



20 August 2012

Market Release (via electronic lodgement)

KANGAROO RAT PROJECT UPDATE

Further Positive Results for Kangaroo Rat Deposit

HIGHLIGHTS

- Infill diamond drilling:
 - KRDD002: **15.9m @ 2.45% Cu & 1.98 g/t Au** from 68.1m
 - KRDD004: **12.7m @ 3.47% Cu & 1.82 g/t Au** from 37.3m
 - KRDD008: **19m @ 2.09% Cu & 0.74 g/t Au** from 29m
 - KRDD009: **13m @ 1.20% Cu & 0.49 g/t Au** from 39m
- Extensional reverse circulation drilling:
 - KRRC063: **3m @ 2.48% Cu & 2.34 g/t Au** from 65m
 - KRRC065: **6m @ 0.73% Cu & 0.16 g/t Au** from 11m
 - KRRC068: **12m @ 0.69% Cu & 0.17g/t Au** from 66m
 - KRRC074: **18m @ 0.50% Cu & 0.06 g/t Au** from 18m
 - KRRC075: **18m @ 0.53% cu & 0.20 g/t Au** from 48m, including **6m @ 1.13% Cu & 0.17 g/t Au** from 48m
- Kangaroo Rat Mining Lease application submitted in July 2012.
- Positive results from initial metallurgical testwork programme.

Exco Resources Ltd (**ASX Code: EXS**) is pleased to announce an update on development activities at the wholly owned Kangaroo Rat deposit, located within the Elder Creek project area, including results from recently completed infill diamond and extensional Reverse Circulation (RC) drilling programmes.

The Kangaroo Rat deposit is located on **EPM15923**, approximately 30km south east of Cloncurry and approximately 1.5km north of the Wallace South Gold deposit. (See **Figure 1** for location map of Kangaroo Rat deposit). The deposit has a current inferred resource of **1.26Mt @ 1.29% Cu and 0.63 g/t Au** and is located in a structurally complex area where mafic volcanic and sedimentary rocks of the Toole Creek Volcanics are folded about an E-W-trending, regional-scale

anticline adjacent to a NNW-SSE striking regional fault (See **Figure 5** for regional location map and **Table 5** for summary of established resources). The Cu-Au mineralisation at Kangaroo Rat is controlled by a NE-SW-striking, shear zone obliquely intersecting a package of intercalated mafic volcanics and carbonaceous shales.

Exco believes that high grade ore from the Kangaroo Rat deposit may be economically extracted by conventional open pit mining techniques and transported to nearby processing facilities for toll treatment or a mine gate sale arrangement.

