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Market Release (via electronic lodgement)

QUEENSLAND EXPLORATION UPDATE

2012 Field Programme Has Commenced

- 2012 drilling programme has started with rigs at Salebury & Kangaroo Rat.
- Tier One targets have been identified.
- Tier Two targets are currently being evaluated.
- Rolling greenfields exploration programme to ensure a pipeline of new targets in proven world-class terrain.
- Aggressive, result dependant, budget of up to AUD\$10M.

Exco Resources Ltd (**ASX Code: EXS**) is implementing an expansion of exploration activities within its Northwest (NW) Queensland package. The Company is well funded and focussed on target identification and resource growth. The Company has a proven track record of value creation through exploration and the 2012 field programme is the start of an exciting new phase of growth for Exco.

A significant programme of data acquisition took place over the second half of 2011. The accumulated data includes helicopter based SAM (Sub-Audio Magnetic) surveys, airborne magnetic surveys, detailed ground gravity surveys and soil geochemistry grids over priority prospect areas. These surveys have provided a range of new targets and have highlighted several prominent geophysical anomalies associated with surface indications of copper and gold mineralisation. These anomalies are prominent features in the regional geophysical data and are located in what Exco believes are key geological and structural positions.

The principal target for Exco in the Eastern Succession of the Mt Isa Inlier is Ernest Henry-style IOCG (iron-oxide-copper-gold) mineralisation which may be typified by the coincidence of strongly anomalous magnetic and gravity highs. This region hosts numerous resources and mines, and the Cloncurry Lineament on which a considerable portion of Exco's tenements lie, covers an area of prospective ground that runs from BHP's Cannington (Ag-Pb-Zn) mine to Xstrata's Ernest Henry (Cu-Au) mine. (See **Figure 1** for a location map which includes Exco's tenements and highlights the area's prospectivity)

