



19 September 2012

EXCO BOARD RECOMMENDS REVISED

WHSP TAKEOVER OFFER

Highlights

- **WHSP to increase offer from 19 cents per share to 26.5 cents per share provided WHSP receives acceptances which, together with its existing Exco shareholding, give WHSP an interest in 90% of Exco's ordinary shares.**
- **WHSP to establish an Acceptance Facility to enable Exco shareholders to support WHSP's higher offer.**
- **Exco directors unanimously recommend WHSP's revised offer to Exco shareholders, in the absence of a superior proposal, and will accept into the Acceptance Facility in relation to shares they control.**
- **Further details of the revised offer and the Acceptance Facility will be included in a replacement bidder's statement and a target's statement to be sent to Exco shareholders in the next two weeks.**
- **Exco shareholders advised to await receipt of takeover documents before taking any action in respect of their Exco shares.**

On 23 August 2012, Washington H. Soul Pattinson & Company Limited (ASX:SOL) ("**WHSP**") announced its intention to make an unsolicited takeover offer ("**Offer**") for all of the shares in Exco Resources Ltd (ASX:EXS) ("**Exco**") at a price of 19 cents ("**Initial Offer**").

On 28 August 2012, Exco announced that the independent directors of Exco had concluded that the Initial Offer was unfair and inadequate. Since then, Exco has been in discussions with WHSP to determine if WHSP was willing to increase its Offer to a price which the board of Exco could recommend.

Revised Offer

Exco and WHSP are pleased to announce that they have reached agreement on a recommended conditional increase to the Initial Offer from 19 cents per Exco share to 26.5 cents per Exco share (the "**Revised Offer**").

To give effect to the Revised Offer, Exco and WHSP have entered into a binding Bid Implementation Agreement ("**BIA**"), a copy of which is appended to this announcement. Under the Revised Offer, the price paid to Exco shareholders will be increased from 19 cents to 26.5 cents cash per fully paid Exco share if WHSP obtains:

- valid acceptances of the Offer; and/or
- acceptance instructions into an acceptance facility (the "**Acceptance Facility**");

which in aggregate (together with any other Exco shares in which WHSP has a relevant interest) represent at least 90% of the issued Exco shares ("**90% Acceptances**").

WHSP has also today confirmed that the Offer is now unconditional in all other respects.

Acceptance Facility

To facilitate Exco shareholders being able to accept the Revised Offer, WHSP will establish the Acceptance Facility under which all Exco shareholders will be able to lodge acceptance instructions which will only be released and processed if WHSP obtains 90% Acceptances.

The key terms of the Acceptance Facility are attached to this announcement. The full terms and conditions of the Acceptance Facility, together with an invitation to participate in the Acceptance Facility, will be sent to Exco shareholders in the next two weeks.

Each director of Exco:

- recommends that Exco shareholders accept WHSP's Revised Offer by accepting into the Acceptance Facility as soon as it opens and do not withdraw those instructions; and
- intends to accept into the Acceptance Facility as soon as it opens, in respect of Exco shares that they own or control, and will not withdraw those instructions,

subject, in each case, to there being no superior proposal in relation to Exco.

Attractive Premium

The Revised Offer of 26.5 cents cash per share is a 39.5% increase to WHSP's Initial Offer of 19 cents per share.

Exco and WHSP believe 26.5 cents represents an attractive price for Exco shareholders, reflecting a significant premium to the recent and historical trading price of Exco's shares prior to the announcement of the Initial Offer, being:

- a 47.2% premium to Exco's closing share price of 18 cents on 22 August 2012, the day before the announcement of the Initial Offer ("**Announcement Date**");
- a 54.3% premium to Exco's volume weighted average price ("**VWAP**") of 17.2 cents for the 5 trading days prior to the Announcement Date; and
- a 64.2% premium to Exco's VWAP of 16.1 cents for the 20 trading days prior to the Announcement Date.

Speaking today, the Managing Director of Exco, Mr Geoff Laing said:

"We are very pleased to have been able to agree a price at which the Exco board can unanimously recommend this revised offer.

We always believed that our assets had a special value to WHSP's subsidiary CopperChem. The Exco board believes that this revised offer delivers a fair share of that value to Exco shareholders.

We look forward to working with WHSP and its advisers to achieve 90% acceptances so that all of our shareholders receive the recommended higher offer price of 26.5 cents."

The chairman of WHSP, Mr Robert Millner said today:

"We believe that the revised offer price of 26.5 cents represents an attractive premium for Exco shareholders. We look forward to Exco shareholders accepting into the Acceptance Facility as soon as possible."

Offer Documentation

WHSP will lodge a replacement bidder's statement, which will include a timetable for the Offer, in the coming week and Exco will lodge a target's statement shortly thereafter. The bidder's statement, together with Exco's target's statement, is expected to be sent to Exco shareholders early in October 2012.

The full terms of the Acceptance Facility, together with an invitation to participate in the Acceptance Facility, will be sent to Exco shareholders at the same time.

