



EXCO Resources, Inc.

First Quarter 2012 Non-GAAP Reconciliations and Appendix





Operating Results

(in thousands)	Three months ended March 31,		% change
	2012	2011	
Revenues: (excludes derivatives)			
Oil	\$ 18,650	\$ 17,372	7%
Natural gas	116,198	143,856	-19%
Total operating revenues	\$ 134,848	\$ 161,228	-16%
Costs and expenses:			
Oil and natural gas production cost – cash	29,989	24,561	22%
Oil and natural gas production cost – non-cash ⁽¹⁾	-	83	-100%
Gathering and transportation	26,423	17,286	53%
General and administrative – cash	18,641	20,838	-11%
General and administrative – non-cash ⁽¹⁾	2,864	2,585	11%
Total operating costs and expenses	\$ 77,917	\$ 65,353	19%
Depreciation, depletion and amortization	89,582	67,930	32%
Write-down of oil and natural gas properties	275,864	-	0%
Other operating items	1,625	2,457	-34%
Accretion of discount on asset retirement obligations	947	857	11%
Total costs and expenses	\$ 445,935	\$ 136,597	226%
Operating income (loss)	(311,087)	24,631	-1363%
Other income (expense):			
Interest expense	(16,764)	(14,816)	13%
Gain (loss) on derivative financial instruments – cash	50,145	26,935	86%
Gain (loss) on derivative financial instruments – non-cash	3,720	(23,514)	116%
Equity loss (income)	(7,906)	8,545	-193%
Other income	243	160	52%
Total other income (expense)	\$ 29,438	\$ (2,690)	-1194%
Income (loss) before income tax	\$ (281,649)	\$ 21,941	-1384%
Adjusted EBITDA ⁽²⁾	\$ 110,510	\$ 126,156	-12%

(1) Represents stock based compensation

(2) Non-GAAP measure; please see reconciliation to most comparable GAAP measure



Unit Operating Statistics

	Three months ended March 31,		% Change
	2012	2011	
<u>Production volumes:</u>			
Oil – Mbbls	192	193	-1%
Gas – Mmcf	47,381	35,525	33%
Total - Mmcf e	48,533	36,683	32%
Mmcf e/d	533	408	31%
<u>Realized pricing⁽¹⁾:</u>			
Oil per Bbl	\$ 97.14	\$ 90.01	8%
Gas per Mcf	2.45	4.05	-40%
Per Mcfe	2.78	4.40	-37%
<u>Production costs per Mcfe:</u>			
Operating costs ⁽²⁾	\$ 0.47	\$ 0.52	-10%
Production taxes	0.15	0.15	0%
Total production costs	\$ 0.62	\$ 0.67	-7%
Gathering and transportation costs	\$ 0.54	\$ 0.47	15%
Cash operating margin	\$ 1.62	\$ 3.26	-50%
Effects of cash settlements on derivatives	1.03	0.73	41%
Net cash operating margin	\$ 2.65	\$ 3.99	-34%

(1) Does not include the effects of derivative financial instruments.

(2) Stock based compensation had no impact on operating costs for the three months ended March 31, 2012 and 2011, respectively.

Non-GAAP Reconciliations

Management believes that certain non-GAAP financial metrics are meaningful and useful to investors, analysts and/or rating agencies. In reporting 2012 financial results, management disclosed the following non-GAAP financial measures:

- “Adjusted net income and adjusted net income (loss)”
- “Cash flow from operations before changes in working capital”
- “EBITDA (Earnings before interest, taxes, depreciation, depletion and amortization) and adjusted EBITDA reconciliations”

In the following tables these non-GAAP measures are reconciled to the appropriate GAAP financial metrics:



Non-GAAP Reconciliations

Adjusted net income and adjusted net income available to common shareholders

(in thousands, except per share amounts)	Three months ended March 31, 2012		Three months ended March 30, 2011	
	Amount	Per Share	Amount	Per Share
Net income (loss), GAAP	\$ (281,649)		\$ 21,941	
Adjustments:				
Non-cash mark-to-market (gains) losses on derivative financial instruments, before taxes	(3,720)		23,514	
Non-cash write down of oil and natural gas properties, before taxes	275,864		-	
Adjustments included in equity income	18,799		-	
Non-recurring other operating items	1,952		2,975	
Income taxes on above adjustments ⁽¹⁾	(117,158)		(10,596)	
Adjustment to deferred tax asset valuation allowance ⁽²⁾	112,660		(8,776)	
Total adjustments, net of taxes	288,397		7,117	
Adjusted net income ⁽³⁾	\$ 6,748		\$ 29,058	
Net income (loss), GAAP ⁽⁴⁾	\$ (281,649)	\$ (1.32)	\$ 21,941	\$ 0.10
Adjustments shown above ⁽⁴⁾	288,397	1.35	7,117	0.03
Dilution attributable to stock options ⁽⁵⁾	-	-	-	-
Adjusted net income	\$ 6,748	\$ 0.03	\$ 29,058	\$ 0.13
<u>Common stock and equivalents used for earnings per share (EPS):</u>				
Weighted average common shares outstanding	214,145		213,531	
Dilutive stock options	451		3,579	
Shares used to compute dilutive EPS for adjusted net income	214,596		217,110	

(1) The assumed income tax rate is 40% for all periods.

