

3rd September 2008

Market Release (via electronic lodgement)

175% INCREASE IN INDICATED RESOURCES AT THE E1 CAMP

- Indicated resources at the E1 Camp have increased by 175% from 4.162Mt to 11.462Mt
- Ongoing drilling at E1 South has led to a ~20% increase in the total resource, which stands at **18.2Mt @ 0.67% Cu & 0.18g/t Au** containing 121,900 tonnes of Cu and 103,900 oz of Au
- Infill drilling at E1 South has led to the conversion of 40% (**7.3Mt @ 0.73% Cu & 0.20 g/t Au**) of the resource from Inferred to the Indicated category
- Total resources for the Cloncurry Copper Project (CCP) are now ~ 39Mt, with the Indicated portion having more than doubled to 13.8Mt
- Metal inventories for the CCP now comprise 347,500 tonnes of copper and 301,600 ounces of gold, with further increases expected shortly
- A Definitive Feasibility Study on the Cloncurry Copper Project remains on track for completion during Q1/2009

The E1 Camp, which comprises three main deposits (E1 North, South and East) is located 40km north-east of Cloncurry, and approximately 8km east of Xstrata's Ernest Henry mine (see **Figures 1 & 2**).

Previous drill programmes have focused on the sulphide resource potential to a depth of only 200 metres. Each of the three main deposits remains open at depth and the Company firmly believes that the current and future outlook for metal prices will support open pit mining to much deeper levels. Current drilling is therefore testing the resource potential, both along strike, and at depths of up to 300 metres, after which further pit optimisations will be undertaken as part of the Company's Definitive Feasibility Study (DFS) on the Cloncurry Copper Project (CCP). The ongoing programme of infill drilling is also aimed at converting the current Inferred resources to the Indicated category.

E1 SOUTH RESOURCE

As previously reported, recent drilling at E1 South has consistently delivered positive results. The drilling has typically confirmed, and in some cases increased, the thickness of the mineralised zones, whilst the grades returned have been at or slightly above the average for the resource. The recent results have now been incorporated into a further upgrade of the E1 South resource model, which now comprises;

18.2Mt @ 0.67% Cu and 0.18g/t Au (0.3% Cu cut-off)

The contained metal inventory at E1 South now includes 121,900 tonnes of copper and 103,900 ounces of gold (see **Table 1**).

CLONCURRY COPPER PROJECT: DEFINITIVE FEASIBILITY STUDY UPDATE

The Company is pleased to report that the Definitive Feasibility Study (DFS) remains on schedule for completion during the first quarter of 2009.

The previously completed Pre-Feasibility Study (PFS) contemplated the establishment of a ≥ 2 Mtpa concentrator facility at Exco's flagship E1 Camp. The current and expected increases in resource and contained metal inventories from the E1 Camp however, fully support the Company's focus on a slightly larger operation treating 2.5 to 3Mtpa over a 10-year project life. At this expanded throughput the project will produce ~25,000 tonnes of copper (in concentrate) per annum; 25% more than envisaged by the PFS.

Further metallurgical testwork is underway with a view to optimising the recoveries for copper and gold, and to further investigate the additional by-product potential from magnetite, cobalt and uranium.

