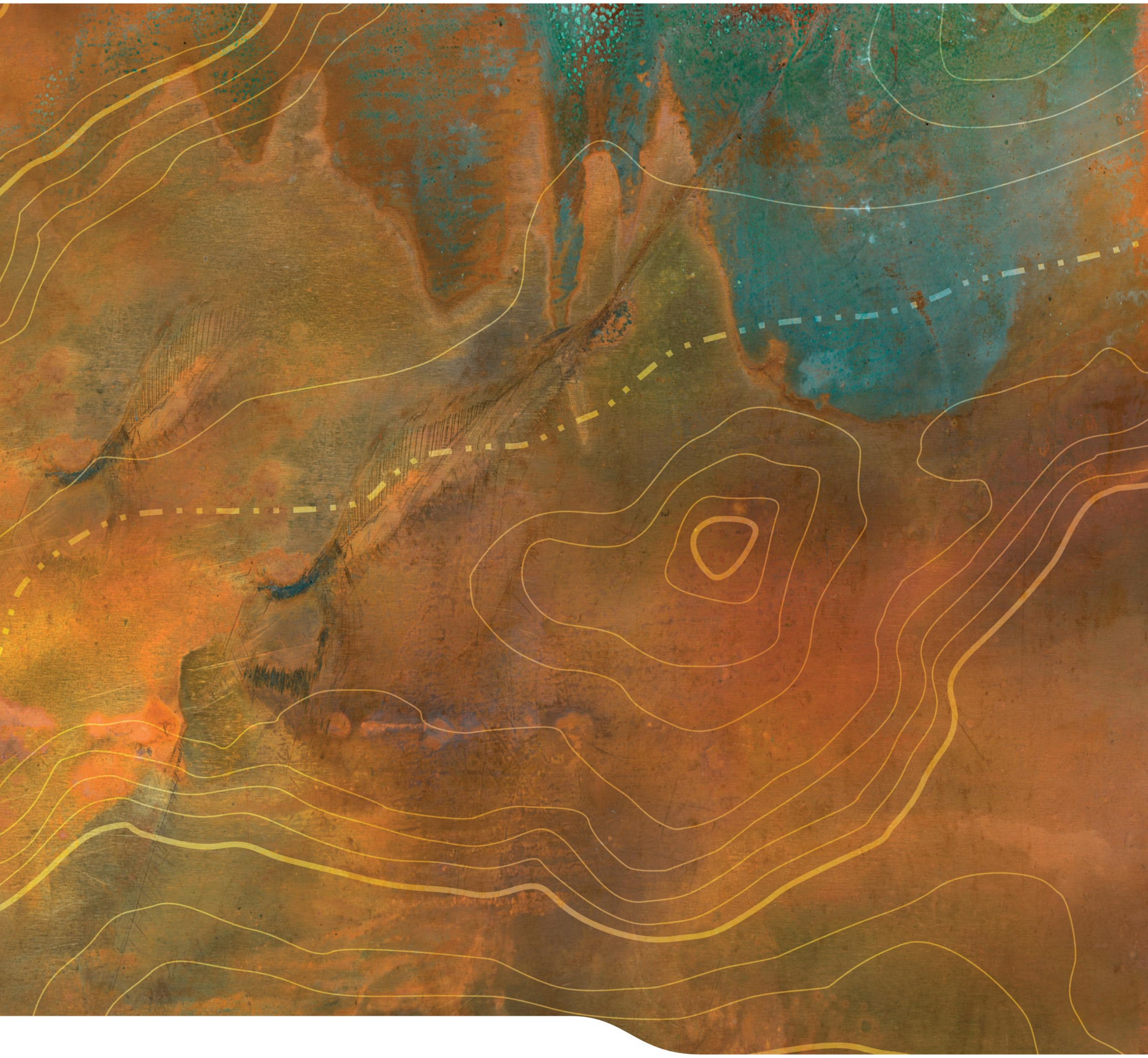
  

EXCO RESOURCES LTD



09 EXCO RESOURCES LTD
INFORMATION MEMORANDUM

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 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 Exploration Manager, Mr Stephen Konecny, and Mr Mike Dunbar, (who is a full time employee of the Mitchell River Group and a consultant to Exco Resources Ltd), both of whom are members of The Australasian Institute of Mining and Metallurgy. Mr Konecny and Mr Dunbar have sufficient experience which is relevant to the style of mineralisation and type of deposits 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 Dunbar consent to the inclusion of the data in the form and context in which it appears.

EXECUTIVE SUMMARY

Overview

Exco Resources Ltd (Exco) is an Australian focused ASX listed mining company (ASX: EXS) that has been operating since 1998. Exco focuses on resource and project development through its team of experienced geologists, engineers and commercial specialists. The Company has a dual focus on developing both the Cloncurry Copper Project (CCP) in north-west Queensland, and the White Dam Gold Project in South Australia.

In north-west Queensland Exco holds a large (>4,100km^2), strategically located and highly prospective land package, centered in the Cloncurry region that hosts established large scale mining operations such as Xstrata's Ernest Henry Mine. Exco has established a substantial 57Mt resource base in north-west Queensland containing more than 495,000t of copper and 480,000oz of gold. Magnetite is abundant in the deposits (>12Mt) and recoverable. Uranium is also prevalent throughout the resource.

The Cloncurry Copper Project (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 51Mt, containing 425,000 tonnes of copper and 373,000 ounces of gold, with further exploration upside. Exco is currently completing a Definitive Feasibility Study (DFS) on the project. The DFS will focus on an operation treating 2.5 to 3Mtpa through a concentrator facility located at the E1 Camp. In conjunction with the DFS, an Environmental Impact Study (EIS) is also underway in support of the approvals process for the project.

In South Australia Exco is currently developing the White Dam Project in a 75:25% joint venture partnership with Polymetals Group Pty Ltd. The project has a resources base of 10.12Mt containing 338,000oz of gold. Approvals are now in place for a 2Mtpa dump leach operation that is expected to yield in excess of 120,000oz of gold over a two and a half year period. Subject to finalising finance arrangements during the current calendar quarter (Q3/2009), the JV partners anticipate that the project will commence construction, with first gold production scheduled by early 2010. Near mine exploration and resource potential is expected to ultimately increase overall production and with estimated operating costs of only ~A$600/oz, the project has the potential to deliver significant cash flows.

In addition to these projects, Exco has a number of exploration joint ventures in Queensland with major companies including Xstrata, BHP Billiton 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 and White Dam Gold Project.

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

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1.0 INTRODUCTION

The purpose of this document is to provide an overview of key elements of Exco Resources and in particular the Queensland Cloncurry Copper Project. The document provides details of the flagship Cloncurry Copper Project with specific reference to the Definitive Feasibility Study and Environmental Impact Statement that are currently being undertaken. Relevant details from the recently completed Pre-feasibility Study have also been included. The document also details exploration potential and strategy for the Cloncurry region.

While not the focus of this document, a brief summary of the White Dam Project, currently in the implementation phase is also provided.

2.0 CORPORATE DIRECTORY

Directors
Mr Barry Sullivan
Chairman

Mr Michael Anderson
Managing Director

Mr Alasdair Cooke
Executive Director

Mr Craig Burton
Non-Executive Director

Mr Peter Reeve
Non-Executive Director

Company Secretary
Mr Eamon Byrne

Registered Office
Level 2, 8 Colin Street
West Perth Western Australia 6005

Postal Address
PO Box 1726
West Perth Western Australia 6872

Queensland Office
Corner of McIlwraith and Musgrave Streets
Cloncurry Queensland 4824

Auditors
KPMG
152-158 St Georges Terrace
Perth Western Australia 6000

Solicitors
Blakiston & Crabb
1202 Hay Street
West Perth Western Australia 6005

Share Registry
Advanced Share Registry
Unit 2 / 150 Stirling Highway
Nedlands Western Australia 6009

Stock Exchange Listings
Exco Resources Ltd shares are listed on the
Australian Stock Exchange (ASX: EXS)

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3.0 MANAGEMENT BIOGRAPHIES

3.1 Executive Directors

Michael Anderson
Managing Director
BSc (Hons Mining Geology), PhD, ARSM

Mr Anderson is a graduate of the Royal School of Mines with a PhD and Honours in Mining Geology. He has over 17 years experience in the southern African and Australian mining industries. His experience has been broad-based extending from exploration geology with Anglo American, through metallurgy and process development with Mintek, to the provision of multi-disciplinary EPCM and project development services with engineering consultancy groups Bateman and Kellogg Brown & Root.

Prior to joining Exco Resources, Mr Anderson was Group Manager for Business Development with Gallery Gold Limited where he was responsible for developing and implementing corporate strategy including project development activities in both Botswana and Tanzania.

Alasdair Cooke
Executive Director
BSc (Hons Geology), MAIG

Mr Cooke is one of the founding Directors of Exco Resources and has 21 years of experience in the resource exploration industry throughout Australia and internationally.

He is a qualified geologist and throughout his career, has been involved in mineral exploration and corporate development, including eight years spent with BHP Minerals Business Development Group and over ten years managing public resource companies.

Mr Cooke is a founding partner of the Mitchell River Group, which has established a number of successful resource companies, including ASX listed Sally Malay Mining Ltd (operating the Sally Malay and Lanfranchie Nickel Projects in Australia), AIM and ASX listed Albidon Ltd (operating the Munali Nickel Project in Zambia), ASX listed Mirabela Nickel Ltd (developing the Santa Rita Nickel Project in Brazil) and ASX listed African Energy Resources Ltd (developing uranium projects in Africa). Mr Cooke is a former director of Sally Malay Mining Ltd and is also currently an Executive Director for African Energy Resources Ltd, Energy Ventures Ltd, Albidon Ltd and Oval Biofuels Ltd.

3.2 Non-Executive Directors

Barry Sullivan
Non Executive Chairman
BSc (Min), ARSM, FAusIMM, MAICD

Mr Sullivan is an experienced Mining Engineer who has had a successful career in the mining industry, both in South Africa with Anglo American (1969 - 1974) and in Australia with MIM from 1974 to 1995.

He had six years as Executive General Manager at Mount Isa, in which capacity Barry was responsible for total operations including regional exploration, four underground mines and one open cut mine, power stations, dams, comprehensive support services such as workshops, chemical laboratory, medical centre etc.

Mr Sullivan served as Non-Executive Director of Sedimentary Holdings Ltd. and Allegiance Mining NL (resigned 17 July 2008) and was appointed as Non-Executive Director of Catalpa Resources (formerly Westonia Mines) in June 2008.

Craig Burton
Non Executive Director
LLB, BJuris

Mr Burton is a corporate solicitor and an experienced and active investor in start-up projects and businesses, both publicly listed and private.

Over the last 16 years he has co-founded numerous development companies, with a focus on the resources, oil and gas, mining services and agribusiness sectors. He often takes on a commercial executive role to assist the early development of such companies.

Mr Burton is currently an Executive Director of Mirabela Nickel Limited and a Non-Executive Director of Wildhorse Energy Limited, Matra Petroleum plc, Solimar Energy Limited, Rewards Group Limited and Capital Drilling Limited. He has a Bachelor of Laws degree from the University of Western Australia and is a member of the Australian Institute of Company Directors.

Peter Reeve
Non Executive Director
BSc (Metallurgy)

Mr Reeve has a Bachelor of Science (Metallurgy) from RMIT University and has been involved in the Australian Resources Industry for approximately 25 years.

His industry experience includes positions with Rio Tinto, Shell-Billiton and Normet Consulting, a metallurgical consulting firm, before joining Goldman Sachs/JBWere in Investment Management and Corporate Finance roles relating to the Australian Resource Industry.

In 2001, Peter joined Newcrest Mining Ltd., as part of the Executive Committee responsible for corporate development and market related aspects for the group, a position that he occupied until 2006.

Mr Reeve is a director of Ivanplats Syerston Pty Ltd, Ivanplats Holding Company Pty Ltd and Ivanplats Services Pty Ltd (all Australian subsidiaries of Ivanhoe Nickel & Platinum Ltd.) and is currently Chief Executive Officer and a Director of Ivanhoe Australia Limited (Exco’s major shareholder).

3.3 Senior Management

Eamon Byrne
Chief Financial Officer / Company Secretary
FCCA

Mr Byrne is a qualified accountant with over 20 years experience in the mining and resources industry. Prior to joining Exco, Mr Byrne worked for Albidon Limited, Woodside Petroleum and WMC Resources Ltd on a range of Australian and international projects. His experience, prior to his involvement in the mining industry, includes retailing, manufacturing and distribution.

Bruce McLarty
General Manger – Commercial
BCom, BEc

Mr McLarty holds degrees in Commerce and Economics from the University of Western Australia. He has 14 years experience in the mining industry. Prior to joining Exco, Mr McLarty was involved with the Hope Downs Iron Ore Project as the Commercial Manager, where he was responsible for financial and regulatory matters including economic evaluations, native title, aboriginal heritage, land tenure and permitting. His experience, prior to his involvement in the mining industry, includes stock broking, manufacturing and accounting.

Geoff Laing
General Manager – Corporate & Project Development
BSc (Chem Eng), MBA

Mr Laing is a Chemical Engineer with 18 years experience in operations, engineering and project development and has an MBA from The University of Western Australia. He has been involved in local and international projects primarily in base and precious metal commodity lines. His operational experience includes refining operations for Anglo Platinum, BHP and Bulong Nickel. He has been involved in a broad range of projects for major clients through his engineering career with both Bateman Engineering and GRD Minproc, including refining projects for BHP, Anglo American, Norilsk Nickel and Phelps Dodge. Prior to joining Exco Resources, Mr Laing was involved in the development of the Tenke Fungurume Project in the Democratic Republic of Congo as both Study and Process Manager.

Stephen Konecny
Exploration Manager
BSc (Hons Geology)

Mr Konecny is a geologist with 24 years experience throughout Australia, specialising in exploration for concealed mineral deposits.

His experience includes working on the Lennard Shelf region from 1984 to 1987 and exploring the Yilgarn region as part of BHP Gold's exploration team from 1987 to 1991. From 1991 to 1997, he worked in the Mt Isa region, initially supervising the majority of drilling at BHP's Cannington discovery and then as Program Leader for BHP's Mt Isa region exploration. He conducted the initial and the pre-feasibility mineral resource estimates at Cannington which has since become one of the world's largest single producers of silver and a significant supplier of lead and zinc. His expertise lies in utilising state of the art geochemical and geophysical techniques in covered terrain exploration.

Mike Dunbar
Resource Manager
BSc (Geology), PDip Economic Geology

Mr Dunbar has over 15 years experience in exploration, development and mining projects, including six years with LionOre Australia. Over the last 4 ½ years Mike has been involved in the resource estimations for a number of base metal and gold deposit projects for Mitchell River Group and its associated companies. Mike also acts as a competent person (as defined by the JORC code) for the reporting of mineral resources for a number of different mineral resources and deposit styles.

