EXCO
RESOURCES LTD

2011 Annual Report

EXCO RESOURCES LTD

ABN: 99 080 339 671

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Annual Report 2011

Chairman's Letter

Dear Shareholders

The past year has been transformational for Exco, with the sale of the Cloncurry Copper Project to Xstrata Copper and a stellar performance by the White Dam Gold Project. Exco has established itself as a successful mining business and realised well in excess of A$220M of value. The future for Exco is certainly bright with exceptional exploration potential within the portfolio of tenements in Queensland, ongoing cashflows from the White Dam and Great Australia operations and significant cash reserves.

Without question, the most significant event for Exco this year has been the sale of the Cloncurry Copper Project to Xstrata, a transaction which realised $175M of value for Exco shareholders and an eight fold return on investment. The Board is pleased to be in a position to return $135M to shareholders through a combination of a return of capital (subject to a favourable tax ruling from the ATO) and a fully franked dividend which we believe demonstrates our commitment to provide real value to you, our shareholders. The development of the Cloncurry Copper Project was a systematic process of growth, risk mitigation and partnership management to deliver an early stage minimal risk return to shareholders. Throughout this process, Exco has forged strong and supportive relationships with key stakeholders in the region

I would like to thank my fellow board members, management, employees and key partners for their dedication and hard work that has delivered such an outstanding outcome for Exco over the past year.

The White Dam Gold Project, a Joint Venture with Polymetals Mining Ltd (ASX:PLY), poured its first gold in April 2010. Since commencement, the project has consistently outperformed expectations including repayment of the debt financing after just 7 months of production and some 9 months ahead of schedule. The project's achievements and milestones have been testament to Exco's ability to deliver extraordinary returns from modest assets. Exco is indebted to our joint venture partner, Polymetals, whose exceptional performance both in developing and managing the operation has been crucial in the project's success. Production rates, costs and margins from White Dam have been better than expectations. Near mine exploration at White Dam is now being undertaken, with a view to extending the life of the project.

Most importantly, Exco is in a strong position to move forward. Post distribution(s) Exco will have a strong cash base and the prospect of ongoing cash-flow through remaining production from White Dam and our Great Australia royalty entitlements. Ongoing exploration within the Queensland portfolio of exploration tenements and at White Dam will be funded for the near to medium term and Exco is well placed to consider acquisition opportunities. It is our intention to replicate previous success through a combination of structured exploration and innovative acquisition.

I would like to thank my fellow board members, management, employees and key partners for their dedication and hard work that has delivered such an outstanding outcome for Exco over the past year. I would also like to take this opportunity to recognise the significant contribution that Michael Anderson made to the company in his role as Managing Director since 2006, particularly through the Cloncurry Copper Project transaction. We wish him all the best for the future.

Finally I would like to sincerely thank all of our shareholders for their support and encouragement over the past year. We very much look forward to keeping you informed as our plans unfold, and of course remind you can always find up-to-date details of Exco's activities on the website (www.excoresources.com.au).

Barry Sullivan
Chairman

The “New” Exco - Cashed up and ready to pursue new growth opportunities

Review of Operations

CLONCURRY COPPER PROJECT (CCP), NW QUEENSLAND

(EXCO 100%) - SOLD TO XSTRATA 2011
Copper, Gold

The CCP included six deposits located in two different geological settings. Four deposits in the Mount Margaret area (E1 North, South, East and Central) and two at Monakoff (Monakoff and Monakoff East) with resources delineated for the project totalling 52Mt at 0.77% copper and 0.23g/t gold. The centre of gravity for the project was the E1 Camp located 8km east of the existing Ernest Henry Mine owned by Xstrata, in a region well serviced by infrastructure.

Sale of the CCP to Xstrata

On 20 April 2011 Exco announced that it had signed an Asset Purchase Agreement (APA), pursuant to which Exco agreed to sell certain CCP tenements[1] to Mount Margaret Mining Pty Ltd, a subsidiary of Xstrata plc ("Xstrata"), for $175 million.

The transaction was subject to conditions precedent, including Exco shareholders approving the transaction, Xstrata receiving FIRB approval and all necessary Queensland government approvals, the assignment of certain third party agreements that which were ancillary to the tenement package comprised within the CCP on terms acceptable to Xstrata, acting reasonably, and the eligible directors of Exco unanimously recommending that Exco shareholders approve the proposal.

At the general meeting on 9 June 2011, following overwhelming proxy support, the resolution for approval of the sale was carried on a show of hands. Following satisfaction of the remaining conditions precedent, final formalities were completed on 30 June 2011 and Exco received the funds for the sale.

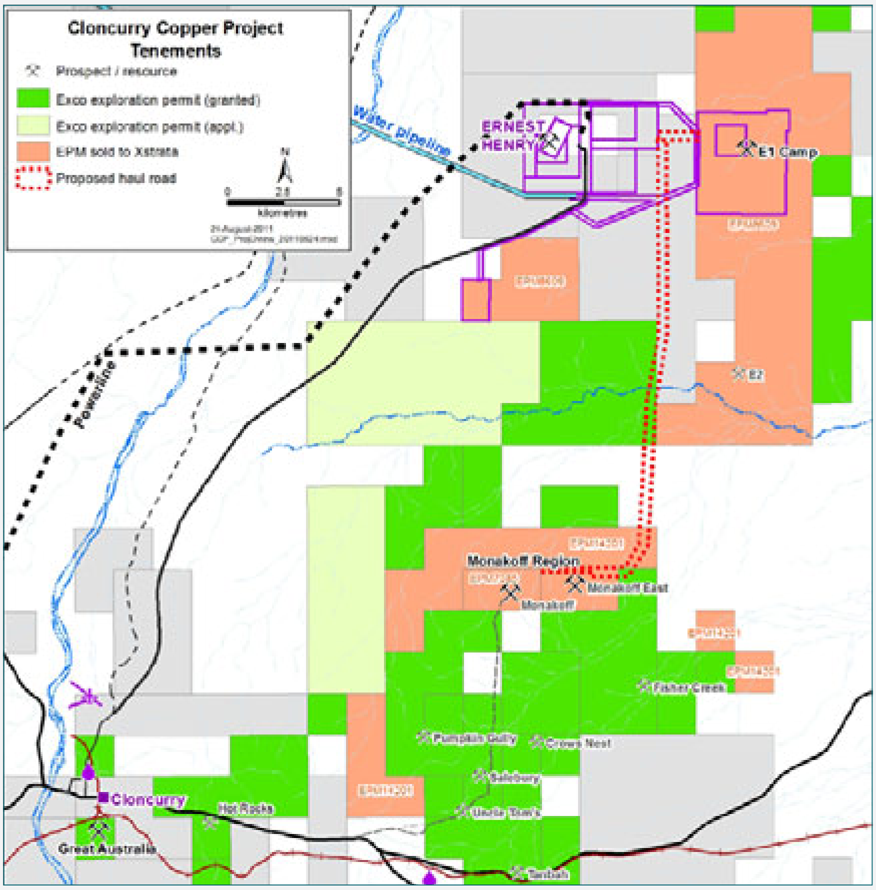


Figure 1: CCP location map highlighting tenements sold to Xstrata

(1) Comprising the E1, Monakoff and Monakoff East deposits and ML 90157, ML 7122, MLA 90198, MLA 90199, MLA 90200 and MLA 90201 as well as EPM 7085, EPM 8609, EPM 14201 and EPMA 18038.

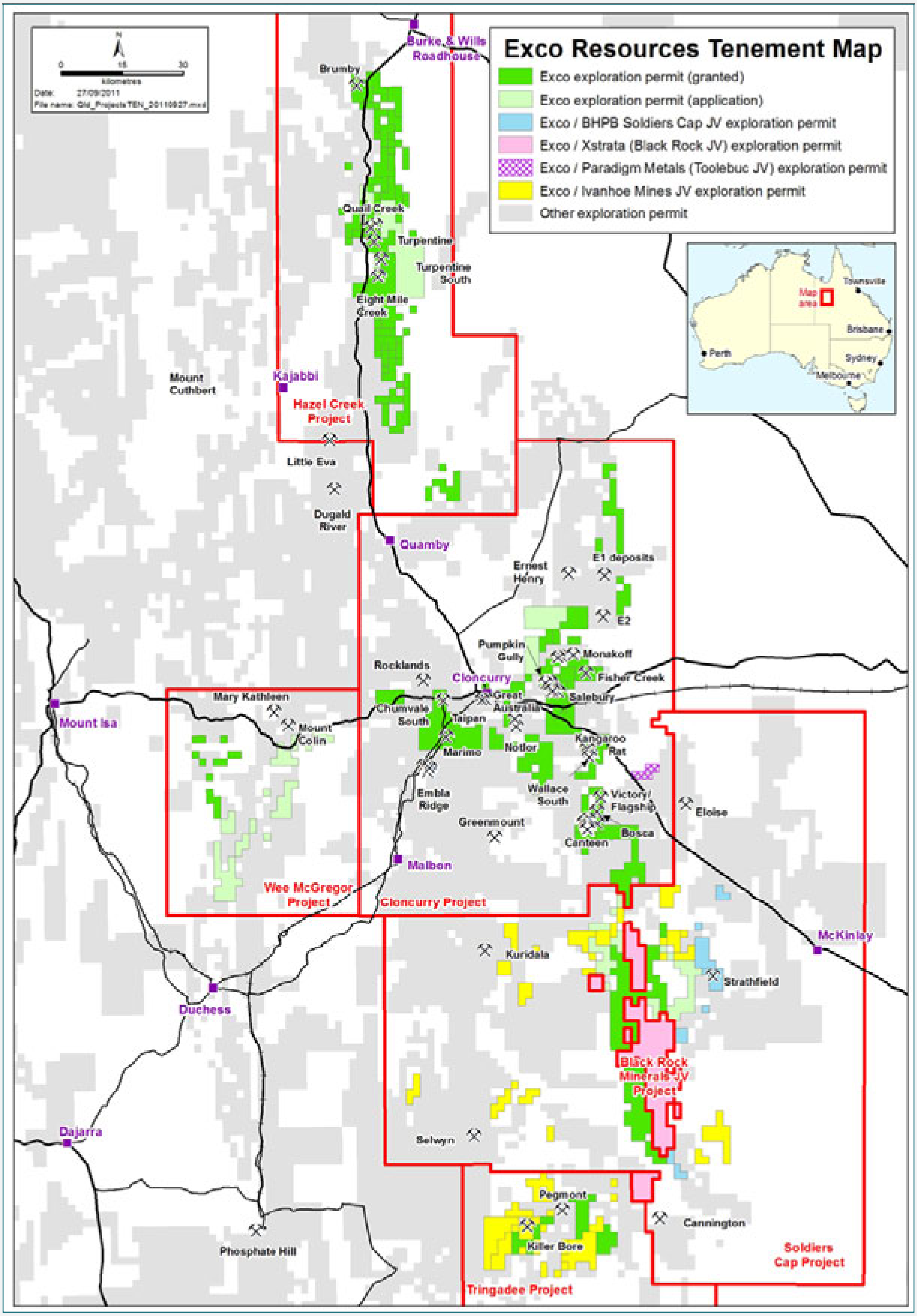


Figure 2: NW Queensland Tenement Map highlighting Exco's ground position and the location of key deposits and prospects

THE "NEW" CLONCURRY PROJECT, NW QUEENSLAND

(EXCO 100%)
Copper, Gold, Uranium, Zinc, Lead, Magnetite

Following the sale of the CCP to Xstrata, Exco restructured its Northwest Queensland assets into two main projects, the Cloncurry Project and the Hazel Creek Project. The Cloncurry Project covers over 1,920km^2 and encompasses the Tringadee, Pumpkin Gully and Soldier's Cap project areas, including six deposits hosting JORC compliant resources, with a royalty arrangement over the reported Great Australia resource (see **Table 1** and **Figure 2**).

The focus during the next year will be on further development at these projects with the aim of increasing the resource base. Many of these resources remain open at depth and have potential for extensions along strike. Total resources for the Cloncurry Project are **7.65Mt @ 1.69% Cu & 0.52g/t Au** containing 111,400t copper and 130,000oz gold.

TABLE 1: EXCO RESOURCES – NORTHWEST QUEENSLAND RESOURCE SUMMARY

			Grade		Metal	
Deposit	**Class**	**Tonnes**	**Cu%**	**Au g/t**	**Cu T**	**Au Oz**
CLONCURRY PROJECT						
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		**2,200,000**	**1.54**	**0.13**	**33,000**	**9,000**
Mt Colin [1]	Indicated*	1,042,000	3.04	0.42	32,000	14,000
	Inferred*	880,000	2.09	0.41	18,000	12,000
TOTAL*		**1,922,000**	**2.59**	**0.42**	**50,000**	**26,000**
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	1.20	1.4	2,000	9,000
Sub-Total Cloncurry Project		**7,653,000**	**1.69**	**0.52**	**111,400**	**130,000**
HAZEL CREEK PROJECT						
Turpentine	Indicated	1,627,000	1.04	0.21	17,000	11,000
	Inferred	215,000	0.9	0.16	2,000	1,000
Sub-Total Hazel Creek		**1,842,000**	**1.03**	**0.2**	**19,000**	**12,000**
NORTH WEST QUEENSLAND TOTAL		**9,495,000**	**1.56**	**0.46**	**130,400**	**142,000**

Notes: Discrepancies in totals are as result of rounding

Unless otherwise stated the above resources are reported at a 0.5% Cu cut-off.

[1] Granted Mining Lease.

** Mt Colin resource cut-off = 1.25% Cu.*

*** Wallace South resource cut-off = 0.5g/t*

Great Australia (ML90065 – CopperChem Ltd 100% - Royalty to Exco)

The Great Australia deposit is situated adjacent to the town of Cloncurry on a granted mining lease; ML90065 (see **Figure 2**). ML90065 is held by CopperChem Ltd ("CopperChem"), a privately owned resource development company, 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 sulphide ore from Great Australia when it is mined by CopperChem.

The Great Australia deposit comprises a resource of **2.2Mt @ 1.54% Cu & 0.13g/t Au** (Inferred and Indicated) (see **Table 1**).

On 1 April Exco announced that CopperChem had advised that it had commenced mining at Great Australia and that mining of sulphide ores from the open pit would commence within the next 30 days. CopperChem have subsequently advised that they have been mining transitional ores and anticipate mining sulphides in the last quarter of 2011.

Under the terms of the Great Australia Royalty, Exco is to receive $A6.00 per dry metric tonne of ore mined plus an additional $A0.06 per tonne for each $US0.01 by which the average copper price in a given six month period exceeds an indexed base price.

The current base copper price under the agreement is approximately $US2.06/lb. Based on prevailing LME copper prices Exco estimates that the Great Australia Royalty would currently be in the order of $A19.00 to $A20.00 per dry metric tonne of ore mined.

Mt Colin Deposit (ML2640 - Exco 100%)

The high grade Mt Colin deposit is located approximately 50km west of Cloncurry on ML2640, adjacent to the Barkly Highway. Exco acquired the deposit during August 2006 via a tenement swap with Matrix Metals Limited. The high grade ore from Mt Colin is suitable for processing at ‘other’ potential processing plants.

The known deposit is approximately 450m long and dips steeply to the north, extending approximately 400m down dip and remaining open at depth. Resource modelling completed during 2011 has resulted in an upgraded resource estimate at Mt Colin of **1.92Mt @ 2.59% Cu** (at a 1.25% Cu cut-off). This represents an overall increase of 29% from the 2010 resource. As a result of the re-estimate the Indicated Mineral Resource has increased by 68% to **1.04Mt @ 3.04% Cu** (see **Table 1**).

A study on underground mining at Mt Colin completed on the previous resource in 2010, indicated robust economic potential. Further work is in progress for underground mining design.

Pursuant to a royalty agreement with CopperChem, Exco was entitled to a royalty on oxide ore mined from Mt Colin by CopperChem. CopperChem completed mining of oxide ores from the Mt Colin deposit in the first half of 2011, and an amount of A$117,000 was received by Exco. Exco retains exclusive rights to the remaining resource at Mt Colin.

Cloncurry Project - Advanced Exploration Prospects

The Cloncurry Project hosts many prospects where drilling to date has intersected significant mineralisation. Throughout 2011 Exco has been proactively engaged in a programme of exploration activities across a number of high priority targets within these prospects (see **Figure 2** for location map of Exco's key prospects).

Reverse Circulation (RC) drilling was resumed at a number of prospects in the Pumpkin Gully project area including Salebury, Uncle Toms, Fisher Creek West and Tanbah North. (see **Figure 3** for a map highlighting prospects within the Pumpkin Gully area of the Cloncurry Project). The Pumpkin Gully prospects are located on the same geological structure and in close proximity to each other, within the Pumpkin Gully area. Drilling is planned for numerous other prospects in the Weatherly Creek area including Canteen, Kangaroo Rat and Wallace South. Many other historical prospects that have not yet been adequately tested.

