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Market Release (via electronic lodgement)



EXPLORATION UPDATE

POSITIVE RESULTS AT CLONCURRY PROJECT

Salebury

22 holes for 2150 metres have been drilled in the Salebury area during 2011, targeting extensions to previously drilled mineralisation. New geophysical and surface geochemical surveys have also recently been completed, and these have highlighted previously unknown regional structures and anomalies.

- New results include **ECRC526** intersecting **14m @ 1.02% Cu and 0.28 g/t Au** from 70m depth.

Tanbah North

Recent RC drilling at Tanbah North has intersected quartz veining within strongly silica-biotite-carbonate altered dolerite with varying amounts of pyrite and chalcopyrite

- New results include **ECRC543** intersecting **10m @ 1.51% Cu and 1.32 g/t Au** from 98m depth.

Tanbah

Five RC holes were recently drilled at the prospect and have intersected locally intense pyrite-chalcopyrite bearing quartz-carbonate veining in black shale and amphibolite. Assay results confirm the persistence of the mineralisation in this recent drilling with a best intersection of **98m @ 0.36% Cu & 0.25 g/t** in hole **ECRC551** from surface.

Exco Resources Ltd (**ASX Code: EXS**), continues to expand exploration activities within the Northwest Queensland package that covers nearly 3000km² of prospective ground. The company is well funded as a result of the recent Cloncurry Copper Project (CCP) sale and ongoing cash flow from the White Dam Gold Project and is focussed on resource identification and growth in Queensland (see **Figure 5** for regional location map and **Table 1** for summary of established resources).

Work completed to date in the Pumpkin Gully syncline has yielded a number of very positive results (see **Figure 1**). See **Table 3** for drill collar information and **Table 4** for all significant assay results from recent drilling in the Pumpkin Gully Syncline.

The Pumpkin Gully Syncline is an area of considerable interest, hosting numerous advanced targets that have yielded positive results. The area is less than 20km from the town of Cloncurry and close to existing processing infrastructure.

It is clear that potential exists at a number of additional prospects on the southern limb of the syncline, and extensive geophysical and geochemical surveys have recently been completed. These surveys have highlighted new anomalies and have delineated structures that appear to control the localisation of mineralisation (See **Figures 2 to 4**). This new data has provided a basis for a clearer understanding of the geology of the area, and has established a range of new targets that will be tested over the next 6 months.

