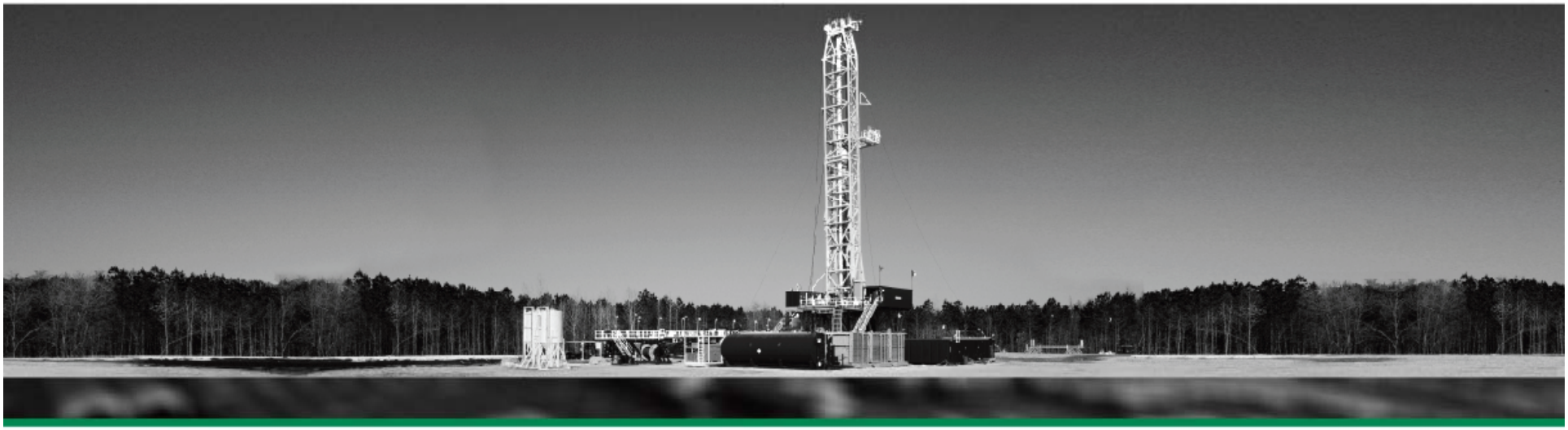
EXCO Resources, Inc.



Fourth Quarter 2010 Non-GAAP

Reconciliations and Appendix

Operating Results

(in thousands)	Three months ended December 31, 2010	Three months ended December 31, 2009	% change	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009	% change
Revenues: (excludes derivatives)						
Oil	$ 14,974	$ 14,826	1%	$ 52,411	$ 84,397	-38%
Natural gas	119,924	91,726	31%	462,815	466,108	-1%
Midstream	-	-	-	-	35,330	-100%
Total operating revenues	$ 134,898	$ 106,552	27%	$ 515,226	$ 585,835	-12%
Costs and expenses:						
Oil and natural gas production cost – cash	24,761	32,258	-23%	107,143	174,798	-39%
Oil and natural gas production cost – non-cash[1]	201	833	-76%	1,041	2,831	-63%
Gathering and transportation	19,330	6,081	218%	54,877	18,960	189%
Midstream operating expense	-	-	-	-	35,580	-100%
General and administrative – cash	23,023	26,204	-12%	89,314	83,021	8%
General and administrative – non-cash[1]	5,772	8,291	-30%	15,800	16,156	-2%
Total operating costs and expenses	$ 73,087	$ 73,667	-1%	$ 268,175	$ 331,346	-19%
Depreciation, depletion and amortization	59,119	33,755	75%	196,963	221,438	-11%
Write-down of oil and natural gas properties	-	-	-	-	1,293,579	-100%
Gain on divestitures and other operating items	59,224	(223,770)	-126%	(509,872)	(676,434)	-25%
Accretion of discount on asset retirement obligations	838	1,276	-34%	3,758	7,132	-47%
Total costs and expenses	$ 192,268	$ (115,072)	-267%	$ (40,976)	$ 1,177,061	-103%
Operating income (loss)	(57,370)	221,624	-126%	556,202	(591,226)	-194%
Other income (expense):						
Interest expense	(11,983)	(17,401)	-31%	(45,533)	(147,161)	-69%
Gain (loss) on derivative financial instruments – cash	50,795	124,332	-59%	217,455	478,463	-55%
Gain (loss) on derivative financial instruments – non-cash	(60,344)	(97,192)	-38%	(70,939)	(246,438)	-71%
Equity method income	3,968	357	1011%	16,022	(69)	-23320%
Other income	143	59	142%	327	126	160%
Total other income (expense)	$ (17,421)	$ 10,155	-272%	$ 117,332	$ 84,921	38%
Income (loss) before income tax	$ (74,791)	$ 231,779	-132%	$ 673,534	$ (506,305)	-233%
Adjusted EBITDA[2]	$ 114,410	$ 168,435	-32%	$ 478,022	$ 746,138	-36%

