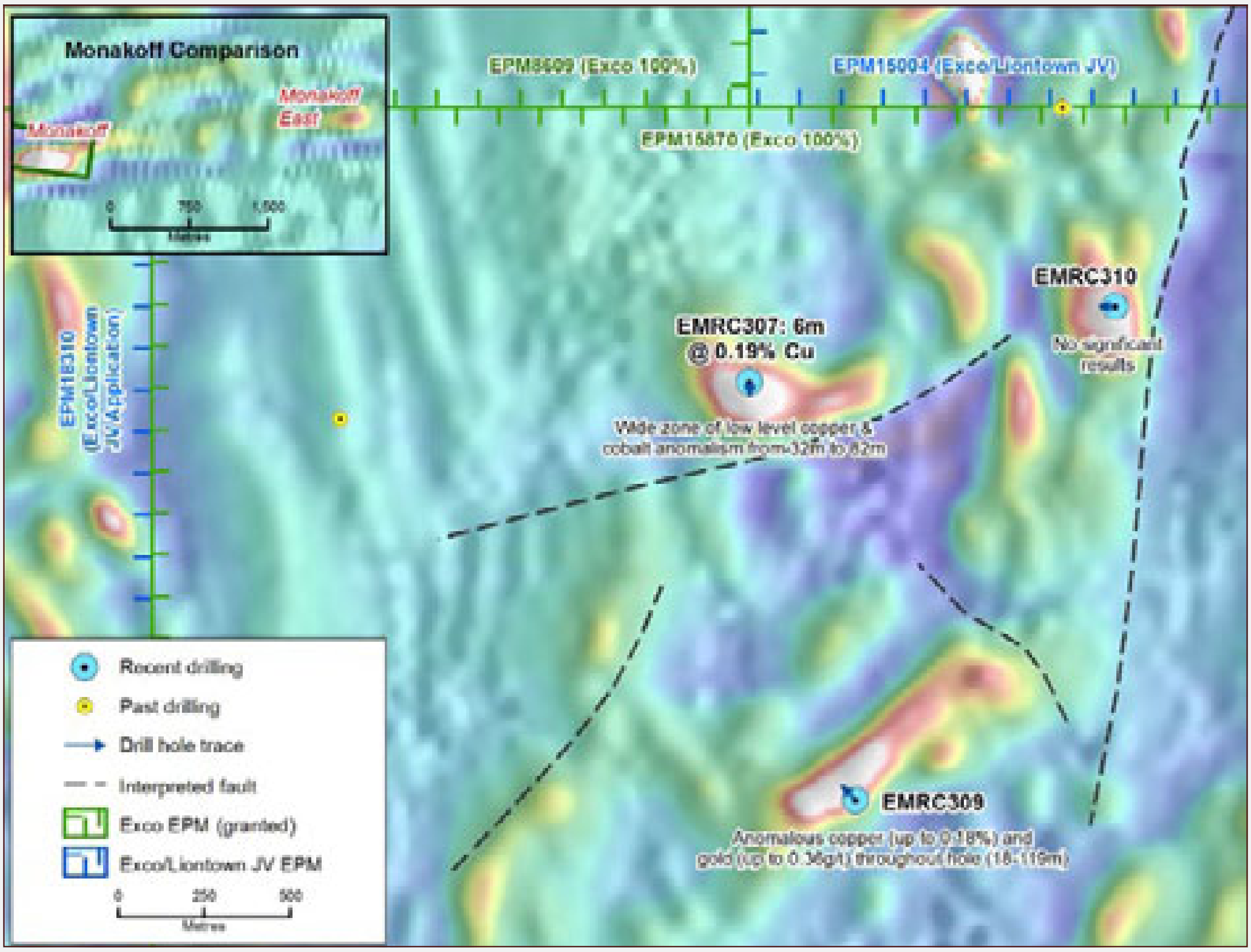

Figure 5: Magnetics image showing Monakoff North drilling

Great Australia Deposit

The Great Australia deposit is situated adjacent to the town of Cloncurry on a granted Mining Lease; ML 90065 (see **Figures 1 & 2**). ML 90065 is held by CopperChem Ltd and is the subject of agreements between Exco and CopperChem. In accordance with those agreements Exco retains an interest in the Great Australia Deposit and is entitled to a royalty over the Great Australia Resource if it is mined by CopperChem. Subject to certain conditions, Exco retains a residual entitlement to mine the deposit if it is not mined by CopperChem within a specified period.

The deposit is a shear-hosted system of high grade sulphide copper-gold mineralisation within meta-volcanics and meta-sediments and is associated with carbonate and quartz veining.

The Great Australia Deposit comprises a resource of **2.1Mt @ 1.54% Cu & 0.13 g/t Au** (Inferred and Indicated), which forms part of the total resource for the CCP (see **Table 1**). Mineralisation remains open at depth and the Company believes that further potential for higher grade underground resources exist below the drilled extent of the deposit.

Mt Colin Deposit

The high grade Mt Colin deposit is located approximately 50km west of Cloncurry, (see **Figures 2 & 6**). Exco acquired the deposit in August 2006 via a tenement swap with Matrix Metals Limited and although fairly modest in size, it is expected that the deposit could add significant high grade ore to the early years of the mining schedule for the CCP.

The known deposit is approximately 450m long and dips steeply to the north east extending approximately 300m down dip. Further drilling is planned to test for mineable extensions to the mineralisation. Importantly the deposit is located on a granted mining lease and historical mining from both underground and open pit has highlighted the consistent and high grade nature of the deposit.

Resource modelling completed in March 2010 led to an updated resource estimate at Mt Colin of **1.49Mt @ 2.47% Cu** (at a 1.25% Cu cut-off), an increase of 123% from the previous estimations (See **Table 1**). An Indicated resource **(0.62Mt @ 3.14% Cu)** has been drilled on an approximately 40 x 40m grid, with wider spaced drilling, at depth and along strike, being classified as Inferred.

A study on underground mining at Mt Colin was completed during the June quarter and demonstrated technical and commercial viability. As a result the Mt Colin Deposit has been incorporated into the scope of the CCP.

Additional drilling, geotechnical studies, hydro-geological studies and environmental studies are planned at Mt Colin. Drilling of ~2,500m of RC and ~ 2,500m of diamond core has commenced. Initial results have confirmed the high grade potential at Mt Colin with a best intersection to date of **17m @ 4.6% Cu & 1.34g/t from EMCDD034.**

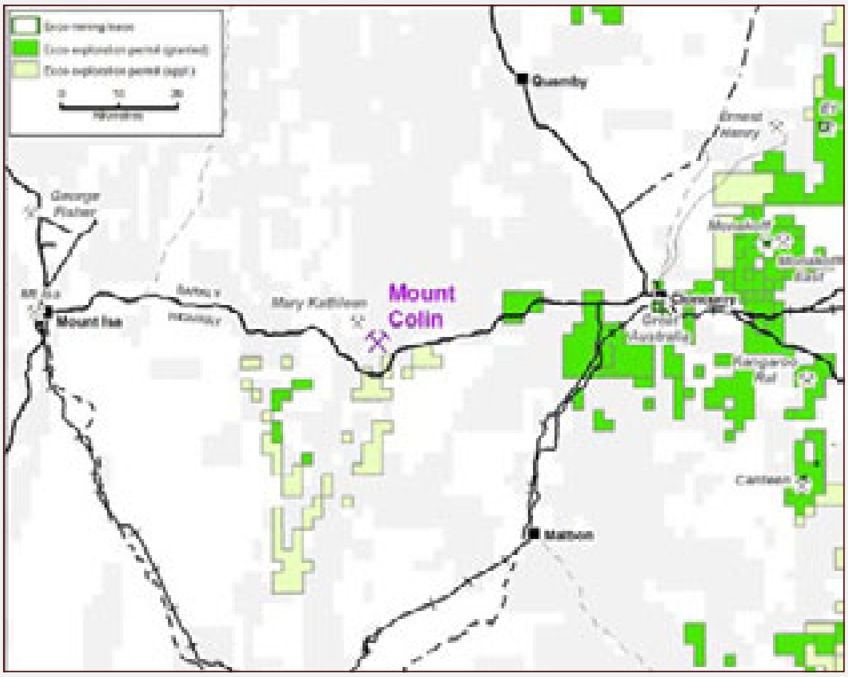

Figure 6: Location map highlighting Mt Colin Deposit in relation to other CCP tenements

Definitive Feasibility Study

In July 2008, the Company commenced a Definitive Feasibility Study (DFS) on the Cloncurry Copper Project. The purpose of the DFS is to develop engineering designs, cost estimates and sensitivity analyses for the project as the basis for detailed engineering and project financing for an operation treating 3Mtpa over a 10-year project life. At the designed throughput the project will produce approximately 25,000 tonnes of copper and 17,000oz of gold (in concentrate) per annum; with potential for substantial by-product credits from 750 000tpa of magnetite production.

Work has continued on the DFS throughout the year with geological modelling of the resource complete for the E1 resources and nearing completion for the Monakoff resources. Metallurgical test work programmes continue to quantify all aspects of ore variability while the process flow sheet has been specified. Final pit designs and mine scheduling are nearing completion and geotechnical and water studies on the open pits have been completed. The DFS schedule has been in line with the environmental assessment requirements and corporate strategy.

The proximity of the CCP resources to Xstrata's Ernest Henry Operation (located 8km to the east of EHM – see **Figure 1**) presents an opportunity for the potential treatment of ore through that processing facility, as an alternative to the development of a stand-alone concentrator option. Exco continues to pursue all options including a transaction with Xstrata and other interested off-take parties.

Environmental Impact Statement (EIS) & Environmental Management Plan (EMP)

In parallel with the DFS, and in line with the Company's aim to be in production in 2012, an Environmental Impact Statement (EIS) for the project was submitted to the Queensland Department of Environment and Resource Management (DERM). Permission has been granted for the EIS to proceed and preparation of the Environmental Management Plan (EMP) is at an advanced stage.

The preparation of a voluntary EIS ensures that all environmental aspects of the project are dealt with prior to lease applications and final project approvals being sought. The EIS includes engineering details such as pit and waste rock designs, detailed ground water assessments and tailings designs for the project. On approval of the EMP the company will be granted a draft Environmental Authority followed by lease approvals. Exco continues to work closely with DERM to expedite this process.

Exploration Update (CCP)

Drilling re-commenced on a number of Exco's key regional exploration prospects within the Cloncurry Copper Project area in December 2009. The programme was planned both to follow-up on previous positive results at a number of prospects, and to focus on untested or partially tested geophysical anomalies. The work completed to date has yielded a number of very positive results, in particular from Salebury and Tanbah (see **Figure 7**), where it is clear that significant new resource potential exists.

Salebury Prospect (EPM 11675 -100% Exco)

The Salebury prospect occurs on the southern limb of the Pumpkin Gully syncline at the contact of shales and volcanics. Calc silicate breccia bodies also occur within the prospect area. The main target to date has been a zone of approximately 600m strike defined by sporadic copper oxide mineralisation at surface. The prospect area hosts a number of historical workings including a small open cut that leads to underground workings, which appear to have been accessed by a small shaft to the south.

Previous drilling by Exco has involved traverses of shallow bedrock aircore and RC drilling with several phases of deeper RC. The deeper RC intersected significant mineralisation with a best intercept of **30m @ 1.93% Cu & 1.25 g/t Au** from 78-108m (to end of hole) in **ECRC307**.

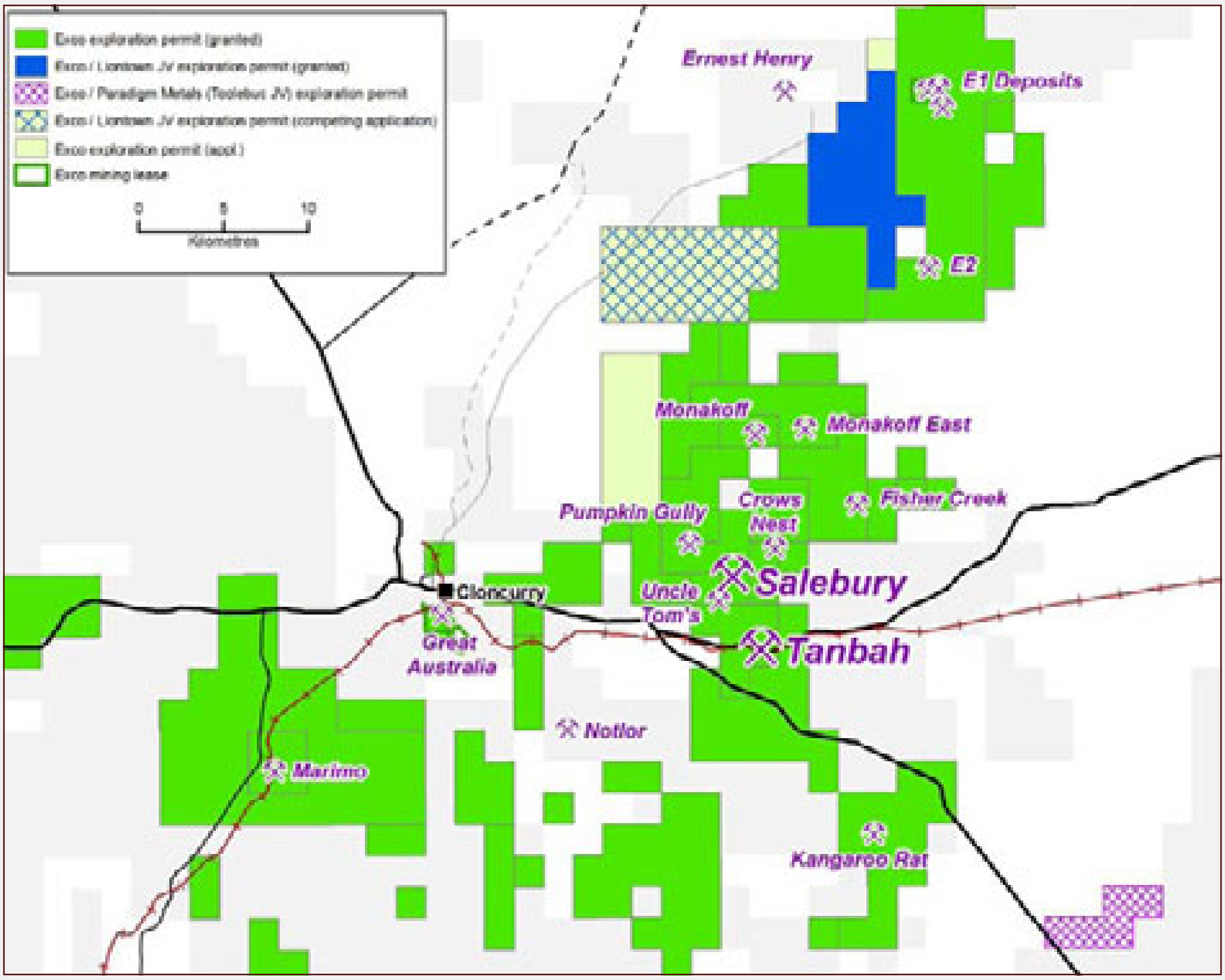

Figure 7: Location map highlighting the Salebury & Tanbah Prospects

During the last round of drilling, diamond drill hole **ECDD002** was drilled underneath ECRC307 (see **Figures 8 & 9**) and confirms significant copper-gold mineralisation within a 48m zone (from 87-135m) with an average grade of **2.18% Cu & 1.97 g/t Au** including **32m @ 2.87% Cu & 2.76 g/t Au** (from 87-119m).

The mineralisation is hosted in a brecciated and carbonate-veined black shale sequence and is dominated by chalcocite.

These results confirm significant new resource potential exists at the Salebury Prospect. Further follow-up work is planned as part of the current drilling programme that commenced in June 2010, to better define the geometry and extent of the mineralisation, and with a view to defining an initial resource estimate.

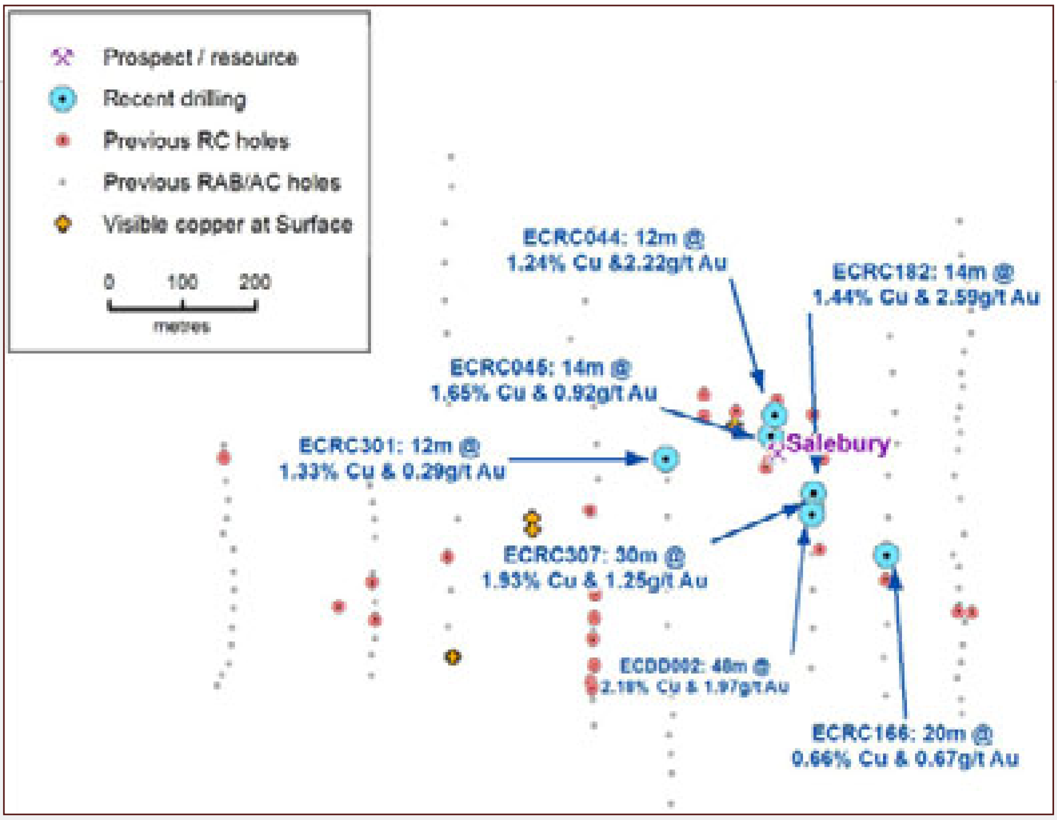

Figure 8: Plan of drill hole locations completed to date at the Salebury Prospect, NW Queensland

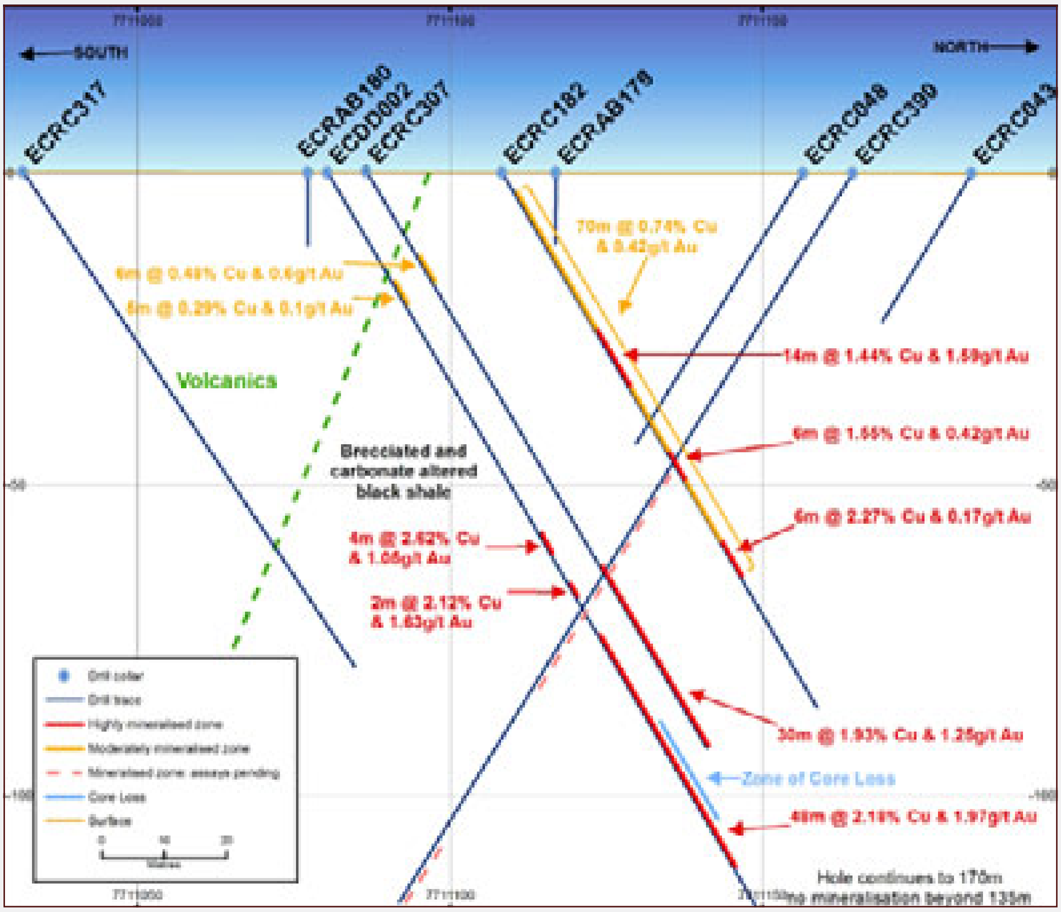

Figure 9: Cross-section compiled from drilling completed to date at the Salebury Prospect, NW Queensland

Tanbah Prospect (EPM 14295 - 100% Exco)

The Tanbah Cu-Au Prospect (see **Figures 7 & 10**) occurs within a meta-sedimentary package of rocks near the contact of a volcanic sequence, and adjacent to a large magnetic anomaly. The meta-sedimentary rocks are accompanied by irregularly distributed calc-silicate breccias. The area is characterised by complex folding and widespread oxide copper occurrences at surface, some of which have been the subject of small historical excavations.