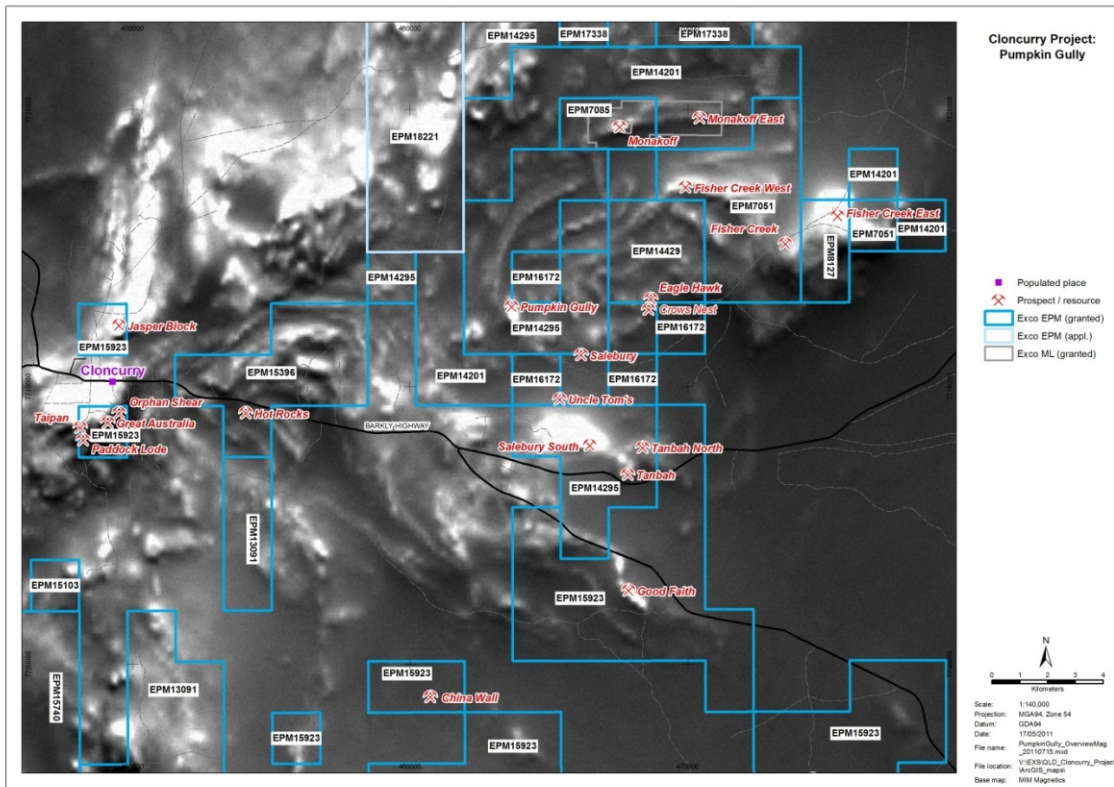


Figure 1: Pumpkin Gully Syncline area, with prospect locations on regional TMI magnetic background.

SALEBURY PROSPECT (EPM 11675 - 100% Exco)

The Salebury prospect occurs on the southern limb of the Pumpkin Gully syncline (see **Figure 1**) at the contact of shales and volcanics. Previously reported results include **ECDD002** which intersected **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**.

22 holes for 2150 metres have been drilled in the Salebury area during 2011, targeting extensions to previously drilled mineralisation. New geophysical and surface geochemical surveys have also recently been completed, and these have highlighted previously unknown regional structures and anomalies (See **Figures 2 and 3**). The new anomalies will be tested in the coming months. Drilling commenced at the Salebury prospect during the first week of December to follow up high grade intersections from previous campaigns. It is intended that this programme will continue through much of the monsoon season as the prospect is situated close to Cloncurry and has relatively good access.

Assay results of the more regional programme have been received and include widespread zones of copper and gold mineralisation with a best intercept of **14m @ 1.02% Cu and 0.28 g/t Au in ECRC526** from 70m depth. A revised geological model incorporating the new geophysical data is now being developed and this is creating a strong metallogenic model which is defining new targets for definitive follow up drilling programmes in 2012. The drilling will also be designed to establish initial resource estimates for the various prospects in the immediate area.