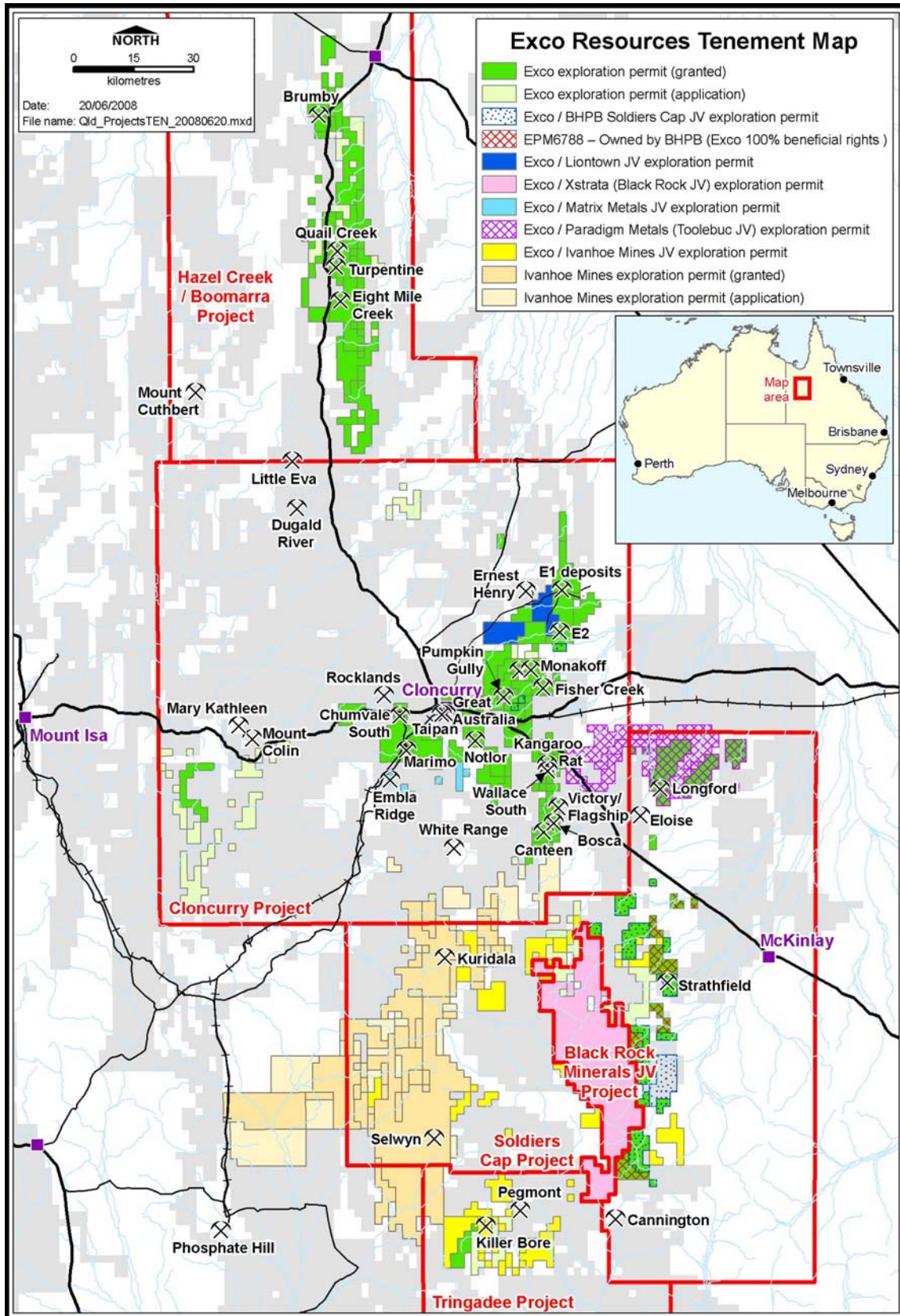
Further results and information will be provided as they become available.

*On behalf of the Board of
Exco Resources Ltd*

Michael Anderson
Managing Director

Information in this report relating to mineral resources and exploration results for the E1 Camp is based on data compiled by Mr Mike Dunbar, (who is a full time employee of the Mitchell River Group and a consultant to Exco Resources Ltd), and for E1 South Mr Philippe Baudry (who is a full time employee of Runge Limited and a consultant to the company). Mike Dunbar is a member of the Australasian Institute of Mining and Metallurgy and Mr Philippe Baudry a member of the Australian Institute of Geoscientists. Mr Baudry and Mr Dunbar 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 Baudry & Mr Dunbar consent to the inclusion of the data in the form and context in which it appears

Figure 2: NW Queensland Tenement Map highlighting Exco's ground position and the location of key deposits & prospects.