Initial RC drilling has outlined zones of widespread copper and gold mineralisation. Mineralisation intersected so far occurs at the contact of meta-sediments and the calc-silicate breccias, and more generally throughout the meta-sedimentary rocks. Oxide copper minerals occur in approximately the top 20 metres of drill holes, and pyrite and chalcopyrite (sulphides) are present below this.

Initial results were reported as six metre composites. Re-sampling of these composite intervals has revealed several higher grade zones within the broader mineralised halo. The newer results include **13m @ 1.40 % Cu & 1.01 g/t Au** to the end of hole **ECRC341** at 53m, and **9m @ 0.82% Cu & 0.19 g/t Au in ECRC342**, also to 53m depth and end of hole (See **Figure 10**).

The initial RC drilling programme failed to penetrate the main target zone due to cavities and water in the mineralised calc silicates. Two diamond core extensions and two additional diamond drill holes have recently been completed. Samples are currently being processed with results expected soon.

These initial results again suggest that significant resource potential exists at Tanbah, however, further information is required to determine the geometry of the copper-rich zones. The broader prospect area will be subjected to detailed surface geochemical sampling to target further drilling to the north and north-east where surface indications of copper have been detected in regional mapping and prospecting by Exco's geologists.

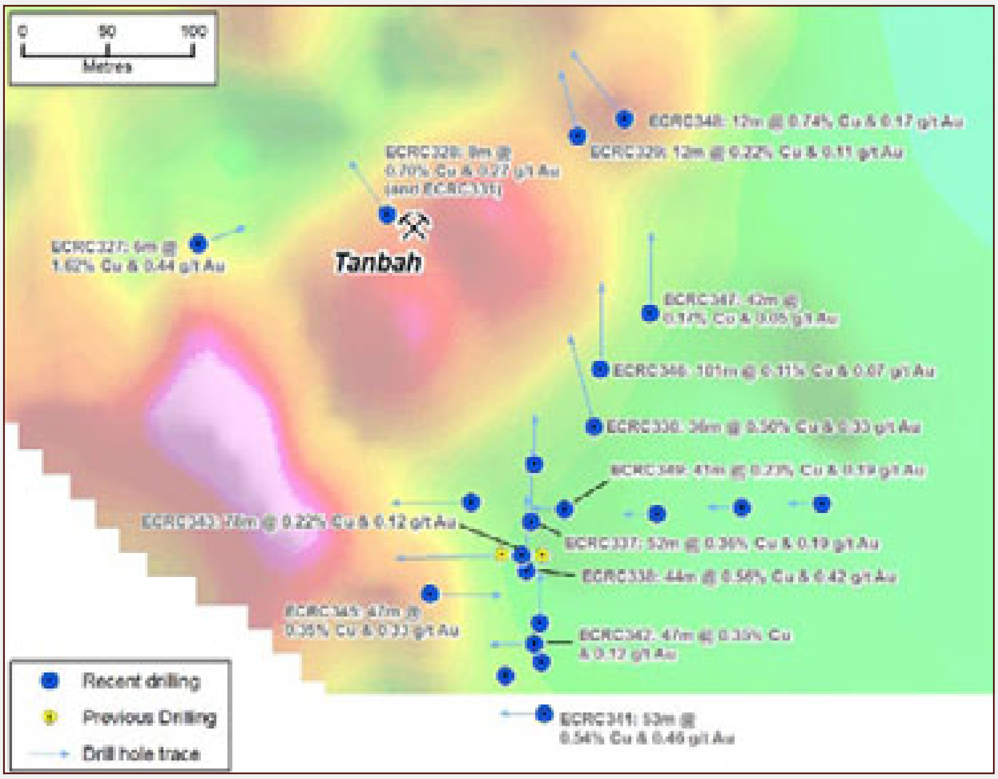

Figure 10: Tanbah Prospect

Other Prospects

Work is ongoing in Queensland with three drill rigs currently employed around the Cloncurry project area. In addition to the follow up work planned at Salebury and Tanbah, future work will include the testing of priority prospects such as Chumvale South, Crow's Nest, Eagle Hawk, Fisher Creek, Fisher Creek West and new targets which have been identified from recently completed Sub-Audio Magnetic (SAM) surveys at Mount Margaret (see **Figure 7** for prospect locations).

HAZEL CREEK PROJECT, NW QUEENSLAND

(EXCO 100%)
Copper, Gold

The Hazel Creek Project is centred approximately 90kms north of Cloncurry (see **Figure 11**) and incorporates a large area of prospective land that remains relatively unexplored. In 2004 Exco moved to full ownership of the Hazel Creek project area and has confirmed the prospectivity of the area with the discovery of the Turpentine Cu-Au deposit **(1.8Mt @ 1.03% Cu & 0.2 g/t Au)** (see **Table 1**) and several other key prospects where significant mineralisation has previously been intersected.

Drilling within the Hazel Creek Project is in progress to follow-up on previous positive results at a number of key prospects and to focus on untested or partially tested geophysical anomalies. A SAM survey was also completed over portions of these prospects and results have generated further targets which will be tested as part of the current drilling programme (see **Figures 12 & 13**).

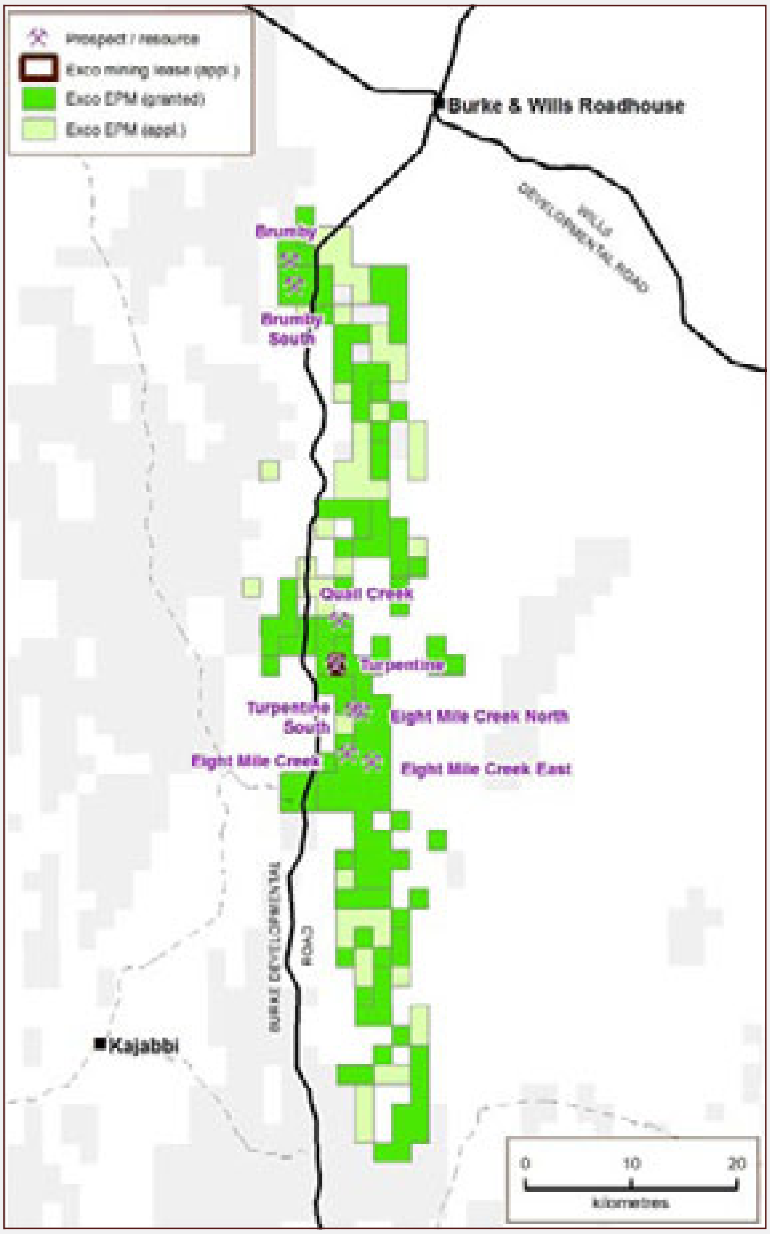

Figure 11: Tenement Map highlighting the Hazel Creek Project

Turpentine

The Turpentine Deposit is located in the central part of the Hazel Creek project and the resource occurs within a 200m strike extent of a 1km long linear magnetic anomaly (see **Figures 11 & 12**) The deposit **(1.8Mt @ 1.03% Cu & 0.2 g/t Au)**, which was discovered by Exco with an initial RC hole testing the centre of the 1km linear magnetic anomaly, has approximately 1m of gravel cover which had concealed it from surface detection.

Deeper drilling is in progress to determine resource extension potential. Turpentine has shallow high grade chalcopyrite zones such as in EHRC184 which intersected **11m @ 7.1% Cu and 2.66 g/t Au** (results released previously), and future drilling will target extensions of these zones. The deposit is open at depth and has only been drilled to approximately 150m below surface.

Turpentine South

Nine RC holes (for 633m) were completed on the Turpentine South magnetic anomaly during the year, where previous drilling had intersected **12m @ 0.79 % Cu & 0.42 g/t Au**. Drilling was carried out on existing cleared drill lines. Additional anomalies were outlined by the recently completed SAM survey, and these will be tested as part of the ongoing drill programme.

Most holes encountered some low level mineralisation or alteration associated with the magnetic target. EHRC238 intersected two separate zones of mineralisation with **6m @ 0.91% Cu & 0.09 g/t Au** from 18m depth, and **18m @ 0.49% Cu & 0.06 g/t Au** from 56m depth (See **Figure 12**). The best higher grade intervals from this hole were **2m @ 2.05% Cu** from 18m and another **2m at 2.05% Cu** from 72m depth.

Eight Mile Creek East

Four RC holes were completed at Eight Mile Creek East during the year as follow-up to previous drilling completed by Exco in 2001. Significant mineralisation was intersected in EHRC247 and alteration and anomalism in the remaining 3 holes. The recent SAM survey has outlined a more definitive trend of the magnetite alteration and indicates previous drilling has not tested the strongest parts of the anomaly. Conductivity anomalies are also evident in the SAM data.

EHRC247 was drilled below EHRC138 **(16m @ 0.86% Cu & 0.2 g/t Au)**, and intersected a wide zone of magnetite bearing alteration with widespread zones of pyrite and chalcopyrite between 84 to 130m down hole depth (see **Figure 13**). Breccia textures have been noted in the larger RC drill chips. Best assays for this interval are **0.70% Cu & 0.22 g/t Au from 96-130m.**

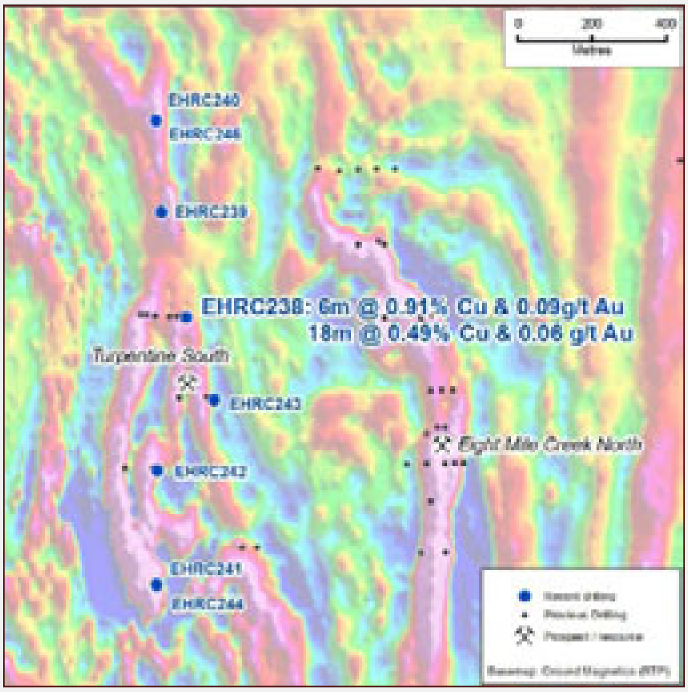

Figure 12: Magnetic image showing intersections at Turpentine South & Eight Mile Creek East

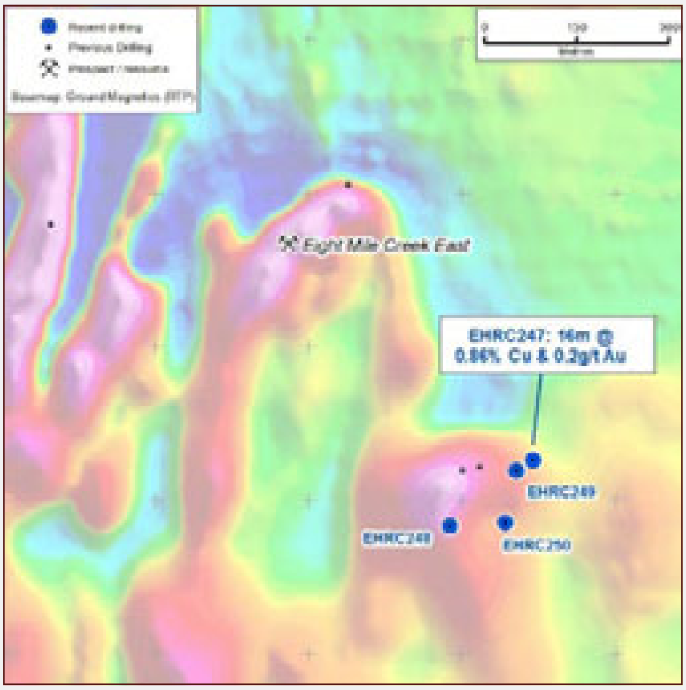

Figure 13: Magnetic image showing intersections at Eight Mile Creek East

WHITE DAM GOLD PRODUCTION JOINT VENTURE
DREW HILL PROJECT AREA, SOUTH AUSTRALIA

(EXCO 75%, POLYMETALS 25%)
Gold

The White Dam Gold Project is located in South Australia, approximately 20 kilometres north east of the town of Olary and 80 kilometres west of the regional mining centre of Broken Hill (see **Figure 14**) and has been developed as an unincorporated joint venture between Exco (75%) and the Polymetals Group Pty Ltd (25%). White Dam comprises a resource inventory of **9.6Mt @ 1.05 g/t Au for 325,000oz contained** (see **Table 3**). The mine was officially opened on 10 June 2010 by the Hon. Paul Holloway, Minister for Mineral Resources Development, South Australia.

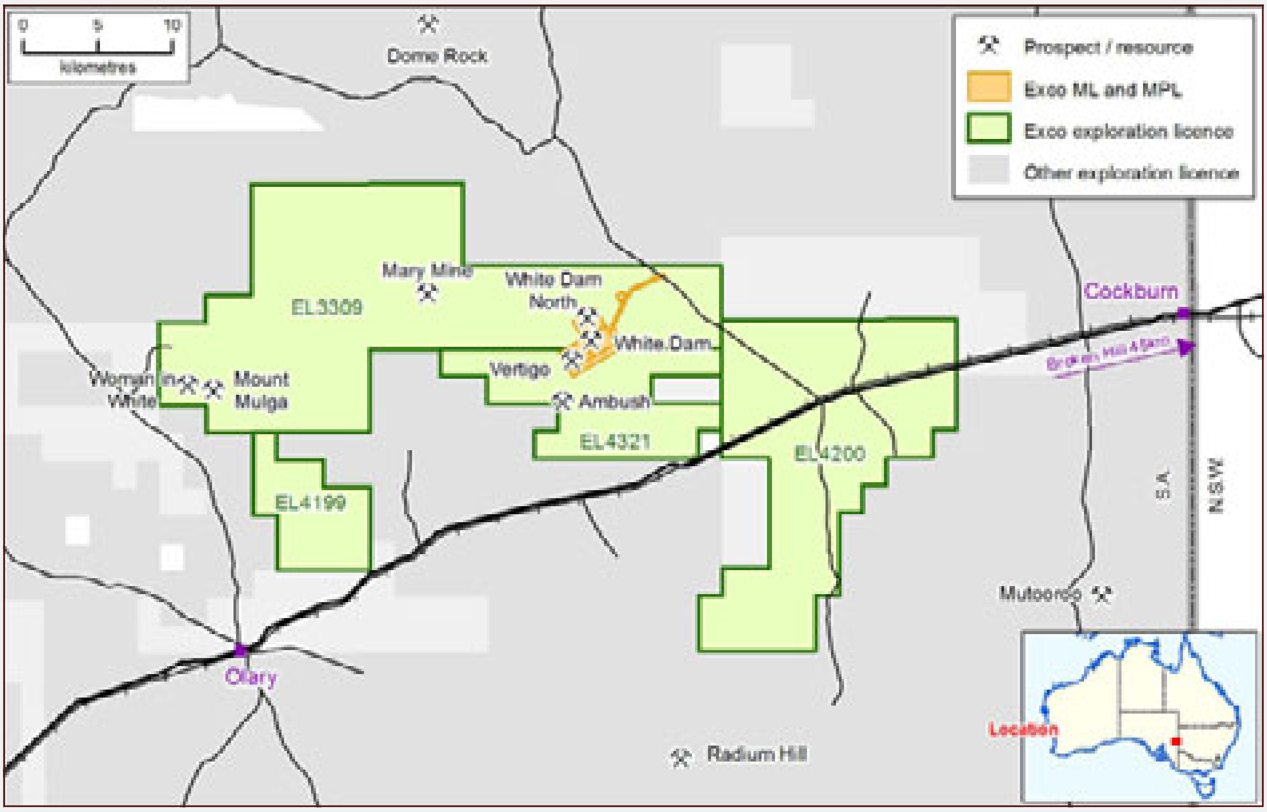

Figure 14: White Dam Gold Project location map

TABLE 3: WHITE DAM PROJECT OK RESOURCE ESTIMATE (0.4g/t CUT-OFF GRADE)

Deposit	Material	Indicated			Inferred			Total		
		ktonnes	g/t Au	koz Au	ktonnes	g/t Au	koz Au	ktonnes	g/t Au	koz Au
White Dam	Oxide	5,149	1.09	180.1				5.149	1.09	180.1
	Fresh	603	1.08	20.9	1,315	0.88	37.1	1,918	0.94	58
	Sub-Total	**5,752**	**1.07**	**201.0**	**1,315**	**0.88**	**37.1**	**7,067**	**1.05**	**238.1**
Vertigo	Oxide				1,200	1.00	38	1,200	1.00	38
	Fresh				1,330	1.14	49	1,330	1.14	49
	Sub-Total				**2,530**	**1.07**	**87**	**2,530**	**1.07**	**87**
PROJECT TOTAL		**5,752**	**1.07**	**201**	**3,845**	**1.00**	**124**	**9,597**	**1.05**	**325**

Note: White Dam resource was re-estimated in September 2009, Vertigo was estimated in 2007.
Individual columns of data may not add up due to rounding errors.

White Dam encompasses an open pit mine, dump leach, gold extraction plant and associated infrastructure (see **Figure 15**) and is expected to produce a total of 120,000oz (Exco share 90,000oz) of gold at a rate in excess of 50,000oz per annum over a two and half year mine life.

Construction and earthworks commenced in the second half of 2009 and open cut mining and ore extraction / stacking commenced in January 2010. Ore is being mined from a shallow (up to 50m deep) pit using conventional drill and blast, load and haul techniques and is being placed on a heap adjacent to the pit. Cyanide leaching of ore commenced in March 2010 and first gold production was achieved on 16 April following the successful commissioning of the process plant and gold recovery facilities.