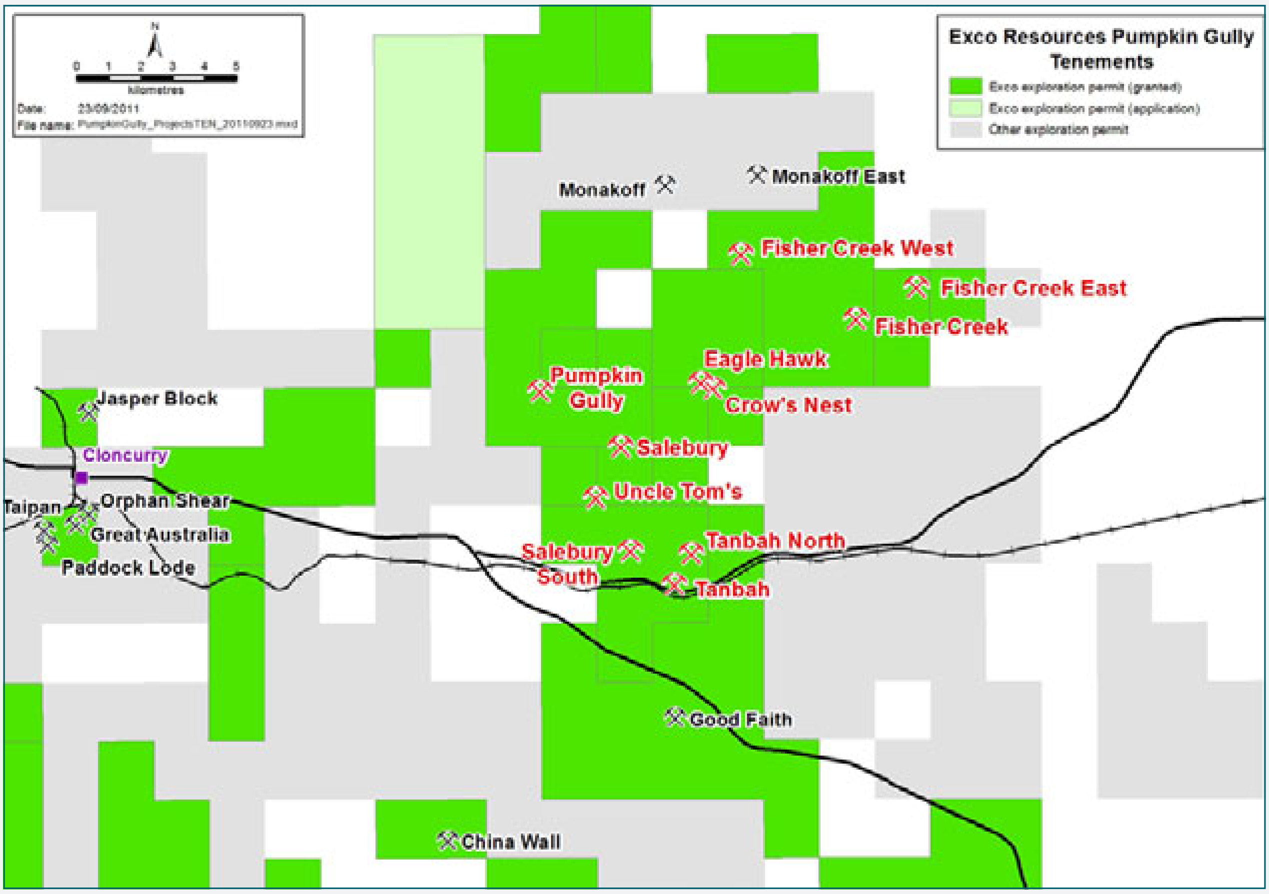


Figure 3: Location map of Pumpkin Gully area for the Cloncurry Project

Salebury Prospect (EPM11675)

Copper, Gold, Cobalt

The Salebury prospect occurs on the southern limb of the Pumpkin Gully syncline on the contact of shales and volcanics of the Toole Creek Volcanics. Calc-silicate breccias also occur in the vicinity of the prospect. The main target to date has been a zone of approximately 600m strike defined by sporadic copper oxide mineralisation at surface that appears to be associated with conjugate north east and north west striking structures. The prospect contains a number of historic workings, including a small open cut that exposes underground workings, which appear to be connected to a small shaft to the south. RC drilling by Exco has revealed significant mineralisation with a best intersection of **30m at 1.93% Cu & 1.25g/t Au** from 78m to the end of hole in ECRC307. Follow-up diamond drilling verified the result with an intersection of **48m at 2.18% Cu & 1.97g/t Au** from 87m in hole ECDD002 (see **Figure 4** for recent drilling at Salebury). Exco plans to complete a detailed Sub Audio Magnetic (SAM) survey at Salebury, and will continue to trace the apparent structures controlling the mineralisation with further drilling.

Tanbah – Tanbah North Prospects (EPM14295)

Copper, Gold, Cobalt

The Tanbah Cu-Au-Co prospect occurs within metasediments near the contact of a volcanic sequence and near a large magnetic anomaly. The metasedimentary rocks are accompanied by irregularly distributed calc-silcate breccia. The area is characterised by complex folding and widespread oxide copper occurrences at surface, some of which have been subject to small historical excavations.

Initial RC drilling outlined areas of widespread copper and gold mineralisation occurring at the contact between metasediments and calc-silicate breccia, and more generally throughout the meta-sedimentary rocks. The oxidation extends to a depth of approximately 20m below which pyrite and chalcopyrite are present.

The initial RC drilling programme failed to penetrate the main target zone due to cavities and water in the mineralised calc-silicate. Two diamond drill extensions and two additional diamond drill holes were subsequently drilled (see **Figure 5**). Significant intersections include:

- **43m @ 0.65% Cu & 0.27g/t Au** from 38m in ECDD003
- **202m @ 0.33% Cu, 0.34g/t Au & 0.07% Co** from 38m to the end of hole in ECDT345
- **43m @ 1.03% Cu & 0.67gt Au** from 20m in ECDT341

The occurrence of broad copper intersections and strongly elevated cobalt concentrations in the metasediments, including an interval of **33m @ 0.12% Co**, supports Exco's belief that the Tanbah prospect has the potential to host an economic Cu-Au-Co deposit.

At Tanbah North, approximately 1km north of the Tanbah prospect, Exco drilled nine RC holes to test beneath oxide copper associated with an array of quartz veins hosted by an interpreted dolerite sill. The best intercept from this initial programme was:

- **25m @ 0.94% Cu & 0.53g/t Au** from 36m to the end of hole in ECRC480. Follow up drilling is in progress.

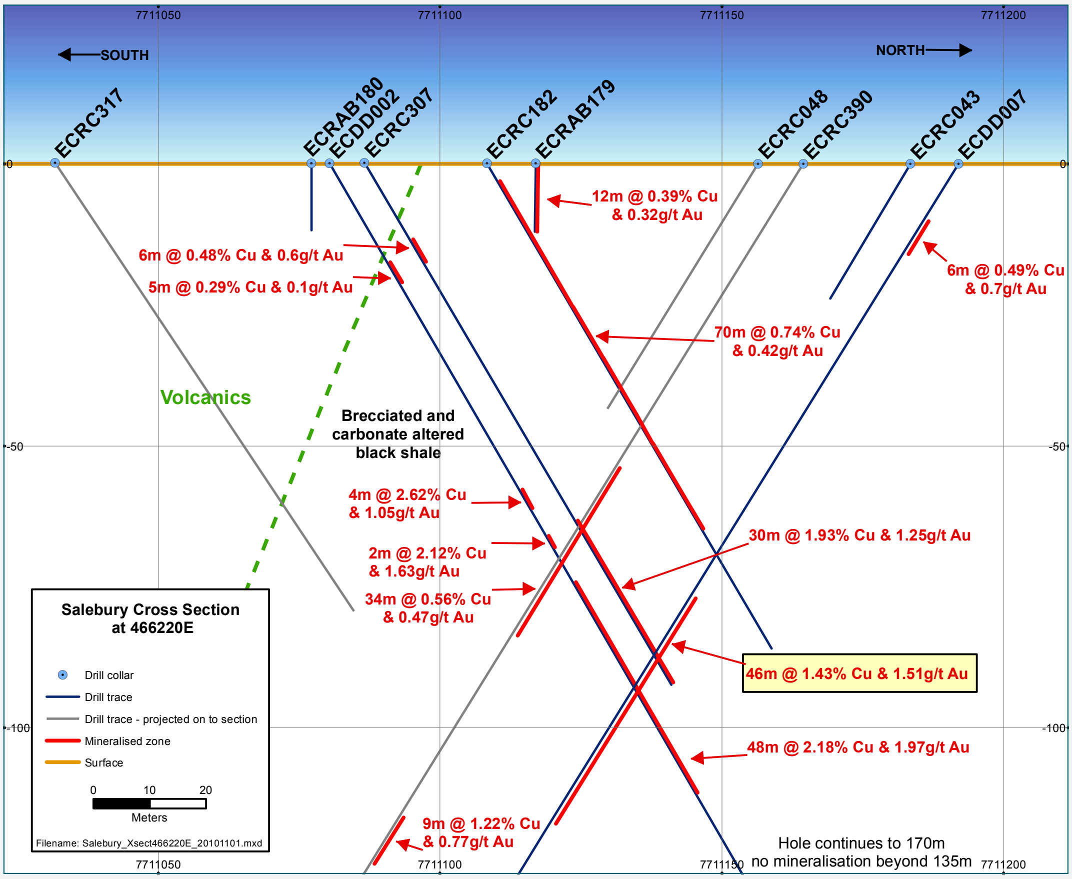


Figure 4: Cross section showing recent drilling at Salebury prospect

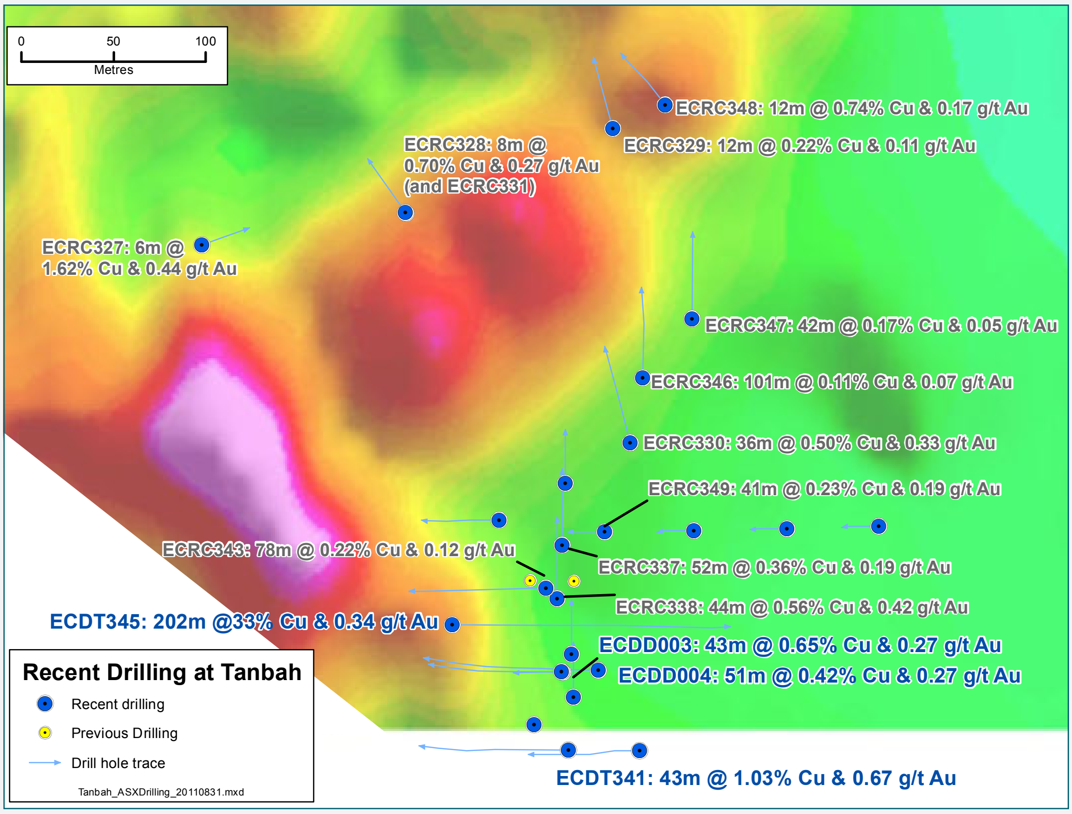


Figure 5: Plan showing location of recent drilling at Tanbah and selected results

Uncle Tom's Prospect (EPM16172 and EPM11675)

Gold

The Uncle Tom's prospect, located approximately 15km east of Cloncurry, is an area of historical gold diggings and alluvial workings. Previous interest in the prospect was based on its location in the headwaters of a major alluvial gold occurrence (Pumpkin Gully).

Exco drilled nine shallow RC holes in 2010 which returned best intersections of:

- **5m @ 4.39g/t Au** from 25m in ECRC489
- **10m @ 6.48g/t Au** from surface in ECRC490
- **4m @ 3.39g/t Au** from 49m in ECRC495

Exco is currently undertaking a detailed SAM ground survey over the area to better understand the structural controls at Uncle Tom's.

Fisher Creek Prospect (EPM7051)

Copper, Gold

The Fisher Creek prospect is located approximately 25km east of Cloncurry. Outcrop at the prospect is poor with Mesozoic cover of up to 30m covering the Proterozoic basement.

The majority of drilling to date has focused on the area of subdued magnetics east of the Mount Margaret Fault (see **Figure 6**) where significant mineralisation has been intersected including:

- **28m @ 3.18% Cu & 2.77g/t Au** from 66m in hole MK035RC
- **24m @ 3.20% Cu & 1.0g/t Au** from 88m in hole MK049RC

Exco plans to test previously untested conductors and to further investigate a large magnetic anomaly to the east of the prospect that previous explorers failed to adequately test.

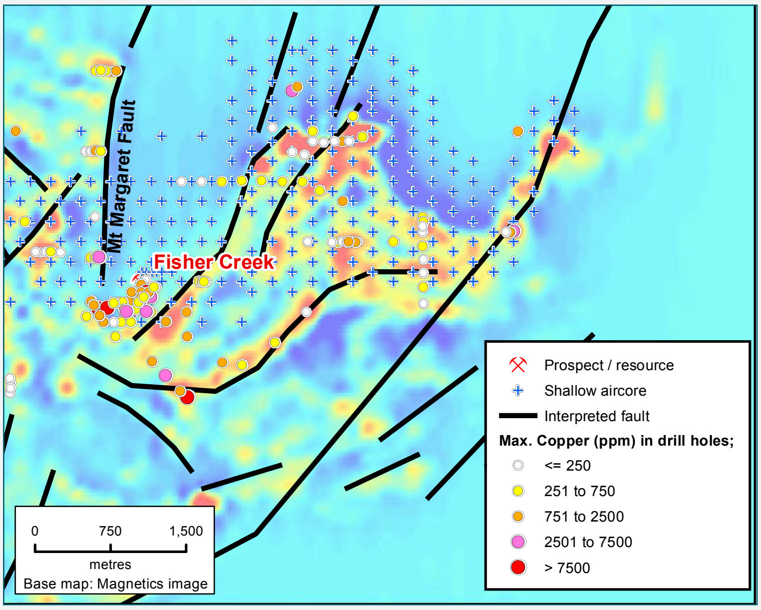


Figure 6: Magnetic image of the Fisher Creek prospect

Fisher Creek West Prospect (EPM7051)

Copper, Gold

The Fisher Creek West prospect is situated approximately 4km north west of the Fisher Creek prospect and is associated with a regionally significant magnetic anomaly adjacent to the southern end of the Mount Margaret Fault zone. Exco has completed aircore geochemical drilling and an initial phase of deeper RC holes at the prospect, with the best intersection being:

- **20m @ 0.84% Cu & 0.23g/t Au** in ECRC308

Exco plans to test this area with further drilling during the second half of 2011.

Pumpkin Gully Prospect (EPM14295)

Copper, Gold, Uranium

The Pumpkin Gully prospect is located 15km east of Cloncurry. The area is highlighted by a strong discrete magnetic and coincident radiometric anomaly, which is situated stratigraphically near the basal contact of the Toole Creek Volcanics and on the fold axis of the Pumpkin Gully Syncline. Metasomatic and sedimentary Cu-Au-U_30_8 bearing ironstones occur as interflow sediments along a strike length of approximately 900m within a sequence of mafic volcanics.

Two phases of RC drilling has been completed by Exco, with significant mineralisation intersected in complexly folded ironstones over a strike length of more than 400m. Best intersections reported to date are:

- **24m @ 0.83% Cu & 0.26g/t Au** from 24m in hole ECRC022
- **10m @ 0.67% Cu & 0.32g/t Au** from 20m in hole ECRC298

Marimo Prospect (EPM15740)

Copper, Gold

The Marimo prospect is located 15km west of Cloncurry. Oxide copper mineralisation, previously exploited from a series of small open pits, is hosted by sheared black shales. Reconnaissance Rotary Air Blast (RAB) drilling has confirmed the continuity of near surface mineralisation. Several zones of oxide mineralisation occur sporadically over approximately 1km of strike.

Seven RAB holes were drilled with the best results reported of:

- **16m @ 1.98% Cu** from surface in hole EMRRB004
- **10m @ 1.66% Cu** from surface in hole EMRRB004

Exco plans to test the sulphide zone at Marimo with deeper RC drilling during the second half of 2011.

