

20 April 2011

Market Release *(via electronic lodgement)*

Xstrata to acquire Cloncurry Copper Project for \$175 million

- Exco Resources Limited (**Exco**) is pleased to announce that it has entered into an agreement to sell the Cloncurry Copper Project (**CCP**) to Xstrata Copper (**Xstrata**) for \$175 million (the **Proposal**).
- Following completion of the Proposal, Exco's assets will include:
 - Approximately \$220 million in cash;
 - The Hazel Creek advanced stage copper-gold exploration project;
 - 75% interest in the White Dam Gold Joint Venture;
 - Great Australia copper royalty entitlement; and,
 - An additional 2,400km² of highly prospective exploration tenements in the Cloncurry region, including resources such as Mt Colin, and other advanced exploration projects.
- Post transaction Exco will be well funded for a major programme of drilling and test-work at Hazel Creek, where results have shown the existence of large areas of copper-gold-magnetite mineralisation with potential to define large tonnage, open-pit style deposits. Preparations are underway for this programme.
- After providing for exploration and business development budgets it is the current intention of the Exco Board to distribute up to \$100m of surplus funds to shareholders.

The Exco Board believes the Proposal is in the best interests of all shareholders and recommends that shareholders approve the Proposal.

A notice of meeting to seek approval of the Proposal will be distributed to shareholders in due course.

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Overview of the Proposal

Exco and Xstrata, via its wholly owned subsidiary Mount Margaret Mining Pty Ltd, have entered into an Asset Purchase Agreement (**APA**), pursuant to which Exco has agreed to sell the CCP¹ to Xstrata for \$175 million.

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

The APA contains other terms and conditions that are not unusual for a sale of this nature, including undertakings by Exco and various warranties, including in relation to title, due authorisation and disclosure materials provided by Exco to Xstrata

A summary of the key terms of the APA will be included in the explanatory material to accompany the notice of meeting.

Overview of Exco Post Completion

Immediately completion of this transaction, Exco's assets will include:

- **Approximately \$220 million in Cash:** Based on the proceeds from the Proposal, existing cash reserves and forecast cash flow from White Dam, Exco is expected to have a cash-backing of \$220 million, equivalent to \$0.62 cents per fully diluted share.
- **Hazel Creek Project:** Exco will be well funded for a major programme of work at the new discoveries made last year at Hazel Creek, where results have shown the existence of large areas of copper-gold-magnetite mineralisation with potential to define large tonnage, open-pit style deposits.
- **White Dam Gold Joint Venture (Exco 75%):** Located in South Australia approximately 80km from Broken Hill, Exco and its joint venture partner, Polymetals Mining Limited, delivered the White Dam Gold Mine with the first gold pour in April 2010. The project has repaid financing and recouped its capital cost in less than 10 months and has generated net pre-tax operating cash flow to Exco of \$38 million to the end of March 2011. White Dam is expected to produce a further 40koz (Exco share 30koz) from the remainder of the current reserve with good potential for additional resource extensions. Exco and Polymetals have access to over 700km² of granted exploration tenements surrounding White Dam.
- **Great Australia Royalty:** A royalty over the sulphide ores under the Great Australia Mining Lease in Cloncurry, which is being mined by CopperChem Limited pursuant to the terms of the Exco-CopperChem Alliance Agreement entered into in September 2009. Based on prevailing LME copper prices (US\$4.20/lb) and the current estimated 1.7 million tonnes of ore, it is expected that the royalty can generate gross cash to Exco of around A\$30 million over the next 4 years.
- **Other Cloncurry Exploration Projects:** A tenement package of approximately 2,400km² in the Cloncurry region which is highly prospective for further copper discoveries. Exco will be well funded to undertake proactive and targeted exploration / resource development programs across a range of established prospects including the Pumpkin Gully Projects, and is confident it can replicate the success of the CCP in identifying a new portfolio of resources. The focus will be on developing further high grade resources, at key targets including Salebury, Fisher Creek and Tanbah.

The focus of Exco following implementation of the Proposal will be to apply its funding and management expertise in adding further value to the continuing assets, and to actively seek appropriate asset acquisition opportunities.

