



Exco Resources Limited

ABN 99 080 339 671

Trading in Company Securities Policy

December 2010

EXCO GROUP POLICY DOCUMENT CA.1.01

TRADING IN COMPANY SECURITIES

Date of update: December 2010

INTRODUCTION

1. Exco Resources Ltd and its controlled entities (the **Company**) have adopted a share trading policy to regulate dealings by the Company's employees in shares, options and other securities issued by the Company.

PURPOSE

2. The purpose of this policy is to ensure that the Company's employees are aware of the legal restrictions of trading securities while an employee is in possession of market sensitive information concerning the Company and any of its subsidiaries.
3. In addition, the policy is intended to minimise the possibility that misunderstandings or suspicions arise that the Company's employees are trading while in possession of market sensitive information.

DEFINITIONS

4. In the context of this policy, **employees** includes:
 - a) directors, company secretaries, and employees;
 - b) the spouse or children of any of the above; and
 - c) a trust, company or investment vehicle controlled by any of the above.
5. **Market Sensitive Information** is market sensitive information which a reasonable person could expect to have a material effect on the price or value of the Company's securities. Examples may include:
 - a) the financial results of the Company and any of its subsidiaries;
 - b) projections of future earnings or losses;
 - c) news of a new joint venture (or the loss of a joint venture partner);
 - d) changes in senior management.

It should be noted that either positive or negative information may be material.
6. For the purposes of this policy, **trading** in securities includes:
 - a) dealing in securities (i.e. subscribing for, buying, selling or entering into an agreement to do any of those things); and
 - b) advising, procuring or encouraging another person (such as a family member, friend, associate, colleague, broker, financial planner, investment adviser, family company or family trust) to trade in securities.
7. Reference to "**securities**" include shares, units in trusts, debentures, prescribed interests and rights or options to subscribe for shares, units, debentures or prescribed interests.
8. "**ASX**" is the Australian Securities Exchange

POLICY

9. Consistent with the legal prohibitions on insider trading contained in the Corporations Act 2001 (Cth), all employees are prohibited from trading in the Company's securities while in possession of market sensitive information.
10. Employees, whilst in possession of market sensitive information, are subject to 3 restrictions:
 - a) they must not deal in securities affected by information;
 - b) they must not cause or procure anyone else to deal in those securities; and
 - c) they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.
11. If after an employee has placed an order to buy or sell Exco securities:
 - he or she comes into possession of relevant information; and
 - the order has not been filled,the order must be cancelled.
12. **Trading permitted following due notice:** Subject to paragraphs 13, 14, and 15 any employee intending to deal must first notify the Managing Director by e-mail or telephone. The Managing Director intending to deal must first notify the Chairman by e-mail or telephone. The Chairman or the Managing Director (being the person notified) shall within 24 hours advise in writing whether the dealing is permitted or not. Generally, dealing will be permitted if it appears that no employees of the Company are in possession of market sensitive information at the relevant time.
13. **Cancellation of ability to trade:** The ability to trade in the Company's securities may be closed at any time by direction of the Managing Director or a majority of directors. This is not required to be communicated to all directors in advance of any such closure.
14. **Prohibition on active trading:** Dealing in the securities of Exco is subject to the prohibition that Exco officers must not engage in the business of active dealing in Exco securities. This means that an Exco officer must not actively trade in Exco securities with a view to deriving profit related income from that activity. "Active trading" for this purpose means to deal in Exco securities in a manner which involves frequent and regular trading activity.
15. **Additional restrictions for employees:** All employees of the Company will be under an additional obligation to not trade in the securities of the Company during the following periods:
 - a) the period commencing 2 weeks prior to the scheduled release of the Company's quarterly, half yearly or annual reports to the ASX and ending 24 hours after such release;
 - b) 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.
16. **Exceptional circumstances:** An employee, who is not in possession of inside information, may be given clearance to dispose of (but not acquire) Exco securities where they would otherwise be restricted by this policy if they are in severe financial difficulty; the disposal is required under a court order; or there are other exceptional circumstances. A person may be in severe financial difficulty if they have a pressing financial commitment that cannot be satisfied other than by selling Exco securities. Severe financial difficulty would not normally include a liability to pay tax unless the person has no other means of satisfying the liability.