Pending receipt and consideration of the above mentioned documentation Exco shareholders are advised to take no action in relation to their Exco shares.

Exco is being advised by Macquarie Capital (Australia) Limited and Ashurst Australia.

WHSP is being advised by Pitt Capital Partners and Norton Rose Australia

For further information please contact:

Exco

Geoff Laing
Managing Director
Exco Resources Limited
+61 8 9211 2000

Michael Ashforth
Executive Director
Macquarie Capital (Australia) Limited
+61 8 9224 0644

Warrick Hazeldine/ Karen Oswald
Cannings Purple
+61 8 6314 6300

WHSP

Robert Millner
Chairman
WHSP
+61 2 9232 7166

Todd Barlow
Managing Director
Pitt Capital Partners
+91 2 9210 7000

WHSP Information Line

1800 600 409 (outside Australia)
+61 2 8256 3378

Key terms of Acceptance Facility

The following is a summary of the key terms of the Acceptance Facility. Exco Shareholders should refer to the full terms as and when they are received.

- (a) Pacific Custodians Pty Limited (ABN 66 009 682 866) will be appointed Facility Agent by WHSP.
- (b) Exco Shareholders may lodge acceptance instructions with the Facility Agent, in the form of:
 - (i) a duly completed Acceptance Form in respect of their Exco Shareholders; and/or
 - (ii) where an Exco Shareholder holds Exco Shares as custodian for another person (the **Beneficial Holder**), a direction from the Beneficial Holder to the Exco Shareholder to accept the Offer (**Custodian Direction**) (alternatively, such Custodian Direction can be lodged with the Facility Agent by the Beneficial Holder instead of the custodian who is the registered holder of the relevant Exco Shares),
(together, **Acceptance Instructions**).
- (c) The Facility Agent will hold Acceptance Instructions as acceptance collection agent only and will not acquire any Relevant Interest in the Exco Shares which are the subject of the Acceptance Instructions.
- (d) Acceptance Instructions lodged with the Facility Agent will demonstrate the intention of the relevant Exco Shareholder to accept the Offer if 90% Acceptances are obtained – however they will not constitute acceptances of the Offer while they are held by the Facility Agent.
- (e) As soon as is practicable after WHSP becomes aware and is satisfied (acting reasonably) that the aggregate of:
 - (i) the number of Exco Shareholders in respect of which WHSP has received valid acceptances of the Offer; and
 - (ii) the number of Exco Shares in respect of which Acceptance Instructions have been received, as advised by the Facility Agent to WHSP, **provided that**:
 - (A) where the Acceptance Instructions are in the form of Acceptance Forms, the Exco Shares to which the Acceptance Forms relate remain held by the Exco Shareholders who provide such Acceptance Instructions;
 - (B) where the Acceptance Instructions are in the form of Custodian Directions, the Exco Shares to which the Custodian Directions relate remain held by the relevant custodians; and
 - (C) WHSP is otherwise satisfied (acting reasonably) that, having regard to the form and content of the Acceptance Instructions, if the Acceptance Instructions were released and delivered as contemplated by paragraph (f) below and the Acceptance Forms processed by the Registry and/or the relevant custodian acted in accordance with the Custodian Directions (as applicable), WHSP would receive valid acceptances of the Offer in respect of the Exco Shares to which the Acceptance Instructions relate,together with any Exco Shares in which WHSP has a relevant interest, equals or exceeds 90% of the number of Exco Shares on issue at that time, WHSP will provide written notice of that occurrence to the Facility Agent (the **Confirmation Notice**).
- (f) By lodging Acceptance Instructions with the Facility Agent and not withdrawing those Acceptance Instructions, Exco Shareholders and (as the case may be) Beneficial Holders will have directed the Facility Agent to deliver those Acceptance Instructions in accordance with paragraph (g) following the Facility Agent's receipt of the Confirmation Notice.
- (g) As soon as is reasonably practicable following receipt of the Confirmation Notice, the Facility Agent will deliver or procure the delivery of (as the case may be):
 - (i) Acceptance Forms to Advanced Share Registry as acceptances of the Offer; and
 - (ii) the Custodian Directions to the relevant custodians.
- (h) Until the Facility Agent receives the Confirmation Notice from WHSP, Exco Shareholders and (as the case may be) Beneficial Holders will retain all rights and full control over Exco Shares which are the subject of their Acceptance Instructions and, in particular, will be able to withdraw their Acceptance Instructions simply by notifying the Facility Agent, provided such notification is received by the Facility Agent prior to its receipt of the Confirmation Notice.
- (i) If the Facility Agent does not receive a Confirmation Notice from WHSP by the end of the Offer Period, the Facility Agent will promptly following the end of the Offer Period, return, or procure the return, of all Acceptance Instructions.

