Exco Resources Limited

and controlled entities

ABN 99 080 339 671

Interim Financial Report

31 December 2010

Corporate Information

ABN 99 080 339 671

DIRECTORS	Barry Sullivan (Chairman) Michael Anderson (Managing Director) Alasdair Cooke (Executive Director) Peter Reeve (Non-Executive Director)
SECRETARY	Eamon Byrne
MANAGEMENT	Bruce McLarty (GM - Commercial) Geoff Laing (GM - Corporate & Project Development) Steve Konecny (GM - Exploration) Christine Shore (Resource Manager)
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AUDITORS	KPMG 235 St George's Terrace Perth Western Australia 6000
SHARE REGISTRY	Advanced Share Registry Services Unit 2, 150 Stirling Highway Nedlands Western Australia 6009 Telephone: (08) 9389 8033 Facsimile: (08) 9389 7871

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Directors' Report

The Directors present their report together with the interim financial report for the six months ended 31 December 2010 and the review report thereon.

Directors

The directors of the company at any time during or since the end of the interim period are:

Barry Sullivan (Chairman)	Appointed 25 October 2005
Michael Anderson (Managing Director)	Appointed 13 April 2006
Alasdair Cooke (Executive Director)	Appointed 28 August 2001
Peter Reeve (Non-Executive Director)	Appointed 11 May 2008

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 23 and forms part of the Directors' report for the six months ended 31 December 2010.

Highlights

White Dam Gold Production Joint Venture (WDGPJV)

- **Gold production and sales ahead of expectations**: The WDGPJV has exceeded expectations in relation to gold produced, cash operating costs and revenue earned during the six months. Joint Venture production (100%) for the six months amounted to 40,635 ounces whilst Exco's gold sales to 31 December 2010 amounted to 15,080 ounces, at an average price of A$1,363/oz.
- **Early repayment of Barclays facility:** The combination of higher than expected production and higher than expected gold prices allowed the Company to fulfil the repayment terms of the financing agreement with Barclays Capital PLC negotiated in September 2009 to finance the WDGPJV. The final delivery for the gold-linked prepay loan was made in November, seven months after first production and nine months ahead of the original schedule.
- **Near mine exploration & resource development:** A drilling programme was completed at the Vertigo, White Dam North, White Dam South and Ambush prospects during August and September. Following the programme a Resource upgrade for the Vertigo deposit was completed resulting in a 50% conversion from Inferred to Indicated Resource. Reserve definition, final mine scheduling and planning are targeted to be completed during the second quarter of calendar 2011 in line with the expected completion of a mining lease approval.

Cloncurry Copper Project (CCP)

- **Maiden Reserve established for the CCP**: In December 2010 the Company announced the establishment of a maiden reserve for the CCP. The open pit Ore Reserve estimate, as reported in accordance with the JORC Code, was **28.1Mt @ 0.83% Cu & 0.24g/t Au**.
- **DFS update:** The Definitive Feasibility Study (DFS) for the CCP continues to progress well with the completion of the maiden reserve and advancement of the metallurgical testwork. The mining schedules will be completed in the next quarter.
- **EIS Update**: The EIS approvals process continues with the submission of the project Environmental Management Plan (EMP) to DERM in December 2010.
- **Development Strategy:** A proactive review of development strategies for the CCP is underway, with a view to selecting a definitive option in the coming months.

Directors' Report

Exploration

Significant drilling programmes were undertaken during the six months at the CCP and the Hazel Creek Project (HCP) in NW Queensland.

- **CCP – Salebury: f**urther high grade intersections at Salebury confirm resource potential: ECDD007 intersected **46m @ 1.43% Cu & 1.51 g/t Au** including **11m @ 2.50% Cu & 2.57 g/t Au**. Hole ECRC397 tested a separate structure intersecting **20m @ 2.07% Cu & 1.53 g/t Au** with 873 ppm Co from 32m depth.
- **CCP – Tanbah:** Results reported in the September quarter included **23m @ 1.52% Cu, 0.75 g/t Au & 206ppm Co** in ECDT341 and **202m @ 0.32% Cu, 0.32 g/t Au & 676ppm Co** in ECDT345.
- **CCP – Fisher Creek:** Diamond hole ECDD006 intersected **21m @ 1.08% Cu & 0.47g/t Au** including **9m @ 1.59% Cu & 0.89 g/t Au**.
- **HCP – Eight Mile Creek:** Diamond drilling in the December quarter confirmed significant IOCG potential: Several holes have intersected wide zones of magnetite related mineralisation including:
    - EHDD005 **- 41m @ 0.72% Cu & 0.17g/t Au.**
    - EHDD007 **- 48m @ 0.71% Cu & 0.21g/t Au.**
- **HCP – Turpentine South:** New mineralisation was intersected during the December quarter. EHRC 267 intersected. **6m @ 1.51%Cu & 0.11 g/t Au** from 66m depth, and **24m @ 1.52% Cu & 0.45 g/t Au** from 150m depth, including **6m @ 4.97% Cu & 1.46 g/t Au**.

Corporate

- **Share Placement:** The Company completed a share placement to Sin-Tang Development Pte Ltd of Singapore on 17 August 2010 as an initial step in a process whereby Exco and Sin-Tang would use their best endeavours over a three months post-placement period (or longer if the parties so agreed) to reach agreement on a proposed strategic investment by Sin-Tang in the Company's Cloncurry Copper Project.
- **Lapse of Options:** 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 June 2010 had lapsed.
- **Exercise of Options:** On 30 August 2010 the Company advised that 1,500,000 employee incentive options at 25 cents had been exercised raising a total of $375,000.
- **General Meeting:** Exco's Annual General Meeting took place on Tuesday the 18th of November 2010 in Perth. All resolutions before the meeting were passed.

WHITE DAM GOLD PRODUCTION JOINT VENTURE (Exco 75%, Polymetals 25%)

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

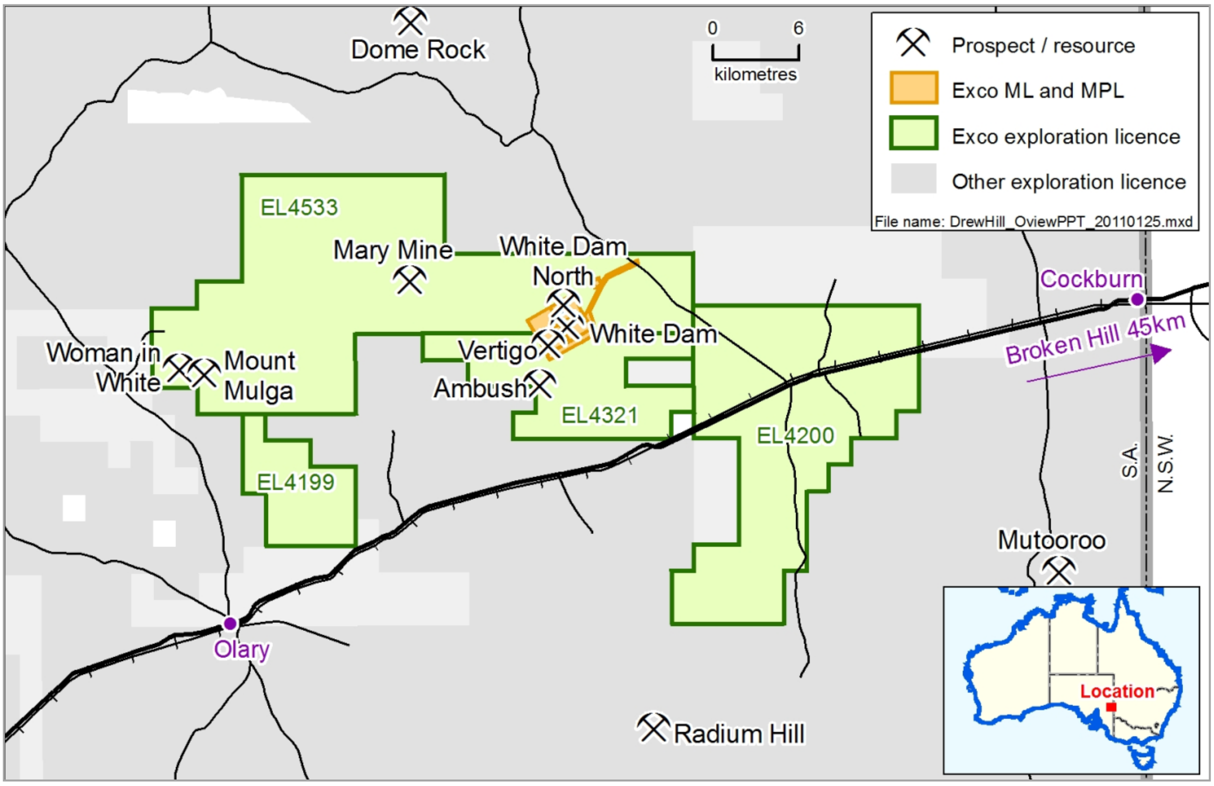

***Figure 2**: White Dam Gold Project Location Map*

Production Joint Venture Agreement

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

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

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

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

Operations Report

At the end of December a total of 53,294oz (100%) of gold had been produced from the project to date with results during the six months outperforming gold production, cost and revenue targets.