| TABLE 1: EXCO RESOURCES – NW QUEENSLAND Cu-Au RESOURCE SUMMARY | | | | | | |
|--|--------------------|-------------------|-------------|-------------|----------------|----------------|
| Deposit | Class | Tonnes | Grade | | Metal | |
| | | | Cu% | Au g/t | Cu T | Au Oz |
| E1 North (1) | <i>Indicated</i> | 4,162,000 | 1.22 | 0.35 | 51,000 | 47,400 |
| | <i>Inferred</i> | 3,770,000 | 0.99 | 0.32 | 37,000 | 38,400 |
| | TOTAL | 7,932,000 | 1.11 | 0.34 | 88,000 | 85,800 |
| E1 South * | <i>Indicated *</i> | 7,300,000 | 0.73 | 0.20 | 53,400 | 47,100 |
| | <i>Inferred *</i> | 10,900,000 | 0.63 | 0.16 | 68,400 | 56,800 |
| | TOTAL * | 18,200,000 | 0.67 | 0.18 | 121,900 | 103,900 |
| E1 East | <i>Inferred</i> | 8,000,000 | 0.83 | 0.26 | 66,000 | 65,500 |
| Sub-total - E1 Deposits | | 34,132,000 | 0.81 | 0.23 | 275,900 | 255,200 |
| Monakoff (1) | <i>Indicated</i> | 926,000 | 1.59 | 0.47 | 14,700 | 14,000 |
| | <i>Inferred</i> | 976,000 | 1.57 | 0.49 | 15,300 | 15,400 |
| | TOTAL | 1,902,000 | 1.58 | 0.48 | 30,000 | 29,400 |
| Monakoff East | <i>Inferred</i> | 700,000 | 1.25 | 0.36 | 8,700 | 8,000 |
| Great Australia (1) | <i>Indicated</i> | 1,378,000 | 1.53 | 0.13 | 21,000 | 5,700 |
| | <i>Inferred</i> | 756,000 | 1.57 | 0.14 | 11,900 | 3,300 |
| | TOTAL | 2,134,000 | 1.54 | 0.13 | 32,900 | 9,000 |
| Sub-total - CCP | | 38,868,000 | 0.89 | 0.24 | 347,500 | 301,600 |
| Other Deposits | | | | | | |
| Turpentine | <i>Indicated</i> | 1,626,600 | 1.04 | 0.21 | 17,000 | 10,800 |
| | <i>Inferred</i> | 214,600 | 0.9 | 0.16 | 2,000 | 1,000 |
| | TOTAL | 1,841,000 | 1.03 | 0.2 | 19,000 | 11,800 |
| Taipan | <i>Inferred</i> | 1,460,000 | 0.80 | 0.1 | 11,600 | 5,000 |
| Kangaroo Rat (1) | <i>Inferred</i> | 875,000 | 1.65 | 1.0 | 14,400 | 28,000 |
| Wallace South | <i>Inferred***</i> | 1,000,000 | - | 1.6 | - | 53,000 |
| Victory-Flagship | <i>Inferred</i> | 196,000 | 1.2 | 1.4 | 2,300 | 8,800 |
| Mt Colin (1) | <i>Measured**</i> | 113,800 | 3.80 | - | 4,330 | - |
| | <i>Indicated**</i> | 311,000 | 3.49 | - | 10,900 | - |
| | <i>Inferred**</i> | 242,000 | 3.16 | - | 7,650 | - |
| | TOTAL | 667,195 | 3.43 | - | 22,880 | - |
| Sub-total - Other | | 6,039,000 | 1.16 | 0.57 | 70,180 | 106,600 |
| TOTAL | | 44.9 Mt | 0.93 | 0.28 | 417,680 | 408,200 |

Note: Discrepancies in totals are as result of rounding

(1) Granted Mining Lease

Unless otherwise stated the above resources are reported at a 0.5% Cu cut-off.

* E1 South resource completed at 0.3%Cu cut-off.

** Mt Colin resource cut-off = 2.3% Cu.

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

Information on Exco Resources

Exco is an Australian focused ASX-listed mining company (ASX: EXS) with a clear focus on developing the Cloncurry Copper Project (CCP) in north-west Queensland, where the Company holds a large (>4,100km²), strategically located and highly prospective land package.

The CCP comprises numerous tenements and mining leases, which host the flagship E1 Camp, Monakoff and Great Australia deposits. Resources delineated for the project to date total 38.8 Mt of ore, containing 347,500 tonnes of copper and 301,600 ounces of gold, with further exploration underway and Indicated resource development nearing completion.

Exco recently completed a Pre-Feasibility Study (PFS) on the CCP, which demonstrated the technical and commercial credentials of a 2Mtpa project. Encouraged by the positive PFS results, and with ongoing drilling expected to deliver further resource upgrades in the short term, the Company has commenced a Definitive Feasibility Study (DFS) on a slightly larger operation treating 2.5 to 3Mtpa through a concentrator facility located at the E1 Camp. At this expanded throughput the project will produce ≥25,000 tonnes of copper in concentrate per annum (25% more than envisaged by the PFS) with substantial by-product credits from gold, cobalt, magnetite and potentially uranium.

The Company expects to complete the DFS in early 2009 and is targeting first production by late 2010 with a view to capitalising on sustained copper demand, projected supply gaps and the positive forward price outlook for copper and the project's various by-products.

Exco also has a number of exploration joint ventures in Queensland with major companies including Xstrata, BHP Billiton Limited and Ivanhoe Mines. These JVs are managed by Exco's partners, creating additional development options, and allowing the Company to maintain its primary focus on the CCP.

In South Australia Exco has entered into an agreement with Polymetals Group Pty Ltd for their acquisition of a 50% interest in the White Dam Gold Project, which contains a resource inventory of 330,400 ounces of gold. Subject to final approvals being obtained, the parties anticipate that the project will commence construction in late 2008, with first gold production scheduled by mid 2009. Exco's share of prospective cash flows from White Dam will ultimately assist in expediting development of the Cloncurry Copper Project.

The Board, backed by the Company's major shareholders including Ivanhoe Mines and the Lion Selection Group, and the management of Exco are committed to unlocking value from this highly prospective portfolio of projects, and looks forward to keeping shareholders informed of developments.

Further information is available at www.excoresources.com.au