

ASX ANNOUNCEMENT: 9 May 2011**MD on Cloncurry Copper Project
Sale and Outlook**

Open Briefing with Managing Director
Michael Anderson



Exco Resources Limited
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Exco Resources Limited (ASX:EXS) is an exploration and mining company focused on developing its portfolio of Australian-based copper and gold projects in north-west Queensland and South Australia.

Current Market Cap: \$214 million.

In this Open Briefing®, Exco Resources Managing Director, Michael Anderson discusses

- Cloncurry Copper Project sale
 - Distribution of up to \$100 million to shareholders
 - Future growth strategy
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Open Briefing interview:

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Exco Resources Limited (ASX: EXS) recently announced it had entered into an agreement to sell the Cloncurry Copper Project (CCP) to Xstrata Copper for \$175 million. What is the rationale for the sale?

MD Michael Anderson

The sale enables us to realise substantial value from an undeveloped copper resource. The price compares very favourably with other recent transactions in the copper sector and represents an excellent return on investment for Exco and its shareholders. Although we've developed the CCP to a point where it could proceed on a standalone basis, by selling it to Xstrata we avoid taking on the substantial external and dilutive equity funding required to build a standalone operation. This represents a compelling commercial outcome for our shareholders.

The sale represents a ‘win-win’ outcome for both parties. For Xstrata, the timing of the deal makes sense as it moves to develop underground mining operations at Ernest Henry – access to CCP ore will ensure Xstrata’s established processing facilities there will remain fully utilised. This, along with the quality of the development work we’ve completed at the CCP, is reflected in the price.

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Why is the sale of the CCP a better outcome for shareholders than Exco retaining and developing the project?

MD Michael Anderson

Our feasibility work indicates that a standalone project would require in excess of \$200 million in capital expenditure and at least three to four years to achieve a positive cash flow. All the options available to fund the project would involve some level of dilution for shareholders because of the discount a major equity capital raising would entail, or at the asset level through joint venture participation, or a combination of both. In addition, any external debt facilities would restrict Exco’s future activities and ability to exploit our prospective exploration tenements. Not only does the sale of the CCP represent a better return on equity, it will enable us to avoid the risks that accompany a major project development, which is particularly relevant for a company of our size. With increasing demands on skilled labour and equipment and associated cost escalation, coupled with tax and fiscal uncertainties, we see the external environment as relatively high risk, so we are very comfortable that the decision to sell now is the right one for all our shareholders.

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You expect to hold approximately \$220 million in cash on completion of the sale, and have indicated you intend to return up to \$100 million to Exco shareholders. What will determine the amount distributed to shareholders and what is the intended timing and form of this distribution?

MD Michael Anderson

The Board will consider a number of factors to determine when and how best to distribute the excess capital in the interests of all shareholders.

It’s important we retain sufficient funds to meet the near term funding requirements of our exploration and development projects. Shareholders are clearly best served by the company retaining enough funds to pursue these key projects independently, as opposed to entering into joint ventures or being forced to raise new funds in the near future. It is a question of balancing the capital requirements of a healthy and growing business with the desirability of rewarding our shareholders, many of whom have supported us through the global financial crisis and highly volatile external markets. We do not want to weaken the company and make it vulnerable to opportunistic competitors, so the ability to self fund our growth is clearly a priority.

The form and timing of the distribution of proceeds from the sale of the CCP will be determined following consultation with Exco’s advisors and the Australian Taxation Office. At this stage, we anticipate the return will comprise a tax-free capital return and a fully franked dividend. We encourage shareholders to read the Notice of Meeting and accompanying Explanatory Memorandum which addresses these issues in more detail.

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What conditions need to be met and what is the expected timetable for completing the proposed sale?

MD Michael Anderson

The Asset Purchase Agreement (APA) is subject to various conditions that we're confident will be satisfied. These include the sale being subject to Australian Federal Government and Queensland State Government approvals. Given Xstrata is a major regional employer with significant investment in North Queensland copper mining, we expect the Queensland and Federal governments will be supportive of the transaction.

Although shareholder approval is not strictly required under the ASX Listing Rules, Exco considers it appropriate to seek such approval given the strategic importance of the asset. Shareholder approval is also a condition precedent for the transaction. It is therefore required to complete the transaction. Because of this, we strongly encourage all shareholders to vote on this significant opportunity for the company.

