EXCO RESOURCES LTD

ANNUAL REPORT 2007

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Michael Anderson (Managing Director)

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Craig Burton (Non- Executive Director)

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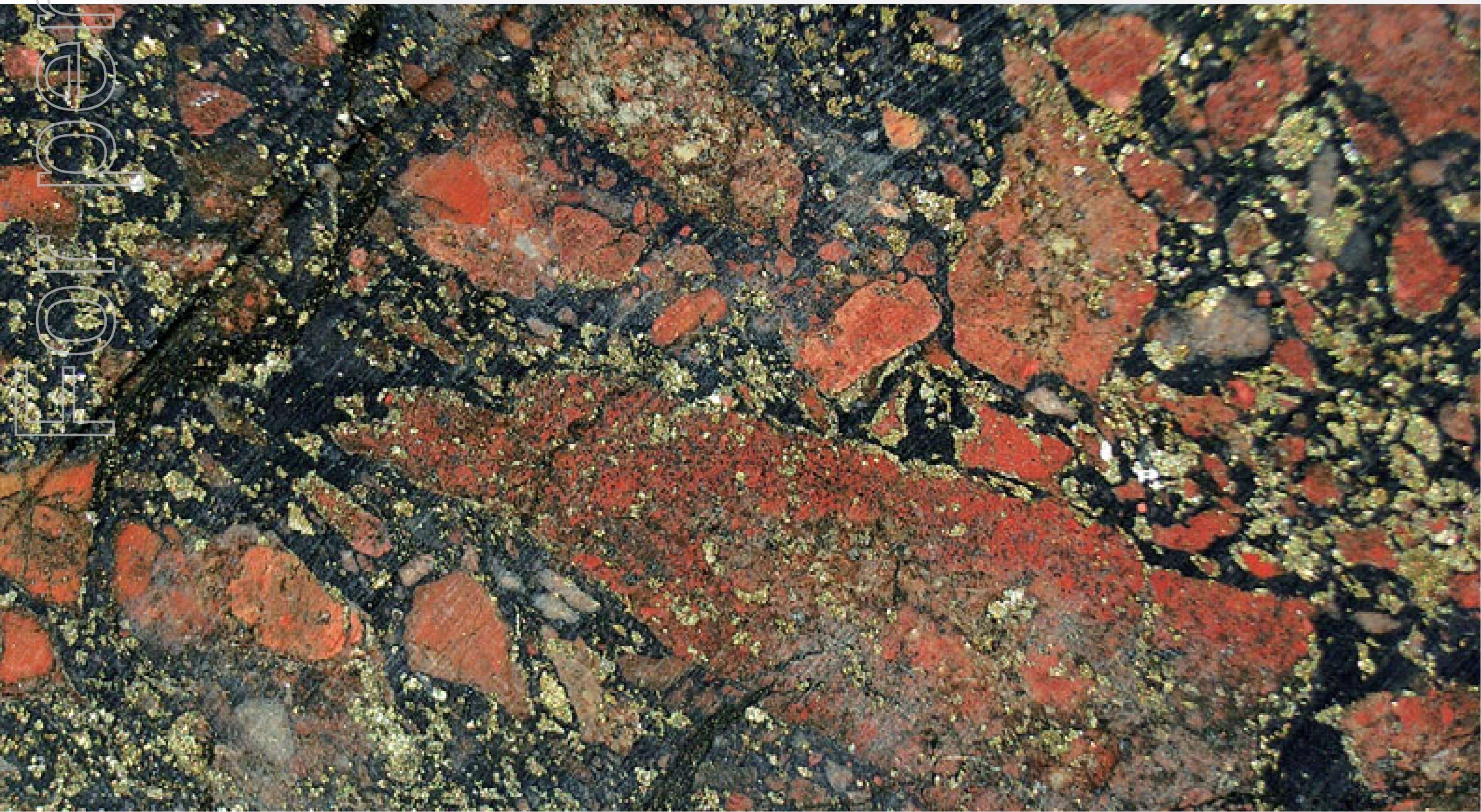


MANAGING DIRECTORS LETTER

DEAR SHAREHOLDER

The 12 months since our last report have been particularly significant for your Company. Post the successful capital raising in May 2007, Exco finds itself in arguably its strongest position since listing in 1998.

With substantial funding now in place, the Board and Management have committed to a step-change in exploration and resource development activities across the Company's highly prospective project portfolio in the Cloncurry District of NW Queensland. Our enviable ground position and sizeable existing resource base will provide the platform to add value through exploration success, additional resource definition and ultimately project development and production.

The catalyst for this step-change has been the investment by Ivanhoe Mines Limited who were the major participant in the recent raising, taking a ~12% interest in Exco to become our major shareholder. Ivanhoe's goals in the Cloncurry district mirror our own and we look forward to maximizing the synergies, which clearly exist.

With our focus now firmly on our Cloncurry projects we are currently employing as many as five drill rigs across a number of key projects and prospects such as the E1 Camp, Monakoff, Mt Colin, Notlor and Kangaroo Rat. We are confident that there is significant upside at many of our existing deposits and the short-term aim is to add substantially to our contained metal inventories, as the basis for definitive feasibility studies in the coming months. Having alleviated the previous funding constraints we are now also in a position to test the numerous greenfields targets, which exist across the tenement package including Canteen, Brumby, Quail Creek and Eight Mile Creek. Shareholders can expect substantial news flow as the Company completes and evaluates the results of these various exploration and resource development programs.

A number of development scenarios are possible for the Cloncurry projects. Exco remains committed to progressing its stand-alone concentrator concept, which will look to treat higher grade (>1.5% Cu) ores to produce a minimum of 15,000tpa of contained copper. We will also continue to pursue collaborative scenarios such as the potential supply of ore from the E1 Camp, and surroundings areas, to Xstrata's Ernest Henry Mine. Our joint venture relationships with Ivanhoe, Xstrata and BHP Billiton may also provide further regional opportunities. Recent appointments have bolstered our ability to evaluate these development options, and the first steps have already been taken to establish a timeline towards production.

In South Australia, at the White Dam Gold Project, we have addressed all outstanding technical issues, including the identification of a suitable on-site water supply, sufficient for the life of the mine. Having also recently received approval for the grant of a mining lease, the project has effectively progressed to the brink of a development decision. Last year we outlined that White Dam's role was to fund the Company's ongoing activities, particularly in Queensland. Such a role has however been somewhat superseded by our ability to immediately step-up our efforts, subsequent to the recent capital raising. We are now therefore in a strong position to make an objective decision on the nature and timing of White Dam's development.

In summary, your Company has the projects, the people and the funds in place to move forward aggressively and confidently. The Board and Management Team are fully focused on unlocking the significant value, which we believe exists within our exciting project portfolio.

Further details of the Company's activities during the year, and plans for the future, are set out in the Review of Operations.

Once again I would like to take the opportunity to thank my fellow Board members for their support and input throughout the year. In particular I would like to recognise the contribution made by Chris Melloy who retired as a Non-Executive Director in May 2007 to focus more fully on his role with Lion Selection Limited (LST). Chris and Lion Selection remain valuable supporters of the Company and we look forward to our ongoing relationship.

As our staff numbers have increased in recent months it has been extremely encouraging to reflect on the calibre and commitment of our team. I would like to thank all of our employees, and contractors for their efforts throughout the year; they have been much appreciated. Importantly I am confident that we are well placed to meet our immediate objectives.

Finally to all of our shareholders; we sincerely appreciate your ongoing support and look forward to delivering further value in 2008 and beyond.

Michael Anderson
Managing Director

In summary, your Company has the projects, the people and the funds in place to move forward aggressively and confidently.

REVIEW OF OPERATIONS

MT ISA REGION, NW QUEENSLAND

CORPORATE STRATEGY

Exco has long recognised the prospectivity and strategic value of its >4,700km² land package in NW Queensland (see **Figure 1**). This prospectivity is evidenced by the current 35Mt resource base (see **Table 1**) which contains not only 344,580 tonnes of Cu and 347,200 ounces of Au, but also significant U_3O_8.

Table 1: NW Queensland Projects, Cu-Au Resource Summary

Deposit	Type	Class	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
E1 Deposits / Mt Margaret						
E1 North	Indicated	4,162,000	1.22	0.35	51,000	47,400
	Inferred	3,770,000	0.99	0.32	37,000	38,400
E1 North	**TOTAL**	**7,932,000**	**1.11**	**0.34**	**88,000**	**85,800**
E1 South	Inferred	10,300,000	0.67	0.17	69,100	55,900
E1 East	Inferred	8,000,000	0.83	0.26	66,000	65,500
Other Deposits						
Monakoff	Indicated	926,000	1.59	0.47	14,700	14,000
	Inferred	976,000	1.57	0.49	15,300	15,400
Monakoff	**TOTAL**	**1,902,000**	**1.58**	**0.48**	**30,000**	**29,400**
Turpentine	Indicated	1,626,600	1.04	0.21	17,000	10,800
	Inferred	214,600	0.9	0.16	2,000	1,000
Turpentine	**TOTAL**	**1,841,000**	**1.03**	**0.2**	**19,000**	**11,800**
Great Australia	Indicated	1,378,000	1.53	0.13	21,000	5,700
	Inferred	756,000	1.57	0.14	11,900	3,300
Great Australia	**TOTAL**	**2,134,000**	**1.54**	**0.13**	**32,900**	**9,000**
Kangaroo Rat	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	2,300	8,800
Mt Colin	Measured**	113,800	3.80	-	4,330	-
	Indicated**	311,000	3.49	-	10,900	-
	Inferred**	242,000	3.16	-	7,650	-
Mt Colin	**TOTAL**	**667,195**	**3.43**	**-**	**22,878**	**-**
TOTAL		**34,845,195**			**344,580**	**347,200**

Further details of activities conducted during the year at the various projects are described on the following pages.

The Board, backed by the Company's major shareholders including Ivanhoe, Lion Selection and management, believe there is potential to significantly increase this resource base through further exploration and resource development.

Expenditure to date in NW Queensland, since the Company's listing in 1998, has totalled only A$13.7 million. Exco recognized the opportunity to create a step-change by significantly increasing the level of expenditure to >A$5 million per annum and the Company is now in a position to do this post the Capital Raising exercise which was finalised in July of this year.

Exco intends to accelerate its plans through a more intensive resource development and a greenfields Cu-Au-U_3O_8 program primarily focused on the Cloncurry Copper and Hazel Creek / Boomarra Project areas. The ultimate aim of the Company's strategy is to position Exco to take advantage of sustained Cu demand, projected supply gaps and the positive forward price outlook for Cu, Au and U_3O_8.

CAPITAL RAISING

In May of this year, the Company announced that it had undertaken a placement of 40,900,000 shares at an issue price of A$0.30, to raise approximately A$12.27 million before expenses. The issue price represented a 7% premium to the 20 day volume weighted average price at the time of placement. The placement comprised of the following components:

- Subscription Agreement with Ivanhoe Australia Pty Limited for 26,400,000 shares. These shares were issued immediately.
- A further 14,500,000 shares were issued to additional participants including Lion Selection Limited (LST) and clients of Stripe Capital Pty Ltd. The issue of these shares was subject to shareholder approval which was sought and approved at a General Meeting held on the 20th of June 2007.
- Each participant will receive 4 options for every 5 shares issued; this was also subject to shareholder approval. The options are exercisable at A$0.35 each (a 25% premium to the 20 day volume weighted average price at the time of placement) on or before 1 June 2008.

RELATIONSHIP WITH IVANHOE

The Board is pleased to welcome Ivanhoe Australia Pty Ltd (IAL) as the Company's newest and largest shareholder. IAL is a wholly owned subsidiary of Ivanhoe Mines (listed on the NYSE and TSX). In subscribing for 26,400,000 shares IAL has invested A$7.92 million and now owns approximately 12% of Exco's issued capital.

Like Exco, Ivanhoe is focused on a portfolio of prospects in NW Queensland. Ivanhoe's 100%-owned Cloncurry Project covers the majority of the historic Selwyn Mining District. Exco and Ivanhoe recognise potential synergies between their substantial tenement positions in this highly prospective region. Ivanhoe's investment and Joint Venture with Exco represents the first steps towards realising these synergies.

CONTINUED SUPPORT FROM LION SELECTION LIMITED (LST)

Exco is pleased to acknowledge Lion Selection Limited's (LST) ongoing support of the Company and its activities. LST subscribed pro-rata for a further 4,264,000 shares and 3,411,200 options and retain a 10.5% holding in Exco.

PLANNED APPLICATION OF FUNDS

The proceeds of the recent capital raising will be predominantly used to fund increased resource development and exploration activities on the Company's Cloncurry Cu-Au-U_3O_8 projects in NW Queensland (see **Figure 1**) as outlined in **Table 2**.

Table 2: Planned Application of Funds

ACTIVITY	FOCUS	A$ M / annum
Resource Development - NW Queensland *	Cu-Au	2.5
Regional Exploration - NW Queensland *	Cu-Au	1.0
	U_3O_8	1.0
Regional Exploration - South Australia	Cu-Au-U_3O_8	0.5
Project Generation	NW Qld & SA	0.5
TOTAL		**5.5**

** Targets identified for Year 1; thereafter results dependent*

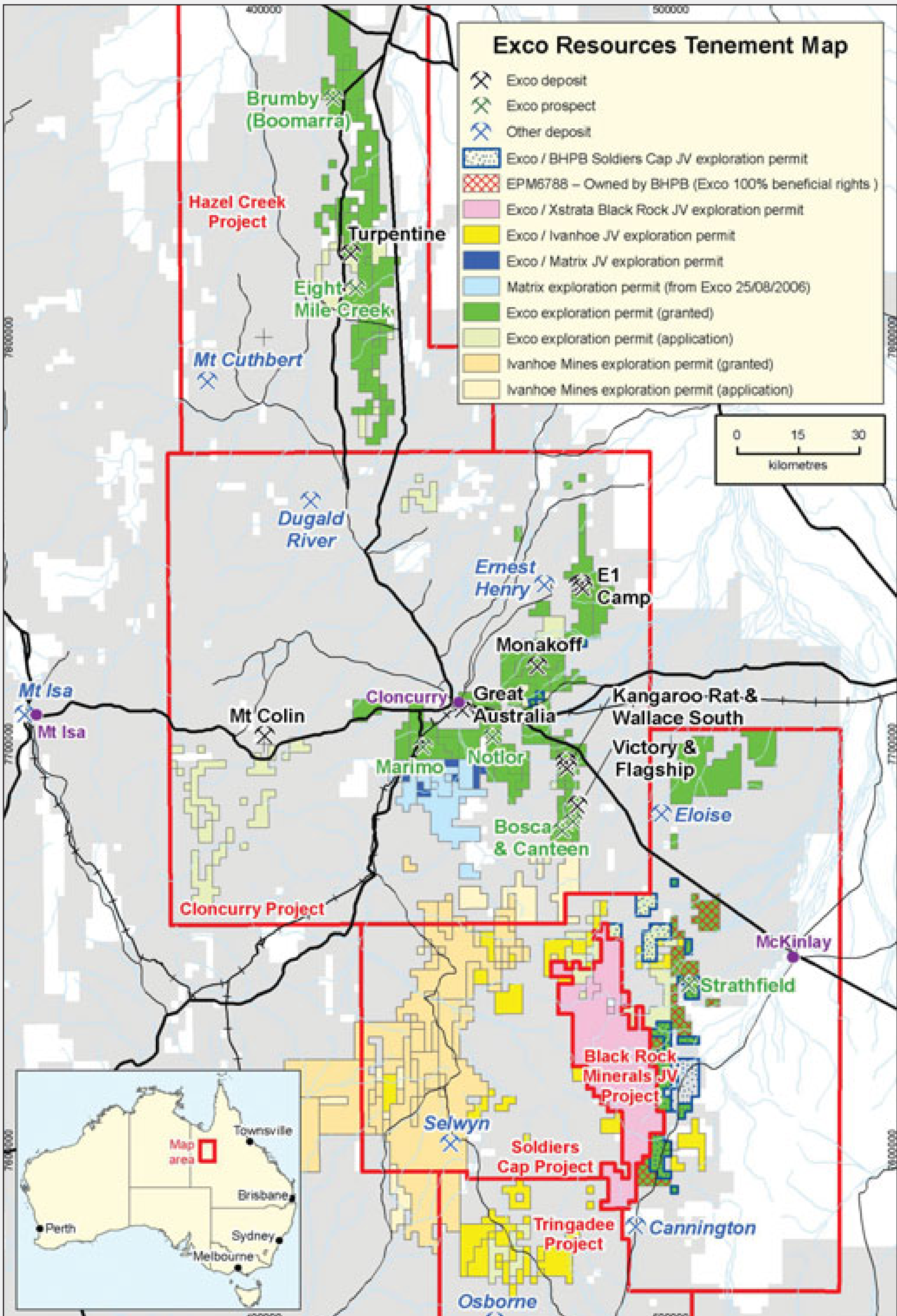


Figure 1: Exco's Ground Position, Mt Isa Region – NW Queensland

INITIAL URANIUM PROGRAM

In January of this year, Exco announced its intention to focus on the potential for uranium mineralisation within its current tenement holdings in Queensland (see **Figure 2**) and South Australia. This potential was classified as follows:

1. Inferred resources and resource targets where uranium is a 'by-product' of copper-gold within Exco's existing Cloncurry Copper Project resource base.
2. Advanced exploration targets where uranium mineralisation or anomalism has been identified, and
3. Grass roots uranium potential on Exco's strategic land holdings within the Cloncurry (QLD) and Drew Hill (SA) Projects.

To date, Exco has not undertaken any significant evaluation or exploration due to funding requirements and the focus on the Company's copper-gold projects. The decision to actively focus on these assets follows the recent improvements in the long term outlook for the Uranium market and the renewed interest in the prospectivity of Exco's tenement holdings.

