

# Quarterly Report

For the three months ending 31 December 2010



## HIGHLIGHTS

### White Dam - Debt Free and Continuing to Produce Ahead of Expectations

ASX Code: **EXS**

Shares on Issue  
346,494,187

Unlisted Options  
9,150,000

Current Share Price  
A\$0.53

Market Capitalisation  
A\$183.6m (undiluted)

Cash at 31 December 2010  
A\$13.7m

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31st January 2011

### White Dam Gold Project, South Australia

- **Early repayment of Barclays facility:** Exco has fulfilled the repayment terms of the financing agreement with Barclays Capital PLC. Final delivery occurred in November, seven months after first production and nine months ahead of the original schedule.
- **Gold production and sales continue ahead of expectations:** JV production (100%) for the quarter was 22,841 ounces, again ahead of expectations. Exco sales, from inception to 31 December 2010, are 15,080 ounces, at an average price of A\$1,374/oz.
- **Near mine exploration & resource development:** A Resource upgrade for the Vertigo deposit has been completed resulting in a 50% conversion from Inferred to Indicated Resource. Reserve definition, final mine scheduling and planning are targeted for the second quarter of 2011 in line with the expected completion of a mining lease approval.

### Cloncurry Copper Project (CCP), NW Queensland

- **Maiden Reserve established for the CCP:** In December Exco announced the establishment of a maiden reserve for the CCP. The open pit Ore Reserve estimate, as reported in accordance with the JORC Code was **28.1Mt @ 0.83% Cu & 0.24g/t Au**.
- **DFS update:** The Definitive Feasibility Study (DFS) for the CCP continues to progress well with the completion of the maiden reserve and advancement of the metallurgical testwork. The mining schedules will be completed in the next quarter.
- **EIS Update:** The EIS approvals process continues with the submission of the project Environmental Management Plan (EMP) to DERM.
- **Development Strategy:** A proactive review of development strategies for the CCP is underway, with a view to selecting a definitive option in the coming months.

### Exploration Activities - CCP, NW Queensland

- **Further high grade intersections at Salebury confirm resource potential:** ECDD007 intersected **46m @ 1.43% Cu & 1.51 g/t Au** including **11m @ 2.50% Cu & 2.57 g/t Au**. Hole ECRC397 tested a separate structure intersecting **20m @ 2.07% Cu & 1.53 g/t Au** with 873 ppm Co from 32m depth.
- **Positive Cu-Au results at Fisher Creek Prospect:** Diamond hole ECDD006 intersected. **21m @ 1.08% Cu & 0.47g/t Au** including **9m @ 1.59% Cu & 0.89 g/t Au**.

### Exploration Activities – Hazel Creek Project, NW Queensland

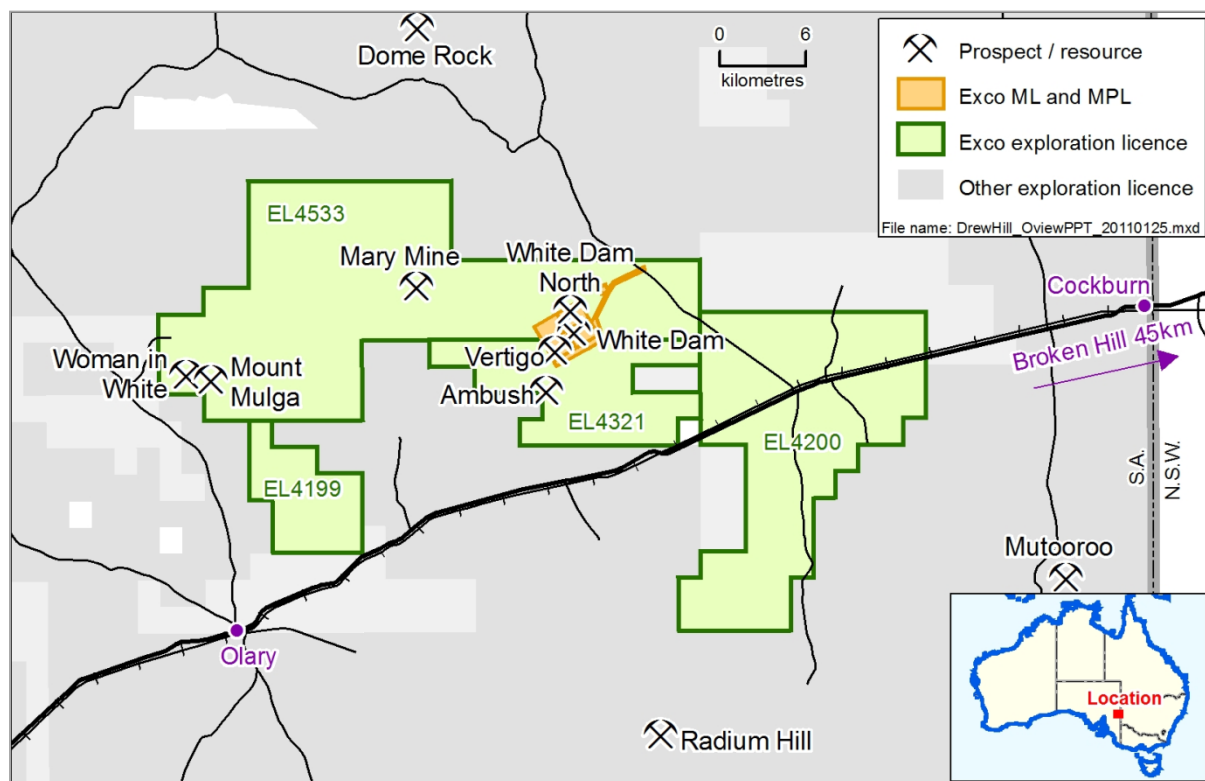
- **Diamond drilling at Eight Mile Creek East confirms significant IOCG potential:** Several holes have intersected wide zones of magnetite related mineralisation including:
  - EHDD005 - **41m @ 0.72% Cu & 0.17g/t Au**.
  - EHDD007 - **48m @ 0.71% Cu & 0.21g/t Au**.
- **New Mineralisation intersected at Turpentine South:** EHRC 267 intersected. **6m @ 1.51%Cu & 0.11 g/t Au** from 66m depth, and **24m @ 1.52% Cu & 0.45 g/t Au** from 150m depth, including **6m @ 4.97% Cu & 1.46 g/t Au**.

### Corporate

- **Maiden Cash-positive Quarter:** On completion of the financing arrangements for White Dam, Exco is now experiencing healthy cash flows from the project and has recorded the first cash-positive quarter in the Company's history. Average project net cash flows for the remainder of the financial year are expected to be in excess of A\$5m per month.

## **WHITE DAM GOLD PROJECT (Exco 75% - Polymetals 25%)**

The White Dam Gold Project is located in South Australia approximately 80km west of Broken Hill (see **Figure 1**). The project contains a resource inventory of **9.5Mt @ 1.05 g/t Au for 320,000oz** contained (see **Table 2**).



**Figure 1: White Dam Gold Project Location Map**

### **White Dam Gold Production Joint Venture (WDGPJV)**

The project is subject to a JV agreement whereby Polymetals Group Pty Ltd ("Polymetals") have acquired a 25% interest in the project. Exco and Polymetals have also entered into a management agreement, appointing Polymetals as project manager.

Polymetals is a privately owned company specialising in the development of remote small to medium size resource projects. In-house expertise includes metallurgy, mining and project management. Polymetals resource project successes have been due to its ability to develop and operate very cost effectively, often implementing novel processing options as is evident from their track record with projects such as the Hellyer Zinc Concentrate Project in Tasmania.

On the 11 September 2009 Exco and Polymetals completed the financing arrangements in respect of the project. A \$16 million gold-linked pre-payment facility was been secured which, together with equity funding from the JV partners of \$7.5 million, provided the full funding required to implement the project.

The repayment terms of the financing envisaged staged gold deliveries over a 16 month period to August 2011. In November 2010 the Company announced that it had completed the required gold repayments nine months ahead of schedule. A combination of better than expected production outcomes and higher than envisaged gold prices had allowed the loan to be repaid after only seven months of production. The project is now debt free and with average life of project operating cash costs of <A\$500/oz will provide substantial cash flows over the coming months.

*(See ASX announcement issued to the market on 23<sup>rd</sup> November 2010 for further details)*

## **Operations Report**

### **Production**

At the end of December a total of 53,294oz of gold had been produced from the project to date with December quarter results again outperforming gold production, costs and revenue targets.

Total cash costs for the quarter were A\$289/oz (see **Table 3**) due to expenditure savings, lower cash development costs and higher ounce volumes compared to the previous quarter.

A total of 2,874,765 tonnes of ore has been placed on the leach pad at an average grade of 0.97g/t Au, with 2,606,264 tonnes now subjected to drip irrigation.