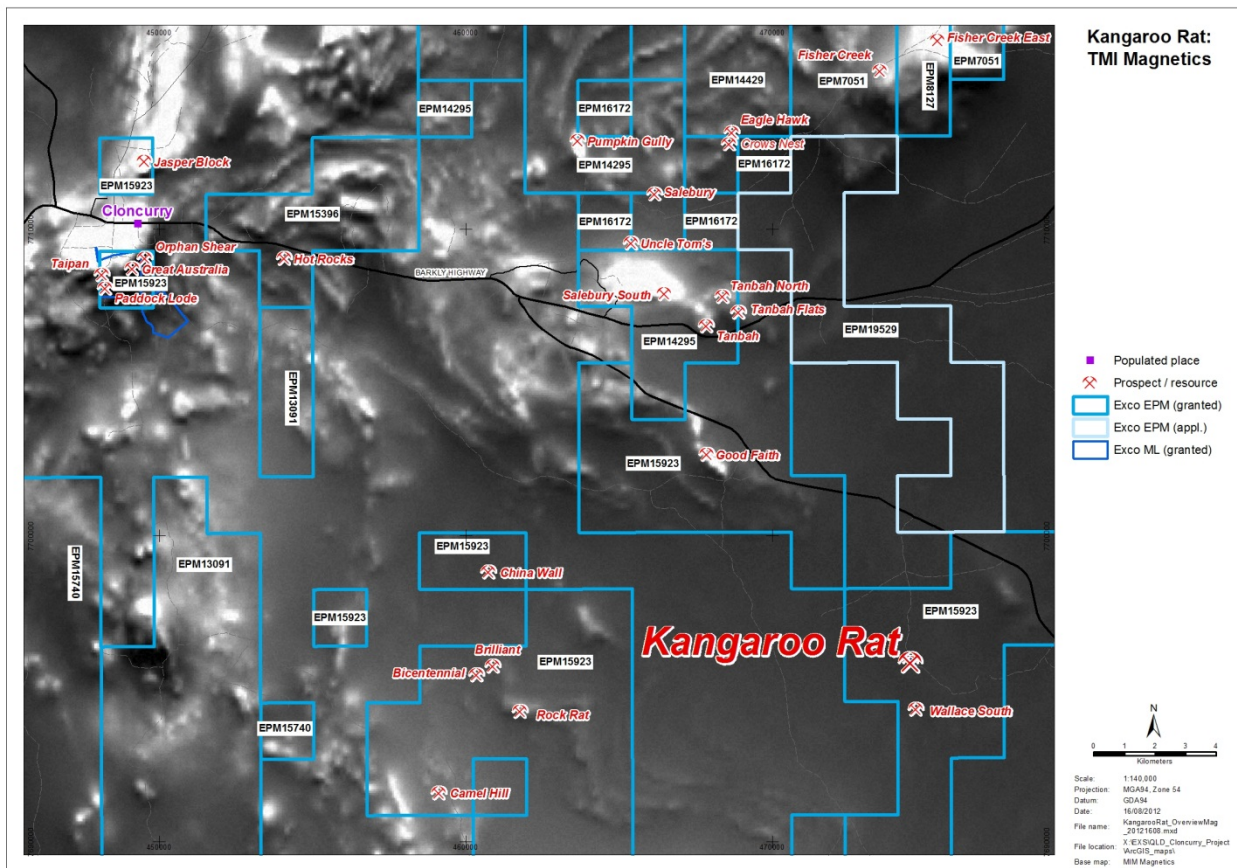


Figure 1: General Location of the Kangaroo Rat deposit & Exco tenure over an image of total magnetic intensity (TMI).

DRILLING PROGRAMME

Exco commenced a 10 hole infill diamond drilling programme in April 2012. The infill programme was aimed at increasing the drilling density and confidence of potentially open pit portions of the Kangaroo Rat deposit. Assay results and bulk densities collected from drill core will be incorporated into an updated resource estimate.

Results from the 10 diamond drill (DD) holes are summarised below (**Table 1**). Intervals are reported using a 0.3% Cu cut-off, a minimum downhole width of 3m and maximum internal waste of 3m. The location of all drill holes are shown in **Figure 2**.

In addition to the DD holes, Exco has completed a total of 13 RC holes aimed at identifying resource extensions at Kangaroo Rat. Broad intervals of anomalous mineralisation were intersected in a number of the holes with the deposit remaining open to the west as well as at depth. The Cu-Au mineralisation has been intersected to a maximum depth of 110m (historical RC hole W31: **12m @ 2.03% Cu & 1.37 g/t Au**).

Table 1: Kangaroo Rat Infill diamond drilling results (downhole widths)

Hole ID	From (m)	To (m)	Interval (m)	Cu %	Au g/t
KRDD002	54	63	9	0.50	0.21
KRDD002	68.1	84	15.9	2.45	1.98
KRDD004	37.3	50	12.7	3.47	1.82
KRDD005	50	55	5	1.23	0.49
KRDD006*	4	65	61	1.80	0.76
KRDD007	50	54	4	0.56	6.68
KRDD008	29	48	19	2.09	0.74
KRDD009	39	52	13	1.20	0.49
KRDD010	NSI**				
KRDD011	28	31	3	3.52	0.98
KRDD011	56	62	6	1.79	2.02