Dated 18 September 2012

Bid Implementation Agreement

Parties

Washington H. Soul Pattinson and Company Limited
ABN 49 000 002 728

Exco Resources Limited
ABN 99 080 339 671

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Schedule 1 - Agreed Announcement

Agreement dated 18 September 2012

Parties **Washington H. Soul Pattinson and Company Limited ABN 49 000 002 728**
Level 1, 160 Pitt Street Mall, Sydney, NSW 2000
(Bidder)

Exco Resources Limited ABN 99 080 339 671
Level 2, 8 Colin Street, West Perth WA 6005
(Target)

Introduction

- A** Bidder is a bidder under an off-market takeover under Chapter 6 of the Corporations Act for all of the Target Shares.
- B** Bidder and Target have agreed to certain matters in relation to the conduct of the Offer as set out in this Agreement.

It is agreed

1 **Definitions and interpretation**

1.1 **Definitions**

In this Agreement:

- (1) **90% Acceptances** means:
- (a) valid acceptances of the Offer; and
 - (b) acceptance instructions into the Acceptance Facility which Bidder is satisfied (acting reasonably) would, if released and processed, result in valid acceptances of the Offer,
- which, together with any other Target Shares in which Bidder has a Relevant Interest, in aggregate represent at least 90% of the Target Shares;
- (2) **Acceptance Facility** means the acceptance facility referred to in clause 2.3;
- (3) **Agreed Announcement** means an announcement in the terms set out in Schedule 1;
- (4) **Agreement** means this document including any schedule or annexure to it;
- (5) **ASIC** means the Australian Securities and Investments Commission;
- (6) **ASX** means ASX Limited or the market operated by it (as the context requires);
- (7) **ASX Listing Rules** means the listing rules of ASX;

- (8) **Bidder's Statement** means the bidder's statement lodged by Bidder with ASIC and given to ASX and Target on 27 August 2012 in respect of the Offer;
- (9) **Business Day** means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Sydney and Perth;
- (10) **Competing Proposal** means any expression of interest, proposal or offer in relation to a takeover bid, scheme, plan of arrangement, amalgamation, joint venture, dual listed company structure, reverse takeover, purchase of assets or undertakings, share issue, capital reduction, buy back or other similar transaction under which:
- (a) a person may acquire a Relevant Interest in more than 10% of one or more of the classes of securities of Target or any securities in a Subsidiary of Target;
 - (b) a person may acquire Voting Power of more than 10% in Target;
 - (c) a person may acquire, directly or indirectly, any interest (including legal, equitable or economic) in all or a material part of the business or assets of Target or a Subsidiary of Target;
 - (d) Target or a Subsidiary of Target may acquire any material business or assets; or
 - (e) a person may otherwise acquire control of Target or a Subsidiary of Target;
- (11) **Condition** means the defeating condition of the Offer set out in section 9.6 of the Bidder's Statement;
- (12) **Confidential Information** includes:
- (a) all information of a confidential or proprietary nature of Target; and
 - (b) the terms of any agreement between Target and Bidder and/or any of its Subsidiaries;
- (13) **Corporations Act** means the *Corporations Act 2001*;
- (14) **Deal** has the meaning given in section 9 of the Corporations Act;
- (15) **Director** means a director of Target;
- (16) **Offer** means the off-market takeover offer by Bidder made pursuant to Chapter 6 of the Corporations Act and set out in the Bidder's Statement (including any variation of that offer in accordance with the Corporations Act);
- (17) **Offer Consideration** means \$0.19 per Target Share;
- (18) **Offer Period** means the period that the Offer is open for acceptance;
- (19) **Original Offer** means the Offer prior to it being varied in accordance with clause 2.1;
- (20) **Relevant Interest** has the meaning given to that term in sections 608 and 609 of the Corporations Act;

- (21) **Replacement Bidder's Statement** means the replacement bidder's statement to be issued by Bidder under Division 4 of Part 6.5 of the Corporations Act in respect of the Offer following the date of this Agreement;
- (22) **Revised Offer Consideration** means \$0.265 per Target Share;
- (23) **Revised Proposal** means the proposal to increase the Offer Consideration under the Offer to the Revised Offer Consideration in accordance with clause 2;
- (24) **Subsidiary** has the meaning given in the Corporations Act;
- (25) **Superior Proposal** means a Competing Proposal that would, if completed substantially in accordance with its terms, be more favourable to Target Shareholders than the Offer, having regard to all aspects of the Competing Proposal and the Offer, including:
 - (a) the consideration offered under the Competing Proposal and the Offer;
 - (b) the status of the Competing Proposal and the Offer; and
 - (c) the likelihood of the conditions of the Competing Proposal and the Offer being satisfied within a reasonable period of time;
- (26) **Target's Statement** means the target's statement and any supplementary target's statement to be issued by Target under Division 4 of Part 6.5 of the Corporations Act to Target Shareholders in respect of the Offer;
- (27) **Target Board** means the board of directors of Target;
- (28) **Target Shares** mean the fully paid ordinary shares in Target;
- (29) **Target Shareholders** means holders of Target Shares; and
- (30) **Voting Power** has the meaning given in section 610 of the Corporations Act.

