



LEVEL 2
8 COLIN STREET
WEST PERTH WA 6005

PO Box 1726
WEST PERTH WA 6872

TELEPHONE: +61 8 9211 2000
FACSIMILE: +61 8 9211 2001

ASX SHARE CODE: EXS

EMAIL: info@excoresources.com.au
WEBSITE www.excoresources.com.au

ABN 99 080 339 671

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EXPLORATION UPDATE

FURTHER POSITIVE RESULTS AT SALEBURY & FISHER CREEK

Salebury

- **ECDD007** intersected **46m @ 1.43% Cu & 1.51 g/t Au** including **14m @ 1.84% Cu & 2.45 g/t Au**, and **11m @ 2.50% Cu & 2.57 g/t Au**.
- These positive results from the latest round of drilling confirm the presence of a sizeable mineralised structure at Salebury. Further drilling will be carried out with a view to establishing an initial resource.

Fisher Creek

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

Future Work

- Exploration is ongoing with three drill rigs employed across a number of key targets. Priority has been given to the Hazel Creek project where widespread visual Iron Ore, Copper, Gold (IOCG) mineralisation has been intersected and initial assays confirm typical IOCG grades.

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

The work completed to date in the Pumpkin Gully syncline has yielded a number of very positive results (see **Figure 2**). Over and above the established resources at Monakoff and Monakoff East (see **Table 1**) it is clear that significant potential exists at a number of additional prospects on the southern limb of the syncline.

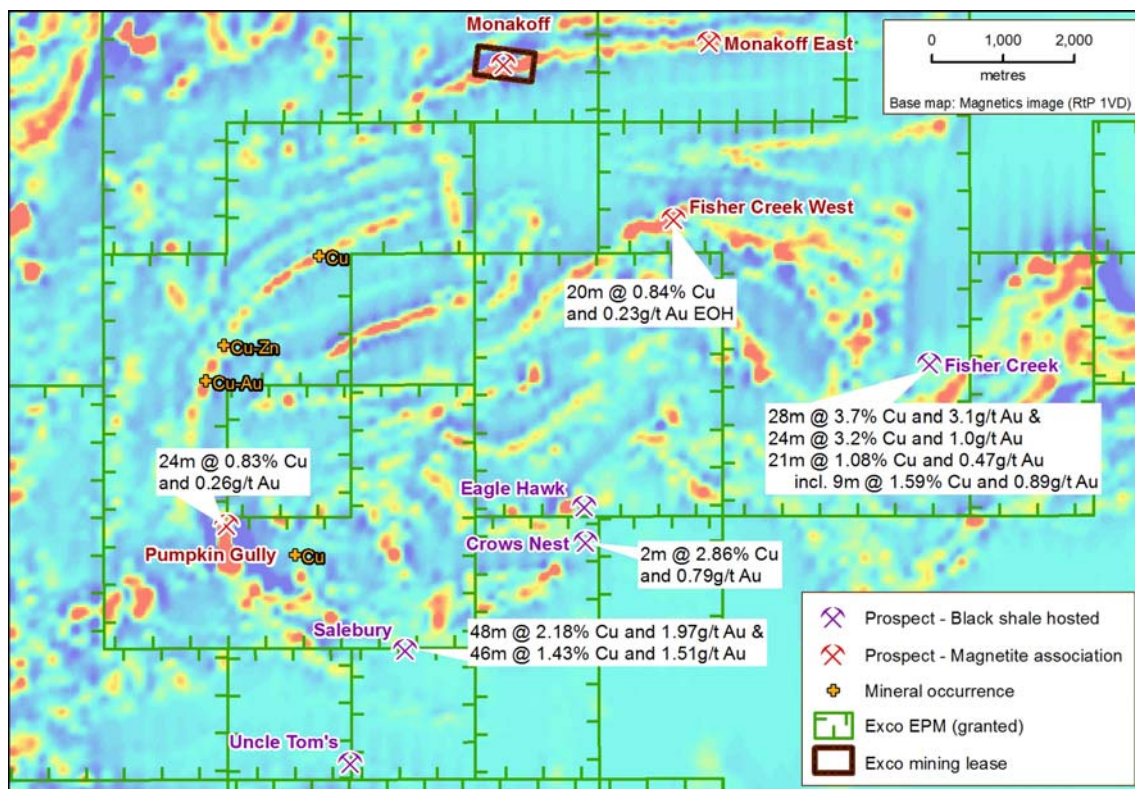


Figure 2: Location map detailing prospects within the Pumpkin Gully Syncline

Recent programmes have been focused on the Salebury and Tanbah prospects with results released previously in Exco's Quarterly Report (refer to ASX announcement on 26 October 2010). Further positive results have now been received for Salebury and Fisher Creek.