* Drilled down dip for metallurgical sample

** No significant interval

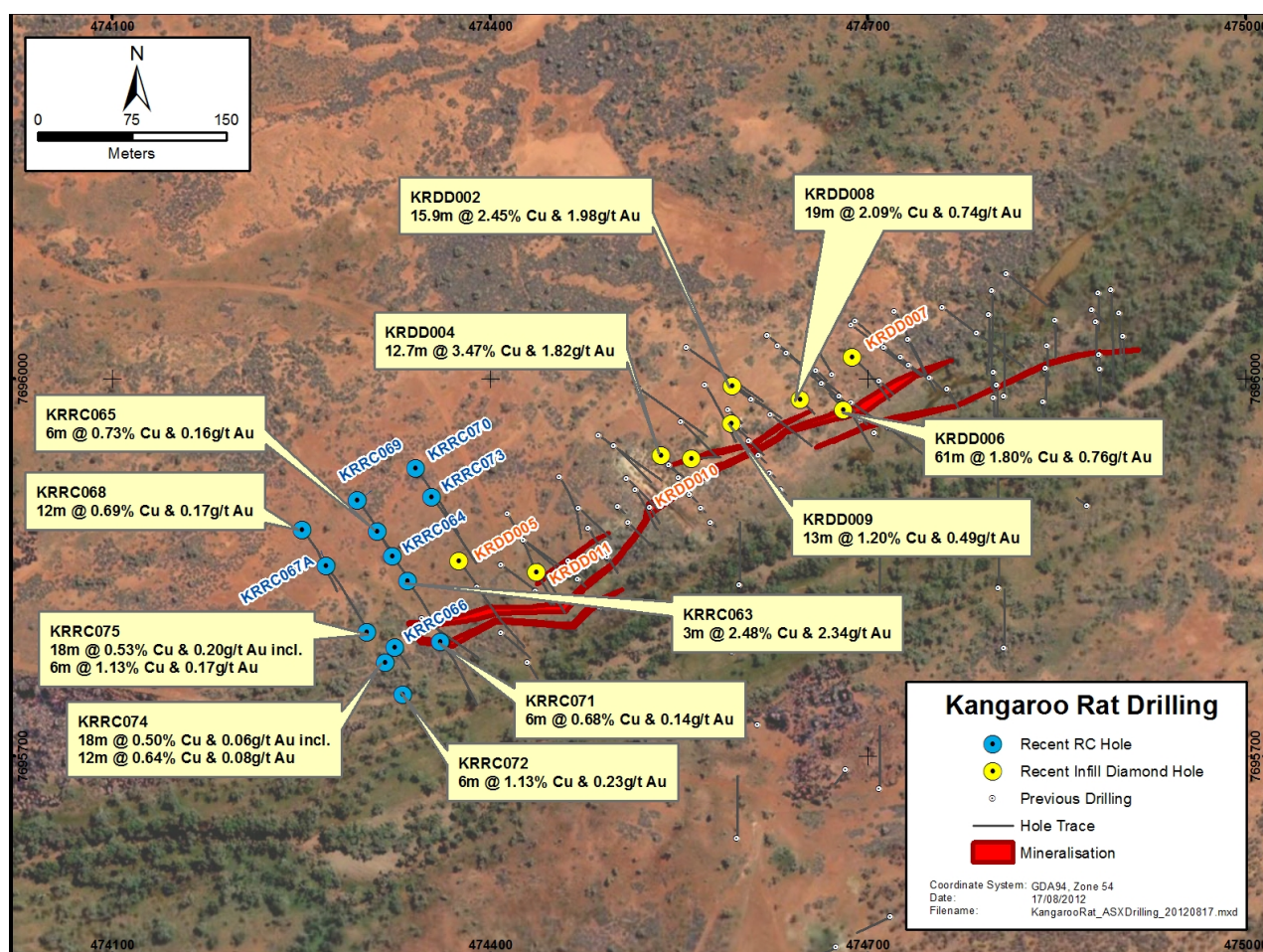


Figure 2: Kangaroo Rat drilling location plan

Re-splits at 1m intervals have been completed for four holes (KRRC063 – KRRC066) where 6m composite samples identified copper-gold anomalism. Results for KRRC063 – KRRC066 are reported using a 0.3% Cu cut-off, a minimum downhole width of 3m and maximum internal waste of 3m (**Table 2**).

Table 2: Kangaroo Rat RC extensional results (re-splits completed)

Hole ID	From (m)	To (m)	Interval (m)	Cu %	Au g/t
KRRC063	65	68	3	2.48	2.34
KRRC064	NSI*				
KRRC065	11	17	6	0.73	0.16
KRRC066	NSI*				

*NSI – No significant interval

Analyses for 6m composite samples collected from holes KRRC067A – KRRC072 have been received. Results are reported using a 0.2% Cu cut-off (**Table 3**). Re-splits of anomalous intervals have commenced.