(1) Represents stock based compensation
(2) Non-GAAP measure; please see reconciliation to most comparable GAAP measure

Unit Operating Statistics

	Three months ended December 31,		%	Twelve months ended December 31,		%
	2010	2009	Change	2010	2009	Change
Production volumes:						
Oil – Mbbls	183	204	-10%	688	1,571	-56%
Gas – Mmcf	31,094	22,138	40%	107,878	118,736	-9%
Total - Mmcfe	32,192	23,362	38%	112,006	128,162	-13%
Mmcfe/d	350	254	38%	307	351	-13%
Realized pricing[1]:						
Oil per Bbl	$ 81.83	$ 72.68	13%	$ 76.18	$ 53.72	42%
Gas per Mcf	3.86	4.14	-7%	4.29	3.93	9%
Per Mcfe	4.19	4.56	-8%	4.60	4.30	7%
Production costs per Mcfe:						
Operating costs[2]	$ 0.62	$ 1.10	-44%	$ 0.74	$ 1.06	-30%
Production taxes	0.14	0.28	-50%	0.21	0.30	-30%
Total production costs	$ 0.76	$ 1.38	-45%	$ 0.95	$ 1.36	-30%
Gathering and transportation costs	$ 0.60	$ 0.26	131%	$ 0.49	$ 0.15	227%
Cash operating margin	$ 2.83	$ 2.92	-3%	$ 3.16	$ 2.79	13%
Effects of cash settlements on derivatives	1.58	5.32	-70%	1.94	3.73	-48%
Net cash operating margin	$ 4.41	$ 8.24	-46%	$ 5.10	$ 6.52	-22%

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

(2) Does not include stock based compensation which would have increased operating costs per Mcfe by $0.01and $0.04 for the three months ended December 31, 2010 and 2009, respectively. Does not include stock based compensation which would have increased operating costs per Mcfe by $0.01 and $0.02 for the twelve months ended December 31, 2010 and 2009, respectively.

Year End SEC Total Proved Reserves

- Our proved reserves calculated using average spot prices, for the first day of each month beginning on January 1 and ending on December 1, of $4.38 per Mmbtu and $79.43 per Bbl were as follows:

	Oil (Mbbls)	Natural gas (Mmcfe)	Equivalent natural gas (Mmcfe)
Proved developed	4,633	793,777	821,575
Proved undeveloped	2,725	661,176	677,526
Total proved reserves	7,358	1,454,953	1,499,101

The changes in reserves for the year are as follows:	Oil (Mbbls)	Natural gas (Mmcfe)	Equivalent natural gas (Mmcfe)
December 31, 2009	5,518	925,728	958,836
Purchase of reserves in place	-	30,047	30,047
Extensions and discoveries	1,631	635,841	645,627
Revisions of previous estimates			
Changes in price	751	48,630	53,136
Changes in performance	549	63,089	66,383
Sales of reserves in place	(403)	(140,504)	(142,922)
Production	(688)	(107,878)	(112,006)
December 31, 2010	7,358	1,454,953	1,499,101

Reconciliation Of PV-10 To Standardized Measure

($ in millions)	December 31, 2010
PV-10	$ 1,356.5
Future income taxes	(305.1)
Discount of future income taxes at 10% per annum	172.0
Standardized Measure	$ 1,223.4

Year End SEC Total Proved Reserves[1]

Development costs

Total Proved Reserves F&D (dollars in thousands, except per Mcfe)	Costs Incurred	Reserves Added Mmcfe	With BG Carry Per Mcfe[2]	Without BG Carry Per Mcfe
Haynesville	$ 166,980	565,099	$ 0.30	$ 0.92
Conventional	65,998	38,218	1.73	1.73
Exploratory	113,617	42,310	2.69	2.69
Total development and exploration	$ 346,595	645,627	$ 0.54	$ 1.08
Revisions - other than price	-	66,383	-	-
Subtotal	$ 346,595	712,010	$ 0.49	$ 0.98
Leasehold additions	37,518	-	-	-
Total	$ 384,113	712,010	$ 0.54	$ 1.03