Total cash costs for the six months were A$459/oz (see **Table 3**). Post ramp-up unit costs have been particularly pleasing. Due to expenditure savings, lower cash development costs and higher ounce volumes the unit cost for the December quarter was $289/oz.

		Jun Qtr 10	Sep Qtr 10	Dec Qtr 10	YTD 2010/11	Project to Date
Ore Tonnes Mined	(tonnes)	621,839	576,479	684,192	**1,260,671**	**2,156,074**
Mined Grade	(g/t)	1.01	0.90	0.99	**0.95**	**0.97**
Mined Ounces	(ounces)	20,104	16,681	21,824	**38,505**	**67,581**
Waste Tonnes Mined	(tonnes)	737,752	802,988	534,750	**1,337,738**	**3,425,169**
Ore placed on Leach	(tonnes)	621,839	576,479	684,192	**1,260,671**	**2,156,074**
Head Grade	(g/t)	1.01	0.90	0.99	**0.95**	**0.97**
Ounces Produced	(ounces)	9,696	13,143	17,131	**30,274**	**39,970**
Gold Loan Repayments	(ounces)	3,224	7,348	5,115	**12,463**	**15,687**
Ounces Sold	(ounces)	3,731	5,987	9,093	**15,080**	**18,811**
Cash Operating Cost	(A$/oz)	329	371	172	**258**	**275**
Cash Development Cost	(A$/oz)	179	264	74	**156**	**163**
Royalties	(A$/oz)	54	46	43	**44**	**47**
Total Cash Cost	(A$/oz)	563	681	289	**459**	**484**
Average Realised Sale Price	(A$/oz))	1,415	1,363	1,363	**1,363**	**1,374**
Revenue	(A$ million)	7.7	13.7	16.4	**30.1**	**37.8**

***Table 3:** Production and Financial Statistics (Exco equity interest)*[1].

A total of 2,874,765 tonnes of ore has been placed on the leach pad to date at an average grade of 0.97g/t Au, with 2,606,264 tonnes subjected to drip irrigation at 31 December.

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

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

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

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

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

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

[1] ***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.*

Health, Safety and Environment

There were two minor LTIs recorded during the six months, second and the third for the project to date. There have been no reportable environmental incidents for the project to date.

Additional Exploration and Resource Development

Having successfully achieved steady state gold production from the White Dam deposit, the Joint Venture partners are completing an exploration and resource development programme for the nearby Vertigo deposit and White Dam North, White Dam South and Ambush prospects (see **Figure 2**) with the objective of extending the life of the mine. In addition to these resources, as noted above extensions to the current pit are also being investigated.

Vertigo update

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

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

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

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

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

CLONCURRY COPPER PROJECT, NW QUEENSLAND (Exco 100%)

The Cloncurry Copper Project (CCP), located approximately 40km north east of the town of Cloncurry (see **Figure 3**), includes both exploration and mining leases, and a resource base of in excess of 55Mt at 0.85% copper and 0.22g/t gold (see **Table 1**). The centre of gravity for the project is the E1 Camp located 8km east of the existing Ernest Henry Mine owned by Xstrata, in a region well serviced by infrastructure.

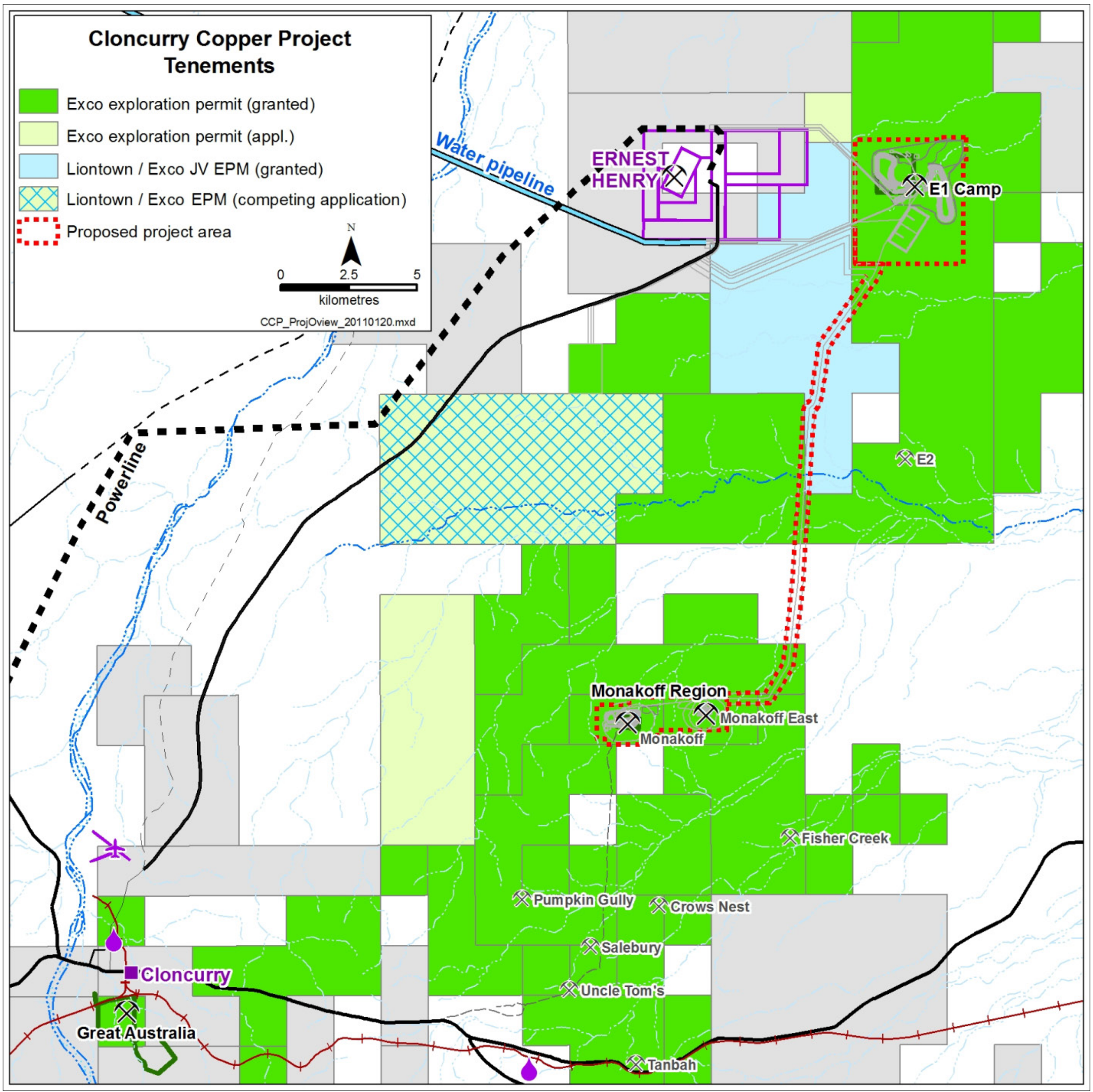

Figure 3: CCP location map showing key tenements, deposits and proposed infrastructure.

Maiden Reserve Established for the CCP

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

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

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

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

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

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

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

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

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

Resource Definition

Monakoff and Monakoff East

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

Resource estimation is currently underway at Monakoff East.

Other Resource Drilling

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

Definitive Feasibility Study (DFS) Update

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

Environmental Impact Statement (EIS) and Approvals Update

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

Development Strategy

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

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

EXPLORATION

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

Cloncurry Copper Project (CCP)

Recent Drilling in the Pumpkin Gully syncline region of the CCP has yielded a number of very positive results (see **Figure 4**). Over and above the established resources at Monakoff and Monakoff East (see **Table 1**), it is clear that significant potential exists at a number of additional prospects within the area, particularly on the southern limb of the syncline.