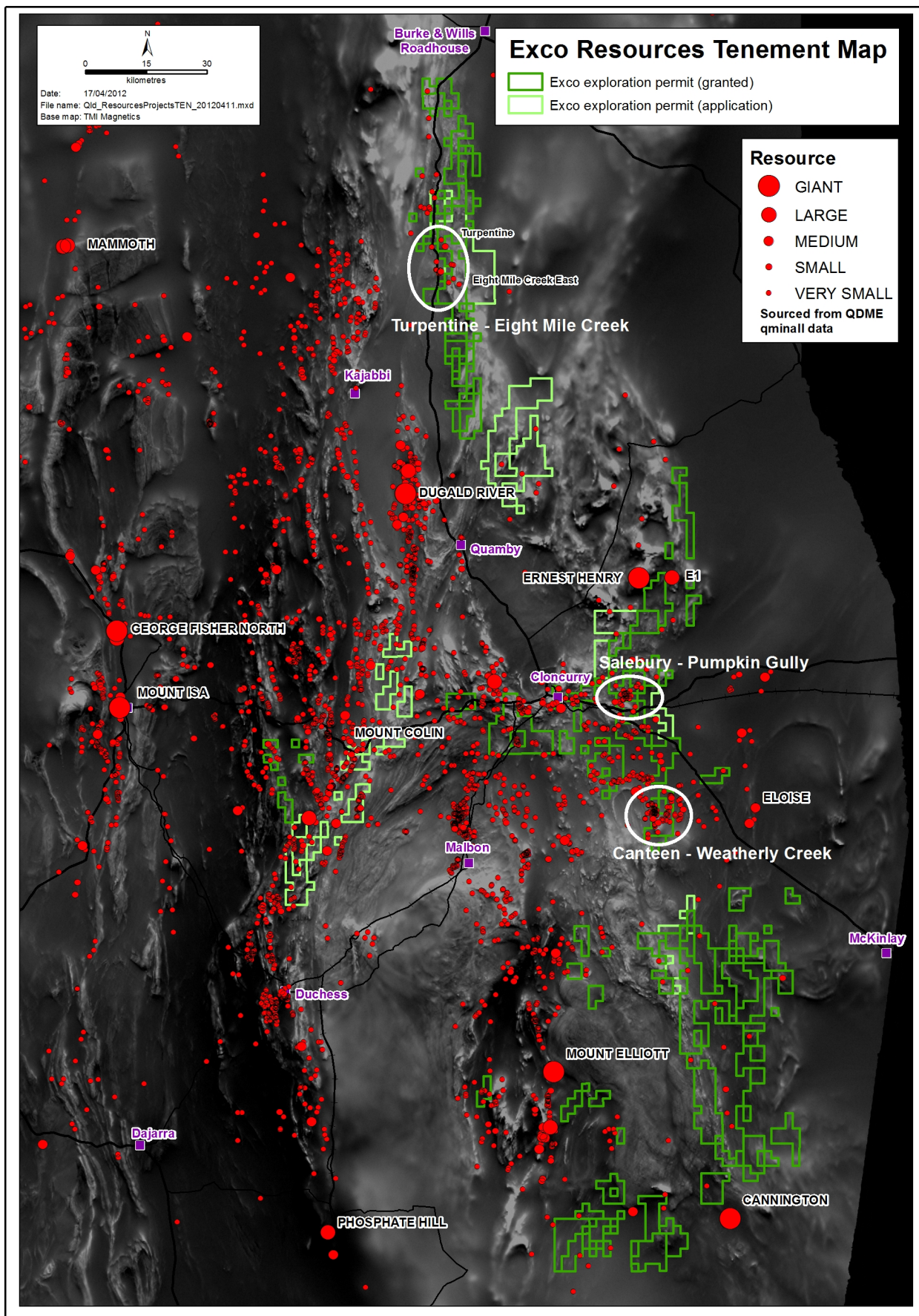


Figure 1: Location map of Exco's tenements and mineral occurrences which highlights the prospectivity of the area. Refer to **Figure 6** for more detailed tenement specifics.

Exco's exploration strategy includes simultaneously exploring for and developing large stand-alone resources (**Tier One Targets**), as well as deposits suitable for third party transactions (**Tier Two Targets**) that will realise short to medium term value for shareholders. Exco is pursuing a programme of new target generation, facilitated through the acquisition of high quality geophysics and geochemistry data, to be enhanced through advanced processing techniques.

TIER ONE TARGETS

Several previously identified targets are considered to have potential to host Tier One deposits and further work on other areas is expected to confirm additional target areas. The Turpentine/Eight Mile Creek, Salebury/Tanbah and Canteen/Weatherly Creek areas have geological, geophysical and geochemical characteristics that suggest they are within an IOCG system. Exco plans to conduct detailed exploration of the large scale multi-component anomalies that cover these areas.

Canteen – Weatherly Creek

The Canteen/Weatherly Creek prospect area is located on the interpreted crustal scale Cloncurry Lineament, proximal to 2 radiogenic granites and has a high amplitude regional magnetic anomaly of (approximately 6km x 2km), with associated surface mineralisation, conductivity anomalies and unusual alteration minerals. Extensive brecciation and stockworking with widespread Na-Ca-Fe alteration coincident with magnetite and hematite occurrences suggest a substantial hydrothermal system has been active. Soil surveys have revealed strong Cu-Au-Fe-K-P-U at surface, with **Cu to 0.27%** and **Au to 0.43 g/t**. Current drilling, to a maximum depth of only 250m and covering less than 10% of the prospect area, has intersected broad widths of mineralisation with peak values up to **4.43% Cu, 2.46 g/t Au and 830 ppm U**. Initial rock chip sampling at the southern portion of the prospect area revealed copper greater than 1% and U to 2440ppm.

Significant amounts of magnetite, pyrite and pyrrhotite were intersected in the initial phases of drilling during 2008. The Mt Freda Au deposit and the Evening Star copper deposit (held by Queensland Mining Corporation) are examples of surface mineralisation adjacent to the multi-component geophysical and geochemical anomalies that highlight this area. Geophysical surveys completed late in 2011 suggest a large deep magnetic source and a detailed gravity survey that is about to commence will be used to help site deeper diamond drilling. (See **Figure 2** for proposed exploration over the Canteen/Weatherly Creek area)

The work programme planned for the Canteen/Weatherly Creek prospects includes:

- 30km² ground gravity survey,
- Soil geochemistry (expansion of areas sampled in 2011),
- Magnetic-gravity inversion modeling (to be commenced upon completion of gravity survey),
- Alteration study,
- Heritage clearing,
- Geological mapping, and
- Reverse circulation (RC) and diamond drilling.