The first shipment contained a total of 508 ounces of gold with subsequent pours indicating an increase in production in line with expectations. The ramp-up to full leaching capacity is on-going, however, production levels have exceeded the planned annual rate of approximately 50,000oz per annum.

The joint venturers are also benefiting from the prevailing gold price environment, with current production being sold at near record A$ spot prices (see **Table 4**).

Figure 15: White Dam gold mine infrastructure map

In addition to increasing production, attention has now turned to near-mine exploration and resource development activities with a view to extending the life of the mine and life of mine production at White Dam.

Infill resource drilling at the Vertigo Deposit (~2,000m) aimed at upgrading the resource to the Indicated category, commenced in August 2010. Vertigo currently has an Inferred resource of **2.5Mt @1.07 g/t Au for 87,000oz contained** (see **Table 3**). An updated resource estimate is expected during Q4 2010. Metallurgical test work has commenced on the Vertigo deposit and the approvals process has been initiated.

Overall, project performance to date has exceeded expectations in terms of gold production, costs and the pace at which the operation has progressed from construction through commissioning to steady state operation. The project is cash flow positive and at current gold prices is expected to be debt free substantially ahead of plan.

TABLE 4: WHITE DAM PRODUCTION AND FINANCIAL STATISTICS (EXCO EQUITY INTEREST)

		Sep Qtr 09	Dec Qtr 09	March Qtr 10	June Qtr 10	Full Year 09/10
Ore Tonnes Mined	(tonnes)			273,565	621,839	895,403
Mined Grade	(g/t)			1.02	1.01	1.01
Mined Ounces	(ounces)			8,972	20,104	29,076
Waste Tonnes Mined	(tonnes)			1,349,680	737,752	2,087,432
Ore placed on Leach	(tonnes)			273,565	621,839	895,403
Head Grade	(g/t)			1.02	1.01	1.01
Ounces Produced	(ounces)			-	9,696	9,696
Gold Loan Repayments	(ounces)			-	3,224	3,224
Ounces Sold	(ounces)			-	3,731	3,731
Cash Operating Cost	(A$/oz)			-	329	329
Cash Development Cost	(A$/oz)			-	179	179
Royalties	(A$/oz)			-	54	54
Total Cash Cost	(A$/oz)			-	563	563
Average Realised Sale Price	(A$/oz))			-	1,415	1,415
Revenue	(A$ million)			-	7.7	7.7

Ounces Produced is gold poured plus the net change in gold-in-circuit during the period.
Cash Operating Costs include all direct mining, processing mine administration costs incurred during the period.
Cash Development Costs include all direct mining costs for open pit waste material incurred during the period.
Total Cash Costs include Cash Operating Costs, Cash Development Costs, and Royalties incurred during the period.

WHITE DAM EXPLORATION JOINT VENTURE
DREW HILL PROJECT, SOUTH AUSTRALIA

(EXCO 75%, POLYMETALS 25%)
Gold, Copper, Uranium

In parallel with the White Dam Gold Production Joint Venture, Exco and Polymetals have entered into an unincorporated exploration joint venture, the White Dam Exploration Joint Venture, to further evaluate and explore the exploration tenements surrounding the White Dam project area (see **Figure 14**). Under the terms of the exploration joint venture Exco has retained a 75% interest and is responsible for management of the exploration programmes.

Exploration drilling at the Ambush, White Dam North and White Dam South targets commenced in September 2010. A total of 4,300m of RC drilling has been completed with results expected in Q4/2010.

To date the primary focus of exploration planning and activity has been near mine gold prospectivity surrounding the White Dam mine. Exco and Polymetals are undertaking a strategic review of the overall Drew Hill Tenement package with a view to assessing future exploration targets and priorities.

IVANHOE JOINT VENTURE
SOLDIERS CAP & TRINGADEE PROJECT AREAS, NW QUEENSLAND

(EXCO 100% IVANHOE EARNING UP TO 80%)
Gold, Copper, Uranium

In May 2007, Exco and Ivanhoe Australia Ltd (IVA) entered into a joint venture agreement over a number of Exco's tenements in the Soldiers Cap and Tringadee Project areas (see **Figure 16**).

Exploration within the JV area during the year includes extensive geophysical surveys (magnetics and SAM), geological mapping, rock chip sampling and drilling. This has resulted in the definition of a number of targets to be tested by drilling in the forthcoming months.

Best results from this year's programme include a drill intersection of **44 metres @ 0.5% Cu & 0.18 g/t Au** from 164m down hole-depth, including **14metres @ 0.97% Cu & 0.19 g/t Au** from 170m down-hole depth at the Garnet Creek Prospect.

Rock chip sampling at the U4 uranium prospect has returned peak values of 13.15% Cu, 0.51 g/t Au, 54.6 g/t Ag, 300 ppm Mo and 260 ppm U.

Ivanhoe have spent a total of $4,556,285 on the JV tenements to the end of June 2010. Under the terms of the joint venture agreement, Ivanhoe is required to spend $5M by May 2011 to earn an 80% interest in the joint venture tenements.

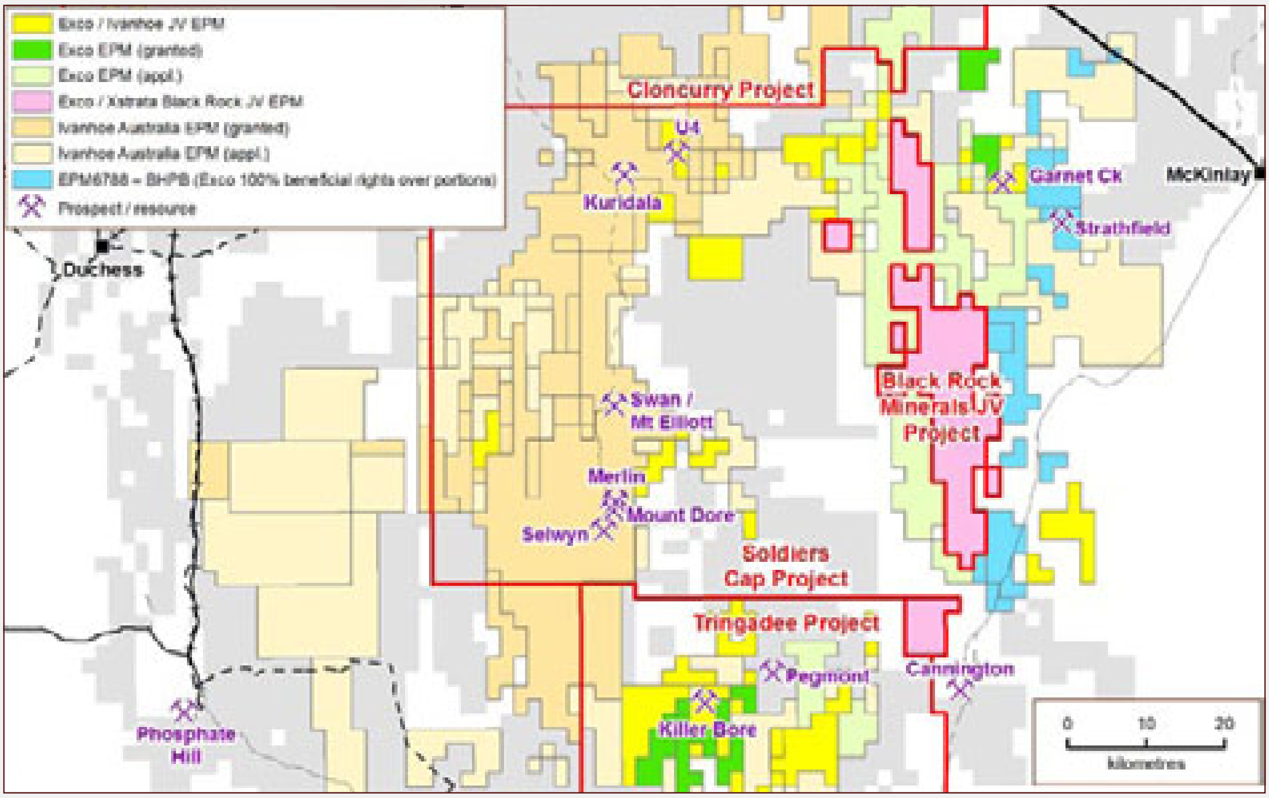

Figure 16: Location Map highlighting Exco and Ivanhoe JV tenements

PARADIGM JOINT VENTURE (EPM 16073)
SOLDIERS CAP PROJECT AREA, NW QUEENSLAND

(EXCO 50%, PARADIGM 50%)
Uranium, Vanadium, Molybdenum, Oil Shale

In February 2008 Exco and Paradigm Metals (PDM) entered into a joint venture arrangement to carry out a multi-commodity exploration programme on jointly owned tenements located 50km east of Cloncurry, covering an area of approximately 500km^2.

The newly formed entity, Toolebuc Resources Pty Ltd (TOR) was initially made up of EPMs 15208 and 16113 (formerly owned by Exco) and EPMs 15325, 15906, 15931, 16073, 16200 and 17306 (formerly owned by Paradigm).

During the year, Exco and Pardigm decided to release the majority of the tenements within this joint venture to pursue exploration on the remaining EPM 16073 (see **Figure 17**) which has shown shallow copper potential. Paradigm will plan an air-core drilling programme and budget for EPM 16073 during the coming year.

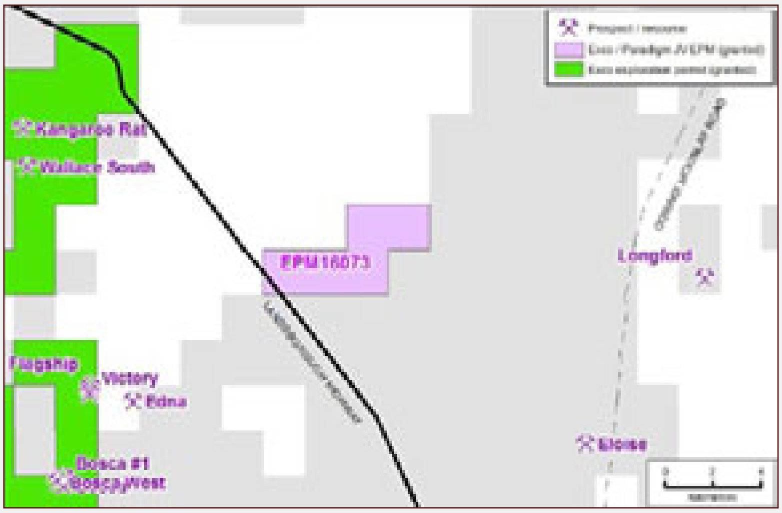

Figure 17: Location map highlighting Exco and Paradigm JV tenement (EPM 16073)

LIONTOWN JOINT VENTURE (EPM 15004)
CLONCURRY PROJECT AREA, NW QUEENSLAND

(LIONTOWN 100%, EXCO OPTION TO EARN UP TO 70%)
Copper, Gold

In April 2008, Exco and Liontown Resources Ltd entered into an agreement over the Fort Constantine South (FCS) project area, which is located south east of the Ernest Henry Mine in NW Queensland (see **Figure 18**), and what was originally EPMs 10601 and 15004.

Due to historical non-compliance of the expenditure conditions, EPM 10601 was cancelled in 2009 so only one tenement remains part of this joint venture; EPM 15004.

Throughout the year, a drilling programme was completed on EPM 15004. Four buried magnetic targets were tested by 4 RC holes for 461 metres. Holes targeted magnetic highs with a strike of greater than 500m. Some low level copper was encountered in ECRC313 with associated elevated gold arsenic cobalt and molybdenum. A zone of strong magnetite with associated pyrite and trace chalcopyrite was intersected from 68-76m and averaged 610ppm Cu and 39% Fe. An additional 6m zone averaged 0.14% Cu from 78-84m with low Fe.

ECRC332 intersected anomalous copper averaging 900ppm Cu from 110m to 130m, with a peak 2m composite interval averaging 0.33% Cu from 120m to 122m. This interval correlates with higher magnetic susceptibility.

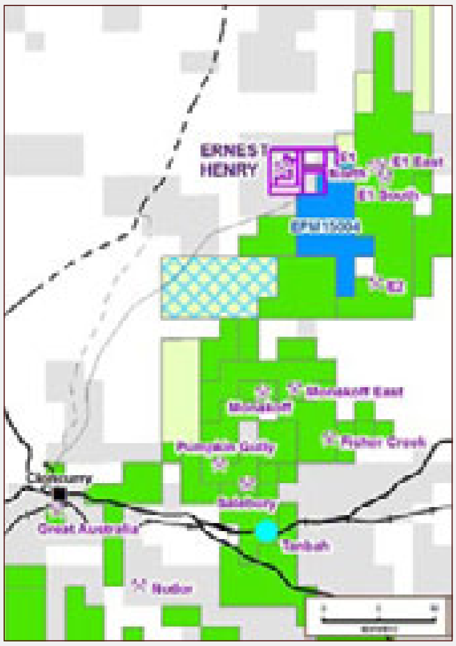

Figure 18: Location map highlighting Exco & Liontown JV tenement (EPM 15004)

BLACK ROCK MINERALS PTY LTD JOINT VENTURE (EPM 15027) SOLDIERS CAP PROJECT AREA, NW QUEENSLAND

(EXCO 34.5%, XSTRATA COPPER 65.5%)
Copper, Gold

The Black Rock Minerals JV, comprising EPM 15027, is an incorporated joint venture with Xstrata Copper (formerly Noranda Pacific Pty Ltd). The JV area is located approximately 20km south-west of Cloncurry. The area contains extensions of the rock sequence that hosts the nearby Cannington Mine and several zinc-lead-silver prospects occur within the tenements (see **Figure 19**).

Targets for future exploration have been assessed and include the Cowie Zn Prospect located adjacent to the Cannington Mine. Despite significant previous exploration, the Cowie Prospect retains potential at depth for significant sulphide mineralisation.

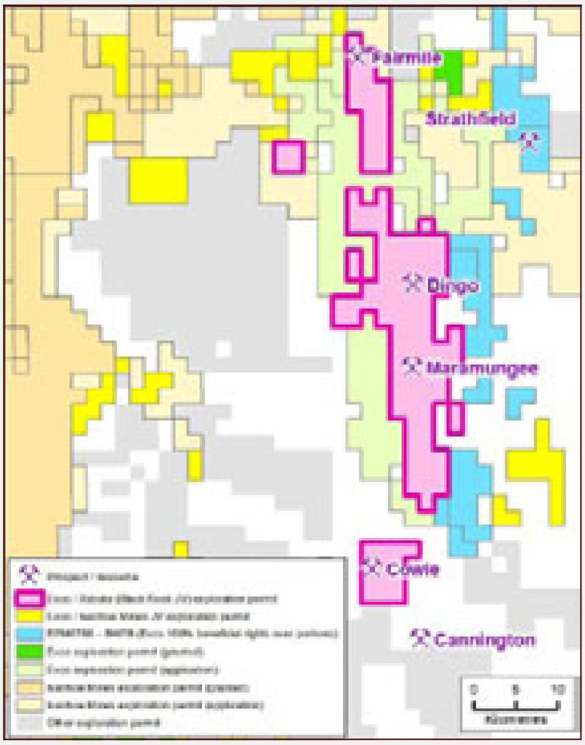

Figure 19: Black Rock JV area (EPM 15027)

BHP BILLITON JOINT VENTURE (EPM 6788) SOLDIERS CAP PROJECT AREA, NW QUEENSLAND

(EXCO 100%, BHP BILLITON – OPTION TO JV)
Copper, Gold

The Soldiers Cap JV area is located approximately 120kms south-east of Cloncurry, and covers a large area of prospective geology north of Cannington, similar to the Black Rock JV but comprising the deeper covered areas (see **Figure 19**). Under the JV agreement, BHP Billiton is conducting ongoing exploration on EPM 6788 (Answer Downs) to earn the right to develop any subsequent discoveries.

No significant results have been reported from work completed during the year.

JORC COMPLIANCE STATEMENT

This report accurately reflects information compiled by full time officers of the Company. Information relating to mineral resources and exploration results is based on data compiled by Mr Stephen Konecny, Exco's Exploration Manager, who is a member of The Australasian Institute of Mining and Metallurgy. Mr Konecny has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Persons under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Konecny consents to the inclusion of the data in the form and context in which it appears.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

This page has been left blank intentionally

Director's Report

The Directors present their report together with the financial report of Exco Resources Limited ("Exco") and the consolidated financial report of the Group comprising Exco Resources Limited ("the Company") and its controlled entities and interest in associates and jointly controlled entities for the financial year ended 30 June 2010 and the auditor's report thereon.

1. DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

BARRY SULLIVAN, BSc(MIN), ARSM, FAUSIMM, MAICD

Chairman - Non-executive Director

Experience and expertise

Mr. Sullivan is an experienced mining engineer who has had a successful career in the mining industry, both in South Africa with Anglo American Ltd (1969-1974) and in Australia with Mount Isa Mines (MIM) from 1974 to 1995. He had six years as Executive General Manager at MIM, in which capacity Mr Sullivan was responsible for total operations including regional exploration, four underground mines and one open cut mine, power stations, dams and comprehensive support services. Director since 2005, member of the remuneration committee.

Other current directorships:
- Non-executive director of Catalpa Resources Ltd since June 2008
- Non-executive director of Lion Selection Ltd from November 2008 - December 2009

Previous directorships:
- Non-executive director of Allegiance Mining NL from March 2004 to July 2008

MICHAEL ANDERSON, BSc (Hons Mining Geology), PhD, ARSM

Managing Director

Experience and expertise

Mr. Anderson is a graduate of the Royal School of Mines with a PhD and Honours in Mining Geology. He has over 18 years experience in the southern African and Australian mining industries. His experience has been broad-based extending from exploration geology with Anglo American, through metallurgy and process development with Mintek, to the provision of multi-disciplinary engineering, procurement and construction management (EPCM) and project development services with engineering consultancy groups Bateman and Kellogg Brown & Root.

Prior to joining Exco Resources, Mr Anderson was Group Manager for Business Development with Gallery Gold Ltd where he was responsible for developing and implementing corporate strategy including project development activities in both Botswana and Tanzania. Director since 2006, member of the remuneration committee.

ALASDAIR COOKE, BSc (Hons Geology), MAIG

Executive Director

Experience and expertise

Mr. Cooke is one of the founders of Exco Resources and has over 21 years of experience in the resource exploration industry throughout Australia and internationally.

He is a qualified geologist and throughout his career, has been involved in mineral exploration and corporate development, including eight years spent with BHP Minerals Business Development Group and over ten years managing public resource companies.

Mr Cooke is a founding partner of the Mitchell River Group, which over the past ten years has established a number of successful resource companies, including ASX-listed Panoramic Resources Ltd (operating the Savannah and Lanfranchi Nickel Projects in Australia), ASX-listed Albidon Ltd (operating the Munali Nickel Project in Zambia), ASX-listed Mirabela Nickel Ltd (developing the Santa Rita Nickel Project in Brazil) and ASX-listed African Energy Resources Ltd (developing the Chirundu Uranium Project in Zambia). Director since 2001, member of the remuneration committee.

Other current directorships:
- Executive director of African Energy Resources Ltd since 2006
- Executive director of Albidon Ltd since 2000
- Executive director of Energy Ventures Ltd since 2007

PETER REEVE, BSc (Metallurgy)

Non-executive Director

Experience and expertise

Mr. Reeve has a Bachelor of Science (Metallurgy) from RMIT University and has been involved in the Australian resources industry for approximately 26 years. His industry experience includes positions with Rio Tinto, Shell-Billiton and Normet Consulting (a metallurgical consulting firm) before joining Goldman Sachs/JBWere in investment management and corporate finance roles.

In 2001, Mr Reeve joined Newcrest Mining Ltd, as part of the Executive Committee responsible for corporate development and market related aspects for the group, a position that he occupied until 2006. He is currently Chief Executive Officer and Managing Director of Ivanhoe Australia Ltd (Exco's major shareholder). Director since 2008.

Other current directorships:

Managing director of Ivanhoe Australia Ltd since 2007
Non-executive director of Emmerson Resources Ltd since 2009

CRAIG BURTON, LLB, BJuris

Non-executive Director (Resigned 30 March 2010)

Experience and expertise

Mr Burton has a Bachelor of Laws degree from the University of Western Australia and is a member of the Australian Institute of Company Directors. He is a corporate solicitor and an experienced and active investor in start-up projects and businesses, both publicly listed and private.

Over the last 18 years he has co-founded numerous development companies, with a focus on the resources, oil and gas, mining services and agribusiness sectors. He often takes on a commercial executive role to assist the early development of such companies. Director since 2002.