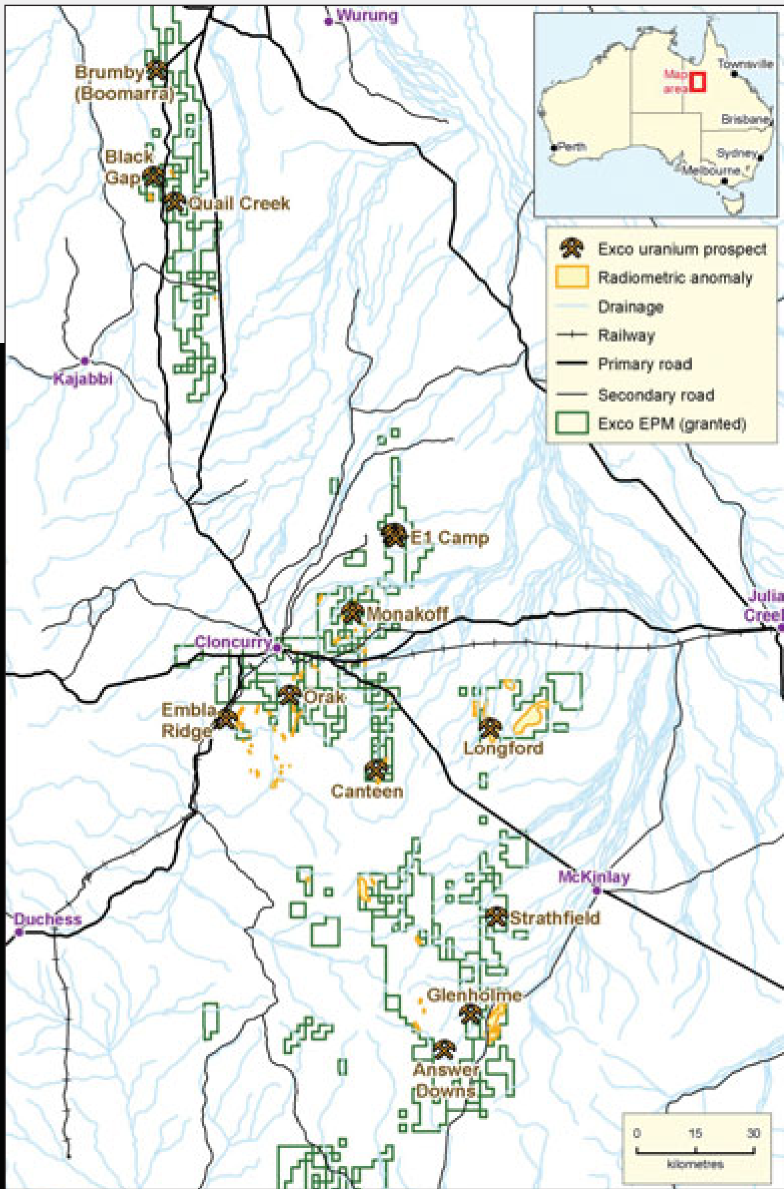


FIGURE 2: EXCO'S URANIUM PROSPECTS – NW QUEENSLAND

CLONCURRY COPPER PROJECT

(EXCO 100%)

Copper, Gold

Location: approximately 100 kilometre radius around Cloncurry, Queensland

The Cloncurry Copper Project is centred near the town of Cloncurry and is made up of numerous tenements and mining leases, including the highly prospective E1 Camp, Great Australia, Monakoff, Kangaroo Rat and Mt Colin (see **Figure 1**). The Project envisages the development of satellite mining operations, a central processing plant and associated infrastructure at the Cloncurry site. Resources delineated for the project to date total 34,845,195 Mt tonnes of ore, containing 344,580 tonnes of copper and 347,200 ounces of gold (see **Table 1**).

In March 2007, Exco successfully completed its scoping study on the Project. Having previously suspended feasibility studies in January 2005, the main objective of the scoping study was to provide an updated cost basis for the project. Understandably there have been increases in both capital and operating costs; however a preliminary financial model suggests these can be offset by the significant improvement in the copper price in the intervening period.

Capital costs (+35/-15% accuracy) for a 600,000tpa plant were estimated at $42 million. Factored costs for a 1.2Mtpa plant indicate a capital requirement of $63 million. The operating cost estimate (±35% accuracy) indicated $51 and $44 per tonne of ore respectively for the two options. The project economics are most sensitive to grade, mining costs and copper price. The project appears highly profitable at the current spot prices and the Company is confident that the NPV will remain positive at copper prices around US$4,200/tonne (approximately US$1.90/lb).

The Company believes the study firmly supports its strategy to consolidate smaller tonnages of higher grade (>1.5% Cu) resources to be processed through a central concentrator facility in Cloncurry.

Exploration and resource development drilling are currently underway at a number of the deposits, with the aim of increasing the resource base for the Project. The Company's focus is on the identification of further high grade feed material, with extensions to the current Mt Colin, Monakoff and Great Australia resources.

In addition to the Cloncurry Copper Project, the Company is also considering other options including processing facilities at both E1 and Monakoff. The development program includes the following key activities:

Metal lurgical Testwork Program

The Company will conduct testwork programs to establish recovery and design parameters for representative ore types from the E1 deposits and Cloncurry Copper deposits. Testwork will include blending of the ores to establish the optimal mix of material for processing and recovery.

Pre-feasibility Studies

Based on the outcomes of the metallurgical testwork program, the Cloncurry Copper Project will be considered at pre-feasibility level along with a significantly larger plant at E1.

Feasibility Studies

The pre-feasibility studies are expected to provide the basis for a full Definitive Feasibility Study on the optimum mining and processing scenario. The Company intends to initiate this study in mid 2008.

In preparation for the Feasibility Study, the Company is commencing with an Environmental Impact Assessment (EIA) to generate an Environmental Impact Statement (EIS) as required for project development. In addition, sub studies on power, local infrastructure and transportation will be run in parallel to the EIA.

E1 NORTH DEPOSIT

E1 North is located approximately 8km east of Xstrata's Ernest Henry Mine and 40 kilometres northeast of Cloncurry and is the highest grade copper-gold deposit within the E1 Camp. The Mining Lease was granted to Eliza Creek Mines Ltd, a wholly owned subsidiary of Exco, on the 1st of June 2006 for a term of 15 years.

The current resource completed by Resource Evaluations Pty Ltd in September 2004 is 7.93Mt which contains 88,000 tonnes of copper and 86,700 ounces of gold @ 1.11% copper and 0.34 g/t gold. The deposit is open at depth and along strike and drilling is currently underway to test these zones.

E1 EAST DEPOSIT

E1 East forms part of the E1 Camp, and is located approximately 500m from the E1 North Deposit (see **Figure 3**).

Exco first announced the discovery of a large mineralisation system at E1 East in May 2005. In November 2006, resource modelling incorporating geological interpretation, wire-framing and geostatistical analysis of previously drilled holes led to an inferred resource estimate of 8 Mt @ 0.83% copper and 0.26 g/t gold. The best drill results for E1 East are detailed in the **Table 3**.

The E1 East Deposit is a banded ironstone hosted Cu-Au-U deposit and further drilling is underway to test depth and strike extensions with the ultimate aim to increase the confidence in the resource estimate in order to convert some of the inferred resource into an indicated category.

Table 3: Best Drill Results at E1 East

Hole	From	To	Width (m)	Copper (%)	Gold (g/t)
EMRC229	40	112	**72**	**1.25**	**0.40**
Including	40	82	**42**	**1.75**	**0.59**
EMRC230	44	56	**12**	**0.83**	**0.22**
EMRC231	132	174	**42**	**0.89**	**0.29**
EMDT231	198	266	**68**	**1.19**	**0.33**
Including	200	220	**20**	**1.48**	**0.37**
	227	233	**6**	**1.11**	**0.30**
	237	266	**29**	**1.38**	**0.41**
EMRC232	48	58	**10**	**0.91**	**0.25**
EMRC232	90	98	**8**	**0.93**	**0.42**
EMRC234	50	62	**12**	**0.92**	**0.28**
EMMD005	70	158	**88**	**0.90**	**0.28**
Including	97	139	**42**	**1.28**	**0.39**
EMMD008	70	108	**38**	**1.27**	**0.43**
EMMD010	56	64	**8**	**1.39**	**0.29**
EMMD010	92	137	**45**	**0.87**	**0.25**
Including	104	128	**24**	**1.10**	**0.31**
EMMD011	137	147	**10**	**1.08**	**0.26**
EMMD011	253	259	**6**	**0.82**	**0.27**
EMMD011	271	277	**6**	**1.42**	**0.34**
EMMD013	64	142	**78**	**1.23**	**0.38**
EMMD014	56	242	**186**	**1.06**	**0.33**
EMMD016	216	268	**52**	**0.85**	**0.26**
Including	252	264	**12**	**1.83**	**0.57**

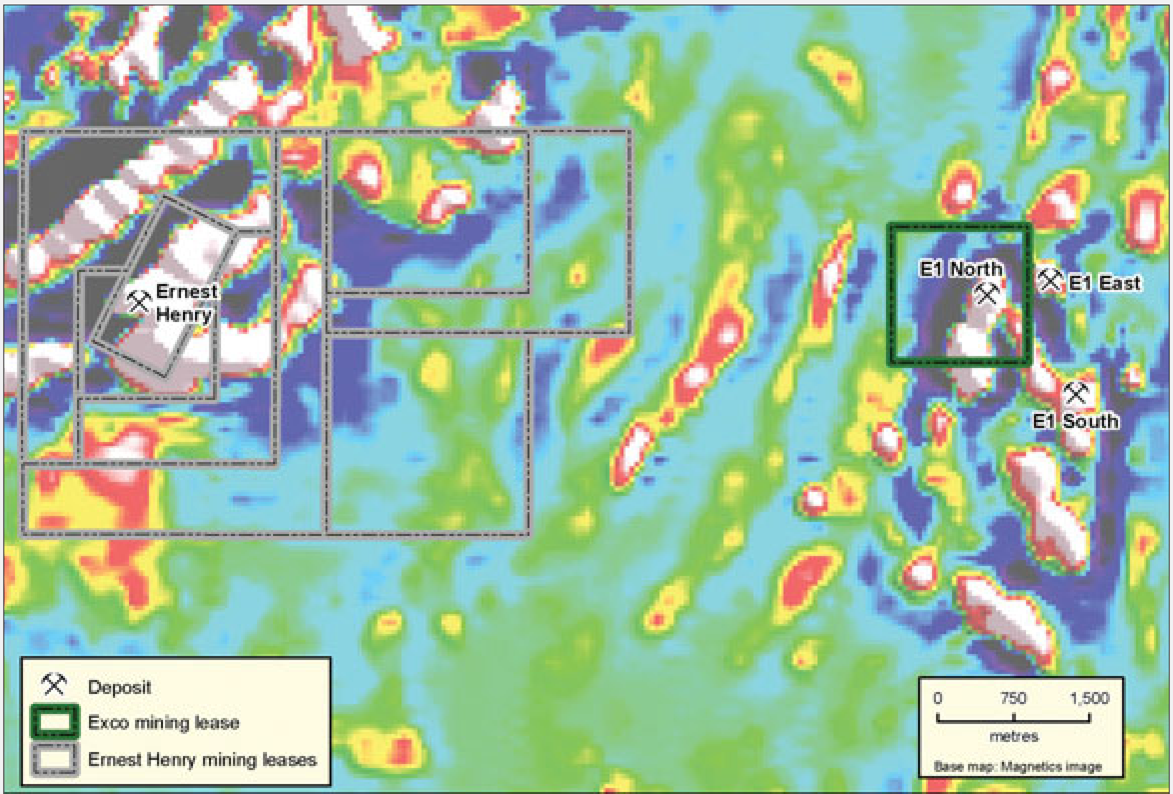


Figure 3: E1 Camp, adjacent to Xstrata's operating Ernest Henry Mine

E1 SOUTH DEPOSIT

E1 South is located approximately 1.5 kilometres south-east of the E1 North Deposit approximately 9 kilometres east of Xstrata's Ernest Henry Mine.

E1 South was a greenfields discovery by WMC in the early 1990's. The deposit is covered by a shallow (20m) layer of younger sediments and was identified through geophysical surveys. BHP Billiton acquired the project from WMC in the late 1990's and Exco subsequently acquired the entire Mt Margaret Project including E1 South from BHP Billiton following Exco's discovery of E1 North.

Exco has since conducted additional drilling to refine the geological model for the deposit and undertaken detailed 3D structural modeling of the resource. The mineralisation is open at depth and along strike to the north-west, toward E1 East and E1 North. The ore zone is mostly contained within 200 metres of surface and amendable to open pit mining.

Drilling is currently underway testing depth and strike extensions of the deposit.

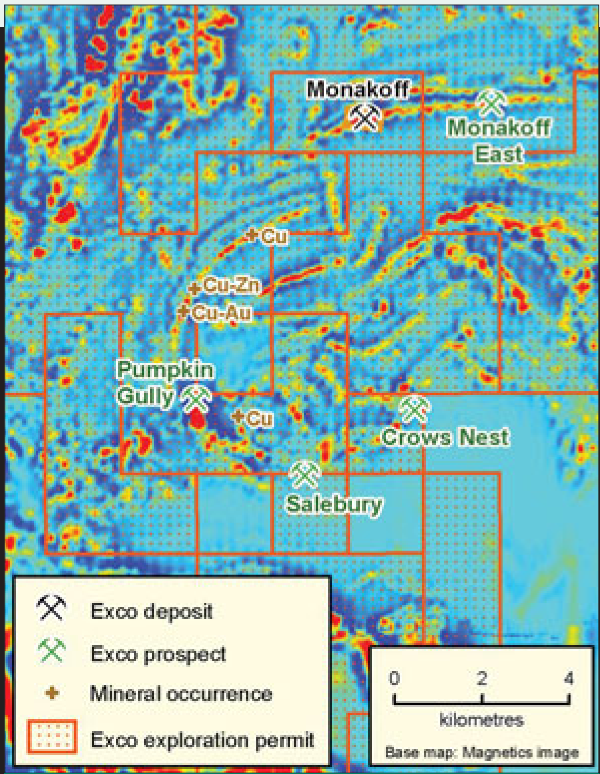


FIGURE 4: MONAKOFF DEPOSIT

MONAKOFF

In August 2006, Exco entered into an agreement with Haddington Resources Ltd to acquire Haddington's interests in the Cloncurry district. The tenements acquired cover an area of 400km^2 surrounding the Monakoff Deposit.

The Monakoff Deposit occurs within the Pumpkin Gully syncline (see **Figure 4**) and is hosted within a regionally extensive magnetite iron formation. Extensions of the resource down dip and along strike are to be tested by further drilling. Mineralisation at Monakoff East and Pumpkin Gully will also be delineated by further drilling.

MONAKOFF EAST PROSPECT

Mineralisation has been confirmed at Monakoff East and recent drilling has reported significant drill intersections. Further drilling is underway and will be used to assess the resource potential of the area which is 3km along strike to the east of the Monakoff Deposit (see **Figure 4**). A best intersection of **58m @ 1.43% Cu and 0.46g/t** gold has recently been reported.

Recent drilling results for Monakoff East are detailed below in **Table 4**.

Table 4: **Monakoff East – Recent Drilling Results (0.5% Cu cut-off)**

Hole ID	From (m)	To (m)	Drilled Width (m)	Cu %	Au ppm	U_3O_8 ppm
ECRC030	48	58	10	0.29	0.04	99
ECRC031	18	76	58	1.43	0.46	249
including	20	56	36	1.87	0.58	341
ECRC032	28	40	12	1.15	0.32	186
including	30	38	8	1.46	0.42	236
ECRC033	0	6	6	0.34	0.09	47
ECRC033	14	22	8	0.64	0.13	24
ECRC034	18	28	10	0.89	0.62	158
ECRC034	46	54	8	1.15	0.31	350
ECRC035	20	44	24	1.15	0.36	190
including	20	34	14	1.53	0.44	242
ECRC037*	16	34	18	1.77	0.62	91
ECRC039	52	54	2	1.09	0.21	248

** Hole ended in mineralisation*

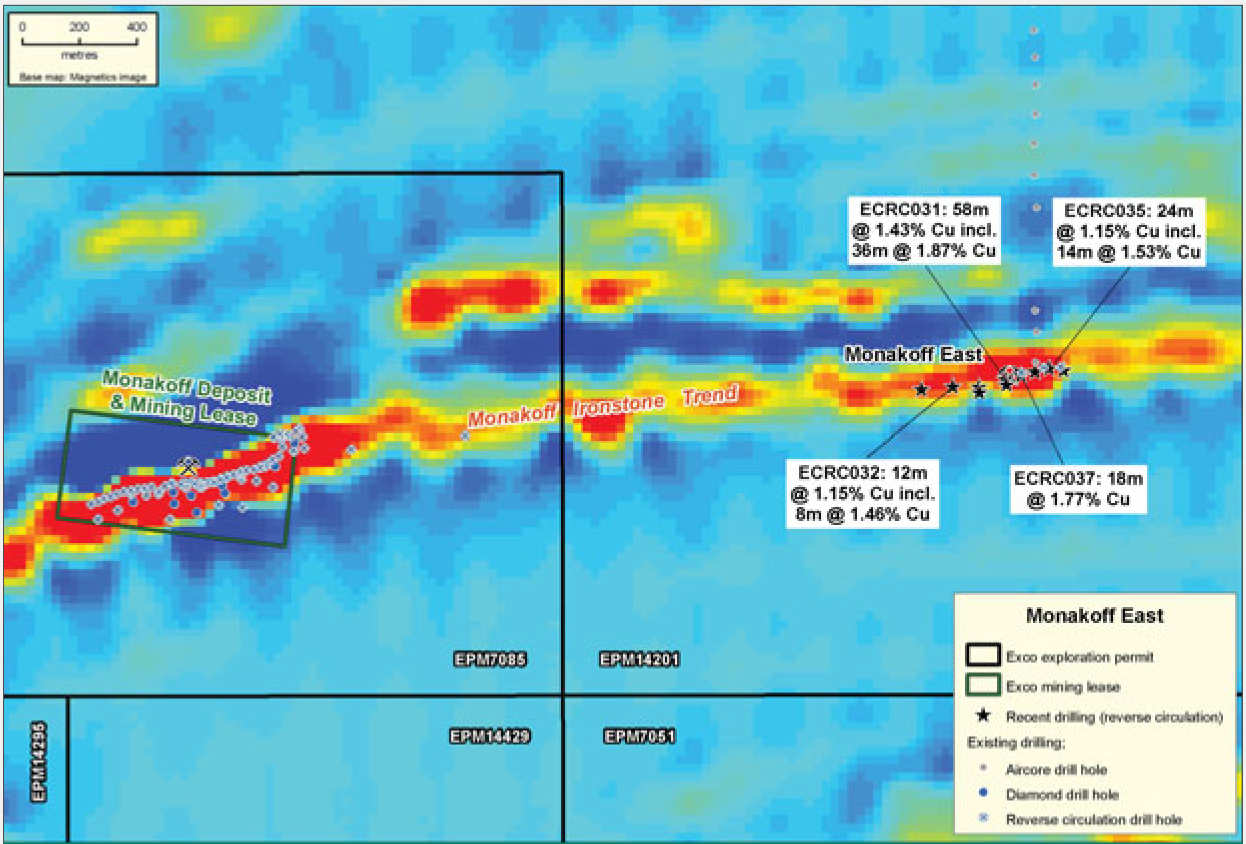


Figure 5: Monakoff East Plan

INITIAL URANIUM RESOURCE ESTIMATE AT E1 CAMP & MONAKOFF

Programs designed to assess the resource potential within existing deposits commenced earlier in the year and in July the Company announced an initial uranium resource estimate contained within the E1 and Monakoff copper-gold deposits.