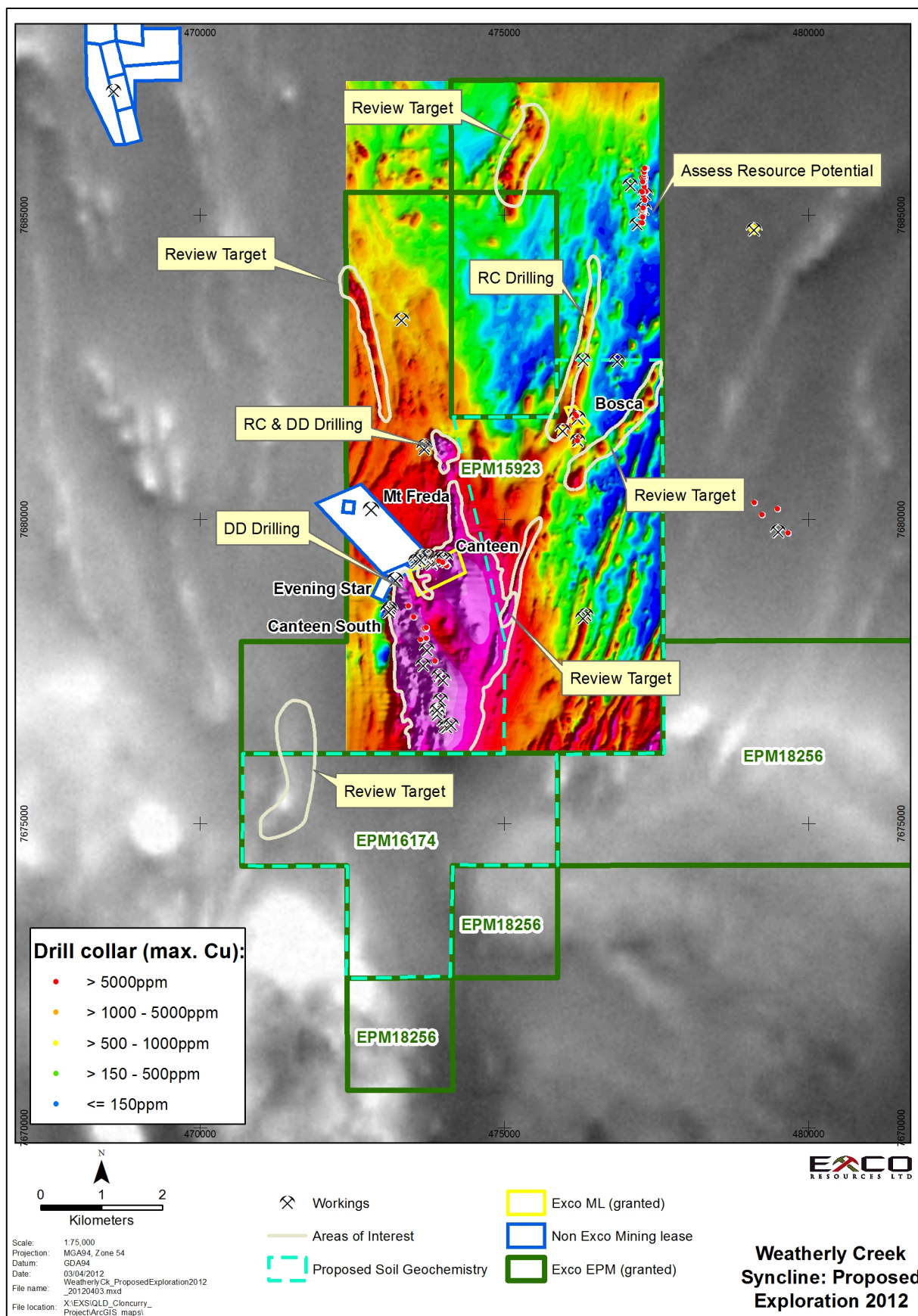


Figure 2: Proposed exploration at Canteen-Weatherly Creek over SAM TMI (coloured image) and TMI magnetics (greyscale image).