A number of rain events experienced during the quarter had a minor impact on total mining material movement; however leaching operations were not affected



**Figure 2: Pit operations at WDGPJV**

Grade control drilling has now been completed for the entire pit and the opportunity was taken to further test extension of the deposit at depth. Diamond drill core samples of mineralised rock beneath the current final pit floor have been collected and are currently undergoing testing for metallurgical response. Mining of the current pit is on target to be completed in August 2011.

Gold recovery rates from the leach pad continue to trend towards exceeding modelled rates.

The partners in the Joint Venture have agreed to construct a second lift to the Stage 1 leach pad, negating the need to construct the planned Stage 2 leach pad with a capital saving for the project in excess of A\$2M. Ore stacking on the second lift will commence in February 2011.



Gold production rates from the process plant continued to increase with a new high achieved in December approaching 8,000 oz/month. Key reagent costs continued below target and plant optimisation work achieved improvements in solution flow rates, carbon loading levels and reduced carbon stripping times.



**Figure 3:** *Processing plant and ponds at WDG PJV*

Near mine water exploration commenced with the objective of augmenting the current water supply capacity for the project. A number of drill holes have intersected water and these will be converted into new bores over the coming months.

#### **Health, Safety and Environment**

There was one minor LTI recorded during the quarter, the third for the project to date. There have been no reportable environmental incidents for the project to date.

# Exco Resources Ltd

## Quarterly Report - December 2010

### Production and Financial Statistics



Figure 4: White Dam Gold Production Joint Venture - Production and Sales

		Jun Qtr 10	Sep Qtr 10	Dec Qtr 10	YTD 2010/11	Project to Date
Ore Tonnes Mined	(tonnes)	621,839	576,479	684,192	1,260,671	2,156,074
Mined Grade	(g/t)	1.01	0.90	0.95	0.95	0.97
Mined Ounces	(ounces)	20,104	16,681	21,824	38,505	67,581
Waste Tonnes Mined	(tonnes)	737,752	802,988	534,750	1,337,738	3,425,169
Ore placed on Leach	(tonnes)	621,839	576,479	684,192	1,260,671	2,156,074
Head Grade	(g/t)	1.01	0.90	0.95	0.93	0.97
Ounces Produced	(ounces)	9,696	13,143	17,131	30,274	39,970
Gold Loan Repayments	(ounces)	3,224	7,348	5,115	12,463	15,687
Ounces Sold	(ounces)	3,731	5,987	9,093	15,080	18,811
Cash Operating Cost	(A\$/oz)	329	371	172	258	275
Cash Development Cost	(A\$/oz)	179	264	74	156	163
Royalties	(A\$/oz)	54	46	43	44	47
Total Cash Cost	(A\$/oz)	563	681	289	459	484
Average Realised Sale Price	(A\$/oz)	1,415	1,363	1,363	1,363	1,374
Revenue	(A\$ million)	7.7	13.7	16.4	30.1	37.8

Table 3: Production and Financial Statistics (Exco equity interest)<sup>1</sup>.

<sup>1</sup> **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.

### **Additional Exploration and Resource Development**

Having successfully achieved steady state gold production from the White Dam deposit, the Joint Venture partners are completing an exploration and resource development programme for the nearby Vertigo deposit and White Dam North, White Dam South and Ambush prospects (see **Figure 1**) with the objective of extending the life of the mine. In addition to these resources, extensions to the current pit are also being investigated.

#### **Vertigo update**

On January 11 2011 the Company announced the completion of an upgrade to the Vertigo deposit resulting in a 50% conversion from Inferred to Indicated Resource for a total of **2.45Mt @ 1.04 g/t Au for 82,100oz** contained (@ 0.4 g/t cut-off) The Indicated portion of the resource now stands at 1.22Mt @ 1.18g/t Au for 46,200 Oz contained.

The resource cut-off has been reduced from 0.7g/t to 0.4g/t supported by increased gold prices and further understanding of the potential to mine the deposit.

The geological and resource model for the Vertigo Deposit was based on detailed drilling on a combination of 25m by 25m and 25m by 50m grid spacings. A total of 111 drill holes (including both Diamond and Reverse Circulation (RC) holes were utilised to define the resource.

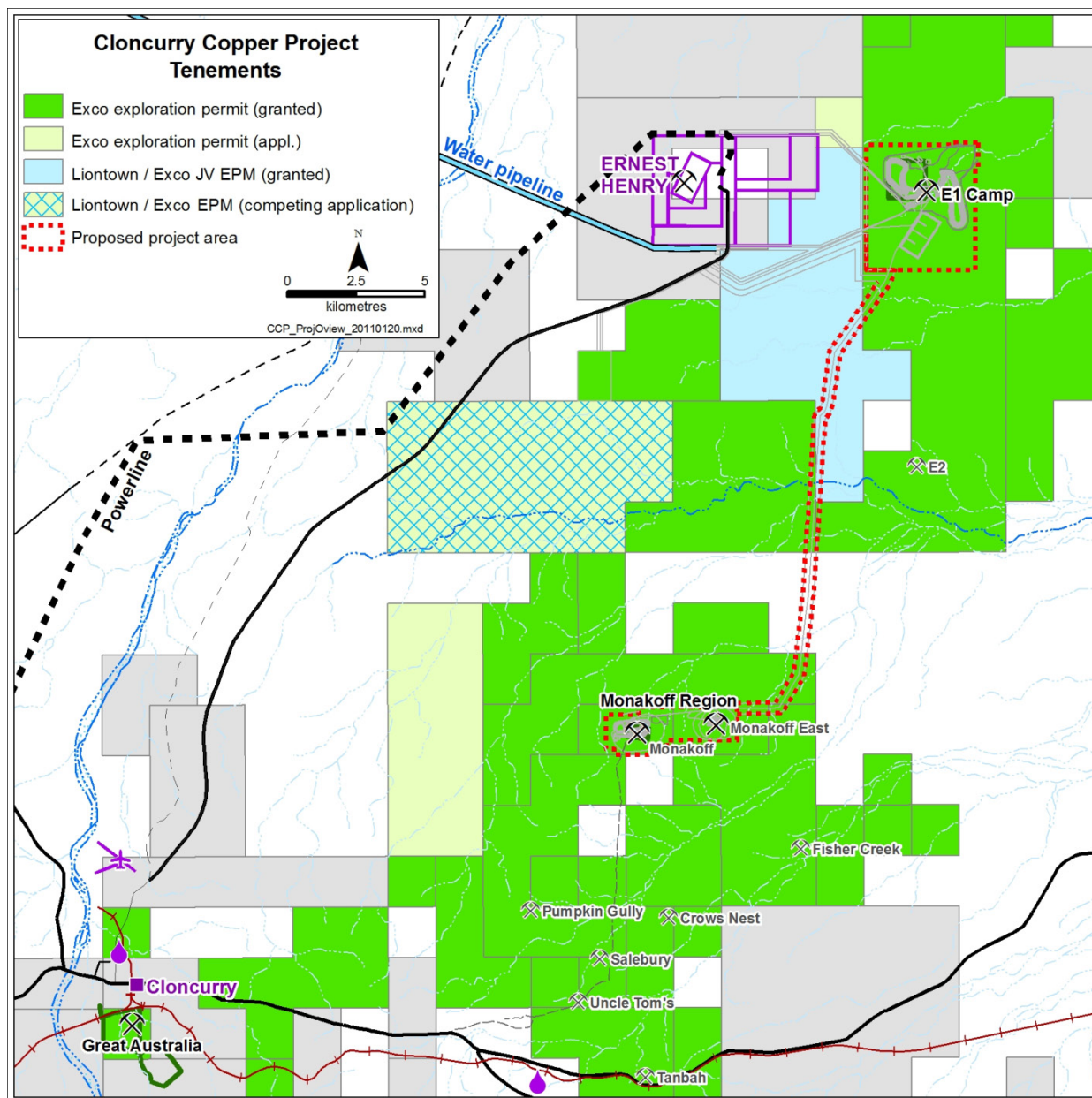
A Mining Lease application for the Vertigo deposit has been submitted to Primary Industry and Resources South Australia (PIRSA) for approval. The approvals process is expected to be completed in the second quarter of calendar 2011.

Metallurgical column testwork is ongoing and will be completed early in the second quarter calendar 2011. The reserve definition and detailed pit designs will be undertaken on completion of the metallurgical testwork. Final mine scheduling and planning is targeted for the second quarter of 2011 in line with the mining lease approval.