Exco's existing deposits at E1 North, South, East and Monakoff (see Figure 1) were known to contain significant levels of associated U_3O_8 within the copper-gold resources. All samples drilled by Exco were analysed for U_3O_8 and these results were combined with historical data to complete an inferred resource estimate of **28 million tonnes @ 124ppm U_3O_8 containing 3,477 tonnes (7.67 million pounds) of U_3O_8** (see Table 5).

The resource estimates were completed using the regression analysis between ~1,700 uranium assays and the copper grades for the modelled domains within the deposits. The estimates will be further refined once additional uranium analyses have been received and an initial metallurgical test work program has been completed. Until the recovery of the uranium as a by-product of the copper gold resources has been demonstrated, the uranium resources will be classified as inferred.

Table 5: Initial Uranium Resource – E1 & Monakoff Deposits

			Grade	Contained U_3O_8	
Deposit	**Class**	**Tonnes**	**U_3O_8 (ppm)**	**T**	**Lbs**
E1 North	Inferred	7,930,000	151	1,200	2,650,000
E1 South	Inferred	10,300,000	99	1,027	2,270,000
E1 East	Inferred	8,000,000	113	900	1,980,000
Monakoff	Inferred	1,902,000	183	350	770,000
TOTAL		**28,132,000**	**124**	**3,477**	**7.67 M lbs**

Note: The uranium resources are contained within the copper-gold deposits as a by product and as a result the uranium resources are reported within the 0.5% Cu cut-off envelope.

PUMPKIN GULLY PROSPECT

Outcropping ironstone with oxide copper has been mapped approximately 8 kilometres along strike to the southwest of the Monakoff Deposit. Drilling is currently in progress to establish grade thickness and depth extent of the surface mineralisation, which can be seen sporadically over an approximate 400m strike length. The prospect occurs near the axis of the Pumpkin Gully Syncline (see **Figure 4**) and has several folded ironstone units. Detailed ground magnetics have been completed and will be used to site follow-up drilling.

Other prospects within the Pumpkin Gully area include the Salebury Prospect (see **Figure 4**) where copper and gold mineralisation have been the subject of historical mining via a small open cut, leading to small underground workings of unknown extent. Drilling will test the immediate area to establish size potential.

At Crows Nest (see **Figure 4**) a series of small copper oxide pits are scattered over a strike length of approximately 600m. Limited previous drilling has established some sulphide mineralisation at depth and Exco have completed initial geochemical drilling to establish geometry of the target zone.

MOUNT COLIN

Exco acquired the high grade Mt Colin Deposit in a tenement swap with Matrix Metals Limited in August 2006. Mt Colin is located approximately 50km west of Cloncurry adjacent the Barkly Highway (see **Figure 1**). The deposit is situated on a granted Mining Lease and has current environmental permits in place.

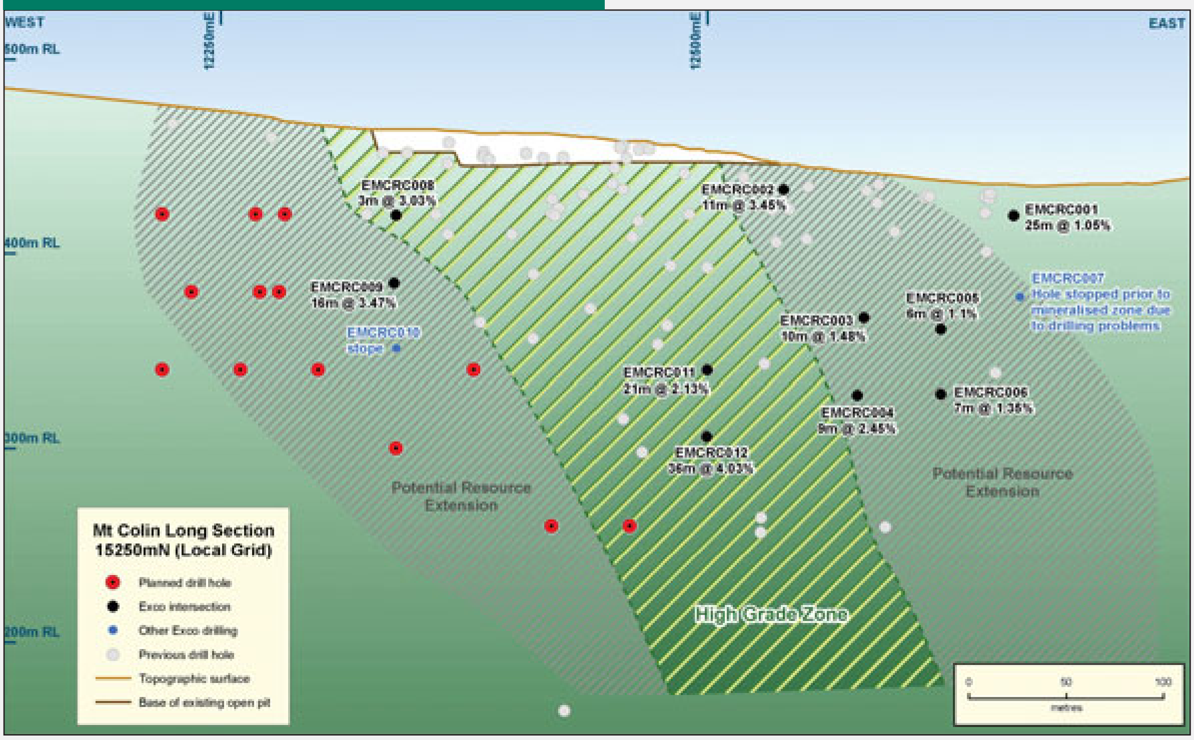
Mt Colin was previously the subject of development feasibility studies by Mt Isa Mines and Murchison United. A JORC compliant resource (measured, indicated and inferred) of **667,200 tonnes @ 3.43%** copper was calculated in 1995 for the deposit, which is open at depth and has potential for extensions along strike.

Previous drilling returned promising results (see **Table 6**). Further drilling will take place to confirm the grade and continuity of the mineralisation (see **Figure 6**) with definite potential to expand the current resource.

Table 6: Mt Colin Copper Deposit – Resource Summary

Deposit	Tonnes	Grade
Oxide Resource (Measured)	33,520	2.47
Oxide Resource (Indicated)	46,313	1.94
Oxide Resource (Inferred)	3,405	1.83
Sub-total	**83,238**	**2.15**
Sulphide Resource (Measured)	80,258	4.36
Sulphide Resource (Indicated)	264,950	3.77
Sulphide Resource (Inferred)	238,749	3.18
Sub-total	**583,957**	**3.61**
TOTAL	**667,195**	**3.43**

Figure 6: Mt Colin Long Section



GREAT AUSTRALIA DEPOSIT

The Great Australia copper-gold deposit is situated adjacent to the town of Cloncurry on a granted mining lease; ML90065 (see **Figure 1**). The deposit is hosted within volcanics and sediments and is associated with carbonate and quartz veining. Mineralisation is open at depth and will be tested by further drilling.

KANGAROO RAT

The Kangaroo Rat prospect lies approximately 30 km to the south east of Cloncurry (see **Figure 1**). Through the acquisition of Haddington's interests in the Cloncurry district in August 2006, Exco has significantly improved the potential for expanding and exploiting existing resources beyond the current Kangaroo Rat mining lease boundary.

An inferred resource of 875,000 tonnes @ 1.65% Cu and 1.0g/t Au was reported by Cloncurry Mining Company.

The deposit is open at depth and has potential for extensions along strike. Exco will undertake further work to assess metallurgy and possible extensions to the resource.

WALLACE SOUTH DEPOSIT

The Wallace South Deposit was acquired as part of the acquisition of Haddington's tenements in August 2006. The deposit is located approximately 1 km south of the Kangaroo Rat Deposit (see **Figure 1**).

Between 2003 and 2005, Haddington completed resource evaluation drilling and metallurgical studies on the deposit and announced a JORC compliant resource of 1.0Mt @ 1.6g/t fro 53,000 ounces of contained gold. Regional greenfields exploration has commenced around Wallace South in search of copper-gold deposits.

ORPHAN SHEAR AND TAIPAN PROSPECTS

The Orphan Shear and Taipan Prospects are situated adjacent to the Great Australia Deposit (see **Figure 1**) and previous drilling has outlined a coherent zone of copper (and gold) mineralisation.

Both prospects are hosted within volcanics and have the potential to add additional resources to the Cloncurry Copper Project. Resource calculations will be prepared once sufficient drilling has been completed.

NOTLOR PROSPECT

The Notlor Prospect occurs approximately 10km southeast of Cloncurry (see **Figure 1**). The prospect is characterised by a series of small historical pits and visible oxide copper at surface over a strike length of 2km. Within this zone there are several concentrations of higher grade material. Exco has concentrated on the northern most zone where significant grades have been intersected in drilling to date.

The geometry of the mineralisation is not yet fully understood and further drilling is in progress to determine the shape and allow for an initial resource calculation.

CANTEEN COPPER-URANIUM PROSPECT

Exco has commenced field mapping, scintillometer traverses, geophysical surveys (IP), and rock chip sampling on a number of U_3O_8 prospects including Canteen (see **Figures 2 and 7**), where initial reconnaissance has identified highly anomalous uranium and copper from rock chip samples.

The Canteen prospect is a north striking linear zone defined by a largely coincident magnetic anomaly and uranium radiometric anomaly trending over at least 2km. Access to the area is very limited and has restricted previous efforts to test the source of the anomaly.

Initial site inspection and sampling revealed highly anomalous rock chip values. A peak value of **2,877 ppm U_3O_8** was returned for a sample from a strongly magnetite altered rock forming part of a low ridge near the centre of the anomalous trend.

A number of other samples along the length of the ridge also returned highly anomalous assays of between **130 to 365 ppm U_3O_8**. A number of samples were also anomalous in copper and gold.

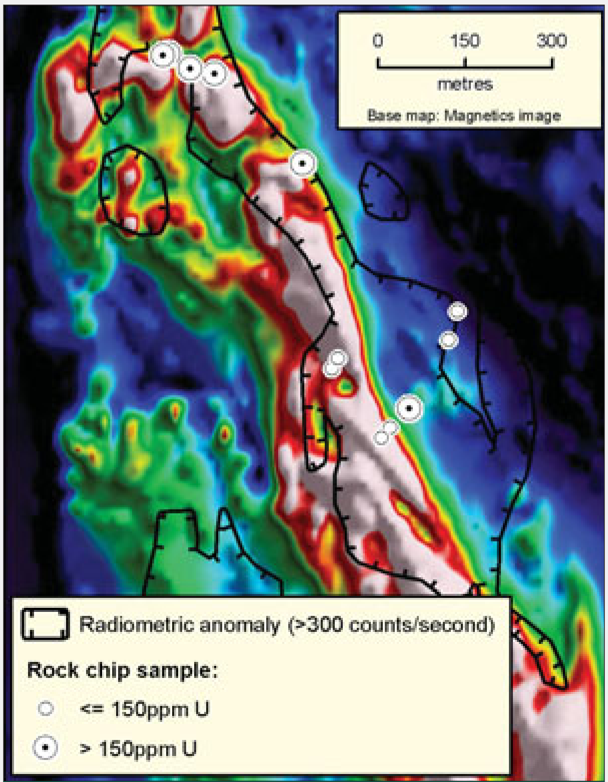


Figure 7: Canteen Prospect - Radiometric Image

HAZEL CREEK / BOOMARRA PROJECTS

(EXCO 100%)

Copper, Gold

Location: 90 kilometres north of Cloncurry

The Hazel Creek and Boomarra Projects (see **Figure 1**) incorporate large areas of relatively unexplored prospective rocks. Exco has confirmed the prospectivity with the discovery of the Turpentine Deposit (indicated resource of 1,841,000 tonnes @ 1.03% cu and 0.2g/t Au) within the project area, as well as several key prospects as described below.

BRUMBY PROSPECT

The Brumby prospect is a high intensity regional magnetic anomaly proximal to a major fault, within the northern portion of the Boomarra Project (see **Figure 1**). At least two areas of significant and coherent copper anomalism have been highlighted through previous drill programmes in the area, and are generally associated with large magnetic anomalies in favourable structural settings.

Previously drilled holes intersected significant copper mineralisation with higher grade zones such as **4m @ 1.55% Cu** occurring within broader zones of lower grade mineralisation, e.g. **EBRC027 intersected 20m @ 0.78% Cu** from 2m depth (see **Figure 8**).

Recently completed induced polarization (IP) surveys and detailed ground magnetic surveys have highlighted further targets for follow up drilling.

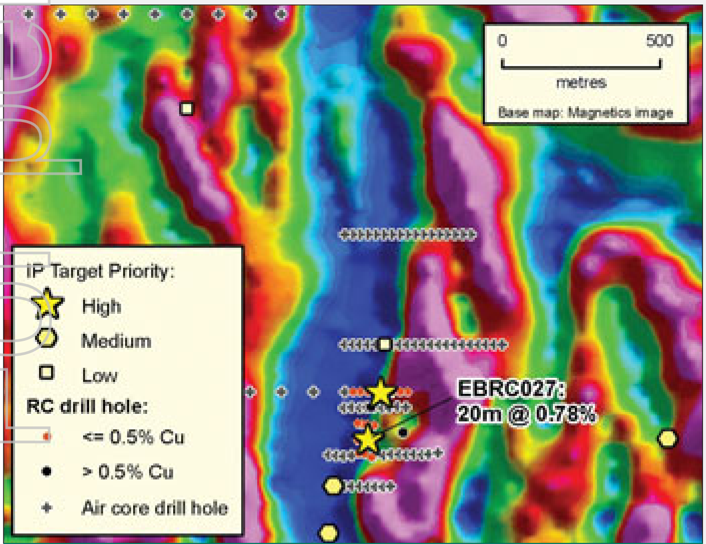


Figure 8: Brumby Prospect – Magnetics Image

QUAIL CREEK PROSPECT

The Quail Creek Prospect is located several kilometres north of the Turpentine Deposit (see **Figure 1**) and incorporates surface copper gossans, geophysical anomalies (IP and EM) as well as a strong U radiometric anomaly.

Further drilling is planned over several of the key geophysical anomalies.

EIGHT MILE CREEK PROSPECT

The Eight Mile Creek Prospect area is approximately 10kms south of the Turpentine Deposit (see **Figure 1**) on the same general magnetic trend. The prospect area incorporates Eight Mile Creek North and Eight Mile Creek East where drilling by Exco has established zones of mineralisation greater than 1% copper. There is insufficient drilling at this stage to calculate an initial resource.

IP surveys are currently in progress to help target sulphide zones at depth and further drilling is planned to establish a resource.

SOLDIERS CAP & TRINGADEE PROJECTS

BLACK ROCK MINERALS JOINT VENTURE, QUEENSLAND

(EXCO 34.5%, XSTRATA COPPER 65.5%)

Base Metals

Location: Approximately 65 kilometres south east of Cloncurry

The Black Rock Minerals JV (see **Figure 1**) is an incorporated joint venture with Xstrata Copper (formerly Noranda Pacific Pty Ltd). The JV is exploring for base-metals in the highly prospective corridor running north from BHP Billiton's world class silver-lead-zinc mine at Cannington. The corridor is host to similar "Broken Hill style" mineralisation at Cowie, Black Rock, Maramungee, Dingo and Fairmile prospects, all of which are contained in the JV tenements.

Xstrata are currently reviewing the copper-gold potential and have commenced field work.