Salebury – Tanbah

Significant zones of mineralisation have been encountered in drilling adjacent to the southern limb of the Pumpkin Gully Syncline at the Salebury and Tanbah prospects. The entire Pumpkin Gully region hosts numerous other prospects.

Recent acquisition of SAM, gravity and soil geochemistry data has highlighted a number of additional targets to those already being tested by drilling. Processing of this data is currently underway in order to prioritise drilling within this well mineralised area. (See **Figure 3** for prospect locations and significant drill results and **Table 1** for 2012 work programme)

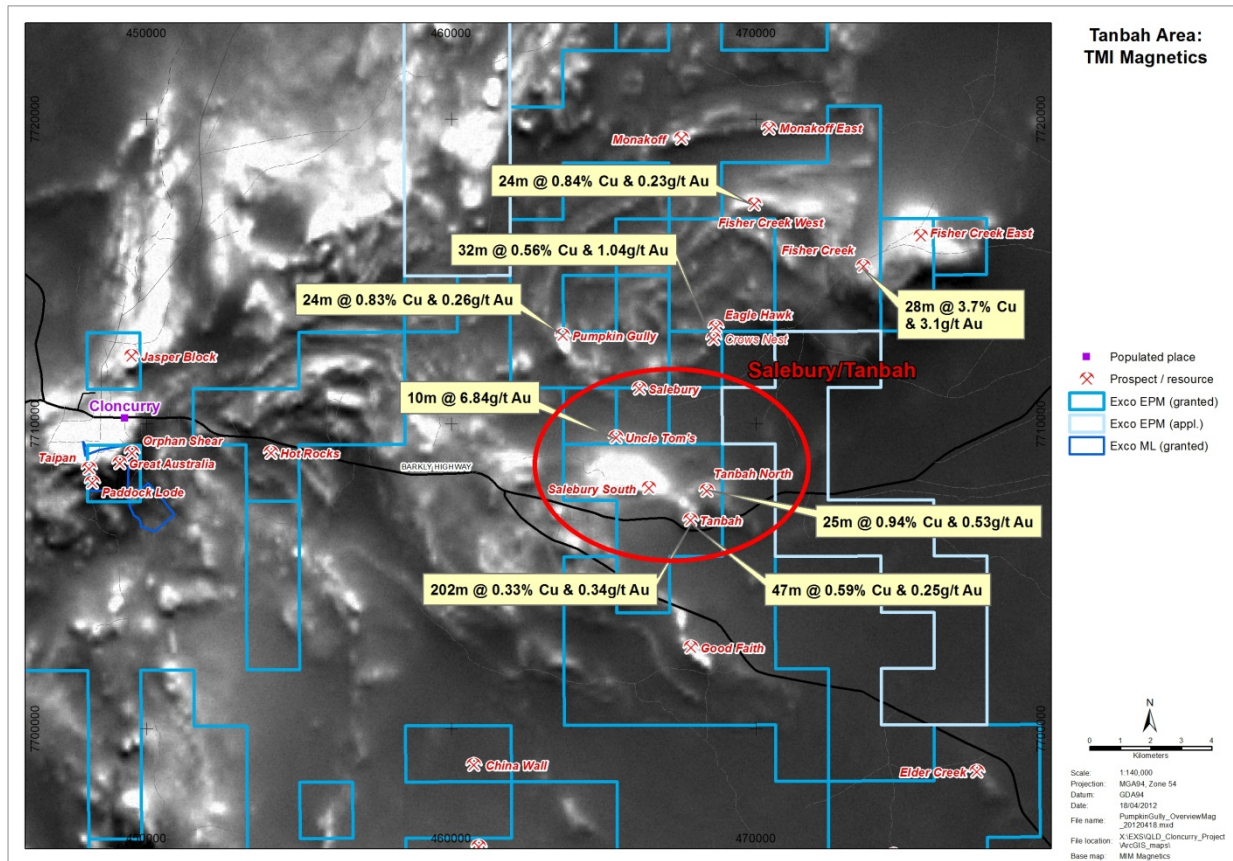


Figure 3: Salebury/Tanbah significant drill results over TMI magnetics.