SALEBURY PROSPECT (EPM 11675 -100% Exco)

The Salebury prospect occurs on the southern limb of the Pumpkin Gully syncline (see **Figure 2**) at the contact of shales and volcanics. Calc silicate breccia bodies also occur within the prospect area. The main target to date has been a zone of approximately 600m strike defined by sporadic copper oxide mineralisation at surface. The prospect area hosts a number of minor historical workings including a small open cut that leads to underground workings, which appear to have been accessed by a small shaft to the south.

Previous drilling by Exco has involved traverses of shallow bedrock air core and reverse circulation (RC) drilling with several phases of deeper RC. Numerous zones of ore grade mineralisation were intersected in these earlier programmes (see cross section in **Figure 3**).

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

Diamond hole **ECDD007** (triple tube HQ diameter core) was drilled from the opposite direction back towards and beneath **ECDD002** (see **Figure 3**). Results are as follows:

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

The results from ECDD007, as shown in **Figure 3**, confirm the presence of a sizeable mineralised structure. Further follow-up work is planned to better define the geometry and the extent of the mineralisation, with a view to defining an initial resource estimate for Salebury.

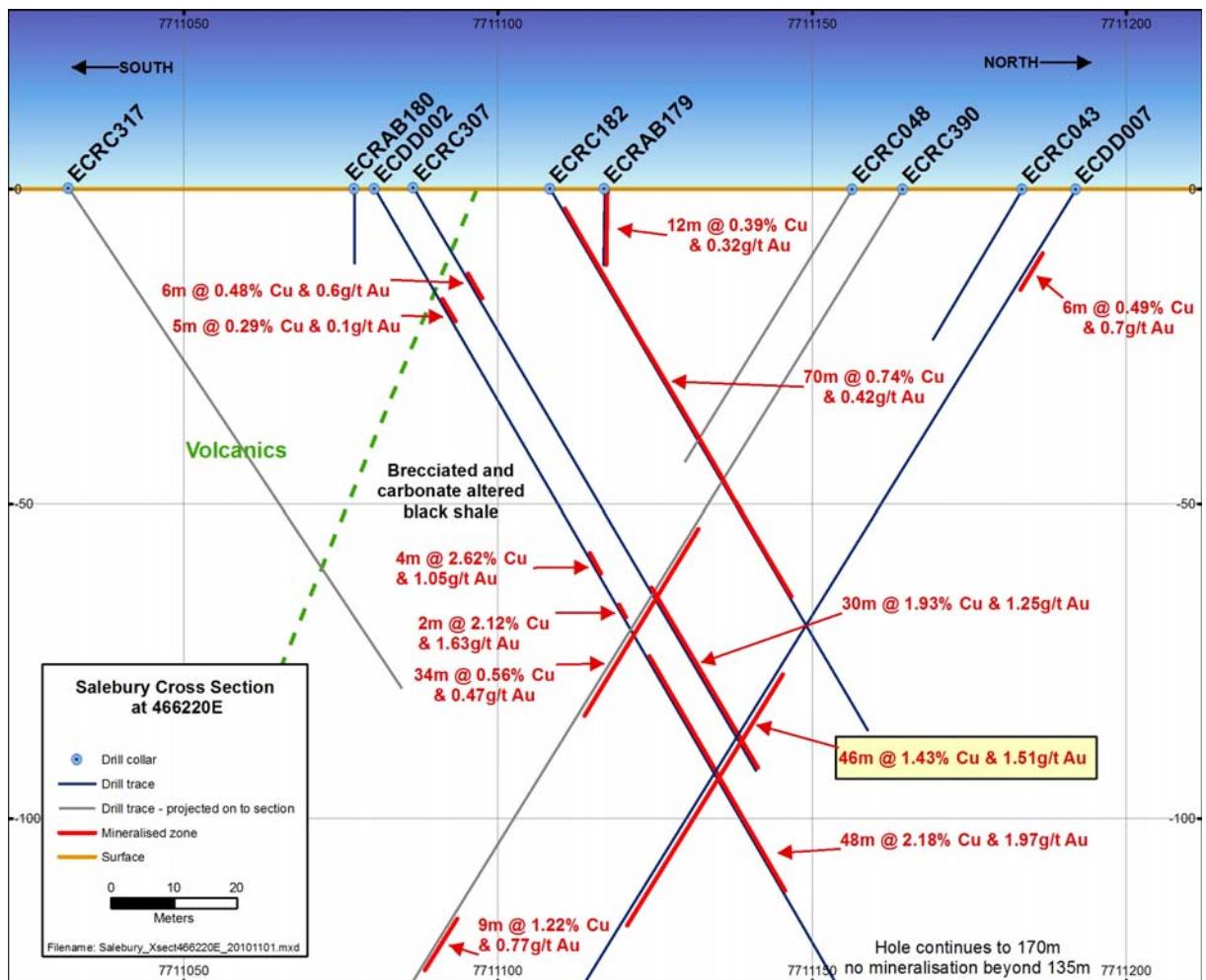


Figure 3: Cross Section showing recent drilling at Salebury Prospect

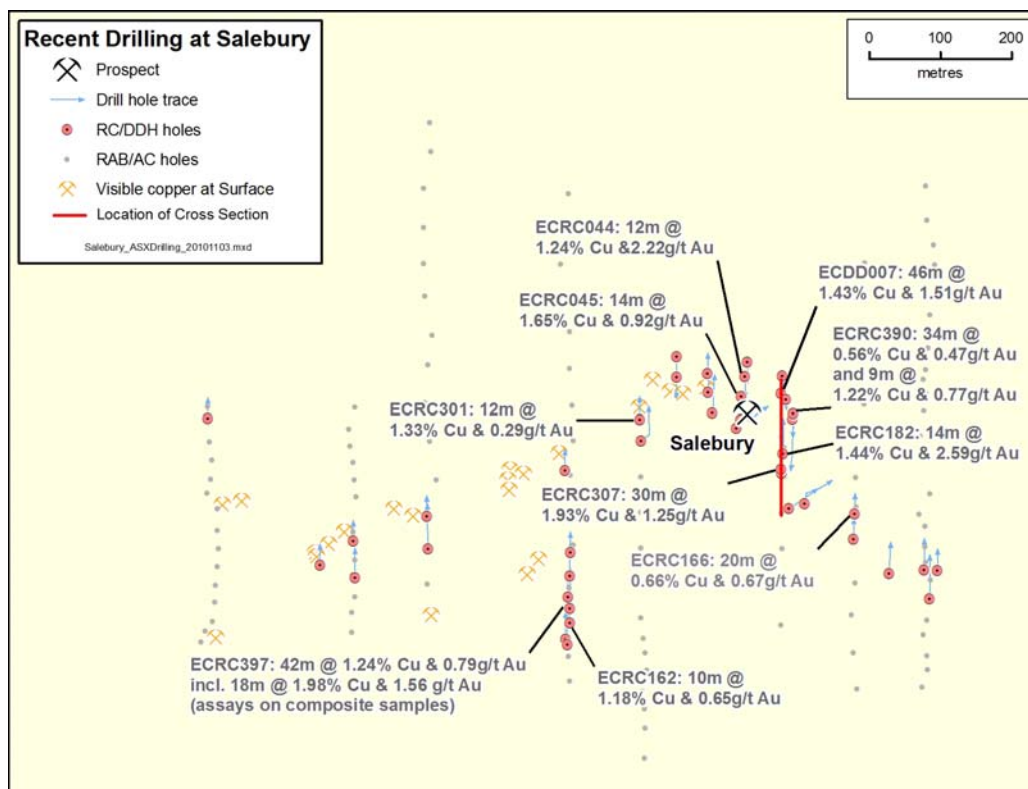


Figure 4: Drill hole location map - Salebury prospect

FISHER CREEK PROSPECT (EPM7051-100% EXCO)

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

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

FUTURE WORK

Work is ongoing with three drill rigs currently employed. Future work will include exploration on the greater geological target of the Pumpkin Gully Syncline including prospects such as Crows Nest and Uncle Toms, where previous work has shown indications of similar black shale hosted mineralisation, adjacent to the southern limb of the Pumpkin Gully Syncline.