Other current directorships:

Executive director of Mirabela Nickel Ltd since July 2004
Non-executive director of Wildhorse Energy Ltd since September 2006
Non-executive director of Matra Petroleum plc since February 2005
Non-executive director of Solimar Energy Ltd since December 2004

2. COMPANY SECRETARY

Mr Eamon Byrne FCCA (UK), MNIA was appointed to the position of company secretary and chief financial officer on 1 September 2008. He is a qualified accountant with over 21 years experience in the mining and resources industry. Prior to joining Exco, Mr. Byrne worked for Albidon Ltd, Woodside Petroleum and WMC Resources Ltd on a range of Australian and international projects. His experience, prior to his involvement in the mining industry, includes retailing, manufacturing and distribution.

3. DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Remuneration Committee Meetings	
Director	**A**	**B**	**A**	**B**
Mr Barry Sullivan	8	8	2	2
Mr Alasdair Cooke	8	8	2	2
Mr Michael Anderson	8	8	2	2
Mr Peter Reeve	8	8		
Mr Craig Burton (resigned 30 March 2010)	1	6		

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

4. CORPORATE GOVERNANCE STATEMENT

4.1. BOARD OF DIRECTORS

Role of the Board

The primary role of the Board of directors is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for monitoring financial and other reporting.

Board processes

The Board has established a framework for the management of the group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Group is engaged in exploration, evaluation and development of mining interests. The group has transitioned from an explorer to a producer over the last year. The critical skills required by the Board in pursuing the group's business plan at this relatively early stage of its development are expert geological, exploration and evaluation and project management skills together with strong fiscal management skills. In addition, each director is charged with having a thorough understanding of and responsibility for the protection of the rights of the Company and its shareholders.

The Board has these skills and as the Group's business plan progresses it will add new directors as and when complimentary skills are required.

The Board presently comprises two non-executive directors, an executive director and the Managing Director. At this time only one of the directors, Mr Barry Sullivan, is considered independent. Mr Reeve, is currently a director of a major shareholder, Mr Cooke is contracted to provide ongoing consulting work and Mr. Anderson is employed in a full time capacity. All the senior technical and financial personnel are highly qualified and have previously held roles of executive responsibility in much larger organisations.

The directors meet frequently, both formally and informally, to ensure a mutually thorough understanding of the Group's business and all the Group's policies of corporate governance are adhered to. The agenda for meetings is prepared by the Managing Director in conjunction with the Chairman and Company Secretary and is circulated in advance.

Director education

The group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the group concerning the performance of directors. Directors are given access to, and encouraged to participate in, continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant company information and to the Group's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the group's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

Independence

ASX Corporate Governance Council (ASXCGC) recommendation 2.1 requires a majority of the Board to be independent directors. The ASXCGC defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, only one of the board members, Mr Barry Sullivan, is considered to be independent.

ASXCGC recommendation 9 states that non-executive directors should not receive options or bonus payments. The Company has in the past awarded options and other securities to non-executive directors as it considers this to be a reasonable and appropriate method of assisting in attracting and retaining suitably skilled board members. There are however, no plans to award options or other securities in the immediate future.

4.2. NOMINATION COMMITTEE

ASXCGC recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2010, the Company did not have a separate nomination committee. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee. The Board has reviewed its policy on nominations and incorporates below its summarised policy.

Factors considered for a new candidate include:

- The skills required for appointment to the Board;
- How differing skills are represented on the Board;
- Processes for the identification of suitable candidates for the Board;
- The time commitment required by a director to effectively discharge duties;
- The number of existing directorships and other commitments that the candidate may have;
- Assessment of the 'independence' of the candidate; and,
- The extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The following procedure is followed in selecting and appointing a new director:

- Utilise personal networks or external consultants to identify potential candidates;

- Assess appropriateness of candidate with consideration to the above points;
- Determine the terms, conditions, responsibilities and expectations of the new position;
- Non-executive directors should be appointed for specific terms subject to re-election and to the ASX Listing Rules and Corporations Act provisions concerning removal of a director;
- Ultimate decisions about who is elected to the Board are to be made by the shareholders; and,
- Ensuring that the new Board member is inducted and that they have every opportunity to increase their knowledge about the company to ensure that they can participate in an effective manner to the Board deliberations.

4.3. REMUNERATION COMMITTEE

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves of the Company and of other group executives for the Group. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the remuneration committee during the year were:

Mr Barry Sullivan (Chairperson) – Independent Non-Executive

Mr Michael Anderson – Executive

Mr Alasdair Cooke – Executive

The remuneration committee meets twice a year and as required. The committee met twice during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 26.

4.4. REMUNERATION REPORT - AUDITED

4.4.1. Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Group and executives for the Group including the five most highly remunerated Group executives.

Compensation levels for key management personnel and secretaries of the Company and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board assesses the appropriateness of remuneration packages of both the Group based on trends in comparative companies.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The structures take into account:

- the capability and experience of the key management personnel; and
- the key management personnel's ability to control the performance of their respective areas of responsibility.

Compensation packages include a mix of fixed and variable compensation, and short-term and long-term performance based incentives.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation

The Group has historically had an options-based long term performance component built into director and executive compensation packages. The terms of the vesting of the options are contingent on a range of criteria including continued employment, the achievement of mining operations, completion of bankable feasibility studies, and/or an increase in mining reserves. With recent changes in the taxation of options-based schemes, the company is reviewing its approach to equity-based, long term, performance linked compensation.

Long term incentive structure

The Group believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer to section 13 and 14 of this report.

The Group does not have, but should the need arise will develop, a policy that will prohibit those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

Consequences of performance on shareholder wealth

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executive directors and executives to encourage the alignment of personal and shareholder interests. There are currently no financial targets set for the performance related remuneration.

Non-executive directors

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels. Total compensation for all non-executive directors is not to exceed $200,000 per annum as approved by shareholders and is set based on advice from external advisors.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Service contracts

Service contracts are in place for senior executives and outline the components of compensation paid to the key management personnel but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Remuneration and terms of employment for the key management personnel are formalised in service agreements, the terms of which are set out below. None of the contracts include termination benefits.

		Fees/Salaries per annum	
	Terms	From 1 May 2009 to 30 April 2010	From 1 May 2010 to 30 April 2011
Non-executive directors			
B Sullivan Chairman	Subject to re-election as required by Company's constitution.	55,000	60,500
P Reeve	No fixed term - subject to re-election as required by Company's constitution. The arrangement may be terminated by either party giving 1 month notice in writing.	38,500	42,350
C Burton (resigned 30 March 2010)	No fixed term - subject to re-election as required by Company's constitution. The arrangement may be terminated by either party giving 1 month notice in writing.	38,500	-
Executives			
Executive directors			
M Anderson Managing Director	No fixed term. The arrangement may be terminated by either party giving 6 months notice in writing.	323,400	350,700
A Cooke Executive Director	No fixed term - subject to re-election as required by Company's constitution. The arrangement may be terminated by either party giving 1 month notice in writing.	132,000	145,200
Other key management personnel			
G Laing Corporate & Project Development Manager	Term of agreement - 12 months commencing 20 August 2007 reviewed annually. The arrangement may be terminated by either party giving 6 months notice in writing.	279,340	306,700
E Byrne Company Secretary	No fixed term. The arrangement may be terminated by either party giving 6 months notice in writing.	254,340	280,200
B McLarty Commercial Manager	Term of agreement - 12 months commencing 1 May 2006 renewed annually. The arrangement may be terminated by either party giving 1 months notice in writing.	279,340	279,200
S Konecny Exploration Manager	Mr Konecny is an independent contractor and does not have a service contract.	N/A	N/A

4.4.2. Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are included in the table below.

		Short-Term				Post Employment	Share - based payments		Value of bonus as % of Total	Value of options as % of Total
		Salary & Fees $	Cash bonus $	Non-monetary benefits $	Sub Total $	Super-annuation benefits $	Options $	Total $	$	$
Directors										
M. Anderson	**2010**	**310,083**	**30,500**	**-**	**340,583**	**14,461**	**-**	**355,044**	**8.6**	**-**
	2009	305,000	-	4,089	309,089	13,745	52,290	375,124	-	13.9
A. Cooke	**2010**	**134,200**	**-**	**-**	**134,200**	**-**	**-**	**134,200**	**-**	**-**
	2009	132,000	-	-	132,000	-	32,681	164,681	-	19.9
B. Sullivan	**2010**	**20,395**	**-**	**-**	**20,395**	**35,523**	**-**	**55,918**	**-**	**-**
	2009	-	-	-	-	55,000	13,073	68,073	-	19.2
C. Burton*	**2010**	**28,875**	**-**	**-**	**28,875**	**-**	**-**	**28,875**	**-**	**-**
	2009	38,500	-	-	38,500	-	8,715	47,215	-	18.5
P Reeve	**2010**	**7,058**	**-**	**-**	**7,058**	**32,083**	**-**	**39,141**	**-**	**-**
	2009	43,571	-	-	43,571	-	-	43,571	-	-
Executives										
B McLarty	**2010**	**264,999**	**26,500**	**-**	**291,499**	**14,461**	**-**	**305,960**	**8.7**	**-**
	2009	265,000	-	-	265,000	13,745	39,837	318,582	-	12.5
G Laing	**2010**	**269,418**	**26,500**	**-**	**295,918**	**14,461**	**44,096**	**354,475**	**7.5**	**12.4**
	2009	265,000	-	-	265,000	13,745	100,473	379,218	-	26.5
S Konecny	**2010**	**167,400**	**20,000**	**-**	**187,400**	**-**	**-**	**187,400**	**10.7**	**-**
	2009	200,450	-	-	200,450	-	31,869	232,319	-	13.7
E Byrne**	**2010**	**246,000**	**22,000**	**-**	**268,000**	**14,461**	**92,232**	**374,693**	**5.9**	**24.6**
	2009	200,000	-	-	200,000	11,454	155,362	366,816	-	42.4
Total	**2010**	**1,448,428**	**125,500**	**-**	**1,573,928**	**125,450**	**136,328**	**1,835,706**	**6.8**	**7.4**
	2009	1,449,521	-	4,089	1,453,610	107,689	434,300	1,995,599	-	21.8

*Resigned 30 March 2010

**Appointed 1 September 2008

Remuneration payments to C. Burton and A. Cooke were made to related entities, Verona Capital Pty Ltd and Hartree Pty Ltd, respectively.

Notes in relation to the table of directors' and executive officers' remuneration

a) The fair value of the options is calculated at the date of grant using a binominal option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. Market conditions have been taken into account within the valuation model.

b) The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Option life	Fair value per option (cents)	Exercise price (cents)	Price of shares on grant date (cents)	Expected volatility	Risk free interest rate	Dividend yield
1/09/2008	4.0 yrs	18.47	40	37.0	72%	5.70%	-
14/08/2007	3.0 yrs	15.91	40	29.0	80%	6.25%	-
25/10/2007	4.0 yrs	20.68	40	41.0	60%	6.30%	-
4/12/2007	2.5 yrs	14.48	40	37.0	60%	6.25%	-
7/09/2006	4.0 yrs	14.84	20	24.0	75%	5.87%	-
7/09/2006	4.0 yrs	13.61	20	26.5	75%	5.87%	-
7/09/2006	4.0 yrs	12.66	25	26.5	75%	5.87%	-

Analysis of bonuses included in remuneration

	Included in remuneration	Short-term incentive bonus	
	$ (A)	% vested in year	% forfeited in year (B)
Directors			
M Anderson	30,500	100%	-
Executives			
B McLarty	26,500	100%	-
G Laing	26,500	100%	-
S Konecny	20,000	100%	-
E Byrne	22,000	100%	-

(A) Cash bonuses awarded as remuneration to the relevant specified executives were granted on 24 November 2009, following an annual review of the executive's overall achievements and performance for the year.

(B) The cash bonuses awarded as remuneration to the relevant specified executives were fully vested and paid in the year ended 30 June 2010 and none were forfeited during the current or prior year.

4.4.3. Equity Instruments

All options refer to options over ordinary shares of Exco Resources Limited, which are exercisable on a one-for-one basis.

Options and rights over equity instruments granted as remuneration

Details on options over ordinary shares in the Company that were granted as remuneration to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Holders	Number of options granted during 2010	Grant date	Fair value per option at grant date (cents)	Exercise price per option (cents)	Expiry date	Number of options vested during 2010	Number of options expired during 2010
Directors							
M Anderson	-	-	-	-	-	-	**1,200,000**
A Cooke	-	-	-	-	-	-	**750,000**
C Burton	-	-	-	-	-	-	**200,000**
B Sullivan	-	-	-	-	-	-	**300,000**
Executives							
B McLarty	-	-	-	-	-	-	**1,000,000**
G Laing	-	-	-	-	-	**500,000**	-
S Konecny	-	-	-	-	-	-	**800,000**
E Byrne	-	-	-	-	-	**500,000**	-

Holders	Number of options granted during 2009	Grant date	Fair value per option at grant date (cents)	Exercise price per option (cents)	Expiry date	Number of options vested during 2009	Number of options expired during 2009
Directors							
M Anderson	-	-	-	-	-	600,000	-
A Cooke	-	-	-	-	-	375,000	-
C Burton	-	-	-	-	-	100,000	-
B Sullivan	-	-	-	-	-	150,000	-
Executives							
B McLarty	-	-	-	-	-	500,000	-
G Laing	-	-	-	-	-	500,000	-
S Konecny						400,000	-
E Byrne	1,500,000	1/09/2008	18.47	40	30/08/2012	-	-

The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable three years from grant date, with the exception of the options issued to Mr. Byrne which expire 4 years from grant date. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives as discussed above.

Exercise of options granted as compensation

During the reporting period the following shares were issued on the exercise of options previously granted as remuneration.

	2010		2009	
	Number of shares	Amount paid per share	Number of shares	Amount paid per share
Director				
M Anderson	**1,000,000**	**20 cents**	-	-
Executive				
B McLarty	**1,500,000**	**20 cents**	-	-

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the five named Group executives is detailed below.

	Granted during period $ (a)	Exercised during period $ (b)
Director		
M Anderson	-	90,000
A Cooke	-	-
C Burton	-	-
B Sullivan	-	-
Executive		
B McLarty	-	135,000
G Laing	-	-
S Konecny	-	-
E Byrne	-	-

a) The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

b) The value of options exercised during the year is calculated as the market prices of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

4.5. AUDIT AND COMPLIANCE POLICY

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

ASXCGC recommendation 4.3 requires listed entities to have an audit committee consisting of only non-executive directors, a majority of independent directors, an independent Chairman, who is not Chairman of the board and at least three members. ASXCGC recommendation 4.4 requires the audit committee to have a formal charter.

The Company does not currently comply with the recommendations. During the year ended 30 June 2010, the Company did not have a separate audit committee. The duties and responsibilities typically delegated to such a committee were considered to be the responsibility of the full Board, given the size and nature of the Company's activities.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the group.

The Board, which consists of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the group.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the Company's financial reports for the year ended 30 June 2010 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

4.6. RISK MANAGEMENT

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Group believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee.

The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Group's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Managing Director and the Chief Financial Officer have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets;
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested; and
- Quality and integrity of personnel - the Group's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

4.7. ETHICAL STANDARDS

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the group. The Company guides directors and employees in the practice of compliance with these objectives through policy and procedural documents outlining the duties and responsibilities of individuals in relation to the objectives.

Code of conduct

The Board has advised each director and company officer that they must comply with the Group's ethical standards and Code of Conduct. The code covers the following:

- Directors and officers must act in the best interests of the company as a whole. Directors shall engage in and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
- Directors and officers must not take advantage of their position or information acquired, in the course of their duties, or misuse information for personal gain or to cause detriment to the company.
- Confidential information received in the course of the exercise of duties remains the property of the company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Chairman with consideration to the persons concerned, or as required by law.
- Directors and officers shall act honestly and with integrity in all of their dealings with employees, suppliers, customers and competitors such that the best interests and reputation of the company are maintained and enhanced.
- Directors and officers must use their best endeavours to protect the company's assets and ensure that those assets are used for business purposes only.
- Directors and officers have an obligation, at all times, to comply with the spirit, as well as the letter, of the law, including any applicable rules and regulations.
- Directors and officers will at all times strongly encourage legal and ethical behaviour. If a director becomes aware of unlawful or unethical behaviour then they are obliged to report such activities to the Chairman. Information provided should be treated in a discrete and confidential fashion and the matters dealt with expeditiously.

Conflict of Interest

In accordance with the Corporations Act and the Company's constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Share trading policy

The Company has established a policy that imposes certain restrictions on directors, senior management and other employees trading in the Company's securities. The policy has been adopted to prevent trading in contravention of the insider trading provisions of the Corporations Act 2001, in particular when Company personnel are in possession of price-sensitive information.

In general trading in the Company's securities is prohibited:

- whilst in possession of unpublished price sensitive information;
- where officers are engaging in the business of active dealing;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or annual report to the ASX; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications, except to the extent that a director or employee is applying for securities pursuant to that disclosure document.

Directors must notify the Board and employees must notify a director in advance of any transactions involving the Company's securities. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, directors advise the ASX of any transaction conducted by them in shares or options in the Company.

Health, safety, environment and heritage protection policy

The Company is committed to compliance with all relevant laws and regulations and continual assessment of its operations to ensure protection of the environment, the community and the health and safety of its employees. The Company has adopted a policy and maintains appropriate procedures to ensure that all Company activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount and which recognises environmental sustainability and respect for cultural and heritage issues as essential requirements for all its activities. Procedures are maintained to govern the activity of employees and contractors to ensure that the objectives of this policy are met.

4.8. COMMUNICATION WITH SHAREHOLDERS

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- Notify the ASX immediately if it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the Company's securities, unless that information is not required to be disclosed under the Listing Rules;
- Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and

- Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Company Secretary is responsible for coordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Company Secretary, including:

- Media releases;
- Analyst briefings and presentations; and
- The release of reports and operational results.

Information not disclosed via an ASX announcement that might be considered share price sensitive will not be discussed with any external parties except for third parties bound by confidentiality agreements with the Company. Discussions with external parties will only occur following an ASX announcement. All written materials containing new price sensitive information to be used in briefing media, investors and analysts will be notified to the ASX prior to the commencement of that briefing. In reviewing the content of analysts' reports and profit forecasts, the Company will correct factual inaccuracies or historical matters.

Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the group during the year, changes in the state of affairs and details of future developments. The annual report is lodged with the Australian Securities and Investment Commission and the ASX.
- The half-yearly report contains summarised financial information and a review of the operations of the group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investment Commission and the ASX, and sent to any shareholder who requests it.
- Quarterly reports are prepared in accordance with ASX Listing Rules and in summary form are distributed to all shareholders.
- Proposed major changes in the group which may impact on share ownership rights are submitted to a vote of shareholders.
- All announcements and related information made to the market are placed on the Company's website after they are released to the ASX, including regular updates on operations.
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website.

All of the above information is made available on the Company's website. Copies of all presentations made by the Company in a public forum are posted on the website. The majority of the information is also e-mailed to all shareholders who lodge their e-mail contact details with the Company.

The external auditor is requested to attend the Annual General Meeting to answer any questions concerning the audit and the auditor's report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors.

The following table cross references the ASXCGC Recommendations to the relevant sections of the Corporate Governance Statement and Remuneration Report.

	Recommendation	Comply Yes / No	Reference
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes	Page 26
2.1	A majority of the Board should be independent directors.	No	Page 27
2.2	The chairperson should be an independent director.	Yes	Page 27
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 27
2.4	The Board should establish a nomination committee.	No	Page 27
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 34

	Recommendation	Comply Yes / No	Reference
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	Yes	Page 34
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes	Page 33
4.2	The Board should establish an audit committee.	No	Page 33
4.3	Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the Board; • at least three members.	No	Page 33
4.4	The audit committee should have a formal charter.	No	Page 33
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	Page 35
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Page 34
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	Page 35
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 33
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: • the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board • the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes	Page 33
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	Yes	Page 28
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Yes	Page 29
9.2	The Board should establish a remuneration committee.	Yes	Page 28
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 29
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes	Page 31
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Yes	Page 33

5. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year consisted of exploration, evaluation, development and production of mineral interests.

6. EARNINGS PER SHARE

The basic earnings per share for Exco Resources Limited was a loss of 1.65 cents per share (2009: loss 1.39 cents per share).

7. REVIEW AND RESULTS OF OPERATIONS

The consolidated loss after tax attributable to members of the Group for the financial year ending 30 June 2010 was $5,141,296 (30 June 2009: $3,545,395 loss). A review of the Group's operations is outlined in section 10 of this report.

8. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 30 June 2010 (2009: nil).

9. LIKELY DEVELOPMENTS

The Group will pursue activities consistent with its corporate objectives and joint venture partners. Further information about likely developments not included in summary of subsequent events in note 15 of this report in the operations of the Group and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Group.

10. OPERATIONS

10.1. WHITE DAM GOLD PRODUCTION JOINT VENTURE (EXCO 75%, POLYMETALS GROUP PTY LTD 25%)

The White Dam Gold Project is located in South Australia approximately 80kms west of Broken Hill. The project contains a resource inventory of **9.6Mt @ 1.05 g/t Au** for **325,000oz contained** (see **Table 1**).

