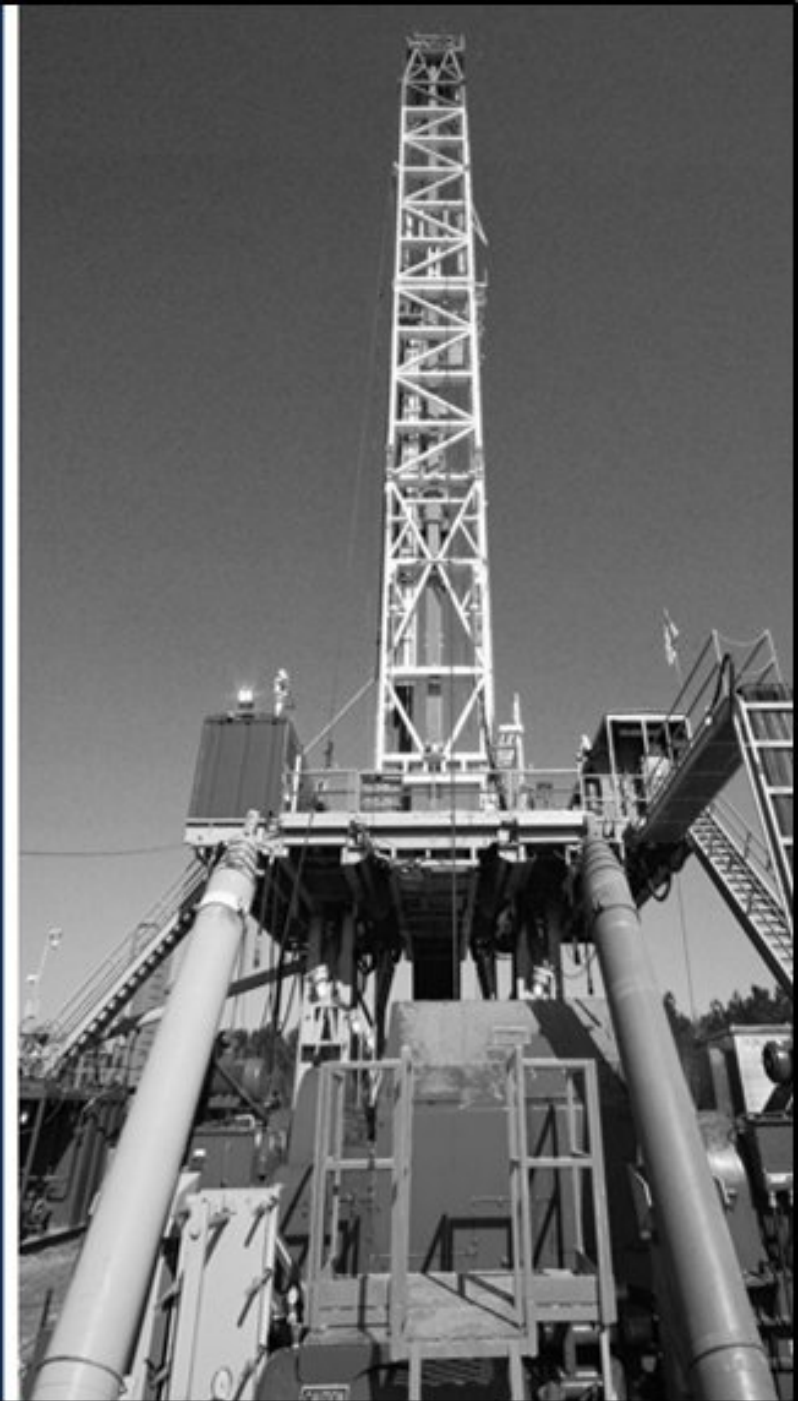




**EXCO Resources, Inc.**

## Fourth Quarter 2016 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 2016 and 2015 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”
- “PV-10”
- “Finding and development costs”

