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TURPENTINE RESOURCE UPDATE

Resource upgrade confirms 181% increase in contained copper.

HIGHLIGHTS

- An increase in the total mineral resource to **5.6Mt** @ **0.94%** Cu & **0.20** g/t Au for a total of **53,000t** contained copper.
- The Indicated mineral resource has increased by 136% to 3.8Mt @ 0.92% Cu & 0.19g/t Au and the Inferred by 750% to 1.8Mt @ 0.98% Cu & 0.22 g/t Au.
- The significant increase in the mineral resource for Turpentine is another successful outcome from the Company's current drilling programme, reiterating the importance of the expansive and on-going work taking place over the whole of the Company's NW Queensland portfolio.

Exco Resources Ltd (**ASX: EXS**) has completed an updated JORC compliant resource for the Turpentine copper-gold deposit. The upgraded resource has increased total contained copper to **53,100 tonnes** which is an increase of **181%** over the mineral resource previously completed by Exco in 2004. Overall tonnes have increased by over 200% (from the 2004 mineral resource estimate) to **5.65Mt**. Extensional drilling together with geophysics has indicated mineralisation is open at depth and there is potential for further extensions.

Full details and a comparison with the 2004 mineral resource estimate are provided in **Table 1** below.

TABLE 1 :COMPARISON OF UPDATED TURPENTINE RESOURCE TO SEPT 2004 ESTIMATE										
Turpentine Mineral Resource										
Resource Category	2012 Resource (0.3% Cu Cut-off)					Previous - Sep 2004 (0.5% Cu Cut-off)				
	Tonnes	Cu (%)	Au(ppm)	Cu (t)	Au (oz)	Tonnes	Cu (%)	Au(ppm)	Cu (t)	Au (oz)
Indicated	3,830,600	0.92	0.191	35,300	23,500	1,626,600	1.04	0.21	16,900	11,000
Inferred	1,818,600	0.98	0.22	17,800	12,900	214,700	0.90	0.16	1,900	1,100
Total	5,649,200	0.94	0.20	53,100	36,400	1,841,300	1.03	0.20	18,800	12,100

NB: Figures rounded to nearest 100

Commenting today, Exco's Managing Director, Geoff Laing said:

"Whilst still early days, this substantial upgrade in contained copper justifies the work that we have completed in the last 9 months. The upgrade supports our confidence in the resource and the Directors view that the Soul Pattison takeover offer undervalues the Company and its assets."

TURPENTINE OVERVIEW

The Turpentine deposit is located approximately 120km north of Cloncurry in Northwest Queensland and forms part of the Hazel Creek Project (see **Figure 4** for regional map showing deposit location).

Turpentine was identified as an Iron Oxide Copper Gold (**IOCG**) target by Exco in early 2000, with the deposit being associated with a large, linear magnetic anomaly and a coincident electromagnetic conductor.

TURPENTINE JORC RESOURCE

The significant increase in the Turpentine Resource (see **Table 2**) is due to an extensive drill programme that took place in late 2011 and mid 2012 (see ASX release dated 22/08/2012). Since the 2004 resource was completed a further 48 holes for 8,575 metres have been drilled, targeting areas outside the resource which enabled the definition of further mineralisation along strike and down dip up to 140 metres below the lowest intercept (see **Figure 1** for long section showing pre and post 2004 drill hole locations).

TABLE 2 -TURPENTINE RESOURCE									
Turpentine Deposit Resource Estimate 0.3% Cu Cut-off									
Type	Resource	Tonnoo	G	Grade	Metal				
туре	Category	Tonnes	Cu (%)	Au (ppm)	Cu (t)	Au (oz)			
Ovido	Indicated	467,300	0.72	0.13	3,300	2,000			
Oxide	Inferred	20,100	0.74	0.12	100	100			
Sub Total - Oxide		487,400	0.72	0.13	3,400	2,100			
Freeb	Indicated	3,363,300	0.96	0.2	32,200	21,700			
FIESH	Inferred	1,798,500	0.98	0.22	17,700	12,800			
Sub Total - Fresh		5,161,800	0.97	0.21	49,900	34,500			
	Total	5,649,200	0.94	0.2	53,300	36,600			

NB: Figures rounded to nearest 100

Drilling has outlined a steeply dipping zone of coarse grained chalcopyrite mineralisation, hosted within quartz-magnetite-biotite altered intercalated meta-sediments and mafic units (see **Figure 2 and 3**). This information was incorporated into the geological interpretation and model which was then wireframed to update the resource model.

Details of the resource classification and estimation methodologies are given in the appendices.



Figure 1: Long Section (looking West) and showing proposed targets at depth.



Figure 2: Cross Section (7821125N +/-15m) showing deep drilling with mineralisation open at depth.