Total Proved Developed Reserves F&D (dollars in thousands, except per Mcfe)	Costs Incurred	Reserves Added Mmcfe	With BG Carry Per Mcfe[5]	Without BG Carry Per Mcfe
Haynesville	$ 124,431	190,451	$ 0.65	$ 1.98
Conventional	65,998	19,246	3.43	3.43
Development[3]	$ 190,429	209,697	$ 0.91	$ 2.11
Exploratory[4]	103,699	28,077	3.69	3.69
Total development and exploration	$ 294,128	237,774	$ 1.24	$ 2.30

(1) Year end 2010 SEC reserve estimate pricing of $4.38 per Mcf for natural gas and $79.43 per Bbl for crude oil
(2) Haynesville adjusted for the benefit of $351 million of BG carry associated with our Haynesville shale total proved reserve additions
(3) Excludes $42.5 million of costs primarily associated with future proved developed reserve additions
(4) Excludes $9.9 million of costs associated with future proved developed reserve additions
(5) Haynesville adjusted for the benefit of $253 million of BG carry associated with our Haynesville shale proved developed reserve additions

Non-GAAP Reconciliations

Management believes that certain non-GAAP financial metrics are meaningful and useful to investors, analysts and/or rating agencies. In reporting 2010 financial results, management disclosed the following non-GAAP financial measures:

- "Adjusted net income"
- "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 for diluted earnings per share

(in thousands, except per share amounts)	Three months ended December 31, 2010		Three months ended December 31, 2009		Twelve months ended December 31, 2010		Twelve months ended December 31, 2009	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net income (loss), GAAP	$ (72,851)		$ 241,469		$ 671,926		$ (496,804)	
Adjustments:								
Non-cash mark-to-market (gains) losses on derivative financial instruments, before taxes	60,344		93,581		68,921		238,577	
Gain on divestures and non-recurring other operating items[1]	54,912		(221,735)		(513,524)		(682,361)	
Non-cash write down of oil and natural gas properties	-		-		-		1,293,579	
Income taxes on above adjustments[2]	(46,103)		51,262		177,841		(347,714)	
Adjustment to deferred tax asset valuation allowance[3]	27,977		(102,402)		(267,805)		200,817	
Total adjustments, net of taxes	97,130		(179,294)		(534,567)		702,898	
Adjusted net income[4]	$ 24,279		$ 62,175		$ 137,359		$ 206,094	
Net income (loss), GAAP[5]	$ (72,851)	$ (0.34)	$ 241,469	$ 1.14	$ 671,926	$ 3.16	$ (496,804)	$ (2.35)
Adjustments shown above[5]	97,130	0.46	(179,294)	(0.85)	(534,567)	(2.51)	702,898	3.33
Dilution attributable to stock options[6]	-	(0.01)	-	-	-	(0.01)	-	-
Adjusted net income for diluted earnings per share	$ 24,279	$ 0.11	$ 62,175	$ 0.29	$ 137,359	$ 0.64	$ 206,094	$ 0.98
Common stock and equivalents used for earnings per share (EPS):								
Weighted average common shares outstanding		212,791		211,707		212,465		211,266
Dilutive stock options		3,334		2,846		3,270		0
Shares used to compute dilutive EPS for adjusted net income		216,125		214,553		215,735		211,266

(1) The three months ended December 31, 2010 includes a $45 million adjustment to the previously recognized gain associated with our Appalachia joint venture and $5 million of costs we have incurred in connection with our special board committee's evaluation of a proposal from our Chairman and Chief Executive Officer to purchase all of our outstanding stock not already owned by him. The full year 2010 includes an adjusted gain of $529 million from the Appalachia joint venture.

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

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

(4) Our reported net income (loss), a GAAP measure, includes certain items not typically included by securities analysts in their published estimates of financial results. Management is disclosing the non-GAAP measure of adjusted net income because it quantifies the financial impact of non-cash gains or losses resulting from derivatives, non-cash ceiling test write-downs and other items management believes affect the comparability of our results of operations which are included in the GAAP net income measure.