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



## Consolidated Adjusted Net Income (Loss) and Adjusted Net Loss Reconciliations

| (in thousands, except per share amounts)                                | Three Months Ended |           |                    |           |                   |           | Year Ended        |           |                   |           |
|---|--------------------|-----------|--------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|
|   | December 31, 2016  |           | September 30, 2016 |           | December 31, 2015 |           | December 31, 2016 |           | December 31, 2015 |           |
|   | Amount             | Per share | Amount             | Per share | Amount            | Per share | Amount            | Per share | Amount            | Per share |
| Net income (loss), GAAP   | \$ (34,699)        |           | \$ 50,936          |           | \$ (65,595)       |           | \$ (225,258)      |           | \$(1,192,381)     |           |
| Adjustments:  |                    |           |                    |           |                   |           |                   |           |                   |           |
| (Gain) loss on derivative financial instruments                         | 22,505             |           | (8,209)            |           | (21,442)          |           | 34,137            |           | (75,869)          |           |
| Gain on restructuring and extinguishment of debt                        | (83)               |           | (57,421)           |           | (193,276)         |           | (119,457)         |           | (193,276)         |           |
| Cash receipts of derivative financial instruments                       | 1,052              |           | 4,709              |           | 39,823            |           | 39,149            |           | 128,800           |           |
| Impairment of oil and natural gas properties                            | —                  |           | —                  |           | 205,323           |           | 160,813           |           | 1,215,370         |           |
| Adjustments included in equity loss                                     | 6,810              |           | 25                 |           | 14,018            |           | 14,701            |           | 15,049            |           |
| Other items impacting comparability                                     | —                  |           | (1,062)            |           | (252)             |           | 23,636            |           | 3,889             |           |
| Deferred finance cost amortization acceleration                         | 228                |           | 417                |           | 3,972             |           | 1,658             |           | 8,744             |           |
| Income taxes on above adjustments (1)                                   | (12,205)           |           | 24,616             |           | (19,266)          |           | (61,855)          |           | (441,083)         |           |
| Adjustment to deferred tax asset valuation allowance (2)                | 14,496             |           | (19,758)           |           | 26,238            |           | 91,784            |           | 476,952           |           |
| Total adjustments, net of taxes   | 32,803             |           | (56,683)           |           | 55,138            |           | 184,566           |           | 1,138,576         |           |
| Adjusted net loss (5)   | \$ (1,896)         |           | \$ (5,747)         |           | \$ (10,457)       |           | \$ (40,692)       |           | \$ (53,805)       |           |
| Net income (loss), GAAP (3)   | \$ (34,699)        | \$ (0.12) | \$ 50,936          | \$ 0.18   | \$ (65,595)       | \$ (0.24) | \$ (225,258)      | \$ (0.81) | \$(1,192,381)     | \$ (4.36) |
| Adjustments shown above (3)   | 32,803             | 0.12      | (56,683)           | (0.20)    | 55,138            | 0.20      | 184,566           | 0.66      | 1,138,576         | 4.16      |
| Dilution attributable to equity-based payments (4)                      | —                  | —         | —                  | —         | —                 | —         | —                 | —         | —                 | —         |
| Adjusted net loss (5)   | \$ (1,896)         | \$ —      | \$ (5,747)         | \$ (0.02) | \$ (10,457)       | \$ (0.04) | \$ (40,692)       | \$ (0.15) | \$ (53,805)       | \$ (0.20) |
| <u>Common share and equivalents used for earnings (loss) per share:</u> |                    |           |                    |           |                   |           |                   |           |                   |           |
| Weighted average common shares outstanding                              | 280,119            |           | 279,873            |           | 277,995           |           | 279,287           |           | 273,621           |           |
| Dilutive stock options  | —                  |           | —                  |           | —                 |           | —                 |           | —                 |           |
| Dilutive restricted shares and restricted share units                   | —                  |           | —                  |           | —                 |           | —                 |           | —                 |           |
| Dilutive warrants   | —                  |           | —                  |           | —                 |           | —                 |           | —                 |           |
| Shares used to compute diluted loss per share for adjusted net loss     | 280,119            |           | 279,873            |           | 277,995           |           | 279,287           |           | 273,621           |           |

(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) 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, unrealized gains or losses from derivative financial instruments, non-cash impairments and other items typically not included by securities analysts in published estimates. All periods for which Adjusted net loss is presented include severance costs. 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

| (in thousands)                                     | Three Months Ended   |                       |                      | Year Ended           |                      |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
|  | December 31,<br>2016 | September 30,<br>2016 | December 31,<br>2015 | December 31,<br>2016 | December 31,<br>2015 |
| Cash flow from operations, GAAP                    | \$ 3,326             | \$ (49,665)           | \$ 7,171             | \$ (414)             | \$ 134,027           |
| Net change in working capital                      | 8,506                | 60,351                | 20,791               | 35,331               | 6,171                |
| Other operating items impacting comparability      | —                    | —                     | (252)                | 402                  | 3,889                |
| Adjusted operating cash flow, non-GAAP measure (1) | <u>\$ 11,832</u>     | <u>\$ 10,686</u>      | <u>\$ 27,710</u>     | <u>\$ 35,319</u>     | <u>\$ 144,087</u>    |