*(See ASX announcement issued to the market on 11<sup>th</sup> January 2011 for further details)*

## CLONCURRY COPPER PROJECT, NW QUEENSLAND (Exco 100%)

The Cloncurry Copper Project, located approximately 40km north east of the town of Cloncurry (see **Figures 5 & 13**), includes both exploration and mining leases, and a resource base of in excess of 55Mt at 0.85% copper and 0.22g/t gold (see **Table 1**). 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.



**Figure 5:** CCP location map showing key tenements, deposits and proposed infrastructure.

### Maiden Reserve Established for the CCP

On 17 December 2010 the Company announced the establishment of a maiden reserve for the Cloncurry Copper Project.

The open pit Ore Reserve estimate, as reported in accordance with the JORC Code was **28.1Mt @ 0.83% Cu & 0.24g/t Au**.

The delineation of the ore reserve is in line with the Company's project development strategy and represents a key milestone for assessing the development options for the CCP. The maiden ore reserve resides only within the E1 Camp and Monakoff deposits.



Work is ongoing at the Monakoff East deposit in particular with a view to adding further to the CCP reserve, whilst the Company continues to proactively evaluate the potential for inclusion of the Mt Colin resource into the project.

The metal prices and exchange rate used in determination of the Ore Reserve estimate are:

- Gold: US\$900/oz
- Copper: US\$3.00/lb
- Exchange Rate: A\$1.00 = US\$0.80

The metal prices, grades, recoveries and costs have been used to identify mineable blocks to be included in the Ore Reserve estimate.

Metallurgical recoveries are well understood and processing parameters well defined. Processing costs have been factored from pre-feasibility level assessments, and the financial viability of the project was therefore tested with a 20% increase in processing costs, and subsequent increase in economic cut-off grade. Financial modelling with the resulting inventory shows the project to still be viable.

The Ore Reserve includes that part of the Mineral Resource contained within the open pit mine design. Measured Mineral Resources within the design convert to Proved Ore Reserves and Indicated Mineral Resources within the design convert to Probable Ore Reserves, after consideration of all mining, metallurgical, social, environmental, statutory and financial aspects of the project.

*(See ASX announcement issued to the market on 17 December 2010 for further details)*

## **Resource Definition**

### **Monakoff and Monakoff East**

3D geological modelling has been carried out on the Monakoff and Monakoff East projects to aid in furthering our understanding of the geology of the area and to assist in targeting areas for future resource drilling. The geological assessment has also benefited our understanding of any impact that mining of this area may have on the environment.

Resource estimation is currently underway at Monakoff East.

### **Other Resource Drilling**

With the Cloncurry Copper Project resource now converted to a reserve, the focus will now be on evaluating existing tenements and known resources within close proximity to the project with the goal of further increasing the resource base.

## **Definitive Feasibility Study (DFS) Update**

The Definitive Feasibility Study (DFS) currently in progress is based on a 3Mtpa operation with a concentrator facility located at the E1 Camp. At this throughput the project will produce ~25,000 tonnes of copper in concentrate per annum with substantial by-product credits from gold, magnetite, cobalt and potentially uranium. Final metallurgical optimisation and detailed engineering design are now underway.

## **Environmental Impact Statement (EIS) and Approvals Update**

The Environmental Impact Statement (EIS) for the project has been accepted and the Environmental Management Plan (EMP) has been submitted to DERM. Liaison continues with the relevant authorities in pursuit of the necessary project approvals for the CCP.

## **Development Strategy**

The Company is also proactively focused on the evaluation and assessment of the development strategy and funding options for the project.

In recent months the Company has also recommenced a targeted exploration programme. Further geological and structural modelling are being undertaken with a view to maximising additional resource potential and identifying the potential for further conversion of resources to the Indicated and Measured categories. Numerous targets have been drilled and results reported, whilst others have been prioritised for future drilling.



## **EXPLORATION AND DRILLING UPDATE**

### **Highlights**

#### **CLONCURRY COPPER PROJECT**

##### **Salebury**

- **ECDD007** intersected **46m @ 1.43% Cu & 1.51 g/t Au** including **14m @ 1.84% Cu & 2.45 g/t Au**, and **11m @ 2.50% Cu & 2.57 g/t Au**.
- Reverse circulation hole **ECRC397** intersected **20m @ 2.07% Cu & 1.53 g/t Au** with **873 ppm Co** from **32m depth**, including **12m @ 3.17% Cu & 2.38 g/t Au** with **1334 ppm Co** from **32-44m** on a separate structure.

##### **Fisher Creek**

- **ECDD006** was drilled to follow-up on previous high grade intersections and returned **21m @ 1.08% Cu & 0.47 g/t Au** including **9m @ 1.59% Cu & 0.89 g/t Au**.

#### **HAZEL CREEK PROJECT**

##### **Eight Mile Creek East**

- **EHDD005** intersected **41m @ 0.72% Cu & 0.17g/t Au** including **9m @ 1.54% Cu & 0.31g/t Au**.
- **EHDD006** intersected **18m @ 0.77% Cu & 0.21g/t Au** in pre-collar.
- **EHDD007** intersected **48m @ 0.71% Cu & 0.21g/t Au**.
- **EHRC260** intersected **54m @ 0.51% Cu & 0.26g/t Au** including **30m @ 0.70% Cu & 0.36g/t Au**
- Mineralisation occurs as coarse grained chalcopyrite with associated magnetite. The area has no outcrop, but significant magnetic anomalies require further drilling. Grades are similar to Exco's E1 Camp of deposits, and the drilled widths suggest significant tonnage potential.

##### **Turpentine Deposit Extensions**

- **EHDD003** intersected **11m @ 2.01% Cu & 0.51g/t Au** including **3m @ 5.11% Cu & 1.35g/t Au**.
- **EHDD001** intersected **35m @ 0.44% Cu & 0.09g/t Au** including **7m @ 1.29% Cu & 0.35g/t Au**.

##### **Turpentine South**

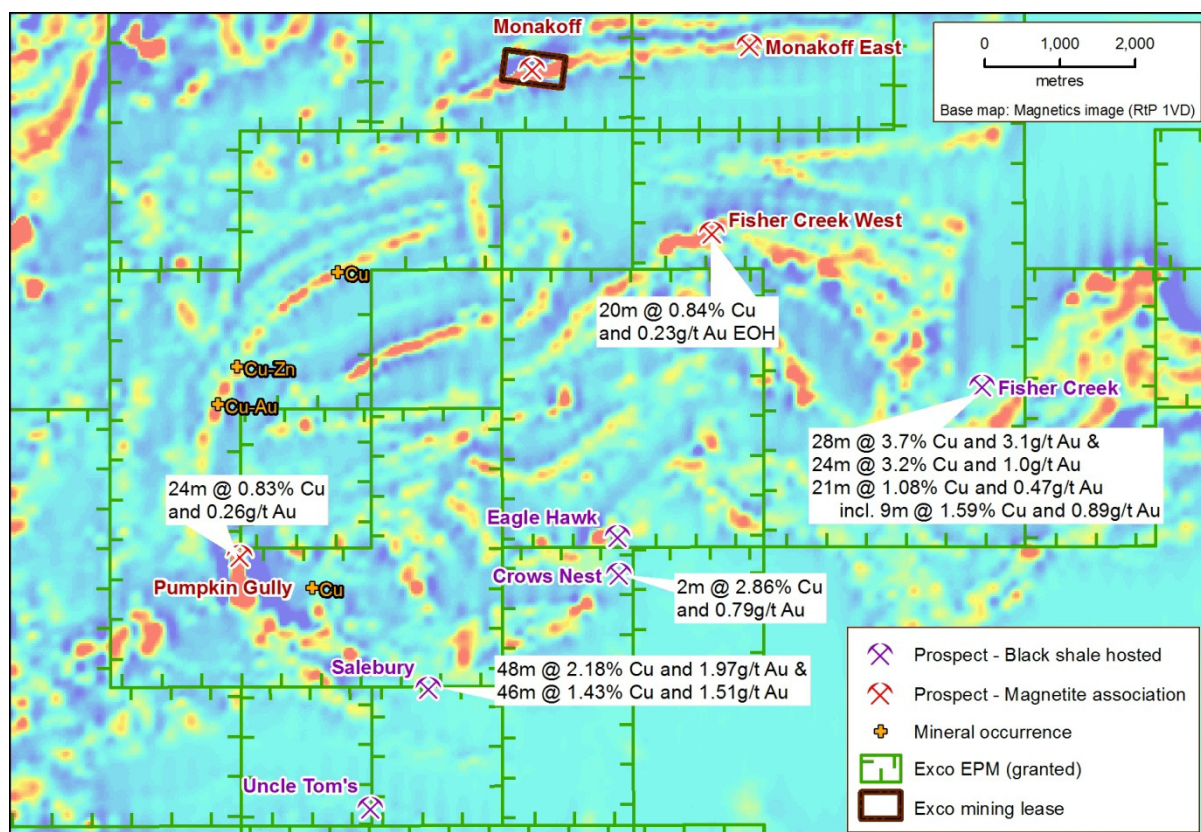
Reverse circulation hole **EHRC267** has intersected significant copper gold mineralisation, including:

- **6m @ 1.51%Cu & 0.11 g/t Au** from **66m depth**, and
- **24m @ 1.52% Cu & 0.45 g/t Au** from **150m depth**, including **6m @ 4.97% Cu & 1.46 g/t Au**

Exco is proactively engaged in a programme of exploration activities across a number of high priority targets within its portfolio of Cu-Au projects in North West Queensland (see **Figure 1** for regional Location Map and **Table 1** for summary of established resources).