Table 3: Kangaroo Rat RC extensional results (6m composites)

Hole ID	From (m)	To (m)	Interval (m)	Cu %	Au g/t
KRRC067A	24	30	6	0.25	0.17
and	42	48	6	0.23	0.03
and	54	60	6	0.21	0.07
and	84	90	6	0.38	0.30
and	96	102	6	0.21	0.04
KRRC068	66	78	12	0.69	0.17
KRRC069	54	60	6	0.21	0.12
KRRC070	12	18	6	0.29	0.01
KRRC071	18	24	6	0.677	0.14
KRRC072	120	126	6	1.13	0.23
KRRC073	90	96	6	0.35	0.06
and	102	108	6	0.22	0.01
KRRC074	18	36	18	0.50	0.06
Inc	24	36	12	0.64	0.08
KRRC075	48	66	18	0.53	0.20
Inc	48	54	6	1.13	0.17

Follow up drilling targeting high grade depth and potential strike extensions to the west are being planned.

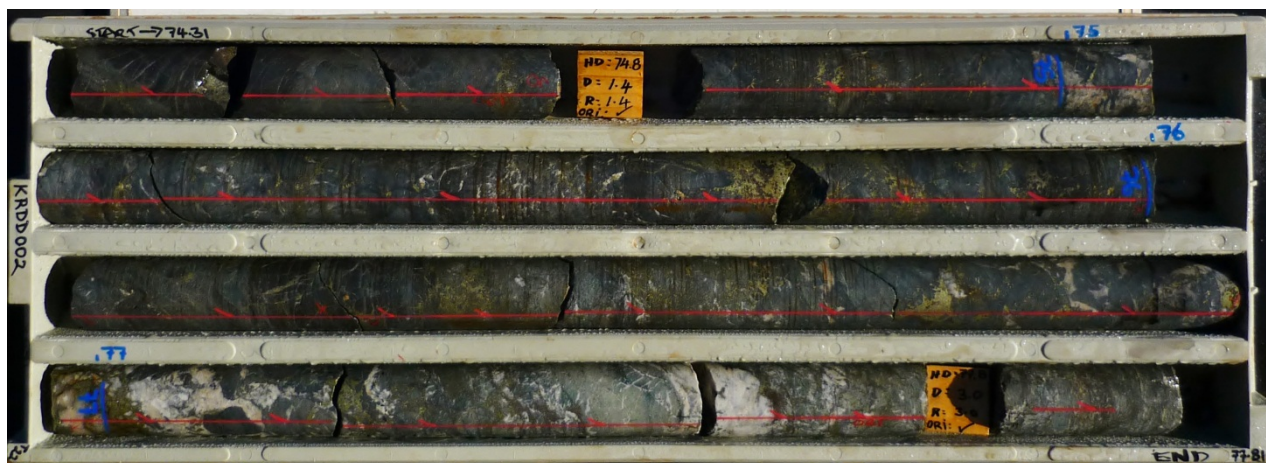


Figure 3: High grade copper Sulphide (+ gold) mineralisation at Kangaroo Rat.

PROJECT DEVELOPMENT

Exco submitted a Mining Lease application covering the Kangaroo Rat deposit in July and has commenced collection of baseline environmental data to be used in the preparation of an Environmental Management Plan. Exco has engaged AustralAsian Resource Consultants (AARC) to provide advice and assist in the preparation of all required government and environmental approvals for both the Kangaroo Rat and the Mount Colin Projects.

Two geotechnical drill holes have been completed at Kangaroo Rat and samples collected from these holes are currently the subject of geotechnical laboratory testing. Results from pre-feasibility level geotechnical investigations will be completed early in September and will be incorporated into the pit optimisations and financial evaluation.

Metallurgical testwork commenced in July on material from the Kangaroo Rat deposit. Two fresh composites and one altered/transitional composite were prepared from drill core samples for testing. While only at the initial concentration stage, preliminary results have been encouraging. Copper recoveries were reported in excess of 94% for the primary material and greater than 91% for the transitional material. In addition, gold recoveries were reported in excess of 92% for the primary material and 88% for the transitional material. Further work is currently being undertaken to clean the concentrate with the target grade of greater than 25% copper.

ELDER CREEK AREA

Exco considers the Elder Creek area to hold excellent potential for further exploration success. The project, covering an area in excess of 20km², includes the Kangaroo Rat Cu-Au and Wallace South Au deposits, as well as the Elder Creek, Hopping Mouse and Kangaroo Rat South prospects.

