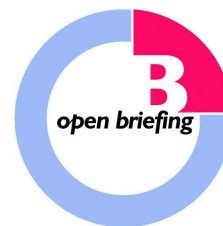


**Attention ASX Company Announcements Platform
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Exco Resources (ASX code: EXS) is approaching completion of the Prefeasibility Study on the Cloncurry Copper Project in Queensland. What are the key findings of the study that support your base case? What are your development options for the project?

MD Michael Anderson

Having started the Prefeasibility Study with a few different options in mind, we quickly established our preferred base case scenario, which is a 2 million tonne per annum, stand-alone sulphide copper concentrator located at our E1 Camp. At that throughput we'll be looking to produce about 20,000 tonnes of copper in concentrate per annum, with a healthy gold credit from about 14,000 ounces per year. The main aim of the study has been to establish the project's technical and financial credentials and I believe we've done that.

Our resource base has achieved a critical mass which will support an initial 10-year mine life and we have demonstrated good copper, gold and by-product recoveries and the preliminary capital and operating cost estimates compare favourably with peer projects. That has all led to some very solid and robust indicative valuations for the project and with the opportunities that we see for further upside, we certainly believe the study supports our standalone development strategy. Under the circumstances the Board should have a fairly straightforward decision ahead in approving the commitment to a Definitive/Bankable Feasibility Study.

A further aim of the current study has been to demonstrate the value of the project in the context of any 3rd party development scenarios such as an ore supply arrangement. We will continue to evaluate such options in parallel with our ongoing study work. I am certainly very happy with the progress that we have made, and the development opportunity that we have created. We expect to have further success from our ongoing exploration and resource development program, and as we roll forward into the bankable feasibility work, the current metals price environment continues to provide an encouraging back drop as we target first production in 2010.

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How will these results guide the next phase in the project's development? When do you expect to commence the Bankable Feasibility Study? How long will it take to complete? What are the key milestones ahead of first production?

MD Michael Anderson

The initial results have demonstrated a robust base case which provides a strong foundation for the next phase of our work. We've also identified some significant opportunities in terms of increasing the recoverable copper from the resource base, optimising the pits and mine schedules, and targeting cost reductions in a number of key areas. The recovery of by-products such as cobalt and magnetite also has the potential to further improve the project economics. These opportunities are currently a major focus leading into the Bankable Feasibility Study.

We expect to finish the Prefeasibility work next month (June) and move straight into the bankable definitive phase. Given that we've already completed a lot of work, we believe we can finalise those definitive studies within a six to nine month time frame.

We began our environmental studies - which need to run in parallel - in the third quarter of last year, so we're also well advanced with those. We expect to wrap up our submissions by the first quarter of 2009, with the aim of commencing construction as soon as we receive the relevant approvals.

Other milestones obviously include securing project finance and we've been encouraged by the interest shown by a number of parties capable of supporting us in that regard. We'll be evaluating our financing options over the coming months.

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Recent drilling has lifted the total project resource base to almost 42 million tonnes (Mt). You have set an interim target resource base of 50 Mt with 500,000 tonnes of copper by mid-2009. Are you confident you can achieve that objective? Where are the best opportunities for additional resources? What are your drilling plans?

MD Michael Anderson

If you look at the success of our resource development programs over the last couple of years, we've increased the regional resource base from 24 Mt in 2006 to 35 Mt in 2007 and now close to 42 Mt in 2008. The target of 50 Mt is merely an interim one and a direct correlation with the time and money we've been spending. I am both satisfied with the results so far, and confident that we can achieve the targets we are setting. The portfolio remains highly prospective.

The best opportunity for any additional tonnage is around the existing and known deposits; along strike, at depth and testing adjacent targets of which there are plenty. I expect some of the upside will also come from our ongoing infill programs. As we've drilled more intensively at E1 North and South, we have found more copper and the work at E1 South has already delivered close to a 5 Mt upgrade. There will be some more data out of E1 North in the short term, where we have been pleasantly surprised by the increased thickness of the mineralisation at depth.