Canteen – Canteen South Prospect (EPM15923)

Copper, Gold, Uranium

The Canteen - Canteen South prospects are located 50km southeast of Cloncurry, near the fold axis of the Weatherly Creek Syncline, and are hosted by Toole Creek Volcanics proximal to the Mt Norna Quartzite and the Saxby Granite, an area that Exco considers to be highly prospective for Iron Oxide Copper Gold (IOCG) style Cu-Au-U_3O_8 mineralisation. The historical Mt Freda, Evening Star and Canteen mines, as well as numerous small historic workings, occur in the immediate vicinity. Previous reconnaissance rock chip sampling by Exco identified highly anomalous uranium (up to 0.29% U_3O_8) and copper values (up to 0.70% Cu). Subsequent wide spaced RC drilling confirmed anomalous copper and uranium with the following highly encouraging intervals reported:

- **34m @ 289ppm U_3O_8** from 10m in hole ECRC108
- **30m @ 308ppm U_3O_8** from 20m in hole ECRC150
- **30m @ 259ppm U_3O_8** from 46m in hole ECRC155

- **8m @ 1.15% Cu** from 54m in hole ECRC115
- **14m @ 0.64% Cu** from 10m in hole ECRC115
- **20m @ 0.44% Cu** from 22m in hole ECRC168

Exco plans to conduct detailed geochemical geophysical surveys to define further drill targets.

Cloncurry Project - Other Exploration Prospects

Numerous other prospects occur within the Cloncurry Project and these have had various degrees of historical exploration, including some drilling. Exco is currently reviewing these in order to develop a programme to upgrade them where possible and determine any resource potential.

Chumvale South Prospect (EPM15740)

Copper, Gold

The Chumvale South prospect is located 10km west of Cloncurry, to the south east of Cudeco's Cu-Au-Co 'Rocklands Project' and adjacent to parts of GBM Resource's 'Brightlands Project'. Exco has completed ground magnetics and wide-spaced aircore geochemical drilling that identified a 1,200m long magnetic trend coincident with anomalous copper concentrations. Four shallow RC holes targeting one part of this anomaly intersected low grade copper in carbonate altered metavolcanics with magnetite and chalcopyrite. Exco has planned further drilling to test along the length of the magnetic anomaly.

Lomas Creek East Prospect (EPM15923)

Copper, Gold

The Lomas Creek East prospect is located approximately 2km north of the Mt Freda gold deposit and is situated stratigraphically within the Toole Creek Volcanics, near the contact with the underlying Mt Norna Quartzite. A series of historical pits and small shafts can be traced along two NNW-striking mineralised trends for several hundred metres, parallel to the strike of the volcanics and intercalated metasediments. Copper (± gold) mineralisation is hosted by quartz-carbonate veins within an altered dolerite along a black shale contact. The prospect has a coincident magnetic anomaly and drill testing and surface geochemistry are planned.

Rock Rat Prospect (EPM15923)

Copper, Gold

The Rock Rat prospect, located 18km southeast of Cloncurry, includes two sets of extensive historical copper and gold workings, Brilliant and Bicentennial, approximately 400m apart. Both sets of workings lie within the same anticlinal structure and appear to exploit the contact between dolerite sills and silicified and the highly altered psammites, schists and shales of the Mount Norna Quartzite.

The Bicentennial workings are developed on a series of gossanous quartz carbonate veins with malachite along an east-west strike of approximately 350m, with possible continuations to the west under cover. The Brilliant workings cover a roughly circular area of 150m.

Historical data included rock chip sampling with results up to **6.59% Cu & 5.59g/t Au** from Bicentennial and **4.4% Cu & 5.59g/t Au** from Brilliant. Exco has planned RC drilling for the Rock Rat prospect to test sulphides/oxide potential along the contact.

HAZEL CREEK PROJECT, NW QUEENSLAND

(EXCO 100%)
Copper, Gold

The Hazel Creek Project is centered approximately 90kms north of Cloncurry covering over 1,000km² of the eastern fold belt of the Mt Isa Inlier and incorporates a large area of prospective land that remains relatively unexplored (see **Figure 7** for location map of Hazel Creek Project). In 2004 Exco acquired full ownership of the Hazel Creek Project area and has confirmed the prospectively of the area through the discovery of the Turpentine Deposit (**1.84Mt @ 1.03% Cu & 0.2g/t Au**) and several other key prospects.

RC drilling resumed in May 2011 with initial programmes at Turpentine South, Quail Creek North, Eight Mile Creek and Brumby South. Further drilling is planned at the more advanced prospects where potential ore grade intersections have been reported.

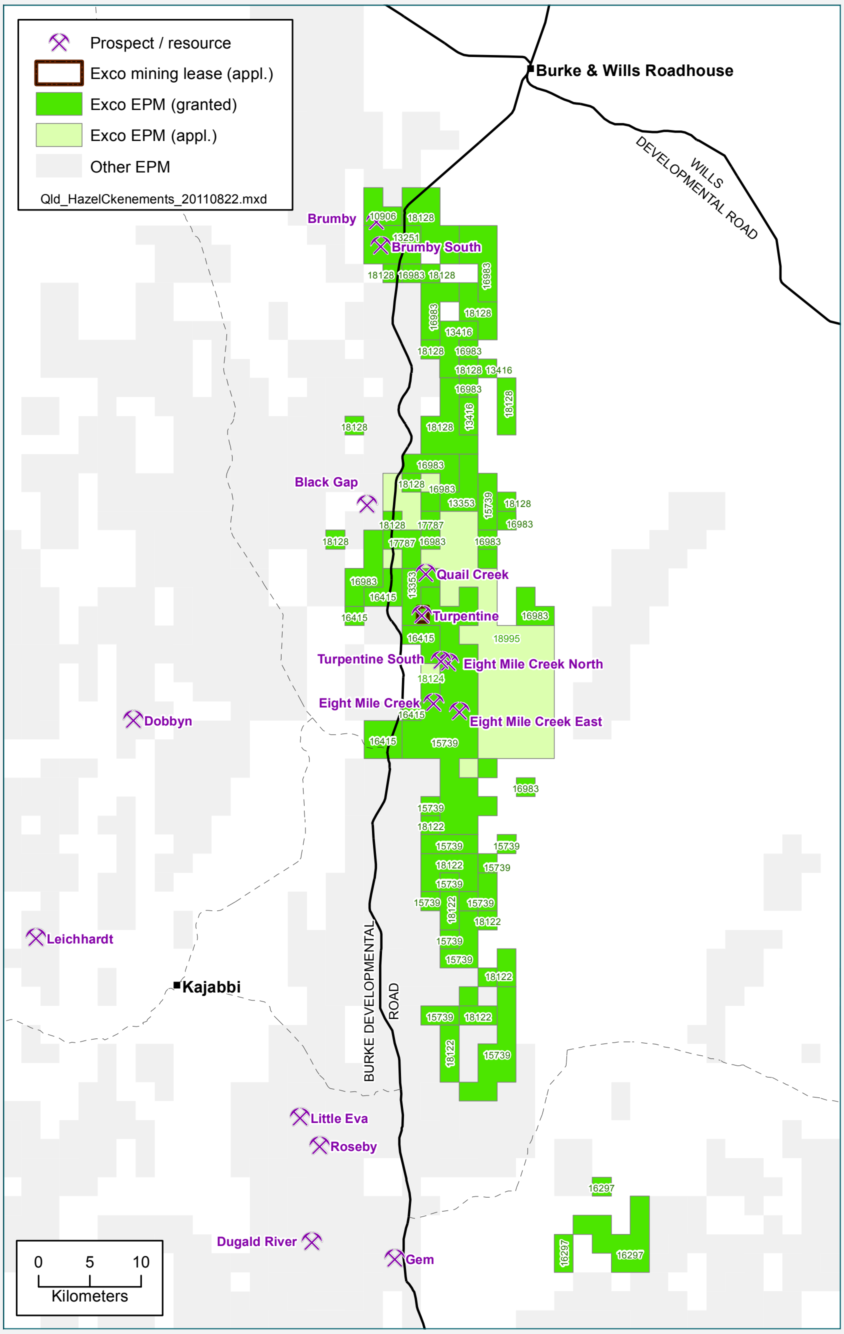


Figure 7: Location map of Hazel Creek Project

Turpentine Deposit (MLA90159 and EPM15739)

Copper, Gold

The Turpentine Cu-Au deposit was discovered by Exco in mid 2000 and contains a resource of **1.84Mt @ 1.03% Cu & 0.2g/t Au** (see **Table 1**). Turpentine drilling has outlined a steeply dipping zone of mineralisation with coarse grained chalcopyrite, associated with magnetite.

Four deeper diamond drill holes were completed in 2010 and were targeted to intersect the projected continuation of the mineralised zone at a depth of approximately 300m. The resource has been delineated to approximately 150m below surface. All holes intersected relatively wide zones of the mineralised structure with some higher grade portions as listed below:

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

Initial metallurgical test work indicates good recoveries and concentrate grade. Detailed airborne magnetic data (see **Figure 8**) suggests a series of shoots of magnetite-chalcopyrite mineralisation may exist. Drilling to date indicates the mineralisation is directly related to the magnetic response. The strike of the magnetic complex is in excess of 1km, and is variably magnetic. Surface geochemistry suggests the magnetic zones are all mineralised to some extent.

Turpentine South Prospect (EPM15739)

Copper, Gold

The Turpentine South prospect is situated between the Turpentine deposit and the Eight Mile Creek prospect, on a similar but separate discrete magnetic anomaly. Initial drilling on 2 lines 400m apart intersected oxide copper mineralisation averaging up to **12m @ 0.79% Cu & 0.42g/t Au**.

Follow-up RC drilling was initiated in 2010 (see **Figure 8**). Hole EHRC267 was drilled to test a SAM magnetic anomaly in association with a significant conductivity anomaly. Coarse chalcopyrite associated with magnetite, and widespread alteration was encountered and assays confirm significant mineralisation as follows:

- **6m @ 1.51% Cu & 0.11g/t Au**
- **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.

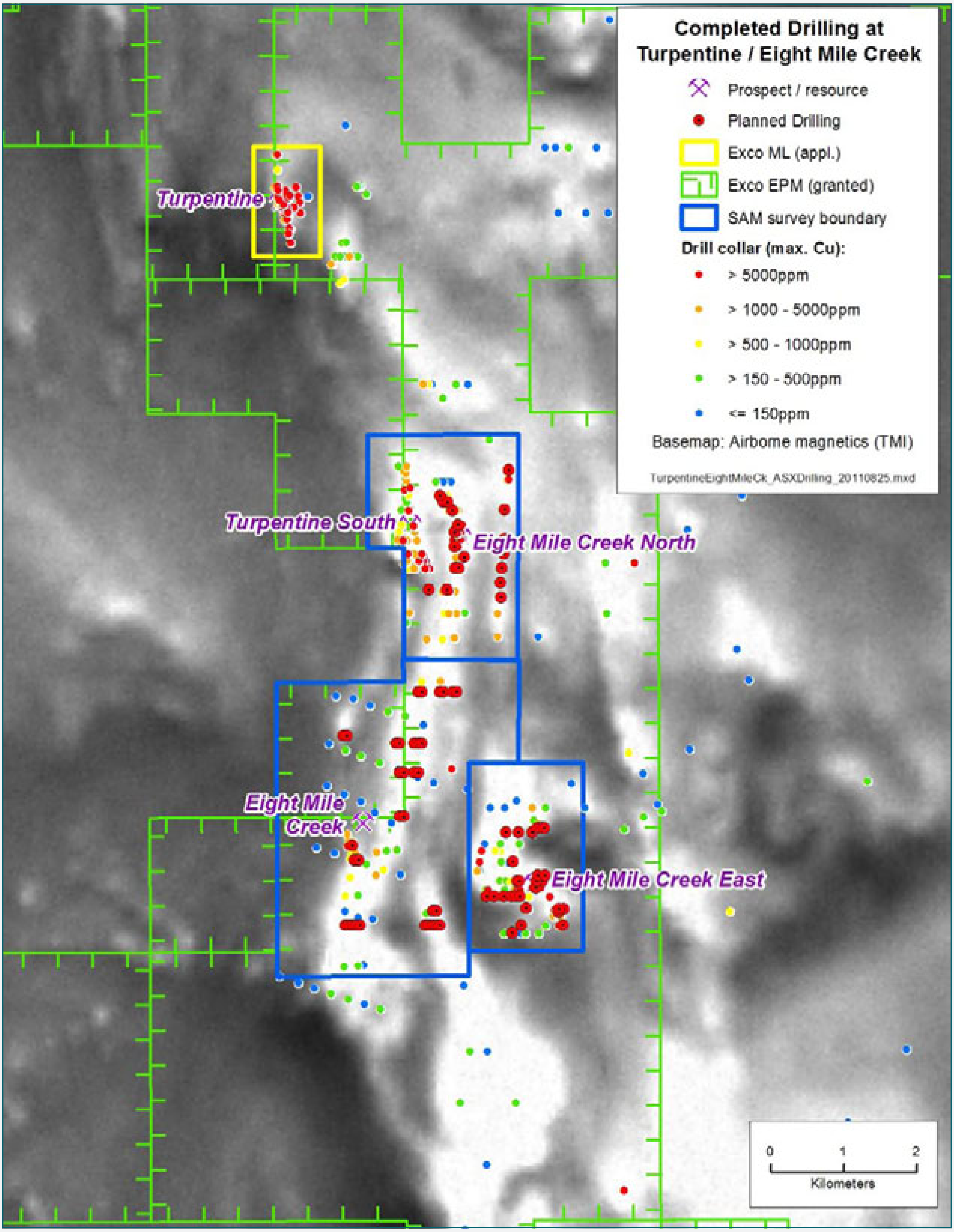


Figure 8: Magnetic intensity image showing Turpentine Deposit and Eight Mile Creek prospects

Eight Mile Creek East Prospect (EPM15739)

Copper, Gold

An initial phase of diamond drilling was completed in 2010 at Eight Mile Creek East (EMCE) and these holes intersected significant mineralisation over broad zones (see **Figure 9**). The mineralisation is relatively low grade, however like other IOCG mineralisation it offers significant bulk tonnage potential. Best intersections include:

- **41m @ 0.72% Cu & 0.17g/t Au** including **9m @ 1.54% Cu & 0.31g/t Au** in EHDD005
- **18m @ 0.77% Cu & 0.21g/t Au** in EHDD006 in pre-collar; appears to have only clipped the top of the mineralised zone
- **48m @ 0.71% Cu & 0.21g/t Au** in EHDD007
- **54m @ 0.51% Cu & 0.26g/t Au** including **30m @ 0.70% Cu & 0.36g/t Au** in EHRC260

Further follow up diamond and RC drilling is in progress and these holes will test continuity and geometry of the mineralisation.

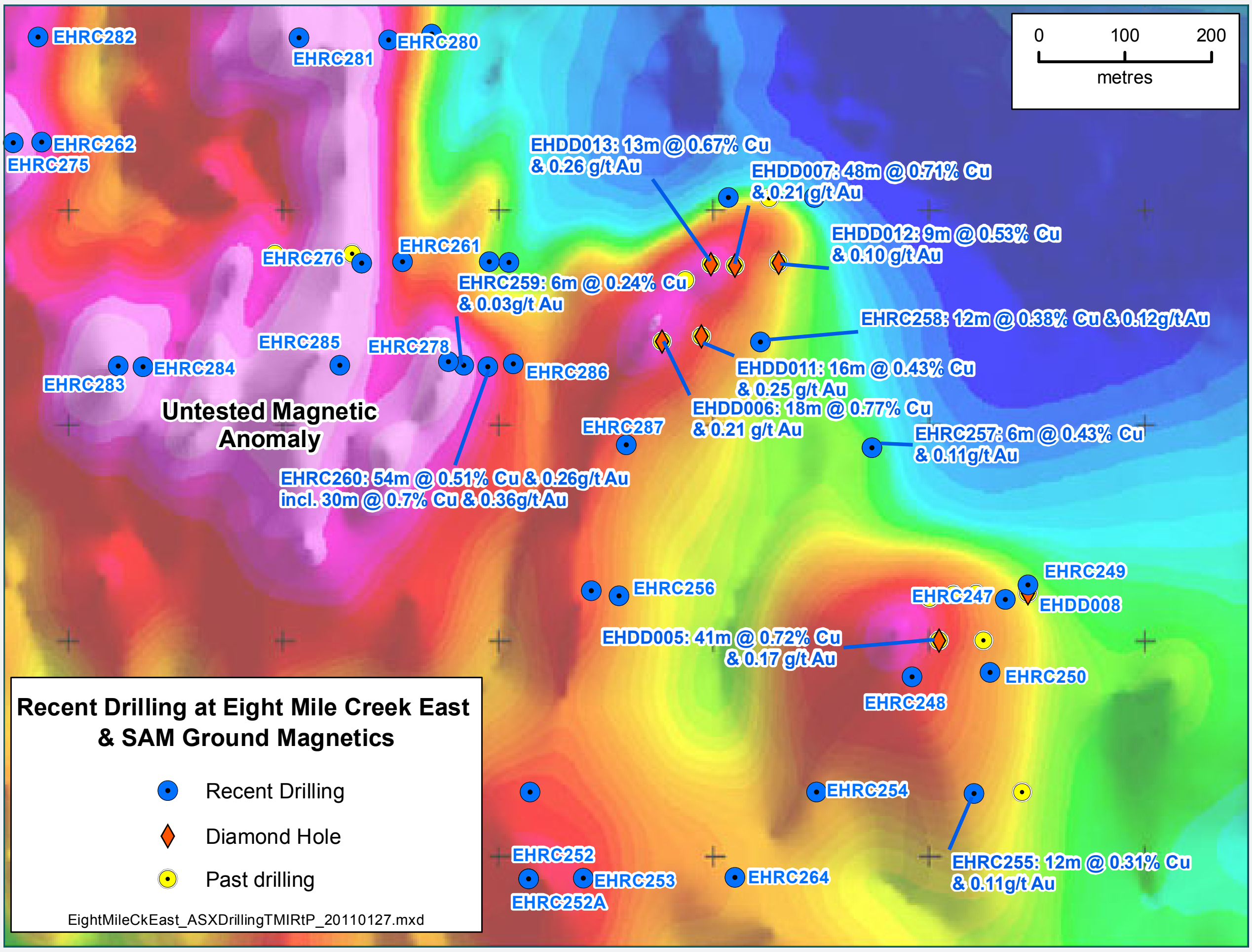


Figure 9: Eight Mile Creek East – location of drill holes

IVANHOE JOINT VENTURE (EXCO 20%, IVANHOE 80%)

SOLDIERS CAP AND TRINGADEE PROJECT AREAS, NW QUEENSLAND
Gold, Copper, Uranium

In May 2007, Exco and Ivanhoe Cloncurry Mines Pty Ltd, a subsidary of Ivanhoe Australia (ASX:IVA) ("Ivanhoe") entered into a joint venture agreement over a number of Exco's tenements in the Soldiers Cap and Tringadee Project areas. Under the terms of the agreement, as amended, Ivanhoe were required to spend $5.5m by May 2011 to earn an 80% interest in the joint venture tenements.