SOLDIERS CAP JOINT VENTURE AND TRINGADEE JOINT VENTURE, QUEENSLAND

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

Silver-lead-zinc, base metals

Location: Approximately 65 kilometres south east of Cloncurry

The Soldiers Cap JV area covers a large area of prospective geology north of Cannington, similar to the Black Rock JV but comprising the deeper covered areas (see **Figure 1**). Under the Soldiers Cap JV area, BHP Billiton are conducting an exploration program to earn the right to develop any subsequent discoveries under a royalty agreement with Exco of between 1 and 1.5% of Net Smelter Returns. BHP Billiton will earn no interest in the tenements unless a discovery is made and defined as a resource.

BHP Billiton has commenced drilling at a number of targets in the project area, north and west of their Cannington silver-lead-zinc mine.

IVANHOE JOINT VENTURE, QUEENSLAND
(EXCO 100%)

In May 2007, Exco and Ivanhoe entered into an agreement outlining joint venture terms over a number of Exco's tenements in the Soldiers Cap and Tringadee Project areas (see **Figure 1**). The tenements, which comprise of 224 sub blocks and 715km^2 (see **Table 7**), are contiguous with Ivanhoe's Cloncurry Project areas in the Selwyn District.

The joint venture will comprise an initial 12-month option period during which time Ivanhoe will be required to spend a minimum of A$600,000. On or before the expiry of the option period, Ivanhoe can commit to earning 80% by spending a total of A$5 million over 3 years (including expenditure during the option period).

Table 7: Lease areas included in Exco - Ivanhoe JV

Lease	Lease Name	Status	Area Sub Blocks	Area Km^2
EPM 11169	Garnet Creek	Granted	7	22.32
EPM 11676	Mount Tracey	Granted	92	296.19
EPM 12023	Back Creek	Granted	16	50.89
EPM 12285	Saxby	Granted	5	15.95
EPM 12290	Fairmile West	Granted	4	12.76
EPM 14520	Willy's Bore	Granted	4	12.76
EPM 14033	Wewak	Granted	9	28.65
EPM 13709	Pegmont South	Granted	11	34.93
EPM 13741	Spell Paddock	Granted	41	130.18
EPM 13770	Tringadee	Granted	8	25.40
EPM 14223	Killer Bore	Granted	11	34.94
EPM 14434	Nora Creek	Granted	1	3.19
EPM 16177	Killer Bore North	Application	15	47.66
TOTALS			**224**	**715.82**

WHITE DAM GOLD PROJECT, SOUTH AUSTRALIA

(EXCO 100%)

Copper, Gold, Uranium

The White Dam Gold Project is located in South Australia, approximately 20 kilometres north east of Olary and 80 kilometres west of Broken Hill (see **Figure 9**). The Project was originally discovered by Mount Isa Mines in the late 1990's and was acquired by Polymetals Mining Services Pty Ltd in 2001. Exco moved to 100% ownership of the Project in 2006 by purchasing a 40% interest from Polymetals Pty Ltd.

During the year the Company has focused on progressing government approvals for the Project and exploring for suitable water sources. A Mining Lease for the Project was granted in September 2007. This represents a significant milestone for the project and has enabled the Company to proceed with final preparations of the Mining and Rehabilitation Plan (MARP).

In parallel with finalising the approvals for the Project, the Company has been undertaking engineering, financial and technical studies to facilitate project implementation.

In March of this year, the Company completed a water drilling and testing programme that resulted in the completion of one production bore and several test bores in a fractured rock aquifer located adjacent to the proposed mining area. Test pumping and analysis indicates the aquifer to be a substantial water resource. This aquifer should enable the Project to be implemented without the need to develop a remote water source and long pipe line as previously contemplated.

A highlight for the project during the year was the announcement of an additional resource at the Vertigo Deposit adjacent to the initial White Dam mining area. Resource modelling confirmed an additional inferred resource estimate of 1.78 Mt at 1.28g/t containing 73,000 ounces of gold. The total resource estimate for the greater White Dam Project now sits at 9.1Mt containing 330,000 ounces of gold (see **Table 8**).

The current plan at White Dam is to process an optimised in-pit oxide resource of 4.3 Mt with a grade of 1.25 g/t Au to produce a total of 130,000 ounces at a rate of approximately 50,000 ounces per annum. On going investigation of Vertigo and other local prospects will be undertaken in parallel with the implementation of the initial project with a view to bringing further resources into the mine schedule.

Table 8: White Dam Gold Project Mineral Resource Estimate

(0.5g/t cut-off grade applied at White Dam; 0.7g/t cut-off grade applied at Vertigo)

Type	Indicated		Inferred		Total		
	Tonnes (T)	Cut g/t	Tonnes (T)	Cut g/t	Tonnes (T)	Cut g/t	Ounces
White Dam Oxide	5,529,000	1.12	8,000	1.59	5,538,000	1.12	199,900
White Dam Fresh	493,000	1.13	1,288,000	0.96	1,781,000	1.01	57,600
Sub -Total	**6, 022, 000**	**1.12**	**1,296,000**	**0.96**	**7,318,000**	**1.09**	**257,400**
Vertigo			1,785,000	1.28	1,785,000	1.28	73,000
TOTAL	**6, 022, 000**	**1.12**	**3,081,000**	**1.14**	**9,103,000**	**1.13**	**330,400**

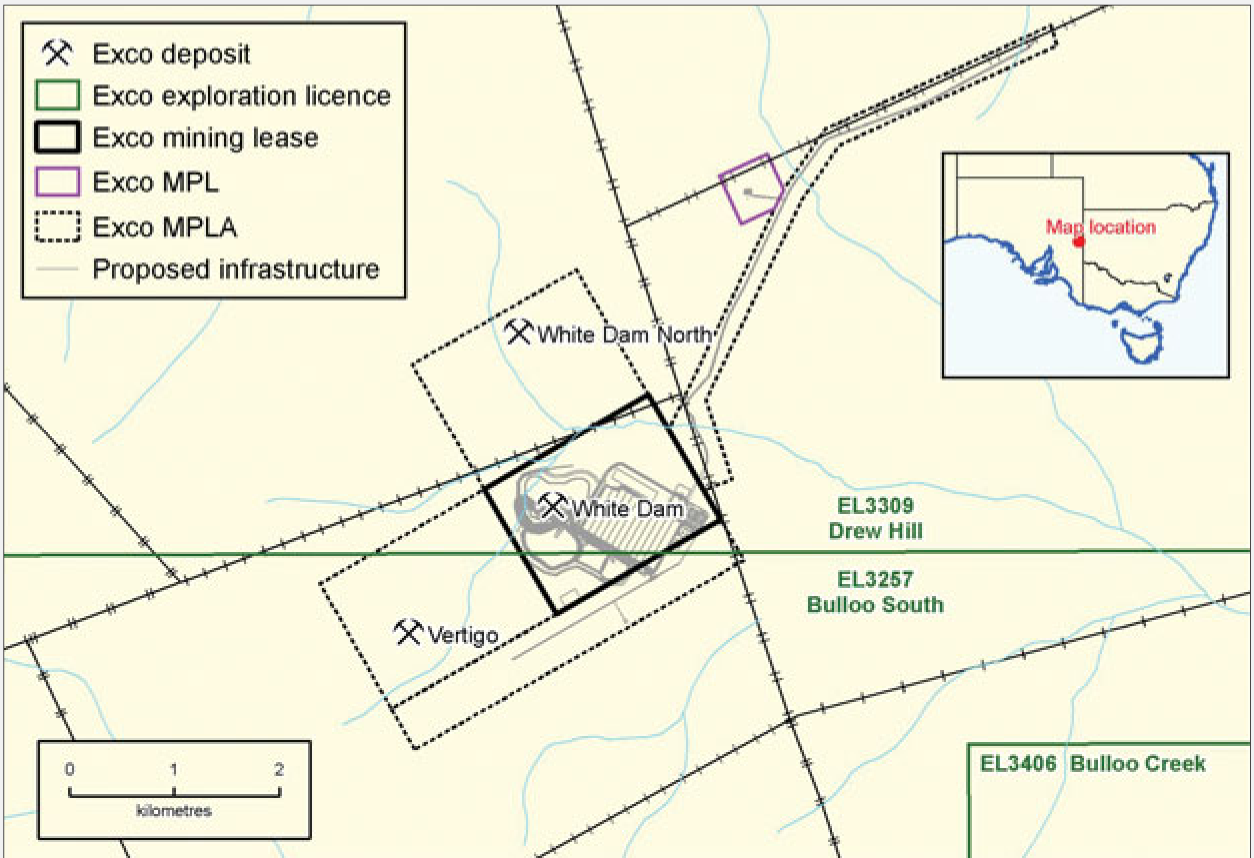


FIGURE 9: WHITE DAM GOLD PROJECT LOCATION MAP, SOUTH AUSTRALIA

JORC COMPLIANCE STATEMENT

This report accurately reflects information compiled by full time officers of the Company. Information relating to mineral resources and exploration results is based on data compiled by Mr Stephen Konecny, Exco's Exploration Manager, BSc Hons. Geo. (MAusIMM), Mr Michael Dunbar (who is a full time employee of the Mitchell River Group and a consultant to Exco Resources Ltd), and who is a member of The Australasian Institute of Mining and Metallurgy, and Mr Lauritz Barnes (a consultant to Exco Resources Ltd), and who is a member of The Australian Institute of Geologists. Mr Konecny, Mr Dunbar and Mr Barnes have sufficient relevant experience to be considered as a Competent Person under the JORC Code 2004 and have consented to the inclusion of the data in the form and context in which it appears.

The directors present their report together with the financial report of Exco Resources Ltd ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2007 and the auditor's report thereon.

1. DIRECTORS

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

BARRY SULLIVAN – NON EXECUTIVE CHAIRMAN - BSc (Min), ARSM, FAusIMM, MAICD – 60 yrs

Appointed 25th October 2005

Mr Sullivan is an experienced Mining Engineer who has had a successful career in the mining industry, both in South Africa with Anglo American (1969 - 1974) and in Australia with MIM from 1974 to 1995. He had six years as Executive General Manager at Mount Isa, in which capacity Barry was responsible for total operations including regional exploration, four underground mines and one open cut mine, power stations, dams, comprehensive support services such as workshops, chemical laboratory, medical centre etc.

Mr Sullivan is currently a non-executive Director of Allegiance Mining NL.

MICHAEL ANDERSON – MANAGING DIRECTOR - BSc (Hons Mining Geology), PhD, ARSM – 40 yrs

Appointed 13th April 2006

Mr Anderson is a graduate of the Royal School of Mines with a PhD and Honours in Mining Geology. He has over 15 years experience in the southern African and Australian mining industries. His experience has been broad-based extending from exploration geology with Anglo American, through metallurgy and process development with Mintek, to the provision of multi-disciplinary EPCM and project development services with engineering consultancy groups Bateman and Kellogg Brown & Root. Prior to joining Exco, Mr Anderson was Group Manager for Business Development with Gallery Gold Limited where he was responsible for developing and implementing corporate strategy including project development activities in both Botswana and Tanzania.

ALASDAIR COOKE – EXECUTIVE DIRECTOR - BSc (Hons Geol) – 42 yrs

Appointed 28th August 2001

Mr Cooke is one of the founding Directors of Exco Resources and has 20 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 eight years has established a number of successful resource companies, including ASX listed Sally Malay Mining Ltd (operating the Sally Malay and Lanfranchie Nickel Projects in Australia), AIM and 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 uranium projects in Africa). Mr Cooke is a former director of Sally Malay Mining Ltd (retired 2006) and is also currently an Executive Director for African Energy Resources Ltd, Energy Ventures Ltd, Albidon Ltd and Oval Biofuels Ltd.

CRAIG BURTON – NON-EXECUTIVE DIRECTOR - LLB BJuris – 44 yrs

Appointed 28th August 2001

Mr Burton is a corporate solicitor and an experienced and active investor in start-up projects and businesses, both publicly listed and private.

Over the last 15 years he has co-founded numerous development companies, with a focus on the resources, oil and gas, mining services and agribusiness sectors. He often takes on a commercial executive role to assist the early development of such companies.

Mr Burton is currently an Executive Director of Mirabela Nickel Limited and a Non-Executive Director of Wildhorse Energy Limited, Matra Petroleum plc, Solimar Energy Limited, Rewards Group Limited and Capital Drilling Limited. He has a Bachelor of Laws degree from the University of Western Australia and is a member of the Australian Institute of Company Directors.

CHRISTOPHER MELLOY – NON-EXECUTIVE DIRECTOR - BE (Mining) (Hons), MEngSc, MAusIMM, ASIA – 52 yrs

Appointed 25th October 2005 Resigned 17th May 2007

Mr Melloy completed an Honours Degree in Mining Engineering at the University of Queensland in 1976. He joined Mount Isa Mines in 1977, working underground and holding a number of engineering appointments in the mining area. During this period he gained his professional qualification of Registered Mine Manager and a Masters Degree in Engineering Science. Mr Melloy held a number of management positions in the planning and operating areas of M.I.M.'s Mining Division, culminating with responsibility for the copper mine. He joined J B Were & Son in 1987 to research the base metals sector and CRA Limited. He gained his Graduate Diploma of Applied Finance and Investment in 1990 and from 1992 was consistently ranked as a leading resource analyst in independent surveys.

Mr Melloy has been an executive director of Lion Manager Pty Limited since Lion's inception and is a non executive director of Austindo Resources Corporation NL, Westonia Mines Limited and AFL Management Limited.

PETER GEDDES – BMinTech (Hons), MAusIMM, GAICD – 49 yrs

Appointed 25th October 2005 (Alternate Director to Christopher Melloy) Resigned 17th May 2007

Mr Geddes graduated as a mining engineer with an honours degree from the Otago School of Mines in New Zealand. He has over 20 years of diverse experience in technical and management roles for mining and consulting companies including Mount Isa Mines, Billiton Australia, Cerro Matoso Nickel SA, Acacia Resources and Mine Consult. His international experience includes South America, Africa, South East Asia, New Zealand and Scandinavia however the bulk of his time has been Australian-based. He has carried out a variety of roles including Mine Manager in a range of commodities including gold, base metals, coal and nickel laterites.

COMPANY SECRETARY

MARK FREEMAN – BCom, CA, F Fin

Mr Freeman has 10 years of commercial experience in Commercial Banking and Equity Markets with a focus on resources companies. Mr Freeman has been with the Company since 2001. In addition, Mr Freeman is a graduate of the University of Western Australia with a Bachelor of Commerce with a double major in Banking & Finance and Accounting as well as holding a Graduate Diploma in Applied Finance with a major in Investment Analysis from the Securities Institute of Australia. Mr. Freeman is a member of the Institute of Chartered Accountants Australia and a Fellow of the Financial Services Institute of Australasia.

Mr Freeman is currently a Director of Golden Gate Petroleum Ltd (since September 2005).

2. PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the course of the financial year consisted of exploration and evaluation of mineral interests.

3. EARNINGS PER SHARE

The basic earnings per share for Exco Resources Ltd was 0.32 cents per share (2006: 0.55 cents per share).

4. REVIEW AND RESULTS OF OPERATIONS

The consolidated profit after tax attributable to members of the Company for the financial year ending 30 June 2007 was $549,823 (30 June 2006: $668,640). A review of the consolidated entity's operations is outlined in section 8 of this report.

5. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 30 June 2007.

6. DIRECTORS' MEETINGS

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

Director	A	B
Barry Sullivan	8	8
Alasdair Cooke	6	8
Craig Burton	5	8
Michael Anderson	8	8
Christopher Melloy*	5	6
Peter Geddes*	-	6

* Mr C Melloy and P Geddes resigned on 17 May 2007

A – Number of meetings attended

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

7. LIKELY DEVELOPMENTS

The consolidated entity will pursue activities consistent with its corporate objectives and joint venture partners. Further information about likely developments in the operations of the consolidated entity 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 consolidated entity.

8. EXPLORATION

CLONCURRY Cu-Au-U_3O_8 PROJECTS, NW QUEENSLAND (EXCO 100%)

Exco has long recognised the prospectivity and strategic value of its >4,700km^2 land package in NW Queensland. The prospectivity is evidenced by the current 35Mt resource base (see **Table 1**) which contains not only 344,580 tonnes of Cu and 347,200 ounces of Au, but also significant U_3O_8 as detailed later in this report.

Expenditure to date in NW Queensland, since the Company's listing in 1998, has totalled only A$12.5 million. Exco recognised the opportunity to create a step-change by significantly increasing the level of expenditure to >A$5 million per annum and the Company is now in a position to do this post the Capital Raising exercise which was completed in June of this year. Exco therefore intends to accelerate its plans through a more intensive resource development and a greenfields Cu-Au-U_3O_8 program primarily focused on the Cloncurry and Hazel Creek / Boomarra Project areas.

The ultimate aim of the Company's strategy is to position Exco to take advantage of sustained Cu demand, projected supply gaps and the positive forward price outlook for Cu, Au and U_3O_8.