The whole Monakoff area also offers up a series of excellent opportunities at places like Salebury, Pumpkin Gully, Crow's Nest and Fisher Creek.

We see the potential for more discoveries like the recently added 700,000 tonnes at 1.25% Cu from Monakoff East. The attraction of these targets is that they could provide near surface, relatively high grade tonnage which will make its way straight into the mine schedule.

Right now we have four drill rigs in the field completing a mix of exploration, resource development and infill drilling. Given our healthy cash position and the success that we have had in adding value to the resource base, I expect this level of activity will continue for the foreseeable future.

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Only 35% of current defined resources at both Cloncurry and E1 Camp project areas are within a granted mining lease. Is this a risk to your project development intentions and the broader operational footprint?

MD Michael Anderson

We commenced our environmental studies late last year in the context of approvals for a much broader project area, encompassing the entire E1 Camp and Monakoff deposits. There are always risks, but we are talking about a mining friendly community which already hosts a number of sizeable operations. We're certainly engaging with the community and the relevant stakeholders with the aim of doing all the right things to mitigate any potential risks, and expediting those approvals.

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Ivanhoe Mines recently elected to exercise their option over their Exco stake, lifting their shareholding to 19.63%. This has given Exco a cash balance of approximately A\$16 million. What are your expenditure priorities as you approach a development decision at Cloncurry? What are your funding options?

MD Michael Anderson

We are certainly very pleased that Ivanhoe has chosen to renew and increase their support. We are also very satisfied to currently have such a robust cash balance. Going forward this places us in a very strong position to achieve our objectives. I should mention that over and above our cash reserves of A\$16 million we have an additional 11 million options that, if exercised by their expiry date later this week, will actually generate a further A\$4 million of funding. We are exploring our alternatives to make sure those options get exercised, including potentially having them underwritten.

So, come the 1st of June, we should have closer to A\$20 million in the bank, which is more than enough to see us through to completion of the feasibility work, right up to the point of making development decisions on Cloncurry. As far as our funding options go; we will consider traditional project finance arrangements with a mix of debt and equity, along with the possibilities that surround the relevant offtake agreements. We're quite open-minded at this stage. Encouragingly, as I mentioned earlier, we've had a number of interested parties willing to discuss our project financing options and I'd expect to be in a position to make some decisions on that later this year.

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What about your other exploration prospects? How will you allocate your funding priorities there?

MD Michael Anderson

It's a good point. We have an extensive portfolio strategically placed in what we consider to be one of the most highly prospective base metal terrains in Australia and it's important we do justice to all of that.

Understandably, our main priorities right now are in the E1 and Monakoff project areas, as any new resources we can add there will have an immediate and material impact on the overall project economics. That said, we are not about to ignore our other areas such as Hazel Creek/Boomara and Canteen, as over time they have the potential to provide a pipeline of projects.

We also have a number of joint ventures where our partners are spending and managing the programs. The JVs include those with Ivanhoe in and around their project areas to the south of the Cloncurry region and with Paradigm Metals on the Toolebuc limestones. Both Ivanhoe and Paradigm have been very proactive of late and we look forward to the flow of results from these projects. We also still have our JV relationships with BHP-Billiton at Soldiers Cap and Xstrata at Black Rock, which offer further optionality going forward.

We've also recently entered into a JV with Liontown Resources, strategically located right next door to our E1 Camp and the Ernest Henry Mine. We'll spend some money there in the short term because, again, any resources we establish will be very useful in the development mix.

To sum up, I guess we are allocating the Company's funds in areas where we feel we can add the most value. Our ultimate objective is to deliver cash flow in as short a timeframe as possible and I believe all the things that we are doing will position Exco to do just that in the near future.

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Thank you Michael.

For further information on Exco Resources Ltd visit www.excoresources.com.au or call Michael Anderson on (08) 9211 2000.

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