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Market Release (via electronic lodgement)

QUEENSLAND EXPLORATION UPDATE

Drilling at Wallace South confirms significant mineralisation

HIGHLIGHTS

- Diamond Drill hole **WSDD002** has intersected significant gold mineralisation including:
 - **40m @ 2.93 g/t Au** from 150m,
 - Including **17m @ 5.95 g/t Au** from 150m
 - And **8m @ 1.68 g/t Au** from 176m.
- Results from the four recently completed diamond holes will be incorporated into the resource model to enable targeting of possible additional supergene and primary mineralisation.

Exco Resources Ltd (**ASX Code: EXS**) is proactively engaged in a major programme of exploration activities across a number of priority targets within its Northwest Queensland tenement package. Exco continues to explore for large stand-alone resources (**Tier One Targets**), while developing deposits suitable for third party transactions (**Tier Two Targets**). (See **Figure 4** for regional location map and **Table 3** for summary of established resources).

The Wallace South deposit area has been identified as a Tier Two target, located in a Tier One target area that includes other prospects such as Kangaroo Rat and Elder Creek.

Four Diamond holes completed as a first phase to test for down dip extensions of the near surface mineralisation and to determine along strike zonation have intersected significant gold mineralisation. (See **Table 1** for all significant assay results and **Table 2** for drill collar information).

WALLACE SOUTH PROSPECT

The Wallace South gold deposit is located on EPM15923, approximately 30km south east of Cloncurry, and just 1.5km south of the Kangaroo Rat Cu-Au deposit. (See **Figure 1** for location map of the Wallace South deposit). The Landsborough Highway passes through the area 6km to the north. The deposit has a current inferred resource of **1Mt @ 1.6 g/t Au** and is hosted within highly weathered ferruginous metasediments (and metavolcanics) of the Proterozoic Toole Creek Formation.

The deposit is exposed at surface and dips approximately 60-70 degrees to the east. Several lodes exist over a strike length of approximately 600m, and these are up to approximately 40m thick. The deposit is situated on a large north-northwest trending fault which can be traced for over 3km, with a zone of shearing, mylonitisation, brecciation, phyllic alteration and quartz stockwork veining.

Previous metallurgical testwork has indicated the gold is recoverable by cyanide leach, and the low copper content is positive in terms of cyanide consumption.