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

(6) Represents dilution per share attributable to common stock equivalents from in-the-money stock options for periods with adjusted net income.

Non-GAAP Reconciliations

Cash flow from operations before changes in working capital

Total Proved Developed Reserves F&D (dollars in thousands, except per Mcfe)	Cost	Reserves Mmcfe	Per Mcfe
Haynesville (1)	$ 124,431	190,451	$ 0.65
Conventional	65,998	19,246	3.43
Exploratory (2)	103,699	28,077	3.69
Total development and exploration	$ 294,128	237,774	1.24

(1) Cash flow from operations before working capital changes and adjustments for settlements of derivative financial instruments with a financing element is 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

	Three months ended December 31,		Twelve months ended December 31,	
(in thousands)	2010	2009	2010	2009
Cash settlements from oil and natural gas derivative financial instruments				
Oil - cash settlements	$ 3,355	$ 34,766	$ 15,832	$ 62,567
Natural gas - cash settlements	47,440	89,566	201,623	415,896
Total cash settlements	50,795	124,332	217,455	478,463
Non-cash change in fair market value of oil and natural gas derivative financial instruments	(60,344)	(97,192)	(70,939)	(246,438)
Gain/(loss) on oil and natural gas derivative financial instruments	$ (9,549)	$ 27,140	$ 146,516	$ 232,025

Non-GAAP Reconciliations

EBITDA and adjusted EBITDA reconciliations

(in thousands)	Three months ended December 31, 2010	Three months ended December 31, 2009	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009
Net income (loss)	$ (72,851)	$ 241,469	$ 671,926	$ (496,804)
Interest expense, net	11,983	17,401	45,533	147,161
Income tax expense (benefit)	(1,940)	(9,690)	1,608	(9,501)
Depreciation, depletion and amortization	59,119	33,755	196,963	221,438
EBITDA[1]	$ (3,689)	$ 282,935	$ 916,030	$ (137,706)
Accretion of discount on asset retirement obligations	838	1,276	3,758	7,132
Gain on divestitures and non-recurring other operating items	54,912	(221,735)	(513,524)	(682,361)
Non-cash write-down of oil and natural gas properties	-	-	-	1,293,579
Equity method income	(3,968)	(357)	(16,022)	69
Non-cash change in fair value of oil and natural gas derivative financial instruments	60,344	97,192	70,939	246,438
Stock based compensation expense	5,973	9,124	16,841	18,987
Adjusted EBITDA[1]	$ 114,410	$ 168,435	$ 478,022	$ 746,138
Interest expense [2]	(11,983)	(21,012)	(47,551)	(155,022)
Income tax expense	1,940	9,690	(1,608)	9,501
Amortization of deferred financing costs, premium on the 2011 Notes and discount on the 2018 Notes	1,937	3,832	5,014	48,159
Deferred income taxes	-	(8,660)	-	(9,371)
Other non-cash operating items	(9,050)	(9,571)	(15,364)	(9,571)
Changes in operating assets and liabilities	(33,329)	(17,796)	(79,499)	(13,277)
Settlements of derivative financial instruments with a financing element	-	(41,170)	907	(182,952)
Net cash provided by operating activities	$ 63,925	$ 83,748	$ 339,921	$ 433,605
Statement of cash flow data:				
Cash flow provided by (used in):				
Operating activities	$ 63,925	$ 83,748	$ 339,921	$ 433,605
Investing activities	(668,691)	385,513	(712,854)	1,235,275
Financing activities	597,871	(456,535)	348,755	(1,657,612)

Non-GAAP Reconciliations

(1) Earnings before interest, taxes, depreciation, depletion and amortization, or "EBITDA" represents net income adjusted to exclude interest expense, income taxes, depreciation, depletion and amortization. "Adjusted EBITDA" represents EBITDA adjusted to exclude accretion of discount on asset retirement obligations, non-cash changes in the fair value of derivatives, stock-based compensation and equity method income in TGGT Holdings, LLC. 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 agreements and the indenture governing our 7 ½% senior notes. 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.

(2) Excludes non-cash change in fair value of $0 and $3.6 million for the three months ended December 31, 2010 and 2009 respectively and $2.0 million and $7.9 million for the twelve months ended December 30, 2010 and 2009 respectively, for interest rate swaps included in GAAP interest expense. Our interest rate swaps expired in February 2010 and we have not entered into any new swap agreements.