Testing of priority prospects such as Chumvale South, Eagle Hawk and Fisher Creek West will also be part of the ongoing program and new targets have been identified from recently completed Sub-Audio Magnetic (SAM) surveys at Eight Mile Creek, Turpentine South and Mount Margaret (E1 Camp) (see **Figures 1 & 2** for prospect locations).

Follow up work at the highly encouraging Tanbah prospect is also planned and new drill targets have been identified to the north and north-east of Tanbah where surface copper coincides with a significant regional magnetic anomaly.

On behalf of the Board of Exco Resources Ltd

For further information contact:

Michael Anderson
Exco Resources Ltd
Managing Director
Phone +61 (0)8 9211 2000

Media Enquiries
James Harris
Professional Public Relations
Phone +61 (0)8 9388 0944

FORWARD LOOKING STATEMENTS & COMPETENT PERSONS STATEMENT

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

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

Information in this report relating to mineral resources and exploration results is based on data compiled by Exco's Exploration Manager Stephen Konecny who is a member of The Australasian Institute of Mining and Metallurgy. Mr Konecny has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Persons under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Konecny consents to the inclusion of the data in the form and context in which it appears.

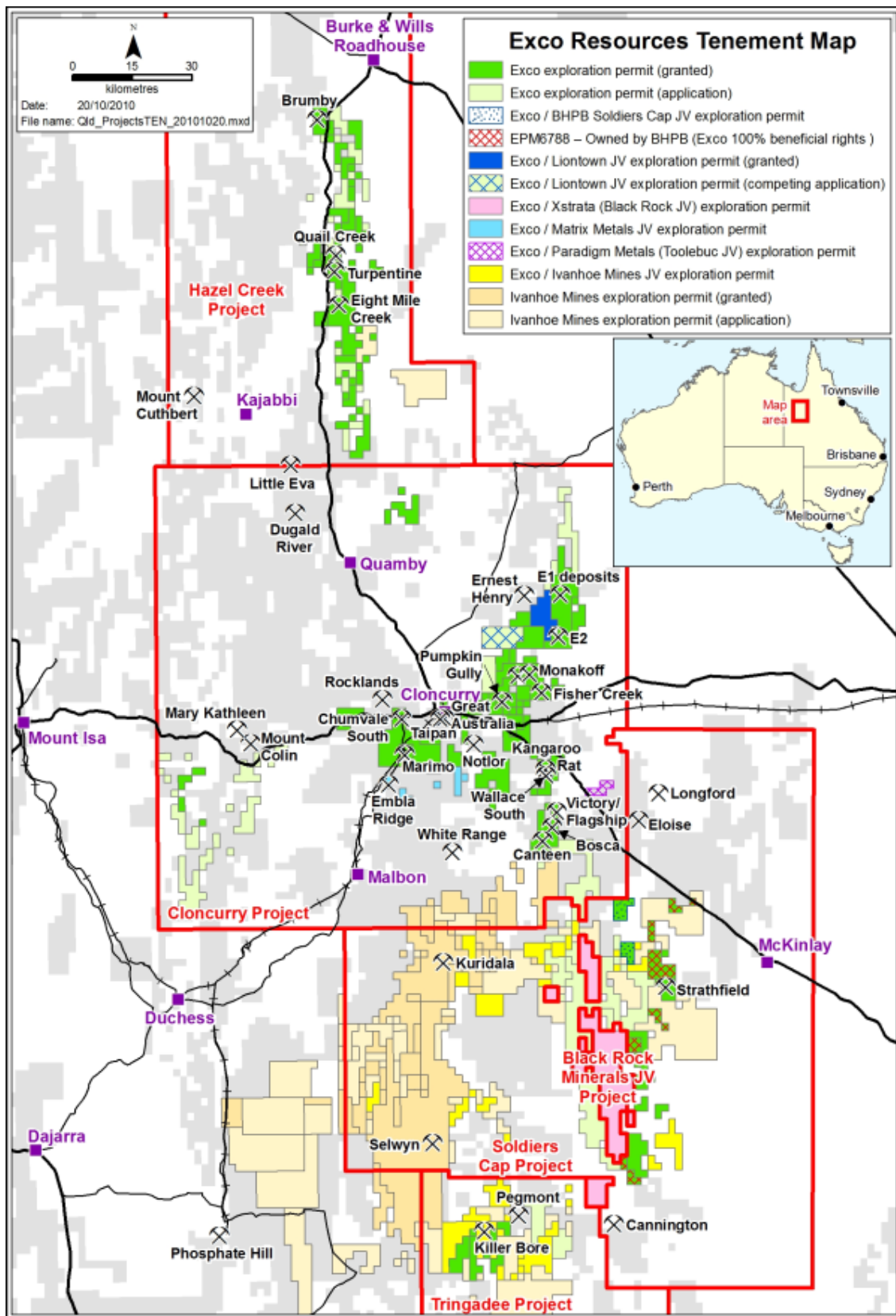


Figure 1: NW Queensland Tenement Map highlighting Exco's ground position & the location of key deposits & prospects.

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

Notes

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

TABLE 2: NEW DRILL HOLE LOCATION DETAILS FOR SALEBURY & FISHER CREEK (NW QUEENSLAND)								
Hole ID	Location	Grid	Easting	Northing	Pre collar Depth (m)	Max Depth (m)	Dip	Azimuth magnetic
ECDD006	Fisher Creek	MGA94-54	473624	7715132	0	152.4	-60	174
ECDD007	Salebury	MGA94-54	466220	7711192	47.5	216.7	-60	174

Information on Exco Resources Ltd

Exco is an Australian-focused, ASX-listed mining and exploration company (**ASX: EXS**). The Company has a dual focus on developing both the White Dam Gold Project in South Australia, and the Cloncurry Copper Project (CCP) in north-west Queensland.