4.0 CAPITAL STRUCTURE

284, 733, 625	Ordinary Shares quoted on the ASX
2, 500, 000	Options exercisable at AUD 20 cents on or before 30/04/2010
1, 500, 000	Options exercisable at AUD 25 cents on or before 30/08/2010
7, 500, 000	Options exercisable at AUD 40 cents on or before 30/06/2010
1, 500, 000	Options exercisable at AUD 40 cents on or before 30/08/2011
1, 500, 000	Options exercisable at AUD 40 cents on or before 31/08/2012
299, 233, 625	Total Quoted Shares and Unquoted Options

The Top 20 Shareholders (at 27/07/2009)

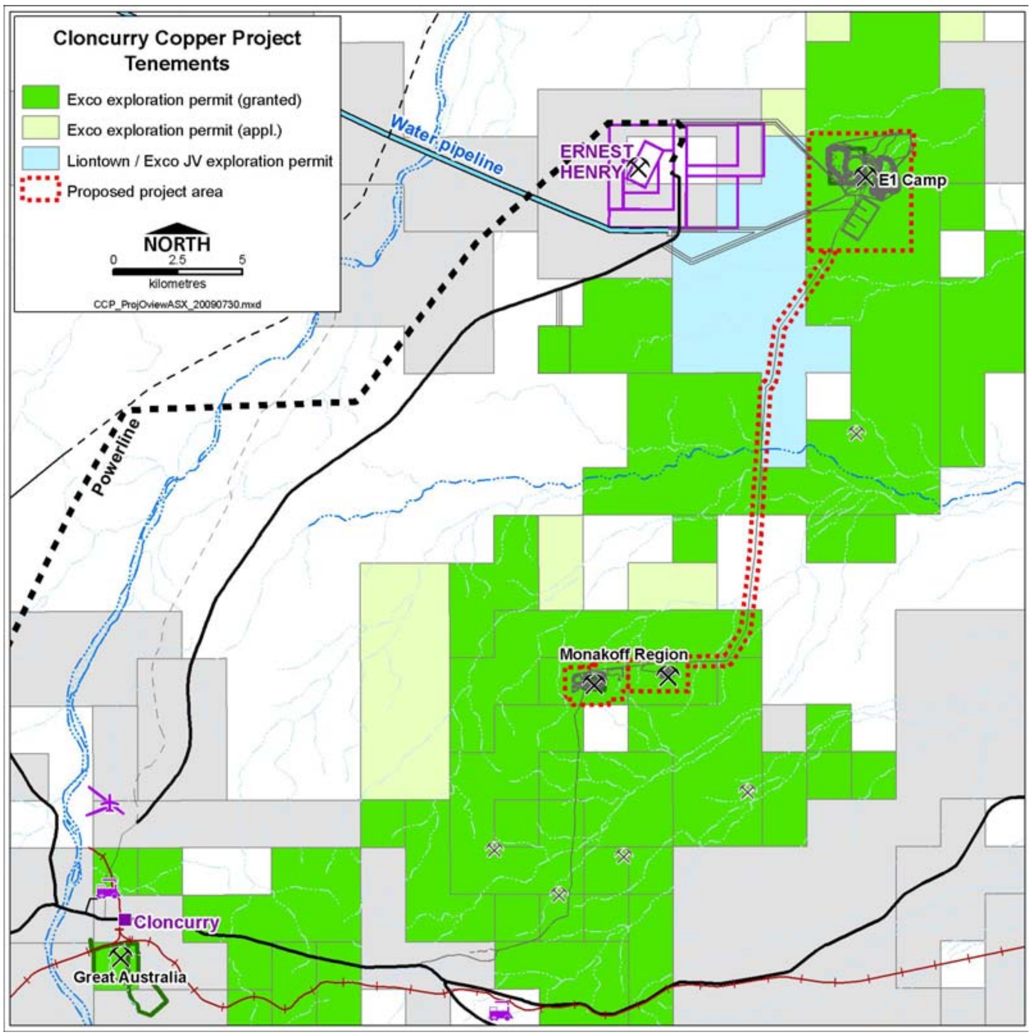
Rank	Name	Units	% of units
1.	IVANHOE AUSTRALIA LIMITED	55, 620, 000	19.534
2.	LION SELECTION GROUP LIMITED	26, 486, 365	9.302
3.	MR ALASDAIR CAMPBELL COOKE	16, 209, 988	5.693
4.	J P MORGAN NOMINEES AUSTRALIA LIMITED	12, 022, 535	4.222
5.	ANZ NOMINEES LIMITED	9, 072, 573	3.186
6.	MR CRAIG BURTON	6, 000, 000	2.107
7.	EASTERN GOLDFIELDS EXPLORATION	5, 185, 000	1.821
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4, 361, 908	1.532
9.	MR GEOFFREY ROL	3, 874, 740	1.361
10.	BURLS HOLDINGS PTY LTD No 4 A/C	2, 786, 215	0.979
11.	WM CLOUGH PTY LTD	2, 673, 333	0.939
12.	SHORLANE PTY LTD	2, 618, 000	0.919
13.	MANDEL PTY LTD	2, 455, 800	0.862
14.	MR BARRY LEVY & MR GEOFFREY LEVY	2, 091, 432	0.735
15.	KINAR PTY LTD	2, 000, 500	0.703
16.	LACHLAN STAR LIMITED	2, 000, 000	0.702
17.	AUSTOCK NOMINEES PTY LTD	1, 850, 000	0.650
18.	SHAYANA PTY LTD	1, 710, 417	0.601
19.	MR MATHEW GORDON MCGAVIN	1, 600, 000	0.562
20.	TIERRA RIST PTY LTD	1, 300, 000	0.457
Totals: Top 20 Holders of FULLY PAID SHARES		**161, 918, 806**	**56.87**
Total Remaining Holders Balance		122, 814, 819	43.13

5.0 CLONCURRY COPPER PROJECT, NORTH-WEST QUEENSLAND

5.1 Overview

The Cloncurry Copper Project (CCP) is located north-east of Cloncurry and consists of two Project areas and several infrastructure corridors. The Mount Margaret project area is located approximately 40km north-east of Cloncurry adjacent to the Xstrata owned Ernest Henry Mine (EHM). The Monakoff project area is located approximately 15km north-east of Cloncurry and approximately 20km south of the Mount Margaret project area. The project is located 8km east of the existing Ernest Henry Mine owned by Xstrata in a region well serviced by infrastructure. Resources delineated for the project to date total 51Mt at 0.83% copper and 0.23g/t gold.

Cloncurry Copper Project Tenement Map



Exco completed a Pre-Feasibility Study (PFS) on the CCP in June 2008, which demonstrated the technical and commercial credentials of a 2Mtpa project located within the Company's Project area. The preferred scenario of locating a ≥2Mtpa facility at Exco's flagship E1 Camp emerged quite quickly allowing the Company and its Study Manager GRD Minproc to focus on developing preliminary engineering designs, cost estimates and sensitivity analyses for this option.

Encouraged by the positive PFS results, and with ongoing drilling delivering further resource upgrades, the Company 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 and 19 0000oz of gold in concentrate per annum with potential for substantial by-product credits from cobalt and magnetite.

The proximity of the mineable resources at CCP to the Ernest Henry Operation (8km to the east) presents opportunities for the potential treatment through that facility, as an alternative to the development of a stand-alone concentrator operation.

Conventional blast, excavate and haul mining techniques will be utilized to recover the ore from open cut pits. Ore will be mined from two areas, the E1 Camp and the Monakoff Deposits to the south. Ore will be transported from Monakoff to a processing facility to be located at E1. Pit designs indicate a maximum mining depth of 250m and average strip ratios of 4.5:1. Processing of the ores will be by means of conventional crushing, grinding and flotation to produce a sulphide concentrate that will be shipped to third parties for smelting and refining. Water will be sourced primarily from pit dewatering

Construction is targeted for 2011 and production for 2012. A Definitive Feasibility Study is in progress and the Environmental Impact Statement will be submitted in Q3 2009. The project has been granted "Regional Significance" by the Queensland government, paving the way for water licensing from sub-artisanal aquifers. A significant metallurgical testwork program has been completed and the metallurgical characteristics of the ore have been well defined. Future work will focus on optimisation and value adding through recovery of by-products

5.2 Prefeasibility Study Summary

The PFS successfully demonstrated (based on the assumption of an average copper price of US $2.68/lb) both the technical and commercial credentials of a 2Mtpa project. The following key conclusions were drawn:

- CCP will produce ~20,000t Cu per annum and ~13,000oz Au per annum over an initial 11-year mine life.
- Conventional blast, excavate and haul mining techniques will be utilized.
- The project infrastructure to be located at the E1 Camp with ore to be trucked from Monakoff and Great Australia to a processing plant at E1.
- Processing will be done by means of conventional crushing, grinding and flotation to produce a sulphide concentrate that will be sold to third parties for smelting and refining.
- Magnetite, cobalt and uranium present upside potential as by-products.
- Tailings and waste rock will be deposited in surface dumps.
- Total PFS Capital cost for the CCP is ~A$209M.
- Total cash costs (after royalties and gold credit) are expected to average $1.62/lb payable copper or $28.66/t of ore treated.
- Base case NVP of A$126M at a discount rate of 8.5%

5.3 Definitive Feasibility Study (DFS)

Exco commenced a Definitive Feasibility of the CPP in July 2008 in line with the companies aim to be in production by late 2012. Encouraged by the positive PFS results, and the expectation of further resource upgrades in the short term, the DFS focuses on a slightly larger operation treating 2.5 to 3Mtpa.

At this expanded throughput the project will produce ~25,000 tonnes of copper (in concentrate) per annum; 25% more than envisaged by the PFS.

GRD Minproc have been appointed study manager for the DFS and have commenced engineering designs, cost estimates and sensitivity analyses as the basis for detailed engineering and project financing. The engineering package is run in conjunction with the environmental impact study (EIS).

The Definitive Feasibility Study (DFS) is progressing with a current focus on securing the necessary environmental approvals, which remain on the critical path for the project. Significant progress has been made in defining and quantifying the metallurgical characteristics of the ore through the completion of a major test-work programme. Engineering details required for the environmental submissions have been completed including pit designs, detailed ground water assessments, tailings designs etc.

The DFS and EIS will examine three different potential project options, all of which are detailed and examined by the Environmental Impact Statement (EIS).

The processing options include:

- Option 1 - a 3 million tonne per annum (Mtpa) concentrating processing plant located on the Mount Margaret project area which would produce copper/gold concentrate. The magnetite resource would be sent to the Tailings Storage Facility (TSF) in the tailings stream;
- Option 2 - a 3Mtpa concentrating processing plant located on the Mount Margaret project area which would produce copper/gold concentrate and a magnetite concentrate; or
- Option 3 - hauling of ore off the Project site to the nearby (8 kilometres (km) to the west) Ernest Henry Mine (EHM) (owned by Xstrata) concentrator for processing. Under this option no processing of ore would occur on the Project, only mining.

5.4 Geological Setting

The Cloncurry Copper Project is made up of six main deposits located in three different geological settings, three deposits in the Mt Margaret area (E1 North, South and East), two at Monakoff (Monakoff and Monakoff East) and one deposit on the edge of Cloncurry at the historical Great Australia mine.

The geological setting is different for the three locations ranging from a structurally controlled system at Great Australia to an iron stone hosted style at the Monakoff deposits, while the E1 deposits form part of the IOCG style of deposit. Historically, the Mt Isa Inlier has been subdivided into three tectonic units based on their different stratigraphies which are separated by major faults (Blake 1987):

- Western fold belt
- Kalkadoon-Leichhardt belt
- Eastern fold belt.

More recent studies have combined the eastern fold belt with the eastern margin of the Kalkadoon-Leichhardt belt (the Mary Kathleen zone) to form the so-called Eastern Succession of rocks which contains the Cloncurry district (Williams, 1998; Williams et al., 1998; Oliver et al., 2001).

The Eastern Succession consists of shallow marine to lacustrine sedimentary and subordinate volcanic rocks that were deposited over a basement basin undergoing extensional rifting.

The Proterozoic age rocks of the Cloncurry District were deposited between 1840 and 1720 Ma and are comprised of a range of rocks whose parentage includes pelitic meta-sedimentary rocks, felsic volcanics, calc-silicates and metevaporites, basalt and clastic sedimentary rocks.

As well, various intrusions occurred during the deposition of the succession and include the gneissic Wonga Batholith (1740 Ma) (Oliver et al., 2001), the alkaline and sub-alkaline Williams and Naraku Batholiths (1550-1500 Ma) (Pollard et al., 1998), and younger diorite intrusions such as the in the Ernest Henry mine lease area (1660 Ma) (Pollard and McNaughton, 1997) and the Mt Margaret Granite (1530 Ma) (Page and Sun, 1998) to the immediate east of the E1 deposits.

The Eastern Succession has a dominant north-south tectonic grain associated with rifting, basin formation and basin deposition. The deformation history of the Inlier has been subdivided into three tectonic phases (Davidson, et al., 2002; Marshall and Oliver, 2007):

- D1 event involving thrust reactivation of large km scale basin bounding extensional faults with Cover Sequence 3 rocks thrust over Cover Sequence 2 rocks resulting in overturned limbs which produced a penetrative rock mass foliation.
- D2 event involving major north-south upright to isoclinal folding of Cover Sequence 2 and 3 rocks which produced a penetrative cleavage as a result of greenschist to amphibilte facies metamorphism.
- D3 deformation includes northwest and northeast trending folds with steep plunges to the northwest and northeast, and predominantly north-south trending shear and fault zones and associated breccia formation. Williams and Narakau Batholiths were considered to be emplaced during D3 deformation (Marshall and Oliver, 2007).

Copper-gold (Cu Au) mineralisation in the Cloncurry district occurred by multiple phases of hydrothermal activity associated with Na-Ca alteration and emplacement of large-scale intrusions such as the Williams and Naraku Batholiths. The deposits are not stratigraphically controlled but are usually associated with brittle and brittle-ductile shear and fault structures which acted as conduits for the transport of high temperature (300-500ºC) saline fluids into the host rocks (Williams, 1998).

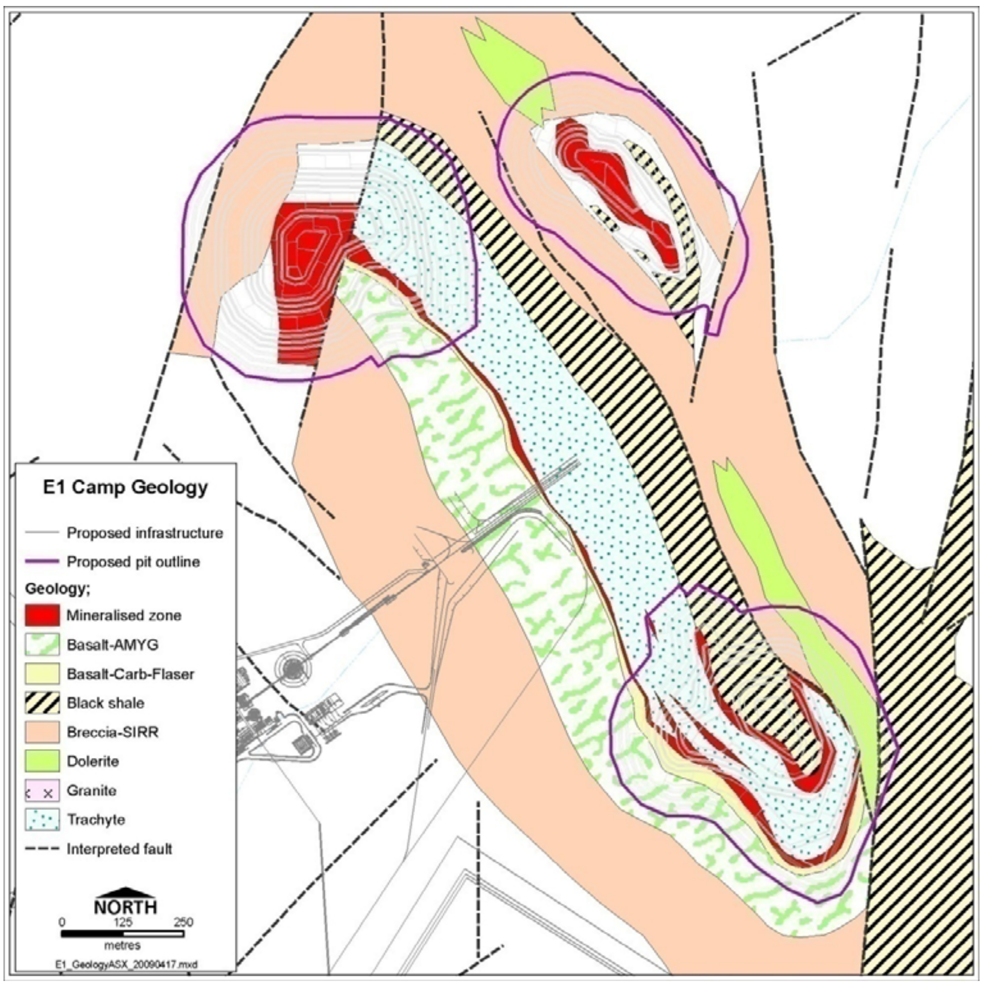
5.5 Deposit Scale Geology

5.5.1 E1 Deposits

The E1 deposits underlie an essentially flat pastoral landscape. The E1 deposit is hosted in a series of steeply dipping, folded and brecciated meta-sediments and meta-volcanic lenses. The ore-body is bounded by two north-trending faults to the east and the west.