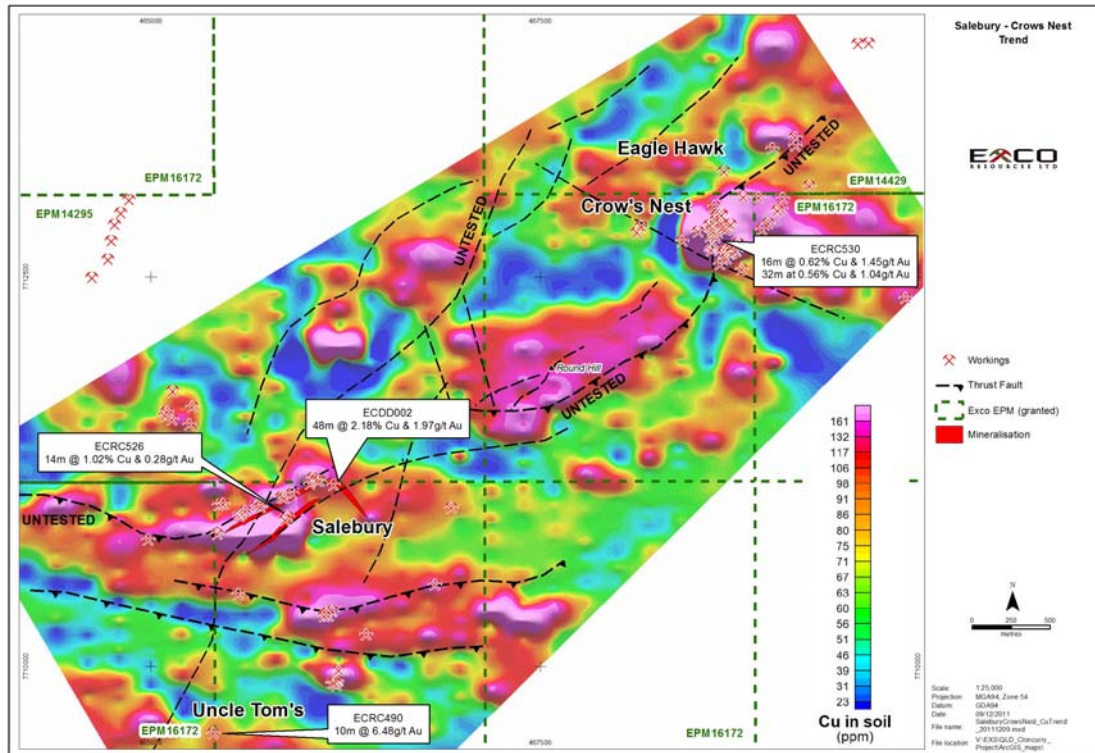


Figure 2: Salebury - Crows Nest Copper in Soils

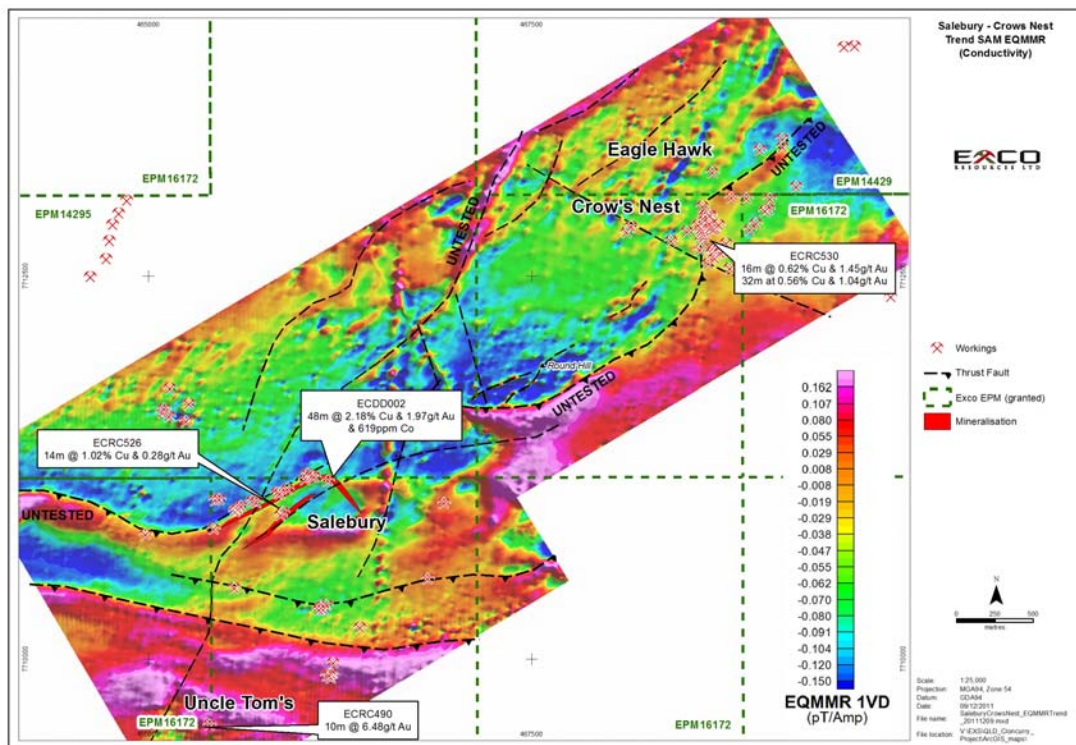


Figure 3: Salebury – Crows Nest SAM Conductivity

TANBAH PROSPECTS (EPMs 14295 & 15923 – 100% Exco)

The Tanbah, Tanbah North and Tanbah Flats prospects are located within the highly prospective Toole Creek Volcanics on a major flexure of the crustal scale Cloncurry Lineament. Exco believes that mineralisation in the Tanbah project area is part of a single but substantial hydrothermal system.