The Notice of Meeting has been issued to shareholders and the meeting is scheduled for 9 June 2011. Shareholder response since we announced the transaction has been overwhelmingly supportive and we expect this support will be reflected in the vote. Subject to receipt of this shareholder approval, and satisfaction of the other conditions precedent, the transaction is expected to complete by 31 July 2011.

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Ivanhoe Australia, your largest shareholder, with 22.9 percent, holds the view that all after-tax proceeds from the sale of the CCP should be returned to Exco shareholders. How is this position likely to affect the outcome of the shareholder meeting?

MD Michael Anderson

Given the close proximity of the CCP to Ernest Henry, the sale of the CCP to Xstrata is not an unexpected outcome. We believe the vast majority of our shareholders, including Ivanhoe, have viewed it as a logical move. We of course sought Ivanhoe's support, as a major shareholder, for the sale of the CCP during the lead-up to the finalisation of the APA with Xstrata.

Ivanhoe has stated its preference for all after-tax proceeds of the sale, currently estimated at \$123 million, to be distributed. It is premature and potentially misleading for us to be overly definitive about what the after tax result will be as the actual amount depends upon the timing of the completion of the sale. It also depends on the amount of taxable income we generate from other income producing activities, such as White Dam and the increasing flow of royalty income we expect from the CopperChem Alliance. We do not expect a big difference in our views and we remain hopeful that Ivanhoe will vote in favour of the transaction, once they have had the chance to consider the Notice of Meeting and Explanatory Memorandum that was issued on Friday, 6th May.

The shareholders' resolution will require a simple majority of votes cast (being 50% plus 1) at the meeting to support the deal. The feedback we've received from many of our other substantial shareholders has been very supportive. Of course, each shareholder will want to read the Notice of Meeting and the Explanatory Memorandum before making a final decision, which we encourage them to do.

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Will you look at acquisition opportunities following the proposed sale of the CCP?

MD Michael Anderson

We regularly consider potential acquisition opportunities as they arise. Whilst we're not advanced on any particular opportunities at present, the sale of the CCP will strengthen our balance sheet and allow the management team to increase its focus on appropriate new growth acquisitions.

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After the planned sale of the CCP, what opportunities exist to improve cash flow and shareholder value from Exco's remaining assets? What will Exco's new structure look like?

MD Michael Anderson

Post transaction, Exco will retain its current interest in all its assets other than the CCP. These include operational, development and exploration stage assets.

We'll retain cash generating assets via our 75% interest in the White Dam gold project and in the Great Australia copper royalty entitlement, which together are expected to produce close to \$50 million in near term cash flow. We'll also retain an excellent portfolio of highly prospective exploration properties, which we'll now have the balance sheet to fully test and exploit.

Post transaction, we expect our shares will have a cash backing of approximately 62 cents per share (cps), comprising the gross sale proceeds (49 cps) and existing cash plus White Dam cash generation from the current reserve until the completion of the transaction (together 13 cps). This excludes the longer term income from the Great Australia royalty entitlement (8 cps), further mine life extensions at White Dam and the unrealised value in our exploration assets.

In terms of 'greenfield' exploration, our most exciting asset is the Hazel Creek project located to the north of Cloncurry. Our initial exploration programs have shown the existence of large areas of copper-gold-magnetite mineralisation with the potential to define large tonnage, open-pit style deposits. As our copper exploration efforts to date have largely been focussed on the CCP, we're keen to leverage our knowledge of the region to rapidly advance work at Hazel Creek with a substantial drilling program on identified targets as soon as possible.

Apart from Hazel Creek, Exco will continue to hold a substantial portfolio of exploration tenements in the Cloncurry region totalling approximately 2,400km². This provides Exco with a significant pipeline of further organic growth opportunities including the Mt Colin, Salebury, Fisher Creek, Pumpkin Gully, and Tanbah, projects.

Our management team and Board will remain unchanged: our team has demonstrated its ability to create value from discovery through to development-ready projects. We're very confident about the future of the 'new' Exco.

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Thank you Michael.

For further information on Exco Resources Ltd visit www.excoresources.com.au or call Michael Anderson on (08) 9211 2000.

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