TABLE 1: WHITE DAM PROJECT OK RESOURCE ESTIMATE (0.4g/t CUT-OFF GRADE)

Deposit		Indicated			Inferred			Total		
	Material	kts	g/t Au	koz Au	kts	g/t Au	koz Au	kts	g/t Au	koz Au
White Dam	Oxide	5,149	1.09	180.1				5.149	1.09	180.1
	Fresh	603	1.08	20.9	1,315	0.88	37.1	1,918	0.94	58
Sub-Total		**5,752**	**1.07**	**201.0**	**1,315**	**0.88**	**37.1**	**7,067**	**1.05**	**238.1**
Vertigo	Oxide				1,200	1.00	38	1,200	1.00	38
	Fresh				1,330	1.14	49	1,330	1.14	49
Sub-Total				**2,530**	**1.07**	**87**	**2,530**	**1.07**	**87**	
PROJECT TOTAL		**5,752**	**1.07**	**201**	**3,845**	**1.00**	**124**	**9,597**	**1.05**	**325**

Note: White Dam resource was re-estimated in early 2009, Vertigo was estimated in 2007. Individual columns of data may not add up due to rounding errors.

- **JV funding secured**: On the 11 September 2009 Exco announced that with its joint venture partner, Polymetals Group Pty Ltd, it had completed the financing arrangements in respect of the White Dam Gold Project. A $16 million gold-linked pre-payment facility had been secured which, together with equity funding from the JV partners of $7.5 million, provided the full funding required to implement the project.
- **White Dam reserve upgrade:** On 5 October 2009 Exco announced an upgrade to the White Dam Probable Reserve with an increase of 21,400 ounces (up 14%), representing an 86% conversion of Indicated Resources to Probable Reserve.
- **Commencement of construction:** As a result of the reserve upgrade the financing arrangements for the project were completed and the project commenced construction in early October 2009 with first ore placed on the leaching pad in February 2010. The project was officially opened by the South Australian Minister for Resources Development, the Hon Paul Holloway MLC on 10th June 2010.
- **First gold production:** Project commissioning was successfully completed during the fourth quarter with first gold production achieved on 16 April 2010. By the end of June a total of 12,928 ounces of gold had been produced

White Dam Production Joint Venture - Production Statistics (Exco's 75% interest)

		Sep Qtr 09	Dec Qtr 09	March Qtr 10	June Qtr 10	Full Year 09/10
Ore Tonnes Mined	(tonnes)			273,565	621,839	895,403
Mined Grade	(gt)			1.02	1.01	1.01
Mined Ounces	(ounces)			8,972	20,104	29,076
Waste Tonnes Mined	(tonnes)			1,349,680	737,752	2,087,432
Ore placed on Leach	(tonnes)			273,565	621,839	895,403
Head Guide	(gt)			1.02	1.01	1.01
Ounces Produced	(ounces)			-	9,696	9,696
Gold Loan Repayments	(ounces)			-	3,224	3,224
Ounces Gold	(ounces)			-	3,731	3,731

- **Health Safety and Environment:** There has been one LTI recorded since the project inception. There have been no reportable environmental incidents for the project to date.
- **Near mine exploration**: In August 2010 the Joint Venture partners initiated a near-mine exploration and resource development programme at White Dam and the nearby targets of Vertigo, White Dam North and Ambush with a view to extending the life of the project.
- **Price protection:** In addition to the option purchases required under the terms of financing, upon the achievement of consistent production the Company decided to establish modest levels of price protection in place to secure a proportion of the expected cash flows from the project. The price protection was arranged in two tranches in early May and late June 2010.

  In addition to the mandatory hedging and put options, the company now has 7,500 ounces on refreshable short-term forward sold contracts at initial prices ranging from A$1,375/oz to A$1,432/oz. In addition 19,000 ounces put options at A$1,250/oz with expiry dates over the period from May 2011 to November 2011 have been purchased.

10.2. CLONCURRY COPPER PROJECT (CCP) (EXCO 100%)

The CCP is made up of seven main deposits located in three different geological settings, four deposits in the Mt Margaret area (E1 North, South, East and Central), two at Monakoff (Monakoff and Monakoff East) and one deposit on the edge of Cloncurry at the historical Great Australia mine. Resources delineated for the project to date now total **55Mt at 0.85% copper and 0.22g/t gold**. (see Table 2). The centre of gravity for the project is the E1 Camp located 8km east of the existing Ernest Henry Mine owned by Xstrata, in a region well serviced by infrastructure.

- **EIS & DFS update:** On 15 September 2009 Exco announced that the Environmental Impact Statement (EIS) in relation to the CCP had been submitted to the Queensland Department of Environment and Resources Management (DERM). Submission of the EIS to DERM is an important milestone in pursuit of the relevant approvals for the CCP. The EIS public consultation process closed in January 2010. Matters arising from the assessment report are currently being addressed and Exco continues to work closely with DERM to expedite this process.

  Meanwhile, work continued on the Definitive Feasibility Study (DFS). Final pit design and mine scheduling are in progress. Geotechnical studies on the open pits have been completed. The metallurgical testwork programme is ongoing and progress has been made in the areas of impurity removal, recovery optimisation and by-product recovery. Key elements of the DFS including infrastructure design and discussions with infrastructure owners/providers in the region are ongoing.
- **Mt Colin Underground Mining Study:** On 4 March 2010 Exco announced an updated resource estimate at Mt Colin of **1.49Mt @ 2.47% Cu** (at a 1.25% Cu cut-off), an increase of 123%. An Indicated resource **(0.62Mt @ 3.14% Cu**) has been drilled on an approximately 40 x 40m grid, with wider spaced drilling, at depth and along strike, being classified as Inferred.

  Resource drilling, geotechnical studies, hydro-geological studies and environmental studies are ongoing. The drill programme is expected to total approximately 4,500ms. Initial drilling has confirmed the high grade potential at Mt Colin with a best intersection to date of 17m @ 4.6% Cu & 1.34g/t from EMCDD034.
- **CCP maiden measured resource:** On 7 April 2010 the Company announced that detailed geological logging and modelling of the E1 deposits had been completed based on currently available information. The updated data has added to the confidence in the resources and allowed 9.17Mt to be classified as Measured.

  Total resources for the CCP now comprise **55.7Mt @ 0.85% Cu & 0.22 g/t Au** of which **37.9 Mt @ 0.86% Cu & 0.22 g/t Au** has been classified as Indicated or Measured.

TABLE 2: EXCO RESOURCES – NW QUEENSLAND Cu-Au RESOURCE SUMMARY

Deposit	Class	Tonnes	Grade		Metal	
			Cu %	Au g/t	Cu T	Au Oz
E1 Camp [2]	Measured	9,170,000	0.87	0.25	80,000	75,000
	Indicated*	24,700,000	0.71	0.21	177,000	165,000
	Inferred*	14,200,000	0.64	0.2	91,000	90,000
TOTAL		**48,100,000**	**0.72**	**0.21**	**348,000**	**330,000**
Monakoff [1] **& Monakoff East**	Indicated	2,000,000	1.39	0.44	28,000	28,000
	Inferred	2,000,000	1.3	0.4	25,000	26,000
TOTAL		**4,000,000**	**1.32**	**0.42**	**53,000**	**54,000**
Great Australia [1]	Indicated	1,400,000	1.53	0.13	21,000	6,000
	Inferred	800,000	1.57	0.14	12,000	3,000
TOTAL		**2,100,000**	**1.54**	**0.13**	**33,000**	**9,000**
Mt Colin [1]	Indicated**	620,000	3.14	-	19,500	-
	Inferred**	870,000	2.0	-	17,500	-
TOTAL**		**1,490,000**	**2.47**	**-**	**37,000**	**-**
Sub-total – CCP	**Measured**	**9,170,000**	**0.87**	**0.25**	**80,000**	**75,000**
	Indicated	**28,720,000**	**0.86**	**0.22**	**246,000**	**199,000**
	Inferred	**17,870,000**	**0.82**	**0.21**	**146,000**	**119,000**
	ALL	**55,700,000**	**0.85**	**0.22**	**472,000**	**394,000**
Other Deposits						
Turpentine	Indicated	1,627,000	1.04	0.21	17,000	11,000
	Inferred	215,000	0.9	0.16	2,000	1,000
TOTAL		**1,841,000**	**1.03**	**0.2**	**19,000**	**12,000**
Taipan	Inferred	**1,460,000**	**0.80**	**0.1**	**12,000**	**5,000**
Kangaroo Rat [1]	Inferred	**875,000**	**1.65**	**1.0**	**14,400**	**28,000**
Wallace South	Inferred***	**1,000,000**	**-**	**1.6**	**-**	**53,000**
Victory-Flagship	Inferred	**196,000**	**1.2**	**1.4**	**2,000**	**9,000**
Sub-total - Other		**5,400,000**	**0.88**	**0.62**	**47,400**	**107,000**
TOTAL		**61.0 Mt**	**0.85**	**0.25**	**519,400**	**500,000**

Notes

- Discrepancies in totals are as a result of rounding.
- [1]Granted Mining Lease.
- [2] ~30 % of E1 camp resources on a granted Mining Lease.
- Unless otherwise stated the above resources are reported at a 0.5% Cu cut-off.
- * E1 resources completed at 0.3%Cu cut-off.
- ** Mt Colin resource cut-off = 1.25% Cu.
- *** Wallace South resource cut-off = 0.5g/t

10.3. QUEENSLAND EXPLORATION ACTIVITIES (100% EXCO)

- **Drilling resumed at the Cloncurry Copper and Hazel Creek projects:** Drilling re-commenced on a number of Exco's key regional exploration prospects within the Cloncurry Copper and Hazel Creek Projects during the December quarter and was resumed after the wet season during quarters three and four. The programmes were planned both to follow-up on previous positive results at a number of prospects, and to focus on untested or partially tested geophysical anomalies and these programmes are continuing.

  During the June quarter three drill rigs were mobilised testing a range of targets throughout the Cloncurry and Hazel Creek areas and a steady flow of results is expected.

  On 31 August 2010 the Company announced that diamond drilling had commenced at the Turpentine Deposit in the Hazel Creek project targeting extensions to the known resource. All three holes drilled to date had intersected the target zone at the predicted depth. Core samples are progressively being dispatched to the laboratory.

- **2009 Tanbah results:** Final results for the final 7 Reverse Circulation (RC) holes drilled late in 2009 at the Tanbah prospect were received during the March quarter. Significant widespread low grade copper and gold mineralisation has been intersected in most holes drilled. Best results were:

  - ECRC330 36m @ 0.50% Cu & 0.33 g/t Au from 8-44m
  - ECRC337 52m @ 0.36% Cu & 0.19 g/t Au from 12-64m
  - ECRC338 44m @ 0.56% Cu & 0.42 g/t Au from 42-86m

  Within these broad lower grade zones are areas of stronger mineralisation:

  - ECRC330 6m @ 0.88% Cu & 0.96 g/t Au from 38m
  - ECRC337 12m @ 0.60% Cu & 0.33 g/t Au from 46m
  - ECRC338 14m @ 0.83% Cu & 0.75 g/t Au from 48m
  - ECRC338 8m @ 0.74% Cu and 0.4 g/t Au from 74m

  On 31 August 2010 the Company announced that RC drilling at Tanbah has defined zones of greater than 1% copper including 13m @ 1.40 % Cu & 1.01 g/t Au to the end of hole ECRC341. Follow-up diamond drilling has been completed with results expected shortly.

- **Salebury Prospect:** Two RC holes for 230 metres were drilled between existing drill lines at the Salebury Prospect. Excess water flows prevented holes reaching planned depth. ECRC316 intersected 6m @ 1.56% Cu and 0.71 g/t Au from 30m depth. On 31 August 2010 the Company announced diamond drill hole ECDD002 had intersected 48m @ 2.18% Cu & 1.97 g/t Au including 32m @ 2.87% Cu & 2.76 g/t Au suggesting that significant new resource potential exists at this priority target.

10.4. QUEENSLAND JOINT VENTURES

10.4.1. Ivanhoe JV (Exco 100% - Ivanhoe Australia earning up to 80%)

During the September quarter drilling programmes were completed at Back Creek, Saxby (EPM 12285), Fairmile West (EPM 12290), Mac's Tank. and Garnet Creek. Ground magnetic surveys were completed at Wewak and started at Killer Bore North. Mapping and a Niton XRF surveys were completed at Willy's Bore outlining several copper anomalies.

Assay results from drilling programmes at Saxby and Fairmile West are incomplete with no significant mineralisation in those received to date. Geophysical data from Garnet Creek is being processed to identify further drill targets.

Field work done during the December quarter included drilling at U4 (EPM 11676), Mac's Tank (EPM 13741) and Garnet Creek (EPM 11169); and ground magnetic surveys at Killer Bore North (EPM 16177) and Wewak (EPM 14033).

10.4.2. Liontown JV (Liontown 100%, Exco Option to earn up to 70%)

Four buried magnetic targets were tested by 4 RC holes for 461 metres in the December quarter. Some low level copper (up to 0.14% over 2 metre intervals), was encountered in ECRC313, with associated elevated gold arsenic cobalt and molybdenum.

10.5. PROJECTS NOT LISTED

Projects that are not mentioned in this report have had no significant results during the year or results are not yet available.

11. STATE OF AFFAIRS

Significant changes in the state of affairs of the group during the financial year were as follows:

- At a General Meeting of the Company held on 29 September 2009, resolutions to ratify the previous issue of shares and options under ASX Listing Rule 7.4, and to approve the issue of Options, were passed.

- On 22 October 2009 Exco announced the execution of a placement agreement to raise A$10.1m (before expenses) through the issue of approximately 41.3million shares at 24.5 cents each.
- Exco's Annual General Meeting took place on Tuesday the 24th of November 2009 in Perth. All resolutions before the meeting were passed.
- On 30 March 2010, non-executive director, Mr Craig Burton, tendered his resignation to the Board of Exco Resources Limited. Mr Burton had been a director of the Company since 2002. His decision to retire was due to extensive current and ongoing business commitments.
- On 3 May 2010 the Company announced that 2,500,000 employee incentive options at 20 cents had been exercised raising a total of $500,000 before costs.
- On 1 July 2010 the Company advised that under the granting terms and conditions, 7,900,000 Unlisted Options at an exercise price of $0.40 and an expiry date of 30/06/2010 had lapsed.

12. ENVIRONMENTAL REGULATION

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mining exploration activities. The management of the Company monitor compliance with the relevant environmental legislation. The Directors are not aware of any breaches of the legislation during the period covered by this report.

13. SHARE OPTIONS

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company has not granted any options to directors or to the five most highly remunerated officers of the Company as part of their remuneration:

Unissued shares under options

At the date of this report the total unissued ordinary shares of the Company under option including options held by key management personnel are:

Expiry date	Exercise price ($)	Number of shares
30/08/2011	$0.40	1,500,000
30/08/2012	$0.40	1,500,000
10/09/2012	$0.28	4,500,000
21/10/2012	$0.273	1,650,000

All employee options expire on the earlier of their expiry date or termination of the employee's employment.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

During or since the end of the financial year, the following ordinary shares were issued as a result of the exercise of options.

Number of shares	Amount paid per share
2,500,000	20 cents
1,500,000	25 cents

14. DIRECTORS' INTERESTS

The relevant interest of each director in the share capital as notified by the directors to the Australian Securities Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
M Anderson	1,750,000	-
A Cooke	17,224,988	-
B Sullivan	50,000	-
P Reeve	-	-

15. EVENTS SUBSEQUENT TO BALANCE DATE

Share Placement

On 10 August 2010 the Company announced that is had executed a Subscription Agreement to raise A$4.9m (before expenses) through the issue of approximately 16.4 million fully paid ordinary shares (5% of the total fully paid ordinary shares on issue at 9 August 2010) at 30 cents each to Aus-Ore Investments Pty Ltd, which is an investment vehicle for Sin-Tang Development Pte Ltd of Singapore.

The issue price of the shares represented a 15% premium on the 30 Day VWAP to 4 August 2010.

The parties have agreed to use their best endeavours to reach agreement in the next three months with regard to a proposed strategic investment by the Sin-Tang in the Company's Cloncurry Copper Project in north-west Queensland. Negotiations between the parties for the second stage will encompass both the purchase of an interest and the provision of debt financing for the project.

The Company intends to use the monies raised from the placement to fund exploration and resource development activities at its portfolio of Copper-Gold Projects in north-west Queensland.

Exercise of Options

On 30 August 2010 the Company announced that 1,500,000 employee incentive options at 25 cents had been exercised raising a total of $375,000 before costs.

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 45 and forms part of the directors' report for the financial year ended 30 June 2010.

17. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is comparable with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the board to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amount paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	30-June-10	30-June-09
	$	$
Auditors' Remuneration		
Audit fees - KPMG	**95,810**	67,159
Tax services fees - KPMG	**-**	10,000
Other accounting fees - KPMG	**-**	10,000
	95,810	**87,159**

18. INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreed to indemnify the current Directors and Officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

19. COMPANY SHARE PERFORMANCE & SHAREHOLDER WEALTH

During the financial period the Company's share price traded between a low of 19 cents and a high of 34 cents. The price volatility is a concern to the Board but is not considered abnormal for a junior explorer such as Exco Resources Limited. In order to keep all investors fully-informed and minimise market fluctuations the Board is determined to maintain promotional activity amongst the investment community so as to increase awareness of the Company. Details of the consequences of performance on shareholders wealth are disclosed in section 4.4.1 of the Remuneration Report.

20. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

21. INSURANCE PREMIUMS

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts, for current Directors and Officers of the Company. The insurance premiums relate to:

- Costs and expenses incurred in by the relevant officers in defending legal proceedings, whether civil or criminal and whatever the outcome.
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Dated at Perth this day of 30th September 2010.

Signed in accordance with a resolution of the Directors.

Michael Anderson

Managing Director

Forward looking statements & competent person's statement

This Director's report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

All references to dollars, cents or $ in this presentation are to AUD currency, unless otherwise stated.

Information in this report relating to mineral resources and exploration results is based on data compiled by Exco's Exploration Manager Stephen Konecny who is a member of The Australasian Institute of Mining and Metallurgy. Mr Konecny 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 under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Konecny consents to the inclusion of the data in the form and context in which it appears.