Tanbah North (Cu-Au)

The Tanbah North Cu-Au prospect is located 19km east southeast of Cloncurry on EPM 14295. Recent RC drilling at Tanbah North has intersected quartz veining within strongly silica-biotite-carbonate altered dolerite with varying amounts pyrite and chalcopyrite. The dolerite-shale footwall contact is also mineralised in places. New results from this prospect include;

- **10m @ 1.51% Cu & 1.32 g/t Au** from 98 to 108m in ECRC543.

Additional results are shown in **Table 4**.

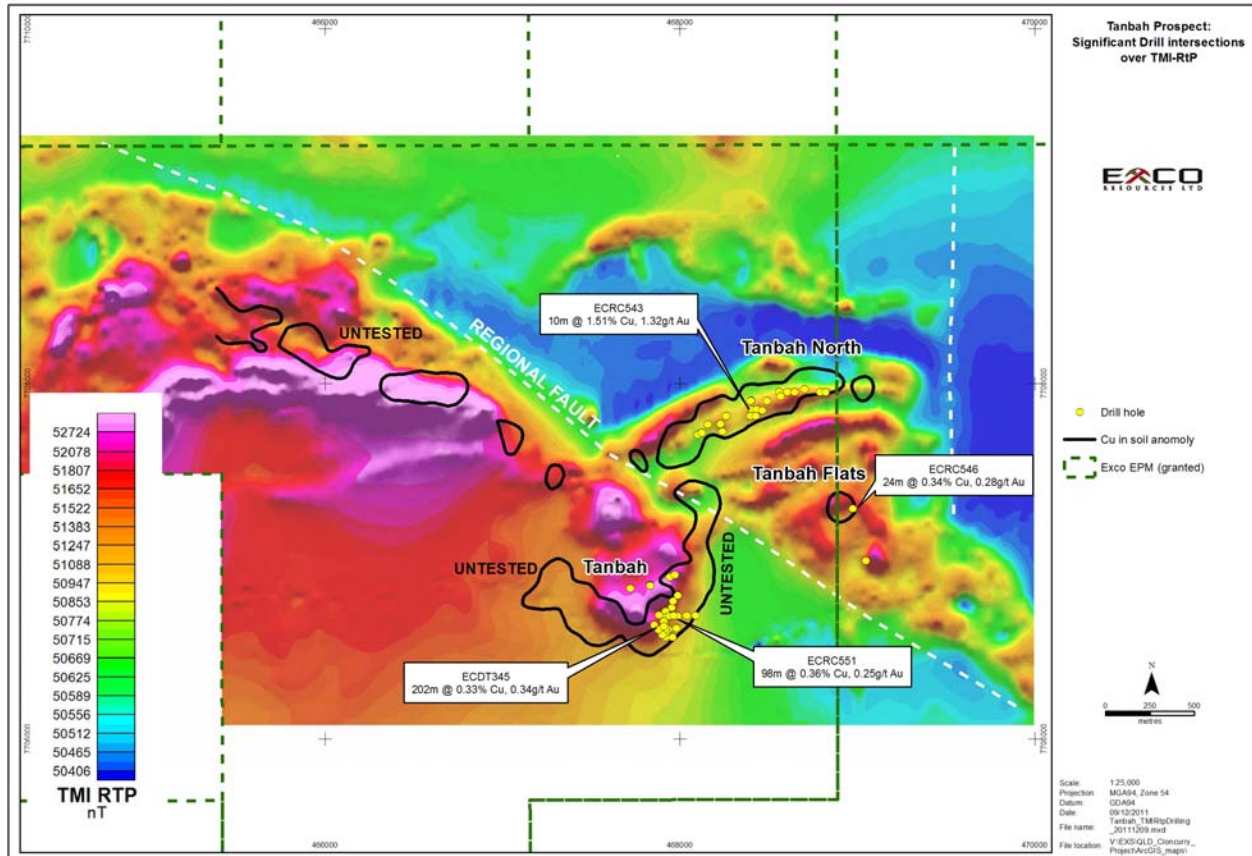


Figure 4: Tanbah Region SAM Magnetics and Copper Anomalies

Tanbah (Cu-Co-Au)