1.2 Interpretation

- (1) Reference to:
 - (a) one gender includes the others;
 - (b) the singular includes the plural and the plural includes the singular;
 - (c) a person includes a body corporate;
 - (d) a party includes the party's executors, administrators, successors and permitted assigns;
 - (e) a statute, regulation or provision of a statute or regulation (**Statutory Provision**) includes:
 - (i) that Statutory Provision as amended or re-enacted;
 - (ii) a statute, regulation or provision enacted in replacement of that Statutory Provision; and
 - (iii) another regulation or other statutory instrument made or issued under that Statutory Provision; and

- (f) money is to Australian dollars, unless otherwise stated.
- (2) **Including** and similar expressions are not words of limitation.
- (3) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (4) Headings and any table of contents or index are for convenience only and do not form part of this Agreement or affect its interpretation.
- (5) A provision of this Agreement must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.
- (6) If an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.
- (7) Words and phrases which are defined by the Corporations Act have the same meaning in this document. If a special meaning is given for the purposes of Chapter 6 or 6A or a provision of Chapter 6 or 6A of the Corporations Act the word or phrase has that meaning.

2 Revised Proposal

2.1 Making the Revised Proposal

- (1) Promptly after the exchange of this Agreement, Bidder must announce, in the form of the Agreed Announcement, that Bidder:
 - (a) will vary the Offer by increasing the Offer Consideration to the Revised Offer Consideration if it obtains 90% Acceptances; and
 - (b) has waived the Condition.
- (2) Promptly upon 90% Acceptances being obtained, Bidder must vary the terms of the Offer by increasing the Offer Consideration to the Revised Offer Consideration.

2.2 Directors' recommendation and acceptance

- (1) Target represents and warrants that the Target Board has met and considered the terms of the Revised Proposal and all of the Directors have informed Target that they will:
 - (a) unanimously recommend that Shareholders provide acceptance instructions into the Acceptance Facility in respect of any Target Shares that they own or control and not withdraw those acceptance instructions; and
 - (b) as soon as practicable, provide acceptance instructions, or procure that acceptance instructions are provided, into the Acceptance Facility, in respect of any Target Shares that they own or control and will not withdraw those acceptance instructions,

subject in each case only to there being no Superior Proposal.

- (2) Target must use its best endeavours to procure that all of the Directors publicly state in all public announcements in relation to the Revised Proposal, including in the Agreed Announcement and Target's Statement, that:
 - (a) they unanimously recommend that Target Shareholders provide acceptance instructions into the Acceptance Facility and not withdraw those acceptance instructions; and
 - (b) they will as soon as practicable, provide acceptance instructions, or procure that acceptance instructions are provided, into the Acceptance Facility, in respect of any Target Shares that they own or control and will not withdraw those acceptance instructions,

subject in each case only to there being no Superior Proposal.

- (3) Subject to there being no Superior Proposal, Target must use its best endeavours to procure that no Director makes any public statement or takes any other action that qualifies their support of the Revised Proposal or contradicts, changes, withdraws or modifies, the recommendation and statement of intention referred to in clauses 2.2(1) or 2.2(2).
- (4) Notwithstanding any other provision of this Agreement, nothing in this Agreement:
 - (a) requires the Directors to recommend or otherwise encourage, or Target to procure that the Directors recommends or otherwise encourage, acceptances of the Original Offer; or
 - (b) prevents or restricts in any way the ability of the Directors to recommend that Shareholders do not accept the Original Offer.

2.3 Acceptance Facility

- (1) Bidder agrees that as soon as reasonably practicable after the exchange of this Agreement, it will procure that an **Acceptance Facility** is established for the purposes of enabling all Target Shareholders to provide acceptance instructions to a facility agent which instructions will be released and result in effective acceptances of the Offer if Bidder has confirmed to the facility agent that it has obtained 90% Acceptances and that it will, in accordance with the statement referred to in clause 2.1(1), increase the Offer Consideration to the Revised Offer Consideration.
- (2) The terms of the Acceptance Facility must be consistent in all material respects with the terms described in the Agreed Announcement.

3 Announcement and confidentiality

3.1 Announcement of Revised Proposal

Promptly after exchange of this Agreement, the Bidder and Target must each make a joint public announcement concerning the execution of this Agreement and the Revised Proposal in the form of the Agreed Announcement.

3.2 Public announcements

Subject to clause 3.3, each party (**Announcing Party**) must consult with the other party (**Non-Announcing Party**) in relation to any public announcement relating to the Offer to be made between the date of this Agreement and the end of the Offer Period and, subject to

the Non-Announcing Party acting reasonably, take the Non-Announcing Party's comments into consideration in making any public announcement in relation to the Offer.

3.3 Required disclosure

The Announcing Party will seek to give as much notice as practicable to the Non-Announcing Party and consult to the fullest extent practicable in the circumstances with the Non-Announcing Party in relation to any public announcement relating to the Offer to be made between the date of this Agreement and the end of the Offer Period, except to the extent that prior notice or prior consultation is not permitted or practicable in the circumstances because of the effect of a legal obligation (including any obligation under the ASX Listing Rules).