On 6 April 2011 Ivanhoe informed Exco that as of 31 March 2011 it had expended more than $5.5m on exploration. Accordingly, Ivanhoe exercised its option to acquire a 80% interest in the joint venture tenements.

Exploration has been ongoing with geophysics, surface sampling, mapping and drilling throughout the joint venture EPMs. The work to date has outlined a number of drill targets and additional geophysical surveys are scheduled to commence in October.

Aircore drilling is planned on EPMs 13709, 13741, 16177 and 14223 to close down the grid spacing from previous surveys to allow sufficient data for RC and diamond drilling. In particular a 2.2km long copper anomaly (800ppm-1200ppm Cu) within EPM13741 represents a significant new target.

RC drilling is planned for EPMs 12285,12290 and 11676. A programme of approximately 2,500m is proposed for EPM11676 over uranium bearing shear zones at the U4 prospect.

Diamond drilling is planned for EPM11169 to test a north west trending shear zone where previous drilling has intersected **44m @ 0.5% Cu**. A large overlapping magnetic gravity anomaly will also be tested.

PARADIGM JOINT VENTURE (EXCO 50%, PARADIGM 50%)

NW QUEENSLAND
Copper, Gold, Rare Earths

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 2009/10, Exco and Paradigm 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 2010 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.

Preliminary results from this programme included 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 and follow-up drilling will occur as soon as access permits.

WHITE DAM GOLD PRODUCTION JOINT VENTURE

SOUTH AUSTRALIA (EXCO 75%, POLYMETALS 25%)
Gold

The White Dam Gold Production JV is located in South Australia approximately 80km west of Broken Hill (see **Figure 10**). The project is subject to a 75:25% joint venture agreement with Polymetals Mining Ltd (ASX:PLY) (formerly Polymetals Group Pty Ltd) ("Polymetals"). The project contains a depleted resource inventory of **6Mt @ 0.98g/t Au for 188,700oz** contained (see **Table 2**) and encompasses an open pit mine, dump/heap leach, gold extraction plant and associated infrastructure

Since the first gold pour in April 2010, production rates and margins from White Dam have been well above Exco's expectations. A $16 million gold-linked pre-payment facility, together with equity funding from the joint venture partners of $7.5 million, provided the full funding required to implement the project. In November 2010 Exco announced that it had completed the required gold repayments nine months ahead of schedule.

TABLE 2: WHITE DAM PROJECT OK RESOURCE ESTIMATE

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	1,183	1.00	38.0	101	0.73	2.4	1,284	0.98	40.4
	Fresh	325	1.00	10.4	1,952	0.89	55.7	2,277	0.90	66.2
	Sub-Total	**1,508**	**1.00**	**48.5**	**2,054**	**0.88**	**58.1**	**3,562**	**0.93**	**106.6**
Vertigo	Oxide	1,008	1.10	35.6	212	1.56	10.6	1,220	1.18	46.2
	Fresh	703	0.73	16.5	526	1.15	19.4	1,229	0.91	35.9
	Sub-Total	**1,220**	**1.18**	**46.2**	**1,229**	**1.26**	**35.9**	**2,449**	**1.04**	**82.1**
PROJECT TOTAL		**2,728**	**1.08**	**94.6**	**2,791**	**0.98**	**88.1**	**6,011**	**0.98**	**188.7**

Note: Discrepancies in totals are as result of rounding.
White Dam resource (which is depleted to June 2011) was re-estimated in October 2010 with a cut off grade of 0.3g/t.
Vertigo was re-estimated in January 2011 with a cut off grade of 0.4g/t.

Production

Since the project commenced a total of 4,700kt of ore has been placed on the leach pad at an average grade of 1g/t Au. Gold adsorption recovery has consistently exceeded 98% since start up and at the end of June 2011 a total of 100,342oz of gold had been produced from the project.

In June 2011, the joint venture approved mining of a northern cutback of the Hannaford Pit, which will increase expected production by 7,400oz (330,000t @ 0.7g/t) and reduce risks associated with pit wall instability.

Metallurgical testing of mineralisation below the current Hannaford Pit floor was completed in June. This re-defined the high cyanide-soluble copper boundary for mining purposes and led to a decrease in remaining mining inventory of 3,400oz. The consequent reduction in budgeted life-of-mine production is expected to be offset by recovery above budgeted rates.

The current plan is that mining from the Hannaford Pit will continue until November 2011 and gold production from the dump leach will continue until mid 2012. Near-mine exploration and resource definition is currently being undertaken to endeavour to extend the life of the mine.

Project Development

The technical and economic assessment of the nearby Vertigo deposit has been ongoing. A mining inventory containing 12,500oz of gold from approximately **470,000t @ 0.83g/t Au** has been quantified. A mining lease application for the Vertigo deposit has been submitted and the procurement of a deed of variation to the native title agreement is in progress.

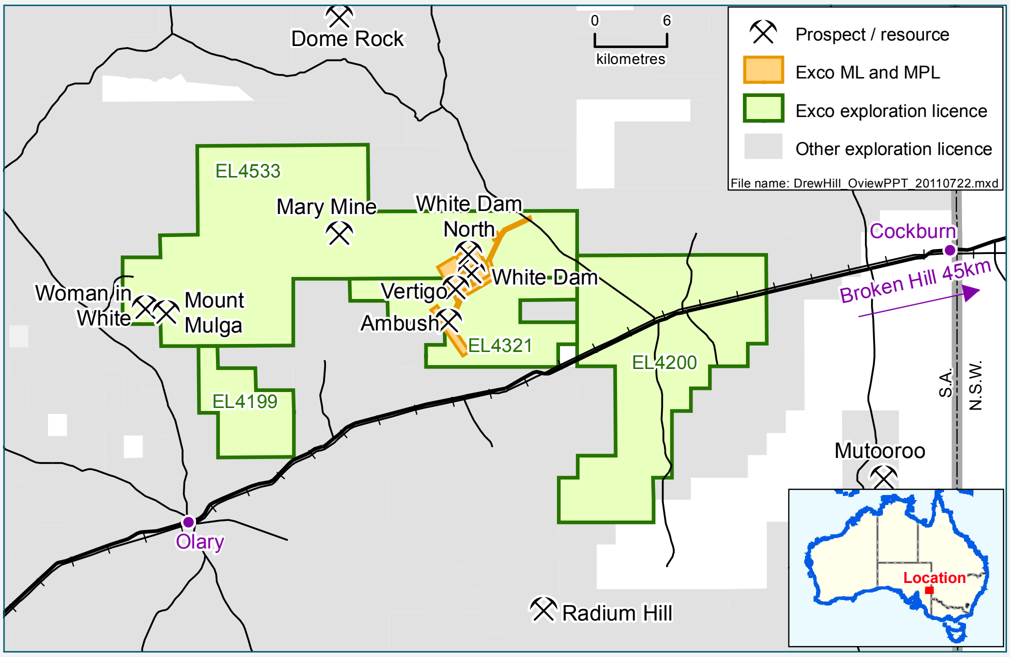


Figure 10: White Dam Gold project location map

DREW HILL EXPLORATION JOINT VENTURE

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

In parallel with the White Dam Gold Production Joint Venture, Exco and Polymetals entered into the unincorporated Drew Hill Exploration Joint Venture to further evaluate and explore the tenements surrounding the White Dam area (see **Figure 10**). Polymetals have recently taken over responsibility for the day to day management of the exploration programmes.

A 7,000m RC drilling programme was carried out at the beginning of the year to test extensions to the Vertigo deposit, further test other known nearby prospects and to also test other greenfields targets within a 3km radius of the current operation. A further round of near mine and regional exploration was then undertaken to continue to in-fill known areas of mineralisation and to test other targets identified by the exploration team. Results from White Dam North and White Dam East are expected in the second half of 2011.

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.

JORC COMPLIANCE & FORWARD LOOKING STATEMENT

This report contains forward looking statements that are subject to risk factors associated with resource 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 report 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 Chief Geologist, Stephen Konecny and Exco's Resource Manager, Ms Christine Shore, who are members of The Australasian Institute of Mining and Metallurgy. Both Mr Konecny and Ms Shore have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Konecny and Ms Shore consent to the inclusion of the data in the form and context in which it appears.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

The Directors present their report together with the financial statements of the Group comprising of *Exco Resources Limited* (the Company), and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2011 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 noted.

MR 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 November 2008 – December 2009

Previous directorships:

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

MR MICHAEL ANDERSON,
BSc (Hons Mining Geology), PhD, ARSM
Managing Director (resigned 5 August 2011)

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 19 years of 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.

MR ALASDAIR COOKE,
BSc (Hons Geology), MAIG
Executive Director

Experience and expertise
Mr. Cooke is one of the founders of Exco Resources and has over 22 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 nine 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 Energy Ventures Ltd since 2007
Executive director of Albidon Ltd 2000-2010

MR 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 27 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

DR TOM WHITING
B.Sc (Hons) PhD, Grad Dip Fin, MASEG, MAICD
Non-executive Director (appointed 20 September 2011)

Experience and expertise
Dr Whiting has spent over 30 years in the minerals exploration industry both as a geophysicist and an exploration manager. From 2000 to 2004 he was Vice President of Minerals Exploration for BHP Billiton. During his career with BHP Billiton he was associated with a number of discoveries, in particular the Cannington Pb/Zn/Ag mine in Queensland, the world's largest producer of silver and lead.

He also was at the forefront of promoting the development and application of new exploration technologies related to the search for ore deposits under cover. To this end he backed the development of new generation airborne electromagnetic technologies and the FALCON® airborne gravity gradiometer system. Dr Whiting recognised the potential of the Predictore™ approach and was one of the principal supporters of the pmd*CRC research programme.

Other current directorships

Non-executive Director of Predictive Discovery Limited since 2010
Non-executive Director of Stellar Resources Limited since February 2011
Non-executive Chairman for the Deep Exploration Technologies Cooperative Research Centre.

2. Company Secretary, Chief Financial Officer

MR EAMON BYRNE,
FCCA, MIPA, CSA(Cert)

Mr Byrne was appointed to the position of company secretary and chief financial officer on 1 September 2008. He is a qualified accountant with over 22 years of 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 (including meetings of committees of directors) 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	11	11	2	2
Mr Alasdair Cooke	11	11	2	2
Mr Michael Anderson[1]	11	11	2	2
Mr Peter Reeve[2]	11	7*		

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

[1] Mr Anderson resigned 5 August 2011
[2] Mr Reeve excused himself from three meetings due to a conflict of interest

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 Company 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 Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Company is engaged in exploration, evaluation and development of mining interests. The critical skills required by the board in pursuing the Company's business 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 Company's business plan progresses it will add new directors as and when complimentary skills are required.

The board presently comprises three non-executive directors and an executive director. At this time two of the directors, Mr Barry Sullivan and Dr Tom Whiting, are considered independent. Mr Reeve, is currently a director of a major shareholder, Mr Cooke is contracted to provide ongoing consulting work. 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 Company's business and all the Company's policies of corporate governance are adhered to. The agenda for meetings is prepared by the executive director and the acting CEO in conjunction with the chairman and company secretary and is circulated in advance.

Director education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company 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 Company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified advisor at the Company'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 any advice received by the director will be made available to all other board members.

Independence

ASX Corporate Governance Council (*ASX CGC*) recommendation 2.1 requires a majority of the board to be independent directors. The *ASX CGC* 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 two of the board members, Mr Barry Sullivan and Dr Tom Whiting, are considered to be independent.

ASX CGC recommendation 8.3 suggests that non-executive directors should not receive options or bonus payments. The board has in the past awarded options and other securities to non-executive directors and believes that equitable payments to non-executive directors in relation to special efforts are not unreasonable. The Company considers these payments to be a reasonable and appropriate method of assisting in attracting and retaining suitably skilled board members to a company the size and nature of Exco.

4.2. Nomination committee

ASX CGC recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2011, 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 company executives for the Company. 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 (Chair) – Independent non-executive
Mr Michael Anderson – Executive
Mr Alasdair Cooke – Executive

Because only one director of the committee is considered independent, the composition of the remuneration committee does not comply with the suggested composition of *ASX CGC* recommendation 8.2.

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 27.

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 Company are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors of the Company and executives for the Company 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 may 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 were 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. The Company ceased offering options in 2009 due to changes in the treatment of options-based schemes for taxation. The Company is reviewing its approach to equity-based, long term, performance linked compensation.

Cash bonuses were awarded as remuneration to specified executives and directors during the year, following interim and year end reviews of the individual's overall achievements, performance and their contribution towards the success of the White Dam project and the Cloncurry Copper Project transaction.

Long term incentive structure

Following the review noted above, the Group intends to formulate a policy that will be effective in increasing shareholder wealth through an appropriate long term incentive structure.

For details of directors and executives interests in shares and options at year end, refer to section 14 and 15 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.

As noted above, previously this was facilitated, where appropriate, through the issue of options to executive directors and executives to encourage the alignment of personal and shareholder interests. Again as noted, the Group is currently investigating methodologies with a view to restoring the goal congruence that was available previously.

In considering the Group's performance and benefits for shareholder wealth, the board believes that at this stage of the Group's development, and given the nature of an exploration company, there is not a clear link between revenue/profitability and the advancement of shareholder wealth.

The Group believes that the attainment of key exploration milestones (such as the advancement of the Hazel Creek project) is the key link between the Group's performance and shareholder wealth. For this reason the Group does not currently link revenue/profitability and shareholder wealth.

During the financial period the Company's share price traded between a low of 23 cents and a high of 69 cents. The price volatility is a concern to the board but is not considered abnormal for a junior explorer such as Exco Resources Limited, and particularly in light of events during the year.

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.

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.

4.4 Remuneration report – audited (continued)

Remuneration and terms of employment – Directors and Key Management Personnel

	Terms	Fees/Salaries per annum From 1 May 2010 to 30 Nov 2010	From 1 Dec 2010 to 30 Apr 2011	From 1 May 2011 to 30 Apr 2012
Non-executive directors				
B Sullivan *Chairman*	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.	60,500	69,450	72,905
P Reeve *Non-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.	42,350	48,650	51,045
T Whiting[1] *Non-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.	-	-	51,045
Executives				
Executive directors				
M Anderson[2] *Managing Director*	No fixed term. The arrangement may be terminated by either party giving 6 months notice in writing.	350,700	400,000	419,239
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.	145,200	166,550	174,863
Other key management personnel				
B McLarty *Commercial Manager*	No fixed term. The arrangement may be terminated by either party giving 6 months notice in writing.	279,200	319,149	334,347
G Laing *Corporate & Project Development Manager*	Term of agreement - 12 months commencing 20 August 2007 renewed annually. The arrangement may be terminated by either party giving 6 months notice in writing.	306,700	349,549	366,251
D Cook[3] *Exploration Manager*	No fixed term. The arrangement may be terminated by either party giving 1 month notice in writing.	-	-	260,000
S Konecny *Chief Geologist*	Mr Konecny is an independent contractor and does not have a service contract.	N/A	N/A	N/A
E Byrne *Company Secretary*	No fixed term. The arrangement may be terminated by either party giving 6 months notice in writing.	254,340	317,999	333,133

[1] Dr Whiting was appointed on 20 September 2011
[2] Mr Anderson resigned 5 August 2011
[3] Mr Cook commenced with the Company on 13 June 2011

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.

Remuneration payments to A. Cooke were made to a related entity, Hartree Pty Ltd.