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

Board Recommendation

The Exco Board believes the Proposal is in the best interests of shareholders and recommends that shareholders vote in favour of the Proposal.

The Board believes the value realised under this Proposal offers a greater return on equity to shareholders than pursuing the project as a stand-alone development, with the consequent cost of further equity and debt capital raisings, as well as the exposure to development and market related risks.

The cash delivered under this proposal, in addition to other cash flows, will allow Exco to make a substantial return to shareholders, many of whom have been patiently waiting for such an outcome for many years.

The cash retained by the Company allows a major exploration effort at the Company's other projects, particularly Hazel Creek, where there is good potential for further discoveries of a scale that may exceed the value created to date through the Companies development of the Cloncurry Copper Project.

Exco Managing Director, Michael Anderson said:

“Completion of the Proposal will be a transformational event for the Company as it will realise significant value for Exco shareholders. The Company has been very focused on growing the Cloncurry Copper Project and the proposed sale to Xstrata will provide a substantial return on investment for the benefit of all shareholders.

The Proposal will enhance Exco's ability to focus on growing its continuing asset base and reviewing and implementing an appropriate acquisitions strategy.”

Indicative Timetable

Exco will shortly issue a notice of meeting to seek shareholder approval for the Proposal. At this stage it is anticipated that the shareholder meeting will occur in early June

The notice of meeting will include an explanatory memorandum to provide shareholders with an assessment of the Proposal and the reasons for your Directors' recommendation.

Advisers

Gryphon Partners have acted as financial advisers to Exco and Blake Dawson have acted as legal advisers to Exco in relation to the Proposal.

Contact

For further information, please contact:

Michael Anderson	Managing Director	Tel: +61 8 9211 2000
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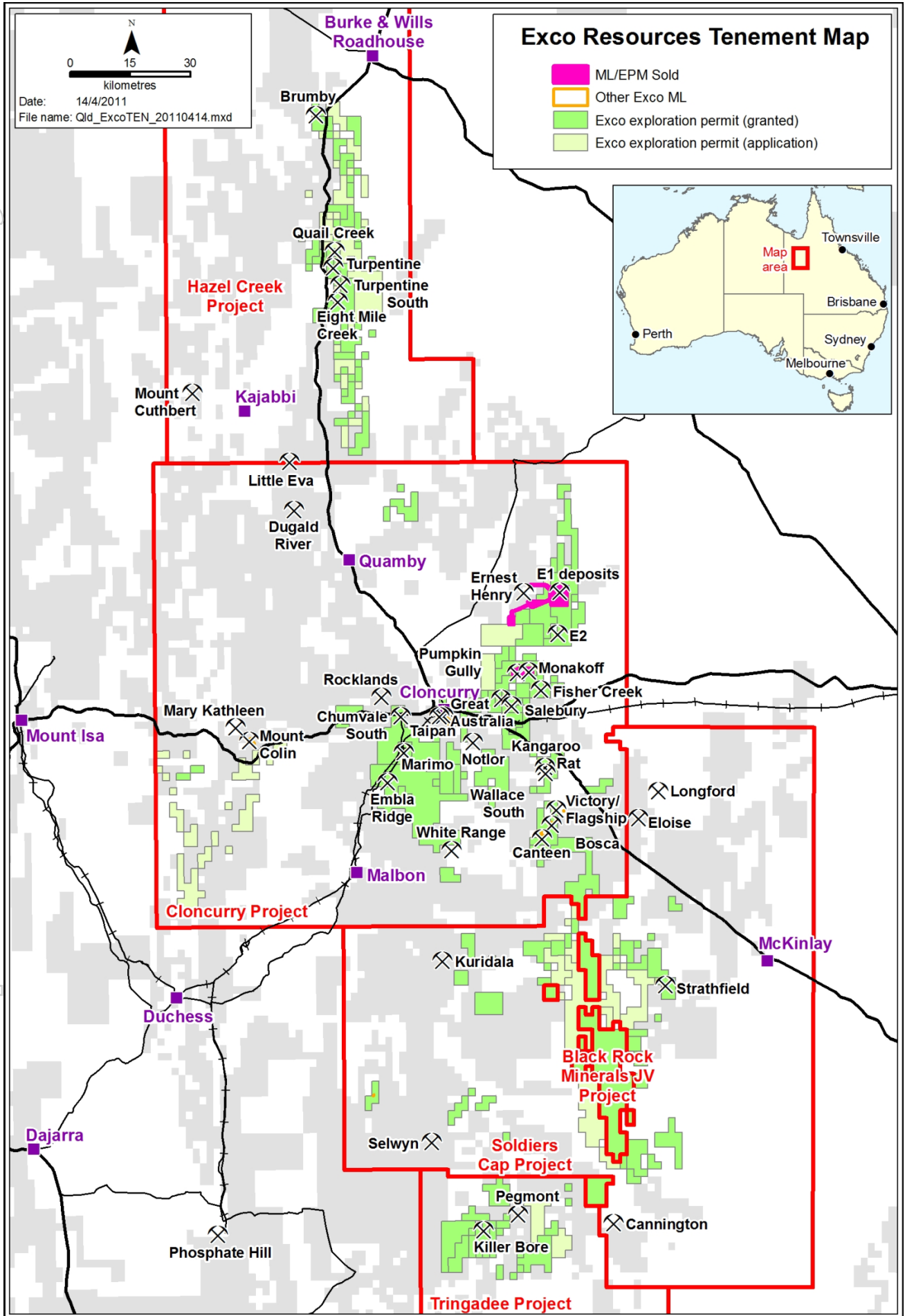
For and on behalf of the Board