4 Facilitation of Revised Proposal

4.1 Replacement Bidder's Statement and Target's Statement

- (1) Bidder must lodge the Replacement Bidder's Statement with Target and ASIC in accordance with the Corporations Act as modified by ASIC Class Order [CO 00/344] (as it applies to Bidder).
- (2) Bidder will, to the extent practicable, give Target a reasonable opportunity to review a draft of the Replacement Bidder's Statement before the Bidder lodges the Replacement Bidder's Statement with ASIC, and will consult in good faith with Target with respect to any comments Target may have.
- (3) Target will, to the extent practicable, give Bidder reasonable opportunity to review one or more drafts of the Target's Statement before the Target lodges the Target's Statement with ASIC, and will consult in good faith with the Bidder with respect to any comments the Bidder may have.

4.2 Early dispatch of offers

Target agrees that, and confirms that a resolution of the Directors has been passed to approve that, subject to Bidder complying with its obligations under clause 4.1(1), the Offer and accompanying documents to be sent by Bidder to Target Shareholders in respect of the Offer under Part 6.5 of the Corporations Act as modified by ASIC Class Order [CO 00/344] (as it applies to Bidder) may be sent on a date nominated by Bidder that is earlier than the earliest date specified for sending the documents under ASIC Class Order [CO 00/344] (as it applies to Bidder).

5 Target's obligations

5.1 Promote the Revised Proposal

During the Offer Period, Target must:

- (1) procure that the chairman of the Target Board, the managing director of Target and such other senior executives of Target as reasonably required by Bidder, promote the merits of the Revised Proposal, including (at the Bidder's request):
 - (a) assisting with organising and facilitating meetings between Bidder and key Target Shareholders;
 - (b) assisting with organising and facilitating meetings between Bidder and key employees of Target;

- (c) communicating with Target's shareholders, employees and any other persons regarding the Offer; and
 - (d) providing any other assistance that is ancillary or related to the matters set out in clauses 5.1(1)(a) to 5.1(1)(c),
subject only to there not being a Superior Proposal; and
- (2) direct its share registry to co-operate with Bidder in implementing and promoting the Offer in the absence of a Superior Proposal.

5.2 Share register

During Offer Period, Target must:

- (1) provide Bidder with:
 - (a) a copy of the register of members of Target in electronic form each week commencing on the date 7 days after the date of this Agreement;
 - (b) a copy of the register of members of Target in electronic form (audit file) within 2 days of Target obtaining a copy from its share registry each time a copy is obtained; and
 - (c) a copy of the register kept by Target under section 672DA of the Corporations Act on the date of this Agreement and subsequently each week during which the information in the register is amended in electronic form (audit file); and

direct members of Target under section 672A of the Corporations Act to make the disclosure required under section 672B of the Corporations Act within two Business Days after a written request from Bidder to do so.

5.3 Disclosure

Target releases Bidder from any obligation of confidentiality to the extent (and only to the extent) that the Bidder is required by law to disclose Confidential Information in respect of Target, including as a result of it making the Offer, for the sole purpose of complying with:

- (1) Division 3 of Part 7.10 of the Corporations Act in order to Deal in Target's securities in accordance with the Offer; and
- (2) Divisions 2 and 4 of Part 6.5 of the Corporations Act in relation to the Offer.

6 Appointment of directors

Target must as soon as practicable after Bidder acquires a Relevant Interest in 50.1% of the Target Shares (which, for the avoidance of doubt, excludes any Target Shares in respect of which acceptance instructions have been provided into the Acceptance Facility but not yet released from that Acceptance Facility and duly processed as valid acceptances of the Offer) procure the resignation and appointment of such directors of Target as are nominated by Bidder in writing.

7 Warranties

7.1 General warranties

Each party represents and warrants to the other of them that at the date of this Agreement:

- (1) it is duly incorporated under the laws of the place of its incorporation;
- (2) it has the power and authority to sign this Agreement and perform and observe all its terms;
- (3) this Agreement has been duly executed and is a legal, valid and binding agreement enforceable against it in accordance with its terms;
- (4) it is not bound by any contract which may restrict its right or ability to enter into or perform the transactions contemplated in this Agreement;
- (5) the execution and performance by it of this Agreement and each transaction contemplated by this Agreement does not and will not violate in any respect a provision of:
 - (a) a law, judgement, rule, order or decree binding on it; or
 - (b) its constitution or other governing documents; and
- (6) it is solvent and no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets and no regulatory action has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this Agreement.