Turpentine – Eight Mile Creek

The Turpentine/Eight Mile Creek area, located in the Hazel Creek Project, has widespread copper and gold mineralisation associated with magnetite, and drilling to date has outlined several prospects that may provide additional resources. Previous work in these areas suggests there is significant potential to host a large mineralised system; results do not preclude the presence of a larger system below or adjacent to the current bodies of near surface mineralisation and alteration (See **Figure 4** for completed drilling locations and significant results).

New gravity data has outlined a very large gravity anomaly partly coincident with the magnetic zone to the south of Eight Mile Creek. The gravity survey has shown that mineralisation at Turpentine, Turpentine South and Eight Mile Creek North is associated directly with gravity anomalies, and therefore this large anomaly is a high priority for drill testing as part of the 2012 programme.

The work programme planned for the Turpentine/Eight Mile Creek area prospects includes;

- Magnetic - gravity inversion modelling,
- RC and diamond drilling,
- Resource update (Turpentine), and
- An initial resource estimate for Eight Mile Creek East.

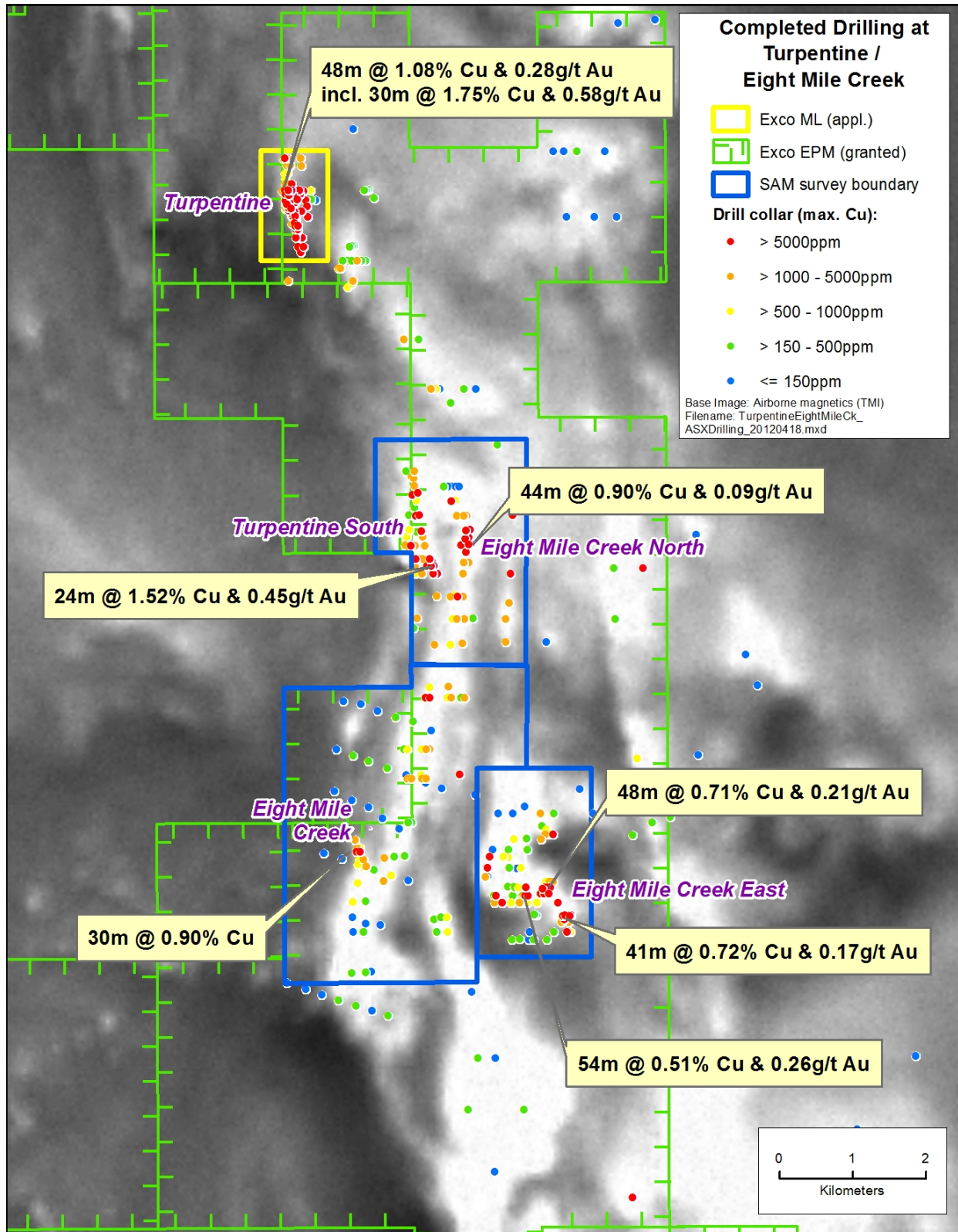


Figure 4: Turpentine/Eight Mile Creek significant drill results over TMI magnetics.

TIER TWO EXPLORATION TARGETS

There are a number of third party processing facilities within the Cloncurry/Mt Isa region that may require additional ore supplies. Exco has generated considerable value for shareholders previously through the sale of resources and execution of royalty agreements with third parties. Through the process of exploring for large Tier One targets Exco has identified, and is likely to continue to identify, smaller resources that are ideally suited to third party transactions. Exco will continue to expand the process of delineating and developing appropriate smaller resources for short to medium term transactions. The Tier Two targets may themselves indicate the presence of a larger Tier One mineralised system.

TIER ONE AND TIER TWO TARGETS – 2012 EXPLORATION PROGRAMME

TABLE 1: 2012 WORK PROGRAMME (TIER 1 & TIER 2)	
Prospect	Work Programme
Salebury	<ul style="list-style-type: none"> - Infill RC drilling. - Metallurgical testing. - Resource Estimation & Scoping Study. - Gravity survey. - Detailed geophysical modelling.