- (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. All periods for which Adjusted operating cash flow is presented include severance costs.

| (in thousands)  | Three Months Ended   |                       |                      | Year Ended           |                      |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2016 | September 30,<br>2016 | December 31,<br>2015 | December 31,<br>2016 | December 31,<br>2015 |
| Cash flow from operations, GAAP   | \$ 3,326             | \$ (49,665)           | \$ 7,171             | \$ (414)             | \$ 134,027           |
| Less: Additions to oil and natural gas properties, gathering assets and equipment | (8,938)              | (15,492)              | (47,882)             | (79,393)             | (317,590)            |
| Free cash flow, non-GAAP measure (2)  | <u>\$ (5,612)</u>    | <u>\$ (65,157)</u>    | <u>\$ (40,711)</u>   | <u>\$ (79,807)</u>   | <u>\$ (183,563)</u>  |

- (2) Free cash flow is cash provided by 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 |                    |                   | Year Ended        |                   |
|---|--------------------|--------------------|-------------------|-------------------|-------------------|
|   | December 31, 2016  | September 30, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| Net income (loss)   | \$ (34,699)        | \$ 50,936          | \$ (65,595)       | \$ (225,258)      | \$ (1,192,381)    |
| Interest expense  | 16,252             | 16,997             | 25,260            | 70,438            | 106,082           |
| Income tax expense  | 1,027              | 1,028              | —                 | 2,802             | —                 |
| Depletion, depreciation and amortization                              | 11,987             | 15,910             | 39,266            | 75,982            | 215,426           |
| EBITDA(1)   | \$ (5,433)         | \$ 84,871          | \$ (1,069)        | \$ (76,036)       | \$ (870,873)      |
| Accretion of discount on asset retirement obligations                 | 204                | 325                | 579               | 2,210             | 2,277             |
| Impairment of oil and natural gas properties                          | —                  | —                  | 205,323           | 160,813           | 1,215,370         |
| Other items impacting comparability                                   | —                  | (1,062)            | (252)             | 23,636            | 3,889             |
| Gain on restructuring and extinguishment of debt                      | (83)               | (57,421)           | (193,276)         | (119,457)         | (193,276)         |
| Equity loss   | 7,608              | 823                | 14,239            | 16,432            | 15,691            |
| (Gain) loss on derivative financial instruments                       | 22,505             | (8,209)            | (21,442)          | 34,137            | (75,869)          |
| Cash receipts of derivative financial instruments                     | 1,052              | 4,709              | 39,823            | 39,149            | 128,800           |
| Equity-based compensation expense                                     | 220                | 1,417              | 3,153             | 14,778            | 7,198             |
| Adjusted EBITDA (1)   | \$ 26,073          | \$ 25,453          | \$ 47,078         | \$ 95,662         | \$ 233,207        |
| Interest expense  | (16,252)           | (16,997)           | (25,260)          | (70,438)          | (106,082)         |
| Current income tax expense  | —                  | —                  | —                 | —                 | —                 |
| Amortization of deferred financing costs and discount                 | 2,006              | 2,251              | 5,911             | 9,256             | 16,994            |
| Other operating items impacting comparability and non-operating items | 5                  | (21)               | 233               | 437               | (3,921)           |
| Changes in working capital  | (8,506)            | (60,351)           | (20,791)          | (35,331)          | (6,171)           |
| Net cash provided by operating activities                             | \$ 3,326           | \$ (49,665)        | \$ 7,171          | \$ (414)          | \$ 134,027        |

- (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. In previous periods, the Company added back severance costs in the determination of Adjusted EBITDA. As a result of a reduction in workforce that occurred in the second quarter 2016, management reassessed this measurement and determined it is no longer considered non-recurring. Accordingly, all periods for which Adjusted EBITDA is presented include severance costs.

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 agreements.



## Adjusted General and Administrative Expenses

| (in thousands)  | Three Months Ended |                    |                   | Year Ended        |                   |
|---|--------------------|--------------------|-------------------|-------------------|-------------------|
|   | December 31, 2016  | September 30, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| General and administrative, GAAP                          | \$ 10,074          | \$ 10,746          | \$ 17,591         | \$ 48,700         | \$ 58,818         |
| Less: Equity-based compensation                           | (220)              | (1,417)            | (3,153)           | (14,778)          | (7,198)           |
| Less: Restructuring and severance costs                   | (3,936)            | (2,697)            | (2,711)           | (5,645)           | (5,283)           |
| Adjusted general and administrative, non-GAAP measure (1) | <u>5,918</u>       | <u>6,632</u>       | <u>11,727</u>     | <u>28,277</u>     | <u>46,337</u>     |

- (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 initiative focused on restructuring its balance sheet and gathering and transportation contracts, and severance costs relate primarily to the Company's reductions in workforce.