17. **Corporations Act:** The requirements imposed by this policy are separate from the insider trading provisions contained in the Corporations Act. Anyone who contravenes the prohibitions against insider trading contained in the Corporations Act will be guilty of an offence and risks substantial fines and/or imprisonment.
18. **Dealings excluded from the operation of this policy:** The following dealings by an employee are excluded from the operation of this policy:
- a) Dealing where the beneficial interest in the Exco securities does not change.
 - b) Transfer of Exco securities already held into a superannuation fund or other scheme in which the director or restricted employee is a beneficiary, providing the employee (including an associate of the employee) has no influence or control over the trustee or entity controlling the superannuation fund or scheme.
 - c) Dealing under an offer or invitation made to all or most of the security holders, such as a security purchase plan or equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board.
 - d) The sale of sufficient entitlements nil-paid to take up the balance of the entitlements under a rights issue.
 - e) Undertakings to accept, or the acceptance of, a takeover offer.
 - f) A disposal of Exco securities that is the result of a secured lender exercising their rights.
 - g) Undertakings or elections to take up entitlements under a rights issue or other offer (including an offer of Exco securities in lieu of a cash dividend).
 - h) The take up of entitlements under a rights issue or other offer (including an offer of Exco securities in lieu of a cash dividend).
 - i) Allowing entitlements to lapse under a rights issue or other offer (including an offer of Exco securities in lieu of a cash dividend).
 - j) The sale of sufficient entitlements nil-paid to take up the balance of the entitlements under a rights issue.
 - k) An investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in Exco securities) where the assets of the fund or other scheme are invested at the discretion of a third party, providing the employee (including an associate of the employee) has no influence or control over the third party.

Notwithstanding that the above dealings are excluded from the operation of this policy, they remain subject to the insider trading prohibitions under the Corporations Act.

19. **Pledging Securities:** Employees can put themselves at risk under the insider trading laws if they enter into borrowing arrangements that may result in securities being sold when they possess inside information.

If you are an employee you must comply with the procedure in paragraph 12 before entering into any financial arrangement by which, through a pledge, mortgage, lien, charge or other encumbrance, Exco securities are used as collateral for any purpose, including to fund the purchase of the securities (financial arrangement).

Employees should follow these requirements if they are aware that their spouse, partner, child or other immediate family member, or trust or other entity controlled by them (or an investment adviser on behalf of them or any of the above persons or entities), intends to enter into a financial arrangement. They should take all reasonable steps to prevent the entry into the financial arrangement occurring until the written notice pursuant to paragraph 12 has been received.

PROCEDURES

20. This policy is designed to clarify the obligations on employees, including directors and officers, in relation to trading in the Company's securities, and to help them should they wish to buy and sell Company securities.
21. All queries regarding issues raised in this policy should be directed to the Company Secretary.
22. A form of acknowledgement as shown in Annexure A must be completed by all employees on joining the company.
23. **Compliance is mandatory:** Strict compliance with this policy is mandatory for all Exco employees covered by this policy.

Breaches of this policy may damage Exco's reputation in the investment community and undermine confidence in the market for Exco securities. Accordingly, breaches will be taken very seriously by Exco and will be subject to disciplinary action, including possible termination of a person's employment or appointment.

ANNEXURE A

FORM OF ACKNOWLEDGEMENT BY EMPLOYEE

1. I have read and understood the document titled “Trading in Company Securities” (“Dealing Rules”).
2. I agree to be bound by and to comply with the Dealing Rules.
3. I acknowledge and agree that the Dealing Rules constitute a condition / variation of the terms of my employment* / appointment as a director*.

.....
Signature

Name:

Date:

** Delete where applicable*

To be returned to the Company Secretary on completion.