The project is situated within a structurally complex corridor bounded by two regional scale NW faults where sporadic historic exploration activity has defined the Kangaroo Rat and Wallace South deposits. These, as well as several other prospects have intersected high grade copper and gold mineralisation and require further exploration. These prospects include;

Kangaroo Rat South	WRC123	6m @ 3.96g/t Au from 4m; and 23m @ 1.02g/t Au from 19m; and 10m @ 3.69g/t Au from 45m
	WRC228	5m @ 0.70% Cu and 6.71g/t Au from 27m
Hopping Mouse	WRC195	17m @ 1.25% Cu and 0.42g/t Au from 43m
	WRC197	29m @ 0.70% Cu and 0.81g/t Au from 32m
	WRC199	18m @ 0.81% Cu and 0.23g/t Au from 34m
	WRC238	7m @ 5.35 g/t Au from 20m

A thin veneer of transported alluvium covers much of the area so detailed ground magnetics and fixed loop electromagnetic (EM) surveys will be completed during the next month to assist in targeting potential mineralisation.

Previously reported diamond drilling by Exco at the Wallace South Au deposit intersected intensely oxidised, ferruginous and brecciated quartz veins with high grade gold mineralisation (WSDD002, **40m at 2.93g/t Au** from 150m, reported 6th of August 2012) in metasediments at depths in excess of 150m vertically. No drill holes have intersected sulphide mineralisation in this deposit. Exco's interpretation is that the deep total oxidation and very high iron content, coupled

with pervasive anomalous copper concentrations on the mineralised structures, indicate potential for supergene enriched and primary Cu-Au sulphide mineralisation below. The fixed loop EM survey is planned to test for such sulphide mineralisation.

A helicopter borne magnetic survey conducted by Exco during 2011 defined a strong magnetic anomaly at the Elder Creek prospect, situated immediately west of a NW striking regional fault and masked by a thin cover of alluvium. Exco plans to test the anomaly with RC drilling this quarter.