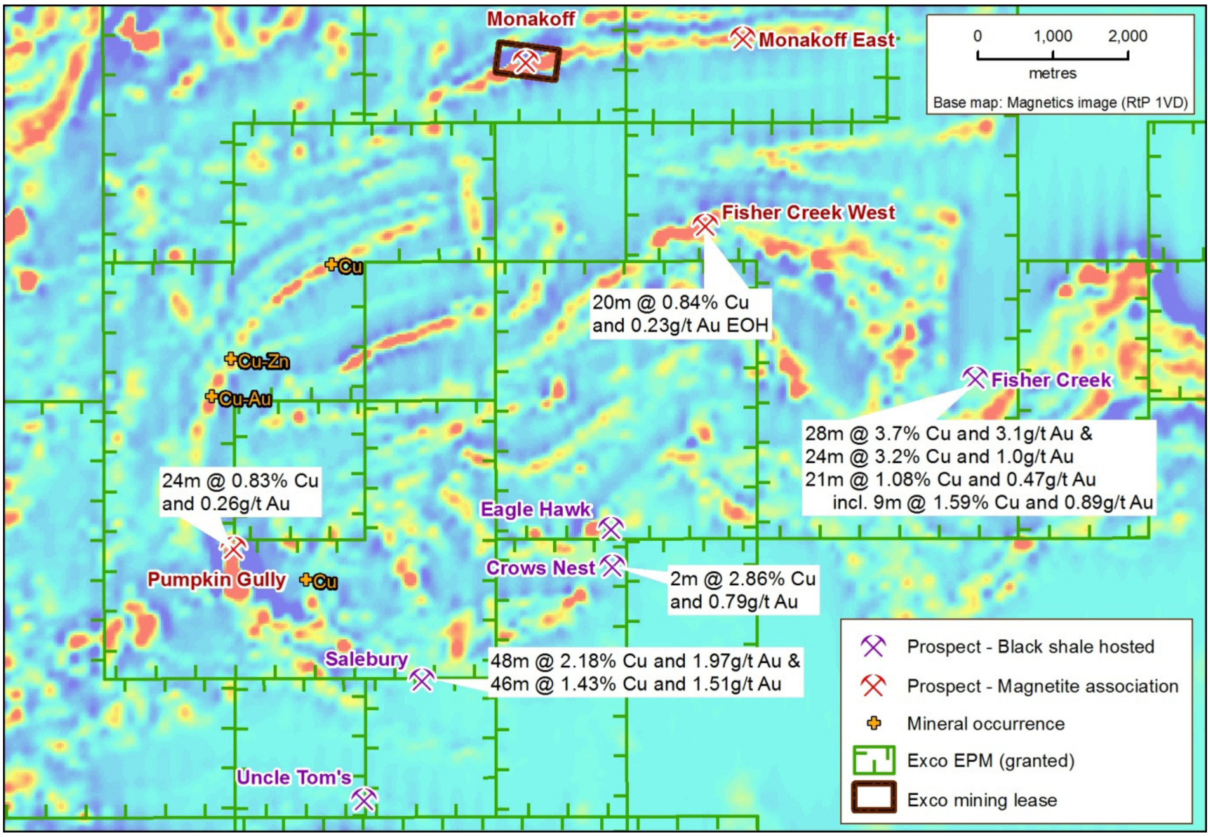

***Figure 4:** Location map detailing prospects within the Pumpkin Gully Syncline*

Salebury Prospect (EPM 11675 - 100% Exco)

The Salebury prospect occurs on the southern limb of the Pumpkin Gully syncline (see **Figure 6**) at the contact of shales and volcanics. Calc silicate breccia bodies also occur within the prospect area. The main target to date has been a zone of approximately 600m strike defined by sporadic copper oxide mineralisation at surface. The prospect area hosts a number of minor historical workings including a small open cut that leads to underground workings, which appear to have been accessed by a small shaft to the south.

Previous drilling by Exco has involved traverses of shallow bedrock air core and reverse circulation drilling with several phases of deeper RC. Numerous zones of ore grade mineralisation were intersected in these earlier programmes.

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

Diamond hole **ECDD007** (triple tube HQ diameter core) was drilled from the opposite direction back towards and beneath **ECDD002** (see **Figures 5** and **6**), and also intersected significant mineralisation as follows:

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

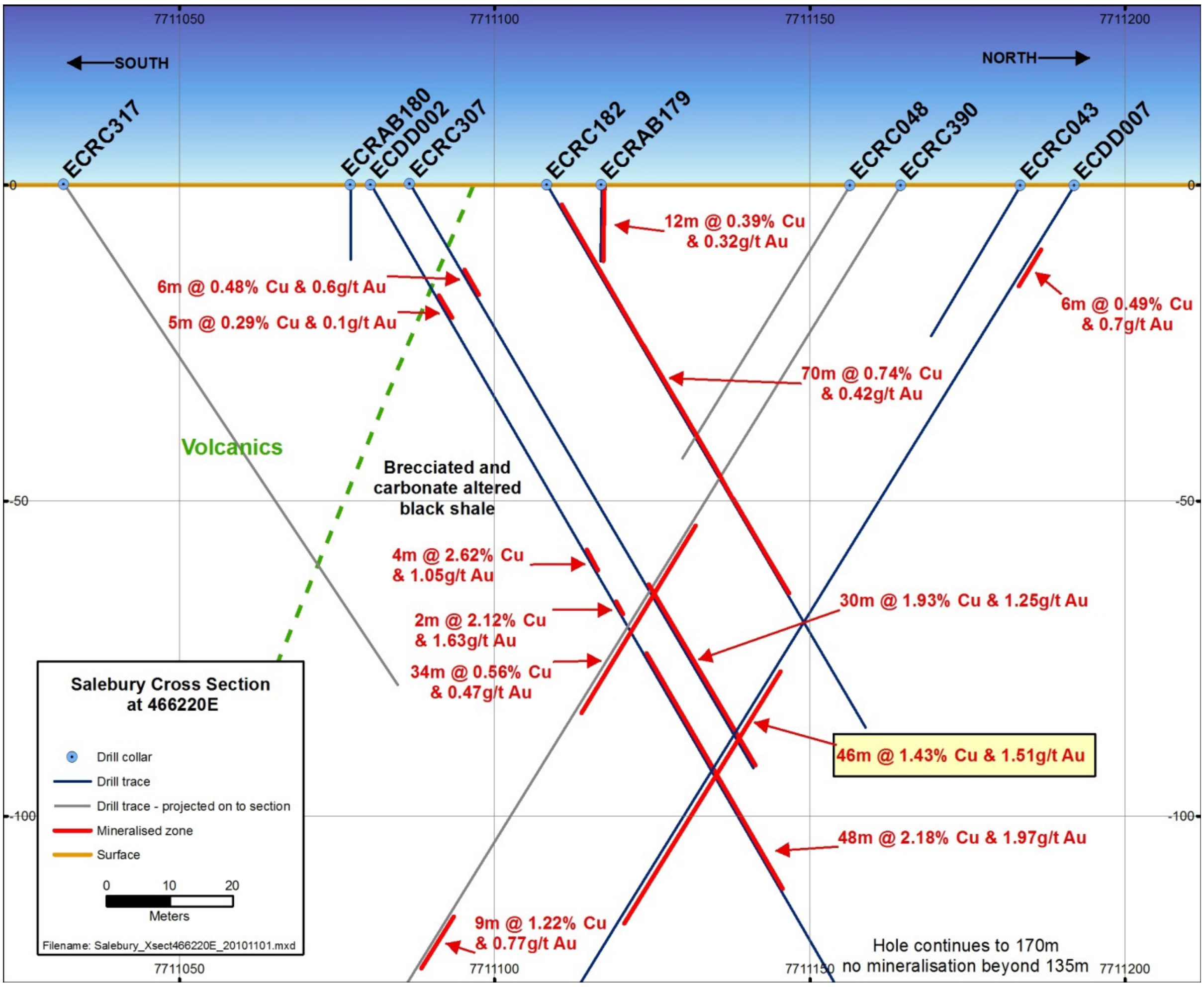

Figure 5: *Cross Section showing recent drilling at Salebury Prospect*

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

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

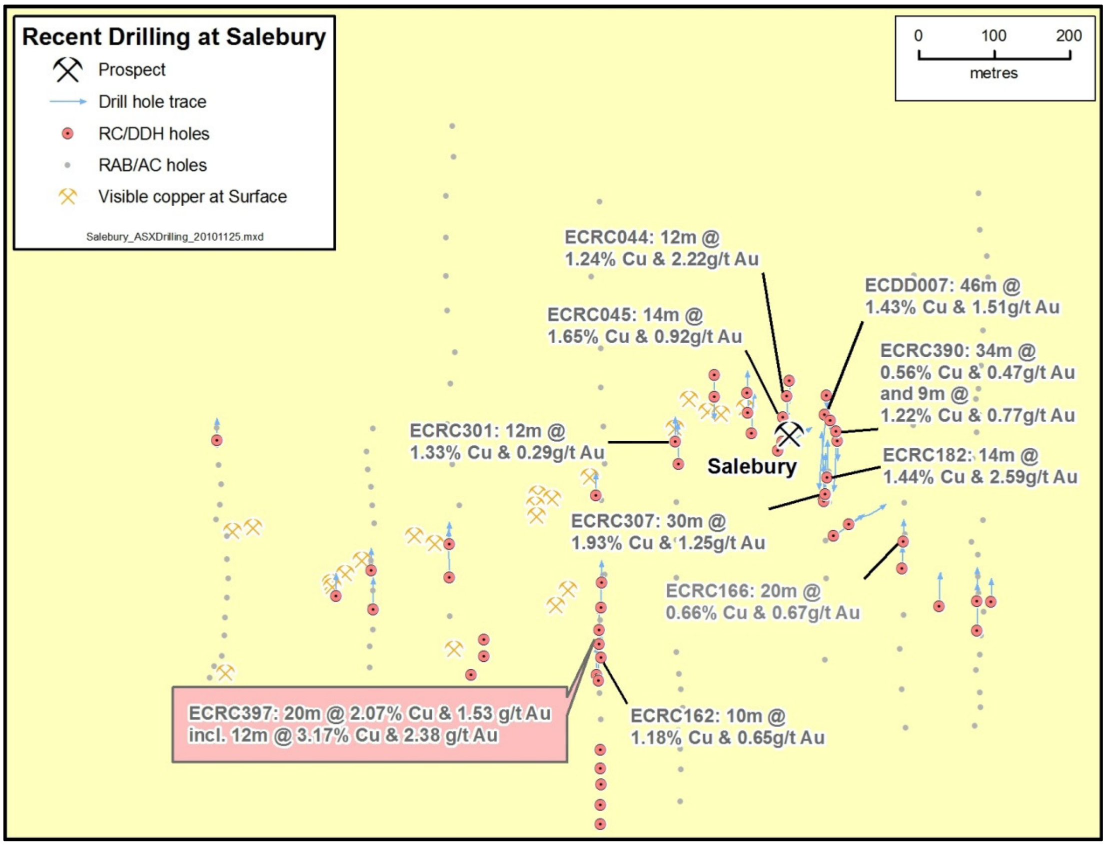

Figure 6: *Drill hole location map showing recent drilling at Salebury*

Fisher Creek Prospect (EPM7051-100% EXCO)

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

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

Hazel Creek Project (Exco 100%)

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

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

Figure 7 shows the location of the recent SAM surveys and the main prospects within this portion of the Hazel Creek Project.

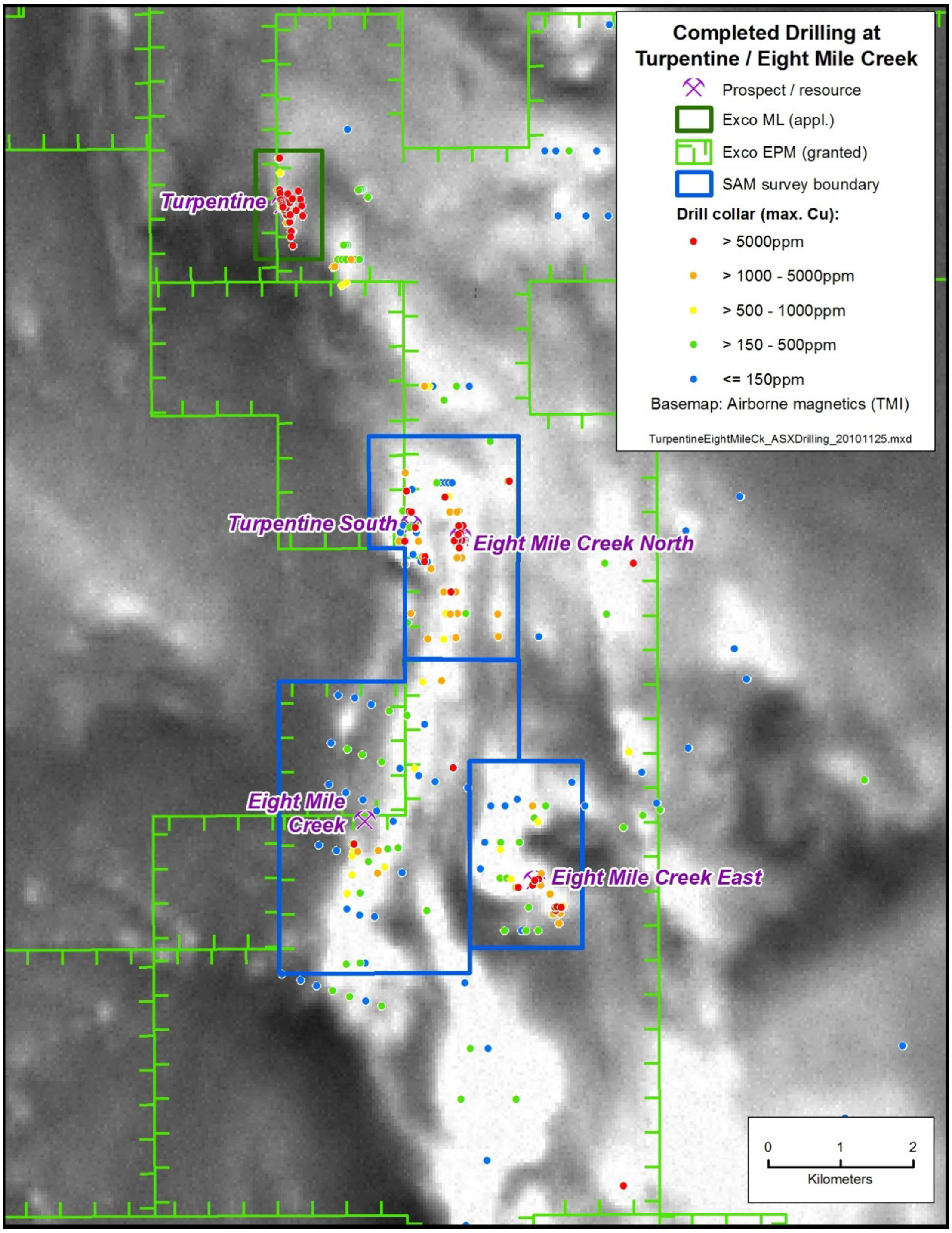

Figure 7: *Magnetic Intensity Image showing Turpentine Deposit & Eight Mile Creek Prospect areas and location of SAM surveys.*

Eight Mile Creek East (EMCE)

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

- EHDD005 intersected **41m @ 0.72% Cu & 0.17 g/t Au** including **9m @ 1.54% Cu & 0.31 g/t Au.**
- EHDD006 intersected **18m @ 0.77% Cu & 0.21 g/t Au** in pre-collar and appears to have only clipped the top of the mineralised zone.
- EHDD007 intersected **48m @ 0.71% Cu & 0.21 g/t Au.**
- EHRC260 intersected **54m @ 0.51% Cu & 0.26 g/t Au** including **30m @ 0.70% Cu & 0.36 g/t Au** (results from 6m composite RC samples).