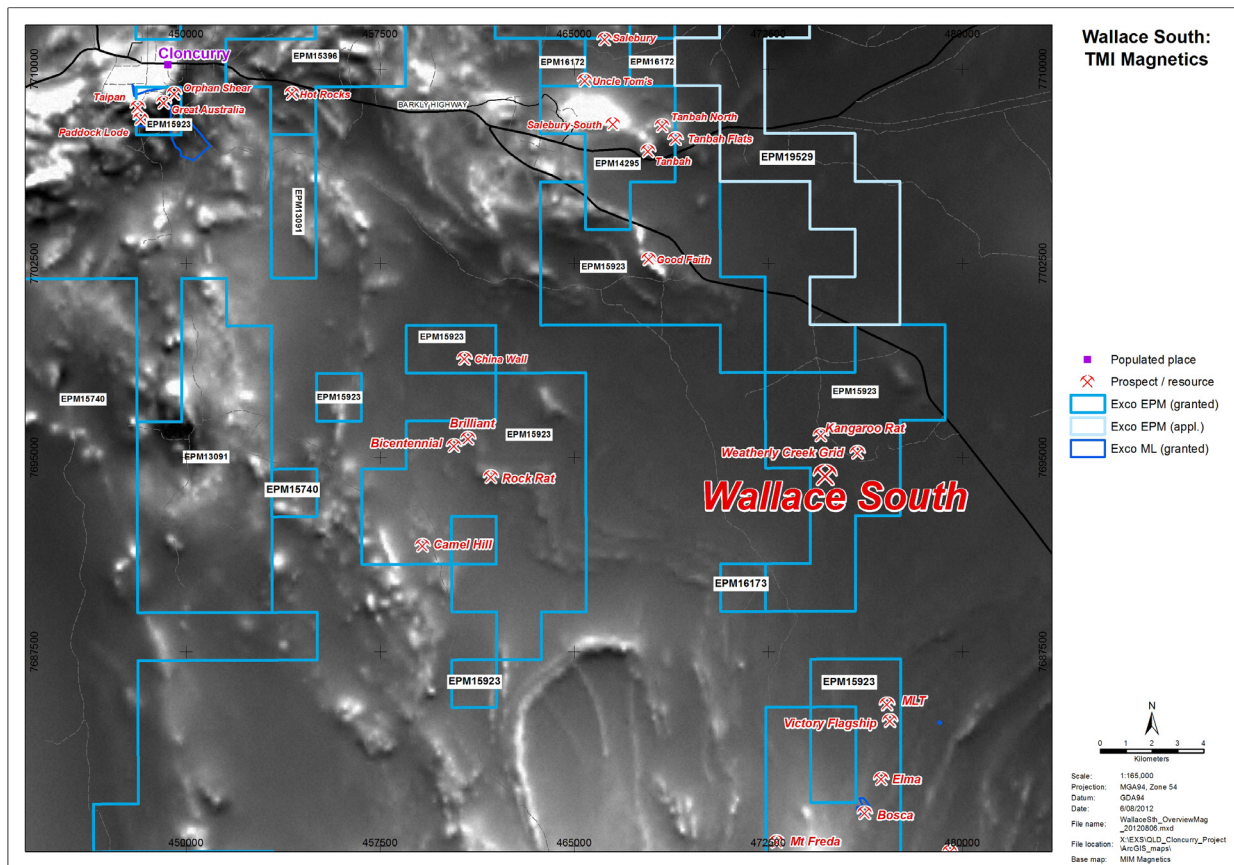


Figure 1: Location of the Wallace South Deposit and Exco tenure over an image of total magnetic intensity.

CURRENT DRILL PROGRAMME

Four Diamond holes were completed as a first phase to test for down dip extensions of the near surface mineralisation and to determine along strike zonation (See **Figure 2** for drill location plan). No primary mineralisation (sulphide bearing) has been intersected in drilling to date, and these holes will be used to determine mineral zonation in order to target deeper accumulations of supergene copper and primary Cu-Au mineralisation.