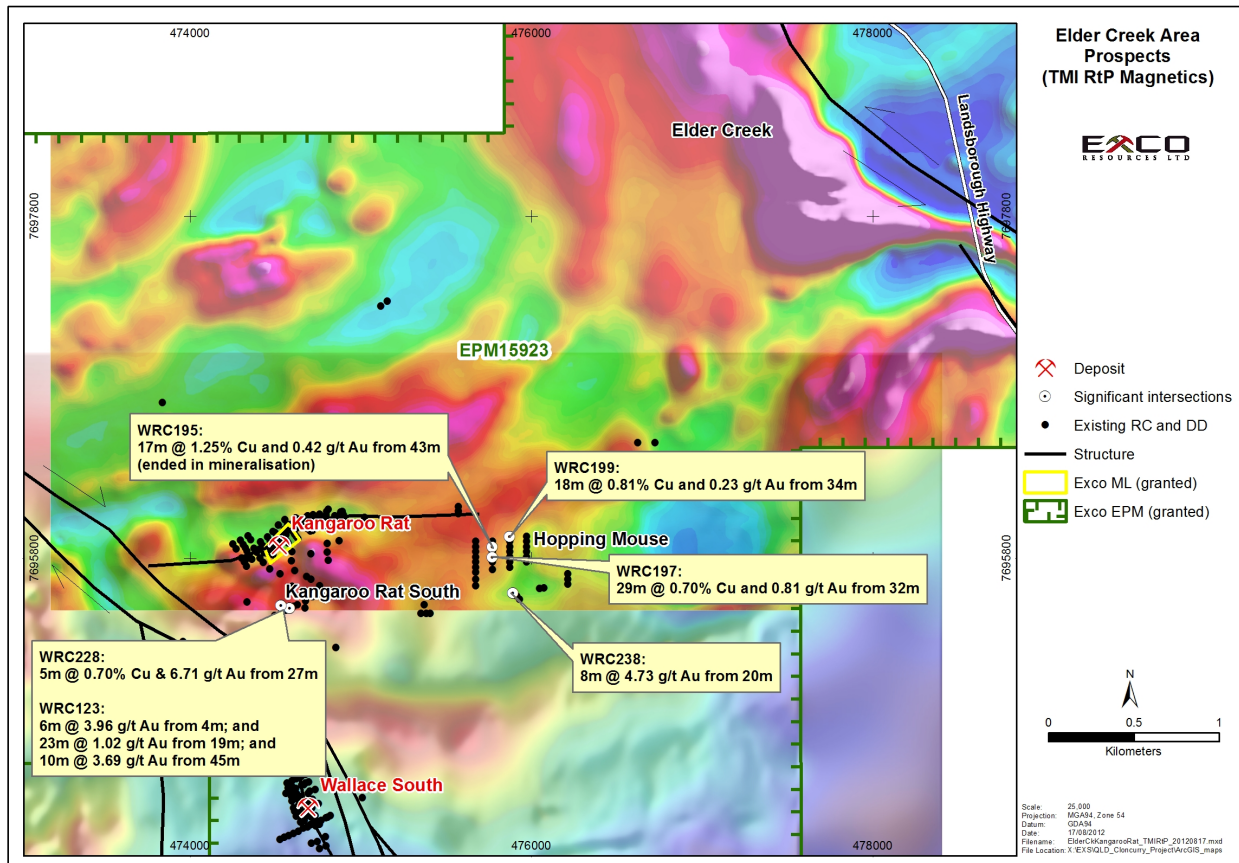


Figure 4: Location Map showing Elder Creek prospects and significant historical intersections over TMI RTP.

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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 report relating to mineral resources and exploration results for the Kangaroo Rat deposit is based on data compiled by Mr Stephen Konecny (Exco's Chief Geologist) and Mr Lauritz Barnes, who is a consultant to Exco. Both Mr Konecny and Mr Barnes are members of The Australasian Institute of Mining and Metallurgy. Both Mr Konecny and Mr Barnes 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 Mr Barnes consent to the inclusion of the data in the form and context in which it appears.

Information in this report relating to all other mineral resources and exploration results is based on data compiled by Ms Christine Shore (Exco's Resource Manager) and Mr Stephen Konecny (Exco's Chief Geologist) who are both members of The Australasian Institute of Mining and Metallurgy. Ms Shore and Mr Konecny 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. Ms Shore and Mr Konecny consent to the inclusion of the data in the form and context in which it appears.

TABLE 4: DRILL COLLARS – AUGUST 2012

Hole ID	Easting*	Northing*	Azimuth	Dip	Depth
Kangaroo Rat					
KRDD002	474592	7695994	126	-60	92.8
KRDD004	474536	7695939	145	-65	59.8
KRDD005	474376	7695855	145	-55	76.0
KRDD006	474681	7695975	320	-75	68.4
KRDD007	474687	7696017	134	-60	90.0
KRDD008	474646	7695983	134	-75	60.7
KRDD009	474592	7695965	134	-70	60.4
KRDD010	474560	7695936	085	-60	45.2
KRDD011	474437	7695846	150	-75	72.8
KRDD012	474672	7696003	330	-60	81.6
KRDD013	474684	7695978	150	-60	81.6
KRRC063	474334	7695839	145	-50	75
KRRC064	474323	7695859	145	-55	39
KRRC065	474311	7695879	145	-55	36
KRRC066	474324	7695787	145	-55	36
KRRC067A	474270	7695852	145	-55	102
KRRC068	474251	7695880	145	-55	100
KRRC069	474295	7695904	145	-55	100
KRRC070	474341	7695929	145	-55	112
KRRC071	474361	7695791	145	-55	106
KRRC072	474331	7695750	145	-55	130
KRRC073	474354	7695906	145	-55	112
KRRC074	474317	7695775	146	-60	100
KRRC075	474302	7695799	176	-55	100
W31	474556	7696025	125	-61	152
Kangaroo Rat South					
WRC123	474585	7695505	241	-60	60
WRC228	474533	7695521	187	-60	44
Hopping Mouse					
WRC195	475773	7695866	0	-60	60
WRC197	475773	7695806	0	-60	67
WRC199	475873	7695926	0	-60	60
WRC238	475891	7695596	136	-60	60

*GDA94, Zone 54

TABLE 5: 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	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⁾ Undepleted Resource - currently being mined by CopperChem Ltd and subject to a royalty arrangement with Exco

* Mt Colin resource cut-off = 1.25% Cu.