2010

Lead Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Exco Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Trevor Hart
Partner

Perth

30 September 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Consolidated statement of comprehensive income

	Note	30-June-10 $	30-June-09 $
Sales revenue	6	**7,022,317**	-
Cost of goods sold	8	**(4,890,629)**	-
Gross Profit		**2,131,688**	**-**
Other income	7a	**280,455**	407,008
		2,412,143	**407,008**
Deferred revenue cost		**(270,000)**	-
Exploration expense		**(771,219)**	(326,473)
Employee expenses	10	**(1,134,910)**	(1,051,405)
Depreciation	17	**(209,143)**	(223,077)
Office costs		**(393,050)**	(319,910)
Professional and corporate expenses	11	**(483,659)**	(466,648)
Insurance		**(47,120)**	(62,178)
Reversal of other income		**-**	(1,142,757)
Impairment of equity accounted investment	12	**(51,617)**	(500,000)
Other expenses from ordinary activities		**(619,708)**	(336,124)
Results from operating activities		**(1,568,283)**	**(4,021,564)**
Finance income	7b	**511,574**	476,169
Finance expense	7c	**(4,084,587)**	**-**
Net finance (expense)/income		**(3,573,013)**	**476,169**
Loss before income tax		**(5,141,296)**	**(3,545,395)**
Income tax expense	13	**-**	-
Loss for the period		**(5,141,296)**	**(3,545,395)**
Other comprehensive income		**-**	-
Total comprehensive loss for the period		**(5,141,296)**	**(3,545,395)**
Total comprehensive loss attributable to:			
Owners of the Company		**(5,141,296)**	**(3,545,395)**
Basic loss per share (cents)	9	**(1.65)**	(1.39)
Diluted loss per share (cents)	9	**(1.65)**	(1.39)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

	Note	30-June-10 $	30-June-09 $
Current assets			
Cash and cash equivalents	14	**10,086,715**	10,800,317
Trade and other receivables	15	**2,623,771**	70,025
Inventory	16	**7,627,242**	-
Derivatives	5d	**23,285**	-
Total current assets		**20,361,013**	**10,870,342**
Non-current assets			
Receivables	15	**1,210,251**	254,751
Property, plant and equipment	17	**1,459,107**	1,935,379
Exploration and evaluation expenditure	18	**40,713,220**	42,741,510
Mine and development properties	19	**15,064,011**	-
Total non-current assets		**58,446,589**	**44,931,640**
Total assets		**78,807,602**	**55,801,982**
Current liabilities			
Trade and other payables	20	**6,406,777**	882,095
Deferred revenue	21	**2,415,729**	-
Provisions	22	**135,905**	142,412
Derivatives	5d	**1,522,511**	-
Total current liabilities		**10,480,922**	**1,024,507**
Non-current liabilities			
Deferred revenue	21	**7,117,911**	-
Provisions	22	**833,434**	-
Derivatives	5d	**160,840**	-
Total non-current assets		**8,112,185**	**-**
Total liabilities		**18,593,107**	**1,024,507**
Net assets		**60,214,495**	**54,777,475**
Equity			
Contributed equity	23	**68,968,927**	59,128,214
Reserves	24	**3,253,635**	2,516,032
Accumulated losses		**(12,008,067)**	(6,866,771)
Total equity		**60,214,495**	**54,777,475**

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

	Note	30-June-10 $	30-June-09 $
Cash flows from operating activities			
Receipts from customers		**4,671,112**	-
Proceeds from deferred revenue		**12,000,000**	-
Cash payments in the course of operations		**(9,522,970)**	(1,549,123)
Interest received		**480,360**	476,169
Option premium payments		**(2,424,521)**	-
Net cash from/(used in) operating activities	29	**5,203,981**	**(1,072,954)**
Cash flows from investing activities			
Cash payments for exploration and evaluation expenditure		**(3,803,799)**	(12,172,911)
Cash payments for development expenditure		**(10,852,285)**	-
Cash payments for acquisition of equity investments		**(51,617)**	-
Movements in security deposits		**(1,255,000)**	-
Movement in loan from joint venture partner		**-**	312,500
Cash payments for plant and equipment		**(179,790)**	(110,102)
Proceeds from sale of property, plant and equipment		**63,944**	11,300
Proceeds from sale of tenements		**-**	1,400,000
Net cash used in investing activities		**(16,078,547)**	**(10,559,213)**
Cash flows from financing activities			
Proceeds from issue of shares		**10,626,406**	7,202,750
Share issue costs		**(465,442)**	(330,646)
Net cash from financing activities		**10,160,964**	**6,872,104**
Net decrease in cash held		**(713,602)**	**(4,760,063)**
Cash at the beginning of the financial period		**10,800,317**	**15,560,380**
Cash at the end of the financial period	14	**10,086,715**	**10,800,317**

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

	Issued capital	Accumulated losses	Share-based payments reserve	Total equity
Balance at 1 July 2009	**59,128,214**	**(6,866,771)**	**2,516,032**	**54,777,475**
Loss for the period	**-**	**(5,141,296)**	**-**	**(5,141,296)**
Total comprehensive loss for the period	**-**	**(5,141,296)**	**-**	**(5,141,296)**
Transactions by owners, recorded directly in equity				
Issue of shares	**10,126,405**	**-**	**-**	**10,126,405**
Exercise of options	**500,000**			**500,000**
Share issuance costs	**(785,692)**	**-**	**-**	**(785,692)**
Share-based payments	**-**	**-**	**737,603**	**737,603**
Balance at 30 June 2010	**68,968,927**	**(12,008,067)**	**3,253,635**	**60,214,495**

	Issued capital	Accumulated losses	Share-based payments reserve	Total equity
At 1 July 2008	**52,256,110**	**(3,321,376)**	**1,947,317**	**50,882,051**
Loss for the period	-	(3,545,395)	-	(3,545,395)
Total comprehensive loss for the period	**-**	**(3,545,395)**	**-**	**(3,545,395)**
Transactions by owners, recorded directly in equity				
Issue of shares	6,872,104	-	-	6,872,104
Share issuance costs	-	-	-	-
Share-based payments	-	-	568,715	568,715
At 30 June 2009	**59,128,214**	**(6,866,771)**	**2,516,032**	**54,777,475**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Notes to the consolidated financial accounts

1. REPORTING ENTITY

Exco Resources Limited (the "Company" or "Exco") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended, 30 June 2010 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in the production of gold and minerals exploration.

The consolidated annual financial report of the Group as at, and for the year ended, 30 June 2010 is available upon request from the Company's registered office at Level 2, 8 Colin Street, West Perth WA 6005, or at: www.excoresources.com.au

2. BASIS OF PREPARATION

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 30 September 2010.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis. The methods used to measure fair values are discussed further in note 4.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company and its controlled entities.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 3(d) – Exploration and evaluation expenditure

Note 3(e) – Mine and development properties

Note 3(g) – Impairment

Note 3(h)(ii) – Share-based payment transactions

Note 3(l) – Utilisation of tax losses

Note 3(o) – Closure and rehabilitation

Management has discussed with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies, estimates and judgements. The estimates and judgements that may have a significant impact on the carrying amount of assets and liabilities are discussed below.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group, except as explained in the following notes which address changes on the application of accounting policies for the first time:

- 3(c)(iii) – Derivative financial instruments;
- 3(e) – Mine properties and development
- 3(i) – Revenue
- 3(k) – Lease payments
- 3(o) – Closure and rehabilitation
- 3(r) – Inventory

- 3(s) – Segment reporting
- 3(t) – Presentation of financial statements

Certain comparative amounts have been reclassified to conform with the current year's presentation.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements includes the Group's share of the income and expenses and equity movements of equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Joint ventures

Jointly controlled assets

The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Joint venture operations

Interests in incorporated joint ventures are brought into account using the proportionate consolidation method. Under this method the proportionate interests in assets, liabilities, income and expenses of the joint venture entity are incorporated in the consolidated financial statements under appropriate headings.

(iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates' net profit' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Group's interest in such entities is disposed of.

b) Foreign currency

Transactions in foreign currencies are translated to Australian dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised costs in Australian dollars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the exchange rate at the date that the fair value was determined.

c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(k).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its commodity price exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative instruments held for cash flow hedging are recognised in profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

d) Exploration and Evaluation

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; and ,
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy in note 3 (g)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to Mine and development properties.

e) Mine and development properties

(i) Mine and development properties

Mine and development properties represents the acquisition cost and/or accumulated exploration, evaluation and development expenditure in respect of areas of interest in which production has commenced. Mine development costs are deferred until commercial production commences. When commercial production is achieved mine development is transferred to mine properties, at which time it is amortised on a unit of production basis over the total estimated resources related to this area of interest.

Development expenditure is capitalised as either a tangible or intangible asset depending on the nature of the costs incurred.

Development expenditure includes the following:

- Reclassified exploration and evaluation assets;
- Direct costs of construction including plant and equipment and related infrastructure costs;
- Pre-production stripping costs; and
- An appropriate allocation of overheads and borrowing costs incurred during the construction phase.

Open pit waste removal costs incurred in the development of a mine before production commences are capitalised as part of the mine development costs, which are subsequently amortised over the life of the open pit resource, once transferred to mine properties.

The Group applies the units of production method for amortisation of its mine properties, which results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions in relation to reserves and resources, metallurgy and the complexity of future capital development requirements. These estimates and assumptions are reviewed annually, changes to these estimates and assumptions may impact the amortisation charge in the income statement and asset carrying values, which would be adjusted if appropriate on a prospective basis.

(ii) Production waste removal

All costs of production waste removal (stripping) from open pit mines are accumulated, and deferred on the statement of financial position as part of the total of mine properties and mine development. These costs include the costs of drilling, blasting, loading and haulage of waste rock from the open pit to the waste pile. The costs are predominantly in the nature of payments to mining, blasting and other contracting companies or costs of internal labour and materials used in the process. These costs are amortised on a units-of production basis in accordance with the amortisation policy set out for mine development above.

Amortisation of production waste removal costs is included in cost of goods sold in the statement of comprehensive income. Cash spent on waste removal is included in cash flows from investing activities in the statement of cash flows. As waste removal activities are an integral part of the mining operation, the deferred stripping asset is grouped with the other assets at the mine site or other level which represents the lowest level of separately identifiable cash flows in order to assess recoverable amount.

(iii) Reserves and resources

Resources are estimates of the amount of gold that can be economically extracted from the Group's mine properties. In order to calculate resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements short and long term commodity prices and exchange rates.

Estimating the quantity and/or grade of resources requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process may require complex and difficult geological judgments and calculations to interpret the data.

The Group determines and reports ore resources under the Australian Code of Reporting for Mineral Resource and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable assumptions to calculate resources. Due to the fact that economic assumptions used to estimate resources change from period to period, and geological data is generated during the course of operations, estimates of resources may change from period to period. Changes in reported resources may affect the Group's financial results and financial position in a number of ways, including:

- Asset carrying values may be impacted due to changes in estimates of future cash flows;
- Amortisation charged in the income statement may change where such charges are calculated using the units of production basis;
- Decommissioning, site restoration and environmental provisions may change due to changes in estimated resources after expectations about the timing or costs of these activities change; and,
- Recognition of deferred tax assets, including tax losses.

(iv) Depreciation

Depreciation of development assets associated with the White Dam mine is recognised in the profit and loss on a units of production basis as this is considered the best approach in a heap leach operation where production quantities vary materially over the life of the operation.

f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses as described in Note 3(g).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item or property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in the income statement. When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to accumulated losses.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the items if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- property not depreciated
- plant and equipment 5-12 years
- motor vehicles 5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

(ii) Non-financial assets

The carrying amounts of the Group’s non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Employee benefits

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options.

The fair value of the options granted is measured using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Superannuation plan

The Company and its controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense as they are incurred.

i) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The Group has financed its participation in the White Dam Gold Production Joint Venture by way of a gold repayment facility from Barclays Capital PLC. The facility has been recognised as deferred revenue and is presented as liability in the balance sheet. Revenue is recognised in the profit and loss when Exco delivers gold under the facility agreement.

j) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

k) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through the income statement, changes in fair value of the derivative instruments held for hedging and impairment losses recognised on financial assets.

l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and,
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted of substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group with effect from 1 April 2004. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Exco Resources Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

o) Closure and rehabilitation

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies. Provisions for the cost of each closure and rehabilitation programme are recognised when the Group has a present obligation and it is probable that rehabilitation/restoration costs will be incurred at a future date, which generally arises at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly.

Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure, in connection with disturbances, as at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements. Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows.

When provisions for closure and rehabilitation are initially recognised, to the extent that it is probable that future economic benefits associated with the rehabilitation, decommissioning and restoration expenditure will flow in the entity, the corresponding cost is capitalised as an asset. The capitalised cost of closure and rehabilitation activities is recognised in exploration evaluation and mine properties and property, plant and equipment as appropriate and depreciated/amortised accordingly.

The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance expenses. Closure and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of the related assets, where it is probable that future economic benefits will flow to the entity, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the income statement. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include:

- revisions to estimated reserves, resources and lives of operations;
- regulatory requirements and environmental management strategies;
- changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates;

- movements in interest rates affecting the discount rate applied; and,
- the timing of cash flows.

At each reporting date the rehabilitation and restoration provision is remeasured to reflect any of these changes.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash for the purpose of the statement of cash flows.

q) Trade and other payables

Trade and other payables are stated at their amortised cost.

r) Inventory

Inventories of broken ore, stacked ore, gold in circuit and gold bullion are physically measured or estimated and valued at the lower of cost and net realisable value.

The cost comprises direct materials, labour and transportation expenditure in bringing such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure based on weighted cost incurred during the period in which such inventories were produced.

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated cost necessary to perform the sale. Inventories of consumable supplies and spare parts are expected to be used in production are valued at cost. Obsolete or damaged inventories of such items are valued at net realisable value.

Insurance and capital (or recirculating) spare parts are capitalised and depreciated over the same remaining life as the equipment with which they are associated.

s) Segment reporting

Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

t) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of the initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing these financial statements:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the

Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group not yet determined the potential effect of the standard;

- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements;
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements;
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements; and
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumption made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

b) Share-based payment transactions

The fair value of employee stock options is measured using a binomial valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

c) Derivative financial instruments

A derivative is initially recognised at fair value on the date of derivative contract is entered into and is subsequently remeasured at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market price at the reporting date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each reporting date.

The fair value of forward foreign exchange and commodity contracts is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the reporting date.

5. FINANCIAL RISK MANAGEMENT

a) Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and the processes for measuring and managing risk, and the management of capital.

With the development of the White Dam Production Joint Venture, the Group's future revenues may be exposed to commodity price and exchange rate fluctuations. The Group may from time to time enter into derivative instruments to manage this exposure. Exposure limits will be reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from gold sales to customers.

Credit risks relating to trade receivables are managed by maintaining strong relationships with our quality clients, ensuring Exco only trades with creditworthy parties (assessed at the time of contract acceptance), and constantly reviewing the ageing.

Credit risks related to cash and cash equivalents are managed by placing surplus working capital with financial institutions of appropriate credit worthiness, currently that being the Group's bankers.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	30-June-10	30-June-09
	$	$
Cash and cash equivalents	**10,086,715**	10,800,317
Financial derivative assets	**23,285**	-
Trade and other receivables	**3,834,022**	324,776
	13,944,022	**11,125,093**

Impairment losses

None of the Group's receivables are past due (2009: nil).

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. At the Balance Sheet Date the Group did not have any external borrowings. The following are the contractual maturities of financial liabilities:

Consolidated	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years
30-Jun-10					
Trade and other payables	**6,406,777**	**(6,406,777)**	**(6,406,777)**	**-**	**-**
Derivatives					
Gold forward contracts					
Outflow	**1,640,969**	**(1,640,969)**	**(858,418)**	**(664,093)**	**(118,458)**
Gold options					
Outflow	**42,382**	**-**	**-**	**-**	**-**
Inflow	**(23,285)**	**-**	**-**	**-**	**-**
	8,066,843	**(8,047,746)**	**(7,265,195)**	**(664,093)**	**(118,458)**
30-Jun-09					
Trade and other payables	882,095	(882,095)	(882,095)	-	-
	882,095	**(882,095)**	**(882,095)**	**-**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's revenue is exposed to gold price fluctuations. The Group has entered into gold forward sales contracts and gold put options to manage its exposure to movements in the gold price. The carrying value of the Group's derivative financial instruments as at the reporting date is as follows:

5. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial Derivative Instruments	30-June-10 $	30-June-09 $
Financial derivative assets		
Current		
Gold put options	23,285	-
Total Financial Derivative Asset	23,285	-
Financial derivative liabilities		
Current		
Gold forward sale contracts	(1,522,511)	
	(1,522,511)	-
Non-current		
Gold put options	(42,382)	-
Gold forward sale contracts	(118,458)	-
	(160,840)	-
Total Financial Derivative Liabilities	(1,683,351)	-
Total	(1,660,066)	-

The Group enters into gold forward sales contracts to effectively fix the cash flows receivable on a proportion of the Group's future gold sales. Gold forward sales contracts are not designated into hedge relationships and therefore fair value adjustments on these contracts are recognised in the consolidated statement of comprehensive income.

Gold forward sales

The following table details the gold forward sales contracts outstanding as at the reporting date for the Group.

	2010			2009		
		$			$	
Gold forward sales contracts	Ounces	Weighted average price/oz	Fair Value Liability	Ounces	Weighted average price	Fair Value
Maturing						
Less than 3 months	7,800	1,399	605,070	-	-	-
More than 3 and less than 12 months:	3,075	1,216	917,441	-	-	-
More than 12 months	375	1,216	118,458	-	-	-
	11,250	1,343	1,640,969	-	-	-

Gold put options

During the reporting period the Group entered into put options for a portion of its gold production in order to manage its exposure to gold price risk. The put options allow the Group to maintain full exposure to any upwards movement in the gold price whilst providing it the right, but not the obligation, to deliver gold at the stated strike price.

The following table details the gold put options outstanding as at the reporting date for the Group.

	2010			2009		
		$			$	
Gold put options	Ounces	Strike price	Fair Value	Ounces	Strike average price	Fair Value
Maturing						-
Less than 1 Year	14,938	1,183	(23,285)	-	-	-
Between 1 – 2 years	14,000	1,250	42,382	-	-	-
	28,938	1,216	19,097	-	-	-

Sensitivity analysis

The following table summarises the sensitivity of derivative financial assets and derivative financial liabilities held at the balance sheet date to movement in the gold price at that time with all other variables held constant. The 10% movement for gold is based on reasonably possible changes over a financial year using an observed range of historical rates for the preceding five years.

	Impact on profit	
	2010	2009
Post tax gain/(loss)	$	$
Gold + 10%	**(1,189,467)**	-
Gold – 10%	**1,187,947**	-

e) Currency risk

The Group and the Company is not exposed to currency risk and at the balance sheet date the Group held no financial assets or liabilities which are exposed to foreign currency risk.

f) Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposits at interest rates maturing over 90 days rolling periods.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	30-June-10	30-June-09
Variable rate instruments:	$	$
Financial assets*	**10,086,715**	10,800,317
	10,086,715	**10,800,317**

*The interest-bearing financial assets comprise cash and cash equivalents.

Fair value sensitivity analysis for fixed rate instruments

The Group does not have any fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2010				
Variable rate instruments – Cash and cash equivalents	**100,867**	**(100,867)**	**-**	**-**
30 June 2009				
Variable rate instruments – Cash and cash equivalents	108,003	(108,003)	-	-

5. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	30-June-10		30-June-09	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets carried at fair value				
Gold option contracts	**23,285**	**23,285**	-	-
Gold forward sale contracts	**-**	**-**	-	-
	23,285	**23,285**	**-**	**-**
Assets carried at amortised cost				
Loans and receivables	**3,834,022**	**3,834,022**	324,776	324,776
Cash and cash equivalents	**10,086,715**	**10,086,715**	10,800,317	10,800,317
	13,920,737	**13,920,737**	**11,125,093**	**11,125,093**
Liabilities carried at fair value				
Gold option contracts	**42,382**	**42,382**	-	-
Gold forward sale contracts	**1,640,969**	**1,640,969**	-	-
	1,683,351	**1,683,351**	-	-
Liabilities carried at amortised costs				
Trade and other payable	**6,406,777**	**882,095**	6,406,777	882,095
	6,406,777	**882,095**	**6,406,777**	**882,095**

The basis for determining fair values is disclosed in note 4.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	23,285	-	23,285
	-	**23,285**	**-**	**23,285**
Derivative financial liabilities	-	1,683,351	-	1,683,351
	-	**1,683,351**	**-**	**1,683,351**

g) Commodity price risk

The Group is exposed to gold price fluctuations; the effect of the fluctuation is discussed in detail earlier in this note in market risks disclosures (d).

h) Capital and liquidity management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, by maintaining a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure while ensuring liquidity, the Group may return capital to shareholders, issue new shares or sell assets to provide cash flow.

The Group is continuing to focus on raising sufficient funds through equity to fund exploration and evaluation activities. With the move to production during the year its activities have been financed, and will be financed during the coming year, in part, by cash flows from the White Dam operation.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. REVENUE

	30-June-10	30-June-09
	$	$
Gold sales	**7,021,948**	-
Silver sales	**369**	-
	7,022,317	**-**

The Group's two most significant customers, the Perth Mint Australia and Barclays Capital PLC (refer note 21) represent 100% of the Group's total revenues.

7. OTHER AND FINANCIAL INCOME/EXPENSE

a) Other income

	30-June-10	30-June-09
	$	$
Gain on disposal of property, plant and equipment	**17,025**	6,519
Gain on disposal of interest in tenements	**256,704**	395,091
Other income	**6,726**	5,398
	280,455	**407,008**

b) Financial income

Interest income	**511,574**	**476,169**

c) Financial expense

Fair value of metal options and forward contracts loss	**1,660,066**	-
Fair value movement on option contracts	**2,424,521**	-
	4,084,587	**-**

During the year ending 30 June 2010, the Group entered into metal (gold) forward sale contracts and metal (gold) put option contracts. Total premium on the option contracts for the year was $2,424,521 (2009: nil) of which $1,259,821 was settled in cash during the period. As at 30 June 2010 the mark to market value of option contracts resulted in a positive net position of $23,285 (2009: nil) while mark to market value of forward sales contracts was in a loss position of $1,683,351 (2009: nil).

Derivatives comprise

a) the forward sale contracts for:

- i.) 3,750 oz of gold at a price of A$1,216.34 per ounce for the period September 2010 to June 2011; and,
- ii.) 3,750 oz of gold at a price of A$1,378.94 per ounce and 3,750 oz of gold at a price of A$1,432.75 on a spot deferred basis with delivery expected within the next six months; and,

b) put option contracts for:

- i.) 9,940 oz of gold at a price of A$1,100 per ounce for the period July 2010 to May 2011; and,
- ii.) 19,000 oz of gold at a price of A$1,250 per ounce for the period May 2011 to November 2011.

8. COST OF GOODS SOLD

		30-June-10	30-June-09
		$	$
Depreciation of mine properties	(i)	**5,702,291**	-
Amortisation of mine properties	(i)	**1,000,791**	-
Amortisation of rehabilitation asset	(i)	**198,898**	-
Production costs		**5,488,799**	-
Costs deferred as inventory		**(7,500,150)**	-
		4,890,629	**-**

(i) Reconciliation of movement in mine properties including the depreciation charges is disclosed in note 19.