The Tanbah Cu-Au prospect is located 1km southwest of Tanbah North. Five RC holes were recently drilled at the prospect and have intersected locally intense pyrite-chalcopyrite bearing quartz-carbonate veining in black shale and amphibolite. Assay results confirm the persistence of the mineralisation in this recent drilling with a best intersection of **98m @ 0.36% Cu & 0.25 g/t** in hole **ECRC551** from surface.

The occurrence of broad copper intersections and strongly elevated cobalt concentrations in the metasediments, including an interval of **33m @ 0.12% Co** in **ECRT345** drilled during 2010, supports Exco's belief that the Tanbah prospect has the potential to host an economic Cu-Co-Au deposit. Higher grade mineralisation (greater than 1% Cu) does occur within these broader lower grade intervals.

Tanbah Flats (Cu-Au)

Two RC hole were also drilled to test and coincident magnetic, radiometric and copper in soil anomaly at the Tanbah Flats prospect. ECRC546 intersected strongly hematite-magnetite altered metasediments and calc-silicate breccia with disseminated chalcopyrite. This zone returned an intersection of **24m @ 0.34% Cu and 0.28g/t Au** from 60m.

A soil geochemical sampling programme has recently been completed over the greater Tanbah area which has verified mineralised trends that will be tested with further drilling. SAM and detailed gravity surveys have also been completed and have define further targets for future drilling (See **Figure 4**). The data will be inverted to generate detailed drill targets for testing during 2012.

UNCLE TOMS PROSPECT (EPMs 11675 & 16172 – 100% Exco)

The Uncle Tom's Prospect is located approximately 1.5km south of the Salebury Cu-Au prospect. Auriferous quartz veins were exploited historically from a small shaft and alluvial gold in economic quantities was recovered from a drainage leading north from Uncle Tom's.

RC drilling by the company during 2010 returned a best intersection of **10m @ 6.48g/t Au** from surface in **ECRC490**.

Recent SAM geophysical data and surface geochemistry is currently being evaluated to target diamond drilling during the monsoon season with the objective of defining structural controls that will enable a proper assessment of the potential size of the gold zones. The Uncle Tom's prospect is located adjacent to Malachite Resources' Lorena gold deposit, and is located within the same structural domain.

On behalf of Exco Resources Ltd

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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 presentation are to AUD currency, unless otherwise stated.

Information in this presentation relating to mineral resources and exploration results is based on data compiled by Exco's Chief Geologist 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.