The E1 deposit is overlain by between 15 and 40 m of unconsolidated Mesozoic-Cenozoic cover.

Geological Map of E1 Camp



5.5.2 Monakoff and Monakoff East Deposits

The Monakoff deposits occur on the south-dipping limb of the Pumpkin Gully Syncline which is considered to be a regional east-west fold formed during D2 deformation. The deposits rocks are bounded to the north and west by D1 thrust faults, and a splay of the northern thrust (Monakoff Shear) hosts the Monakoff mineralisation (Davidson, et al., 2002). An east-west orientated fault separates the western and eastern zones of mineralisation.

The Monakoff deposits comprise of sulphide copper-gold mineralisation hosted by a well defined east-west striking iron-rich alteration zone within steeply south dipping meta-sediments and amphibolites. The western zone of mineralisation forms an east-dipping sheet 700 m long by 2-10 m thick, and is open at depth. The smaller eastern zone which is 100 m northeast of the end of the western zone forms a pipe-like breccia body that plunges very steeply to the west; it has a 40 m strike length at the surface (Davidson et al., 2002). Footwall lithologies include iron-rich and altered meta-sediments and meta-dolerites and hangingwall rocks include meta-basalts, volcanic conglomerate, breccia-bearing limestone and meta-dolerites.

5.5.3 Great Australia Deposit

The Great Australia deposit is a shear-hosted system of high grade sulphide copper-gold mineralisation within meta-volcanics and meta-sediments and associated with carbonate and quartz veining. The shear system has a north northeast strike consistent with the regional grain and the orebody is moderately steeply dipping to the west-northwest.

A small tonnage of the high grade sulphide orebody was mined underground from Great Australia in the late 1800s to early 1900s.

The underground workings were abandoned due to high groundwater inflows. Open cut mining to a depth of about 30 m was carried out in the 1990s above the underground workings to remove oxide copper ores for heap leaching. The existing open pit is also abandoned and water filled.

A northeast-trending northwest dipping fault cross cuts the southeast corner of the deposit.

5.6 Mineralogy

A series of mineralogical examinations were conducted during the PFS and continue through DFS to determine the type, amount and liberation characteristics of the major sulphide and gauge minerals present in the Cloncurry ores. This work was conducted at AMMTEC in Perth, Western Australia using QEMSCAN.

QEMSCAN maps the surface of a set of polished thin sections and determined the mineral type and volume based on the surface area. A metallurgical balance is then conducted based on the surface areas, head assays and standard elemental deportments for the each of the minerals present.

The three composites examined in the DFS testwork specifically targeted primary material from the E1N, E1S and E1E resources. The copper head grades were 0.93%, 0.62% and 0.74% for E1N, E1S and E1E respectively. The composite copper head grades were the average copper head grades for each of the resources and were blended to embody a representative spatial blend of ore and internal waste.

5.6.1 Sulphide Mineralogy

Chalcopyrite was the key copper bearing mineral observed in the Cloncurry copper ores. The copper minerals bornite and chalcocite were also encountered in transitional areas.

The key gangue sulphides were pyrite, sphalerite and galena. Pyrite was encountered consistently across all three resources, often in close association with the chalcopyrite. While actively floatable, the pyrite was discovered to be easily depressed with a small quantity of cyanide. Sphalerite and galena were identified from the core logs in a small number of discrete patches in E1E and E1S.

QEMSCAN analysis identified pyrite and chalcopyrite as consistently making up more than 95% of the sulphide minerals present in each of the composite feeds. Feed mineralogy for composites from E1S and E1E are shown below.

	E1S	E1E
Mineral Name	**Abundance (%)**	**Abundance (%)**
Chalcopyrite	1.80	2.41
Bornite	0.10	0.00
Chalcocite	0.03	0.00
Sphalerite	0.02	0.12
Pyrite	11.05	3.75
Micas	25.38	27.37
Quartz	15.62	12.44
Alkali Feldspars	2.08	6.43
Magnetite	28.11	23.39
Ankerite/ Calcite	7.19	13.70
Fluorite	1.75	2.41
Apatite	0.60	2.06
Other Gangue	6.28	5.92

Though not thoroughly examined, based on positive outcomes from the flotation testwork it is expected that the mineralogical characteristics of the E1N composite were similar those for the other two resource composites. Examination of a final concentrate for E1N using QEMSCAN showed more than 93% of the chalcopyrite to be between 90 and 100% liberated using a primary grind of 106 microns at a concentrate regrind size of 25 microns. Unliberated chalcopyrite in this final concentrate was typically in binary composites with pyrite or occasionally alkali feldspars.

5.6.2 Non Sulphide Mineralogy

The key non sulphide gangue minerals identified in the QEMSCAN analysis were mica, magnetite, quartz and calcite/ankerite which made up greater than 75% of the overall feed material composition for the three Cloncurry composites. Though only having a minor contribution to the overall mineralogical balance, fluorite and apatite were also minerals of interest due to the associated fluorine.

Flotation readily rejected the bulk of these gangue minerals and final concentrates typically contained less than 10% non sulphide gangue.

The fluorine in the concentrate was mineralogical attributed to the mica which was demonstrated to have an average liberation (approximately 60% of the mica particles were between 90 and 100% liberated) and a typical composite association with other non sulphide gangue particles. This is a positive result in that the mica does not appear to be in unliberated composites with the chalcopyrite. As yet, it is unknown whether the mica is freely floating or simply reporting to concentrate through a metallurgical transfer mechanism such as entrapment or entrainment. Further examination on the fluorine in concentrate will be conducted in future studies.

Uranium, though to be associated with uraninite, has recently become an area of interest due to observed levels of above 100ppm in selected flotation concentrates. This has not been observed in any of the QEMSCAN analysis due to the low levels and will be investigated in conjuction with the fluorine in further investigations.

The magnetite in the Cloncurry ores appear to be well liberated from copper sulphides due to its absence in the concentrate mineralogy studies. Liberation size and other mineral associations of magnetite are presently unknown and will be investigated further in ongoing studies.

5.6.3 Summary

In summary:

- The key copper sulphide mineral across all Cloncurry resources is chalcopyrite,
- Bornite and chalcocite present in transitional areas,
- Abundant active pyrite that is easily depressible with cyanide,
- E1N composite well liberated at 106 microns,
- Key gangue minerals are mica, magnetite, quartz and calcite/ankerite, fluorite, apatite and alkali feldspars which make up more than three quarters of the overall composite bulk.
- Flotation appears to actively reject the concentration of in sulphide gangue with less than 10% overall making it to the final concentrate for E1N,
- Magnetite does not appear to be closely associated with the copper sulphide minerals due to its absence in the final concentrate mineralogy though further investigations will need to be conducted to fully quantify its upgrade potential.

5.7 Resource Statement

5.7.1 E1 Camp

The E1 Camp has previously been modelled and reported as four separate deposits (North, South, East and Central). Drilling success in the recently discovered Central Zone has led to a significant increase in total resources at E1, whilst detailed geological logging and modelling now shows that the deposits are linked.

As a result of this modelling the four deposits have been combined into one resource. The total E1 Camp resource (Indicated and Inferred) has increased by 17% and now comprises **44.8Mt @ 0.75% Cu & 0.21 g/t Au** *(@ 0.3% Cu cut-off*).

Importantly **24.6Mt @ 0.83% Cu & 0.24 g/t Au** (or 60% of the contained Cu) has so far been classified as Indicated with the remainder as Inferred. Ongoing resource modelling is expected to lead to further increases in the Indicated category.

The E1 resource estimate has been completed by the Company and its appointed consultants, using the ordinary kriging interpolation method in Surpac within geologically and geochemically defined units.

The drilling has been completed on a nominal 40x40m grid in the core of the deposit and 50x50m at depth and along strike. The resource has been extrapolated by half the drill spacing past the last drill hole for each of the host units.

Class	Type	Tonnes	Grade		Metal	
			Cu (%)	Au (g/t)	Cu (t)	Au (oz)
Indicated	All	24,600,000	0.83	0.24	205,000	194,000
Inferred	All	20,200,000	0.7	0.2	133,000	115,000
Total	**All**	**44,800,000**	**0.75**	**0.21**	**338,000**	**309,000**

5.7.2 Monakoff and Monakoff East

The Monakoff resource has been estimated using the ordinary kriging interpolation method. Sixty one percent of the resource has been classified as indicated as the deposit consists of a consistent tabular body in both geological controls and grade, the remaining thirty nine percent being classified as inferred. The Table below details the resource estimates for the Monakoff deposit.

Class	Type	Tonnes	Grade		Metal	
			Cu (%)	Au (g/t)	Cu (t)	Au (oz)
Indicated	All	2,000,000	1.39	0.44	28,000	28,000
Inferred	All	1,300,000	1.28	0.42	16,000	18,000
Total	**All**	**3,300,000**	**1.35**	**0.44**	**44,000**	**46,000**

The Monakoff east resource has been estimated using the inverse distance squared interpolation method. While the drill spacing (50m x 50m) would normally allow some of the resource has been classified as indicated, it has at present been classified as Inferred until the geometry of the folded iron-rich host can be confirmed. The table below details the resource estimates for the Monakoff East deposit.

Class	Type	Tonnes	Grade		Metal	
			Cu (%)	Au (g/t)	Cu (t)	Au (oz)
Indicated	All	-	-	-	-	-
Inferred	All	700 000	1.25	0.36	9,000	8,000
Total	**All**	**700 000**	**1.25**	**0.36**	**9,000**	**8,000**

5.7.3 Magnetite By-product

Significant magnetite mineralisation is recorded through many of the copper mineralised sections of the E1 and Monakoff deposits. No JORC compliant magnetite resource has been published to date. Magnetite extraction will remain an option for the Project while investigations continue to determine its viability as a by-product of the Cu/Au extraction.

Magnetite, within folded banded iron formation is interpreted as a physical or chemical control of the copper sulphide deposition. A strong correlation is therefore expected between copper and magnetite within the mineralised zones as with the proposed process feed stream. Drill logs by Exco have included iron analysis by ICP-MS and magnetic susceptibility recording. This work has indicated iron grades average 26.5% associated with >0.5% copper mineralisation.

Testwork indicates that the magnetite can be extracted. If further testwork results show that a saleable magnetite concentrate can be produced at economically viable costs then the potential magnetite resource may be of the order of 34Mt at between 25% and 30% total contained iron as a by-product of the copper and gold resource.

EXCO RESOURCES – NW QUEENSLAND Cu-Au RESOURCE SUMMARY						
Deposit	Class	Tonnes	Grade		Metal	
			Cu%	Au g/t	Cu T	Au Oz
E1 Camp [(2)]	*Indicated**	24,600,000	0.83	0.24	205,000	194,000
	*Inferred**	20,200,000	0.7	0.2	133,000	115,000
	TOTAL	**44,800,000**	**0.75**	**0.21**	**338,000**	**309,000**
Monakoff [(1)] & Monakoff East	*Indicated*	2,000,000	1.39	0.44	28,000	28,000
	Inferred	2,000,000	1.3	0.4	25,000	26,000
	TOTAL	**4,000,000**	**1.32**	**0.42**	**53,000**	**54,000**
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	**2,100,000**	**1.54**	**0.13**	**33,000**	**9,000**
Sub-total – CCP	**Indicated**	**28,000,000**	**0.91**	**0.25**	**254,000**	**228,000**
	Inferred	**23,000,000**	**0.74**	**0.19**	**171,000**	**144,000**
	ALL	**51,000,000**	**0.83**	**0.23**	**425,000**	**373,000**
OTHER DEPOSITS						
Turpentine	*Indicated*	1,627,000	1.04	0.21	17,000	11,000
	Inferred	215,000	0.9	0.16	2,000	1,000
	TOTAL	**1,841,000**	**1.03**	**0.2**	**19,000**	**12,000**
Taipan	*Inferred*	**1,460,000**	**0.80**	**0.1**	**12,000**	**5,000**
Kangaroo Rat [(1)]	*Inferred*	**875,000**	**1.65**	**1.0**	**14,400**	**28,000**
Wallace South	*Inferred****	**1,000,000**	**-**	**1.6**	**-**	**53,000**
Victory-Flagship	*Inferred*	**196,000**	**1.2**	**1.4**	**2,000**	**9,000**
Mt Colin [(1)]	*Measured***	113,800	3.80	-	4,300	-
	*Indicated***	311,000	3.49	-	11,000	-
	*Inferred***	242,000	3.16	-	8,000	-
	TOTAL	**668,800**	**3.43**	**-**	**23,300**	**-**
Sub-total - Other		**6,039,000**	**1.16**	**0.55**	**70,300**	**107,000**
TOTAL		**57.0 Mt**	**0.87**	**0.26**	**495,000**	**480,000**

Note: ***Discrepancies in totals are as result of rounding.***

(1) *Granted Mining Lease.*

(2) *~30 % of E1 camp resources on a granted Mining Lease*

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

** E1 resources completed at 0.3%Cu cut-off.*

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

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

5.8 Cloncurry Copper Project Scope and Key Parameters

The Cloncurry Copper Project includes the development of mining, processing and general infrastructure at the E1 and satellite deposits at Monakoff and Great Australia. The project life is 11 years. The project scope includes the development of the following areas as required to produce 120 000 t/a sulphide concentrate containing ~25 000 t/a copper and ~15 000 oz/a of gold:

- Mining – development of infrastructure required to access, mine and dispose of waste rock for the E1 camp, Monakoff and Great Australia deposits.
- Processing – development of a processing plant and associated infrastructure to produce the specified concentrate quantities and grades from blended ore sourced from the six ore bodies.
- Infrastructure – development and upgrade of supporting infrastructure including power, roads, water, sewer and accommodation required for the mining and processing operations.
- Tailings – development of a conventional cell type facility capable of storing life-of-mine tailings, residue and water from the plant.
- Environmental – ensure the construction and operations meet appropriate Queensland environmental standards.