Salebury South	<ul style="list-style-type: none"> - Soil Geochemistry. - Gravity survey. - RC and diamond drilling.
Crow's Nest / Eaglehawk	<ul style="list-style-type: none"> - Diamond drilling.
Kangaroo Rat	<ul style="list-style-type: none"> - Scoping Study. - Extensional RC drilling.
Mt Colin	<ul style="list-style-type: none"> - Diamond drilling.
Uncle Toms	<ul style="list-style-type: none"> - Soil geochemistry, RC and diamond drilling.
Victory	<ul style="list-style-type: none"> - Resource Modelling.
Wallace South	<ul style="list-style-type: none"> - Deeper diamond drilling for resource extensions.
Fisher Creek	<ul style="list-style-type: none"> - RC and diamond drilling.
Tanbah	<ul style="list-style-type: none"> - RC / diamond drilling for initial resource potential.
Elder Creek	<ul style="list-style-type: none"> - RC drilling initial testing and confirmation of Tier One target.
Strathfield	<ul style="list-style-type: none"> - Review resource. - RC and diamond drilling of SAM targets.
Bull Creek	<ul style="list-style-type: none"> - RC drilling Eloise style alteration target.
Pumpkin Gully	<ul style="list-style-type: none"> - Scope small scale resource potential, RC drilling.
Turpentine	<ul style="list-style-type: none"> - Process geophysical data. - RC drilling.
Eight Mile Creek	<ul style="list-style-type: none"> - Process geophysical data. - RC drilling.
Eight Mile Creek East	<ul style="list-style-type: none"> - Process geophysical data - RC and diamond drilling. - Resource estimation.

ROLLING GREENFIELDS EXPLORATION

Exco is implementing a three year programme over the whole of its NW Queensland package to generate a pipeline of new targets. The programme will include systematic and widespread application of state-of-the art geophysics and quality soil geochemistry. Exco has developed an extensive geophysics and geochemistry database. Re-processing the key elements of these datasets will enhance current drill targeting and also reveal the next range of targets within this fertile terrain. The proposed regional soil geochemistry programme is already underway and will be accelerated as much as possible, with the first phases to be carried out in the highest priority areas (See **Figure 5** for locations of proposed soil geochemistry programme).

A gravity crew and 2 drill rigs are currently operating on site.