### **Cloncurry Copper Project (CCP)**

Recent Drilling in the Pumpkin Gully syncline region of the CCP has yielded a number of very positive results (see **Figure 6**). Over and above the established resources at Monakoff and Monakoff East (see **Table 1**), it is clear that significant potential exists at a number of additional prospects within the area, particularly on the southern limb of the syncline.



**Figure 6:** Location map detailing prospects within the Pumpkin Gully Syncline

### **Salebury Prospect (EPM 11675 - 100% Exco)**

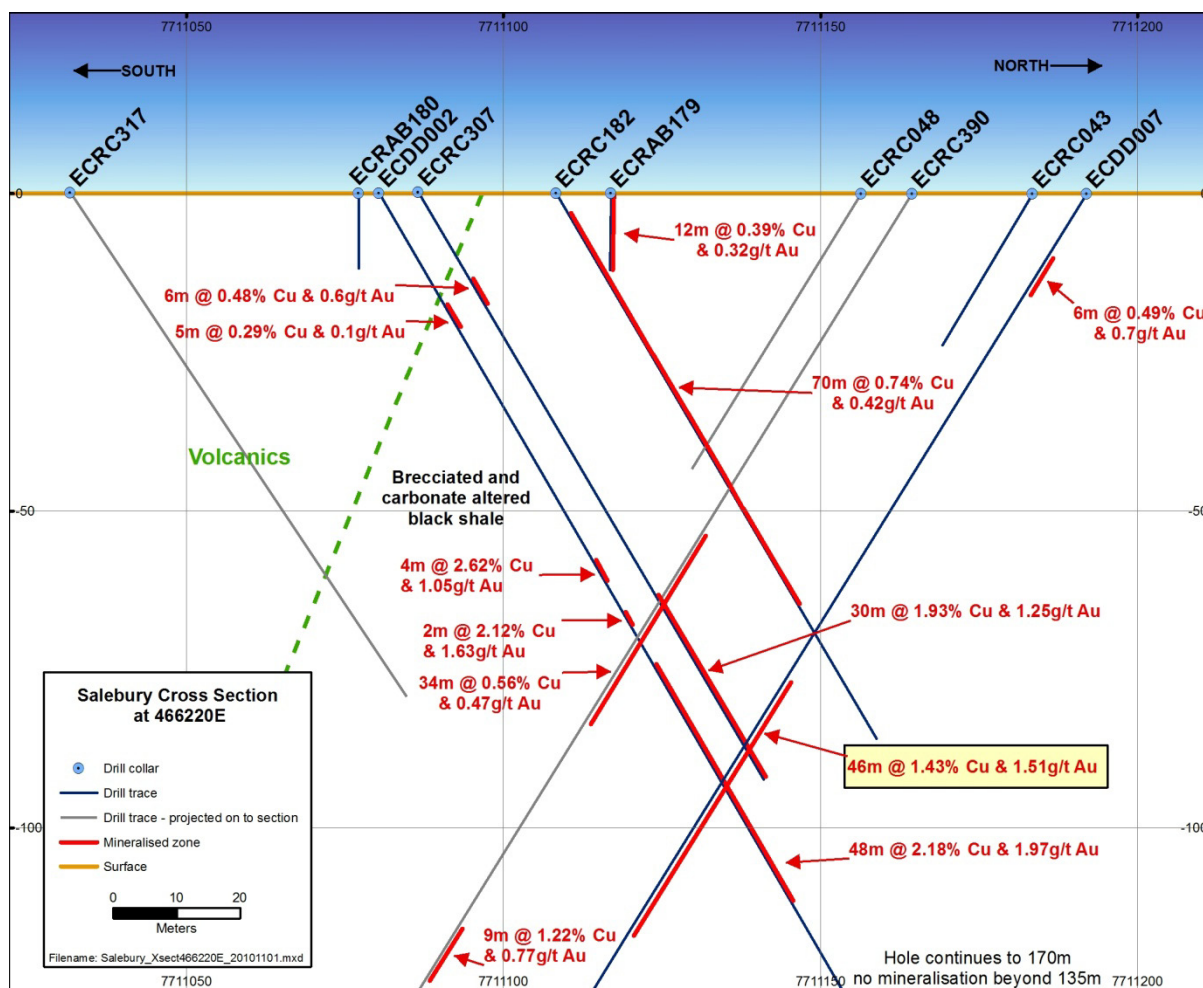
The Salebury prospect occurs on the southern limb of the Pumpkin Gully syncline (see **Figure 6**) at the contact of shales and volcanics. Calc silicate breccia bodies also occur within the prospect area. The main target to date has been a zone of approximately 600m strike defined by sporadic copper oxide mineralisation at surface. The prospect area hosts a number of minor 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 air core and reverse circulation (RC) drilling with several phases of deeper RC. Numerous zones of ore grade mineralisation were intersected in these earlier programmes.

Results from the latest round of diamond drilling confirm the presence of significant Cu-Au mineralisation, with hole **ECDD002** intersecting **48m** (from 87-135m) **@ 2.18% Cu, 1.97 g/t Au and 619ppm Co** including **32m** (from 87-119m) **@ 2.87% Cu, 2.76 g/t Au & 734ppm Co**.

Diamond hole **ECDD007** (triple tube HQ diameter core) was drilled from the opposite direction back towards and beneath **ECDD002** (see **Figures 7 and 8**), and also intersected significant mineralisation as follows:

- **46m** (from 89-135m) **@ 1.43% Cu, 1.51g/t Au & 996ppm Co** including
  - **14m** (from 89-103m) **@ 1.84% Cu, 2.45g/t Au & 447ppm Co**; and
  - **11m** (from 123-134m) **@ 2.50% Cu, 2.57g/t Au & 724ppm Co**

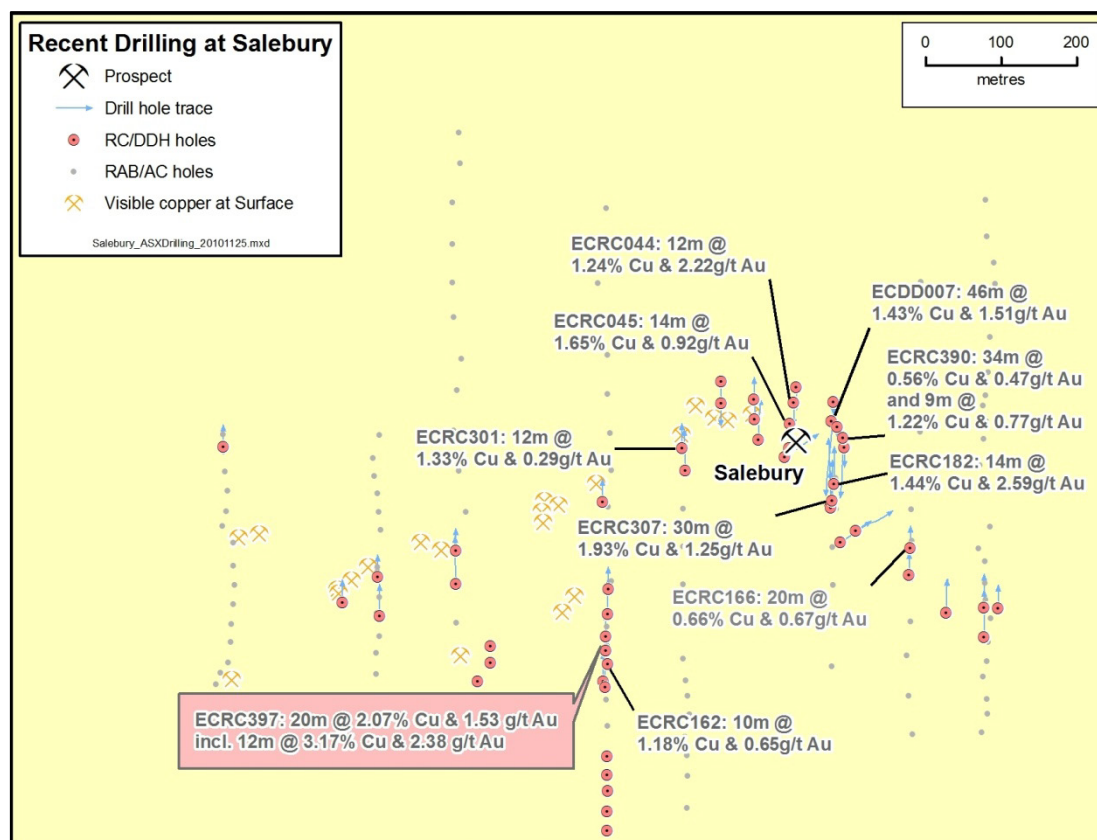


**Figure 7: Cross Section showing recent drilling at Salebury Prospect**

ECRC397 intersected **20m @ 2.07% Cu 1.53 g/t Au & 873 ppm Co** from 32-52m including **12m @ 3.17% Cu 2.38 g/t Au & 1334ppm Co**. The mineralisation appears to be on a separate structure to the diamond holes described above.