(2) Deferred tax valuation allowance has been adjusted to reflect impacts of adjustments.

(3) Our reported net income and our reported net income (loss) available to common shareholders, both GAAP measures, include certain items not typically included by securities analysts in their published estimates of financial results. Management is disclosing the non-GAAP measures of adjusted net income and adjusted net income available to common shareholders because it quantifies the financial impact of non-cash gains or losses resulting from derivatives, gains on divestitures and non-recurring other operating items, gains from early termination of derivatives and other items management believes affect the comparability of our results of operations which are included in GAAP net income measures. The table provides a reconciliation of our net income (loss) and net income (loss) available to common shareholders to the non-GAAP measure of adjusted net income available to common shareholders.

(4) Per share amounts are based on weighted average number of common shares outstanding.

(5) Represents dilution per share attributable to common stock equivalents from in-the-money stock options.

Non-GAAP Reconciliations

Cash flow from operations before changes in working capital

(in thousands)	Three months ended March 31,	
	2012	2011
Cash flow from operations, GAAP	\$ 145,123	\$ 79,073
Net change in working capital	(51,579)	31,239
Non-recurring other operating items	1,952	2,975
Cash flow from operations before changes in working capital, non-GAAP measure ⁽¹⁾	<u>\$ 95,496</u>	<u>\$ 113,287</u>

- (1) Cash flow from operations before working capital changes, early termination of derivatives, non-recurring other operating items and adjustments for settlements of derivative financial instruments with a financing element are presented because management believes it is a useful financial indicator for companies in our industry. This non-GAAP disclosure is widely accepted as a measure of an oil and natural gas company's ability to provide cash used to fund development and acquisition activities and service debt or pay dividends. Operating cash flow is not a measure of financial performance pursuant to GAAP and should not be used as an alternative to cash flows from operating, investing, or financing activities. We have also elected to exclude the adjustment for derivative financial instruments with a financing element as this adjustment simply reclassifies settlements from operating cash flows to financing activities. Management believes these settlements should be included in this non-GAAP measure to conform with the intended measure of our ability to provide cash to fund operations and development activities.

Oil and gas derivative financial instruments

(in thousands)	Three months ended March 31,	
	2012	2011
Cash settlements from oil and natural gas derivative financial instruments		
Oil - cash settlements	\$ (629)	\$ 2,305
Natural gas - cash settlements	<u>50,774</u>	<u>24,630</u>
Total cash settlements excluding early termination of derivative financial instruments	50,145	26,935
Non-cash change in fair market value of oil and natural gas derivative financial instruments	<u>3,720</u>	<u>(23,514)</u>
Gain/(loss) on oil and natural gas derivative financial instruments	<u>\$ 53,865</u>	<u>\$ 3,421</u>



Non-GAAP Reconciliations

EBITDA and adjusted EBITDA reconciliations

(in thousands)	Three months ended March 31,	
	2012	2011
Net income (loss)	\$ (281,649)	\$ 21,941
Interest expense, net	16,764	14,816
Income tax expense	-	-
Depreciation, depletion and amortization	89,582	67,930
EBITDA ⁽¹⁾	\$ (175,303)	\$ 104,687
Accretion of discount on asset retirement obligations	947	857
Non-cash write down of oil and natural gas properties	275,864	-
Non-recurring other operating items	1,952	2,975
Equity method income	7,906	(8,545)
Non-cash change in fair value of oil and natural gas derivative financial instruments	(3,720)	23,514
Stock based compensation expense	2,864	2,668
Adjusted EBITDA ⁽¹⁾	\$ 110,510	\$ 126,156
Interest expense	(16,764)	(14,816)
Income tax expense	-	-
Amortization of deferred financing costs, premium on 2011 notes and discount on the 2018 notes	1,750	1,947
Deferred income taxes	-	-
Non-recurring other operating items	(1,952)	(2,975)
Changes in operating assets and liabilities	51,579	(31,239)
Net cash provided by operating activities	\$ 145,123	\$ 79,073
Statement of cash flow data:		
Cash flow provided by (used in):		
Operating activities	\$ 145,123	\$ 79,073
Investing activities	(167,888)	146,461
Financing activities	21,339	(261,235)