8 Termination

8.1 Right to Terminate

Without prejudice to any other rights of termination under this Agreement, this Agreement may be terminated in accordance with clause 8.2 at any time prior to the last day of the Offer Period:

- (1) by either Bidder or Target if any court or regulatory authority has issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Offer, or has refused to do anything necessary to permit the Offer, and the order, decree, ruling, other action or refusal has become final and non-appealable;
- (2) by either Bidder or Target if the other is in material breach of this Agreement and, to the extent that where the breach is capable of rectification, the party not in breach has given written notice to the other setting out the relevant circumstances and stating an intention to terminate, and the breach has not been rectified within 5 Business Days or within the period ending on 5pm on the day prior to the last day of the Offer Period (whichever is the shorter period);
- (3) by Target or Bidder if the Offer lapses or is withdrawn;
- (4) by Bidder or Target if there is a breach by the other party of a representation or warranty given in clause 7.1;
- (5) by Bidder if any Director contradicts, changes, withdraws or modifies his or her recommendation or statement of intention referred to in clauses 2.2(1) or 2.2(2);

- (6) by Target if Bidder fails to lodge the Replacement Bidder's Statement with ASIC or dispatch Offers to Shareholders in accordance with the Corporations Act as modified by ASIC Class Order 00/344 (as it applies to Bidder).

8.2 Notice of Termination

- (1) This agreement may only be terminated in accordance with this clause 8 by the party seeking to terminate sending a notice to the other in accordance with this clause 8.2.
- (2) The notice must specify the subclause or subclauses of clause 8.1 that the party seeking to terminate is relying on to terminate the agreement.

8.3 Effect of Termination

If Bidder or Target terminates this Agreement under clause 8.1, except to the extent that the termination results from a wilful breach by either party of its obligations under this Agreement, the Bidder and Target have no liability or obligation under this Agreement, other than the provisions of clauses 1, 7, 8 and 13 to 17 (inclusive), which will each remain in force after termination.

9 Further assurance

Each party must promptly at its own cost do all things (including executing and if necessary delivering all documents) necessary or desirable to give full effect to this Agreement.

10 Waiver

10.1 No waiver

- (1) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.
- (2) The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.

10.2 Effective waiver

- (1) A waiver is not effective unless it is in writing.
- (2) Waiver of a power or right is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.

11 Entire understanding

This Agreement:

- (1) is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement; and
- (2) supersedes any prior agreement or understanding on anything connected with that subject matter.

12 Variation

An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.

13 Costs and outlays

- 13.1 Each party must pay its own costs and outlays connected with the negotiation, preparation and execution of this Agreement.

14 Notices

- 14.1 A notice or other communication connected with this Agreement (**Notice**) has no legal effect unless it is in writing.

- 14.2 In addition to any other method of service provided by law, the Notice may be:

- (1) sent by prepaid ordinary post to the address for service of the addressee, if the address is in Australia and the Notice is sent from within Australia;
- (2) sent by prepaid airmail to the address for service of the addressee, if the address is outside Australia or if the Notice is sent from outside Australia;
- (3) sent by facsimile to the facsimile number of the addressee;
- (4) sent by email to the email address of the addressee; or
- (5) delivered at the address for service of the addressee.

- 14.3 If the Notice is sent or delivered in a manner provided by clause 14.2, it must be treated as given to and received by the party to which it is addressed:

- (1) if sent by post from within Australia to an address in Australia, on the 2nd Business Day (at the address to which it is posted) after posting;
- (2) if sent by post to an address outside Australia or sent by post from outside Australia, on the 5th Business Day (at the address to which it is posted) after posting;
- (3) if sent by facsimile or email before 5pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
- (4) if otherwise delivered before 5pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.

- 14.4 Bidder's address for service, facsimile number and email address are:

Name : Washington H. Soul Pattinson and Company
Attention : Ian Bloodworth
Address : Level 1, 160 Pitt Street Mall, Sydney, NSW 2000
Facsimile no : +61 2 9235 1747
Email address : ibloodworth@whsp.com.au

- 14.5 Target's address for service, facsimile number and email address are:

Name : Exco Resources Limited
Attention : Eamon Byrne
Address : Level 2, 8 Colin Street, West Perth WA 6005
Facsimile no : +61 8 9211 2001
Email address : EamonB@excoresources.com.au

- 14.6 A party may change its address for service, facsimile number or email address by giving Notice of that change to each other party.

15 Governing law and jurisdiction

15.1 Governing law

The law of New South Wales governs this Agreement.

15.2 Jurisdiction

The parties submit to the non-exclusive jurisdiction of the courts of New South Wales and of the Commonwealth of Australia.

16 Execution of counterparts

This Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same agreement.

17 Execution by attorney

If an attorney executes this Agreement, the attorney declares that the attorney has no notice of revocation, termination or suspension of the power of attorney under which the attorney executes this Agreement.

Schedule 1 - Agreed Announcement



19 September 2012

EXCO BOARD RECOMMENDS REVISED

WHSP TAKEOVER OFFER

Highlights

- WHSP to increase offer from 19 cents per share to 26.5 cents per share provided WHSP receives acceptances which, together with its existing Exco shareholding, give WHSP an interest in 90% of Exco's ordinary shares.
- WHSP to establish an Acceptance Facility to enable Exco shareholders to support WHSP's higher offer.
- Exco directors unanimously recommend WHSP's revised offer to Exco shareholders, in the absence of a superior proposal, and will accept into the Acceptance Facility in relation to shares they control.
- Further details of the revised offer and the Acceptance Facility will be included in a replacement bidder's statement and a target's statement to be sent to Exco shareholders in the next two weeks.
- Exco shareholders advised to await receipt of takeover documents before taking any action in respect of their Exco shares.