TABLE 1: CU-AU RESOURCE SUMMARY - MT ISA REGION, NW QUEENSLAND

Deposit	Class	Tonnes	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
E1 Deposits/Mt Margaret						
E1 North	**Indicated**	4,162,000	1.22	0.35	51,000	47,400
	Inferred	3,770,000	0.99	0.32	37,000	38,400
	TOTAL	**7,932,000**	**1.11**	**0.34**	**88,000**	**85,800**
E1 South	Inferred	10,300,000	0.67	0.17	69,100	55,900
E1 East	Inferred	8,000,000	0.83	0.26	66,000	65,500
Other Deposits						
Monakoff	**Indicated**	926,000	1.59	0.47	14,700	14,000
	Inferred	976,000	1.57	0.49	15,300	15,400
	TOTAL	**1,902,000**	**1.58**	**0.48**	**30,000**	**29,400**
Turpentine	**Indicated**	1,626,600	1.04	0.21	17,000	10,800
	Inferred	214,600	0.9	0.16	2,000	1,000
	TOTAL	**1,841,000**	**1.03**	**0.2**	**19,000**	**11,800**
Great Australia	**Indicated**	1,378,000	1.53	0.13	21,000	5,700
	Inferred	756,000	1.57	0.14	11,900	3,300
	TOTAL	**2,134,000**	**1.54**	**0.13**	**32,900**	**9,000**
Kangaroo Rat	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	2,300	8,800
Mt Colin	**Measured****	**113,800**	**3.80**	**-**	**4,330**	**-**
	Indicated**	311,000	3.49	-	10,900	-
	Inferred**	242,000	3.16	-	7,650	-
	TOTAL	**667,195**	**3.43**	**-**	**22,878**	**-**
TOTAL		**34,845,195**			**344,580**	**347,200**

RESOURCE DEVELOPMENT & REGIONAL EXPLORATION, NW QUEENSLAND

Exco has resource development plans for a number of its projects where potential exists to significantly expand known resources. Results are awaited from a recently completed program at the high-grade Mt Colin deposit, whilst attention has now turned to the substantial E1 Camp where two rigs will be deployed full time for the next three months targeting depth and strike extensions to the known resources at E1 North, South and East.

Numerous known targets and untested anomalies exist across the entire portfolio and the Company plans to significantly increase greenfields exploration activities. In particular Hazel Creek and Boomarra represent a highly prospective yet largely untested strategic project area adjacent to the Dugald River and Roseby Projects. Key prospects requiring further work include Turpentine, Eight Mile Creek, Brumby and Quail Creek.

The acquisition of Haddington's tenements, which was completed in August 2006, also gives Exco access to five priority Cu/Au target areas within Kangaroo Rat, Fisher Creek, Newsboy and Monakoff Projects.

WHITE DAM GOLD PROJECT, SOUTH AUSTRALIA (EXCO 100%)

Mining Approval Process

Exco is pleased to advise that the South Australian Government and the Director of Minerals has approved the granting of a Mining Lease and various Miscellaneous Purposes Licenses at White Dam.

The Company is now in a position to move forward with final preparations of the Mining and Rehabilitation Program (MARP) document which will be submitted to PIRSA to obtain the final operating approvals necessary to commence work at White Dam. This approval process is expected to take a further two to three months.

Water Supply Program

Following on from the successful intersection of good flows of water within the 'fractured rock' aquifer system at Vertigo, as previously reported, a subsequent drilling program has been implemented to explore the potential of this near mine water supply. The program has focused on delineating the extent of the 'fractured rock' aquifer system at White Dam to increase the understanding and confidence in the viability of this supply meeting the operational water requirement of the site.

Pending the satisfactory outcome of a pump testing program on site, sufficient confidence and knowledge should be obtained to confirm the suitability and sustainability of this water supply.

Resource Development & Regional Exploration, South Australia

The Company's tenement package at the Drew Hill Block which hosts the White Dam Gold Project remains highly prospective yet largely untested. Extensive geographical studies have identified numerous gold, base metal and uranium targets for follow-up. The Company intends on applying approximately A$0.5 million / annum towards regional exploration in South Australia.

TABLE 2: WHITE DAM GOLD PROJECT MINERAL RESOURCE ESTIMATE (0.5 G/T CUT-OFF GRADE)

Type	Indicated		Inferred		Total		
	Tonnes (T)	Cut g/t	Tonnes (T)	Cut g/t	Tonnes (T)	Cut g/t	Cut Ounces
White Dam Oxide	5, 529, 000	1.12	8, 000	1.595	5, 538, 000	1.12	199, 900
White Dam Fresh	493, 000	1.13	1, 288, 000	0.961	1, 781, 000	1.01	57, 600
Sub Total	**6,022,000**	**1.12**	**1,296,000**	**0.96**	**7,318,000**	**1.09**	**257,400**
Vertigo			1,785,000	1.28	1,785,000	1.28	73,000
TOTAL	**6,022,000**	**1.12**	**3,081,000**	**1.14**	**9,103,000**	**1.13**	**330,400**

URANIUM PROGRAM

During the year, Exco highlighted the potential for uranium mineralisation within its current tenement holdings in Queensland and South Australia. This potential may be classified as follows:

1. Inferred resources and resource targets where uranium is a 'by-product' of copper-gold within Exco's existing Cloncurry Copper Project resource base.
2. Advanced exploration targets where uranium mineralisation or anomalism has been identified, and
3. Grass roots uranium potential on Exco's strategic land holdings within the Cloncurry (QLD) and Drew Hill (SA) Projects.

Exco will continue to assess the current resource potential. Results on the initial Uranium Resource estimate contained within the E1 and Monakoff copper-gold deposits are detailed in Table 3 below.

TABLE 3: INITIAL URANIUM RESOURCE

Deposit	Class	Tonnes	Grade	Contained U_3O_8	
			U_3O_8 (ppm)	T	Lbs
E1 North	Inferred	7,930,000	151	1,200	2,650,000
E1 South	Inferred	10,300,000	99	1,027	2,270,000
E1 East	Inferred	8,000,000	113	900	1,980,000
Monakoff	Inferred	1,902,000	183	350	770,000
TOTAL		**28,132,000**	**124**	**3,477**	**7.67 M lbs**

9. STATE OF AFFAIRS

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

- During July and August 2006 Option holders exercised 37,974,999 options to 37,974,999 ordinary fully paid shares at 20 cents each raising $7,595,000.
- On 24th August 2006 the Company announced the acquisition of Haddington Gold Pty Ltd from Haddington Resources Ltd. Haddington's tenements in North Queensland cover an area of over 400 km2 and contain five priority copper gold target areas within the Wallace (100%) and Monakoff (90%) Projects. Exco pays Haddington $1 million in cash, with $500,000 payable on settlement and $500,000 payable 12 months from settlement. The second instalment was satisfied via the issue of 2,000,000 fully paid ordinary shares in the Company in August 2007. A royalty of up to $500,000 is payable from a 2% Net Smelter Royalty on production from the properties.
- On 25th August 2006 Exco announced it had agreed terms with Matrix Metals Limited for the acquisition of the Mt Colin copper deposit. The agreement involved a tenement swap whereby Exco receives the Mt Colin Mining Lease from Matrix in return for the transfer to Matrix of various exploration licences held by Exco in the area around Matrix's White Range copper project.
- In September 2006 following shareholder approval the Company issued the followin\g unlisted options:

	Options	Exercise ($)	Expiry Date
Michael Anderson	1,500,000	$0.20	30 April 2010
Bruce McLarty	1,500,000	$0.20	30 April 2010
Steve Konecny	1,500,000	$0.25	30 August 2010
Mark Freeman	500,000	$0.25	30 August 2010

- On 4 September 2006 the Company issued 8 million shares to the listed options underwriters at 20 cents each to raise $1.6 million.
- In May and June 2007 the Company issued 40,900,000 shares at 30 cents each and 32,720,000 free attaching options exercisable at 35 cents each on or before 1 June 2008 to raise $12,270,000 before costs. Ivanhoe Australia Limited took a significant placement by subscribing for 26.4 million shares and has become Exco's major shareholder at 12.2%.
- In May 2007, 500,000 options were exercised to ordinary fully paid shares at 20 cents each raising $100,000.
- In June 2007 the Company finalised the sale of Exco Resources Beijing Co, Ltd.

10. 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. Company management 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.

11. REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Company.

(A) REMUNERATION POLICY (AUDITED)

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity. The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements. The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% (to the extent they are classified as employees), and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Binominal and or Black-Scholes methodology. The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

The Company currently has long term performance based remuneration component built into director and executive remuneration packages. The terms of the vesting of the options is contingent on the achievement of mining operations, completion of bankable feasibility studies and or an increase in mining reserves.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executive directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer to section c of this report.

(B) SERVICE AGREEMENTS (AUDITED)

Remuneration and other terms of employment for the following key management personnel are formalised in service agreements, the terms of which are set out below:

Barry Sullivan, Chairman:

- Term of agreement – subject to re-election as required by the Company's constitution.
- A fee for the 12 months ending 30 June 2007 of $37,500 was paid. Remuneration for the year ended 30 June 2008 of $50,000 has been approved by the Board.

Michael Anderson, Managing Director:

- Term of agreement – no fixed term.
- Remuneration for the year ending 30 June 2007 was $398,497 (including share based payments of $142,417). Remuneration for the 12 months ended 31 May 2008 of $337,685 has been approved by the Board.
- The agreement may be terminated by either party giving 6 months notice in writing.

Alasdair Cooke, Executive Director:

- Term of agreement – no fixed time period, Mr Cooke is required to resign and seek re-election in accordance with the Constitution of the Company.
- Annual consulting fees of $120,000 (plus GST) are paid to Hartree Pty Ltd, a Company controlled by Mr Cooke.
- The arrangement may be terminated by either party giving 1 months notice in writing.

Craig Burton, Non-Executive Director:

- Term of agreement – no fixed term, subject to re-election as required by the Company's constitution.
- A fee for the 12 months ending 30 June 2007 of $22,500 was paid. Remuneration for the year ended 30 June 2008 of $35,000 has been approved by the Board.
- The arrangement may be terminated by either party giving 1 months notice in writing.

Mark Freeman, Company Secretary and Financial Controller:

- Term of agreement – no fixed period with 1 month notice of termination required.
- A fee for the year ending 30 June 2007 was $78,825 (including share based payments of $15,825). Remuneration for the year ended 30 June 2008 of $88,000 has been approved by the Board.

Bruce McLarty, General Manager - Commercial:

- Term of agreement – 12 months commencing on 1 May 2006, with 1 months notice of termination required by the employee.
- Salary for the year ending 30 June 2007 was $397,809 (including share based payments of $170,125). Remuneration for the 12 months ended 31 May 2008 of $252,567 has been approved by the Board.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equals to the fee for the remaining term of the agreement.

Geoff Laing – General Manager for Corporate and Project Development

- Term of agreement – 12 months commencing on 15 August 2007, with 6 months notice of termination required by the either party.
- Remuneration for the 12 months ended 31 August 2008 of $252,567 has been approved by the Board.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equals to the fee for the remaining term of the agreement.

Retirement benefits

Other retirement benefits may be provided directly by the Company if approved by shareholders.

(C) COMPENSATION OPTIONS GRANTED DURING THE YEAR ENDED 30 JUNE 2007 (AUDITED)

Options are issued to directors and executives as part of their remuneration. The options issued may be based on performance criteria to increase goal congruence between executives, directors and shareholders. The following options were granted to Director and Executives during the year.

Holders	Number of options granted during 2007	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2007
Directors *						
Michael Anderson	1,500,000	07/09/2006	0.1484	0.20	30/4/10	500,000
Executives *						
Bruce McLarty	1,500,000	07/09/2006	0.1361	0.20	30/4/10	1,000,000
Stephen Konecny	1,500,000	07/09/2006	0.1266	0.25	30/8/10	500,000
Mark Freeman	500,000	07/09/2006	0.1266	0.25	30/8/10	500,000

* For details on the valuation of the options, including models and assumptions used, please see note 23. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

(D) PERFORMANCE INCOME AS A PROPORTION OF TOTAL COMPENSATION (AUDITED)

No performance based bonuses have been paid to key management personnel during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

(E) COMPENSATION OF KEY MANAGEMENT PERSONNEL FOR THE YEAR ENDED 30 JUNE 2007 (AUDITED)

Details of the remuneration of the directors and relevant group executives who receive the highest remuneration of the Company and the Consolidated entity are as follows:

	Short-Term Salary & Fees $	Post Employment Super-annuation $	Share-based payments Options $	Total $	Options as % of Salary
Directors					
M. Anderson					
2007	243,597	12,684	142,217	398,497	35.69%
2006	39,644	2,023	-	41,667	-
A. Cooke					
2007	120,000	-	-	120,000	-
2006	120,000	-	-	120,000	-
B. Sullivan					
2007	-	37,500	-	37,500	-
2006	-	23,333	-	23,333	-
C. Burton					
2007	22,500	-	-	22,500	-
2006	20,000	-	-	20,000	-
C. Melloy (resigned 17/5/07)					
2007	19,318	-	-	19,318	-
2006	13,667	-	-	13,667	-
A. Hood (resigned 29/11/05)					
2006	8,333	-	-	8,333	-
R Holliday-Smith (resigned 29/11/05)					
2006	13,257	-	-	13,257	-
Executives					
M Freeman					
2007	63,000	-	15,825	78,825	20.1%
2006	53,000	-	-	53,000	-
B McLarty (appointed 1/5/06)					
2007	215,000	12,684	170,125	397,809	42.77%
2006	35,000	2,023	-	37,023	-
Total 2007	**683,415**	**62,868**	**328,167**	**1,074,450**	**30.54%**
Total 2006	**302,901**	**27,379**	**-**	**330,280**	

Remuneration payments to Mr Melloy were made to a related entity, Lion Manager Pty Ltd.

Remuneration payments to Mr Burton were made to a related entity, Verona Capital Pty Ltd.

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

Remuneration payments to Mr Freeman were made to a related entity, Meccano Pty Ltd

12. OPTIONS

At the date of the report, the number of options over un-issued ordinary shares of the Company, held by key management personnel is as follows:

Key Management Personnel	Options	Exercise price ($)	Expiry Date
Michael Anderson	1,000,000	20 cents	30 April 2010
Bruce McLarty	1,500,000	20 cents	30 April 2010
Bruce McLarty	1,000,000	40 cents	30 June 2010
Mark Freeman	500,000	25 cents	30 August 2010
Mark Freeman	400,000	40 cents	30 June 2010
Stephen Konecny	1,500,000	25 cents	30 August 2010
Stephen Konecny	800,000	40 cents	30 June 2010

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

Expiry date	Exercise price ($)	Number of shares
31 December 2007	0.30	1,000,000
30 April 2010	0.20	2,500,000
30 August 2010	0.25	2,000,000
1 June 2008	0.35	32,720,000
30 June 2010	0.40	6,900,000
		45,120,000

SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, the Company has issued 38,474,999 ordinary shares as a result of the exercise of options.

13. 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*
Barry Sullivan (Chairman)	50,000	-
Michael Anderson (Managing Director) *	750,000	1,000,000
Craig Burton (Non-Executive Director)	6,000,000	-
Alasdair Cooke (Executive Director)**	14,174,893	1,333,333

* Options are exercisable at 20 cents on or before 30 April 2010 and subject vesting clauses including continued service and successful commencement of mining operations.

** Options are exercisable at 35 cents on or before 1 June 2008

14. EVENTS SUBSEQUENT TO BALANCE DATE

In August 2007 the Company issued 6,900,000 unlisted options exercisable at 40 cents on or before 30 June 2010 which vest pro-rata over a 2 year period of continued employment to key management personnel and other consultants.

Following shareholder approval on 10 August 2007 the Company type was varied to a Limited Company and the name of the Company was changed to Exco Resources Ltd.

On the 31 August 2007, the Company issued 2,000,000 shares to Haddington Resources Ltd to settle its final installment in respect of the acquisition of Haddington's interests in the Cloncurry district of Northwest Queensland.

Other than as stated above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 16 and forms part of the directors' report for financial year ended 30 June 2007.

16. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, did not supply any non-audit services to Exco Resources Ltd or any of its subsidiaries.

17. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Exco Resources support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Exco Resources is in compliance with those guidelines which are of importance to the commercial operation of a junior listed resources Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's Corporate Governance Statement and disclosures in the annual report.

18. RISK MANAGEMENT

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

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

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

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. COMPANY SHARE PERFORMANCE & SHAREHOLDER WEALTH

During the financial period the Company's share price traded between a low of 20.5 cents and a high of 47 cents. The price volatility is a concern to the Board but is not considered abnormal for a junior explorer such as Exco Resources Ltd. 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.

21. 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.

22. INSURANCE PREMIUMS

The Company has paid insurance premiums in respect of Director's and Officer's 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 day of 24 September 2007.

Signed in accordance with a resolution of the directors.

Michael Anderson
Managing Director

KPMG

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

To: the directors of Exco Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 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

K Smout
Partner

Perth
24 September 2007

INCOME STATEMENTS
For the Year Ended 30 June 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Revenue	2	**-**	4,593	-	4,593
Exploration expenditure written off		**(176,291)**	(186,637)	**(9,637)**	(40,031)
Employee expenses	2	**(307,786)**	(122,552)	**(307,786)**	(122,552)
Depreciation		**(64,678)**	(34,388)	**(64,678)**	(31,739)
Office costs		**(153,129)**	(52,329)	**(153,130)**	(52,329)
Professional and corporate expenses		**(272,319)**	(140,024)	**(258,026)**	(119,391)
Insurance		**(56,087)**	(32,790)	**(56,087)**	(33,521)
Net loss on sale of subsidiary	20	**(2,278)**	-	**(2,278)**	-
Impairment of loan to controlled entities		**-**	-	**(103,096)**	(29,409)
Impairment in value of investment in subsidiary		**-**	-	**(77,853)**	(139,750)
Other expenses		**(33,295)**	(45,834)	**(33,297)**	(45,833)
Results from operating activities		**(1,065,863)**	(609,961)	**(1,065,868)**	(609,962)
Financial Income	2	**1,615,686**	1,278,601	**1,615,686**	1,278,601
Share of profits of associates	8	**-**	-	**-**	-
Profit before income tax		**549,823**	668,640	**549,818**	668,639
Income tax	5	**-**	-	**-**	-
Profit for the period		**549,823**	668,640	**549,818**	668,639
Earnings per share:					
Basic earnings per share (cents)	3	0.32	0.55		
Diluted earnings per share (cents)	3	0.32	0.52		

The income statements are to be read in conjunction with the notes to the financial statements.