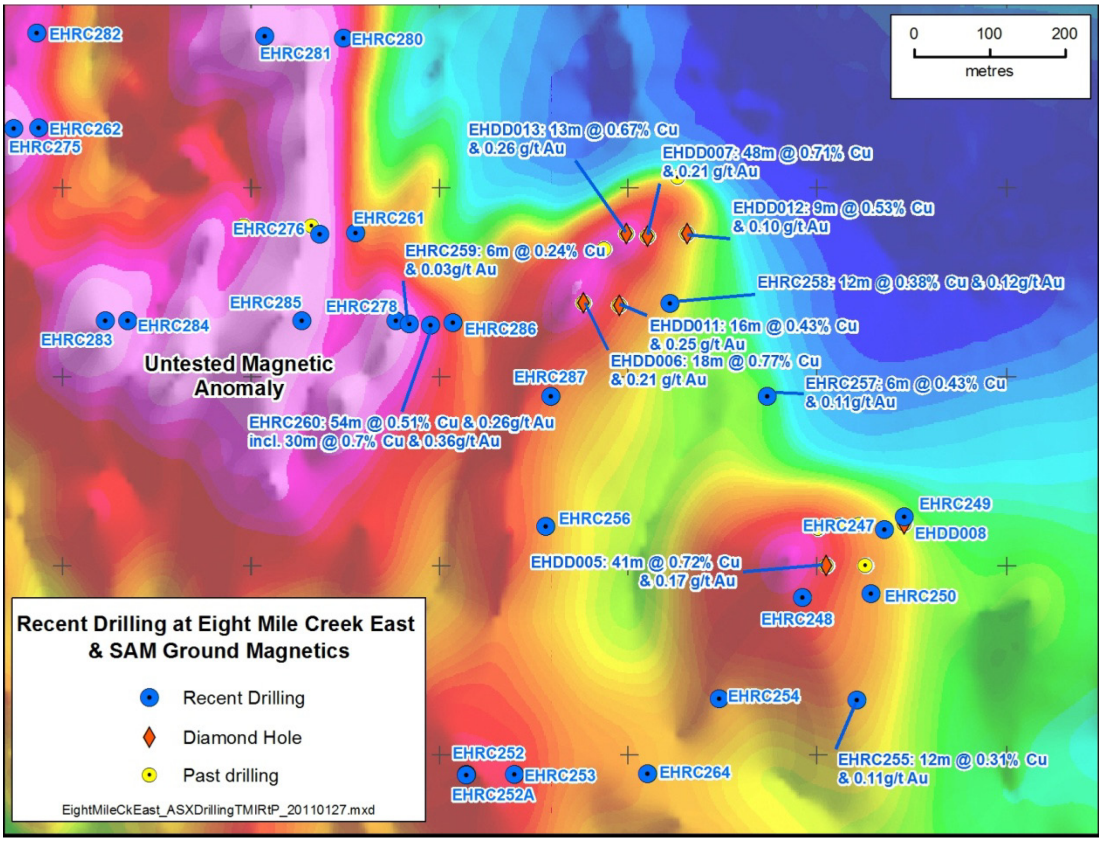

Figure 8: *Location of drill holes at Eight Mile Creek*

Figure 8 shows the location of drill holes on the SAM magnetic background image. The image suggests the strongest parts of the magnetic anomalies in this immediate area are yet to be fully tested.

Turpentine Deposit Extensions

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

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

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

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

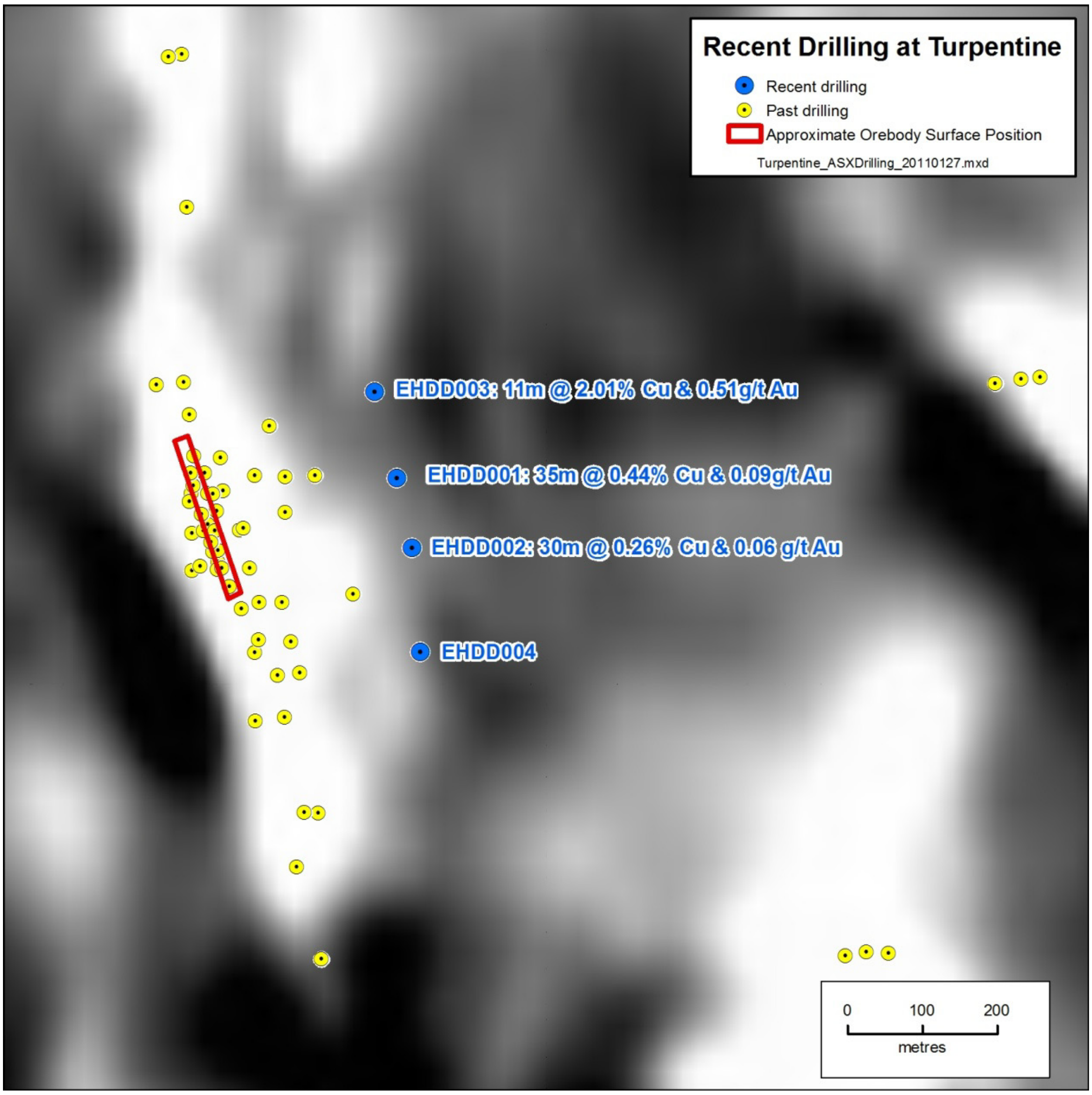

Figure 9: *Location of drill holes at Turpentine*

Further drilling will be required between these holes and the current Turpentine resource, as well as along strike, where the magnetic anomaly has not been extensively drilled (see **Figure 9** for location of the deposit on magnetic background image).

Turpentine South (EPM15739 - Exco 100%)

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

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

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

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

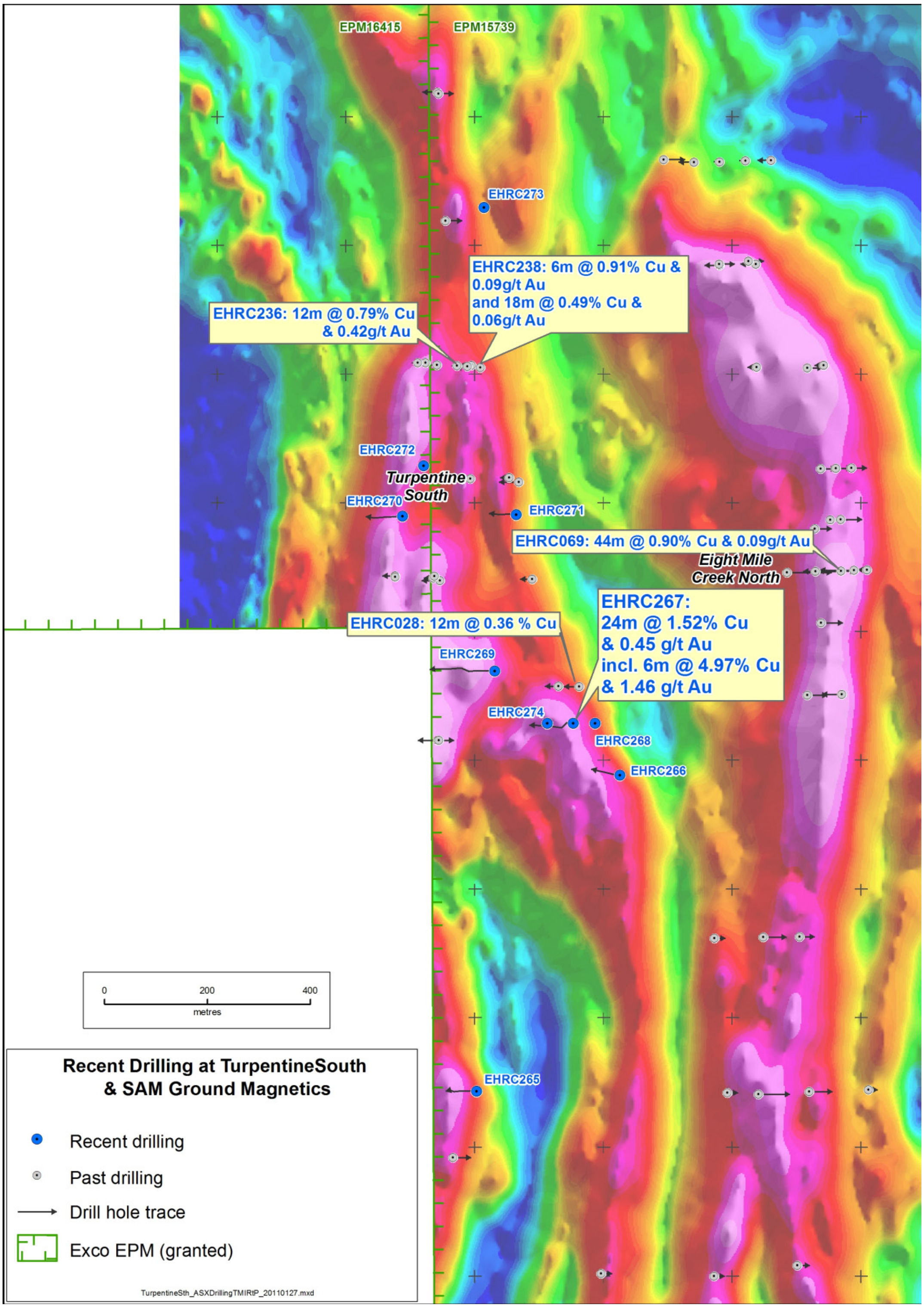

Figure 10: *Location of drill holes at Turpentine South*

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

The attached detailed magnetic image (see **Figure 10**) highlights the potential of the broader region. Magnetite is an obvious by-product of this mineralisation style and its broader potential will be assessed as part of the on-going exploration programme.

