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Exco Resources (ASX code: EXS) has recently received Mining and Rehabilitation Program Approval (MARPA) for the joint venture development of its White Dam Gold Project in South Australia. Are you still confident of achieving first gold production by late 2009/early 2010? How will you manage costs as the project transitions from commissioning into full production and positive cash flow?

**MD Michael Anderson**

Firstly, in terms of the timeline to initial gold production, the objective of reaching that milestone by the turn of the year is still intact. It's the funding now that's on the critical path. We're in the process of reviewing indicative offers for project finance, at the same time as facilitating a due diligence process on behalf of the potential lenders. We expect to complete that process over the next few weeks before selecting a preferred partner, with the goal of having a credit-approved funding package in place around the end of the current quarter. If we achieve that, and I believe we can, then we will remain on track for first production by the turn of this calendar year.

The project has a modest and well-defined capital cost, a significant part of which is a pre-production working capital component given the planned dump leach-style of operation. Our plant capital costs are well controlled as we have already purchased the entire process facility which is in storage in Kalgoorlie, so further costs are primarily relocation and installation. This represents a very significant cost saving on materials and fabrication costs as well as taking out many of the risks on the delivery schedule.

Prior to production the project cash flows will be most sensitive to mining costs. We are therefore looking to work closely with potential mining contractors to manage and control these costs particularly over the initial six month period until the project achieves positive cash flow.

We will soon be short-listing a number of preferred parties, with their ability to work with us in this regard likely to be a major differentiator. I would also say that we have taken a deliberately conservative approach to our financial modelling and cost estimation, and have a built-in contingency which will provide an additional ability to manage the cost risk, in what we acknowledge will be a critical period for the project.

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Exco maintains a majority ownership in the White Dam Gold Project JV (75%) with private company Polymetals Group Pty Ltd holding the balance. Who are Polymetals and what benefits do they bring to the management of the project? When do you expect to complete the Joint Venture Agreement (JVA) documentation? What will be the extent of Exco's ongoing involvement in the project?

**MD Michael Anderson**

Polymetals Group are a private company that have successfully, and very cost effectively, operated a number of mining projects in recent years, including the Nimbus Silver Project in WA, Mt Boppy Gold Mine in NSW and the Hellyer Tailings Project in Tasmania. Anybody who knows the history of White Dam will also remember that they were the original owners that Exco joint-ventured with before buying them out, so it's come full circle. That history gives them a very detailed insight and knowledge of the project which, when combined with their expertise in geology, metallurgy, and overall project management, makes them an ideal partner for us at White Dam.

As for the JVA, we expect to conclude the arrangements very soon, but that has not been holding us up in any way. We continue to work together on the implementation planning for the project, with the view to hitting the ground running once finance is in place.

Exco will have a very keen interest in the project via the JV operating committee, but the intention is that Polymetals will manage the project on a day to day basis; that's their strength. The Polymetals business structure means that all the senior management of the project are part of a small, competent team with a strong incentive to make the project work. Polymetals lives by the cash flows generated from its projects, rather than the vagaries of the share market, so they are very focused on making the project profitable, which is what we all want.

Importantly for Exco, this arrangement allows us to focus on our larger projects in Cloncurry.

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Beyond the current resource envelope at White Dam, are there opportunities for further exploration to extend the mine life?

**MD Michael Anderson**

The current White Dam pit model contains about 170,000 ounces, of which we expect to recover 120,000 ounces over 30 months of operation. Within the context of what is a relatively short project there's a tremendous opportunity to extend the life of the operations through expansion of the current resource base.

Once we get back into the field we will be carrying out a focused drilling program to upgrade a few areas of the resource into further reserves, and we are optimistic that potential exists to add at least another 40 to 50,000 ounces, or one year of production onto the end of current mine life; that will certainly be very lucrative for us.

Importantly, the additional potential all sits within easy reach of White Dam itself. The existing Vertigo resource is only a kilometre to the west; with White Dam North literally just a few hundred metres away. In addition there are numerous other economic intersections to be followed up along a couple of kilometres of structure to the north. We also believe there is upside within and around the current pit model, which we will investigate once we're onsite and in full swing.

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Recent drilling has seen total resources for the Cloncurry Copper Project (CCP) in Queensland increase to 51.0 Mt @ 0.84% Cu & 0.23 g/t Au. What are the next milestones toward developing the project? What development options have you considered?