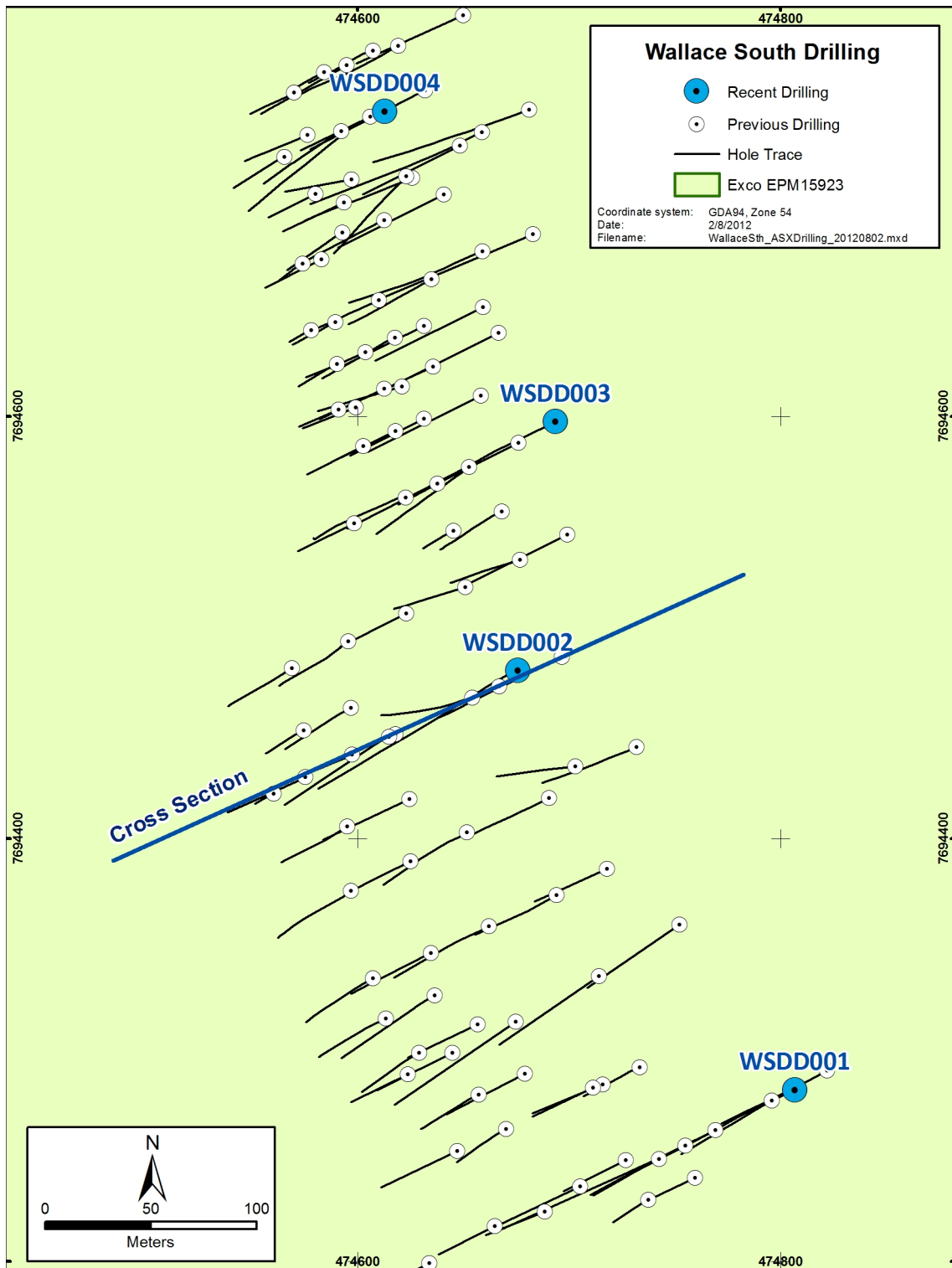


Figure 2: Drill location plan also showing location of cross section (Figure 3).

WSD002 intersected **40m @ 2.93g/t Au** from 150m including **17m @ 5.95 g/t Au** from 150m and **8m @ 1.68g/t Au from 176m**. The intersection is 80m down dip from previous drilling on this section of the deposit (see **Figure 3** for WSD002 Cross Section), and overall grades are higher than in the shallower historical hole which intersected **17m @ 1.64 g/t Au**. Mineralisation is extremely oxidised and expected to have good leach characteristics.