JOINT VENTURES

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

In February 2008, Exco and Paradigm Metals (PDM) entered into a joint venture arrangement, to carry out a multi-commodity exploration programme on jointly owned tenements located 50km east of Cloncurry, covering an area of approximately 500km^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 Pardigm decided to release the majority of the tenements within this joint venture to pursue exploration on the remaining EPM 16073 which has shown shallow copper potential. On 10 November Paradigm announced the commencement of a 2,000m air core and percussion drill programme to test several previously undrilled magnetic anomalies to total depths of up to 100m, under shallow sedimentary cover 20-50m thick.

Preliminary results from this programme include a rare earth element (REE) drill intersection of 4m @ 2,590 total REE from 37-41m in air core hole LEV002. The Rare Earth mineralisation occurs in a soft carbonate-rich intrusive rock with minor zinc mineralisation, at the contact with younger cover. Further mineralogical testing is being conducted on the drill materials. Follow-up drilling will occur as soon as access permits.

PROJECTS NOT LISTED

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

CORPORATE

Share placement

On 17 August 2010 the Company announced that it had completed the placement of 16,428,295 shares at 30 cents each (a 15% premium on the 30-day VWAP to 4 August 2010) to raise $4.9m before expenses, to Aus-Ore Investments Pty Ltd, which is an investment vehicle for Sin-Tang Development Pte Ltd of Singapore.

The issue of the shares was to be an initial step. The parties also agreed to use their best endeavours to reach agreement in the three months post placement (or longer period as agreed by the parties) with regard to a proposed strategic investment by the Sin-Tang in the Company's Cloncurry Copper Project in North-West Queensland. Negotiations between the parties for the second stage would encompass both the purchase of an interest and the provision of debt financing for the project.

Progress has been made in the development of a common understanding of how the Cloncurry Copper Project could be brought into production but to date full agreement has not been reached.

If agreement is reached in respect of the proposed strategic investment, it will also provide the terms on which the Sin-Tang may acquire further interests in the Company's Cloncurry Copper Project and up to a further 32.9m fully paid ordinary shares (10% of the total fully paid ordinary shares currently on issue at 4 August 2010) under the same terms as the initial placement of 17 August 2010.

Shareholdings

During the September quarter long-term shareholder Lion Selection Group Ltd decided to relinquish its 8% holding in the Company. The shares were sold off-market in two tranches, approximately 50% to each of Ivanhoe Australia (IVA), and W.H. Soul Pattinson.

The holding of IVA (Exco's largest shareholder) in the Company consequently rose to 22.88%.

W.H. Soul Pattinson also acquired shares on-market during the September quarter and now holds 7.46% of the Company's issued capital.

The Board welcomes the display of confidence by both shareholders in the future of the Company.

Directors' Report

At 28 February 2011 there were 346,494,187 Shares on issue and 9,150,000 Unlisted Options. The top 20 Shareholders of Exco on that date were as follows:

		Current Units	Percentage
1	Ivanhoe Australia Limited	79,288,632	22.88
2	JP Morgan Chase & Co (UK) Ltd	29,300,804	8.46
3	WH Soul Pattison & Co Ltd	25,847,365	7.46
4	JP Morgan Nominees Australia Ltd	20,428,026	5.90
5	Mr Alasdair Cooke	17,224,988	4.97
6	Aus Ore Investments Pty Ltd	16,228,295	4.68
7	HSBC Custody Nominees	7,588,019	2.19
8	Mr Geoffrey Rol	3,989,048	1.15
9	National Nominees Ltd	3,940,451	1.14
10	Dale Park Pty Ltd	3,080,000	0.89
11	National Health Recovery Agents Pty Ltd	3,020,000	0.87
12	Shorlane Pty Ltd	2,938,000	0.85
13	Burls Holdings Pty Ltd	2,786,215	0.80
14	Citicorp Nominees Pty Ltd	2,200,066	0.63
15	Mr Bruce McLarty	2,200,000	0.63
16	Kinar Pty Ltd	1,905,500	0.55
17	Mr Michael Anderson	1,750,000	0.51
18	Cogent Nominees Pty Ltd	1,511,764	0.44
19	The Trust Company (Superannuation) Ltd	1,455,040	0.42
20	Shayana Pty Ltd	1,360,417	0.39
	Top 20 Total	**228,042,630**	**65.81**

Lapse of Options

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 June 2010 had lapsed.

Exercise of Options

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

Accounts

Exco recorded its maiden operational cash-positive quarter in the December quarter. Cash on hand at 31 December 2010 was A$13.7m.

Annual General Meeting

The Annual General Meeting of the Company took place at on Tuesday 18th November 2010. All resolutions before the meeting were passed.

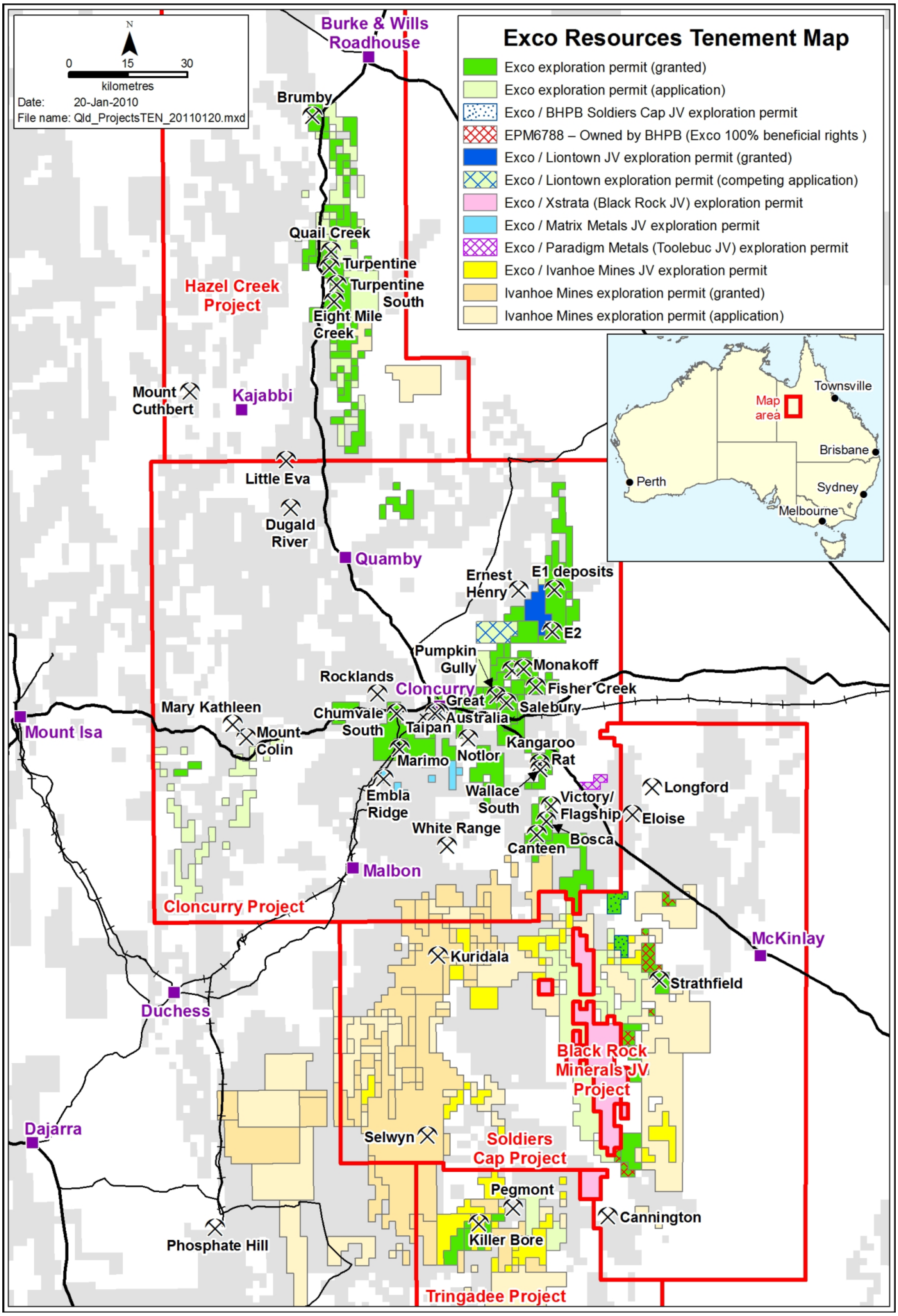

Figure 1: *NW Queensland Tenement Map highlighting Exco's ground position & the location of key deposits & prospects.*