**MD Michael Anderson**

Defining more than 500,000 tonnes of copper in resources at Cloncurry has certainly been an important milestone. It shows we clearly have a major project in hand. We are now focused on how best to develop those deposits.

As part of our ongoing Definitive Feasibility Study (DFS) the recent drilling programs have been focused on increasing the size of the resource base and on maximising the conversion of Inferred resources to the Indicated category. I am pleased to say that we have been very successful on both fronts. The overall resource base has more than doubled in the last couple of years and we now have more than 50% of the project's copper contained within Indicated resources. This should see us readily achieve our immediate goal of delivering 25 to 30 million tonnes into mineable reserves as the basis for a minimum 10-year mine life, producing approximately 25,000 tonnes of copper per annum.

In terms of what's next, the most significant upcoming milestone for the project will be the submission of the Environmental Impact Statement (EIS) this quarter. Other DFS activities including metallurgical testwork and ongoing infrastructure studies are ongoing but the EIS, together with the subsequent approvals process, currently define the critical path for project development.

Our development options of course include both a stand-alone scenario which would see us building a 3 million tonne per annum concentrator at the E1 Camp or, as an alternative to that, a potential ore supply arrangement with Xstrata's neighbouring Ernest Henry Mine. All of our feasibility work to date has been designed to keep these two options alive ahead of any development decision, and importantly the EIS will address both.

Ultimately the basis for our development decision, and our approach to any negotiations with Xstrata, will come down to the value proposition for Exco.

We have developed a comprehensive financial model for the project, which will allow us to make an objective assessment of the project's economics under all circumstances. The recent problems with pit walls at Ernest Henry, and the very short life remaining for the open pit reserve, do obviously make our situation very interesting.

Whatever we do I'm confident that the project can deliver substantial value for the Company and its shareholders.

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Can you comment on the level of resource confidence that you think will be necessary at Cloncurry for you to secure an ore supply agreement? Would such a deal with Xstrata complicate your relationship with Exco's major shareholder, Ivanhoe Australia?

**MD Michael Anderson**

I think each deposit and each deal is somewhat unique. That said, our motivation to improve confidence at the E1 Camp has been driven by the belief that in doing so we reduce the perceived resource risk, whilst increasing the value of the ores. We certainly believe that improving the resource confidence has increased the value of such a deal.

The overall tonnage is also very important. Over the last three years the resource base at the E1 Camp, just 8 kilometres to the east of Ernest Henry, has grown from 18 to 45 million tonnes, and we are not done yet. In our view that makes Exco's the most significant, if not the only, established copper resource in the district that can logically supply the Ernest Henry mill.

Our goal in any deal is to achieve maximum value for Exco and its shareholders, including Ivanhoe. I have no doubt that their Board and management understand the potential value proposition as well as anyone. To date they have been extremely supportive of our objectives and I am confident that they will remain so.

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A number of Australian junior resource companies have succumbed to difficulties arising from the Global Financial Crisis (GFC). Is it a question of survival? How do you maintain shareholder value in the event of a protracted downturn? Where do you see the opportunities for companies like Exco in this environment?

**MD Michael Anderson**

There is no doubt that the GFC has required the majority of resource companies, not just juniors, to review their strategy. It's not only a question of survival, but given the events of the last few months, that clearly has to be a consideration. At the end of the day, any company is only as good as its assets; that includes not just your projects, but also your people and, last but not least, your cash and your ability to generate cash flow.

When it comes to our projects, having the dual focus of White Dam and Cloncurry certainly puts us in a strong position, particularly as both are at an advanced stage of development.

The mix of gold and copper also affords us some flexibility and offers some protection from the vagaries of individual metal price movements. People-wise, we have a strong, committed team who has the experience and expertise necessary to manage the Company through all stages of the inevitable market cycles.

Our cash levels are adequate at present. Our investment in spending aggressively over the past 12 to 18 months on the drilling programs at Cloncurry has paid off but having achieved our immediate objectives we are currently taking a pragmatic and prudential approach to managing our overall cash position, whilst continuing to move the projects towards development.

That's where the opportunity for Exco and its shareholders ultimately lies. In the near future, despite the downturn, we could be generating cash flow from both White Dam and Cloncurry. Evolving from explorer to producer should provide a tremendous platform to further grow the Company, and we are as focused as ever on achieving that transition.

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Thank you Michael.

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

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