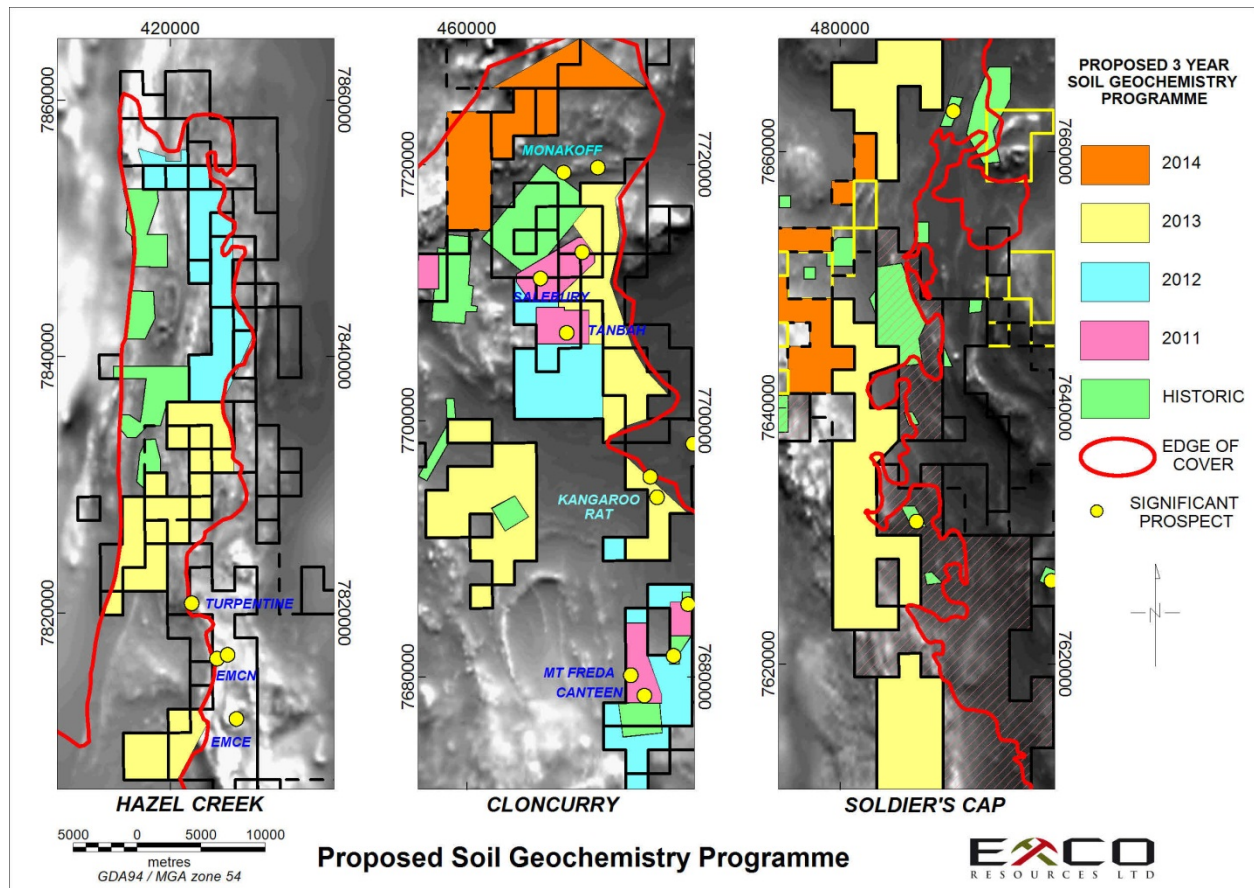


Figure 5: Locations of proposed soil geochemistry programme.

2012 EXPLORATION BUDGET

The Exco board has approved expenditure of up to \$10M on Queensland exploration activities for the 2012 calendar year. The exploration budget will be flexible and results dependant. Exco is committed to building on the success of the Cloncurry Copper Project, with further discoveries expected within this world-class terrain.

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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 report 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.