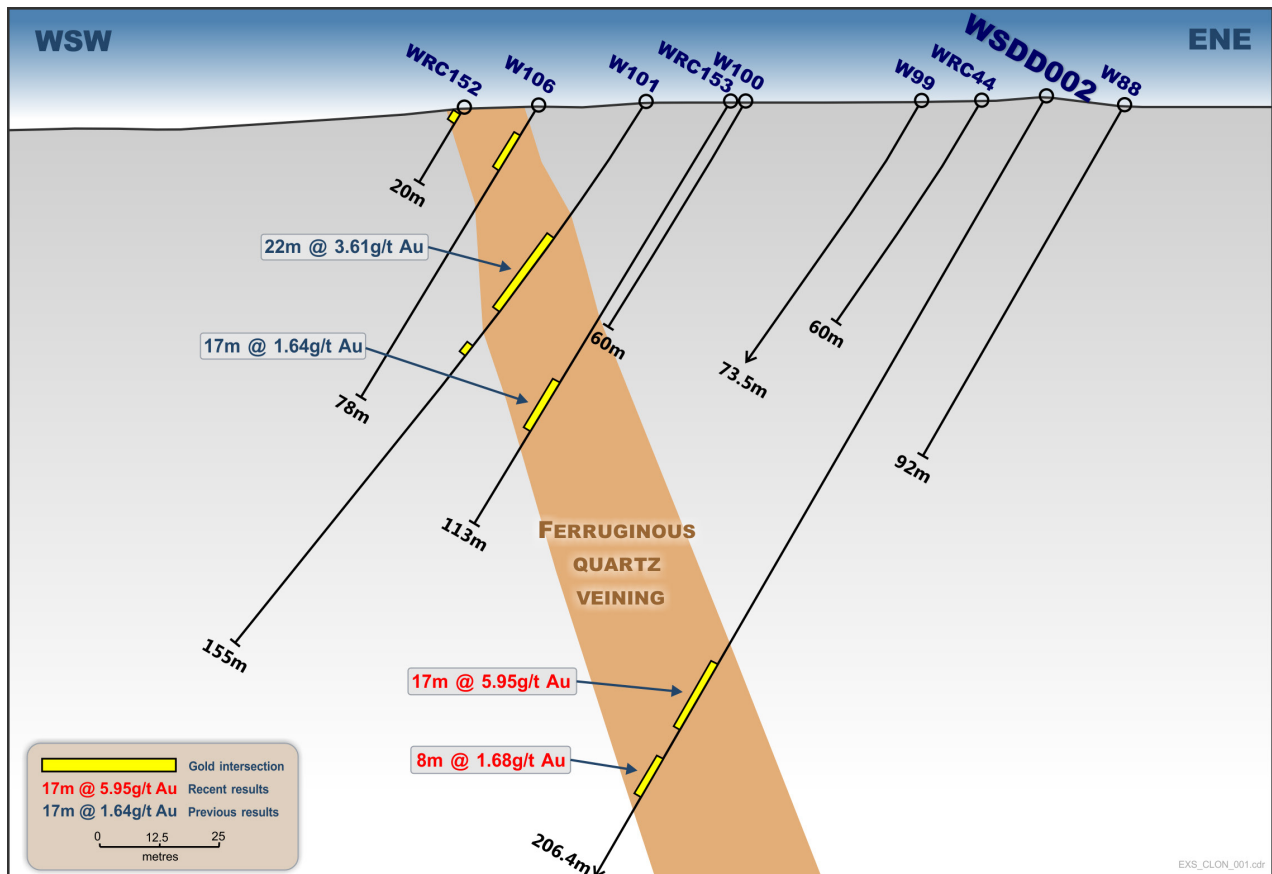


Figure 3: Simplified Cross Section showing mineralised trends and significant intersections (See **Figure 2** for Cross Section location).

The results from these holes will be incorporated into the resource model to enable targeting of possible additional mineralisation.

Low copper levels in the oxidised zones suggest primary copper has been leached out and potentially redistributed. Geophysical surveys (Electro-Magnetics) and further drilling are planned to test for a possible supergene zone, and below that for primary Cu-Au mineralisation.

QUEENSLAND EXPLORATION OUTLOOK

Regional scale geochemical surveys and prospect scale geophysical surveys are progressing and continue to generate quality exploration targets at a range of projects throughout Exco's tenement package. Regional exploration drilling is on-going and will be reported when final results are received.

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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 1: WALLACE SOUTH SIGNIFICANT RESULTS – AUGUST 2012					
Hole ID	From (m)	To (m)	Width (m)	Au g/t	Cu%*
Wallace South					
WSDD001	79	82	3	0.46	0.19
WSDD002	10	12	2	0.30	
	33	37	4	0.63	
	43	48	5	0.27	
	150	190	40	2.93	0.29
including	150	167	17	5.95	0.21
and	176	184	8	1.68	0.43
WSDD003	Final Assays Pending				
WSDD004	47	52	5	0.82	0.5
	62	72	10	0.32	
	91	103	12	0.81	
including	97	102	5	1.54	0.29

*copper reported if >0.1%

TABLE 2: WALLACE SOUTH DRILL COLLARS – AUGUST 2012					
Hole ID	Easting*	Northing*	Azimuth	Dip	Depth
Wallace South					
WSDD001	474806	7694281	244.5	-60	213.5
WSDD002	474675	7694479	241	-60	221.7
WSDD003	474693	7694597	237	-60	205.7
WSDD004	474612	7694744	244.5	-60	161.5

*GDA94, Zone 54

TABLE 3: EXCO RESOURCES – NORTHWEST QUEENSLAND RESOURCE SUMMARY

Deposit	Class	Tonnes	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
Cloncurry Project						
Great Australia ⁽¹⁾	<i>Indicated</i>	1,400,000	1.53	0.13	21,000	6,000
	<i>Inferred</i>	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⁾	<i>Indicated*</i>	1,042,000	3.04	0.42	32,000	14,000
	<i>Inferred*</i>	880,000	2.09	0.41	18,000	12,000
TOTAL*		1,922,000	2.59	0.42	50,000	26,000
Taipan	<i>Inferred</i>	1,460,000	0.80	0.1	12,000	5,000
Kangaroo Rat	<i>Inferred</i>	1,257,000	1.29	0.6	16,000	25,500
Wallace South	<i>Inferred**</i>	1,000,000	-	1.6	-	53,000
Victory-Flagship	<i>Inferred</i>	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	<i>Indicated</i>	1,627,000	1.04	0.21	17,000	11,000
	<i>Inferred</i>	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.