## PV-10

SEC PV-10 and NYMEX PV-10 as used in this release are considered non-GAAP financial measures. EXCO believes that SEC PV-10, while not a financial measure in accordance with U.S. GAAP, is an important financial measure used by investors and independent oil and natural gas producers for evaluating the relative significance of oil and natural gas properties and acquisitions due to tax characteristics which can differ significantly among comparable companies. The Standardized Measure represents the SEC PV-10 after giving effect to income taxes, and is calculated in accordance with the Financial Accounting Standards Board Accounting Standards Codification 932, *Extractive Activities, Oil and Gas*. EXCO's tax basis in the associated properties exceeded the pre-tax cash inflows and, as a result, there is no difference in Standardized Measure and SEC PV-10.

The NYMEX PV-10 as disclosed in this release differs from the Standardized Measure due to the oil and natural gas prices utilized in the determination of future net cash flows. In addition, it includes the value of the potential reserves that, at December 31, 2016, were recorded as unproved due to the uncertainty regarding the availability of capital required to develop these reserves. These additional reserves meet the technical definition of proved reserves in accordance with certain professional societies, including the Society of Petroleum Engineers. These reserves will be reported as Proved Undeveloped Reserves when the Company determines it has the financial capability to execute a development plan. EXCO believes that NYMEX PV-10 can be used within the industry and by creditors and securities analysts to evaluate estimated net cash flows based on the current commodity price environment.

The following table provides a reconciliation of our PV-10 to the Standardized Measure as of December 31, 2016:

| <b>Factors</b>                                   | <b>Unit</b> | <b>December 31, 2016</b> |
|--|-------------|--------------------------|
| SEC PV-10  | \$MM        | 311                      |
| Future income taxes                              | \$MM        | —                        |
| Discount of future income taxes at 10% per annum | \$MM        | —                        |
| Standardized Measure                             | \$MM        | 311                      |

The following table reconciles NYMEX PV-10 to the Standardized Measure as of December 31, 2016:

| <b>(in millions)</b>                               | <b>Unit</b> | <b>December 31, 2016</b> |
|--|-------------|--------------------------|
| NYMEX PV-10  | \$MM        | 970                      |
| Technical Proved Undeveloped Reserves              | \$MM        | (393)                    |
| Change in pricing assumptions from NYMEX to SEC(*) | \$MM        | (266)                    |
| Standardized Measure                               | \$MM        | 311                      |

(\*) NYMEX PV-10 was based on NYMEX futures prices as of December 30, 2016, including natural gas prices per Mmbtu of \$3.63 for 2017, \$3.14 for 2018, \$2.87 for 2019, \$2.88 for 2020, \$2.90 for 2021, \$2.93 for 2022, \$3.02 for 2023, \$3.16 for 2024 and \$3.31 thereafter, and oil prices per Bbl of \$56.35 for 2017, \$56.52 for 2018, \$56.07 for 2019, \$56.06 for 2020, \$56.23 for 2021, \$56.56 for 2022 and \$57.04 thereafter.



## Finding and development costs

Management believes that the presentation of finding and development (F&D) costs provides useful information in assessing the Company's ability to efficiently manage its capital programs. Finding and development costs are calculated by dividing the sum of exploration costs and development costs for the year by the total additions to proved developed reserves. However, these measures are provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP (including the notes).

| Factors                                    | Unit    | Year-to-Date |          |
|--|---------|--------------|----------|
|  |         | 12/31/16     | 12/31/15 |
| Development costs                          | \$MM    | 62.3         | 215.2    |
| Exploration costs                          | \$MM    | —            | 13.3     |
| Total development and exploration (1)      | \$MM    | 62.3         | 228.5    |
|  |         |              |          |
| Additions to proved developed reserves (2) | Bcfe    | 77.9         | 285.5    |
|  |         |              |          |
| Finding and development costs              | \$/Mcfe | 0.80         | 0.80     |

(1) Excludes rig termination fees, field operations capital and other leasehold development costs that are not directly associated with future proved developed reserve additions.

(2) Additions to proved developed reserves include both proved undeveloped reserves converted to proved developed reserves and unproved reserves converted to proved developed reserves.