TABLE 2: 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	1,257,000	1.29	0.6	16,000	25,500
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		8,053,000	1.62	0.49	113,000	127,500
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		9,877,000	1.51	0.43	132,000	139,500

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

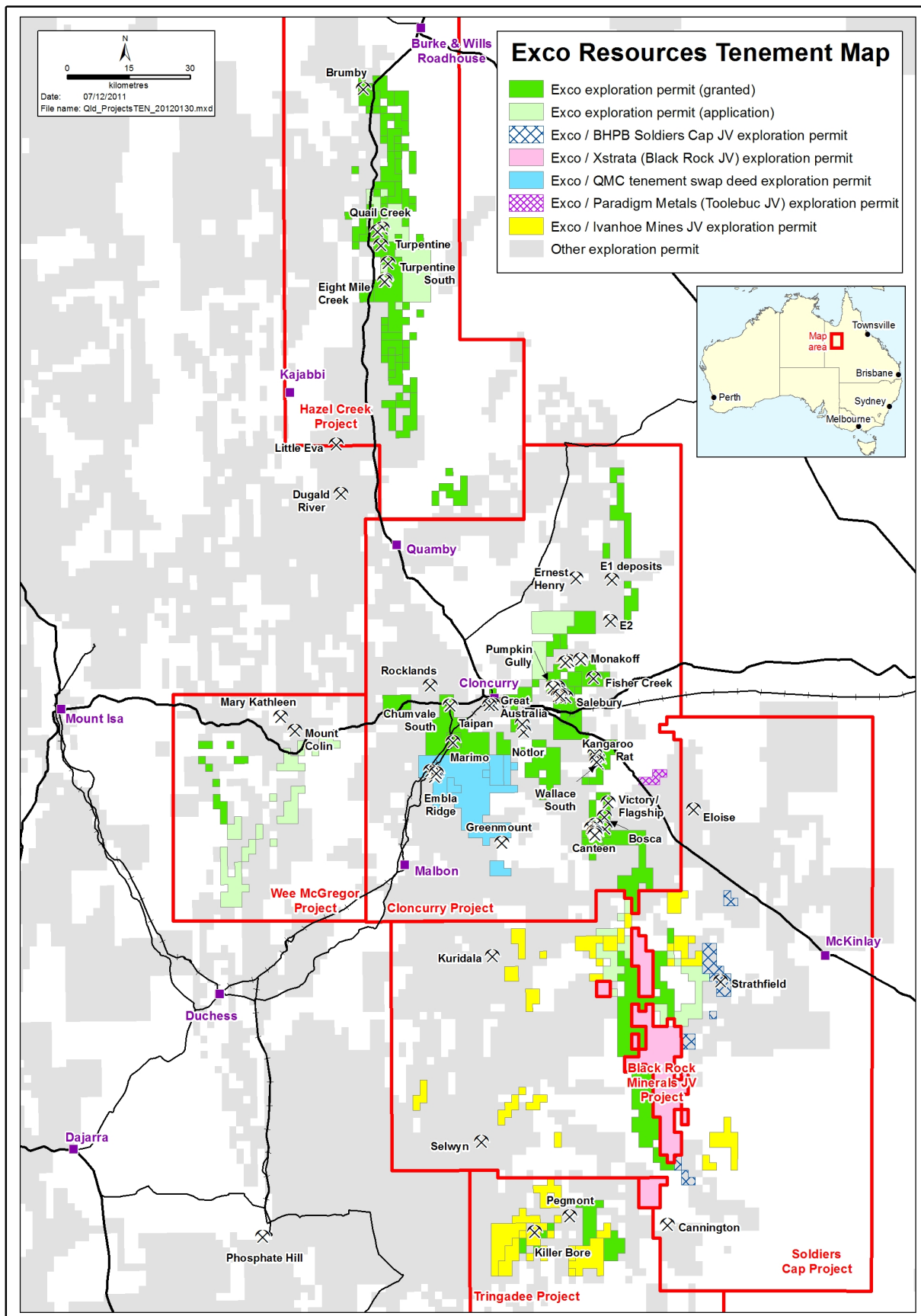


Figure 6: NW Queensland Tenement Map highlighting Exco's ground position & the location of key deposits & prospects.

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 NW 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.

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.

Exco retains an interest in the White Dam Gold Production Joint Venture and Drew Hill Exploration Joint Venture with its joint venture partner, Polymetals Mining Ltd, the manager of both joint ventures. 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 has produced in excess of 120,000oz of gold to December 2011 and the recent decision to proceed with the Vertigo project will ensure production continues well into 2012. Near mine and regional exploration is ongoing at Drew Hill.

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