Figure 3: Cross Section (7820890N +/-15m) showing recent drill holes.

FUTURE WORK

Three dimensional modeling of the detailed magnetic and gravity data have highlighted an anomaly down dip of the current defined resource and this is further evidence that mineralization is continuing at depth.

Four deep targets have been proposed to test the extent of mineralization at depth (see **Figure 1** for extensional target locations). Drilling of the first, and most northern, of these targets has commenced.

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Assessment and Reporting Criteria Table

The following table provides a summary of important criteria related to the assessment and reporting of the Turpentine Mineral Resources as presented in **Table 1** of the Australian code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004).

Criteria	Explanation
	Sampling Techniques and Data
Drilling Techniques	 12 Diamond (NQ2) standard tube drillholes for 1,862.88m and 106 reverse circulation (RC) for 10,675.90m were used for geological interpretation.
Drill sample Recovery	 Diamond core recovery was very good, with an average of 99.5% of core recovered throughout the deposit. RC sample recovery was good with no issues encountered.
Logging	 Diamond core and RC chips were logged into a validated Excel spreadsheet logging system. All core was photographed. All core is stored at Exco's Cloncurry yard.
Sub-sampling techniques and sample preparation	 Core is oriented along the bottom of the hole. All samples were taken as half core using a diamond core saw. RC chips were sampled using a spear to create a 2-3kg, 6m composite. All composites with a copper grade greater than 0.1% were resplit. Prior to 2011 resplitting was carried out with a riffle splitter. From 2011, 1m samples were collected from the cyclone of the rig and stored for later sample submission. Wet samples were sub-sampled with a scoop and air dried on site prior to dispatch to the laboratory.
Quality of assay data and laboratory tests	 Quality control for both the RC and diamond drilling was carried out involving certified reference standards (1:50), field duplicates (1:25) and blank samples (1:50) to monitor the accuracy and precision of the laboratory data. Copper grades were determined using Aqua Regia digest ICP Atomic Emission Spectrometry by ALS Townsville. Gold grades were determined by 50g Fire Assay with AAS finish by ALS Townsville.
Verification of sampling and assaying	No umpire assaying completed.
Location of Data Points	 All holes drilled since 2003 have been located by DGPS with a horizontal accuracy of +/-0.5m. Holes drilled prior to 2003 have been located with handheld GPS. The RL of all holes was determined using a surface created by a DGPS with a vertical accuracy of +/-20mm. All Diamond holes drilled since 2010 and 167 RC holes have had magnetic downhole surveys taken at approximately 30m intervals. An azimuth adjustment of +6.5° was applied for the conversion to MGA Zone 54 (GDA94) for all magnetic surveys.
Data Spacing and distribution	 Drilling has been completed on nominal east-west sections with 25m and 50m spacing. A total of 12 Diamond holes and 65 RC holes intersect the mineralisation 83% of drilling was drilled at approximately 55°-60° to the west. 17% of drilling was drilled vertically.

Criteria	a Explanation						
Sampling Techniques and Data							
Orientation of data in relation to geological structure	 The strike of the ore body is approximately north-south (168°). The majority of the holes have been drilled to the west to intersect the strike of the mineralisation at approximately 90°. The mineralisation dips approximately 70° toward the east. The majority of holes were drilled at an angle of 55° to 60° to intersect the mineralisation with a suitable intersection angle. No bias is expected from the drilling direction. 						
Audits or reviews of	 A QA/QC report was generated in August 2012 reviewing all drilling. No 						
sampling and assaying	adverse findings were identified.						
Estimating and Reporting of Mineral Resources							
Database integrity	 The Exco database is stored in an SQL Server database and is managed using DataShed software. Data is validated when entered into the database by a variety of means including the enforcement of coding standards, constraints and triggers. These are features built into the data model that ensure data meets essential standards of validity and consistency. A visual validation was carried out by viewing the drillholes on section and by subjecting the drillhole data to Surpac auditing processes (e.g. checks for sample overlaps). 						
Geological Interpretation	 Deposit Geology: The deposit is hosted within quartz-magnetite-biotite altered intercalated metasediments (psammites & schists) and mafic units at the boundary where the metasediment package becomes thicker and more coherent with less mafic inclusions. Mineralisation: Turpentine deposit mineralisation is sub-parallel to the lithostratigraphic architecture. The mineralisation is broken into zones; oxide and fresh. The oxide zone typically contains malachite and azurite. The fresh zone is characterised by the lack of oxidised copper species and the appearance of sulphides. 						
Dimensions	 Turpentine mineralisation strikes approximately north-south (168°) and dips steeply (-72°) to the east. Turpentine mineralisation extends over a total strike length of 950m and has a width at surface ranging from 2-12m. The deposit has vertical extents of up to 300m with mineralisation open at depth. 						
Estimation and modelling techniques	 A three dimensional model was created of the mineralisation, using a copper cut-off of approximately 0.3%, based on sectional interpretation. In addition to the mineralisation model a Base of Oxidation surface was also constructed. Sample data was composited to a two metre downhole length using a best fit compositing method. The minor number of residuals were considered unbiased and were included in the estimate. An analysis of the grade distribution characteristics of the composites revealed acceptable coefficient of variance and log-probability graphs. A topcut of 11% was used for copper and 1.9ppm for gold. Directional Variograms were modelled; in general the grade continuity was good. The block model was constructed with parent blocks of 5mN by 2.5mE by 2.5mRL and sub-blocked to 5mN by 1.25mE by 1.25mRL. 						