Non-GAAP Reconciliations

- (1) Earnings before interest, taxes, depreciation, depletion and amortization, or “EBITDA” represents net income adjusted to exclude interest expense, income taxes and depreciation, depletion and amortization. “Adjusted EBITDA” represents EBITDA adjusted to exclude non-recurring other operating items, accretion of discount on asset retirement obligations, non-cash changes in the fair value of derivatives, gains from early termination of derivatives, stock-based compensation and income or losses from equity method investments. We have presented EBITDA and Adjusted EBITDA because they are a widely used measure by investors, analysts and rating agencies for valuations, peer comparisons and investment recommendations. In addition, these measures are used in covenant calculations required under our credit agreement and the indenture governing our 7.5% senior notes due September 15, 2018. Compliance with the liquidity and debt incurrence covenants included in these agreements is considered material to us. Our computations of EBITDA and Adjusted EBITDA may differ from computations of similarly titled measures of other companies due to differences in the inclusion or exclusion of items in our computations as compared to those of others. EBITDA and Adjusted EBITDA are measures that are not prescribed by generally accepted accounting principles, or GAAP. EBITDA and Adjusted EBITDA specifically exclude changes in working capital, capital expenditures and other items that are set forth on a cash flow statement presentation of a company's operating, investing and financing activities. As such, we encourage investors not to use these measures as substitutes for the determination of net income, net cash provided by operating activities or other similar GAAP measures.



Non-GAAP Reconciliations

TGGT Holdings, LLC (TGGT) EBITDA and adjusted EBITDA reconciliations

(in thousands)	Three months ended	
	March 31,	
	2012	2011
Equity Income	\$ (7,906)	\$ 8,545
Amortization of the difference in the historical basis of our contribution to TGGT	(402)	(402)
Equity loss of other investments	879	259
EXCO's share of TGGT net income	(7,429)	8,402
BG Group's share of TGGT net income	(7,429)	8,402
TGGT net income	\$ (14,858)	\$ 16,804
Interest expense	3,874	1,543
Margin tax expense	238	335
Depreciation and amortization	7,881	5,904
TGGT EBITDA ⁽¹⁾	(2,865)	24,586
(Gain) loss on divestitures and non-recurring other operating items	37,598	-
TGGT Adjusted EBITDA ⁽¹⁾	\$ 34,733	\$ 24,586
EXCO's share of TGGT Adjusted EBITDA ⁽²⁾	\$ 17,367	\$ 12,293

(1) Earnings before interest, taxes, depreciation, depletion and amortization, or "EBITDA" represents net income adjusted to exclude interest expense, income taxes and depreciation and amortization. "Adjusted EBITDA" represents EBITDA adjusted to exclude asset impairments, gains and losses on divestitures and non-recurring other operating items. We have presented EBITDA and Adjusted EBITDA because they are a widely used measure by investors, analysts and rating agencies for valuations, peer comparisons and investment recommendations. Our computations of EBITDA and Adjusted EBITDA may differ from computations of similarly titled measures of other companies due to differences in the inclusion or exclusion of items in our computations as compared to those of others. EBITDA and Adjusted EBITDA are measures that are not prescribed by generally accepted accounting principles, or GAAP. EBITDA and Adjusted EBITDA specifically exclude changes in working capital, capital expenditures and other items that are set forth on a cash flow statement presentation of a company's operating, investing and financing activities. As such, we encourage investors not to use these measures as substitutes for the determination of net income, net cash provided by operating activities or other similar GAAP measures.

(2) Represents our 50% equity share in TGGT.



Non-GAAP Reconciliations

TGGT Holdings, LLC (TGGT) EBITDA and adjusted EBITDA reconciliations

(in thousands)	Three months ended	
	March 31,	
	2012	2011
Net Income (loss), GAAP	\$ (14,858)	\$ 16,804
Adjustments:		
Loss on asset disposal	1,399	-
Asset impairment	35,343	-
Other non-cash items	856	-
Income taxes on above adjustments	-	-
Total adjustments, net of taxes	\$ 37,598	\$ -
Adjusted net income	\$ 22,740	\$ 16,804
EXCO's 50% share of TGGT's adjusted net income ⁽¹⁾	\$ 11,370	\$ 8,402

(1) TGGT's net income, computed in accordance with GAAP, includes certain items not typically included by securities analysts in published estimates of financial results. This table provides a reconciliation of GAAP net income to a non-GAAP measure of adjusted net income.