	Cloncurry Copper Project
Resource (Indicated, Inferred)	51Mt @ 0.83% Cu and 0.23g/t Au (Refer to Exco's Queensland Resource Summary table for details)
Projected plant output (Concentrate)	~25 000 t/a Cu, 15 000 oz/a Au (~700 000 t/a Fe_3O_4)
Plant Throughput	~3 000 000 t/a
Concentrate Production	~120 000 t/a
Projected plant life	~8 - 10 years
Plant Location	E1, approximately 8km east of Ernest Henry
Deposits	E1 North, East and South, Monakoff, Great Australia
Mining	Open pit, drill, blast, excavate, haul
Process	Crush, grind, float, dewater
Tailings	Surface impoundment, conventional slurry discharge
Power requirement	Up to 20 MW
Power Supply	Local Grid power - CS Energy/Ergon Energy, Solar
Water requirement	~1 000 000m^3 / a

Water Supply	Pit De-Watering and Lake Julius (Sun Water)
Concentrate Shipping	Trucked to Mt Isa or Trucked to Cloncurry and railed to Townsville
Workforce	>200
Workforce location	Resident in Cloncurry and FIFO
Project Status	Definitive Feasibility Study
Environmental	Full Environmental Impact assessment in progress
Project capital cost	~A$250M
Annual Revenue @ $2.5/lb Cu	~A$150M
Schedule	Construction 2010, production 2011

5.9 Geotechnical Studies

The Cloncurry District is located within the mineralized Mt Isa Inlier and the deposit rocks consists of shallow marine to lacustrine sedimentary and subordinate volcanic rocks that were deposited over a basement basin undergoing extensional rifting. The district generally has a dominant north-south tectonic grain which largely controls the geologic structure at individual deposits. Geologic structure is also the predominate control for the design of pit slopes.

There is considerable experience and knowledge from the 500 m deep Ernest Henry open pit mine (located directly northwest of the E1 deposits) in relation to structural controls on the stability of pit slopes and mechanism of pit slope failure. Inter-ramp slope angles at Ernest Henry mine range from a low of 40 up to 65 and in all structural domains of the pit defects such as faults, foliation, and joints control the pit design. For the purposes of this study this information is considered to be directly applicable to the Cloncurry Copper Project. However the assumptions made from the Ernest Henry information will require verification through the Definitive Feasibility Study.

Logging of drill core and mapping of existing open pits has provided a limited amount of structural data for this PFS. Typically the rock material forming each deposit is of high to very high strength and a range of structures including faults and joints have been identified which will have an influence on the ultimate design of pit slopes.

- Based on experience with Ernest Henry mine, it should be anticipated that the proposed pits will experience a number of possible modes of pit slope failure including:
- Larger planar sliding or wedge failures controlled by major faults and shear structures subparallel with either the foot wall or hangingwall.
- Planar sliding failures on the bench scale.

- Wedge failures caused by two or more adversely intersecting defect sets on the bench or multiple bench scale.
- Toppling and large scale rotation failures of the hangingwall.

Provided there is recognition of the structural controls, potential pit instability should be manageable.Blasting technique will be a key factor in determining the ultimate steepness of inter-ramp angles. At the E1 deposits, the occurrence of a 1 to 2m thick dark brown reactive surface clay is likely to control the steepness of waste dumps.

5.10 Mining Options Study, Mine Scheduling and Mine Layout

The mining study and design work has been carried out through both the PFS and the DFS. The DFS work (carried out by AMC Consultants) has advanced based on the designs and schedules developed through the PFS and included the expanded resource base. The DFS work to date has focused on revising the technical designs and schedules as required for the EIS.

The optimisation study is based on modified PFS inputs. The modifications reflect an improved understanding of the metallurgical performance and costs, increased treatment rates and revised commodity prices. All costs and prices reported are in AUD unless otherwise specified.

Based on the parameters provided the study identified that:

- The following pit inventories from Indicated and Inferred resources:

Pit	Ore (Mt)	Cu (%)	Au (g/t)	Rock (Mt)	Strip Ratio
E1 North	9.1	0.93	0.27	57.0	5.29
E1 South	10.8	0.60	0.16	43.3	2.99
E1 East	3.0	0.73	0.24	19.1	5.35
Monakoff	2.3	1.12	0.36	21.2	8.08
Monakoff East	0.7	1.02	0.29	3.7	4.07
Total Project	**26.0**	**0.79**	**0.23**	**144.3**	**4.56**

Note: Based on NSR cut off grade of $15/t for E1 deposits and $18/t for Monakoff deposits.

- Pit inventories currently contain 42% inferred mineralisation.
- Ultimate pits were chosen in consultation with EXCO. The selection criterion was driven by the requirements as input into the EIS. Consequently the larger pit shells were chosen so that the largest footprint and mining rates could be used as worst case inputs into the EIS. A slightly more conservative pit shell may be chosen during the feasibility study.
- Mine scheduling could support a plant feed rate of 3 Mtpa. At 18 Mtpa mining rate at the E1 deposits the stockpiling requirements meet supply without the need for excessive stockpiling. The benefit of the stockpiling is that it allows the higher grade material to be priority fed to bring forward project value.
- The current mine schedule (based on 18 Mtpa E1 and 12 Mtpa Monakoff) allows for an 8.5 year mine life and a 10.5 year plant feed.

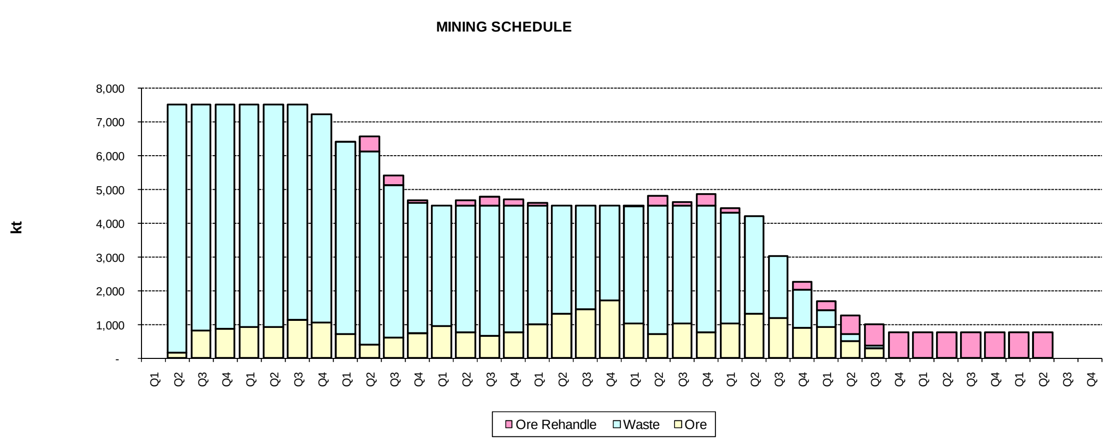
- There is potential to further improve this mine schedule by modifying mining rates at Monakoff and mining strategy at E1. Due to the level of this study (EIS) and the fact that not all resource models have currently been remodelled to include all drilling and resource classification upgrade, it was not deemed necessary or appropriate for this level of study.
- All inputs into the EIS as requested by EXCO have been supplied.

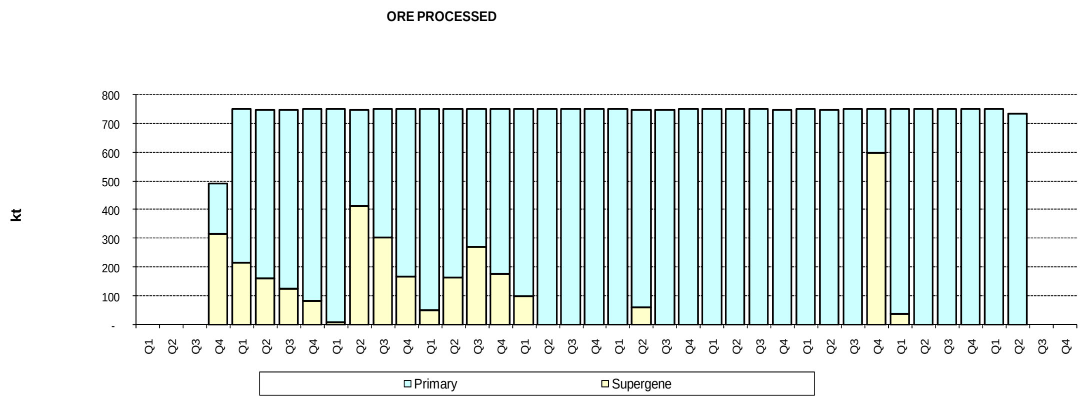
5.10.1 Mining Schedule

The LOM plan involved:

- Pre-strip from Q2 of Year 1 for plant start up in Q4 of Year 1.
- 3 Mt/a plant throughput.
- Monakoff deposits priority fed when available.
- Mining from pits in a way to maximise project NPV.
- Two separate mining fleets, one at Monakoff and one at E1.
- All waste assumed to go to waste dump or construction material.
- LG mineralisation is sent to the low grade stockpile when higher grade mineralisation is available for the crusher.
- Front end loader used for ROM rehandle, LG stockpile reclaim and as a backup primary loading machine in the event of the excavator breakdown.
- A smaller support excavator is responsible for face and floor cleanup and dewatering sump formation.

The mining schedule and the process schedule are shown below.





5.10.2 Site Layout

The general arrangement for each site takes into account pits, waste dumps, stockpile and road haulage networks. It does not take into account storm water management.

At E1 the following applies:

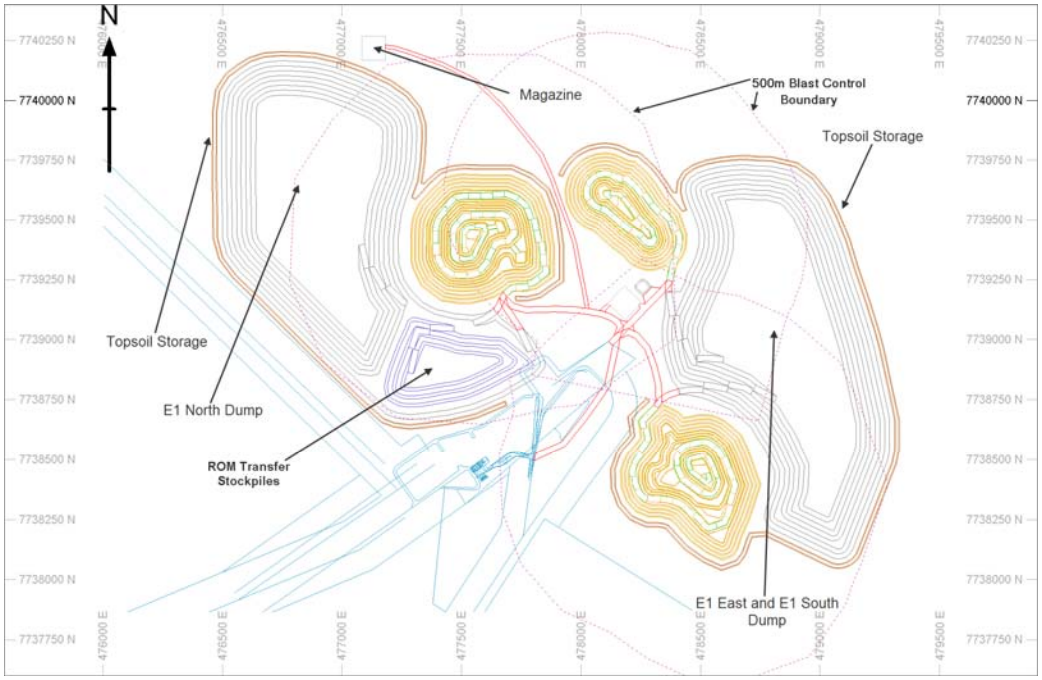
- Placement of the magazine has been determined using AS 2187.1-1984, a buffer zone of 500m from protected works and vulnerable facilities must be maintained. The road leading from the magazine to access the main haul road is 15m wide. For each pit a blast exclusion zone of 500m has been set out.
- All main dump truck access haul roads are designed 25m wide.
- The lay down area is 100m by 100m and centrally located for access from each pit.
- The turkey nest dam designed 60m by 60m and 2m in depth. The area next to the turkey nest dam will provide access for the water truck.
- The topsoil stockpiles are offset from pits and dumps by 20m and are restricted to 3m in height.
- All waste dumps are restricted to 40m in height.

At Monakoff and Monakoff East the following applies:

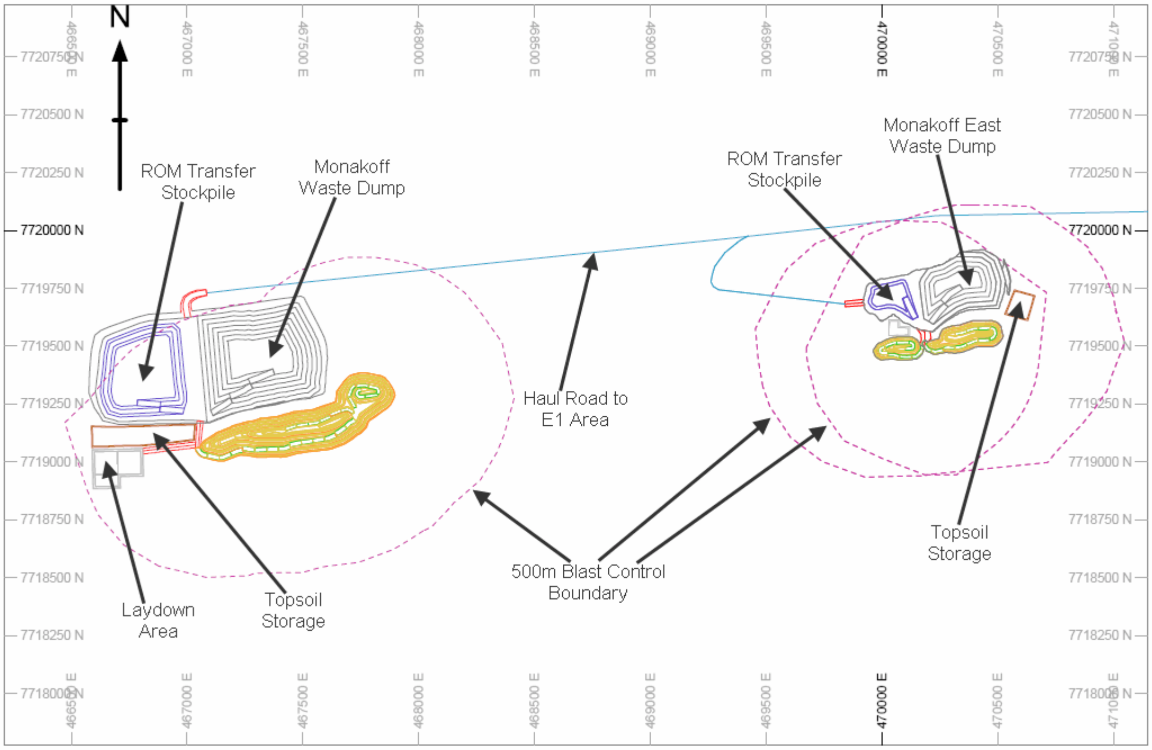
1. At Monakoff two 100m by 100m lay down areas have been set out with an area 100m by 50m alongside for site offices and ablutions.
2. Haul roads for the dump trucks are 25m wide.
3. The topsoil dump is restricted to 3m in height.

A 20m buffer has been applied from the proposed mining lease boundary as requested by EXCO.

E1 Site Layout



Monakoff site Layout



5.11 Metallurgical Testwork

An extensive metallurgical testwork program has been conducted by Exco on material from the Cloncurry deposits. The key aims of this testwork were to:

1) obtain sufficient information to confidently develop a process flow diagram for a 3 Mt/a copper/gold concentrator,
2) size process equipment and model the expected operating performance,
3) estimate the process operating costs to a definitive level,
4) estimate the capital cost to a definitive level.

In general, the metallurgical testwork was divided into comminution, flotation and magnetite removal. The testwork was conducted sequentially through several campaigns to satisfy the requirements of the Scoping Study, Pre-Feasibility Study (PFS) and Definitive Feasibility Study (DFS). The testwork conducted during the PFS was principally on the comminution performance while the flotation optimisation and magnetite removal were addressed are the key elements of the ongoing DFS program. The DFS testwork program has reached an advanced stage although a final campaign is planned to optimise certain flotation conditions and focus on by-product recovery. The information presented in this metallurgical summary is based on provisional results and data and further optimisation testwork will be undertaken for the DFS.

