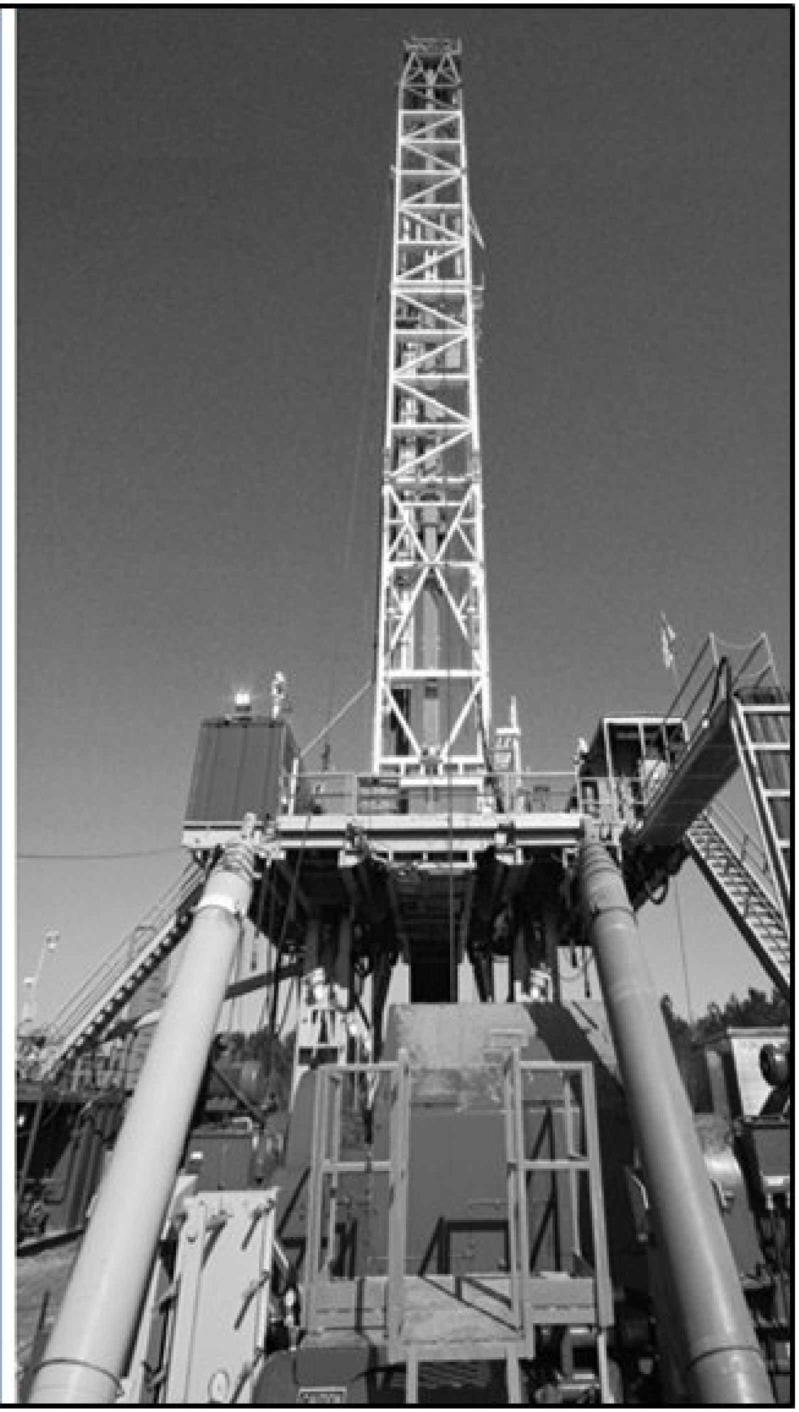
EXCO Resources, Inc.

Second Quarter 2017 Non-GAAP Reconciliations



Non-GAAP Reconciliations

EXCO believes that certain non-GAAP financial metrics are meaningful and useful to investors, analysts and rating agencies. In reporting the 2017 and 2016 financial results, EXCO disclosed the following non-GAAP financial measures:

– "Adjusted net loss"
– "Adjusted operating cash flow"
– "Free cash flow"
– "EBITDA (Earnings before interest, taxes, depreciation, depletion and amortization) and Adjusted EBITDA"
– "Adjusted general and administrative expenses"

These non-GAAP measures are reconciled to the appropriate GAAP financial metrics in the following tables:

Adjusted Net Loss and Adjusted Net Loss Reconciliations

	Three Months Ended						Six Months Ended			
	June 30, 2017		March 31, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
(in thousands, except per share amounts)	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
Net income (loss), GAAP	$ 120,750		$ 8,193		$ (111,347)		$ 128,943		$ (241,495)	
Adjustments:										
(Gain) loss on derivative financial instruments - commodity derivatives	(6,541)		(15,533)		36,432		(22,074)		19,841	
Cash receipts (payments) of commodity derivative financial instruments	(1,099)		(4,459)		16,598		(5,558)		33,388	
Gain on derivative financial instruments - common share warrants	(122,295)		(6,004)		—		(128,299)		—	
(Gain) loss on restructuring and extinguishment of debt	108		6,272		(16,839)		6,380		(61,953)	
Impairment of oil and natural gas properties	—		—		26,214		—		160,813	
Adjustments included in equity loss	—		—		—		—		7,866	
Other items impacting comparability	300		—		24,296		300		24,698	
Deferred finance cost amortization acceleration	—		1,855		—		1,855		1,013	
Income taxes on above adjustments (1)	51,811		7,148		(34,680)		58,958		(74,266)	
Adjustment to deferred tax asset valuation allowance (2)	(47,684)		(2,661)		44,987		(50,344)		97,046	
Total adjustments, net of taxes	(125,400)		(13,382)		97,008		(138,782)		208,446	
Adjusted net loss (5)	$ (4,650)		$ (5,189)		$ (14,339)		$ (9,839)		$ (33,049)	
Net income (loss), GAAP (3)	$ 120,750	$ 6.13	$ 8,193	$ 0.44	$ (111,347)	$ (5.99)	$ 128,943	$ 6.71	$ (241,495)	$(13.00)
Adjustments shown above (3)	(125,400)	(6.36)	(13,382)	(0.71)	97,008	5.22	(138,782)	(7.22)	208,446	11.22
Dilution attributable to equity-based payments (4)	—	—	—	—	—	—	—	—	—	—
Adjusted net loss (5)	$ (4,650)	$ (0.23)	$ (5,189)	$ (0.27)	$ (14,339)	$ (0.77)	$ (9,839)	$ (0.51)	$ (33,049)	$ (1.78)
Common shares and equivalents used for net income (loss) per share:										
Weighted average common shares outstanding	19,702		18,726		18,597		19,217		18,583	
Dilutive stock options	—		—		—		—		—	
Dilutive restricted shares and restricted share units	—		—		—		—		—	
Dilutive warrants	—		—		—		—		—	
Shares used to compute diluted loss per share for adjusted net loss	19,702		18,726		18,597		19,217		18,583	

(1) The assumed income tax rate is 40% for all periods.
(2) Deferred tax valuation allowance has been adjusted to reflect the assumed income tax rate of 40% for all periods.
(3) Per share amounts are based on weighted average number of common shares outstanding.
(4) Dilution attributable to equity-based payments represents dilution per share attributable to common share equivalents from in-the-money stock options and warrants, dilutive restricted shares and diluted restricted share units calculated in accordance with the treasury stock method.
(5) Adjusted net loss, a non-GAAP measure, includes adjustments for gains or losses from asset sales, non-cash changes in the fair value of derivative financial instruments, non-cash impairments and other items typically not included by securities analysts in published estimates. Adjusted net loss is a useful metric in evaluating the Company's performance and facilitating comparisons with its peer companies, many of which use similar non-GAAP financial measures to supplement results under GAAP. Adjusted net loss may not be comparable to other similarly titled measures reported by other companies.

Adjusted Operating Cash Flow and Free Cash Flow Reconciliations

	Three Months Ended			Six Months Ended	
(in thousands)	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cash flow from operations, GAAP	$ 28,405	$ 5,196	$ 17,944	$ 33,601	$ 45,925
Net change in working capital	(9,684)	(2,297)	(9,818)	(11,981)	(33,526)
Other operating items impacting comparability	—	—	—	—	402
Adjusted operating cash flow, non-GAAP measure (1)	$ 18,721	$ 2,899	$ 8,126	$ 21,620	$ 12,801

(1) Adjusted operating cash flow is presented because the Company believes it is a useful financial indicator for companies in its industry. This non-GAAP disclosure is widely accepted as a measure of an oil and natural gas company's ability to generate cash used to fund development and acquisition activities and service debt or pay dividends. Adjusted 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. Other operating items impacting comparability have been excluded as they do not reflect the Company's on-going operating activities.