4.4 Remuneration report – audited (continued)

Directors and Executive Officers remuneration

			Short-Term			Post Employment	Share-based payments			
		Salary & Fees	Cash bonus paid and accrued (b)	Non-monetary benefits	Sub Total	Super-annuation benefits	Options (a)	Total	Value of bonus as % of Total	Value of options as % of Total
		$	$	$	$	$	$	$	%	%
Directors										
M. Anderson	**2011**	**367,464**	**330,510**	**6,208**	**704,182**	**15,199**	**-**	**719,381**	**45.9**	**-**
(resigned 5 August 2011)	2010	310,083	30,500	-	340,583	14,461	-	355,044	8.6	-
A. Cooke	**2011**	**159,034**	**177,827**	**-**	**336,861**	**-**	**-**	**336,861**	**52.8**	**-**
	2010	134,200	-	-	134,200	-	-	134,200	-	-
B. Sullivan	**2011**	**60,832**	**50,000**	**-**	**110,832**	**5,474**	**-**	**116,306**	**43.0**	**-**
	2010	51,300	-	-	51,300	4,618	-	55,918	-	-
P Reeve	**2011**	**42,591**	**-**	**-**	**42,591**	**3,833**	**-**	**46,424**	**-**	**-**
	2010	35,910	-	-	35,910	3,231	-	39,141	-	-
Executives										
B McLarty	**2011**	**290,248**	**257,290**	**-**	**547,538**	**15,199**	**-**	**562,737**	**45.7**	**-**
	2010	264,999	26,500	-	291,499	14,461	-	305,960	8.7	-
G Laing	**2011**	**319,277**	**266,017**	**4,875**	**590,169**	**15,199**	**2,365**	**607,733**	**43.8**	**0.4**
	2010	269,418	26,500	-	295,918	14,461	44,096	354,475	7.5	12.4
D Cook	**2011**	**14,000**	**-**	**-**	**14,000**	**818**	**-**	**14,818**	**-**	**-**
	2010	-	-	-	-	-	-	-	-	-
S Konecny	**2011**	**203,712**	**46,584**	**-**	**250,296**	**-**	**-**	**250,296**	**18.6**	**-**
	2010	167,400	20,000	-	187,400	-	-	187,400	10.7	-
E Byrne	**2011**	**289,152**	**196,959**	**-**	**486,111**	**15,199**	**37,927**	**539,237**	**36.5**	**7.0**
	2010	246,000	22,000	-	268,000	14,461	92,232	374,693	5.9	24.6
Totals	**2011**	**1,746,310**	**1,325,187**	**11,083**	**3,082,580**	**70,921**	**40,292**	**3,193,793**	**41.5**	**1.3**
	2010	1,479,310	125,500	-	1,604,810	65,693	136,328	1,806,831	6.9	7.5

4.4 Remuneration report – audited (continued)

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 binomial 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 short-term incentive bonuses were granted for performance during the respective financial year. The following is an analysis of bonuses paid and accrued.

Analysis of bonuses included in remuneration

	Included in remuneration	Short-term incentive bonus	
	$ (A)	% vested in year	% forfeited in year (B)
Directors			
M Anderson (resigned 5 August 2011)	330,510	100%	-
A Cooke	177,827	100%	
B Sullivan	50,000	100%	
Executives			
B McLarty	257,290	100%	-
G Laing	266,017	100%	-
S Konecny	46,584	100%	-
E Byrne	196,959	100%	-

A. Cash bonuses awarded as remuneration to the relevant specified executives were granted on 30 November 2010 and 5 May 2011 respectively, following interim and year end reviews of the executive's overall achievements and performance for the year. Bonuses accrued at the end of the year of $850,000 in relation to the completion of the sale of the CCP were paid subsequent to the year end.

B. The cash bonuses awarded as remuneration to the relevant specified executives were fully vested. $475,187 was paid in the year ended 30 June 2011. None of the bonuses 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

During the reporting period, no options over ordinary shares in the Company were granted as remuneration to key management personnel.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation

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

	2011		2010	
	Number of shares	Amount paid per share	Number of shares	Amount paid per share
Director				
M Anderson (resigned 5 August 2011)	**-**	**-**	1,000,000	20 cents
Executive				
S Konecny	**1,500,000**	**25 cents**	-	-
B McLarty	**-**	**-**	1,500,000	20 cents

4.4 Remuneration report – audited (continued)

Analysis of options and rights over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and each of the five named Company executives and Group executives are detailed below.

	Options granted				
	Number	Date	% vested in year	% forfeited in year	Financial years in which grant vests
Executives					
G Laing	1,500,000	25-Oct-2007	33%	-	01-Jul-2010
E Byrne	1,500,000	01-Sep-2008	33%	-	01-Jul-2011

Mr Laing's options vested, as per the conditions of granting, upon the completion of a feasibility study for the Cloncurry Copper Project. Mr Byrne's options vested upon completion of a service condition as per the conditions of grant.

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)
Executive		
S Konecny	-	315,000

(a) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial 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 4.2 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 4.3 requires the audit committee to have a formal charter.

The Company does not currently comply with the recommendations. During the year ended 30 June 2011, 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 acting chief executive officer and the chief financial officer have declared in writing to the board that the Company's financial reports for the year ended 30 June 2011 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 acting chief executive officer 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.
- 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* (2001) 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) and comply with the ASX Listing Rules, in particular when company personnel are in possession of price-sensitive information.

The policy is available on the Company’s website.

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 ASX Listing Rules, 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’s 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 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 the 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 table on Page 38 cross references the ASXCGC Recommendations to the relevant sections of the Corporate Governance Statement and Remuneration Report.

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 profit of 38.94 cents per share (2010: loss 1.65 cents per share).

7. Review and results of operations

The consolidated profit after tax attributable to members of the Group for the financial year ending 30 June 2011 was $134,193,618 (30 June 2010: $5,141,296 loss). A review of the Group's operations is outlined in section 10 of this report.

8. Dividends

No dividends were paid or declared by the Company during the year ended 30 June 2011 (2010: nil).

9. Likely developments

The Group will pursue activities consistent with its corporate objectives and joint venture partners. Except for the intention to return $135 million to Exco shareholders by 31 October 2011 (or under reasonable circumstances where a delay is experienced, as soon as is practicable), further information about likely developments not included in the summary of subsequent events in note 16 of this report of 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.

ASX CGC compliance information

	Recommendation	Comply Yes / No	Reference
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	Page 27
1.2	Companies should disclose the process for evaluating the performance of senior executives	Yes	Page 29
2.1	A majority of the board should be independent directors.	No	Page 28
2.2	The chairperson should be an independent director.	Yes	Page 28
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 28
2.4	The board should establish a nomination committee.	No	Page 28
2.5	Companies should disclose the process for evaluating the performance of the board, it's committees and individual directors	Yes	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 36
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Yes	Page 36
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 35
4.2	The board should establish an audit committee.	No	Page 35
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 35
4.4	The audit committee should have a formal charter.	No	Page 35
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 36
7.1	Companies should establish policies for the oversight and management of business risks and disclose a summary of those policies.	Yes	Page 36
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 35
7.3	The board should disclose whether it has received assurance from the acting chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the *Corporations Act* (2001) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation financial reporting risks.	Yes	Page 35
8.1	The board should establish a remuneration committee.	Yes	Page 28
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent director and has at least three members.	No	Page 28
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 30

10. Operations

10.1. Cloncurry Copper Project (CCP) (Exco 100%)

Historically the CCP has comprised six main deposits located in two different geological settings. Four deposits were in the Mt Margaret area (E1 North, South, East and Central), two at Monakoff (Monakoff and Monakoff East). Resources delineated for the project totalled 52Mt at 0.77% copper & 0.22g/t gold.

The centre of gravity for the project was the E1 Camp located 8km east of the existing Ernest Henry Mine owned by Xstrata, in a region well serviced by infrastructure.

On 20 April 2011 the Company announced that it had signed an Asset Purchase Agreement (APA), pursuant to which Exco has agreed to sell certain of the CCP tenements[1] to Xstrata for $175 million.

The proposed transaction was subject to conditions precedent, including Exco shareholders approving the transaction, Xstrata receiving FIRB and all necessary Queensland government approvals, the assignment of certain third party agreements that are ancillary to the tenement package comprised within the CCP on terms that are acceptable to Xstrata, acting reasonably, and the eligible directors of Exco unanimously recommending that Exco shareholders approve the proposal.

On 6 May 2011 the directors called a general meeting of the company for the 9 June 2011 to consider a resolution to approve the sale of the CCP to a subsidiary of Xstrata. In the announcement the eligible directors of Exco stated their belief that the transaction was in the best interests of the Company and all shareholders and recommended that shareholders approve the transaction.

On 3 June 2011 the Company announced that in consultation with its major shareholders, it had conducted a review of its capital management options in the context of the Company's post-deal cash position. The outcome of the review was that, subject to the successful completion of the sale and based on assessments in relation to taxation and business development opportunities, the Company intended to return $135 million of the after-tax cash retained in the Company to Exco shareholders by 31 October 2011 (or under reasonable circumstances where a delay is experienced, as soon as is practicable).

The board stated its belief that cash retained by the Company post distributions would continue to provide for the purposeful growth of its remaining asset base.

In addition, the board announced it had conducted a review of its structure in light of corporate governance practices. Following this review, the board had determined to source and appoint an additional independent non-executive director to the board in the near future.

At the general meeting on 9 June 2011 the resolution for approval of the sale was carried on a show of hands following overwhelming proxy support. Following satisfaction of the remaining conditions precedent, final formalities were completed on 30 June 2011 and Exco received the funds for the sale.

Immediately upon completion of this transaction, Exco's assets included:

- **Post tax cash in excess of $170 million**: Based on the proceeds from the proposed transaction, existing cash reserves and cash flow from White Dam, Exco had cash-backing in excess of $220 million pre tax, ($0.62c/ fully diluted share) equivalent c.$170 million after tax ($0.48c/fully diluted share).
- **Hazel Creek Project:** Discoveries made last year at Hazel Creek, where results have shown the existence of large areas of copper-gold-magnetite mineralisation with potential to define large tonnage, open-pit style deposits.
- **White Dam Gold Joint Venture (Exco 75%):** White Dam continues to produce from the remainder of the current reserve (see below). The joint venture partners are assessing the potential for additional resource extensions. Exco and Polymetals have access to over 700km^2 of granted exploration tenements surrounding White Dam.
- **Great Australia Royalty:** A royalty over the sulphide ores under the Great Australia Mining Lease in Cloncurry, which is being mined by CopperChem Limited pursuant to the terms of the Exco-CopperChem Alliance Agreement entered into in September 2009. Based on prevailing LME copper prices (US$4.20/lb) and the current estimated 1.7 million tonnes of ore, it is expected that the royalty can generate gross cash to Exco of around A$30 million over the next 4 years.
- **Other Cloncurry Exploration Projects:** A tenement package of approximately 2,400km^2 in the Cloncurry region which is highly prospective for further copper discoveries. Exco will undertake proactive and targeted exploration / resource development programmes across a range of established prospects including the Pumpkin Gully Projects and further high grade resources, at key targets including Salebury, Fisher Creek and Tanbah.

[1] Comprising the E1, Monakoff and Monakoff East deposits and ML 90157, ML 7122, MLA 90198, MLA 90199, MLA 90200 and MLA 90201 as well as EPM 7085, EPM 8609, EPM 14201 and EPMA 18038.

10.2. 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 that date intersected the target zone at the predicted depth.

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 & 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 & 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.

10.3. Queensland Joint Ventures

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

In May 2007, Exco and Ivanhoe Cloncurry Mines Pty Ltd (Ivanhoe), a subsidiary of Ivanhoe Australia Ltd (ASX:IVA) entered into a joint venture agreement over a number of Exco's tenements in the Soldiers Cap and Tringadee Project areas (see **Figure 2**).

Under the terms of the joint venture agreement, as amended, Ivanhoe were required to spend $5.5m by May 2011 to earn an 80% interest in the joint venture tenements.

On 6 April 2011 Ivanhoe informed the Company that as of 31 March 2011, Ivanhoe had expended more than $5.5m on exploration work during earning period two of the agreement.

Accordingly pursuant to clause 2.10 of the agreement, Ivanhoe has exercised its option to acquire an interest of 80% in the joint venture.

In accordance with clause 2.17 of the agreement, Exco is now required to contribute to project expenses on a pro-rata basis in accordance with its percentage interest (currently being 20%).

10.3.2. 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 500km2. 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 Paradigm 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 2010 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.

Preliminary results from this programme included 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 and follow-up drilling will occur as soon as access permits.

10.4. White Dam Gold Production Joint Venture (Exco 75%, Polymetals Mining Ltd 25%)

The White Dam Gold Project is located in South Australia approximately 80km west of Broken Hill. The project contains a depleted resource inventory of **6Mt @ 0.98g/t Au** for **188,700oz** contained (**see Table 3**).

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

Polymetals is a 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.

A $16 million gold-linked pre-payment facility was secured through Barclays Capital plc which, together with equity funding from the JV partners of $7.5 million, provided the full funding required to implement the project.

Health Safety and Environment: There have been four LTIs recorded since the project inception. There have been no reportable environmental incidents for the project to date.

Construction and commissioning: 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.

Project commissioning was successfully completed during the fourth quarter of 2009/10 with first gold production achieved on 16 April 2010.

Loan repayment: The repayment terms of the Barclays 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. Following debt repayment, net cash flows of $45m were provided to the Company.

Price protection: In June 2010 the Company purchased price protection instruments to underpin the profitability of the White Dam project. Initially 7,500 ounces were sold on refreshable short-term forward contracts at 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.

Production: During 2010/11 the project has exceeded all expectations with higher than budgeted production and sales volumes (+4%), higher than expected realised prices (+11%) and lower than budgeted cash unit operating costs (-12%).

In addition capital expenditure in relation to a second stage of leach pad construction was avoided by building a second lift on the stage one pad.

Resource development: The assessment to mine the nearby Vertigo deposit continues. A mining inventory containing 12,500 ounces of gold from approximately 470,000 tonnes at 0.83 g/t has been quantified. A mining lease application for the Vertigo deposit has been submitted and a deed of variation to the native title agreement is in progress.

If Vertigo is mined, ore would be treated at the existing White Dam facilities, less than 2km away thereby minimising capital requirements.

The White Dam North prospect has been sufficiently advanced to warrant initial metallurgical testwork and commencement of regulatory approvals. Bottle roll tests of composite drill samples have been completed with gold recoveries in line with those experienced from the ore in the current Hannaford Pit.

With a view to enhancing reserves beyond the relatively small mining inventory at Vertigo, the joint venture has decided to complete the assessment and approvals of its other near mine prospects - White Dam North and White Dam East. It is anticipated that this work will be completed during the September 2011 quarter and will provide a basis for decision on whether to mine these prospects.

Exploration: Follow-up reverse circulation drilling continued to test resource potential at the White Dam North and White Dam East prospects during the June quarter.

At White Dam North, 97 holes were drilled to an average depth of 42m for a total of 4,004m. Initial results indicate the mineralisation is composed of multiple lenses that sit in a broad, dome-shaped configuration; and it also occurs at reasonably shallow depths, easily within reach of open pit mining methods.

At White Dam East, 68 holes were drilled to an average depth of 40m for a total of 2,720m.

Final results are due in the September 2011 quarter, and will culminate in a resource assessment.

During the June 2011 quarter, $1.2 million was expended on exploration at White Dam.