The PFS and DFS testwork was overseen by GRD Minproc Limited (GRD) at the AMMTEC Mineral Testing Facility (AMMTEC) in Perth, Western Australia.

Testwork was conducted on samples of quarter core and coarse assay reserve. When selecting sampled for the each phase of the testwork, careful consideration was given to:

1) spatial representivity of samples for life of mine resource composites,
2) expected plant copper feed grade from the various deposits as determined by the PFS mine schedule,
3) primary or transitional/supergene material,
4) occurrence of elements of interest (e.g. arsenic, lead, zinc) which could result in the final copper concentrate not meeting the required smelter specifications,
5) internal mining dilution.

5.11.1 Comminution

Comminution testwork was carried out to determine the metallurgical parameters required to design the optimal comminution circuit to liberate the Cloncurry ores. Tests that were conducted included:

1) specific gravity (SG),
2) unconfined compressive strength (UCS),
3) bond crushing work indices (CWi),
4) bond ball mill work indices (BWi),
5) bond rod mill work indices (RWi),
6) bond abrasion indices (Ai), and
7) competency (A x b) – determined in this case by SMC testing

The following chart summarises the comminution results for the Cloncurry deposits.

	Units of Measure	Main Mineralisation	Waste Rock	Number of Tests
SG	t/m^3	3.51	3.05	19
BWi (125µm)(80th %ile)	kWh/t	14.7	19	20
RWi (80th %ile)	kWh/t	19.8	22	15
CWi (max)	kWh/t	17.1	-	12
UCS (max)	MPa	118	-	11
A x b (avg)		36.1	23.8	13
A x b (80th %ile)		30.3	21.8	13
Ai (avg)		0.098	0.087	14

In general the Cloncurry material was found to have moderate to low ball mill grindability (highly variable), a high and relatively variable specific gravity, high competency and low abrasion potential.

Modelling of this data with predicted power costs demonstrated that three stage crushing followed by single stage ball milling was likely to provide the lowest operating energy requirement.

	SSSAG/C	SABC	3 STAGE CRUSH AND BALL MALL
Installed Crush Power (kW)	350	425	1265
Installed Mill Power (MW)	10,000	9100	5025
Total Installed Comminution Power (MW)	10,275	9550	6285
Specific Crush Energy (kWh/t)	0.5	0.7	2.1
SAG Specific Energy (kWh/t)	21.2	12.3	-
Ball Mill Specific Energy (kWh/t)	-	8.1	12.5
Total Comminution Specific Energy (kWh/t)	21.7	21.1	14.6

Note: SSSAG/C – single stage crush followed by single stage SAG milling, SABC – single stage crush followed by two stage SAG and ball milling. It should also be noted that capital outlay for each option is different.

5.11.2 Flotation

The aim of the flotation testwork was to determine the ideal operating parameters for the flotation circuit and the likely specification for a final copper concentrate.

Twelve composites were prepared representing the varied resources encompassed within the Cloncurry Copper Project and a few composites that targeted specific areas of interest. Details of these composites are below.

Composite ID	Domain	Description
Composite No. 1	E1 North	Clean Lower Grade
Composite No. 2	E1 North	Supergene
Composite No. 3	E1 North	Clean Higher Grade
Composite No. 4	E1 South	Supergene “Clean”
Composite No. 5	E1 South	Supergene “Penalty”
Composite No. 6	E1 South	Primary “Clean”
Composite No. 7	E1 South	Primary “With Pen. Elements
Composite No. 8	E1 East	Primary “Clean”
Composite No. 9	E1 East	Primary “With Arsenic”
Composite No. 10	E1 East	Primary “With Pen Elements”
Composite No. 11	Monakoff East	Primary
Composite No. 12	Monakoff	Primary

Of the 12 composites, the key composites tested to date have been composite 1, composite 6 and composite 8 which make up the bulk of the overall reported resources.

Considerable rigor has been taken in examining primary grind size, residence times reagent regimes and alternate circuit arrangements.

Results to date have consistently demonstrated that a high recovery copper concentrate can be generated from the primary E1N material (composite 1). Below are the results for the E1N composite at a primary grind size of 106 microns and a regrind size of 25 microns using A5100 (collector), lime, sodium cyanide and W34 (frother).

Product	Mass (%)	Copper Grade (%)	Copper Recovery (%)
3rd Cleaner Concentrate 1	1.96	29.6	69.3
3rd Cleaner Concentrate 1-2	2.55	28.2	85.8
3rd Cleaner Concentrate 1-3	2.75	27.8	91.4
ReCleaner Concentrate	3.06	25.2	92.2
Cleaner Concentrate	3.89	20.3	94.1
Rougher Concentrate	8.26	9.64	95.2
Assay Head	100.00	0.93	100.0

Note: Test LS2549

Product	Mass (%)	Copper Grade (%)	Copper Recovery (%)
3rd Cleaner Concentrate 1	1.18	31.0	41.0
3rd Cleaner Concentrate 1-2	2.02	30.7	69.8
3rd Cleaner Concentrate 1-3	2.38	30.2	80.9
3rd Cleaner Concentrate 1-4	2.46	30.1	83.4
ReCleaner Concentrate	2.76	28.3	88.1
Cleaner Concentrate	3.18	25.8	92.3
Rougher Concentrate	6.55	12.8	94.7
Assay Head		0.93	

Note: Test LS2389

Testwork on E1E and E1S is still in progress though preliminary indications demonstrate optimal performance at a 75 micron primary grind as opposed to 106 microns for these two resources composites.

The following table demonstrates that greater than 92% rougher recovery was achieved at a 75 micron primary grind using the same reagents as E1N.

Product	Mass (%)	Copper Grade (%)	Copper Recovery (%)
Rougher Concentrate 1	5.06	11.8	78.8
Rougher Concentrate 1 - 2	7.76	8.62	88.3
Rougher Concentrate 1 - 3	8.55	8.03	90.5
Rougher Concentrate 1 - 4	9.67	7.21	92.1
Rougher Concentrate 1 - 5	11.0	6.40	93.0
Rougher Concentrate 1 - 6	12.4	5.71	93.7
Assay Head	100.00	0.72	100.0

Note: Concentrate 1 - 4 relates to 5 minutes laboratory rougher residence which is equivalent to E1N

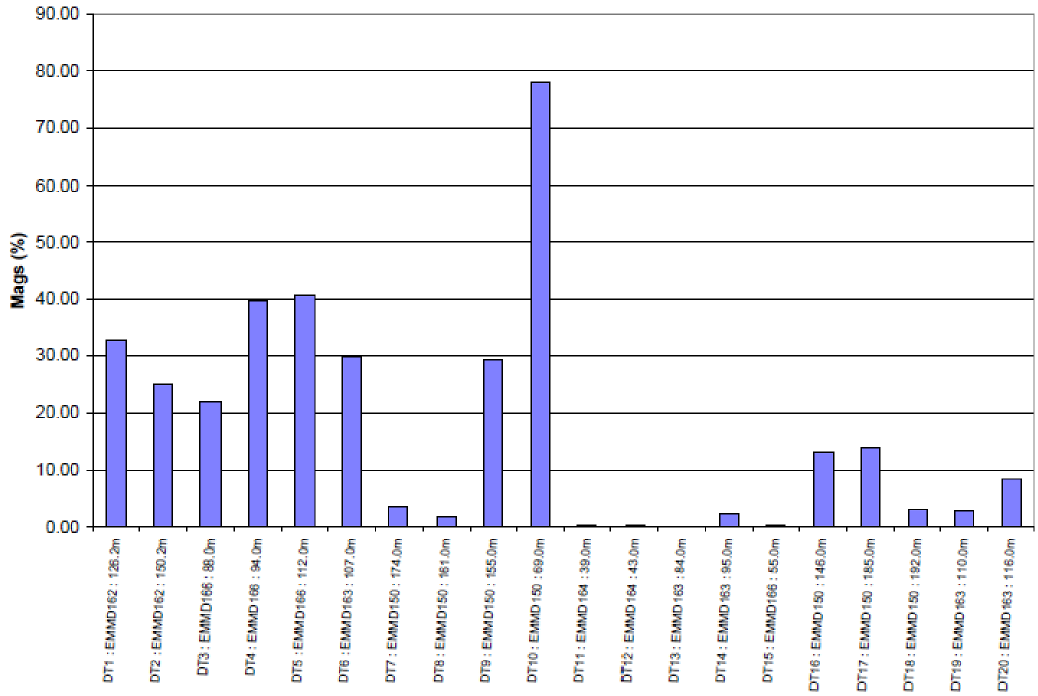
Testwork on E1S is also still in progress though preliminary indications demonstrate greater than 87% rougher recovery at 75 microns using the same flowsheet as E1N.

Product	Mass (%)	Copper Grade (%)	Copper Recovery (%)
Rougher Concentrate 1	4.22	10.3	69.0
Rougher Concentrate 1 - 2	5.87	8.58	80.0
Rougher Concentrate 1 - 3	7.42	7.20	84.8
Rougher Concentrate 1 - 4	8.75	6.33	87.9
Rougher Concentrate 1 - 5	10.2	5.51	89.1
Rougher Concentrate 1 - 6	11.7	4.87	90.2
Assay Head	100.00	0.62	100.0

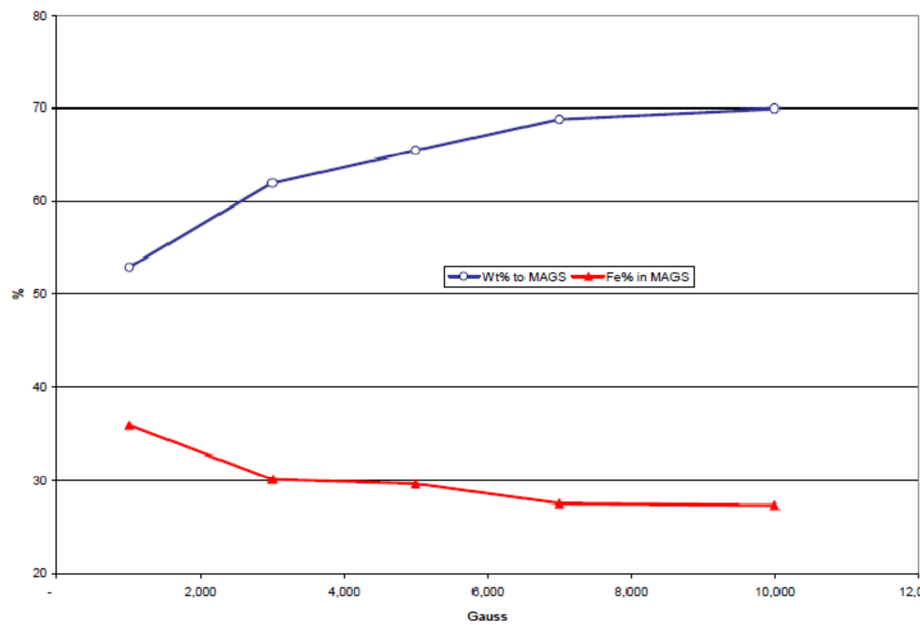
Note: Concentrate 1 - 4 relates to 5 minutes laboratory rougher residence which is equivalent to E1N

5.11.3 Magnetite Removal

Testwork conducted to date has focused on comminution and flotation characteristics of the Cloncurry Ores. As part of the comminution testwork program, a series of Davis Tube tests were conducted. This measured the mass pull into a magnetic concentrate with the results shown below.



The results demonstrated anywhere between 0 and 70% mass recovery to the magnetic fraction. Preliminary magnetic testwork also demonstrated a 30% rougher iron concentrate could be generated at 3000 gauss from the tailings of an E1N rougher float.



A detailed plan of action has been developed going forward with the magnetic separation testwork and is waiting of more favorable market conditions to recommence.

5.11.4 Summary

In summary:

1) The average comminution parameters for the Cloncurry ores were:

   a) SG - 3.51,

   b) Bond Crushing Work Index – 17.1 kWh/t,

   c) Bond Ball Mill Work Index – 14.7 kWh/t,

   d) Bond Rod Mill Work Index – 19.8 kWh/t,

   e) Unconfined Compressive Strength – 118 Mpa,

   f) Competency (A x b) – 36.1, and

   g) Bond Abrasion Index – 0.098.

2) Review of a number of comminution scenarios indicated three stage crushing, followed by single stage ball milling was likely to produce the lowest power cost, though capital outlay was marginally higher.

3) The E1N composite has consistently produced final concentrates at in excess of 92% copper recovery at approximately 25% copper in concentrate.

4) A thorough investigation of the E1S and E1E resources is still being conducted though rougher copper recoveries have shown to be in excess of 92% for E1E and 87% for E1S at a 75 micron primary grind.

5) An investigation is presently underway looking at ways of reducing the fluorine in concentrate.

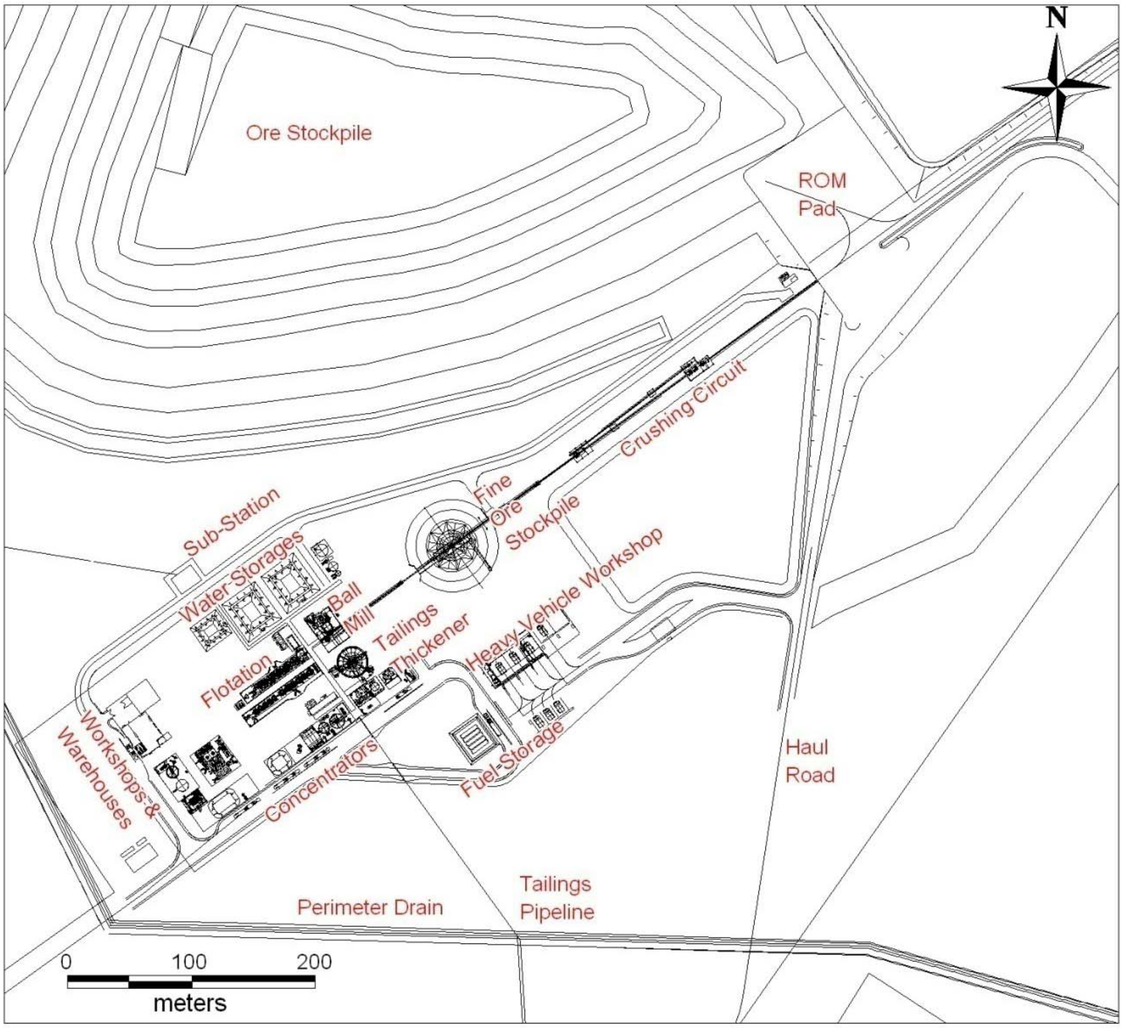
6) The magnetite testwork is only preliminary though results have demonstrated that a suitable magnetic rougher concentrate can be generated from a sample of flotation tailings at an intensity of 3000 gauss.