	Three Months Ended			Six Months Ended	
(in thousands)	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cash flow from operations, GAAP	$ 28,405	$ 5,196	$ 17,944	$ 33,601	$ 45,925
Less: Additions to oil and natural gas properties, gathering assets and equipment	(32,627)	(11,857)	(22,477)	(44,484)	(54,963)
Free cash flow, non-GAAP measure (2)	$ (4,222)	$ (6,661)	$ (4,533)	$ (10,883)	$ (9,038)

(2) Free cash flow is cash flow from operating activities less capital expenditures. This non-GAAP measure is used predominantly as a forecasting tool to estimate cash available to fund indebtedness and other investments.

Consolidated EBITDA and Adjusted EBITDA Reconciliations

(in thousands)	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income (loss)	$ 120,750	$ 8,193	$ (111,347)	$ 128,943	$ (241,495)
Interest expense	22,480	19,952	17,932	42,432	37,189
Income tax expense	1,027	1,028	747	2,055	747
Depletion, depreciation and amortization	11,622	11,508	19,084	23,130	48,085
EBITDA (1)	$ 155,879	$ 40,681	$ (73,584)	$ 196,560	$ (155,474)
Accretion of discount on asset retirement obligations	215	212	769	427	1,681
Impairment of oil and natural gas properties	—	—	26,214	—	160,813
Other items impacting comparability	300	—	24,296	300	24,698
(Gain) loss on restructuring and extinguishment of debt	108	6,272	(16,839)	6,380	(61,953)
Equity (income) loss	(338)	(317)	91	(655)	8,001
(Gain) loss on derivative financial instruments - commodity derivatives	(6,541)	(15,533)	36,432	(22,074)	19,841
Cash receipts (payments) of commodity derivative financial instruments	(1,099)	(4,459)	16,598	(5,558)	33,388
Gain on derivative financial instruments - common share warrants	(122,295)	(6,004)	—	(128,299)	—
Equity-based compensation	(7,959)	(2,382)	9,328	(10,341)	13,141
Adjusted EBITDA (1)	$ 18,270	$ 18,470	$ 23,305	$ 36,740	$ 44,136
Interest expense	(22,480)	(19,952)	(17,932)	(42,432)	(37,189)
Current income tax expense	—	—	—	—	—
Amortization of deferred financing costs and discount	7,035	4,402	1,878	11,437	4,999
Paid in-kind interest expense	15,914	—	—	15,914	—
Other operating items impacting comparability and non-operating items	(18)	(21)	875	(39)	453
Changes in working capital	9,684	2,297	9,818	11,981	33,526
Net cash provided by operating activities	$ 28,405	$ 5,196	$ 17,944	$ 33,601	$ 45,925

(1) Earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA") represents net income (loss) adjusted to exclude interest expense, income taxes and 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, non-cash impairments of assets, equity-based compensation, income or losses from equity method investments and other operating items impacting comparability.

EXCO has 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, similar measures are used in covenant calculations required under the Credit Agreement, the indenture governing the 1.5 Lien Notes, the indenture governing the 2018 Notes, the indenture governing the 2022 Notes and the term loan credit agreement governing the 1.75 Lien Term Loans. Compliance with the liquidity and debt incurrence covenants included in these agreements is considered material to the Company. EXCO's 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 the Company's computations as compared to those of others. EBITDA and Adjusted EBITDA are measures that are not prescribed by 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 the Company's operating, investing and financing activities. As such, investors are encouraged not to use these measures as substitutes for the determination of net income, net cash provided by operating activities or other similar GAAP measures. The calculation of EBITDA and Adjusted EBITDA as presented herein differ in certain respects from the calculation of comparable measures in the Credit Agreement, the indentures and the term loan credit agreement.

Adjusted General and Administrative Expenses

(in thousands)	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
General and administrative, GAAP	$ (1,394)	$ 4,415	$ 16,983	$ 3,021	$ 27,880
Less: Equity-based compensation	7,959	2,382	(9,328)	10,341	(13,141)
Less: Restructuring and severance costs	(208)	(775)	(501)	(983)	988
Adjusted general and administrative, non-GAAP measure (1)	$ 6,357	$ 6,022	$ 7,154	$ 12,379	$ 15,727

(1) The Company believes this non-GAAP measure is used by investors, analysts and management for valuations, peer comparisons and other recommendations. The exclusion of equity-based compensation is important to users that are evaluating the impact of the Company's cash-based general and administrative costs on its credit metrics and ability to service its indebtedness. In addition, the exclusion of cash-based costs, such as restructuring and severance, assists in the comparability between periods and similar measures are used in debt covenant calculations required under certain of the Company's debt agreements. Restructuring costs include legal and advisory costs incurred in connection with the Company's strategic initiatives focused on restructuring its balance sheet and gathering and transportation contracts, and severance costs relate primarily to the Company's reductions in workforce.