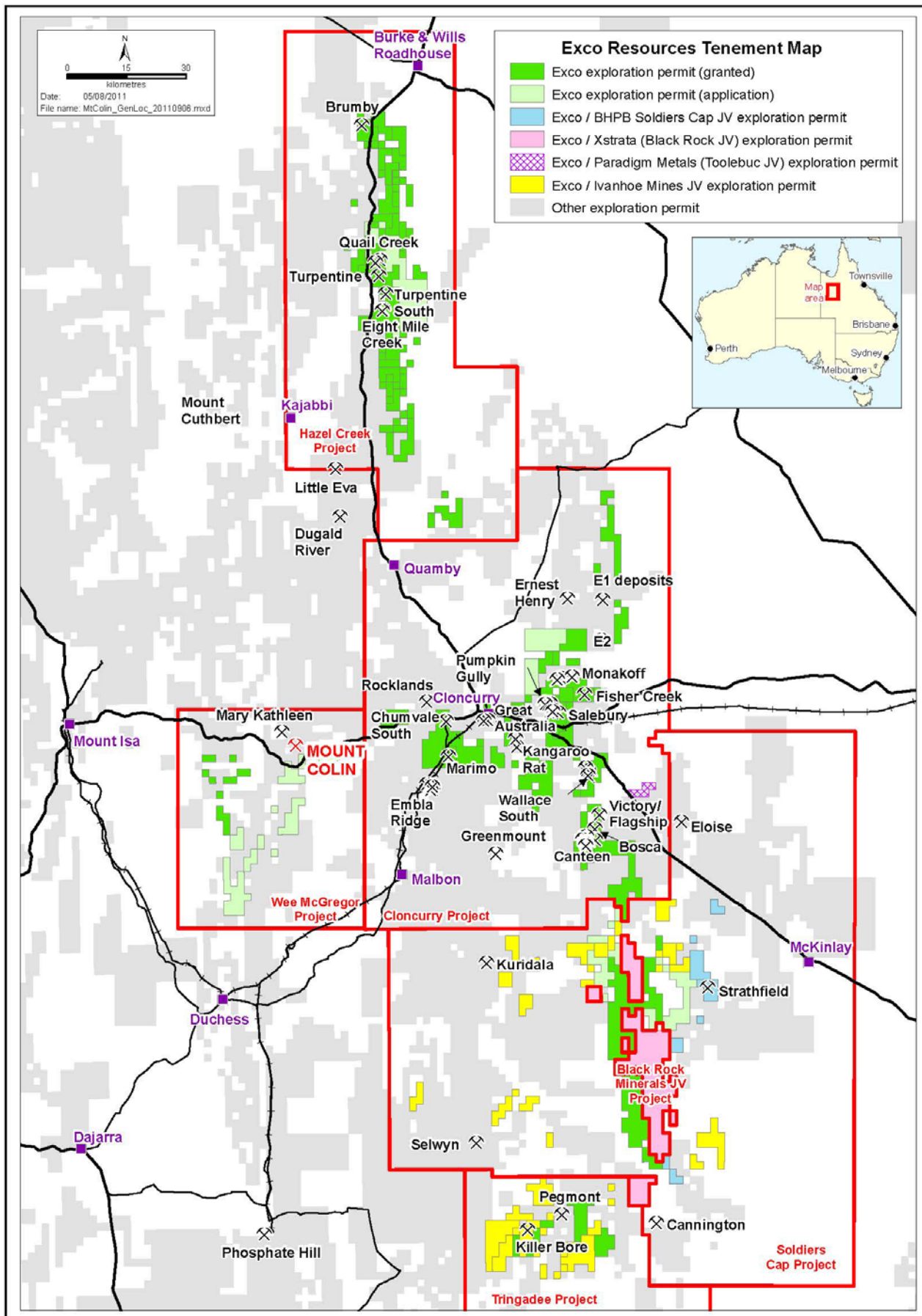


Figure 5: NW Queensland Tenement Map highlighting Exco's ground position & the location of key deposits & prospects.

TABLE 1: EXCO RESOURCES – NORTHWEST QUEENSLAND RESOURCE SUMMARY						
Deposit	Class	Tonnes	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
Cloncurry Project						
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*	1,042,000	3.04	0.42	32,000	14,000
	Inferred*	880,000	2.09	0.41	18,000	12,000
TOTAL **		1,922,000	2.59	0.42	50,000	26,000
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	1.20	1.4	2,000	9,000
Sub-Total Cloncurry Project		7,653,000	1.69	0.52	111,400	130,000
Hazel Creek Project						
Turpentine	Indicated	1,627,000	1.04	0.21	17,000	11,000
	Inferred	215,000	0.9	0.16	2,000	1,000
Sub-Total Hazel Creek		1,842,000	1.03	0.2	19,000	12,000
Northwest Queensland Total		9,495,000	1.56	0.46	130,400	142,000

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.