BALANCE SHEETS
For the Year Ended 30 June 2007

		Consolidated		The Company	
	Note	2007 $	2006 $	2007 $	2006 $
Current assets					
Cash and cash equivalents	6	**17,538,052**	842,324	**17,538,052**	542,653
Trade and other receivables	7	**327,694**	220,759	**327,694**	220,200
Prepayments	7	**34,029**	131,371	**34,029**	128,414
Total current assets		**17,899,775**	1,194,454	**17,899,775**	891,267
Non-current assets					
Receivables	7	**173,594**	109,399	**9,158,361**	5,230,011
Investments accounted for using the equity method	9	**500,000**	500,000	**-**	-
Other financial assets	9	**-**	1,464,800	**1,580,153**	2,253,526
Plant and equipment	10	**807,165**	130,045	**807,165**	78,167
Exploration and evaluation expenditure	11	**19,066,372**	13,042,617	**9,001,451**	6,977,881
Total non-current assets		**20,547,131**	15,246,861	**20,547,130**	14,539,585
Total assets		**38,446,906**	16,441,315	**38,446,905**	15,430,852
Current liabilities					
Trade and other payables	12	**1,194,680**	1,433,292	**1,194,679**	422,824
Provisions	13	**27,566**	10,414	**27,566**	10,414
Total liabilities		**1,222,246**	1,443,706	**1,222,245**	433,238
Net assets		**37,224,660**	14,997,609	**37,224,660**	14,997,614
Equity					
Contributed equity	14	**40,117,840**	18,929,275	**40,117,840**	18,929,275
Reserves	15	**629,698**	141,035	**629,698**	141,035
Accumulated losses	16	**(3,522,878)**	(4,072,701)	**(3,522,878)**	(4,072,696)
Total equity		**37,224,660**	14,997,609	**37,224,660**	14,997,614

The balance sheets are to be read in conjunction with the notes to the financial statements.

STATEMENTS OF CASHFLOWS
For the Year Ended 30 June 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Cash flows from operating activities					
Cash payments to suppliers and employees		**(613,798)**	(425,532)	**(599,903)**	(435,740)
Interest received		**380,418**	53,401	**380,418**	53,401
Net cash flows used in operating activities	21	**(233,380)**	(372,131)	**(219,484)**	(382,339)
Cash flows from investing activities					
Cash payments for exploration and evaluation expenditure		**(4,660,347)**	(2,111,000)	**(2,045,809)**	(1,291,618)
Cash payments for acquisition of controlled entities		**(1,541,556)**	(1,012,805)	**(1,041,556)**	-
Refund/(payment) of security deposits		**(64,195)**	39,000	**(64,195)**	39,000
Loan to controlled entity		**-**	-	**(2,828,761)**	(1,878,002)
Payments for plant and equipment		**(693,360)**	(78,632)	**(693,360)**	(34,239)
Proceeds from sale of derivatives		**2,700,000**	-	**2,700,000**	-
Net cash used in investing activities		**(4,259,458)**	(3,163,437)	**(3,973,682)**	(3,164,859)
Cash flows from financing activities					
Proceeds from issue of shares		**21,564,733**	3,668,644	**21,564,733**	3,668,644
Share issue costs		**(376,169)**	(41,453)	**(376,168)**	(41,453)
Net cash from financing activities		**21,188,564**	3,627,191	**21,188,565**	3,627,191
Net increase in cash held		**16,695,728**	91,623	**16,995,399**	79,993
Cash at the beginning of the financial year		**842,324**	750,701	**542,653**	462,660
Cash at the end of the financial year	6	**17,538,052**	842,324	**17,538,052**	542,653

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the Year Ended 30 June 2007

Consolidated	Note	Issued capital	Accumulated losses	Other reserves	Total Equity
At 1 July 2005		15,178,684	(4,980,941)	55,010	10,252,753
Adjustment on initial adoption of AASB132 and AASB139		-	239,600	-	239,600
Profit for the period		-	668,640	-	668,640
Issue of Share Capital (net of transaction costs)	14(a)	3,750,591	-	-	3,750,591
Equity settled payments	15	-	-	86,025	86,025
At 30 June 2006		18,929,275	(4,072,701)	141,035	14,997,609
At 1 July 2006		18,929,275	(4,072,701)	141,035	14,997,609
Profit for the period		-	549,823	-	549,823
Issue of Share Capital (net of transaction costs)	14(a)	21,188,564	-	-	21,188,564
Equity settled payments	15		-	488,663	488,663
At 30 June 2007		40,117,840	(3,522,878)	629,698	37,224,660

The Company	Note	Issued capital	Accumulated losses	Other reserves	Total Equity
At 1 July 2005		15,178,684	(4,980,935)	55,010	10,252,759
Adjustment on initial adoption of AASB132 and AASB139		-	239,600	-	239,600
Profit for the period		-	668,939	-	668,939
Issue of Share Capital (net of transaction costs)	14(a)	3,750,591	-	-	3,750,591
Equity settled payments	15	-	-	86,025	86,025
At 30 June 2006		18,929,275	(4,072,696)	141,035	14,997,614
At 1 July 2006		18,929,275	(4,072,696)	141,035	14,997,614
Profit for the period		-	549,818	-	549,818
Issue of Share Capital (net of transaction costs)	14(a)	21,188,564	-	-	21,188,564
Equity settled payments	15	-	-	488,663	488,663
At 30 June 2007		40,117,840	(3,522,878)	629,698	37,224,660

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report was authorised by the directors on 24 September 2007. The financial report includes separate financial statements for Exco Resources Ltd as an individual entity and the consolidated entity consisting of Exco Resources Ltd and its subsidiaries. Exco Resources Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on Australian Stock Exchange.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB and the Corporations Act 2001, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial report is also presented in Australian dollars and prepared on the historical cost basis, except for financial instruments held for trading and derivatives which are both stated at their fair value.

(b) Statement of compliance

The consolidated financial report of the group complies with the International Financial reporting Standards (AIFRS) and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRS as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

In the current year, the group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) and the Urgent Issues Group that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2006. The adoption of these new revised standards and interpretations did not have any effect on the financial position or performance of the Group.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2007. These are outlined in the table below:

Reference	Title	Summary	Application Date of Standard*	Impact on Group financial report	Application date for Group*
AASB 2005-10	Amendment to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of *AASB 7 Financial Instruments: Disclosures*	1 Jan. 07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 2007-1	Amendment to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *Group and Treasury Share Transactions*	1 Mar. 07	This is consistent with the Group's existing accounting policies for share-based payments so will have no impact.	1 July 2007
AASB 2007-2	Amendment to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements*	1 Jan. 08	As the Group currently has no service concession arrangements or public-private-partnerships (PPP) it is expected that this Interpretation will have no impact on its financial report.	1 July 2008

Reference	Title	Summary	Application Date of Standard*	Impact on Group financial report	Application date for Group*
AASB 2007-3	Amendment to Australian Accounting Standards arising from AASB8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*	1 Jan. 09	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Groups financial statements. However the new standard may have an impact on the segment disclosures included in the Group's financial report.	1 July 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	The standard is a result of the AASB decision that, in principle, all accounting policy options currently existing in IFRS should be included in the Australian equivalents to IFRS and the additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.	1 July 07	As the Group does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4, this standard will have no impact on the amounts included in the Group's financial statement. Changes to disclosure requirements will have no direct impact on the amounts included in the Group's financial statements. However the new standard may have an impact on the disclosures included in the Group's financial report.	1 July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116, & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) *Borrowing Costs.*	1 Jan. 09	As the Group does not currently construct or produce any qualifying assets which are financed by borrowings the revised standard will have no impact	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standard issued as a consequence of AASB 2007-4	1 July 07	Refer to AASB 2007-4 above	1 July 2007
AASB 7	*Financial Instrument: Disclosures.*	New standard replacing disclosure requirements of AASB 132	1 Jan. 07	Refer to AASB 2005-10 above	1 July 2007
AASB 8	*Operating Segments*	This new standard will replace AASB 114 Segment Reporting and adopts a management approach to segment reporting	1 Jan. 09	Refer to AASB 2007-3 above	1 July 2009

Reference	Title	Summary	Application Date of Standard*	Impact on Group financial report	Application date for Group*
AASB 101 (revised October 2006)	Presentation of Financial Statements	Many of the disclosures from previous GAAP and all of the guidance from previous GAAP are not carried forward in the October 2006 version of AASB 101. The revised standard includes some text from IAS 1 that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.	1 Jan. 07	AASB 101 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the revised standard may result in changes to the disclosures included in the Group's financial report.	1 July 2007
AASB 123 (revised June 2007)	Borrowing Costs	AASB 123 previously permitted entities to choose between expensing all borrowing costs and capitalising those that were attributable to the acquisition, construction or production of a qualifying asset. The revised version of AASB 23 requires borrowing costs to be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.	1 Jan. 09	Refer to AASB 2007-6 above.	1 July 2009
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	Addresses an inconsistency between AASB 134 Interim *Financial Reporting* and the impairment requirements relating to goodwill in AASB 136 Impairment of Assets and equity instruments classified as available for sale in AASB 139 *Financial Instruments: Recognition and Measurement*	1 Nov. 06	The prohibition on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 that interim reporting is not expected to have any impact on the Group's financial report.	1 July 2007

Reference	Title	Summary	Application Date of Standard*	Impact on Group financial report	Application date for Group*
AASB Interpretation 11	*Group and Treasury Share Transactions*	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.	1 Mar. 07	Refer to AASB 2007-1 above.	1 July 2007
AASB Interpretation 12	*Service Concession Arrangements*	Clarifies how operators recognize the infrastructure as a financial asset and/or an intangible asset - not as property, plant and equipment.	1 Jan. 08	Refer to AASB 2007-2 above.	1 July 2008
AASB Interpretation 129 (revised June 2007)	*Service Concession Arrangements: Disclosures*	The revised interpretation was issued as a result of the issue of Interpretation 12 and requires specific disclosures about service concession arrangements entered in to by an entity, whether as a concession provider or a concession operator.	1 Jan. 08	Refer to AASB 2007-2 above.	1 July 2008
IFRIC Interpretation 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 08	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008

(c) Basis of consolidation

(i) Subsidiaries

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

In the Company's financial statements, investments in subsidiaries are carried at cost less impairment losses (see impairment accounting policy (g)).

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements, investments in associates are carried at cost.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates' net profit' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 April 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Exco Resources Ltd.

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

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group.

Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(f) Plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy g).

All assets acquired including plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value.

(ii) Depreciation

Depreciation is charged to the income statement on a straight line value basis over the estimated useful lives of each part of an item of plant and equipment.

The depreciation rates, used for each class of asset in the current and comparative year, range between 20% and 50%.

(g) Impairment

The carrying amounts of the consolidated entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy g (i)).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

(h) Exploration and evaluation assets

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 consolidated entity 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:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise 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 (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (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 mining property and development assets within property, plant and equipment and depreciated over the life of the mine

(i) Cash and cash equivalents

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

(j) Share capital

(i) Dividends

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

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(k) Employee benefits

(i) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(ii) Employee share and option plans

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(iii) Superannuation Plan

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

(l) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Trade and other payables

Trade and other payables are stated at their amortised cost.

(n) Interest Income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(o) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in a business segment, or in providing products or services within a particular geographical segment, which is subject to risks and rewards that are different from those of other segments

(p) Significant Accounting estimates and assumptions

Management discussed with the Audit Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Binominal and or Black-Scholes formula.

(q) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(r) Investments in derivative financial instruments

Options held in other corporations are classified as derivative financial instruments. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss.

(s) Operating Leases

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

	Consolidated		The Company	
	2007 $	2006 $	2007 $	2006 $

2. REVENUE

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
(a) Other revenues:				
Other	-	4,593	-	4,593
(b) Financial Income				
Interest - Other parties	**380,418**	53,401	**380,418**	53,401
Gain on re-measurement of derivative	**-**	1,225,200	-	1,225,200
Gain on sale of derivatives	**1,235,268**	-	**1,235,268**	-
	1,615,686	1,278,601	**1,615,686**	1,278,601
(c) Personnel Expenses				
Consulting Fees / Wages	**245,809**	107,499	**245,809**	107,499
Superannuation	**44,825**	10,632	**44,825**	10,632
Leave provisions	**17,152**	4,421	**17,152**	4,421
	307,786	122,552	**307,786**	122,552

3. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of basic profit per share for the year ended 30 June 2007 was based on the earnings attributable to ordinary shareholders of $549,823 (year ended 30 June 2006: $668,640) and a weighted average basic and dilutive number of ordinary shares outstanding during the year ended 30 June 2007 of **172,589,683** and **173,524,563** respectively (year ended 30 June 2006: 120,625,354 and 128,482,551 respectively), calculated as follows:

For the year ended 30 June 2007	Note	Consolidated	
		June 2007	June 2006
Profit /(Loss) attributable to ordinary shareholders		**549,823**	668,640
Weighted average and Dilutive average number of ordinary shares			
In number of shares		June 2007	June 2006
Issued ordinary shares at 1 July	14	130,488,626	106,233,363
Effect of shares issued during the period		42,101,057	14,391,991
Weighted average number of ordinary shares at 30 June		**172,589,683**	**120,625,354**
Effect of in-the-money options		934,880	7,857,197
Weighted average diluted number of ordinary shares at 30 June		**173,524,563**	**128,482,551**
Earnings per share			
Basic earnings per share (cents)		0.32	0.55
Diluted earnings per share (cents)		0.32	0.52

	Consolidated		The Company	
	2007 $	2006 $	2007 $	2006 $

4. AUDITORS' REMUNERATION

Audit Services - KPMG	**55,980**	28,436	**55,980**	28,436

5. INCOME TAX EXPENSE

The major components of income tax expenses are:

(a) Income Statement

Current income tax				
Current income tax charge	**52,097**	172,723	**52,095**	172,812
Deferred income tax				
Carried forward tax losses recognised	**(52,097)**	(172,723)	**(52,095)**	(172,812)
Income tax expense (income) reported in the income statement	**-**	-	**-**	-

The aggregate amount of income tax attributed to the financial period differs from the amount calculated on the operating loss. The differences are recorded as follows:

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
Accounting Profit	**549,823**	668,640	**549,818**	668,939
Prima facie tax payable at 30%	**164,947**	200,592	**164,945**	200,681
Add tax effect of:				
Permanent differences	**(112,850)**	(27,869)	**(11,280)**	(27,869)
DTA not brought to account		-		-
Carried forward tax losses recognised	**(52,097)**	(172,723)	**(52,095)**	(172,812)
Income tax expense on loss	**-**	-	**-**	-

(b) Deferred income tax

Deferred income tax at 30 June relates to the following:

Deferred tax liabilities				
Capitalised Exploration Expenditure	**(5,719,911)**	(3,912,785)	**(2,700,435)**	(2,093,364)
Investment in derivative financial instruments	**439,440**	(439,440)	**439,440**	(439,440)
	(5,280,471)	(4,352,225)	**(2,260,995)**	(2,532,804)
Deferred tax assets				
Provisions and accruals	**6,646**	12,124	**6,646**	12,124
Tax value of losses recognised	**5,273,825**	4,340,101	**2,254,349**	2,520,680
	5,280,471	4,352,225	**2,260,995**	2,532,804

(c) Tax Losses

At 30 June 2007, the consolidated group has 22,740,246 (2006: 17,405,456) of tax losses that are available indefinitely for offset against future taxable profits of the Company. No deferred tax assets have been recognised on the Balance Sheet in respect of the amount of these losses.

Deferred tax assets in respect of tax losses not brought to account	**1,548,249**	953,415	**1,628,691**	879,821

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which th consolidated entity can utilise the benefits from.

6. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**17,538,052**	842,324	**17,538,052**	542,653

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $

7. TRADE AND OTHER RECEIVABLES

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Current				
Trade debtors	**327,694**	220,759	**327,694**	220,200
Prepayments	**34,029**	131,371	**34,029**	128,414
	361,723	352,130	**361,723**	348,614
Non-current				
Loans to controlled entities	**-**	-	**9,873,796**	5,906,547
Impairment of loan	**-**	-	**(881,229)**	(778,133)
Security Deposits	**173,594**	109,399	**165,794**	101,597
	173,594	109,399	**9,158,361**	5,230,011

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

In the financial statements of the Company, investments in associates are accounted for at cost and included with other financial assets. The consolidated entity accounts for investments in associates using the equity method. The consolidated entity has the following investments in associates:

	Principal Activities	Country	Reporting Date	Ownership 2007	Ownership 2006
Black Rock Minerals Pty Ltd	Exploration	Australia	30 June	**34.5%**	34.5%

	Revenues (100%)	Profit/(loss) (100%)	Share of associates net profit/(loss) recognised	Total Assets (100%)	Total Liabilities (100%)	Net assets as reported by associates (100%)	Share of associate's net assets equity accounted
2007	**3,000**	**-**	**-**	**1,450,000**	**-**	**1,450,000**	**500,000**
2006	12,905	-	-	1,450,000	-	1,450,000	500,000

(b) Commitments

	Consolidated 2007	Consolidated 2006
Share of associates capital commitments contracted but not provided for or payable		
Within one year	**76,717**	96,552
One year or later and no later than five years	**244,914**	-
Later than 5 years	**-**	-
	321,631	96,552

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$

9. OTHER FINANCIAL ASSETS

Investments in controlled entities	**-**	-	**2,079,825**	1,210,545
Provision for diminution in value of controlled entities	**-**	-	**(999,672)**	(921,819)
Investment in derivative financial instruments*	**-**	1,464,800	**-**	1,464,800
Investment in associates at cost	**-**	-	**500,000**	500,000
	-	1,464,800	**1,580,153**	2,253,526

* The Company disposed of its interest in 2,000,000 options in White Energy Ltd (ASX: WEC) during the year for net proceeds of $2,700,000.

10. PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

Cost				
Balance at 1 July	**214,993**	195,422	**159,734**	188,967
Acquisitions	**793,222**	83,042	**793,222**	34,238
Disposals	**(55,598)**	(63,471)	**(340)**	(63,471)
Balance 30 June	**952,617**	214,993	**952,616**	159,734
Depreciation				
Balance at 1 July	**(84,948)**	(73,515)	**(81,567)**	(72,784)
Charge for the year	**(64,140)**	(34,388)	**(64,140)**	(31,739)
Disposals	**3,636**	22,955	**256**	22,956
Balance 30 June	**(145,452)**	(84,948)	**(145,451)**	(81,567)
Carrying amount at end of year	**807,165**	130,045	**807,165**	78,167

11. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest held in the exploration and evaluation phases:	**19,066,372**	13,042,617	**9,001,451**	6,977,881
Represented by:				
Costs brought forward at beginning of financial year	**13,042,617**	8,745,257	**6,977, 881**	7,558,623
Expenditure incurred during year	**5,171,092**	2,473,945	**2,045,809**	1,292,403
Expenditure written off during year	**(176,291)**	(186,637)	**(9,637)**	(40,031)
Expenditure recovered	**(12,603)**	-	**(12,603)**	-
Interests acquired during year	**1,041,556**	2,010,052	**-**	-
Interests disposed of during year	**-**	-	**-**	(1,833,114)
Total	**19,066,372**	13,042,617	**9,001,451**	6,977, 881

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.

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $

12. TRADE AND OTHER PAYABLES

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
CURRENT				
Trade creditors	**497,597**	1,403,292	**497,596**	392,824
Accrued expenses	**197,083**	30,000	**197,083**	30,000
Other long term liabilities	**500,000**	-	**500,000**	-
Total trade and other payables	**1,194,680**	1,433,292	**1,194,679**	422,824

13. PROVISIONS

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
CURRENT				
Employee benefits	**27,566**	10,414	**27,566**	10,414

This provision sets out the statutory annual leave provision for the Company's employees. All amounts are expected to be settled within 12 months. The Company has no employee share plans in place. Refer to note 23 for details of share based payments.

14. CONTRIBUTED EQUITY

ISSUED AND PAID-UP SHARE CAPITAL

217,868,625 (2006: 130,488,626) ordinary shares fully paid

	Consolidated and Company			
	Number of shares 2007	$ 2007	Number of shares 2006	$ 2006
(a) Ordinary shares				
Balance at 1 July	**130,488,626**	**18,929,275**	106,233,363	15,178,684
Shares issued:				
Exercise of options	**38,474,999**	**7,694,733**	1,595,532	319,106
Shares issued for project acquisition	**-**	**-**	694,444	125,000
Share Issue under rights issue for cash	**-**	**-**	17,705,561	2,655,834
Share issue to underwriter	**8,000,000**	**1,600,000**	759,726	113,959
Shares issued for cash	**40,900,000**	**12,270,000**	3,500,000	700,000
Transaction costs	**-**	**(376,168)**	-	(163,308)
Balance at 30 June	**217,863,625**	**40,117,840**	130,488,626	18,929,275

Effective 1 July 1998, the Corporations Legislation in place abolished the concept of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares. Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Consolidated and Company	
	Number 2007	Number 2006
(b) Movements in Options over ordinary shares on issue		
Listed Options (exercisable at 20 cents on or before 28/08/2008)		
Balance at 1 July	**39,925,780**	41,521,314
Exercise of options	**(37,974,999)**	(1,595,534)
Expiry of options	**(1,950,781)**	-
Balance at 30 June	**-**	39,925,780
Unlisted Options		
Balance at 1 July	**1,500,000**	3,200,000
Exercise	**(500,000)**	-
Expiry of options	**-**	(1,700,000)
Issue of options	**37,220,000**	-
Balance at 30 June	**38,220,000**	1,500,000

	Consolidated		The Company	
	2007 $	2006 $	2007 $	2006 $

15. RESERVES

Share Based Payments Reserve				
Balance at beginning of year	**141,035**	55,010	**141,035**	55,010
Issue of management options (i)	**488,663**	86,025	**488,663**	86,025
Balance at end of year	**629,698**	141,035	**629,698**	141,035

(i) Refer to note 23 for terms and conditions of management options.

16. ACCUMULATED LOSSES

Accumulated losses at beginning of year	**(4,072,701)**	(4,980,941)	**(4,072,696)**	(4,980,935)
Adjustment on initial adoption of AASB132 and AASB139	**-**	239,600	**-**	239,600
Net earnings / (loss) attributable to members of the parent entity	**549,823**	668,640	**549,818**	668,639
Accumulated losses at the end of the year	**(3,522,878)**	(4,072,701)	**(3,522,878)**	(4,072,696)

17. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk

Interest rate risk exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below.

	Consolidated				
	Note	Weighted Average Interest rate	Floating Interest rate $	Non – Interest Rate Bearing $	Total $
2007					
Financial assets					
Cash and cash equivalents	6	6.14%	17,538,052	-	17,538,052
Current receivables			-	327,694	327,694
Non-current receivables			-	173,594	173,594
			17,538,052	501,288	18,039,340
Financial liabilities					
Payables			-	1,194,680	1,194,680
Provisions			-	27,566	27,566
			-	1,222,246	1,222,246
2006					
Financial assets					
Cash and cash equivalents	6	5.00%	842,324	-	842,324
Derivative Financial assets	9	-	-	1,464,800	1,464,800
			842,324	1,464,800	2,307,124
Financial liabilities					
Payables			-	1,433,292	1,433,292
Provisions			-	10,414	10,414
			-	1,443,706	1,443,706

Note: All financial instruments reprice within 6 months.

(b) Credit risk exposures

The credit risk on financial assets of the Consolidated entity and Company, which have been recognised in the statement of financial position, is the carrying amount, net of any provisions.

(c) Net fair values of financial assets and liabilities

The carrying amount of financial assets and liabilities approximates net fair value. Derivative financial instruments are recorded at fair value.

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$

18. COMMITMENTS

LEASES AS LESSEE

Non cancellable operating lease rental are payable as follows:

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Less than one year	**76,717**	75,980	**76,717**	75,980
Between one and five years	**244,914**	361,520	**244,914**	361,520
More than five years	**-**	-	**-**	-
	321,631	437,500	**321,631**	437,500

The Consolidated entity 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

EXPLORATION EXPENDITURE COMMITMENTS

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

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$
Within one year	**4,390,024**	2,264,000	**1,921,000**	1,344,000

19. CONTROLLED ENTITIES

	Country of Incorporation	Percentage of Equity Interest held by the consolidated entity	
Parent entity			
Exco Resources Ltd			
		2007	2006
		%	%
Subsidiaries			
Exco Resources (WA) Pty Ltd	Australia	**100**	100
Mitchell River Exploration Pty Ltd	Australia	**100**	100
Exco Operations (SA) Ltd[3]	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 Beijing Co, Ltd[1]	China	**-**	100
China Mining Investments Pty Ltd[1]	Australia	**-**	100
Exco Resources (SA) Pty Ltd[2]	Australia	**100**	100
Exco Resources (QLD) Pty Ltd[2]	Australia	**100**	-

[1] China Mining Investments Pty Ltd & Exco Resources Beijing Co. Ltd were sold by the Company during the year, refer to note 20.

[2] Refer note 20.

[3] Bimba Mining Ltd changed its name to Exco Operations (SA) Ltd effective 18 September 2006.

20. ACQUISITION/SALE OF SUBSIDIARIES

30TH JUNE 2007 ACQUISITION OF EXCO RESOURCES (QLD) PTY LTD

On 6 September 2006, Exco Resources Ltd acquired 100% of the voting shares of Exco Resources (QLD) Pty Ltd (formerly Haddington Gold Pty Ltd). Exco will pay Haddington Resources Ltd $1 million in cash, with $500,000 paid during the period and $500,000 payable 12 months from settlement. The second instalment may be satisfied via fully paid ordinary shares in the Company at Haddington's election. A royalty of up to $500,000 is payable from a 2% NSR on production from the properties.

From the date of acquisition, Exco Resources (QLD) Pty Ltd has contributed nil to revenue and has not contributed to the net profit of the consolidated entity. The fair value of identifiable assets and liabilities of Exco Resources (QLD) Pty Ltd as at the date of acquisition are:

	Carrying amount pre-acquisition $	Fair value adjustments $	Recognised value $
Exploration and evaluation expenditure	1,332,771	(291,215)	1,041,556
Consideration:			
Costs associated with the acquisition			**41,556**
Cash paid			**500,000**
Deferred settlement (paid 6 September 2007)			**500,000**
Total Consideration			1,041,556

Sale of China Mining Investments

During the year Exco Resources Ltd sold 100% of the voting shares of China Mining Investments Pty Ltd (CMI) which owned 100% of the voting shares of Exco Resources Beijing Co, Ltd. Exco sold the investment for $344,600 in cash realising a loss on sale of $2,278.

The fair value of identifiable assets and liabilities of CMI as at the date of sale were:

	Recognised value $
Net Assets	346,878
Total consideration received	344,600
Loss on sale of subsidiary	(2,278)

30 JUNE 2006 ACQUISITION OF EXCO RESOURCES (SA) PTY LTD

On 17 January 2006, Exco Operations (SA) Ltd (100% subsidiary of Exco Resources Ltd) acquired 100% of the voting shares of Exco Resources (SA) Pty Ltd (formerly Polymetals (SA) Pty Ltd). This Company holds 40% of the White Dam Project. The effective date control passed was 1 January 2006.

Exco Operations (SA) Ltd paid $2,000,000 of which $1,000,000 was paid at the date of acquisition with the balance of $1,000,000 paid on 30 November 2006. From the date of acquisition, Exco Resources (SA) Pty Ltd has contributed nil to revenue and has not contributed to the net profit of the consolidated entity. The fair value of identifiable assets and liabilities of Exco Resources (SA) Pty Ltd as at the date of acquisition were:

	Carrying amount pre-acquisition	Fair value adjustments	Recognised value
Exploration and evaluation expenditure	425,913	1,586,892	2,012,805
Consideration:			
Costs associated with the acquisition			12,805
Cash paid			1,000,000
Deferred settlement (paid 15 November 2006)			1,000,000
Total Consideration			**2,012,805**

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$

21. NOTES TO THE STATEMENTS OF CASH FLOWS

Profit after income tax	**549,823**	668,640	**549,818**	668,639
Add/(less) items classified as investing/financing activities:				
Gain on sale/revaluation of derivatives	**(1,235,200)**	(1,225,200)	**(1,235,200)**	(1,225,200)
(Profit)/loss on sale of non-current assets	**-**	(4,952)	**-**	(4,953)
Add/(less) non-cash items:				
Impairment of subsidiary receivables	**-**	-	**103,096**	29,409
Impairment of investment in subsidiaries	**-**	-	**77,853**	139,750
Amounts written off for non-recovery of exploration expenditure	**176,291**	186,637	**9,637**	40,031
Recovery of funds from JV Partner	**12,603**	-	**12,603**	-
Share based payments settled via options	**65,250**	-	**65,250**	-
Depreciation	**64,678**	34,388	**64,678**	31,739
Net cash used in operating activities before change in assets and liabilities	**(366,555)**	(340,487)	**(352,262)**	(320,585)
Increase in trade debtors and prepayments	**(9,593)**	(96,544)	**(13,109)**	(96,286)
Increase in accounts payable and provisions	**142,768**	64,900	**145,890**	34,533
Net cash used in operating activities	**(233,380)**	(372,131)	**(219,484)**	(382,338)

22. RELATED PARTY DISCLOSURES

(a) Details of key management personnel

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

(i) Directors

Barry Sullivan - Non-Executive Chairman - Appointed 25th October 2005

Michael Anderson - Managing Director - Appointed 13th April 2006

Alasdair Cooke - Executive Director - Appointed 28th August 2001

Craig Burton - Non-Executive Director - Appointed 28th August 2001

Christopher Melloy - Appointed 25th October 2005 resigned 17th May 2007

Peter Geddes - Appointed 25th October 2005 (Alternate Director to Christopher Melloy) resigned 17th May 2007

(ii) Executives

Mark Freeman - Company Secretary

Bruce McLarty - General Manager

There are no other persons within the consolidated entity who are classified as key management personnel

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
(b) Compensation of key management personnel by category				
Short term	683,415	302,901	683,415	302,901
Post employment	62,868	27,379	62,868	27,379
Share-based payment	328,167	-	328,167	-
	1,074,450	330,280	**1,074,450**	330,280

The Company has taken advantage of the relief provided by ASIC Class Order 06/05 and has transferred the detailed remuneration disclosures to the directors' report. The relevant remuneration can be found in sections (a) to (e) of the remuneration report in the directors' report disclosures.

(c) Compensation options granted and vested during the year

Details of options provided as remuneration to key management personnel are included in section (c) of the remuneration report in the directors' report disclosures

(d) Shares issued on exercise of compensation options

There were 500,000 shares issued on exercise of compensation options during the year.

(e) Option holdings of key management personnel

	Held at 1 July 2006	Granted/ (other)	Exercised / Expired	Sold / Other	Held at 30 June 2007	Exercisable
Directors						
B. Sullivan	-	-	-	-	-	-
M. Anderson	-	1,500,000	(500,000)	-	1,000,000	-
C. Melloy	-	-	-		-	-
P. Geddes	-	-	-		-	-
C. Burton	-	-	-		-	-
A. Cooke	7,776,056	1,333,333	(7,776,056)	-	1,333,333	1,333,333
Executives						
M. Freeman	-	500,000		-	500,000	250,000
B. McLarty	-	1,500,000	-	-	1,500,000	1,000,000

	Held at 1 July 2005	Granted/ (other)	Exercised / Expired	Sold / Other	Held at 30 June 2006	Exercisable
Directors						
B. Sullivan	-	-	-	-	-	-
M. Anderson	-	-	-	-	-	-
A. Cooke	7,776,056	-	-	-	7,776,056	7,776,056
C. Burton	4,900,000	-	-	(4,900,000)	-	-
P. Geddes	-	-	-	-	-	-
C. Melloy	-	-	-	-	-	-
R. Holliday-Smith (i)	1,246,700	-	-	(1,246,700)	-	-
A. Hood (i)	968,700	-	-	(968,700)	-	-
Executives						
M. Freeman	500,000	-	-	(500,000)	-	-
B. McLarty	-	-	-	-	-	-

(i) Messrs Holliday-Smith and Hood resigned as directors on 29 November 2005.

(f) Shareholdings of key management personnel

	Balance 1 July 2006	Acquired / (Sold)	On Exercise of Options	Net Change Other	Balance 30 June 2007
Directors					
B. Sullivan	-	50,000	-	-	50,000
M. Anderson	-	250,000	500,000		750,000
C. Melloy	-	-	-	-	-
P. Geddes	-	-	-	-	-
C. Burton	9,240,262	1,000,000	-	(4,240,262)	6,000,000
A. Cooke	4,732,170	1,666,667	7,776,056	-	14,174,893
Executives					
M. Freeman	-	300,000	-	(100,000)	200,000
B McLarty	-	-	-	-	-

	Balance 1 July 2005	Acquired / (Sold)	On Exercise of Options	Net Change Other	Balance 30 June 2006
Directors					
R. Holliday-Smith [i]	410,486	-	-	(410,486)	-
A. Hood [i]	1,953,402	325,568	-	(2,278,970)	-
C. Burton	7,920,223	1,320,039	-	-	9,240,262
A. Cooke	4,621,058	111,112	-	-	4,732,170
M. Anderson	-	-	-	-	-
B. Sullivan	-	-	-	-	-
P. Geddes	-	-	-	-	-
C. Melloy	-	-	-	-	-
Executives					
M. Freeman	161,333	(161,333)	-	-	-
B McLarty	-	-	-	-	-

(g) Loans to key management personnel

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

(h) Other transactions and balances with key management personnel

A number of directors and executives, 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 these entities

Services

Mitchell River Group Pty Ltd, a mining consulting firm of which Mr Craig Burton and Mr Alasdair Cooke are directors, received fees of $247,250 (2006: $231,927) in respect of the provision of legal services, office rent, secretarial and book-keeping services, rental of field equipment and office cost recovery provided to the Company in the ordinary course of business on an arms length basis.

Hartree Pty Ltd, a mining consulting firm of which Mr Alasdair Cooke is a director, has received fees of $25,000 (2006: $30,000) in respect of database access and nil (2006: $25,991) in respect of field equipment rental and office cost recovery provided to the Company in the ordinary course of business.

Mirabela Nickel Ltd, a firm of which Mr Burton is a Director, received fees of nil (2006: $31,651) in respect of office rent recovery and secretarial services provided to the Company in the ordinary course of business.

Meccano Pty Ltd, a firm of which Mr Freeman is a Director, received fees of $42,583 (2006: $18,835) in respect of bookkeeping services, secretarial and office rent 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 Ltd (the ultimate Parent Entity in the wholly owned group) and its controlled entities (see Note 19). During the year Exco Resources Ltd entered into loans with related parties were advanced on long and short term inter-Company accounts.

These loans had the following terms and conditions:

(i) Loans with related parties are repayable on demand, with repayment not expected to occur within 12 months; and

(ii) No interest is payable on the loans.

Loans with controlled entities are disclosed in Note 7.

23. EMPLOYEE BENEFITS

DETAILS OF OPTIONS GRANTED AND VESTED DURING THE YEAR ENDED 30 JUNE 2007

Employee Share Scheme - During the year the Company issued incentive options to directors and consultants as detailed in the table below.