White Dam Project Production Statistics

Figure 1: *White Dam Gold Project production trends*

Table 1 - White Dam Gold Project - Production and Costs Statistics (Exco’s 75% interest)*

		Jun Qtr 10	Sep Qtr 10	Dec Qtr 10	Mar Qtr 11	Jun Qtr 11	Year 2010/11	Project to Date
Ore Tonnes Mined	(tonnes)	**621,839**	576,479	684,192	757,370	611,650	**2,629,690**	**3,525,093**
Mined Grade	(g/t)	**1.01**	0.90	0.99	1.06	1.03	**1.00**	**1.00**
Mined Ounces	(ounces)	**20,104**	16,681	21,824	25,728	20,314	**84,547**	**113,622**
Waste Tonnes Mined	(tonnes)	**737,752**	802,988	534,750	294,919	173,475	**1,806,131**	**3,893,563**
Ore placed on Leach	(tonnes)	**621,839**	576,479	684,192	757,370	611,650	**2,629,690**	**3,525,093**
Head Grade	(g/t)	**1.01**	0.90	0.99	1.06	1.03	**1.00**	**1.00**
Ounces Produced	(ounces)	**9,696**	13,143	17,132	18,928	16,357	**65,561**	**75,257**
Gold Loan Repayments	(ounces)	**3,224**	7,348	5,115	-	-	**12,463**	**15,687**
Ounces Sold	(ounces)	**3,731**	5,987	9,093	22,573	15,918	**53,571**	**57,302**
Cash Operating Cost	(A$/oz)	**329**	371	172	279	343	**286**	**289**
Cash Development Cost	(A$/oz)	**179**	264	74	45	37	**95**	**108**
Royalties	(A$/oz)	**54**	46	43	63	54	**55**	**53**
Total Cash Cost	(A$/oz)	**563**	681	288	388	434	**435**	**450**
Average Realised Sale Price	(A$/oz))	**1,415**	1,363	1,363	1,379	1,417	**1,386**	**1,393**
Revenue	(A$ million)	**7.7**	13.9	16.6	31.1	22.5	**84.1**	**91.8**

** **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.*

TABLE 2: EXCO RESOURCES – NW QUEENSAND Cu-Au RESOURCE SUMMARY POST CCP SALE

Deposit	Class	Tonnes	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
Cloncurry Project						
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		**2,200,000**	**1.54**	**0.13**	**33,000**	**9,000**
Mt Colin [(1)]	*Indicated**	1.042,000	3.04	0.42	32,000	14,000
	*Inferred**	880,000	2.09	0.41	18,000	12,000
TOTAL*		**1,922,000**	**2.59**	**0.42**	**50,000**	**26,000**
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**	**1.20**	**1.4**	**2,000**	**9,000**
TOTAL – Cloncurry Project		**7,653,000**	**1.69**	**0.52**	**111,400**	**130,000**
Hazel Creek Project						
Turpentine	*Indicated*	1,627,000	1.04	0.21	17,000	11,000
	Inferred	215,000	0.9	0.16	2,000	1,000
		1,842,000	**1.03**	**0.2**	**19,000**	**12,000**
TOTAL		**9,495,000**	**1.56**	**0.46**	**130,400**	**142,000**

Notes *Discrepancies in totals are as result of rounding.*
Unless otherwise stated the above resources are reported at a 0.5% Cu cut-off.
[(1)]Granted Mining Lease.
** Mt Colin resource cut-off = 1.25% Cu.*
*** Wallace South resource cut-off = 0.5g/t*

TABLE 3: WHITE DAM PROJECT OK RESOURCE ESTIMATE

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	1,183	1.00	38.0	101	0.73	2.4	1,284	0.98	40.4
	Fresh	325	1.00	10.4	1,952	0.89	55.7	2,277	0.90	66.2
Sub-Total		**1,508**	**1.00**	**48.5**	**2,053**	**0.88**	**58.1**	**3,562**	**0.93**	**106.6**
Vertigo	Oxide	1,008	1.10	35.6	212	1.56	10.6	1,220	1.18	46.2
	Fresh	212	1.56	10.6	526	1.15	19.4	1,229	0.91	35.9
Sub-Total		**1,220**	**1.18**	**46.2**	**738**	**1.26**	**30.0**	**2,449**	**1.04**	**82.1**
PROJECT TOTAL		**2,728**	**1.08**	**94.6**	**2,791**	**0.98**	**88.1**	**6,011**	**0.98**	**188.7**

Notes *Discrepancies in totals are as result of rounding.*
White Dam resource (which is depleted to June 2011) was re-estimated in October 2010 with a cut off grade of 0.3g/t.
Vertigo was re-estimated in January 2011 with a cut off grade of 0.4 g/t.

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. Royalties

In March 2011, CopperChem Limited ("CopperChem"), a privately owned resource development company advised Exco that mining of oxide ores from Exco's wholly owned Mt Colin deposit in the Cloncurry area of NW Queensland has been completed.

Exco is entitled to a royalty on oxide ore mined from Mt Colin and an amount of A$117,000 was paid by CopperChem to Exco in June 2011. Exco retains exclusive rights to the remaining resources at Mt Colin.

In addition to the Mt Colin royalty, Exco is entitled to a royalty ("GA Royalty") on approximately 1.7 million tonnes of sulphide ore contained within the Great Australia resource (see Figure 11) pursuant to the terms of the Exco-CopperChem Alliance Agreement entered into in September 2009. CopperChem has advised Exco that it has commenced mining at the Great Australia Mine and that mining of sulphide ores from the open pit will commence in the second half of 2011.

Under the terms of the GA Royalty, Exco is to receive $A6.00 per dry metric tonne of ore mined plus an additional $A0.06 per tonne for each $US0.01 by which the average copper price in a given six month period exceeds an indexed base price. The current base copper price under the agreement is approximately US$2.06/lb. Based on prevailing LME copper prices Exco estimates that the GA Royalty would currently be in the order of $A19.00 to $A20.00 per dry metric tonne of ore mined.

12. State of affairs

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

- 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.
- On 10 August 2010 the Company announced that it 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.
- 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.
- The Annual General meeting of the Company took place on Tuesday 18th November 2010. All resolutions before the meeting were passed.
- In March 2011, in the course of the annual rebalance, Exco was included in the S&P/ASX all Ordinaries index for the first time.
- On 20 April 2011 the Company announced that it has entered into an agreement to sell the Cloncurry Copper Project (CCP) to Xstrata Copper (Xstrata) for $175 million, subject to typical conditions precent and shareholder approval.
- On 5 May 2011 the Company advised that 1,650,000 options at 27.3 cents have been exercised raising a total of $450,040. In addition the Company had issued 400,000 shares as payment of fees in relation to consultancy services received in respect of the White Dam Gold Project.
- At a General Meeting of the Company on 9 June 2011 a resolution approving the sale of the Cloncurry Copper Project to a subsidiary of Xstrata plc was put to shareholders and was carried on a show of hands.
- On 30 June 2011 the Company announced that it had completed the sale of the Cloncurry Copper Project to Xstrata for $175 million.

13. 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.

14. 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
10/09/2012	$0.28	4,500,000

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
1,500,000	25 cents
1,650,000	27.3 cents
3,000,000	40 cents

15. 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]	1,750,000	-
A Cooke	17,224,988	-
B Sullivan	50,000	-
P Reeve	-	-
T Whiting[2]	-	-

[1] Mr Anderson resigned on 5 August 2011

[2] Dr Whiting was appointed on 20 September 2011

16. Events subsequent to balance date

Resignation of Managing Director

On 5th August 2011 the managing director, Mr Michael Anderson, indicated to the board his desire to pursue new interests and therefore tendered his resignation from Exco Resources Ltd.

Mr Anderson has been managing director since 2006 and led Exco through the most important phase of its history culminating in the sale of the Cloncurry Copper Project to Xstrata and the successful development of the White Dam gold project in South Australia.

Mr Geoffrey Laing, previously General Manager Corporate and Business Development, was appointed as Acting CEO and will take over all responsibilities of the managing director until a final appointment is made.

Exercise of options

On 25th August 2011, 1,500,000 employee incentive options at 40 cents were exercised raising a total of $600,000.

On 5th September 2011, 1,500,000 employee incentive options at 40 cents were exercised raising a total of $600,000.

The Company intends to use the monies raised from the exercise of these options to proactively advance the Company's portfolio of copper projects in Northwest Queensland.

Appointment of non-executive director

On 21st September 2011 the Company announced the appointment of Dr Tom Whiting as a non-executive director.

17. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 48 and forms part of the directors' report for the financial year ended 30 June 2011.

18. Non-audit services

During the year KPMG, the Company's auditor, has not performed any services other than their statutory duties.

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.

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-11 $	30-June-10 $
Auditors' Remuneration		
Audit fees - KPMG	**117,600**	95,810
Tax services fees - KPMG	**-**	-
Other accounting fees - KPMG	**-**	-
	117,600	95,810

19. 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.

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).

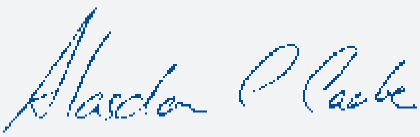
21. Insurance premiums

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 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 23rd day of September 2011.

Signed in accordance with a resolution of the directors.



Alasdair Cooke
Executive Director

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 report 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 Chief Geologist, Stephen Konecny, and Exco's Resource Manager, Ms Christine Shore, who are members of The Australasian Institute of Mining and Metallurgy. Both Mr Konecny and Ms Shore have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Konecny and Ms Shore consent to the inclusion of the data in the form and context in which it appears.

Lead auditor's independence declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporation 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 2011, 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

T Hart
Partner

Perth

23 September 2011

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

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Consolidated statement of comprehensive income

	Note	30-June-11 $	30-June-10 $
Sales revenue	*6*	**84,123,512**	7,022,317
Cost of goods sold	*8*	**(44,477,314)**	(4,890,629)
Gross Profit		**39,646,198**	**2,131,688**
Other income	*7(a)*	**153,947,539**	280,455
		193,593,737	**2,412,143**
Deferred revenue cost		**-**	(270,000)
Exploration expense		**(2,202,957)**	(771,219)
Employee expenses	*10*	**(2,848,726)**	(1,134,910)
Depreciation	*17*	**(161,691)**	(209,143)
Office costs		**(460,711)**	(393,050)
Professional and corporate expenses	*11*	**(2,266,947)**	(483,659)
Insurance		**(45,439)**	(47,120)
Impairment of equity accounted investment	*12*	**-**	(51,617)
Other expenses from ordinary activities		**(494,837)**	(619,708)
Results from operating activities		**185,112,429**	**(1,568,283)**
Finance income	*7(b)*	**2,805,548**	511,574
Finance cost	*7(c)*	**-**	(4,084,587)
Net finance income/(expense)		**2,805,548**	**(3,573,013)**
Profit/(loss) before income tax		**187,917,977**	**(5,141,296)**
Income tax expense	*13*	**(53,724,359)**	-
Profit/(loss) for the period		**134,193,618**	**(5,141,296)**
Other comprehensive income		**-**	-
Total comprehensive profit/(loss) for the period		**134,193,618**	**(5,141,296)**
Total comprehensive loss attributable to:			
Owners of the Company		**134,193,618**	**(5,141,296)**
Basic earnings/(loss) per share (cents)	*9*	**38.94**	(1.65)
Diluted earnings/(loss) per share (cents)	*9*	**38.62**	(1.65)

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-11 $	30-June-10 $
Current assets			
Cash and cash equivalents	*14*	**224,524,465**	10,086,715
Trade and other receivables	*15*	**1,294,579**	2,623,771
Inventory	*16*	**4,687,213**	7,627,242
Derivatives	*5(d)*	**159,020**	23,285
Total current assets		**230,665,277**	**20,361,013**
Non-current assets			
Receivables	*15*	**1,283,145**	1,210,251
Property, plant and equipment	*17*	**1,436,657**	1,459,107
Exploration and evaluation expenditure	*18*	**27,215,896**	40,713,220
Deferred tax asset	*13*	**-**	-
Mine and development properties	*19*	**1,575,199**	15,064,011
Total non-current assets		**31,510,897**	**58,446,589**
Total assets		**262,176,174**	**78,807,602**
Current liabilities			
Trade and other payables	*20*	**6,779,801**	6,406,777
Income tax payable	*13*	**47,346,671**	-
Deferred revenue	*21*	**-**	2,415,729
Provisions	*22*	**219,667**	135,905
Derivatives	*5(d)*	**125,152**	1,522,511
Total current liabilities		**54,471,291**	**10,480,922**
Non-current liabilities			
Deferred revenue	*21*	**-**	7,117,911
Provisions	*22*	**866,772**	833,434
Derivatives	*5(d)*	**-**	160,840
Deferred tax liability	*13*	**6,718,076**	-
Total non-current liabilities		**7,584,848**	**8,112,185**
Total liabilities		**62,056,139**	**18,593,107**
Net assets		**200,120,035**	**60,214,495**
Equity			
Contributed equity	*23*	**74,640,556**	68,968,927
Reserves	*24*	**849,907**	3,253,635
Retained earnings/(losses)		**124,629,572**	(12,008,067)
Total equity		**200,120,035**	**60,214,495**

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-11 $	30-June-10 $
Cash flows from operating activities			
Receipts from customers		**74,706,911**	4,671,112
Proceeds from deferred revenue		**-**	12,000,000
Cash payments in the course of operations		**(26,025,811)**	(9,522,970)
Interest received		**1,022,992**	480,360
Tax refund received		**340,388**	-
Option premium payments		**-**	(2,424,521)
Net cash from operating activities	*29*	**50,044,480**	**5,203,981**
Cash flows from investing activities			
Cash payments for exploration and evaluation expenditure		**(7,154,676)**	(3,803,799)
Cash payments for development expenditure		**(8,699,574)**	(10,852,285)
Cash payments for acquisition of equity investments		**(25,000)**	(51,617)
Movements in security deposits		**(72,894)**	(1,255,000)
Movement in loan from joint venture partner		**-**	-
Cash payments for plant and equipment		**(193,216)**	(179,790)
Proceeds from sale of property, plant and equipment		**117,000**	63,944
Proceeds from sale of tenements		**175,000,000**	-
Net cash from/(used in) investing activities		**158,971,640**	**(16,078,547)**
Cash flows from financing activities			
Proceeds from issue of shares		**5,753,939**	10,626,406
Share issue costs		**(332,309)**	(465,442)
Net cash from financing activities		**5,421,630**	**10,160,964**
Net increase/(decrease) in cash held		**214,437,750**	**(713,602)**
Cash at the beginning of the financial period		**10,086,715**	**10,800,317**
Cash at the end of the financial period	*14*	**224,524,465**	**10,086,715**

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

Consolidated	Issued capital	Accumulated losses	Share-based payments reserve	Total equity
Balance at 1 July 2010	**68,968,927**	**(12,008,067)**	**3,253,635**	**60,214,495**
Profit for the period	**-**	**134,193,618**	**-**	**134,193,618**
Total comprehensive profit for the period	**-**	**134,193,618**	**-**	**134,193,618**
Transactions by owners, recorded directly in equity				
Issue of shares	**4,928,488**	**-**	**-**	**4,928,488**
Exercise of options	**825,450**	**-**	**-**	**825,450**
Share issuance costs	**(332,309)**	**-**	**-**	**(332,309)**
Share-based payments	**250,000**	**2,444,021**	**(2,403,728)**	**290,293**
Balance at 30 June 2011	**74,640,556**	**124,629,572**	**849,907**	**200,120,035**
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	10,626,406	-	-	10,626,406
Share issuance costs	(785,693)			(785,693)
Share-based payments	-	-	737,603	737,603
Balance at 30 June 2010	**68,968,927**	**(12,008,067)**	**3,253,635**	**60,214,495**

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 address of the Company's registered office is Level 2, 8 Colin Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended, 30 June 2011 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 is primarily involved in minerals exploration and the production of gold.

The consolidated annual financial report of the Group is available upon request from the registered office, 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 authorised for issue by the board of directors on 23 September 2011.

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 in conformity with IFRSs 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.

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 is included 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) – Income tax
Note 3(n) – Closure and rehabilitation

Management 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.

a) Basis of consolidation

i.) Subsidiaries

Subsidiaries are entities controlled by the Company. 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.) Investments in associates and jointly controlled entities (equity accounted investees)

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 per cent 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.

Investments in associates are accounted for using the equity method and are initially recognised at cost. The cost of investment includes transaction costs.

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 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 zero 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.) Jointly controlled operations

A jointly controlled operation is a joint venture carried out by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses it incurs and its share of income that it earns from the joint operation.

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 equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 retranslated to Australian dollars at the 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 retranslated 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 assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following non-derivative financial assets: Cash, cash equivalents and trade receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

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.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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 saleable product 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 producing mines is recognised in the income statement on a units of production basis as this is considered the best approach in operations 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

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 and adjusted if appropriate.

g) Impairment

i.) Financial assets

A financial asset not carried through profit or loss 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 that can be estimated reliably.

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, other than inventories and deferred tax 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 each year at the same time. An impairment loss is recognised if the carrying amount of the asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or CGU.

Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) 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

Short term benefits for obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii.) Share-based payment transactions

The grant-date fair value of share-based payment awards 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 awards.

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

iii.) Superannuation plan

The Group contributes 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 persuasive evidence exists, usually in the form of an executed sales agreement, that 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 financed its participation in the White Dam Gold Production Joint Venture by way of a gold repayment facility from Barclays Capital plc. The facility was been recognised as deferred revenue and is presented as liability in the balance sheet at June 2010. Revenue was recognised in the profit and loss when Exco delivered gold under the facility agreement during the current year.

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 finance costs

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 costs 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. Current tax and deferred tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future,
- 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 or 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 for unused tax losses, tax credits and deductible temporary differences, 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.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

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.

m) 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.

n) 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.

o) Inventories

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.

p) Segment reporting

Determination and presentation of operating segments

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 acting chief executive officer 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 acting chief executive officer 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.

q) 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 2011, 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* affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2012 financial statements, are not expected to have significant impact on the financial statements.
- AASB 11 *Joint Arrangements,* which becomes mandatory for the Group's 30 June 2014 financial statements and could change the classification and measurement of investments in jointly controlled entities. The Group dors not plan to adopt this standard early and the extent of the impact has not been determined.
- Amended AASB 119 *Employee Benefits*, which becomes mandatory for the Group's 30 June 2014 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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) Derivatives

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 estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

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.

Framework

The Group's future revenues from the White Dam Production Joint Venture 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-11	30-June-10
	$	$
Cash and cash equivalents	**224,524,465**	10,086,715
Financial derivative assets	**159,020**	23,285
Trade and other receivables	**2,577,724**	3,834,022
	227,261,209	**13,944,022**

Impairment losses

None of the Group's receivables are past due (2010: nil).