5.12 Process Layout and Conceptual Design

The processing plant is designed to have a processing rate of 3Mtpa and will produce 120,000tpa of copper gold concentrate and 750,000tpa of magnetite at maximum steady state.

The design of the plant encompasses all ore and product handling from the ROM stockpile through to the tailings pipeline discharge and the stockpiling of concentrate. The plant can be described in concept as a three stage crushing and ball mill circuit with copper recovery by sulphide flotation.

Processing Plant Layout



The extraction process can be summarised into crushing, stockpiling, grinding, flotation, magnetic separation and dewatering.

Ore delivered by mine truck to the ROM pad will either be tipped directly into the ROM bin or dumped on the ROM pad and loaded into the ROM bin by front-end loader. Ore will be withdrawn from the ROM bin with a vibrating feeder and systematically fed through a three stage crushing/screening circuit, consisting of a primary jaw crusher, a secondary cone crusher and two tertiary cone crushers. The crushing plant is sized to operate 24 hours per day, 7 days per week at an average throughput of 489 tonnes per hour. Crushed ore will discharge the crushing circuit onto the fine ore stockpile feed conveyor.

Crushed ore is stored on a fine ore stockpile before being fed to the ball mill. Reclaim of crushed ore from the stockpile is via three variable speed vibrating feeders.

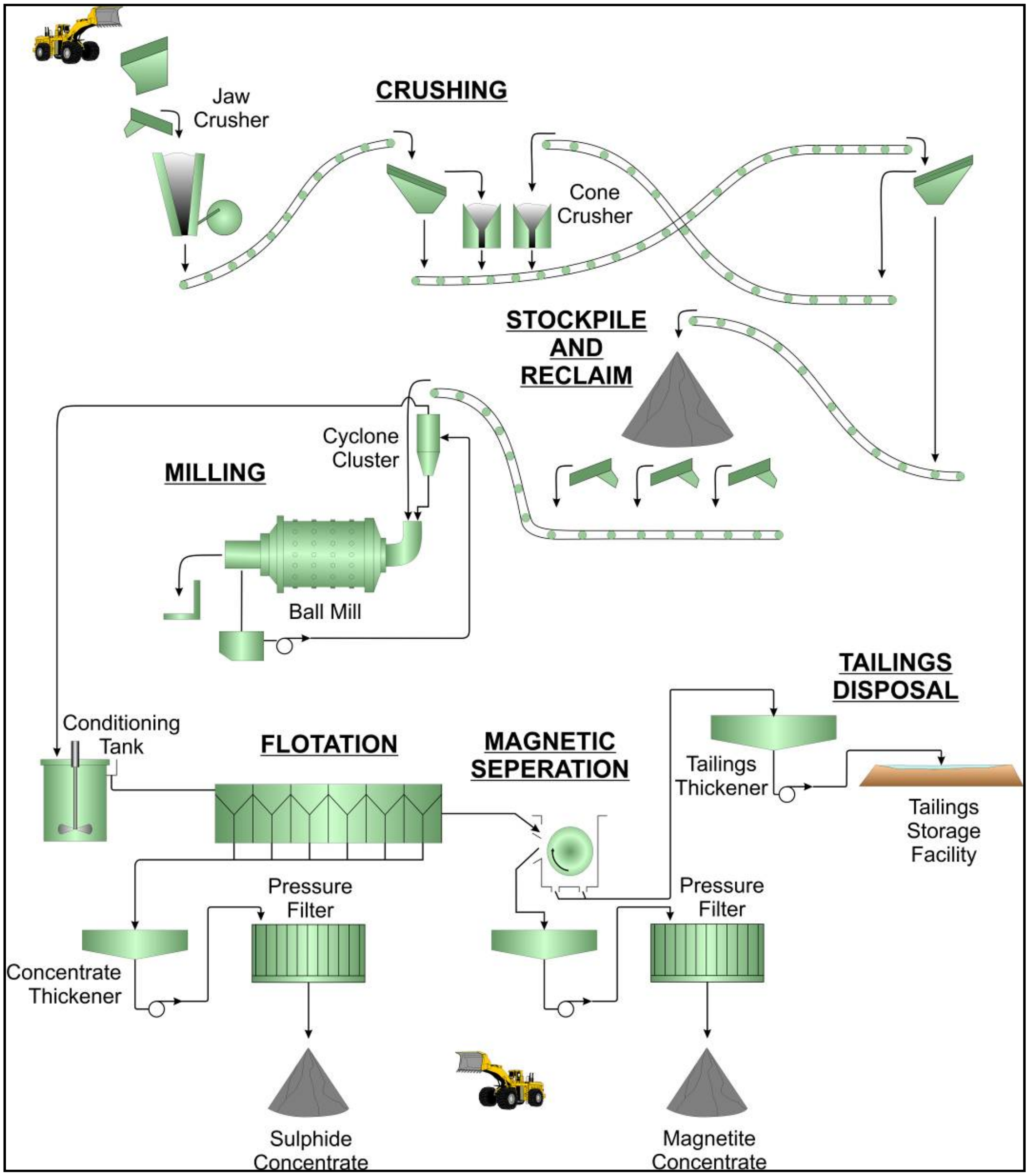
The grinding circuit consists of a ball mill in closed circuit with a cluster of hydrocyclones and will be fed at a nominal rate of 364 tonnes per hour for the crushed ore stockpile. The ball mill is 5.70m diameter with an effective grinding length of 8.5m and is powered by a single 5000 kilowatt motor. The mill is designed for overflow discharge via a trommel with the underflow reporting to the hydrocyclone feed hopper. A hydrocyclone feed pump draws from the hopper and pumps to 8 x 510mm hydrocyclones. The hydrocyclone underflow is collected in the underflow launder and flows by gravity to a ball mill feed. The hydrocyclone overflow flows by gravity to a static trash screen prior to reporting to the rougher flotation circuit.

Rougher flotation is nominally conducted at the design hydrocyclone overflow grind size of 80% passing 106 microns. Collector, lime, cyanide and frother are added to the feed box for the first flotation cell. The rougher stage of flotation consists of three pairs of 50 m^3 tank cells. The rougher concentrate is pumped to a regrind circuit where it is further ground to 80% passing 25 microns, prior to reporting to the cleaner/re-cleaner circuit for upgrading. The cleaning circuit consists of five $16m^3$ cleaner cells and two banks of three $8m^3$ cells as re-cleaners. The final re-cleaner concentrate is pumped to the copper concentrate thickener.

The copper concentrate thickener is a high rate design. The thickener overflow gravitates into the thickener overflow tank from where it is pumped to the process water tank and recycled as process water. The thickener underflow stream is removed by positive displacement hose pumps at 65% solids and either pumped to the filter feed tank or recycled to the thickener to ensure the underflow density can be achieved during times of low concentrate production. The thickened concentrate is then pumped to the Larox pressure filter which further reduces the moisture content of the concentrate to 10% and discharges the cake onto the floor of the copper concentrate storage shed. The copper concentrate is then reclaimed into trucks using a front end loader for transport off site.

Rougher flotation tailings and cleaner tailings are pumped to a tailings thickener. The tailings thickener overflow gravitates to the thickener overflow tank. Thickener underflow discharges into the tailings pump suction line where it is pumped to the tailings storage facility. The tailings storage facility will be of cell design with tailings discharging the tailings pipeline through a series of spigots located on the dam wall. Decant water from the TSF will be pumped back to the process water pond for recycling in the processing circuit.

Conceptual Processing Circuit – Option 2 Cu/Au and Magnetite Processing



Magnetite will potentially be extracted from the flotation tailings using magnetic separation to produce a high grade iron oxide concentrate. This magnetic concentrate is thickened, filtered and reclaimed for transport off-site in a similar process to the copper concentrate.

5.13 *Hydrogeology*

5.13.1 Groundwater Regime

The copper-gold ore bodies are hosted by Proterozoic aged basement rock that occur beneath a cover of up to 45m of Mesozoic and Cainozoic sediments at the western margin of the Great Artesian Basin (GAB). The hydrogeological regime of the area consists of:

- an upper aquifer hosted within Tertiary sediments; Cainozoic aquifer;
- a basal sand aquifer, which is an interbedded sandstone unit in the Mesozoic aged Wallumbilla Formation sediments; Mesozoic aquifer; and
- a fractured rock aquifer system associated with the basement geology; Proterozoic aquifer

The Cainozoic aquifer is separated from the Mesozoic aquifer by the Wallumbilla Formation consisting of siltstone and mudstone, whilst the Mesozoic and Proterozoic aquifers are hydraulically connected based on the results of the pumping test and water level monitoring at the nearby Ernest Henry Mine which has a similar groundwater regime.

Review of groundwater data for the Carpentaria Basin indicates a general flow of groundwater to the west and north-west with discharge occurring in the Gulf of Carpentaria. However, within the study area groundwater flow is essentially to the north-east and appears to reflect the impact of the Mount Margaret Fault. The direction of flow indicates that recharge of the Mesozoic aquifer within the study area, is derived from Proterozoic basement rock outcrop areas to the south and south-west.

Structurally, the Mount Margaret Fault forms a major regional fault trending roughly north-south whilst a series of local scale faults extend in both a north easterly and north westerly direction across the site and surrounds, forming a series of hydraulic or groundwater flow barriers that have resulted in groundwater compartmentalisation on both a local and a regional scale.

5.13.2 Numerical Modeling

Predictive numerical modelling undertaken to assess the impact of mining the three open pits (E1 North, E1 East and E1 South) proposed for the Mount Margaret Project on the groundwater regime was undertaken using MODFLOW SURFACT software and modifying the regional numerical model developed for the Ernest Henry Mine. Predictive modelling of dewatering of the Mesozoic aquifer indicates a peak dewatering / inflow rate of 1.6ML/day some 36 months after commencement of mining at E1 North. Predicted inflows from the Proterozoic aquifer are significantly greater increasing steadily up to around 6.2ML/day around 36 months after commencement of mining at E1 North, and then declining to an average of about 1.4ML/day to the end of mining around July 2019.

Based on these predicted daily inflow volumes, total groundwater volumes abstracted from the Mesozoic aquifer over the 10-year mine life equates to around 1,800ML, or an average of 180ML/year, which is 18.5% of the total predicted volume removed from both aquifers of approximately 9,700ML.

Progressive dewatering of the Mt Margaret Project area which is compartmentalised due to flow barriers resulting from inferred regional and local scale faulting, indicates aquifer drawdown extending below the base of the Mesozoic sediments after mine year 4, and hence the Mesozoic aquifer becoming unsaturated.

Dewatering to mine year 10 shows continued drawdown within the Proterozoic aquifer of up to 190m for most of the southern portion of the compartmentalised area, and drawdown levels between 40m and 160m generally within the Proterozoic aquifer for much of the northern portion of this area.

5.13.3 Groundwater Issues and Potential Mining Impacts

Potential impacts, risks and constraints identified for the proposed open cut mining of the Mt Margaret Project ore bodies are:

Dewatering – Groundwater Supply - Predictive numerical modelling indicates that the cumulative average daily inflows, representing dewatering volumes, to E1 North, E1 East and E1 South would be around 2.7ML/day (~30L/sec) but as high as around 6.2ML/day (~72L/sec) some 36 months after commencement of mining at E1 North. The predicted annual dewatering volumes for the mine exceeds the Option 1, worst case, average annual process water demand of 1,200ML between mine years 2 and 3 and 6 and 7, indicating a make up water supply would be needed for mine years 1, 4, 5, 8, 9 and 10.

Water Licenses - Predicted inflows into the open pits through dewatering the Proterozoic aquifer will source groundwater from the Mesozoic aquifer hosted within the GAB as well as the Proterozoic aquifer. NRW have advised that such interconnection with the Mesozoic aquifer would constitute abstraction from the GAB and therefore would require approval from NRW. There is no exemption within the Water Resources (Great Artesian Basin) Plan 2006 for approval to taking water from the GAB through dewatering processes, as all water in the GAB is controlled either through the 400ML/annum General Reserve or 10,000ML/annum State Reserve allocations. NRW advise the current options available for sourcing an allocation from the GAB include obtaining a:

- “Licence to Interfere” with the groundwater which would enable dewatering and re-injection of that portion removed from the Mesozoic back into the Mesozoic aquifer; or
- “Licence to Take” and use the Mesozoic water which require access to the State Reserve.

A third option is to purchase an existing allocation from an existing license holder; however this would need to be from within the same Groundwater Management Unit as the Mount Margaret Project.

Of these options, a “Licence to Interfere” with the Mesozoic groundwater would probably be the better option on the basis that this minimises abstraction of water from the Mesozoic aquifer, provided it can be demonstrated there are no adverse impact on existing springs, GDE’s, or water allocation entitlements.

5.14 Electrical Requirements

Power supply to the project in the case of Options 1 and 2 would be facilitated through the local area grid system including the Mica Creek generation facility in Mount Isa and the existing transmission infrastructure out to Ernest Henry. New transmission infrastructure required to service the project would include a dedicated transmission line from the EHM substation to the Mount Margaret site and associated transformers.

It is likely that additional generation capacity at the Mica Creek Power Station would also be required. This will be dealt with by the power providers CS Energy outside the scope of this EIS

Exco contracted Hill Michael to conduct an investigation of high voltage infrastructure options to supply the Project with power. If processing does occur on the Mount Margaret project area (processing Options 1 and 2), maximum electrical demand is estimated to be:

- Installed power requirement of 23 MW; and
- Average continuous draw of 15.MW.

Notionally up to 40% of the maximum demand will be required by a ball mill and therefore consideration of motor starting is a major factor in the fundamental concept of the high voltage infrastructure required.

As power transmission to the Ernest Henry operation provides sufficient capacity for the proposed operation at Mount Margaret (Options 1 and 2) there is no need to develop infrastructure other than that from EHM to Mount Margaret. There are a number of viable options available for the transmission of the power from EHM to Mount Margaret, all requiring the installation of a high voltage line between the two sites. There are a number of transmission voltages that could be considered, the optimum from a cost perspective being 66kV.

Power would be taken from an 11kV connection at Xstrata Ernest Henry substation, stepped up to 66kV through an 11/66kV transformer and then stepped down at the Exco mine site to 11kV through a 66/11kV transformer.

For the 66kV option a 12.5MVA 11/66kV transformer was assumed connected to the Xstrata 11kV system with a range of off circuit taps to give acceptable 66kV outputs for possible variations in 11kV voltage levels, which could be due to both Ergon and Xstrata operations. A 12.5MVA 66/11kV transformer was assumed at the receiving end fitted with an OLTC to give voltage regulation around the mine site.