Holders	Number of options granted during 2007	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options granted during 2007
Directors *						
Michael Anderson	1,500,000	07/09/2006	0.1484	0.20	30/4/10	500,000
Executives **						
Bruce McLarty	1,500,000	07/09/2006	0.1361	0.20	30/4/10	1,000,000
Steve Konecny	1,500,000	07/09/2006	0.1266	0.25	30/8/10	500,000
Mark Freeman	500,000	07/09/2006	0.1266	0.25	30/8/10	500,000

* Valuation of Director Options

The Options have been valued by the Company's independent advisers, Stanton Partners Corporate Pty Ltd, using the Black & Scholes Model. Their assessment of the value of the Director Options is based upon the following assumptions:

1. The Black Scholes option valuation methodology has been used. The comments in AASB 2 were considered on the use of Black Scholes methodology and this methodology was chosen particularly after taking into account Option vesting conditions.
2. The valuation date is as at 30 June 2006 although the options will not be granted until mid August 2006. The grant date was assumed as 15 August 2006.
3. The exercise price of the Options is 20 cents each.
4. The expiry date of the Options is 30 April 2010.
5. The closing share price of a Share as at 30 June 2006 is 24 cents.
6. The risk free interest rate (Treasury Bonds rate) was approximately 5.87%.
7. Volatility of 75% was used.
8. Based on the above assumptions and comments, the fair value of the Options are 14.84 cents each.

** Valuation of Executive Options

The Options have been valued by the Company's independent advisers, Stanton Partners Corporate Pty Ltd, using the Binomial Option Valuation Methodology. Their assessment of the value of the Executive Options is based upon the following assumptions:

1. The Binomial Option Valuation Methodology has been used.
2. The valuation date (grant date under A-IFRS) is as at 7 September 2006, the date the terms and conditions were agreed to between Exco and the recipient of the various classes of Options.
3. The closing share price of a fully paid Exco share as at 7 September 2006 was 26.5 cents.

4. The risk free interest rate is approximately 5.87%.
5. Volatility of 75% was used.
6. The McLarty Options have vesting conditions in that 1,000,000 of the McLarty Options cannot be exercised until 12 months service has been completed from granting of the McLarty Options and 500,000 McLarty Options do not vest until Exco has secured project finance on the White Dam Gold Project. The Konecny Options vest as to 500,000 on 30 June 2007, 500,000 on 30 June 2008 and 500,000 on Exco obtaining a JORC 50Mt resource or 500,000 T of contained copper in the Cloncurry Copper Project. The Freeman Options cannot be exercised as to 250,000 on 30 June 2007 and 250,000 on 30 June 2008.
7. Based on the above assumptions and comments, the fair values of the various classes of Options (one Option) are as follows:

   McLarty Options 13.61 cents
   Konecny Options 12.66 cents
   Freeman Options 12.66 cents

24. SEGMENTS

PRIMARY REPORTING

The consolidated entity operates predominately in the field of mining, exploration and development

SECONDARY REPORTING – GEOGRAPHICAL SEGMENTS

	Australia	China	Consolidated
	$	$	$
2007			
External segment revenue	1,615,686	-	1,615,686
Segment operating profit	549,823	-	549,823
Depreciation	(64,678)	-	(64,678)
Write down of exploration expenditure	(176,291)	-	(176,291)
Segment assets by location	38,446,906	-	38,446,906
Acquisition of non-current assets	5,300,270	-	5,300,270
Segment liabilities by location	1,222,246	-	1,222,246
2006			
External segment revenue	1,283,194	-	1,283,194
Segment operating profit/(loss)	827,961	(159,321)	668,640
Depreciation	(31,739)	(2,649)	(34,388)
Write down of exploration expenditure	(30,697)	(155,940)	(186,637)
Segment assets by location	16,086,249	355,066	16,441,315
Acquisition of non current assets	5,681,039	50,259	5,731,298
Segment liabilities by location	1,432,990	10,717	1,443,707

25. EVENTS SUBSEQUENT TO BALANCE DATE

In August 2007 the Company issued the following unlisted 6,900,000 options exercisable at 40 cents on or before 30 June 2010 which vest pro-rata over a 2 year period of continued employment to key management personnel and other consultants.

Following shareholder approval on 10 August 2007 the Company type was varied to a Limited Company and the name of the Company was changed to Exco Resources Ltd.

On the 31 August 2007, the Company issued 2,000,000 shares to Haddington Resources Ltd to settle its final installment in respect of the acquisition of Haddington's interests in the Cloncurry district of Northwest Queensland.

Other than as stated above there have been no other events subsequent to balance date which would have a material effect on the groups financial statements at 30 June 2007.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Exco Resources Ltd ("the Company"):

   (a) the financial statements and notes and the remuneration disclosures contained in section (a) to (e) in the Remuneration Report of the Directors Report are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1 (b); and

   (c) the remuneration disclosures contained in sections (a) to (e) of the Remuneration Report in the Directors Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and

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

   (e) this declaration has been made after receiving the declarations required from the Managing Director and Chief Financial Officer to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2007.

Dated at Perth this 24th day of September 2007.

Signed in accordance with a resolution of the directors

Michael Anderson
Managing Director

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

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Exco Resources Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in sections 11.(a), (b), (c), (d) and (e) of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1.(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards but that the financial report of the Company does not comply.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

KPMG

opinion on the effectiveness of the entity's internal controls. 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 and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

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

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.(b).

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in sections 11.(a), (b), (c), (d) and (e) of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

K Smout
Partner

Perth
24 September 2007

CORPORATE GOVERNANCE

The Board of Directors of Exco Resources Ltd are committed to good corporate governance taking into account the Company's size and activities and has a range of policies and processes in place to ensure the rights of the Company and our shareholders are protected.

In March 2003, the Australian Stock Exchange Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations"). This document is for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations; to identify any recommendations that have not been followed and reasons for not doing so. The Company's Board of Directors has reviewed the recommendations. In a limited number of instances, the Company may determine not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australian Stock Exchange ("ASX") Corporate Governance Council recommendations, unless otherwise stated.

The Company's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows

- Lay solid foundations for management and oversight
- Structure the board to add value
- Promote ethical and responsible decision making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Recognise and manage risk
- Encourage enhanced performance
- Remunerate fairly and responsibly
- Recognise the legitimate interests of stakeholders

For further information on corporate governance policies adopted by the Company, refer to our website: www.excoresources.com.au

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

The Company is engaged in exploration and evaluation of mining interest. The Company is in transition from an explorer to a producer over the next year. The critical skills required by the Board in pursuing the Company's business plan at this relatively early stage of its development are expert geological and exploration and evaluation 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 (refer to the biographies in the Director's Report) and as the Company's business plan progresses will add new directors as and when complimentary skills are required.

The Board presently comprises three non-executive directors, an executive director and the Managing Director. The Chairman, Mr Sullivan, is the only independent director at this time as Messrs Burton and Cooke are contracted to provide ongoing consulting work and Mr Anderson is employed in a full time capacity. The Company primarily has consultants providing technical services with one full time staff person. 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 in conjunction with the Chairman, Managing Director and Company Secretary and is circulated in advance.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Mr B Sullivan	2 Year
Mr M Anderson	2 Year
Mr C Burton	6 Years
Mr A Cooke	6 Years

Director education

The consolidated entity has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity 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 consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council 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, the Chairman, Mr B Sullivan, is considered to be independent.

Therefore, as the Board currently consists of only four board members in total, the majority of the Board are not independent. Recommendation 9 states that non-executive directors should not receive options or bonus payments. The Company intends to continue its policy of awarding options or other securities to non-executive directors as it considers this to be a reasonable and appropriate method of assisting in attracting and retaining suitably skilled board members.

Nomination committee

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2007, 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:

- Utilize 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.

CONTINUOUS DISCLOSURE POLICY

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

Therefore to meet this obligation the Company undertakes to:

- Notify the ASX immediately if it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the Company's securities, unless that information is not required to be disclosed under the listing rules;
- Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
- Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

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

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

Information not disclosed via ASX announcement that might be considered share price sensitive will not be discussed with any external parties. 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 consolidated entity during the year, changes in the state of affairs and details of future developments.
- The half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investment Commission and the ASX, and sent to any shareholder who requests it.
- Quarterly reports are prepared in accordance with ASX listing rules and in summary form are distributed to all shareholders.
- Proposed major changes in the consolidated entity 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 emailed to all shareholders who lodge their email 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.

SHARE TRADING POLICY

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

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

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

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

CONFLICT OF INTEREST

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

REMUNERATION AND PERFORMANCE ASSESSMENT

REMUNERATION COMMITTEE

Recommendation 9.2 requires listed entities to establish a remuneration committee. During the year ended 30 June 2007, the Company did not have a separate remuneration 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.

REMUNERATION POLICIES

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Managing Director and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and Motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of the Company.

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders.

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to note 22 (a) to (h) of the notes to the financial report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

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

PERFORMANCE

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be asked to retire.

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 consolidated entity'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 consolidated entity 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 consolidated entity's vision and strategy, designed to meet stakeholder's needs and manage business risks.

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

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 consolidated entity's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

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

The Company does not currently comply with the Recommendations. During the year ended 30 June 2007, 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 and as a result the Company disbanded the Audit Committee.

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 consolidated entity.

The board, 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 consolidated entity. The Managing Director and the Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 30 June 2007 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.

The external audit lead audit partner was last rotated in 2006 and the current partner will be rotated off for the 2012 year.

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 consolidated entity.

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.

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

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 24 September 2007

Name of Shareholder	Total Number of Voting Share in Exco Resources Ltd in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Ivanhoe Australia Ltd	26,400,000	12.01%
Lion Selection Group Limited	23,075,165	10.50%
Mr Alasdair Campbell Cooke	15,784,988	7.18%

CLASS OF SHARES AND VOTING RIGHTS

As at 24 September 2007 there were 2,273 holders of 219,863,625 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	46	9,657
1,001 – 5,000	361	1,166,967
5,001 – 10,000	407	3,528,456
10,001 – 100,000	1234	44,600,781
100,001 and over	225	170,557,764
Total	2273	219,863,625

The number of shareholders holding less than a marketable parcel of shares is 85.

ASX ADDITIONAL INFORMATION

LISTING OF 20 LARGEST SHAREHOLDERS (As at 24 September 2007)

NAME OF ORDINARY SHAREHOLDER	NUMBER	PERCENTAGE
IVANHOE AUSTRALIA LTD	26,400,000	12.01%
LION SELECTION GROUP LIMITED	23,075,165	10.50%
MR ALASDAIR CAMPBELL COOKE	15,784,988	7.18%
ANZ NOMINEES LIMITED	13,077,160	5.95%
HSBC CUSTODY NOMINEES	6,537,504	3.00%
MR CRAIG BURTON	6,000,000	2.73%
EASTERN GOLDFIELDS EXPLORATION	5,710,000	2.60%
PIRANHA NOMINEES PTY LTD	4,400,000	2.00%
WM CLOUGH PTY LTD	2,673,333	1.22%
MR BARRY LEVY & MR GEOFFREY LEVY	2,091,432	0.95%
MACQUARIE BANK LIMITED	2,000,000	0.91%
MANDEL PTY LTD	2,000,000	0.91%
MR MATHEW GORDON MCGAVIN	1,600,000	0.73%
TRUST COMPANY SUPERANNUATION SERVICES	1,548,471	0.70%
RBC SECURITIES NOMINEES PTY LTD	1,510,000	0.69%
BURLS HOLDINGS PTY LTD	1,452,882	0.66%
HASL INVESTMENTS PTY LTD	1,408,446	0.64%
MR COLIN REGINALD COLE	1,000,000	0.45%
KINAR PTY LTD	1,000,000	0.45%
MICHAEL RICHARD ANDERSON	750,000	0.34%
TOTAL	**120,019,381**	**54.62%**

UNQUOTED AND ESCROWED EQUITY SECURITIES

Securities	Number	Number of Holders	Name of Holders (>20%)	Number Held
Exercisable at $0.30 on or before 31/12/07	1,000,000	1	Parati Pty Ltd <Parati AC>	1,000,000
Exercisable at $0.20 on or before 30/4/10	2,500,000	2	Michael Anderson	1,000,000
			Bruce McLarty	1,500,000
Exercisable at $0.25 on or before 30/08/10	2,000,000	2	Steven Konecny	1,500,000
			Mark Freeman	500,000
Exercisable at $0.40 on or before 30/06/10	6,900,000	17	-	-
Exercisable at $0.35 on or before 01/06/08	32,720,00	42	Ivanhoe Australia Ltd	21,120,000

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
Diorite Hill (WA)	E 69/1625	100%	Pending
Mt William (WA)	E 70/2338	100%	Pending
Windera (NSW)	EL 6161	(Hibernia JV) Exco 49%	Granted
Drew Hill (SA)	EL 3309	100%	Granted
	EL 3257	100%	Granted
	EL 3476	100%	Granted
	EL 3136	100%	Granted
	EL 3137	100%	Granted
	EL 3138	100%	Granted
	EL 3406	100%	Granted
	EL 3407	100%	Granted
	EL 3408	100%	Granted
	ML 6275	100%	Granted
	MPL 95	100%	Granted
Cloncurry (QLD)	EPM 4885	100%	Granted
	EPM 5476	100%	Granted
	EPM 7051	90%	Granted
	EPM 7085	90%	Granted
	EPM 8127	90%	Granted
	EPM 8272	100%	Granted
	EPM 8329	100%	Granted
	EPM 8609	100%	Granted
	EPM 8763	100%	Granted
	EPM 9179	100%	Granted
	EPM 9593	100%	Granted
	EPM 11675	BHPB /Exco Alliance	Granted
	EPM 12059	BHPB /Exco Alliance	Granted
	EPM 13091	Matrix Deed[1]	Granted
	EPM 13137	100%	Granted
	EPM 13708	Matrix Deed[1]	Granted
	EPM 13987	100%	Granted
	EPM 13988	100%	Granted
	EPM 14033	(Ivanhoe JV) 100%	Granted
	EPM 14073	Matrix Deed[1]	Granted
	EPM 14201	100%	Granted
	EPM 14276	100%	Granted
	EPM 14295	100%	Granted
	EPM 14429	100%	Granted
	EPM 14446	Matrix Deed[1]	Granted
	EPM 14557	100%	Granted
	EPM 15103	100%	Granted
	EPM 15207	100%	Granted
	EPM 15396	100%	Granted
	EPM 15740	100%	Pending
	EPM 15868	100%	Granted
	EPM 15870	100%	Pending
	EPM 15923	100%	Pending
	EPM 16172	100%	Pending
	EPM 16173	100%	Pending
	EPM 16174	100%	Pending
	EPM 16175	100%	Pending
	EPM 16199	100%	Pending
	EPM 16297	100%	Pending
	ML 2640	Matrix Deed[1]	Granted

Tenement	Number	Exco Interest	Status
	ML 2695	100%	Granted
	ML 2751	100% Sulphide Rights	Granted
	ML 6710	100% Sulphide Rights	Granted
	ML 6709	100%	Granted
	ML 7122	100% Sulphide Rights	Granted
	ML 7502	100%	Granted
	ML 7510	100% Sulphide Rights	Granted
	ML 90008	100%	Granted
	ML 90065	100% Sulphide Rights	Granted
	ML 90108	100% Sulphide Rights	Granted
	ML 90157	100%	Granted
	ML 90160	100%	Pending
Hazel Creek (QLD)	EPM 7968	100%	Granted
	EPM 7971	100%	Granted
	EPM 7973	100%	Granted
	EPM 7981	100%	Granted
	EPM 8282	100%	Granted
	EPM 10906	100%	Granted
	EPM 11768	(Croyden JV) 100% Mineral Rights Excluding Limestone	Granted
	EPM 12291	100%	Granted
	EPM 13251	100%	Granted
	EPM 13353	100%	Granted
	EPM 13416	100%	Granted
	EPM 13702	100%	Granted
	EPM 14422	(Croyden JV) 100% Mineral Rights Excluding Limestone	Granted
	EPM 14430	100%	Granted
	EPM 14508	100%	Granted
	EPM 14583	100%	Pending
	EPM 15209	100%	Granted
	EPM 15412	100%	Granted
	EPM 15739	100%	Pending
	EPM 16415	100%	Pending
	ML 90159	100%	Pending
Soldiers Cap (QLD)	EPM 6788	(BHPB JV) 100%	Granted
	EPM 11169	(Ivanhoe JV) 100%	Granted
	EPM 11676	(Ivanhoe JV) 100%	Granted
	EPM 11867	100%	Granted
	EPM 12023	(Ivanhoe JV) 100%	Granted
	EPM 12060	(BHPB JV) 100%	Pending
	EPM 12285	(Ivanhoe JV) 100%	Granted
	EPM 12290	(Ivanhoe JV) 100%	Granted
	EPM 14275	(BHBP JV) Overburden Rights	Granted
	EPM 14434	100%	Granted
	EPM 14520	(Ivanhoe JV) 100%	Granted
	EPM 15208	100%	Granted
	EPM 16113	100%	Granted
Tringadee (QLD)	EPM 13709	(Ivanhoe JV) 100%	Granted
	EPM 13741	(Ivanhoe JV) 100%	Granted
	EPM 13770	(Ivanhoe JV) 100%	Granted
	EPM 14223	(Ivanhoe JV) 100%	Granted
	EPM 16177	(Ivanhoe JV) 100%	Pending
Black Rock (QLD)	EPM 14294	(XStrata JV) 34.5%	Granted
	EPM 14519	(XStrata JV) 34.5%	Granted
	EPM 15027	(XStrata JV) 34.5%	Granted

[1] Matrix shared rights on certain sub-blocks with Exco holding 100% rights on remaining sub blocks.

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