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the year ended 30 June 2010 was based on the losses attributable to ordinary shareholders of $5,141,296 (year ended 30 June 2009: $3,545,395 loss) and a weighted average basic and dilutive number of ordinary shares outstanding during the year ended 30 June 2010 of 312,081,788 and 312,081,788 respectively (year ended 30 June 2009: 255,077,324 and 259,007,324 respectively), calculated as follows:

	30-June-10	30-June-09
	$	$
Loss attributable to ordinary shareholders		
Loss for the period	**(5,141,296)**	(3,545,395)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	**284,733,625**	**254,083,625**
Effect of shares issued during the period	**27,348,163**	923,699
Weighted average number of ordinary shares at 30 June	**312,081,788**	**255,007,324**
Weighted average diluted number of ordinary shares at 30 June	**312,081,788**	**259,007,324**
	$	$
Basic loss per share (cents)	**(1.65)**	(1.39)
Diluted loss per share (cents)	**(1.65)**	(1.39)

10. EMPLOYEE EXPENSES

	30-June-10	30-June-09
	$	$
Consulting fees and wages	**905,167**	647,443
Superannuation	**55,094**	36,796
Leave provisions	**483**	13,918
Share-based payment expense	**78,580**	234,218
Other personnel costs	**95,586**	119,030
	1,134,910	**1,051,405**

11. PROFESSIONAL AND CORPORATE EXPENSES

	30-June-10	30-June-09
	$	$
Audit fees - KPMG	**95,810**	67,159
Tax services fees - KPMG	**-**	10,000
Other accounting fees - KPMG	**-**	10,000
	95,810	**87,159**
Other professional and corporate expenses		
Tax services	**14,500**	3,400
Legal services	**83,286**	49,682
Other corporate expenses	**290,063**	326,407
	387,849	**379,489**
Total professional and corporate expenses	**483,659**	**466,648**

12. IMPAIRMENT OF EQUITY ACCOUNTED INVESTMENT

	30-June-10 $	30-June-09 $
Black Rock Minerals Pty Ltd (Exco's share 34.5%)		
Impairment of investment	**51,617**	500,000
	51,617	**500,000**

During the year ended 30 June 2010, the Group invested further $51,617 in Black Rock Minerals Pty Ltd which brings the total investment to $551,617 (2009: $500,000).

In accordance with the accounting policy disclosed in Note 3 (g)(ii), the Directors review the carrying value of the Company's investment in Black Rock Minerals Pty Ltd at each reporting date. Black Rock Minerals Pty Ltd is an unlisted Australian-based exploration company. At 30 June 2010 the exploration outcomes resulting from the expenditure incurred by Black Rock Minerals Pty Ltd had not yielded results allowing a reasonable assessment regarding the existence or otherwise of economically recoverable reserves. Furthermore, at that time the Company had not committed any funds for future exploration costs. As a result the Directors determined the value of Black Rock Minerals Pty Ltd to be nil.

	30-June-10 $	30-June-09 $
Black Rock Minerals Pty Ltd		
Investment at cost	**551,617**	500,000
Impairment of investment	**(551,617)**	(500,000)
	-	**-**

The Group's share of profit in its equity accounted investee not recognised in the consolidated financial statements for the year was $319 (2009: $3,679).

Share of associate's capital commitments contracted but not provided for or payable:

Within one year	**5,192**	10,815
	5,192	**10,815**

13. INCOME TAX EXPENSE

	30-June-10 $	30-June-09 $
Current tax expense		
Current period	**-**	-
Deferred tax expense		
Origination and reversal of temporary differences		
Carried forward tax losses recognised	**-**	-
Income tax expense from continuing operations	**-**	-
Total income tax expense	**-**	**-**
Numerical reconciliation between tax expense and pre-tax accounting loss		
Profit/(Loss) for the period excluding income tax	**(5,141,296)**	(3,545,395)
Income tax using the Company's domestic tax rate of 30%	**(1,542,389)**	(1,063,619)
Tax effect of permanent differences	**107,126**	72,878
Tax effect of movement in temporary differences	**1,435,263**	990,741
Income tax expense/(benefit)	**-**	**-**
Tax assets and liabilities		
Recognised deferred tax assets and liabilities		
Recognised deferred tax liabilities		
Exploration and development expenditure	**(12,213,966)**	(12,822,453)
Mine development expenditure	**(3,175,922)**	-
Accrued income	**(14,064)**	(4,700)
	(15,403,952)	**(12,827,153)**
Recognised deferred tax assets		
Provisions and accruals	**310,585**	71,277
Derivatives	**498,020**	-
Tax value of losses recognised	**14,595,347**	12,755,875
	15,403,952	**12,827,153**

13. INCOME TAX EXPENSE (CONT'D)

Tax Losses

At 30 June 2010, the consolidated group has $16,720,330 (2009:$13,507,134) of tax losses (at 30%) that are available indefinitely for offset against future taxable profits of the Company, including the following amounts not recognised at year end:

	30-June-10 $	30-June-09 $
Unrecognised deferred tax assets	**2,124,983**	751,259
Tax value of losses unrecognised	**2,124,983**	**751,259**

The tax benefits of the above deferred tax assets will only be obtained if:

a) the consolidated group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

b) the consolidated group continues to comply with the conditions for deductibility imposed by law; and

c) no changes in income tax legislation adversely affect the consolidated group in utilising the benefits.

14. CASH AND CASH EQUIVALENTS

	30-June-10 $	30-June-09 $
Cash on hand and at bank	**3,283,562**	59,699
Cash held in joint ventures	**462,311**	4,007
Deposits at call	**6,340,842**	10,736,611
	10,086,715	**10,800,317**

15. TRADE AND OTHER RECEIVABLES

	30-June-10 $	30-June-09 $
Current		
Trade debtors	**1,481,991**	13,588
Prepayments	**299,158**	47,301
Other receivables	**842,622**	-
	2,623,771	**70,025**
Non-current		
Security deposits	**1,210,251**	254,751
	1,210,251	**254,751**

16. INVENTORIES

	30-June-10 $	30-June-09 $
Materials and supplies - at cost	**127,092**	-
Ore stocks – at cost	**5,567,761**	-
Gold in circuit – at cost	**644,006**	-
Gold bullion – at cost	**1,288,383**	-
	7,627,242	**-**

17. PROPERTY, PLANT AND EQUIPMENT

	30-June-10	30-June-09
	$	$
At cost	**2,097,756**	2,449,565
Accumulated depreciation	**(638,649)**	(514,186)
Total carrying value at 30 June	**1,459,107**	**1,935,379**

Reconciliation of movement	Property $	Motor Vehicles $	Plant and Equipment $	Total $
At cost				
At 1 July 2009	**989,385**	**316,417**	**1,143,763**	**2,449,565**
Acquisitions	**-**	**148,070**	**31,721**	**179,791**
Disposals	**-**	**(107,982)**	**(23,618)**	**(131,600)**
Transfer to development	**-**	**-**	**(400,000)**	**(400,000)**
At 30 June 2010	**989,385**	**356,505**	**751,866**	**2,097,756**
Accumulated depreciation				
At 1 July 2009	**-**	**(121,778)**	**(392,408)**	**(514,186)**
Depreciation expense	**-**	**(76,798)**	**(132,345)**	**(209,143)**
Disposals	**-**	**63,973**	**20,707**	**84,680**
At 30 June 2010	**-**	**(134,603)**	**(504,046)**	**(638,649)**
Carrying amount at 30 June 2010	**989,385**	**221,902**	**247,820**	**1,459,107**

Reconciliation of movement	$	$	$	$
At cost				
At 1 July 2008	**989,385**	**299,633**	**858,764**	**2,147,782**
Acquisitions	-	16,784	293,448	310,232
Disposals	-	-	(8,449)	(8,449)
At 30 June 2009	**989,385**	**316,417**	**1,143,763**	**2,449,565**
Accumulated depreciation				
At 1 July 2008	**-**	**(63,433)**	**(231,214)**	**(294,647)**
Depreciation expense	-	(58,345)	(164,732)	(223,077)
Disposals	-	-	3,538	3,538
At 30 June 2009	**-**	**(121,778)**	**(392,408)**	**(514,186)**
Carrying amount at 30 June 2009	**989,385**	**194,639**	**751,355**	**1,935,379**

18. EXPLORATION AND EVALUATION EXPENDITURE

Carrying value of exploration and evaluation	30-June-10 $	30-June-09 $
In entities other than joint ventures	**40,149,024**	42,193,756
In joint ventures	**564,196**	547,754
Carrying value*	**40,713,220**	**42,741,510**

*Costs carried forward in respect of areas of interest held in the exploration and evaluation phases.

18. EXPLORATION AND EVALUATION EXPENDITURE (CONT'D)

Movement in exploration and evaluation expenditure	30-June-10 $	30-June-09 $
At 1 July	**42,741,510**	29,009,626
Expenditure incurred during the year	**4,852,026**	12,636,045
Expenditure reclassified as development	**(6,005,693)**	-
Movement in expenditure in joint ventures	**27,891**	(23,521)
Exploration expenditure written off	**(759,218)**	(326,473)
Interests acquired during the year	**-**	3,450,742
Interests disposed of during the year	**(143,296)**	(2,004,909)
Carrying amount at 30 June	**40,713,220**	**42,741,510**

The property in nature represents intangible exploration and evaluation assets. Refer to the significant accounting policies 3(d) for a detailed explanation of exploration and evaluation assets.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas at an amount greater than or equal to the carrying value.

19. MINE AND DEVELOPMENT PROPERTIES

Carrying value of mine and development properties	30-June-10 $	30-June-09 $
At cost:		
In entities other than joint ventures	**5,361,468**	-
In joint ventures	**16,604,523**	-
	21,965,991	-
Accumulated amortisation	**(6,901,980)**	-
Carrying amount at 30 June	**15,064,011**	**-**

Movement in mine properties and development		30-June-10 $	30-June-09 $
At 1 July		**-**	-
Expenditure incurred during the year		**14,758,919**	-
Expenditure reclassified from property, plant and equipment		**400,000**	-
Capitalised exploration recognised as development expenditure		**6,005,693**	-
Depreciation of development properties	(i)	**(5,702,291)**	-
Amortisation of capitalised production waste	(i)	**(1,000,791)**	
Capitalised provision for rehabilitation costs		**801,379**	-
Amortisation of capitalised rehabilitation costs	(i)	**(198,898)**	-
Carrying amount at 30 June		**15,064,011**	**-**

(i) Total amount of amortisation and depreciation included in cost of goods sold for the year ended 30 June 2010 was $6,901,980 (2009: nil) (Note 8).

There are no other material items arising from exploration, evaluation and mining assets which give rise to liabilities, income and expenses or operating cash flows.

20. TRADE AND OTHER PAYABLES

	30-June-10 $	30-June-09 $
Trade creditors	**857,226**	230,956
Accrued expenses	**1,323,086**	227,805
Other payables	**83,148**	422,437
Joint ventures payables and accruals	**4,143,317**	897
	6,406,777	**882,095**

21. DEFERRED REVENUE

	30-June-10 $	30-June-09 $
Current		
At 1 July	**-**	-
Deferred revenue received during the year	**4,882,089**	-
Deliveries made during the year	**(2,466,360)**	-
	2,415,729	**-**
Non-current		
At 1 July	**-**	-
Deferred revenue received during the year	**7,117,911**	-
Deliveries made during the year	**-**	-
	7,117,911	**-**
Total deferred revenue at 30 June	**9,533,640**	**-**

During the year to 30 June 2010, the Group, together with its joint venture partner Polymetals Group Pty Ltd, completed the arrangements for a Gold Repayment Facility (GBF) of $16 million for the construction and commissioning of the White Dam Gold Project Joint Venture (WDGPJV) in South Australia with Barclays Capital. As part of the GBF terms, Exco has granted a fixed and floating security over the assets of the WDGPJV. The Group's 75% of the facility totalling $12 million was recognised as deferred revenue. The Group's facility was provided as a prepayment for delivery of 15,687 oz of gold. This balance will be reduced and the revenue recognised as the gold is delivered, in accordance with the following delivery schedule:

WDGPJV Delivery Schedule – 75%	Total Volume (oz)	Delivered during the year (oz)	Balance at 30 June 2010
First delivery – due January 2011	6,382	(3,224)	3,158
Second delivery – due June 2011	6,382	-	6,382
Third delivery – due August 2011	2,923	-	2,923
	15,687	**(3,224)**	**12,463**

Mandatory prepayment conditions apply. Under these conditions at 30 June 2010 Exco had pre-delivered 3,224 ounces against its first delivery commitment.

22. PROVISIONS

Current	30-June-10 $	30-June-09 $
Employee benefits	**135,905**	**142,412**

This provision sets out the statutory annual leave provision for the Group's employees.

Non-Current	30-June-10 $	30-June-09 $
Closure and rehabilitation		
Opening balance at 1 July	**-**	**-**
Recognition of rehabilitation and restoration asset	**801,379**	-
Unwinding of discount	**32,055**	-
Closing Balance 30 June	**833,434**	**-**

23. CONTRIBUTED EQUITY

	Number of shares		Amount ($)	
	30-June-10	30-June-09	30-June-10	30-June-09
Ordinary shares on issue	**328,565,892**	284,733,625	**71,419,468**	60,793,063
Share issuance cost	**-**	-	**(2,450,541)**	(1,664,849)
Ordinary shares on issue net of cost	**328,565,892**	**284,733,625**	**68,968,927**	**59,128,214**
Movement in ordinary shares				
Balance at 1 July	**284,733,625**	254,083,625	**59,128,214**	**52,256,110**
Issue of shares:				
Exercise of options	**2,500,000**	-	**500,000**	-
Shares issued for cash	**41,332,267**	30,650,000	**10,126,405**	7,202,750
Transaction costs	**-**	-	**(785,692)**	(330,646)
Balance at 30 June	**328,565,892**	**284,733,625**	**68,968,927**	**59,128,214**

Movement in Options over ordinary shares on issue – unlisted options

	Number of Options	
	30-June-10	30-June-09
Balance at 1 July	**14,500,000**	**13,000,000**
Employee incentive options granted	**400,000**	1,500,000
Options granted in settlement of financing costs	**4,500,000**	-
Options granted in settlement of capital raising fees	**1,650,000**	-
Exercise of options	**(2,500,000)**	-
Options expired	**(7,900,000)**	-
Balance at 30 June	**10,650,000**	**14,500,000**

Options over ordinary shares on issue – unlisted options

Outstanding options on 30 June 2010

Number	Exercise Price	Expiry
1,500,000	$0.25	30/08/2010
1,500,000	$0.40	30/08/2011
1,500,000	$0.40	31/08/2012
4,500,000	$0.28	10/09/2012
1,650,000	$0.273	21/10/2012
10,650,000		

24. RESERVES

	30-June-10	30-June-09
	$	$
Share-based payments reserve*	**3,253,635**	2,516,032
	3,253,635	**2,516,032**
		-
Movement in reserves		
Balance at 1 July	**2,516,032**	1,947,317
Recognised during the year	**737,603**	568,715
Balance at 30 June	**3,253,635**	**2,516,032**

*Refer to note 30 for terms and conditions of options granted during the year ended 30 June 2010.

25. PARENT ENTITY

As at and throughout the financial year ended 30 June 2010 the parent company of the Group was Exco Resources Limited.

	30-June-10 $	30-June-09 $
Results of the parent entity		
Loss for the period	**(3,513,398)**	(3,545,395)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(5,668,604)**	**(3,545,395)**
Financial position of parent entity at year end		
Current assets	**7,433,265**	10,844,199
Total assets	**63,068,557**	55,469,585
Current liabilities	**1,226,165**	692,110
Total liabilities	**1,226,165**	692,110
Net assets	**61,842,393**	**54,777,475**
Total equity of the parent entity comprising of:		
Share capital	**68,968,927**	59,128,214
Option reserve	**3,253,635**	2,516,032
Accumulated losses	**(10,380,169)**	(6,866,771)
Total equity	**61,842,393**	**54,777,475**
Parent entity commitments		
(i) Exploration expenditure		
Within one year:		
Leases and minimum expenditure	**82,928**	94,139
Farm-in commitments	**15,665**	-
	98,593	**94,139**
(ii) Operating leases		
Within one year	**125,432**	83,777
Later than one and no later than five years	**-**	99,898
Later than 5 years	**-**	-
	125,432	**183,675**
	224,025	**277,814**

26. COMMITMENTS

At 30 June 2010 the Group and has the following commitments:

	30-June-10 $	30-June-09 $
(i) Exploration expenditure		
Within one year:		
Leases and minimum expenditure	**123,957**	145,206
Joint venture commitments - White Dam JV	**31,042**	35,319
Farm-in commitments	**15,665**	126,000
Later than one and no later than five years:		
Joint venture commitments - White Dam JV	**-**	-
	170,664	**306,525**

26. COMMITMENTS (CONT'D)

	30-June-10	30-June-09
	$	$
(ii) Operating leases		
Within one year	**125,432**	83,777
Later than one and no later than five years	**-**	99,898
Later than 5 years	**-**	-
	125,432	**183,675**
	296,096	**490,200**

(i) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These commitments are discretionary for the Group and are subject to renegotiation when application for a mining lease is made and at other times. These commitments are not provided for in the financial report.

(ii) Leases as lessee

The Group leases an office under an operating lease. The lease runs for 5 years with a 2 year renewal option. Lease payments are increased annually with the movement in CPI. The lease commenced on 1 July 2006.

27. GROUP ENTITIES

	Country of Incorporation	Percentage of Equity Interest held by the Group	
		2010	2009
		%	%
Parent entity			
Exco Resources Limited			
Subsidiaries			
Exco Resources (WA) Pty Ltd.	Australia	**100**	100
Mitchell River Exploration Pty Ltd.	Australia	**100**	100
Exco Operations (SA) Ltd.	Australia	**100**	100
Eliza Creek Mines Ltd.	Australia	**100**	100
Exco Cloncurry Operations Pty Ltd.	Australia	**100**	100
Boomarra Mines Pty Ltd.	Australia	**100**	100
Exco Resources (SA) Pty Ltd.	Australia	**100**	100
Exco Resources (QLD) Pty Ltd.	Australia	**100**	100

28. JOINT VENTURES

As at 30 June 2010, the Group has interests in three joint ventures, details of which are included below. Joint ventures are accounted for using proportionate consolidation method as described in note 3(a)(ii).

a) Toolebuc Resources Pty Ltd.

On 14 February 2008 Exco Resources Limited. (Exco) and Paradigm Metals Ltd. (Paradigm) entered into an agreement to jointly undertake exploration on the Exco and Paradigm tenements in the area of mutual interest and have incorporated a company, Toolebuc Resources Pty Ltd. (Toolebuc), for this purpose.

During the financial year Toolebuc issued further 20,000 shares to each shareholder at $1 per share bringing the Company's total investment in Toolebuc at 30 June 2010 to $580,000 (2009: $560,000).

Toolebuc Resources Pty Ltd. is a company incorporated in Australia with the principal activity being exploration of mineral resources. The investment in Toolebuc Resources is carried at cost in the balance sheet of the Company.

The consolidated financial statements incorporate 50% of the assets and liabilities of the Toolebuc Resources Pty Ltd. under following classifications:

	30-June-10 [50%]	30-June-09 [50%]
	$	$
Current assets		
Cash and cash equivalents	**7,327**	4,007
Trade and other receivables	**8,972**	8,749
Total current assets	**16,299**	**12,756**
Non-current assets		
Exploration and evaluation expenditure	**564,196**	547,751
Total non-current assets	**564,196**	**547,751**
Total assets	**580,495**	**560,507**
Current liabilities		
Trade and other payables	**495**	507
Total current liabilities	**495**	**507**
Total liabilities	**495**	**507**
Net assets	**580,000**	**560,000**

b) White Dam Gold Production Joint Venture

During the year ended 30 June 2010, the Group contributed $17,568,471 (2009: nil) to the White Dam Gold Production Joint Venture. The income from the sale of gold produced by the White Dam Gold Production Joint Venture is recorded by the venturers. Total costs incurred by the Joint Venture attributable to the owners of the Company were $3,733,885 (2009: nil).

	30-June-10 [75%]	30-June-09 [75%]
	$	$
Current assets		
Cash and cash equivalents	**454,984**	-
Inventory	**127,092**	-
Trade and other receivables	**791,304**	-
Total current assets	**1,373,380**	**-**
Non-current assets		
Mine and development properties	**16,604,523**	-
Total non-current assets	**16,604,523**	**-**
Total assets	**17,977,903**	**-**
Current liabilities		
Trade and other payables	**4,143,317**	-
Total current liabilities	**4,143,317**	**-**

c) White Dam Exploration Joint Venture

During the year ended 30 June 2010 the Group transferred 25% of its interest in the White Dam exploration tenements to Polymetals Group Pty Ltd, upon signing of the White Dam Exploration Joint Venture Agreement documentation.

The Group's commitments in regard to the White Dam Exploration Joint Venture are included in note 25.

29. NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities:

	30-June-10	30-June-09
	$	$
Loss after income tax	**(5,141,296)**	(3,545,395)
Add/(less) items classified as investing activities:		
Fair value movement of forward contracts	**1,660,066**	-
Loss/(Profit) on sale of non-current assets	**(273,729)**	741,147
Impairment expense	**51,617**	500,000
Amortisation and depreciation of mine properties	**6,901,980**	-
Depreciation	**209,143**	223,077
Exploration expense	**771,218**	326,473
Add/(less) non-cash items:		
Doubtful debt expense	**-**	16,179
Share-based payments	**348,580**	234,218
Net cash provided by/(used in) operating activities before change in assets and liabilities	**4,527,579**	**(1,504,301)**
(Increase)/Decrease in receivables and prepayments	**(2,553,746)**	490,363
(Increase) in inventory	**(7,627,242)**	-
Increase in deferred revenue	**9,533,640**	-
Increase/(Decrease) in accounts payable and provisions	**1,323,750**	(59,016)
Net cash provided by/(used in) operating activities	**5,203,981**	**(1,072,954)**

30. RELATED PARTY DISCLOSURES

Details of key management personnel

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

Barry Sullivan – Non-executive chairman

Michael Anderson - Managing director

Alasdair Cooke – Executive director

Peter Reeve – Non-executive director

Craig Burton – Non-executive director (resigned 30 March 2010)

Executives

Bruce McLarty – General Manager – Commercial

Geoff Laing – General Manager – Project/Corporate Development

Steve Konecny – Exploration Manager

Eamon Byrne – Chief Financial Officer and Company Secretary

There are no other persons within the Group who are classified as key management personnel.

Key management personnel compensation disclosures

The key management personnel compensation is as follows:

	30-June-10	30-June-09
	$	$
Short-term employee benefits	**1,573,928**	1,473,610
Post-employment benefits	**125,450**	107,689
Share-based payments	**136,328**	450,235
	1,835,706	**2,031,534**

Individual directors and executive compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note and the remuneration report, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Exco Resources Limited held directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

2010	Held at 1 July 2009	Granted as compensation	Exercised	Expired	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
M Anderson	**2,200,000**	**-**	**(1,000,000)**	**(1,200,000)**	**-**	**-**	**-**
A Cooke	**750,000**	**-**	**-**	**(750,000)**	**-**	**-**	**-**
C Burton	**200,000**	**-**	**-**	**(200,000)**	**-**	**-**	**-**
B Sullivan	**300,000**	**-**	**-**	**(300,000)**	**-**	**-**	**-**
P Reeve	**-**	**-**	**-**		**-**	**-**	**-**
Executives							
B McLarty	**2,500,000**	**-**	**(1,500,000)**	**(1,000,000)**	**-**	**-**	**-**
G Laing	**1,500,000**	**-**	**-**	**-**	**1,500,000**	**500,000**	**1,000,000**
S Konecny	**2,300,000**	**-**	**-**	**(800,000)**	**1,500,000**	**-**	**1,500,000**
E Byrne	**1,500,000**	**-**	**-**	**-**	**1,500,000**	**500,000**	**500,000**

2009	Held at 1 July 2008	Granted as compensation	Exercised	Expired	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors							
M Anderson	2,200,000	-	-	-	2,200,000	600,000	2,200,000
A Cooke	750,000	-	-	-	750,000	375,000	750,000
C Burton	200,000	-	-	-	200,000	100,000	200,000
B Sullivan	300,000	-	-	-	300,000	150,000	300,000
P Reeve	-	-	-	-	-	-	-
Executives							
B McLarty	2,500,000	-	-	-	2,500,000	500,000	2,500,000
G Laing	1,500,000	-	-	-	1,500,000	500,000	500,000
S Konecny	2,300,000	-	-	-	2,300,000	500,000	2,300,000
E Byrne	-	1,500,000	-	-	1,500,000	-	-
M Freeman	400,000	-	-	-	400,000	-	400,000

No options were held by key management person related parties.

30. RELATED PARTY DISCLOSURES (CONT'D)

Movement in shares

2010	Held at 1 July 2009	Acquired / (Sold)	Received on exercise of options	Net change other	Held at 30 June 2010
Directors					
M Anderson	**750,000**	**-**	**1,000,000**	**-**	**1,750,000**
A Cooke	**16,224,988**	**-**	**-**	**-**	**16,224,988**
C Burton*	**6,000,667**	**(1,212,190)**	**-**	**-**	**4,788,477**
B Sullivan	**50,000**	**-**	**-**	**-**	**50,000**
P Reeve	**-**	**-**	**-**	**-**	**-**
Executives					
B McLarty	**800,000**	**(100,000)**	**1,500,000**	**-**	**2,200,000**
G Laing	**81,000**		**-**	**-**	**81,000**
S Konecny	**573,926**		**-**	**-**	**573,926**
E Byrne	**-**	**-**	**-**	**-**	**-**

*Shares sold after the resignation date

2009	Held at 1 July 2008	Acquired / (Sold)	Received on exercise of options	Net change other	Held at 30 June 2009
Directors					
M Anderson	750,000	-	-	-	750,000
A Cooke	16,224,988	-	-	-	16,224,988
C Burton	6,000,667	-	-	-	6,000,667
B Sullivan	50,000	-	-	-	50,000
P Reeve	-	-	-	-	-
Executives					
B McLarty	-	800,000	-	-	800,000
G Laing		81,000	-	-	81,000
S Konecny	411,926	162,000	-	-	573,926
E Byrne	-	-	-	-	-
M Freeman	700,000	(700,000)	-	-	-

No shares were granted to key management personnel during the reporting period as compensation in 2009 and 2010. No shares were held by related parties of key management personnel.

Loans to key management personnel and their related parties

There were no loans to key management personnel during the year.

Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. One of those entities, Mitchell River Group Pty Ltd, transacted with the Group in the financial year.

The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms-length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Related party	Transactions value year ended 30-June-10	Transactions value year ended 30-June-09	Balance outstanding as at 30-June-10	Balance outstanding as at 30-June-09
Mitchell River Group Pty Ltd	**463,710**	338,404	**29,640**	713

Mitchell River Group Pty Ltd., a mining consulting firm of which Mr Craig Burton and Mr Alasdair Cooke are directors, received fees of $463,710 (2009: $338,404) in respect of the provision of legal services, office rent, secretarial and bookkeeping services, field equipment rental and office cost recovery provided to the Company in the ordinary course of business.

Transactions with Related Parties in the Consolidated Group

The Consolidated Group consists of Exco Resources Limited. (the ultimate Parent Entity in the wholly owned group) and its controlled entities (see Note 27). During the year Exco Resources Limited. entered into loans with those related parties which were advanced on long and short term inter-company accounts.

These loans had the following terms and conditions:

- Loans with related parties are repayable on demand, with repayment not expected to occur within 12 months; and no interest is payable on the loans.
- Transactions with associates and joint ventures are disclosed in notes 12 and 28 respectively.

Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue

There were no changes in key management personnel subsequent to the reporting date up until and including the date of this report.

31. SHARE-BASED PAYMENTS

During the year ended 30 June 2010 400,000 (2009: 1,500,000) incentive options were issued to employees and consultants and further 6,150,000 options were issued to third parties in settlement of fees. Details of the options granted during the year are disclosed in tables below.

	Fair value Based on the Binomial option pricing model		Fair value Based on the value of services received
	Employee Options 6-Aug-09	Fox Davies Options* 22-Oct-09	Barclays Options** 11-Sep-09
Number of options	400,000	1,650,000	4,500,000
Grant date	06-Aug-2009	22-Oct-2009	11-Sep-09
Exercise price (cents)	40.0	27.3	28
Expiry date	30-Jun-2010	21-Oct-2012	10-Sep-12
Share price (cents)	25	28	-
The risk-free interest rate	5.07%	5.38%	-
Volatility	125.19%	116.39%	-
Contractual life of options	0.9 yrs	3 yrs	-
Fair value per option (cents)	**8.70**	**19.41**	**6.00**

*The fair value of services received in return for share options granted to Fox Davies is based on the fair value of share options granted, measured using the binomial option-pricing model.

**The fair value of options issued to Barclays Capital is based on the value of service received as set in the White Dam Financing Agreement.

Vesting conditions	Options 6-Aug-09	Options 11-Sep-09	Options 22-Oct-09
Continuous service - vesting on 4 May 2009	200,000		
Continuous service - vesting on 4 May 2010	200,000		
Vested and exercisable on grant date		4,500,000	1,650,000

31. SHARE-BASED PAYMENTS (CONT'D)

The number and weighted average exercise prices of share options are as follows:

Reconciliation of movement	Weighted average exercise price (cents) 2010	Number of options 2010	Weighted average exercise price (cents) 2009	Number of options 2009
Outstanding at 1 July	**34.2**	**14,500,000**	**34.6**	**13,000,000**
Expired during the year	**40.0**	**(7,900,000)**	-	-
Exercised during the year	**20.0**	**(2,500,000)**	-	-
Granted during the year	**40.0**	**400,000**	40.0	1,500,000
Granted during the year	**28.0**	**4,500,000**	-	-
Granted during the year	**27.3**	**1,650,000**	-	-
Outstanding at 30 June	**35.9**	**10,650,000**	**35.2**	**14,500,000**
Exercisable at 30 June	**35.1**	**9,150,000**	**34.2**	**12,000,000**

The options outstanding at 30 June 2010 have an exercise price in the range of 25 to 40 cents and a weighted average contractual life of 2 years.

Share-based payment expense

	30-June-10 $	30-June-09 $
Recognised in profit and loss	**78,580**	234,218
Recognised in balance sheet as exploration and evaluation expenditure	**68,772**	334,497
	147,352	**568,715**

32. SEGMENTS

The Group has two reportable segments, which include the following:

a) Development and production. Comprises the White Dam Gold Project Joint Venture in South Australia.

b) Exploration and evaluation. Includes exploration and evaluation activities in the area of mineral resources.

Information regarding the results of each reportable segment is included below.

Operating segments 30 June 2010	Exploration $	Production $	Corporate $	Unallocated/ Eliminations $	Total $
External revenues	-	7,022,317	-	-	7,022,317
Inter-segment revenue	-	-		-	-
	-	7,022,317	-	-	7,022,317
Interest income	-	142,776	368,798	-	511,574
Interest expense	-	32,055	4	-	32,059
Depreciation expense	-	-	209,143	-	209,143
Reportable segment loss before income tax	**(771,219)**	**(1,588,028)**	**(2,793,501)**	**11,452**	**(5,141,296)**

Operating segments 30 June 2010	**Exploration**	**Production**	**Corporate**	**Unallocated/ Eliminations**	**Total**
	$	$	$	$	$
Share of profit of equity method investees	-	-	-	-	-
Other material non-cash items:					-
Amortisation on mine and development properties included in Cost of goods sold	-	1,000,791	-	-	1,000,791
Depreciation on mine and development properties included in Cost of goods sold	-	5,901,189	-	-	5,901,189
Reportable segment assets	52,738,480	15,982,407	10,086,715	-	78,807,602
Reportable segment liabilities	14,449,790	4,143,317	-	-	18,593,107
Investment in associates	-	-	51,617	-	51,617
Capital expenditure	4,879,917	14,758,919	179,791	-	19,818,627

Geographical segments

Exploration and Corporate and the Production segments are both located and managed in Australia, thus operating in a single geographical segment.

Major customers

All the Group's revenues are from two customers of the Production segment, namely the Perth Mint Australia and Barclays Capital PLC.

33. EVENTS SUBSEQUENT TO BALANCE DATE

Share Placement

On 10 August 2010 the Company announced that is had executed a Subscription Agreement to raise A$4.9m (before expenses) through the issue of approximately 16.4 million fully paid ordinary shares (5% of the total fully paid ordinary shares currently on issue at 9 August 2010) at 30 cents each to Aus-Ore Investments Pty Ltd, which is an investment vehicle for Sin-Tang Development Pte Ltd of Singapore.

The issue price of the shares represented a 15% premium on the 30 Day VWAP to 4 August 2010.

The parties have agreed to use their best endeavours to reach agreement in the next three months with regard to a proposed strategic investment by the Sin-Tang in the Company's Cloncurry Copper Project in north-west Queensland. Negotiations between the parties for the second stage will encompass both the purchase of an interest and the provision of debt financing for the project.

The Company intends to use the monies raised from the placement to fund exploration and resource development activities at its portfolio of Copper-Gold Projects in north-west Queensland.

Exercise of Options

On 30 August 2010 the Company announced that 1,500,000 employee incentive options at 25 cents had been exercised raising a total of $375,000 before costs.

Directors' Declaration

1. In the opinion of the Directors of Exco Resources Limited ('the Company'):

a) the consolidated financial statements and notes that are contained in paragraphs 1 to 33 and the Remuneration report in the Directors' report, set out on pages 28 to 31 , are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director and chief financial officer for the financial year ended 30 June 2010.

3. The directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors

Michael Anderson
Managing Director

30 September 2010

2010

KPMG

Independent auditor's report to the members of Exco Resources Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Exco Resources Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year , which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Exco Resources Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

30 September 2010

ASX ADDITIONAL INFORMATION

Exco Resources Ltd securities are listed on the Australian Securities Exchange Limited (ASX). The Company's ASX code is EXS.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 30 September 2010:

Name of Shareholder	Total Number of Voting Shares in Exco Resources Ltd in which the Substantial Shareholder and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
IVANHOE AUSTRALIA LIMITED	79, 288, 632	22.88
JP MORGAN CHASE & CO (UK)	29, 300, 804	8.46
WH SOUL PATTINSON & CO LTD	25, 447, 365	7.34
JP MORGAN AUSTRALIA LIMITED	20, 658, 232	5.96

CLASS OF SHARES AND VOTING RIGHTS

As at 30 September 2010 there were 2814 holders of 346,494,187 ordinary fully paid shares of the Company.

The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

(a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited)."

There are no voting rights attached to the options in the Company. Voting rights will be attached to the un-issued ordinary shares when options have been exercised.

DISTRIBUTION OF SECURITY HOLDERS

Number of Shares Held	Number of Shareholders	Number of Shares
1 – 1,000	73	23,153
1,001 – 5,000	559	1,805,213
5,001 – 10,000	582	5,013,122
10,001 – 100,000	1341	46,473,589
100,001 and over	259	293,179,110
Total	**2814**	**346,494,187**

ASX ADDITIONAL INFORMATION

The number of shareholders holding less than a marketable parcel of shares is 73.

LISTING OF 20 LARGEST SHAREHOLDERS (AT 30 SEPTEMBER 2010):

NAME OF ORDINARY SHAREHOLDER	NUMBER	PERCENTAGE
IVANHOE AUSTRALIA LIMITED	79,288,632	22.88
JP MORGAN CHASE & CO (UK)	29,300,804	8.46
WH SOUL PATTINSON & CO LTD	25,447,365	7.34
JP MORGAN NOMINEES AUSTRALIA LIMITED	20,658,232	5.96
MR ALASDAIR COOKE	17,224,988	4.97
AUS ORE INVESTMENTS PTY LTD	16,428,295	4.74
HSBC CUSTODY NOMINEES	8,063,984	2.33
MR GEOFFREY ROL	3,989,048	1.15
DALE PARK PTY LTD	3,280,000	0.95
SHORLANE PTY LTD	2,938,000	0.85
BURLS HOLDINGS PTY LTD	2,786,215	0.80
NATIONAL NOMINEES LTD	2,508,629	0.72
NATIONAL HEALTH RECOVERY AGENTS PTY LTD	2,420,000	0.70
MR BRUCE DUNCAN MCLARTY	2,200,000	0.63
KINAR PTY LTD	1,905,500	0.55
MANDEL PTY LTD	1,750,000	0.51
MR MICHAEL RICHARD ANDERSON	1,750,000	0.51
SHAYANA PTY LTD	1,610,417	0.46
THE TRUST COMPANY (SUPERANNUATION) LTD	1,505,040	0.43
MR CRAIG BURTON	1,500,000	0.43
	226,555,149	**65.38%**

UNQUOTED AND ESCROWED EQUITY SECURITIES

	Number	Number of Holders	Name of Holders	Number Held
Exercisable at $0.40 on or before 30/08/2011	1,500,000	1	Mr Geoff Laing	1,500,000
Exercisable at $0.40 on or before 30/08/2012	1,500,000	1	Mr Eamon Byrne	1,500,000
Exercisable at $0.28 on or before 10/09/2012	4,500,000	1	Barclays Bank PLC	4,500,000
Exercisable at $0.273 on or before 20/10/2012	1,650,000	1	Fox Davies Capital Ltd	1,650,000
TOTAL				**9,150,000**

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

SCHEDULE OF TENEMENTS

Tenement	Number	Exco Interest	Status
Drew Hill (SA)	EL 4199	75%	Granted
	EL 4200	75%	Granted
	EL 4321	75%	Granted
	EL 4533	75%	Granted
	MC 4193	75%	Granted
	ML 6275	75%	Granted
	MPL 95	75%	Granted
	MPL 104	75%	Granted
	MPL 105	75%	Granted
	MPL 106	75%	Granted
	MPL 107	75%	Granted
Cloncurry (QLD)	EPM 7051	100%*	Granted
	EPM 7085	100%*	Granted
	EPM 8127	100%*	Granted
	EPM 8609	100%*	Granted
	EPM 11675	100%*	Granted
	EPM 13091	100%[1]*	Granted
	EPM 14201	100%*	Granted
	EPM 14276	100%	Granted
	EPM 14295	100%*	Granted
	EPM 14429	100%	Granted
	EPM 15004	Liontown Option	Granted
	EPM 15103	100%	Granted
	EPM 15396	100%	Granted
	EPM 15740	100%[1]*	Granted
	EPM 15870	100%	Granted
	EPM 15923	100%	Granted
	EPM 16172	100%	Granted
	EPM 16173	100%	Granted
	EPM 16174	100%	Granted
	EPM 16175	100%	Granted
	EPM 16199	100%	Pending
	EPM 16297	100%	Granted
	EPM 16737	100%	Pending
	EPM 17338	100%	Pending
	EPM 18038	100%	Pending
	EPM 18126	100%	Pending
	EPM 18221	100%	Pending
	EPM 18256	100%	Pending
	EPM 18310	100%	Pending
	ML 2640	100%[2]	Granted
	ML 2695	100%*	Granted
	ML 2751	Sulphide Rights	Granted
	ML 6709	100%*	Granted
	ML 6710	Sulphide Rights	Granted
	ML 7122	100%	Granted

SCHEDULE OF TENEMENTS

Tenement	Number	Exco Interest	Status
Cloncurry (QLD) (cont'd)	ML 7502	100%*	Granted
	ML 7510	Sulphide Rights	Granted
	ML 90008	Ivanhoe JV	Granted
	ML 90065	Sulphide Rights	Granted
	ML 90157	100%	Pending
	ML 90198	100%	Pending
	ML 90199	100%	Pending
	ML 90200	100%	Pending
	ML 90201	100%	Pending
Hazel Creek (QLD)	EPM 10906	100%*	Granted
	EPM 13251	100%*	Granted
	EPM 13353	100%*	Granted
	EPM 13416	100%*	Granted
	EPM 14583	100%	Granted
	EPM 15412	100%	Granted
	EPM 15739	100%*	Granted
	EPM 16415	100%	Granted
	EPM 16983	100%	Granted
	EPM 17787	100%	Pending
	EPM 18122	100%	Pending
	EPM 18124	100%	Pending
	EPM 18128	100%	Pending
	ML 90159	100%	Pending
Soldiers Cap (QLD)	EPM 6788	BHPB JV*	Granted
	EPM 11169	Ivanhoe JV	Granted
	EPM 11676	Ivanhoe JV	Granted
	EPM 11867	100%*	Granted
	EPM 12023	Ivanhoe JV	Granted
	EPM 12060	100%	Granted
	EPM 12285	Ivanhoe JV	Granted
	EPM 12290	Ivanhoe JV	Granted
	EPM 14033	Ivanhoe JV	Granted
	EPM 14520	Ivanhoe JV	Granted
	EPM 16730	100%	Pending
	EPM 16732	100%	Pending
	EPM 18125	100%	Pending
Tringadee (QLD)	EPM 13709	Ivanhoe JV	Granted
	EPM 13741	Ivanhoe JV	Granted
	EPM 14223	Ivanhoe JV	Granted
	EPM 16177	Ivanhoe JV	Granted
	EPM 16733	Ivanhoe JV	Granted
	EPM 18123	100%	Pending
Black Rock (QLD)	EPM 15027	Xstrata JV 34.5%	Granted
Toolebuc (QLD)	EPM 16073	Paradigm JV 50%	Granted

1 Matrix share rights on certain sub-blocks with Exco holding 100% rights on remaining sub blocks.
2 Tennant has sublease to Mine Oxide Ore.
* Tennant having Oxide rights.

This page has been left blank intentionally

This page has been left blank intentionally

EXCO
RESOURCES LTD