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 30-Jun-11	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years
Trade and other payables	**6,779,801**	**(6,779,801)**	**(6,779,801)**	-	-
Derivatives					
Gold forward contracts					
Outflow	**125,152**	**(125,152)**	**(125,152)**	**-**	**-**
Inflow	**(118,791)**	**118,795**	**118,795**	**-**	**-**
Gold options					
Inflow	**(40,225)**	**-**	**-**	**-**	**-**
	6,745,933	**(6,786,158)**	**(6,786,158)**	**-**	**-**
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)**

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 and exchange rate 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:

Financial derivative instruments	30-June-11 $	30-June-10 $
Financial derivative assets		
Current		
Gold put options	**40,225**	23,285
Gold forward sale contracts	**118,795**	
	159,020	**23,285**
Financial derivative liabilities		
Current		
Gold forward sale contracts	**(125,152)**	(1,522,511)
	(125,152)	**(1,522,511)**
Non-current		
Gold put options	**-**	(42,382)
Gold forward sale contracts	**-**	(118,458)
	-	**(160,840)**
Total financial derivative liabilities	**(125,152)**	**(1,683,351)**
Total financial derivative instruments	**33,868**	**(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.

	2011			2010		
			$			$
Gold forward sales contracts	**Ounces**	**Weighted average price/oz ($)**	**Fair Value Liability**	Ounces	Weighted average price/oz ($)	Fair Value Liability
Maturing						-
Less than 3 months	**2,375**	**1,411**	**6,357**	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
	2,375	**1,411**	**6,357**	**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.

	2011			2010		
			$			$
Gold put options	**Ounces**	**Strike average price ($)**	**Fair Value**	Ounces	Strike average price ($)	Fair Value
Maturing						
Less than 1 Year	**14,000**	**1,250**	**(40,225)**	14,938	1,183	(23,285)
Between 1 – 2 years	**-**	**-**	**-**	14,000	1,250	42,382
	14,000	**1,250**	**(40,225)**	**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	
Post tax gain/(loss)	**2011**	2010
Gold + 10%	**(237,765)**	(1,189,467)
Gold – 10%	**237,197**	1,187,947

e) Currency risk

The Group 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 rolling periods of 90 days or less.

Profile

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

	30-June-11	30-June-10
Variable rate instruments:	**$**	$
Financial assets*	**224,524,465**	10,086,715
	224,524,465	**10,086,715**

*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 2010.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	$	$	$	$
30 June 2011				
Variable rate instruments – Cash and cash equivalents	**2,245,245**	**(2,245,245)**	**-**	**-**
30 June 2010				
Variable rate instruments – Cash and cash equivalents	100,867	(100,867)	-	-

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-11		30-June-10	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Assets carried at fair value				
Gold option contracts	**40,225**	**40,225**	23,285	23,285
Gold forward sale contracts	**118,795**	**118,795**	-	-
	159,020	**159,020**	**23,285**	**23,285**
Assets carried at amortised cost				
Loans and receivables	**2,577,724**	**2,577,724**	3,834,022	3,834,022
Cash and cash equivalents	**224,524,465**	**224,524,465**	10,086,715	10,086,715
	227,102,189	**227,102,189**	**13,920,737**	**13,920,737**
Liabilities carried at fair value				
Gold option contracts	**-**	**-**	42,382	42,382
Gold forward sale contracts	**125,152**	**125,152**	1,640,969	1,640,969
	125,152	**125,152**	**1,683,351**	**1,683,351**
Liabilities carried at amortised costs				
Trade and other payable	**6,779,801**	**6,779,801**	6,406,777	882,095
	6,779,801	**6,779,881**	**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	-	159,020	-	**159,020**
Derivative financial liabilities	-	125,152	-	**125,152**

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 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 cash position of the Group is such that it can fund its exploration and evaluation activities from current funds. However should opportunities arise during the coming year (post the return to shareholders) that require further funding the Group will consider the issue of new shares or the sale of assets to finance any such opportunities.

On 3 June 2011 the Company announced its intention to return $135m to shareholders through a combination of a capital return and a fully franked dividend by 31 October 2011. The returns are to be funded by the after tax profit on the sale of the Cloncurry Copper Project and cash flows from the White Dam operation. Apart from this commitment 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-11 $	30-June-10 $
Gold sales	**84,123,512**	7,021,948
Silver sales	**-**	369
	84,123,512	**7,022,317**

The Group's two most significant customers, ANZ Banking Group Ltd 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-11 $	30-June-10 $
Gain on disposal of property, plant and equipment	**63,026**	17,025
Gain on disposal of interest in tenements	**153,758,038**	256,704
Royalties income	**117,040**	-
Other income	**9,435**	6,726
	153,947,539	**280,455**

b) Financial income

	30-June-11	30-June-10
	$	$
Interest income	**1,111,614**	511,574
Fair value movement on option contracts	**1,693,934**	-
	2,805,548	**511,574**

c) Financial expense

	30-June-11	30-June-10
	$	$
Fair value of metal options and forward contracts	**-**	1,660,066
Option contracts premium	**-**	2,424,521
	-	**4,084,587**

During the year ending 30 June 2011 the Group entered into metal (gold) forward sale contracts and metal (gold) put option contracts. There was no premium on the option contracts paid during the year (2010:$2,424,521). As at 30 June 2011 the mark to market value of option contracts resulted in a positive net position of $40,225 (2010: $23,285 profit) while mark to market value of forward sales contracts was in a loss position of $6,357 (2010: $1,683,351 loss).

Derivatives comprise:

a) the forward sale contracts for:
   i.) 375 oz of gold at a price of A$1,216.34 per ounce in July 2011; and,
   ii.) 1,000 oz of gold at a price of A$1,410.41 per ounce and 1,000 oz of gold at a price of A$1,479.06 per ounce on a spot deferred basis with delivery expected within the next three months; and,
b) put option contracts for 14,000 oz of gold at a price of A$1,250 per ounce for the period July 2011 to November 2011

8. Cost of goods sold

		30-June-11	30-June-10
		$	$
Depreciation of development properties	*(i)*	**18,076,478**	5,702,291
Amortisation of capitalised waste	*(i)*	**3,509,426**	1,000,791
Amortisation of rehabilitation asset	*(i)*	**602,481**	198,898
Production costs		**19,348,900**	5,488,799
Costs deferred as inventory		**2,940,029**	(7,500,150)
		44,477,314	**4,890,629**

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

9. Earnings per share

Basic profit/loss per share

The calculation of basic profit/loss per share for the year ended 30 June 2011 was based on the profits attributable to ordinary shareholders of $134,193,618 (year ended 30 June 2010: $5,141,296 loss) and a weighted average basic and dilutive number of ordinary shares outstanding during the year ended 30 June 2011 of 344,577,626 and 347,471,839 respectively (year ended 30 June 2010: 312,081,788 and 312,081,788 respectively), calculated as follows:

	30-June-11 $	30-June-10 $
Profit/(Loss) attributable to ordinary shareholders		
Profit/(Loss) for the period	**134,193,618**	(5,141,296)
Weighted average number of ordinary shares	**Number of shares**	**Number of shares**
Issued ordinary shares at 1 July	**328,565,892**	**284,733,625**
Effect of shares issued during the period	**16,011,734**	27,348,163
Weighted average number of ordinary shares at 30 June	**344,577,626**	**312,081,788**
Effect of share options on issue	**2,894,213**	**-**
Weighted average diluted number of ordinary shares at 30 June	**347,471,839**	**312,081,788**
Profit/(Loss) per share	**$**	**$**
Basic earnings/(loss) per share (cents)	**38.94**	(1.65)
Diluted earnings/(loss) per share (cents)	**38.62**	(1.65)

10. Employee expenses

	30-June-11 $	30-June-10 $
Consulting fees and wages	**2,258,032**	905,167
Superannuation	**232,839**	55,094
Leave provisions	**58,664**	483
Share-based payment expense	**34,792**	78,580
Other personnel costs	**264,399**	95,586
Total employee expenses	**2,848,726**	**1,134,910**

11. Professional and corporate expenses

	30-June-11 $	30-June-10 $
Audit fees - KPMG	**117,600**	95,810
Tax services fees - KPMG	**-**	-
Other accounting fees - KPMG	**-**	-
	117,600	**95,810**
Other professional and corporate expenses		
Tax services	**154,000**	14,500
Legal services	**327,626**	83,286
Other corporate expenses	**1,667,721**	290,063
	2,149,347	**387,849**
Total professional and corporate expenses	**2,266,947**	**483,659**

12. Impairment of equity accounted investment

	30-June-11	30-June-10
Black Rock Minerals Pty Ltd (Exco's share 34.5%)	**$**	$
Impairment of investment	**-**	51,617
	-	**51,617**

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 2011 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-11	30-June-10
	$	$
Black Rock Minerals Pty Ltd		
Investment at cost	**551,617**	551,617
Impairment of investment	**(551,617)**	(551,617)
	-	-

The Group's share of profit in its equity accounted investee not recognised in the consolidated financial statements for the year was nil (2010: $319).

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

	30-June-11	30-June-10
	$	$
Within one year	**5,149**	5,192
	5,149	**5,192**

13. Income tax expense

	30-June-11 $	30-June-10 $
Current tax expense		
Current period	**47,346,671**	-
Deferred tax expense		
Origination and reversal of temporary differences	**6,718,076**	-
Prior year research and development tax concession	**(340,388)**	-
Total income tax expense	**53,724,359**	-
Numerical reconciliation between tax expense and pre-tax accounting loss		
Profit/(Loss) for the period excluding income tax	**187,917,977**	(5,141,296)
Income tax using the Company's domestic tax rate of 30%	**56,375,393**	(1,542,389)
Prior year research and development tax concession	**(340,388)**	-
Tax effect of permanent differences	**12,830**	107,126
Tax losses not recognised in previous years	**(2,323,476)**	1,435,263
Income tax expense/(benefit)	**53,724,359**	**-**
Tax assets and liabilities		
Recognised deferred tax assets and liabilities		
Recognised deferred tax liabilities		
Exploration and development expenditure	**(8,164,769)**	(12,213,966)
Mine development expenditure	**-**	(3,175,922)
Accrued income	**(40,651)**	(14,064)
Derivatives	**(10,160)**	-
	(8,215,580)	**(15,403,952)**
Recognised deferred tax assets		
Mine and development expenditure	**937,849**	-
Capital raising costs	**217,536**	-
Provisions and accruals	**342,119**	310,585
Derivatives	**-**	498,020
Tax value of losses recognised	**-**	14,595,347
	1,497,504	**15,403,952**
Total net deferred tax liability	**(6,718,076)**	**-**

Tax Losses

At 30 June 2011, the consolidated group has fully utilised all carried forward income tax losses.

	30-June-11 $	30-June-10 $
Unrecognised deferred tax assets	-	2,124,983
Tax value of losses unrecognised	**-**	**2,124,983**

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-11 $	30-June-10 $
Cash on hand and at bank	**29,516,526**	3,283,562
Cash held in joint ventures	**415,337**	462,311
Deposits at call	**194,592,602**	6,340,842
	224,524,465	**10,086,715**

15. Trade and other receivables

	30-June-11 $	30-June-10 $
Current		
Trade debtors	**62,330**	1,481,991
Prepayments	**413,925**	299,158
Other receivables	**818,324**	842,622
	1,294,579	**2,623,771**
Non-current		
Security deposits	**1,283,145**	1,210,251
	1,283,145	**1,210,251**

16. Inventories

	30-June-11 $	30-June-10 $
Materials and supplies - at cost	**490,965**	127,092
Ore stocks – at cost	**2,241,905**	5,567,761
Gold in circuit – at cost	**1,954,343**	644,006
Gold bullion – at cost	**-**	1,288,383
	4,687,213	**7,627,242**

17. Property, plant and equipment

	30-June-11 $	30-June-10 $
At cost	**2,068,549**	2,097,756
Accumulated depreciation	**(631,892)**	(638,649)
Total carrying value at 30 June	**1,436,657**	**1,459,107**

Reconciliation of movement	Property 30-June-11 $	Motor Vehicles 30-June-11 $	Plant and Equipment 30-June-11 $	Total 30-June-11 $
At cost				
At 1 July	**989,385**	**356,505**	**751,866**	**2,097,756**
Acquisitions	**-**	**164,952**	**31,891**	**196,843**
Disposals	**-**	**(67,482)**	**(158,568)**	**(226,050)**
Transfer to development	**-**	**-**	**-**	**-**
At 30 June	**989,385**	**453,975**	**625,189**	**2,068,549**
Accumulated depreciation				
At 1 July	**-**	**(134,603)**	**(504,046)**	**(638,649)**
Depreciation expense	**-**	**(79,291)**	**(82,400)**	**(161,691)**
Disposals	**-**	**75,497**	**92,951**	**168,448**
At 30 June	**-**	**(138,397)**	**(493,495)**	**(631,892)**
Carrying amount at 30 June	**989,385**	**315,578**	**131,694**	**1,436,657**

Reconciliation of movement	30-June-10 $	30-June-10 $	30-June-10 $	30-June-10 $
At cost				
At 1 July	**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	**989,385**	**356,505**	**751,866**	**2,097,756**
Accumulated depreciation				
At 1 July	**-**	**(121,778)**	**(392,408)**	**(514,186)**
Depreciation expense	-	(76,798)	(132,345)	(209,143)
Disposals	-	63,973	20,707	84,680
At 30 June	**-**	**(134,603)**	**(504,046)**	**(638,649)**
Carrying amount at 30 June	**989,385**	**221,902**	**247,820**	**1,459,107**

18. Exploration and evaluation expenditure

Carrying value of exploration and evaluation	30-June-11 $	30-June-10 $
In entities other than joint ventures	**26,620,672**	40,149,024
In joint ventures	**595,224**	564,196
Carrying value*	**27,215,896**	**40,713,220**

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

Movement in exploration and evaluation expenditure		
At 1 July	**40,713,220**	**42,741,510**
Expenditure incurred during the year	**7,604,238**	4,852,026
Expenditure reclassified as development	**-**	(6,005,693)
Movement in expenditure in joint ventures	**435,033**	27,891
Exploration expenditure written off	**(294,633)**	(759,218)
Interests disposed of during the year	**(21,241,962)**	(143,296)
Carrying amount at 30 June	**27,215,896**	**40,713,220**

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-11 $	30-June-10 $
At cost:			
In entities other than joint ventures		**12,860,422**	5,361,468
In joint ventures		**17,805,142**	16,604,523
		30,665,564	**21,965,991**
Accumulated amortisation		**(29,090,365)**	(6,901,980)
Carrying amount at 30 June		**1,575,199**	**15,064,011**

Movement in mine properties and development			
At 1 July		**15,064,011**	
Expenditure incurred during the year		**8,699,573**	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)*	**(18,076,478)**	(5,702,291)
Amortisation of capitalised production waste	*(i)*	**(3,509,426)**	(1,000,791)
Capitalised provision for rehabilitation costs		**-**	801,379
Amortisation of capitalised rehabilitation costs	*(i)*	**(602,481)**	(198,898)
Carrying amount at 30 June		**1,575,199**	**15,064,011**

(i) Total amount of amortisation and depreciation included in cost of goods sold for the year ended 30 June 2011 was $22,188,385 (2010: $6,901,980) (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-11 $	30-June-10 $
Trade creditors	**1,817,786**	857,226
Accrued expenses	**2,483,440**	1,323,086
Other payables	**141,294**	83,148
Joint ventures payables and accruals	**2,337,281**	4,143,317
	6,779,801	**6,406,777**

21. Deferred revenue

	30-June-11 $	30-June-10 $
Current		
At 1 July	**2,415,729**	-
Deferred revenue received during the year	**-**	4,882,089
Deliveries made during the year	**(2,415,729)**	(2,466,360)
	-	**2,415,729**
Non-current		
At 1 July	**7,117,911**	-
Deferred revenue received during the year	**-**	7,117,911
Deliveries made during the year	**(7,117,911)**	-
	-	**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 Mining Ltd (formerly Polymetals Group Pty Ltd), completed the arrangements for a Gold Repayment Facility (GRF) 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 GRF 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. The delivery of gold was completed in November 2010, ahead of time, in accordance with mandatory prepayment conditions.

22. Provisions

Current	30-June-11 $	30-June-10 $
Employee benefits	**219,667**	135,905

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

Non-current **Closure and rehabilitation**	30-June-11 $	30-June-10 $
Opening balance at 1 July	**833,434**	-
Recognition of rehabilitation and restoration asset	**-**	801,379
Unwinding of discount	**33,338**	32,055
	866,772	**833,434**

23. Contributed equity

	Number of shares		Amount ($)	
	30-June-11	30-June-10	30-June-11	30-June-10
Ordinary shares on issue	**348,544,187**	328,565,892	**77,423,407**	71,419,468
Share issuance cost	**-**	-	**(2,782,851)**	(2,450,541)
Ordinary shares on issue net of cost	**348,544,187**	**328,565,892**	**74,640,556**	**68,968,927**
Movement in ordinary shares				
Balance at 1 July	**328,565,892**	**284,733,625**	**68,968,927**	**59,128,214**
Issue of shares:				
Exercise of options	**3,150,000**	2,500,000	**825,450**	500,000
Shares issued for cash	**16,428,295**	41,332,267	**4,928,488**	10,126,405
Shares issued for services	**400,000**	-	**250,000**	-
Transaction costs	**-**	-	**(332,309)**	(785,692)
Balance at 30 June	**348,544,187**	**328,565,892**	**74,640,556**	**68,968,927**

Movement in Options over ordinary shares on issue – unlisted options

	Number of Options	
	30-June-11	30-June-10
Balance at 1 July	**10,650,000**	**14,500,000**
Employee incentive options granted	**-**	400,000
Options granted in settlement of financing costs	**-**	4,500,000
Options granted in settlement of capital raising fees	**-**	1,650,000
Exercise of options	**(3,150,000)**	(2,500,000)
Options expired	**-**	(7,900,000)
Balance at 30 June	**7,500,000**	**10,650,000**

Options over ordinary shares on issue – unlisted options

Outstanding options on 30 June 2011		
Number	Exercise Price	Expiry
1,500,000	$0.40	30/08/2011*
1,500,000	$0.40	31/08/2012*
4,500,000	$0.28	10/09/2012
7,500,000		

*The 1,500,000 options expiring on 30 August 2011 and the 1,500,000 options expiring on 31 August 2012 were exercised since the end of the financial year.