On 23 August 2012, Washington H. Soul Pattinson & Company Limited (ASX:SOL)("WHSP") announced its intention to make an unsolicited takeover offer ("Offer") for all of the shares in Exco Resources Ltd (ASX:EXS) ("Exco") at a price of 19 cents ("Initial Offer").

On 28 August 2012, Exco announced that the independent directors of Exco had concluded that the Initial Offer was unfair and inadequate. Since then, Exco has been in discussions with WHSP to determine if WHSP was willing to increase its Offer to a price which the board of Exco could recommend.

Revised Offer

Exco and WHSP are pleased to announce that they have reached agreement on a recommended conditional increase to the Initial Offer from 19 cents per Exco share to 26.5 cents per Exco share (the "Revised Offer").

To give effect to the Revised Offer, Exco and WHSP have entered into a binding Bid Implementation Agreement ("BIA"), a copy of which is appended to this announcement. Under the Revised Offer, the price paid to Exco shareholders will be increased from 19 cents to 26.5 cents cash per fully paid Exco share if WHSP obtains:

- valid acceptances of the Offer; and/or
- acceptance instructions into an acceptance facility (the "Acceptance Facility");

which in aggregate (together with any other Exco shares in which WHSP has a relevant interest) represent at least 90% of the issued Exco shares ("90% Acceptances").

WHSP has also today confirmed that the Offer is now unconditional in all other respects.

Acceptance Facility

To facilitate Exco shareholders being able to accept the Revised Offer, WHSP will establish the Acceptance Facility under which all Exco shareholders will be able to lodge acceptance instructions which will only be released and processed if WHSP obtains 90% Acceptances.

The key terms of the Acceptance Facility are attached to this announcement. The full terms and conditions of the Acceptance Facility, together with an invitation to participate in the Acceptance Facility, will be sent to Exco shareholders in the next two weeks.

Each director of Exco:

- recommends that Exco shareholders accept WHSP's Revised Offer by accepting into the Acceptance Facility as soon as it opens and do not withdraw those instructions; and
- intends to accept into the Acceptance Facility as soon as it opens, in respect of Exco shares that they own or control, and will not withdraw those instructions,

subject, in each case, to there being no superior proposal in relation to Exco.

Attractive Premium

The Revised Offer of 26.5 cents cash per share is a 39.5% increase to WHSP's Initial Offer of 19 cents per share.

Exco and WHSP believe 26.5 cents represents an attractive price for Exco shareholders, reflecting a significant premium to the recent and historical trading price of Exco's shares prior to the announcement of the Initial Offer, being:

- a 47.2% premium to Exco's closing share price of 18 cents on 22 August 2012, the day before the announcement of the Initial Offer ("**Announcement Date**");
- a 54.3% premium to Exco's volume weighted average price ("**VWAP**") of 17.2 cents for the 5 trading days prior to the Announcement Date; and
- a 64.2% premium to Exco's VWAP of 16.1 cents for the 20 trading days prior to the Announcement Date.

Speaking today, the Managing Director of Exco, Mr Geoff Laing said:

"We are very pleased to have been able to agree a price at which the Exco board can unanimously recommend this revised offer.

We always believed that our assets had a special value to WHSP's subsidiary CopperChem. The Exco board believes that this revised offer delivers a fair share of that value to Exco shareholders.

We look forward to working with WHSP and its advisers to achieve 90% acceptances so that all of our shareholders receive the recommended higher offer price of 26.5 cents."

The chairman of WHSP, Mr Robert Millner said today:

"We believe that the revised offer price of 26.5 cents represents an attractive premium for Exco shareholders. We look forward to Exco shareholders accepting into the Acceptance Facility as soon as possible."

Offer Documentation

WHSP will lodge a replacement bidder's statement, which will include a timetable for the Offer, in the coming week and Exco will lodge a target's statement shortly thereafter. The bidder's statement, together with Exco's target's statement, is expected to be sent to Exco shareholders early in October 2012.

The full terms of the Acceptance Facility, together with an invitation to participate in the Acceptance Facility, will be sent to Exco shareholders at the same time.

Pending receipt and consideration of the above mentioned documentation Exco shareholders are advised to take no action in relation to their Exco shares.

Exco is being advised by Macquarie Capital (Australia) Limited and Ashurst Australia.

WHSP is being advised by Pitt Capital Partners and Norton Rose Australia

For further information please contact:

Exco

Geoff Laing
Managing Director
Exco Resources Limited
+61 8 9211 2000

Michael Ashforth
Executive Director
Macquarie Capital (Australia) Limited
+61 8 9224 0644

Warrick Hazeldine/ Karen Oswald
Cannings Purple
+61 8 6314 6300

WHSP

Robert Millner
Chairman
WHSP
+61 2 9232 7166

Todd Barlow
Managing Director
Pitt Capital Partners
+91 2 9210 7000

WHSP Information Line
1800 600 409 (outside Australia)
+61 2 8256 3378

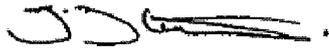
Key terms of Acceptance Facility

The following is a summary of the key terms of the Acceptance Facility. Exco Shareholders should refer to the full terms as and when they are received.