Michael Anderson
Managing Director

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Exco's Queensland interests highlighting tenements which are the subject of the Proposal

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

Deposit	Class	Tonnes	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
E1 Camp ⁽²⁾	Measured	9,170,000	0.87	0.25	80,000	75,000
	Indicated*	24,700,000	0.71	0.21	177,000	165,000
	Inferred*	14,200,000	0.64	0.2	91,000	90,000
TOTAL		48,100,000	0.72	0.21	348,000	330,000
Monakoff ⁽¹⁾ & Monakoff East	Indicated	2,000,000	1.39	0.44	28,000	28,000
	Inferred	2,000,000	1.3	0.4	25,000	26,000
TOTAL		4,000,000	1.32	0.42	53,000	54,000
Great Australia ⁽¹⁾	Indicated	1,400,000	1.53	0.13	21,000	6,000
	Inferred	800,000	1.57	0.14	12,000	3,000
TOTAL		2,200,000	1.54	0.13	33,000	9,000
Mt Colin ⁽¹⁾	Indicated**	620,000	3.14	-	19,500	-
	Inferred**	870,000	2.00	-	17,500	-
TOTAL**		1,490,000	2.47	-	37,000	-
Sub-total – CCP	Measured	9,170,000	0.87	0.25	80,000	75,000
	Indicated	28,720,000	0.86	0.22	246,000	199,000
	Inferred	17,870,000	0.82	0.21	146,000	119,000
ALL		55,760,000	0.85	0.22	472,000	394,000
Other Deposits						
Turpentine	Indicated	1,627,000	1.04	0.21	17,000	11,000
	Inferred	215,000	0.9	0.16	2,000	1,000
TOTAL		1,842,000	1.03	0.2	19,000	12,000
Taipan	Inferred	1,460,000	0.80	0.1	12,000	5,000
Kangaroo Rat ⁽¹⁾	Inferred	875,000	1.65	1.0	14,400	28,000
Wallace South	Inferred***	1,000,000	-	1.6	-	53,000
Victory-Flagship	Inferred	196,000	1.2	1.4	2,000	9,000
Sub-total - Other		5,373,000	0.88	0.62	47,400	107,000
TOTAL		61.0 Mt	0.85	0.25	519,400	500,000

Notes

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

TABLE 2: WHITE DAM PROJECT OK RESOURCE ESTIMATE

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

Notes

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

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FORWARD LOOKING STATEMENTS & COMPETENT PERSONS STATEMENT

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

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

Information in this announcement relating to mineral resources and exploration results is based on data compiled by Exco's Exploration Manager Stephen Konecny and Exco's Resource Manager Ms Christine Shore who are members of The Australasian Institute of Mining and Metallurgy. Both Mr Konecny and Ms Shore have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Konecny and Ms Shore consent to the inclusion of the data in the form and context in which it appears.

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