Criteria	Explanation
	Estimating and Reporting of Mineral Resources
Estimation and modelling techniques	 Ordinary Kriging to the parent block size was used to estimate Cu, Au and Fe. Three estimation passes were used for all three elements. The first pass had a limit of 50m, maximum of 24 samples and minimum of 8 samples of which no more than 5 were from any one hole. The second pass had a limit of 100m, maximum of 24 samples and minimum of 6 samples of which no more than 4 were from any one hole. The third pass had a limit of 250m, maximum of 24 samples and minimum of 4 samples of which no more than 3 were from any one hole. For all estimations a discretisation matrix of 3x3x3 was used.
Moisture	Tonnes have been estimated on a dry basis.
Cut-off parameters	• Copper Mineral Resources have been reported inside the mineralisation wireframe that was constructed at an approximately 0.3% Cu cut-off.
Mining factors or assumptions	 No mining assumptions have been built into the resource.
Metallurgical factors or assumptions	 No metallurgical assumptions have been built into the resource, preliminary metallurgy has been carried out suggesting excellent flotation characteristics
Bulk density	 167 core samples have been measured for density. The method used the air dried half core sample weighed in air and then in water, the results of which were used to estimate the density. 155 samples were from the fresh zone beneath the Base of Oxidation surface. These samples were averaged and the value was applied to all the fresh mineralised material in the block model. 12 samples from the oxide zone were averaged and the value was applied to all mineralised oxide material in the block model.
Classification	 Mineral Resources have been classified on the basis of confidence in the geological and grade continuity using the drilling density, geological model and kriging variance. Indicated Mineral Resources have been defined generally in areas of 40m by 40m drill spacing and a kriging variance of less than 0.55. Inferred Mineral Resources have been defined generally in areas of up to 80m by 80m drill spacing and a kriging variance between 0.55 and 0.70.
Block Model Verification	 A Nearest Neighbour estimation was run as a comparison check to the Ordinary Kriged block model. The comparison was satisfactory. An Inverse Distance Squared estimation was run as a further check to the Ordinary Kriged model. The comparison was good. Swath plots were generated along east-west sections and the block grade compared well with the composite grade. Swath plots were also created for the RL and the block grade again compared well with the composite grade.
Audits or reviews	 A high level audit of the interpretation, compositing, top cuts, estimations, modelling parameters and classifications was carried out by Cube Consulting in August this year. No matters were noted that would impair the validity of the Mineral Resource Estimate.

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 report 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 1: EXCO RESOURCES – NORTHWEST QUEENSLAND RESOURCE SUMMARY								
			Grade		Metal			
Deposit	Class	Tonnes	Cu%	Au g/t	Cu T	Au Oz		
	:t							
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		
	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		
Kangaroo Rat	Inferred	1,257,100	1.29	0.63	16,200	25,700		
Taipan	Inferred	1,460,000	0.80	0.10	12,000	5,000		
Wallace South ⁽³⁾	Inferred	1,000,000	-	1.60	-	53,000		
Victory-Flagship	Inferred	196,000	1.20	1.40	2,000	9,000		
Sub-Total Cloncurry Project		8,035,100	1.62	0.49	113,200	127,700		
Hazel Creek Project								
Turpentine ⁽⁴⁾	Indicated	3,830,600	0.92	0.19	35,300	23,500		
	Inferred	1,818,600	0.98	0.22	17,800	12,900		
Sub-Total Hazel Creek		5,649,200	0.94	0.20	53,100	36,400		

North wes	t Queensiand						
Total			13,684,300	1.34	0.37	166,300	164,100
Notes:	Discrepancies in totals ar	e as result of round	lina.				

⁽¹⁾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

⁽²⁾Mt Colin resource cut-off = 1.25% Cu. ⁽³⁾Wallace South resource cut-off = 0.5g/t Au

(4) Turpentine resource cut-off = 0.3% Cu



Figure 4: 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 <u>www.excoresources.com.au</u>