The 66kV transmission line has been assumed strung with a single AAAC conductor code named Neon. This is a satisfactory conductor for a thermal rating of up to 20MVA and satisfies minimum corona and radio interference criteria.

The transmission line route has been selected as the most direct route such that minimum disturbance is caused to the surrounding land, and keeping as close as possible to existing infrastructure such as the EHM plant and tailings sites.

The following table details the estimated power demand for the Project if on site processing is to take place.

Equipment Drawing Power	Installed Power	Average Continuous Draw
	kW	kW
Crushing	1800	1000
Milling and Classification	6400	5000
Flotation	2400	1500
Float Cons Regrind	1000	700
Magnetite Recovery	6000	4000
Reagents and Services	750	400
Water Services	1200	600
Miscellaneous	600	425
Remote Services	2700	1100
TOTAL	22850	14725

Under the option of treating the ore at Ernest Henry, there would be no requirement for the power line. Power would be generated by diesel gen-sets

5.15 Logistics and Transport

Cloncurry has extensive infrastructure serving the town, mining operations and agricultural businesses. Access to the town is via the Flinders Highway from both the west, Townsville, and east, Mt Isa. The main rail line from Mt Isa to Townsville passes through the town of Cloncurry where off-loading facilities exist for bulk materials, fuel and general freight. Power is transmitted via a 220 kV line to the Chumvale substation and then on to the Ernest Henry mine site. Water for the township is sourced through local bores and the Chinaman Creek Dam. Water is supplied to Ernest Henry from Lake Julius via a dedicated pipeline. The town has an airfield capable of accommodating mid range (Fokker 100) type aircraft with a paved 2000 m runway.

It has been assumed that all suppliers will transport equipment to the E1 area, via road transport. Equipment that requires shipping will be shipped to the Port of Townsville, 770 km from Cloncurry, and then be transported by road transport via the Flinders Highway. No major issues are expected as to the delivery of equipment as the existing infrastructure is well developed. The logistics of delivery to site of required materials and consumables will be considered in greater detail in the next phase of the Study.

Concentrate would be trucked either directly to the Mt Isa smelter, as is the case for the Ernest Henry concentrate, or to the loading sheds in Cloncurry. The concentrate would be transferred to rail cars in Cloncurry and moved to the port of Townsville where it would be transferred to ship for international markets. Queensland rail have been engaged for the transportation of the concentrate to Townsville and have quoted $44.87/t for the service. Two off-loading and shed facilities are available in Townsville, belonging to Xstrata and to BHP Billiton. No discussions have taken place as yet with either of these facilities with respect to Cloncurry concentrates. The transportation unit costs are sensitive to diesel prices.

5.16 Permitting and Environmental Management

5.16.1 Environmental Impact Statement (EIS)

An application for the voluntary preparation of an EIS for the Cloncurry Copper Project has been approved by the Queensland Environmental Protection Agency.

5.16.2 Environmental Baseline Monitoring Programme

Environmental studies and assessments undertaken in developing the Project and completed in preparation for the Environmental Impact Statement (EIS) include the following:

- Terrestrial Flora and Fauna Assessment;
- Habitat Assessment of Project Corridors and Accommodation Camp;
- Aquatic Biology Study;
- Soil and Land Suitability Study;
- Stream Sediment, Geomorphology and Water Quality Study;
- Surface Water and Flood Assessment;
- Groundwater Assessment;
- Air, Noise and Vibration Assessment;
- Road Impact Assessment;
- Cultural Heritage Assessment;
- Social Impact and Community Consultation Report;
- Waste Rock Characterisation;
- Tailings Characterisation Testing;
- Environmental Risk Assessment; and
- Cultural Heritage studies.

Project Approval Timetable

Project Approval	Date
Submission of Draft Terms of Reference (TOR)	July 2008
Public Comment on Draft TOR	August –September 2008
TOR Finalised and published	October – December 2008
Draft Baseline Studies	May 2008 – March 2009
Finalise Baseline Studies	March 2009
Develop Draft EIS and EM Plan	October 2008 – March 2009
Draft EIS and EM Plan reviewed by Exco	April 2009
Submission of Draft EIS to Queensland Environmental Protection Agency (QEPA)	August 2009
QEPA decides if Draft EIS meets Final TOR	August - September 2009
Public Comment Period on EIS	September 2009 - October 2009
Response to Comments and Submission of Amended EIS	November 2009
QEPA Assessment Report on EIS	December 2009
Draft Environmental Authority issued	January 2009
Environmental Authority and Mining Lease Objection Period	February 2009 – March 2010
QEPA issues Final Environmental Authority (if no objections received)	April 2010
Plan of Operations accepted and submit Financial Assurance	May 2010
Approval of new MLs (estimated only)	June 2010

5.17 Capital Cost Summary

A detailed capital estimated was prepared through the Pre-Feasibility Study for the 2Mtpa operation. Based on this estimate, a factored estimate for the 3Mtpa operation has been carried out.

The factored capital cost estimate is considered to have an accuracy of ± 30%. Costs are presented in fourth quarter 2008 Australian dollars.

The following costs are not presented in the capital cost estimate however; they are listed separately in Exco's financial calculations:

- Owner's costs, contingencies or risk amounts
- All taxes, duties and government imposts
- Escalation costs

Area No	Area Description	Estimated Cost
Direct Costs		
	TOTAL – Mining	63,108,228
	TOTAL - Process Plant	71,132,653
	TOTAL - Plant Infrastructure	20,869,937
	TOTAL - Area Infrastructure	24,948,465
	TOTAL - Regional Infrastructure	9,173,047
	TOTAL – Miscellaneous	5,349,621
	TOTAL Direct Cost	**194,581,951**
Indirect Costs		
	TOTAL Indirect Cost	**21,169,191**
	TOTAL BARE COST	**215,751,142**
	Accuracy Provision	24,151,027
	TOTAL Initial Capital	**239,902,169**

5.18 Operating Cost Summary

The operating cost estimate is that developed during the Pre-Feasibility Study and is considered to have an accuracy of ± 25% (presented in second quarter 2008 Australian dollars). Operating costs have been developed using the plant parameters specified in the process design criteria.

Mining and project administration costs are excluded from the process operating cost estimate and are shown separately in the report in Sections 4 and 20 respectively.

The following costs are not presented in the process operating cost estimate, but are listed in the project General and Administrative cost:

- Administration personnel and camp operating costs
- Concentrate transport from site
- Plant vehicles, bus and emergency maintenance costs.

The overall process operating costs have been calculated as A$25.1 M/a, equivalent to A$12.57/t of ore treated and are summarised in the table below. The economies of scale moving from the 2Mtpa operation to a 3Mtpa operation currently being considered in the DFS will provide a significant reduction in the operating costs, initial estimates indicate that the costs will be less than A$10/t of ore.

Summary of Process OPEX Cost		
Description	**A$/t**	**% of Total**
Labour	3.30	26%
Water	0.29	2%
Power	4.50	36%
Reagents and Consumables	2.67	21%
Maintenance Materials	1.27	10%
Concentrator Administration	0.28	2%
Miscellaneous	0.26	3%
Total	**12.57**	

5.19 Financial Modeling of the Cloncurry Copper Project

A detailed financial analysis of the project was carried out through the Pre-Feasibility Study that demonstrated a robust economic case for the project at 2Mtpa. Provisional re-runs of the economics for the 3Mtpa DFS case demonstrate improved project financials as indicated below.

	PFS	**DFS***
Throughput	2Mtpa	3Mtpa
Initial Project Life	11.5 years	8-10 years
Cu Recovery	93%	93%
Au Recovery	80%	80%
Estimated Capital Cost (±25%)	~A$209M	~A$250M
Operating Cost (including TC/RC & royalty)	US$1.80/lb	US$1.73/lb
Gold Credit	(US$0.34/lb)	(US$0.34/lb)
Total Cash Cost	US$1.46/lb	(US$1.39/lb)
Base Case NPV	**A$126.7M**	**A$256M**
IRR (Cu & Au only)	28.6%	37%
Potential By-product NPV (Co & Magnetite)	A$50-70M	A$50-80
Average Cu Price Assumed	US$2.68	US$2.50
A$ Exchange	US$0.9	US$0.7
Payback Period	2-3 years	2-3 years

* Indicative model

The project economics are expected to remain most sensitive to:

- Copper Price and Copper recovery
- Operating Costs
- Capital costs

6.0 EXPLORATION UPSIDE POTENTIAL

In addition to the established project portfolio, Exco has a well defined exploration portfolio that is divided into:

- **Short and Medium Term Targets** - these are targets that have been identified within the current Cloncurry Copper Project area that will serve to increase the current resource base of the existing project. These targets typically fall within 50km of the E1 project area and have had some level of drilling.
- **Medium and Long Term "green-fields" Targets** – these targets have been identified in project areas outside the CCP and are the next phase of potential project development prospects.
- **Joint Venture Targets** – within the Exco landholding there are significant number of tenements that are managed and funded by joint venture partners such as Ivanhoe, BHP Billiton and Xstrata.

The exploration strategy is to continue to provide upside to the existing projects at Cloncurry while maintaining a project "pipeline" for future development. While considerable focus has been placed on the Cloncurry project area, Exco has continued to advance the exploration activities in this highly prospective area. The joint venture exploration activities are within the southern project areas and are generally deemed to have longer term project potential.

6.1 Short and Medium Term Targets

6.1.1 Fisher Creek

The Fisher Creek Prospect is located approximately 7kms from the Monakoff Deposit and occurs adjacent to a large and intense magnetic anomaly at the southern end of the Mt Margaret Fault Zone. Drilling by previous EPM holders has located significant mineralization in black shales, with a best zone of **28m @ 3.7% Cu and 3.1 g/t Au**. The adjacent large intense magnetic anomaly remains to be effectively drill tested and is covered by approximately 30m of overburden.

6.1.2 Fisher Creek West Prospect

The Fisher Creek West prospect occurs on the southern limb of the Pumpkin Gully syncline and is a poorly exposed magnetite ironstone with a coincident IP geophysical anomaly. Initial drilling of the IP anomaly has intersected **20m @ 0.84% Cu & 0.23 g/t Au**.

6.1.3 Pumpkin Gully Prospect

Outcropping ironstone with oxide copper has been mapped approximately 8 kilometres along strike to the southwest of the Monakoff Deposit, in an area known as Pumpkin Gully. Initial drilling has confirmed sulphide mineralisation below surface. The prospect occurs near the axis of the Pumpkin Gully Syncline and has several folded and mineralised ironstone units. Sulphide mineralisation of 0.5-1.0% Cu has been intersected in RC drilling.

6.1.4 Salebury Prospect

The Salebury Prospect is also located adjacent to the southern limb of the Pumpkin Gully Syncline near the contact of volcanics and black shale. Initial drill results have been encouraging and include **70m @ 0.74% Cu & 0.42 g/t Au** as well as **30m @ 1.93% Cu & 1.25 g/t Au**. Mineralisation has been intersected in drilling over approximately 600m strike extent.

6.1.5 Crow's Nest Prospect

The Crow's Nest Prospect is located approximately 7kms south of monakoff and consists of a series of small copper oxide pits scattered over a strike length of approximately 600m. Induced polarisation surveys have located subsurface anomalies that require drill testing. Shallow bedrock geochemistry reveals widespread copper and gold anomalism.

6.1.6 Hot Rocks Prospect

The Hot Rocks Prospect is an outcropping magnetite ironstone trend similar to Monakoff with minor visible copper oxides at surface. Initial drilling over a 200m strike length of the ironstone trend has intersected chalcopyrite mineralisation averaging approximately 0.6% Cu over approximately 6m average thickness.

6.1.7 Taipan

The Taipan (**1.46Mt @ 0.80% Cu & 0.1g/t Au**) Cu-Au Deposit is located on the western margin of the Great Australia Mining Lease (ML90065) approximately 2km south of Cloncurry. The deposit consists of stockwork veins of dominantly chalcopyrite hosted within gabbro/dolerite units of the Toole Creek Volcanics.

6.2 Medium and Long Term Targets

6.2.1 Canteen

The Canteen Prospect, located 50km SE of Cloncurry occurs at or near the contact of the Soldiers Cap Group metasediments and the Toole Creek Formation volcanics, a setting which is considered to be highly prospective by Exco. The prospect is a north striking linear zone defined by a largely coincident magnetic anomaly and uranium radiometric anomaly trending over at least 2km.

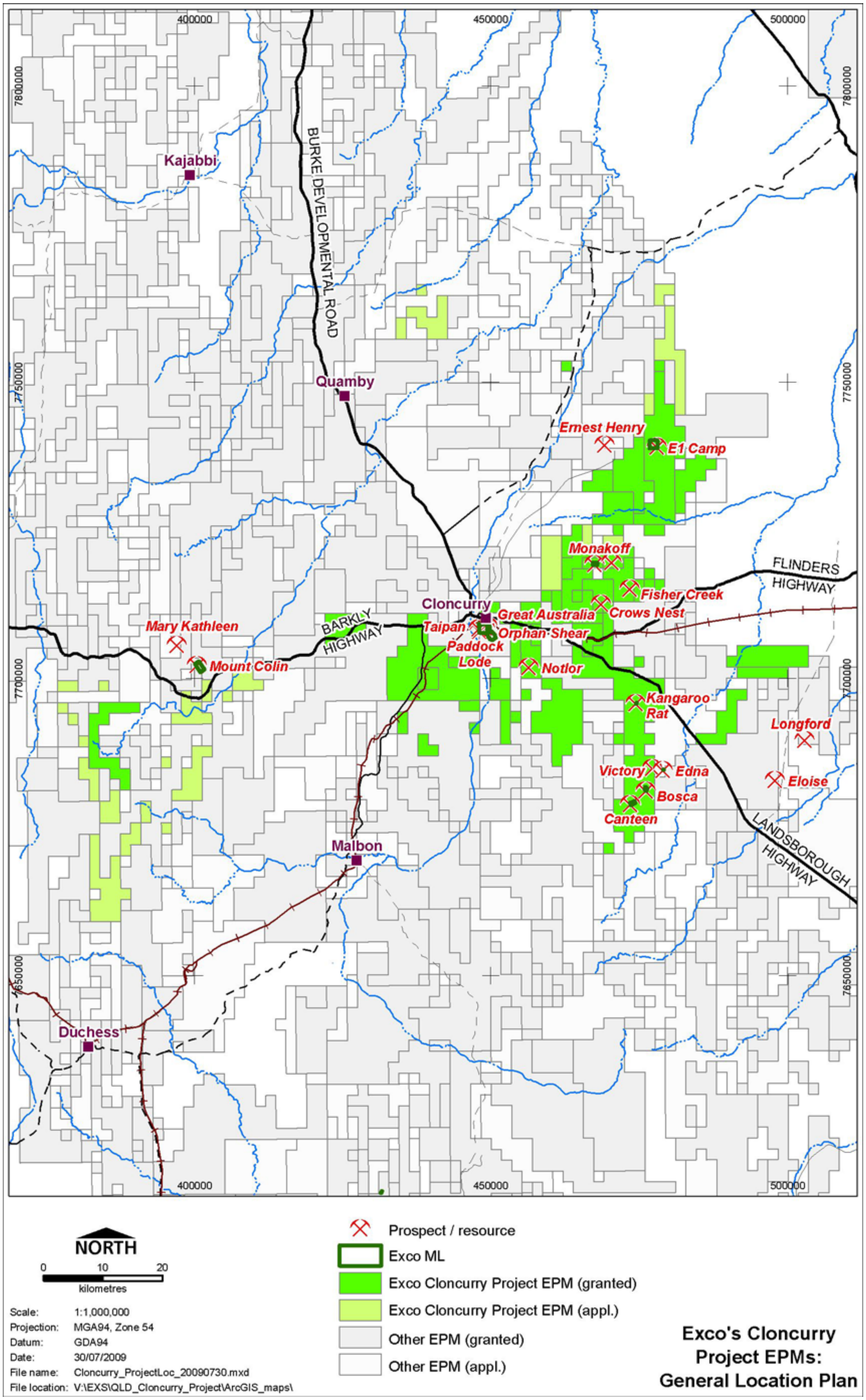
Initial reconnaissance on rock chip samples identified highly anomalous uranium (up to 0.29% U_3O_8) and copper values (up to approx. 0.70 % Cu). Subsequent wide spaced RC drilling confirmed anomalous copper and Uranium below the surface.