The mineralisation does not have a strong surface expression and a grid of shallow holes has recently been completed to determine the direction of the mineralised zone. Deeper RC drilling is planned to follow up on work completed in the area.





**Figure 8: Drill hole location map showing recent drilling at Salebury**

### **Fisher Creek Prospect (EPM7051-100% EXCO)**

Results from one of two diamond holes drilled at the Fisher Creek Prospect during the quarter have returned positive results, with hole **ECDD006** intersecting **21m @ 1.08% Cu & 0.47 g/t Au** from 105m depth, including **9m @ 1.59% Cu & 0.89 g/t Au** from 110m down hole depth. The mineralisation is hosted in black shales and further drilling is planned to establish geometry and continuity.

The mineralisation at Fisher Creek and Salebury is hosted within black shales, and has no magnetite association making it difficult to trace in geophysical data. Further drilling is planned to determine the extent of these mineralised zones.

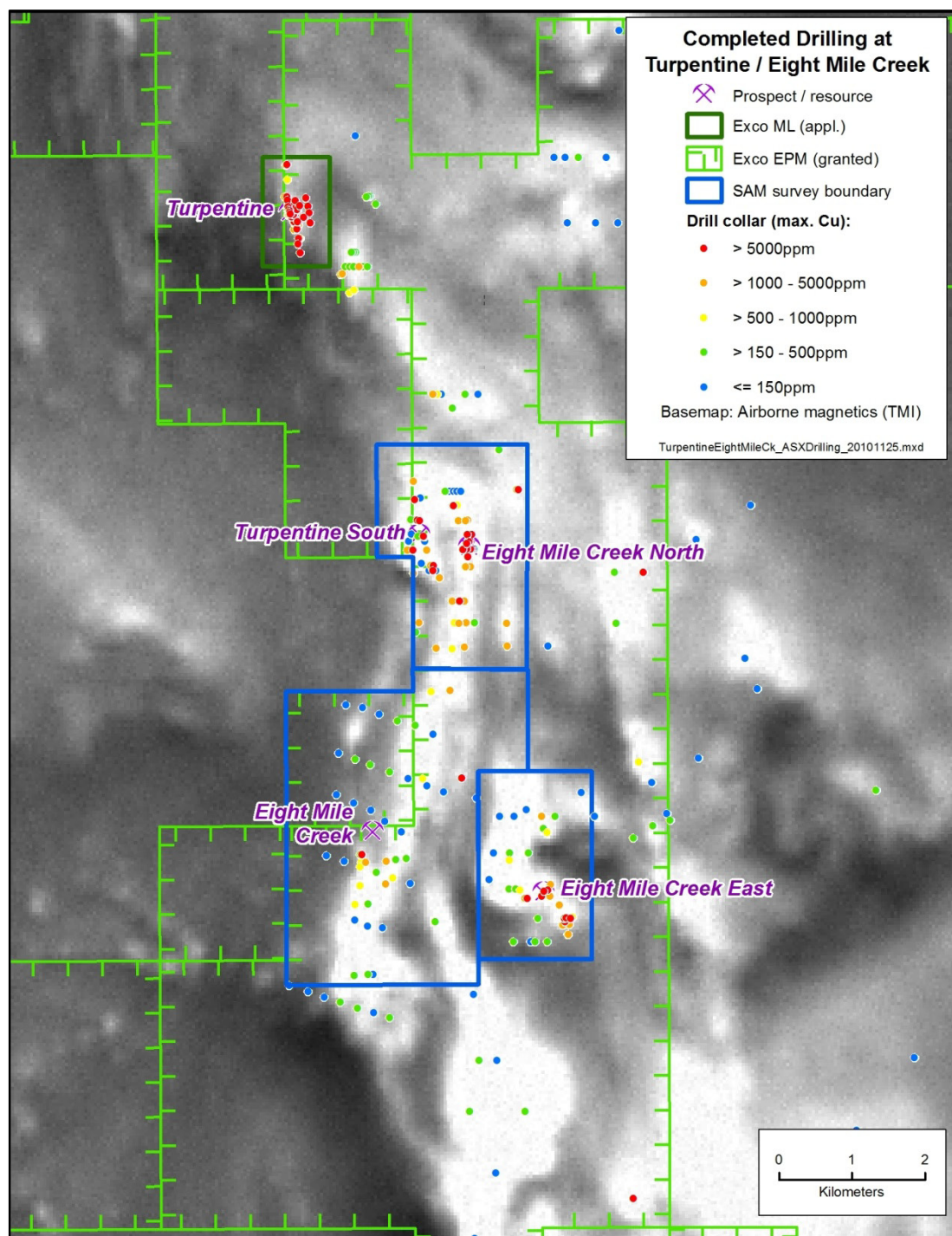
*(See ASX announcements issued to the market on 4 November and 26 November 2010 for further details)*

### **Hazel Creek Project**

The Hazel Creek area hosts a number of copper-gold prospects under relatively thin cover (0-50m). Only limited drilling has been completed to date, and the style of mineralisation appears similar to Iron Oxide Copper Gold (IOCG) mineralisation elsewhere in the district. Previous drilling in the Eight Mile Creek and Turpentine South areas was guided by relatively wide spaced airborne magnetic data and intersected copper-gold mineralisation at a number of localities.

Recent Sub Audio Magnetic (SAM) data collected in 2009/10 has enhanced the detail of the magnetic anomalies, in many cases suggesting the best parts of the magnetic anomalies have not been adequately tested. The SAM data also shows broadly coincident conductivity anomalies associated with some of the magnetic targets.

**Figure 9** shows the location of the recent SAM surveys and the main prospects within this portion of the Hazel Creek Project.



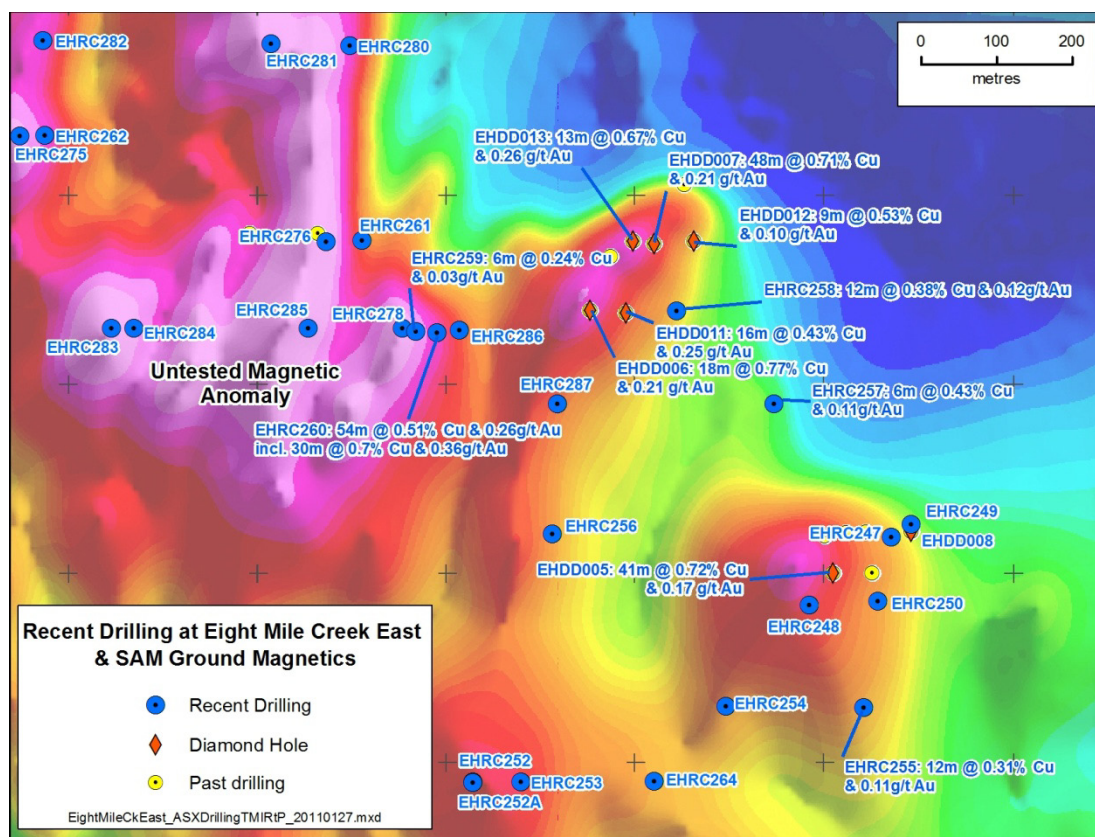
**Figure 9:** Magnetic Intensity Image showing Turpentine Deposit & Eight Mile Creek Prospect areas and location of SAM surveys.