At White Dam, Exco has entered into a 75:25 operating joint venture with Polymetals Group Pty Ltd. The project, which contains a resource inventory of 325,000 ounces of gold, achieved first gold production in April 2010 following a very successful construction and commissioning period. The project was officially opened at a ceremony on the 10th of June 2010 and initial production rates have exceeded expectations by ~30%. With costs of ~A\$600/oz the project is already delivering significant revenues and is on track to repay its debt by December 2010 (more than 6 months ahead of schedule). The relatively short-life project is currently expected to produce a total of 120,000oz (Exco's share 90,000oz). Near mine exploration and resource development is underway and is expected to increase overall production and extend the life of the mine.

In north-west Queensland Exco holds a large, strategically located and highly prospective land package. The Cloncurry Copper Project (CCP) comprises numerous tenements and mining leases, which host the flagship E1 Camp, Monakoff, Mt Colin and Great Australia deposits. Resources delineated for the project to date total 55.7Mt, containing 472,000 tonnes of copper and 394,000 ounces of gold, with further exploration upside and indicated resource development highlighting the potential for economic extraction of a significant portion of the resources.

Exco completed a Pre-Feasibility Study (PFS) on the CCP in June 2008, which demonstrated the technical and commercial credentials of a 2Mtpa project. Encouraged by the positive PFS results, and with ongoing drilling delivering further resource upgrades, the Company commenced a Definitive Feasibility Study (DFS) on a slightly larger operation treating 3Mtpa through a concentrator facility located at the E1 Camp. At this expanded throughput the project will produce ~25,000 tonnes of copper in concentrate per annum (25% more than envisaged by the PFS) with substantial by-product credits from gold, cobalt, magnetite and potentially uranium. The Company has now submitted its Environmental Impact Statement (EIS) in pursuit of the relevant approvals for the project, and is reviewing its development strategy with a view to selecting a definitive option in the coming months.

Exco also has a number of exploration joint ventures in Queensland with major companies including Xstrata, BHP Billiton Limited and Ivanhoe Mines Australia. These JVs are managed by Exco's partners, creating additional development options, and allowing the Company to maintain its primary focus on the CCP.

The Board and management of Exco, backed by the Company's major shareholders including Ivanhoe Mines Australia, are committed to unlocking value from this highly prospective portfolio of projects, and we look forward to keeping shareholders informed of developments.

Further information is available at www.excoresources.com.au