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

Notes

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

TABLE 2: WHITE DAM PROJECT OK RESOURCE ESTIMATE

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	3,604	1.07	124.0	100	0.74	2.4	3,703	1.06	126.3
	Fresh	341	1.03	11.3	1,954	0.88	55.3	2,295	0.90	66.6
Sub-Total		**3,944**	**1.07**	**135.2**	**2,054**	**0.87**	**57.7**	**5,998**	**1.00**	**192.9**
Vertigo	Oxide	1,008	1.10	35.6	703	0.73	16.5	1,711	0.95	52.1
	Fresh	212	1.56	10.6	526	1.15	19.4	738	1.26	30.0
Sub-Total		**1,220**	**1.18**	**46.2**	**1,229**	**0.91**	**35.9**	**2,449**	**1.04**	**82.1**
PROJECT TOTAL		**5,164**	**1.09**	**181.4**	**3,282**	**0.89**	**93.6**	**8,447**	**1.01**	**275.0**

Notes

- *Discrepancies in totals are as result of rounding.*
- *White Dam resource (depleted to September 2010) 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.*

FORWARD LOOKING STATEMENTS & COMPETENT PERSONS STATEMENT

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

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

Information in this report relating to mineral resources and exploration results is based on data compiled by Exco's Exploration Manager Stephen Konecny 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.

On behalf of the Board of
Exco Resources Ltd

Michael Anderson
Managing Director

Lead auditors' independence declaration

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

To: the directors of Exco Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

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

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

KPMG

KPMG

Trevor Hart
Partner

Perth

16 March 2010

Condensed consolidated statement of comprehensive income

	Note	31-Dec-10 $	31-Dec-09 $
Sales revenue		**30,445,604**	-
Cost of goods sold		**(18,665,516)**	-
Gross Profit		**11,780,088**	-
Other Income		**2,891**	4,326
		11,782,979	4,326
Deferred revenue cost		**-**	(270,000)
Exploration expense		**(476,615)**	(368,914)
Employee expenses		**(826,518)**	(634,546)
Depreciation		**(86,437)**	(111,827)
Office costs		**(225,727)**	(194,238)
Professional & corporate expenses		**(456,882)**	(317,063)
Insurance		**(22,043)**	(24,178)
Other expenses from operating activities		**(234,491)**	(328,739)
Results from operating activities		**9,454,266**	(2,245,179)
Interest income		**278,189**	192,176
Derivative income/(expense)	*14*	**2,013,023**	(939,840)
Net finance costs		**2,291,212**	(747,664)
Profit/(loss) before income tax		**11,745,478**	(2,992,843)
Income tax expense	*6*	**(806,498)**	-
Profit/(loss) for the period		**10,938,980**	(2,992,843)
Other comprehensive income		**-**	-
Total comprehensive profit/(loss) for the period		**10,938,980**	(2,992,843)
Profit/(loss) loss attributable to:			
Owners of the Company		**10,938,980**	(2,992,843)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		**10,938,980**	(2,992,843)
Basic earnings/(loss) per share (cents)		**3.20**	(1.01)
Diluted earnings/(loss) per share (cents)		**3.17**	(1.01)

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

Condensed consolidated statement of financial position

	Note	31-Dec-10 $	30-Jun-10 $
Current Assets			
Cash and cash equivalents		**13,671,213**	10,086,715
Inventory		**5,827,598**	7,627,242
Trade and other receivables		**1,992,680**	2,623,771
Derivatives	*14*	**859,176**	23,285
Total current assets		**22,350,667**	20,361,013
Non-current Assets			
Receivables		**1,187,751**	1,210,251
Property, plant and equipment	*8*	**1,380,045**	1,459,107
Exploration & evaluation expenditure	*9*	**46,371,803**	40,713,220
Mine and development properties	*10*	**11,635,923**	15,064,011
Total non-current assets		**60,575,522**	58,446,589
Total assets		**82,926,189**	78,807,602
Current Liabilities			
Trade and other payables		**4,089,081**	6,406,777
Deferred revenue	*13*	**-**	2,415,729
Provisions		**173,883**	135,905
Derivatives	*14*	**506,219**	1,522,511
Total current liabilities		**4,769,183**	10,480,922
Non-current Liabilities			
Deferred revenue	*13*	**-**	7,117,911
Provisions		**850,103**	833,434
Derivatives	*14*	**-**	160,840
Deferred tax liability	*6*	1,146,885	-
Total non-current liabilities		**1,996,988**	8,112,185
Total liabilities		**6,766,171**	18,593,107
Net assets		**76,160,018**	60,214,495
Equity			
Contributed equity	*11*	**73,946,683**	68,968,927
Reserves		**1,158,652**	3,253,635
Accumulated profit/(loss)		**1,054,683**	(12,008,067)
Total equity		**76,160,018**	60,214,495

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

Condensed consolidated statement of cash flows

	31-Dec-10 $	31-Dec-09 $
Cash flows from operating activities		
Receipts from customers	**20,911,964**	-
Proceeds from deferred revenue	**-**	12,000,000
Cash payments in the course of operations	**(11,799,439)**	(1,615,396)
Net cash from operating activities	**9,112,525**	10,384,604
Cash flows from investing activities		
Interest received	**287,307**	182,442
Cash payments for exploration and evaluation expenditure	**(6,009,733)**	(2,058,479)
Cash payments for development expenditure	**(4,797,839)**	(6,453,017)
Option premium payments	**-**	(1,259,821)
Cash payments for acquisition of equity investments	**-**	(51,617)
Movements in security deposits	**22,500**	(1,268,000)
Cash payments for acquisition of plant and equipment	**(8,019)**	-
Net cash used in investing activities	**(10,505,784)**	(10,908,492)
Cash flows from financing activities		
Proceeds from issue of shares	**5,303,489**	10,126,405
Share issue costs	**(325,732)**	(462,242)
Net cash from financing activities	**4,977,757**	9,664,163
Net increase in cash held	**3,584,498**	9,140,275
Cash at the beginning of the financial period	**10,086,715**	10,800,317
Cash at the end of the financial period	**13,671,213**	**19,940,592**

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

Condensed 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	**-**	**10,938,980**	**-**	**10,938,980**
Total comprehensive income for the period	**-**	**10,938,980**	**-**	**10,938,980**
Transactions by owners, recorded directly in equity				
Issue of shares	**4,928,489**	**-**	**-**	**4,928,489**
Share issuance costs	**(325,733)**	**-**	**-**	**(325,733)**
Exercise of options	**375,000**	**214,518**	**(214,518)**	**375,000**
Transfer on expiry of options	**-**	**1,909,252**	**(1,909,252)**	**-**
Share-based payments		**-**	**28,787**	**28,787**
Balance at 31 December 2010	**73,946,683**	**1,054,683**	**1,158,652**	**76,160,018**
At 1 July 2009	**59,128,214**	**(6,866,771)**	**2,516,032**	**54,777,475**
Loss for the period	-	(2,992,843)	-	(2,992,843)
Total comprehensive loss for the period	-	(2,992,843)	-	(2,992,843)
Transactions by owners, recorded directly in equity				
Issue of shares	10,126,405	-	-	10,126,405
Share issuance costs	(782,486)	-	-	(782,486)
Share-based payments	-	-	679,826	679,826
At 31 December 2009	**68,472,133**	**(9,859,614)**	**3,195,858**	**61,808,377**

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

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Exco Resources Limited (the "Company" or "Exco") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended, 31 December 2010 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in the production of gold and minerals exploration.

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

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2010.

This condensed consolidated interim financial report was authorised for issue by the directors on 16 March 2011.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2010.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2010.

6. Income tax expense

Net income tax expense for the reporting period recognised in the Statement of comprehensive income is $806,498. This amount comprises a prior year research and development tax concession benefit of $340,387 and a tax expense on recognition of deferred tax liability of $1,146,885.