### Eight Mile Creek East (EMCE)

An initial phase of diamond drilling at EMCE commenced during the quarter, with significant mineralisation reported over broad zones. The mineralisation is relatively low grade, however, like other IOCG-style mineralisation offers significant bulk tonnage potential. Mineralogy is simple and coarse grained with multi element analysis suggesting a lack of deleterious elements. The coarse grained nature of the sulphides is expected to translate into good metallurgical performance (i.e., good recoveries and clean concentrate), as is the case for Exco's nearby Turpentine Deposit.

- EHDD005 intersected **41m @ 0.72% Cu & 0.17 g/t Au** including **9m @ 1.54% Cu & 0.31 g/t Au**.
- EHDD006 intersected **18m @ 0.77% Cu & 0.21 g/t Au** in pre-collar and appears to have only clipped the top of the mineralised zone.

- EHDD007 intersected **48m @ 0.71% Cu & 0.21 g/t Au**.
- EHRC260 intersected **54m @ 0.51% Cu & 0.26 g/t Au** including **30m @ 0.70% Cu & 0.36 g/t Au** (results from 6m composite RC samples).



**Figure 10: Location of drill holes at Eight Mile Creek**

**Figure 10** shows the location of drill holes on the SAM magnetic background image. The image suggests the strongest parts of the magnetic anomalies in this immediate area are yet to be fully tested.

### **Turpentine Deposit Extensions**

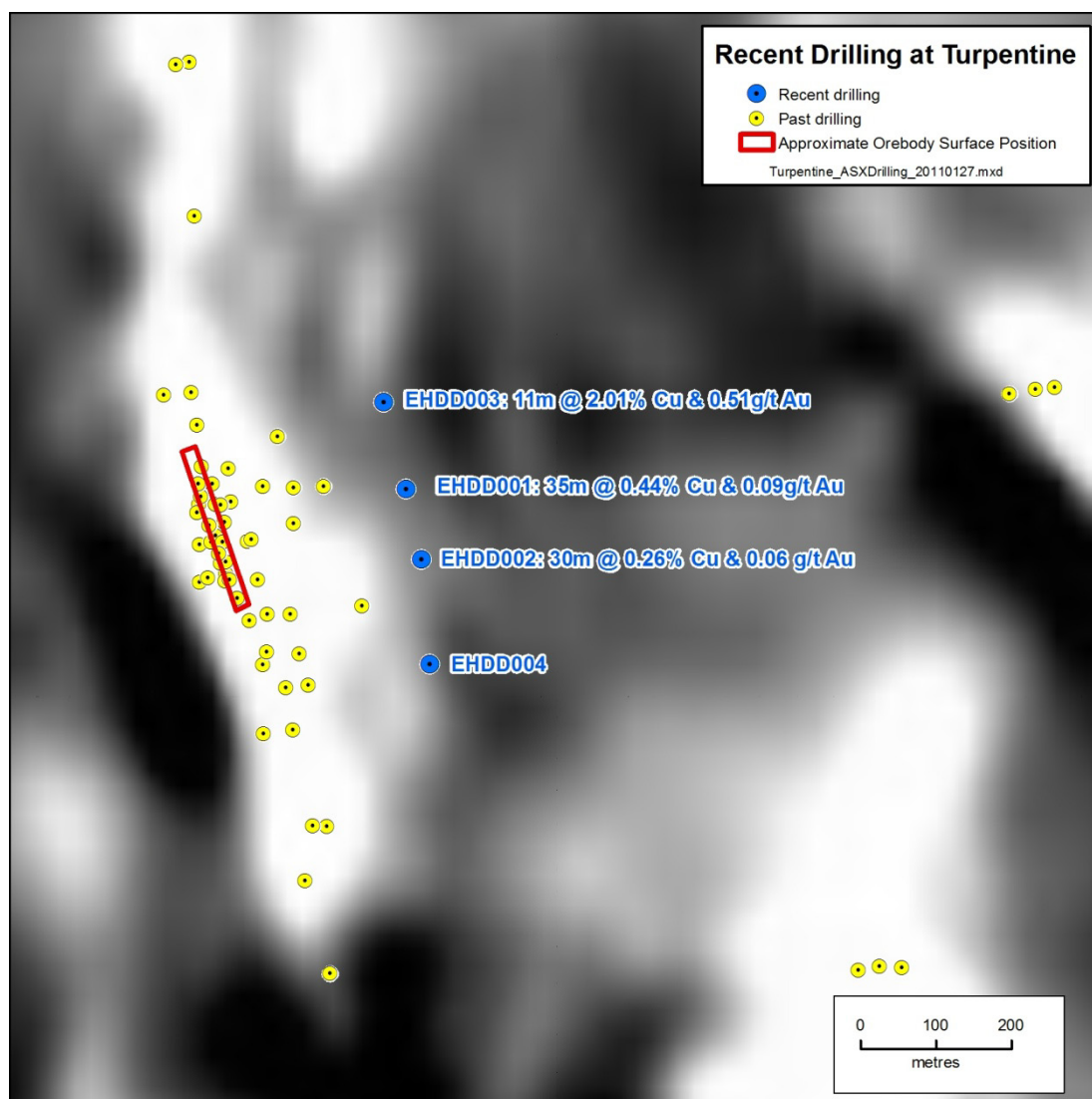
The Turpentine Cu-Au mineralisation was discovered by Exco in mid 2000, the initial target being a magnetic anomaly with a relatively weak coincident electromagnetic anomaly. Drilling has outlined a steeply dipping zone of mineralisation with coarse grained chalcopyrite, associated with magnetite.

The deposit has an average overburden thickness of approximately 1 metre. Exco calculated an initial resource of 1.84 Mt @ 1.03% Cu & 0.2 g/t Au from drilling centred on a 200m strike extent of the magnetic anomaly. The deposit varies in thickness (average thickness is approximately 15m) and has been drilled to approximately 150m from surface. The drilling reported here is an initial programme to determine depth continuity and potential for higher grades continuing at depth.

All holes intersected relatively wide zones of the mineralised structure with some higher grade portions as listed below.

- EHDD003 intersected **11m @ 2.01% Cu & 0.51g/t Au** including **3m @ 5.11% Cu & 1.35g/t Au**.
- EHDD001 intersected **35m @ 0.44% Cu & 0.09g/t Au** including **7m @ 1.29% Cu & 0.35g/t Au**.





**Figure 11: Location of drill holes at Turpentine**

Further drilling will be required between these holes and the current Turpentine resource, as well as along strike, where the magnetic anomaly has not been extensively drilled (see **Figure 11** for location of the deposit on magnetic background image).