** Wallace South resource cut-off = 0.5g/t

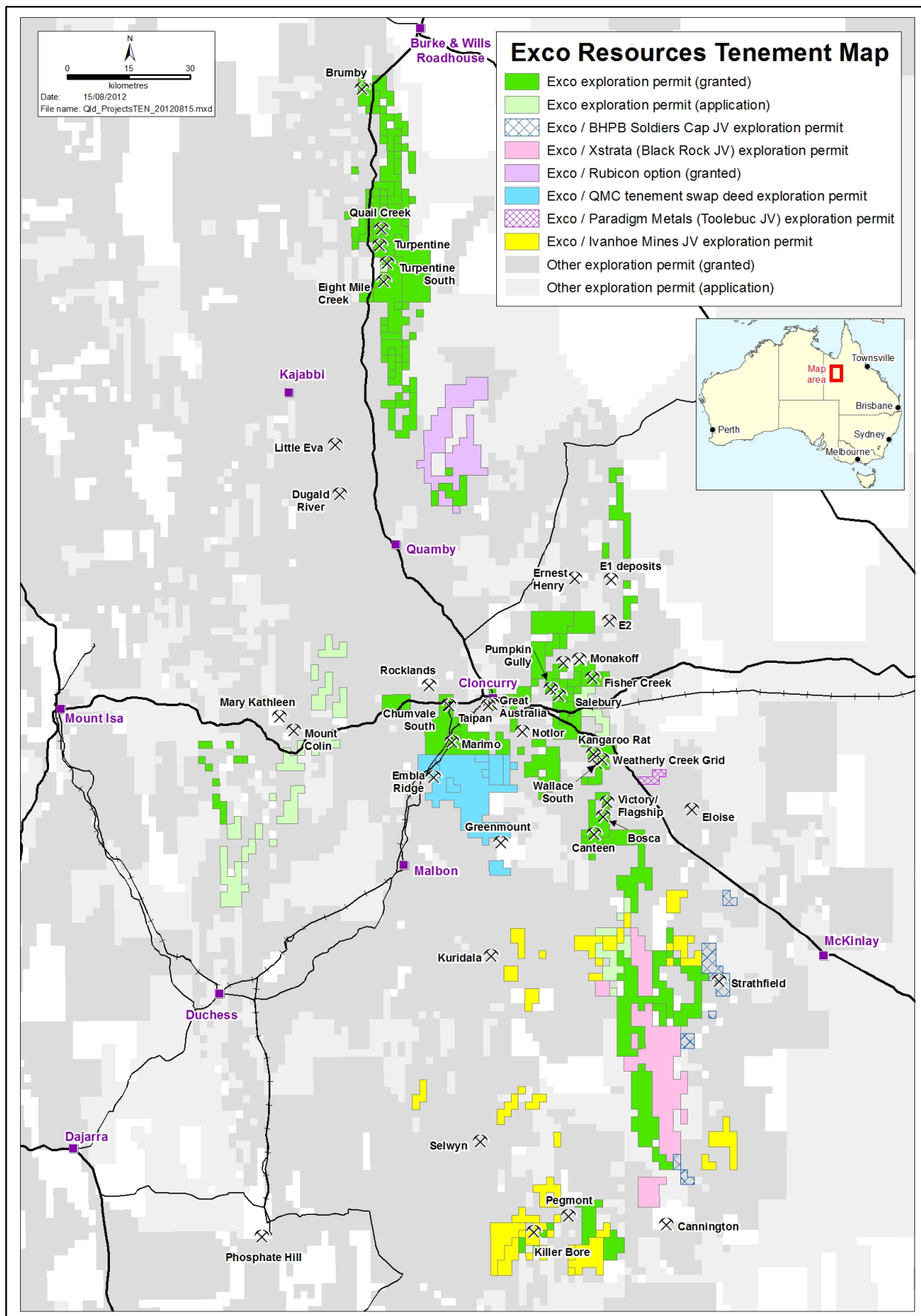


Figure 5: NW Queensland Tenement Map highlighting Exco's ground position & the location of key deposits & prospects.

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 Hazel Creek and Cloncurry Projects in NW Queensland the White Dam Gold Project in South Australia.

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 1,900km² and includes a number of high priority prospects including the Salebury - Tanbah and the Weatherly Creek - Canteen project areas.

The Hazel Creek Project incorporates over 1,000km² of prospective land that remains relatively unexplored. Exco has confirmed the prospectivity of the Hazel Creek project area through the discovery of several key prospects which include 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. Up to June 2012 the project had produced in excess of 134,700oz of gold. Mining of the Vertigo deposit was completed in early May. Production will continue until the December quarter. The joint venture partners continue to explore for other opportunities in the Drew Hill area.

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