* 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	1,183	1.00	38.0	101	0.73	2.4	1,284	0.98	40.4
	Fresh	325	1.00	10.4	1952	0.89	55.7	2277	0.90	66.2
	Sub-Total	1,508	1.00	48.4	2,053	0.88	58.1	3,562	0.93	106.6
Vertigo	Oxide	1,008	1.10	35.6	703	0.73	16.5	1,220	1.18	46.2
	Fresh	212	1.56	10.6	526	1.15	19.4	1229	0.91	35.9
	Sub-Total	1,220	1.18	46.2	1,229	0.91	35.9	2,449	1.04	82.1
Project Total		2,728	1.08	94.6	3,282	0.89	94.0	6,011	0.98	188.7

Notes: Discrepancies in totals are as result of rounding.

White Dam resource (which is depleted to June 2011) 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 0.4g/t.

TABLE 3: CLONCURRENCY DRILL COLLARS – DECEMBER 2011

Hole	Depth	Northing	Easting	Dip	Azimuth (Magnetic)
ECRC503	105	7709538	465384	-60	360
ECRC504	129	7709540	465300	-60	360
ECRC505	108	7709541	465501	-60	360
ECRC506	57	7709535	465206	-60	270
ECRC511	120	7711052	466443	-60	360
ECRC512	84	7710991	466370	-60	360
ECRC513	129	7711051	466321	-60	360
ECRC514	123	7711102	466018	-60	360
ECRC515	60	7711184	466022	-60	360
ECRC516	116	7710863	465921	-60	360
ECRC517	111	7710914	465867	-60	360
ECRC518	147	7710798	465725	-60	360
ECRC519	153	7710912	465618	-60	360
ECRC520	72	7710601	465618	-60	360
ECRC521	42	7710584	465619	-60	360
ECRC522	75	7710470	465564	-60	360
ECRC523	120	7710902	465569	-60	360
ECRC524	87	7711036	465837	-60	360
ECRC525	123	7710987	465834	-60	360
ECRC526	105	7711052	465921	-60	360
ECRC527	114	7711151	466020	-60	360
ECRC528	102	7711118	466190	-60	360
ECRC529	78	7711115	466163	-60	360
ECRC535	132	7707848	468431	-60	270
ECRC536	81	7707818	468397	-60	270
ECRC537	123	7707816	468425	-60	270
ECRC538	80	7707902	468397	-60	270
ECRC539	84	7707900	468491	-60	270
ECRC540	77	7707948	468788	-60	270
ECRC541	51	7707952	468821	-60	270
ECRC542	54	7707926	468571	-60	270
ECRC543	120	7707851	468465	-60	270
ECRC544	52	7707727	468239	-60	270
ECRC545	90	7707816	468260	-60	270
ECRC546	123	7707297	468976	-60	270
ECRC547	60	7707000	469020	-60	270
ECRC548	120	7706571	467961	-60	270
ECRC549	69	7706614	467880	-60	270
ECRC550	125	7706620	467981	-60	270
ECRC551	112	7706636	467909	-60	270
ECRC552	108	7706691	467965	-60	270

TABLE 4: CLONCURRY DRILL RESULTS – DECEMBER 2011					
Hole	From (m)	To (m)	Width (m)	Cu %	Au g/t
Uncle Toms					
ECRC503	NSI*				
ECRC504	NSI*				
ECRC505	43	45	2		0.45
ECRC506	NSI*				
Salebury					
ECRC511	NSI*				
ECRC512	2	12	10	0.14	0.09
ECRC513	24	26	2	0.23	0.03
	28	30	2	0.22	0.06
	60	64	4	0.20	0.22
ECRC514	60	68	8	0.98	0.57
	78	84	6	0.68	0.33
ECRC515	14	18	4	0.26	0.11
	28	30	2	0.45	0.14
ECRC516	54	60	6	0.48	0.28
	62	70	8	0.46	0.41
ECRC517	24	32	8	0.72	0.56
inc	26	28	2	2.72	2.33
	72	86	14	0.64	0.90
inc	84	86	2	1.52	3.33
ECRC518	92	94	2	0.38	0.28
ECRC519	90	96	6	0.33	0.27
	140	148	8	0.37	0.11
ECRC520	NSI*				
ECRC521	NSI*				
ECRC522	NSI*				
ECRC523	56	60	4	0.56	2.38
	66	70	4	0.29	0.35
ECRC524	70	72	2	0.32	0.17
ECRC525	94	98	4	0.24	0.15
ECRC526	0	6	6	0.83	0.37
	70	84	14	1.02	0.28
inc	72	78	6	1.54	0.28
ECRC527	56	66	10	0.86	0.37
inc	58	62	4	1.35	0.51
ECRC528	NSI*				
ECRC529	NSI*				
Tanbah North					
ECRC535	12	14	2	0.28	0.11
	54	56	2	0.38	0.10
	62	66	4	0.61	0.20
	94	96	2	0.40	0.13
ECRC536	54	72	18	0.34	0.14
ECRC537	72	76	4	0.31	0.11
	98	100	2	0.38	0.17
	116	120	4	0.30	0.15