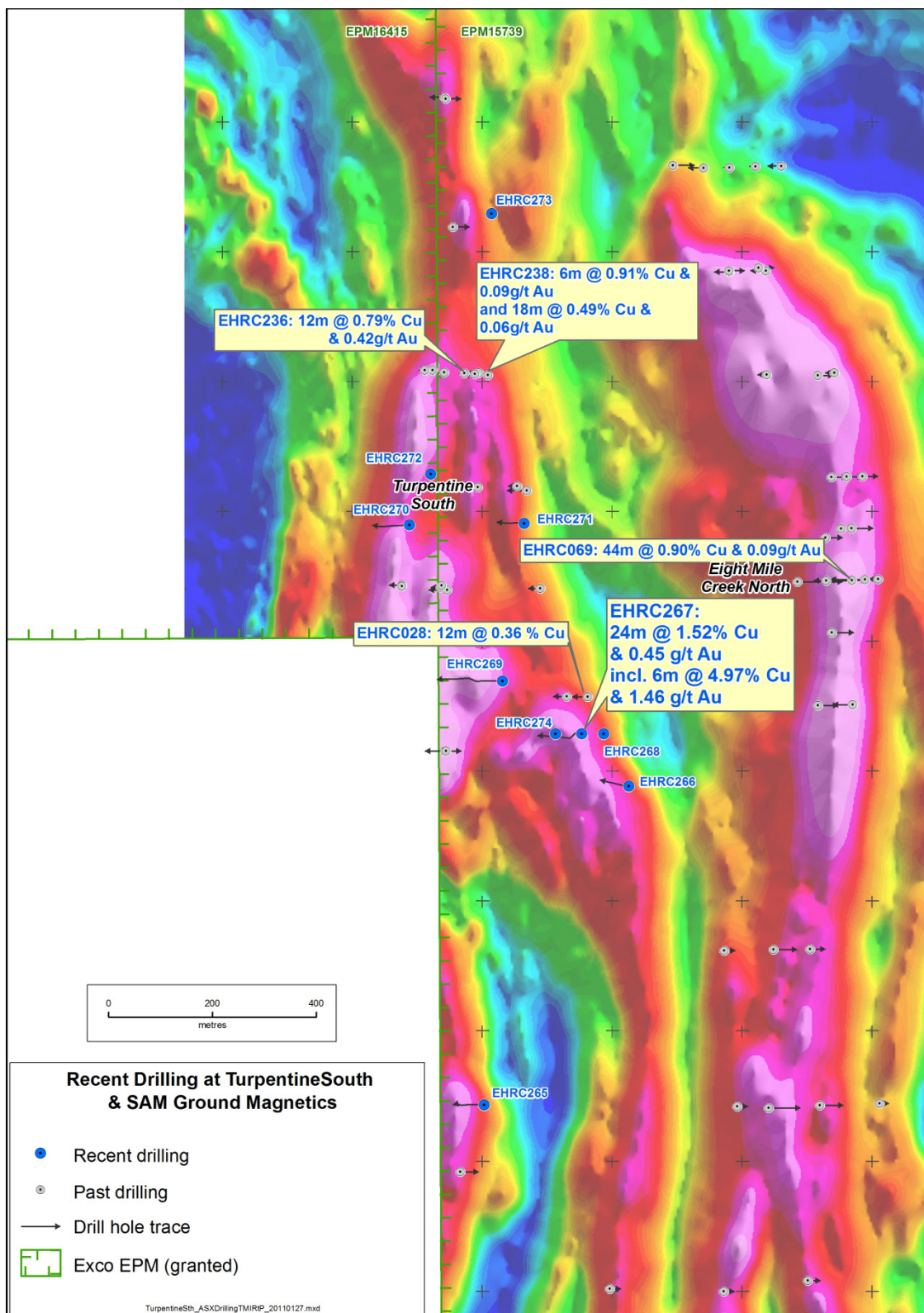
### **Turpentine South (EPM15739 - Exco 100%)**

Reverse circulation (RC) hole EHRC267 was drilled to test a SAM anomaly in association with a significant conductivity anomaly. Coarse chalcopyrite associated with magnetite, and widespread alteration, was visually recognised in the drill chips.

Assays from EHRC267 have now confirmed the presence of significant mineralisation, including higher grade zones as follows:

- **66-72m:** 6m @ 1.51% Cu & 0.11g/t Au
- **150-174m:** 24m @ 1.52% Cu & 0.45g/t Au (including 6m @ 4.97% Cu & 1.46g/t Au)

EHRC267 has tested a portion of a regionally extensive magnetic anomaly/geological terrain boundary that has consistently produced positive results. Follow-up work is currently underway.



**Figure 12: Location of drill holes at Turpentine South**

The prospectivity of the target zones is confirmed by Exco's Turpentine Deposit discovery on the trend to the north. Very thin cover has masked the surface expression of mineralisation in this area.

The attached detailed magnetic image (**see Figure 12**) highlights the potential of the broader region. Magnetite is an obvious by-product of this mineralisation style and its broader potential will be assessed as part of the on-going exploration programme.

(See ASX announcements issued to the market on 12 November and 26 November 2010 for further details)

## JOINT VENTURES

### Paradigm Joint Venture (EPM 16073 - Exco 50%, Paradigm 50%)

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<sup>2</sup>. 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 2009/10, Exco and PDM decided to release the majority of the tenements within this joint venture to pursue exploration on the remaining EPM 16073 which has shown shallow copper potential. On 10 November Paradigm announced the commencement of a 2,000m air core and percussion drill programme to test several previously undrilled magnetic anomalies to total depths of up to 100m, under shallow sedimentary cover 20-50m thick. (See ASX announcement issued to the market by PDM on 10 November 2010 for further details)

Preliminary results from this programme include a rare earth element (REE) drill intersection of 4m @ 2590 total REE from 37-41m in air core hole LEV002. The Rare Earth mineralisation occurs in a soft carbonate-rich intrusive rock with minor zinc mineralisation, at the contact with younger cover. Further mineralogical testing is being conducted on the drill materials. Follow-up drilling will occur as soon as access permits.

## PROJECTS NOT LISTED

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

## CORPORATE

### Share Holdings

At 28 January 2011 the top 20 Shareholders of Exco were as follows:

	Current Units	Percentage
1 Ivanhoe Australia Limited	79,288,632	22.88
2 JP Morgan Chase & Co (UK) Ltd	29,300,804	8.46
3 WH Soul Pattison & Co Ltd	25,847,365	7.46
4 JP Morgan Nominees Australia Ltd	20,572,673	5.94
5 Mr Alasdair Cooke	17,224,988	4.97
6 Aus Ore Investments Pty Ltd	16,428,295	4.74
7 HSBC Custody Nominees	7,216,117	2.08
8 Mr Geoffrey Rol	3,989,048	1.15
9 National Nominees Ltd	3,901,751	1.13
10 Dale Park Pty Ltd	3,180,000	0.92
11 Shorlane Pty Ltd	2,938,000	0.85
12 National Health Recovery Agents Pty Ltd	2,820,000	0.81
13 Burls Holdings Pty Ltd	2,786,215	0.80
14 Mr Bruce McLarty	2,200,000	0.63
15 Kinar Pty Ltd	1,905,500	0.55
16 Mr Michael Anderson	1,750,000	0.51
17 Citicorp Nominees Pty Ltd	1,748,455	0.50
18 Shayana Pty Ltd	1,660,417	0.48
19 Cogent Nominees Pty Ltd	1,511,764	0.44
20 The Trust Company (Superannuation) Ltd	1,505,040	0.43
<b>Top 20 Total</b>	<b>227,775,064</b>	<b>65.74</b>



## **Accounts**

Exco has recorded its maiden operational cash-positive quarter. Cash on hand at 31 December was A\$13.7m. A combination of the Company's previously announced price protection measures and the current gold price indicate that continued budgeted production at the White Dam project will lead to average net cash flows for the remainder of the financial year in excess of A\$5m per month.

With these resources and better than previously forecast future revenues from White Dam, Exco is in a strong position to achieve its immediate corporate, exploration and project development objectives across the project portfolio.

## **Annual General Meeting**

The Annual General meeting of the Company took place on Tuesday 18<sup>th</sup> November 2010. All resolutions before the meeting were passed.