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

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

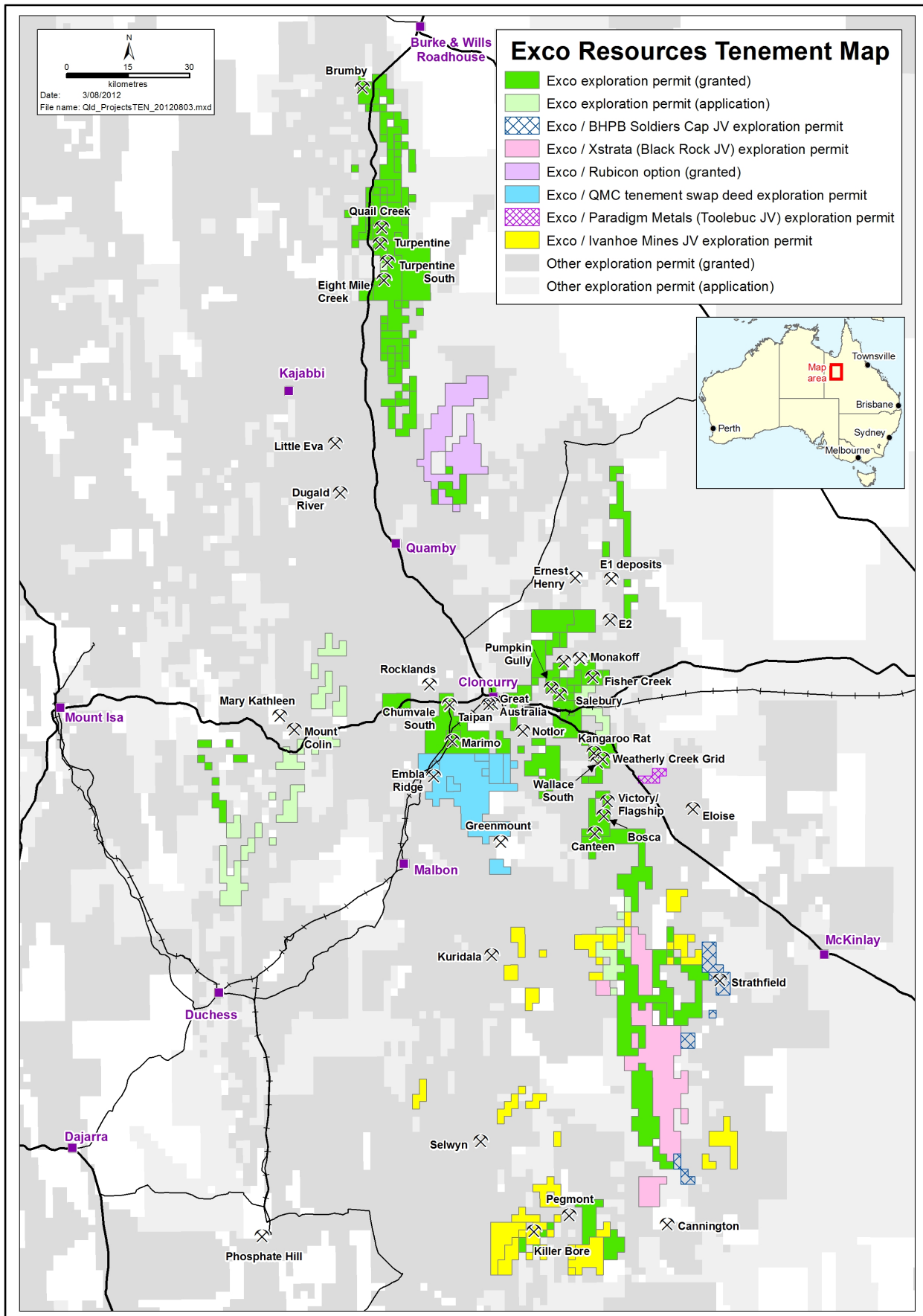


Figure 4: NW Queensland Tenement Map highlighting Exco's ground position & the location of key deposits & prospects.

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 www.excoresources.com.au