24. Reserves

	30-June-11	30-June-10
	$	$
Share-based payments reserve	**849,907**	3,253,635
	849,907	**3,253,635**
Movement in reserves		
Balance at 1 July	**3,253,635**	2,516,032
Recognised during the year	**40,293**	737,603
Transferred to retained earnings upon expiry or exercise	**(2,444,021)**	-
	849,907	**3,253,635**

25. Parent entity

As at and throughout the financial year ended 30 June 2011 the parent company of the Group was Exco Resources Limited.

Results of the parent entity

	30-June-11 $	30-June-10 $
Profit/(loss) for the period	**95,571,638**	(3,513,398)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**95,571,638**	**(3,513,398)**
Financial position of parent entity at year end		
Current assets	**220,573,726**	7,433,265
Total assets	**251,568,037**	63,068,557
Current liabilities	**50,655,515**	1,226,165
Total liabilities	**88,940,104**	1,226,165
Net assets	**162,627,933**	**61,842,393**
Total equity of the parent entity comprising of:		
Share capital	**74,640,556**	68,968,927
Option reserve	**849,907**	3,253,635
Accumulated losses	**87,137,470**	(10,380,169)
Total equity	**162,627,933**	**61,842,393**

Parent entity commitments

	30-June-11 $	30-June-10 $
(i) Exploration expenditure		
Within one year:		
Leases and minimum expenditure	**98,162**	82,928
Farm-in commitments	**13,815**	15,665
	111,977	**98,593**
(ii) Operating leases		
Within one year	**246,790**	125,432
Later than one and no later than five years	**234,704**	-
Later than 5 years	**-**	-
	481,494	**125,432**
	593,471	**224,025**

26. Commitments

At 30 June 2011 the Group and has the following commitments:

	30-June-11 $	30-June-10 $
(i) Exploration expenditure		
Within one year:		
Leases and minimum expenditure	**122,849**	123,957
Joint venture commitments - White Dam JV	**31,042**	31,042
Farm-in commitments	**13,815**	15,665
Later than one and no later than five years:		
Joint venture commitments - White Dam JV	**-**	-
	167,706	**170,664**
(ii) Operating leases		
Within one year	**246,790**	125,432
Later than one and no later than five years	**234,704**	-
Later than 5 years	**-**	-
	481,494	**125,432**
	649,200	**296,096**

(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	
Parent entity			
Exco Resources Limited			
Subsidiaries		**2011 %**	2010 %
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 2011, 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 25,000 shares to each shareholder at $1 per share bringing the Company's total investment in Toolebuc at 30 June 2011 to $605,000 (2010: $580,000).

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:

[50%]	30-June-11 $	30-June-10 $
Current assets		
Cash and cash equivalents	**929**	7,327
Trade and other receivables	**8,848**	8,972
Total current assets	**9,777**	**16,299**
Non-current assets		
Exploration and evaluation expenditure	**595,223**	564,196
Total non-current assets	**595,223**	**564,196**
Total assets	**605,000**	**580,495**
Current liabilities		
Trade and other payables	**-**	495
Total current liabilities	**-**	**495**
Total liabilities	**-**	**495**
Net assets	**605,000**	**580,000**

b) White Dam Gold Production Joint Venture

During the year ended 30 June 2011, the Group contributed $28,702,164 (2010 $17,568,471) 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 $26,013,904 (2010: $3,733,885).

[75%]	30-June-11 $	30-June-10 $
Current assets		
Cash and cash equivalents	**415,337**	454,984
Inventory	**182,035**	127,092
Trade and other receivables	**457,613**	791,304
Total current assets	**1,054,985**	**1,373,380**
Non-current assets		
Mine and development properties	**17,805,142**	16,604,523
Total non-current assets	**17,805,142**	**16,604,523**
Total assets	**18,860,127**	**17,977,903**
Current liabilities		
Trade and other payables	**2,337,281**	4,143,317
Total current liabilities	**2,337,281**	**4,143,317**

c) White Dam Gold 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. During the year ended 30 June 2011 the Group made no contribution to the White Dam Exploration Joint Venture as the joint venture was inactive during the period.

The Group's commitments in regard to the White Dam Exploration Joint Venture are included in note 26.

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-11 $	30-June-10 $
Loss after income tax	**134,193,618**	**(5,141,296)**
Add/(less) items classified as investing activities:		
Fair value movement of forward contracts	**(1,693,934)**	1,660,066
(Profit) on sale of non-current assets	**(153,821,064)**	(273,729)
Impairment expense	**-**	51,617
Amortisation and depreciation of mine properties	**22,188,385**	6,901,980
Depreciation	**161,691**	209,143
Income tax expense net of refund	**54,064,747**	-
Exploration expense	**294,633**	771,218
Add/(less) non-cash items:		
Share-based payments	**284,792**	348,580
Net cash provided by operating activities before change in assets and liabilities	**55,672,868**	**4,527,579**
Decrease/(increase)/ in receivables and prepayments	**1,435,163**	(2,553,746)
Decrease/(increase) in inventory	**2,940,029**	(7,627,242)
(Decrease)/increase in deferred revenue	**(9,533,640)**	9,533,640
(Decrease)/increase in accounts payable and provisions	**(469,940)**	1,323,750
Net cash provided by operating activities	**50,044,480**	**5,203,981**

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 (resigned 5 August 2011)
Alasdair Cooke – Executive director
Peter Reeve – Non-executive director

Executives

Bruce McLarty – General Manager – Commercial
Geoff Laing – General Manager – Project/Corporate Development, appointed Chief Executive Officer on 5 August 2011
Doug Cook – Exploration Manager (commenced 13 June 2011)
Steve Konecny – Chief Geologist
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-11 $	30-June-10 $
Short-term employee benefits	**3,082,580**	1,573,928
Post-employment benefits	**70,921**	125,450
Share-based payments	**40,292**	136,328
	3,193,793	**1,835,706**

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:

2011	Held at 1 July 2010	Granted as compensation	Exercised	Expired	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors							
M Anderson[1]	-	-	-	-	-	-	-
A Cooke	-	-	-	-	-	-	-
B Sullivan	-	-	-	-	-	-	-
P Reeve	-	-	-	-	-	-	-
Executives							
B McLarty	-	-	-	-	-	-	-
G Laing	**1,500,000**	-	-	-	**1,500,000**	**500,000**	**1,500,000**
S Konecny	**1,500,000**	-	**(1,500,000)**	-	-	-	-
D Cook	-	-	-	-	-	-	-
E Byrne	**1,500,000**	-	-	-	**1,500,000**	**500,000**	**1,000,000**

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 [1]	2,200,000	-	(1,000,000)	(1,200,000)	-	-	-
A Cooke	750,000	-	-	(750,000)	-	-	-
C Burton[2]	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

No options were held by key management person related parties.

Movement in shares

2011	Held at 1 July 2010	Acquired / (Sold)	Received on exercise of options	Held at 30 June 2011
Directors				
M Anderson[1]	**1,750,000**	**-**	**-**	**1,750,000**
A Cooke	**16,224,988**	**1,000,000**	**-**	**17,224,988**
B Sullivan	**50,000**	**-**	**-**	**50,000**
P Reeve	**-**	**-**	**-**	**-**
Executives				
B McLarty	**2,200,000**	**-**	**-**	**2,200,000**
G Laing	**81,000**		**-**	**81,000**
S Konecny	**573,926**		**1,500,000**	**2,073,926**
D Cook	**-**	**-**	**-**	**-**
E Byrne	**-**	**-**	**-**	**-**

2010	Held at 1 July 2009	Acquired / (Sold)	Received on exercise of options	Held at 30 June 2010
Directors				
M Anderson [1]	750,000	-	1,000,000	1,750,000
A Cooke	16,224,988	-	-	16,224,988
C Burton[2]	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	-	-	-	-

[1] Mr Anderson resigned on 5 August 2011
[2] Shares sold after the resignation date

No shares were granted to key management personnel during the reporting period as compensation in 2010 and 2011. 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-11 $	30-June-10 $	Balance outstanding as at 30-June-11 $	30-June-10 $
Mitchell River Group Pty Ltd	**329,425**	463,710	**18,171**	29,640

Mitchell River Group Pty Ltd., a mining consulting firm of which Mr Alasdair Cooke and Mr Craig Burton are directors, received fees of $329,425 (2010: $463,710) 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

As noted above, Mr Michael Anderson resigned as managing director on 5th August 2011. On the same day the board appointed Mr Geoffrey Laing as acting chief executive officer.

31. Share-based payments

During the year ended 30 June 2011 no incentive options were issued to employees and consultants (2010: 400,000).

The number and weighted average exercise prices of share options at 30 June 2011 are as follows:

	Weighted average exercise price (cents) 2011	**Number of options 2011**	Weighted average exercise price (cents) 2010	Number of options 2010
Outstanding at 1 July	**35.1**	**10,650,000**	**34.2**	**14,500,000**
Expired during the year	**-**	**-**	40.0	(7,900,000)
Exercised during the year	**26.2**	**(3,150,000)**	20.0	(2,500,000)
Granted during the year	**-**	**-**	40.0	400,000
Granted during the year	**-**	**-**	28.0	4,500,000
Granted during the year	**-**	**-**	27.3	1,650,000
Outstanding at 30 June	**32.8**	**7,500,000**	**35.9**	**10,650,000**
Exercisable at 30 June	**32.3**	**7,000,000**	35.1	9,150,000

The options outstanding at 30 June 2011 have an exercise price in the range of 28 to 40 cents and a weighted average contractual life of 1 year. 4,500,000 options at 28 cents and 2,500,000 options at 40 cents were vested at the year end. 500,000 options at 40 cents vested on 1 September 2011.

Share-based payment expense

	30-June-11 $	30-June-10 $
Recognised in profit and loss	**284,791**	78,580
Recognised in balance sheet as exploration and evaluation expenditure	**5,501**	68,772
	290,292	**147,352**

32. Segments

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

a) Production: comprising development and production activities of the White Dam Gold Project Joint Venture in South Australia.

b) Exploration: including 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 2011**	**Exploration $**	**Production $**	**Corporate $**	**Total $**
External revenues	**-**	**84,123,512**	**-**	**84,123,512**
Inter-segment revenue	**-**	**-**	**-**	**-**
	-	**84,123,512**	**-**	**84,123,512**
Profit on sale of Cloncurry Copper Project	**151,758,038**		**151,758,038**	
Interest income	**-**	**182,378**	**929,236**	**1,111,614**
Interest expense	**-**	**33,338**	**-**	**33,338**
Depreciation expense	**-**	**-**	**161,691**	**161,691**
Reportable segment profit/(loss) before income tax	**149,555,081**	**41,021,691**	**(2,658,795)**	**187,917,977**
Share of profit of equity method investees	**-**	**-**	**-**	**-**
Other material non-cash items:				
Included in Cost of goods sold				
Amortisation on mine and development properties	**-**	**18,076,478**	**-**	**18,076,478**
Depreciation on mine and development properties	**-**	**4,111,907**	**-**	**4,111,907**
Reportable segment assets	**27,215,896**	**40,276,166**	**196,181,616**	**263,673,678**
Reportable segment liabilities	**-**	**4,682,544**	**58,871,099**	**63,533,643**
Investment in associates	**-**	**-**	**-**	**-**
Capital expenditure	**8,039,271**	**8,699,573**	**196,843**	**16,935,687**

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 ANZ Banking Group Ltd and Barclays Capital plc.

33. Events subsequent to balance date

Exercise of options

On 25th August 2011, 1,500,000 employee incentive options at 40 cents were exercised raising a total of $600,000.

On 5th September 2011, 1,500,000 employee incentive options at 40 cents were exercised raising a total of $600,000.

The Company intends to use the monies raised from the exercise of these options to proactively advance the Company's portfolio of copper projects in Northwest Queensland.

Appointment of non-executive director

On 21st September 2011 the Company announced the appointment of Dr Tom Whiting as a non-executive director.

34. Contingencies

Contingent asset

The Company has a right to a royalty entitlement over the sulphide ores under the Great Australia mining lease in Cloncurry,Qld,. which is being mined by CopperChem Limited pursuant to the terms of the Exco-CopperChem Alliance Agreement entered into in September 2009.

During the period, the operator of the project has engaged in activities that have increased the likelihood of a royalty being received.

As at 30 June 2011, based on prevailing LME copper prices (US$4.20/lb) and the current estimated 1.7 million tonnes of sulphide ore, it is estimated that the royalty may generate gross cash to Exco of around A$30 million over the next 4 years. The procurement of these royalties is however dependent on future events which are ultimately outside the Company's control.

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 pages 49 to 82 and the Remuneration report in the Directors' report, set out on pages 26 to 34 , 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 2011 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 acting chief executive officer and chief financial officer for the financial year ended 30 June 2011.

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

Alasdair Cooke
Executive Director
23 September 2011

Independent lead auditor's report

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

Report on the financial report

We have audited the accompanying financial report of Exco Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, 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, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair 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.

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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

23 September 2011

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 2011:

Name of shareholder	Total number of voting shares in Exco Resources Ltd in which the substantial shareholders and its associates hold relevant interests	Percentage of total number of voting shares (%)
IVANHOE AUSTRALIA LIMITED	79,288,632	22.55
JP MORGAN NOMINEES AUSTRALIA LIMITED	41,760,775	11.88
WASHINGTON H SOUL PATTISON & COMPANY LIMITED	25,847,365	7.35

Class of shares and voting rights

As at 30 September 2011 there were 3,099 holders of 351,544,187 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	129	62,868
1,001 – 5,000	614	2,006,743
5,001 – 10,000	670	5,709,863
10,001 – 100,000	1,401	48,534,483
100,001 and over	285	295,230,230
Total	**3,099**	**351,544,187**

The number of shareholders holding less than a marketable parcel of shares is 70.

Listing of 20 largest shareholders (at 30 September 2011)

Shareholder	Number of shares	Percentage
Ivanhoe Australia Limited	79,288,632	22.55
JP Morgan Nominees Australia Ltd	41,760,775	11.88
Washington H Soul Pattison & Co Ltd	25,847,365	7.35
Mr Alasdair Cooke	17,224,988	4.90
National Nominees Ltd	10,040,400	2.86
Aus Ore Investments Pty Ltd	9,265,837	2.64
HSBC Custody Nominees (Australia) Ltd	5,208,503	1.48
Mr Geoffrey Rol	3,739,048	1.06
National Health Recovery Agents Pty Ltd	3,620,000	1.03
Dale Park Pty Ltd	3,080,000	0.88
Citicorp Nominees Pty Ltd	2,927,463	0.83
Burls Holdings Pty Ltd	2,786,215	0.79
Klip Pty Ltd	2,150,000	0.61
Mr Bruce McLarty	2,000,000	0.57
Kinar Pty Ltd	1,905,500	0.54
Rocket Science Pty Ltd	1,600,000	0.46
Bradleys Polaris Pty Ltd	1,558,000	0.44
The Trust Company (Superannuation) Limited	1,505,040	0.43
Eastern Goldfields Exploration Pty Ltd	1,355,000	0.39
HASL Investments Pty Limited	1,330,669	0.38
Top 20 Total	**218,193,435**	**62.07**

Unquoted and escrowed equity securities

Options	Number	Number of holders	Name of holders	Number held
Exercisable at $0.28 on or before 10/09/2012	**4,500,000**	**1**	Lujeta Pty Ltd	4,500,000
Total				**4,500,000**

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
	MC 4307	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 8127	100%*	Granted
	EPM 11675	100%*	Granted
	EPM 13091	100%[1]*	Granted
	EPM 14276	100%	Granted
	EPM 14295	100%*	Granted
	EPM 14429	100%	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 16737	100%	Pending
	EPM 17338	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 7502	100%*	Granted
	ML 7510	Sulphide Rights	Granted
	ML 90008	Ivanhoe JV	Granted
	ML 90065	Sulphide Rights	Granted

Tenement	Number	Exco Interest	Status
Hazel Creek (QLD)	EPM 10906	100%*	Granted
	EPM 13251	100%*	Granted
	EPM 13353	100%*	Granted
	EPM 13416	100%*	Granted
	EPM 15739	100%*	Granted
	EPM 16297	100%	Granted
	EPM 16415	100%	Granted
	EPM 16983	100%	Granted
	EPM 17787	100%	Granted
	EPM 18122	100%	Granted
	EPM 18124	100%	Pending
	EPM 18128	100%	Granted
	EPM 18995	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 shared 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.*

EXCO
RESOURCES LTD