*On behalf of the Board of  
Exco Resources Ltd*



Michael Anderson  
Managing Director

### **Media Enquiries:**

James Harris - Professional Public Relations  
Tel: (08) 9388 0944

## **FORWARD LOOKING STATEMENTS & COMPETENT PERSONS STATEMENT**

*This 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.*

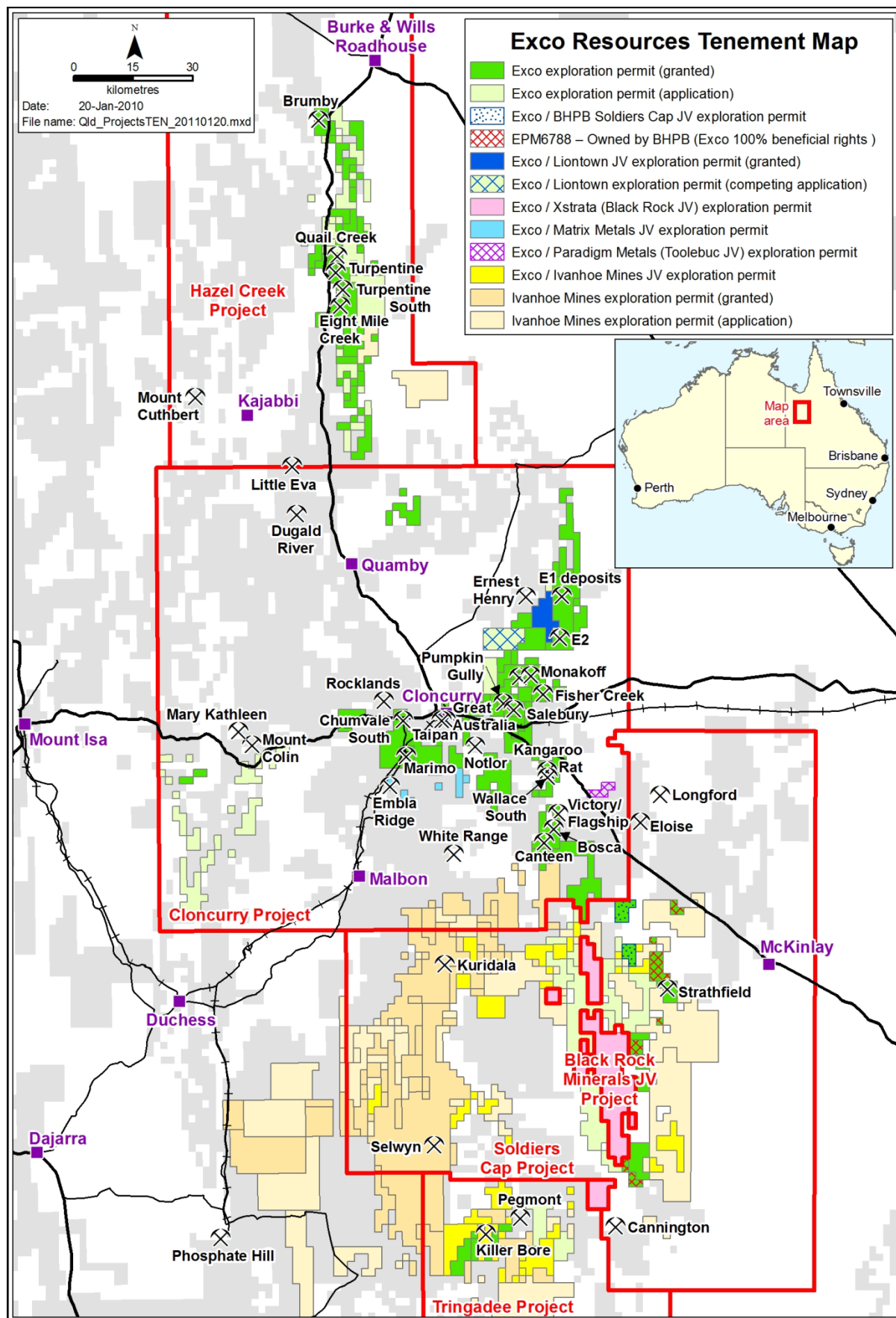


Figure 13: NW Queensland Tenement Map highlighting Exco's ground position & the location of key deposits & prospects.

**Exco Resources Ltd**  
Quarterly Report - December 2010

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 <sup>(2)</sup>	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
<b>TOTAL</b>		<b>48,100,000</b>	<b>0.72</b>	<b>0.21</b>	<b>348,000</b>	<b>330,000</b>
Monakoff <sup>(1)</sup> & 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
<b>TOTAL</b>		<b>4,000,000</b>	<b>1.32</b>	<b>0.42</b>	<b>53,000</b>	<b>54,000</b>
Great Australia <sup>(1)</sup>	Indicated	1,400,000	1.53	0.13	21,000	6,000
	Inferred	800,000	1.57	0.14	12,000	3,000
<b>TOTAL</b>		<b>2,100,000</b>	<b>1.54</b>	<b>0.13</b>	<b>33,000</b>	<b>9,000</b>
Mt Colin <sup>(1)</sup>	Indicated**	620,000	3.14	-	19,500	-
	Inferred**	870,000	2.0	-	17,500	-
<b>TOTAL**</b>		<b>1,490,000</b>	<b>2.47</b>	<b>-</b>	<b>37,000</b>	<b>-</b>
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
<b>ALL</b>		<b>55,700,000</b>	<b>0.85</b>	<b>0.22</b>	<b>472,000</b>	<b>394,000</b>
<b>Other Deposits</b>						
Turpentine	Indicated	1,627,000	1.04	0.21	17,000	11,000
	Inferred	215,000	0.9	0.16	2,000	1,000
<b>TOTAL</b>		<b>1,841,000</b>	<b>1.03</b>	<b>0.2</b>	<b>19,000</b>	<b>12,000</b>
Taipan	Inferred	1,460,000	0.80	0.1	12,000	5,000
Kangaroo Rat <sup>(1)</sup>	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
<b>TOTAL</b>		<b>61.0 Mt</b>	<b>0.85</b>	<b>0.25</b>	<b>519,400</b>	<b>500,000</b>

**Notes**

- Discrepancies in totals are as result of rounding. Unless otherwise stated the above resources are reported at a 0.5% Cu cut-off.
- <sup>(1)</sup> Granted Mining Lease.
- <sup>(2)</sup> ~30 % of E1 camp resources on a granted Mining Lease.
- \* 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

TABLE 2: WHITE DAM PROJECT OK RESOURCE ESTIMATE (0.4g/t CUT-OFF GRADE)										
Deposit	Material	Indicated			Inferred			Total		
		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
<b>Sub-Total</b>		<b>5,752</b>	<b>1.07</b>	<b>201.0</b>	<b>1,315</b>	<b>0.88</b>	<b>37.1</b>	<b>7,067</b>	<b>1.05</b>	<b>238.1</b>
Vertigo	Oxide	1,008	1.1	36	703	0.73	17	1,711	0.95	52.1
	Fresh	212	1.56	11	526	1.15	19	738	1.26	30
<b>Sub-Total</b>		<b>1,220</b>	<b>1.18</b>	<b>46.2</b>	<b>1,229</b>	<b>0.91</b>	<b>35.9</b>	<b>2,449</b>	<b>1.04</b>	<b>82.1</b>
<b>PROJECT TOTAL</b>		<b>6,972</b>	<b>1.10</b>	<b>247.2</b>	<b>2,544</b>	<b>0.89</b>	<b>73.0</b>	<b>9,516</b>	<b>1.05</b>	<b>320.2</b>

**Notes**

- White Dam resource was re-estimated in September 2009, Vertigo was re-estimated in 2011
- Discrepancies in totals are as result of rounding.



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**EXCO RESOURCES LTD**

ACN

**080 339 671**

Quarter ended ("current quarter")

**31 December 2010**

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date \$A'000
1.1	Receipts from product sales and related debtors	19,071	30,446
1.2	Payments for		
	(a) exploration and evaluation	(2,894)	(5,996)
	(b) development	(709)	(811)
	(c) production	(5,542)	(13,482)
	(d) administration	(1,229)	(2,292)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	149	287
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Refunds/(Payments of security deposits)	-	-
<b>Net Operating Cash Flows</b>		<b>8,846</b>	<b>8,152</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(e) prospects	-	-
	(f) equity investments	-	(25)
	(g) other fixed assets	(2)	(8)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Refunds/(Payments) of security deposits	(2)	23
1.12	Other	-	-
<b>Net investing cash flows</b>		<b>(4)</b>	<b>(10)</b>
1.13	Total operating and investing cash flows (carried forward)	8,842	8,142

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (carried forward)	8,842	8,142
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	5,303
1.15	Fund Raising Costs	-	(326)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(6,676)	(9,534)
1.18	Dividends paid	-	-
1.19	Other – gold call option payment	-	-
	<b>Net financing cash flows</b>	<b>(6,676)</b>	<b>(4,557)</b>
	<b>Net increase (decrease) in cash held</b>	<b>2,166</b>	<b>3,585</b>
1.20	Cash at beginning of quarter/year to date	11,505	10,086
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>13,671</b>	<b>13,671</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2 & 1.8	304
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions (all amounts exclusive of GST)

*Payments include consulting fees, directors fees, tenement, GIS management and provision of a fully services office.*

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

*Nil*

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

*Nil*

+ See chapter 19 for defined terms.

### Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,590
4.2 Development	855
4.3 Production *	8,935
4.4 Administration	575
<b>Total</b>	<b>11,955</b>

\* Production cashflow does not include projected sales receipts for next quarter

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9,080	4,414
5.2 Deposits at call	4,591	7,091
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>13,671</b>	<b>11,505</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased	EMP18995	Direct	0%	100%

+ See chapter 19 for defined terms.



### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		Total number	Number quoted	Issue price per security (note 3) (cents)	Amount paid up per security (note 3) (cents)
7.1	<b>Preference +securities</b> <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	346,494,187	346,494,187		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	9,150,000	9,150,000	<b>Exercise Price</b> 40 cents (1.5m) 40 cents (1.5m) 28 cents (4.5m) 27.3 cents (1.65m)	<b>Expiry Date</b> 30 August 2011 31 August 2012 10 September 2012 20 October 2012
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Mr Eamon Byrne

Company Secretary

Date: 31 January 2011

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.