- (a) Pacific Custodians Pty Limited (ABN 66 009 682 866) will be appointed Facility Agent by WHSP.
- (b) Exco Shareholders may lodge acceptance instructions with the Facility Agent, in the form of:
 - (i) a duly completed Acceptance Form in respect of their Exco Shareholders; and/or
 - (ii) where an Exco Shareholder holds Exco Shares as custodian for another person (the **Beneficial Holder**), a direction from the Beneficial Holder to the Exco Shareholder to accept the Offer (**Custodian Direction**) (alternatively, such Custodian Direction can be lodged with the Facility Agent by the Beneficial Holder instead of the custodian who is the registered holder of the relevant Exco Shares),
(together, **Acceptance Instructions**).
- (c) The Facility Agent will hold Acceptance Instructions as acceptance collection agent only and will not acquire any Relevant Interest in the Exco Shares which are the subject of the Acceptance Instructions.
- (d) Acceptance Instructions lodged with the Facility Agent will demonstrate the intention of the relevant Exco Shareholder to accept the Offer if 90% Acceptances are obtained – however they will not constitute acceptances of the Offer while they are held by the Facility Agent.
- (e) As soon as is practicable after WHSP becomes aware and is satisfied (acting reasonably) that the aggregate of:
 - (i) the number of Exco Shareholders in respect of which WHSP has received valid acceptances of the Offer; and
 - (ii) the number of Exco Shares in respect of which Acceptance Instructions have been received, as advised by the Facility Agent to WHSP, provided that:
 - (A) where the Acceptance Instructions are in the form of Acceptance Forms, the Exco Shares to which the Acceptance Forms relate remain held by the Exco Shareholders who provide such Acceptance Instructions;
 - (B) where the Acceptance Instructions are in the form of Custodian Directions, the Exco Shares to which the Custodian Directions relate remain held by the relevant custodians; and
 - (C) WHSP is otherwise satisfied (acting reasonably) that, having regard to the form and content of the Acceptance Instructions, if the Acceptance Instructions were released and delivered as contemplated by paragraph (f) below and the Acceptance Forms processed by the Registry and/or the relevant custodian acted in accordance with the Custodian Directions (as applicable), WHSP would receive valid acceptances of the Offer in respect of the Exco Shares to which the Acceptance Instructions relate,together with any Exco Shares in which WHSP has a relevant interest, equals or exceeds 90% of the number of Exco Shares on issue at that time, WHSP will provide written notice of that occurrence to the Facility Agent (the **Confirmation Notice**).
- (f) By lodging Acceptance Instructions with the Facility Agent and not withdrawing those Acceptance Instructions, Exco Shareholders and (as the case may be) Beneficial Holders will have directed the Facility Agent to deliver those Acceptance Instructions in accordance with paragraph (g) following the Facility Agent's receipt of the Confirmation Notice.
- (g) As soon as is reasonably practicable following receipt of the Confirmation Notice, the Facility Agent will deliver or procure the delivery of (as the case may be):
 - (i) Acceptance Forms to Advanced Share Registry as acceptances of the Offer; and
 - (ii) the Custodian Directions to the relevant custodians.
- (h) Until the Facility Agent receives the Confirmation Notice from WHSP, Exco Shareholders and (as the case may be) Beneficial Holders will retain all rights and full control over Exco Shares which are the subject of their Acceptance Instructions and, in particular, will be able to withdraw their Acceptance Instructions simply by notifying the Facility Agent, provided such notification is received by the Facility Agent prior to its receipt of the Confirmation Notice.
- (i) If the Facility Agent does not receive a Confirmation Notice from WHSP by the end of the Offer Period, the Facility Agent will promptly following the end of the Offer Period, return, or procure the return, of all Acceptance Instructions.

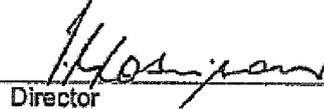
Executed as an agreement.

Executed by Washington H. Soul
Pattinson and Company Limited ABN
49 000 002 728
in accordance with section 127 of the
Corporations Act 2001:



Director/company secretary

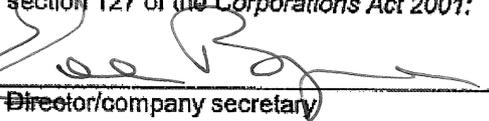
IAN DAVID BLOODWORTH
Name of director/company secretary
(BLOCK LETTERS)



Director

PETER RAYMOND ROBINSON
Name of director
(BLOCK LETTERS)

Executed by Exco Resources Limited
ABN 99 080 339 671 in accordance with
section 127 of the *Corporations Act 2001*:



Director/company secretary

EMON BYRNE
Name of director/company secretary
(BLOCK LETTERS)



Director

GEOFF LANE
Name of director
(BLOCK LETTERS)