This drilling returned a number of highly encouraging intersections including:

- **34m @ 289ppm U_3O_8** from 10-44m in **ECRC108,** including **10m @ 429ppm U_3O_8** from 28-38m,
- **30m @ 308ppm U_3O_8** from 20-50m in **ECRC150,** including **10m @ 424ppm U_3O_8** from 30-40m, and
- **20m @ 259ppm U_3O_8** from 46-66m in **ECRC155,** including **2m @ 707ppm U_3O_8** from 52-54m

Diamond drilling below these zones and elsewhere has intersected very wide zones (>100m) of low grade mineralisation with numerous higher grade intervals within the broad low grade zone. The system is sulphide rich containing pyrite chalcopyrite and pyrhhotite.

Exco's EPMs: General Location Map



6.2.2 Hazel Creek Project

The Hazel Creek Project comprises 12 granted EPMs (Exploration Permit for Minerals), 5 EPM applications and one ML (Mining Lease) application. The project area includes the Turpentine Deposit **(1.8Mt @ 1.03% Cu & 0.2 g/t Au)** discovered by Exco and a number of prospects where ore grade mineralisation has been intersected. The more advanced prospects include:

- Eight Mile Creek best intersection to date of **30m @ 0.90% Cu.**
- Eight Mile Creek North best intersection to date of **44m @ 0.90% Cu & 0.1 g/t Au.**
- Eight Mile Creek East best intersection to date of **16m @ 0.86% Cu & 0.2 g/t Au.**
- Brumby best intersection to date of **20m @ 0.78% Cu.**
- Quail Creek high grade boulders of oxide copper at surface anomalous copper in drilling to date.
- Turpentine South best intersection to date of **12m @ 0.79 % Cu & 0.42 g/t Au.**

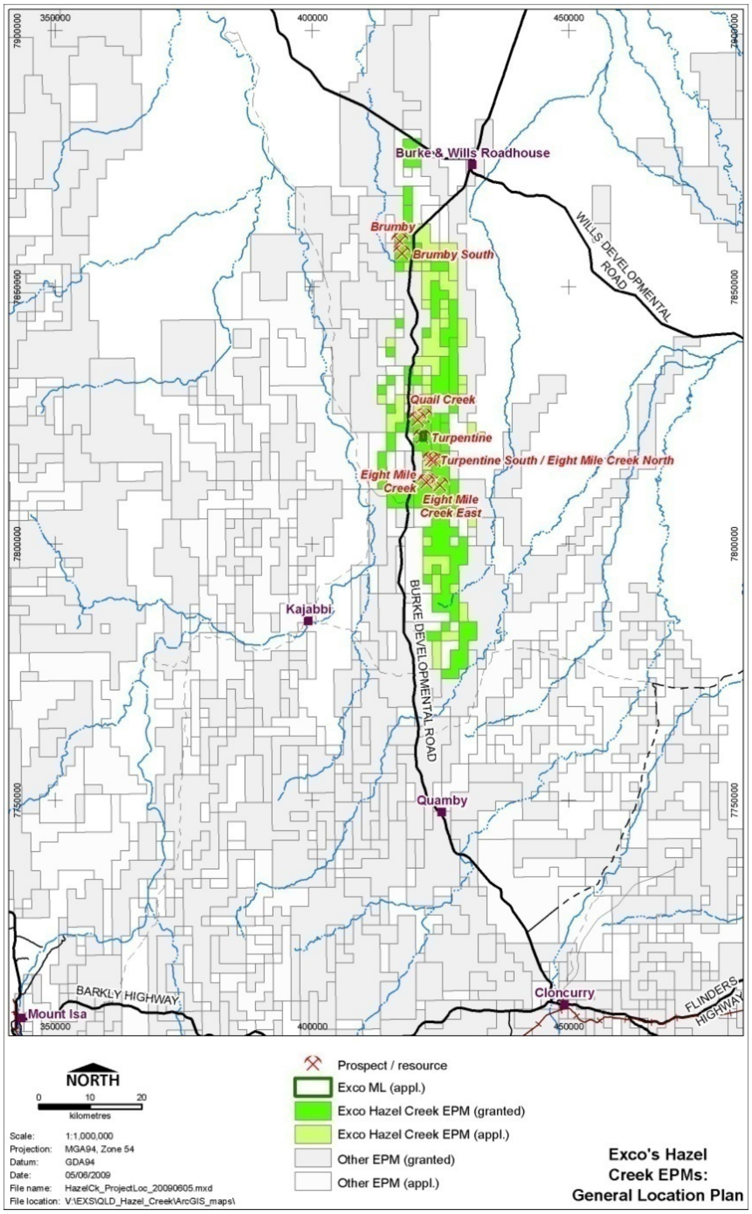
Numerous other targets and anomalies occur throughout this relatively under explored package. The project area is located approximately 60km north northwest of Cloncurry at its southern boundary, and extends for a further 120km northwards with varying widths for a total 528 km2 of granted EPMs and 109 km2 of EPM applications. The area is accessed by the Burke Developmental Road (bitumen), which is adjacent to the EPMs throughout the project area and is no more than 16km away from any extremity of the EPMs. Numerous station tracks provide additional access.

The tenements overlie the 'Boomarra Horst', which is an 'upthrown' block of the Mt Isa eastern succession Proterozoic rocks, bounded by major terrain scale faults. The project area has been covered by several detailed geophysical surveys.

The Hazel Creek Project encompasses thin to moderately covered Proterozoic rocks of the Mt Isa Eastern Succession. These rocks host some of the world's classic deposit types elsewhere in the region. These include the Ernest Henry Cu-Au deposit and the Cannington Ag-Pb-Zn deposit. Other examples of 'recently' developed Cu deposits such as Eloise and Osborne offer examples of the wide spectrum of deposits possible in this terrain. Nearby is the Dugald River deposit which although undeveloped represents a different style of mineralisation.

In addition to these is the Roseby Project deposits, which total in excess of 100 million tonnes of mixed oxide and sulphide material. Exco's Turpentine discovery in the central part of the project area confirms prospectivity for Eloise style deposits which host zones of high grades (>3% Cu).

Exco's Hazel Creek EPMs: General Location Map



7.0 WHITE DAM GOLD PROJECT, SOUTH AUSTRALIA

The White Dam Gold Project is located in South Australia, approximately 80kms west of Broken Hill. The project has a resource base of 10.12Mt grading 1.04g/t of gold (338, 000oz of contained gold). Approvals are in place for the development of a project encompassing an open pit mine, dump/heap leach, gold extraction plant and associated infrastructure.

The project is subject to a 75:25 joint venture arrangement with Polymetals Group Pty Ltd (Polymetals) who will manage the implementation and operation of the project.

Exco and Polymetals are currently finalising arrangements in relation to the financing of the project.

Infrastructure requirements for the operation include a bore-field located adjacent to the operation, a camp and generators for power. Mining will be carried out on a contract basis and staff will be housed in the town of Broken Hill as far as possible.

Ore will be mined from a shallow (50m deep) pit using conventional blast, excavate haul technology. Ore will be placed on a heap adjacent to the pit. The pit has a low strip ratio of 1.08. The leach dump will be constructed in a staged sequence and 5Mt of material will be leached over a two and a half year period. Testwork has demonstrated that the leach kinetics is favourable and extractions in excess of 70% are expected. Approximately 120,000 oz of gold will be extracted in the wet recovery plant using activated carbon technology. The second hand plant acquired for gold recovery has been refurbished and will be relocated to the mine site once project finance has been secured.

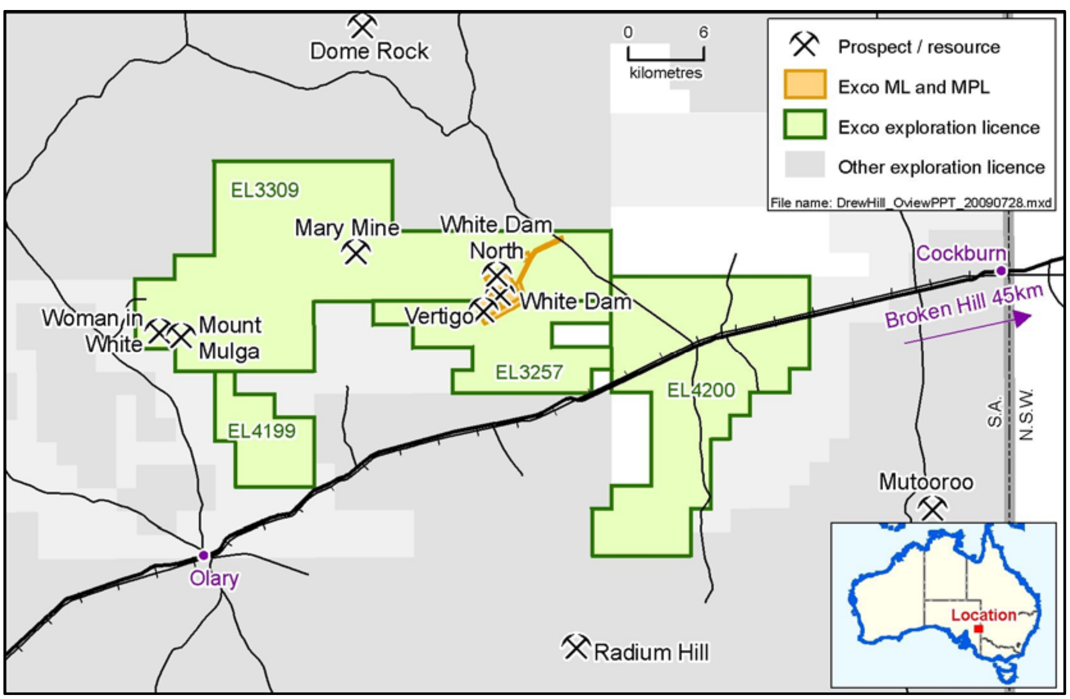
Development of the project will require ~A$19M of capital (including working capital) and is expected to take approximately six months. At current gold prices of ~A$1200 per oz the project is expected to have an operating margin of ~A$600 per oz and will generate ~A$41M in free cash-flow for Exco.

Upside resource potential exists at the Vertigo deposit and other local prospects in the area. These targets will be investigated after production commences.

White Dam Project OK Resource Estimate (0.4g/t cut-off grade)										
Deposit	Material	Indicated			Inferred			Total		
		ktonnes	g/t Au	koz Au	ktonnes	g/t Au	koz Au	ktonnes	g/t Au	koz Au
White Dam	Oxide	4,780	1.05	161	830	1.13	30	5,610	1.06	191
	Fresh	830	1.04	28	1,150	0.87	33	1,980	0.95	60
	SUB TOTAL	**5,610**	**1.05**	**189**	**1,980**	**0.98**	**63**	**7,590**	**1.03**	**251**
Vertigo	Oxide	-	-	-	1,200	1.00	38	1,200	1.00	38
	Fresh	-	-	-	1,330	1.14	49	1,330	1.14	49
	SUB TOTAL	-	-	-	**2,530**	**1.07**	**87**	**2,530**	**1.07**	**87**
PROJECT TOTAL		**5,610**	**1.05**	**189**	**4,510**	**1.03**	**150**	**10,120**	**1.04**	**338**

Note: White Dam resource was re-estimated in early 2009, Vertigo was estimated in 2007.
Individual columns of data may not add up due to rounding errors

White Dam Gold Project Location Map



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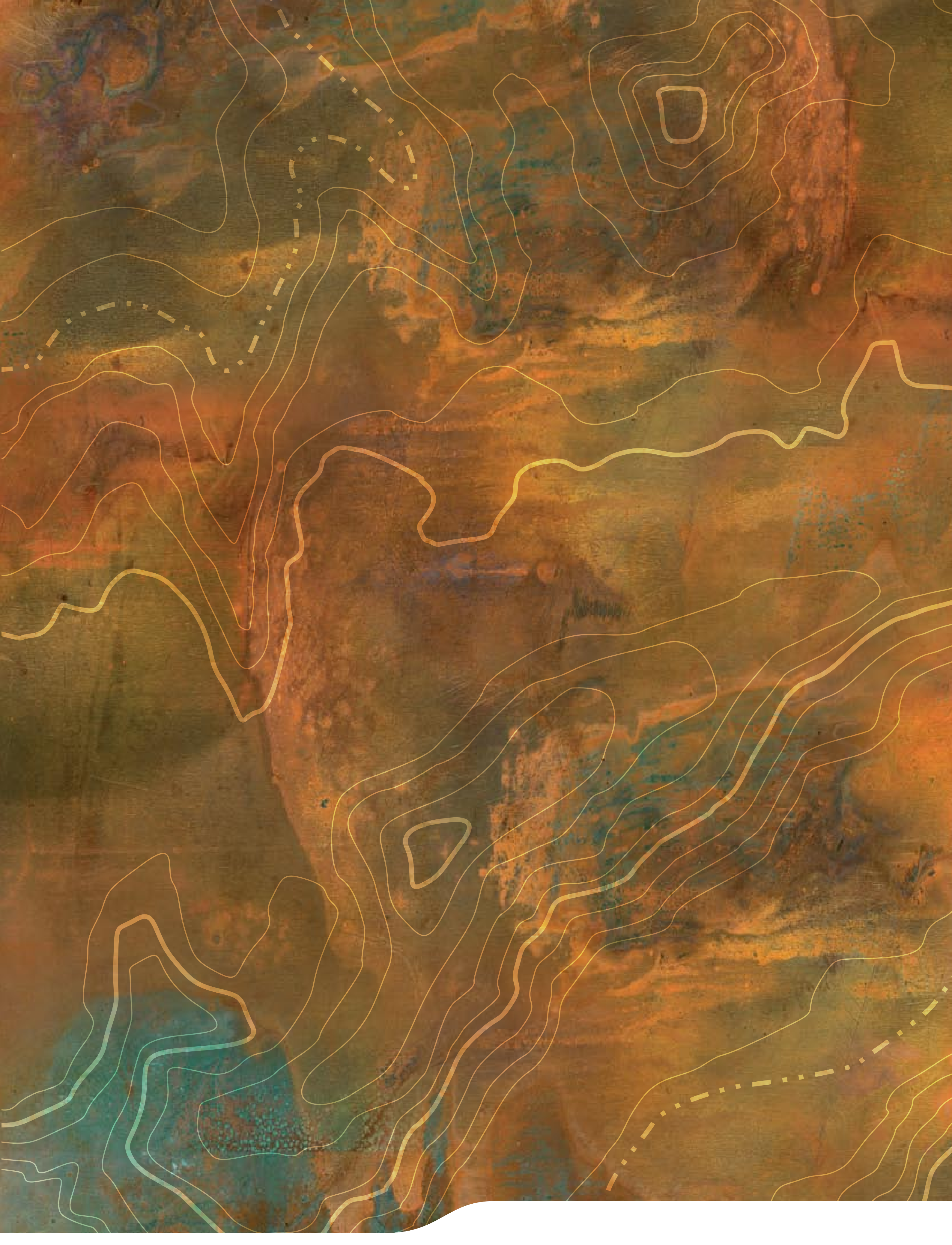

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