7. Operating segments

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

a) Development and production. Comprises the White Dam Gold Project Joint Venture in South Australia.
b) Exploration and evaluation. Includes exploration and evaluation activities in the area of mineral resources.

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

	31-Dec-10	31-Dec-09
Reportable segment profit/(loss)	**$**	**$**
Development and production	**13,557,587**	(939,840)
Exploration and evaluation	**(476,615)**	(638,914)
Total reportable segment profit/(loss) before income tax	**13,080,972**	(1,578,754)
Reconciliation of reportable segment profit/(loss):		
Total reportable segment profit/(loss) before income tax	**13,080,972**	(1,578,754)
Unallocated amounts: other corporate loss	**(1,613,683)**	(1,606,265)
Finance income	**278,189**	192,176
	11,745,478	(2,992,843)

	31-Dec-10	30-Jun-10
Segment assets	**$**	**$**
Development and production	**28,707,183**	15,982,407
Exploration and evaluation	**46,371,803**	52,738,480
Reportable segment assets at the end of the period	**75,078,986**	75,078,986
Reconciliation of segment assets:		
Total assets for reportable segments	**75,078,986**	68,720,887
Other assets	**7,847,203**	10,086,715
	82,926,189	78,807,602

8. Property, plant and equipment

	31-Dec-10	30-Jun-10
	$	$
At cost	**2,087,492**	2,097,756
Accumulated depreciation	**(707,447)**	(638,649)
	1,380,045	**1,459,107**

	31-Dec-10	30-Jun-10
Reconciliation of movement	**$**	$
At cost		
At 1 July	**2,097,756**	2,449,565
Acquisitions	**11,254**	179,791
Disposals	**(21,518)**	(131,600)
Transfer to development	**-**	(400,000)
At the end of the period	**2,087,492**	**2,097,756**
Accumulated depreciation		
At 1 July	**(638,649)**	(514,186)
Depreciation expense	**(86,437)**	(209,143)
Disposals	**17,639**	84,680
At the end of the period	**(707,447)**	**(638,649)**
Carrying amount at the end of the period	**1,380,045**	**1,459,107**

Notes to the condensed consolidated interim financial statements

9. Exploration and evaluation expenditure

Carrying value of exploration and evaluation	31-December-10 $	30-June-10 $
In entities other than joint ventures	**45,782,607**	40,149,024
In joint ventures	**589,196**	564,196
Carrying value*	**46,371,803**	**40,713,220**

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

Reconciliation of movement in exploration and evaluation expenditure for the period	31-December-10 $	30-June-10 $
At 1 July	**40,713,220**	**42,741,510**
Expenditure incurred during the period	**5,652,962**	4,852,026
Expenditure reclassified as development	**-**	(6,005,693)
Movement in expenditure in joint ventures	**25,000**	27,891
Exploration expenditure written off during the period	**(19,379)**	(759,218)
Interests disposed of during the year	**-**	(143,296)
Balance at the end of the period	**46,371,803**	**40,713,220**

The property in nature represents intangible 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.

10. Mine and development properties

Carrying value of mine and development properties	31-December-10 $	30-June-10 $
At cost:		
In entities other than joint ventures	**5,361,468**	5,361,468
In joint ventures	**21,402,362**	16,604,523
	26,763,830	21,965,991
Accumulated amortisation	**(15,127,907)**	(6,901,980)
Carrying amount at period end	**11,635,923**	**15,064,011**

Reconciliation of movement in mine properties and development for the period		31-December-10 $	30-June-10 $
At 1 July		**15,064,011**	**-**
Expenditure incurred during the period		**4,797,839**	14,758,919
Expenditure reclassified from property, plant and equipment		**-**	400,000
Capitalised exploration recognised as development expenditure		**-**	6,005,693
Depreciation of development properties	*(i)*	**(5,930,546)**	(5,702,291)
Amortisation of capitalised production waste	*(i)*	**(2,022,652)**	(1,000,791)
Capitalised provision for rehabilitation costs		**-**	801,379
Amortisation of capitalised rehabilitation costs	*(i)*	**(272,730)**	(198,898)
Carrying amount at period end		**11,635,923**	**15,064,011**

(i) Total amount of amortisation and depreciation of mine and development properties included in cost of goods sold for the six months ended 31 December 2010 was $9,403,275 (2009: nil).

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.

11. Contributed equity

(i) Share capital

	Number of shares		Amount ($)	
	31-Dec-10	31-Dec-09	**31-Dec-10**	31-Dec-09
Ordinary shares on issue	**346,494,187**	326,065,892	**76,722,957**	68,472,133
Share issuance cost	**-**	-	**(2,776,274)**	-
Ordinary shares on issue net of cost	**346,494,187**	**326,065,892**	**73,946,683**	**68,472,133**
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	**1,500,000**	-	**375,000**	-
Shares issued for cash	**16,428,295**	41,332,267	**4,928,489**	10,126,405
Share issuance costs	**-**	-	**(325,733)**	(782,486)
Balance at 31 December	**346,494,187**	**326,065,892**	**73,946,683**	**68,472,133**

(ii) Dividends

No dividends were paid by the Group.

(iii) Options over ordinary shares

Unlisted options over ordinary shares

	Number of Options	
	31-December-10	31-December-09
Balance at 1 July	**10,650,000**	**14,500,000**
Employee incentive options granted	**-**	6,550,000
Exercise of options	**(1,500,000)**	-
Balance at 31 December	**9,150,000**	**21,050,000**

Options over ordinary shares on issue – unlisted options

Outstanding options on 31 December 2010		
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
1,650,000	$0.273	21/10/2012
9,150,000		

12. Share based payments

No incentive options were issued to employees during the six months ended 31 December 2010.

The options vested during the six months ended 31 December 2010 resulted in a total of $28,787 (2009: $679,826) charge to share-based payments reserve, recognised as: share based payment expense of $23,285 (2009: $38,161) and capitalised exploration expenditure of $5,502 (2009: $51,414).

Notes to the condensed consolidated interim financial statements

13. Deferred revenue

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

During the year to 30 June 2010, the Group, together with its joint venture partner Polymetals Group Pty Ltd, completed the arrangements for a Gold Repayment Facility (GBF) of $16 million for the construction and commissioning of the White Dam Gold Project Joint Venture (WDGPJV) in South Australia with Barclays Capital. As part of the GBF terms, Exco has granted a fixed and floating security over the assets of the WDGPJV. The Group's 75% of the facility totalling $12 million was recognised as deferred revenue. The Group's facility was provided as a prepayment for delivery of 15,687 oz of gold. Under these conditions at 30 June 2010 Exco had pre-delivered 3,224 ounces. During the six months ended 31 December 2010 Exco delivered the remaining 12,463 ounces.

14. Derivatives

Financial Derivative Income/(expense)	31-December-10 $	30-December-09 $
Gain from movement in fair value of metal options and contracts	**2,013,023**	319,981
Premium paid on metal option contracts	**-**	(1,259,821)
	2,013,023	**(939,840)**

Financial Derivative Instruments	31 December-10 $	30-June-10 $
Financial derivative assets		
Current		
Gold put options	**535,050**	23,285
Gold forward sale contracts	**324,126**	**-**
	859,176	**23,285**
Financial derivative liabilities		
Current		
Gold forward sale contracts	**(506,219)**	(1,522,511)
	(506,219)	**(1,522,511)**
Non-current		
Gold put options	**-**	(42,382)
Gold forward sale contracts	**-**	(118,458)
	-	**(160,840)**

The Group enters into gold forward sales contracts to hedge 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.

Notes to the condensed consolidated interim financial statements

15. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2010 annual financial report.

16. Commitments

The exploration expenditure and operating lease commitments are consistent with those reported in the 30 June 2010 annual financial report.

17. Contingencies

Contingent asset

The Company has a right to a royalty entitlement associated with an Australian copper project. During the period, the operator of the project has engaged in activities that have increased the likelihood of a royalty being received. As at 31 December 2010, the Company does not believe it practicable to determine the financial effect of this royalty entitlement due to future events which are outside the Company's control.

18. Subsequent events

No matters or circumstances have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration

In the opinion of the directors of Exco Resources Limited ("the Company"):

(a) the financial statements and notes set out on pages 24 to 33, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance, for the six month period ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(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.

Signed in accordance with a resolution of the Directors

Dated at Perth this 16th day of March 2011.

Michael Anderson
Managing Director

Independent auditor's review report to the members of Exco Resources Ltd

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

Report on the financial report

We have reviewed the accompanying interim financial report of Exco Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 18 comprising a description 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Independence

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

Independent auditor's review report to the members of Exco Resources Ltd (continued)

KPMG

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

16 March 2011