Hole	From (m)	To (m)	Width (m)	Cu %	Au g/t
ECRC538	NSI*				
ECRC539	18	22	4	0.25	0.15
	36	38	2	0.43	0.15
ECRC540	NSI*				
ECRC541	10	12	2	0.35	0.11
ECRC542	16	20	4	0.22	0.14
ECRC543	48	51	3	0.22	0.22
	90	92	2	0.75	0.22
	98	108	10	1.51	1.32
inc	104	108	4	2.40	1.64
ECRC544	NSI*				
ECRC545	16	24	8	0.18	0.11
	42	44	2	0.88	0.61
Tambah Flats					
ECRC546	60	84	24	0.34	0.28
ECRC547	NSI*				
Tambah					
ECRC548	30	32	2	0.16	0.05
	98	120	22	0.34	0.28
ECRC549	0	4	4	0.85	0.20
	14	18	4	0.68	0.17
ECRC550	102	125	23	0.17	0.15
ECRC551	0	98	98	0.36	0.25
ECRC552	58	78	20	0.32	0.19
	92	96	4	0.23	0.11

*NSI = No Significant Intersection

Information on Exco Resources Ltd

Exco is an Australian focused, ASX-listed mining company (ASX: EXS). The Company is currently focused on three key projects; the White Dam Gold Project in South Australia, and the Hazel Creek and Cloncurry Projects in Northwest Queensland.

In NW Queensland, Exco holds a sizeable land package in the highly prospective Mt Isa Block, which is separated into two main project areas.

The Cloncurry Project covers over 1,920km² and encompasses the Tringadee, Pumpkin Gully and Soldier's Cap project areas. Resources delineated for the project to date total **7.65Mt @ 1.69% Cu & 0.52g/t Au**.

The Hazel Creek Project incorporates over 1,000km² of prospective land that remains relatively unexplored. In 2004 Exco moved to full ownership of the Hazel Creek project area and has confirmed the prospectivity of the area through the discovery of several key prospects, including the Turpentine Resource, **1.84mt @ 1.03% Cu & 0.2 g/t Au**. (See **Table 2** for Northwest Queensland resource summary)

Exco retains a 75% interest in the White Dam Gold Project with joint venture partner, Polymetals Mining Ltd, the operator of the operation. The project contains a depleted resource inventory of 188,000 ounces of gold (See **Table 2** for White Dam resource estimate). Since pouring first gold in April 2010, production rates and margins from White Dam have been well above expectations. Debt financing was paid off in November 2010 some nine months ahead of schedule and after only seven months of operation. The project continues to provide substantial cash flow. Attention has now turned to near-mine exploration and resource development activities with a view to extending the life of the operation at White Dam.

Exco also has a number of exploration joint ventures in Queensland (covering over 1,100km²) with major companies including Ivanhoe Australia Ltd and Xstrata Copper. These JVs are managed by Exco's partners, creating additional development options, and allowing the Company to maintain its primary focus on the Hazel Creek and Cloncurry Projects.

The Board and management of Exco 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